



MEDIA INFORMATION

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Deutsche Telekom raises guidance for 2020 following strong growth despite the coronavirus pandemic

- Revenue growth of 31.9 percent in the third quarter to 26.4 billion euros
- Adjusted EBITDA AL up 49.6 percent year-on-year to 9.7 billion euros
- Adjusted net profit up 6.3 percent to 1.5 billion euros
- New full-year guidance: adjusted EBITDA AL of at least 35 billion euros, free cash flow AL of at least 6.0 billion euros, higher earnings expected on both sides of the Atlantic
- Germany: clear growth in broadband business
- T-Mobile US integrates Sprint ahead of plan
- Growth continues in Europe

Growth continues apace: Following the merger of T-Mobile US and Sprint, Deutsche Telekom's key financials increased significantly, as in the second quarter. Revenue increased by 31.9 percent in the third quarter of 2020 to 26.4 billion euros. Adjusted EBITDA AL increased by 49.6 percent to 9.7 billion euros. But even in organic terms, adjusted for changes in the composition of the Group and exchange rate effects, the Group recorded growth of 2.0 percent in revenue and 10.0 percent in adjusted EBITDA AL.

On the back of the strong performance in the first nine months and a positive outlook for the rest of the year, the Group raised its guidance for the current financial year. Deutsche Telekom now expects to report adjusted EBITDA AL of at least 35 billion euros and free cash flow AL of at least 6.0 billion euros.



This puts the guidance for adjusted EBITDA AL around a billion euros higher and for free cash flow AL around 0.5 billion euros higher than it was in August. This is not only due to the raising of the guidance for T-Mobile US. The rest of the Group also expects higher adjusted EBITDA AL for the full year of around 14.0 billion euros, despite the negative impact of the coronavirus pandemic. Previously, the guidance for the Group ex U.S. had stood at 13.9 billion euros. Deutsche Telekom confirmed its plans to award an unchanged dividend of 60 euro cents per share.

“Deutsche Telekom is showing its strengths,” said CEO Tim Höttinger. “We are raising our guidance thanks to strong business on both sides of the Atlantic. And we are able to do this despite feeling the effects of the pandemic in some areas.”

Free cash flow AL declined by 23.9 percent in the quarter to 1.6 billion euros, but after nine months is still up on the prior-year level at 5.3 billion euros. Net profit decreased by 40.3 percent to 0.8 billion euros year-on-year in the third quarter, mainly due to an impairment loss recognized in the Systems Solutions segment as a result of the dampened short and medium-term expectations for the business. Adjusted for special factors, net profit increased by 6.3 percent to 1.5 billion euros.

Germany – margin improves in quarter

Telekom grew much faster between July and September than in the previous quarters, with 97,000 net broadband additions. Around 15.5 million lines in Telekom’s network are now fiber-optic-based (FTTH and FTTC/vectoring), 1.6 million more than a year ago. Almost 3.8 million customers use the television service MagentaTV, with 63,000 new users in the quarter and growth of 6.9 percent year-on-year.



In the third quarter, Telekom won 192,000 new branded mobile contract customers. The company recorded a slight year-on-year decline of 0.5 percent in mobile service revenues, mainly due to lower roaming and visitor revenues on account of the reduction in travel as a consequence of the coronavirus pandemic. Without this factor, mobile service revenues would have risen by around 2 percent.

Adjusted EBITDA AL increased by 1.3 percent year-on-year in the third quarter to 2.4 billion euros. As a result of low equipment revenue and the effects of the coronavirus, revenue declined slightly by 1.1 percent to 5.8 billion euros. This results in an adjusted EBITDA AL margin of 40.6 percent for the Germany operating segment. That is 0.9 percentage points more than in the previous year.

United States – well on course following merger

In the third quarter of 2020, T-Mobile US passed the 100-million customer mark. 2.0 million net additions between July and September brought the total number of customers of the number two on the U.S. mobile market to 100.4 million.

The key financials increased substantially on the back of the Sprint takeover. Revenue grew by 74.2 percent to 19.4 billion U.S. dollars. Adjusted EBITDA AL increased 119.3 percent to 7.0 billion U.S. dollars. Adjusted for the Sprint transaction, in organic terms, revenue grew by 4.0 percent and adjusted EBITDA AL by 14.6 percent.

The integration of Sprint is ahead of plan. Just a few short months after the transaction was closed, 15 percent of the voice and data traffic of Sprint contract customers is already being processed on the network of the new T-Mobile. The company expects to realize synergies of 1.2 billion euros in the current year, primarily from the integration of networks and sales.



Europe – entities prove themselves robust

The European national companies remain on course for growth. In organic terms, adjusted EBITDA AL increased by 2.1 percent year-on-year in the third quarter to 1.1 billion euros. This means that the segment posted organic earnings growth for the eleventh quarter in a row, despite the headwind from coronavirus-induced declines in roaming revenues. Revenue remained stable at the prior-year level, rising 0.2 percent to 2.9 billion euros.

The number of mobile contract customers grew by 171,000 in the quarter. Broadband net additions totaled 60,000, with the companies in Greece and Hungary being primarily responsible for this growth. Fixed-mobile convergence product bundles won 258,000 new users. The percentage of broadband households using such products passed the 50-percent mark.

Systems Solutions – tangible impact of pandemic

T-Systems is feeling the effects of the coronavirus pandemic. Order entry in the third quarter declined by 24.9 percent to 0.7 billion euros. Adjusted for the restructuring within the Group, revenue decreased by 11.6 percent to 1.0 billion euros. Adjusted EBITDA AL fell by 16.3 percent year-on-year to 67 million euros.

The development of traditional IT business, which has fallen short of expectations due to the coronavirus pandemic, resulted in the recognition of an impairment loss on non-current assets totaling 0.5 billion euros in the Group.

Group Development – Strong growth at TMNL and with cell towers

The robust customer growth at T-Mobile Netherlands (TMNL) continued again in the third quarter of 2020. Between July and September, the company recorded 62,000 mobile contract net additions. As in the previous quarters, adjusted EBITDA AL rose substantially by 6.8 percent year-on-year in organic terms to 141 million euros. Mobile service revenues recorded slight organic



growth of 0.4 percent year-on-year, despite the reduction in roaming revenues due to the pandemic.

With 35,000 cell sites as of the end of the third quarter, the cell tower business recorded growth of 5.3 percent compared with the prior-year period. While revenue increased by 3.8 percent compared with the third quarter of 2019 to 248 million euros, adjusted EBITDA AL was up 5.0 percent to 149 million euros.

The Deutsche Telekom Group at a glance

| | Q3 2020 millions of € | Q3 2019 millions of € | Change % | Q1-Q3 2020 millions of € | Q1-Q3 2019 millions of € | Change % | FY 2019 millions of € |
|--|--------------------------------|--------------------------------|-------------|-----------------------------------|-----------------------------------|-------------|--------------------------------|
| Net revenue | 26,393 | 20,017 | 31.9 | 73,377 | 59,169 | 24.0 | 80,531 |
| Proportion generated internationally % | 77.2 | 69.9 | 7.3p | 75.3 | 69.3 | 6.0p | 69.5 |
| EBITDA | 10,615 | 7,314 | 45.1 | 27,581 | 20,476 | 34.7 | 27,120 |
| Adjusted EBITDA | 11,102 | 7,490 | 48.2 | 29,936 | 21,654 | 38.2 | 28,708 |
| Adjusted EBITDA AL | 9,692 | 6,478 | 49.6 | 26,065 | 18,701 | 39.4 | 24,731 |
| Net profit (after non- controlling interests) | 817 | 1,368 | -40.3 | 2,487 | 3,213 | -22.6 | 3,867 |
| Adjusted net profit (after non- controlling interests) | 1,509 | 1,420 | 6.3 | 4,072 | 3,932 | 3.6 | 4,948 |
| Free cash flow ^a | 2,897 | 2,913 | -0.5 | 8,867 | 7,596 | 16.7 | 10,133 |
| Free cash flow AL ^a | 1,634 | 2,147 | -23.9 | 5,347 | 5,250 | 1.8 | 7,013 |
| Cash capex ^b | 4,763 | 3,180 | 49.8 | 12,880 | 11,206 | 14.9 | 14,357 |
| Cash capex ^b (before spectrum) | 4,490 | 3,037 | 47.8 | 11,512 | 10,043 | 14.6 | 13,118 |
| Net debt | | | | 124,521 | 78,807 | 58.0 | 76,031 |
| Number of employees ^c | | | | 227,584 | 211,884 | 7.4 | 210,533 |

Comments on the table:

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

a Before dividend payments and spectrum investment, before interest payments for zero-coupon bonds, and before repayment of forward-payer swaps at T-Mobile US

b Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill).

c At the reporting date.



Operating segments: development of operations

| | Q3 2020 millions of € | Q3 2019 millions of € | Change % | Q1-Q3 2020 millions of € | Q1-Q3 2019 millions of € | Change % | FY 2019 millions of € |
|----------------------------------|--------------------------------|--------------------------------|-------------|-----------------------------------|-----------------------------------|-------------|--------------------------------|
| Germany | | | | | | | |
| Total revenue | 5,839 | 5,905 | -1.1 | 17,520 | 17,507 | 0.1 | 23,730 |
| EBITDA | 2,184 | 2,286 | -4.5 | 6,396 | 6,430 | -0.5 | 8,668 |
| Adjusted EBITDA | 2,387 | 2,352 | 1.5 | 6,930 | 6,805 | 1.8 | 9,121 |
| Adjusted EBITDA AL | 2,373 | 2,343 | 1.3 | 6,898 | 6,774 | 1.8 | 9,083 |
| Number of employees ^a | | | | 66,899 | 69,839 | -4.2 | 69,117 |
| United States^b | | | | | | | |
| Total revenue | 16,569 | 10,006 | 65.6 | 44,024 | 29,629 | 48.6 | 40,420 |
| US\$ | 19,374 | 11,120 | 74.2 | 49,613 | 33,286 | 49.1 | 45,236 |
| EBITDA | 6,923 | 3,421 | n.a. | 17,064 | 9,965 | 71.2 | 13,265 |
| Adjusted EBITDA | 7,091 | 3,563 | 99.0 | 18,398 | 10,406 | 76.8 | 13,809 |
| Adjusted EBITDA AL | 5,994 | 2,874 | n.a. | 15,458 | 8,424 | 83.5 | 11,134 |
| US\$ | 7,003 | 3,194 | n.a. | 17,429 | 9,463 | 84.2 | 12,463 |
| Europe | | | | | | | |
| Total revenue | 2,880 | 2,929 | -1.7 | 8,344 | 8,507 | -1.9 | 11,587 |
| EBITDA | 1,205 | 1,148 | 5.0 | 3,219 | 3,173 | 1.4 | 4,223 |
| Adjusted EBITDA | 1,175 | 1,171 | 0.3 | 3,279 | 3,279 | 0.0 | 4,364 |
| Adjusted EBITDA AL | 1,064 | 1,061 | 0.3 | 2,953 | 2,948 | 0.2 | 3,910 |
| Systems Solutions | | | | | | | |
| Order entry | 702 | 935 | -24.9 | 2,503 | 3,276 | -23.6 | 4,740 |
| Total revenue | 961 | 1,087 | -11.6 | 3,095 | 3,254 | -4.9 | 4,424 |
| Adj. EBIT margin (%) | 1.8 | -0.3 | 2.1p | -1.1 | -2.3 | 1.2p | -2.0 |
| EBITDA | 32 | 52 | -38.5 | 102 | 43 | n.a. | 54 |
| Adjusted EBITDA | 92 | 109 | -15.6 | 260 | 263 | -1.1 | 364 |
| Adjusted EBITDA AL | 67 | 80 | -16.3 | 173 | 176 | -1.7 | 250 |



| | Q3 2020 millions of € | Q3 2019 millions of € | Change % | Q1-Q3 2020 millions of € | Q1-Q3 2019 millions of € | Change % | FY 2019 millions of € |
|------------------------------|--------------------------------|--------------------------------|-------------|-----------------------------------|-----------------------------------|-------------|--------------------------------|
| Group Development | | | | | | | |
| Total revenue | 719 | 704 | 2.1 | 2,142 | 2,068 | 3.6 | 2,797 |
| EBITDA | 344 | 479 | -28.2 | 993 | 1,105 | -10.1 | 1,427 |
| Adjusted EBITDA | 355 | 345 | 2.9 | 1,049 | 996 | 5.3 | 1,330 |
| Adjusted EBITDA AL | 284 | 269 | 5.6 | 836 | 774 | 8.0 | 1,033 |

Comments on the table:

Consistent with efforts to implement the Group strategy pillar “Lead in business productivity,” Deutsche Telekom combined its B2B telecommunications business within its Germany operating segment as of July 1, 2020. This transfer affected the Germany, Europe, Systems Solutions, and GHS operating segments. Prior-year comparatives for the development of operations, customer numbers, headcount, and order entry were adjusted retrospectively. This internal reorganization does not affect the Group’s figures.

- a At the reporting date.
- b Sprint has been included in Deutsche Telekom’s consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. Comparative figures have not been adjusted.

Operating segments: development of customer numbers in the third quarter of 2020

| | Sept. 30, 2020 thousands | June 30, 2020 thousands | Change thousands | Change % |
|---|-----------------------------|----------------------------|---------------------|-------------|
| Germany | | | | |
| Mobile customers | 47,844 | 47,395 | 449 | 0.9 |
| Of which contract customers | 25,744 | 25,505 | 239 | 0.9 |
| Fixed-network lines | 17,602 | 17,649 | -47 | -0.3 |
| Of which retail IP-based | 17,509 | 17,509 | 0 | 0.0 |
| Broadband lines | 13,997 | 13,900 | 97 | 0.7 |
| Of which optical fiber ^a | 9,246 | 9,012 | 234 | 2.6 |
| Television (IPTV, satellite) | 3,787 | 3,724 | 63 | 1.7 |
| Unbundled local loop lines (ULLs) | 4,235 | 4,361 | -126 | -2.9 |
| United States^b | | | | |
| Mobile customers ^{c, d} | 100,362 | 107,720 | -7,358 | -6.8 |
| Of which branded postpaid customers | 79,732 | 77,753 | 1,979 | 2.5 |
| Of which branded prepaid customers ^d | 20,630 | 29,967 | -9,337 | -31.2 |
| Europe | | | | |
| Mobile customers | 45,743 | 45,665 | 78 | 0.2 |
| Of which contract customers ^e | 26,699 | 26,528 | 171 | 0.6 |
| Fixed-network lines | 9,062 | 9,040 | 22 | 0.2 |
| Of which IP-based ^f | 8,381 | 8,322 | 59 | 0.7 |
| Broadband customers | 6,866 | 6,806 | 60 | 0.9 |
| Television (IPTV, satellite, cable) | 4,986 | 4,960 | 26 | 0.5 |
| Group Development | | | | |
| Netherlands | | | | |
| Mobile customers | 5,761 | 5,741 | 20 | 0.3 |
| Fixed-network lines | 661 | 644 | 17 | 2.6 |
| Broadband lines | 647 | 628 | 19 | 3.0 |

Comments on the table:

Consistent with efforts to implement the Group strategy pillar “Lead in business productivity,” Deutsche Telekom combined its B2B telecommunications business within its Germany operating segment as of July 1, 2020. This transfer



affected the Germany, Europe, Systems Solutions, and GHS operating segments. Prior-year comparatives for the development of operations, customer numbers, headcount, and order entry were adjusted retrospectively. This internal reorganization does not affect the Group's figures.

a Sum of all FTTx access lines (e.g., FTTC/VDSL, vectoring, and FTTH/B).

b Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. Comparative figures have not been adjusted.

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

d On July 1, 2020, a major prerequisite of the U.S. Department of Justice (DoJ) for approving the merger of T-Mobile US and Sprint was duly fulfilled: the sale of Sprint's prepaid business (Boost Mobile) to the satellite TV operator DISH Network. The sale includes around 9.4 million customers. Furthermore, an agreement to sell spectrum to DISH was confirmed.

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

f Prior-quarter comparative for IP-based-fixed network lines in the Czech Republic was adjusted as part of the standardization of the underlying customer definition.

Operating segments: development of customer numbers in year-on-year comparison

| | Sept. 30, 2020 thousands | Sept. 30, 2019 thousands | Change thousands | Change % |
|---|-----------------------------|-----------------------------|---------------------|-------------|
| Germany | | | | |
| Mobile customers | 47,844 | 45,598 | 2,246 | 4.9 |
| Of which contract customers | 25,744 | 25,138 | 606 | 2.4 |
| Fixed-network lines | 17,602 | 17,996 | -394 | -2.2 |
| Of which retail IP-based | 17,509 | 17,158 | 351 | 2.0 |
| Broadband lines | 13,997 | 13,683 | 314 | 2.3 |
| Of which optical fiber ^a | 9,246 | 8,231 | 1,015 | 12.3 |
| Television (IPTV, satellite) | 3,787 | 3,544 | 243 | 6.9 |
| Unbundled local loop lines (ULLs) | 4,235 | 4,770 | -535 | -11.2 |
| United States^b | | | | |
| Mobile customers ^{c, d} | 100,362 | 66,503 | 33,859 | 50.9 |
| Of which branded postpaid customers | 79,732 | 45,720 | 34,012 | 74.4 |
| Of which branded prepaid customers ^d | 20,630 | 20,783 | -153 | -0.7 |
| Europe | | | | |
| Mobile customers | 45,743 | 46,501 | -758 | -1.6 |

| | | | | |
|--|--------|--------|-----|------|
| Of which contract customers ^e | 26,699 | 26,023 | 676 | 2.6 |
| Fixed-network lines | 9,062 | 9,069 | -7 | -0.1 |
| Of which IP-based ^f | 8,381 | 8,208 | 173 | 2.1 |
| Broadband customers | 6,866 | 6,599 | 267 | 4.0 |
| Television (IPTV, satellite, cable) | 4,986 | 4,919 | 67 | 1.4 |
| Group Development | | | | |
| Netherlands | | | | |
| Mobile customers | 5,761 | 5,528 | 233 | 4.2 |
| Fixed-network lines | 661 | 601 | 60 | 10.0 |
| Broadband lines | 647 | 586 | 61 | 10.4 |

Comments on the table:

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f Prior-quarter comparative for IP-based-fixed network lines in the Czech Republic was adjusted as part of the standardization of the underlying customer definition.



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