

– Check against delivery –

Conference call
Report on the first half of 2019
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Good morning, Ladies and Gentlemen.

Thank you, Stephan!

I, too, would like to welcome you to our conference call.

I would like to use our call today to speak about the following points at Deutsche Telekom:

1. The financial figures,
2. our operations,
3. the transformation, and
4. the development of our portfolio.

Let us start with the first point – our financial figures:

Deutsche Telekom is developing very well. Net revenue in the first half of the year exceeded the medium-term guidance we communicated at the 2018 Capital Markets Day. And adjusted EBITDA is at the upper end of our guidance range.

We are well positioned to meet our Group targets for 2019 – despite the highly competitive market environment and general economic slowdown.

Deutsche Telekom is in good shape today because the company is growing. In the United States. And also in Europe. This is something that I feel often does not get the public attention it deserves. Yes, our U.S. business is strong.

But we are also growing in Europe. The results of our operations outside of the United States have improved consistently for eight quarters in succession. That is unprecedented in our industry. And the second quarter of 2019 underscores this trend no less impressively.

Over the last five years, we have invested more than 72 billion euros in total. Excluding expenses for mobile spectrum, this figure comes to over 55 billion euros.

The Group is on a clear growth course.

Between 2014 and 2018, the Group posted organic growth every year:

- in net revenue of 3 percent a year on average,
- in adjusted EBITDA of around 6 percent a year, and
- in free cash flow of around 11 percent a year.

We continued this positive trend in the first half of 2019:

- Reported revenue in the first six months went up 7.9 percent. Adjusted for currency translation effects and the changes in our portfolio, revenue grew organically by 3.2 percent. This puts us above our medium-term guidance from the Capital Markets Day of 1 to 2 percent.
- Adjusted EBITDA AL increased by 7.7 percent. Organically, the growth was 3.7 percent.
- Just to remind you: Our medium-term goal is to increase adjusted EBITDA AL by between 2 and 4 percent on average per year from 2017 through 2021.
So, we are at the upper end of our guidance range.
- Earnings at all our operating segments improved across the board.
- As a result, free cash flow AL also rose further – organically, by 9 percent in the first six months.
- This was despite a significantly higher level of capital expenditure. Cash capex – excluding expenses for mobile spectrum – rose by 15 percent to 7 billion euros.
- We continued to build out and upgrade our networks. In the United States and in Europe alike.
- All in all, net profit increased by 24 percent to 1.8 billion euros. This is partly due to the non-recurrence of a negative special factor recorded in the second quarter of 2018 – I am talking here about the Toll Collect dispute settlement.
- And partly, it is a result of the 3.5 percent increase in adjusted net profit to 2.5 billion euros on the back of higher earnings from

operations. Adjusted earnings per share rose by roughly the same rate to 53 eurocents.

We are pleased to be able to clearly confirm our targets for the full year. Adjusted EBITDA AL is expected to increase to around 23.9 billion euros. In terms of free cash flow AL, we plan to increase this figure to around 6.7 billion euros.

The capital market has also responded positively to our growth course and the reliability with which we have delivered on our promises in the past few quarters. The total shareholder return on the T-Share has outperformed that of our major European competitors and even the DAX over the course of the year.

Ladies and Gentlemen,

I will now turn to my second point: business operations, customer trends, network coverage, and the network build-out.

We once again posted strong growth in our customer base worldwide in the second quarter of 2019.

A few examples:

- Our mobile companies in continental Europe now serve 49.5 million contract customers. This figure has grown by 3.1 million since mid-2018.
- Our MagentaEINS products are used by 8.6 million customers in Germany and in our European subsidiaries. That is 2 million more than at the mid-point of 2018, up 30 percent.

- Compared with the prior-year quarter, the number of fiber optic-based lines in operation in Germany increased by 22 percent to 13.4 million.
- The picture in the United States is equally encouraging: T-Mobile US has won more than one million new customers there every single quarter since mid-2013. 7.5 million net customer additions were recorded in the last twelve months.

This success is driven by our network coverage, which we continue to expand worldwide:

- In our European subsidiaries, we increased the number of households connected to our fiber-optic-based network by 20 percent year-on-year, bringing the total to 8.2 million.
- The LTE networks of our European subsidiaries now cover more than 97 percent of the population.
- In the United States, T-Mobile's 4G LTE network now reaches 99 percent of the U.S. population.
- In parallel, T-Mobile US is speeding up the deployment of 600 MHz LTE using technology that will carry 5G after its launch. The network already covers some 6,600 cities and towns in 46 U.S. states and in Puerto Rico with 600 MHz spectrum. The network thus extends over an area of more than 1.2 million square miles – almost a third of the entire country and home to 156 million people. The plan is still to have the first nationwide 5G network in place in the coming year.
- In Germany, our fiber-optic network now reaches more than 34 million households. That is an increase of around 2.6 million year-on-year. We also began deploying super vectoring one year ago.

- Just twelve months on, 22 million households and business locations can access transmission speeds of up to 250 Mbit/s. Our plan is to reach 28 million households by the year-end.
- In the second quarter, we began rolling out optical fiber to a further 50 business parks. This brings us up to 245 business parks across Germany covering around 100,000 business sites.
- We have migrated 93 percent of our lines in Germany to IP technology. Year-on-year, this corresponds to an increase of more than 4 million.
- We intend to complete the IP migration for consumers as planned by the end of this year.
- Our German LTE network covers 97.8 percent of the population. This has been helped along by the integration of another around 1,400 cell sites into the network in the past twelve months. We have the widest network coverage in Germany, and plan to increase the current level to 98 percent, as promised, by the year-end. We also have the best network quality in Germany, which has just been confirmed once again by readers of "connect" magazine.

Ladies and Gentlemen,

I would now like to turn to the progress we have made with our transformation.

The competition for business customers and consumers continues to intensify. We not only need to get faster – more importantly, we need to improve our productivity. We will do everything possible to align ourselves with evolving customer wants and needs.

- This is why we plan to integrate T-Systems' telecommunication services into Telekom Deutschland. By consolidating our telecommunications business, we want to bring Deutsche Telekom's network units more closely together and harmonize the core of our business. A standardized structure will bring us closer to customers, reduce the number of interfaces, make us faster and the networks more secure, and cut costs.
- For the same reasons, we are planning to spin off two business areas – security and the Internet of Things – into independent entities within our Systems Solutions segment. The same applies here, too: less distance to the customer, more speed, and greater flexibility.
- And the Telekom Shop company will adapt to the shift in the way customers use our products. It goes without saying that we want to continue offering our customers ways to make personal contact with Deutsche Telekom.
- Yet consumers are increasingly using our online channels to make purchases and use services. So we are looking into customer traffic levels in the individual shops to determine whether we can still operate them at a profit.
- In the past, we have already seen up to 15 to 20 shops a year closed or converted into partner enterprises. But we have also opened new shops in certain areas. We will continue to review the situation and orient ourselves to customer demand.

This brings me to my fourth point. The development of our portfolio and our inorganic growth.

We took over Tele2 in the Netherlands.

We added UPC in Austria. As a result, we can now offer convergent fixed-mobile product bundles in both countries.

OTE parted ways with the mobile-only business in Albania.

Aside from these inorganic steps, I would like to mention our partnership with EWE Tel for building out the fiber-optic network and the deals we signed in Poland on using fiber-optic lines there, in particular from Orange.

Lastly, I would like to touch on the planned business combination of Sprint and T-Mobile US:

- We are a big step closer to finalizing the transaction.
- Both companies have reached an agreement on specific conditions and requirements with the U.S. Department of Justice.
- These conditions include agreements between T-Mobile US and Sprint on the one hand, and between T-Mobile US and the satellite TV operator Dish on the other. In return, the DoJ waives its right to file suit against the transaction.
- This is a major milestone on our way to obtaining final approval for the business combination.

We have been pulling ahead of our competitors over the last few years. That is thanks to our favorable rate plans, the best service, and outstanding network quality for our customers.

Following the combination, we plan to significantly intensify efforts to push our Un-carrier strategy with the clout of the larger, more powerful T-Mobile US. This will benefit customers in the United States. Because we will even more forcefully drive competition – not only with the major national players

AT&T and Verizon, but also with the big cable companies pushing into the telecommunications market. And we will do so with an aggressive strategy.

Speeding up the construction and rollout of a nationwide 5G network will play a key role here. To achieve this, we intend to combine the financial strength of both companies and utilize Sprint's strong mobile spectrum holdings.

This will accelerate the network rollout to a speed that neither T-Mobile US nor Sprint would be capable of achieving alone – and allow us to continue putting our competitors under even greater pressure to the benefit of customers.

Our plans to build a bigger, stronger T-Mobile remain unchanged. This is confirmed by the expected synergies with a net present value of around 43 billion U.S. dollars on the cost and capex side.

We are confident that these clear benefits for customers, and thus competition in the United States, will be the decisive factors we need to see the approval process through to a successful conclusion.

Let me sum up:

We can be very satisfied with Deutsche Telekom's development. We have closed yet another quarter with very good financial results. Looking at our development in organic terms, we are fully on track to meet our full-year targets. Our strong operational growth in the United States and Europe – including our major operations in Germany – is sustainable.

In parallel, we are pushing ahead with our internal transformation to make us more customer-oriented, roll out major digitalization initiatives, and implement necessary cost improvements. And we are making good progress in this regard.

The realignment of TSI is another major step in our transformation. And we did all this without neglecting to develop our portfolio. Quite the opposite, in fact. In the United States we took a big step closer towards being able to compete with the major providers on an equal standing.

With that, I will now hand you over to Christian Illek.