



MEDIA INFORMATION

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Deutsche Telekom pushes new frontiers

- Revenue grows 37.5 percent year-on-year to 27.0 billion euros in the second quarter after inclusion of Sprint
- Adjusted EBITDA AL up 56.4 percent to 9.8 billion euros
- Free cash flow AL up 56.9 percent to 2.4 billion euros
- New guidance for 2020: adjusted EBITDA AL of around 34 billion euros and free cash flow AL of at least 5.5 billion euros
- Business in Germany with strong broadband figures
- T-Mobile US now has almost 100 million customers
- Stable development of customer numbers in Europe
- Coronavirus pandemic impacts on Systems Solutions and roaming revenues

The second quarter of 2020 marks the start of a new chapter for Deutsche Telekom. The inclusion of Sprint for the first time following the conclusion of the merger with T-Mobile US as of April 1, 2020, means the Group is pushing new financial frontiers. In the second quarter of 2020, revenue increased 37.5 percent year-on-year to 27.0 billion euros. At the same time, adjusted EBITDA AL grew 56.4 percent to 9.8 billion euros. In organic terms, i.e., adjusted for exchange rate effects and changes in the composition of the Group, revenue remained more or less stable, down just 0.6 percent, and adjusted EBITDA AL increased by 8.4 percent.



“The merger in the United States is a historic step for the Group”, said Tim Höttges, CEO of Deutsche Telekom. “Our figures are formidable and our strong business operations in Germany and the rest of Europe also play a part in this.”

The coronavirus pandemic continued to have a limited impact on Deutsche Telekom’s figures in the second quarter of 2020. The effects were primarily felt in the corporate customer business, where new orders slowed, and in mobile roaming revenues, which came under pressure as a result of travel restrictions.

Free cash flow AL totaled 2.4 billion euros, an increase of 56.9 percent year-on-year. Adjusted net profit decreased by 3.8 percent year-on-year in the second quarter to 1.3 billion euros. Unadjusted net profit declined 20.1 percent to 754 million euros.

In the context of the merger in the United States, Deutsche Telekom has always noted that the costs of integrating the two companies would have a negative impact on net earnings, especially in the first three years. The increased shares of non-controlling interests in the net profit of the Group companies must also be taken into account. The rise in adjusted EBITDA AL attests to the higher operational earnings power of the expanded business.

Deutsche Telekom updated its guidance for the current financial year on account of the new Group structure following the merger in the United States. All figures for the business outside of the United States remain unchanged from the previous guidance. The Group now expects to post adjusted EBITDA AL of around 34 billion euros in 2020, up from the previous guidance of around 25.5 billion euros. Free cash flow AL is expected to be at least 5.5 billion euros, after the previous guidance of around 8.0 billion euros. The integration costs set out when the merger with Sprint was announced have an impact here.



Germany – rock solid in the global crisis

On its home market, Deutsche Telekom recorded its most successful quarter in broadband business in two years, measured in terms of net customer additions. Between April and June, the number of broadband customers increased by 87,000, thus outperforming all competitors. 386,000 customers switched to fiber-optic-based lines (FTTH, FTTC/vectoring). A total of 15.2 million of these lines now exist, which is 1.8 million more than a year earlier.

In mobile business, roaming revenues lost on account of the travel restrictions had an impact. As a result, mobile service revenues were down 1.1 percent year-on-year in the second quarter. But this decline is much smaller than that of our competitors. Thus, Deutsche Telekom further extended its market leadership measured in terms of service revenues. Excluding the negative effects of the coronavirus restrictions, mobile service revenues increased by around 2 percent.

Despite the negative effect of the pandemic on roaming revenues, total revenue in the Germany operating segment increased by 1.1 percent in the second quarter compared with the prior-year period to 5.4 billion euros. At the same time, adjusted EBITDA AL grew 3.0 percent to 2.2 billion euros. Our margin thus improved by 0.7 percentage points year-on-year to 40.7 percent.

United States – new T-Mobile climbs to number two

The merger of T-Mobile and Sprint was concluded on April 1. The integration is well underway, with the Sprint brand having been retired as of August 2. At the end of the second quarter of 2020, the new T-Mobile had 107.7 million customers. As of July 1, T-Mobile sold Sprint's prepaid business, as required by the U.S. authorities, leaving a customer base of 98.3 million. As such, T-Mobile overtook AT&T in the United States in terms of customer numbers and is the new number two on the U.S. mobile market.



There was of course also a clear jump in the financials. T-Mobile generated total revenues of 19.0 billion U.S. dollars in the second quarter, up 72.5 percent year-on-year. Adjusted EBITDA AL was up 115 percent year-on-year to 6.9 billion euros. In organic terms, adjusted EBITDA AL increased by 11.1 percent. Revenue decreased slightly by 0.8 percent on an organic basis. This was due to the effects of the coronavirus pandemic and the fact that Sprint's business was shrinking before the merger.

Europe – continued earnings growth

The stark travel restrictions had a negative impact on mobile service revenues in Europe as a result of much lower roaming revenues. This affected Greece in particular. As a result, total revenue in the segment decreased by 2.0 percent in the second quarter in organic terms to 2.8 billion euros. Strict cost discipline helped to prevent this trend being reflected in earnings. Adjusted EBITDA AL increased by 1.1 percent year-on-year in organic terms to 1.0 billion euros, marking the tenth quarter of growth in succession.

The positive trend in customer numbers also continued unabated. In the second quarter, the national companies recorded 174,000 mobile contract net additions. The broadband customer base grew by 69,000 between April and June. In addition, the companies gained 265,000 new users of converged fixed-mobile products, a year-on-year increase of more than 30 percent in the FMC customer base.

Systems Solutions – pandemic takes its toll

T-Systems saw a clear impact from the global pandemic in the second quarter. Above all, there was a slowdown in new deals closed with corporate customers. Many new IT projects were suspended or stopped. Customers are focusing on securing the continuity of their business and preparing for the period after the pandemic. Below the line, order entry declined by 24.0 percent year-on-year in the second quarter to 1.4 billion euros.



Adjusted EBITDA AL declined by 22.8 percent to 98 million euros, revenue was down by 3.4 percent compared with the second quarter of 2019 to 1.6 billion euros. The growth areas public cloud and security each recorded substantial double-digit growth.

Group Development – growth in earnings at T-Mobile NL

The business areas that make up the Group Development segment continued to grow in the second quarter of 2020. Revenue in the cell tower business increased by 3.8 percent year-on-year, while adjusted EBITDA AL also increased by 3.8 percent. At the end of June, there were 34,700 cell sites in Germany and the Netherlands combined, 1,800 more than a year ago.

Despite the negative impact of the coronavirus pandemic, T-Mobile NL recorded strong growth once again, with 50,000 contract net additions. Mobile service revenues increased by 2.3 percent year-on-year in the second quarter. Adjusted EBITDA AL jumped by 22.2 percent.

The Deutsche Telekom Group at a glance

	Q2 2020 millions of €	Q2 2019 millions of €	Change %	H1 2020 millions of €	H1 2019 millions of €	Change %	FY 2019 millions of €
Net revenue	27,041	19,664	37.5	46,984	39,152	20.0	80,531
Proportion generated internationally %	77.5	69.0	8.5p	74.2	69.0	5.2p	69.5
EBITDA	10,026	6,701	49.6	16,966	13,162	28.9	27,120
Adjusted EBITDA	11,271	7,263	55.2	18,834	14,164	33.0	28,708
Adjusted EBITDA AL	9,829	6,283	56.4	16,373	12,223	34.0	24,731
Net profit (after non- controlling interests)	754	944	-20.1	1,670	1,845	-9.5	3,867
Adjusted net profit (after non- controlling interests)	1,278	1,329	-3.8	2,562	2,512	2.0	4,948
Free cash flow ^a	3,677	2,312	59.0	5,970	4,682	27.5	10,133
Free cash flow AL ^a	2,425	1,546	56.9	3,712	3,103	19.6	7,013
Cash capex ^b	4,547	4,199	8.3	8,117	8,027	1.1	14,357
Cash capex ^b (before spectrum)	3,669	3,324	10.4	7,022	7,006	0.2	13,118
Net debt				120,897	75,709	59.7	76,031
Number of employees ^c				229,170	212,762	7.7	210,533

Comments on the table:

Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. As a result of the change in the composition of the Group during the course of the year, the remeasured assets and liabilities were recognized as of this date, and all income and expenses generated from the date of first-time consolidation are included in Deutsche Telekom's consolidated income statement. This affects the comparability of the figures for the current reporting period with the prior-year figures.

a Before dividend payments and spectrum investment, before interest payments for zero-coupon bonds, and before repayment of forward-payer swaps at T-Mobile US.

b Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill).

c At the reporting date.



Operating segments: development of operations

	Q2 2020 millions of €	Q2 2019 millions of €	Change %	H1 2020 millions of €	H1 2019 millions of €	Change %	FY 2019 millions of €
Germany							
Total revenue	5,446	5,388	1.1	10,852	10,745	1.0	21,886
EBITDA	2,106	2,036	3.4	4,080	3,981	2.5	8,319
Adjusted EBITDA	2,224	2,161	2.9	4,394	4,274	2.8	8,744
Adjusted EBITDA AL	2,218	2,153	3.0	4,382	4,261	2.8	8,720
Number of employees ^a	58,807	61,552	-4.5	58,807	61,552	-4.5	60,501
United States^b							
Total revenue	17,297	9,826	76.0	27,455	19,623	39.9	40,420
US-\$	19,041	11,041	72.5	30,239	22,166	36.4	45,236
EBITDA	6,548	3,334	96.4	10,141	6,545	54.9	13,265
Adjusted EBITDA	7,441	3,534	n.a.	11,307	6,843	65.2	13,809
Adjusted EBITDA AL	6,304	2,872	n.a.	9,464	5,551	70.5	11,134
US-\$	6,942	3,227	n.a.	10,426	6,269	66.3	12,463
Europe							
Total revenue	2,843	2,978	-4.5	5,746	5,869	-2.1	12,168
EBITDA	1,033	1,038	-0.5	2,067	2,072	-0.2	4,313
Adjusted EBITDA	1,084	1,099	-1.4	2,157	2,158	0.0	4,460
Adjusted EBITDA AL	978	991	-1.3	1,941	1,937	0.2	4,005
Systems Solutions							
Order entry	1,433	1,886	-24.0	2,826	3,494	-19.1	7,329
Total revenue	1,616	1,673	-3.4	3,244	3,304	-1.8	6,805
Adj. EBIT margin (%)	0.7	1.9	(1.2p)	0.7	0.8	-0.1p	2.1
EBITDA	67	29	n.a.	151	108	39.8	314
Adjusted EBITDA	132	158	-16.5	265	284	-6.7	645
Adjusted EBITDA AL	98	127	-22.8	199	219	-9.1	519



	Q2 2020 millions of €	Q2 2019 millions of €	Change %	H1 2020 millions of €	H1 2019 millions of €	Change %	FY 2019 millions of €
Group Development							
Total revenue	716	683	4.8	1,424	1,364	4.4	2,797
EBITDA	316	300	5.3	649	626	3.7	1,427
Adjusted EBITDA	353	319	10.7	693	651	6.5	1,330
Adjusted EBITDA AL	283	250	13.2	552	506	9.1	1,033

Comments on the table:

a At the reporting date.

b Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. Comparative figures have not been adjusted.



Operating segments: development of customer numbers in the second quarter of 2020

	June 30, 2020 thousands	Mar. 31, 2020 thousands	Change thousands	Change %
Germany				
Mobile customers	47,395	46,960	435	0.9
Of which contract customers	25,505	25,475	30	0.1
Fixed-network lines	17,649	17,711	(62)	(0.4)
Of which retail IP-based	17,509	17,510	(1)	0.0
Broadband lines	13,900	13,813	87	0.6
Of which optical fiber ^a	9,012	8,787	225	2.6
Television (IPTV, satellite)	3,724	3,678	46	1.3
Unbundled local loop lines (ULLs)	4,361	4,505	(144)	(3.2)
United States^b				
Mobile customers ^c	107,720	68,543	39,177	57.2
Of which branded postpaid customers	77,753	47,811	29,942	62.6
Of which branded prepaid customers	29,967	20,732	9,235	44.5
Europe				
Mobile customers	45,665	45,916	(251)	(0.5)
Of which contract customers ^d	26,528	26,354	174	0.7
Fixed-network lines	9,040	9,096	(56)	(0.6)
Of which IP-based ^e	8,322	8,347	(25)	(0.3)
Broadband customers	6,806	6,737	69	1.0
Television (IPTV, satellite, cable)	4,960	4,940	20	0.4
Group Development				
Netherlands				
Mobile customers	5,741	5,686	55	1.0
Fixed-network lines	644	632	12	1.9
Broadband lines	628	616	12	1.9

Comments on the table:

a Sum of all FTTx access lines (e.g., FTTC/VDSL, vectoring, and FTTH/B).



- b Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. Comparative figures have not been adjusted.
- c Starting in Q1 2020, T-Mobile US discontinued reporting of wholesale customers due to the expansion of M2M and Internet of Things (IoT) products and instead will continue to focus on branded customer reporting.
- d M2M cards (machine-to-machine) were reclassified Group-wide as of January 1, 2020, and assigned exclusively to the prepaid customer segment. The portion of M2M cards which had previously been recognized in the contract customer segment was reclassified accordingly. Comparative figures have been adjusted retrospectively.
- e Prior-quarter comparative for IP-based-fixed network lines in the Czech Republic was adjusted as part of the standardization of the underlying customer definition.

Operating segments: development of customer numbers in year-on-year comparison

	June 30, 2020 thousands	June 30, 2019 thousands	Change thousands	Change %
Germany				
Mobile customers	47,395	44,827	2,568	5.7
Of which contract customers	25,505	24,974	531	2.1
Fixed-network lines	17,649	18,228	(579)	(3.2)
Of which retail IP-based	17,509	16,614	895	5.4
Broadband lines	13,900	13,636	264	1.9
Of which optical fiber ^a	9,012	7,913	1,099	13.9
Television (IPTV, satellite)	3,724	3,477	247	7.1
Unbundled local loop lines (ULLs)	4,361	4,913	(552)	(11.2)
United States^b				
Mobile customers ^c	107,720	65,983	41,737	63.3
Of which branded postpaid customers	77,753	44,646	33,107	74.2
Of which branded prepaid customers	29,967	21,337	8,630	40.4
Europe				
Mobile customers	45,665	46,469	(804)	(1.7)
Of which contract customers ^d	26,528	25,778	750	2.9
Fixed-network lines	9,040	9,057	(17)	(0.2)
Of which IP-based ^e	8,322	8,031	291	3.6
Broadband customers	6,806	6,540	266	4.1



Television (IPTV, satellite, cable)	4,960	4,910	50	1.0
Group Development				
Netherlands				
Mobile customers	5,741	5,455	286	5.2
Fixed-network lines	644	578	66	11.4
Broadband lines	628	562	66	11.7

Comments on the table:

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- b Sprint has been included in Deutsche Telekom's consolidated financial statements as a fully consolidated subsidiary since April 1, 2020. Comparative figures have not been adjusted.
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Deutsche Telekom AG

Corporate Communications

Tel.: +49 (0) 228 181 – 49494

Email: media@telekom.de

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