

– Check against delivery –

**Conference call**

**Report on the first quarter of 2020**

**May 14, 2020**

**Timotheus Höttges**

**Chief Executive Officer**

**Deutsche Telekom AG**

Thank you, Philipp.

Good morning, Ladies and Gentlemen.

I, too, wish you a warm welcome to our conference call.

Since coronavirus, we have become very used to hearing bad news. Today, we have positives to report again! Our first quarter was strong. Very strong.

We continue along our path. We deliver. Both for our customers and in terms of our financial figures. Our adjusted EBITDA AL growth is in the double digits. We are growing across all segments. From what we can see at present, we can confirm our full-year guidance.

I would like to talk about three main topics today:

1. Our excellent results in the first quarter of 2020.

2. How we have been tackling the challenges of coronavirus and what the next steps are. Because every crisis brings opportunity. We take our social responsibility very seriously in this regard.
3. Through this crisis, we have shown that we take on social responsibility. The crisis has not slowed us down, it has spurred us on. We are still working flat out on the topics of the future: Digitalization is still the keyword here, but we are also systematically implementing our investments in 5G and the fiber-optic build-out, and driving the integration of T-Mobile US and Sprint forward.

Let us start with developments in the first quarter:

In an environment in which many companies and industries were – and are still – struggling in the face of floundering markets, our business has proved itself to be highly resilient.

- Net revenue amounted to 19.9 billion euros in the first quarter, up 2.3 percent.
- Double-digit growth in adjusted EBITDA AL resulted in an increase of 10.2 percent to 6.5 billion euros.
- All operating segments once again posted higher earnings, repeating the trend of 2019. Outside the United States, adjusted EBITDA AL increased by 3.8 percent to 3.4 billion euros.
- T-Mobile US recorded the best quarterly results in its entire history.
- Regarding free cash flow: It would have increased to more than 2 billion euros if we had sold receivables again as we have done in the past. But we did not continue with this factoring to the tune of 0.7 billion euros. A clear sign of our financial strength. We therefore report a decline in free cash flow AL of 17 percent for the first quarter. But at the same time, we can still confirm our full-year guidance of around 8 billion euros.

- Adjusted net profit increased by 8.5 percent to 1.3 billion euros. Unadjusted, the increase was 1.8 percent.
- Cash capex decreased by 8.9 percent year-on-year in the first quarter. Our level of investment in the United States was extremely high in the first three months of 2019. We will continue to honor our high investment planning for the full year of around 13 billion euros.

Because the business performed well in the last year and continues to do so, we are not calling the dividend into question. We will pay out a dividend of 60 eurocents for the 2019 financial year, if approved at the shareholders' meeting. Both reported and adjusted net profit are significantly in excess of the amount to be distributed. We have earned the dividend.

Ladies and Gentlemen,

We continued to press on at high speed with the network build-out in the first quarter. 35.4 million households in Germany now have access to our fiber-optic-based network.

As announced, we are now intensifying the FTTH build-out. Some 1.7 million households can now book a gigabit-capable line.

In mobile communications, we built 1,800 new base stations at Deutsche Funkturm over the past twelve months. More than 98 percent of the German population is covered by our 4G network.

The Federal Network Agency has confirmed that we have the best mobile network in Germany.

In six weeks, we will be the first network operator to fulfill the conditions from the 2015 frequency auction. The only area in which we are not yet completely done is transport routes, as we are not getting all the required antenna sites.

In our European subsidiaries, our fiber-optic-based network is now available to more than 10 million households. 3.4 million households across Europe can book a gigabit-capable line.

We continued to post growth in customer numbers.

- The number of fiber-optic-based lines in Germany climbed by 1.9 million year-on-year to 14.8 million.
- The number of customers benefiting from supervectoring technology stands at 250,000. Just one-and-a-half years after we began deployment.
- We acquired 83,000 new broadband customers in Germany in the first quarter. This is the biggest increase for two years.
- The number of mobile contract customers in continental Europe increased by 1.3 million to 57 million.
- 9.6 million customers in the Germany and Europe segments use our MagentaEINS convergence products. That is 1.4 million more than one year ago.
- T-Mobile US gained 4.4 million new branded customers year-on-year. Postpaid customer growth in the first quarter was once again stronger than that of any other network operator in the United States. Despite the effects of the coronavirus outbreak.

Customers trust Deutsche Telekom, especially in this time of crisis. This is also confirmed by the numerous awards we have received recently.

These are just some of the latest:

- Our German fixed network won the last two major network tests (Chip and Connect B2B).
- MagentaTV was just rated “outstanding” in the Connect test.
- Our German mobile network has won every test across the board.
- We ranked top in the Connect business customer survey, with particular emphasis on the quality and reliability of our networks.
- In mobile communications, our European subsidiaries – with the exception of Romania – were at or within striking distance of the number 1 spot in P3’s most recent round of tests. And P3 ranked us the best European provider on average across all countries.

A few weeks ago, we announced our plans for 5G in Germany. No one is offering more than we are! We plan to cover more than 50 percent of the population before the year is out – that is more than 40 million people. It is by far the widest network coverage of all our competitors. That is why we are the technology leader. And market leader.

We have the ideal spectrum portfolio to achieve this. A combination of 2.1 and 3.6 Gigahertz spectrum gives us the edge. It enables us to combine high speeds, broad network coverage, and high 5G transmission capacity in cities and rural areas alike.

Another significant event from the first quarter:

On April 1, we signed and sealed the business combination agreement between T-Mobile US and Sprint. We finally obtained all the necessary approvals after almost two years of work. As the deal closed, we transitioned to home working. But we did not ease off on our efforts to begin integrating the two companies.

- We immediately activated roaming on T-Mobile US' LTE network for millions of Sprint customers. They now have access to almost twice the number of base stations as they had previously in the Sprint network alone.
- In Philadelphia and parts of New York, the new T-Mobile is already deploying Sprint's 2.5 GHz spectrum to extend 5G network capacity.
- Just a few days after closing, the new T-Mobile issued bonds in the amount of 19 billion U.S. dollars. Despite the turbulent market. We did not need to use the bridge loan facility we secured some time ago. More about that in a moment from Christian Illek.
- We still expect to generate synergies with a net present value of some 43 billion U.S. dollars.

Let me give you a feel for the scale of the newly combined company.

- The new T-Mobile US has around 80,000 employees, based on the figures at the end of 2019.
- An initial estimate put the revenue of the new T-Mobile US in 2019 at around 71 billion U.S. dollars.
- The adjusted EBITDA of the larger T-Mobile US would have been around 24 billion U.S. dollars.
- Net debt of the new T-Mobile would have been around 81 billion U.S. dollars, including approximately 20 billion U.S. dollars in non-interest-bearing lease liabilities.
- T-Mobile US has now reached market capitalization of more than 110 billion U.S. dollars.

Ladies and Gentlemen,

I now come to my second topic. Coronavirus. We, along with everyone else, have been confronted with many challenges. We responded to the situation and adapted our processes.

Four examples:

- Deutsche Telekom has around 180,000 employees worldwide currently working from home.
- 6,000 service technicians in Germany have been and continue to work in the field on installations and fixing faults for our customers. They take every precaution to keep themselves and our customers safe. And they are incredibly committed to getting customers reliably connected to the network. This can be seen from the increase in appointment punctuality.
- Within just over a week, 16,000 service employees in Germany made the transition to working from home. And our service indicators are better than before the coronavirus crisis.
- At the same time, the health rate of our employees in Germany and worldwide in April was up on the comparative figures from the previous two years.

The coronavirus sparked a change in our customers' consumption patterns. Above all, people are making more phone calls than ever since the shutdown restrictions were applied.

From mid-March to the end of April, the number of mobile calls increased by 30 percent compared with the first weeks of the year. Fixed-network calls have increased by 76 percent. Fixed-network data traffic increased by 18 percent in the same period.

Customers are also making greater use of our TV offers. With people forced to stay home, they are seeking out information and entertainment.

We have kept our first-contact resolution rate constant and delivered consistent levels of service for installations and repairs. The number of complaints has dropped sharply, by around a quarter.

More than 50 percent of companies in Germany are working on Deutsche Telekom's network through the coronavirus crisis. With no disruptions.

In Germany, government lockdown orders meant that we had to close our Telekom shops in mid-March and could only re-open them in the last two weeks with strict restrictions in place.

The load on our networks is immense. But no retrofitting was necessary. Our networks are running smoothly with no disruptions. Our past investments have really paid off. As a result, Deutsche Telekom has come through the crisis without a single network failure and with a high level of customer satisfaction.

Deutsche Telekom is the workhorse pulling Germany through the coronavirus crisis on its networks.

I am proud of this, together with all the employees who, with their tremendous motivation, have made this possible. That is why customers trust in Deutsche Telekom. So for that, a heartfelt thank you to all Deutsche Telekom employees who have risen to the challenge of the last few weeks.

The fact that our additional offers have helped people through the coronavirus crisis can be seen from their high take-up over the last few weeks.

Let me give you some examples from Germany:



- As of May 1, mobile customers get an additional 10 GB of data volume for free. Around 3.5 million consumers and business customers are making use of the extra data.
- Six months of Disney+ completely free – over half a million customers have signed up.
- 10,000 free mobile devices for retirement homes.
- Free video service for schools – 40,000 licenses claimed.

But, for us, responsibility is much more than this. It extends to our customer relationships and beyond. We have a responsibility to society, which we take very seriously. That is why we answered the Federal Government's call to work with SAP on a coronavirus contact tracing app.

In a moment, Christian Illek will go into more detail on how the coronavirus is affecting different areas of our business.

Ladies and Gentlemen,

We have had an excellent start to 2020 and we will not allow the coronavirus crisis to throw us off course. We can confirm our forecast for the full year and we are working flat out on our areas of focus.

Let me just name the three most important ones:

- We continue to push ahead with the fiber-optic roll-out in Germany and are rapidly developing 5G into a mass market. This forms the basis for the ongoing digitalization of our society.

- In the United States, we have two interconnected topics: the 5G build-out, and the realization of synergies by the new, larger T-Mobile. The pace on these two projects is high, and that will not change.

We need to learn the “new normal.” Hybrid working, accelerated digitalization of work, while maintaining a high level of service, these are topics we must continue to drive forward. Because it is not only about navigating our business stably through the pandemic. We have learned and implemented many new things very quickly and consistently during the coronavirus crisis. We can learn important lessons for the future. And grow on that basis. Now, we must take steps to systematically benefit from these lessons learned.

Ladies and Gentlemen,

We expect that the figures for the second quarter will give an outlook of the Group’s expected development under the new structure including Sprint.

As things currently look, taking all our predictions into consideration, we expect to meet the targets we announced before the coronavirus crisis.

Our guidance for adjusted EBITDA AL is unchanged: We expect it to come in at around 13.9 billion euros excluding the U.S.

The varying effects of the coronavirus pandemic are balancing each other out to some extent.

We are also systematically working on measures to further reduce the negative effects.

We still expect free cash flow of around 8 billion euros.

Our investment planning still stands at around 13 billion euros. This also does not include the integration of Sprint.

Our growth strategy remains intact. It is the basis of our economic success and financial stability. And, consequently, the basis of the digitalization of our society.

With that, I will now hand you over to Christian Illek.