

DEUTSCHE TELEKOM

Q2/2018 RESULTS



LIFE IS FOR SHARING.

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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.

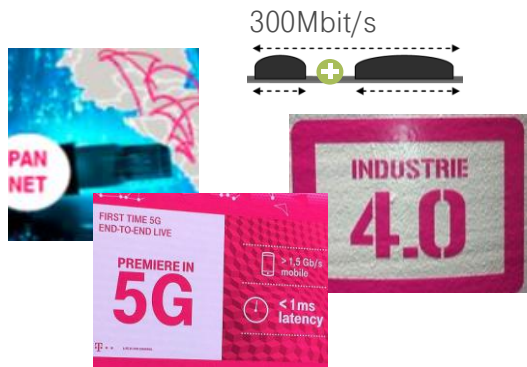


REVIEW H1/2018

2018 H1 HIGHLIGHTS: GROWTH ON BOTH SIDES OF THE ATLANTIC

Growth: investments and innovations

- Cash capex at €6.1 bn (ex. spectrum)
- IP-Migration continues in GER (77%) and EU (74%). +5.5 mn households LTM
- Fiber roll-out: 5.5 mn new homes in GER and EU with access to Fiber yoy
- Continued LTE pop coverage expansion in GER (95%) and EU (96%)



Growth: customers

- 11 mn German fiber homes (+34% yoy)
- 1 mn converged net adds LTM
- 1.7 mn mobile contract net adds in Germany and EU LTM
- 6.1mn net adds LTM in the US
- T-Systems order book up 30% in H1



Growth: financials

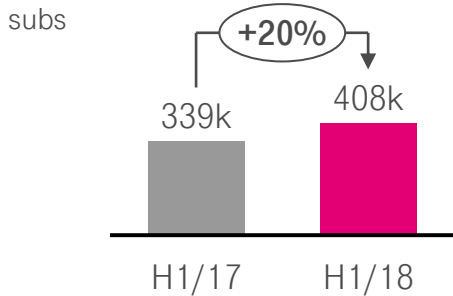
- Strong organic¹ growth continues
 - Revenue up 2.2% yoy
 - Adj. EBITDA up 5.2% yoy
 - Adj. EBITDA ex. US up 2.4%
 - FCF up 14.5% yoy
 - Adj. EPS up 10.9%
- Net debt/Adj. EBITDA at 2.5x



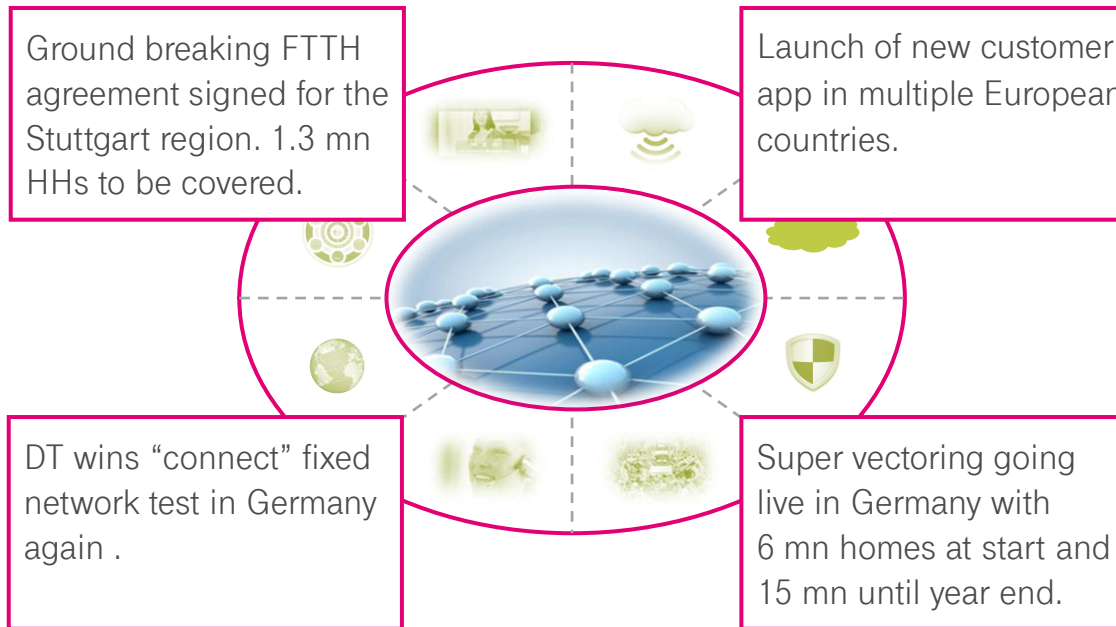
1) Revenue and adj. EBITDA growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation. FCF and adj. EPS calculated on reported results.

H1/2018 INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

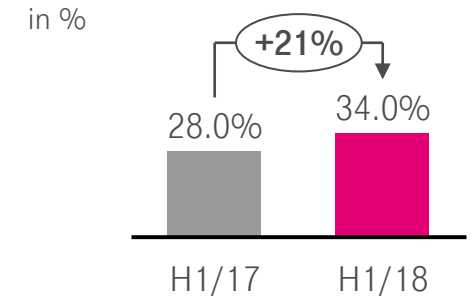
Hybrid Access¹



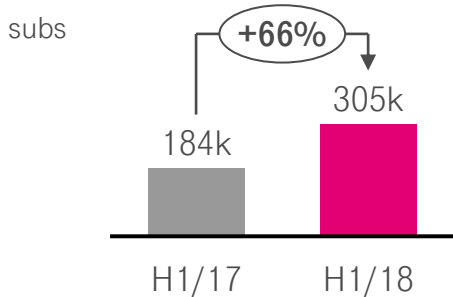
Innovation/Network



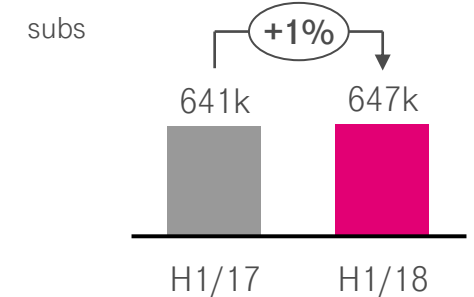
E-service share of interactions



Smart Home²



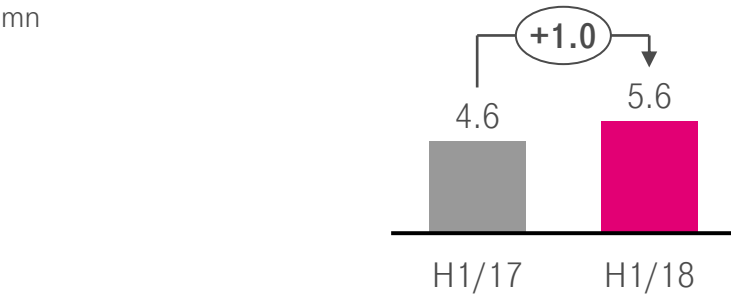
IT-Support³



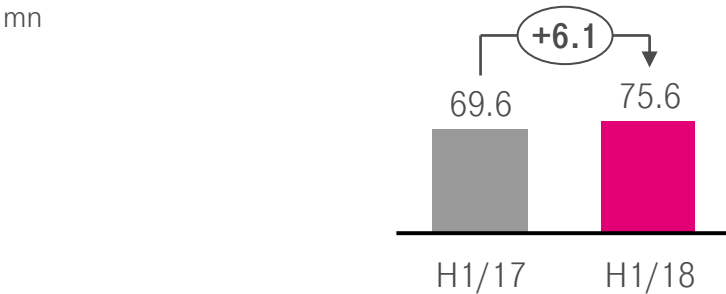
1) +5€ per customer/month 2) +5€ per customer/month 3) +8€ per customer/month

H1/2018 CUSTOMERS: ONGOING STRONG MOMENTUM

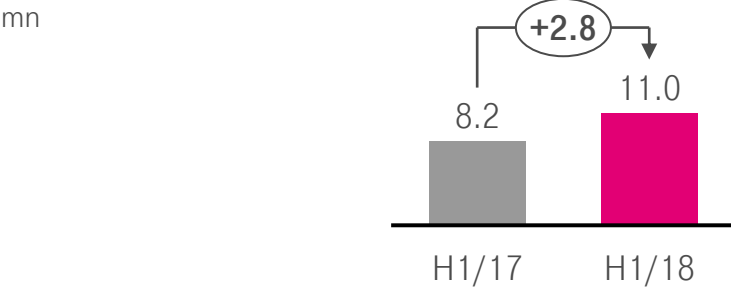
MagentaEINS (Germany + EU)¹



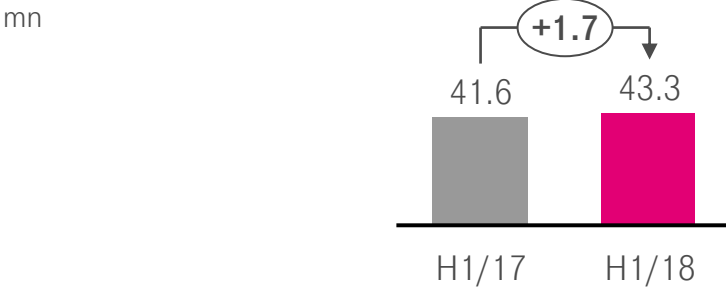
US Mobile



Fiber in Germany



Mobile contract customers GER (own brand) + EU



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

GUIDANCE 2018: EBITDA OUTLOOK RAISED AGAIN BY €0.1 BN

€ bn

	Revenue	Adj. EBITDA	FCF
2014 – 2018 CAGR	+1 – 2%	+2 – 4%	≈+10%
Achievements H1/18	+2.2% ¹	+5.2% ¹	+14.5%
2018 Guidance (\$/€: 1.13)	Slight increase	Old: around 23.2 Q1 Update: 23.3 New: around 23.4	Around 6.2
thereof group excl. US		Around 13.2	
thereof TM US (US\$ bn)		Old: around 11.3 ² Q1 Update: 11.4 ² New: around 11.5²	
impact of new revenue standard (US\$ bn)		Around 0.35	
handset lease (US\$ bn)		0.6 – 0.7	

1) Growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation
(+\$0.35 bn) and -\$0.5 bn IFRS bridge

2) Equals mid-Point TMUS guidance (\$11.7 bn US GAAP (previously 11.6 resp. 11.5)) + mid-point revenue recognition guidance



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REVIEW Q2/18

Q2 2018: FINANCIAL HIGHLIGHTS

€ mn

	Q2			HY		
	2017	2018	Change	2017	2018	Change
Revenue	18,890	18,367	-2.8%	37,537	36,291	-3.3%
Adj. EBITDA	5,944	5,928	-0.3%	11,495	11,477	-0.2%
Adj. Net profit	1,199	1,238	+3.3%	2,138	2,428	+13.6%
Net profit	874	495 ³	-43.4%	1,621	1,487	-8.3%
Adj. EPS (in €)	0.26	0.26	+0.0%	0.46	0.51	+10.9%
Free cash flow ¹	1,301	1,514	+16.4%	2,530	2,896	+14.5%
Cash capex ²	2,994	3,021	+0.9%	6,238	6,097	-2.3%
Net debt	55,249	54,772	-0.9%	55,249	54,772	-0.9%

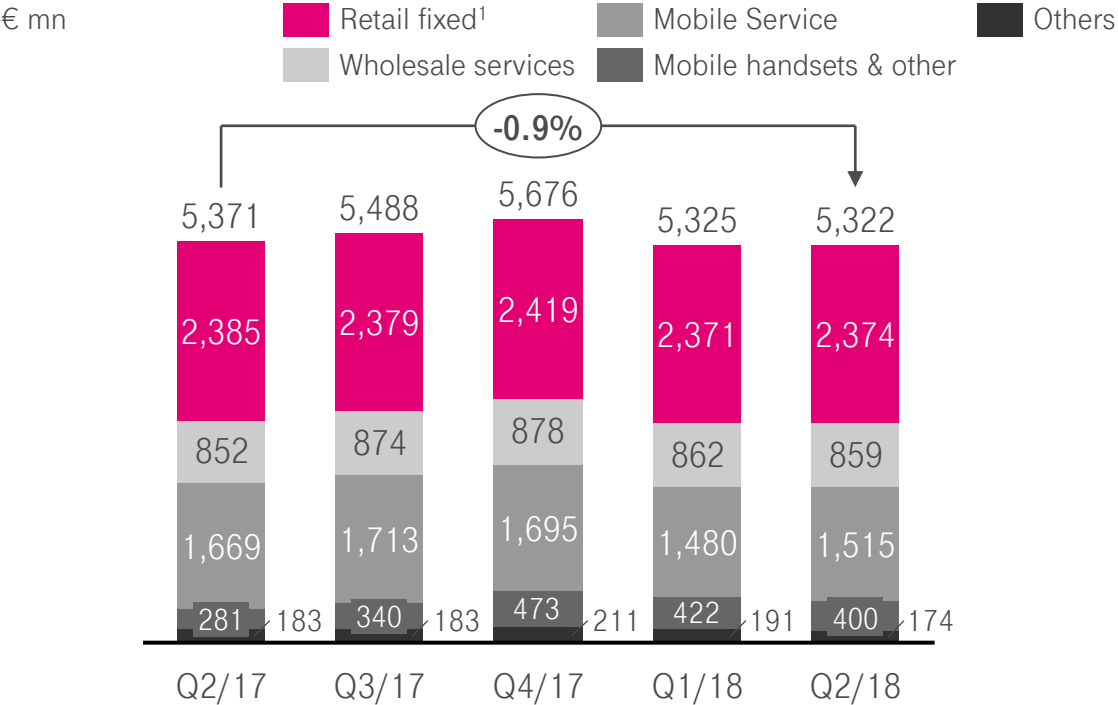
1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q2/17: €7,246 mn; Q2/18: €73 mn. HY/17: €7,282 mn; HY/18: €137 mn 3) Net income in Q2 impacted by Toll Collect settlement of €550 mn



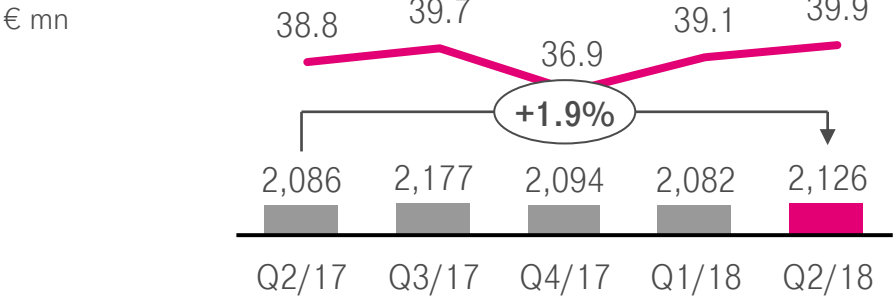
LIFE IS FOR SHARING.

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

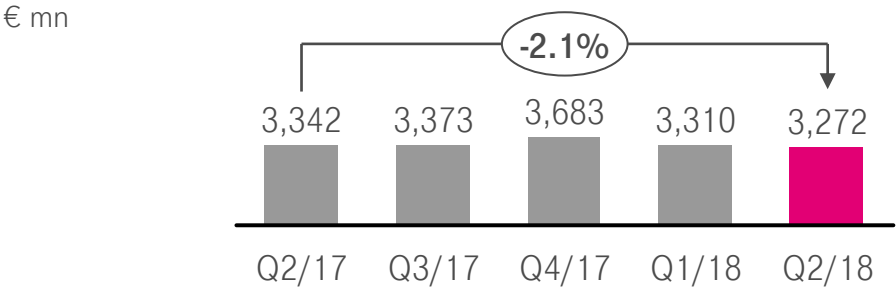
Revenue (as reported)



Adj. EBITDA and margin (in % as reported)



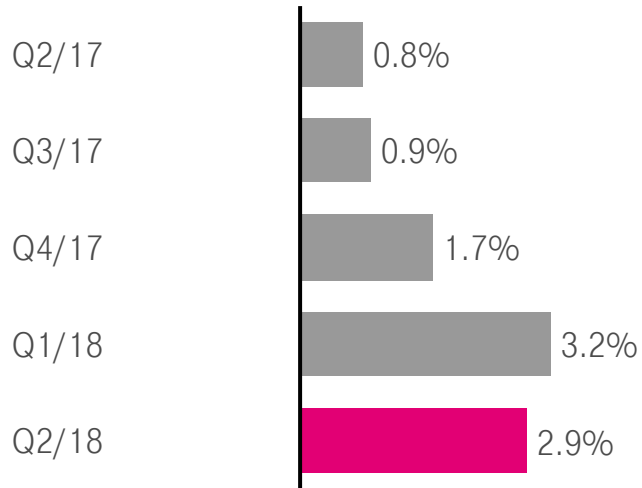
Adj. OPEX (as reported)



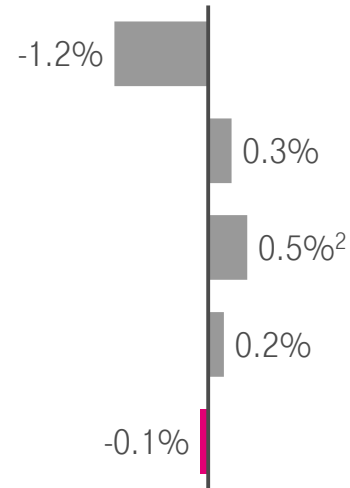
1) Fixed network core business

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

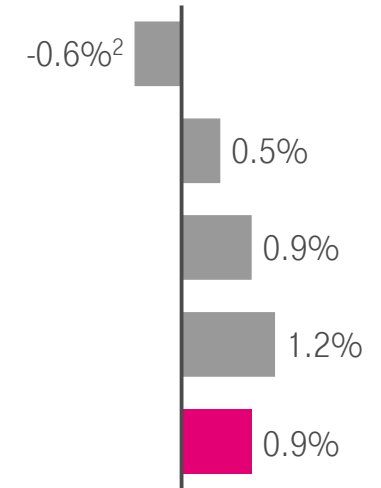
Mobile service revenue



Fixed line service revenue¹



Total service revenue¹



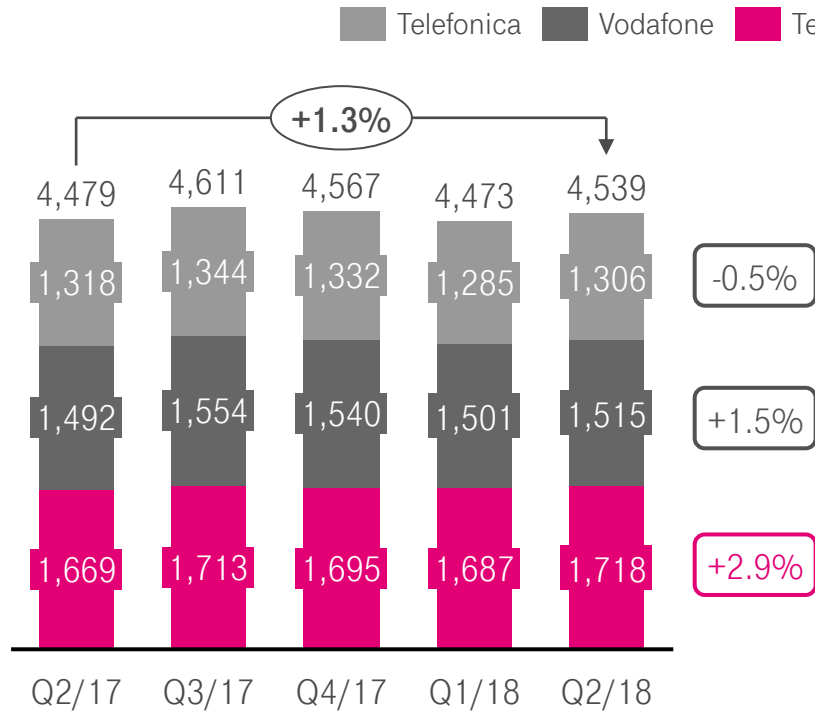
1) Total service revenue is a sum of fixed line and mobile service revenue. We define fixed line service revenue as fixed network core business revenue less fixed hardware revenue plus wholesale services fixed network revenue. From Q2/16 onwards we classify CPEs recurring rent revenue as fixed service revenue, and thus also part of total service revenue. Without this reclassification fixed line service revenue growth rate would be -0.5% in Q2/18, whereas TSR growth rate would be +0.7% in Q2/18.

Old growth rates have not been restated 2) Revenue in Q2/16 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at -1.5% for fixed service revenue, resp. -0.8% for total service revenue

GERMANY MOBILE: HEALTHY GROWTH CONTINUES

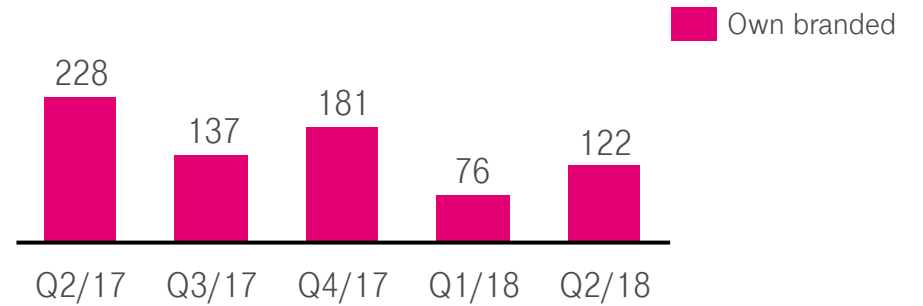
German mobile market service revenue (excl. IFRS 15)

€ mn



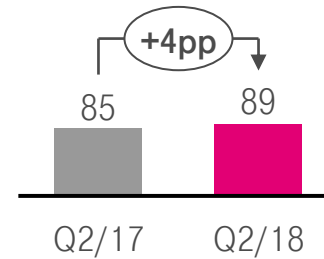
Contract net adds¹

000



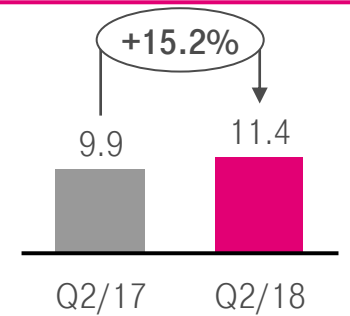
Smartphone penetration²

%



LTE customers³

mn



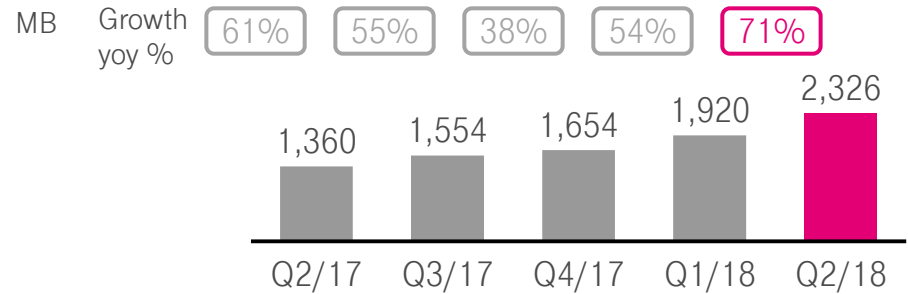
1) Figures may not add up due to rounding 2) Of own branded retail customers 3) Own customers using a LTE-device and tariff plan including LTE

GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

Mobile contract customers in MagentaEINS bundles¹



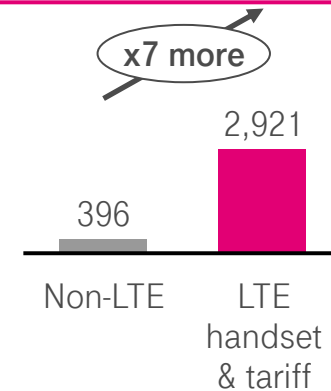
Average Consumer Data Usage³



Households in MagentaEINS bundles²



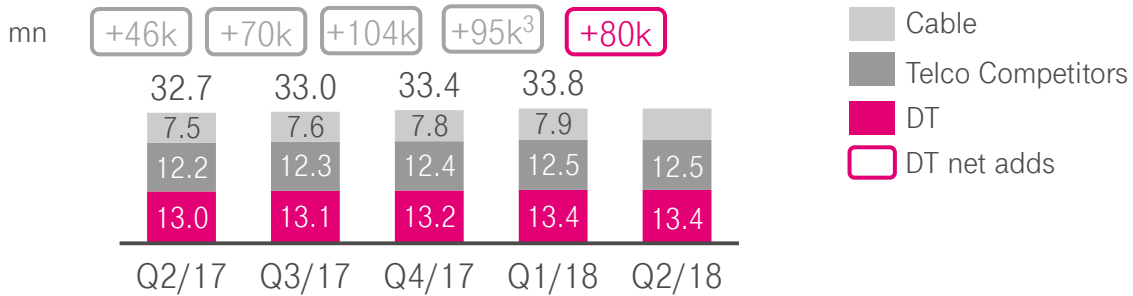
Average data usage uplift³



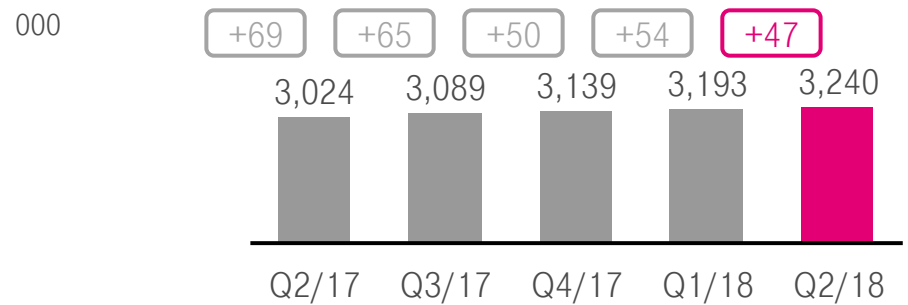
1) as % of B2C T-branded contract customers 2) as % of B2C broadband access lines 3) per month of B2C T-branded contract customers

GERMANY FIXED: STRONG BROADBAND CUSTOMER GROWTH

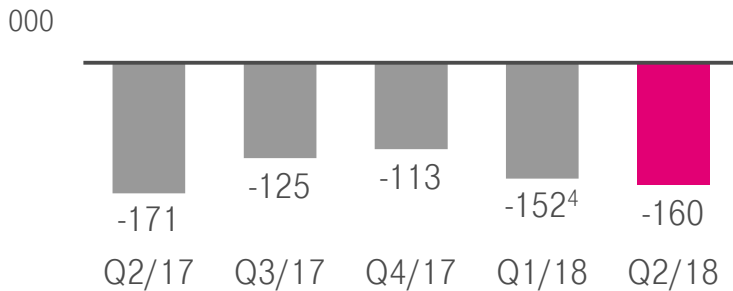
German broadband market¹



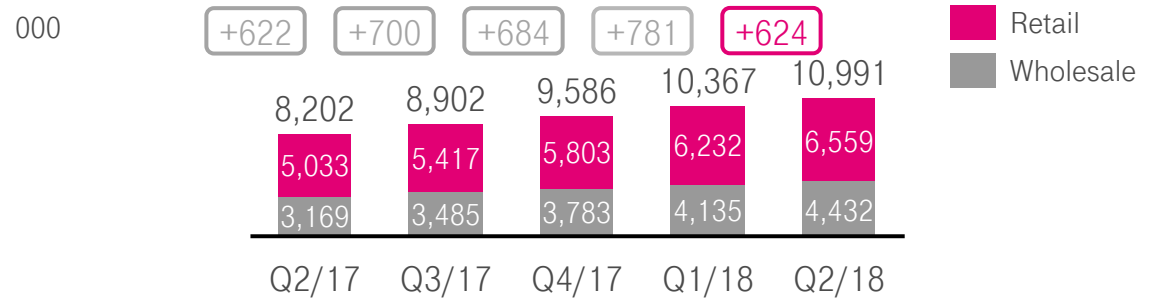
Entertain customers



Line losses



Fiber customers²



1) Based on management estimates

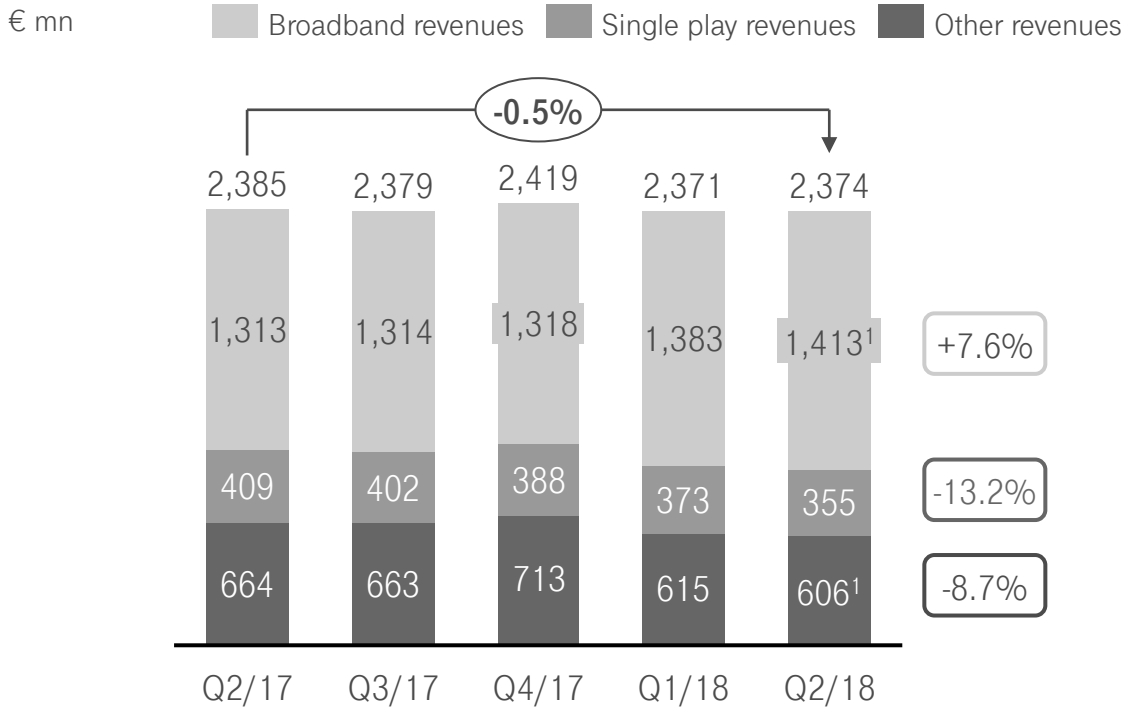
2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

3) organic view: change in base was +148k

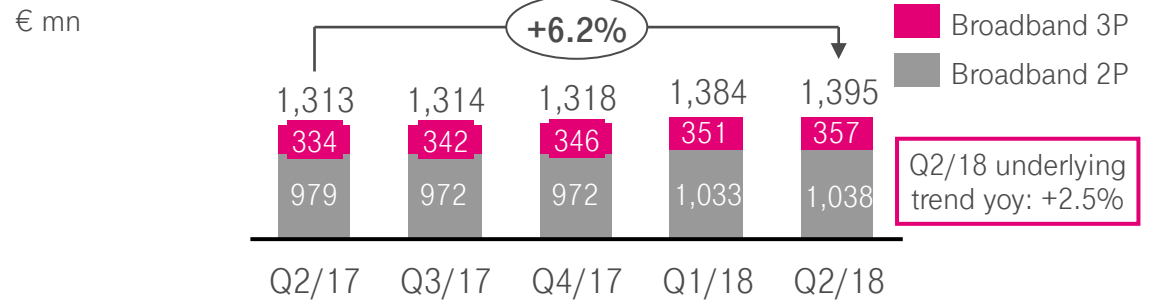
4) Organic view: Change in base was -90k

GERMANY FIXED: SOLID UNDERLYING TREND IN FIXED

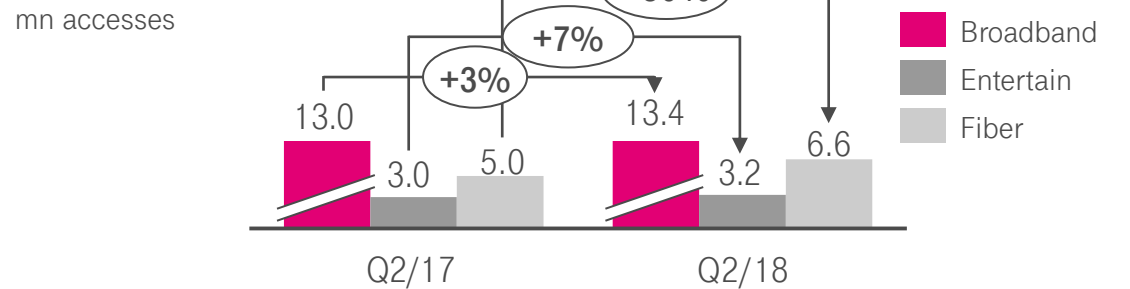
Fixed network revenue retail (as reported)



Broadband revenue¹ (excl. IFRS 15)



Retail upsell strategy²



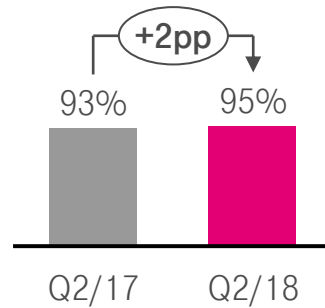
1) change in definition – no restatement for 2017. Effect in Q2/18: Shift of €47 mn from “Other revenues ” to “BB revenues” .related to B2B broadband customers

2) Percentages calculated on exact figures

GERMANY: NETWORK ROLL-OUT AND IP-MIGRATION ON TRACK

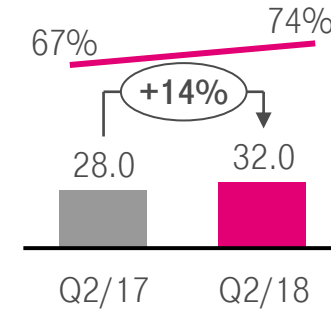
INS - Status LTE rollout

POP
Coverage in %¹



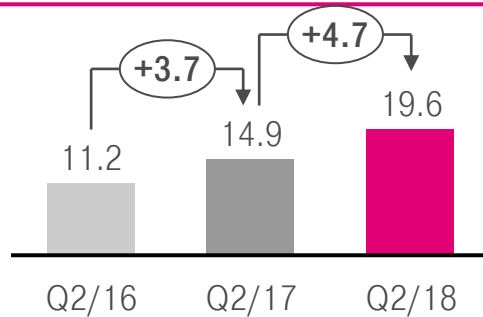
INS - Status fiber rollout²

Coverage in % and
millions of households



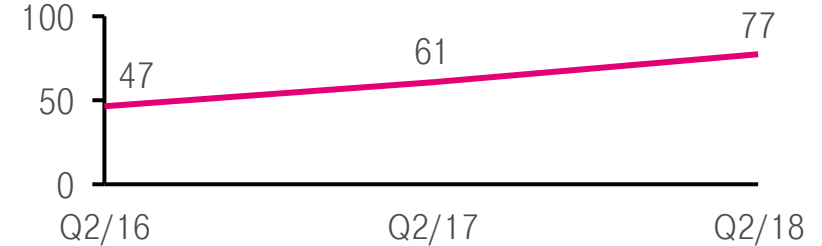
Status IP accesses (retail & wholesale)

mn



Status IP accesses (retail & wholesale)

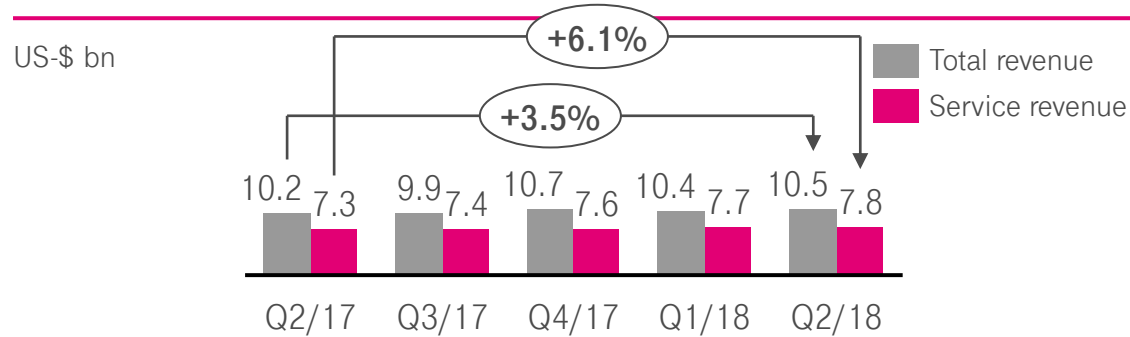
% of lines



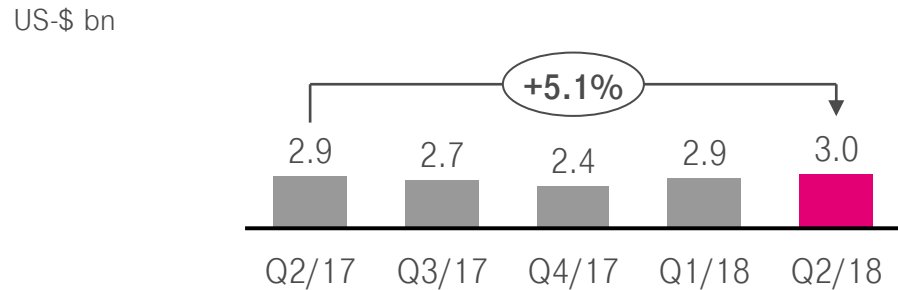
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany

TMUS: CONTINUED INDUSTRY LEADING GROWTH

Revenue and service revenue



Adj. EBITDA

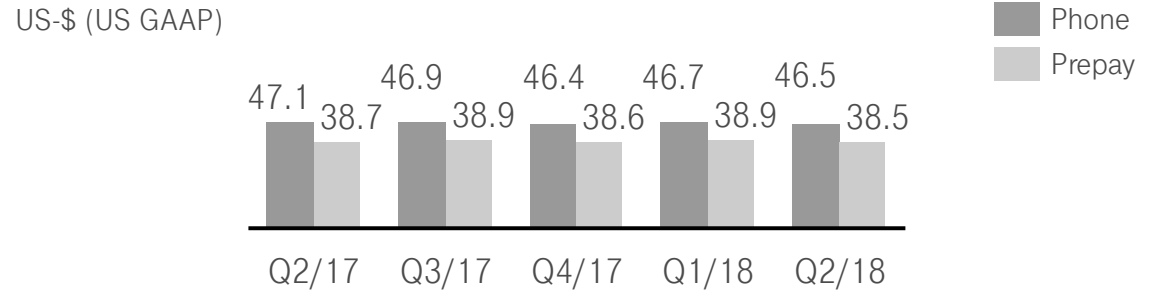


Net adds

000

Category	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Total net adds	1,333	1,329	1,854	1,433	1,579
Branded:					
Postpaid	817	817	1,072	1,005	1,017
Prepay	94	226	149	199	91
Wholesale ¹	422	286	633	229	471

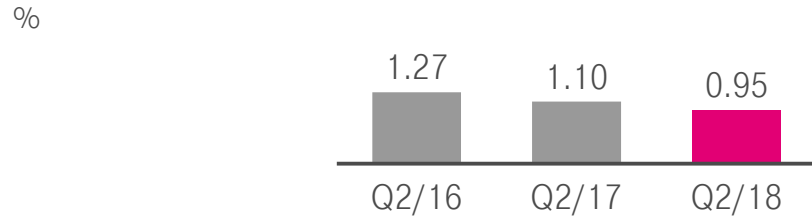
Branded customers: Postpaid phone and prepay ARPU



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

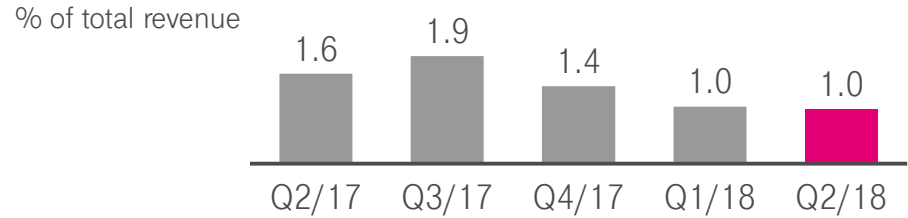
TMUS: EXECUTING ON KEY DRIVERS

Branded postpaid phone churn



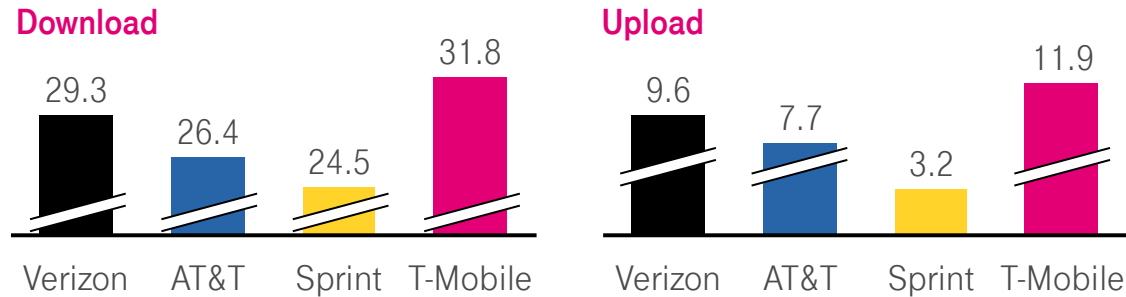
- Branded postpaid phone churn on record low level

Bad debt expenses & losses from sale of receivables



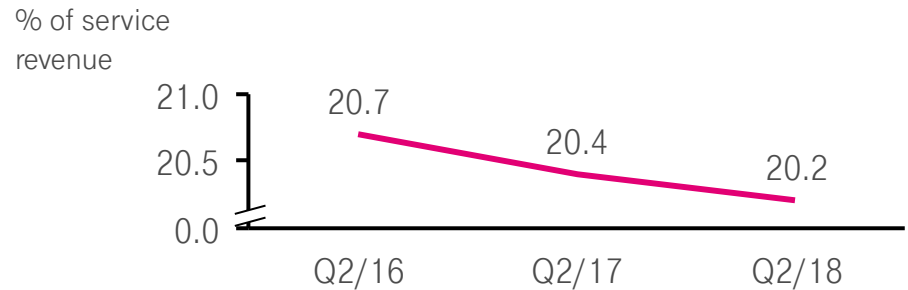
- Decrease reflects ongoing focus on managing customer quality

Average 4G LTE speeds (in Mbps) Q2/18



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

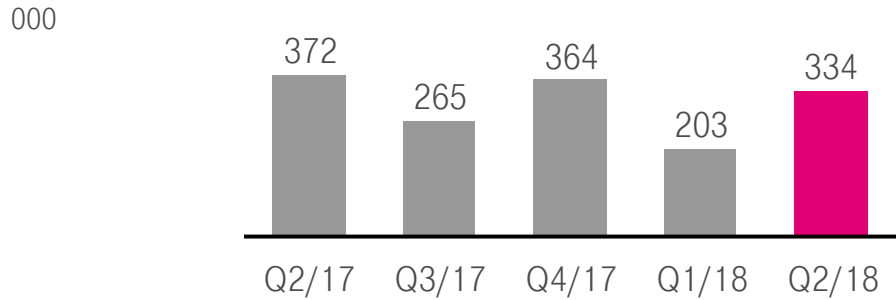
Cost of service



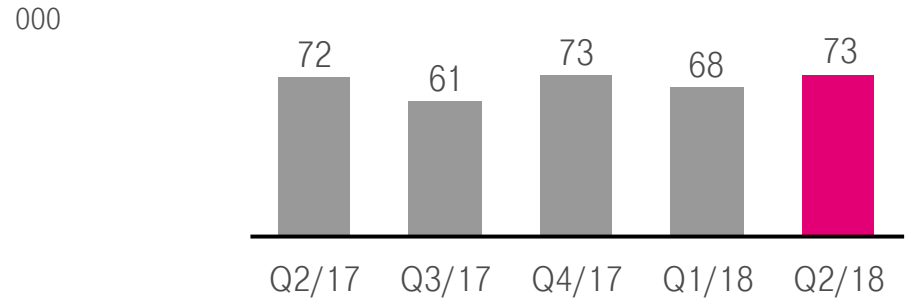
- Cost of services as a percentage of service revenues (excluding the impact of hurricanes) slightly down despite low band build-out.

EUROPE: STRONG GROWTH IN CUSTOMER BASE

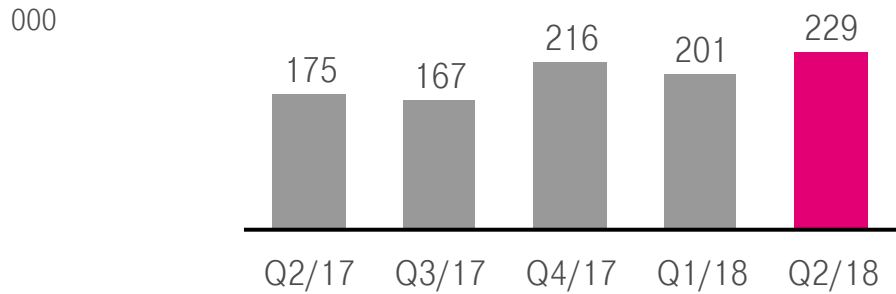
Contract Net Adds



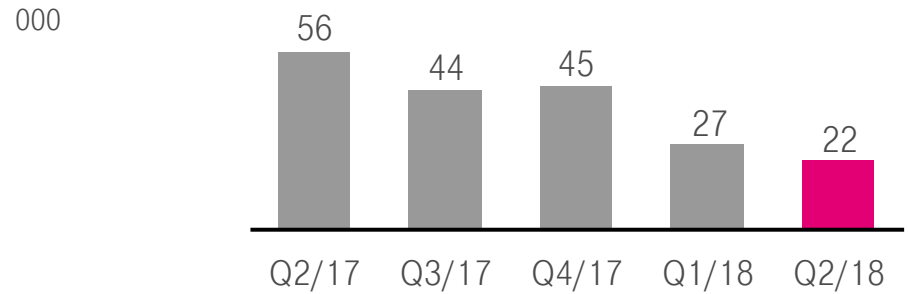
BB Net Adds¹



FMC Net Adds



TV Net Adds

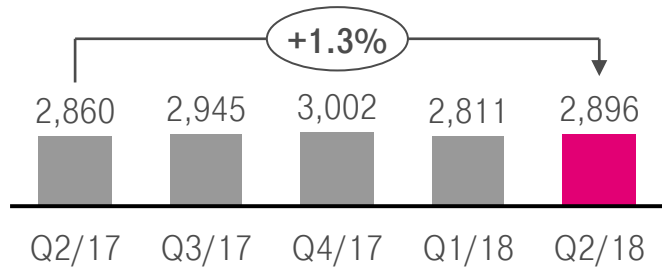


1) based on subscribers

EUROPE: GROWING REVENUE AND EBITDA

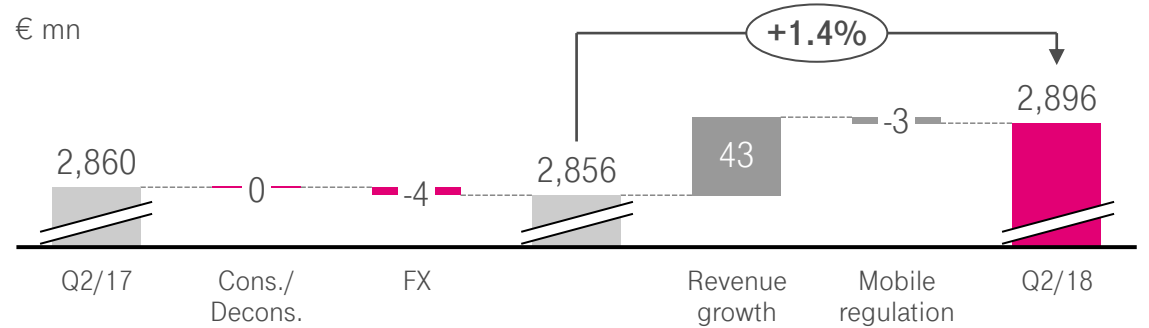
Revenue

€ mn



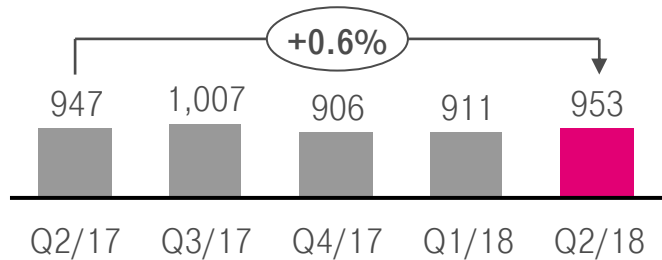
Organic revenue development

€ mn



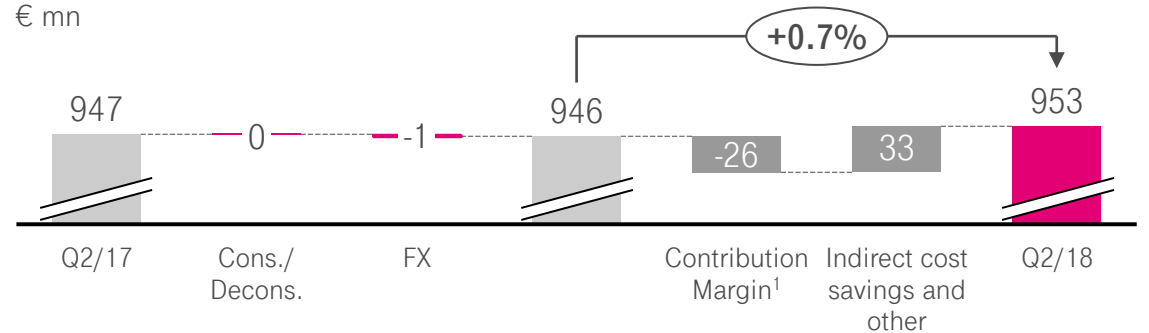
Adj. EBITDA

€ mn



Organic adj. EBITDA development

€ mn

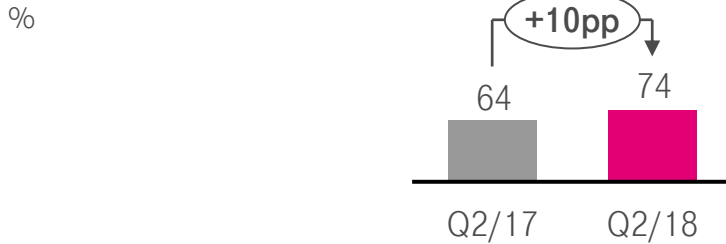


1) Total Revenue – Direct Cost

EUROPE: ONGOING INVESTMENTS IN NETWORK LEADERSHIP

IP migration

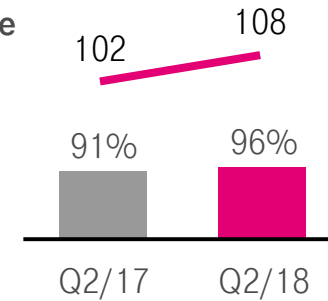
IP share of fixed network access lines



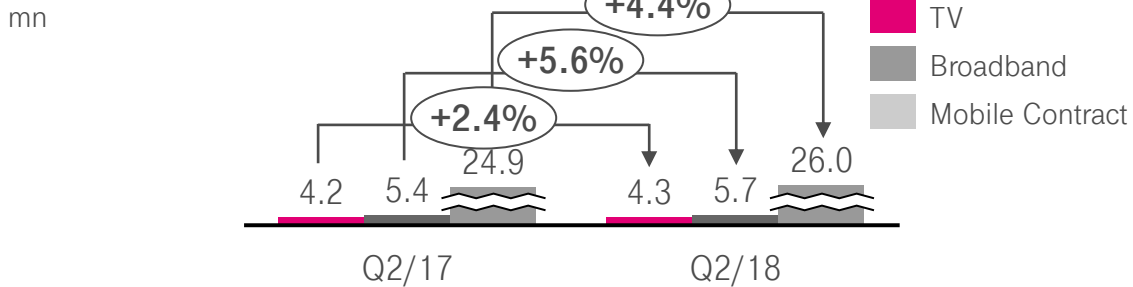
LTE rollout

LTE outdoor pop coverage

mn and %



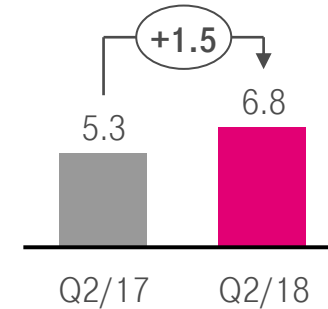
Customer base¹



Fiber rollout¹

Fiber households

mn



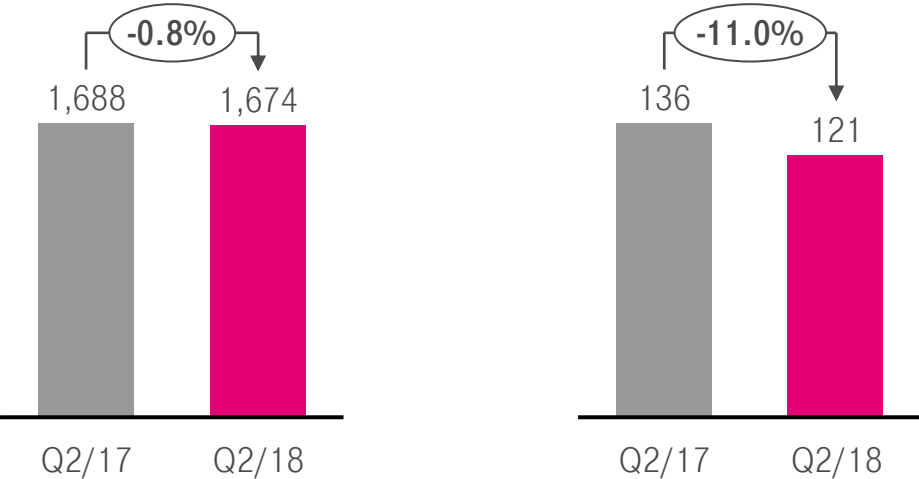
¹ ≥ 100Mbit/s coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3. Broadband also incl. wholesale customers. As of Q2/2018, adjusted HH baseline to include the Census update, B2B premises & CZ. 2017 restated.

SYSTEMS SOLUTIONS: ON TRACK FOR FULL YEAR GUIDANCE

T-Systems financials

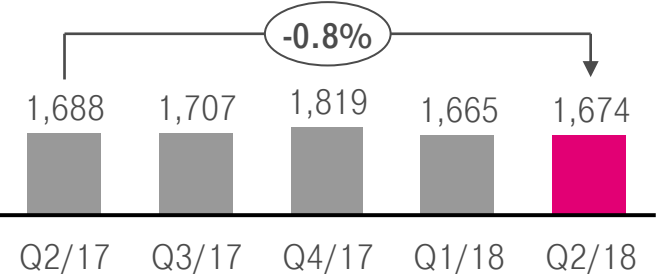
€ mn

Total revenue **Adj. EBITDA**



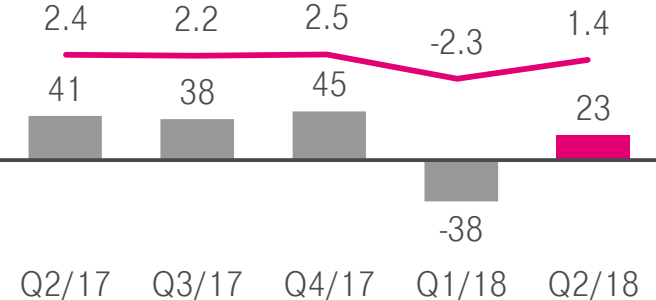
Revenue

€ mn



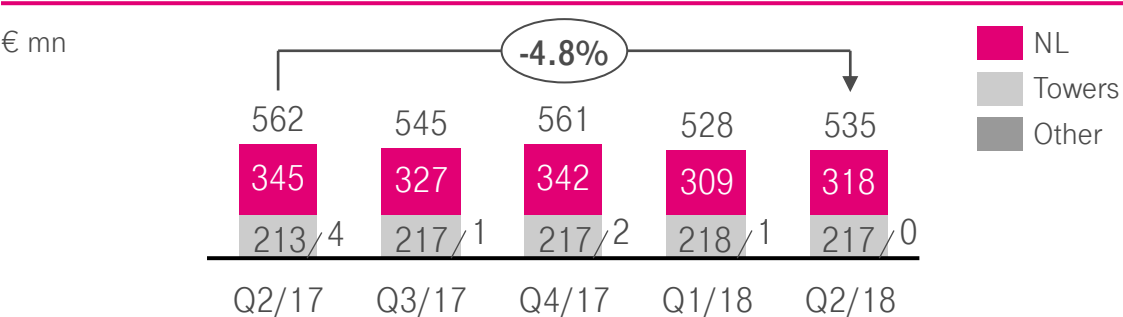
Adj. EBIT and margin in %

€ mn

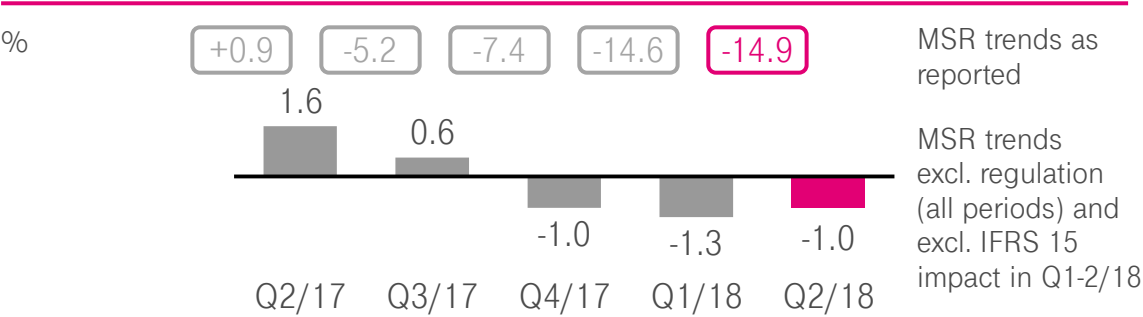


GROUP DEVELOPMENT: STEADY UNDERLYING DELIVERY - TM NL REVENUES IMPACTED BY IFRS 15

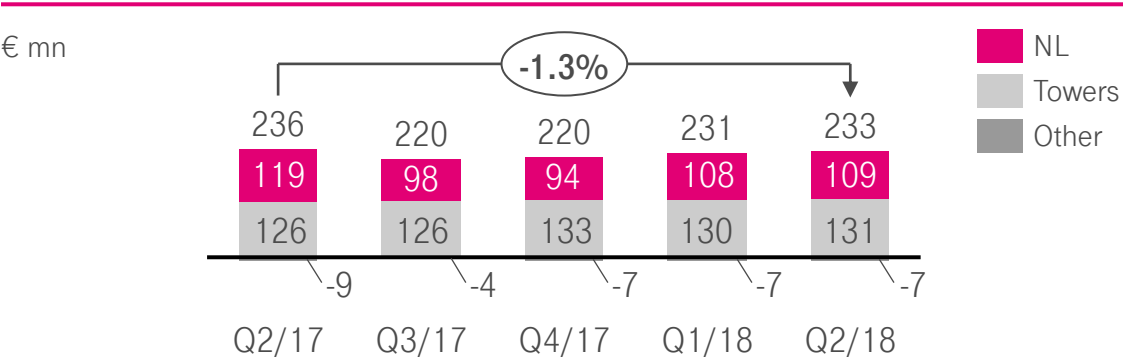
Revenue



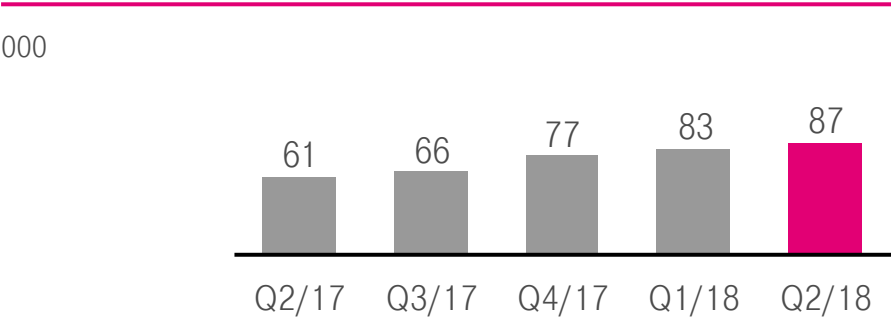
Mobile service revenue trend yoy (NL)



Adj. EBITDA

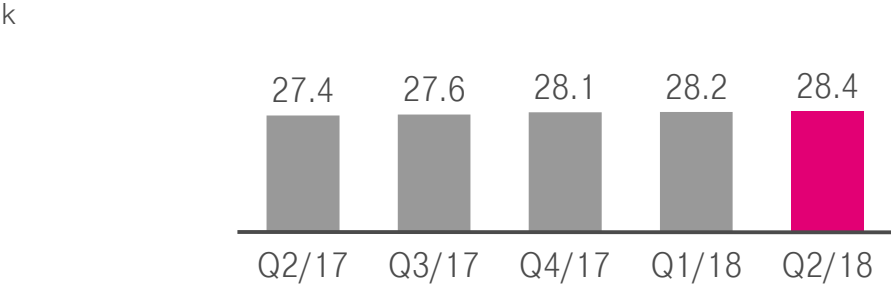


Contract net adds (NL)

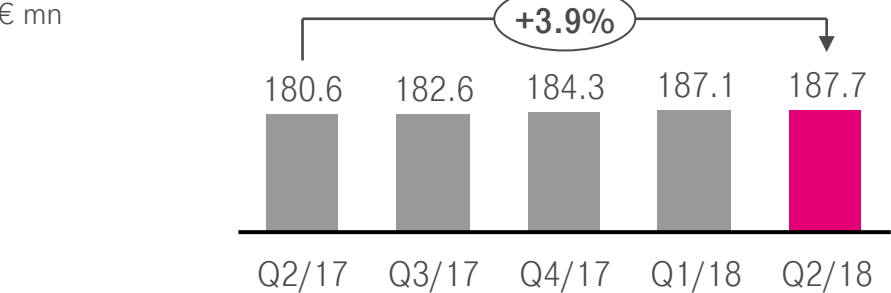


GROUP DEVELOPMENT: TOWER BUSINESS DOING WELL

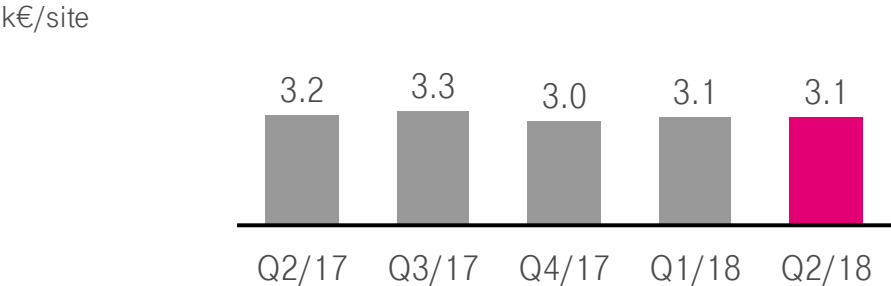
Total site development



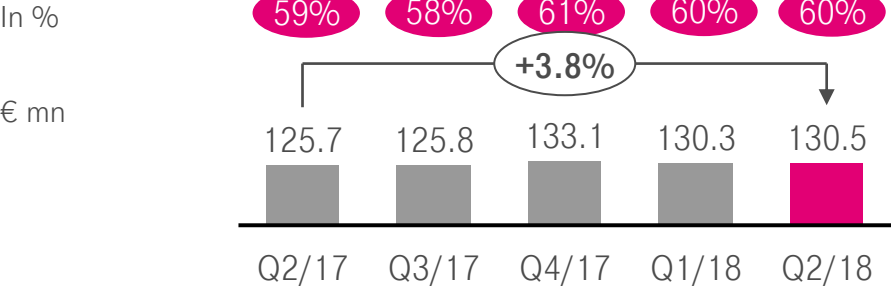
Recurring rental revenue



Opex per site (avg. sites)

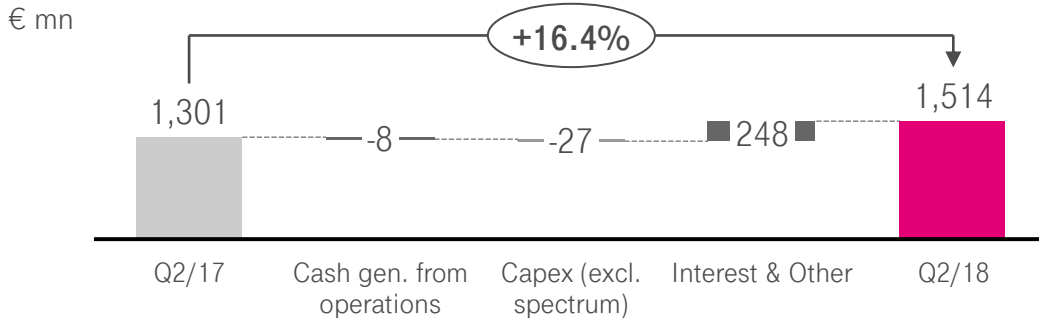


EBITDA & EBITDA margin development

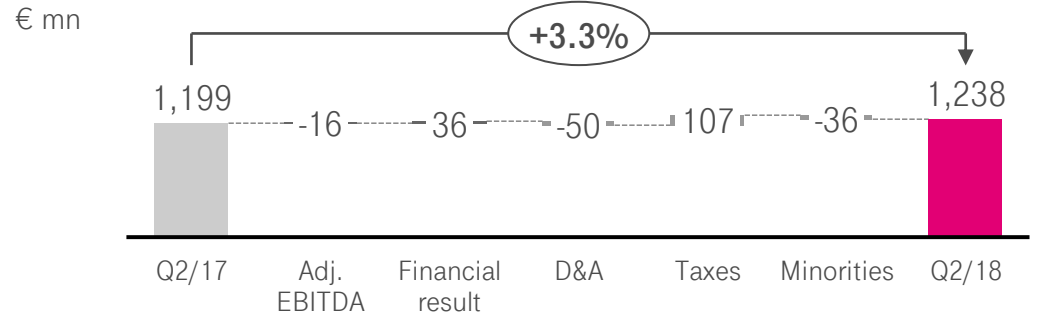


FINANCIALS: FCF, NET DEBT, NET INCOME AND EPS

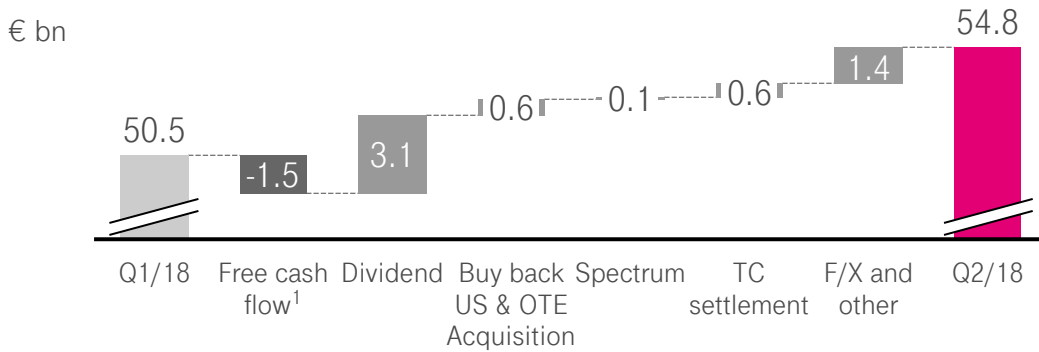
Free cash flow¹



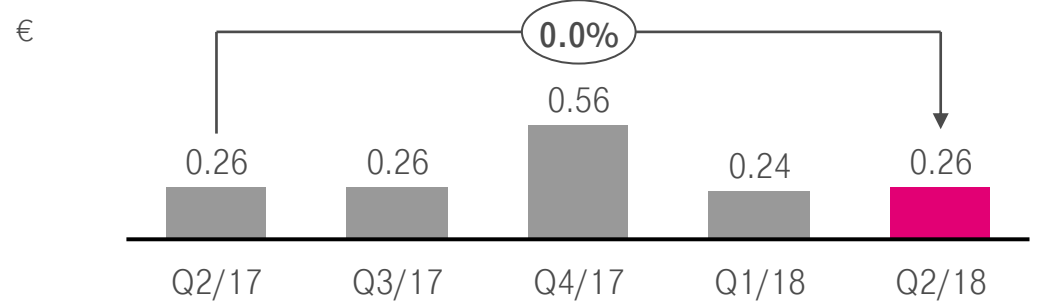
Adj. net income



Net debt development



Adj. EPS



1) Free cash flow before dividend payments and excl. Spectrum (Q2/18: €73 mn).

FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	30/06/2017	30/09/2017	31/12/2017	31/03/2018	30/06/2018
Balance sheet total	141.5	139.8	141.3	138.0	139.7
Shareholders' equity	38.6	39.1	42.5	43.7	41.4
Net debt	55.2	52.6	50.8	50.5	54.8
Net debt/adj. EBITDA ¹	2.5	2.3	2.3	2.3	2.5
Equity ratio	27.3%	27.9%	30.0%	31.7%	29.6%

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

WHY DT: BEST POSITIONED FOR FUTURE GROWTH



Unique **footprint**
& **Asset Base**

- ✓ **Transatlantic presence** in worlds' 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**



LIFE IS FOR SHARING.

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
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 resolution

2) assumption: closure date Jan. 1, 2019

3) Subject to necessary AGM approval and board

CONFERENCE CALL WITH Q&A SESSION

The conference call will be held on **August 9 at 2:00 PM CET, 1:00 PM GMT, 8 AM ET.**

DT Participants: **Tim Hoettges** (CEO), **Thomas Dannenfeldt** (CFO), **Hannes Wittig** (Head of IR)

Webcast

- The **link to the webcast** will be provided here 20 minutes before the call starts: www.telekom.com/18Q2
- To ask a question, **just type your question into the box below the stream**
- We webcast in **HD Voice Quality**
- The **recording will be uploaded to YouTube** after the call

Dial-in

DE	0800 9656288	+	code 69447490#
UK	0800 0515931	+	code 69447490#
US	+1 866 7192729	+	code 69447490#
Other	+49 69 271340801	+	code 69447490#

NEW: to participate in the dial-in conference please register via the following link:

<https://eventregistration.konferenz-telekom.de/EventConfRegistrationGui/?token=1531393529483&lang=en>



FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

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Contact details for all
IR representatives:
www.telekom.com/ircontacts



IR Webpage

www.telekom.com/investors



IR Twitter Account

www.twitter.com/DT_IR



IR YouTube Channel

http://www.telekom.com/youtube_ir



APPENDIX

2018: ACCOUNTING IMPACT ON RESULTS

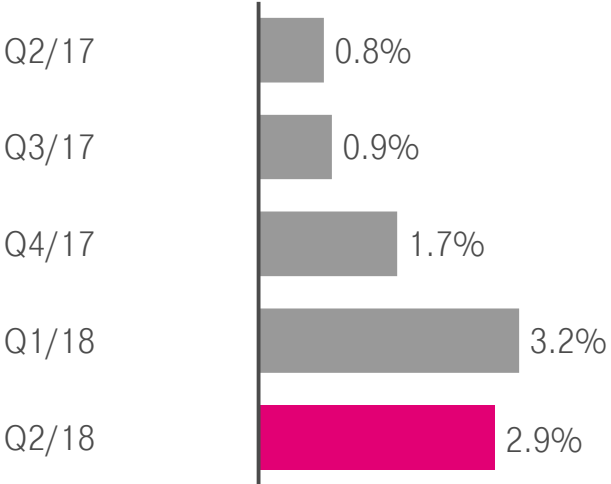
Outlook beginning of year 2018

	Revenue	Adj. EBITDA	Current view
Group	-0.15 bn	max. +0.1 bn ¹	Unchanged
Germany	-1 to -1.5%	Impact of IFRS 9 (-) and IFRS 15 (+) will be neutral	We expect a moderate tailwind to the adj. EBITDA
US	+0.5%	+0.2% ¹	Unchanged
Europe	negligible	negligible	Unchanged
Group Development	no outlook given	no outlook given	Approx. -2% on revenue and adj. EBITDA
Systems Solutions	no outlook given	no outlook given	negligible
GHS	no outlook given	no outlook given	negligible

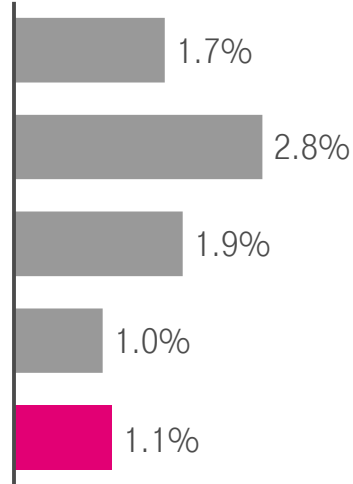
1) before the positive impact of 0.2 to 0.5 bn US\$ announced by TM US in their 2018 outlook

GERMANY MOBILE: SERVICE REVENUE (EXCL. IFRS 15)

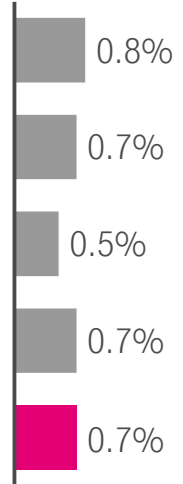
Reported mobile service revenue



Impact of mobile regulation¹



Impact of convergent offers²



Old medium term guidance (2014 - 2018 CAGR): Re-iterated



New medium term guidance (2017 - 2021 CAGR): Re-iterated

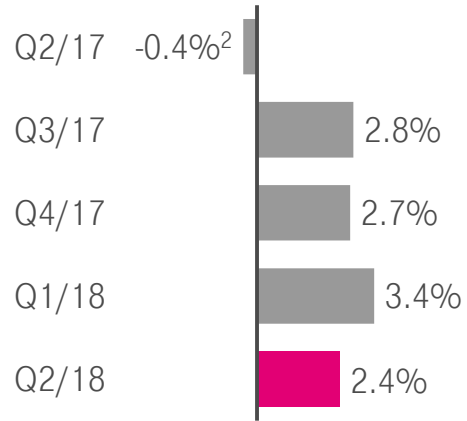


1) Impact of MTR and EU Roaming regulation 2) Impact of MagentaEINS and Telekom LTE broadband

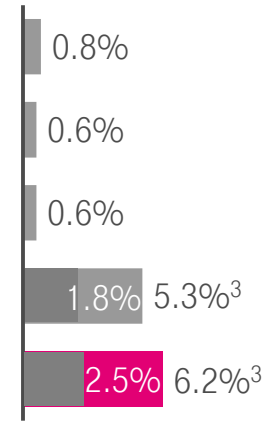
GERMAN FIXED: SERVICE REVENUE (EXCL. IFRS 15)

Growth rates YOY

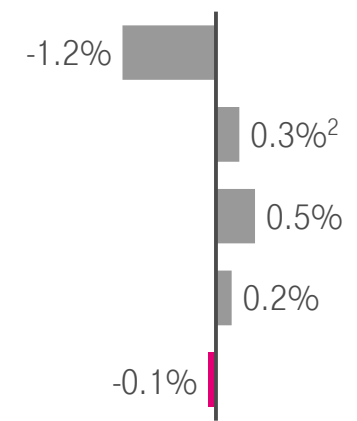
Wholesale revenue



Broadband revenue



Fixed line service revenue¹



Old medium term guidance (2014 - 2018 CAGR): Re-iterated

+0.0%

+2.0%

New medium term guidance (2017 - 2021 CAGR): Re-iterated

+2%⁴

+3 - 4%⁵

1) Fixed network core business revenue less fixed hardware revenue plus wholesale services fixed network revenue. From Q2/16 onwards we classify CPEs recurring rent revenue as fixed service revenue. Without this reclassification fixed line service revenue growth rate would be -0.5% in Q2/18. Prior quarters growth rates have not been restated. 2) Revenue in Q2/16 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at -1.5% for fixed service revenue, resp. -0.8% for total service revenue. 3) change in definition - no restatement for 2017. Effect in Q1/18: Shift of €47 mn from "Other revenues" to "BB revenues" underlying performance +1.8% and +2.5% in Q2/18.

4) Average growth rate adjusted fro IFRS15 impact. 5) Including business IP products (e.g. DLAN, Company Connect); average growth rate adjusted for IFRS 15 impact; growth 2017 - 2021e without definition change approx. 1pp lower.

THANK YOU!