

# DEUTSCHE TELEKOM

## Q1/2019 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.

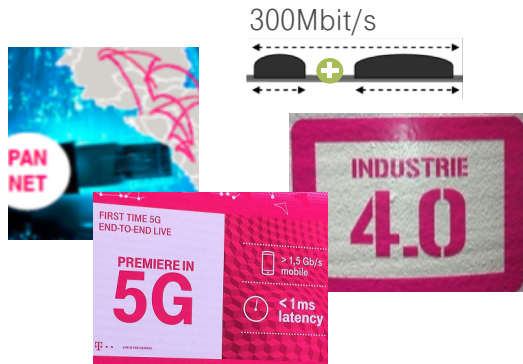


# REVIEW Q1/2019

# Q1/2019 HIGHLIGHTS: STRONG START INTO THE YEAR

## Growth: investments and innovations

- Cash capex at €3.7 bn (ex. spectrum).  
Ex. US stable at €2.1 bn
- Fiber roll-out: 4.3 mn new homes in GER and EU with access to Fiber LTM
- IP-Migration continues in GER (90%) and EU (85%). +6.2 mn households LTM



## Growth: customers

- 12.9 mn German fiber homes (+24% yoy)
- 2.0 mn converged net adds LTM EU+GER
- 1.8 mn mobile contract net adds LTM EU+GER+NL
- 7.3 mn net adds LTM in the US



## Growth: financials

- Strong organic<sup>1</sup> growth continues
  - Revenue up 3.5% yoy
  - Adj. EBITDA AL up 3.9% yoy
  - Adj. EBITDA AL ex. US up 2.1% yoy
  - FCF AL up 9.6% yoy
  - Adj. EPS at 0.25 €
- IFRS 16 net debt/adj. EBITDA at 2.65x



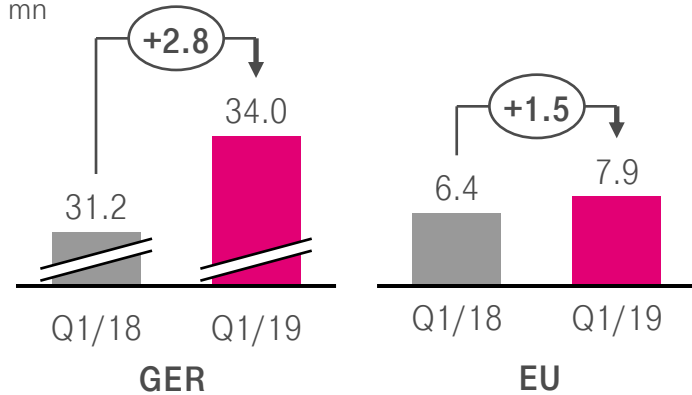
1) Revenue, adj. EBITDA AL, and FCF AL growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation. Adj. EPS calculated on reported results. AL = after leases.

# Q1/2019 INVESTMENTS: DRIVING NETWORK LEADERSHIP

## Fiber rollout<sup>1</sup>

### Fiber households

mn

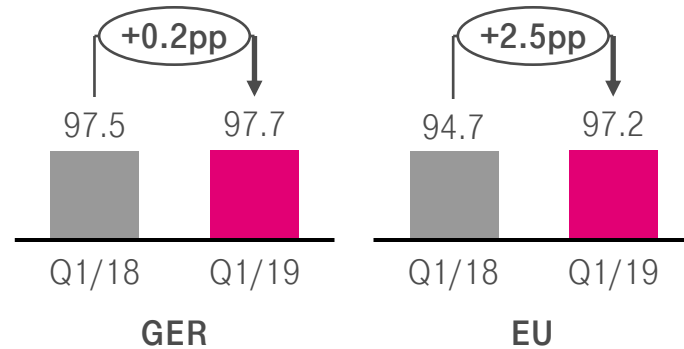


- Additional 4.3 mn HHs added to coverage
- Germany: Super-vectoring (up to 250 Mbit/s) launched for 20 mn HHs and business locations

## LTE rollout

### LTE outdoor pop coverage

%

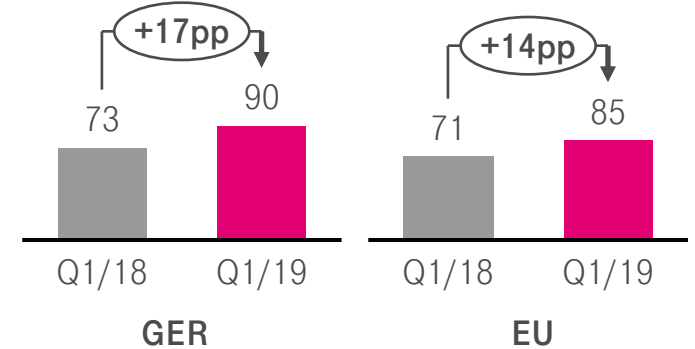


- 1,300 additional physical sites deployed in Germany
- 5G auction in Germany underway, in Austria/US completed
- Network leadership maintained across footprint

## IP migration

### IP share of fixed network access lines

%

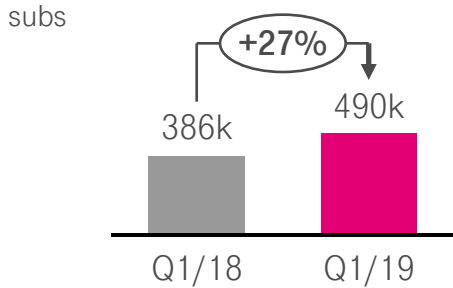


- GER on track for completion: B2C YE/19, B2B YE/20
- Cost savings expected to kick in after completion

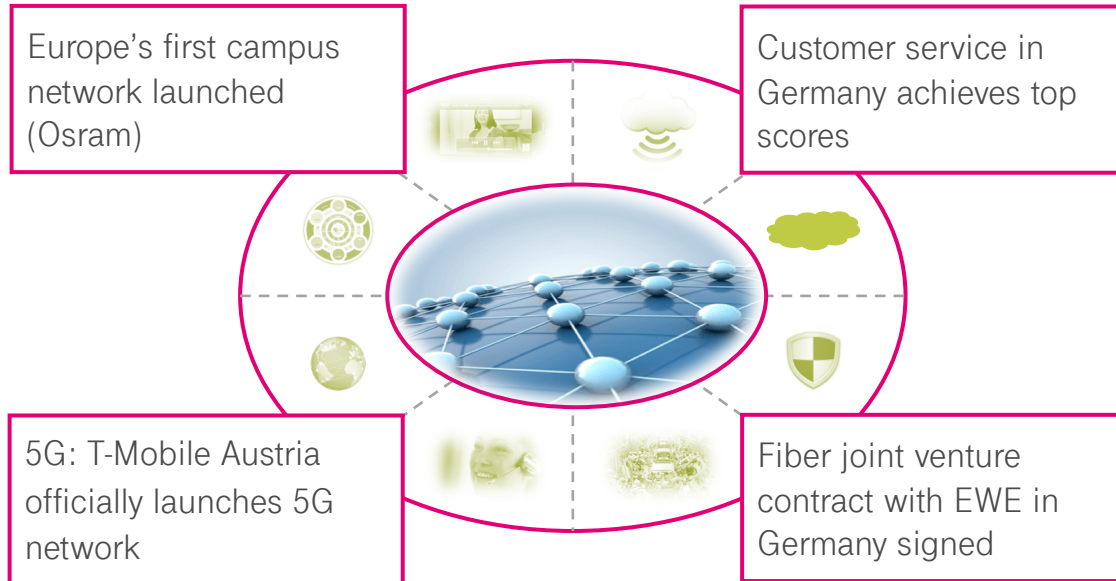
1) EU: ≥ 100Mbit/s coverage: FTTH, FTTB, FTTC (with vectoring), cable/ED3. Broadband also incl. wholesale customers. As of Q2/2018, adjusted HH baseline to include the Census update, B2B premises & CZ.

# Q1/2019 INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

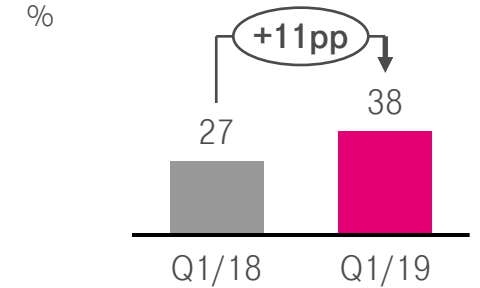
## Hybrid access



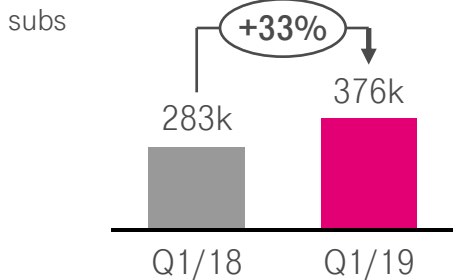
## Innovation/network



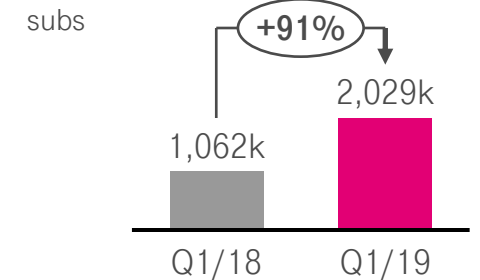
## One APP penetration (EU)<sup>1</sup>



## Smart Home



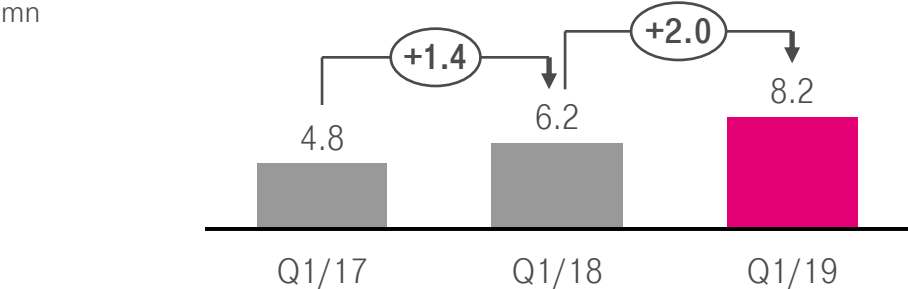
## StreamOn



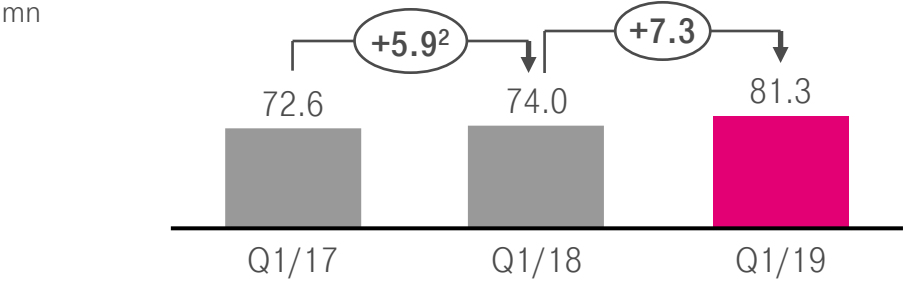
1) Incl. sub brands.

# Q1/2019 CUSTOMERS: ONGOING STRONG MOMENTUM

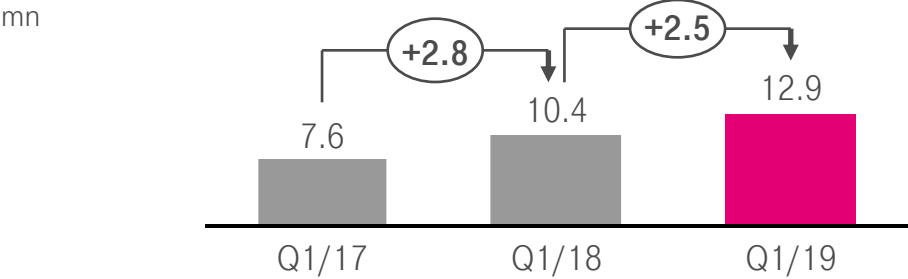
## MagentaEINS (GER + EU)<sup>1</sup>



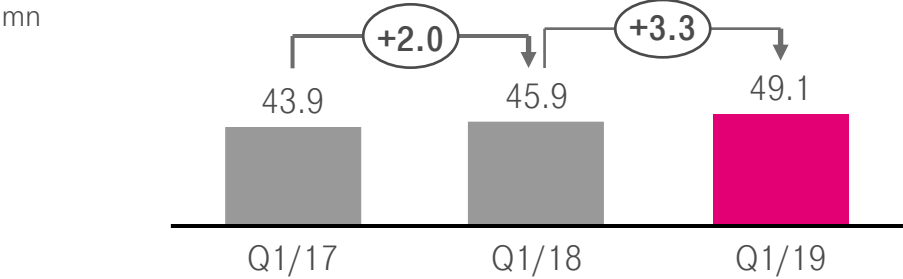
## US Mobile



## 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. customers excl. multi-brand.

2) Adj. for 4,528k wholesale customers no longer reported by TMUS since Q2/17.

3) Figures not adj. for acquisitions. Germany: own branded contract

# GUIDANCE 2019: UNCHANGED

€ 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)</b>	<b>Slight increase</b>	<b>Around 23.9</b>	<b>Around 6.7</b>	<b>Around 12.7</b>
Q1/19 Result (organic change yoy)	19.5 (+3.5%)	5.9 (+3.9%)	1.6 (+9.6%)	3.7 (+13.7%)
thereof Group excl. US				
<b>2019 Guidance</b>		<b>Around 13.4</b>		<b>Around 7.9</b>
Q1/19 Result (organic change yoy)		3.3 (+2.1%)		2.1 (+0.5%)
thereof TMUS (US\$ bn)				
<b>2019 Guidance</b>	<b>Increase</b>	<b>Around 12.4<sup>1</sup></b>		<b>Around 5.7</b>
Q1/19 Result (organic change yoy)	11.1 (+7.0%)	3.0 (+6.2%)		1.8 (+36.9%)

1) Equals mid-point TMUS guidance (\$12.95 bn US GAAP) and -\$0.6 bn IFRS bridge. 2) AL = after lease.



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**REVIEW Q1/19**

# FINANCIALS: STRONG REVENUE, EBITDA AL, AND FCF

€ mn

Q1

	2018	2019	Change
Revenue	17,924	19,488	+8.7%
Adj. EBITDA AL <sup>3</sup>	5,487	5,940	+8.3%
Adj. EBITDA AL (excl. US) <sup>3</sup>	3,156	3,261	+3.3%
Adj. net profit	1,190	1,183	-0.6%
Net profit	992	900	-9.2%
Adj. EPS (in €)	0.25	0.25	+0.0%
Free cash flow AL <sup>1,3</sup>	1,318	1,557	+18.1%
Cash capex <sup>2</sup>	3,076	3,682	+19.7%
Net debt <sup>3</sup>	n.a.	71,876	n.a.

1) Free cash flow AL before dividend payments and spectrum investment. 2) Excl. spectrum: Q1/18: €63 mn; Q1/19: €145 mn.

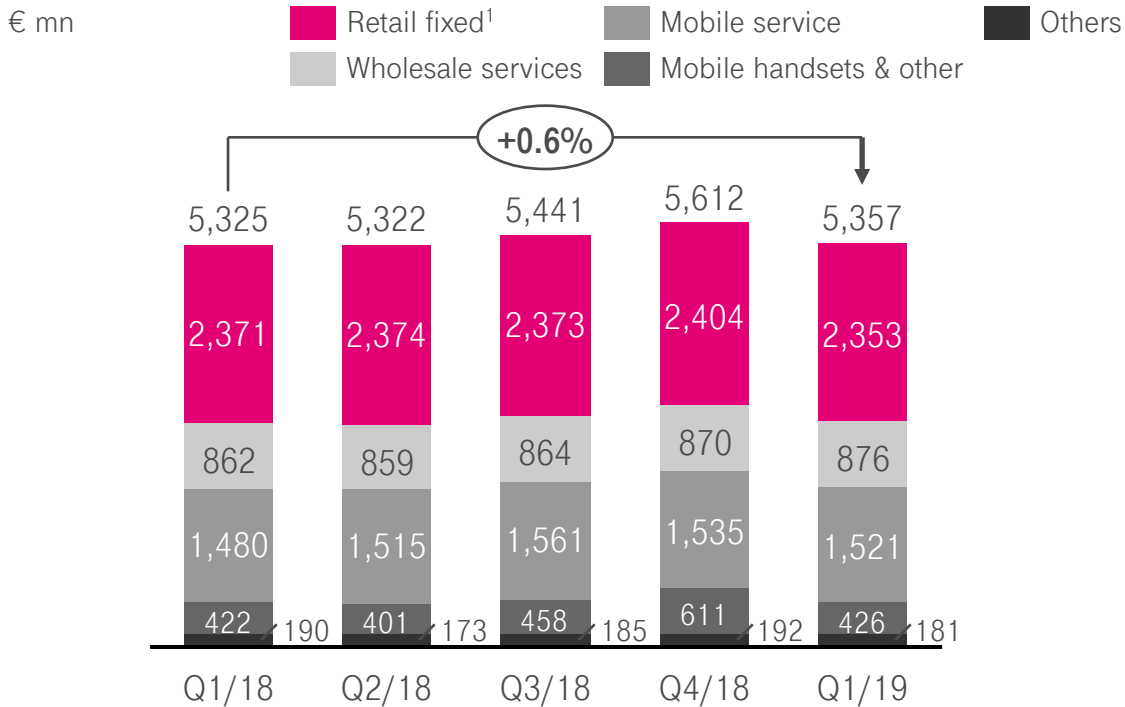
3) Net debt 2018 before IFRS 16. Q1/19 after IFRS 16, no corresponding figure available for Q1/18. Adj. EBITDA AL and FCF AL historic results not audited.



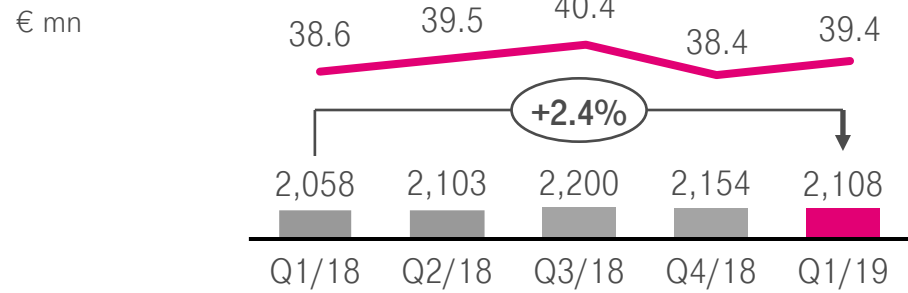
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# GERMANY: SOLID FINANCIALS, IN LINE WITH GUIDANCE

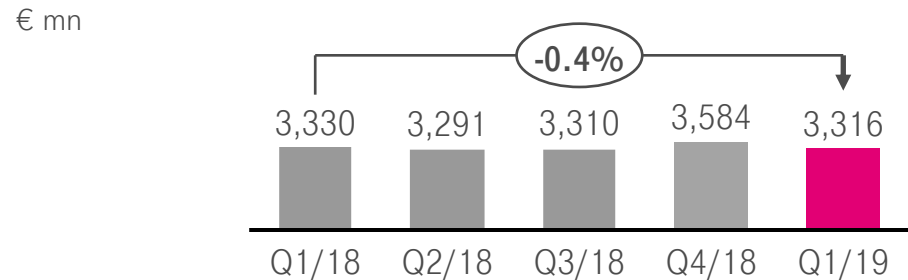
## Revenue



## Adj. EBITDA AL and margin (in %)



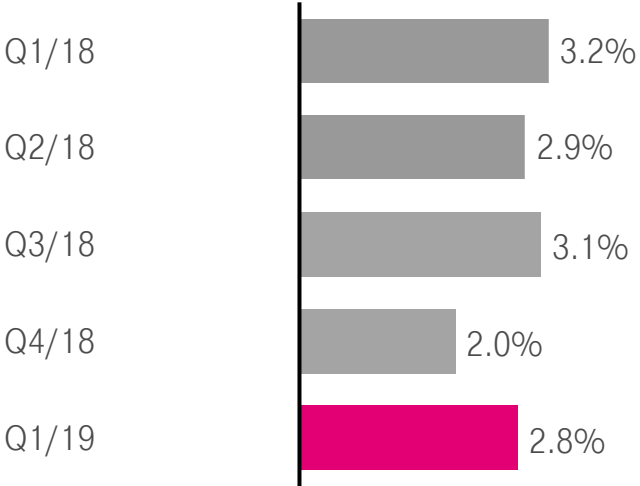
## Adj. OPEX AL



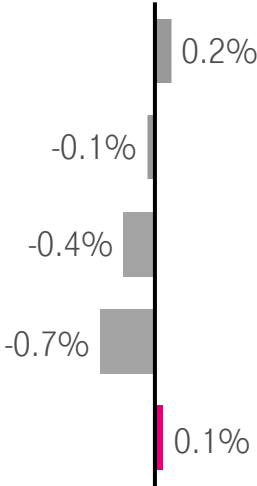
1) Fixed network core business.

# GERMANY: GROWTH IN SERVICE REVENUES

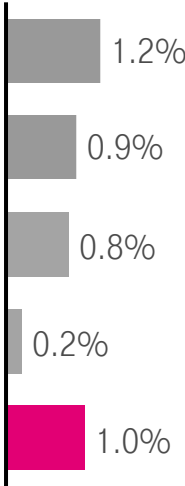
Mobile service revenue<sup>1</sup>



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



Total service revenue<sup>1</sup>



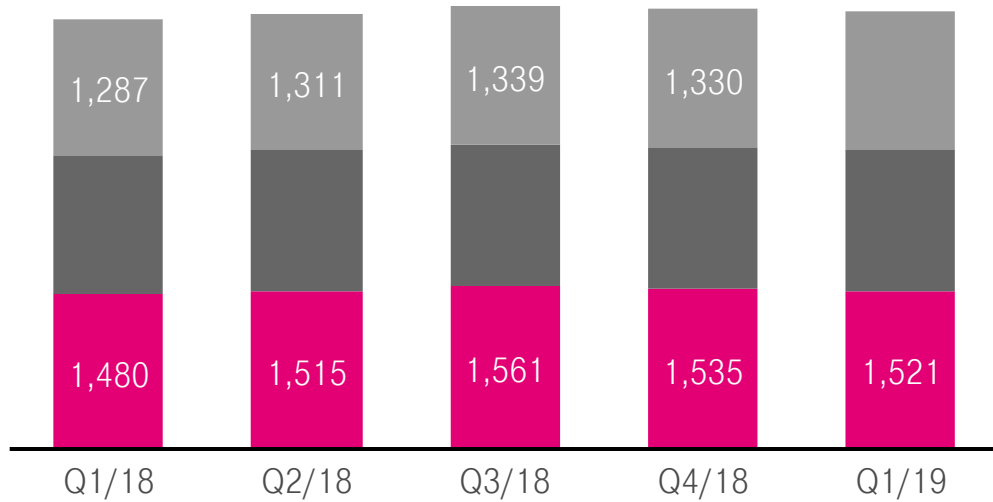
1) 2018 rates calculated excl. IFRS15. From 2019 onwards incl. IFRS 15.

# GERMANY MOBILE: HEALTHY GROWTH CONTINUES

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

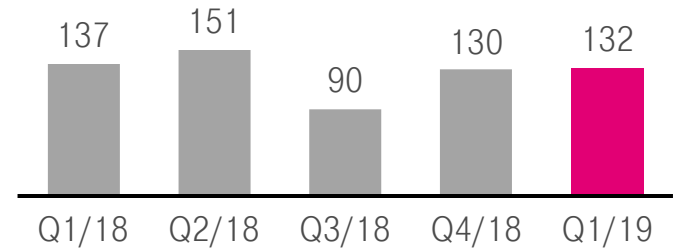
€ mn

Telefonica Vodafone Telekom



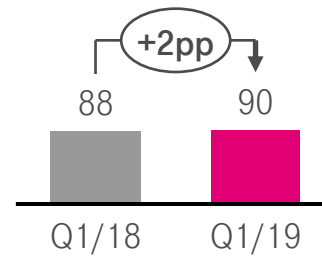
## Own branded contract net adds<sup>2</sup>

000



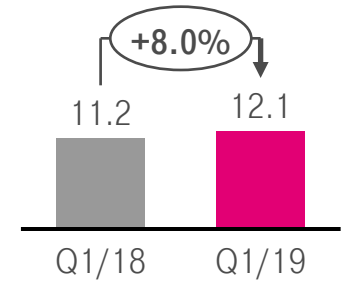
## Smartphone penetration<sup>2</sup>

%



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

mn



1) On IFRS 15 basis. Some details for other operators not available yet.

2) Of own branded retail customers now excl. multi-brand.

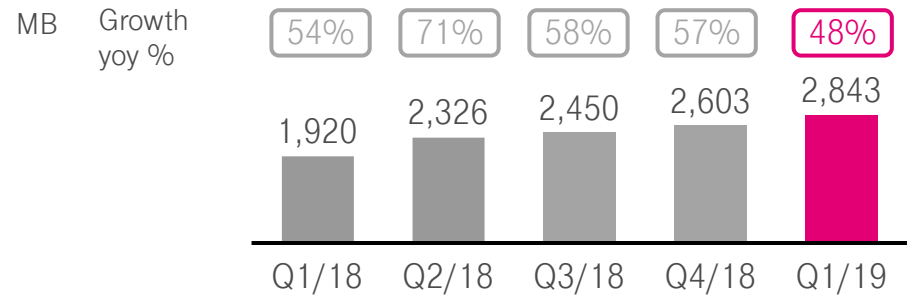
3) Own customers using an LTE-device and tariff plan including LTE.

# GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

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



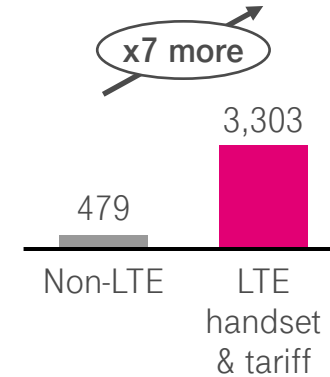
## Average consumer data usage<sup>3</sup>



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



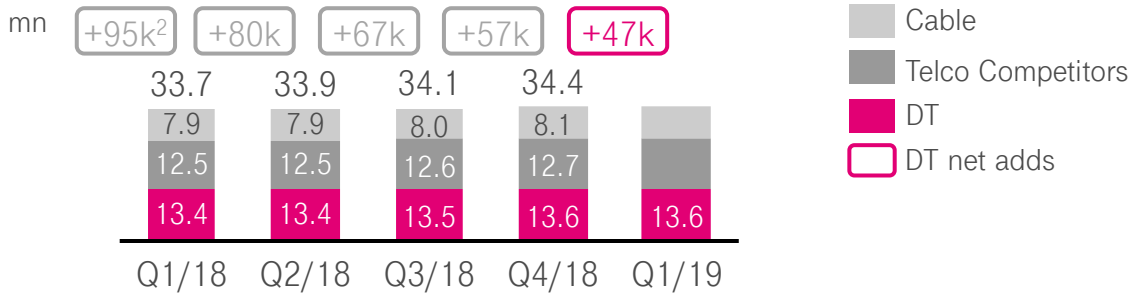
## Average data usage uplift<sup>3</sup>



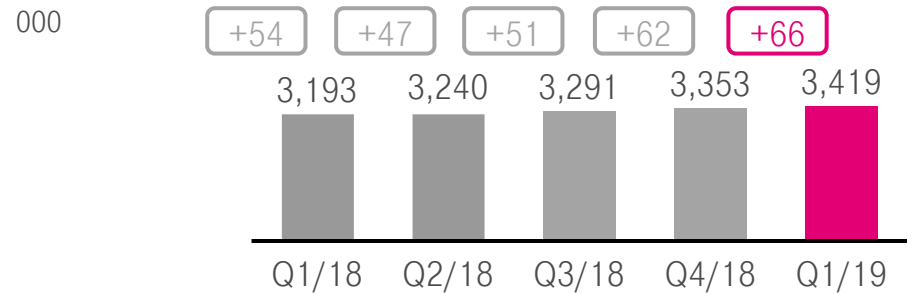
1) As % of B2C T-branded contract customers. 2) As % of B2C broadband access lines. 3) Per month of B2C T-branded contract customers.

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

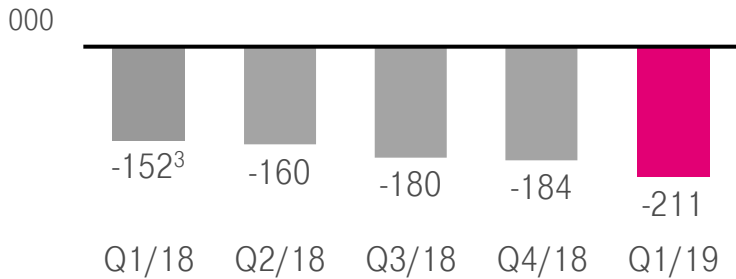
## German broadband market<sup>1</sup>



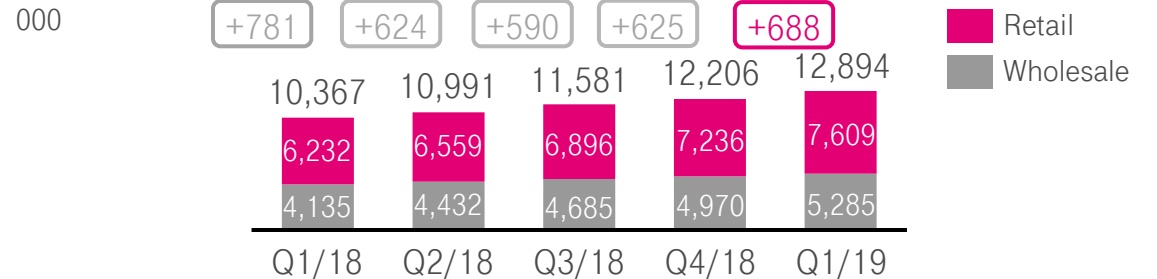
## Magenta TV customers



## Line losses



## Fiber customers<sup>4</sup>



1) Based on management estimates

2) Organic view: Change in base was +148k

3) Organic view: Change in base was -90k

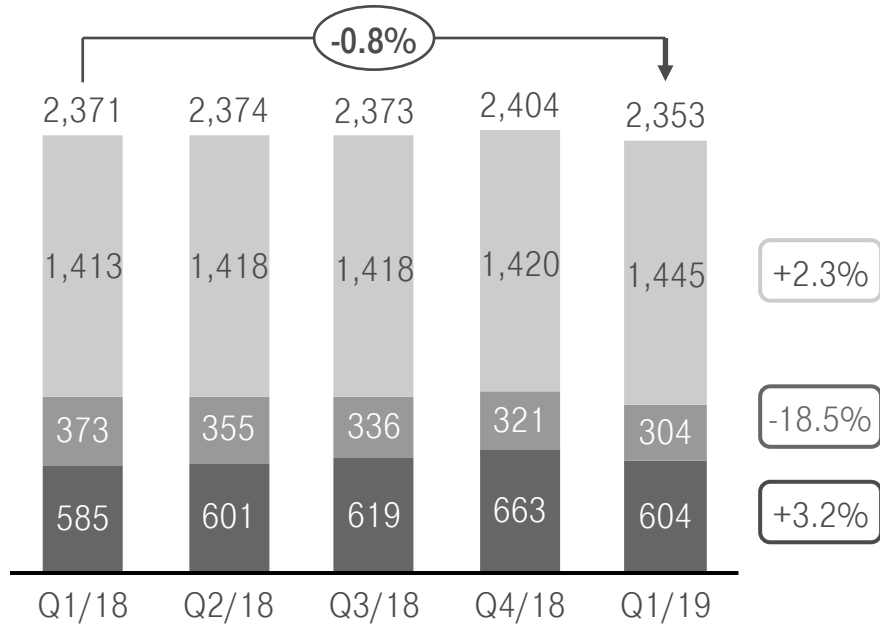
4) Sum of all FTTx accesses (e.g. FTTC/VDSL, vectoring, and FTTH).

# GERMANY FIXED: STEADY BROADBAND GROWTH

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

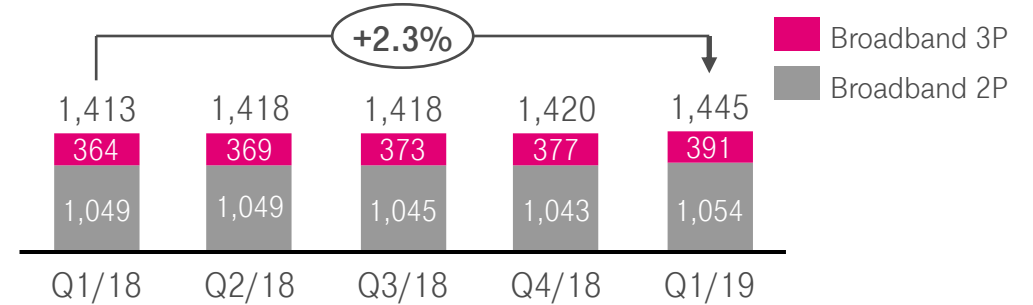
€ mn

Broadband revenues
  Single play revenues
  Other revenues



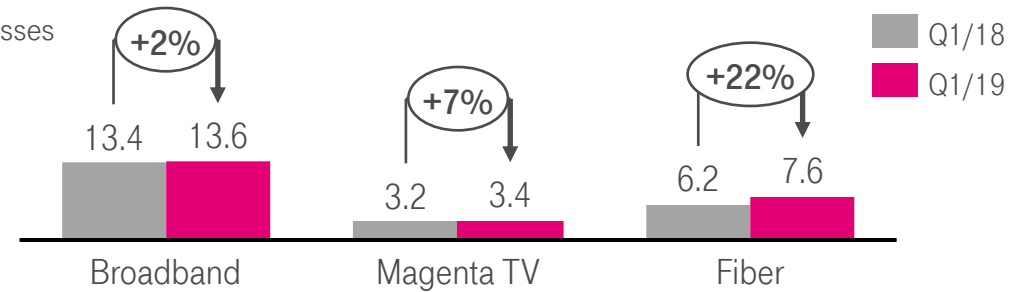
## Broadband revenue<sup>1</sup>

€ mn



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

mn accesses



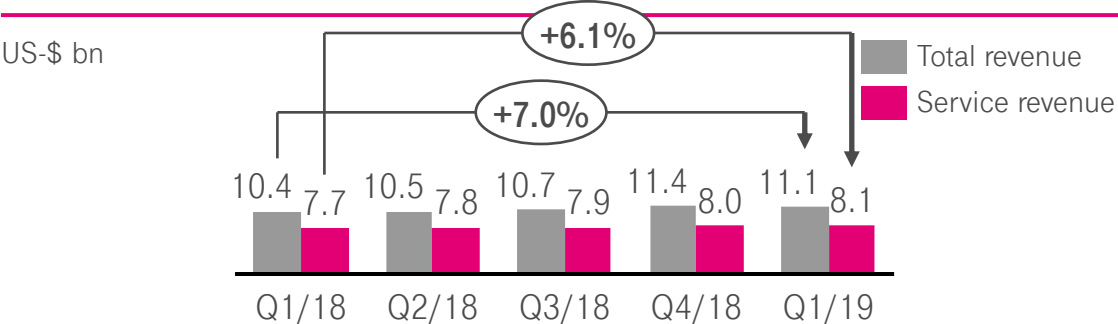
1) Change in definition of broadband and other revenues – historic figures have been adjusted. In addition, Q1 to Q3/18 impacted by a shift between other and broadband revenues, historic figures not adjusted for this effect.

2) Percentages calculated on exact figures.

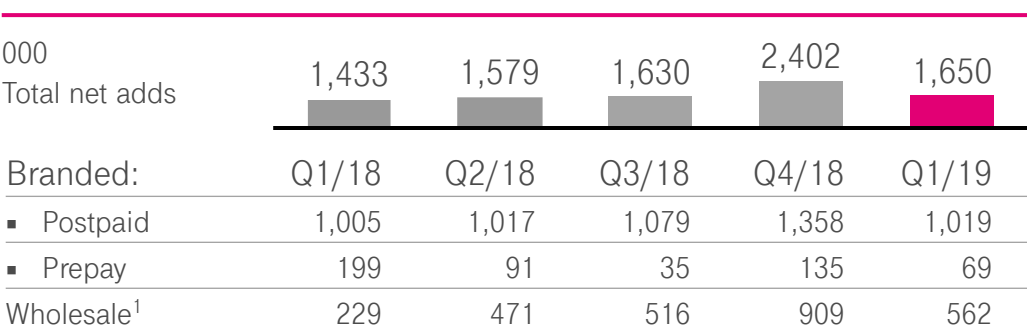


# TMUS: CONTINUED INDUSTRY LEADING GROWTH

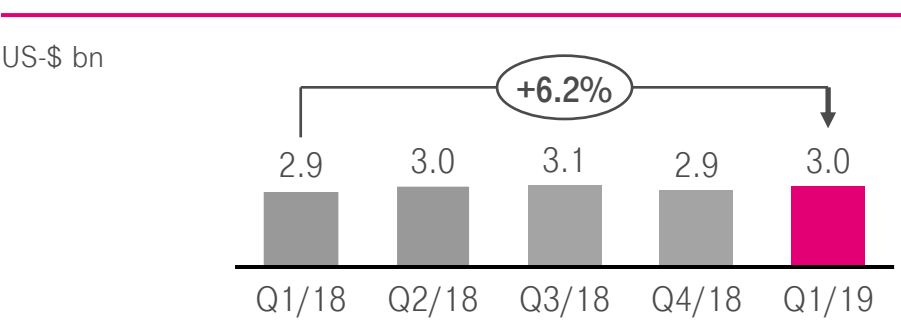
## Revenue and service revenue



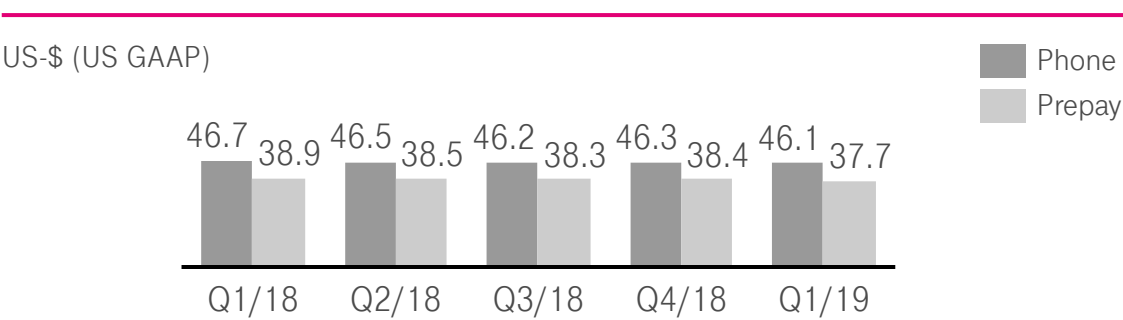
## Net adds



## Adj. EBITDA AL



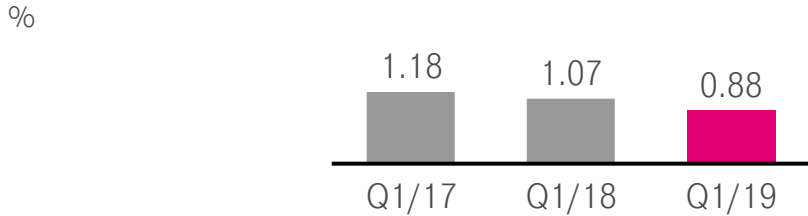
## Branded customers: postpaid phone and prepay ARPU



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

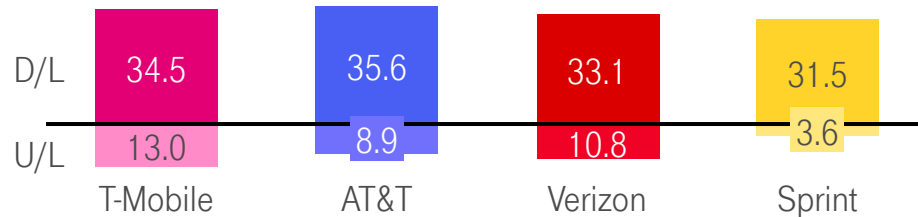
# TMUS: EXECUTING ON KEY DRIVERS

## Branded postpaid phone churn



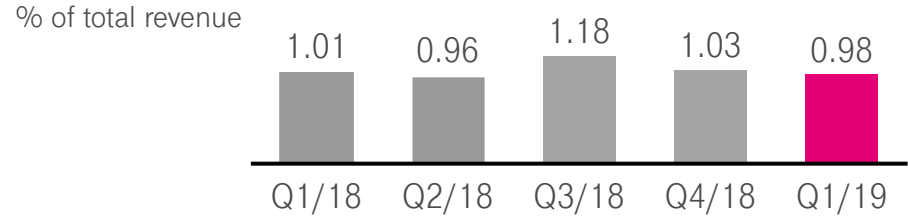
- Branded postpaid phone churn on all time record low

## Network quality



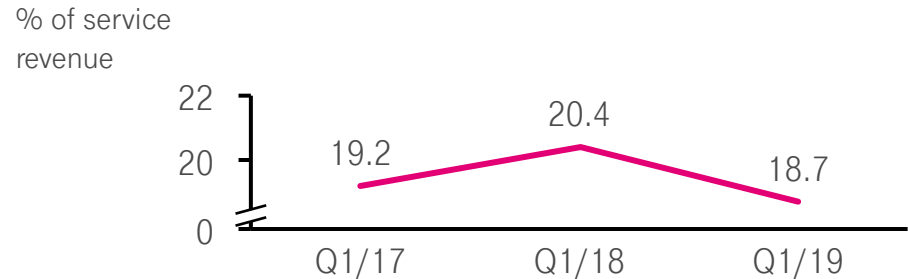
- 4G LTE download and upload speeds – Q1/19 (in Mbit/s). Based on analysis by Ookla® of Speedtest Intelligence® data.

## Bad debt expenses & losses from sale of receivables



- Decrease yoy reflects ongoing focus on managing customer quality

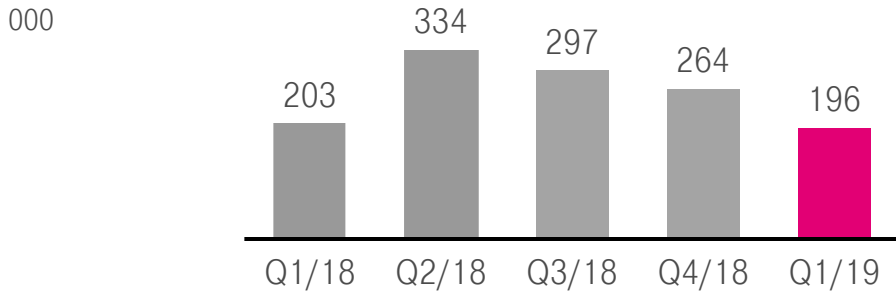
## Cost of service



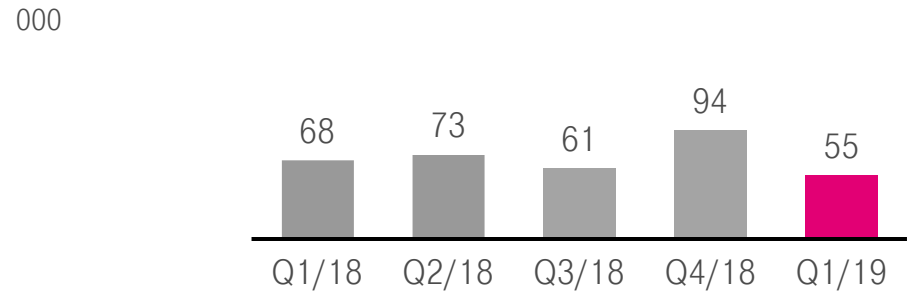
- Cost of services decreased by 170bps yoy. Drivers: positive impact of new lease standard, lower regulatory program costs and Q1/18 hurricane costs partially offset by higher costs for customers and network roll-out.

# EUROPE: STRONG GROWTH IN CUSTOMER BASE

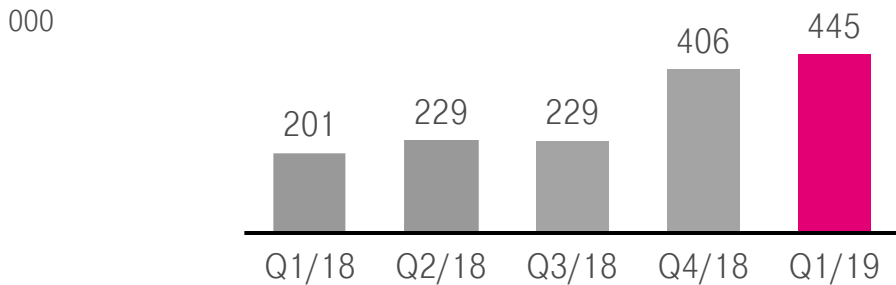
## Mobile contract net adds<sup>2</sup>



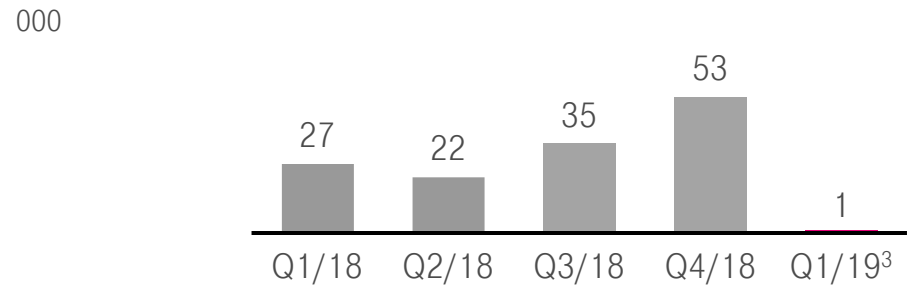
## BB net adds<sup>1, 2</sup>



## FMC net adds



## TV net adds<sup>2</sup>

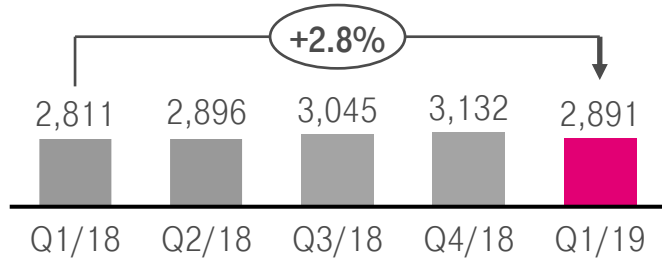


1) Based on subscribers. 2) Adjusted for UPC effect in Austria. 3) Q1/19 change in base was 69k driven by Evo acquisition in Croatia. Underlying performance of +1k mainly due to subscriber losses in Romania of 34k.

# EUROPE: GROWING REVENUE AND EBITDA AL

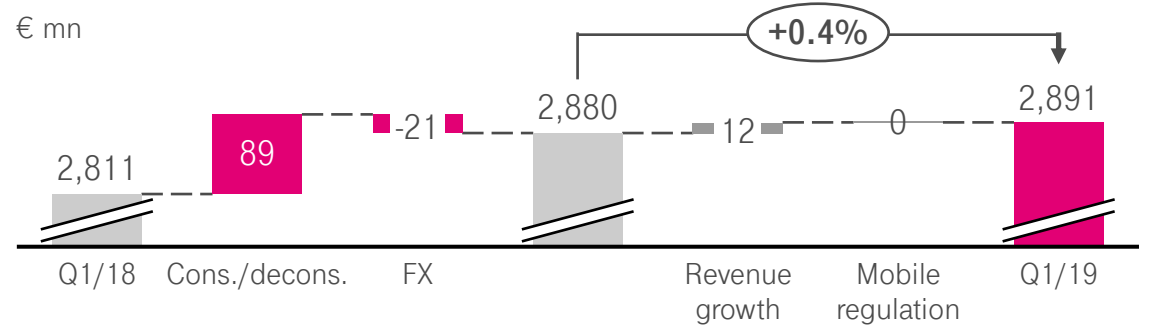
## Revenue

€ mn



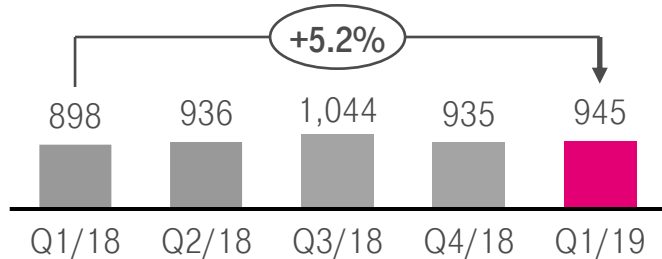
## Organic revenue development

€ mn



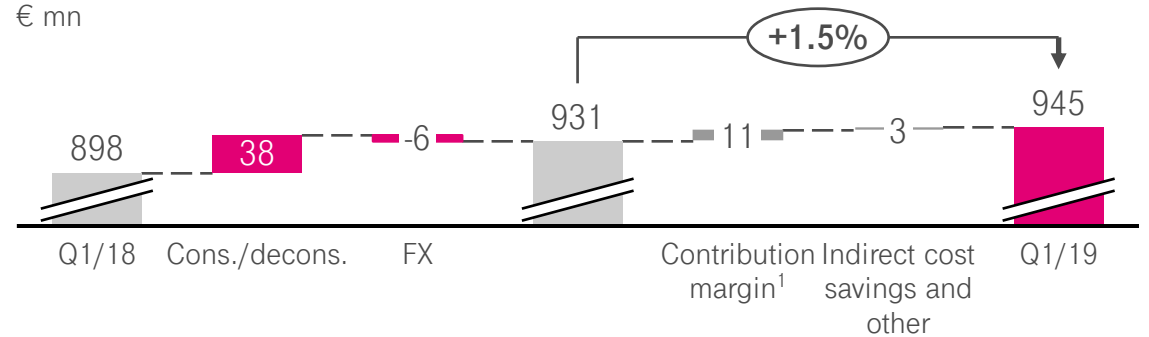
## Adj. EBITDA AL

€ mn



## Organic adj. EBITDA AL development

€ mn



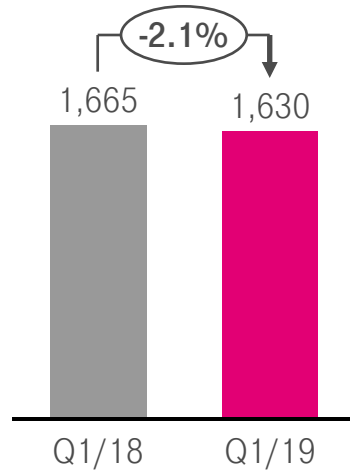
1) Total revenue - direct cost.

# SYSTEMS SOLUTIONS: ON TRACK FOR FY GUIDANCE

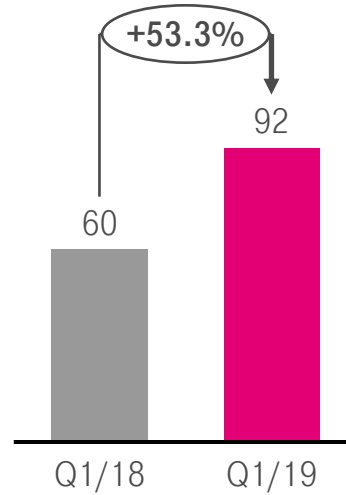
## T-Systems financials

€ mn

Total revenue

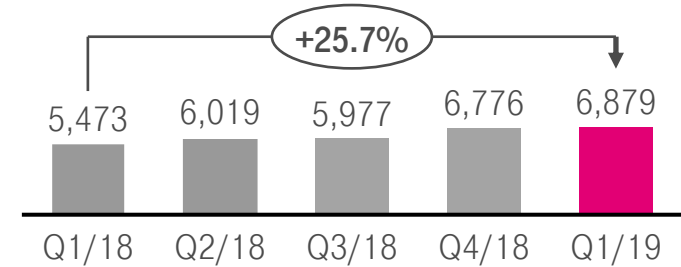


Adj. EBITDA AL



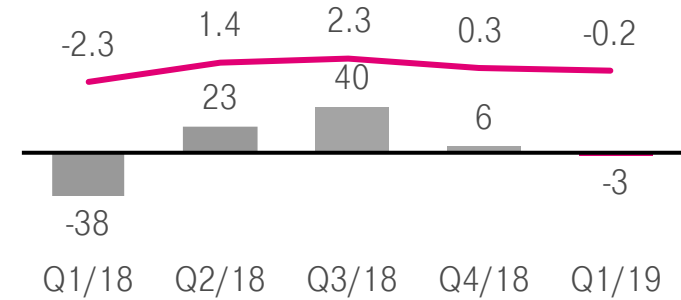
## Order entry (LTM)

€ mn



## Adj. EBIT and margin in %

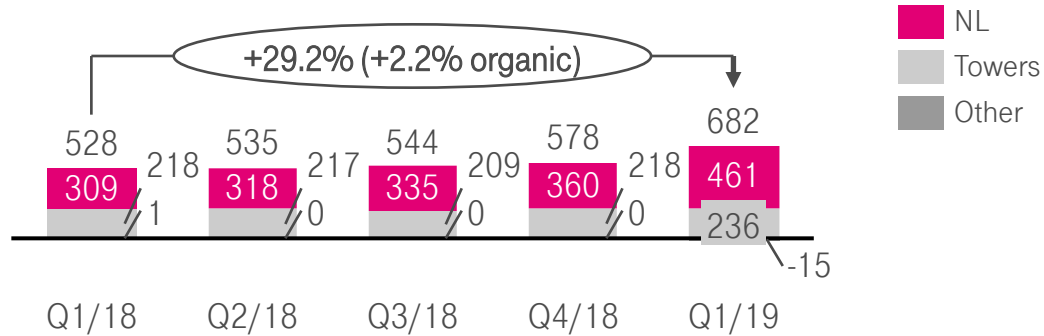
€ mn



# GROUP DEVELOPMENT: STEADY UNDERLYING DELIVERY

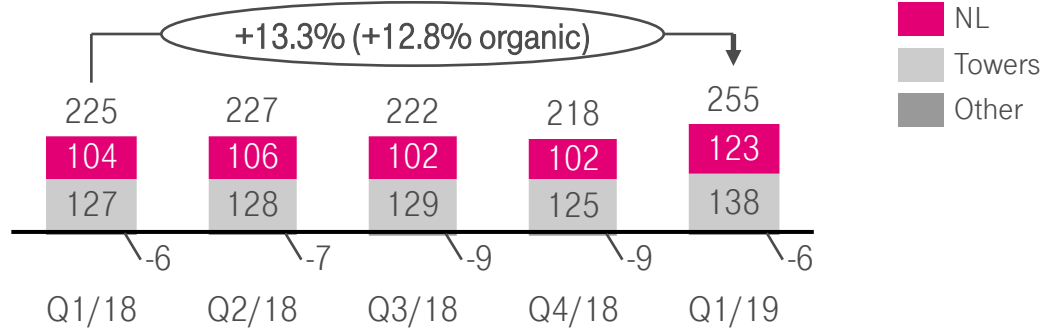
## Revenue<sup>1</sup>

€ mn



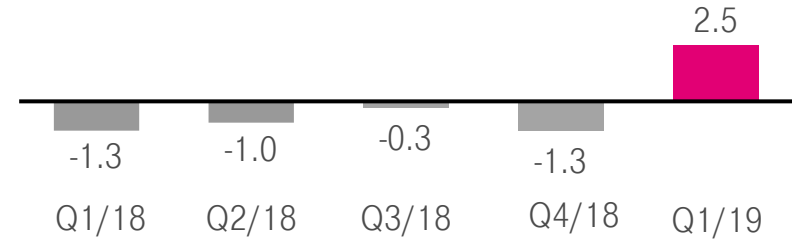
## Adj. EBITDA AL<sup>1</sup>

€ mn



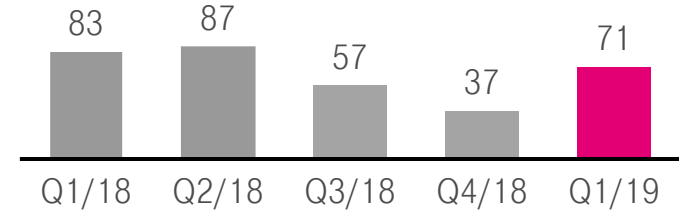
## Mobile service revenue trend yoy (NL)<sup>2</sup>

%



## Contract net adds (NL)<sup>3</sup>

000



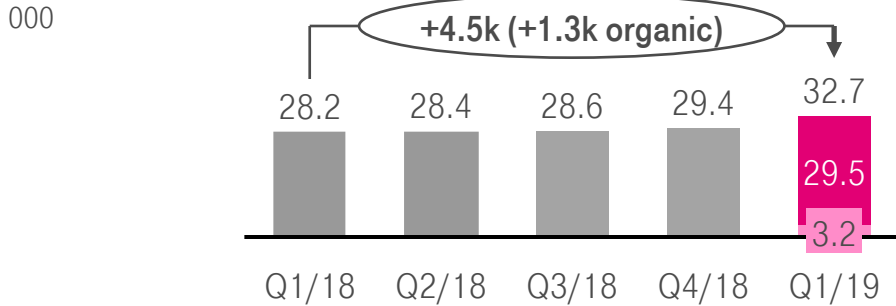
1) Figures since Q1/19 incl. Tele2. Previous quarters not restated. Organic growth rates show underlying trends.

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

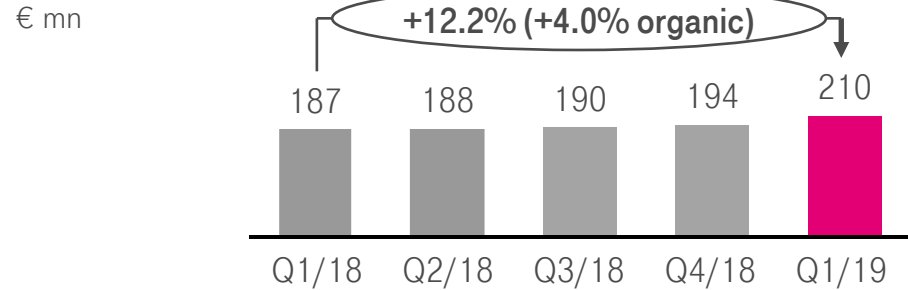
3) Since Q1/19 net adds incl. Tele2.

# GROUP DEVELOPMENT: TOWER BUSINESS EXPANDING

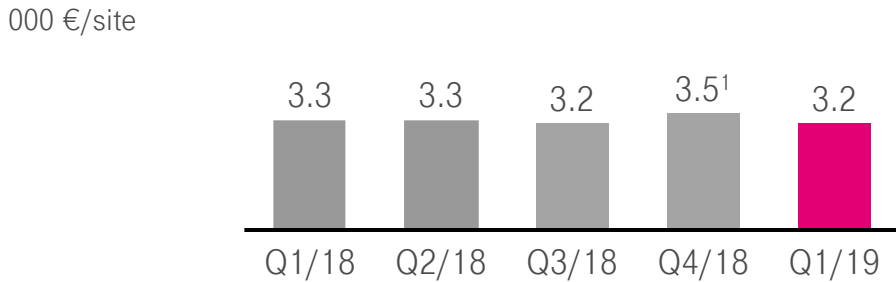
## Total site development GER + NL (since Q1/19)<sup>2</sup>



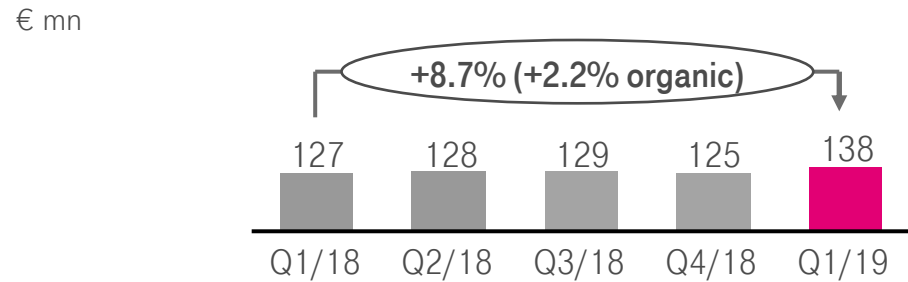
## Recurring rental revenue<sup>2</sup>



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



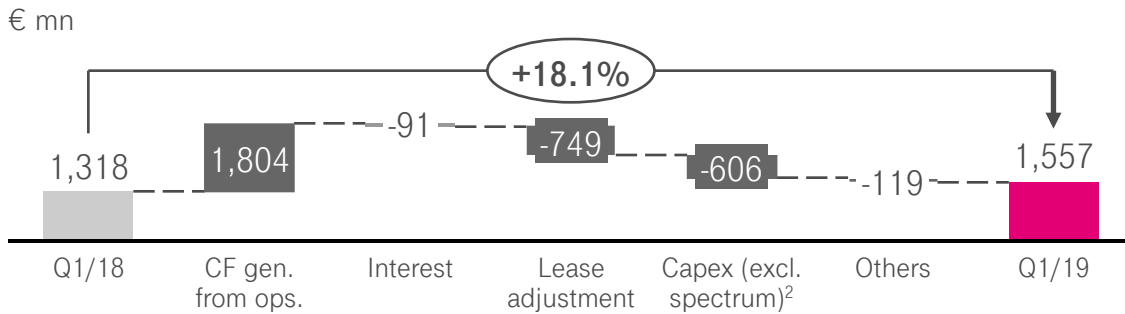
## Adj. EBITDA AL<sup>2</sup>



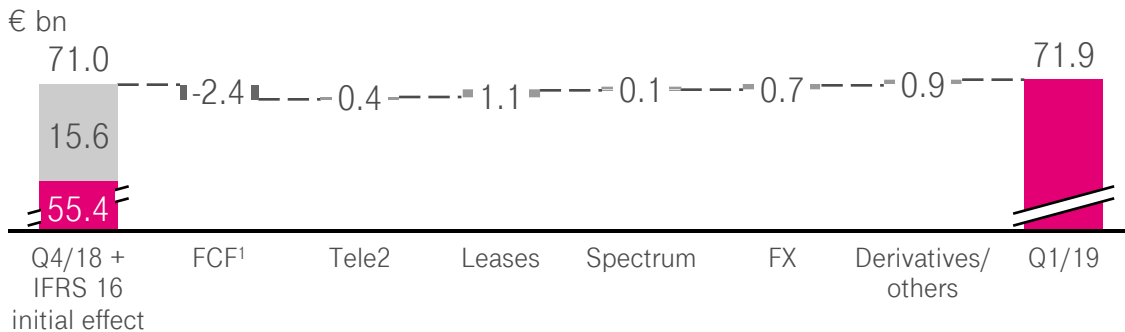
1) Adjusted for one-offs 2) Figures since Q1/19 incl. the Dutch tower business (3.2k). Previous quarters not restated. Organic growth and growth rates show underlying trends.

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

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

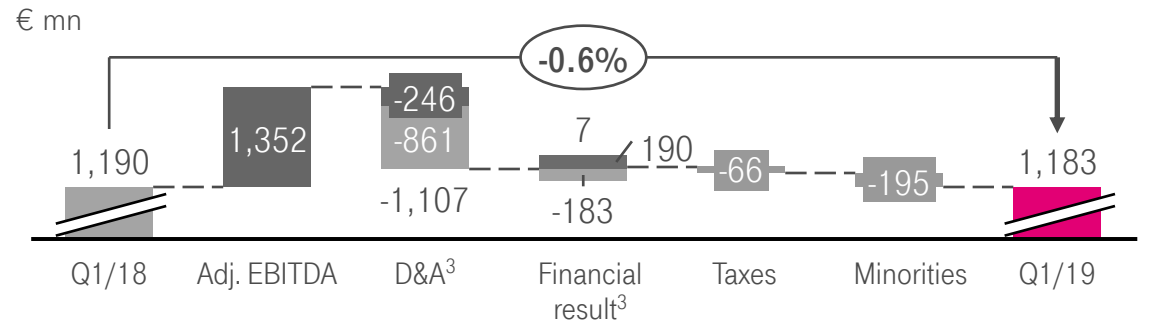


## Net debt development (Q1/19 over Q4/18)



1) FCF and FCF AL before dividend payments and spectrum investment. 2) Excl. spectrum: Q1/18: €63 mn; Q1/19: €145 mn. 3) D&A and financial result split in change in leasing related expenses (lower bar) and other expenses.

## Adj. net income



## Adj. EPS





# FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	31/03/2018	30/06/2018	30/09/2018	31/12/2018	31/03/2019
Balance sheet total <sup>1</sup>	138.0	139.7	142.3	145.4	165.5
Shareholders' equity <sup>1</sup>	43.7	41.4	43.5	43.4	42.8
Net debt <sup>1</sup>	50.5	54.8	55.5	55.4	71.9
Net debt/adj. EBITDA <sup>2</sup>	2.3	2.5	2.4	2.4	2.65
Equity ratio	31.7%	29.6%	30.6%	29.9%	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. 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!**