

# DEUTSCHE TELEKOM

## Q3/2019 RESULTS



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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA after leases, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, free cash flow after leases, gross debt, net debt after leases, and net debt. These alternative performance 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.

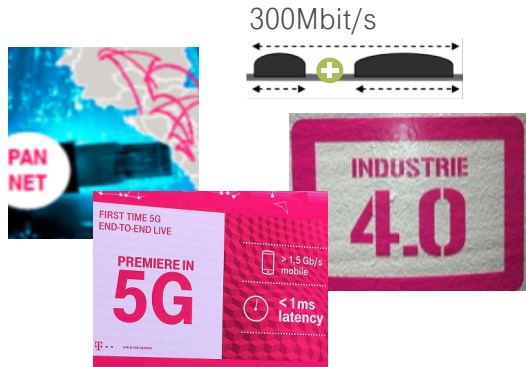


**REVIEW 9M/2019**

# 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



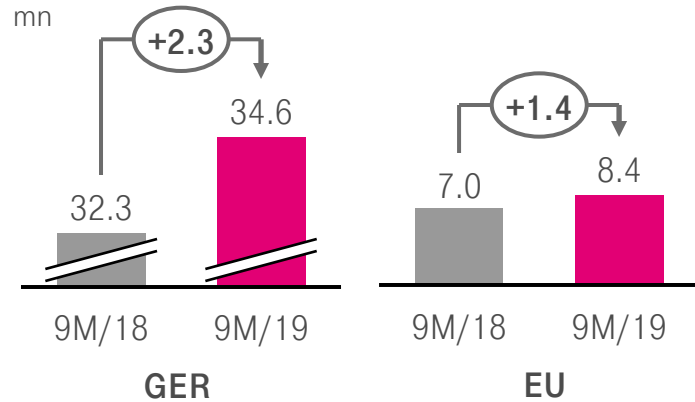
1) Revenue, adj. EBITDA AL, and FCF AL growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation. Adj. EPS calculated on reported results. AL = after leases.

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

# 9M/2019 INVESTMENTS: DRIVING NETWORK LEADERSHIP

## Fiber

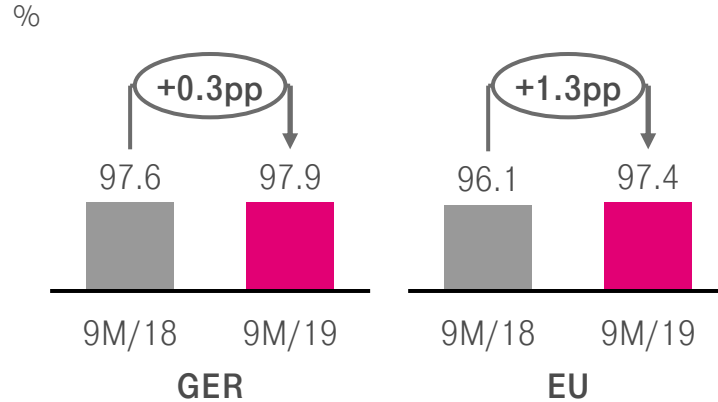
### Fiber households<sup>1</sup>



- Additional 3.7 mn HHs added to coverage
- Germany: super-vectoring (up to 250 Mbit/s) launched for 24.5 mn HHs and business locations

## Mobile broadband

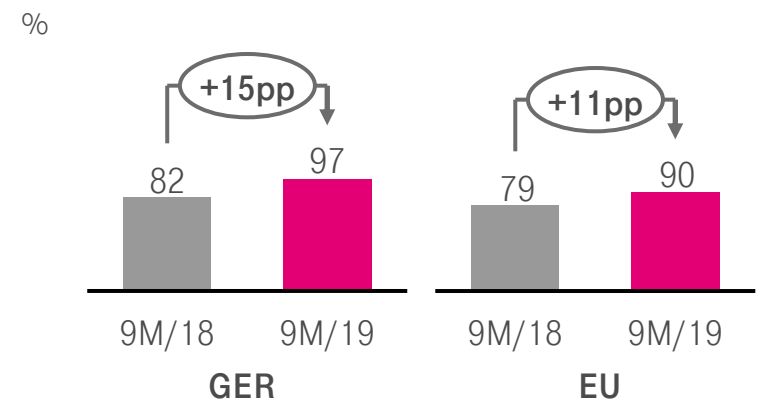
### LTE outdoor pop coverage



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

## All IP

### IP share of fixed network access lines

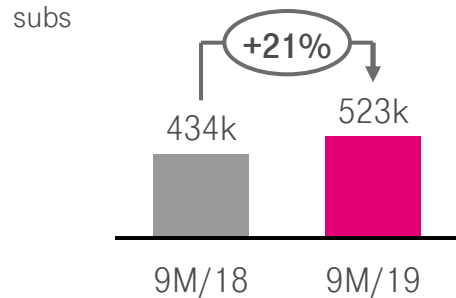


- GER on track for completion: B2C YE/19, B2B YE/20
- Cost savings expected to progressively kick in after completion.

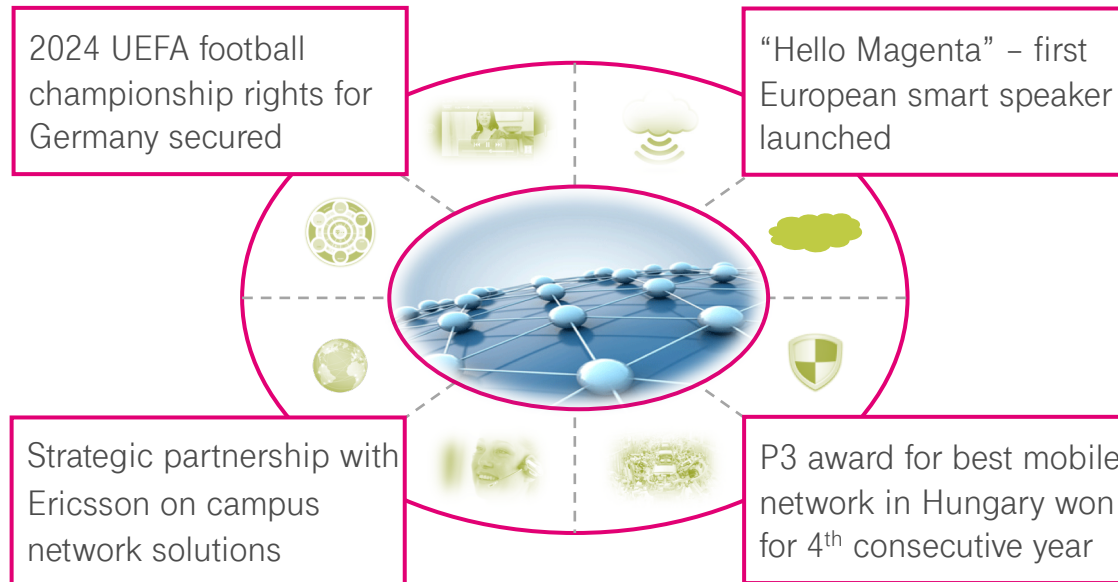
1) EU: ≥ 100Mbit/s coverage: FTTH, FTTB, FTTC (with vectoring), cable/ED3. Broadband also incl. wholesale customers. As of Q2/2018, adjusted HH baseline to include the Census update, B2B premises & CZ.

# 9M/2019 INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

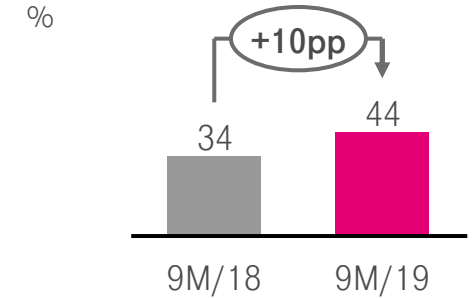
## Hybrid access



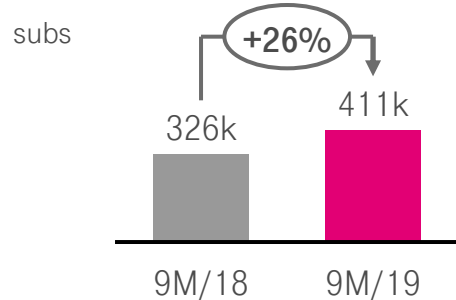
## Innovation/network



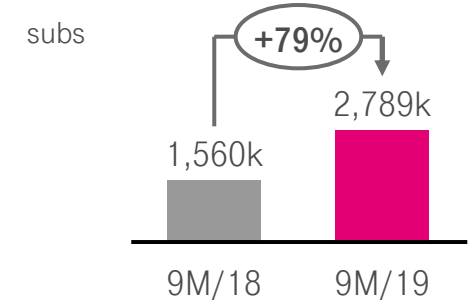
## One APP penetration (EU)<sup>1</sup>



## Smart Home



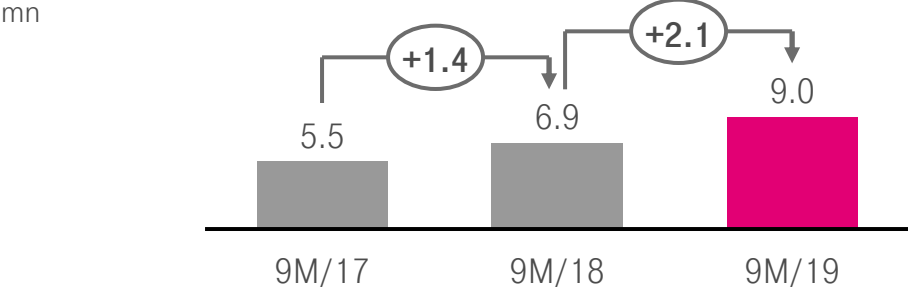
## StreamOn



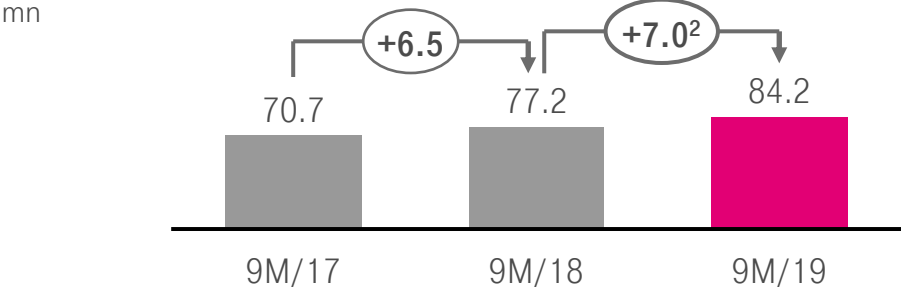
1) Incl. sub brands.

# 9M 2019 CUSTOMERS: STRONG GROWTH CONTINUES

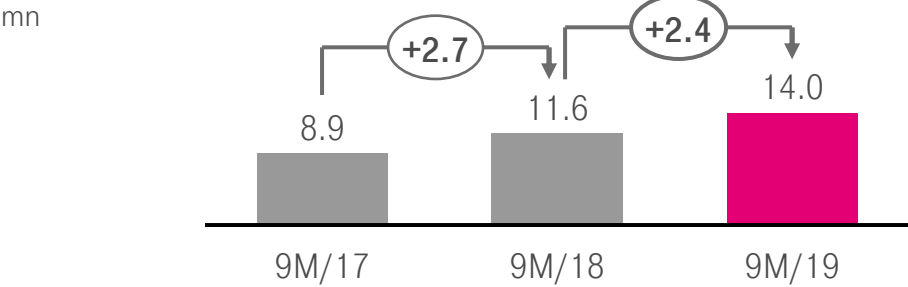
## MagentaEINS (GER + EU)<sup>1</sup>



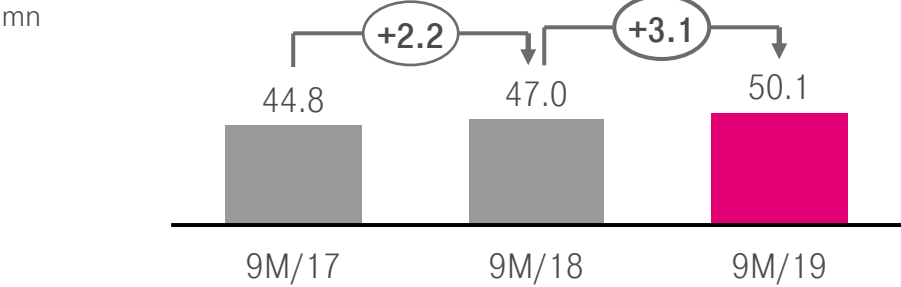
## US Mobile



## Fiber in GER



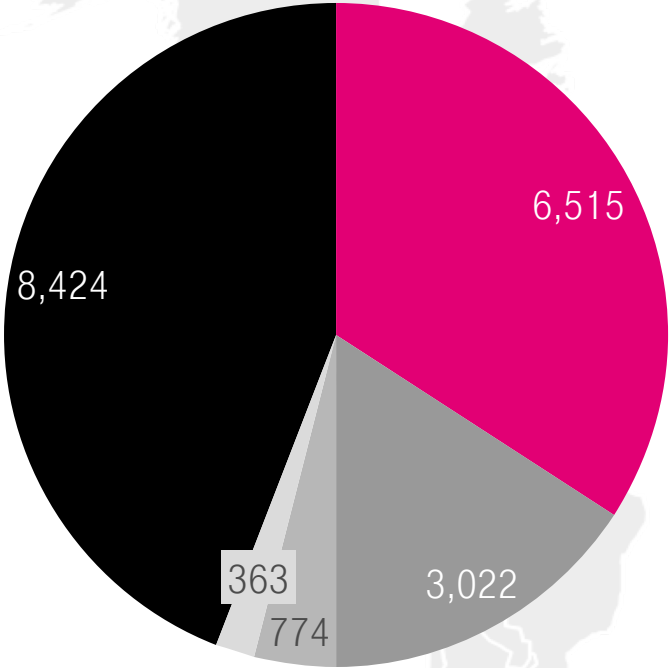
## Mobile contract customers GER + EU + NL<sup>3</sup>



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 mn.  
 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

Adj. EBITDA AL in € mn



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

Organic growth rate yoy

Segment	Reported growth rate yoy	Organic growth rate yoy
TMUS	+11.6%	+5.0%
GER	+2.4%	+2.4%
EU	+5.0%	+2.3%
GD	+14.8%	+11.3%
SYS	+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 TMUS (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 leases.



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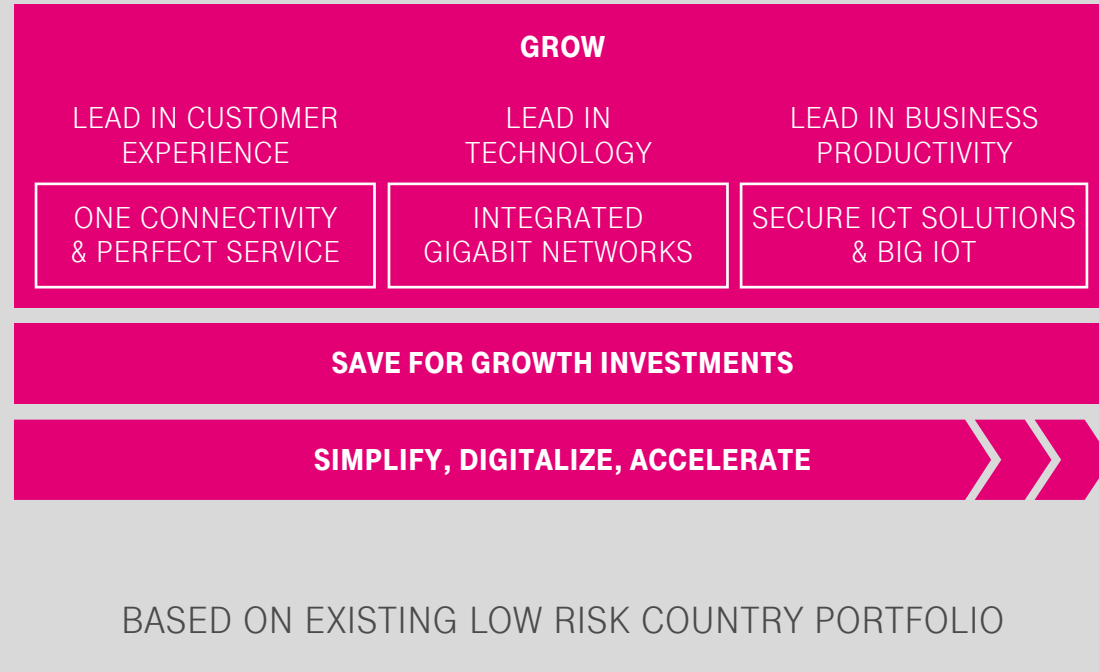
# UPDATE FINANCIAL STRATEGY

## 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 three 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%

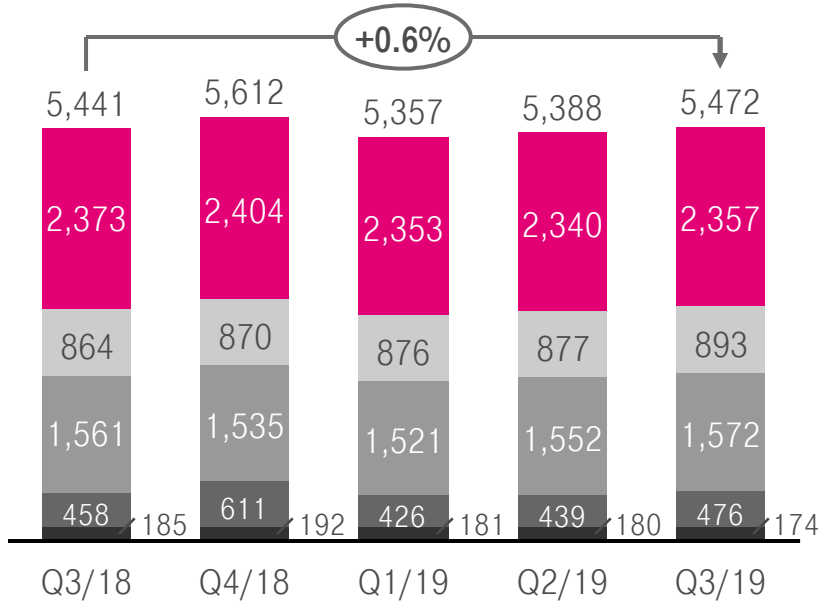
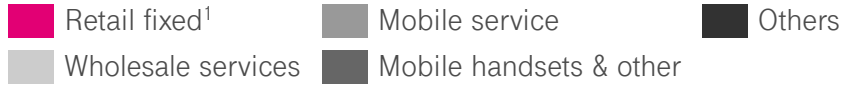
1) Adj. EBITDA AL, net debt AL, and FCF AL historic results not audited. Net debt after IFRS 16, no corresponding figure available for 2018. 2) Excl. spectrum: Q3/18: €71 mn, Q3/19: €143 mn, 9M/18: €208 mn, 9M/19: €1,164 mn.

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

# GERMANY: REVENUE AND EBITDA GROWTH

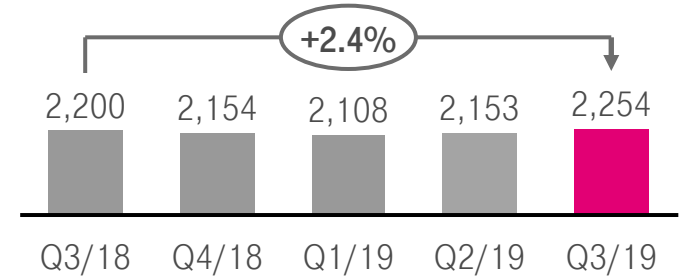
## Revenue

€ mn



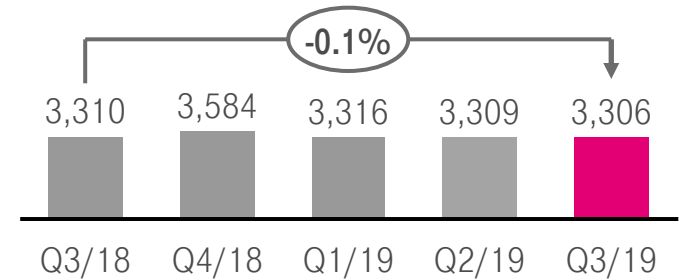
## Adj. EBITDA AL

€ mn



## Adj. OPEX AL

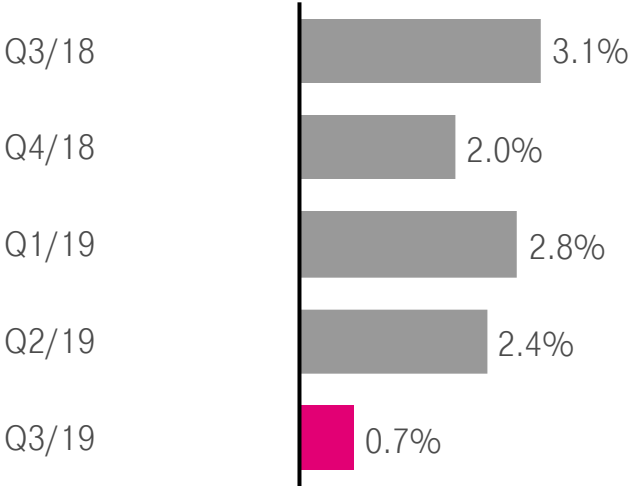
€ mn



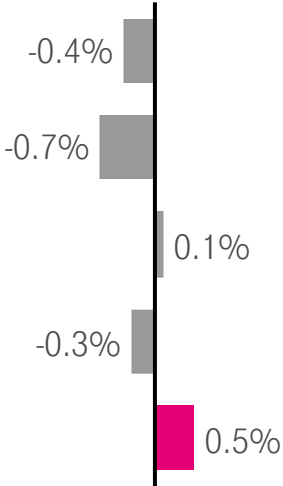
1) Fixed network core business.

# GERMANY: GROWTH IN SERVICE REVENUES

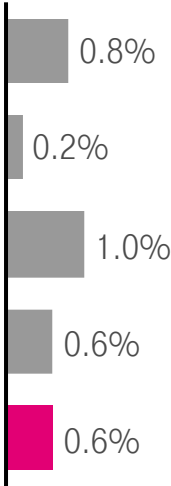
Mobile service revenue<sup>1</sup>



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



Total service revenue<sup>1</sup>



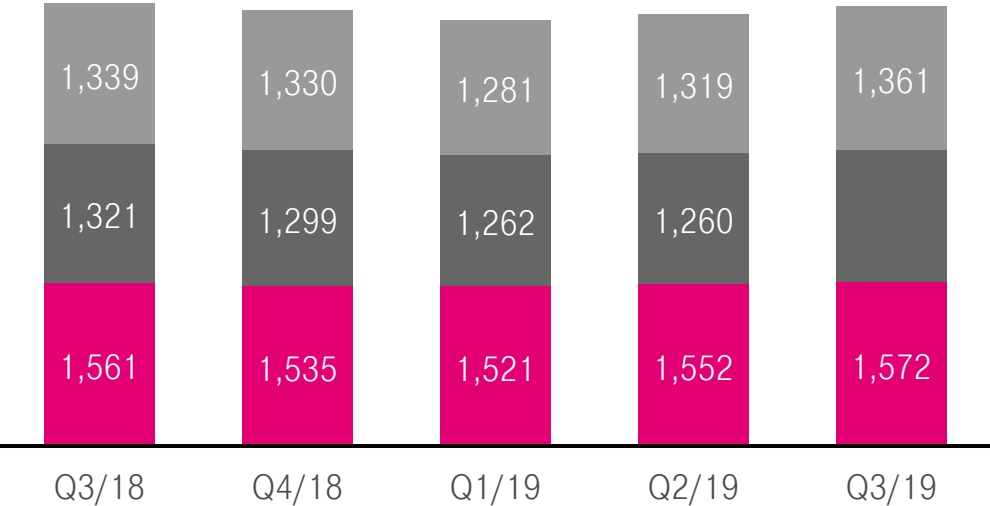
1) 2018 rates calculated excl. IFRS 15. From 2019 onwards incl. IFRS 15.

# GERMANY MOBILE: HEALTHY GROWTH CONTINUES

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

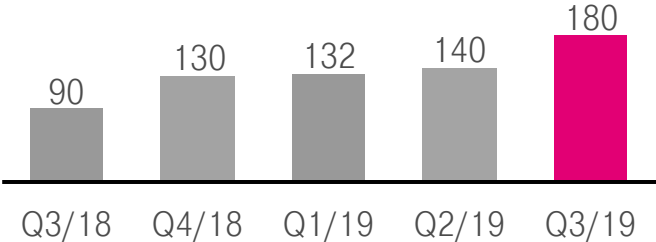
€ mn

Telefonica Vodafone Telekom



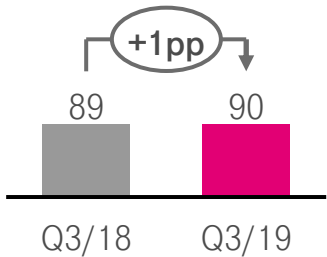
## Own branded contract net adds<sup>2</sup>

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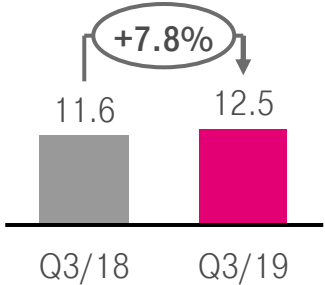
## Smartphone penetration<sup>2</sup>

%



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

mn



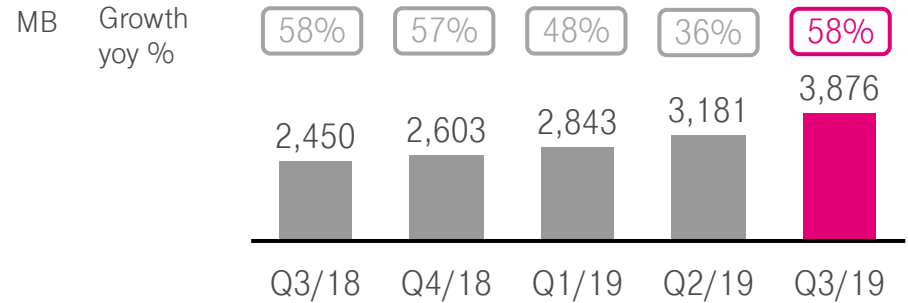
1) On IFRS 15 basis. 2) Of own branded retail customers excl. multi-brand. 3) Own customers using an LTE-device and tariff plan including LTE.

# GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

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



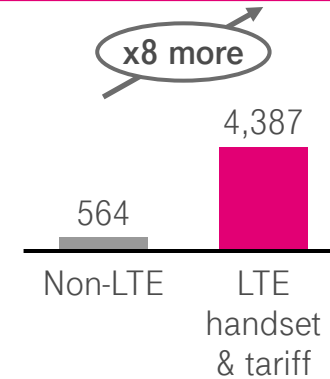
## Average consumer data usage<sup>3</sup>



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



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

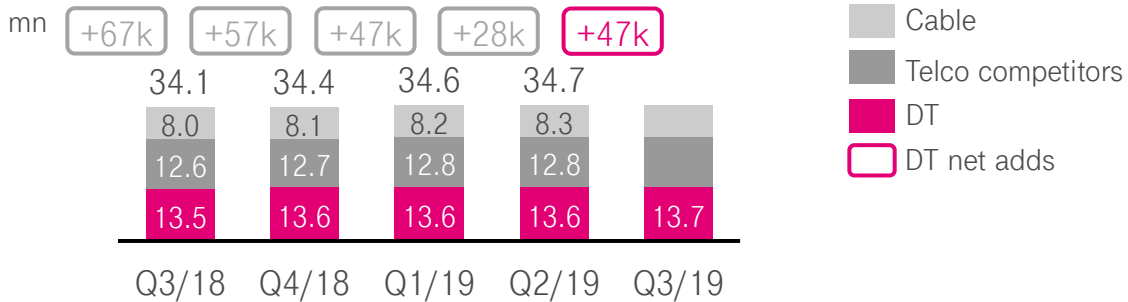


1) As % of B2C T-branded contract customers. 2) As % of B2C broadband access lines. 3) Per month of B2C T-branded contract customers.

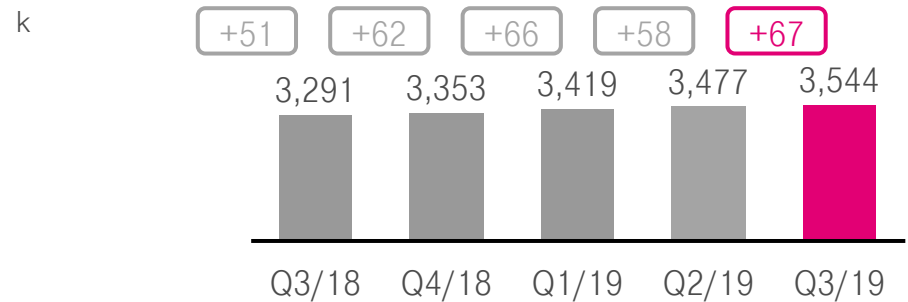


# GERMANY FIXED: SOLID COMMERCIALS, LINE LOSSES REFLECT IP-MIGRATION

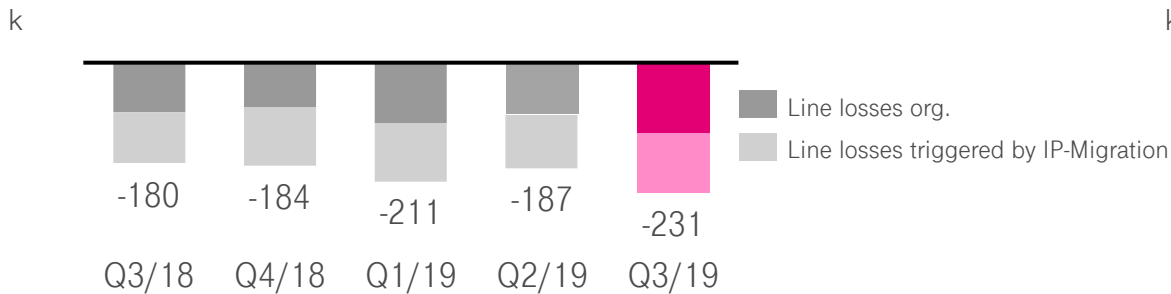
## German broadband market<sup>1</sup>



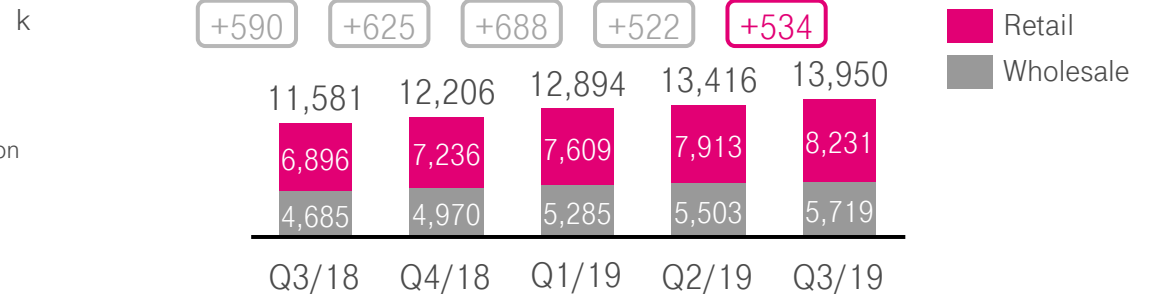
## MagentaTV customers



## Line losses



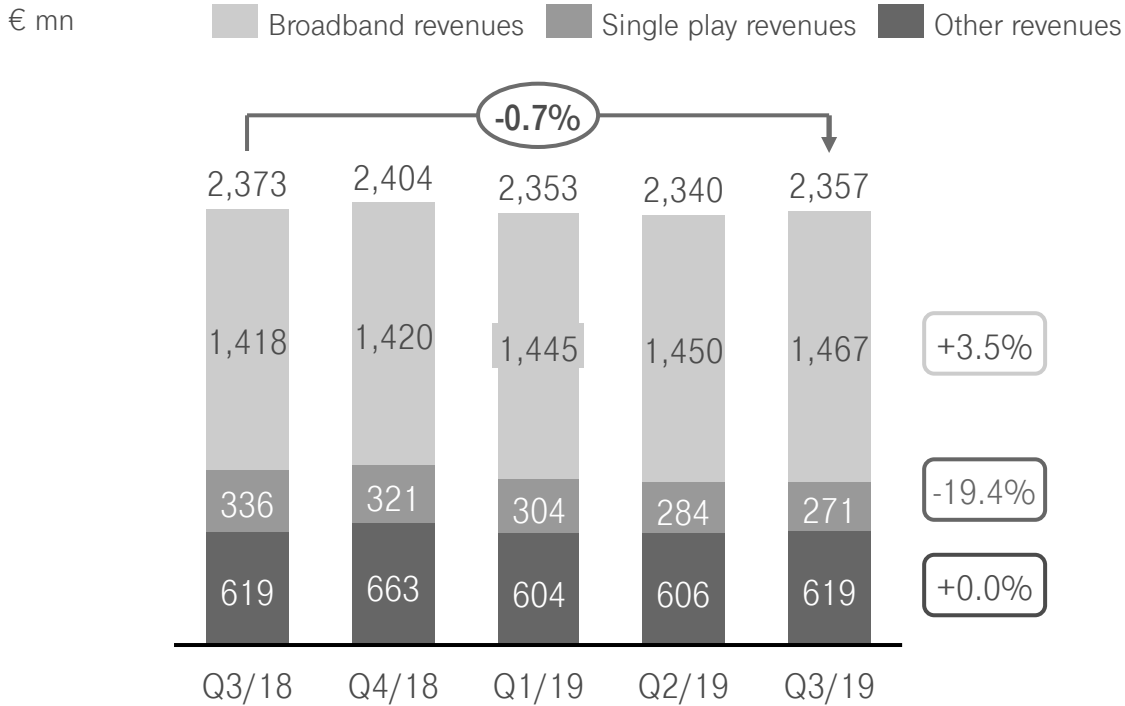
## Fiber customers<sup>2</sup>



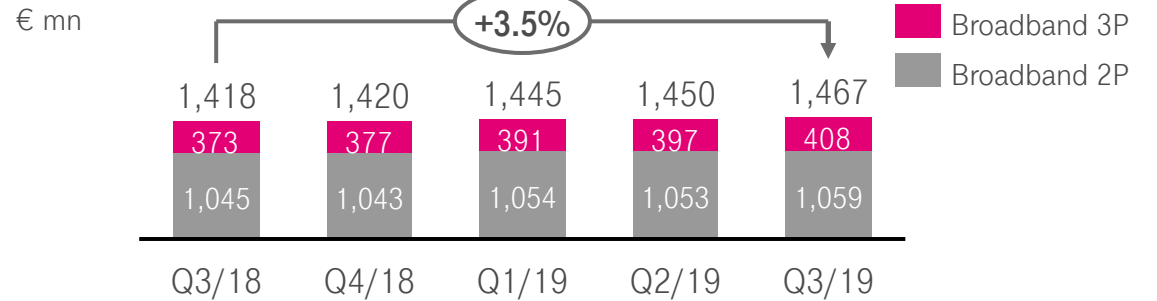
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, vectoring, and FTTH).

# GERMANY FIXED: STEADY BROADBAND REVENUE GROWTH

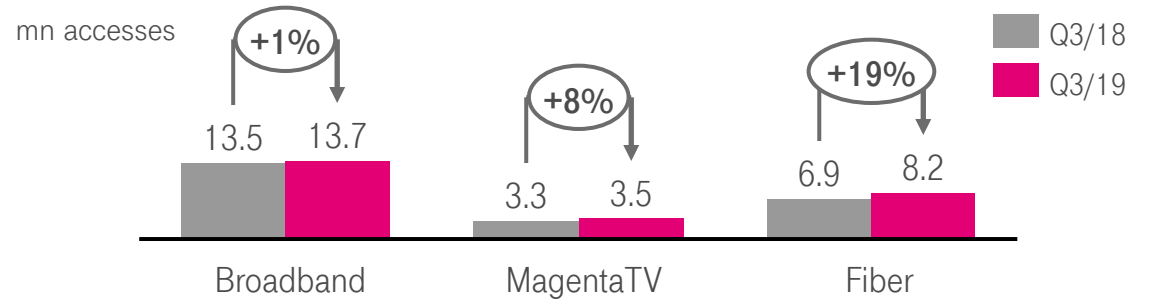
## Fixed network revenue retail (as reported)<sup>1</sup>



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



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



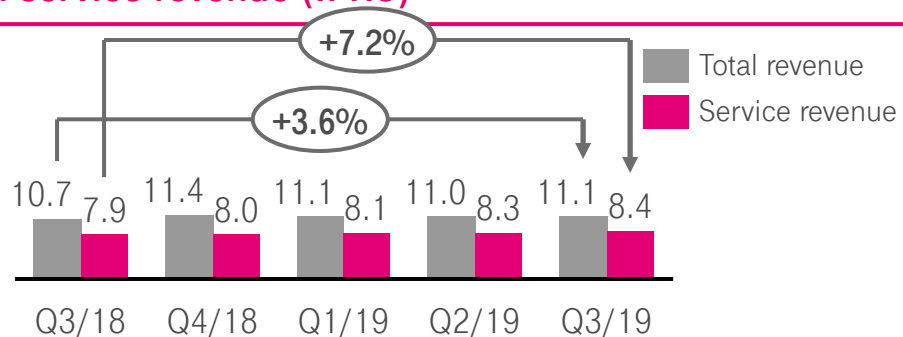
1) Change in definition of broadband and other revenues – historic figures have been adjusted. In addition Q1 to Q3/18 impacted by a shift between other and broadband revenues, historic figures not adjusted for this effect.

2) Percentages calculated on exact figures.

# TMUS: CONTINUED INDUSTRY LEADING GROWTH

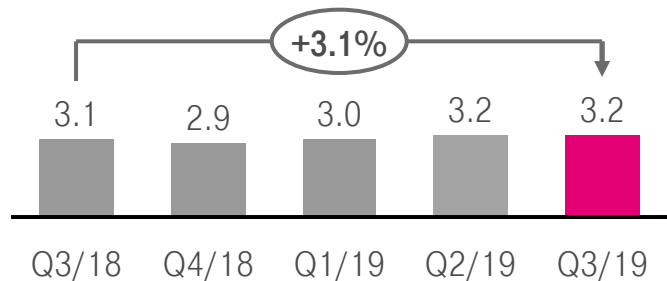
## Revenue and service revenue (IFRS)

US-\$ bn



## Adj. EBITDA AL (IFRS)

US-\$ bn



## Net adds

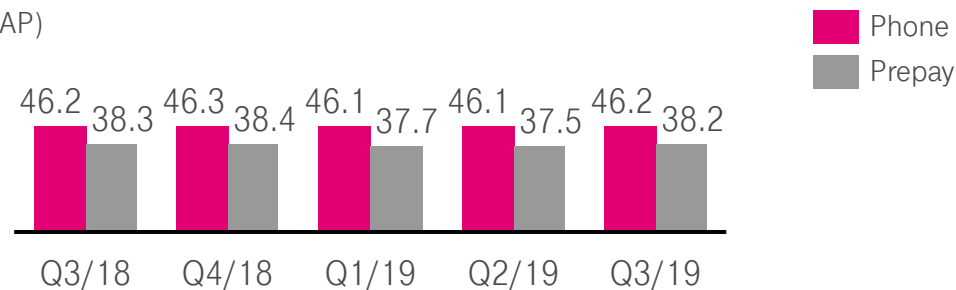
k

Total net adds

	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

US-\$ (US GAAP)



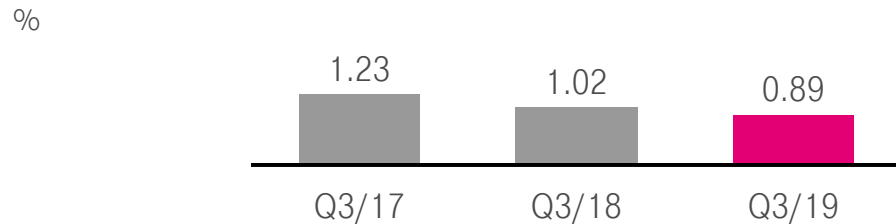
1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.



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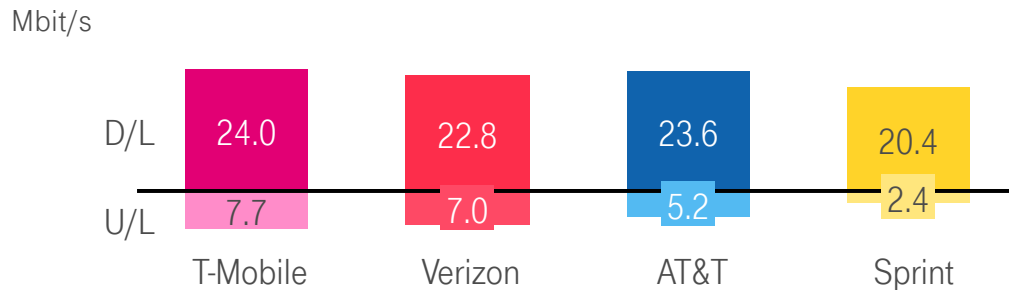
# TMUS: EXECUTING ON KEY DRIVERS

## Branded postpaid phone churn



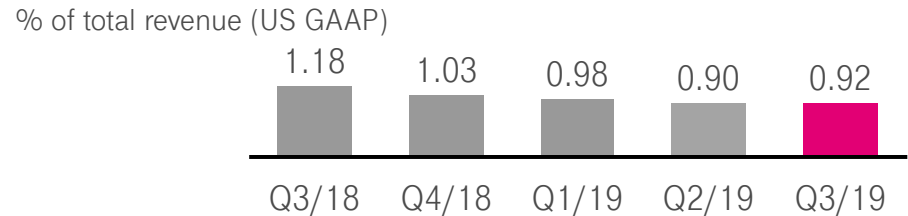
- Branded postpaid phone churn on 3<sup>rd</sup> quarter record low

## Network quality



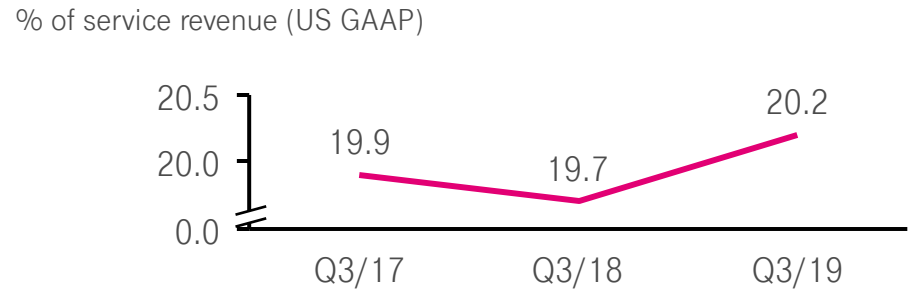
- Download and Upload Speeds – Q3 2019. Based on analysis by Opensignal Inc.

## Bad debt expenses & losses from sale of receivables



- Decrease yoy reflects ongoing focus on managing customer quality

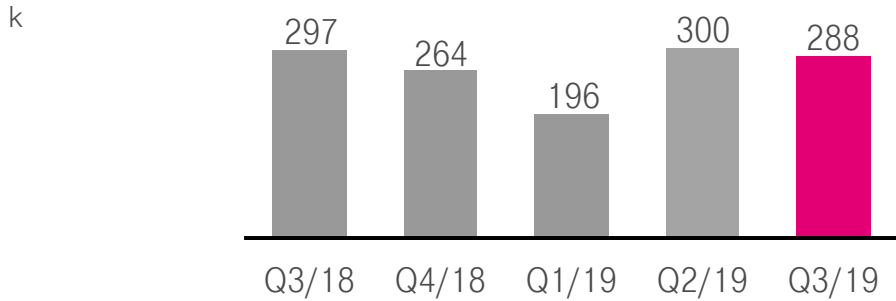
## Cost of service



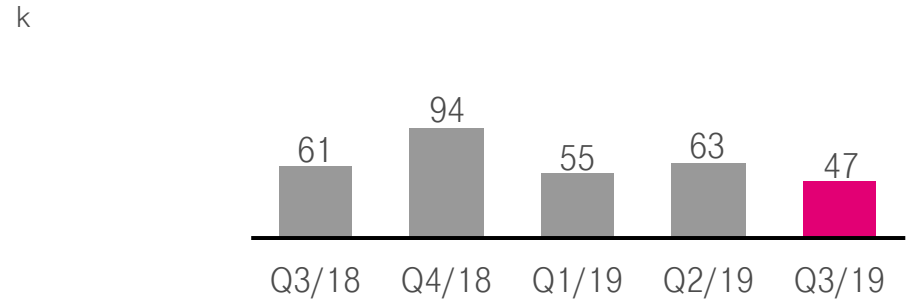
- Cost of services increased yoy. Drivers: network expansion and hurricane re-imbursements in 2018

# EUROPE: STRONG CUSTOMER GROWTH CONTINUES

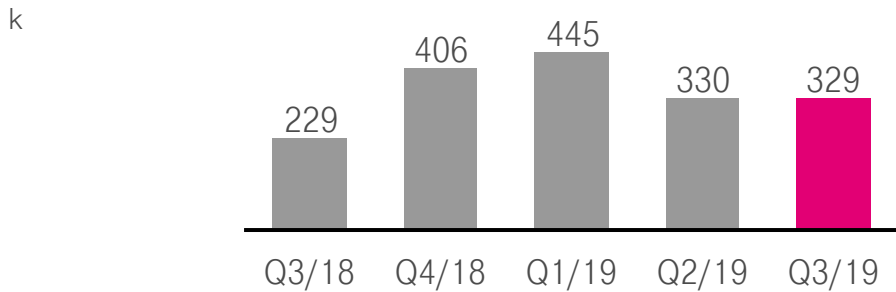
## Mobile contract net adds<sup>2</sup>



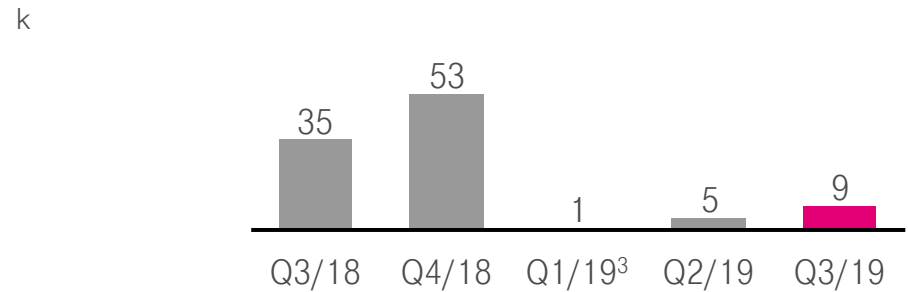
## BB net adds<sup>1, 2</sup>



## 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.

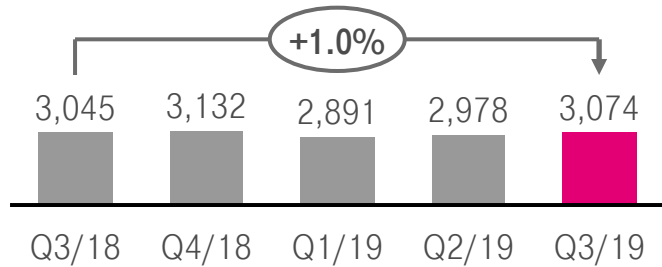


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# EUROPE: GROWING REVENUE AND EBITDA AL

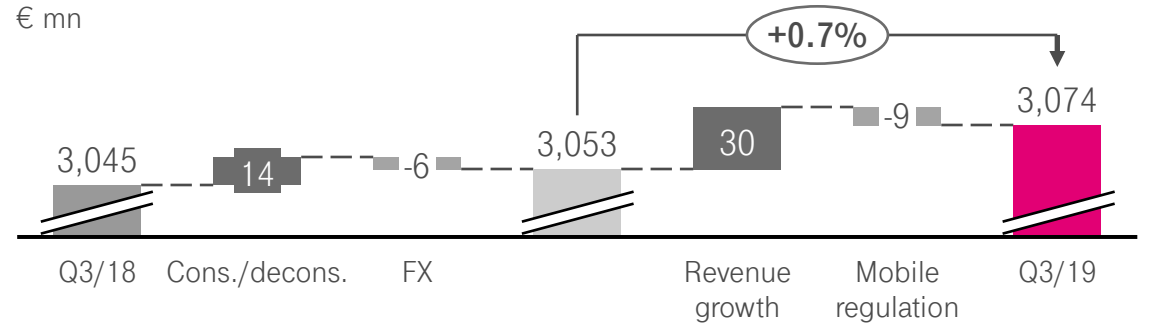
## Revenue

€ mn



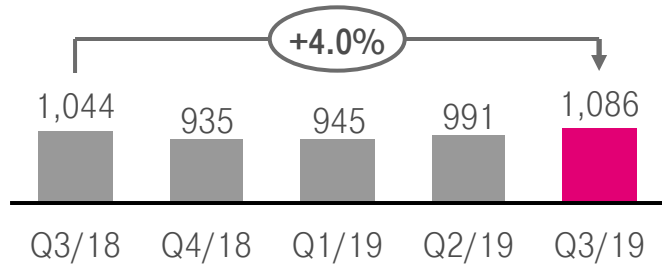
## Organic revenue development

€ mn



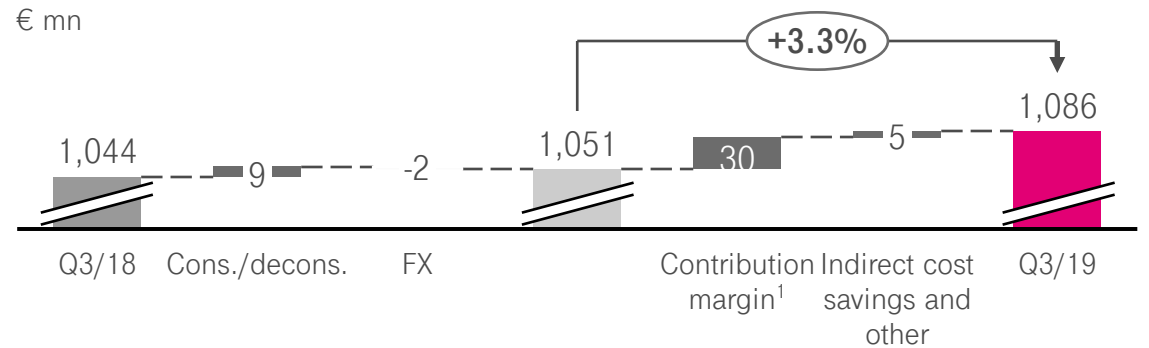
## Adj. EBITDA AL

€ mn



## Organic adj. EBITDA AL development

€ mn



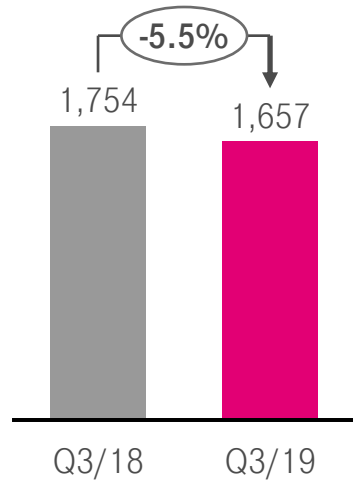
1) Total revenue - direct cost.

# SYSTEMS SOLUTIONS: GOOD PROGRESS WITH TRANSFORMATION

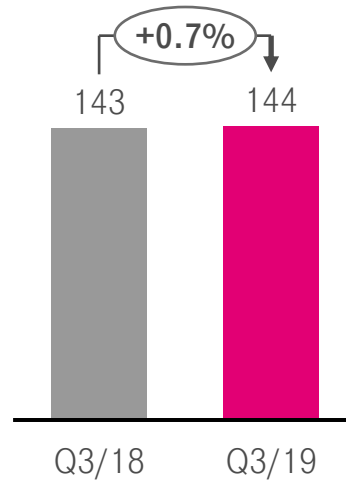
## T-Systems financials

€ mn

Total revenue

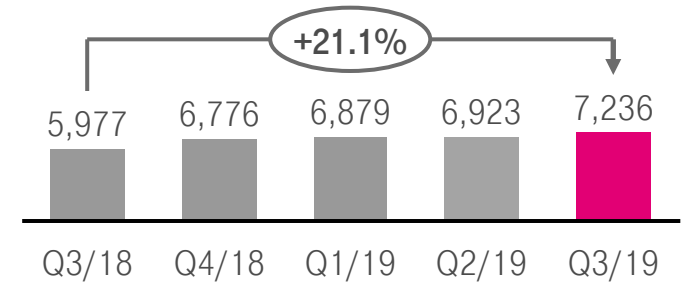


Adj. EBITDA AL



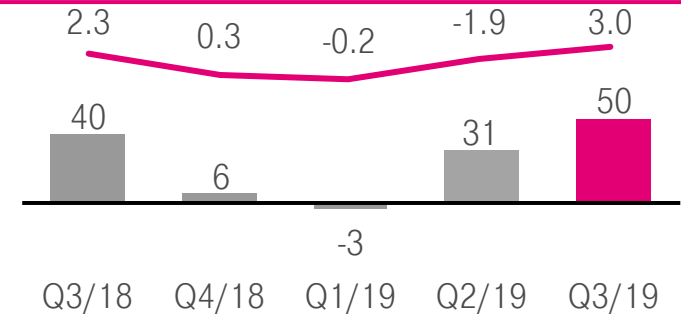
## Order entry (LTM)

€ mn



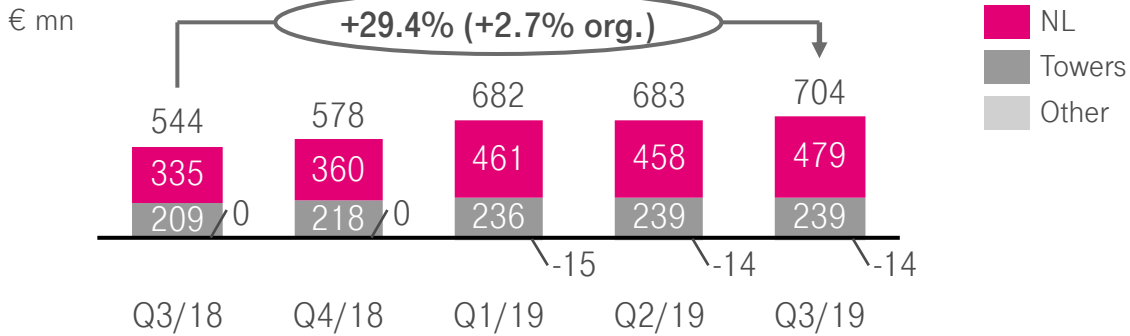
## Adj. EBIT and margin in %

€ mn

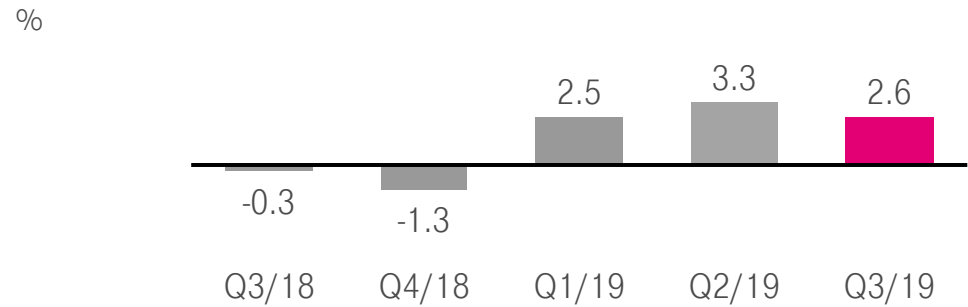


# GROUP DEVELOPMENT: GROWTH IN NL AND TOWERS

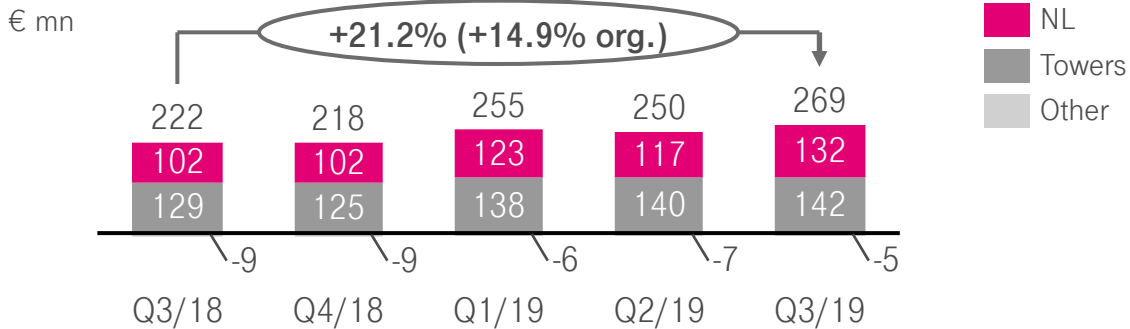
## Revenue<sup>1</sup>



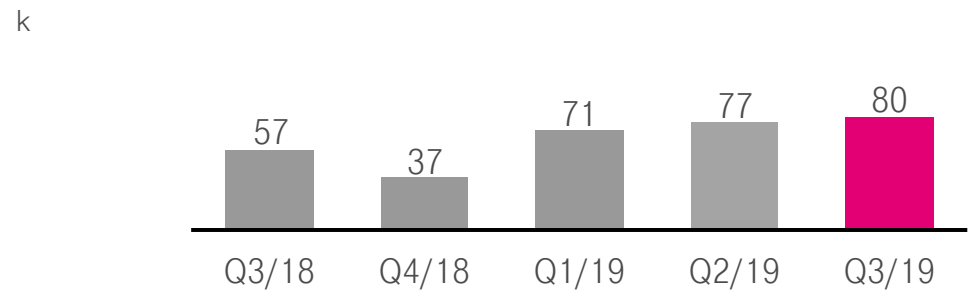
## Mobile service revenue trend yoy (NL)<sup>2</sup>



## 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.

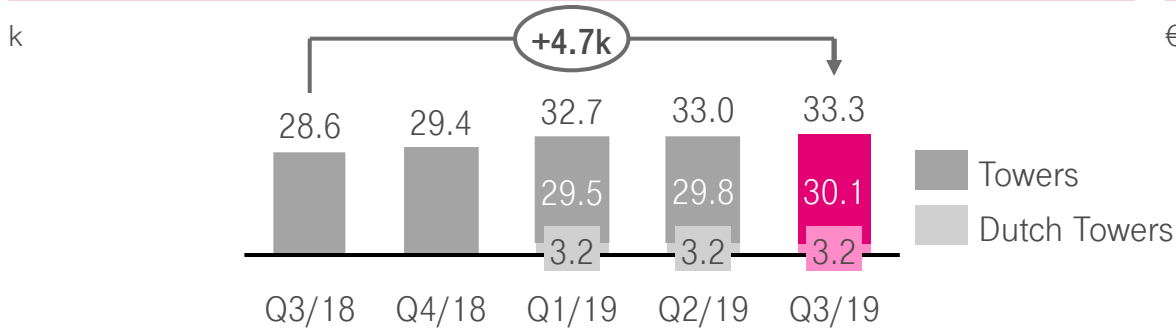
2) MSR trends on organic base excl. regulation and excl. IFRS 15 for Q1/18 to Q4/18.

3) Since Q1/19 net adds incl. Tele2.

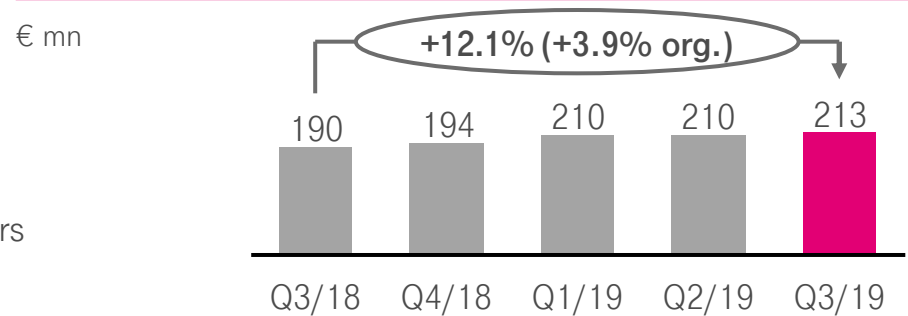


# GROUP DEVELOPMENT: TOWER BUSINESS EXPANDING

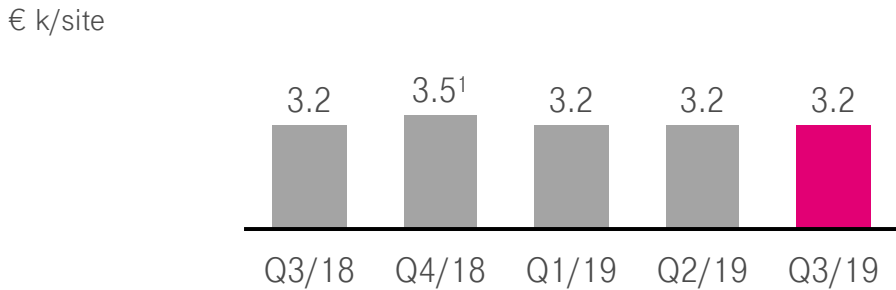
## Total sites GER + NL (since Q1/19)<sup>2</sup>



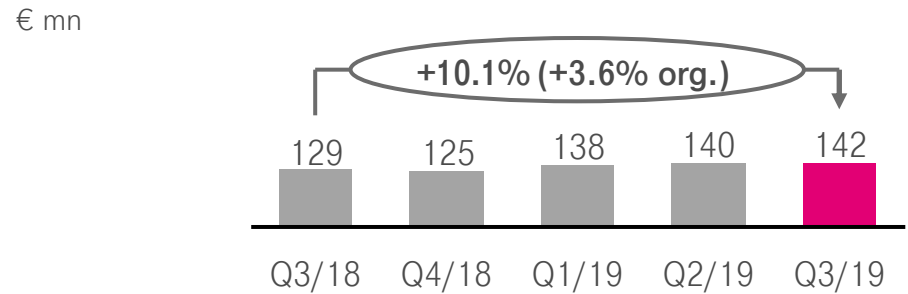
## Recurring rental revenue<sup>2</sup>



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



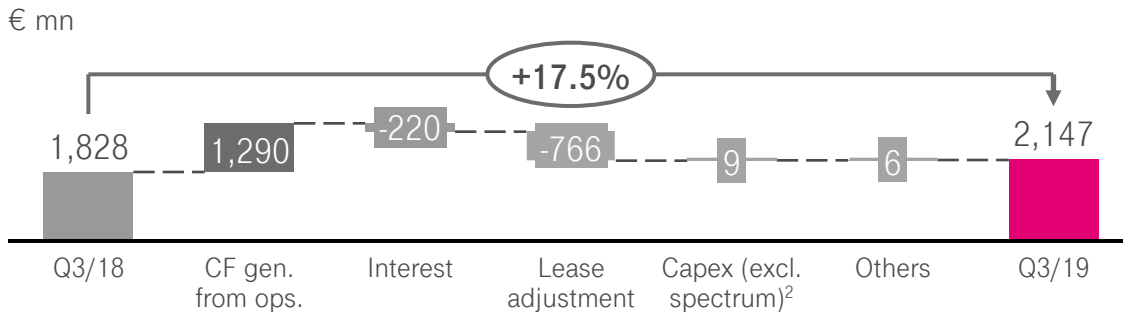
## Adj. EBITDA AL<sup>2</sup>



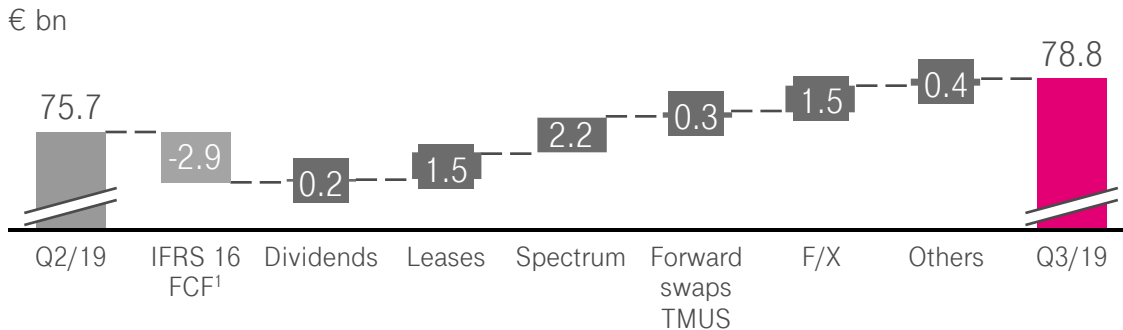
1) Adjusted for one-offs. 2) Figures since Q1/19 incl. the Dutch tower business (3.2k). Previous quarters not restated. Organic growth and growth rates show underlying trends.

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

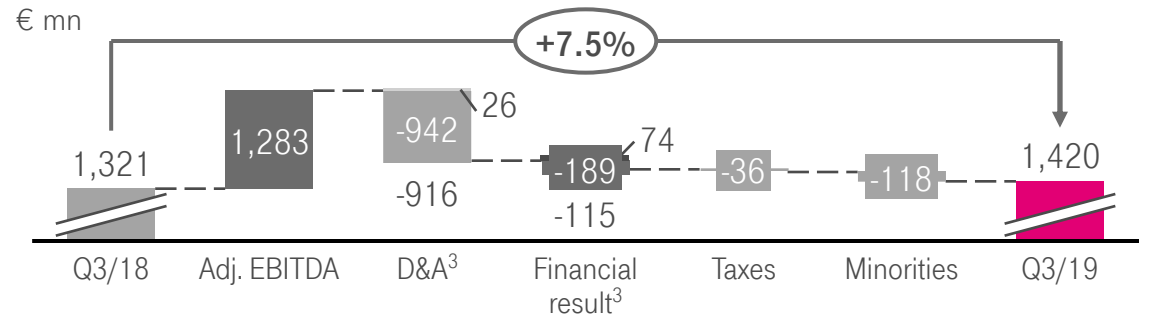
## Free cash flow AL<sup>1</sup>



## 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: IFRS 16 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 four 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 TMUS and Sprint. Previous outlook was "stable".

**THANK YOU!**