DISCLAIMER

This presentation contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. These forward-looking statements include statements with regard to the expected development of revenue, earnings, profits from operations, depreciation and amortization, cash flows and personnel-related measures. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom’s control. Among the factors that might influence our ability to achieve our objectives are the progress of our workforce reduction initiative and other cost-saving measures, and the impact of other significant strategic, labor or business initiatives, including acquisitions, dispositions and business combinations, and our network upgrade and expansion initiatives. In addition, stronger than expected competition, technological change, legal proceedings and regulatory developments, among other factors, may have a material adverse effect on our costs and revenue development. Further, the economic downturn in our markets, and changes in interest and currency exchange rates, may also have an impact on our business development and the availability of financing on favorable conditions. Changes to our expectations concerning future cash flows may lead to impairment write downs of assets carried at historical cost, which may materially affect our results at the group and operating segment levels. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

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.
2019 ACCOUNTING CHANGES: INTRODUCTION

- Current accounting standards on leases will be replaced by IFRS16
- Standard will have effects on P&L, CF statement (incl. FCF), balance sheet (incl. net debt) on group and segment level

- No restatement for 2018 or earlier periods
- Introduction of the new KPIs adj. EBITDA after leases (adj. EBITDA AL) and FCF after leases (FCF AL) to ensure comparability of periods
- Approach is coordinated with our European peers

- First reporting date under new standards will be Q1/2019 results in May 2019
- Guidance for 2019 (given with FY results end of February) on group and segment level will be based on new KPIs adj. EBITDA after leases and FCF after leases
OVERVIEW LEASES: MAIN LEASE ACTIVITIES IN DT GROUP

Lease contracts

- Vacant land (for cell site construction)
- Rooftop space (for cell sites)
- Space on 3rd party cell site towers and masts
- Network infrastructure, cable ducts, easements
- Offices or technical space, retail shops, collocation space
- Office equipment, vehicles, routers or servers
**FORMER LEASE ACCOUNTING RULES (IAS 17): FINANCE LEASES VS. OPERATING LEASES**

Accounting of the underlying leasing object at the party which takes the majority of the risks and rewards. If lessee has majority of risks and rewards, it is a finance lease – otherwise it is classified as an operating lease.

### Finance Leases

<table>
<thead>
<tr>
<th>Lessee:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carries the majority of the risks and rewards in the underlying lease asset</td>
</tr>
<tr>
<td>Is the economic owner but not the legal owner of the underlying leased asset</td>
</tr>
<tr>
<td>Recognizes the underlying asset and the financial liability on the balance sheet</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lessor:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognizes a lease receivable and derecognizes the underlying lease asset</td>
</tr>
<tr>
<td>The difference between the lease receivable and the carrying value of the derecognized lease asset is a gain or loss from the transaction</td>
</tr>
</tbody>
</table>

### Operating Leases

<table>
<thead>
<tr>
<th>Lessee:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has an obligation to make ongoing lease payments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lessor:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continues to have the majority of the risks and rewards in the underlying lease asset</td>
</tr>
<tr>
<td>Recognizes the underlying lease asset and recognizes the monthly lease payments as lease revenue; as well as depreciation charges from the lease asset.</td>
</tr>
</tbody>
</table>
NEW LEASING RULES (IFRS 16): CHANGES FOR LESSEES (RECOGNITION AND MEASUREMENT)

Right-of-use model:
- Elimination of the risk and reward approach
- Lessor transfers a right-of-use of the underlying asset to the lessee
- Recognition of the right-of-use asset on the balance sheet of the lessee as well as recognition of a financial lease liability to make lease payments for the lessee

Subsequent measurement:
- Right-of-use asset will be depreciated regularly (typically on a straight-line basis)
- Depreciation over the shorter period of lease term or useful life
- Lease payments reduce the financial lease liability
- Interest on remaining balance of the lease liability increases the carrying amount of the financial lease liability (unwinding of discount)

Increase in EBITDA: elimination of operating lease expense (OPEX) and increase in EBITDA due to depreciation and interest expense under IFRS 16.

Increase of total assets and financial liabilities (net debt) on the balance sheet.

Increase of FCF as former operating lease payments are replaced by repayments of financial liability.
### NEW LEASING RULES (IFRS 16): SUMMARY FOR LESSEES – 1/2

**Lessees**

<table>
<thead>
<tr>
<th>Finance Leases</th>
<th>Operating Leases</th>
<th>1st step: ROUA = Lease Liability (Operating Leases)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance Sheet</strong></td>
<td><strong>Balance Sheet</strong></td>
<td><strong>Balance Sheet</strong></td>
</tr>
<tr>
<td>Underlying Lease Asset</td>
<td>Underlying Lease Liability</td>
<td>NO Lease Asset</td>
</tr>
<tr>
<td><strong>Income Statement</strong></td>
<td><strong>Income Statement</strong></td>
<td><strong>Income Statement</strong></td>
</tr>
<tr>
<td>Depreciation</td>
<td>Prepaid Rent</td>
<td>Lease Expense</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>Deferred Rent</td>
<td>Interest Expense</td>
</tr>
</tbody>
</table>

- **Transition 1st step**
  - **Previous Accounting based on IAS 17**
  - **New lease accounting under IFRS 16 (modified retrospective transition)**

- **Steps 2-3**
  - IAS 17 Prepads and Deferred Rent Liability to be adjusted under IFRS 16 against ROUA and Equity.
NEW LEASING RULES (IFRS 16): SUMMARY FOR LESSEES – 2/2

Lessees (IFRS 16)

2nd step: Recast existing IAS 17 deferred rent liability against equity

3rd step: Reduce ROUA for existing IAS 17 prepaids + remaining accruals

Balance Sheet

Right of Use Asset (ROUA) | Equity
Financial Lease liability

Income Statement
Depreciation
Interest Expense

Balance Sheet

Right of Use Asset (ROUA) | Equity
Financial Lease liability

Income Statement
Depreciation
Interest Expense

Total implementation effect:
Increase in equity and lower ROUA than lease liability
IFRS 16: SELECTED POLICY ELECTIONS AND DECISIONS BY DT

- No "grandfathering" of existing lease contracts
- Separate presentation of lease assets and liabilities on the face of the B/S
- Intangible Assets in scope of IAS 38
- Low value leases and short-term leases in scope of IFRS 16
- No adoption of IFRS 16 for group internal leases
- No restatement of 2018 and earlier figures
# IFRS 16 – IMPLEMENTATION IMPACT ON 2019 IFRS FINANCIALS

<table>
<thead>
<tr>
<th>KPI</th>
<th>IFRS 16 impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P &amp; L</strong></td>
<td></td>
</tr>
<tr>
<td>Unadjusted EBITDA</td>
<td>• Depreciation charges and interest expense recorded instead of operating lease expense</td>
</tr>
<tr>
<td></td>
<td>• Depreciation and interest add back leads to significant improvement in unadjusted EBITDA</td>
</tr>
<tr>
<td>Profit from operations (EBIT)</td>
<td>• IAS 17 operating lease expense is replaced by depreciation and interest expense</td>
</tr>
<tr>
<td></td>
<td>• IFRS 16 interest expense portion is added back and will improve EBIT</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>• Recognition of interest expense on the lease liability</td>
</tr>
<tr>
<td></td>
<td>• Interest used to be implicitly included in IAS 17 operating lease expense</td>
</tr>
<tr>
<td><strong>Cash Flow Statement</strong></td>
<td></td>
</tr>
<tr>
<td>Operating CF</td>
<td>• All interest payments are recorded as a reduction in operating CF (general DT policy)</td>
</tr>
<tr>
<td></td>
<td>• Improvement not to same extent as EBITDA; only principal portion of lease payments improve oCF; no significant IFRS 16 impact resulting from interest portion of payments</td>
</tr>
<tr>
<td>Financing CF</td>
<td>• Principal portion of lease payments will increase net cash used in financing activities and no longer affect net cash from operating activities when making operating lease payments.</td>
</tr>
<tr>
<td>Investing CF</td>
<td>• Not affected by IFRS 16 implementation</td>
</tr>
<tr>
<td><strong>Balance Sheet</strong></td>
<td></td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td>• Significant increase in financial liabilities due to recognition of lease liabilities</td>
</tr>
<tr>
<td></td>
<td>• Increase in lease liabilities will lead to a corresponding increase in net debt</td>
</tr>
<tr>
<td>Total Assets</td>
<td>• Significant increase in total assets due to the capitalization of right-of-use lease assets.</td>
</tr>
<tr>
<td></td>
<td>• Increase in ROU assets will be lower than lease liabilities because IFRS 16 requires adjustments for existing IAS 17 balance sheet positions (prepaids and accrued liabilities)</td>
</tr>
<tr>
<td>Equity</td>
<td>• IAS 17 deferred (straight line) rent balance at TMUS will be recast using IFRS 16 lease terms</td>
</tr>
<tr>
<td></td>
<td>• Instead of adjusting ROUA, recast portion of deferred rent balance is adjusted against equity</td>
</tr>
</tbody>
</table>
IFRS 16: IMPACTS ON DT GROUP IN DETAIL

**P&L**
- Revenues/ OOI
- \( / . \) Direct Costs
- \( / . \) Indirect Costs
- \( = \) EBITDA
- \( / . \) Depreciation
- \( = \) EBIT
- \( / . \) Interest
- \( = \) EBT
- \( / . \) Taxes, Minorities
- \( = \) Net income

**Free Cash Flow**
- EBITDA
  - \(+ \ldots\)
  - \( / . \) Interest Payments
  - \( = \) Operating Cash Flow
  - \( / . \) Capex
  - \( = \) Free Cash Flow
  - \( / . \) Repayment of Lease Liabilities

**Net Debt**
- Finance Lease Liabilities
  - \(+\) Other Financial Liabilities
  - \( / . \) Other Financial Assets
  - \( / . \) Cash
  - \( = \) Net Debt
  - \(+\) Obligations from op. Leases
  - \(+/-\) Other Adjustments
  - \( = \) Rating Net Debt

- **EBITDA**
  - Increase caused by the shift from operating expenses to investing activity (depreciation/interest)
  - Leasing impact below EBITDA; net income (and EPS) with slightly negative impact

- **FCF**
  - Increase by shift from operating cash flow to cash flow from financial activities
  - Leasing impact outside of investing activity and Free Cash Flow
  - Cash Capex remains unchanged

- **Net Debt**
  - Increase Net Debt by shift from off balance sheet financing to debt financed invest activity
  - Rating Net Debt remains almost unchanged
**IFRS 16: NEW (MAJOR) STEERING KPI’S (1/2)**

- **EBITDA After Leases**
  - Adjustment for all lease transactions\(^1\)
  - (“previous” finance leases and “new on balance”-operating leases)
  
  \[
  \text{EBITDA} = \text{EBITDA AL} - \text{Depreciation RoU} - \text{Interest Expense Leases}
  \]

- **Indirect Costs After Leases**
  - Adjustment for all lease transactions\(^1\)
  
  \[
  \text{Indirect Costs} = \text{Indirect Costs AL} - \text{Depreciation RoU} - \text{Interest Expense Leases}
  \]

- Lack of consideration of leasing transactions in EBITDA, i.e. leasing transactions outside of steering focus

- **Main objective of KPI “EBITDA After Leases”:**
  - Focus on cash view
  - Comparability to Peers

- **Differences compared to prior accounting under IAS 17 can occur mainly by the following effects:**
  - Effects of interest accrual are higher in early periods than in later periods (Timing-Effect)
  - First time consideration of former finance leases (except TM US)

---

\(^1\) Except TM US Finance Lease Transactions
### FCF After Leases

Adjustment for all lease transactions\(^1\) (“previous” finance leases and “new on balance”-operating leases)

<table>
<thead>
<tr>
<th>CF Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>FCF</td>
</tr>
<tr>
<td>Lease Adjustments Cash</td>
</tr>
<tr>
<td>- Repayment of Lease Liabilities</td>
</tr>
<tr>
<td>= FCF AL</td>
</tr>
</tbody>
</table>

\(^1\) Except TM US Finance Lease Transactions

- **Main objective of KPI “FCF After Leases”:**
  - Comparability to Peers
  - Consideration of repayments of lease liabilities within FCF AL provides an even more cash oriented view

- **Differences compared to prior accounting under IAS 17** can occur by the **first time consideration of “previous” finance leases** (except TM US)
FINANCIAL STATEMENT TREATMENT IFRS VS. US GAAP

IFRS 16
- All leasing contracts are on balance (asset and corresponding liability)
- All leases will be treated as financial leases
- Leasing expense from operating leases will be substituted by depreciation and interest, i.e. EBITDA increases
- Payback of leasing expense will be presented within Cashflow from financial activities, i.e. Free Cash Flow increases

US GAAP ASC 842
- All leasing contracts are on balance (asset and corresponding liability)
- Rights of use can be still distinguished between operating and finance leases
- No treatment change in terms of profit and loss, amortization of right of use asset and interest will be treated as Opex, i.e. EBITDA remains unchanged
- No treatment change in terms of Cash Flow; Leasing expense will be presented within Cash Flow from operating activities, i.e. Free Cash Flow remains unchanged

To ensure comparability of the new “After Leases” KPIs with EBITDA and Free Cash Flow of T-Mobile US according to US GAAP expenses and payments for former finance leases of TM US will not be deducted from Group EBITDA AL and Free Cash Flow AL
We expect no significant deviation from previously disclosed figures.

<table>
<thead>
<tr>
<th></th>
<th>Guidance 2018</th>
<th>Estimated 2018 “AL” Figure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj. Group EBITDA</td>
<td>around 23.6 bn €</td>
<td>around 23.3 bn €</td>
</tr>
<tr>
<td>Adj. EBITDA excl. TM US</td>
<td>around 13.2 bn €</td>
<td>around 12.9 bn €</td>
</tr>
<tr>
<td>Adj. EBITDA TM US</td>
<td>around 11.7 bn US$</td>
<td>around 11.7 bn US$</td>
</tr>
<tr>
<td>Group FCF</td>
<td>around 6.3 bn €</td>
<td>around 6.1 bn €</td>
</tr>
</tbody>
</table>

All figures based on current guidance and guidance f/x rate! Mind that the assessment of the accounting changes impact is still of preliminary nature and may be subject to change!
IFRS 16: 2018 AFTER LEASES PRO FORMA DETAILS

Also on segment level no significant deviation to previously communicated figures expected

<table>
<thead>
<tr>
<th>guidance 2018</th>
<th>Estimated 2018 “AL” Figure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj. EBITDA Germany</td>
<td>8.6 bn €</td>
</tr>
<tr>
<td>Adj. EBITDA Europe</td>
<td>3.8 bn €</td>
</tr>
<tr>
<td>Adj. EBITDA Group Development</td>
<td>0.9 bn €</td>
</tr>
<tr>
<td>Adj. EBITDA T-Systems</td>
<td>0.4 bn €</td>
</tr>
</tbody>
</table>

All figures based on current guidance and guidance f/x rate! Mind that the assessment of the accounting changes impact is still of preliminary nature and may be subject to change!
We will communicate net debt and the net debt/adj. EBITDA ratio based on the IFRS 16 results
- Consequently we will also adjust our net debt/EBITDA ratio corridor to match the changes implied by the new accounting standard
- As additional information we will also communicate a net debt figure without leases to ensure comparability

Please keep in mind that in 2019 we will fully consolidate Tele2 in the Netherlands and UPC in Austria. UPC was in 2018 only included for 5 months. Tele 2 transaction closed on 2nd of January 2019
THANK YOU!