

**DEUTSCHE TELEKOM**  
INTERIM GROUP REPORT  
JANUARY 1 TO SEPTEMBER 30, 2019



**LIFE IS FOR SHARING.**

# SELECTED FINANCIAL DATA OF THE GROUP

millions of €

	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018
<b>REVENUE AND EARNINGS</b>							
Net revenue	20,017	19,104	4.8	59,169	55,395	6.8	75,656
Of which: domestic	% 30.1	31.9		30.7	32.5		32.2
Of which: international	% 69.9	68.1		69.3	67.5		67.8
Profit (loss) from operations (EBIT)	3,058	2,530	20.9	7,665	7,053	8.7	8,001
Net profit (loss)	1,368	1,110	23.2	3,213	2,597	23.7	2,166
Net profit (loss) (adjusted for special factors)	1,420	1,321	7.5	3,932	3,749	4.9	4,545
EBITDA	7,314	5,874	24.5	20,476	16,699	22.6	21,836
EBITDA AL	6,302	5,815	8.4	17,523	16,516	6.1	21,577
EBITDA (adjusted for special factors)	7,490	6,207	20.7	21,654	17,684	22.4	23,333
EBITDA AL (adjusted for special factors)	6,478	6,148	5.4	18,701	17,501	6.9	23,074
EBITDA AL margin (adjusted for special factors)	% 32.4	32.2		31.6	31.6		30.5
Earnings per share basic/diluted	€ 0.29	0.23	26.1	0.68	0.55	23.6	0.46
Adjusted earnings per share basic/diluted	€ 0.30	0.28	7.1	0.83	0.79	5.1	0.96
<b>STATEMENT OF FINANCIAL POSITION</b>							
Total assets				174,327	142,260	22.5	145,375
Shareholders' equity				45,137	43,481	3.8	43,437
Equity ratio	%			25.9	30.6		29.9
Net debt				78,807	55,473	42.1	55,425
<b>CASH FLOWS</b>							
Net cash from operating activities	5,924	4,853	22.1	17,531	13,542	29.5	17,948
Cash capex	(3,180)	(3,117)	(2.0)	(11,206)	(9,351)	(19.8)	(12,492)
Cash capex (before spectrum investment)	(3,037)	(3,047)	0.3	(10,043)	(9,143)	(9.8)	(12,223)
Free cash flow (before dividend payments and spectrum investment)	2,913	1,883	54.7	7,596	4,779	58.9	6,250
Free cash flow AL (before dividend payments and spectrum investment)	2,147	1,828	17.5	5,250	4,613	13.8	6,051
Net cash used in investing activities	(2,886)	(5,422)	46.8	(10,236)	(11,655)	12.2	(14,297)
Net cash used in financing activities	(505)	(145)	n.a.	(4,563)	(2,939)	(55.3)	(3,259)

millions

	Sept. 30, 2019	Dec. 31, 2018	Change Sept. 30, 2019/ Dec. 31, 2018 %	Sept. 30, 2018	Change Sept. 30, 2019/ Sept. 30, 2018 %
<b>FIXED-NETWORK AND MOBILE CUSTOMERS</b>					
Mobile customers	181.8	178.4	1.9	175.3	3.7
Fixed-network lines	27.6	27.8	(0.7)	28.0	(1.4)
Broadband customers <sup>a</sup>	20.9	20.2	3.4	20.0	4.5

<sup>a</sup> Excluding wholesale.

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

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

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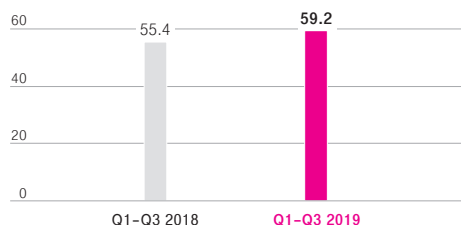
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# TO OUR SHAREHOLDERS

## DEUTSCHE TELEKOM AT A GLANCE

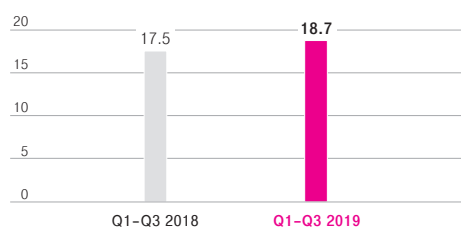
### Net revenue

billions of €



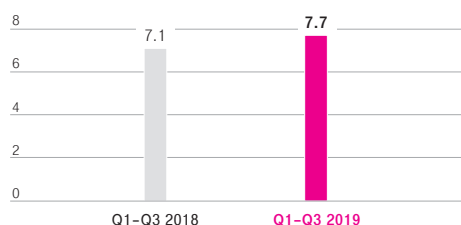
### Adjusted EBITDA AL<sup>a</sup>

billions of €



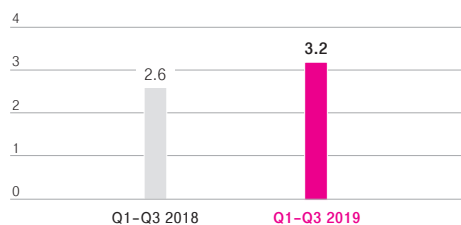
### EBIT

billions of €



### Net profit

billions of €



### NET REVENUE

- Net revenue increased by 6.8 percent to EUR 59.2 billion. On a like-for-like basis, i.e., excluding exchange rate effects and effects of changes in the composition of the Group, net revenue increased by EUR 1.5 billion or 2.7 percent.
- Our United States operating segment posted an increase in revenue of 11.8 percent; also in U.S. dollars, the continuing success of our U.S. operations was evident in revenue growth of 5.2 percent.
- Our Europe operating segment recorded an increase in revenue of 2.2 percent and revenue in our Germany operating segment also edged up by 0.8 percent.
- The inclusion of Tele2 Netherlands made a substantial contribution to the increase in revenue in our Group Development operating segment.

### ADJUSTED EBITDA AL<sup>a</sup>

- Adjusted EBITDA AL rose by 6.9 percent to EUR 18.7 billion, with contributions from all operating segments. Adjusted for exchange rate effects and the slightly positive effects of changes in the composition of the Group, adjusted EBITDA AL rose by EUR 0.6 billion or 3.5 percent.
- Adjusted EBITDA AL for our United States operating segment increased by 11.6 percent. In U.S. dollars, this constituted growth of 5.0 percent in our U.S. operations.
- Our Europe operating segment recorded an increase in adjusted EBITDA AL of 5.0 percent and our Germany operating segment an increase of 2.4 percent. Substantial increases in adjusted EBITDA AL were likewise recorded by the Systems Solutions and Group Development operating segments – the latter also due to earnings contributed by the acquiree Tele2 Netherlands.
- At 31.6 percent, the Group's adjusted EBITDA AL margin remained at the prior-year level. The adjusted EBITDA AL margin was 40.2 percent in Germany, 33.8 percent in Europe, and 28.4 percent in the United States.

### EBIT

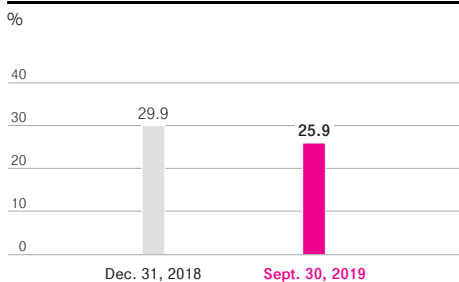
- EBIT increased by EUR 0.6 billion to EUR 7.7 billion.
- Special factors in connection with staff-related measures decreased slightly against the prior-year level to EUR 0.7 billion, while additional special factors of EUR 0.4 billion, in particular in connection with the approval process for the business combination with Sprint, had a negative effect in the reporting period.
- At EUR 12.8 billion, depreciation, amortization and impairment losses were EUR 3.2 billion higher than in the prior-year period. This substantial increase is primarily attributable to the depreciation charge for right-of-use assets required to be recognized as a result of the application of IFRS 16. Depreciation of property, plant and equipment and amortization of intangible assets were EUR 0.5 billion higher than in the prior-year period, which had contained depreciation, amortization and impairment losses on finance lease assets.

### NET PROFIT

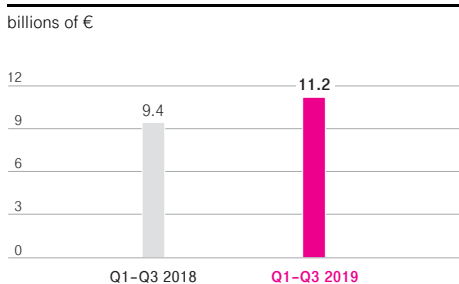
- Net profit increased from EUR 2.6 billion to EUR 3.2 billion.
- Our loss from financial activities decreased from EUR 2.1 billion in the prior-year period to EUR 1.5 billion. Finance costs that were higher due to the application of IFRS 16 were compensated by positive measurement effects from embedded derivatives at T-Mobile US. The prior year had also contained a negative effect of EUR 0.6 billion in connection with a settlement agreed in the Toll Collect arbitration proceedings.
- At EUR 1.7 billion, the tax expense was up from EUR 1.4 billion in the prior-year period.
- Profit attributable to non-controlling interests increased year-on-year by EUR 0.4 billion to EUR 1.3 billion.
- Adjusted earnings per share increased to EUR 0.83 from EUR 0.79 in the prior-year period.

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

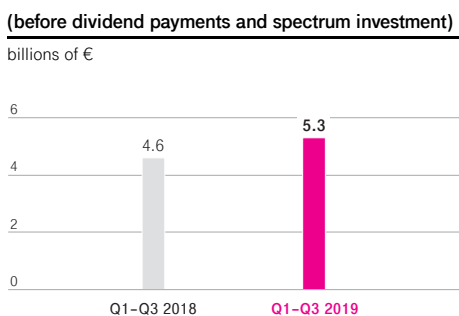
**Equity ratio**



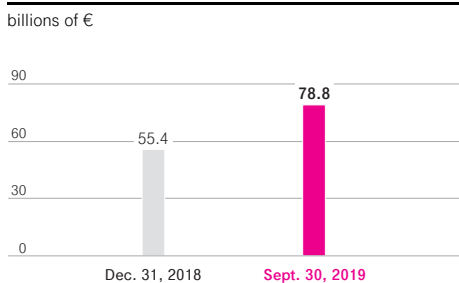
**Cash capex**



**Free cash flow AL<sup>a</sup>**



**Net debt**



**EQUITY RATIO**

- The decrease in the equity ratio from 29.9 percent at year-end 2018 to 25.9 percent mainly results from the increase of 19.9 percent in total assets/total liabilities and shareholders' equity. A key driver of this increase was the application of IFRS 16 and the resulting capitalization of right-of-use assets and recognition of lease liabilities.
- Shareholders' equity increased from EUR 43.4 billion as of December 31, 2018 to EUR 45.1 billion. In particular, the profit of EUR 4.5 billion, the acquisition of Tele2 Netherlands totaling EUR 0.7 billion, and income taxes relating to components of other comprehensive income of EUR 0.6 billion had an increasing effect. In addition, currency translation effects recognized directly in equity increased shareholders' equity by EUR 1.2 billion.
- Factors in this decrease included dividend payments (including to other shareholders of subsidiaries) of EUR 3.6 billion, the remeasurement of defined benefit pension plans accounting for EUR 1.5 billion, and effects from hedging instruments in the amount of EUR 1.0 billion.

**CASH CAPEX**

- Cash capex (including spectrum investment) increased from EUR 9.4 billion to EUR 11.2 billion.
- In the reporting period, payments were made for mobile spectrum licenses in the amount of EUR 1.2 billion, especially in the United States operating segment. Annual installments through 2030 were agreed for the spectrum licenses worth EUR 2.2 billion acquired in Germany in 2019; EUR 0.1 billion was paid in the reporting period. In the comparative period, payments were made for mobile spectrum licenses in the amount of EUR 0.2 billion, again primarily in the United States.
- Excluding the effects from the acquisition of spectrum, the increase in cash capex of EUR 0.9 billion is attributable in particular to the United States operating segment, and mainly relates to the accelerated infrastructure build-out for the 600 MHz spectrum, which also lays the groundwork for 5G. In the other operating segments, investments in building out and upgrading our networks remained at a sustained high level.

**FREE CASH FLOW AL<sup>a</sup>**

**(BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)**

- Free cash flow AL was up from EUR 4.6 billion to EUR 5.3 billion.
- The increase was attributable to the positive development of net cash from operating activities, which benefited in particular from the strong performance of our operating segments, especially in the United States.
- The year-on-year increase of EUR 0.9 billion in cash capex (excluding spectrum investment) had a negative impact on free cash flow.

**NET DEBT**

- Net debt increased by EUR 23.4 billion to EUR 78.8 billion compared with the end of 2018.
- The recognition of lease liabilities in connection with the application of IFRS 16 raised net debt by EUR 15.6 billion.
- Further factors in this increase included in particular the dividend payments – including to other shareholders of subsidiaries – (EUR 3.6 billion), additions to liabilities in connection with leases (EUR 4.5 billion), the acquisition of spectrum (EUR 3.2 billion), exchange rate effects (EUR 1.7 billion), and the acquisition of Tele2 Netherlands (EUR 0.4 billion).
- The main factor reducing net debt was free cash flow of EUR 7.6 billion.

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For a more detailed explanation, please refer to the section "[Development of business in the Group.](#)"

## HIGHLIGHTS IN THE THIRD QUARTER OF 2019

**T-Mobile US added to the S&P 500 Index.** T-Mobile US was added to the S&P 500 Index and to the S&P 500 GICS (Global Industry Classification Standard) Wireless Telecommunication Services Sub-Industry index effective prior to the open of trading on July 15, 2019.

### Realignment of business-to-business telecommunications services.

Consistent with our efforts to implement our Group strategy pillar “Lead in business productivity,” we plan to set up a new integrated unit for business-to-business telecommunications services within Telekom Deutschland in 2020. This new unit will comprise both the existing Business Customers unit from Telekom Deutschland and the portfolio units TC Services and Classified ICT from T-Systems. To enhance its agility on the market, T-Systems also plans to spin off the business units Security and IoT (Internet of Things) into two independent legal entities (limited liability companies under German law (GmbHs)). Both companies will continue to be part of T-Systems. No additional staff reductions are planned as part of this step.

**Broadcast rights for UEFA EURO 2024.** We have secured the broadcast rights in Germany for the UEFA European Championship 2024. The agreement with European soccer association UEFA covers the exclusive exploitation rights for all 51 matches. This means we can offer all UEFA EURO 2024 games on our TV and streaming platforms. The matches of the German national team and other games will be broadcast free-to-air, as will the semi-finals and the final.

## INVESTMENTS IN NETWORKS

**5G goes live in five cities.** Our 5G network is now operational in five German cities – Berlin, Bonn, Cologne, Darmstadt, and Munich. A total of 129 5G antennas were up and running as of September 2019, delivering bandwidths of 1 Gbit/s and over. Some 66 antennas in Berlin’s Mitte district form the largest coherent 5G coverage area in Germany, covering around six square kilometers. We are gradually expanding our 5G network clusters in these five cities so that larger areas can be served and not just isolated spots around individual antennas. The aim is to provide maximum coverage so customers can enjoy the best network. Hamburg and Leipzig are also to benefit from 5G by the end of 2019. In total, there are plans to install more than 300 antennas in Germany by the end of the year. Our efforts to roll out 5G and innovate in this field are also going well in the United States and our European subsidiaries. In Austria, for example, we made the first ever video call using 5G, while in Croatia a drone has transmitted video footage over a 5G network. For more details, please refer to our [media information](#).

**30 million households connected to the high-speed network.** We are building fast internet for millions of people. In September 2019 alone, we increased speeds to up to 250 Mbit/s for over 700,000 lines. The number of lines with speeds of up to 250 Mbit/s has grown to its current total of almost 25 million. The total number of households with the option to choose rate plans offering up to 100 Mbit/s or faster has now risen to 30 million.

**Fiber-optic lines for the Oder-Spree district.** Over the coming three years, some 42 million euros of public funding will be invested in building out broadband coverage in the district of Oder-Spree. Fiber-optic lines will be laid district-wide for around 8,000 households, almost 200 businesses – primarily on business parks – and 68 schools and educational institutions. The corresponding agreement was signed on September 26, 2019. We were awarded the contract for this project following a Europe-wide request for proposals. The new lines will offer speeds of up to 1 Gbit/s and are capable of handling all kinds of digital applications. We plan to lay more than 2,800 km of fiber-optic cable and install about 400 new distribution cabinets.

**“Hunting down dead zones.”** A new initiative called “Wir jagen Funklöcher” (hunting down dead zones) aims to close 50 gaps in mobile coverage across Germany. Municipalities can get actively involved as partners in our campaign to expand the mobile network. The campaign calls on municipalities, policy-makers, citizens, and local businesses to take the initiative. It is open to all municipalities with a dead spot in LTE coverage. All we ask for is either a rooftop location suitable for an antenna or an open space for a mast. In return, we build and operate a state-of-the-art LTE site. “Wir jagen Funklöcher” complements our existing cell site program, under which we install around 2,000 antennas each year. Furthermore, in the months of June to August alone, we added almost 4,500 new LTE antennas to the network across Germany, bringing LTE network coverage to 97.9 percent of the population.

## INNOVATIONS AND PARTNERSHIPS

**“we care” is making sustainability visible for customers.** We take our responsibility for a more sustainable future seriously. To be even more transparent, we are launching our “we care” sustainability label to offer guidance and make purchasing decisions easier – particularly helping customers who place a high value on sustainability. It will feature in descriptions of selected Deutsche Telekom products, services, projects, and initiatives. The label has two categories: The “digital participation” (digitale Teilhabe) symbol highlights a positive contribution toward solving social challenges in the digital world. The “we care” symbol relates to the environment, covering products, services, and initiatives that contribute, for example, toward climate protection and responsible use of resources. For more details, please refer to our [media information](#).

**#DABEL ensures Germany can #TAKEPART.** Our booth at this year's IFA in September in Berlin was built around our three-pronged approach of "Best networks, best products, best service" and revealed an abundance of innovations – from the launch of 5G to the smart speaker. The #DABEL FESTIVAL showcased our company as a responsible partner with its finger on the pulse of an increasingly digital society. In addition to interactive performances centering on 5G, the fiber-optic roll-out, and Magenta products and services, we also offered workshops with experts and pros on coding, gaming, upcycling, and more.

**Telekom and Ericsson: new campus networks for industry.** Campus networks are in high demand in the industrial sector. State-of-the-art mobile communications technology can be used to enhance – or even replace entirely – existing Wi-Fi networks. It offers greater capacities, low latency, and keeps data traffic more secure. We announced a strategic partnership with Ericsson to jointly provide enterprise customers with answers to the growing market for smart industrial solutions and help them revolutionize their on-site infrastructure. From wireless industrial robots to fully networked value chains, we make it simple for businesses to begin using next-generation transmission technology. We offer a wide range of LTE- and 5G-based campus solutions. Production plants, logistics centers, airports, and ports are the first users to benefit from the innovative new portfolio. For more details, please refer to our [media information](#).

**Climate-neutral cell site.** This year, we launched a unique project worldwide in the town of Dettelbach. For the first time ever, a cell site is powered permanently by a bio-methanol fuel cell. The fuel cell is not only more efficient and much easier to maintain than a combustion engine, but is also carbon-neutral since it runs on bio-methanol, as well as being silent, and vibration-free. Fuel cells make it possible for cell sites without mains power to operate around the clock. This project helps us to meet our climate goal of reducing CO<sub>2</sub> emissions by 90 percent by 2030. To achieve this goal we intend to transition to 100 percent renewable electricity throughout the Group from 2021.

**"5Germany": talking 5G with the business community.** Shaping the digital future actively together with 5G: This was the motto of our user conference "5Germany" organized by Handelsblatt and Deutsche Telekom in late September 2019. Numerous board members of large and medium-sized companies joined government representatives at the event in Berlin. Together with them, we discussed specific industrial requirements for 5G. The goal is for network operators, industry, and policy-makers to work shoulder to shoulder on the 5G rollout. For more details, please refer to our [media information](#).

**Audi, Ingolstadt, and Telekom cooperate on 5G.** We plan to enter into a pioneering 5G technology partnership together with the city of Ingolstadt and Audi. The goal is to use the new 5G technology to make urban mobility safer, more digital, and more sustainable. The memorandum of understanding is the basis for a planned cooperation to develop a digital transport infrastructure that, in the long term, aims to offer people greater road safety, better traffic flows, and digital real-time services. The city of Ingolstadt plans to comprehensively support Deutsche Telekom's construction work and expansion of the mobile communications infrastructure, thus supporting application-oriented developments and more in the mobility sector. In addition to Audi, other industrial companies will be able to use the local 5G infrastructure. For more details, please refer to our [media information](#).

**Mobile banking service in Croatia.** Hrvatski Telekom and Zagrebačka banka in August 2019 introduced Telekom Bankarstvo – a complete mobile banking service – mobile application, checking account, foreign currency account, free transactions, internet banking, and other bank services such as cash and housing loans and savings – of Zagrebačka banka in cooperation with Hrvatski Telekom, which is also the first such cooperation in the Croatian market. The service is available to smartphone users, while special benefits will be available to Hrvatski Telekom users.

## BRAND AND PRODUCTS

**MagentaMobil 2019: even more data and 5G included.** Our new MagentaMobil rate plans offer even more surfing fun on the best network (connect 1/2019). Launched at the beginning of September 2019, all plans have been topped up with StreamOn flat rates and an additional data allowance, and are ready for the 5G era. The data allowance on the MagentaMobil S plan goes up from 2.5 to 6 gigabytes (GB), on the MagentaMobil M plan it is up from 5 to 12 GB, and the allowance on the MagentaMobil L plan is increasing from 10 to 24 GB. Data is still unlimited on the MagentaMobil XL rate plan. On top of all that, all mobile customers will in future benefit from StreamOn. Furthermore, data allowances under the new Business Mobil rate plans are more than doubling and are also 5G-ready. For more details, please refer to our [media information](#).

**Order today, connected tomorrow: New Telekom rate plans for IoT.**

We offer full-service rate plans for the Internet of Things (IoT). Our Business Smart Connect packages cover a range of all-inclusive services. The pre-activated SIM cards can be used immediately in sensors, trackers, and other IoT devices. The package also includes a service portal to manage the cards. Cards can be used in 28 countries of the European Union. We are the first company to also offer roaming on the NB-IoT networks of our national companies. These are currently Austria, the Netherlands, Hungary, Slovakia, the Czech Republic, and Greece. For more details, please refer to our [media information](#).

**Fully comprehensive service for the home network: WLAN Paket plus.**

We are expanding our home networking product portfolio with WLAN Paket plus. The package includes two Speed Home Wi-Fi units that use mesh Wi-Fi technology to beam a wireless signal throughout the entire house. Also included is the Deutsche Telekom Wi-Fi promise: A fully comprehensive service for all questions relating to home networking, with experts on hand to help set up and optimize Wi-Fi either over the phone or via remote access. They ensure optimum reception, advise on where best to place the Speed Home Wi-Fi units, and help get them connected. If telephone support is not enough, a Wi-Fi expert will make

an on-site visit, if necessary. For more details, please refer to our [media information](#).

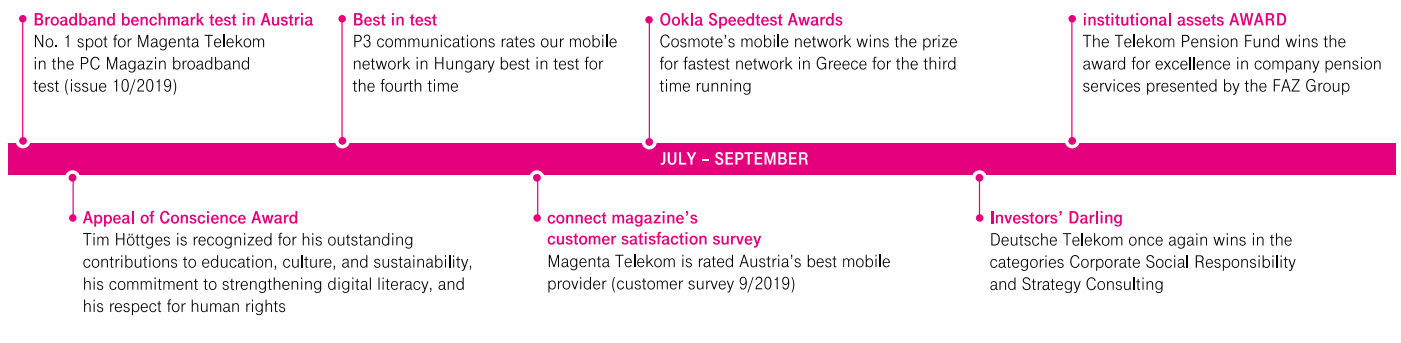
**Hallo Magenta – the first smart speaker made in Europe.** Our Smart Speaker was launched on the market in September 2019. It is now possible to simply use voice commands to operate MagentaTV, Magenta SmartHome, and telephone services. Using voice commands to adjust the lighting or temperature at home to the right mood is no problem, either. The Smart Speaker even makes phoning a hands-free activity. Voice dialing allows users to make a call from their fixed-network line without any additional equipment. The Smart Speakers offer the highest level of data security – data is processed exclusively in compliance with our high European data protection standards. For more details, please refer to our [media information](#).

For further information, please refer to the Media section on our website at: [www.telekom.com/en/media/media-information](http://www.telekom.com/en/media/media-information).

**AWARDS**

The illustration below shows the main awards received in the third quarter of 2019. For details on more awards, please go to [www.telekom.com/media](http://www.telekom.com/media).

**Major awards in the third quarter of 2019**





# INTERIM GROUP MANAGEMENT REPORT

## GROUP ORGANIZATION, STRATEGY, AND MANAGEMENT

With regard to our **Group organization, strategy, and management**, please refer to the explanations in the [2018 Annual Report](#). The following changes and/or additions were recorded from the Group's point of view:

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

On January 15, 2019, OTE concluded an agreement concerning the sale of its stake in **Telekom Albania** to the Bulgarian company Albania Telecom Invest AD for a purchase price of EUR 50 million. The transaction was approved by the authorities and then consummated on May 7, 2019.

The consummation of our **Business Combination Agreement to merge with Sprint** is subject to approvals by the regulatory and anti-trust authorities and certain other customary closing conditions. On June 18, 2018, we filed the Public Interest Statement and applications for approval of our merger with Sprint with the Federal Communications Commission (FCC). The FCC granted formal approval on October 16, 2019. In June 2019, the attorneys general of 13 states and the District of Columbia filed a lawsuit against T-Mobile US, Deutsche Telekom, Sprint, and Softbank Group Corp. in the U.S. District Court for the Southern District of New York. Another four U.S. states have since joined the suit, while the attorneys general of Mississippi and Colorado withdrew from the lawsuit following settlement agreements. We believe the lawsuit is without merit. On July 26, 2019, we entered into a consent decree with the U.S. Department of Justice, which is now awaiting confirmation by the U.S. federal court in Washington. As such, the DOJ is waiving its right under U.S. law to file a suit against the transaction. In parallel, multiple agreements were signed with the U.S. TV satellite operator DISH Networks to implement the conditions for the merger. Once the legal proceedings are concluded, we expect to close the transaction in early 2020.

**Business-to-business telecommunications services** are to be **realigned** in 2020. Consistent with our efforts to implement the Group's strategy pillar "Lead in business productivity," the plan is to set up a new B2B telecommunications services unit within the Germany operating segment. The new unit will consist of the TC Services and Classified ICT portfolio units currently assigned to the Systems Solutions operating segment. The goal is to improve efficiency for our business customers and simplify our operational business. In parallel, the portfolio units Security and IoT (Internet of Things) will be spun off into independent legal entities (limited liability companies under German law (GmbHs)) to strengthen Deutsche Telekom's position in both areas. Independent entities benefit from simpler decision-making processes and are able to act in a more agile way to better respond to market trends.

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

At its meeting on May 22, 2019, the Supervisory Board of Deutsche Telekom AG resolved to dissolve the **"Data Privacy, Legal Affairs and Compliance" Board department (DRG)** effective December 31, 2019. After this date, Internal Audit and Risk Management will be assigned to the "Finance" Board department. Group Security Governance will be assigned to the "Technology and Innovation" Board department. As Executive Vice President, General Counsel Dr. Claudia Junker will lead the Data Privacy, Legal Affairs, and Compliance units, reporting directly to Birgit Bohle. Birgit Bohle will head up the extended "Human Resources and Legal Affairs" Board department from January 1, 2020. Dr. Thomas Kremer will leave the Group for reasons of age effective March 31, 2020. Until his departure, Dr. Kremer will support the transition to the new structures as part of a designated mandate.

The mandatory **first-time application of the new IFRS 16 "Leases"** accounting standard as of January 1, 2019 has a material impact on Deutsche Telekom's consolidated financial statements. The new standard requires payment obligations from existing operating leases to be discounted and recognized as lease liabilities; as financial liabilities, they increase net debt. At the same time, the lessee recognizes a right-of-use asset. Operating expenses previously recognized in connection with operating leases will in future be recognized in depreciation charges on right-of-use assets and in interest expenses for discounted obligations from operating leases, as appropriate. This will significantly increase EBITDA without any attendant change in the economic circumstances. In the statement of cash flows, the principal repayment portion of the lease payments from existing operating leases will reduce net cash from/used in financing activities and no longer affect net cash from operating activities. The interest portion of the payments will remain in net cash from operating activities and thus also in free cash flow.

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

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

millions of €	
	Q1-Q3 2019
EBITDA	20,476
Depreciation of right-of-use assets <sup>a</sup>	(2,354)
Interest expenses on recognized lease liabilities <sup>a</sup>	(599)
<b>EBITDA AL</b>	<b>17,523</b>
Free cash flow (before dividend payments and spectrum investment)	7,596
Principal portion of repayment of lease liabilities <sup>a</sup>	(2,346)
<b>FREE CASH FLOW AL (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)</b>	<b>5,250</b>

<sup>a</sup> Excluding finance leases at T-Mobile US.

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

## THE ECONOMIC ENVIRONMENT

This section provides additional information on, and explains recent changes to, the economic situation as described in the [2018 Annual Report](#), focusing on macroeconomic developments in the first nine months of 2019, the outlook, the currently prevailing economic risks, and the regulatory environment. The overall economic outlook presupposes there are no major unexpected occurrences in the forecast period.

### MACROECONOMIC DEVELOPMENT

In the first nine months of 2019, leading institutions and banks revised their growth outlooks downwards. The Organisation for Economic Co-operation and Development (OECD) cut its global GDP growth forecast for 2019 from 3.2 percent to 2.9 percent, and expects to see growth of 3.0 percent in 2020. For the German economy, the OECD projects growth in the current year of 0.5 percent. Despite the sharp decline in industrial activity in Germany, domestic consumption remains robust. According to the Bitkom-ifo-Digital index report, while the digital sector also continues to enjoy a robust business climate, it cannot completely detach itself from the overall negative economic trend. The national economies in our core markets in Europe (excluding Germany) and North America continue to grow albeit at a slower rate.

### OUTLOOK

Under the current conditions, we expect to see weaker economic trends in the economies of our core markets. With domestic consumption remaining at a stable level and sustained steady demand for telecommunications services, we do not expect the weaker economic growth to have a material impact on the development of the telecommunications markets.

### OVERALL ECONOMIC RISKS

The economic risks have increased. Trade conflicts, political uncertainty – not least with respect to the terms and conditions of Brexit – and further declines in industrial activity which could also spread to industries with a stronger domestic focus are all factors that could interfere with the recovery of the economy. Furthermore, geopolitical crises could also have a negative impact on the economies of the countries in which we operate.

### REGULATION

**Federal Network Agency to adapt regulation of the “last mile.”** The Federal Network Agency carries out regular reviews to determine whether and which companies are in dominant market positions and what regulatory requirements this entails. To date, Telekom Deutschland has had to comply with extensive regulation of what is known as the “last mile.” The Agency published its draft of a new market analysis on access to the “last mile” for consultation on May 27, 2019. According to the draft, Telekom Deutschland remains in a dominant market position. However, the Agency emphasizes that the regulations governing Telekom’s existing copper network do not necessarily have to apply to FTTH; rather, the Agency advocates – at most – minimal regulation provided the market participants can reach mutual agreement. The details of the regulatory requirements will be determined in separate proceedings, the outcome of which cannot be predicted.

#### **Fixed-network termination rates given final approval for four years.**

On June 28, 2019, the Federal Network Agency issued final approval of the fixed-network termination rates (FTRs) both for Telekom Deutschland and for alternative telecommunications operators in the form of a four-year glide path. The following FTRs will apply effective January 1, 2019: 2019 = 0.08 ct/min., 2020 = 0.06 ct/min., 2021 = 0.05 ct/min., and 2022 = 0.03 ct/min. The rates approved by the Agency will apply until the European Commission enacts an FTR cap to replace the national regulation.

**Federal Network Agency planning further MTR cuts.** In a draft ruling published by the Agency on October 7, 2019, mobile termination rates (MTRs) are to be reduced from 0.95 ct/min. at present to 0.90 ct/min. effective December 1, 2019. In two additional steps to be implemented annually also effective December 1, MTRs will be cut further to 0.78 ct/min. and 0.70 ct/min. We expect that the final approval for these cuts will be given in late November 2019 once the national and international consultations are concluded. Here, too, it is anticipated that the rates approved by the Agency will apply until the EU-wide MTR cap required under the new EU legal framework enters into force – possibly following a transition period.

**Deregulation of mobile termination rates for calls from non-EU countries.** The Federal Network Agency has deregulated the termination of calls originating outside of the European Economic Area (EEA) on the mobile network of Telekom Deutschland and other German mobile network operators. As a result, from December 1, 2019 we ourselves can decide on the pricing and terms that apply to the charging of calls to network operators outside the EEA. This differentiation between EEA and non-EEA calls is now standard practice in most EU member states, since MTR regulation binds European network operators to extremely low termination rates while the rates charged by network operators outside of the EEA are significantly higher. However, in order to prevent prices from spiraling to the detriment of the consumer, while these rates are freely negotiable, they must not exceed the rates that the network operators in the originating countries charge for comparable services.

**Increase of rates for unbundled local loop lines (ULLs).** The Federal Network Agency increased the regulated rates received by Telekom Deutschland for leasing the “last mile” of its network with effect from July 1, 2019. Specifically, the rate for leasing the line from the customer to the cable distribution box is increasing from EUR 6.77/month to EUR 7.05/month and the rate for the longer section from the customer to the main distribution frame is increasing from EUR 10.02/month to EUR 11.19/month. The rate for leasing cable duct capacities is increasing from EUR 0.04/month to EUR 0.06/month. Although these rates remain below the level we sought in our application, the Agency has at least recognized that the costs of building out the “last mile” of the network have risen in the three years since the rates were last set. The rate approvals are valid until June 30, 2022.

**StreamOn.** In its ruling announced on July 15, 2019, the Münster Higher Administrative Court confirmed as part of expedited court proceedings that the Federal Network Agency’s orders regarding the optimization of data traffic in connection with internet access services as well as the obligation to also make the services available within the EU must be followed for the time being. In consultation with the Federal Network Agency, we have modified the product pursuant to the authority’s requirements. Nevertheless, the Cologne Administrative

Court will review in ordinary court proceedings (known as principal proceedings) whether the steps to optimize data traffic as well as the restriction of the offering to Germany are compatible with the EU regulation.

**Spectrum auction in Germany.** The Federal Network Agency’s auction of nationwide frequencies for Germany in the 2.1 GHz and 3.4 to 3.7 GHz bands was held between March 19 and June 12, 2019. Telekom Deutschland GmbH was admitted to the auction proceedings along with three other companies: Drillisch Netz AG, Telefónica Germany GmbH & Co. OHG, and Vodafone GmbH. All participants purchased spectrum. We won four frequency blocks in the 2 GHz band and nine lots in the 3.6 GHz band worth a total of EUR 2.17 billion. In place of a lump-sum payment, government representatives agreed to let us pay the purchase price in annual installments from 2019 through 2030. This was granted on the condition that we assume additional build-out obligations. These additional licenses double our spectrum holdings in the 2.1 GHz band and give us almost a third of the available spectrum (90 MHz) in what is the optimum band for us, the 3.6 GHz band. Achieving this desired outcome to the auction helps us sustain our leading position in the competition to deliver the best quality mobile network in Germany. The three existing network operators and six service providers had brought legal action in connection with the auction terms and conditions; however, this had no effect on the auction timing.

**Spectrum auction in Austria.** The auction in Austria of key 3.6 GHz spectrum (3.4 to 3.8 GHz) required for the rollout of 5G was held between February 12 and March 8, 2019. The nationwide network operators A1, T-Mobile Austria, and Hutchison, as well as other regional operators, were admitted to the proceedings as participants. Deutsche Telekom’s subsidiary T-Mobile Austria secured continuous nationwide spectrum of 110 MHz (in the 3,690 to 3,800 MHz band) worth EUR 57 million, while Hutchison obtained only 100 MHz and A1 received varying regional spectrum packages due to the success of four regional providers.

**Spectrum auctions in the United States.** The Federal Communications Commission (FCC) held a 28 GHz auction from November 2018 through January 2019. This was the first time that 5G spectrum in such a high frequency band (known as millimeter wave (mmWave)) had been auctioned in the United States. On March 14, 2019, a second mmWave auction began in which a total of 1.55 GHz of spectrum in the 24 GHz band was available. T-Mobile US also participated in this auction. Over the course of the two auctions for 28 GHz and 24 GHz spectrum, T-Mobile US paid around USD 843 million for a total of 367 MHz, thus securing itself a solid mmWave holding in preparation for 5G. A further auction is due to start on December 10, 2019 for spectrum in the 37 GHz, 39 GHz, and 47 GHz bands. The FCC is currently finalizing the details. In addition, the FCC plans to auction spectrum in the 3.5 GHz band in June 2020.

## AWARDING OF SPECTRUM

The following table provides an overview of the main spectrum awards such as auctions as well as license extensions in Germany and at our

international subsidiaries. It also indicates spectrum to be awarded in the near future in various countries.

### Main spectrum awards

	Expected start of award procedure	Expected end of award procedure	Frequency ranges (MHz)	Award process	Spectrum acquired (MHz)	Spectrum investment
Germany		Completed	2,100 / 3,400-3,700	Auction (SMRA <sup>a</sup> )	20 MHz/90 MHz	€ 2.17 billion <sup>b</sup>
Greece	Q2 2020	Q3 2020	700 / 1,500 / 3,600 / 26,000	Auction (SMRA <sup>a</sup> ), expected	tbd	tbd
Croatia		Completed	2,100 / 2,600	Assignment on application	2x 20 MHz in the 2,600 MHz band	Annual fees, no one-time charge
Croatia	Q1 2020	Q2 2020	700 / 3,400-3,800 / 26,000	tbd	tbd	tbd
Netherlands	Q2 2020	Q3 2020	700 / 1,500 / 2,100	SMRA-clock hybrid auction expected, details tbd	tbd	tbd
North Macedonia		Completed	1,800	Extension of licenses	2x 10 MHz	No extension fees
North Macedonia	Q4 2019	Q1 2020	2,100	Sealed-bid tender <sup>c</sup>	tbd	tbd
North Macedonia	Q2 2020	Q3 2020	700 / 3,400-3,800	Auction, details tbd	tbd	tbd
Austria		Completed	3,400-3,800	Regional auction (CCA <sup>d</sup> )	1x 110 MHz	€ 57 million
Austria	Q1 2020	Q2 2020	700 / 1,500 / 2,100	Auction (CCA <sup>d</sup> ), expected	tbd	tbd
Poland	Q2 2020	Q3 2020	800 / 3,600-3,800	Auction, details tbd	tbd	tbd
Poland	Q3 2021	Q4 2022	700 / 3,600-3,800	Auction, details tbd	tbd	tbd
Romania	Q2 2020	Q2 2020	700 / 800 / 1,500 / 2,600 / 3,400-3,800 / 26,000	Auction, details tbd	tbd	tbd
Slovakia	Q3 2019	Q4 2019	700 / 900 / 1,500 / 1,800	Auction (SMRA <sup>a</sup> ), expected	tbd	tbd
Czech Republic	Q4 2019	Q1 2020	700 / 3,400-3,600	Auction (SMRA <sup>a</sup> ), expected	tbd	tbd
Hungary	Q4 2019	Q4 2019	700 / 2,100 / 2,600 / 3,400-3,800	Auction, details tbd	tbd	tbd
United States		Completed	28,000	Auction (SMRA <sup>a</sup> )	367 MHz (all in 24 / 28 GHz)	\$ 843 million
United States		Completed	24,000	Auction (CCA <sup>d</sup> )	See above	See above
United States	Q4 2019	Q1 2020	37,000 / 39,000 / 47,000	Auction (CCA <sup>d</sup> )	tbd	tbd
United States	Q2 2020	Q3 2020	3,550-3,700	Auction (clock auction)	tbd	tbd

<sup>a</sup> Simultaneous electronic multi-round auction with ascending, parallel bids for all available frequency ranges.

<sup>b</sup> Annual installment plan until 2030 agreed, starting in 2019, provided we take on additional build-out obligations.

<sup>c</sup> Sealed-bid tender: auction in which bidders submit their offers in sealed envelopes.

<sup>d</sup> Combinatorial clock auction: three-stage, multi-round auction for spectrum from all available frequency ranges.

## DEVELOPMENT OF BUSINESS IN THE GROUP

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

### RESULTS OF OPERATIONS OF THE GROUP

#### NET REVENUE

In the first three quarters of 2019, we generated net revenue of EUR 59.2 billion, which was up 6.8 percent or EUR 3.8 billion year-on-year. Even adjusted for positive net exchange rate effects of EUR 1.6 billion – mainly from the translation of U.S. dollars into euros – as well as positive effects of changes in the composition of the Group in the net amount of EUR 0.6 billion resulting primarily from the acquisitions of UPC Austria and Tele2 Netherlands, revenue increased by EUR 1.5 billion or 2.7 percent.

Our United States operating segment contributed to the positive revenue trend with an increase of 11.8 percent – or, adjusted for exchange rate effects, of 5.2 percent. This increase was due primarily to higher service

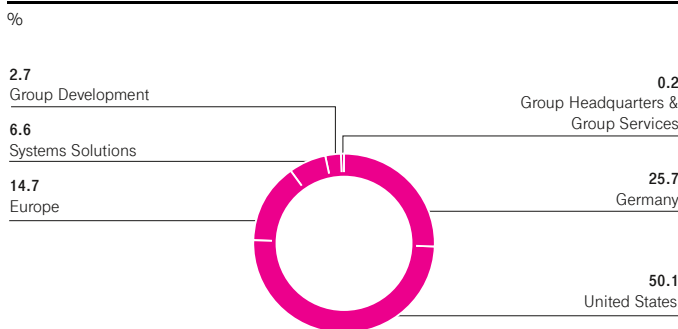
revenues from the rise in the average branded customer base, triggered in particular by the continued growth in existing and greenfield markets, and the growing success in new customer segments, along with low customer churn. Revenue in our home market of Germany increased slightly on the prior-year level by 0.8 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, revenue was up by 2.2 percent year-on-year; adjusted for exchange rate effects and for the inclusion of UPC Austria and the sale of Telekom Albania, it increased marginally by 0.5 percent. Factors in this increase were growth in revenue from our broadband, TV, and wholesale business. Mobile revenue remained at a consistently high level. Total revenue in our Systems Solutions operating segment was down 2.6 percent year-on-year. The upward revenue trend in our growth areas public cloud and health was not sufficient to offset the declines in traditional IT operations and in telecommunications business. Revenue in our Group Development operating segment increased significantly year-on-year on the back of a positive development in operations in the Netherlands and in the GD Towers unit, due in particular to the revenue contributions from Tele2 Netherlands taken into account since the beginning of 2019.

For detailed information on revenue development in our segments, please refer to the section “[Development of business in the operating segments](#).”

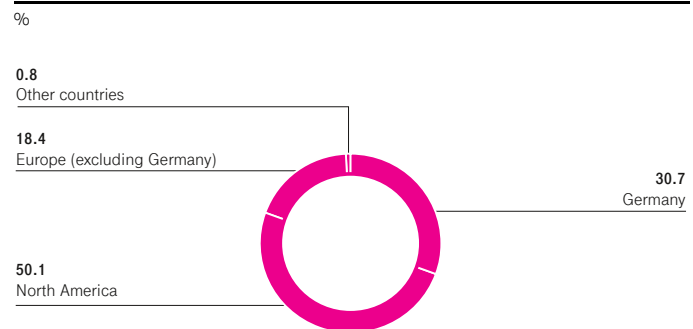
#### Contribution of the segments to net revenue

millions of €	Q1 2019	Q2 2019	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018
<b>NET REVENUE</b>	<b>19,488</b>	<b>19,664</b>	<b>20,017</b>	<b>19,104</b>	<b>4.8</b>	<b>59,169</b>	<b>55,395</b>	<b>6.8</b>	<b>75,656</b>
Germany	5,357	5,388	5,472	5,441	0.6	16,217	16,088	0.8	21,700
United States	9,796	9,826	10,006	9,227	8.4	29,629	26,504	11.8	36,522
Europe	2,891	2,978	3,074	3,045	1.0	8,943	8,752	2.2	11,885
Systems Solutions	1,630	1,673	1,657	1,754	(5.5)	4,961	5,094	(2.6)	6,936
Group Development	682	683	704	544	29.4	2,068	1,607	28.7	2,185
Group Headquarters & Group Services	651	678	633	677	(6.5)	1,961	2,096	(6.4)	2,735
Intersegment revenue	(1,520)	(1,561)	(1,529)	(1,585)	3.5	(4,610)	(4,746)	2.9	(6,307)

#### Contribution of the segments to net revenue<sup>a</sup>



#### Breakdown of revenue by region



<sup>a</sup> For more information on net revenue, please refer to the disclosures under [segment reporting](#) in the interim consolidated financial statements.

At 50.1 percent, our United States operating segment again provided the largest contribution to net revenue of the Group and was up 2.3 percentage points above the level in the prior-year period. The proportion of net revenue generated internationally increased from 67.5 percent to 69.3 percent.

#### EBITDA AL, ADJUSTED EBITDA AL

Excluding special factors, adjusted EBITDA AL increased by EUR 1.2 billion or 6.9 percent year-on-year to EUR 18.7 billion in the first three quarters of 2019. Positive net exchange rate effects of EUR 0.5 billion and positive net effects of changes in the composition of the Group of EUR 0.1 billion contributed to this trend. Excluding these effects, adjusted EBITDA AL increased by EUR 0.6 billion or 3.5 percent. All operating segments made a positive contribution to this development: Adjusted EBITDA AL of our United States operating segment had a noticeably positive effect on the back of the higher service revenue. Our Germany operating segment contributed to this result thanks to a positive revenue trend, lower personnel costs, and the successful implementation of further efficiency enhancement and digitalization measures with 2.4 percent higher adjusted EBITDA AL. Adjusted EBITDA AL in our Europe operating segment increased by 5.0 percent. Even adjusted for the inclusion of UPC Austria and the sale of Telekom Albania, and assuming constant exchange rates, it grew by

2.3 percent. Successfully implemented efficiency enhancement measures are taking effect in our Systems Solutions operating segment in the form of higher adjusted EBITDA AL. The increase in adjusted EBITDA AL in our Group Development operating segment was driven by revenue growth and efficient management of costs as well as by the earnings contributed by Tele2 Netherlands, acquired in early 2019.

EBITDA AL increased by EUR 1.0 billion or 6.1 percent year-on-year to EUR 17.5 billion, with special factors changing from EUR -1.0 billion to EUR -1.2 billion. Net expenses incurred in connection with staff-related measures and non-staff-related restructuring expenses decreased by EUR 0.1 billion compared with the prior-year period to EUR -0.8 billion. In addition, expenses of EUR 0.4 billion incurred in connection with the approval process for the business combination of T-Mobile US and Sprint were recorded as special factors. The transfer as of August 14, 2019 of our stake of around 11 percent in Ströer SE & Co. KGaA to Deutsche Telekom Trust e.V. as plan assets resulted in income from divestitures classified as special factors of EUR 0.1 billion.

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

#### Contribution of the segments to adjusted Group EBITDA AL

millions of €

	Q1 2019	Q2 2019	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018
<b>EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP<sup>a</sup></b>	<b>5,940</b>	<b>6,283</b>	<b>6,478</b>	<b>6,148</b>	<b>5.4</b>	<b>18,701</b>	<b>17,501</b>	<b>6.9</b>	<b>23,074</b>
Germany	2,108	2,153	2,254	2,200	2.5	6,515	6,361	2.4	8,516
United States	2,679	2,872	2,874	2,664	7.9	8,424	7,547	11.6	10,084
Europe	945	991	1,086	1,044	4.0	3,022	2,878	5.0	3,813
Systems Solutions	92	127	144	143	0.7	363	327	11.0	442
Group Development	255	250	269	222	21.2	774	674	14.8	892
Group Headquarters & Group Services	(137)	(82)	(143)	(132)	(8.3)	(362)	(201)	(80.1)	(601)
Reconciliation	(2)	(29)	(4)	7	n.a.	(35)	(87)	59.8	(72)

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

#### EBIT

Group EBIT stood at EUR 7.7 billion, up EUR 0.6 billion or 8.7 percent against the prior-year period. This increase is partly due to the effects described under EBITDA AL. At EUR 12.8 billion, depreciation, amortization and impairment losses were EUR 3.2 billion higher than in the prior-year period, due in particular to the depreciation charge for right-of-use assets required to be recognized for the first time in accordance with IFRS 16. In the prior-year period, expenses had been recognized in EBITDA in connection with operating leases. Depreciation of property, plant and equipment and amortization of intangible assets were EUR 0.5 billion higher than in the prior year, mainly due to the consistently high investment volume in past years – the prior-year period had included depreciation, amortization and impairment losses on finance lease assets.

#### PROFIT BEFORE INCOME TAXES

At EUR 6.2 billion, profit before income taxes was EUR 1.2 billion higher than in the prior-year period, with loss from financial activities decreasing from EUR 2.1 billion to EUR 1.5 billion. Finance costs

increased by EUR 0.4 billion, because the subsequent measurement of recognized lease liabilities since the application of IFRS 16 added EUR 0.7 billion to finance costs. Favorable refinancing terms had a reducing effect on finance costs compared with the prior-year period. Other financial income/expense improved by EUR 0.4 billion, mainly due to positive measurement effects from embedded derivatives at T-Mobile US. The share of profit/loss of associates and joint ventures accounted for using the equity method also improved – by EUR 0.6 billion. This item had been negatively impacted by an effect of EUR 0.6 billion in the first half of 2018 due to the settlement agreed in connection with ending the Toll Collect arbitration proceedings.

## NET PROFIT, ADJUSTED NET PROFIT

Net profit increased year-on-year from EUR 2.6 billion to EUR 3.2 billion. Tax expense came to EUR 1.7 billion in the first three quarters of 2019 compared with EUR 1.4 billion for the prior-year period. For further information, please refer to the section "Income taxes" in the interim consolidated financial statements. Profit attributable to non-controlling

interests increased from EUR 0.9 billion to EUR 1.3 billion, mainly in our United States operating segment. Excluding special factors, which had an effect of EUR 0.7 billion on net profit, adjusted net profit in the first three quarters of 2019 amounted to EUR 3.9 billion, i.e., EUR 0.2 billion higher than in the prior-year period.

millions of €

	Q1 2019	Q2 2019	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018
<b>NET PROFIT (LOSS)</b>	<b>900</b>	<b>944</b>	<b>1,368</b>	<b>1,110</b>	<b>23.2</b>	<b>3,213</b>	<b>2,597</b>	<b>23.7</b>	<b>2,166</b>
Special factors affecting EBITDA	(440)	(562)	(176)	(333)	47.1	(1,178)	(985)	(19.6)	(1,497)
Staff-related measures	(290)	(304)	(132)	(225)	41.3	(726)	(855)	15.1	(1,159)
Non-staff-related restructuring	(19)	(30)	(11)	(20)	45.0	(59)	(74)	20.3	(109)
Effects of deconsolidations, disposals and acquisitions	(111)	(174)	(30)	(61)	50.8	(315)	(70)	n.a.	(223)
Other	(20)	(54)	(3)	(28)	89.3	(77)	14	n.a.	(6)
Special factors affecting net profit	158	178	124	123	0.8	459	(166)	n.a.	(882)
Impairment losses	0	(50)	0	(3)	n.a.	(50)	(3)	n.a.	(707)
Profit (loss) from financial activities	0	(1)	0	0	0.0	(1)	(704)	99.9	(757)
Income taxes	122	173	79	104	(24.0)	374	470	(20.4)	401
Non-controlling interests	36	56	45	22	n.a.	136	71	91.5	181
<b>TOTAL SPECIAL FACTORS</b>	<b>(282)</b>	<b>(385)</b>	<b>(52)</b>	<b>(210)</b>	<b>75.2</b>	<b>(719)</b>	<b>(1,152)</b>	<b>37.6</b>	<b>(2,379)</b>
<b>ADJUSTED NET PROFIT (LOSS)</b>	<b>1,183</b>	<b>1,329</b>	<b>1,420</b>	<b>1,321</b>	<b>7.5</b>	<b>3,932</b>	<b>3,749</b>	<b>4.9</b>	<b>4,545</b>

## ADJUSTED EARNINGS PER SHARE, UNADJUSTED EARNINGS PER SHARE

Adjusted earnings per share is calculated as net profit adjusted for special factors divided by the adjusted weighted average number of ordinary shares outstanding which totaled 4,743 million as of September 30, 2019. With adjusted net profit in the amount of EUR 3.9 billion, this gives adjusted earnings per share of EUR 0.83. Adjusted earnings per share in the prior-year period had amounted to EUR 0.79.

Unadjusted net profit amounted to EUR 3.2 billion as of September 30, 2019, giving unadjusted earnings per share of EUR 0.68. Unadjusted earnings per share in the prior-year period had amounted to EUR 0.55.

## EMPLOYEES

### Headcount development

	Sept. 30, 2019	Dec. 31, 2018	Change %
<b>NUMBER OF FTEs IN THE GROUP</b>	<b>211,884</b>	<b>215,675</b>	<b>(1.8)</b>
Of which: civil servants (in Germany, with an active service relationship)	12,281	13,507	(9.1)
Germany	61,181	62,621	(2.3)
United States	47,496	46,871	1.3
Europe	45,240	48,133	(6.0)
Systems Solutions	37,718	37,467	0.7
Group Development	2,615	1,976	32.3
Group Headquarters & Group Services	17,635	18,606	(5.2)

The Group's headcount decreased by 1.8 percent compared with the end of 2018. In our Germany operating segment, the total number of employees decreased by 2.3 percent compared with the end of 2018 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 increased by 1.3 percent as of September 30, 2019 compared to December 31, 2018, primarily due to the anticipation of the proposed Sprint transaction. In our Europe operating segment, the headcount was down 6.0 percent compared with the end of the prior year. This was due in part to the sale of Telekom Albania. The headcount also decreased in Romania and Hungary in particular. The number of employees in our Systems Solutions operating segment increased by 0.7 percent compared with the end of 2018, mainly due to the first-time inclusion and expansion of a service unit in India. The remaining headcount in this segment decreased by 2.1 percent on account of restructuring measures. In the Group Development operating segment, the 32.3 percent increase in the number of employees can be attributed to the inclusion of Tele2 Netherlands in the Netherlands. The headcount in the Group Headquarters & Group Services segment was down 5.2 percent compared with the end of 2018, mainly due to the ongoing staff restructuring at Vivento and the lower headcount in the Technology and Innovation unit.

## FINANCIAL POSITION OF THE GROUP

### Condensed consolidated statement of financial position

millions of €

	Sept. 30, 2019	%	Dec. 31, 2018	%	Sept. 30, 2018
<b>ASSETS</b>					
Trade and other receivables	9,919	5.7	9,988	6.9	9,331
Intangible assets	69,645	40.0	64,950	44.7	64,890
Property, plant and equipment	49,982	28.7	50,631	34.8	49,448
Right-of-use assets	18,474	10.6	n.a.	n.a.	n.a.
Other assets	26,307	15.1	19,806	13.6	18,591
<b>TOTAL ASSETS</b>	<b>174,327</b>	<b>100.0</b>	<b>145,375</b>	<b>100.0</b>	<b>142,260</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current and non-current financial liabilities	69,658	40.0	62,275	42.8	61,124
Current and non-current lease liabilities	20,314	11.7	n.a.	n.a.	n.a.
Trade and other payables	8,896	5.1	10,735	7.4	8,988
Provisions for pensions and other employee benefits	6,702	3.8	5,502	3.8	5,347
Deferred tax liabilities	9,683	5.6	8,240	5.7	8,204
Other liabilities	13,937	8.0	15,186	10.4	15,116
Shareholders' equity	45,137	25.9	43,437	29.9	43,481
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>174,327</b>	<b>100.0</b>	<b>145,375</b>	<b>100.0</b>	<b>142,260</b>

**Total assets** amounted to EUR 174.3 billion as of September 30, 2019, up by EUR 29.0 billion against December 31, 2018. The recognition of right-of-use assets and current and non-current lease liabilities resulting from the mandatory first-time application of the IFRS 16 "Leases" accounting standard had a significant impact.

The total carrying amounts of **intangible assets** and **property, plant and equipment** were up by EUR 4.0 billion against the end of 2018. Capital expenditures in the amount of EUR 13.4 billion had an increasing effect. In the Germany operating segment, additions of EUR 2.2 billion related to the 5G licenses acquired in Germany. The acquisition of FCC mobile licenses for a total of EUR 1.0 billion in the United States operating segment also increased the carrying amount. Investments primarily to upgrade and build out the network in our United States operating segment and in connection with the broadband/fiber-optic rollout, the IP transformation, and mobile infrastructure in the Germany and Europe operating segments increased the carrying amount of property, plant and equipment. Effects of changes in the composition of the Group totaling EUR 1.0 billion, mainly due to the acquisition of Tele2 Netherlands in the Group Development operating segment, and positive exchange rate effects totaling EUR 2.6 billion, particularly from the translation of U.S. dollars into euros, also increased the carrying amount. Depreciation of property, plant and equipment and amortization of intangible assets reduced the carrying 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 18.5 billion as of September 30, 2019; until December 31, 2018, these had been reported in the amount of EUR 2.5 billion under property, plant and equipment as assets from finance leases. **Trade and other receivables** decreased slightly from the 2018 year-end level by EUR 0.1 billion. **Other assets** increased primarily on the back of the rise in current and non-current other financial assets, due in part to positive effects from the measurement of embedded derivatives at T-Mobile US and to 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 (EUR 1.3 billion). Cash and cash equivalents

also increased. The transfer of the stake of around 11 percent in Ströer SE & Co. KGaA to Deutsche Telekom Trust e.V. as plan assets as of August 14, 2019 to cover existing pension obligations had an offsetting effect.

On the liabilities side, current and non-current **financial liabilities** increased by EUR 7.4 billion compared with the end of 2018. This was largely attributable to the euro bonds issued by Deutsche Telekom in 2019 with a total volume of EUR 3.9 billion and pound sterling bonds with a total volume of GBP 0.4 billion (EUR 0.5 billion). In addition, OTE issued a euro bond with a volume of EUR 0.4 billion. A loan of EUR 0.5 billion was issued by the European Investment Bank. Scheduled repayments of U.S. dollar bonds totaling USD 1.8 billion (EUR 1.6 billion) among other things had an offsetting effect. Financial liabilities increased in connection with the spectrum licenses acquired in Germany. In place of a lump-sum payment, government representatives agreed to let us pay the purchase price in annual installments through 2030. After deducting collateral and the first, already paid installment, financial liabilities increased by EUR 2.0 billion. The transition to IFRS 16 resulted in finance lease liabilities being reclassified from financial liabilities to lease liabilities. Based on the carrying amounts as of December 31, 2018, this reclassification reduced financial liabilities by EUR 2.5 billion. The current and non-current **lease liabilities** to be recognized since the first-time application of IFRS 16 amounted to EUR 20.3 billion as of September 30, 2019. **Trade and other payables** decreased by EUR 1.8 billion due to the reduction in the level of liabilities, mainly in the United States, Europe, and Germany operating segments.

**Provisions for pensions and other employee benefits** increased by EUR 1.2 billion overall compared with December 31, 2018, due in part to interest rate adjustments and the decline in the price of the BT share, which has been transferred to plan assets. The transfer of the stake of around 11 percent in Ströer SE & Co. KGaA to plan assets as of August 14, 2019 had an offsetting effect. **Other liabilities** were reduced in particular by liabilities of EUR 2.2 billion from straight-line leases, mainly for cell sites in the United States operating segment that were no longer required to be reported under IFRS 16. In connection with the



change in approach for the accounting treatment of contractual grants receivable from funding projects for the broadband build-out in Germany, non-financial other liabilities of EUR 0.9 billion were recognized for existing build-out obligations. The carrying amount of non-current other provisions was reduced among other things by a slight increase in provisions for restoration obligations.

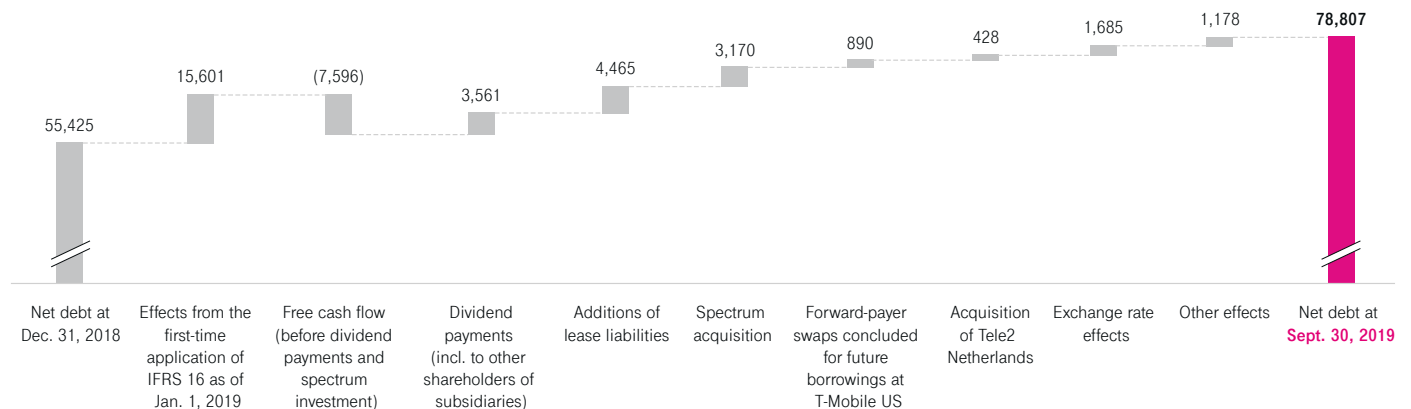
**Shareholders' equity** increased by EUR 1.7 billion as of December 31, 2018 to EUR 45.1 billion, due in particular to profit of EUR 4.5 billion. Non-cash effects from currency translation of EUR 1.2 billion, capital increases from share-based payments of EUR 0.4 billion, and income taxes relating to components of other comprehensive income of EUR 0.6 billion increased shareholders' equity. The transition to IFRS 16 as of January 1, 2019 also increased the carrying amount by

EUR 0.3 billion. The acquisition of Tele2 Netherlands resulted in transactions with owners which increased shareholders' equity by EUR 0.5 billion, and effects of EUR 0.2 billion from changes in the composition of the Group. The carrying amount was reduced by dividend payments for the 2018 financial year to Deutsche Telekom AG shareholders in the amount of EUR 3.3 billion and to other shareholders of subsidiaries in the amount of EUR 0.2 billion. Shareholders' equity was also reduced by EUR 1.5 billion due to the remeasurement of defined benefit plans and by a total of EUR 1.0 billion due to losses from hedging instruments, mainly in connection with forward-payer swaps concluded for future borrowings at T-Mobile US.

For further information on the statement of financial position, please refer to the [interim consolidated financial statements](#).

**Changes in net debt**

millions of €



Other effects of EUR 1.2 billion include, among other factors, effects from the measurement of financial instruments, financing options under which the payments for trade payables become due at a later point in time by involving banks in the process, and the recognition of liabilities

for the acquisition of broadcasting rights. For more information on net debt, please refer to the disclosures on the reconciliation of alternative performance measures in the section [“Additional information.”](#)

**Free cash flow (before dividend payments and spectrum investment)**

millions of €

	Q1 2019	Q2 2019	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018
<b>CASH GENERATED FROM OPERATIONS</b>	6,609	6,157	6,528	5,238	24.6	19,294	14,990	28.7	19,663
Interest received (paid)	(600)	(559)	(604)	(385)	(56.9)	(1,763)	(1,449)	(21.7)	(1,715)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	6,009	5,598	5,924	4,853	22.1	17,531	13,542	29.5	17,948
<b>CASH CAPEX (BEFORE SPECTRUM INVESTMENT)</b>	(3,682)	(3,324)	(3,037)	(3,047)	0.3	(10,043)	(9,143)	(9.8)	(12,223)
Proceeds from the disposal of intangible assets (excluding goodwill) and property, plant and equipment	44	38	26	77	(66.2)	108	381	(71.7)	525
Free cash flow (before dividend payments and spectrum investment)	2,370	2,312	2,913	1,883	54.7	7,596	4,779	58.9	6,250
<b>FREE CASH FLOW AL (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)<sup>a</sup></b>	1,557	1,546	2,147	1,828	17.5	5,250	4,613	13.8	6,051

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

**Free cash flow AL** in the Group before dividend payments and spectrum investment increased by EUR 0.6 billion year-on-year to EUR 5.3 billion.

**Net cash from operating activities** increased by EUR 4.0 billion year-on-year to EUR 17.5 billion. Due to the first-time application of the IFRS 16 accounting standard, the principal repayment portion of lease payments is presented in net cash used in/from financing activities. These payments totaling EUR 2.3 billion were taken into account in the calculation of free cash flow AL. The strong performance of our operating segments, in particular the United States, significantly increased net cash from operating activities. Factoring agreements, especially in the Systems Solutions operating segment, resulted in positive effects of EUR 0.1 billion on net cash from operating activities compared with the prior-year period. In addition, in the prior-year period,

dividends received in the amount of EUR 0.2 billion had had an increasing effect. Net cash from operating activities was reduced by a EUR 0.3 billion increase in net interest payments and a EUR 0.1 billion increase in tax payments.

The EUR 0.9 billion year-on-year increase in **cash capex** (before spectrum investment) is attributable to the United States operating segment, mainly due to the accelerated infrastructure build-out for the 600 MHz spectrum, laying the groundwork for 5G. Other capital expenditures were focused primarily on the Germany and Europe operating segments and went toward the build-out and upgrade of our networks.

For further information on the statement of cash flows, please refer to the [interim consolidated financial statements](#).

## DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

### GERMANY

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

### CUSTOMER DEVELOPMENT

thousands

	Sept. 30, 2019	June 30, 2019	Change Sept. 30, 2019/ June 30, 2019 %	Dec. 31, 2018	Change Sept. 30, 2019/ Dec. 31, 2018 %	Sept. 30, 2018	Change Sept. 30, 2019/ Sept. 30, 2018 %
Mobile customers	45,598	44,827	1.7	44,202	3.2	43,646	4.5
Contract customers	25,138	24,974	0.7	25,435	(1.2)	25,179	(0.2)
Prepay customers	20,460	19,853	3.1	18,767	9.0	18,466	10.8
Fixed-network lines	17,996	18,228	(1.3)	18,625	(3.4)	18,809	(4.3)
Of which: retail IP-based	17,158	16,614	3.3	15,356	11.7	14,493	18.4
Retail broadband lines	13,683	13,636	0.3	13,561	0.9	13,504	1.3
Of which: optical fiber	8,231	7,913	4.0	7,236	13.8	6,896	19.4
Television (IPTV, satellite)	3,544	3,477	1.9	3,353	5.7	3,291	7.7
Unbundled local loop lines (ULLs)	4,770	4,913	(2.9)	5,236	(8.9)	5,402	(11.7)
Wholesale broadband lines	7,282	7,126	2.2	6,722	8.3	6,495	12.1
Of which: optical fiber	5,719	5,503	3.9	4,970	15.1	4,685	22.1

### 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. Thanks to the sustained popularity of our convergent MagentaEINS offering, our MagentaEINS customer base totaled 4.6 million at the end of the third quarter of 2019.

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

We made further headway with our IP transformation program, and by the end of the third quarter of 2019 had migrated 24.4 million retail and wholesale lines to IP, bringing the total migration level to 97 percent of all lines.

We continued to see strong demand for our fiber-optic products. As of the end of the third quarter of 2019, the number of lines had increased to around 14 million overall. In other words, we connected 1,744 thousand lines to our fiber-optic network in Germany in the first nine months of 2019. With the progress made in fiber-optic rollout and vectoring technology, we also drove the marketing of higher bandwidths.

### Mobile communications

We won a further approximately 1,396 thousand mobile customers in the first nine months of 2019 compared with year-end 2018. Of these, a total of 452 thousand were contract customers under our Telekom and congstar brands. The number of mobile contract customers with resellers (service providers) decreased, primarily due to the volatile developments at some of our service providers. The number of prepay customers increased by 1,693 thousand.

### Fixed network

Due to the persistently challenging development in the fixed-network market, primarily owing to aggressive pricing offers of competitors, we are pursuing new paths in marketing. Our focus is on convergent offerings and their further development – for instance, MagentaTV with exclusive access to a wide range of additional content in the Megathek library and via other popular streaming services – as well as TV lines and fiber-optic lines. We continue to see growth in our broadband lines. The number of TV customers increased by 191 thousand in the first nine

months of 2019. In the traditional fixed network, the number of lines decreased by 629 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 third quarter of 2019, fiber-optic lines accounted for 47.5 percent of all lines – 5.9 percentage points higher than at the end of 2018. This accelerated growth was driven largely by high demand for our contingent model. The number of unbundled local loop lines decreased by 466 thousand or 8.9 percent compared with the end of the prior year. This is due first to the move to higher-quality fiber-optic lines, and second to retail customers switching to cable operators. In addition, our wholesale customers are migrating their retail customers to their own fiber-optic lines. In wholesale, the number of lines stood at around 12.1 million as of September 30, 2019.

## DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2019	Q2 2019	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018
<b>TOTAL REVENUE</b>	5,357	5,388	5,472	5,441	0.6	16,217	16,088	0.8	21,700
Consumers	2,833	2,861	2,909	2,923	(0.5)	8,604	8,556	0.6	11,543
Business Customers	1,510	1,514	1,539	1,500	2.6	4,562	4,483	1.8	6,082
Wholesale	931	927	940	930	1.1	2,798	2,789	0.3	3,720
Other	83	86	84	88	(4.5)	253	261	(3.1)	355
Profit (loss) from operations (EBIT)	863	892	1,238	1,096	13.0	2,992	2,985	0.2	3,969
EBIT margin %	16.1	16.6	22.6	20.1		18.4	18.6		18.3
Depreciation, amortization and impairment losses	(1,083)	(1,144)	(961)	(996)	3.5	(3,188)	(2,964)	(7.6)	(4,042)
EBITDA	1,946	2,036	2,199	2,093	5.1	6,181	5,949	3.9	8,012
EBITDA AL <sup>a</sup>	1,940	2,028	2,193	2,071	5.9	6,161	5,880	4.8	7,918
Special factors affecting EBITDA	(168)	(125)	(61)	(129)	52.7	(354)	(481)	26.4	(598)
EBITDA (adjusted for special factors)	2,114	2,161	2,260	2,222	1.7	6,535	6,430	1.6	8,610
<b>EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)<sup>a</sup></b>	2,108	2,153	2,254	2,200	2.4	6,515	6,361	2.4	8,516
EBITDA AL margin (adjusted for special factors) <sup>a</sup> %	39.4	40.0	41.2	40.4		40.2	39.5		39.2
<b>CASH CAPEX</b>	(1,216)	(1,069)	(1,066)	(1,134)	6.0	(3,351)	(3,242)	(3.4)	(4,240)

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

### Total revenue

Total revenue was up slightly year-on-year by 0.8 percent, mainly due to an increase of 2.6 percent in mobile business thanks to higher service and terminal equipment revenues. In the fixed network, IT and broadband revenues were higher than in the first three quarters of 2018 and almost completely offset the decrease in fixed-network revenue (primarily from voice components).

Revenue from **Consumers** grew by 0.6 percent year-on-year. Volume-driven declines in revenue from voice components continue to strongly impact on traditional fixed-network business. By contrast, revenue from broadband business increased. Mobile business also grew by 2.1 percent.

Revenue from **Business Customers** increased by 1.8 percent. Mobile revenues increased by 3.6 percent and IT revenues by 22.3 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 after the first three quarters of 2019 by 0.3 percent year-on-year. Positive revenue contributions, largely from our contingent model and a regulation-induced price increase in ULL monthly charges, offset the general revenue declines in ULL and voice business.

**EBITDA AL, adjusted EBITDA AL**

EBITDA AL amounted to EUR 6.2 billion in the first nine months of 2019, an increase of 4.8 percent against the prior-year period. In addition to the positive contributions from the development of revenue, this increase was also primarily due to lower personnel costs, mainly as a result of a lower headcount and a decline in expenses for socially responsible instruments in connection with the staff restructuring. The successful implementation of efficiency and digitalization measures also had a positive impact. Adjusted EBITDA AL increased by 2.4 percent to EUR 6.5 billion year-on-year due to the same reasons. Our adjusted EBITDA AL margin increased to 40.2 percent, up from 39.5 percent in the prior-year period.

**UNITED STATES**

For information on changes resulting from the first-time application of the IFRS 16 "Leases" accounting standard and changes in the

**CUSTOMER DEVELOPMENT**

thousands

	Sept. 30, 2019	June 30, 2019	Change Sept. 30, 2019/ June 30, 2019 %	Dec. 31, 2018	Change Sept. 30, 2019/ Dec. 31, 2018 %	Sept. 30, 2018	Change Sept. 30, 2019/ Sept. 30, 2018 %
Mobile customers <sup>a</sup>	84,183	83,052	1.4	79,651	5.7	77,249	9.0
Branded customers <sup>a</sup>	66,503	65,983	0.8	63,656	4.5	62,163	7.0
Branded postpaid	45,720	44,646	2.4	42,519	7.5	41,161	11.1
Branded prepay <sup>a</sup>	20,783	21,337	(2.6)	21,137	(1.7)	21,002	(1.0)
Wholesale customers	17,680	17,069	3.6	15,995	10.5	15,086	17.2

<sup>a</sup> 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. Prospectively, new customer activity associated with these products is recorded within wholesale customers.

**Total**

At September 30, 2019, the United States operating segment (T-Mobile US) had 84.2 million customers, compared to 79.7 million customers at December 31, 2018. Net customer additions were 5.1 million for the nine months ended September 30, 2019, compared to 4.6 million net customer additions for the nine months ended September 30, 2018, due to the factors described below.

**Branded customers.** Branded postpaid net customer additions were 3.2 million for the nine months ended September 30, 2019, compared to 3.1 million branded postpaid net customer additions for the nine months ended September 30, 2018. The increase resulted from higher branded postpaid phone net customer additions primarily due to lower churn and higher branded postpaid other net customer additions primarily due to higher gross customer additions from connected

**EBIT**

Profit from operations was up 0.2 percent year-on-year to around EUR 3.0 billion due to higher depreciation, amortization and impairment losses on account of sustained high investments in our network infrastructure.

**Cash capex**

Cash capex increased by 3.4 percent compared with the first nine months of 2018. As part of our integrated network strategy, we again made significant investments in the broadband and fiber-optic rollout, our IP transformation, and our mobile infrastructure.

organizational structure, please refer to the section "Group organization, strategy, and management."

devices and wearables, specifically the Apple watch; partially offset by higher deactivations from a growing customer base.

Branded prepay net customer additions were 262 thousand for the nine months ended September 30, 2019, compared to 325 thousand branded prepay net customer additions for the nine months ended September 30, 2018. The decrease in net customer additions was primarily due to continued promotional activities in the marketplace, partially offset by lower churn.

**Wholesale customers.** Wholesale net customer additions were 1.7 million for the nine months ended September 30, 2019, compared to 1.2 million for the nine months ended September 30, 2018. The increase was due primarily to higher gross additions from the continued success of our M2M partnerships.

## DEVELOPMENT OF OPERATIONS

millions of €									
	Q1 2019	Q2 2019	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018
<b>TOTAL REVENUE</b>	9,796	9,826	10,006	9,227	8.4	29,629	26,504	11.8	36,522
Profit (loss) from operations (EBIT)	1,376	1,465	1,444	1,252	15.3	4,285	3,591	19.3	4,634
EBIT margin	% 14.0	14.9	14.4	13.6		14.5	13.5		12.7
Depreciation, amortization and impairment losses	(1,835)	(1,870)	(1,976)	(1,358)	(45.5)	(5,681)	(3,901)	(45.6)	(5,294)
EBITDA	3,210	3,334	3,421	2,610	31.1	9,965	7,492	33.0	9,928
EBITDA AL <sup>a</sup>	2,580	2,672	2,732	2,609	4.7	7,983	7,488	6.6	9,924
Special factors affecting EBITDA	(99)	(200)	(142)	(55)	n.a.	(441)	(59)	n.a.	(160)
EBITDA (adjusted for special factors)	3,309	3,534	3,563	2,665	33.7	10,406	7,551	37.8	10,088
<b>EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)<sup>a</sup></b>	2,679	2,872	2,874	2,664	7.9	8,424	7,547	11.6	10,084
EBITDA AL margin (adjusted for special factors) <sup>a</sup>	% 27.3	29.2	28.7	28.9		28.4	28.5		27.6
<b>CASH CAPEX</b>	(1,713)	(2,272)	(1,329)	(1,158)	(14.8)	(5,314)	(3,653)	(45.5)	(4,661)

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

### Total revenue

Total revenue for the United States operating segment of EUR 29.6 billion in the first nine months ended September 30, 2019 increased by 11.8 percent, compared to EUR 26.5 billion in the first nine months ended September 30, 2018. In U.S. dollars, T-Mobile US' total revenues increased by 5.2 percent year-on-year due primarily 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, and growth in wearables and other connected devices, specifically the Apple watch partially offset by lower branded postpaid phone Average Revenue per User (ARPU).

### EBITDA AL, adjusted EBITDA AL

In euros, adjusted EBITDA AL increased by 11.6 percent to EUR 8.4 billion in the first nine months ended September 30, 2019, compared to EUR 7.5 billion in the first nine months ended September 30, 2018. The adjusted EBITDA AL margin of 28.4 percent in the first nine months ended September 30, 2019 remained relatively flat compared to the first nine months ended September 30, 2018. In U.S. dollars, adjusted EBITDA AL increased by 5.0 percent during the same period. Adjusted EBITDA AL increased due primarily to higher service revenues, as further discussed above. These increases were partially offset by higher employee-related costs, costs related to outsourced functions, commissions, and costs of USD 237 million primarily related to an increase in amortization expense related to costs that were capitalized upon the adoption of IFRS 15 on January 1, 2018, and the impact from hurricane-related reimbursements of USD 265 million received in the first nine months ended September 30, 2018. There was no significant impact from hurricanes for the first nine months ended September 30, 2019.

EBITDA AL included special factors of EUR -441 million for the first nine months ended September 30, 2019, compared with special factors of EUR -59 million for the first nine months ended September 30, 2018. The change in special factors was primarily due to the expenses associated with the proposed Sprint transaction in the first nine months ended September 30, 2019, and a purchase and investment gain in the first quarter of 2018. Overall, EBITDA AL increased by 6.6 percent to EUR 8.0 billion in the first nine months ended September 30, 2019, compared to EUR 7.5 billion in the first nine months ended September 30, 2018, due to the factors described above, including special factors.

### EBIT

EBIT increased to EUR 4.3 billion in the first nine months ended September 30, 2019, compared to EUR 3.6 billion in the first nine months ended September 30, 2018 driven by higher EBITDA AL. Depreciation and amortization expense increased due to the application of the IFRS 16 accounting standard as of January 1, 2019, which results in higher depreciation charges for capitalized right-of-use-assets previously recognized as operating expenses for operating leases. Excluding the impact of IFRS 16, depreciation was essentially flat due to a lower number of devices under lease, partially offset by higher depreciation charges related to, and laying the groundwork for 5G.

### Cash capex

Cash capex increased to EUR 5.3 billion in the first nine months ended September 30, 2019, compared to EUR 3.7 billion in the first nine months ended September 30, 2018, primarily due to the accelerated rollout of our 600 MHz low-band spectrum including laying the groundwork for 5G and an increase in spectrum licenses acquired.

**EUROPE**

For information on changes resulting from the first-time application of the IFRS 16 “Leases” accounting standard and changes in the

organizational structure, please refer to the section “Group organization, strategy, and management.”

**CUSTOMER DEVELOPMENT**

thousands		Sept. 30, 2019	June 30, 2019	Change Sept. 30, 2019/ June 30, 2019 %	Dec. 31, 2018	Change Sept. 30, 2019/ Dec. 31, 2018 %	Sept. 30, 2018	Change Sept. 30, 2019/ Sept. 30, 2018 %
<b>EUROPE, TOTAL</b>	Mobile customers <sup>a</sup>	46,501	46,469	0.1	50,542	(8.0)	50,429	(7.8)
	Contract customers	27,310	27,022	1.1	26,665	2.4	26,402	3.4
	Prepay customers <sup>a</sup>	19,192	19,447	(1.3)	23,877	(19.6)	24,027	(20.1)
	Fixed-network lines <sup>b</sup>	9,001	8,986	0.2	8,963	0.4	8,926	0.8
	Of which: IP-based	8,140	7,961	2.2	7,314	11.3	7,005	16.2
	Broadband customers	6,587	6,540	0.7	6,405	2.8	6,293	4.7
	Television (IPTV, satellite, cable)	4,919	4,910	0.2	4,835	1.7	4,782	2.9
	Unbundled local loop lines (ULLs)/ wholesale PSTN	2,291	2,268	1.0	2,275	0.7	2,267	1.1
	Wholesale broadband lines	435	422	3.1	411	5.8	401	8.5
<b>GREECE</b>	Mobile customers	7,505	7,605	(1.3)	7,893	(4.9)	8,123	(7.6)
	Fixed-network lines	2,625	2,607	0.7	2,566	2.3	2,547	3.1
	Broadband customers	1,993	1,972	1.1	1,893	5.3	1,855	7.4
<b>ROMANIA</b>	Mobile customers	5,051	5,258	(3.9)	5,360	(5.8)	5,302	(4.7)
	Fixed-network lines	1,608	1,648	(2.4)	1,741	(7.6)	1,772	(9.3)
	Broadband customers	1,040	1,055	(1.4)	1,101	(5.5)	1,108	(6.1)
<b>HUNGARY</b>	Mobile customers	5,323	5,332	(0.2)	5,330	(0.1)	5,302	0.4
	Fixed-network lines	1,690	1,680	0.6	1,663	1.6	1,651	2.4
	Broadband customers	1,209	1,189	1.7	1,148	5.3	1,126	7.4
<b>POLAND</b>	Mobile customers	10,908	10,869	0.4	10,787	1.1	10,693	2.0
	Fixed-network lines	19	19	0.0	18	5.6	19	0.0
	Broadband customers	11	10	10.0	18	(38.9)	20	(45.0)
<b>CZECH REPUBLIC</b>	Mobile customers	6,282	6,224	0.9	6,188	1.5	6,177	1.7
	Fixed-network lines	409	384	6.5	318	28.6	276	48.2
	Broadband customers	305	290	5.2	251	21.5	227	34.4
<b>CROATIA</b>	Mobile customers	2,359	2,286	3.2	2,273	3.8	2,331	1.2
	Fixed-network lines	914	916	(0.2)	931	(1.8)	942	(3.0)
	Broadband customers	622	619	0.5	618	0.6	620	0.3
<b>SLOVAKIA</b>	Mobile customers	2,432	2,402	1.2	2,369	2.7	2,339	4.0
	Fixed-network lines	855	854	0.1	853	0.2	851	0.5
	Broadband customers	565	557	1.4	543	4.1	533	6.0
<b>AUSTRIA</b>	Mobile customers <sup>a</sup>	5,024	4,938	1.7	7,194	(30.2)	6,870	(26.9)
	Fixed-network lines <sup>b</sup>	548	546	0.4	538	1.9	535	2.4
	Broadband customers	597	606	(1.5)	594	0.5	569	4.9
<b>OTHER<sup>c</sup></b>	Mobile customers	1,617	1,555	4.0	3,149	(48.7)	3,291	(50.9)
	Fixed-network lines	334	332	0.6	333	0.3	333	0.3
	Broadband customers	245	241	1.7	238	2.9	234	4.7

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

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

<sup>c</sup> “Other”: national companies of North Macedonia, Montenegro, and the national company of Albania (sold as of May 7, 2019), as well as the lines of the GTS Central Europe group in Romania.

## Total

The markets in our segment remained intensely competitive in the first nine months of 2019. We continue to rise to this challenge in the current financial year, achieving an increase of 33.4 percent in the number of FMC customers as of September 30, 2019, thanks in particular to our convergent product portfolio, MagentaOne. We also made important progress on our journey to becoming an integrated provider of mobile and fixed-network products across our entire segment: Following the successful integration of UPC Austria, in May 2019 we added convergent products to our portfolio in Austria under the new Magenta brand. At the end of June 2019, we also began offering our customers in Poland the MagentaOne product bundle, which combines mobile communications over the fiber-optic-based internet and an entertainment package. We parted ways with our last remaining mobile-only subsidiary, Telekom Albania, on May 7, 2019.

Our broadband/TV operations are making progress consistently, not least thanks to the large-scale build-out of the network with state-of-the-art fiber-optic-based lines (FTTH, FTTB, and FTTC), in particular in the national companies of Greece and Hungary. As a result, the number of IP lines increased by 11.3 percent to 8.1 million as of September 30, 2019, primarily thanks to the migration from traditional PSTN lines to IP technology.

In our mobile business, we recorded growth in the number of high-value contract customers. The number of prepay customers decreased sharply, mainly due to the streamlining of the portfolio in Austria and the sale of Telekom Albania. In addition, our national company in Greece recorded reductions in its prepay customer base, due in part to the deactivation of inactive prepaid SIM cards. The positive outcome of the 5G spectrum auction in Austria in the first quarter of 2019 marked the achievement of a first major milestone in the rollout of 5G in our Europe operating segment: Our national company in Austria has now put the first 5G cell sites into operation using the spectrum acquired. Successful testing is already underway in other countries. The plan is to add more 5G networks following the anticipated spectrum auctions in 2019 and 2020.

## Mobile communications

The number of mobile customers totaled 46.5 million at the end of the first nine months of 2019, down by 8.0 percent or 4.0 million customers compared with the end of 2018. Two main effects contributed to this decline: Firstly, the streamlining of the prepay portfolio at our Austrian subsidiary, which resulted in the removal of 2.4 million cross-border M2M SIM cards from our customer base. We had made these cards available internally to the Germany segment. The second factor was the sale of our national company in Albania. Excluding these effects, the figure would have been more or less stable compared with the prior year. The number of high-value contract customers rose by 2.4 percent compared with December 31, 2018. Overall, all of our national

companies reported positive trends in their contract customer base, with particularly high growth recorded in Poland, Hungary, the Czech Republic, Austria, and Slovakia. Contract customers accounted for 58.7 percent of the total customer base. Our customers benefited not only from our innovative services and rate plans, but also from extensive coverage with fast mobile broadband – a result of our integrated network strategy. As of September 30, 2019, we already covered 97 percent of the population in the countries of our operating segment with LTE, reaching around 107 million people in total. Customer demand for high data volumes remained persistently high due to the explosion in data traffic driven by video streaming services, for example.

## Fixed network

Our TV and entertainment services saw moderate customer growth of 1.7 percent to a total of 4.9 million customers as of September 30, 2019, partly as a result of new business in Croatia and partly from the stronger customer growth in Hungary and the Czech Republic. Declining customer numbers in Romania were offset by additions in most of our national companies. With both telecommunication providers and OTT players offering TV services, the TV market is already saturated in many countries of our segment.

The broadband business also recorded growth of 2.8 percent compared with the end of the prior year to 6.6 million customers. In particular, the customer bases of our national companies in Greece, Hungary, and the Czech Republic saw growth, partly on the back of increased investment in innovative fiber-optic-based technologies. For example, we increased household coverage with optical fiber at our four largest national companies to 3.0 million households as of September 30, 2019 (December 31, 2018: 2.6 million).

Consistent growth in IP-based lines as a percentage of all fixed-network lines confirms that we are making good progress: At the end of September 2019, this share amounted to 90.4 percent. At 9.0 million, the number of fixed-network lines in our Europe operating segment remained on a par with the prior-year level, also thanks to the acquisition of UPC Austria.

## FMC – fixed-mobile convergence

Our portfolio of convergent products, MagentaOne, was highly popular with consumers across all of our national companies. As of September 30, 2019, we had 4.4 million FMC customers; this corresponds to significant growth of 33.4 percent or 1.1 million additions compared with the end of the prior year. The main driver of this trend was our national company in Greece, which since fall 2018 also offers its convergent product portfolio to prepay customers. Pleasing customer growth trends were reported in Hungary, the Czech Republic, and Slovakia. We have also been increasingly successful in marketing our MagentaOne Business product to business customers.

**DEVELOPMENT OF OPERATIONS**

millions of €									
	Q1 2019	Q2 2019	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018
<b>TOTAL REVENUE</b>	2,891	2,978	3,074	3,045	1.0	8,943	8,752	2.2	11,885
Greece	697	720	771	754	2.3	2,188	2,151	1.7	2,888
Romania	217	231	243	227	7.0	691	691	0.0	933
Hungary	459	455	456	460	(0.9)	1,370	1,391	(1.5)	1,889
Poland	348	366	373	392	(4.8)	1,087	1,135	(4.2)	1,526
Czech Republic	257	265	274	261	5.0	796	773	3.0	1,047
Croatia	220	239	252	261	(3.4)	711	717	(0.8)	966
Slovakia	185	190	199	190	4.7	574	555	3.4	761
Austria	306	315	318	289	10.0	939	721	30.2	1,055
Other <sup>a</sup>	244	244	244	274	(10.9)	732	777	(5.8)	1,031
Profit (loss) from operations (EBIT)	339	357	477	425	12.2	1,173	1,127	4.1	744
EBIT margin %	11.7	12.0	15.5	14.0		13.1	12.9		6.3
Depreciation, amortization and impairment losses	(696)	(681)	(695)	(616)	(12.8)	(2,072)	(1,726)	(20.0)	(3,013)
EBITDA	1,035	1,038	1,172	1,041	12.6	3,244	2,853	13.7	3,757
EBITDA AL <sup>b</sup>	921	930	1,062	1,023	3.8	2,912	2,805	3.8	3,691
Special factors affecting EBITDA	(24)	(62)	(24)	(21)	(14.3)	(110)	(73)	(50.7)	(122)
EBITDA (adjusted for special factors)	1,059	1,099	1,196	1,062	12.6	3,355	2,926	14.7	3,880
<b>EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)<sup>b</sup></b>	945	991	1,086	1,044	4.0	3,022	2,878	5.0	3,813
Greece	283	290	337	318	6.0	910	874	4.1	1,173
Romania	26	29	36	41	(12.2)	90	111	(18.9)	135
Hungary	121	139	149	146	2.1	408	408	0.0	540
Poland	92	100	98	95	3.2	290	289	0.3	382
Czech Republic	107	114	107	110	(2.7)	328	323	1.5	432
Croatia	83	91	104	113	(8.0)	278	286	(2.8)	374
Slovakia	82	79	85	82	3.7	247	239	3.3	320
Austria	118	114	136	112	21.4	368	252	46.0	336
Other <sup>a</sup>	33	35	34	27	25.9	103	96	7.3	121
EBITDA AL margin (adjusted for special factors) <sup>b</sup> %	32.7	33.3	35.3	34.3		33.8	32.9		32.1
<b>CASH CAPEX</b>	(446)	(469)	(386)	(417)	7.4	(1,301)	(1,253)	(3.8)	(1,887)

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

<sup>a</sup> "Other": national companies of North Macedonia, Montenegro, and the national company of Albania (sold as of May 7, 2019), as well as IWS (International Wholesale), consisting of Deutsche Telekom Global Carrier (formerly International Carrier Sales & Solutions (ICSS)) and its national companies, the GTS Central Europe group in Romania, and the Europe Headquarters.

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

**Total revenue**

Our Europe operating segment generated total revenue of EUR 8.9 billion in the first nine months of 2019, a year-on-year increase of 2.2 percent. In organic terms, i.e., assuming constant exchange rates and adjusted for the inclusion of UPC Austria as of July 31, 2018 and the sale of Telekom Albania as of May 7, 2019, revenue increased slightly by 0.5 percent.

Fixed-network business was the biggest driver of organic growth in the reporting period, with positive revenue effects reported in both our broadband and TV operations – partly as a result of larger customer bases and partly driven by prices. The wholesale business increased compared with the prior-year period, driven in part by higher revenue in Romania, especially from the termination of international voice and data traffic. Systems Solutions also reported moderate growth again as of September 30, 2019. Despite a slight year-on-year decrease, mobile

revenue remained at a consistently high level: Rising higher-margin service revenues, especially in Poland, Hungary, Greece, and the Czech Republic, were offset by a decrease in revenues from the lower-margin terminal equipment business. In addition, intense competition on the telecommunications markets in some countries of our operating segment had a negative impact on revenue.

Revenue from **Consumers** developed positively, up 3.7 percent year-on-year driven mainly by fixed-network business. Here, revenue from broadband and TV business increased substantially thanks to our innovative TV and program management activities as well as the continuous rollout of fiber-optic technology in most of our national companies. In addition, strong growth in the number of FMC customers had a positive impact on revenue. Mobile revenue declined slightly, with slightly higher service revenues only partially offsetting lower revenues from terminal equipment business.



**Business Customer** operations recorded a stable revenue trend as of the end of the third quarter of 2019, as well as a positive trend in the margin. In addition to strong core business with fixed-network and mobile communications, there was also above-average growth in ICT/cloud solutions in focus markets such as Poland and the Czech Republic. As a result of the business combination with UPC Austria to form the new Magenta brand, now all ten of our European markets are one-stop shops for convergent solutions for SMEs (MagentaOne Business). Our expanded partnership with Microsoft in B2B operations is now underway; over the coming quarters we expect this to generate new revenues with ICT/cloud solutions for small and medium-sized enterprises (SMEs) as well as for our corporate customers.

Looking at the development by country, our national companies in Greece, the Czech Republic, Slovakia, and Austria made the largest contributions to the organic development of revenue in the first nine months of 2019. This offset the decline in revenue in Poland in particular. In Romania, the revenue trend stabilized at the prior-year level as of September 30, 2019. Declines in mobile revenues, for both service revenues and revenues from terminal equipment business were offset by the positive revenue trend in the fixed-network business, which benefited from higher wholesale revenues. Systems solutions business also recorded a rise in revenue. This offset the decline in revenue from voice telephony.

#### **EBITDA AL, adjusted EBITDA AL**

Our Europe operating segment generated adjusted EBITDA AL of EUR 3.0 billion in the first nine months of 2019, an increase of 5.0 percent. In organic terms, i.e., assuming constant exchange rates and adjusted for the inclusion of UPC Austria and the sale of Telekom Albania, adjusted EBITDA AL increased by 2.3 percent compared with the prior-year period, thus continuing the positive trend, mainly on the back of increased revenues, especially higher-margin service revenues, and savings in indirect costs.

Looking at the development by country, the increase in adjusted organic EBITDA AL was largely attributable to the positive trends at our national companies in Greece, Austria, Slovakia, Hungary, and the Czech Republic. Contrasting developments were reported primarily at the national companies in Romania and Croatia. In Romania, adjusted EBITDA AL was down 18.1 percent year-on-year in organic terms, mainly as a result of the lower mobile revenue contribution.

Our EBITDA AL increased by 3.8 percent year-on-year to EUR 2.9 billion, due largely to the effects described under adjusted EBITDA AL. At EUR -110 million, special factors were EUR 37 million higher than in the prior year. In organic terms, EBITDA AL grew by 1.0 percent.

#### **Development of operations in selected countries**

**Greece.** In Greece, revenue developed positively in the first nine months of 2019, coming in at EUR 2.2 billion, 1.7 percent higher than in the prior-year period. This was driven primarily by higher mobile revenue, in particular service revenues, and consistently high fixed-network revenue. Broadband business posted particularly strong growth as a result of the ongoing rollout of fiber-optic lines and vectoring. TV revenue also increased compared with the prior-year period. In the wholesale business the growth trend continued, while systems solutions revenues

were again above the prior-year level after a decline in the first half of 2019. The FMC offering developed positively, with rising customer numbers and corresponding revenue.

In the first nine months of 2019, adjusted EBITDA AL in Greece increased significantly by 4.1 percent year-on-year to EUR 910 million. Higher revenue along with savings in indirect costs were partially offset by higher direct costs.

**Hungary.** As of September 30, 2019, revenue in Hungary stood at EUR 1.4 billion, down 1.5 percent year-on-year. In organic terms, revenue was on a par with the prior year. Mobile business posted strong year-on-year growth, driven by volume and price-driven increases in service and terminal equipment revenues. Fixed-network business was primarily impacted by a decline in systems solutions, in particular as a result of significantly higher revenue generated in the prior-year period, which so far this year has not been replicated to the same extent. Higher revenue in broadband and terminal equipment business only partially offset this decline. The major success of our FMC offering, MagentaOne, is underscored by continued growth in the FMC customer base and a corresponding rise in revenue.

At EUR 408 million, adjusted EBITDA AL was at the same level as in the first nine months of 2018. In organic terms, adjusted EBITDA AL grew by 1.9 percent.

**Austria.** Revenue in Austria totaled EUR 939 million in the first three quarters of 2019, a year-on-year increase of 30.2 percent. In organic terms, i.e., adjusted for the inclusion of UPC Austria, revenue increased by 0.9 percent, largely a result of rising higher-margin service revenues. Alongside the existing mobile-based broadband internet solutions already being successfully marketed to customers, the acquisition of UPC Austria has enabled us to add fixed-network technology to our portfolio and introduce convergent products under our new Magenta brand.

Adjusted EBITDA AL increased by 46.0 percent year-on-year to EUR 368 million. In organic terms, i.e., adjusted for the inclusion of UPC Austria, adjusted EBITDA AL increased by 6.4 percent, as a result of higher revenue as well as savings in indirect costs.

**Poland.** Revenue at our national company in Poland decreased by 4.2 percent compared with the prior-year period to EUR 1.1 billion. In organic terms, revenue declined by 3.1 percent. This decrease is mainly due to lower revenue from mobile terminal equipment business, which could not be completely offset by the increase in higher-margin service revenues. Systems solutions business generated higher revenues. In traditional fixed-network business, which we are still working to expand, revenue declined once again year-on-year. We are investing heavily in the development of technologies with the goal of becoming a one-stop shop for our customers as an integrated service provider.

Adjusted EBITDA AL stood at EUR 290 million, down 0.3 percent year-on-year. In organic terms, adjusted EBITDA AL grew by 1.7 percent. The downward trend in revenue was offset by an even larger reduction in direct costs; indirect costs also declined compared with the prior year.

**EBIT**

EBIT in our Europe operating segment increased by 4.1 percent in the first nine months of 2019 to EUR 1.2 billion. Whereas previously expenses had been recognized in connection with operating leases, the right-of-use assets recognized in this context since the application of accounting standard IFRS 16 as of January 1, 2019 result in particular in higher depreciation charges. The increase in EBIT was attributable to the growth in EBITDA AL.

**Cash capex**

In the reporting period, our Europe operating segment reported cash capex of EUR 1.3 billion, up 3.8 percent year-on-year. This rise was largely a result of cash outflows for the acquisition of spectrum licenses in Hungary and for 5G spectrum in Austria. A further key focus of our capital expenditures was the rollout of broadband and fiber-optic technology in Greece, Austria, Poland, and Hungary as part of our integrated network strategy.

**SYSTEMS SOLUTIONS**

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

**ORDER ENTRY**

millions of €					
	Q1-Q3 2019	H1 2019	FY 2018	Q1-Q3 2018	Change Q1-Q3 2019/ Q1-Q3 2018 %
<b>ORDER ENTRY</b>	5,132	3,494	6,776	4,672	9.8

**Development of business**

The first nine months of 2019 were dominated by efforts to establish 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.

With this in mind, we are executing a comprehensive transformation program, launched in 2018, under which we realigned our organization and workflows, adjusted capacities, developed a new strategy for our portfolio, and created three offering clusters. Ten portfolio units and one

emerging business unit look after not only our traditional IT and telecommunications businesses, but also our growth areas (public cloud, Internet of Things (IoT), digital solutions, security, SAP, classified ICT, health, and road charging). Consistent with our efforts to implement the Group’s strategy pillar “Lead in business productivity,” in 2020 the next step will be to combine our telecommunications business with the telecommunications business of our Germany operating segment.

Order entry in our Systems Solutions operating segment was up by 9.8 percent in the first nine months of 2019, marking a consistently positive development compared with the already strong prior year. This growth is primarily due to a positive trend in our growth areas, in particular classified ICT, digital solutions, and public cloud.

**DEVELOPMENT OF OPERATIONS**

millions of €									
	Q1 2019	Q2 2019	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018
<b>TOTAL REVENUE</b>	1,630	1,673	1,657	1,754	(5.5)	4,961	5,094	(2.6)	6,936
Of which: external revenue	1,278	1,321	1,299	1,381	(5.9)	3,898	4,032	(3.3)	5,497
Profit (loss) from operations <b>(EBIT)</b>	(49)	(126)	(10)	(17)	41.2	(185)	(121)	(52.9)	(291)
Special factors affecting EBIT	(46)	(157)	(60)	(57)	(5.3)	(263)	(146)	(80.1)	(322)
EBIT (adjusted for special factors)	(3)	31	50	40	25.0	78	25	n.a.	32
EBIT margin (adjusted for special factors) %	(0.2)	1.9	3.0	2.3		1.6	0.5		0.5
Depreciation, amortization and impairment losses	(128)	(155)	(125)	(103)	(21.4)	(408)	(296)	(37.8)	(453)
EBITDA	79	29	115	85	35.3	223	175	27.4	163
EBITDA AL <sup>a</sup>	46	(3)	84	89	(5.6)	127	184	(31.0)	176
Special factors affecting EBITDA	(46)	(130)	(60)	(54)	(11.1)	(236)	(143)	(65.0)	(266)
EBITDA (adjusted for special factors)	125	158	175	139	25.9	459	318	44.3	429
<b>EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)<sup>a</sup></b>	92	127	144	143	0.7	363	327	11.0	442
EBITDA AL margin (adjusted for special factors) <sup>a</sup> %	5.6	7.6	8.7	8.2		7.3	6.4		6.4
<b>CASH CAPEX</b>	(93)	(73)	(66)	(87)	24.1	(233)	(352)	33.8	(462)

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

**Total revenue**

Total revenue in our Systems Solutions operating segment in the first nine months of 2019 amounted to EUR 5.0 billion, slightly lower than the prior-year level. The upward revenue trend in our growth areas public cloud and health was not 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 nine months of 2019, adjusted EBITDA AL at our Systems Solutions operating segment increased by EUR 36 million year-on-year to EUR 363 million, mainly due to effects from our transformation program, a positive development in the Open Telekom Cloud, and enhanced efficiency in traditional IT operations. EBITDA AL decreased by EUR 57 million year-on-year to EUR 127 million, mainly due to portfolio streamlining activities. As a result of both this and ongoing restructuring measures, special factors were up EUR 93 million year-on-year.

**GROUP DEVELOPMENT**

For information on changes resulting from the first-time application of the IFRS 16 “Leases” accounting standard and changes in the organizational structure, please refer to the section [“Group organization, strategy, and management.”](#)

**CUSTOMER DEVELOPMENT**

thousands

	Sept. 30, 2019	June 30, 2019	Change Sept. 30, 2019/ June 30, 2019 %	Dec. 31, 2018	Change Sept. 30, 2019/ Dec. 31, 2018 %	Sept. 30, 2018	Change Sept. 30, 2019/ Sept. 30, 2018 %
<b>NETHERLANDS</b>							
Mobile customers	5,531	5,455	1.4	4,021	37.6	4,004	38.1
Fixed-network lines	601	578	4.0	241	n.a.	227	n.a.
Broadband customers	601	578	4.0	241	n.a.	227	n.a.

The number of mobile and fixed-network customers in the Netherlands increased significantly compared with the end of 2018 due to the customer base acquired in connection with Tele2 Netherlands. There was also clear customer growth in the operating business. Despite intense competition, customer additions were recorded in particular in

**EBIT, adjusted EBIT**

Adjusted EBIT in our Systems Solutions operating segment in the first nine months of 2019 increased by EUR 53 million year-on-year, coming in at EUR 78 million. The effects described under adjusted EBITDA AL were the main drivers of this increase. Whereas previously expenses had been recognized in connection with operating leases, the right-of-use assets recognized in this context since the application of accounting standard IFRS 16 as of January 1, 2019 result in particular in higher depreciation charges. EBIT decreased by EUR 64 million in the reporting period to EUR -185 million, also due to the effects described under EBITDA AL.

**Cash capex**

Cash capex in the Systems Solutions operating segment stood at EUR 233 million in the first nine months of 2019, compared with EUR 352 million in the prior-year period. This decrease was a result of high investments in a new ERP system in 2018. Capital expenditures remain focused on developing our operations in growth areas, such as digital solutions, the Internet of Things (IoT), and road charging.

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

mobile communications thanks to our attractive rate plan portfolio offering large data packages through to unlimited data volumes. The number of fixed-network consumers also increased further as a result of our attractive rate plan portfolio.

## DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2019	Q2 2019	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018
<b>TOTAL REVENUE</b>	682	683	704	544	29.4	2,068	1,607	28.7	2,185
Of which: Netherlands	461	458	479	335	43.0	1,398	962	45.3	1,322
Profit (loss) from operations <b>(EBIT)</b>	126	102	270	134	n.a.	498	431	15.5	560
Depreciation, amortization and impairment losses	(200)	(199)	(208)	(86)	n.a.	(607)	(244)	n.a.	(334)
EBITDA	325	300	479	220	n.a.	1,105	675	63.7	893
EBITDA AL <sup>a</sup>	249	232	402	215	87.0	883	658	34.2	865
Special factors affecting EBITDA	(6)	(18)	134	(7)	n.a.	109	(16)	n.a.	(27)
EBITDA (adjusted for special factors)	332	319	345	227	52.0	996	691	44.1	921
Of which: Netherlands	147	137	153	104	47.1	437	321	36.1	425
<b>EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)<sup>a</sup></b>	255	250	269	222	21.2	774	674	14.8	892
Of which: Netherlands	123	117	132	102	29.4	372	312	19.2	413
EBITDA AL margin (adjusted for special factors) <sup>a</sup> %	37.4	36.6	38.2	40.8		37.4	41.9		40.8
<b>CASH CAPEX</b>	(86)	(106)	(99)	(60)	(65.0)	(291)	(201)	(44.8)	(271)

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

### Total revenue

Total revenue in our Group Development operating segment in the first three quarters of 2019 increased by 28.7 percent year-on-year, primarily due to the inclusion of Tele2 Netherlands since the start of 2019. Both business customer and consumer operations contributed to this revenue growth, on the back of customer growth and a positive trend in business with MVNOs in the Netherlands. The GD Towers unit also recorded a year-on-year increase in revenue, driven by volume-based growth at DFMG.

### EBITDA AL, adjusted EBITDA AL

EBITDA AL increased from EUR 658 million in the prior-year period to EUR 883 million. In August 2019, we transferred our stake of around 11 percent in Ströer SE & Co. KGaA to the Group's own trust, Deutsche Telekom Trust e.V., to use as plan assets to cover pension obligations. The resulting income of EUR 142 million was recorded as a special factor. The revenue-increasing effects and the inclusion of Tele2 Netherlands also contributed to the increase in EBITDA AL. EBITDA AL of T-Mobile Netherlands increased from EUR 674 million to EUR 774 million, partly as a result of the inclusion of Tele2 Netherlands and the transfer of the EBITDA AL contribution of the Dutch cell tower business to GD Towers. Initial synergy effects, measures to improve cost management efficiency, and rising customer numbers and revenues

from business operations also contributed to the EBITDA AL growth. The GD Towers business continues to post consistent growth on the back of rising volumes.

### EBIT

EBIT increased from EUR 67 million to EUR 498 million year-on-year. The income from the transfer of our stake in Ströer amounting to EUR 142 million had a positive effect. An increase in depreciation, amortization and impairment losses in connection with the consolidation of Tele2 Netherlands at T-Mobile Netherlands as well as non-recurring effects in the course of the integration had a negative effect. GD Towers' high investments in new cell sites also increased depreciation, amortization and impairment losses. Whereas previously expenses had been recognized in connection with operating leases, the right-of-use assets recognized in this context since the application of accounting standard IFRS 16 as of January 1, 2019 result in particular in higher depreciation charges.

### Cash capex

Cash capex increased by EUR 90 million or 44.8 percent compared with the prior-year period, 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

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

## DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2019	Q2 2019	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018
<b>TOTAL REVENUE</b>	651	678	633	677	(6.5)	1,961	2,096	(6.4)	2,735
Profit (loss) from operations <b>(EBIT)</b>	(393)	(314)	(357)	(366)	2.5	(1,063)	(971)	(9.5)	(1,662)
Depreciation, amortization and impairment losses	(260)	(307)	(289)	(184)	(57.1)	(857)	(615)	(39.3)	(825)
EBITDA	(132)	(7)	(67)	(182)	63.2	(206)	(356)	42.1	(837)
EBITDA AL <sup>a</sup>	(234)	(108)	(166)	(200)	17.0	(508)	(415)	(22.4)	(923)
Special factors affecting EBITDA	(97)	(27)	(23)	(68)	66.2	(146)	(214)	31.8	(322)
EBITDA (adjusted for special factors)	(35)	20	(45)	(114)	60.5	(60)	(143)	58.0	(515)
<b>EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)<sup>a</sup></b>	(137)	(82)	(143)	(132)	(8.3)	(362)	(201)	(80.1)	(601)
<b>CASH CAPEX</b>	(274)	(231)	(234)	(253)	7.5	(739)	(748)	1.2	(1,078)

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

### Total revenue

Total revenue in our Group Headquarters & Group Services segment decreased in the reporting period by 6.4 percent year-on-year, mainly due to lower intragroup revenue at Deutsche Telekom IT from the licensing of the Group-wide ERP system, which does not impact on earnings at Group level. A slight negative factor resulted from the fact that, as of January 2016, the costs of intragroup development services newly commissioned from Deutsche Telekom IT in Germany are no longer charged internally.

### EBITDA AL, adjusted EBITDA AL

Adjusted EBITDA AL at our Group Headquarters & Group Services segment decreased in the reporting period by EUR 161 million year-on-year due to two main effects: lower proceeds from real estate sales and lower revenue at Deutsche Telekom IT from the licensing of the Group-wide ERP system. By contrast, the reduction in headcount at Vivento brought about by ongoing staff restructuring had a positive effect.

Overall, EBITDA AL was negatively impacted in the reporting period by special factors amounting to EUR 146 million, especially for staff-related measures. Negative net special factors affecting EBITDA AL in the prior-year period had amounted to EUR 214 million – with expenses for staff-related measures being partially offset by the positive effect of the

reversal of provisions for legal risks in connection with the conclusion of the Toll Collect arbitration proceedings.

### EBIT

The year-on-year decrease of EUR 92 million in EBIT was mainly due to the effects described under EBITDA AL. Whereas previously expenses had been recognized in connection with operating leases, the right-of-use assets recognized in this context since the application of accounting standard IFRS 16 as of January 1, 2019 result in particular in higher depreciation charges. Other depreciation, amortization and impairment losses were slightly above the prior-year level, largely as a result of higher depreciation and amortization following the decision to capitalize newly commissioned intragroup development services at Deutsche Telekom IT instead of charging them internally. By contrast, depreciation, amortization and impairment losses decreased as a result of lower capitalization in connection with declines both in the licensing of the Group-wide ERP system and in land and buildings due to the ongoing optimization of our real estate portfolio.

### Cash capex

Cash capex decreased by EUR 9 million year-on-year. Lower cash capex for vehicles was offset by higher investments in technology and innovation, primarily for development services.

## 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. Contrary to the forecasts published in the 2018 combined management report of the [2018 Annual Report](#), we now expect to post stronger-than-expected increases in adjusted EBITDA AL and in cash capex (before spectrum investments). Adjusted EBITDA AL was originally expected to increase to around EUR 23.9 billion. We now expect adjusted EBITDA AL for the Group to grow to around EUR 24.1 billion in the 2019 financial year. This is largely attributable to stronger-than-expected business performance in the United States operating segment, where we now anticipate adjusted EBITDA AL of around USD 12.5 billion, up from around USD 12.4 billion, as well as to the slightly stronger-than-expected development of business in our other operating segments. Following higher-than-expected capital expenditure in our United States operating segment, we now expect to post cash capex for the Group (before spectrum investments) of around EUR 12.9 billion, up from our original guidance of around EUR 12.7 billion. All other statements made in the 2018 combined management report remain valid. For additional information and recent changes in the economic situation, please refer to the section "[The economic environment](#)" in this interim Group management report. Readers are also referred to the [Disclaimer](#) at the end of this report.

## RISKS AND OPPORTUNITIES

This section provides important additional information and explains recent changes in the risks and opportunities as described in the [2018 Annual Report](#). Readers are also referred to the [Disclaimer](#) at the end of this report.

### OPERATIONAL RISKS

The risk significance in the risk category "Risks relating to IT/NT network operations, United States" was regraded from medium to low at the beginning of 2019. This was due not only to the geographical

redundancies that were put in place, but also to the adequate disaster recovery functions for the billing systems for customer services, which were rated as functional in tests. The risk is thus mitigated and will no longer be reported.

### LITIGATION

**Lawsuits filed by partnering publishers of telephone directories.** In the lawsuits filed by the partnering publishers of telephone directories, two of the suits suspended in the first instance were withdrawn in March 2019 and three appeals were withdrawn in October 2019 after the already reported ruling of the Federal Court of Justice in January 2019 went in our favor. As a result, seven proceedings are still pending with a total claimed amount of approximately EUR 50 million plus interest. For six of these suits, appeal proceedings are still in process with the German Federal Court of Justice while one claim remains suspended. Proceedings before the administrative court were brought to a close after the remaining two plaintiffs withdrew their respective suits under administrative law.

**Arbitration proceedings against T-Mobile Polska S.A.** In August 2019, Polish telecommunications provider P4 Sp. z o.o. initiated arbitration proceedings against T-Mobile Polska S.A. The plaintiff is claiming around PLN 400 million (around EUR 93 million) plus interest as payment for its alleged entitlement to retroactive mobile termination rates.

### ANTI-TRUST PROCEEDINGS

**Claims for damages against Slovak Telekom following a European Commission decision to impose fines.** On February 21, 2019, Slovak Telekom and Deutsche Telekom filed an appeal with the European Court of Justice against the ruling by the General Court of the European Union of December 13, 2018 in which the decision of the European Commission was partially overturned and the level of the fines reduced. With this appeal, Slovak Telekom and Deutsche Telekom are seeking, inter alia, to overturn the decision finding Slovak Telekom's behavior as abusive.

### ASSESSMENT OF THE AGGREGATE RISK POSITION

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

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €	Sept. 30, 2019	Dec. 31, 2018	Change	Change %	Sept. 30, 2018
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>	<b>24,563</b>	<b>21,870</b>	<b>2,693</b>	<b>12.3</b>	<b>19,981</b>
Cash and cash equivalents	6,461	3,679	2,782	75.6	2,235
Trade and other receivables	9,919	9,988	(69)	(0.7)	9,331
Contract assets	1,882	1,765	117	6.6	1,716
Current recoverable income taxes	446	492	(46)	(9.3)	335
Other financial assets	2,614	2,847	(233)	(8.2)	2,912
Inventories	1,598	1,790	(192)	(10.7)	1,541
Other assets	1,465	1,164	301	25.9	1,752
Non-current assets and disposal groups held for sale	177	145	32	22.1	159
<b>NON-CURRENT ASSETS</b>	<b>149,764</b>	<b>123,505</b>	<b>26,259</b>	<b>21.3</b>	<b>122,279</b>
Intangible assets	69,645	64,950	4,695	7.2	64,890
Property, plant and equipment	49,982	50,631	(649)	(1.3)	49,448
Right-of-use assets	18,474	n.a.	n.a.	n.a.	n.a.
Capitalized contract costs	1,988	1,744	244	14.0	1,566
Investments accounted for using the equity method	397	576	(179)	(31.1)	574
Other financial assets	4,656	1,585	3,071	n.a.	1,621
Deferred tax assets	3,529	2,949	580	19.7	3,104
Other assets	1,092	1,070	22	2.1	1,075
<b>TOTAL ASSETS</b>	<b>174,327</b>	<b>145,375</b>	<b>28,952</b>	<b>19.9</b>	<b>142,260</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>	<b>35,249</b>	<b>29,144</b>	<b>6,105</b>	<b>20.9</b>	<b>24,183</b>
Financial liabilities <sup>a</sup>	14,148	10,527	3,621	34.4	7,319
Lease liabilities	4,146	n.a.	n.a.	n.a.	n.a.
Trade and other payables	8,896	10,735	(1,839)	(17.1)	8,988
Income tax liabilities	387	328	59	18.0	334
Other provisions	2,697	3,144	(447)	(14.2)	2,839
Other liabilities	3,299	2,654	645	24.3	2,903
Contract liabilities	1,676	1,720	(44)	(2.6)	1,801
Liabilities directly associated with non-current assets and disposal groups held for sale	0	36	(36)	(100.0)	0
<b>NON-CURRENT LIABILITIES</b>	<b>93,941</b>	<b>72,794</b>	<b>21,147</b>	<b>29.1</b>	<b>74,595</b>
Financial liabilities <sup>a</sup>	55,510	51,748	3,762	7.3	53,804
Lease liabilities	16,167	n.a.	n.a.	n.a.	n.a.
Provisions for pensions and other employee benefits	6,702	5,502	1,200	21.8	5,347
Other provisions	3,489	3,291	198	6.0	3,159
Deferred tax liabilities	9,683	8,240	1,443	17.5	8,204
Other liabilities	1,894	3,427	(1,533)	(44.7)	3,476
Contract liabilities	496	585	(89)	(15.2)	604
<b>LIABILITIES</b>	<b>129,190</b>	<b>101,938</b>	<b>27,252</b>	<b>26.7</b>	<b>98,779</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>45,137</b>	<b>43,437</b>	<b>1,700</b>	<b>3.9</b>	<b>43,481</b>
Issued capital	12,189	12,189	0	0.0	12,189
Treasury shares	(47)	(49)	2	4.1	(49)
	<b>12,142</b>	<b>12,141</b>	<b>1</b>	<b>0.0</b>	<b>12,141</b>
Capital reserves	54,992	54,646	346	0.6	54,620
Retained earnings including carryforwards	(39,520)	(37,392)	(2,128)	(5.7)	(37,426)
Total other comprehensive income	(351)	(653)	302	46.2	(741)
Net profit (loss)	3,213	2,166	1,047	48.3	2,597
<b>ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>30,475</b>	<b>30,907</b>	<b>(432)</b>	<b>(1.4)</b>	<b>31,192</b>
Non-controlling interests	14,662	12,530	2,132	17.0	12,290
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>174,327</b>	<b>145,375</b>	<b>28,952</b>	<b>19.9</b>	<b>142,260</b>

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

<sup>a</sup> Financial liabilities included finance lease liabilities in accordance with IAS 17 for the last time as of December 31, 2018.

## CONSOLIDATED INCOME STATEMENT

millions of €

	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018
<b>NET REVENUE</b>	<b>20,017</b>	<b>19,104</b>	<b>4.8</b>	<b>59,169</b>	<b>55,395</b>	<b>6.8</b>	<b>75,656</b>
Of which: interest income calculated using the effective interest method	85	220	(61.4)	264	222	18.9	305
Other operating income	389	365	6.6	846	1,077	(21.4)	1,491
Changes in inventories	24	22	9.1	79	23	n.a.	(14)
Own capitalized costs	600	618	(2.9)	1,779	1,759	1.1	2,433
Goods and services purchased	(8,916)	(9,508)	6.2	(26,540)	(27,190)	2.4	(38,160)
Personnel costs	(4,013)	(4,026)	0.3	(12,576)	(12,245)	(2.7)	(16,436)
Other operating expenses	(787)	(701)	(12.3)	(2,282)	(2,119)	(7.7)	(3,134)
Impairment losses on financial assets	(127)	(91)	(39.6)	(268)	(307)	12.7	(394)
Gains (losses) from the write-off of financial assets measured at amortized cost	7	(26)	n.a.	(39)	(45)	13.3	(120)
Other	(667)	(584)	(14.2)	(1,975)	(1,767)	(11.8)	(2,620)
Depreciation, amortization and impairment losses	(4,256)	(3,344)	(27.3)	(12,811)	(9,645)	(32.8)	(13,836)
<b>PROFIT (LOSS) FROM OPERATIONS</b>	<b>3,058</b>	<b>2,530</b>	<b>20.9</b>	<b>7,665</b>	<b>7,053</b>	<b>8.7</b>	<b>8,001</b>
Finance costs	(591)	(443)	(33.4)	(1,784)	(1,396)	(27.8)	(1,817)
Interest income	90	64	40.6	248	193	28.5	277
Interest expense	(681)	(508)	(34.1)	(2,033)	(1,589)	(27.9)	(2,094)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	6	3	100.0	107	(527)	n.a.	(529)
Other financial income (expense)	(30)	(61)	50.8	190	(175)	n.a.	(502)
<b>PROFIT (LOSS) FROM FINANCIAL ACTIVITIES</b>	<b>(615)</b>	<b>(502)</b>	<b>(22.5)</b>	<b>(1,488)</b>	<b>(2,098)</b>	<b>29.1</b>	<b>(2,848)</b>
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>2,442</b>	<b>2,029</b>	<b>20.4</b>	<b>6,178</b>	<b>4,956</b>	<b>24.7</b>	<b>5,153</b>
Income taxes	(623)	(563)	(10.7)	(1,662)	(1,427)	(16.5)	(1,824)
<b>PROFIT (LOSS)</b>	<b>1,819</b>	<b>1,466</b>	<b>24.1</b>	<b>4,516</b>	<b>3,529</b>	<b>28.0</b>	<b>3,329</b>
<b>PROFIT (LOSS) ATTRIBUTABLE TO</b>							
Owners of the parent (net profit (loss))	1,368	1,110	23.2	3,213	2,597	23.7	2,166
Non-controlling interests	451	355	27.0	1,303	932	39.8	1,163

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

## EARNINGS PER SHARE

	Q3 2019	Q3 2018	Change %	Q1-Q3 2019	Q1-Q3 2018	Change %	FY 2018	
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	1,368	1,110	23.2	3,213	2,597	23.7	2,166
Adjusted weighted average number of basic/diluted ordinary shares outstanding	millions	4,743	4,742	0.0	4,743	4,742	0.0	4,742
<b>EARNINGS PER SHARE BASIC/DILUTED</b>	€	<b>0.29</b>	<b>0.23</b>	<b>26.1</b>	<b>0.68</b>	<b>0.55</b>	<b>23.6</b>	<b>0.46</b>



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	FY 2018
<b>PROFIT (LOSS)</b>	<b>1,819</b>	<b>1,466</b>	<b>353</b>	<b>4,516</b>	<b>3,529</b>	<b>987</b>	<b>3,329</b>
<b>Items not subsequently reclassified to profit or loss (not recycled)</b>							
Gains (losses) from the remeasurement of equity instruments	22	15	7	56	(632)	688	(619)
Gains (losses) from the remeasurement of defined benefit plans	(545)	388	(933)	(1,527)	246	(1,773)	127
Revaluation due to business combinations	0	0	0	0	0	0	0
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0	0	0	0
Other income and expense recognized directly in equity	0	0	0	0	0	0	0
Income taxes relating to components of other comprehensive income	147	(151)	298	307	(94)	401	36
	<b>(375)</b>	<b>252</b>	<b>(627)</b>	<b>(1,164)</b>	<b>(480)</b>	<b>(684)</b>	<b>(456)</b>
<b>Items subsequently reclassified to profit or loss (recycled), if certain reasons are given</b>							
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	0	0	0	(8)	(1)	(7)	(1)
Change in other comprehensive income (not recognized in income statement)	1,072	228	844	1,252	714	538	1,033
Gains (losses) from the remeasurement of debt instruments							
Recognition of other comprehensive income in income statement	(5)	(42)	37	(47)	(78)	31	(75)
Change in other comprehensive income (not recognized in income statement)	5	23	(18)	34	26	8	84
Gains (losses) from hedging instruments (designated risk components)							
Recognition of other comprehensive income in income statement	(112)	11	(123)	(133)	(35)	(98)	(32)
Change in other comprehensive income (not recognized in income statement)	(173)	4	(177)	(877)	(48)	(829)	(382)
Gains (losses) from hedging instruments (hedging costs)							
Recognition of other comprehensive income in income statement	1	0	1	2	0	2	3
Change in other comprehensive income (not recognized in income statement)	0	(16)	16	(25)	47	(72)	56
Share of profit (loss) of investments accounted for using the equity method							
Recognition of other comprehensive income in income statement	(6)	0	(6)	(7)	0	(7)	0
Change in other comprehensive income (not recognized in income statement)	0	0	0	11	6	5	7
Income taxes relating to components of other comprehensive income	70	5	65	265	26	239	86
	<b>851</b>	<b>213</b>	<b>638</b>	<b>467</b>	<b>657</b>	<b>(190)</b>	<b>779</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>476</b>	<b>466</b>	<b>10</b>	<b>(698)</b>	<b>177</b>	<b>(875)</b>	<b>323</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>2,295</b>	<b>1,931</b>	<b>364</b>	<b>3,818</b>	<b>3,706</b>	<b>112</b>	<b>3,652</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>							
Owners of the parent	1,512	1,524	(12)	2,317	2,493	(176)	2,181
Non-controlling interests	783	406	377	1,501	1,213	288	1,471

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

	Issued capital and reserves attributable to owners of the parent							
	Equity contributed			Consolidated shareholders' equity generated		Total other comprehensive income		
	Issued capital	Treasury shares	Capital reserves	Retained earnings including carry-forwards	Net profit (loss)	Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets (IAS 39)
<b>BALANCE AT JANUARY 1, 2018</b>	<b>12,189</b>	<b>(49)</b>	<b>55,010</b>	<b>(38,750)</b>	<b>3,461</b>	<b>(1,729)</b>	<b>(60)</b>	<b>101</b>
Transfer resulting from change in accounting standards				1,413				(101)
Changes in the composition of the Group			(29)					
Transactions with owners			(587)	0		(12)		
Unappropriated profit (loss) carried forward				3,461	(3,461)			
Dividends				(3,083)				
Capital increase at Deutsche Telekom AG								
Capital increase from share-based payment			226					
Share buy-back/shares held in a trust deposit		1	0	3				
Profit (loss)					2,597			
Other comprehensive income				153		419		
<b>TOTAL COMPREHENSIVE INCOME</b>				(624)			30	
<b>BALANCE AT SEPTEMBER 30, 2018</b>	<b>12,189</b>	<b>(49)</b>	<b>54,620</b>	<b>(37,426)</b>	<b>2,597</b>	<b>(1,322)</b>	<b>(30)</b>	<b>n.a.</b>
<b>BALANCE AT JANUARY 1, 2019</b>	<b>12,189</b>	<b>(49)</b>	<b>54,646</b>	<b>(37,392)</b>	<b>2,166</b>	<b>(1,120)</b>	<b>(28)</b>	<b>n.a.</b>
Transfer resulting from change in accounting standards				221				
Changes in the composition of the Group								
Transactions with owners			78			(5)		
Unappropriated profit (loss) carried forward				2,166	(2,166)			
Dividends				(3,320)				
Capital increase at Deutsche Telekom AG								
Capital increase from share-based payment			268					
Share buy-back/shares held in a trust deposit		1		4				
Profit (loss)					3,213			
Other comprehensive income				(1,213)		788		
<b>TOTAL COMPREHENSIVE INCOME</b>				13			6	
<b>BALANCE AT SEPTEMBER 30, 2019</b>	<b>12,189</b>	<b>(47)</b>	<b>54,992</b>	<b>(39,520)</b>	<b>3,213</b>	<b>(336)</b>	<b>(23)</b>	<b>n.a.</b>

Issued capital and reserves attributable to owners of the parent							Total	Non-controlling interests	Total shareholders' equity
Total other comprehensive income									
Equity instruments at fair value through other comprehensive income (IFRS 9)	Debt instruments measured at fair value through other comprehensive income (IFRS 9)	Hedging instruments (IAS 39)	Hedging instruments: designated risk components (IFRS 9)	Hedging instruments: hedging costs (IFRS 9)	Investments accounted for using the equity method	Taxes			
n.a.	n.a.	789	n.a.	n.a.	26	(254)	30,734	11,737	42,470
93	0	(789)	789			38	1,444	103	1,547
							(29)	47	18
0	2					(1)	(598)	(769)	(1,368)
							0	0	0
							(3,083)	(172)	(3,255)
							0	0	0
							226	132	358
							4	0	4
							2,597	932	3,529
(633)	(33)		(84)	47	6	20	(104)	281	177
							<b>2,493</b>	<b>1,213</b>	<b>3,706</b>
633	(6)				(35)	1	0	0	0
<b>94</b>	<b>(37)</b>	n.a.	<b>705</b>	<b>47</b>	<b>(4)</b>	<b>(194)</b>	<b>31,192</b>	<b>12,290</b>	<b>43,481</b>
<b>84</b>	<b>2</b>	n.a.	<b>519</b>	<b>58</b>	<b>(4)</b>	<b>(165)</b>	<b>30,907</b>	<b>12,530</b>	<b>43,437</b>
	0						221	125	346
							0	245	245
0	0		3			(1)	76	340	416
							0	0	0
							(3,320)	(236)	(3,555)
							0	0	0
							268	157	425
							5	0	5
							3,213	1,303	4,516
56	(9)		(683)	(23)	4	184	(895)	198	(698)
							<b>2,317</b>	<b>1,501</b>	<b>3,818</b>
(19)					0		0	0	0
<b>121</b>	<b>(6)</b>	n.a.	<b>(162)</b>	<b>36</b>	<b>0</b>	<b>18</b>	<b>30,475</b>	<b>14,662</b>	<b>45,137</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	FY 2018
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>2,442</b>	<b>2,029</b>	<b>6,178</b>	<b>4,956</b>	<b>5,153</b>
Depreciation, amortization and impairment losses	4,256	3,344	12,811	9,645	13,836
(Profit) loss from financial activities	615	502	1,488	2,098	2,848
(Profit) loss on the disposal of fully consolidated subsidiaries	0	0	12	0	0
(Income) loss from the sale of stakes accounted for using the equity method	(142)	0	(143)	0	0
Other non-cash transactions	118	103	432	333	430
(Gains) losses from the disposal of intangible assets and property, plant and equipment	41	5	82	(86)	(126)
Change in assets carried as operating working capital	77	(475)	423	(112)	(998)
Change in other operating assets	(35)	(130)	(427)	(182)	(337)
Change in provisions	104	168	(292)	(500)	(100)
Change in liabilities carried as operating working capital	(519)	(27)	(945)	(1,281)	(515)
Change in other operating liabilities	(256)	(46)	207	402	(11)
Income taxes received (paid)	(176)	(241)	(546)	(463)	(697)
Dividends received	2	7	15	180	181
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	0	0	0	0	0
<b>CASH GENERATED FROM OPERATIONS</b>	<b>6,528</b>	<b>5,238</b>	<b>19,294</b>	<b>14,990</b>	<b>19,663</b>
Interest paid	(917)	(724)	(2,984)	(2,568)	(3,307)
Interest received	312	339	1,221	1,119	1,592
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>5,924</b>	<b>4,853</b>	<b>17,531</b>	<b>13,542</b>	<b>17,948</b>
Cash outflows for investments in					
Intangible assets	(762)	(769)	(3,601)	(2,458)	(3,353)
Property, plant and equipment	(2,417)	(2,349)	(7,606)	(6,893)	(9,139)
Non-current financial assets	(276)	(313)	(355)	(517)	(639)
Payments for publicly funded investments in the broadband build-out <sup>a</sup>	(236)	n.a.	(236)	n.a.	n.a.
Proceeds from public funds for investments in the broadband build-out <sup>a</sup>	106	n.a.	106	n.a.	n.a.
Payments to acquire control of subsidiaries and associates	(29)	(1,794)	(277)	(2,076)	(2,080)
Proceeds from disposal of					
Intangible assets	0	0	0	1	2
Property, plant and equipment	26	76	108	380	523
Non-current financial assets	37	133	71	432	596
Proceeds from the loss of control of subsidiaries and associates	(1)	(4)	31	(65)	(67)
Net change in short-term investments and marketable securities and receivables	665	(403)	1,523	(464)	(144)
Other	0	0	(2)	5	5
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,886)</b>	<b>(5,422)</b>	<b>(10,236)</b>	<b>(11,655)</b>	<b>(14,297)</b>
Proceeds from issue of current financial liabilities	12	14,104	10,758	48,256	51,597
Repayment of current financial liabilities	(1,999)	(14,952)	(14,419)	(53,820)	(57,253)
Proceeds from issue of non-current financial liabilities	2,662	1,076	5,695	7,984	8,375
Repayment of non-current financial liabilities	(14)	0	(18)	(21)	(23)
Dividend payments (including to other shareholders of subsidiaries)	(152)	(106)	(3,561)	(3,254)	(3,254)
Principal portion of repayment of lease liabilities	(977)	(226)	(2,837)	(629)	(1,174)
Cash inflows from transactions with non-controlling entities	1	0	2	3	29
Cash outflows from transactions with non-controlling entities	(38)	(41)	(183)	(1,458)	(1,557)
Other	0	0	0	0	0
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(505)</b>	<b>(145)</b>	<b>(4,563)</b>	<b>(2,939)</b>	<b>(3,259)</b>
Effect of exchange rate changes on cash and cash equivalents	35	5	51	(26)	(17)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	0	0	0	0	(8)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,567</b>	<b>(709)</b>	<b>2,782</b>	<b>(1,078)</b>	<b>367</b>
<b>CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD</b>	<b>3,894</b>	<b>2,943</b>	<b>3,679</b>	<b>3,312</b>	<b>3,312</b>
<b>CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD</b>	<b>6,461</b>	<b>2,235</b>	<b>6,461</b>	<b>2,235</b>	<b>3,679</b>

<sup>a</sup> 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 more information on the change in estimates for publicly funded investments in the broadband build-out, please refer to the section "Changes in accounting policies, changes in estimates."

## 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 September 30, 2019 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, 2018. 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, 2018 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
IFRS 16	Leases	Jan. 1, 2019	Under IFRS 16, lessees are required to recognize assets and liabilities for all leases and the rights and obligations associated with these leases in the statement of financial position. Lessees are therefore now no longer required to make the distinction between finance and operating leases that was required in the past in accordance with IAS 17. For all leases, the lessee recognizes a lease liability in the statement of financial position for the obligation to make future lease payments. At the same time, the lessee recognizes a right to use the underlying leased asset which is equivalent to the present value of the future lease payments plus initial direct costs, directly attributable expenditure, advance payments and restoration costs, minus incentive payments received. Similar to the guidance on finance leases in the previously applicable provisions of IAS 17, the lease liability will subsequently be adjusted over the lease term to reflect interest on the liability and principal repayments, while the right-of-use asset will be depreciated. Both factors – in contrast to IAS 17 – lead to higher expenses at the beginning of a lease. For the lessor, on the other hand, the provisions of the new standard are similar to the existing guidance in IAS 17. IFRS 16 also includes new provisions on the definition of a lease and its presentation, on disclosures in the notes, and on sale and leaseback transactions.	The standard has a material effect on the presentation of Deutsche Telekom's results of operations and financial position. The effects are detailed in the explanations following this table.
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	Jan. 1, 2019	The amendments change the guidance on the amendment, curtailment, or settlement of a defined benefit pension plan. They clarify that an entity is required to determine current service cost and the net interest for the remainder of the reporting period after a plan amendment, curtailment, or settlement using updated actuarial assumptions and the net liability (or net asset) at the time of the amendment. Any changes in a surplus must be recognized as profit or loss as part of past service cost, or a gain or loss on settlement, even if this surplus had not been previously recognized due to the effect of the asset ceiling. The effects of changes in the asset ceiling are recognized in other comprehensive income.	No material impact.
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	Jan. 1, 2019	The amendments clarify that an entity applies IFRS 9 including its impairment requirements to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but are not accounted for using the equity method.	No material impact.
Amendments to IFRS 9	Prepayment Features with Negative Compensation	Jan. 1, 2019	The amendment sets out that, if certain conditions are met, financial assets can be measured at amortized cost or fair value through other comprehensive income (FVOCI) if, in the case of an early termination, compensation is required to be paid to the party that triggers the early termination of the contract.	No material impact.
IFRIC 23	Uncertainty over Income Tax Treatments	Jan. 1, 2019	IFRIC 23 brings clarity to IAS 12 "Income Taxes" in relation to the recognition and measurement of current income taxes, deferred tax assets, and deferred tax liabilities if there is uncertainty regarding the treatment of income taxes.	No material impact.
Annual Improvements Project	Annual Improvements to IFRSs 2015-2017 Cycle	Jan. 1, 2019	Clarification of many published standards.	No material impact.

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

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

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

Significant policy elections and practical expedients are exercised as follows:

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

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

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

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

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

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

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

<sup>b</sup> For reasons of simplification, the figure is combined to show the cumulative effect of the transition to IFRS 16 to be recognized directly in equity.

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

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

The obligations arising from operating leases as of December 31, 2018 (2018 Annual Report, Note 37 "[Leases](#)") gave rise to the following reconciliation to the opening balance of lease liabilities as of January 1, 2019:

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

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

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

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

The right-of-use assets reported as of September 30, 2019 were as follows:

millions of €	Sept. 30, 2019
Right-of-use assets – land and buildings	6,072
Right-of-use assets – land and buildings from sale and leaseback transactions	577
Right-of-use assets – technical equipment and machinery	11,687
Right-of-use assets – other equipment, operating and office equipment	137
	<b>18,474</b>

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

This gave rise to the following presentation in the income statement for the first three quarters of 2019<sup>a</sup>:

millions of €	Q1-Q3 2019
<b>DEPRECIATION OF RIGHT-OF-USE ASSETS</b>	<b>2,688</b>
Right-of-use assets – land and buildings	907
Right-of-use assets – land and buildings from sale and leaseback transactions	108
Right-of-use assets – technical equipment and machinery	1,631
Right-of-use assets – other equipment, operating and office equipment	42
<b>INTEREST EXPENSE ON LEASE LIABILITIES</b>	<b>654</b>

<sup>a</sup> The overview above contains only those items that are affected by the first-time application of IFRS 16.

For more information on standards, interpretations, and amendments that have been issued but not yet applied, as well as disclosures on the recognition and measurement of items in the statement of financial position and discretionary decisions and estimation uncertainties, please refer to the 2018 Annual Report, section “[Summary of accounting policies](#)” in the notes to the consolidated financial statements.

### CHANGES IN ACCOUNTING POLICIES, CHANGES IN ESTIMATES

With the exception of the standards, interpretations, and amendments that are effective for the first time in the financial year, Deutsche Telekom did not make any major changes in its accounting policies.

The contractual grants receivable from public funding projects for the broadband build-out in Germany are recognized in full as of the start of the third quarter of 2019. This is due to the fact that the broadband build-out in Germany has now become a routine activity such that now, as soon as a grant agreement is concluded, it has to be assumed with the reasonable assurance required under IFRS that Deutsche Telekom will meet the conditions for the grant and that the public sector will pay out the grant. Consequently, the expected grants are now recognized in full as other financial assets upon conclusion of the agreement, with a matching non-financial other liability for the existing build-out obligation. Previously, the grant conditions were only deemed to be met with reasonable assurance upon acceptance after completion, and hence until now, only advance payments received were recognized as non-financial other liabilities. Consequently, the funded portion of the payments was initially capitalized as property, plant and equipment, as a result of which the corresponding carrying amount was higher. The grants receivable recognized as other financial assets in the third quarter of 2019 as a result of this change in estimate amounted to EUR 1.3 billion, and non-financial other liabilities of EUR 0.9 billion were newly recognized for the build-out obligations to be fulfilled. The difference is deducted from property, plant and equipment. The financial assets measured at amortized cost are reduced upon receipt of the grants. The non-financial other liabilities are derecognized on a pro rata basis as the build-out progresses, reducing the cost of the publicly funded property, plant and equipment. All grants received from funding projects and payments made for the build-out are recognized in net cash from/used in investing activities. Grants and payments for funding projects for which the reasonable assurance described above already exists are recognized separately in the items “Proceeds from public funds for investments in the broadband build-out” and “Payments for publicly funded investments in the broadband build-out.” 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 “Cash outflows for investments in property, plant and equipment,” because the payments made do not result in additions to property, plant and equipment. For more information, please refer to the section “[Notes to the consolidated statement of cash flows.](#)”



### CHANGES IN THE COMPOSITION OF THE GROUP

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

### ACQUISITION OF TELE2 NETHERLANDS HOLDING N.V.

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

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

The purchase price allocation and the measurement of Tele2 Netherlands' assets and liabilities at the acquisition date had almost been finalized by September 30, 2019. The fair values of Tele2 Netherlands' acquired assets and liabilities recognized at the acquisition date are presented in the following table:

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

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

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

millions of €	Fair value at the acquisition date
Consideration transferred	734
+ non-controlling interests	245
- fair value of the acquired assets	(1,206)
+ fair value of the acquired liabilities	430
<b>= GOODWILL</b>	<b>203</b>

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

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

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

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

No material transaction-based costs were incurred by September 30, 2019.

Deutsche Telekom's net revenue increased by EUR 447 million in the reporting period due to the acquisition of Tele2 Netherlands. Net profit for the current reporting period includes profit/loss before taxes of EUR 23 million from Tele2 Netherlands. Since the business combination took place before the beginning of the 2019 financial year, net revenue and net profit would not have been other than as reported.

#### **SALE OF TELEKOM ALBANIA**

On January 15, 2019, OTE concluded an agreement concerning the sale of its stake in Telekom Albania to the Bulgarian company Albania Telecom Invest AD for a purchase price of EUR 50 million. The transaction was consummated on May 7, 2019. The gain on deconsolidation resulting from the sale is immaterial from the Group's perspective.

The following transactions are expected to change the composition of the Deutsche Telekom Group in future:

#### **AGREED BUSINESS COMBINATION OF T-MOBILE US AND SPRINT**

Together with their respective majority shareholders Deutsche Telekom AG and Softbank K.K., T-Mobile US and Sprint Corp. concluded a binding agreement on April 29, 2018 to combine their companies. The agreement is subject to approvals by the regulatory and anti-trust authorities and certain other customary closing conditions. Under the agreement, T-Mobile US will acquire all of the shares in Sprint. In return for every 9.75 Sprint shares, the company's shareholders will receive one new T-Mobile US share without any additional cash contribution. On completion of the transaction, Deutsche Telekom will hold around 42 percent of T-Mobile US' shares and Softbank around 27 percent, while the free float will account for around 31 percent. Due to the voting-rights agreement with Softbank, and to the fact that individuals nominated by Deutsche Telekom will hold the majority of the seats on the new company's Board of Directors, T-Mobile US will continue to be included as a fully consolidated subsidiary in the consolidated financial statements. For more information, please refer to the section "[Group organization, strategy, and management.](#)"

#### **TRANSFER OF THE STAKE IN STRÖER SE & CO. KGaA TO PLAN ASSETS**

On August 14, 2019, Deutsche Telekom transferred its 11.34 percent stake in Ströer SE & Co. KGaA to Deutsche Telekom Trust e.V., where it will be used as plan assets to cover existing pension obligations. This transaction resulted in income of EUR 142 million from the divestiture of the stake, which had previously been accounted for using the equity method. For more information, please refer to the section "[Selected notes to the consolidated statement of financial position.](#)"

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

##### **OTE SHARE BUY-BACK**

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

##### **RESOLUTION ON T-MOBILE US' SHARE BUY-BACK PROGRAM IN THE EVENT OF THE TERMINATION OF THE AGREEMENT WITH SPRINT**

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

#### **SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

##### **TRADE AND OTHER RECEIVABLES**

At EUR 9.9 billion, trade and other receivables decreased by EUR 0.1 billion against the 2018 year-end level. Declines in trade receivables in the Europe and Germany operating segments were offset by an increase of EUR 0.2 billion in trade receivables in the Group Development operating segment, mainly from the acquired Tele2 Netherlands. Exchange rate effects, primarily from the translation from U.S. dollars into euros, also increased the carrying amount.

##### **CONTRACT ASSETS**

At EUR 1.9 billion, contract assets were up EUR 0.1 billion as of the reporting date compared with December 31, 2018. Contract assets arise from the application of IFRS 15 since the 2018 financial year and 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**

Compared with December 31, 2018, inventories were EUR 0.2 billion lower at EUR 1.6 billion, due primarily to a decrease in inventories of higher-priced smartphones in the United States operating segment.

## INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

**Intangible assets** increased by EUR 4.7 billion to EUR 69.6 billion. Additions totaling EUR 5.6 billion increased the carrying amount and mainly relate to capital expenditures in the Germany, United States, Europe, and Group Development operating segments. In the Germany operating segment, additions of EUR 2.2 billion relate to the 5G licenses acquired in Germany. In the United States operating segment, capital expenditures included a total of EUR 1.0 billion for the acquisition of FCC mobile licenses. In the Europe operating segment, 5G licenses acquired in Austria increased the carrying amount by EUR 0.1 billion. Changes in the composition of the Group increased the carrying amount by a further EUR 0.7 billion. The acquisition of Tele2 Netherlands in the Group Development operating segment resulted in identifiable intangible assets totaling EUR 0.5 billion at the acquisition date (including customer base and spectrum licenses) in addition to goodwill of EUR 0.2 billion. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount by EUR 2.0 billion. Amortizations reduced the net carrying amount by EUR 3.6 billion.

**Property, plant and equipment** decreased by EUR 0.6 billion compared with December 31, 2018 to EUR 50.0 billion. The first-time application of IFRS 16 as of January 1, 2019 accounted for a reduction of EUR 2.5 billion. Assets arising from finance leases that were reported under property, plant and equipment until December 31, 2018, for which Deutsche Telekom as the lessee bore substantially all the risks and rewards associated with the lease, are now recognized as rights to use the underlying leased assets. For more information on the first-time application of IFRS 16, please refer to the section "[Accounting policies.](#)" Depreciation, amortization and impairment losses of EUR 6.6 billion and disposals of EUR 0.3 billion also reduced the carrying amount. Additions of EUR 7.8 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. Effects of changes in the composition of the Group resulting from the acquisition of Tele2 Netherlands increased the carrying amount by EUR 0.3 billion. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount by EUR 0.7 billion.

## RIGHT-OF-USE ASSETS

As a consequence of the first-time application of IFRS 16 as of January 1, 2019, the rights to use the underlying lease assets were recognized in the amount of the lease liability, adjusted by the amount of the prepaid or accrued lease payments. The remeasurement and reclassification effect reported amounted to EUR 16.2 billion as of January 1, 2019. This includes both rights to use lease assets recognized in the statement of financial position for the first time and rights to use assets arising from finance leases in the amount of EUR 2.5 billion that were previously disclosed under property, plant and equipment. For more information on the first-time application of IFRS 16, please refer to the section "[Accounting policies.](#)" The carrying amount had changed to EUR 18.5 billion as of September 30, 2019. In the first three quarters of 2019, the figure included additions of EUR 4.5 billion, mainly in the United States operating segment. Effects of changes in the composition of the Group totaling EUR 0.2 billion, due in particular to the acquisition of Tele2 Netherlands in the Group Development operating segment, and positive exchange rate effects

totaling EUR 0.6 billion also increased the carrying amount. Depreciation, amortization and impairment losses totaling EUR 2.7 billion and disposals of EUR 0.3 billion had an offsetting effect.

## CAPITALIZED CONTRACT COSTS

Capitalized contract costs increased by EUR 0.2 billion as of September 30, 2019 to EUR 2.0 billion, mainly due to a higher level of capitalized costs of obtaining a contract, in particular in the United States operating segment. Capitalized contract costs arise from the application of IFRS 15 since January 1, 2018.

## INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amount of investments accounted for using the equity method decreased by EUR 0.6 billion compared with December 31, 2018 to EUR 0.4 billion. This was primarily due to the transfer of the 11.34 percent stake in Ströer SE & Co. KGaA to the plan assets of Deutsche Telekom Trust e.V. as of August 14, 2019 to cover existing pension obligations. For more information, please refer to the section "[Changes in the composition of the Group.](#)"

## OTHER FINANCIAL ASSETS

Current and non-current other financial assets increased by EUR 2.8 billion compared with December 31, 2018 to EUR 7.3 billion. Positive measurement effects from embedded derivatives at T-Mobile US increased the carrying amount. Furthermore, grants receivable from funding projects for the broadband build-out in Germany, which as a result of the change in estimate since the start of the third quarter are to be recognized as other financial assets upon conclusion of the agreement, also increased the carrying amount by EUR 1.3 billion. For more information on the change in estimate, please refer to the section "[Accounting policies.](#)"

## TRADE AND OTHER PAYABLES

Trade and other payables decreased by EUR 1.8 billion to EUR 8.9 billion due to the reduction in the level of liabilities, mainly in the United States, Europe, and Germany operating segments. Exchange rate effects from the translation of U.S. dollars into euros had an offsetting effect.

## OTHER LIABILITIES

Current and non-current other liabilities decreased by EUR 0.9 billion to EUR 5.2 billion. This decline is mainly attributable to the fact that, as a consequence of the first-time application of IFRS 16, liabilities from straight-line leases, primarily for cell sites in the United States operating segment, were no longer required to be reported. As of January 1, 2019, first of all, the lease terms underlying these liabilities were adjusted to the lease terms determined in accordance with IFRS 16, increasing shareholders' equity, and the remaining prepaid expense was offset against the right-of-use asset. This reduced other liabilities by EUR 2.2 billion as of the transition date. For more information on the application of IFRS 16, please refer to the section "[Accounting policies.](#)" Due to the change in estimate implemented at the start of the third quarter of 2019 in connection with the accounting treatment of contractual grants receivable from funding projects for the broadband build-out in Germany, non-financial other liabilities of EUR 0.9 billion were recognized for existing build-out obligations. For more information on the change in estimate, please refer to the section "[Accounting policies.](#)"

**OTHER PROVISIONS**

Current and non-current other provisions decreased by EUR 0.2 billion to EUR 6.2 billion. The decline in current other provisions was mainly due to the performance-related compensation components for the prior year paid to employees in the second quarter of 2019. The carrying amount of non-current other provisions was reduced among other things by a slight increase in provisions for restoration obligations.

**FINANCIAL LIABILITIES**

Current and non-current financial liabilities increased by EUR 7.4 billion to EUR 69.7 billion compared with the end of 2018.

The following borrowings or repayments of debt were made in the reporting period:

Deutsche Telekom AG issued euro bonds with a total volume of EUR 3.9 billion, pound sterling bonds with a total volume of GBP 0.4 billion (EUR 0.5 billion), U.S. dollar bonds of USD 0.1 billion (EUR 0.1 billion), and Australian dollar bonds of AUD 0.1 billion (EUR 0.1 billion). In addition, OTE PLC issued a euro bond with a volume of EUR 0.4 billion. A loan of EUR 0.5 billion was issued by the European Investment Bank. A promissory note taken out in the amount of EUR 0.3 billion also increased the carrying amount of the financial liabilities. Scheduled repayments of U.S. dollar bonds totaling USD 1.8 billion (EUR 1.6 billion), liabilities to banks totaling EUR 0.2 billion, and promissory notes totaling EUR 0.2 billion, had an offsetting effect. The net change of EUR 0.5 billion in commercial paper

and net short-term borrowings of EUR 0.6 billion also reduced the carrying amount of the financial liabilities.

An increase in the carrying amount of other interest-bearing liabilities compared with December 31, 2018 relates to the spectrum licenses acquired in the Germany operating segment for EUR 2.2 billion. In place of a lump-sum payment, government representatives agreed to the payment of the purchase price in annual installments from 2019 through 2030. After deducting collateral of EUR 36 million and the first, already paid installment of EUR 0.1 billion, the resulting financial liabilities had a carrying amount of EUR 2.0 billion. Payment by installment was granted on the condition that Deutsche Telekom assumes additional build-out obligations.

An increase in the carrying amount of the financial liabilities compared with December 31, 2018 of around EUR 0.6 billion in total relates to exchange rate effects in the United States operating segment.

The first-time application of IFRS 16 resulted in finance lease liabilities being reclassified from financial liabilities to lease liabilities. Based on the carrying amounts as of December 31, 2018, this reclassification reduced financial liabilities by EUR 2.5 billion. For more information on the application of the new accounting standard, please refer to the section "[Accounting policies.](#)"

The following table shows the composition and maturity structure of financial liabilities as of September 30, 2019:

millions of €	Sept. 30, 2019	Due within 1 year	Due > 1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	54,719	6,730	16,706	31,282
Liabilities to banks	5,881	1,858	2,568	1,455
Liabilities to non-banks from promissory note bonds	357	0	53	305
Other interest-bearing liabilities	5,253	2,831	1,119	1,304
Other non-interest-bearing liabilities	1,472	1,340	129	4
Derivative financial liabilities	1,975	1,388	159	428
<b>FINANCIAL LIABILITIES</b>	<b>69,658</b>	<b>14,148</b>	<b>20,732</b>	<b>34,778</b>

**LEASE LIABILITIES**

The first-time application of IFRS 16 led to the recognition of current and non-current lease liabilities totaling EUR 18.1 billion. These also included the finance lease liabilities that used to be reported under financial liabilities. The carrying amount of the recognized lease liabilities increased to EUR 20.3 billion as of September 30, 2019. Overall, lease liabilities in the amount of EUR 4.1 billion are due within one year. Lease liabilities primarily relate to the United States operating segment. For more information on the application of the new accounting standard, please refer to the section "[Accounting policies.](#)"

**CONTRACT LIABILITIES**

Compared with September 30, 2019, the carrying amount of current and non-current contract liabilities decreased by EUR 0.1 billion to EUR 2.2 billion. These mainly comprise deferred revenues.

**PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS**

Provisions for pensions and other employee benefits increased from EUR 5.5 billion as of December 31, 2018 to EUR 6.7 billion, mainly due to interest rate adjustments and a decline in the price of the BT Group plc share transferred to plan assets. All this resulted in an actuarial loss of EUR 1.5 billion to be recognized directly in equity. On August 14, 2019, Deutsche Telekom transferred its 11.34 percent stake in Ströer SE & Co. KGaA, worth EUR 0.4 billion, to the Group's own trust, Deutsche Telekom Trust e.V., as plan assets. Due to the netting of the present value of the pension obligations with the plan assets, the increase in external cover led to a reduction in provisions for pensions and other employee benefits. For more information on the Global Pension Policy and a description of the plan, please refer to the [2018 Annual Report.](#)

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

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

The Group's pension obligations are based on pension commitments mainly in Germany, Greece, and Switzerland. Without the change, the discount rate as of September 30, 2019 would be 0.26 percentage points lower in Germany, 0.26 or 0.25 percentage points lower in Greece, and 0.05 percentage points lower in Switzerland, and the defined benefit obligations would be EUR 408 million higher.

## SHAREHOLDERS' EQUITY

Shareholders' equity increased by EUR 1.7 billion as of December 31, 2018 to EUR 45.1 billion, due in particular to the profit of EUR 4.5 billion. Non-cash effects from currency translation of EUR 1.2 billion, capital increases from share-based payments of EUR 0.4 billion, and income taxes relating to components of other comprehensive income of EUR 0.6 billion also increased shareholders' equity, as did the transition to IFRS 16. The cumulative effect of this was an increase of EUR 0.3 billion in retained earnings (including shares attributable to non-controlling interests) recognized directly in equity as of January 1, 2019. The acquisition of Tele2 Netherlands in the Group Development operating segment resulted in transactions with owners which increased shareholders' equity by EUR 0.5 billion, and effects of EUR 0.2 billion from changes in the composition of the Group. For more information, please refer to the section "[Changes in the composition of the Group](#)." The carrying amount was reduced by dividend payments for the 2018 financial year to Deutsche Telekom AG shareholders in the amount of EUR 3.3 billion and to other shareholders of subsidiaries in the amount of EUR 0.2 billion. Shareholders' equity was also reduced by EUR 1.5 billion due to the remeasurement of defined benefit plans and by a total of EUR 1.0 billion due to losses from hedging instruments, mainly in connection with forward-payer swaps concluded for highly probable future borrowings at T-Mobile US.

## SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

### NET REVENUE

Net revenue breaks down into the following revenue categories:

millions of €	Q1-Q3 2019	Q1-Q3 2018 <sup>b</sup>
<b>Revenue from the rendering of services</b>	<b>48,600</b>	<b>45,853</b>
Germany	13,039	13,188
United States	23,179	20,614
Europe	7,472	7,349
Systems Solutions	3,746	3,932
Group Development	1,112	725
Group Headquarters & Group Services	52	44
<b>Revenue from the sale of goods and merchandise<sup>a</sup></b>	<b>9,020</b>	<b>8,373</b>
Germany	1,582	1,529
United States	6,039	5,441
Europe	1,044	1,104
Systems Solutions	91	83
Group Development	264	215
Group Headquarters & Group Services	0	0
<b>Revenue from the use of entity assets by others</b>	<b>1,549</b>	<b>1,169</b>
Germany	614	359
United States	410	448
Europe	165	36
Systems Solutions	60	17
Group Development	206	217
Group Headquarters & Group Services	93	92
<b>NET REVENUE</b>	<b>59,169</b>	<b>55,395</b>

<sup>a</sup> Revenue from the sale of goods and merchandise includes interest income of EUR 0.3 billion in the reporting period, calculated using the effective interest method (Q1-Q3 2018: EUR 0.3 billion). This income is primarily attributable to accrued interest on receivables in connection with handsets sold under installment plans in the United States operating segment.

<sup>b</sup> Prior-year figures were adjusted on account of a change in the allocation between revenue categories. This change relates to revenue from the use of entity assets by others of EUR 217 million in the Group Development operating segment that had been reported under revenue from the rendering of services in the [consolidated financial statements](#) for January 1 to September 30, 2018.

For details of changes in net revenue, please refer to the section "[Development of business in the Group](#)" in the interim Group management report.

### OTHER OPERATING INCOME

millions of €	Q1-Q3 2019	Q1-Q3 2018
Income from the reversal of impairment losses on non-current assets	6	8
Of which: IFRS 5	0	0
Income from the disposal of non-current assets	46	202
Income from reimbursements	106	124
Income from insurance compensation	73	313
Income from ancillary services	18	21
Miscellaneous other operating income	596	409
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	143	0
	<b>846</b>	<b>1,077</b>

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. Income from insurance compensation in the prior-year period mainly comprised compensation payments received by T-Mobile US in the first three quarters of 2018 for damage caused by hurricanes in 2017. Miscellaneous other operating income includes income from the divestitures of shares accounted for using the equity method as a result of the transfer on August 14, 2019 of the 11.34 percent stake in Ströer SE & Co. KGaA to Deutsche Telekom Trust e.V. as plan assets. Miscellaneous other operating income also includes a large number of individual items accounting for marginal amounts.

### OTHER OPERATING EXPENSES

millions of €	Q1-Q3 2019	Q1-Q3 2018
Impairment losses on financial assets	(268)	(307)
Gains (losses) from the write-off of financial assets measured at amortized cost	(39)	(45)
Other	(1,975)	(1,767)
Legal and audit fees	(224)	(217)
Losses from asset disposals	(128)	(117)
Income (losses) from the measurement of factoring receivables	(109)	(92)
Other taxes	(342)	(364)
Cash and guarantee transaction costs	(259)	(247)
Insurance expenses	(73)	(69)
Miscellaneous other operating expenses	(840)	(661)
	<b>(2,282)</b>	<b>(2,119)</b>

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

### DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

At EUR 12.8 billion, depreciation, amortization and impairment losses on intangible assets, property, plant and equipment, and right-of-use assets were EUR 3.2 billion higher than in the prior-year period. Of this figure, EUR 2.7 billion was attributable to the depreciation charge for right-of-use assets required to be recognized for the first time in accordance with IFRS 16. In the prior-year period, by contrast, expenses had been recognized under goods and services purchased in connection with operating leases as well as depreciation of finance lease assets recognized as property, plant and equipment. Depreciation of property, plant and equipment and amortization of intangible assets were EUR 0.5 billion higher than in the prior year, mainly due to the consistently high investment volume in past years.

### PROFIT/LOSS FROM FINANCIAL ACTIVITIES

In the first three quarters of 2019, the loss from financial activities decreased by EUR 0.6 billion year-on-year to EUR 1.5 billion, with the share of profit/loss of associates and joint ventures accounted for using the equity method increasing substantially from EUR -0.5 billion in the prior-year period to EUR 0.1 billion. This was mainly attributable to the settlement agreement reached in the prior year to end the Toll Collect arbitration proceedings, which had a negative effect of EUR 0.6 billion. Other financial income/expense improved by EUR 0.4 billion, mainly due to positive measurement effects from embedded derivatives at T-Mobile US as a result of the lowering of interest rates on the U.S. capital market. For more information, please refer to "[Disclosures on financial instruments](#)." Finance costs, by contrast, increased by EUR 0.4 billion, because the subsequent measurement of recognized lease liabilities since the application of IFRS 16 added EUR 0.7 billion to finance costs. Favorable refinancing terms had a reducing effect on finance costs compared with the prior-year period.

### INCOME TAXES

In the first three quarters of 2019, a tax expense of EUR 1.7 billion was recorded. The effective tax rate of 27 percent essentially reflects the shares of the different countries in profit before income taxes and their respective national tax rates. In the prior-year period, the tax expense totaled EUR 1.4 billion and was primarily attributable to correspondingly lower profit before income taxes.

## OTHER DISCLOSURES

### NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities increased by EUR 4.0 billion year-on-year to EUR 17.5 billion. In the prior-year period, the cash outflows in connection with operating leases reduced net cash from operating activities. Due to the first-time application of IFRS 16, the principal repayment portion of lease payments is presented in net cash used in financing activities. The strong performance of the operating segments, in particular the United States, significantly increased net cash from operating activities. Factoring agreements, especially in the Systems Solutions operating segment, resulted in positive effects of EUR 0.3 billion on net cash from operating activities in the reporting period. The effect from factoring agreements in the prior-year period totaled EUR 0.2 billion. In addition, in the prior-year period, dividends received in the amount of EUR 0.2 billion had had an increasing effect. Net cash from operating activities was reduced in the reporting period by a EUR 0.3 billion increase in net interest payments and a EUR 0.1 billion increase in tax payments.

**NET CASH USED IN INVESTING ACTIVITIES**

millions of €	Q1-Q3 2019	Q1-Q3 2018
Cash capex		
Germany operating segment	(3,351)	(3,242)
United States operating segment	(5,314)	(3,653)
Europe operating segment	(1,301)	(1,253)
Systems Solutions operating segment	(233)	(352)
Group Development operating segment	(291)	(201)
Group Headquarters & Group Services	(739)	(748)
Reconciliation	22	99
	<b>(11,206)</b>	<b>(9,351)</b>
Payments for publicly funded investments in the broadband build-out <sup>a</sup>	(236)	n.a.
Proceeds from public funds for investments in the broadband build-out <sup>a</sup>	106	n.a.
Net cash flows for collateral deposited and hedging transactions	1,485	(460)
Cash outflows for the acquisition of shares in Tele2 Netherlands <sup>b</sup>	(230)	0
Cash outflows for the acquisition of shares in Layer3 TV <sup>c</sup>	0	(258)
Cash outflows for the acquisition of shares in UPC Austria GmbH <sup>d</sup>	0	(1,791)
Proceeds from the disposal of property, plant and equipment, and intangible assets	108	381
Cash flows from the loss of control of subsidiaries and associates <sup>e,f</sup>	31	(65)
Reverse allocation under contractual trust agreement (CTA) on pension commitments	0	225
Payment in relation to settlement reached in Toll Collect arbitration proceedings	(200)	(200)
Payment in relation to equity maintenance undertaking for Toll Collect GmbH	0	(60)
Other	(94)	(76)
	<b>(10,236)</b>	<b>(11,655)</b>

<sup>a</sup> For more information on the change in estimates for publicly funded investments in the broadband build-out, please refer to the section "[Changes in accounting policies, changes in estimates](#)".

<sup>b</sup> Includes, in addition to the purchase price of EUR 234 million, inflows of cash and cash equivalents in the amount of EUR 4 million.

<sup>c</sup> Includes, in addition to the purchase price of EUR 260 million, inflows of cash and cash equivalents in the amount of EUR 2 million.

<sup>d</sup> Includes, in addition to the purchase price of EUR 1,792 million, inflows of cash and cash equivalents in the amount of EUR 1 million.

<sup>e</sup> In addition to the purchase price of EUR 50 million received by OTE for the sale of Telekom Albania, in the first three quarters of 2019 this item includes outflows of cash and cash equivalents of EUR 15 million and bonus payments to be made of EUR 4 million.

<sup>f</sup> Relates primarily to outflows of cash and cash equivalents in connection with the transfer of the stake in BT Group plc as plan assets to Deutsche Telekom Trust e.V. in March 2018.

Cash capex increased by EUR 1.9 billion to EUR 11.2 billion. In the reporting period, mobile spectrum licenses were acquired for total cash of EUR 1.2 billion. EUR 1.0 billion of this relates to the FCC licenses acquired in the United States operating segment in two auctions for the 28 GHz and 24 GHz spectrum, and EUR 0.1 billion each to spectrum acquired in the Germany operating segment, where payment by annual installments through 2030 has been agreed for the 5G licenses worth

EUR 2.2 billion acquired in 2019, and the Europe operating segment. The prior-year figure included EUR 0.2 billion for the acquisition of mobile spectrum licenses, predominantly for the United States operating segment. Adjusted for investments in mobile spectrum licenses, cash capex was up by EUR 0.9 billion. This amount relates almost entirely to the United States operating segment and was primarily attributable to the infrastructure build-out for the 600 MHz spectrum, which also lays the groundwork for 5G.

The contractual grants receivable from public funding projects for the broadband build-out in Germany are recognized in full as of the start of the third quarter of 2019. The grants received and payments made for the build-out continue to be recognized in net cash used in investing activities, however, they are not part of cash capex, because the payments made do not result in additions to property, plant and equipment. 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. For more information, please refer to the section "[Accounting policies](#)."

**NET CASH USED IN FINANCING ACTIVITIES**

millions of €	Q1-Q3 2019	Q1-Q3 2018
Repayment of bonds	(1,564)	(4,554)
Dividend payments (including to other shareholders of subsidiaries)	(3,561)	(3,254)
Repayment of financial liabilities from financed capex and opex	(270)	(213)
Repayment of EIB loans	(260)	(159)
Net cash flows for collateral deposited and hedging transactions	86	256
Principal portion of repayment of lease liabilities	(2,837)	(629)
Repayment of financial liabilities for media broadcasting rights	(277)	(323)
Cash flows from continuing involvement factoring, net	(11)	32
Loans taken out with the EIB	500	150
Promissory notes, net	144	324
Secured loans	0	0
Issuance of bonds	4,897	7,483
Commercial paper, net	(467)	(775)
Overnight borrowings from banks, net	(626)	533
<b>Cash inflows from transactions with non-controlling entities</b>		
T-Mobile US stock options	2	3
	<b>2</b>	<b>3</b>
<b>Cash outflows from transactions with non-controlling entities</b>		
T-Mobile US share buy-backs	(95)	(946)
Acquisition of T-Mobile US shares	0	(164)
OTE share buy-backs	(84)	(63)
Acquisition of OTE shares	0	(284)
Other	(4)	(1)
	<b>(183)</b>	<b>(1,458)</b>
Other	(136)	(355)
	<b>(4,563)</b>	<b>(2,939)</b>

## NON-CASH TRANSACTIONS

In the first three quarters of 2019, Deutsche Telekom chose financing options totaling EUR 0.7 billion under which the payments for trade payables from operating and investing activities become due at a later point in time mainly by involving banks in the process. For the prior-year period, this figure was 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 three quarters of 2019, Deutsche Telekom leased assets totaling EUR 4.5 billion, mainly network equipment, and land and buildings. These assets are now recognized in the statement of financial position under right-of-use assets and the related liability under lease liabilities. Future repayments of the liabilities will be recognized in net cash used in/from financing activities. In the prior-year period, finance leases totaling EUR 0.6 billion had been concluded in accordance with the previous standard IAS 17.

Consideration for the acquisition of broadcasting rights will be paid by Deutsche Telekom in accordance with the terms of the contract on the date of its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.2 billion were recognized in the first three quarters of 2019 for future consideration for acquired broadcasting rights. This figure was also EUR 0.2 billion in the prior-year period. The payment will be recognized in net cash used in/from financing activities.

In the United States operating segment, mobile handsets amounting to EUR 0.6 billion were recognized under property, plant and equipment in the first three quarters of 2019. For the prior-year period, this figure was EUR 0.7 billion. These relate to the JUMP! On Demand business model at T-Mobile US, under which customers do not purchase the devices but lease them. The payments are presented under net cash from operating activities.

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

In the Germany operating segment, Deutsche Telekom acquired mobile spectrum licenses worth EUR 2.2 billion in the reporting period for the construction of a 5G network. Under the agreed installment plan, EUR 0.1 billion was paid in the reporting period and recognized in cash capex. Future payments will primarily be recognized in net cash used in/from financing 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 three quarters of 2019 and 2018.

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

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

For details on the development of operations in the operating segments and the Group Headquarters & Group Services segment, please refer to the section [“Development of business in the operating segments”](#) in the interim Group management report.



**Segment information in the first three quarters**

millions of €

		Comparative period						Reporting date		
		Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets <sup>a</sup>	Segment liabilities <sup>a</sup>	Investments accounted for using the equity method <sup>a</sup>
Germany	Q1-Q3 2019	15,235	982	16,217	2,992	(3,184)	(4)	39,793	30,140	12
	Q1-Q3 2018	15,077	1,011	16,088	2,985	(2,964)	0	37,419	27,571	12
United States	Q1-Q3 2019	29,628	1	29,629	4,285	(5,681)	0	86,470	56,127	283
	Q1-Q3 2018	26,503	1	26,504	3,591	(3,901)	0	69,223	43,326	159
Europe	Q1-Q3 2019	8,681	262	8,943	1,173	(2,063)	(9)	28,165	11,332	58
	Q1-Q3 2018	8,490	262	8,752	1,127	(1,723)	(3)	27,263	10,134	60
Systems Solutions	Q1-Q3 2019	3,898	1,063	4,961	(185)	(381)	(28)	6,587	4,932	27
	Q1-Q3 2018	4,032	1,062	5,094	(121)	(296)	0	5,728	3,810	24
Group Development	Q1-Q3 2019	1,582	486	2,068	498	(607)	0	8,573	10,670	7
	Q1-Q3 2018	1,157	450	1,607	431	(244)	0	6,037	8,553	311
Group Headquarters & Group Services	Q1-Q3 2019	145	1,816	1,961	(1,063)	(857)	0	56,436	67,734	10
	Q1-Q3 2018	136	1,960	2,096	(971)	(608)	(7)	50,047	58,931	10
<b>TOTAL</b>	Q1-Q3 2019	<b>59,169</b>	<b>4,610</b>	<b>63,779</b>	<b>7,700</b>	<b>(12,773)</b>	<b>(41)</b>	<b>226,024</b>	<b>180,935</b>	<b>397</b>
	Q1-Q3 2018	<b>55,395</b>	<b>4,746</b>	<b>60,141</b>	<b>7,042</b>	<b>(9,736)</b>	<b>(10)</b>	<b>195,717</b>	<b>152,325</b>	<b>576</b>
Reconciliation	Q1-Q3 2019	0	(4,610)	(4,610)	(35)	23	(20)	(51,697)	(51,745)	0
	Q1-Q3 2018	0	(4,746)	(4,746)	11	101	(1)	(50,342)	(50,387)	0
<b>GROUP</b>	Q1-Q3 2019	<b>59,169</b>	<b>0</b>	<b>59,169</b>	<b>7,665</b>	<b>(12,750)</b>	<b>(61)</b>	<b>174,327</b>	<b>129,190</b>	<b>397</b>
	Q1-Q3 2018	<b>55,395</b>	<b>0</b>	<b>55,395</b>	<b>7,053</b>	<b>(9,635)</b>	<b>(11)</b>	<b>145,375</b>	<b>101,938</b>	<b>576</b>

<sup>a</sup> Figures relate to the reporting dates of September 30, 2019 and December 31, 2018, 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 2018 financial year.

**Lawsuits filed by partnering publishers of telephone directories.** In the lawsuits filed by the partnering publishers of telephone directories, two of the suits suspended in the first instance were withdrawn in March 2019 and three appeals were withdrawn in October 2019 after the already reported ruling of the Federal Court of Justice in January 2019 went in our favor. As a result, seven proceedings are still pending with a total claimed amount of approximately EUR 50 million plus interest. For six of these suits, appeal proceedings are still in process with the German Federal Court of Justice while one claim remains suspended. Proceedings before the administrative court were brought to a close after the remaining two plaintiffs withdrew their respective suits under administrative law.

**Claims for damages against Slovak Telekom following a European Commission decision to impose fines.** On February 21, 2019, Slovak Telekom and Deutsche Telekom filed an appeal with the European Court of Justice against the ruling by the General Court of the European Union of December 13, 2018 in which the decision of the European Commission was partially overturned and the level of the fines reduced. With this appeal, Slovak Telekom and Deutsche Telekom are seeking, inter alia, to overturn the decision finding Slovak Telekom's behavior as abusive.

**Arbitration proceedings against T-Mobile Polska S.A.** In August 2019, Polish telecommunications provider P4 Sp. z o.o. initiated arbitration

proceedings against T-Mobile Polska S.A. The plaintiff is claiming around PLN 400 million (around approx. EUR 93 million) plus interest as payment for its alleged entitlement to retroactive mobile termination rates.

**OTHER FINANCIAL OBLIGATIONS**

The following table provides an overview of Deutsche Telekom's other financial obligations as of September 30, 2019:

millions of €	Sept. 30, 2019
Purchase commitments regarding property, plant and equipment	4,952
Purchase commitments regarding intangible assets	424
Firm purchase commitments for inventories	3,232
Other purchase commitments and similar obligations	16,480
Payment obligations to the Civil Service Pension Fund	2,253
Obligations from the acquisition of interests in other companies	24,298
Miscellaneous other obligations	40
	<b>51,679</b>

Obligations from the acquisition of interests in other companies mainly relate to the agreed business combination of T-Mobile US and Sprint at USD 26.5 billion (EUR 24.3 billion). For further information on agreed corporate transactions, please refer to the section "Changes in the composition of the Group," and to the 2018 Annual Report, section "Summary of accounting policies - Changes in the composition of the Group and other transactions."

**DISCLOSURES ON FINANCIAL INSTRUMENTS**
**Carrying amounts, amounts recognized, and fair values by class and measurement category**

millions of €

	Measurement category in accordance with IFRS 9	Amounts recognized in the statement of financial position in accordance with IFRS 9					Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Sept. 30, 2019 <sup>a</sup>
		Carrying amount Sept. 30, 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		
<b>ASSETS</b>								
Cash and cash equivalents	AC	6,461	6,461					
Trade receivables								
At amortized cost	AC	4,524	4,524					
At fair value through other comprehensive income	FVOCI	5,393			5,393		5,393	
At fair value through profit or loss	FVTPL	3				3	3	
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	3,711	3,711				3,751	
Of which: collateral paid	AC	6	6					
Of which: publicly funded projects	AC	1,287	1,287					
At fair value through other comprehensive income	FVOCI	0			0			
At fair value through profit or loss	FVTPL	120				120	120	
Equity instruments								
At fair value through other comprehensive income	FVOCI	324		324			324	
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	881				881	881	
Of which: termination rights embedded in bonds issued	FVTPL	633				633	633	
Of which: energy forward agreements embedded in contracts	FVTPL	7				7	7	
Derivatives with a hedging relationship	n.a.	2,046			307	1,739	2,046	
Lease assets	n.a.	186					186	
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	119		119			119	
<b>LIABILITIES</b>								
Trade payables	AC	8,896	8,896					
Bonds and other securitized liabilities	AC	54,719	54,719				58,978	
Liabilities to banks	AC	5,881	5,881				5,929	
Liabilities to non-banks from promissory note bonds	AC	357	357				448	
Other interest-bearing liabilities	AC	5,253	5,253				5,277	
Of which: collateral received	AC	1,759	1,759					
Other non-interest-bearing liabilities	AC	1,472	1,472					
Lease liabilities	n.a.	20,314					20,314	
Finance lease liabilities	n.a.	n.a.						
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	101				101	101	
Derivatives with a hedging relationship	n.a.	1,650			1,631	19	1,650	
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	0	0					
Of which: aggregated by measurement category in accordance with IFRS 9								
<b>ASSETS</b>								
Financial assets at amortized cost	AC	14,696	14,696				3,751	
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	5,393			5,393		5,393	
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	443		443			443	
Financial assets at fair value through profit or loss	FVTPL	1,004				1,004	1,004	
<b>LIABILITIES</b>								
Financial liabilities at amortized cost	AC	76,578	76,578				70,632	
Financial liabilities at fair value through profit or loss	FVTPL	325				325	325	

<sup>a</sup> The exemption provisions under IFRS 7.29 were applied for disclosures on specific fair values.

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

millions of €

	Measurement category in accordance with IFRS 9	Carrying amount Dec. 31, 2018	Amortized cost	Amounts recognized in the statement of financial position in accordance with IFRS 9			Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2018 <sup>a</sup>
				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		
<b>ASSETS</b>								
Cash and cash equivalents	AC	3,679	3,679					
Trade receivables								
At amortized cost	AC	4,280	4,280					
At fair value through other comprehensive income	FVOCI	5,703			5,703			5,703
At fair value through profit or loss	FVTPL	5				5		5
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	2,982	2,982					3,013
Of which: collateral paid	AC	299	299					
Of which: publicly funded projects	AC							
At fair value through other comprehensive income	FVOCI	0						0
At fair value through profit or loss	FVTPL	103				103		103
Equity instruments								
At fair value through other comprehensive income	FVOCI	324		324				324
Derivative financial assets								
Derivatives without a hedging relationship								
Of which: termination rights embedded in bonds issued	FVTPL	99				99		99
Of which: energy forward agreements embedded in contracts	FVTPL	12				12		12
Derivatives with a hedging relationship	n.a.	273				5	268	273
Lease assets	n.a.	147						147
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale								
	AC	27	27					
Equity instruments within non-current assets and disposal groups held for sale								
	FVOCI	34		34				34
<b>LIABILITIES</b>								
Trade payables	AC	10,735	10,735					
Bonds and other securitized liabilities	AC	49,033	49,033					51,736
Liabilities to banks	AC	5,710	5,710					5,749
Liabilities to non-banks from promissory note bonds	AC	497	497					578
Other interest-bearing liabilities	AC	1,878	1,878					1,927
Of which: collateral received	AC	404	404					
Other non-interest-bearing liabilities	AC	1,608	1,608					
Lease liabilities								
Finance lease liabilities	n.a.	n.a.						
	n.a.	2,472						2,472
Derivative financial liabilities								
Derivatives without a hedging relationship								
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	242				242		242
Of which: energy forward agreements embedded in contracts	FVTPL	10				10		10
Derivatives with a hedging relationship	n.a.	836				486	350	836
Trade payables directly associated with non-current assets and disposal groups held for sale								
	AC	36	36					
Of which: aggregated by measurement category in accordance with IFRS 9								
<b>ASSETS</b>								
Financial assets at amortized cost	AC	10,968	10,968					3,013
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	5,703				5,703		5,703
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	358		358				358
Financial assets at fair value through profit or loss	FVTPL	705				705		705
<b>LIABILITIES</b>								
Financial liabilities at amortized cost	AC	69,497	69,497					59,990
Financial liabilities at fair value through profit or loss	FVTPL	242				242		242

<sup>a</sup> The exemption provisions under IFRS 7.29 were applied for disclosures on specific fair values.

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

**FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE**

When determining the fair value, it is important to maximize the use of current inputs observable in liquid markets for the financial instrument in question and minimize the use of other inputs (e.g., historical prices, prices for similar instruments, prices on illiquid markets). A three-level measurement hierarchy is defined for these purposes. If prices quoted in liquid markets are available at the reporting date for the respective financial instrument, these will be used unadjusted for the measurement (Level 1 measurement). Other input parameters are then irrelevant for the measurement. One such example is shares and bonds that are

actively traded on a stock exchange. If quoted prices on liquid markets are not available at the reporting date for the respective financial instrument, but the instrument can be measured using other inputs that are observable on the market at the reporting date, a Level 2 measurement will be applied. The conditions for this are that no major adjustments have been made to the observable inputs and no unobservable inputs are used. Examples of Level 2 measurements are collateralized interest rate swaps, currency forwards, and cross-currency swaps that can be measured using current interest rates or exchange rates. If the conditions for a Level 1 or Level 2 measurement are not met, a Level 3 measurement is applied. In such cases, major adjustments must be made to observable inputs or unobservable inputs must be used.

**Financial instruments measured at fair value**

millions of €

	Sept. 30, 2019			Total
	Level 1	Level 2	Level 3	
<b>ASSETS</b>				
<b>Trade receivables</b>				
At fair value through other comprehensive income			5,393	5,393
At fair value through profit or loss			3	3
<b>Other financial assets – Originated loans and other receivables</b>				
At fair value through other comprehensive income				
At fair value through profit or loss	113		7	120
<b>Equity instruments</b>				
At fair value through other comprehensive income	5		438	443
<b>Derivative financial assets</b>				
Derivatives without a hedging relationship		241	640	881
Derivatives with a hedging relationship		2,046		2,046
<b>LIABILITIES</b>				
<b>Derivative financial liabilities</b>				
Derivatives without a hedging relationship		217	108	325
Derivatives with a hedging relationship		1,650		1,650

**Financial instruments measured at fair value**

millions of €

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

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

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

debts, based on the applicable yield curve and Deutsche Telekom's credit spread curve for specific currencies.

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

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

also includes the interest accrued. The fair values carried correspond to the full fair value or the dirty price.

Derivatives with a hedging relationship include forward-payer swaps for highly probable 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 nine months of 2019, the measurement resulted in a loss from hedging instruments of EUR 887 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
<b>Carrying amount as of January 1, 2019</b>	<b>358</b>	<b>99</b>	<b>12</b>	<b>(52)</b>
Additions (including first-time categorization as Level 3)	78	0	0	0
Decreases in fair value recognized in profit/loss (including losses on disposal)	n.a.	(46)	(13)	(64)
Increases in fair value recognized in profit/loss (including gains on disposal)	n.a.	559	8	20
Decreases in fair value recognized directly in equity	(17)	n.a.	n.a.	n.a.
Increases in fair value recognized directly in equity	49	n.a.	n.a.	n.a.
Disposals	(30)	0	0	0
Currency translation effects recognized directly in equity	0	21	0	(5)
<b>CARRYING AMOUNT AS OF SEPTEMBER 30, 2019</b>	<b>438</b>	<b>633</b>	<b>7</b>	<b>(101)</b>

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 438 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 119 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 295 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why the share prices agreed in the transactions were to be used without adjustment for

the measurement as of September 30, 2019. In the case of investments with a carrying amount of EUR 91 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 52 million, for which the last arm's length transactions relating to shares in these companies took place some time ago, a measurement performed more recently relating to shares in similar companies provides the most reliable representation of the fair values. Here, multiples to the reference variable of expected revenue (ranging between 3.2 and 8.2) were taken. The 25 percent quantile, the median, or the 75 percent quantile was used for the multiples depending on the specific circumstances. If other values had been used for the multiples and for the expected revenue amounts, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below.

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 633 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 1.0 and 1.6 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 1.7 and 2.4 percent for the maturities of the bonds and between 0.8 and 1.5 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, net income of EUR 513 million when translated into euros was recognized under Level 3 in other financial income/expense for unrealized gains for the options in the portfolio at the reporting date. 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<sup>a</sup> 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	22			
Multiple next-level-down quantile	(24)			
Expected revenues +10%	3			
Expected revenues -10%	(3)			
Interest rate volatility <sup>b</sup> +10%		12		
Interest rate volatility <sup>b</sup> -10%		(13)		
Spread curve <sup>c</sup> +100 basis points		(245)		
Spread curve <sup>c</sup> -100 basis points		279		
Mean reversion <sup>d</sup> +100 basis points		(3)		
Mean reversion <sup>d</sup> -100 basis points		0		
Future energy prices +10%			19	52
Future energy prices -10%			(20)	(52)
Future energy output +5%			5	7
Future energy output -5%			(6)	(7)
Future prices for renewable energy credits <sup>e</sup> +100%			5	14
Future prices for renewable energy credits <sup>e</sup> from zero			(5)	(14)

<sup>a</sup> Change in the relevant input parameter assuming all other input parameters are unchanged.

<sup>b</sup> 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.

<sup>c</sup> 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.

<sup>d</sup> 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.

<sup>e</sup> Renewable energy credits is the term used for U.S. emission certificates.

With a carrying amount of EUR 101 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 7 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 two 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 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 14.85/MWh and EUR 70.61/MWh when translated into euros and off-peak prices of between EUR 11.71/MWh and EUR 46.09/MWh when translated into euros. An average on-peak/off-peak ratio of 47 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 49 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
<b>Measurement amounts on initial recognition</b>	<b>151</b>
Measurement amounts on initial recognition (additions during the reporting period)	27
Measurement amounts amortized in profit or loss in prior periods	(3)
Measurement amounts amortized in profit or loss in the current reporting period	(4)
Currency translation adjustments	9
<b>MEASUREMENT AMOUNTS NOT AMORTIZED AS OF SEPTEMBER 30, 2019</b>	<b>180</b>

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 7 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 1,759 million as of the reporting date (December 31, 2018: EUR 404 million). The credit risk was thus reduced by EUR 1,740 million (December 31, 2018: EUR 400 million) because, on the reporting date, the collateral received was offset by corresponding net derivative positions in the same amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 2,287 million as of the reporting date (December 31, 2018: EUR 756 million) had a maximum credit risk of EUR 15 million as of September 30, 2019 (December 31, 2018: EUR 24 million).

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral in the amount of EUR 6 million as of the reporting date (December 31, 2018: EUR 299 million) to counterparties pursuant to collateral agreements. The cash collateral paid is offset by corresponding net derivative positions of EUR 4 million at the reporting date (December 31, 2018: EUR 285 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 was provided for interest rate swaps concluded by T-Mobile US with a nominal value of EUR 8.8 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 -1,322 million when translated into euros (December 31, 2018: EUR -391 million).

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

## RELATED-PARTY DISCLOSURES

With the exception of the matters described here, there were no significant changes as of September 30, 2019 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2018.

In May 2019, Deutsche Telekom acquired four frequency blocks in the 2 GHz band and nine lots in the 3.6 GHz band worth a total of EUR 2.17 billion, which the Federal Network Agency auctioned off on behalf of the Federal Republic of Germany. With the auction now over, Telekom Deutschland has filed an application with the Federal Network Agency on using the spectrum to begin building out the 5G network across Germany. In place of a lump-sum payment, government representatives agreed to let us pay the purchase price in annual installments from 2019 through September 13, 2030. Payment by installment was granted on the condition that Deutsche Telekom assumes additional build-out obligations. Deutsche Telekom must build out an additional 333 sites. Build-out obligations were recognized as liabilities in the amount of the financing advantage of EUR 59 million.

## EXECUTIVE BODIES

### CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT

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

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

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

At its meeting on May 22, 2019, the Supervisory Board of Deutsche Telekom AG resolved to dissolve the "Data Privacy, Legal Affairs and Compliance" Board department (DRC) effective December 31, 2019. After this date, Internal Audit and Risk Management will be assigned to the "Finance" Board department. Group Security Governance will be assigned to the "Technology and Innovation" Board department. The Data Privacy, Legal Affairs, and Compliance units will be assigned to the "Human Resources" Board department. Birgit Bohle will head up the extended "Human Resources and Legal Affairs" department from January 1, 2020. Dr. Thomas Kremer will leave the Group for reasons of age effective March 31, 2020. Until his departure, Dr. Kremer will support the transition to the new structures as part of a designated mandate.

### CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

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

## EVENTS AFTER THE REPORTING PERIOD

For information on the **Business Combination Agreement with Sprint**, please refer to the section "[Group organization, strategy, and management](#)" in the interim Group management report and the section "[Changes in the composition of the Group](#)."

For information on **Lawsuits filed by partnering publishers of telephone directories**, please refer to the section "[Contingent liabilities](#)."



# RESPONSIBILITY STATEMENT

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

Bonn, November 7, 2019

Deutsche Telekom AG  
Board of Management

Timotheus Höttges

Adel Al-Saleh

Birgit Bohle

Srini Gopalan

Dr. Christian P. Illek

Dr. Thomas Kremer

Thorsten Langheim

Claudia Nemat

Dr. Dirk Wössner

# REVIEW REPORT

## To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to September 30, 2019, which are part of the quarterly financial report pursuant to § 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to 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, November 7, 2019

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels  
Wirtschaftsprüfer

Thomas Tandetzki  
Wirtschaftsprüfer

# ADDITIONAL INFORMATION

## RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

### SPECIAL FACTORS

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

Reconciliations are presented for the reporting period, the prior-year period, and the full 2018 financial year:

millions of €

	EBITDA AL Q1-Q3 2019	EBIT Q1-Q3 2019	EBITDA AL Q1-Q3 2018	EBIT Q1-Q3 2018	EBITDA AL FY 2018	EBIT FY 2018
<b>EBITDA AL/EBIT</b>	<b>17,523</b>	<b>7,665</b>	<b>16,516</b>	<b>7,053</b>	<b>21,577</b>	<b>8,001</b>
<b>GERMANY</b>	<b>(354)</b>	<b>(354)</b>	<b>(481)</b>	<b>(481)</b>	<b>(598)</b>	<b>(598)</b>
Staff-related measures	(340)	(340)	(455)	(455)	(565)	(565)
Non-staff-related restructuring	(23)	(23)	(22)	(22)	(46)	(46)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Other	9	9	(4)	(4)	13	13
<b>UNITED STATES</b>	<b>(441)</b>	<b>(441)</b>	<b>(59)</b>	<b>(59)</b>	<b>(160)</b>	<b>(160)</b>
Staff-related measures	(6)	(6)	(10)	(10)	(15)	(15)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(435)	(435)	(48)	(48)	(145)	(145)
Impairment losses	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>EUROPE</b>	<b>(110)</b>	<b>(110)</b>	<b>(73)</b>	<b>(73)</b>	<b>(122)</b>	<b>(797)</b>
Staff-related measures	(95)	(95)	(60)	(60)	(90)	(90)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(10)	(10)	(9)	(9)	(14)	(14)
Impairment losses	0	0	0	0	0	(674)
Other	(5)	(5)	(4)	(4)	(19)	(19)
<b>SYSTEMS SOLUTIONS</b>	<b>(236)</b>	<b>(263)</b>	<b>(143)</b>	<b>(146)</b>	<b>(266)</b>	<b>(322)</b>
Staff-related measures	(101)	(101)	(89)	(89)	(194)	(194)
Non-staff-related restructuring	(4)	(4)	(1)	(1)	(4)	(4)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	0	(27)	0	(3)	0	(56)
Other	(130)	(130)	(53)	(53)	(68)	(68)
<b>GROUP DEVELOPMENT</b>	<b>109</b>	<b>109</b>	<b>(16)</b>	<b>(16)</b>	<b>(27)</b>	<b>(27)</b>
Staff-related measures	(16)	(16)	(4)	(4)	(6)	(6)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	126	126	(11)	(11)	(21)	(21)
Impairment losses	0	0	0	0	0	0
Other	0	0	(1)	(1)	(1)	(1)
<b>GROUP HEADQUARTERS &amp; GROUP SERVICES</b>	<b>(146)</b>	<b>(146)</b>	<b>(214)</b>	<b>(214)</b>	<b>(322)</b>	<b>(322)</b>
Staff-related measures	(167)	(167)	(236)	(236)	(288)	(288)
Non-staff-related restructuring	(32)	(32)	(51)	(51)	(59)	(59)
Effects of deconsolidations, disposals and acquisitions	4	4	(2)	(2)	(44)	(44)
Impairment losses	0	0	0	0	0	0
Other	49	49	75	75	69	69
<b>GROUP</b>	<b>(1,178)</b>	<b>(1,228)</b>	<b>(985)</b>	<b>(989)</b>	<b>(1,497)</b>	<b>(2,204)</b>
Staff-related measures	(726)	(726)	(855)	(855)	(1,159)	(1,159)
Non-staff-related restructuring	(59)	(59)	(74)	(74)	(109)	(109)
Effects of deconsolidations, disposals and acquisitions	(315)	(315)	(70)	(70)	(223)	(223)
Impairment losses	0	(50)	0	(3)	0	(707)
Other	(77)	(77)	14	14	(6)	(6)
<b>EBITDA AL/EBIT (ADJUSTED FOR SPECIAL FACTORS)</b>	<b>18,701</b>	<b>8,893</b>	<b>17,501</b>	<b>8,042</b>	<b>23,074</b>	<b>10,204</b>
Profit (loss) from financial activities (adjusted for special factors)		(1,487)		(1,394)		(2,091)
<b>PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)</b>		<b>7,407</b>		<b>6,648</b>		<b>8,114</b>
Income taxes (adjusted for special factors)		(2,036)		(1,897)		(2,225)
<b>PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)</b>		<b>5,371</b>		<b>4,751</b>		<b>5,889</b>
<b>PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO</b>						
Owners of the parent (net profit (loss)) (adjusted for special factors)		3,932		3,749		4,545
Non-controlling interests (adjusted for special factors)		1,439		1,003		1,344

## GROSS AND NET DEBT

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

millions of €	Sept. 30, 2019	Dec. 31, 2018	Change	Change %	Sept. 30, 2018
Financial liabilities (current) <sup>a</sup>	14,148	10,527	n.a.	n.a.	7,319
Financial liabilities (non-current) <sup>a</sup>	55,510	51,748	n.a.	n.a.	53,804
Lease liabilities	20,314	n.a.	n.a.	n.a.	n.a.
<b>FINANCIAL LIABILITIES</b>	<b>89,971</b>	<b>62,275</b>	<b>n.a.</b>	<b>n.a.</b>	<b>61,124</b>
Accrued interest	(731)	(719)	(12)	(1.7)	(674)
Other	(775)	(928)	153	16.5	(840)
<b>GROSS DEBT</b>	<b>88,465</b>	<b>60,628</b>	<b>n.a.</b>	<b>n.a.</b>	<b>59,610</b>
Cash and cash equivalents	6,461	3,679	2,782	75.6	2,235
Derivative financial assets	2,927	870	2,057	n.a.	900
Other financial assets	270	654	(384)	(58.7)	1,002
<b>NET DEBT</b>	<b>78,807</b>	<b>55,425</b>	<b>n.a.</b>	<b>n.a.</b>	<b>55,473</b>

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

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

## GLOSSARY

For definitions, please refer to the [2018 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 IFRSs. Alternative performance measures are not subject to IFRSs or any other generally accepted accounting principles. Other companies may define these terms in different ways. For further information relevant to alternative performance measures, please refer to the [2018 Annual Report, section “Management of the Group”](#) 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

<b>November 7, 2019</b>	<b>February 19, 2020</b>	<b>March 26, 2020</b>
Publication of the Interim Group Report as of September 30, 2019	Press conference on the 2019 financial statements and publication of the 2019 Annual Report	2020 shareholders' meeting
<b>May 14, 2020</b>	<b>August 6, 2020</b>	<b>November 5, 2020</b>
Publication of the Interim Group Report as of March 31, 2020	Publication of the Interim Group Report as of June 30, 2020	Publication of the Interim Group Report as of September 30, 2020

All dates are subject to change.

For more dates, an updated schedule, and information on webcasts, please go to [www.telekom.com/financial-calendar](http://www.telekom.com/financial-calendar).

## CONTACTS

Deutsche Telekom AG  
Friedrich-Ebert-Allee 140  
53113 Bonn, Germany  
[www.telekom.com](http://www.telekom.com)

Media inquiries:  
Corporate Communications  
Phone: +49 (0) 228 181 49494  
Email: [media@telekom.de](mailto:media@telekom.de)

Inquiries relating to the T-Share:  
Investor Relations  
Phone: +49 (0) 228 181 88880  
Email: [investor.relations@telekom.de](mailto:investor.relations@telekom.de)

The Interim Group Report for January 1 to September 30, 2019 is a publication of Deutsche Telekom AG and is also available in German. The German version is legally binding.

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

Our Annual Report is available online at:  
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