

– Check against delivery –

Press conference on the 2019 financial year

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Thanks, Tim.

I will break down my comments into three sections:

1. First, I will explain the development of the Group's financial results for the fourth quarter of 2019.
2. Then we will take a look at the development of the operating segments.
3. Finally, I will once more go into the development of net profit and our debt ratio.

Let us begin with the development of the Group in the fourth quarter.

The strong growth momentum in the operational business in the first nine months carried on through to the end of the year.

Reported net revenue increased by 5.4 percent. Around 60 percent of the difference of around 1.1 billion euros relates to the organic development of the business. Some 27 percent of the increase in revenue is attributable to changes in exchange rates, in particular for the U.S. dollar, which was stronger than in the prior year. The first-time consolidation of Tele2 in the Netherlands also had a positive impact on revenue,

accounting for around 13 percent. In organic terms, revenue grew by around 3.3 percent.

Adjusted EBITDA AL increased by 8.2 percent in the fourth quarter, with the organic development of the business accounting for around 80 percent of the difference of around 460 million euros. Exchange rate fluctuations accounted for around 17 percent of the increase, another 4 percent resulted from the first-time consolidation of Tele2 in the Netherlands. In organic terms, adjusted EBITDA AL increased by 6.5 percent.

Earnings excluding the United States continued to grow significantly in the fourth quarter, with adjusted EBITDA AL excluding the U.S. rising by 9.3 percent. In organic terms, the growth rate totaled 8.8 percent.

All operating segments again contributed to this increase with higher earnings in the final three months of 2019. For the Europe operating segment, this makes eight quarters in a row of earnings growth. The Germany operating segment has improved its earnings year-on-year in every quarter for the last three years.

For the current year, we plan not only a further increase in adjusted EBITDA AL at Group level, we also expect every operating segment to improve its earnings compared with the prior year. This puts the forecast for the Group on a very broad, stable footing.

We increased free cash flow AL by 22.6 percent in the fourth quarter of 2019. This primarily reflects the earnings power of the operational business.

Reported net profit in the fourth quarter stood at 0.65 billion euros, compared with a net loss of 0.4 billion euros in the same quarter of the prior year.

This development is partly due to the increase in adjusted EBITDA AL in these three months by around 460 million euros.

In addition, negative special factors were much lower in the fourth quarter of 2019 than in the prior-year period. Expenses for impairment losses arising from the impairment test in the fourth quarter amounted to around 0.7 billion euros in 2018. A year later, by contrast, they amounted to only 0.3 billion euros. In addition, a substantial proportion of the special factors in the fourth quarter of 2019 – around 0.3 billion euros – related to non-controlling interests. Furthermore, lower extraordinary expenses for staff-related measures in 2019, compared with the prior year, also contributed to the increase in reported net profit in the fourth quarter.

Adjusted net profit increased by 27.6 percent in the last three months of 2019. But I will go into this in more detail later when I talk about the balance sheet ratios.

That brings me to the development of the operating segments in the fourth quarter of 2019.

In the Germany segment, the rapid growth in fiber-optic-based lines continued, with 442,000 lines added in the fourth quarter.

- Demand from branded customers remained high. But there was a clear decline in the wholesale area, reflecting the increased migration of competitors to their own infrastructure.
- The number of MagentaTV customers went up by 74,000 in the fourth quarter.
- This means that growth increased compared with the same quarter of the prior year. All customers are now on the new technical platform.
- We saw growth of 47,000 in the number of branded broadband lines in the fourth quarter. Growth in the German broadband market was about 30 percent lower than a year earlier. In this overall weaker market, we significantly increased our share of net additions.

- Our customer base for MagentaEINS product bundles was further strengthened in the fourth quarter of 2019. 24.6 percent of households with a broadband line have now also subscribed to a MagentaEINS package.
- In our German mobile business, the number of branded customers increased by 97,000 in the fourth quarter. In terms of StreamOn, 278,000 new customers were added in the three-month period. Data usage in the branded contract customer segment continued to rise substantially.
- At the same time, the churn rate among these customers remained very low at 1 percent. This was positively affected by MagentaEINS product bundles as well as by additional services such as StreamOn included in existing rate plans.
- Mobile service revenues increased by 1.4 percent year-on-year in the fourth quarter. Excluding regulatory effects, growth was 2.3 percent. This means we still clearly lead the German market in terms of revenue. On a full-year basis, service revenues grew by 1.9 percent, which is within our guidance range from the 2018 Capital Markets Day.

Total revenue in the Germany segment rose by 1.0 percent in the fourth quarter to 5.7 billion euros. Service revenues increased by a total of 1.0 percent, driven by higher service revenues from broadband business (up 4.8 percent), wholesale (up 3.3 percent), and mobile communications.

Adjusted EBITDA AL increased in the fourth quarter by 2.4 percent to 2.2 billion euros as a result of revenues increasing at the same time as indirect costs decreased – for HR among other things.

Let us now move on to the Europe segment.

Here, customer figures continued to see strong growth in the fourth quarter.

In mobile communications, there were 257,000 contract net additions. In broadband business, the number of customers increased by 73,000. As in the Germany segment, strong growth in convergence product bundles also continued in the European subsidiaries, with growth of 299,000 in the fourth quarter. 49 percent of households with a broadband line now also use convergence products. That is 19 percentage points more than in the previous year. The number of TV customers increased by 26,000 compared with the prior-year quarter, which represents a much stronger trend than in the previous quarters of 2019.

Revenue in the Europe operating segment increased by 3.0 percent in the fourth quarter. In organic terms, it was up 3.8 percent. The difference is largely due to the deconsolidation of the subsidiary in Albania. The increase in revenue was attributable to higher mobile service revenues, which were up 3.4 percent, and higher fixed-network service revenues, which were up 1.0 percent.

Adjusted EBITDA AL in the fourth quarter rose by 5.0 percent. In organic terms, the growth rate totaled 5.7 percent.

Let us turn to T-Mobile US:

The growth in customer numbers and financial figures which has been ongoing at our U.S. subsidiary for seven years now continued in 2019.

A total of 1.9 million net additions were recorded in the fourth quarter of 2019, which means the number of customers has grown by more than 1 million in each of the last 27 quarters.

The number of new branded postpaid customers also saw very strong growth of 1.3 million. At the same time, the postpaid phone churn rate remained at a very low level of 1.0 percent.

Revenue at T-Mobile US increased by 4.6 percent in the fourth quarter to 12.0 billion U.S. dollars. This includes a 7.0 percent rise in service revenues.

Adjusted EBITDA AL increased in the fourth quarter by 3.7 percent to 3.0 billion U.S. dollars.

T-Mobile US reported an increase in adjusted EBITDA of 9.2 percent in its report on the fourth quarter of 2019. The difference to the growth rate in the Group report is the result of differences in accounting treatment between U.S. GAAP and IFRSs.

In Systems Solutions, the positive trend in order entry continued. Over the last 12 months, T-Systems has recorded an increase in orders of 8.2 percent to 7.3 billion euros. The company has continued its transformation and, for example, further reduced end-customer business with traditional IT.

T-Systems' revenue in the fourth quarter remained more or less on a par with the same period in the prior year. Growth in the growth portfolio, for instance, with cloud services or SAP products, offset the planned declines in traditional IT business.

Adjusted EBITDA AL increased 35.7 percent in the three-month period, primarily due to the fact that the transformation at T-Systems is increasingly bearing fruit.

In the Group Development segment, the strong customer growth at T-Mobile NL continued. The mobile contract customer base grew by 83,000 in the fourth quarter. There were 18,000 net additions to the fixed-network customer base.

As a result, T-Mobile NL recorded organic revenue growth of 2.0 percent. This includes a 2.8 percent rise in service revenues.

Adjusted EBITDA AL in organic terms increased 13 percent. This was due in part to the larger customer base and in part to the synergies arising from the business combination with Tele2, which were larger than planned, while the integration costs were also lower than expected.

In the cell tower business, the number of antenna sites increased by 1,800 year-on-year. The German business accounted for all of this growth, which comprised around 1,400 Group sites and around 400 sites from business with third parties.

Adjusted EBITDA AL in organic terms increased 7 percent, mainly due to the higher number of cell sites and lower operating costs per site.

Revenue in the Group Development segment increased by 26 percent in the fourth quarter. In organic terms, the increase was 1 percent. The difference between these two figures is attributable to the first-time consolidation of Tele2 NL.

Adjusted EBITDA AL for the segment increased 18.8 percent. In organic terms, the growth was 9.7 percent. The difference between these two figures is due entirely to the first-time consolidation of Tele2. Both units of the segment, T-Mobile NL and the cell tower business, contributed to the increase.

This brings me to the explanation of the year-on-year increase in adjusted net profit.

The starting point is the adjusted net profit in the fourth quarter of 2018 of around 0.8 billion euros.

The increase in adjusted EBITDA under the IFRS 16 accounting standard had a positive effect of around 1.4 billion euros compared with the prior-year period.

The expenses from leases are no longer included in this figure.

Earnings decreased due to higher depreciation charges on right-of-use assets regarding leases as a result of IFRS 16, accounting for around 1.0 billion euros.

Earnings were also reduced by higher interest expenses for lease liabilities as a result of IFRS 16, amounting to around 0.2 billion euros.

As a result, adjusted net profit increased year-on-year in the fourth quarter of 2019 by around 0.2 billion euros.

That brings me to the development of financial liabilities against the third quarter of 2019 and the financial ratios for the full year.

Financial liabilities in the fourth quarter were affected by three factors:

- Free cash flow prior to repayments of around 2.5 billion euros for lease liabilities had a reducing effect.
- Financial liabilities decreased by around 1.0 billion euros due to the translation of financial liabilities denominated in U.S. dollars into euros on account of the comparatively stronger U.S. dollar.
- Approximately 1.0 billion euros increase resulted from higher lease liabilities due to the accelerated build-out of the 600 MHz network in the United States.

The ratio of net debt to adjusted EBITDA stood at 2.65 at year-end, once again within our guidance corridor.

That remains our target – with planned investments also remaining high at around 13 billion euros in the current year.

And now we look forward to your questions!