

– Check against delivery –

Conference call

Report on the third quarter of 2019

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Timotheus Höttges

Chief Executive Officer

Deutsche Telekom AG

Thank you, Philipp!

Good morning, Ladies and Gentlemen.

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

For the first time in 15 years, every single one of our segments is showing GREEN at the same time.

The Group's adjusted EBITDA AL increased by 6.9 percent in the first nine months.

Higher earnings across all segments contributed to this result:

- Germany: up 2.4 percent

- United States: up 11.6 percent
- Europe: up 5.0 percent
- T-Systems: up 10.9 percent
- Group Development: up 14.8 percent

The same applies to all segments on an organic basis – in other words, excluding exchange rate effects and assuming the same Group structure.

We are performing extremely well on both sides of the Atlantic. So well, in fact, that we are raising our earnings guidance for 2019.

In short:

- We can expressly confirm our medium-term financial guidance from the 2018 Capital Markets Day.
- On the back of the excellent development in the first nine months, we are raising our guidance for the Group's adjusted EBITDA AL. We now expect to post adjusted EBITDA AL of around 24.1 billion euros in 2019, up from the previous guidance of 23.9 billion euros. T-Mobile US is expected to contribute more, at around 100 million euros. We are also raising our expectations for the Group excluding the United States by around 100 million euros.
- We still expect free cash flow to come in at 6.7 billion euros.
- Due to the accelerated network build-out in the 600 MHz band in the United States, we are adjusting our 2019 cash capex guidance upwards from 12.7 billion euros to around 12.9 billion euros.

- Provided all the known prerequisites are met, the Board of Management plans to set the dividend for 2019 at 60 eurocents. This will be the new minimum dividend. It will also be paid in the future if we successfully finalize the business combination of T-Mobile US and Sprint – and it will also be paid in the unlikely event that the transaction does not take place.

This dividend planning gives our investors planning certainty in terms of future dividend payments. We want them to benefit appropriately from the expected very good business development with a high dividend. At the same time, we want to secure the good triple B+ and Baa1 ratings that we have held for the last ten years. All other aspects of the dividend policy remain the same as before.

Let us go through the relevant points one by one.

Starting with the development of our financial figures in the first three quarters of 2019.

Net revenue increased by 6.8 percent in this period to 59.2 billion euros. With the exception of our Systems Solutions operating segment, which is still undergoing restructuring, all operating segments posted higher revenues.

In organic terms, too – in other words, assuming constant exchange rates and the same Group structure – revenue increased by 2.7 percent.

In the same period, we increased reported adjusted EBITDA AL by 6.9 percent to 18.7 billion euros. All of our operating segments reported an increase in earnings.

As I mentioned, adjusted EBITDA AL also grew on an organic basis by 3.5 percent. This is also thanks to higher contributions from every single segment.

Free cash flow AL at the end of the first nine months was 5.25 billion euros, up 13.8 percent year-on-year. Organically, the growth was 12.3 percent.

At the same time, cash capex rose 9.8 percent to 10.0 billion euros. This increase – and the same applies to our full-year guidance – was driven by higher investments in the United States.

T-Mobile US is working intensively to build out its 4G LTE network in the 600 MHz band, which is already 5G-ready. We expect to launch the 5G network with coverage for over 200 million people by the end of this year – significantly earlier than originally planned.

Reported unadjusted net profit increased by 23.7 percent to 3.2 billion euros in the first nine months.

This puts our financial figures at the top end of the ranges we communicated at the 2018 Capital Markets Day – and in some cases even over.

Ladies and Gentlemen,

This brings me to our guidance for 2019.

The first nine months have put us in an excellent position for the full year.

Our higher guidance for adjusted EBITDA AL in the current year is based on earnings growth on both sides of the Atlantic. T-Mobile US updated its earnings

guidance early last week, increasing the guidance range mean for adjusted EBITDA by 0.1 billion U.S. dollars.

On the basis of the strong financials and positive outlooks at our other segments, we are raising our EBITDA AL guidance for the Group by a further 0.1 billion euros to around 24.1 billion euros. This is, of course, assuming constant exchange rates and the same composition of the Group.

This outlook for the 2019 financial year slots neatly into our statements from the 2018 Capital Markets Day.

Just to remind you:

Our plan for 2017 to 2021 is to achieve average annual growth:

- of 1 to 2 percent in revenue,
- of 2 to 4 percent in adjusted EBITDA, and
- of around 10 percent in free cash flow.

This medium-term planning still stands!

So, why are we changing our dividend outlook?

Two key points come into play here:

1. When we announced the business combination of T-Mobile US and Sprint in 2018, the assumption was that we could complete the transaction in 2019.

We signaled that a dividend of at least 50 eurocents per share, which was also the minimum dividend, would be paid if the transaction went through.

In the event the transaction did not take place, we said that on the basis of 70 eurocents per share, the dividend could develop in line with adjusted earnings per share.

The 60 eurocents announced today is our new minimum dividend amount. We firmly believe that the business combination of T-Mobile US and Sprint will ultimately be granted all the necessary approvals.

Nevertheless: Creating clarity means that we will pay out the minimum dividend not only if the deal goes through, but also in the unlikely event of a no-deal scenario.

Beyond this, all other statements from our Capital Markets Day regarding the dividend still apply.

Deutsche Telekom is thus still a high-dividend payer.

In line with previous years, the 2019 dividend will again be paid out tax-free. At 60 eurocents per share, that is a difference of around 16 cents.

2. We are network investors – around 12.9 billion euros in 2019, up from 12.2 billion euros last year.

We have stepped up the pace of our 5G rollout in the United States, which is driving up capital expenditure at the Group compared with our original guidance. By the end of 2019, we want to be the first nationwide 5G provider covering over 200 million people.

We are the foremost network investor in Germany, with cash capex of around 5.5 billion euros annually.

We are building out our fiber-optic network in Germany.

We are accelerating the expansion of our mobile communications network with some 9,000 new cell sites by 2021. We have made clear promises on how we plan to build a 5G network for our customers. Fast, nationwide, and with the best quality.

At the same time, we have to cover the costs for new mobile spectrum licenses. These were particularly high in Germany, around 2.2 billion euros.

This is over the odds – a large share of spectrum was reserved for companies outside the telco industry. The resulting artificial shortage drove up the license costs.

What is more, the auction terms and conditions were asymmetrical to the cost of existing network operators.

These license costs increase our financial debt, which we have to then incorporate into our financial planning.

The new dividend outlook reflects the high costs for mobile spectrum licenses in Germany as well as the high network investments, which result from comprehensive build-out obligations.

We want and need the financial freedom to take advantage of further investment and growth opportunities on both sides of the Atlantic.

The new dividend outlook thus complements our financial planning and ensures we have this leeway.

At the end of September, the ratio of net debt to adjusted EBITDA was slightly above our target range. We expect to be back within the range by the end of the year.

Ladies and Gentlemen,

Let us move on to the next topic – our network build-out.

Some facts and figures from the first nine months of 2019:

- We have further built out the fiber-optic network. Our European subsidiaries now reach 8.4 million households, that is 1.4 million more than one year ago.
In Germany, the network covers 34.6 million households, an increase of 2.3 million.
- We have also made excellent progress with the IP migration in Germany. 97 percent of all lines in our network have now been migrated to IP.
That is almost 4 million more lines than in the previous year.
We want to have migrated all consumers by the end of the year.
- As I mentioned, at the end of 2019 we want to be the first provider in the United States to launch a nationwide 5G network.

At the end of the third quarter, the 4G LTE network utilizing 600 MHz spectrum covered an area of 1.4 million square miles and reached 200 million people. That means this technology in the 600 MHz band is 5G-ready.

The 4G LTE network now covers 326 million people in total, putting it on a par with AT&T and Verizon.

- Our German LTE network is not only the fastest – which was confirmed once again in the latest tests by Umlaut, formerly P3 – but we also have the highest network coverage, reaching 97.9 percent of households.

As such, we have already virtually met the Federal Network Agency's licensing conditions, which require us to cover 98 percent of the population by the end of 2019.

Our subsidiary Deutsche Funkturm has installed around 1,500 new cell sites in the last twelve months alone.

DFMG operates over 30,000 cell sites across Germany – more than any other network operator – and put the 30,000th site into operation in September.

We are also expanding our network coverage in border regions. This relates to some 750 cell sites in total. For two-thirds of these we are increasing the transmission power, while one-third is being upgraded with LTE technology where technically possible. Some 300,000 households in border regions will benefit from these improvements.

Our "Hunting down dead zones" (Wir jagen Funklöcher) campaign is a resounding success.

The campaign was launched in late August and gives municipalities with coverage dead spots the opportunity to apply to have a new LTE cell site installed.

To date, we have received over 140 applications that meet the necessary criteria.

One of the first coverage gaps we plan to close as part of this campaign is in Vielbach in Rhineland-Palatinate. As things currently stand, we expect that Vielbach will have LTE coverage as early as the first quarter. That is just half a year between application and connection.

Our collaboration with the municipalities is going very well. Most are very willing to cooperate, after all they want to solve the coverage problem. That applies not only to Vielbach, but also to Dettelbach in Bavaria, or Liebenau-Zwergen in Hesse – to name just a few.

At the same time, we are constantly encountering difficulties finding suitable locations for new cell sites or obtaining the necessary approvals. We currently have 700 projects – primarily to build new masts, but also to install rooftop antennas in some cases – that are still awaiting approval.

To give you a prime example:

We want to build a new site in Hessdorf-Klebheim, which is to the north of Nuremberg. It will cover the nearby A3 freeway and the surrounding villages. We filed a planning application in mid-2013, which was rejected in October 2016. Since then, we have been engaged in a legal dispute.

We continue our extensive and exhaustive efforts to find ways to build out the networks for our customers and close gaps in coverage.

We have always said that we are willing to work with the other network operators if it will drive forward the network build-out and are in constructive talks to get the ball rolling.

Our success shows that we are on the right track. Our customer base continues to grow.

A few examples:

- In continental Europe, we now serve over 50 million mobile contract customers. That is 3.1 million more than in the previous year. The majority of these, 1.7 million new customers, are the result of organic growth – that is excluding the additions from the first-time consolidation of Tele2 in the Netherlands.
- Our MagentaEINS products are used by 9 million customers in Germany and in our European subsidiaries. That is an increase of 2.1 million customers, or 30 percent.
- Compared with the prior-year period, the number of fiber optic-based lines in operation in Germany increased by 2.4 million to 14 million, up 20 percent.
- We are also growing further in the United States. Our customer base there increased by 7 million compared with the third quarter of 2018 to over 84 million.

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

- We are another step closer to finalizing the transaction.

- We have been given the green light by all the U.S. federal authorities, i.e., CIFIUS, the FCC, and the DOJ – although the DOJ's approval is still subject to a court review.
- The number of U.S. states in favor of the transaction is growing. Mississippi and Colorado were the most recent of these to give their backing. The case brought by the states opposed to the merger is set to begin trial on December 9. In the meantime, T-Mobile US and Sprint remain willing to talk to the respective state attorneys general to attempt to clear up their reservations about the transaction.
- We are operating on the assumption that our case will ultimately garner the support it needs, whether in the court hearing or beforehand. This would pave the way to conclude the business combination in early 2020.

Let me sum up:

We are extremely happy with the overall development of Deutsche Telekom in the first nine months of 2019. Our business is growing both in Europe, including Germany, and in the United States. This growth is sustainable and strong. So strong, in fact, that we can raise our earnings guidance for 2019.

The growth course is based on high capital expenditure with a clear goal: We want to lead in network build-out and quality. For our customers.

If we are to achieve this, having a clear, sustainable, and stability-oriented finance strategy in place is an absolute must. It safeguards access to the necessary financing at all times and thus gives us the leeway we need to take advantage of attractive investment opportunities.

The Board of Management's new dividend outlook complements this finance strategy and gives our stakeholders additional clarity and planning certainty.

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