

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

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

CONSOLIDATED INCOME STATEMENT

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

EARNINGS PER SHARE

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q1 2020	Q1 2019	Change	FY 2019
PROFIT (LOSS)	1,095	1,325	(230)	5,268
Items not subsequently reclassified to profit or loss (not recycled)				
Gains (losses) from the remeasurement of equity instruments	14	17	(3)	99
Gains (losses) from the remeasurement of defined benefit plans	(1,007)	(208)	(799)	(603)
Revaluation due to business combinations	0	0	0	0
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0
Income taxes relating to components of other comprehensive income	(86)	13	(99)	134
	(1,080)	(178)	(902)	(369)
Items subsequently reclassified to profit or loss (recycled), if certain reasons are given				
Exchange differences on translating foreign operations				
Recognition of other comprehensive income in income statement	0	0	0	(8)
Change in other comprehensive income (not recognized in income statement)	246	509	(263)	463
Gains (losses) from the remeasurement of debt instruments				
Recognition of other comprehensive income in income statement	108	(25)	133	(47)
Change in other comprehensive income (not recognized in income statement)	(162)	12	(174)	34
Gains (losses) from hedging instruments (designated risk components)				
Recognition of other comprehensive income in income statement	(1)	(100)	99	(148)
Change in other comprehensive income (not recognized in income statement)	(920)	(143)	(777)	(483)
Gains (losses) from hedging instruments (hedging costs)				
Recognition of other comprehensive income in income statement	1	1	0	2
Change in other comprehensive income (not recognized in income statement)	(2)	8	(10)	(9)
Share of profit (loss) of investments accounted for using the equity method				
Recognition of other comprehensive income in income statement	0	0	0	(7)
Change in other comprehensive income (not recognized in income statement)	0	11	(11)	11
Income taxes relating to components of other comprehensive income	254	58	196	155
	(475)	330	(805)	(38)
OTHER COMPREHENSIVE INCOME	(1,554)	152	(1,706)	(407)
TOTAL COMPREHENSIVE INCOME	(459)	1,476	(1,935)	4,861
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owners of the parent	(581)	945	(1,526)	3,514
Non-controlling interests	122	532	(410)	1,347

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

	Issued capital and reserves attributable to owners of the parent							
	Equity contributed			Consolidated shareholders' equity generated		Total other comprehensive income		
	Issued capital	Treasury shares	Capital reserves	Retained earnings including carry-forwards	Net profit (loss)	Translation of foreign operations	Revaluation surplus	Available-for-sale financial assets (IAS 39)
BALANCE AT JANUARY 1, 2019	12,189	(49)	54,646	(37,392)	2,166	(1,120)	(28)	n.a.
Transfer resulting from change in accounting standards				221				
Changes in the composition of the Group								
Transactions with owners			187	0		(3)	0	
Unappropriated profit (loss) carried forward				2,166	(2,166)			
Dividends				(3,320)				
Capital increase at Deutsche Telekom AG								
Capital increase from share-based payment			61					
Share buy-back/shares held in a trust deposit		1	0	1				
Profit (loss)					900			
Other comprehensive income				(192)		331	0	
TOTAL COMPREHENSIVE INCOME								
Transfer to retained earnings				(2)			2	
BALANCE AT MARCH 31, 2019	12,189	(48)	54,894	(38,518)	900	(792)	(26)	n.a.
BALANCE AT JANUARY 1, 2020	12,189	(47)	55,029	(38,709)	3,867	(808)	(21)	n.a.
Transfer resulting from change in accounting standards								
Changes in the composition of the Group								
Transactions with owners			(97)			(5)		
Unappropriated profit (loss) carried forward				3,867	(3,867)			
Dividends								
Capital increase at Deutsche Telekom AG								
Capital increase from share-based payment			80					
Share buy-back/shares held in a trust deposit								
Profit (loss)					916			
Other comprehensive income				(1,097)		36		
TOTAL COMPREHENSIVE INCOME								
Transfer to retained earnings				(2)			2	
BALANCE AT MARCH 31, 2020	12,189	(47)	55,012	(35,941)	916	(777)	(19)	n.a.

Issued capital and reserves attributable to owners of the parent							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			
84	2	n.a.	519	58	(4)	(165)	30,907	12,530	43,437
	0						221	125	346
							0	245	245
0	0		2			(1)	186	294	480
							0	0	0
							(3,320)	0	(3,320)
							0	0	0
							61	35	97
							2	0	2
							900	425	1,325
17	(8)		(160)	8	11	38	45	107	152
							945	532	1,476
							0	0	0
101	(6)	n.a.	361	67	6	(128)	29,001	13,761	42,762
101	(6)	n.a.	130	51	0	(69)	31,707	14,524	46,231
	0						0	0	0
							0	0	0
0	0		3			(1)	(100)	79	(21)
							0	0	0
							0	0	0
							0	0	0
							80	47	127
							0	0	0
							916	179	1,095
14	(34)		(574)	(1)	0	159	(1,497)	(58)	(1,554)
							(581)	122	(459)
0					0		0	0	0
115	(40)	n.a.	(440)	50	0	88	31,106	14,771	45,878

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

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

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

SIGNIFICANT EVENTS AND TRANSACTIONS

ACCOUNTING POLICIES

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

STATEMENT OF COMPLIANCE

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

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

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

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

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

For information on hedging relationships, please refer to the section ["Disclosures on financial instruments."](#)

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

CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE

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

CORONAVIRUS PANDEMIC

The coronavirus pandemic has developed into a global economic crisis. Higher demand for certain telecommunication services means the impact of the crisis is likely to be felt less severely by the telecommunications industry than by other industries. Nevertheless, there is currently a great deal of uncertainty regarding the extent to which business activities and thus the results of operations and financial position of Deutsche Telekom could be affected overall. For example, roaming and visitor volumes are declining as a result of government-imposed international travel restrictions, and terminal equipment sales and new contracts may decrease due to the largely temporary closure of shops. Corporate customer business may decline, for example, due to delayed or changed customer decisions. The possibility of an increase in the number of consumers and business customers defaulting on their payments cannot be ruled out either. Further possible future effects on the measurement of individual assets and liabilities are currently being analyzed. Deutsche Telekom has put in place cost-saving measures to mitigate potential effects on earnings.

CHANGES IN THE COMPOSITION OF THE GROUP

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

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

BUSINESS COMBINATION OF T-MOBILE US AND SPRINT

Together with their respective majority shareholders Deutsche Telekom AG and Softbank K.K., T-Mobile US and Sprint Corp. concluded a binding agreement on April 29, 2018 to combine their companies. On July 26, 2019 and on February 20, 2020, further conditions for the business combination were agreed. The transaction was consummated on April 1, 2020. Prior to this, the approvals required from the national and regional regulatory and antitrust authorities and courts in the United States had been obtained and additional closing conditions met. Most recently, on April 16, 2020, the business combination was approved by the California Public Utilities Commission (CPUC). As a consequence of the business combination, T-Mobile US took over all shares in Sprint. Sprint is a U.S. telecommunications company which offers a comprehensive range of wireless and wireline communications products and services. The "new" T-Mobile US will successfully drive forward its Un-carrier strategy and step up the 5G network build-out.

The business combination of T-Mobile US and Sprint took the form of an all-stock transaction. For every 9.75 Sprint shares, the company's shareholders received one new share in T-Mobile US in exchange. Pursuant to the supplementary agreement dated February 20, 2020, Softbank agreed to surrender to T-Mobile US immediately, for no additional consideration, an aggregate of 48,751,557 ordinary shares in T-Mobile US, received in connection with this transaction, such that Softbank received one new share in T-Mobile US for every 11.31 Sprint shares. This resulted in an effective exchange ratio of approximately 11.00 Sprint shares for one share in T-Mobile US following the closing of the transaction. For the other Sprint shareholders, the exchange ratio remained unchanged at 9.75 Sprint shares in return for one ordinary share in T-Mobile US. Taking into account these adjustments, a total of 373,396,310 ordinary shares in T-Mobile US were issued to Sprint shareholders. Based on the T-Mobile US closing share price as of March 31, 2020 of USD 83.90, the total value of the ordinary shares in T-Mobile US provided in exchange for ordinary shares in Sprint amounted to USD 31.3 billion (EUR 28.6 billion). In addition, the consideration transferred also included the assumption and repayment of various of Sprint's liabilities, the replacement of share-based compensation for certain Sprint employees for services provided prior to the business combination, and contingent consideration payable to Softbank. The latter resulted from the agreement concluded on February 20, 2020 that if the trailing 45-day volume-weighted average price of a T-Mobile US ordinary share is equal to or greater than USD 150.00 at any time during the period commencing on April 1, 2022 and ending on December 31, 2025, then T-Mobile US will issue to Softbank for no additional consideration 48,751,557 ordinary shares, i.e., the number of shares that Softbank transferred to T-Mobile US in connection with the consummation of the transaction.

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

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

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

On July 26, 2019, T-Mobile US, Deutsche Telekom, Sprint, Softbank, and the U.S. satellite TV operator DISH Network Corp. entered into an agreement, subject to specific conditions, with the U.S. Department of Justice, which will have a significant impact on the future structure of the new T-Mobile US. Under this agreement, following the consummation of the business combination of T-Mobile US and Sprint, Sprint's prepaid business is to be sold as part of an asset deal to DISH Network for USD 1.4 billion, subject to a working capital adjustment. The transaction is expected to be completed by mid-2020, subject to customary contract closing conditions. The agreement also includes the sale of part of the 800 MHz spectrum held by Sprint to DISH for around USD 3.6 billion. The sale of the spectrum is subject to the approval by the regulatory authority, to be applied for three years following the closing of the business combination of T-Mobile US and Sprint, and to additional closing conditions. For two additional years following the closing of the spectrum sale, T-Mobile US will have the option to lease back, as needed, a portion of the spectrum.

For further information, please refer to the section "[Group organization, strategy, and management](#)" in the interim Group management report.

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

OTE SHARE BUY-BACK

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

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TRADE RECEIVABLES

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

CONTRACT ASSETS

At EUR 1.8 billion, the carrying amount of contract assets was down as of the reporting date from EUR 1.9 billion at December 31, 2019. Contract assets relate to receivables that have not yet legally come into existence, which arise from the earlier – as compared to billing – recognition of revenue, in particular from the sale of goods and merchandise. Furthermore, receivables from long-term construction contracts are recognized under contract assets.

INVENTORIES

The carrying amount of inventories increased by EUR 0.3 billion compared to December 31, 2019 to EUR 1.9 billion, mainly due to the stockpiling of higher-priced smartphones in the United States operating segment and temporary store closures in the United States as a consequence of the coronavirus pandemic.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

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

RIGHT-OF-USE ASSETS

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

CAPITALIZED CONTRACT COSTS

As of March 31, 2020, the carrying amount of capitalized contract assets remained unchanged at the level of December 31, 2019 of EUR 2.1 billion. These assets mainly relate to the Germany, United States, and Europe operating segments.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

OTHER FINANCIAL ASSETS

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

TRADE AND OTHER PAYABLES

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

OTHER LIABILITIES

The carrying amount of current and non-current other liabilities increased by EUR 0.4 billion to EUR 5.2 billion. EUR 0.2 billion of this increase resulted from higher liabilities to the Civil Service Pension Fund in connection with early retirement arrangements for civil servants. In addition, other liabilities increased by EUR 0.1 billion due to existing build-out obligations in connection with grants receivable from funding projects for the broadband build-out in the Germany operating segment.

FINANCIAL LIABILITIES AND LEASE LIABILITIES

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

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

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

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

The carrying amount of liabilities to banks decreased by EUR 1.5 billion compared with December 31, 2019 to EUR 5.0 billion. This decline is mainly due to the net reduction of EUR 1.4 billion in the balance of short-term borrowings. This includes a Deutsche Bundespost treasury note (zero-coupon bond) issued in the past with a carrying amount of EUR 1.4 billion, which fell due on December 31, 2019 and was repaid on that date by a bank using its own funds. The payment by Deutsche Telekom AG to this bank was made on the following bank working day of January 2, 2020.

For further information, please refer to the section [“Notes to the consolidated statement of cash flows.”](#)

The increase of EUR 1.4 billion in the carrying amount of other interest-bearing liabilities to EUR 5.8 billion is attributable to a EUR 1.5 billion increase in liabilities arising from collaterals received for derivative financial instruments.

For further information on collateral, please refer to the section [“Disclosures on financial instruments.”](#)

The carrying amount of derivative financial liabilities increased by EUR 1.3 billion to EUR 2.9 billion. The measurement of forward-payer swaps concluded for borrowings at T-Mobile US with a total nominal volume of EUR 8.8 billion when translated into euros gave rise to a change in the carrying amount of EUR 1.0 billion, which increased financial liabilities. EUR 0.9 billion of this resulted from a remeasurement loss recognized directly in equity.

For further information on derivative financial liabilities, please refer to the section [“Disclosures on financial instruments.”](#)

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

CONTRACT LIABILITIES

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

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

The carrying amount of provisions for pensions and other employee benefits increased from EUR 5.8 billion as of December 31, 2019 to EUR 6.8 billion, mainly due to the current upheavals on the financial markets and the associated sharp decline in the prices of plan assets. Interest rate adjustments in the first quarter of 2020 had an offsetting effect. Overall, this resulted in an actuarial loss of EUR 1.0 billion from the remeasurement of defined benefit plans.

For further information on the Global Pension Policy and a description of the plan, please refer to the 2019 Annual Report, Note 15 [“Provisions for pensions and other employee benefits.”](#)

SHAREHOLDERS' EQUITY

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

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

NET REVENUE

Net revenue breaks down into the following revenue categories:

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

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

OTHER OPERATING INCOME

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

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

OTHER OPERATING EXPENSES

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

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

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

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

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

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

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

INCOME TAXES

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

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities decreased by EUR 2.0 billion year-on-year to EUR 4.0 billion. This decline is related in part to the repayment of a Deutsche Bundespost treasury note (zero-coupon bond) issued by Deutsche Telekom AG in 1990 with a nominal amount of EUR 0.2 billion, which fell due on December 31, 2019 and was repaid on that date by a bank using its own funds. The payment by Deutsche Telekom AG to this bank was made on the following bank working day of January 2, 2020. The interest portion amounted to EUR 1.2 billion. In addition, the repayment of EUR 0.4 billion in the first quarter of 2020 for another zero-coupon bond also had a negative impact. The interest portion amounted to EUR 0.4 billion. The change in operating working capital resulted in negative effects of EUR 0.5 billion on net cash from operating activities in the reporting period. This change was attributable to an effect of EUR -0.7 billion from the contractual termination of a revolving factoring agreement in the Germany operating segment. In the prior-year period, the change in operating working capital had had a positive effect of EUR 0.1 billion. The continuing strong performance of the operating segments had an increasing effect on net cash from operating activities.

NET CASH USED IN INVESTING ACTIVITIES

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

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

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

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

NET CASH USED IN/FROM FINANCING ACTIVITIES

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

NON-CASH TRANSACTIONS

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

In the first quarter of 2020, Deutsche Telekom leased assets totaling EUR 1.0 billion, mainly network equipment, and land and buildings (Q1 2019: EUR 1.1 billion). These assets are now recognized in the statement of financial position under right-of-use assets and the related liabilities under lease liabilities. Future repayments of the liabilities will be recognized in net cash used in/from financing activities.

Consideration for the acquisition of broadcasting rights is paid by Deutsche Telekom in accordance with the terms of the contract on the date of its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.1 billion were recognized in the first quarter of 2020 for future consideration for acquired broadcasting rights (Q1 2019: EUR 0.1 billion). As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the United States operating segment, EUR 0.3 billion was recognized for mobile handsets under property, plant and equipment in the first quarter of 2020 (Q1 2019: EUR 0.1 billion). These relate to the JUMP! On Demand business model at T-Mobile US, under which customers do not purchase the devices but lease them. The payments are presented under net cash from operating activities.

SEGMENT REPORTING

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

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

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

Segment information in the first quarter

millions of €

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

^a Figures relate to the reporting dates of March 31, 2020 and December 31, 2019, respectively.

CONTINGENT LIABILITIES

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

Consent fee for Sprint. In connection with the business combination of T-Mobile US and Sprint, T-Mobile US would have been required to reimburse Sprint for 67 percent of the upfront consent and related bank fees it paid to lending banks, or USD 161 million, if the business combination agreement had been terminated. Since it was sufficiently certain as of the current reporting date that the business combination would be consummated on April 1, 2020, T-Mobile US no longer recognized a contingent liability as of March 31, 2020.

OTHER FINANCIAL OBLIGATIONS

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

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

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

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

DISCLOSURES ON FINANCIAL INSTRUMENTS

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

millions of €

Amounts recognized in the statement of financial position in accordance with IFRS 9							
Measure- ment category in accordance with IFRS 9	Carrying amount Mar. 31, 2020	Amortized cost	Fair value through other compre- hensive income without recycling to profit or loss	Fair value through other compre- hensive income with recycling to profit or loss	Fair value through profit or loss	Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Mar. 31, 2020 ^a
ASSETS							
Cash and cash equivalents	AC	4,078	4,078				
Trade receivables							
At amortized cost	AC	5,566	5,566				
At fair value through other comprehensive income	FVOCI	4,995		4,995			4,995
At fair value through profit or loss	FVTPL	0			0		0
Other financial assets							
Originated loans and other receivables							
At amortized cost	AC	4,892	4,892				4,929
Of which: collateral paid	AC	1,144	1,144				
Of which: publicly funded projects	AC	1,533	1,533				
At fair value through other comprehensive income	FVOCI	0		0			
At fair value through profit or loss	FVTPL	126			126		126
Equity instruments							
At fair value through other comprehensive income	FVOCI	299	299				299
At fair value through profit or loss	FVTPL	16			16		16
Derivative financial assets							
Derivatives without a hedging relationship	FVTPL	741			741		741
Of which: termination rights embedded in bonds issued	FVTPL	335			335		335
Of which: energy forward agreements embedded in contracts	FVTPL	15			15		15
Derivatives with a hedging relationship	n.a.	3,189		570	2,619		3,189
Lease assets	n.a.	197				197	
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale	AC	0	0				
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	35	35				35
LIABILITIES							
Trade payables	AC	8,730	8,730				
Bonds and other securitized liabilities	AC	52,857	52,857				53,823
Liabilities to banks	AC	5,005	5,005				5,022
Liabilities to non-banks from promissory note bonds	AC	505	505				564
Other interest-bearing liabilities	AC	5,817	5,817				5,776
Of which: collateral received	AC	2,811	2,811				
Other non-interest-bearing liabilities	AC	1,333	1,333				
Lease liabilities	n.a.	19,699				19,699	
Derivative financial liabilities							
Derivatives without a hedging relationship	FVTPL	450			450		450
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	8			8		8
Of which: energy forward agreements embedded in contracts	FVTPL	166			166		166
Derivatives with a hedging relationship	n.a.	2,476		2,451	25		2,476
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	29	29				
Of which: aggregated by measurement category in accordance with IFRS 9							
ASSETS							
Financial assets at amortized cost	AC	14,536	14,536				4,929
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	4,995		4,995			4,995
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	334	334				334
Financial assets at fair value through profit or loss	FVTPL	883			883		883
LIABILITIES							
Financial liabilities at amortized cost	AC	74,276	74,276				65,185
Financial liabilities at fair value through profit or loss	FVTPL	450			450		450

^a The practical expedient under IFRS 7.29 was applied for information on specific fair values.

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

millions of €

	Measure- ment category in accordance with IFRS 9	Carrying amount Dec. 31, 2019	Amounts recognized in the statement of financial position in accordance with IFRS 9		Fair value through other compre- hensive income without recycling to profit or loss	Fair value through other compre- hensive income with recycling to profit or loss	Fair value through profit or loss	Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Dec. 31, 2019 ^a
			Amortized cost						
ASSETS									
Cash and cash equivalents	AC	5,393	5,393						
Trade receivables									
At amortized cost	AC	5,452	5,452						
At fair value through other comprehensive income	FVOCI	5,390				5,390			5,390
At fair value through profit or loss	FVTPL	4					4		4
Other financial assets									
Originated loans and other receivables									
At amortized cost	AC	4,282	4,282						4,317
Of which: collateral paid	AC	637	637						
Of which: publicly funded projects	AC	1,350	1,350						
At fair value through other comprehensive income	FVOCI	0				0			
At fair value through profit or loss	FVTPL	121					121		121
Equity instruments									
At fair value through other comprehensive income	FVOCI	293			293				293
At fair value through profit or loss	FVTPL	22					22		22
Derivative financial assets									
Derivatives without a hedging relationship	FVTPL	893					893		893
Of which: termination rights embedded in bonds issued	FVTPL	630					630		630
Of which: energy forward agreements embedded in contracts	FVTPL	0					0		0
Derivatives with a hedging relationship	n.a.	1,439				287	1,152		1,439
Lease assets	n.a.	197						197	
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale	AC	0	0						
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	35			35				35
LIABILITIES									
Trade payables	AC	9,431	9,431						
Bonds and other securitized liabilities	AC	51,644	51,644						56,357
Liabilities to banks	AC	6,516	6,516						6,572
Liabilities to non-banks from promissory note bonds	AC	699	699						799
Other interest-bearing liabilities	AC	4,369	4,369						4,506
Of which: collateral received	AC	1,273	1,273						
Other non-interest-bearing liabilities	AC	1,476	1,476						
Lease liabilities	n.a.	19,835						19,835	
Derivative financial liabilities									
Derivatives without a hedging relationship	FVTPL	325					325		325
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	7					7		7
Of which: energy forward agreements embedded in contracts	FVTPL	146					146		146
Derivatives with a hedging relationship	n.a.	1,319				1,253	66		1,319
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	29	29						
Of which: aggregated by measurement category in accordance with IFRS 9									
ASSETS									
Financial assets at amortized cost	AC	15,127	15,127						4,317
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	5,390				5,390			5,390
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	328			328				328
Financial assets at fair value through profit or loss	FVTPL	1,040					1,040		1,040
LIABILITIES									
Financial liabilities at amortized cost	AC	74,164	74,164						68,234
Financial liabilities at fair value through profit or loss	FVTPL	325					325		325

^a The practical expedient under IFRS 7.29 was applied for information on specific fair values.

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

Financial instruments measured at fair value

millions of €

	Mar. 31, 2020				Dec. 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Trade receivables								
At fair value through other comprehensive income			4,995	4,995			5,390	5,390
At fair value through profit or loss			0	0			4	4
Other financial assets –								
Originated loans and other receivables								
At fair value through other comprehensive income				0				0
At fair value through profit or loss	118		8	126	114		7	121
Equity instruments								
At fair value through other comprehensive income			334	334			328	328
At fair value through profit or loss	16			16	22			22
Derivative financial assets								
Derivatives without a hedging relationship		391	350	741		263	630	893
Derivatives with a hedging relationship		3,189		3,189		1,439		1,439
LIABILITIES								
Derivative financial liabilities								
Derivatives without a hedging relationship		276	174	450		172	153	325
Derivatives with a hedging relationship		2,476		2,476		1,319		1,319

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

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

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

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

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

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

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

millions of €

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Carrying amount as of January 1, 2020	328	630	0	(146)
Additions (including first-time categorization as Level 3)	12	0	0	0
Decreases in fair value recognized in profit/loss (including losses on disposal)	n.a.	(319)	0	(17)
Increases in fair value recognized in profit/loss (including gains on disposal)	n.a.	12	15	1
Decreases in fair value recognized directly in equity	0	n.a.	n.a.	n.a.
Increases in fair value recognized directly in equity	14	n.a.	n.a.	n.a.
Disposals	(20)	0	0	0
Currency translation effects recognized directly in equity	0	12	0	(4)
CARRYING AMOUNT AS OF MARCH 31, 2020	334	335	15	(166)

The equity instruments assigned to Level 3 that are measured at fair value through other comprehensive income and carried under other financial assets are equity investments with a carrying amount of EUR 327 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers transactions involving shares in those companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The proximity of the relevant transaction to the reporting date, and the question of whether it was conducted at arm's length, are relevant for deciding which information is used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. For the development of the carrying amounts in the reporting period, please refer to the table above. At the reporting date, investments with a carrying amount of EUR 35 million were held for sale, while there were no plans to sell the remaining investments. In the case of investments with a carrying amount of EUR 204 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why the share prices agreed in the transactions were to be used without adjustment for the measurement as of March 31, 2020. In the case of investments with a carrying amount of EUR 63 million, an analysis of operational indicators (especially revenue, EBIT, and liquidity) revealed that the carrying amounts were equivalent to current fair values. Due to better comparability, previous arm's-length transactions involving shares in these companies are preferable to more recent transactions involving shares in similar companies. In the case of investments with a carrying amount of EUR 60 million, for which the last arm's length transactions relating to shares in these companies took place some time ago, a measurement performed more recently relating to shares in similar companies provides the most reliable representation of the fair values. Here, multiples to the reference variable of expected revenue (ranging between 3.3 and 8.4) were taken. The 25 percent quantile, the median, or the 75 percent quantile was used for the multiples depending on the specific circumstances. If other values had been used for the multiples and for the expected revenue amounts, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below. In addition, non-material individual items with a carrying amount of EUR 7 million (when translated into euros) are included with differences in value of minor relevance.

The derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial assets relate to options embedded in bonds issued by T-Mobile US with a carrying amount of EUR 335 million when translated into euros. The options, which can be exercised by T-Mobile US at any time, allow early redemption of the bonds at fixed exercise prices. Observable market prices are available regularly and also at the reporting date for the bonds as entire instruments, but not for the options embedded therein. The termination rights are measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers are used for the measurement because these provide a more reliable estimate at the reporting date than current market interest rate volatilities. The absolute figure used for the interest rate volatility at the current reporting date was between 1.6 and 2.3 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 4.4 and 4.7 percent for the maturities of the bonds and between 4.1 and 4.4 percent for shorter terms. For the mean reversion input, which is likewise unobservable, 10 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for interest rate volatility, spread curve or mean reversion, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below. In the reporting period, a net expense of EUR 307 million when translated into euros was recognized under the Level 3 measurement in other financial income/expense for unrealized losses for the options in the portfolio at the reporting date. Please refer to the table above for the development of the carrying amounts in the reporting period. The changes in value recognized in profit or loss in the reporting period were mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. Due to their distinctiveness, these instruments constitute a separate class of financial instruments.

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

millions of €

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Multiple next-level-up quantile	6			
Multiple next-level-down quantile	(13)			
Expected revenues +10%	4			
Expected revenues -10%	(4)			
Interest rate volatility ^b +10%		27		
Interest rate volatility ^b -10%		(30)		
Spread curve ^c +100 basis points		(110)		
Spread curve ^c -100 basis points		135		
Mean reversion ^d +100 basis points		(4)		
Mean reversion ^d -100 basis points		5		
Future energy prices +10%			18	41
Future energy prices -10%			(19)	(41)
Future energy output +5%			6	(3)
Future energy output -5%			(7)	3
Future prices for renewable energy credits ^e +100%			5	17
Future prices for renewable energy credits ^e from zero			(6)	(16)

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

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

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

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

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

With a carrying amount of EUR -166 million when translated into euros, the derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial liabilities relate to energy forward agreements embedded in contracts entered into by T-Mobile US. The same applies to derivative financial assets with a carrying amount of EUR 15 million when translated into euros. These agreements consist of two components: the energy forward agreement and the acquisition of renewable energy credits by T-Mobile US. The contracts have been entered into with energy producers since 2017 and run for terms of between 12 and 20 years from the commencement of commercial operation. In the case of three energy forward agreements, commercial operations have already begun; with the others, commercial operations are set to begin between 2020 and 2021. The respective settlement period of the energy forward agreement, which is accounted for separately as a derivative, also starts when the facility begins commercial operation. Under the energy forward agreements, T-Mobile US receives variable amounts based on the facility's actual energy output and the then current energy prices, and pays fixed amounts per unit of energy generated throughout the term of the contract. The energy forward agreements are measured using valuation models because no observable market prices are available. The value of the derivatives is materially influenced by the facility's future energy output, for which T-Mobile US estimated a value of 2,899 gigawatt hours per year at the reporting date. The value of the derivatives is also significantly influenced by future energy prices, which are not observable for the period beyond around five years. Further, the value of the derivatives is materially influenced by the future prices for renewable energy credits, which are also not observable. For the unobservable portion of the term, T-Mobile US used on-peak energy prices of between EUR 14.05/MWh and EUR 62.64/MWh when translated into euros and off-peak prices of between EUR 7.97/MWh and EUR 39.20/MWh when translated into euros. An average on-peak/off-peak ratio of 46 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for future energy prices, future energy output, or future prices of renewable energy credits, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table above. In the reporting period, a net expense of EUR 1 million (when translated into euros) was recognized under the Level 3 measurement in other operating income/expense for unrealized losses for the derivatives. Please refer to the corresponding table for the development of the carrying amounts in the reporting period. The market-price changes in the reporting period were largely attributable to changes in observable and unobservable energy prices and to interest rate effects. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. In the view of T-Mobile US, the contracts were entered into at current market conditions, and the most appropriate parameters for the unobservable inputs were used for measurement purposes. The transaction price at inception was zero in each case. Since the unobservable inputs have a material

influence on the measurement of the derivatives, the respective amount resulting from initial measurement was not carried on initial recognition. Instead, these amounts are amortized in profit or loss on a straight-line basis over the period of commercial energy generation (for a total amount of EUR 13 million per year when translated into euros). This amortization adjusts the effects from measuring the derivatives in each accounting period using the respective valuation models and updated parameters. All amounts from the measurement of the derivatives are presented in net terms per contract in the statement of financial position (derivative financial assets/liabilities) and in the income statement (other operating income/expenses). The difference yet to be amortized in the income statement developed as follows during the reporting period:

Energy forward agreements

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

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

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

DISCLOSURES ON CREDIT RISK

In line with the contractual provisions, in the event of insolvency, all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 2,811 million (December 31, 2019: EUR 1,273 million). The credit risk was thus reduced by EUR 2,805 million (December 31, 2019: EUR 1,207 million) because, on the reporting date, the collateral received was offset by corresponding net derivative positions in the same amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 3,580 million as of the reporting date (December 31, 2019: EUR 1,703 million) had a maximum credit risk of EUR 140 million as of March 31, 2020 (December 31, 2019: EUR 49 million).

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral in the amount of EUR 1,144 million as of the reporting date (December 31, 2019: EUR 564 million) to counterparties pursuant to collateral agreements. The cash collateral paid is offset by corresponding net derivative positions of EUR 1,133 million at the reporting date (December 31, 2019: EUR 554 million), which is why it was not exposed to any credit risks in this amount.

On account of its close connection to the corresponding derivatives, the collateral received (paid) constitutes a separate class of financial liabilities (assets). There were no other significant agreements reducing the maximum exposure to the credit risks of financial assets. The maximum exposure to credit risk of the other financial assets thus corresponds to their carrying amounts.

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

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

RELATED-PARTY DISCLOSURES

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

EXECUTIVE BODIES

CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT

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

Dirk Wössner, Board of Management member for Germany, has notified the General Committee of the Supervisory Board of Deutsche Telekom AG that he does not intend to extend his service contract beyond its expiration date of December 31, 2020. The General Committee has already begun the search for a successor on the basis of a structured succession management process.

EVENTS AFTER THE REPORTING PERIOD

For information on the **business combination of T-Mobile US with Sprint**, consummated on April 1, 2020, please refer to the section [“Group organization, strategy, and management”](#) in the interim Group management report and the section [“Changes in the composition of the Group.”](#)

Refinancing measures at T-Mobile US. In connection with the business combination with Sprint, on April 1, 2020, the “new” T-Mobile US drew down on bridge loan facilities agreed with a total of 16 banks and with a total volume of USD 19 billion (EUR 17.3 billion). In connection with the financing provided with these bridge loan facilities, fees of USD 0.4 billion (EUR 0.3 billion) were paid to the banks. In addition, the “new” T-Mobile US raised a new secured term loan facility of USD 4 billion (EUR 3.7 billion). The loan facilities were used, among other things, for the early repayment of intragroup loan liabilities of USD 8 billion (EUR 7.3 billion) to Deutsche Telekom AG and to refinance debt of the Sprint group. Senior secured notes, issued on April 9, 2020 for a total of USD 19 billion (EUR 17.3 billion), with terms of between 5 and 30 years and bearing interest of between 3.500 and 4.500 percent, were used to repay the bridge loan facility.

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

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

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

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

REVIEW REPORT

To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to March 31, 2020, which are part of the quarterly financial report pursuant to § 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, May 14, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
Wirtschaftsprüfer

Thomas Tandetzki
Wirtschaftsprüfer