

DEUTSCHE TELEKOM

INTERIM GROUP REPORT

JANUARY 1 TO JUNE 30, 2020



LIFE IS FOR SHARING.

SELECTED FINANCIAL DATA OF THE GROUP

millions of €

	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %	FY 2019
REVENUE AND EARNINGS							
Net revenue	27,041	19,664	37.5	46,984	39,152	20.0	80,531
Of which: domestic	22.5	31.0		25.8	31.0		30.5
Of which: international	77.5	69.0		74.2	69.0		69.5
Profit from operations (EBIT)	3,087	2,350	31.4	5,597	4,608	21.5	9,457
Net profit (loss)	754	944	(20.1)	1,670	1,845	(9.5)	3,867
Net profit (loss) (adjusted for special factors)	1,278	1,329	(3.8)	2,562	2,512	2.0	4,948
EBITDA	10,026	6,701	49.6	16,966	13,162	28.9	27,120
EBITDA AL	8,585	5,721	50.1	14,505	11,221	29.3	23,143
EBITDA (adjusted for special factors)	11,271	7,263	55.2	18,834	14,164	33.0	28,708
EBITDA AL (adjusted for special factors)	9,829	6,283	56.4	16,373	12,223	34.0	24,731
EBITDA AL margin (adjusted for special factors)	36.3	32.0		34.8	31.2		30.7
Earnings per share (basic/diluted)	€ 0.16	0.20	(20.0)	0.35	0.39	(10.3)	0.82
Adjusted earnings per share (basic/diluted)	€ 0.27	0.28	(3.6)	0.54	0.53	1.9	1.04
STATEMENT OF FINANCIAL POSITION							
Total assets				269,971	164,214	64.4	170,672
Shareholders' equity				73,502	42,690	72.2	46,231
Equity ratio	%			27.2	26.0		27.1
Net debt				120,897	75,709	59.7	76,031
CASH FLOWS							
Net cash from operating activities	5,148	5,598	(8.0)	9,107	11,607	(21.5)	23,074
Cash capex	(4,547)	(4,199)	(8.3)	(8,117)	(8,027)	(1.1)	(14,357)
Cash capex (before spectrum investment)	(3,669)	(3,324)	(10.4)	(7,022)	(7,006)	(0.2)	(13,118)
Free cash flow (before dividend payments and spectrum investment) ^{a, b}	3,677	2,312	59.0	5,970	4,682	27.5	10,133
Free cash flow AL (before dividend payments and spectrum investment) ^{a, b}	2,425	1,546	56.9	3,712	3,103	19.6	7,013
Net cash used in investing activities	(8,548)	(3,754)	n.a.	(11,254)	(7,350)	(53.1)	(14,230)
Net cash from (used in) financing activities	13,797	(4,086)	n.a.	11,234	(4,058)	n.a.	(7,141)

^a Before interest payments for zero-coupon bonds.

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

millions

	June 30, 2020	Dec. 31, 2019	Change June 30, 2020/ Dec. 31, 2019 %	June 30, 2019	Change June 30, 2020/ June 30, 2019 %
FIXED-NETWORK AND MOBILE CUSTOMERS					
Mobile customers ^a	235.8	184.0	28.1	179.8	31.1
Fixed-network lines	27.3	27.5	(0.9)	27.9	(2.2)
Broadband customers ^b	21.3	21.0	1.4	20.7	2.9

^a Including T-Mobile US wholesale customers.

^b Excluding wholesale.

The figures shown in this report were rounded in accordance with standard business rounding principles. As a result, the total indicated may not be equal to the precise sum of the individual figures.

The IFRS 16 "Leases" accounting standard has been applied since the 2019 financial year. This led to a change in the definition of some of our financial performance indicators: Our operational performance is now measured on the basis of "EBITDA after leases" (EBITDA AL) (previously EBITDA). The "free cash flow" performance indicator was replaced by "free cash flow after leases" (free cash flow AL). The key parameters used by Deutsche Telekom are defined in the sections "Management of the Group" and "Summary of accounting policies."

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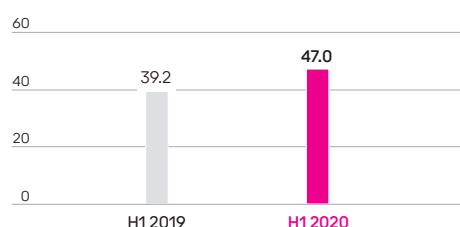
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TO OUR SHAREHOLDERS

DEUTSCHE TELEKOM AT A GLANCE

Net revenue

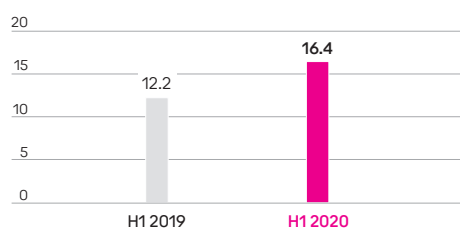
billions of €



EBITDA AL

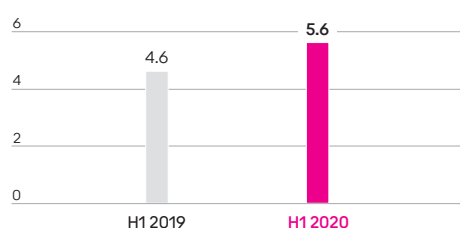
(adjusted for special factors)

billions of €



EBIT

billions of €



NET REVENUE

- Net revenue increased by 20.0 percent to EUR 47.0 billion. Excluding the acquisition of Sprint and adjusted for exchange rate effects, revenue grew by EUR 0.1 billion or 0.1 percent.
- Including the revenue contributions from the acquired entity Sprint and including exchange rate differences, our United States operating segment posted an increase in revenue of 39.9 percent. In organic terms, revenue was on a par with the prior year.
- Despite the deteriorated economic situation in consequence of the coronavirus pandemic, our Germany operating segment posted an increase in revenue of 1.0 percent. In organic terms, revenues in our Europe operating segment stabilized at the prior-year level, while reported revenue was down by 2.1 percent.
- Revenue in our Systems Solutions operating segment decreased year-on-year by 1.8 percent due primarily to the contraction of the IT market induced by the coronavirus pandemic.
- Revenue growth of 4.4 percent at our Group Development operating segment was mainly attributable to growth at T-Mobile Netherlands and DFMG.

EBITDA AL

(ADJUSTED FOR SPECIAL FACTORS)

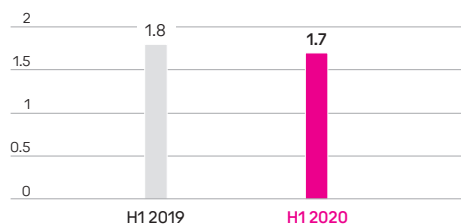
- Adjusted EBITDA AL grew by 34 percent to EUR 16.4 billion. All operating segments – with the exclusion of Systems Solutions, which posted a decline in adjusted EBITDA AL of 9.1 percent, partly driven by the coronavirus pandemic – contributed to this increase. Excluding exchange rate effects and changes in the composition of the Group, our adjusted EBITDA AL increased by EUR 1.3 billion or 8.6 percent.
- Adjusted EBITDA AL rose sharply by 70.5 percent in our United States operating segment as a result of the acquisition of Sprint and, in particular, the growth in service and terminal equipment revenues. These positive effects were largely offset by higher operating expenses, primarily in connection with the Sprint acquisition.
- Our Germany operating segment recorded an increase in adjusted EBITDA AL of 2.8 percent and our Europe operating segment a slight increase of 0.2 percent. Adjusted EBITDA AL also grew substantially in our Group Development operating segment, by 9.1 percent.
- At 34.8 percent, the Group's adjusted EBITDA AL margin increased by 3.6 percentage points against the prior-year level. The adjusted EBITDA AL margin was 40.4 percent in Germany, 33.8 percent in Europe, and 34.5 percent in the United States.

EBIT

- EBIT increased by EUR 1.0 billion year-on-year to EUR 5.6 billion, as a result of the effects described under adjusted EBITDA AL.
- EBITDA AL was negatively affected by special factors of EUR 1.9 billion compared to expenses of EUR 1.0 billion in the prior-year period. Expenses of EUR 0.8 billion were recorded in connection with the business combination of T-Mobile US and Sprint; this contrasted with expenses of EUR 0.3 billion in the prior-year period. Further expenses of EUR 0.4 billion in connection with the coronavirus pandemic were classified as special factors in the United States operating segment.
- Depreciation and amortization were EUR 2.8 billion higher than in the prior-year period due in particular to the acquisition of Sprint.

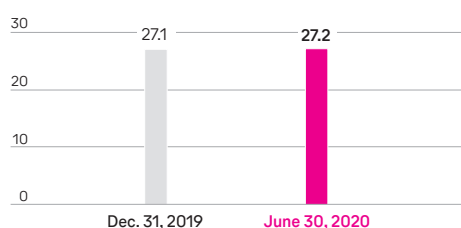
Net profit

billions of €



Equity ratio

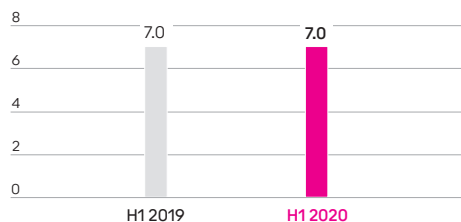
%



Cash capex

(before spectrum investment)

billions of €



NET PROFIT

- Net profit decreased by EUR 0.1 billion to EUR 1.7 billion.
- Loss from financial activities increased by EUR 1.3 billion to EUR 2.2 billion, largely in connection with an increase in finance costs of EUR 0.8 billion from the transfer of Sprint's financial liabilities and the restructuring activities and measures to increase the financing volume begun in the context of the business combination. Finance costs were further negatively impacted by provisioning fees in the amount of EUR 0.3 billion for a short-term bridge loan facility. Gains from financial instruments decreased by EUR 0.3 billion to become losses of EUR 0.1 billion.
- At EUR 1.0 billion, the tax expense was the same as in the prior-year period.
- Profit attributable to non-controlling interests decreased year-on-year by EUR 0.1 billion to EUR 0.7 billion.
- Adjusted earnings per share increased slightly to EUR 0.54 from EUR 0.53 in the prior-year period.

EQUITY RATIO

- At 27.3 percent, the equity ratio remained stable at the end of the first half of 2020: Total assets/total liabilities and shareholders' equity increased by EUR 99.3 billion to EUR 270.0 billion, and shareholders' equity by EUR 27.2 billion to EUR 73.5 billion.
- Shareholders' equity increased by EUR 30.7 billion in connection with the business combination of T-Mobile US and Sprint. Profit after taxes (EUR 2.4 billion), income taxes relating to components of other comprehensive income (EUR 0.3 billion), and capital increases from share-based payment (EUR 0.2 billion) also had an increasing effect.
- The carrying amount was reduced by dividend payments to shareholders (EUR 2.8 billion) and other shareholders of subsidiaries (EUR 0.2 billion), the remeasurement of defined benefit plans (EUR 1.4 billion), currency translation effects recognized directly in equity (EUR 1.0 billion), and actuarial losses from hedging instruments (EUR 1.0 billion) – mainly in connection with forward-payer swaps concluded for borrowings at T-Mobile US which were terminated prematurely in April 2020.

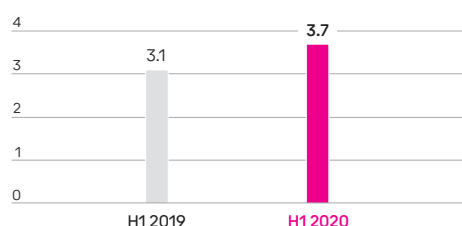
CASH CAPEX

(BEFORE SPECTRUM INVESTMENT)

- Cash capex (before spectrum investment) amounted to EUR 7.0 billion, on a par with the level in the prior-year period. We continue to invest in our European fiber-optic network and are forging ahead with the build-out of mobile infrastructure including the fifth-generation mobile communications standard, 5G. In the United States operating segment, cash capex increased as a result of the inclusion of Sprint and as a result of the continued build-out of the 5G network.
- Cash capex (including spectrum investment) increased by EUR 0.1 billion to EUR 8.1 billion. In the United States operating segment, FCC mobile licenses were acquired for a total of EUR 0.9 billion and in the Europe operating segment, mobile spectrum licenses were acquired for a total of EUR 0.2 billion in the reporting period. The prior-year figure included EUR 1.0 billion for the acquisition of mobile spectrum licenses, which primarily related to the United States operating segment.

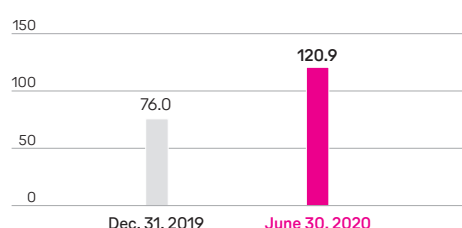
Free cash flow AL
(before dividend payments and spectrum investment)^{a, b}

billions of €



Net debt

billions of €



FREE CASH FLOW AL
(BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)^{a, b}

- Free cash flow AL was up by EUR 0.6 billion to EUR 3.7 billion.
- Excluding interest payments for zero-coupon bonds and the premature repayment of forward-payer swaps in the United States operating segment, net cash from operating activities increased by EUR 1.3 billion. This was attributable in particular to the continuing positive performance of the operating segments, especially in the United States, which now includes Sprint.
- The increase was partially offset in particular by higher interest payments, mainly due to the transfer of Sprint's financial liabilities, and restructuring activities and measures to increase the financing volume begun in the same context. Our contractual termination of a revolving factoring agreement in the Germany operating segment, and higher repayments of lease liabilities primarily in the United States operating segment, also had a negative effect.

NET DEBT

- Net debt increased by EUR 44.9 billion to EUR 120.9 billion compared with the end of 2019.
- The main factor in this increase was the transfer of financial liabilities in connection with the business combination with Sprint (EUR 44.1 billion). Other factors with an increasing effect were dividend payments (EUR 2.9 billion), including to subsidiaries, forward-payer swaps concluded for borrowings at T-Mobile US (EUR 1.1 billion), and the acquisition of spectrum (EUR 1.1 billion).
- Free cash flow (EUR 6.0 billion) and exchange rate effects (EUR 1.0 billion) in particular reduced net debt.

^a Before interest payments for zero-coupon bonds.

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

For further information, please refer to the section "[Development of business in the Group.](#)"

HIGHLIGHTS IN THE SECOND QUARTER OF 2020

BUSINESS AND OTHER TRANSACTIONS

Business combination of T-Mobile US and Sprint. T-Mobile US and Sprint combined their two businesses effective April 1, 2020 to form the “all-new,” larger T-Mobile US. The transaction had previously worked its way through various approval processes involving numerous national and regional courts and authorities in the United States. This merger is the culmination of Deutsche Telekom’s successful strategy for its U.S. operations. With market capitalization of around USD 130 billion (based on the share price on June 30, 2020), and a comprehensive mobile spectrum portfolio, the new T-Mobile US will continue to build on its successful Un-carrier strategy and forge ahead with the 5G network build-out. The decision to apply a capital-preserving all-stock transaction structure eliminates the need for any capital to flow from Deutsche Telekom to T-Mobile US.

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

On June 22, 2020, Deutsche Telekom received call options from SoftBank to buy around 101 million T-Mobile US shares, thus securing itself long-term access to the majority shareholding in T-Mobile US. In return, we granted SoftBank the option to immediately sell around 198 million shares. T-Mobile US profits from a transaction fee of USD 0.3 billion (around EUR 0.3 billion), which it has already received.

As of July 1, 2020, we duly met a major prerequisite of the U.S. authorities for approving the merger: the divestiture of Sprint’s prepaid business to DISH Network Corp. We also confirmed the conclusion of an agreement to sell spectrum to DISH.

For further information on the business combination of T-Mobile US and Sprint, please refer to the sections [“Group organization, strategy, and management,”](#) [“Forecast,”](#) and [“Significant events and transactions”](#) in the interim consolidated financial statements.

Early repayment of euro and USD bonds. As part of our Group-wide liabilities management, effective April 15, 2020, EUR 0.8 billion of three euro bonds of Deutsche Telekom International Finance B.V. were bought back and thus repaid prematurely. In addition, effective May 26, 2020, USD 1.4 billion (EUR 1.3 billion) of bonds with a volume of USD 2 billion of Deutsche Telekom International Finance B.V. were bought back and repaid prematurely.

CORONAVIRUS PANDEMIC

The introduction of measures to contain the global spread of coronavirus (Covid-19) has manifold implications for our Group activities. For example, major trade fairs, which we support as partners, such as Digital X (Digital Edition) and Hannover Messe (Accelerate Digital Now) became virtual events. Deutsche Telekom also elected to hold its shareholder’s meeting online on June 19, 2020 as permitted under the new regulations which entered into force on March 28, 2020.

We are deeply conscious of our responsibility to society and stand by our commitment. Our service continues to run smoothly and reliably despite many employees having to transition to home working at short notice. Our business sites and the Telekom Shops have re-opened with strict safety and hygiene precautions in place. We are reaping the benefits of our high investments over the last few years: Our networks are the digital lifeline for the economy and society and are more than capable of handling significantly higher loads. Voice calls rose in both the mobile and fixed networks. Home working drove up demand for web conferencing, video calls, video consulting hours, online shopping, and other similar applications. Classic TV, TV streaming services, and gaming products were also extremely popular. We are helping our business customers through the crisis. For example, when lockdown measures were imposed in March 2020 we quickly added offerings to support home working needs, such as Microsoft 365 with Teams or Webex Meetings from Cisco. Once the school closures were announced we offered ad hoc assistance for online teaching in the form of free trials of cloud-based web conferencing tools.

After just 55 days of development and testing, we launched the coronavirus tracing app (Corona-Warn-App) in close collaboration with SAP and other partners on behalf of the German government. The app has been downloaded more than 14 million times between June 16, 2020 and the end of the second quarter of 2020, and is now available EU-wide. Together, the development partners digitalized the tracing process that is needed to successfully break chains of infection and help contain the coronavirus pandemic: From a potential infection to warning the people who may have had contact with the virus, from the smartphone to the lab.

The coronavirus pandemic affected revenues and the results of operations in several of our business areas. For example, retail roaming and mobile terminal equipment business declined across Europe, while fixed-network telephony increased. We also experienced delays in implementing projects in the low-margin ICT business. So far, these contrasting fluctuations have had a minimal impact on adjusted EBITDA AL outside the United States and, at this time, we can report only very minor repercussions with respect to payment defaults and customer numbers.

For further information on how the coronavirus pandemic is affecting our business, please refer to the sections [“Development of business in the Group,”](#) [“Forecast,”](#) and [“Risks and opportunities.”](#)

BOARD OF MANAGEMENT

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, Srin Gopalan, as the new Board member for Germany effective November 1, 2020. Dr. Wössner will resign from his position effective midnight on October 31, 2020. The Supervisory Board has begun the search for a successor to head up the Europe Board department on the basis of a structured succession management process.

INVESTMENTS IN NETWORKS

Spectrum auction at T-Mobile US. At the auction of mobile licenses that ended in March 2020, T-Mobile US acquired licenses in the 37 GHz, 39 GHz, and 47 GHz bands for a total value of USD 873 million. This additional spectrum will be used to further improve the company's 5G spectrum position in the United States. By March 31, 2020, advance payments of USD 175 million had been made. The remaining amount was transferred on April 8, 2020, at which point the licenses were officially assigned and they have been available for commercial use since that date.

Launch of our 5G initiative in Germany. As of mid-July, our 5G network with around 30,000 antennas already reaches some 40 million people across Germany. With innovative technologies, smart spectrum deployment, tailored rate plans, and new 5G smartphones, we are making it easy for our customers to enter the age of 5G. Our next goal is to bring 5G to around two thirds of the population in Germany.

International 5G rollout in full swing. T-Mobile US has expanded its 5G footprint to include Alaska on the basis of a roaming partnership with General Communication Inc. (GCI), making T-Mobile US the United States' only mobile provider to offer 5G in all 50 U.S. states. Extending over one million square miles and covering more than 7,500 towns and cities, T-Mobile US' nationwide 5G network is the largest U.S. American network reaching more than 250 million people.

Magyar Telekom's intensive efforts to build out its network in recent years have improved Hungary's standing in the European Commission's latest Digital Economy and Society Index: Our fixed network in Hungary offers gigabit bandwidth at more than 2 million end points, which translates to a reach of some 40 percent of households and businesses nationwide. Our commercial 5G service in Hungary is already up and running.

The launch of the 5G network in Poland at the start of June 2020 along with new tailored rate plans brought unlimited gigabytes, conversation, and text messaging to customers of T-Mobile Polska. With 1,600 base stations in operation at the end of June, T-Mobile Polska's 5G network reaches up to 6 million people in 46 towns and cities across Poland.

LTE network covers over 98 percent of all households in Germany. We are one step closer to our goal of providing seamless mobile coverage nationwide. At the same time however, ensuring full coverage along transportation routes is proving a challenge for all of the network operators. A total of 850 LTE sites have either been built from scratch or upgraded with LTE antennas since the start of 2020. In the footprint countries of our Europe operating segment, we covered 97.3 percent of the population – around 107 million people – with LTE as of June 30, 2020.

Broadband build-out in Europe. Since the start of the year, some 2.5 million households in Germany have gained from Deutsche Telekom's broadband build-out. In the second quarter of 2020 alone, we increased internet speeds for around 1.2 million households. 32.8 million households can subscribe to a rate plan with up to 100 megabits per second (Mbit/s), and 23.9 million households can purchase a rate plan with speeds of up to 250 Mbit/s or higher. The number of households connected by pure fiber-optic lines (FTTH/FTTB) increased by over 104 thousand in the second quarter of 2020 and now stands at 1.8 million. These lines enable speeds of up to one gigabit per second.

In Greece, too, we are making good progress with our network build-out: In June 2020, a further 180,000 households and businesses were given access to our FTTH infrastructure with speeds of 100 and 200 Mbit/s via COSMOTE Fibre. Since the start of the year, 30,000 new FTTH lines have been added to the network, which corresponds to an increase of 20 percent compared with the end of 2019.

Our national companies in Hungary and Slovakia are redoubling their efforts to build out broadband with state-of-the-art fiber-optic-based lines.

Hunting down further dead zones. Already in April 2020 we doubled the number of municipalities set to be connected to the LTE network as part of our "Hunting down dead zones" campaign. Then in June 2020 we announced a further 180 candidates to be added to our 2021/2022 LTE build-out program. While we originally conceived the campaign for 50 municipalities, its huge success and popularity across Germany prompted us to expand the number of masts being built under the program to over 300 – six times the original figure. The first masts are already in operation. Before the end of this year we plan to start building out the network to the winning municipalities we announced in April 2020.

COOPERATIONS AND PARTNERSHIPS

Major Swiss deal for T-Systems. T-Systems has won a major deal to provide application development and operation services for the Swiss Federal Railways (SBB). The contract, worth around EUR 170 million, has a basic term of five years with options to extend for a maximum of five additional years. T-Systems' subsidiary Multimedia Solutions will develop and operate software for SBB including web and cloud applications, mobile apps, and geographical information systems.

For more details, please refer to our [media information](#).

Roaming becomes reality in the European IoT network. We currently offer NarrowBand IoT (NB-IoT) roaming in nine of our footprint markets. In pursuit of our plans to offer roaming in the IoT network (Internet of Things) across large swaths of Europe, we signed roaming agreements with Swisscom, Telia Company, and Vodafone. This brings mobile roaming services for the machine and sensor network to a further nine European countries. These steps to expand our partner network address rising customer demand for international coverage.

First private 5G network in Aachen. Together with Ericsson we switched on the first private 5G network at the Center Connected Industry (CCI) on the RWTH Aachen University campus in April 2020. The partners are working with other CCI members on new solutions for the factory of the future.

For more details, please refer to our [media information](#).

Managed network services for partners. We are further strengthening our collaboration with Microsoft for public cloud services: As one of the newest partners in Europe, we now offer managed network services for Microsoft Azure and managed services in the areas of cloud connectivity and cloud security. At the same time, we joined the Azure Networking Managed Service Provider (MSP) partner program. T-Systems is also now a member of the Managed Service Provider partner program from Amazon Web Services (AWS).

PRODUCTS, RATE PLANS, AND SERVICES

Hallo Magenta: Smart Speaker Mini. We followed up on the success of our first Smart Speaker with a new, smaller version. Like its bigger sibling, the Smart Speaker Mini complies with European data privacy guidelines and also meets our own strict privacy standards. It offers the same functions as the larger version in a unit that is around half the size.

fraenk – our new mobile app. fraenk is the new member of our Magenta family of offerings created specifically for price-conscious and digitally savvy mobile customers. The rate plan comes with 4 GB of data with LTE 25 plus telephony and text message flat rates in all German networks for around EUR 10/month. Users subscribe to and manage the fraenk rate plan exclusively via the app. fraenk can be canceled at any time with a month's notice and subscribers can port their mobile phone number.

A faster way to buy new prepaid cards. Since summer 2020 we have been making the authentication process for prepaid cards sold in stores much easier. Our retail partners use a new and faster certified process to verify the buyer's identity. In-store electronic card readers read the personal data stored on their ID card or electronic residence permit. The new method is more secure and saves time. In-store data readouts must be authorized by the Federal Office of Administration (Bundesverwaltungsamt). Telekom Deutschland is the first mobile communications provider to obtain this authorization.

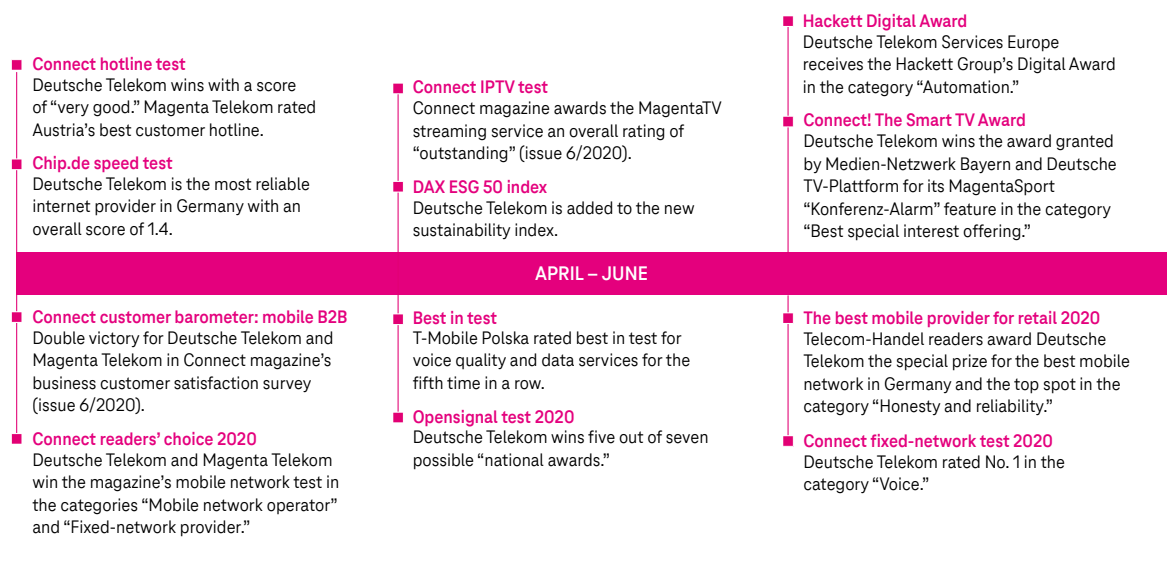
New and exclusive content in the MagentaTV Megathek. In June 2020 MagentaTV exclusively presented the second season of the thriller Banking District and released the world premiere of Swarm Intelligence. In May 2020 we showed two streaming premieres in Germany: the second season of My Brilliant Friend and the third season of crime drama series Rocco Schiavone. We also added SCROLLER TV, a digital learning format for children of elementary school age, to our #TAKEPART entertainment offering in April 2020.

Broader cybersecurity portfolio. We launched a raft of new offerings as part of our security portfolio: Together with WatchGuard, we developed Business Network Protect Complete to offer comprehensive cybersecurity for smaller businesses. The solution uses a Wi-Fi router and firewall combined in one unit. As of mid-April 2020, we also offer the new Magenta Security Shield package with integrated cyber defense for large corporations and SMEs.

For more details, please refer to our [media information](#).

AWARDS

The illustration below shows the main awards received in the second quarter of 2020.



For more information on the aforementioned highlights in the second quarter of 2020, please refer to www.telekom.com/en/media/media-information

INTERIM GROUP MANAGEMENT REPORT

GROUP ORGANIZATION, STRATEGY, AND MANAGEMENT

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

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



DELIGHT OUR CUSTOMERS



GET THINGS DONE



ACT WITH RESPECT & INTEGRITY



TEAM TOGETHER – TEAM APART



I AM T – COUNT ON ME



STAY CURIOUS & GROW

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

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

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

In the course of the business combination, a number of refinancing measures were implemented in the second quarter of 2020. On April 1, 2020, T-Mobile US raised a new term loan of USD 4 billion (EUR 3.6 billion). Senior secured notes, issued on April 9, 2020 for a total of USD 19 billion (EUR 17.5 billion), with terms of between 5 and 30 years and bearing interest of between 3.500 and 4.500 percent, were used to repay a short-term bridge loan facility taken out to finance the business combination on April 1, 2020. Moreover, T-Mobile US issued senior secured notes on June 24, 2020 for a total of USD 4.0 billion (EUR 3.6 billion) with terms of between 6 and 11 years and bearing interest of between 1.500 and 2.550 percent. As announced in 2018, rating agency Standard & Poor's downgraded Deutsche Telekom AG's rating from BBB+ to BBB with a stable outlook on completion of the business combination of T-Mobile US and Sprint. We are therefore still a solid investment-grade company with access to the international capital markets.

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

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

THE ECONOMIC ENVIRONMENT

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

MACROECONOMIC DEVELOPMENT

The global economy has been dominated by the coronavirus pandemic since spring 2020. In the June 2020 update to its spring outlook, the International Monetary Fund (IMF) announced it expected to see the global economy contract by 4.9 percent in 2020 followed by growth of 5.4 percent in 2021. The global economy was likely to partially recover in 2021 but remain significantly below the level that had been projected before the emergence of the coronavirus crisis.

For the German economy, the IMF expects GDP to decline by 7.8 percent in the current year. The coronavirus crisis is affecting individual industry sectors to varying extents. The business climate in the digital sector has brightened again: The Bitkom-ifo-Digitalindex, calculated on the basis of the business situation and expectations, returned to a positive level in June 2020 for the first time since February. IT and telecommunications companies are now reporting a significant improvement in their situation compared with April and May of this year.

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

OUTLOOK

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

OVERALL ECONOMIC RISKS

Overall economic risks arise primarily in connection with the possibility of further spikes in coronavirus infections. A renewed decline in economic activity is likely if pandemic restrictions are stepped up once again. If the number of customers defaulting on payments increases – for example, as a result of bankruptcy – this could place the banks under pressure and put financial stability at risk. In parallel, the longer the coronavirus pandemic persists, the more difficulties governments may have riding out the crisis with borrowing and fiscal interventions. Further risks arise from ongoing unresolved trade conflicts and uncertainty regarding Brexit. It remains to be seen what shape economic relations between the United Kingdom and the European Union will take following the end of the transition period at the end of this year.

REGULATION

Responses of the telecommunications regulatory authorities to the coronavirus pandemic. The European Commission and the Body of European Regulators for Electronic Communications (BEREC) released a joint statement at the end of March 2020 announcing that increased use of the internet had not generally resulted in any major network bottlenecks to date. This was confirmed in further BEREC reports published in June 2020 on the stability of Europe's telecommunications networks. The two parties confirmed that a range of measures within the scope of existing regulations were permissible to help cope with temporary network congestion, although strict restrictions applied and were being monitored by national regulatory authorities. The Federal Network Agency published its "Guidelines on traffic management measures" on March 25, 2020 in close consultation with the telecommunications industry and incorporating the measures to safeguard network stability proposed by Telekom Deutschland. Other national regulatory authorities imposed additional regulations, such as in Austria where mobile providers are required to send out text messages on behalf of the authorities. The timeline for spectrum award procedures in the near future has also been adjusted. For further details, please refer to the table below.

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

AWARDING OF SPECTRUM

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

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

	Expected start of award procedure	Expected end of award procedure	Frequency ranges (MHz)	Award process	Spectrum acquired (MHz)	Spectrum investment/ latest information
Greece	Q4 2020	Q1 2021	700 / 2,100 / 3,600 / 26,000	Auction (SMRA ^a), expected	tbd	Postponed due to coronavirus pandemic, expected to take place Q4 2020–Q1 2021
Croatia	Q1 2021	Q2 2021	700 / 3,400–3,800 / 26,000, additional bands possible	Auction, tbd	tbd	Postponed due to coronavirus, may be combined with further awards
Netherlands	Q2 2020	Completed	700 / 1,500 / 2,100	Hybrid (SMRA-clock) auction	2x10 MHz in the 700 MHz band, 10 MHz in the 1,500 MHz band, 2x20 MHz in the 2,100 MHz band	Auction ended on July 21, 2020, € 400 million
Austria	Q3 2020	Q4 2020	700 / 1,500 / 2,100	Auction (CCA ^b)	tbd	Postponed due to coronavirus, new start date August 17, 2020
Poland	Q4 2020	Q1 2021	3,400–3,800	Auction (SMRA ^a), details tbd	tbd	Postponed due to coronavirus regulation, 800 MHz to follow later
Poland	Q3 2022	Q4 2022	700 / 2,100 / 26,000	Auction, details tbd	tbd	Planned for 2022, tbd
Romania	Q3 2020	Q4 2020	700 / 800 / 1,500 / 2,600 / 3,400–3,800 / 26,000	Auction, details tbd	tbd	Government stands by plan for Q3 2020
Slovakia	Q3 2020	Q4 2020	700 / 900 / 1,500 / 1,800	Auction (SMRA ^a), details tbd	tbd	Award planning halted, reasons and new start date tbd
Czech Republic	Q3 2020	Q4 2020	700 / 3,400–3,600	Auction (SMRA ^a), details tbd	tbd	Planning halted, new consultation started, new date tbd
Hungary	Q4 2020	Q1 2021	900 / 1,500 / 1,800 / 2,300	Auction (clock auction), expected	tbd	1,500 / 2,300 MHz expected to follow at a later date
United States	Q3 2020	Q3 / Q4 2020	3,550–3,700	Auction (clock auction)	tbd	tbd
United States	Q4 2020	Q2 2021	3,700–4,000	Auction (clock auction)	tbd	tbd
United States	Q3 2021	Q4 2021	2,500–2,700	Auction (SMRA ^a)	tbd	tbd

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

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

DEVELOPMENT OF BUSINESS IN THE GROUP

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

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

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

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

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

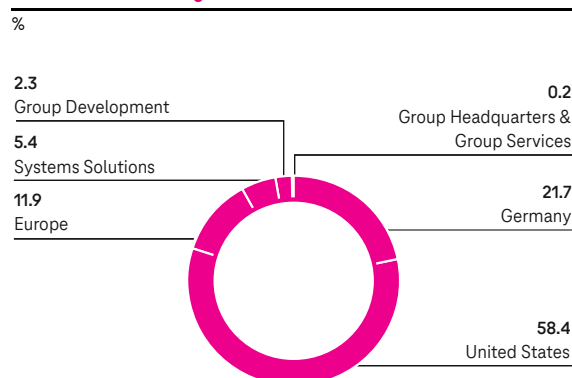
For further information on revenue development in our segments, please refer to the section "[Development of business in the operating segments](#)."

Contribution of the segments to net revenue

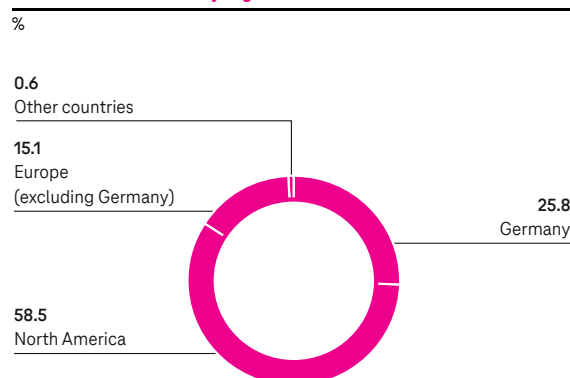
millions of €

	Q1 2020	Q2 2020	Q2 2019	Change	Change %	H1 2020	H1 2019	Change %	FY 2019
NET REVENUE	19,943	27,041	19,664	7,377	37.5	46,984	39,152	20.0	80,531
Germany	5,405	5,446	5,388	58	1.1	10,852	10,745	1.0	21,886
United States	10,157	17,297	9,826	7,471	76.0	27,455	19,623	39.9	40,420
Europe	2,903	2,843	2,978	(135)	(4.5)	5,746	5,869	(2.1)	12,168
Systems Solutions	1,628	1,616	1,673	(57)	(3.4)	3,244	3,304	(1.8)	6,805
Group Development	708	716	683	33	4.8	1,424	1,364	4.4	2,797
Group Headquarters & Group Services	632	649	678	(29)	(4.3)	1,281	1,329	(3.6)	2,620
Intersegment revenue	(1,491)	(1,528)	(1,561)	33	2.1	(3,019)	(3,081)	2.0	(6,166)

Contribution of the segments to net revenue^a



Breakdown of revenue by region



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

At 58.4 percent, our United States operating segment provided by far the largest contribution to net revenue of the Group and thanks to the acquisition of Sprint was up 8.3 percentage points above the level in the prior-year period. In this connection, the proportion of net revenue generated internationally also increased significantly from 69.0 percent to 74.2 percent.

EBITDA AL, ADJUSTED EBITDA AL

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

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

Contribution of the segments to adjusted Group EBITDA AL

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

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

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

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

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

^a Excluding finance leases at T-Mobile US.

EBIT

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

PROFIT BEFORE INCOME TAXES

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

NET PROFIT, ADJUSTED NET PROFIT

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

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

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

millions of €									
	Q1 2020	Q2 2020	Q2 2019	Change	Change %	H1 2020	H1 2019	Change %	FY 2019
NET PROFIT (LOSS)	916	754	944	(190)	(20.1)	1,670	1,845	(9.5)	3,867
Special factors affecting EBITDA	(623)	(1,245)	(562)	(683)	n.a.	(1,868)	(1,002)	(86.4)	(1,589)
Staff-related measures	(342)	(262)	(304)	42	13.8	(604)	(594)	(1.7)	(913)
Non-staff-related restructuring	(8)	(8)	(30)	22	73.3	(16)	(49)	67.3	(81)
Effects of deconsolidations, disposals and acquisitions	(145)	(655)	(174)	(481)	n.a.	(800)	(285)	n.a.	(462)
Other	(128)	(319)	(54)	(265)	n.a.	(448)	(74)	n.a.	(132)
Special factors affecting net profit	254	720	178	542	n.a.	976	335	n.a.	508
Impairment losses	0	0	(50)	50	(100.0)	0	(50)	(100.0)	(370)
Profit (loss) from financial activities	(21)	(8)	(1)	(7)	n.a.	(28)	(1)	n.a.	(4)
Income taxes	167	325	173	152	87.9	492	295	66.8	461
Non-controlling interests	108	403	56	347	n.a.	512	91	n.a.	421
SPECIAL FACTORS	(368)	(525)	(385)	(140)	(36.4)	(892)	(667)	(33.7)	(1,081)
NET PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)	1,284	1,278	1,329	(51)	(3.8)	2,562	2,512	2.0	4,948

EARNINGS PER SHARE, ADJUSTED EARNINGS PER SHARE

Earnings per share is calculated as net profit divided by the adjusted weighted average number of ordinary shares outstanding, which totaled 4,743 million as of June 30, 2020. This resulted in adjusted earnings per share of EUR 0.35, compared with EUR 0.39 in the first half of 2019. Adjusted earnings per share, adjusted for special factors affecting net profit, amounted to EUR 0.54 compared with EUR 0.53 in the prior-year period.

SPECIAL FACTORS

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

millions of €							
	EBITDA AL H1 2020	EBIT H1 2020	EBITDA AL H1 2019	EBIT H1 2019	EBITDA AL FY 2019	EBIT FY 2019	
EBITDA AL/EBIT	14,505	5,597	11,221	4,608	23,143	9,457	
GERMANY	(314)	(314)	(293)	(293)	(425)	(425)	
Staff-related measures	(288)	(288)	(284)	(284)	(396)	(396)	
Non-staff-related restructuring	(9)	(9)	(18)	(18)	(38)	(38)	
Effects of deconsolidations, disposals and acquisitions	(6)	(6)	0	0	0	0	
Impairment losses	0	0	0	0	0	0	
Other	(11)	(11)	9	9	9	9	
UNITED STATES	(1,166)	(1,166)	(299)	(299)	(544)	(544)	
Staff-related measures	(32)	(32)	(4)	(4)	(17)	(17)	
Non-staff-related restructuring	0	0	0	0	0	0	
Effects of deconsolidations, disposals and acquisitions	(715)	(715)	(295)	(295)	(527)	(527)	
Impairment losses	0	0	0	0	0	0	
Other	(420)	(420)	0	0	0	0	
EUROPE	(90)	(90)	(86)	(86)	(146)	(466)	
Staff-related measures	(78)	(78)	(79)	(79)	(116)	(116)	
Non-staff-related restructuring	0	0	0	0	0	0	
Effects of deconsolidations, disposals and acquisitions	(3)	(3)	(5)	(5)	(23)	(23)	
Impairment losses	0	0	0	0	0	(320)	
Other	(9)	(9)	(2)	(2)	(8)	(8)	

millions of €

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

EMPLOYEES

Headcount development

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

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

FINANCIAL POSITION OF THE GROUP

Condensed consolidated statement of financial position

millions of €

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

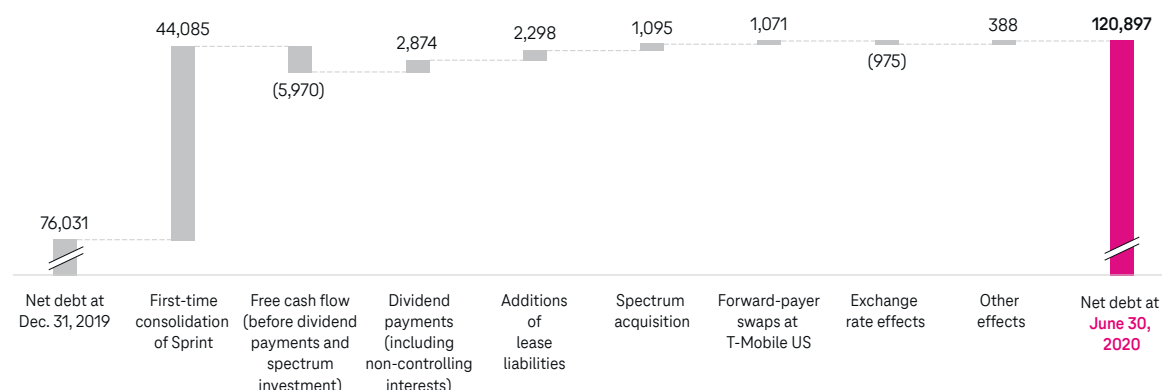
For further information on the statement of financial position, please refer to the section "Selected notes to the consolidated statement of financial position" in the interim consolidated financial statements.

Calculation of net debt

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

Changes in net debt

millions of €



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

Calculation of free cash flow AL

millions of €

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

^a Before interest payments for zero-coupon bonds.

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

^c Excluding finance leases at T-Mobile US.

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

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

Cash capex (before spectrum investments) was at the same level as in the prior-year period. In the Germany operating segment, the decline is mainly a result of the changed accounting treatment of grants receivable from funding projects for the broadband build-out as of the start of the third quarter of 2019. Since then, the grants received and payments made for the build-out are no longer part of cash capex. In the United States operating segment, cash capex increased as a result of the inclusion of Sprint and the continued build-out of the 5G network.

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

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

DEVELOPMENT OF BUSINESS IN THE OPERATING SEGMENTS

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

GERMANY

CUSTOMER DEVELOPMENT

thousands

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

Total

In Germany we continue to be market leader both in terms of fixed-network and mobile revenues. This success is attributable to our high-performance networks. We offer best customer experience with award-winning network quality – in the fixed network as in mobile communications – and with a broad product portfolio and excellent service. We want to offer our customers a seamless and technology-neutral telecommunications experience. Hence, alongside fixed-network and mobile communications products, we also market convergence products. Our MagentaEINS convergence product remains very popular among customers, with more than 4.8 million subscribers at the end of the first half of 2020.

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

Mobile communications

We won a further 1.2 million mobile customers in the first six months of 2020. Of these, a total of 251 thousand were contract customers under our Telekom and congstar brands. Sustained high demand for mobile rate plans with included data volumes continues to drive this trend. The number of mobile contract customers with resellers (service providers) decreased slightly, primarily due to the volatile developments at some of our service providers. We have added 991 thousand prepaid customers since the start of the year, largely on the back of our automotive offerings targeted specifically at business customers.

The StreamOn option, with which customers can stream certain music, gaming, or video services without reducing their included data allowance, remains extremely popular. At the end of the first half of 2020, 3.5 million customers were using this option, up by 54 percent year-on-year.

Fixed network

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

The number of broadband lines increased by 170 thousand compared with year-end 2019, while the number of TV customers increased by 106 thousand in the first six months of 2020. In traditional fixed-network business, the number of lines declined by 175 thousand. This marked a sharp drop in line losses compared with the prior-year period, which had been affected in particular by the migration of consumers to IP.

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

Wholesale

At the end of June 2020, fiber-optic-based lines accounted for 51.7 percent of all lines – 2.8 percentage points higher than at the end of 2019. This growth was driven largely by high demand for our contingent model. The number of unbundled local loop lines decreased by 277 thousand compared with the end of the prior year, partly as a result of the shift to higher-value fiber-optic-based lines and partly from consumers switching to cable providers. In addition, our wholesale customers are migrating their retail customers to their own fiber-optic-based lines. The total number of wholesale lines at the end of the first half of 2020 was around 11.9 million.

DEVELOPMENT OF OPERATIONS

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

Total revenue

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

Revenue from **Consumers** grew by 1.4 percent year-on-year. Volume-driven declines in revenue from voice components continue to strongly impact on traditional fixed-network business. By contrast, revenue from broadband business increased by 4.1 percent. Mobile business grew by just 0.3 percent, largely due to the negative development in roaming and visitor revenues as a consequence of the coronavirus pandemic.

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

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

EBITDA AL, adjusted EBITDA AL

In the first half of 2020, we increased EBITDA AL by around EUR 100 million or 2.5 percent to around EUR 4.1 billion compared with the prior-year period. The main reasons for this increase are a sound operational development, driven by revenue growth and enhanced cost efficiency. Lower personnel costs resulting mainly from the smaller headcount and the ongoing implementation of efficiency enhancement and digitalization measures reduced costs. Higher expenses recognized as special factors for socially responsible instruments in connection with the staff restructuring had an offsetting effect. Adjusted EBITDA AL therefore increased by EUR 121 million or 2.8 percent year-on-year to EUR 4.4 billion. Our adjusted EBITDA AL margin increased to 40.4 percent, up from 39.7 percent in the prior-year period.

EBIT

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

Cash capex

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

UNITED STATES

CUSTOMER DEVELOPMENT

thousands

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

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

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

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

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

Branded customers

At June 30, 2020, the United States operating segment (T-Mobile US) had 107.7 million customers, compared to 67.9 million customers at December 31, 2019, primarily due to customers acquired in the Sprint Merger. Net customer additions were 2.1 million for the first half of 2020, compared to 2.3 million net customer additions for the first half of 2019, due to the factors described below.

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

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

DEVELOPMENT OF OPERATIONS

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

Total revenue

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

EBITDA AL, adjusted EBITDA AL

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

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

EBIT

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

Cash capex

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

EUROPE

CUSTOMER DEVELOPMENT

thousands

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

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

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

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

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

Total

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

In mobile business, we recorded growth in high-value contract customers, partially offsetting the decline in the prepaid customer base. In 5G, we reached the first milestone a year ago with the market launch in Austria. At the start of April 2020, Hungary also launched, following the successful 5G auction. Poland was the third national company to launch 5G commercially, also in the second quarter of 2020. The plan is to add more 5G networks following the anticipated spectrum auctions in various countries in 2020.

Mobile communications

In the Europe operating segment, we had 45.7 million mobile customers in the first half of 2020, a slight decline of 1.1 percent compared with the end of 2019. The number of high-value contract customers rose slightly by 1.1 percent (and compared with the first half of the prior year by as much as 2.9 percent). The contract customer bases increased in most of our national companies, with particularly strong growth recorded in Romania, Poland, Austria, Hungary, and Greece. Overall, contract customers account for 58.1 percent of the total customer base. Already last year, our innovative services and rate plans were joined in several countries by a new product portfolio, which we revamped in line with the “more for more” principle. Customers in these countries can now select high-value add-on services – e.g., more data – for a small additional monthly fee. The new portfolio also satisfies the growing demand for data volume driven by video streaming and gaming services. In addition, thanks to our integrated network strategy our customers benefited from greater coverage with fast mobile broadband. As of June 30, 2020, we covered 97.3 percent of the population in the countries of our operating segment with LTE, reaching around 107 million people in total.

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

Fixed network

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

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

FMC – fixed-mobile convergence

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

DEVELOPMENT OF OPERATIONS

millions of €

	Q1 2020	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %	FY 2019
TOTAL REVENUE	2,903	2,843	2,978	(4.5)	5,746	5,869	(2.1)	12,168
Greece	707	692	720	(3.9)	1,399	1,417	(1.3)	2,943
Romania	237	229	231	(0.9)	466	448	4.0	980
Hungary	427	405	455	(11.0)	832	914	(9.0)	1,872
Poland	360	359	366	(1.9)	719	713	0.8	1,486
Czech Republic	266	255	265	(3.8)	521	522	(0.2)	1,088
Croatia	214	215	239	(10.0)	428	459	(6.8)	960
Slovakia	186	186	190	(2.1)	372	375	(0.8)	785
Austria	313	317	315	0.6	630	621	1.4	1,276
Other ^a	235	227	244	(7.0)	461	488	(5.5)	975
Profit from operations (EBIT)	372	387	357	8.4	758	696	8.9	1,182
EBIT margin %	12.8	13.6	12.0		13.2	11.9		9.7
Depreciation, amortization and impairment losses	(662)	(646)	(681)	5.1	(1,308)	(1,377)	5.0	(3,131)
EBITDA	1,034	1,033	1,038	(0.5)	2,067	2,072	(0.2)	4,313
EBITDA AL	924	927	930	(0.3)	1,851	1,851	0.0	3,858
Special factors affecting EBITDA	(39)	(51)	(62)	17.7	(90)	(86)	(4.7)	(146)
EBITDA (adjusted for special factors)	1,073	1,084	1,099	(1.4)	2,157	2,158	0.0	4,460
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)	963	978	991	(1.3)	1,941	1,937	0.2	4,005
Greece	288	285	290	(1.7)	573	573	0.0	1,212
Romania	34	36	29	24.1	70	55	27.3	141
Hungary	114	125	139	(10.1)	238	260	(8.5)	551
Poland	96	97	100	(3.0)	192	192	0.0	383
Czech Republic	110	105	114	(7.9)	214	221	(3.2)	448
Croatia	76	82	91	(9.9)	159	174	(8.6)	360
Slovakia	79	80	79	1.3	159	162	(1.9)	327
Austria	123	124	114	8.8	247	233	6.0	467
Other ^a	44	45	35	28.6	89	67	32.8	114
EBITDA AL margin (adjusted for special factors) %	33.2	34.4	33.3		33.8	33.0		32.9
CASH CAPEX	(438)	(567)	(469)	(20.9)	(1,005)	(915)	(9.8)	(1,824)

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

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

Total revenue

Our Europe operating segment generated total revenue of EUR 5.7 billion in the first half of 2020, a decrease of 2.1 percent compared to the prior year. In organic terms, i.e., assuming constant exchange rates and adjusted for the sale of Telekom Albania as of May 7, 2019, revenue remained on a par with the prior-year level, despite the deterioration in economic conditions due to the coronavirus pandemic.

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

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

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

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

EBITDA AL, adjusted EBITDA AL

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

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

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

Development of operations in selected countries

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

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

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

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

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

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

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

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

Austria. Revenue in Austria totaled EUR 630 million as of June 30, 2020, an increase of 1.4 percent. This growth is primarily attributable to increases in higher-margin service revenues, mainly due to the Magenta product portfolio, which was launched in May last year and has been very well received by our customers. Business with mobile terminal equipment also contributed to the growth in revenue. Since the launch of the Magenta brand, we now also offer convergent products in addition to mobile broadband internet services. The success of our convergence products among customers can also be seen in the development of fixed-network operations: the broadband business in particular generated positive growth rates, among other things as a result of a larger customer base.

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

EBIT

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

Cash capex

As of June 30, 2020, our Europe operating segment reported cash capex of EUR 1.0 billion, up 9.8 percent year-on-year. This increase is mainly due to a rise in cash outflows for the acquisition of spectrum licenses in Hungary. Moreover, we continue to make significant investments in the provision of broadband and fiber-optic technology and in 5G as part of our integrated network strategy.

SYSTEMS SOLUTIONS

ORDER ENTRY

millions of €					
	H1 2020	Q1 2020	2019	H1 2019	Change H1 2020/ H1 2019 %
ORDER ENTRY	2,826	1,393	7,329	3,494	(19.1)

Development of business

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

Under an extensive transformation program, we realigned our organization and workflows, adjusted capacities, and developed a new strategy for our portfolio. Stand-alone portfolio units look after not only our growth areas (public cloud, Internet of Things (IoT), digital solutions, security, SAP, classified ICT, and road charging) but also our traditional IT and telecommunications businesses. Consistent with our efforts to implement the Group's strategy pillar "Lead in business productivity," on July 1, 2020, we also combined our B2B telecommunications operations and the Classified ICT unit within our Germany operating segment.

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

DEVELOPMENT OF OPERATIONS

millions of €

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

Total revenue

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

EBITDA AL, adjusted EBITDA AL

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

EBIT, adjusted EBIT

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

Cash capex

Cash capex in the Systems Solutions operating segment stood at EUR 101 million in the first half of 2020, compared with EUR 167 million in the prior year. This was due to a reduced need for investments in traditional IT and in the growth area digital solutions, which was impacted by the effects of the coronavirus pandemic on the automotive industry. Going forward, capital expenditures remain focused on developing our operations in growth areas, such as digital solutions, the Internet of Things (IoT), and road charging.

GROUP DEVELOPMENT

CUSTOMER DEVELOPMENT

thousands

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

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

DEVELOPMENT OF OPERATIONS

millions of €

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

Total revenue

Total revenue in our Group Development operating segment increased in the first half of 2020 by 4.4 percent year-on-year to EUR 1.4 billion, thanks to the operational growth of our two subsidiaries, T-Mobile Netherlands and DFMG. In the Netherlands, both business customer and consumer operations contributed to this increase in revenue on the back of customer growth and in terminal equipment sales. The GD Towers unit also recorded a year-on-year increase in revenue, driven by volume-based growth at DFMG.

EBITDA AL, adjusted EBITDA AL

EBITDA AL increased by 5.6 percent year-on-year to EUR 508 million. This growth was mainly attributable to the aforementioned positive effects on revenue, synergies from the takeover of Tele2 Netherlands, and efficient cost management in the company. The GD Towers business continues to post consistent growth on the back of rising volumes. An operational increase was also achieved through revenue growth and cost transformation. Adjusted EBITDA AL increased by 9.1 percent year-on-year to EUR 552 million due to the effects mentioned.

EBIT

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

Cash capex

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

GROUP HEADQUARTERS & GROUP SERVICES DEVELOPMENT OF OPERATIONS

millions of €

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

Total revenue

Total revenue in our Group Headquarters & Group Services segment in the first half of 2020 decreased by 3.6 percent year-on-year, mainly as a result of lower revenue from land and buildings, largely due to the ongoing optimization of space.

EBITDA AL, adjusted EBITDA AL

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

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

EBIT

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

Cash capex

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

EVENTS AFTER THE REPORTING PERIOD

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

FORECAST

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

There is still a great deal of uncertainty regarding the extent to which business activities and thus the results of operations and financial position of Deutsche Telekom could be affected overall as the coronavirus pandemic unfolds. We continue to evaluate the latest studies published by prominent economic research institutes to monitor the impact of the coronavirus pandemic on the economy as a whole. Based on our current results, we can observe offsetting effects within adjusted EBITDA AL. In our Systems Solutions operating segment, we anticipate that the difficult market climate in terms of new business will cause us to fall short of our original guidance for revenue and adjusted EBITDA AL. Nevertheless, at the current point in time, the forecasts published in the combined management report in the [2019 Annual Report](#), together with the updated guidance in connection with the Sprint transaction, remain valid. However, given the current level of macro-economic uncertainty, we cannot generally rule out the possibility of future deviations.

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

RISKS AND OPPORTUNITIES

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

The coronavirus pandemic has developed into a global economic crisis. Higher demand for certain telecommunications services means the impact of the crisis is being felt less severely by the telecommunications industry than by other industries. There is still a great deal of uncertainty regarding the extent to which business activities and thus the results of operations and financial position of Deutsche Telekom could be affected overall as the coronavirus pandemic unfolds. Possible factors could include the introduction of new travel restrictions, the closure of Telekom Shops, disrupted supply chains, further declines in roaming and visitor volumes, falling terminal equipment sales, or a drop in the number of new contracts being taken out. In addition, corporate customer business may decline further, for example, due to delayed or changed customer decisions. The possibility of an increase in the number of consumers and business customers defaulting on their payments cannot be ruled out either. Deutsche Telekom has put in place cost-saving measures to mitigate potential effects on earnings. The coronavirus pandemic has a negative impact on the Group's economic business risks. In the United States, Germany, and Europe operating segments, the risk significance was regraded from "low" to "medium" in the first half of 2020.

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

ASSESSMENT OF THE AGGREGATE RISK POSITION

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

millions of €

	June 30, 2020	Dec. 31, 2019	Change	Change %	June 30, 2019
ASSETS					
CURRENT ASSETS	37,936	24,689	13,247	53.7	21,801
Cash and cash equivalents	14,537	5,393	9,144	n.a.	3,894
Trade receivables	12,690	10,846	1,844	17.0	9,898
Contract assets	1,905	1,876	29	1.5	1,894
Current recoverable income taxes	245	481	(236)	(49.1)	511
Other financial assets	2,776	3,254	(478)	(14.7)	2,187
Inventories	2,077	1,568	509	32.5	1,702
Other assets	1,919	1,175	744	63.3	1,621
Non-current assets and disposal groups held for sale	1,786	97	1,689	n.a.	94
NON-CURRENT ASSETS	232,035	145,983	86,052	58.9	142,413
Intangible assets	126,372	68,202	58,170	85.3	66,266
Property, plant and equipment	62,912	49,548	13,364	27.0	49,119
Right-of-use assets	23,821	17,998	5,823	32.4	17,549
Capitalized contract costs	2,081	2,075	6	0.3	1,873
Investments accounted for using the equity method	541	489	52	10.6	675
Other financial assets	6,715	3,996	2,719	68.0	2,731
Deferred tax assets	8,434	2,704	5,730	n.a.	3,163
Other assets	1,158	970	188	19.4	1,036
TOTAL ASSETS	269,971	170,672	99,299	58.2	164,214
LIABILITIES					
CURRENT LIABILITIES	39,015	32,913	6,102	18.5	35,063
Financial liabilities	13,567	11,463	2,104	18.4	13,582
Lease liabilities	5,812	3,987	1,825	45.8	4,019
Trade and other payables	9,601	9,431	170	1.8	9,647
Income tax liabilities	566	463	103	22.2	359
Other provisions	3,395	3,082	313	10.2	2,580
Other liabilities	3,739	2,850	889	31.2	3,177
Contract liabilities	1,794	1,608	186	11.6	1,700
Liabilities directly associated with non-current assets and disposal groups held for sale	541	29	512	n.a.	0
NON-CURRENT LIABILITIES	157,454	91,528	65,926	72.0	86,461
Financial liabilities	103,043	54,886	48,157	87.7	50,605
Lease liabilities	19,994	15,848	4,146	26.2	15,328
Provisions for pensions and other employee benefits	8,003	5,831	2,172	37.2	6,569
Other provisions	4,820	3,581	1,239	34.6	3,319
Deferred tax liabilities	18,716	8,954	9,762	n.a.	8,935
Other liabilities	2,450	1,972	478	24.2	1,173
Contract liabilities	428	456	(28)	(6.1)	532
TOTAL LIABILITIES	196,469	124,441	72,028	57.9	121,524
SHAREHOLDERS' EQUITY	73,502	46,231	27,271	59.0	42,690
Issued capital	12,189	12,189	0	0.0	12,189
Treasury shares	(47)	(47)	0	0.0	(48)
	12,142	12,142	0	0.0	12,141
Capital reserves	62,535	55,029	7,506	13.6	54,919
Retained earnings including carryforwards	(39,014)	(38,709)	(305)	(0.8)	(39,131)
Total other comprehensive income	(1,573)	(622)	(951)	n.a.	(886)
Net profit (loss)	1,670	3,867	(2,197)	(56.8)	1,845
ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT	35,760	31,707	4,053	12.8	28,888
Non-controlling interests	37,743	14,524	23,219	n.a.	13,802
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	269,971	170,672	99,299	58.2	164,214

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 "Significant events and transactions."

CONSOLIDATED INCOME STATEMENT

millions of €							
	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %	FY 2019
NET REVENUE	27,041	19,664	37.5	46,984	39,152	20.0	80,531
Of which: interest income calculated using the effective interest method	75	90	(16.7)	156	178	(12.4)	345
Other operating income	527	254	n.a.	820	457	79.4	1,121
Changes in inventories	2	23	(91.3)	30	55	(45.5)	29
Own capitalized costs	721	589	22.4	1,326	1,179	12.5	2,418
Goods and services purchased	(11,678)	(8,781)	(33.0)	(20,243)	(17,623)	(14.9)	(36,956)
Personnel costs	(5,131)	(4,262)	(20.4)	(9,615)	(8,563)	(12.3)	(16,723)
Other operating expenses	(1,456)	(786)	(85.2)	(2,336)	(1,495)	(56.3)	(3,301)
Impairment losses on financial assets	(333)	(63)	n.a.	(474)	(141)	n.a.	(452)
Gains (losses) from the write-off of financial assets measured at amortized cost	(33)	(29)	(13.8)	(85)	(47)	(80.9)	(42)
Other	(1,090)	(694)	(57.1)	(1,777)	(1,307)	(36.0)	(2,807)
EBITDA	10,026	6,701	49.6	16,966	13,162		27,120
Depreciation, amortization and impairment losses	(6,939)	(4,351)	(59.5)	(11,368)	(8,555)	(32.9)	(17,663)
PROFIT FROM OPERATIONS	3,087	2,350	31.4	5,597	4,608	21.5	9,457
Finance costs	(1,443)	(590)	n.a.	(2,000)	(1,193)	(67.6)	(2,364)
Interest income	93	76	22.4	193	159	21.4	348
Interest expense	(1,536)	(665)	n.a.	(2,193)	(1,352)	(62.2)	(2,712)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(7)	35	n.a.	(6)	101	n.a.	87
Other financial income (expense)	202	88	n.a.	(206)	220	n.a.	81
PROFIT (LOSS) FROM FINANCIAL ACTIVITIES	(1,249)	(466)	n.a.	(2,213)	(872)	n.a.	(2,197)
PROFIT (LOSS) BEFORE INCOME TAXES	1,838	1,883	(2.4)	3,384	3,735	(9.4)	7,260
Income taxes	(517)	(511)	(1.2)	(968)	(1,038)	6.7	(1,993)
PROFIT (LOSS)	1,321	1,372	(3.7)	2,417	2,697	(10.4)	5,268
PROFIT (LOSS) ATTRIBUTABLE TO							
Owners of the parent (net profit (loss))	754	944	(20.1)	1,670	1,845	(9.5)	3,867
Non-controlling interests	568	428	32.7	747	853	(12.4)	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 "Significant events and transactions."

EARNINGS PER SHARE

	Q2 2020	Q2 2019	Change %	H1 2020	H1 2019	Change %	FY 2019
Profit (loss) attributable to the owners of the parent (net profit (loss))	754	944	(20.1)	1,670	1,845	(9.5)	3,867
Adjusted weighted average number of basic/diluted ordinary shares outstanding	4,743	4,743	0.0	4,743	4,761	(0.4)	4,743
EARNINGS PER SHARE BASIC/DILUTED	0.16	0.20	(20.0)	0.35	0.39	(10.3)	0.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

millions of €

	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change	FY 2019
PROFIT (LOSS)	1,321	1,372	(51)	2,417	2,697	(280)	5,268
Items not subsequently reclassified to profit or loss (not recycled)							
Gains (losses) from the remeasurement of equity instruments	45	17	28	59	34	25	99
Gains (losses) from the remeasurement of defined benefit plans	(348)	(774)	426	(1,355)	(982)	(373)	(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	97	146	(49)	11	159	(148)	134
	(205)	(611)	406	(1,285)	(789)	(496)	(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	(8)	8	0	(8)	8	(8)
Change in other comprehensive income (not recognized in income statement)	(1,291)	(329)	(962)	(1,045)	180	(1,225)	463
Gains (losses) from the remeasurement of debt instruments							
Recognition of other comprehensive income in income statement	105	(18)	123	212	(43)	255	(47)
Change in other comprehensive income (not recognized in income statement)	(33)	17	(50)	(195)	29	(224)	34
Gains (losses) from hedging instruments (designated risk components)							
Recognition of other comprehensive income in income statement	141	79	62	141	(21)	162	(148)
Change in other comprehensive income (not recognized in income statement)	(162)	(561)	399	(1,082)	(704)	(378)	(483)
Gains (losses) from hedging instruments (hedging costs)							
Recognition of other comprehensive income in income statement	1	0	1	1	1	0	2
Change in other comprehensive income (not recognized in income statement)	(27)	(33)	6	(29)	(25)	(4)	(9)
Share of profit (loss) of investments accounted for using the equity method							
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	(7)
Change in other comprehensive income (not recognized in income statement)	0	0	0	0	11	(11)	11
Income taxes relating to components of other comprehensive income	4	137	(133)	257	195	62	155
	(1,263)	(714)	(549)	(1,740)	(384)	(1,356)	(38)
OTHER COMPREHENSIVE INCOME	(1,467)	(1,325)	(142)	(3,025)	(1,173)	(1,852)	(407)
TOTAL COMPREHENSIVE INCOME	(146)	48	(194)	(608)	1,524	(2,132)	4,861
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO							
Owners of the parent	(35)	(139)	104	(552)	806	(1,358)	3,514
Non-controlling interests	(179)	186	(365)	(57)	718	(775)	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 carry-forwards	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			120			(3)	
Unappropriated profit (loss) carried forward				2,166	(2,166)		
Dividends				(3,320)			
Capital increase at Deutsche Telekom AG							
Capital increase from share-based payment			153				
Share buy-back/shares held in a trust deposit		1	0	2			
Profit (loss)					1,845		
Other comprehensive income				(819)		138	
TOTAL COMPREHENSIVE INCOME							
Transfer to retained earnings				10			4
BALANCE AT JUNE 30, 2019	12,189	(48)	54,919	(39,131)	1,845	(985)	(24)
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			7,374			(336)	
Unappropriated profit (loss) carried forward				3,867	(3,867)		
Dividends				(2,846)			
Capital increase at Deutsche Telekom AG							
Capital increase from share-based payment			133				
Share buy-back/shares held in a trust deposit							
Profit (loss)					1,670		
Other comprehensive income				(1,323)		(485)	
TOTAL COMPREHENSIVE INCOME							
Transfer to retained earnings				(3)			3
BALANCE AT JUNE 30, 2020	12,189	(47)	62,535	(39,014)	1,670	(1,630)	(17)

Issued capital and reserves attributable to owners of the parent						Total	Non-controlling interests	Total share-holders' 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	2			(1)	118	331	449
						0	0	0
						(3,320)	(236)	(3,555)
						153	89	242
						3	0	3
						1,845	853	2,697
34	(9)	(513)	(24)	10	143	(1,039)	(135)	(1,173)
						806	718	1,523
(14)				0		0	0	0
104	(6)	8	35	6	(22)	28,888	13,802	42,690
101	(6)	130	51	0	(69)	31,707	14,524	46,231
							17,329	17,329
	12	377			(109)	7,317	6,006	13,323
						(2,846)	(174)	(3,019)
						133	113	246
						1,670	747	2,417
59	(3)	(617)	(27)		175	(2,222)	(803)	(3,025)
						(552)	(56)	(608)
160	3	(110)	24	0	(3)	35,760	37,743	73,502

CONSOLIDATED STATEMENT OF CASH FLOWS

millions of €

	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
PROFIT (LOSS) BEFORE INCOME TAXES	1,838	1,883	3,384	3,735	7,260
Depreciation, amortization and impairment losses	6,939	4,351	11,368	8,555	17,663
(Profit) loss from financial activities	1,249	466	2,213	872	2,197
(Profit) loss on the disposal of fully consolidated subsidiaries	(9)	12	(9)	12	9
(Income) loss from the sale of stakes accounted for using the equity method	0	0	0	(1)	(143)
Other non-cash transactions	164	125	394	314	569
(Gains) losses from the disposal of intangible assets and property, plant and equipment	199	15	178	41	112
Change in assets carried as operating working capital	(95)	260	(361)	346	(814)
Change in other operating assets	226	(63)	(263)	(392)	(248)
Change in provisions	(162)	(297)	(263)	(396)	203
Change in liabilities carried as operating working capital	(1,667)	(483)	(1,875)	(426)	(440)
Change in other operating liabilities	37	66	182	463	(325)
Income taxes received (paid)	70	(193)	(74)	(371)	(758)
Dividends received	1	13	4	13	15
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	(2,189)	0	(2,189)	0	(3)
CASH GENERATED FROM OPERATIONS	6,600	6,157	12,690	12,765	25,297
Interest paid	(1,917)	(1,113)	(4,394)	(2,068)	(3,924)
Interest received	464	554	811	909	1,701
NET CASH FROM OPERATING ACTIVITIES	5,148	5,598	9,107	11,607	23,074
Cash outflows for investments in					
Intangible assets	(1,900)	(1,808)	(3,055)	(2,838)	(4,375)
Property, plant and equipment	(2,648)	(2,391)	(5,061)	(5,188)	(9,982)
Non-current financial assets	(237)	(53)	(374)	(79)	(417)
Payments for publicly funded investments in the broadband build-out ^a	(112)	0	(214)	0	(401)
Proceeds from public funds for investments in the broadband build-out ^a	53	0	76	0	341
Changes in cash and cash equivalents in connection with the acquisition of control of subsidiaries and associates	(4,647)	(12)	(4,648)	(249)	(261)
Proceeds from disposal of					
Intangible assets	0	0	1	0	0
Property, plant and equipment	40	38	126	82	176
Non-current financial assets	54	23	73	35	251
Changes in cash and cash equivalents in connection with the loss of control of subsidiaries and associates	22	31	22	31	62
Net change in short-term investments and marketable securities and receivables	826	418	1,790	858	376
Other	0	0	11	(2)	(1)
NET CASH USED IN INVESTING ACTIVITIES	(8,548)	(3,754)	(11,254)	(7,350)	(14,230)
Proceeds from issue of current financial liabilities	17,597	4,804	18,918	10,746	10,778
Repayment of current financial liabilities	(22,109)	(4,924)	(26,175)	(12,420)	(16,533)
Proceeds from issue of non-current financial liabilities	24,506	450	26,114	3,033	6,278
Repayment of non-current financial liabilities	(1,697)	(2)	(1,699)	(4)	(21)
Dividend payments (including to other shareholders of subsidiaries)	(2,874)	(3,409)	(2,874)	(3,409)	(3,561)
Principal portion of repayment of lease liabilities	(1,467)	(967)	(2,730)	(1,860)	(3,835)
Cash inflows from transactions with non-controlling entities	20	0	24	1	13
Cash outflows from transactions with non-controlling entities	(179)	(38)	(344)	(145)	(261)
Other	0	0	0	0	0
NET CASH FROM (USED IN) FINANCING ACTIVITIES	13,797	(4,086)	11,234	(4,058)	(7,141)
Effect of exchange rate changes on cash and cash equivalents	63	(9)	57	16	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	10,459	(2,250)	9,144	214	1,713
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD	4,078	6,144	5,393	3,679	3,679
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	14,537	3,894	14,537	3,894	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 § 115 of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), Deutsche Telekom AG's half-year financial report comprises interim consolidated financial statements and an interim management report for the Group as well as a responsibility statement pursuant to § 297 (2) sentence 4 and § 315 (1) sentence 6 of the German Commercial Code (Handelsgesetzbuch – HGB). The interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU. The interim management report for the Group was prepared in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz).

STATEMENT OF COMPLIANCE

The interim consolidated financial statements for the period ended June 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 half-year 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	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 or reporting structure in the reporting period.

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. For example, retail roaming and mobile terminal equipment business declined across Europe, while fixed-network telephony increased. We also experienced delays in implementing projects in the low-margin ICT business. Deutsche Telekom has put in place cost-saving measures to mitigate potential effects on earnings. So far, these contrasting fluctuations have had a minimal impact on adjusted EBITDA AL outside the United States and, at this time, we can report only very minor repercussions with respect to payment defaults and customer numbers. However, there is still a great deal of uncertainty regarding the extent to which business activities and thus the results of operations and financial position of Deutsche Telekom could be affected overall in the future as the coronavirus pandemic unfolds. Possible factors could include the introduction of new travel restrictions, the closure of Telekom Shops, disrupted supply chains, further declines in roaming and visitor volumes, falling terminal equipment sales, or a drop in the number of new contracts being taken out. In addition, corporate customer business may decline further, for example, due to delayed or changed customer decisions. The possibility of an increase in the number of consumers and business customers defaulting on their payments cannot be ruled out either. Further possible future effects on the measurement of individual assets and liabilities are being analyzed on an ongoing basis.

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 half 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.

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 operating segments"](#) in the interim Group management report.

CHANGES IN THE COMPOSITION OF THE GROUP

In the first half 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 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. For the other Sprint shareholders, the exchange ratio remained unchanged at 9.75 Sprint shares in return for one ordinary share in T-Mobile US. 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 the share exchange – 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 transaction date and are recognized, in the statement of cash flows as of June 30, 2020, under net cash used in investing activities (mandatory repayments) and net cash from/used in 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 June 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	7,620
Cash and cash equivalents	2,024
Trade receivables	2,714
Contract assets	141
Other financial assets	213
Other assets	144
Inventories	602
Non-current assets and disposal groups held for sale	1,782
NON-CURRENT ASSETS	81,134
Goodwill	8,402
Other intangible assets	51,303
Of which: FCC spectrum licenses	41,629
Of which: customer base	4,481
Of which: other	5,193
Property, plant and equipment	14,122
Right-of-use assets	6,286
Other financial assets	224
Deferred tax assets	584
Other assets	213
TOTAL ASSETS	88,754
LIABILITIES	
CURRENT LIABILITIES	18,570
Financial liabilities	11,912
Lease liabilities	1,669
Trade and other payables	2,880
Income tax liabilities	35
Other provisions	711
Contract liabilities	209
Other liabilities	720
Liabilities associated with assets and disposal groups held for sale	434
NON-CURRENT LIABILITIES	39,557
Financial liabilities	27,878
Lease liabilities	5,146
Provisions for pensions and other employee benefits	814
Other provisions	1,034
Deferred tax liabilities	4,435
Other liabilities	229
Contract liabilities	21
TOTAL LIABILITIES	58,127

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 2,714 million. The gross amount of trade receivables totals EUR 2,886 million, of which EUR 152 million is expected to be bad debt.

The acquired goodwill in the preliminary amount of EUR 8,402 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	80,352
+ Fair value of the liabilities recognized	58,127
= GOODWILL	8,402

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 were 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. It is not expected that any part of the recognized goodwill will be deductible for income tax purposes.

Transaction-related costs totaling EUR 0.2 billion were incurred in the Group in the first half 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 6.9 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 0.2 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 5.7 billion and EUR 0.5 billion higher than reported (preliminary estimate based on U.S. GAAP pro forma figures by T-Mobile US).

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 will be 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 1.3 billion), taking into account a working capital purchase price adjustment. 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 the approval by the regulatory authority, to be applied 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 would therefore be 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 sale of the shares held by SoftBank reduced the proportion of T-Mobile US shares for which Deutsche Telekom can exercise voting rights, to around 54.1 percent as of June 30, 2020 and again to around 52.5 percent as of August 5, 2020.

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."

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 12.7 billion, trade receivables increased by EUR 1.8 billion against the 2019 year-end level. EUR 2.7 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 effects of the coronavirus pandemic, with the number of new contracts concluded for Equipment Installment Plans falling on account of the temporary store closures. Bad debt expense increased compared with the prior-year period, primarily on account of the customers acquired as a result of the acquisition of Sprint as well as in connection with the estimated impact of the coronavirus pandemic. 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.

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."](#)

INVENTORIES

The carrying amount of inventories increased by EUR 0.5 billion compared to December 31, 2019 to EUR 2.1 billion, mainly on account of the assets of Sprint acquired in connection with the business combination.

INTANGIBLE ASSETS

The carrying amount of intangible assets increased by EUR 58.2 billion to EUR 126.4 billion. 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 3.2 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. Additions also include, in the United States operating segment, FCC spectrum licenses of EUR 0.9 billion, primarily acquired at a frequency auction that ended in March 2020 and, in the Europe operating segment, spectrum licenses of EUR 0.3 billion acquired at a 5G frequency auction in Hungary that ended in March 2020. Amortization of EUR 3.0 billion, negative exchange rate effects of EUR 1.5 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.

PROPERTY, PLANT AND EQUIPMENT

The carrying amount of property, plant and equipment increased by EUR 13.4 billion compared to December 31, 2019 to EUR 62.9 billion. 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 6.3 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 of EUR 6.0 billion, disposals of EUR 0.6 billion, and negative exchange rate effects of EUR 0.4 billion, especially from the translation of U.S. dollars into euros, reduced the carrying amount.

RIGHT-OF-USE ASSETS

The carrying amount of right-of-use assets increased by EUR 5.8 billion compared to December 31, 2019 to EUR 23.8 billion. 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 2.3 billion, mainly in the United States operating segment, also increased the carrying amount. By contrast, depreciation of EUR 2.3 billion, disposals of EUR 0.2 billion, and negative exchange rate effects of EUR 0.2 billion decreased the carrying amount.

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.”](#)

CAPITALIZED CONTRACT COSTS

As of June 30, 2020, the carrying amount of capitalized contract assets remained unchanged at the level of December 31, 2019 of 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 2.2 billion compared with December 31, 2019 to EUR 9.5 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 0.5 billion to EUR 1.4 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. The carrying amount of derivatives with a hedging relationship increased by EUR 1.7 billion to EUR 3.2 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 0.3 billion in connection with grants receivable from funding projects for the broadband build-out in Germany. In connection with cash collateral, in particular in connection with forward-payer swaps concluded for borrowings at T-Mobile US, which were terminated prematurely in April 2020, the carrying amount of other financial assets decreased by EUR 0.6 billion overall.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The carrying amount of non-current assets and disposal groups held for sale increased by EUR 1.7 billion to EUR 1.8 billion. This increase is attributable to the agreement concluded with the U.S. satellite TV operator DISH as part of the acquisition of Sprint by T-Mobile US, to sell Sprint's prepaid business to DISH as part of an asset deal. The transaction resulted from a condition of approval for the business combination with Sprint imposed by the U.S. Department of Justice (DoJ) and was duly concluded as of July 1, 2020. As part of their recognition as non-current assets and disposal groups held for sale, property, plant and equipment, trade receivables, goodwill, and other assets were reclassified.

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.”](#)

For further information on the sale of the prepaid business, please refer to the section [“Events after the reporting period.”](#)

FINANCIAL LIABILITIES AND LEASE LIABILITIES

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

millions of €				
	June 30, 2020	Due within 1 year	Due >1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	94,330	5,699	30,580	58,051
Liabilities to banks	4,977	1,678	2,120	1,179
Liabilities to non-banks from promissory note bonds	501	0	53	449
Liabilities with the right of creditors to priority repayment in the event of default	4,667	862	2,618	1,187
Other interest-bearing liabilities	9,511	3,494	2,043	3,975
Other non-interest-bearing liabilities	1,918	1,795	128	(5)
Derivative financial liabilities	706	41	264	402
FINANCIAL LIABILITIES	116,610	13,567	37,806	65,237

The carrying amount of current and non-current financial liabilities increased by EUR 50.3 billion to EUR 116.6 billion compared with the end of 2019. This increase is mainly attributable to the consolidation of Sprint following the consummation of the business combination of T-Mobile US and Sprint. Exchange rate effects, in particular from the translation of U.S. dollars into euros, raised the carrying amount by EUR 1.1 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 combining the businesses of T-Mobile US and Sprint. 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.

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.”](#)

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 are to be used to repay intragroup loans and refinance high-yield bonds issued by the former Sprint.

Furthermore, Deutsche Telekom AG had issued U.S. dollar bonds of USD 1.3 billion (EUR 1.1 billion), euro bonds of EUR 0.2 billion, and bonds in Swiss francs of CHF 0.3 billion (EUR 0.3 billion) in the first quarter of 2020, which increased the carrying amount.

Scheduled repayments in the Group of U.S. dollar bonds totaling USD 1.3 billion (EUR 1.1 billion), euro bonds totaling EUR 2.0 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 1.5 billion compared with December 31, 2019 to EUR 5.0 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 4.7 billion (December 31, 2019: EUR 0.0) 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 5.1 billion compared with December 31, 2019 to EUR 9.5 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 1.5 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 6.0 billion to EUR 25.8 billion compared with December 31, 2019, mainly on account of the inclusion of Sprint in the United States operating segment. The majority of the lease liabilities relate to the United States operating segment. Overall, lease liabilities in the amount of EUR 5.8 billion are due within one year.

TRADE AND OTHER PAYABLES

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

PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

The carrying amount of provisions for pensions and other employee benefits increased from EUR 5.8 billion as of December 31, 2019 to EUR 8.0 billion, mainly due to upheavals on the financial markets in the first half of 2020 and the associated decline in the prices of plan assets. Overall, this resulted in an actuarial loss of EUR 1.4 billion from the remeasurement of defined benefit plans. 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 1.6 billion compared with the end of 2019 to EUR 8.2 billion. EUR 1.7 billion of this related to the business combination of T-Mobile US and Sprint.

OTHER LIABILITIES

The carrying amount of current and non-current other liabilities increased by EUR 1.4 billion to EUR 6.2 billion. The inclusion of Sprint resulted in an increase of EUR 0.9 billion. In addition, other liabilities increased by EUR 0.2 billion due to existing build-out obligations in connection with grants receivable from funding projects for the broadband build-out in the Germany operating segment.

CONTRACT LIABILITIES

The carrying amount of current and non-current contract liabilities increased by EUR 0.2 billion compared with December 31, 2019 to EUR 2.2 billion. These mainly comprise deferred revenues. EUR 0.2 billion of the increase is attributable to the inclusion of Sprint.

LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The carrying amount of liabilities directly associated with non-current assets and disposal groups held for sale increased by EUR 0.5 billion. This increase arose in particular in connection with the agreement consummated on July 1, 2020 concerning the sale of Sprint's prepaid business to DISH. Primarily trade payables were reclassified.

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.”](#)

For further information on the sale of the prepaid business, please refer to the section [“Events after the reporting period.”](#)

SHAREHOLDERS' EQUITY

The carrying amount of shareholders' equity increased from EUR 46.2 billion as of December 31, 2019 to EUR 73.5 billion. The business combination of T-Mobile US and Sprint, consummated on April 1, 2020, resulted in 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 2.4 billion and capital increases from share-based payments of EUR 0.2 billion also increased the carrying amount. Shareholders' equity was reduced in connection with dividend payments for the 2019 financial year to Deutsche Telekom AG shareholders in the amount of EUR 2.8 billion and to other shareholders of subsidiaries in the amount of EUR 0.2 billion. Other comprehensive income also reduced shareholders' equity by EUR 3.0 billion. The main factors in this negative other comprehensive income were the remeasurement of defined benefit plans (EUR 1.4 billion), currency translation effects recognized directly in equity (EUR 1.0 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 0.3 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 37.7 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:

millions of €

	June 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	7,317	6,006	13,323	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	(25)	(37)	(62)	(29)	(81)	(110)
Hrvatski Telekom share buy-back	3	(11)	(8)	0	0	0
Capital restructuring, Romania	0	0	0	(51)	51	0
Other effects	(127)	146	19	(140)	144	4

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."

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 €	H1 2020	H1 2019
Revenue from the rendering of services	38,119	32,070
Germany	8,834	8,675
United States	21,273	15,220
Europe	4,822	4,899
Systems Solutions	2,456	2,515
Group Development	699	730
Group Headquarters & Group Services	36	31
Revenue from the sale of goods and merchandise	6,631	6,078
Germany	1,001	1,018
United States	4,745	4,127
Europe	646	692
Systems Solutions	52	64
Group Development	187	177
Group Headquarters & Group Services	0	0
Revenue from the use of entity assets by others	2,234	1,004
Germany	384	402
United States	1,437	276
Europe	106	109
Systems Solutions	49	20
Group Development	201	134
Group Headquarters & Group Services	58	64
NET REVENUE	46,984	39,152

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 €	H1 2020	H1 2019
Income from the reversal of impairment losses on non-current assets	3	0
Income from the disposal of non-current assets	79	34
Income from reimbursements	73	74
Income from insurance compensation	34	56
Income from ancillary services	12	11
Miscellaneous other operating income	619	282
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	9	1
	820	457

Miscellaneous other operating income includes a transaction 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. In addition, miscellaneous other operating income includes a large number of individual items accounting for marginal amounts.

OTHER OPERATING EXPENSES

millions of €		
	H1 2020	H1 2019
Impairment losses on financial assets	(474)	(141)
Gains (losses) from the write-off of financial assets measured at amortized cost	(85)	(47)
Other	(1,777)	(1,307)
Legal and audit fees	(305)	(138)
Losses from asset disposals	(257)	(74)
Income (losses) from the measurement of factoring receivables	(4)	(77)
Other taxes	(283)	(257)
Cash and guarantee transaction costs	(259)	(172)
Insurance expenses	(55)	(48)
Miscellaneous other operating expenses	(615)	(541)
	(2,336)	(1,495)

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.

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.”](#)

DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

At EUR 11.4 billion, depreciation, amortization and impairment losses on intangible assets, property, plant and equipment, and right-of-use assets were EUR 2.8 billion higher overall than in the prior-year period. This increase is due in particular to depreciation of EUR 1.6 billion and amortization of EUR 0.6 billion. Depreciation of right-of-use assets increased by EUR 0.6 billion. These increases are all largely due to Sprint, which has been included since April 1, 2020.

PROFIT/LOSS FROM FINANCIAL ACTIVITIES

The loss from financial activities increased by EUR 1.3 billion compared with the first half of 2019 to EUR 2.2 billion. This increase is primarily due to a EUR 0.8 billion increase in finance costs to EUR 2.0 billion, mainly due to the financial liabilities recognized in connection with the acquisition of Sprint and the restructuring begun in connection with this acquisition and related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility. Other financial income decreased by EUR 0.4 billion year-on-year to an expense of EUR 0.2 billion, mainly due to the decrease of EUR 0.3 billion in gains from financial instruments to losses of EUR 0.1 billion. Overall, the share of profit/loss of associates and joint ventures accounted for using the equity method was slightly down 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

A tax expense of EUR 1.0 billion was recognized in the first half of 2020. The effective tax rate of 29 percent essentially reflects the shares of the different countries in profit before income taxes and their respective national tax rates. A tax expense of EUR 1.0 billion was also recorded in the prior-year period. With somewhat higher profit before income taxes, the tax rate stood at 28 percent.

OTHER DISCLOSURES

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

NET CASH FROM OPERATING ACTIVITIES

Net cash from operating activities decreased by EUR 2.5 billion year-on-year to EUR 9.1 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 first half of 2020 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 first half of 2020 as a result of the premature termination of forward-payer swaps for borrowings raised at T-Mobile US. Higher (net) interest payments, which were up by EUR 0.8 billion in total, mainly as a result of the financial liabilities recognized in connection with the acquisition of Sprint and the restructuring begun in connection with this acquisition and related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility, had a negative effect. Income tax payments decreased by EUR 0.3 billion compared with the prior-year period. Factoring agreements of EUR 0.5 billion had a negative impact on net cash from operating activities in the first half of 2020, mainly as a result of the contractual termination of a revolving factoring agreement in the Germany operating segment. In the prior-year period, factoring agreements had had a positive effect of EUR 0.3 billion. The sustained strong performance of the operating segments, especially in the United States, had an increasing effect on net cash from operating activities.

NET CASH USED IN INVESTING ACTIVITIES

millions of €	H1 2020	H1 2019
Cash capex		
Germany operating segment	(1,934)	(2,284)
United States operating segment	(4,387)	(3,985)
Europe operating segment	(1,005)	(915)
Systems Solutions operating segment	(101)	(167)
Group Development operating segment	(236)	(192)
Group Headquarters & Group Services	(475)	(505)
Reconciliation	21	21
	(8,117)	(8,027)
Payments for publicly funded investments in the broadband build-out ^a	(214)	0
Proceeds from public funds for investments in the broadband build-out ^a	76	0
Net cash flows for collateral deposited and hedging transactions	1,783	836
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
Cash outflows for the acquisition of shares in Tele2 Netherlands ^c	0	(230)
Proceeds from the disposal of property, plant and equipment, and intangible assets	128	82
Changes in cash and cash equivalents in connection with the loss of control of subsidiaries and associates	22	31
Other	(285)	(42)
	(11,254)	(7,350)

^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 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 8.1 billion, **cash capex** was EUR 0.1 billion higher than in the prior-year period. In the United States operating segment, FCC mobile licenses were acquired for a total of EUR 0.9 billion and in the Europe operating segment, mobile spectrum licenses were acquired for a total of EUR 0.2 billion in the reporting period. The prior-year figure included EUR 1.0 billion for the acquisition of mobile spectrum licenses, which primarily related to the United States operating segment. Adjusted for investments in mobile spectrum licenses, cash capex remained at the prior-year level. In the Germany operating segment, the decline is mainly a result of the changed accounting treatment of grants receivable from funding projects for the broadband build-out as of the start of the third quarter of 2019. Since then, the grants received and payments made for the build-out are no longer part of cash capex. In the United States operating segment, cash capex increased as a result of the inclusion of Sprint and the continued build-out of the 5G network.

NET CASH FROM/USED IN FINANCING ACTIVITIES

millions of €	H1 2020	H1 2019
Repayment of bonds	(5,449)	0
Dividend payments (including to other shareholders of subsidiaries)	(2,874)	(3,409)
Repayment of financial liabilities from financed capex and opex	(160)	0
Repayment of EIB loans	(181)	(111)
Net cash flows for collateral deposited and hedging transactions	(4)	(26)
Principal portion of repayment of lease liabilities	(2,730)	(1,860)
Repayment of financial liabilities for media broadcasting rights	(193)	(182)
Cash flows from continuing involvement factoring, net	(93)	(19)
Loans taken out with the EIB	0	500
Promissory notes, net	(202)	144
Issuance of bonds	1,609	2,234
Commercial paper, net	0	(467)
Overnight borrowings from banks, net	0	(626)
Repayment of spectrum liabilities	(197)	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)	(2,304)	0
Cash inflows from transactions with non-controlling entities		
T-Mobile US stock options	13	1
Toll4Europe capital contributions	11	0
	24	1
Cash outflows from transactions with non-controlling entities		
T-Mobile US share buy-backs	(255)	(91)
OTE share buy-backs	(60)	(46)
Other	(29)	(5)
	(344)	(144)
Other	(84)	(93)
	11,234	(4,058)

NON-CASH TRANSACTIONS

In the first half of 2020, Deutsche Telekom chose financing options of EUR 0.1 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 (H1 2019: EUR 0.3 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 half of 2020, Deutsche Telekom leased assets of EUR 2.3 billion, mainly network equipment, and land and buildings (H1 2019: EUR 2.9 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.

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 0.1 billion were recognized in the first half of 2020 for future consideration for acquired broadcasting rights (H1 2019: EUR 0.1 billion). As soon as the payments have been made, they are disclosed under net cash from/used in financing activities.

In the United States operating segment, EUR 1.6 billion was recognized for mobile handsets under property, plant and equipment in the first half of 2019 (H1 2019: EUR 0.3 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 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 provides an overview of Deutsche Telekom's operating segments and the Group Headquarters & Group Services segment for the first half of 2020 and the first half of 2019.

For further information, please refer to the section "Development of business in the operating segments" in the interim Group management report.

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 half of the year

millions of €

		Comparative period						Reporting date		
		Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets ^a	Segment liabilities ^a	Investments accounted for using the equity method ^a
Germany	H1 2020	10,218	634	10,852	1,927	(2,153)	0	41,099	30,835	38
	H1 2019	10,095	650	10,745	1,754	(2,227)	0	41,253	30,968	12
United States	H1 2020	27,454	1	27,455	3,468	(6,673)	0	181,862	120,672	320
	H1 2019	19,622	1	19,623	2,840	(3,704)	0	84,413	54,087	289
Europe	H1 2020	5,574	172	5,746	758	(1,307)	(2)	27,314	11,081	53
	H1 2019	5,699	170	5,869	696	(1,370)	(6)	27,699	10,843	59
Systems Solutions	H1 2020	2,557	687	3,244	(90)	(242)	0	6,499	4,962	24
	H1 2019	2,599	705	3,304	(175)	(256)	(28)	6,615	4,800	25
Group Development	H1 2020	1,086	338	1,424	263	(386)	0	8,548	10,647	97
	H1 2019	1,041	323	1,364	227	(398)	0	8,395	10,571	96
Group Headquarters & Group Services	H1 2020	94	1,187	1,281	(723)	(631)	0	50,024	63,669	9
	H1 2019	96	1,233	1,329	(707)	(568)	0	54,162	65,066	9
TOTAL	H1 2020	46,984	3,019	50,002	5,603	(11,392)	(2)	315,346	241,866	541
	H1 2019	39,152	3,081	42,234	4,635	(8,523)	(34)	222,537	176,335	489
Reconciliation	H1 2020	0	(3,019)	(3,019)	(6)	25	0	(45,375)	(45,397)	0
	H1 2019	0	(3,081)	(3,081)	(27)	23	(20)	(51,865)	(51,894)	0
GROUP	H1 2020	46,984	0	46,984	5,597	(11,367)	(2)	269,971	196,469	541
	H1 2019	39,152	0	39,152	4,608	(8,500)	(54)	170,672	124,441	489

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

CONTINGENT LIABILITIES

For the first half of 2020, there is no additional information to provide on nor any recent changes in the contingent liabilities as described in the consolidated financial statements for the 2019 financial year.

OTHER FINANCIAL OBLIGATIONS

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

millions of €

	June 30, 2020
Purchase commitments regarding property, plant and equipment	6,798
Purchase commitments regarding intangible assets	489
Firm purchase commitments for inventories	3,289
Other purchase commitments and similar obligations	18,441
Payment obligations to the Civil Service Pension Fund	1,800
Obligations from the acquisition of interests in other companies	4
Miscellaneous other obligations	46
	30,868

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 June 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 June 30, 2020 ^a
ASSETS								
Cash and cash equivalents	AC	14,537	14,537					
Trade receivables								
At amortized cost	AC	6,313	6,313					
At fair value through other comprehensive income	FVOCI	6,376			6,376			6,376
At fair value through profit or loss	FVTPL	2				2		2
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	4,186	4,186					4,224
Of which: collateral paid	AC	84	84					
Of which: publicly funded projects	AC	1,684	1,684					
At fair value through other comprehensive income	FVOCI	0			0			
At fair value through profit or loss	FVTPL	129				129		129
Equity instruments								
At fair value through other comprehensive income	FVOCI	366		366				366
At fair value through profit or loss	FVTPL	3				3		3
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	1,431				1,431		1,431
Of which: termination rights embedded in bonds issued	FVTPL	1,050				1,050		1,050
Of which: energy forward agreements embedded in contracts	FVTPL	86				86		86
Of which: options received by third parties for the purchase of shares in subsidiaries and associates	FVTPL	19				19		19
Derivatives with a hedging relationship	n.a.	3,167			485	2,682		3,167
Lease assets	n.a.	208					208	
Cash and cash equivalents and trade receivables directly associated with non-current assets and disposal groups held for sale	AC	429	429					
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	35		35				35
LIABILITIES								
Trade payables	AC	9,601	9,601					
Bonds and other securitized liabilities	AC	94,330	94,330					97,907
Liabilities to banks	AC	4,977	4,977					5,041
Liabilities to non-banks from promissory note bonds	AC	501	501					584
Liabilities with the right of creditors to priority repayment in the event of default	AC	4,667	4,667					4,696
Other interest-bearing liabilities	AC	9,511	9,511					9,827
Of which: collateral received	AC	2,809	2,809					
Other non-interest-bearing liabilities	AC	1,918	1,918					
Lease liabilities	n.a.	25,806					25,806	
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	319				319		319
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	118				118		118
Derivatives with a hedging relationship	n.a.	387			376	11		387
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	541	541					
Of which: aggregated by measurement category in accordance with IFRS 9								
ASSETS								
Financial assets at amortized cost	AC	25,465	25,465					4,224
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	6,376			6,376			6,376
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	401		401				401
Financial assets at fair value through profit or loss	FVTPL	1,565				1,565		1,565
LIABILITIES								
Financial liabilities at amortized cost	AC	126,046	126,046					118,055
Financial liabilities at fair value through profit or loss	FVTPL	319				319		319

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

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

millions of €

	Measurement category in accordance with IFRS 9	Carrying amount Dec. 31, 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 Dec. 31, 2019 ^a
			Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through other comprehensive income with recycling to profit or loss	Fair value through profit or loss		
ASSETS								
Cash and cash equivalents	AC	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	4,282	4,282					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	15,127	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 1.7 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 €

	June 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			6,376	6,376			5,390	5,390
At fair value through profit or loss			2	2			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	121		8	129	114		7	121
Equity instruments								
At fair value through other comprehensive income			401	401			328	328
At fair value through profit or loss			3	3	22			22
Derivative financial assets								
Derivatives without a hedging relationship		276	1,155	1,431		263	630	893
Derivatives with a hedging relationship		3,167		3,167		1,439		1,439
LIABILITIES								
Derivative financial liabilities								
Derivatives without a hedging relationship		193	126	319		172	153	325
Derivatives with a hedging relationship		387		387		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)	34	271	0	43	0
Decreases in fair value recognized in profit/loss (including losses on disposal)	n.a.	(346)	0	0	(18)
Increases in fair value recognized in profit/loss (including gains on disposal)	n.a.	492	0	44	46
Decreases in fair value recognized directly in equity	(5)	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	(20)	0	n.a.	0	0
Currency translation effects recognized directly in equity	0	3	0	(1)	0
CARRYING AMOUNT AS OF JUNE 30, 2020	401	1,050	0	86	(118)

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 394 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 35 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 240 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 June 30, 2020. In the case of investments with a carrying amount of EUR 64 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 90 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 1.6 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 7 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 1,050 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% - 1.0%	1.3% - 2.2%	0.9% - 1.1%
BBB-	0.3% - 2.1%	1.7% - 2.8%	1.1% - 1.5%
BB	1.7% - 2.3%	3.1% - 3.8%	2.8% - 2.9%

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 241 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, one option was exercised and the relevant bond canceled prematurely. At the time of termination, the option and its total carrying amount of EUR 20 million when translated into euros was 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	(31)				
Expected revenues +10%	3				
Expected revenues -10%	(6)				
Interest rate volatility ^b +10%		75			
Interest rate volatility ^b -10%		(78)			
Spread curve ^c +100 basis points		(361)			
Spread curve ^c -100 basis points		543			
Mean reversion ^d +100 basis points		(23)			
Mean reversion ^d -100 basis points		24			
Future energy prices +10%				36	48
Future energy prices -10%				(37)	(48)
Future energy output +5%				16	4
Future energy output -5%				(16)	(4)
Future prices for renewable energy credits ^e +100%				15	22
Future prices for renewable energy credits ^e from zero				(15)	(22)
Share price volatility ^f +10%			87		
Share price volatility ^f -10%			(87)		

^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 -118 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 86 million when translated into euros. These agreements consist of two components: the energy forward agreement and the acquisition of renewable energy credits by T-Mobile US. The contracts have been entered into with energy producers since 2017 and run for terms of between 12 and 20 years from the commencement of commercial operation. In the case of 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 4,230 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 14.89/MWh and EUR 60.69/MWh when translated into euros and off-peak prices of between EUR 8.84/MWh and EUR 40.79/MWh when translated into euros. An average on-peak/off-peak ratio of 50 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 73 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. 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 13 million per year when translated into euros). This amortization adjusts the effects from measuring the derivatives in each accounting period using the respective valuation models and updated parameters. All amounts from the measurement of the derivatives are presented in net terms per contract in the statement of financial position (derivative financial assets/liabilities) and in the income statement (other operating income/expenses). The 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 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 28.5 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 982 million when translated into euros 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). At the reporting date, the carrying amount was zero. 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
Measurement amounts on initial recognition	178	982
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	(5)	(37)
Currency translation adjustments	4	2
MEASUREMENT AMOUNTS NOT AMORTIZED AS OF JUNE 30, 2020	168	947

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 19 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 2,809 million (December 31, 2019: EUR 1,273 million). The credit risk was thus reduced by EUR 2,806 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 3,443 million as of the reporting date (December 31, 2019: EUR 1,703 million) had a maximum credit risk of EUR 84 million as of June 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 27 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 27 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 received from third parties for shares in a subsidiary of Deutsche Telekom or shares in other companies (see above).

RELATED-PARTY DISCLOSURES

There were no significant changes at June 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, Srin Gopalan, as the new Board member for Germany effective November 1, 2020. Dr. Wössner will resign from his position effective midnight on October 31, 2020. The Supervisory Board has begun the search for a successor to head up the Europe Board department on the basis of a structured succession management process.

EVENTS AFTER THE REPORTING PERIOD

Realignment of the B2B telecommunications business in the Germany operating segment. Effective July 1, 2020, a new entity for business customers was established in the Germany operating segment. In this regard, TC Services and Classified ICT – with the exception of a few activities in the area of classified IT project business – which were previously reported under the Systems Solutions operating segment, were transferred to a new, wholly-owned subsidiary of Telekom Deutschland GmbH in the Germany operating segment as part of a spin-off and transfer agreement. Furthermore, the Telekom Global Carrier (TGC) and Network Infrastructure (NWI) sub-areas – which were previously reported 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) – are to be transferred to Telekom Deutschland GmbH as of October 1, 2020 by way of a spin-off from Deutsche Telekom AG. The shareholders' meeting of Deutsche Telekom AG approved the corresponding spin-off and takeover agreement with the required qualified majority on June 19, 2020. As part of these transactions, the assets and liabilities assigned to the business areas are being transferred to the Germany operating segment. This step is consistent with Deutsche Telekom's efforts to implement the Group strategy pillar "Lead in business productivity."

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

Conclusion of the 5G spectrum auction in the Netherlands. At the first 5G auction in the Netherlands, which was concluded on July 21, 2020, T-Mobile Netherlands, which is part of the Group Development operating segment, successfully bid on spectrum in the 700, 1,500 and 2,100 MHz bands for a total of EUR 0.4 billion.

For more information on spectrum auctions, please refer to the section "[The economic environment](#)" in the interim Group management report.

Early repayment of USD bonds by T-Mobile US. On July 4, 2020, T-Mobile US redeemed the USD 1.0 billion aggregate principal amount of its 6.500 percent senior notes due 2024.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the half-year 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, August 13, 2020

Deutsche Telekom AG
Board of Management

Timotheus Höttges

Adel Al-Saleh

Birgit Bohle

Srini Gopalan

Dr. Christian P. Illek

Thorsten Langheim

Claudia Nemat

Dr. Dirk Wössner

REVIEW REPORT

To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to June 30, 2020 which are part of the half-year financial report 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, August 13, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
Wirtschaftsprüfer
(German Public Auditor)

Thomas Tandetzki
Wirtschaftsprüfer
(German Public Auditor)

ADDITIONAL INFORMATION

GLOSSARY

For definitions, please refer to the [2019 Annual Report](#) and the glossary therein.

DISCLAIMER

This Report (particularly the section “[Forecast](#)”) contains forward-looking statements that reflect the current views of Deutsche Telekom’s management with respect to future events. They are generally identified by the words “expect,” “anticipate,” “believe,” “intend,” “estimate,” “aim,” “goal,” “plan,” “will,” “seek,” “outlook,” or similar expressions and include generally any information that relates to expectations or targets for revenue, adjusted EBITDA AL, or other performance measures.

Forward-looking statements are based on current plans, estimates, and projections. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom’s control. They include, for instance, the progress of Deutsche Telekom’s staff-related restructuring measures and the impact of other significant strategic or business initiatives, including acquisitions, dispositions, and business combinations.

In addition, movements in exchange rates and interest rates, regulatory rulings, stronger than expected competition, technological change, litigation, and regulatory developments, among other factors, may have a material adverse effect on costs and revenue development.

If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom’s actual results may be materially different from those expressed or implied by such statements. Deutsche Telekom can offer no assurance that its expectations or targets will be achieved.

Without prejudice to existing obligations under capital market law, Deutsche Telekom does not assume any obligation to update forward-looking statements to account for new information or future events or anything else. In addition to figures prepared in accordance with IFRSs, Deutsche Telekom presents alternative performance measures, e.g., EBITDA, EBITDA AL, EBITDA AL margin, adjusted EBITDA, adjusted EBITDA AL, adjusted EBITDA AL margin, adjusted EBIT, adjusted EBIT margin, adjusted net profit/loss, free cash flow, free cash flow AL, gross debt, and net debt.

These measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

For further information on alternative performance measures, please refer to the section “[Management of the Group](#)” in the 2019 Annual Report, or to Deutsche Telekom’s [website](#) under Investor Relations.

The figures shown in this report were rounded in accordance with standard business rounding principles. As a result, the total indicated may not be equal to the precise sum of the individual figures.

Our Interim Group Report (PDF and online) includes references and links to websites with additional information not contained in the Interim Group Report. These references and links are purely of a supplementary nature and are only intended to simplify access to this information. Please note that this information is not part of the Interim Group Report.

FINANCIAL CALENDAR^a

August 13, 2020	November 12, 2020	February 26, 2021	April 7, 2021
Publication of the Interim Group Report as of June 30, 2020	Publication of the Interim Group Report as of September 30, 2020	Press conference on the 2020 financial year and publication of the 2020 Annual Report	2021 shareholders' meeting

^a In connection with the business combination of T-Mobile US and Sprint, which was completed as of April 1, 2020, the publication dates set out in the 2019 Annual Report have been amended.

All dates are subject to change.

For more dates, an updated schedule, and information on webcasts, please go to <https://www.telekom.com/financial-calendar>.

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This Interim Group Report for January 1 to June 30, 2020 is a publication of Deutsche Telekom AG and is also available in German. The German version is legally binding.

This Interim Group Report is available online at www.telekom.com/investor-relations

Our Annual Report is available online at www.telekom.com/annualreport

Concept: Deutsche Telekom AG

Design & technical implementation:
[nexxar GmbH, Vienna - Online annual reports and online sustainability reports](#)