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:

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 142 billion (based on the share price of the new T-Mobile US on September 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 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 1.2 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 duly confirmed.

In the course of the business combination, a number of refinancing measures were implemented in the second and third quarters 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. In the third quarter of 2020, T-Mobile US repaid bonds in the amount of EUR 3.6 billion; some of them prematurely.

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.

Realignment of the B2B telecommunications business in the Germany operating segment. Consistent with Deutsche Telekom's efforts to systematically implement the Group strategy pillar "Lead in business productivity," TC Services and Classified ICT, portfolio units previously assigned to the Systems Solutions operating segment, as well as Telekom Global Carrier (TGC) and Network Infrastructure (NWI), which had formerly been disclosed under the Europe operating segment and the Group Headquarters & Group Services segment respectively, and which together form the business area designated Deutsche Telekom Global Carrier (DTGC), were combined in the Germany operating segment. Effective the start of the third quarter of 2020, the management of the Deutsche Telekom Group and hence also the reporting structure are both based on this new segment allocation. As part of these transactions, the assets and liabilities assigned to the business areas were transferred to the Germany operating segment. Prior-year comparatives in these segments (development of operations, customer development, headcount development, and order entry) were adjusted retrospectively. The transactions were consummated under company law on July 1, 2020 (TC Services and Classified ICT) and on October 1, 2020 (DTGC).

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, Srini Gopalan, as the new Board member for Germany effective November 1, 2020. Dr. Wössner resigned from his position effective midnight on October 31, 2020. On September 7, 2020, the Supervisory Board of Deutsche Telekom AG appointed Dominique Leroy to succeed Srini Gopalan as the Board member for Europe effective November 1, 2020.

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 nine 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. While the measures introduced to contain the pandemic have catapulted the global economy into the deepest recession since the end of the Second World War, according to leading economic research institutes the worst is now behind us. In the October 2020 update to its outlook, the International Monetary Fund (IMF) announced it expected the global economy to contract by 4.4 percent in 2020, followed by growth of 5.2 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 6.0 percent in the current year. The coronavirus crisis is affecting individual industry sectors to varying extents. The business climate in the information and communications technology (ICT) sector has brightened again: The Bitkom-ifo-Digitalindex, calculated on the basis of the business situation and expectations, increased again slightly in October 2020 compared with the previous months. Despite this, the index remains significantly below its pre-pandemic level.

The economies of our core markets in North America and Europe, too, will shrink this year, with the IMF predicting a contraction of 4.3 percent in the U.S. economy and of 8.3 percent in the eurozone. Nevertheless, the third quarter of 2020 saw another significant increase in economic activity: GDP rose by 7.4 percent year-on-year in the United States, by 8.2 percent in Germany, and by 12.7 percent in the eurozone.

OUTLOOK

Given the current course of the coronavirus pandemic across Europe and North America, economic recovery is likely to be a long, drawn out process. The return to tougher coronavirus restrictions has cast a shadow over the outlook for the fourth quarter of 2020 with a heightened risk of a double-dip recession. Economic activity is not expected to return to pre-pandemic levels (i.e., as at the end of 2019) until the start of 2022.

OVERALL ECONOMIC RISKS

Apart from the prevailing uncertainty relating to the further course of the coronavirus pandemic, there is a concomitant risk of companies encountering liquidity problems despite the relief measures implemented in many countries. Moreover, the risks emerging from the global economic situation, including those affecting the stability of the global financial markets, have continued to grow in the course of the coronavirus crisis. Further risks to economic development arise from the terms of the United Kingdom’s exit from the EU, as well as from the smoldering trade war between China and the United States.

REGULATION

Amendment of the German Telecommunications Act. In Germany, the market is still waiting for the official publication of the draft amendment to the German Telecommunications Act (Telekommunikationsgesetz, TKG). The revision is necessary in order to transpose European requirements from the European Electronic Communications Code into national law. The biggest changes affect consumer protection regulations, the regulation of “high-capacity networks” (including FTTH), spectrum regulation, and the regulations on universal service. In view of the Code’s implementation deadlines, the amended Act would have to be published by the end of 2020 at the latest. However, the German government anticipates a delay that is likely to run into the first half of 2021. The Code is also being transposed into national law in the countries of our European subsidiaries. Some countries are expected to complete this by December 21, 2020. In others, implementation is likely to take until 2021.

Roaming regulation. The European Commission launched a consultation procedure on the future regulation of international roaming in summer 2020. 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 also consulted 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.

European Commission sets termination rates from 2021. On August 25, 2020, the European Commission published a draft Delegated Act setting single maximum Union-wide mobile (MTR) and fixed-network (FTR) termination rates. The Commission proposes a phased reduction of MTRs to a uniform level of 0.2 eurocents/min. by 2024. FTRs are to be reduced sooner, to 0.07 eurocents/min. EU-wide by 2022. The finalized Act is expected to be published in late 2020 and enter into force in the first quarter of 2021.

AWARDING OF SPECTRUM

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. A further CBRS auction in the United States for spectrum in the 3,550 to 3,650 MHz band ended on August 25, 2020. T-Mobile US secured eight licenses for which it paid a net sum of USD 6 million.

Further spectrum was awarded in the first three quarters of 2020 as follows: In Hungary, a total of 160 MHz purchased by Magyar Telekom at auction in March 2020 for around EUR 152 million (translated into euros) was assigned to the subsidiary 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 a total spectrum of 70 MHz in all three bands for an aggregate amount of EUR 400 million. In Austria the auction for spectrum in the 700, 1,500, and 2,100 MHz bands ended on September 11, 2020. T-Mobile Austria acquired total spectrum of 100 MHz in all three bands for EUR 89 million.

In Greece, the regulatory authority EETT launched award proceedings for spectrum in the 700, 2,100, 3,400 to 3,800 MHz, and 26,000 MHz bands. At present, we have no information regarding a new start date for the auction of spectrum in the 3,400 to 3,800 MHz bands in Poland that was postponed to the fourth quarter. Hungary is planning an auction for 900 and 1,800 MHz that is scheduled for spring 2021. Croatia intends to hold its spectrum auction in the first half of 2021 and is considering the inclusion of additional spectrum bands, while Slovakia has called a halt to its award planning with no new date set at present. The Czech Republic is expected to start award proceedings for spectrum in the 700 and 3,400 to 3,600 MHz bands in November 2020.

The following table provides an overview of the main ongoing and planned 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	Updated information
Greece	Q3 2020	Q1 2021	700 / 2,100 / 3,400–3,800 / 26,000	Auction (SMRA[a])	Start of award proceedings on Oct. 30, 2020
Croatia	Q1 2021	Q2 2021	700 / 3,400–3,800 / 26,000, additional bands possible	Auction, details tbd	Delayed due to coronavirus pandemic
Poland	Q4 2020	Q1 2021	3,400–3,800	Auction (SMRA[a]), details tbd	Restarted due to coronavirus pandemic
Poland	Q3 2022	Q4 2022	700 / 2,100 / 26,000	Auction, details tbd	Planned for 2022, tbd
Romania	Q4 2020	Q2 2021	700 / 800 / 1,500 / 2,600 / 3,400–3,800 / 26,000	Auction, details tbd	
Slovakia	Open	Open	700 / 900 / 1,500 / 1,800	Auction (SMRA[a]), details tbd	Award planning halted, reasons and new start date tbd
Czech Republic	Q4 2020	Q4 2020	700 / 3,400–3,600	Auction (SMRA[a]), details tbd	Restart expected for November 2020
Hungary	Q4 2020	Q1 2021	900 / 1,500 / 1,800 / 2,300	Auction (clock auction), expected	1,500 / 2,300 MHz expected to follow at a later date
United States	Q4 2020	Q2 2021	3,700–4,000	Auction (clock auction)	Start: Dec. 8, 2020
United States	Q3 2021	Q4 2021	2,500–2,700	Auction (SMRA[a])	tbd

[a] Simultaneous electronic multi-round auction with ascending, parallel bids for 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."

Our B2B telecommunications business was realigned with effect from July 1, 2020. A new B2B unit was created in the Germany operating segment, and the assets and liabilities previously assigned to the Systems Solutions, Europe, and Group Headquarters & Group Services segments have been transferred to the new unit. Prior-year comparatives in these segments (development of operations, customer development, headcount development, and order entry) were adjusted retrospectively.

For further information on the realignment of the B2B telecommunications business and on the different consummation dates required under to company law, please refer to the section "Group organization, strategy, and management."

RESULTS OF OPERATIONS OF THE GROUP

NET REVENUE

In the first three quarters of 2020, we generated net revenue of EUR 73.4 billion, which was up 24.0 percent or EUR 14.2 billion year-on-year. In organic terms, i.e., assuming a comparable composition of the Group in the prior-year period and excluding exchange rate effects, revenue developed positively, with growth of EUR 0.8 billion or 1.2 percent. For a comparison on an organic basis, net revenue in the prior-year period was raised by EUR 13.7 billion to account for effects of changes in the composition of the Group – primarily from the acquisition of Sprint in the United States operating segment – and net exchange rate effects of EUR -0.4 billion were taken into account.

Our United States operating segment in particular contributed to the positive revenue trend with an increase of 48.6 percent. Adjusted for the acquisition of Sprint and exchange rate effects, revenue was up 1.9 percent against the prior-year level. Revenue in our home market of Germany was virtually on a par with the prior-year level, increasing by just 0.1 percent. This slight increase was mainly due to the positive trend in our fixed-network business on the back of revenue growth from broadband and wholesale products. The coronavirus pandemic had a negative impact on roaming, visitor, and terminal equipment revenues, and resulted in delays or postponements to current orders in B2B telecommunications business. In our Europe operating segment, revenue decreased by 1.9 percent, mainly due to exchange rate effects. In organic terms, revenue remained stable at the level of the prior-year period, despite the deterioration in economic conditions due to 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 roaming revenues as a result of travel restrictions, some of which are still in place, and in low-margin terminal equipment business. These negative effects have been partially offset by increases in higher-margin service revenues. Total revenue in our Systems Solutions operating segment decreased by 4.9 percent year-on-year, reflecting the coronavirus-induced decline of the IT market in Western Europe. 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 3.6 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."

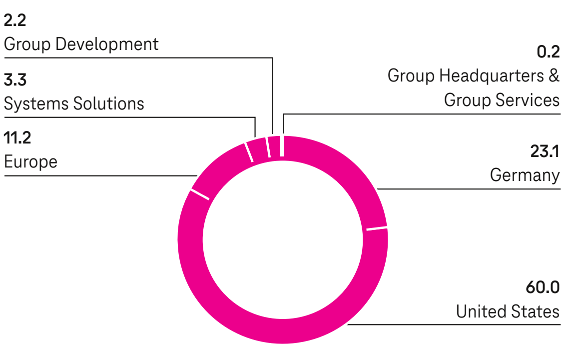
Contribution of the segments to net revenue

millions of €

	Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
NET REVENUE	**19,943**	**27,041**	**26,393**	**20,017**	**31.9**	**73,377**	**59,169**	**24.0**	**80,531**
Germany	5,830	5,850	5,839	5,905	(1.1)	17,520	17,507	0.1	23,730
United States	10,157	17,297	16,569	10,006	65.6	44,024	29,629	48.6	40,420
Europe	2,759	2,706	2,880	2,929	(1.7)	8,344	8,507	(1.9)	11,587
Systems Solutions	1,066	1,069	961	1,087	(11.6)	3,095	3,254	(4.9)	4,424
Group Development	708	716	719	704	2.1	2,142	2,068	3.6	2,797
Group Headquarters & Group Services	634	651	625	635	(1.6)	1,910	1,967	(2.9)	2,627
Intersegment revenue	(1,210)	(1,248)	(1,199)	(1,248)	3.9	(3,657)	(3,763)	2.8	(5,055)

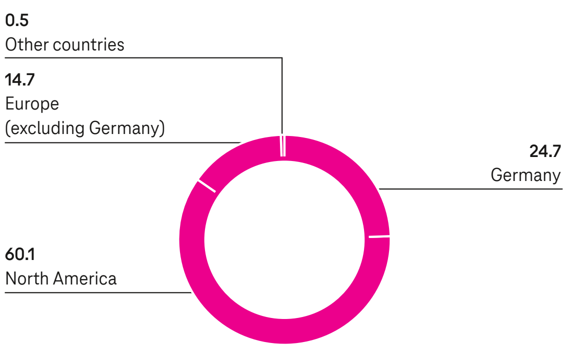
Contribution of the segments to net revenue[a]

%



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 60.0 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 9.9 percentage points above the level in the prior-year period. In this connection, the proportion of net revenue generated internationally also increased significantly from 69.3 percent to 75.3 percent.

ADJUSTED EBITDA AL, EBITDA AL

Adjusted EBITDA AL increased year-on-year by EUR 7.4 billion or 39.4 percent to EUR 26.1 billion in the first three quarters of 2020. But even in organic terms, adjusted EBITDA AL increased by EUR 1.8 billion or 7.5 percent. For a comparison on an organic basis, adjusted EBITDA AL in the prior-year period was raised by EUR 5.7 billion to account for effects of changes in the composition of the Group and net exchange rate effects of EUR -0.1 billion were taken into account.

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 significantly, particularly on the back of higher service and terminal equipment revenues in connection with the acquisition of Sprint. In organic terms, adjusted EBITDA AL grew by 10.2 percent year-on-year. 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 slightly positive revenue trend, and improved cost efficiency with 1.8 percent higher adjusted EBITDA AL. Adjusted EBITDA AL in our Europe operating segment increased by 0.2 percent. Assuming constant exchange rates, this increase was as much as 2.1 percent. The main factor in this trend was savings in indirect costs. In our Systems Solutions operating segment, adjusted EBITDA AL declined by 1.7 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 of 8.0 percent 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 continued to post consistent growth on the back of rising volumes.

Contribution of the segments to adjusted Group EBITDA AL

millions of €

	Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**6,544**	**9,829**	**9,692**	**6,478**	**49.6**	**26,065**	**18,701**	**39.4**	**24,731**
Germany	2,241	2,284	2,373	2,343	1.3	6,898	6,774	1.8	9,083
United States	3,160	6,304	5,994	2,874	n.a.	15,458	8,424	83.5	11,134
Europe	936	952	1,064	1,061	0.3	2,953	2,948	0.2	3,910
Systems Solutions	49	57	67	80	(16.3)	173	176	(1.7)	250
Group Development	269	283	284	269	5.6	836	774	8.0	1,033
Group Headquarters & Group Services	(103)	(27)	(90)	(143)	37.1	(220)	(361)	39.1	(650)
Reconciliation	(8)	(24)	0	(4)	(100.0)	(32)	(35)	8.6	(29)

EBITDA AL increased by EUR 6.1 billion or 34.9 percent year-on-year to EUR 23.6 billion, with special factors changing from EUR -1.2 billion to EUR -2.4 billion. Expenses incurred in connection with staff-related measures increased by EUR 0.2 billion compared with the prior-year period to EUR 0.9 billion. In addition, expenses of EUR 1.1 billion were recorded as special factors under effects of deconsolidations, disposals, and acquisitions. These expenses were incurred in connection with the approval process for the business combination of T-Mobile US and Sprint, with acquisition and integration costs, with restructuring costs to realize cost efficiencies from the business combination, and with a reduction in the useful life of leased network technology for cell sites. EUR 0.2 billion related to the derecognition of a 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. In the prior year, expenses of EUR 0.3 billion had been recorded as special factors in connection with gains/losses from deconsolidations, disposals, and acquisitions. In the Europe operating segment, the sale of the Romanian fixed-network business planned since October 2020 resulted in a reversal of impairment losses on property, plant and equipment of EUR 50 million recorded as a special factor in the course of the year. Other special factors affecting EBITDA AL amounted to EUR -0.5 billion and mainly relate to expenses incurred in the United States operating segment in the first half of 2020 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	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
EBITDA	6,940	10,026	10,615	7,314	45.1	27,581	20,476	34.7	27,120
Depreciation of right-of-use assets[a]	(831)	(1,218)	(1,264)	(811)	(55.9)	(3,311)	(2,354)	(40.7)	(3,181)
Interest expenses on recognized lease liabilities[a]	(189)	(224)	(219)	(201)	(9.0)	(632)	(599)	(5.5)	(796)
EBITDA AL	**5,921**	**8,585**	**9,133**	**6,302**	**44.9**	**23,638**	**17,523**	**34.9**	**23,143**
Special factors affecting EBITDA AL	(623)	(1,245)	(560)	(176)	n.a.	(2,427)	(1,178)	n.a.	(1,589)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS) IN THE GROUP	**6,544**	**9,829**	**9,692**	**6,478**	**49.6**	**26,065**	**18,701**	**39.4**	**24,731**

[a] Excluding finance leases at T-Mobile US.

EBIT

Group EBIT increased from EUR 7.7 billion to EUR 8.7 billion, up EUR 1.0 billion or 13.6 percent against the prior-year period. This increase is partly due to the effects described under adjusted EBITDA AL and EBITDA AL. At EUR 18.2 billion, depreciation and amortization were EUR 5.5 billion higher than in the prior-year period. This increase is mainly attributable to Sprint, which has been included since April 1, 2020. Impairment losses on non-current assets reduced EBIT by EUR 0.7 billion. A total of EUR 0.5 billion of this related to the Systems Solutions operating segment and the Group Headquarters & Group Services segment, and EUR 0.2 billion to the Europe operating segment.

For further information on the impairment losses recognized following ad hoc testing, please refer to the section “Selected notes to the consolidated statement of financial position” in the interim consolidated financial statements.

PROFIT BEFORE INCOME TAXES

Profit before income taxes decreased from EUR 6.2 billion in the prior year to EUR 5.5 billion, with loss from financial activities increasing by EUR 1.7 billion to EUR 3.2 billion. This increase is primarily due to a EUR 1.3 billion increase in finance costs to EUR 3.1 billion, mainly due to the financial liabilities recognized and the restructuring begun in connection with the acquisition of Sprint, and the related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility. Other financial income decreased by EUR 0.3 billion year-on-year to an expense of EUR 0.1 billion, due in part to an increase in interest expense from the measurement of provisions and liabilities as well as to lower gains/losses from financial instruments compared with the prior-year period, partly due to measurement effects in connection with derivatives.

NET PROFIT, ADJUSTED NET PROFIT

Net profit decreased year-on-year from EUR 3.2 billion to EUR 2.5 billion. Tax expense came to EUR 1.5 billion compared with EUR 1.7 billion in the prior-year period. Profit attributable to non-controlling interests increased from EUR 1.3 billion to EUR 1.6 billion, mainly in our United States operating segment. Excluding special factors, which had a negative overall effect of EUR 1.6 billion on net profit, adjusted net profit in the first three quarters of 2020 amounted to EUR 4.1 billion, up against the level in the prior-year period of EUR 3.9 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	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
NET PROFIT (LOSS)	**916**	**754**	**817**	**1,368**	**(40.3)**	**2,487**	**3,213**	**(22.6)**	**3,867**
Special factors affecting EBITDA AL	(623)	(1,245)	(560)	(176)	n.a.	(2,427)	(1,178)	n.a.	(1,589)
Staff-related measures	(342)	(262)	(289)	(132)	n.a.	(893)	(726)	(23.0)	(913)
Non-staff-related restructuring	(8)	(8)	(6)	(11)	45.5	(22)	(59)	62.7	(81)
Effects of deconsolidations, disposals, and acquisitions	(145)	(655)	(293)	(30)	n.a.	(1,093)	(315)	n.a.	(462)
Reversals of impairment losses	0	0	50	0	n.a.	50	0	n.a.	0
Other	(128)	(319)	(22)	(3)	n.a.	(470)	(77)	n.a.	(132)
Special factors affecting net profit	254	720	(133)	124	n.a.	843	461	82.9	510
Impairment losses	0	0	(630)	0	n.a.	(630)	(48)	n.a.	(368)
Profit (loss) from financial activities	(21)	(8)	0	0	n.a.	(28)	(1)	n.a.	(4)
Income taxes	167	325	386	79	n.a.	878	374	n.a.	461
Non-controlling interests	108	403	111	45	n.a.	623	136	n.a.	421
SPECIAL FACTORS	**(368)**	**(525)**	**(692)**	**(52)**	**n.a.**	**(1,584)**	**(719)**	**n.a.**	**(1,081)**
NET PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)	**1,284**	**1,278**	**1,509**	**1,420**	**6.3**	**4,072**	**3,932**	**3.6**	**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 September 30, 2020. This resulted in adjusted earnings per share of EUR 0.52, compared with EUR 0.68 in the first nine months of 2019. Adjusted earnings per share, adjusted for special factors affecting net profit, amounted to EUR 0.86 compared with EUR 0.83 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 Q1-Q3 2020	EBIT Q1-Q3 2020	EBITDA AL Q1-Q3 2019	EBIT Q1-Q3 2019	EBITDA AL FY 2019	EBIT FY 2019
EBITDA AL/EBIT	**23,638**	**8,704**	**17,523**	**7,665**	**23,143**	**9,457**
GERMANY	**(534)**	**(534)**	**(375)**	**(375)**	**(453)**	**(453)**
Staff-related measures	(474)	(474)	(357)	(357)	(418)	(418)
Non-staff-related restructuring	(13)	(13)	(23)	(23)	(38)	(38)
Effects of deconsolidations, disposals and acquisitions	(25)	(25)	0	0	0	0
Impairment losses	0	0	0	0	0	0
Other	(22)	(22)	5	5	4	4
UNITED STATES	**(1,407)**	**(1,407)**	**(441)**	**(441)**	**(544)**	**(544)**
Staff-related measures	(32)	(32)	(6)	(6)	(17)	(17)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(955)	(955)	(435)	(435)	(527)	(527)
Impairment losses	0	0	0	0	0	0
Other	(420)	(420)	0	0	0	0
EUROPE	**(60)**	**(220)**	**(107)**	**(107)**	**(141)**	**(461)**
Staff-related measures	(99)	(99)	(91)	(91)	(111)	(111)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(2)	(2)	(10)	(10)	(23)	(23)
Impairment losses	0	(160)	0	0	0	(320)
Reversals of impairment losses	50	50	0	0	0	0
Other	(9)	(9)	(5)	(5)	(8)	(8)

millions of €

	EBITDA AL Q1-Q3 2020	EBIT Q1-Q3 2020	EBITDA AL Q1-Q3 2019	EBIT Q1-Q3 2019	EBITDA AL FY 2019	EBIT FY 2019
SYSTEMS SOLUTIONS	**(158)**	**(583)**	**(220)**	**(247)**	**(310)**	**(338)**
Staff-related measures	(129)	(129)	(89)	(89)	(154)	(154)
Non-staff-related restructuring	(2)	(2)	(4)	(4)	(4)	(4)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	(11)	(11)
Impairment losses	0	(426)	0	(27)	0	(27)
Other	(26)	(26)	(126)	(126)	(141)	(141)
GROUP DEVELOPMENT	**(55)**	**(55)**	**109**	**109**	**97**	**97**
Staff-related measures	(9)	(9)	(16)	(16)	(19)	(19)
Non-staff-related restructuring	0	0	0	0	(1)	(1)
Effects of deconsolidations, disposals and acquisitions	(45)	(45)	126	126	111	111
Impairment losses	0	0	0	0	0	0
Other	(2)	(2)	0	0	4	4
GROUP HEADQUARTERS & GROUP SERVICES	**(214)**	**(258)**	**(145)**	**(145)**	**(237)**	**(237)**
Staff-related measures	(149)	(149)	(166)	(166)	(195)	(195)
Non-staff-related restructuring	(7)	(7)	(32)	(32)	(38)	(38)
Effects of deconsolidations, disposals and acquisitions	(67)	(67)	4	4	(13)	(13)
Impairment losses	0	(44)	0	0	0	0
Other	10	10	49	49	9	9
GROUP	**(2,427)**	**(3,058)**	**(1,178)**	**(1,228)**	**(1,589)**	**(1,959)**
Staff-related measures	(893)	(893)	(726)	(726)	(913)	(913)
Non-staff-related restructuring	(22)	(22)	(59)	(59)	(81)	(81)
Effects of deconsolidations, disposals and acquisitions	(1,093)	(1,093)	(315)	(315)	(462)	(462)
Impairment losses	0	(630)	0	(50)	0	(370)
Reversals of impairment losses	50	50	0	0	0	0
Other	(470)	(470)	(77)	(77)	(132)	(132)
EBITDA AL/EBIT (ADJUSTED FOR SPECIAL FACTORS)	**26,065**	**11,762**	**18,701**	**8,893**	**24,731**	**11,416**
Profit (loss) from financial activities (adjusted for special factors)		(3,176)		(1,487)		(2,192)
PROFIT (LOSS) BEFORE INCOME TAXES (ADJUSTED FOR SPECIAL FACTORS)		**8,586**		**7,407**		**9,223**
Income taxes (adjusted for special factors)		(2,342)		(2,036)		(2,454)
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS)		**6,245**		**5,371**		**6,770**
PROFIT (LOSS) (ADJUSTED FOR SPECIAL FACTORS) ATTRIBUTABLE TO						
Owners of the parent (net profit (loss)) (adjusted for special factors)		4,072		3,932		4,948
Non-controlling interests (adjusted for special factors)		2,173		1,439		1,822

EMPLOYEES

Headcount development

	Sept. 30, 2020	Dec. 31, 2019	Change	Change %
NUMBER OF FTEs IN THE GROUP	**227,584**	**210,533**	**17,051**	**8.1**
Of which: civil servants (in Germany, with an active service relationship)	11,012	12,153	(1,141)	(9.4)
Germany	66,899	69,117	(2,218)	(3.2)
United States	70,831	47,312	23,519	49.7
Europe	41,826	44,410	(2,584)	(5.8)
Systems Solutions	28,572	29,800	(1,228)	(4.1)
Group Development	2,662	2,603	59	2.3
Group Headquarters & Group Services	16,794	17,292	(498)	(2.9)

The Group's headcount increased by 8.1 percent compared with the end of 2019, mainly due to the integration of Sprint employees in the United States. The number of full-time equivalents increased by 49.7 percent as of September 30, 2020 compared to December 31, 2019 primarily 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 of 3.2 percent against year-end 2019. In our Europe operating segment, the headcount was down 5.8 percent compared with the end of the prior year, with staff levels decreasing in Hungary, Romania, and Greece in particular. The total headcount in our Systems Solutions operating segment was down 4.1 percent against year-end 2019, primarily as a result of efficiency enhancement measures. The headcount in Germany decreased by 3.8 percent and in our national companies by 10.5 percent. Nearshoring and offshoring activities resulted in a 1.8 percent increase in the headcount at our international production sites. In the Group Development operating segment, the 2.3 percent increase in the number of employees can be attributed to the insourcing of activities previously carried out externally to achieve cost savings at T-Mobile Netherlands. The headcount in the Group Headquarters & Group Services segment was down 2.9 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 €

	Sept. 30, 2020	%	Dec. 31, 2019	%	Sept. 30, 2019
ASSETS					
Trade receivables	12,960	4.9	10,846	6.4	9,919
Intangible assets	120,873	45.6	68,202	40.0	69,645
Property, plant and equipment	61,594	23.2	49,548	29.0	49,982
Right-of-use assets	31,756	12.0	17,998	10.5	18,474
Current and non-current financial assets	9,293	3.5	7,250	4.2	7,270
Deferred tax assets	7,861	3.0	2,704	1.6	3,529
Non-current assets and disposal groups held for sale	44	0.0	97	0.1	177
Other assets	20,911	7.9	14,027	8.2	15,331
TOTAL ASSETS	**265,292**	**100.0**	**170,672**	**100.0**	**174,327**
LIABILITIES					
Current and non-current financial liabilities	107,856	40.7	66,349	38.9	69,658
Current and non-current lease liabilities	33,853	12.8	19,835	11.6	20,314
Trade and other payables	8,318	3.1	9,431	5.5	8,896
Provisions for pensions and other employee benefits	8,481	3.2	5,831	3.4	6,702
Deferred tax liabilities	17,706	6.7	8,954	5.2	9,683
Liabilities directly associated with non-current assets and disposal groups held for sale	0	0.0	29	0.0	0
Other liabilities	17,044	6.4	14,012	8.2	13,937
Shareholders' equity	72,034	27.2	46,231	27.1	45,137
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**265,292**	**100.0**	**170,672**	**100.0**	**174,327**

Total assets/total liabilities and shareholders' equity amounted to EUR 265.3 billion as of September 30, 2020, up by EUR 94.6 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" in the interim consolidated financial statements.

On the assets side, **trade receivables** amounted to EUR 13.0 billion, up by EUR 2.1 billion against the 2019 year-end. EUR 2.8 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 the marketing of lower-priced terminal equipment in connection with new contracts under the Equipment Installment Plan (EIP) and coronavirus-induced higher bad debt allowances. In the Germany operating segment, receivables increased as a result of the contractual termination of a revolving factoring agreement for receivables from consumers and business customers. In the other operating segments, receivables declined slightly overall. Exchange rate effects, primarily from the translation from U.S. dollars into euros, also reduced the carrying amounts.

The carrying amounts of **intangible assets** and **property, plant and equipment** increased by EUR 64.7 billion overall to EUR 182.5 billion, mainly on account of the assets of EUR 73.7 billion acquired in connection with the business combination of T-Mobile US and Sprint, which also includes preliminary goodwill arising from the transaction of EUR 8.4 billion. Capital expenditure totaling EUR 14.9 billion, especially to upgrade and build out the network in our United States operating segment, 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 1.0 billion – primarily acquired at a frequency auction that ended in March 2020 – and in the Group Development and Europe operating segments, spectrum licenses totaling EUR 0.5 billion – mainly in the Netherlands and Hungary. Depreciation and amortization reduced the net carrying amounts by EUR 14.5 billion in total. Negative exchange rate effects of EUR 7.8 billion, primarily from the translation of U.S. dollars into euros, reduced the carrying amounts, as did disposals of EUR 1.3 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. In addition, the following impairment losses reduced the carrying amounts by a total of EUR 0.6 billion and the following reversal of impairment losses increased the carrying amounts by EUR 50 million:

In the Systems Solutions operating segment, the realignment of the B2B telecommunications business in combination with the effects of the coronavirus pandemic triggered ad hoc impairment testing of assets, which identified a reduction in the business outlook for IT operations. The result was the recognition of a non-cash impairment loss of EUR 0.5 billion on non-current assets of the Systems Solutions cash-generating unit. EUR 426 million of the impairment loss related to the Systems Solutions operating segment. Another EUR 44 million related to software recognized in the Group Headquarters & Group Services segment which is subject to use by the Systems Solutions operating segment and is allocated to the Systems Solutions cash-generating unit for the purposes of impairment testing.

An ad hoc impairment test was also conducted in the Europe operating segment on account of the sale of the Romanian fixed-network business planned since October 2020. In this context, the associated loss of the existing MVNO agreements results in the recognition of an impairment loss totaling EUR 160 million on non-current assets of the Romanian mobile business, which will remain within the Group. In the Romanian fixed-network business, the planned sale resulted in a reversal of impairment losses recognized in the past on property, plant and equipment of EUR 50 million.

Right-of-use assets with regard to leases increased by EUR 13.8 billion compared with December 31, 2019 to EUR 31.8 billion. In connection with the business combination with Sprint, right-of-use assets of EUR 6.3 billion were recognized. Another EUR 9.4 billion came from the agreement concerning the lease and use of cell sites concluded between T-Mobile US and American Tower on September 14, 2020. This was a modification to existing agreements with American Tower. The agreement gives T-Mobile US greater flexibility in the course of merging the mobile networks of T-Mobile US and Sprint and of the 5G network build-out.

Current and non-current financial assets increased by EUR 2.0 billion to EUR 9.3 billion. The acquisition of Sprint resulted in an increase of EUR 0.4 billion. Derivatives without a hedging relationship increased by EUR 0.7 billion, mainly in connection with new additions of embedded derivatives and embedded derivatives transferred in connection with the acquisition of Sprint at T-Mobile US, including their subsequent measurement and the subsequent measurement of the stock options to buy shares in T-Mobile US received from SoftBank in June 2020. Derivatives with a hedging relationship increased by EUR 1.3 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 0.4 billion in connection with grants receivable from funding projects for the broadband build-out in Germany. In connection with cash collateral, in particular in connection with forward-payer swaps concluded for borrowings at T-Mobile US, which were terminated prematurely in April 2020, the carrying amount of other financial assets decreased by EUR 0.5 billion.

The increase of EUR 6.9 billion in **other assets** to EUR 20.9 billion was also mainly due to the inclusion of Sprint as of April 1, 2020. Cash and cash equivalents increased by EUR 5.2 billion.

On the liabilities and shareholders' equity side, current and non-current **financial liabilities** increased by EUR 41.5 billion compared with the end of 2019 to a total of EUR 107.9 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. Since then, a number of refinancing measures have been implemented in connection with the business combination. 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 course of the third quarter of 2020, T-Mobile US repaid a number of bonds with a total value of EUR 3.6 billion, some of them prematurely. Furthermore, bonds with a total volume of EUR 1.6 billion when translated into euros were issued in the Group in various currencies in the first half of 2020. Bonds in various currencies with a total volume of EUR 6.3 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 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. Financial liabilities increased by EUR 1.2 billion in connection with collateral received for derivative financial instruments.

Current and non-current **lease liabilities** increased by EUR 14.0 billion to EUR 33.9 billion compared with December 31, 2019. EUR 6.8 billion of this increase is attributable to the inclusion of Sprint. In connection with the modification of existing leases that T-Mobile US agreed with American Tower, lease liabilities increased by EUR 9.4 billion. Exchange rate effects, in particular from the translation of U.S. dollars into euros, lowered the carrying amount by EUR 1.0 billion.

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

Provisions for pensions and other employee benefits increased from EUR 5.8 billion as of December 31, 2019 to EUR 8.5 billion, mainly due to a decline in the prices of plan assets, interest rate adjustments, and the change in the composition of the Group in connection with the acquisition of Sprint.

Other liabilities increased by EUR 3.0 billion compared with December 31, 2019 to EUR 17.0 billion, 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 0.7 billion. In addition, other liabilities increased by EUR 0.3 billion due to existing build-out obligations in connection with grants receivable from funding projects for the broadband build-out in the Germany operating segment. 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 72.0 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 4.0 billion and capital increases from share-based payments of EUR 0.4 billion also increased the carrying amount. Shareholders' equity was reduced in connection with dividend payments for the 2019 financial year to Deutsche Telekom AG shareholders in the amount of EUR 2.8 billion and to other shareholders of subsidiaries in the amount of EUR 0.2 billion. Other comprehensive income also reduced shareholders' equity by EUR 6.2 billion. The main factors in this negative other comprehensive income were the currency translation effects recognized directly in equity (EUR 3.9 billion), the remeasurement of defined benefit plans (EUR 1.9 billion), and losses from hedging instruments, mainly from forward-payer swaps concluded for borrowings at T-Mobile US, which were terminated prematurely in April 2020 and for which the cumulative changes in value must be reversed over the terms of the loans (EUR 1.0 billion). By contrast, income taxes relating to components of other comprehensive income of EUR 0.4 billion had a positive impact on other comprehensive income.

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.

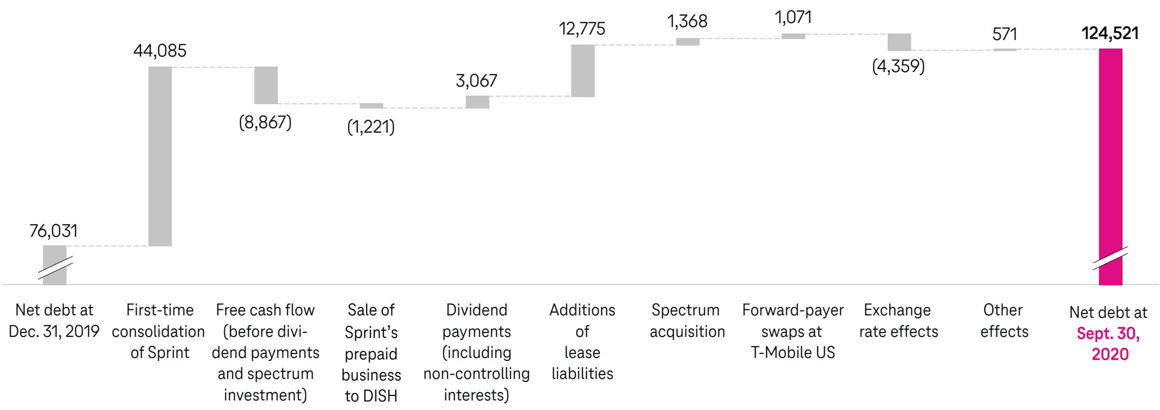
Calculation of net debt

millions of €

	Sept. 30, 2020	Dec. 31, 2019	Change	Change %	Sept. 30, 2019
Financial liabilities (current)	12,419	11,463	956	8.3	14,148
Financial liabilities (non-current)	95,437	54,886	40,551	73.9	55,510
Lease liabilities	33,853	19,835	14,018	70.7	20,314
FINANCIAL LIABILITIES AND LEASE LIABILITIES	**141,708**	**86,184**	**55,524**	**64.4**	**89,971**
Accrued interest	(1,115)	(748)	(367)	(49.1)	(731)
Other	(721)	(739)	18	2.4	(775)
GROSS DEBT	**139,872**	**84,697**	**55,175**	**65.1**	**88,465**
Cash and cash equivalents	10,642	5,393	5,249	97.3	6,461
Derivative financial assets	4,342	2,333	2,009	86.1	2,927
Other financial assets	367	940	(573)	(61.0)	270
NET DEBT	**124,521**	**76,031**	**48,490**	**63.8**	**78,807**

Changes in net debt

millions of €



Other effects of EUR 0.6 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	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
NET CASH FROM OPERATING ACTIVITIES	**3,960**	**5,148**	**7,338**	**5,924**	**23.9**	**16,445**	**17,531**	**(6.2)**	**23,074**
Interest payments for zero-coupon bonds	1,600	0	0	0	n.a.	1,600	0	n.a.	0
Termination of forward-payer swaps at T-Mobile US	0	2,158	0	0	n.a.	2,158	0	n.a.	0
NET CASH FROM OPERATING ACTIVITIES[a]	**5,560**	**7,306**	**7,338**	**5,924**	**23.9**	**20,203**	**17,531**	**15.2**	**23,074**
Cash capex	(3,570)	(4,547)	(4,763)	(3,180)	(49.8)	(12,880)	(11,206)	(14.9)	(14,357)
Spectrum investment	217	878	273	143	90.9	1,368	1,164	17.5	1,239
CASH CAPEX (BEFORE SPECTRUM INVESTMENT)	**(3,353)**	**(3,669)**	**(4,490)**	**(3,037)**	**(47.8)**	**(11,512)**	**(10,043)**	**(14.6)**	**(13,118)**
Proceeds from the disposal of intangible assets (excluding goodwill) and property, plant and equipment	87	41	49	26	88.5	176	108	63.0	176
FREE CASH FLOW (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)[a]	**2,294**	**3,677**	**2,897**	**2,913**	**(0.5)**	**8,867**	**7,596**	**16.7**	**10,133**
Principal portion of repayment of lease liabilities[b]	(1,007)	(1,251)	(1,263)	(766)	(64.9)	(3,521)	(2,346)	(50.1)	(3,120)
FREE CASH FLOW AL (BEFORE DIVIDEND PAYMENTS AND SPECTRUM INVESTMENT)[a]	**1,287**	**2,425**	**1,634**	**2,147**	**(23.9)**	**5,347**	**5,250**	**1.8**	**7,013**

[a] Before interest payments for zero-coupon bonds and before termination of forward-payer swaps at T-Mobile US.

[b] Excluding finance leases at T-Mobile US.

Free cash flow AL (before dividend payments and spectrum investment) increased by EUR 0.1 billion year-on-year to EUR 5.3 billion. The following effects impacted on this development:

Excluding interest payments for zero-coupon bonds and the premature termination of forward-payer swaps concluded for borrowings at T-Mobile US, **net cash from operating activities** increased by EUR 2.7 billion. In particular, the sustained strong performance of the operating segments, especially the United States, including Sprint, had an increasing effect on net cash from operating activities. Higher (net) interest payments, which were up by EUR 1.5 billion in total, mainly as a result of the financial liabilities recognized and the restructuring begun in connection with the acquisition of Sprint, and the related increase in financing, including the handling charges incurred for a briefly utilized bridge loan facility, had a negative effect. Income tax payments decreased by EUR 0.1 billion compared with the prior-year period. Factoring agreements of EUR 0.6 billion had a negative impact on net cash from operating activities in the first three quarters 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 investment) increased by EUR 1.5 billion to EUR 11.5 billion, largely on account of the inclusion of Sprint and the ongoing 5G network build-out in the United States. In the Germany operating segment, cash capex decreased by EUR 0.4 billion.

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

Our B2B telecommunications business was realigned with effect from July 1, 2020. A new B2B unit was created in the Germany operating segment, and the assets and liabilities previously assigned to the Systems Solutions, Europe, and Group Headquarters & Group Services segments have been transferred to the new unit. Prior-year comparatives in these segments (development of operations, customer development, headcount development, and order entry) were adjusted retrospectively.

For further information on the realignment of the B2B telecommunications business, please refer to the sections "Group organization, strategy, and management" and "Segment reporting" in the interim consolidated financial statements.

GERMANY

CUSTOMER DEVELOPMENT

thousands	Sept. 30, 2020	June 30, 2020	Change Sept. 30, 2020/ June 30, 2020 %	Dec. 31, 2019	Change Sept. 30, 2020/ Dec. 31, 2019 %	Sept. 30, 2019	Change Sept. 30, 2020/ Sept. 30, 2019 %
Mobile customers	47,844	47,395	0.9	46,189	3.6	45,598	4.9
Contract customers	25,744	25,505	0.9	25,291	1.8	25,138	2.4
Prepaid customers	22,100	21,889	1.0	20,898	5.8	20,460	8.0
Fixed-network lines	17,602	17,649	(0.3)	17,824	(1.2)	17,996	(2.2)
Of which: retail IP-based	17,509	17,509	0.0	17,479	0.2	17,158	2.0
Retail broadband lines	13,997	13,900	0.7	13,730	1.9	13,683	2.3
Of which: optical fiber	9,246	9,012	2.6	8,529	8.4	8,231	12.3
Television (IPTV, satellite)	3,787	3,724	1.7	3,618	4.7	3,544	6.9
Unbundled local loop lines (ULLs)	4,235	4,361	(2.9)	4,638	(8.7)	4,770	(11.2)
Wholesale broadband lines	7,633	7,552	1.1	7,372	3.5	7,282	4.8
Of which: optical fiber	6,287	6,155	2.1	5,863	7.2	5,719	9.9

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. To this end we market not only fixed-network and mobile products, but also convergence products such as our brand-new MagentaEINS Plus rate plan, introduced on September 22, 2020. This new offering bundles our connectivity services for home and on the move in a single contract. Our MagentaEINS convergence product remains very popular among customers, with more than 4.9 million subscribers at the end of the third quarter of 2020. That's an increase of 4.5 percent against year-end 2019.

We continued to see strong demand for our fiber-optic-based lines. As of the end of September 2020, the total number of lines had increased to over 15.5 million. In other words, we connected a further 1.1 million lines to our fiber-optic network in Germany in the first nine 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 1.7 million mobile customers in the first nine months of 2020. Of these, a total of 453 thousand were high-value 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) increased slightly, primarily due to the volatile developments at some of our service providers. We have added 1.2 million pre-paid 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 very popular. At the end of the third quarter of 2020, more than 3.7 million customers were using this option, up by 34 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 convergence offerings and further development of such products: We offer MagentaTV with exclusive access to a wide range of additional content in the Megathek library and via popular streaming services, and with TV lines and fiber-optic-based lines and, since September 2020, our MagentaEINS Plus rate plan. Our brand-new convergence product offers customers Germany-wide unlimited data volume plus added benefits for the community and no minimum contract term.

The number of broadband lines increased by 267 thousand or 1.9 percent compared with year-end 2019. After completing the IP migration for all consumers in Germany, broadband customer additions were up significantly compared with 123 thousand additions in the first three quarters of 2019. We added 169 thousand TV customers in the first nine months of 2020, increasing the customer base by 4.7 percent compared with the end of the prior year. In traditional fixed-network business, the number of lines declined by 222 thousand. This marked a considerable reduction in line losses compared with the prior-year period, which had been affected in particular by the migration of consumers to IP.

Wholesale

At the end of September 2020, fiber-optic-based lines accounted for 53.0 percent of all lines – 4.2 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 403 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 third quarter of 2020 was around 11.9 million.

DEVELOPMENT OF OPERATIONS

millions of €

		Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
TOTAL REVENUE		5,830	5,850	5,839	5,905	(1.1)	17,520	17,507	0.1	23,730
Consumers		2,869	2,897	2,875	2,903	(1.0)	8,642	8,589	0.6	11,602
Business Customers		2,170	2,154	2,168	2,203	(1.6)	6,492	6,547	(0.8)	8,954
Wholesale		742	749	744	742	0.3	2,235	2,202	1.5	2,944
Other		49	51	52	56	(7.1)	152	169	(10.1)	230
Profit from operations (EBIT)		952	1,067	1,075	1,304	(17.6)	3,093	3,178	(2.7)	4,327
EBIT margin	%	16.3	18.2	18.4	22.1		17.7	18.2		18.2
Depreciation, amortization and impairment losses		(1,091)	(1,102)	(1,109)	(982)	(12.9)	(3,303)	(3,252)	(1.6)	(4,341)
EBITDA		2,043	2,169	2,184	2,286	(4.5)	6,396	6,430	(0.5)	8,668
Special factors affecting EBITDA		(207)	(124)	(203)	(67)	n.a.	(534)	(375)	(42.4)	(453)
EBITDA (adjusted for special factors)		2,250	2,293	2,387	2,352	1.5	6,930	6,805	1.8	9,121
EBITDA AL		2,034	2,160	2,170	2,277	(4.7)	6,364	6,400	(0.6)	8,630
Special factors affecting EBITDA AL		(207)	(124)	(203)	(67)	n.a.	(534)	(375)	(42.4)	(453)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		2,241	2,284	2,373	2,343	1.3	6,898	6,774	1.8	9,083
EBITDA AL margin (adjusted for special factors)	%	38.4	39.0	40.6	39.7		39.4	38.7		38.3
CASH CAPEX		(1,043)	(910)	(961)	(1,080)	11.0	(2,914)	(3,391)	14.1	(4,414)

Total revenue

In the first nine months of 2020, we generated total revenue of EUR 17.5 billion, which was up by 0.1 percent year-on-year and thus virtually on a par with the prior-year level. This increase was mainly due to the positive trend in our fixed-network business on the back of growth in broadband revenues of 5.5 percent and in wholesale products of 2.0 percent. Overall, revenue was affected during the year by the effects of the coronavirus pandemic, such as temporary travel restrictions and the deteriorated economic situation. This had a negative impact on roaming, visitor, and terminal equipment revenues, and resulted in delays or postponements to current orders in B2B telecommunications business. 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 0.6 percent year-on-year. Volume-driven declines in revenue from voice components continue to strongly impact on traditional fixed-network business. By contrast, revenue from broadband business increased by 4.5 percent. The growth in mobile business of 1.5 percent reflected the effects of the negative trends in roaming and visitor revenues in consequence of the coronavirus pandemic.

Revenue from **Business Customers** declined by 0.8 percent. IT revenues increased by 3.7 percent and mobile revenues declined by 1.3 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. Volume losses, primarily from the migration of fixed-network lines to IP, had a further negative effect, continuing to drive the decline in traditional voice telephony.

The B2B telecommunications business, which was integrated into the Germany operating segment effective July 1, 2020, reported a decline in revenue as of the end of the third quarter of 1.9 percent year-on-year. This is attributable to the deteriorated economic situation in consequence of the coronavirus pandemic and to market-related factors such as price erosion and competitive pressure in solutions business.

For further information on the realignment of the B2B telecommunications business, please refer to the section “Group organization, strategy, and management.”

Wholesale revenue was up at the end of the third quarter of 2020 by 1.5 percent year-on-year. The positive trend in the number of fiber-optic-based lines, driven mainly by the contingency model, continued in 2020 with an increase of 9.9 percent compared with the end of September 2019 and partially offset the decrease in revenues from declining volumes of unbundled local loop lines. The positive effect of the coronavirus pandemic on voice revenue in the first half of 2020 was not sustained throughout the third quarter of 2020.

Adjusted EBITDA AL, EBITDA AL

EBITDA AL adjusted for special factors increased by EUR 124 million or 1.8 percent year-on-year to EUR 6.9 billion. Our adjusted EBITDA AL margin increased to 39.4 percent, up from 38.7 percent in the prior-year period. The main reasons for this increase are a sound operational development, driven by high-value 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, in particular the dedicated retirement program, had an offsetting effect. EBITDA AL remained more or less stable in the first nine months of 2020 at EUR 6.4 billion or 0.6 percent below the prior-year level.

EBIT

Profit from operations was down 2.7 percent year-on-year to EUR 3.1 billion, partly as a result of the slightly lower EBITDA level together with higher depreciation, amortization and impairment losses year-on-year, mainly on account of higher depreciation of property, plant and equipment.

Cash capex

Cash capex decreased by 14.1 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 increased to 1.9 million in the third quarter of 2020. In addition, thanks to our integrated network strategy our customers benefited from greater coverage with fast mobile broadband. As of September 30, 2020, we supplied 98.4 percent of households in Germany with LTE.

UNITED STATES
CUSTOMER DEVELOPMENT

thousands

	Sept. 30, 2020	June 30, 2020	Change Sept. 30, 2020/ June 30, 2020 %	Dec. 31, 2019	Change Sept. 30, 2020/ Dec. 31, 2019 %	Sept. 30, 2019	Change Sept. 30, 2020/ Sept. 30, 2019 %
Branded customers[a]	100,362	107,720	(6.8)	67,895	47.8	66,503	50.9
Postpaid customers[b]	79,732	77,753	2.5	47,034	69.5	45,720	74.4
Postpaid phone customers	65,794	65,105	1.1	40,346	63.1	39,344	67.2
Other postpaid customers	13,938	12,648	10.2	6,689	n.a.	6,376	n.a.
Prepaid customers[b, c]	20,630	29,967	(31.2)	20,860	(1.1)	20,783	(0.7)

Adaptations of the customer base

thousands

	July 1, 2020	Adjustment of customer definition for Sprint's prepaid business as of July 1, 2020[c]	June 30, 2020	Apr. 1, 2020	Adjustment of customer definition at Sprint as of Apr. 1, 2020[b]	Sprint additions	Mar. 30, 2020
Branded customers[a]	98,327	(9,393)	107,720	106,290	(4,853)	42,600	68,543
Postpaid customers[b]	77,753	0	77,753	76,641	(5,514)	34,344	47,811
Postpaid phone customers	65,105	0	65,105	64,852	(1,861)	25,916	40,797
Other postpaid customers	12,648	0	12,648	11,789	(3,653)	8,428	7,014
Prepaid customers[b, c]	20,574	(9,393)	29,967	29,649	661	8,256	20,732

[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 a Mobile Virtual Network Operator (MVNO) agreement to provide network services to customers of their prepaid business for a period of up to seven years. As a result, we included a base adjustment to reduce prepaid customers by 9.4 million in the third quarter of 2020. 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.

Branded customers

At September 30, 2020, the United States operating segment (T-Mobile US) had 100.4 million customers, compared to 67.9 million customers at December 31, 2019. Net customer additions were 4.1 million for the nine months ended September 30, 2020, compared to 3.5 million net customer additions for the nine months ended September 30, 2019, due to the factors described below.

Postpaid net customer additions were 3.9 million for the nine months ended September 30, 2020, compared to 3.2 million postpaid net customer additions for the nine months ended September 30, 2019. The increase resulted from higher postpaid other net customer additions primarily due to higher gross additions from connected devices primarily due to educational institution additions and lower churn, partially offset by lower switching activity in the industry from reduced store traffic due to temporary retail store closures arising from the coronavirus pandemic. This increase was partially offset by lower postpaid phone net customer additions primarily due to lower switching activity in the industry from reduced store traffic due to temporary retail store closures arising from the coronavirus pandemic and an increase in churn from the inclusion of the customer base acquired in the Sprint Merger.

Prepaid net customer additions were 247 thousand for the nine months ended September 30, 2020, compared to 262 thousand prepaid net customer additions for the nine months ended September 30, 2019. The decrease was primarily due to lower switching activity in the industry from reduced store traffic due to temporary retail store closures arising from the coronavirus pandemic, partially offset by lower churn.

DEVELOPMENT OF OPERATIONS

millions of €		Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
TOTAL REVENUE		10,157	17,297	16,569	10,006	65.6	44,024	29,629	48.6	40,420
Profit from operations (EBIT)		1,509	1,959	2,395	1,444	65.9	5,863	4,285	36.8	5,488
EBIT margin	%	14.9	11.3	14.5	14.4		13.3	14.5		13.6
Depreciation, amortization and impairment losses		(2,084)	(4,589)	(4,528)	(1,976)	n.a.	(11,201)	(5,681)	(97.2)	(7,777)
EBITDA		3,593	6,548	6,923	3,421	n.a.	17,064	9,965	71.2	13,265
Special factors affecting EBITDA		(274)	(892)	(168)	(142)	(18.3)	(1,334)	(441)	n.a.	(544)
EBITDA (adjusted for special factors)		3,867	7,441	7,091	3,563	99.0	18,398	10,406	76.8	13,809
EBITDA AL		2,886	5,412	5,753	2,732	n.a.	14,051	7,983	76.0	10,590
Special factors affecting EBITDA AL		(274)	(892)	(240)	(142)	(69.0)	(1,407)	(441)	n.a.	(544)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		3,160	6,304	5,994	2,874	n.a.	15,458	8,424	83.5	11,134
EBITDA AL margin (adjusted for special factors)	%	31.1	36.4	36.2	28.7		35.1	28.4		27.5
CASH CAPEX		(1,708)	(2,679)	(2,744)	(1,329)	n.a.	(7,131)	(5,314)	(34.2)	(6,369)

Total revenue

Total revenue for the United States operating segment of EUR 44.0 billion in the nine months ended September 30, 2020, increased by 48.6 percent, compared to EUR 29.6 billion in the nine months ended September 30, 2019. In U.S. dollars, T-Mobile US' total revenues increased by 49.0 percent year-over year primarily due to increased service revenues as well as increased equipment revenues. The components of these changes are described below.

Service revenues increased for the nine months ended September 30, 2020 primarily due to higher average postpaid customers 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 new markets, growth in other connected devices, primarily due to growth in educational institution customers, as well as wearable products. The increase in service revenues was also driven by higher postpaid phone ARPU and higher roaming and other service revenues primarily from the inclusion of wireline operations acquired in the Sprint Merger.

Equipment revenues increased for the nine months ended September 30, 2020 primarily due to the Sprint Merger including increases in lease revenues due to a higher number of customer devices under lease, an increase in revenues primarily related to the liquidation of returned devices, and an increase in equipment sales from leased devices, primarily due to an increase in purchased leased devices. In addition to these revenues primarily due to the Sprint Merger, there was an increase in device sales revenue, excluding purchased leased devices.

Other revenues were essentially flat for the nine months ended September 30, 2020.

Adjusted EBITDA AL, EBITDA AL

In euros, adjusted EBITDA AL increased by 83.5 percent to EUR 15.5 billion in the nine months ended September 30, 2020, compared to EUR 8.4 billion in the nine months ended September 30, 2019. The adjusted EBITDA AL margin increased to 35.1 percent in the nine months ended September 30, 2020, compared to 28.4 percent in the nine months ended September 30, 2019. In U.S. dollars, adjusted EBITDA AL increased by 84.2 percent during the same period. Adjusted EBITDA AL increased primarily due to higher service revenues and equipment revenues as discussed above. These increases were partially offset by increases in expenses primarily due to the Sprint Merger including those associated with backhaul agreements, other tower expenses, employee-related and benefit-related costs primarily due to increased headcount, external labor and professional services, lease and rent costs, and advertising. Additional increases in expenses primarily due to the Sprint Merger include those associated with costs related to the liquidation of returned devices, leased device cost of equipment sales, primarily due to an increase in purchased leased devices, repair and maintenance costs, and legal-related expenses for risk provisioning and commitments. In addition to these costs primarily due to the Sprint Merger, were increases in expenses primarily due to the continued build-out of our nationwide 5G network, costs associated with our restructuring activities, device cost of equipment sales, excluding purchased leased devices, higher cost devices used for device insurance claims fulfillment, bad debt primarily due to the estimated macro-economic impacts of the coronavirus pandemic, and commission expense primarily due to higher gross customer additions. 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 69 million in the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019.

EBITDA AL for the nine months ended September 30, 2020, included special factors of EUR -1.4 billion compared to special factors of EUR -0.4 billion for the nine months ended September 30, 2019. The change in special factors was primarily due to an increase of EUR 0.6 billion in Merger-related costs including transaction costs, including legal and professional services related to the completion of the Merger; EUR 0.6 billion of restructuring costs, including severance, store rationalization and network decommissioning; and integration costs to achieve synergies in network, retail, IT, and back office operations. Also, EUR 0.4 billion in third-party commissions and cleaning-related expenses associated with the coronavirus pandemic, EUR 0.2 billion postpaid billing system disposal, and EUR 0.1 billion in accelerated amortization of right-of-use assets. These increases were partially offset by the EUR 0.3 billion transaction fee received from SoftBank. Overall, EBITDA AL increased by 76.0 percent to EUR 14.1 billion in the nine months ended September 30, 2020, compared to EUR 8.0 billion in the nine months ended September 30, 2019, due to the factors described above, including special factors.

EBIT

EBIT increased to EUR 5.9 billion in the nine months ended September 30, 2020, compared to EUR 4.3 billion in the nine months ended September 30, 2019. In U.S. dollars, EBIT increased by 37.3 percent during the same period primarily due to higher EBITDA AL. In U.S. dollars, depreciation and amortization increased by 98.2 percent primarily due to 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 7.1 billion in the nine months ended September 30, 2020, compared to EUR 5.3 billion in the nine months ended September 30, 2019. In U.S. dollars, cash capex increased by 34.5 percent primarily due to network integration related to the Sprint Merger and the continued build-out of our nationwide 5G network and an increase in spectrum purchases.

EUROPE
CUSTOMER DEVELOPMENT

thousands

		Sept. 30, 2020	June 30, 2020	Change Sept. 30, 2020/ June 30, 2020 %	Dec. 31, 2019	Change Sept. 30, 2020/ Dec. 31, 2019 %	Sept. 30, 2019	Change Sept. 30, 2020/ Sept. 30, 2019 %
EUROPE, TOTAL	Mobile customers	45,743	45,665	0.2	46,165	(0.9)	46,501	(1.6)
	Contract customers[a]	26,699	26,528	0.6	26,245	1.7	26,023	2.6
	Prepaid customers[a]	19,044	19,137	(0.5)	19,920	(4.4)	20,478	(7.0)
	Fixed-network lines[b]	9,062	9,040	0.2	9,105	(0.5)	9,069	(0.1)
	Of which: IP-based[b]	8,381	8,322	0.7	8,311	0.8	8,208	2.1
	Broadband customers	6,866	6,806	0.9	6,672	2.9	6,599	4.0
	Television (IPTV, satellite, cable)	4,986	4,960	0.5	4,945	0.8	4,919	1.4
	Unbundled local loop lines (ULLs)/wholesale PSTN	2,262	2,265	(0.1)	2,294	(1.4)	2,291	(1.3)
	Wholesale broadband lines[c]	639	602	6.1	533	19.9	512	24.8
GREECE	Mobile customers	7,071	7,172	(1.4)	7,365	(4.0)	7,505	(5.8)
	Fixed-network lines	2,584	2,575	0.3	2,638	(2.0)	2,625	(1.6)
	Broadband customers	2,141	2,112	1.4	2,033	5.3	1,993	7.4
ROMANIA	Mobile customers	4,691	4,710	(0.4)	4,916	(4.6)	5,051	(7.1)
	Fixed-network lines	1,467	1,487	(1.3)	1,560	(6.0)	1,608	(8.8)
	Broadband customers	934	959	(2.6)	1,014	(7.9)	1,040	(10.2)
HUNGARY	Mobile customers	5,425	5,398	0.5	5,369	1.0	5,323	1.9
	Fixed-network lines	1,742	1,722	1.2	1,703	2.3	1,690	3.1
	Broadband customers	1,299	1,271	2.2	1,231	5.5	1,209	7.4
POLAND	Mobile customers	11,071	11,021	0.5	10,954	1.1	10,908	1.5
	Fixed-network lines	31	29	6.9	18	72.2	19	63.2
	Broadband customers	29	24	20.8	18	61.1	11	n.a.
CZECH REPUBLIC	Mobile customers	6,181	6,239	(0.9)	6,265	(1.3)	6,282	(1.6)
	Fixed-network lines[b]	593	583	1.7	533	11.3	477	24.3
	Broadband customers	361	356	1.4	320	12.8	305	18.4
CROATIA	Mobile customers	2,292	2,232	2.7	2,274	0.8	2,359	(2.8)
	Fixed-network lines	888	893	(0.6)	908	(2.2)	914	(2.8)
	Broadband customers	623	622	0.2	621	0.3	622	0.2
SLOVAKIA	Mobile customers	2,412	2,399	0.5	2,428	(0.7)	2,432	(0.8)
	Fixed-network lines	862	861	0.1	860	0.2	855	0.8
	Broadband customers	598	591	1.2	576	3.8	565	5.8
AUSTRIA	Mobile customers	5,098	4,990	2.2	5,019	1.6	5,024	1.5
	Fixed-network lines	560	556	0.7	549	2.0	548	2.2
	Broadband customers	625	620	0.8	612	2.1	609	2.6
OTHER[d]	Mobile customers	1,502	1,505	(0.2)	1,576	(4.7)	1,617	(7.1)
	Fixed-network lines	335	333	0.6	335	0.0	334	0.3
	Broadband customers	256	252	1.6	249	2.8	245	4.5

[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, customer development in the markets of our Europe segment was affected by the travel restrictions and temporary shop closures imposed in response to the coronavirus pandemic. In the summer months, however, this tense situation appeared generally to ease, although not to the extent that pre-coronavirus normality was restored. 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 14.3 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 nine months of 2020. Since the start of the year, the number of broadband customers has increased by 2.9 percent.

In mobile business, we recorded growth in high-value contract customers, almost 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 spectrum auctions still anticipated in various countries in 2020.

Mobile communications
In the Europe operating segment, we had 45.7 million mobile customers in the first nine months of 2020, a marginal decline of 0.9 percent compared with the end of 2019. The number of high-value contract customers rose by 1.7 percent (and compared with the third quarter of the prior year by as much as 2.6 percent). The contract customer bases increased in most of our national companies, with particularly strong growth recorded in Romania, Austria, Poland, Hungary, and Greece. Overall, contract customers account for 58.4 percent of the total customer base. In addition to our innovative services and rate plans, we launched a new product portfolio – in line with the “more for more” principle. After we had initially offered this new portfolio in some countries last year, other countries were added during the reporting year. Our customers 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 September 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, also in part on account of the negative effects of the coronavirus pandemic. This is partly due to the fact that our market approach is focused on contract rate plans and on offering our prepaid customers attractive high-value rate plans. A proportion of these prepaid customers have already taken up this offer. 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 2.9 percent compared with the end of the prior year to a total of 6.9 million (compared with the prior-year quarter, it grew by as much as 4.0 percent). The customer bases of our national companies in Greece, Hungary, the Czech Republic, and Slovakia in particular saw substantial growth. By continuing to invest 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 3.8 million households as of September 30, 2020. The number of IP-based lines increased to account for 92.5 percent of all fixed-network lines by the end of September 2020. The total number of fixed-network lines in our Europe operating segment was on a par with the prior-year level at 9.1 million.

The TV and entertainment business had a total of 5.0 million customers as of September 30, 2020, up slightly compared with the end of the prior year (and by as much as 1.4 percent compared with the same quarter of the prior year). 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 nine months of 2020, we had 5.5 million FMC customers; this corresponds to growth of 10.4 percent compared with the end of the prior year (21.9 percent compared with the same quarter of the prior year). Our national companies in Greece, Hungary, 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	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
TOTAL REVENUE		2,759	2,706	2,880	2,929	(1.7)	8,344	8,507	(1.9)	11,587
Greece		707	692	763	771	(1.0)	2,162	2,188	(1.2)	2,943
Romania		237	229	244	243	0.4	710	691	2.7	980
Hungary		427	405	429	456	(5.9)	1,262	1,370	(7.9)	1,872
Poland		360	359	365	373	(2.1)	1,084	1,087	(0.3)	1,486
Czech Republic		266	255	268	274	(2.2)	789	796	(0.9)	1,088
Croatia		214	215	247	252	(2.0)	675	711	(5.1)	960
Slovakia		186	186	190	199	(4.5)	562	574	(2.1)	785
Austria		313	317	330	318	3.8	960	939	2.2	1,276
Other[a]		66	64	73	72	1.4	204	225	(9.3)	298
Profit (loss) from operations (EBIT)		348	365	382	457	(16.4)	1,095	1,113	(1.6)	1,109
EBIT margin	%	12.6	13.5	13.3	15.6		13.1	13.1		9.6
Depreciation, amortization and impairment losses		(659)	(642)	(823)	(691)	(19.1)	(2,124)	(2,060)	(3.1)	(3,114)
EBITDA		1,007	1,007	1,205	1,148	5.0	3,219	3,173	1.4	4,223
Special factors affecting EBITDA		(39)	(51)	30	(22)	n.a.	(60)	(107)	43.9	(141)
EBITDA (adjusted for special factors)		1,046	1,058	1,175	1,171	0.3	3,279	3,279	0.0	4,364
EBITDA AL		897	901	1,094	1,038	5.4	2,893	2,842	1.8	3,769
Special factors affecting EBITDA AL		(39)	(51)	30	(22)	n.a.	(60)	(107)	43.9	(141)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		936	952	1,064	1,061	0.3	2,953	2,948	0.2	3,910
Greece		288	285	326	337	(3.3)	899	910	(1.2)	1,212
Romania		34	36	50	36	38.9	120	90	33.3	141
Hungary		114	125	139	149	(6.7)	377	408	(7.6)	551
Poland		96	97	98	98	0.0	290	290	0.0	383
Czech Republic		110	105	109	107	1.9	324	328	(1.2)	448
Croatia		76	82	95	104	(8.7)	253	278	(9.0)	360
Slovakia		79	80	88	85	3.5	247	247	0.0	327
Austria		123	124	136	136	0.0	383	368	4.1	467
Other[a]		17	19	23	9	n.a.	59	29	n.a.	20
EBITDA AL margin (adjusted for special factors)	%	33.9	35.2	36.9	36.2		35.4	34.7		33.7
CASH CAPEX		(438)	(562)	(431)	(385)	(11.9)	(1,431)	(1,295)	(10.5)	(1,816)

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

a "Other": national companies of North Macedonia, Montenegro, and the GTS Central Europe group in Romania, as well as 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 8.3 billion as of September 30, 2020, a year-on-year decrease of 1.9 percent. In organic terms, i.e., assuming constant exchange rates and adjusted for the sale of Telekom Albania, 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 proved to be solid once again in the third quarter: 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 been rated the telecommunications company with the best network (e.g., Connect readers' choice 2020, Ookla tests in Greece and Croatia). 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. We recorded a slight organic decline in mobile revenues compared with the prior year. This was primarily driven by declines in roaming revenues as a result of the travel restrictions, some of which are still in place, as well as in the low-margin terminal equipment business. 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, Austria, Romania, and the Czech Republic recorded the organic best development of revenue in the first nine months of 2020. This offset the decline in revenue in Croatia, Greece, and Slovakia in particular.

Revenue from **Consumers** declined by 1.6 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, the higher number of FMC customers had a positive impact on revenue.

Revenue from **Business Customers** remained more or less unchanged in the first nine months of 2020 compared with the prior-year period, mainly due to successful ICT deals, for example with our corporate customers in Greece and Croatia, but also thanks to EU funding initiatives such as public sector digitalization. Lower roaming revenues, primarily as a result of coronavirus-induced travel restrictions, were almost fully offset by sustained demand for faster internet connections and the associated collaboration solutions.

Adjusted EBITDA AL, EBITDA AL

Our Europe operating segment generated adjusted EBITDA AL of EUR 3.0 billion in the first nine months 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 2.1 percent, thus continuing to make a positive contribution to earnings. In addition to the positive revenue contribution, 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 revenues, especially from roaming and sales of terminal equipment, as well as decreases in voice telephony in fixed-network business, were only partially offset by positive revenue effects from the systems solutions as well as the broadband and TV business.

EBITDA AL increased by 1.8 percent year-on-year to EUR 2.9 billion. The expense arising from special factors was slightly below the prior-year level, partly on account of the fixed-network business in Romania, the sale of which has been planned since October 2020. This resulted in an ad hoc reversal of impairment losses that had previously been recognized on property, plant and equipment in the amount of EUR 50 million. In organic terms, EBITDA AL grew by 3.7 percent.

Development of operations in selected countries

Greece. In Greece, revenue declined in the first nine months of 2020, coming in at EUR 2.2 billion, 1.2 percent lower than in the prior-year period. In mobile business in particular, service revenues declined due mainly to the developments in roaming. Sales of mobile terminal equipment increased again slightly year-on-year. Business with the convergent product portfolio also contributed to growth thanks to higher customer numbers. In the fixed-network business, revenues continued to increase: 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 clear growth, while the wholesale business remained at the prior-year level.

In the first nine months of 2020, adjusted EBITDA AL in Greece stood at EUR 899 million, a slight decrease of 1.2 percent against the prior-year period, with a decrease in revenue being partially offset by lower overall costs.

Hungary. In the first nine months of 2020, revenue in Hungary stood at EUR 1.3 billion, down by 7.9 percent year-on-year, largely driven by negative exchange rate effects. In organic terms, revenue decreased only slightly by 0.7 percent, primarily due to a decline in revenue from systems solutions business, which was unable to replicate the order volume recorded in the prior year, especially in the public sector. This was contrasted by further increases in revenues from both broadband and TV business, driven by a larger and higher-value customer base. The mobile business also posted an increase against the prior-year period, mainly driven by higher revenue from the sale of mobile terminal equipment. Service revenues (excluding roaming) also increased, due in part to much higher data usage. This offset the lower roaming revenues resulting from the temporary travel restrictions that had been imposed. Our MagentaOne convergence products also continued to perform well, with substantial customer additions and corresponding revenue.

Adjusted EBITDA AL stood at EUR 377 million, down 7.6 percent year-on-year. In organic terms, adjusted EBITDA AL was more or less stable compared with the prior-year period. Savings, particularly in indirect costs, due in part to lower personnel costs, partially offset the decline in revenue.

Poland. In Poland, revenue stood at EUR 1.1 billion as of September 30, 2020, unchanged against the prior-year level. In organic terms, revenue increased by 2.6 percent. This growth is based on both higher mobile and fixed-network revenue. Higher service revenues in the mobile business were sufficient to offset the declines, particularly in terminal equipment sales and roaming revenues. The increase in high-value service revenues was attributable to both volume-driven increases in revenues from voice telephony and a higher-value customer base. In the fixed network, systems solutions in particular performed well. There was also slight growth in the fixed-network core business, which overall offset the negative effects from the decline in wholesale business.

Adjusted EBITDA AL came in at EUR 290 million, on a par with the prior-year level. In organic terms, adjusted EBITDA AL increased by 2.7 percent, mainly on the back of a higher net margin.

Czech Republic. In the first nine months of 2020, revenue in the Czech Republic stood at EUR 789 million, down 0.9 percent on the prior-year level. In organic terms, revenue increased by 1.6 percent. The fixed-network business was a strong driver of growth, recording substantial year-on-year increases in broadband and TV business in particular. The continuous investments in new fiber-optic networks paid off with a higher number of customers. Mobile business remained on a par with the prior-year level. The declines in roaming revenues and in low-margin terminal equipment sales were almost fully offset by the increase in higher-margin service revenues. 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 1.2 percent year-on-year to EUR 324 million. In organic terms, earnings increased by 1.3 percent against the previous year: the positive organic revenue contribution was partially offset by slight overall increases in direct and indirect costs.

Austria. Revenue in Austria totaled EUR 960 million as of September 30, 2020. This increase of 2.2 percent was mainly attributable to higher mobile terminal equipment sales. Business with higher-margin service revenues also contributed positively to revenue. The Magenta product portfolio, which was launched in May last year, has been very well received by our customers. This allowed us to fully offset the sharp decline in roaming revenues. Since the launch of the Magenta brand, we now also offer convergent products in addition to mobile broadband internet services. The positive response of our customers to our convergence products 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 substantially by 4.1 percent year-on-year to EUR 383 million. In addition to the positive revenue effects, lower indirect costs also contributed to this growth.

EBIT

EBIT in our Europe operating segment remained more or less stable in the first three quarters of 2020 at EUR 1.1 billion. In connection with the sale of the Romanian fixed-network business planned since October 2020, an ad hoc impairment loss of EUR 160 million was recognized on non-current assets of the Romanian mobile business which is to remain in the Group. This impairment was the result of the discontinuance of the previously existing MVNO agreements. Depreciation and amortization were down slightly on the prior-year period.

Cash capex

As of September 30, 2020, our Europe operating segment reported cash capex of EUR 1.4 billion, up 10.5 percent year-on-year. This increase is partly due to a rise in cash outflows for the acquisition of spectrum licenses in Hungary. Moreover, we continue to invest 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 €	Q1-Q3 2020	H1 2020	FY 2019	Q1-Q3 2019	Change Q1-Q3 2020/ Q1-Q3 2019 %
ORDER ENTRY	2,503	1,801	4,740	3,276	(23.6)

Development of business

The first nine months of 2020 were dominated by the ongoing strategic development of our systems solutions business with a focus on growth and future viability, as well as our extensive transformation program, and the effects of the coronavirus pandemic.

Under the transformation program we realigned our organization and workflows, adjusted capacities, and developed a new strategy for our portfolio. Stand-alone portfolio units assume responsibility not only for our growth areas but also for our traditional IT business. Consistent with our efforts to implement the Group's strategy pillar "Lead in business productivity," on July 1, 2020, we combined our B2B telecommunications operations in our Germany operating segment.

Furthermore, the effects of the coronavirus pandemic on the global economy continue to 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 23.6 percent in the first nine months of 2020, which was below our expectations.

DEVELOPMENT OF OPERATIONS

millions of €		Q1 2020	Q2 2020	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
TOTAL REVENUE		1,066	1,069	961	1,087	(11.6)	3,095	3,254	(4.9)	4,424
Of which: external revenue		841	830	745	838	(11.1)	2,416	2,525	(4.3)	3,423
Loss from operations (EBIT)		(68)	(81)	(468)	(60)	n.a.	(618)	(323)	(91.3)	(425)
Special factors affecting EBIT		(39)	(59)	(486)	(57)	n.a.	(583)	(247)	n.a.	(338)
EBIT (adjusted for special factors)		(30)	(22)	17	(3)	n.a.	(34)	(76)	55.3	(87)
EBIT margin (adjusted for special factors)	%	(2.8)	(2.1)	1.8	(0.3)		(1.1)	(2.3)		(2.0)
Depreciation, amortization and impairment losses		(109)	(110)	(500)	(112)	n.a.	(720)	(367)	(96.2)	(479)
EBITDA		41	29	32	52	(38.5)	102	43	n.a.	54
Special factors affecting EBITDA		(39)	(59)	(60)	(57)	(5.3)	(158)	(220)	28.2	(310)
EBITDA (adjusted for special factors)		79	88	92	109	(15.6)	260	263	(1.1)	364
EBITDA AL		10	(2)	8	23	(65.2)	15	(43)	n.a.	(60)
Special factors affecting EBITDA AL		(39)	(59)	(60)	(57)	(5.3)	(158)	(220)	28.2	(310)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		49	57	67	80	(16.3)	173	176	(1.7)	250
EBITDA AL margin (adjusted for special factors)	%	4.6	5.3	7.0	7.4		5.6	5.4		5.7
CASH CAPEX		(32)	(60)	(71)	(61)	(16.4)	(163)	(219)	25.6	(356)

Total revenue

Total revenue in our Systems Solutions operating segment in the first nine months of 2020 decreased by 4.9 percent year-on-year to EUR 3.1 billion, reflecting the coronavirus-induced decline of the IT market in Western Europe. 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 the digital solutions business was particularly affected by the impact of the coronavirus pandemic on the automotive industry.

Adjusted EBITDA AL, EBITDA AL

In the first nine months of 2020, adjusted EBITDA AL in our Systems Solutions operating segment decreased only slightly by 1.7 percent year-on-year to EUR 173 million. The decrease in earnings in traditional IT business and in project business, partly due to the effects of the coronavirus pandemic, were largely offset by efficiency enhancement effects from our transformation program and strong growth in our growth areas (especially public cloud, Internet of Things (IoT), and security). EBITDA AL increased by EUR 58 million compared with the prior year to EUR 15 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 -158 million.

Adjusted EBIT, EBIT

Adjusted EBIT in our Systems Solutions operating segment in the first nine months of 2020 improved by EUR 42 million year-on-year, coming in at EUR -34 million, mainly as a result of declines in depreciation and amortization. The realignment of the B2B telecommunications business in combination with the effects of the coronavirus pandemic triggered ad hoc impairment testing, which identified a reduction in the business outlook for IT operations. This resulted in the recognition of a non-cash impairment loss of around EUR 0.4 billion on non-current assets in the systems solutions business, which reduced EBIT to EUR -0.6 billion.

Cash capex

Cash capex in the Systems Solutions operating segment stood at EUR 163 million in the first nine months of 2020, compared with EUR 219 million in the prior-year period. This was due to a reduced need for investments in traditional IT business and in the area of digital solutions, which was impacted by the effects of the coronavirus pandemic on the automotive industry. Going forwards, we will continue to focus our investments on developing our growth business.

GROUP DEVELOPMENT

CUSTOMER DEVELOPMENT

thousands

		Sept. 30, 2020	June 30, 2020	Change Sept. 30, 2020/ June 30, 2020 %	Dec. 31, 2019	Change Sept. 30, 2020/ Dec. 31, 2019 %	Sept. 30, 2019	Change Sept. 30, 2020/ Sept. 30, 2019 %
NETHERLANDS	Mobile customers	5,761	5,741	0.3	5,610	2.7	5,528	4.2
	Fixed-network lines	661	644	2.6	619	6.8	601	10.0
	Broadband customers	647	628	3.0	605	6.9	586	10.4

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 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	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
TOTAL REVENUE		708	716	719	704	2.1	2,142	2,068	3.6	2,797
Of which: Netherlands		476	480	484	479	1.0	1,441	1,398	3.1	1,910
Of which: GD Towers		247	248	248	239	3.8	743	714	4.1	945
Profit from operations (EBIT)		139	123	154	270	(43.0)	417	498	(16.3)	615
Depreciation, amortization and impairment losses		(194)	(192)	(190)	(208)	8.7	(576)	(607)	5.1	(812)
EBITDA		333	316	344	479	(28.2)	993	1,105	(10.1)	1,427
Special factors affecting EBITDA		(7)	(37)	(11)	134	n.a.	(55)	109	n.a.	97
EBITDA (adjusted for special factors)		340	353	355	345	2.9	1,049	996	5.3	1,330
Of which: Netherlands		157	163	163	153	6.5	482	437	10.3	591
Of which: GD Towers		195	195	199	197	1.0	589	577	2.1	771
EBITDA AL		262	246	273	402	(32.1)	781	883	(11.6)	1,130
Special factors affecting EBITDA AL		(7)	(37)	(11)	134	n.a.	(55)	109	n.a.	97
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)		269	283	284	269	5.6	836	774	8.0	1,033
Of which: Netherlands		136	143	141	132	6.8	419	372	12.6	502
Of which: GD Towers		145	145	149	142	4.9	439	420	4.5	563
EBITDA AL margin (adjusted for special factors)	%	38.0	39.5	39.5	38.2		39.0	37.4		36.9
CASH CAPEX		(119)	(117)	(330)	(99)	n.a.	(566)	(291)	(94.5)	(452)

Total revenue

Total revenue in our Group Development operating segment increased in the first three quarters of 2020 by 3.6 percent year-on-year to EUR 2.1 billion, thanks to the operational growth of our two subsidiaries, T-Mobile Netherlands and DFMG. In the Netherlands, both mobile and fixed-network business contributed to the increase in revenue. The GD Towers unit also recorded a year-on-year increase in revenue, driven by volume-based growth at DFMG.

Adjusted EBITDA AL, EBITDA AL

Adjusted EBITDA AL increased by 8.0 percent year-on-year to EUR 836 million. This growth was attributable to the aforementioned positive revenue trend at T-Mobile Netherlands, synergies from the takeover of Tele2 Netherlands, and efficient cost management in the company. The GD Towers business continued to post consistent growth on the back of rising volumes. By contrast, EBITDA decreased by 11.6 percent to EUR 781 million. This was due to negative special factors of EUR 55 million arising in part from consulting services in connection with the business combination of T-Mobile US and Sprint and the integration of Tele2 Netherlands at T-Mobile Netherlands. The prior-year figure included positive net special factors of EUR 109 million, mainly resulting from the allocation of our share of 11 percent in Ströer SE & Co. KGaA to Deutsche Telekom Trust e.V.

EBIT

EBIT decreased by 16.3 percent year-on-year to EUR 417 million, mainly as a result of the special factors described under adjusted EBITDA AL. Depreciation, amortization and impairment losses were down on the prior-year period.

Cash capex

Cash capex increased by EUR 275 million year-on-year to EUR 566 million, mainly due to the acquisition of mobile licenses by T-Mobile Netherlands. It also grew as a result of additional investments for the 5G build-out and those required to integrate Tele2 Netherlands and 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	Q3 2020	Q3 2019	Change %	Q1-Q3 2020	Q1-Q3 2019	Change %	FY 2019
TOTAL REVENUE	634	651	625	635	(1.6)	1,910	1,967	(2.9)	2,627
Loss from operations (EBIT)	(365)	(345)	(430)	(352)	(22.2)	(1,140)	(1,050)	(8.6)	(1,631)
Depreciation, amortization and impairment losses	(295)	(325)	(358)	(285)	(25.6)	(978)	(846)	(15.6)	(1,143)
EBITDA	(69)	(20)	(73)	(67)	(9.0)	(162)	(204)	20.6	(488)
Special factors affecting EBITDA	(58)	(81)	(75)	(22)	n.a.	(214)	(145)	(47.6)	(237)
EBITDA (adjusted for special factors)	(11)	62	2	(45)	n.a.	52	(59)	n.a.	(251)
EBITDA AL	(161)	(108)	(164)	(165)	0.6	(434)	(506)	14.2	(887)
Special factors affecting EBITDA AL	(58)	(81)	(75)	(22)	n.a.	(214)	(145)	(47.6)	(237)
EBITDA AL (ADJUSTED FOR SPECIAL FACTORS)	(103)	(27)	(90)	(143)	37.1	(220)	(361)	39.1	(650)
CASH CAPEX	(230)	(240)	(223)	(232)	3.9	(693)	(730)	5.1	(1,010)

Total revenue

Total revenue in our Group Headquarters & Group Services segment decreased in the reporting period by 2.9 percent year-on-year, mainly as a result of lower revenue from land and buildings, largely due to the ongoing optimization of space.

Adjusted EBITDA AL, EBITDA AL

Adjusted EBITDA AL in the Group Headquarters & Group Services segment improved by EUR 141 million year-on-year in the reporting period to EUR -220 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. Furthermore, lower IT-related costs at Deutsche Telekom IT had a positive impact. By contrast, lower revenue from land and buildings had a negative impact on adjusted EBITDA AL.

Overall, EBITDA AL was negatively impacted in the reporting period by special factors amounting to EUR 214 million, especially for staff-related measures. This contrasts with special factors of EUR 145 million in the prior-year period, also in particular for staff-related measures.

EBIT

The year-on-year decline in EBIT of EUR 90 million to EUR -1,140 million was largely a result of two contrasting effects: the increase in depreciation, amortization and impairment losses on the one hand, and the positive development of EBITDA AL on the other. The increase in depreciation, amortization and impairment losses is mainly attributable to the increased volume of output in connection with the introduction of agile processes and shorter project runtimes at Deutsche Telekom IT. An impairment loss was also recognized in the amount of EUR 44 million on software used by the Systems Solutions operating segment. This was a consequence of the ad hoc impairment testing carried out in the Systems Solutions cash-generating unit. 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 37 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. In the Interim Group Report as of June 30, 2020 we published our guidance already taking the business combination of T-Mobile US and Sprint as of April 1, 2020 into account.

Contrary to the forecasts published in the Interim Group Report as of June 30, 2020, we now expect to post stronger-than-expected increases in the Group's adjusted EBITDA AL and free cash flow AL for the 2020 financial year despite the challenging economic environment in consequence of the coronavirus pandemic. We now expect adjusted EBITDA AL for the Group of at least EUR 35 billion, up from the previous forecast of around EUR 34 billion, for the 2020 financial year. This latest upward revision is partly attributable to stronger-than-expected business performance in the United States operating segment, where we now anticipate adjusted EBITDA AL to come in at around USD 23.5 billion or around USD 1.0 billion higher than our previous forecast, and partly to business outside of the United States, where we expect adjusted EBITDA AL of EUR 14.0 billion, up from the previous guidance of EUR 13.9 billion. We thus expect overall business performance to more than offset the negative effects in our Systems Solutions operating segment, where we anticipate that the pandemic-driven difficult market climate in terms of new business will cause us to fall short of our original guidance for revenue, adjusted EBITDA AL, and order entry.

Due to our raised guidance for adjusted EBITDA AL, we are also raising our Group forecast for full-year free cash flow AL from the previous figure of at least EUR 5.5 billion to at least EUR 6.0 billion in 2020.

For cash capex, our most recent guidance continues to apply: We expect cash capex (before spectrum investment) for the United States operating segment of around USD 11 billion; among other factors, this is attributable to the investments expected in connection with the integration of the two companies. We expect cash capex (before spectrum investment) for the Group in 2020 to come in at around EUR 17 billion.

The realignment of the B2B telecommunications business did not result in any changes in the forecasts published in the 2019 Annual Report in the affected operating segments apart from retroactively adjusted original values.

For details on the realignment of the B2B telecommunications business, please refer to the section "Group organization, strategy, and management."

All other statements made remain valid.

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 three quarters 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. Following the first half of 2020, 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.