DEUTSCHE TELEKOM

Q2/2019 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 H1/2019

H1/2019 HIGHLIGHTS: EXECUTING ON GROWTH

Growth: investments and innovations

- Cash capex at €7.0 bn (ex. spectrum). Ex. US almost stable at €3.9 bn
- Fiber roll-out: 4.0 mn new homes in GER and EU with access to Fiber LTM
- IP-Migration continues in GER (93%) and EU (89%), +5.8 mn households LTM

300Mbit/s

Growth: customers

- 13.4 mn German fiber homes (+22% yoy)
- 2.0 mn converged net adds LTM EU+GER
- 1.8 mn mobile contract net adds LTM EU+GER+NL
- 7.4 mn net adds LTM in the US

Growth: financials

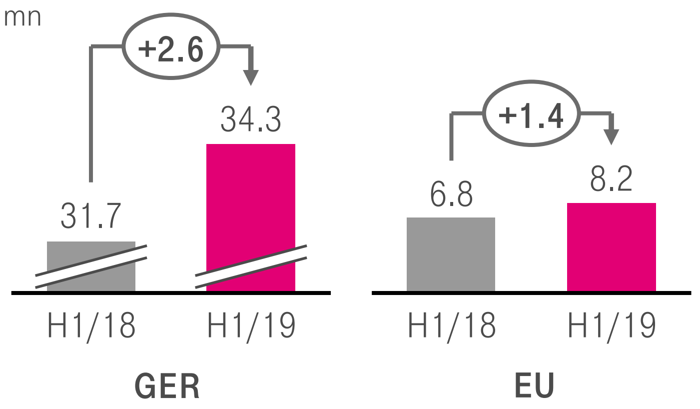
- Strong organic[1] growth continues
  - Revenue up 3.2% yoy
  - Adj. EBITDA AL up 3.7% yoy
  - Adj. EBITDA AL ex. US up 1.8% yoy
  - FCF AL up 9.0% yoy
  - Adj. EPS at €0.53 up 3.9% yoy
- IFRS 16 net debt/Adj. EBITDA at 2.74x

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

H1/2019 INVESTMENTS: DRIVING NETWORK LEADERSHIP

Fiber

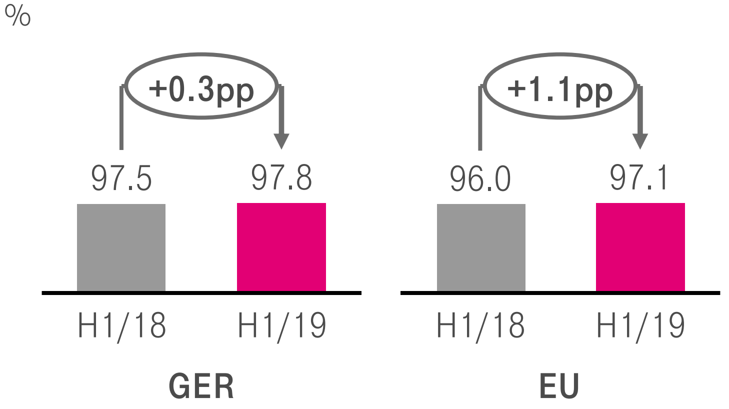
Fiber households[1]



- Additional 4.0 mn HHs added to coverage
- Germany: super-vectoring (up to 250 Mbit/s) launched for 22 mn HHs and business locations

Mobile broadband

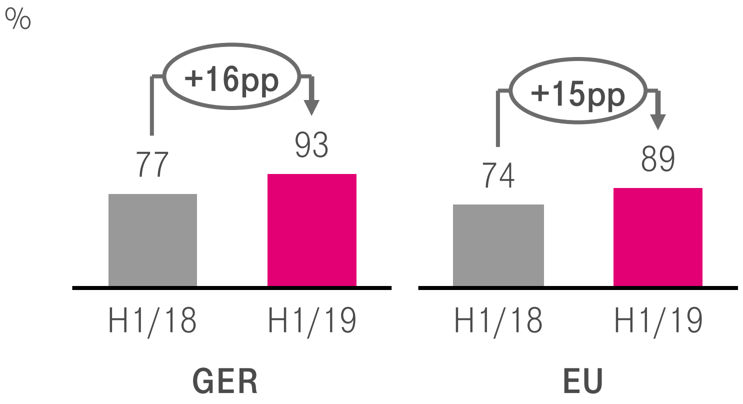
LTE outdoor pop coverage



- 1,400 additional physical sites deployed in Germany
- 5G auction in Germany completed
- Network leadership maintained across footprint

All IP

IP share of fixed network access lines



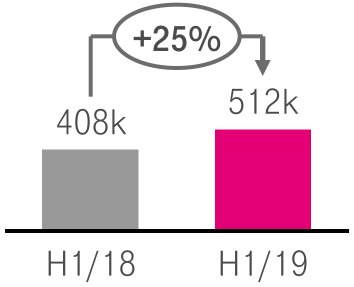
- GER on track for completion: B2C YE/19, B2B YE/20
- Cost savings expected to kick in after completion

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.

H1/2019 INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

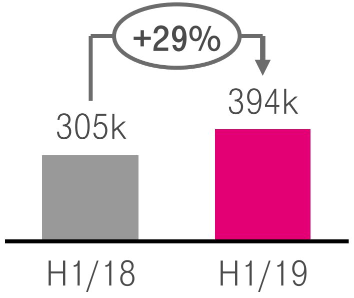
Hybrid access

subs

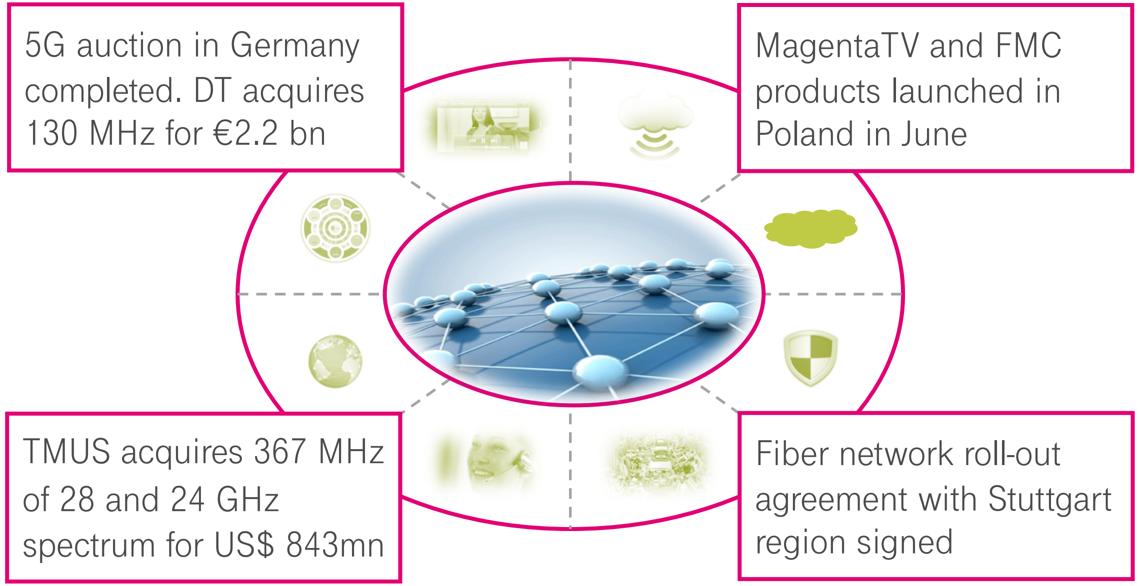


Smart Home

subs



Innovation/network

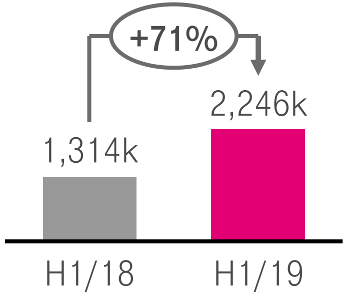


One APP penetration (EU)[1]

%

StreamOn

subs



1) Incl. sub brands.

H1/2019 CUSTOMERS: STRONG GROWTH CONTINUES

MagentaEINS (GER + EU)[1]

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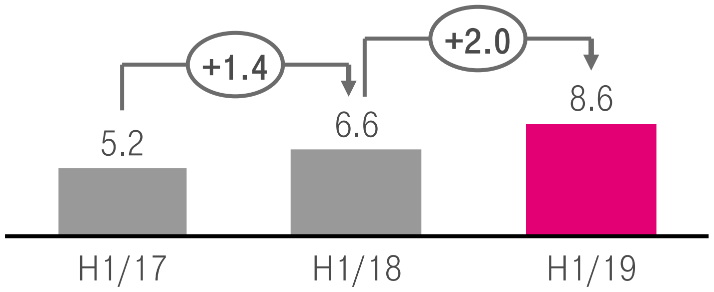

US Mobile

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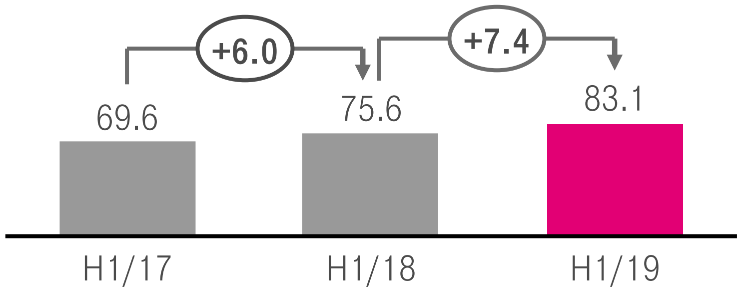

Fiber in GER

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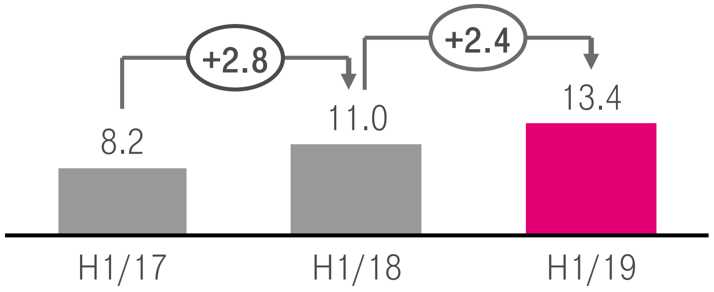

Mobile contract customers GER + EU + NL[2]

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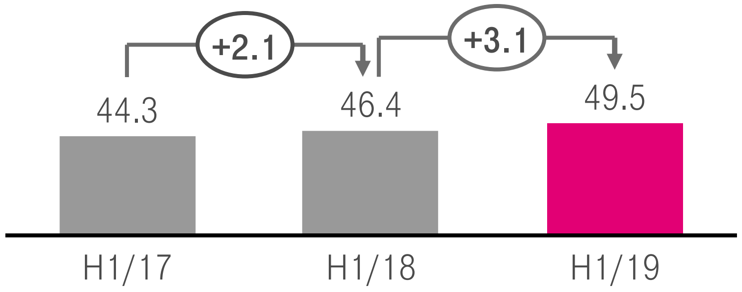


1) FMC RGUs may also appear under other brand name outside of Germany. 2) Figures not adj. for acquisitions. Germany: own branded contract customers excl. multi-brand.

GUIDANCE 2019: CONFIRMED

€ bn	Revenue	Adj. EBITDA AL[2]	FCF AL[2]	Cash capex
2017 – 2021 CAGR (CMD 2018)	+1 – 2%	+2 – 4%	≈+10%	Stable ex. US
2019 Guidance ($/€: 1.18)	**Slight increase**	**Around 23.9**	**Around 6.7**	**Around 12.7**
H1/19 Result (organic change yoy)	39.2 (+3.2%)	12.2 (+3.7%)	3.1 (+9.0%)	7.0 (+9.9%)
thereof Group excl. US				
2019 Guidance		**Around 13.4**		**Around 7.9**
H1/19 Result (organic change yoy)		6.7 (+1.8%)		3.9 (+2.0%)
thereof TMUS (US$ bn)				
2019 Guidance	**Increase**	**Around 12.4[1]**		**Around 5.7**
H1/19 Result (organic change yoy)	22.1 (+6.0%)	6.3 (+6.1%)		3.5 (+21.8%)

1) Equals new mid-point TMUS guidance ($13.1 bn ($12.95 bn previously) US GAAP) and -$0.7 bn (-$0.6 bn previously) IFRS bridge. 2) AL = after leases.

REVIEW Q2/19

FINANCIALS: STRONG REVENUE, EBITDA AL, FCF, AND NET INCOME

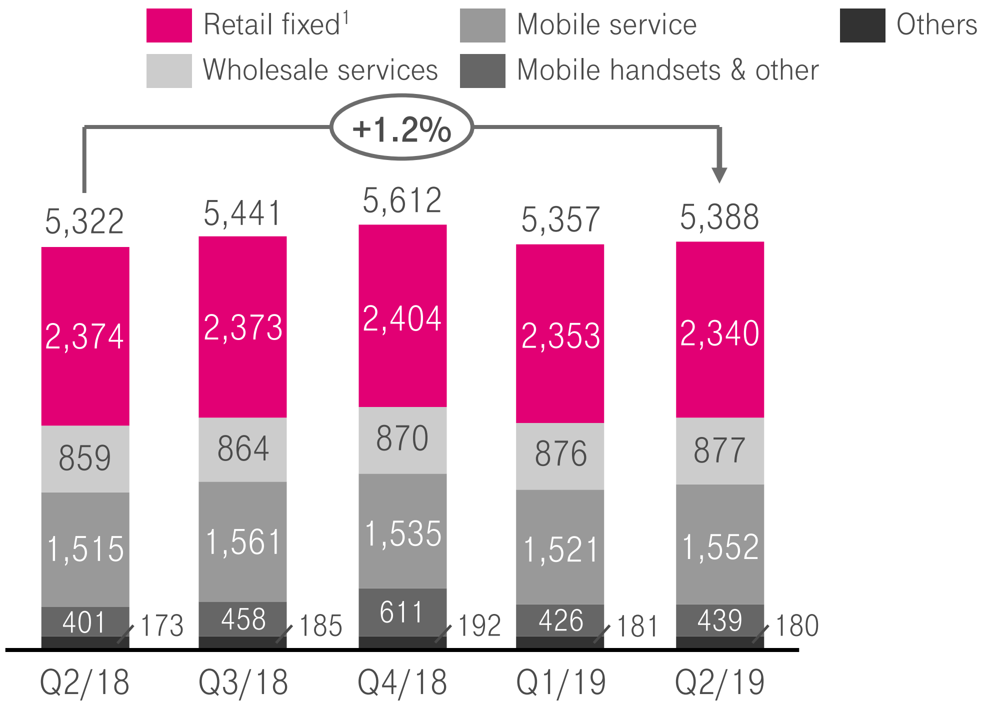
€ mn	Q2 2018	Q2 2019	Q2 Change	HY 2018	HY 2019	HY Change
Revenue	18,367	19,664	+7.1%	36,291	39,152	+7.9%
Adj. EBITDA AL[1]	5,866	6,283	+7.1%	11,353	12,223	+7.7%
Adj. EBITDA AL (excl. US)[1]	3,314	3,411	+2.9%	6,470	6,672	+3.1%
Adj. net profit	1,238	1,329	+7.4%	2,428	2,512	+3.5%
Net profit	495	944	+90.7%	1,487	1,845	+24.1%
Adj. EPS (in €)	0.26	0.28	+7.7%	0.51	0.53	+3.9%
Free cash flow AL[1,3]	1,467	1,546	+5.4%	2,785	3,103	+11.4%
Cash capex[2]	3,021	3,324	+10.0%	6,097	7,006	+14.9%
Net debt[1]	n.a.	75,709	n.a.	n.a.	75,709	n.a.

1) Adj. EBITDA AL and FCF AL historic results not audited. Net debt after IFRS 16, no corresponding figure available for 2018. 2) Excl. spectrum: Q2/18: €73 mn; Q2/19: €875 mn. H1/18: €137 mn; H1/19: €1,020 mn.
3) Free cash flow AL before dividend payments and spectrum investment.

GERMANY: REVENUE AND EBITDA GROWTH

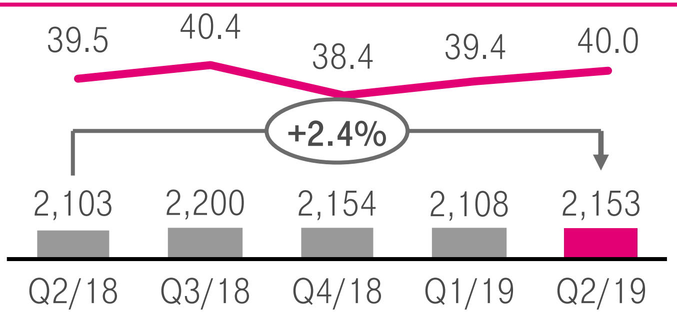
Revenue

€ mn



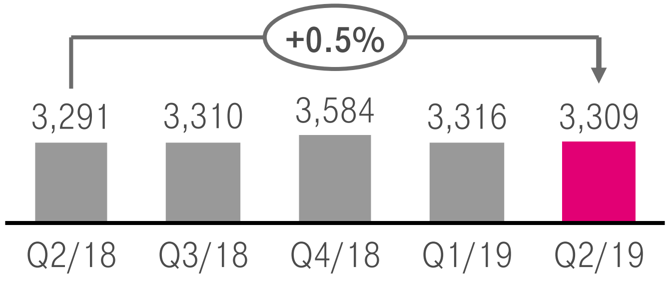
Adj. EBITDA AL and margin (in %)

€ mn



Adj. OPEX AL

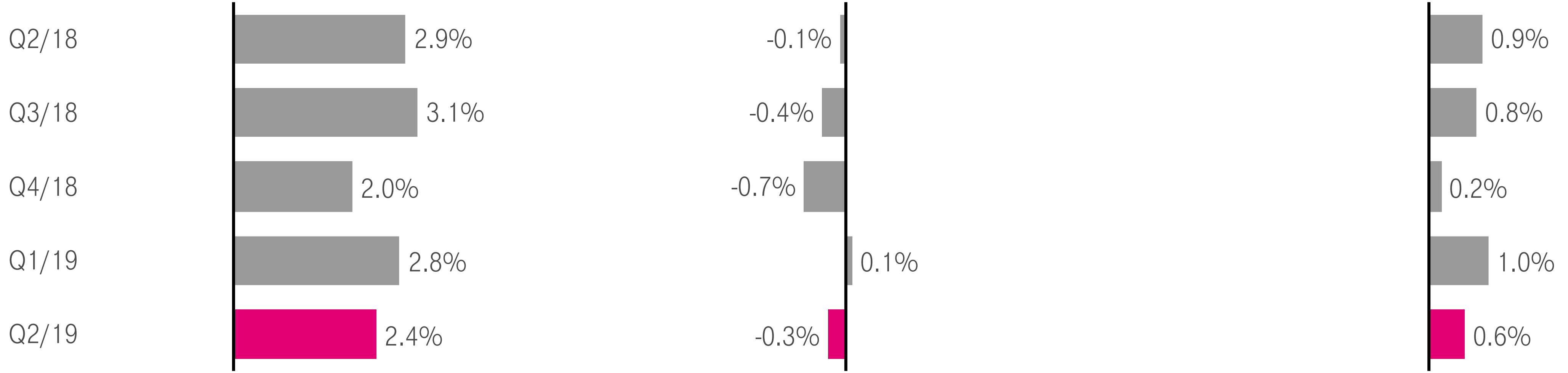
€ mn



1) Fixed network core business.

GERMANY: GROWTH IN SERVICE REVENUES

Mobile service revenue[1] | Fixed line service revenue[1] | Total service revenue[1]

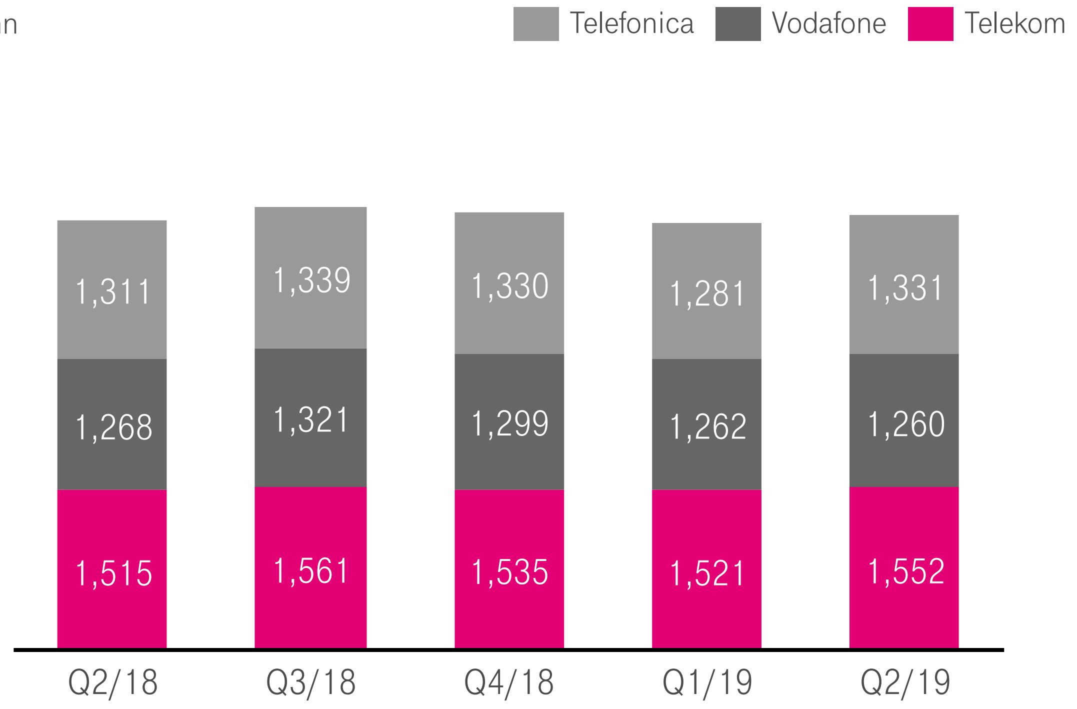


1) 2018 rates calculated excl. IFRS15. From 2019 onwards incl. IFRS 15.

GERMANY MOBILE: HEALTHY GROWTH CONTINUES

German mobile market service revenue[1]

€ mn



Own branded contract net adds[2]

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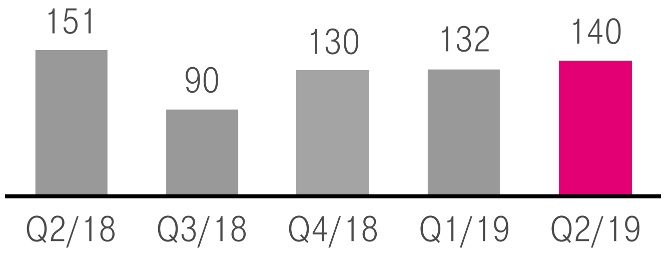
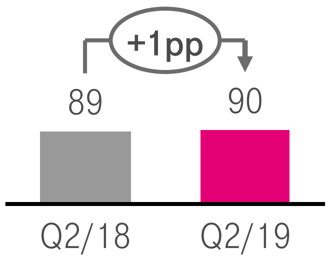


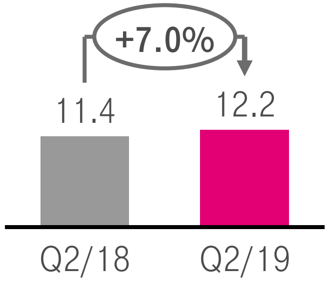
Smartphone penetration[2]

%



LTE customers[3]

mn

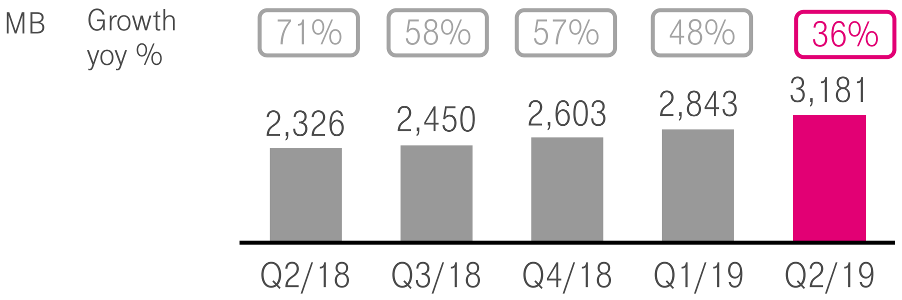


1) On IFRS 15 basis. 2) Of own branded retail customers now excl. multi-brand. 3) Own customers using an LTE-device and tariff plan including LTE.

GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

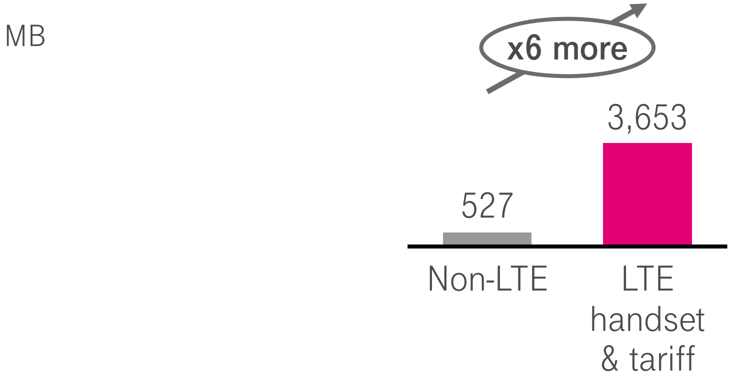
Mobile contract customers in MagentaEINS bundles[1]

Average consumer data usage[3]



Households in MagentaEINS bundles[2]

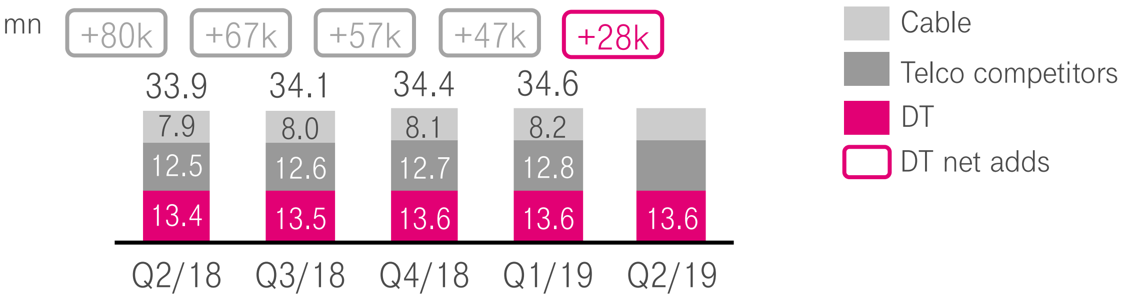
Average data usage uplift[3]



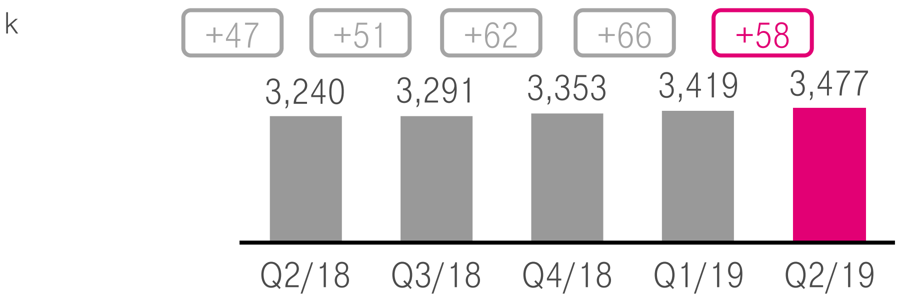
1) As % of B2C T-branded contract customers. 2) As % of B2C broadband access lines. 3) Per month of B2C T-branded contract customers.

GERMANY FIXED: SOLID COMMERCIALS, LINE LOSSES REFLECT IP-MIGRATION

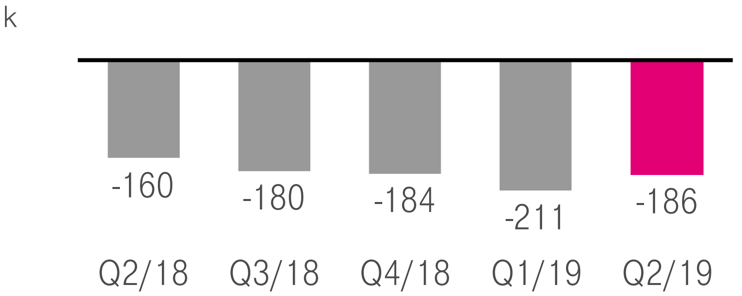
German broadband market[1]



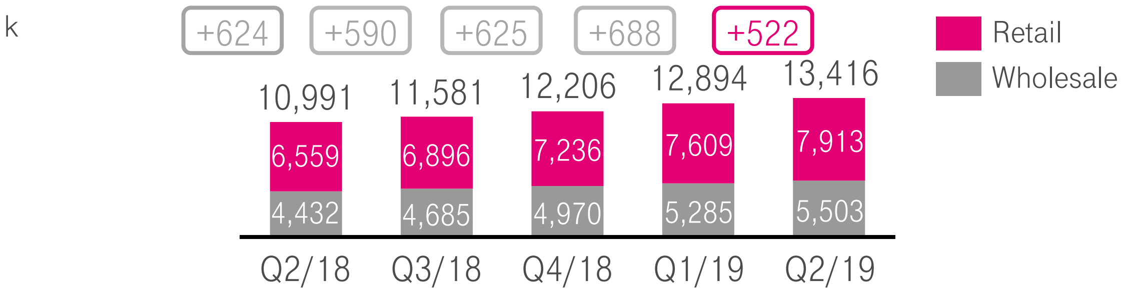
MagentaTV customers



Line losses



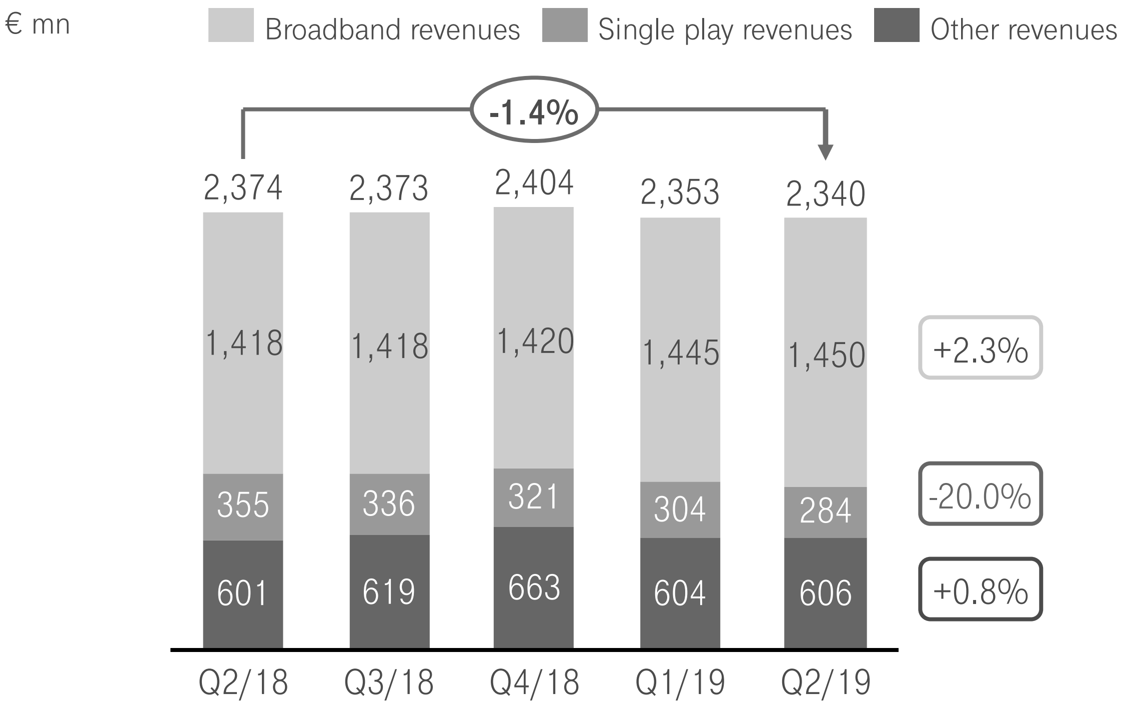
Fiber customers[2]



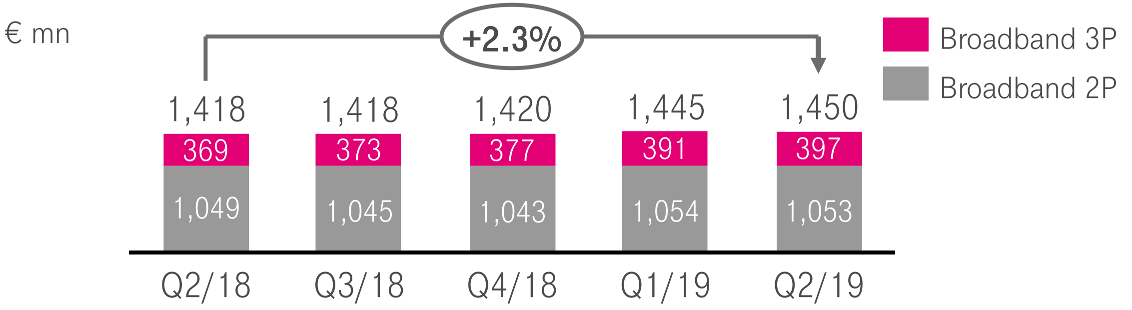
1) Based on management estimates. 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, vectoring, and FTTH).

GERMANY FIXED: STEADY BROADBAND REVENUE GROWTH

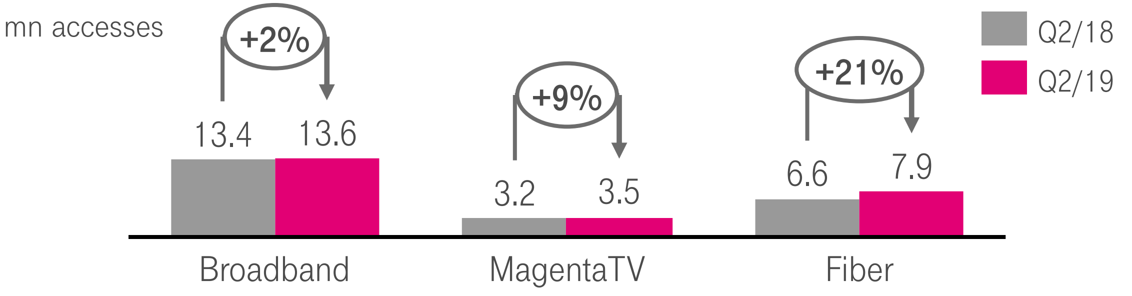
Fixed network revenue retail (as reported)[1]



Broadband revenue[1]



Retail upsell strategy[2]

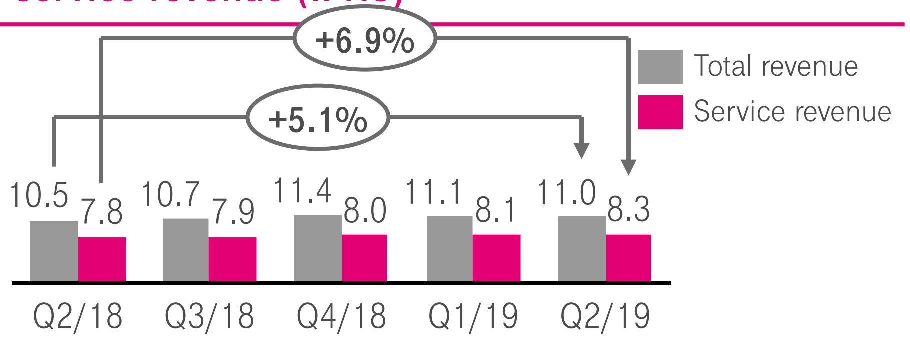


1) Change in definition of broadband and other revenues – historic figures have been adjusted. In addition Q1 to Q3/18 impacted by a shift between other and broadband revenues, historic figures not adjusted for this effect.
2) Percentages calculated on exact figures.

TMUS: CONTINUED INDUSTRY LEADING GROWTH

Revenue and service revenue (IFRS)

US-$ bn



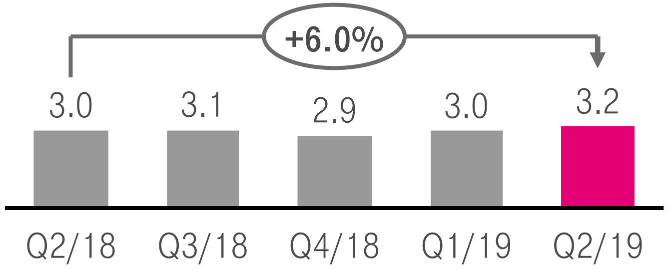
Net adds

k

	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
Total net adds	1,579	1,630	2,402	1,650	1,751
Branded:					
▪ Postpaid	1,017	1,079	1,358	1,019	1,108
▪ Prepay	91	35	135	69	131
Wholesale[1]	471	516	909	562	512

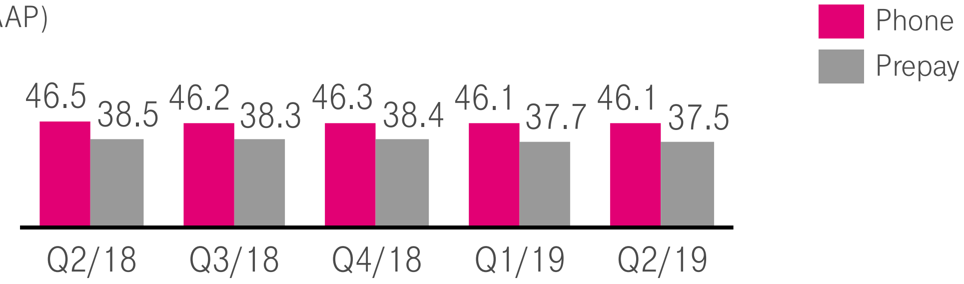
Adj. EBITDA AL (IFRS)

US-$ bn



Branded customers: Postpaid phone and prepay ARPU

US-$ (US GAAP)

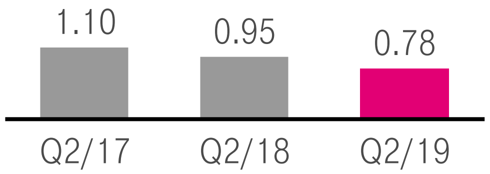


1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

TMUS: EXECUTING ON KEY DRIVERS

Branded postpaid phone churn

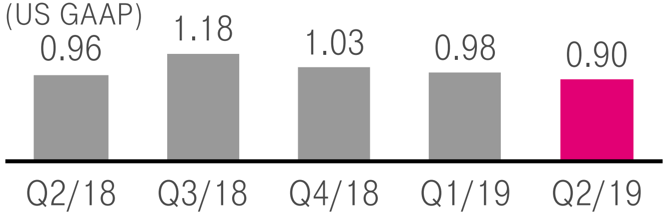
%



- Branded postpaid phone churn on all time record low

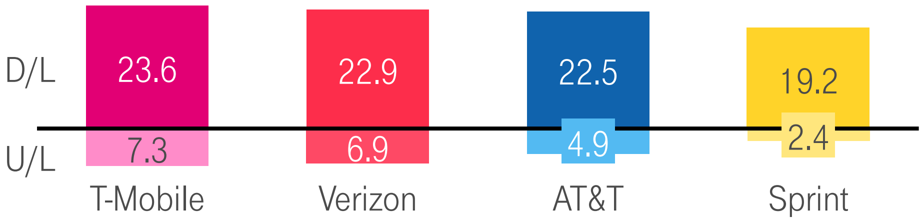
Bad debt expenses & losses from sale of receivables

% of total revenue (US GAAP)



- Decrease yoy reflects ongoing focus on managing customer quality

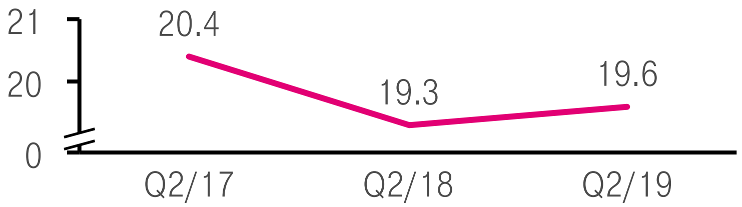
Network quality



- Download and upload speeds – July 2019 (in Mbit/s). Based on analysis by Opensignal Inc.

Cost of service

% of service revenue (US GAAP)



- Cost of services increased by 30bps yoy. Drivers: employee-related expenses, network expansion, and hurricane re-imbursements in 2018

EUROPE: STRONG CUSTOMER GROWTH CONTINUES

Mobile contract net adds[2]

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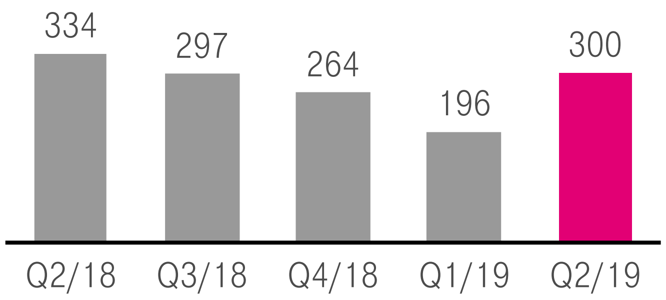
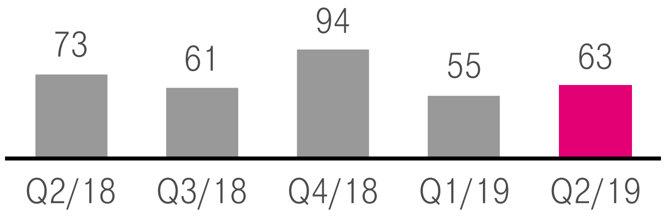


BB net adds[1, 2]

k



FMC net adds

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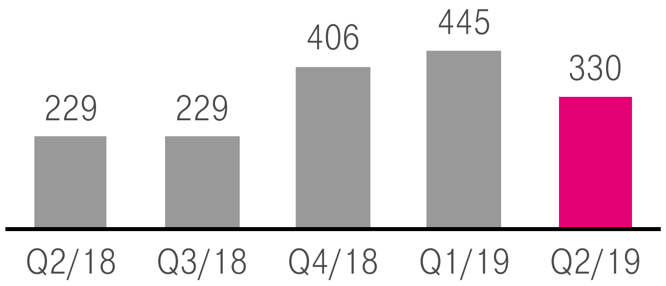

TV net adds[2]

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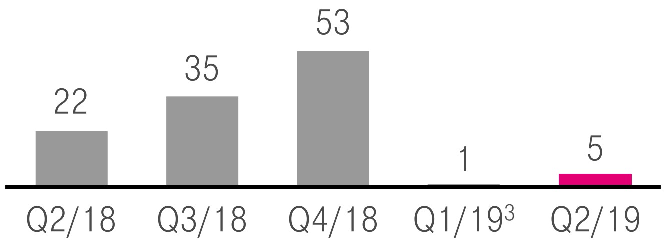
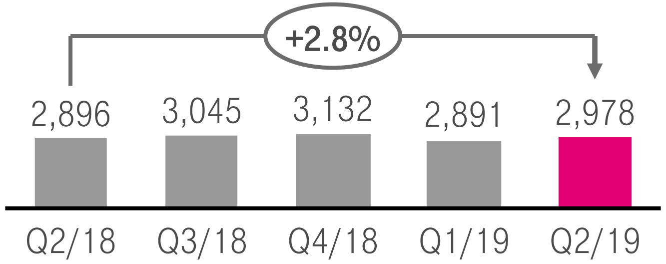


1) Based on subscribers. 2) Adjusted for UPC effect in Austria. 3) Q1/19 change in base was 69k driven by Evo acquisition in Croatia. Underlying performance of +1k.

EUROPE: GROWING REVENUE AND EBITDA AL

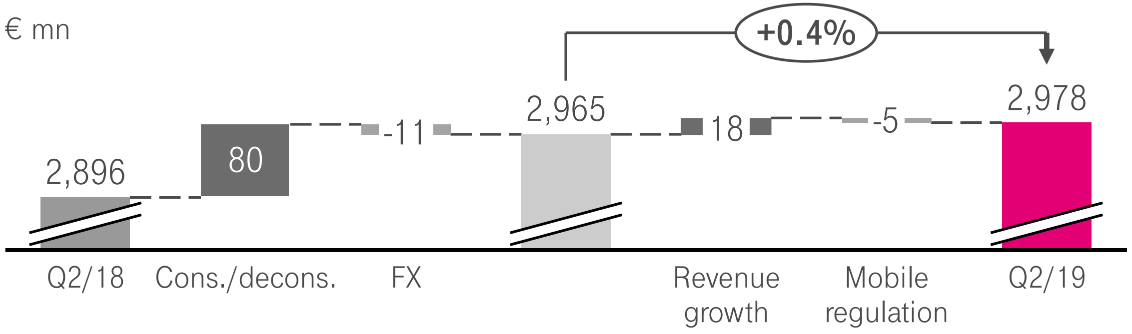
Revenue

€ mn



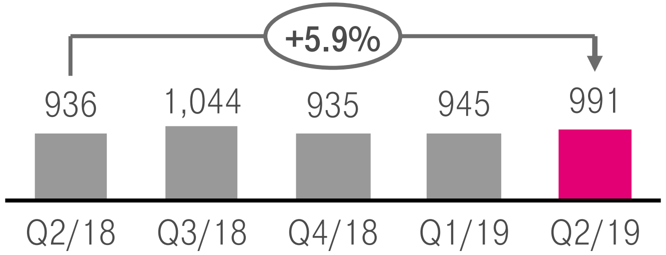
Organic revenue development

€ mn



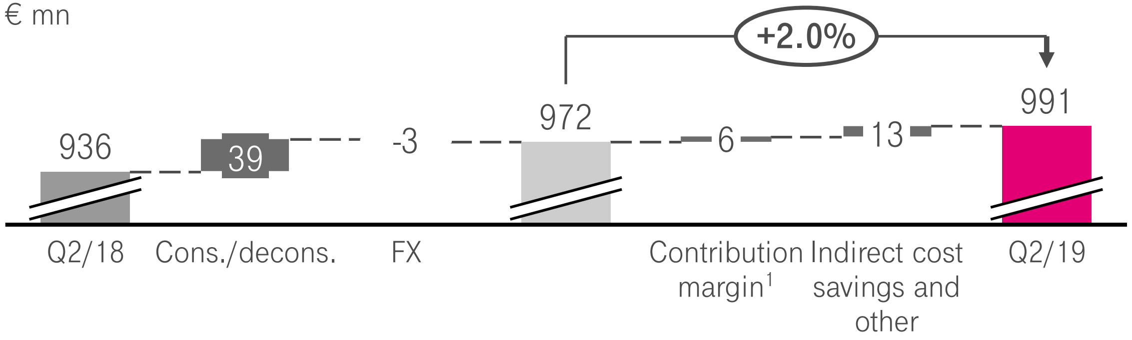
Adj. EBITDA AL

€ mn



Organic adj. EBITDA AL development

€ mn



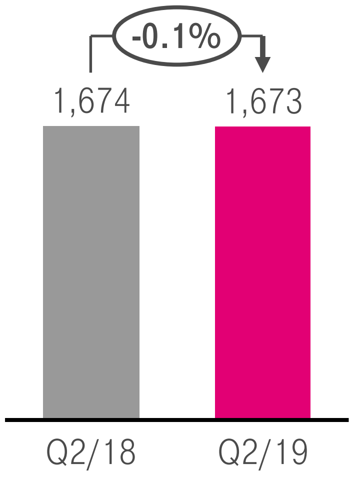
1) Total revenue – direct cost.

SYSTEMS SOLUTIONS: GOOD PROGRESS WITH TRANSFORMATION

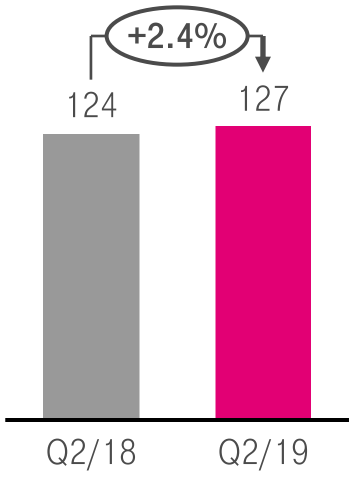
T-Systems financials

€ mn

Total revenue

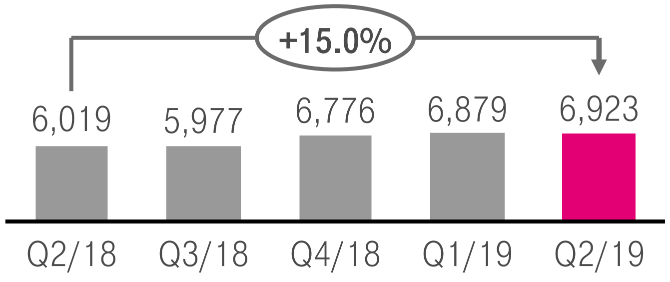


Adj. EBITDA AL



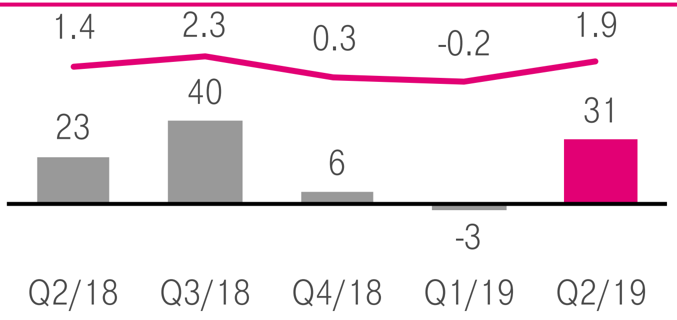
Order entry (LTM)

€ mn



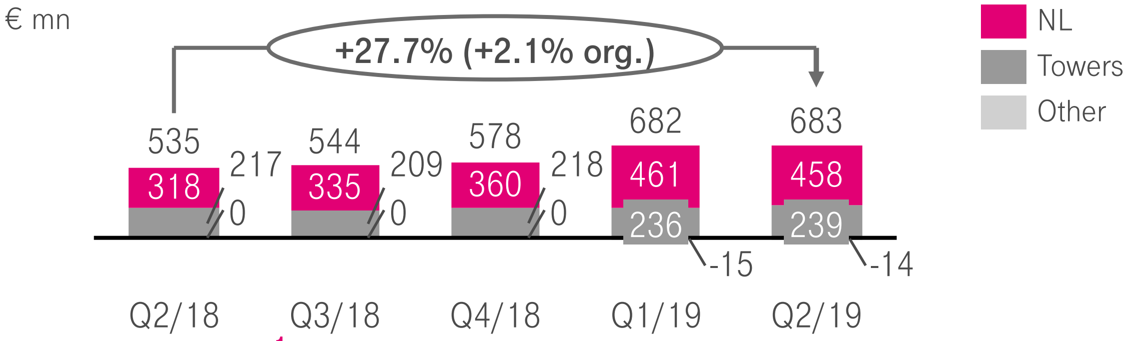
Adj. EBIT and margin in %

€ mn

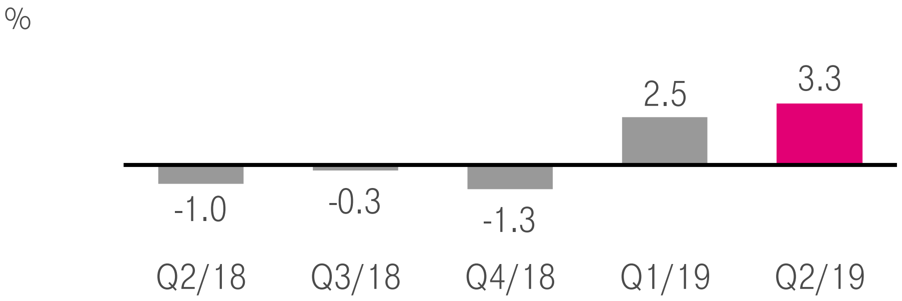


GROUP DEVELOPMENT: STEADY UNDERLYING DELIVERY

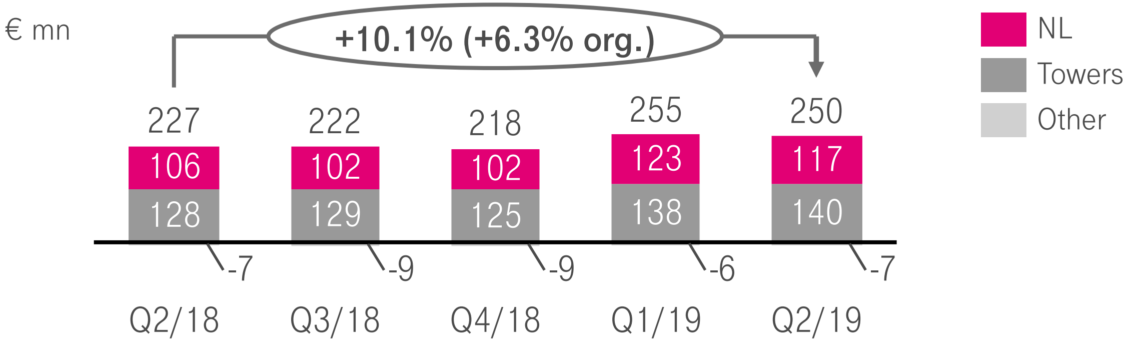
Revenue[1]



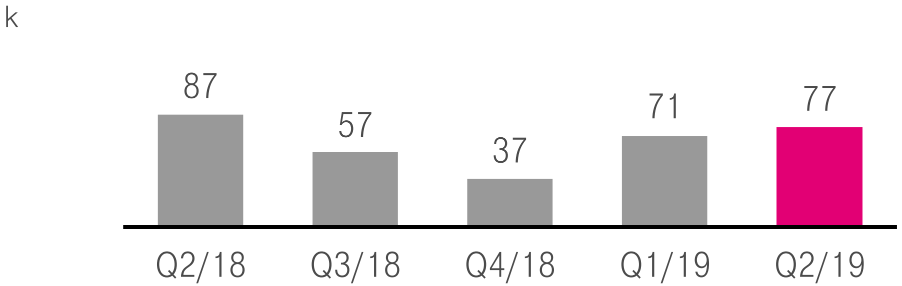
Mobile service revenue trend yoy (NL)[2]



Adj. EBITDA AL[1]



Contract net adds (NL)[3]

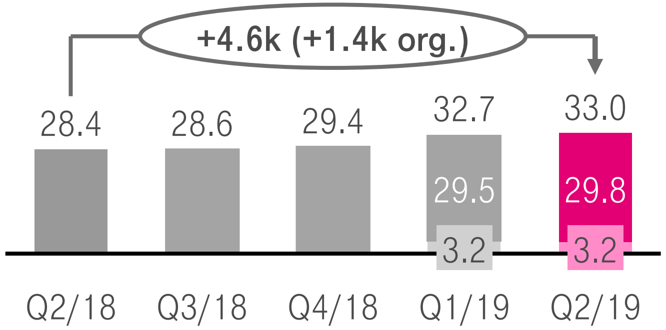


1) Figures since Q1/19 incl. Tele2. Previous quarters not restated. Organic growth rates show underlying trends.
2) MSR trends on organic base excl. regulation and excl. IFRS 15 for Q1/18 to Q4/18.
3) Since Q1/19 net adds incl. Tele2.

GROUP DEVELOPMENT: TOWER BUSINESS EXPANDING

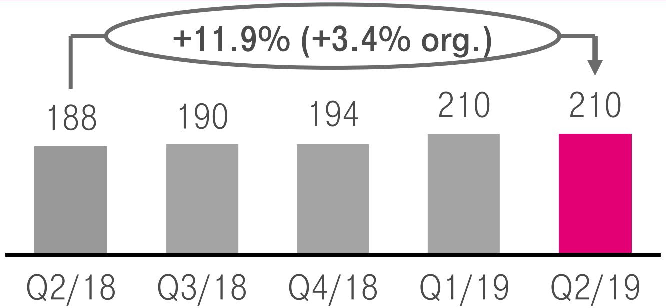
Total sites GER + NL (since Q1/19)[2]

k



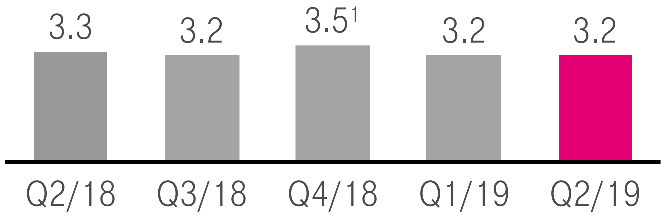
Recurring rental revenue[2]

€ mn



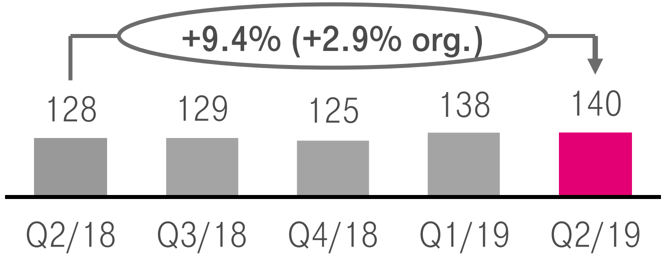
Opex AL per site (avg. sites)[2]

€ k/site



Adj. EBITDA AL[2]

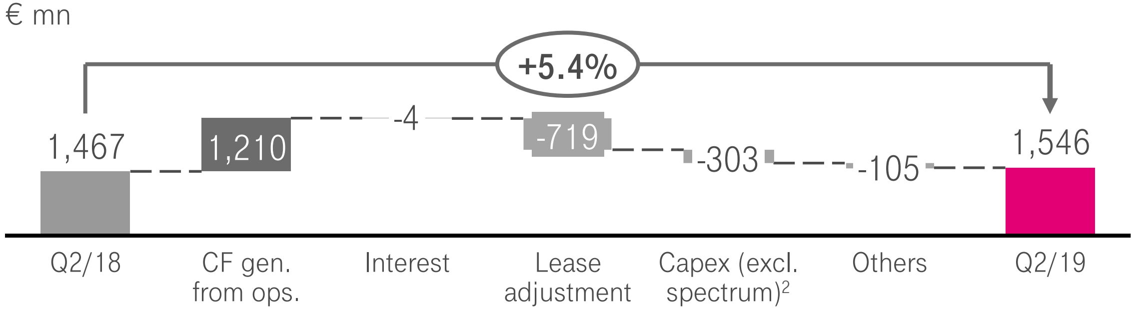
€ mn



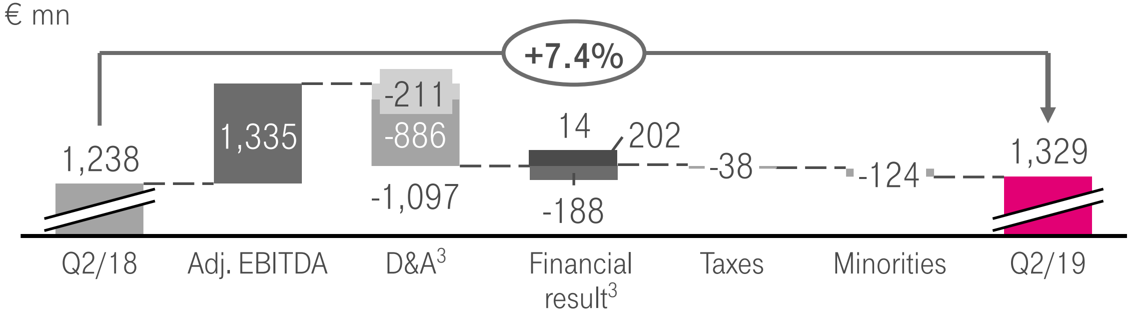
1) Adjusted for one-offs. 2) Figures since Q1/19 incl. the Dutch tower business (3.2k). Previous quarters not restated. Organic growth and growth rates show underlying trends.

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

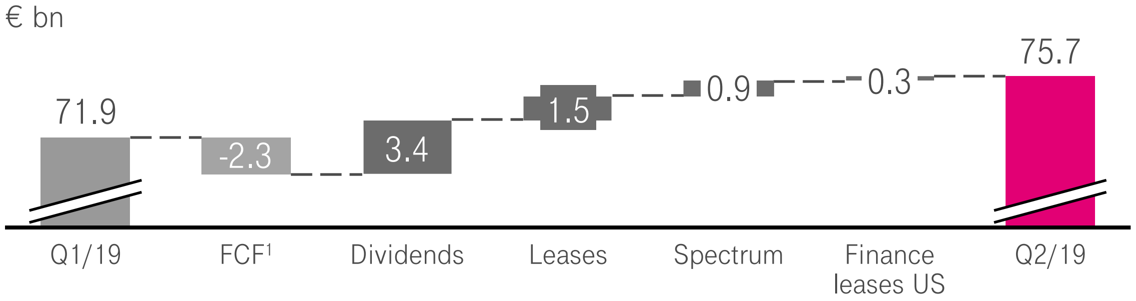
Free cash flow AL[1]



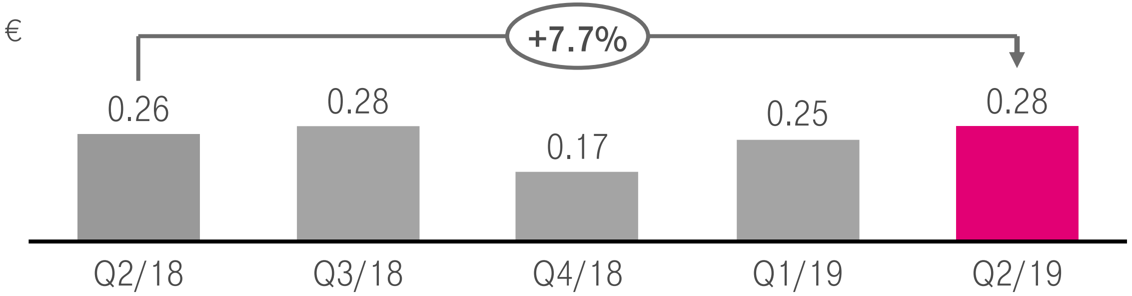
Adj. net income



Net debt development (Q2/19 over Q1/19)



Adj. EPS



1) Free cash flow and FCF AL before dividend payments and spectrum investment. 2) Excl. spectrum: Q2/18: €73 mn; Q2/19: €875 mn.
3) D&A and financial result split in change in leasing related expenses (lower bar) and other expenses.

FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn	30/06/2018	30/09/2018	31/12/2018	31/03/2019	30/06/2019
Balance sheet total[1]	139.7	142.3	145.4	165.5	164.2
Shareholders' equity[1]	41.4	43.5	43.4	42.8	42.7
Net debt[1]	54.8	55.5	55.4	71.9	75.7
Net debt/adj. EBITDA[2]	2.5	2.4	2.4	2.65	2.74
Equity ratio	29.6%	30.6%	29.9%	25.8%	26.0%

Comfort zone ratios

Rating: A-/BBB	●
2.25-2.75 net debt/adj. EBITDA[2]	●
25 – 35% equity ratio[3]	●
Liquidity reserve covers redemption of the next 24 months	●

Current rating

Fitch:	**BBB+**	stable outlook
Moody's:[4]	**Baa1**	negative outlook
S&P:[4]	**BBB+**	CreditWatch negative

1) Values for 2018 based on old accounting standard. As of Q1/19 according to IFRS 16. 2) Ratios for the interim quarters calculated on the basis of previous four quarters. Comfort zone ratio increased from 2-2.5 previously, following change to IFRS 16 in Q1/19. 3) Pre-IFRS 16. 4) Outlook changed end of April 18, following the announced merger of TMUS and Sprint. Previous outlook was "stable".

THANK YOU!