

INTERIM GROUP MANAGEMENT REPORT

GROUP ORGANIZATION, STRATEGY, AND MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

^a Excluding finance leases at T-Mobile US.

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

THE ECONOMIC ENVIRONMENT

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

MACROECONOMIC DEVELOPMENT

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

OUTLOOK

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

OVERALL ECONOMIC RISKS

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

REGULATION

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

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

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

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

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

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

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

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

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

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

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

AWARDING OF SPECTRUM

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

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

Main spectrum awards

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

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

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

^c Sealed-bid tender: auction in which bidders submit their offers in sealed envelopes.

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

DEVELOPMENT OF BUSINESS IN THE GROUP

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

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

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

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

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

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

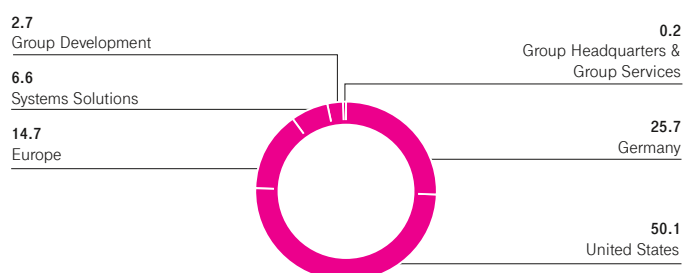
Contribution of the segments to net revenue

millions of €

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

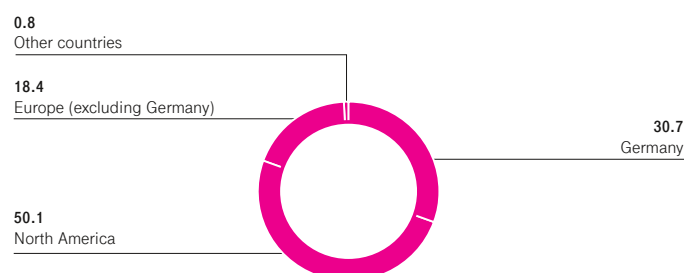
Contribution of the segments to net revenue^a

%



Breakdown of revenue by region

%



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

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

EBITDA AL, ADJUSTED EBITDA AL

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

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

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

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

Contribution of the segments to adjusted Group EBITDA AL

millions of €

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

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

EBIT

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

PROFIT BEFORE INCOME TAXES

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

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

NET PROFIT, ADJUSTED NET PROFIT

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

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

millions of €

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

ADJUSTED EARNINGS PER SHARE, UNADJUSTED EARNINGS PER SHARE

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

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

EMPLOYEES

Headcount development

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

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

FINANCIAL POSITION OF THE GROUP

Condensed consolidated statement of financial position

millions of €

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

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

The total carrying amounts of **intangible assets** and **property, plant and equipment** were up by EUR 4.0 billion against the end of 2018. Capital expenditures in the amount of EUR 13.4 billion had an increasing effect. In the Germany operating segment, additions of EUR 2.2 billion related to the 5G licenses acquired in Germany. The acquisition of FCC mobile licenses for a total of EUR 1.0 billion in the United States operating segment also increased the carrying amount. Investments primarily to upgrade and build out the network in our United States operating segment and in connection with the broadband/fiber-optic rollout, the IP transformation, and mobile infrastructure in the Germany and Europe operating segments increased the carrying amount of property, plant and equipment. Effects of changes in the composition of the Group totaling EUR 1.0 billion, mainly due to the acquisition of Tele2 Netherlands in the Group Development operating segment, and positive exchange rate effects totaling EUR 2.6 billion, particularly from the translation of U.S. dollars into euros, also increased the carrying amount. Depreciation of property, plant and equipment and amortization of intangible assets reduced the carrying amounts by EUR 10.1 billion and disposals by EUR 0.3 billion. **Rights to use** lease assets were recognized in the amount of EUR 18.5 billion as of September 30, 2019; until December 31, 2018, these had been reported in the amount of EUR 2.5 billion under property, plant and equipment as assets from finance leases. **Trade and other receivables** decreased slightly from the 2018 year-end level by EUR 0.1 billion. **Other assets** increased primarily on the back of the rise in current and non-current other financial assets, due in part to positive effects from the measurement of embedded derivatives at T-Mobile US and to the change in approach as of the start of the third quarter of 2019 of capitalizing grants receivable from funding projects for the broadband build-out in Germany upon conclusion of the contract (EUR 1.3 billion). Cash and cash equivalents

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

On the liabilities side, current and non-current **financial liabilities** increased by EUR 7.4 billion compared with the end of 2018. This was largely attributable to the euro bonds issued by Deutsche Telekom in 2019 with a total volume of EUR 3.9 billion and pound sterling bonds with a total volume of GBP 0.4 billion (EUR 0.5 billion). In addition, OTE issued a euro bond with a volume of EUR 0.4 billion. A loan of EUR 0.5 billion was issued by the European Investment Bank. Scheduled repayments of U.S. dollar bonds totaling USD 1.8 billion (EUR 1.6 billion) among other things had an offsetting effect. Financial liabilities increased in connection with the spectrum licenses acquired in Germany. In place of a lump-sum payment, government representatives agreed to let us pay the purchase price in annual installments through 2030. After deducting collateral and the first, already paid installment, financial liabilities increased by EUR 2.0 billion. The transition to IFRS 16 resulted in finance lease liabilities being reclassified from financial liabilities to lease liabilities. Based on the carrying amounts as of December 31, 2018, this reclassification reduced financial liabilities by EUR 2.5 billion. The current and non-current **lease liabilities** to be recognized since the first-time application of IFRS 16 amounted to EUR 20.3 billion as of September 30, 2019. **Trade and other payables** decreased by EUR 1.8 billion due to the reduction in the level of liabilities, mainly in the United States, Europe, and Germany operating segments. **Provisions for pensions and other employee benefits** increased by EUR 1.2 billion overall compared with December 31, 2018, due in part to interest rate adjustments and the decline in the price of the BT share, which has been transferred to plan assets. The transfer of the stake of around 11 percent in Ströer SE & Co. KGaA to plan assets as of August 14, 2019 had an offsetting effect. **Other liabilities** were reduced in particular by liabilities of EUR 2.2 billion from straight-line leases, mainly for cell sites in the United States operating segment that were no longer required to be reported under IFRS 16. In connection with the

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

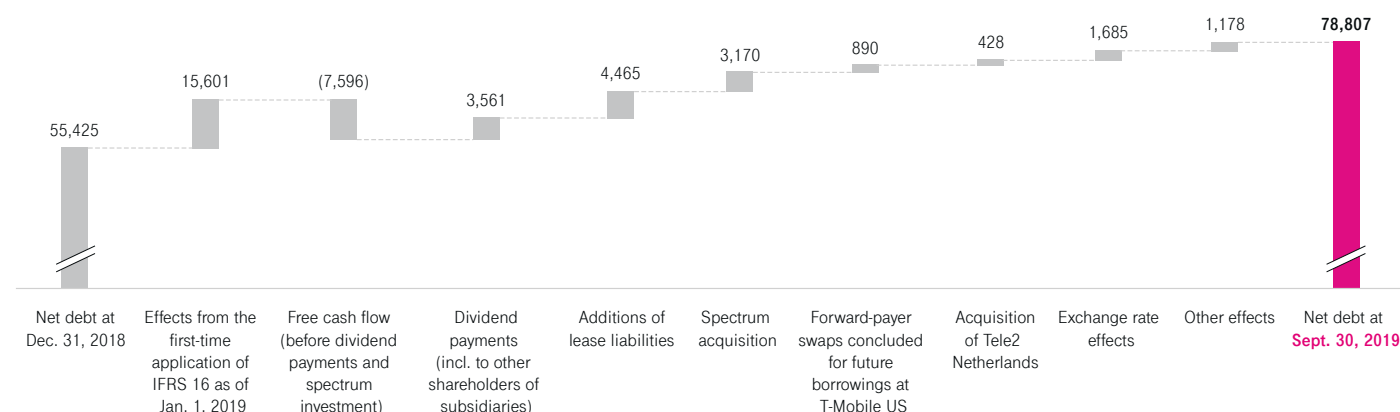
Shareholders' equity increased by EUR 1.7 billion as of December 31, 2018 to EUR 45.1 billion, due in particular to profit of EUR 4.5 billion. Non-cash effects from currency translation of EUR 1.2 billion, capital increases from share-based payments of EUR 0.4 billion, and income taxes relating to components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

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

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

Changes in net debt

millions of €



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

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

Free cash flow (before dividend payments and spectrum investment)

millions of €

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

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

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

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

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

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

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

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

GERMANY

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

CUSTOMER DEVELOPMENT

thousands

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

Total

In Germany we continue to be market leader both in terms of fixed-network and mobile revenues. This success is attributable to our high-performance networks. We offer best customer experience with award-winning network quality – in the fixed network as in mobile communications – and with a broad product portfolio and excellent service. Thanks to the sustained popularity of our convergent MagentaEINS offering, our MagentaEINS customer base totaled 4.6 million at the end of the third quarter of 2019.

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

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

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

Mobile communications

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

Fixed network

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

months of 2019. In the traditional fixed network, the number of lines decreased by 629 thousand.

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

Wholesale

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

DEVELOPMENT OF OPERATIONS

millions of €

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

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

Total revenue

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

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

Revenue from **Business Customers** increased by 1.8 percent. Mobile revenues increased by 3.6 percent and IT revenues by 22.3 percent compared with the same period of last year. In the fixed network, by contrast, a decline was recorded in traditional voice telephony, due largely to the increasing number of customers moving to flat-rate plans in connection with the migration to IP.

Wholesale revenue was up slightly after the first three quarters of 2019 by 0.3 percent year-on-year. Positive revenue contributions, largely from our contingent model and a regulation-induced price increase in ULL monthly charges, offset the general revenue declines in ULL and voice business.

EBITDA AL, adjusted EBITDA AL

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

UNITED STATES

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

EBIT

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

Cash capex

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

organizational structure, please refer to the section "[Group organization, strategy, and management.](#)"

CUSTOMER DEVELOPMENT

thousands

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

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

Total

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

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

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

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

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

DEVELOPMENT OF OPERATIONS

millions of €

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

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

Total revenue

Total revenue for the United States operating segment of EUR 29.6 billion in the first nine months ended September 30, 2019 increased by 11.8 percent, compared to EUR 26.5 billion in the first nine months ended September 30, 2018. In U.S. dollars, T-Mobile US' total revenues increased by 5.2 percent year-on-year due primarily to an increase in service revenue driven by growth in our average branded customer base from the continued growth in existing and greenfield markets, including the growing success of new customer segments and rate plans such as Unlimited 55+, Military, Business, and Essentials, and growth in wearables and other connected devices, specifically the Apple watch partially offset by lower branded postpaid phone Average Revenue per User (ARPU).

EBITDA AL, adjusted EBITDA AL

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

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

EBIT

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

Cash capex

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

EUROPE

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

organizational structure, please refer to the section “[Group organization, strategy, and management.](#)”

CUSTOMER DEVELOPMENT

thousands

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

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

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

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

Total

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

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

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

Mobile communications

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

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

Fixed network

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

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

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

FMC – fixed-mobile convergence

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

DEVELOPMENT OF OPERATIONS

millions of €

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

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

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

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

Total revenue

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

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

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

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

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

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

EBITDA AL, adjusted EBITDA AL

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

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

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

Development of operations in selected countries

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

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

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

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

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

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

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

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

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

EBIT

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

Cash capex

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

SYSTEMS SOLUTIONS

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

ORDER ENTRY

millions of €

	Q1-Q3 2019	H1 2019	FY 2018	Q1-Q3 2018	Change Q1-Q3 2019/ Q1-Q3 2018 %
ORDER ENTRY	5,132	3,494	6,776	4,672	9.8

Development of business

The first nine months of 2019 were dominated by efforts to establish our realigned Systems Solutions business. Investments in growth areas and innovation fields (such as the public cloud, the Internet of Things (IoT), digital solutions, security) create the basis for us to continue to focus our segment strategy on a sustainable shift into strategic growth areas. In parallel, we are working to strengthen our telecommunications operations and successfully manage the decline in traditional IT business.

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

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

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

DEVELOPMENT OF OPERATIONS

millions of €

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

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

Total revenue

Total revenue in our Systems Solutions operating segment in the first nine months of 2019 amounted to EUR 5.0 billion, slightly lower than the prior-year level. The upward revenue trend in our growth areas public cloud and health was not sufficient to offset the declines in traditional IT operations and in telecommunications business. The general downward trend in traditional IT operations was primarily a result of the decline in our international corporate customer operations and the falling market trend in our core market of Western Europe, as well as of deliberate portfolio decisions (such as the termination of desktop services).

EBITDA AL, adjusted EBITDA AL

In the first nine months of 2019, adjusted EBITDA AL at our Systems Solutions operating segment increased by EUR 36 million year-on-year to EUR 363 million, mainly due to effects from our transformation program, a positive development in the Open Telekom Cloud, and enhanced efficiency in traditional IT operations. EBITDA AL decreased by EUR 57 million year-on-year to EUR 127 million, mainly due to portfolio streamlining activities. As a result of both this and ongoing restructuring measures, special factors were up EUR 93 million year-on-year.

EBIT, adjusted EBIT

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

Cash capex

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

GROUP DEVELOPMENT

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

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

CUSTOMER DEVELOPMENT

thousands

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

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

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

DEVELOPMENT OF OPERATIONS

millions of €

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

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

Total revenue

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

EBITDA AL, adjusted EBITDA AL

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

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

EBIT

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

Cash capex

Cash capex increased by EUR 90 million or 44.8 percent compared with the prior-year period, due mainly to the additional investments required to integrate Tele2 Netherlands and higher capital expenditure at DFMG in connection with building out mobile infrastructure in Germany.

GROUP HEADQUARTERS & GROUP SERVICES

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

DEVELOPMENT OF OPERATIONS

millions of €

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

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

Total revenue

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

EBITDA AL, adjusted EBITDA AL

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

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

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

EBIT

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

Cash capex

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

EVENTS AFTER THE REPORTING PERIOD

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

FORECAST

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

RISKS AND OPPORTUNITIES

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

OPERATIONAL RISKS

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

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

LITIGATION

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

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

ANTI-TRUST PROCEEDINGS

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

ASSESSMENT OF THE AGGREGATE RISK POSITION

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