

DEUTSCHE TELEKOM

Q3/2018 RESULTS



LIFE IS FOR SHARING.

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 margin, adjusted EBIT, adjusted net income, free cash flow, gross debt 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 9M/2018

2018 9M HIGHLIGHTS: EUROPEAN GROWTH CHAMPION

Growth: investments and innovations

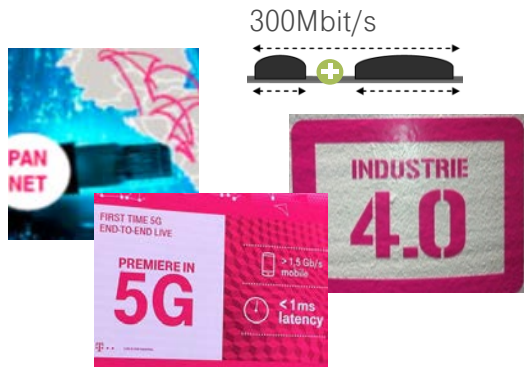
- Cash capex at €9.1 bn (ex. spectrum)
- Fiber roll-out: 4.8 mn new homes in GER and EU with access to Fiber LTM
- IP-Migration continues in GER (82%) and EU (79%). +6.8 mn households LTM
- Austria now converged – w/o remedies

Growth: customers

- 11.6 mn German fiber homes (+30% yoy)
- 1.4 mn converged net adds LTM
- 1.7 mn mobile contract net adds in Germany and EU LTM
- 6.5 mn net adds LTM in the US

Growth: financials

- Strong organic¹ growth continues
 - Revenue up 2.8% yoy
 - Adj. EBITDA up 6.2% yoy
 - Adj. EBITDA ex. US up 2.5% yoy
 - FCF up 8.5% yoy
 - Adj. EPS up 9.7% yoy
- Net debt/Adj. EBITDA at 2.4x



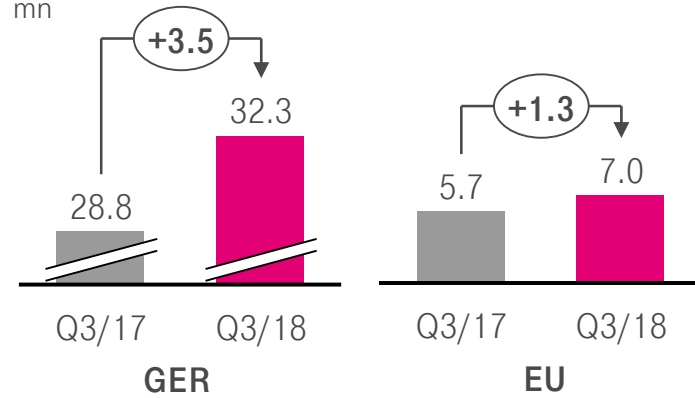
1) Revenue and adj. EBITDA growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation. FCF and adj. EPS calculated on reported results.

9M/2018 INVESTMENTS: DRIVING NETWORK LEADERSHIP

Fiber rollout¹

Fiber households

mn

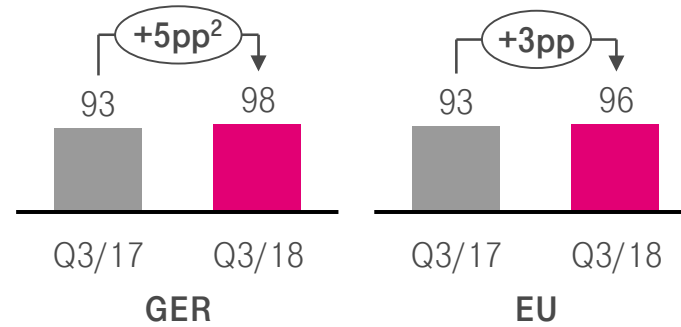


- Additional 4.8 mn HHs added to coverage
- Germany: Super-Vectoring successfully launched for 8 mn HHs

LTE rollout

LTE outdoor pop coverage

%

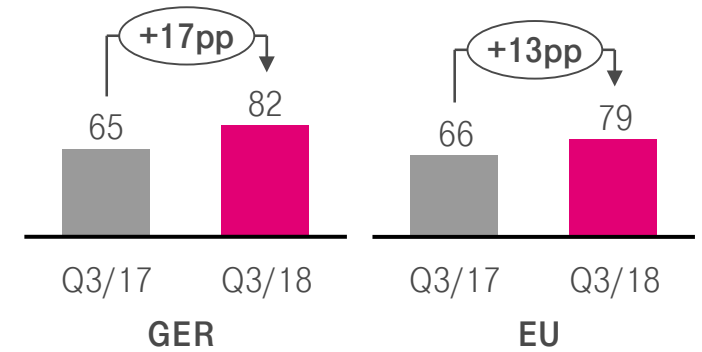


- On track for site expansion
- 5G plan for Germany communicated
- Network leadership maintained across footprint

IP migration

IP share of fixed network access lines

%

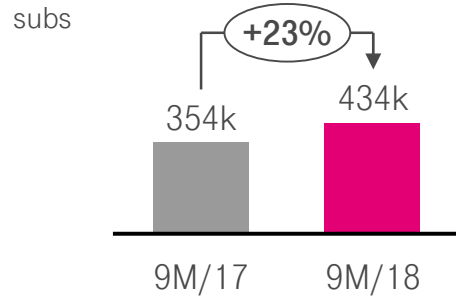


- GER on track for targets: B2C YE/19, B2B YE/20
- Impact on line losses and top-line as expected

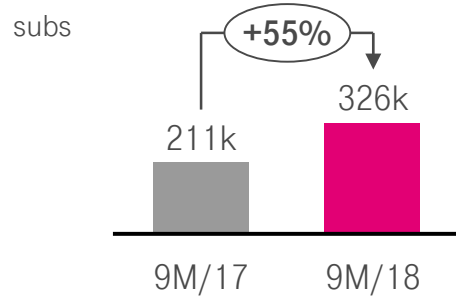
1) EU: ≥ 100Mbit/s coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3. Broadband also incl. wholesale customers. As of Q2/2018, adjusted HH baseline to include the Census update, B2B premises & CZ. 2017 restated.
 GER: In % of households within fixed network coverage in Germany. 2) LTE outdoor coverage in 2018 based on German regulator measuring approach. 2017 not restated.

9M/2018 INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

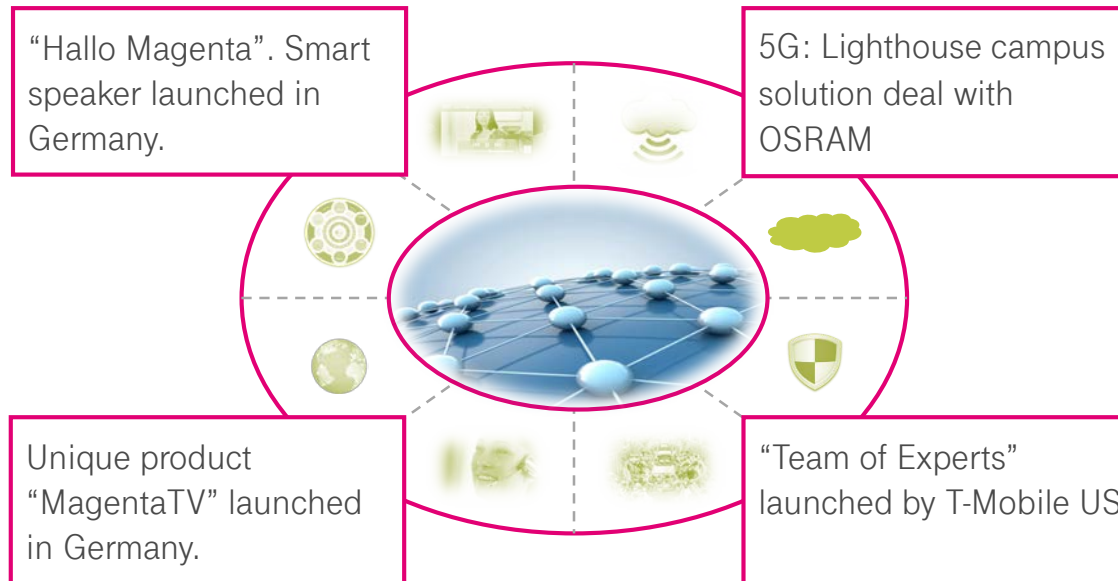
Hybrid Access¹



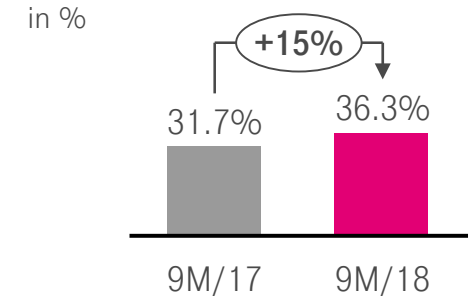
Smart Home²



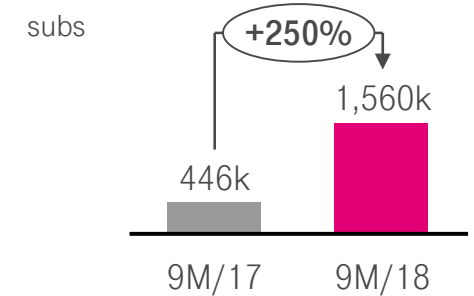
Innovation/Network



E-service share of interactions



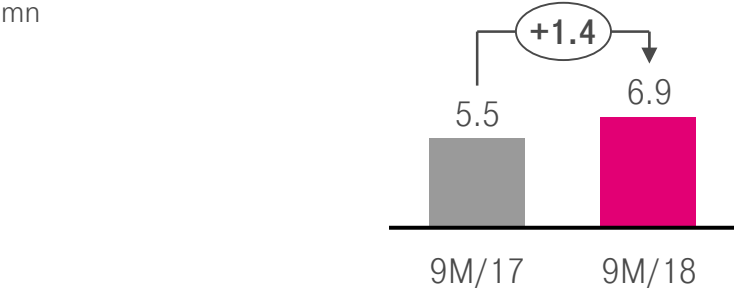
StreamOn



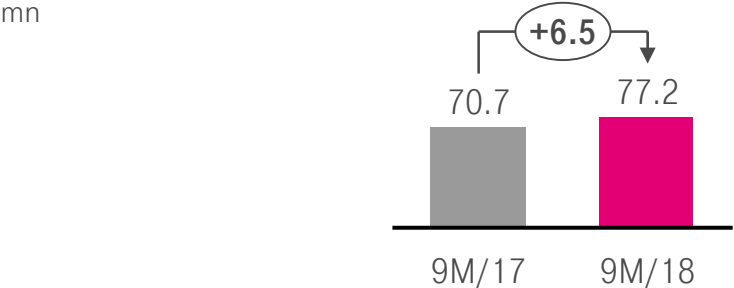
1) +5€ per customer/month 2) +5€ per customer/month

9M/2018 CUSTOMERS: ONGOING STRONG MOMENTUM

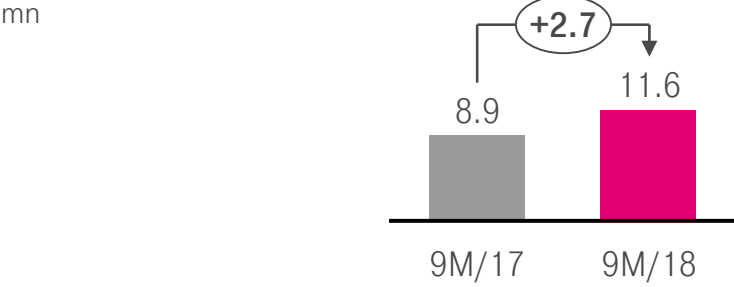
MagentaEINS (Germany + EU)¹



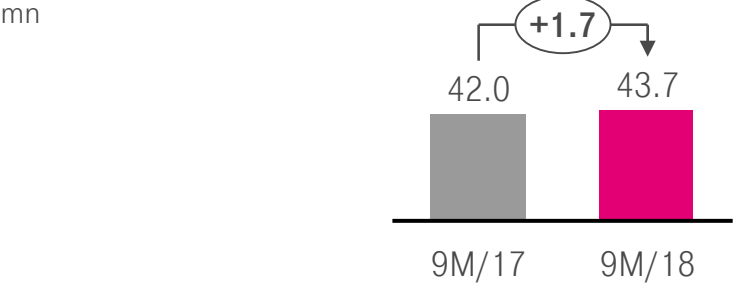
US Mobile



Fiber in Germany



Mobile contract customers GER (own brand) + EU



1) FMC RGUs may also appear under other brand name outside of Germany

GUIDANCE 2018: 3RD INCREASE OF OUTLOOK

€ bn

2014 – 2018 CAGR
Achievements 9M/18
2018 Guidance (\$/€: 1.13)
thereof group excl. US
thereof TM US (US\$ bn)
impact of new revenue standard (US\$ bn)
handset lease (US\$ bn)

Revenue

+1 – 2%

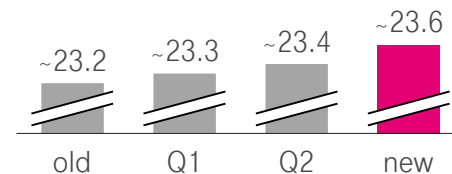
+2.8%¹

Slight increase

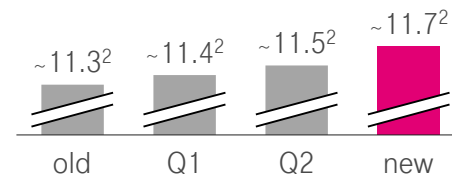
Adj. EBITDA

+2 – 4%

+6.2%¹



~13.2



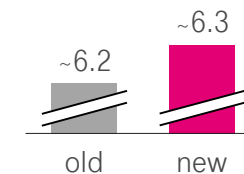
~0.35

0.6 – 0.7

FCF

≈+10%

+8.5%



1) Growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation

2) Equals mid-Point TMUS guidance + mid-point revenue recognition guidance (+\$0.35 bn) and -\$0.5 bn IFRS bridge



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REVIEW Q3/18

Q3 2018: FINANCIAL HIGHLIGHTS

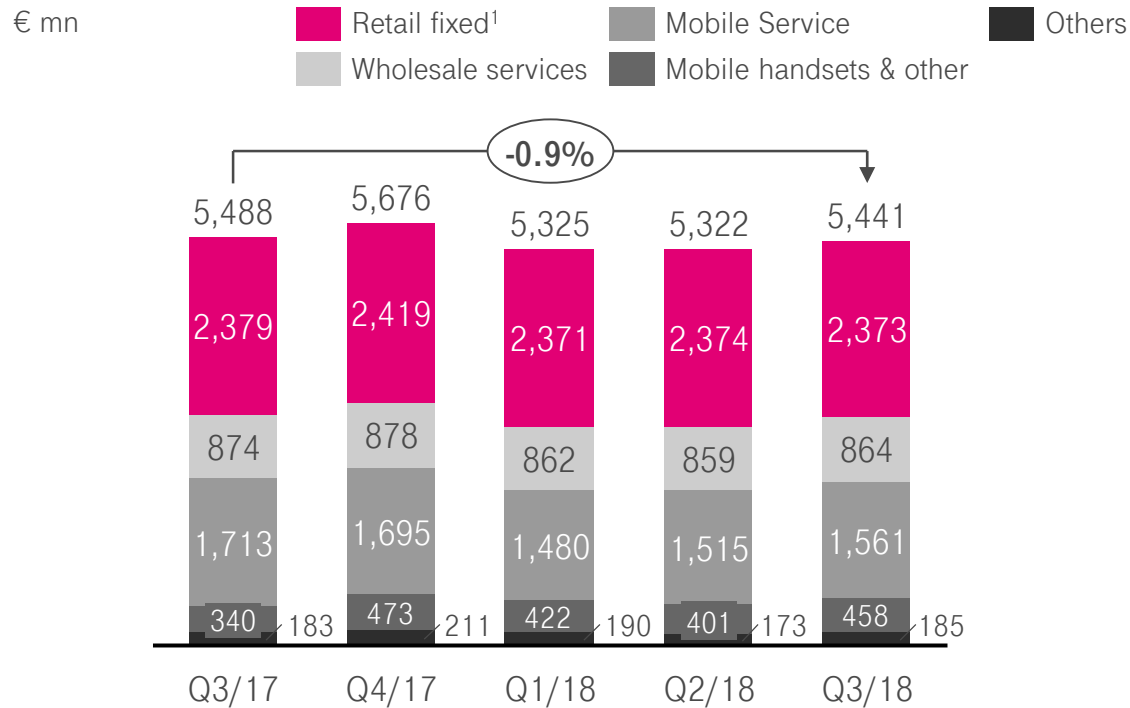
€ mn

	Q3			9M		
	2017	2018	Change	2017	2018	Change
Revenue	18,251	19,104	+4.7%	55,787	55,395	-0.7%
Adj. EBITDA	5,720	6,207	+8.5%	17,215	17,684	+2.7%
Adj. EBITDA (excl. US)	3,433	3,542	+3.2%	9,902	10,133	+2.3%
Adj. Net profit	1,244	1,321	+6.2%	3,382	3,749	+10.9%
Net profit	507	1,110	+118.9%	2,129	2,597	+22.0%
Adj. EPS (in €)	0.26	0.28	+7.7%	0.72	0.79	+9.7%
Free cash flow ¹	1,873	1,883	+0.5%	4,403	4,779	+8.5%
Cash capex ²	3,002	3,047	+1.5%	9,240	9,143	-1.0%
Net debt	52,635	55,473	+5.4%	52,635	55,473	+5.4%

1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q3/17: €19 mn; Q3/18: €71 mn. 9M/17: €7,300 mn; 9M/18: €208 mn

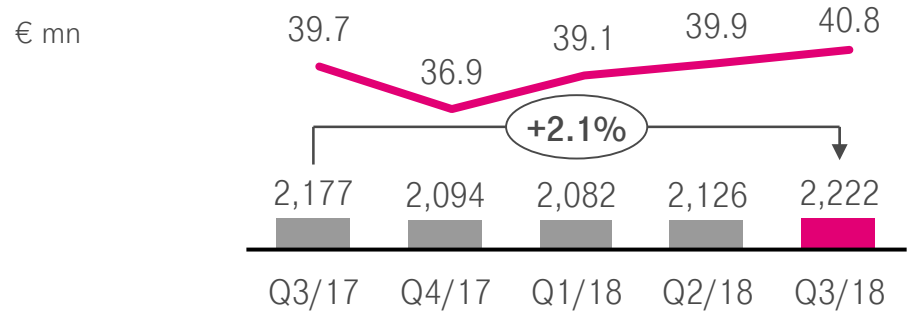
GERMANY: REVENUE IMPACTED BY IFRS; ADJ. EBITDA ON TRACK

Revenue (as reported)

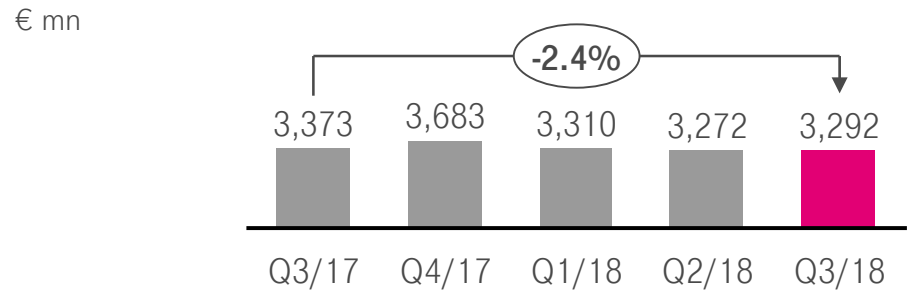


1) Fixed network core business

Adj. EBITDA and margin (in % as reported)

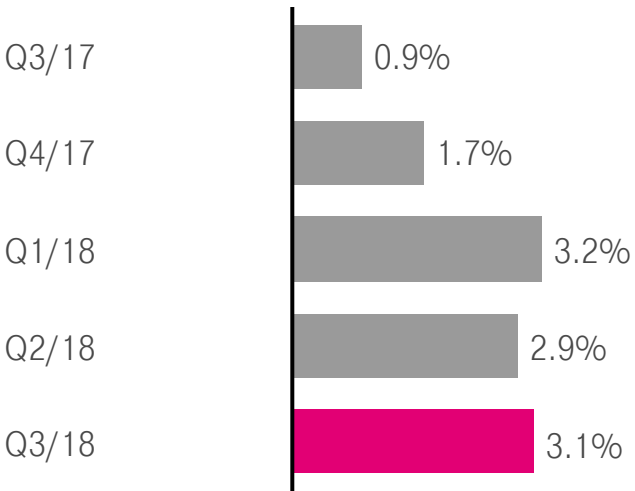


Adj. OPEX (as reported)

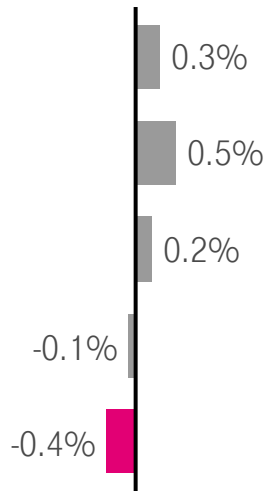


GERMANY: SUSTAINED GROWTH IN SERVICE REVENUES (EXCL. IFRS 15)

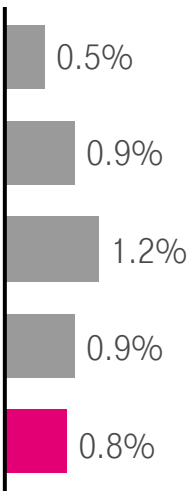
Mobile service revenue



Fixed line service revenue



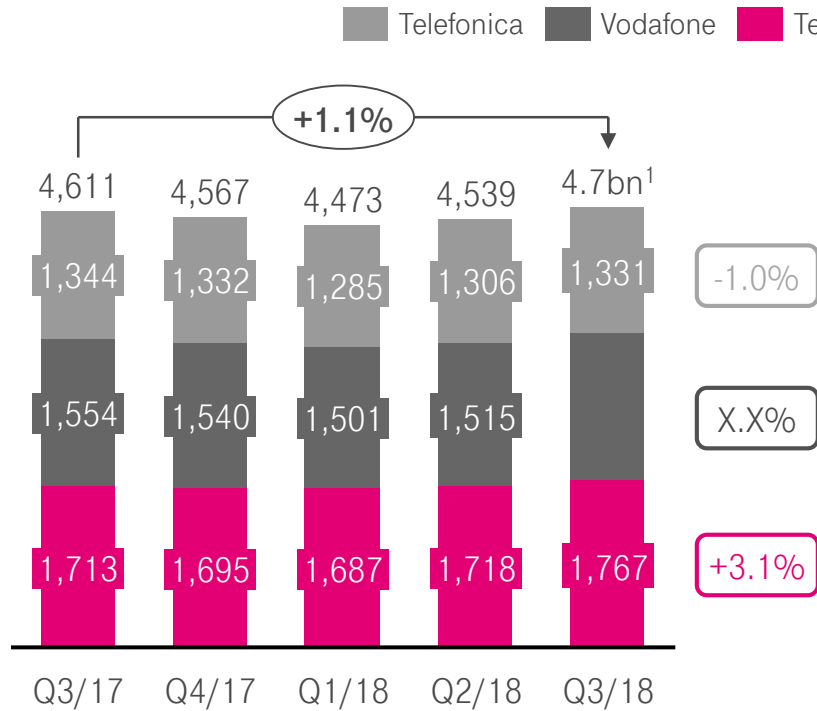
Total service revenue



GERMANY MOBILE: HEALTHY GROWTH CONTINUES

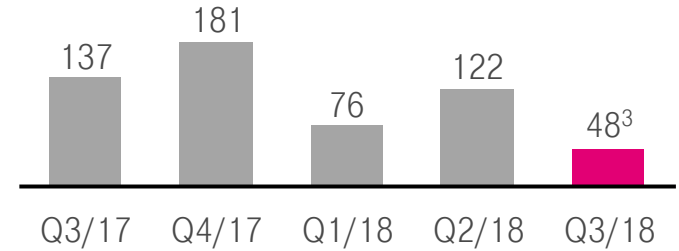
German mobile market service revenue (excl. IFRS 15)

€ mn



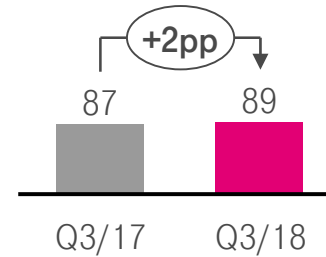
Own branded contract net adds²

000



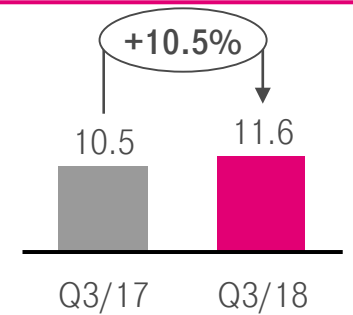
Smartphone penetration⁴

%



LTE customers⁵

mn



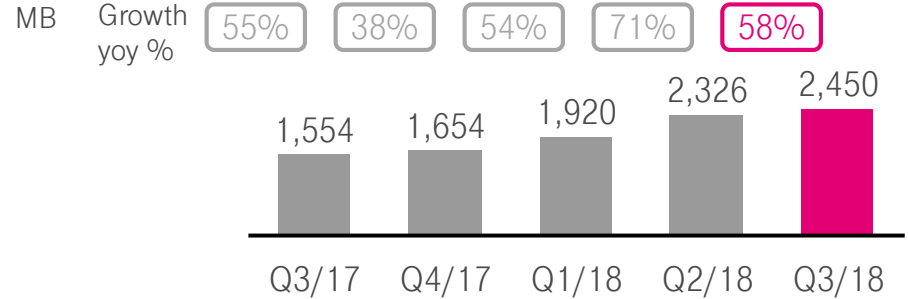
1) Management estimate 2) Figures may not add up due to rounding 3) Impacted by 58k losses due to bankruptcy of a B2B customer 4) Of own branded retail customers
5) Own customers using a LTE-device and tariff plan including LTE

GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

Mobile contract customers in MagentaEINS bundles¹



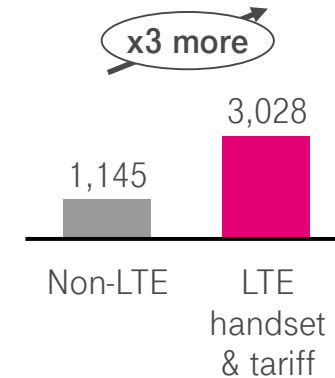
Average Consumer Data Usage³



Households in MagentaEINS bundles²



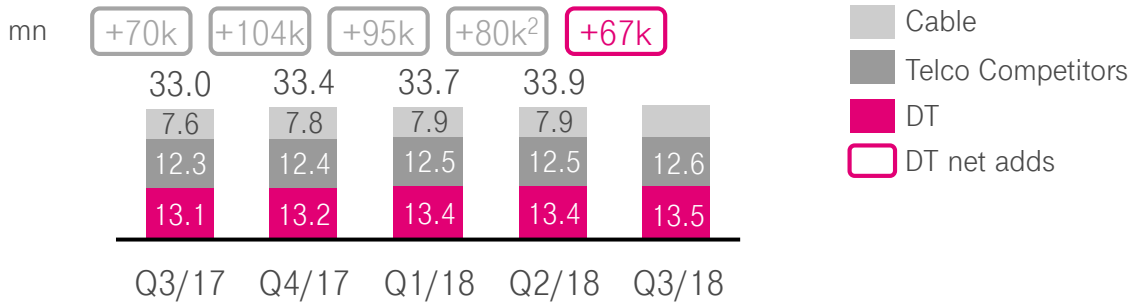
Average data usage uplift³



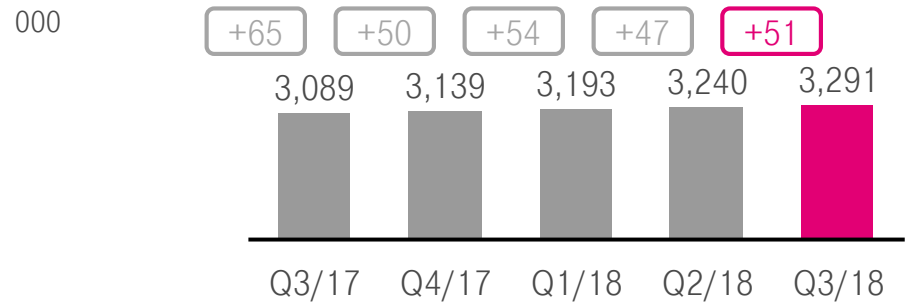
1) as % of B2C T-branded contract customers 2) as % of B2C broadband access lines 3) per month of B2C T-branded contract customers

GERMANY FIXED: STRONG BROADBAND CUSTOMER GROWTH

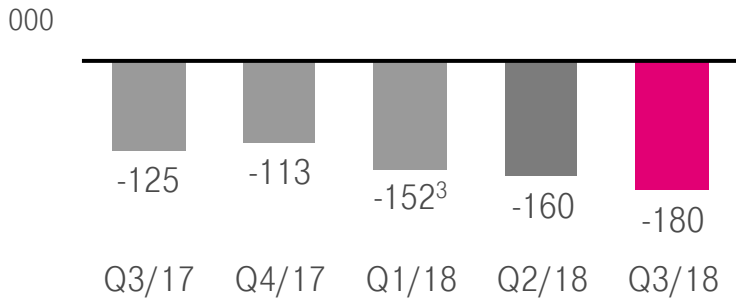
German broadband market¹



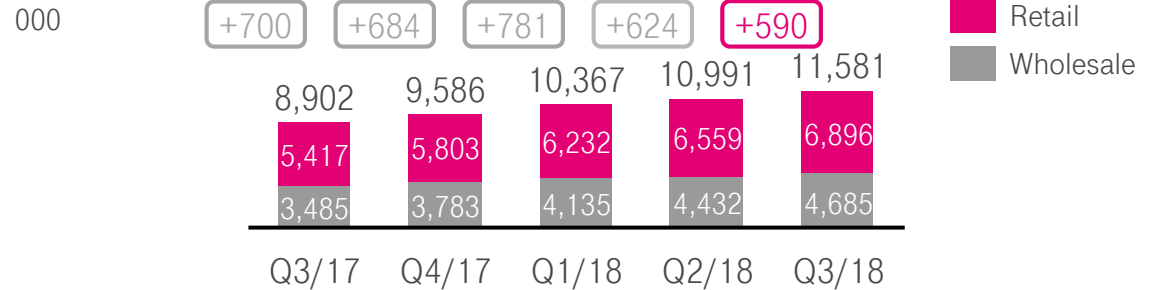
Entertain customers



Line losses



Fiber customers⁴



1) Based on management estimates

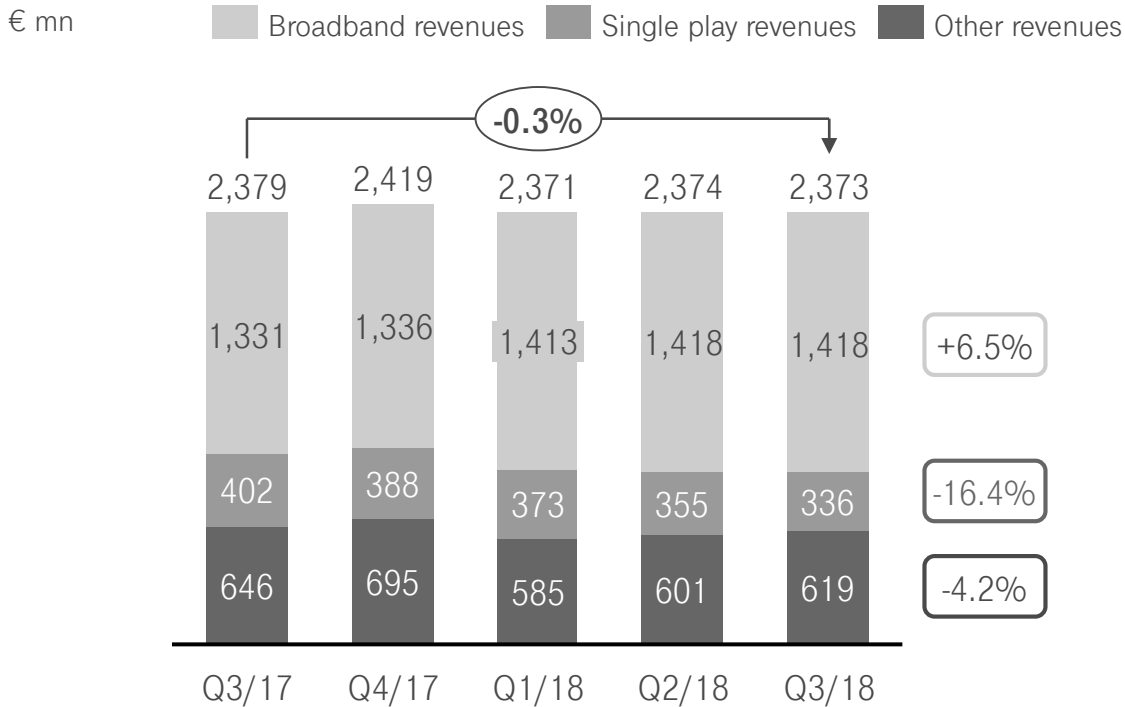
2) organic view: change in base was +148k

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

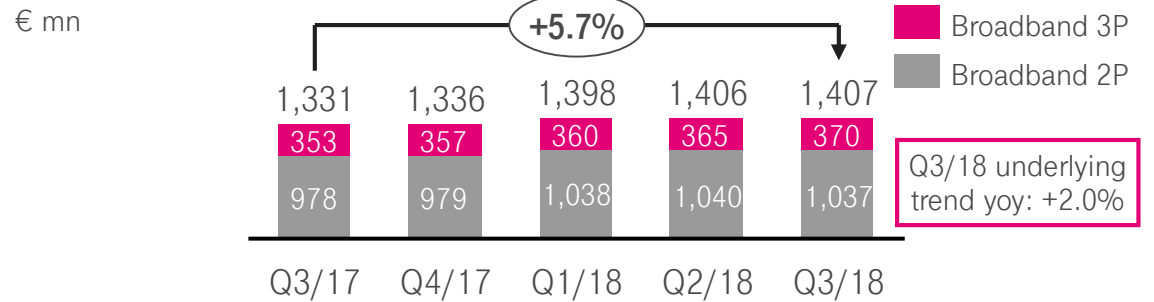
4) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

GERMANY FIXED: SOLID UNDERLYING TREND IN FIXED

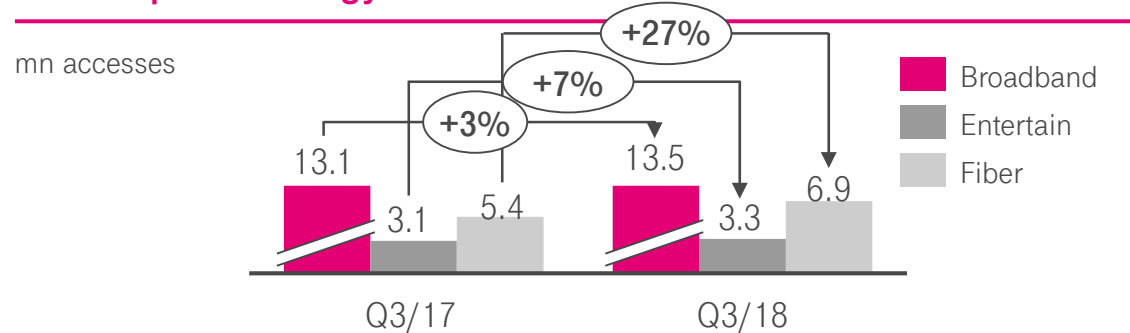
Fixed network revenue retail (as reported)¹



Broadband revenue¹ (excl. IFRS 15)



Retail upsell strategy²

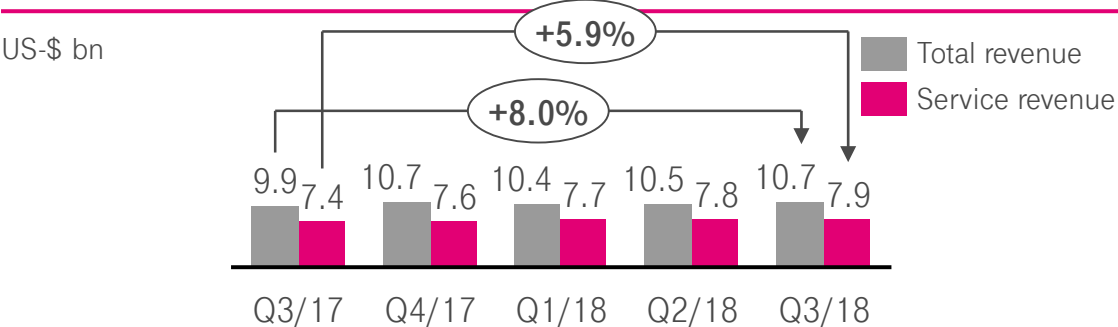


1) change in definition of broadband and other revenues – historic figures have been adjusted. In addition Q1 to Q3/18 impacted by a shift between other and broadband revenues, historic figures not adjusted for this effect

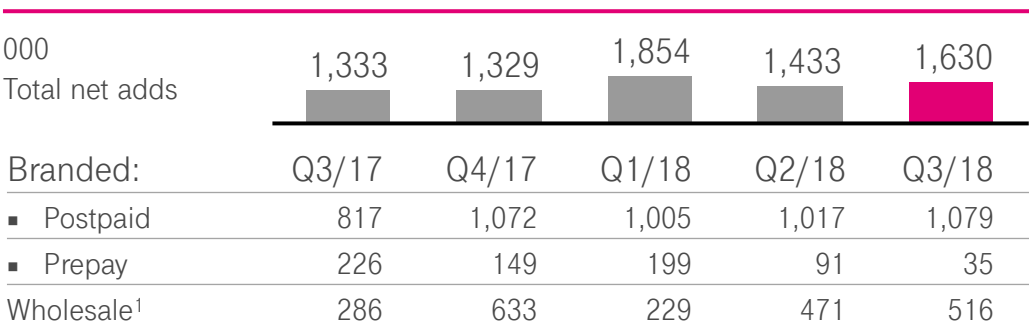
2) Percentages calculated on exact figures

TMUS: CONTINUED INDUSTRY LEADING GROWTH

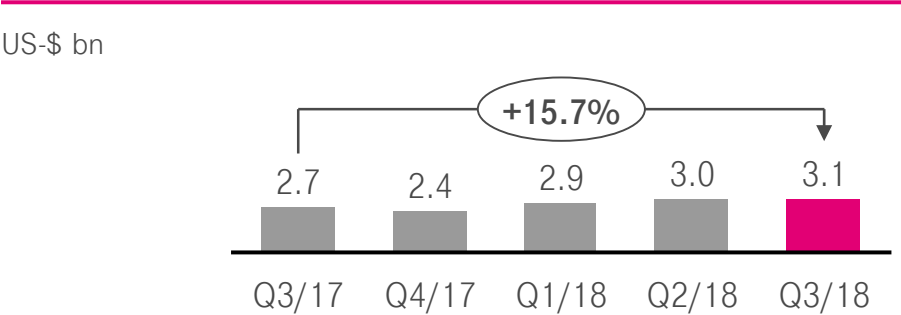
Revenue and service revenue



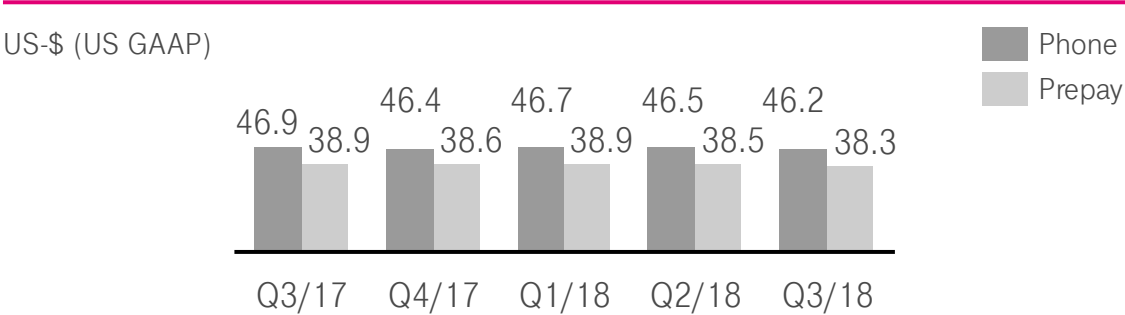
Net adds



Adj. EBITDA



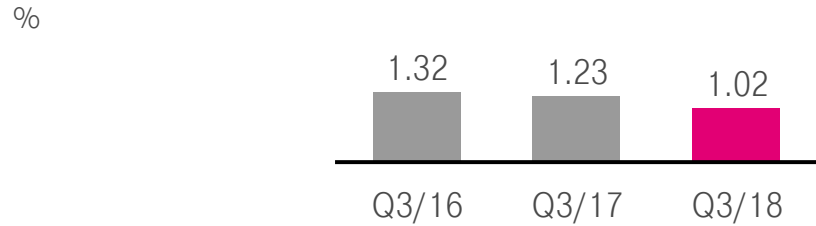
Branded customers: Postpaid phone and prepay ARPU



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

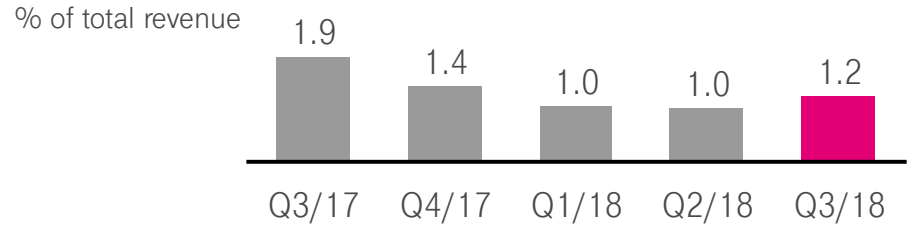
TMUS: EXECUTING ON KEY DRIVERS

Branded postpaid phone churn



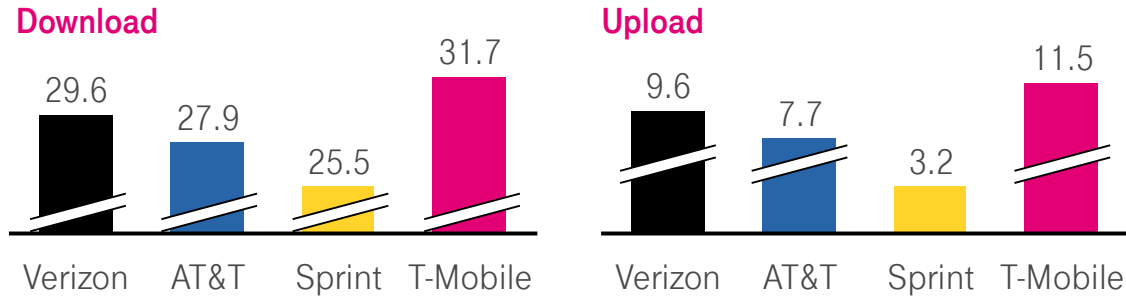
- Branded postpaid phone churn on Q3 record low level

Bad debt expenses & losses from sale of receivables



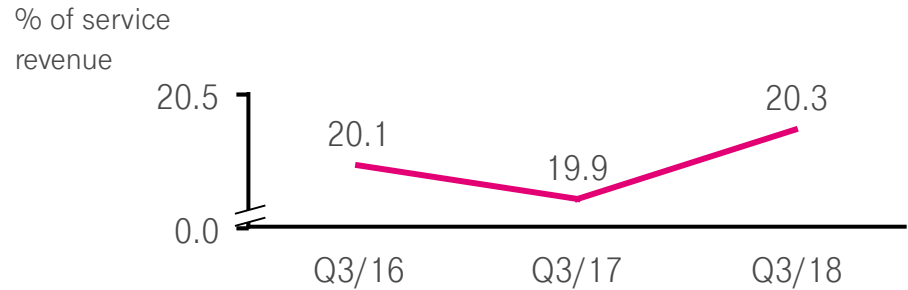
- Decrease yoy reflects ongoing focus on managing customer quality

Average 4G LTE speeds (in Mbps) Q3/18



- Based on T-Mobile's analysis of national LTE results from Ookla® Speed test data

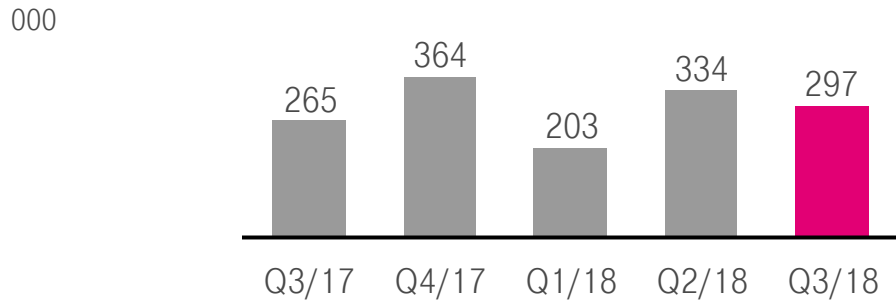
Cost of service



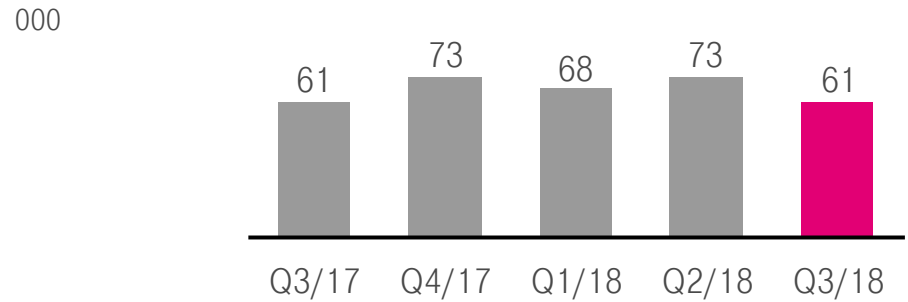
- Cost of services as a percentage of service revenues (excluding the impact of hurricanes) up yoy due to low band build-out.

EUROPE: STRONG GROWTH IN CUSTOMER BASE

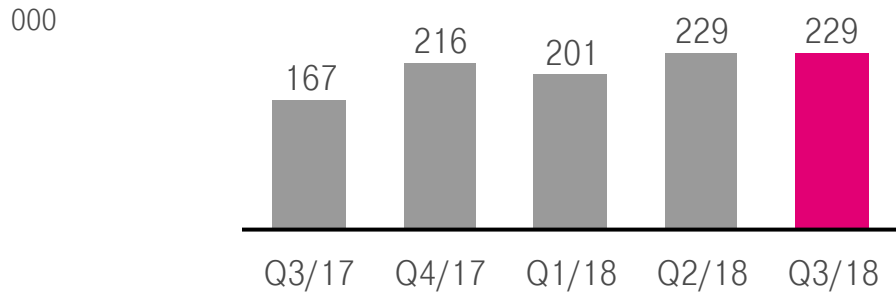
Mobile Contract Net Adds²



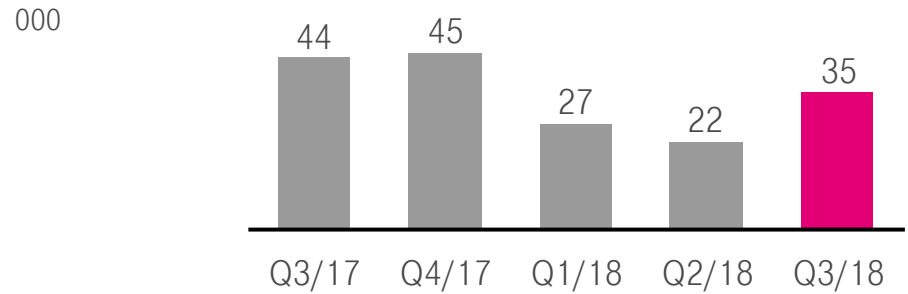
BB Net Adds^{1, 2}



FMC Net Adds



TV Net Adds²

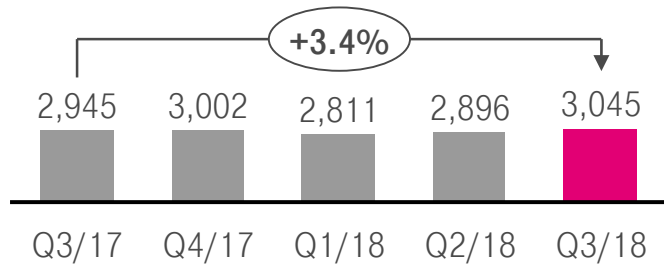


1) based on subscribers 2) Adjusted for UPC effect in Austria

EUROPE: GROWING REVENUE AND EBITDA

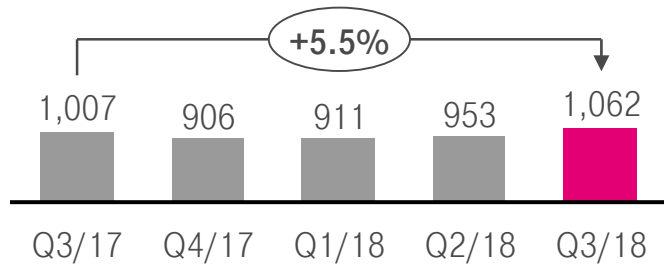
Revenue

€ mn



Adj. EBITDA

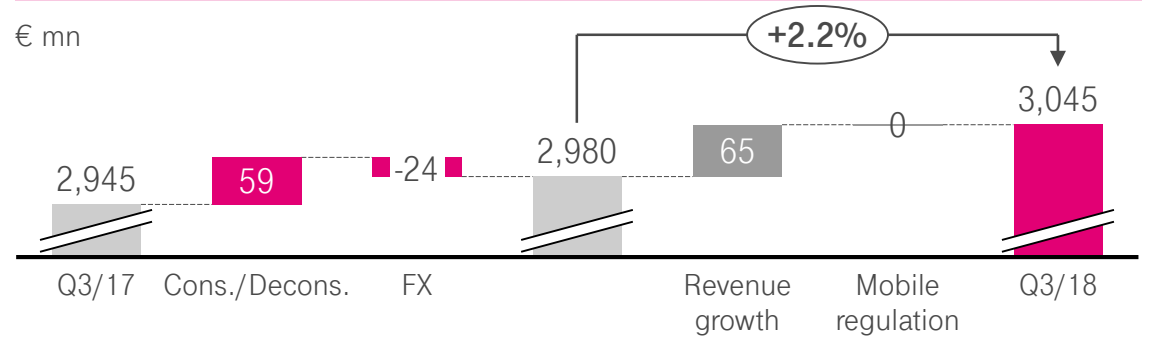
€ mn



1) Total Revenue – Direct Cost

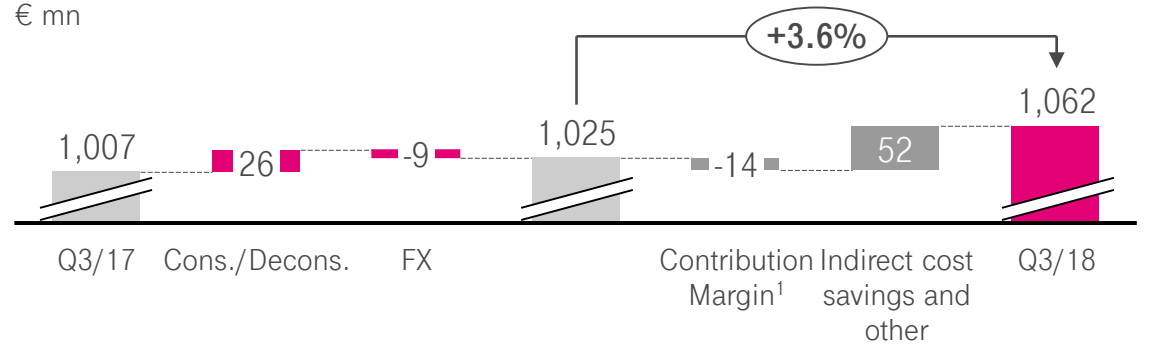
Organic revenue development

€ mn



Organic adj. EBITDA development

€ mn

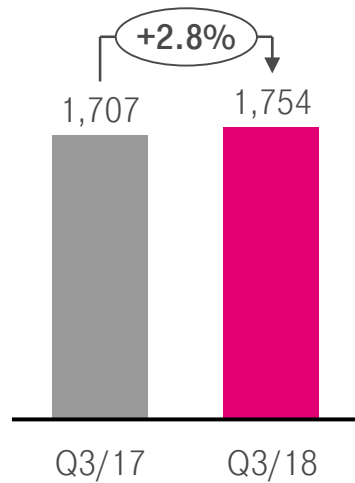


SYSTEMS SOLUTIONS: ON TRACK FOR FULL YEAR GUIDANCE

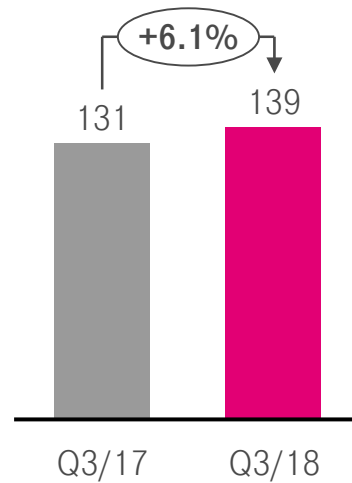
T-Systems financials

€ mn

Total revenue

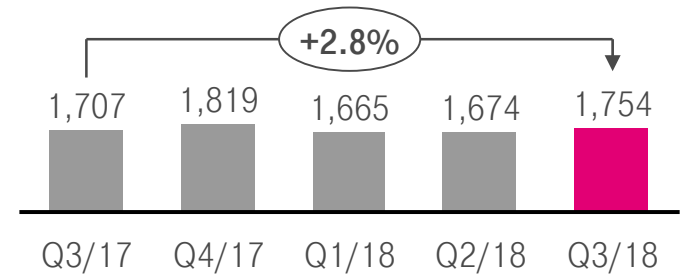


Adj. EBITDA



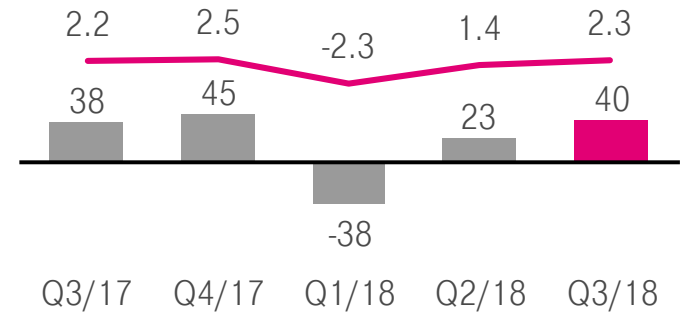
Revenue

€ mn



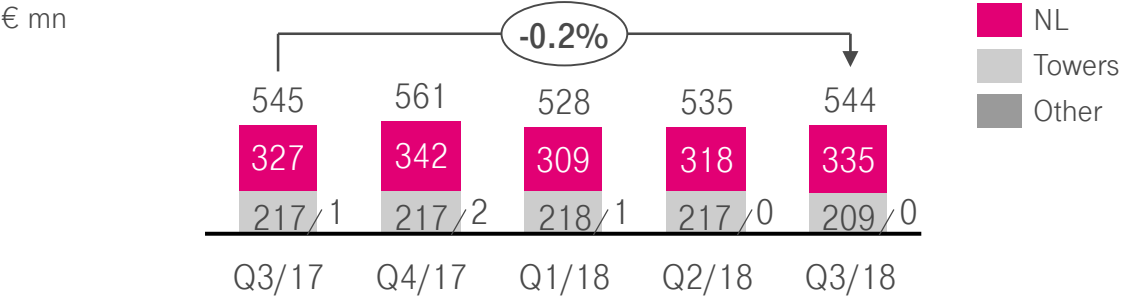
Adj. EBIT and margin in %

€ mn

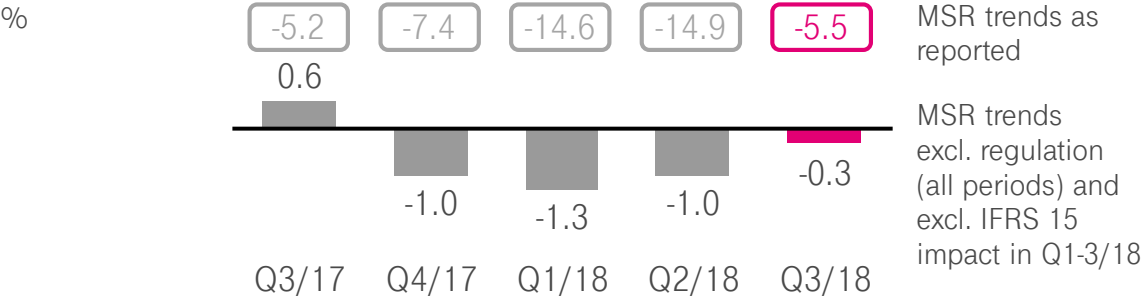


GROUP DEVELOPMENT: STEADY UNDERLYING DELIVERY

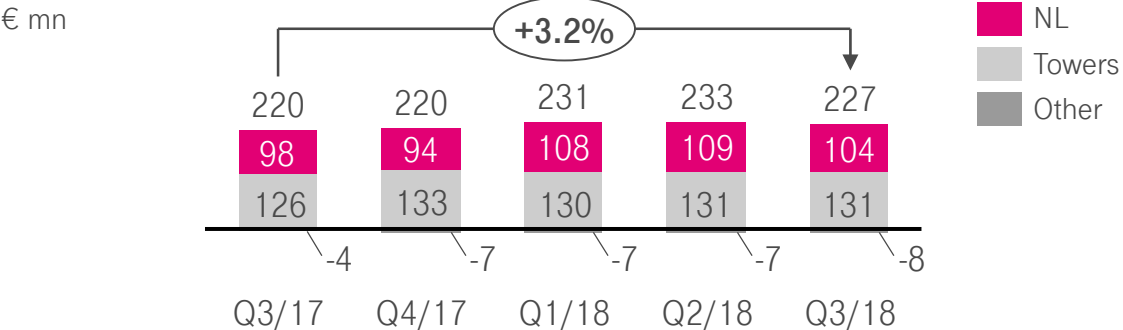
Revenue



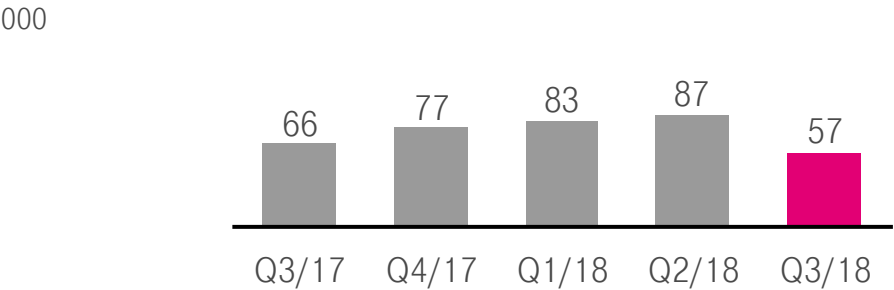
Mobile service revenue trend yoy (NL)



Adj. EBITDA

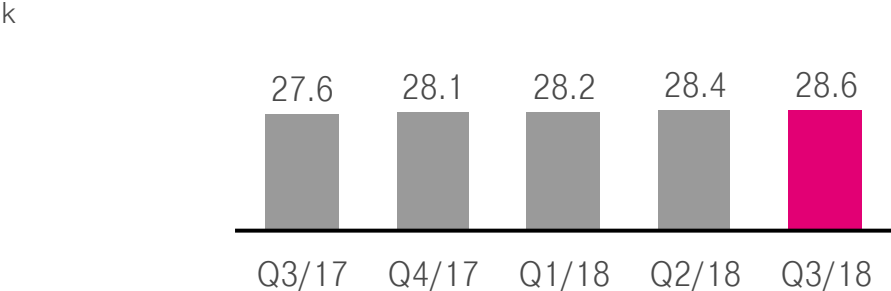


Contract net adds (NL)

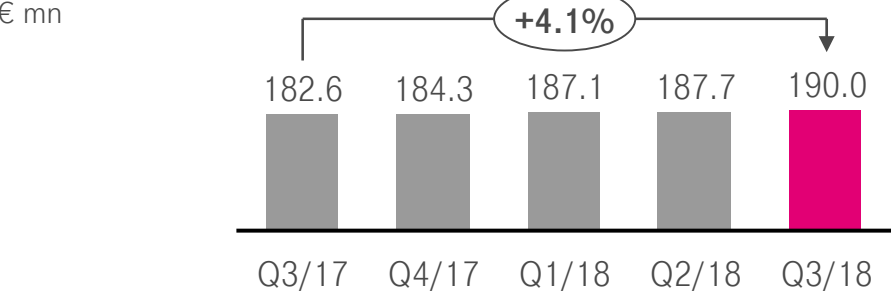


GROUP DEVELOPMENT: TOWER BUSINESS DOING WELL

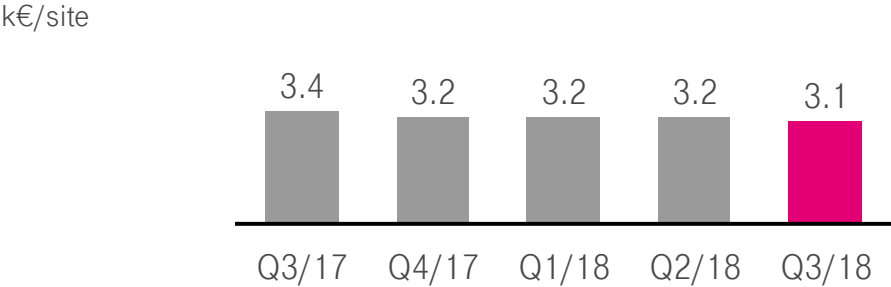
Total site development



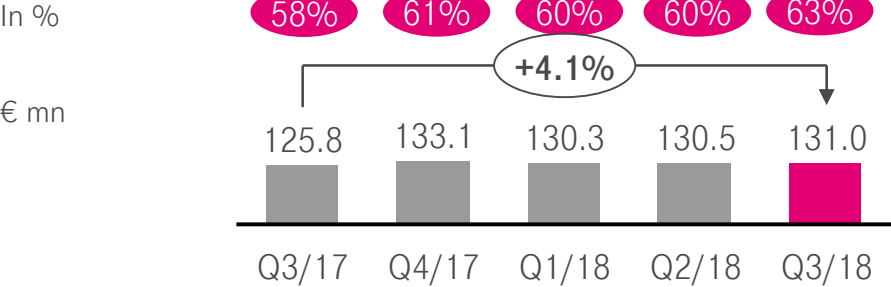
Recurring rental revenue



Opex per site (avg. sites)

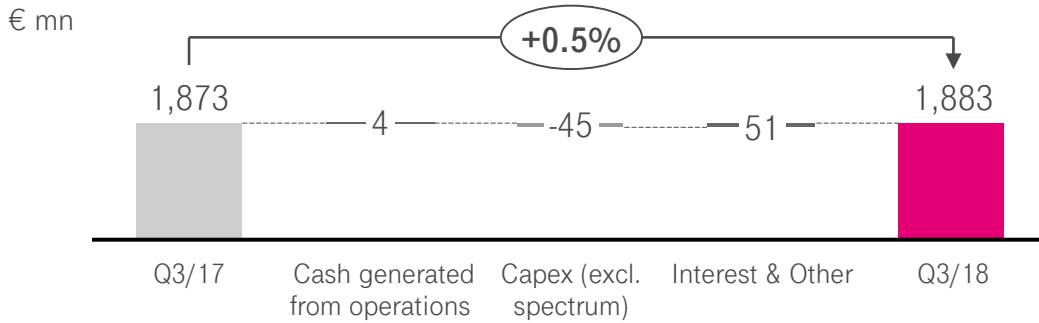


EBITDA & EBITDA margin development

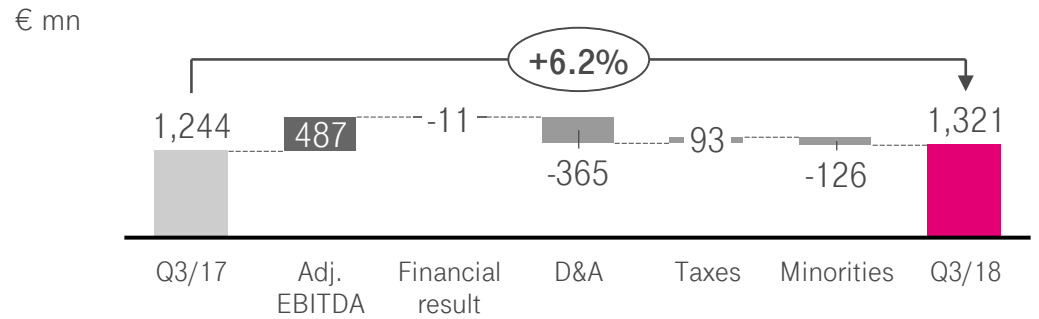


FINANCIALS: FCF, NET DEBT, NET INCOME AND EPS

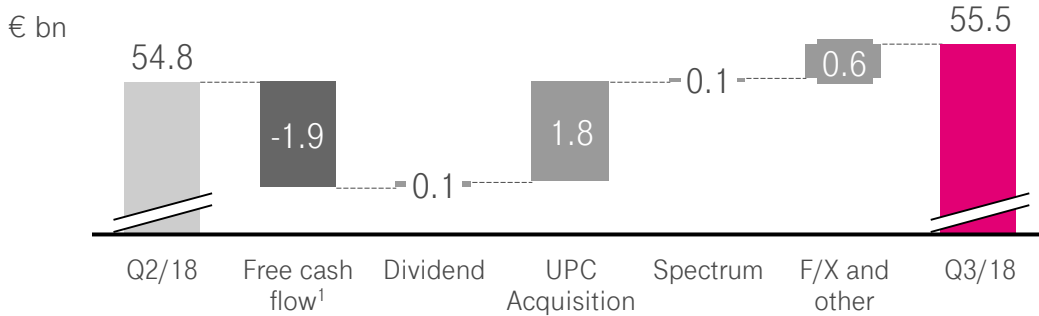
Free cash flow¹



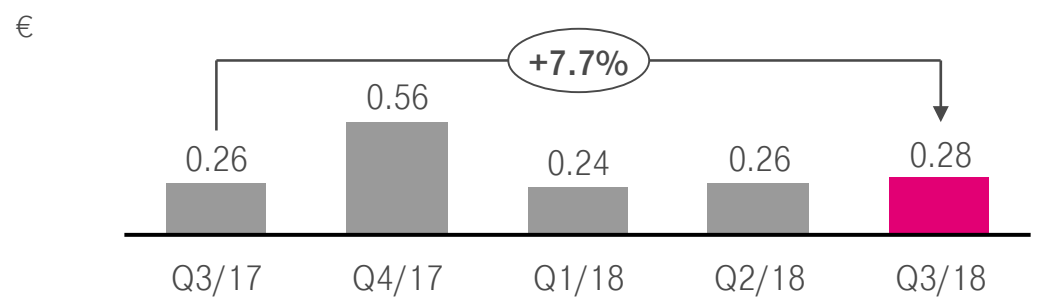
Adj. net income



Net debt development



Adj. EPS



1) Free cash flow before dividend payments and excl. Spectrum (Q3/17: €19 mn; Q3/18: €71 mn).

FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	30/09/2017	31/12/2017	31/03/2018	30/06/2018	30/09/2018
Balance sheet total	139.8	141.3	138.0	139.7	142.3
Shareholders' equity	39.1	42.5	43.7	41.4	43.5
Net debt	52.6	50.8	50.5	54.8	55.5
Net debt/adj. EBITDA ¹	2.3	2.3	2.3	2.5	2.4
Equity ratio	27.9%	30.0%	31.7%	29.6%	30.6%

Comfort zone ratios

Rating: A-/BBB	●
2 – 2.5x net debt/Adj. EBITDA	●
25 – 35% equity ratio	●
Liquidity reserve covers redemption of the next 24 months	●

Current rating

Fitch:	BBB+	stable outlook
Moody's: ²	Baa1	negative outlook
S&P: ²	BBB+	CreditWatch negative

1) Ratios for the interim quarters calculated on the basis of previous 4 quarters. 2) Outlook changed end of April 18, following the announced merger of TM US and Sprint. Previous outlook was "stable"

WHY DT: BEST POSITIONED FOR FUTURE GROWTH



Unique **footprint**
& **Asset Base**

- ✓ **Transatlantic presence** in worlds' leading economies
- ✓ **Converged leader** in Europe with **superior network position**



Growth Profile

- ✓ **95% of footprint growing** with further FMC growth potential
- ✓ Supercharging the Un-Carrier **boosts DT's financial profile** (EPS accretive from year 3)



Untapped **value**
potential

- ✓ Still untapped potential from **cost transformation**
- ✓ **Accelerated digitalization** to improve CX and reduce costs



Clear **strategy**

- ✓ Focus on **connectivity core & adjacent business**
- ✓ Focused **portfolio approach & capital allocation**



Best Team

- ✓ **New international leaders** with excellent track record
- ✓ **Walk the talk & winning mentality**



LIFE IS FOR SHARING.

MID TERM AMBITION LEVEL

	Mid term ambition level ¹	Year	Implications of US deal ²
Group revenues	CAGR +1 – 2%	2017 – 2021e	Confirmed
Group adj. EBITDA	CAGR +2 – 4%	2017 – 2021e	Confirmed
Adj. EBITDA ex US	CAGR +2 – 3%	2017 – 2021e	Confirmed
Group FCF	CAGR ≈ +10%	2017 – 2021e	Slightly dilutive in 2021e & accretive in 2022e
Group adj. EPS	≈ €1.20	2021e	Slightly dilutive in 2021e & accretive in 2022e
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) ³	Dividend will reflect growth in adjusted EPS 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) assumption: closure date Jan. 1, 2019 3) Subject to necessary AGM approval and board resolution

CONFERENCE CALL WITH Q&A SESSION

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

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

Webcast

- The **link to the webcast** will be provided here 20 minutes before the call starts: www.telekom.com/18Q3
- 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 9656288	+	code 69447490#
UK	0800 0515931	+	code 69447490#
US	+1 866 7192729	+	code 69447490#
Other	+49 69 271340801	+	code 69447490#

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

<https://eventregistration.konferenz-telekom.de/EventConfRegistrationGui/?token=1538988280353&lang=en>



FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

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IR representatives:
www.telekom.com/ircontacts



IR Webpage

www.telekom.com/investors



IR Twitter Account

www.twitter.com/DT_IR



IR YouTube Channel

http://www.telekom.com/youtube_ir



APPENDIX

2018: ACCOUNTING IMPACT ON RESULTS

Outlook beginning of year 2018

	Revenue	Adj. EBITDA	Current view
Group	-0.15 bn	max. +0.1 bn ¹	Unchanged
Germany	-1 to -1.5%	Impact of IFRS 9 (-) and IFRS 15 (+) will be neutral	We expect a moderate tailwind to the adj. EBITDA
US	+0.5%	+0.2% ¹	Unchanged
Europe	negligible	negligible	Unchanged
Group Development	no outlook given	no outlook given	Approx. -2% on revenue and adj. EBITDA
Systems Solutions	no outlook given	no outlook given	negligible
GHS	no outlook given	no outlook given	negligible

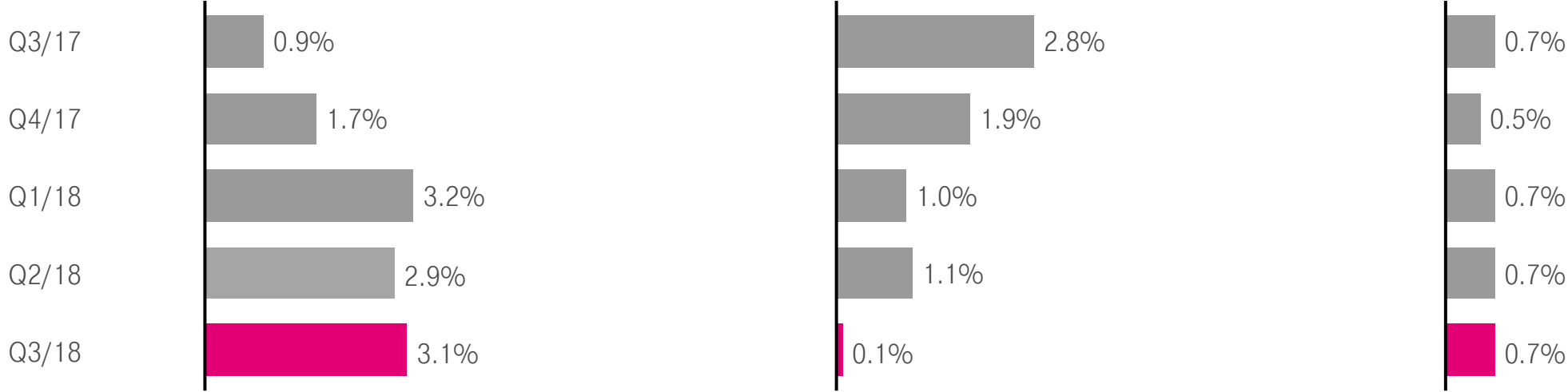
1) before the positive impact of 0.2 to 0.5 bn US\$ announced by TM US in their 2018 outlook

GERMANY MOBILE: SERVICE REVENUE (EXCL. IFRS 15)

Reported mobile service revenue

Impact of mobile regulation¹

Impact of convergent offers²



Old medium term guidance (2014 - 2018 CAGR): Re-iterated

≈ +1% (without EU roaming impact)

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

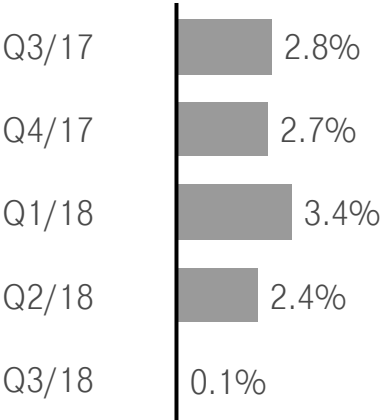
≈ +2%

1) Impact of MTR and EU Roaming regulation 2) Impact of MagentaEINS and Telekom LTE broadband

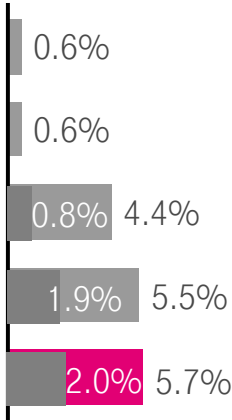
GERMAN FIXED: SERVICE REVENUE (EXCL. IFRS 15)

Growth rates YOY

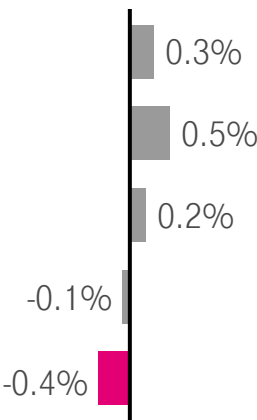
Wholesale revenue



Broadband revenue¹



Fixed line service revenue



Old medium term guidance (2014 – 2018 CAGR): Re-iterated



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



1) Change in definition – no restatement for 2017. Shift from “Other revenues ” to “BB revenues” underlying performance +0.8% in Q1/18, +1.9% in Q2/18 and 2.0% in Q3/18. In addition all periods have been restated for sales reductions and add-on options, that were previously not included in Broadband. Total service revs and Fixed service revs are not affected. 2) Average growth rate adjusted for IFRS15 impact. 3) Including business IP products (e.g. DLAN, Company Connect); average growth rate adjusted for IFRS 15 impact; growth 2017 – 2021e without definition change approx. 1pp lower.

THANK YOU!