

DEUTSCHE TELEKOM

Q4/2018 RESULTS



LIFE IS FOR SHARING.

DISCLAIMER

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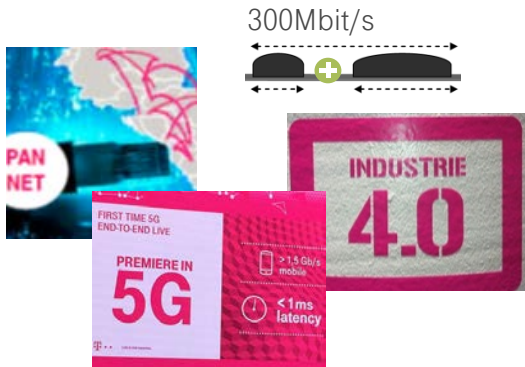
In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA after leases, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, free cash 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 FY/2018

FY 2018 HIGHLIGHTS: TRANSATLANTIC GROWTH CHAMPION

Growth: investments and innovations

- Cash capex at €12.2 bn (ex. spectrum)
- Fiber roll-out: 4.0 mn new homes in GER and EU with access to Fiber LTM
- IP-Migration continues in GER (86%) and EU (82%). +6.3 mn households LTM



Growth: customers

- 12.2 mn German fiber homes (+27% yoy)
- 1.7 mn converged net adds LTM
- 1.5 mn mobile contract net adds in Germany and EU LTM
- 7.1 mn net adds LTM in the US



Growth: financials

- Strong organic¹ growth continues
 - Revenue up 3.1% yoy
 - Adj. EBITDA up 7.2% yoy
 - Adj. EBITDA ex. US up 2.4% yoy
 - FCF up 18.9% yoy
 - Adj. EPS at 0.96 €. Dividend of 0.7€²
- Net debt/Adj. EBITDA at 2.4x



1) Revenue, adj. EBITDA and FCF growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation (mainly US\$ at 1.13 vs. 1.18 and UPC). Adj. EPS calculated on reported results.

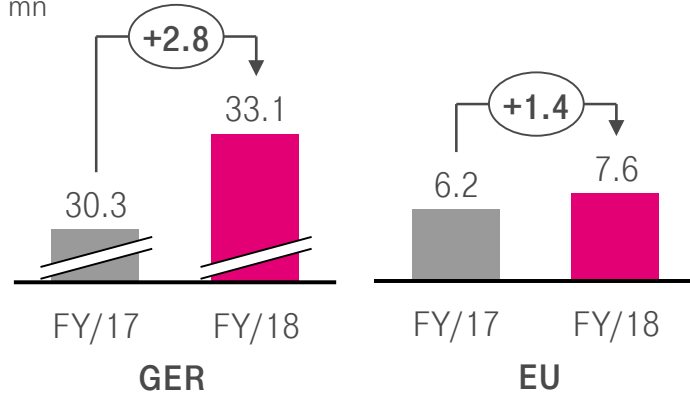
2) Subject to necessary resolutions

FY 2018 INVESTMENTS: DRIVING NETWORK LEADERSHIP

Fiber rollout¹

Fiber households

mn

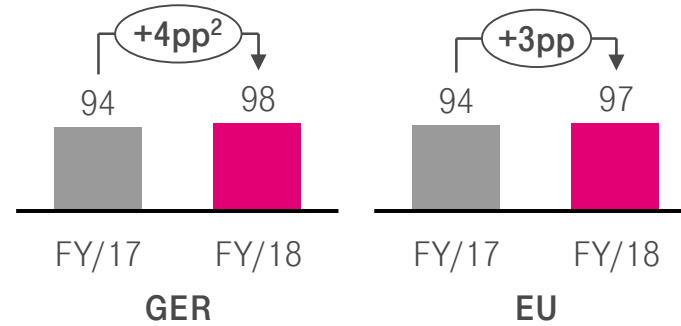


- Additional 4.0 mn HHs added to coverage
- Germany: Super-Vectoring (up to 250 Mbp/s) launched for 14 mn HHs & 2 mn business locations

LTE rollout

LTE outdoor pop coverage

%

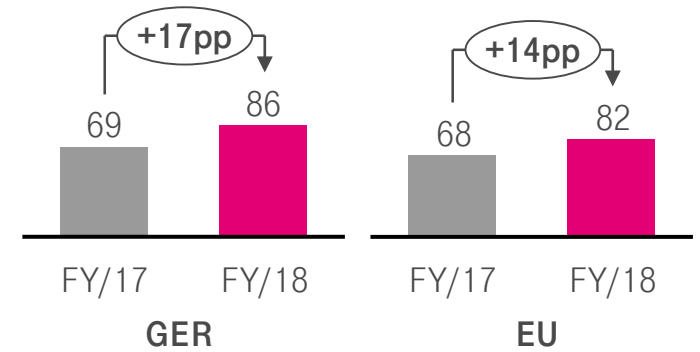


- 1,300 additional physical sites deployed in Germany
- 5G plan for Germany communicated
- Network leadership maintained across footprint

IP migration

IP share of fixed network access lines

%



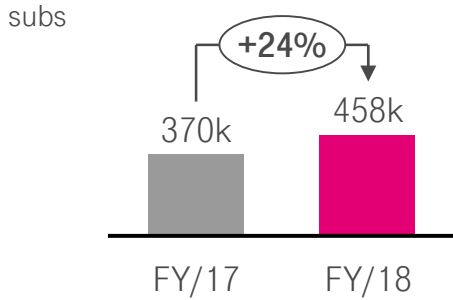
- GER on track for completion: B2C YE/19, B2B YE/20
- Negative impact on line losses and revenues

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.

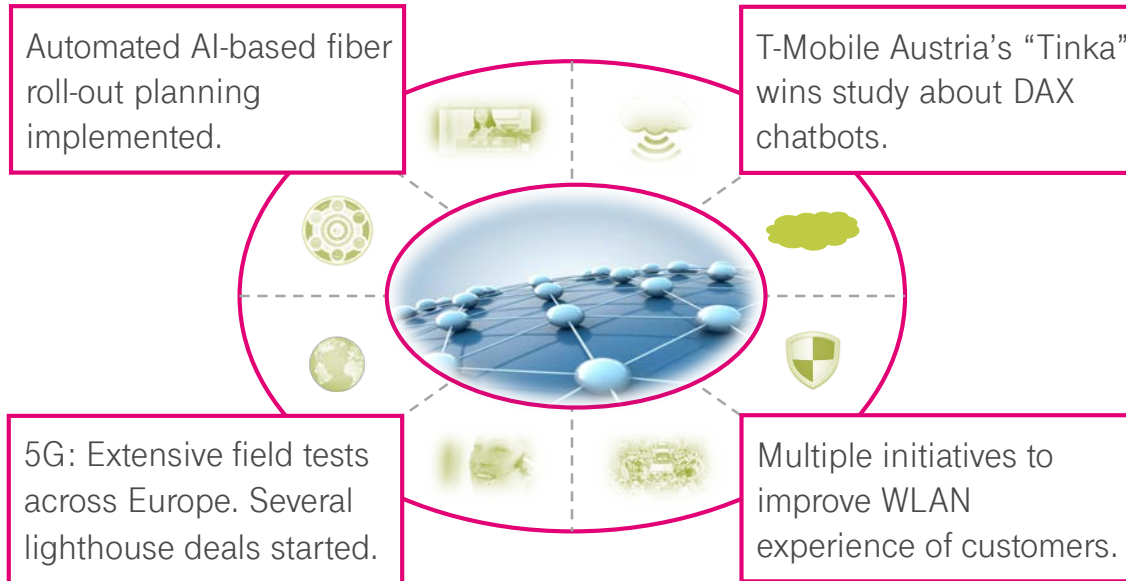
2) LTE outdoor coverage in 2018 based on German regulator measuring approach. 2017 not restated.

FY 2018 INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

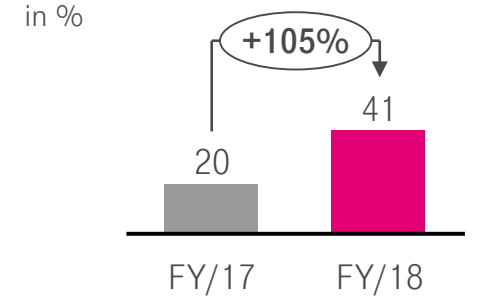
Hybrid Access



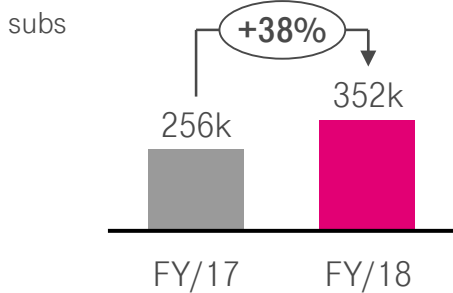
Innovation/Network



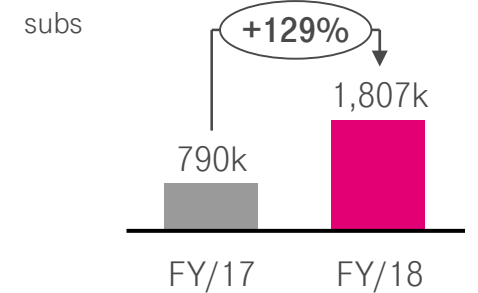
One APP penetration (EU)



Smart Home

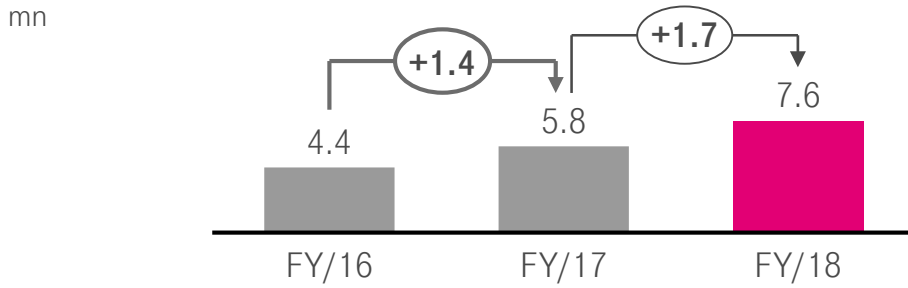


StreamOn

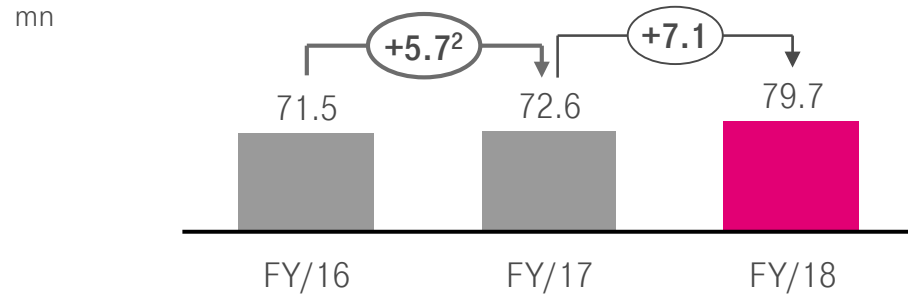


FY 2018 CUSTOMERS: ONGOING STRONG MOMENTUM

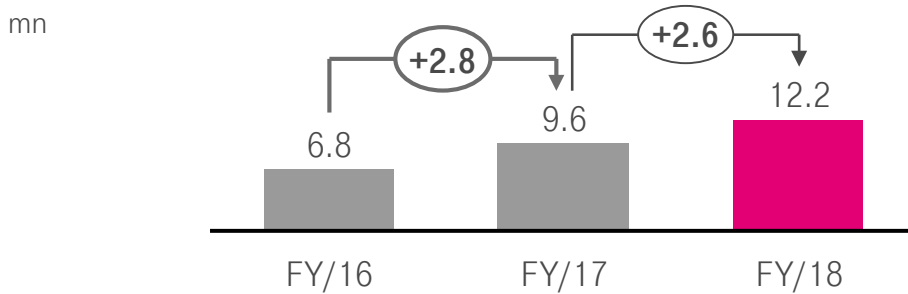
MagentaEINS (Germany + EU)¹



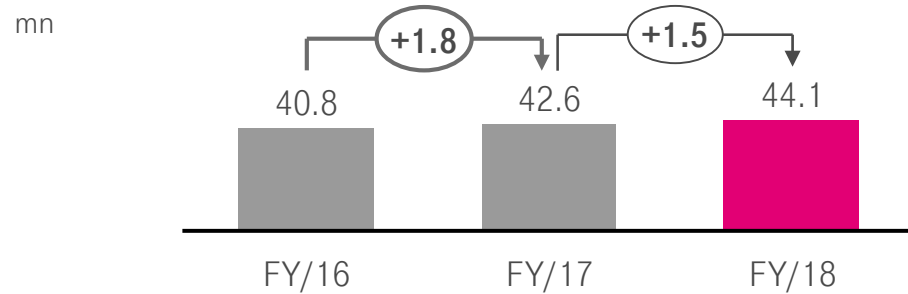
US Mobile



Fiber in Germany



Mobile contract customers GER (own brand) + EU



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

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

2018 FINANCIALS: GUIDANCE BEAT

€ bn

2014 – 2018 CAGR ¹
Initial 2018 Guidance (\$/€: 1.13) Group
Final 2018 Guidance (\$/€: 1.13) Group
Results 2018 Group (at \$/€ 1.13 and adjusted for consolidation changes)
Results 2018 Group actual at \$/€ 1.18
Guidance 2018 DT excl. US
Results 2018 DT ex US (adjusted for consolidation changes and f/x)
Results 2018 DT ex US actual

Revenue

+1 – 2%
Slight Increase
Slight Increase
77.1 (+3.1%) ✓
75.7 (+0.9%)

Adj. EBITDA

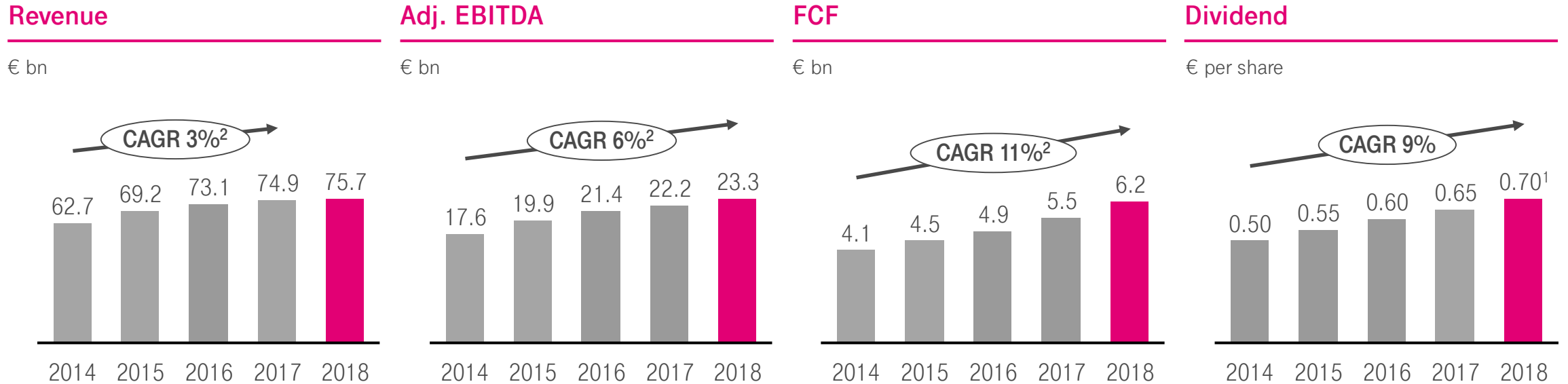
+2 – 4%
Around 23.2 bn
Around 23.6 bn
23.7 (+7.2%) ✓
23.3 (+5.0%)
13.2
13.2 (+2.4%) ✓
13.2 (+2.6%)

FCF

≈+10%
Around 6.2 bn
Around 6.3 bn
6.3 (+18.9%) ✓
6.2 (+13.7%)

1) 14 – 18 CAGRs as per CMD 2015 guidance

2014 – 2018 FINANCIALS: MEDIUM TERM GUIDANCE BEATEN



Medium term guidance (2014 – 2018 CAGR)

+1 – 2%

+2 – 4%

+~10%

FOLLOWS FCF GROWTH

1) 2018 subject to necessary resolutions 2) CAGRs are adjusted for currency, handset lease effect and M&A



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GUIDANCE 2019: WE WILL CONTINUE TO EXECUTE

€ bn

	Revenue	Adj. EBITDA AL²	FCF AL²	Cash Capex
2017 – 2021 CAGR (CMD 2018)	+1 – 2%	+2 – 4%	≈+10%	Stable ex. US
2018 Result (pro forma)	76.4	23.2	6.0	12.4
2019 Guidance (\$/€: 1.18)	Slight increase	Around 23.9	Around 6.7	Around 12.7
thereof Group excl. US				
2018 Result (pro forma)		13.1		8.0
2019 Guidance		Around 13.4		Around 7.9
thereof TM US (US\$ bn)				
2018 Result	43.1	11.9		5.2
2019 Guidance	Increase	Around 12.4¹		Around 5.7

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

REVIEW Q4/18

FINANCIALS: NET INCOME IMPACTED BY TAX GAIN IN Q4/17

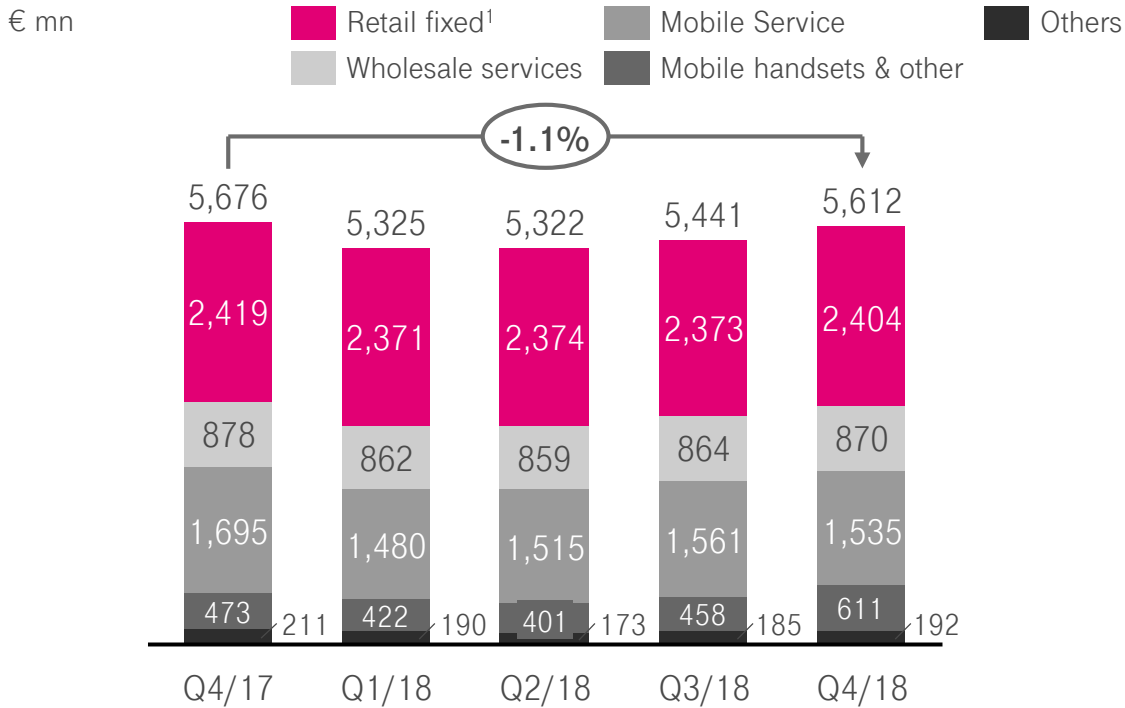
€ mn

	Q4			FY		
	2017	2018	Change	2017	2018	Change
Revenue	19,160	20,261	+5.7%	74,947	75,656	+0.9%
Adj. EBITDA	5,015	5,649	+12.6%	22,230	23,333	+5.0%
Adj. EBITDA (excl. US)	3,011	3,112	+3.3%	12,914	13,245	+2.6%
Adj. Net profit	2,657	796	-70.0%	6,039	4,545	-24.7%
Net profit	1,332	-431	n.m.	3,461	2,166	-37.4%
Adj. EPS (in €)	0.56	0.17	-69.6%	1.28	0.96	-25.0%
Free cash flow ¹	1,094	1,471	+34.5%	5,497	6,250	+13.7%
Cash capex ²	2,860	3,079	+7.7%	12,099	12,223	+2.5%
Net debt	50,791	55,425	+9.1%	50,791	55,425	+9.1%

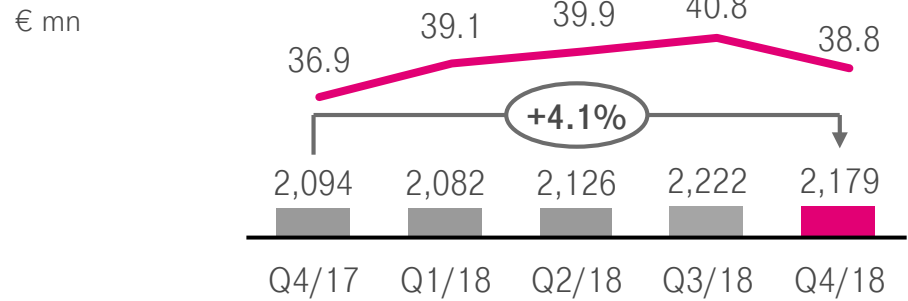
1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q4/17: €94 mn; Q4/18: €62 mn. FY/17: €7,395 mn; FY/18: €269 mn

GERMANY: STRONG ADJ. EBITDA PERFORMANCE

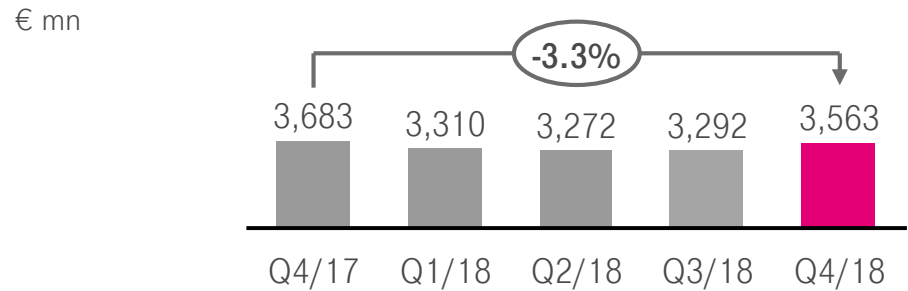
Revenue (as reported)



Adj. EBITDA and margin (in % as reported)



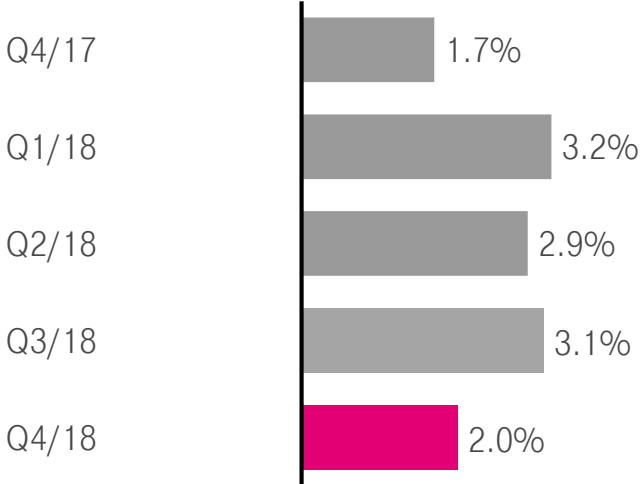
Adj. OPEX (as reported)



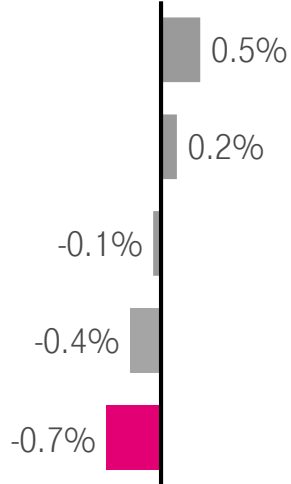
1) Fixed network core business

GERMANY: GROWTH IN SERVICE REVENUES IMPACTED BY PHASING AND IP MIGRATION

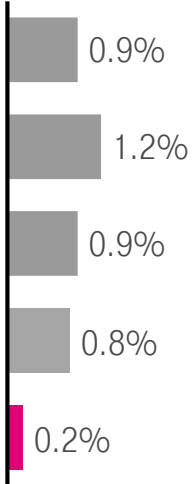
Mobile service revenue¹



Fixed line service revenue¹



Total service revenue¹

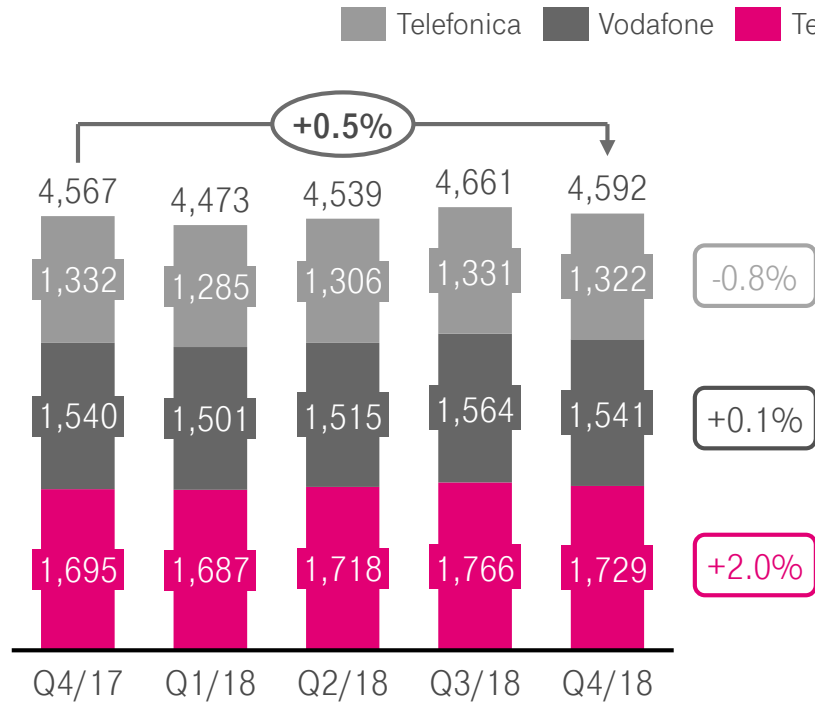


1) Excluding IFRS 15 impact

GERMANY MOBILE: HEALTHY GROWTH CONTINUES

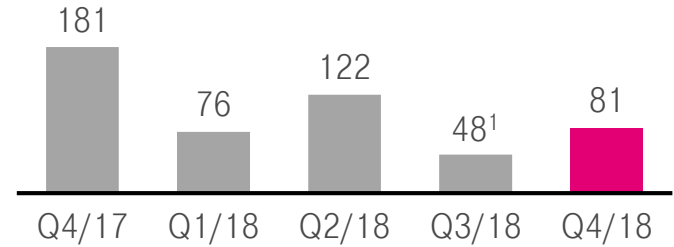
German mobile market service revenue (excl. IFRS 15)

€ mn



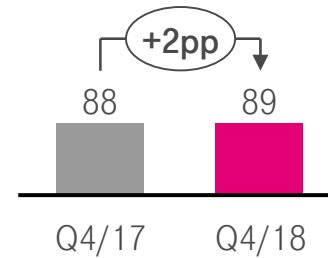
Own branded contract net adds

000



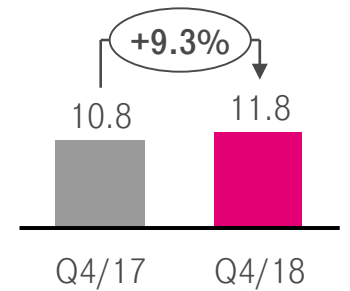
Smartphone penetration²

%



LTE customers³

mn



1) Impacted by 58k losses due to bankruptcy of a B2B customer

2) Of own branded retail customers

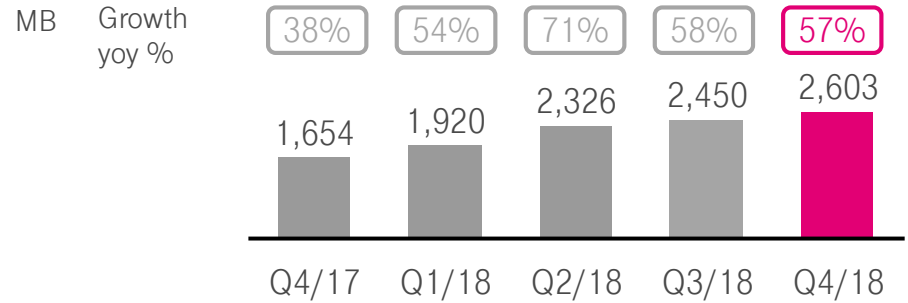
3) Own customers using a LTE-device and tariff plan including LTE

GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

Mobile contract customers in MagentaEINS bundles¹



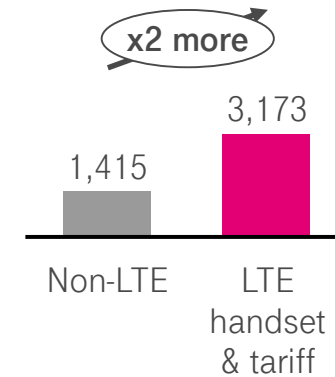
Average Consumer Data Usage³



Households in MagentaEINS bundles²



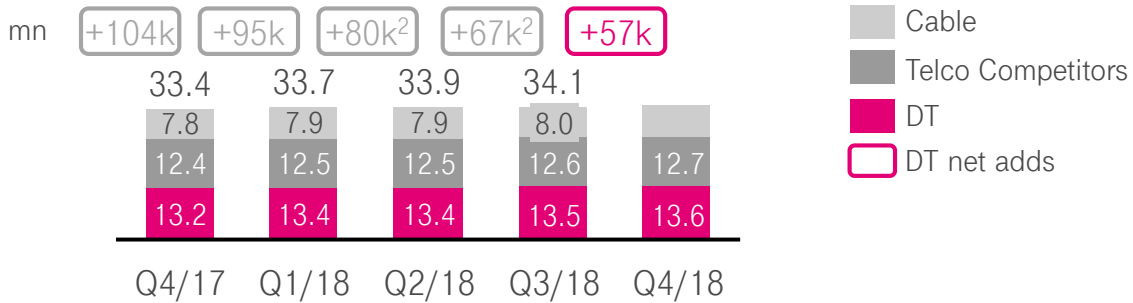
Average data usage uplift³



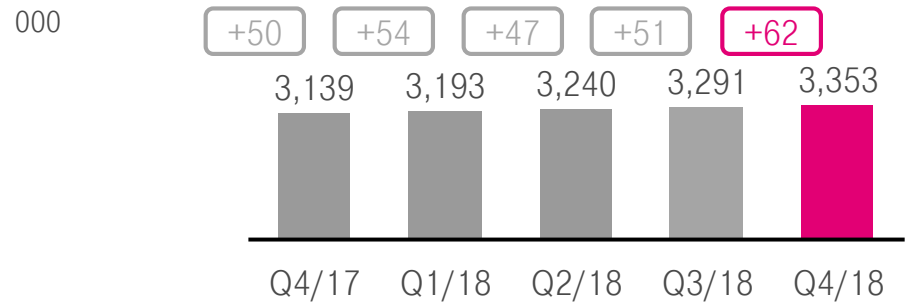
1) As % of B2C T-branded contract customers 2) As % of B2C broadband access lines 3) Per month of B2C T-branded contract customers

GERMANY FIXED: STEADY BROADBAND CUSTOMER GROWTH

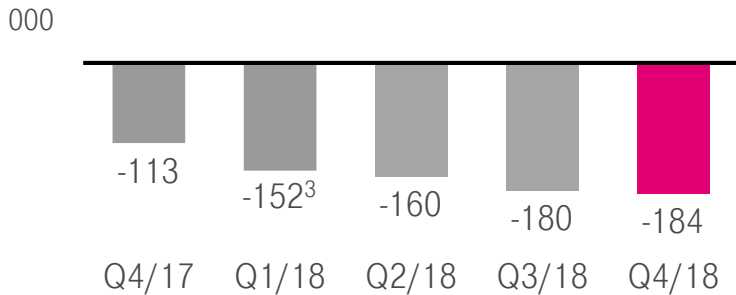
German broadband market¹



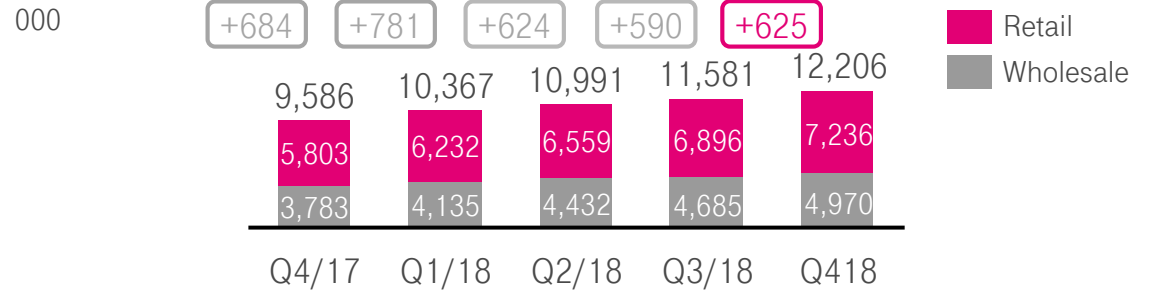
Magenta TV customers



Line losses



Fiber customers⁴



1) Based on management estimates

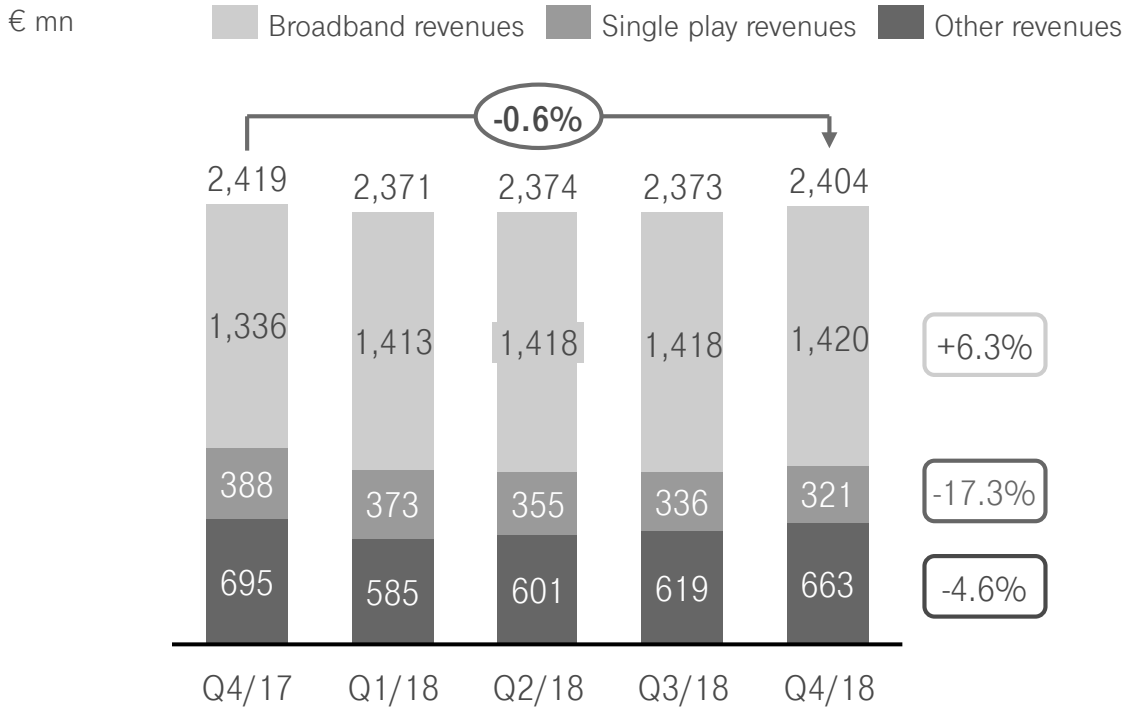
2) Organic view: change in base was +148k

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

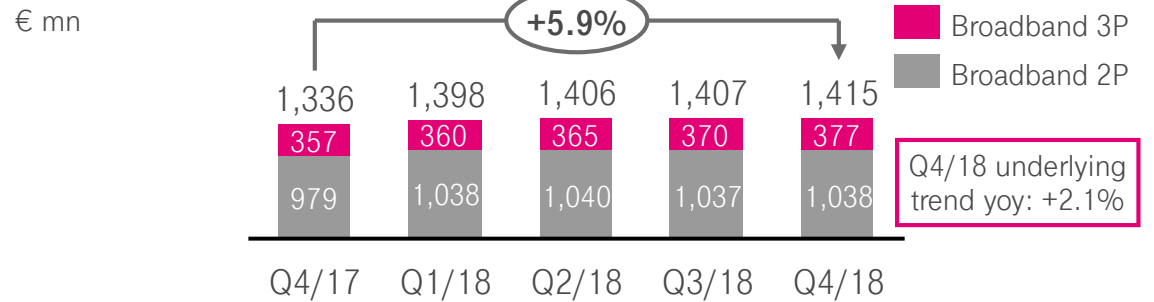
4) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

GERMANY FIXED: HEALTHY BROADBAND GROWTH OFFSET BY LEGACY ATTRITION

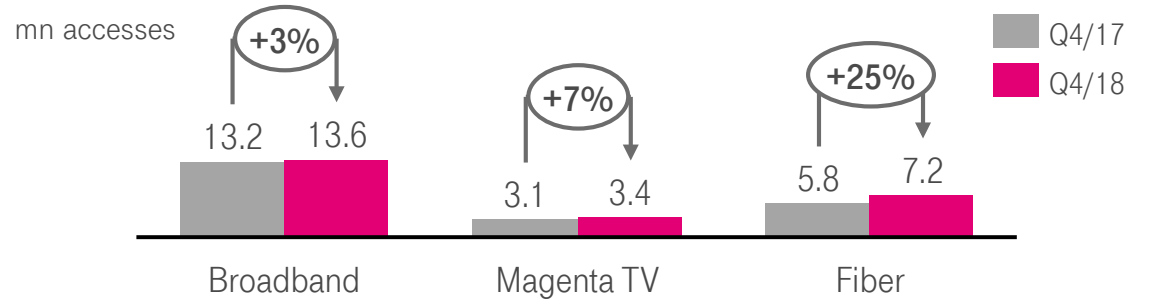
Fixed network revenue retail (as reported)¹



Broadband revenue¹ (excl. IFRS 15)



Retail upsell strategy²

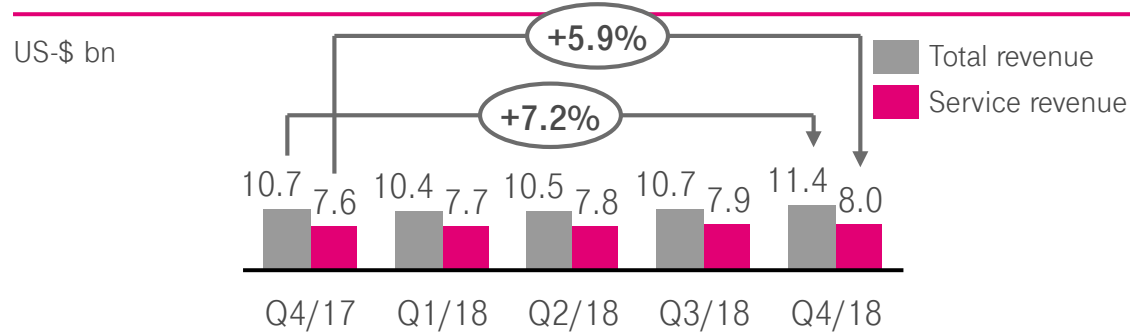


1) Change in definition of broadband and other revenues – historic figures have been adjusted. In addition Q1 to Q3/18 impacted by a shift between other and broadband revenues, historic figures not adjusted for this effect

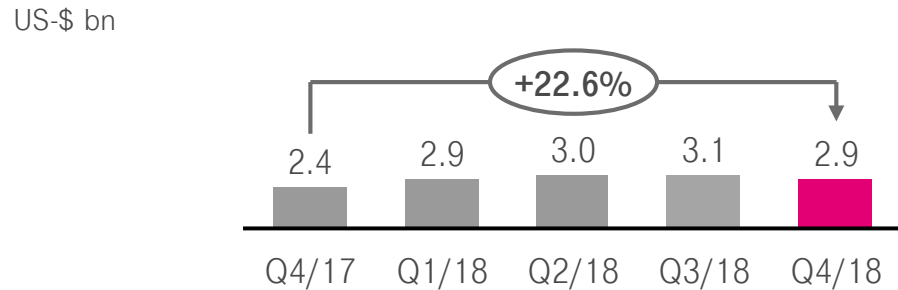
2) Percentages calculated on exact figures

TMUS: CONTINUED INDUSTRY LEADING GROWTH

Revenue and service revenue



Adj. EBITDA

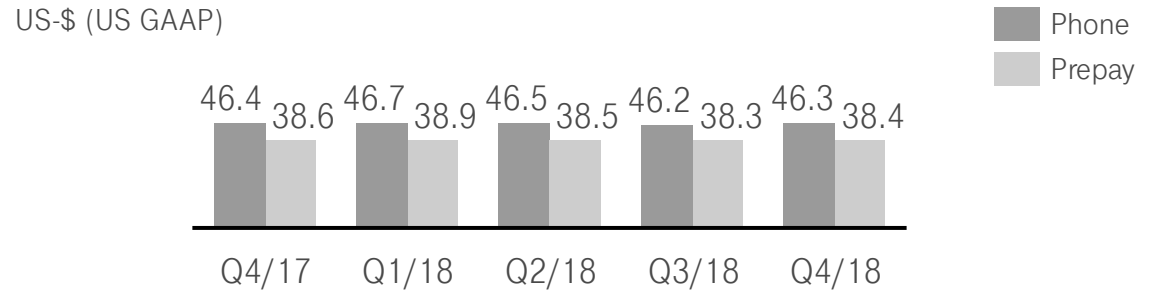


Net adds

000

	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18
Total net adds	1,329	1,854	1,433	1,630	2,402
Branded:					
▪ Postpaid	1,072	1,005	1,017	1,079	1,358
▪ Prepay	149	199	91	35	135
Wholesale ¹	633	229	471	516	909

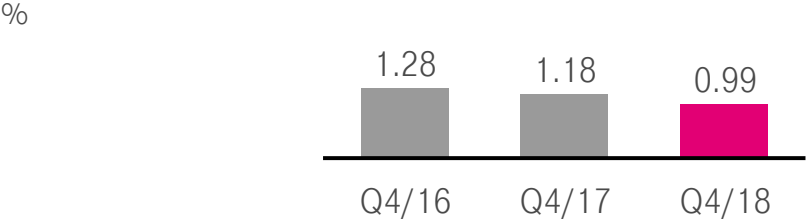
Branded customers: Postpaid phone and prepay ARPU



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

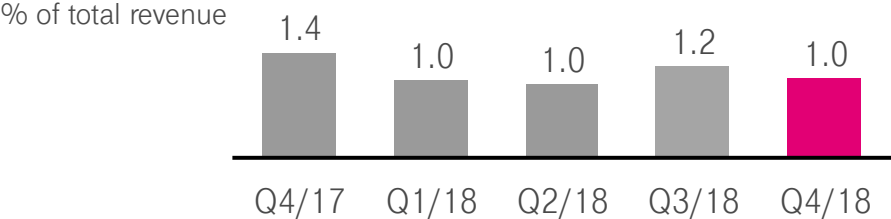
TMUS: EXECUTING ON KEY DRIVERS

Branded postpaid phone churn



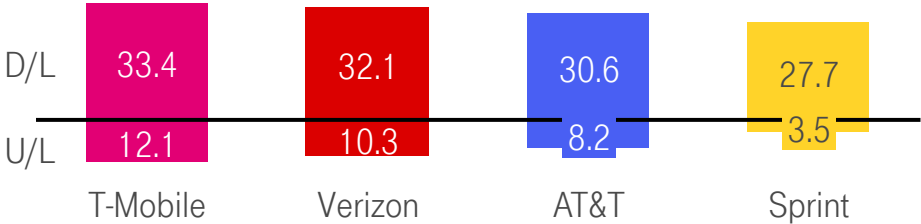
- Branded postpaid phone churn Q4 record low level

Bad debt expenses & losses from sale of receivables



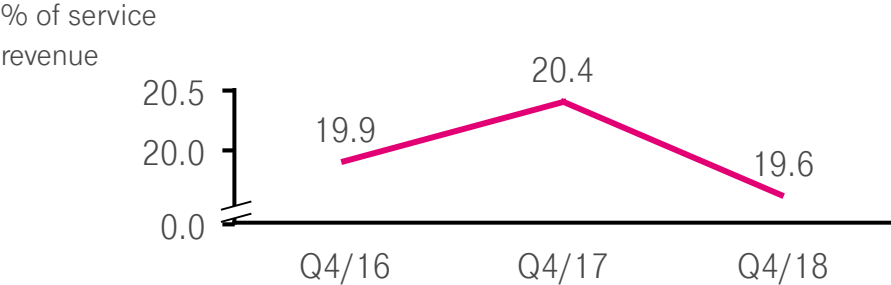
- Decrease yoy reflects ongoing focus on managing customer quality

Network quality



- 4G LTE Download and Upload Speeds – 4Q18 (in Mbps). Based on analysis by Ookla® of Speedtest Intelligence® data.

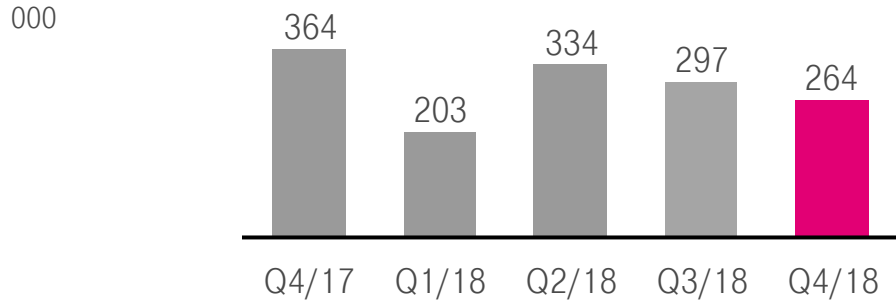
Cost of service



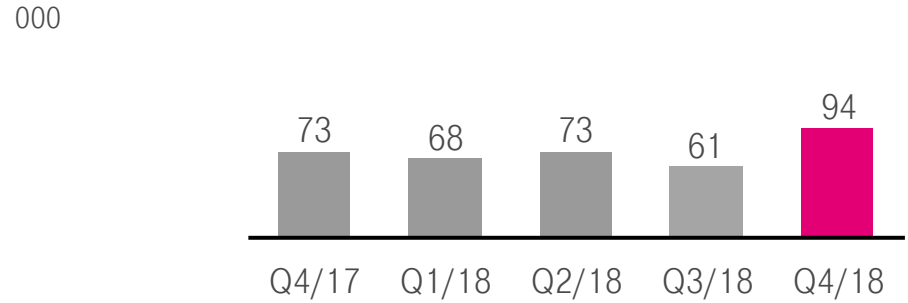
- Cost of services as a percentage of service revenues (excluding the impact of hurricanes and new revenue standard) decreased by 90bps yoy.

EUROPE: STRONG GROWTH IN CUSTOMER BASE

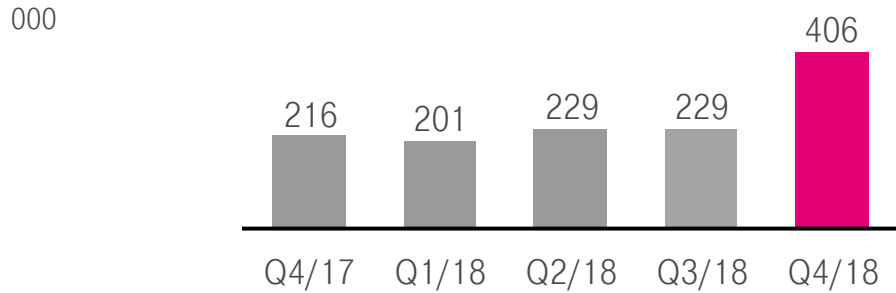
Mobile Contract Net Adds²



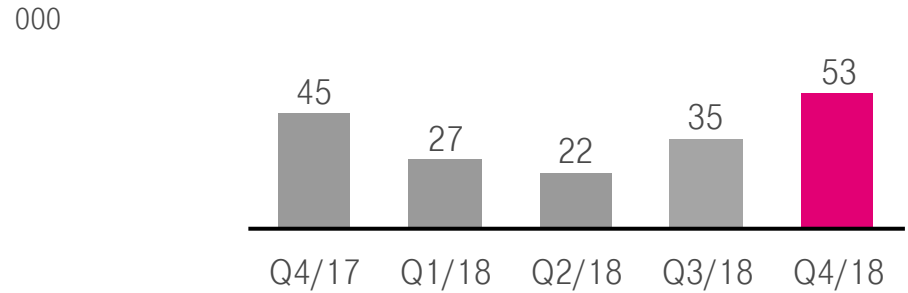
BB Net Adds^{1, 2}



FMC Net Adds



TV Net Adds²

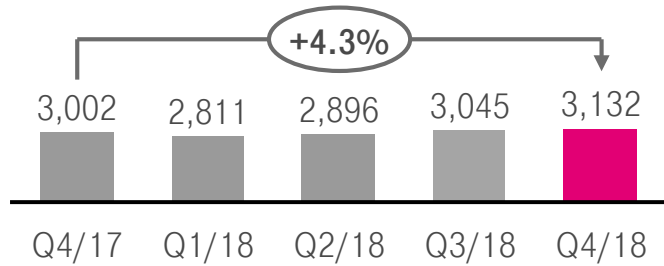


1) Based on subscribers 2) Adjusted for UPC effect in Austria

EUROPE: GROWING REVENUE AND EBITDA

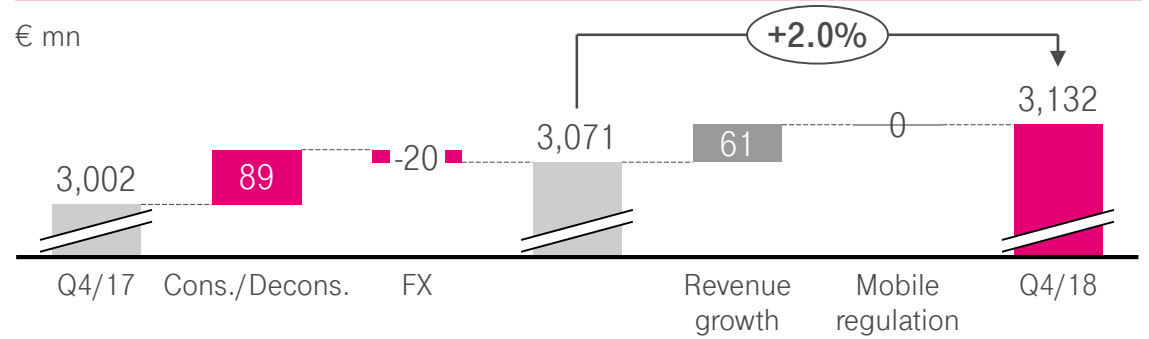
Revenue

€ mn



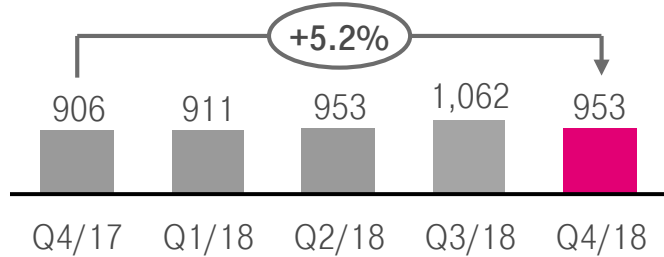
Organic revenue development

€ mn



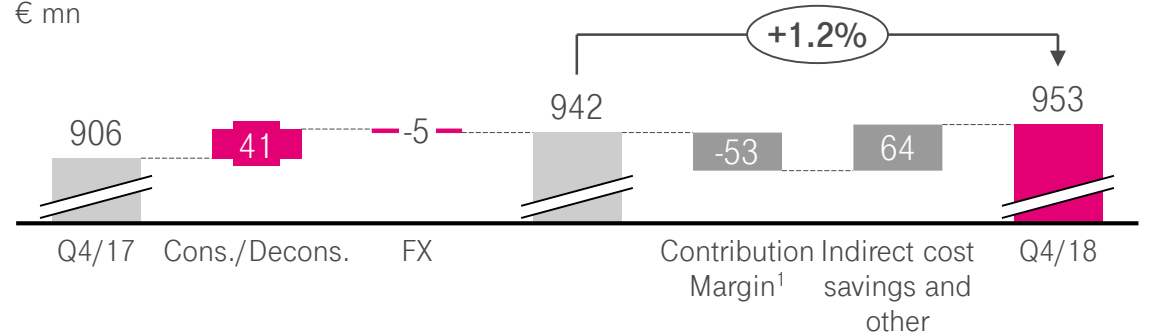
Adj. EBITDA

€ mn



Organic adj. EBITDA development

€ mn



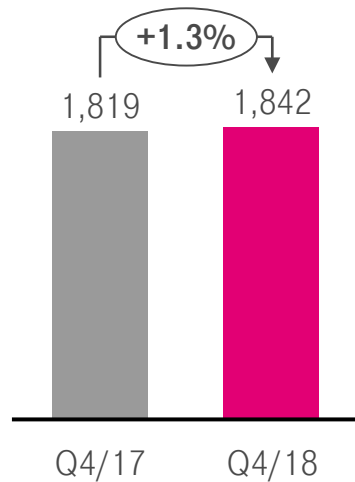
1) Total Revenue – Direct Cost

SYSTEMS SOLUTIONS: FULL YEAR GUIDANCE ACHIEVED

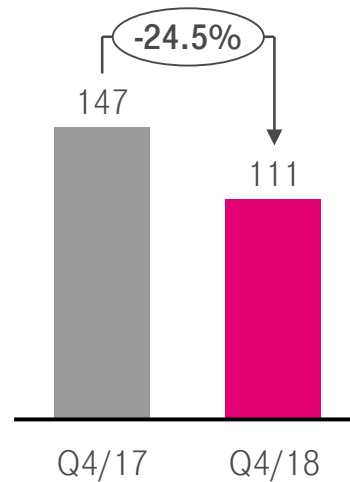
T-Systems financials

€ mn

Total revenue

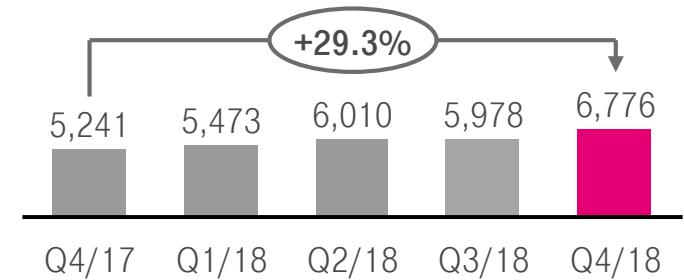


Adj. EBITDA



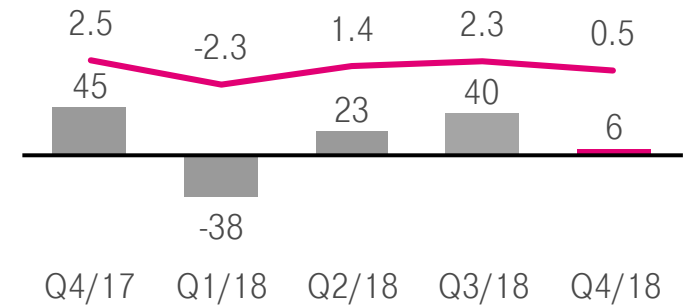
Order Entry (LTM)

€ mn



Adj. EBIT and margin in %

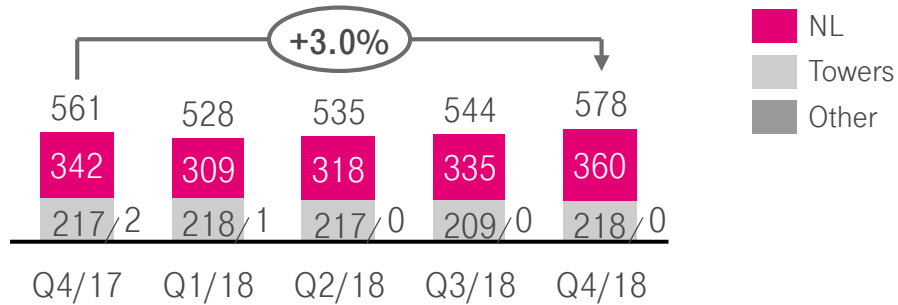
€ mn



GROUP DEVELOPMENT: STEADY UNDERLYING DELIVERY

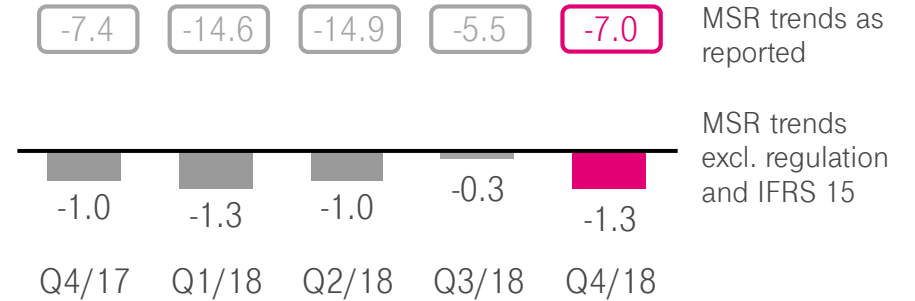
Revenue

€ mn



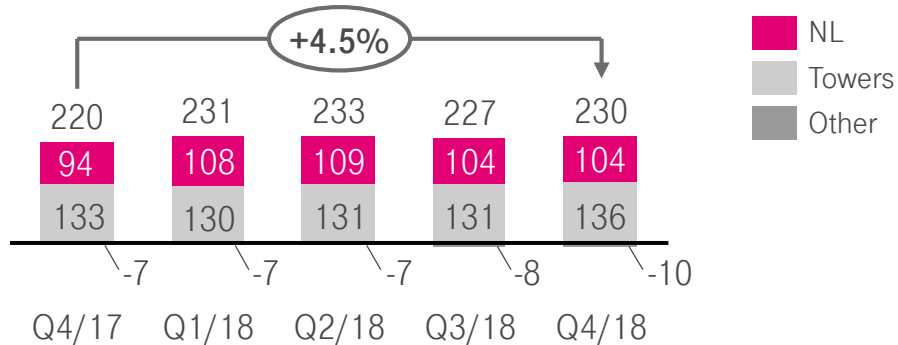
Mobile service revenue trend yoy (NL)

%



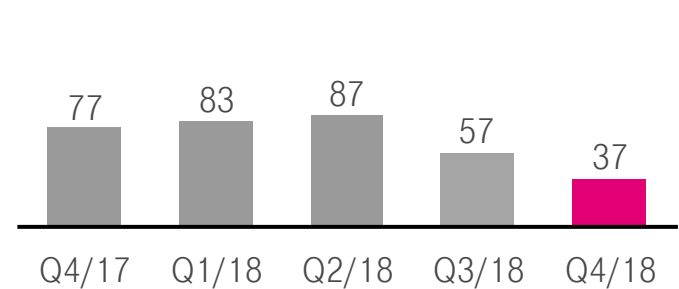
Adj. EBITDA

€ mn



Contract net adds (NL)

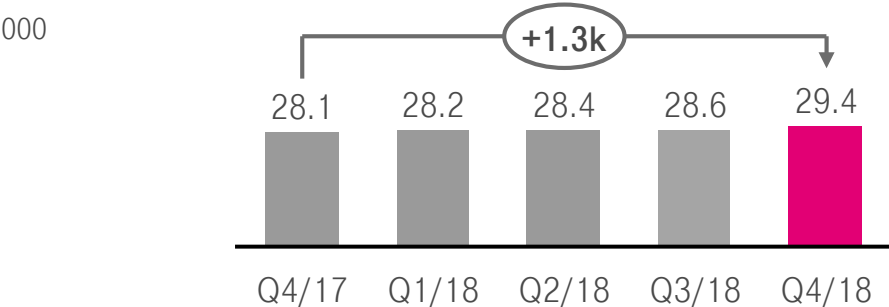
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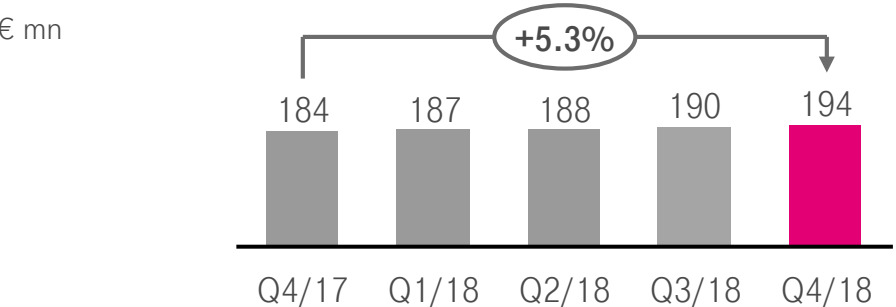
LIFE IS FOR SHARING.

GROUP DEVELOPMENT: TOWER BUSINESS DOING WELL

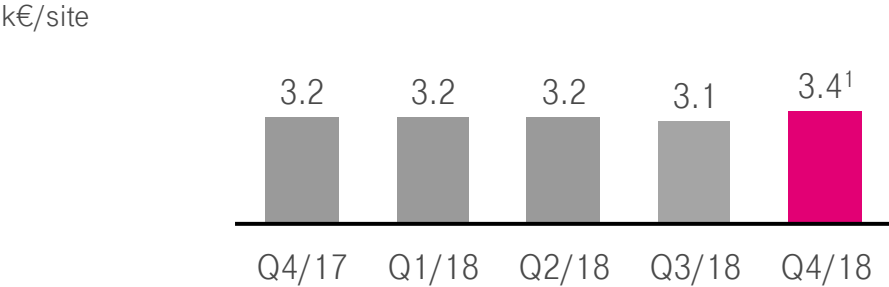
Total site development



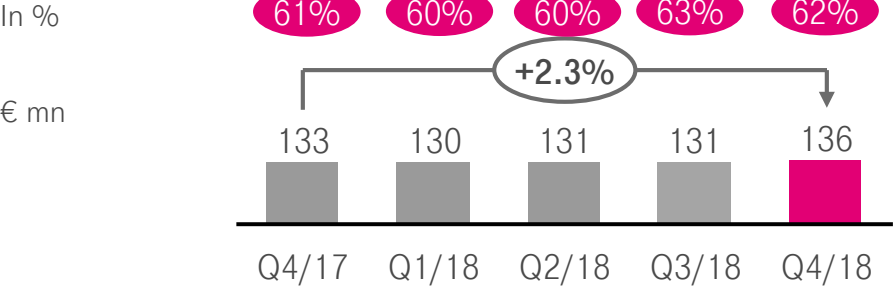
Recurring rental revenue



Opex per site (avg. sites)



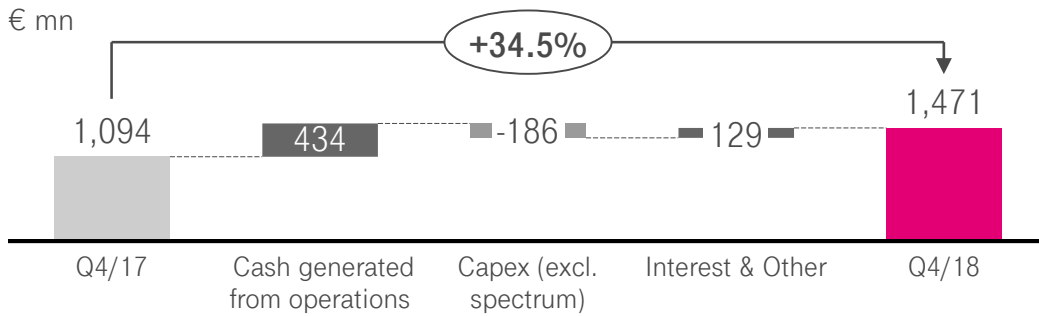
EBITDA & EBITDA margin development



1) Adjusted for one-offs

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

Free cash flow¹



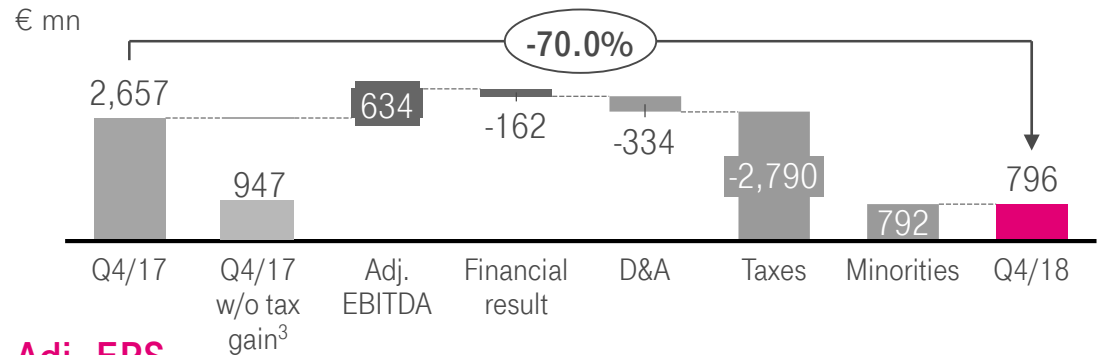
Net debt development (Q4 over Q3)



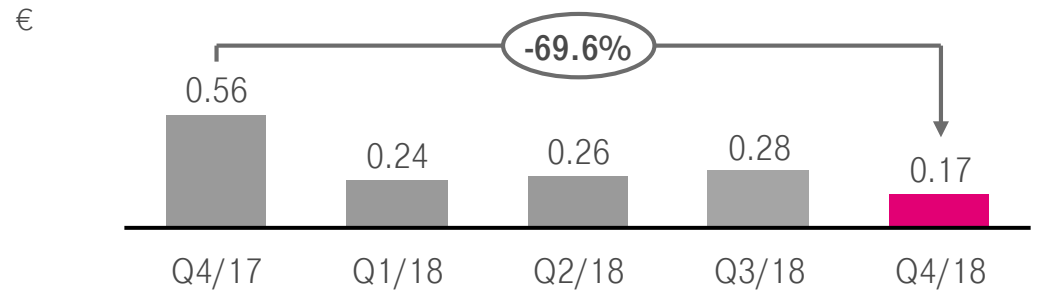
1) Free cash flow before dividend payments and spectrum investment

2) Excl. Spectrum: Q4/17: €94 mn; Q4/18: €62 mn

Adj. net income



Adj. EPS



3) Pro forma calculation: adjusting net income in Q4/17 for US tax reform related gain of 1.7 bn.

FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	31/12/2017	31/03/2018	30/06/2018	30/09/2018	31/12/2018
Balance sheet total	141.3	138.0	139.7	142.3	145.4
Shareholders' equity	42.5	43.7	41.4	43.5	43.4
Net debt	50.8	50.5	54.8	55.5	55.4
Net debt/adj. EBITDA ¹	2.3	2.3	2.5	2.4	2.4
Equity ratio	30.0%	31.7%	29.6%	30.6%	29.9%

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**



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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 **February 21 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 here 20 minutes before the call starts: www.telekom.com/18Q4
- 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

Investor Relations Contact details

Phone +49 228 181 – 8 88 80

E-Mail investor.relations@telekom.de

Contact details for all
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

OUTLOOK 2019/20 (1/2)

€ bn

	2018 reported	2018 pro forma	2019e	2020e
Revenue Group	75.7	76.4	Slight increase	Increase
Germany	21.7	21.7	Slight increase	Slight increase
US (in USD)	43.1	43.1	Increase	Increase
Europe	11.9	12.1	Slight increase	Slight increase
Systems Solutions	6.9	6.9	Stable	Slight increase
Group Development	2.2	2.7	Increase	Increase
Adj. EBITDA AL Group	23.3	23.2	23.9	Increase
Germany	8.6	8.5	8.7	Increase
US (in USD)	11.9	11.9	12.4	Increase
Europe	3.9	3.9	4.0	Slight Increase
Systems Solutions	0.4	0.4	0.5	Increase
Group Development	0.9	0.9	1.0	Increase



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OUTLOOK 2019/20 (2/2)

€ bn

	2018 reported	2018 pro forma	2019e	2020e
Cash Capex Group	12.2	12.4	12.7	Stable
Germany	4.2	4.2	Stable	Slight decrease
US (in USD)	5.2	5.2	Increase	Stable
Europe	1.9	1.9	Decrease	Stable
Systems Solutions	0.5	0.5	Strong decrease	Stable
Group Development	0.3	0.4	Strong Increase	Strong Increase
FCF AL Group	6.2	6.0	6.7	Strong Increase
Dividend per share (in €)	0.7	0.7	reflecting adj. EPS growth, minimum 0.50€	reflecting adj. EPS growth, minimum 0.50€
Adj. EPS	0.96		Increase	Increase
Net debt/adj. EBITDA	2.4		2.25 – 2.75	2.25 – 2.75



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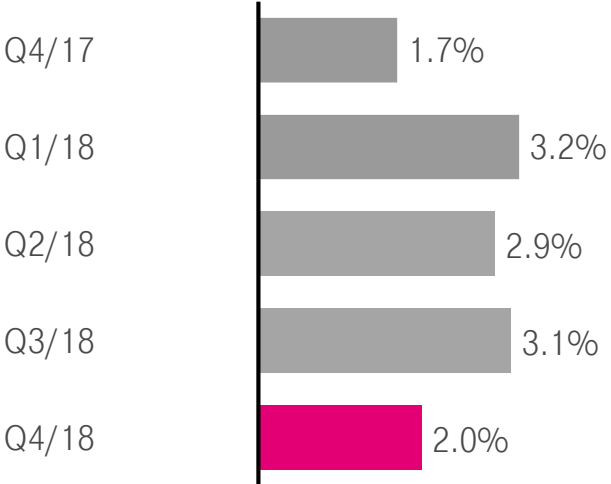
2018: ACCOUNTING IMPACT ON RESULTS

	Outlook beginning of year 2018		Final result
	Revenue	Adj. EBITDA	
Group	-0.15 bn	max. +0.1 bn ¹	Confirmed
Germany	-1 to -1.5%	Impact of IFRS 9 (-) and IFRS 15 (+) will be neutral	Moderate tailwind to the adj. EBITDA
US	+0.5%	+0.2% ¹	Confirmed
Europe	negligible	negligible	Moderate tailwind to the adj. EBITDA
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

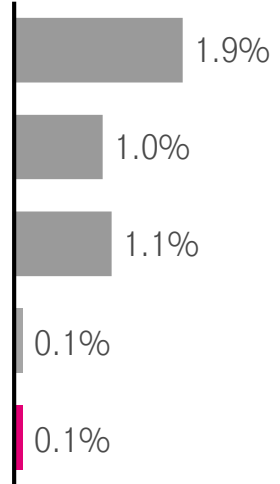
1) Before the positive impact of 0.2 to 0.5 bn US\$ announced by TM US in their 2018 outlook

GERMANY MOBILE: SERVICE REVENUE (EXCL. IFRS 15)

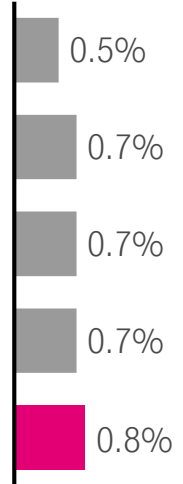
Reported mobile service revenue



Impact of mobile regulation¹



Impact of convergent offers²



Old medium term guidance (2014 - 2018 CAGR)

≈ +1% (without EU roaming impact)

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

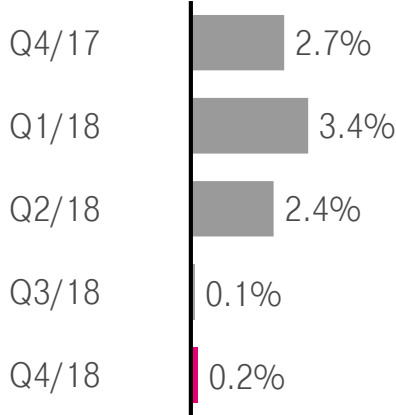
≈ +2%

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

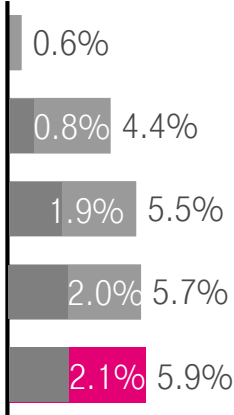
GERMAN FIXED: SERVICE REVENUE (EXCL. IFRS 15)

Growth rates YOY

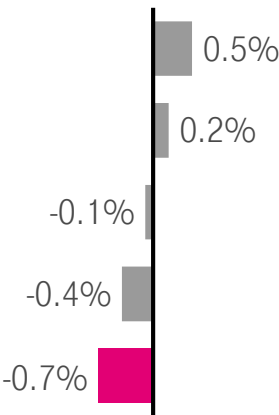
Wholesale revenue



Broadband revenue¹



Fixed line service revenue



Old medium term guidance (2014 - 2018 CAGR)



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 and 2.1% in Q4/18. 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!