

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

Business combination of T-Mobile US and Sprint. The business combination of T-Mobile US and Sprint was completed on April 1, 2020, forming the all-new, larger T-Mobile US. The transaction had previously worked its way through various approval processes involving numerous national and regional courts and authorities in the United States. Most recently, on April 16, 2020, the business combination was approved by the California Public Utilities Commission (CPUC). This merger is the culmination of Deutsche Telekom's successful strategy for its U.S. operations. The new T-Mobile US created by the business combination has market capitalization of around USD 130 billion (based on the share price of the new T-Mobile US on June 30, 2020) and a more comprehensive spectrum portfolio. This portfolio provides a much stronger basis for T-Mobile US to significantly expand nationwide coverage and to extend its mobile network capacities, which translates into clear potential for sustained customer growth. The planning for the merged entity remains based on expected cost and capital expenditure synergies with a net present value of USD 43 billion (after integration costs). The cost savings generated by these synergies are predicted to exceed the integration costs, starting three years after the transaction takes effect.

The business combination of T-Mobile US and Sprint took the form of an all-stock transaction. At the completion of the transaction, Deutsche Telekom held around 43.6 percent of the shares in T-Mobile US. However, under a proxy agreement reached with SoftBank, at the time the business combination took effect Deutsche Telekom controlled a majority of the voting power of around 68.3 percent of shares in the new T-Mobile US. On June 22, 2020, Deutsche Telekom received call options from SoftBank to buy around 101 million T-Mobile US shares, thus securing itself long-term access to the majority shareholding in T-Mobile US. In return, we granted SoftBank the option to immediately sell around 198 million shares. T-Mobile US profits from a transaction fee of USD 0.3 billion (EUR 0.3 billion), which it has already received. The sale of the shares held by SoftBank reduced the proportion of T-Mobile US shares for which we can exercise voting rights, to around 54.1 percent as of June 30, 2020 and again to around 52.5 percent as of August 5, 2020.

The structure of the new T-Mobile US must factor in the agreement reached with the U.S. Department of Justice (DoJ), one condition of which is that Sprint divests its prepaid business to satellite TV operator DISH for around USD 1.4 billion (EUR 1.3 billion). The sale of Sprint's prepaid business includes some 9.4 million customers. The agreement also includes the sale of part of the 800 MHz spectrum held by Sprint to DISH for approximately USD 3.6 billion (EUR 3.2 billion). As of July 1, 2020 we duly met the U.S. authorities' requirements regarding the divestiture of Sprint's prepaid business and the conclusion of an agreement to sell spectrum to DISH.

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

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

At the start of this year Dr. Dirk Wössner, the Board of Management member for Germany, notified the Supervisory Board of Deutsche Telekom AG that he does not intend to extend his service contract beyond its expiration date of December 31, 2020. On June 18, 2020 the Supervisory Board of Deutsche Telekom AG appointed the current Board member for Europe, Srinivas Gopalan, as the new Board member for Germany effective November 1, 2020. Dr. Wössner will resign from his position effective midnight on October 31, 2020. The Supervisory Board has begun the search for a successor to head up the Europe Board department on the basis of a structured succession management process.

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 six months of 2020, the outlook, the currently prevailing economic risks, and the regulatory environment. Given the almost total lack of historical experiences from which to draw comparisons with the current situation, the macroeconomic outlook is provided contingent on the understanding that the effects of the coronavirus crisis can only be quantified with a high degree of uncertainty.

MACROECONOMIC DEVELOPMENT

The global economy has been dominated by the coronavirus pandemic since spring 2020. In the June 2020 update to its spring outlook, the International Monetary Fund (IMF) announced it expected to see the global economy contract by 4.9 percent in 2020 followed by growth of 5.4 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 7.8 percent in the current year. The coronavirus crisis is affecting individual industry sectors to varying extents. The business climate in the digital sector has brightened again: The Bitkom-ifo-Digitalindex, calculated on the basis of the business situation and expectations, returned to a positive level in June 2020 for the first time since February. IT and telecommunications companies are now reporting a significant improvement in their situation compared with April and May of this year.

The economies of our core markets in North America and Europe, too, will shrink this year, with the IMF predicting a contraction in the U.S. economy of 8.0 percent and in the eurozone of 10.2 percent. In the United States, the situation on the labor market made a marked improvement in June 2020, although private consumption is likely to be slowed by a renewed spike in infection rates which have led to some regions taking back the previous easing of measures to contain the spread of coronavirus.

OUTLOOK

While the measures introduced to contain the coronavirus pandemic have catapulted the global economy into the worst recession since the end of the Second World War, there are increasing signs that the worst is behind us. Indications suggest that the severe economic downturn seen in the first half of 2020 will be followed by gradual recovery in the second half of the year. However, if measures such as smart distancing do not succeed in keeping the rate of new infections to a minimum and restrictions cannot be eased further to restore a sense of safety to businesses and households, then a sustained period of weakness is to be expected.

OVERALL ECONOMIC RISKS

Overall economic risks arise primarily in connection with the possibility of further spikes in coronavirus infections. A renewed decline in economic activity is likely if pandemic restrictions are stepped up once again. If the number of customers defaulting on payments increases – for example, as a result of bankruptcy – this could place the banks under pressure and put financial stability at risk. In parallel, the longer the coronavirus pandemic persists, the more difficulties governments may have riding out the crisis with borrowing and fiscal interventions. 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. This was confirmed in further BEREC reports published in June 2020 on the stability of Europe's telecommunications networks. 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. Other national regulatory authorities imposed additional regulations, such as in Austria where mobile providers are required to send out text messages on behalf of the authorities. The timeline for spectrum award procedures in the near future has also been adjusted. For further details, please refer to the table below.

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

AWARDING OF SPECTRUM

Spectrum was awarded in the second quarter of 2020 as follows: In Hungary, a total of 160 MHz purchased by Magyar Telekom at auction in March 2020 for around EUR 263 million (translated into euros) was assigned to the subsidiary in April 2020. T-Mobile US successfully bid on total spectrum of 691 MHz at the U.S. auction in March 2020 and received the 5G licenses it bought for USD 873 million in April 2020. In the Netherlands, an auction started on June 29, 2020 for spectrum in the 700 MHz, 1,500 MHz, and 2,100 MHz bands. The auction ended with the completion of the allotment phase on July 21, 2020. T-Mobile Netherlands successfully bid on spectrum in all three bands for an aggregate amount of EUR 400 million. In the meantime, the start dates for spectrum award proceedings in Greece, Austria, and Poland were postponed to or around the third or fourth quarters of 2020. Hungary also announced plans for a further auction. Croatia now intends to hold its spectrum auction in the first half of 2021 and is considering the inclusion of additional spectrum bands, while Slovakia and the Czech Republic have called a halt to their award planning with no new date set at present.

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	Q4 2020	Q1 2021	700 / 2,100 / 3,600 / 26,000	Auction (SMRA ^a), expected	tbd	Postponed due to coronavirus pandemic, expected to take place Q4 2020–Q1 2021
Croatia	Q1 2021	Q2 2021	700 / 3,400–3,800 / 26,000, additional bands possible	Auction, tbd	tbd	Postponed due to coronavirus, may be combined with further awards
Netherlands	Q2 2020	Completed	700 / 1,500 / 2,100	Hybrid (SMRA-clock) auction	2x10 MHz in the 700 MHz band, 10 MHz in the 1,500 MHz band, 2x20 MHz in the 2,100 MHz band	Auction ended on July 21, 2020, € 400 million
Austria	Q3 2020	Q4 2020	700 / 1,500 / 2,100	Auction (CCA ^b)	tbd	Postponed due to coronavirus, new start date August 17, 2020
Poland	Q4 2020	Q1 2021	3,400–3,800	Auction (SMRA ^a), details tbd	tbd	Postponed due to coronavirus regulation, 800 MHz to follow later
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	Government stands by plan for Q3 2020
Slovakia	Q3 2020	Q4 2020	700 / 900 / 1,500 / 1,800	Auction (SMRA ^a), details tbd	tbd	Award planning halted, reasons and new start date tbd
Czech Republic	Q3 2020	Q4 2020	700 / 3,400–3,600	Auction (SMRA ^a), details tbd	tbd	Planning halted, new consultation started, new date tbd
Hungary	Q4 2020	Q1 2021	900 / 1,500 / 1,800 / 2,300	Auction (clock auction), expected	tbd	1,500 / 2,300 MHz expected to follow at a later date
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

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

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

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

In the first half of 2020, we generated net revenue of EUR 47.0 billion, which was up EUR 7.8 billion or 20.0 percent year-on-year. Excluding the positive net effects of changes in the composition of the Group – primarily from the acquisition of Sprint in the United States operating segment – of EUR 7.2 billion and positive net exchange rate effects of EUR 0.5 billion – mainly from the translation of U.S. dollars into euros – revenue increased slightly by EUR 0.1 billion or 0.1 percent.

Our United States operating segment in particular contributed to the positive revenue trend with an increase of 39.9 percent. Adjusted for the acquisition of Sprint and exchange rate effects, revenue was at the same level as in the prior-year period. Revenue in our home market of Germany increased on the prior-year level by 1.0 percent, mainly due to the positive trend in our fixed-network business on the back of growth in broadband revenues, as well as to stable mobile revenues. The coronavirus pandemic had a negative impact on roaming and visitor revenue as well as terminal equipment revenue. Overall, however, these revenue losses were offset by growth in the fixed network. In our Europe operating segment, revenue decreased by 2.1 percent, mainly due to exchange rate effects. In organic terms, revenue remained stable at the prior-year level, despite the effects of the coronavirus pandemic. The fixed-network business performed well, recording increases in broadband and TV revenues. Revenues from mobile business decreased slightly, primarily driven by declines in terminal equipment business and roaming revenues as a result of the travel restrictions that had been imposed. These negative effects have been partially offset by increases in higher-margin service revenues. Total revenue in our Systems Solutions operating segment decreased by 1.8 percent year-on-year, reflecting the decline of the IT market in Western Europe driven by the coronavirus pandemic. The upward revenue trend in our growth areas public cloud and security was not sufficient to fully offset the declines in traditional IT and project business. The development of our growth area digital solutions was particularly affected by the impact of the coronavirus pandemic on the automotive industry. Total revenue in our Group Development operating segment increased by 4.4 percent year-on-year, thanks to the operational growth of our two subsidiaries, T-Mobile Netherlands and DFMG.

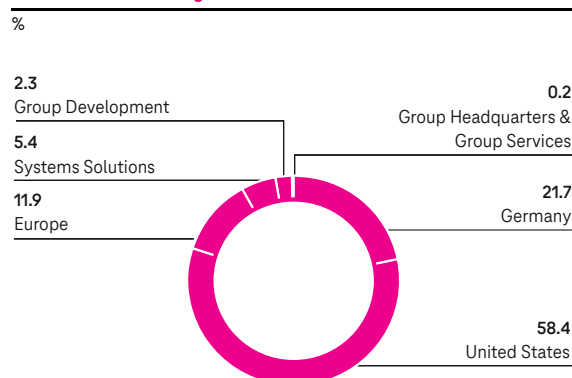
For further information on revenue development in our segments, please refer to the section "[Development of business in the operating segments](#)."

Contribution of the segments to net revenue

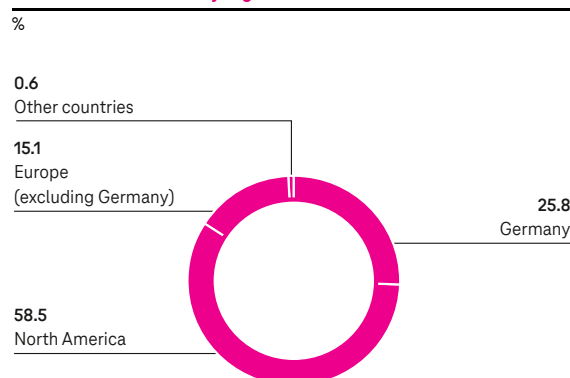
millions of €

	Q1 2020	Q2 2020	Q2 2019	Change	Change %	H1 2020	H1 2019	Change %	FY 2019
NET REVENUE	19,943	27,041	19,664	7,377	37.5	46,984	39,152	20.0	80,531
Germany	5,405	5,446	5,388	58	1.1	10,852	10,745	1.0	21,886
United States	10,157	17,297	9,826	7,471	76.0	27,455	19,623	39.9	40,420
Europe	2,903	2,843	2,978	(135)	(4.5)	5,746	5,869	(2.1)	12,168
Systems Solutions	1,628	1,616	1,673	(57)	(3.4)	3,244	3,304	(1.8)	6,805
Group Development	708	716	683	33	4.8	1,424	1,364	4.4	2,797
Group Headquarters & Group Services	632	649	678	(29)	(4.3)	1,281	1,329	(3.6)	2,620
Intersegment revenue	(1,491)	(1,528)	(1,561)	33	2.1	(3,019)	(3,081)	2.0	(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 58.4 percent, our United States operating segment provided by far the largest contribution to net revenue of the Group and thanks to the acquisition of Sprint was up 8.3 percentage points above the level in the prior-year period. In this connection, the proportion of net revenue generated internationally also increased significantly from 69.0 percent to 74.2 percent.

EBITDA AL, ADJUSTED EBITDA AL

Excluding special factors, adjusted EBITDA AL increased year-on-year by EUR 4.2 billion or 34.0 percent to EUR 16.4 billion in the first half of 2020. It was affected by positive net effects of changes in the composition of the Group – primarily from the acquisition of Sprint – of EUR 2.7 billion and positive net exchange rate effects of EUR 0.2 billion – mainly from the translation of U.S. dollars into euros. But even excluding these effects, adjusted EBITDA AL increased by EUR 1.3 billion or 8.6 percent.

All segments, with the exception of the Systems Solutions operating segment, made a positive contribution to this development: Adjusted EBITDA AL of our United States operating segment increased by 70.5 percent, particularly on the back of higher service and terminal equipment revenues in connection with the acquisition of Sprint. These increases were offset by higher operating expenses, primarily in connection with the acquisition of Sprint. Our Germany operating segment contributed to this result thanks to a positive revenue trend, and improved cost efficiency with 2.8 percent higher adjusted EBITDA AL. Adjusted EBITDA AL in our Europe operating segment increased by 0.2 percent. Assuming constant exchange rates and adjusted for the sale of Telekom Albania, this increase was as much as 2.2 percent. The main factor in this trend was savings in indirect costs. In our Systems Solutions operating segment, adjusted EBITDA AL declined by 9.1 percent, driven mainly by the decrease in earnings in traditional IT and project business, partly due to the effects of the coronavirus pandemic. The increase in adjusted EBITDA AL in our Group Development operating segment was driven by revenue growth, synergies from the acquisition of Tele2 Netherlands, and efficient management of costs at T-Mobile Netherlands. The GD Towers business also continues to post consistent growth on the back of rising volumes.

Contribution of the segments to adjusted Group EBITDA AL

	Q1 2020	Q2 2020	Q2 2019	Change	Change %	H1 2020	H1 2019	Change %	FY 2019
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	6,544	9,829	6,283	3,546	56.4	16,373	12,223	34.0	24,731
Germany	2,164	2,218	2,153	65	3.0	4,382	4,261	2.8	8,720
United States	3,160	6,304	2,872	3,432	n.a.	9,464	5,551	70.5	11,134
Europe	963	978	991	(13)	(1.3)	1,941	1,937	0.2	4,005
Systems Solutions	100	98	127	(29)	(22.8)	199	219	(9.1)	519
Group Development	269	283	250	33	13.2	552	506	9.1	1,033
Group Headquarters & Group Services	(104)	(28)	(82)	54	65.9	(132)	(219)	39.7	(651)
Reconciliation	(8)	(24)	(29)	5	17.2	(31)	(31)	0	(29)

EBITDA AL increased by EUR 3.3 billion or 29.3 percent year-on-year to EUR 14.5 billion, with special factors changing from EUR -1.0 billion to EUR -1.9 billion. Expenses incurred in connection with staff-related measures remained at the prior-year level of EUR 0.6 billion. In addition, expenses of EUR 0.8 billion were recorded as special factors under effects of deconsolidations, disposals and acquisitions. EUR 0.8 billion of these expenses were incurred in connection with the approval process for the business combination of T-Mobile US and Sprint, and with acquisition and integration costs. In the prior year, EUR 0.3 billion was recorded as special factors in this connection. The majority of the expenses were incurred in the United States operating segment. In addition, EUR 0.2 billion relates to the derecognition of billing software for postpaid customers, which was still in development, in the United States operating segment. A transaction fee of EUR 0.3 billion received from SoftBank in return for support in the immediate sale by SoftBank of T-Mobile US shares had an offsetting effect. Other special factors affecting EBITDA AL amounted to EUR -0.4 billion and mainly relate to expenses incurred in the United States operating segment in connection with the coronavirus pandemic.

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

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

millions of €									
	Q1 2020	Q2 2020	Q2 2019	Change	Change %	H1 2020	H1 2019	Change %	FY 2019
EBITDA	6,940	10,026	6,701	3,325	49.6	16,966	13,162	28.9	27,120
Depreciation of right-of-use assets ^a	(831)	(1,218)	(779)	(439)	(56.4)	(2,047)	(1,543)	(32.7)	(3,181)
Interest expenses on recognized lease liabilities ^a	(189)	(224)	(200)	(24)	(12.0)	(413)	(398)	(3.8)	(796)
EBITDA AL	5,921	8,585	5,721	2,864	50.1	14,505	11,221	29.3	23,143

^a Excluding finance leases at T-Mobile US.

EBIT

Group EBIT increased from EUR 4.6 billion to EUR 5.6 billion, up EUR 1.0 billion or 21.5 percent against the prior-year period. This growth is partly due to the effects described under EBITDA AL and adjusted EBITDA AL. At EUR 11.4 billion, depreciation and amortization were EUR 2.8 billion higher than in the prior-year period. This increase is mainly attributable to Sprint, which has been included since April 1, 2020.

PROFIT BEFORE INCOME TAXES

Profit before income taxes decreased from EUR 3.7 billion in the prior year to EUR 3.4 billion, with loss from financial activities increasing by EUR 1.3 billion to EUR 2.2 billion. This increase is primarily due to a EUR 0.8 billion increase in finance costs to EUR 2.0 billion, mainly due to the financial liabilities recognized in connection with the acquisition of Sprint and the restructuring begun in connection with this acquisition and related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility. Other financial income decreased by EUR 0.4 billion year-on-year to an expense of EUR 0.2 billion. This was mainly due to measurement effects in connection with derivatives.

NET PROFIT, ADJUSTED NET PROFIT

Net profit decreased year-on-year from EUR 1.8 billion to EUR 1.7 billion. Tax expense in the first half of 2020 was EUR 1.0 billion, as in the prior-year period. Profit attributable to non-controlling interests decreased by EUR 0.1 billion to EUR 0.7 billion, mainly in our United States operating segment. Excluding special factors, which had a negative overall effect of EUR 0.9 billion on net profit, adjusted net profit in the first half of 2020 amounted to EUR 2.6 billion, up slightly against the level in the prior-year period of EUR 2.5 billion.

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

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

millions of €									
	Q1 2020	Q2 2020	Q2 2019	Change	Change %	H1 2020	H1 2019	Change %	FY 2019
NET PROFIT (LOSS)	916	754	944	(190)	(20.1)	1,670	1,845	(9.5)	3,867
Special factors affecting EBITDA	(623)	(1,245)	(562)	(683)	n.a.	(1,868)	(1,002)	(86.4)	(1,589)
Staff-related measures	(342)	(262)	(304)	42	13.8	(604)	(594)	(1.7)	(913)
Non-staff-related restructuring	(8)	(8)	(30)	22	73.3	(16)	(49)	67.3	(81)
Effects of deconsolidations, disposals and acquisitions	(145)	(655)	(174)	(481)	n.a.	(800)	(285)	n.a.	(462)
Other	(128)	(319)	(54)	(265)	n.a.	(448)	(74)	n.a.	(132)
Special factors affecting net profit	254	720	178	542	n.a.	976	335	n.a.	508
Impairment losses	0	0	(50)	50	(100.0)	0	(50)	(100.0)	(370)
Profit (loss) from financial activities	(21)	(8)	(1)	(7)	n.a.	(28)	(1)	n.a.	(4)
Income taxes	167	325	173	152	87.9	492	295	66.8	461
Non-controlling interests	108	403	56	347	n.a.	512	91	n.a.	421
SPECIAL FACTORS	(368)	(525)	(385)	(140)	(36.4)	(892)	(667)	(33.7)	(1,081)
NET PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)	1,284	1,278	1,329	(51)	(3.8)	2,562	2,512	2.0	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 June 30, 2020. This resulted in adjusted earnings per share of EUR 0.35, compared with EUR 0.39 in the first half of 2019. Adjusted earnings per share, adjusted for special factors affecting net profit, amounted to EUR 0.54 compared with EUR 0.53 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 H1 2020	EBIT H1 2020	EBITDA AL H1 2019	EBIT H1 2019	EBITDA AL FY 2019	EBIT FY 2019	
EBITDA AL/EBIT	14,505	5,597	11,221	4,608	23,143	9,457	
GERMANY	(314)	(314)	(293)	(293)	(425)	(425)	
Staff-related measures	(288)	(288)	(284)	(284)	(396)	(396)	
Non-staff-related restructuring	(9)	(9)	(18)	(18)	(38)	(38)	
Effects of deconsolidations, disposals and acquisitions	(6)	(6)	0	0	0	0	
Impairment losses	0	0	0	0	0	0	
Other	(11)	(11)	9	9	9	9	
UNITED STATES	(1,166)	(1,166)	(299)	(299)	(544)	(544)	
Staff-related measures	(32)	(32)	(4)	(4)	(17)	(17)	
Non-staff-related restructuring	0	0	0	0	0	0	
Effects of deconsolidations, disposals and acquisitions	(715)	(715)	(295)	(295)	(527)	(527)	
Impairment losses	0	0	0	0	0	0	
Other	(420)	(420)	0	0	0	0	
EUROPE	(90)	(90)	(86)	(86)	(146)	(466)	
Staff-related measures	(78)	(78)	(79)	(79)	(116)	(116)	
Non-staff-related restructuring	0	0	0	0	0	0	
Effects of deconsolidations, disposals and acquisitions	(3)	(3)	(5)	(5)	(23)	(23)	
Impairment losses	0	0	0	0	0	(320)	
Other	(9)	(9)	(2)	(2)	(8)	(8)	

millions of €

	EBITDA AL H1 2020	EBIT H1 2020	EBITDA AL H1 2019	EBIT H1 2019	EBITDA AL FY 2019	EBIT FY 2019
SYSTEMS SOLUTIONS	(114)	(114)	(176)	(203)	(331)	(358)
Staff-related measures	(95)	(95)	(74)	(74)	(169)	(169)
Non-staff-related restructuring	(2)	(2)	(3)	(3)	(5)	(5)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	(11)	(11)
Impairment losses	0	0	0	(27)	0	(27)
Other	(17)	(17)	(99)	(99)	(146)	(146)
GROUP DEVELOPMENT	(44)	(44)	(25)	(25)	97	97
Staff-related measures	(4)	(4)	(15)	(15)	(19)	(19)
Non-staff-related restructuring	0	0	0	0	(1)	(1)
Effects of deconsolidations, disposals and acquisitions	(39)	(39)	(10)	(10)	111	111
Impairment losses	0	0	0	0	0	0
Other	(1)	(1)	0	0	4	4
GROUP HEADQUARTERS & GROUP SERVICES	(140)	(140)	(124)	(124)	(239)	(239)
Staff-related measures	(107)	(107)	(139)	(139)	(197)	(197)
Non-staff-related restructuring	(5)	(5)	(27)	(27)	(38)	(38)
Effects of deconsolidations, disposals and acquisitions	(37)	(37)	25	25	(13)	(13)
Impairment losses	0	0	0	0	0	0
Other	10	10	18	18	9	9
GROUP	(1,868)	(1,868)	(1,002)	(1,052)	(1,589)	(1,959)
Staff-related measures	(604)	(604)	(594)	(594)	(913)	(913)
Non-staff-related restructuring	(16)	(16)	(49)	(49)	(81)	(81)
Effects of deconsolidations, disposals and acquisitions	(800)	(800)	(285)	(285)	(462)	(462)
Impairment losses	0	0	0	(50)	0	(370)
Other	(448)	(448)	(74)	(74)	(132)	(132)
EBITDA AL/EBIT (ADJUSTED FOR SPECIAL FACTORS)	16,373	7,465	12,223	5,660	24,731	11,416
Profit (loss) from financial activities (adjusted for special factors)		(2,185)		(871)		(2,192)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		5,280		4,788		9,223
Income taxes (adjusted for special factors)		(1,460)		(1,333)		(2,454)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		3,821		3,456		6,770
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		2,562		2,512		4,948
Non-controlling interests (adjusted for special factors)		1,258		944		1,822

EMPLOYEES

Headcount development

	June 30, 2020	Dec. 31, 2019	Change	Change %
NUMBER OF FTEs IN THE GROUP	229,170	210,533	18,637	8.9
Of which: civil servants (in Germany, with an active service relationship)	11,443	12,153	(710)	(5.8)
Germany	58,807	60,501	(1,694)	(2.8)
United States	70,807	47,312	23,495	49.7
Europe	42,362	44,591	(2,229)	(5.0)
Systems Solutions	37,368	38,096	(728)	(1.9)
Group Development	2,642	2,603	39	1.5
Group Headquarters & Group Services	17,183	17,430	(247)	(1.4)

The Group's headcount increased by 8.9 percent compared with the end of 2019, mainly due to the integration of Sprint employees. In our Germany operating segment, employees continued to take up socially responsible instruments in connection with staff restructuring, such as dedicated or phased retirement, which resulted in a decrease in the headcount at our Germany operating segment of 2.8 percent against year-end 2019. The number of full-time equivalent employees increased by 49.7 percent at June 30, 2020 compared to December 31, 2019 primarily due to the integration of employees acquired in the Sprint merger. In our Europe operating segment, the headcount was down 5.0 percent compared with the end of the prior year, with staff levels decreasing in Hungary and Greece in particular. The total headcount in our Systems Solutions operating segment was down 1.9 percent against year-end 2019, primarily as a result of efficiency enhancement measures. The headcount in Germany decreased by 2.7 percent and in our national companies by 5.5 percent. Nearshoring and offshoring activities resulted in a 1.6 percent increase in the headcount at our international production sites. In the Group Development operating segment, the 1.5 percent increase in the number of employees can be attributed to the insourcing of external activities to achieve cost savings in the Netherlands. The headcount in the Group Headquarters & Group Services segment was down 1.4 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 €

	June 30, 2020	%	Dec. 31, 2019	%	June 30, 2019
ASSETS					
Trade receivables	12,690	4.7	10,846	6.4	9,898
Intangible assets	126,372	46.8	68,202	40.0	66,266
Property, plant and equipment	62,912	23.3	49,548	29.0	49,119
Right-of-use assets	23,821	8.8	17,998	10.5	17,549
Current and non-current financial assets	9,492	3.5	7,250	4.2	4,918
Deferred tax assets	8,434	3.1	2,704	1.6	3,163
Non-current assets and disposal groups held for sale	1,786	0.7	97	0.1	94
Other assets	24,464	9.1	14,027	8.2	13,207
TOTAL ASSETS	269,971	100.0	170,672	100.0	164,214
LIABILITIES					
Current and non-current financial liabilities	116,610	43.2	66,349	38.9	64,187
Current and non-current lease liabilities	25,806	9.6	19,835	11.6	19,347
Trade and other payables	9,601	3.6	9,431	5.5	9,647
Provisions for pensions and other employee benefits	8,003	3.0	5,831	3.4	6,569
Deferred tax liabilities	18,716	6.9	8,954	5.2	8,935
Liabilities directly associated with non-current assets and disposal groups held for sale	541	0.2	29	0.0	0
Other liabilities	17,192	6.4	14,012	8.2	12,839
Shareholders' equity	73,502	27.2	46,231	27.1	42,690
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	269,971	100.0	170,672	100.0	164,214

Total assets/total liabilities and shareholders' equity amounted to EUR 270.0 billion as of June 30, 2020, up by EUR 99.3 billion against December 31, 2019. This significant increase is mainly due to the change in the composition of the Group in connection with the acquisition of Sprint in the United States operating segment. The acquired and remeasured assets and liabilities of Sprint were included in all items of the statement of financial position upon consummation of the transaction on April 1, 2020.

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

On the assets side, **trade receivables** amounted to EUR 12.7 billion, up by EUR 1.8 billion against the 2019 year-end. EUR 2.7 billion of this increase is attributable to the inclusion of Sprint as of April 1, 2020. Excluding this effect, receivables in the United States operating segment declined, mainly due to effects of the coronavirus pandemic, with the number of new contracts concluded for Equipment Installment Plans falling on account of the temporary store closures. In the Germany operating segment, receivables increased as a result of the contractual termination of a revolving factoring agreement for receivables from consumers and business customers.

The carrying amounts of **intangible assets** and **property, plant and equipment** increased as a result of the business combination of T-Mobile US and Sprint by a total of EUR 73.8 billion to EUR 189.3 billion. This also includes preliminary goodwill arising from the transaction of EUR 8.4 billion. Capital expenditure totaling EUR 9.5 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, also increased the carrying amounts. This also includes, in the United States operating segment, FCC spectrum licenses of EUR 0.9 billion, primarily acquired at a frequency auction that ended in March 2020 and, in the Europe operating segment, spectrum licenses of EUR 0.3 billion acquired at a 5G frequency auction in Hungary that ended in March 2020. Depreciation and amortization reduced the net carrying amounts by EUR 9.0 billion in total. Negative exchange rate effects of EUR 2.0 billion, primarily from the translation of U.S. dollars into euros, reduced the carrying amounts, as did disposals of EUR 0.8 billion. The latter included EUR 0.2 billion in the United States for the derecognition of billing software for postpaid customers, which was still in development. Due to the migration of Sprint contract customers to the T-Mobile US billing software, it was decided that this software was not suitable for the joint customer base and would not be put into operation.

Rights to use lease assets were recognized in the amount of EUR 23.8 billion as of June 30, 2020. In connection with the business combination with Sprint, right-of-use assets of EUR 6.3 billion were recognized.

Current and non-current financial assets increased by EUR 2.2 billion to EUR 9.5 billion. The acquisition of Sprint resulted in an increase of EUR 0.4 billion. Derivatives without a hedging relationship increased by EUR 0.5 billion, mainly in connection with new additions of embedded derivatives and embedded derivatives recognized in connection with the acquisition of Sprint at T-Mobile US. Derivatives with a hedging relationship increased by EUR 1.7 billion, primarily due to the increase in positive fair values from interest rate swaps in fair value hedges. In addition, other financial assets increased by EUR 0.3 billion in connection with grants receivable from funding projects for the broadband build-out in Germany. In connection with cash collateral, in particular in connection with forward-payer swaps concluded for borrowings at T-Mobile US, which were terminated prematurely in April 2020, the carrying amount of other financial assets decreased by EUR 0.6 billion overall.

Non-current assets and disposal groups held for sale increased by EUR 1.7 billion in connection with the agreement concluded with the U.S. satellite TV operator DISH as part of the acquisition of Sprint by T-Mobile US, to sell Sprint's prepaid business to DISH. This transaction resulted from a condition of approval for the business combination with Sprint imposed by the U.S. Department of Justice and was duly concluded as of July 1, 2020.

The increase in **other assets** by EUR 10.4 billion was also mainly due to the first-time inclusion of Sprint. Cash and cash equivalents increased by EUR 9.1 billion to EUR 14.5 billion.

On the liabilities and shareholders' equity side, current and non-current **financial liabilities** increased by EUR 50.3 billion compared with the end of 2019 to a total of EUR 116.6 billion. EUR 39.8 billion of this resulted from the transfer of liabilities from Sprint. Immediately after the transaction, liabilities of the former Sprint totaling USD 9.8 billion (EUR 8.9 billion) were repaid. In the course of the business combination, a number of refinancing measures were implemented in the second quarter of 2020. On April 1, 2020, T-Mobile US raised a new term loan of USD 4 billion (EUR 3.7 billion). Senior secured notes, issued on April 9, 2020 for a total of USD 19 billion (EUR 17.3 billion) were used to repay a briefly utilized bridge loan facility. Furthermore, T-Mobile US issued senior secured notes on June 24, 2020 for a total of USD 4.0 billion (EUR 3.6 billion). In the rest of the Group, bonds in various currencies with a total volume of EUR 1.6 billion when translated into euros were issued in the first half of the year. Bonds, also in various currencies, with a total volume of EUR 5.6 billion when translated into euros, were repaid. A Deutsche Bundespost treasury note (zero-coupon bond) issued in the past with a carrying amount of EUR 1.4 billion fell due on December 31, 2019. Financial liabilities increased by EUR 1.5 billion in connection with collateral received for derivative financial instruments.

Current and non-current **lease liabilities** totaled EUR 25.8 billion as of June 30, 2020. The increase of EUR 6.0 billion was mainly due to the inclusion of Sprint.

Trade and other payables increased by EUR 0.2 billion to EUR 9.6 billion. The inclusion of Sprint increased the carrying amount by EUR 2.9 billion. In operational terms, the United States operating segment recorded a decrease in trade payables compared with December 31, 2019, due in particular to lower liabilities to terminal equipment vendors and declines in liabilities as a result of reduced marketing activities, in part in consequence of the coronavirus pandemic. Liabilities also decreased in the other operating segments.

Provisions for pensions and other employee benefits increased by EUR 2.2 billion compared with December 31, 2019 to EUR 8.0 billion, mainly due to the upheaval on the financial markets in the first half of 2020 and the associated decline in the prices of plan assets as well as the change in the composition of the Group in connection with the acquisition of Sprint.

Liabilities directly associated with non-current assets and disposal groups held for sale increased by EUR 0.5 billion. This increase arose in connection with the agreement concluded and executed as of July 1, 2020 concerning the sale of Sprint's prepaid business to DISH.

Other liabilities increased compared with December 31, 2019, due in particular to higher current and non-current other liabilities, contract liabilities, and other provisions. The inclusion of Sprint increased other liabilities by EUR 0.9 billion. In addition, other liabilities increased by EUR 0.2 billion due to existing build-out obligations in connection with grants receivable from funding projects for the broadband build-out in the Germany operating segment. The carrying amounts of contract liabilities and other provisions also increased in particular as a result of the inclusion of Sprint.

Shareholders' equity increased from EUR 46.2 billion as of December 31, 2019 to EUR 73.5 billion. The business combination of T-Mobile US and Sprint consummated on April 1, 2020 resulted in an increase in shareholders' equity of EUR 30.7 billion as of the date of first-time consolidation. Profit of EUR 2.4 billion and capital increases from share-based payments of EUR 0.2 billion also increased the carrying amount. Shareholders' equity was reduced in connection with dividend payments for the 2019 financial year to Deutsche Telekom AG shareholders in the amount of EUR 2.8 billion and to other shareholders of subsidiaries in the amount of EUR 0.2 billion. Other comprehensive income also reduced shareholders' equity by EUR 3.0 billion. The main factors in this negative other comprehensive income were the remeasurement of defined benefit plans, currency translation effects recognized directly in equity, and losses from hedging instruments, mainly from forward-payer swaps concluded for borrowings at T-Mobile US, which were terminated prematurely in April 2020 and for which the cumulative changes in value must be reversed over the terms of the loans. By contrast, income taxes relating to components of other comprehensive income had a positive impact on other comprehensive income.

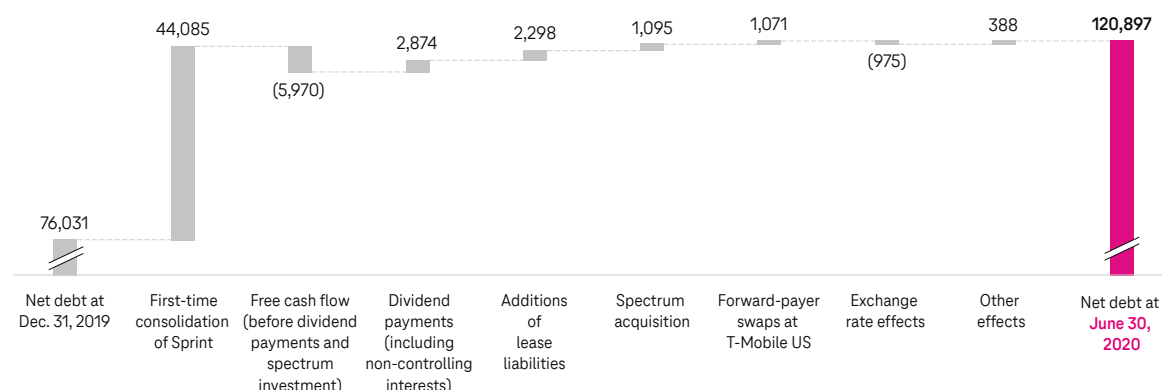
For further information on the statement of financial position, please refer to the section "Selected notes to the consolidated statement of financial position" in the interim consolidated financial statements.

Calculation of net debt

millions of €					
	June 30, 2020	Dec. 31, 2019	Change	Change %	June 30, 2019
Financial liabilities (current)	13,567	11,463	2,104	18.4	13,582
Financial liabilities (non-current)	103,043	54,886	48,157	87.7	50,605
Lease liabilities	25,806	19,835	5,971	30.1	19,347
FINANCIAL LIABILITIES AND LEASE LIABILITIES	142,416	86,184	56,232	65.2	83,534
Accrued interest	(1,097)	(748)	(349)	(46.7)	(717)
Other	(852)	(739)	(113)	(15.3)	(924)
GROSS DEBT	140,467	84,697	55,770	65.8	81,893
Cash and cash equivalents	14,537	5,393	9,144	n.a.	3,894
Derivative financial assets	4,598	2,333	2,265	97.1	2,031
Other financial assets	435	940	(505)	(53.7)	259
NET DEBT	120,897	76,031	44,866	59.0	75,709

Changes in net debt

millions of €



Other effects of EUR 0.4 billion included effects from the measurement of embedded derivatives at T-Mobile US and a large number of smaller effects.

Calculation of free cash flow AL

millions of €

	Q1 2020	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %	FY 2019
NET CASH FROM OPERATING ACTIVITIES	3,960	5,148	5,598	(8.0)	9,107	11,607	(21.5)	23,074
Interest payments for zero-coupon bonds	1,600	0	0	n.a.	1,600	0	n.a.	0
Repayment of forward-payer swaps at T-Mobile US	0	2,158	0	n.a.	2,158	0	n.a.	0
NET CASH FROM OPERATING ACTIVITIES^{a,b}	5,560	7,306	5,598	30.5	12,865	11,607	10.8	23,074
Cash capex	(3,570)	(4,547)	(4,199)	(8.3)	(8,117)	(8,027)	(1.1)	(14,357)
Spectrum investment	217	878	875	0.3	1,095	1,020	7.4	1,239
CASH CAPEX (BEFORE SPECTRUM INVESTMENT)	(3,353)	(3,669)	(3,324)	(10.4)	(7,022)	(7,006)	(0.2)	(13,118)
Proceeds from the disposal of intangible assets (excluding goodwill) and property, plant and equipment	87	41	38	7.9	128	82	56.1	176
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)^{a,b}	2,294	3,677	2,312	59.0	5,970	4,682	27.5	10,133
Principal portion of repayment of lease liabilities ^c	(1,007)	(1,251)	(766)	(63.3)	(2,258)	(1,580)	(42.9)	(3,120)
FREE CASH FLOW AL (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)^{a,b}	1,287	2,425	1,546	56.9	3,712	3,103	19.6	7,013

^a Before interest payments for zero-coupon bonds.

^b Before repayment of forward-payer swaps at T-Mobile US.

^c Excluding finance leases at T-Mobile US.

Free cash flow AL (before dividend payments and spectrum investment) increased by EUR 0.6 billion year-on-year to EUR 3.7 billion. The following effects impacted on this development:

Excluding interest payments for zero-coupon bonds and the premature repayment of forward-payer swaps concluded for borrowings at T-Mobile US, **net cash from operating activities** increased by EUR 1.3 billion. In particular, the continuing strong performance of the operating segments, especially the United States, which now includes Sprint, had an increasing effect on net cash from operating activities. Higher (net) interest payments, which were up by EUR 0.8 billion in total, mainly as a result of the financial liabilities recognized in connection with the acquisition of Sprint and the restructuring begun in connection with this acquisition and related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility, had a negative effect. Income tax payments decreased by EUR 0.3 billion compared with the prior-year period. Factoring agreements of EUR 0.5 billion had a negative impact on net cash from operating activities in the first half of 2020, mainly as a result of the contractual termination of a revolving factoring agreement in the Germany operating segment. In the prior-year period, factoring agreements had had a positive effect of EUR 0.3 billion.

Cash capex (before spectrum investments) was at the same level as in 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 increased as a result of the inclusion of Sprint and the continued build-out of the 5G network.

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

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

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

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

GERMANY

CUSTOMER DEVELOPMENT

thousands

	June 30, 2020	Mar. 31, 2020	Change June 30, 2020/ Mar. 31, 2020 %	Dec. 31, 2019	Change June 30, 2020/ Dec. 31, 2019 %	June 30, 2019	Change June 30, 2020/ June 30, 2019 %
Mobile customers	47,395	46,960	0.9	46,189	2.6	44,827	5.7
Contract customers	25,505	25,475	0.1	25,291	0.8	24,974	2.1
Prepaid customers	21,889	21,485	1.9	20,898	4.7	19,853	10.3
Fixed-network lines	17,649	17,711	(0.4)	17,824	(1.0)	18,228	(3.2)
Of which: retail IP-based	17,509	17,510	0.0	17,479	0.2	16,614	5.4
Retail broadband lines	13,900	13,813	0.6	13,730	1.2	13,636	1.9
Of which: optical fiber	9,012	8,787	2.6	8,529	5.7	7,913	13.9
Television (IPTV, satellite)	3,724	3,678	1.3	3,618	2.9	3,477	7.1
Unbundled local loop lines (ULLs)	4,361	4,505	(3.2)	4,638	(6.0)	4,913	(11.2)
Wholesale broadband lines	7,552	7,445	1.4	7,372	2.4	7,126	6.0
Of which: optical fiber	6,155	5,994	2.7	5,863	5.0	5,503	11.8

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 4.8 million subscribers at the end of the first half of 2020.

We continued to see strong demand for our fiber-optic-based lines. As of the end of June 2020, the total number of lines had increased to around 15.2 million. In other words, we connected a further 775 thousand lines to our fiber-optic network in Germany in the first six months of 2020. With the progress made in fiber-optic rollout and vectoring technology, we also successfully drove forward the marketing of higher bandwidths.

Mobile communications

We won a further 1.2 million mobile customers in the first six months of 2020. Of these, a total of 251 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) decreased slightly, primarily due to the volatile developments at some of our service providers. We have added 991 thousand prepaid customers since the start of the year, largely on the back of our automotive offerings targeted specifically at business customers.

The StreamOn option, with which customers can stream certain music, gaming, or video services without reducing their included data allowance, remains extremely popular. At the end of the first half of 2020, 3.5 million customers were using this option, up by 54 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 number of broadband lines increased by 170 thousand compared with year-end 2019, while the number of TV customers increased by 106 thousand in the first six months of 2020. In traditional fixed-network business, the number of lines declined by 175 thousand. This marked a sharp drop in line losses compared with the prior-year period, which had been affected in particular by the migration of consumers to IP.

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 June 2020, fiber-optic-based lines accounted for 51.7 percent of all lines – 2.8 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 277 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 half of 2020 was around 11.9 million.

DEVELOPMENT OF OPERATIONS

millions of €								
	Q1 2020	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %	FY 2019
TOTAL REVENUE	5,405	5,446	5,388	1.1	10,852	10,745	1.0	21,886
Consumers	2,873	2,901	2,861	1.4	5,775	5,695	1.4	11,621
Business Customers	1,522	1,517	1,514	0.2	3,039	3,024	0.5	6,181
Wholesale	937	952	927	2.7	1,889	1,858	1.7	3,739
Other	73	76	86	(11.6)	149	168	(11.3)	345
Profit from operations (EBIT)	903	1,024	892	14.8	1,927	1,754	9.9	4,063
EBIT margin %	16.7	18.8	16.6		17.8	16.3		18.6
Depreciation, amortization and impairment losses	(1,071)	(1,082)	(1,144)	5.4	(2,153)	(2,227)	3.3	(4,256)
EBITDA	1,974	2,106	2,036	3.4	4,080	3,981	2.5	8,319
EBITDA AL	1,968	2,100	2,028	3.6	4,068	3,968	2.5	8,295
Special factors affecting EBITDA	(196)	(118)	(125)	5.6	(314)	(293)	(7.2)	(425)
EBITDA (adjusted for special factors)	2,170	2,224	2,161	2.9	4,394	4,274	2.8	8,744
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)	2,164	2,218	2,153	3.0	4,382	4,261	2.8	8,720
EBITDA AL margin (adjusted for special factors) %	40.0	40.7	40.0		40.4	39.7		39.8
CASH CAPEX	(1,036)	(898)	(1,069)	16.0	(1,934)	(2,284)	15.3	(4,349)

Total revenue

In the first six months of 2020, we generated total revenue of EUR 10.9 billion, which was up by 1.0 percent year-on-year. This increase was mainly due to the positive trend in our fixed-network business on the back of growth in broadband revenues of 5.1 percent, as well as to stable mobile revenues. Overall, the coronavirus pandemic was the main factor affecting revenue in the second quarter of 2020 (e.g., as a result of travel restrictions, temporary shop closures, the large-scale transition to working from home, and the cancellation of events). These effects had a negative impact on roaming and visitor revenues, as well as on terminal equipment revenue. By contrast, variable revenue components developed positively. The growth in fixed-network business was sufficient to offset the overall decline in revenues.

Revenue from **Consumers** grew by 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 by 4.1 percent. Mobile business grew by just 0.3 percent, largely due to the negative development in roaming and visitor revenues as a consequence of the coronavirus pandemic.

Revenue from **Business Customers** increased by 0.5 percent. IT revenues increased by 7.9 percent and mobile revenues by 0.4 percent compared with the prior-year period. Business customer operations were also affected by the aforementioned negative impact of the coronavirus crisis, particularly in mobile business. While volume losses – primarily from the migration of fixed-network lines to IP – continued to drive declines in traditional voice telephony, this effect was softened to some extent by lower losses from call charges.

Wholesale revenue was up in the first half of 2020 by 1.7 percent year-on-year, primarily due to the sustained positive revenue contributions from our contingent model. The coronavirus crisis drove a year-on-year increase in voice revenues from call minutes. This more than offset the general decline in revenues from declining volumes of unbundled local loop lines.

EBITDA AL, adjusted EBITDA AL

In the first half of 2020, we increased EBITDA AL by around EUR 100 million or 2.5 percent to around EUR 4.1 billion compared with the prior-year period. 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 121 million or 2.8 percent year-on-year to EUR 4.4 billion. Our adjusted EBITDA AL margin increased to 40.4 percent, up from 39.7 percent in the prior-year period.

EBIT

Profit from operations was up 9.9 percent year-on-year to EUR 1.9 billion, partly as a result of the higher EBITDA level together with lower depreciation, amortization and impairment losses year-on-year, mainly on account of lower depreciation of property, plant and equipment.

Cash capex

Cash capex decreased by 15.3 percent year-on-year, mainly as a result of the changed accounting treatment of grants receivable from funding projects for the broadband build-out as of the start of the third quarter of 2019. As part of our integrated network strategy, we continue to invest in the broadband and fiber-optic rollout, and in our mobile infrastructure. The number of households connected by pure fiber-optic lines (FTTH/FTTB) increased by over 104 thousand in the second quarter of 2020 and now stands at 1.8 million. These lines enable speeds of up to one gigabit per second.

UNITED STATES

CUSTOMER DEVELOPMENT

thousands

	June 30, 2020	Apr. 1, 2020	Adjustment of customer definition	Sprint additions	Mar. 31, 2020	Change June 30, 2020/ Mar. 31, 2020 %	Dec. 31, 2019	Change June 30, 2020/ Dec. 31, 2019 %	June 30, 2019	Change June 30, 2020/ June 30, 2019 %
Branded customers ^a	107,720	106,290	(4,853)	42,600	68,543	57.2	67,895	58.7	65,983	63.3
Branded postpaid ^b	77,753	76,641	(5,514)	34,344	47,811	62.6	47,034	65.3	44,646	74.2
Branded prepaid ^{b,c,d}	29,967	29,649	662	8,256	20,732	44.5	20,860	43.7	21,337	40.4

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

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

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

^d On July 18, 2019, we entered into an agreement whereby certain T-Mobile US 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 June 30, 2020, the United States operating segment (T-Mobile US) had 107.7 million customers, compared to 67.9 million customers at December 31, 2019, primarily due to customers acquired in the Sprint Merger. Net customer additions were 2.1 million for the first half of 2020, compared to 2.3 million net customer additions for the first half of 2019, due to the factors described below.

Postpaid net customer additions were 1.9 million for the first half of 2020, compared to 2.1 million postpaid net customer additions for the first half of 2019. The decrease resulted from lower postpaid phone net customer additions primarily due to lower switching activity in the industry from social distancing rules and temporary retail store closures due to the coronavirus pandemic and an increase in churn from the inclusion of the customer base acquired in the Sprint Merger; partially offset by higher postpaid other net customer additions primarily due to higher gross additions from connected devices primarily due to educational institution additions and lower churn.

Prepaid net customer additions were 190 thousand for the first half of 2020, compared to 200 thousand prepaid net customer additions for the first half of 2019. The decrease for the retained prepaid customer additions (excluding Sprint prepaid business sold on July 1, 2020 to DISH) was primarily due to lower switching activity in the industry from social distancing rules and temporary retail store closures due to the coronavirus pandemic, partially offset by lower churn and promotional activity in the marketplace.

DEVELOPMENT OF OPERATIONS

millions of €								
	Q1 2020	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %	FY 2019
TOTAL REVENUE	10,157	17,297	9,826	76.0	27,455	19,623	39.9	40,420
Profit from operations (EBIT)	1,509	1,959	1,465	33.7	3,468	2,840	22.1	5,488
EBIT margin	% 14.9	11.3	14.9		12.6	14.5		13.6
Depreciation, amortization and impairment losses	(2,084)	(4,589)	(1,870)	n.a.	(6,673)	(3,704)	(80.2)	(7,777)
EBITDA	3,593	6,548	3,334	96.4	10,141	6,545	54.9	13,265
EBITDA AL	2,886	5,412	2,672	n.a.	8,298	5,252	58.0	10,590
Special factors affecting EBITDA	(274)	(892)	(200)	n.a.	(1,166)	(299)	n.a.	(544)
EBITDA (adjusted for special factors)	3,867	7,441	3,534	n.a.	11,307	6,843	65.2	13,809
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)	3,160	6,304	2,872	n.a.	9,464	5,551	70.5	11,134
EBITDA AL margin (adjusted for special factors)	% 31.1	36.4	29.2		34.5	28.3		27.5
CASH CAPEX	(1,708)	(2,679)	(2,272)	(17.9)	(4,387)	(3,985)	(10.1)	(6,369)

Total revenue

Total revenue for the United States operating segment of EUR 27.5 billion in the first half of 2020, increased by 39.9 percent, compared to EUR 19.6 billion in the first half of 2019. In U.S. dollars, T-Mobile US' total revenues increased by 36.4 percent year-over-year primarily due to increased service revenues driven by customers acquired in the Sprint Merger, the growing success of new customer segments and rate plans as well as continued growth in existing and Greenfield markets and higher postpaid phone Average Revenue per User (ARPU). The increase in total revenues was also driven by increased equipment revenues due to a higher number of customer devices under lease, primarily from leases acquired in the Sprint Merger as well as higher roaming and other service revenues primarily from the inclusion of wireline operations acquired in the Sprint Merger.

EBITDA AL, adjusted EBITDA AL

In euros, adjusted EBITDA AL increased by 70.5 percent to EUR 9.5 billion in the first half of 2020, compared to EUR 5.6 billion in the first half of 2019. Adjusted EBITDA AL margin increased to 34.5 percent in the first half of 2020, compared to 28.3 percent in the first half of 2019. In U.S. dollars, adjusted EBITDA AL increased by 66.3 percent during the same period. Adjusted EBITDA AL increased due primarily to higher service revenues and equipment revenues as further discussed above. These increases were partially offset by higher employee-related and benefit-related costs primarily due to increased headcount as a result of the Sprint Merger, an increase in expenses associated with leases backhaul agreements and tower expenses acquired in the Sprint Merger and the continued build out of our 5G network, higher costs related to the liquidation of returned devices as a result of the Sprint Merger, an increase in leased device costs of equipment sales, primarily due to an increase purchased leased devices as a result of the Sprint Merger, higher commission expense primarily due to an increase in our retail workforce from the Sprint Merger, higher legal-related expenses for risk provisioning and commitments associated with the Sprint Merger, higher bad debt expense primarily due to customers acquired as a result of the Sprint Merger and incremental bad debt for the estimated macro-economic impacts of the coronavirus pandemic, an increase in repair and maintenance costs, primarily due to the Sprint Merger and costs associated with wireline operations acquired in the Sprint Merger. The impact from commission costs capitalization and amortization, including a benefit from new costs capitalized as result of the Sprint Merger, reduced adjusted EBITDA AL by USD 87 million in the first half of 2020 compared to the first half of 2019.

EBITDA AL for the first half of 2020, included special factors of EUR -1.2 billion compared to special factors of EUR -0.3 billion for the first half of 2019. The change in special factors was primarily due to an increase of EUR 0.5 billion in Merger-related costs, EUR 0.4 billion in third-party commissions and cleaning expenses associated with the coronavirus pandemic, and EUR 0.2 billion from the derecognition of a postpaid billing system; partially offset by the EUR 0.3 billion transaction fee received from SoftBank. Overall, EBITDA AL increased by 58.0 percent to EUR 8.3 billion in the first half of 2020, compared to EUR 5.3 billion in the first half of 2019, due to the factors described above, including special factors.

EBIT

EBIT increased to EUR 3.5 billion in the first half of 2020, compared to EUR 2.8 billion in the first half of 2019. In U.S. dollars, EBIT increased by 18.9 percent during the same period primarily driven by higher EBITDA AL. In U.S. dollars, depreciation and amortization increased by 75.7 percent primarily driven by higher depreciation expense from assets acquired in the Sprint Merger, excluding leased devices, and network expansion from the continued build-out of our nationwide 5G network, higher depreciation expense on leased devices resulting from a higher total number of customer devices under lease, primarily from customers acquired in the Sprint Merger, and higher amortization from intangible assets acquired in the Sprint Merger.

Cash capex

Cash capex increased to EUR 4.4 billion in the first half of 2020, compared to EUR 4.0 billion in the first half of 2019. In U.S. dollars, cash capex increased by 7.2 percent primarily driven by network integration related to the Sprint Merger and the continued build-out of our nationwide 5G network.

EUROPE

CUSTOMER DEVELOPMENT

thousands

		June 30, 2020	Mar. 31, 2020	Change June 30, 2020/ Mar. 31, 2020 %	Dec. 31, 2019	Change June 30, 2020/ Dec. 31, 2019 %	June 30, 2019	Change June 30, 2020/ June 30, 2019 %
EUROPE, TOTAL	Mobile customers	45,665	45,916	(0.5)	46,165	(1.1)	46,469	(1.7)
	Contract customers ^a	26,528	26,354	0.7	26,245	1.1	25,778	2.9
	Prepaid customers ^a	19,137	19,562	(2.2)	19,920	(3.9)	20,691	(7.5)
	Fixed-network lines ^b	9,040	9,096	(0.6)	9,105	(0.7)	9,057	(0.2)
	Of which: IP-based ^b	8,322	8,347	(0.3)	8,311	0.1	8,031	3.6
	Broadband customers	6,806	6,737	1.0	6,672	2.0	6,540	4.1
	Television (IPTV, satellite, cable)	4,960	4,940	0.4	4,945	0.3	4,910	1.0
	Unbundled local loop lines (ULLs)/wholesale PSTN	2,265	2,301	(1.6)	2,294	(1.3)	2,268	(0.1)
	Wholesale broadband lines ^c	602	557	8.1	533	12.9	488	23.4
GREECE	Mobile customers	7,172	7,311	(1.9)	7,365	(2.6)	7,605	(5.7)
	Fixed-network lines	2,575	2,637	(2.4)	2,638	(2.4)	2,607	(1.2)
	Broadband customers	2,112	2,065	2.3	2,033	3.9	1,972	7.1
ROMANIA	Mobile customers	4,709	4,777	(1.4)	4,916	(4.2)	5,258	(10.4)
	Fixed-network lines	1,487	1,504	(1.1)	1,560	(4.7)	1,648	(9.8)
	Broadband customers	959	978	(1.9)	1,014	(5.4)	1,055	(9.1)
HUNGARY	Mobile customers	5,398	5,378	0.4	5,369	0.5	5,332	1.2
	Fixed-network lines	1,722	1,718	0.2	1,703	1.1	1,680	2.5
	Broadband customers	1,271	1,256	1.2	1,231	3.2	1,189	6.9
POLAND	Mobile customers	11,021	10,982	0.4	10,954	0.6	10,869	1.4
	Fixed-network lines	29	26	11.5	18	61.1	19	52.6
	Broadband customers	24	18	33.3	18	33.3	10	n.a.
CZECH REPUBLIC	Mobile customers	6,239	6,267	(0.4)	6,265	(0.4)	6,224	0.2
	Fixed-network lines ^b	583	568	2.6	533	9.4	454	28.4
	Broadband customers	356	350	1.7	320	11.3	290	22.8
CROATIA	Mobile customers	2,232	2,248	(0.7)	2,274	(1.8)	2,286	(2.4)
	Fixed-network lines	893	897	(0.4)	908	(1.7)	916	(2.5)
	Broadband customers	622	620	0.3	621	0.2	619	0.5
SLOVAKIA	Mobile customers	2,399	2,409	(0.4)	2,428	(1.2)	2,402	(0.1)
	Fixed-network lines	861	859	0.2	860	0.1	854	0.8
	Broadband customers	591	583	1.4	576	2.6	557	6.1
AUSTRIA	Mobile customers	4,990	4,998	(0.2)	5,019	(0.6)	4,938	1.1
	Fixed-network lines	556	553	0.5	549	1.3	546	1.8
	Broadband customers	620	617	0.5	612	1.3	606	2.3
OTHER ^d	Mobile customers	1,505	1,545	(2.6)	1,576	(4.5)	1,555	(3.2)
	Fixed-network lines	333	334	(0.3)	335	(0.6)	332	0.3
	Broadband customers	252	250	0.8	249	1.2	241	4.6

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

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

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

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

Total

At the start of the second quarter of 2020, all markets in our Europe segment were affected by the travel restrictions and temporary shop closures imposed in response to the coronavirus pandemic. By making greater use of digitalized services, such as our service app and service center services, in customer acquisition and retention, we managed to shore up sales and service and thereby largely offset the negative effects of the coronavirus pandemic through our convergent products and our network infrastructure. Our MagentaOne convergent product portfolio in particular enjoyed high popularity, generating double-digit growth in FMC customers of 10.4 percent. We are continuously building out our fixed-network infrastructure with state-of-the-art fiber-optic-based lines (FTTH, FTTB, and FTTC), with the national companies in Greece, Hungary, and Slovakia seeing the greatest rollout progress in the first half of 2020. We increased our broadband customer base by 2.0 percent in total since the start of the year.

In mobile business, we recorded growth in 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. Poland was the third national company to launch 5G commercially, also in the second quarter of 2020. The plan is to add more 5G networks following the anticipated spectrum auctions in various countries in 2020.

Mobile communications

In the Europe operating segment, we had 45.7 million mobile customers in the first half of 2020, a slight decline of 1.1 percent compared with the end of 2019. The number of high-value contract customers rose slightly by 1.1 percent (and compared with the first half of the prior year by as much as 2.9 percent). The contract customer bases increased in most of our national companies, with particularly strong growth recorded in Romania, Poland, Austria, Hungary, and Greece. Overall, contract customers account for 58.1 percent of the total customer base. 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 June 30, 2020, we covered 97.3 percent of the population in the countries of our operating segment with LTE, reaching around 107 million people in total.

By contrast, the prepaid customer base declined, in line with expectations. 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

Broadband business continued to grow despite the coronavirus pandemic, with the customer base increasing by 2.0 percent compared with the end of the prior year to a total of 6.8 million (compared with the prior-year quarter, it grew by as much as 4.1 percent). In particular, the customer bases of our national companies in Greece, Hungary, and the Czech Republic grew significantly. By continuing to invest heavily in innovative fiber-optic-based technologies, we are systematically building out our fixed-network infrastructure. Thus, we increased household coverage with optical fiber at our four largest national companies to 3.5 million households as of June 30, 2020. The number of IP-based lines increased to account for 92.1 percent of all fixed-network lines by the end of June 2020. The total number of fixed-network lines in our Europe operating segment was on a par with the prior-year level at 9.0 million.

The TV and entertainment business remained stable against the prior-year level as of June 30, 2020 at 5.0 million customers in total. With both telecommunications providers and OTT players offering TV services, the TV market is already saturated in many countries of our segment.

FMC – fixed-mobile convergence

Our portfolio of convergent products, MagentaOne, was highly popular with consumers across all of our national companies. At the end of the first half of 2020, we had 5.3 million FMC customers; this corresponds to growth of 10.4 percent compared with the end of the prior year. Our national companies in Greece, Hungary, Romania, and Austria in particular contributed to this double-digit growth. We have also seen accelerated growth in the marketing of our MagentaOne Business product to business customers.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2020	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %	FY 2019
TOTAL REVENUE	2,903	2,843	2,978	(4.5)	5,746	5,869	(2.1)	12,168
Greece	707	692	720	(3.9)	1,399	1,417	(1.3)	2,943
Romania	237	229	231	(0.9)	466	448	4.0	980
Hungary	427	405	455	(11.0)	832	914	(9.0)	1,872
Poland	360	359	366	(1.9)	719	713	0.8	1,486
Czech Republic	266	255	265	(3.8)	521	522	(0.2)	1,088
Croatia	214	215	239	(10.0)	428	459	(6.8)	960
Slovakia	186	186	190	(2.1)	372	375	(0.8)	785
Austria	313	317	315	0.6	630	621	1.4	1,276
Other ^a	235	227	244	(7.0)	461	488	(5.5)	975
Profit from operations (EBIT)	372	387	357	8.4	758	696	8.9	1,182
EBIT margin %	12.8	13.6	12.0		13.2	11.9		9.7
Depreciation, amortization and impairment losses	(662)	(646)	(681)	5.1	(1,308)	(1,377)	5.0	(3,131)
EBITDA	1,034	1,033	1,038	(0.5)	2,067	2,072	(0.2)	4,313
EBITDA AL	924	927	930	(0.3)	1,851	1,851	0.0	3,858
Special factors affecting EBITDA	(39)	(51)	(62)	17.7	(90)	(86)	(4.7)	(146)
EBITDA (adjusted for special factors)	1,073	1,084	1,099	(1.4)	2,157	2,158	0.0	4,460
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)	963	978	991	(1.3)	1,941	1,937	0.2	4,005
Greece	288	285	290	(1.7)	573	573	0.0	1,212
Romania	34	36	29	24.1	70	55	27.3	141
Hungary	114	125	139	(10.1)	238	260	(8.5)	551
Poland	96	97	100	(3.0)	192	192	0.0	383
Czech Republic	110	105	114	(7.9)	214	221	(3.2)	448
Croatia	76	82	91	(9.9)	159	174	(8.6)	360
Slovakia	79	80	79	1.3	159	162	(1.9)	327
Austria	123	124	114	8.8	247	233	6.0	467
Other ^a	44	45	35	28.6	89	67	32.8	114
EBITDA AL margin (adjusted for special factors) %	33.2	34.4	33.3		33.8	33.0		32.9
CASH CAPEX	(438)	(567)	(469)	(20.9)	(1,005)	(915)	(9.8)	(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 5.7 billion in the first half of 2020, a decrease of 2.1 percent compared to the prior year. In organic terms, i.e., assuming constant exchange rates and adjusted for the sale of Telekom Albania as of May 7, 2019, revenue remained on a par with the prior-year level, despite the deterioration in economic conditions due to the coronavirus pandemic.

The fixed-network business in particular proved to be a solid business area: For example, we recorded an increase in organic revenue from broadband business in part as a result of the ongoing build-out of our networks. In many places, we have already been rated the telecommunications company with the best network (e.g., Connect readers' choice 2020). Thanks to the wide range of services we offer, the TV business also recorded slight growth rates. Both the systems solutions business and the wholesale business increased compared with the prior year, driven in part by higher revenue in Romania. In mobile business, many consumers cut their spending in view of the threat of short-time work or even redundancies – with a potential impact on demand for higher-priced contracts and high-value handsets. We recorded a slight organic decline in revenue compared with the prior year. This was primarily driven by declines in low-margin terminal equipment business and roaming revenues as a result of the travel restrictions that had been imposed. These negative effects have been partially offset by increases in higher-margin service revenues (excluding roaming).

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

Revenue from **Consumers** declined by 2.0 percent compared with the prior-year period. Lower revenue from mobile terminal equipment business and from roaming was only partially offset by gains in higher-margin service revenues (excluding roaming). In the fixed network, revenue from broadband/TV business increased thanks to our innovative TV and entertainment offerings as well as the continuous rollout of fiber-optic technology. This offset the decline in revenue from voice telephony. In addition, a higher number of FMC customers had a positive impact on revenue.

Revenue from **Business Customers** decreased by 2.0 percent in the first half of 2020 compared with the previous year. The mobile business in particular fell short of the prior-year level on account of the coronavirus pandemic. These effects were largely down to the loss of roaming revenues as well as significantly lower voice and data traffic from SIM cards in industries that have been particularly affected, such as tourism. By contrast, our cloud business recorded a positive trend: there was strong demand for collaboration tools such as Cisco Webex and Microsoft Teams compared with the prior-year period.

EBITDA AL, adjusted EBITDA AL

Our Europe operating segment generated adjusted EBITDA AL of EUR 1.9 billion in the first half of 2020, which was on a par with the prior-year level. In organic terms, i.e., assuming constant exchange rates and adjusted for the sale of Telekom Albania, adjusted EBITDA AL increased by 2.2 percent, thus continuing the positive earnings trend. Savings in indirect costs, primarily due to lower personnel, marketing, and travel costs, contributed to this development.

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

Our EBITDA AL remained stable compared with the prior-year period at EUR 1.9 billion. Special factors were at around the same level as in the prior year. In organic terms, EBITDA AL grew by 1.8 percent.

Development of operations in selected countries

Greece. In Greece, revenue decreased in the first half of 2020, coming in at EUR 1.4 billion or 1.3 percent lower than in the prior-year period. In mobile business in particular, service revenues declined due mainly to the developments in roaming. Mobile terminal equipment sales decreased year-on-year. Higher customer numbers from business with the convergent product portfolio partially offset these negative effects. In the fixed-network business, revenues continued to increase slightly: the broadband business posted particularly strong growth as a result of the ongoing rollout of fiber-optic lines and vectoring. The systems solutions business also recorded strong growth, while the wholesale business remained more or less at the prior-year level.

In the first half of 2020, adjusted EBITDA AL in Greece was stable at the prior-year level of EUR 573 million: the decline in revenue was offset in full by lower direct and indirect costs.

Hungary. In the first half of 2020, revenue in Hungary stood at EUR 832 million, down by 9.0 percent year-on-year, largely driven by negative exchange rate effects. In organic terms, revenues decreased by 1.8 percent, 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. By contrast, revenue in the broadband/TV business continued to grow, due among other things to a larger customer base. In organic terms, the mobile business also recorded year-on-year growth in both mobile terminal equipment sales and in service revenues, driven in part by a larger base of high-value contract customers and in part by volume-based revenue growth in mobile voice telephony. Our MagentaOne convergence products also continued to perform well, with substantial customer additions and corresponding revenue.

Adjusted EBITDA AL stood at EUR 238 million, down 8.5 percent year-on-year. In organic terms, adjusted EBITDA AL declined slightly by 0.9 percent. Savings, particularly in indirect costs, primarily due to lower personnel costs, partially offset the decline in revenue.

Poland. In Poland, revenue stood at EUR 719 million as of June 30, 2020, up slightly by 0.8 percent year-on-year. In organic terms, revenue increased significantly by 3.7 percent. This growth is attributable to both higher mobile and fixed-network revenue. Declines in revenue from mobile terminal equipment were offset by increases in service revenues driven in particular by volume-based growth in revenue from voice telephony. Growth in the fixed network resulted mainly from the positive trend in the systems solutions business. By contrast, wholesale business recorded a slight decline.

Adjusted EBITDA AL came in at EUR 192 million, on a par with the prior-year level. In organic terms, adjusted EBITDA AL increased by 3.0 percent on the back of a higher net margin.

Czech Republic. In the first half of 2020, revenue in the Czech Republic stood at EUR 521 million; thus it remained stable at the prior-year level. In organic terms, revenue increased by 2.2 percent. The fixed-network business was a strong driver of growth, particularly recording year-on-year increases in broadband and TV business in the first half of 2020. The continuous investments in new fiber-optic networks paid off, as can be seen in the higher number of customers. Revenue from mobile business declined slightly on account of low-margin terminal equipment revenue. This effect was partially offset by higher-margin service revenues (excluding roaming). Our MagentaOne and MagentaOne Business convergence products also continued to perform very well, with rising customer numbers and corresponding revenue.

Adjusted EBITDA AL decreased by 3.2 percent year-on-year to EUR 214 million. In organic terms, earnings remained almost unchanged against the previous year: the positive organic revenue contribution was partially offset by moderate increases in direct and indirect costs.

Austria. Revenue in Austria totaled EUR 630 million as of June 30, 2020, an increase of 1.4 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. Business with mobile terminal equipment also contributed to the growth in revenue. Since the launch of the Magenta brand, we now also offer convergent products in addition to mobile broadband internet services. The success of our convergence products among customers can also be seen in the development of fixed-network operations: the broadband business in particular generated positive growth rates, among other things as a result of a larger customer base.

Adjusted EBITDA AL increased by 6.0 percent year-on-year to EUR 247 million. In addition to the positive revenue effects, savings in indirect costs also contributed to this growth.

EBIT

EBIT in our Europe operating segment increased by 8.9 percent in the first half of 2020 to EUR 758 million as a result of decreases in depreciation and amortization.

Cash capex

As of June 30, 2020, our Europe operating segment reported cash capex of EUR 1.0 billion, up 9.8 percent year-on-year. This increase is mainly due to a rise in cash outflows for the acquisition of spectrum licenses in Hungary. Moreover, 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 €					
	H1 2020	Q1 2020	2019	H1 2019	Change H1 2020/ H1 2019 %
ORDER ENTRY	2,826	1,393	7,329	3,494	(19.1)

Development of business

The first half of 2020 was dominated by efforts to 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 the Group's strategy pillar "Lead in business productivity," on July 1, 2020, we also combined our B2B telecommunications operations and the Classified ICT unit within our Germany operating segment.

Furthermore, the effects of the coronavirus pandemic on the global economy impact on the financial position of our business customers. In some cases, this led to delays in current projects and the postponement of deal closures, especially in the areas of traditional IT and digital solutions. As a result, order entry in our Systems Solutions operating segment decreased year-on-year by 19.1 percent in the first half of 2020, which was also below our expectations.

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2020	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %	FY 2019
TOTAL REVENUE	1,628	1,616	1,673	(3.4)	3,244	3,304	(1.8)	6,805
Of which: external revenue	1,290	1,267	1,321	(4.1)	2,557	2,599	(1.6)	5,380
Loss from operations (EBIT)	(36)	(54)	(126)	57.1	(90)	(175)	48.6	(218)
Special factors affecting EBIT	(49)	(65)	(157)	58.6	(114)	(203)	43.8	(358)
EBIT (adjusted for special factors)	13	11	31	(64.5)	23	28	(17.9)	140
EBIT margin (adjusted for special factors)	% 0.8	0.7	1.9		0.7	0.8		2.1
Depreciation, amortization and impairment losses	(121)	(121)	(155)	21.9	(242)	(283)	14.5	(532)
EBITDA	84	67	29	n.a.	151	108	39.8	314
EBITDA AL	51	34	(3)	n.a.	85	43	97.7	188
Special factors affecting EBITDA	(49)	(65)	(130)	50.0	(114)	(176)	35.2	(331)
EBITDA (adjusted for special factors)	133	132	158	(16.5)	265	284	(6.7)	645
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)	100	98	127	(22.8)	199	219	(9.1)	519
EBITDA AL margin (adjusted for special factors)	% 6.1	6.1	7.6		6.1	6.6		7.6
CASH CAPEX	(35)	(66)	(73)	9.6	(101)	(167)	39.5	(384)

Total revenue

Total revenue in our Systems Solutions operating segment in the first six months of 2020 decreased slightly year-on-year to EUR 3.2 billion, reflecting the decline of the IT market in Western Europe driven by the coronavirus pandemic. The upward revenue trend in our growth areas public cloud and security was not sufficient to fully offset the declines in traditional IT and project business. The development of our growth area digital solutions was particularly affected by the impact of the coronavirus pandemic on the automotive industry.

EBITDA AL, adjusted EBITDA AL

In the first half of 2020, adjusted EBITDA AL at our Systems Solutions operating segment decreased by EUR 20 million year-on-year to EUR 199 million, driven mainly by the decrease in earnings in traditional IT and project business, partly due to the effects of the coronavirus pandemic. EBITDA AL increased by EUR 42 million compared with the prior year to EUR 85 million, thanks to the streamlining of the portfolio in 2019. As a result, special factors were down EUR 62 million on the prior year, at EUR -114 million.

EBIT, adjusted EBIT

Adjusted EBIT in our Systems Solutions operating segment in the first half of 2020 decreased by EUR 5 million year-on-year, coming in at EUR 23 million. The effects described under adjusted EBITDA AL were the main drivers of this increase. EBIT increased by EUR 85 million in the reporting period to EUR -90 million, also due to the effects described under EBITDA AL.

Cash capex

Cash capex in the Systems Solutions operating segment stood at EUR 101 million in the first half of 2020, compared with EUR 167 million in the prior year. This was due to a reduced need for investments in traditional IT and in the growth area digital solutions, which was impacted by the effects of the coronavirus pandemic on the automotive industry. Going forward, 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

		June 30, 2020	Mar. 31, 2020	Change June 30, 2020/ Mar. 31, 2020 %	Dec. 31, 2019	Change June 30, 2020/ Dec. 31, 2019 %	June 30, 2019	Change June 30, 2020/ June 30, 2019 %
NETHERLANDS	Mobile customers	5,741	5,686	1.0	5,610	2.3	5,455	5.2
	Fixed-network lines	644	632	1.9	619	4.0	578	11.4
	Broadband customers	628	616	1.9	605	3.8	562	11.7

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

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2020	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %	FY 2019
TOTAL REVENUE	708	716	683	4.8	1,424	1,364	4.4	2,797
Of which: Netherlands	476	480	458	4.8	956	918	4.1	1,910
Of which: GD Towers	247	248	239	3.8	495	475	4.2	945
Profit from operations (EBIT)	139	123	102	20.6	263	227	15.9	615
Depreciation, amortization and impairment losses	(194)	(192)	(199)	3.5	(386)	(398)	3.0	(812)
EBITDA	333	316	300	5.3	649	626	3.7	1,427
EBITDA AL	262	246	232	6.0	508	481	5.6	1,130
Special factors affecting EBITDA	(7)	(37)	(18)	n.a.	(44)	(25)	(76.0)	97
EBITDA (adjusted for special factors)	340	353	319	10.7	693	651	6.5	1,330
Of which: Netherlands	157	163	137	19.0	320	284	12.7	591
Of which: GD Towers	195	195	188	3.7	390	380	2.6	771
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)	269	283	250	13.2	552	506	9.1	1,033
Of which: Netherlands	136	143	117	22.2	278	240	15.8	502
Of which: GD Towers	145	145	140	3.6	290	278	4.3	563
EBITDA AL margin (adjusted for special factors) %	38.0	39.5	36.6		38.8	37.1		36.9
CASH CAPEX	(119)	(117)	(106)	(10.4)	(236)	(192)	(22.9)	(452)

Total revenue

Total revenue in our Group Development operating segment increased in the first half of 2020 by 4.4 percent year-on-year to EUR 1.4 billion, 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 in terminal equipment sales. 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 5.6 percent year-on-year to EUR 508 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 company. 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 9.1 percent year-on-year to EUR 552 million due to the effects mentioned.

EBIT

EBIT increased by 15.9 percent year-on-year to EUR 263 million as a result of the effects described under adjusted EBITDA AL. Depreciation, amortization and impairment losses were down on the prior-year period.

Cash capex

Cash capex increased year-on-year by EUR 44 million to EUR 236 million, due mainly to the additional investments for the 5G build-out and those required to integrate Tele2 Netherlands as well as higher capital expenditure at DFMG in connection with building out mobile infrastructure in Germany.

GROUP HEADQUARTERS & GROUP SERVICES DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2020	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %	FY 2019
TOTAL REVENUE	632	649	678	(4.3)	1,281	1,329	(3.6)	2,620
Loss from operations (EBIT)	(371)	(351)	(314)	(11.8)	(723)	(707)	(2.3)	(1,648)
Depreciation, amortization and impairment losses	(300)	(331)	(307)	(7.8)	(631)	(568)	(11.1)	(1,159)
EBITDA	(71)	(21)	(7)	n.a.	(91)	(139)	34.5	(489)
EBITDA AL	(163)	(110)	(108)	(1.9)	(273)	(343)	20.4	(889)
Special factors affecting EBITDA	(58)	(82)	(27)	n.a.	(140)	(124)	(12.9)	(239)
EBITDA (adjusted for special factors)	(12)	61	20	n.a.	49	(15)	n.a.	(250)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)	(104)	(28)	(82)	65.9	(132)	(219)	39.7	(651)
CASH CAPEX	(233)	(242)	(231)	(4.8)	(475)	(505)	5.9	(1,028)

Total revenue

Total revenue in our Group Headquarters & Group Services segment in the first half of 2020 decreased by 3.6 percent year-on-year, mainly as a result of 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 87 million year-on-year in the reporting period to EUR -132 million. This increase was mainly due to lower operating expenses at our Group Services, higher income from real estate sales, and the reduced headcount at Vivento as a result of the continued staff restructuring. By contrast, lower revenue from land and buildings had a negative impact on adjusted EBITDA AL.

Overall, EBITDA AL was negatively impacted in the first half of 2020 by special factors amounting to EUR 140 million, especially for staff-related measures. This contrasts with special factors of EUR 124 million in the prior-year period, also in particular for staff-related measures.

EBIT

The slight year-on-year decline in EBIT of EUR 16 million to EUR -723 million was largely a result of two contrasting effects: the positive development of EBITDA AL on the one hand, and the increase in depreciation, amortization and impairment losses on the other. The latter was mainly due to higher depreciation and amortization following the decision to capitalize newly commissioned domestic intragroup development services at Deutsche Telekom IT since January 2016 instead of charging them internally. By contrast, depreciation, amortization and impairment losses from land and buildings decreased as a result of our continued optimization of the real estate portfolio.

Cash capex

Cash capex decreased by EUR 30 million year-on-year, primarily owing to lower investment in technology and innovation.

EVENTS AFTER THE REPORTING PERIOD

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

FORECAST

The statements in this section reflect the current views of our management. The business combination of T-Mobile US and Sprint has a material impact on our results of operations and financial position. The forecasts published in the combined management report in the [2019 Annual Report](#) did not contain the possible effects of the transaction. Including the business combination of T-Mobile US and Sprint concluded on April 1, 2020, we expect the new, larger United States operating segment to generate adjusted EBITDA AL of around USD 22 billion in the 2020 financial year compared with the original forecast of USD 13.0 billion. Cash capex will increase to around USD 11 billion also on account of the planned investments in connection with the integration of the business; cash capex was previously expected to remain stable at USD 6.0 billion, the level in the 2019 financial year. As a result, we are raising our Group guidance for the 2020 financial year, with adjusted EBITDA AL now expected to come in at approximately EUR 34 billion, up from EUR 25.5 billion, and cash capex (before spectrum investment) at around EUR 17 billion, up from EUR 13.0 billion. Expected free cash flow AL for the Group decreases from EUR 8.0 billion to around EUR 5.5 billion, mainly on account of the integration costs. We expect free cash flow AL of at least EUR 5.5 billion, instead of previously EUR 8.0 billion.

There is still a great deal of uncertainty regarding the extent to which business activities and thus the results of operations and financial position of Deutsche Telekom could be affected overall as the coronavirus pandemic unfolds. 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. Based on our current results, we can observe offsetting effects within adjusted EBITDA AL. In our Systems Solutions operating segment, we anticipate that the difficult market climate in terms of new business will cause us to fall short of our original guidance for revenue and adjusted EBITDA AL. Nevertheless, at the current point in time, the forecasts published in the combined management report in the [2019 Annual Report](#), together with the updated guidance in connection with the Sprint transaction, remain valid. However, given the current level of macro-economic uncertainty, we cannot generally rule out the possibility of future 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 being felt less severely by the telecommunications industry than by other industries. There is still a great deal of uncertainty regarding the extent to which business activities and thus the results of operations and financial position of Deutsche Telekom could be affected overall as the coronavirus pandemic unfolds. Possible factors could include the introduction of new travel restrictions, the closure of Telekom Shops, disrupted supply chains, further declines in roaming and visitor volumes, falling terminal equipment sales, or a drop in the number of new contracts being taken out. In addition, corporate customer business may decline further, for example, due to delayed or changed customer decisions. The possibility of an increase in the number of consumers and business customers defaulting on their payments cannot be ruled out either. Deutsche Telekom has put in place cost-saving measures to mitigate potential effects on earnings. The coronavirus pandemic has a negative impact on the Group's economic business risks. In the United States, Germany, and Europe operating segments, the risk significance was regraded from "low" to "medium" in the first half of 2020.

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

ASSESSMENT OF THE AGGREGATE RISK POSITION

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