

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

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

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

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

CONSOLIDATED INCOME STATEMENT

millions of €

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

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

EARNINGS PER SHARE

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

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

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

SIGNIFICANT EVENTS AND TRANSACTIONS

ACCOUNTING POLICIES

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

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended September 30, 2019 are in compliance with International Accounting

Standard (IAS) 34. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements at December 31, 2018. All IFRSs applied by Deutsche Telekom AG have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed quarterly financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations and financial position of the Group. Please refer to the [notes to the consolidated financial statements](#) as of December 31, 2018 for the accounting policies applied for the Group's financial reporting.

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

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

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

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

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

Significant policy elections and practical expedients are exercised as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This gave rise to the following presentation in the income statement for the first three quarters of 2019^a:

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

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

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

CHANGES IN ACCOUNTING POLICIES, CHANGES IN ESTIMATES

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

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

CHANGES IN THE COMPOSITION OF THE GROUP

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

ACQUISITION OF TELE2 NETHERLANDS HOLDING N.V.

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

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

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

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

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

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

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

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

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

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

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

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

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

SALE OF TELEKOM ALBANIA

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

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

AGREED BUSINESS COMBINATION OF T-MOBILE US AND SPRINT

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

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

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

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

OTE SHARE BUY-BACK

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

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

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

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TRADE AND OTHER RECEIVABLES

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

CONTRACT ASSETS

At EUR 1.9 billion, contract assets were up EUR 0.1 billion as of the reporting date compared with December 31, 2018. Contract assets arise from the application of IFRS 15 since the 2018 financial year and relate to receivables that have not yet legally come into existence, which arise from the earlier – as compared to billing – recognition of revenue, in particular from the sale of goods and merchandise. Furthermore, receivables from long-term construction contracts are recognized under contract assets.

INVENTORIES

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

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

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

RIGHT-OF-USE ASSETS

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

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

CAPITALIZED CONTRACT COSTS

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

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

OTHER FINANCIAL ASSETS

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

TRADE AND OTHER PAYABLES

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

OTHER LIABILITIES

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

OTHER PROVISIONS

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

FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

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

LEASE LIABILITIES

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

CONTRACT LIABILITIES

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

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

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

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

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

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

SHAREHOLDERS' EQUITY

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

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

NET REVENUE

Net revenue breaks down into the following revenue categories:

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

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

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

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

OTHER OPERATING INCOME

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

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

OTHER OPERATING EXPENSES

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

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

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

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

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

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

INCOME TAXES

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

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

NET CASH FROM OPERATING ACTIVITIES

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

NET CASH USED IN INVESTING ACTIVITIES

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

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

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

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

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

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

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

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

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

The contractual grants receivable from public funding projects for the broadband build-out in Germany are recognized in full as of the start of the third quarter of 2019. The grants received and payments made for the build-out continue to be recognized in net cash used in investing activities, however, they are not part of cash capex, because the payments made do not result in additions to property, plant and equipment. Since the payments are not made at the same point in time as the proceeds are received, the net amounts can be positive or negative in the individual periods. For more information, please refer to the section "Accounting policies."

NET CASH USED IN FINANCING ACTIVITIES

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

NON-CASH TRANSACTIONS

In the first three quarters of 2019, Deutsche Telekom chose financing options totaling EUR 0.7 billion under which the payments for trade payables from operating and investing activities become due at a later point in time mainly by involving banks in the process. For the prior-year period, this figure was EUR 0.2 billion. These payables will subsequently be recognized under financial liabilities in the statement of financial position. As soon as the payments have been made, they are disclosed under net cash used in/from financing activities.

In the first three quarters of 2019, Deutsche Telekom leased assets totaling EUR 4.5 billion, mainly network equipment, and land and buildings. These assets are now recognized in the statement of financial position under right-of-use assets and the related liability under lease liabilities. Future repayments of the liabilities will be recognized in net cash used in/from financing activities. In the prior-year period, finance leases totaling EUR 0.6 billion had been concluded in accordance with the previous standard IAS 17.

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

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

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

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

SEGMENT REPORTING

The following table gives an overall summary of Deutsche Telekom's operating segments and the Group Headquarters & Group Services segment for the first three quarters of 2019 and 2018.

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

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

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

Segment information in the first three quarters

millions of €

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

^a Figures relate to the reporting dates of September 30, 2019 and December 31, 2018, respectively.

CONTINGENT LIABILITIES

This section provides additional information and explains recent changes in the contingent liabilities as described in the consolidated financial statements for the 2018 financial year.

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

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

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

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

OTHER FINANCIAL OBLIGATIONS

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

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

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

DISCLOSURES ON FINANCIAL INSTRUMENTS

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

millions of €

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

^a The exemption provisions under IFRS 7.29 were applied for disclosures on specific fair values.

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

millions of €

	Measurement category in accordance with IFRS 9	Carrying amount Dec. 31, 2018	Amounts recognized in the statement of financial position in accordance with IFRS 9				Amounts recognized in the statement of financial position in accordance with IAS 17	Fair value Dec. 31, 2018 ^a
			Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through other comprehensive income with recycling to profit or loss	Fair value through profit or loss		
ASSETS								
Cash and cash equivalents	AC	3,679	3,679					
Trade receivables								
At amortized cost	AC	4,280	4,280					
At fair value through other comprehensive income	FVOCI	5,703			5,703			5,703
At fair value through profit or loss	FVTPL	5				5		5
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	2,982	2,982					3,013
Of which: collateral paid	AC	299	299					
Of which: publicly funded projects	AC							
At fair value through other comprehensive income	FVOCI	0						0
At fair value through profit or loss	FVTPL	103				103		103
Equity instruments								
At fair value through other comprehensive income	FVOCI	324		324				324
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	597				597		597
Of which: termination rights embedded in bonds issued	FVTPL	99				99		99
Of which: energy forward agreements embedded in contracts	FVTPL	12				12		12
Derivatives with a hedging relationship	n.a.	273			5	268		273
Lease assets	n.a.	147					147	
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale	AC	27	27					
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	34		34				34
LIABILITIES								
Trade payables	AC	10,735	10,735					
Bonds and other securitized liabilities	AC	49,033	49,033					51,736
Liabilities to banks	AC	5,710	5,710					5,749
Liabilities to non-banks from promissory note bonds	AC	497	497					578
Other interest-bearing liabilities	AC	1,878	1,878					1,927
Of which: collateral received	AC	404	404					
Other non-interest-bearing liabilities	AC	1,608	1,608					
Lease liabilities	n.a.	n.a.						
Finance lease liabilities	n.a.	2,472					2,472	2,695
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	242				242		242
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	10				10		10
Of which: energy forward agreements embedded in contracts	FVTPL	52				52		52
Derivatives with a hedging relationship	n.a.	836			486	350		836
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	36	36					
Of which: aggregated by measurement category in accordance with IFRS 9								
ASSETS								
Financial assets at amortized cost	AC	10,968	10,968					3,013
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	5,703			5,703			5,703
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	358		358				358
Financial assets at fair value through profit or loss	FVTPL	705				705		705
LIABILITIES								
Financial liabilities at amortized cost	AC	69,497	69,497					59,990
Financial liabilities at fair value through profit or loss	FVTPL	242				242		242

^a The exemption provisions under IFRS 7.29 were applied for disclosures on specific fair values.

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

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

Financial instruments measured at fair value

millions of €

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

Financial instruments measured at fair value

millions of €

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

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

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

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

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

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

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

Derivatives with a hedging relationship include forward-payer swaps for highly probable future borrowings at T-Mobile US with a nominal value of EUR 8.8 billion when translated into euros. These transactions were designated as cash flow hedges in effective hedging relationships. In the first nine months of 2019, the measurement resulted in a loss from hedging instruments of EUR 887 million recognized under other comprehensive income.

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

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

millions of €

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Carrying amount as of January 1, 2019	358	99	12	(52)
Additions (including first-time categorization as Level 3)	78	0	0	0
Decreases in fair value recognized in profit/loss (including losses on disposal)	n.a.	(46)	(13)	(64)
Increases in fair value recognized in profit/loss (including gains on disposal)	n.a.	559	8	20
Decreases in fair value recognized directly in equity	(17)	n.a.	n.a.	n.a.
Increases in fair value recognized directly in equity	49	n.a.	n.a.	n.a.
Disposals	(30)	0	0	0
Currency translation effects recognized directly in equity	0	21	0	(5)
CARRYING AMOUNT AS OF SEPTEMBER 30, 2019	438	633	7	(101)

The equity instruments assigned to Level 3 that are measured at fair value through other comprehensive income and carried under other financial assets are equity investments with a carrying amount of EUR 438 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers transactions involving shares in those companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The proximity of the relevant transaction to the reporting date, and the question of whether it was conducted at arm's length, are relevant for deciding which information is used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. For the development of the carrying amounts in the reporting period, please refer to the table above. At the reporting date, investments with a carrying amount of EUR 119 million were held for sale, while there were no plans to sell the remaining investments. In the case of investments with a carrying amount of EUR 295 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why the share prices agreed in the transactions were to be used without adjustment for

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

The derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial assets relate to options embedded in bonds issued by T-Mobile US with a carrying amount of

EUR 633 million when translated into euros. The options, which can be exercised by T-Mobile US at any time, allow early redemption of the bonds at fixed exercise prices. Observable market prices are available regularly and also at the reporting date for the bonds as entire instruments, but not for the options embedded therein. The termination rights are measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers are used for the measurement because these provide a more reliable estimate at the reporting date than current market interest rate volatilities. The absolute figure used for the interest rate volatility at the current reporting date was between 1.0 and 1.6 percent. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. The spreads used at the current reporting date were between 1.7 and 2.4 percent for the maturities of the bonds and between 0.8 and 1.5 percent for shorter terms. For the mean reversion

input, which is likewise unobservable, 10 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for interest rate volatility, spread curve or mean reversion, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below. In the reporting period, net income of EUR 513 million when translated into euros was recognized under Level 3 in other financial income/expense for unrealized gains for the options in the portfolio at the reporting date. Please refer to the table above for the development of the carrying amounts in the reporting period. The changes in value recognized in profit or loss in the reporting period were mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. Due to their distinctiveness, these instruments constitute a separate class of financial instruments.

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

millions of €

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Multiple next-level-up quantile	22			
Multiple next-level-down quantile	(24)			
Expected revenues +10%	3			
Expected revenues -10%	(3)			
Interest rate volatility ^b +10%		12		
Interest rate volatility ^b -10%		(13)		
Spread curve ^c +100 basis points		(245)		
Spread curve ^c -100 basis points		279		
Mean reversion ^d +100 basis points		(3)		
Mean reversion ^d -100 basis points		0		
Future energy prices +10%			19	52
Future energy prices -10%			(20)	(52)
Future energy output +5%			5	7
Future energy output -5%			(6)	(7)
Future prices for renewable energy credits ^e +100%			5	14
Future prices for renewable energy credits ^e from zero			(5)	(14)

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

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

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

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

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

With a carrying amount of EUR 101 million when translated into euros, the derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial liabilities relate to energy forward agreements embedded in contracts entered into by T-Mobile US. The same applies to derivative financial assets with a carrying amount of EUR 7 million when translated into euros. These agreements consist of two components: the energy forward agreement and the acquisition of renewable energy credits by T-Mobile US. The contracts have been entered into with energy producers since 2017 and run for terms of between 12 and 20 years from the commencement of commercial operation. In the case of two energy forward agreements, commercial operations have already begun; with the others, commercial operations are set to begin between 2020 and 2021. The respective settlement period of the energy forward agreement, which is accounted for separately as a derivative, also starts when the facility begins commercial operation. Under the energy forward agreements, T-Mobile US receives variable amounts based on the facility's actual

energy output and the then current energy prices, and pays fixed amounts per unit of energy generated throughout the term of the contract. The energy forward agreements are measured using valuation models because no observable market prices are available. The value of the derivatives is materially influenced by the facility's future energy output, for which T-Mobile US estimated a value of 2,899 gigawatt hours per year at the reporting date. The value of the derivatives is also significantly influenced by future energy prices, which are not observable for the period beyond five years. Further, the value of the derivatives is materially influenced by the future prices for renewable energy credits, which are also not observable. For the unobservable portion of the term, T-Mobile US used on-peak energy prices of between EUR 14.85/MWh and EUR 70.61/MWh when translated into euros and off-peak prices of between EUR 11.71/MWh and EUR 46.09/MWh when translated into euros. An average on-peak/off-peak ratio of 47 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for future energy prices, future

energy output, or future prices of renewable energy credits, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table above. In the reporting period, a net expense of EUR 49 million (when translated into euros) was recognized under the Level 3 measurement in other operating income/expense for unrealized losses for the derivatives. Please refer to the corresponding table for the development of the carrying amounts in the reporting period. The market-price changes in the reporting period were largely attributable to changes in observable and unobservable energy prices and to interest rate effects. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. In the view of T-Mobile US, the contracts were entered into at current market conditions, and the most appropriate parameters for the unobservable inputs were used for measurement purposes. The transaction price at inception was zero in each case. Since the unobservable inputs have a material influence on the measurement of the derivatives, the respective amount resulting from initial measurement was not carried on initial recognition. Instead, these amounts are amortized in profit or loss on a straight-line basis over the period of commercial energy generation (for a total amount of EUR 13 million per year when translated into euros). This amortization adjusts the effects from measuring the derivatives in each accounting period using the respective valuation models and updated parameters. All amounts from the measurement of the derivatives are presented in net terms per contract in the statement of financial position (derivative financial assets/liabilities) and in the income statement (other operating income/expenses). The difference yet to be amortized in the income statement developed as follows during the reporting period:

Energy forward agreements

millions of €	Development of the not yet amortized amounts
Measurement amounts on initial recognition	151
Measurement amounts on initial recognition (additions during the reporting period)	27
Measurement amounts amortized in profit or loss in prior periods	(3)
Measurement amounts amortized in profit or loss in the current reporting period	(4)
Currency translation adjustments	9
MEASUREMENT AMOUNTS NOT AMORTIZED AS OF SEPTEMBER 30, 2019	180

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

The financial liabilities measured at fair value through profit or loss and assigned to Level 3 include derivative financial liabilities with a carrying amount of EUR 7 million resulting from an option granted to third

parties for the purchase of shares in an associate of Deutsche Telekom. The option was granted in connection with a sale of shares in this associate, and no notable fluctuations in value are expected. Due to its distinctiveness, this instrument constitutes a separate class of financial instruments.

DISCLOSURES ON CREDIT RISK

In line with the contractual provisions, in the event of insolvency, all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 1,759 million as of the reporting date (December 31, 2018: EUR 404 million). The credit risk was thus reduced by EUR 1,740 million (December 31, 2018: EUR 400 million) because, on the reporting date, the collateral received was offset by corresponding net derivative positions in the same amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 2,287 million as of the reporting date (December 31, 2018: EUR 756 million) had a maximum credit risk of EUR 15 million as of September 30, 2019 (December 31, 2018: EUR 24 million).

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral in the amount of EUR 6 million as of the reporting date (December 31, 2018: EUR 299 million) to counterparties pursuant to collateral agreements. The cash collateral paid is offset by corresponding net derivative positions of EUR 4 million at the reporting date (December 31, 2018: EUR 285 million), which is why it was not exposed to any credit risks in this amount.

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

According to agreement, no cash collateral was provided for interest rate swaps concluded by T-Mobile US with a nominal value of EUR 8.8 billion (when translated into euros). The fair values at the reporting date were negative in each case from the perspective of T-Mobile US and amounted to EUR -1,322 million when translated into euros (December 31, 2018: EUR -391 million).

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

RELATED-PARTY DISCLOSURES

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

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

EXECUTIVE BODIES

CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT

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

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

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

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

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

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

EVENTS AFTER THE REPORTING PERIOD

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

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

RESPONSIBILITY STATEMENT

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

Bonn, November 7, 2019

Deutsche Telekom AG
Board of Management

Timotheus Höttges

Adel Al-Saleh

Birgit Bohle

Srini Gopalan

Dr. Christian P. Illek

Dr. Thomas Kremer

Thorsten Langheim

Claudia Nemat

Dr. Dirk Wössner

REVIEW REPORT

To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to September 30, 2019, which are part of the quarterly financial report pursuant to § 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Review Engagements, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation,

with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

Frankfurt/Main, November 7, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
Wirtschaftsprüfer

Thomas Tandetzki
Wirtschaftsprüfer