

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

	Sept. 30, 2020	Dec. 31, 2019	Change	Change %	Sept. 30, 2019
ASSETS					
CURRENT ASSETS	32,725	24,689	8,036	32.5	24,563
Cash and cash equivalents	10,642	5,393	5,249	97.3	6,461
Trade receivables	12,960	10,846	2,114	19.5	9,919
Contract assets	1,926	1,876	50	2.7	1,882
Current recoverable income taxes	213	481	(268)	(55.7)	446
Other financial assets	2,650	3,254	(604)	(18.6)	2,614
Inventories	2,342	1,568	774	49.4	1,598
Other assets	1,948	1,175	773	65.8	1,465
Non-current assets and disposal groups held for sale	44	97	(53)	(54.6)	177
NON-CURRENT ASSETS	232,568	145,983	86,585	59.3	149,764
Intangible assets	120,873	68,202	52,671	77.2	69,645
Property, plant and equipment	61,594	49,548	12,046	24.3	49,982
Right-of-use assets	31,756	17,998	13,758	76.4	18,474
Capitalized contract costs	2,133	2,075	58	2.8	1,988
Investments accounted for using the equity method	550	489	61	12.5	397
Other financial assets	6,643	3,996	2,647	66.2	4,656
Deferred tax assets	7,861	2,704	5,157	n.a.	3,529
Other assets	1,159	970	189	19.5	1,092
TOTAL ASSETS	265,292	170,672	94,620	55.4	174,327
LIABILITIES					
CURRENT LIABILITIES	35,109	32,913	2,196	6.7	35,249
Financial liabilities	12,419	11,463	956	8.3	14,148
Lease liabilities	5,134	3,987	1,147	28.8	4,146
Trade and other payables	8,318	9,431	(1,113)	(11.8)	8,896
Income tax liabilities	558	463	95	20.5	387
Other provisions	3,490	3,082	408	13.2	2,697
Other liabilities	3,525	2,850	675	23.7	3,299
Contract liabilities	1,666	1,608	58	3.6	1,676
Liabilities directly associated with non-current assets and disposal groups held for sale	0	29	(29)	(100.0)	0
NON-CURRENT LIABILITIES	158,149	91,528	66,621	72.8	93,941
Financial liabilities	95,437	54,886	40,551	73.9	55,510
Lease liabilities	28,718	15,848	12,870	81.2	16,167
Provisions for pensions and other employee benefits	8,481	5,831	2,650	45.4	6,702
Other provisions	5,018	3,581	1,437	40.1	3,489
Deferred tax liabilities	17,706	8,954	8,752	97.7	9,683
Other liabilities	2,375	1,972	403	20.4	1,894
Contract liabilities	414	456	(42)	(9.2)	496
TOTAL LIABILITIES	193,259	124,441	68,818	55.3	129,190
SHAREHOLDERS' EQUITY	72,034	46,231	25,803	55.8	45,137
Issued capital	12,189	12,189	0	0.0	12,189
Treasury shares	(46)	(47)	1	2.1	(47)
	12,143	12,142	1	0.0	12,142
Capital reserves	62,610	55,029	7,581	13.8	54,992
Retained earnings including carryforwards	(39,398)	(38,709)	(689)	(1.8)	(39,520)
Total other comprehensive income	(2,927)	(622)	(2,305)	n.a.	(351)
Net profit (loss)	2,487	3,867	(1,380)	(35.7)	3,213
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	34,916	31,707	3,209	10.1	30,475
Non-controlling interests	37,118	14,524	22,594	n.a.	14,662
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	265,292	170,672	94,620	55.4	174,327

Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. This transaction affects the comparability of the figures for the current period with the prior-year figures. For further information on the transaction, please refer to the section "Changes in the composition of the Group."

CONSOLIDATED INCOME STATEMENT

millions of €							
	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
NET REVENUE	26,393	20,017	31.9	73,377	59,169	24.0	80,531
Of which: interest income calculated using the effective interest method	61	85	(28.2)	218	264	(17.4)	345
Other operating income	254	389	(34.7)	1,073	846	26.8	1,121
Changes in inventories	(1)	24	n.a.	29	79	(63.3)	29
Own capitalized costs	702	600	17.0	2,029	1,779	14.1	2,418
Goods and services purchased	(11,065)	(8,916)	(24.1)	(31,307)	(26,540)	(18.0)	(36,956)
Personnel costs	(4,618)	(4,013)	(15.1)	(14,233)	(12,576)	(13.2)	(16,723)
Other operating expenses	(1,050)	(787)	(33.4)	(3,386)	(2,282)	(48.4)	(3,301)
Impairment losses on financial assets	(197)	(127)	(55.1)	(671)	(268)	n.a.	(452)
Gains (losses) from the write-off of financial assets measured at amortized cost	(52)	7	n.a.	(137)	(39)	n.a.	(42)
Other	(801)	(667)	(20.1)	(2,578)	(1,975)	(30.5)	(2,807)
EBITDA	10,615	7,314	45.1	27,581	20,476	34.7	27,120
Depreciation, amortization and impairment losses	(7,508)	(4,256)	(76.4)	(18,876)	(12,811)	(47.3)	(17,663)
PROFIT FROM OPERATIONS	3,107	3,058	1.6	8,704	7,665	13.6	9,457
Finance costs	(1,100)	(591)	(86.1)	(3,100)	(1,784)	(73.8)	(2,364)
Interest income	105	90	16.7	298	248	20.2	348
Interest expense	(1,205)	(681)	(76.9)	(3,398)	(2,033)	(67.1)	(2,712)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(1)	6	n.a.	(7)	107	n.a.	87
Other financial income (expense)	111	(30)	n.a.	(96)	190	n.a.	81
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	(990)	(615)	(61.0)	(3,204)	(1,488)	n.a.	(2,197)
PROFIT (LOSS) BEFORE INCOME TAXES	2,116	2,442	(13.3)	5,501	6,178	(11.0)	7,260
Income taxes	(495)	(623)	20.5	(1,463)	(1,662)	12.0	(1,993)
PROFIT (LOSS)	1,621	1,819	(10.9)	4,038	4,516	(10.6)	5,268
PROFIT (LOSS) ATTRIBUTABLE TO							
Owners of the parent (net profit (loss))	817	1,368	(40.3)	2,487	3,213	(22.6)	3,867
Non-controlling interests	804	451	78.3	1,550	1,303	19.0	1,401

Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. This transaction affects the comparability of the figures for the current period with the prior-year figures. For further information on the transaction, please refer to the section "Changes in the composition of the Group."

EARNINGS PER SHARE

	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
Profit (loss) attributable to the owners of the parent (net profit (loss))	817	1,368	(40.3)	2,487	3,213	(22.6)	3,867
Adjusted weighted average number of basic/diluted ordinary shares outstanding	4,743	4,743	0.0	4,743	4,743	0.0	4,743
EARNINGS PER SHARE BASIC/DILUTED	0.17	0.29	(41.4)	0.52	0.68	(23.5)	0.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q3 2020	Q3 2019	Change	Q1-Q3 2020	Q1-Q3 2019	Change	FY 2019
PROFIT (LOSS)	1,621	1,819	(198)	4,038	4,516	(478)	5,268
Items not subsequently reclassified to profit or loss (not recycled)							
Gains (losses) from the remeasurement of equity instruments	(12)	22	(34)	47	56	(9)	99
Gains (losses) from the remeasurement of defined benefit plans	(515)	(545)	30	(1,870)	(1,527)	(343)	(603)
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0	0	0	0
Income taxes relating to components of other comprehensive income	142	147	(5)	154	307	(153)	134
	(385)	(375)	(10)	(1,670)	(1,164)	(506)	(369)
Items subsequently reclassified to profit or loss (recycled), if certain reasons are given							
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	0	0	0	0	(8)	8	(8)
Change in other comprehensive income (not recognized in income statement)	(2,845)	1,072	(3,917)	(3,889)	1,252	(5,141)	463
Gains (losses) from the remeasurement of debt instruments							
Recognition of other comprehensive income in income statement	0	(5)	5	212	(47)	259	(47)
Change in other comprehensive income (not recognized in income statement)	51	5	46	(144)	34	(178)	34
Gains (losses) from hedging instruments (designated risk components)							
Recognition of other comprehensive income in income statement	151	(112)	263	292	(133)	425	(148)
Change in other comprehensive income (not recognized in income statement)	(173)	(173)	0	(1,255)	(877)	(378)	(483)
Gains (losses) from hedging instruments (hedging costs)							
Recognition of other comprehensive income in income statement	1	1	0	2	2	0	2
Change in other comprehensive income (not recognized in income statement)	7	0	7	(21)	(25)	4	(9)
Share of profit (loss) of investments accounted for using the equity method							
Recognition of other comprehensive income in income statement	0	(6)	6	0	(7)	7	(7)
Change in other comprehensive income (not recognized in income statement)	1	0	1	1	11	(10)	11
Income taxes relating to components of other comprehensive income	(5)	70	(75)	252	265	(13)	155
	(2,812)	851	(3,663)	(4,552)	467	(5,019)	(38)
OTHER COMPREHENSIVE INCOME	(3,197)	476	(3,673)	(6,222)	(698)	(5,524)	(407)
TOTAL COMPREHENSIVE INCOME	(1,576)	2,295	(3,871)	(2,184)	3,818	(6,002)	4,861
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO							
Owners of the parent	(908)	1,512	(2,420)	(1,460)	2,317	(3,777)	3,514
Non-controlling interests	(668)	783	(1,451)	(724)	1,501	(2,225)	1,347

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

millions of €

	Issued capital and reserves attributable to owners of the parent						
	Equity contributed			Consolidated shareholders' equity generated		Total other comprehensive income	
	Issued capital	Treasury shares	Capital reserves	Retained earnings including carryforwards	Net profit (loss)	Translation of foreign operations	Revaluation surplus
BALANCE AT JANUARY 1, 2019	12,189	(49)	54,646	(37,392)	2,166	(1,120)	(28)
Transfer resulting from change in accounting standards				221			
Changes in the composition of the Group							
Transactions with owners			78			(5)	
Unappropriated profit (loss) carried forward				2,166	(2,166)		
Dividends				(3,320)			
Capital increase at Deutsche Telekom AG							
Capital increase from share-based payment			268				
Share buy-back/shares held in a trust deposit		1		4			
Profit (loss)					3,213		
Other comprehensive income				(1,213)		788	
TOTAL COMPREHENSIVE INCOME							
Transfer to retained earnings				13			6
BALANCE AT SEPTEMBER 30, 2019	12,189	(47)	54,992	(39,520)	3,213	(336)	(23)
BALANCE AT JANUARY 1, 2020	12,189	(47)	55,029	(38,709)	3,867	(808)	(21)
Transfer resulting from change in accounting standards							
Changes in the composition of the Group							
Transactions with owners			7,371			(350)	0
Unappropriated profit (loss) carried forward				3,867	(3,867)		
Dividends				(2,846)			
Capital increase at Deutsche Telekom AG							
Capital increase from share-based payment			210				
Share buy-back/shares held in a trust deposit		1		0			
Profit (loss)					2,487		
Other comprehensive income				(1,706)		(1,809)	
TOTAL COMPREHENSIVE INCOME							
Transfer to retained earnings				(4)			5
BALANCE AT SEPTEMBER 30, 2020	12,189	(46)	62,610	(39,398)	2,487	(2,967)	(16)

Issued capital and reserves attributable to owners of the parent						Total	Non-controlling interests	Total shareholders' equity
Total other comprehensive income								
Equity instruments at fair value through other comprehensive income (IFRS 9)	Debt instruments measured at fair value through other comprehensive income (IFRS 9)	Hedging instruments: designated risk components (IFRS 9)	Hedging instruments: hedging costs (IFRS 9)	Investments accounted for using the equity method	Taxes			
84	2	519	58	(4)	(165)	30,907	12,530	43,437
	0					221	125	346
						0	245	245
0	0	3			(1)	76	340	416
						0	0	0
						(3,320)	(236)	(3,555)
						0	0	0
						268	157	425
						5	0	5
						3,213	1,303	4,516
56	(9)	(683)	(23)	4	184	(895)	198	(698)
						2,317	1,501	3,818
(19)				0		0	0	0
121	(6)	(162)	36	0	18	30,475	14,662	45,137
101	(6)	130	51	0	(69)	31,707	14,524	46,231
							17,329	17,329
0	12	379			(109)	7,303	5,999	13,301
						(2,846)	(215)	(3,061)
						210	205	416
						1		1
						2,487	1,550	4,038
47	19	(661)	(20)	1	183	(3,947)	(2,275)	(6,222)
						(1,460)	(724)	(2,184)
0		0		(1)				
148	25	(153)	32	0	4	34,916	37,118	72,034

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	FY 2019
PROFIT (LOSS) BEFORE INCOME TAXES	2,116	2,442	5,501	6,178	7,260
Depreciation, amortization and impairment losses	7,508	4,256	18,876	12,811	17,663
(Profit) loss from financial activities	990	615	3,204	1,488	2,197
(Profit) loss on the disposal of fully consolidated subsidiaries	0	0	(9)	12	9
(Income) loss from the sale of stakes accounted for using the equity method	0	(142)	0	(143)	(143)
Other non-cash transactions	251	118	645	432	569
(Gains) losses from the disposal of intangible assets and property, plant and equipment	71	41	249	82	112
Change in assets carried as operating working capital	(859)	77	(1,220)	423	(814)
Change in other operating assets	(59)	(35)	(323)	(427)	(248)
Change in provisions	134	104	(128)	(292)	203
Change in liabilities carried as operating working capital	(1,085)	(519)	(2,960)	(945)	(440)
Change in other operating liabilities	(145)	(256)	38	207	(325)
Income taxes received (paid)	(332)	(176)	(406)	(546)	(758)
Dividends received	2	2	6	15	15
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	(17)	0	(2,207)	0	(3)
CASH GENERATED FROM OPERATIONS	8,577	6,528	21,266	19,294	25,297
Interest paid	(1,388)	(917)	(5,782)	(2,984)	(3,924)
Interest received	150	312	961	1,221	1,701
NET CASH FROM OPERATING ACTIVITIES	7,338	5,924	16,445	17,531	23,074
Cash outflows for investments in					
Intangible assets	(1,098)	(762)	(4,154)	(3,601)	(4,375)
Property, plant and equipment	(3,665)	(2,417)	(8,726)	(7,606)	(9,982)
Non-current financial assets	(150)	(276)	(525)	(355)	(417)
Payments for publicly funded investments in the broadband build-out ^a	(123)	(236)	(337)	(236)	(401)
Proceeds from public funds for investments in the broadband build-out ^a	76	106	152	106	341
Changes in cash and cash equivalents in connection with the acquisition of control of subsidiaries and associates	(1)	(29)	(4,649)	(277)	(261)
Proceeds from disposal of					
Intangible assets	0	0	2	0	0
Property, plant and equipment	48	26	175	108	176
Non-current financial assets	13	37	86	71	251
Changes in cash and cash equivalents in connection with the loss of control of subsidiaries and associates	1,085	(1)	1,106	31	62
Net change in short-term investments and marketable securities and receivables	(216)	665	1,574	1,523	376
Other	(17)	0	(6)	(2)	(1)
NET CASH USED IN INVESTING ACTIVITIES	(4,048)	(2,886)	(15,302)	(10,236)	(14,230)
Proceeds from issue of current financial liabilities	94	12	19,012	10,758	10,778
Repayment of current financial liabilities	(4,917)	(1,999)	(31,091)	(14,419)	(16,533)
Proceeds from issue of non-current financial liabilities	0	2,662	26,113	5,695	6,278
Repayment of non-current financial liabilities	0	(14)	(1,699)	(18)	(21)
Dividend payments (including to other shareholders of subsidiaries)	(193)	(152)	(3,067)	(3,561)	(3,561)
Principal portion of repayment of lease liabilities	(1,476)	(977)	(4,206)	(2,837)	(3,835)
Cash inflows from transactions with non-controlling entities	23	1	47	2	13
Cash outflows from transactions with non-controlling entities	(103)	(38)	(448)	(183)	(261)
Other	0	0	0	0	0
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(6,573)	(505)	4,661	(4,563)	(7,141)
Effect of exchange rate changes on cash and cash equivalents	(612)	35	(556)	51	11
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	0	0	0	0	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,895)	2,567	5,249	2,782	1,713
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	14,537	3,894	5,393	3,679	3,679
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	10,642	6,461	10,642	6,461	5,393

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

SIGNIFICANT EVENTS AND TRANSACTIONS

ACCOUNTING POLICIES

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

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended September 30, 2020 are in compliance with International Accounting Standard (IAS) 34. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements at December 31, 2019. All IFRSs applied by Deutsche Telekom AG have been adopted by the European Commission for use within the EU.

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

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

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

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

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

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

CHANGES IN ACCOUNTING POLICIES AND CHANGES IN THE REPORTING STRUCTURE

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

With effect from July 1, 2020, TC Services and Classified ICT, portfolio units previously assigned to the Systems Solutions operating segment, as well as Telekom Global Carrier (TGC) and Network Infrastructure (NWI), which had formerly been disclosed under the Europe operating segment and the Group Headquarters & Group Services segment respectively, and which together form the business area designated Deutsche Telekom Global Carrier (DTGC), have been combined in the Germany operating segment. Since then, the management of the Deutsche Telekom Group and hence also the reporting structure both have been based on this new segment allocation. As part of these transactions, the assets and liabilities assigned to the business areas were transferred to the Germany operating segment. Prior-year comparatives in the segments affected have been adjusted retrospectively in segment reporting. The transactions were consummated under company law on July 1, 2020 (TC Services and Classified ICT) and on October 1, 2020 (DTGC).

CORONAVIRUS PANDEMIC

The coronavirus pandemic has developed into a global economic crisis. Due to higher demand for certain telecommunications services, the impact of the crisis is being felt less severely by the telecommunications industry and Deutsche Telekom than by other industries. Business activities and thus the results of operations and financial position of Deutsche Telekom were impacted by the coronavirus pandemic in various business areas, affecting revenue and earnings, although not to any significant extent. Deutsche Telekom has put in place cost-saving measures to mitigate potential effects on earnings. At this time, we can report only very minor repercussions with respect to payment defaults and customer numbers. Even though there is still great uncertainty regarding the extent to which business activities and thus the results of operations and financial position of Deutsche Telekom could be affected overall in the future as the coronavirus pandemic unfolds, we expect, contrary to the forecasts published in the interim Group report as of June 30, 2020, that the Group's adjusted EBITDA AL and free cash flow AL will grow faster than previously expected in the 2020 financial year. Possible future effects on the measurement of individual assets and liabilities are being analyzed on an ongoing basis. Possible factors could include the introduction of new travel restrictions, the closure of Telekom Shops, disrupted supply chains, further declines in roaming and visitor volumes, falling terminal equipment sales, or a drop in the number of new contracts being taken out. In addition, corporate customer business may decline further, for example, due to delayed or changed customer decisions. The possibility of an increase in the number of consumers and business customers defaulting on their payments cannot be ruled out either.

Deutsche Telekom has implemented a performance management system that uses EBITDA AL adjusted for special factors to calculate and record earnings performance in order to be able to make statements about the future development of the results of operations. The process for recording these special factors makes it possible to identify the expenses caused by the coronavirus pandemic in the consolidated income statement. In the first nine months of 2020, total such expenses of EUR 0.4 billion were recorded. These expenses relate almost exclusively to the United States operating segment, where they were recorded under cost of materials, personnel costs, and other operating expenses. While the results of operations of the United States operating segment were affected in the first half of 2020 by expenses recognized as special factors in connection with the coronavirus pandemic, these expenses were immaterial in the third quarter of 2020.

For further information on the performance management system, please refer to the section "[Management of the Group](#)" in the combined management report of the 2019 Annual Report.

For further information on the development of (adjusted) EBITDA AL/special factors, please refer to the section "[Development of business in the Group](#)" in the Group management report.

CHANGES IN THE COMPOSITION OF THE GROUP

In the first nine months of 2020, Deutsche Telekom conducted the following transaction, which has an impact on the composition of the Group. Other changes to the composition of the Group not shown here were of no material significance for Deutsche Telekom's interim consolidated financial statements.

BUSINESS COMBINATION OF T-MOBILE US AND SPRINT

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

The business combination of T-Mobile US and Sprint was executed by means of a share exchange without a cash component (all-stock transaction). For every 9.75 Sprint shares held, the Sprint shareholders, with the exception of SoftBank, received one new share in T-Mobile US in return. Pursuant to the supplementary agreement dated February 20, 2020, SoftBank agreed to surrender to T-Mobile US immediately, for no additional consideration, an aggregate of 48,751,557 ordinary shares in T-Mobile US, received in connection with this transaction, such that SoftBank received one new share in T-Mobile US for every 11.31 Sprint shares. Taking these adjustments into account, a total of 373,396,310 new ordinary shares in T-Mobile US were issued to Sprint shareholders.

The preliminary consideration transferred is comprised as follows:

millions of €	Fair value at the acquisition date
T-Mobile US ordinary shares issued	28,649
+ Vested rights from share-based compensation plans	350
+ Contingent consideration paid to SoftBank	1,721
– Payment received in relation to cost allocation from SoftBank in connection with CPUC	(93)
= CONSIDERATION TRANSFERRED (PRELIMINARY)	30,627

Based on the closing T-Mobile US share price of USD 83.90 as of March 31, 2020 – which was the most recent publicly available closing price at the time of consummation – the total value of T-Mobile US ordinary shares issued in exchange for Sprint ordinary shares was USD 31.3 billion (EUR 28.6 billion). In addition, the consideration transferred included the replacement of share-based compensation for certain Sprint employees for services provided prior to the business combination and contingent consideration payable to SoftBank. The contingent consideration results from the agreement concluded on February 20, 2020 that if the trailing 45-day volume-weighted average price of the T-Mobile US ordinary share at any time during the period commencing on April 1, 2022 and ending on December 31, 2025 reaches or exceeds the value of USD 150.00, then T-Mobile US will issue to SoftBank for no additional consideration 48,751,557 ordinary shares, i.e., the number of shares that SoftBank surrendered to T-Mobile US in the course of the closing of the transaction. The Monte Carlo simulation method was used to measure the contingent consideration. The main inputs and assumptions are the volatility of 28.5 percent, the risk-free interest rate of 0.44 percent, the period for fulfillment of conditions, the 45-day volume-weighted average price per ordinary share of T-Mobile US, and the corresponding share price at the date of acquisition. Thus, the maximum value of the undiscounted contingent consideration equals the number of shares multiplied by the price at the time the contingency is met. The consideration transferred is reduced by a pro rata reimbursement of costs by SoftBank to Deutsche Telekom related to the fulfillment of closing conditions in connection with the CPUC. The financing structure was also reorganized in the course of combining the businesses of T-Mobile US and Sprint. Immediately after the transaction, liabilities of the former Sprint totaling USD 9.8 billion (around EUR 8.9 billion) were repaid, of which USD 7.4 billion (around EUR 6.8 billion) fell due pursuant to a binding change-in-control clause. The amounts repaid are included in current financial liabilities as of the date of consummation and are recognized, in the statement of cash flows as of September 30, 2020, under net cash used in investing activities (mandatory repayments) and net cash used in/from financing activities (optional repayments). Thus the total costs of the acquisition, including the mandatory repayment of financial liabilities as of the acquisition date, amounted to EUR 37.4 billion.

On completion of the transaction, Deutsche Telekom and SoftBank, indirectly and directly, held approximately 43.6 percent and 24.7 percent, respectively, and other shareholders approximately 31.7 percent of the shares in the “new” T-Mobile US. Due to a proxy agreement concluded with SoftBank and the fact that persons nominated by Deutsche Telekom hold a majority on the Board of Directors of the new company, T-Mobile US will continue to be included in the consolidated financial statements of Deutsche Telekom as a fully consolidated subsidiary.

The purchase price allocation and the measurement of Sprint's assets and liabilities at the acquisition date had not been finalized as of September 30, 2020. The preliminary fair values of Sprint's acquired assets and liabilities are presented in the following table:

millions of €	Fair value at the acquisition date
ASSETS	
CURRENT ASSETS	7,853
Cash and cash equivalents	2,024
Trade receivables	2,751
Contract assets	141
Other financial assets	205
Other assets	364
Current recoverable income taxes	21
Inventories	602
Non-current assets and disposal groups held for sale	1,745
NON-CURRENT ASSETS	86,352
Goodwill	8,407
Other intangible assets	51,123
Of which: FCC spectrum licenses	41,629
Of which: customer base	4,481
Of which: other	5,013
Property, plant and equipment	14,123
Right-of-use assets	6,286
Other financial assets	224
Deferred tax assets	5,977
Other assets	212
TOTAL ASSETS	94,205
LIABILITIES	
CURRENT LIABILITIES	18,764
Financial liabilities	11,912
Lease liabilities	1,669
Trade and other payables	2,939
Income tax liabilities	56
Other provisions	855
Contract liabilities	209
Other liabilities	690
Liabilities associated with assets and disposal groups held for sale	434
NON-CURRENT LIABILITIES	44,814
Financial liabilities	27,899
Lease liabilities	5,146
Provisions for pensions and other employee benefits	814
Other provisions	1,013
Deferred tax liabilities	9,863
Other liabilities	58
Contract liabilities	21
TOTAL LIABILITIES	63,578

The acquired intangible assets mainly comprise FCC spectrum licenses and customer relationships, which were measured at fair value in the amount of EUR 41,629 million and EUR 4,481 million, respectively. Spectrum licenses were measured using the greenfield method. Under the greenfield method, the value of the intangible asset is determined using a hypothetical cash flow scenario. The scenario projects the development of an entity's operating business on the assumption that the entity owns only this intangible asset at inception. FCC spectrum licenses have an indefinite useful life. The multi-period excess earnings method was used to measure customer relationships. Under this method, the fair value of the customer base is calculated by determining the present value of earnings after tax attributable to existing customers. The expected useful life of customer relationships is eight years on average. Other intangible assets include, among other things, fixed-term spectrum leases, the measurement of which includes the contractual payment obligations and also reflects the extent to which contractual terms are favorable compared to current market values. The measurement and hence also the determination of useful lives requires a detailed analysis of a large number of individual agreements, which has not yet been finalized.

The fair value of the acquired trade and other receivables amounts to EUR 2,751 million. The gross amount of trade receivables totals EUR 2,903 million, of which EUR 152 million is expected to be bad debt.

The preliminary acquired goodwill of EUR 8,407 million to be recognized in Deutsche Telekom's consolidated statement of financial position is calculated as follows:

millions of €	Fair value at the acquisition date
Consideration transferred	30,627
– Fair value of assets acquired	85,798
+ Fair value of the liabilities recognized	63,578
= GOODWILL	8,407

Non-controlling interests participated fully in the transaction by means of the share exchange. As a result of the issuance of T-Mobile US ordinary shares to the former Sprint shareholders, the total non-controlling interest increased. The preliminary carrying amount of the cumulative non-controlling interests in T-Mobile US was calculated on the basis of the revalued interests in the shareholders' equity of T-Mobile US and was EUR 34.7 billion as of April 1, 2020 (December 31, 2019: EUR 11.0 billion) based on the preliminary purchase price allocation. Since the shares issued to the former Sprint shareholders as part of the share exchange are measured at fair value, the full goodwill method was applied. The goodwill calculated using this method comprises the value of synergies anticipated in connection with the acquisition, expected new customer additions, and the combined workforce. No part of the recognized goodwill is deductible for income tax purposes.

Transaction-related costs totaling EUR 0.2 billion were incurred in the Group in the first nine months of 2020 (in the 2019 financial year: EUR 0.1 billion). These mainly comprised legal and consulting fees and are included under other operating expenses.

Deutsche Telekom's net revenue increased by EUR 12.7 billion in the reporting period due to the business combination of T-Mobile US and Sprint. Net profit for the reporting period includes Sprint's profit before income tax and before non-controlling interests of EUR 0.6 billion. If the business combination had taken place at the beginning of the 2020 financial year, net revenue and consolidated profit before non-controlling interests would have been respectively EUR 5.6 billion and EUR 0.3 billion higher than reported. These effects are based on estimates and they neither represent the actual consolidated figures of the Group if the transaction had taken place on January 1, 2020, nor do they project the future consolidated results of operations.

On July 26, 2019, T-Mobile US, Deutsche Telekom, Sprint, SoftBank, and the U.S. satellite TV operator DISH Network Corp. entered into an agreement, subject to specific conditions, with the U.S. Department of Justice (DoJ), which is material for the future structure of the new T-Mobile US. Under this agreement, following the consummation of the business combination of T-Mobile US and Sprint, Sprint's prepaid business was sold as part of an asset deal to DISH for around USD 1.4 billion (EUR 1.2 billion), taking into account provisional working capital purchase price adjustments. The transaction was consummated on July 1, 2020. The agreement also includes the sale of part of the 800 MHz spectrum held by Sprint to DISH for approximately USD 3.6 billion. The sale of the spectrum is subject to approval by the regulatory authority, to be applied for after three years following the closing of the business combination of T-Mobile US and Sprint, and to additional closing conditions. For two additional years following the closing of the spectrum sale, T-Mobile US will have the option to lease back, as needed, a portion of the spectrum.

On June 22, 2020, SoftBank and Deutsche Telekom agreed that SoftBank is permitted to sell 198,314,426 ordinary shares of T-Mobile US with a total value of more than USD 20 billion. The agreement ensures that Deutsche Telekom retains control of T-Mobile US. SoftBank's share is therefore reduced to approximately 8 percent. In return, Deutsche Telekom receives call options from SoftBank on a total of 101,491,623 ordinary shares of T-Mobile US, which can be exercised until June 22, 2024. The subsequent sales of the shares held by SoftBank reduced the proportion of T-Mobile US shares for which Deutsche Telekom can exercise voting rights to around 52.5 percent as of August 5, 2020.

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

Sprint is party to a variety of agreements with Shenandoah Personal Communications Company (Shentel), pursuant to which Shentel is the exclusive provider of Sprint wireless mobility communications network products in certain parts of several U.S. states that are home to approximately 1.1 million subscribers. Pursuant to one such agreement, Sprint was granted an option to purchase Shentel's wireless telecommunications assets. On August 26, 2020, Sprint exercised its option by delivering a binding notice of exercise to Shentel. The purchase price for the Shentel wireless telecommunications assets to be purchased by Sprint will be determined through the appraisal process prescribed in the agreement. We expect the appraisal process to be completed in the first quarter of 2021.

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

AGREED ACQUISITION OF SIMPEL

On October 16, 2020, T-Mobile Netherlands Holding B.V. signed an agreement for the acquisition of 100 percent of the shares in the Dutch MVNO and SIM provider Simpel.nl B.V. Simpel sells SIM-only subscriptions through its own website and currently has around 1 million customers. It has been using the T-Mobile NL network since 2014. The transaction is expected to be closed in the first half of 2021, following approval by the responsible antitrust authority.

AGREED SALE OF TELEKOM ROMANIA COMMUNICATIONS

On November 6, 2020, OTE concluded an agreement with Orange Romania concerning the sale of the 54 percent stake in Telekom Romania Communications S.A., which operates the Romanian fixed-network business, to Orange Romania for a purchase price of EUR 268 million. The transaction is subject to approval by the authorities as well as other closing conditions.

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

OTE SHARE BUY-BACK

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

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

TRADE RECEIVABLES

At EUR 13.0 billion, trade receivables increased by EUR 2.1 billion against the 2019 year-end level. EUR 2.8 billion of this increase is attributable to the inclusion of Sprint. Excluding this effect, receivables in the United States operating segment declined, mainly due to the marketing of lower-priced terminal equipment in connection with new contracts under the Equipment Installment Plan (EIP) and coronavirus-induced higher bad debt allowances. In the Germany operating segment, receivables increased as a result of the contractual termination of a revolving factoring agreement for receivables from consumers and business customers. In the other operating segments, receivables declined slightly overall. Exchange rate effects, primarily from the translation from U.S. dollars into euros, also reduced the carrying amounts.

CONTRACT ASSETS

At EUR 1.9 billion as of the reporting date, the carrying amount of contract assets remained unchanged against December 31, 2019. The Sprint assets recognized in connection with the business combination resulted in an increase of EUR 0.1 billion. Exchange rate effects, mainly from the translation from U.S. dollars into euros, had an offsetting effect. Contract assets relate to receivables that have not yet legally come into existence, which arise from the earlier – as compared to billing – recognition of revenue, in particular from the sale of goods and merchandise. Furthermore, receivables from long-term construction contracts are recognized under contract assets.

INVENTORIES

The carrying amount of inventories increased by EUR 0.8 billion compared to December 31, 2019 to EUR 2.3 billion, mainly on account of the inventories of Sprint transferred in connection with the business combination.

INTANGIBLE ASSETS

The carrying amount of intangible assets increased by EUR 52.7 billion to EUR 120.9 billion, primarily due to the following effects: Effects from changes in the composition of the Group of EUR 59.7 billion in connection with the acquisition of Sprint contributed to this increase, which also includes preliminary goodwill arising from the transaction of EUR 8.4 billion. Additions of EUR 4.6 billion also increased the carrying amount. They mainly related to investments in the United States, Europe, and Germany operating segments, primarily for the development of network software. This also includes, in the United States operating segment, FCC spectrum licenses of EUR 1.0 billion – primarily acquired at a spectrum auction that ended in March 2020 – and in the Group Development and Europe operating segments, spectrum licenses totaling EUR 0.5 billion – mainly in the Netherlands and Hungary. Amortization of EUR 4.7 billion, negative exchange rate effects of EUR 6.1 billion, mainly from the translation of U.S. dollars into euros, and disposals of EUR 0.2 billion, primarily from the derecognition of billing software for postpaid customers in the United States, which was still in development, reduced the carrying amount. Due to the migration of Sprint contract customers to the T-Mobile US billing software, it was decided that this software was not suitable for the joint customer base and would not be put into operation. In addition, the following impairment losses reduced the carrying amount of intangible assets by a total of EUR 0.5 million:

As part of the realignment of the B2B telecommunications business, the assets and liabilities assigned to the relevant business areas were transferred to the Germany operating segment, primarily from the Systems Solutions and Europe operating segments. In the process, the goodwill allocated to the Systems Solutions cash-generating unit was re-allocated in full to the telecommunications business being transferred. The realignment of the B2B telecommunications business in combination with the effects of the coronavirus pandemic triggered ad hoc impairment testing of the assets assigned to the Systems Solutions cash-generating unit, which identified a reduction in the business outlook for IT operations. The result was the recognition of an impairment loss of EUR 470 million on non-current assets of the Systems Solutions cash-generating unit. The recoverable amount – determined as fair value less costs of disposal – was calculated at EUR -976 million, which is EUR 1,428 million lower than the carrying amount of the Systems Solutions cash-generating unit. The fair values of the individual assets were set as the lower limit for the amount of the impairment loss. EUR 299 million of the impairment loss recognized in the Systems Solutions operating segment related to intangible assets, and EUR 127 million to property, plant and equipment. Another EUR 44 million related to intangible assets in the Group Headquarters & Group Services segment that are subject to use by the Systems Solutions operating segment and are allocated to the Systems Solutions cash-generating unit for the purposes of impairment testing. An external expert opinion was obtained to determine the fair values of the individual assets. The value was calculated using Level 3 input parameters. A discount rate of 4.32 percent was used.

For further information on the realignment of the B2B telecommunications business, please refer to the section [“Segment reporting.”](#)

An ad hoc impairment test was also conducted at the Romania cash-generating unit, which is assigned to the Europe operating segment. The unit comprises the asset-carrying entities Telekom Romania Communications S.A. (TKR), which operates the Romanian fixed-network business, and Telekom Romania Mobile Communications S.A. (TKRM), which operates the Romanian mobile business. Even though these two entities are essentially independent companies, each with their own commercial focus, the planned sale of the fixed-network business has economic and strategic implications for the mobile business in Romania, which will remain in the Deutsche Telekom Group. For example, in the future, there will be no MVNO agreement between the two entities allowing TKR to offer FMC products to its own fixed-network customers. Furthermore, terminal equipment revenues that TKRM currently generates from sales to TKR as well as synergies arising from current joint procurement and sales activities will no longer be realized; at present, the two entities share shops, for example. Consequently, an ad hoc impairment test was conducted on TKRM's assets, which resulted in the recognition of an impairment loss of EUR 160 million on TKRM's non-current assets. The recoverable amount – determined as fair value less costs of disposal – was calculated at EUR 171 million, which is EUR 160 million lower than the carrying amount of TKRM. EUR 128 million of the impairment loss related to intangible assets and EUR 32 million to property, plant and equipment. An expert opinion was obtained to determine the fair values of the individual assets. The value was calculated using Level 3 input parameters. A discount rate of 7.78 percent was used. No goodwill remained at the Romania cash-generating unit.

In the Romanian fixed-network business, the sale of TKR, planned since October 2020, resulted in a reversal of impairment losses recognized in the past on property, plant and equipment of EUR 50 million. The recoverable amount was calculated at EUR 242 million, which is EUR 50 million higher than the carrying amount of TKR. The observable market price (Level 1 input parameter) was used to determine the recoverable amount. The reversal of impairment losses was recognized as other operating income.

PROPERTY, PLANT AND EQUIPMENT

The carrying amount of property, plant and equipment increased by EUR 12.0 billion to EUR 61.6 billion compared with December 31, 2019, primarily due to the following effects: Effects from changes in the composition of the Group in connection with the acquisition of Sprint contributed EUR 14.1 billion to this increase. Additions of EUR 10.3 billion to upgrade and build out the network in our United States operating segment and in connection with the broadband/fiber-optic build-out, the IP transformation, and mobile infrastructure in the Germany and Europe operating segments also increased the carrying amount. Depreciation and amortization of EUR 9.8 billion and negative exchange rate effects of EUR 1.7 billion, especially from the translation of U.S. dollars into euros, lowered the carrying amount. Disposals of EUR 1.1 billion and impairment losses EUR 0.2 billion also reduced the carrying amount. The impairment losses were recognized in connection with the aforementioned ad hoc impairment tests.

RIGHT-OF-USE ASSETS

The carrying amount of right-of-use assets increased by EUR 13.8 billion compared to December 31, 2019 to EUR 31.8 billion, mainly due to the following effects. The change in the composition of the Group in connection with the business combination of T-Mobile US and Sprint contributed EUR 6.3 billion to this increase. Additions of EUR 12.8 billion, mainly in the United States operating segment, also increased the carrying amount. On September 14, 2020, T-Mobile US and American Tower signed an agreement on the lease and use of cell sites. The agreement updates the existing agreements with American Tower. The agreement gives T-Mobile US greater flexibility in the course of merging the mobile networks of T-Mobile US and Sprint and building out the 5G network. The agreement primarily provides for a contract extension until April 30, 2035 and modifies the lease payments for approximately 20,729 existing cell sites. Ultimately, the lease modification results in an increase in the carrying amount of the right-of-use assets and the lease liabilities by EUR 9.4 billion in each case. By contrast, depreciation of EUR 3.7 billion, negative exchange rate effects of EUR 0.9 billion, and disposals of EUR 0.3 billion decreased the carrying amount.

CAPITALIZED CONTRACT COSTS

As of September 30, 2020, the carrying amount of capitalized contract costs was up by EUR 0.1 billion against the level of December 31, 2019, to EUR 2.1 billion. These assets mainly relate to the Germany, United States, and Europe operating segments.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

OTHER FINANCIAL ASSETS

The carrying amount of current and non-current other financial assets increased by EUR 2.0 billion compared with December 31, 2019 to EUR 9.3 billion. The acquisition of Sprint resulted in an increase of EUR 0.4 billion as of the date of first-time consolidation. Under derivative financial assets, the carrying amount of derivatives without a hedging relationship increased by EUR 0.7 billion to EUR 1.6 billion, mainly in connection with new additions of embedded derivatives and embedded derivatives assumed in connection with the acquisition of Sprint at T-Mobile US, including their subsequent measurement and the subsequent measurement of the stock options to buy shares in T-Mobile US received from SoftBank in June 2020. The carrying amount of derivatives with a hedging relationship increased by EUR 1.3 billion to EUR 2.7 billion, mainly due to the increase in positive fair values from interest rate swaps in fair value hedges, which is primarily the result of a significant decline in the interest rate level. In addition, other financial assets increased by EUR 0.4 billion in connection with grants receivable from funding projects for the broadband build-out in Germany. In connection with cash collateral, in particular in connection with forward-payer swaps concluded for borrowings at T-Mobile US, which were terminated prematurely in April 2020, the carrying amount of other financial assets decreased by EUR 0.5 billion.

FINANCIAL LIABILITIES AND LEASE LIABILITIES

The following table shows the composition and maturity structure of **financial liabilities** as of September 30, 2020:

millions of €	Sept. 30, 2020	Due within 1 year	Due >1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	86,758	3,952	26,707	56,098
Liabilities to banks	4,893	2,207	1,615	1,071
Liabilities to non-banks from promissory note bonds	495	0	53	442
Liabilities with the right of creditors to priority repayment in the event of default	4,267	978	2,401	888
Other interest-bearing liabilities	8,899	3,565	1,625	3,710
Other non-interest-bearing liabilities	1,804	1,672	137	(4)
Derivative financial liabilities	739	45	282	412
FINANCIAL LIABILITIES	107,856	12,419	32,820	62,617

The carrying amount of current and non-current financial liabilities increased by EUR 41.5 billion to EUR 107.9 billion compared with the end of 2019. This increase is mainly attributable to the first-time consolidation of Sprint following the consummation of the business combination with T-Mobile US. Exchange rate effects, in particular from the translation of U.S. dollars into euros, lowered the carrying amount by EUR 4.1 billion.

The first-time consolidation of Sprint as of April 1, 2020 increased the carrying amount of financial liabilities by a total of EUR 39.8 billion. The financing structure was also reorganized in the course of the business combination. Immediately after the transaction, liabilities of the former Sprint totaling USD 9.8 billion (EUR 8.9 billion) were repaid, of which USD 7.4 billion (EUR 6.8 billion) fell due pursuant to a binding change-in-control clause.

In connection with the business combination with Sprint, on April 1, 2020, the “new” T-Mobile US drew down on a bridge loan facility agreed with a total of 16 banks with a total volume of USD 19 billion (EUR 17.3 billion). In connection with the financing provided with this bridge loan facility, fees of USD 0.4 billion (EUR 0.3 billion) were paid to the banks. Additionally, T-Mobile US raised a new term loan of USD 4 billion (EUR 3.7 billion) on April 1, 2020. The loan facilities were used, among other things, for the early repayment of intragroup loan liabilities to Deutsche Telekom AG and to refinance debt of the former Sprint. Senior secured notes, issued on April 9, 2020 for a total of USD 19 billion (EUR 17.3 billion), with terms of between 5 and 30 years and bearing interest of between 3.500 and 4.500 percent, were used to repay the bridge loan facility. On June 24, 2020, T-Mobile US issued senior secured notes with a total volume of USD 4 billion (EUR 3.6 billion) with terms of between 6 and 11 years and bearing interest of between 1.500 and 2.550 percent. These notes were used to repay intragroup loans and refinance high-yield bonds issued by the former Sprint. On July 4, 2020, T-Mobile US prematurely redeemed the USD 1.0 billion (EUR 0.9 billion) aggregate principal amount of a 6.500 percent senior note originally due in 2024. On August 15, 2020, T-Mobile US repaid a senior note on schedule with a nominal volume of USD 1.5 billion (EUR 1.3 billion) with a term of 8 years and bearing interest of 7.000 percent. On September 1, 2020, the USD 1.7 billion (EUR 1.4 billion) aggregate principal amount of another 6.375 percent senior note, originally due in 2025, was prematurely redeemed.

The carrying amount was also increased by bonds issued by Deutsche Telekom AG in the first quarter of 2020: a U.S. dollar bond of USD 1.3 billion (EUR 1.1 billion), a euro bond of EUR 0.2 billion, and a bond in Swiss francs of CHF 0.3 billion (EUR 0.3 billion).

Scheduled repayments in the Group of U.S. dollar bonds totaling USD 1.3 billion (EUR 1.2 billion), euro bonds totaling EUR 2.6 billion, and a zero-coupon bond of EUR 0.4 billion, had an offsetting effect in the reporting period. In addition, as part of the liabilities management in the Group, early repayments were made on euro bonds and U.S. dollar bonds of Deutsche Telekom International Finance B.V. which fall due in 2021 and 2022. These repayments took the form of partial buybacks totaling EUR 0.8 billion and USD 1.4 billion (EUR 1.3 billion) respectively.

The carrying amount of liabilities to banks decreased by EUR 1.6 billion compared with December 31, 2019 to EUR 4.9 billion. This decline is mainly due to the net reduction of EUR 1.4 billion in the balance of short-term borrowings. This includes a Deutsche Bundespost treasury note (zero-coupon bond) issued in the past with a carrying amount of EUR 1.4 billion, which fell due on December 31, 2019 and was repaid on that date by a bank using its own funds. The payment by Deutsche Telekom AG to this bank was made on the following bank working day of January 2, 2020.

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

The liabilities with right of creditors to priority repayment in the event of default of EUR 4.3 billion (December 31, 2019: EUR 0.0 billion) relate primarily to bonds issued by Sprint for which spectrum licenses and cash and cash equivalents were provided as collateral.

The carrying amount of other interest-bearing liabilities increased by EUR 4.5 billion compared with December 31, 2019 to EUR 8.9 billion. The acquisition of Sprint resulted in an increase of EUR 3.6 billion in the carrying amount of non-current other interest-bearing liabilities as of the date of first-time consolidation. The carrying amount of other interest-bearing liabilities increased by a total of EUR 1.2 billion in connection with collateral received for derivative financial instruments.

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

The carrying amount of derivative financial liabilities decreased by EUR 0.9 billion in total to EUR 0.7 billion, mainly due to the decline of EUR 1.0 billion from the premature termination of forward-payer swaps by T-Mobile US at the start of April 2020. These forward-payer swaps with a nominal value of EUR 8.8 billion when translated into euros were concluded for borrowings at T-Mobile US and designated as cash flow hedges in effective hedging relationships. By the date of termination, they gave rise to a remeasurement loss recognized directly in equity in the reporting period of EUR 0.9 billion. The secured term loan was raised on April 1, 2020.

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

The carrying amount of current and non-current **lease liabilities** increased by EUR 14.0 billion to EUR 33.9 billion compared with December 31, 2019, primarily due to the following effects. EUR 6.8 billion of the increase resulted from the inclusion of Sprint in the United States operating segment, to which the majority of the lease liabilities relate. The carrying amount also increased by EUR 9.4 billion as a result of the lease modification to existing leases that T-Mobile US concluded with American Tower. Exchange rate effects, in particular from the translation of U.S. dollars into euros, lowered the carrying amount by EUR 1.0 billion. Overall, lease liabilities in the amount of EUR 5.1 billion are due within one year.

For more information on the agreement between T-Mobile US and American Towers, please refer to the section [“Right-of-use assets.”](#)

TRADE AND OTHER PAYABLES

The carrying amount of trade and other payables decreased by EUR 1.1 billion to EUR 8.3 billion, due in particular to lower liabilities to terminal equipment vendors and declines in liabilities for purchased services in the United States operating segment. Liabilities also decreased in the other operating segments. Exchange rate effects, especially from the translation from U.S. dollars into euros, also decreased the carrying amount. The inclusion of Sprint increased the carrying amount by EUR 2.9 billion.

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

The carrying amount of provisions for pensions and other employee benefits increased from EUR 5.8 billion as of December 31, 2019 to EUR 8.5 billion, mainly due to a decline in the prices of plan assets and interest rate adjustments. All this resulted in an actuarial loss of EUR 1.9 billion to be recognized directly in equity. In addition, the carrying amount increased by EUR 0.8 billion due to the change in the composition of the Group in connection with the business combination of T-Mobile US and Sprint.

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

CURRENT AND NON-CURRENT OTHER PROVISIONS

The carrying amount of current and non-current other provisions increased by EUR 1.8 billion compared with the end of 2019 to EUR 8.5 billion. EUR 1.9 billion of this related to the business combination of T-Mobile US and Sprint alone.

OTHER LIABILITIES

The carrying amount of current and non-current other liabilities increased by EUR 1.1 billion to EUR 5.9 billion. The inclusion of Sprint resulted in an increase of EUR 0.7 billion. In addition, other liabilities increased by EUR 0.3 billion due to existing build-out obligations in connection with grants receivable from funding projects for the broadband build-out in the Germany operating segment.

CONTRACT LIABILITIES

The carrying amount of current and non-current contract liabilities was at the same level as at December 31, 2019 of EUR 2.1 billion. These mainly comprise deferred revenues. The inclusion of Sprint resulted in an increase in the carrying amount of EUR 0.2 billion.

SHAREHOLDERS' EQUITY

The carrying amount of shareholders' equity increased from EUR 46.2 billion as of December 31, 2019 to EUR 72.0 billion. The business combination of T-Mobile US and Sprint, consummated on April 1, 2020, resulted in changes in the composition of the Group that increased shareholders' equity by EUR 17.3 billion, and transactions with owners that increased shareholders' equity by EUR 13.4 billion as of the date of first-time consolidation (including a payment received in relation to a cost allocation from SoftBank in connection with CPUC). Profit of EUR 4.0 billion and capital increases from share-based payments of EUR 0.4 billion also increased the carrying amount. Shareholders' equity was reduced in connection with dividend payments for the 2019 financial year to Deutsche Telekom AG shareholders in the amount of EUR 2.8 billion and to other shareholders of subsidiaries in the amount of EUR 0.2 billion. Other comprehensive income also reduced shareholders' equity by EUR 6.2 billion. The main factors in this negative other comprehensive income were the currency translation effects recognized directly in equity (EUR 3.9 billion), the remeasurement of defined benefit plans (EUR 1.9 billion), and losses from hedging instruments, mainly from forward-payer swaps concluded for borrowings at T-Mobile US, which were terminated prematurely in April 2020 and for which the cumulative changes in value must be reversed over the terms of the loans (EUR 1.0 billion). By contrast, income taxes relating to components of other comprehensive income of EUR 0.4 billion had a positive impact on other comprehensive income.

Primarily as a result of the business combination of T-Mobile US and Sprint, the share of consolidated shareholders' equity attributable to non-controlling interests increased from EUR 14.5 billion to EUR 37.1 billion. The following table shows the development of transactions with owners and the change in the composition of the Group in the statement of changes in equity:

	Sept. 30, 2020			Dec. 31, 2019		
	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Changes in the composition of the Group	0	17,329	17,329	0	239	239
Acquisition of Sprint	0	17,331	17,331	0	0	0
Acquisition of Tele2 Netherlands	0	0	0	0	239	239
Other effects	0	(2)	(2)	0	0	0
Transactions with owners	7,259	6,042	13,301	73	340	413
Acquisition of Sprint	7,474	5,915	13,389	0	0	0
Acquisition of Tele2 Netherlands	0	0	0	293	226	519
Magyar Telekom share buy-back	(9)	(6)	(15)	0	0	0
OTE share buy-back	(29)	(76)	(105)	(29)	(81)	(110)
Hrvatski Telekom share buy-back	5	(15)	(10)	0	0	0
Capital restructuring, Romania	0	0	0	(51)	51	0
Other effects	(182)	224	42	(140)	144	4

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

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

NET REVENUE

Net revenue breaks down into the following revenue categories:

millions of €	Q1-Q3 2020	Q1-Q3 2019
Revenue from the rendering of services	59,016	48,645
Germany	14,903	14,722
United States	33,559	23,179
Europe	7,023	7,165
Systems Solutions	2,320	2,416
Group Development	1,156	1,112
Group Headquarters & Group Services	55	51
Revenue from the sale of goods and merchandise	10,669	9,001
Germany	1,447	1,582
United States	7,875	6,039
Europe	1,019	1,042
Systems Solutions	54	74
Group Development	275	264
Group Headquarters & Group Services	0	0
Revenue from the use of entity assets by others	3,691	1,524
Germany	610	614
United States	2,589	410
Europe	160	165
Systems Solutions	42	35
Group Development	202	206
Group Headquarters & Group Services	89	93
NET REVENUE	73,377	59,169

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

OTHER OPERATING INCOME

millions of €	Q1-Q3 2020	Q1-Q3 2019
Income from the reversal of impairment losses on non-current assets	52	6
Income from the disposal of non-current assets	105	46
Income from reimbursements	105	106
Income from insurance compensation	52	73
Income from ancillary services	16	18
Miscellaneous other operating income	744	596
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	9	143
	1,073	846

Income from the reversal of impairment losses on non-current assets included a reversal of EUR 50 million on property, plant and equipment in the Europe operating segment. This arose in connection with the sale of the Romanian fixed-network business, which has been planned since October 2020. Miscellaneous other operating income includes a structuring fee from SoftBank of EUR 0.3 billion, which T-Mobile US received in return for support in the immediate sale by SoftBank of T-Mobile US shares. The prior-year period included income from the divestitures of shares accounted for using the equity method as a result of the transfer on August 14, 2019 of the 11.34 percent stake in Ströer SE & Co. KGaA to Deutsche Telekom Trust e.V. as plan assets. In addition, miscellaneous other operating income includes a large number of individual items accounting for marginal amounts.

For further information on the ad hoc reversal of impairment losses, please refer to the section "[Selected notes to the consolidated statement of financial position](#)."

OTHER OPERATING EXPENSES

millions of €		
	Q1-Q3 2020	Q1-Q3 2019
Impairment losses on financial assets	(671)	(268)
Gains (losses) from the write-off of financial assets measured at amortized cost	(137)	(39)
Other	(2,578)	(1,975)
Legal and audit fees	(417)	(224)
Losses from asset disposals	(354)	(128)
Income (losses) from the measurement of factoring receivables	(5)	(109)
Other taxes	(388)	(342)
Cash and guarantee transaction costs	(359)	(259)
Insurance expenses	(88)	(73)
Miscellaneous other operating expenses	(968)	(840)
	(3,386)	(2,282)

The increase in impairment losses on financial assets is mainly attributable to impairment losses on customer receivables due to lowered credit ratings as a consequence of the coronavirus pandemic in the United States operating segment. Expenses for legal and audit fees increased, mainly in connection with the business combination of T-Mobile US and Sprint. Losses from asset disposals of EUR 0.2 billion resulted from the derecognition of billing software for postpaid customers in the United States, which was still in development. Due to the migration of Sprint contract customers to the T-Mobile US billing software, it was decided that this software was not suitable for the joint customer base and would not be put into operation. Miscellaneous other operating expenses include a large number of individual items accounting for marginal amounts.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

At EUR 18.9 billion, depreciation, amortization and impairment losses on intangible assets, property, plant and equipment, and right-of-use assets were EUR 6.1 billion higher overall in the first three quarters of 2020 than in the prior-year period. Depreciation of property, plant and equipment increased by EUR 3.2 billion and amortization of intangible assets by EUR 1.2 billion. Depreciation of right-of-use assets increased by EUR 1.0 billion. These increases are all largely due to Sprint, which has been included since April 1, 2020. In the United States operating segment, a reduction in the useful life of leased network technology for cell sites following the business combination of T-Mobile US and Sprint increased depreciation of the corresponding right-of-use assets by EUR 0.1 billion. Impairment losses increased by EUR 0.1 billion year-on-year to EUR 0.7 billion. EUR 0.5 billion of this increase resulted from an ad hoc impairment test of assets assigned to the Systems Solutions cash-generating unit and relate to intangible assets and property, plant and equipment in the Systems Solutions operating segment and in the Group Headquarters & Group Services segment. EUR 0.2 billion of this resulted from another ad hoc impairment test of the assets assigned to the Romania cash-generating unit. This also relates to intangible assets and property, plant and equipment.

For further information on the ad hoc impairment testing, please refer to the section "[Selected notes to the consolidated statement of financial position.](#)"

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

In the first three quarters of 2020, the loss from financial activities increased by EUR 1.7 billion year-on-year to EUR 3.2 billion. This increase is primarily due to a EUR 1.3 billion increase in finance costs to EUR 3.1 billion, mainly due to the financial liabilities recognized and the restructuring begun in connection with the acquisition of Sprint and the related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility. Other financial income decreased by EUR 0.3 billion year-on-year to an expense of EUR 0.1 billion, due, among other factors, to an increase of EUR 0.2 billion in interest expense from the measurement of provisions and liabilities. Gains/losses from financial instruments also decreased year-on-year by EUR 0.1 billion, partly due to measurement effects in connection with derivatives. Overall, the share of profit/loss of associates and joint ventures accounted for using the equity method was down EUR 0.1 billion on the prior-year period.

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

INCOME TAXES

In the first three quarters of 2020, a tax expense of EUR 1.5 billion was recorded. The effective tax rate of 27 percent essentially reflects the shares of the different countries in profit before income taxes and their respective national tax rates. In the prior-year period, a tax expense of EUR 1.7 billion was recorded. The higher tax expense was attributable to a higher profit before income taxes.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities decreased by EUR 1.1 billion year-on-year to EUR 16.4 billion. This decline relates in part to the repayment of a Deutsche Bundespost treasury note (zero-coupon bond) issued by Deutsche Telekom AG in 1990 with a nominal amount of EUR 0.2 billion, which fell due on December 31, 2019 and was repaid on that date by a bank using its own funds. The payment by Deutsche Telekom AG to this bank was made on the following bank working day of January 2, 2020. The interest portion amounted to EUR 1.2 billion. In addition, the repayment of EUR 0.4 billion in the reporting period for another zero-coupon bond also had a negative impact. The interest portion amounted to EUR 0.4 billion. Net cash from operating activities was also negatively impacted in the amount of EUR 2.2 billion in the reporting period as a result of the premature termination of forward-payer swaps for borrowings raised at T-Mobile US. Excluding these effects, higher (net) interest payments, which were up by EUR 1.5 billion, had a negative impact on net cash from operating activities, mainly due to the financial liabilities recognized and the restructuring begun in connection with the acquisition of Sprint and the related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility. Income tax payments decreased by EUR 0.1 billion compared with the prior-year period. Factoring agreements of EUR 0.6 billion had a negative impact on net cash from operating activities in the reporting period, mainly as a result of the contractual termination of a revolving factoring agreement in the Germany operating segment. In the prior-year period, factoring agreements had had a positive effect of EUR 0.3 billion. The sustained strong performance of the operating segments, especially in the United States, and the inclusion of Sprint had an increasing effect on net cash from operating activities.

NET CASH USED IN INVESTING ACTIVITIES

millions of €	Q1-Q3 2020	Q1-Q3 2019
Cash capex		
Germany operating segment	(2,914)	(3,391)
United States operating segment	(7,131)	(5,314)
Europe operating segment	(1,431)	(1,295)
Systems Solutions operating segment	(163)	(219)
Group Development operating segment	(566)	(291)
Group Headquarters & Group Services	(693)	(730)
Reconciliation	18	32
	(12,880)	(11,206)
Payments for publicly funded investments in the broadband build-out ^a	(337)	(236)
Proceeds from public funds for investments in the broadband build-out ^a	152	106
Net cash flows for collateral deposited and hedging transactions	1,564	1,485
Changes in cash and cash equivalents in connection with the consummated business combination of T-Mobile US and Sprint	(4,647)	0
Of which: cash and cash equivalents acquired from Sprint ^b	2,117	0
Of which: repayment of Sprint loans pursuant to change-in-control clause	(6,764)	0
Changes in cash and cash equivalents associated with the sale of Sprint's prepaid business to DISH ^c	1,085	0
Changes in cash and cash equivalents in connection with the loss of control of subsidiaries and associates	21	31
Cash outflows for the acquisition of shares in Tele2 Netherlands ^d	0	(230)
Proceeds from the disposal of property, plant and equipment, and intangible assets	176	108
Allocation under the contractual trust agreement (CTA) for long-term accounts and phased retirement	(166)	(30)
Payment in relation to settlement reached in Toll Collect arbitration proceedings	0	(200)
Other	(270)	(64)
	(15,302)	(10,236)

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

^b Also includes a payment of EUR 93 million received in relation to a cost allocation from SoftBank in connection with CPUC.

^c Of the overall purchase price payment of EUR 1,221 million, EUR 136 million was recognized under net cash from/used in financing activities. This related to receivables from customers in connection with the Equipment Installment Plan in Sprint's sold prepaid business.

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

At EUR 12.9 billion, cash capex was EUR 1.7 billion higher than in the prior-year period. In the United States segment, FCC mobile licenses were acquired in the reporting period for a total of EUR 1.0 billion; the Europe and Group Development segments each acquired mobile spectrum licenses in the amount of EUR 0.2 billion, respectively, in the same period. The prior-year figure included EUR 1.2 billion for the acquisition of mobile spectrum licenses, which primarily related to the United States operating segment. Excluding investments in mobile spectrum licenses, cash capex was up EUR 1.5 billion year-on-year. This change was primarily attributable to an increase of EUR 1.8 billion in the United States operating segment on account of the inclusion of Sprint and as a result of the further expansion of the 5G network, as well a contrasting decline of EUR 0.4 billion in the Germany operating segment.

NET CASH FROM/USED IN FINANCING ACTIVITIES

millions of €	Q1-Q3 2020	Q1-Q3 2019
Repayment of bonds	(8,783)	(1,564)
Dividend payments (including to other shareholders of subsidiaries)	(3,067)	(3,561)
Repayment of financial liabilities from financed capex and opex	(324)	(270)
Repayment of EIB loans	(193)	(260)
Net cash flows for collateral deposited and hedging transactions	(4)	86
Principal portion of repayment of lease liabilities	(4,206)	(2,837)
Repayment of financial liabilities for media broadcasting rights	(270)	(277)
Cash flows from continuing involvement factoring, net	(77)	(11)
Loans taken out with the EIB	0	500
Promissory notes, net	(202)	144
Issuance of bonds	1,609	4,897
Commercial paper, net	0	(467)
Overnight borrowings from banks, net	0	(626)
Repayment of liabilities from 5G spectrum acquired in Germany	(110)	0
Issue of senior secured notes in connection with the acquisition of Sprint	20,942	0
Raising of secured term loan in connection with the acquisition of Sprint	3,562	0
Raising of bridge loan facility in connection with the acquisition of Sprint	17,405	0
Repayment of bridge loan facility in connection with the acquisition of Sprint	(17,493)	0
Repayment of Sprint loans (raised prior to acquisition by T-Mobile US)	(3,572)	0
Cash inflows from transactions with non-controlling entities		
T-Mobile US stock options	36	2
Toll4Europe capital contributions	11	0
	47	2
Cash outflows from transactions with non-controlling entities		
T-Mobile US share buy-backs	(316)	(95)
OTE share buy-backs	(102)	(84)
Other	(30)	(4)
	(448)	(183)
Other	(154)	(136)
	4,661	(4,563)

NON-CASH TRANSACTIONS

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

In the first three quarters of 2020, Deutsche Telekom leased assets of EUR 12.8 billion, mainly network equipment, and land and buildings (prior-year period: EUR 4.5 billion). These assets are now recognized in the statement of financial position under right-of-use assets and the related liabilities under lease liabilities. Future repayments of the liabilities will be recognized in net cash from/used in financing activities. The year-on-year increase is mainly attributable to the United States operating segment and relates to the inclusion of Sprint as well as to a modified agreement with American Tower concerning the lease of approximately 20,729 cell towers, which increased the carrying amounts of the right-of-use assets and the lease liabilities by EUR 9.4 billion each.

Consideration for the acquisition of broadcasting rights is paid by Deutsche Telekom in accordance with the terms of the contract on the date of its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.2 billion were recognized in the first three quarters of 2020 for future consideration for acquired broadcasting rights (prior-year period: EUR 0.2 billion). The payment of the consideration will be recognized in net cash from/used in financing activities.

In the United States operating segment, mobile handsets amounting to EUR 2.1 billion were recognized under property, plant and equipment in the first three quarters of 2020 (prior-year period: EUR 0.6 billion). These relate to the JUMP! On Demand business model at T-Mobile US, under which customers do not purchase the devices but lease them. The payments are presented under net cash from operating activities. The increase in terminal equipment leases is mainly due to the inclusion of Sprint, whose business model had a strong focus on terminal equipment leases.

The business combination of T-Mobile US and Sprint in the United States operating segment as of April 1, 2020 was executed by means of a share exchange without a cash component (all-stock transaction).

For further information on the business combination of T-Mobile US and Sprint, please refer to the section [“Changes in the composition of the Group.”](#)

SEGMENT REPORTING

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

For further information, please refer to the section [“Development of business in the operating segments”](#) in the interim Group management report.

With effect from July 1, 2020, TC Services and Classified ICT, portfolio units previously assigned to the Systems Solutions operating segment, as well as Telekom Global Carrier (TGC) and Network Infrastructure (NWI), which had formerly been disclosed under the Europe operating segment and the Group Headquarters & Group Services segment respectively, and which together form the business area designated Deutsche Telekom Global Carrier (DTGC), have been combined in the Germany operating segment. Prior-year comparatives in the segments affected have been adjusted retrospectively in segment reporting.

For further information, please refer to the section [“Accounting policies.”](#)

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

Segment information in the first three quarters of the year

millions of €

		Comparative period					Reporting date			
		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets ^a	Segment liabilities ^a	Investments accounted for using the equity method ^a
Germany	Q1-Q3 2020	16,959	561	17,520	3,093	(3,302)	0	44,171	32,131	37
	Q1-Q3 2019	16,918	589	17,507	3,178	(3,247)	(4)	44,274	32,222	12
United States	Q1-Q3 2020	44,022	2	44,024	5,863	(11,165)	(37)	177,995	118,003	306
	Q1-Q3 2019	29,628	1	29,629	4,285	(5,681)	0	84,413	54,087	289
Europe	Q1-Q3 2020	8,202	142	8,344	1,095	(1,961)	(163)	25,481	8,957	53
	Q1-Q3 2019	8,371	136	8,507	1,113	(2,051)	(9)	26,878	10,527	59
Systems Solutions	Q1-Q3 2020	2,416	679	3,095	(618)	(294)	(426)	4,105	4,242	21
	Q1-Q3 2019	2,525	729	3,254	(323)	(339)	(28)	4,517	3,967	25
Group Development	Q1-Q3 2020	1,633	509	2,142	417	(576)	0	8,914	11,014	124
	Q1-Q3 2019	1,582	486	2,068	498	(607)	0	8,395	10,571	96
Group Headquarters & Group Services	Q1-Q3 2020	144	1,766	1,910	(1,140)	(933)	(45)	48,988	63,284	9
	Q1-Q3 2019	145	1,822	1,967	(1,050)	(846)	0	54,339	65,244	9
TOTAL	Q1-Q3 2020	73,377	3,657	77,035	8,710	(18,231)	(671)	309,654	237,631	550
	Q1-Q3 2019	59,169	3,763	62,932	7,701	(12,771)	(41)	222,816	176,618	489
Reconciliation	Q1-Q3 2020	0	(3,657)	(3,657)	(6)	25	1	(44,362)	(44,372)	0
	Q1-Q3 2019	0	(3,763)	(3,763)	(36)	21	(20)	(52,144)	(52,177)	0
GROUP	Q1-Q3 2020	73,377	0	73,377	8,704	(18,206)	(670)	265,292	193,259	550
	Q1-Q3 2019	59,169	0	59,169	7,665	(12,750)	(61)	170,672	124,441	489

^a Figures relate to the reporting dates of September 30, 2020 and December 31, 2019, respectively.

CONTINGENT LIABILITIES

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

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

Toll Collect arbitration proceedings. On May 16, 2018, Daimler Mobility AG (formerly Daimler Financial Services AG), Deutsche Telekom, and the Federal Republic of Germany had reached an agreement to cease the Toll Collect arbitration proceedings. Daimler Mobility AG and Deutsche Telekom had both agreed to make final payments of EUR 550 million each, for which they were jointly and severally liable. Since the last tranche of EUR 150 million, which fell due in 2020, was settled, there is no longer a contingent liability arising from the joint and several liability.

OTHER FINANCIAL OBLIGATIONS

The following table provides an overview of Deutsche Telekom's other financial obligations as of September 30, 2020:

millions of €	
	Sept. 30, 2020
Purchase commitments regarding property, plant and equipment	6,722
Purchase commitments regarding intangible assets	482
Firm purchase commitments for inventories	2,780
Other purchase commitments and similar obligations	16,280
Payment obligations to the Civil Service Pension Fund	1,825
Obligations from the acquisition of interests in other companies	4
Miscellaneous other obligations	45
	28,137

DISCLOSURES ON FINANCIAL INSTRUMENTS

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

millions of €

Amounts recognized in the statement of financial position in accordance with IFRS 9								
	Measure- ment category in accordance with IFRS 9	Carrying amount Sept. 30, 2020	Amortized cost	Fair value through other compre- hensive income without recycling to profit or loss	Fair value through other compre- hensive income with recycling to profit or loss	Fair value through profit or loss	Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Sept. 30, 2020 ^a
ASSETS								
Cash and cash equivalents	AC	10,642	10,642					
Trade receivables								
At amortized cost	AC	6,236	6,236					
At fair value through other comprehensive income	FVOCI	6,720			6,720			6,720
At fair value through profit or loss	FVTPL	4				4		4
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	4,191	4,191					4,228
Of which: collateral paid	AC	100	100					
Of which: publicly funded projects	AC	1,726	1,726					
At fair value through other comprehensive income	FVOCI	0			0			
At fair value through profit or loss	FVTPL	144				144		144
Equity instruments								
At fair value through other comprehensive income	FVOCI	397		397				397
At fair value through profit or loss	FVTPL	3				3		3
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	1,609				1,609		1,609
Of which: termination rights embedded in bonds issued	FVTPL	1,069				1,069		1,069
Of which: energy forward agreements embedded in contracts	FVTPL	88				88		88
Of which: options received by third parties for the purchase of shares in subsidiaries and associates	FVTPL	187				187		187
Derivatives with a hedging relationship	n.a.	2,733			309	2,424		2,733
Lease assets	n.a.	216					216	
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale	AC	0	0					
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	33		33				33
LIABILITIES								
Trade payables	AC	8,318	8,318					
Bonds and other securitized liabilities	AC	86,758	86,758					95,038
Liabilities to banks	AC	4,893	4,893					5,020
Liabilities to non-banks from promissory note bonds	AC	495	495					587
Liabilities with the right of creditors to priority repayment in the event of default	AC	4,267	4,267					4,591
Other interest-bearing liabilities	AC	8,899	8,899					8,972
Of which: collateral received	AC	2,459	2,459					
Other non-interest-bearing liabilities	AC	1,804	1,804					
Lease liabilities	n.a.	33,853					33,853	
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	381				381		381
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	8				8		8
Of which: energy forward agreements embedded in contracts	FVTPL	109				109		109
Derivatives with a hedging relationship	n.a.	359			340	19		359
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	0	0					
Of which: aggregated by measurement category in accordance with IFRS 9								
ASSETS								
Financial assets at amortized cost	AC	21,069	21,069					4,228
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	6,720			6,720			6,720
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	430		430				430
Financial assets at fair value through profit or loss	FVTPL	1,760				1,760		1,760
LIABILITIES								
Financial liabilities at amortized cost	AC	115,434	115,434					114,208
Financial liabilities at fair value through profit or loss	FVTPL	381				381		381

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

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

millions of €

	Measure- ment category in accordance with IFRS 9	Carrying amount Dec. 31, 2019	Amounts recognized in the statement of financial position in accordance with IFRS 9				Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Sept. 30, 2019 ^a
			Amortized cost	Fair value through other compre- hensive income without recycling to profit or loss	Fair value through other compre- hensive income with recycling to profit or loss	Fair value through profit or loss		
ASSETS								
Cash and cash equivalents	AC	5,393	5,393					
Trade receivables								
At amortized cost	AC	5,452	5,452					
At fair value through other comprehensive income	FVOCI	5,390			5,390			5,390
At fair value through profit or loss	FVTPL	4				4		4
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	4,284	4,284					4,317
Of which: collateral paid	AC	637	637					
Of which: publicly funded projects	AC	1,350	1,350					
At fair value through other comprehensive income	FVOCI	0			0			
At fair value through profit or loss	FVTPL	121				121		121
Equity instruments								
At fair value through other comprehensive income	FVOCI	293		293				293
At fair value through profit or loss	FVTPL	22				22		22
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	893				893		893
Of which: termination rights embedded in bonds issued	FVTPL	630				630		630
Of which: energy forward agreements embedded in contracts	FVTPL	0				0		0
Of which: options received by third parties for the purchase of shares in subsidiaries and associates	FVTPL							
Derivatives with a hedging relationship	n.a.	1,439			287	1,152		1,439
Lease assets	n.a.	197					197	
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale	AC	0	0					
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	35		35				35
LIABILITIES								
Trade payables	AC	9,431	9,431					
Bonds and other securitized liabilities	AC	51,644	51,644					56,357
Liabilities to banks	AC	6,516	6,516					6,572
Liabilities to non-banks from promissory note bonds	AC	699	699					799
Liabilities with the right of creditors to priority repayment in the event of default	AC	0	0					0
Other interest-bearing liabilities	AC	4,369	4,369					4,506
Of which: collateral received	AC	1,273	1,273					
Other non-interest-bearing liabilities	AC	1,476	1,476					
Lease liabilities	n.a.	19,835					19,835	
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	325				325		325
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	7				7		7
Of which: energy forward agreements embedded in contracts	FVTPL	146				146		146
Derivatives with a hedging relationship	n.a.	1,319			1,253	66		1,319
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	29	29					
Of which: aggregated by measurement category in accordance with IFRS 9								
ASSETS								
Financial assets at amortized cost	AC	15,129	15,127					4,317
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	5,390			5,390			5,390
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	328		328				328
Financial assets at fair value through profit or loss	FVTPL	1,040				1,040		1,040
LIABILITIES								
Financial liabilities at amortized cost	AC	74,164	74,164					68,234
Financial liabilities at fair value through profit or loss	FVTPL	325				325		325

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

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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

Financial instruments measured at fair value

millions of €

	Sept. 30, 2020				Dec. 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Trade receivables								
At fair value through other comprehensive income			6,720	6,720			5,390	5,390
At fair value through profit or loss			4	4			4	4
Other financial assets – Originated loans and other receivables								
At fair value through other comprehensive income				0				0
At fair value through profit or loss	136		8	144	114		7	121
Equity instruments								
At fair value through other comprehensive income			430	430			328	328
At fair value through profit or loss			3	3	22			22
Derivative financial assets								
Derivatives without a hedging relationship		265	1,344	1,609		263	630	893
Derivatives with a hedging relationship		2,733		2,733		1,439		1,439
LIABILITIES								
Derivative financial liabilities								
Derivatives without a hedging relationship		264	117	381		172	153	325
Derivatives with a hedging relationship		359		359		1,319		1,319

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

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

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

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

At the start of April 2020, forward-payer swaps with a nominal value of EUR 8.8 billion when translated into euros, were terminated prematurely. These transactions were concluded for borrowings at T-Mobile US and designated as cash flow hedges in effective hedging relationships. In the reporting period, the measurement resulted in a loss from hedging instruments of EUR 924 million recognized under other comprehensive income. The secured term loan was raised on April 1, 2020. The measurement results of the forward-payer swaps between April 1, 2020 and their termination in the course of the following days amounted to EUR 39 million (expense) and were recognized in other financial income/expense.

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

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

millions of €

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: stock options	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Carrying amount as of January 1, 2020	328	630		0	(146)
Additions (including first-time categorization as Level 3)	98	271	0	43	0
Decreases in fair value recognized in profit/loss (including losses on disposal)	n.a.	(513)	0	0	(25)
Increases in fair value recognized in profit/loss (including gains on disposal)	n.a.	716	171	49	53
Decreases in fair value recognized directly in equity	(23)	n.a.	n.a.	n.a.	n.a.
Increases in fair value recognized directly in equity	64	n.a.	n.a.	n.a.	n.a.
Disposals	(37)	0	n.a.	0	4
Currency translation effects recognized directly in equity	0	(35)	0	(4)	5
CARRYING AMOUNT AS OF SEPTEMBER 30, 2020	430	1,069	171	88	(109)

The equity instruments assigned to Level 3 that are measured at fair value through other comprehensive income and carried under other financial assets are equity investments with a carrying amount of EUR 403 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers transactions involving shares in those companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The proximity of the relevant transaction to the reporting date, and the question of whether it was conducted at arm's length, are relevant for deciding which information is used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. For the development of the carrying amounts in the reporting period, please refer to the table above. At the reporting date, investments with a carrying amount of EUR 33 million were held for sale, while there were no plans to sell the remaining investments. In the case of investments with a carrying amount of EUR 269 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why the share prices agreed in the transactions were to be used without adjustment for the measurement as of September 30, 2020. In the case of investments with a carrying amount of EUR 10 million, an analysis of operational indicators (especially revenue, EBIT, and liquidity) revealed that the carrying amounts were equivalent to current fair values. Due to better comparability, previous arm's length transactions involving shares in these companies are preferable to more recent transactions involving shares in similar companies. In the case of investments with a carrying amount of EUR 124 million, for which the last arm's length transactions relating to shares in these companies took place some time ago, a measurement performed more recently relating to shares in similar companies provides the most reliable representation of the fair values. Here, multiples to the reference variable of expected revenue (ranging between 2.0 and 8.4) were taken. The 25 percent quantile, the median, or the 75 percent quantile was used for the multiples depending on the specific circumstances. If other values had been used for the multiples and for the expected revenue amounts, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below. In addition, non-material individual items with a carrying amount of EUR 27 million (when translated into euros) are included with differences in value of minor relevance.

The derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial assets relate to options embedded in bonds issued by T-Mobile US with a carrying amount of EUR 1,069 million when translated into euros. The options, which can be exercised by T-Mobile US at any time, allow early redemption of the bonds at fixed exercise prices. Observable market prices are available regularly and also at the reporting date for the bonds as entire instruments, but not for the options embedded therein. The termination rights are measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers are used for the measurement because these provide a more reliable estimate at the reporting date than current market interest rate volatilities. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. At the current reporting date, the following interest rate volatility and spreads were used for the various rating levels of the bonds:

Interest rate volatilities and spreads used by rating levels

	Interest volatility (absolute figure)	Spread (maturity of the bonds)	Spread (shorter terms)
BBB+	0,1 %-0,8 %	0,2 %-0,6 %	0,2 %-0,2 %
BBB-	0,3 %-2,2 %	1,4 %-2,7 %	0,8 %-1,2 %
BB	2,1 %-2,6 %	2,3 %-3,3 %	2,0 %-2,1 %

For the mean reversion input, which is likewise unobservable, 10 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for interest rate volatility, spread curve or mean reversion, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below. In the reporting period, net income of EUR 446 million when translated into euros was recognized under Level 3 in other financial income/expense for unrealized gains for the options in the portfolio at the reporting date. In the reporting period, two options were exercised and the relevant bonds canceled prematurely. At the time of termination, the options and their total carrying amount of EUR 158 million when translated into euros were expensed and derecognized. Please refer to the table above for the development of the carrying amounts in the reporting period. The changes in value recognized in profit or loss in the reporting period were mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. Due to their distinctiveness, these instruments constitute a separate class of financial instruments.

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

millions of €

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: stock options	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Multiple next-level-up quantile	43				
Multiple next-level-down quantile	(35)				
Expected revenues +10%	8				
Expected revenues -10%	(7)				
Interest rate volatility ^b +10%		84			
Interest rate volatility ^b -10%		(79)			
Spread curve ^c +100 basis points		(437)			
Spread curve ^c -100 basis points		632			
Mean reversion ^d +100 basis points		(21)			
Mean reversion ^d -100 basis points		34			
Future energy prices +10%				35	43
Future energy prices -10%				(36)	(42)
Future energy output +5%				15	3
Future energy output -5%				(16)	(3)
Future prices for renewable energy credits ^e +100%				19	27
Future prices for renewable energy credits ^e from zero				(19)	(27)
Share price volatility ^f +10%			79		
Share price volatility ^f -10%			(78)		

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

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

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

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

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

^f The share price volatility shows the range of variation of the basic value over the remaining term of an option.

With a carrying amount of EUR -109 million when translated into euros, the derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial liabilities relate to energy forward agreements embedded in contracts entered into by T-Mobile US. The same applies to derivative financial assets with a carrying amount of EUR 88 million when translated into euros. These agreements consist of two components: the energy forward agreement and the acquisition of renewable energy credits by T-Mobile US. The contracts have been entered into with energy producers since 2017 and run for terms of between 12 and 15 years from the commencement of commercial operation. In the case of four energy forward agreements, commercial operations have already begun; with the others, commercial operations are set to begin between 2020 and 2021. The respective settlement period of the energy forward agreement, which is accounted for separately as a derivative, also starts when the facility begins commercial operation. Under the energy forward agreements, T-Mobile US receives variable amounts based on the facility's actual energy output and the then current energy prices, and pays fixed amounts per unit of energy generated throughout the term of the contract. The energy forward agreements are measured using valuation models because no observable market prices are available. The value of the derivatives is materially influenced by the facility's future energy output, for which T-Mobile US estimated a value of 4,057 gigawatt hours per year at the reporting date. The value of the derivatives is also significantly influenced by future energy prices, which are not observable for the period beyond around five years. Further, the value of the derivatives is materially influenced by the future prices for renewable energy credits, which are also not observable. For the unobservable portion of the term, T-Mobile US used on-peak energy prices of between EUR 14.72/MWh and EUR 58.01/MWh when translated into euros and off-peak prices of between EUR 8.45/MWh and EUR 37.30/MWh when translated into euros. An average on-peak/off-peak ratio of 51 percent was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for future energy prices, future energy output, or future prices of renewable energy credits, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table above. In the reporting period, net income of EUR 79 million (when translated into euros) was recognized under the Level 3 measurement in other operating income/expense for unrealized gains for the derivatives. Please refer to the corresponding table for the development of the carrying amounts in the reporting period. The market-price changes in

the reporting period were largely attributable to changes in observable and unobservable energy prices and to interest rate effects. As part of the business combination with Sprint two agreements concluded by Sprint in 2019 with a carrying amount of EUR 43 million when translated into euros were recognized as financial assets, increasing the carrying amount. One agreement was terminated prematurely in the current reporting period. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. In the view of T-Mobile US, the contracts were entered into at current market conditions, and the most appropriate parameters for the unobservable inputs were used for measurement purposes. The transaction price at inception was zero in each case. Since the unobservable inputs have a material influence on the measurement of the derivatives, the respective amount resulting from initial measurement – with the exception of the agreements concluded by Sprint that are explained below – was not carried on initial recognition. Instead, these amounts are amortized in profit or loss on a straight-line basis over the period of commercial energy generation (for a total amount of EUR 12 million per year when translated into euros). This amortization adjusts the effects from measuring the derivatives in each accounting period using the respective valuation models and updated parameters. All amounts from the measurement of the derivatives are presented in net terms per contract in the statement of financial position (derivative financial assets/liabilities) and in the income statement (other operating income/expenses). The development of the amount yet to be amortized in the income statement in the reporting period is shown in the following table.

Unobservable inputs also have a material influence on the measurement of the derivatives for the agreements concluded by Sprint. However, under the requirements for business combinations, the respective amounts resulting from the measurement were recognized as derivative financial assets as of April 1, 2020, as a result of which there are no amounts yet to be amortized for these agreements. On the following reporting dates, the effects from the periodic measurement of the derivatives will be recorded in full in the income statement (other operating expenses or other operating income).

The financial assets assigned to Level 3 include derivative financial assets with a carrying amount of EUR 171 million when translated into euros, resulting from the stock options to buy shares in T-Mobile US received from SoftBank in June 2020. The stock options, which can be exercised at any time, mature in 2024, can be exercised partially at fixed and partially at variable purchase prices, and are measured using an option pricing model. In addition to the share price observable on the market and the risk-free interest rates, average share price volatilities of T-Mobile US and comparable companies are calculated based on historic and current figures, since these provide a more reliable estimate for these inputs at the reporting date than exclusively the current market volatilities. The absolute figure used for the share price volatility at the current reporting date was 27 percent. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. The transaction price at inception was zero. Since the unobservable inputs have a material influence on the measurement of the options, the fair value resulting from initial measurement of EUR 1,005 million when translated into euros (before deduction of transaction costs) was not immediately recognized. Instead, this amount will be amortized in profit or loss over the expected life of the options. This amortization adjusts the effects from measuring the options on an ongoing basis using the valuation model and updated parameters. All amounts from the measurement of the options are presented in net terms in the statement of financial position (other derivative financial assets) and in the income statement (other financial income/expense). The market-price changes in the reporting period are largely attributable to fluctuations in the share price and the risk-free interest rate. The development of the amount yet to be amortized in the income statement in the reporting period is shown in the following table.

Development of the not yet amortized amounts

millions of €	Energy forward agreements	Stock options ^a
Measurement amounts on initial recognition	178	1,005
Measurement amounts on initial recognition (additions during the reporting period)	0	0
Measurement amounts amortized in profit or loss in prior periods	(9)	0
Measurement amounts amortized in profit or loss in the current reporting period	(7)	(67)
Currency translation adjustments	(3)	(42)
Disposals in the current reporting period	(5)	0
MEASUREMENT AMOUNTS NOT AMORTIZED SEPTEMBER 30, 2020	154	896

^a Amount before deduction of transaction costs.

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

The financial assets and financial liabilities measured at fair value through profit or loss and assigned to Level 3 include derivative financial assets with a carrying amount of EUR 16 million when translated into euros and derivative financial liabilities with a carrying amount of EUR -8 million, resulting from options purchased from or granted to third parties for the purchase of company shares. No notable fluctuations in value are expected from these individual items. Due to their distinctiveness, these instruments each constitute a separate class of financial instruments.

DISCLOSURES ON CREDIT RISK

In line with the contractual provisions, in the event of insolvency, all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 2,459 million (December 31, 2019: EUR 1,273 million). The credit risk was thus reduced by EUR 2,404 million (December 31, 2019: EUR 1,207 million) because, on the reporting date, the collateral received was offset by corresponding net derivative positions in the same amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 2,997 million as of the reporting date (December 31, 2019: EUR 1,703 million) had a maximum credit risk of EUR 2 million as of September 30, 2020 (December 31, 2019: EUR 49 million).

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

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

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

No collateral is provided for the options acquired from third parties for shares in a subsidiary of Deutsche Telekom or shares in other companies (see above).

In connection with auctions for the planned acquisition of spectrum licenses, subsidiaries of Deutsche Telekom have deposited additional cash collateral of EUR 67 million when translated into euros with government agencies. This cash collateral is not subject to any additional credit risk beyond the general country risk of the respective countries.

RELATED-PARTY DISCLOSURES

There were no significant changes at September 30, 2020 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2019.

EXECUTIVE BODIES

CHANGES IN THE COMPOSITION OF THE BOARD OF MANAGEMENT

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

At the start of this year, Dr. Dirk Wössner, the Board of Management member for Germany, notified the Supervisory Board of Deutsche Telekom AG that he does not intend to extend his service contract beyond its expiration date of December 31, 2020. On June 18, 2020, the Supervisory Board of Deutsche Telekom AG appointed the current Board member for Europe, Srinivas Gopalan, as the new Board member for Germany effective November 1, 2020. Dr. Wössner resigned from his position effective midnight on October 31, 2020. On September 7, 2020, the Supervisory Board of Deutsche Telekom AG appointed Dominique Leroy to succeed Srinivas Gopalan as the Board member for Europe effective November 1, 2020.

EVENTS AFTER THE REPORTING PERIOD

Refinancing measures at T-Mobile US. On October 6, 2020, T-Mobile US issued senior secured notes with a total volume of USD 4 billion (EUR 3.4 billion) with terms ending between 2028 and 2051 and bearing interest of between 2.050 and 3.300 percent. The cash received was used on October 9, 2020 to prematurely repay the term loan raised on April 1, 2020. On October 28, 2020, T-Mobile US issued senior secured notes with a total volume of USD 4.75 billion (EUR 4.0 billion) with terms ending between 2031 and 2060 and bearing interest of between 2.250 and 3.600 percent. On October 30, 2020 T-Mobile US entered into a USD 5.0 billion senior secured term loan commitment with certain financial institutions.

Agreed acquisition of Simpel by T-Mobile Netherlands. For more information on the agreement signed on October 16, 2020 concerning the acquisition of 100 percent of the shares in the Dutch MVNO and SIM provider Simpel.nl B.V., please refer to the section [“Changes in the composition of the Group.”](#)

Agreed sale of Telekom Romania Communications. For more information on the agreement signed on November 6, 2020 concerning the sale of the 54 percent stake in Telekom Romania Communications S.A. by OTE to Orange Romania, please refer to the section [“Changes in the composition of the Group.”](#)

RESPONSIBILITY STATEMENT

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

Bonn, November 12, 2020

Deutsche Telekom AG
The Board of Management

Timotheus Höttges

Adel Al-Saleh

Birgit Bohle

Srini Gopalan

Dr. Christian P. Illek

Thorsten Langheim

Dominique Leroy

Claudia Nemat

REVIEW REPORT

To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to September 30, 2020 which are part of the interim financial reporting pursuant to § (Article) 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, November 12, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
Wirtschaftsprüfer
(German Public Auditor)

Thomas Tandetzki
Wirtschaftsprüfer
(German Public Auditor)