

DEUTSCHE TELEKOM

Q3/2018 RESULTS

Not to be released until November 8, 2018
Start statement Timotheus Höttges



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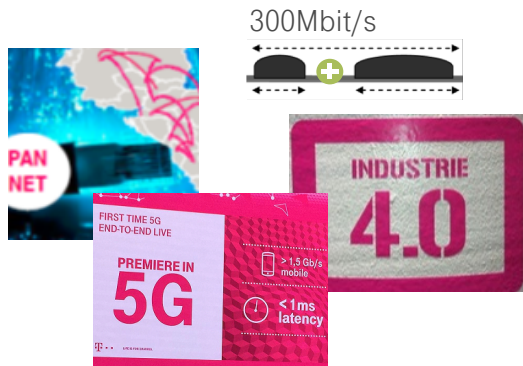
In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt, and net debt. These alternative 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

9M/2018 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



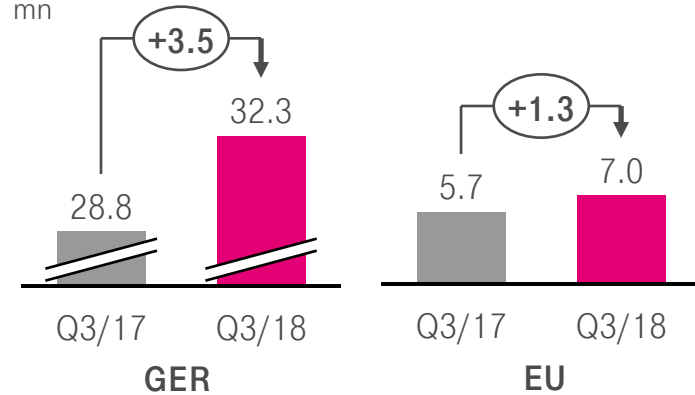
1) Revenue and adj. EBITDA growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation. FCF and adj. EPS calculated on reported results.

9M/2018 INVESTMENTS: DRIVING NETWORK LEADERSHIP

Fiber rollout¹

Fiber households

mn

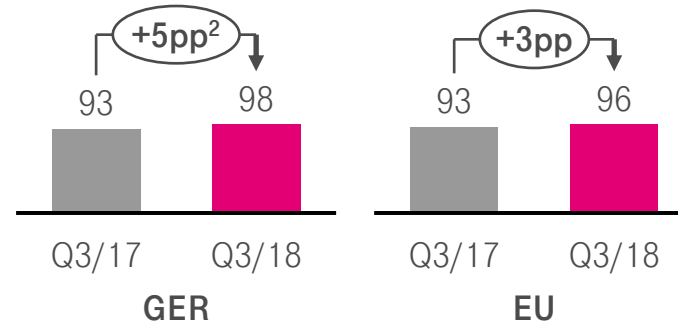


- Additional 4.8 mn HHs added to coverage
- Germany: super-vectoring successfully launched for 8 mn HHs

LTE rollout

LTE outdoor pop coverage

%

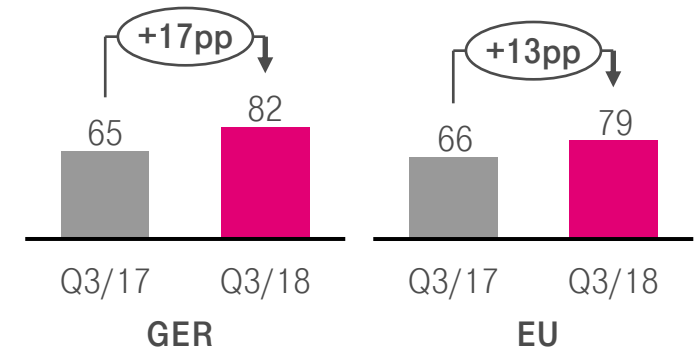


- On track for site expansion
- 5G plan for Germany communicated
- Network leadership maintained across footprint

IP migration

IP share of fixed network access lines

%

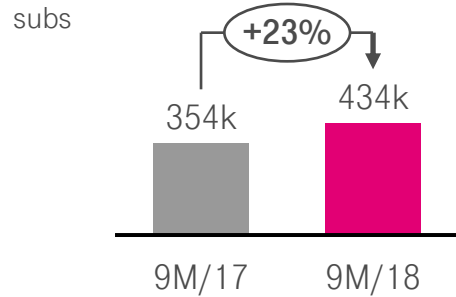


- GER on track for targets: B2C YE/19, B2B YE/20
- Impact on line losses and top line as expected

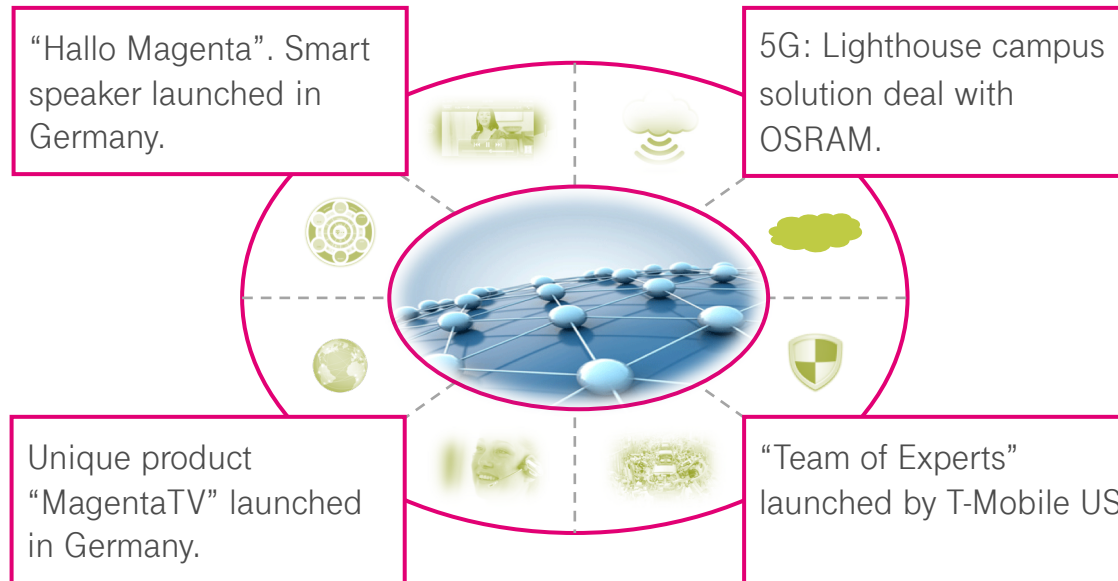
1) EU: ≥ 100Mbit/s coverage: FTTH, FTTB, FTTC (with vectoring), cable/ED3. Broadband also incl. wholesale customers. As of Q2/2018, adjusted HH baseline to include the census update, B2B premises & CZ. 2017 restated.
 GER: in % of HHs within fixed network coverage in Germany 2) LTE outdoor coverage in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

9M/2018 INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

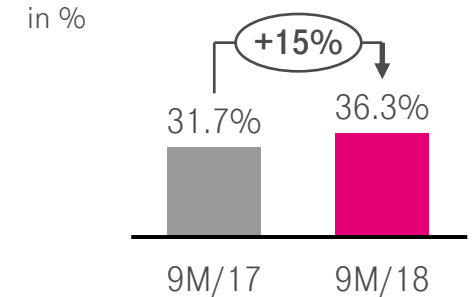
Hybrid access¹



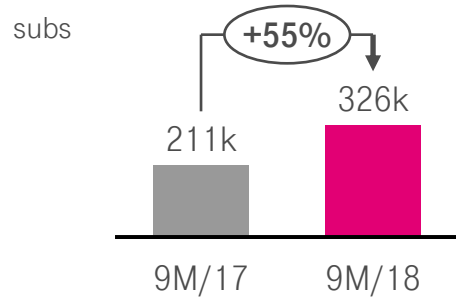
Innovation/network



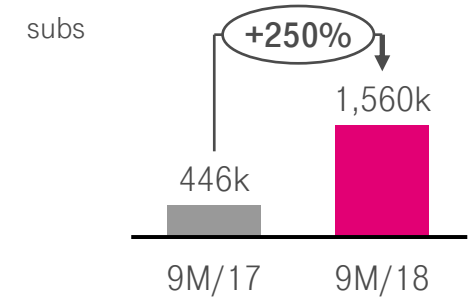
E-service share of interactions



Smart Home²



StreamOn

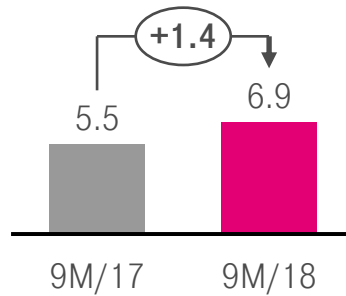


1) +€5 per customer/month 2) +€5 per customer/month

9M/2018 CUSTOMERS: ONGOING STRONG MOMENTUM

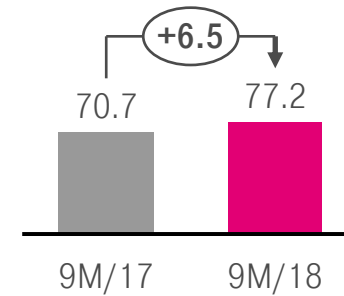
MagentaEINS (Germany + EU)¹

mn



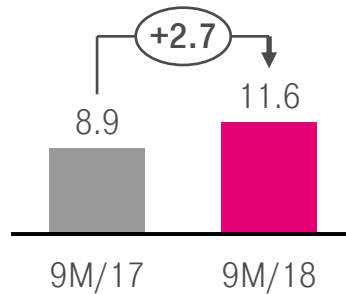
US Mobile

mn



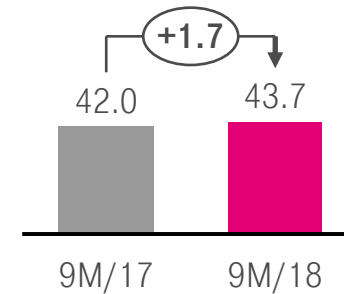
Fiber in Germany

mn



Mobile contract customers GER (own brand) + EU

mn



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



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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%

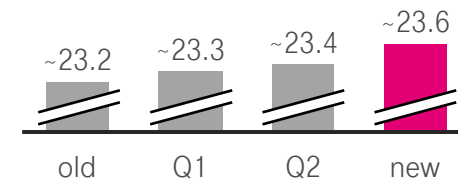
+2.8%¹

Slight increase

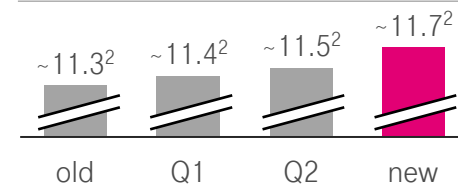
Adj. EBITDA

+2 – 4%

+6.2%¹



~13.2



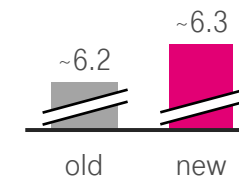
~0.35

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%

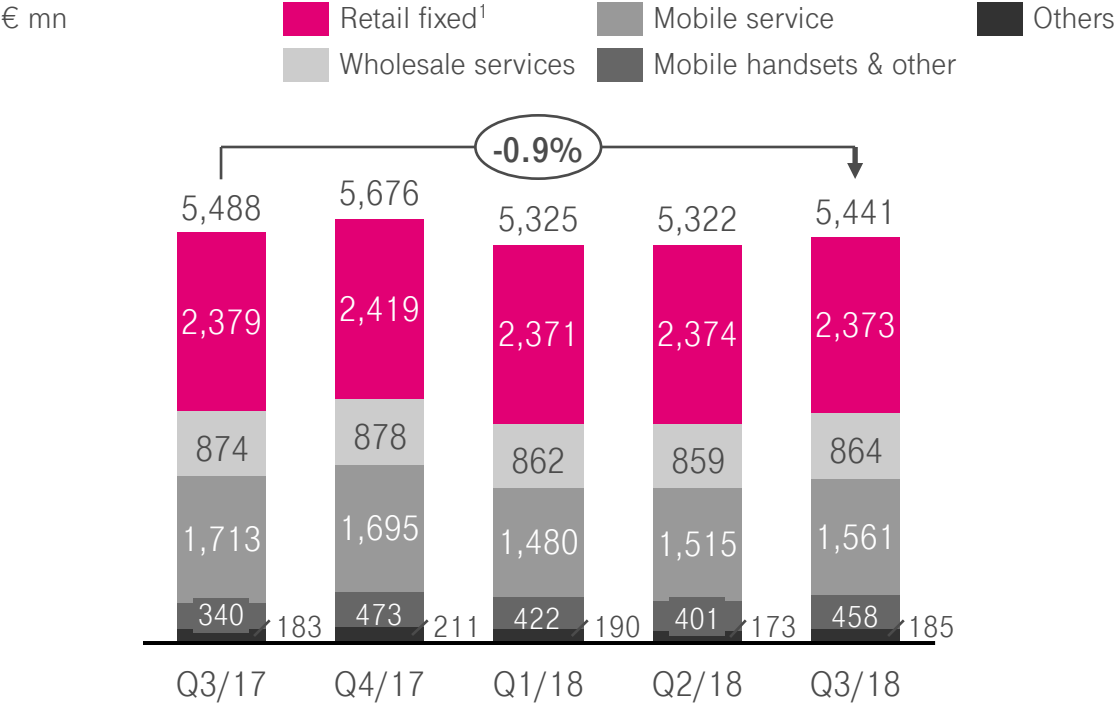
1) Free cash flow before dividend payments and spectrum investment 2) Excl. spectrum: Q3/17: €19 mn; Q3/18: €71 mn. 9M/17: €7,300 mn; 9M/18: €208 mn



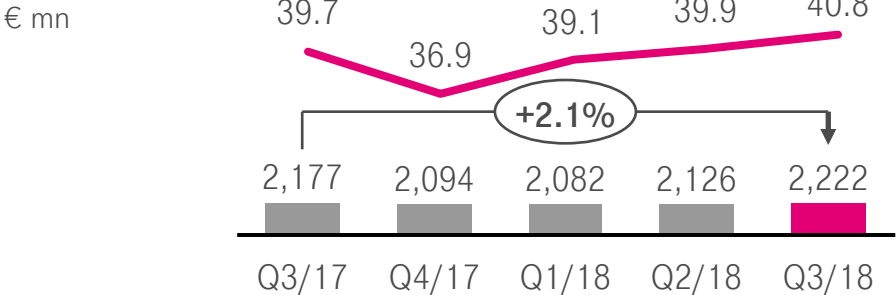
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GERMANY: REVENUE IMPACTED BY IFRS; ADJ. EBITDA ON TRACK

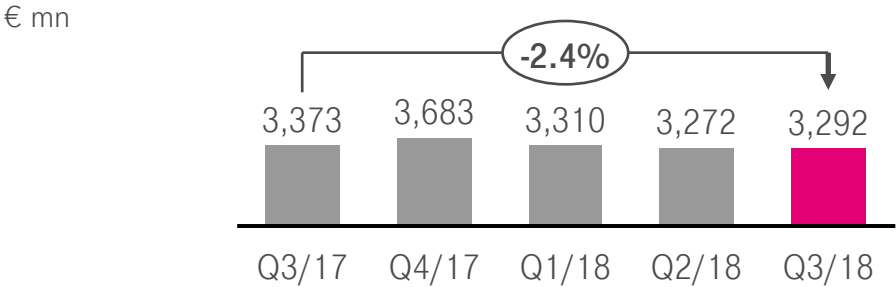
Revenue (as reported)



Adj. EBITDA and margin (in % as reported)



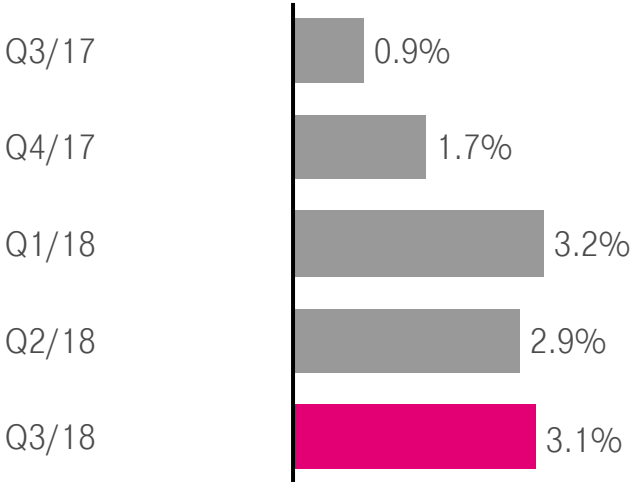
Adj. OPEX (as reported)



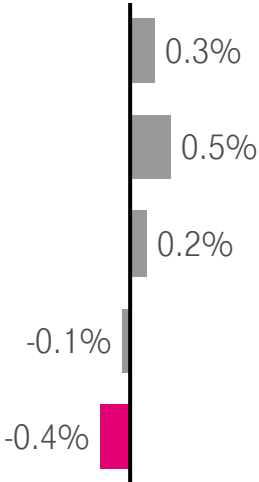
1) Fixed network core business

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

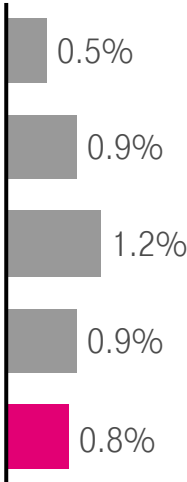
Mobile service revenue



Fixed line service revenue



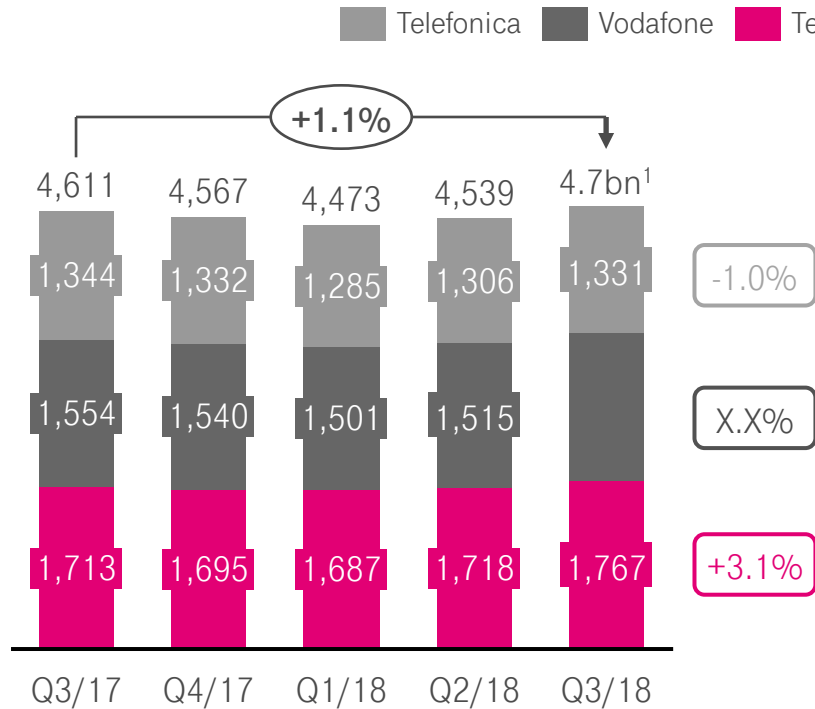
Total service revenue



GERMANY MOBILE: HEALTHY GROWTH CONTINUES

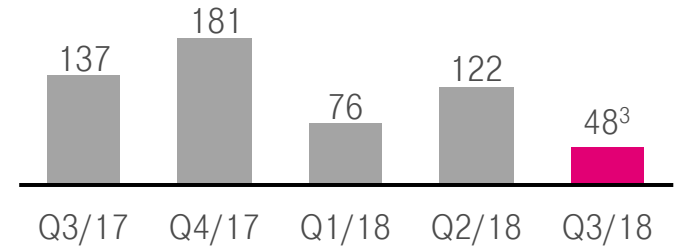
German mobile market service revenue (excl. IFRS 15)

€ mn



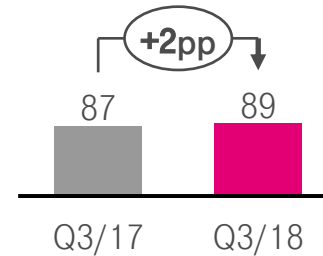
Own branded contract net adds²

000



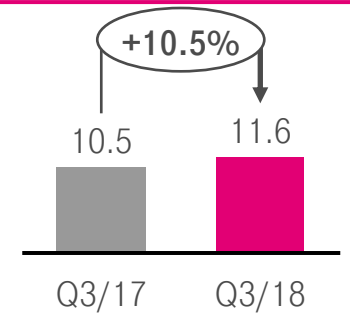
Smartphone penetration⁴

%



LTE customers⁵

mn



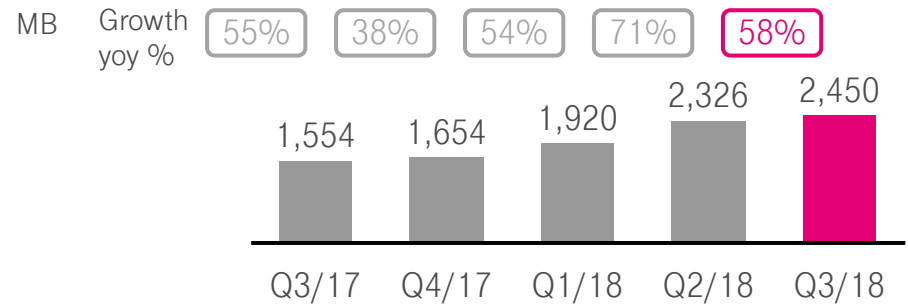
1) Management estimate 2) Figures may not add up due to rounding. 3) Impacted by 58k losses due to bankruptcy of a B2B customer. 4) Of own branded retail customers 5) Own customers using an LTE-device and tariff plan including LTE

GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

Mobile contract customers in MagentaEINS bundles¹



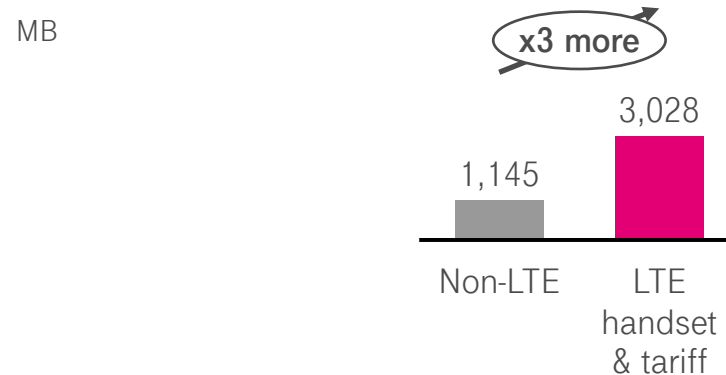
Average consumer data usage³



Households in MagentaEINS bundles²



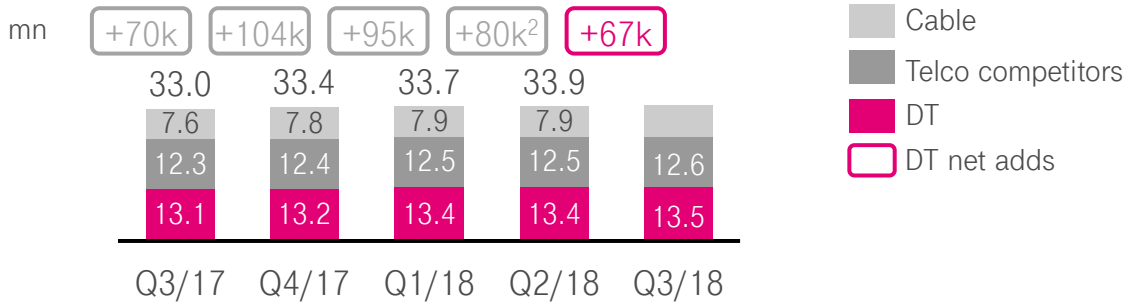
Average data usage uplift³



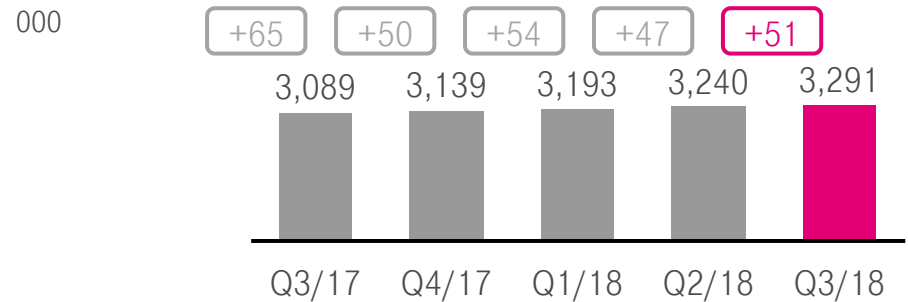
1) As % of B2C T-branded contract customers 2) As % of B2C broadband access lines 3) Per month of B2C T-branded contract customers

GERMANY FIXED: STRONG BROADBAND CUSTOMER GROWTH

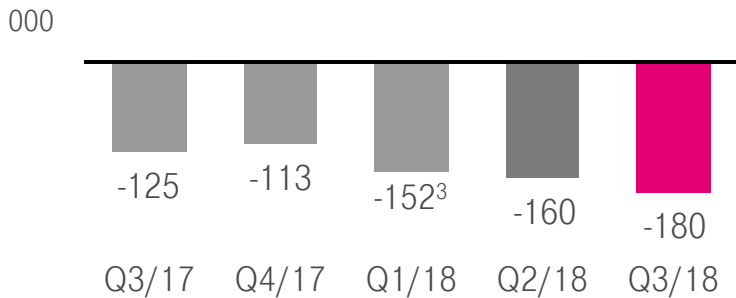
German broadband market¹



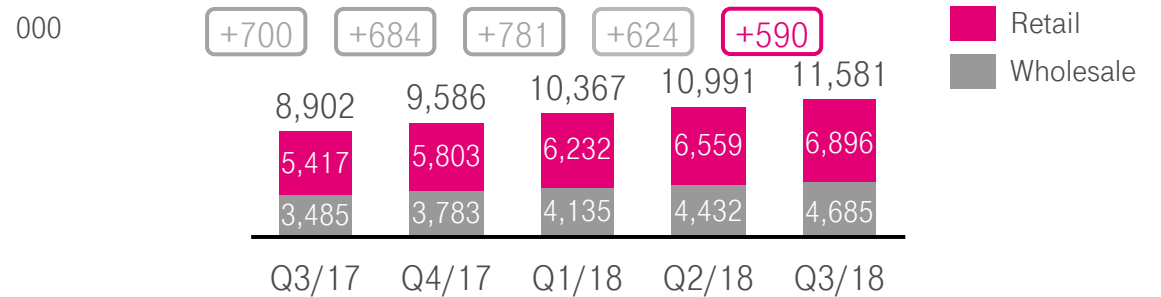
Entertain customers



Line losses



Fiber customers⁴



1) Based on management estimates

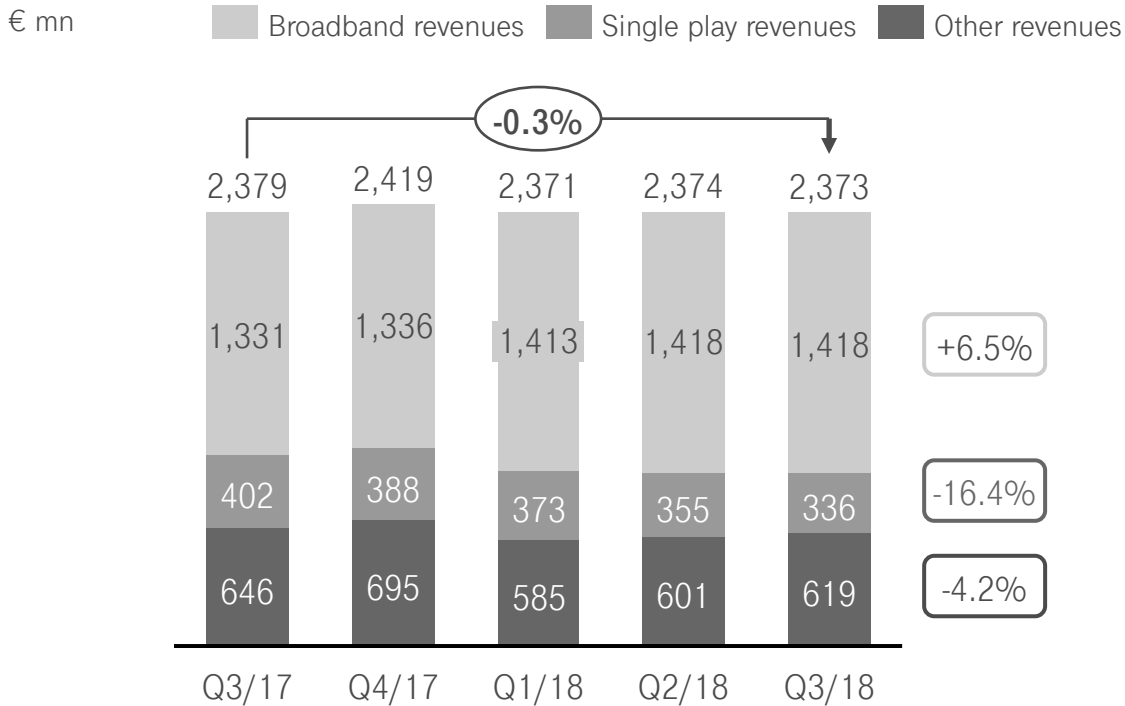
2) Organic view: change in base was +148k.

3) Organic view: change in base was -90k.

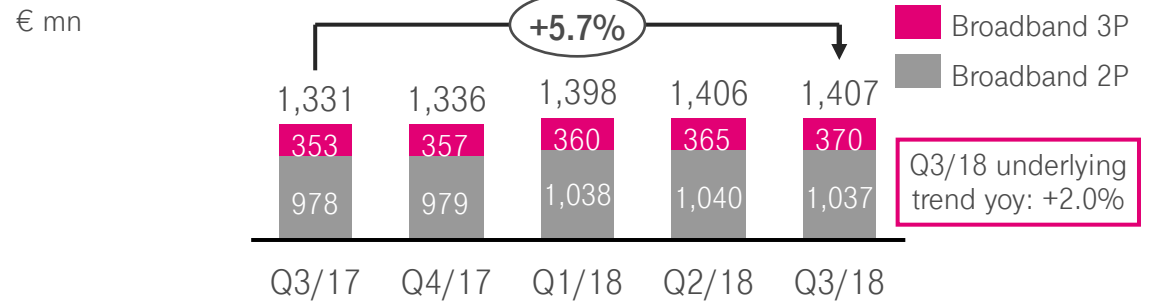
4) Sum of all FTTx accesses (e.g. FTTC/VDSL, vectoring, and FTTH)

GERMANY FIXED: SOLID UNDERLYING TREND IN FIXED

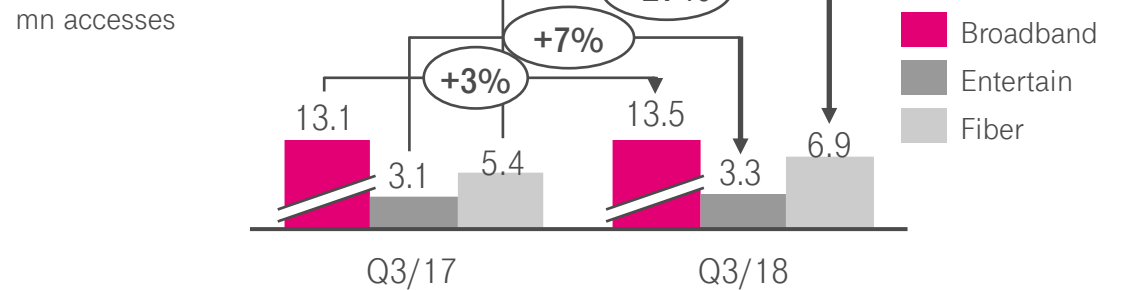
Fixed network revenue retail (as reported)¹



Broadband revenue¹ (excl. IFRS 15)



Retail upsell strategy²

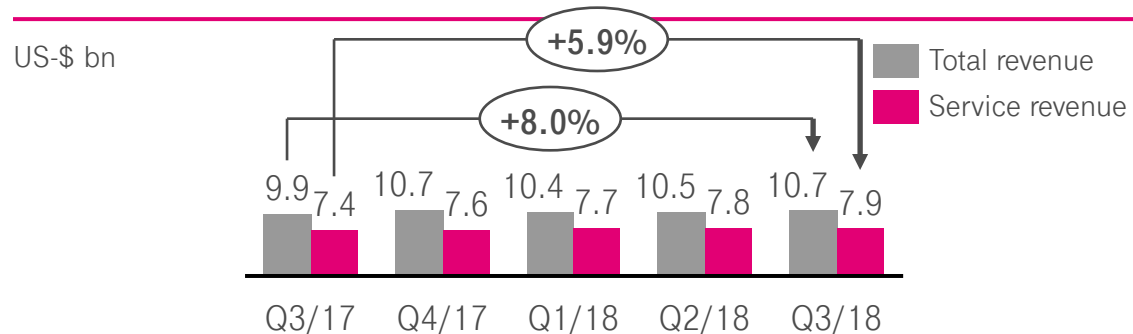


1) Change in definition of broadband and other revenues – historic figures have been adjusted. In addition, Q1 to Q3/18 impacted by a shift between other and broadband revenues, historic figures not adjusted for this effect.

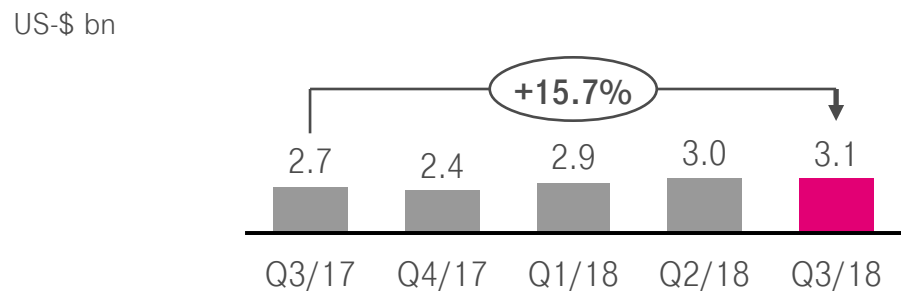
2) Percentages calculated on exact figures.

TMUS: CONTINUED INDUSTRY LEADING GROWTH

Revenue and service revenue



Adj. EBITDA

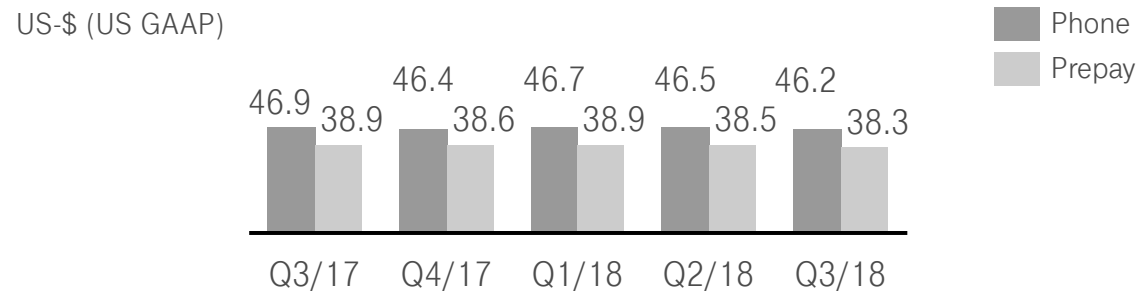


Net adds

000

Category	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18
Total net adds	1,333	1,329	1,854	1,433	1,630
Branded:					
▪ Postpaid	817	1,072	1,005	1,017	1,079
▪ Prepay	226	149	199	91	35
Wholesale ¹					
	286	633	229	471	516

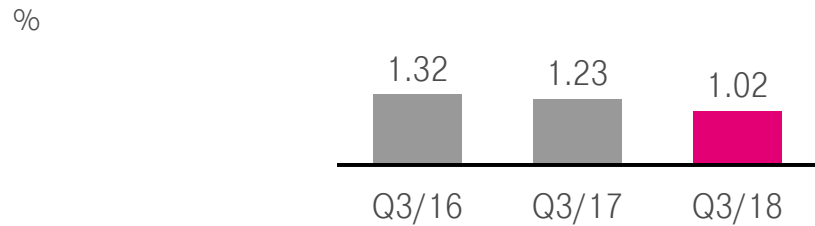
Branded customers: postpaid phone and prepay ARPU



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

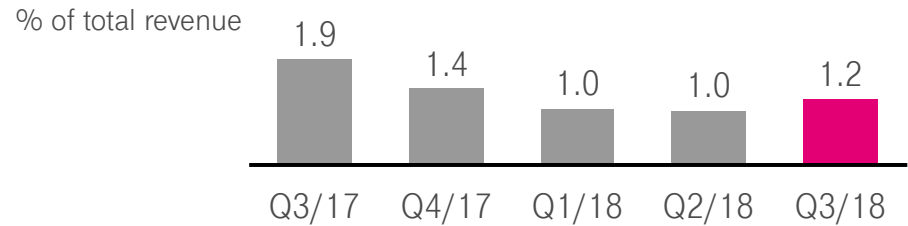
TMUS: EXECUTING ON KEY DRIVERS

Branded postpaid phone churn



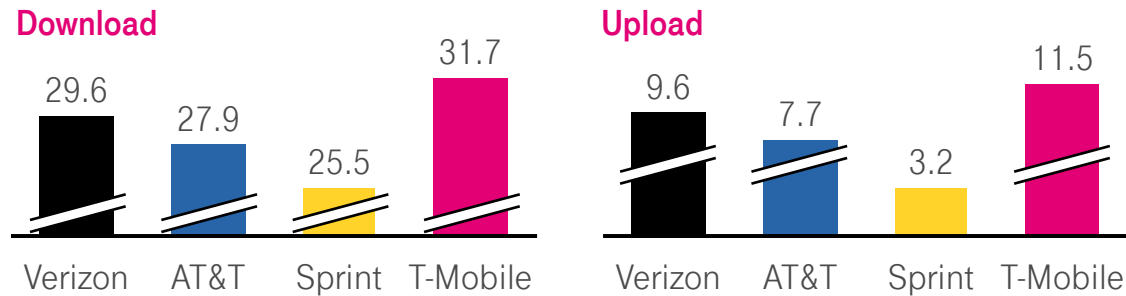
- Branded postpaid phone churn on Q3 record low level

Bad debt expenses & losses from sale of receivables



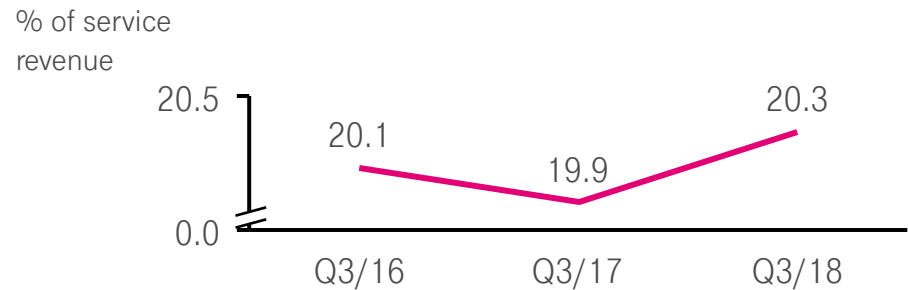
- Decrease yoy reflects ongoing focus on managing customer quality

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



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

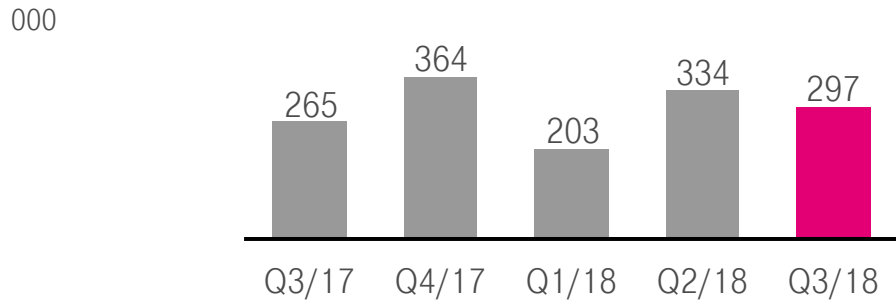
Cost of service



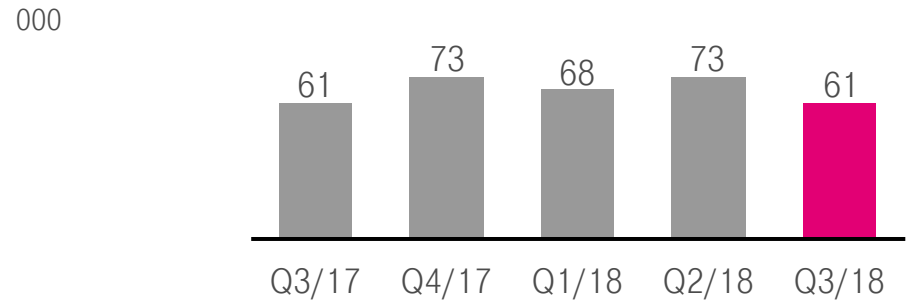
- Cost of services as a percentage of service revenues (excluding the impact of hurricanes) up yoy due to low band build-out

EUROPE: STRONG GROWTH IN CUSTOMER BASE

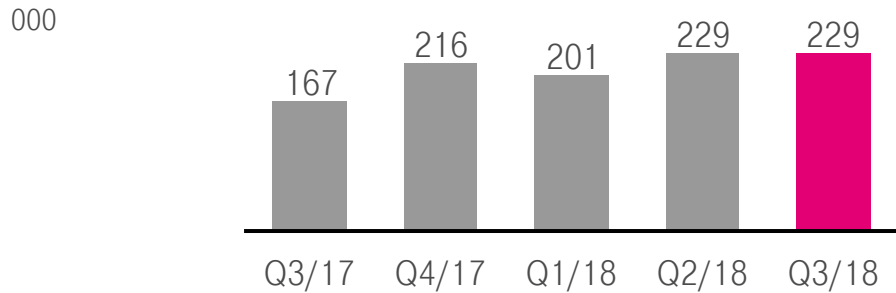
Mobile contract net adds²



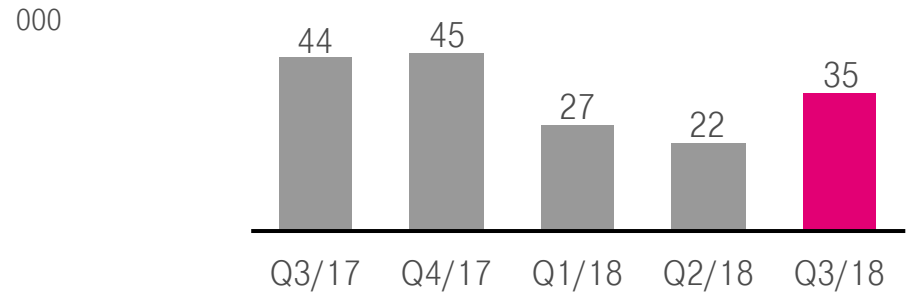
BB net adds^{1, 2}



FMC net adds



TV net adds²

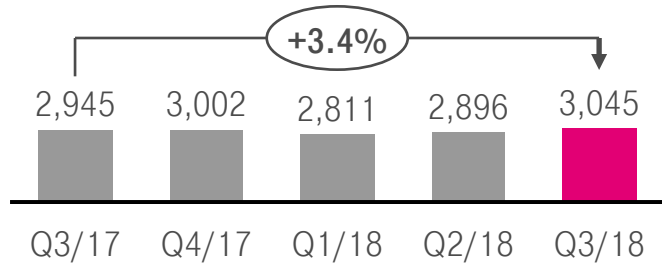


1) Based on subscribers. 2) Adjusted for UPC effect in Austria.

EUROPE: GROWING REVENUE AND EBITDA

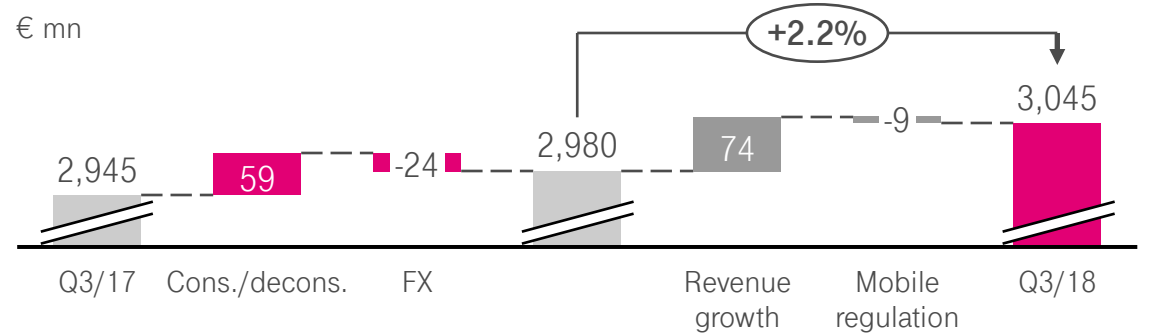
Revenue

€ mn



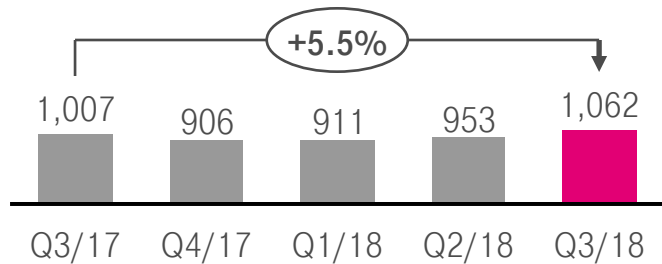
Organic revenue development

€ mn



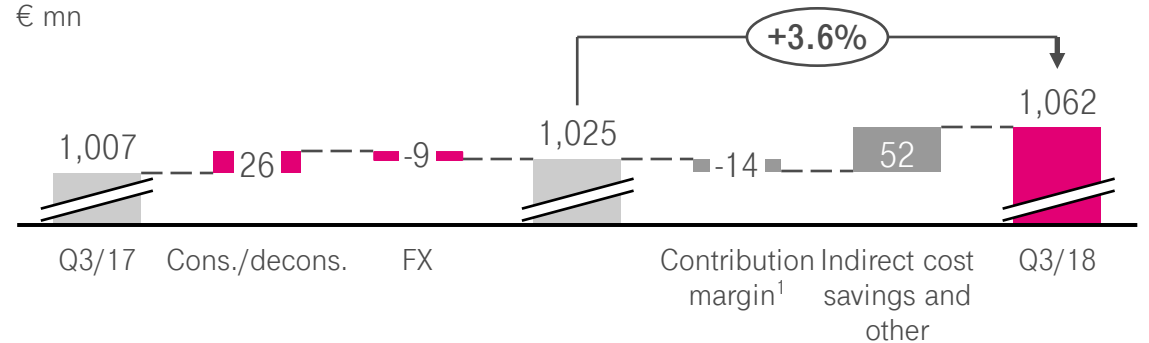
Adj. EBITDA

€ mn



Organic adj. EBITDA development

€ mn



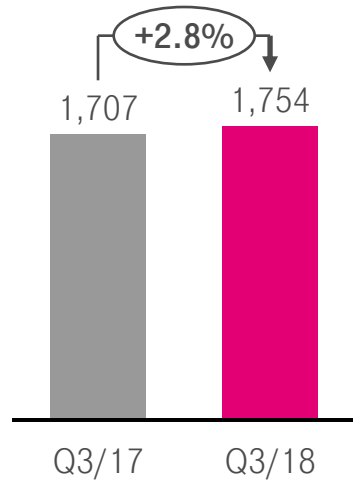
1) Total revenue - direct cost

SYSTEMS SOLUTIONS: ON TRACK FOR FULL YEAR GUIDANCE

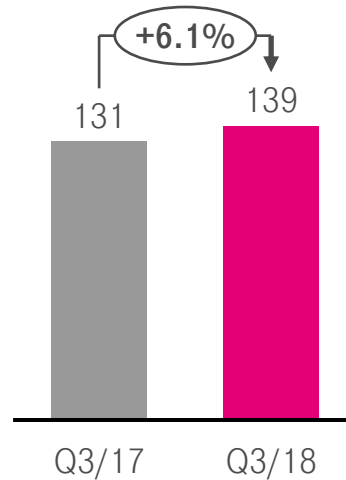
T-Systems financials

€ mn

Total revenue

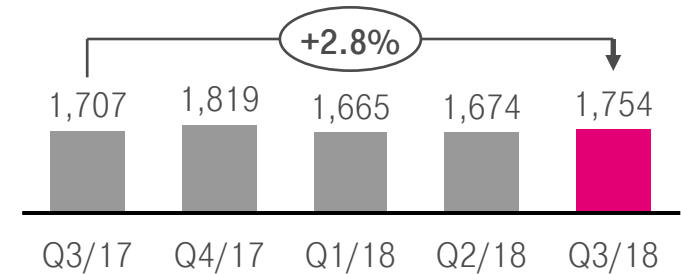


Adj. EBITDA



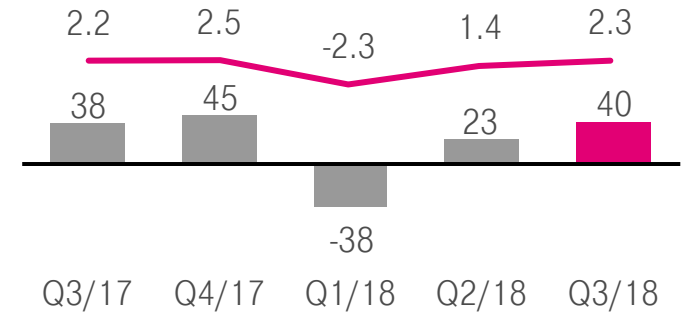
Revenue

€ mn



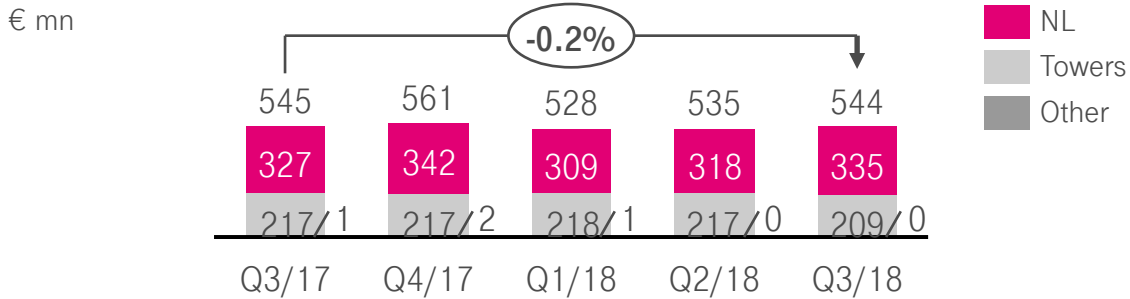
Adj. EBIT and margin in %

€ mn

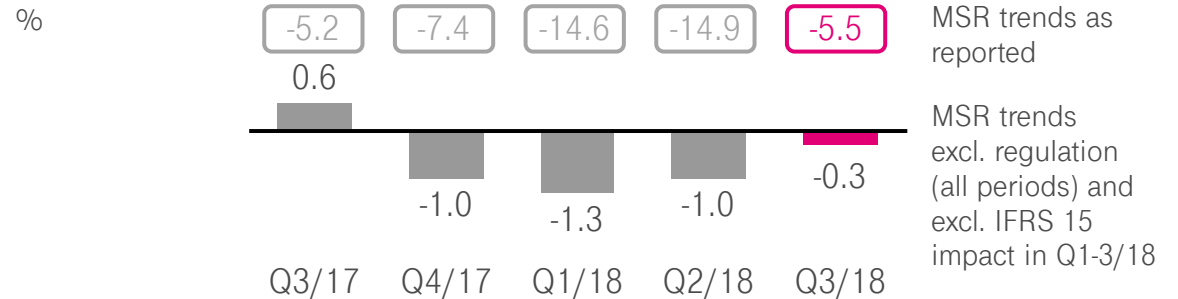


GROUP DEVELOPMENT: STEADY UNDERLYING DELIVERY

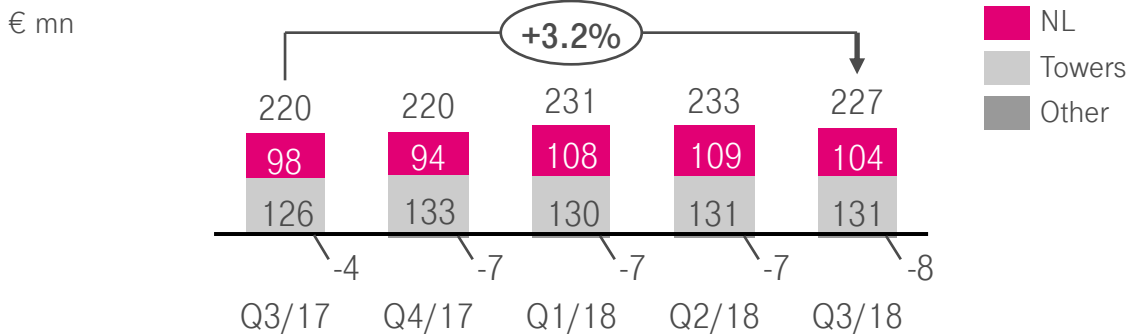
Revenue



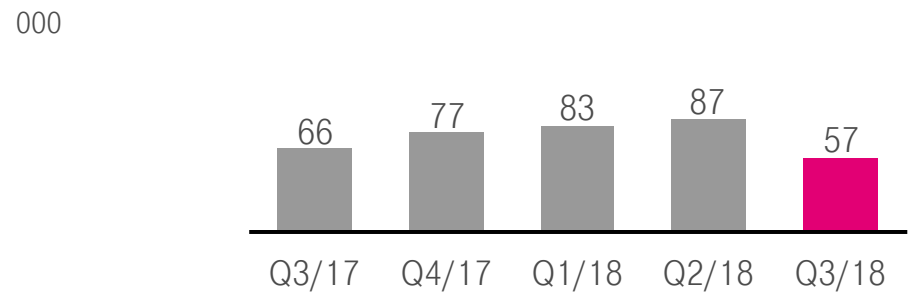
Mobile service revenue trend yoy (NL)



Adj. EBITDA



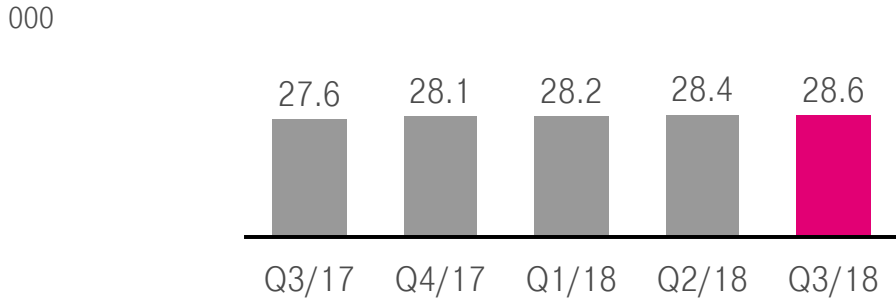
Contract net adds (NL)



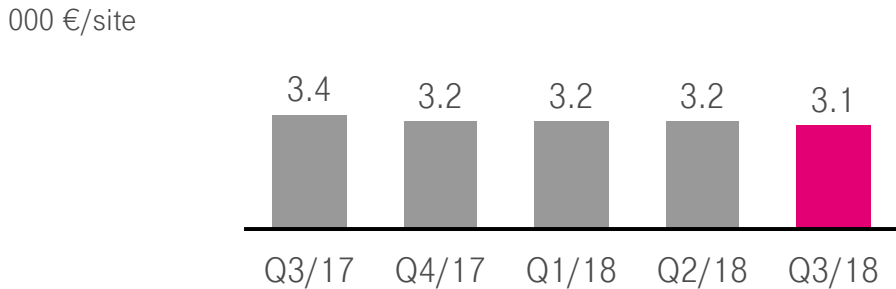
LIFE IS FOR SHARING.

GROUP DEVELOPMENT: TOWER BUSINESS DOING WELL

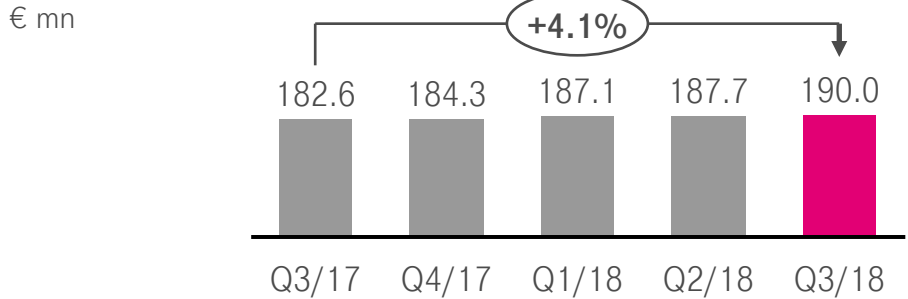
Total site development



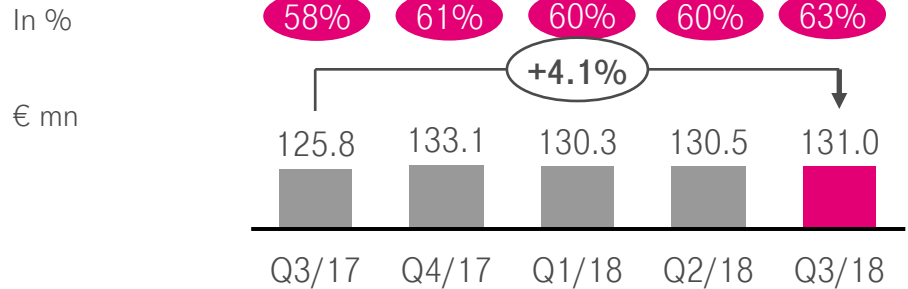
Opex per site (avg. sites)



Recurring rental revenue

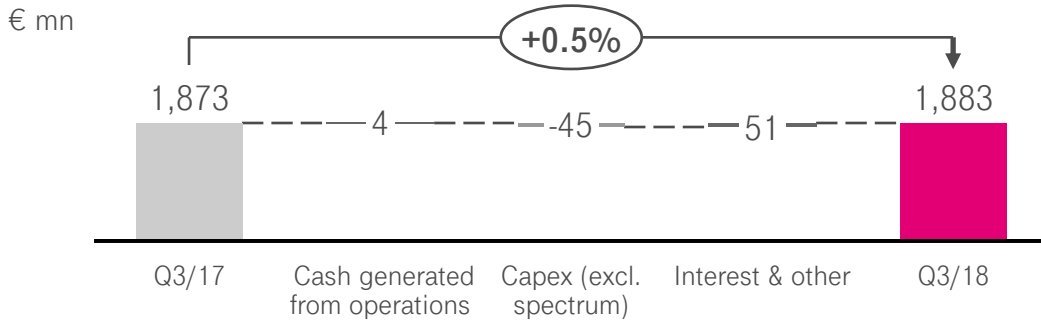


EBITDA & EBITDA margin development

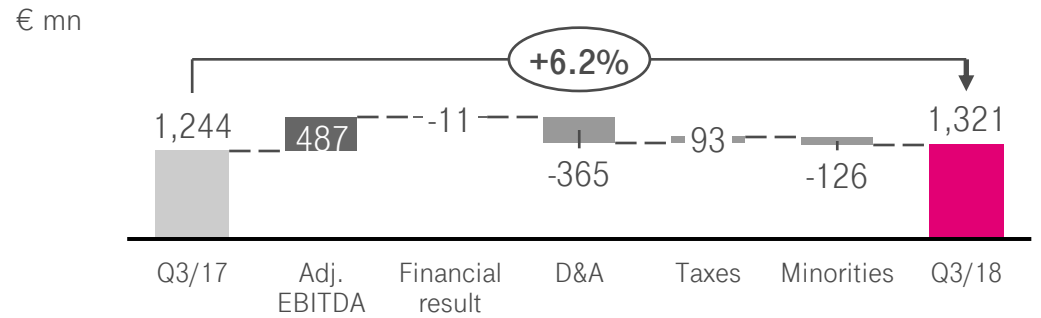


FINANCIALS: FCF, NET DEBT, NET INCOME, AND EPS

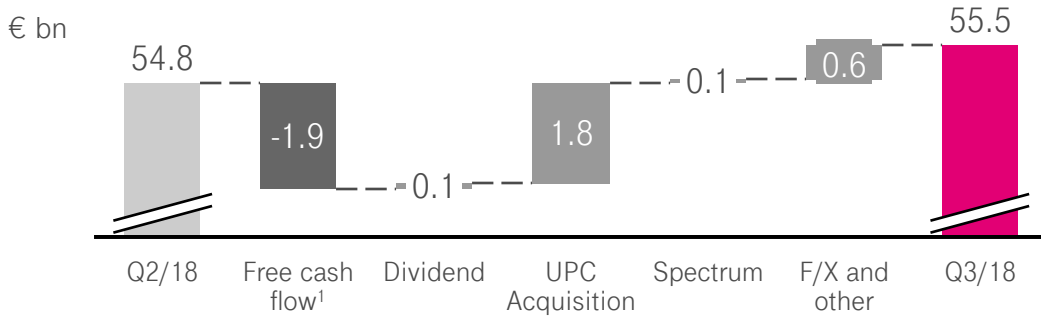
Free cash flow¹



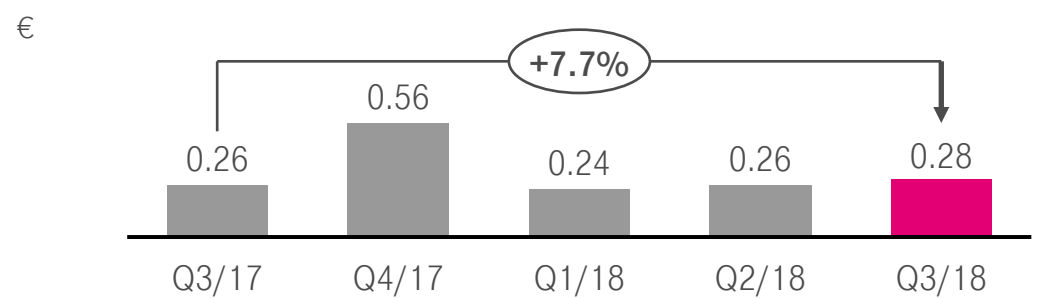
Adj. net income



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 four quarters. 2) Outlook changed end of April 18, following the announced merger of TMUS and Sprint. Previous outlook was "stable".

WHY DT: BEST POSITIONED FOR FUTURE GROWTH



Unique **footprint**
& **asset base**

- ✓ **Transatlantic presence** in world's 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

THANK YOU!