

– Check against delivery –

Conference call
Report on the third quarter of 2019
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Christian P. Illek
Chief Financial Officer
Deutsche Telekom AG

Thanks, Tim!

Ladies and Gentlemen,

The great momentum in our operating business continued in the third quarter of 2019.

Reported net revenue increased by 4.8 percent to 20.0 billion euros in these three months. That is the first time net revenue has grown to more than 20 billion euros in any quarter. Organically, the growth was 1.7 percent.

Exchange rate fluctuations accounted for 74 percent of the difference between reported revenue and revenue adjusted for currency translation effects and changes in the composition of the Group. This relates mainly to the stronger

performance of the U.S. dollar year-on-year. 26 percent relates to the first-time consolidation of UPC in Austria and Tele2 in the Netherlands.

Adjusted EBITDA AL increased in the three-month period by 5.4 percent to 6.5 billion euros. Organically, the growth was 3.0 percent. The change in the U.S. dollar exchange rate accounts for about 86 percent of this difference. The remaining 14 percent relates to the expansion of the consolidated group through the additions in Austria and the Netherlands.

Adjusted EBITDA AL increased both in the United States and in our other operating segments, including on an organic basis. The growth was almost equally strong on both sides of the Atlantic.

Free cash flow AL increased by 17.5 percent to 2.1 billion euros in the third quarter. The year-on-year growth of 13.8 percent in the first nine months shows that we are well on track for our full-year guidance.

Reported net profit stood at 1.4 billion euros in the third quarter, up 23.2 percent year-on-year. This is attributable to higher earnings from operations. In addition, the prior-year quarter had been negatively impacted by net special factors of around minus 0.2 billion euros. By contrast, the increase in profit attributable to non-controlling interests had a positive effect. This was attributable to the growth in earnings at T-Mobile US.

Adjusted net profit increased by 7.5 percent to 1.4 billion euros, which reflects the Group's stronger earnings performance.

Now let us go into the details for our operating segments.

In the Germany operating segment, we saw substantial further customer growth.

In fiber-optic lines, the strong momentum of the last few quarters continued with 534,000 net additions. We have now added more than half a million fiber-optic-based lines to the network for 16 quarters in a row.

The number of new customers signing up for broadband lines increased further, with 47,000 more net additions than in the second quarter.

For MagentaTV, new customer business accelerated compared with the prior-year quarter, with growth of 67,000. The rebranding and the addition of more new content are having a positive impact.

We were able to further build up the customer base for our integrated MagentaEINS product range.

At the end of the second quarter, 24 percent of households with a broadband line had also subscribed to a MagentaEINS package. That represents year-on-year growth of 3 percentage points or around 570,000 customers. The share of mobile contract customers with a MagentaEINS converged product has now reached 55 percent.

In the German mobile business, growth in the branded contract customer base and the strong increase in data usage continued.

In the third quarter of 2019, we won 180,000 new branded contract customers.

The number of customers with an LTE-enabled device and an LTE rate component increased further to 12.5 million at the end of September. At the same time, data usage went up substantially again: on average by 58 percent per month and customer compared to the prior-year quarter, to 3.9 GB. In the last three months, data usage has grown by around 0.7 GB/month. This trend

is driven by the expansion of our all-inclusive offerings to include services such as StreamOn and social media and gaming components.

The number of StreamOn customers increased by 543,000 in the last three months alone.

One effect of this sustained growth has been to reduce the branded contract customer churn rate to below 1 percent, where it has stayed since the fourth quarter of 2018.

Mobile service revenues increased by 0.7 percent year-on-year in the third quarter. This includes offsetting effects from the regulation of international calls and changes to mobile termination rates. Adjusted for these factors, mobile service revenues increased by 1.6 percent.

Revenue in the Germany operating segment increased by 0.6 percent in the three-month period to 5.5 billion euros, with service revenues increasing by 0.6 percent overall across all business areas. In addition to mobile service revenue growth, broadband revenue increased by 3.5 percent and wholesale revenue by 3.3 percent. By contrast, revenue with traditional telephone lines declined.

This revenue growth, together with a comparatively lower increase in costs, contributed to a 2.4 percent increase in adjusted EBITDA AL in the third quarter to 2.3 billion euros.

Let us now move on to the Europe operating segment.

The strong organic growth in customer numbers continued here.

288,000 mobile contract net additions were recorded in the third quarter. Broadband customer net adds totaled 47,000. The number of customers signing up for convergent product bundles grew by 329,000 in the third quarter.

Reported segment revenue increased 1.0 percent to 3.1 billion euros. Organically, the growth was 0.7 percent. The difference is mainly a result of the first-time consolidation of UPC in Austria, while the deconsolidation of our company in Albania and, to a lesser extent, exchange rate movements had an offsetting effect.

Adjusted EBITDA AL increased by 4.0 percent to 1.1 billion euros. Organically, growth came in at 3.3 percent. The difference is down to the effects described under revenue.

T-Mobile US won more than a million new customers for the 26th quarter in a row. In the third quarter of 2019, it was 1.7 million in total. The branded postpaid customer segment accounted for 1.1 million of these net adds. At the same time, T-Mobile US posted the lowest churn rate of any third quarter for postpaid phone customers, of 0.89 percent.

The company has significantly raised its guidance for net customer additions for the full year. Compared with the previous guidance, T-Mobile US now expects average postpaid net customer additions to increase by 450,000.

In the months from July to September, T-Mobile US' revenue increased by 3.1 percent to 11.1 billion U.S. dollars. This includes a 7.2 percent rise in service revenues, driven mainly by continued growth in the customer base. Lower handset sales had a negative effect on revenue.

Adjusted EBITDA AL increased in the second quarter by 3.1 percent to 3.2 billion U.S. dollars. The comparative figure from the third quarter of 2018 included the positive effects from hurricane-related reimbursements of around 0.1 billion euros. Organically, adjusted EBITDA AL grew by 7.9 percent in the third quarter of 2019.

Within Systems Solutions, we continued to make progress with our transformation program. Order entry continued to develop positively in the third quarter. Over the last twelve months, it has increased by 21 percent compared with the prior-year period.

Revenue declined slightly by 1.7 billion euros, or minus 5.5 percent, in the three-month period. Adjusted EBITDA AL increased by 0.7 percent. We continue to expect stable revenue and adjusted EBITDA AL of around 0.5 billion euros for the full year.

In the Group Development operating segment, the strong customer growth at T-Mobile NL continued in mobile communications. Organically, there were 80,000 net customer additions. In the fixed-network business, customer growth was much stronger than in the third quarter of 2018, at 23,000.

Revenue and adjusted EBITDA AL increased at TM NL both on a reported basis and in organic terms. The organic growth in adjusted EBITDA AL was particularly marked, with an increase of 25 percent, which was attributable to the larger customer base and the leveraging of synergy effects from the business combination with Tele2.

In the cell tower business, the number of antenna sites in Germany increased by 1,500 year-on-year. This puts us on track for integrating a total of 9,000 new sites in the network between 2018 and 2021.

Revenue and adjusted EBITDA AL in this business area increased on the back of the higher number of sites and growing business with partners outside of the Group.

Reported revenue generated in the Group Development operating segment increased by 29 percent year-on-year in the third quarter. Organically, the growth was 3 percent. The difference is down to the first-time consolidation of Tele2 in the Netherlands.

Both business areas contributed to the 21 percent increase in adjusted EBITDA AL in the third quarter. In organic terms, the growth rate was 15 percent.

To close, let us take a look at the development of net profit and the Group's financial ratios in the third quarter.

As already mentioned, adjusted net profit increased by 7.5 percent year-on-year to 1.4 billion euros.

Four key factors are at play here:

- The growth of 1.3 billion euro in adjusted EBITDA, which included a significant effect from the first-time application of IFRS 16, increased net profit.
- This was partially offset by higher depreciation on the rights to use leased assets as a result of IFRS 16, amounting to around 0.9 billion euros.

- Interest expense on lease liabilities increased under IFRS 16, also resulting in a negative effect of around 0.2 billion euros.
- The higher net earnings of T-Mobile US also increased the profit of our U.S. subsidiary attributable to non-controlling interests by around 0.1 billion euros.

Net debt increased by 3.1 billion euros against the end of the second quarter of 2019.

This development was essentially driven by the following factors:

- Free cash flow according to IFRS 16 of 2.9 billion euros, which reduced financial liabilities.
- By contrast, lease liabilities increased by 1.5 billion euros, mainly as a result of the accelerated build-out of our U.S. network in the 600 MHz band.
- The conversion of financial liabilities denominated in U.S. dollars at the exchange rate on the reporting date of September 30 increased financial liabilities by around 1.5 billion euros.
- The purchase of mobile spectrum at auction in Germany increased financial liabilities by 2.2 billion euros.

As a result, the ratio of net debt to adjusted EBITDA stood at 2.8 at the end of the third quarter, slightly above our guidance range of 2.25 to 2.75.

We expect this ratio to drop back down into range by the year-end, despite higher planned capital expenditure. Tim Höttges has already mentioned that we are raising our cash capex guidance upwards to around 12.9 billion euros for the full year. This increase relates solely to our capex planning for the United States – our planning for the rest of the Group remains at the same level as before.

And now we look forward to your questions!