

Deutsche Telekom

Interim Group Report

9M 2021

January 1 to September 30



LIFE IS FOR SHARING.

Contents

Selected financial data of the Group

To our shareholders

- 4 Deutsche Telekom at a glance
- 6 Highlights in the third quarter of 2021

Interim Group management report

- 10 Group organization, strategy, and management
- 12 The economic environment
- 14 Development of business in the Group
- 25 Development of business in the operating segments
- 39 Events after the reporting period
- 39 Forecast
- 39 Risks and opportunities

Interim consolidated financial statements

- 42 Consolidated statement of financial position
- 43 Consolidated income statement
- 44 Consolidated statement of comprehensive income
- 45 Consolidated statement of changes in equity
- 47 Consolidated statement of cash flows
- 48 Significant events and transactions
- 64 Other disclosures
- 79 Events after the reporting period

Responsibility statement

Review report

Additional information

- 82 Reconciliation for the change in disclosure of key figures for the prior-year comparative period
- 83 Reconciliation for the organic development of key figures for the prior-year comparative period
- 84 Glossary
- 84 Disclaimer
- 85 Financial calendar

Selected financial data of the Group

millions of €

	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
Revenue and earnings^a							
Net revenue	26,877	26,393	1.8	79,860	73,377	8.8	100,999
Of which: domestic	26.4	22.8		23.2	24.7		24.5
Of which: international	73.6	77.2		76.8	75.3		75.5
EBITDA	10,468	10,615	(1.4)	31,298	27,581	13.5	38,633
EBITDA (adjusted for special factors)	11,139	11,102	0.3	32,714	29,936	9.3	40,374
EBITDA AL	8,723	9,133	(4.5)	26,313	23,638	11.3	33,178
EBITDA AL (adjusted for special factors)	9,661	9,692	(0.3)	28,323	26,065	8.7	35,017
EBITDA AL margin (adjusted for special factors)	35.9	36.7		35.5	35.5		34.7
Profit (loss) from operations (EBIT)	3,466	3,107	11.6	10,672	8,704	22.6	12,804
Net profit (loss)	889	817	8.8	3,705	2,487	49.0	4,158
Net profit (loss) (adjusted for special factors)	1,313	1,509	(13.0)	4,627	4,072	13.6	5,715
Earnings per share (basic/diluted)	€ 0.19	0.17	11.8	0.78	0.52	50.0	0.88
Adjusted earnings per share (basic/diluted)	€ 0.27	0.32	(15.6)	0.97	0.86	12.8	1.20
Statement of financial position							
Total assets				273,355	265,292	3.0	264,917
Shareholders' equity				78,861	72,034	9.5	72,550
Equity ratio	%			28.8	27.2		27.4
Net debt				130,375	124,521	4.7	120,227
Cash flow^a							
Net cash from operating activities	9,233	7,338	25.8	25,620	16,445	55.8	23,743
Cash capex	(4,666)	(4,763)	2.0	(21,260)	(12,880)	(65.1)	(18,694)
Cash capex (before spectrum investment)	(4,362)	(4,490)	2.9	(12,932)	(11,512)	(12.3)	(16,980)
Free cash flow (before dividend payments and spectrum investment) ^b	4,895	2,897	69.0	12,818	8,867	44.6	10,756
Free cash flow AL (before dividend payments and spectrum investment) ^b	2,940	1,634	79.9	8,290	5,347	55.0	6,288
Net cash used in investing activities	(6,380)	(4,048)	(57.6)	(22,687)	(15,302)	(48.3)	(22,649)
Net cash (used in) from financing activities	(5,582)	(6,573)	15.1	(10,094)	4,661	n.a.	7,561

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

^b Before interest payments for zero-coupon bonds and before termination of forward-payer swaps at T-Mobile US in the first nine months of 2020.

millions

	Sept. 30, 2021	Dec. 31, 2020	Change Sept. 30, 2021/ Dec. 31, 2020 %	Sept. 30, 2020	Change Sept. 30, 2021/ Sept. 30, 2020 %
Fixed-network and mobile customers					
Mobile customers ^a	250.5	241.5	3.7	237.9	5.3
Fixed-network lines	27.4	27.4	0.1	27.3	0.2
Broadband customers ^b	22.2	21.7	2.2	21.5	3.3

^a Including T-Mobile US wholesale customers.

^b Excluding wholesale.

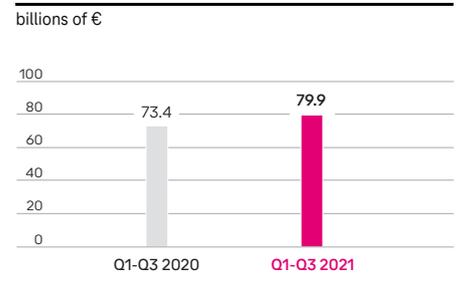
The figures shown in this report were rounded in accordance with standard business rounding principles. As a result, the total indicated may not be equal to the precise sum of the individual figures. Changes were calculated on the basis of millions for greater precision.

To our shareholders

Deutsche Telekom at a glance

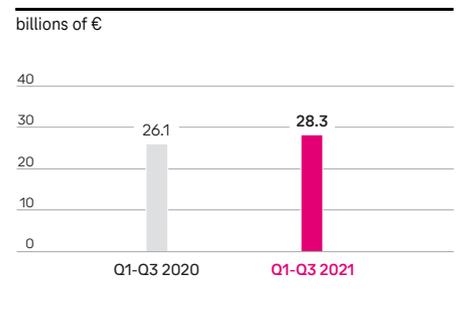
Net revenue

- Net revenue increased by 8.8 % to EUR 79.9 billion. In organic terms, revenue increased by EUR 4.0 billion or 5.3 %.
- Our United States segment posted an increase in revenue of 13.4 %. In organic terms, revenue increased by 7.1 % year-on-year due to higher service and terminal equipment revenues.
- In our Germany and Europe segments, we increased revenue by 1.8 % and 1.3 % respectively, on account of strong business performance.
- Revenue in our Systems Solutions segment decreased year-on-year by 2.9 %, due primarily to the decline in traditional IT infrastructure business, in line with expectations.
- In the Group Development segment, revenue increased by 9.7 % year-on-year on the back of operational and structural growth at our T-Mobile Netherlands and GD Towers business units. In organic terms, revenue increased by 4.3 %.



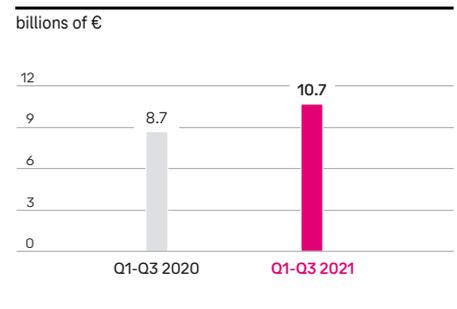
EBITDA AL (adjusted for special factors)

- Adjusted EBITDA AL grew by 8.7 % to EUR 28.3 billion with all operating segments contributing to this positive trend. In organic terms, our adjusted EBITDA AL increased by EUR 0.8 billion or 3.0 %.
- Adjusted EBITDA AL rose sharply by 11.4 % in our United States segment, primarily as a result of the business combination of T-Mobile US and Sprint. In organic terms, adjusted EBITDA AL grew by 1.9 %, despite negative effects of the initiated withdrawal from the terminal equipment lease model in the United States.
- Adjusted EBITDA AL increased by 3.7 % in our Germany segment and by 3.1 % in our Europe segment.
- Adjusted EBITDA AL grew substantially in our Group Development segment, by 16.6 %. This was driven primarily by revenue growth at T-Mobile Netherlands and GD Towers, the acquisition of Simpel, and efficient management of costs at T-Mobile Netherlands.
- At 35.5 %, the Group's adjusted EBITDA AL margin remained at the prior-year level. The adjusted EBITDA AL margin was 39.9 % in the Germany segment, 36.0 % in the Europe segment, and 34.5 % in the United States segment.



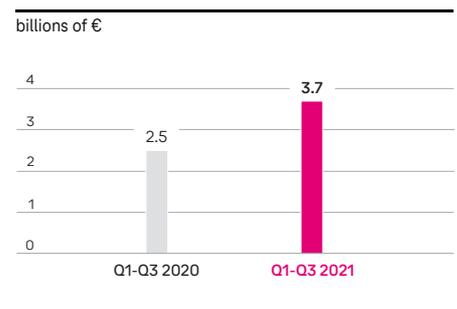
EBIT

- EBIT increased by EUR 2.0 billion or 22.6 % year-on-year to EUR 10.7 billion, mainly as a result of the effects described under adjusted EBITDA AL.
- EBITDA AL was negatively affected by special factors of EUR 2.0 billion compared to expenses of EUR 2.4 billion recognized as special factors in the prior-year period. Expenses of EUR 0.9 billion were recorded in connection with the business combination of T-Mobile US and Sprint. These related to acquisition and integration costs, as well as the restructuring costs for realizing cost efficiencies. A further EUR 0.6 billion related to a reduction in the useful life of leased network technology for cell sites in the United States. The sale of the Dutch cell tower business resulted in a gain on deconsolidation of EUR 0.2 billion. Expenses in connection with staff restructuring measures were down year-on-year by EUR 0.5 billion.
- Depreciation, amortization and impairment losses were EUR 1.7 billion higher than in the prior-year period due in particular to the acquisition of Sprint.



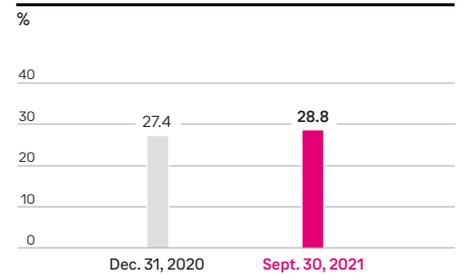
Net profit

- Net profit increased by EUR 1.2 billion or 49.0 % to EUR 3.7 billion.
- Our loss from financial activities increased from EUR 3.2 billion to EUR 3.7 billion, with finance costs increasing by EUR 0.4 billion to EUR 3.5 billion, mainly due to the financial liabilities assumed in connection with the acquisition of Sprint and the related restructuring and increase in financing. Other financial expense increased slightly to EUR 0.2 billion. The increase in interest income from the measurement of provisions and liabilities was more than offset by a decrease in gains/losses (net) from financial instruments.
- The tax expense increased year-on-year by EUR 0.3 billion to EUR 1.7 billion.
- Profit attributable to non-controlling interests was on a par with the prior-year level at EUR 1.6 billion.
- Adjusted earnings per share rose by EUR 0.11 to EUR 0.97.



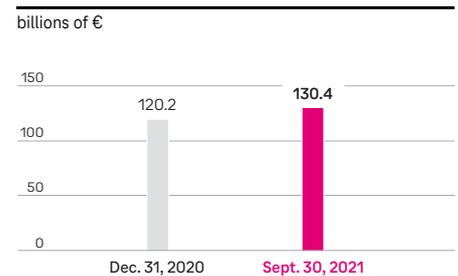
Equity ratio

- The equity ratio increased by 1.4 percentage points against December 31, 2020 to 28.8 %.
- The EUR 6.3 billion increase in shareholders' equity is primarily attributable to profit of EUR 5.3 billion and to other comprehensive income of EUR 4.9 billion. This mainly includes effects from currency translations (EUR 3.8 billion) and the remeasurement of defined benefit plans (EUR 1.1 billion).
- Shareholders' equity was reduced in particular by dividend payments to our shareholders (EUR 2.8 billion) and other shareholders of subsidiaries (EUR 0.2 billion), as well as the exercise of existing stock options to purchase shares in T-Mobile US (EUR 0.8 billion). This took the form of a capital increase against a non-cash contribution.



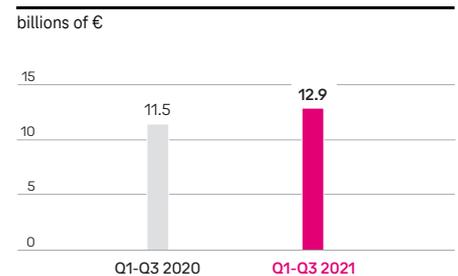
Net debt

- Net debt increased from EUR 120.2 billion at the end of 2020 to EUR 130.4 billion.
- The following factors in particular contributed to the increase: acquisition of spectrum (EUR 8.3 billion), mainly in the United States segment, exchange rate effects (EUR 5.0 billion), dividend payments to our shareholders – including to non-controlling interests – (EUR 3.1 billion), additions of lease liabilities (EUR 4.0 billion), the acquisition of Shentel (EUR 1.9 billion), as well as measurement effects in connection with the stock options received from SoftBank (EUR 0.5 billion).
- The main factor reducing net debt was free cash flow (before dividend payments and spectrum investment) of EUR 12.8 billion.



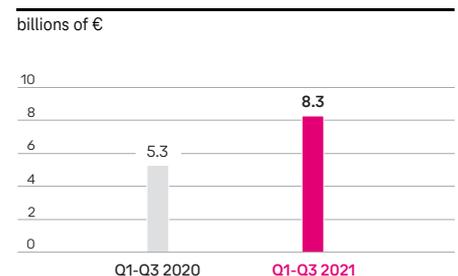
Cash capex (before spectrum investment)

- Cash capex (before spectrum investment) increased from EUR 11.5 billion to EUR 12.9 billion.
- This increase is largely attributable to the inclusion of Sprint and the ongoing 5G network build-out in the United States. In the Germany segment, cash capex decreased due to reduced cash outflows and lower investments in optical fiber as a result of bad weather conditions. In the Europe segment, we continued to invest in our fiber-optic network and forged ahead with the build-out of our mobile communications infrastructure.
- Cash capex (including spectrum investment) increased from EUR 12.9 billion to EUR 21.3 billion. Spectrum licenses were purchased for EUR 8.3 billion in the reporting period, in particular FCC mobile licenses at the C-band auction in the United States segment. In the prior-year period, FCC mobile licenses had been acquired for a total of EUR 1.0 billion in the United States segment and mobile spectrum licenses in the amount of EUR 0.2 billion in the Europe and Group Development segments.



Free cash flow AL (before dividend payments and spectrum investment)^a

- Free cash flow AL increased from EUR 5.3 billion to EUR 8.3 billion.
- Apart from the positive performance of the individual operating segments, this increase was attributable to factoring agreements in the reporting period accounting for EUR 0.2 billion, whereas in the prior-year period, factoring agreements had had negative effects of EUR -0.6 billion.
- Apart from the EUR 1.4 billion higher cash capex (before spectrum investment), the increase was partially offset in particular by an advance payment for the lease of sites made by T-Mobile US in September 2021 and higher net interest payments, 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. Higher income tax payments also had an increasing effect on free cash flow AL.



For further information, please refer to the section “Development of business in the Group” in the interim Group management report.

^a Before interest payments for zero-coupon bonds and before termination of forward-payer swaps at T-Mobile US in the first nine months of 2020.

Highlights in the third quarter of 2021

For further information on these and other events, please refer to our [media information](#).

Business and other transactions

Strategic measures to secure control of T-Mobile US in the long term. On September 6, 2021, Deutsche Telekom followed up on its announcement from the Capital Markets Day 2021 with strategic action to increase its stake in T-Mobile US in a move that secures the existing control over the U.S. subsidiary and full consolidation in the long term.

Increase in Deutsche Telekom's stake in T-Mobile US in a deal positioning SoftBank as a new shareholder and strategic partner. In the deal signed between Deutsche Telekom and SoftBank on September 6, 2021, Deutsche Telekom acquired a total of around 45.4 million T-Mobile US shares from SoftBank on September 28, 2021. SoftBank received in return 225 million new shares in Deutsche Telekom AG by way of a capital increase against a non-cash contribution utilizing the 2017 Authorized Capital, making it a shareholder in Deutsche Telekom AG with a stake of around 4.5 %. The transaction increases Deutsche Telekom's stake in T-Mobile US by 3.6 percentage points, bringing it to 46.8 % as of September 30, 2021. In a potential further move to increase its shareholding in T-Mobile US, Deutsche Telekom is weighing plans to purchase around 20 million additional T-Mobile US shares using a portion of the anticipated proceeds from the agreed sale of T-Mobile Netherlands. This transaction will raise its stake in T-Mobile US to around 48.4 %. Deutsche Telekom and SoftBank have also agreed a new strategic partnership that will position Deutsche Telekom as a major European partner in the SoftBank ecosystem.

Agreed sale of T-Mobile Netherlands. In the second deal also signed on September 6, 2021, Deutsche Telekom and Tele2 agreed to sell our subsidiary T-Mobile Netherlands to WP/AP Telecom Holdings IV. The sale is expected to generate cash proceeds of around EUR 3.8 billion. The transaction is subject to approval by the authorities as well as other closing conditions.

Acquisition of Shentel. On May 28, 2021, a purchase agreement was signed between T-Mobile US and Shentel for the acquisition of assets and liabilities directly associated with the wireless telecommunications operation of Shentel. The transaction was consummated on July 1, 2021. A preliminary purchase price has been set of USD 1.9 billion (EUR 1.6 billion).

Sale of Telekom Romania Communications. On November 6, 2020, OTE concluded an agreement with Orange Romania concerning the sale of its 54 % stake in Telekom Romania Communications, which operates the Romanian fixed-network business, to Orange Romania. The transaction was approved by the authorities and then consummated on September 30, 2021. The purchase price is EUR 296 million.

For further information on these business transactions and others, please refer to the section "[Group organization, strategy, and management](#)" in the interim Group management report and the sections "[Other transactions that had no effect on the composition of the Group](#)" and "[Changes in the composition of the Group and other transactions](#)" in the interim consolidated financial statements.

T-Mobile US

Rating. In August 2021 the big three rating agencies all raised their ratings for our subsidiary, T-Mobile US. Moody's upgraded its rating from Ba2 to Ba1, Standard & Poor's from BB to BB+, and Fitch from BB+ to BBB-.

Cyberattack on T-Mobile US. In August 2021 T-Mobile US confirmed that their systems were subject to a criminal cyberattack that compromised data of millions of their customers, former customers, and prospective customers. With the assistance of outside cybersecurity experts, T-Mobile US located and closed the unauthorized access to their systems and identified customers whose information was impacted and notified them, consistent with state and federal requirements. T-Mobile US also undertook a number of other measures to demonstrate their continued support and commitment to data privacy and protection. The forensic investigation is now complete and T-Mobile US believes they now have a full view of the data compromised.

Investments in networks

Network build-out in Germany. In the third quarter of 2021, we upgraded over 1,000 additional sites for 5G. We thus now offer 5G to 87.3 % of German households. 5G is now available in over 90 cities over the 3.6 gigahertz frequency. Furthermore, our LTE network covered 98.9 % of German households at the end of the third quarter of 2021.

A total of around 2.9 million households in Germany had the option of a direct connection to our fiber-optic network (FTTH, FTTB) as of the end of the third quarter of 2021. We connected 435 new development areas, including 44 business parks, with optical fiber in the third quarter of 2021. Following the announcements in March and June 2021 of our FTTH build-out plans for a number of major cities including Berlin, Hamburg, Frankfurt/Main, Düsseldorf, and Munich, in September we revealed our fiber targets for the federal state of Saarland. By the end of 2028 we are set to directly connect over 120,000 households and business locations across the state with fiber to the building.

Network build-out in the United States. T-Mobile US' Ultra Capacity 5G network in the 2.5 GHz and millimeter-wave (mmWave) bands covered 190 million people across the United States as of the end of the third quarter of 2021. In parallel, the company is forging ahead with the build-out of 5G via the 600 MHz band, which is already available to some 308 million people nationwide.

Network build-out in Europe. Our national companies in Europe, too, worked systematically to build out their networks throughout the third quarter of 2021. For example, 480,000 households and businesses throughout Greece now have access to 100 % fiber to the home (FTTH) through the country's largest fiber-optic network. In Slovakia, Slovak Telekom hit a further milestone with its own fiber-optic network now covering more than 800,000 households. At the end of the third quarter of 2021, a total of around 6.7 million households in our national companies had the option to subscribe to a direct connection to our high-speed fiber-optic network with speeds reaching up to 1 Gbit/s. In Croatia, Hrvatski Telekom is spearheading the expansion of 5G networks and services with a total of 600 5G base stations in operation and a 5G network already covering 2 million people. With the purchase of additional spectrum at the August 2021 auction, our Croatian subsidiary has created the necessary conditions to further consolidate its 5G leadership. In September 2021, T-Mobile Polska put Poland's 3,000th 5G base station into operation. It also switched off frequencies in the 3G network at the end of September 2021 to free up spectrum for deployment for the faster and better performing LTE/4G and 5G services. As of the end of the third quarter of 2021, we covered 97.9 % of the population in our European countries with LTE, reaching a total of around 109 million people.

Torrential rain and flooding in Germany

In mid-July 2021, an area of very low pressure with heavy rainfall in Germany led to catastrophic flooding. A large number of towns and communities, many of which are located in the federal states of North Rhine-Westphalia and Rhineland-Palatinate, suffered devastating damage to their roads, power cables, telephone lines, central offices, cell sites, and other infrastructure besides. In the days and weeks immediately following the disaster, we concentrated our efforts on restoring the mobile network to safeguard availability for the people on site and the relief workers, and to ensure connectivity while the fixed network is being rebuilt. Deutsche Telekom offered swift support for the residents affected, distributing around 5,000 mobile phones and SIM cards, power banks, quick-start packages, and other products free of charge. We are also working to rebuild the fixed network as quickly as possible. Mobile coverage had already been reinstated to all areas hit by the floods by the end of July, and we have been extending capacities to match needs ever since. Over 90 % of the more than 102,000 fixed-network connections damaged by the floods are now back on the network, and we are serving affected customers with appropriate stop-gap solutions in the interim. Our customer service team is also on the ground to help local residents with any questions related to the restoration of the service. In particularly hard-hit regions, we are rebuilding telecommunications infrastructure from scratch in close cooperation with the municipalities and other utility providers. This new infrastructure comprises an FTTH network that will offer some 35,000 new fiber-optic lines directly into the building.

Cooperations and partnerships

T-Systems and Google Cloud partner to deliver sovereign cloud for Germany. The two companies plan to build a new cloud solution that allows customers to host their sensitive workloads whilst continuing to leverage the scalability, innovativeness, and reliability of public cloud services. Customers will retain full control over their data and the software used. A number of safeguards, including encryption and identity management, will address the strict compliance requirements applicable to institutions such as those in the public sector. T-Systems will handle the operation of the cloud and the management of the services. The solution will initially be available to German customers in a wide range of industries including healthcare, automotive, public transport, and the public sector.

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

Deutsche Telekom and Messe München implement high-speed communications for IAA MOBILITY 2021. Deutsche Telekom and Messe München expanded their cooperation in the area of mobile and fixed networks to deliver an entirely new visitor experience for this year's IAA Mobility. With the exhibitor area of IAA extending over large parts of Munich for the first time this year, fiber-optic lines were laid and 29 new 5G sites set up to create a brand-new mobility platform. Deutsche Telekom has already been a strategic network partner of Messe München for mobile and fixed-network communications for several years.

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

T-Systems and Shell agree to advance digital innovation in pursuit of climate goals. T-Systems and Shell Gas & Power Developments have signed a memorandum of understanding to advance digital innovation as both companies accelerate their transitions to net-zero emissions. Under the terms of the agreement, the two companies will collaborate on innovations and services to accelerate Shell's digital transformation, and work together to identify opportunities to co-invest and participate in new business models focused on the decarbonization of society. Shell will supply renewable energy to our subsidiary T-Mobile US and in turn T-Systems will install more than 10,000 electric vehicle charging stations in Germany for Shell over the next three years. Both companies will also explore new areas of innovation in pursuit of greater sustainability, including hybrid and edge computing, 5G connectivity, and cooling technology for data centers.

For further information, please refer to our [media report](#).

Products, rate plans, and services

Deutsche Telekom presents new smart solutions for inner-city mobility. We showcased innovative mobility concepts at ITS World Congress 2021 in Hamburg to demonstrate how technologies such as 5G, edge computing, sensor technology, cloud computing, and artificial intelligence can contribute to greater sustainability and safety – from cars that can quickly find a free parking space, to better quality, more reliable public transport, collision warning technology designed to keep cyclists safer on the roads, to reduced emissions through the networking of vehicles in and around the Port of Hamburg, and the introduction of intelligent urban tolling.

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

E-governance via the smart city app. Telekom Deutschland's Citykey app is the new digital companion for daily city life. Citizens can access digital government services, entertainment and events calendars, and tourism services all via the app. It's an easier way to book appointments with the city, fill out official forms, see the latest news and information, report faulty infrastructure, and much more besides. Towns, cities, and municipalities can use the app to quickly and cost-effectively digitalize their services and actively involve users in configuring content.

Digital X 2021. On September 7/8, 2021 we hosted the Digital X 2021 world expo on all things digital in the heart of Cologne. In a packed program covering five stages and over 100 popular Cologne locations, including restaurants, bars, hotels, and co-working spaces, the city showcased the topics of digital transformation and sustainability for business and society. Talks and workshops presented digital solutions in areas ranging from artificial intelligence and 5G, to the Internet of Things, virtual reality/augmented reality, and cloud computing. The overriding goal: to create excitement and enthusiasm for digitalization. More than 300 enterprises presented solutions for the digital transformation. The event attracted several high-profile and international speakers and over 20,000 visitors.

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

Deutsche Telekom builds 5G campus network for industrial developments in Berlin. We are building a 5G campus network at the Werner-von-Siemens Centre for Industry and Science in Berlin to enable applications for autonomous production logistics to be researched and tested. The goal is to quickly transfer solutions based on 5G and edge computing into the production technology practice of companies.

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

Telekom shops launch new B2B concept. Self-employed business customers and small and medium-sized enterprises can now access Deutsche Telekom's entire solutions portfolio in around 190 Telekom Stores across Germany. These include traditional fixed-network and mobile offerings alongside home working and IT solutions, such as hardware, Microsoft 365, Magenta Business POS, Cloud PBX, and security services. Specially trained customer advisors are now also taking appointments for external site visits in the vicinity of the shops, e.g., on-site visits at the customer's premises.

Awards

The illustration below shows the main awards received in the third quarter of 2021.

<p>■ Connect fixed-network test Deutsche Telekom takes the #1 spot in the annual nationwide fixed-network test of industry magazine Connect with the best fixed-network offering in Germany and a score of “very good” (issue 08/2021).</p> <p>■ Ookla and Umlaut 5G network tests The independent consulting companies Ookla and Umlaut once again rate T-Mobile US’ 5G network best in class for speed, availability, and latency.</p>	<p>■ Ookla speedtest awards Austria’s Magenta Telekom receives the award for fastest fixed-network internet access.</p> <p>■ PCMag 5G network test PCMag drivers traveled more than 10,000 miles, surveying 30 major metro areas and six rural regions, and found T-Mobile US has a “commanding lead in 5G.”</p>	<p>■ Umlaut 5G network test The independent consulting company Umlaut rates T-Mobile US’ 5G network #1 for speed and availability in the four metropolitan areas Norfolk, Indianapolis, Detroit, and San Bernadino.</p> <p>■ Ookla and Umlaut mobile network tests in Croatia Croatian subsidiary Hrvatski Telekom again wins both mobile network tests in Croatia.</p>
July – September		
<p>■ J.D. Power 2021 U.S. Wireless Customer Care Mobile Network Operator Performance Study T-Mobile US is ranked the mobile provider with the best customer service for the 22nd time in succession.</p>	<p>■ Connect service test Industry magazine Connect rates the Magenta fixed-network hotline and the Mein Magenta app from Magenta Telekom in Austria as best in class. Deutsche Telekom also wins the peer test of broadband provider hotlines in Germany with a score of “very good” (issue 10/2021).</p>	<p>■ Ookla mobile network test in Greece Ookla confirms that our Greek subsidiary OTE has the fastest download speeds of all national mobile networks.</p> <p>■ Connect network test For the third time in succession, industry magazine Connect ranks Magenta Telekom in Austria best in class for fixed-network broadband internet with a score of “very good” (issue 11/2021).</p>

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 [2020 Annual Report](#). The following changes and/or additions were recorded from the Group's point of view:

Strategic measures to secure long-term control of T-Mobile US. On September 6, 2021, Deutsche Telekom followed up on its announcement from the Capital Markets Day in May 2021 with strategic action to increase its stake in T-Mobile US in a move that secures the existing control over the U.S. subsidiary and full consolidation in the long term. Deutsche Telekom also confirms the medium-term outlook for the Group communicated at the Capital Markets Day 2021, including its goal of increasing adjusted earnings per share to more than EUR 1.75 per share by 2024.

Increase in Deutsche Telekom's stake in T-Mobile US in a deal positioning SoftBank as a new shareholder and strategic partner. In the deal signed between Deutsche Telekom and SoftBank on September 6, 2021, Deutsche Telekom acquired a total of around 45.4 million T-Mobile US shares from SoftBank. To this end Deutsche Telekom exercised, on September 23, 2021, a portion of the stock options it had received from SoftBank in June 2020 to buy shares in T-Mobile US. SoftBank received in return 225 million new shares in Deutsche Telekom AG from the 2017 Authorized Capital. The capital increase against a non-cash contribution amounted to EUR 576 million. The capital increase of Deutsche Telekom AG was carried out with effect upon entry into the commercial register on September 28, 2021. As a result of this transaction, SoftBank has become a shareholder in Deutsche Telekom AG with around 4.5 % of the outstanding shares. In connection with the exercise of the existing stock options, the weighted average price for the total around 45.4 million T-Mobile US shares acquired as part of this share swap calculates to around USD 118 per T-Mobile US share. For the 225 million Deutsche Telekom shares received by SoftBank, which are subject to a lock-up until 2024, the two companies agreed a value of EUR 20 per share. This capital increase against a non-cash contribution brings the number of outstanding shares of Deutsche Telekom AG up from 4,761 million shares to 4,986 million shares. Upon its completion, the transaction raised Deutsche Telekom's stake in T-Mobile US by 3.6 percentage points to 46.8 %. The percentage of T-Mobile US shares for which Deutsche Telekom can exercise voting rights based on an agreement concluded with SoftBank in connection with the acquisition of Sprint amounted to 52.0 % as of September 30, 2021. The aim is to support SoftBank in their efforts to take a seat on Deutsche Telekom AG's Supervisory Board in the future.

Deutsche Telekom is also weighing plans to invest up to USD 2.4 billion of the proceeds from the agreed sale of T-Mobile Netherlands to exercise further stock options to purchase around 20 million T-Mobile US shares. This will further increase its stake in T-Mobile US by approximately 1.6 percentage points, bringing its total stake to around 48.4 %. Deutsche Telekom and SoftBank have also agreed a new strategic partnership that will position Deutsche Telekom as a major European partner in the SoftBank ecosystem.

Agreed sale of T-Mobile Netherlands. In the second deal also signed on September 6, 2021, Deutsche Telekom and Tele2 agreed to sell our subsidiary T-Mobile Netherlands to WP/AP Telecom Holdings IV, a private equity consortium advised by Apax Partners and Warburg Pincus. The transaction brings to a close the review of strategic options regarding T-Mobile Netherlands announced at the Capital Markets Day 2021. The preliminary sale price is based on an enterprise value of EUR 5.1 billion. The cash inflow – based on our shareholding of 75 % – is expected to be around EUR 3.8 billion. Deutsche Telekom is weighing plans to invest a portion of the cash proceeds from the sale to further increase its stake in T-Mobile US. The transaction is subject to approval by the authorities as well as other closing conditions. The assets and liabilities of T-Mobile Netherlands as of September 30, 2021 are reported in our consolidated statement of financial position as "held for sale." The closing of the transaction is expected to be completed at the latest by the first quarter of 2022.

Acquisition of Shentel. On May 28, 2021, a purchase agreement was signed between T-Mobile US and Shenandoah Personal Communications Company (Shentel) – a local provider of mobile network products in certain regions of some U.S. states – for the acquisition of assets and liabilities directly associated with the wireless telecommunications operation of Shentel. The transaction was consummated on July 1, 2021 after obtaining the necessary approvals from the regulatory authorities and satisfying the other closing conditions. A preliminary purchase price has been set of USD 1.9 billion (EUR 1.6 billion).

Sale of Telekom Romania Communications. On November 6, 2020, OTE concluded an agreement with Orange Romania concerning the sale of its 54 % stake in Telekom Romania Communications (TKR), which operates the Romanian fixed-network business, to Orange Romania. The transaction was approved by the authorities and then consummated on September 30, 2021. The purchase price is EUR 296 million. The net deconsolidation gain/loss resulting from the sale is immaterial from a Group perspective. TKR's 30 % stake in Telekom Romania Mobile Communications was acquired by OTE on September 9, 2021 as previously agreed for a purchase price of EUR 59 million.

Combination of the cell tower business in the Netherlands and creation of an infrastructure fund. On January 21, 2021, Deutsche Telekom, Cellnex Telecom (Cellnex), the newly established independently managed investment company Digital Infrastructure Vehicle II (DIV), and others signed an agreement to merge Deutsche Telekom's and Cellnex's respective Dutch subsidiaries for passive mobile infrastructure into Cellnex Netherlands (Cellnex NL). Following approval of the deal by the national competition authority, the Dutch cell tower company T-Mobile Infra was sold to DIV effective June 1, 2021 and subsequently contributed into Cellnex NL. Deutsche Telekom received a cash inflow of EUR 0.4 billion. The gain on disposal of EUR 0.3 billion breaks down as follows: EUR 0.2 billion was included in other operating income as of June 30, 2021 and EUR 0.1 billion will be recognized pro rata in subsequent periods through the sale-and-leaseback transactions described below. Immediately prior to the sale, T-Mobile Infra also paid Deutsche Telekom AG a dividend of EUR 0.3 billion. As of September 30, 2021, Deutsche Telekom indirectly held a 37.65 % stake in the "new" Cellnex NL through the investment in DIV and includes the investment with a carrying amount of EUR 0.4 billion in the consolidated financial statements using the equity method. T-Mobile Netherlands will continue to have full access to the contributed passive mobile infrastructure by means of a long-term agreement at normal market conditions, primarily on the lease of the corresponding infrastructure. The lease component included in the agreement fulfills the conditions of a sale-and-leaseback transaction. Right-of-use assets in the amount of EUR 0.3 billion and lease liabilities in the amount of EUR 0.4 billion were recognized in this context as of June 1, 2021.

Reassignment of the Internet of Things (IoT) growth area. Effective January 1, 2021, Deutsche Telekom reassigned the responsibility for business and profit and loss for Deutsche Telekom IoT GmbH from the Systems Solutions operating segment to the B2B unit in the Germany operating segment. The Group subsidiary is responsible for the IoT business of Deutsche Telekom. This reassignment puts us in a position to serve the IoT market more quickly and thus to strengthen Deutsche Telekom's position on this growth market. Prior-year comparatives in both of the segments affected (development of operations, customer development, headcount development, and order entry) were adjusted retrospectively.

Reassignment of the Austrian cell tower business. As of January 1, 2021, Deutsche Telekom reassigned its Austrian cell tower business from the Europe operating segment to GD Towers in the Group Development operating segment to enhance efficiency in the management of the cell tower business. In addition, GD Towers will increase its efforts to expand third-party business, increase profitability, and develop growth areas. Prior-year comparatives in both of the segments affected have not been adjusted.

Reorganization of DT IT. As of January 1, 2021, Deutsche Telekom IT (DT IT) Russia, DT IT Slovakia, and DT IT Hungary were reassigned from the Germany operating segment to the Group Headquarters & Group Services segment. Prior-year comparatives in both of the segments affected have not been adjusted.

Act responsibly. We fulfill our responsibility to society by systematically aligning our core business processes with the principle of sustainability. We have expanded our existing climate strategy to include a new Group program: Our aim with #GreenMagenta is to make a meaningful contribution toward protecting the climate and conserving resources. Carbon neutrality for our own emissions, often referred to as net zero, is to be achieved by 2025 at the latest. The emissions involved from the production stage to operation by the customer are also to be reduced to net zero by 2040 – ten years earlier than originally planned.

Capital Markets Day 2021. In May 2021, we presented our medium-term strategy and the financial outlook at our Capital Markets Day. The dividend will continue to track the development in adjusted earnings per share. This figure is set to rise from the 2020 level of EUR 1.20 to more than EUR 1.75 by 2024. Subject to approval by the relevant bodies, 40 to 60 % of adjusted earnings per share is to be paid out. The dividend floor introduced in November 2019 of EUR 0.60 per share still applies. Over the coming years we are also set to purchase shares in T-Mobile US and thus secure ourselves the majority shareholding (> 50 %) in our U.S. subsidiary in the medium term. An effect of this will be to delay hitting our target range for relative debt of 2.25x to 2.75x by one year, to 2024.

Upgraded rating outlook for Deutsche Telekom AG. In June 2021 the rating agency Moody's upgraded the rating outlook for Deutsche Telekom AG from Baa1/negative to Baa1/stable.

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 [2020 Annual Report](#), focusing on macroeconomic developments in the first nine months of 2021, the outlook, the currently prevailing economic risks, and the regulatory environment. The macroeconomic outlook is provided contingent on the understanding that the quantification of the impact of the coronavirus crisis will depend heavily on the further course of the pandemic.

Macroeconomic development

The global economy saw a marked recovery as coronavirus restrictions have been eased. In the October 2021 update to its outlook, the International Monetary Fund (IMF) announced it expected the global economy to expand by 5.9 % in 2021, followed by growth of 4.9 % in 2022.

For the German economy, the IMF expects GDP to grow by 3.1 % in the current year. The business climate in the information and communications technology (ICT) sector remains bright. Although the Bitkom-ifo-Digitalindex, calculated on the basis of the business situation and expectations, declined slightly quarter-on-quarter in the third quarter of 2021, it remains at a high level both overall and compared to the economy as a whole.

The economies of our core markets in North America and Europe, too, will expand this year, with the IMF predicting growth of 6.0 % in the U.S. economy and of 5.0 % in the eurozone. However, with upstream products becoming more expensive, the rates of inflation have risen sharply on both sides of the Atlantic.

Outlook

The U.S. economy had already returned to its pre-pandemic level in the second quarter of 2021. This economic growth is expected to be tempered in the second half of the year by labor shortages and delivery bottlenecks. The eurozone is showing signs of a sustained recovery throughout the second half of 2021, although delivery bottlenecks are dampening industrial activity. Economic output in the eurozone is also on track to be back at its pre-pandemic level by the year-end.

Overall economic risks

Apart from the prevailing uncertainty relating to the further course of the coronavirus pandemic, a further risk is that enduring delivery bottlenecks, labor shortages, and rising energy prices will dampen the economic recovery. Accelerating inflation, too, may prove to be a persistent exacerbating factor rather than a passing phenomenon. Further risks to economic development arise from the smoldering trade conflicts between the United States and China, as well as from other geopolitical risks.

Regulation

Commitment agreements entered into force. The agreements with Telefónica and Vodafone concerning their long-standing cooperation in the fixed network were extended in the fourth quarter of 2020 in the form of new commitment agreements to replace the former quota-based agreements under what has become known as the “contingent model.” Long-term agreements had also been signed with 1&1 and NetCologne in the first quarter of 2021. These cover the existing broadband networks as well as the FTTH fiber-optic networks to be continuously built out by Deutsche Telekom in the years to come. Since there were no regulatory objections to the agreements on the part of the Bundesnetzagentur, they entered into force effective April 1, 2021. This has established a solid foundation on which to take forward cooperation in the fixed network over the next 10 years.

European Commission set termination rates from July 1, 2021. On April 22, 2021, the European Commission published a Delegated Act setting single maximum Union-wide mobile (MTR) and fixed-network (FTR) termination rates. The Act will reduce MTRs to a uniform level of 0.2 eurocents/min. by 2024 using a phased approach. A uniform level of 0.07 eurocents/min. will apply to FTRs from January 1, 2022; new price caps which vary by member state, however, will apply as early as from July 1, 2021.

European Electronic Communications Code (EECC) transposed into national law. The Telecommunications Modernization Act (Telekommunikationsmodernisierungsgesetz – TKMoG) will enter into force in Germany on December 1, 2021. The reform of the German Telecommunications Act (Telekommunikationsgesetz – TKG) became necessary to transpose the provisions of the EECC into national law. The biggest changes affect the rules on consumer protection, the regulation of very high capacity networks (including FTTH), spectrum policy, and the rules on universal service. TKMoG will also remove the right of property owners to pass on cable TV service costs to tenants via the service charges included in rental agreements. The rules on contract terms and contract extensions were modified in favor of the consumer, with customers now being able to cancel contracts on a monthly basis after reaching the minimum contract term. Other changes affect the existing rights of retail customers to a price reduction in the event of defective performance – a modification that has now also been incorporated into the TKG. The deadlines for fault clearance have been further tightened. In terms of wholesale regulation of companies with a dominant market position, the amended TKG will ease regulations regarding the build-out of FTTH networks. The previous universal service is being replaced by an entitlement to fast telecommunications services. The thresholds for this will have to be laid down in an ordinance that has the force of law. One important change is the abolishment, effective June 30, 2024, of the privilege for property owners to pass on cable TV and internet service fees as ancillary rental costs to tenants. The fiber-optic build-out will be financed using new instruments, such as the fiber-optic provisioning charge for tenants capped at EUR 60 per year for 5 or 9 years, a cost apportionment added to the basic rent excluding service charges, or the existing rules on network

usage charges. This step will also reduce the costs for network operators of using in-house networks. Greece and Hungary have already transposed the EECC into national law, while the lawmaking process is still ongoing in the Netherlands and the Czech Republic.

Bundesnetzagentur presents draft decision for FTTH network regulation. On October 11, 2021, the Bundesnetzagentur presented its draft decision on the future regulation of access to Deutsche Telekom's copper and fiber-optic network. The draft contains proposals for easing FTTH network regulation, which would put an end to "ex ante" and access regulation. Non-discriminatory access will instead be secured under the Equivalence of Input (EoI) principle enshrined in the new Telecommunications Act (Telekommunikationsgesetz – TKG). Under the new system, wholesalers would have access to the same material and human resources as Deutsche Telekom's sales teams. The Bundesnetzagentur further proposes to abolish the traditional "ex-ante" regulation of layer 2 (VDSL) products and tie charges to a disclosure obligation. The draft decision also includes the requirement for Deutsche Telekom to grant access to cable ducts and operational support systems. The period for responses to the draft decision ends on November 15, 2021. The Bundesnetzagentur is expected to notify the European Commission of the draft in January 2022.

German court overturns approval under merger control law for the joint venture Glasfaser Nordwest. Deutsche Telekom and EWE founded the joint venture Glasfaser Nordwest in 2020. The aim of the joint venture is to provide up to 1.5 million households and business locations with fast internet. If the Düsseldorf Higher Regional Court's decision of September 22, 2021 becomes final, the case will be referred back to the Bundeskartellamt for a new decision on approval and any further conditions. The joint venture can continue building out FTTH in the interim. Deutsche Telekom has lodged a complaint against the decision of the Düsseldorf Higher Regional Court to not allow an appeal.

Bundesnetzagentur's security catalog classes operators of public telecommunications networks for the first time as having an increased risk potential. On August 25, 2021, the Bundesnetzagentur determined new security requirements for operators of public telecommunications networks. Under the IT Security Act 2.0 (IT-Sicherheitsgesetz 2.0) critical components are subject to special legal requirements, such as mandatory certification.

For further information on the Bundesnetzagentur's TKG security catalog, please refer to the section "[Risks and opportunities – Risks relating to strategic transformation and integration.](#)"

Awarding of spectrum

The assignment phase of the C-band auction (3.7 to 4.2 GHz) in the United States ended on February 17, 2021. On February 24, 2021, the FCC announced the number of licenses obtained by participating companies. Verizon paid around USD 45 billion for 3,511 licenses, AT&T over USD 23 billion for 1,621 licenses, and T-Mobile US USD 9.3 billion for 142 licenses. A total of 280 MHz was sold at the C-band auction. The new license holders must make relocation payments over the next three years to cover the transfer of licenses from the former holders. The payments T-Mobile US will have to make are expected to amount to USD 1.2 billion. In the United States, the 3.45 GHz auction began on October 5, 2021 to award a total of 100 MHz of spectrum in the 3,450 to 3,550 MHz band. In Hungary, proceedings to re-award 900 and 1,800 MHz spectrum licenses that are due to expire in 2022 were held on January 28, 2021 and concluded the same day. Magyar Telekom acquired 2x 8 MHz and 2x 20 MHz in the respective bands for a total price of EUR 123 million (when translated into euros). On August 12, 2021, Hrvatski Telekom in Croatia acquired spectrum in the 700; 3,400 to 3,800; and 26,000 MHz bands for a total purchase price of EUR 17.4 million.

As previously, Poland has made no further announcements regarding a new start date for the postponed auction for 3,400 to 3,800 MHz. The process is being held up by incomplete legislative procedures. Further four 80 MHz licenses are expected to be awarded. All further details of the auction are pending. Romania plans to hold a large spectrum auction for the 800; 2,600; and 3,400 to 3,800 MHz bands, which is expected to take place in winter 2021/spring 2022. The 5G spectrum in the 700 MHz and 1,500 MHz bands will now be awarded in a separate award procedure which is expected to follow in the second half of 2022. A decision was made to extend the 2,100 MHz spectrum licenses through 2030 with processing due to be completed by the end of 2021. The Slovakian regulatory authority is preparing to allocate the 3,400 to 3,800 MHz band, which will become available for mobile broadband usage in 2024. It has begun a corresponding public consultation. In the meantime, the previously unused 2,600 MHz TDD band (50 MHz) has been added to the spectrum award planning. The auction has now been put back until next year.

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.

Main spectrum awards

	Expected start of award procedure	Expected end of award procedure	Frequency ranges (MHz)	Award procedure	Updated information
Croatia		Completed	700 / 3,400–3,800 / 26,000	Auction (sequential SMRA ^a)	Ended on August 12, 2021. Total investment of EUR 17.4 million. Further award expected in 2022.
Poland	Q1 2022	Q2 2022	3,400–3,800	Auction (SMRA ^a), 4x 80 MHz blocks, capped at 80 MHz	New start delayed further due to political discussions on national security guidelines (Cyber Security Act).
Poland	Q3 2022	Q4 2022	700 / 2,100 / 26,000	Auction, details tbd	Plans for all bands still unclear due to discussions on award models, 700 MHz border coordination talks with Russia at a standstill.
Romania	Q4 2021	Q1 2022	800 / 2,100 / 2,600 / 3,400–3,800	Auction (tender award), capped at 2x 20 MHz < 1 GHz and 120 MHz in 3.4–3.8 GHz band	Procedure expected by Q1 2022. Extension of 2,100 MHz licenses through 2030 approved, effective end of 2021.
Romania	H2 2022	H2 2022	700 / 1,500	Auction, details tbd	
Slovakia	Q2 2022	H2 2022	3,400–3,800 / 2,600 (TDD)	Auction (SMRA ^a), terms of use tbd, capped at 100 MHz	Second consultation scheduled for Q4 2021 to finalize rules. Significant reduction of starting prices expected. Auction expected to start in April 2022.
Czech Republic	Q3 2023	Q1 2024	900 / 1,800 / 2,100	Extension expected	TMCZ's 900 / 1,800 MHz GSM license and 2,100 MHz UMTS license will expire in 2024.
United States	Started	Q4 2021/ Q1 2022	3,450–3,550	Auction (ascending clock auction ^b)	Start: Oct. 5, 2021
United States	H1 2022	H1 2022	2,500–2,700	Auction, details tbd	Public consultation in progress.

^a SMRA: simultaneous (electronic) multi-round auction with ascending, parallel bids for all available frequency bands.

^b Ascending clock auction: electronic multi-round auction with a clock phase to clarify the amount of spectrum in demand in the various areas and an assignment phase to determine the distribution of frequency band assignments between the bidders.

Development of business in the Group

Since April 1, 2020, **Sprint** has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary. As a result, the remeasured assets and liabilities were recognized as of this date, and all income and expenses generated from the date of first-time consolidation have been included in Deutsche Telekom's consolidated income statement. In the first three quarters of 2021, this continued to impact on the comparability of the presentation of the results of operations and financial position for the reporting period with the figures for the prior-year period.

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 and other transactions](#)" in the interim consolidated financial statements.

Effective January 1, 2021, Deutsche Telekom reassigned the responsibility for business and profit and loss for **Deutsche Telekom IoT GmbH** from the Systems Solutions operating segment to the business customer unit in the Germany operating segment. The Group subsidiary is responsible for the IoT business of Deutsche Telekom. Prior-year comparatives in both of the segments affected (development of operations, customer development, headcount development, and order entry) were adjusted retrospectively. There were no adjustments at overall Group level.

For further information on the reassignment of the IoT business, please refer to the section "[Group organization, strategy, and management](#)."

The **coronavirus pandemic** affected our business in several of our business areas, impacting on revenues and earnings. For example, temporary travel restrictions have resulted in lower roaming and visitor revenues. Our terminal equipment business also felt the squeeze, as did our corporate customer business. At the same time, we recorded an increase in the volume of voice calls, both in mobile communications and in the fixed network.

Results of operations of the Group

Net revenue

In the first three quarters of 2021, we generated net revenue of EUR 79.9 billion, which was up 8.8 % or EUR 6.5 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 4.0 billion or 5.3 %. For a comparison on an organic basis, net revenue in the prior-year period was raised by EUR 5.6 billion to account for effects of changes in the composition of the Group – primarily from the acquisition of Sprint, the disposal of Sprint's prepaid business to DISH and the acquisition of Shentel in the United States operating segment – and net exchange rate effects of EUR -3.0 billion were taken into account.

Our United States operating segment in particular contributed to the positive revenue trend with an increase of 13.4 %. In organic terms, i.e., adjusted for the effect of the acquisition of Sprint and assuming constant exchange rates, revenue increased by 7.1 % year-on-year due to both higher service revenues and higher terminal equipment revenues. Revenue in our home market of Germany was up on the prior-year level, increasing by 1.8 %. This was mainly driven by broadband revenue growth and a rise in terminal equipment sales both in the fixed network and in mobile communications. In the first three quarters of 2021, the Europe operating segment recorded a revenue increase of 1.3 %. In organic terms, i.e., assuming constant exchange rates, revenue increased by 1.9 %. Organic growth was mainly driven by the strong performance of the mobile business, especially the increase in higher-margin service revenues, as well as slight increases in roaming and visitor revenues, and higher revenues from terminal equipment sales. By contrast, the fixed-network business recorded stable revenues. Revenue in our Systems Solutions operating segment was down 2.9 % year-on-year. This decrease was mainly driven by the expected decline in traditional IT infrastructure business, due in part to targeted business decisions such as the reduction in end-user services. By contrast, our growth areas grew significantly, especially public cloud, digital solutions, and road charging. Revenue in our Group Development operating segment increased by 9.7 %. In organic terms, i.e., adjusted for the sale of the Dutch cell tower business, the reassignment of the Austrian cell tower business, as well as the acquisition of the Dutch MVNO and SIM provider Sempel, revenue increased by 4.3 %. This revenue increase resulted from the operational and structural growth of our two business units T-Mobile Netherlands and GD Towers, which includes DFMG and the Austrian cell tower business.

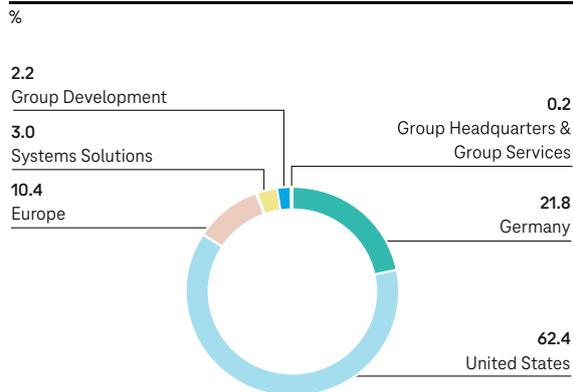
For further information on revenue development in our segments, please refer to the section "[Development of business in the operating segments.](#)"

Contribution of the segments to net revenue

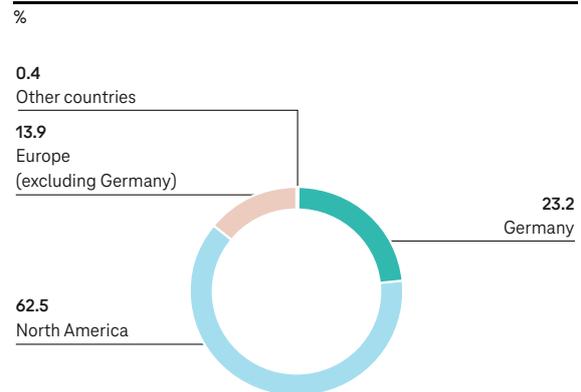
millions of €

	Q1 2021	Q2 2021	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
Net revenue	26,390	26,593	26,877	26,393	1.8	79,860	73,377	8.8	100,999
Germany	5,942	5,903	5,990	5,842	2.5	17,835	17,525	1.8	23,790
United States	16,483	16,643	16,807	16,569	1.4	49,933	44,024	13.4	61,208
Europe	2,729	2,823	2,905	2,880	0.9	8,456	8,344	1.3	11,335
Systems Solutions	1,015	1,006	971	955	1.7	2,992	3,082	(2.9)	4,159
Group Development	782	780	787	719	9.5	2,349	2,142	9.7	2,883
Group Headquarters & Group Services	625	671	617	625	(1.3)	1,913	1,910	0.2	2,556
Intersegment revenue	(1,186)	(1,232)	(1,200)	(1,197)	(0.3)	(3,619)	(3,651)	0.9	(4,932)

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 62.4 %, 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 2.4 percentage points against the level in the prior-year period. In this connection, the proportion of net revenue generated internationally also increased significantly from 75.3 % to 76.8 %.

Adjusted EBITDA AL, EBITDA AL

Adjusted EBITDA AL increased year-on-year by EUR 2.3 billion or 8.7 % to EUR 28.3 billion in the first three quarters of 2021. In organic terms, adjusted EBITDA AL increased by EUR 0.8 billion or 3.0 %. For a comparison on an organic basis, adjusted EBITDA AL in the prior-year period was raised by EUR 2.5 billion to account for effects of changes in the composition of the Group – primarily from the acquisition of Sprint and the disposal of Sprint's prepaid business to DISH in the United States operating segment – and net exchange rate effects of EUR -1.1 billion were taken into account.

All operating segments made a positive contribution to this development. Adjusted EBITDA AL of our United States operating segment increased significantly as a result of the business combination of T-Mobile US and Sprint, among other factors. In organic terms, i.e., adjusted for the effect of the acquisition of Sprint and assuming constant exchange rates, adjusted EBITDA AL increased by 1.9 % year-on-year. Adjusted EBITDA AL increased primarily due to higher service revenues and equipment revenues as discussed above. This was offset by negative effects of the initiated withdrawal from the terminal equipment lease model in the United States and higher operational expenses – primarily in connection with the acquisition of Sprint. Our Germany operating segment contributed to the increase thanks to high-value revenue growth and improved cost efficiency with 3.7 % higher adjusted EBITDA AL. Adjusted EBITDA AL in our Europe operating segment increased by 3.1 %. In organic terms, i.e., assuming constant exchange rates and adjusted for the transfer of the Austrian cell tower business to the Group Development operating segment, adjusted EBITDA AL increased by 5.0 %. In addition to the positive revenue effects, savings in indirect costs also contributed to this development. In our Systems Solutions operating segment, adjusted EBITDA AL increased by 3.9 %. Efficiency effects from our transformation program and effects from increased revenue in our growth areas exceeded the decline in earnings in the traditional IT infrastructure business. Adjusted EBITDA AL in our Group Development operating segment increased by 16.6 % year-on-year; in organic terms, it grew by 10.6 %. This growth was attributable to the positive revenue trend at T-Mobile Netherlands, the acquisition of Simpel, and efficient cost management at T-Mobile Netherlands. The GD Towers business posted consistent growth on the back of rising volumes and was further strengthened by the transfer of the Austrian cell tower business.

Contribution of the segments to adjusted Group EBITDA AL

millions of €

	Q1 2021	Q2 2021	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
EBITDA AL (adjusted for special factors) in the Group	9,245	9,418	9,661	9,692	(0.3)	28,323	26,065	8.7	35,017
Germany	2,305	2,354	2,456	2,364	3.9	7,115	6,864	3.7	9,188
United States	5,706	5,737	5,771	5,994	(3.7)	17,215	15,458	11.4	20,997
Europe	946	994	1,105	1,064	3.9	3,046	2,953	3.1	3,910
Systems Solutions	62	72	80	77	3.9	215	207	3.9	279
Group Development	316	318	340	284	19.7	975	836	16.6	1,101
Group Headquarters & Group Services	(84)	(21)	(86)	(90)	4.4	(191)	(220)	13.2	(429)
Reconciliation	(7)	(37)	(5)	0	n.a.	(50)	(32)	(56.2)	(28)

EBITDA AL increased by EUR 2.7 billion or 11.3 % year-on-year to EUR 26.3 billion, with special factors changing from EUR -2.4 billion to EUR -2.0 billion. Expenses incurred in connection with staff-related measures decreased from EUR 0.9 billion in the prior-year period by EUR 0.5 billion to EUR 0.4 billion. Part of this decrease was attributable to the reversal of other provisions for personnel costs, which had been recognized by OTE in 2010 and 2011 in connection with an additional payment to the Greek social insurance fund IKA-ETAM, as a result of corresponding proceedings concluded in September 2021. Net expenses of EUR 1.5 billion were recorded as special factors under effects of deconsolidations, disposals, and acquisitions. EUR 0.9 billion of the expenses mainly related to acquisition and integration costs as well as restructuring costs to realize cost efficiencies from the business combination of T-Mobile US and Sprint. A further EUR 0.6 billion related to a reduction in the useful life of leased network technology for cell sites in the United States. In the prior-year period, net expenses of EUR 1.1 billion were recorded as special factors under effects of deconsolidations, disposals, and acquisitions. These also mainly related to the business combination with Sprint. In addition, in the Group Development operating segment, EBITDA AL was influenced by net positive special factors of EUR 0.2 billion, which mainly related to the gain on deconsolidation due to the sale of the Dutch cell tower business. In the prior year, expenses of EUR 0.5 billion mainly in connection with the coronavirus pandemic were recorded under other special factors affecting EBITDA AL in the United States operating segment.

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 “after leases” indicator (EBITDA AL) can be found in the following table:

millions of €

	Q1 2021	Q2 2021	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
EBITDA	10,361	10,469	10,468	10,615	(1.4)	31,298	27,581	13.5	38,633
Depreciation of right-of-use assets ^a	(1,284)	(1,399)	(1,470)	(1,264)	(16.3)	(4,154)	(3,311)	(25.5)	(4,530)
Interest expenses on recognized lease liabilities ^a	(279)	(277)	(274)	(219)	(25.1)	(830)	(632)	(31.3)	(925)
EBITDA AL	8,798	8,793	8,723	9,133	(4.5)	26,313	23,638	11.3	33,178
Special factors affecting EBITDA AL	(447)	(625)	(938)	(560)	(67.5)	(2,010)	(2,427)	17.2	(1,839)
EBITDA AL (adjusted for special factors)	9,245	9,418	9,661	9,692	(0.3)	28,323	26,065	8.7	35,017

^a Excluding finance leases at T-Mobile US.

EBIT

Group EBIT increased from EUR 8.7 billion to EUR 10.7 billion, up EUR 2.0 billion or 22.6 % against the prior-year period. This increase is partly due to the effects described under adjusted EBITDA AL and EBITDA AL. At EUR 20.6 billion, depreciation, amortization and impairment losses were EUR 1.7 billion higher than in the prior-year period. This increase is mainly attributable to Sprint, which has been included since April 1, 2020. Furthermore, in the United States operating segment, a reduction in the useful life of leased network technology for cell sites following the business combination of T-Mobile US and Sprint increased depreciation of the corresponding right-of-use assets by EUR 0.6 billion. Impairment losses decreased from EUR 0.7 billion to EUR 0.1 billion. Of the prior-year figure, a total of EUR 0.5 billion related to the Systems Solutions operating segment and the Group Headquarters & Group Services segment, and EUR 0.2 billion to the Europe operating segment. The impairment losses recognized in the first three quarters of 2021 related to the Systems Solutions operating segment and the Group Headquarters & Group Services segment. These impairment losses were primarily a consequence of the impairment testing carried out in the Systems Solutions cash-generating unit in the third quarter of the prior year.

Profit before income taxes

Profit before income taxes increased by EUR 1.5 billion or 27.4 % to EUR 7.0 billion. The loss from financial activities increased from EUR 3.2 billion in the first nine months of 2020 to EUR 3.7 billion, with finance costs increasing by EUR 0.4 billion to EUR 3.5 billion, mainly due to the financial liabilities assumed in connection with the acquisition of Sprint and the related restructuring and increase in financing. Other financial expense increased slightly year-on-year to EUR 0.2 billion. On the one hand, interest income from the measurement of provisions and liabilities increased, in particular in the Group Headquarters & Group Services segment by EUR 0.5 billion. On the other, gains/losses (net) from financial instruments decreased by EUR 0.5 billion, due in part to negative measurement effects resulting, among other factors, from embedded derivatives at T-Mobile US and from a forward transaction to hedge the price of acquiring T-Mobile US shares in the future. And in part, net positive measurement effects resulted from the amortization and subsequent measurement of the stock options received from SoftBank in June 2020 to purchase shares in T-Mobile US.

Net profit, adjusted net profit

Net profit increased year-on-year by EUR 1.2 billion to EUR 3.7 billion. The tax expense increased by EUR 0.3 billion to EUR 1.7 billion. Profit attributable to non-controlling interests remained stable at EUR 1.6 billion and mainly relates to our United States operating segment. Excluding special factors, which had a negative overall effect of EUR 0.9 billion on net profit, adjusted net profit in the first nine months of 2021 amounted to EUR 4.6 billion, up EUR 0.6 billion against the prior-year period.

For further information on tax expense, please refer to the section "Income taxes" in the interim consolidated financial statements.

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

millions of €									
	Q1 2021	Q2 2021	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
Net profit (loss)	936	1,879	889	817	8.8	3,705	2,487	49.0	4,158
Special factors affecting EBITDA AL	(447)	(625)	(938)	(560)	(67.5)	(2,010)	(2,427)	17.2	(1,839)
Staff-related measures	(171)	(268)	0	(289)	100.0	(439)	(893)	50.8	(1,268)
Non-staff-related restructuring	(5)	(5)	(4)	(6)	33.3	(14)	(22)	36.4	(32)
Effects of deconsolidations, disposals and acquisitions	(245)	(346)	(868)	(293)	n.a.	(1,460)	(1,093)	(33.6)	(1,655)
Reversals of impairment losses	0	0	0	50	(100.0)	0	50	(100.0)	1,655
Other	(26)	(5)	(66)	(22)	n.a.	(97)	(470)	79.4	(539)
Special factors affecting net profit	182	391	514	(133)	n.a.	1,087	843	28.9	283
Impairment losses	(70)	(61)	(38)	(630)	94.0	(170)	(630)	73.0	(656)
Profit (loss) from financial activities	(12)	1	0	0	n.a.	(10)	(28)	64.3	(25)
Income taxes	130	234	259	386	(32.9)	624	878	(28.9)	730
Non-controlling interests	134	217	293	111	n.a.	644	623	3.4	234
Special factors	(265)	(234)	(423)	(692)	38.9	(923)	(1,584)	41.7	(1,557)
Net profit (loss) (adjusted for special factors)	1,201	2,113	1,313	1,509	(13.0)	4,627	4,072	13.6	5,715

Earnings per share, adjusted earnings per share

Earnings per share is calculated as net profit divided by the weighted average number of ordinary shares outstanding, which totaled 4,766 million as of September 30, 2021. This resulted in earnings per share of EUR 0.78, compared with EUR 0.52 in the prior-year period. Earnings per share adjusted for special factors affecting net profit amounted to EUR 0.97 compared with EUR 0.86 in the prior-year period.

Special factors

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

millions of €						
	EBITDA AL Q1-Q3 2021	EBIT Q1-Q3 2021	EBITDA AL Q1-Q3 2020	EBIT Q1-Q3 2020	EBITDA AL FY 2020	EBIT FY 2020
EBITDA AL/EBIT	26,313	10,672	23,638	8,704	33,178	12,804
Germany	(390)	(390)	(536)	(588)	(752)	(805)
Staff-related measures	(310)	(310)	(475)	(475)	(676)	(676)
Non-staff-related restructuring	(9)	(9)	(13)	(13)	(18)	(18)
Effects of deconsolidations, disposals and acquisitions	(2)	(2)	(25)	(25)	(18)	(18)
Impairment losses	0	0	0	(52)	0	(52)
Other	(70)	(70)	(23)	(23)	(40)	(40)
United States	(1,555)	(1,613)	(1,407)	(1,407)	(370)	(370)
Staff-related measures	(15)	(15)	(32)	(32)	(32)	(32)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(1,540)	(1,540)	(955)	(955)	(1,522)	(1,522)
Impairment losses	0	(58)	0	0	0	0
Reversals of impairment losses	0	0	0	0	1,604	1,604
Other	0	0	(420)	(420)	(420)	(420)
Europe	55	55	(60)	(220)	(188)	(374)
Staff-related measures	101	101	(99)	(99)	(181)	(181)
Non-staff-related restructuring	(1)	(1)	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(38)	(38)	(2)	(2)	(6)	(6)
Impairment losses	0	0	0	(160)	0	(186)
Reversals of impairment losses	0	0	50	50	50	50
Other	(8)	(8)	(9)	(9)	(51)	(51)
Systems Solutions	(168)	(238)	(157)	(530)	(209)	(582)
Staff-related measures	(109)	(109)	(129)	(129)	(167)	(167)
Non-staff-related restructuring	(2)	(2)	(2)	(2)	(3)	(3)
Effects of deconsolidations, disposals and acquisitions	(39)	(39)	0	0	0	0
Impairment losses	0	(71)	0	(373)	0	(373)
Other	(18)	(18)	(26)	(26)	(39)	(39)
Group Development	161	161	(55)	(55)	(43)	(43)
Staff-related measures	(7)	(7)	(9)	(9)	(11)	(11)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	170	170	(45)	(45)	(30)	(30)
Impairment losses	0	0	0	0	0	0
Other	(2)	(2)	(2)	(2)	(2)	(2)
Group Headquarters & Group Services	(113)	(127)	(214)	(258)	(277)	(322)
Staff-related measures	(99)	(99)	(149)	(149)	(201)	(201)
Non-staff-related restructuring	(2)	(2)	(7)	(7)	(11)	(11)
Effects of deconsolidations, disposals and acquisitions	(12)	(12)	(67)	(67)	(78)	(78)
Impairment losses	0	(14)	0	(44)	0	(44)
Other	0	0	10	10	14	14

millions of €						
	EBITDA AL Q1-Q3 2021	EBIT Q1-Q3 2021	EBITDA AL Q1-Q3 2020	EBIT Q1-Q3 2020	EBITDA AL FY 2020	EBIT FY 2020
Group	(2,010)	(2,152)	(2,427)	(3,058)	(1,839)	(2,496)
Staff-related measures	(439)	(439)	(893)	(893)	(1,268)	(1,268)
Non-staff-related restructuring	(14)	(14)	(22)	(22)	(32)	(32)
Effects of deconsolidations, disposals and acquisitions	(1,460)	(1,460)	(1,093)	(1,093)	(1,655)	(1,655)
Impairment losses	0	(142)	0	(630)	0	(656)
Reversals of impairment losses	0	0	50	50	1,655	1,655
Other	(97)	(97)	(470)	(470)	(539)	(539)
EBITDA AL/EBIT (adjusted for special factors)	28,323	12,824	26,065	11,762	35,017	15,300
Profit (loss) from financial activities (adjusted for special factors)		(3,623)		(3,176)		(4,103)
Profit (loss) before income taxes (adjusted for special factors)		9,202		8,586		11,197
Income taxes (adjusted for special factors)		(2,352)		(2,342)		(2,659)
Profit (loss) (adjusted for special factors)		6,850		6,245		8,538
Profit (loss) (adjusted for special factors) attributable to						
Owners of the parent (net profit (loss)) (adjusted for special factors)		4,627		4,072		5,715
Non-controlling interests (adjusted for special factors)		2,223		2,173		2,823

Employees

Headcount development

	Sept. 30, 2021	Dec. 31, 2020	Change	Change %
FTEs in the Group	216,265	226,291	(10,026)	(4.4)
Of which: civil servants (in Germany, with an active service relationship)	9,766	10,583	(817)	(7.7)
Germany ^a	61,153	66,348	(5,195)	(7.8)
United States	69,868	71,303	(1,435)	(2.0)
Europe	35,563	41,272	(5,709)	(13.8)
Systems Solutions	27,383	28,098	(715)	(2.5)
Group Development	2,703	2,684	19	0.7
Group Headquarters & Group Services ^a	19,595	16,585	3,010	18.1

^a As part of reorganization measures at Deutsche Telekom IT, around 3.7 thousand employees were reassigned from the Germany operating segment to the Technology and Innovation unit in the Group Headquarters & Group Services segment effective January 1, 2021. Prior-year comparatives were not adjusted.

The Group's headcount decreased by 4.4 % compared with the end of 2020. The number of employees in our Germany operating segment decreased by 7.8 % against year-end 2020, mainly as a result of the reassignment of employees to the Group Headquarters & Group Services segment in connection with reorganization measures at Deutsche Telekom IT. Employees also continued to take up socially responsible instruments as part of staff restructuring activities, such as dedicated retirement and phased retirement. The total number of full-time equivalent employees in the United States operating segment decreased by 2.0 % compared to December 31, 2020 due to seasonality. In our Europe operating segment, the headcount was down 13.8 % compared with the end of the prior year. As a result of the sale of the fixed-network business in Romania, the number of employees was reduced by around 3.5 thousand as of September 30, 2021. The headcount in our Systems Solutions operating segment was down 2.5 % against year-end 2020, primarily as a result of efficiency enhancement measures (-1.1 %) and the sale of a business operation (-1.4 %). In the Group Development operating segment, the slight increase of 0.7 % 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 number of employees in the Group Headquarters & Group Services segment was up 18.1 % compared with the end of 2020, mainly due to the aforementioned reassignment of employees from the Germany operating segment.

Financial position of the Group

Condensed consolidated statement of financial position

millions of €

	Sept. 30, 2021	%	Dec. 31, 2020	%	Sept. 30, 2020
Assets					
Cash and cash equivalents	6,337	2.3	12,939	4.9	10,642
Trade receivables	14,110	5.2	13,523	5.1	12,960
Intangible assets	130,709	47.8	118,066	44.6	120,873
Property, plant and equipment	60,072	22.0	60,975	23.0	61,594
Right-of-use assets	30,807	11.3	30,302	11.4	31,756
Current and non-current financial assets	8,357	3.1	9,640	3.6	9,293
Deferred tax assets	7,514	2.7	7,972	3.0	7,861
Non-current assets and disposal groups held for sale	4,559	1.7	1,113	0.4	44
Other assets	10,890	4.0	10,387	3.9	10,269
Total assets	273,355	100.0	264,917	100.0	265,292
Liabilities and shareholders' equity					
Current and non-current financial liabilities	108,921	39.8	107,108	40.4	107,856
Current and non-current lease liabilities	32,806	12.0	32,715	12.3	33,853
Trade and other payables	8,235	3.0	9,760	3.7	8,318
Provisions for pensions and other employee benefits	6,445	2.4	7,684	2.9	8,481
Current and non-current other provisions	8,777	3.2	9,033	3.4	8,508
Deferred tax liabilities	18,908	6.9	17,260	6.5	17,706
Liabilities directly associated with non-current assets and disposal groups held for sale	1,274	0.5	449	0.2	0
Other liabilities	9,128	3.3	8,358	3.2	8,536
Shareholders' equity	78,861	28.8	72,550	27.4	72,034
Total liabilities and shareholders' equity	273,355	100.0	264,917	100.0	265,292

Total assets/total liabilities and shareholders' equity amounted to EUR 273.4 billion as of September 30, 2021, up by EUR 8.4 billion against December 31, 2020. This increase is mainly attributable to investments in intangible assets for spectrum acquisition in the United States operating segment. Positive exchange rate effects and effects of changes in the composition of the Group, mainly from the first-time inclusion of Shentel, acquired by T-Mobile US, also increased the carrying amount. This effect was offset in part by a decline in cash and cash equivalents.

On the assets side, **trade receivables** amounted to EUR 14.1 billion, up by EUR 0.6 billion against the 2020 year-end. The increase resulted from higher receivables in the United States operating segment due to the reporting date and exchange rate effects. Lower receivables in the Group Development operating segment, primarily as a result of the reclassification of T-Mobile Netherlands' assets to non-current assets and disposal groups held for sale in connection with the agreed sale, and in the Germany operating segment had an offsetting effect.

Intangible assets and **property, plant and equipment** increased by EUR 11.7 billion to EUR 190.8 billion in total. This is mainly due to the conclusion of the C-band auction in the United States, at which T-Mobile US purchased 142 licenses for around EUR 7.8 billion (USD 9.3 billion) and made initial "relocation payments" of EUR 0.2 billion to relocate incumbent licensees. Furthermore, in the Europe operating segment, T-Mobile Czech Republic purchased 5G licenses for EUR 0.1 billion at auction in November 2020. In Hungary, proceedings to re-award 900 and 1,800 MHz spectrum licenses were held on January 28, 2021 and concluded the same day. Magyar Telekom acquired spectrum licenses for EUR 0.1 billion. Capital expenditure to upgrade and build out the network and acquire mobile terminal equipment in our United States operating segment and in connection with the broadband/fiber-optic build-out and mobile infrastructure in the Germany and Europe operating segments also increased the carrying amount. Positive exchange rate effects of EUR 7.5 billion and effects of changes in the composition of the Group of EUR 1.6 billion, mainly from the first-time inclusion of Shentel, acquired by T-Mobile US, also increased the carrying amount. Depreciation, amortization and impairment losses reduced the net carrying amounts by EUR 16.0 billion in total. The reclassification of T-Mobile Netherlands' assets, in connection with the agreed sale, to non-current assets and disposal groups held for sale and disposals reduced the carrying amounts by EUR 2.9 billion and EUR 1.3 billion respectively.

For further information on the acquisition of Shentel and the agreed sale of T-Mobile Netherlands, please refer to the section "[Changes in the composition of the Group and other transactions](#)" in the interim consolidated financial statements.

Right-of-use assets increased by EUR 0.5 billion year-on-year to EUR 30.8 billion, mainly due to the following effects: The carrying amount was increased by additions of EUR 4.3 billion, partly as a result of a sale-and-leaseback transaction concluded after the combination of the cell tower business in the Netherlands and the set-up of an infrastructure fund, and by positive exchange rate effects of EUR 1.5 billion and effects of changes in the composition of the Group, mainly in connection with the acquisition of Shentel, of EUR 0.3 billion. The carrying amount was decreased by depreciation, amortization, and impairment losses of EUR 4.6 billion. This included a EUR 0.6 billion increase in depreciation and amortization due to a reduction in the useful life of leased network technology for cell sites in the United States operating segment following the business combination of T-Mobile US and Sprint. The reclassification of T-Mobile Netherlands's assets to non-current assets and disposal groups held for sale in the amount of EUR 0.5 billion and disposals of EUR 0.2 billion also reduced the carrying amount.

For further information on these business transactions and others, please refer to the section [“Changes in the composition of the Group and other transactions”](#) in the interim consolidated financial statements.

Current and non-current financial assets decreased by EUR 1.3 billion to EUR 8.4 billion. The carrying amount of derivatives with a hedging relationship decreased by EUR 0.5 billion to EUR 1.6 billion, mainly due to the decrease in positive fair values from interest rate swaps in fair value hedges, which is primarily the result of a rise in the interest rate level. The carrying amount of derivatives without a hedging relationship decreased by a net effect of EUR 0.7 billion to EUR 1.3 billion. Taking into account the partial exercising of the stock options received from SoftBank in June 2020 to purchase shares in T-Mobile US, as well as measurement effects due to the negative development of the T-Mobile US share price, the carrying amount of these stock options decreased by EUR 0.5 billion compared with December 31, 2020. Negative measurement effects also resulted from the subsequent measurement of embedded derivatives at T-Mobile US and arose in part in connection with the premature repayment of bonds. By contrast, the carrying amount was increased by positive measurement effects of EUR 0.2 billion from energy forward agreements embedded in contracts and of EUR 0.2 billion from receivables from grants still to be received from funding projects for the broadband build-out in Germany.

Non-current assets and disposal groups held for sale increased by EUR 3.4 billion compared with December 31, 2020 to EUR 4.6 billion. Of this increase, EUR 4.5 billion resulted from the reclassification of T-Mobile Netherlands' assets in connection with the sale agreed on September 6, 2021. By contrast, the sale of the Dutch company T-Mobile Infra as of June 1, 2021 and of Telekom Romania Communications as of September 30, 2021 in particular had decreasing effects on the carrying amount of EUR 0.4 billion and EUR 0.6 billion respectively.

For further information on these business transactions and others, please refer to the section [“Changes in the composition of the Group and other transactions”](#) in the interim consolidated financial statements.

Other assets increased by EUR 0.5 billion to EUR 10.9 billion, primarily due to the increase in the carrying amount of investments accounted for using the equity method, mainly as a result of the combination of the cell tower business in the Netherlands and the set-up of an infrastructure fund. As a result of the transaction, 37.65 % of the shares in Cellnex NL with a carrying amount of EUR 0.4 billion were included in the Group Development operating segment in the consolidated financial statements using the equity method. Exchange rate effects also increased the carrying amount.

For further information on the combination of the cell tower business in the Netherlands and on the set-up of an infrastructure fund, please refer to the section [“Changes in the composition of the Group and other transactions”](#) in the interim consolidated financial statements.

On the liabilities and shareholders' equity side, **current and non-current financial liabilities** increased by EUR 1.8 billion compared with the end of 2020 to a total of EUR 108.9 billion. Exchange rate effects, in particular from the translation of U.S. dollars into euros, raised the carrying amount by EUR 3.6 billion. T-Mobile US issued senior notes in the first nine months of 2021 with a total volume of USD 11.8 billion (EUR 9.8 billion) and made early repayments on bonds with a total volume of USD 5.8 billion (EUR 4.9 billion). Furthermore, bonds with a volume of USD 2.3 billion (EUR 1.9 billion) were repaid on schedule by T-Mobile US, and euro bonds with a volume of EUR 1.7 billion and U.S. dollar bonds with a volume of USD 0.3 billion (EUR 0.2 billion) were repaid on schedule in the Group. The carrying amount of liabilities to banks decreased by EUR 1.4 billion compared with December 31, 2020. Financial liabilities decreased by EUR 0.2 billion in connection with collateral received for derivative financial instruments.

Current and non-current lease liabilities increased by EUR 0.1 billion to EUR 32.8 billion compared with December 31, 2020. Exchange rate effects, in particular from the translation of U.S. dollars into euros, raised the carrying amount by EUR 1.6 billion. Effects of changes in the composition of the Group, mainly from the first-time inclusion of Shentel, acquired by T-Mobile US, also increased the carrying amount. This was offset in particular by the decommissioning of former Sprint cell sites and the closure of some former Sprint shops in the United States operating segment and by an advance payment for the lease of sites of EUR 0.9 billion made by T-Mobile US to a U.S. cell tower company in September 2021 in connection with a change to the existing lease agreed in the reporting period.

Trade and other payables decreased by EUR 1.5 billion to EUR 8.2 billion, due in particular to lower liabilities to terminal equipment vendors and declines in liabilities for purchased services in the United States operating segment. In addition, liabilities in the Group Development operating segment decreased as a result of the reclassification of T-Mobile Netherlands' liabilities. Liabilities also decreased in the Europe operating segment. By contrast, exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount.

Provisions for pensions and other employee benefits decreased by EUR 1.2 billion compared with December 31, 2020 to EUR 6.4 billion, mainly due to an increase in the share prices of plan assets and interest rate adjustments. All this resulted in an actuarial gain of EUR 1.1 billion from the remeasurement of defined benefit plans to be recognized directly in equity.

Liabilities directly associated with non-current assets and disposal groups held for sale increased by EUR 0.8 billion against December 31, 2020 to EUR 1.3 billion. Of this increase, EUR 1.3 billion resulted from the reclassification of T-Mobile Netherlands' liabilities in connection with the agreed sale. By contrast, the sale of the Dutch company T-Mobile Infra as of June 1, 2021 and of Telekom Romania Communications as of September 30, 2021 in particular had decreasing effects on the carrying amounts of EUR 0.2 billion and EUR 0.3 billion respectively.

For further information on these business transactions and others, please refer to the section "[Changes in the composition of the Group and other transactions](#)" in the interim consolidated financial statements.

Other liabilities increased by EUR 0.8 billion compared to December 31, 2020 to EUR 9.1 billion, mainly due to an increase of EUR 0.4 billion in other liabilities, partly in connection with grants still to be received from funding projects for the broadband build-out in Germany as well as exchange rate effects.

Shareholders' equity increased from EUR 72.6 billion as of December 31, 2020 to EUR 78.9 billion. This growth was attributable to profit of EUR 5.3 billion and to the increase in other comprehensive income of EUR 4.9 billion. Shareholders' equity was reduced in connection with dividend payments for the 2020 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. The carrying amount of shareholders' equity also decreased by a net EUR 0.8 billion due to the acquisition of T-Mobile US shares by way of a capital increase against a non-cash contribution. This acquisition of T-Mobile US shares by way of a capital increase against a non-cash contribution increased Deutsche Telekom AG's stake in T-Mobile US by 3.6 percentage points to 46.8 %. Taking into account a fair value of EUR 0.8 billion for the exercised stock options, which were recognized directly in equity as part of the consideration paid to SoftBank, the issued capital and reserves attributable to owners of the parent increased by a total of EUR 1.5 billion, while those attributable to non-controlling interests decreased by EUR 2.4 billion. As a result, the share of profit and consequently earnings per share attributable to the owners of the parent increased. Changes in the composition of the Group – mainly due to the sale of Telekom Romania Communications in the Europe operating segment – of EUR 0.2 billion and transactions with owners of EUR 0.1 billion decreased the carrying amount.

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

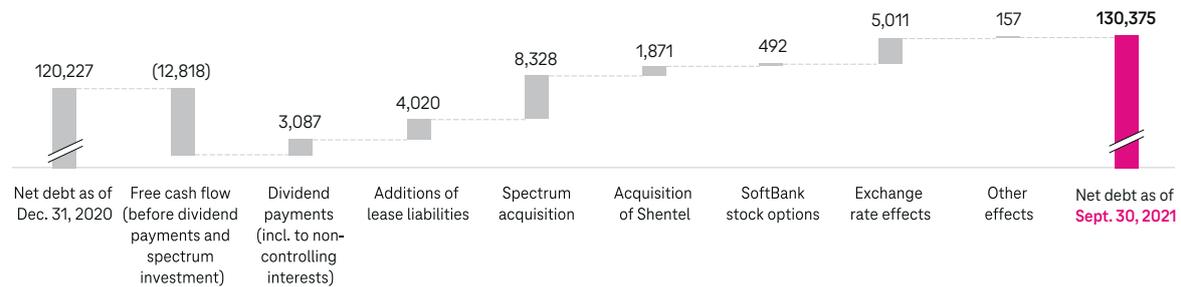
millions of €

	Sept. 30, 2021	Dec. 31, 2020	Change	Change %	Sept. 30, 2020
Bonds and other securitized liabilities	91,645	87,702	3,943	4.5	86,758
Liabilities to banks	3,896	5,257	(1,361)	(25.9)	4,893
Other financial liabilities	13,380	14,149	(769)	(5.4)	16,205
Lease liabilities ^a	33,458	32,715	743	2.3	33,853
Financial liabilities and lease liabilities	142,379	139,823	2,556	1.8	141,708
Accrued interest	(1,159)	(1,035)	(124)	(12.0)	(1,115)
Other	(798)	(703)	(95)	(13.5)	(721)
Gross debt	140,422	138,085	2,337	1.7	139,872
Cash and cash equivalents	6,337	12,939	(6,602)	(51.0)	10,642
Derivative financial assets	2,823	4,038	(1,215)	(30.1)	4,342
Other financial assets	887	881	6	0.7	367
Net debt	130,375	120,227	10,148	8.4	124,521

^a Including the lease liabilities of T-Mobile Netherlands included under liabilities directly associated with non-current assets and disposal groups held for sale as of September 30, 2021.

Changes in net debt

millions of €



Other effects of EUR 157 million include, among other factors, the recognition of liabilities for the acquisition of broadcasting rights.

Calculation of free cash flow AL

millions of €

	Q1 2021	Q2 2021	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
Net cash from operating activities	8,307	8,080	9,233	7,338	25.8	25,620	16,445	55.8	23,743
Interest payments for zero-coupon bonds	0	0	0	0	n.a.	0	1,600	(100.0)	1,600
Termination of forward-payer swaps at T-Mobile US	0	0	0	0	n.a.	0	2,158	(100.0)	2,158
Net cash from operating activities^a	8,307	8,080	9,233	7,338	25.8	25,620	20,203	26.8	27,501
Cash capex	(12,272)	(4,322)	(4,666)	(4,763)	2.0	(21,260)	(12,880)	(65.1)	(18,694)
Spectrum investment	7,989	35	304	273	11.4	8,328	1,368	n.a.	1,714
Cash capex (before spectrum investment)	(4,283)	(4,287)	(4,362)	(4,490)	2.9	(12,932)	(11,512)	(12.3)	(16,980)
Proceeds from the disposal of intangible assets (excluding goodwill) and property, plant and equipment	48	58	25	49	(49.0)	130	176	(26.1)	236
Free cash flow (before dividend payments and spectrum investment)^a	4,072	3,851	4,895	2,897	69.0	12,818	8,867	44.6	10,756
Principal portion of repayment of lease liabilities ^b	(1,487)	(1,085)	(1,955)	(1,263)	(54.8)	(4,528)	(3,521)	(28.6)	(4,468)
Free cash flow AL (before dividend payments and spectrum investment)^a	2,585	2,766	2,940	1,634	79.9	8,290	5,347	55.0	6,288

^a Before interest payments for zero-coupon bonds and before termination of forward-payer swaps at T-Mobile US in the first nine months of 2020.

^b Excluding finance leases at T-Mobile US.

Free cash flow AL (before dividend payments and spectrum investment) increased from EUR 5.3 billion in the prior-year period to EUR 8.3 billion. The following effects impacted on this development:

Net cash from operating activities increased by EUR 5.4 billion. The strong performance of the operating segments both in the United States and outside of the United States had a positive effect on net cash from operating activities. In addition, the increase is attributable to the business combination of T-Mobile US and Sprint effective April 1, 2020. The increase was partially offset in particular by a net increase of EUR 0.5 billion in interest payments, mainly as a result of the financial liabilities recognized and the restructuring carried out in connection with the acquisition of Sprint, and the related increase in financing. Income tax payments increased by EUR 0.2 billion compared with the prior-year period. Factoring agreements accounting for EUR 0.2 billion had a positive impact on net cash from operating activities in the first nine months of 2021. In the prior-year period, factoring agreements had had negative effects of EUR 0.6 billion, mainly as a result of the contractual termination of a revolving factoring agreement in the Germany operating segment.

Cash capex (before spectrum investment) increased from EUR 11.5 billion to EUR 12.9 billion, mainly in the United States operating segment (EUR 1.7 billion) as a result of the inclusion of Sprint as well as the ongoing build-out of the 5G network. A decline of EUR 0.2 billion in cash capex in the Germany operating segment due to lower capital expenditure had an offsetting effect: construction measures planned for 2021 were brought forward to the fourth quarter of 2020 and investments in optical fiber were lower in the first and second quarter of 2021 due to bad weather. In the third quarter, it was possible to step up investments again, thus partially making up for the decline.

The increase in the principal portion of repayment of lease liabilities was due in particular to payments for leases in the United States operating segment resulting from the inclusion of Sprint and an advance payment for the lease of sites made by T-Mobile US in September 2021.

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 on the development of business in the operating segments, please refer to the IR back-up on our [Investor Relations website](#).

Effective January 1, 2021, Deutsche Telekom reassigned the responsibility for business and profit and loss for Deutsche Telekom IoT GmbH from the Systems Solutions operating segment to the business customer unit in the Germany operating segment. Prior-year comparatives in both of the segments (development of operations, customer development, headcount development, and order entry) were adjusted retrospectively.

For further information on the reassignment of the IoT 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, 2021	June 30, 2021	Change Sept. 30, 2021/ June 30, 2021 %	Dec. 31, 2020	Change Sept. 30, 2021/ Dec. 31, 2020 %	Sept. 30, 2020	Change Sept. 30, 2021/ Sept. 30, 2020 %
Mobile customers	52,184	50,272	3.8	48,213	8.2	47,564	9.7
Contract customers ^{a, b}	22,914	22,682	1.0	25,975	(11.8)	25,684	(10.8)
Prepaid customers ^{a, b}	29,270	27,590	6.1	22,239	31.6	21,880	33.8
Fixed-network lines	17,543	17,555	(0.1)	17,590	(0.3)	17,602	(0.3)
Retail broadband lines	14,394	14,304	0.6	14,118	2.0	13,997	2.8
Of which: optical fiber	10,175	9,971	2.0	9,515	6.9	9,246	10.0
Television (IPTV, satellite)	3,966	3,933	0.8	3,864	2.6	3,787	4.7
Unbundled local loop lines (ULLs)	3,744	3,853	(2.8)	4,101	(8.7)	4,235	(11.6)
Wholesale broadband lines	7,900	7,853	0.6	7,733	2.2	7,633	3.5
Of which: optical fiber	6,708	6,636	1.1	6,433	4.3	6,287	6.7

^a The realignment of the B2B telecommunications business in 2020 resulted in the deactivation of around 310 thousand SIM cards in the business customer area as of January 1, 2021, which are now treated as internal cards. Prior-year figures have been adjusted with retroactive effect.

^b From January 1, 2021, around 3.6 million SIM cards of a service provider that were previously reported under contract customers are now reported under prepaid customers. Prior-year comparatives were not adjusted.

Total

In Germany we continue to be market leader both in terms of fixed-network and mobile revenues. This success is attributable to our high-performance networks. We offer best customer experience with award-winning network quality – in the fixed network as in mobile communications – and with a broad product portfolio and excellent service. We want to offer our customers a seamless and technology-neutral telecommunications experience. Hence, alongside fixed-network and mobile communications products, we also market convergence products. At the end of May 2021, we launched MagentaEINS Unlimited with unlimited data across Germany. Our MagentaEINS family of FMC products remains very popular among customers, with over 5.1 million customers having opted for these products by the end of September 2021. The customer base is thus higher compared with the end of the prior year.

We continued to see strong demand for our fiber-optic-based lines. As of the end of September 2021, the total number of lines had increased to around 16.9 million. In other words, we connected a further 935 thousand lines to our fiber-optic network in Germany in the first nine months of 2021. 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 total of around 4.0 million mobile customers in the first nine months of 2021. Of these, 464 thousand were high-value contract customers under our Telekom and congstar brands. Steady demand for mobile rate plans with included data volumes alongside our multiple award-winning network quality continues to drive this trend. Since January 1, 2021, the customers of a service provider previously reported under contract customers have been reported under prepaid customers. Allowing for this change in disclosure, we have added around 3.4 million prepaid customers since the start of the year, largely on the back of our automotive offerings targeted specifically at business customers.

The StreamOn option, with which customers can stream certain music, gaming, or video services without reducing their included data allowance, remains very popular. At the end of September 2021, almost 4.4 million customers were using this option, up by around 17.6 % year-on-year.

Fixed network

The fixed-network broadband market hosts a large number of players with differing infrastructures – from national through to regional providers. In order to consolidate our position on the market as Germany's leading telecommunications provider, we continue to add new offerings to our portfolio.

The number of broadband lines increased by 276 thousand to around 14.4 million in the first nine months of 2021. Demand for our retail fiber-optic-based lines was the biggest driver here, accounting for 660 thousand lines. We recorded an increase of 102 thousand in the number of TV customers compared with year-end 2020. In traditional fixed-network business, the number of lines declined slightly by 47 thousand. This marked a considerable reduction in line losses compared with the prior-year period. As expected, the number of fixed-network lines remained virtually stable at 17.5 million lines.

Wholesale

As of September 30, 2021, fiber-optic-based lines accounted for 57.6 % of all lines – 3.2 percentage points more than at the end of 2020. This growth was driven largely by demand for our "contingent model." The number of unbundled local loop lines decreased by 357 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 September 2021 was around 11.6 million.

Development of operations

millions of €									
	Q1 2021	Q2 2021	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
Total revenue	5,942	5,903	5,990	5,842	2.5	17,835	17,525	1.8	23,790
Consumers	2,984	2,979	3,076	2,880	6.8	9,039	8,654	4.4	11,740
Business Customers	2,188	2,166	2,158	2,166	(0.4)	6,512	6,486	0.4	8,857
Wholesale	709	679	687	744	(7.7)	2,074	2,235	(7.2)	2,983
Other	61	78	70	52	34.6	209	150	39.3	210
Profit (loss) from operations (EBIT)	1,215	1,182	1,346	1,009	33.4	3,743	2,988	25.3	3,970
EBIT margin %	20.4	20.0	22.5	17.3		21.0	17.0		16.7
Depreciation, amortization and impairment losses	(1,001)	(1,009)	(1,000)	(1,165)	14.2	(3,010)	(3,372)	10.7	(4,510)
EBITDA	2,215	2,191	2,346	2,174	7.9	6,752	6,360	6.2	8,480
Special factors affecting EBITDA	(99)	(172)	(119)	(204)	41.7	(390)	(536)	27.2	(752)
EBITDA (adjusted for special factors)	2,314	2,363	2,464	2,378	3.6	7,142	6,896	3.6	9,232
EBITDA AL	2,206	2,182	2,337	2,160	8.2	6,725	6,328	6.3	8,435
Special factors affecting EBITDA AL	(99)	(172)	(119)	(204)	41.7	(390)	(536)	27.2	(752)
EBITDA AL (adjusted for special factors)	2,305	2,354	2,456	2,364	3.9	7,115	6,864	3.7	9,188
EBITDA AL margin (adjusted for special factors) %	38.8	39.9	41.0	40.5		39.9	39.2		38.6
Cash capex	(860)	(839)	(993)	(964)	(3.0)	(2,692)	(2,928)	8.1	(4,191)

Total revenue

In the first nine months of 2021, we generated total revenue of EUR 17.8 billion, which was up by 1.8 % year-on-year. This was mainly driven by broadband revenue growth of 6.1 % and a rise in terminal equipment revenue both in mobile communications by 14.9 % and in the fixed network by 6.6 %. Overall, revenue was affected by the effects of the coronavirus pandemic, such as temporary travel restrictions, lockdowns, and the deteriorated economic situation. This had a negative effect on roaming and visitor revenues. It also resulted in delays or postponements to current orders in B2B telecommunications business. With the coronavirus situation easing somewhat, especially in the summer months, these factors had less of an impact in the second and third quarter.

Revenue from **Consumers** increased by 4.4 % compared with the prior-year period. Volume-driven declines in revenue from voice components continued to impact on traditional fixed-network business. By contrast, revenue from broadband business grew by 6.7 %, due in part to the positive effects from increased customer appreciation for stable data lines. Fixed-network terminal equipment business posted growth of 9.5 % on the back of strong terminal equipment rental business. Mobile business increased by 5.5 %, primarily due to higher revenues from mobile terminal equipment business and a positive trend in the number of subscribers to our secondary brand, congstar.

Revenue from **Business Customers** was up 0.4 % year-on-year. IT revenue grew by 6.1 % against the prior-year period, mainly due to concerted efforts to drive forward digitalization in the SME sector. Overall, mobile revenue was up 1.3 % year-on-year, partly on the back of positive revenues from terminal equipment business and sustained growth of the customer base. In organic terms, i.e., assuming constant exchange rates and adjusted for the reassignment of Deutsche Telekom IT (DT IT) Russia, DT IT Slovakia, and DT IT Hungary to the Group Headquarters & Group Services segment, revenue increased markedly by 2.2 % year-on-year.

Wholesale revenue was down at the end of September 2021 by 7.2 % year-on-year. The positive trend in the number of fiber-optic-based lines continued, with an increase of 6.7 % compared with the prior-year period. However, this was not enough to offset the decrease in revenues of 11.6 % from declining volumes of unbundled local loop lines. In addition, the positive contribution in the prior-year period from the transition to the IFRS 16 Leases accounting standard, which reduced the customer retention period in connection with the lease of unbundled local loop lines, no longer applied in the reporting period. On April 1, 2021, the transition to the new commitment agreements to replace the former quota-based agreements under what has become known as the "contingent model" led to sharper declines in revenue in the second and third quarters of 2021. This is primarily due to the fact that under the new commitment model the annual payments are initially lower compared to the up-front payments that had been made under the quota-based agreements under the contingent model. The annual commitment payments will rise over the course of subsequent years. Voice revenue was down against the prior-year period, which had contained higher, largely coronavirus-induced, revenues.

For further information on the entry into force of the commitment agreements, please refer to the section "[The economic environment – Regulation.](#)"

Adjusted EBITDA AL, EBITDA AL

EBITDA AL adjusted for special factors increased by EUR 251 million or 3.7 % year-on-year to EUR 7.1 billion. Our adjusted EBITDA AL margin increased to 39.9 %, up from 39.2 % in the prior year. 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, among other factors, from the smaller headcount and the ongoing implementation of efficiency enhancement and digitalization measures reduced costs.

In contrast to the effects described under EBITDA AL, lower 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 grew in the first nine months of 2021 to EUR 6.7 billion or 6.3 % above the prior-year level.

EBIT

Profit from operations was up 25.3 % year-on-year to around EUR 3.7 billion, driven by the positive EBITDA trend together with lower depreciation, amortization and impairment losses year-on-year, mainly on account of lower amortization of intangible assets.

Cash capex

Cash capex decreased by EUR 236 million or 8.1 % compared with the prior-year period with two key factors at play here: Firstly, front-loaded investment in the fourth quarter of 2020 resulted in lower cash outflows year-on-year. Secondly, the share of book capex with an impact on cash flows was below the prior-year level due to lower fiber-optic investments in the first and second quarters of 2021 as a result of bad weather conditions. In the third quarter, it was possible to step up investments again, thus partially making up for the decline. We expect to connect a further 1.2 million households to our fiber-optic network in the current financial year as planned.

Capital expenditure totaled around EUR 2.7 billion in the first nine months of 2021, in particular for the build-out of the 5G and fiber-optic networks. The number of households passed by our fiber-optic network increased to around 2.9 million by the end of September 2021. In mobile communications, our customers benefit from greater LTE network coverage. As of September 30, 2021, we covered 98.9 % of households in Germany with LTE. 87.3 % of German households can already use 5G.

United States

Customer development

thousands							
	Sept. 30, 2021	June 30, 2021	Change Sept. 30, 2021/ June 30, 2021 %	Dec. 31, 2020	Change Sept. 30, 2021/ Dec. 31, 2020 %	Sept. 30, 2020	Change Sept. 30, 2021/ Sept. 30, 2020 %
Customers	106,920	104,789	2.0	102,064	4.8	100,362	6.5
Postpaid customers	85,913	83,848	2.5	81,350	5.6	79,732	7.8
Postpaid phone customers ^{a, b}	69,418	68,029	2.0	66,618	4.2	65,794	5.5
Other postpaid customers ^{a, b}	16,495	15,819	4.3	14,732	12.0	13,938	18.3
Prepaid customers ^{a, c}	21,007	20,941	0.3	20,714	1.4	20,630	1.8

Adjustments of the customer base

thousands				
	Total adjustments of the customer base in 2020	Adjustment of customer definition for Sprint's prepaid business as of July 1, 2020 ^c	Adjustment of customer definition at Sprint as of Apr. 1, 2020 ^a	Sprint additions as of April 1, 2020
Customers	28,354	(9,393)	(4,853)	42,600
Postpaid customers	28,830	0	(5,514)	34,344
Postpaid phone customers	24,055	0	(1,861)	25,916
Other postpaid customers	4,775	0	(3,653)	8,428
Prepaid customers	(476)	(9,393)	661	8,256

^a Includes customers acquired in connection with the Sprint Merger and certain customer base adjustments on April 1, 2020.

^b In the first quarter of 2021, we acquired 11,000 postpaid phone customers and 1,000 postpaid other customers through our acquisition of an affiliate. In the third quarter of 2021, we acquired 716,000 postpaid phone customers and 90,000 postpaid other customers through the acquisition of Shentel's wireless assets.

^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 Master Network Service 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 Master Network Service Agreement, and classified as wholesale customers, due to differences in customer reporting policies.

Customers

At September 30, 2021, the United States operating segment (T-Mobile US) had 106.9 million customers, compared to 102.1 million customers at December 31, 2020. Net customer additions were 4.0 million in the nine months ended September 30, 2021, compared to 4.1 million net customer additions in the nine months ended September 30, 2020, due to the factors described below.

Postpaid net customer additions were 3.7 million in the nine months ended September 30, 2021, compared to 3.9 million postpaid net customer additions in the nine months ended September 30, 2020. The decrease was primarily from lower postpaid other net customer additions due to elevated gross additions in the prior period related to the public and educational sector and higher disconnects in the current period from an increased customer base. This decrease was partially offset by higher postpaid phone net customer additions due to increased retail store traffic in the current period versus coronavirus pandemic induced store closures in the prior period, partially offset by higher churn.

Prepaid net customer additions were 293 thousand in the nine months ended September 30, 2021, compared to 247 thousand prepaid net customer losses in the nine months ended September 30, 2020. The increase was primarily due to lower churn.

Development of operations

millions of €									
	Q1 2021	Q2 2021	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
Total revenue	16,483	16,643	16,807	16,569	1.4	49,933	44,024	13.4	61,208
Profit (loss) from operations (EBIT)	2,144	2,147	1,680	2,395	(29.9)	5,971	5,863	1.8	9,187
EBIT margin	%	13.0	12.9	10.0	14.5	12.0	13.3		15.0
Depreciation, amortization and impairment losses	(4,577)	(4,484)	(4,740)	(4,528)	(4.7)	(13,801)	(11,201)	(23.2)	(15,665)
EBITDA	6,722	6,632	6,419	6,923	(7.3)	19,772	17,064	15.9	24,852
Special factors affecting EBITDA	(151)	(272)	(539)	(168)	n.a.	(962)	(1,334)	27.9	(270)
EBITDA (adjusted for special factors)	6,873	6,904	6,958	7,091	(1.9)	20,735	18,398	12.7	25,122
EBITDA AL	5,446	5,248	4,966	5,753	(13.7)	15,660	14,051	11.5	20,628
Special factors affecting EBITDA AL	(261)	(489)	(805)	(240)	n.a.	(1,555)	(1,407)	(10.5)	(370)
EBITDA AL (adjusted for special factors)	5,706	5,737	5,771	5,994	(3.7)	17,215	15,458	11.4	20,997
EBITDA AL margin (adjusted for special factors)	%	34.6	34.5	34.3	36.2	34.5	35.1		34.3
Cash capex	(10,513)	(2,725)	(2,804)	(2,744)	(2.2)	(16,041)	(7,131)	n.a.	(10,394)

Total revenue

Total revenue for the United States operating segment of EUR 49.9 billion in the nine months ended September 30, 2021, increased by 13.4 %, compared to EUR 44.0 billion in the nine months ended September 30, 2020. In U.S. dollars, T-Mobile US' total revenues increased by 20.4 % year-on-year primarily due to increased service revenues as well as increased equipment revenues. The components of these changes are described below.

Service revenues increased in the nine months ended September 30, 2021 primarily due to higher average postpaid accounts, higher postpaid ARPA (Average Revenue per Account), higher wholesale revenues primarily from our Master Network Service Agreement with DISH and the success of our other MVNO relationships, and higher other service revenues primarily from the inclusion of wireline operations acquired in the Sprint Merger.

Equipment revenues increased in the nine months ended September 30, 2021 primarily due to an increase in device sales, excluding purchased leased devices primarily due to an increase in the number of devices sold from switching activity returning to more normalized levels compared to the muted conditions from the coronavirus pandemic in the prior year and the planned shift in device financing from leasing to EIP. Device sales revenue, excluding purchased leased devices, also increased due to higher average revenue per device sold driven by a higher mix of phone versus other devices partially offset by an increase in promotional activities. In addition, equipment revenues increased due to an increase in liquidation revenues primarily from an increase in the high-end device mix and a higher volume of returned devices and an increase in sales of accessories due to increased retail store traffic due to closures arising from the coronavirus pandemic in the prior period. Furthermore, equipment revenues increased due to the Sprint Merger including increases in sales of accessories due to a larger customer base and increases in purchased leased devices, primarily due to a larger base of leased devices. These increases were partially offset by a decrease in lease revenues due to a lower number of customer devices under lease due to the planned shift in device financing from leasing to EIP.

Adjusted EBITDA AL, EBITDA AL

In euros, adjusted EBITDA AL increased by 11.4 % to EUR 17.2 billion in the nine months ended September 30, 2021, compared to EUR 15.5 billion in the nine months ended September 30, 2020. The adjusted EBITDA AL margin decreased to 34.5 % in the nine months ended September 30, 2021, compared to 35.1 % in the nine months ended September 30, 2020. In U.S. dollars, adjusted EBITDA AL increased by 18.2 % during the same period. Adjusted EBITDA AL increased primarily due to higher service and equipment revenues as discussed above. These increases were partially offset by higher cost of equipment sales, higher cost of services, and higher selling, general and administrative expenses. The increase of cost of equipment sales is primarily from an increase in device cost of equipment sales, excluding purchased leased devices, primarily from an increase in the number of devices sold due to a larger customer base as a result of the Sprint Merger, switching activity returning to more normalized levels relative to the muted conditions from the coronavirus pandemic in the prior year and the planned shift in device financing from leasing to EIP. Device cost of equipment sales, excluding purchased leased devices, also increased due to higher average costs per device sold due to a higher mix of phone versus other devices. In addition, cost of equipment sales increased primarily from an increase in costs related to the liquidation of a higher volume of returned devices, an increase in cost of accessories, due to increased retail store traffic due to closures arising from the coronavirus pandemic in the prior period and a larger customer base as result of the Sprint Merger, and an increase in leased device cost of equipment sales, primarily due to a larger base of leased devices as a result of the Sprint Merger. The increase of cost of services is primarily from an increase in expenses associated with leases and backhaul agreements acquired in the Sprint Merger and the continued build-out of our nationwide 5G network, including a new tower master lease agreement in 2020 and higher employee-related and benefit-related costs primarily due to increased headcount as a result of the Sprint Merger. The increase of selling, general and administrative expenses is primarily from higher advertising, external labor and professional services, and lease expenses primarily from the Sprint Merger, and higher employee-related costs due to an increase in the number of employees primarily from the Sprint Merger; partially offset by lower bad debt expense.

EBITDA AL in the nine months ended September 30, 2021, included special factors of EUR -1.6 billion compared to EUR -1.4 billion in the nine months ended September 30, 2020. The change in special factors was primarily due to increased Merger-related costs during the nine months ended September 30, 2021, partially offset by special factors recognized in the nine months ended September 30, 2020 including supplemental employee payroll, third-party commissions and cleaning-related expenses associated with the coronavirus pandemic and a postpaid billing system disposal partially offset by a transaction fee received from SoftBank. Special factors include Merger-related costs associated with the Merger and acquisitions of affiliates comprised of transaction costs, including legal and professional services related to the completion of transactions; restructuring costs, including severance, store rationalization and network decommissioning; and integration costs to achieve efficiencies in network, retail, information technology and back office operations, migrate customers to the T-Mobile US network and the impact of legal matters assumed as part of the Sprint Merger. Overall, EBITDA AL increased by 11.5 % to EUR 15.7 billion in the nine months ended September 30, 2021, compared to EUR 14.1 billion in the nine months ended September 30, 2020, due to the factors described above, including special factors.

EBIT

EBIT increased to EUR 6.0 billion in the nine months ended September 30, 2021, compared to EUR 5.9 billion in the nine months ended September 30, 2020. In U.S. dollars, EBIT increased by 8.2 % during the same period primarily due to higher EBITDA AL. In U.S. dollars, depreciation and amortization increased by 30.5 % primarily from the continued build-out of our nationwide 5G network, higher depreciation expense on leased devices resulting from a larger base of leased devices as a result of the Sprint Merger, and higher amortization from intangible assets.

Cash capex

Cash capex increased to EUR 16.0 billion in the nine months ended September 30, 2021, compared to EUR 7.1 billion in the nine months ended September 30, 2020. In U.S. dollars, cash capex increased by USD 11.1 billion primarily from an increase in spectrum purchases, primarily due to USD 8.9 billion paid for spectrum licenses won at the conclusion of the C-band auction in March 2021, network integration related to the Sprint Merger and the continued build-out of our nationwide 5G network.

Europe

Customer development

thousands

		Sept. 30, 2021	June 30, 2021	Change Sept. 30, 2021/ June 30, 2021 %	Dec. 31, 2020	Change Sept. 30, 2021/ Dec. 31, 2020 %	Sept. 30, 2020	Change Sept. 30, 2021/ Sept. 30, 2020 %
Europe, total	Mobile customers	46,391	45,788	1.3	45,619	1.7	45,743	1.4
	Contract customers ^a	27,430	27,172	0.9	26,844	2.2	26,628	3.0
	Prepaid customers ^a	18,962	18,616	1.9	18,775	1.0	19,115	(0.8)
	Fixed-network lines	9,126	9,111	0.2	9,084	0.5	9,062	0.7
	Of which: IP-based	8,579	8,537	0.5	8,439	1.7	8,381	2.4
	Broadband customers ^b	7,114	7,059	0.8	6,943	2.5	6,856	3.8
	Television (IPTV, satellite, cable) ^c	5,132	5,098	0.7	5,046	1.7	4,977	3.1
	Unbundled local loop lines (ULLs)/ wholesale PSTN	1,960	1,996	(1.8)	2,246	(12.7)	2,262	(13.4)
	Wholesale broadband lines	810	774	4.7	684	18.4	639	26.8
Greece	Mobile customers	6,985	6,935	0.7	6,914	1.0	7,071	(1.2)
	Fixed-network lines	2,607	2,605	0.1	2,589	0.7	2,584	0.9
	Broadband customers	2,274	2,252	1.0	2,185	4.1	2,141	6.2
Romania	Mobile customers	4,628	4,582	1.0	4,683	(1.2)	4,691	(1.3)
	Fixed-network lines	1,387	1,409	(1.6)	1,444	(3.9)	1,467	(5.5)
	Broadband customers	822	841	(2.3)	912	(9.9)	934	(12.0)
Hungary	Mobile customers ^a	5,582	5,503	1.4	5,427	2.9	5,425	2.9
	Fixed-network lines	1,796	1,778	1.0	1,759	2.1	1,742	3.1
	Broadband customers ^b	1,387	1,361	1.9	1,321	5.0	1,297	6.9
Poland	Mobile customers	11,425	11,290	1.2	11,198	2.0	11,071	3.2
	Fixed-network lines	29	30	(3.3)	31	(6.5)	31	(6.5)
	Broadband customers ^b	67	59	13.6	32	n.a.	22	n.a.
Czech Republic	Mobile customers	6,259	6,205	0.9	6,178	1.3	6,181	1.3
	Fixed-network lines	633	625	1.3	606	4.5	593	6.7
	Broadband customers	386	383	0.8	368	4.9	361	6.9
Croatia	Mobile customers	2,326	2,273	2.3	2,253	3.2	2,292	1.5
	Fixed-network lines	879	881	(0.2)	885	(0.7)	888	(1.0)
	Broadband customers	633	630	0.5	625	1.3	623	1.6
Slovakia	Mobile customers	2,493	2,479	0.6	2,441	2.1	2,412	3.4
	Fixed-network lines	870	865	0.6	865	0.6	862	0.9
	Broadband customers	626	620	1.0	607	3.1	598	4.7
Austria	Mobile customers	5,126	5,067	1.2	5,074	1.0	5,098	0.5
	Fixed-network lines	586	582	0.7	569	3.0	560	4.6
	Broadband customers	655	650	0.8	635	3.1	625	4.8
Other^d	Mobile customers	1,568	1,453	7.9	1,451	8.1	1,502	4.4
	Fixed-network lines	339	335	1.2	335	1.2	335	1.2
	Broadband customers	266	263	1.1	259	2.7	256	3.9

^a In Hungary, efforts to standardize the underlying customer definition resulted in the assignment of M2M cards exclusively to the prepaid customer segment effective January 1, 2020.

^b The prior-year comparatives for broadband customers in Poland and Hungary were adjusted retrospectively as part of the standardization of the underlying customer definition.

^c The comparatives for TV customers in Croatia were adjusted retrospectively 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.

Total

In the Europe operating segment, we achieved slight growth in the customer base again as of the end of the first three quarters of 2021. We recorded modest growth in the number of fixed-network customers in the first nine months of the year. Our MagentaOne convergent product portfolio, in particular, generated growth compared with year-end 2020 of 8.7 % in FMC customers thanks to ongoing demand. We are working flat out to build out our fixed-network infrastructure with state-of-the-art optical fiber. The number of broadband customers has increased by 2.5 %. The mobile business also recorded a slight rise in customer numbers once again, with increases in both the number of high-value contract customers and the number of prepaid customers. Our build-out of the 5G network is making good progress: most of our national companies have already launched the commercial sale of 5G products and services.

Mobile communications

In the Europe operating segment, we had 46.4 million mobile customers at the end of the first nine months of 2021, a modest increase compared with the end of 2020. The number of high-value contract customers increased by 2.2 %. The contract customer base grew in all national companies, especially in Poland, the Czech Republic, and Austria. Overall, the share of our total customer base accounted for by contract customers remained more or less stable at 59.1 %. In parallel with pure customer development, we have successfully pursued the more-for-more principle in our product portfolio, so as to sustainably increase value per customer. In addition, thanks to our integrated network strategy our customers benefited from greater coverage with fast mobile broadband. As of September 30, 2021, we covered 97.9 % of the population in the countries of our operating segment with LTE, reaching around 109 million people in total. The footprint countries of our operating segment are also making excellent headway with 5G. Broad swaths of the populations of Greece, Croatia, Austria, and other countries have already been connected to Deutsche Telekom's 5G network.

The prepaid customer base also recorded slight growth of 1.0 % compared with the end of 2020. Growth in countries including Poland and Hungary more than offset the declines reported especially in Romania. In addition, we offer our prepaid customers high-value contract plans with the resulting number of contract conversions also contributing positively to contract customer business.

Fixed network

The broadband business recorded growth of 2.5 % as of September 30, 2021 compared with the end of the prior year to a total of 7.1 million customers. The customer bases of almost all national companies, especially in Greece, Hungary, Poland, Austria, the Czech Republic, and Slovakia saw substantial growth. Romania was the exception. By continuing to invest in innovative fiber-optic technologies, we are systematically building out our fixed-network infrastructure. At the end of the third quarter of 2021, a total of around 6.7 million households in our national companies had the option to subscribe to a direct connection to our high-speed fiber-optic network with speeds reaching up to 1 Gbit/s. The number of IP-based lines increased to account for 94.0 % of all fixed-network lines in the same period. The total number of fixed-network lines in our Europe operating segment edged up on the prior-year level to 9.1 million.

The TV and entertainment business had a total of 5.1 million customers as of September 30, 2021, up by a marginal 1.7 % compared with the end 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 2021, we had 6.3 million FMC customers; this corresponds to growth of 8.7 % compared with the end of the prior year. Our national companies in Greece, Hungary, Austria, and the Czech Republic in particular contributed to this growth. We have also seen accelerated growth in the marketing of our MagentaOne Business product to business customers.

Development of operations

millions of €									
	Q1 2021	Q2 2021	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
Total revenue	2,729	2,823	2,905	2,880	0.9	8,456	8,344	1.3	11,335
Greece	717	759	790	763	3.5	2,266	2,162	4.8	2,940
Romania	210	217	200	244	(18.0)	627	710	(11.7)	951
Hungary	406	424	454	429	5.8	1,284	1,262	1.7	1,734
Poland	341	349	353	365	(3.3)	1,042	1,084	(3.9)	1,453
Czech Republic	269	280	283	268	5.6	832	789	5.4	1,072
Croatia	219	223	235	247	(4.9)	678	675	0.4	917
Slovakia	190	194	197	190	3.7	581	562	3.4	773
Austria	326	327	344	330	4.2	996	960	3.8	1,302
Other ^a	70	76	78	73	6.8	224	204	9.8	283
Profit (loss) from operations (EBIT)	385	425	654	382	71.2	1,463	1,095	33.6	1,278
EBIT margin %	14.1	15.1	22.5	13.3		17.3	13.1		11.3
Depreciation, amortization and impairment losses	(645)	(648)	(624)	(823)	24.2	(1,916)	(2,124)	9.8	(2,875)
EBITDA	1,029	1,073	1,278	1,205	6.1	3,380	3,219	5.0	4,153
Special factors affecting EBITDA	(10)	(15)	80	30	n.a.	55	(60)	n.a.	(188)
EBITDA (adjusted for special factors)	1,039	1,088	1,198	1,175	2.0	3,325	3,279	1.4	4,341
EBITDA AL	936	979	1,185	1,094	8.3	3,101	2,893	7.2	3,722
Special factors affecting EBITDA AL	(10)	(15)	80	30	n.a.	55	(60)	n.a.	(188)
EBITDA AL (adjusted for special factors)	946	994	1,105	1,064	3.9	3,046	2,953	3.1	3,910
Greece	298	304	342	326	4.9	944	899	5.0	1,199
Romania	37	44	56	50	12.0	137	120	14.2	153
Hungary	106	133	154	139	10.8	392	377	4.0	520
Poland	95	100	100	98	2.0	295	290	1.7	378
Czech Republic	111	120	117	109	7.3	348	324	7.4	430
Croatia	79	85	106	95	11.6	269	253	6.3	337
Slovakia	84	78	89	88	1.1	251	247	1.6	335
Austria ^b	125	123	129	136	(5.1)	378	383	(1.3)	496
Other ^a	11	8	13	23	(43.5)	31	59	(47.5)	63
EBITDA AL margin (adjusted for special factors) %	34.7	35.2	38.0	36.9		36.0	35.4		34.5
Cash capex	(485)	(386)	(453)	(431)	(5.1)	(1,324)	(1,431)	7.5	(2,216)

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.

^b As of January 1, 2021, the Austrian cell tower business was reassigned from the Europe operating segment to the Group Development operating segment. Prior-year comparatives were not adjusted.

Total revenue

Our Europe operating segment generated total revenue of EUR 8.5 billion in the first nine months of 2021, a year-on-year increase of 1.3%. In organic terms, i.e., assuming constant exchange rates, revenue increased by 1.9% year-on-year.

Organic growth was mainly driven by the strong performance of the mobile business, especially the increase in service revenues with higher margins, slight increases in roaming and visitor revenues, and higher revenues from terminal equipment sales. By contrast, the fixed-network business recorded stable revenues, with significantly higher broadband revenues in particular offsetting the losses in wholesale business and the expected decline in voice telephony revenues. Systems solutions business declined overall.

Looking at the development by country, our national companies in Greece, Hungary, and Austria recorded the best organic development of revenue as of September 30, 2021. This offset the decline in revenue in Romania and Poland.

Revenue from **Consumers** increased in organic terms by 2.3 % year-on-year, due mainly to higher mobile revenue: both service revenues and sales of mobile terminal equipment increased. 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 more than 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 stable at the prior-year level in organic terms. The first three quarters of 2021 were dominated by rising revenues in mobile communications. This was driven by increases in roaming revenues once again after the coronavirus-related lockdown, and by higher demand for mobile data as a result of hybrid working. These trends have led to stagnation in fixed-network business. Although our fiber-optic-based broadband services are thriving and, in Romania and Croatia, we offer fixed network-based security features for online surfing; there is a noticeable trend towards mobile working. ICT business declined slightly year-on-year. In our cloud, smart cities, and security growth areas, sales of our solutions to corporate customers and the public sector remain consistently successful.

Adjusted EBITDA AL, EBITDA AL

Our Europe operating segment generated adjusted EBITDA AL of EUR 3.0 billion in the first nine months of 2021, up 3.1 % against the level in the prior-year period. In organic terms, i.e., assuming constant exchange rates and adjusted for the reassignment of the Austrian cell tower business to the Group Development operating segment, adjusted EBITDA AL increased by 5.0 %, thus continuing to make a positive contribution to earnings. In addition to the positive revenue effects, savings in indirect costs, including due to lower personnel costs, contributed to this development.

Looking at the development by country, the increase in adjusted organic EBITDA AL was largely attributable to the positive trend at all of our national companies, but in particular in Greece, Austria, and Hungary.

EBITDA AL increased by 7.2 % year-on-year to EUR 3.1 billion. Net income from special factors totaled EUR 55 million, compared with a net expense from special factors in the prior-year period of EUR 60 million. The reason for these changes was the reversal of other provisions for personnel costs recognized by OTE in 2010 and 2011 in connection with an additional payment of EUR 134 million to the Greek social insurance fund IKA-ETAM. In September 2021, proceedings related to this were concluded. In organic terms, EBITDA AL grew by 9.1 %.

Development of operations in selected countries

Greece. In Greece, revenue increased by 4.8 % against the first nine months in the prior year to EUR 2.3 billion. The encouraging development in mobile business is mainly attributable to the addition of new contract customers, with associated increases in both terminal equipment sales and service revenues. As travel activity increasingly returns to more normal levels, there was also a positive trend in visitor revenues. The intensive fiber-optic and vectoring build-out, together with the resulting higher numbers of customers, had an increasingly positive impact on the fixed-network business. The revenues generated here in the first nine months of 2021 were higher, driven mainly by the broadband business. The systems solutions business also contributed to revenue growth.

In the first nine months of 2021, adjusted EBITDA AL in Greece stood at EUR 944 million, which was up 5.0 % against the prior-year period. This is attributable to a revenue-related increase in the net margin. Indirect costs remained on a par with the prior-year period overall.

Hungary. Revenue in Hungary totaled EUR 1.3 billion as of September 30, 2021, a modest increase despite negative exchange rate effects. In organic terms, revenue was up 4.3 % against the prior-year level. The mobile business is the main driver here. Service revenues developed particularly positively. In addition, growth in the number of contract customers had positive effects on terminal equipment business. Fixed-network operations also increased slightly, with rising TV and broadband revenues, both driven by larger customer bases. Systems solutions also contributed to the increase in revenue. Our MagentaOne convergence products continued to perform well, with further customer additions and corresponding revenue.

Adjusted EBITDA AL stood at EUR 392 million, up 4.0 % year-on-year. In organic terms, adjusted EBITDA AL grew by 6.4 %. This growth is attributable in particular to higher revenues, which more than offset the rise in costs.

Poland. Our revenue in Poland decreased by 3.9 % in the first nine months of 2021 to EUR 1.0 billion. This decline was due to negative exchange rate effects. In organic terms, revenues decreased by just 1.2 %, with the mobile business recording slight losses as a result of reduced revenue from national roaming. In the fixed-network business, we increased the number of FTTH customers substantially, thereby creating the basis for further broadband growth.

Adjusted EBITDA AL stood at EUR 295 million as of September 30, 2021, up 1.7 % year-on-year. In organic terms, adjusted EBITDA AL increased by 4.6 %, mainly on the back of lower costs.

Czech Republic. In the first nine months of 2021, revenue in the Czech Republic stood at EUR 832 million, up 5.4 % on the prior-year level. In organic terms, revenue increased by 2.9 %. Mobile revenues were up on the prior-year level, mainly on the back of service revenues (excluding visitors) with higher margins, and higher terminal equipment revenues. Furthermore, the fixed-network business with its broadband and TV business also drove revenues once again. The number of broadband customers increased substantially compared with the prior-year period. We also generated additional revenue in the area of systems solutions.

Adjusted EBITDA AL increased by 7.4 % year-on-year to EUR 348 million in the first nine months of 2021. In organic terms, earnings grew by 5.1 % year-on-year, driven mainly by revenue.

Austria. Revenue generated in Austria totaled EUR 996 million in the first nine months of 2021. This increase of 3.8 % was mainly attributable to growth in service revenues with higher margins. The sale of mobile terminal equipment also made a positive contribution to revenue. Visitor revenues were still subject to a slightly negative effect. Revenue in the fixed-network business also increased. The broadband business generated substantial growth rates, due among other factors to a larger customer base and higher-value rate plans.

Adjusted EBITDA AL decreased as of September 30, 2021 by 1.3 % year-on-year to EUR 378 million. In organic terms, i.e., excluding the reassignment of the Austrian cell tower business to the Group Development operating segment, adjusted EBITDA AL increased substantially by 9.8 % due to the positive revenue effect. A key contribution comes from the realization of synergies and from the expansion of convergent product offerings.

EBIT

Our Europe operating segment recorded an increase in EBIT of EUR 368 million in the first nine months of 2021. In addition to an increase in EBITDA of EUR 161 million, depreciation, amortization and impairment losses fell by EUR 208 million, with depreciation and amortization down slightly on the prior-year period. This was mainly due to depreciation and amortization being suspended as a result of the sale of the fixed-network business in Romania, which was consummated on September 30, 2021. In the third quarter of the prior year, ad hoc impairment losses totaling EUR 160 million were recognized on non-current assets of the Romanian mobile business, which remains in the Group, in connection with the at that time planned sale of the Romanian fixed-network business. This impairment was the result of the discontinuance of the previously existing MVNO agreements.

Cash capex

As of September 30, 2021, the Europe operating segment reported cash capex of EUR 1.3 billion, down 7.5 % year-on-year. This decline is due to a decline in cash outflows for the acquisition of spectrum licenses, primarily in Hungary. 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 2021	H1 2021	FY 2020	Q1-Q3 2020	Change Q1-Q3 2021/ Q1-Q3 2020 %
Order entry	2,821	2,019	4,564	2,485	13.5

Development of business

The first nine months of 2021 continued to be dominated by the focusing of our systems solutions business on growth and future viability and the continuation of our transformation program. Under the transformation program, we continued to drive forward the alignment of our organization, workflows and capacities, and the fine-tuning of the strategy for our portfolio. Stand-alone portfolio units assume responsibility not only for our growth areas (e.g., public cloud and security) but also for our traditional IT business.

We have defined selected industries (automotive, healthcare, public sector, and public transport), for which we will increase our offer of vertical solutions based on our expertise. In addition, we have agreed partnerships with leading cloud service providers (e.g., Amazon, Google, Microsoft), so as to be able to offer our customers an even broader and more flexible range of cloud solutions. Consistent with our efforts to implement the Group's strategy pillar "Lead in business productivity," we transferred our IoT (Internet of Things) portfolio unit to the Germany operating segment effective January 1, 2021.

Order entry in our Systems Solutions operating segment was up by 13.5 % year-on-year in the first nine months of 2021. This trend reflects the recovery from the effects of the coronavirus pandemic on the economic situation of our business customers and the restraint in awarding contracts in the prior year. There was a clear positive trend in our growth areas in particular.

Development of operations

millions of €

	Q1 2021	Q2 2021	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
Total revenue	1,015	1,006	971	955	1.7	2,992	3,082	(2.9)	4,159
Of which: external revenue	798	799	765	743	3.0	2,362	2,413	(2.1)	3,237
Profit (loss) from operations (EBIT)	(27)	(68)	(35)	(403)	91.3	(129)	(513)	74.9	(534)
Special factors affecting EBIT	(56)	(104)	(79)	(433)	81.8	(238)	(530)	55.1	(582)
EBIT (adjusted for special factors)	29	36	44	30	46.7	109	17	n.a.	48
EBIT margin (adjusted for special factors)	%	2.9	3.6	4.5	3.1	3.6	0.6		1.2
Depreciation, amortization and impairment losses	(80)	(74)	(101)	(445)	77.3	(256)	(650)	60.6	(720)
EBITDA	53	7	67	42	59.5	127	137	(7.3)	185
Special factors affecting EBITDA	(36)	(91)	(41)	(59)	30.5	(168)	(157)	(7.0)	(209)
EBITDA (adjusted for special factors)	89	98	107	102	4.9	294	294	0.0	394
EBITDA AL	26	(19)	39	18	n.a.	47	51	(7.8)	70
Special factors affecting EBITDA AL	(36)	(91)	(41)	(59)	30.5	(168)	(157)	(7.0)	(209)
EBITDA AL (adjusted for special factors)	62	72	80	77	3.9	215	207	3.9	279
EBITDA AL margin (adjusted for special factors)	%	6.1	7.2	8.2	8.1	7.2	6.7		6.7
Cash capex	(49)	(50)	(46)	(68)	32.4	(146)	(149)	2.0	(235)

Total revenue

Total revenue in our Systems Solutions operating segment in the first nine months of 2021 amounted to EUR 3.0 billion, down 2.9 % on the prior-year level. This decrease was mainly driven by the expected decline in traditional IT infrastructure business, due in part to targeted business decisions such as the reduction in end-user services. By contrast, our growth areas are growing significantly, especially public cloud (+21.0 %), digital solutions (+13.4 %), and road charging (+12.4 %).

Adjusted EBITDA AL, EBITDA AL

In the first nine months of 2021, adjusted EBITDA AL at our Systems Solutions operating segment increased by 3.9 % year-on-year to EUR 215 million. Efficiency effects from our transformation program and effects from increased revenue in our growth areas exceeded the decline in earnings in the traditional IT infrastructure business. EBITDA AL decreased by EUR 4 million compared with the prior-year period to EUR 47 million. Special factors were up EUR 11 million on the prior year at EUR -168 million, mainly due to a loss on deconsolidation in connection with the sale of a business operation and a contrasting effect of lower restructuring costs.

Adjusted EBIT, EBIT

Adjusted EBIT in our Systems Solutions operating segment in the first nine months of 2021 improved by EUR 92 million year-on-year, coming in at EUR 109 million, mainly as a result of declines in depreciation and amortization. EBIT increased by EUR 384 million compared with the prior-year period to EUR -129 million. The expense arising from special factors decreased by EUR 292 million on the prior-year period, to EUR 238 million. In the third quarter of the prior year, a non-cash impairment loss on non-current assets reduced EBIT by EUR 0.4 billion, which resulted in a reduction in the depreciation and amortization base. In the first nine months of 2021, non-cash impairment losses on non-current assets of EUR 0.1 billion were recorded as special factors. These impairment losses were also primarily a consequence of the impairment testing carried out in the Systems Solutions cash-generating unit in the third quarter of the prior year.

Cash capex

Cash capex in the Systems Solutions operating segment stood at EUR 146 million in the first nine months of 2021, which was on a par with the prior-year period. Going forward, we will continue to focus our investments on developing our growth business.

Group Development

Customer development

thousands								
		Sept. 30, 2021	June 30, 2021	Change Sept. 30, 2021/ June 30, 2021 %	Dec. 31, 2020	Change Sept. 30, 2021/ Dec. 31, 2020 %	Sept. 30, 2020	Change Sept. 30, 2021/ Sept. 30, 2020 %
T-Mobile Netherlands	Mobile customers	6,894	6,853	0.6	6,803	1.3	5,761	19.7
	Fixed-network lines	721	707	2.0	682	5.7	661	9.1
	Broadband customers	709	695	2.0	668	6.1	647	9.6

In the Netherlands, the number of mobile customers increased slightly. The number of fixed-network lines in the Netherlands also increased on the back of the positive development of operational business. It also profited from the reopening of the shops at the end of April 2021 after the coronavirus-related lockdown, and from successful advertising.

Development of operations

millions of €									
	Q1 2021	Q2 2021	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
Total revenue	782	780	787	719	9.5	2,349	2,142	9.7	2,883
Of which: T-Mobile Netherlands	513	506	515	484	6.4	1,534	1,441	6.5	1,946
Of which: GD Towers ^{a, b}	282	283	270	248	8.9	835	743	12.4	989
Profit (loss) from operations (EBIT)	166	381	219	154	42.2	766	417	83.7	562
Depreciation, amortization and impairment losses	(210)	(219)	(183)	(190)	3.7	(613)	(576)	(6.4)	(780)
EBITDA	376	600	402	344	16.9	1,379	993	38.9	1,343
Special factors affecting EBITDA	(16)	198	(21)	(11)	(90.9)	161	(55)	n.a.	(43)
EBITDA (adjusted for special factors)	392	403	423	355	19.2	1,218	1,049	16.1	1,386
Of which: T-Mobile Netherlands	171	184	208	163	27.6	563	482	16.8	639
Of which: GD Towers ^{a, b}	224	226	220	199	10.6	670	589	13.8	786
EBITDA AL	301	516	319	273	16.8	1,135	781	45.3	1,058
Special factors affecting EBITDA AL	(16)	198	(21)	(11)	(90.9)	161	(55)	n.a.	(43)
EBITDA AL (adjusted for special factors)	316	318	340	284	19.7	975	836	16.6	1,101
Of which: T-Mobile Netherlands	151	155	179	141	27.0	484	419	15.5	554
Of which: GD Towers ^{a, b}	169	170	164	149	10.1	503	439	14.6	587
EBITDA AL margin (adjusted for special factors)	% 40.4	40.8	43.2	39.5		41.5	39.0		38.2
Cash capex	(115)	(134)	(144)	(330)	56.4	(393)	(566)	30.6	(699)

^a As of January 1, 2021, the Austrian cell tower business was reassigned from the Europe operating segment to the Group Development operating segment. Prior-year comparatives were not adjusted.

^b As of June 1, 2021, the Dutch cell tower business was sold to DIV and subsequently contributed into Cellnex Netherlands.

Total revenue

Total revenue in our Group Development operating segment increased in the first nine months of 2021 by 9.7 % year-on-year to EUR 2.3 billion. In organic terms, i.e., adjusted for the sale of the Dutch cell tower business as of June 1, 2021, the reassignment of the Austrian cell tower business as of January 1, 2021, as well as the acquisition of the Dutch MVNO and SIM provider Simpel as of December 1, 2020, revenue increased by 4.3 %. This revenue increase resulted from the operational and structural growth of our two business units T-Mobile Netherlands and GD Towers, which includes DFMG and the Austrian cell tower business. In the Netherlands, mobile operations in particular contributed to this revenue growth on the back of higher out-of-bundle revenues and higher terminal equipment sales. GD Towers also recorded an increase in revenue, driven by volume-based growth at DFMG and the reassignment of the Austrian cell tower business.

Adjusted EBITDA AL, EBITDA AL

Adjusted EBITDA AL increased by 16.6 % year-on-year to EUR 975 million. In organic terms, adjusted EBITDA AL grew by 10.6 %. This growth was attributable to the aforementioned positive revenue trend at T-Mobile Netherlands, the acquisition of Simpel, and efficient cost management at T-Mobile Netherlands. The GD Towers business posted consistent growth on the back of rising volumes and was further strengthened by the reassignment of the Austrian cell tower business. An operational increase in adjusted EBITDA AL was also achieved through revenue growth and cost transformation. EBITDA AL was positively influenced by net special factors of EUR 161 million, which mainly related to the gain on deconsolidation due to the sale of the Dutch cell tower business. EBITDA AL increased by EUR 354 million compared with the prior-year period to EUR 1.1 billion.

EBIT

EBIT increased year-on-year to EUR 766 million, mainly as a result of the development described under EBITDA AL. Depreciation, amortization and impairment losses increased by 6.4 % compared with the prior-year period, mainly on account of the depreciation, amortization and impairment losses from the Austrian cell tower business, which have been included since January 1, 2021. This was offset by lower depreciation, amortization and impairment losses in connection with the fact that T-Mobile Netherlands has been held for sale since September 6, 2021 and accordingly the related depreciation and amortization has been suspended.

Cash capex

Cash capex stood at EUR 393 million and was thus down on the level of the prior-year period, mainly due to the acquisition of mobile licenses by T-Mobile Netherlands in the prior-year period.

Group Headquarters & Group Services

Development of operations

millions of €	Q1 2021	Q2 2021	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
Total revenue	625	671	617	625	(1.3)	1,913	1,910	0.2	2,556
Profit (loss) from operations (EBIT)	(357)	(378)	(392)	(430)	8.8	(1,127)	(1,140)	1.1	(1,655)
Depreciation, amortization and impairment losses	(330)	(382)	(354)	(358)	1.1	(1,066)	(978)	(9.0)	(1,304)
EBITDA	(27)	4	(38)	(73)	47.9	(62)	(162)	61.7	(350)
Special factors affecting EBITDA	(26)	(55)	(32)	(75)	57.3	(113)	(214)	47.2	(277)
EBITDA (adjusted for special factors)	(2)	59	(6)	2	n.a.	51	52	(1.9)	(73)
EBITDA AL	(110)	(75)	(119)	(164)	27.4	(304)	(434)	30.0	(707)
Special factors affecting EBITDA AL	(26)	(55)	(32)	(75)	57.3	(113)	(214)	47.2	(277)
EBITDA AL (adjusted for special factors)	(84)	(21)	(86)	(90)	4.4	(191)	(220)	13.2	(429)
Cash capex	(250)	(222)	(230)	(223)	(3.1)	(702)	(693)	(1.3)	(990)

Total revenue

Total revenue in our Group Headquarters & Group Services segment remained at the prior-year level in the reporting period. Higher intragroup revenue at Deutsche Telekom IT from the licensing of the ERP system had a positive effect. By contrast, revenue from land and buildings declined 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 29 million year-on-year in the reporting period to EUR -191 million. This trend was mainly the result of increased revenues at Deutsche Telekom IT from the licensing of the ERP system and from lower operating expenses at our Group Services. By contrast, lower income from real estate sales and 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 113 million, especially for staff-related measures. This contrasts with special factors of EUR 214 million in the prior-year period, also in particular for staff-related measures.

EBIT

The year-on-year improvement in EBIT of EUR 13 million to EUR -1,127 million was largely a result of two contrasting effects: the positive development of EBITDA AL on the one hand, and the increase in depreciation, amortization and impairment losses on the other. The latter 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. In addition, depreciation, amortization and impairment losses increased due to higher capitalization in connection with the licensing of the ERP system. By contrast, depreciation, amortization and impairment losses from land and buildings decreased as a result of our continued optimization of the real estate portfolio. An impairment loss was also recognized in the first quarter of 2021 in the amount of EUR 14 million on software used by the Systems Solutions operating segment. This impairment loss was a consequence of the ad hoc impairment testing carried out in the Systems Solutions cash-generating unit in the third quarter of the prior year. At that time, EUR 44 million related to the Group Headquarters & Group Services segment in this connection.

Cash capex

Cash capex increased by EUR 9 million year-on-year, primarily owing to higher 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. Contrary to the forecasts published in the [2020 combined management report](#) (2020 Annual Report, page 107 et seq.) and in the [Interim Group Reports as of March 31, 2021](#) (pages 32 and 33) and [as of June 30, 2021](#) (page 35), we now expect to post stronger-than-expected increases in the Group's adjusted EBITDA AL and free cash flow AL (before dividend payments and spectrum investment). Adjusted EBITDA AL was originally expected to increase to over EUR 37.2 billion. We now expect adjusted EBITDA AL for the Group to come in at around EUR 38 billion in the 2021 financial year. This is largely attributable on the one hand to stronger-than-expected business performance in the United States operating segment, where we now anticipate adjusted EBITDA AL of around USD 26.5 billion, up from previously USD 26.1 billion. But for business outside of the United States, we also expect higher adjusted EBITDA AL of EUR 14.6 billion, up from the previous guidance of EUR 14.4 billion. Due to the increased guidance for adjusted EBITDA AL both in the United States and outside of the United States, we now expect to record free cash flow AL for the Group (before dividend payments and spectrum investment) of around EUR 8.5 billion, up from our original guidance of over EUR 8.0 billion. All other statements made remain valid. For additional information and recent changes in the economic situation, please refer to the section "[The economic environment](#)" in this interim Group management report. Readers are also referred to the [Disclaimer](#) at the end of this report.

Risks and opportunities

This section provides important additional information and explains recent changes in the risks and opportunities as described in the combined management report of the [2020 Annual Report](#). Readers are also referred to the [Disclaimer](#) at the end of this report.

Risk and opportunity management system

Starting in the second quarter of 2021, changes were made to the risk and opportunity management system in line with the revised IDW audit standard 340 on the auditing of the risk early warning system. These changes mainly relate to the implementation of a risk-bearing capacity conception, improvements to risk aggregation (e.g., greater quantification of risks), as well as some renaming and reassignment of risks and opportunities to the various categories. The parameters for classifying risk extent were also adjusted following a significant rise in Deutsche Telekom's EBITDA AL on the back of organic corporate growth and the business combination of T-Mobile US and Sprint. These changes affect the presentation and assessment of the risks and opportunities. We will provide detailed explanations of the changes in the 2021 Annual Report. The Interim Group Report as of September 30, 2021 only contains the "substantive" changes made to the risk and opportunity categories and no changes arising from adjustments to the methodology.

Economic risks, Germany and Europe

The economies of Germany and Europe are poised to recover substantially as coronavirus restrictions are eased. The business and consumer climate has seen a marked improvement in recent months. But at the same time growth in overall economic demand is leading to bottlenecks, with prices for raw materials soaring and companies increasingly facing a shortage of upstream products. These delivery bottlenecks are leading to inflationary pressures worldwide. Nonetheless, the general growth outlooks for Germany and Europe are positive. In October 2021, the International Monetary Fund (IMF) forecast a 5.0 % expansion of the eurozone economy for the current year (Germany +3.1 %) and considers a return to recession to be unlikely. Due to the uncertain path of the coronavirus pandemic, we cannot rule out economic implications resulting from possible further developments, such as the emergence of virus mutations. Based on experience so far, the coronavirus pandemic is expected to have only a limited impact on Deutsche Telekom's business. We have thus reduced the risk significance for the risk category "Economic risks, Germany" and "Economic risks, Europe" to "low."

Economic risks, United States

Leading economic research institutes have raised their growth forecasts for the United States. However, a USD 1,900 billion relief package passed in March 2021 could also entail higher U.S. corporate income tax rates going forward, potentially increasing the tax burden for our Group company T-Mobile US. In October 2021, the IMF forecast a 6.0 % expansion of the U.S. economy for the current year and considers a return to recession to be unlikely. Economic activity in the United States returned to pre-pandemic levels in mid-2021. The current growth outlooks have prompted us to reduce the risk significance for the risk category "Economic risks, United States" to "low."

Risks relating to strategic transformation and integration

Collaboration with Chinese suppliers is being impeded by the enduring trade conflict between the United States and China. Since 2020, the United States has restricted the use of U.S. technology for and by Chinese suppliers on account of security concerns. They also put pressure on other countries to do the same. In Germany, the legislator has put an end to many years of intensive discussion concerning the security of critical infrastructure with the new Second Act to Increase the Security of Information Technology Systems, or the IT Security Act 2.0 (IT-Sicherheitsgesetz 2.0). A positive outcome is that a number of long-disputed requirements for critical infrastructure (KRITIS) have now been laid down. Deutsche Telekom itself has long been scrutinizing security-critical components prior to installation and on an ongoing basis once in operation. We therefore assume that the assessment by the authorities will also be compatible with rapid network build-out and will not lead to any long-term delays. The IT Security Act 2.0 does not include any ban on individual manufacturers. The Federal Ministry of the Interior, Building and Community is currently drafting the necessary rules (on the certification of critical components, manufacturer declarations of trustworthiness, among others) for the practical application of the IT Security Act 2.0. The requirements laid down in the security catalog, drawn up by the Bundesnetzagentur and the Federal Office for Information Security in accordance with the Telecommunications Act and published in early August 2021, will be relevant to any critical components that could potentially be affected. In respect of the certification obligation for components that have already been installed, the catalog stipulates a transition period expiring on December 31, 2025. This is why the affected components can largely be considered to be grandfathered until that point in time. The risk of a retrospective order to remove components already installed in the network is low under current legislation. However, we cannot rule out the possibility that critical components from all manufacturers currently in operation may not be used from January 1, 2026 onwards. Several network operators have taken steps to file official objection proceedings to clarify the ambiguous legal terminology and scope of application of the security catalog. Irrespective of this, the hurdles for retrospective orders to remove components already approved will be high. In other countries, such as Austria and Poland, it is still possible that suppliers in critical infrastructure will have to be replaced within specific deadlines. In particular due to the adoption of the IT Security Act 2.0 in Germany, the extent of potential losses is reduced and we have lowered the risk significance in the risk category "Risks relating to strategic transformation and integration" to "medium."

Regulatory risks

New state interventions in the context of cybersecurity in Poland under debate. In January 2021, the Polish government published a draft for a cybersecurity act and new provisions for an amendment to the national telecommunications act. These changes would give new mobile network operators privileged access to resources to foster their establishment in the market. This could result in unfair competition and negatively affect the competitive standing of our mobile communications subsidiary in Poland.

European Electronic Communications Code (EECC) transposed into national law. The transposition of the EECC into national law in each of Deutsche Telekom's footprint countries confers both opportunities, in particular for a shift towards more investment-friendly regulation, and risks, primarily in connection with the higher costs of transposing extended consumer protection provisions. The rules are already in place in Germany in the form of the Telecommunications Modernization Act (Telekommunikationsmodernisierungsgesetz – TKMoG), which will enter into force on December 1, 2021.

For further information on the implementation of the EECC, please refer to the section "[The economic environment – Regulation.](#)"

Litigation

Claims relating to charges for the shared use of cable ducts. In proceedings instituted against Telekom Deutschland GmbH by Kabel Deutschland Vertrieb und Service GmbH (now Vodafone Kabel Deutschland GmbH) on the one hand and Unitymedia Hessen GmbH & Co. KG (now Vodafone Hessen GmbH), Unitymedia NRW GmbH (now Vodafone NRW GmbH), and Kabel BW GmbH (now Vodafone BW GmbH) on the other, the Federal Court of Justice in its rulings of May 18, 2021 allowed the plaintiffs' appeals to the extent that the proceedings relate to claims for the period from January 1, 2012 (for Vodafone Kabel Deutschland GmbH) and from January 1, 2016 (for the remaining plaintiffs). At present the financial impact of both these proceedings cannot be assessed with sufficient certainty.

Prospectus liability proceedings (third public offering, or DT3). This relates to initially around 2,600 ongoing lawsuits from some 16,000 alleged buyers of T-Shares sold on the basis of the prospectus published on May 26, 2000. The plaintiffs assert that individual figures given in this prospectus were inaccurate or incomplete. The amount in dispute currently totals approximately EUR 78 million plus interest. Some of the actions are also directed at KfW and/or the Federal Republic of Germany as well as the banks that handled the issuances. The Frankfurt/Main Regional Court had issued orders for reference to the Frankfurt/Main Higher Regional Court in accordance with the German Capital Investor Model Proceedings Act (Kapitalanleger-Musterverfahrensgesetz – KapMuG) and has temporarily suspended the initial proceedings. On May 16, 2012, the Frankfurt/Main Higher Regional Court had ruled that there were no material errors in Deutsche Telekom AG's prospectus. In its decision on October 21, 2014, the Federal Court of Justice partly revoked this ruling, determined that there was a mistake in the prospectus, and referred the case back to the Frankfurt/Main Higher Regional Court. On November 30, 2016, the Frankfurt/Main Higher Regional Court ruled that the mistake in the prospectus identified by the Federal Court of Justice could result in liability on the part of Deutsche Telekom AG, although the details of that liability would have to be established in the initial proceedings. Following an appeal from both parties, in February 2021 the Federal Court of Justice once again referred the process back to the Frankfurt/Main Higher Regional Court. Deutsche Telekom has recognized appropriate provisions for risk in the statement of financial position.

Sprint Merger class action. On June 4, 2021, a shareholder class action and derivative action was filed in the Delaware Court of Chancery against Deutsche Telekom, SoftBank, T-Mobile US, and all of our officers and directors at that time, asserting breach of fiduciary duties relating to the repricing amendment to the Business Combination Agreement, as well as SoftBank's subsequent monetization of its T-Mobile US shares. At present the financial impact of these proceedings cannot be assessed with sufficient certainty.

Proceedings against T-Mobile US as a consequence of the cyberattack on T-Mobile US. In August 2021 T-Mobile US confirmed that their systems were subject to a criminal cyberattack that compromised data of millions of their customers, former customers, and prospective customers. With the assistance of outside cybersecurity experts, T-Mobile US located and closed the unauthorized access to their systems and identified customers whose information was impacted and notified them, consistent with state and federal requirements. As a result of the cyberattack, T-Mobile US is subject to numerous lawsuits, including multiple class action lawsuits seeking unspecified monetary damages, and inquiries by various government agencies, law enforcement and other governmental authorities, and T-Mobile US may be subject to further regulatory inquiries and private litigation. At present the financial impact of these proceedings cannot be assessed with sufficient certainty.

Anti-trust proceedings

Claims for damages against Slovak Telekom following a European Commission decision to impose fines. The European Commission decided on October 15, 2014 that Slovak Telekom had abused its market power on the Slovak broadband market and as a result imposed fines on Slovak Telekom and Deutsche Telekom, which were paid in full in January 2015. In 2018, following an appeal by Slovak Telekom and Deutsche Telekom, the Court of the European Union partially overturned the European Commission's ruling and reduced the fines by a total of EUR 13 million. A ruling of March 25, 2021 dismissed in full a further appeal with the European Court of Justice. Following the decision of the European Commission, competitors had filed damage actions against Slovak Telekom with the civil court in Bratislava. These claims seek compensation for alleged damages due to Slovak Telekom's abuse of a dominant market position, as determined by the European Commission. At present, two claims totaling EUR 112 million plus interest are still pending. It is currently not possible to estimate the financial impact with sufficient certainty.

Assessment of the aggregate risk position

The improved economic outlooks for Germany, Europe, and the United States, along with the new IT Security Act 2.0, which has introduced clarity in relation to restrictions with regard to Chinese suppliers, have led to an improvement in the aggregate risk position compared to the risks and opportunities as described in the combined management report of the 2020 Annual Report. At the time of preparing this report, neither our risk management system nor our management could identify any material risks to the continued existence of Deutsche Telekom AG or a significant Group company as a going concern.

Interim consolidated financial statements

Consolidated statement of financial position

millions of €	Sept. 30, 2021	Dec. 31, 2020	Change	Change %	Sept. 30, 2020
Assets					
Current assets	34,586	37,293	(2,707)	(7.3)	32,725
Cash and cash equivalents	6,337	12,939	(6,602)	(51.0)	10,642
Trade receivables	14,110	13,523	587	4.3	12,960
Contract assets	1,976	1,966	10	0.5	1,926
Current recoverable income taxes	270	349	(79)	(22.6)	213
Other financial assets	3,304	3,224	80	2.5	2,650
Inventories	2,138	2,695	(557)	(20.7)	2,342
Other assets	1,890	1,484	406	27.4	1,948
Non-current assets and disposal groups held for sale	4,559	1,113	3,446	n.a.	44
Non-current assets	238,769	227,624	11,145	4.9	232,568
Intangible assets	130,709	118,066	12,643	10.7	120,873
Property, plant and equipment	60,072	60,975	(903)	(1.5)	61,594
Right-of-use assets	30,807	30,302	505	1.7	31,756
Capitalized contract costs	2,335	2,192	143	6.5	2,133
Investments accounted for using the equity method	980	543	437	80.5	550
Other financial assets	5,053	6,416	(1,363)	(21.2)	6,643
Deferred tax assets	7,514	7,972	(458)	(5.7)	7,861
Other assets	1,298	1,159	139	12.0	1,159
Total assets	273,355	264,917	8,438	3.2	265,292
Liabilities and shareholders' equity					
Current liabilities	35,035	37,135	(2,100)	(5.7)	35,109
Financial liabilities	10,811	12,652	(1,841)	(14.6)	12,419
Lease liabilities	4,663	5,108	(445)	(8.7)	5,134
Trade and other payables	8,235	9,760	(1,525)	(15.6)	8,318
Income tax liabilities	916	690	226	32.8	558
Other provisions	3,494	3,638	(144)	(4.0)	3,490
Other liabilities	3,977	3,213	764	23.8	3,525
Contract liabilities	1,665	1,625	40	2.5	1,666
Liabilities directly associated with non-current assets and disposal groups held for sale	1,274	449	825	n.a.	0
Non-current liabilities	159,460	155,232	4,228	2.7	158,149
Financial liabilities	98,110	94,456	3,654	3.9	95,437
Lease liabilities	28,143	27,607	536	1.9	28,718
Provisions for pensions and other employee benefits	6,445	7,684	(1,239)	(16.1)	8,481
Other provisions	5,283	5,395	(112)	(2.1)	5,018
Deferred tax liabilities	18,908	17,260	1,648	9.5	17,706
Other liabilities	2,011	2,418	(407)	(16.8)	2,375
Contract liabilities	560	411	149	36.3	414
Liabilities	194,495	192,367	2,128	1.1	193,259
Shareholders' equity	78,861	72,550	6,311	8.7	72,034
Issued capital	12,765	12,189	576	4.7	12,189
Treasury shares	(45)	(46)	1	2.2	(46)
	12,720	12,143	577	4.8	12,143
Capital reserves	63,705	62,640	1,065	1.7	62,610
Retained earnings including carryforwards	(36,720)	(38,905)	2,185	5.6	(39,398)
Total other comprehensive income	(2,318)	(4,115)	1,797	43.7	(2,927)
Net profit (loss)	3,705	4,158	(453)	(10.9)	2,487
Issued capital and reserves attributable to owners of the parent	41,092	35,922	5,170	14.4	34,916
Non-controlling interests	37,769	36,628	1,141	3.1	37,118
Total liabilities and shareholders' equity	273,355	264,917	8,438	3.2	265,292

Consolidated income statement

millions of €	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
Net revenue	26,877	26,393	1.8	79,860	73,377	8.8	100,999
Of which: interest income calculated using the effective interest method	65	61	6.6	206	218	(5.5)	278
Other operating income	250	254	(1.6)	1,091	1,073	1.7	2,879
Changes in inventories	16	(1)	n.a.	12	29	(58.6)	(15)
Own capitalized costs	724	702	3.1	2,104	2,029	3.7	2,774
Goods and services purchased	(11,866)	(11,065)	(7.2)	(35,021)	(31,307)	(11.9)	(44,674)
Personnel costs	(4,340)	(4,618)	6.0	(13,698)	(14,233)	3.8	(18,853)
Other operating expenses	(1,195)	(1,050)	(13.8)	(3,050)	(3,386)	9.9	(4,476)
Impairment losses on financial assets	(132)	(197)	33.0	(401)	(671)	40.2	(862)
Gains (losses) from the write-off of financial assets measured at amortized cost	(31)	(52)	40.4	(84)	(137)	38.7	(188)
Other	(1,032)	(801)	(28.8)	(2,565)	(2,578)	0.5	(3,425)
EBITDA	10,468	10,615	(1.4)	31,298	27,581	13.5	38,633
Depreciation, amortization and impairment losses	(7,002)	(7,508)	6.7	(20,625)	(18,876)	(9.3)	(25,829)
Profit (loss) from operations (EBIT)	3,466	3,107	11.6	10,672	8,704	22.6	12,804
Finance costs	(1,159)	(1,100)	(5.4)	(3,462)	(3,100)	(11.7)	(4,224)
Interest income	108	105	2.9	323	298	8.4	414
Interest expense	(1,267)	(1,205)	(5.1)	(3,785)	(3,398)	(11.4)	(4,638)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	4	(1)	n.a.	(40)	(7)	n.a.	(12)
Other financial income (expense)	(337)	111	n.a.	(159)	(96)	(65.6)	109
Profit (loss) from financial activities	(1,491)	(990)	(50.6)	(3,661)	(3,204)	(14.3)	(4,128)
Profit (loss) before income taxes	1,974	2,116	(6.7)	7,011	5,501	27.4	8,677
Income taxes	(467)	(495)	5.7	(1,728)	(1,463)	(18.1)	(1,929)
Profit (loss)	1,508	1,621	(7.0)	5,283	4,038	30.8	6,747
Profit (loss) attributable to							
Owners of the parent (net profit (loss))	889	817	8.8	3,705	2,487	49.0	4,158
Non-controlling interests	618	804	(23.1)	1,578	1,550	1.8	2,589

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

Earnings per share

	Q3 2021	Q3 2020	Change %	Q1-Q3 2021	Q1-Q3 2020	Change %	FY 2020
Profit (loss) attributable to the owners of the parent (net profit (loss))	889	817	8.8	3,705	2,487	49.0	4,158
Adjusted weighted average number of basic/diluted ordinary shares outstanding	4,800	4,743	1.2	4,766	4,743	0.5	4,743
Earnings per share basic/diluted	0.19	0.17	11.8	0.78	0.52	50.0	0.88

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

Consolidated statement of comprehensive income

millions of €	Q3 2021	Q3 2020	Change	Q1-Q3 2021	Q1-Q3 2020	Change	FY 2020
Profit (loss)	1,508	1,621	(113)	5,283	4,038	1,245	6,747
Items not subsequently reclassified to profit or loss (not recycled)							
Gains (losses) from the remeasurement of equity instruments	46	(12)	58	133	47	86	62
Gains (losses) from the remeasurement of defined benefit plans	(522)	(515)	(7)	1,088	(1,870)	2,958	(1,358)
Revaluation due to business combinations	0	0	0	0	0	0	0
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0	0	0	0
Income taxes relating to components of other comprehensive income	11	142	(131)	(213)	154	(367)	142
	(466)	(385)	(81)	1,008	(1,670)	2,678	(1,154)
Items subsequently reclassified to profit or loss (recycled), if certain reasons are given							
Exchange differences on translating foreign operations							
Recognition of other comprehensive income in income statement	20	0	20	61	0	61	0
Change in other comprehensive income (not recognized in income statement)	1,641	(2,845)	4,486	3,689	(3,889)	7,578	(6,578)
Gains (losses) from the remeasurement of debt instruments							
Recognition of other comprehensive income in income statement	74	0	74	253	212	41	491
Change in other comprehensive income (not recognized in income statement)	(74)	51	(125)	(253)	(144)	(109)	(481)
Gains (losses) from hedging instruments (designated risk components)							
Recognition of other comprehensive income in income statement	12	151	(139)	26	292	(266)	431
Change in other comprehensive income (not recognized in income statement)	13	(173)	186	160	(1,255)	1,415	(1,446)
Gains (losses) from hedging instruments (hedging costs)							
Recognition of other comprehensive income in income statement	1	1	0	2	2	0	2
Change in other comprehensive income (not recognized in income statement)	35	7	28	55	(21)	76	(30)
Share of profit (loss) of investments accounted for using the equity method							
Recognition of other comprehensive income in income statement	0	0	0	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	0	1	(1)	0	1	(1)	1
Income taxes relating to components of other comprehensive income	(18)	(5)	(13)	(64)	252	(316)	283
	1,703	(2,812)	4,515	3,929	(4,552)	8,481	(7,327)
Other comprehensive income	1,238	(3,197)	4,435	4,937	(6,222)	11,159	(8,481)
Total comprehensive income	2,745	(1,576)	4,321	10,220	(2,184)	12,404	(1,734)
Total comprehensive income attributable to							
Owners of the parent	1,165	(908)	2,073	6,498	(1,460)	7,958	(496)
Non-controlling interests	1,580	(668)	2,248	3,722	(724)	4,446	(1,238)

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

Consolidated statement of changes in equity

millions of €

	Issued capital and reserves attributable to owners of the parent						
	Equity contributed			Consolidated shareholders' equity generated			
	Issued capital	Treasury shares	Capital reserves	Retained earnings including carry-forwards	Net profit (loss)	Translation of foreign operations	Revaluation surplus
Balance at January 1, 2020	12,189	(47)	55,029	(38,709)	3,867	(808)	(21)
Transfer resulting from change in accounting standards							
Changes in the composition of the Group							
Transactions with owners			7,371			(350)	0
Unappropriated profit (loss) carried forward				3,867	(3,867)		
Dividends				(2,846)			
Capital increase at Deutsche Telekom AG							
Capital increase from share-based payment			210				
Share buy-back/shares held in a trust deposit		1		0			
Profit (loss)					2,487		
Other comprehensive income				(1,706)		(1,809)	
Total comprehensive income							
Transfer to retained earnings				(4)			5
Balance at September 30, 2020	12,189	(46)	62,610	(39,398)	2,487	(2,967)	(16)
Balance at January 1, 2021	12,189	(46)	62,640	(38,905)	4,158	(4,092)	(14)
Transfer resulting from change in accounting standards							
Changes in the composition of the Group							
Transactions with owners			(152)				
Unappropriated profit (loss) carried forward				4,158	(4,158)		
Dividends				(2,846)			
Capital increase at Deutsche Telekom AG	576		1,063			(83)	
Capital increase from share-based payment			154				
Share buy-back/shares held in a trust deposit		1					
Profit (loss)					3,705		
Other comprehensive income				821		1,720	
Total comprehensive income							
Transfer to retained earnings				52			5
Balance at September 30, 2021	12,765	(45)	63,705	(36,720)	3,705	(2,454)	(9)

Issued capital and reserves attributable to owners of the parent							Total	Non-controlling interests	Total shareholders' equity
Total other comprehensive income									
Equity instruments measured at fair value through other comprehensive income (IFRS 9)	Debt instruments measured at fair value through other comprehensive income (IFRS 9)	Hedging instruments: designated risk components (IFRS 9)	Hedging instruments: hedging costs (IFRS 9)	Investments accounted for using the equity method	Taxes				
101	(6)	130	51	0	(69)	31,707	14,524	46,231	
						0	17,329	17,329	
0	12	379			(109)	7,303	5,999	13,301	
						0		0	
						(2,846)	(215)	(3,061)	
						210	205	416	
						1		1	
						2,487	1,550	4,038	
47	19	(661)	(20)	1	183	(3,947)	(2,275)	(6,222)	
						(1,460)	(724)	(2,184)	
0		0		(1)		0		0	
148	25	(153)	32	0	4	34,916	37,118	72,034	
156	0	(223)	24	0	34	35,922	36,628	72,550	
						0	(181)	(181)	
		5			(1)	(149)	3	(145)	
						0	0	0	
						(2,846)	(234)	(3,080)	
		(64)			19	1,511	(2,358)	(847)	
						154	188	342	
						1	0	1	
						3,705	1,578	5,283	
127	0	122	57		(53)	2,794	2,142	4,937	
						6,498	3,722	10,220	
(60)	0				3	0	0	0	
223	0	(160)	81	0	1	41,092	37,769	78,861	

Consolidated statement of cash flows

millions of €	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	FY 2020
Profit (loss) before income taxes	1,974	2,116	7,011	5,501	8,677
Depreciation, amortization and impairment losses	7,002	7,508	20,625	18,876	25,829
(Profit) loss from financial activities	1,491	990	3,661	3,204	4,128
(Profit) loss on the disposal of fully consolidated subsidiaries	32	0	(130)	(9)	(10)
(Income) loss from the sale of stakes accounted for using the equity method	(13)	0	(13)	0	0
Other non-cash transactions	85	251	90	645	(857)
(Gains) losses from the disposal of intangible assets and property, plant and equipment	64	71	62	249	368
Change in assets carried as operating working capital	(187)	(859)	249	(1,220)	(2,702)
Change in other operating assets	378	(59)	(164)	(323)	(509)
Change in provisions	131	134	(368)	(128)	20
Change in liabilities carried as operating working capital	(43)	(1,085)	(1,173)	(2,960)	(2,108)
Change in other operating liabilities	(250)	(145)	147	38	(239)
Income taxes received (paid)	(262)	(332)	(618)	(406)	(690)
Dividends received	4	2	6	6	6
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	(1)	(17)	(1)	(2,207)	(2,207)
Cash generated from operations	10,406	8,577	29,384	21,266	29,706
Interest paid	(1,344)	(1,388)	(4,549)	(5,782)	(7,252)
Interest received	170	150	786	961	1,289
Net cash from operating activities	9,233	7,338	25,620	16,445	23,743
Cash outflows for investments in					
Intangible assets	(1,431)	(1,098)	(11,519)	(4,154)	(5,756)
Property, plant and equipment	(3,236)	(3,665)	(9,740)	(8,726)	(12,938)
Non-current financial assets	(83)	(150)	(259)	(525)	(566)
Payments for publicly funded investments in the broadband build-out	(114)	(123)	(294)	(337)	(507)
Proceeds from public funds for investments in the broadband build-out	99	76	202	152	431
Changes in cash and cash equivalents in connection with the acquisition of control of subsidiaries and associates	(1,588)	(1)	(1,613)	(4,649)	(5,028)
Proceeds from disposal of					
Intangible assets	0	0	1	2	3
Property, plant and equipment	24	48	129	175	233
Non-current financial assets	54	13	244	86	112
Changes in cash and cash equivalents in connection with the loss of control of subsidiaries and associates	202	1,085	347	1,106	1,094
Net change in short-term investments and marketable securities and receivables	(307)	(216)	(185)	1,574	273
Other	0	(17)	0	(6)	(2)
Net cash used in investing activities	(6,380)	(4,048)	(22,687)	(15,302)	(22,649)
Proceeds from issue of current financial liabilities	(11)	94	4,287	19,012	19,018
Repayment of current financial liabilities	(4,856)	(4,917)	(15,960)	(31,091)	(34,939)
Proceeds from issue of non-current financial liabilities	1,703	0	10,278	26,113	34,131
Repayment of non-current financial liabilities	0	0	0	(1,699)	(1,699)
Dividend payments (including to other shareholders of subsidiaries)	(178)	(193)	(3,087)	(3,067)	(3,067)
Principal portion of repayment of lease liabilities	(2,180)	(1,476)	(5,215)	(4,206)	(5,371)
Cash inflows from transactions with non-controlling entities	1	23	12	47	53
Cash outflows from transactions with non-controlling entities	(62)	(103)	(409)	(448)	(565)
Other	0	0	0	0	0
Net cash (used in) from financing activities	(5,582)	(6,573)	(10,094)	4,661	7,561
Effect of exchange rate changes on cash and cash equivalents	136	(612)	492	(556)	(1,036)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	69	0	68	0	(73)
Net increase (decrease) in cash and cash equivalents	(2,524)	(3,895)	(6,602)	5,249	7,547
Cash and cash equivalents, at the beginning of the period	8,861	14,537	12,939	5,393	5,393
Cash and cash equivalents, at the end of the period	6,337	10,642	6,337	10,642	12,939

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

Significant events and transactions

Accounting policies

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

Statement of compliance

The interim consolidated financial statements for the period ended September 30, 2021 are in compliance with International Accounting Standard (IAS) 34. As permitted by IAS 34, it has been decided to publish a condensed version compared to the consolidated financial statements at December 31, 2020. All IFRSs applied by Deutsche Telekom AG have been adopted by the European Commission for use within the EU.

In the opinion of the Board of Management, the reviewed quarterly financial report includes all standard adjustments to be applied on an ongoing basis that are required to give a true and fair view of the results of operations and financial position of the Group. Please refer to the [notes to the consolidated financial statements](#) as of December 31, 2020 for the accounting policies applied for the Group's financial reporting.

Initial application of standards, interpretations, and amendments in the reporting period

Pronouncement	Title	To be applied by Deutsche Telekom from	Changes	Expected impact on the presentation of Deutsche Telekom's results of operations and financial position
IFRSs endorsed by the EU				
Amendment to IFRS 16	Covid-19-related Rent Concessions	Jan. 1, 2021 ^a	Practical expedient for lessee accounting of rent concessions granted due to the Covid-19 pandemic. Instead of assessing whether a rent concession is a lease modification, the lessee may account for the changes in lease payments as if they were not lease modifications.	Practical expedient not applied by Deutsche Telekom.
Amendments to IFRS 4	Insurance Contracts – deferral of IFRS 9	Jan. 1, 2021	Deferral of first-time application of IFRS 9 for insurance companies.	No impact.
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform (Phase 2)	Jan. 1, 2021	The amendments address the impact of modifications of financial instruments required as a direct consequence of the IBOR reform, hedge accounting requirements, and the accompanying disclosures.	No material impact expected.

^a Earlier application is permissible. Deutsche Telekom already decided in the 2020 financial year to not apply the practical expedient.

Thanks to intensive preparatory and implementation work, the reform of interbank offered rates (IBORs) is currently generating low residual risks regarding the timing of implementation and the precise content of the planned changes for individual contracts concluded in foreign currencies. Deutsche Telekom is affected by this uncertainty in its hedging of interest rate and currency risks in designated fair value and cash flow hedges where certain IBORs are part of the hedging relationship (EURIBOR, USD-LIBOR, GBP-LIBOR, and CHF-LIBOR). Group Treasury continuously analyzes the latest developments and takes any additional steps needed to transition to the new interest rate benchmarks. EONIA has already been transitioned to €STR, while specific implementation work for the currencies CHF, GBP, and JPY will continue until the end of 2021, so that these currencies can be effectively transitioned to the new reference interest rates at the start of 2022. The transition date for all other currencies affected by the reform will depend on the relevant market liquidity of the new risk free rates. For the USD-LIBOR, the market is expected to make the switch by mid-2023.

For more information on standards, interpretations, and amendments that have been issued but not yet applied, as well as disclosures on the recognition and measurement of items in the statement of financial position and discretionary decisions and estimation uncertainties, please refer to the section [“Summary of accounting policies”](#) in the notes to the consolidated financial statements in the 2020 Annual Report.

Changes in accounting policies and changes in the reporting structure

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

Effective January 1, 2021, Deutsche Telekom reassigned the responsibility for business and profit and loss for Deutsche Telekom IoT GmbH from the Systems Solutions operating segment to the business customer unit in the Germany operating segment. Deutsche Telekom IoT GmbH is responsible for the IoT business of Deutsche Telekom. This reassignment makes it possible to serve the IoT market more quickly and thus to strengthen Deutsche Telekom's position on this growth market. Prior-year comparatives in both of the segments affected have accordingly been adjusted retrospectively in segment reporting.

As of January 1, 2021, Deutsche Telekom reassigned the Austrian cell tower business from the Europe operating segment to GD Towers in the Group Development operating segment to enhance the management efficiency in cell tower business. In addition, GD Towers will increase its efforts to expand third-party business, increase profitability, and develop growth areas. Furthermore, Deutsche Telekom IT (DT IT) Russia, DT IT Slovakia, and DT IT Hungary were reassigned from the Germany operating segment to the Group Headquarters & Group Services segment effective January 1, 2021. Prior-year comparatives in the segments affected have not been adjusted retrospectively, since the effects are immaterial for the Group and the costs for preparing the adjustment would outweigh the benefit.

Coronavirus pandemic

The coronavirus pandemic has developed into a global economic crisis. Due to higher demand for certain telecommunications services, the impact of the crisis is being felt less severely by the telecommunications industry and Deutsche Telekom than by other industries. Business activities and thus the results of operations and financial position of Deutsche Telekom were impacted by the coronavirus pandemic in various business areas, affecting revenue and earnings, although not to any significant extent. Deutsche Telekom has put in place cost-saving measures to mitigate potential effects on earnings. At this time, we can report only very minor repercussions with respect to payment defaults and customer numbers.

Possible future effects on the measurement of individual assets and liabilities are being analyzed on an ongoing basis. Due to the uncertain path of the coronavirus pandemic, Deutsche Telekom cannot rule out economic implications resulting from possible further developments, such as the emergence of virus mutations. 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. Based on experience so far, the coronavirus pandemic is expected to have only a limited impact on Deutsche Telekom's business.

Changes in the composition of the Group and other transactions

In the first nine months of 2021, the following developments were recorded in the Group in connection with transactions conducted by Deutsche Telekom in prior periods.

Business combination of T-Mobile US and Sprint

Together with their respective majority shareholders Deutsche Telekom AG and SoftBank K.K., T-Mobile US and Sprint Corp. concluded a binding agreement on April 29, 2018 to combine their companies. On July 26, 2019 and on February 20, 2020, further conditions for the business combination were agreed. The transaction was consummated on April 1, 2020. Prior to this, the approvals required from the national and regional regulatory and antitrust authorities and courts in the United States had been obtained and additional closing conditions met. The last approval was granted by the California Public Utilities Commission (CPUC) on April 16, 2020. As a consequence of the business combination, T-Mobile US took over all shares in Sprint.

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

The purchase price allocation and the measurement of Sprint's assets and liabilities at the acquisition date were finalized as of March 31, 2021.

The consideration transferred is comprised as follows:

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

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

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

The fair values of Sprint's acquired assets and liabilities recognized at the acquisition date are presented in the following table:

millions of €	Fair value at the acquisition date
Assets	
Current assets	7,903
Cash and cash equivalents	1,904
Trade receivables	2,924
Contract assets	141
Other financial assets	205
Other assets	364
Current recoverable income taxes	18
Inventories	602
Non-current assets and disposal groups held for sale	1,745
Non-current assets	85,678
Goodwill	8,704
Other intangible assets	50,322
Of which: FCC spectrum licenses	41,629
Of which: customer base	4,481
Of which: other	4,212
Property, plant and equipment	13,660
Right-of-use assets	6,287
Other financial assets	224
Deferred tax assets	6,269
Other assets	212
Assets	93,581
Liabilities	
Current liabilities	18,978
Financial liabilities	11,988
Lease liabilities	1,669
Trade and other payables	2,948
Income tax liabilities	136
Other provisions	890
Contract liabilities	249
Other liabilities	664
Liabilities associated with assets and disposal groups held for sale	434
Non-current liabilities	43,976
Financial liabilities	27,068
Lease liabilities	5,146
Provisions for pensions and other employee benefits	816
Other provisions	1,057
Deferred tax liabilities	9,809
Other liabilities	55
Contract liabilities	25
Liabilities	62,954

The acquired intangible assets mainly comprise FCC spectrum licenses and customer relationships, which were measured at fair value in the amount of EUR 41,629 million and EUR 4,481 million, respectively. Spectrum licenses were measured using the greenfield method. Under the greenfield method, the value of an intangible asset is determined using a hypothetical cash flow scenario. The scenario projects the development of an entity's operating business on the assumption that the entity owns only this intangible asset at inception. FCC spectrum licenses have an indefinite useful life. The multi-period excess earnings method was used to measure customer relationships. Under this method, the fair value of the customer base is calculated by determining the present value of earnings after tax attributable to existing customers. The expected useful life of customer relationships is 8 years on average. Other intangible assets include, among other things, limited-term spectrum leases, the measurement of which includes the contractual payment obligations and also reflects the extent to which contractual terms are favorable compared to current market values. The average remaining lease term at the acquisition date was 20 years for non-cancelable leases, generally with a term of 30 years, and 7 years for cancelable leases, generally with a minimum term of 10 years.

The fair value of the acquired trade and other receivables amounts to EUR 2,924 million. The gross amount of trade receivables totals EUR 3,076 million, of which EUR 152 million is expected to be bad debt.

In the first quarter of 2021, measurement adjustments were made to the acquired assets and liabilities, which mainly related to taxes, contingent liabilities, and spectrum leases and resulted in an immaterial change in goodwill.

The acquired goodwill of EUR 8,704 million is calculated as follows:

millions of €	Fair value at the acquisition date
Consideration transferred	30,627
– Fair value of assets acquired	(84,877)
+ Fair value of the liabilities recognized	62,954
= Goodwill	8,704

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

For further information on the business combination of T-Mobile US and Sprint, please refer to the section [“Group organization”](#) in the combined management report and the section [“Summary of accounting policies – Changes in the composition of the Group and other transactions”](#) in the notes to the consolidated financial statements in the 2020 Annual Report.

Acquisition of Simpel by T-Mobile Netherlands

On October 16, 2020, T-Mobile Netherlands B.V. signed an agreement for the acquisition of 100 % of the shares in Complex Bidco B.V. including its 100 % stake in the Dutch MVNO and SIM provider Simpel.nl B.V. On November 16, 2020, the Dutch Authority for Consumers and Markets approved the acquisition without conditions. The acquisition was closed on December 1, 2020. Complex Bidco B.V. including Simpel.nl B.V. has been included in Deutsche Telekom's consolidated financial statements since December 1, 2020.

The purchase price allocation and the measurement of Simpel's assets and liabilities at the acquisition date were finalized as of June 30, 2021. The finalization of the purchase price allocation did not result in any material changes to the fair values of the assets acquired and the liabilities assumed at the acquisition date compared with those reported in the notes to the consolidated financial statements as of December 31, 2020.

The consideration transferred is comprised as follows:

millions of €	Fair value at the acquisition date
Cash payment	259
+ Fair value of the purchase option	26
+ Settlement of the pre-existing relationships	8
= Consideration transferred	293

The purchase option resulted from the call option agreement concluded in July 2019, which secured T-Mobile Netherlands the right to acquire 100 % of the shares in Complex Bidco B.V. including its 100 % stake in Simpel.

The fair values of Simpel's acquired assets and liabilities recognized at the acquisition date are presented in the following table:

millions of €	Fair value at the acquisition date
Assets	
Current assets	6
Cash and cash equivalents	4
Trade receivables	1
Other assets	1
Non-current assets	336
Goodwill	196
Other intangible assets	138
Of which: customer base	114
Of which: brand	15
Of which: other	9
Property, plant and equipment	1
Deferred tax assets	1
Assets	342
Liabilities	
Current liabilities	15
Trade and other payables	4
Income tax liabilities	7
Other liabilities	4
Non-current liabilities	34
Deferred tax liabilities	34
Liabilities	49

The customer base was measured using the multi-period excess earnings method. Under this method, the fair value of the customer base is calculated by determining the present value of earnings after tax attributable to existing customers. The customer base is amortized over the remaining useful life of around 8 years. The brand was measured using the license price analogy method. Under this method, the value of the brand is calculated by making an assumption about which license costs would be notionally payable if the company did not own the relevant asset. The brand is amortized over the remaining useful life of 10 years.

The carrying amounts of the acquired receivables are based on the fair values. No material contingent liabilities have been identified.

The deferred tax liabilities comprise the tax effect on the temporary differences between the fair value of the different assets and liabilities on the one hand, and the respective carrying amount for tax purposes on the other.

The acquired goodwill of EUR 196 million is calculated as follows:

millions of €	Fair value at the acquisition date
Consideration transferred	293
– Fair value of assets acquired	(146)
+ Fair value of the liabilities recognized	49
= Goodwill	196

The goodwill reflects the value of new customer additions anticipated in connection with the acquisition. No part of the recognized goodwill is deductible for income tax purposes.

For further information on the acquisition of Simpel, please refer to the section "Summary of accounting policies – Changes in the composition of the Group and other transactions" in the notes to the consolidated financial statements in the 2020 Annual Report.

In the first nine months of 2021, Deutsche Telekom conducted the following transactions, which had an impact on the composition of the Group. Other changes to the composition of the Group not shown here were of no material significance for Deutsche Telekom's interim consolidated financial statements.

Combination of the cell tower business in the Netherlands and creation of an infrastructure fund

Deutsche Telekom has set up a fund for investments in digital infrastructure in Europe. On January 21, 2021, Deutsche Telekom, Cellnex Telecom S.A. (Cellnex), the newly established independently managed investment company Digital Infrastructure Vehicle II SICAF-RAIF (DIV), and others signed an agreement to merge Deutsche Telekom's and Cellnex's respective Dutch subsidiaries for passive mobile infrastructure, T-Mobile Infra B.V. and Cellnex Netherlands B.V. (Cellnex NL), into Cellnex NL. In the first step, Deutsche Telekom and Cellnex carried out an increase in capital at DIV. As a result, Deutsche Telekom holds 66.67 % and Cellnex 33.33 % of the shares in DIV. Since Deutsche Telekom has control over DIV, DIV is included in the consolidated financial statements of Deutsche Telekom as a subsidiary. T-Mobile Infra B.V. was then sold to DIV. Immediately before the sale, Deutsche Telekom received a dividend of EUR 0.3 billion from T-Mobile Infra B.V. In the next step, DIV contributed its stake in T-Mobile Infra B.V. into Cellnex NL. In return, DIV received a stake of 37.65 % in the "new" company Cellnex NL. The transaction was consummated on June 1, 2021, after the responsible antitrust authority had granted all the necessary approvals. As a consequence, Deutsche Telekom lost control over T-Mobile Infra B.V. and EUR 0.2 billion of the resulting gain on deconsolidation of EUR 0.3 billion was included in other operating income as of September 30, 2021. EUR 0.1 billion will be recognized pro rata in later periods through the sale-and-leaseback transaction described below. Since June 1, 2021, the stake in Cellnex NL has been indirectly included in the consolidated financial statements through the investment in DIV as an investment accounted for using the equity method with a carrying amount of EUR 0.4 billion. The carrying amount of the non-controlling interest of 33.33 % in DIV amounted to EUR 0.1 billion as of June 1, 2021. Since the shares in DIV are puttable, the non-controlling interests were recognized under non-current financial liabilities.

T-Mobile Netherlands will continue to have full access to the contributed passive mobile infrastructure by means of a long-term agreement at normal market conditions, primarily on the lease of the corresponding infrastructure. The lease component included in the agreement with a non-cancelable basic lease term of around 12 years fulfills the conditions of a sale-and-leaseback transaction. Right-of-use assets in the amount of EUR 0.3 billion and lease liabilities in the amount of EUR 0.4 billion were recognized in this context as of June 1, 2021. The gain from the sale-and-leaseback transaction totaled EUR 0.1 billion, EUR 12 million of which was recognized directly in profit or loss; the remainder will be released to profit or loss over the residual useful lives of the rights-of-use assets. The cash inflow totaling EUR 377 million resulting from the sale of T-Mobile Infra B.V. is recognized in the consolidated statement of cash flows as of September 30, 2021, with EUR 135 million relating to the sale of the business operation recognized under net cash used in investing activities and EUR 242 million relating to the sale and leaseback of the passive mobile infrastructure recognized under net cash used in/from financing activities.

In future, further institutional investors in addition to Deutsche Telekom and Cellnex will be given the opportunity to buy a stake in DIV. Deutsche Telekom plans to maintain around 25 % of the fund in its target structure. Until control is lost, DIV will be included in Deutsche Telekom's consolidated financial statements as a subsidiary.

Acquisition of Shentel

Sprint is party to a variety of agreements with Shenandoah Personal Communications Company (Shentel), pursuant to which Shentel is the exclusive provider of Sprint wireless communications network products in certain parts of several U.S. states that are home to approximately 1.1 million subscribers. Pursuant to one such agreement, Sprint was granted an option to purchase Shentel's wireless telecommunications assets. On August 26, 2020, Sprint exercised its option by delivering a binding notice of exercise to Shentel. On May 28, 2021, a purchase agreement was signed between T-Mobile US and Shentel for the acquisition of assets and liabilities directly associated with the aforementioned wireless telecommunications operation of Shentel. The base purchase price is USD 1.9 billion, subject to certain purchase price adjustments prescribed by the agreement as well as additional purchase price adjustments agreed by the parties. The transaction was consummated on July 1, 2021 after obtaining the necessary approvals from the regulatory authorities and satisfying the other closing conditions.

The preliminary consideration transferred as of the acquisition date in the form of a cash payment – taking into account the settlement paid for the pre-existing relationships between T-Mobile US and Shentel for a total of USD 0.1 billion (EUR 0.1 billion) – amounted to USD 1.9 billion (EUR 1.6 billion).

The acquisition meets the conditions for a business combination in accordance with IFRS 3. The purchase price allocation and the measurement of Shentel's assets and liabilities at the acquisition date had not been finalized as of September 30, 2021. The preliminary fair values of Shentel's acquired assets and liabilities are presented in the following table:

millions of €	Fair value at the acquisition date
Assets	
Current assets	2
Inventories	2
Non-current assets	1,899
Goodwill	872
Other intangible assets	654
Property, plant and equipment	109
Right-of-use assets	259
Deferred tax assets	5
Assets	1,901
Liabilities	
Current liabilities	61
Lease liabilities	61
Non-current liabilities	252
Other provisions	30
Lease liabilities	222
Liabilities	313

The preliminary goodwill of EUR 872 million is calculated as follows:

millions of €	Fair value at the acquisition date
Consideration transferred	1,588
– Fair value of assets acquired	(1,029)
+ Fair value of the liabilities recognized	313
= Goodwill	872

The preliminary goodwill comprises the cost savings anticipated in connection with the acquisition, in particular from the integration of the network infrastructure and the telecommunications systems. No part of the recognized goodwill is expected to be deductible for income tax purposes.

Other intangible assets primarily include reacquired rights for the provision of telecommunications services in Shentel's former area of business activities. The reacquired rights are attributable to the fact that the management and service agreement with Shentel, due to expire in 2029, was terminated prematurely in connection with the business combination. As a result, T-Mobile US recovered the rights of distribution and operation transferred to Shentel for this period of time and thus the cash flows from the customer contracts. The reacquired rights were measured using the multi-period excess earnings method. These rights are amortized over their remaining useful life of around 9 years.

No material contingent liabilities have been identified.

Transaction-related costs totaling EUR 10 million were incurred in the Group in the reporting period. These mainly comprised legal and consulting fees and are included under other operating expenses.

Deutsche Telekom's net revenue increased by EUR 124 million in the reporting period due to the acquisition. Net profit for the reporting period includes Shentel's total profit before non-controlling interests of EUR 7 million. If the business combination had taken place at the beginning of the 2021 financial year, net revenue and net profit before non-controlling interests would have been respectively EUR 202 million and EUR 24 million higher than reported.

Sale of Telekom Romania Communications

On November 6, 2020, OTE concluded an agreement with Orange Romania concerning the sale of the 54 % stake in Telekom Romania Communications S.A. (TKR), which operates the Romanian fixed-network business, to Orange Romania. The transaction was consummated on September 30, 2021 after obtaining the necessary approvals from the authorities and satisfying the other closing conditions. The purchase price is EUR 296 million. The loss on deconsolidation resulting from the sale amounts to EUR 29 million. TKR's 30 % stake in Telekom Romania Mobile Communications (TKRM) had previously been acquired by OTE on September 9, 2021 as agreed for a purchase price of EUR 59 million.

The following transaction will change the composition of the Deutsche Telekom Group in the future:

Agreed sale of T-Mobile Netherlands

On September 6, 2021, Deutsche Telekom and Tele2 agreed to sell T-Mobile Netherlands to WP/AP Telecom Holdings IV, a private equity consortium advised by Apax Partners and Warburg Pincus. The preliminary sale price is based on an enterprise value of EUR 5.1 billion. The cash inflow – based on a shareholding of 75 % – is expected to be around EUR 3.8 billion. The transaction is subject to approval by the authorities as well as other closing conditions. The assets and liabilities of T-Mobile Netherlands as of September 30, 2021 are reported in the consolidated statement of financial position as “held for sale.” The closing of the transaction is expected to be completed at the latest by the first quarter of 2022.

Other transactions that had no effect on the composition of the Group

OTE share buy-back

As a consequence of a share buy-back program implemented between March 4, 2020 and October 31, 2020, OTE acquired a total of 9,965,956 treasury shares with an aggregate value of EUR 121 million. The extraordinary shareholders' meeting of OTE S.A. on December 4, 2020 resolved to withdraw 9,965,956 shares from circulation with a corresponding capital reduction of around EUR 28 million. The shares were retired from the Athens Stock Exchange on January 15, 2021. As a result, Deutsche Telekom's share in OTE increased from 46.91 % to 47.90 %.

In addition, between November 1, 2020 and April 30, 2021, OTE acquired another 3,469,500 of its own shares with an aggregate value of EUR 47 million as part of the continued share buy-back program. The shareholders' meeting of OTE S.A. on June 9, 2021 resolved to retire 3,469,500 treasury shares with a corresponding capital reduction of around EUR 10 million. The shares were retired from the Athens Stock Exchange on July 19, 2021. As a result, Deutsche Telekom's share in OTE increased from 47.90 % to 48.29 %.

Increase in Deutsche Telekom's stake in T-Mobile US in a deal positioning SoftBank as a new shareholder and strategic partner

On September 6, 2021, Deutsche Telekom and SoftBank agreed a two-part transaction. This deal is in line with Deutsche Telekom's strategy of increasing its stake in T-Mobile US to more than 50 % in order to secure its existing entrepreneurial control over the U.S. company and full consolidation in the long term.

In the deal, Deutsche Telekom acquired a total of around 45 million T-Mobile US shares from SoftBank. To this end Deutsche Telekom exercised, on September 23, 2021, a portion of the stock options it had received from SoftBank in June 2020 to purchase shares in T-Mobile US. SoftBank received in return 225 million new shares in Deutsche Telekom AG from the 2017 Authorized Capital. The capital increase against a non-cash contribution amounted to EUR 576 million. The capital increase of Deutsche Telekom AG was carried out with effect upon entry into the commercial register on September 28, 2021. As a result of this transaction, SoftBank is a shareholder in Deutsche Telekom AG with around 4.5 % of the outstanding shares. In connection with the exercise of the existing stock options, the weighted average price for the total around 45.4 million T-Mobile US shares acquired as part of this share swap calculates to around USD 118 per T-Mobile US share. For the 225 million Deutsche Telekom shares that were received by SoftBank and which are subject to a lock-up until 2024, the two companies agreed a value of EUR 20 per share. This capital increase against a non-cash contribution brings the number of outstanding shares of Deutsche Telekom AG up from 4,761 million shares to 4,986 million shares. Upon its completion, the transaction raised Deutsche Telekom's stake in T-Mobile US by 3.6 percentage points to 46.8 %. The fair value of the consideration transferred amounts to EUR 4.8 billion and is measured based on Deutsche Telekom AG's share price on the date the shares were transferred to SoftBank and on the fair value of the stock options exercised on the date they are exercised. The percentage of T-Mobile US shares for which Deutsche Telekom can exercise voting rights, based on an agreement concluded with SoftBank in connection with the acquisition of Sprint, amounted to 52.0 % as of September 30, 2021. The aim is to support SoftBank in their efforts to take a seat on Deutsche Telekom AG's Supervisory Board.

For the presentation of the effects in connection with the capital increase against a non-cash contribution and the partial exercise and subsequent measurement of the stock options, please refer to the sections “Shareholders' equity,” “Other financial assets,” and “Disclosures on financial instruments.”

Deutsche Telekom is also weighing plans to invest up to USD 2.4 billion of the proceeds from the agreed sale of T-Mobile Netherlands to exercise further stock options to purchase around 20 million T-Mobile US shares. This will further increase its stake in T-Mobile US by approximately 1.6 percentage points, bringing its total stake to around 48.4 %.

Selected notes to the consolidated statement of financial position

Trade receivables

At EUR 14.1 billion, trade receivables increased by EUR 0.6 billion against the 2020 year-end level. The increase resulted from higher receivables in the United States operating segment due to the reporting date, and exchange rate effects, especially from the translation of U.S. dollars to euros. Lower receivables in the Group Development operating segment, primarily as a result of the reclassification of T-Mobile Netherlands' assets to non-current assets and disposal groups held for sale in connection with the agreed sale, and in the Germany operating segment had an offsetting effect.

For further information on the agreed sale of T-Mobile Netherlands, please refer to the section [“Changes in the composition of the Group and other transactions.”](#)

Contract assets

At EUR 2.0 billion as of the reporting date, the carrying amount of contract assets remained unchanged against December 31, 2020. Contract assets relate to receivables that have not yet legally come into existence, which arise from the earlier – as compared to billing – recognition of revenue, in particular from the sale of goods and merchandise. Furthermore, receivables from long-term construction contracts are recognized under contract assets.

Inventories

The carrying amount of inventories decreased by EUR 0.6 billion compared to December 31, 2020 to EUR 2.1 billion, mainly due to sales of high-priced mobile terminal equipment as a result of a marketing campaign in the United States operating segment. Positive exchange rate effects, mainly from the translation from U.S. dollars into euros, increased the carrying amount.

Intangible assets

The carrying amount of intangible assets increased by EUR 12.6 billion to EUR 130.7 billion, primarily due to the following effects: Additions of EUR 12.4 billion resulting mainly from the conclusion of the FCC C-band auction in the United States increased the carrying amount of intangible assets. T-Mobile US purchased 142 licenses for EUR 7.8 billion (USD 9.3 billion) in the auction and made initial “relocation payments” of EUR 0.2 billion to relocate incumbent licensees. In the Europe operating segment, licenses were purchased for a total value of EUR 0.2 billion. The 5G licenses acquired at auction in November 2020 by T-Mobile Czech Republic were purchased in 2021 for EUR 0.1 billion. In addition, proceedings to re-award 900 and 1,800 MHz spectrum licenses in Hungary were held on January 28, 2021 and concluded the same day. Magyar Telekom acquired spectrum licenses for EUR 0.1 billion. Positive exchange rate effects of EUR 5.9 billion, primarily from the translation of U.S. dollars into euros, and effects of changes in the composition of the Group of EUR 1.6 billion, mainly from the first-time inclusion of Shentel, acquired by T-Mobile US, also increased the carrying amount. This also includes preliminary goodwill arising from the transaction of EUR 0.9 billion. The reclassification of T-Mobile Netherlands' assets, in connection with the agreed sale, to non-current assets and disposal groups held for sale in the amount of EUR 2.2 billion as well as depreciation, amortization and impairment losses of EUR 5.0 billion reduced the carrying amount.

For further information on these business transactions and others, please refer to the section [“Changes in the composition of the Group and other transactions.”](#)

As part of the realignment of the B2B telecommunications business, the assets and liabilities assigned to the relevant business areas were transferred to the Germany operating segment in September 2020, primarily from the Systems Solutions and Europe operating segments. The realignment of the B2B telecommunications business in combination with the effects of the coronavirus pandemic in the third quarter of 2020 triggered ad hoc impairment testing of the assets assigned to the Systems Solutions cash-generating unit, which identified a deterioration in the business outlook for IT operations. As a consequence, impairment losses were recognized on intangible assets and property, plant and equipment in the Systems Solutions operating segment and on intangible assets in the Group Headquarters & Group Services segment. In the first three quarters of 2021, this resulted in total impairment losses of EUR 0.1 billion mainly on intangible assets under development and under construction.

For further information on the impairment losses, please refer to Note 6 [“Intangible assets”](#) in the 2020 Annual Report.

Property, plant and equipment

The carrying amount of property, plant and equipment decreased by EUR 0.9 billion compared to December 31, 2020 to EUR 60.1 billion. Additions of EUR 10.4 billion to upgrade and build out the network and acquire mobile devices in our United States operating segment and in connection with the broadband/fiber-optic build-out and mobile infrastructure build-out in the Germany and Europe operating segments increased the carrying amount. Positive exchange rate effects of EUR 1.6 billion, primarily from the translation of U.S. dollars into euros, and effects of changes in the composition of the Group of EUR 0.1 billion, mainly in connection with the acquisition of Shentel also increased the carrying amount. By contrast, depreciation, amortization and impairment losses of EUR 11.0 billion, disposals of EUR 1.3 billion, and the reclassification of T-Mobile Netherlands' assets to assets and disposal groups held for sale in the amount of EUR 0.7 billion had an offsetting effect.

For further information on the agreed sale of T-Mobile Netherlands, please refer to the section [“Changes in the composition of the Group and other transactions.”](#)

Right-of-use assets

The carrying amount of the right-of-use assets increased by EUR 0.5 billion compared with December 31, 2020 to EUR 30.8 billion, mainly due to the following effects: The carrying amount was increased by additions of EUR 4.3 billion, partly as a result of a sale-and-leaseback transaction concluded after the combination of the cell tower business in the Netherlands and the set-up of an infrastructure fund. The carrying amount was also increased by positive exchange rate effects of EUR 1.5 billion, primarily from the translation of U.S. dollars into euros, and effects from changes in the composition of the Group of EUR 0.3 billion, mainly in connection with the acquisition of Shentel. The carrying amount was decreased by depreciation, amortization and impairment losses of EUR 4.6 billion. This included a EUR 0.6 billion increase in depreciation and amortization due to a reduction in the useful life of leased network technology for cell sites in the United States operating segment following the business combination of T-Mobile US and Sprint. The reclassification of T-Mobile Netherlands' assets to non-current assets and disposal groups held for sale in the amount of EUR 0.5 billion and disposals of EUR 0.2 billion also reduced the carrying amount.

For further information on these business transactions and others, please refer to the section [“Changes in the composition of the Group and other transactions.”](#)

Capitalized contract costs

As of September 30, 2021, the carrying amount of capitalized contract costs was up by EUR 0.1 billion against the level of December 31, 2020 to EUR 2.3 billion. The capitalized contract costs primarily relate to the United States, Germany, and Europe operating segments.

Investments accounted for using the equity method

The carrying amount of investments accounted for using the equity method increased from EUR 0.5 billion on December 31, 2020 to EUR 1.0 billion, mainly as a result of the combination of the cell tower business in the Netherlands and the set-up of an infrastructure fund. As a result of the transaction, 37.65 % of the shares in Cellnex Netherlands B.V. with a carrying amount of EUR 0.4 billion were included in the Group Development operating segment in the consolidated financial statements using the equity method.

For further information on the combination of the cell tower business in the Netherlands and the set-up of an infrastructure fund, please refer to the section [“Changes in the composition of the Group and other transactions.”](#)

Other financial assets

The carrying amount of current and non-current other financial assets decreased by EUR 1.3 billion compared with the level of December 31, 2020 to EUR 8.4 billion. The carrying amount of derivatives with a hedging relationship decreased by EUR 0.5 billion to EUR 1.6 billion, mainly due to the decrease in positive fair values from interest rate swaps in fair value hedges, which is primarily the result of a rise in the interest rate level. The carrying amount of derivatives without a hedging relationship decreased by a net effect of EUR 0.7 billion to EUR 1.3 billion. Taking into account the partial exercise of the stock options received from SoftBank in June 2020 to purchase shares in T-Mobile US, as well as measurement effects, the carrying amount of these stock options decreased by EUR 0.5 billion compared with December 31, 2020 to EUR 0.3 billion for the following reasons: Due to the negative development of the T-Mobile US share price, a remeasurement loss of EUR 0.2 billion was recorded in other financial income/expense in the first nine months of 2021. Furthermore, the amortization from the initial measurement of the stock options at fair value resulted in current income of EUR 0.2 billion and, in connection with the exercise of the options, in one-time income of EUR 0.4 billion in other financial income/expense. At the time of exercising the stock options, they had a fair value of EUR 0.8 billion. This amount was recognized directly in equity as part of the consideration paid to SoftBank, as a result of the derecognition of the exercised options. The carrying amount of other financial assets decreased as a result. In addition, the carrying amount of the derivatives without a hedging relationship decreased by EUR 0.4 billion due to negative measurement effects from embedded derivatives of T-Mobile US, including from the premature repayment of bonds. By contrast, the carrying amount was increased by positive measurement effects of EUR 0.2 billion from energy forward agreements embedded in contracts and of EUR 0.2 billion from receivables from grants still to be received from funding projects for the broadband build-out in Germany. At EUR 0.5 billion, cash collateral deposited was at the same level as at the end of 2020. The conclusion of the FCC C-band auction in the United States in February 2021 reduced the carrying amount by EUR 0.4 billion. It was increased by cash collateral of EUR 0.3 billion paid by the Group Headquarters & Group Services segment and the deposit of cash collateral of EUR 0.1 billion for the spectrum auction that began in the United States in October 2021.

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

Non-current assets and disposal groups held for sale

The carrying amount of non-current assets and disposal groups held for sale increased by EUR 3.4 billion compared with December 31, 2020 to EUR 4.6 billion. Of this increase, EUR 4.5 billion resulted from the reclassification of T-Mobile Netherlands' assets in connection with the sale agreed on September 6, 2021. By contrast, the sale of the Dutch company T-Mobile Infra as of June 1, 2021 and of Telekom Romania Communications as of September 30, 2021 in particular had decreasing effects on the carrying amount of EUR 0.4 billion and EUR 0.6 billion respectively. Both these companies were classified as held for sale as of December 31, 2020 on account of the specific intention to sell them.

For further information on these business transactions and others, please refer to the section [“Changes in the composition of the Group and other transactions.”](#)

Financial liabilities and lease liabilities

The following table shows the composition and maturity structure of **financial liabilities** as of September 30, 2021:

millions of €	Sept. 30, 2021	Due within 1 year	Due >1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	91,645	4,714	27,328	59,603
Liabilities to banks	3,896	1,411	1,658	827
Liabilities to non-banks from promissory note bonds	484	53	150	281
Liabilities with the right of creditors to priority repayment in the event of default	3,300	454	2,278	568
Other interest-bearing liabilities	7,014	2,430	2,118	2,467
Other non-interest-bearing liabilities	1,921	1,638	150	134
Derivative financial liabilities	662	113	454	95
Financial liabilities	108,921	10,811	34,136	63,974

The carrying amount of current and non-current financial liabilities increased by EUR 1.8 billion compared with year-end 2020 to EUR 108.9 billion, primarily due to the factors described below. Exchange rate effects, in particular from the translation of U.S. dollars into euros, raised the carrying amount by EUR 3.6 billion.

The carrying amount of bonds and other securitized liabilities increased by EUR 3.9 billion. The main factors in this increase were senior notes issued in the reporting period by T-Mobile US with a total volume of USD 11.8 billion (EUR 9.8 billion) with terms ending between 2026 and 2060 and bearing interest of between 2.25 % and 3.6 %. The carrying amount was also increased by AUD bonds with a volume of AUD 0.1 billion (EUR 0.1 billion) issued by Deutsche Telekom AG and euro bonds with a volume of EUR 0.1 billion. The early repayment by T-Mobile US in the reporting period of bonds with a volume of USD 5.8 billion (EUR 4.9 billion) with terms originally ending between 2023 and 2026 and bearing interest of between 4.5 % and 6.5 %, and scheduled repayments by T-Mobile US of bonds with a volume of USD 2.3 billion (EUR 1.9 billion) and in the Group of euro bonds with a volume of EUR 1.7 billion and U.S. dollar bonds with a volume of USD 0.3 billion (EUR 0.2 billion) had a contrasting effect. The carrying amount of bonds and other securitized liabilities increased by EUR 3.2 billion due to exchange rate effects, especially from the translation of U.S. dollars into euros.

The carrying amount of liabilities to banks decreased by EUR 1.4 billion compared with December 31, 2020 to EUR 3.9 billion, mainly due to scheduled repayments of EUR 1.2 billion made in the reporting period and a decline of EUR 0.2 billion in connection with factoring in the United States operating segment.

The liabilities with the right of creditors to priority repayment in the event of default of EUR 3.3 billion (December 31, 2020: EUR 3.9 billion) relate primarily to bonds issued by Sprint. Collateral was provided for these bonds, hence they constitute a separate class of financial instruments. Repayments in the reporting period in the amount of EUR 0.8 billion when translated into euros reduced the carrying amount. Exchange rate effects, in particular from the translation of U.S. dollars into euros, raised the carrying amount by EUR 0.2 billion.

The carrying amount of other interest-bearing liabilities decreased by EUR 0.2 billion compared with December 31, 2020 to EUR 7.0 billion. The carrying amount of other interest-bearing liabilities decreased by a total of EUR 0.2 billion in connection with collateral received for derivative financial instruments.

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

The carrying amount of derivative financial liabilities decreased by EUR 0.2 billion to EUR 0.7 billion, mainly in connection with positive measurement effects in the reporting period.

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

The carrying amount of current and non-current **lease liabilities** increased by EUR 0.1 billion to EUR 32.8 billion compared with December 31, 2020. Exchange rate effects, in particular from the translation of U.S. dollars into euros, raised the carrying amount by EUR 1.6 billion. Effects of changes in the composition of the Group, mainly from the first-time inclusion of Shentel, acquired by T-Mobile US, also increased the carrying amount by EUR 0.3 billion. This was offset in particular by the decommissioning of former Sprint cell sites and the closure of some former Sprint shops in the United States operating segment and by an advance payment for the lease of sites of EUR 0.9 billion made by T-Mobile US to a U.S. cell tower company in September 2021 in connection with a change to the existing lease agreed in the reporting period. Overall, lease liabilities in the amount of EUR 4.7 billion are due within one year.

Trade and other payables

The carrying amount of trade and other payables decreased by EUR 1.5 billion to EUR 8.2 billion, due in particular to lower liabilities to terminal equipment vendors and declines in liabilities for purchased services in the United States operating segment. In addition, liabilities in the Group Development operating segment decreased as a result of the reclassification of T-Mobile Netherlands' liabilities to the liabilities directly associated with non-current assets and disposal groups held for sale. Liabilities also decreased in the Europe operating segment. By contrast, exchange rate effects, primarily from the translation of U.S. dollars into euros, increased the carrying amount.

For further information on the agreed sale of T-Mobile Netherlands, please refer to the section [“Changes in the composition of the Group and other transactions.”](#)

Provisions for pensions and other employee benefits

The carrying amount of provisions for pensions and other employee benefits decreased by EUR 1.2 billion as of December 31, 2020 to EUR 6.4 billion, mainly due to an increase in the share prices of plan assets and interest rate adjustments. All this resulted in an actuarial gain of EUR 1.1 billion from the remeasurement of defined benefit plans to be recognized directly in equity.

In the first quarter of 2021, the risk benefits (death in the active phase and/or disability) for employees not covered by collective agreements in Germany were restructured, as had already been done for employees covered by collective agreements in the fourth quarter of 2020. As a result of the change from an annual (pro rata) contribution to payment of a lump sum, the employer will in future grant the risk benefit irrespective of the employee's length of service with the company. Future risk benefit payments will thus directly be recognized as expenses in the payout year. Provisions of EUR 0.1 billion recognized according to the previous rules were released against a reduction in expenses in the first quarter of 2021.

For further information on the Global Pension Policy and a description of the plan, please refer to Note 15 [“Provisions for pensions and other employee benefits”](#) in the 2020 Annual Report.

Current and non-current other provisions

The carrying amount of current and non-current other provisions decreased by EUR 0.3 billion compared with the end of 2020 to EUR 8.8 billion. This decline resulted in part from the reclassification of T-Mobile Netherlands' liabilities in connection with the agreed sale to non-current assets and disposal groups held for sale. In addition, provisions were reduced by the reversal of other provisions for personnel costs, which had been recognized by OTE in 2010 and 2011 for an additional payment to the Greek social insurance fund IKA-ETAM, as a result of proceedings concluded in September 2021.

For further information on the agreed sale of T-Mobile Netherlands, please refer to the section [“Changes in the composition of the Group and other transactions.”](#)

Other liabilities

The carrying amount of current and non-current other liabilities increased by EUR 0.4 billion to EUR 6.0 billion. Liabilities due to existing build-out obligations in connection with grants still to be received from funding projects for the broadband build-out in Germany increased by EUR 0.1 billion. The carrying amount was also increased by higher deferrals in the United States operating segment as well as negative exchange rate effects, primarily from the translation of euros into U.S. dollars. By contrast, the carrying amount was reduced by the reclassification of the liabilities of T-Mobile Netherlands directly associated with non-current assets and disposal groups held for sale.

For further information on the agreed sale of T-Mobile Netherlands, please refer to the section [“Changes in the composition of the Group and other transactions.”](#)

Contract liabilities

The carrying amount of current and non-current contract liabilities increased by EUR 0.2 billion compared with December 31, 2020 to EUR 2.2 billion. These mainly comprise deferred revenues.

Liabilities directly associated with non-current assets and disposal groups held for sale

The carrying amount of liabilities directly associated with non-current assets and disposal groups held for sale increased by EUR 0.8 billion against December 31, 2020 to EUR 1.3 billion. Of this increase, EUR 1.3 billion resulted from the reclassification of T-Mobile Netherlands' liabilities in connection with the sale agreed on September 6, 2021. By contrast, the sale of the Dutch company T-Mobile Infra as of June 1, 2021 and of Telekom Romania Communications as of September 30, 2021 in particular had decreasing effects on the carrying amount of EUR 0.2 billion and EUR 0.3 billion respectively. Both these companies were classified as held for sale as of December 31, 2020 on account of the specific intention to sell them.

For further information on these business transactions and others, please refer to the section ["Changes in the composition of the Group and other transactions."](#)

Shareholders' equity

The carrying amount of shareholders' equity increased from EUR 72.6 billion as of December 31, 2020 to EUR 78.9 billion. Profit of EUR 5.3 billion and capital increases from share-based payments of EUR 0.3 billion increased shareholders' equity, as did other comprehensive income of EUR 4.9 billion, primarily as a result of currency translation effects of EUR 3.8 billion recognized directly in equity and the remeasurement of defined benefit plans accounting for EUR 1.1 billion, as well as gains from hedging instruments of EUR 0.2 billion. By contrast, income taxes relating to components of other comprehensive income of EUR 0.3 billion had a negative impact on other comprehensive income. Shareholders' equity was reduced in connection with dividend payments for the 2020 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. The carrying amount of shareholders' equity also decreased by a net EUR 0.8 billion due to the acquisition of T-Mobile US shares by way of a capital increase against a non-cash contribution. Changes in the composition of the Group – mainly due to the sale of Telekom Romania Communications in the Europe operating segment – of EUR 0.2 billion and transactions with owners of EUR 0.1 billion also decreased the carrying amount.

The following table shows the changes in the composition of the Group, the development of transactions with owners, and the capital increase made against a non-cash contribution:

	Sept. 30, 2021			Dec. 31, 2020		
	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity	Issued capital and reserves attributable to owners of the parent	Non-controlling interests	Total shareholders' equity
Changes in the composition of the Group	0	(181)	(181)	0	17,329	17,329
Acquisition of Sprint	0	0	0	0	17,331	17,331
Sale of Telekom Romania Communications	0	(170)	(170)	0	0	0
Other effects	0	(11)	(11)	0	(2)	(2)
Transactions with owners	(149)	3	(145)	7,299	5,967	13,266
Acquisition of Sprint	0	0	0	7,474	5,915	13,389
T-Mobile US share-based remuneration	(152)	161	9	(207)	249	42
Magyar Telekom share buy-back	9	(38)	(29)	68	(83)	(15)
OTE share buy-back	(36)	(77)	(113)	(40)	(103)	(143)
Hrvatski Telekom share buy-back	(2)	(10)	(12)	5	(17)	(12)
T-Mobile Netherlands sale and leaseback	33	(33)	0	0	0	0
Other effects	0	0	0	(1)	6	5
Capital increase of Deutsche Telekom AG	1,511	(2,358)	(847)	0	0	0

In connection with the agreement concluded on September 6, 2021 between Deutsche Telekom and SoftBank for the acquisition of around 45.4 million T-Mobile US shares, an increase in issued capital was entered in the commercial register and executed on September 28, 2021 by issuing 225 million no par value shares at the lowest issue price of EUR 2.56 per share against a non-cash contribution. Issued capital was increased by EUR 576 million in total. The number of Deutsche Telekom AG's outstanding shares increased as a result from 4,761 million to 4,986 million shares.

The non-cash capital increase was executed by SoftBank contributing 45.4 million T-Mobile US shares to Deutsche Telekom AG in return for the transfer of 225 million Deutsche Telekom AG shares from the 2017 Authorized Capital. As a result of the transaction, Deutsche Telekom AG's stake in T-Mobile US increased by 3.6 percentage points to 46.8 %. Because T-Mobile US is already included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary, the increase in the stake merely led to a decrease in the non-controlling interests in consolidated shareholders' equity by EUR 2,358 million and to an increase in the share of equity held by the owners of the parent company by a net total of EUR 1,511 million.

In order to acquire the around 45.4 million T-Mobile US shares, on September 23, 2021, Deutsche Telekom exercised a portion of the stock options received from SoftBank in June 2020. On the exercise date, these stock options had a fair value of EUR 847 million. This amount was recognized directly in equity as part of the consideration paid to SoftBank, as a result of the derecognition of the exercised options (issued capital and reserves attributable to owners of the parent). Other financial assets decreased as a result.

For further information on the increase of the stake in T-Mobile US by way of the agreement concluded with SoftBank, please refer to the section "[Other transactions that had no effect on the composition of the Group.](#)"

For more information on the presentation of the effects in connection with the stock options, please refer to the sections "[Other financial assets](#)" and "[Disclosures on financial instruments.](#)"

Selected notes to the consolidated income statement

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

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

Net revenue

Net revenue breaks down into the following revenue categories:

millions of €	Q1-Q3 2021	Q1-Q3 2020
Revenue from the rendering of services	62,856	59,016
Germany	15,239	14,904
United States	36,993	33,559
Europe	7,054	7,023
Systems Solutions	2,294	2,319
Group Development	1,216	1,156
Group Headquarters & Group Services	61	55
Revenue from the sale of goods and merchandise	13,757	10,669
Germany	1,635	1,449
United States	10,699	7,875
Europe	1,071	1,019
Systems Solutions	48	52
Group Development	304	275
Group Headquarters & Group Services	1	0
Revenue from the use of entity assets by others	3,247	3,691
Germany	522	610
United States	2,239	2,589
Europe	166	160
Systems Solutions	20	42
Group Development	211	202
Group Headquarters & Group Services	89	89
Net revenue	79,860	73,377

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

Other operating income

millions of €	Q1-Q3 2021	Q1-Q3 2020
Income from the reversal of impairment losses on non-current assets	3	52
Income from the disposal of non-current assets	96	105
Income from reimbursements	93	105
Income from insurance compensation	65	52
Income from ancillary services	16	16
Miscellaneous other operating income	819	744
Of which: gains resulting from deconsolidations and from the sale of stakes accounted for using the equity method	214	9
	1,091	1,073

In the prior-year period, income from the reversal of impairment losses on non-current assets had included a reversal of EUR 50 million on property, plant and equipment in the Europe operating segment. This arose in connection with the sale of the Romanian fixed-network business, which had been planned since October 2020. Miscellaneous other operating income in the prior-year period had included a structuring fee received from SoftBank of EUR 0.3 billion, which T-Mobile US received in return for support in the immediate sale by SoftBank of T-Mobile US shares. Gains resulting from deconsolidations and from the sale of stakes accounted for using the equity method were attributable to the sale of the Dutch cell tower company T-Mobile Infra to the independently managed investment company Digital Infrastructure Vehicle (DIV) and its subsequent contribution into Cellnex NL in connection with the combination of the cell tower business in the Netherlands. Miscellaneous other operating income includes a large number of individual items accounting for marginal amounts.

For further information on the combination of the cell tower business in the Netherlands and the set-up of an infrastructure fund, please refer to the section "Changes in the composition of the Group and other transactions."

Other operating expenses

millions of €	Q1-Q3 2021	Q1-Q3 2020
Impairment losses on financial assets	(401)	(671)
Gains (losses) from the write-off of financial assets measured at amortized cost	(84)	(137)
Other	(2,566)	(2,578)
Legal and audit fees	(559)	(417)
Losses from asset disposals	(158)	(354)
Income (losses) from the measurement of factoring receivables	(3)	(5)
Other taxes	(382)	(388)
Cash and guarantee transaction costs	(404)	(359)
Insurance expenses	(103)	(88)
Miscellaneous other operating expenses	(959)	(968)
Of which: losses resulting from deconsolidations and from the sale of stakes accounted for using the equity method	70	0
	(3,050)	(3,386)

The year-on-year decrease in impairment losses on financial assets was mainly attributable to impairment losses on customer receivables due to lowered credit ratings recognized in the first half of 2020 as a consequence of the coronavirus pandemic in the United States operating segment; by contrast, no such impairment losses had to be recognized in 2021. The losses from asset disposals incurred in the first nine months of 2021 resulted in part from the derecognition of damaged non-current assets such as telephone lines, central offices, and cell sites in the aftermath of the catastrophic flooding in Germany in July 2021. In the prior-year period, losses from asset disposals of EUR 0.2 billion had resulted from the derecognition of billing software for postpaid customers in the United States, which had still been in development. Prior to the migration of Sprint contract customers to the T-Mobile US billing software, it had been decided that this software was not suitable for the joint customer base and would not be put into operation. The losses resulting from deconsolidations and from the sale of stakes accounted for using the equity method were attributable, among others, to the sale of the 54 % stake in Telekom Romania Communications (TKR) as of September 30, 2021 (EUR 29 million), the derecognition of the associated currency reserve in the Group (EUR 20 million), and the sale of a business operation in the Systems Solutions operating segment. Miscellaneous other operating expenses include a large number of individual items accounting for marginal amounts.

Depreciation, amortization and impairment losses

At EUR 20.6 billion, depreciation, amortization and impairment losses on intangible assets, property, plant and equipment, and right-of-use assets were EUR 1.7 billion higher overall in the first three quarters of 2021 than in the prior-year period. Depreciation of property, plant and equipment increased by EUR 1.2 billion, amortization of intangible assets by EUR 0.9 billion, and depreciation of right-of-use assets by EUR 0.9 billion. These increases are all largely due to Sprint, which has been included in the consolidated group since April 1, 2020. In the United States operating segment, a reduction in the useful life of leased network technology for cell sites following the business combination of T-Mobile US and Sprint increased depreciation of the corresponding right-of-use assets by EUR 0.6 billion.

Impairment losses decreased by EUR 0.7 billion year-on-year to EUR 0.1 billion. The figure for the prior-year period included impairment losses of EUR 0.5 billion resulting from an ad hoc impairment test of assets assigned to the Systems Solutions cash-generating unit, and of EUR 0.2 billion, likewise from an ad hoc impairment test of assets assigned to the Romania cash-generating unit. The impairment losses recognized in the first three quarters of 2021 mainly resulted from the ad hoc impairment test carried out in the prior year of assets assigned to the Systems Solutions cash-generating unit, with EUR 68 million relating to the Systems Solutions operating segment and EUR 14 million to the Group Headquarters & Group Services 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.”](#)

Profit/loss from financial activities

The loss from financial activities increased from EUR 3.2 billion in the first nine months of 2020 to EUR 3.7 billion, with finance costs increasing by EUR 0.4 billion to EUR 3.5 billion, mainly due to the financial liabilities assumed in connection with the acquisition of Sprint and the related restructuring and increase in financing. Other financial expense increased by EUR 0.1 billion year-on-year to EUR 0.2 billion. On the one hand, interest income from the measurement of provisions and liabilities increased, in particular in the Group Headquarters & Group Services segment by EUR 0.5 billion. On the other, there was a EUR 0.5 billion decrease in gains/losses (net) from financial instruments, due in part to negative measurement effects resulting, among other factors, from the premature repayment of bonds and the resulting derecognition of embedded derivatives at T-Mobile US and from a forward transaction concluded with a bank in May 2021 to hedge the price of acquiring T-Mobile US shares in the future. And in part, net positive measurement effects resulted from the amortization and subsequent measurement of the stock options received from SoftBank in June 2020 to purchase shares in T-Mobile US. Overall, the share of profit/loss of associates and joint ventures accounted for using the equity method was on a par with the prior-year period.

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

For a presentation of the effects resulting from the partial exercise and subsequent measurement of the stock options in connection with the capital increase against a non-cash contribution, please refer to the sections [“Other financial assets”](#) and [“Disclosures on financial instruments.”](#)

Income taxes

In the first three quarters of 2021, a tax expense of EUR 1.7 billion was recorded. The tax amount essentially reflects the shares of the different countries in profit before income taxes and their respective national tax rates. Tax was furthermore reduced by deferred tax effects for prior years in the United States operating segment of EUR 0.2 billion. In the prior-year period, a tax expense of EUR 1.5 billion had been recorded despite lower profit/loss before income taxes.

Other disclosures

Notes to the consolidated statement of cash flows

Sprint has been included in Deutsche Telekom’s consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. As such, the development of cash flows in the reporting period can only be compared with the prior-year period to a limited extent.

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 and other transactions.”](#)

Net cash from operating activities

Net cash from operating activities increased by EUR 9.2 billion year-on-year to EUR 25.6 billion. The strong performance both in the United States and outside of the United States had a positive effect on net cash from operating activities. In addition, the increase is attributable to the business combination of T-Mobile US and Sprint effective April 1, 2020. Net cash from operating activities had been negatively affected in the prior-year period by interest payments totaling EUR 1.6 billion for zero-coupon bonds. Net cash from operating activities had also been negatively impacted in the amount of EUR 2.2 billion in the prior-year period as a result of the premature termination of forward-payer swaps for borrowings raised at T-Mobile US as well as by a net increase of EUR 0.5 billion in interest payments, mainly as a result of the financial liabilities recognized and the restructuring carried out in connection with the acquisition of Sprint, and the related increase in financing. Income tax payments increased by EUR 0.2 billion compared with the prior-year period. Factoring agreements of EUR 0.2 billion had a positive impact on net cash used in operating activities in the reporting period. In the prior-year period, factoring agreements had had negative effects of EUR 0.6 billion, mainly as a result of the contractual termination of a revolving factoring agreement in the Germany operating segment.

Net cash used in investing activities

millions of €	Q1-Q3 2021	Q1-Q3 2020
Cash capex		
Germany operating segment	(2,692)	(2,928)
United States operating segment	(16,041)	(7,131)
Europe operating segment	(1,324)	(1,431)
Systems Solutions operating segment	(146)	(149)
Group Development operating segment	(393)	(566)
Group Headquarters & Group Services	(702)	(693)
Reconciliation	40	18
	(21,260)	(12,880)
Payments for publicly funded investments in the broadband build-out	(294)	(337)
Proceeds from public funds for investments in the broadband build-out	202	152
Net cash flows for collateral deposited and hedging transactions	(138)	1,564
Changes in cash and cash equivalents in connection with the consummated business combination of T-Mobile US and Sprint	0	(4,647)
Of which: cash and cash equivalents acquired from Sprint ^a	0	2,117
Of which: repayment of Sprint loans pursuant to change-in-control clause	0	(6,764)
Changes in cash and cash equivalents in connection with the acquisition of Shentel at T-Mobile US	(1,588)	0
Changes in cash and cash equivalents in connection with the sale of Sprint's prepaid business to DISH ^b	0	1,085
Other changes in cash and cash equivalents in connection with the acquisition of control of subsidiaries and associates	(25)	0
Changes in cash and cash equivalents in connection with the contribution of the stake in T-Mobile Infra into Cellnex Netherlands ^c	135	0
Changes in cash and cash equivalents in connection with the sale of the stake in Telekom Romania Communications ^d	202	0
Other changes in cash and cash equivalents in connection with the loss of control of subsidiaries and associates	33	21
Proceeds from the disposal of property, plant and equipment, and intangible assets	107	176
Other	(62)	(436)
	(22,687)	(15,302)

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

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

^c Includes, in addition to the cash inflow for the sale of the business operation of EUR 113 million (cash inflow of EUR 118 million less outflows of cash and cash equivalents of EUR 5 million), the cash inflow from the sale-and-leaseback transaction of EUR 23 million.

^d Includes, in addition to the cash inflow for the sale of the business operation of EUR 292 million, outflows of cash and cash equivalents in the amount of EUR 89 million.

At EUR 21.3 billion, cash capex was EUR 8.4 billion higher than in the prior-year period. In the United States operating segment, FCC mobile licenses were acquired mainly as part of the concluded C-band auction for a total of EUR 8.2 billion and, in the Europe operating segment, mobile spectrum licenses were acquired for a total of EUR 0.1 billion in the reporting period. The figure for the prior-year period included EUR 1.4 billion for the acquisition of mobile spectrum licenses, EUR 1.0 billion of which related to the United States operating segment and EUR 0.2 billion to each of the Europe and Group Development operating segments. Excluding investments in mobile spectrum licenses, cash capex was up EUR 1.4 billion year-on-year. This change was primarily attributable to an increase of EUR 1.7 billion in the United States operating segment on account of the inclusion of Sprint and as a result of the further build-out of the 5G network. A decline of EUR 0.2 billion in the Germany operating segment had an offsetting effect. Investments in optical fiber were down in the first and second quarters of 2021 due to bad weather. In the third quarter of 2021, it was possible to step up investments again, thus partially making up for the decline. Also, construction work planned for 2021 had been brought forward to the fourth quarter of 2020.

Net cash used in/from financing activities

millions of €	Q1-Q3 2021	Q1-Q3 2020
Repayment of bonds	(9,448)	(8,783)
Dividend payments (including to other shareholders of subsidiaries)	(3,087)	(3,067)
Repayment of financial liabilities from financed capex and opex	(97)	(324)
Repayment of EIB loans	(1,093)	(193)
Net cash flows for collateral deposited and hedging transactions	0	(4)
Principal portion of repayment of lease liabilities	(5,215)	(4,206)
Repayment of financial liabilities for media broadcasting rights	(253)	(270)
Cash flows from continuing involvement factoring, net	(71)	(77)
Promissory notes, net	(58)	(202)
Issuance of bonds	10,035	1,609
Commercial paper, net	0	0
Overnight borrowings from banks, net	0	0
Repayment of liabilities from 5G spectrum acquired in Germany	(195)	(110)
Repayment of liabilities from 5G spectrum acquired in the Netherlands	(204)	0
Changes in cash and cash equivalents in connection with the sale and leaseback of the passive mobile infrastructure of T-Mobile Infra	242	0
Issue of senior secured notes in connection with the acquisition of Sprint	0	20,942
Raising of secured term loan in connection with the acquisition of Sprint	0	3,562
Raising of bridge loan facility in connection with the acquisition of Sprint	0	17,405
Repayment of bridge loan facility in connection with the acquisition of Sprint	0	(17,493)
Repayment of Sprint loans (raised prior to acquisition by T-Mobile US)	0	(3,572)
Cash inflows from transactions with non-controlling entities		
T-Mobile US stock options	8	36
Cellnex Netherlands capital contributions	3	0
Toll4Europe capital contributions	0	11
	12	47
Cash outflows from transactions with non-controlling entities		
T-Mobile US share buy-backs	(254)	(316)
OTE share buy-backs	(112)	(102)
Other payments	(43)	(30)
	(409)	(448)
Other	(254)	(154)
	(10,094)	4,661

Non-cash transactions

In the deal signed between Deutsche Telekom and SoftBank on September 6, 2021, Deutsche Telekom acquired a total of around 45.4 million T-Mobile US shares from SoftBank on September 28, 2021. SoftBank received in return 225 million new shares in Deutsche Telekom AG by way of a capital increase against a non-cash contribution.

For further information on the increase of the stake in T-Mobile US by way of the agreement concluded with SoftBank, please refer to the section "Other transactions that had no effect on the composition of the Group."

In the reporting period, Deutsche Telekom did not make use of financing options under which the payments for trade payables from operating and investing activities primarily become due at a later point in time by involving banks in the process (prior-year period: EUR 0.2 billion).

In the reporting period, Deutsche Telekom leased assets totaling EUR 4.5 billion, mainly network equipment, and land and buildings. As a result, these assets are recognized in the statement of financial position under right-of-use assets and the related liabilities under lease liabilities. Future repayments of the liabilities will be recognized in net cash used in/from financing activities. In the prior-year period, this figure stood at EUR 12.8 billion, EUR 9.4 billion of which related to a modified agreement with American Tower for the lease of around 20,729 cell towers, resulting in an increase in the same amount in the carrying amount of the right-of-use assets and the lease liabilities. Excluding this effect, there was a year-on-year increase of EUR 1.0 billion, which was mainly attributable to the further build-out of the 5G network and the inclusion of Sprint in the United States operating segment, and to the sale-and-leaseback agreements in connection with the combination of the cell tower business in the Netherlands.

Consideration for the acquisition of broadcasting rights is paid by Deutsche Telekom in accordance with the terms of the contract on the date of its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.4 billion were recognized in the reporting period for future consideration for acquired broadcasting rights (prior-year period: EUR 0.2 billion). The payment of the consideration will be recognized in net cash used in/from financing activities.

In the United States operating segment, mobile handsets amounting to EUR 0.9 billion were recognized under property, plant and equipment in the first three quarters of 2021 (prior-year period: EUR 2.1 billion). These relate to the terminal equipment lease model at T-Mobile US, under which customers do not purchase the devices but lease them. The cash outflows are presented under net cash from operating activities. The decline was primarily due to the withdrawal from the terminal equipment lease model.

The combination of the cell tower business in the Netherlands and the set-up of an infrastructure fund in the Group Development operating segment resulted in the following non-cash transactions: First, the stake in T-Mobile Infra was contributed into Cellnex Netherlands in exchange for the granting of a stake of 37.65% in the "new" company, Cellnex Netherlands. Second, in order to ensure T-Mobile Netherlands' continued access to the contributed passive mobile infrastructure, a long-term agreement, primarily on the lease of corresponding infrastructure components, was concluded in the form of a sale-and-leaseback transaction.

For further information on the combination of the cell tower business in the Netherlands and the set-up of an infrastructure fund, please refer to the section "[Changes in the composition of the Group and other transactions.](#)"

Segment reporting

The following table gives an overall summary of Deutsche Telekom's operating segments and the Group Headquarters & Group Services segment for the first three quarters of 2021 and 2020.

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

Effective January 1, 2021, Deutsche Telekom reassigned the responsibility for business and profit and loss for Deutsche Telekom IoT GmbH from the Systems Solutions operating segment to the business customer unit in the Germany operating segment. Prior-year comparatives in both segments were adjusted retrospectively. As of January 1, 2021, Deutsche Telekom reassigned the Austrian cell tower business from the Europe operating segment to GD Towers in the Group Development operating segment. Prior-year comparatives in both of the segments affected have not been adjusted retrospectively. As of January 1, 2021, DT IT Russia, DT IT Slovakia, and DT IT Hungary were reassigned from the Germany operating segment to the Group Headquarters & Group Services segment. Prior-year comparatives in both of the segments affected have not been adjusted retrospectively.

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

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

Segment information in the first three quarters

millions of €

		Comparative period					Reporting date			
		Net revenue	Intersegment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets ^a	Segment liabilities ^a	Investments accounted for using the equity method ^a
Germany	Q1-Q3 2021	17,396	439	17,835	3,743	(2,998)	(12)	47,921	35,051	36
	Q1-Q3 2020	16,962	563	17,525	2,988	(3,319)	(53)	45,114	32,725	34
United States	Q1-Q3 2021	49,931	2	49,933	5,971	(13,761)	(40)	188,530	123,228	311
	Q1-Q3 2020	44,022	2	44,024	5,863	(11,165)	(37)	176,765	117,681	296
Europe	Q1-Q3 2021	8,291	165	8,456	1,463	(1,913)	(3)	24,885	8,604	54
	Q1-Q3 2020	8,202	142	8,344	1,095	(1,961)	(163)	27,034	9,172	54
Systems Solutions	Q1-Q3 2021	2,362	630	2,992	(129)	(185)	(71)	4,135	3,632	21
	Q1-Q3 2020	2,413	669	3,082	(513)	(277)	(373)	4,094	3,754	23
Group Development	Q1-Q3 2021	1,731	618	2,349	766	(613)	0	10,458	12,310	544
	Q1-Q3 2020	1,633	509	2,142	417	(576)	0	9,212	11,220	122
Group Headquarters & Group Services	Q1-Q3 2021	150	1,763	1,913	(1,127)	(1,051)	(15)	47,649	61,874	14
	Q1-Q3 2020	144	1,766	1,910	(1,140)	(933)	(45)	48,047	63,188	14
Total	Q1-Q3 2021	79,860	3,619	83,478	10,687	(20,521)	(141)	323,578	244,699	980
	Q1-Q3 2020	73,377	3,651	77,027	8,710	(18,231)	(671)	310,266	237,740	543
Reconciliation	Q1-Q3 2021	0	(3,619)	(3,619)	(15)	36	1	(50,223)	(50,204)	0
	Q1-Q3 2020	0	(3,651)	(3,651)	(6)	25	1	(45,349)	(45,373)	0
Group	Q1-Q3 2021	79,860	0	79,860	10,672	(20,485)	(140)	273,355	194,495	980
	Q1-Q3 2020	73,377	0	73,377	8,704	(18,206)	(670)	264,917	192,367	543

^a Figures relate to the reporting dates of September 30, 2021 and December 31, 2020, respectively.

Contingent liabilities

This section provides additional information and explains recent changes in the contingent liabilities as described in the consolidated financial statements for the 2020 financial year.

Claims relating to charges for the shared use of cable ducts. In proceedings instituted against Telekom Deutschland GmbH by Kabel Deutschland Vertrieb und Service GmbH (now Vodafone Kabel Deutschland GmbH) on the one hand and Unitymedia Hessen GmbH & Co. KG (now Vodafone Hessen GmbH), Unitymedia NRW GmbH (now Vodafone NRW GmbH), and Kabel BW GmbH (now Vodafone BW GmbH) on the other, the Federal Court of Justice in its rulings of May 18, 2021 allowed the plaintiffs' appeals to the extent that the proceedings relate to claims for the period from January 1, 2012 (for Vodafone Kabel Deutschland GmbH) and from January 1, 2016 (for the remaining plaintiffs). At present the financial impact of both these proceedings cannot be assessed with sufficient certainty.

Prospectus liability proceedings (third public offering, or DT3). This relates to initially around 2,600 ongoing lawsuits from some 16,000 alleged buyers of T-Shares sold on the basis of the prospectus published on May 26, 2000. The plaintiffs assert that individual figures given in this prospectus were inaccurate or incomplete. The amount in dispute currently totals approximately EUR 78 million plus interest. Some of the actions are also directed at KfW and/or the Federal Republic of Germany as well as the banks that handled the issuances. The Frankfurt/Main Regional Court had issued orders for reference to the Frankfurt/Main Higher Regional Court in accordance with the German Capital Investor Model Proceedings Act (Kapitalanleger-Musterverfahrensgesetz – KapMuG) and has temporarily suspended the initial proceedings. On May 16, 2012, the Frankfurt/Main Higher Regional Court had ruled that there were no material errors in Deutsche Telekom AG's prospectus. In its decision on October 21, 2014, the Federal Court of Justice partly revoked this ruling, determined that there was a mistake in the prospectus, and referred the case back to the Frankfurt/Main Higher Regional Court. On November 30, 2016, the Frankfurt/Main Higher Regional Court ruled that the mistake in the prospectus identified by the Federal Court of Justice could result in liability on the part of Deutsche Telekom AG, although the details of that liability would have to be established in the initial proceedings. Following an appeal from both parties, in February 2021 the Federal Court of Justice once again referred the proceedings back to the Frankfurt/Main Higher Regional Court. Deutsche Telekom has recognized appropriate provisions for risks as of September 30, 2021 in the statement of financial position.

Claims for damages against Slovak Telekom following a European Commission decision to impose fines. The European Commission decided on October 15, 2014 that Slovak Telekom had abused its market power on the Slovak broadband market and as a result imposed fines on Slovak Telekom and Deutsche Telekom, which were paid in full in January 2015. In 2018, following an appeal by Slovak Telekom and Deutsche Telekom, the Court of the European Union partially overturned the European Commission's ruling and reduced the fines by a total of EUR 13 million. A ruling of March 25, 2021 dismissed in full a further appeal with the European Court of Justice. Following the decision of the European Commission, competitors had filed damage actions against Slovak Telekom with the civil court in Bratislava. These claims seek compensation for alleged damages due to Slovak Telekom's abuse of a dominant market position, as determined by the European Commission. At present, two claims totaling EUR 112 million plus interest are still pending. It is currently not possible to estimate the financial impact with sufficient certainty.

Sprint Merger class action. On June 4, 2021, a shareholder class action and derivative action was filed in the Delaware Court of Chancery against Deutsche Telekom, SoftBank, T-Mobile US, and all of our officers and directors at that time, asserting breach of fiduciary duties relating to the repricing amendment to the Business Combination Agreement, as well as SoftBank's subsequent monetization of its T-Mobile shares. At present the financial impact of this proceeding cannot be assessed with sufficient certainty.

Proceedings against T-Mobile US as a consequence of the cyberattack on T-Mobile US. In August 2021 T-Mobile US confirmed that their systems were subject to a criminal cyberattack that compromised data of millions of their customers, former customers, and prospective customers. With the assistance of outside cybersecurity experts, T-Mobile US located and closed the unauthorized access to their systems and identified customers whose information was impacted and notified them, consistent with state and federal requirements. As a result of the cyberattack, T-Mobile US is subject to numerous lawsuits, including multiple class action lawsuits seeking unspecified monetary damages, and inquiries by various government agencies, law enforcement and other governmental authorities, and T-Mobile US may be subject to further regulatory inquiries and private litigation. At present the financial impact of these proceedings cannot be assessed with sufficient certainty.

Other financial obligations

The following table provides an overview of Deutsche Telekom's other financial obligations as of September 30, 2021:

millions of €	
	Sept. 30, 2021
Purchase commitments regarding property, plant and equipment	6,521
Purchase commitments regarding intangible assets	1,254
Firm purchase commitments for inventories	5,266
Other purchase commitments and similar obligations	19,470
Payment obligations to the Civil Service Pension Fund	1,464
Obligations arising in connection with business combinations	36
Miscellaneous other obligations	154
	34,165

Disclosures on financial instruments

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

millions of €

	Measurement category in accordance with IFRS 9	Carrying amount Sept. 30, 2021	Amounts recognized in the statement of financial position in accordance with IFRS 9			Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Sept. 30, 2021 ^b
			Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through other comprehensive income with recycling to profit or loss		
Assets							
Cash and cash equivalents	AC	6,337	6,337				
Trade receivables							
At amortized cost	AC	5,621	5,621				
At fair value through other comprehensive income	FVOCI	8,489		8,489			8,489
At fair value through profit or loss	FVTPL	0			0		0
Other financial assets							
Originated loans and other receivables							
At amortized cost	AC	4,516	4,516				4,547
Of which: collateral paid	AC	493	493				
Of which: publicly funded projects	AC	1,914	1,914				
At fair value through other comprehensive income	FVOCI	0		0			0
At fair value through profit or loss	FVTPL	223			223		223
Equity instruments							
At fair value through other comprehensive income	FVOCI	551		551			551
At fair value through profit or loss	FVTPL	3			3		3
Derivative financial assets							
Derivatives without a hedging relationship	FVTPL	1,270			1,270		1,270
Of which: termination rights embedded in bonds issued	FVTPL	458			458		458
Of which: energy forward agreements embedded in contracts	FVTPL	250			250		250
Of which: options received by third parties for the purchase of shares in subsidiaries and associates	FVTPL	331			331		331
Derivatives with a hedging relationship	n.a.	1,553			314	1,239	1,553
Lease assets	n.a.	241				241	
Cash and cash equivalents and trade receivables and other financial assets directly associated with non-current assets and disposal groups held for sale	AC	419	419				
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	34		34			34
Liabilities							
Trade payables	AC	8,235	8,235				
Bonds and other securitized liabilities	AC	91,645	91,645				100,707
Liabilities to banks	AC	3,896	3,896				4,003
Liabilities to non-banks from promissory note bonds	AC	484	484				571
Liabilities with the right of creditors to priority repayment in the event of default	AC	3,300	3,300				3,536
Other interest-bearing liabilities	AC	7,014	7,014				7,032
Of which: collateral received	AC	1,324	1,324				

^a For energy forward agreements embedded in contracts and options received from third parties for the purchase of shares in subsidiaries and associates, please refer to the detailed comments in the following section.

^b The practical expedients under IFRS 7.29 were applied for disclosures on specific fair values.

millions of €

		Amounts recognized in the statement of financial position in accordance with IFRS 9					Amounts recognized in the statement of financial position in accordance with IFRS 16	
	Measurement category in accordance with IFRS 9	Carrying amount Sept. 30, 2021	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through other comprehensive income with recycling to profit or loss	Fair value through profit or loss ^a		Fair value Sept. 30, 2021 ^b
Other non-interest-bearing liabilities	AC	1,921	1,921					
Of which: puttable shares of non-controlling interests in consolidated partnerships	AC	134	134					
Lease liabilities	n.a.	32,806					32,806	
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	464				464		464
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	0				0		0
Of which: energy forward agreements embedded in contracts	FVTPL	17				17		17
Derivatives with a hedging relationship	n.a.	198			171	28		198
Trade payables and other financial liabilities directly associated with non-current assets and disposal groups held for sale	AC	1,020	1,020					
Of which: aggregated by measurement category in accordance with IFRS 9								
Assets								
Financial assets at amortized cost	AC	16,893	16,893					4,547
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	8,489			8,489			8,489
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	585		585				585
Financial assets at fair value through profit or loss	FVTPL	1,496				1,496		1,496
Liabilities								
Financial liabilities at amortized cost	AC	117,515	117,515					115,849
Financial liabilities at fair value through profit or loss	FVTPL	464				464		464

^a For energy forward agreements embedded in contracts and options received from third parties for the purchase of shares in subsidiaries and associates, please refer to the detailed comments in the following section.

^b The practical expedients under IFRS 7.29 were applied for disclosures on specific fair values.

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

millions of €

	Measurement category in accordance with IFRS 9	Carrying amount Dec. 31, 2020	Amounts recognized in the statement of financial position in accordance with IFRS 9			Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Dec. 31, 2020 ^b
			Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through other comprehensive income with recycling to profit or loss		
Assets							
Cash and cash equivalents	AC	12,939	12,939				
Trade receivables							
At amortized cost	AC	6,007	6,007				
At fair value through other comprehensive income	FVOCI	7,516		7,516			7,516
At fair value through profit or loss	FVTPL	0			0		0
Other financial assets							
Originated loans and other receivables							
At amortized cost	AC	4,722	4,722				4,758
Of which: collateral paid	AC	543	543				
Of which: publicly funded projects	AC	1,676	1,676				
At fair value through other comprehensive income	FVOCI	0		0			0
At fair value through profit or loss	FVTPL	203			203		203
Equity instruments							
At fair value through other comprehensive income	FVOCI	425		425			425
At fair value through profit or loss	FVTPL	3			3		3
Derivative financial assets							
Derivatives without a hedging relationship	FVTPL	1,992			1,992		1,992
Of which: termination rights embedded in bonds issued	FVTPL	889			889		889
Of which: energy forward agreements embedded in contracts	FVTPL	77			77		77
Of which: options received by third parties for the purchase of shares in subsidiaries and associates	FVTPL	819			819		819
Derivatives with a hedging relationship	n.a.	2,047			21	2,026	2,047
Lease assets	n.a.	248					248
Cash and cash equivalents and trade receivables and other financial assets directly associated with non-current assets and disposal groups held for sale	AC	206	206				
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	32		32			32
Liabilities							
Trade payables	AC	9,760	9,760				
Bonds and other securitized liabilities	AC	87,702	87,702				97,655
Liabilities to banks	AC	5,257	5,257				5,393
Liabilities to non-banks from promissory note bonds	AC	490	490				586
Liabilities with the right of creditors to priority repayment in the event of default	AC	3,886	3,886				4,167
Other interest-bearing liabilities	AC	7,206	7,206				7,270
Of which: collateral received	AC	1,530	1,530				
Other non-interest-bearing liabilities	AC	1,703	1,703				
Of which: puttable shares of non-controlling interests in consolidated partnerships	AC	6	6				

^a For energy forward agreements embedded in contracts and options received from third parties for the purchase of shares in subsidiaries and associates, please refer to the detailed comments in the following section.

^b The practical expedients under IFRS 7.29 were applied for disclosures on specific fair values.

millions of €		Amounts recognized in the statement of financial position in accordance with IFRS 9					Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Dec. 31, 2020 ^b
	Measurement category in accordance with IFRS 9	Carrying amount Dec. 31, 2020	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through other comprehensive income with recycling to profit or loss	Fair value through profit or loss ^a		
Lease liabilities	n.a.	32,715					32,715	
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	478				478	478	
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	8				8	8	
Of which: energy forward agreements embedded in contracts	FVTPL	129				129	129	
Derivatives with a hedging relationship	n.a.	386			334	52	386	
Trade payables and other financial liabilities directly associated with non-current assets and disposal groups held for sale								
	AC	398	398					
Of which: aggregated by measurement category in accordance with IFRS 9								
Assets								
Financial assets at amortized cost	AC	23,874	23,874				4,758	
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	7,516			7,516		7,516	
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	457		457			457	
Financial assets at fair value through profit or loss	FVTPL	2,198				2,198	2,198	
Liabilities								
Financial liabilities at amortized cost	AC	116,402	116,402				115,071	
Financial liabilities at fair value through profit or loss	FVTPL	478				478	478	

^a For energy forward agreements embedded in contracts and options received from third parties for the purchase of shares in subsidiaries and associates, please refer to the detailed comments in the following section.

^b The practical expedients under IFRS 7.29 were applied for disclosures on specific fair values.

Trade receivables include receivables amounting to EUR 2.3 billion (December 31, 2020: EUR 2.0 billion) due in more than one year. The fair value generally equals the carrying amount.

Financial instruments measured at fair value

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

Financial instruments measured at fair value

millions of €

	Sept. 30, 2021				Dec. 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Trade receivables								
At fair value through other comprehensive income			8,489	8,489			7,516	7,516
At fair value through profit or loss			0	0			0	0
Other financial assets – Originated loans and other receivables								
At fair value through other comprehensive income				0				0
At fair value through profit or loss	137	77	9	223	133	62	8	203
Equity instruments								
At fair value through other comprehensive income	34		551	585			457	457
At fair value through profit or loss			3	3			3	3
Derivative financial assets								
Derivatives without a hedging relationship		232	1,038	1,270		207	1,785	1,992
Derivatives with a hedging relationship		1,553		1,553		2,047		2,047
Liabilities								
Derivative financial liabilities								
Derivatives without a hedging relationship		447	17	464		341	137	478
Derivatives with a hedging relationship		198		198		386		386

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

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

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

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

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

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

millions of €

	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: stock options	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Carrying amount as of January 1, 2021	457	889	805	77	(129)
Additions (including first-time categorization as Level 3)	72	72	0	0	0
Decreases in fair value recognized in profit/loss (including losses on disposal)		(714)	(419)	(28)	(3)
Increases in fair value recognized in profit/loss (including gains on disposal)		178	773	191	119
Decreases in fair value recognized directly in equity	(46)				
Increases in fair value recognized directly in equity	154				
Disposals	(88)	0	(847)	0	0
Currency translation effects recognized directly in equity	2	33	0	10	(4)
Carrying amount as of September 30, 2021	551	458	312	250	(17)

The equity instruments assigned to Level 3 that are measured at fair value through other comprehensive income and carried under other financial assets are equity investments with a carrying amount of EUR 536 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers transactions involving shares in those companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The proximity of the relevant transaction to the reporting date, and the question of whether it was conducted at arm's length, are relevant for deciding which information is used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. For the development of the carrying amounts in the reporting period, please refer to the table above. At the reporting date, investments with a carrying amount of EUR 34 million were held for sale, while there were no plans to sell the remaining investments. In the case of investments with a carrying amount of EUR 411 million, transactions involving shares in these companies took place at arm's length sufficiently close to the reporting date, which is why the share prices agreed in the transactions were to be used without adjustment for the measurement as of September 30, 2021. In the case of investments with a carrying amount of EUR 6 million, an analysis of operational indicators (especially revenue, EBIT, and liquidity) revealed that the carrying amounts were equivalent to current fair values. Due to better comparability, previous arm's length transactions involving shares in these companies are preferable to more recent transactions involving shares in similar companies. In the case of investments with a carrying amount of EUR 119 million, for which the last arm's length transactions relating to shares in these companies took place some time ago, a measurement performed more recently relating to shares in similar companies provides the most reliable representation of the fair values. Here, multiples to the reference variable of expected revenue (ranging between 3.0 and 12.7) were taken. The 25 % quantile, the median, or the 75 % quantile was used for the multiples depending on the specific circumstances. If other values had been used for the multiples and for the expected revenue amounts, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below. In addition, non-material individual items with a carrying amount of EUR 15 million (when translated into euros) are included with differences in value of minor relevance.

The derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial assets relate to options embedded in bonds issued by T-Mobile US with a carrying amount of EUR 458 million when translated into euros. The options, which can be exercised by T-Mobile US at any time, allow early redemption of the bonds at fixed exercise prices. Observable market prices are available regularly and also at the reporting date for the bonds as entire instruments, but not for the options embedded therein. The termination rights are measured using an option pricing model. Historical interest rate volatilities of bonds issued by T-Mobile US and comparable issuers are used for the measurement because these provide a more reliable estimate at the reporting date than current market interest rate volatilities. The spread curve, which is also unobservable, was derived on the basis of current market prices of bonds issued by T-Mobile US and debt instruments of comparable issuers. Risk-free interest rates and spreads were simulated separately from each other. At the current reporting date, the following interest rate volatility and spreads were used for the various rating levels of the bonds:

Interest rate volatilities and spreads used by rating levels

%	Interest volatility (absolute figure)	Spread
BBB+	0.2 %-0.3 %	0.2 %-1.1 %
BBB-	0.6 %-0.8 %	0.3 %-1.8 %
BB+	1.0 %-1.3 %	0.4 %-2.3 %

For the mean reversion input, which is unobservable, 3 % was used. In our opinion, the values used constitute the best estimate in each case. If other values had been used for interest rate volatility, spread curve, or mean reversion, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table below. If the risk-free interest rate had been 50 basis points higher (lower) at the reporting date, the fair value of the options would have been EUR 119 million lower (EUR 148 million higher). In the reporting period, a net expense of EUR 64 million when translated into euros was recognized under the Level 3 measurement in other financial income/expense for unrealized losses for the options in the portfolio at the reporting date. In the reporting period, three options were exercised and the relevant bonds canceled prematurely. At the time of termination, the options and their respective total carrying amount of EUR 499 million when translated into euros were expensed and derecognized. Please refer to the table above for the development of the carrying amounts in the reporting period. The changes in value recognized in profit or loss in the reporting period were mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. Due to their distinctiveness, these instruments constitute a separate class of financial instruments.

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

millions of €	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: stock options	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Multiple next-level-up quantile	43				
Multiple next-level-down quantile	(21)				
Expected revenues +10 %	6				
Expected revenues -10 %	(7)				
Interest rate volatility ^b +10 %		50			
Interest rate volatility ^b -10 %		(46)			
Spread curve ^c +50 basis points		(193)			
Spread curve ^c -50 basis points		232			
Mean reversion ^d +100 basis points		(31)			
Mean reversion ^d -100 basis points		36			
Future energy prices +10 %				68	16
Future energy prices -10 %				(82)	(16)
Future energy output +5 %				38	4
Future energy output -5 %				(52)	(4)
Future prices for renewable energy credits ^e +100 % from zero				108	30
Future prices for renewable energy credits ^e from zero				(123)	(30)
Share price volatility ^f +10 %			31		
Share price volatility ^f -10 %			(30)		

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

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

^c The spread curve shows, for the respective maturities, the difference between the interest rates payable by T-Mobile US and the risk-free interest rates. A minimum of zero was set for the spread curve for the sensitivity calculation, i.e., negative spreads are excluded.

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

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

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

With a carrying amount of EUR -17 million when translated into euros, the derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial liabilities relate to energy forward agreements embedded in contracts entered into by T-Mobile US. The same applies to derivative financial assets with a carrying amount of EUR 250 million when translated into euros. These agreements consist of two components: the energy forward agreement and the acquisition of renewable energy credits by T-Mobile US. The contracts have been entered into with energy producers since 2017 and run for terms of between 12 and 15 years from the commencement of commercial operation. In the case of one energy forward agreement, commercial operation is set to begin in 2023, with the others, it has already begun. The respective settlement period of the energy forward agreement, which is accounted for separately as a derivative, also starts when the facility begins commercial operation. Under the energy forward agreements, T-Mobile US receives variable amounts based on the facility's actual energy output and the then current energy prices, and pays fixed amounts per unit of energy generated throughout the term of the contract. The energy forward agreements are measured using valuation models because no observable market prices are available. The value of the derivatives is materially influenced by the facility's future energy output, for which T-Mobile US estimated a value of 4,057 gigawatt hours per year at the reporting date. The value of the derivatives is also significantly influenced by future energy prices on the relevant markets. Market prices are generally observable for a period of around five years, beyond that market liquidity is low. Further, the value of the derivatives is materially influenced by the future prices for renewable energy credits, which are also not observable. For the unobservable portion of the term, T-Mobile US used on-peak energy prices of between EUR 17.30/MWh and EUR 50.18/MWh when translated into euros and off-peak prices of between EUR 9.78/MWh and EUR 39.40/MWh when translated into euros. An average on-peak/off-peak ratio of 52 % was used. In our opinion, the values used constitute the best estimate in each case. At the reporting date, the calculated fair value from Deutsche Telekom's perspective for all energy forward agreements is positive and amounts to a total of EUR 336 million when translated into euros for the assets and EUR 42 million for the liabilities. If other values had been used for future energy prices, future energy output, or future prices of renewable energy credits, the fair values calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table above. In the reporting period, net income of EUR 271 million (when translated into euros) was recognized under the Level 3 measurement in other operating income/expense for unrealized gains for the derivatives. Please refer to the corresponding table for the development of the carrying amounts in the reporting period. The market-price changes in the reporting period were largely attributable to changes in observable and unobservable energy prices and to interest rate effects. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. In the view of T-Mobile US, the contracts were entered into at current market conditions, and the most appropriate parameters for the unobservable inputs were used for measurement purposes. The transaction price at inception was zero in each case. Since the unobservable inputs have a material influence on the measurement of the derivatives, the respective amount resulting from initial measurement – with the exception of the agreements concluded by Sprint that are explained below – was not carried on initial recognition. Instead, these amounts are amortized in profit or loss on a straight-line basis over the period of commercial energy generation (for a total amount of EUR 12 million per year when translated into euros). This amortization adjusts the effects from measuring the derivatives in each accounting period using the respective valuation models and updated parameters. All amounts from the measurement of the derivatives are presented in net terms per contract in the statement of financial position (derivative financial assets/liabilities) and in the income statement (other operating income/expenses). The development of the amount yet to be amortized in the income statement in the reporting period is shown in the following table. Unobservable inputs also have a material influence on the measurement of the derivatives for the agreements concluded before the business combination of T-Mobile US and Sprint. However, under the requirements for business combinations, the respective amounts resulting from the measurement are recognized as derivative financial assets, as a result of which there are no amounts yet to be amortized for these agreements. On the following reporting dates, the effects from the periodic measurement of the derivatives will be recorded in full in the income statement (other operating expenses or other operating income).

The financial assets assigned to Level 3 include derivative financial assets with a carrying amount of EUR 312 million when translated into euros, resulting from the stock options received to purchase shares in T-Mobile US. The stock options, which can be exercised at any time, mature in 2024, can be exercised partially at fixed and partially at variable purchase prices, and are measured using an option pricing model. In addition to the share price observable on the market and the risk-free interest rates, average share price volatilities of T-Mobile US and comparable companies are calculated based on historic and current figures, since these provide a more reliable estimate for these inputs at the reporting date than exclusively using the current market volatilities. The absolute figure used for the share price volatility at the current reporting date was 26.3 % which, in our opinion, constitutes the best estimate. At the reporting date, the calculated fair value for the stock option amounted to EUR 602 million. If another value had been used for the share price volatility, the fair value calculated would have been different. These hypothetical deviations (sensitivities) are shown in the table above. Due to their distinctiveness, these instruments constitute a separate class of financial instruments. The transaction price at inception was zero. Since the unobservable inputs have a material influence on the measurement of the options, the fair value resulting from initial measurement of EUR 1,005 million when translated into euros (before deduction of transaction costs) was not immediately recognized. Instead, this amount will be amortized in profit or loss over the lifetime of the options. This amortization adjusts the effects from measuring the options on an ongoing basis using the valuation model and updated parameters. All amounts from the measurement of the options are presented in net terms in the statement of financial position (other derivative financial assets) and in the income statement (other financial income/expense). The market-price changes in the reporting period are largely attributable to fluctuations in the share price and the risk-free interest rate. The stock options were partially exercised in the reporting period. The development of the amount yet to be amortized in the income statement in the reporting period is shown in the following table.

For information on the exercise of the stock options, please refer the section “Other financial assets.”

Development of the not yet amortized amounts

millions of €

	Energy forward agreements	Stock options
Measurement amounts on initial recognition	173	1,005
Measurement amounts on initial recognition (additions during the reporting period)	0	0
Measurement amounts amortized in profit or loss in prior periods	(18)	(127)
Measurement amounts amortized in profit or loss in the current reporting period	(8)	(175)
Currency translation adjustments	(2)	(49)
Disposals in the current reporting period	0	(372)
Measurement amounts not amortized as of September 30, 2021	145	282

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

The financial assets measured at fair value through profit or loss and assigned to Level 3 include derivative financial assets with a carrying amount of EUR 18 million when translated into euros, resulting from options purchased from third parties for the purchase of company shares. No notable fluctuations in value are expected from these assets. Due to their distinctiveness, these instruments constitute a separate class of financial instruments.

Disclosures on credit risk

In line with the contractual provisions, in the event of insolvency, all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 1,324 million (December 31, 2020: EUR 1,530 million). The credit risk was thus reduced by EUR 1,323 million (December 31, 2020: EUR 1,516 million) because, on the reporting date, the collateral received was offset by corresponding net derivative positions in the same amount. On the basis of these contracts, derivatives with a positive fair value and a total carrying amount of EUR 1,785 million as of the reporting date (December 31, 2020: EUR 2,253 million) had a maximum credit risk of EUR 79 million as of September 30, 2021 (December 31, 2020: EUR 44 million).

When the netting of the positive and negative fair values of all derivatives was negative from Deutsche Telekom's perspective, Deutsche Telekom provided cash collateral in the amount of EUR 316 million as of the reporting date (December 31, 2020: EUR 34 million) to counterparties pursuant to collateral agreements. The cash collateral paid is offset by corresponding net derivative positions of EUR 263 million at the reporting date (December 31, 2020: EUR 34 million), which is why it was not exposed to any credit risks in this amount.

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

In accordance with the terms of the bonds issued by T-Mobile US, T-Mobile US has the right to terminate the majority of bonds prematurely under specific conditions. The rights of early termination constitute embedded derivatives and are presented separately as derivative financial assets in the consolidated statement of financial position. Since they are not exposed to any credit risk, they constitute a separate class of financial instruments. Please refer to the explanations above for more information on the energy forward agreements for which no collateral is provided. There is also no credit risk on embedded derivatives held. No collateral is provided for the options acquired from third parties for shares in a subsidiary of Deutsche Telekom or shares in other companies (see above).

In connection with auctions for the acquisition of spectrum licenses, subsidiaries of Deutsche Telekom have deposited additional cash collateral of EUR 86 million when translated into euros (December 31, 2020: EUR 446 million). At the reporting date, cash and cash equivalents of EUR 87 million (December 31, 2020: EUR 63 million) when translated into euros were pledged as collateral for liabilities issued by Sprint with the right of creditors to priority repayment in the event of default. This cash collateral is not exposed to any significant credit risk.

Related-party disclosures

The following significant changes to the related-party disclosures reported in the consolidated financial statements as of December 31, 2020 were in effect as of September 30, 2021:

Federal Republic of Germany. Following the capital increase of Deutsche Telekom AG carried out on September 28, 2021 against a non-cash contribution, the Federal Republic of Germany is both a direct and an indirect shareholder (via KfW Bankengruppe) and holds 30.5 % (December 31, 2020: 31.9 %) of the share capital of Deutsche Telekom AG. The capital increase was executed in connection with the increase of the stake in T-Mobile US by way of the agreement with SoftBank.

For more information on the capital increase against a non-cash contribution, please refer to the section [“Other transactions that had no effect on the composition of the Group.”](#)

Associate. In connection with the combination of the cell tower business in the Netherlands and the set-up of an infrastructure fund, the newly established, independently managed investment company Digital Infrastructure Vehicle II SICAF-RAIF (DIV) contributed the shares in T-Mobile Infra B.V. previously acquired by T-Mobile Netherlands into Cellnex Netherlands B.V. In return, DIV received a stake of 37.65 % in the “new” company Cellnex NL. Since then Cellnex NL has been included in the consolidated financial statements using the equity method. The transaction was consummated on June 1, 2021. Following the combination of the cell tower business in the Netherlands and the set-up of an infrastructure fund, T-Mobile Netherlands continues to have access to the contributed passive mobile infrastructure under a sale-and-leaseback transaction with T-Mobile Infra B.V. A long-term lease agreement at normal market conditions was concluded to this end.

For further information on the combination of the cell tower business in the Netherlands and the set-up of an infrastructure fund, please refer to the section [“Changes in the composition of the Group and other transactions.”](#)

Events after the reporting period

Deutsche Telekom accelerates fiber-optic build-out through joint venture with IFM. On November 5, 2021, Deutsche Telekom announced that IFM Global Infrastructure Fund – advised by IFM Investors – will acquire a stake of 50 % in Glasfaser Plus GmbH, a fiber-optic build-out entity. The agreed purchase price for the 50 % stake in the subsidiary amounts to EUR 0.9 billion, half of which is to be settled upon conclusion of the transaction, and the remainder once progress has been made in the build-out. The newly established joint venture is to build out an additional four million gigabit-capable FTTH lines in rural and development areas between 2022 and 2028. This transaction, which underpins Deutsche Telekom’s aim of being the leading company for the fiber-optic build-out in Germany, is subject to approval by the merger control authorities. The joint venture will be included in the consolidated financial statements using the equity method.

Responsibility statement

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

Bonn, November 12, 2021

Deutsche Telekom AG
The Board of Management

Timotheus Höttges

Adel Al-Saleh

Birgit Bohle

Srini Gopalan

Dr. Christian P. Illek

Thorsten Langheim

Dominique Leroy

Claudia Nemat

Review report

To Deutsche Telekom AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and selected explanatory notes – and the interim Group management report of Deutsche Telekom AG, Bonn, for the period from January 1 to September 30, 2021 which are part of the quarterly financial report pursuant to § (Article) 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, November 12, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thomas Tandetzki
Wirtschaftsprüfer
(German Public Auditor)

Dr. Sven Willms
Wirtschaftsprüfer
(German Public Auditor)

Additional information

Reconciliation for the change in disclosure of key figures for the prior-year comparative period

millions of €

	Total revenue	Profit (loss) from operations (EBIT)	EBITDA AL (adjusted for special factors)	Depreciation and amortization	Impairment losses	Segment assets	Segment liabilities
Q1-Q3 2020/September 30, 2020							
Presentation as of September 30, 2020 – as reported							
Germany	17,520	3,093	6,898	(3,302)	0	44,171	32,131
United States	44,024	5,863	15,458	(11,165)	(37)	177,995	118,003
Europe	8,344	1,095	2,953	(1,961)	(163)	25,481	8,957
Systems Solutions	3,095	(618)	173	(294)	(426)	4,105	4,242
Group Development	2,142	417	836	(576)	0	8,914	11,014
Group Headquarters & Group Services	1,910	(1,140)	(220)	(933)	(45)	48,988	63,284
Total	77,035	8,710	26,098	(18,231)	(671)	309,654	237,631
Reconciliation	(3,657)	(6)	(32)	25	1	(44,362)	(44,372)
Group	73,377	8,704	26,065	(18,206)	(670)	265,292	193,259
Q1-Q3 2020/September 30, 2020							
+/- reassignment of the IoT business as of January 1, 2021							
Germany	5	(105)	(34)	(17)	(53)	128	82
United States	0	0	0	0	0	0	0
Europe	0	0	0	0	0	0	0
Systems Solutions	(13)	105	34	17	53	(108)	(63)
Group Development	0	0	0	0	0	0	0
Group Headquarters & Group Services	0	0	0	0	0	0	0
Total	(8)	0	0	0	0	20	19
Reconciliation	6	0	0	0	0	(20)	(19)
Group	0	0	0	0	0	0	0
Q1-Q3 2020/September 30, 2020							
= presentation after change in disclosure							
Germany	17,525	2,988	6,864	(3,319)	(53)	44,299	32,213
United States	44,024	5,863	15,458	(11,165)	(37)	177,995	118,003
Europe	8,344	1,095	2,953	(1,961)	(163)	25,481	8,957
Systems Solutions	3,082	(513)	207	(277)	(373)	3,997	4,179
Group Development	2,142	417	836	(576)	0	8,914	11,014
Group Headquarters & Group Services	1,910	(1,140)	(220)	(933)	(45)	48,988	63,284
Total	77,027	8,710	26,098	(18,231)	(671)	309,674	237,650
Reconciliation	(3,651)	(6)	(32)	25	1	(44,382)	(44,391)
Group	73,377	8,704	26,065	(18,206)	(670)	265,292	193,259

Reconciliation for the organic development of key figures for the prior-year comparative period

For the organic presentation of figures, prior-period comparatives are adjusted for the effects of changes in the composition of the Group, exchange rate effects, and other effects. This improves the informative value of the prior-year comparatives by taking account of changes to the company's structure or exchange rates.

millions of €

	Q1-Q3 2021	Q1-Q3 2020	Change	Change %	Reconciliation to organic figures		Organic change		
					Reconciliation Q1-Q3 2020	Of which: exchange rate effects	Organic Q1-Q3 2020	Change	Change %
Net revenue	79,860	73,377	6,483	8.8	2,479	(3,030)	75,856	4,004	5.3
Germany	17,835	17,525	310	1.8	(156)	(3)	17,369	466	2.7
United States	49,933	44,024	5,909	13.4	2,578	(2,973)	46,602	3,331	7.1
Europe	8,456	8,344	112	1.3	(49)	(40)	8,295	161	1.9
Systems Solutions	2,992	3,082	(90)	(2.9)	(70)	(16)	3,012	(20)	(0.7)
Group Development	2,349	2,142	207	9.7	110	0	2,252	97	4.3
Group Headquarters & Group Services	1,913	1,910	3	0.2	1	0	1,911	2	0.1
Reconciliation	(3,619)	(3,651)	32	0.9	65	2	(3,586)	(33)	(0.9)
EBITDA AL	26,313	23,638	2,675	11.3	1,398	(976)	25,036	1,277	5.1
Germany	6,725	6,328	397	6.3	(5)	0	6,323	402	6.4
United States	15,660	14,051	1,609	11.5	1,399	(972)	15,450	210	1.4
Europe	3,101	2,893	208	7.2	(50)	(7)	2,843	258	9.1
Systems Solutions	47	51	(4)	(7.8)	(5)	3	46	1	1.7
Group Development	1,135	781	354	45.3	45	0	826	309	37.4
Group Headquarters & Group Services	(304)	(434)	130	30.0	18	5	(416)	112	27.0
Reconciliation	(51)	(32)	(19)	(59.4)	(4)	(5)	(36)	(15)	(41.7)
EBITDA AL (adjusted for special factors)	28,323	26,065	2,258	8.7	1,426	(1,088)	27,491	832	3.0
Germany	7,115	6,864	251	3.7	(5)	0	6,859	256	3.7
United States	17,215	15,458	1,757	11.4	1,428	(1,084)	16,886	329	1.9
Europe	3,046	2,953	93	3.1	(51)	(8)	2,902	144	5.0
Systems Solutions	215	207	8	3.9	(5)	3	202	13	6.5
Group Development	975	836	139	16.6	45	0	881	94	10.6
Group Headquarters & Group Services	(191)	(220)	29	13.2	18	5	(203)	12	5.7
Reconciliation	(50)	(32)	(18)	(56.2)	(4)	(4)	(36)	(14)	(38.9)

Glossary

For definitions, please refer to the [2020 Annual Report](#) and the glossary therein.

Disclaimer

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

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

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

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

Without prejudice to existing obligations under capital market law, Deutsche Telekom does not assume any obligation to update forward-looking statements to account for new information or future events or anything else.

In addition to figures prepared in accordance with IFRS, Deutsche Telekom presents alternative performance measures, e.g., EBITDA, EBITDA AL, adjusted EBITDA, adjusted EBITDA AL, adjusted EBITDA AL margin, adjusted EBIT, EBIT margin, adjusted net profit/loss, adjusted earnings per share, free cash flow, free cash flow AL, gross debt, and net debt. These measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

For further information on alternative performance measures, please refer to the section “[Management of the Group](#)” in the 2020 Annual Report and our [Investor Relations website](#).

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

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

Financial calendar

November 12, 2021	February 24, 2022	April 7, 2022
Publication of the Interim Group Report as of September 30, 2021	Press conference on Deutsche Telekom's financial statements for the 2021 financial year and publication of the 2021 Annual Report	2022 shareholders' meeting
May 13, 2022	August 11, 2022	November 10, 2022
Publication of the Interim Group Report as of March 31, 2022	Publication of the Interim Group Report as of June 30, 2022	Publication of the Interim Group Report as of September 30, 2022

All dates are subject to change.

For more dates, an updated schedule, and information on webcasts, please visit our [Investor Relations website](#).

Contacts

Deutsche Telekom AG
 Friedrich-Ebert-Allee 140
 53113 Bonn, Germany
www.telekom.com

Media inquiries:
 Corporate Communications
 Phone +49 228 181 49494
 Email media@telekom.de

Inquiries relating to the T-Share:
 Investor Relations
 Phone +49 228 181 88880
 Email investor.relations@telekom.de

This Interim Group Report for January 1 to September 30, 2021 is a publication of Deutsche Telekom AG and is also available in German. The German version is legally binding.

This Interim Group Report is available [online](#).

Our Annual Report is available [online](#).

Concept: Deutsche Telekom AG

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