

# DEUTSCHE TELEKOM

## Q3/2019 RESULTS



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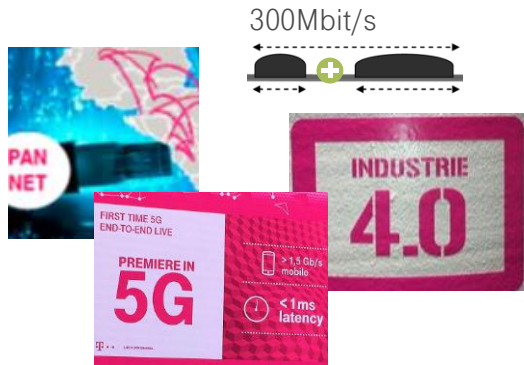


**REVIEW 9M/2019**

# 9M 2019 HIGHLIGHTS: EXECUTING ON GROWTH

## Growth: investments and innovations

- Cash capex at €10.0 bn (ex. spectrum). Ex. US with slight decline at €5.7 bn
- Fiber roll-out: 3.7 mn new homes in GER and EU with access to Fiber LTM
- IP-Migration continues in GER (97%) and EU (90%), +4.7 mn households LTM



## Growth: customers

- 14.0 mn German fiber homes (+20% yoy)
- 2.1 mn converged net adds LTM EU+GER
- 1.9 mn mobile contract net adds LTM EU+GER+NL<sup>2</sup>
- 7.6 mn net adds LTM in the US



## Growth: financials

- Strong organic<sup>1</sup> growth continues
  - Revenue up 2.7% yoy
  - Adj. EBITDA AL up 3.5% yoy
  - Adj. EBITDA AL ex. US up 2.2% yoy
  - FCF AL up 12.3% yoy
  - Adj. EPS at 0.83 € up 5.1% yoy
- IFRS 16 net debt/Adj. EBITDA at 2.80



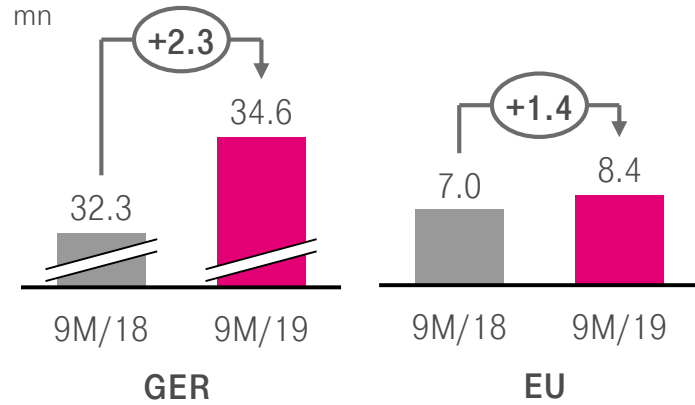
1) Revenue, adj. EBITDA AL and FCF AL growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation. Adj. EPS calculated on reported results. AL = After Lease

2) Organic view. Does not reflect the change in base due to acquisitions and/or disposals

# 9M 2019 INVESTMENTS: DRIVING NETWORK LEADERSHIP

## Fiber

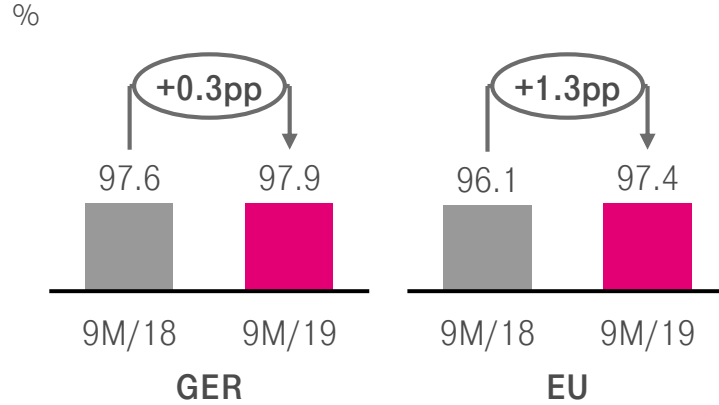
### Fiber households<sup>1</sup>



- Additional 3.7 mn HHs added to coverage
- Germany: Super-Vectoring (up to 250 Mbp/s) launched for 24.5 mn HHs and business locations

## Mobile broadband

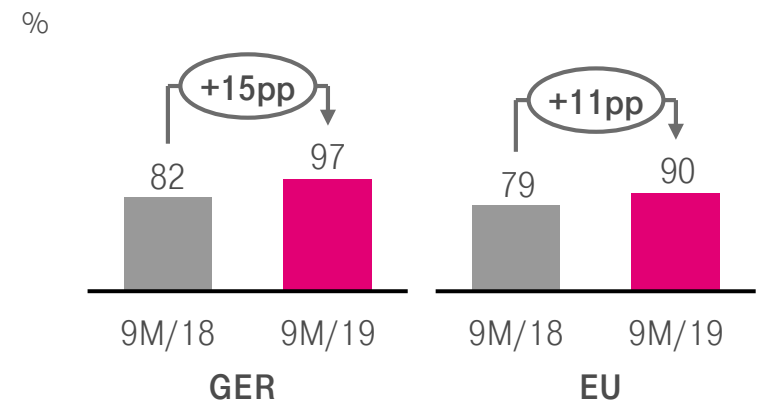
### LTE outdoor pop coverage



- 1,500 additional physical sites deployed in Germany
- Network leadership maintained across footprint

## All IP

### IP share of fixed network access lines

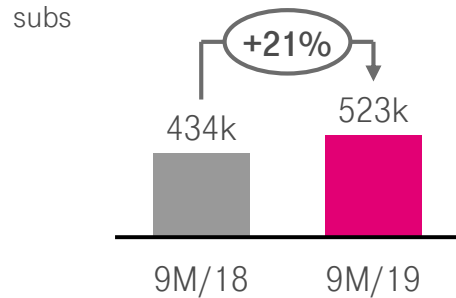


- GER on track for completion: B2C YE/19, B2B YE/20
- Cost savings expected to progressively kick in after completion.

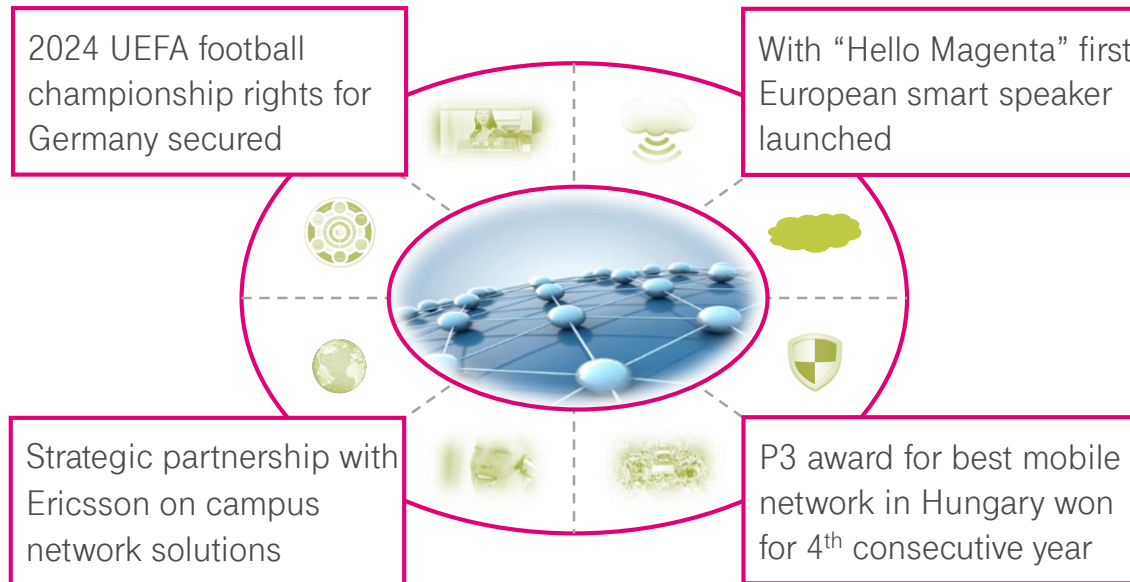
1) EU: ≥ 100Mbit/s coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3. Broadband also incl. wholesale customers. As of Q2/2018, adjusted HH baseline to include the Census update, B2B premises & CZ

# 9M 2019 INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

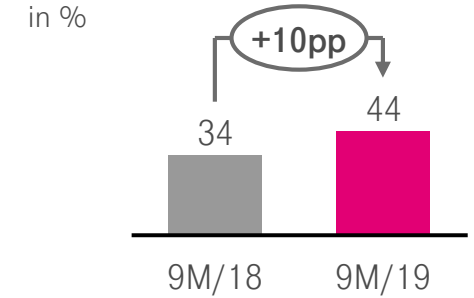
## Hybrid Access



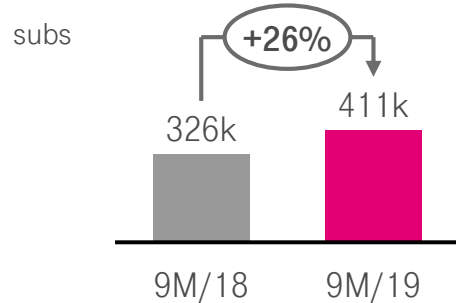
## Innovation/Network



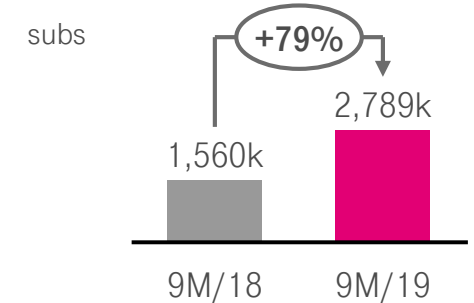
## One APP penetration (EU)<sup>1</sup>



## Smart Home



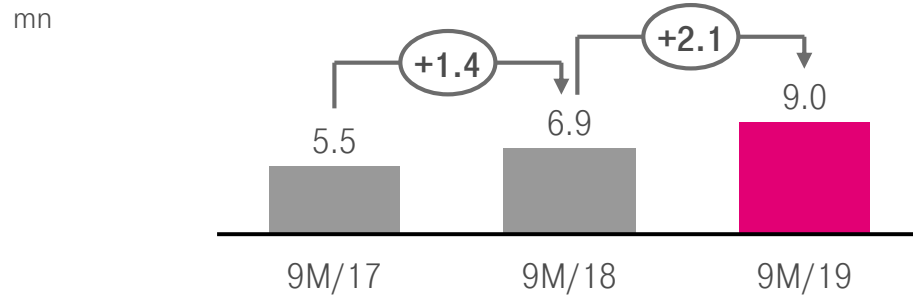
## StreamOn



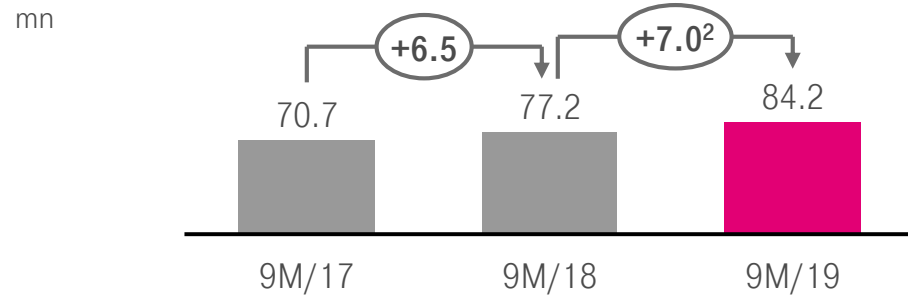
1) incl. sub brands

# 9M 2019 CUSTOMERS: STRONG GROWTH CONTINUES

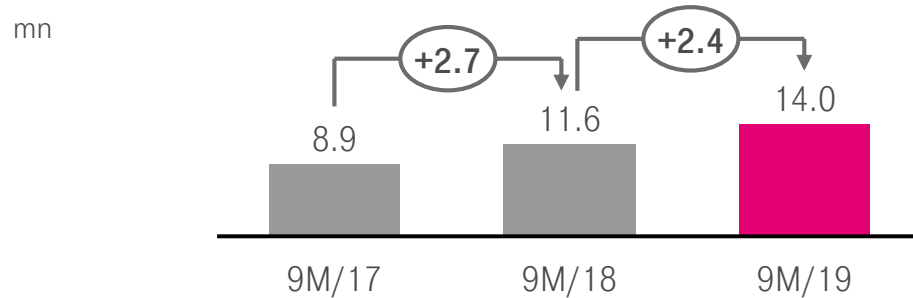
## MagentaEINS (GER + EU)<sup>1</sup>



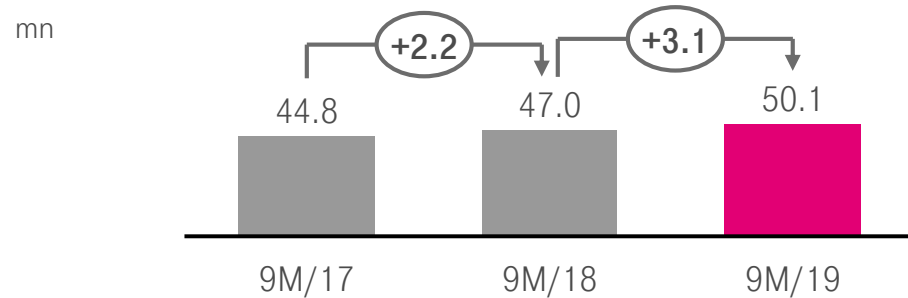
## US Mobile



## Fiber in GER



## Mobile contract customers GER + EU + NL<sup>3</sup>

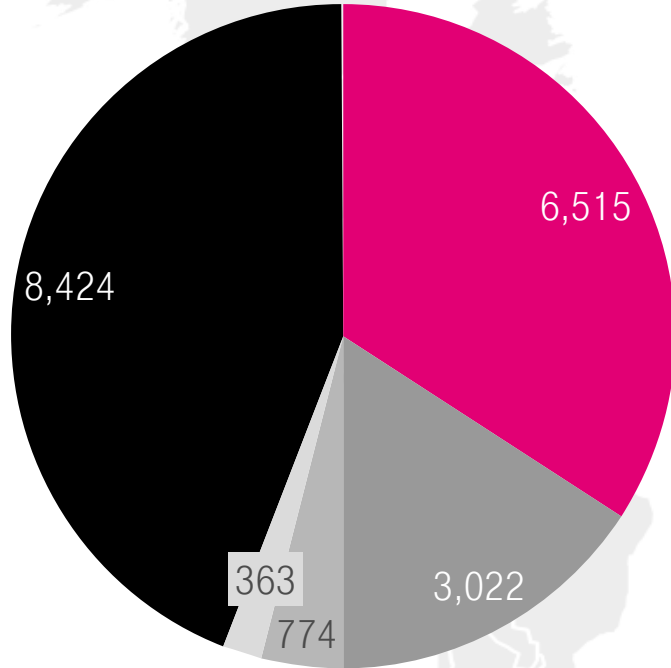


1) FMC RGUs may also appear under other brand name outside of Germany 2) Change in base. Not adjusted for 616k prepay subs base adjustment. Net adds were 7.6

3) Change in base. Figures not adj. for acquisitions or disposals. Germany: own branded contract customers excl. multi-brand

# 9M 2019: ALL SEGMENTS CONTRIBUTE TO GROWTH

9M/2019 ADJ. EBITDA AL in € mn



Adj. EBITDA AL (9M 2019)  
Reported growth rate yoy

Organic growth rate yoy

	Reported growth rate yoy	Organic growth rate yoy
<b>TMUS</b>	+11.6%	+5.0%
<b>GER</b>	+2.4%	+2.4%
<b>EU</b>	+5.0%	+2.3%
<b>GD</b>	+14.8%	+11.3%
<b>SYS</b>	+10.9%	+10.4%



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# GUIDANCE 2019: RAISING GUIDANCE

€ bn

	<b>Revenue</b>	<b>Adj. EBITDA AL<sup>2</sup></b>	<b>FCF AL<sup>2</sup></b>	<b>Cash Capex</b>
2017 – 2021 CAGR (CMD 2018)	+1 – 2%	+2 – 4%	≈+10%	Stable ex. US
<b>2019 Guidance (\$/€: 1.18) OLD</b>	<b>Slight increase</b>	<b>Around 23.9</b>	<b>Around 6.7</b>	<b>Around 12.7</b>
<b>2019 Guidance (\$/€: 1.18) NEW</b>	<b>Slight increase</b>	<b>Around 24.1</b>	<b>Around 6.7</b>	<b>Around 12.9</b>
9M/19 Result (organic change yoy)	59.2 (+2.7%)	18.7 (+3.5%)	5.3 (+12.3%)	10.0 (+9.8%)
thereof Group excl. US				
<b>2019 Guidance (OLD)</b>		<b>Around 13.4</b>		<b>Around 7.9</b>
<b>2019 Guidance (NEW)</b>		<b>Around 13.5</b>		<b>Around 7.9</b>
9M/19 Result (organic change yoy)		10.3 (+2.2%)		5.7 (-2.4%)
thereof TM US (US\$ bn)				
<b>2019 Guidance OLD</b>	<b>Increase</b>	<b>Around 12.4</b>		<b>Around 5.7</b>
<b>2019 Guidance NEW</b>	<b>Increase</b>	<b>Around 12.5<sup>1</sup></b>		<b>Around 6.0</b>
9M/19 Result (organic change yoy)	33.3 (+5.2%)	9.5 (+5.0%)		4.9 (+18.5%)

1) Equals new mid-Point TMUS guidance (\$13.2 bn (13.1 bn previously) US GAAP) and -\$0.7 bn IFRS bridge 2) AL = after lease

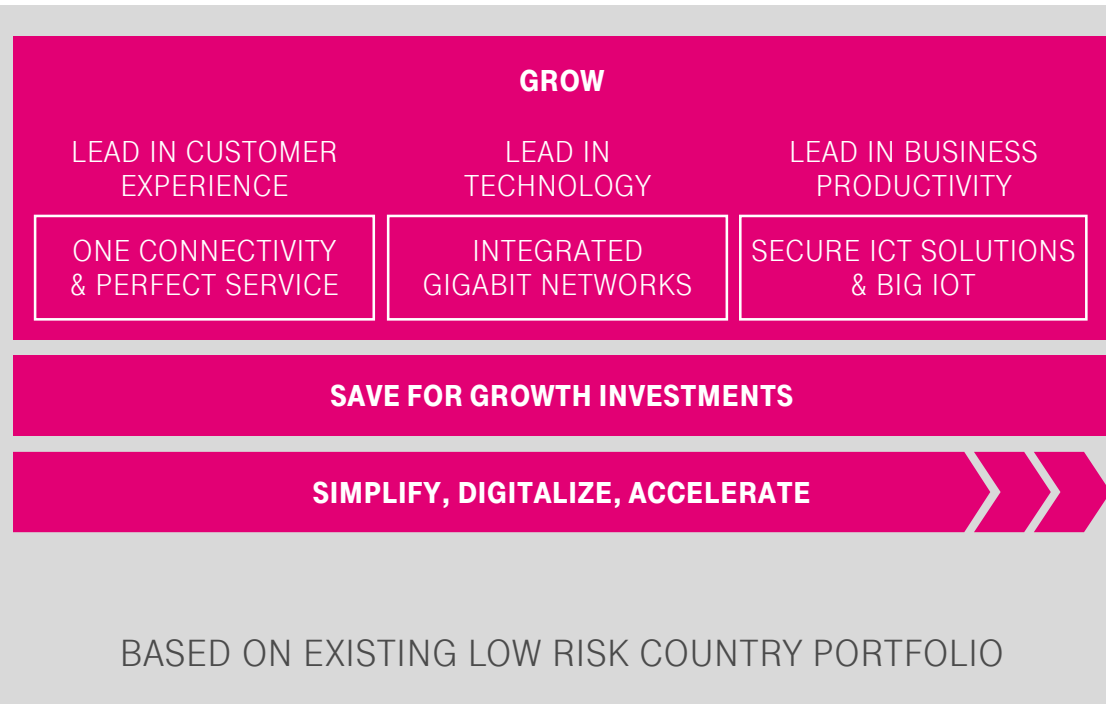
# UPDATE FINANCIAL STRATEGY

## II Equity

### Reliable shareholder remuneration policy

- DIVIDEND<sup>1</sup>
  - €0.60 in 2019 (paid in 2020)
  - Thereafter, dividend will reflect growth in adjusted EPS<sup>4</sup>
  - Floor raised to €0.60 per share
- BUY BACKS<sup>2</sup>
  - To be considered
  - DTAG shares or TMUS stake increase

## I Leading European Telco – ROCE > WACC



## III Debt

### Undisputed access to debt capital markets

- RATING A-/BBB
- NET DEBT/ADJ. EBITDA<sup>3</sup> 2.25 – 2.75X
- EQUITY RATIO 25 – 35%
- LIQUIDITY RESERVE covers maturities of coming 24 months

1) Subject to necessary AGM approval and board resolution

2) Not relevant for first 3 years in US deal scenario

3) Only a short departure from comfort zone in US deal scenario

4) Adj. EPS 2019 as starting point

**REVIEW Q3/19**

# FINANCIALS: GROWTH IN ALL METRICS

€ mn

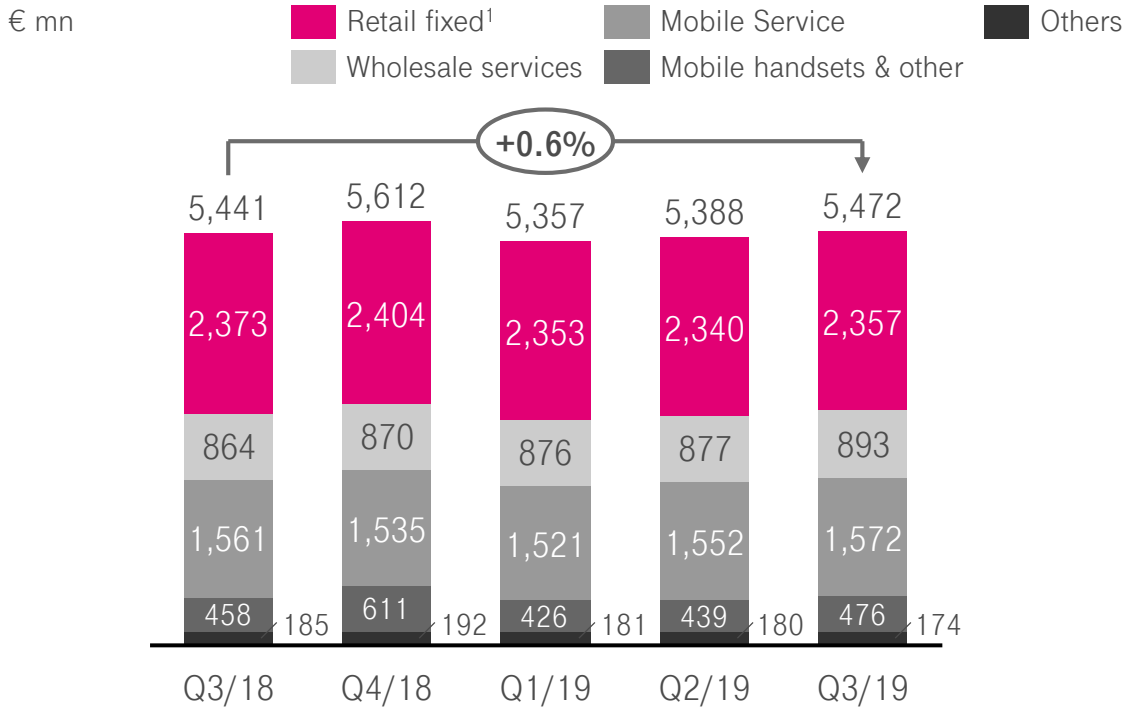
	Q3			9M		
	2018	2019	Change	2018	2019	Change
Revenue	19,104	20,017	+4.8%	55,395	59,169	+6.8%
Adj. EBITDA AL <sup>1</sup>	6,148	6,478	+5.4%	17,501	18,701	+6.9%
Adj. EBITDA AL (excl. US) <sup>1</sup>	3,483	3,605	+3.4%	9,953	10,277	+3.3%
Adj. Net profit	1,321	1,420	+7.5%	3,749	3,923	+4.9%
Net profit	1,110	1,368	+23.2%	2,597	3,213	+23.7%
Adj. EPS (in €)	0.28	0.30	+7.1%	0.79	0.83	+5.1%
Free cash flow AL <sup>1,3</sup>	1,828	2,147	+17.5%	4,613	5,250	+13.8%
Cash capex <sup>2</sup>	3,047	3,037	-0.3%	9,143	10,043	+9.8%
Net debt <sup>1</sup>	n.a.	78,807	n.a.	n.a.	78,807	n.a.
Net debt AL <sup>1</sup>	54,429	60,742	+11.6%	54,429	60,742	+11.6%

1) Adj. EBITDA AL Net debt AL and FCF AL historic results not audited. Net debt after IFRS 16, no corresponding figure available for 2018. 2) Excl. Spectrum: Q3/18: €71 mn; Q3/19: €143 mn. 9M/18: €208 mn, 9M/19: €1,164 mn

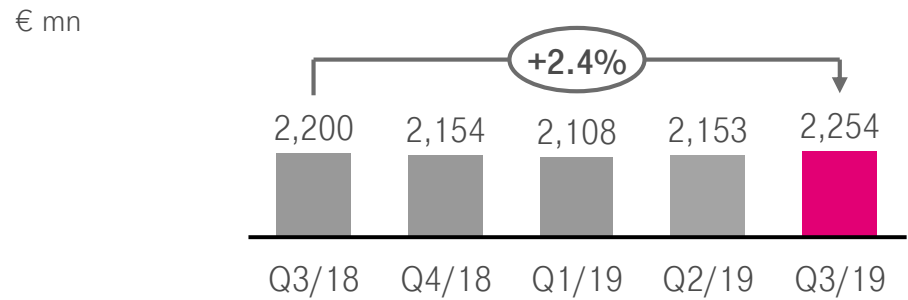
3) Free cash flow AL before dividend payments and spectrum investment

# GERMANY: REVENUE AND EBITDA GROWTH

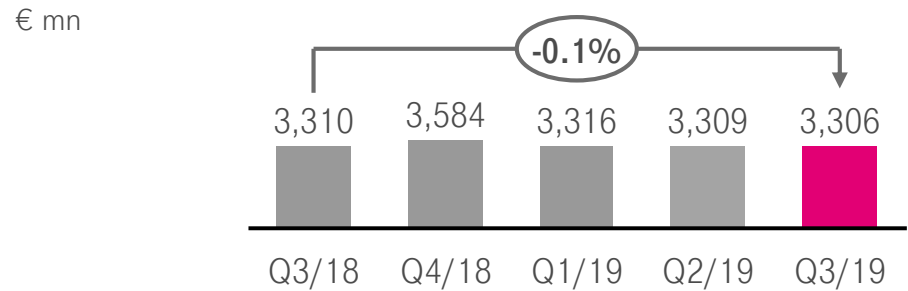
## Revenue



## Adj. EBITDA AL



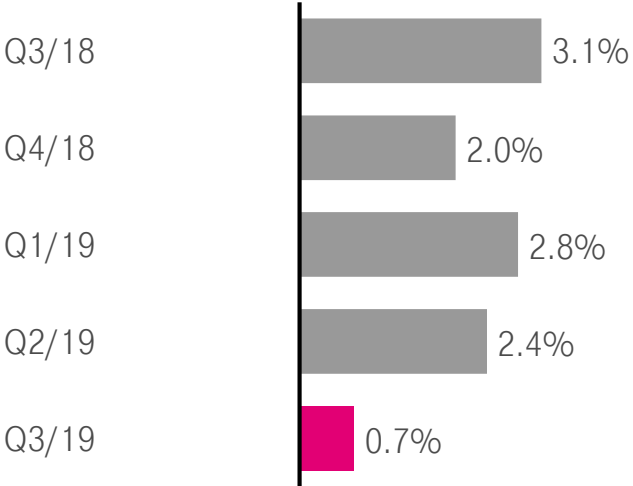
## Adj. OPEX AL



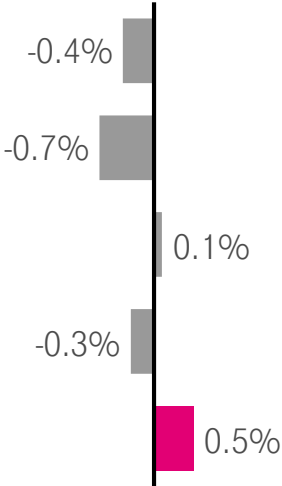
1) Fixed network core business

# GERMANY: GROWTH IN SERVICE REVENUES

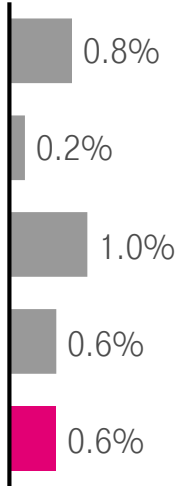
Mobile service revenue<sup>1</sup>



Fixed line service revenue<sup>1</sup>



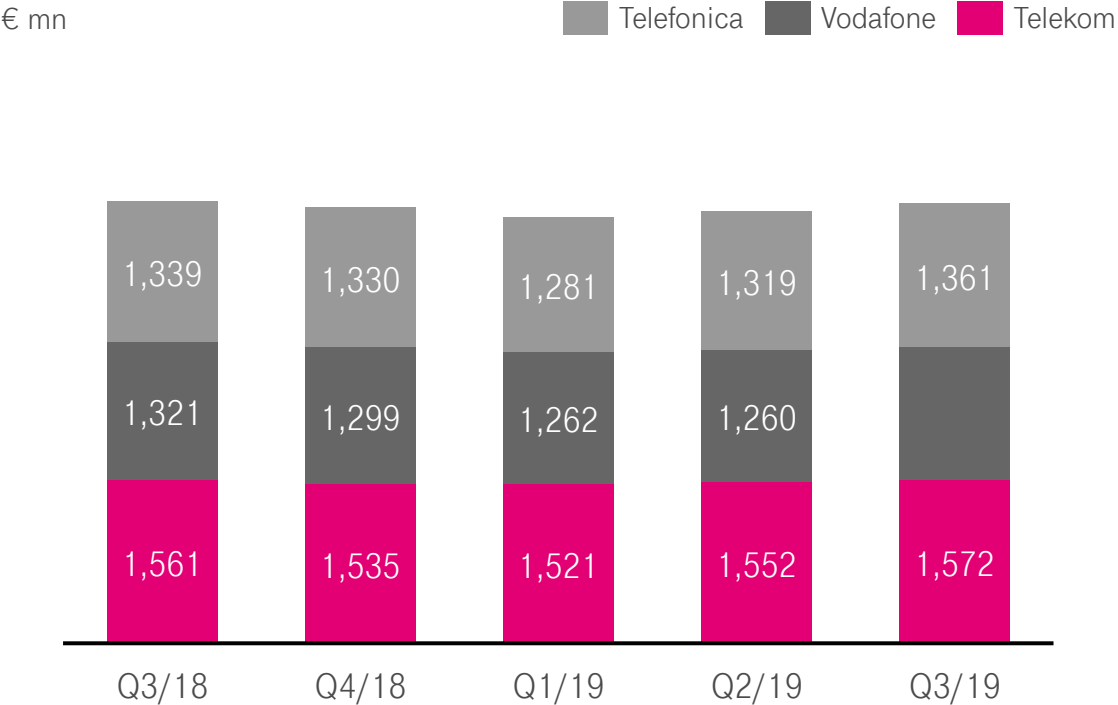
Total service revenue<sup>1</sup>



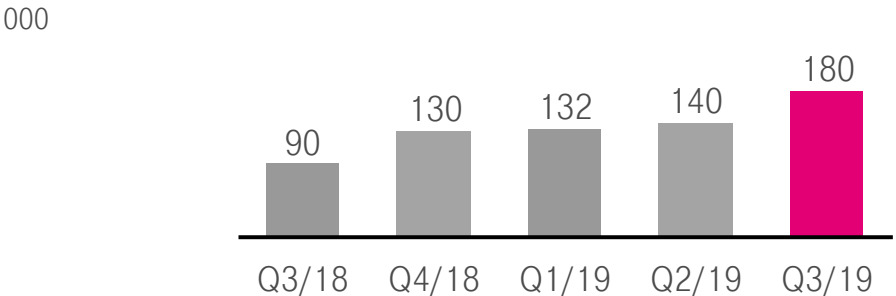
1) 2018 rates calculated excl. IFRS15. from 2019 onwards incl. IFRS 15

# GERMANY MOBILE: HEALTHY GROWTH CONTINUES

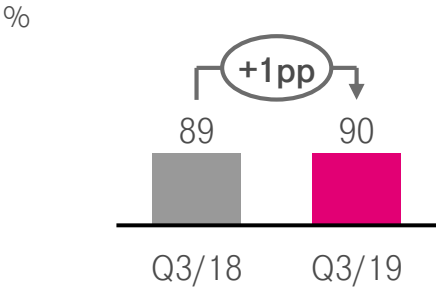
## German mobile market service revenue<sup>1</sup>



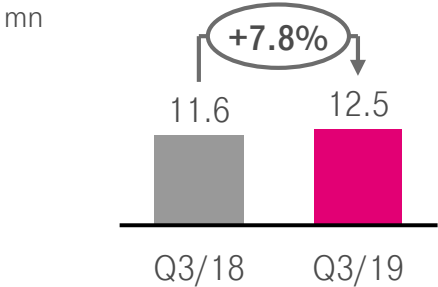
## Own branded contract net adds<sup>2</sup>



## Smartphone penetration<sup>2</sup>



## LTE customers<sup>3</sup>



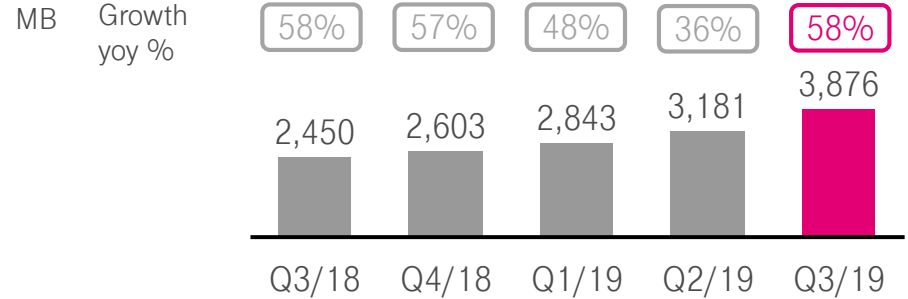
1) On IFRS 15 basis. 2) Of own branded retail customers excl. multi-brand 3) Own customers using a LTE-device and tariff plan including LTE

# GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

## Mobile contract customers in MagentaEINS bundles<sup>1</sup>



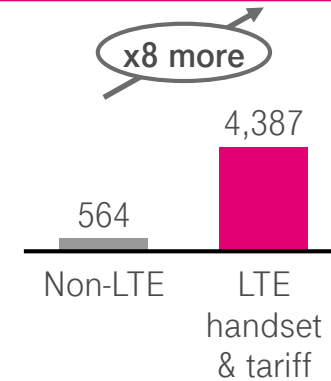
## Average Consumer Data Usage<sup>3</sup>



## Households in MagentaEINS bundles<sup>2</sup>



## Average data usage uplift<sup>3</sup>

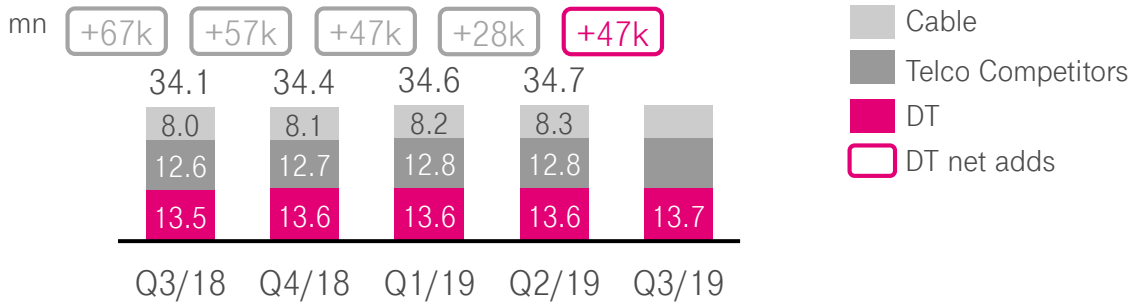


1) As % of B2C T-branded contract customers 2) As % of B2C broadband access lines 3) Per month of B2C T-branded contract customers

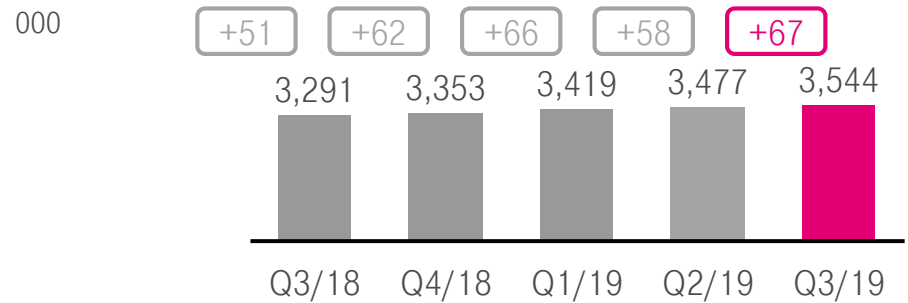


# GERMANY FIXED: SOLID COMMERCIALS, LINE LOSSES REFLECT IP-MIGRATION

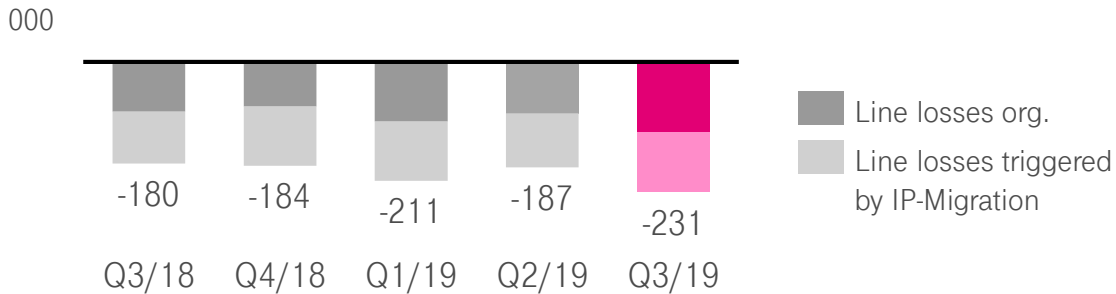
## German broadband market<sup>1</sup>



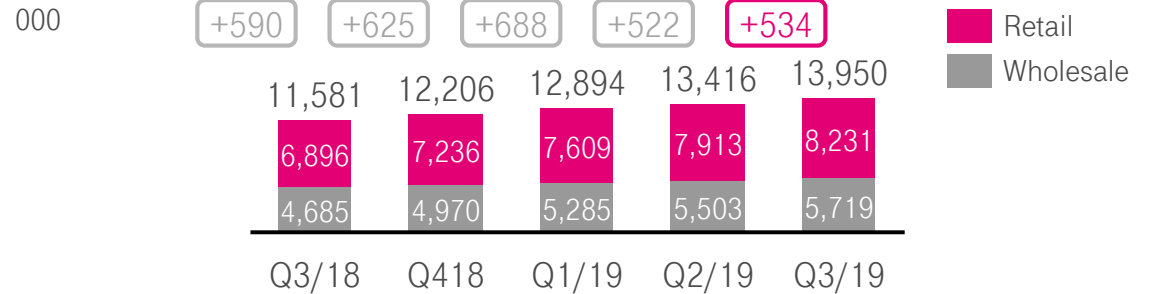
## Magenta TV customers



## Line losses



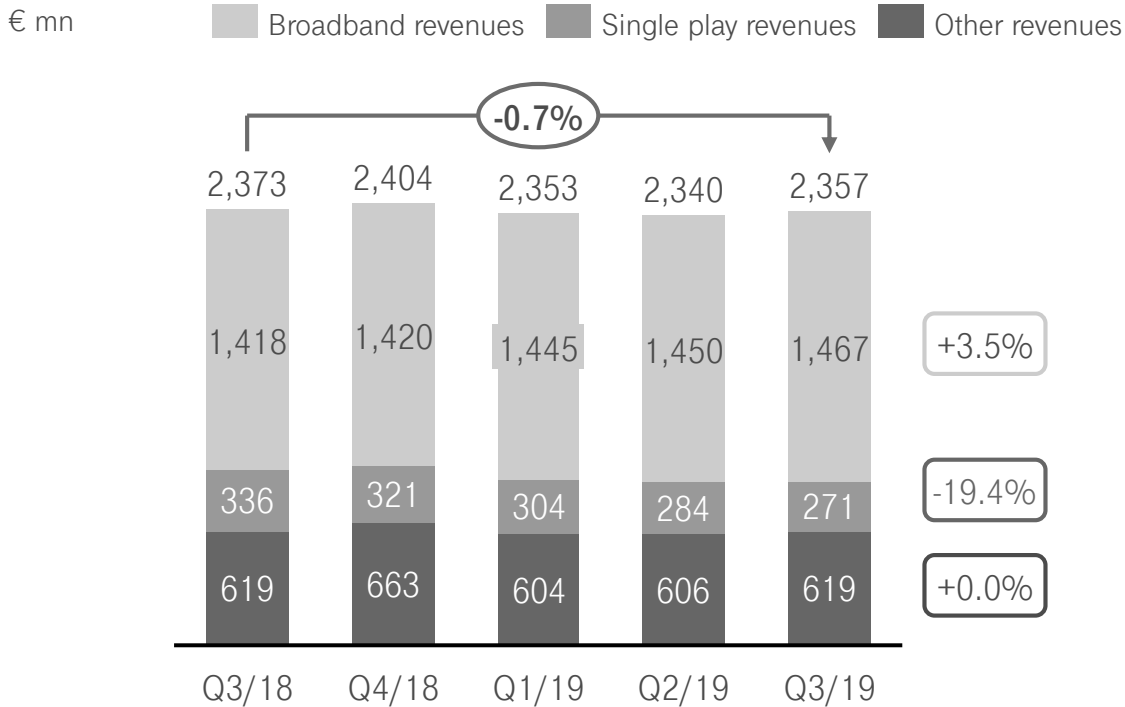
## Fiber customers<sup>2</sup>



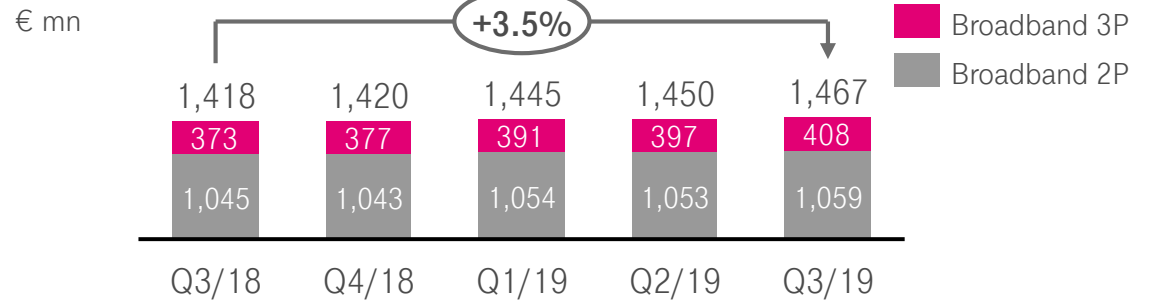
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

# GERMANY FIXED: STEADY BROADBAND REVENUE GROWTH

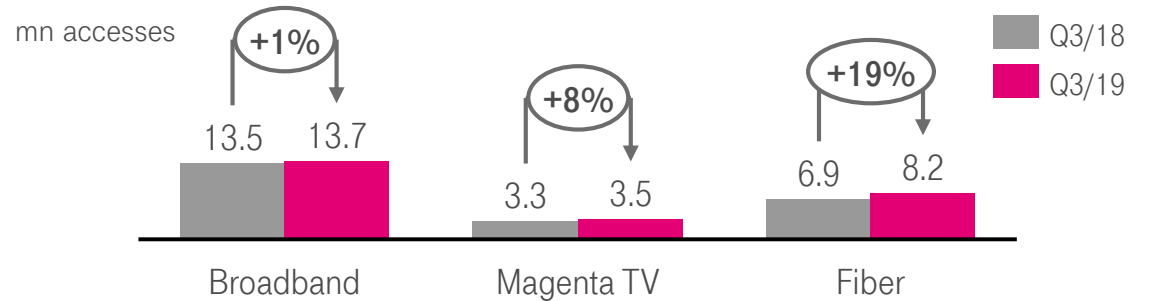
## Fixed network revenue retail (as reported)<sup>1</sup>



## Broadband revenue<sup>1</sup>



## Retail upsell strategy<sup>2</sup>

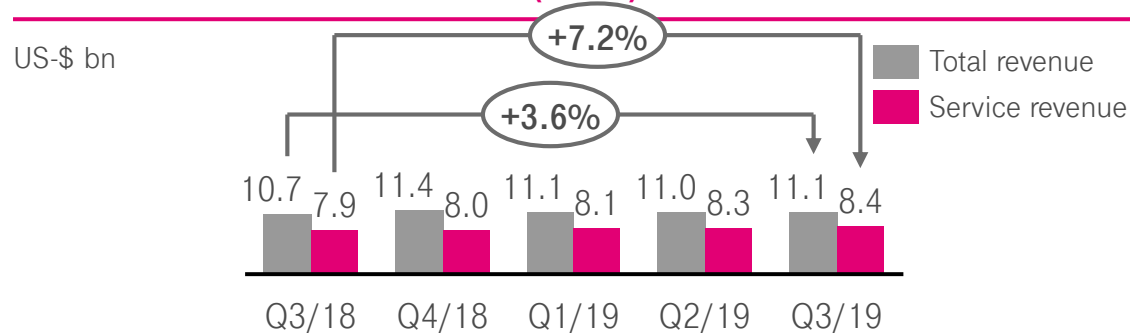


1) Change in definition of broadband and other revenues – historic figures have been adjusted. In addition Q1 to Q3/18 impacted by a shift between other and broadband revenues, historic figures not adjusted for this effect

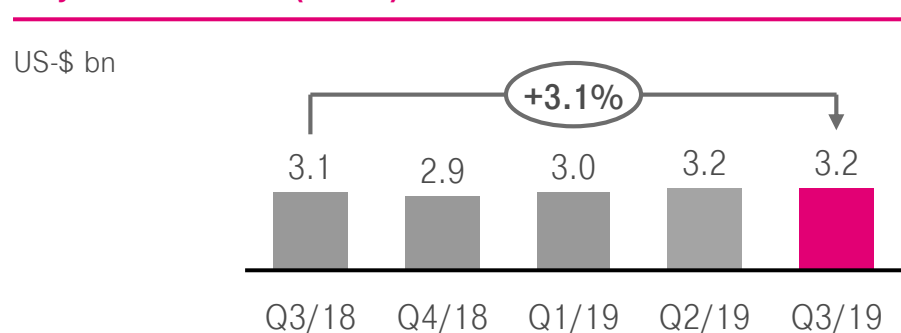
2) Percentages calculated on exact figures

# TMUS: CONTINUED INDUSTRY LEADING GROWTH

## Revenue and service revenue (IFRS)



## Adj. EBITDA AL (IFRS)

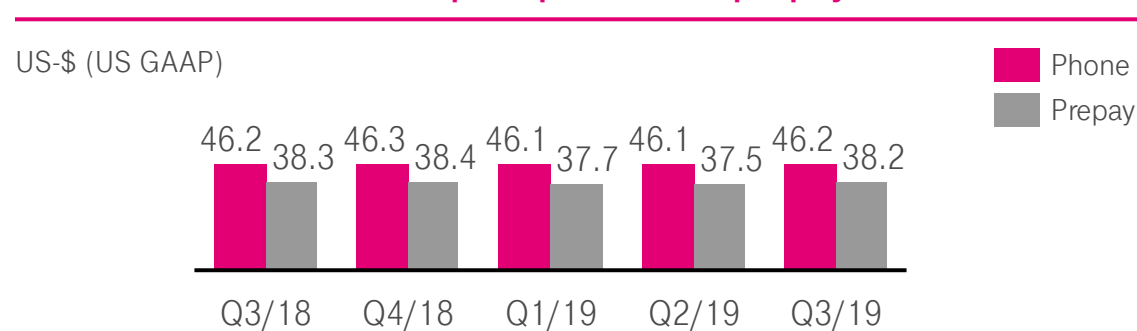


## Net adds

000

Category	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19
Total net adds	1,630	2,402	1,650	1,751	1,747
Branded:					
Postpaid	1,079	1,358	1,019	1,108	1,074
Prepay	35	135	69	131	62
Wholesale <sup>1</sup>	516	909	562	512	611

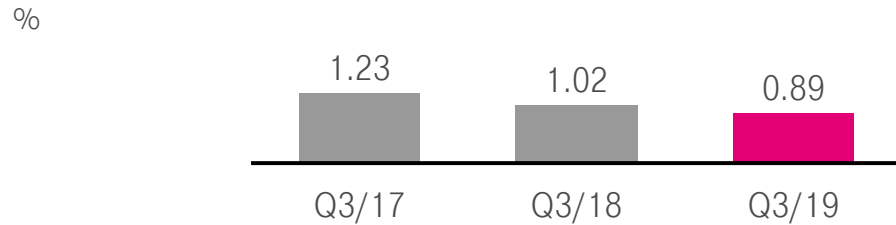
## Branded customers: Postpaid phone and prepay ARPU



1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding

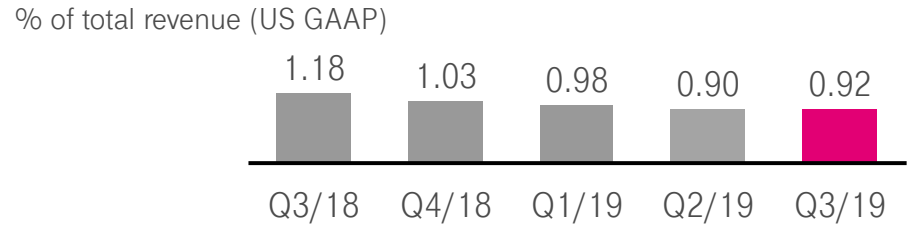
# TMUS: EXECUTING ON KEY DRIVERS

## Branded postpaid phone churn



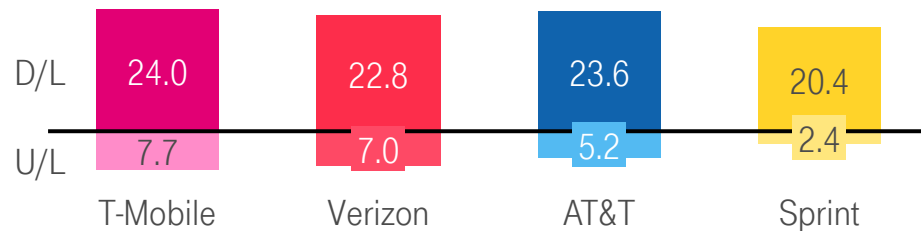
- Branded postpaid phone churn on 3<sup>rd</sup> quarter record low

## Bad debt expenses & losses from sale of receivables



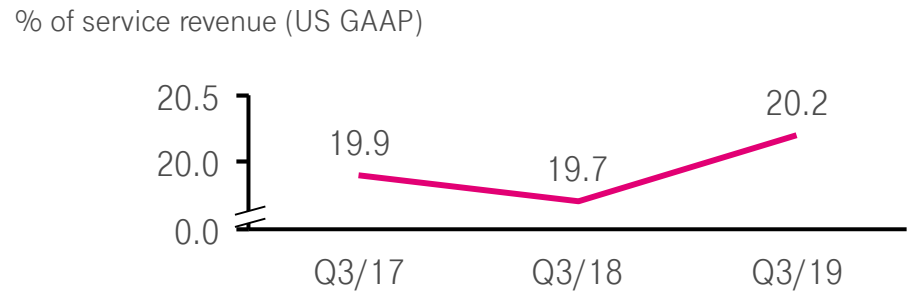
- Decrease yoy reflects ongoing focus on managing customer quality

## Network quality



- Download and Upload Speeds – Q3 2019 (in Mbps). Based on analysis by Opensignal Inc..

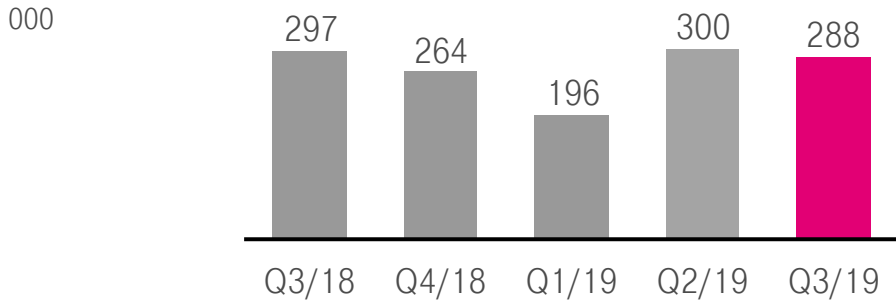
## Cost of service



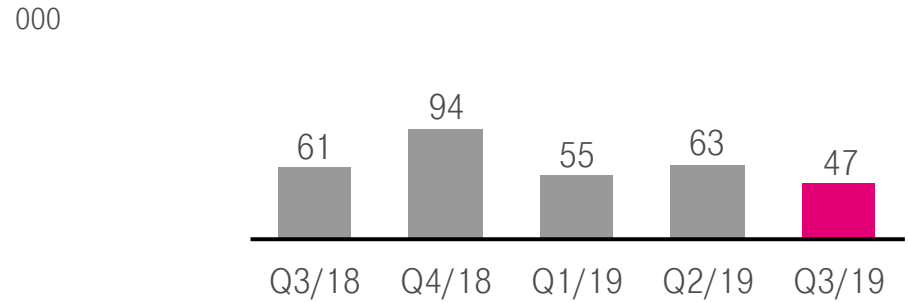
- Cost of services increased yoy. Drivers: network expansion and hurricane re-imbursements in 2018.

# EUROPE: STRONG CUSTOMER GROWTH CONTINUES

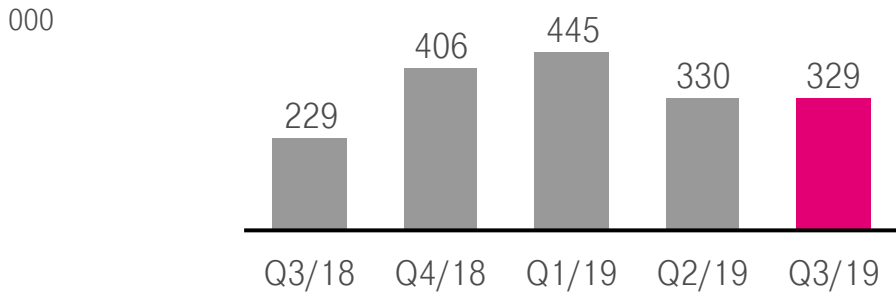
## Mobile Contract Net Adds<sup>2</sup>



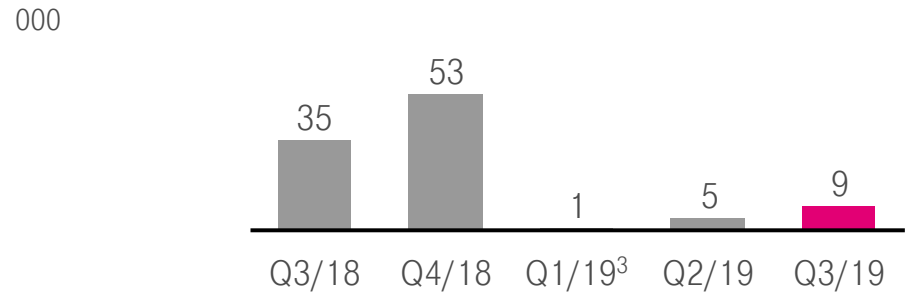
## BB Net Adds<sup>1,2</sup>



## FMC Net Adds



## TV Net Adds<sup>2</sup>

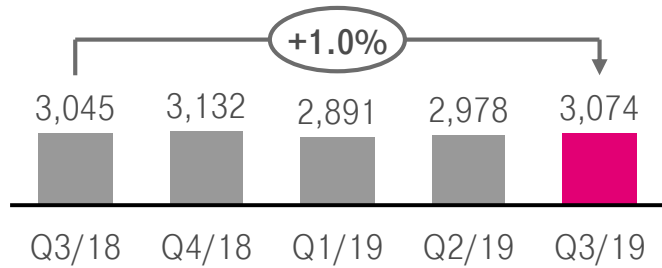


1) Based on subscribers 2) Adjusted for UPC effect in Austria 3) Q1/19 change in base was 69k driven by Evo acquisition in Croatia. Underlying performance of +1k

# EUROPE: GROWING REVENUE AND EBITDA AL

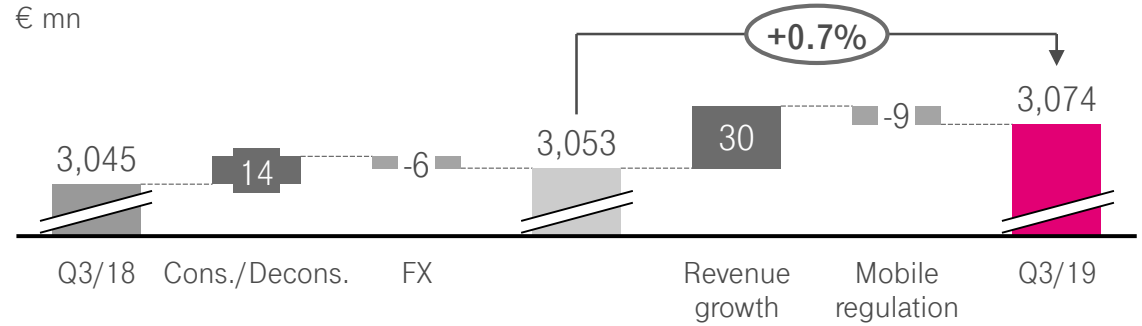
## Revenue

€ mn



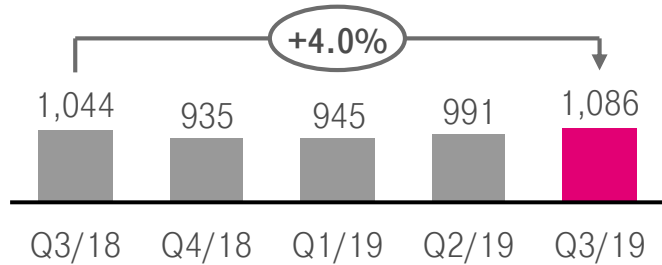
## Organic revenue development

€ mn



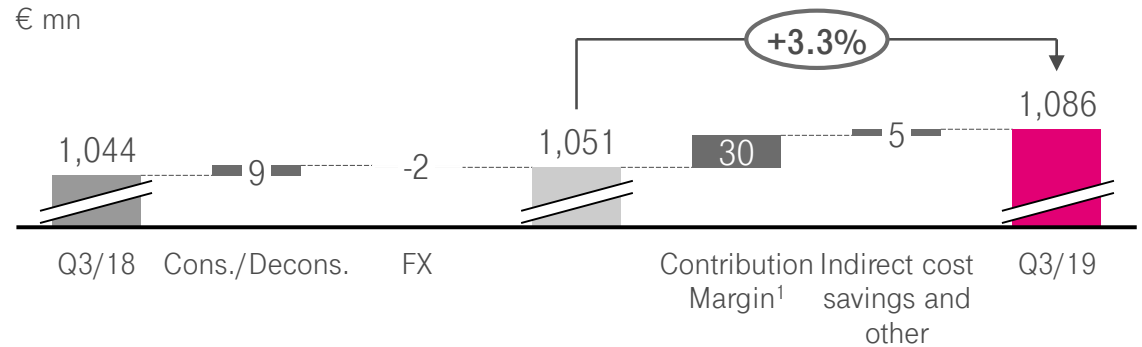
## Adj. EBITDA AL

€ mn



## Organic adj. EBITDA AL development

€ mn



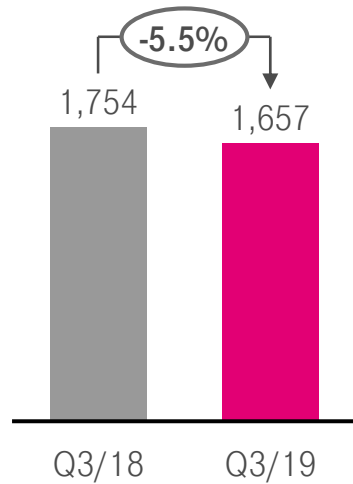
1) Total Revenue – Direct Cost

# SYSTEMS SOLUTIONS: GOOD PROGRESS WITH TRANSFORMATION

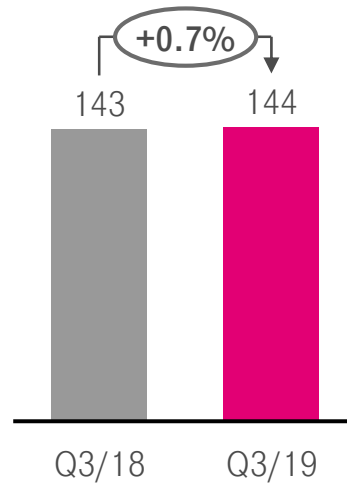
## T-Systems financials

€ mn

Total revenue

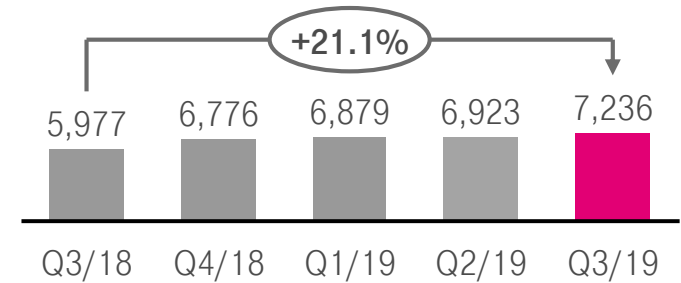


Adj. EBITDA AL



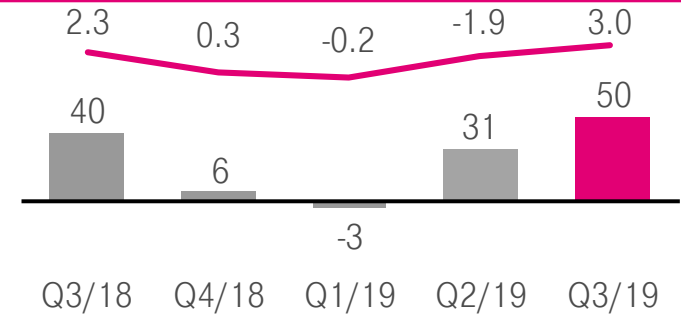
## Order Entry (LTM)

€ mn



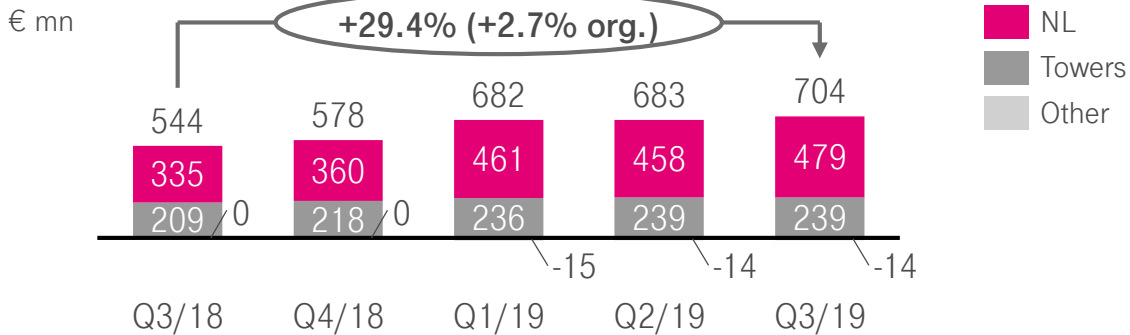
## Adj. EBIT and margin in %

€ mn

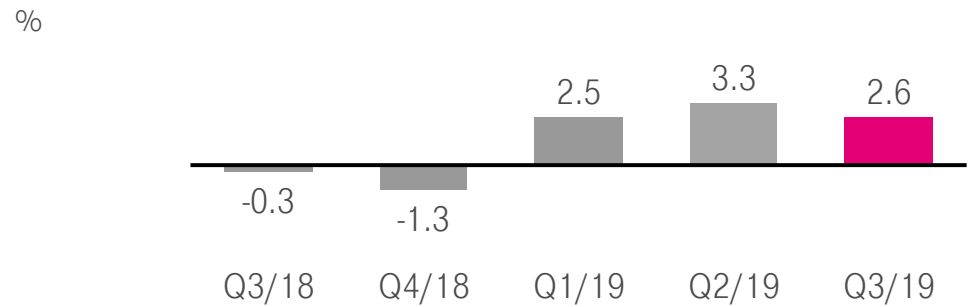


# GROUP DEVELOPMENT: GROWTH IN NL AND TOWERS

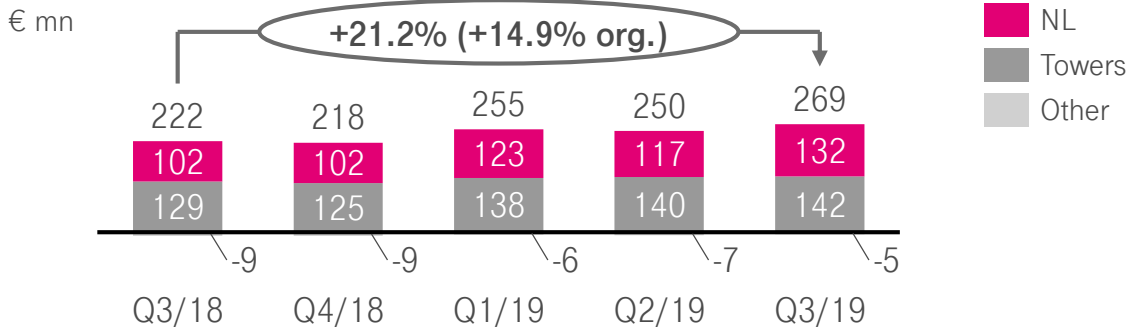
## Revenue<sup>1</sup>



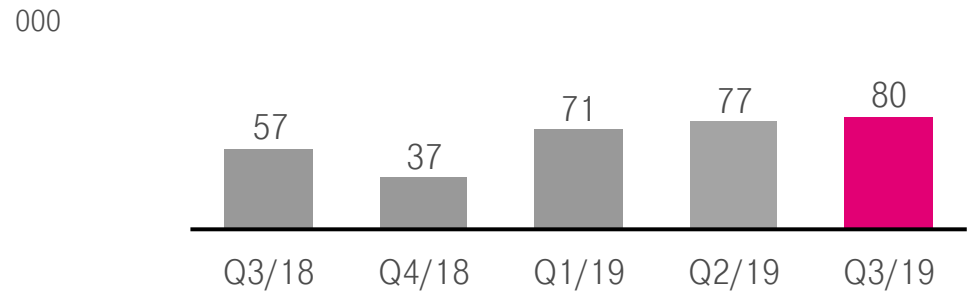
## Mobile service revenue trend yoy (NL)<sup>2</sup>



## Adj. EBITDA AL<sup>1</sup>



## Contract net adds (NL)<sup>3</sup>



1) Figures since Q1/19 incl. Tele2. Previous quarters not restated. Organic growth rates show underlying trends

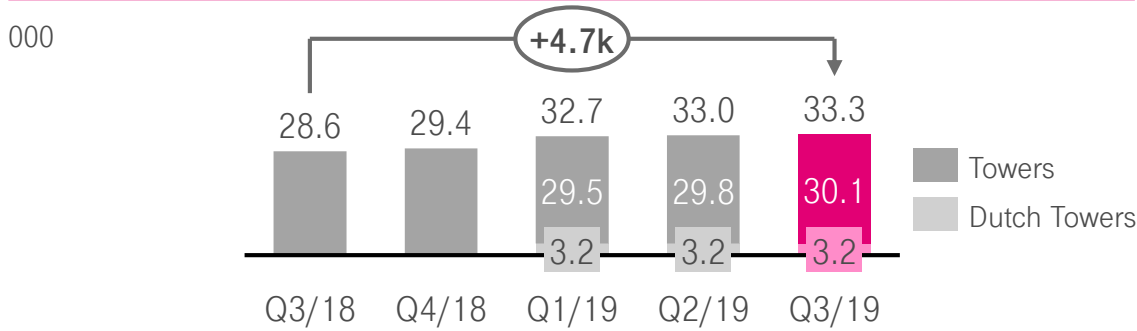
2) MSR trends on organic base excl. regulation and excl. IFRS 15 for Q1/18 to Q4/18.

3) Since Q1/19 net adds incl. Tele2

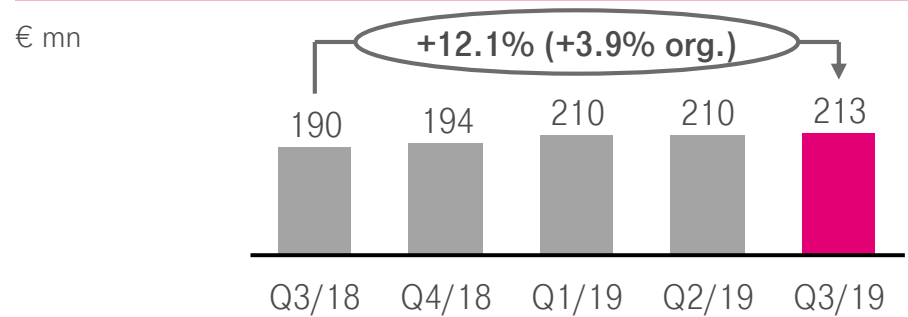


# GROUP DEVELOPMENT: TOWER BUSINESS EXPANDING

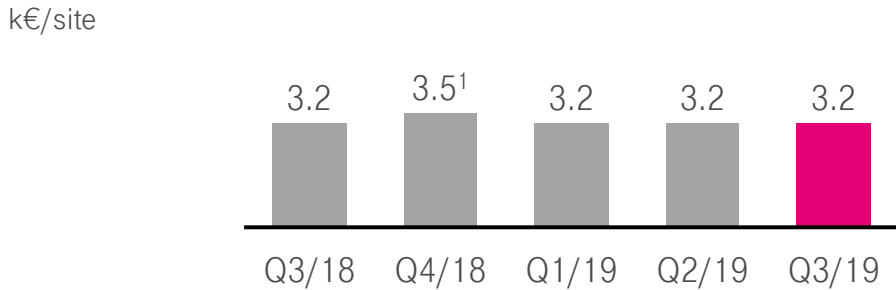
## Total sites GER + NL (since Q1/19)<sup>2</sup>



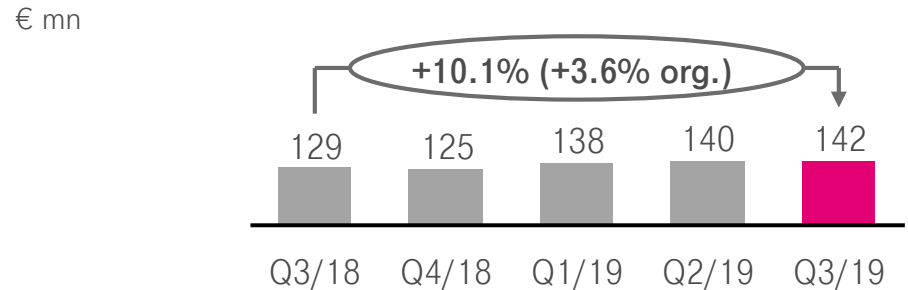
## Recurring rental revenue<sup>2</sup>



## Opex AL per site (avg. sites)<sup>2</sup>



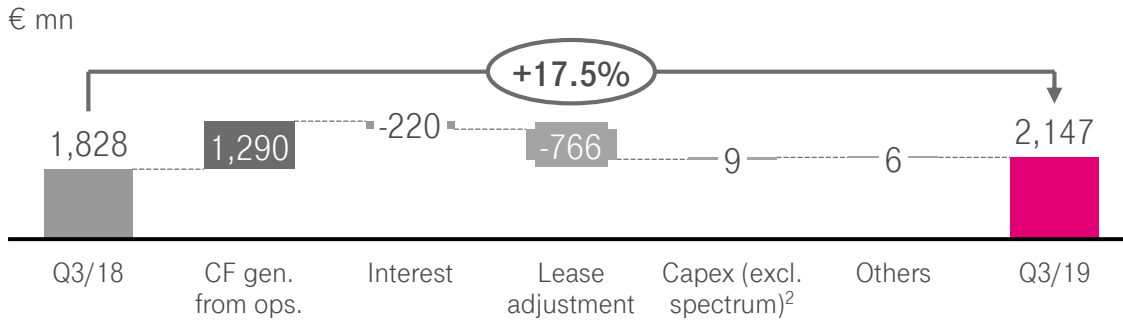
## Adj. EBITDA AL<sup>2</sup>



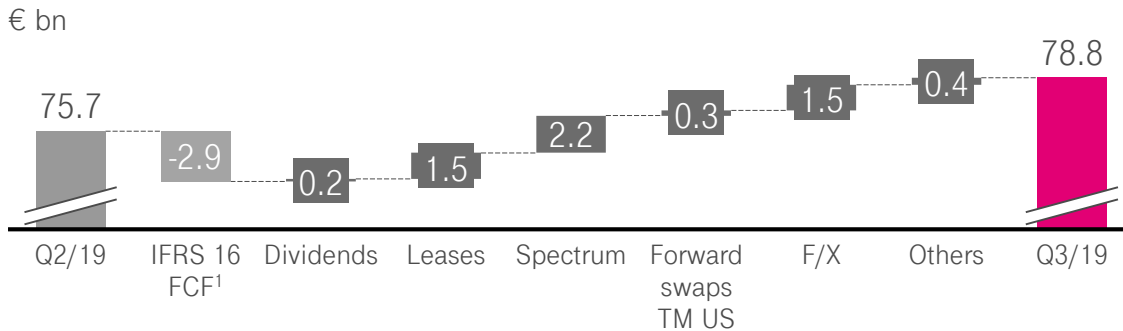
1) Adjusted for one-offs 2) Figures since Q1/19 incl. the Dutch tower business (3.2k). Previous quarters not restated. Organic growth and growth rates show underlying trends

# FINANCIALS: FCF, NET DEBT, ADJ. NET INCOME AND EPS

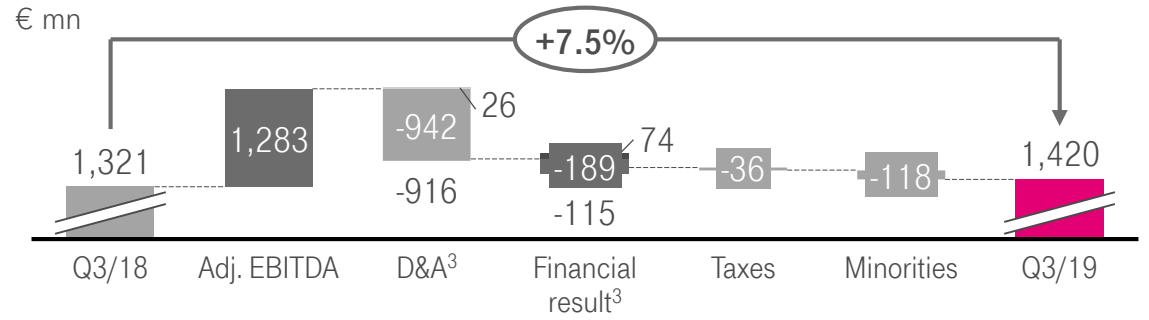
## Free cash flow AL<sup>1</sup>



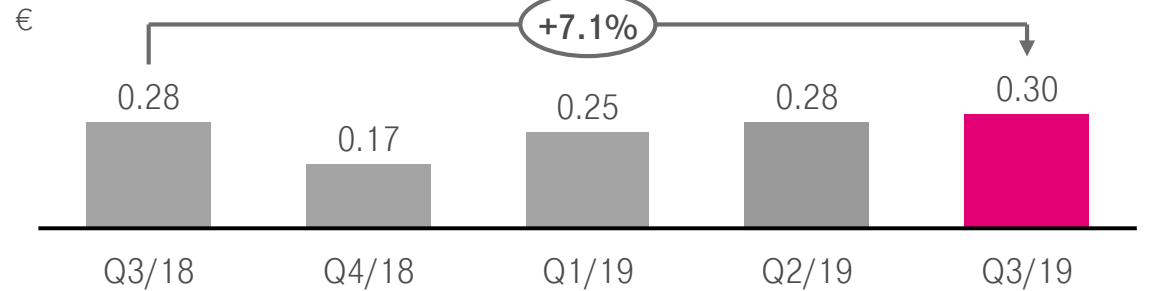
## Net debt development (Q3/19 over Q2/19)



## Adj. net income



## Adj. EPS



1) Free cash flow and FCF AL before dividend payments and spectrum investment

2) Excl. Spectrum: Q3/18: €71 mn; Q3/19: €143 mn





3) D&A and Financial result split in change in leasing related expenses (lower bar) and other expenses

# FINANCIALS: IFRS16 DEBT RATIO AT 2.80

€ bn

	30/09/2018	31/12/2018	31/03/2019	30/06/2019	30/09/2019
Balance sheet total <sup>1</sup>	142.3	145.4	165.5	164.2	174.3
Shareholders' equity <sup>1</sup>	43.5	43.4	42.8	42.7	45.1
Net debt <sup>1</sup>	55.5	55.4	71.9	75.7	78.8
Net debt/adj. EBITDA <sup>2</sup>	2.4	2.4	2.65	2.74	2.80
Equity ratio	30.6%	29.9%	25.8%	26.0%	25.9%

## Comfort zone ratios

Rating: A-/BBB	
2.25 – 2.75 net debt/Adj. EBITDA <sup>2</sup>	
25 – 35% equity ratio <sup>3</sup>	
Liquidity reserve covers redemption of the next 24 months	

## Current rating

Fitch:	<b>BBB+</b>	stable outlook
Moody's: <sup>4</sup>	<b>Baa1</b>	negative outlook
S&P: <sup>4</sup>	<b>BBB+</b>	CreditWatch negative

1) Values for 2018 based on old accounting standard. As of Q1/19 according to IFRS 16. 2) Ratios for the interim quarters calculated on the basis of previous 4 quarters. Comfort zone ratio increased from 2-2.5 previously following change to IFRS 16 in Q1/19. 3) Pre-IFRS 16 4) Outlook changed end of April 18, following the announced merger of TM US and Sprint. Previous outlook was "stable".

# APPENDIX

# WHY DT: BEST POSITIONED FOR FUTURE GROWTH



Unique **footprint**  
& **Asset Base**

- ✓ **Transatlantic presence** in worlds' leading economies
- ✓ **Converged leader** in Europe with **superior network position**



**Growth Profile**

- ✓ **95% of footprint growing** with further FMC growth potential
- ✓ Supercharging the Un-Carrier **boosts DT's financial profile** (EPS accretive from year 3)



Untapped **value**  
**potential**

- ✓ Still untapped potential from **cost transformation**
- ✓ **Accelerated digitalization** to improve CX and reduce costs



Clear **strategy**

- ✓ Focus on **connectivity core & adjacent business**
- ✓ Focused **portfolio approach & capital allocation**



**Best Team**

- ✓ **New international leaders** with excellent track record
- ✓ **Walk the talk & winning mentality**



LIFE IS FOR SHARING.

# MID TERM AMBITION LEVEL

	Mid term ambition level <sup>1</sup>	Year	Implications of US deal <sup>2</sup>
Group revenues	CAGR +1 – 2%	2017 – 2021e	Confirmed
Group adj. EBITDA	CAGR +2 – 4%	2017 – 2021e	Confirmed
Adj. EBITDA ex US	CAGR +2 – 3%	2017 – 2021e	Confirmed
Group FCF	CAGR ≈ +10%	2017 – 2021e	Slightly dilutive in 2021e & accretive in 2022e
Group adj. EPS	≈ €1.20	2021e	Slightly dilutive in 2021e & accretive in 2022e
Group ROCE	ROCE > WACC	2021e	Confirmed
Group cash capex	Ex US stable	2017 – 2021e	Confirmed
Group indirect opex	Ex US -€1.5 bn	2017 – 2021e	Confirmed
Shareholder remuneration policy (2018 – 2021) <sup>3</sup>	Dividend will reflect growth in adjusted EPS while considering share buy backs	2017 – 2021e	Confirmed

1) Based on constant exchange rates (Average exchange rate 2017 of €1 = US\$1.13) and no further changes in the scope of consolidation resolution

2) Assumption: closure date Jan. 1, 2019

3) Subject to necessary AGM approval and board

# CONFERENCE CALL WITH Q&A SESSION

The conference call will be held on **November 7 at 2:00 PM CET, 1:00 PM GMT, 8 AM ET.**

DT Participants: **Tim Hoettges** (CEO), **Christian Illek** (CFO), **Hannes Wittig** (Head of IR)

## Webcast

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- The **link to the webcast** will be provided 20 minutes before the call starts: [www.telekom.com/19Q3](http://www.telekom.com/19Q3)
- To ask a question, **just type your question into the box below the stream**
- We webcast in **HD Voice Quality**
- The **recording will be uploaded to YouTube** after the call

## Dial-in

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DE	0800 9656288	+	code 69447490#
UK	0800 0515931	+	code 69447490#
US	+1 866 7192729	+	code 69447490#
Other	+49 69 271340801	+	code 69447490#

**NEW:** to participate in the dial-in conference please register via the following link:

<https://eventregistration.konferenz-telekom.de/EventConfRegistrationGui/?token=1569508133829&lang=en>



# FURTHER QUESTIONS

## PLEASE CONTACT THE IR DEPARTMENT

### Investor Relations Contact details

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E-Mail [investor.relations@telekom.de](mailto:investor.relations@telekom.de)

Contact details for all  
IR representatives:  
[www.telekom.com/ircontacts](http://www.telekom.com/ircontacts)



### IR Webpage

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[www.telekom.com/investors](http://www.telekom.com/investors)



### IR Twitter Account

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[www.twitter.com/DT\\_IR](http://www.twitter.com/DT_IR)



### IR YouTube Channel

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[http://www.telekom.com/youtube\\_ir](http://www.telekom.com/youtube_ir)





# OUTLOOK 2019/20 (1/2)

€ bn

	2018 reported	2018 pro forma	2019e	2020e
<b>Revenue Group</b>	<b>75.7</b>	<b>76.4</b>	<b>Slight increase</b>	<b>Increase</b>
Germany	21.7	21.7	Slight increase	Slight increase
US (in USD)	43.1	43.1	Increase	Increase
Europe	11.9	12.1	Slight increase	Slight increase
Systems Solutions	6.9	6.9	Stable	Slight increase
Group Development	2.2	2.7	Increase	Increase
<b>Adj. EBITDA AL Group</b>	<b>23.3</b>	<b>23.2</b>	<b>24.1</b>	<b>Increase</b>
Germany	8.6	8.5	8.7	Increase
US (in USD)	11.9	11.9	12.5	Increase
Europe	3.9	3.9	4.0	Slight Increase
Systems Solutions	0.4	0.4	0.5	Increase
Group Development	0.9	0.9	1.0	Increase



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# OUTLOOK 2019/20 (2/2)

€ bn

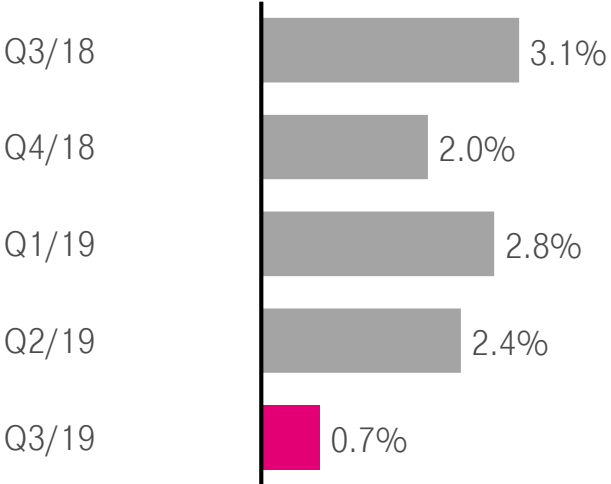
	2018 reported	2018 pro forma	2019e	2020e
<b>Cash Capex Group</b>	<b>12.2</b>	<b>12.4</b>	<b>12.9</b>	<b>Stable</b>
Germany	4.2	4.2	Stable	Slight decrease
US (in USD)	5.2	5.2	Increase	Stable
Europe	1.9	1.9	Decrease	Stable
Systems Solutions	0.5	0.5	Strong decrease	Stable
Group Development	0.3	0.4	Strong Increase	Strong Increase
<b>FCF AL Group</b>	<b>6.2</b>	<b>6.0</b>	<b>6.7</b>	<b>Strong Increase</b>
Dividend per share (in €)	0.7	0.7	reflecting adj. EPS growth, minimum 0.60€	reflecting adj. EPS growth, minimum 0.60€
Adj. EPS	0.96		Increase	Increase
Net debt/adj. EBITDA	2.4		2.25 - 2.75	2.25 - 2.75



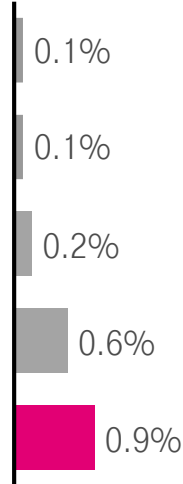
LIFE IS FOR SHARING.

# GERMANY MOBILE: SERVICE REVENUE<sup>1</sup>

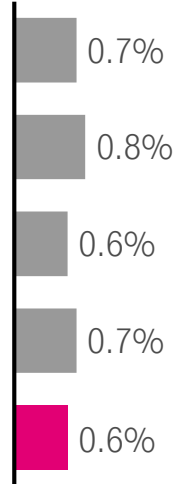
## Reported mobile service revenue



## Impact of mobile regulation<sup>2</sup>



## Impact of convergent offers<sup>3</sup>



### Old medium term guidance (2014 - 2018 CAGR)

≈ +1% (without EU roaming impact)

### New medium term guidance (2017 - 2021 CAGR): Re-iterated

≈ +2%

1) 2018 rates calculated excl. IFRS15. from 2019 onwards incl. IFRS 15    2) Impact of MTR, Intern. EU call and EU Roaming regulation    3) Impact of MagentaEINS and Telekom LTE broadband

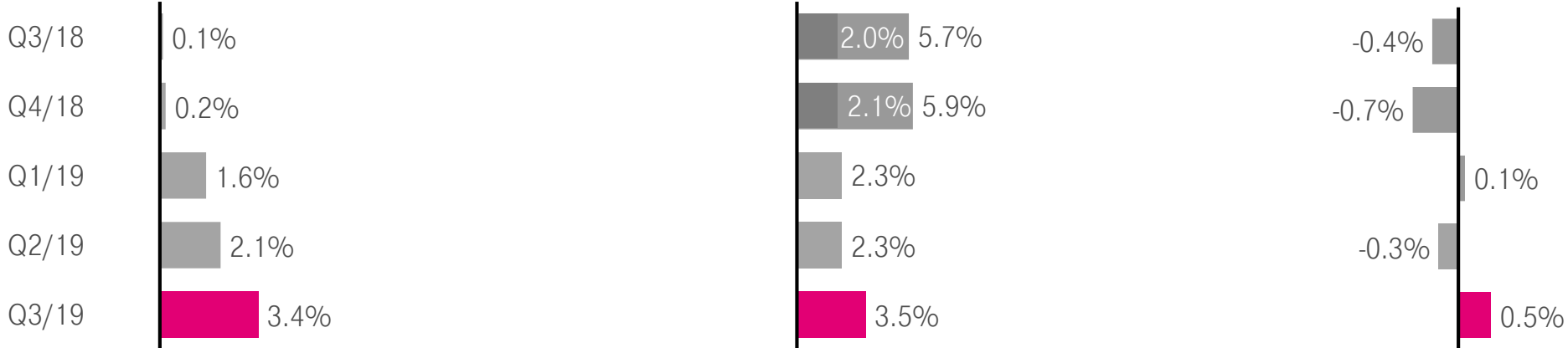
# GERMAN FIXED: SERVICE REVENUE<sup>1</sup>

## Growth rates YOY

### Wholesale revenue

### Broadband revenue<sup>2</sup>

### Fixed line service revenue



### Old medium term guidance (2014 - 2018 CAGR)



### New medium term guidance (2017 - 2021 CAGR): Re-iterated



1) 2018 rates calculated excl. IFRS15. from 2019 onwards incl. IFRS 15 2) Change in definition – no restatement for 2017. Shift from “Other revenues ” to “BB revenues” underlying performance 2.0% in Q3/18 and 2.1% in Q4/18. In addition all periods have been restated for sales reductions and add-on options, that were previously not included in Broadband. Total service revs and Fixed service revs are not affected 3) Average growth rate adjusted for IFRS15 impact 4) Including business IP products (e.g. DLAN, Company Connect); average growth rate adjusted for IFRS 15 impact; growth 2017 – 2021e without definition change approx. 1pp lower

**THANK YOU!**