

# DEUTSCHE TELEKOM

## Q1 2020 RESULTS



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# Q1 2020 RESULTS: WE CONTINUE TO DELIVER



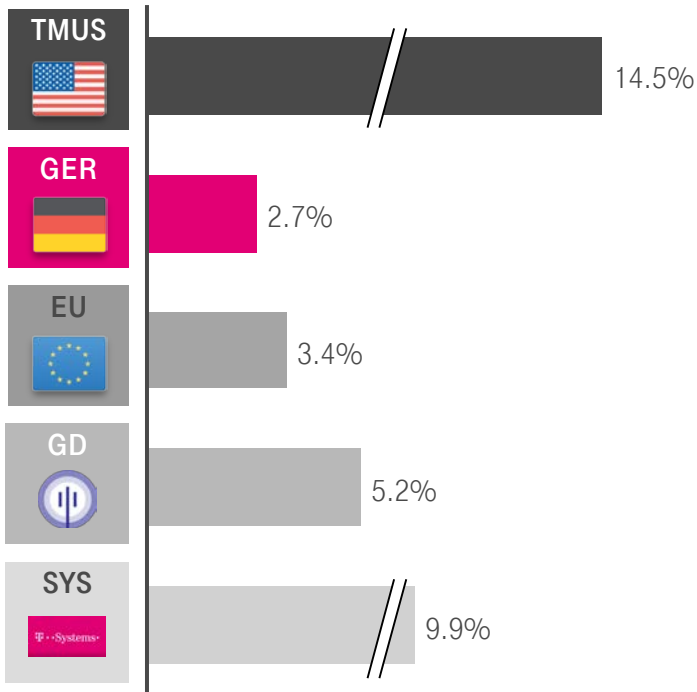
- US Deal closed 1<sup>st</sup> of April
  - All final approvals gained
  - Synergies confirmed & being implemented
  - Successful re-financing (US\$ 19 bn bond issuance)
- Accelerated plan to cover 50% of Germany with 5G already in 2020
- Strong Q1 commercials and financials
- Highly resilient operations, growing across the board
- Q1 debt ratios within comfort zone
- On track for stated guidance
- Dividend proposal unchanged at € 0.6 per share



# Q1 2020 FINANCIALS: GROWTH ACROSS THE BOARD

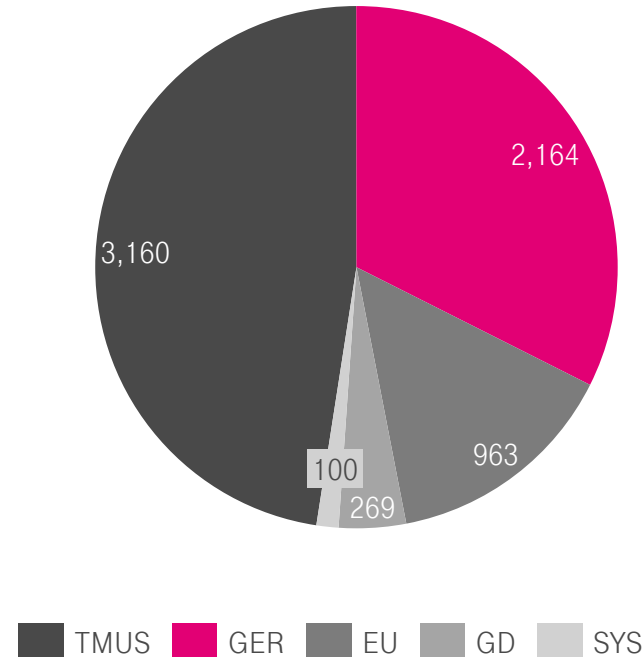


## Adj. EBITDA AL (organic growth)



## 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 <sup>1</sup>	-17.3%
Cash capex	-8.9%
Net debt AL	+8.6%

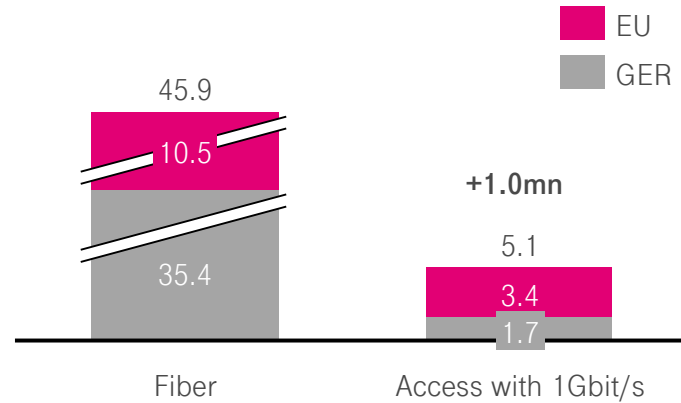
1) Up 28%, before reduction in ex US factoring of € 0.7bn

# INVESTMENTS: DRIVING NETWORK LEADERSHIP



## Fiber networks

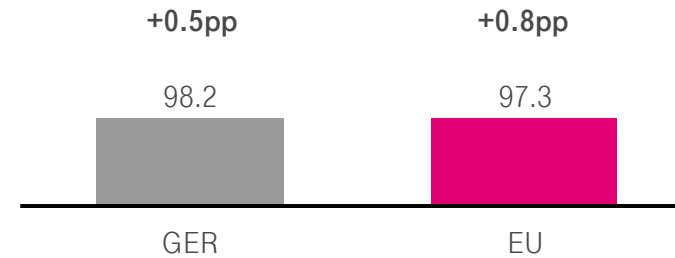
Fiber households<sup>1</sup>  
mn



- 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

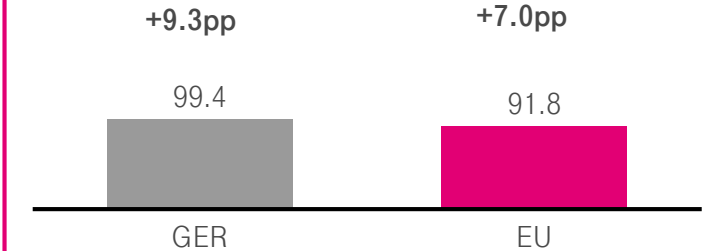
LTE outdoor pop coverage  
%



- 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 2020<sup>2</sup>
- GER: IT time to market further reduced to 5 months
- EU: APP penetration reaches 57%
- Top ratings for customer service

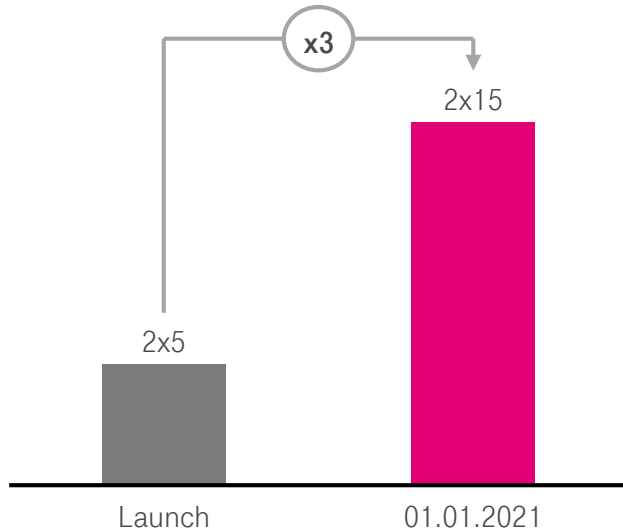
1) EU: ≥ 100Mbit/s coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3. GER: FTTC and FTTH/B lines 2) excl. Romania

# INVESTMENTS: 5G FOR HALF OF GERMANY THIS YEAR



## Spectrum 5G (2.1 GHz)

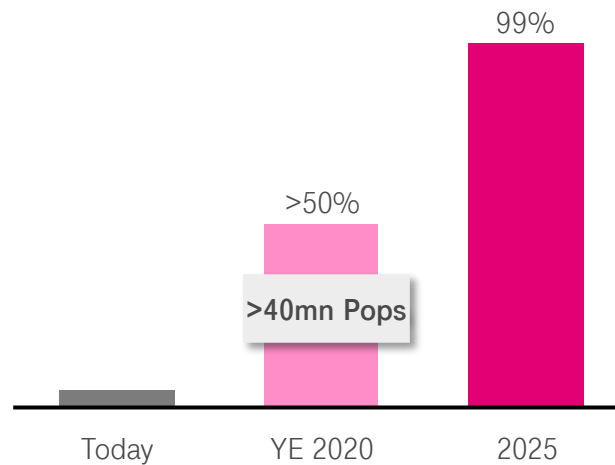
MHz



+ 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



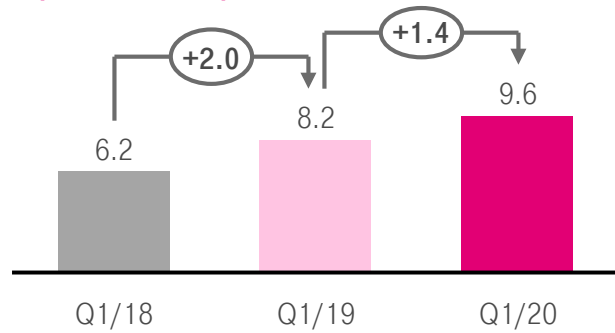
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# CUSTOMERS: GROWTH REMAINS STRONG



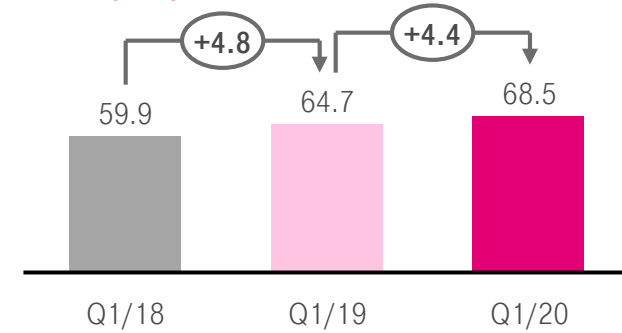
## Magenta EINS (GER + EU)

mn



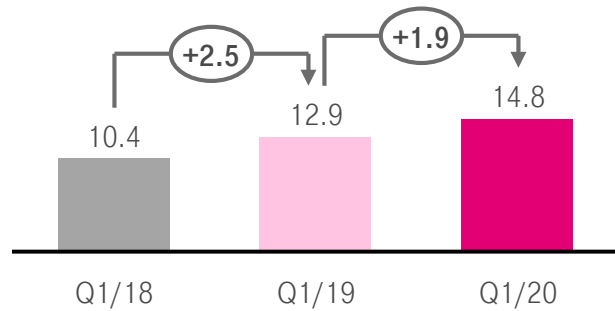
## Mobile customers (US)<sup>1</sup>

mn



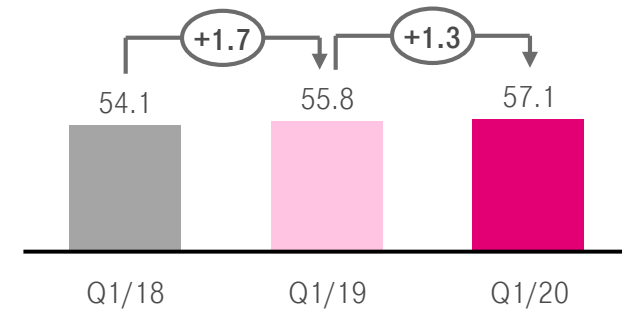
## Fiber (GER)

mn



## Mobile contract customers (GER + EU + NL)<sup>2</sup>

mn



1) base adjustment 616k 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



## EXAMPLES

### B2C

Extra 10 GB for all mobile B2C customers incl. WS

2.7m

Free Disney + for 6 months free of charge

>0.5m

WiFi package free for 3 months

3x

30 GB for 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 schools<sup>1</sup>

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 40k teacher licenses we reach almost 1m students



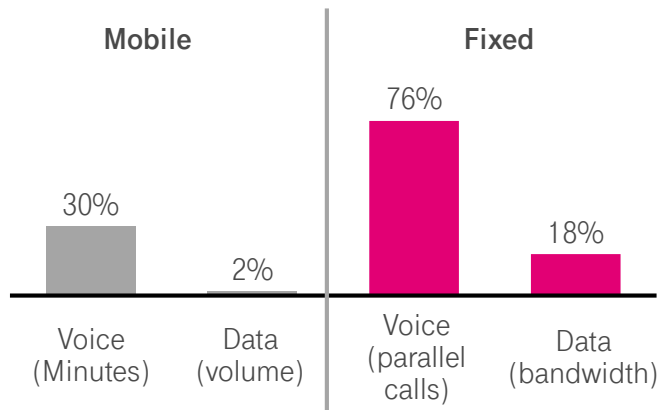
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# COVID-19: RESILIENT OPERATIONS

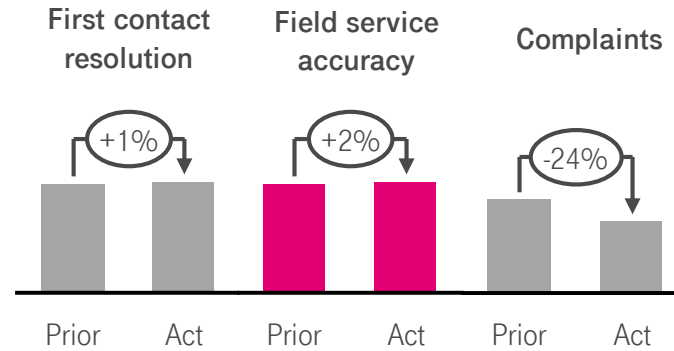


## GER: Impact Network<sup>1</sup>



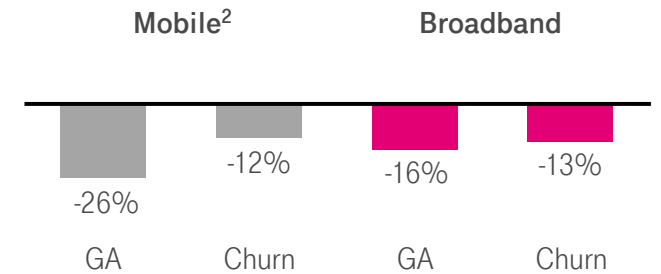
- “Stay at home” restrictions favour mobile and fixed voice communication and also in fixed data usage
- Both networks fully stable

## GER: Impact Service<sup>1</sup>



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

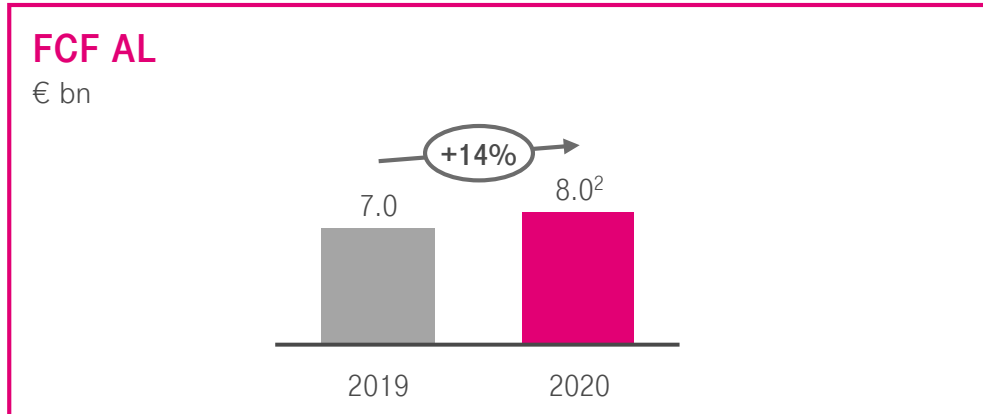
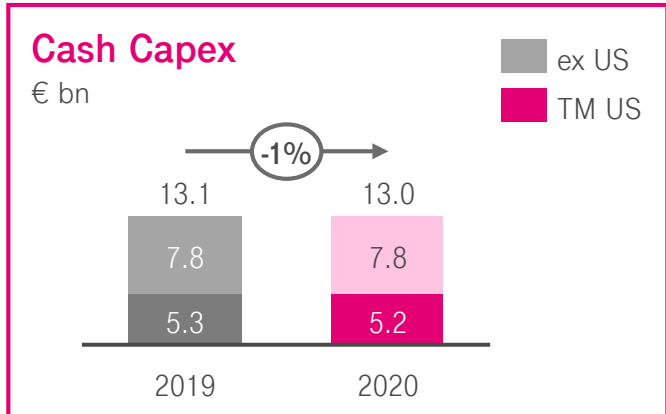
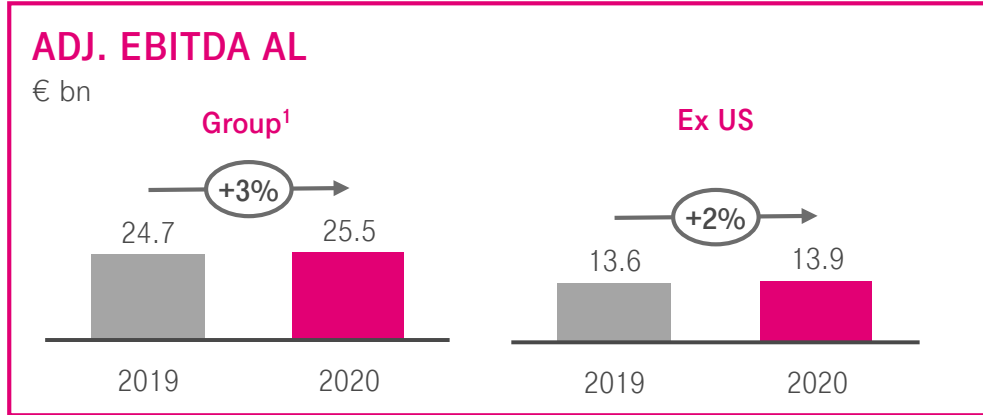
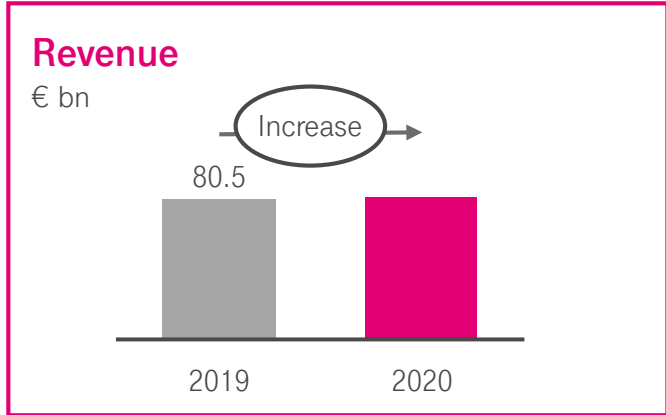
## GER: Impact Distribution<sup>1</sup>



- Shops closed mid March and reopened stepwise from 24 April
- 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 € 60cents

### 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 TM US 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 TM US 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 <sup>1</sup>	5,940	6,544	+10.2%	23,074	24,731	+7.2%
Adj. EBITDA AL (excl. US) <sup>1</sup>	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 <sup>1,3</sup>	1,557	1,287	-17.3%	6,051	7,013	+15.9%
Cash capex <sup>2</sup>	3,682	3,353	-8.9%	12,223	13,118	+7.3%
Net debt <sup>1</sup>	71,876	77,394	+7.7%	n.a.	76,031	n.a.
Net debt AL	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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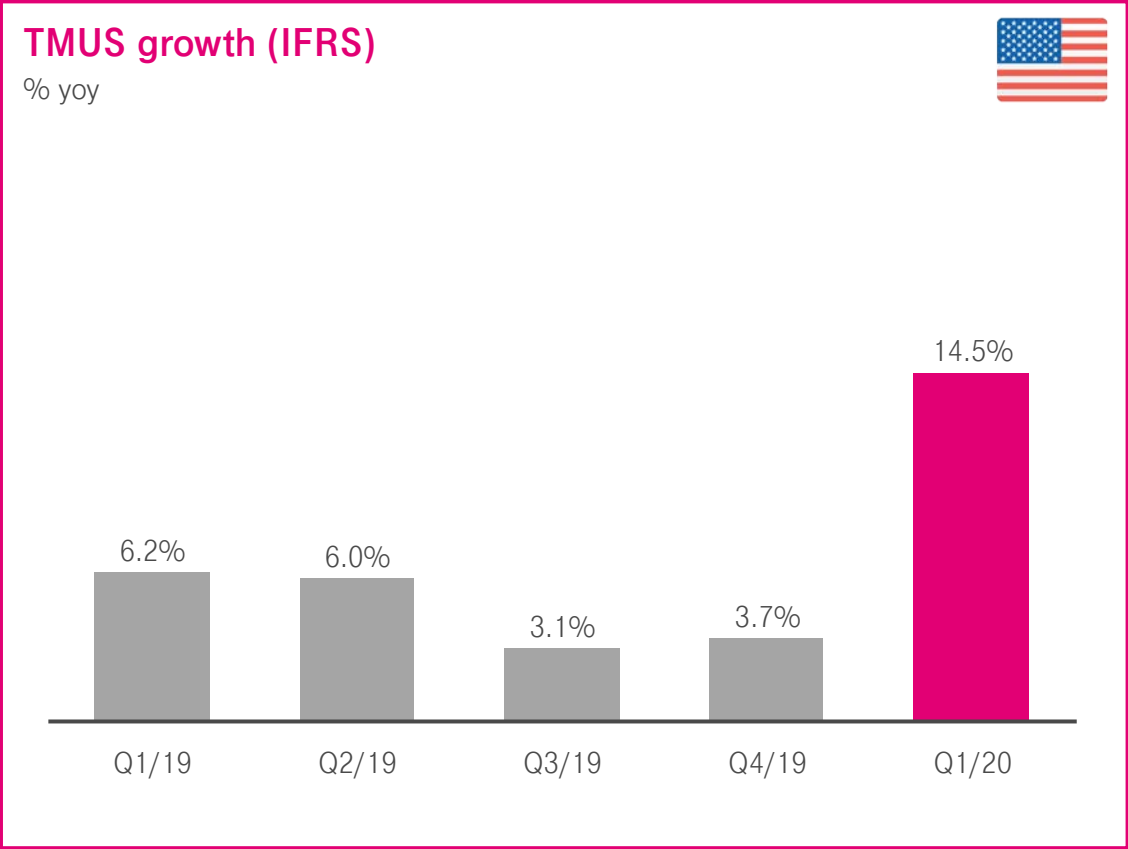
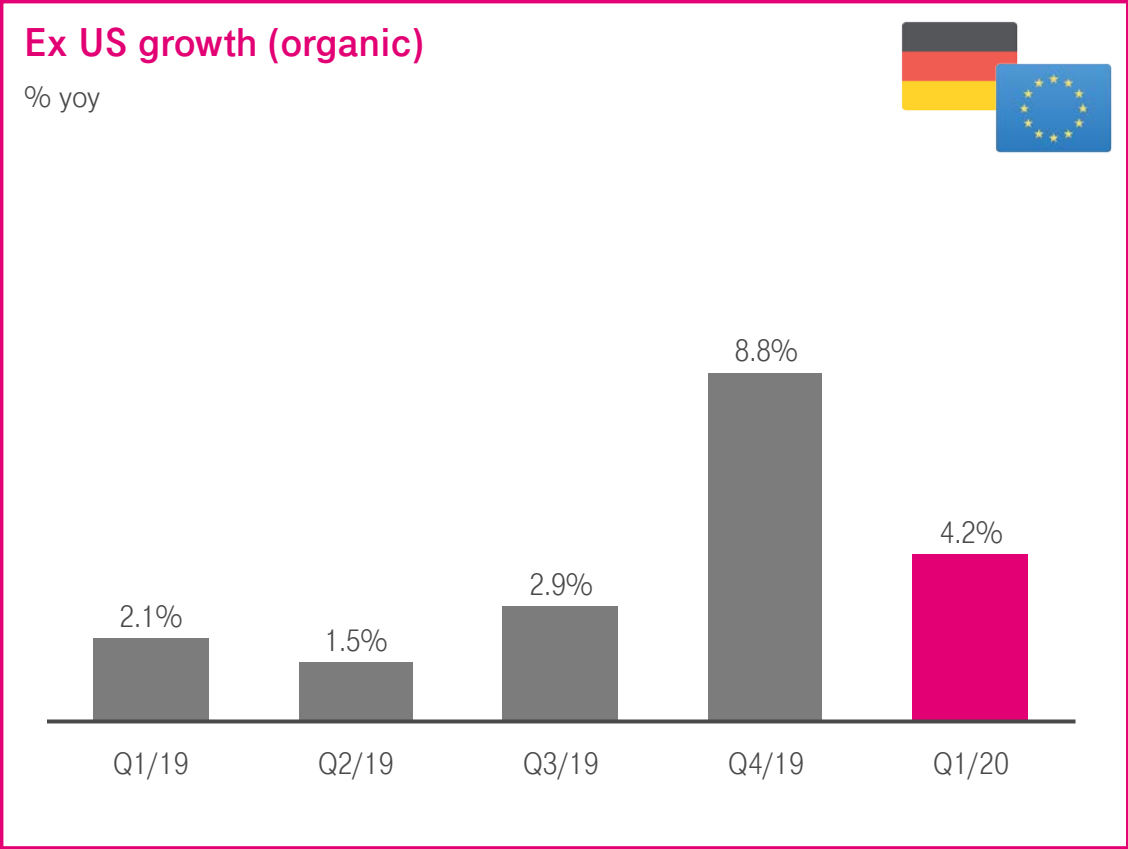
# COVID-19: AREAS OF POSSIBLE IMPACT



	Maximum possible exposure	Impact to date <sup>1</sup>
Retail roaming revenue	<p>EU/NL DE ~€ 0.35bn</p>	-80% from mid March to end of April
Mobile handset revenue	<p>EU/NL DE ~€ 3.5bn</p>	-20% lower, prior to shops reopening
ICT revenue	<p>TSI EU/NL ~€ 9bn</p>	Some IT project delays
Fixed call revenue <sup>2</sup>	<p>EU/NL DE ~€ 0.6bn</p>	+33% in March/April
Bad debt	<p>1.4% 0.6% EU/NL DE ~€ 0.3bn</p>	Limited impact so far
EBITDA AL	<p>Ex US guidance € 13.9bn</p>	Limited impact

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

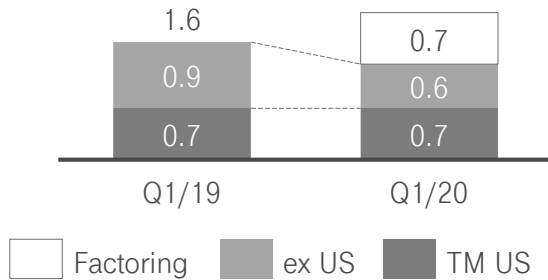
# EBITDA AL: GROWTH ON BOTH SIDES OF THE ATLANTIC



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

## Cons. FCF AL DT Group

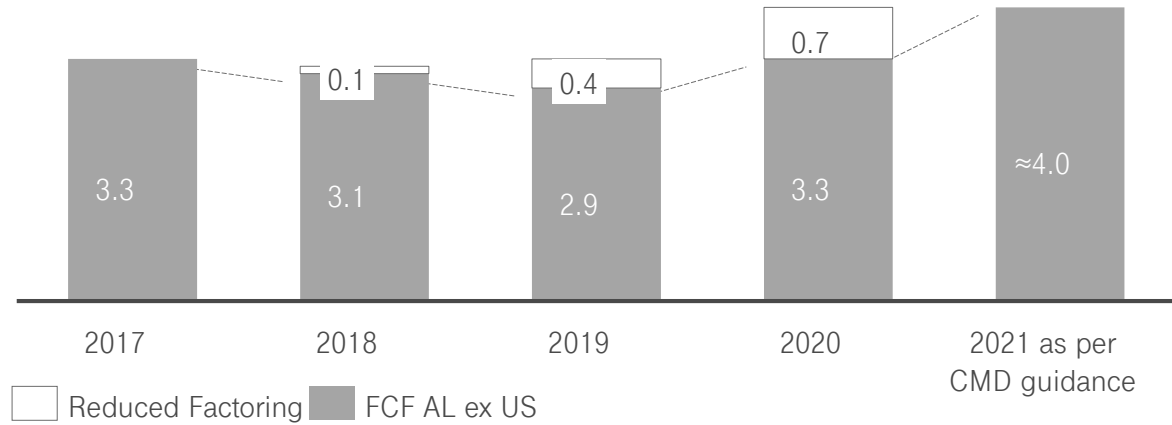
€ bn



- 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

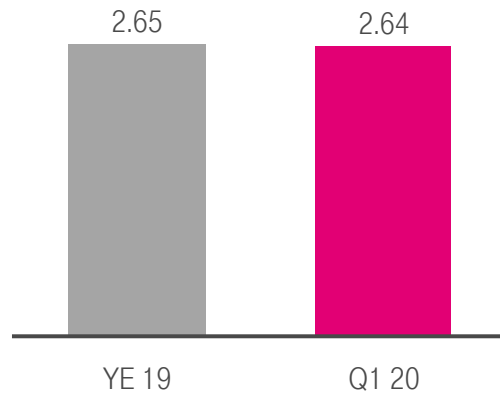


- FCF AL in ex US business in 2020 and prior years impacted by reduction in factoring.
- Currently no plans to reduce further after 2020



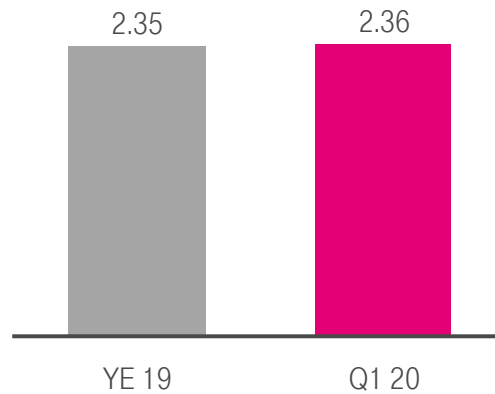
# LEVERAGE: WITHIN COMFORT ZONE, PRE US MERGER

## 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



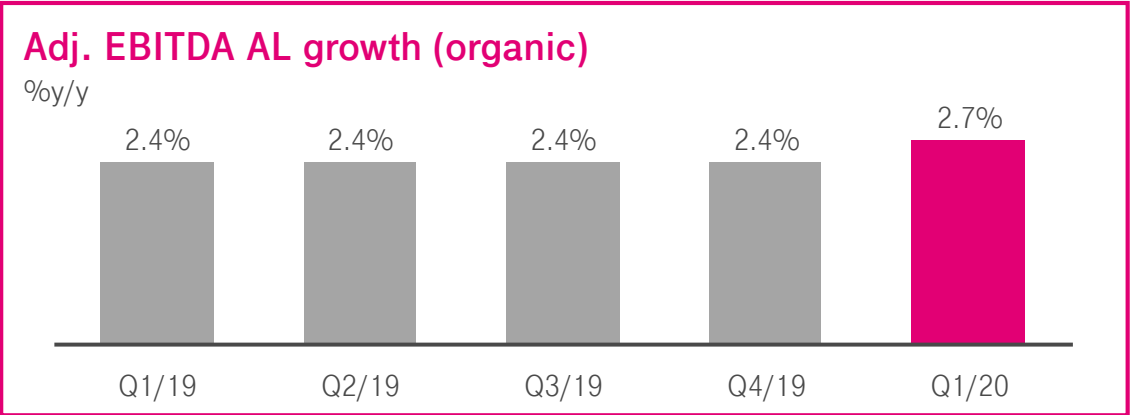
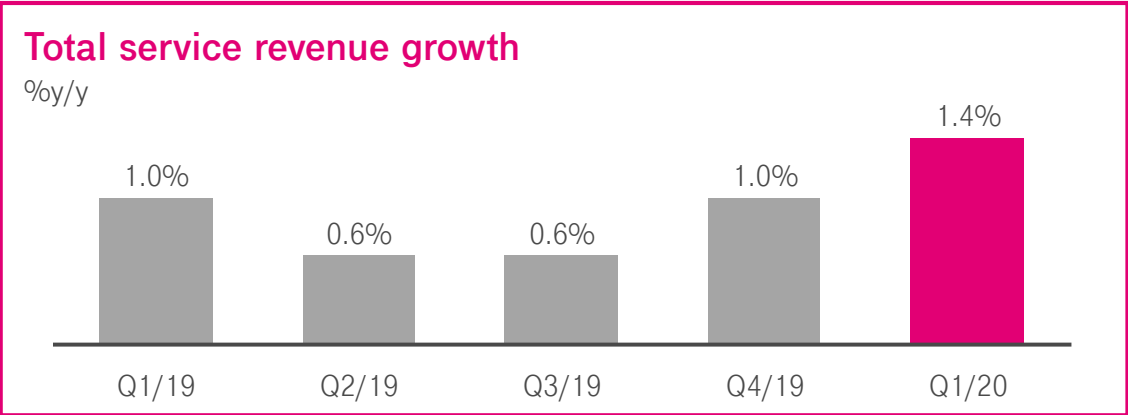
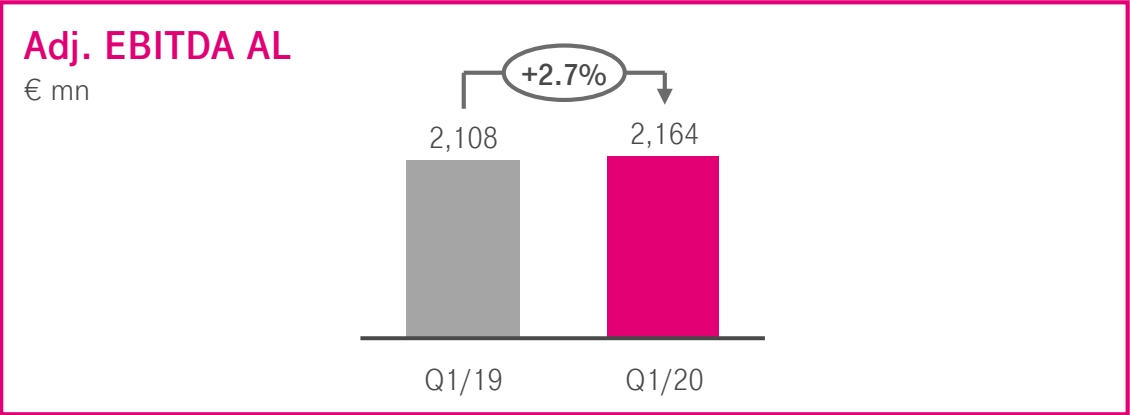
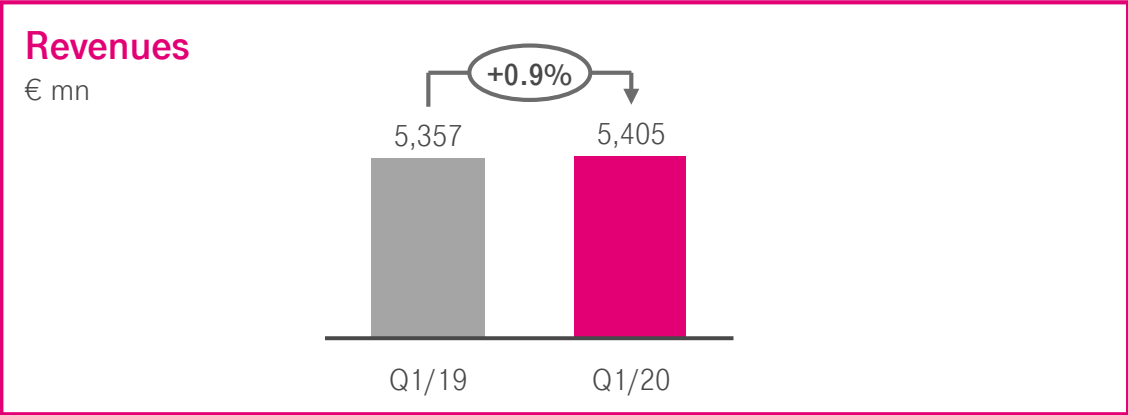
- Net debt excluding leases
- EBITDA AL

- DT in IFRS 16 comfort zone of 2.25–2.75x<sup>1</sup>
- \$19bn funded at ~4% average cost in week of closing
- \$8bn 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

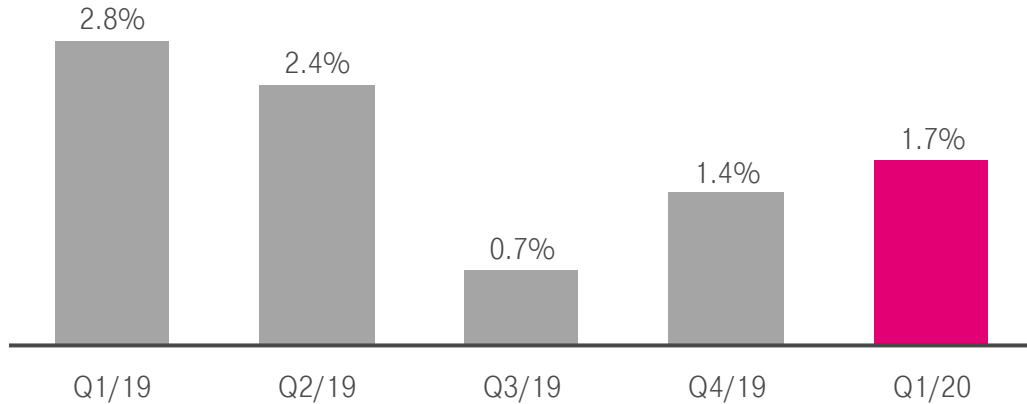


# GERMANY: SERVICE REVENUES GROWING



## Mobile service revenue growth

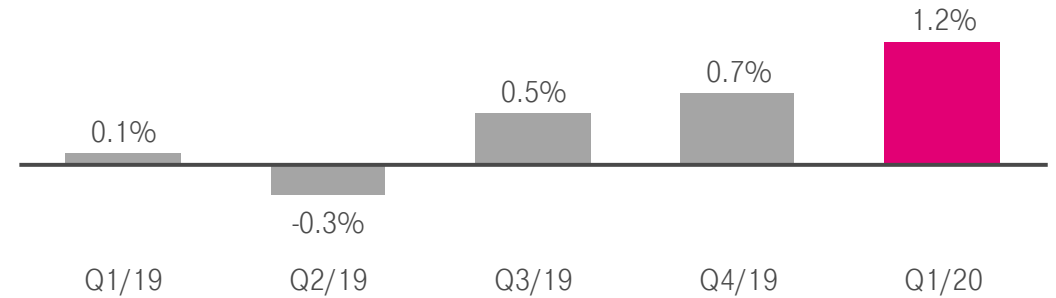
%y/y



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

## Fixed service revenue growth

%y/y



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



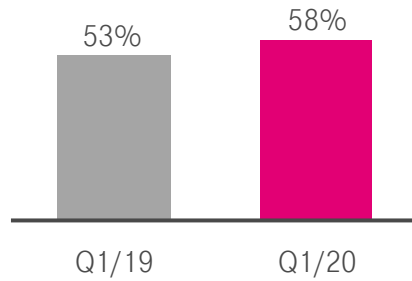
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# GERMANY: POSITIVE MOBILE KPI



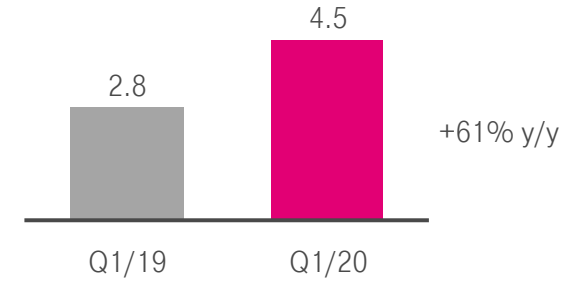
## Magenta EINS share (mobile)<sup>1</sup>

%

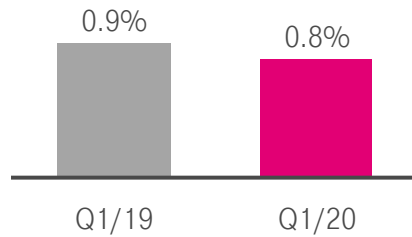


## Data usage<sup>3</sup>

GB

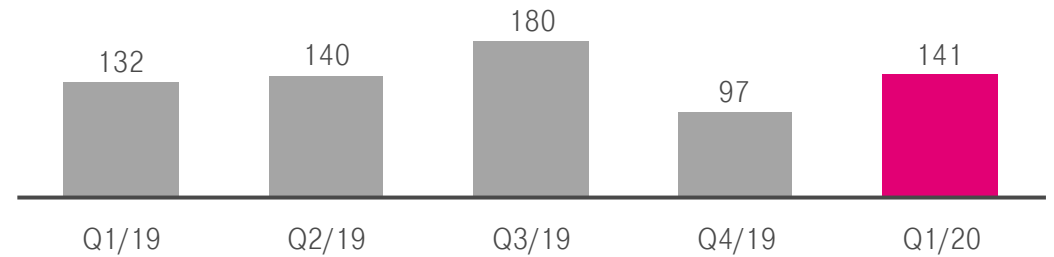


## Churn<sup>2</sup>



## Branded contract net adds<sup>4</sup>

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



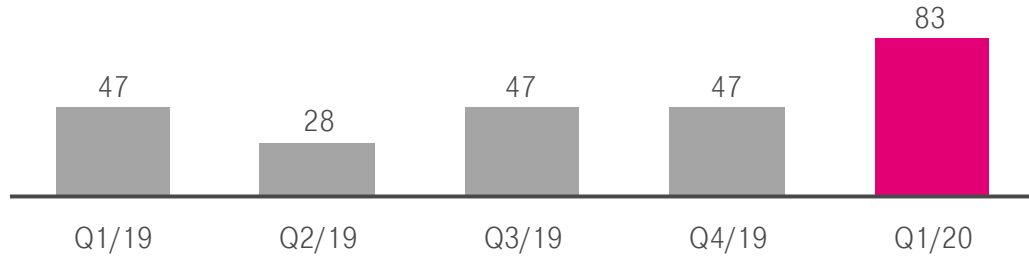
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# GERMANY: STEADY COMMERCIALS IN FIXED



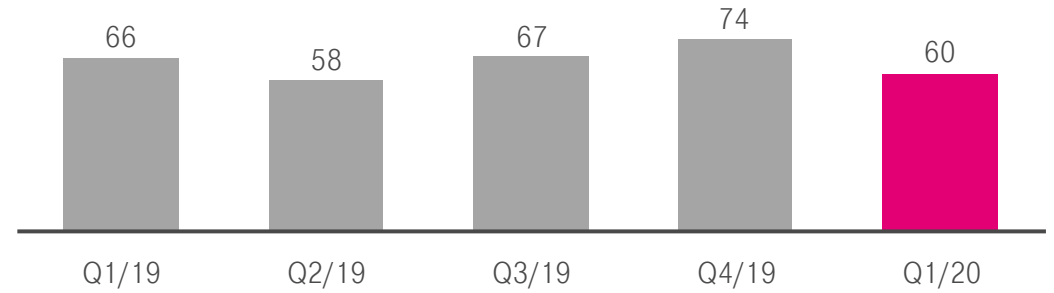
## Broadband net adds

000



## TV net adds

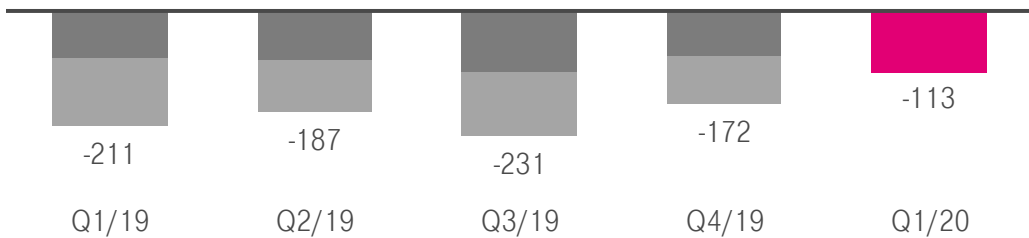
000



## Line losses

000

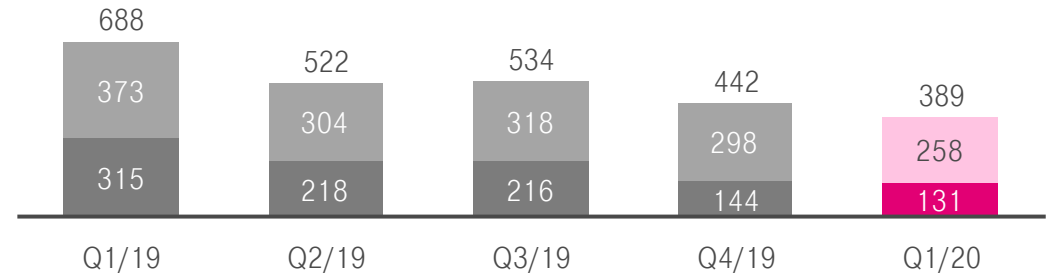
Line losses org.  
 Line losses triggered by IP-migration



## Fiber net adds

000

Retail  
 Wholesale

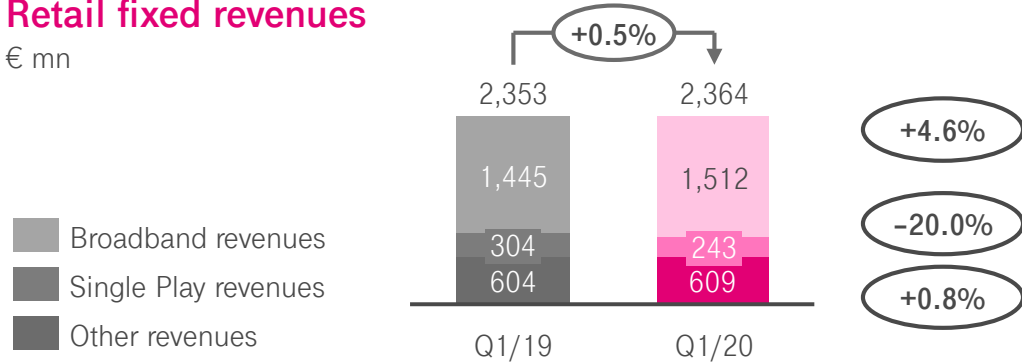


# GERMANY: GROWTH IN RETAIL FIXED



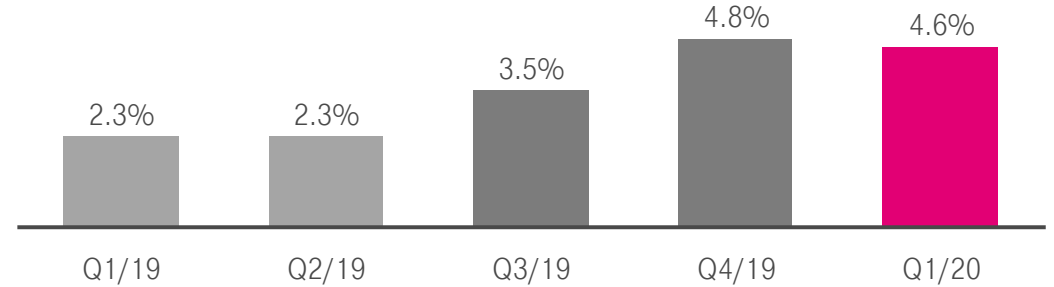
## Retail fixed revenues

€ mn



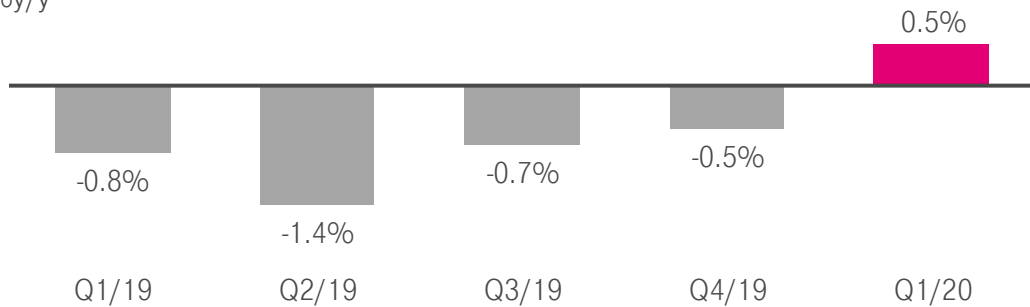
## Broadband revenue growth

%y/y



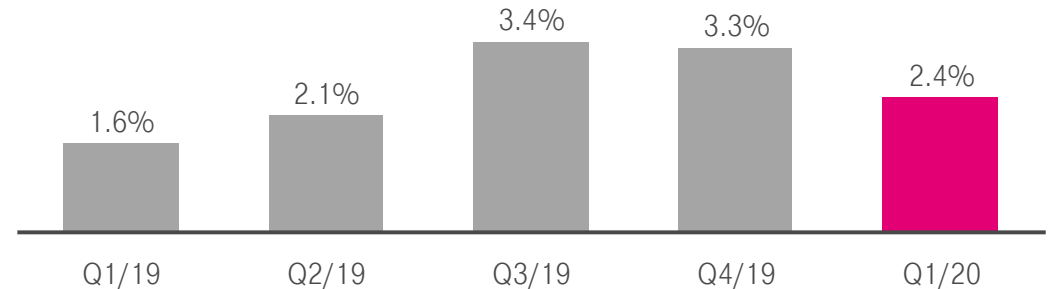
## Retail fixed revenue growth

%y/y



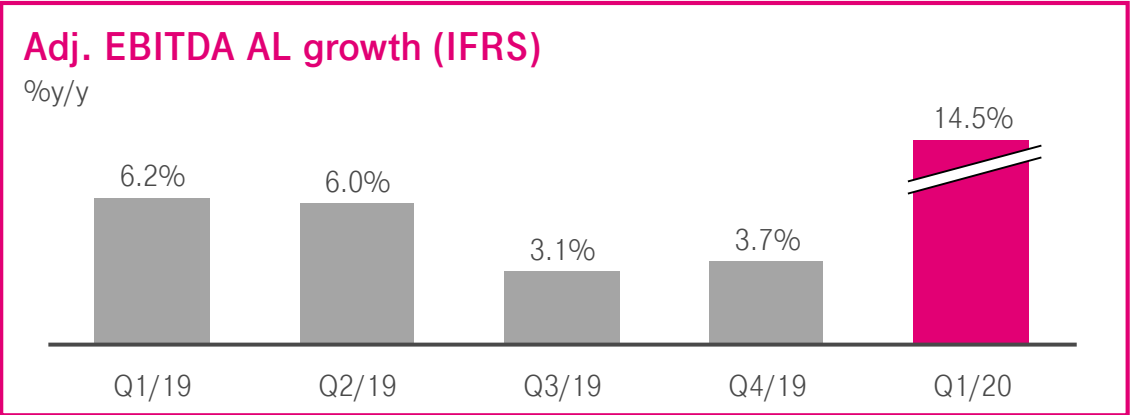
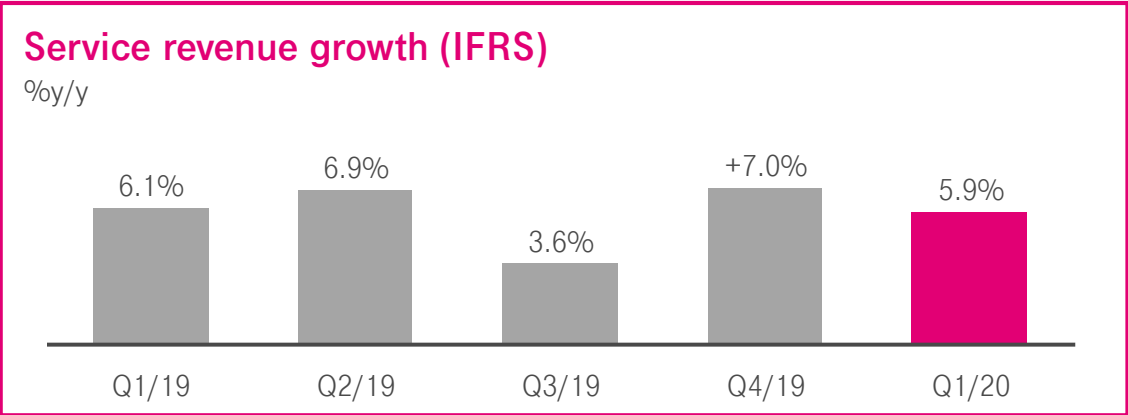
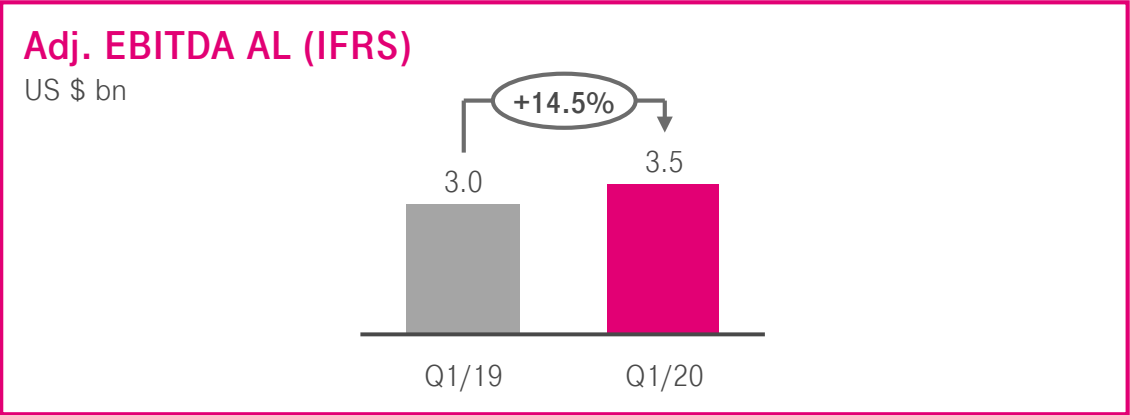
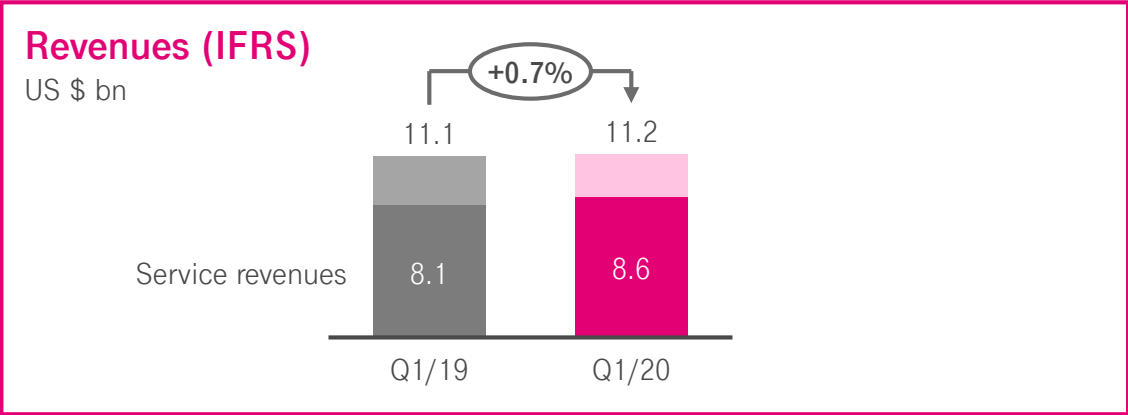
## Wholesale revenue growth

%y/y



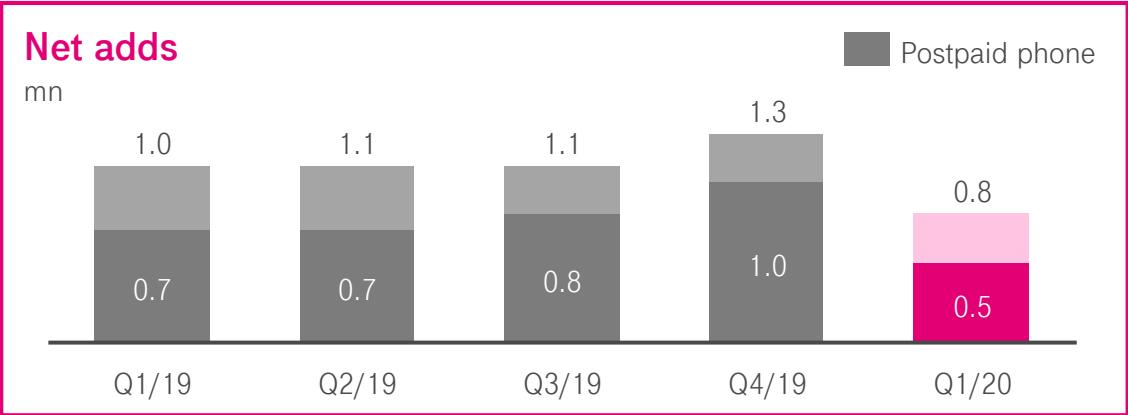
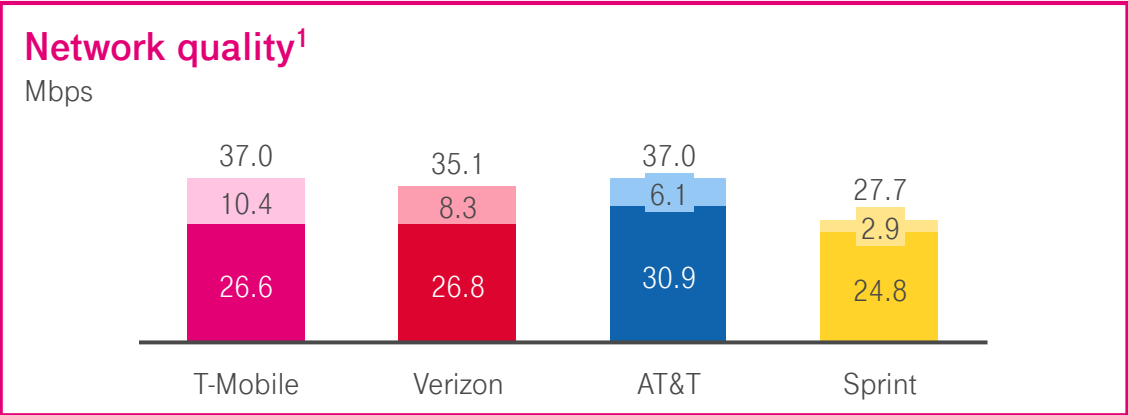
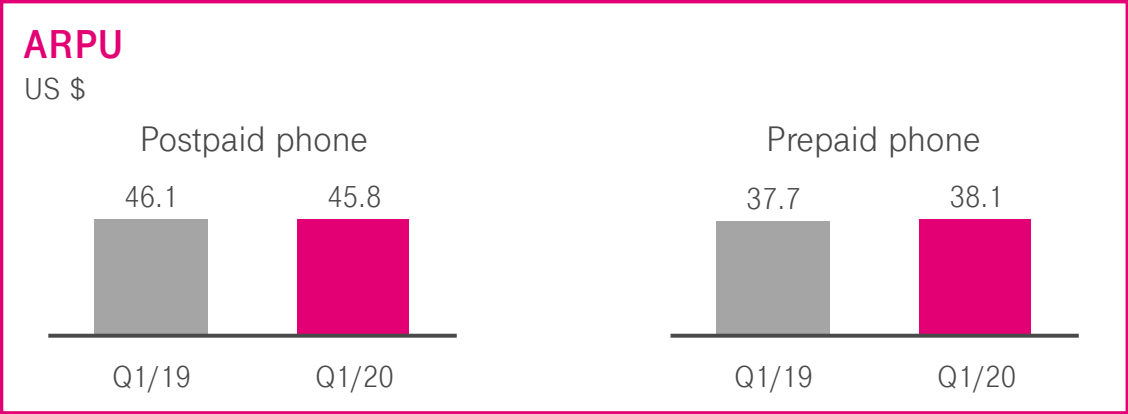
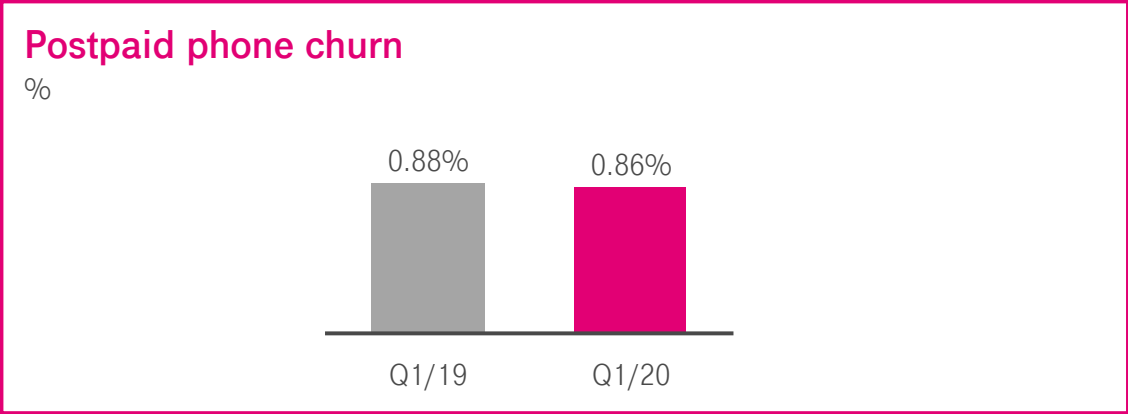
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# TMUS: CONTINUED INDUSTRY-LEADING GROWTH



Growth rates calculated on US\$ basis

# TMUS: EXECUTING ON KEY DRIVERS



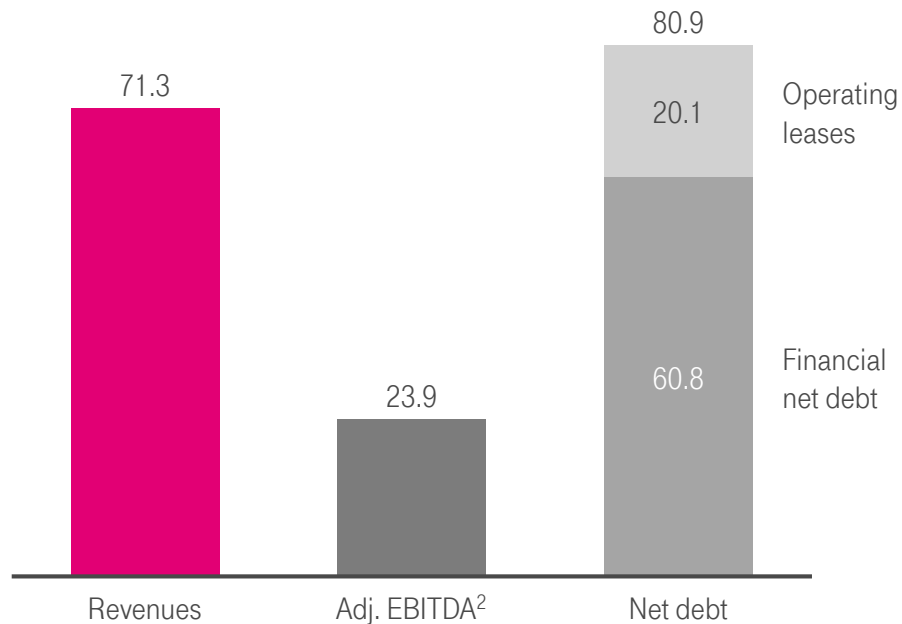
1) Source: Opensignal USA Mobile Network Experience Report Jan 2020

# TMUS: PRELIMINARY 2019 PRO FORMAS AND Q2 GUIDANCE



## 2019 pro formas (US GAAP)<sup>1</sup>

\$ bn



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

## Q2 guidance (US GAAP)

- Up to 150k postpaid net adds
- Adj. EBITDA \$ 6.2 to 6.5bn (leasing revenues \$ 1.3–1.4bn)
- Capex \$ 2.3–2.5bn
- Merger-related costs \$500–600m<sup>3</sup>
- Covid-19 related one-offs \$ 450–550m<sup>3</sup>
- FCF \$ 1.3–1.5bn



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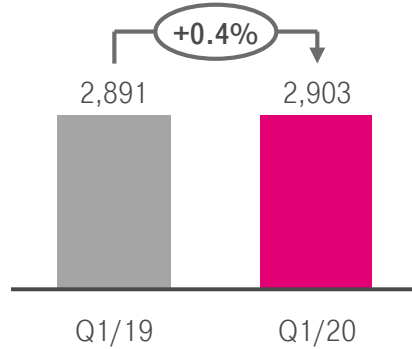


# EUROPE: 9<sup>TH</sup> CONSECUTIVE QUARTER OF EBITDA GROWTH



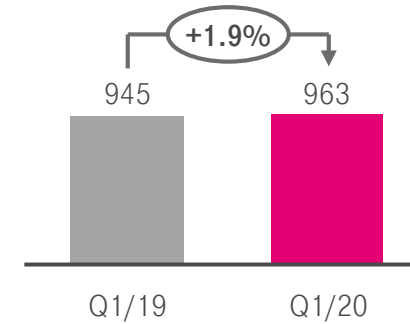
## Revenues

€ mn



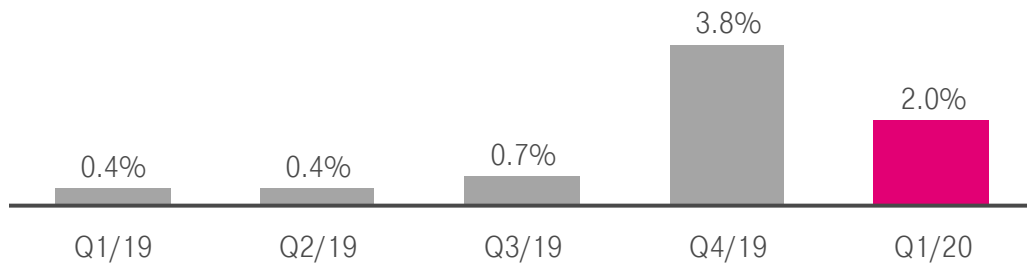
## Adj. EBITDA AL

€ mn



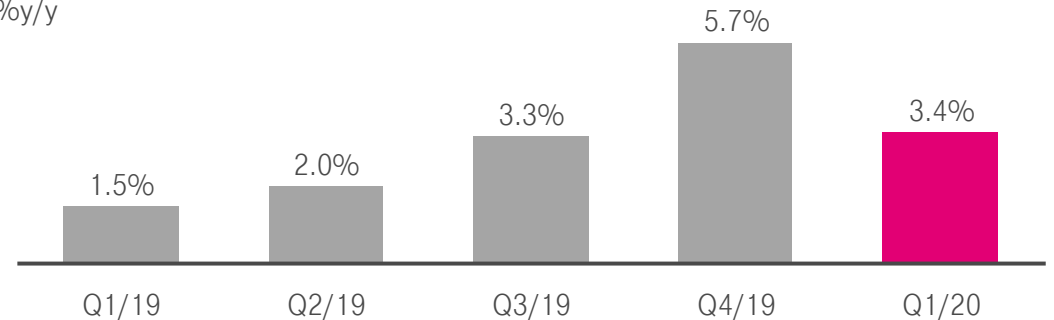
## Revenue growth (organic)

%y/y



## Adj. EBITDA AL growth (organic)

%y/y

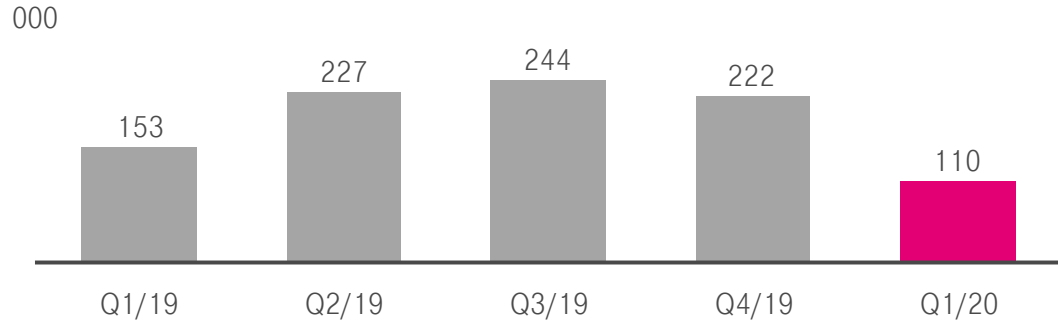


LIFE IS FOR SHARING.

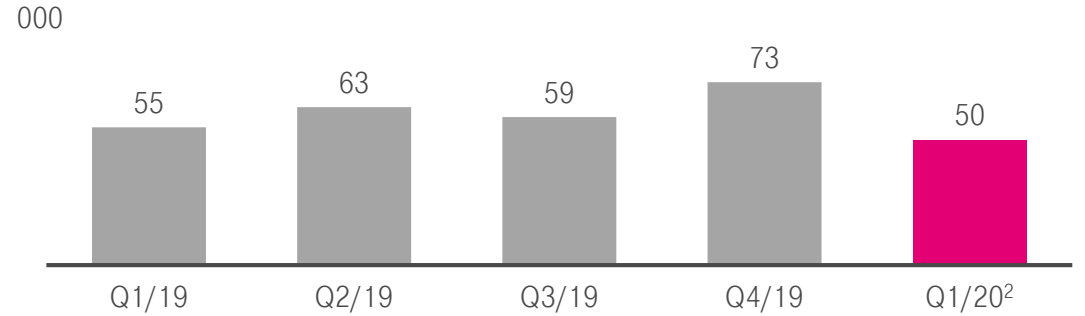
# EUROPE: SOLID CUSTOMER GROWTH



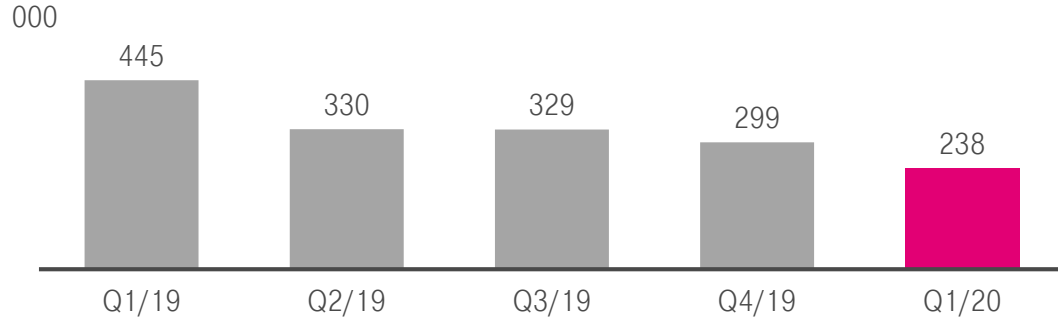
## Mobile contract net adds<sup>1</sup>



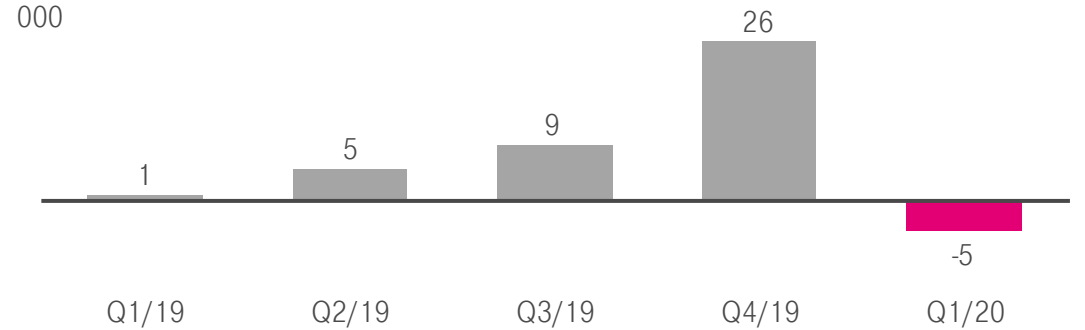
## Broadband net adds



## FMC net adds



## TV net adds



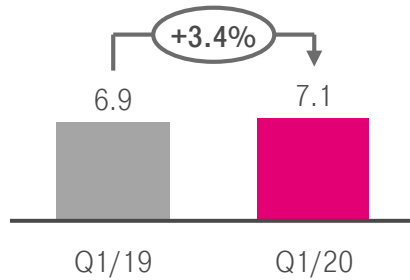
1) M2M customers have been re-allocated to prepay as of Q1/20. Historic figures have been adjusted

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

# T-SYSTEMS: TRANSFORMATION ONGOING

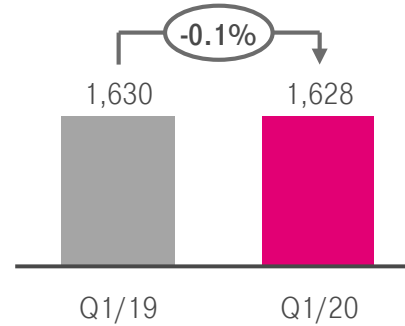
## Order entry (LTM)

€ bn



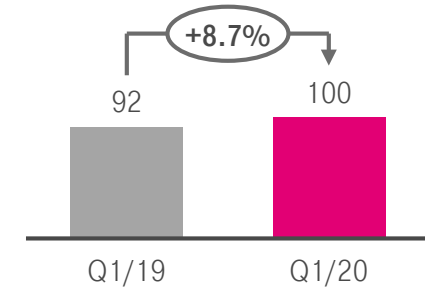
## Revenues

€ mn



## Adj. EBITDA AL

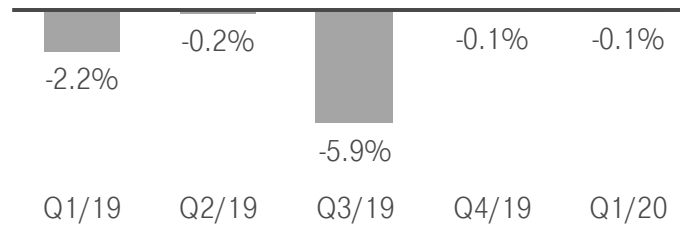
€ mn



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

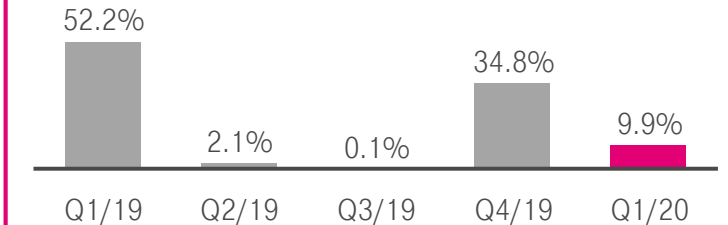
## Revenue growth (organic)

%y/y

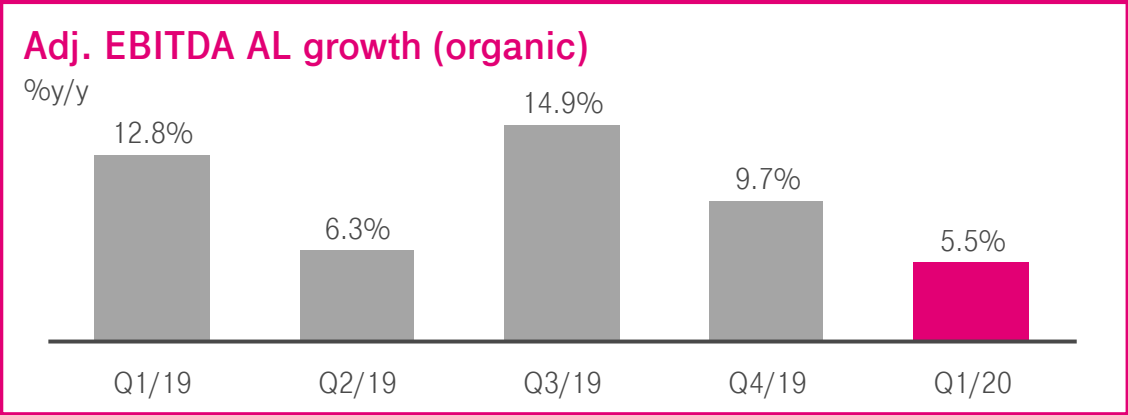
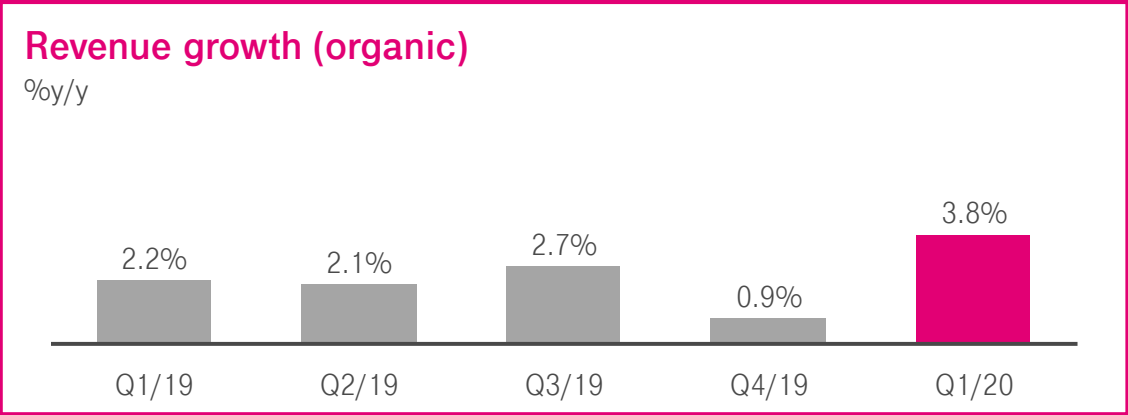
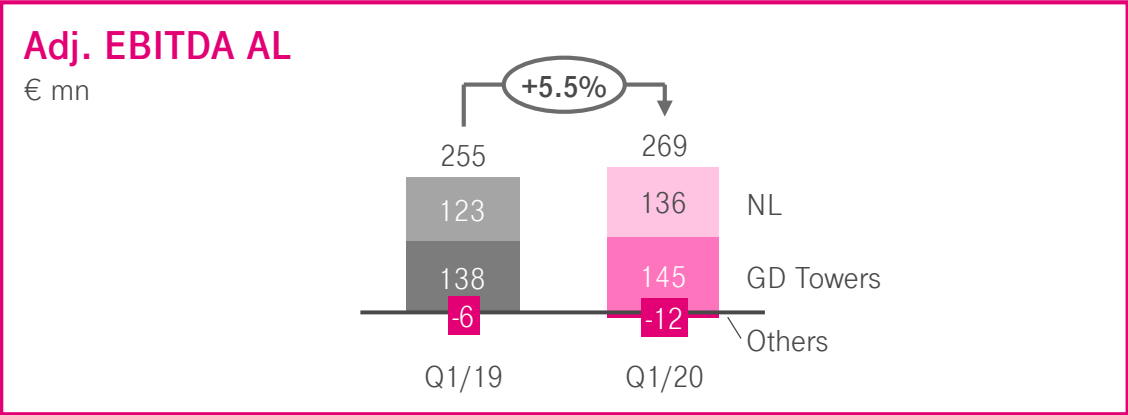
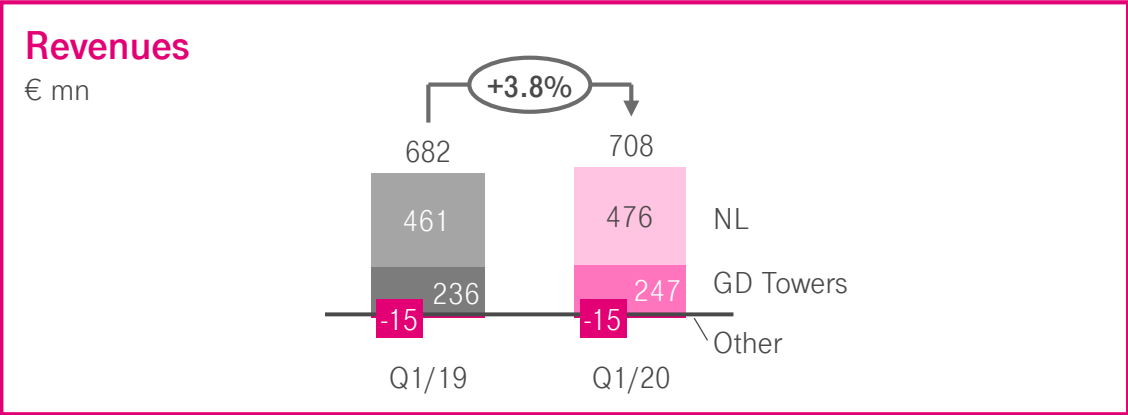


## Adj. EBITDA AL growth (organic)

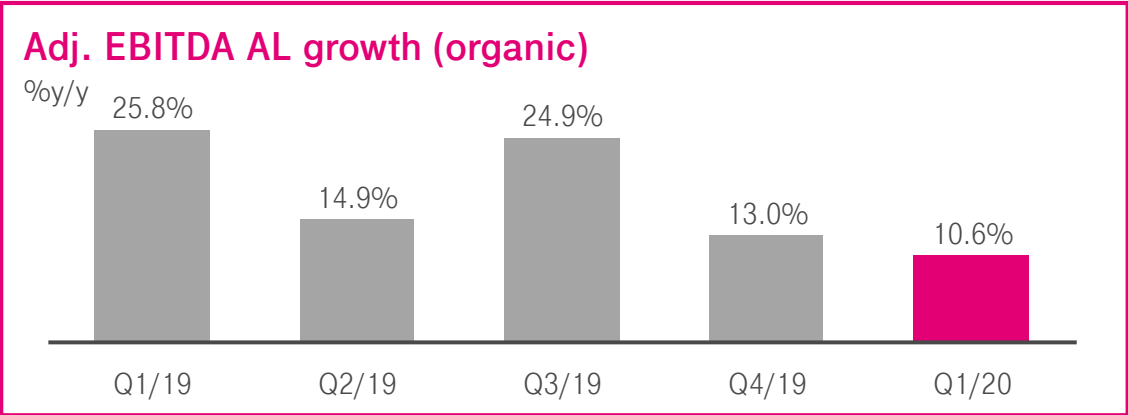
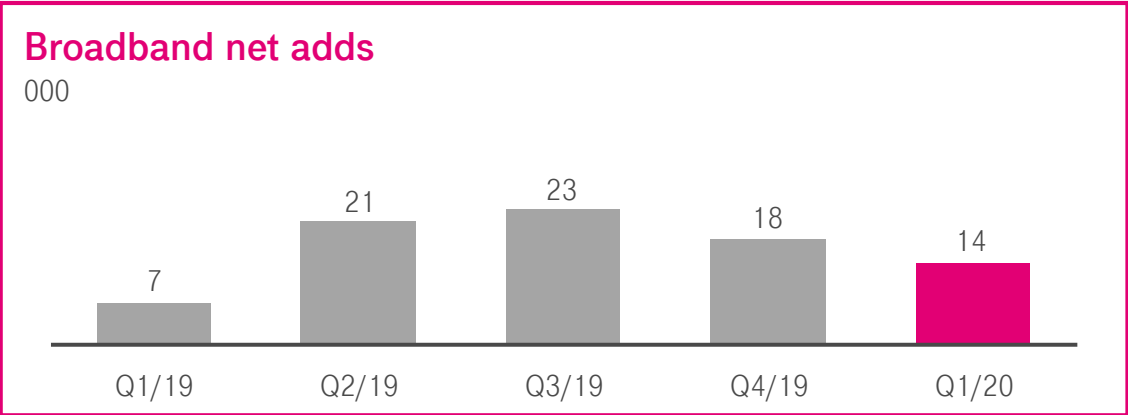
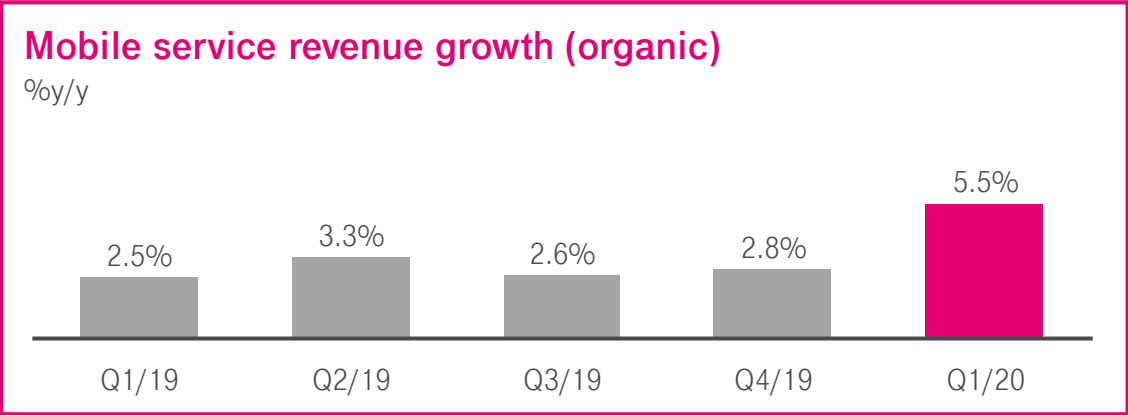
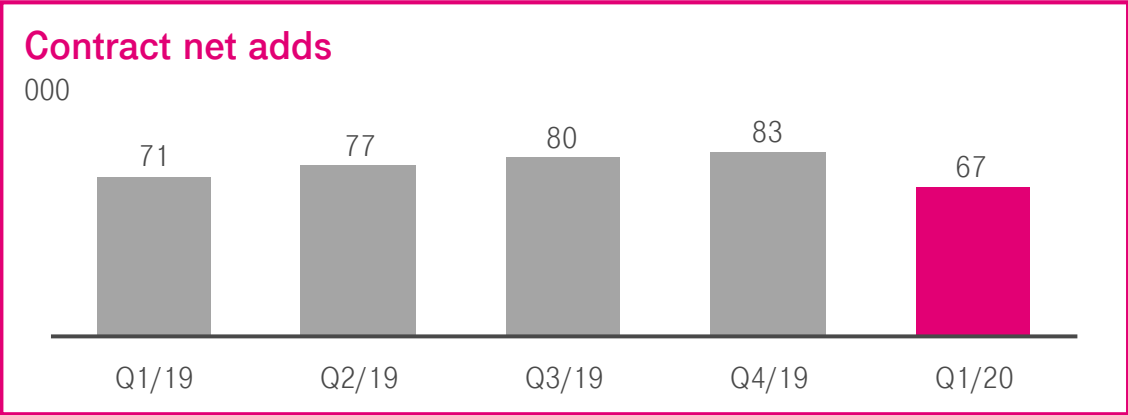
%y/y



# GROUP DEVELOPMENT: HIGHEST GROWTH SINCE INCEPTION



# GD/TMNL: UNABATED GROWTH

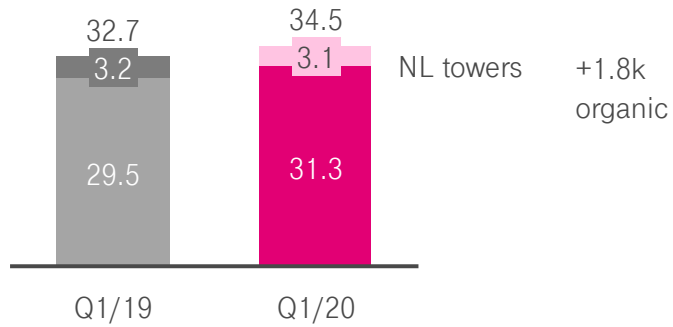


# GD TOWERS: ONGOING EXPANSION



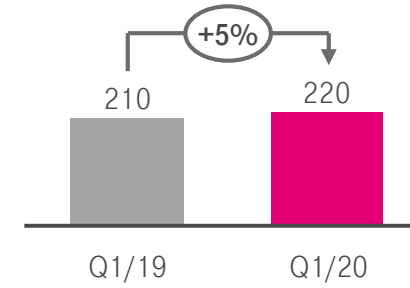
## Total sites

000



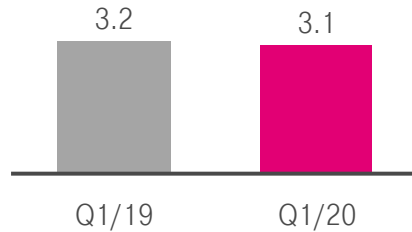
## Recurring rental revenues

€ mn



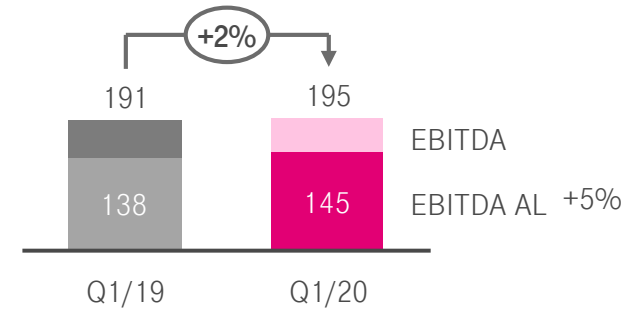
## Opex AL per site

000 €



## Adj. EBITDA

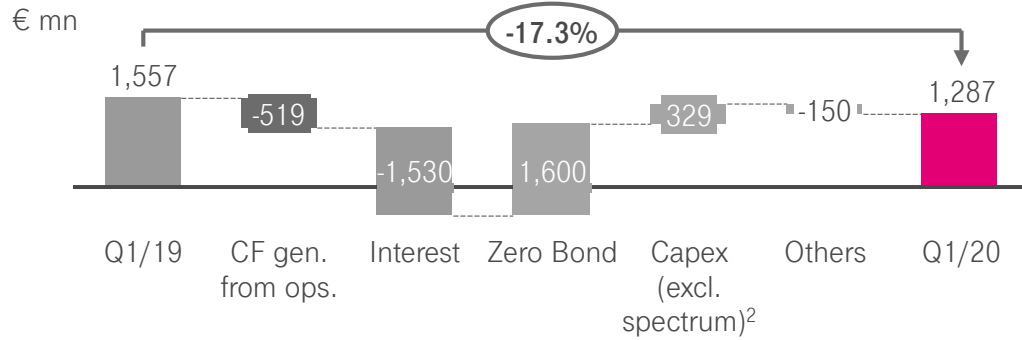
€ mn



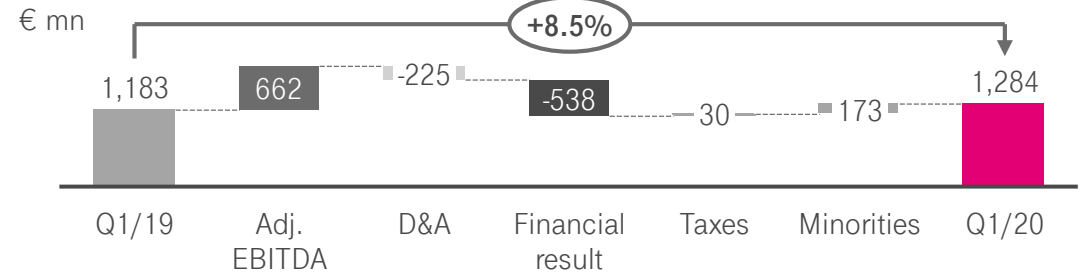
LIFE IS FOR SHARING.

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

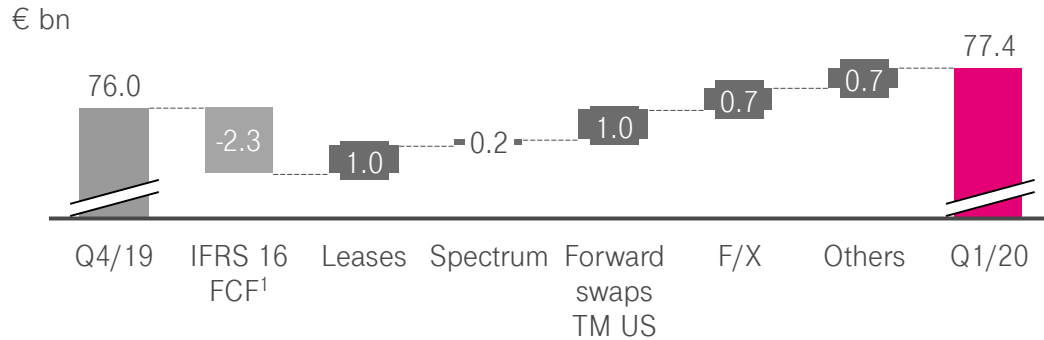
## Free Cash Flow AL<sup>1</sup>



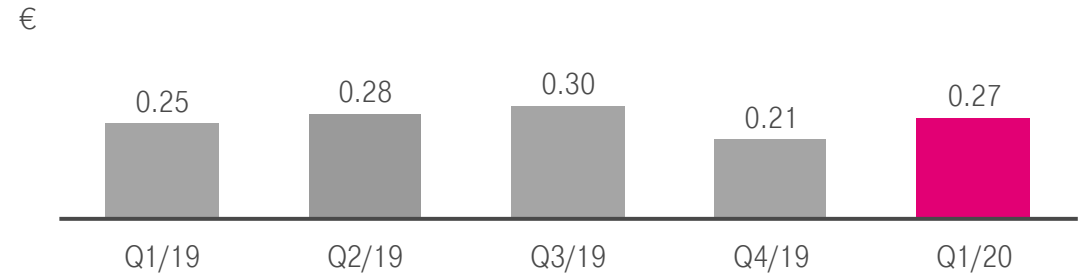
## Adj. net income



## 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 <sup>1</sup>	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:	<b>BBB+</b>	stable outlook
Moody's:	<b>Baa1</b>	negative outlook
S&P: <sup>2</sup>	<b>BBB</b>	stable outlook

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

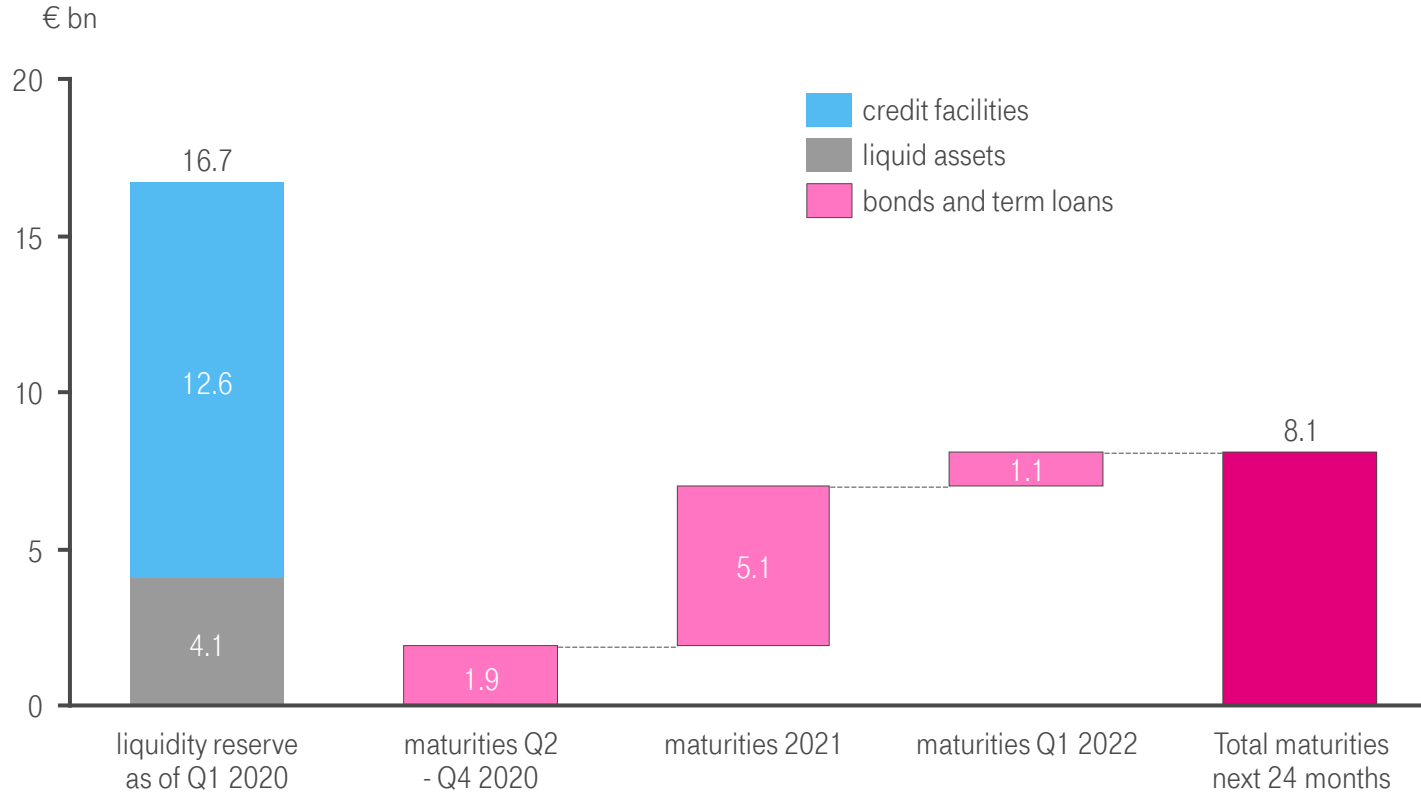
2) S&P changed rating from BBB+ credit watch negative to BBB stable outlook following the closing of the US transaction in April 2020





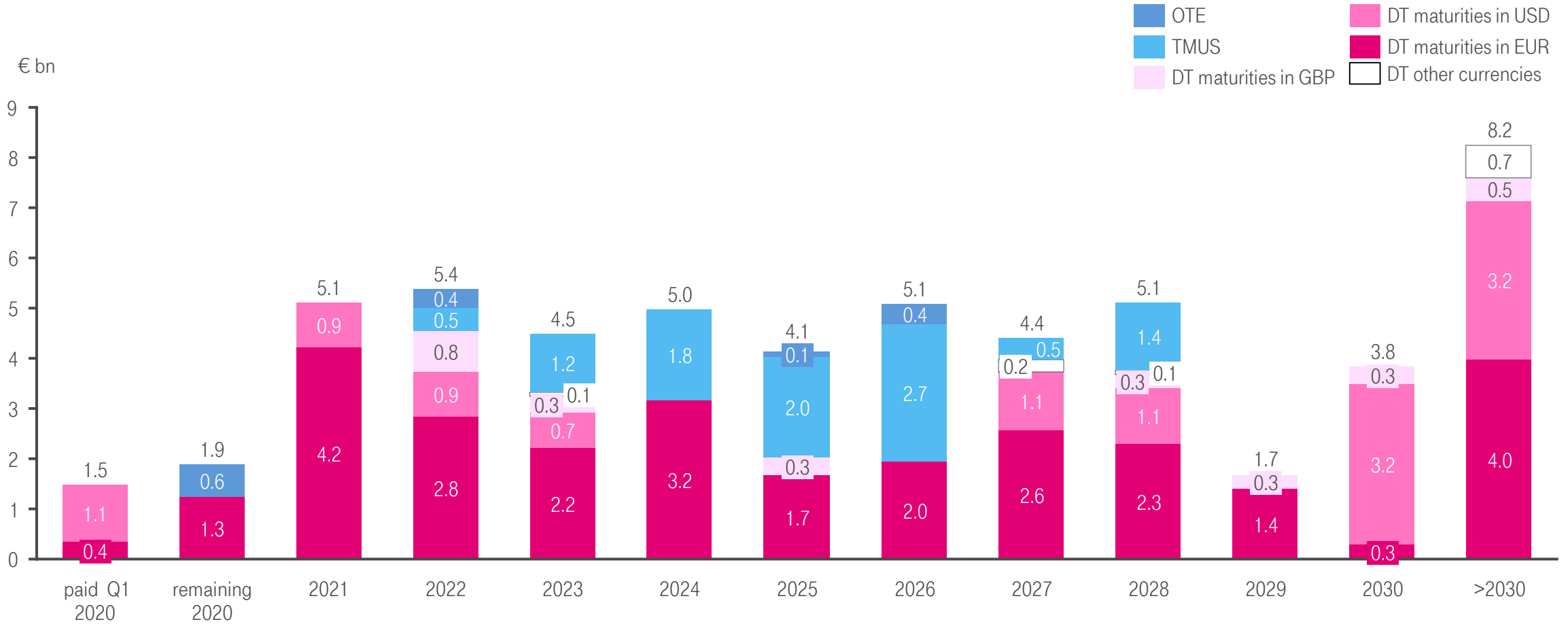
# APPENDIX

# LIQUIDITY PROFILE: STRONG LIQUIDITY RESERVE



- € 12.6bn firm bilateral lines available
  - unconditionally committed
  - no MAC clauses
  - diversified: 21 banks
  - 3 year tenor, staggered maturities
- No bilateral lines drawn
- No CPs outstanding
- Residual undrawn amount € 12.6bn
- Maturities of next 24 months covered

# MATURITIES: WELL BALANCED PROFILE



due to rounding differences: sum of single maturities per year ≠ total maturity per year

# MID TERM AMBITION LEVEL

	Mid term ambition level <sup>1</sup>	Year	Implications of US deal
Group revenues	CAGR +1 – 2%	2017 – 2021e	Confirmed
Group adj. EBITDA/EBITDA AL	CAGR +2 – 4%	2017 – 2021e	Confirmed
Adj. EBITDA/EBITDA AL ex US	CAGR +2 – 3%	2017 – 2021e	Confirmed
Group FCF/FCF AL	CAGR ≈ +10%	2017 – 2021e	Slightly dilutive in year 3 & accretive in year 4
Group adj. EPS	≈+ € 0.2	2018 – 2021e	Slightly dilutive in year 3 & accretive in year 4
Group ROCE	ROCE > WACC	2021e	Confirmed
Group cash capex	Ex US stable	2017 – 2021e	Confirmed
Group indirect opex	Ex US – € 1.5 bn	2017 – 2021e	Confirmed
Shareholder remuneration policy (2018 – 2021) <sup>2</sup>	reflecting adjusted EPS growth, minimum € 0.60 while considering share buy backs	2017 – 2021e	Confirmed

1) Based on constant exchange rates (Average exchange rate 2017 of € 1 = US\$ 1.13) and no further changes in the scope of consolidation 2) Subject to necessary AGM approval and board resolution

# OUTLOOK 2020/21 (1/2)

€ bn

	2019	2020e	2021e
<b>Revenue Group</b>	<b>80.5</b>	<b>Increase</b>	<b>Slight increase</b>
Germany	21.9	Slight increase	Slight increase
US (in USD)	45.2	Increase	Increase
Europe	12.2	Slight increase	Slight increase
Systems Solutions	6.8	Stable	Slight increase
Group Development	2.8	Increase	Increase
<b>Adj. EBITDA AL Group</b>	<b>24.7</b>	<b>25.5</b>	<b>Increase</b>
Germany	8.7	8.9	Increase
US (in USD)	12.5	13.0	Increase
Europe	4.0	4.1	Slight Increase
Systems Solutions	0.5	0.6	Strong increase
Group Development	1.0	1.1	Increase



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# OUTLOOK 2020/21 (2/2)

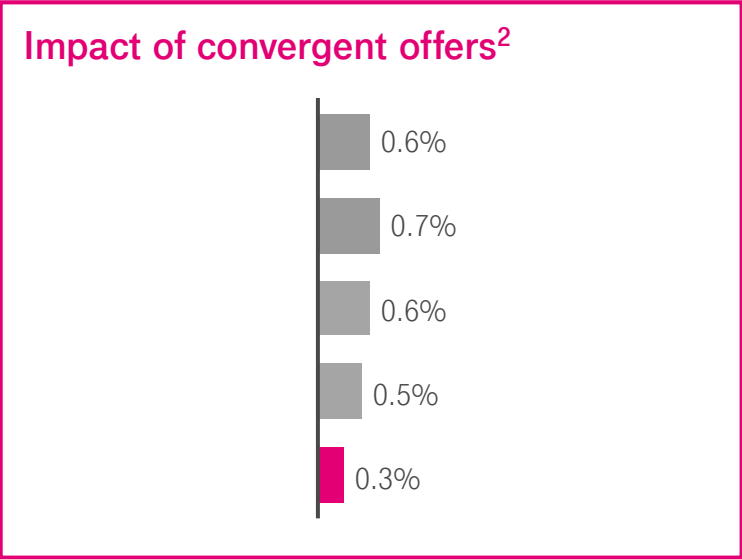
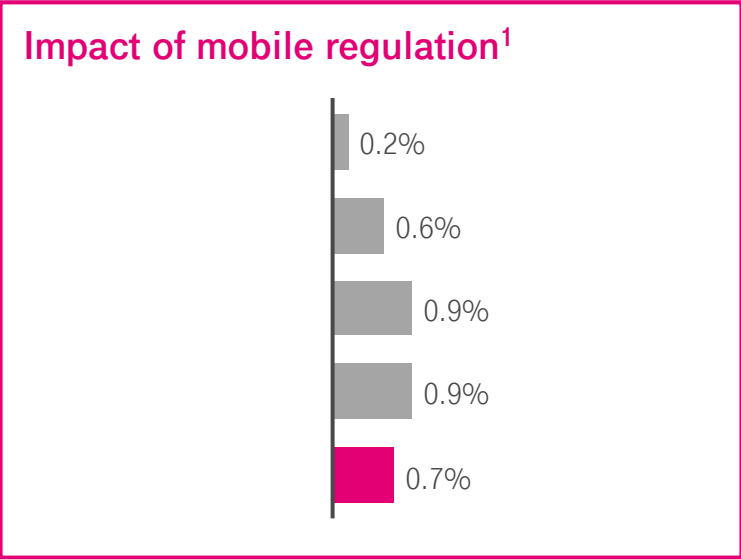
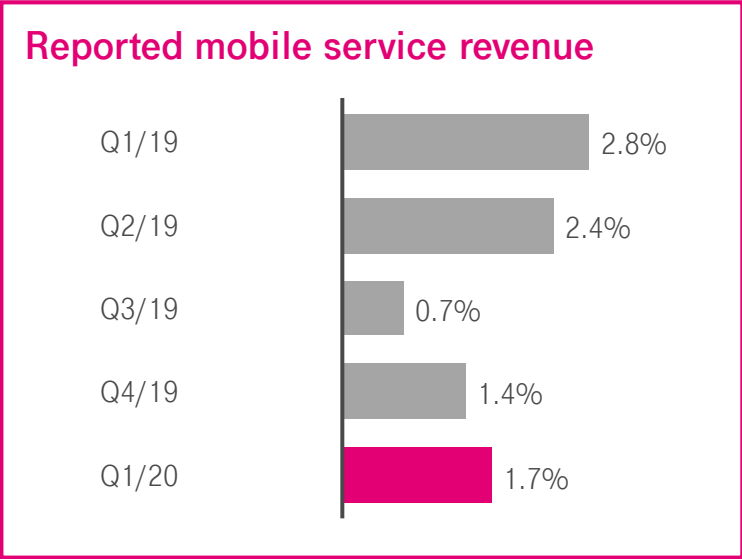
€ bn

	2019	2020e	2021e
<b>Cash Capex Group</b>	<b>13.1</b>	<b>13.0</b>	
Germany	4.2	Slight decrease	Stable
US (in USD)	6.0	Stable	
Europe	1.7	Stable	Slight decrease
Systems Solutions	0.4	Stable	Stable
Group Development	0.5	Strong increase	Increase
<b>FCF AL Group</b>	<b>7.0</b>	<b>8.0</b>	<b>Increase</b>
Dividend per share (in €)	0.6	reflecting adj. EPS growth, minimum € 0.60	reflecting adj. EPS growth, minimum € 0.60
Adj. EPS	1.04	Slight increase	
Net debt/adj. EBITDA	2.65	2.25 - 2.75	2.25 - 2.75



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# GERMANY MOBILE: SERVICE REVENUE<sup>1</sup>



## Old medium term guidance (2014-2018 CAGR)

≈ +1% (without EU roaming impact)

## New medium term guidance (2017-2021 CAGR): Re-iterated

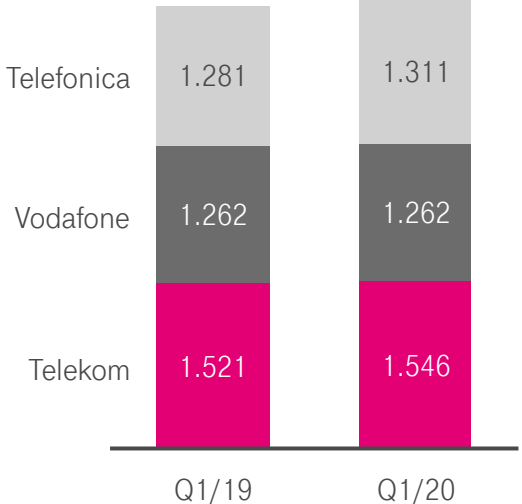
≈ +2%

1) Impact of MTR, Intern. EU call and EU Roaming regulation    2) Impact of MagentaEINS and Telekom LTE broadband

# GERMAN MARKET OVERVIEW

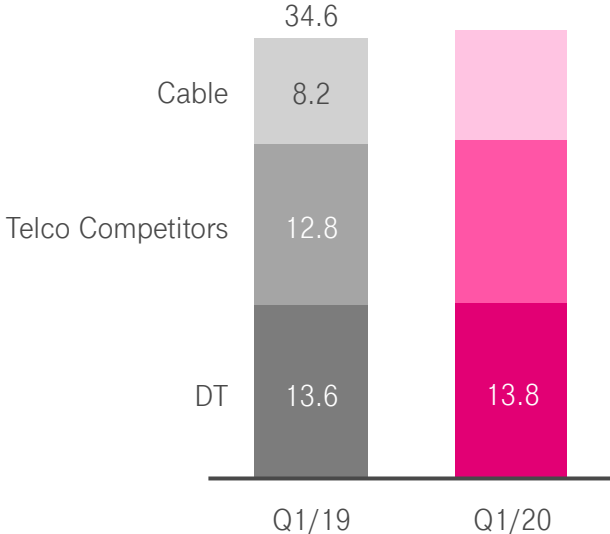
## German mobile market service revenue

€ mn



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

mn



1) Based on management estimations



# CONFERENCE CALL WITH Q&A SESSION

The conference call will be held on **May 14 at 2:00 PM CET, 1:00 PM GMT, 8 AM ET.**

DT Participants: **Tim Hoettges** (CEO), **Christian Illek** (CFO), **Hannes Wittig** (Head of IR)

## Webcast

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- The **link to the webcast** will be provided 20 minutes before the call starts: [www.telekom.com/20Q1](http://www.telekom.com/20Q1)
- To ask a question, **just type your question into the box below the stream**
- We webcast in **HD Voice Quality**
- The **recording will be uploaded to YouTube** after the call

## Dial-in

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DE	0800 5889185	+	code 1265248#
UK	0808 2380676	+	code 1265248#
US	+1 866 2201433	+	code 1265248#
Other	+49 69 22222624	+	code 1265248#

**NEW:** to participate in the dial-in conference please register via the following link:

<https://eventregistration.konferenz-telekom.de/EventConfRegistrationGui/?token=1583331724354&lang=en>



# FURTHER QUESTIONS

## PLEASE CONTACT THE IR DEPARTMENT

### Investor Relations Contact details

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Phone +49 228 181 – 8 88 80

E-Mail [investor.relations@telekom.de](mailto:investor.relations@telekom.de)

Contact details for all  
IR representatives:  
[www.telekom.com/ircontacts](http://www.telekom.com/ircontacts)



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[www.twitter.com/DT\\_IR](http://www.twitter.com/DT_IR)



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