

DEUTSCHE TELEKOM

Q1/2020 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.



Q1/2020 RESULTS: WE CONTINUE TO DELIVER



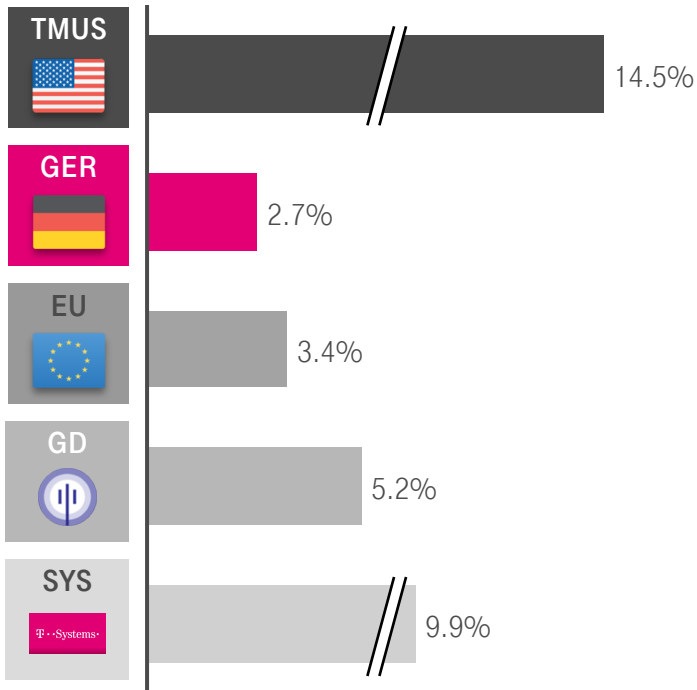
- US deal closed April 1st
 - All final approvals gained
 - Synergies confirmed & being implemented
 - Successful re-financing (US\$19 bn bond issuance)
- Accelerated plan to cover 50% of Germany with 5G already in 2020
- Strong Q1 commercials and financials
- Highly resilient operations, growing across the board
- Q1 debt ratios within comfort zone
- On track for stated guidance
- Dividend proposal unchanged at €0.60 per share



Q1/2020 FINANCIALS: GROWTH ACROSS THE BOARD

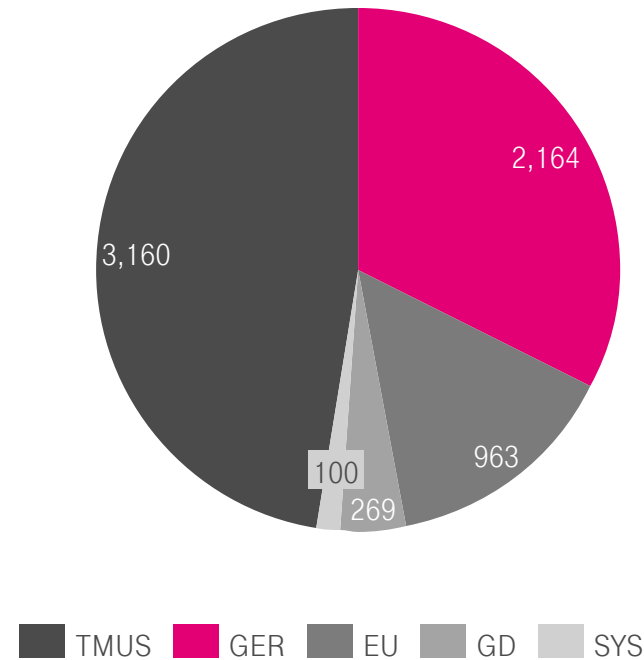


Adj. EBITDA AL (organic growth)



ADJ. EBITDA AL

€ mn



Q1/2020 growth

Revenue	+2.3%
Adj. EBITDA AL	+10.2%
Adj. EBITDA AL (excl. US)	+3.8%
Adj. net profit	+8.5%
Net profit	+1.8%
Adj. EPS (in €)	+8.0%
Free cash flow AL ¹	-17.3%
Cash capex	-8.9%
Net debt AL	+8.6%

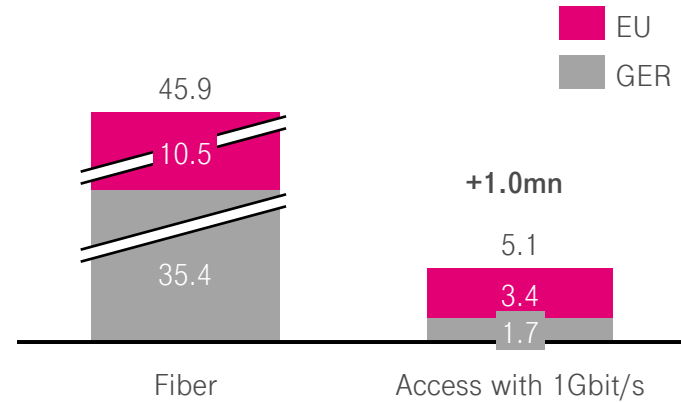
1) Up 28%, before reduction in ex US factoring of €0.7 bn

INVESTMENTS: DRIVING NETWORK LEADERSHIP



Fiber networks

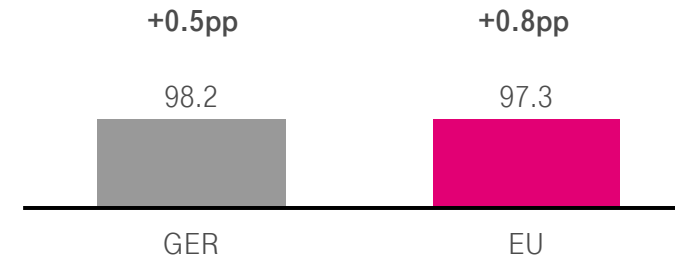
Fiber households¹
mn



- GER/EU: FTTH ramping up
- GER: ≈250k customers on supervectoring
- GER: winner of both fixed network tests and Connect TV test (486/500 points)

Mobile networks

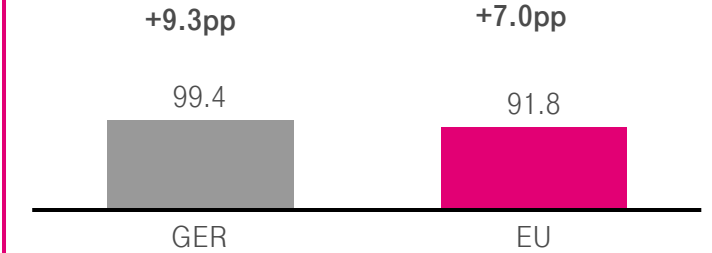
LTE outdoor POP coverage
%



- DFMG: 1,800 additional sites in LTM
- GER: Plan to bring 5G to >50% of POPs by YE 2020
- Winner of all German mobile network tests
- GER/EU: winner of P3 test “Best network in Europe”

Agility

IP share of fixed network access lines
%



- GER/EU: IP migration on track for completion in 2020²
- GER: IT time to market further reduced to 5 months
- EU: APP penetration reaches 57%
- Top ratings for customer service

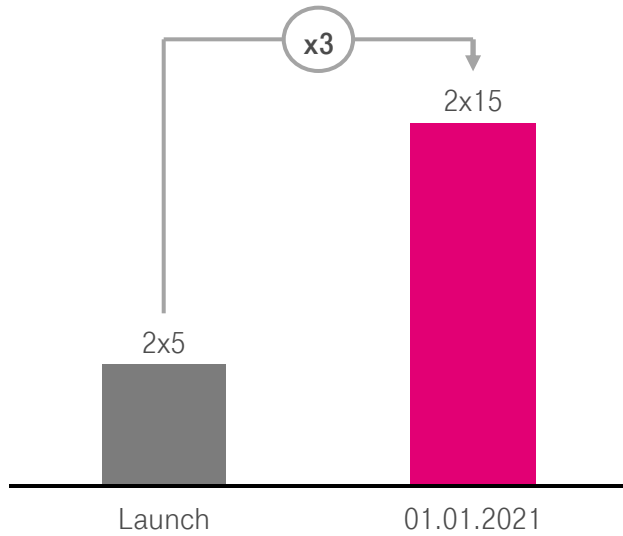
1) EU: ≥ 100Mbit/s coverage: FTTH, FTTB, FTTC (with vectoring), cable/ED3. GER: FTTC and FTTH/B lines 2) Excl. Romania

INVESTMENTS: 5G FOR HALF OF GERMANY THIS YEAR



Spectrum 5G (2.1 GHz)

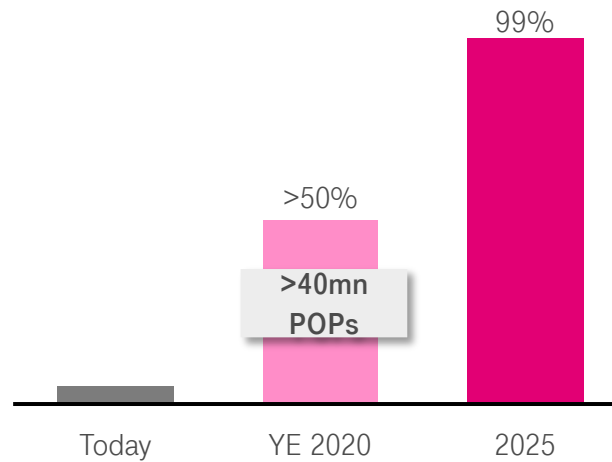
MHz



+ 90 MHz 5G spectrum (3.6 GHz)

Coverage 5G

% of population



- Leveraging additional frequencies from 2019 auction
- Use of DSS for efficient 4G/5G usage
- 700 MHz frequencies also available for 5G
- 3.6 GHz deployments in top 20 cities by year end



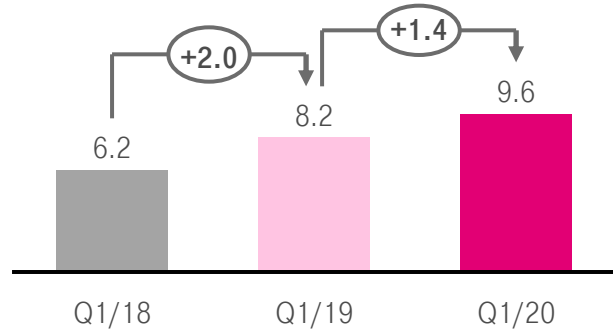
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CUSTOMERS: GROWTH REMAINS STRONG



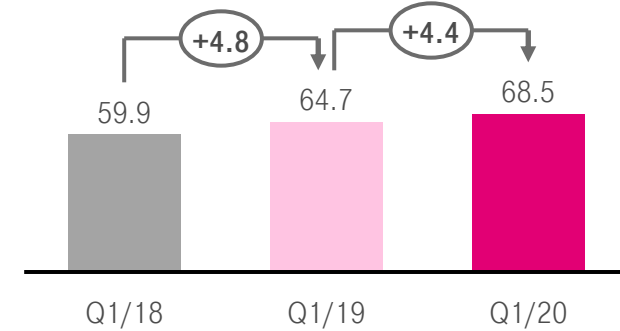
MagentaEINS (GER + EU)

mn



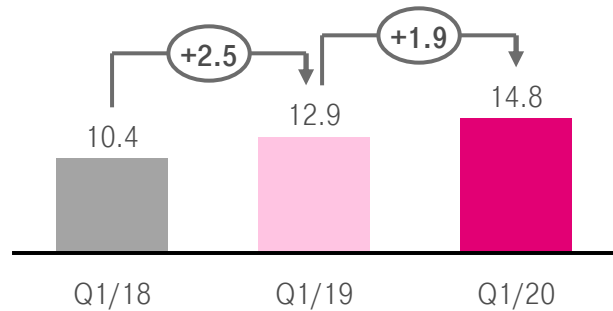
Mobile customers (US)¹

mn



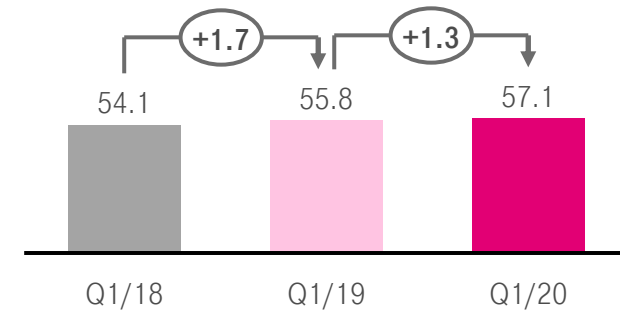
Fiber (GER)

mn



Mobile contract customers (GER + EU + NL)²

mn



1) Base adjustment 616 k branded prepaid customers in Q3/19. Mobile customers w/o wholesale

2) Change in base. Figures not adj. for acquisitions or disposals.



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COVID-19: KEEPING GERMANY CONNECTED



B2C

Extra 10 GB for all mobile B2C customers incl. WS

2.7m

Disney+ for 6 months free of charge

>0.5m

WiFi package free for 3 months

3x

30 GB free for wireless connected homes

all

B2B

Extra 10 GB for all mobile B2B customers

0.8m

Office 365 and Teams 3 month free of charge

5x

Cisco Webex Meetings for companies 3 months free of charge

5x

IT support 3 months free of charge

2x

Public

Cisco Webex for schools¹

40k

Free phones for old people's homes

7k

Financial Aid Online Portal for SMBs (Bavarian Ministry of Economics)

220k applications

Corona APP for Federal Government (with SAP)

“We are here for you, so that you can be together for each other”

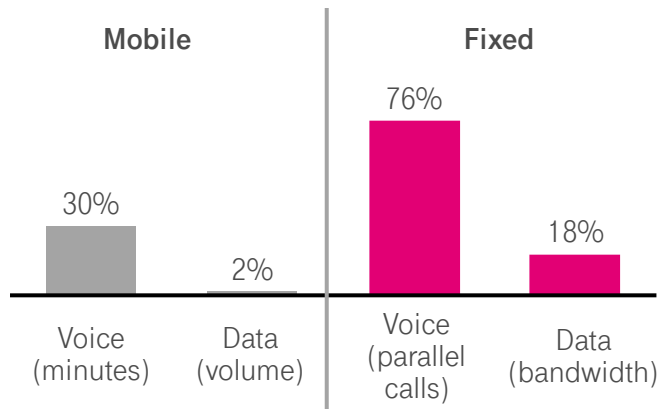
1) With about 40 k teacher licenses we reach almost 1 mn students



COVID-19: RESILIENT OPERATIONS

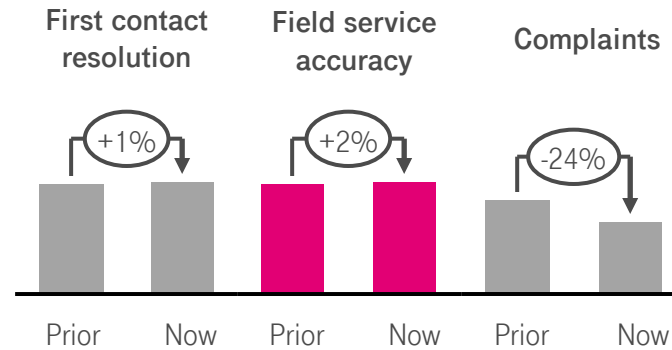


GER: impact network¹



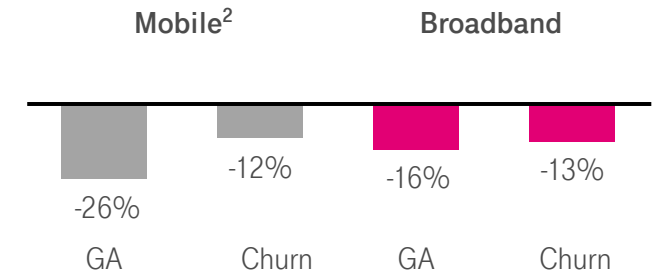
- “Stay at home” restrictions favor mobile and fixed voice communication and also fixed data usage
- Both networks fully stable

GER: impact service¹



- 16 k service employees moved to home office, field service fully operational
- Improved service performance in service centers as well as field service despite COVID-19

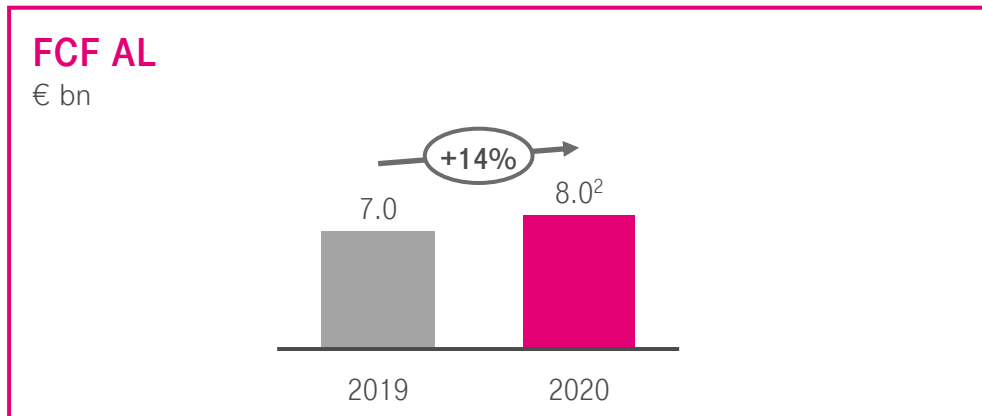
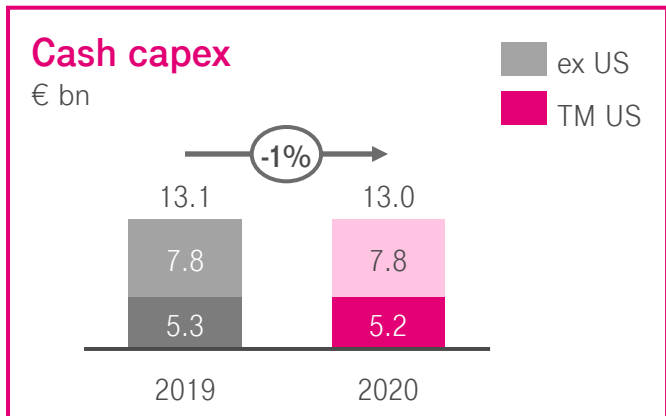
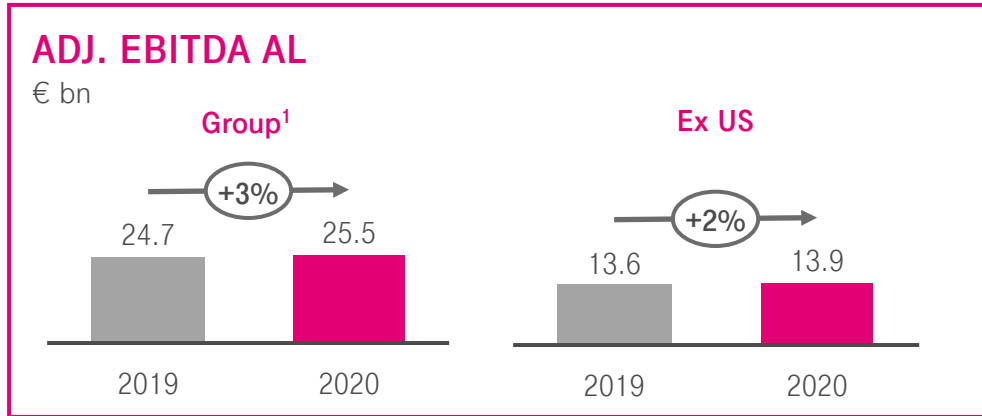
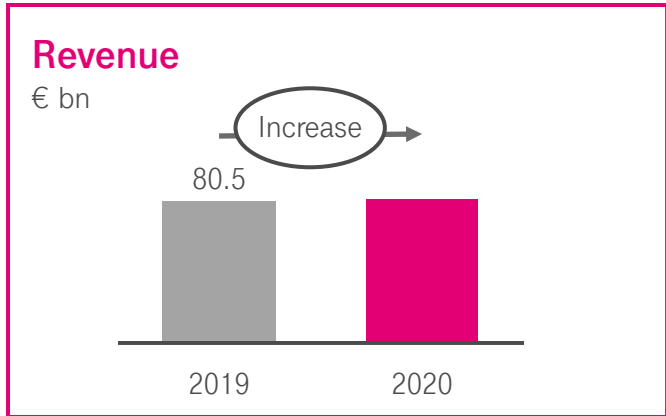
GER: impact distribution¹



- Shops closed mid March and reopened stepwise from April 24th
- Call centers/digital covering much of the slack

1) Comparison of average CW 1-11 and average CW 12-18 2) Contract own brand

GUIDANCE: DESPITE CRISIS, CONFIRMED AS STATED



Guidance incl. Sprint: to be given with Q2 results

Dividend: unchanged proposal of €0.60

COVID-19 impact (ex US):

- Revenue: negative
- EBITDA AL: small negative but will likely be mitigated
- Capex: limited
- FCF: neutral

1) Based on €1 = US\$1.12, midpoint of TMUS US GAAP guidance of US\$13.85 bn and including a US GAAP to IFRS bridge of US\$0.85 bn 2) Before cash outs for zero bond and TMUS forward swap



REVIEW Q1/2020

FINANCIALS: GROWTH IN ALL METRICS

€ mn

	Q1			FY		
	2019	2020	Change	2018	2019	Change
Revenue	19,488	19,943	+2.3%	75,656	80,531	+6.4%
Adj. EBITDA AL ¹	5,940	6,544	+10.2%	23,074	24,731	+7.2%
Adj. EBITDA AL (excl. US) ¹	3,261	3,384	+3.8%	12,990	13,597	+4.7%
Adj. net profit	1,183	1,284	+8.5%	4,545	4,948	+8.9%
Net profit	900	916	+1.8%	2,166	3,867	+78.5%
Adj. EPS (in €)	0.25	0.27	+8.0%	0.96	1.04	+8.3%
Free cash flow AL ^{1,3}	1,557	1,287	-17.3%	6,051	7,013	+15.9%
Cash capex ²	3,682	3,353	-8.9%	12,223	13,118	+7.3%
Net debt ¹	71,876	77,394	+7.7%	n.a.	76,031	n.a.
Net debt AL ¹	54,946	59,698	+8.6%	54,732	58,248	+6.4%

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: Q1/19: €145 mn; Q1/20: €217 mn. FY/18: €269 mn, FY/19: €1,239 mn

3) Free cash flow AL before dividend payments and spectrum investment. Q1/20 before €1,600 mn zero bond redemption



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COVID-19: AREAS OF POSSIBLE IMPACT



Maximum possible exposure

Impact to date¹

Retail roaming revenue	<p>EU/NL DE</p>	~€0.35 bn	-80% from mid March to end of April
Mobile handset revenue	<p>EU/NL DE</p>	~€3.5 bn	-20% lower, prior to shops reopening
ICT revenue	<p>TSI EU/NL</p>	~€9 bn	Some IT project delays
Fixed call revenue ²	<p>EU/NL DE</p>	~€0.6 bn	+33% in March/April
Bad debt	<p>1.4% 0.6%</p> <p>EU/NL DE</p>	~€0.3 bn	Limited impact so far
EBITDA AL	Ex US guidance	€13.9 bn	Limited impact

1) Mid March through end of April vs. comparable period 2) Out of bundle

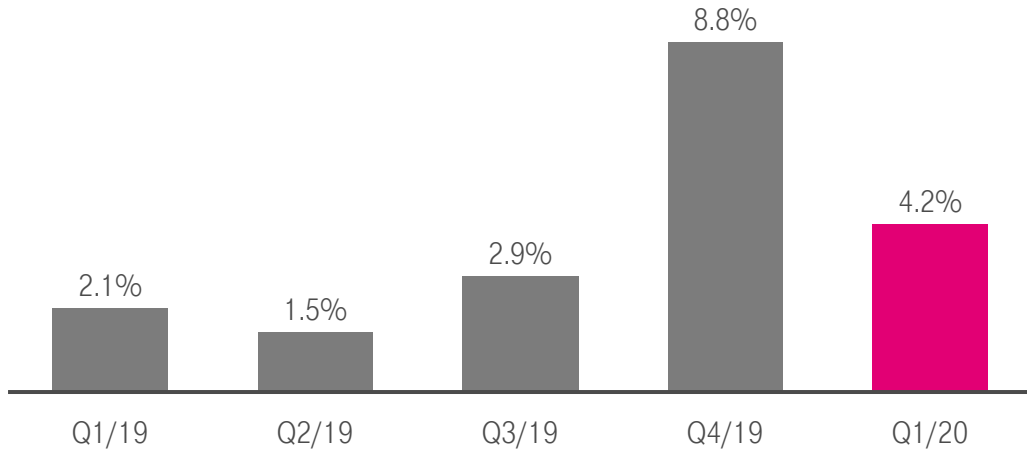


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EBITDA AL: GROWTH ON BOTH SIDES OF THE ATLANTIC

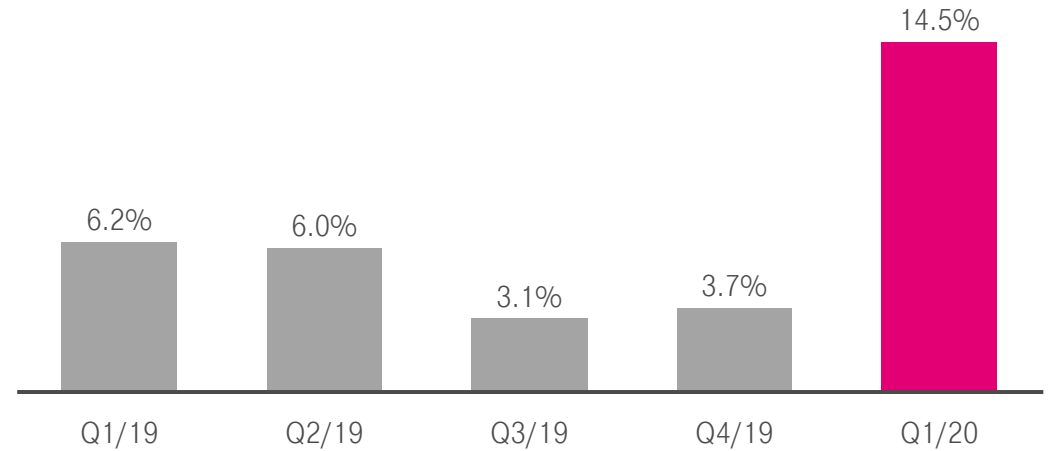
Ex US growth (organic)

% yoy



TMUS growth (IFRS)

% yoy

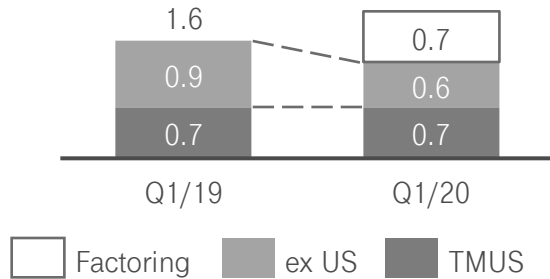


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FCF AL EX US: ON TRACK FOR €4 BN CMD GUIDANCE

Cons. FCF AL DT Group

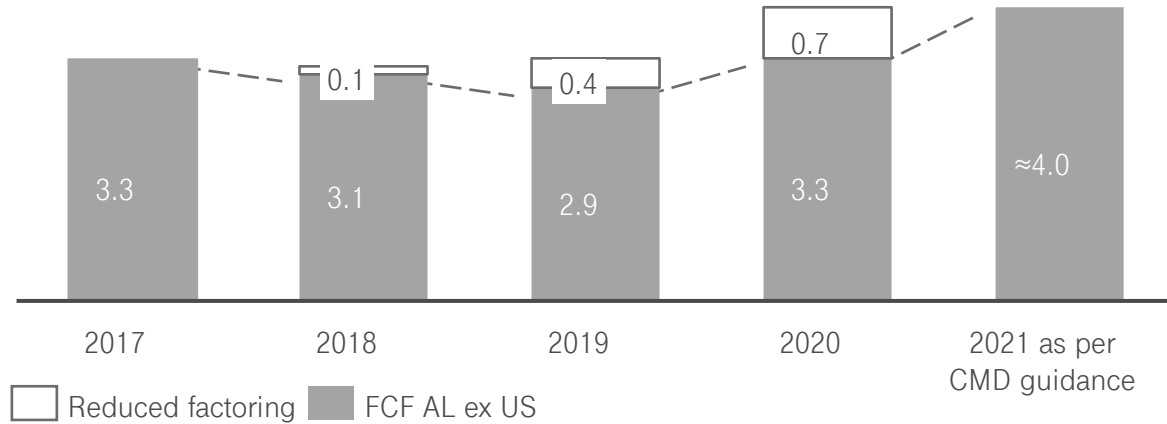
€ bn



- Decrease of €0.3 bn in ex US FCF AL driven by planned €0.7 bn reduction in factoring

Cons. FCF AL ex US

€ bn



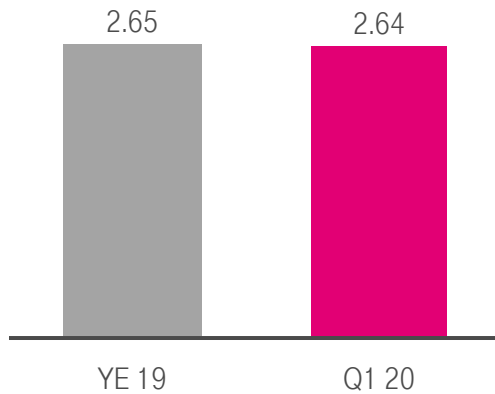
- FCF AL in ex US business in 2020 and prior years impacted by reduction in factoring
- Currently no plans to reduce further after 2020



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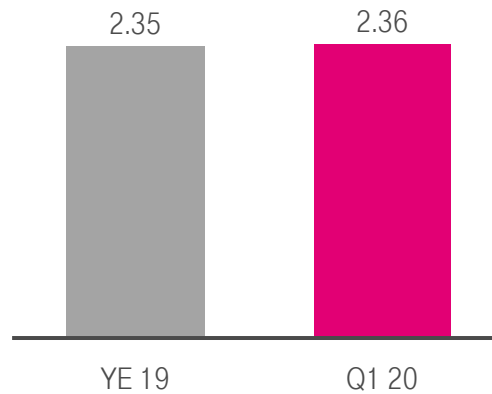
LEVERAGE: WITHIN COMFORT ZONE, PRE US MERGER

IFRS 16 view (DT perspective)



- Net debt including operating leases (mainly TMUS)
- EBITDA pre lease costs
- Stated comfort zone 2.25–2.75

“AL” perspective



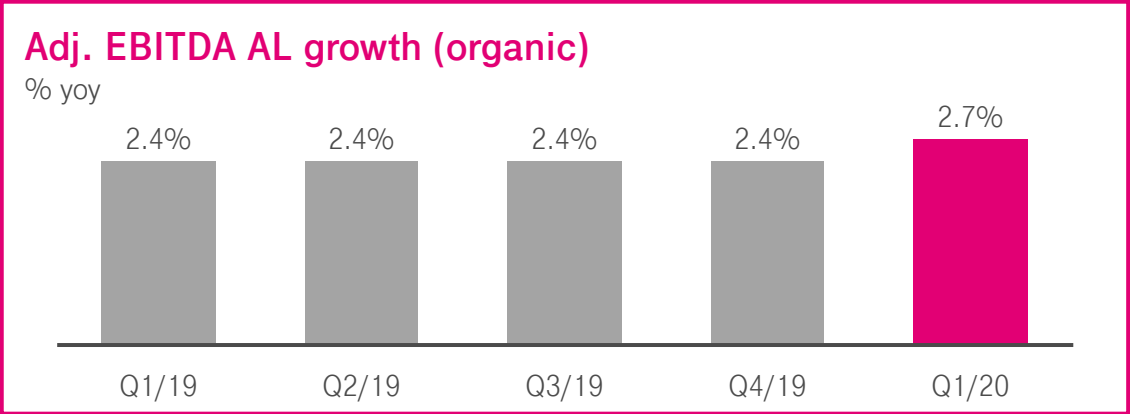
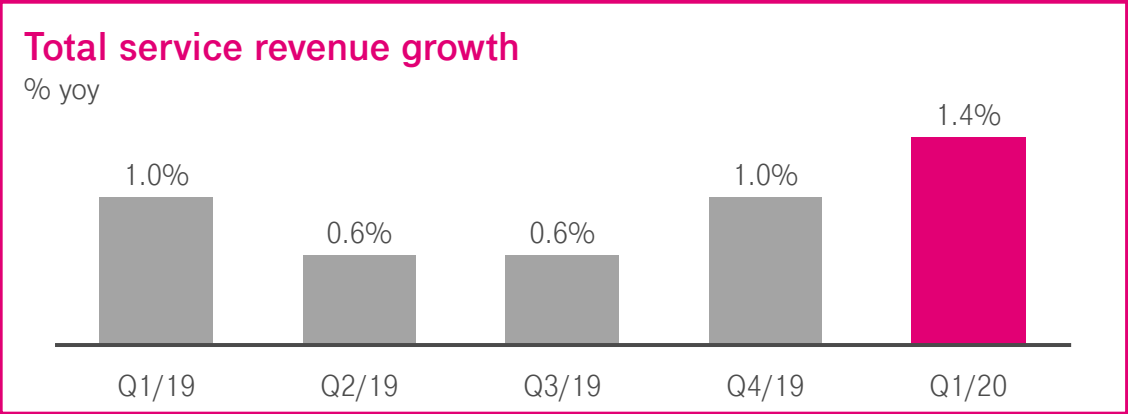
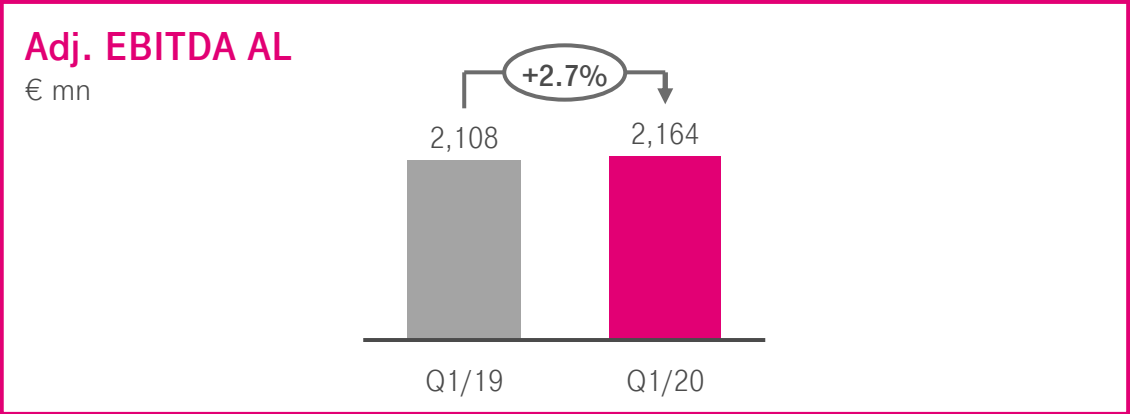
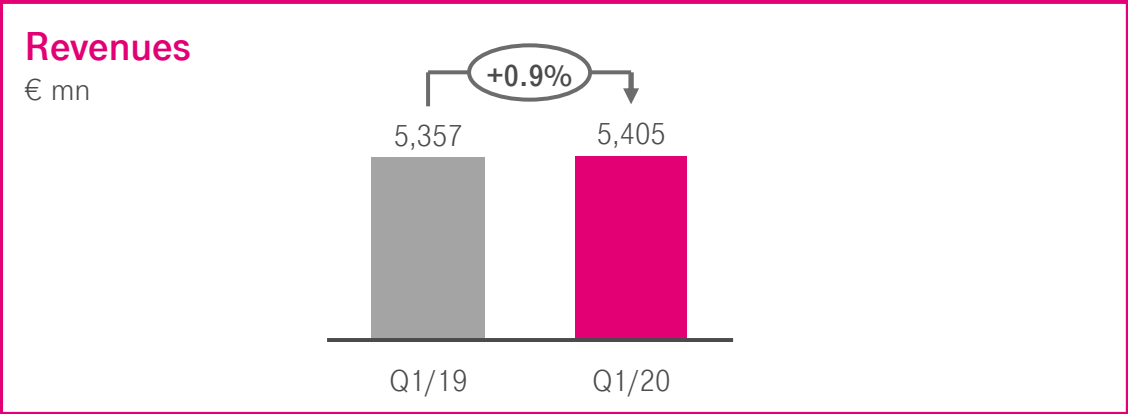
- Net debt excluding leases
- EBITDA AL

- DT in IFRS 16 comfort zone of 2.25–2.75x¹
- US\$19 bn funded at ~4% average cost in week of closing
- US\$8 bn intra-company loan repaid in week of closing
- Maturities funded through 2021
- No hybrids in issue

1) Equivalent to pre IFRS 16 2–2.5x



GERMANY: REVENUE AND EBITDA GROWING

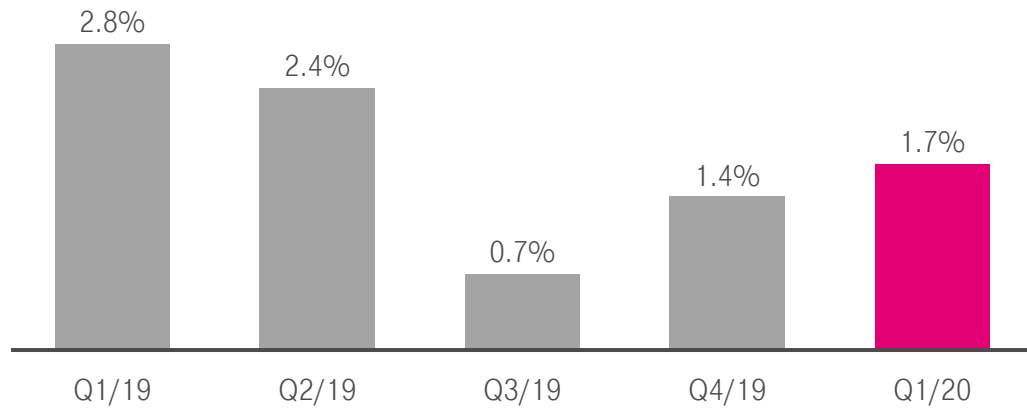


GERMANY: SERVICE REVENUES GROWING



Mobile service revenue growth

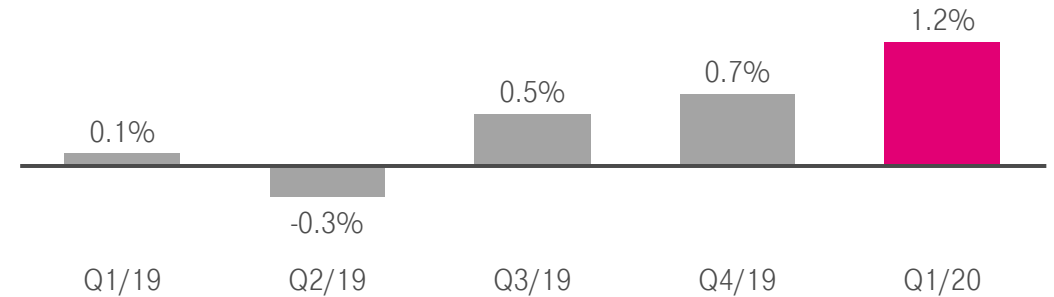
% yoy



- Small COVID-19 related headwind on roaming (~0.4pp)
- On track for ~2% mid term CAGR guidance

Fixed service revenue growth

% yoy



- Decreasing line losses and growing broadband net adds
- Small COVID-19 related tailwind from higher fixed calls (~0.4pp)



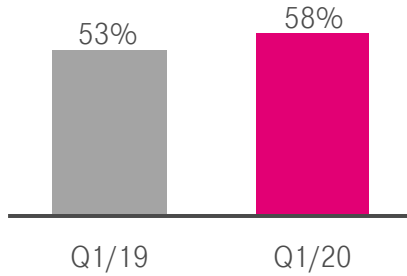
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GERMANY: POSITIVE MOBILE KPI



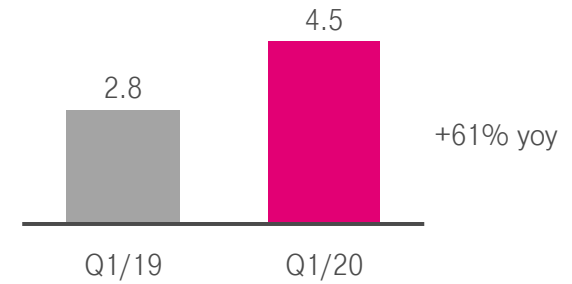
MagentaEINS share (mobile)¹

%

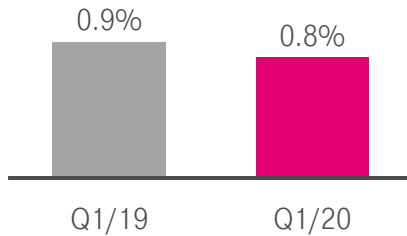


Data usage³

GB

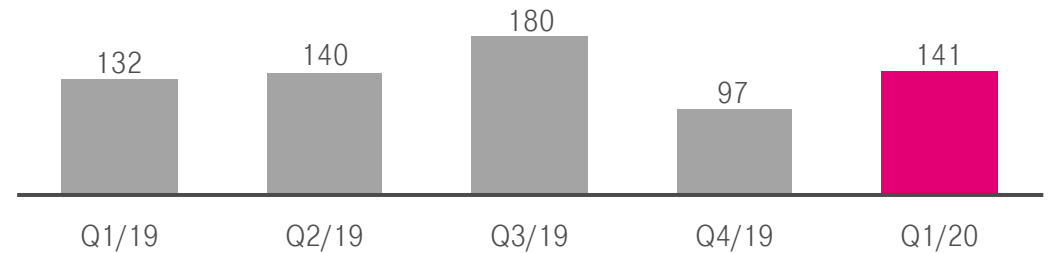


Churn²



Branded contract net adds⁴

000



1) As % of B2C T-branded contract customers

2) Contract excl. Lebara

3) Per month of B2C T-branded contract customers

4) Of own branded retail customers excl. multibrand



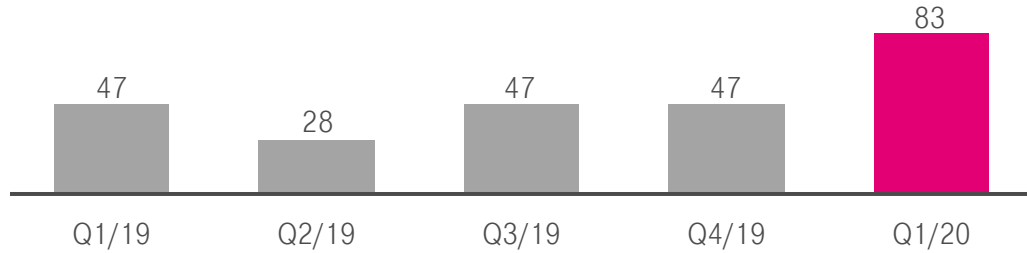
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GERMANY: STEADY COMMERCIALS IN FIXED



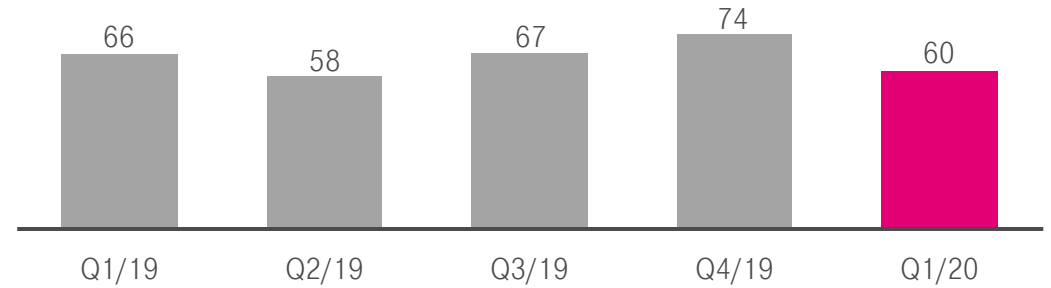
Broadband net adds

000



TV net adds

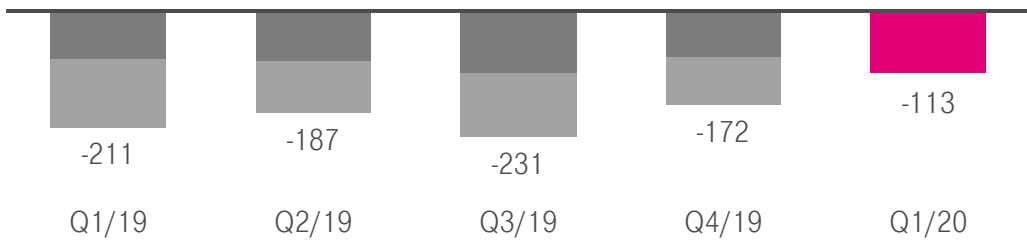
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Line losses

000

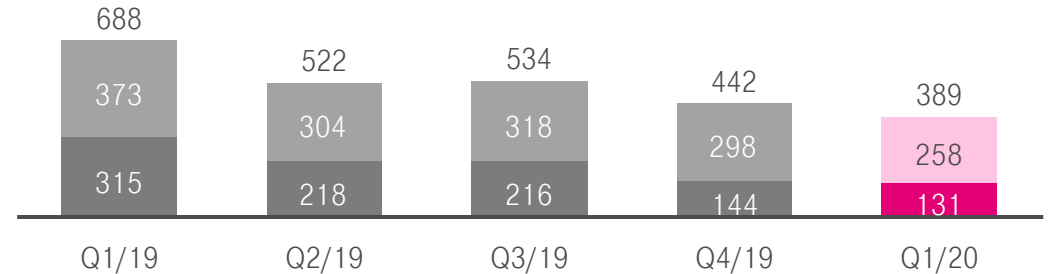
Line losses org.
 Line losses triggered by IP-migration



Fiber net adds

000

Retail
 Wholesale



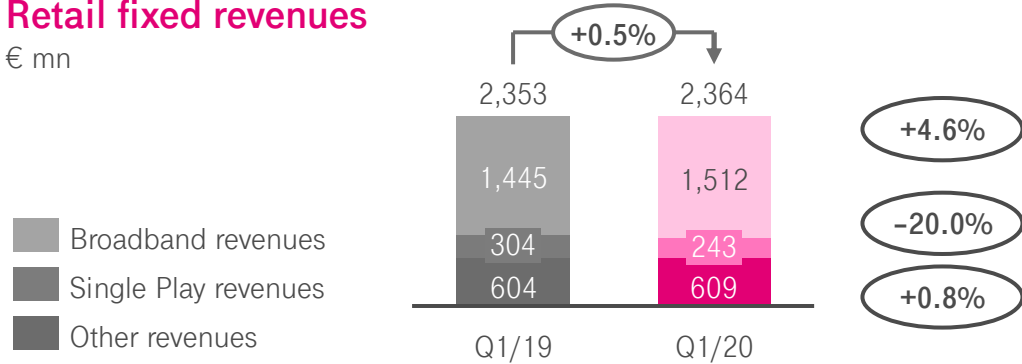
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GERMANY: GROWTH IN RETAIL FIXED



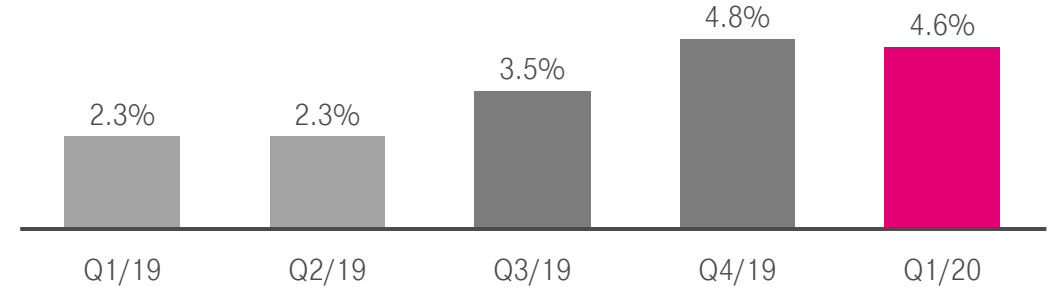
Retail fixed revenues

€ mn



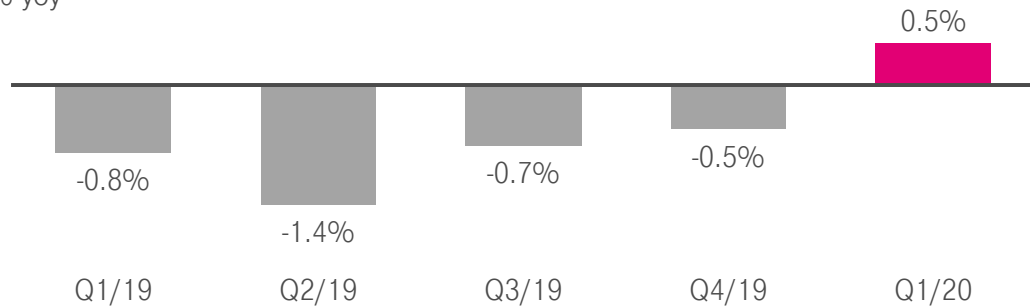
Broadband revenue growth

% yoy



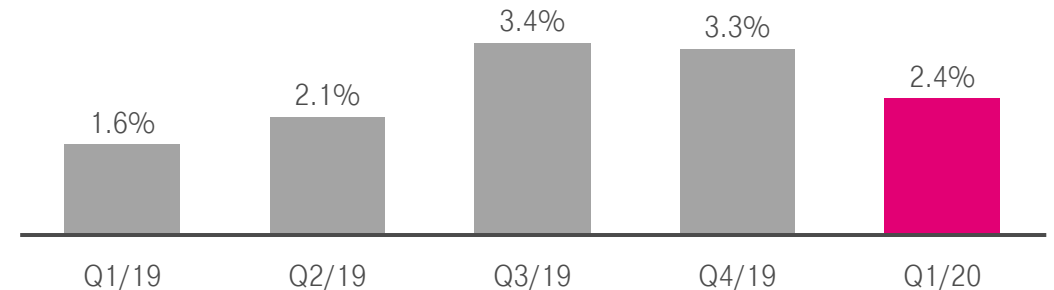
Retail fixed revenue growth

% yoy



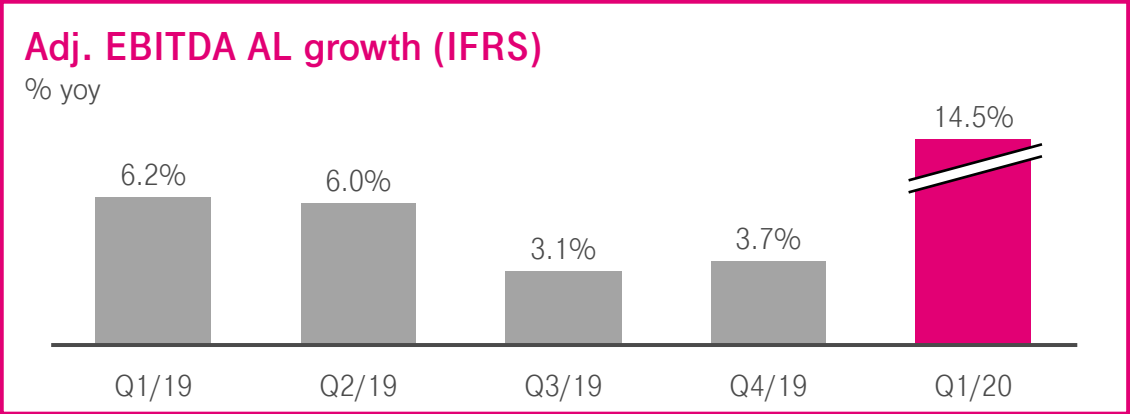
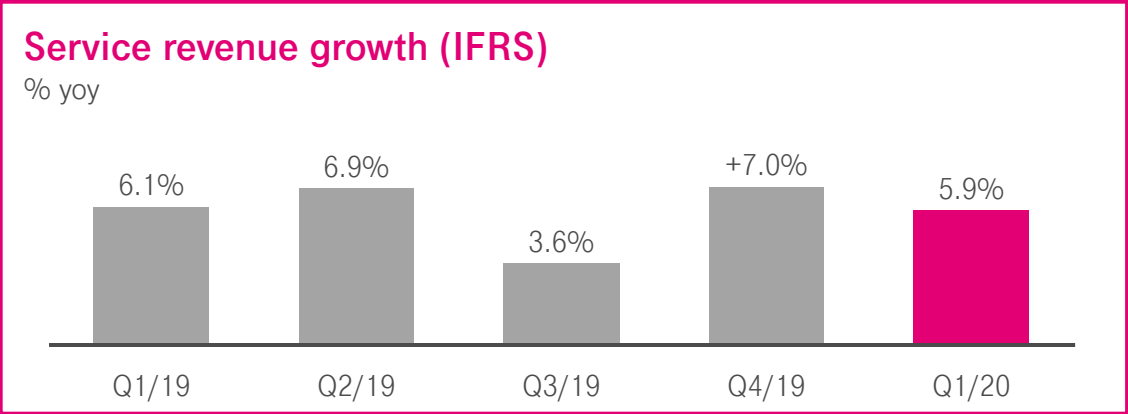
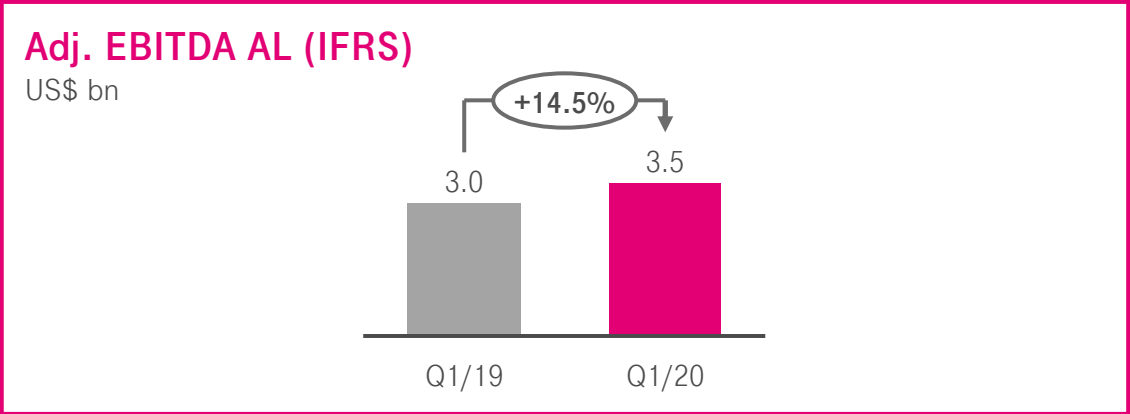
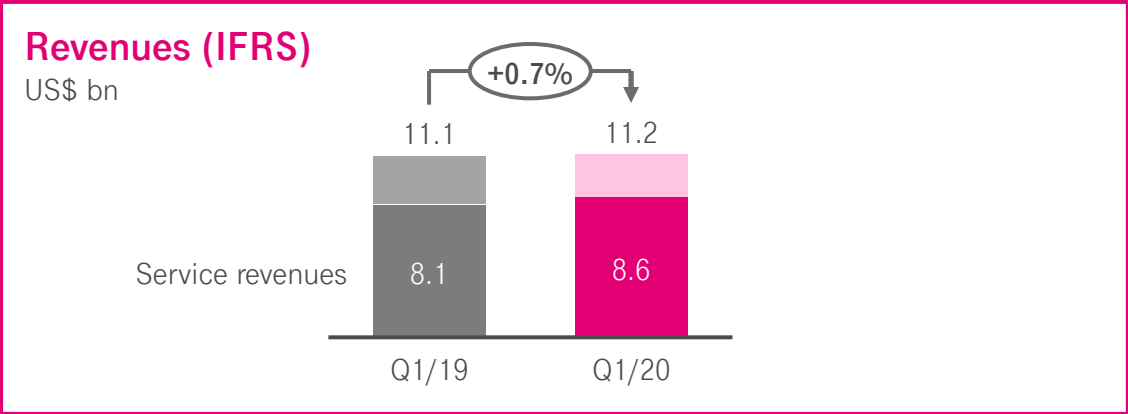
Wholesale revenue growth

% yoy



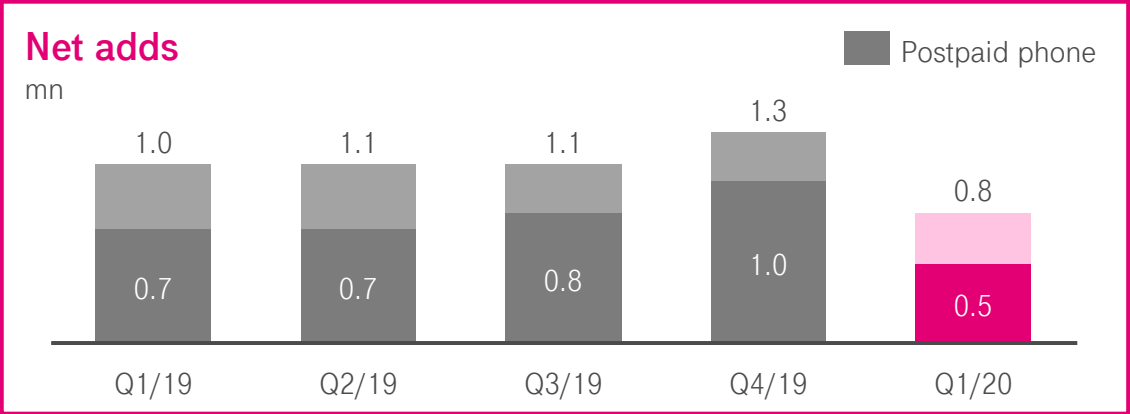
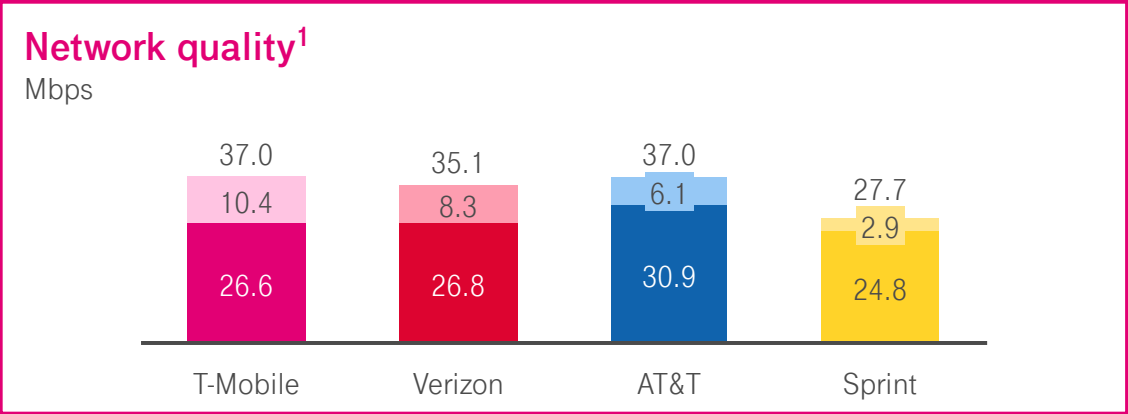
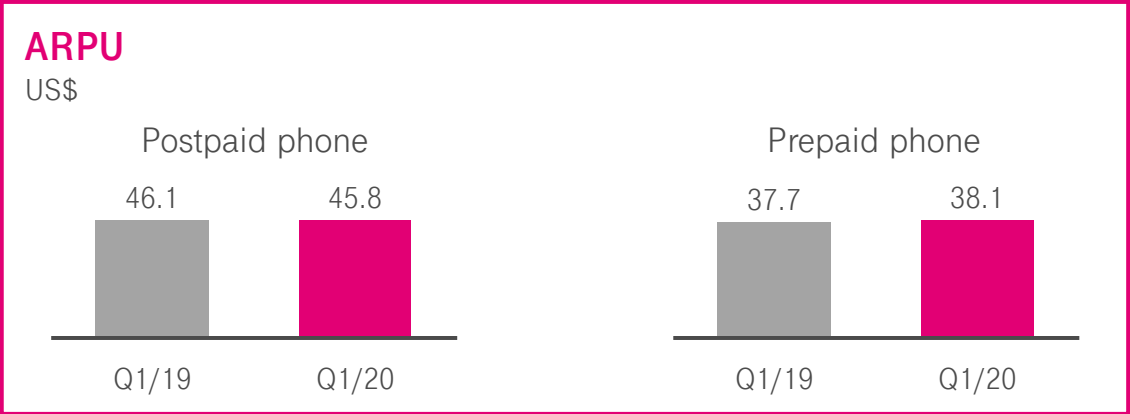
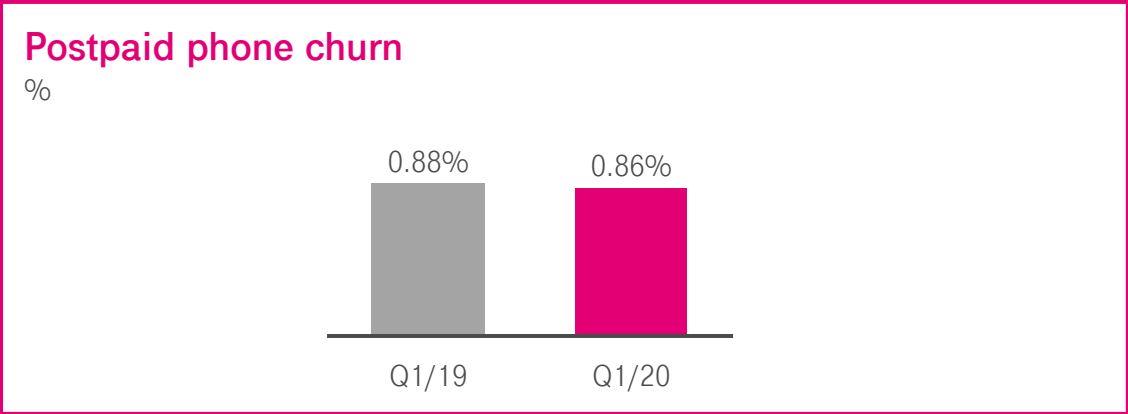
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TMUS: CONTINUED INDUSTRY-LEADING GROWTH



Growth rates calculated on US\$ basis

TMUS: EXECUTING ON KEY DRIVERS



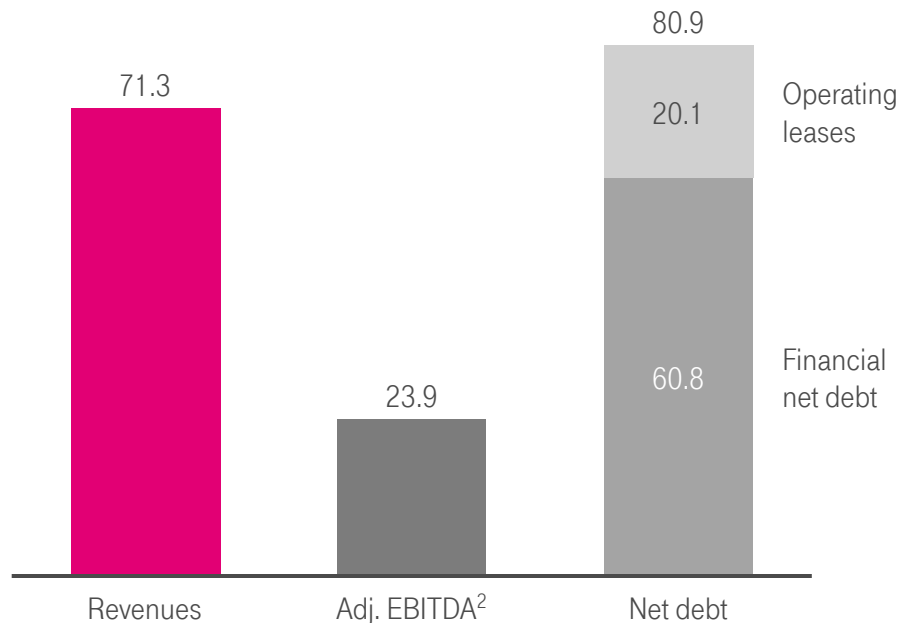
1) Source: Opensignal USA Mobile Network Experience Report Jan 2020

TMUS: PRELIMINARY 2019 PRO FORMAS AND Q2 GUIDANCE



2019 pro formas (US GAAP)¹

US\$ bn



1) Indicative only 2) After lease expenses 3) Excluded from adj. EBITDA, included in FCF

Q2 guidance (US GAAP)

- Up to 150 k postpaid net adds
- Adj. EBITDA US\$6.2–6.5 bn (leasing revenues US\$1.3–1.4 bn)
- Capex US\$2.3–2.5 bn
- Merger-related costs US\$500–600 mn³
- COVID-19 related one-offs US\$450–550 mn³
- FCF US\$1.3–1.5 bn



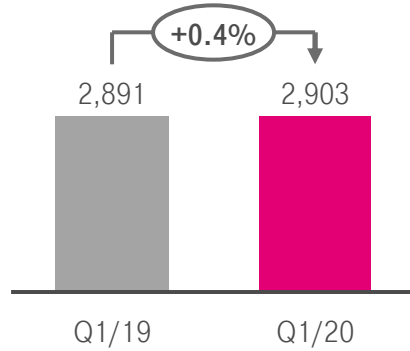
LIFE IS FOR SHARING.

EUROPE: 9TH CONSECUTIVE QUARTER OF EBITDA GROWTH



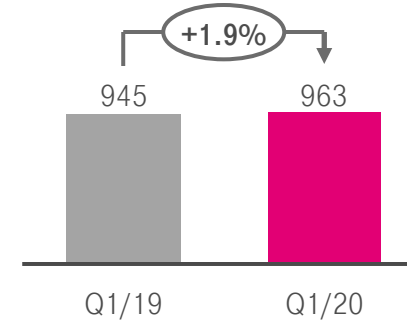
Revenues

€ mn



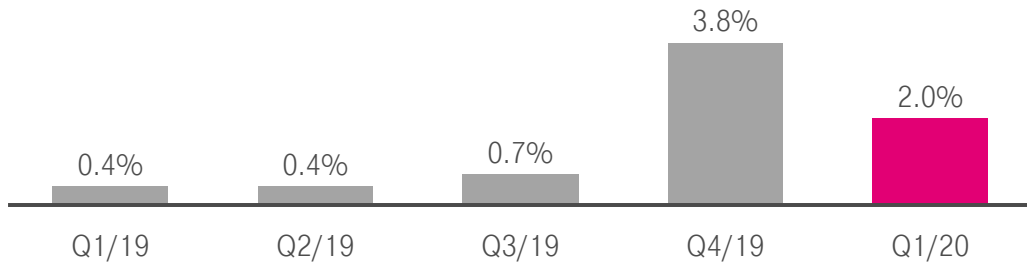
Adj. EBITDA AL

€ mn



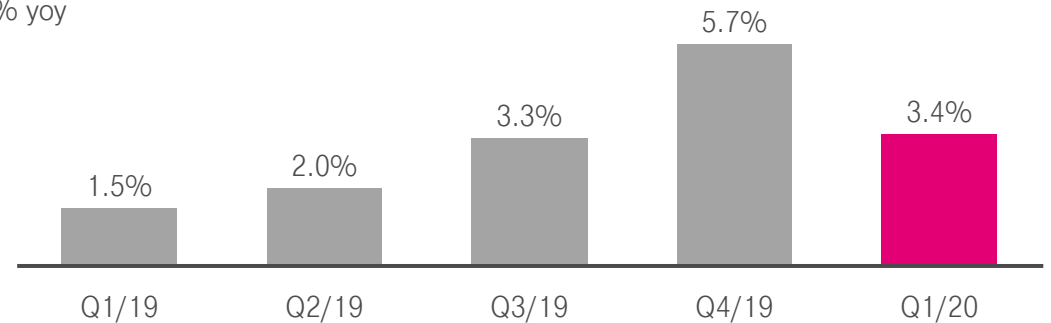
Revenue growth (organic)

% yoy



Adj. EBITDA AL growth (organic)

% yoy

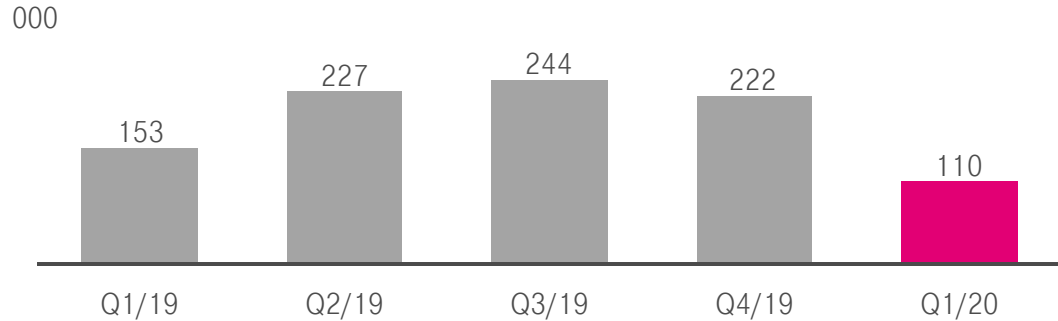


LIFE IS FOR SHARING.

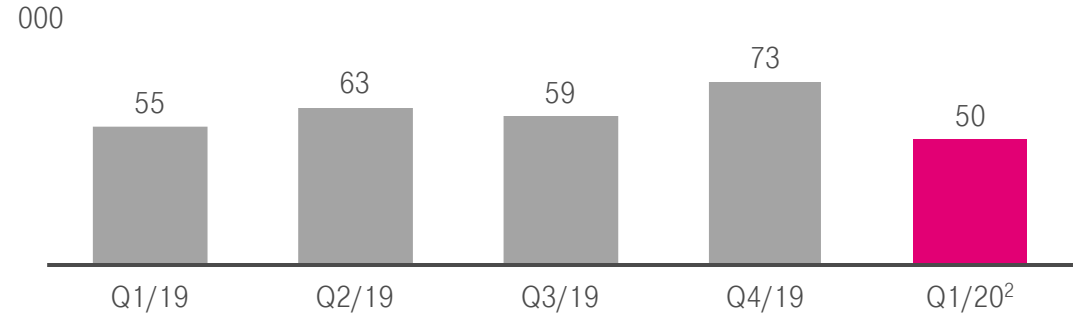
EUROPE: SOLID CUSTOMER GROWTH



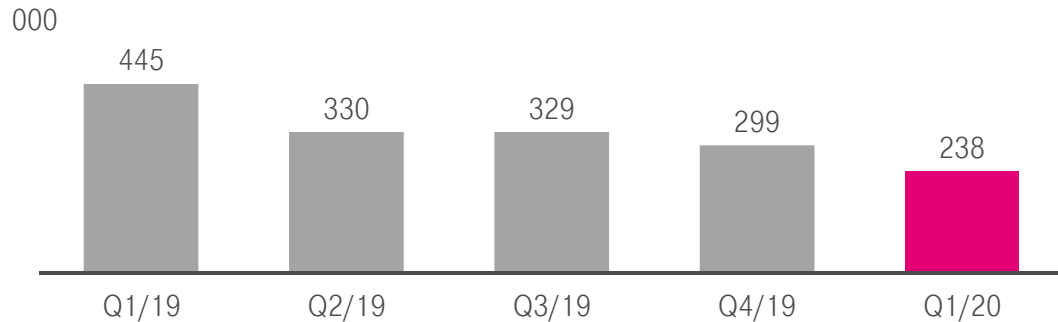
Mobile contract net adds¹



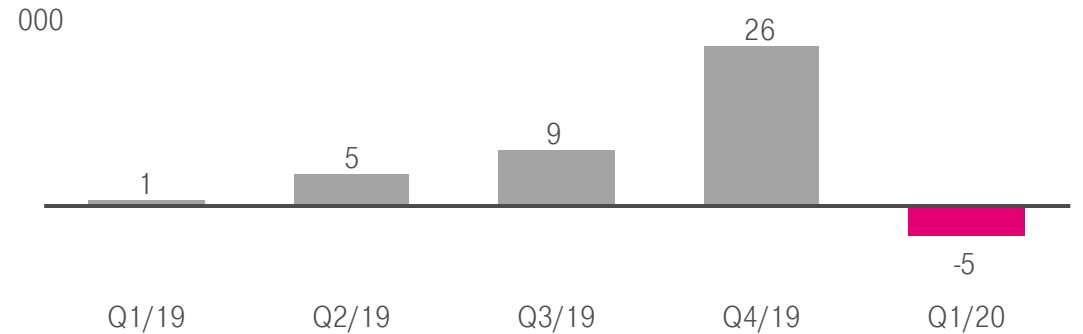
Broadband net adds



FMC net adds



TV net adds



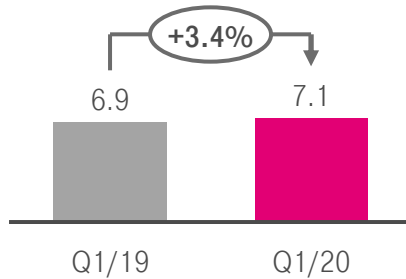
1) M2M customers have been re-allocated to prepay as of Q1/20. Historic figures have been adjusted

2) Organic view: excludes 15 k subs acquired in the Czech Republic.

T-SYSTEMS: TRANSFORMATION ONGOING

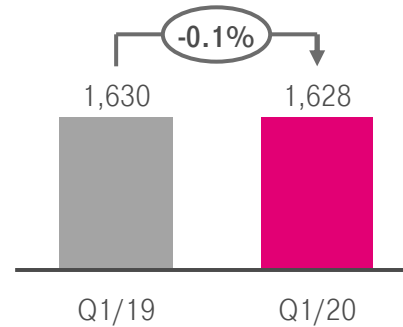
Order entry (LTM)

€ bn



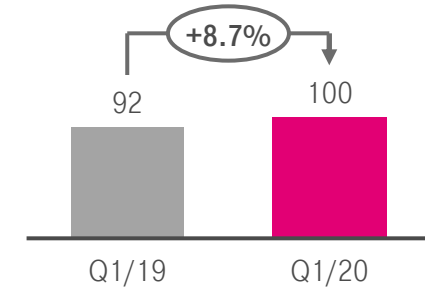
Revenues

€ mn



Adj. EBITDA AL

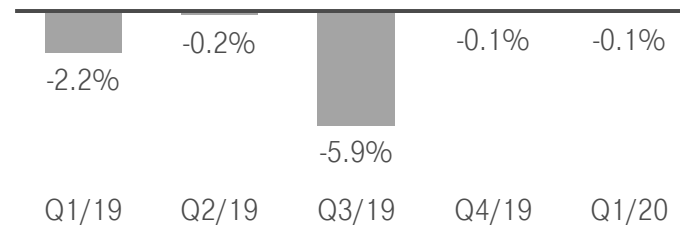
€ mn



- Integration of TC into Germany planned for mid 2020
- Public cloud +28% in Q1/20

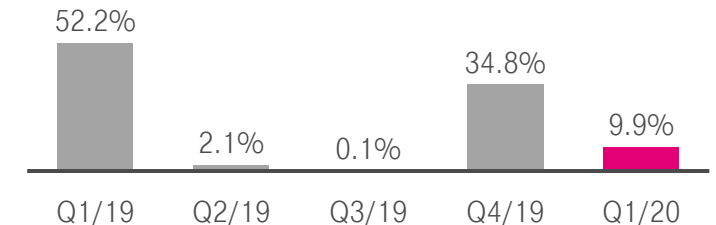
Revenue growth (organic)

% yoy

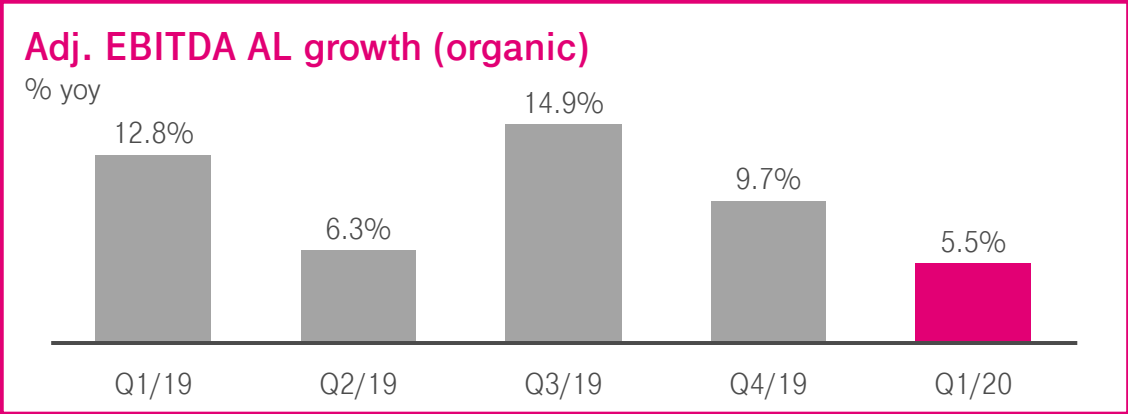
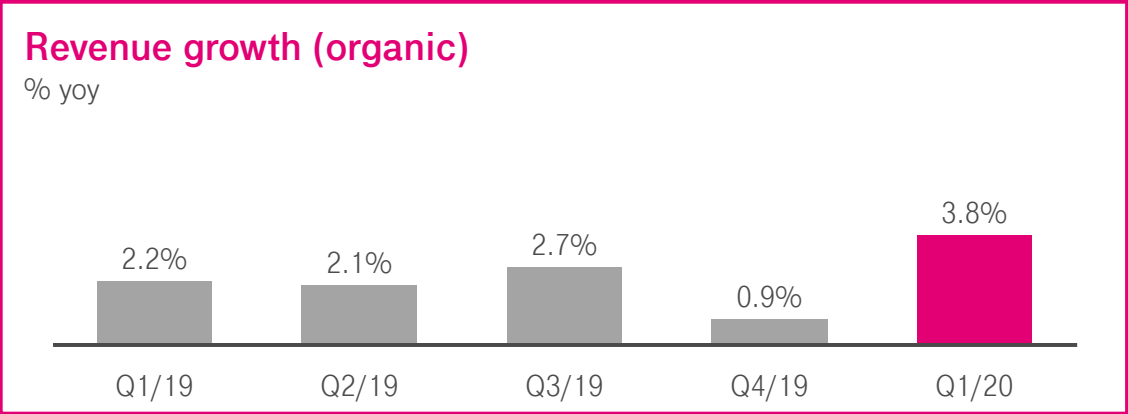
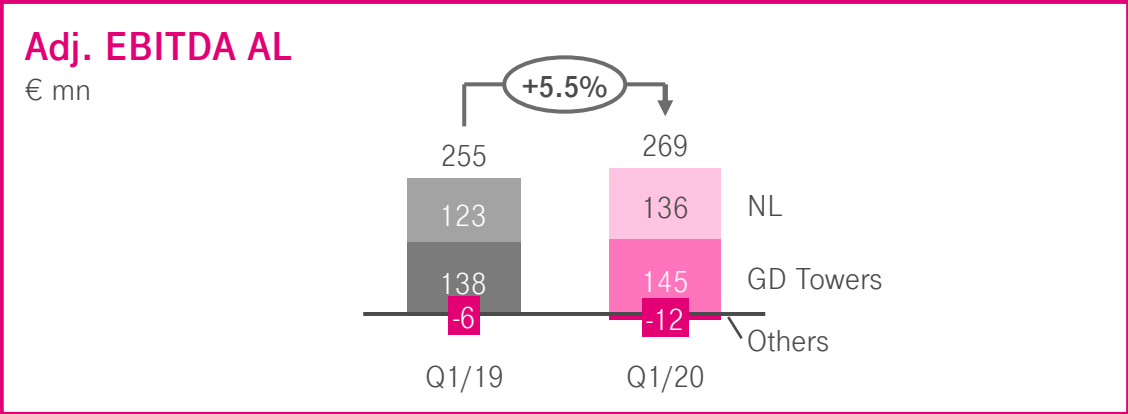
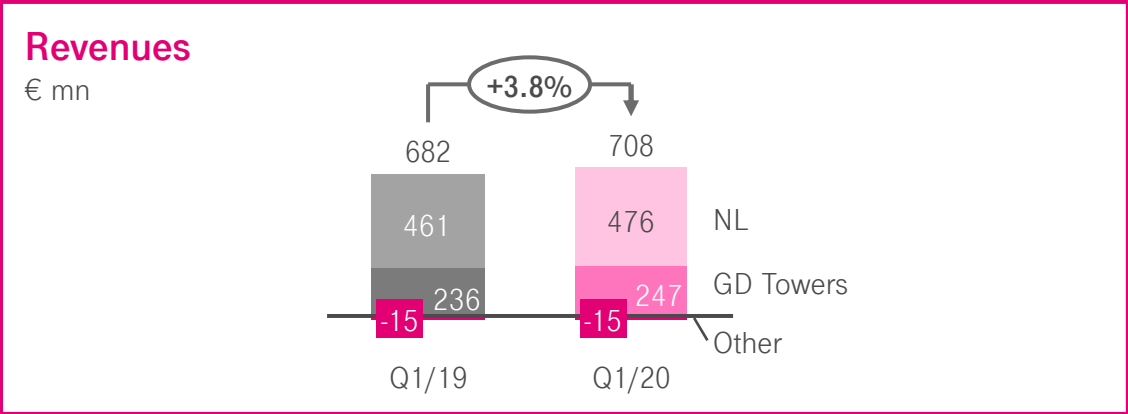


Adj. EBITDA AL growth (organic)

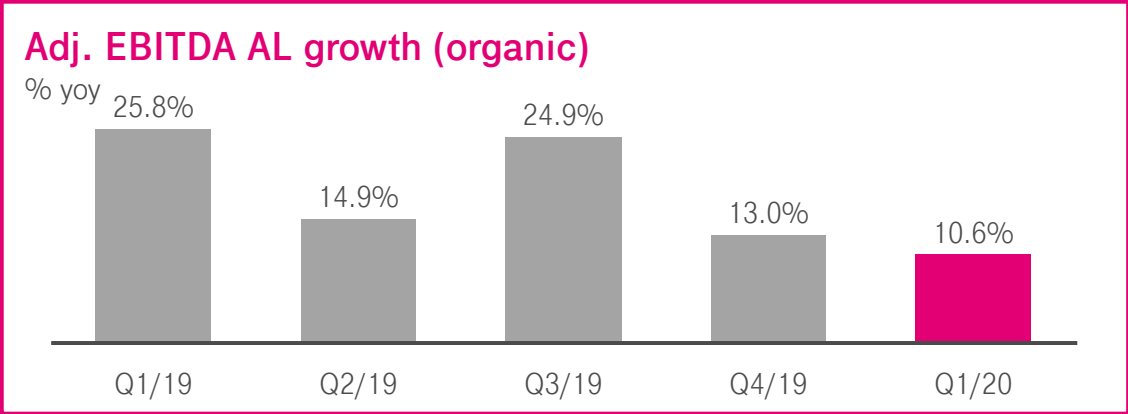
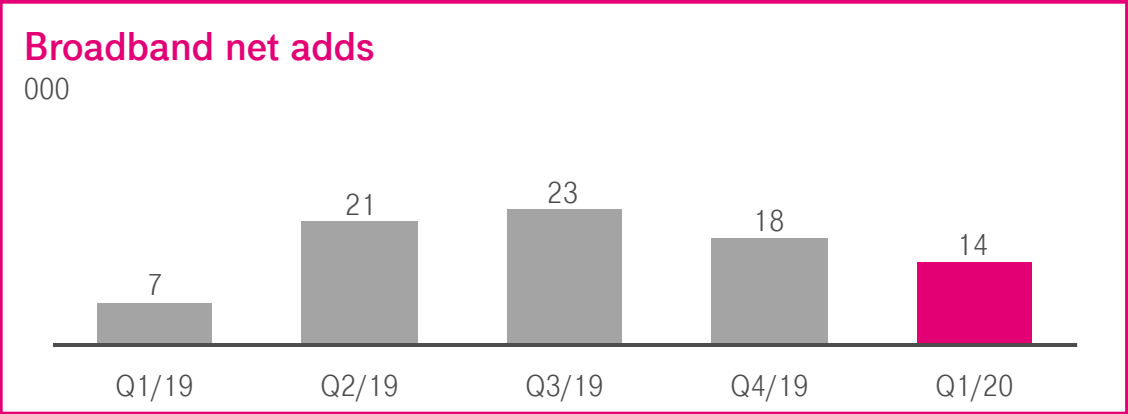
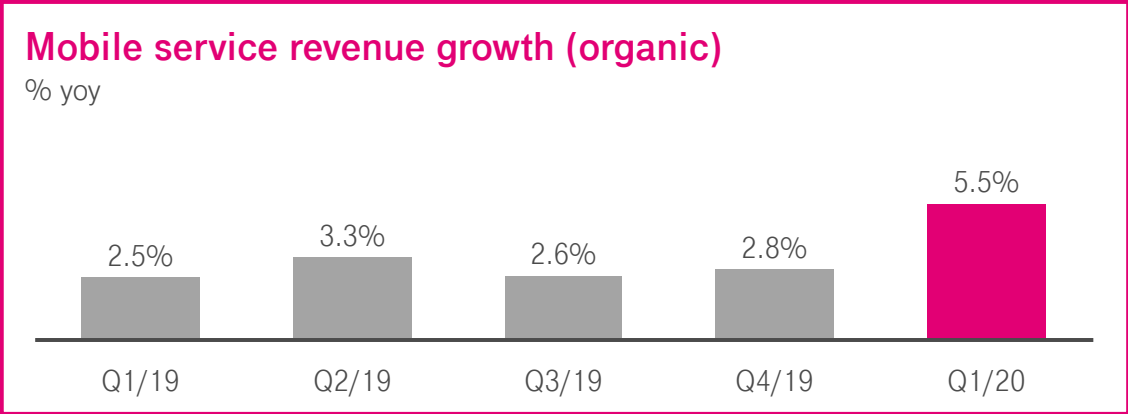
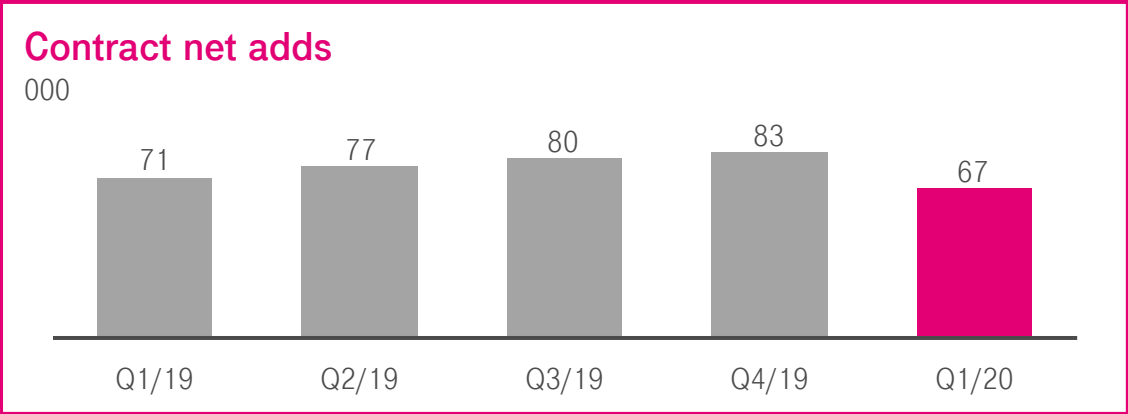
% yoy



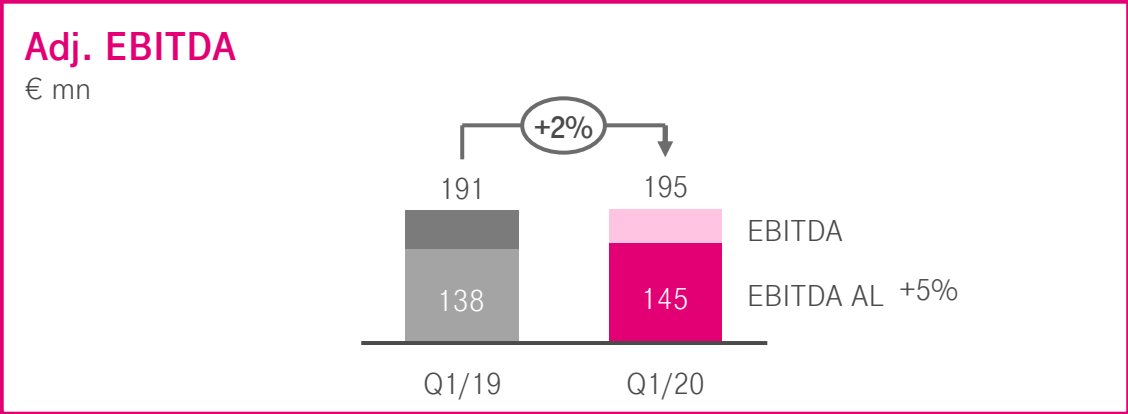
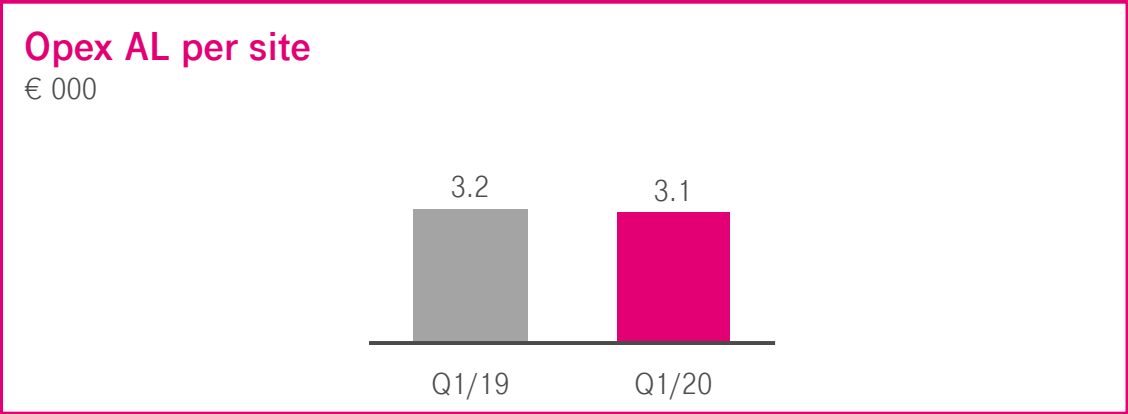
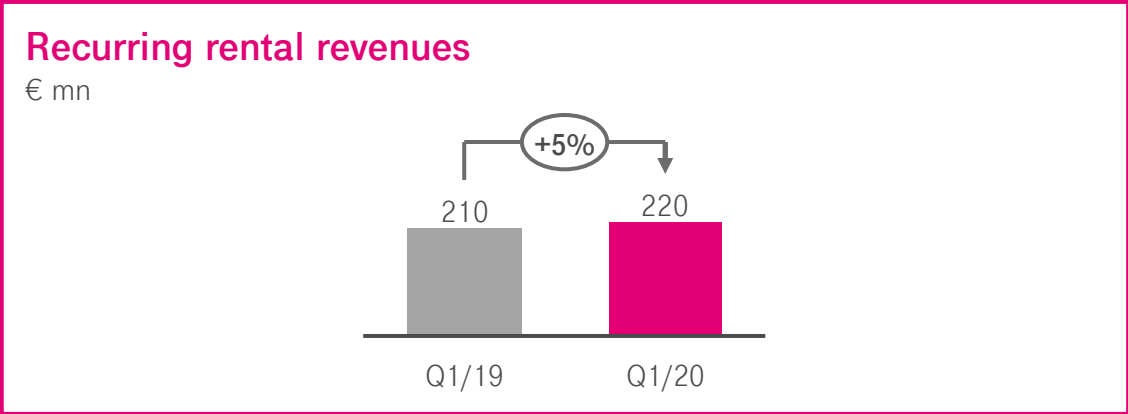
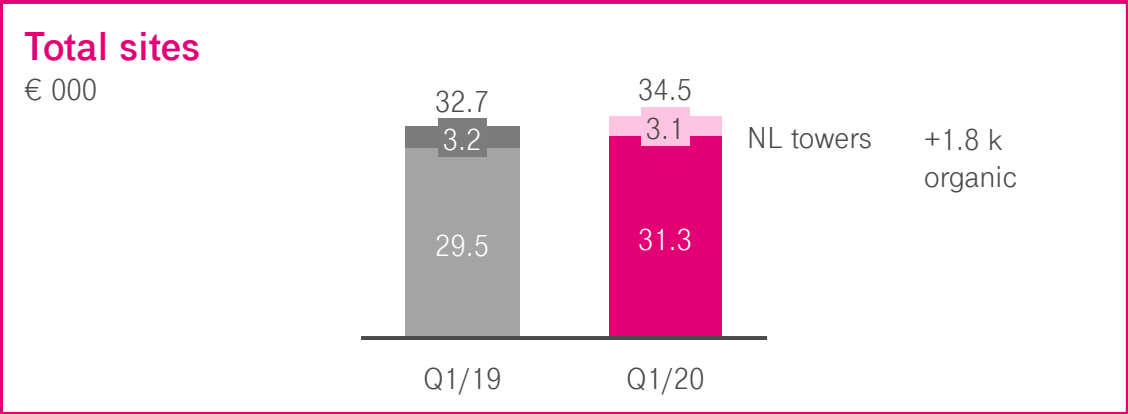
GROUP DEVELOPMENT: HIGHEST GROWTH SINCE INCEPTION



GD/TMNL: UNABATED GROWTH

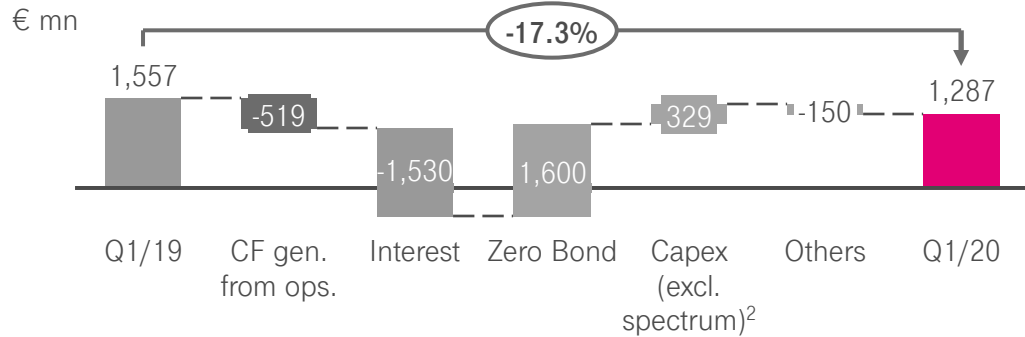


GD TOWERS: ONGOING EXPANSION

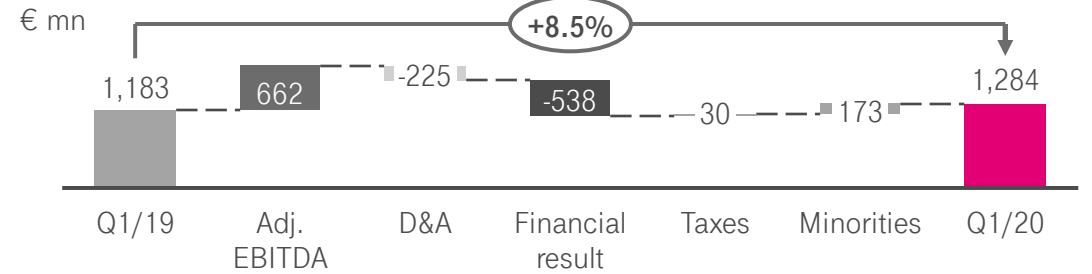


FINANCIALS: FCF, NET DEBT, ADJ. NET INCOME, AND EPS

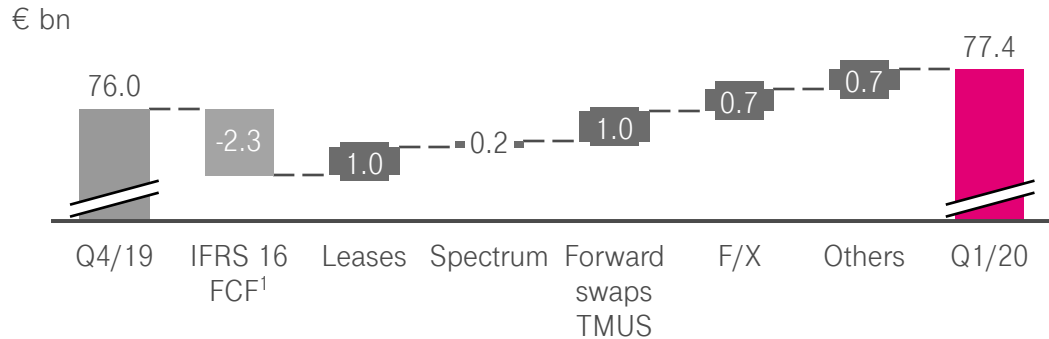
Free cash flow AL¹



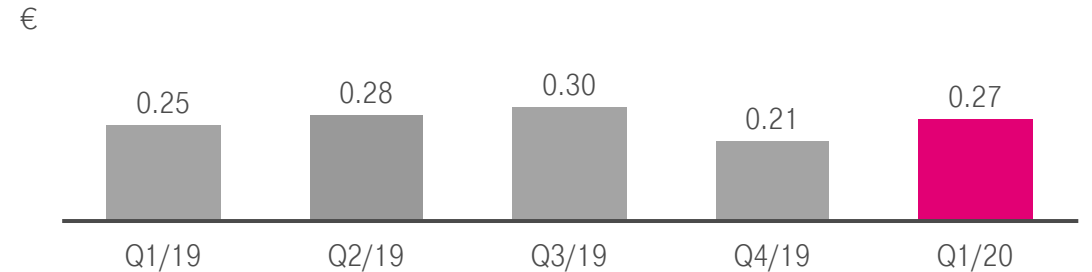
Adj. net income



Net debt (Q1/20 over Q4/19)



Adj. EPS



1) Free cash flow and FCF AL before dividend payments and spectrum investment 2) Excl. spectrum: Q1/19: €145 mn; Q1/20: €217 mn.

BALANCE SHEET: RATIOS IN STATED COMFORT ZONE

€ bn

	31/03/2019	30/06/2019	30/09/2019	31/12/2019	31/03/2020
Balance sheet total	165.5	164.2	174.3	170.7	173.6
Shareholders' equity	42.8	42.7	45.1	46.2	45.9
Net debt	71.9	75.7	78.8	76.0	77.4
Net debt/Adj. EBITDA ¹	2.65	2.74	2.80	2.65	2.64
Equity ratio	25.8%	26.0%	25.9%	27.1%	26.4%

Comfort zone ratios

Rating: A-/BBB	●
2.25–2.75 net debt/Adj. EBITDA	●
25–35% equity ratio	●
Liquidity reserve covers redemptions of the next 24 months	●

Current rating

Fitch:	BBB+	stable outlook
Moody's:	Baa1	negative outlook
S&P: ²	BBB	stable outlook

1) Ratios for the interim quarters calculated on the basis of previous 4 quarters.

2) S&P changed rating from BBB+ credit watch negative to BBB stable outlook following the closing of the US transaction in April 2020