

Deutsche Telekom Q3 2020 results



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Disclaimer

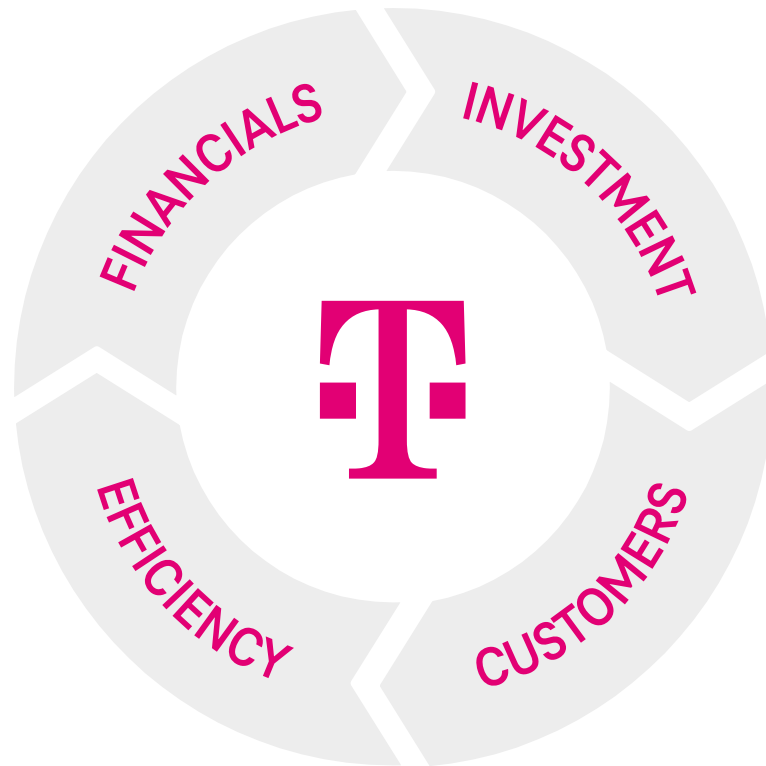
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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA after leases, adjusted EBITDA margin, adjusted 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.

9M 2020 results

sector leading growth



- Successful Q3 for New T-Mobile
- T-Mobile making strong progress with 5G/integration
- Ongoing strong organic operational performance in Europe: Germany 16th, Europe 11th consecutive quarter of EBITDA growth
- BB-net adds in GER doubled yoy. Line-losses cut by two thirds
- Clean sweep of German service awards
- Benchmark fiber wholesale agreement with TEF D
- 2020 Group EBITDA AL guidance up € 1bn to at least € 35bn, driven by upgrades in the US and Europe, FCF guidance up to at least € 6bn
- € 17bn capex in 2020, unchanged
- Leverage ratio w/o leases down to 2.5x
- 2020 dividend 60 cents¹

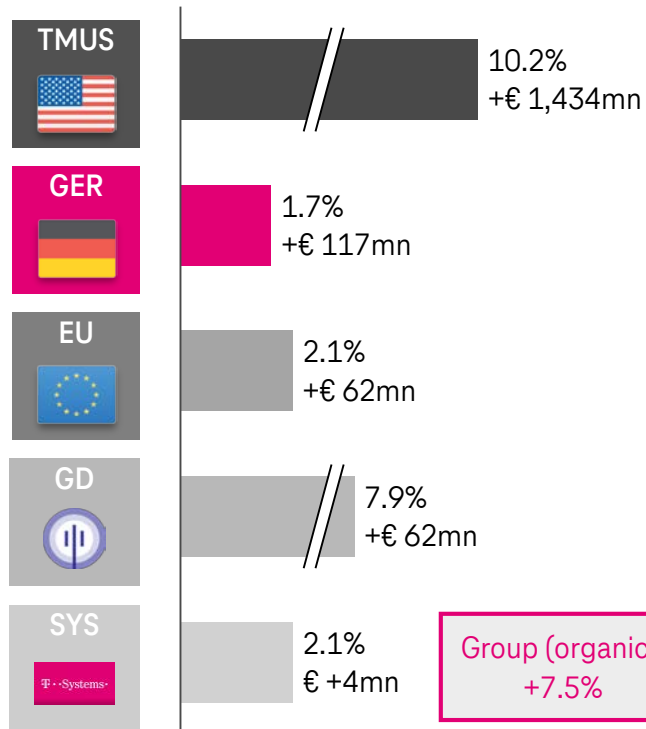
1) Subject to necessary board resolutions and AGM approval

9M 2020

we grow, despite Covid-19

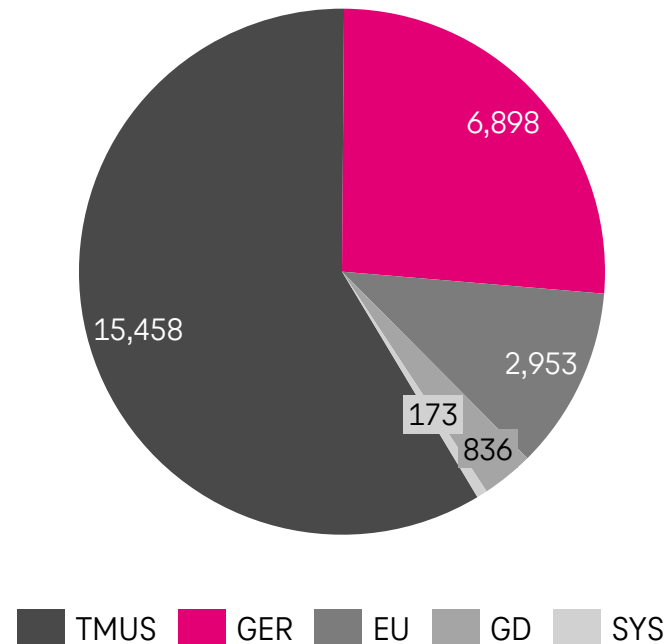


Adj. EBITDA AL (Organic growth)



Adj. EBITDA AL¹

€ mn



9m 2020 Reported growth

| | |
|---------------------------|--------|
| Revenue | +24.0% |
| Adj. EBITDA AL | +39.4% |
| Adj. EBITDA AL (excl. US) | +3.2% |
| Adj. Net profit | +3.6% |
| Net profit | -22.6% |
| Adj. EPS (in €) | +3.6% |
| Free cash flow AL | +1.8% |
| Cash capex | +14.6% |
| Net debt AL | +52.7% |

1) Excl. GHS, as reported

US merger delivering the benefits

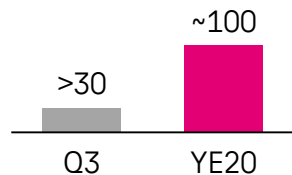


Operational progress

- Successful commercial integration
 - Rebranding executed in August
 - 2.0m postpaid net adds in Q3
 - 0.9% postpaid phone churn in Q3

• Progress with network integration

Pops passed with 2.5GHz 5G



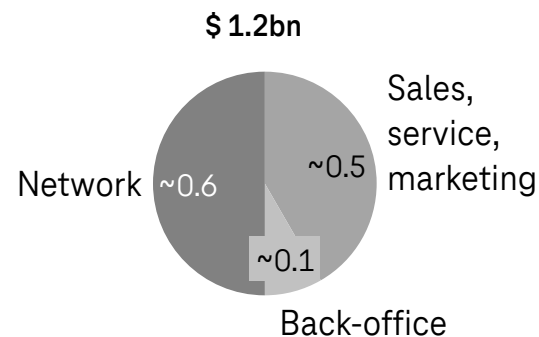
- 15% of Sprint traffic on TMUS network
- 85% of Sprint handsets compatible
- 15 year lease deal with AMT

• Extensive refinancing

- \$28bn refinanced since April close
- Maturities from 4.3 to 9.2 years, average cost of debt to c5.1% from c5.6%

Financial progress

- Confirming target \$ 6bn synergy run-rate, and \$ 43bn NPV
- \$ 1.2bn synergies expected already in 2020



- YTD merger-related opex \$ 1.2bn; Q4 expected at \$ 0.5-0.7bn
- 2020 guidance upgraded



Merger well on track to deliver benefits to customers and shareholders

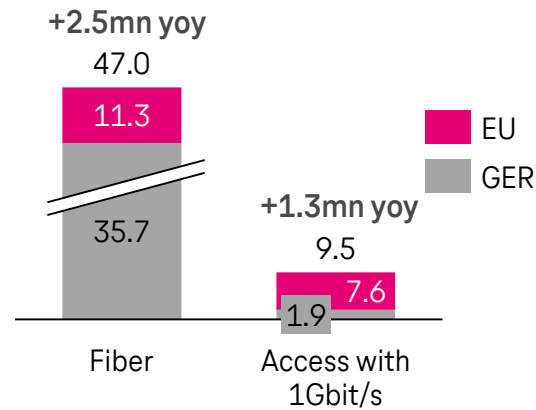
Investments

driving network leadership



Fiber networks

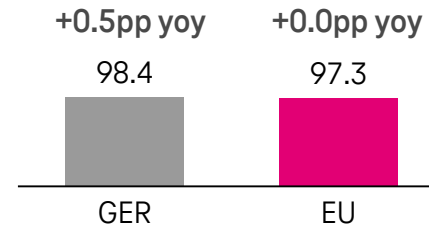
Fiber households¹
mn



- GER/EU: FTTH build accelerating
- GER: 28mn HHs passed with super-vectoring
- GER: Benchmark wholesale agreement with TEF D

Mobile networks

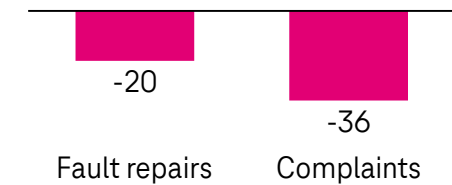
LTE outdoor POP coverage
%



- Clear 5G leadership in Germany
- 1,800 sites rolled out in the last 12 months
- T-Mobile moving fast to deploy market leading network

Agility

Improvement in service parameters (GER)
% yoy



- GER: Further improvement in service KPIs
 - 1st contact resolution rate up 24%
 - Winner of “Chip” hotline test in all 4 categories
- EU
 - App penetration of 59%, up 15pp

1) EU9: ≥ 100Mbit/s coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3. GER: FTTC and FTTH/B lines

Investments/5G

leading across the footprint



Germany

Covered POPs

- >50% already covered with 2x15 MHz of 2.1 GHz. Target 2/3 coverage by year end 2020
- Top 20 cities to be covered with 3.6 GHz by YE 2020
- Handset portfolio already includes 27 5G enabled devices



>50%



9M/20

TM US

Covered POPs

- Launch of world's first nationwide standalone 5G network
- >270mn POPs covered with 600 MHz, double the geographic coverage of AT&T and Verizon combined
- 2.5 GHz 5G live in 400+ cities, with 300 Mbit/s average speed covering >30mn POPs. YE 2020 target: 100mn POPs, 200mn next year



>80%



9M/20

5G
2020

Netherlands

Covered POPs

- Launch of 5G in 700 MHz
- Nationwide POP coverage achieved end of October



90%



9M/20

EU



- Off to a strong start in many NatCos
- Austria: 25% coverage
- Poland: 1,600 5G base stations cover 6mn POPs
- Hungary: 5G launched commercially in mid-April

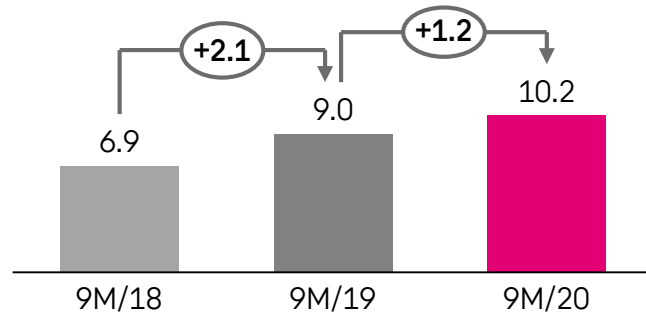
Customers

growing strongly



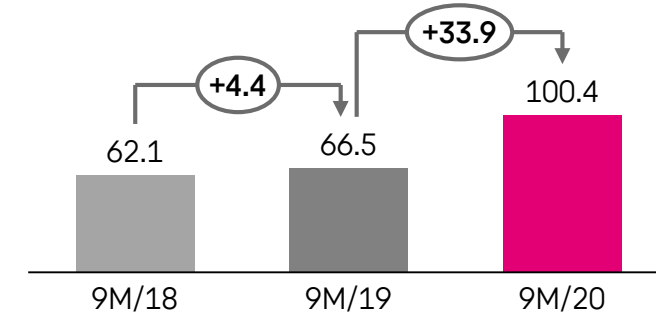
Magenta EINS (GER + EU)

mn



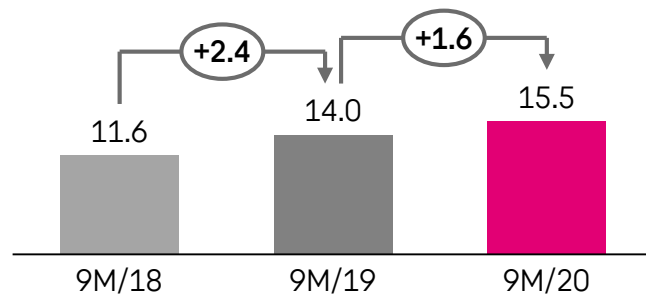
Mobile customers (US)^{1,2}

mn



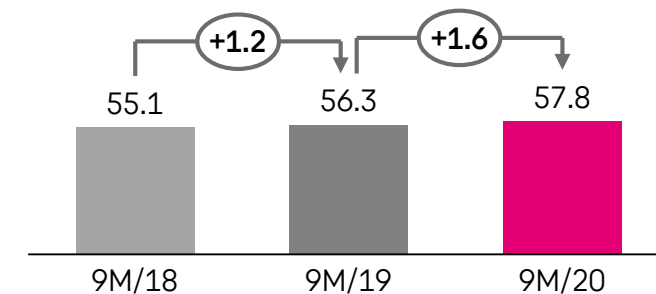
Fiber (GER)

mn



Mobile contract customers (GER + EU + NL)²

mn



1) Mobile customers w/o wholesale, adjusted for "boost"-subscribers 2) Change in base. Figures not adj. for acquisitions or disposals.

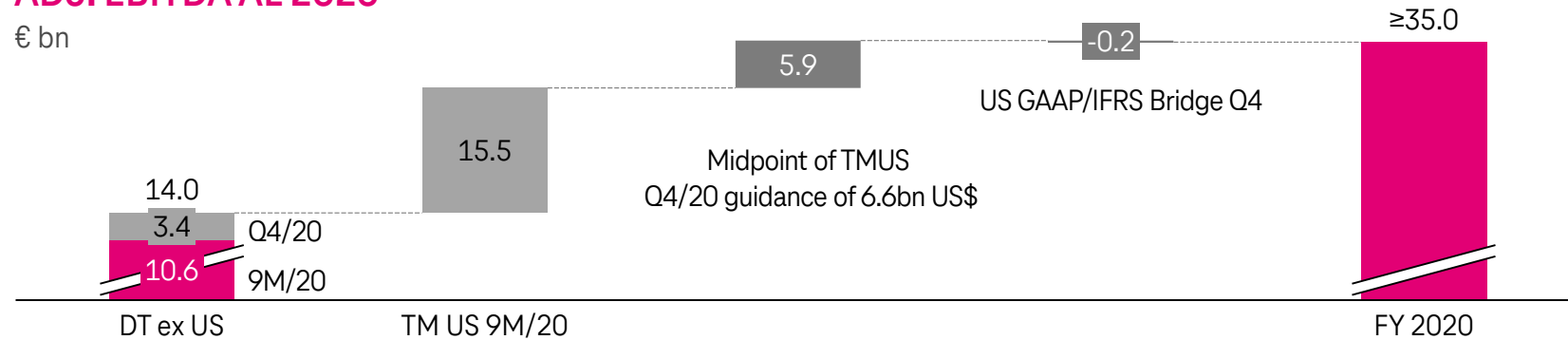
Guidance

raised in US and in Europe, despite Covid-19



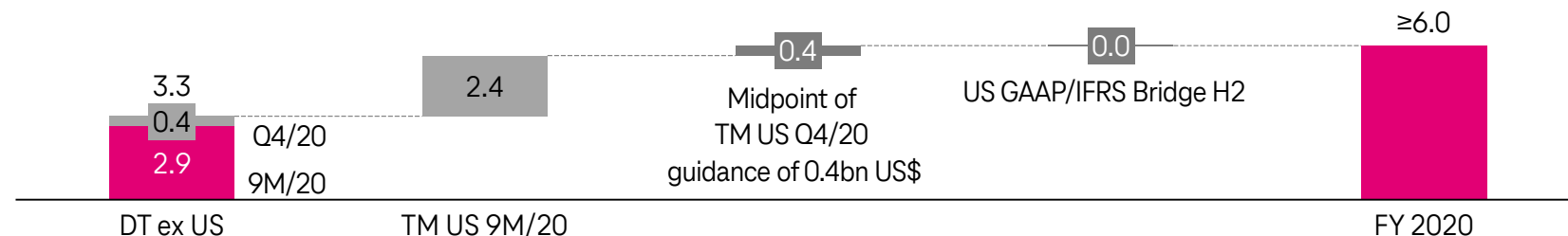
ADJ. EBITDA AL 2020

€ bn



FCF AL 2020

€ bn



Ex US guidance raised

- Adj. EBITDA AL: around € 14.0bn (+0.1bn)
- FCF AL: around € 3.3bn
- Cash Capex around € 7.8bn

Raised US guidance for Q4 reflected:

- TM US EBITDA, FCF and Cash capex included with mid-point of TM US guidance
- Q4 US\$ F/X at 1.12

New group guidance

- Adj. EBITDA AL: at least € 35bn (+1bn)
- FCF AL: at least € 6bn (+0.5bn)
- Cash Capex: around € 17bn. (unchanged)

Review Q3 2020



LIFE IS FOR SHARING.

Financials

strong growth

€ mn

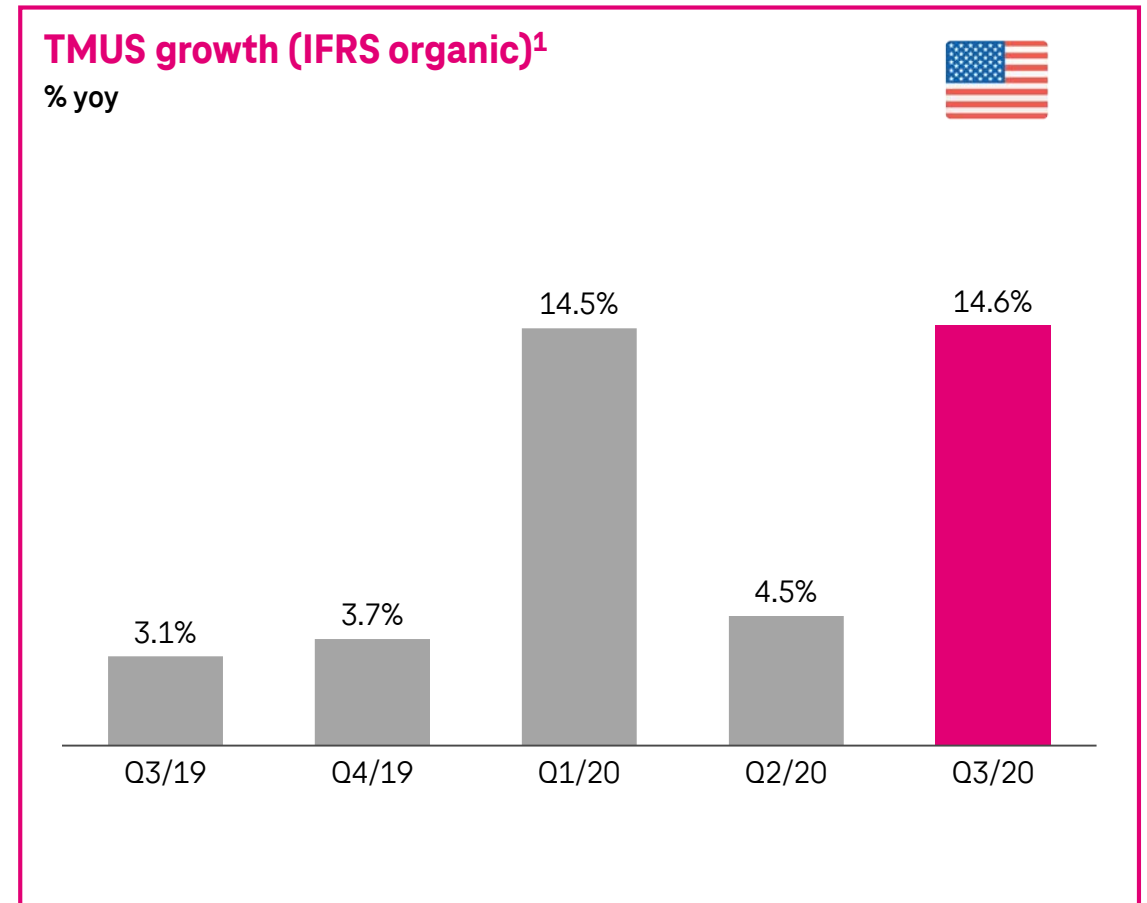
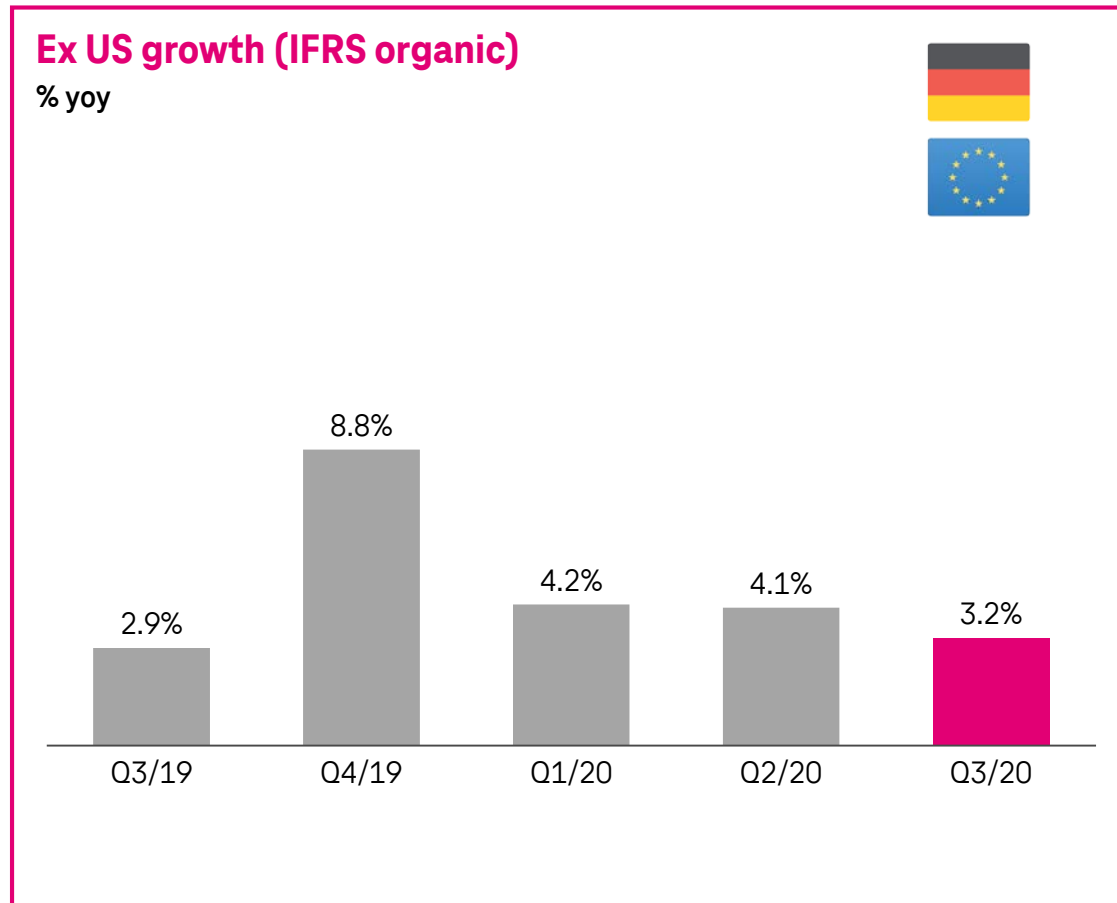
| | Q3 | | | 9M | | |
|----------------------------------|--------|---------|--------|--------|---------|--------|
| | 2019 | 2020 | Change | 2019 | 2020 | Change |
| Revenue | 20,017 | 26,393 | +31.9% | 59,169 | 73,377 | +24.0% |
| Adj. EBITDA AL | 6,478 | 9,692 | +49.6% | 18,701 | 26,065 | +39.4% |
| Adj. EBITDA AL (excl. US) | 3,605 | 3,698 | +2.6% | 10,277 | 10,608 | +3.2% |
| Adj. Net profit | 1,420 | 1,509 | +6.3% | 3,932 | 4,072 | +3.6% |
| Net profit | 1,368 | 817 | -40.3% | 3,213 | 2,487 | -22.6% |
| Adj. EPS (in €) | 0,30 | 0.32 | +6.7% | 0,83 | 0.86 | +3.6% |
| Free cash flow AL ^{1,2} | 2,147 | 1,634 | -23.9% | 5,250 | 5,347 | +1.8% |
| Cash capex ² | 3,037 | 4,490 | +47.9% | 10,043 | 11,512 | +14.6% |
| Net debt | 78,807 | 124,521 | +58.0% | 78,807 | 124,521 | +58.0% |
| Net debt AL | 60,742 | 92,737 | +52.7% | 60,742 | 92,737 | +52.7% |

1) 9M/20 before € 1,600mn zero bond redemption (in Q1) and before € 2,157mn US payer swap payment (in Q2)

2) Free cash flow AL before dividend payments and spectrum investment. Spectrum: Q3/19: € 143mn; Q3/20: € 273mn, 9M/19: € 1,164mn, 9M/20: € 1,368mn

EBITDA AI





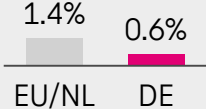
growth on both sides of the Atlantic



1) Sprint included since Q2/20

Covid-19 impacts

expected headwinds

| | Maximum possible exposure (ex US) | Q3 2020 estimated impact |
|--------------------------|--|--------------------------|
| Retail roaming revenue |  EU/NL DE ~€ 0.35bn | € 65m |
| Mobile handset revenue |  EU/NL DE ~€ 3.5bn | Limited impact |
| ICT revenue |  DE EU/NL TSI ~€ 9bn ¹ | ~€ 100m |
| Fixed call revenue |  EU/NL DE ~€ 0.6bn | ~+€ 10m |
| Bad debt |  1.4% 0.6% EU/NL DE ~€ 0.3bn | Limited impact |
| EBITDA AL (ex US) | <ul style="list-style-type: none"> • Q3 EBITDA ex US +3% organic • Limited impact in H1 but Q3 estimated impact c€ 0.1bn • Strong fundamentals nevertheless allow us to raise 2020 guidance from € 13.9 to € 14.0bn | |

1) Split in previous reporting structure

Germany

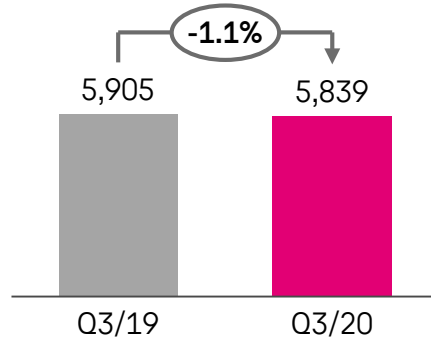
revenue decline due to lower equipment revs, EBITDA growing



Revenues

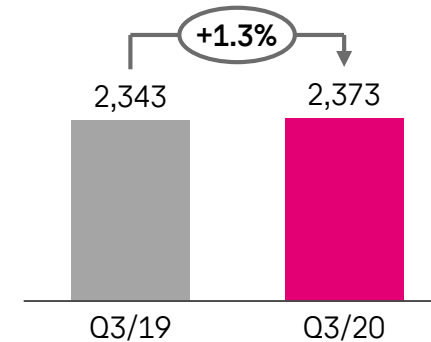
€ mn

- Handset related around -1.5pp
- Covid-19 related >1pp



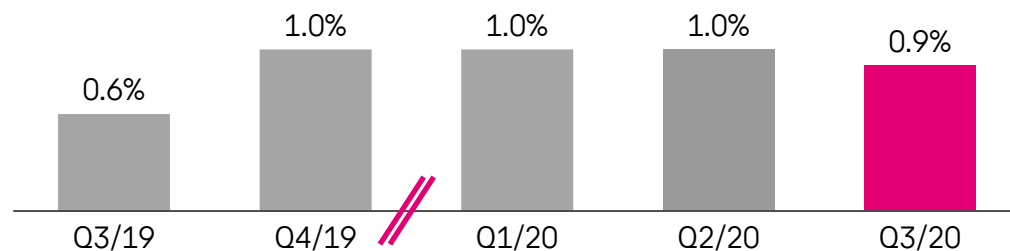
Adj. EBITDA AL

€ mn



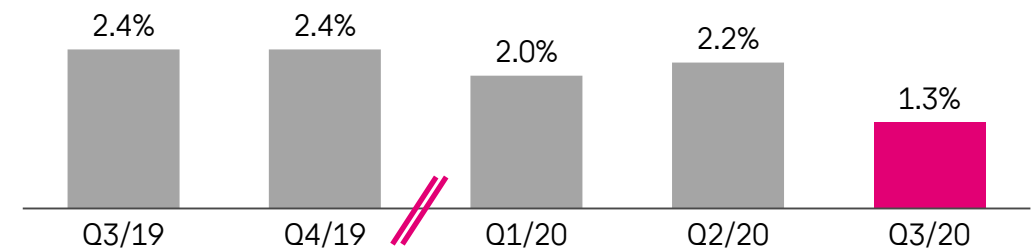
Total service revenue growth¹

% yoy



Adj. EBITDA AL growth (organic)¹

% yoy



1) 2020 quarterly trends in new reporting structure

Germany

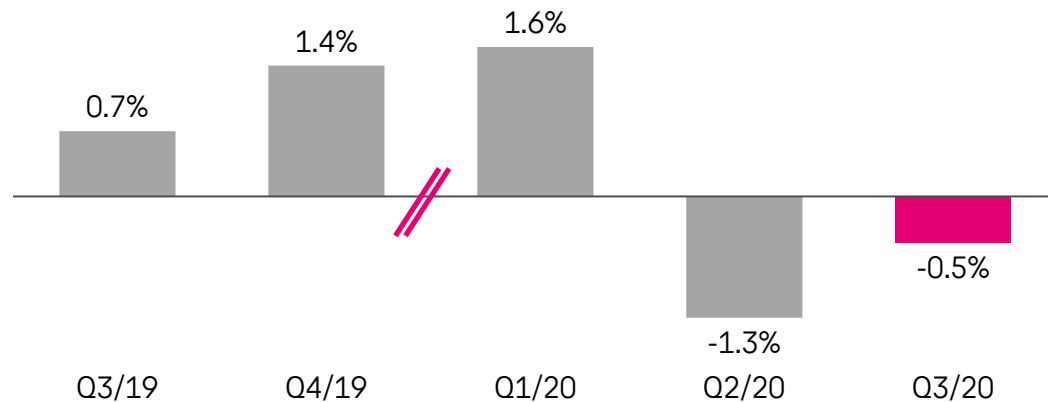
fixed line service revenues growing, mobile c2% ex Covid-19



Mobile service revenue growth¹

% yoy

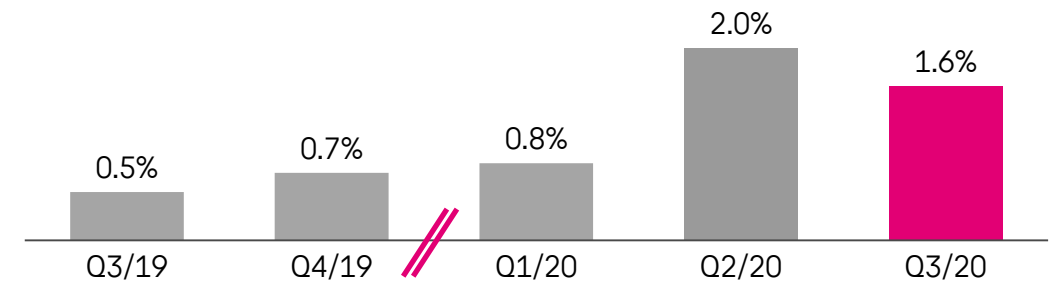
- Covid-19 related headwind on roaming (c1.9pp) and on visitor revenues
- Ex Covid-19 growth +c2%



Fixed service revenue growth¹

% yoy

- Decreasing line losses and growing Broadband net adds
- 0.2pp Covid-19 related tailwind from fixed calls in Q3 after 1.1pp in Q2



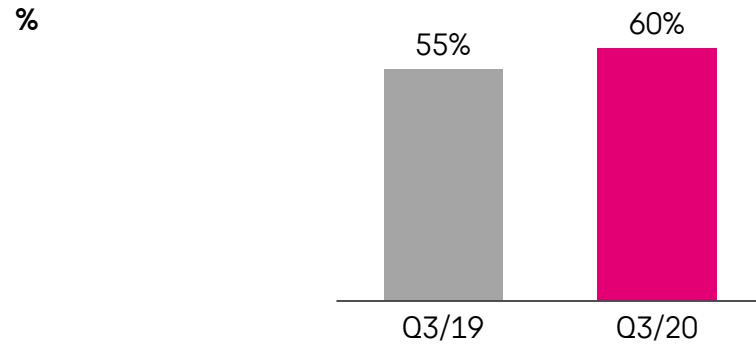
1) 2020 quarterly trends in new reporting structure

Germany

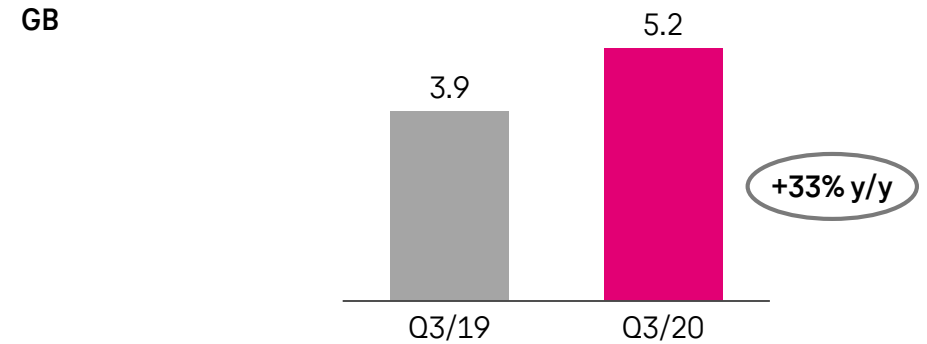
positive mobile KPIs



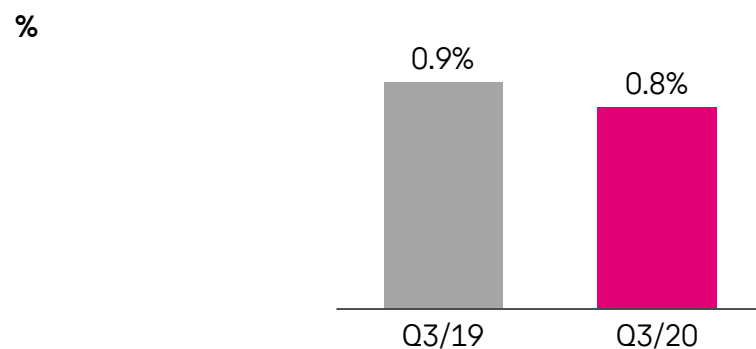
Magenta EINS share (mobile)¹



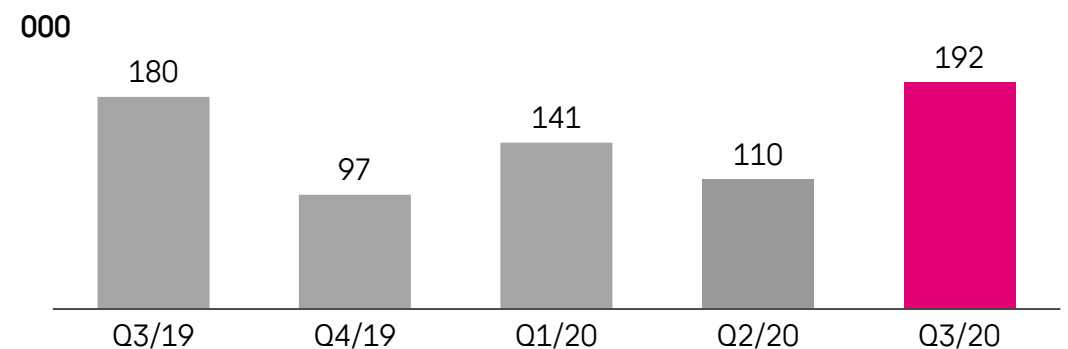
Data usage³



Churn²



Branded contract net adds⁴



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

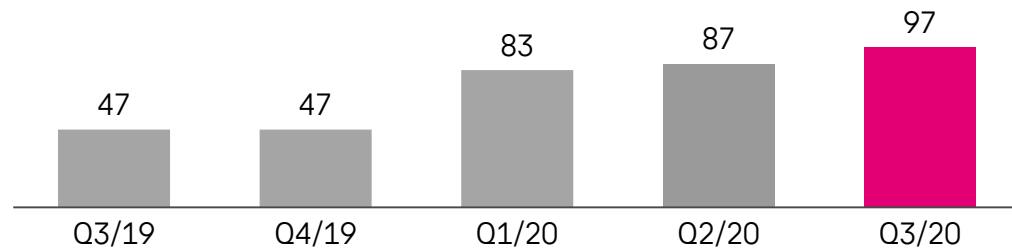
Germany

improving commercials in fixed



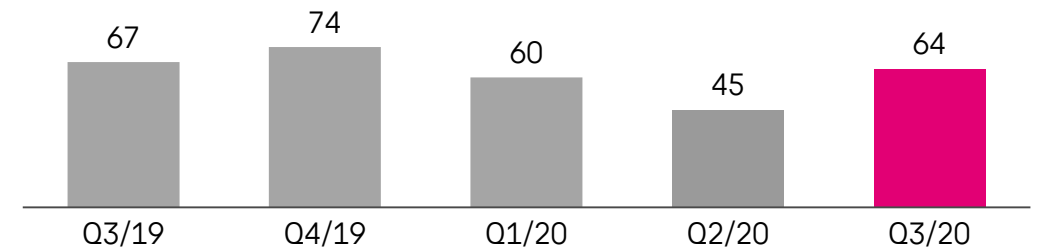
Broadband net adds

000



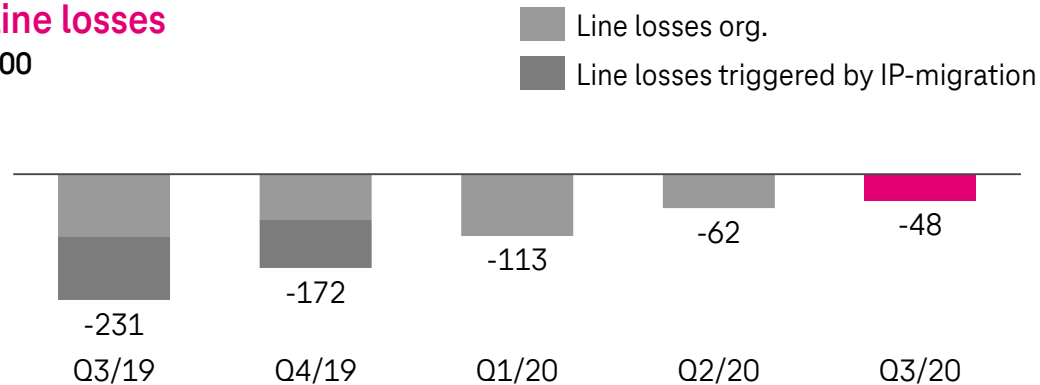
TV net adds

000



Line losses

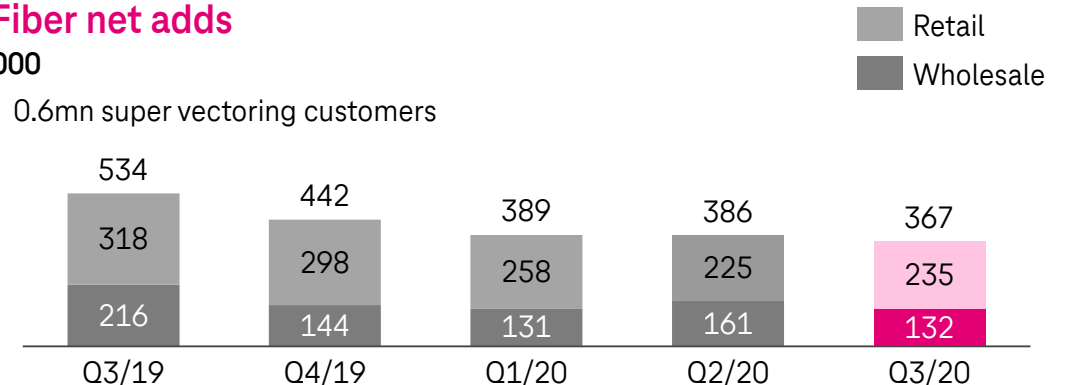
000



Fiber net adds

000

• 0.6mn super vectoring customers



Germany

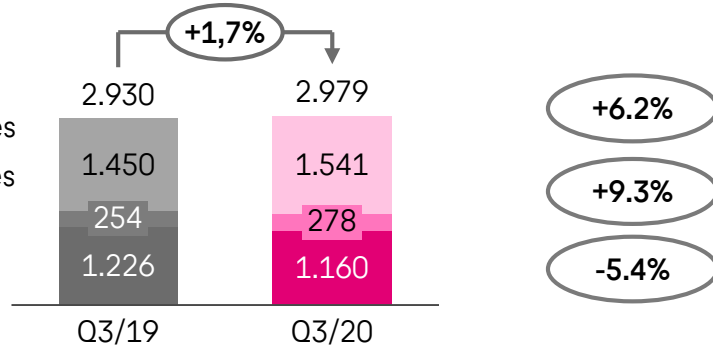
growth in fixed



Retail fixed revenues¹

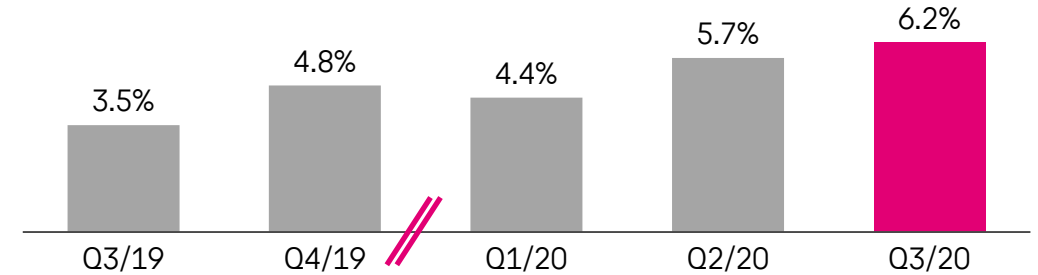
€ mn

- Broadband revenues
- Single Play revenues
- Other revenues



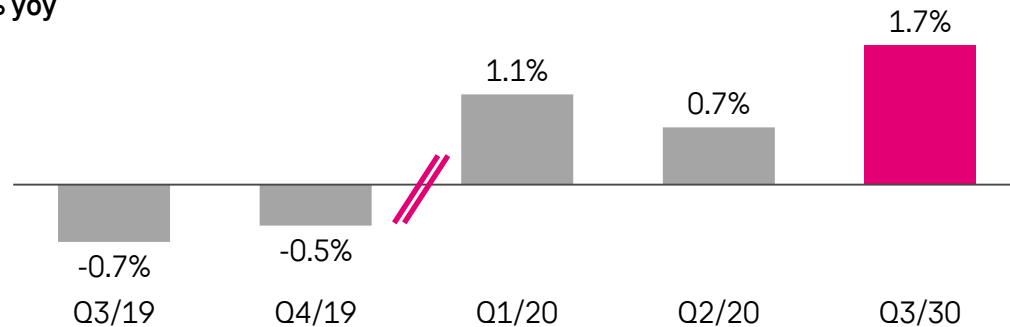
Broadband revenue growth¹

% yoy



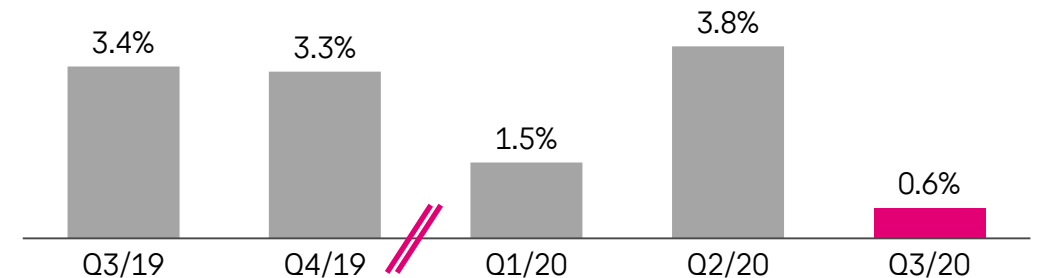
Retail fixed revenue growth¹

% yoy



Wholesale revenue growth¹

% yoy



1) 2020 quarterly trends in new reporting structure

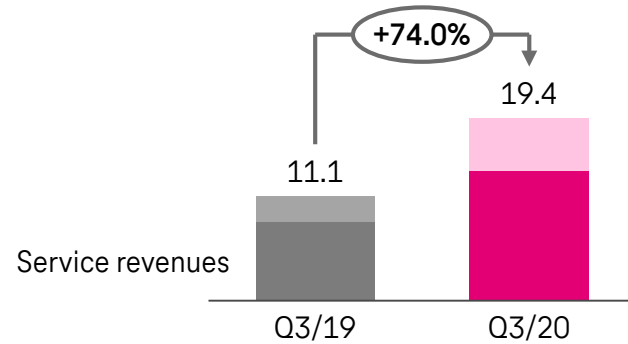
T-Mobile

new T-Mobile off to a good start



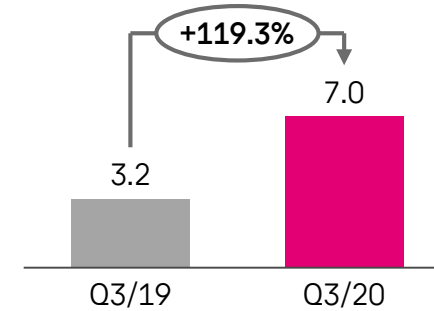
Revenues (IFRS)

US \$ bn



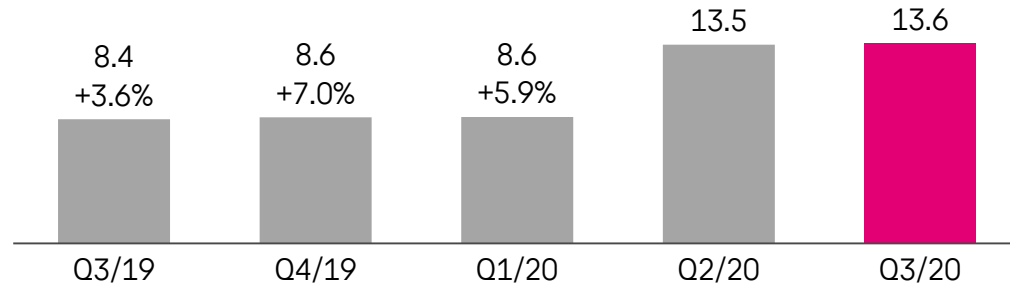
Adj. EBITDA AL (IFRS)

US \$ bn



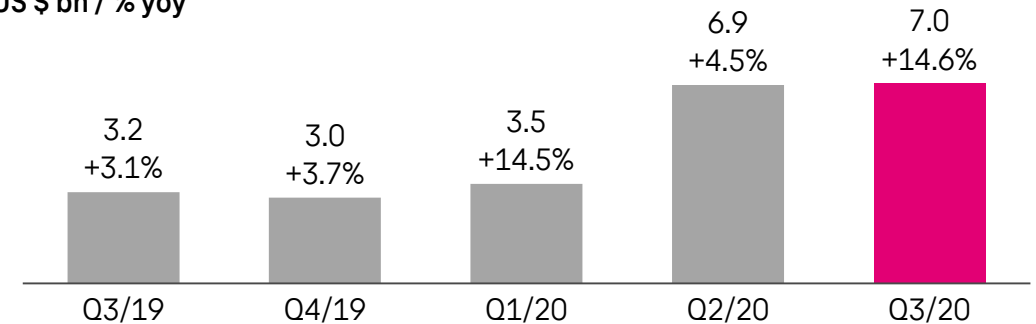
Service revenue (IFRS)¹

US \$ bn / % yoy



Adj. EBITDA AL growth (IFRS) organic

US \$ bn / % yoy



1) No restated historic service revenues available for Q2 and Q3



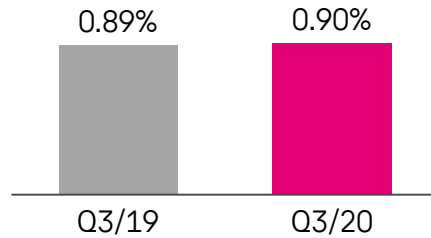
T-Mobile

executing on key drivers



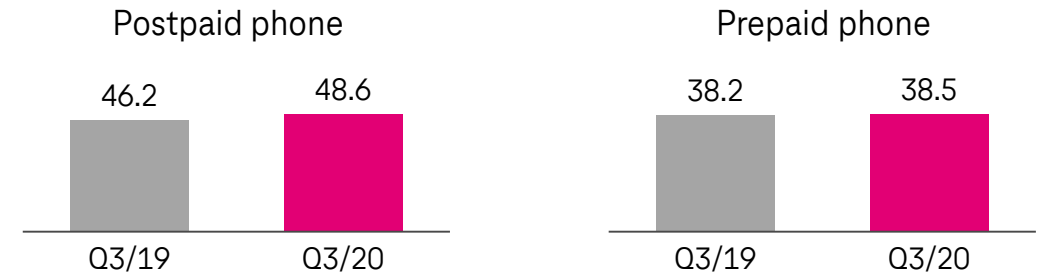
Postpaid phone churn

%



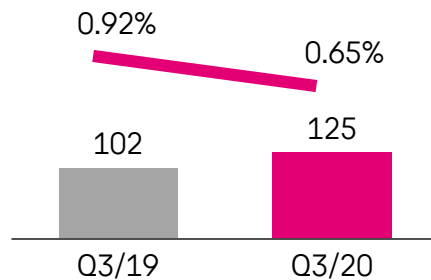
ARPU

US \$



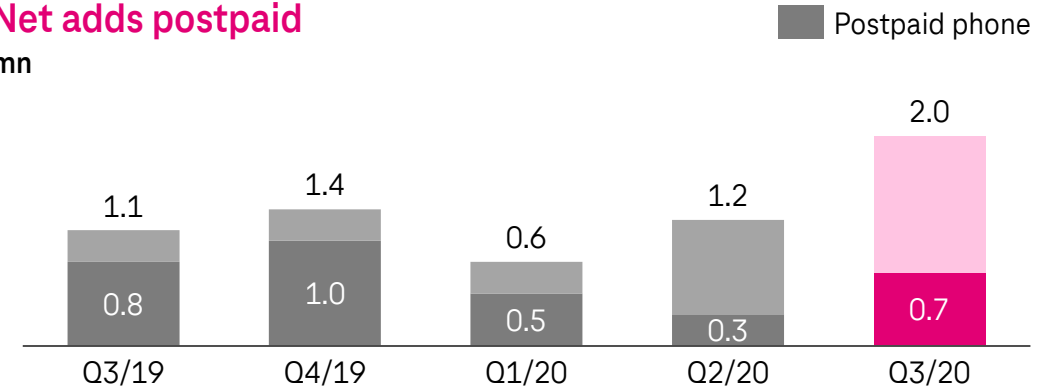
Bad debt expense and losses from sale of receivables

in US \$ mn and as % of total revenues



Net adds postpaid

mn



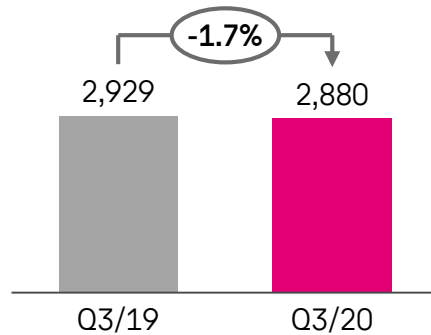
Europe

11th consecutive quarter of organic EBITDA growth



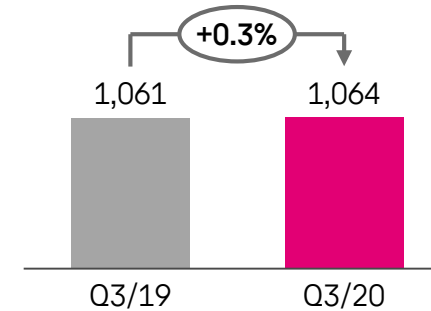
Revenues

€ mn



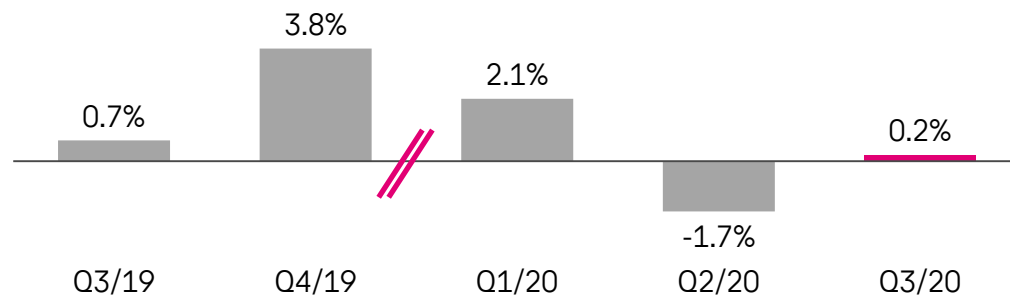
Adj. EBITDA AL

€ mn



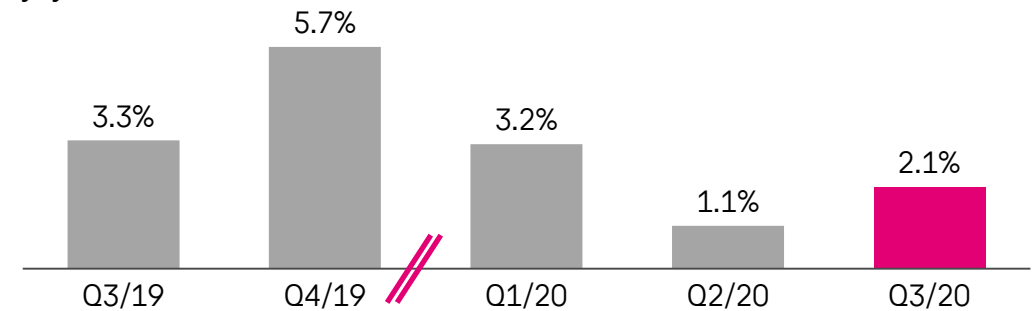
Revenue growth (organic)¹

% yoy



Adj. EBITDA AL growth (organic)¹

% yoy



1) 2020 quarterly trends in new reporting structure

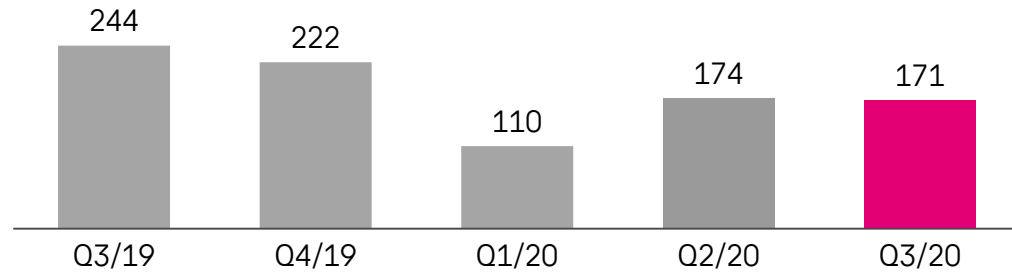
Europe

solid customer growth



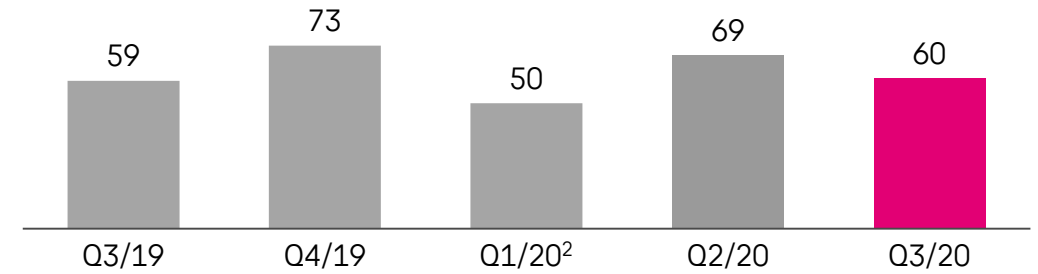
Mobile contract net adds¹

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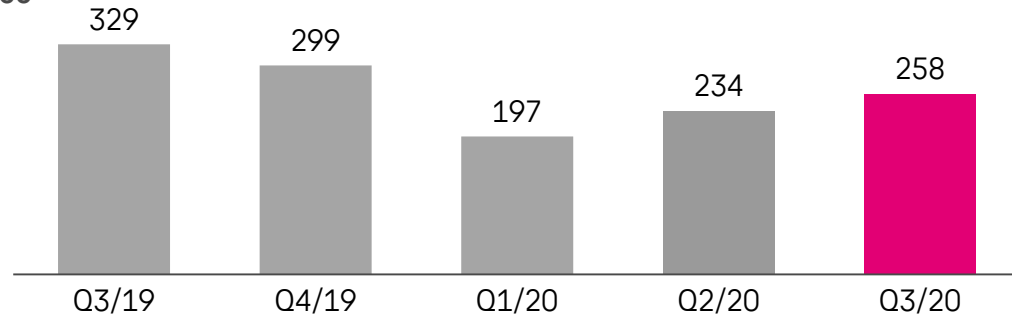
Broadband net adds

000



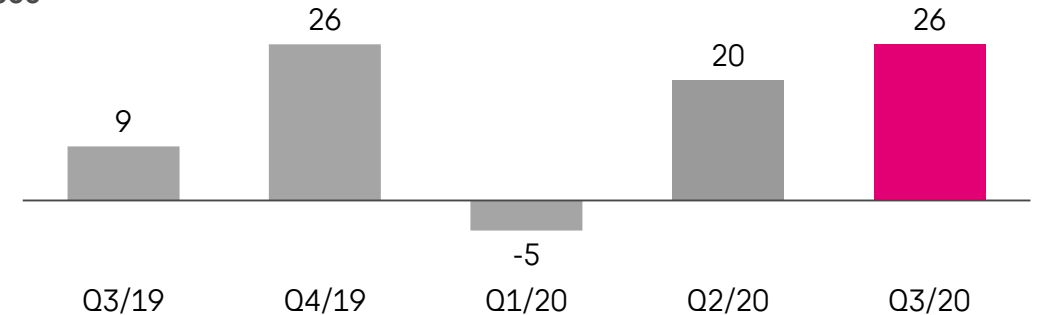
FMC net adds²

000



TV net adds

000



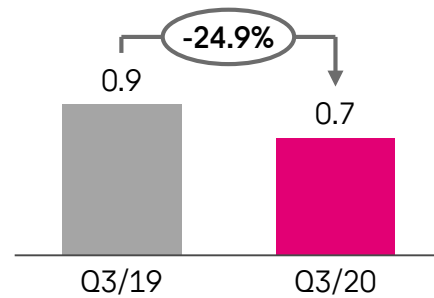
1) M2M customers have been re-allocated to prepay as of Q1/20. Historic figures have been adjusted 2) Prior quarters in 2020 re-stated due to an alignment of definition.

T-Systems

Covid-19 weighs on transformation

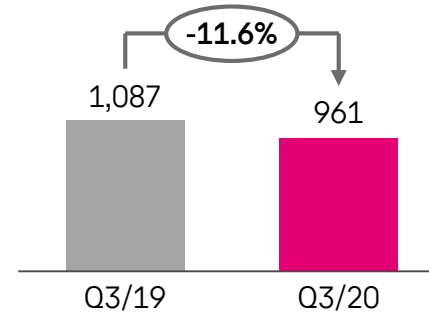
Order entry

€ bn



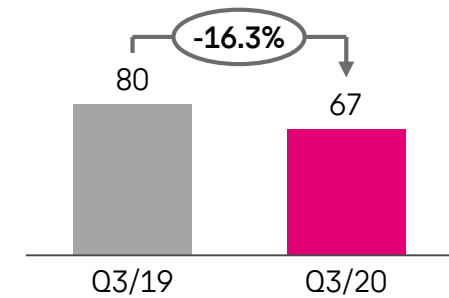
Revenues

€ mn



Adj. EBITDA AL

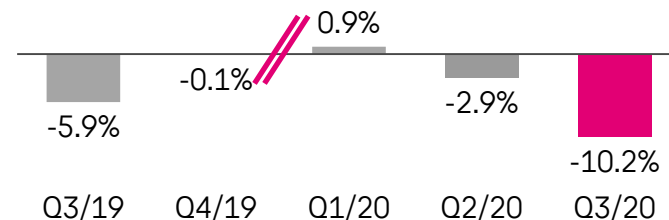
€ mn



Order entry impacted by Covid-19 related delays in new business and contract renewals
Revenue also negatively impacted by phasing in international business.

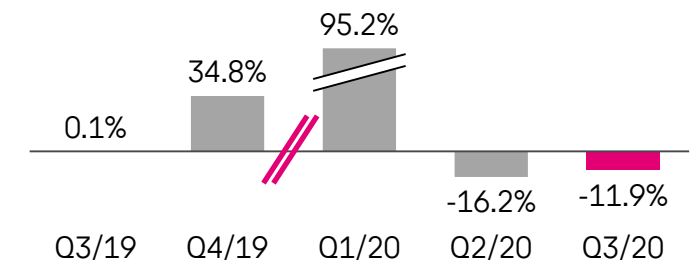
Revenue growth (organic)¹

% yoy



Adj. EBITDA AL growth (organic)¹

% yoy



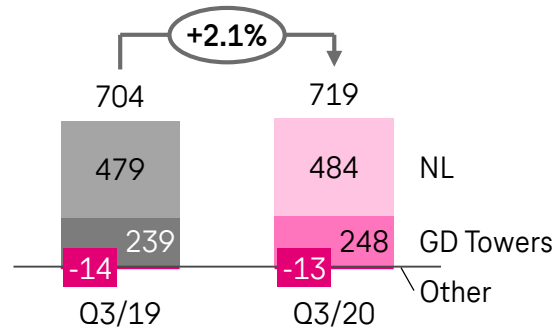
1) 2020 quarterly trends in new reporting structure

Group Development

ongoing strong performance

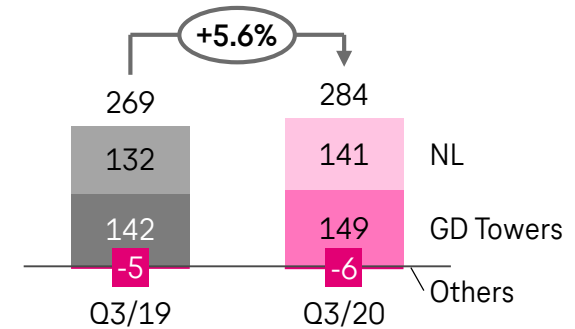
Revenues

€ mn



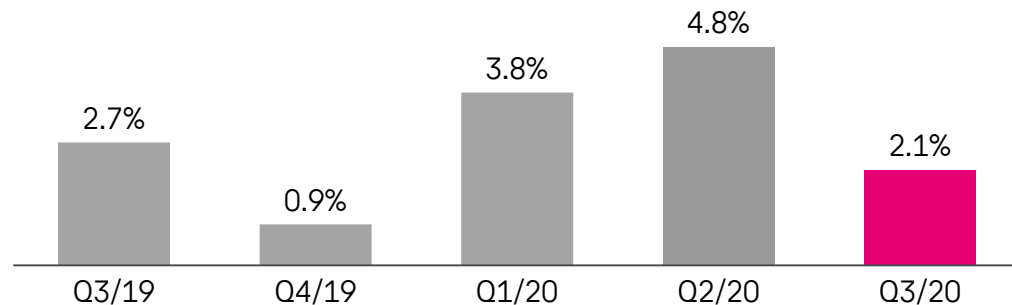
Adj. EBITDA AL

€ mn



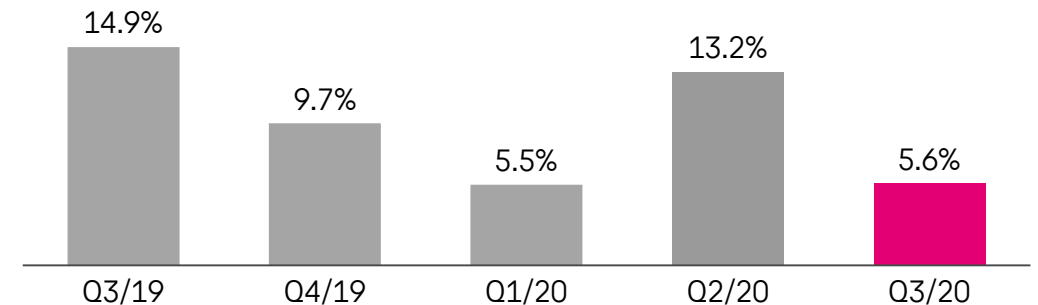
Revenue growth (organic)

% yoy



Adj. EBITDA AL growth (organic)

% yoy



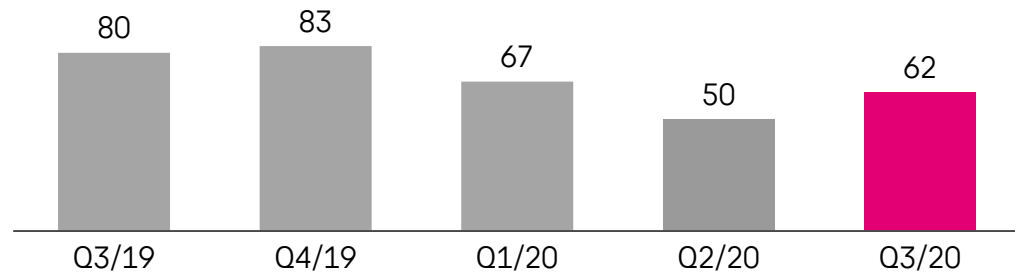
GD/TMNL

growth continues despite Covid-19



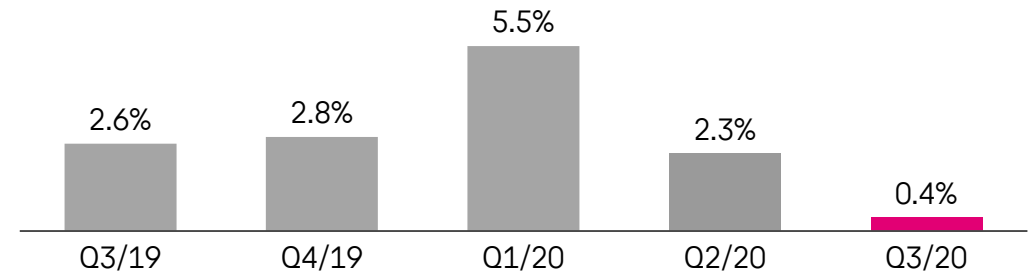
Contract net adds

000



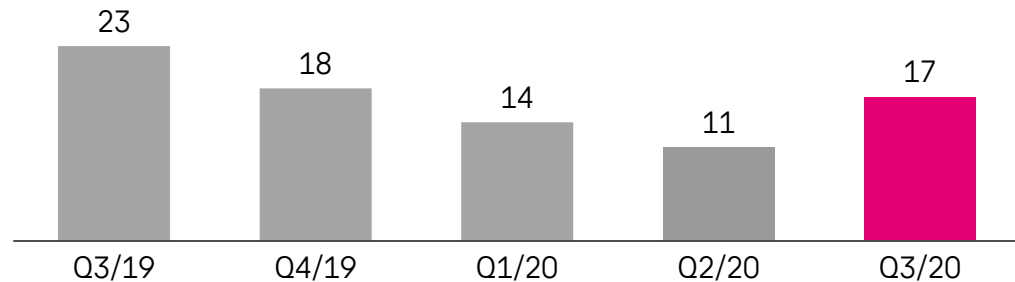
Mobile service revenue growth (organic)

% yoy



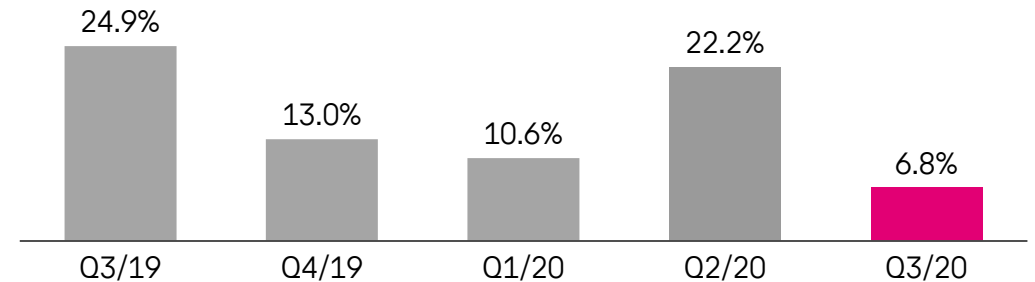
Broadband net adds

000



Adj. EBITDA AL growth (organic)

% yoy



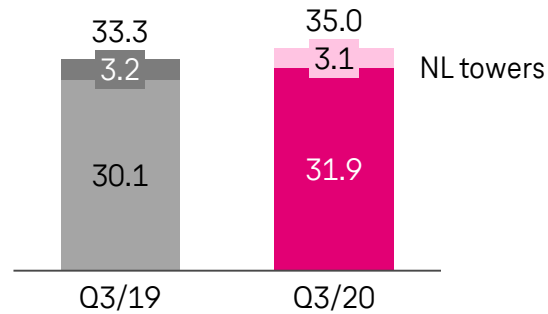
GD Towers

ongoing expansion



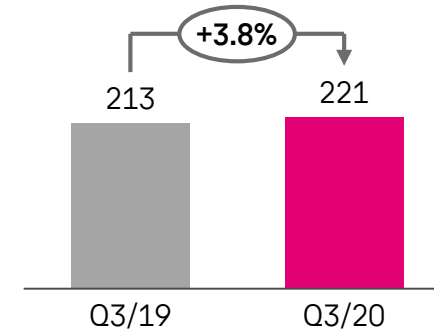
Total sites

000



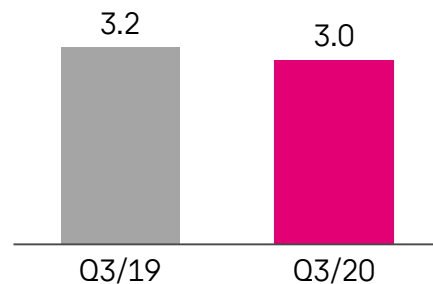
Recurring rental revenues

€ mn



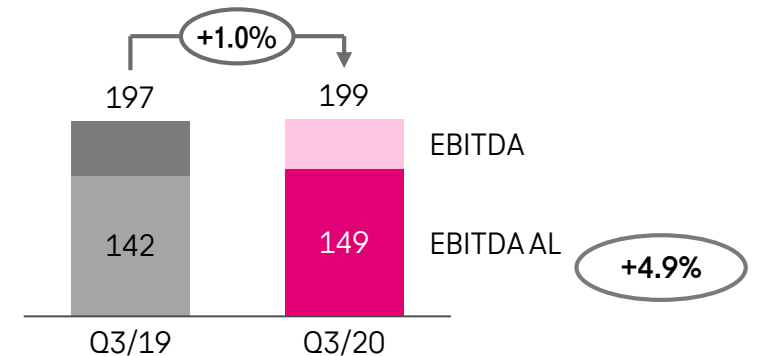
Opex AL per site

000 €



Adj. EBITDA

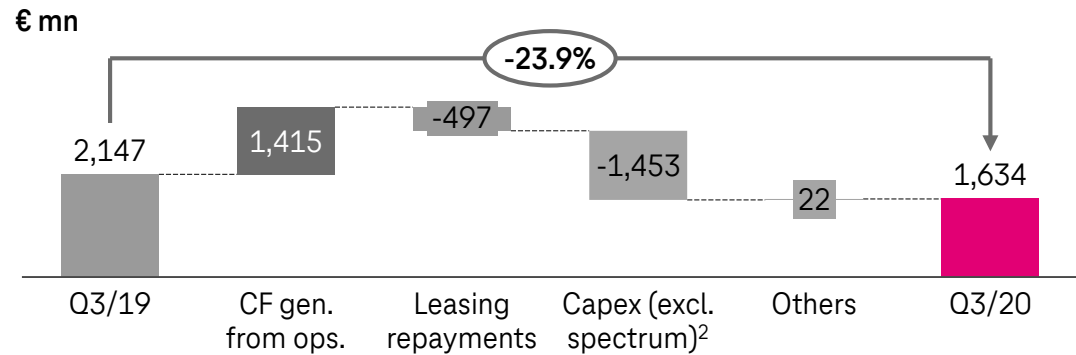
€ mn



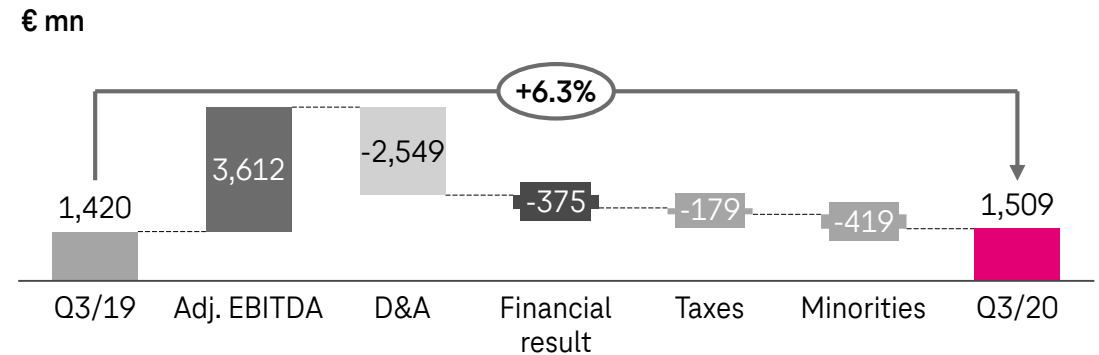
Financials

FCF reflects merger-related investments

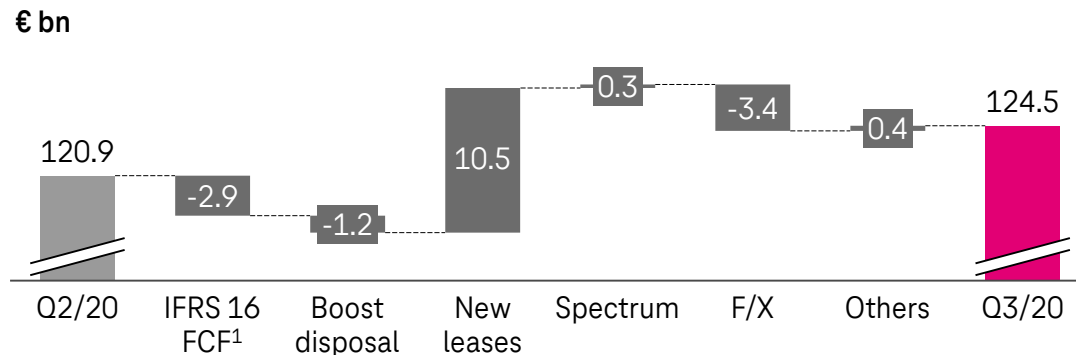
Free Cash Flow AL¹



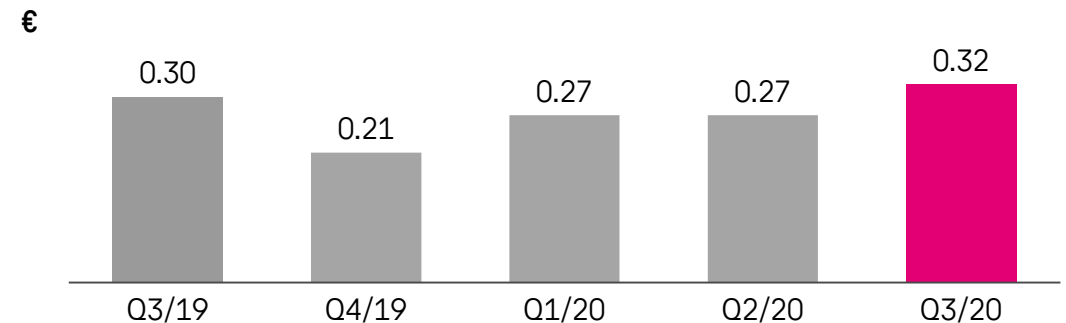
Adj. net income



Net debt (Q3/20 over Q2/20)



Adj. EPS



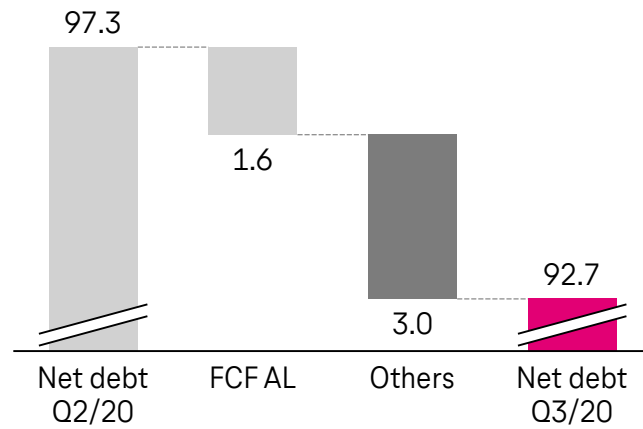
1) Free cash flow and FCF AL before dividend payments and spectrum investment 2) Excl. Spectrum: Q3/19: € 143mn; Q3/20: € 273mn

Net debt analysis

financial leverage down to 2.5 times

Q3/20 net debt w/o leases¹

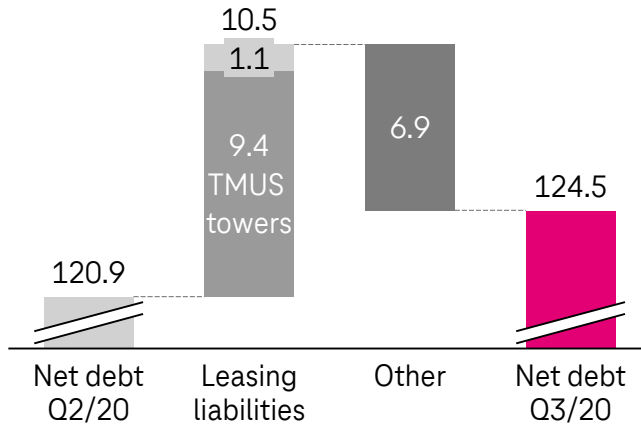
€ bn



Others include “Boost” sale (€ 1.2bn) and currency (€ 2.5bn), partially offset by spectrum (-€ 0.3bn) dividends (-€ 0.2bn) and miscellaneous (-€ 0.2bn)

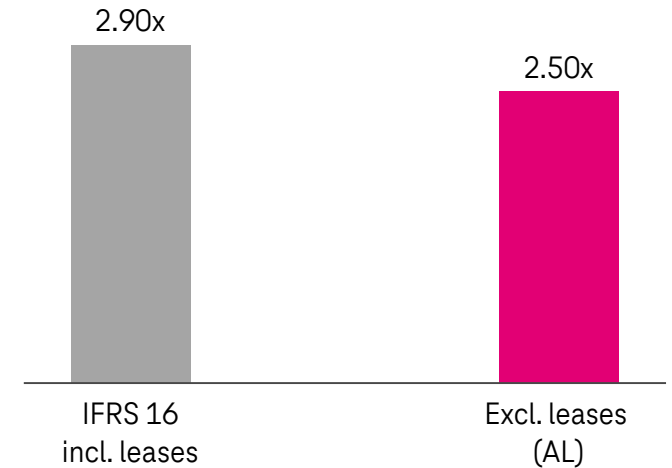
Q3/20 net debt incl. leases

€ bn



TM US towers reflect American Towers contract prolongation. Total increase in leasing liabilities with € 10.2bn US related

Leverage ratios²



We re-confirm returning into comfort zone of 2.25 to 2.75 in year 3 after merger

1) Net debt w/o leases includes finance leases of TM US


2) Based on the previous four quarters, since Q2 including pro forma EBITDA incl. Sprint (€ 42,931mn adj. EBITDA and € 37,140mn adj. EBITDA AL)

Balance sheet

ratio outside of comfort zone due to merger

| € bn | 30/09/2019 | 31/12/2019 | 31/03/2020 | 30/06/2020 | 30/09/2020 |
|-----------------------------------|------------|------------|------------|------------|------------|
| Balance sheet total | 174.3 | 170.7 | 173.6 | 270.0 | 265.3 |
| Shareholders' equity | 45.1 | 46.2 | 45.9 | 73.5 | 72.0 |
| Net debt | 78.8 | 76.0 | 77.4 | 120.9 | 124.5 |
| Net debt/Adj. EBITDA ¹ | 2.80 | 2.65 | 2.64 | 2.90 | 2.90 |
| Equity ratio | 25.9% | 27.1% | 26.4% | 27.2% | 27.1% |

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. Since Q2 including historic pro formas for Sprint

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



LIFE IS FOR SHARING.

FCF AL excl. US

€ bn

| | FY 2019 | 9M 2019 | 9M 2020 |
|------------------------------------|------------|------------|------------|
| Adj. EBITDA AL | 13.6 | 10.3 | 10.6 |
| Cash Capex | -7.8 | -5.7 | -5.4 |
| Proceeds from sale of fixed assets | +0.2 | +0.1 | +0.2 |
| Special Factors Cash | -1.3 | -1.0 | -1.1 |
| Interest ex leasing | -0.4 | -0.3 | -0.5 |
| Cash Taxes | -0.7 | -0.5 | -0.3 |
| Other (working capital etc.) | -0.7 | -0.5 | -0.6 |
| FCF AL | 2.9 | 2.4 | 2.9 |

Mid term ambition level

| | Mid term ambition level ¹ | 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 – € 1.5bn | 2017–2021e | Confirmed |
| Shareholder remuneration policy (2018–2021) ² | 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 as per annual report 2019 (1/2)¹

€ bn

| | 2019 | 2020e | 2021e |
|-----------------------------|-------------|-----------------|------------------------|
| Revenue Group | 80.5 | Increase | Slight increase |
| 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 |
| Adj. EBITDA AL Group | 24.7 | 25.5 | Increase |
| 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 |

1) See guidance slide in presentation for updated guidance incl. Sprint or DT's interim report at www.telekom.com/2003

Outlook 2020/21 as per annual report 2019 (2/2)¹

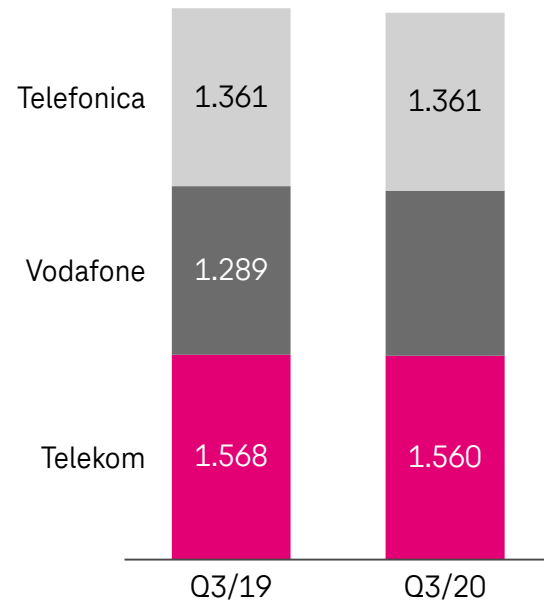
| € bn | 2019 | 2020e | 2021e |
|----------------------------------|-------------|---|---|
| Cash Capex Group | 13.1 | 13.0 | |
| Germany | 4.2 | Slight decrease | Stable |
| US (in USD) | 6.0 | Stable | |
| Europe | 1.7 | Stable | Slight decrease |
| Systems Solutions | 0.4 | Stable | Stable |
| Group Development | 0.5 | Strong increase | Increase |
| FCFAL Group | 7.0 | 8.0 | Increase |
| 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 |

1) See guidance slide in presentation for updated guidance incl. Sprint or DT's interim report at www.telekom.com/20Q2

German market overview

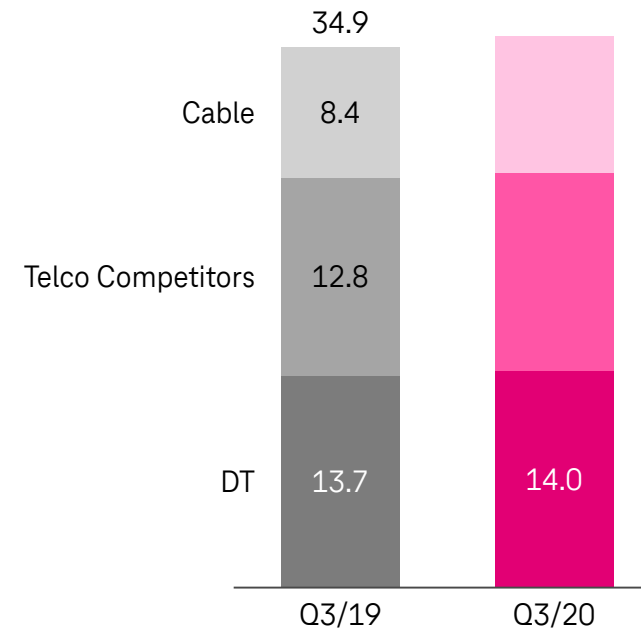
German mobile market service revenue

€ mn



German broadband market¹

mn



1) Based on management estimations

Conference call with q&a session

The conference call will be held on November 12 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

- The **link to the webcast** will be provided 20 minutes before the call starts: <https://www.telekom.com/20Q3>
- 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

| | | | |
|-------|-----------------|---|---------------|
| 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=1602070738084&lang=en>

Further questions

please contact the IR department

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