

INTERIM GROUP MANAGEMENT REPORT

GROUP ORGANIZATION, STRATEGY, AND MANAGEMENT

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

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



DELIGHT OUR CUSTOMERS



GET THINGS DONE



ACT WITH RESPECT & INTEGRITY



TEAM TOGETHER – TEAM APART



I AM T – COUNT ON ME



STAY CURIOUS & GROW

The **business combination of T-Mobile US and Sprint** was completed on April 1, 2020, forming the all-new, larger T-Mobile US. The transaction had previously worked its way through various approval processes involving numerous national and regional courts and authorities in the United States. Most recently, on April 16, 2020, the business combination was approved by the California Public Utilities Commission (CPUC). This merger is the culmination of Deutsche Telekom's successful strategy for its U.S. operations. The business combination creates an all-new, larger company with market capitalization of around USD 110 billion (based on the T-Mobile US and Sprint share prices on March 31, 2020). At our annual press conference on February 19, 2020 we presented some key data for the new T-Mobile US based on the combined figures recorded by the two predecessor companies as of year-end 2019: some 140 million customers, more than 100 million of them branded customers; revenue of around USD 77 billion; and an aggregate nationwide spectrum portfolio of around 300 MHz across all bandwidths. This portfolio provides a much stronger basis for T-Mobile US to significantly expand nationwide coverage and to extend its mobile network capacities, which translates into clear potential for sustained customer growth. The future structure of the new T-Mobile US must factor in the agreement reached with the U.S. Department of Justice, one condition of which is that Sprint divests its prepaid business to satellite TV operator DISH Network for around USD 1.4 billion. The agreement also includes the sale of part of the 800 MHz spectrum held by Sprint to DISH for around USD 3.6 billion. The planning for the merged entity remains based on expected cost and capital expenditure synergies with a net present value of USD 43 billion. The cost savings generated by these synergies are predicted to exceed the integration costs, starting three years after the transaction takes effect. The business combination of T-Mobile US and Sprint takes the form of an all-stock transaction. The new company will continue to be included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary. As announced in 2018, rating agency Standard & Poor's downgraded Deutsche Telekom AG's rating from BBB+ to BBB with a stable outlook on completion of the business combination of T-Mobile US and Sprint. We are therefore still a solid investment-grade company with access to the international capital markets.

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

THE ECONOMIC ENVIRONMENT

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

MACROECONOMIC DEVELOPMENT

The global economy has been dominated by the coronavirus pandemic since spring 2020. All signs point towards a global recession in 2020 on a scale that is likely to exceed that of the downturn from the global financial crisis in 2009. In its spring outlook, the International Monetary Fund (IMF) announced it expected to see the global economy contract by 3.0 percent in 2020 followed by growth of 5.8 percent in 2021. The global economy was likely to partially recover in 2021 but remain significantly below the level that had been projected before the emergence of the coronavirus crisis.

For the German economy, the IMF expects GDP to decline by 7.0 percent in the current year. Disposable income in private households will decrease in 2020 for the first time since the 2009 recession. The coronavirus crisis is affecting individual industry sectors to varying extents. In the digital sector, the business climate has deteriorated significantly: The Bitkom-ifo-Digitalindex dropped in March and April 2020. The economies of our core markets in North America and Europe will shrink this year, with the IMF predicting a contraction in the U.S. economy of 5.9 percent and in the EU economy of 7.1 percent.

OUTLOOK

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

OVERALL ECONOMIC RISKS

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

REGULATION

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

AWARDING OF SPECTRUM

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

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

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

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

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

DEVELOPMENT OF BUSINESS IN THE GROUP

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

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

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

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

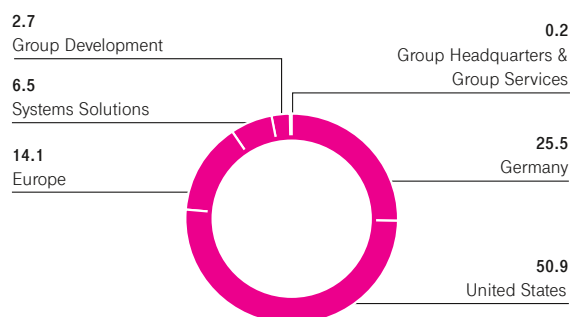
Contribution of the segments to net revenue

millions of €

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

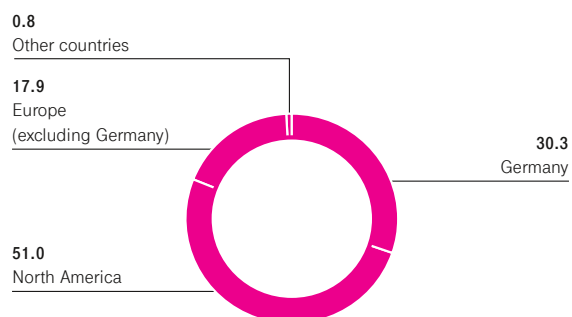
Contribution of the segments to net revenue^a

%



Breakdown of revenue by region

%



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

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

EBITDA AL, ADJUSTED EBITDA AL

Excluding special factors, adjusted EBITDA AL increased year-on-year by EUR 0.6 billion or 10.2 percent to EUR 6.5 billion in the first quarter of 2020. This increase was attributable to positive net exchange rate effects of EUR 0.1 billion. Excluding these effects, adjusted EBITDA AL increased by EUR 0.5 billion or 9.0 percent. All operating segments made a positive contribution to this development: Adjusted EBITDA AL of our United States operating segment increased by 18.0 percent, particularly on the back of higher service revenues. These increases were partially offset by expenses associated with new and modified leases due to network expansion and the launch of our 5G network, higher employee-related costs, higher legal-related expenses, and higher bad debt expense primarily due to the estimated macro-economic impacts of the coronavirus pandemic. Our Germany operating segment contributed to this result thanks to a positive revenue trend, and improved cost efficiency with 2.7 percent higher adjusted EBITDA AL. Adjusted EBITDA AL in our Europe operating segment increased by 1.9 percent. Assuming constant exchange rates and adjusted for the sale of Telekom Albania, this increase was as much as 3.4 percent. In particular, the positive revenue effects resulted in a higher net margin. Savings in indirect costs, primarily thanks to lower personnel costs, had an increasing effect on earnings. In our Systems Solutions operating segment, the positive trend in our growth areas public cloud, digital solutions, SAP, and IoT contributed to an increase in adjusted EBITDA AL of 8.7 percent. The increase in adjusted EBITDA AL in our Group Development operating segment was driven by revenue growth, synergies from the acquisition of Tele2 Netherlands, and efficient management of costs in the Netherlands. The GD Towers business also continues to post consistent growth on the back of rising volumes.

Contribution of the segments to adjusted Group EBITDA AL

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

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

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

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

millions of €	Q1 2020	Q1 2019	Change	Change %	FY 2019
EBITDA	6,940	6,461	479	7.4	27,120
Depreciation of right-of-use assets ^a	(831)	(763)	(68)	(8.9)	(3,181)
Interest expenses on recognized lease liabilities ^a	(189)	(198)	9	4.5	(796)
EBITDA AL	5,921	5,500	421	7.7	23,143

^a Excluding finance leases at T-Mobile US.

EBIT

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

PROFIT BEFORE INCOME TAXES

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

NET PROFIT, ADJUSTED NET PROFIT

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

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

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

millions of €	Q1 2020	Q1 2019	Change	Change %	FY 2019
NET PROFIT (LOSS)	916	900	16	1.8	3,867
Special factors affecting EBITDA	(623)	(440)	(183)	(41.6)	(1,589)
Staff-related measures	(342)	(290)	(52)	(17.9)	(913)
Non-staff-related restructuring	(8)	(19)	11	57.9	(81)
Effects of deconsolidations, disposals and acquisitions	(145)	(111)	(34)	(30.6)	(462)
Other	(128)	(20)	(108)	n.a.	(132)
Special factors affecting net profit	254	158	96	60.8	508
Impairment losses	0	0	0	n.a.	(370)
Profit (loss) from financial activities	(21)	0	(21)	n.a.	(4)
Income taxes	167	122	45	36.9	461
Non-controlling interests	108	36	72	n.a.	421
SPECIAL FACTORS	(368)	(282)	(86)	(30.5)	(1,081)
NET PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)	1,284	1,183	101	8.5	4,948

EARNINGS PER SHARE, ADJUSTED EARNINGS PER SHARE

Earnings per share is calculated as net profit divided by the adjusted weighted average number of ordinary shares outstanding, which totaled 4,743 million as of March 31, 2020, resulting in adjusted earnings per share of EUR 0.19, the same as in the first quarter of 2019. Adjusted earnings per share amounted to EUR 0.27 compared with EUR 0.25 in the prior-year period.

SPECIAL FACTORS

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

millions of €						
	EBITDA AL Q1 2020	EBIT Q1 2020	EBITDA AL Q1 2019	EBIT Q1 2019	EBITDA AL FY 2019	EBIT FY 2019
EBITDA AL/EBIT	5,921	2,511	5,500	2,258	23,143	9,457
GERMANY	(196)	(196)	(168)	(168)	(425)	(425)
Staff-related measures	(191)	(191)	(163)	(163)	(396)	(396)
Non-staff-related restructuring	(4)	(4)	(5)	(5)	(38)	(38)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Other	(1)	(1)	0	0	9	9
UNITED STATES	(274)	(274)	(99)	(99)	(544)	(544)
Staff-related measures	(28)	(28)	(2)	(2)	(17)	(17)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(140)	(140)	(97)	(97)	(527)	(527)
Impairment losses	0	0	0	0	0	0
Other	(106)	(106)	0	0	0	0
EUROPE	(39)	(39)	(24)	(24)	(146)	(466)
Staff-related measures	(22)	(22)	(16)	(16)	(116)	(116)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(2)	(2)	(6)	(6)	(23)	(23)
Impairment losses	0	0	0	0	0	(320)
Other	(15)	(15)	(2)	(2)	(8)	(8)
SYSTEMS SOLUTIONS	(49)	(49)	(46)	(46)	(331)	(358)
Staff-related measures	(41)	(41)	(34)	(34)	(169)	(169)
Non-staff-related restructuring	(1)	(1)	(1)	(1)	(5)	(5)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	(11)	(11)
Impairment losses	0	0	0	0	0	(27)
Other	(6)	(6)	(11)	(11)	(146)	(146)
GROUP DEVELOPMENT	(7)	(7)	(6)	(6)	97	97
Staff-related measures	(2)	(2)	(3)	(3)	(19)	(19)
Non-staff-related restructuring	0	0	0	0	(1)	(1)
Effects of deconsolidations, disposals and acquisitions	(5)	(5)	(3)	(3)	111	111
Impairment losses	0	0	0	0	0	0
Other	0	0	0	0	4	4
GROUP HEADQUARTERS & GROUP SERVICES	(58)	(58)	(97)	(97)	(239)	(239)
Staff-related measures	(57)	(57)	(72)	(72)	(197)	(197)
Non-staff-related restructuring	(3)	(3)	(13)	(13)	(38)	(38)
Effects of deconsolidations, disposals and acquisitions	1	1	(5)	(5)	(13)	(13)
Impairment losses	0	0	0	0	0	0
Other	0	0	(7)	(7)	9	9
GROUP	(623)	(623)	(440)	(440)	(1,589)	(1,959)
Staff-related measures	(342)	(342)	(290)	(290)	(913)	(913)
Non-staff-related restructuring	(8)	(8)	(19)	(19)	(81)	(81)
Effects of deconsolidations, disposals and acquisitions	(145)	(145)	(111)	(111)	(462)	(462)
Impairment losses	0	0	0	0	0	(370)
Other	(128)	(128)	(20)	(20)	(132)	(132)
EBITDA AL/EBIT (ADJUSTED FOR SPECIAL FACTORS)	6,544	3,134	5,940	2,698	24,731	11,416
Profit (loss) from financial activities (adjusted for special factors)		(944)		(406)		(2,192)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		2,190		2,292		9,223
Income taxes (adjusted for special factors)		(619)		(649)		(2,454)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		1,571		1,643		6,770
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		1,284		1,183		4,948
Non-controlling interests (adjusted for special factors)		287		460		1,822

EMPLOYEES

Headcount development

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

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

FINANCIAL POSITION OF THE GROUP

Condensed consolidated statement of financial position

millions of €

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

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

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

On the liabilities and shareholders' equity side, current and non-current **financial liabilities** increased by EUR 2.1 billion compared with the end of 2019 to a total of EUR 68.4 billion. This was largely attributable to the bonds issued by Deutsche Telekom AG in various currencies in the first quarter of 2020, with a total volume of EUR 1.6 billion when translated into euros. In connection with the increase in positive fair values from interest rate swaps in fair value hedges, the carrying amount of bonds and other securitized liabilities also increased by EUR 1.2 billion. Scheduled repayments of U.S. dollar bonds totaling USD 1.3 billion (EUR 1.1 billion), euro bonds totaling EUR 0.7 billion, and a zero-coupon bond of EUR 0.4 billion, had an offsetting effect. A Deutsche Bundespost treasury note (zero-coupon bond) issued in the past with a carrying amount of EUR 1.4 billion fell due on December 31, 2019 and was repaid on that date by a bank using its own funds. The payment by Deutsche Telekom AG to this bank was made on the following bank working day of January 2, 2020. Financial liabilities increased by EUR 1.5 billion in connection with collateral received for derivative financial instruments. The measurement of forward-payer swaps concluded for borrowings at T-Mobile US gave rise to a change in the carrying amount of EUR 1.0 billion, which also increased financial liabilities. EUR 0.9 billion of this resulted from a remeasurement loss recognized directly in equity. Current and non-current **lease liabilities** totaled EUR 19.7 billion as of March 31, 2020. **Trade and other payables** decreased by EUR 0.7 billion to EUR 8.7 billion due to the reduction in the level of liabilities, mainly in the Europe, United States, and Germany operating segments. **Provisions for pensions and other employee benefits** increased by EUR 1.0 billion overall compared with December 31, 2019, mainly due to the current upheavals on the financial markets and the associated sharp decline in the prices of plan assets. Interest rate adjustments in the first quarter of 2020 had an offsetting effect. **Other liabilities** increased compared with December 31, 2019, due in particular to higher current and non-current other liabilities. EUR 0.2 billion of this increase resulted from higher liabilities to the Civil Service Pension Fund in connection with early retirement arrangements for civil servants. In addition, other liabilities increased by EUR 0.1 billion due to existing build-out obligations in connection with grants receivable from funding projects for the broadband build-out in the Germany operating segment.

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

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

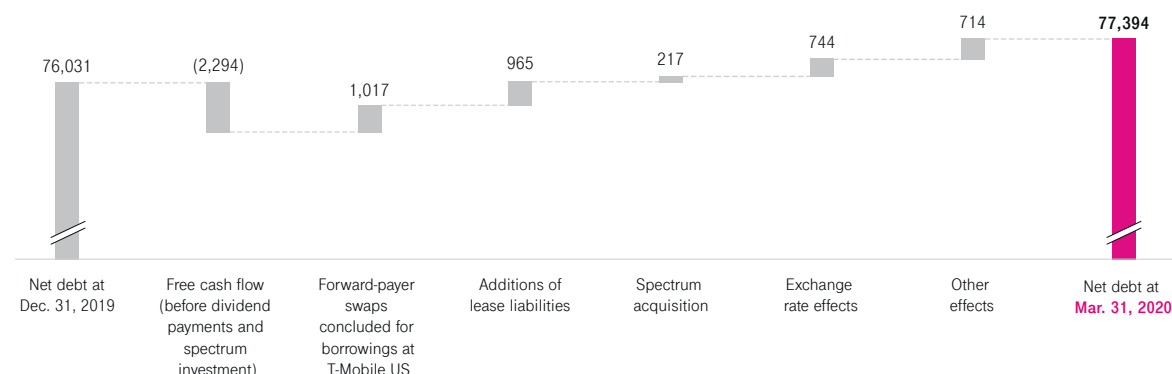
Calculation of net debt

millions of €

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

Changes in net debt

millions of €



Other effects of EUR 0.7 billion included effects from the measurement of embedded derivatives at T-Mobile US and a large number of smaller effects.

Calculation of free cash flow AL

millions of €

	Q1 2020	Q1 2019	Change	Change %	FY 2019
NET CASH FROM OPERATING ACTIVITIES	3,960	6,009	(2,049)	(34.1)	23,074
Interest payments for zero-coupon bonds	1,600	0	1,600	n.a.	0
NET CASH FROM OPERATING ACTIVITIES^a	5,560	6,009	(449)	(7.5)	23,074
Cash capex	(3,570)	(3,827)	257	6.7	(14,357)
Spectrum investment	217	145	72	49.7	1,239
CASH CAPEX (BEFORE SPECTRUM INVESTMENT)	(3,353)	(3,682)	329	8.9	(13,118)
Proceeds from the disposal of intangible assets (excluding goodwill) and property, plant and equipment	87	44	43	97.7	176
Free cash flow (before dividend payments and spectrum investment) ^a	2,294	2,370	(76)	(3.2)	10,133
Principal portion of repayment of lease liabilities ^b	(1,007)	(813)	(194)	(23.9)	(3,120)
FREE CASH FLOW AL (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)^a	1,287	1,557	(270)	(17.3)	7,013

^a Before interest payments for zero-coupon bonds.

^b Excluding finance leases at T-Mobile US.

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

Net cash from operating activities decreased by EUR 2.0 billion year-on-year to EUR 4.0 billion. This decline is related in part to the repayment of a Deutsche Bundespost treasury note (zero-coupon bond) issued by Deutsche Telekom AG in 1990 with a nominal amount of EUR 0.2 billion, which fell due on December 31, 2019 and was repaid on that date by a bank using its own funds. The payment by Deutsche Telekom AG to this bank was made on the following bank working day of January 2, 2020. The interest portion amounted to EUR 1.2 billion. In addition, the repayment of EUR 0.4 billion in the first quarter of 2020 for another zero-coupon bond also had a negative impact. The interest portion amounted to EUR 0.4 billion. The interest payments for the two zero-coupon bonds are not taken into account when determining free cash flow AL (before dividend payments and spectrum investment). Excluding interest payments for zero-coupon bonds, net cash from operating activities decreased by EUR 0.4 billion. Our contractual termination of a revolving factoring agreement in the Germany operating segment resulted in negative effects of EUR 0.7 billion on net cash from operating activities in the reporting period. The continuing strong performance of the operating segments had an increasing effect on net cash from operating activities.

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

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

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

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

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

GERMANY CUSTOMER DEVELOPMENT

thousands

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

Total

In Germany we continue to be market leader both in terms of fixed-network and mobile revenues. This success is attributable to our high-performance networks. We offer best customer experience with award-winning network quality – in the fixed network as in mobile communications – and with a broad product portfolio and excellent service. We want to offer our customers a seamless and technology-neutral telecommunications experience. Hence, alongside fixed-network and mobile communications products, we also market convergence products. Our MagentaEINS convergence product remains very popular among customers, with more than 4.7 million subscribers at the end of the first quarter of 2020.

We continued to see strong demand for our fiber-optic-based lines. As of the end of the first quarter of 2020, the total number of lines had increased to some 14.8 million. In other words, we connected 389 thousand lines to our fiber-optic network in Germany in the first three months of 2020. With the progress made in fiber-optic rollout and vectoring technology, we also successfully drove forward the marketing of higher bandwidths.

Mobile communications

We won a further 771 thousand mobile customers in the first three months of 2020 compared with year-end 2019. Of these, a total of 141 thousand were contract customers under our Telekom and congstar brands. Sustained high demand for mobile rate plans with included data volumes continues to drive this trend. The number of mobile contract customers with resellers (service providers) increased slightly, primarily due to the volatile developments at some of our service providers. We have added 587 thousand prepay customers since the start of the year, largely on the back of our automotive offerings targeted specifically at business customers.

The StreamOn option, with which customers can stream certain music, gaming, or video services without reducing their included data allowance, remains extremely popular. At the end of the first quarter of 2020, around 3.3 million customers were using this option, up by almost 63 percent year-on-year.

Fixed network

Due to the persistently challenging development in the fixed-network market, primarily owing to aggressive pricing offers of competitors, we are pursuing new paths in marketing. Our focus is on convergent offerings and further development of such products – for instance, MagentaTV with exclusive access to a wide range of additional content in the Megathek library and via popular streaming services – as well as TV lines and fiber-optic-based lines. The new Disney+ streaming service was launched on March 24, 2020 with Deutsche Telekom as the exclusive release partner in Germany.

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

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

Wholesale

At the end of the first quarter of 2020, fiber-optic-based lines accounted for 50.2 percent of all lines – 1.3 percentage points higher than at the end of 2019. This growth was driven largely by high demand for our contingent model. The number of unbundled local loop lines decreased by 133 thousand compared with the end of the prior year, partly as a result of the shift to higher-value fiber-optic-based lines and partly from consumers switching to cable providers. In addition, our wholesale customers are migrating their retail customers to their own fiber-optic-based lines. The total number of wholesale lines at the end of the first quarter of 2020 was around 12.0 million.

DEVELOPMENT OF OPERATIONS

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

Total revenue

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

Revenue from **Consumers** grew by 1.4 percent year-on-year. Volume-driven declines in revenue from voice components continue to strongly impact on traditional fixed-network business. By contrast, revenue from broadband business increased. Mobile business also grew – by 1.4 percent.

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

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

EBITDA AL, adjusted EBITDA AL

In the first quarter of 2020, we increased EBITDA AL by EUR 28 million or 1.4 percent to around EUR 2.0 billion. The main reasons for this increase are a sound operational development, driven by revenue growth and enhanced cost efficiency. Lower personnel costs resulting mainly from the smaller headcount and the ongoing implementation of efficiency enhancement and digitalization measures reduced costs. Higher expenses recognized as special factors for socially responsible instruments in connection with the staff restructuring had an offsetting effect. Adjusted EBITDA AL therefore increased by EUR 56 million or 2.7 percent year-on-year to EUR 2.2 billion. Our adjusted EBITDA AL margin increased to 40.0 percent, up from 39.4 percent in the prior-year period.

EBIT

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

Cash capex

Cash capex decreased by 14.8 percent year-on-year, mainly as a result of the changed accounting treatment of grants receivable from funding projects for the broadband build-out as of the start of the third quarter of 2019. As part of our integrated network strategy, we continue to invest in the broadband and fiber-optic rollout, and in our mobile infrastructure. For instance, in the first three months of 2020 we connected 208 new LTE sites to our network in Germany.

UNITED STATES

CUSTOMER DEVELOPMENT

thousands

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

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

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

Branded customers

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

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

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

DEVELOPMENT OF OPERATIONS

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

Total revenue

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

EBITDA AL, adjusted EBITDA AL

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

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

EBIT

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

Cash capex

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

EUROPE CUSTOMER DEVELOPMENT

thousands

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

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

^b The prior-year comparative for IP-based fixed-network lines in the Czech Republic was adjusted as part of the standardization of the underlying customer definition.

^c The prior-year comparative for wholesale broadband lines in Croatia was adjusted as part of the standardization of the underlying customer definition.

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

Total

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

In our mobile business, we recorded growth in the number of high-value contract customers, partially offsetting the decline in the prepaid customer base. In 5G, we reached the first milestone a year ago with the market launch in Austria. At the start of April 2020, Hungary also launched, following the successful 5G auction. Successful tests are also underway in other countries, like Poland. The plan is to add more 5G networks following the anticipated spectrum auctions in the various countries in 2020.

Mobile communications

In the Europe operating segment, we had 45.9 million mobile customers at the end of the first quarter, a marginal decline of 0.5 percent compared with the end of 2019. The number of high-value contract customers increased slightly by 0.4 percent. The contract customer bases increased in most of our national companies, with particularly strong growth recorded in Romania, Poland, Austria, Hungary, and the Czech Republic. Following the M2M reclassification, the contract customer share of the total customer base now totals 57.4 percent. Already last year, our innovative services and rate plans were joined in several countries by a new product portfolio, which we revamped in line with the “more for more” principle. Customers in these countries can now select high-value add-on services – e.g., more data – for a small additional monthly fee. The new portfolio also satisfies the growing demand for data volume driven by video streaming and gaming services. In addition, thanks to our integrated network strategy our customers benefited from greater coverage with fast mobile broadband. As of March 31, 2020, we covered 97.3 percent of the population in the countries of our operating segment with LTE, reaching around 107 million people in total.

By contrast, the prepaid customer base declined slightly, in line with expectations. This is partly due to the fact that our market approach is focused on contract rate plans, with which we want to convince our prepaid customers to switch to higher-value rate plans. We succeeded in this with a number of prepaid customers. Furthermore, inactive SIM cards are deactivated from the customer base at regular intervals.

Fixed network

The broadband business recorded growth of 1.0 percent compared with the end of the prior year to a total of 6.7 million customers. By continuing to invest heavily in innovative fiber-optic-based technologies, we are systematically building out our fixed-network infrastructure. The customer bases of our national companies in Greece, the Czech Republic, and Hungary in particular saw substantial growth. Thus we increased household coverage with optical fiber at our four largest national companies to 3.4 million households as of March 31, 2020. Consistent growth in IP-based lines as a percentage of all fixed-network lines confirms that we are making good progress: At the end of March 2020, this share amounted to 91.8 percent. The total number of fixed-network lines in our Europe operating segment was on a par with the prior-year level at 9.1 million.

The TV and entertainment business remained stable against the prior-year level as of March 31, 2020 at 4.9 million customers in total. With both telecommunication providers and OTT players offering TV services, the TV market is already saturated in many countries of our segment.

FMC – fixed-mobile convergence

Our portfolio of convergent products, MagentaOne, was highly popular with consumers across all of our national companies. At the end of the first quarter of 2020, we had 5.0 million FMC customers; this corresponds to growth of 4.9 percent compared with the end of the prior year. In particular, our national companies in Greece, Hungary, Romania, and Poland recorded higher customer numbers. We have also seen accelerated growth in the marketing of our MagentaOne Business product to business customers.

DEVELOPMENT OF OPERATIONS

millions of €

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

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

^a "Other": national companies of North Macedonia, Montenegro, and IWS (International Wholesale), consisting of Telekom Global Carrier (TGC) and units assigned to TGC in the national companies, as well as the GTS Central Europe group in Romania, and the Europe Headquarters. We sold the national company in Albania as of May 7, 2019.

Total revenue

Our Europe operating segment generated total revenue of EUR 2.9 billion in the first quarter of 2020, a slight year-on-year increase of 0.4 percent. In organic terms, i.e., assuming constant exchange rates and adjusted for the sale of Telekom Albania as of May 7, 2019, revenue increased by 2.0 percent.

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

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

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

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

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

EBITDA AL, adjusted EBITDA AL

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

Looking at the development by country, the increase in adjusted organic EBITDA AL was largely attributable to the positive trends at our national companies in Romania, Greece, Austria, and Poland. Contrasting developments were reported primarily at the national company in Croatia, where decreases in mobile revenue were partially offset by positive revenue effects from the systems solutions business.

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

Development of operations in selected countries

Greece. In Greece, revenue developed positively in the first quarter of 2020, coming in at EUR 707 million or 1.4 percent higher than in the prior-year period, with fixed-network revenue continuing to increase. Broadband business posted particularly strong growth as a result of the ongoing rollout of fiber-optic lines and vectoring. The systems solutions business also recorded strong growth, while the wholesale business declined slightly. We saw further increases in mobile business, especially in service revenues. The FMC offering developed positively, with rising customer numbers and corresponding revenue.

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

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

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

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

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

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

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

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

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

EBIT

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

Cash capex

As of March 31, 2020, our Europe operating segment reported cash capex of EUR 438 million, down 1.8 percent year-on-year. This decline is mainly due to a decline in cash outflows for the acquisition of spectrum licenses in the reporting period. We continue to make significant investments in the provision of broadband and fiber-optic technology and in 5G as part of our integrated network strategy.

SYSTEMS SOLUTIONS

ORDER ENTRY

millions of €				Change
	Q1 2020	2019	Q1 2019	Q1 2020/ Q1 2019 %
ORDER ENTRY	1,393	7,329	1,609	(13.4)

Development of business

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

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

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

DEVELOPMENT OF OPERATIONS

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

Total revenue

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

EBITDA AL, adjusted EBITDA AL

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

EBIT, adjusted EBIT

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

Cash capex

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

GROUP DEVELOPMENT

CUSTOMER DEVELOPMENT

thousands

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

The number of mobile customers and fixed-network lines in the Netherlands continued to increase steadily through the operational business. Despite intense competition, we recorded customer additions in mobile business in particular thanks to our rate plans, which offer large inclusive data volumes through to unlimited data. The number of customers in the fixed-network consumer portfolio also continued to grow.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2020	Q1 2019	Change	Change %	FY 2019
TOTAL REVENUE	708	682	26	3.8	2,797
Of which: Netherlands	476	461	15	3.3	1,910
Of which: GD Towers	247	236	11	4.7	945
Profit from operations (EBIT)	139	126	13	10.3	615
Depreciation, amortization and impairment losses	(194)	(200)	6	3.0	(812)
EBITDA	333	325	8	2.5	1,427
EBITDA AL	262	249	13	5.2	1,130
Special factors affecting EBITDA	(7)	(6)	(1)	(16.7)	97
EBITDA (adjusted for special factors)	340	332	8	2.4	1,330
Of which: Netherlands	157	147	10	6.8	591
Of which: GD Towers	195	191	4	2.1	771
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)	269	255	14	5.5	1,033
Of which: Netherlands	136	123	13	10.6	502
Of which: GD Towers	145	138	7	5.1	563
EBITDA AL margin (adjusted for special factors) %	38.0	37.4			36.9
CASH CAPEX	(119)	(86)	(33)	(38.4)	(452)

Total revenue

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

EBITDA AL, adjusted EBITDA AL

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

EBIT

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

Cash capex

Cash capex increased year-on-year by EUR 33 million to EUR 119 million, due mainly to the additional investments required to integrate Tele2 Netherlands and higher capital expenditure at DFMG in connection with building out mobile infrastructure in Germany.

GROUP HEADQUARTERS & GROUP SERVICES

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2020	Q1 2019	Change	Change %	FY 2019
TOTAL REVENUE	632	651	(19)	(2.9)	2,620
Loss from operations (EBIT)	(371)	(393)	22	5.6	(1,648)
Depreciation, amortization and impairment losses	(300)	(260)	(40)	(15.4)	(1,159)
EBITDA	(71)	(132)	61	46.2	(489)
EBITDA AL	(163)	(234)	71	30.3	(889)
Special factors affecting EBITDA	(58)	(97)	39	40.2	(239)
EBITDA (adjusted for special factors)	(12)	(35)	23	65.7	(250)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)	(104)	(137)	33	24.1	(651)
CASH CAPEX	(233)	(274)	41	15.0	(1,028)

Total revenue

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

EBITDA AL, adjusted EBITDA AL

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

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

EBIT

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

Cash capex

Cash capex decreased by EUR 41 million year-on-year, primarily owing to lower investment in technology and innovation.

EVENTS AFTER THE REPORTING PERIOD

Please refer to the section "[Events after the reporting period](#)" in the interim consolidated financial statements.

FORECAST

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

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

RISKS AND OPPORTUNITIES

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

The coronavirus pandemic has developed into a global economic crisis. Higher demand for certain telecommunications services means the impact of the crisis is likely to be felt less severely by the telecommunications industry than by other industries. Nevertheless, there is currently a great deal of uncertainty regarding the extent to which business activities and thus the results of operations and financial position of Deutsche Telekom could be affected overall. For example, roaming and visitor volumes are declining as a result of government-imposed international travel restrictions, and terminal equipment sales and new contracts may decrease due to the largely temporary closure of shops. Corporate customer business may decline, for example, due to delayed or changed customer decisions. The possibility of an increase in the number of consumers and business customers defaulting on their payments cannot be ruled out either. Deutsche Telekom has put in place cost saving measures to mitigate potential effects on earnings. The coronavirus pandemic exposes us to economic business risks in our Germany, Europe, and United States operating segments: The risk significance in these three segments has been downrated from "low" to "medium."

The business combination of T-Mobile US and Sprint was consummated on April 1, 2020. Implementing the business combination poses complex challenges for T-Mobile US, which must be successfully overcome in order to realize the predicted synergies and to meet the conditions imposed by the authorities. The combination of the two companies to form the new T-Mobile US affects all operational areas; for instance, the integration of the mobile networks and the IT and technology environments, customer management, sales, HR management, logistics, and the control environment. At the same time, it will be necessary to fulfill multiple conditions, including those agreed with the antitrust and regulatory authorities such as the Federal Communications Commission (FCC), the U.S. Department of Justice (DoJ), the supervisory authorities in various U.S. states, and the Committee on Foreign Investment in the United States (CFIUS). If we do not successfully rise to these integration challenges and fulfill the agreed conditions, this can affect the results of operations, financial position, brand/reputation, earnings, and creditworthiness of T-Mobile US with ramifications for the Deutsche Telekom Group.

ASSESSMENT OF THE AGGREGATE RISK POSITION

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