Deutsche Telekom

Interim Group Report

Q1 2021

January 1 to March 31

LIFE IS FOR SHARING.

Contents

Selected financial data of the Group

millions of €

		Q1 2021	Q1 2020	Change %	FY 2020
Revenue and earnings[a]					
Net revenue		26,390	19,943	32.3	100,999
Of which: domestic	%	23.6	30.3		24.5
Of which: international	%	76.4	69.7		75.5
Profit (loss) from operations (EBIT)		3,519	2,511	40.1	12,804
Net profit (loss)		936	916	2.2	4,158
Net profit (loss) (adjusted for special factors)		1,201	1,284	(6.5)	5,715
EBITDA		10,361	6,940	49.3	38,633
EBITDA AL		8,798	5,921	48.6	33,178
EBITDA (adjusted for special factors)		10,698	7,563	41.5	40,374
EBITDA AL (adjusted for special factors)		9,245	6,544	41.3	35,017
EBITDA AL margin (adjusted for special factors)	%	35.0	32.8		34.7
Earnings per share (basic/diluted)	€	0.20	0.19	5.3	0.88
Adjusted earnings per share (basic/diluted)	€	0.25	0.27	(7.4)	1.20
Statement of financial position					
Total assets		273,901	173,646	57.7	264,917
Shareholders' equity		77,484	45,878	68.9	72,550
Equity ratio	%	28.3	26.4		27.4
Net debt		129,530	77,394	67.4	120,227
Cash flow[a]					
Net cash from operating activities		8,307	3,960	n.a.	23,743
Cash capex		(12,272)	(3,570)	n.a.	(18,694)
Cash capex (before spectrum investment)		(4,283)	(3,353)	(27.7)	(16,980)
Free cash flow (before dividend payments and spectrum investment)[b]		4,072	2,294	77.5	10,756
Free cash flow AL (before dividend payments and spectrum investment)[b]		2,585	1,287	n.a.	6,288
Net cash used in investing activities		(12,373)	(2,706)	n.a.	(22,649)
Net cash from (used in) financing activities		588	(2,562)	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 current period with the prior-year figures. For further information on the transaction, please refer to the section "Changes in the composition of the Group and other transactions" in the interim consolidated financial statements.

[b] Before interest payments for zero-coupon bonds in the first quarter of 2020.

millions

	Mar. 31, 2021	Dec. 31, 2020	Change Mar. 31, 2021/ Dec. 31, 2020 %	Mar. 31, 2020	Change Mar. 31, 2021/ Mar. 31, 2020 %
Fixed-network and mobile customers					
Mobile customers[a, b]	242.9	241.5	0.6	185.2	31.1
Fixed-network lines	27.4	27.4	0.1	27.4	(0.2)
Broadband customers[c]	21.9	21.7	0.5	21.2	3.2

[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 current period with the prior-year figures. For further information on the transaction, please refer to the section "Changes in the composition of the Group and other transactions" in the interim consolidated financial statements.

[b] Including T-Mobile US wholesale customers.

[c] Excluding wholesale.

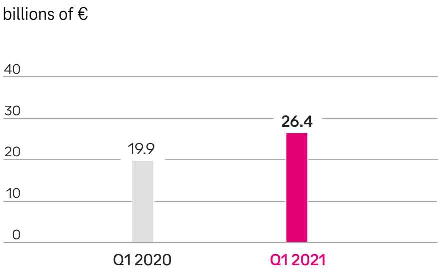
The figures shown in this report were rounded in accordance with standard business rounding principles. As a result, the total indicated may not be equal to the precise sum of the individual figures. Changes were calculated on the basis of millions for greater precision.

To our shareholders

Deutsche Telekom at a glance

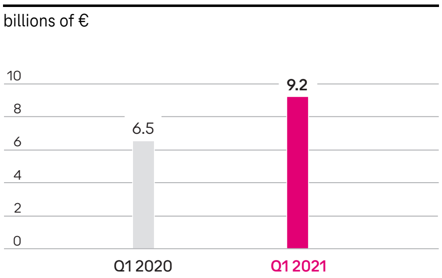
Net revenue

- Net revenue increased by EUR 6.4 billion or 32.3 % year-on-year from EUR 19.9 billion to EUR 26.4 billion. In organic terms, revenue increased by EUR 1.8 billion or 7.1 %.
- Our United States segment posted an increase in revenue of 62.3 %. In organic terms, revenue increased by 10.5 % year-on-year due to higher service and terminal equipment revenues.
- In our Germany and Europe segments, revenue on an organic basis remained on a par with the prior-year level. Revenue in the Europe segment was down 1.1 % on account of exchange rate effects.
- Revenue in our Systems Solutions segment decreased year-on-year by 4.4 % due primarily to the coronavirus-induced contraction of the IT market.
- In our Group Development segment, T-Mobile Netherlands and GD Towers grew 10.5 % year-on-year on the back of the acquired entity Simpel and the reassignment of the Austrian cell tower business, among other factors. In organic terms, revenue increased by 5.0 %.



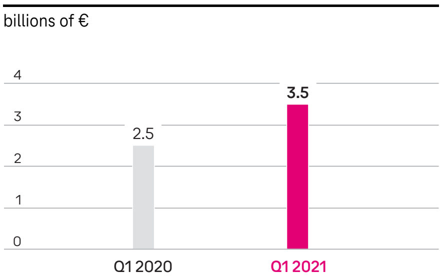
EBITDA AL (adjusted for special factors)

- Adjusted EBITDA AL grew by EUR 2.7 billion or 41.3 % from EUR 6.5 billion to EUR 9.2 billion, with all segments contributing to this positive trend. Excluding exchange rate effects and changes in the composition of the Group, our adjusted EBITDA AL increased by EUR 0.7 billion or 8.3 %.
- Adjusted EBITDA AL rose sharply by 80.6 % 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 10.7 % year-on-year.
- Our Germany segment recorded an increase in adjusted EBITDA AL of 3.4 % and our Europe operating segment a slight increase of 1.1 %.
- Adjusted EBITDA AL grew substantially in our Group Development segment, by 17.5 %. This was driven primarily by revenue growth at T-Mobile Netherlands and GD Towers, synergies from the acquisition of Tele2 Netherlands, the acquisition of Simpel, and efficient management of costs at T-Mobile Netherlands.
- At 35.0 %, the Group's adjusted EBITDA AL margin increased by 2.2 percentage points against the prior-year level. The adjusted EBITDA AL margin was 38.8 % in the Germany segment, 34.7 % in the Europe segment, and 34.6 % in the United States segment.



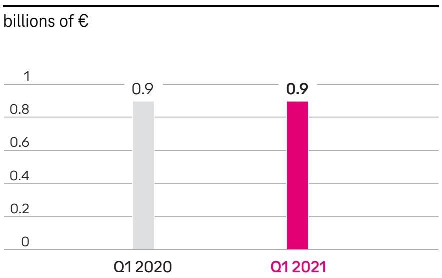
EBIT

- EBIT increased by EUR 1.0 billion or 40.1 % year-on-year from EUR 2.5 billion to EUR 3.5 billion, mainly as a result of the effects described under adjusted EBITDA AL.
- EBITDA AL was negatively affected by special factors of EUR 0.4 billion compared to expenses of EUR 0.6 billion in the prior-year period. Expenses of EUR 0.2 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; this contrasted with expenses of EUR 0.1 billion in the prior-year period. Special factors in connection with staff-related measures were down in the first quarter of 2021 by EUR 0.2 billion. Expenses of EUR 0.1 billion in the first quarter of 2020, primarily in connection with the coronavirus pandemic, had been classified as special factors in the United States segment.
- Depreciation, amortization and impairment losses were EUR 2.4 billion higher than in the prior-year period due in particular to the acquisition of Sprint.



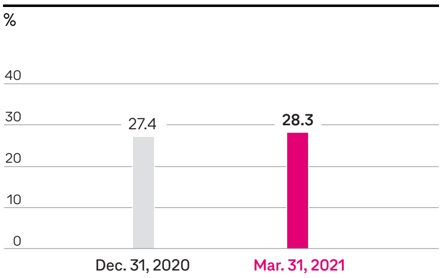
Net profit

- Net profit remained unchanged at EUR 0.9 billion.
- Loss from financial activities increased by EUR 0.7 billion to EUR 1.7 billion, largely in connection with an increase in finance costs of EUR 0.6 billion from the transfer of Sprint's financial liabilities and the restructuring activities and measures to increase the financing volume begun in the context of the business combination. Other financial expense increased by EUR 0.1 billion year-on-year to EUR 0.5 billion.
- The tax expense remained stable compared with the prior-year period at EUR 0.5 billion.
- Profit attributable to non-controlling interests increased from EUR 0.2 billion to EUR 0.4 billion.
- Adjusted earnings per share amounted to EUR 0.25 compared with EUR 0.27 in the prior-year period.



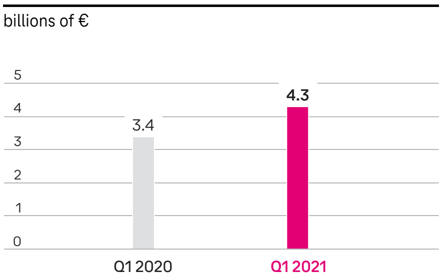
Equity ratio

- The equity ratio increased by 0.9 percentage points against December 31, 2020 from 27.4 % to 28.3 %.
- The EUR 4.9 billion increase in shareholders' equity is primarily attributable to profit of EUR 1.3 billion and to other comprehensive income of EUR 3.6 billion. This mainly includes effects from currency translations (EUR 2.7 billion) and the remeasurement of defined benefit plans (EUR 1.0 billion).
- Income taxes relating to components of other comprehensive income of EUR 0.2 billion reduced shareholder's equity in other comprehensive income.



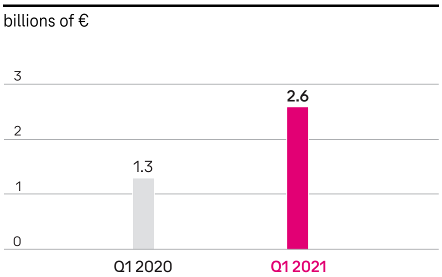
Cash capex (before spectrum investment)

- Cash capex (before spectrum investment) increased by EUR 0.9 billion or 27.7 % from EUR 3.4 billion to EUR 4.3 billion, largely on account of the inclusion of Sprint and the ongoing 5G network build-out in the United States. In the Germany segment, cash capex decreased due to lower investments as a result of bad weather conditions and reduced cash outflows. 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 by EUR 8.7 billion to EUR 12.3 billion. Spectrum licenses were purchased for EUR 8.0 billion in the reporting period, in particular FCC mobile licenses at the C-band auction in the United States segment. The prior-year period had included EUR 0.2 billion in advance payments for the purchase of FCC mobile licenses.



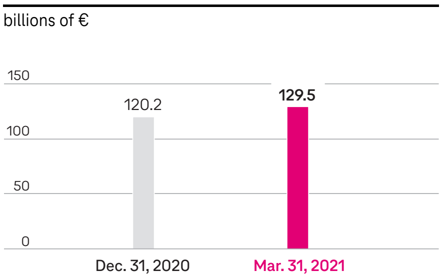
Free cash flow AL (before dividend payments and spectrum investment)[a]

- Free cash flow AL increased by EUR 1.3 billion from EUR 1.3 billion to EUR 2.6 billion.
- The business combination of T-Mobile US and Sprint effective April 1, 2020, and the sustained positive business trends in the other segments had an increasing effect. Additionally, the prior-year quarter had included a negative effect in the amount of EUR 0.5 billion from factoring agreements that no longer applied in the reporting quarter.
- The increase was partially offset by EUR 0.9 billion higher cash capex (before spectrum investment) and in particular by EUR 0.7 billion higher interest payments (net), 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. The EUR 0.1 billion higher income tax payments also had a negative effect.



Net debt

- Net debt increased by EUR 9.3 billion from EUR 120.2 billion at the end of 2020 to EUR 129.5 billion.
- This increase was largely attributable to the purchase of spectrum for EUR 8.0 billion, primarily in the United States segment. Exchange rate effects (EUR 3.8 billion) and additions of lease liabilities (EUR 1.1 billion) also had an increasing effect.
- The main factor reducing net debt was free cash flow (before dividend payments and spectrum investment) of EUR 4.1 billion.



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 in the first quarter of 2020.

Highlights in the first quarter of 2021

Business and other transactions

Reassignments between the operating segments. 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 Germany operating segment. Also as of January 1, 2021, Deutsche Telekom reassigned its Austrian cell tower business from the Europe operating segment to the Group Development operating segment.

For further information on the two reassignments, please refer to the section "Group organization, strategy, and management" in the interim Group management report and the section "Segment reporting" in the interim consolidated financial statements.

Combination of the cell tower business in the Netherlands and creation of an infrastructure fund. On January 21, 2021, Deutsche Telekom, Cellnex Telecom, and the newly established, independently managed investment company Digital Infrastructure Vehicle (DIV) signed an agreement to merge Deutsche Telekom's and Cellnex's respective Dutch subsidiaries for mobile infrastructure. Under the deal, the Dutch cell tower company T-Mobile Infra will be sold to DIV and subsequently merged into Cellnex Netherlands. The transaction is expected to be closed in the first half of 2021, following approval by the responsible antitrust authority.

T-Mobile US Analyst Day

Marking almost one year since the merger with Sprint, on March 11, 2021 T-Mobile US updated analysts on the status of the business integration and shared its medium-term financial targets. For example, the company is realizing the synergies from the business combination with Sprint ahead of the planned time frame announced with the transaction in April 2018. Among other factors, T-Mobile US now expects the net present value of cost and capital expenditure synergies to increase to over USD 70 billion in total – around 60 % higher than the original guidance of USD 43 billion. Our U.S. subsidiary also provided an update on the 5G network build-out following the most recent national spectrum auction, where it invested in C-band frequencies to add to its Ultra Capacity 5G and position itself to maintain its leadership in the 5G era. T-Mobile US additionally announced its plans to expand its footprint to include smaller and rural target markets, the enterprise customer segment and home broadband.

Investments in networks

Network build-out in Germany. In the first quarter of 2021, we upgraded around 1,600 additional sites for 5G. We now offer 5G in over 5,000 towns, cities, and municipalities covering some 66 million people Germany-wide. Furthermore, we built a total of 556 new LTE sites across Germany in the first quarter of 2021. Our LTE network now covers 98.8 % of German households.

As of the end of the first quarter 2021, our fiber-optic network (FTTH, FTTB) directly passed some 2.3 million households in Germany.

Network build-out in the United States. T-Mobile US acquired 142 spectrum licenses at the C-band auction in February 2021 for a total of USD 9.3 billion. Our U.S. subsidiary is strengthening its 5G network with the additional 40 MHz spectrum. T-Mobile US' Ultra Capacity 5G network in the 2.5 GHz and millimeter-wave (mmWave) bands covered 140 million people across the United States as of the end of the first 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 295 million people nationwide.

Network build-out in Europe. Our national companies in Europe, too, worked systematically to build out their networks throughout the first quarter of 2021. Hrvatski Telekom, for example, had made 5G available in 34 cities across Croatia by March 2021, thus enabling some 1.5 million people to already benefit from 5G. And Magyar Telekom in Hungary successfully acquired spectrum in the 900 and 1,800 MHz bands in January 2021. At the end of the first quarter of 2021, we also covered 97.7 % of the population in our European countries with LTE, reaching a total of around 108 million people.

Thus a total of around 4.3 million households in our four largest national companies had the option of a direct connection to our fiber-optic network (FTTH, FTTB, ED3) as of the end of the first quarter 2021.

Cooperations and partnerships

Extension of fiber-optic partnership with NetCologne. Deutsche Telekom and NetCologne have extended their long-running partnership from 2013 with an agreement to continue working together for a further ten years. For the first time, the partners have now also agreed to grant reciprocal network access to gigabit-capable fiber-optic infrastructure. The goal is to maximize network utilization and secure additional investments in the future fiber-optic build-out.

Extension of the fixed-network partnership with 1&1. Deutsche Telekom and 1&1 Versatel will continue to work closely together in the fixed network with a new ten-year agreement signed on the use of direct fiber-optic lines (FTTH) and VDSL. This fixed-network partnership safeguards the utilization of our networks and drives forward the fiber-optic build-out in Germany. In return, 1&1 can offer its customers a future-oriented product portfolio on our fast network.

Network infrastructure sharing with Telefónica. Before the end of the year, Deutsche Telekom and Telefónica aim to close several hundred “gray spots” in 4G network coverage for their customers. The partners will share active network technology at the sites. Unlike previous joint projects, such as radio mast site-sharing or the operator agreement to close “white spots,” separate wireless technology or antennas do not have to be additionally installed with this approach. Both companies have signed a corresponding Memorandum of Understanding (MoU).

For more details, please refer to our media information.

5G partnership with Deutsche Messe. Deutsche Messe’s exhibition grounds in Hanover will get their own 5G campus network before the end of the year to create a 5G exhibition center which Deutsche Messe, in close partnership with Deutsche Telekom, will gradually transform into a highly innovative multi-functional campus. We are ensuring comprehensive, high-performance 5G coverage over a total area of more than 1.4 million square meters – making it our largest 5G campus in Germany to date.

For more details, please refer to our media information.

5G partnership in the United States. In January 2021, T-Mobile US announced five-year, multi-billion-dollar agreements with both Ericsson and Nokia to continue advancing and expanding the nation’s largest 5G network. Part of the network investment following last year’s merger with Sprint, these deals enable T-Mobile US to add even more 5G coverage, capacity, speed, and advanced technical capabilities across all of its spectrum bands.

Joint campus network initiative with Ericsson. T-Systems and Ericsson have combined their expertise to offer their respective customers integrated campus network solutions. The partnership is based on Ericsson’s campus network infrastructure and our edge computing capabilities. Both companies aim to deliver an integrated solution to their own partners worldwide that gives their respective customers a high-quality, seamless service.

For more details, please refer to our media information.

Openness and diversity in the radio access network. Deutsche Telekom, Orange, Telefónica, and Vodafone Group have signed a joint letter of intent expressing their individual commitment to the implementation and deployment of Open Radio Access Network (Open RAN) solutions. Open RAN takes advantage of new open virtualized architectures, software, and hardware to build more agile and flexible mobile networks in the 5G era. The four operators will work together with existing and new ecosystem partners, industry bodies, and European policy makers to ensure Open RAN quickly reaches competitive parity with traditional RAN solutions.

For more details, please refer to our media information.

Focus on the cloud. With its Cloud First strategy, T-Systems will increasingly focus on the strategically important cloud computing business in the future and to this end has intensified its partnerships with Amazon Web Services AWS and Microsoft. In addition, the Deutsche Telekom subsidiary is increasingly training cloud experts and expanding the Open Telekom Cloud. Total investments in the expansion of cloud services are in the triple-digit euro millions.

For more details, please refer to our media information.

Products, rate plans, and services

Mixed reality innovation. In mid-March 2021, we were the first provider in Europe to officially launch pre-sales of the mixed reality glasses Nreal Light. This step brings a brand-new and innovative 5G-based interactive communication and entertainment device to the general public. Users of the glasses are able to experience mixed reality and augmented reality applications integrated into the real-world environment.

T-Mobile US business customer campaign. In March 2021, T-Mobile US launched WFX Solutions – a new suite of services for business maximizing the benefits of its 5G network. The products T-Mobile Enterprise Unlimited, T-Mobile Home Office Internet, and T-Mobile Collaborate help businesses and employees with mobile and home working.

Magenta Security: the security shield for connected machines. Cyberattacks on businesses are on the rise. Our Security Operations Center registers several million attacks per day on companies, which used to target networks and IT, in particular. Hackers today are increasingly exploiting the vulnerabilities of connected machines. Magenta Industrial Security is a new service from Deutsche Telekom that erects a protective shield around industry control systems to ward off such attacks.

For more details, please refer to our media information.

In-flight WiFi connectivity. The European Aviation Network (EAN) is now available to passengers traveling in more than 250 aircraft operated by British Airways, Iberia, and Vueling across Europe. Deutsche Telekom and Inmarsat developed EAN in collaboration with leading European companies. The solution offers airline passengers extremely high speeds of up to 100 Mbit/s and low latency comparable to terrestrial wireless communications.

For more details, please refer to our media information.

Awards

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

Climate A List and DJSI
The non-profit organization Carbon Disclosure Project and the Dow Jones Sustainability Index once again list Deutsche Telekom as a leading company when it comes to climate protection.

Umlaut speed test
Measurements by the independent Umlaut consultant company confirm T-Mobile US' 5G network is the fastest in the United States.

Tested Smart Home Product certificate
The independent IT experts at AV-TEST give the stamp of approval to our smart home products Home Base 2 and Speedport Smart 3 in their data privacy and security check (01/2021).

Top 50 Most Valuable German Brands
BrandZ study once again ranks Deutsche Telekom as Germany's second most valuable brand.

January – March

Brand Finance Global 500
Deutsche Telekom is once again ranked the most valuable European telecommunications brand and at USD 51.1 billion reached an all-time brand-value high.

J.D. Power Customer Care Study 2021
T-Mobile US ranks #1 for the 21st time in the Wireless Customer Care Mobile Network Operator Performance study by the analysts at J.D. Power.

For more information on the aforementioned highlights in the first quarter of 2021, please refer to our media information.

Interim Group management report

Group organization, strategy, and management

With regard to our Group organization, strategy, and management, please refer to the explanations in the combined management report in the 2020 Annual Report. The following changes and/or additions were recorded from the Group's point of view:

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 business customer 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.

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 three 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 further course of the pandemic will have a major effect on quantifying the impact of the coronavirus pandemic.

Macroeconomic development

The global economy continues to recover, albeit in the shadow of the coronavirus pandemic. In the April 2021 update to its outlook, the International Monetary Fund (IMF) announced it expected the global economy to expand by 6.0 % in 2021, followed by growth of 4.4 % in 2022.

For the German economy, the IMF expects GDP to grow by 3.6 % in the current year. The coronavirus crisis is affecting individual industry sectors to varying extents. The business climate in the information and communications technology sector has recently brightened again to a substantial extent: The Bitkom-ifo-Digitalindex, calculated on the basis of the business situation and expectations, reached a two-year high in March 2021.

The economies of our core markets in North America and Europe, too, will expand this year, with the IMF predicting growth of 6.4 % in the U.S. economy and of 4.4 % in the eurozone.

Outlook

The U.S. economy recovered in the first quarter of 2021. Stronger growth is expected following the recent announcement of a USD 1,900 billion stimulus package. In Europe, the economic situation is divided: While many service areas continue to be impacted by measures implemented to contain the pandemic, industrial activity remains robust. Economic development over the coming months will depend on the spread of infection.

Overall economic risks

Apart from the prevailing uncertainty relating to the further course of the coronavirus pandemic, there is a concomitant risk of companies encountering liquidity problems despite the relief measures implemented in many countries. Moreover, risks regarding the stability of global finance markets can arise from an expansionary monetary and fiscal policy. 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

Partnership agreements take effect. After agreeing to extend our long-standing partnership agreements in the fixed network with Telefónica and Vodafone in the fourth quarter of 2020, we also signed corresponding long-term agreements 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. The agreements establish solid terms for cooperation in the fixed network over the next ten years.

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 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).

Croatia is preparing to award the 700 MHz; 3,400 to 3,800 MHz; and 26,000 MHz bands in the second and third quarter of 2021. A public consultation on the award rules and spectrum usage conditions began on April 2, 2021 and is expected to conclude at the end of July 2021. 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. Romania plans to hold a large spectrum auction for the 700; 800; 1,500; 2,600; and 3,400 to 3,800 MHz bands, which is expected to take place in the second half 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. While a public consultation on this is now underway, a possible postponement to the following year cannot be ruled out.

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 process	Updated information
Croatia	Q2 2021	Q3 2021	700 / 3,400–3,800 / 26,000	Auction (sequential SMRA[a])	Public consultation underway. Execution/completion by end of July 2021. Further award expected in 2022.
Poland	Q2 2021	Q3 2021	3,400–3,800	Auction (SMRA[a]), details tbd	New start delayed due to political discussions on national security guidelines.
Poland	Q3 2022	Q4 2022	700 / 2,100 / 26,000	Auction, details tbd	Plans for all bands still uncertain due to discussions on award models.
Romania	Q4 2021	Q1 2022	700 / 800 / 1,500 / 2,600 / 3,400–3,800	Auction, details tbd	Process start delayed further. Additional 2,100 MHz possible.
Slovakia	Q4 2021	Q1 2022	3,400–3,800	Auction (SMRA[a]), details tbd	Public consultation underway.
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.
Hungary	2022 / 2023	2022 / 2023	1,500 / 2,300 / 26,000	Auction, details tbd	No information available.
United States	Q3 2021	Q4 2021	3,450–3,550	Auction, FCC proposal: ascending clock auction[b]	Start: October 2021 at the earliest
United States	Q4 2021	Q4 2021	2,500–2,700	Auction (SMRA[a])	Start: H2 2021 the earliest

[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 quarter 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 quarter of 2021, we generated net revenue of EUR 26.4 billion, which was up EUR 6.4 billion or 32.3 % 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 1.8 billion or 7.1 %. For a comparison on an organic basis, net revenue in the prior-year period was raised by EUR 6.2 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 -1.5 billion were taken into account.

Our United States operating segment in particular contributed to the positive revenue trend with an increase of 62.3 %. In organic terms, i.e., adjusted for the effect of the acquisition of Sprint and assuming constant exchange rates, revenue increased by 10.5 % year-on-year due to higher service and terminal equipment revenues. Revenue in our home market of Germany was up on the prior-year level, increasing by 1.9 %. This was mainly driven by broadband revenue growth and a rise in terminal equipment sales both in the fixed network and in mobile communications. The coronavirus pandemic had a negative impact on roaming and visitor revenues, and resulted in delays or postponements to current orders in B2B telecommunications business. In our Europe operating segment, revenue decreased by 1.1 %, mainly due to exchange rate effects. In organic terms, i.e., assuming constant exchange rates, revenue increased slightly against the level of the prior-year period, despite the difficult economic situation in consequence of the coronavirus pandemic. Organic growth was driven by the strong performance of the mobile business, especially the increase in revenues from terminal equipment sales and in higher-margin service revenues (excluding roaming and visitors). By contrast, the fixed-network business recorded a decline in revenues. Total revenue in our Systems Solutions operating segment decreased by 4.4 % year-on-year, reflecting the coronavirus-induced decline of the IT market in Western Europe. The upward revenue trend in our growth areas public cloud and digital solutions was not sufficient to fully offset the declines in traditional IT infrastructure business. Total revenue in our Group Development operating segment increased by 10.5 % year-on-year. This increase resulted from the operational growth of T-Mobile Netherlands and GD Towers, which includes DFMG and the Dutch and Austrian cell tower business. Even in organic terms, i.e., adjusted for the reassignment of the Austrian cell tower business as well as the acquisition of the Dutch MVNO and SIM provider Simpel, total revenue increased by 5.0 %.

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

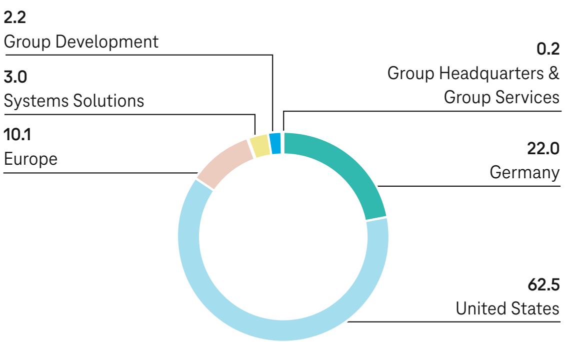
Contribution of the segments to net revenue

millions of €

	Q1 2021	Q1 2020	Change	Change %	FY 2020
Net revenue	**26,390**	**19,943**	**6,447**	**32.3**	**100,999**
Germany	5,942	5,830	112	1.9	23,790
United States	16,483	10,157	6,326	62.3	61,208
Europe	2,729	2,759	(30)	(1.1)	11,335
Systems Solutions	1,015	1,062	(47)	(4.4)	4,159
Group Development	782	708	74	10.5	2,883
Group Headquarters & Group Services	625	634	(9)	(1.4)	2,556
Intersegment revenue	(1,186)	(1,207)	21	1.7	(4,932)

Contribution of the segments to net revenue[a]

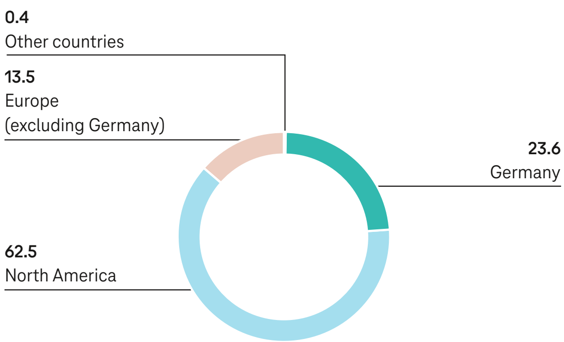
%



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

Breakdown of revenue by region

%



At 62.5 %, 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 11.6 percentage points above the level in the prior-year period. In this connection, the proportion of net revenue generated internationally also increased significantly from 69.7 % to 76.4 %.

Adjusted EBITDA AL, EBITDA AL

Adjusted EBITDA AL increased year-on-year by EUR 2.7 billion or 41.3 % to EUR 9.2 billion in the first quarter of 2021. Even in organic terms, adjusted EBITDA AL increased by EUR 0.7 billion or 8.3 %. For a comparison on an organic basis, 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 and net exchange rate effects of EUR -0.5 billion were taken into account.

All 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. In organic terms, i.e., adjusted for the effect of the acquisition of Sprint and assuming constant exchange rates, adjusted EBITDA AL increased by 10.7 % year-on-year. These increases were offset by higher operating expenses, primarily in connection with the acquisition of Sprint. Our Germany operating segment contributed to this result thanks to a positive revenue trend, and improved cost efficiency with 3.4 % higher adjusted EBITDA AL. Adjusted EBITDA AL in our Europe operating segment increased by 1.1 %. In organic terms, i.e., assuming constant exchange rates and adjusted for the reassignment of the Austrian cell tower business, adjusted EBITDA AL increased by 4.1 %. The main factor in this trend was savings in indirect costs. In our Systems Solutions operating segment, adjusted EBITDA AL increased by 3.3 %. Efficiency effects from our transformation program and effects from increased revenue in all of our growth areas exceeded the decline in earnings in the traditional IT infrastructure business. The increase of 17.5 % in adjusted EBITDA AL in our Group Development operating segment was driven by revenue growth at T-Mobile Netherlands, synergies from the acquisition of Tele2 Netherlands, the acquisition of Simpel, and efficient management of costs 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.

Contribution of the segments to adjusted Group EBITDA AL

millions of €

	Q1 2021	Q1 2020	Change	Change %	FY 2020
EBITDA AL (adjusted for special factors) in the Group	**9,245**	**6,544**	**2,701**	**41.3**	**35,017**
Germany	2,305	2,230	75	3.4	9,188
United States	5,706	3,160	2,546	80.6	20,997
Europe	946	936	10	1.1	3,910
Systems Solutions	62	60	2	3.3	279
Group Development	316	269	47	17.5	1,101
Group Headquarters & Group Services	(84)	(103)	19	18.4	(429)
Reconciliation	(7)	(8)	1	12.5	(28)

EBITDA AL increased by EUR 2.9 billion or 48.6 % year-on-year to EUR 8.8 billion, with special factors changing from EUR -0.6 billion to EUR -0.4 billion. Expenses incurred in connection with staff-related measures decreased year-on-year from EUR 0.3 billion to EUR 0.2 billion. In addition, expenses of EUR 0.2 billion were recorded as special factors under effects of deconsolidations, disposals, and acquisitions. These 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. In the prior-year period, expenses of EUR 0.1 billion incurred in connection with the approval process for the business combination of T-Mobile US and Sprint had been recorded as special factors. In addition, in connection with the coronavirus pandemic, expenses of EUR 0.1 billion had been classified as special factors in the United States operating segment in the first quarter of 2020.

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	Q1 2020	Change	Change %	FY 2020
EBITDA	10,361	6,940	3,421	49.3	38,633
Depreciation of right-of-use assets[a]	(1,284)	(831)	(453)	(54.5)	(4,530)
Interest expenses on recognized lease liabilities[a]	(279)	(189)	(90)	(47.6)	(925)
EBITDA AL	**8,798**	**5,921**	**2,877**	**48.6**	**33,178**
Special factors affecting EBITDA AL	(447)	(623)	176	28	(1,839)
EBITDA AL (adjusted for special factors)	**9,245**	**6,544**	**2,701**	**41.3**	**35,017**

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

EBIT

Group EBIT increased from EUR 2.5 billion to EUR 3.5 billion, up EUR 1.0 billion or 40.1 % against the prior-year period. This increase is partly due to the effects described under adjusted EBITDA AL and EBITDA AL. At EUR 6.8 billion, depreciation, amortization and impairment losses were EUR 2.4 billion higher than in the prior-year period. This increase is mainly attributable to Sprint, which has been included since April 1, 2020.

Profit before income taxes

Profit before income taxes increased by EUR 0.3 billion to EUR 1.8 billion, with loss from financial activities increasing by EUR 0.7 billion to EUR 1.7 billion. This increase was primarily due to a EUR 0.6 billion increase in finance costs to EUR 1.2 billion, mainly due to the financial liabilities acquired in connection with the acquisition of Sprint and the related restructuring and increase of financing. Other financial expense increased by EUR 0.1 billion year-on-year to EUR 0.5 billion, due in part to the lower gains from financial instruments compared with the prior-year period in connection with effects from the measurement of embedded derivatives at T-Mobile US and with the subsequent measurement of the stock options to buy shares in T-Mobile US received from SoftBank in June 2020. An increase in interest income from the measurement of provisions and liabilities had a contrasting effect.

Net profit, adjusted net profit

Net profit remained unchanged compared with the prior-year period at EUR 0.9 billion. Tax expense came to EUR 0.5 billion. Profit attributable to non-controlling interests increased by EUR 0.2 billion to EUR 0.4 billion, mainly in our United States operating segment. Excluding special factors, which had a negative overall effect of EUR 0.3 billion on net profit, adjusted net profit in the first quarter of 2021 amounted to EUR 1.2 billion, slightly down against the level in the prior-year period of EUR 1.3 billion.

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	Q1 2020	Change	Change %	FY 2020
Net profit (loss)	**936**	**916**	**20**	**2.2**	**4,158**
Special factors affecting EBITDA AL	(447)	(623)	176	28.3	(1,839)
Staff-related measures	(171)	(342)	171	50.0	(1,268)
Non-staff-related restructuring	(5)	(8)	3	37.5	(32)
Effects of deconsolidations, disposals and acquisitions	(245)	(145)	(100)	(69.0)	(1,655)
Reversals of impairment losses	0	0	0	n.a.	1,655
Other	(26)	(128)	102	79.7	(539)
Special factors affecting net profit	182	254	(72)	(28.3)	283
Impairment losses	(70)	0	(70)	n.a.	(656)
Profit (loss) from financial activities	(12)	(21)	9	n.a.	(25)
Income taxes	130	167	(37)	(22.2)	730
Non-controlling interests	134	108	26	24.1	234
Special factors	**(265)**	**(368)**	**103**	**28.0**	**(1,557)**
Net profit (loss) (adjusted for special factors)	**1,201**	**1,284**	**(83)**	**(6.5)**	**5,715**

Earnings per share, adjusted earnings per share

Earnings per share is calculated as net profit divided by the adjusted weighted average number of ordinary shares outstanding, which totaled 4,743 million as of March 31, 2021. This resulted in earnings per share of EUR 0.20, compared with EUR 0.19 in the prior-year period. Adjusted earnings per share, adjusted for special factors affecting net profit, amounted to EUR 0.25 compared with EUR 0.27 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 2021	EBIT Q1 2021	EBITDA AL Q1 2020	EBIT Q1 2020	EBITDA AL FY 2020	EBIT FY 2020
EBITDA AL/EBIT	**8,798**	**3,519**	**5,921**	**2,511**	**33,178**	**12,804**
Germany	**(99)**	**(99)**	**(207)**	**(207)**	**(752)**	**(805)**
Staff-related measures	(86)	(86)	(201)	(201)	(676)	(676)
Non-staff-related restructuring	(3)	(3)	(4)	(4)	(18)	(18)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	(18)	(18)
Impairment losses	0	0	0	0	0	(52)
Other	(10)	(10)	(2)	(2)	(40)	(40)
United States	**(261)**	**(297)**	**(274)**	**(274)**	**(370)**	**(370)**
Staff-related measures	(13)	(13)	(28)	(28)	(32)	(32)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(248)	(248)	(140)	(140)	(1,522)	(1,522)
Impairment losses	0	(36)	0	0	0	0
Reversals of impairment losses	0	0	0	0	1,604	1,604
Other	0	0	(106)	(106)	(420)	(420)

millions of €	EBITDA AL Q1 2021	EBIT Q1 2021	EBITDA AL Q1 2020	EBIT Q1 2020	EBITDA AL FY 2020	EBIT FY 2020
Europe	**(10)**	**(10)**	**(39)**	**(39)**	**(188)**	**(374)**
Staff-related measures	(8)	(8)	(22)	(22)	(181)	(181)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(2)	(2)	(2)	(2)	(6)	(6)
Impairment losses	0	0	0	0	0	(186)
Reversals of impairment losses	0	0	0	0	50	50
Other	0	0	(15)	(15)	(51)	(51)
Systems Solutions	**(36)**	**(56)**	**(38)**	**(38)**	**(209)**	**(582)**
Staff-related measures	(31)	(31)	(32)	(32)	(167)	(167)
Non-staff-related restructuring	0	0	(1)	(1)	(3)	(3)
Effects of deconsolidations, disposals and acquisitions	0	0	0	0	0	0
Impairment losses	0	(20)	0	0	0	(373)
Other	(4)	(4)	(5)	(5)	(39)	(39)
Group Development	**(16)**	**(16)**	**(7)**	**(7)**	**(43)**	**(43)**
Staff-related measures	(2)	(2)	(2)	(2)	(11)	(11)
Non-staff-related restructuring	0	0	0	0	0	0
Effects of deconsolidations, disposals and acquisitions	(9)	(9)	(5)	(5)	(30)	(30)
Impairment losses	0	0	0	0	0	0
Other	(4)	(4)	0	0	(2)	(2)
Group Headquarters & Group Services	**(26)**	**(40)**	**(58)**	**(58)**	**(277)**	**(322)**
Staff-related measures	(31)	(31)	(56)	(56)	(201)	(201)
Non-staff-related restructuring	(1)	(1)	(3)	(3)	(11)	(11)
Effects of deconsolidations, disposals and acquisitions	14	14	1	1	(78)	(78)
Impairment losses	0	(14)	0	0	0	(44)
Other	(7)	(7)	0	0	14	14
Group	**(447)**	**(517)**	**(623)**	**(623)**	**(1,839)**	**(2,496)**
Staff-related measures	(171)	(171)	(342)	(342)	(1,268)	(1,268)
Non-staff-related restructuring	(5)	(5)	(8)	(8)	(32)	(32)
Effects of deconsolidations, disposals and acquisitions	(245)	(245)	(145)	(145)	(1,655)	(1,655)
Impairment losses	0	(70)	0	0	0	(656)
Reversals of impairment losses	0	0	0	0	1,655	1,655
Other	(26)	(26)	(128)	(128)	(539)	(539)
EBITDA AL/EBIT (adjusted for special factors)	**9,245**	**4,036**	**6,544**	**3,134**	**35,017**	**15,300**
Profit (loss) from financial activities (adjusted for special factors)		(1,663)		(944)		(4,103)
Profit (loss) before income taxes (adjusted for special factors)		**2,373**		**2,190**		**11,197**
Income taxes (adjusted for special factors)		(672)		(619)		(2,659)
Profit (loss) (adjusted for special factors)		**1,701**		**1,571**		**8,538**
Profit (loss) (adjusted for special factors) attributable to						
Owners of the parent (net profit (loss)) (adjusted for special factors)		1,201		1,284		5,715
Non-controlling interests (adjusted for special factors)		500		287		2,823

Employees

Headcount development

	Mar. 31, 2021	Dec. 31, 2020	Change	Change %
FTEs in the Group	**224,385**	**226,291**	**(1,906)**	**(0.8)**
Of which: civil servants (in Germany, with an active service relationship)	10,388	10,583	(195)	(1.8)
Germany[a]	62,255	66,348	(4,093)	(6.2)
United States	71,353	71,303	50	0.1
Europe	40,133	41,272	(1,139)	(2.8)
Systems Solutions	27,711	28,098	(387)	(1.4)
Group Development	2,762	2,684	78	2.9
Group Headquarters & Group Services[a]	20,170	16,585	3,585	21.6

[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 0.8 % compared with the end of 2020. The number of employees in our Germany operating segment decreased by 6.2 % 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 employees in our United States operating segment remained virtually unchanged compared with December 31, 2020. In our Europe operating segment, the headcount was down 2.8 % compared with the end of the prior year, with staff levels decreasing in Greece, Hungary, and Croatia in particular. The headcount in our Systems Solutions operating segment was down 1.4 % against year-end 2020, primarily as a result of efficiency enhancement measures. In the Group Development operating segment, the 2.9 % increase in the number of employees can be attributed to the insourcing of activities previously carried out externally to achieve cost savings at T-Mobile Netherlands. The number of employees in the Group Headquarters & Group Services segment was up 21.6 % 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 €

	Mar. 31, 2021	%	Dec. 31, 2020	%	Mar. 31, 2020
Assets					
Cash and cash equivalents	9,872	3.6	12,939	4.9	4,078
Trade receivables	13,264	4.8	13,523	5.1	10,560
Intangible assets	130,146	47.5	118,066	44.6	69,000
Property, plant and equipment	61,522	22.5	60,975	23.0	49,544
Right-of-use assets	30,960	11.3	30,302	11.4	18,134
Current and non-current financial assets	8,072	2.9	9,640	3.6	9,462
Deferred tax assets	8,107	3.0	7,972	3.0	3,276
Non-current assets and disposal groups held for sale	1,070	0.4	1,113	0.4	84
Other assets	10,888	4.0	10,387	3.9	9,508
Total assets	**273,901**	**100.0**	**264,917**	**100.0**	**173,646**
Liabilities and shareholders' equity					
Current and non-current financial liabilities	111,265	40.6	107,108	40.4	68,443
Current and non-current lease liabilities	33,224	12.1	32,715	12.3	19,699
Trade and other payables	8,936	3.3	9,760	3.7	8,730
Provisions for pensions and other employee benefits	6,570	2.4	7,684	2.9	6,835
Current and non-current other provisions	8,754	3.2	9,033	3.4	6,565
Deferred tax liabilities	18,266	6.7	17,260	6.5	9,780
Liabilities directly associated with non-current assets and disposal groups held for sale	421	0.2	449	0.2	29
Other liabilities	8,981	3.3	8,358	3.2	7,687
Shareholders' equity	77,484	28.3	72,550	27.4	45,878
Total liabilities and shareholders' equity	**273,901**	**100.0**	**264,917**	**100.0**	**173,646**

Total assets/total liabilities and shareholders' equity amounted to EUR 273.9 billion as of March 31, 2021, up by EUR 9.0 billion against December 31, 2020. This increase is mainly attributable to investments in intangible assets for spectrum acquisition in the United States and Europe operating segments. This effect was offset in part by a decline in cash and cash equivalents.

On the assets side, **trade receivables** amounted to EUR 13.3 billion, down by EUR 0.3 billion against the 2020 year-end. This was attributable to the fact that the level of receivables in the United States, Germany, and Europe operating segments was lower on account of the reporting date. Exchange rate effects, mainly from the translation from U.S. dollars into euros, had an offsetting effect.

Intangible assets and **property, plant and equipment** increased by EUR 12.6 billion to total EUR 191.7 billion. This is mainly due to the conclusion of the C-band auction in the United States, where T-Mobile US purchased 142 licenses for around EUR 7.8 billion (USD 9.3 billion) at auction. 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 that are due to expire in 2022 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 increased the carrying amount. Positive exchange rate effects, primarily from the translation of U.S. dollars into euros, also increased the carrying amount by EUR 5.6 billion. Depreciation, amortization and impairment losses reduced the net carrying amounts by EUR 5.4 billion in total, as did disposals of EUR 0.5 billion.

Right-of-use assets increased by EUR 0.7 billion compared to December 31, 2020 to EUR 31.0 billion, mainly due to the following effects: Positive exchange rate effects of EUR 1.1 billion, primarily from the translation of U.S. dollars into euros, and additions, also of EUR 1.1 billion, increased the carrying amount. Depreciation, amortization and impairment losses totaling EUR 1.4 billion and disposals of EUR 0.1 billion had a reducing effect.

Current and non-current financial assets decreased by EUR 1.6 billion to EUR 8.1 billion. Under derivative financial assets, the carrying amount of derivatives without a hedging relationship decreased by EUR 0.5 billion to EUR 1.5 billion, mainly in connection with effects from the measurement of embedded derivatives at T-Mobile US – due in part to the premature repayment of bonds – and with the subsequent measurement of the stock options to buy shares in T-Mobile US received from SoftBank in June 2020. The carrying amount of derivatives with a hedging relationship decreased by EUR 0.7 billion to EUR 1.3 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 interest rate levels. In connection with cash collateral, in particular in connection with the conclusion of the C-band auction in the United States operating segment, the carrying amount of other financial assets decreased by EUR 0.4 billion. By contrast, other financial assets increased by EUR 0.2 billion in connection with grants receivable from funding projects for the broadband build-out in Germany.

The increase of EUR 0.5 billion in **other assets** to EUR 10.9 billion was mainly due to the increase in other current assets caused by exchange rate effects, primarily from the translation of U.S. dollars into euros.

On the liabilities and shareholders' equity side, current and non-current **financial liabilities** increased by EUR 4.2 billion compared with the end of 2020 to a total of EUR 111.3 billion. Exchange rate effects, in particular from the translation of U.S. dollars into euros, raised the carrying amount by EUR 2.8 billion. T-Mobile US issued senior secured notes in the first quarter of 2021 with a total volume of USD 6.8 billion (EUR 5.7 billion) and made early repayments on bonds with a total volume of USD 2.0 billion (EUR 1.7 billion). In addition, euro bonds with a volume of EUR 1.0 billion were repaid on schedule in the Group. Financial liabilities decreased by EUR 0.5 billion in connection with collateral received for derivative financial instruments.

Current and non-current **lease liabilities** increased by EUR 0.5 billion to EUR 33.2 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 1.2 billion. In particular, the decommissioning of former Sprint cell sites and the closure of some former Sprint shops in the United States operating segment had an offsetting effect.

Trade and other payables decreased by EUR 0.8 billion to EUR 8.9 billion, due in particular to lower liabilities to terminal equipment vendors and declines in liabilities for purchased services in the United States operating segment. Liabilities also decreased in the Germany and Europe operating segments. By contrast, changes in exchange rates, primarily from the translation of U.S. dollars into euros, increased the carrying amount.

Provisions for pensions and other employee benefits decreased from EUR 7.7 billion as of December 31, 2020 to EUR 6.6 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 1.0 billion from the remeasurement of defined benefit plans to be recognized directly in equity.

Other liabilities increased by EUR 0.6 billion compared to December 31, 2020 to EUR 9.0 billion, mainly due to an increase of EUR 0.5 billion in other liabilities in connection with grants still to be received from funding projects for the broadband build-out in Germany, as well as exchange rate effects, primarily from the translation of U.S. dollars into euros.

Shareholders' equity increased by EUR 4.9 billion as of December 31, 2020 to EUR 77.5 billion. This growth was attributable to profit of EUR 1.3 billion and to the increase in other comprehensive income of EUR 3.6 billion, primarily as a result of currency translation effects of EUR 2.7 billion recognized directly in equity and the remeasurement of defined benefit plans accounting for EUR 1.0 billion. By contrast, income taxes relating to components of other comprehensive income of EUR 0.2 billion had a negative impact on other comprehensive income.

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

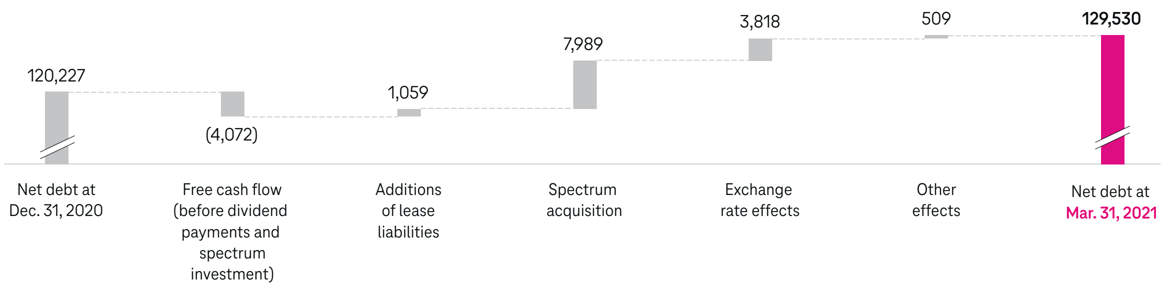
Calculation of net debt

millions of €

	Mar. 31, 2021	Dec. 31, 2020	Change	Change %	Mar. 31, 2020
Bonds and other securitized liabilities	92,599	87,702	4,897	5.6	52,857
Liabilities to banks	4,971	5,257	(286)	(5.4)	5,005
Other financial liabilities	13,695	14,149	(454)	(3.2)	10,581
Lease liabilities	33,224	32,715	509	1.6	19,699
Financial liabilities and lease liabilities	**144,489**	**139,823**	**4,666**	**3.3**	**88,142**
Accrued interest	(1,091)	(1,035)	(56)	(5.4)	(698)
Other	(680)	(703)	23	3.3	(635)
Gross debt	**142,718**	**138,085**	**4,633**	**3.4**	**86,809**
Cash and cash equivalents	9,872	12,939	(3,067)	(23.7)	4,078
Derivative financial assets	2,822	4,038	(1,216)	(30.1)	3,931
Other financial assets	494	881	(387)	(43.9)	1,406
Net debt	**129,530**	**120,227**	**9,303**	**7.7**	**77,394**

Changes in net debt

millions of €



Other effects of EUR 0.5 billion included effects from the measurement of derivatives mainly at T-Mobile US, the recognition of liabilities for the acquisition of broadcasting rights, as well as a large number of smaller effects.

Calculation of free cash flow AL

millions of €

	Q1 2021	Q1 2020	Change	Change %	FY 2020
Net cash from operating activities	**8,307**	**3,960**	**4,347**	**n.a.**	**23,743**
Interest payments for zero-coupon bonds	0	1,600	(1,600)	(100.0)	1,600
Termination of forward-payer swaps at T-Mobile US	0	0	0	n.a.	2,158
Net cash from operating activities[a]	**8,307**	**5,560**	**2,747**	**49.4**	**27,501**
Cash capex	(12,272)	(3,570)	(8,702)	n.a.	(18,694)
Spectrum investment	7,989	217	7,772	n.a.	1,714
Cash capex (before spectrum investment)	**(4,283)**	**(3,353)**	**(930)**	**(27.7)**	**(16,980)**
Proceeds from the disposal of intangible assets (excluding goodwill) and property, plant and equipment	48	87	(39)	(44.8)	236
Free cash flow (before dividend payments and spectrum investment)[a]	**4,072**	**2,294**	**1,778**	**77.5**	**10,756**
Principal portion of repayment of lease liabilities[b]	(1,487)	(1,007)	(480)	(47.7)	(4,468)
Free cash flow AL (before dividend payments and spectrum investment)[a]	**2,585**	**1,287**	**1,298**	**n.a.**	**6,288**

[a] Before interest payments for zero-coupon bonds in the first quarter of 2020.
[b] Excluding finance leases at T-Mobile US.

Free cash flow AL (before dividend payments and spectrum investment) increased by EUR 1.3 billion year-on-year to EUR 2.6 billion. The following effects impacted on this development:

Net cash from operating activities increased by EUR 2.7 billion. This increase is primarily attributable to the business combination of T-Mobile US and Sprint effective April 1, 2020. In addition, the continuing strong performance of the operating segments, especially in the United States, had an increasing effect on net cash from operating activities. The increase was partially offset in particular by a net increase of EUR 0.7 billion in 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. Income tax payments increased by EUR 0.1 billion compared with the prior-year period. Factoring agreements did not result in any material effects on net cash from operating activities in the reporting year. In the prior-year period, factoring agreements had had negative effects of EUR 0.5 billion.

Cash capex (before spectrum investment) increased by EUR 0.9 billion to EUR 4.3 billion, mainly in the United States operating segment (EUR 1.1 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 work had to be postponed in the first quarter of 2021 due to bad weather. Also, construction work planned for 2021 had been brought forward to the fourth quarter of 2020.

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 as a result of the inclusion of Sprint.

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

Development of business in the operating segments

For further information, please refer to our IR back-up on the internet.

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	Mar. 31, 2021	Dec. 31, 2020	Change Mar. 31, 2021/ Dec. 31, 2020 %	Mar. 31, 2020	Change Mar. 31, 2021/ Mar. 31, 2020 %
Mobile customers	49,091	48,213	1.8	46,693	5.1
Contract customers[a, b]	22,509	25,975	(13.3)	25,416	(11.4)
Prepaid customers[a, b]	26,582	22,239	19.5	21,277	24.9
Fixed-network lines	17,562	17,590	(0.2)	17,711	(0.8)
Retail broadband lines	14,211	14,118	0.7	13,813	2.9
Of which: optical fiber	9,758	9,515	2.6	8,787	11.1
Television (IPTV, satellite)	3,896	3,864	0.8	3,678	5.9
Unbundled local loop lines (ULLs)	3,968	4,101	(3.2)	4,505	(11.9)
Wholesale broadband lines	7,813	7,733	1.0	7,445	4.9
Of which: optical fiber	6,558	6,433	1.9	5,994	9.4

[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, 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. To this end we market not only fixed-network and mobile products, but also convergence products such as our MagentaEINS Plus rate plan, introduced in September 2020. This offering bundles our connectivity services for home and on the move in a single contract. While the number of customers using our convergence products MagentaEINS and MagentaEINS Plus ebbed slightly, these products continue to enjoy sustained popularity with over 5 million customers in total having opted for these products by the end of March 2021. The customer base is thus stable 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 March 2021, the total number of lines had increased to over 16.3 million. In other words, we connected a further 368 thousand lines to our fiber-optic network in Germany in the first three 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 878 thousand mobile customers in the first quarter of 2021. Of these, 167 thousand were high-value contract customers under our Telekom and congstar brands. Sustained high 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 727 thousand prepaid customers since the start of the year, largely on the back of our automotive offerings targeted specifically at business customers.

The StreamOn option, with which customers can stream certain music, gaming, or video services without reducing their included data allowance, remains very popular. At the end of March 2021, almost 4.2 million customers were using this option, up by around 26 % 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 93 thousand to over 14.2 million in the first quarter of 2021. Demand for our retail fiber-optic-based lines was the biggest driver here, accounting for 243 thousand lines. We added 32 thousand TV customers since the end of 2020, increasing the customer base by 0.8 % in the first three months of 2021. In traditional fixed-network business, the number of lines declined slightly by 28 thousand. This marked a considerable reduction in line losses compared with the prior-year period. As expected, the number of fixed-network lines remained stable at around 17.6 million lines.

Wholesale

As of March 31, 2021, fiber-optic-based lines accounted for 55.7 % of all lines – 1.3 percentage points higher than at the end of 2020. This growth was driven largely by high demand for our contingent model. The number of unbundled local loop lines decreased by 133 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 March 2021 was around 11.8 million.

Development of operations

millions of €		Q1 2021	Q1 2020	Change	Change %	FY 2020
Total revenue		**5,942**	**5,830**	**112**	**1.9**	**23,790**
Consumers		2,984	2,873	111	3.9	11,740
Business Customers		2,188	2,168	20	0.9	8,857
Wholesale		709	742	(33)	(4.4)	2,983
Other		61	47	14	29.8	210
Profit (loss) from operations **(EBIT)**		**1,215**	**934**	**281**	**30.1**	**3,970**
EBIT margin	%	20.4	16.0			16.7
Depreciation, amortization and impairment losses		(1,001)	(1,098)	97	8.8	(4,510)
EBITDA		2,215	2,032	183	9.0	8,480
Special factors affecting EBITDA		(99)	(207)	108	52.2	(752)
EBITDA (adjusted for special factors)		2,314	2,239	75	3.3	9,232
EBITDA AL		2,206	2,023	183	9.0	8,435
Special factors affecting EBITDA AL		(99)	(207)	108	52.2	(752)
EBITDA AL (adjusted for special factors)		**2,305**	**2,230**	**75**	**3.4**	**9,188**
EBITDA AL margin (adjusted for special factors)	%	38.8	38.3			38.6
Cash capex		**(860)**	**(1,049)**	**189**	**18.0**	**(4,191)**

Total revenue

In the first three months of 2021, we generated total revenue of EUR 5.9 billion, which was up by 1.9 % year-on-year. This was mainly driven by broadband revenue growth of 6.5 % and a rise in terminal equipment revenue both in the fixed network by 7.0 % and in mobile communications by 14.0 %. 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 impact on roaming and visitor revenues. It also resulted in delays or postponements to current orders in B2B telecommunications business.

Revenue from **Consumers** increased by 3.9 % 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 6.6 %, due in part to the positive effects from increased customer appreciation for stable data lines. Fixed-network terminal equipment business posted growth of 11.5 % on the back of strong terminal equipment rental business. Mobile business increased by 4.4 %, primarily due to higher revenues from mobile terminal equipment business. Service revenues were at around the same level as in the prior year, impacted by the decline in roaming and visitor revenues as a result of the coronavirus pandemic.

Revenue from **Business Customers** was up 0.9 % year-on-year. IT revenue grew by 7.8 % against the prior-year period, mainly due to concerted efforts to drive forward digitalization in the SME sector. Mobile revenue decreased by 0.3 % overall. Sustained additions to our mobile customer base were not sufficient to offset the coronavirus-induced decline in roaming revenues. 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 2.8 % year-on-year.

Wholesale revenue was down at the end of March 2021 by 4.4 % year-on-year. The positive trend in the number of fiber-optic-based lines, driven mainly by the contingent model, continued with an increase of 9.4 % compared with the prior-year period. However, this was not enough to offset the decrease in revenues of 11.9 % from declining volumes of unbundled local loop lines. In addition, the prior-year period included a positive contribution – not repeated in the first quarter of 2021 – from the application of the IFRS 16 Leases accounting standard, which reduced the customer retention period in connection with the lease of unbundled local loop lines. Voice revenue was down against the prior-year period, which had contained coronavirus-induced higher revenues.

Adjusted EBITDA AL, EBITDA AL

EBITDA AL adjusted for special factors increased by EUR 75 million or 3.4 % year-on-year to EUR 2.3 billion. Our adjusted EBITDA AL margin increased to 38.8 %, up from 38.3 % 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.

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 three months of 2021 to EUR 2.2 billion or 9.0 % above the prior-year level.

EBIT

Profit from operations was up 30.1 % year-on-year to around EUR 1.2 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 189 million or 18.0 % 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, book capex with an impact on cash flows was below the prior-year level due to lower fiber-optic investments as a result of bad weather conditions.

Capital expenditure totaled around EUR 860 million in the first three months of 2021, in particular for the build-out of the 5G and fiber-optic networks. The number of households connected by pure fiber-optic lines increased to around 2.3 million by the end of March 2021. In mobile communications, our customers benefit from greater LTE network coverage. As of March 31, 2021, we supplied 98.8 % of households in Germany with LTE. Some 66 million people Germany-wide can already use 5G.

United States

Customer development

thousands	Mar. 31, 2021	Dec. 31, 2020	Change Mar. 31, 2021/ Dec. 31, 2020 %	Mar. 31, 2020	Change Mar. 31, 2021/ Mar. 31, 2020 %
Customers	103,437	102,064	1.3	68,543	50.9
Postpaid customers	82,572	81,350	1.5	47,811	72.7
Postpaid phone customers[a, b]	67,402	66,618	1.2	40,797	65.2
Other postpaid customers[a, b]	15,170	14,732	3.0	7,014	n.a.
Prepaid customers[a, b, c]	20,865	20,714	0.7	20,732	0.6

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.

[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.

[c] In connection with obtaining regulatory approval for the Sprint Merger, on July 1, 2020, substantially all prepaid customers acquired were subsequently acquired by DISH. Upon closing of the transaction with DISH, we entered into a Mobile Virtual Network Operator ("MVNO") agreement to provide network services to customers of their prepaid business for a period of up to seven years. As a result, we included a base adjustment to reduce prepaid customers by 9.4 million in the third quarter of 2020. The prepaid customers included in our total customers as of June 30, 2020 include the customers subsequently acquired by DISH and are expected to be different than the customers included under the MVNO agreement, and classified as wholesale customers, due to differences in customer reporting policies.

Customers

At March 31, 2021, the United States operating segment (T-Mobile US) had 103.4 million customers, compared to 102.1 million customers at December 31, 2020. Net customer additions were 1.4 million in the first quarter of 2021, compared to 0.6 million net customer additions in the first quarter of 2020, due to the factors described below.

Postpaid net customer additions were 1.2 million in the first quarter of 2021, compared to 777 thousand postpaid net customer additions in the first quarter of 2020. The increase resulted from higher postpaid phone and postpaid other net customer additions, primarily due to expanded retail presence as a result of the Sprint Merger, increased retail store traffic due to closures arising from the coronavirus pandemic in the prior period, as well as increased growth from T-Mobile for Business, higher gross additions from connected devices, and lower postpaid other churn. This increase was partially offset by higher postpaid phone churn from customers acquired in the Sprint Merger.

Prepaid net customer additions were 151 thousand in the first quarter of 2021, compared to 128 thousand prepaid net customer losses in the first quarter of 2020. The increase was primarily due to lower churn.

Development of operations

millions of €		Q1 2021	Q1 2020	Change	Change %	FY 2020
Total revenue		**16,483**	**10,157**	**6,326**	**62.3**	**61,208**
Profit (loss) from operations **(EBIT)**		**2,144**	**1,509**	**635**	**42.1**	**9,187**
EBIT margin	%	13.0	14.9			15.0
Depreciation, amortization and impairment losses		(4,577)	(2,084)	(2,493)	n.a.	(15,665)
EBITDA		6,722	3,593	3,129	87.1	24,852
Special factors affecting EBITDA		(151)	(274)	123	44.9	(270)
EBITDA (adjusted for special factors)		6,873	3,867	3,006	77.7	25,122
EBITDA AL		5,446	2,886	2,560	88.7	20,628
Special factors affecting EBITDA AL		(261)	(274)	13	4.7	(370)
EBITDA AL (adjusted for special factors)		**5,706**	**3,160**	**2,546**	**80.6**	**20,997**
EBITDA AL margin (adjusted for special factors)	%	34.6	31.1			34.3
Cash capex		**(10,513)**	**(1,708)**	**(8,805)**	**n.a.**	**(10,394)**

Total revenue

Total revenue for the United States operating segment of EUR 16.5 billion in the first quarter of 2021, increased by 62.3 %, compared to EUR 10.2 billion in the first quarter of 2020. In U.S. dollars, T-Mobile US' total revenues increased by 77.4 % 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 first quarter of 2021 primarily due to higher average postpaid phone customers driven by customers acquired in the Sprint Merger, the success of new customer segments and rate plans, as well as continued growth in existing and new markets, along with promotional activities. In addition, higher average postpaid other customers, primarily from customers acquired in the Sprint Merger and growth in other connected devices, primarily related to public and educational sector customers increased service revenues. The increase in service revenues was also driven by higher postpaid phone ARPU as a result of customers acquired in the Sprint Merger and higher roaming and other service revenues primarily from the inclusion of wireline operations acquired in the Sprint Merger.

Equipment revenues increased in the first quarter of 2021 primarily due to an increase in device sales revenue, excluding purchased leased devices. In addition, equipment revenues increased due to the Sprint Merger including increases in lease revenues due to a higher number of customer devices under lease, an increase in sales of leased devices, primarily due to a larger base of leased devices, and an increase in revenues primarily related to the liquidation of returned devices.

Adjusted EBITDA AL, EBITDA AL

In euros, adjusted EBITDA AL increased by 80.6 % to EUR 5.7 billion in the first quarter of 2021, compared to EUR 3.2 billion in the first quarter of 2020. The adjusted EBITDA AL margin increased to 34.6 % in the first quarter of 2021, compared to 31.1 % in the first quarter of 2020. In U.S. dollars, adjusted EBITDA AL increased by 97.4 % during the same period. Adjusted EBITDA AL increased primarily due to higher service revenues and equipment revenues as discussed above. These increases were partially offset by increases in expenses primarily due to the Sprint Merger including those associated with device cost of equipment sales, excluding purchased leased devices, leases, backhaul agreements, other network expenses, employee-related and benefit-related costs primarily due to increased headcount, external labor and professional services, and advertising. Additional increases in expenses primarily due to the Sprint Merger include those associated with leased device cost of equipment sales, primarily due to a larger base of leased devices, costs related to the liquidation of a higher volume of returned devices, and repair and maintenance costs. In addition to these costs primarily due to the Sprint Merger, were increases in expenses primarily due to the continued build-out of our nationwide 5G network, higher commission expense primarily due to higher gross customer additions, and repair and maintenance costs primarily due to severe weather occurring in the first quarter of 2021.

EBITDA AL in the first quarter of 2021, included special factors of EUR -0.3 billion on a par with EUR -0.3 billion in the first quarter of 2020. The change in special factors was primarily due to supplemental employee payroll, third-party commissions and cleaning-related expenses associated with the coronavirus pandemic in the first quarter of 2020 and changes in exchange rate between the first quarter of 2021 and 2020. These decreases in special factor expenses were offset by an increase of Merger-related costs including transaction costs, including legal and professional services related to the completion of the Merger and acquisitions of affiliates; restructuring costs, including severance, store rationalization and network decommissioning; and integration costs to achieve synergies in network, retail, IT, and back office operations. Overall, EBITDA AL increased by 88.7 % to EUR 5.4 billion in the first quarter of 2021, compared to EUR 2.9 billion in the first quarter of 2020, due to the factors described above, including special factors.

EBIT

EBIT increased to EUR 2.1 billion in the first quarter of 2021, compared to EUR 1.5 billion in the first quarter of 2020. In U.S. dollars, EBIT increased by 55.4 % during the same period primarily due to higher EBITDA AL. In U.S. dollars, depreciation and amortization increased by USD 3.2 billion primarily due to higher depreciation expense from assets acquired in the Sprint Merger, excluding leased devices, and expansion from the continued build-out of our nationwide 5G network. In addition, depreciation and amortization increased due to 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 acquired in the Sprint Merger.

Cash capex

Cash capex increased to EUR 10.5 billion in the first quarter of 2021, compared to EUR 1.7 billion in the first quarter of 2020. In U.S. dollars, cash capex increased by USD 10.7 billion primarily driven by 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

		Mar. 31, 2021	Dec. 31, 2020	Change Mar. 31, 2021/ Dec. 31, 2020 %	Mar. 31, 2020	Change Mar. 31, 2021/ Mar. 31, 2020 %
Europe, total	Mobile customers	45,454	45,619	(0.4)	45,916	(1.0)
	Contract customers[a]	26,995	26,844	0.6	26,253	2.8
	Prepaid customers[a]	18,459	18,775	(1.7)	19,664	(6.1)
	Fixed-network lines	9,117	9,084	0.4	9,096	0.2
	Of which: IP-based	8,511	8,439	0.9	8,347	2.0
	Broadband customers[b]	7,001	6,943	0.8	6,729	4.0
	Television (IPTV, satellite, cable)	5,105	5,057	0.9	4,940	3.3
	Unbundled local loop lines (ULLs)/ wholesale PSTN	2,039	2,242	(9.1)	2,298	(11.3)
	Wholesale broadband lines	730	684	6.7	557	31.1
Greece	Mobile customers	6,840	6,914	(1.1)	7,311	(6.4)
	Fixed-network lines	2,597	2,589	0.3	2,637	(1.5)
	Broadband customers	2,220	2,185	1.6	2,065	7.5
Romania	Mobile customers	4,592	4,683	(1.9)	4,777	(3.9)
	Fixed-network lines	1,432	1,444	(0.8)	1,504	(4.8)
	Broadband customers	872	912	(4.4)	978	(10.8)
Hungary	Mobile customers[a]	5,456	5,427	0.5	5,378	1.5
	Fixed-network lines	1,769	1,759	0.6	1,718	3.0
	Broadband customers[b]	1,342	1,321	1.6	1,253	7.1
Poland	Mobile customers	11,205	11,198	0.1	10,982	2.0
	Fixed-network lines	33	31	6.5	26	26.9
	Broadband customers[b]	43	32	34.4	13	n.a.
Czech Republic	Mobile customers	6,185	6,178	0.1	6,267	(1.3)
	Fixed-network lines	615	606	1.5	568	8.3
	Broadband customers	377	368	2.4	350	7.7
Croatia	Mobile customers	2,256	2,253	0.1	2,248	0.4
	Fixed-network lines	882	885	(0.3)	897	(1.7)
	Broadband customers	627	625	0.3	620	1.1
Slovakia	Mobile customers	2,452	2,441	0.5	2,409	1.8
	Fixed-network lines	865	865	0.0	859	0.7
	Broadband customers	614	607	1.2	583	5.3
Austria	Mobile customers	5,034	5,074	(0.8)	4,998	0.7
	Fixed-network lines	578	569	1.6	553	4.5
	Broadband customers	645	635	1.6	617	4.5
Other[c]	Mobile customers	1,433	1,451	(1.2)	1,545	(7.2)
	Fixed-network lines	346	335	3.3	334	3.6
	Broadband customers	261	259	0.8	250	4.4

[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] “Other”: national companies of North Macedonia, Montenegro, and the lines of the GTS Central Europe group in Romania.

Total
Last year, customer development was initially hampered by the lockdown measures imposed by the governments in response to the coronavirus pandemic. Our crisis management clearly paid off over the remainder of the year: the focus on expanding digital sales channels, such as our service app and service center services, almost brought customer development back to normal. When lockdown measures were reimposed during the third coronavirus wave it did not slump again until the end of March 2021. Our MagentaOne convergent product portfolio, in particular, generated growth of 3.3 % 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 marginally to 7.0 million.

In mobile business, we recorded slight growth in high-value contract customers, which only partially offset the decline in the prepaid customer base. Seven national companies have already launched the commercial sale of 5G products and services.

Mobile communications

In the Europe operating segment, we had 45.5 million mobile customers at the end of the first quarter of 2021, which is stable compared with the end of 2020. The number of high-value contract customers increased slightly by 0.6 %. The contract customer bases developed positively in almost all of our national companies, with growth recorded in particular in Austria, Croatia, Romania, and the Czech Republic. Overall, contract customers account for 59.4 % of the total customer base. In addition to our innovative services and rate plans, this growth is driven by our product portfolio, which is based on the “more for more” principle. Our customers can select high-value add-on services – e.g., more data – for a small additional monthly fee. This data volume can also be used for video streaming and gaming services. In addition, thanks to our integrated network strategy our customers benefited from greater coverage with fast mobile broadband. As of March 31, 2021, we covered 97.7 % of the population in the countries of our operating segment with LTE, reaching around 108 million people in total.

By contrast, the prepaid customer base declined slightly, in line with expectations, in particular in Romania and Greece. This was due in part to the negative impact of the coronavirus pandemic. But also, our market approach is focused on contract rate plans and we offer our prepaid customers attractive high-value contract rate plans. Already, significantly more than one third of new contract customer adds are former prepaid customers who have taken advantage of these offerings. Furthermore, inactive SIM cards are deactivated from the customer base at regular intervals.

Fixed network

The broadband business recorded slight growth in the first quarter of 2021 compared with the end of the prior year to a total of 7.0 million customers. The customer bases of almost all national companies, especially in Greece, Hungary, Poland, 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. Thus, we increased household coverage with optical fiber at our four largest national companies to 4.3 million households as of March 31, 2021. The number of IP-based lines increased to account for 93.4 % of all fixed-network lines by the end of March 2021. 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 March 31, 2021, up by a marginal 0.9 % 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. In the first quarter of 2021, we had 5.9 million FMC customers; this corresponds to growth of 3.3 % compared with the end of the prior year. Our national companies in Greece, Hungary, and Austria in particular contributed to this growth.

Development of operations

millions of €

		Q1 2021	Q1 2020	Change	Change %	FY 2020
Total revenue		**2,729**	**2,759**	**(30)**	**(1.1)**	**11,335**
Greece		717	707	10	1.4	2,940
Romania		210	237	(27)	(11.4)	951
Hungary		406	427	(21)	(4.9)	1,734
Poland		341	360	(19)	(5.3)	1,453
Czech Republic		269	266	3	1.1	1,072
Croatia		219	214	5	2.3	917
Slovakia		190	186	4	2.2	773
Austria		326	313	13	4.2	1,302
Other[a]		70	66	4	6.1	283
Profit (loss) from operations **(EBIT)**		**385**	**348**	**37**	**10.6**	**1,278**
EBIT margin	%	14.1	12.6			11.3
Depreciation, amortization and impairment losses		(645)	(659)	14	2.1	(2,875)
EBITDA		1,029	1,007	22	2.2	4,153
Special factors affecting EBITDA		(10)	(39)	29	74.4	(188)
EBITDA (adjusted for special factors)		1,039	1,046	(7)	(0.7)	4,341
EBITDA AL		936	897	39	4.3	3,722
Special factors affecting EBITDA AL		(10)	(39)	29	74.4	(188)
EBITDA AL (adjusted for special factors)		**946**	**936**	**10**	**1.1**	**3,910**
Greece		298	288	10	3.5	1,199
Romania		37	34	3	8.8	153
Hungary		106	114	(8)	(7.0)	520
Poland		95	96	(1)	(1.0)	378
Czech Republic		111	110	1	0.9	430
Croatia		79	76	3	3.9	337
Slovakia		84	79	5	6.3	335
Austria[b]		125	123	2	1.6	496
Other[a]		11	17	(6)	(35.3)	63
EBITDA AL margin (adjusted for special factors)	%	34.7	33.9			34.5
Cash capex		**(485)**	**(438)**	**(47)**	**(10.7)**	**(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 2.7 billion in the first quarter of 2021, a slight year-on-year decrease of 1.1 %. In organic terms, i.e., assuming constant exchange rates, revenue increased slightly against the prior-year level, despite the difficult economic situation in consequence of the coronavirus pandemic.

Organic growth was driven by the strong performance of the mobile business, especially the increase in revenues from terminal equipment sales and in higher-margin service revenues (excluding roaming and visitors). By contrast, the fixed-network business recorded a decline in revenues. The systems solutions business declined compared with the prior-year period, especially in Romania; revenue from voice telephony also recorded substantial losses.

Looking at the development by country, our national companies in Austria, Greece, Croatia, and the Czech Republic recorded the best organic development of revenue in the first quarter of 2021. This offset the decline in revenue in Romania and Poland in particular. In Romania, the downward trend was mainly due to declining systems solutions revenues.

Revenue from **Consumers** remained stable against the prior-year quarter. Higher revenue from mobile terminal equipment business compensated for the coronavirus-induced decline in higher-margin service revenues. In the fixed network, revenue from broadband/TV business increased thanks to our innovative TV and entertainment offerings as well as the continuous rollout of fiber-optic technology. This offset the decline in revenue from voice telephony. In addition, the higher number of FMC customers had a positive impact on revenue.

Operations with **Business Customers** in Europe were unable to match the prior-year results, posting a contraction of 3.8 % in the first quarter of 2021 due to the sharp decline in revenue at the fixed-network business held for sale in Romania. One year into the coronavirus pandemic, B2B business is characterized in particular by more cautious decision-making processes and shifting demand. Yet, all trends point to growth, which we observed both in stronger mobile revenues in the first quarter of 2021 almost across our entire footprint, and in ICT business – for instance, with our private cloud solutions in Greece and Hungary. Our security solutions in Poland also generated strong revenue growth year-on-year.

Adjusted EBITDA AL, EBITDA AL

Our Europe operating segment generated adjusted EBITDA AL of EUR 946 million in the first quarter of 2021, up 1.1 % against the prior-year quarter, despite the impact of the coronavirus pandemic. 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 4.1 %, thus continuing to make a positive contribution to earnings. In addition to the positive revenue effects, savings in indirect costs, primarily due to lower personnel, marketing, and travel costs, contributed to this development.

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

EBITDA AL increased by 4.3 % year-on-year to EUR 936 million. The expense arising from special factors was well below the prior-year level. In organic terms, EBITDA AL grew by 7.5 %.

Development of operations in selected countries

Greece. In Greece, revenue increased by 1.4 % against the prior-year quarter to EUR 717 million. The encouraging development in mobile operations was mainly driven by higher revenue from terminal equipment sales. This growth offset the negative effects from the decline in fixed-network business, especially lower TV revenues, which were only partially offset by an increase in revenue in the broadband business due to the momentum in the fiber-optic and vectoring rollout.

In the first quarter of 2021, adjusted EBITDA AL in Greece stood at EUR 298 million, which was an increase of 3.5 % against the prior year: the stable net margin, driven largely by higher direct costs, was offset in full by savings in indirect costs, in particular personnel costs.

Hungary. Revenue in Hungary totaled EUR 406 million in the first quarter of 2021, a decrease of 4.9 % against the prior-year quarter. This decline was due to negative exchange rate effects. In organic terms, revenue was up 1.2 % against the prior year. Mobile business grew, driven by higher service revenues, due in part to much higher data usage. Fixed-network operations developed positively, with rising TV and broadband revenues, both driven by larger customer bases. Our MagentaOne convergence products also continued to perform well, with customer additions and a corresponding increase in revenue.

Adjusted EBITDA AL stood at EUR 106 million, down 7.0 % year-on-year. In organic terms, adjusted EBITDA AL decreased marginally by just 1.2 % compared with the prior-year period. This decline was mainly due to higher expenses in connection with indirect costs.

Poland. Our revenue in Poland decreased by 5.3 % in the first quarter of 2021 to EUR 341 million. This decline was due to negative exchange rate effects. In organic terms, revenue decreased only slightly by 0.5 %. While fixed-network revenue remained stable, the mobile business recorded slight losses as a result of reduced revenue from national roaming.

Adjusted EBITDA AL stood at EUR 95 million in the first quarter of 2021, down 1.0 % year-on-year. In organic terms, adjusted EBITDA AL increased by 4.1 %, mainly on the back of lower costs.

Czech Republic. In the first quarter of 2021, revenue in the Czech Republic stood at EUR 269 million, an increase of 1.1 % against the prior-year level. In organic terms, i.e., assuming constant exchange rates, revenue increased by 2.8 %. The fixed-network business is increasingly establishing itself as a key driver of growth, with the continuous investments in our fiber-optic network paying off in terms of customer numbers: the broadband customer base grew by 7.7 % compared with the prior-year quarter. Mobile revenues were up on the prior-year level, mainly due to increased revenue from terminal equipment. Business with higher-margin service revenues (excluding roaming and visitors) also increased its contribution to revenue. However, these two effects only partially offset the declines in roaming and visitor revenues resulting from the coronavirus pandemic.

Adjusted EBITDA AL increased by 0.9 % year-on-year to EUR 111 million in the first quarter of 2021. In organic terms, earnings grew by 3.3 % year-on-year largely driven by the growth in revenue.

Austria. Revenue in Austria totaled EUR 326 million in the first quarter of 2021. This increase of 4.2 % was mainly attributable to higher mobile terminal equipment sales. Business with higher-margin service revenues (excluding roaming and visitors) also contributed positively to revenue. These two effects more than offset the declines in roaming and visitor revenues resulting from the coronavirus pandemic. Revenue in the fixed-network business also developed encouragingly. The broadband business in particular generated positive growth rates, among other things as a result of a larger customer base.

Adjusted EBITDA AL increased as of March 31, 2021 by 1.6 % year-on-year to EUR 125 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 14.4 %. In addition to the positive revenue effects, a reduced cost base also contributed to this growth, with an increase in direct costs in consequence of the market approach being more than offset by a decrease in indirect costs, also as a result of the acquisition of UPC Austria.

EBIT

Our Europe operating segment recorded an increase in EBIT of EUR 37 million in the first quarter of 2021. In addition to an increase of EUR 22 million in EBITDA, depreciation and amortization were below the level the prior-year quarter, mainly due to depreciation and amortization being suspended in the first quarter of 2021 as a result of the fixed-network business in Romania being held for sale.

Cash capex

In the first quarter of 2021, the Europe operating segment reported cash capex of EUR 485 million, up 10.7 % year-on-year. This increase is due to a rise in cash outflows for the acquisition of spectrum licenses, primarily in the Czech Republic. Excluding the acquisition of spectrum, cash capex was slightly down against the prior-year quarter. 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 2021	FY 2020	Q1 2020	Change Q1 2021/ Q1 2020 %
Order entry	891	4,564	888	0.4

Development of business

The first three months of 2021 were dominated by the refocusing of our systems solutions business on growth and future viability and the acceleration of our transformation program, while the effects of the coronavirus pandemic continued to impact on our business.

Under the transformation program, we further aligned our organization, workflows and capacities, and fine-tuned 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. 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 on January 1, 2021.

Furthermore, the effects of the coronavirus pandemic on the global economy continue to impact on the financial position of our business customers. There is still restraint in the awarding of new contracts, although a positive trend is emerging in our growth areas. As a result, order entry in our Systems Solutions operating segment was up by 0.4 % year-on-year in the first three months of 2021, in line with our expectations.

Development of operations

millions of €

		Q1 2021	Q1 2020	Change	Change %	FY 2020
Total revenue		**1,015**	**1,062**	**(47)**	**(4.4)**	**4,159**
Of which: external revenue		798	840	(42)	(5.0)	3,237
Profit (loss) from operations **(EBIT)**		**(27)**	**(50)**	**23**	**46.0**	**(534)**
Special factors affecting EBIT		(56)	(38)	(18)	(47.4)	(582)
EBIT (adjusted for special factors)		29	(12)	41	n.a.	48
EBIT margin (adjusted for special factors)	%	2.9	(1.1)			1.2
Depreciation, amortization and impairment losses		(80)	(103)	23	22.3	(720)
EBITDA		53	52	1	1.9	185
Special factors affecting EBITDA		(36)	(38)	2	5.3	(209)
EBITDA (adjusted for special factors)		89	91	(2)	(2.2)	394
EBITDA AL		26	21	5	23.8	70
Special factors affecting EBITDA AL		(36)	(38)	2	5.3	(209)
EBITDA AL (adjusted for special factors)		**62**	**60**	**2**	**3.3**	**279**
EBITDA AL margin (adjusted for special factors)	%	6.1	5.6			6.7
Cash capex		**(49)**	**(25)**	**(24)**	**(96.0)**	**(235)**

Total revenue

Total revenue in our Systems Solutions operating segment decreased by 4.4 % year-on-year in the first three months of 2021 to EUR 1.0 billion, reflecting the coronavirus-induced contraction of the IT market in Western Europe. The decline is driven by traditional IT infrastructure business, whereas our growth areas are recording substantial growth, especially the areas of public cloud (up 29.3 %) and digital solutions (up 9.4 %).

Adjusted EBITDA AL, EBITDA AL

In the first three months of 2021, adjusted EBITDA AL at our Systems Solutions operating segment increased by 3.3 % year-on-year to EUR 62 million. Efficiency effects from our transformation program and effects from increased revenue in all of our growth areas exceeded the decline in earnings in the traditional IT infrastructure business. EBITDA AL increased by EUR 5 million compared with the prior year to EUR 26 million. Special factors were down EUR 2 million on the prior year, at EUR -36 million.

Adjusted EBIT, EBIT

Adjusted EBIT at our Systems Solutions operating segment increased by EUR 41 million year-on-year in the first three months of 2021 to EUR 29 million, mainly on the back of lower depreciation and amortization as a result of a non-cash impairment loss on non-current assets in the third quarter of the prior year and a consequent reduction in the depreciation and amortization base. EBIT increased by EUR 23 million compared with the prior year to EUR -27 million. Special factors were up EUR 18 million on the prior year, at EUR -56 million, mainly on account of a non-cash impairment loss on non-current assets recognized in the first quarter of 2021, which was also related to the ad hoc 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 49 million in the first three months of 2021, compared with EUR 25 million in the prior-year quarter. This was primarily due to front-loaded investments compared with the prior year. Going forwards, we will continue to focus our investments on developing our growth business.

Group Development

Customer development

thousands

		Mar. 31, 2021	Dec. 31, 2020	Change Mar. 31, 2021/ Dec. 31, 2020 %	Mar. 31, 2020	Change Mar. 31, 2021/ Mar. 31, 2020 %
T-Mobile Netherlands	Mobile customers	6,798	6,803	(0.1)	5,686	19.6
	Fixed-network lines	693	682	1.6	632	9.7
	Broadband customers	680	668	1.8	616	10.4

In the Netherlands, our mobile customer base remained stable thanks to our rate plan portfolio, which offers large inclusive data volumes through to unlimited data. This was despite the deteriorated economic situation in consequence of the coronavirus pandemic as well as intense competition. The number of fixed-network lines in the Netherlands continued to increase on the back of the positive development of operational business.

Development of operations

millions of €

		Q1 2021	Q1 2020	Change	Change %	FY 2020
Total revenue		**782**	**708**	**74**	**10.5**	**2,883**
Of which: T-Mobile Netherlands		513	476	37	7.8	1,946
Of which: GD Towers[a]		282	247	35	14.2	989
Profit (loss) from operations **(EBIT)**		**166**	**139**	**27**	**19.4**	**562**
Depreciation, amortization and impairment losses		(210)	(194)	(16)	(8.2)	(780)
EBITDA		376	333	43	12.9	1,343
Special factors affecting EBITDA		(16)	(7)	(9)	n.a.	(43)
EBITDA (adjusted for special factors)		392	340	52	15.3	1,386
Of which: T-Mobile Netherlands		171	157	14	8.9	639
Of which: GD Towers[a]		224	195	29	14.9	786
EBITDA AL		301	262	39	14.9	1,058
Special factors affecting EBITDA AL		(16)	(7)	(9)	n.a.	(43)
EBITDA AL (adjusted for special factors)		**316**	**269**	**47**	**17.5**	**1,101**
Of which: T-Mobile Netherlands		151	136	15	11.0	554
Of which: GD Towers[a]		169	145	24	16.6	587
EBITDA AL margin (adjusted for special factors)	%	40.4	38.0			38.2
Cash capex		**(115)**	**(119)**	**4**	**3.4**	**(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.

Total revenue

Total revenue in our Group Development operating segment increased in the first quarter of 2021 by 10.5 % year-on-year to EUR 782 million. In organic terms, i.e., adjusted for the reassignment of the Austrian cell tower business as well as the acquisition of the Dutch MVNO and SIM provider Simpel, total revenue increased by 5.0 %. This substantial increase resulted from the operational and structural growth of our two business units T-Mobile Netherlands and GD Towers, which includes DFMG and the Dutch and Austrian cell tower business. In the Netherlands, the fixed-network business contributed to the revenue growth as a result of higher terminal equipment sales and the acquisition of Simpel effective December 1, 2020. GD Towers also recorded a year-on-year increase in revenue, driven by volume-based growth at DFMG and the reassignment of the Austrian cell tower business as of January 1, 2021.

Adjusted EBITDA AL, EBITDA AL

Adjusted EBITDA AL increased by 17.5 % to EUR 316 million. In organic terms, i.e., adjusted for the reassignment of the Austrian cell tower business as well as the acquisition of the Dutch MVNO and SIM provider Simpel, adjusted EBITDA AL increased by 9.7 %. This growth was attributable to the aforementioned positive revenue trend at T-Mobile Netherlands, synergies from the takeover of Tele2 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. An operational increase was also achieved through revenue growth and cost transformation. EBITDA AL also increased by 14.9 % year-on-year to EUR 301 million, due to the same effects.

EBIT

EBIT increased by 19.4 % year-on-year to EUR 166 million, mainly as a result of the development described under adjusted EBITDA AL. Depreciation, amortization and impairment losses were up slightly on the prior-year period.

Cash capex

Cash capex stood at EUR 115 million and thus at the same level as in the prior-year quarter. We continue to focus our investments on the 5G build-out of mobile infrastructure in Germany.

Group Headquarters & Group Services
Development of operations

millions of €

	Q1 2021	Q1 2020	Change	Change %	FY 2020
Total revenue	**625**	**634**	**(9)**	**(1.4)**	**2,556**
Profit (loss) from operations **(EBIT)**	**(357)**	**(365)**	**8**	**2.2**	**(1,655)**
Depreciation, amortization and impairment losses	(330)	(295)	(35)	(11.9)	(1,304)
EBITDA	(27)	(69)	42	60.9	(350)
Special factors affecting EBITDA	(26)	(58)	32	55.2	(277)
EBITDA (adjusted for special factors)	(2)	(11)	9	81.8	(73)
EBITDA AL	(110)	(161)	51	31.7	(707)
Special factors affecting EBITDA AL	(26)	(58)	32	55.2	(277)
EBITDA AL (adjusted for special factors)	**(84)**	**(103)**	**19**	**18.4**	**(429)**
Cash capex	**(250)**	**(230)**	**(20)**	**(8.7)**	**(990)**

Total revenue
Total revenue in our Group Headquarters & Group Services segment in the first quarter of 2021 decreased by 1.4 % year-on-year, mainly as a result of lower revenue from land and buildings 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 19 million year-on-year in the reporting period to EUR -84 million. This development was primarily due to 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 26 million, especially for staff-related measures. This contrasts with special factors of EUR 58 million in the prior-year period, also in particular for staff-related measures.

EBIT
The slight year-on-year improvement in EBIT of EUR 8 million to EUR -357 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. 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. By contrast, depreciation, amortization and impairment losses from land and buildings decreased as a result of our continued optimization of the real estate portfolio.

Cash capex
Cash capex increased by EUR 20 million year-on-year, primarily owing to increased investment in technology and innovation, mainly for development activities, as well as increased cash capex for vehicles.

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.), we now expect to post stronger-than-expected increases in adjusted EBITDA AL and free cash flow AL (before dividend payments and spectrum investments). Adjusted EBITDA AL was originally expected to increase to around EUR 37.0 billion. We now expect adjusted EBITDA AL for the Group to grow to over EUR 37.0 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 25.9 billion, up from previously USD 25.8 billion. For business outside of the United States, we also expect higher adjusted EBITDA AL of EUR 14.4 billion, up from the previous guidance of EUR 14.3 billion. Due to the increased guidance for 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 investments) of over EUR 8.0 billion, up from our original guidance of around 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.

Economic risks, United States

Leading economic research institutes have raised their growth forecasts for the United States. The Covid-19 vaccination program in the United States is being rolled out quickly and a USD 1,900 billion relief package has now been passed, which could, however, also entail higher U.S. corporate income tax rates going forward, potentially increasing the tax burden for our Group company T-Mobile US. In April 2021, the IMF forecast a 6.4 % 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 is expected to reach pre-pandemic levels as early as mid-2021. The current growth outlooks have prompted us to reduce the risk significance for the risk category "Economic risks, United States" to "low."

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.

Litigation

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.

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

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 €

	Mar. 31, 2021	Dec. 31, 2020	Change	Change %	Mar. 31, 2020
Assets					
Current assets	**33,798**	**37,293**	**(3,495)**	**(9.4)**	**24,420**
Cash and cash equivalents	9,872	12,939	(3,067)	(23.7)	4,078
Trade receivables	13,264	13,523	(259)	(1.9)	10,560
Contract assets	1,985	1,966	19	1.0	1,837
Current recoverable income taxes	351	349	2	0.6	455
Other financial assets	2,720	3,224	(504)	(15.6)	3,748
Inventories	2,569	2,695	(126)	(4.7)	1,893
Other assets	1,966	1,484	482	32.5	1,765
Non-current assets and disposal groups held for sale	1,070	1,113	(43)	(3.9)	84
Non-current assets	**240,103**	**227,624**	**12,479**	**5.5**	**149,226**
Intangible assets	130,146	118,066	12,080	10.2	69,000
Property, plant and equipment	61,522	60,975	547	0.9	49,544
Right-of-use assets	30,960	30,302	658	2.2	18,134
Capitalized contract costs	2,290	2,192	98	4.5	2,072
Investments accounted for using the equity method	569	543	26	4.8	518
Other financial assets	5,351	6,416	(1,065)	(16.6)	5,714
Deferred tax assets	8,107	7,972	135	1.7	3,276
Other assets	1,157	1,159	(2)	(0.2)	969
Total assets	**273,901**	**264,917**	**8,984**	**3.4**	**173,646**
Liabilities and shareholders' equity					
Current liabilities	**35,295**	**37,135**	**(1,840)**	**(5.0)**	**32,877**
Financial liabilities	11,451	12,652	(1,201)	(9.5)	11,821
Lease liabilities	4,910	5,108	(198)	(3.9)	3,988
Trade and other payables	8,936	9,760	(824)	(8.4)	8,730
Income tax liabilities	770	690	80	11.6	443
Other provisions	3,464	3,638	(174)	(4.8)	2,983
Other liabilities	3,672	3,213	459	14.3	3,230
Contract liabilities	1,671	1,625	46	2.8	1,654
Liabilities directly associated with non-current assets and disposal groups held for sale	421	449	(28)	(6.2)	29
Non-current liabilities	**161,122**	**155,232**	**5,890**	**3.8**	**94,891**
Financial liabilities	99,815	94,456	5,359	5.7	56,622
Lease liabilities	28,314	27,607	707	2.6	15,710
Provisions for pensions and other employee benefits	6,570	7,684	(1,114)	(14.5)	6,835
Other provisions	5,291	5,395	(104)	(1.9)	3,582
Deferred tax liabilities	18,266	17,260	1,006	5.8	9,780
Other liabilities	2,449	2,418	31	1.3	1,944
Contract liabilities	416	411	5	1.2	417
Liabilities	**196,417**	**192,367**	**4,050**	**2.1**	**127,768**
Shareholders' equity	**77,484**	**72,550**	**4,934**	**6.8**	**45,878**
Issued capital	12,189	12,189	0	0.0	12,189
Treasury shares	(46)	(46)	0	0.0	(47)
	12,143	**12,143**	**0**	**0.0**	**12,142**
Capital reserves	62,541	62,640	(99)	(0.2)	55,012
Retained earnings including carryforwards	(33,996)	(38,905)	4,909	12.6	(35,941)
Total other comprehensive income	(2,898)	(4,115)	1,217	29.6	(1,023)
Net profit (loss)	936	4,158	(3,222)	(77.5)	916
Issued capital and reserves attributable to owners of the parent	**38,727**	**35,922**	**2,805**	**7.8**	**31,106**
Non-controlling interests	38,758	36,628	2,130	5.8	14,771
Total liabilities and shareholders' equity	**273,901**	**264,917**	**8,984**	**3.4**	**173,646**

Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. This transaction affects the comparability of the figures for the current period with the prior-year figures as of March 31, 2020. For further information on the transaction, please refer to the section "Changes in the composition of the Group and other transactions."

Consolidated income statement

millions of €

	Q1 2021	Q1 2020	Change	Change %	FY 2020
Net revenue	**26,390**	**19,943**	**6,447**	**32.3**	**100,999**
Of which: interest income calculated using the effective interest method	72	81	(9)	(11.1)	278
Other operating income	288	293	(5)	(1.7)	2,879
Changes in inventories	1	27	(26)	(96.3)	(15)
Own capitalized costs	673	605	68	11.2	2,774
Goods and services purchased	(11,433)	(8,565)	(2,868)	(33.5)	(44,674)
Personnel costs	(4,656)	(4,483)	(173)	(3.9)	(18,853)
Other operating expenses	(902)	(880)	(22)	(2.5)	(4,476)
Impairment losses on financial assets	(145)	(141)	(4)	(2.8)	(862)
Gains (losses) from the write-off of financial assets measured at amortized cost	(24)	(52)	28	53.8	(188)
Other	(733)	(687)	(46)	(6.7)	(3,425)
EBITDA	**10,361**	**6,940**	**3,421**	**49.3**	**38,633**
Depreciation, amortization and impairment losses	(6,842)	(4,429)	(2,413)	(54.5)	(25,829)
Profit (loss) from operations (EBIT)	**3,519**	**2,511**	**1,008**	**40.1**	**12,804**
Finance costs	(1,186)	(557)	(629)	n.a.	(4,224)
Interest income	115	100	15	15.0	414
Interest expense	(1,301)	(657)	(644)	(98.0)	(4,638)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	(12)	1	(13)	n.a.	(12)
Other financial income (expense)	(478)	(408)	(70)	(17.2)	109
Profit (loss) from financial activities	**(1,675)**	**(965)**	**(710)**	**(73.6)**	**(4,128)**
Profit (loss) before income taxes	**1,844**	**1,546**	**298**	**19.3**	**8,677**
Income taxes	(542)	(451)	(91)	(20.2)	(1,929)
Profit (loss)	**1,302**	**1,095**	**207**	**18.9**	**6,747**
Profit (loss) attributable to					
Owners of the parent (net profit (loss))	936	916	20	2.2	4,158
Non-controlling interests	366	179	187	n.a.	2,589

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Earnings per share

		Q1 2021	Q1 2020	Change	Change %	FY 2020
Profit (loss) attributable to the owners of the parent (net profit (loss))	millions of €	936	916	20	2.2	4,158
Adjusted weighted average number of basic/diluted ordinary shares outstanding	millions	4,743	4,743	0	0.0	4,743
Earnings per share basic/diluted	€	**0.20**	**0.19**	**0.01**	**5.3**	**0.88**

Consolidated statement of comprehensive income

millions of €

	Q1 2021	Q1 2020	Change	FY 2020
Profit (loss)	**1,302**	**1,095**	**207**	**6,747**
Items not subsequently reclassified to profit or loss (not recycled)				
Gains (losses) from the remeasurement of equity instruments	33	14	19	62
Gains (losses) from the remeasurement of defined benefit plans	979	(1,007)	1,986	(1,358)
Revaluation due to business combinations	0	0	0	0
Share of profit (loss) of investments accounted for using the equity method	0	0	0	0
Income taxes relating to components of other comprehensive income	(185)	(86)	(99)	142
	826	**(1,080)**	**1,906**	**(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	0	0	0	0
Change in other comprehensive income (not recognized in income statement)	2,697	246	2,451	(6,578)
Gains (losses) from the remeasurement of debt instruments				
Recognition of other comprehensive income in income statement	82	108	(26)	491
Change in other comprehensive income (not recognized in income statement)	(32)	(162)	130	(481)
Gains (losses) from hedging instruments (designated risk components)				
Recognition of other comprehensive income in income statement	(84)	(1)	(83)	431
Change in other comprehensive income (not recognized in income statement)	123	(920)	1,043	(1,446)
Gains (losses) from hedging instruments (hedging costs)				
Recognition of other comprehensive income in income statement	1	1	0	2
Change in other comprehensive income (not recognized in income statement)	9	(2)	11	(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
Change in other comprehensive income (not recognized in income statement)	0	0	0	1
Income taxes relating to components of other comprehensive income	(13)	254	(267)	283
	2,782	**(475)**	**3,257**	**(7,327)**
Other comprehensive income	**3,608**	**(1,554)**	**5,162**	**(8,481)**
Total comprehensive income	**4,910**	**(459)**	**5,369**	**(1,734)**
Total comprehensive income attributable to				
Owners of the parent	2,894	(581)	3,475	(496)
Non-controlling interests	2,016	122	1,894	(1,238)

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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			(97)			(5)	
Unappropriated profit (loss) carried forward				3,867	(3,867)		
Dividends							
Capital increase at Deutsche Telekom AG							
Capital increase from share-based payment			80				
Share buy-back/shares held in a trust deposit							
Profit (loss)					916		
Other comprehensive income				(1,097)		36	
Total comprehensive income							
Transfer to retained earnings				(2)			2
Balance at March 31, 2020	**12,189**	**(47)**	**55,012**	**(35,941)**	**916**	**(777)**	**(19)**
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			(121)			7	0
Unappropriated profit (loss) carried forward				4,158	(4,158)		
Dividends							
Capital increase at Deutsche Telekom AG							
Capital increase from share-based payment			21				
Share buy-back/shares held in a trust deposit							
Profit (loss)					936		
Other comprehensive income				724		1,155	0
Total comprehensive income							
Transfer to retained earnings				26			2
Balance at March 31, 2021	**12,189**	**(46)**	**62,541**	**(33,996)**	**936**	**(2,929)**	**(12)**

Issued capital and reserves attributable to owners of the parent							Non-controlling interests	
Total other comprehensive income						**Total**		**Total shareholders' equity**
Equity instruments at fair value through other comprehensive income (IFRS 9)	Debt instruments measured at fair value through other comprehensive income (IFRS 9)	Hedging instruments: designated risk components (IFRS 9)	Hedging instruments: hedging costs (IFRS 9)	Investments accounted for using the equity method	Taxes			
101	**(6)**	**130**	**51**	**0**	**(69)**	**31,707**	**14,524**	**46,231**
	0					0	0	0
						0	0	0
0	0	3			(1)	(100)	79	(21)
						0	0	0
						0	0	0
						0	0	0
						80	47	127
						0	0	0
						916	179	1,095
14	(34)	(574)	(1)	0	159	(1,497)	(58)	(1,554)
						(581)	**122**	**(459)**
0				0		0	0	0
115	**(40)**	**(440)**	**50**	**0**	**88**	**31,106**	**14,771**	**45,878**
156	**0**	**(223)**	**24**	**0**	**34**	**35,922**	**36,628**	**72,550**
0	0	3			(1)	(111)	88	(23)
						0		
						21	26	47
						936	366	1,302
37	21	18	9		(7)	1,958	1,650	3,608
						2,894	**2,016**	**4,910**
(28)					0	0	0	0
165	**21**	**(202)**	**33**	**0**	**27**	**38,727**	**38,758**	**77,484**

Consolidated statement of cash flows

millions of €

	Q1 2021	Q1 2020	Change	FY 2020
Profit (loss) before income taxes	**1,844**	**1,546**	**298**	**8,677**
Depreciation, amortization and impairment losses	6,842	4,429	2,413	25,829
(Profit) loss from financial activities	1,675	965	710	4,128
(Profit) loss on the disposal of fully consolidated subsidiaries	0	0	0	(10)
(Income) loss from the sale of stakes accounted for using the equity method	0	0	0	0
Other non-cash transactions	97	230	(133)	(857)
(Gains) losses from the disposal of intangible assets and property, plant and equipment	5	(22)	27	368
Change in assets carried as operating working capital	678	(265)	943	(2,702)
Change in other operating assets	(339)	(489)	150	(509)
Change in provisions	(420)	(100)	(320)	20
Change in liabilities carried as operating working capital	(800)	(207)	(593)	(2,108)
Change in other operating liabilities	251	145	106	(239)
Income taxes received (paid)	(255)	(144)	(111)	(690)
Dividends received	1	3	(2)	6
Net payments from entering into, canceling or changing the terms and conditions of interest rate derivatives	0	0	0	(2,207)
Cash generated from operations	**9,581**	**6,090**	**3,491**	**29,706**
Interest paid	(1,488)	(2,477)	989	(7,252)
Interest received	213	347	(134)	1,289
Net cash from operating activities	**8,307**	**3,960**	**4,347**	**23,743**
Cash outflows for investments in				
Intangible assets	(9,073)	(1,156)	(7,917)	(5,756)
Property, plant and equipment	(3,199)	(2,414)	(785)	(12,938)
Non-current financial assets	(65)	(138)	73	(566)
Payments for publicly funded investments in the broadband build-out	(84)	(102)	18	(507)
Proceeds from public funds for investments in the broadband build-out	26	23	3	431
Changes in cash and cash equivalents in connection with the acquisition of control of subsidiaries and associates	(23)	(1)	(22)	(5,028)
Proceeds from disposal of				
Intangible assets	0	1	(1)	3
Property, plant and equipment	48	86	(38)	233
Non-current financial assets	62	19	43	112
Changes in cash and cash equivalents in connection with the loss of control of subsidiaries and associates	0	0	0	1,094
Net change in short-term investments and marketable securities and receivables	(65)	964	(1,029)	273
Other	0	11	(11)	(2)
Net cash used in investing activities	**(12,373)**	**(2,706)**	**(9,667)**	**(22,649)**
Proceeds from issue of current financial liabilities	625	1,321	(696)	19,018
Repayment of current financial liabilities	(3,774)	(4,066)	292	(34,939)
Proceeds from issue of non-current financial liabilities	5,666	1,609	4,057	34,131
Repayment of non-current financial liabilities	0	(2)	2	(1,699)
Dividend payments (including to other shareholders of subsidiaries)	0	0	0	(3,067)
Principal portion of repayment of lease liabilities	(1,724)	(1,263)	(461)	(5,371)
Cash inflows from transactions with non-controlling entities	3	4	(1)	53
Cash outflows from transactions with non-controlling entities	(208)	(165)	(43)	(565)
Other	0	0	0	0
Net cash from (used in) financing activities	**588**	**(2,562)**	**3,150**	**7,561**
Effect of exchange rate changes on cash and cash equivalents	414	(6)	420	(1,036)
Changes in cash and cash equivalents associated with non-current assets and disposal groups held for sale	0	0	0	(73)
Net increase (decrease) in cash and cash equivalents	**(3,065)**	**(1,315)**	**(1,750)**	**7,547**
Cash and cash equivalents, at the beginning of the period	**12,939**	**5,393**	**7,546**	**5,393**
Cash and cash equivalents, at the end of the period	**9,872**	**4,078**	**5,794**	**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 current period with the prior-year figures. For further information on the transaction, please refer to the section "Changes in the composition of the Group 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 March 31, 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				
Amendments 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 can 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.

The reform of interbank offered rates (IBORs) is currently generating uncertainty regarding the timing of implementation and the precise content of the planned changes. Deutsche Telekom is affected by this uncertainty in its hedging of interest rate and currency risks in designated fair value and cash flow hedges where certain IBORs are part of the hedging relationship (EURIBOR, USD-LIBOR, GBP-LIBOR, AUD-LIBOR, CHF-LIBOR, HKD-LIBOR, and NOK-OIBOR). Group Treasury continuously analyzes the latest developments and takes any steps needed to transition to the new interest rate benchmarks. While the transition from EONIA to €STR is currently in the active implementation phase, the switch 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. The Group subsidiary 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. In addition, 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. 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.

Changes in the composition of the Group and other transactions

In the first quarter of 2021, Deutsche Telekom did not conduct any material new transactions that had an impact on the composition of the Group. The following developments were recorded in connection with transactions conducted in the Group in prior periods. Other changes to the composition of the Group not shown here were of no material significance for Deutsche Telekom's interim consolidated financial statements.

Business combination of T-Mobile US and Sprint

Together with their respective majority shareholders Deutsche Telekom AG and SoftBank K.K., T-Mobile US and Sprint Corp. concluded a binding agreement on April 29, 2018 to combine their companies. On July 26, 2019 and on February 20, 2020, further conditions for the business combination were agreed. The transaction was consummated on April 1, 2020. Prior to this, the approvals required from the national and regional regulatory and antitrust authorities and courts in the United States had been obtained and additional closing conditions met. Previously, on April 16, 2020, the business combination had been approved by the California Public Utilities Commission (CPUC). 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 from/used in financing activities (optional repayments). Thus the total costs of the acquisition, including the mandatory repayment of financial liabilities as of the acquisition date, amounted to EUR 37.4 billion.

On completion of the transaction, Deutsche Telekom and SoftBank 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 eight 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 seven 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.

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

Merger of the cell tower business in the Netherlands and set-up of an infrastructure fund

Deutsche Telekom intends to 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 I SCSp (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, T-Mobile Infra B.V. is to be sold to DIV. Deutsche Telekom undertakes to invest up to EUR 400 million in DIV. Cellnex undertakes to invest up to EUR 200 million in DIV. Deutsche Telekom will receive a dividend from T-Mobile Infra B.V. of EUR 250 million and a purchase price from DIV that is more or less equivalent to Deutsche Telekom's investment commitment to DIV. In the second step, DIV is to contribute its stake in T-Mobile Infra into Cellnex NL. In return, DIV will receive a stake of around 38 % in the "new" company Cellnex NL. As a result, Deutsche Telekom will lose control over T-Mobile Infra B.V. and will account for it in the consolidated financial statements using the equity method, initially indirectly through DIV. T-Mobile Netherlands will continue in future to have full access to the transferred infrastructure by means of a long-term service agreement, primarily by leasing infrastructure components at normal market terms and conditions. The transaction is expected to be closed in the second quarter of 2021, following approval by the responsible antitrust authority. 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 this target structure is achieved, DIV is expected to be included in Deutsche Telekom's consolidated financial statements as a subsidiary. The assets and liabilities of T-Mobile Infra B.V. are reported in Deutsche Telekom's consolidated financial statements as of March 31, 2021 as non-current assets and disposal groups held for sale and liabilities directly associated with non-current assets and disposal groups held for sale.

For further information, please refer to the notes on "Non-current assets and disposal groups held for sale" and "Liabilities directly associated with non-current assets and disposal groups held for sale."

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. The acquisition meets the conditions for a business combination in accordance with IFRS 3. The purchase price for the Shentel wireless telecommunications assets to be purchased by Sprint is determined through the valuation process prescribed in the agreement. On February 1, 2021, the valuation process was completed. The parties are negotiating the remaining outstanding terms of a definitive agreement to govern the purchase of Shentel's wireless telecommunication assets and expect the transaction to close in the third quarter of 2021 after satisfying customary conditions to closing. The base purchase price of the wireless telecommunication assets 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.

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 %.

Selected notes to the consolidated statement of financial position

Trade receivables
At EUR 13.3 billion, trade receivables decreased by EUR 0.3 billion against the 2020 year-end level. This was attributable to the fact that the level of receivables in the United States, Germany, and Europe operating segments was lower on account of the reporting date. Exchange rate effects, mainly from the translation from U.S. dollars into euros, had an offsetting effect.

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 0.1 billion compared to December 31, 2020 to EUR 2.6 billion, mainly due to sales of high-priced mobile terminal equipment as a result of a marketing campaign in the United States operating segment. By contrast, 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 12.1 billion to EUR 130.1 billion, primarily due to the following effects: additions of EUR 9.3 billion, resulting mainly from the conclusion of the FCC C-band auction in the United States, where T-Mobile US purchased 142 licenses for EUR 7.8 billion (USD 9.3 billion). 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 that are due to expire in 2022 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, primarily from the translation of U.S. dollars into euros, also increased the carrying amount by EUR 4.4 billion, while depreciation, amortization and impairment losses of EUR 1.7 billion had an offsetting effect.

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 quarter of 2021, this resulted in impairment losses of EUR 34 million on intangible assets and property, plant and equipment 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 increased by EUR 0.5 billion compared to December 31, 2020 to EUR 61.5 billion. Additions of EUR 3.5 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, primarily from the translation of U.S. dollars into euros, also increased the carrying amount by EUR 1.2 billion, while depreciation, amortization and impairment losses totaling EUR 3.7 billion and disposals of EUR 0.5 billion had an offsetting effect.

Right-of-use assets

The carrying amount of right-of-use assets increased by EUR 0.7 billion compared to December 31, 2020 to EUR 31.0 billion, mainly due to the following effects. Positive exchange rate effects of EUR 1.1 billion, primarily from the translation of U.S. dollars into euros, and additions, also of EUR 1.1 billion, increased the carrying amount. Depreciation, amortization and impairment losses totaling EUR 1.4 billion and disposals of EUR 0.1 billion had a reducing effect.

Capitalized contract costs

As of March 31, 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. These assets mainly relate to the Germany, United States, and Europe operating segments.

Investments accounted for using the equity method

The carrying amount of investments accounted for using the equity method increased from EUR 0.5 billion on December 31, 2020 to EUR 0.6 billion.

Other financial assets

The carrying amount of current and non-current other financial assets decreased by EUR 1.6 billion compared with December 31, 2020 to EUR 8.1 billion. Under derivative financial assets, the carrying amount of derivatives without a hedging relationship decreased by EUR 0.5 billion to EUR 1.5 billion, mainly in connection with effects from the measurement of embedded derivatives at T-Mobile US – due in part to the premature repayment of bonds and the resulting derecognition of the embedded derivative – and with the subsequent measurement of the stock options to buy shares in T-Mobile US received from SoftBank in June 2020. The carrying amount of derivatives with a hedging relationship decreased by EUR 0.7 billion to EUR 1.3 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. In connection with cash collateral, in particular in connection with the conclusion of the FCC C-band auction in the United States operating segment, the carrying amount of other financial assets decreased by EUR 0.4 billion. By contrast, other financial assets increased by EUR 0.2 billion in connection with grants receivable from funding projects for the broadband build-out in Germany.

Non-current assets and disposal groups held for sale

The carrying amount of non-current assets and disposal groups held for sale was unchanged against December 31, 2020 at EUR 1.1 billion. As of March 31, 2021, the carrying amounts include the assets, reclassified as of December 31, 2020, of Telekom Romania Communications S.A. (TKR), which operates the Romanian fixed-network business in the Europe operating segment, and the assets of the Dutch company T-Mobile Infra B.V., which is assigned to the Group Development operating segment. Both these companies were classified as held for sale as of December 31, 2020 on account of the specific intention to sell them.

Financial liabilities and lease liabilities

The following table shows the composition and maturity structure of **financial liabilities** as of March 31, 2021:

millions of €

	Mar. 31, 2021	Due within 1 year	Due > 1 ≤ 5 years	Due > 5 years
Bonds and other securitized liabilities	92,599	4,729	30,546	57,324
Liabilities to banks	4,971	1,904	1,697	1,370
Liabilities to non-banks from promissory note bonds	484	53	0	431
Liabilities with the right of creditors to priority repayment in the event of default	3,870	822	2,325	723
Other interest-bearing liabilities	6,974	2,254	2,149	2,571
Other non-interest-bearing liabilities	1,734	1,618	116	0
Derivative financial liabilities	633	71	276	286
Financial liabilities	**111,265**	**11,451**	**37,109**	**62,706**

The carrying amount of current and non-current financial liabilities increased by EUR 4.2 billion compared with year-end 2020 to EUR 111.3 billion, primarily due to the following factors. Exchange rate effects, in particular from the translation of U.S. dollars into euros, raised the carrying amount by EUR 2.8 billion.

The carrying amount of bonds and other securitized liabilities increased by EUR 4.9 billion. The main factors in this increase were senior secured notes issued in the reporting period by T-Mobile US with a total volume of USD 6.8 billion (EUR 5.7 billion) with terms ending between 2026 and 2031 and bearing interest of between 2.25 % and 3.5 %. The early repayment by T-Mobile US in the reporting period of bonds with a volume of USD 2.0 billion (EUR 1.7 billion) with terms originally ending in 2026 and bearing interest of 6.5 % as well as scheduled repayments in the Group of euro bonds of EUR 1.0 billion had a contrasting effect. The carrying amount of bonds and other securitized liabilities increased by EUR 2.4 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 0.3 billion compared with December 31, 2020 to EUR 5.0 billion, mainly due to the scheduled repayments of EUR 0.6 billion made in the reporting period and the decline of EUR 0.3 billion in liabilities in connection with factoring in the United States operating segment. The net increase of EUR 0.6 billion in the balance of short-term borrowings, by contrast, had an increasing effect on the carrying amount.

The liabilities with the right of creditors to priority repayment in the event of default of EUR 3.9 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.

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 0.5 billion in connection with collateral received for derivative financial instruments. Exchange rate effects, in particular from the translation of U.S. dollars into euros, raised the carrying amount by EUR 0.3 billion.

For further information on collateral, please refer to the section "Disclosures on financial instruments."

The carrying amount of derivative financial liabilities decreased by EUR 0.3 billion overall to EUR 0.6 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 0.5 billion to EUR 33.2 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 1.2 billion. In particular, the decommissioning of former Sprint cell sites and the closure of some former Sprint shops in the United States operating segment had an offsetting effect. Overall, lease liabilities in the amount of EUR 4.9 billion are due within one year.

Trade and other payables

The carrying amount of trade and other payables decreased by EUR 0.8 billion to EUR 8.9 billion, due in particular to lower liabilities to terminal equipment vendors and declines in liabilities for purchased services in the United States operating segment. Liabilities also decreased in the Germany and Europe operating segments. 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

The carrying amount of provisions for pensions and other employee benefits decreased from EUR 7.7 billion as of December 31, 2020 to EUR 6.6 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 1.0 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 of 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.

Other liabilities

The carrying amount of current and non-current other liabilities increased by EUR 0.5 billion to EUR 6.1 billion, mainly due to a EUR 0.1 billion increase in liabilities due to existing build-out obligations in connection with grants to be received from funding projects for the broadband build-out in Germany. In addition, negative exchange rate effects, mainly from the translation of euros into U.S. dollars, increased the carrying amount.

Contract liabilities

The carrying amount of current and non-current contract liabilities increased by EUR 0.1 billion compared with December 31, 2020 to EUR 2.1 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 was unchanged against December 31, 2020 at EUR 0.4 billion. As of March 31, 2021, the carrying amounts include the liabilities of Telekom Romania Communications S.A. (TKR), which operates the Romanian fixed-network business in the Europe operating segment. They also include the liabilities of the Dutch company T-Mobile Infra B.V., which is assigned to the Group Development operating segment. Both these companies were classified as held for sale as of December 31, 2020 on account of the specific intention to sell them.

Shareholders' equity

The carrying amount of shareholders' equity increased by EUR 4.9 billion as of December 31, 2020 to EUR 77.5 billion. This growth was attributable to profit of EUR 1.3 billion and to the increase in other comprehensive income of EUR 3.6 billion, primarily as a result of currency translation effects of EUR 2.7 billion recognized directly in equity and the remeasurement of defined benefit plans accounting for EUR 1.0 billion. By contrast, income taxes relating to components of other comprehensive income of EUR 0.2 billion had a negative impact on other comprehensive income.

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

millions of €	Mar. 31, 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**	**0**	**0**	**0**	**17,329**	**17,329**
Acquisition of Sprint	0	0	0	0	17,331	17,331
Other effects	0	0	0	0	(2)	(2)
Transactions with owners	**(111)**	**88**	**(23)**	**7,299**	**5,967**	**13,266**
Acquisition of Sprint	0	0	0	7,474	5,915	13,389
T-Mobile US share buy-back	(104)	107	2	0	0	0
Magyar Telekom share buy-back	0	0	0	68	(83)	(15)
OTE share buy-back	(6)	(15)	(21)	(40)	(103)	(143)
Hrvatski Telekom share buy-back	0	(4)	(4)	5	(17)	(12)
Other effects	0	0	0	(208)	255	47

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 2021	Q1 2020
Revenue from the rendering of services	**20,498**	**16,670**
Germany	5,052	4,958
United States	11,982	8,163
Europe	2,280	2,332
Systems Solutions	771	818
Group Development	394	381
Group Headquarters & Group Services	19	19
Revenue from the sale of goods and merchandise	**4,669**	**2,779**
Germany	563	503
United States	3,624	1,842
Europe	350	326
Systems Solutions	17	16
Group Development	116	92
Group Headquarters & Group Services	0	0
Revenue from the use of entity assets by others	**1,223**	**494**
Germany	183	187
United States	877	153
Europe	51	53
Systems Solutions	10	6
Group Development	71	66
Group Headquarters & Group Services	31	30
Net revenue	**26,390**	**19,943**

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 2021	Q1 2020
Income from the reversal of impairment losses on non-current assets	0	3
Income from the disposal of non-current assets	34	51
Income from reimbursements	31	41
Income from insurance compensation	29	16
Income from ancillary services	5	6
Miscellaneous other operating income	189	177
Of which: income from divestitures and from the sale of stakes accounted for using the equity method	0	0
	288	**293**

In the prior-year period, income from the disposal of non-current assets primarily comprised income from the disposal of real estate previously recognized as non-current assets and disposal groups held for sale. Miscellaneous other operating income includes a large number of individual items accounting for marginal amounts.

Other operating expenses

millions of €	Q1 2021	Q1 2020
Impairment losses on financial assets	(145)	(141)
Gains (losses) from the write-off of financial assets measured at amortized cost	(24)	(52)
Other	(733)	(687)
Legal and audit fees	(103)	(114)
Losses from asset disposals	(39)	(29)
Income (losses) from the measurement of factoring receivables	(2)	(3)
Other taxes	(145)	(148)
Cash and guarantee transaction costs	(129)	(91)
Insurance expenses	(32)	(24)
Miscellaneous other operating expenses	(283)	(278)
	(902)	**(880)**

Miscellaneous other operating expenses include a large number of individual items accounting for marginal amounts.

Depreciation, amortization and impairment losses

At EUR 6.8 billion, depreciation, amortization and impairment losses on intangible assets, property, plant and equipment, and right-of-use assets were EUR 2.4 billion higher overall in the first quarter of 2021 than in the prior-year period. Depreciation of property, plant and equipment increased by EUR 1.5 billion and amortization of intangible assets by EUR 0.4 billion. Depreciation of right-of-use assets increased by EUR 0.5 billion. These increases are all largely due to Sprint, which has been included in the consolidated group since April 1, 2020. At EUR 0.1 billion, impairment losses were EUR 0.1 billion higher than in the prior-year period. This increase was attributable, among other factors, to impairment losses resulting from ad hoc impairment testing conducted in 2020 of assets assigned to the Systems Solutions cash-generating unit.

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 by EUR 0.7 billion compared with the first quarter of 2020 to EUR 1.7 billion. This increase was primarily due to a EUR 0.6 billion increase in finance costs to EUR 1.2 billion, mainly due to the financial liabilities acquired in connection with the acquisition of Sprint and the related restructuring and increase of financing. Other financial expense increased by EUR 0.1 billion year-on-year to EUR 0.5 billion, due in part to the lower gains from financial instruments compared with the prior-year period in connection with effects from the measurement – in part from the premature repayment of bonds and the resulting derecognition of the embedded derivative – of embedded derivatives at T-Mobile US and with the subsequent measurement of the stock options to buy shares in T-Mobile US received from SoftBank in June 2020. Higher interest income from the measurement of provisions and liabilities, especially in the Group Headquarters & Group Services segment, had an offsetting effect. 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."

Income taxes

A tax expense of EUR 0.5 billion was recognized in the first quarter of 2021. The effective tax rate of 29 % essentially reflects the shares of the different countries in profit before income taxes and their respective national tax rates. A tax expense of EUR 0.5 billion was also recorded in the prior-year period, with a comparable tax rate.

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 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 4.3 billion year-on-year to EUR 8.3 billion. This increase is primarily attributable to the business combination of T-Mobile US and Sprint effective April 1, 2020. In addition, the continuing strong performance of the operating segments, especially in the United States, had an increasing effect on net cash from operating activities. Moreover, 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 as well as by a net increase of EUR 0.7 billion in 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. Income tax payments increased by EUR 0.1 billion compared with the prior-year period. Factoring agreements did not result in any material effects on net cash from operating activities in the reporting year. In the prior-year period, factoring agreements had had negative effects of EUR 0.5 billion.

Net cash used in investing activities

millions of €	Q1 2021	Q1 2020
Cash capex		
Germany operating segment	(860)	(1,049)
United States operating segment	(10,513)	(1,708)
Europe operating segment	(485)	(438)
Systems Solutions operating segment	(49)	(25)
Group Development operating segment	(115)	(119)
Group Headquarters & Group Services	(250)	(230)
Reconciliation	0	0
	(12,272)	**(3,570)**
Payments for publicly funded investments in the broadband build-out	(84)	(102)
Proceeds from public funds for investments in the broadband build-out	26	23
Net cash flows for collateral deposited and hedging transactions	(61)	962
Changes in cash and cash equivalents in connection with the acquisition of control of subsidiaries and associates	(23)	0
Proceeds from the disposal of property, plant and equipment, and intangible assets	48	87
Other	(6)	(106)
	(12,373)	**(2,706)**

At EUR 12.3 billion, cash capex was EUR 8.7 billion higher than in the prior-year period. In the United States operating segment, FCC mobile licenses were acquired as part of the concluded C-band auction for a total of EUR 7.9 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 prior-year figure included EUR 0.2 billion for the acquisition of mobile spectrum licenses, which related to the United States operating segment. Excluding investments in mobile spectrum licenses, cash capex was up EUR 0.9 billion year-on-year. This change was primarily attributable to an increase of EUR 1.1 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 due to lower capital expenditure had an offsetting effect. Construction work had to be postponed in the first quarter of 2021 due to bad weather. Also, construction work planned for 2021 had been brought forward to the fourth quarter of 2020.

Net cash from/used in financing activities

millions of €	Q1 2021	Q1 2020
Repayment of bonds	(2,853)	(2,100)
Dividend payments (including to other shareholders of subsidiaries)	0	0
Repayment of financial liabilities from financed capex and opex	(26)	(23)
Repayment of EIB loans	(481)	(181)
Net cash flows for collateral deposited and hedging transactions	0	(1)
Principal portion of repayment of lease liabilities	(1,724)	(1,263)
Repayment of financial liabilities for media broadcasting rights	(71)	(117)
Cash flows from continuing involvement factoring, net	(70)	(89)
Promissory notes, net	(58)	(202)
Issuance of bonds	5,666	1,609
Overnight borrowings from banks, net	600	0
Repayment of liabilities from 5G spectrum acquired in Germany	(85)	0
Cash inflows from transactions with non-controlling entities		
T-Mobile US stock options	3	1
Toll4Europe capital contributions	0	4
	3	**4**
Cash outflows from transactions with non-controlling entities		
T-Mobile US share buy-backs	(180)	(128)
OTE share buy-backs	(20)	(22)
Other payments	(7)	(16)
	(208)	**(165)**
Other	(105)	(34)
	588	**(2,562)**

Non-cash transactions

Deutsche Telekom chose no financing options in the reporting period and no financing options to a significant extent in the prior-year period under which the payments for trade payables from operating and investing activities become due at a later point in time mainly by involving banks in the process.

In the first quarter of 2021, Deutsche Telekom leased assets of EUR 1.1 billion, mainly network equipment, and land and buildings (prior-year period: EUR 1.0 billion). As a result these assets are recognized in the statement of financial position under right-of-use assets and the related liability under lease liabilities. Future repayments of the liabilities will be recognized in net cash from/used in financing activities. The year-on-year increase is mainly attributable to the inclusion of Sprint in the United States operating segment.

Consideration for the acquisition of broadcasting rights is paid by Deutsche Telekom in accordance with the terms of the contract on the date of its conclusion or spread over the term of the contract. Financial liabilities of EUR 0.1 billion were recognized in the first quarter of 2021 for future consideration for acquired broadcasting rights (prior-year period: EUR 0.1 billion). The payment of the consideration will be recognized in net cash from/used in financing activities.

In the United States operating segment, EUR 0.4 billion was recognized for mobile devices under property, plant and equipment in the first quarter of 2021 (Q1 2020: EUR 0.3 billion). These relate to the 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.

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 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 quarter

millions of €

		Comparative period						Reporting date		
		Net revenue	Inter-segment revenue	Total revenue	Profit (loss) from operations (EBIT)	Depreciation and amortization	Impairment losses	Segment assets[a]	Segment liabilities[a]	Investments accounted for using the equity method[a]
Germany	Q1 2021	5,797	145	5,942	1,215	(1,000)	(1)	44,781	32,063	31
	Q1 2020	5,647	183	5,830	934	(1,098)	0	44,333	32,220	19
United States	Q1 2021	16,483	0	16,483	2,144	(4,557)	(20)	186,859	124,317	304
	Q1 2020	10,157	0	10,157	1,509	(2,084)	0	86,441	55,640	310
Europe	Q1 2021	2,681	48	2,729	385	(644)	(1)	26,650	8,957	53
	Q1 2020	2,711	48	2,759	348	(658)	(1)	26,033	9,933	53
Systems Solutions	Q1 2021	798	217	1,015	(27)	(61)	(20)	4,195	3,692	23
	Q1 2020	840	222	1,062	(50)	(103)	0	4,503	4,166	26
Group Development	Q1 2021	580	202	782	166	(210)	0	9,931	11,508	119
	Q1 2020	539	169	708	139	(194)	0	8,335	10,505	101
Group Headquarters & Group Services	Q1 2021	51	574	625	(357)	(316)	(14)	46,756	61,273	38
	Q1 2020	49	585	634	(365)	(295)	0	56,507	67,882	9
Total	**Q1 2021**	**26,390**	**1,186**	**27,576**	**3,526**	**(6,788)**	**(56)**	**319,172**	**241,810**	**568**
	Q1 2020	**19,943**	**1,207**	**21,150**	**2,515**	**(4,432)**	**(1)**	**226,152**	**180,346**	**517**
Reconciliation	Q1 2021	0	(1,186)	(1,186)	(7)	2	0	(45,271)	(45,393)	0
	Q1 2020	0	(1,207)	(1,207)	(4)	3	0	(52,506)	(52,578)	0
Group	**Q1 2021**	**26,390**	**0**	**26,390**	**3,519**	**(6,786)**	**(56)**	**273,901**	**196,417**	**569**
	Q1 2020	**19,943**	**0**	**19,943**	**2,511**	**(4,429)**	**(1)**	**173,646**	**127,768**	**518**

[a] Figures relate to the reporting dates of March 31, 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.

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 March 31, 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.

Other financial obligations

The following table provides an overview of Deutsche Telekom's other financial obligations as of March 31, 2021:

millions of €	Mar. 31, 2021
Purchase commitments regarding property, plant and equipment	5,996
Purchase commitments regarding intangible assets	1,086
Firm purchase commitments for inventories	3,352
Other purchase commitments and similar obligations	20,240
Payment obligations to the Civil Service Pension Fund	1,466
Obligations from the acquisition of interests in other companies	70
Miscellaneous other obligations	59
	32,269

Disclosures on financial instruments

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

millions of €

			Amounts recognized in the statement of financial position in accordance with IFRS 9					
	Measurement category in accordance with IFRS 9	Carrying amount Mar. 31, 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]	Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Mar. 31, 2021[b]
Assets								
Cash and cash equivalents	AC	9,872	9,872					
Trade receivables								
At amortized cost	AC	5,689	5,689					
At fair value through other comprehensive income	FVOCI	7,570			7,570			7,570
At fair value through profit or loss	FVTPL	5				5		5
Other financial assets								
Originated loans and other receivables								
At amortized cost	AC	4,340	4,340					4,372
Of which: collateral paid	AC	117	117					
Of which: publicly funded projects	AC	1,847	1,847					
At fair value through other comprehensive income	FVOCI	0			0			0
At fair value through profit or loss	FVTPL	219				219		219
Equity instruments								
At fair value through other comprehensive income	FVOCI	441		441				441
At fair value through profit or loss	FVTPL	3				3		3
Derivative financial assets								
Derivatives without a hedging relationship	FVTPL	1,494				1,494		1,494
Of which: termination rights embedded in bonds issued	FVTPL	524				524		524
Of which: energy forward agreements embedded in contracts	FVTPL	138				138		138
Of which: options received by third parties for the purchase of shares in subsidiaries and associates	FVTPL	612	0			612		612
Derivatives with a hedging relationship	n.a.	1,328			120	1,208		1,328
Lease assets	n.a.	247					247	
Cash and cash equivalents and trade receivables and other financial assets directly associated with non-current assets and disposal groups held for sale	AC	207	207					
Equity instruments within non-current assets and disposal groups held for sale	FVOCI	33		33				33

[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 €

	Measurement category in accordance with IFRS 9	Carrying amount Mar. 31, 2021	Amounts recognized in the statement of financial position in accordance with IFRS 9: 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]	Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Mar. 31, 2021[b]
Liabilities								
Trade payables	AC	8,936	8,936					
Bonds and other securitized liabilities	AC	92,599	92,599					99,684
Liabilities to banks	AC	4,971	4,971					5,126
Liabilities to non-banks from promissory note bonds	AC	484	484					587
Liabilities with the right of creditors to priority repayment in the event of default	AC	3,870	3,870					4,097
Other interest-bearing liabilities	AC	6,974	6,974					7,016
Of which: collateral received	AC	1,059	1,059					
Other non-interest-bearing liabilities	AC	1,734	1,734					
Lease liabilities	n.a.	33,224					33,224	
Derivative financial liabilities								
Derivatives without a hedging relationship	FVTPL	305				305		305
Of which: options granted to third parties for the purchase of shares in subsidiaries and associates	FVTPL	8				8		8
Of which: energy forward agreements embedded in contracts	FVTPL	109				109		109
Derivatives with a hedging relationship	n.a.	328			240	88		328
Trade payables directly associated with non-current assets and disposal groups held for sale	AC	363	363					
Of which: aggregated by measurement category in accordance with IFRS 9								
Assets								
Financial assets at amortized cost	AC	20,108	20,108					4,372
Financial assets at fair value through other comprehensive income with recycling to profit or loss	FVOCI	7,570			7,570			7,570
Financial assets at fair value through other comprehensive income without recycling to profit or loss	FVOCI	474		474				474
Financial assets at fair value through profit or loss	FVTPL	1,721				1,721		1,721
Liabilities								
Financial liabilities at amortized cost	AC	119,931	119,931					116,510
Financial liabilities at fair value through profit or loss	FVTPL	305				305		305

[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 €

			Amounts recognized in the statement of financial position in accordance with IFRS 9					
	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]	Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Dec. 31, 2020[b]
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			
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					
Lease liabilities	n.a.	32,715					32,715	

[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					
	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]	Amounts recognized in the statement of financial position in accordance with IFRS 16	Fair value Dec. 31, 2020[b]
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 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 €

	Mar. 31, 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			7,570	**7,570**			7,516	**7,516**
At fair value through profit or loss			5	**5**			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	148	63	8	**219**	133	62	8	**203**
Equity instruments								
At fair value through other comprehensive income			474	**474**			457	**457**
At fair value through profit or loss			3	**3**			3	**3**
Derivative financial assets								
Derivatives without a hedging relationship		220	1,274	**1,494**		207	1,785	**1,992**
Derivatives with a hedging relationship		1,328		**1,328**		2,047		**2,047**
Liabilities								
Derivative financial liabilities								
Derivatives without a hedging relationship		188	117	**305**		341	137	**478**
Derivatives with a hedging relationship		328		**328**		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)	31	30	0	0	0
Decreases in fair value recognized in profit/loss (including losses on disposal)		(433)	(209)	(2)	(3)
Increases in fair value recognized in profit/loss (including gains on disposal)		6	0	59	28
Decreases in fair value recognized directly in equity	(15)				
Increases in fair value recognized directly in equity	17				
Disposals	(18)	0	0	0	0
Currency translation effects recognized directly in equity	2	32	0	4	(5)
Carrying amount as of March 31, 2021	**474**	**524**	**596**	**138**	**(109)**

The equity instruments assigned to Level 3 that are measured at fair value through other comprehensive income and carried under other financial assets are equity investments with a carrying amount of EUR 474 million measured using the best information available at the reporting date. As a rule, Deutsche Telekom considers transactions involving shares in those companies to have the greatest relevance. Transactions involving shares in comparable companies are also considered. The proximity of the relevant transaction to the reporting date, and the question of whether it was conducted at arm's length, are relevant for deciding which information is used for the measurement. Furthermore, the degree of similarity between the object being measured and comparable companies must be taken into consideration. Based on Deutsche Telekom's own assessment, the fair values of the equity investments at the reporting date could be determined with sufficient reliability. For the development of the carrying amounts in the reporting period, please refer to the table above. At the reporting date, investments with a carrying amount of EUR 33 million were held for sale, while there were no plans to sell the remaining investments. In the case of investments with a carrying amount of EUR 323 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 March 31, 2021. In the case of investments with a carrying amount of EUR 39 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 95 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 17 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 524 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 %	0.4 %–1.9 %
BB	1.0 %–1.3 %	0.6 %–3.0 %

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 143 million lower (EUR 170 million higher). In the reporting period, a net expense of EUR 205 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, one option was exercised and the relevant bond canceled prematurely. At the time of termination, the option and its total carrying amount of EUR 223 million when translated into euros was expensed and derecognized. Please refer to the table above for the development of the carrying amounts in the reporting period. The changes in value recognized in profit or loss in the reporting period were mainly attributable to fluctuations in the interest rates and historical interest rate volatilities in absolute terms that are relevant for measurement. Due to their distinctiveness, these instruments constitute a separate class of financial instruments.

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

millions of €	Equity instruments at fair value through other comprehensive income	Derivative financial assets at fair value through profit or loss: termination rights embedded in bonds issued	Derivative financial assets at fair value through profit or loss: stock options	Derivative financial assets at fair value through profit or loss: energy forward agreements embedded in contracts	Derivative financial liabilities at fair value through profit or loss: energy forward agreements embedded in contracts
Multiple next-level-up quantile	6				
Multiple next-level-down quantile	(6)				
Expected revenues +10 %	3				
Expected revenues -10 %	(2)				
Interest rate volatility[b] +10 %		37			
Interest rate volatility[b] -10 %		(33)			
Spread curve[c] +50 basis points		(186)			
Spread curve[c] -50 basis points		244			
Mean reversion[d] +100 basis points		(20)			
Mean reversion[d] -100 basis points		25			
Future energy prices +10 %				49	29
Future energy prices -10 %				(50)	(29)
Future energy output +5 %				24	0
Future energy output -5 %				(26)	0
Future prices for renewable energy credits[e] +100 %				37	28
Future prices for renewable energy credits[e] from zero				(39)	(28)
Share price volatility[f] +10 %			75		
Share price volatility[f] -10 %			(74)		

[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 -109 million when translated into euros, the derivatives without a hedging relationship assigned to Level 3 and carried under derivative financial liabilities relate to energy forward agreements embedded in contracts entered into by T-Mobile US. The same applies to derivative financial assets with a carrying amount of EUR 138 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 five energy forward agreements, commercial operations have already begun; with the others, commercial operations are set to begin between 2021 and 2023. 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 19.68/MWh and EUR 71.43/MWh when translated into euros and off-peak prices of between EUR 11.83/MWh and EUR 47.23/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 for the assets amounted to EUR 186 million when translated into euros and EUR -8 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 77 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 596 million when translated into euros, resulting from the acquired stock options to buy 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 26.5 % which, in our opinion, constitutes the best estimate. At the reporting date, the calculated fair value for the stock option amounted to EUR 1,372 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 development of the amount yet to be amortized in the income statement in the reporting period is shown in the following table.

Development of the not yet amortized amounts

millions of €

	Energy forward agreements	Stock options
Measurement amounts on initial recognition	**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	(3)	(58)
Currency translation adjustments	(4)	(49)
Disposals in the current reporting period	0	0
Measurement amounts not amortized as of March 31, 2021	**148**	**771**

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 and financial liabilities measured at fair value through profit or loss and assigned to Level 3 include derivative financial assets with a carrying amount of EUR 14 million when translated into euros and derivative financial liabilities with a carrying amount of EUR -8 million, resulting from options purchased from or granted to third parties for the purchase of company shares. No notable fluctuations in value are expected from these individual items. Due to their distinctiveness, these instruments each constitute a separate class of financial instruments.

Disclosures on credit risk

In line with the contractual provisions, in the event of insolvency, all derivatives with a positive or negative fair value that exist with the respective counterparty are offset against each other, leaving a net receivable or liability. The net amounts are normally recalculated every bank working day and offset against each other. When the netting of the positive and negative fair values of all derivatives was positive from Deutsche Telekom's perspective, Deutsche Telekom received unrestricted cash collateral from counterparties pursuant to collateral contracts in the amount of EUR 1,059 million (December 31, 2020: EUR 1,530 million). The credit risk was thus reduced by EUR 1,046 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 1,549 million as of the reporting date (December 31, 2020: EUR 2,253 million) had a maximum credit risk of EUR 14 million as of March 31, 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 30 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 27 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).

At the reporting date, cash and cash equivalents of EUR 65 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

There were no significant changes at March 31, 2021 to the related-party disclosures reported in the consolidated financial statements as of December 31, 2020.

Events after the reporting period

Virtual 2021 shareholders' meeting. Owing to the ongoing coronavirus pandemic, our shareholders' meeting was once again held virtually on April 1, 2021. In accordance with the published agenda, the 2021 shareholders' meeting passed resolutions on the approval of the actions of the Board of Management and the Supervisory Board, the selection of the external auditor for the 2021 financial year, the amount of the dividend (EUR 0.60 per dividend-bearing no par value share; EUR 2.8 billion in total), the approval of the new Board of Management compensation system, and the compensation for members of the Supervisory Board. The dividend totaling EUR 2.8 billion was paid out in April 2021.

European Commission sets 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.

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, May 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 March 31, 2021 which are part of the interim financial reporting pursuant to § (Article) 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the parent company's board of management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

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

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

Frankfurt/Main, May 12, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
Wirtschaftsprüfer
(German Public Auditor)

Thomas Tandetzki
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 2020/March 31, 2020 Presentation as of March 31, 2020 – as reported							
Germany	5,405	903	2,164	(1,071)	0	41,278	30,930
United States	10,157	1,509	3,160	(2,084)	0	86,441	55,640
Europe	2,903	372	963	(662)	(1)	26,811	10,212
Systems Solutions	1,628	(36)	100	(121)	0	6,580	4,970
Group Development	708	139	269	(194)	0	8,335	10,505
Group Headquarters & Group Services	632	(371)	(104)	(300)	0	56,353	67,731
Total	**21,433**	**2,516**	**6,552**	**(4,432)**	**(1)**	**225,798**	**179,988**
Reconciliation	(1,490)	(5)	(8)	3	0	(52,152)	(52,220)
Group	**19,943**	**2,511**	**6,544**	**(4,429)**	**(1)**	**173,646**	**127,768**
Q1 2020/March 31, 2020 +/- realignment of the B2B telecommunications business as of July 1, 2020							
Germany	425	49	77	(20)	0	2,960	1,198
United States	0	0	0	0	0	0	0
Europe	(144)	(24)	(27)	4	0	(778)	(279)
Systems Solutions	(562)	(32)	(51)	12	0	(2,003)	(734)
Group Development	0	0	0	0	0	0	0
Group Headquarters & Group Services	2	6	1	5	0	154	151
Total	**(279)**	**(1)**	**0**	**1**	**0**	**333**	**336**
Reconciliation	279	1	0	(1)	0	(333)	(336)
Group	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Q1 2020/March 31, 2020 +/- transfer of the IoT business as of January 1, 2021							
Germany	0	(18)	(11)	(7)	0	95	92
United States	0	0	0	0	0	0	0
Europe	0	0	0	0	0	0	0
Systems Solutions	(4)	18	11	6	0	(74)	(70)
Group Development	0	0	0	0	0	0	0
Group Headquarters & Group Services	0	0	0	0	0	0	0
Total	**(4)**	**0**	**0**	**(1)**	**0**	**21**	**22**
Reconciliation	4	0	0	1	0	(21)	(22)
Group	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Q1 2020/March 31, 2020 = presentation after change in disclosure							
Germany	5,830	934	2,230	(1,098)	0	44,333	32,220
United States	10,157	1,509	3,160	(2,084)	0	86,441	55,640
Europe	2,759	348	936	(658)	(1)	26,033	9,933
Systems Solutions	1,062	(50)	60	(103)	0	4,503	4,166
Group Development	708	139	269	(194)	0	8,335	10,505
Group Headquarters & Group Services	634	(365)	(103)	(295)	0	56,507	67,882
Total	**21,150**	**2,515**	**6,552**	**(4,432)**	**(1)**	**226,152**	**180,346**
Reconciliation	(1,207)	(4)	(8)	3	0	(52,506)	(52,578)
Group	**19,943**	**2,511**	**6,544**	**(4,429)**	**(1)**	**173,646**	**127,768**

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 or to 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

May 12, 2021	May 20/21, 2021	August 12, 2021
Publication of the Interim Group Report as of March 31, 2021	2021 Capital Markets Day	Publication of the Interim Group Report as of June 30, 2021

November 12, 2021	February 24, 2022	May 12, 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	Publication of the Interim Group Report as of March 31, 2022

All dates are subject to change.

For more dates, an updated schedule, and information on webcasts, please refer to our Investor Relations website.

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This Interim Group Report for January 1 to March 31, 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 on the internet.

Our Annual Report is available on the internet.

Concept: Deutsche Telekom AG

Design & technical implementation:
nexxar GmbH, Vienna – online annual and sustainability reports