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DEUTSCHE TELEKOM
Q1/2016 RESULTS



LIFE IS FOR SHARING.

DISCLAIMER

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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents non-GAAP financial 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 non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

REVIEW Q1/16

OUR STRATEGY

LEADING EUROPEAN TELCO

**INTEGRATED
IP NETWORKS**

**BEST
CUSTOMER
EXPERIENCE**

**WIN WITH
PARTNERS**

**LEAD IN
BUSINESS**

TRANSFORM PORTFOLIO

EVOLVE FINANCIAL TARGETS & EFFICIENCY

ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT



LIFE IS FOR SHARING.

LEADING EUROPEAN TELCO: ONGOING EXECUTION – GUIDANCE RE-ITERATED

Customers

- Record demand for fiber
 - 5 million German homes on fiber
 - 660k net adds in Q1 alone
- Growth in the US continues
 - 2.2 million net adds
 - 14% service revenue growth



Investments and innovation

- Further strengthening of spectrum position in the US and Europe
- Ongoing investments into networks and transformation
- Innovative offers launched



Financial results

- Strong growth continues
 - Revenue up 4.7% yoy
 - Comparable¹ adj. EBITDA up 6.5%
 - Comparable¹ FCF up 10.6%
- Net debt/adj. EBITDA at 2.3

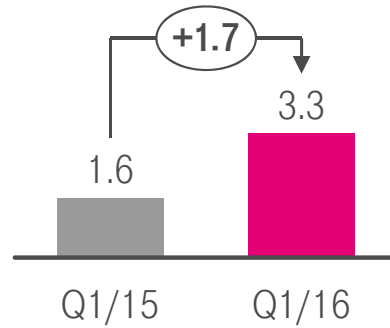


1) Adjusted for handset lease/data stash (adj. EBITDA) and EE dividend (FCF)

CUSTOMERS: STRONG MOMENTUM WITH CUSTOMERS

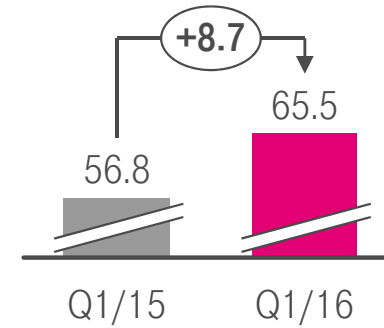
MagentaEINS (Germany + EU)¹

mn



US Mobile

mn



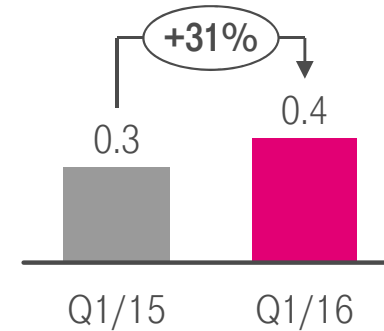
Fiber in Germany

mn



Cloud revenues

€ bn



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

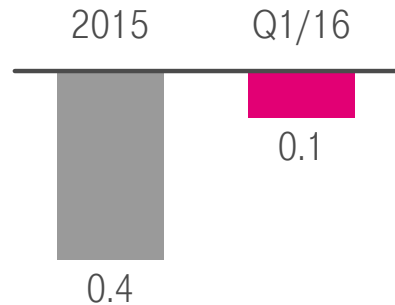
Q1 2016: HIGHLIGHTS

Innovation/Best networks



Efficiency

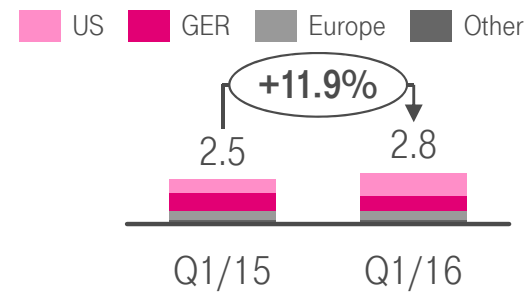
Indirect costs (excl. US) in billion €



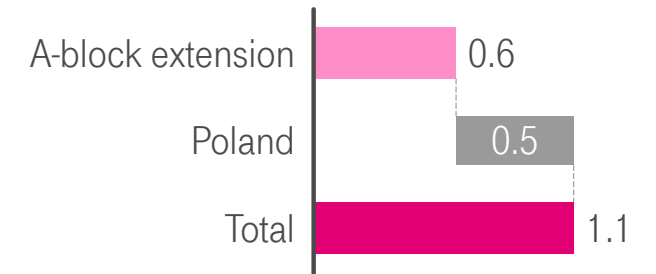
- Ongoing efficiency improvements in line with target run rate

Investments (€ bn)

Cash capex (excl. spectrum)



Spectrum spend



Funding/Portfolio

Funding

- 2016 maturities covered (€ 4.5 billion raised in Q1)
- Revised approach to TMUS self funding
 - \$ 4 billion note purchase agreements with TMUS
 - Case by case logic – no read-across to other pillars of TMUS strategy or spectrum auction

Portfolio

- M&A policy re-iterated

FINANCIALS AND GUIDANCE 2016: STRONG MOMENTUM CONTINUES, GUIDANCE RE-ITERATED

€ bn

	<u>Revenue</u>	<u>Adj. EBITDA</u>	<u>FCF</u>
2016 Guidance (\$/€: 1.11)	Increase	Around 21.2 bn ²	Around 4.9 bn
14-18 CAGR ¹	+1-2%	+2-4%	≈+10%
Q1 2016 performance	+4.7%	+12.9% (6.5%) ³	-5.0% (+10.6%) ³

1) 14-18 CAGRs as per CMD 2015 guidance 2) Of which handset lease and data stash \$0.7 billion 3) In brackets: adj. EBITDA adjusted for handset lease. FCF adjusted for dividend impact EE

REVIEW Q1/16



Q1/2016: FINANCIAL HIGHLIGHTS

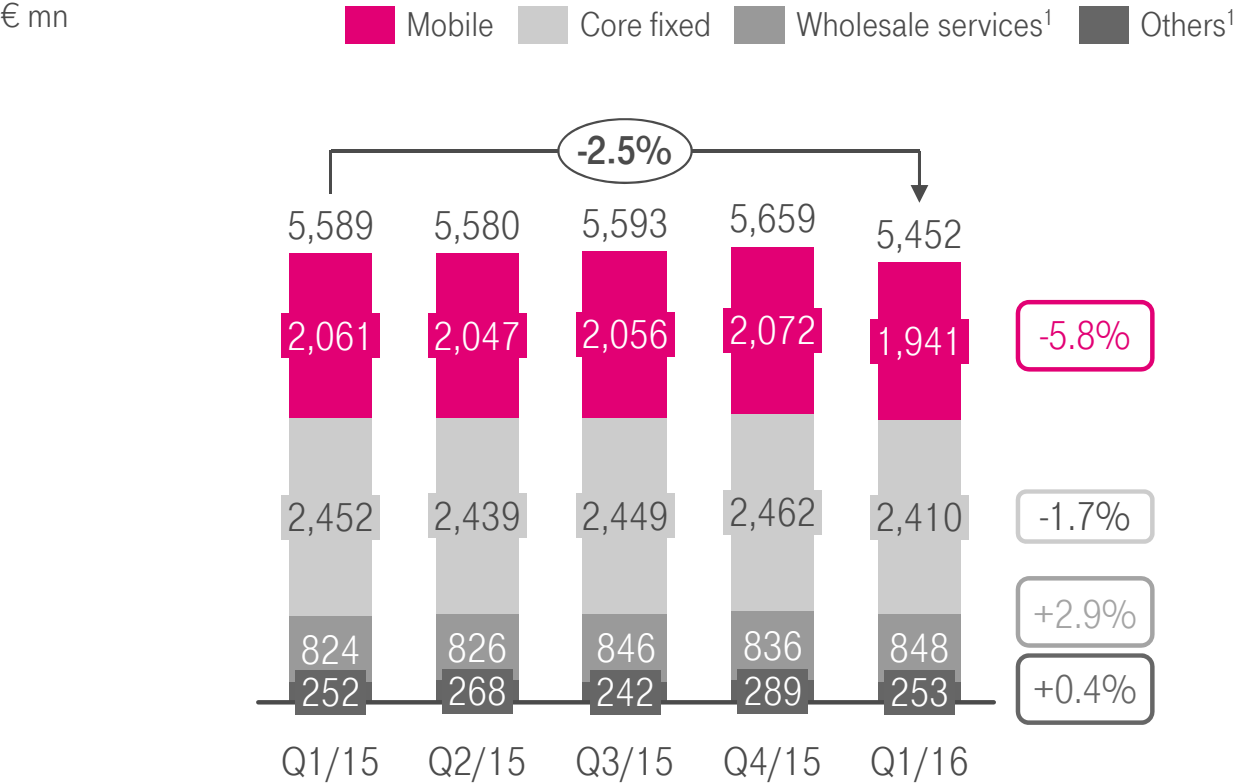
€ mn

	Q1			FY		
	2015	2016	Change	2014	2015	Change
Revenue	16,842	17,630	+4.7%	62,658	69,228	+10.5%
Adj. EBITDA	4,574	5,163	+12.9%	17,569	19,908	+13.3%
Adj. net profit	1,036	1,047	+1.1%	2,422	4,113	+69.8%
Net profit	787	3,125	+297.1%	2,924	3,254	+11.3%
Adj. EPS (in €)	0.23	0.23	0.0%	0.54	0.90	+66.7%
EPS (in €)	0.17	0.68	+300.0%	0.65	0.71	+9.2%
Free cash flow ¹	865	822	-5.0%	4,140	4,546	+9.8%
Cash capex ²	2,530	2,831	+11.9%	9,534	10,818	+13.5%
Net debt	46,310	47,603	+2.8%	42,500	47,570	+11.9%

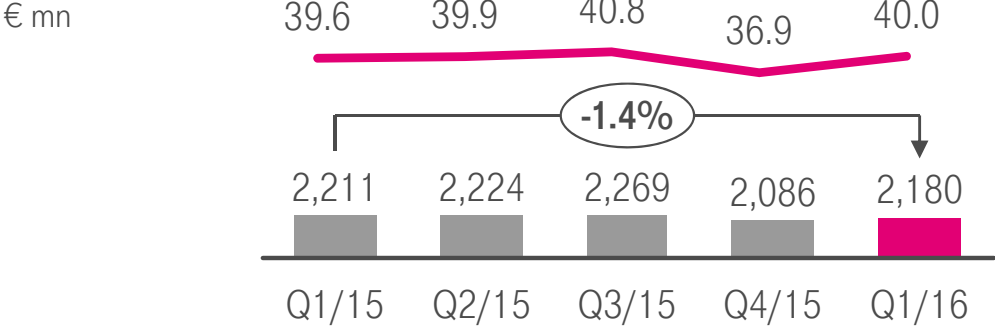
1) Free cash flow before dividend payments and spectrum investment 2) Excl. spectrum: Q1/15: € 1,899 million; Q1/16: € 1,065 million; FY/14: € 2,310 million; FY/15: € 3,795 million

GERMANY: REVENUES IMPACTED BY LOWER HANDSET SALES. EBITDA ON TRACK

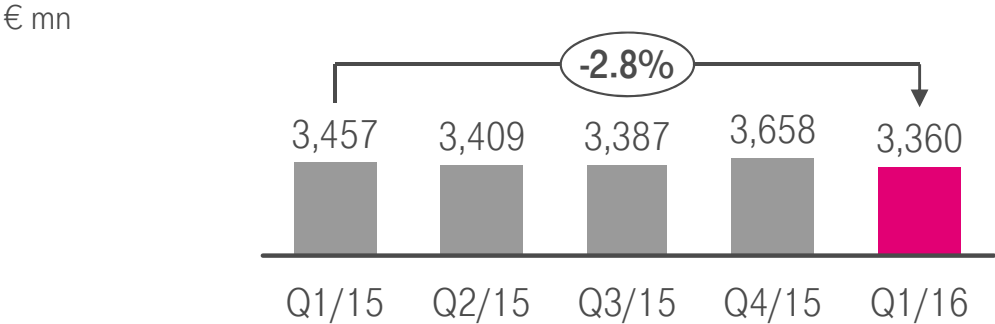
Revenue reported



Adj. EBITDA and margin (in %)



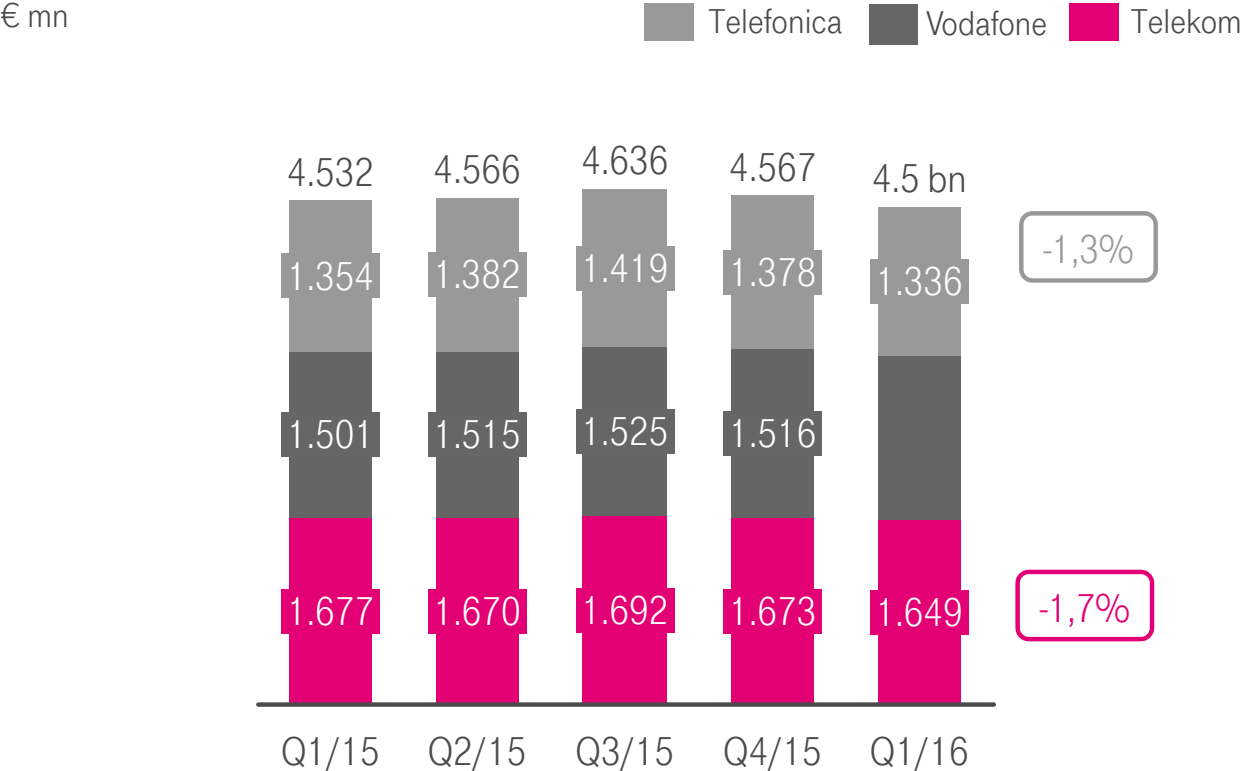
Adj. OPEX



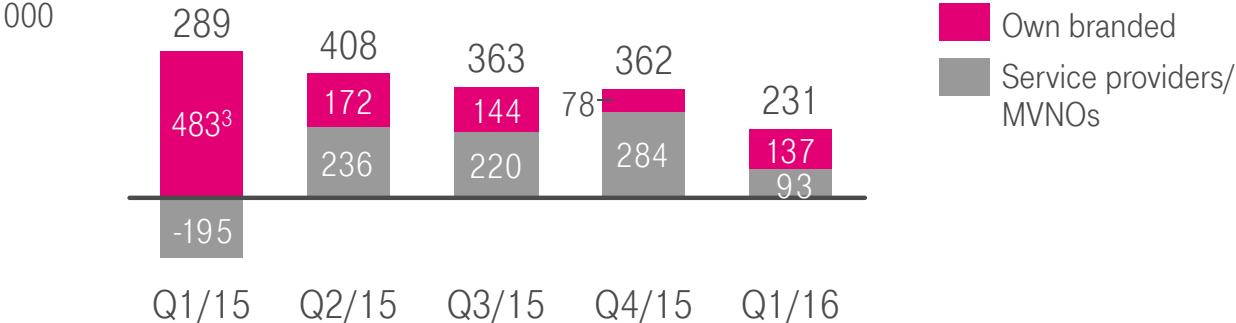
1) Figures 2015 have been restated. Approx. € 80 million shifted from wholesale to others

GERMANY MOBILE: STEADY MOMENTUM WITH CUSTOMERS

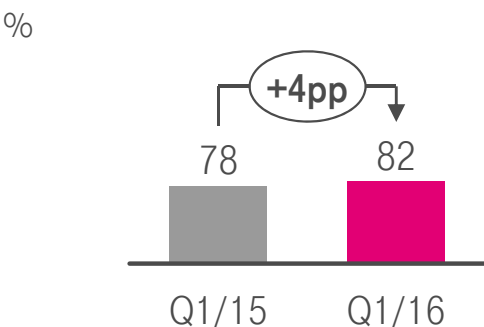
German mobile market service revenue¹



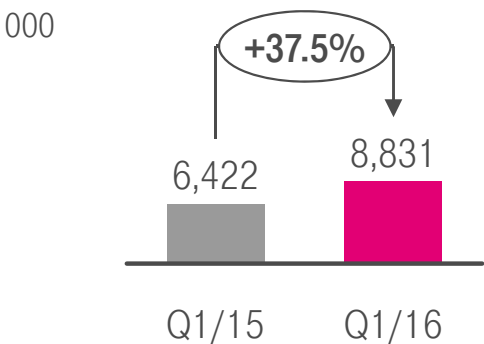
Contract net adds²



Smartphone penetration⁴



LTE customers⁵

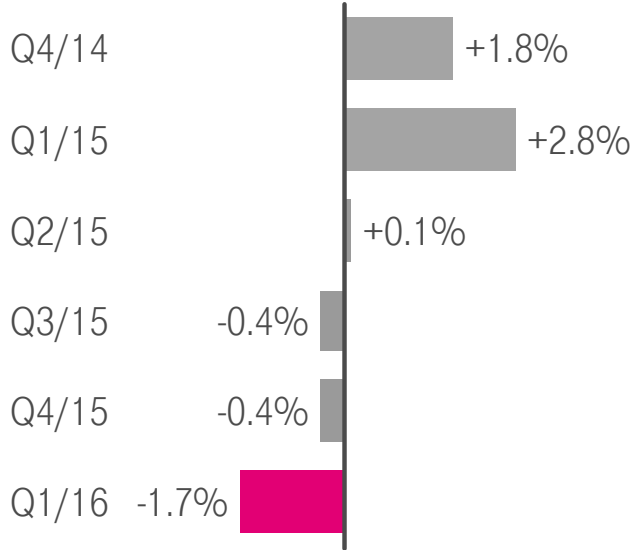


1) Management estimate 2) Figures may not add up due to rounding 3) Q1/15 impacted by re-classification of 288k customers from service providers to own branded

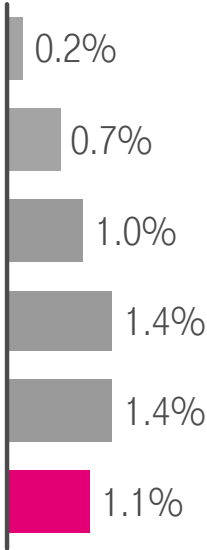
4) Of own branded retail customers 5) Customers using a LTE-device and tariff plan including LTE

GERMAN MOBILE SERVICE REVENUES: A TOUGH COMP BUT NO FUNDAMENTAL CHANGE

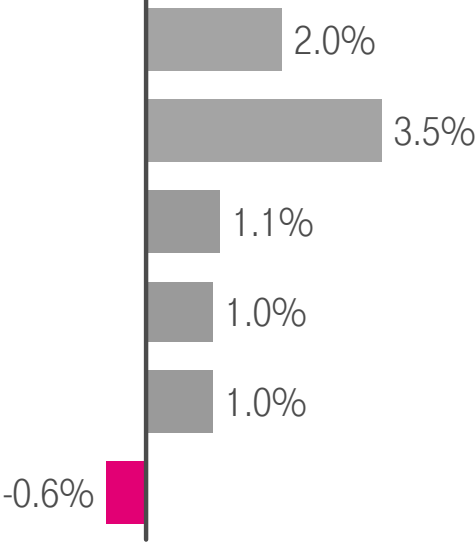
Reported mobile service revenues



Impact of convergence products¹



Underlying growth



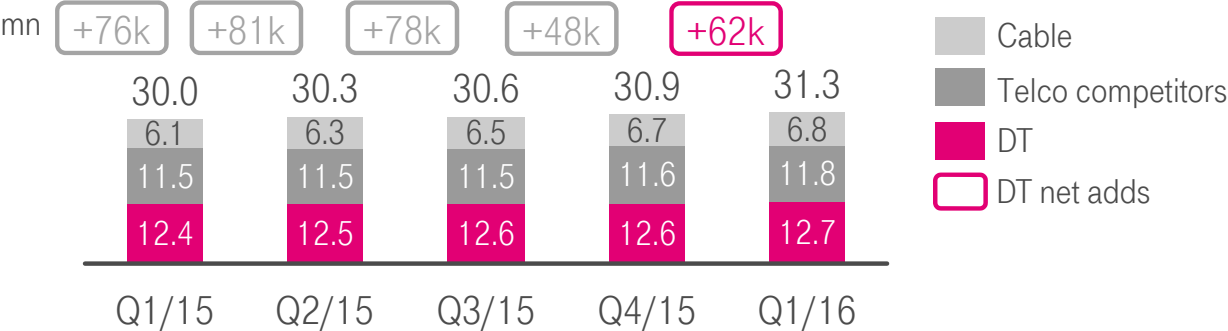
Medium term guidance (2014–2018 CAGR): Re-iterated

≈ +1% (without EU roaming impact)

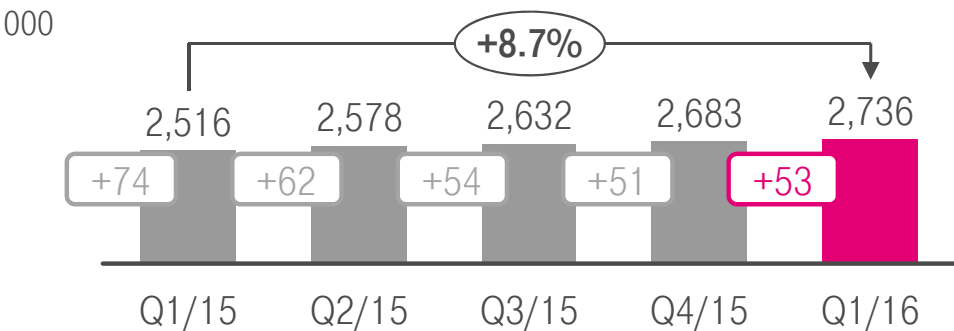
1) Impact of MagentaEINS and Telekom LTE broadband

GERMANY FIXED: INVESTMENTS IN INFRASTRUCTURE DRIVE FIBER GROWTH

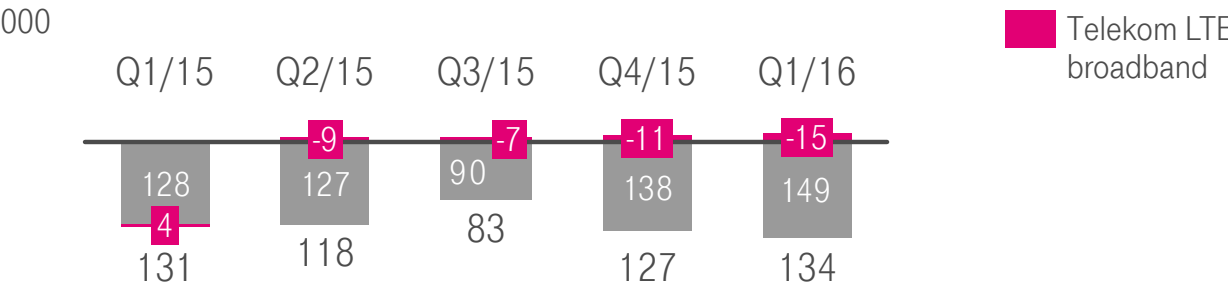
German broadband market¹



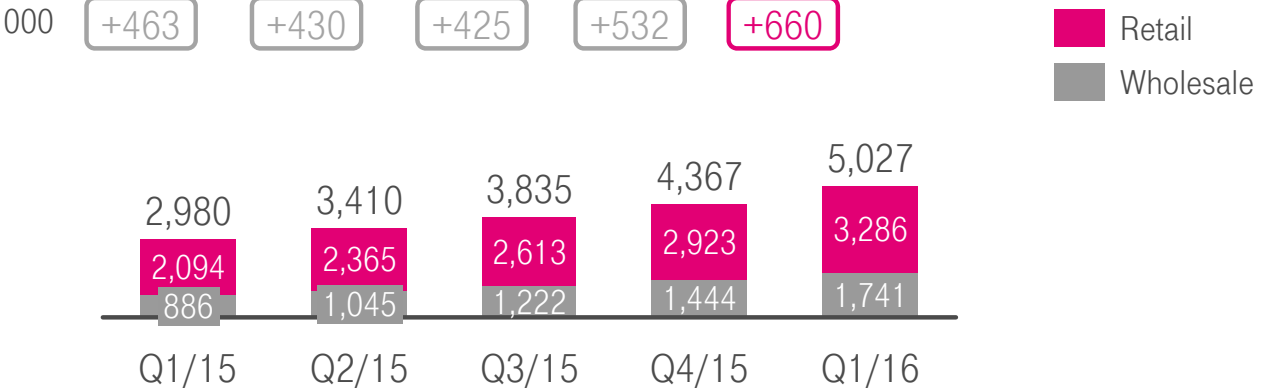
Entertain customers



Line losses



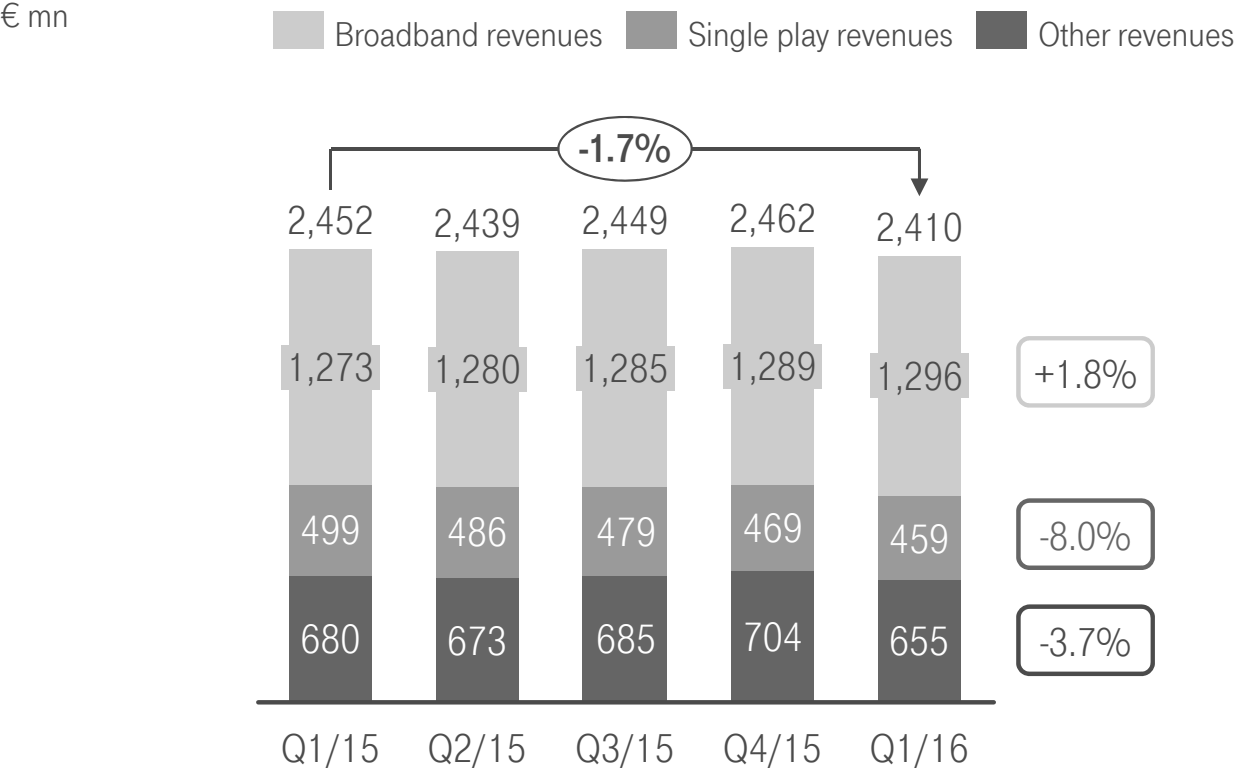
Fiber customers²



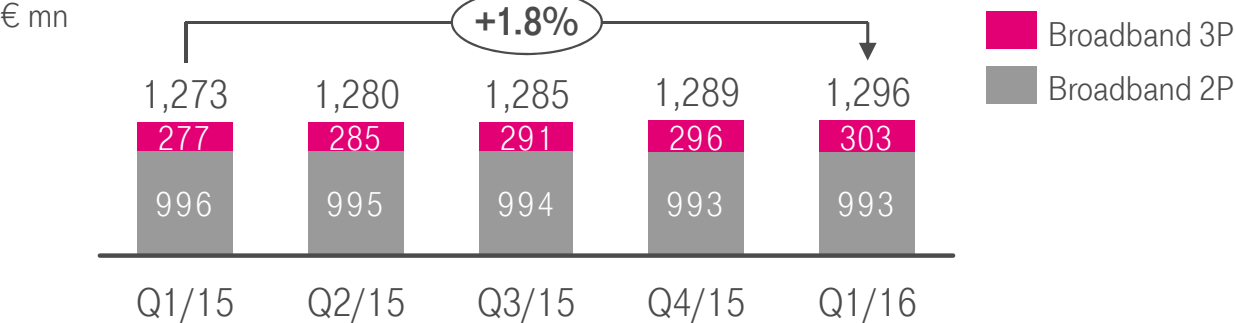
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, vectoring, and FTTH)

GERMANY FIXED: OUR UPSELL STRATEGY IS WORKING

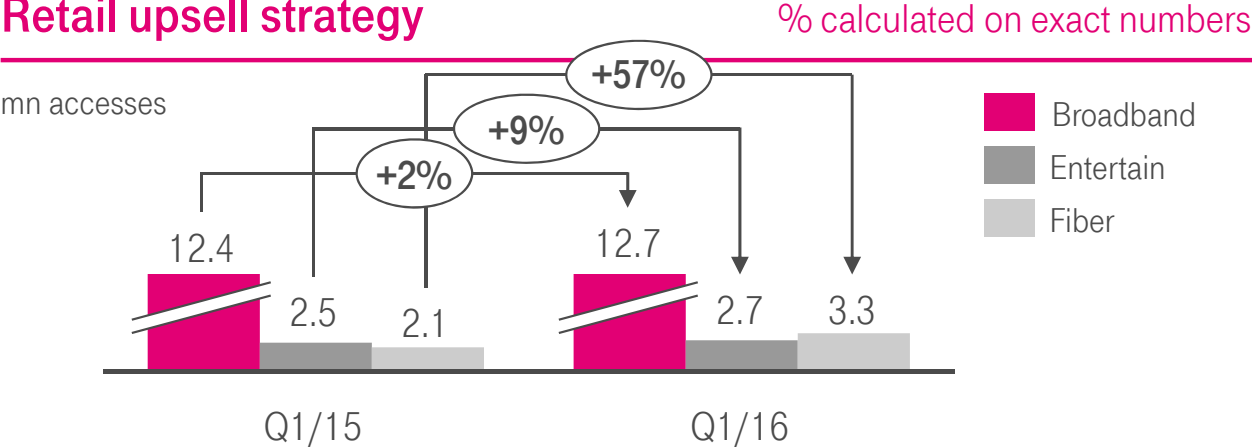
Fixed network revenues (core fixed)



Broadband revenues



Retail upsell strategy

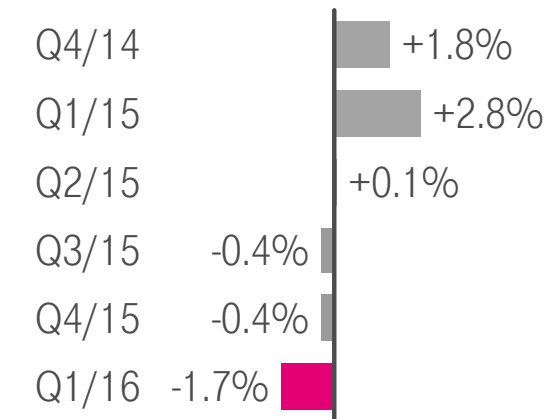


LIFE IS FOR SHARING.

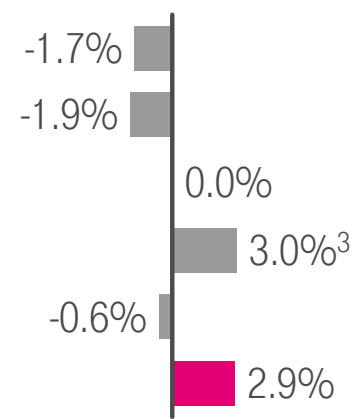
GERMAN TOTAL SERVICE REVENUES: WE ARE FUNDAMENTALLY ON TRACK

Growth rates YOY

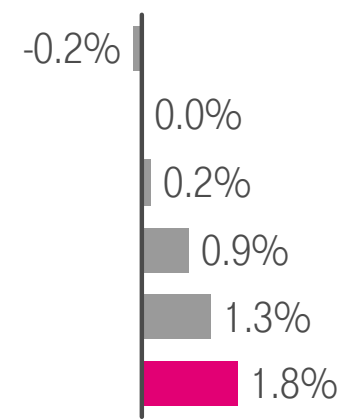
Mobile service revs



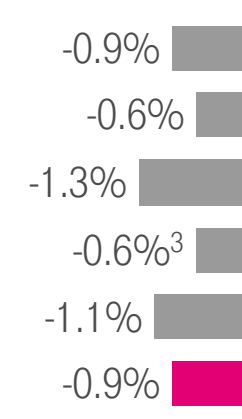
Wholesale revs²



Broadband revs²



Total service revs



Medium term guidance (2014–2018 CAGR): Re-iterated

≈ +1%¹

+0.0%

+2.0%

+0.3%^{1,4}

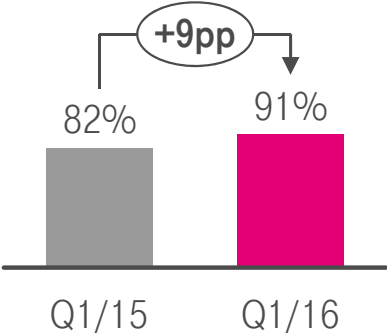
1) Without EU roaming impact 2) Percentage changes for Q4/14 – Q4/15 not restated

3) Revenue in Q3/15 benefitted from special factor related to settlement agreements concerning charged fees from previous years. Adjusted growth rate at 0.0% for wholesale, respectively -1.1% for total service revenues 4) CAGR for total revenues

GERMANY: NETWORK ROLL-OUT AND TRANSFORMATION CONTINUE

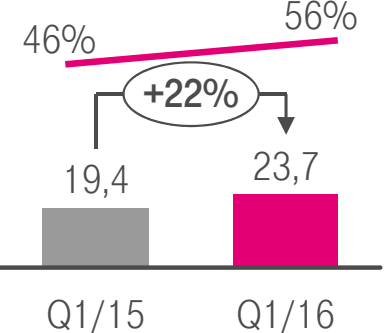
INS – Status LTE rollout

POP Coverage in %¹



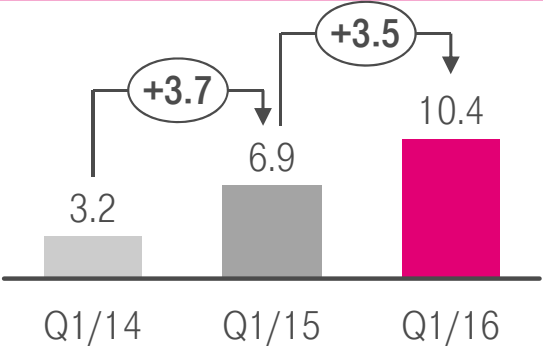
INS – status fiber rollout²

Coverage in % and millions of households



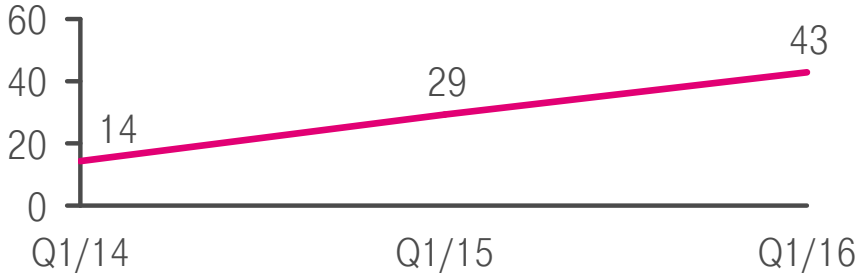
Status IP accesses (retail & wholesale)

mn



Status IP accesses (retail & wholesale)

in % of lines

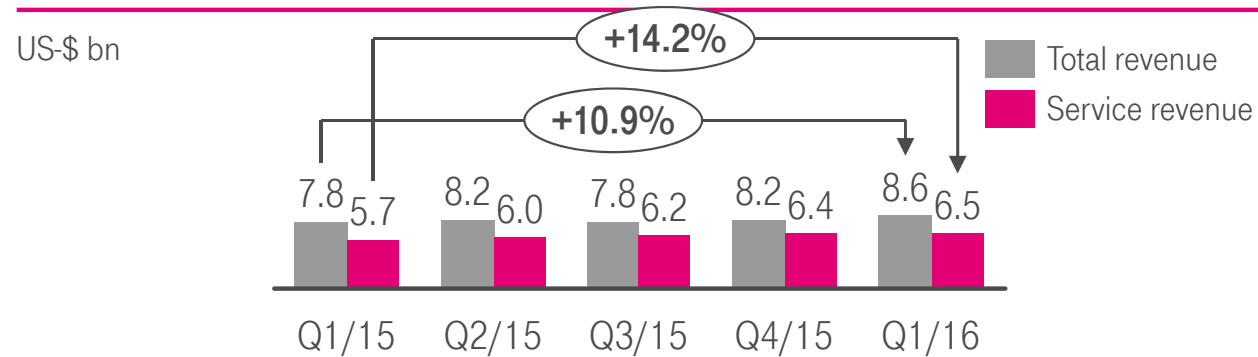


Target:
100% of lines
by 2018!

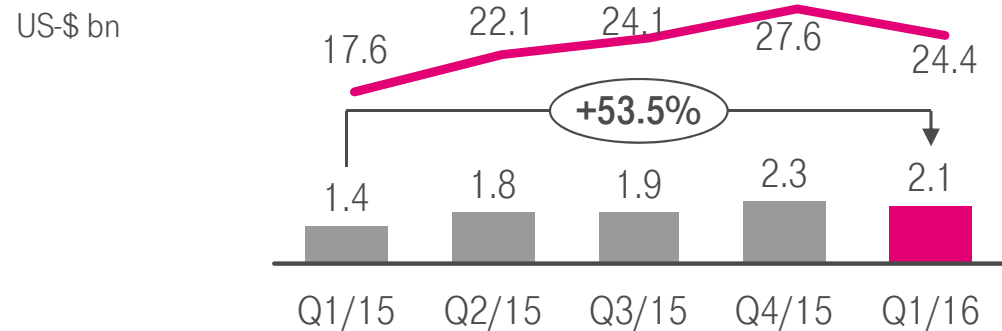
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany

TMUS: STRONG GROWTH IN ALL KEY METRICS

Revenue and service revenue



Adj. EBITDA and margin (in %)

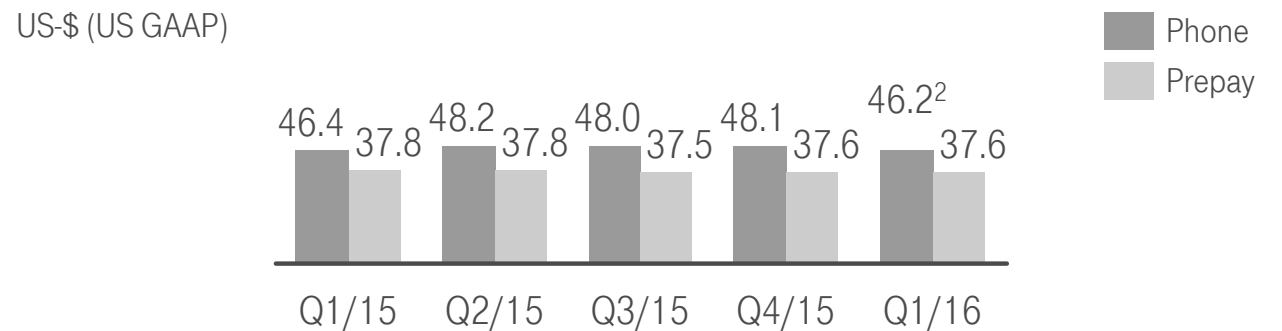


Net adds

000

Total net adds	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16
Total net adds	1,818	2,072	2,312	2,062	2,221
Branded:					
▪ Postpaid	1,125	1,008	1,085	1,292	1,041
▪ Prepay	73	178	595	469	807
Wholesale ¹	620	886	632	301	373

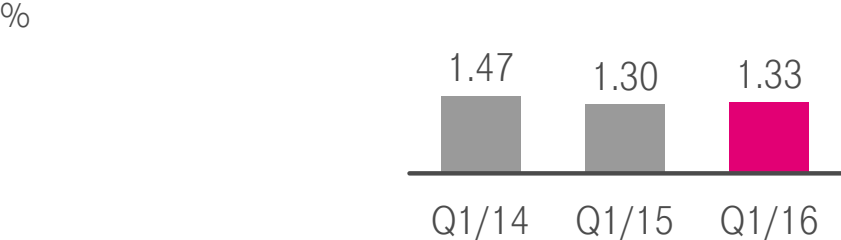
Branded customers: postpaid phone and prepay ARPU



1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding. 2) Excl. data stash effect postpaid phone ARPU increased 0.3% QoQ and decreased 0.2% yoy.

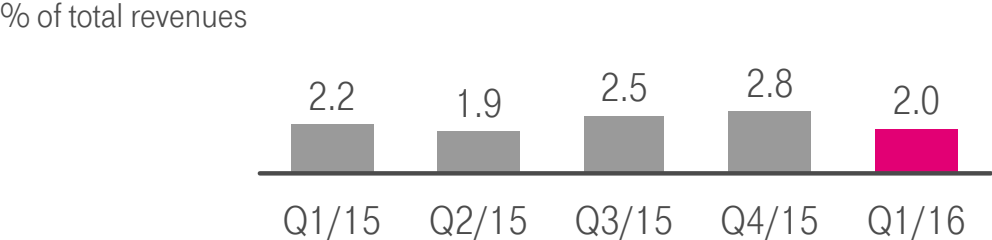
FOCUS ON TMUS: IMPORTANT DRIVERS KEEP TRENDING WELL

Branded postpaid phone churn



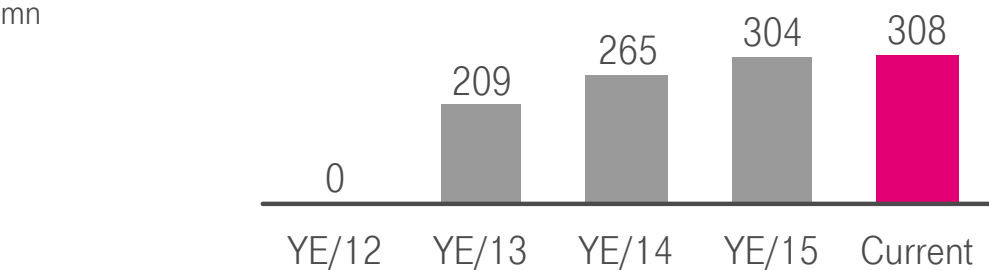
- Churn remains on low level, despite more intense competition

Bad debt expenses & losses from sale of receivables



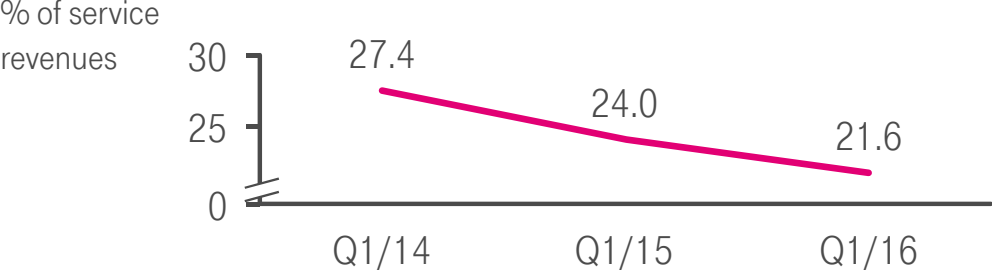
- Receivables classified as prime unchanged at 52% (incl. EIP receivables sold)

LTE covered POPs



- A-block update: deployed in more than 340 market areas (spectrum covers approx. 80% of US POPs or 258M people)

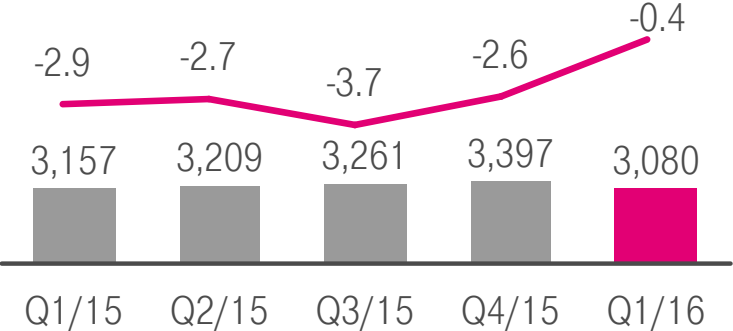
Cost of service



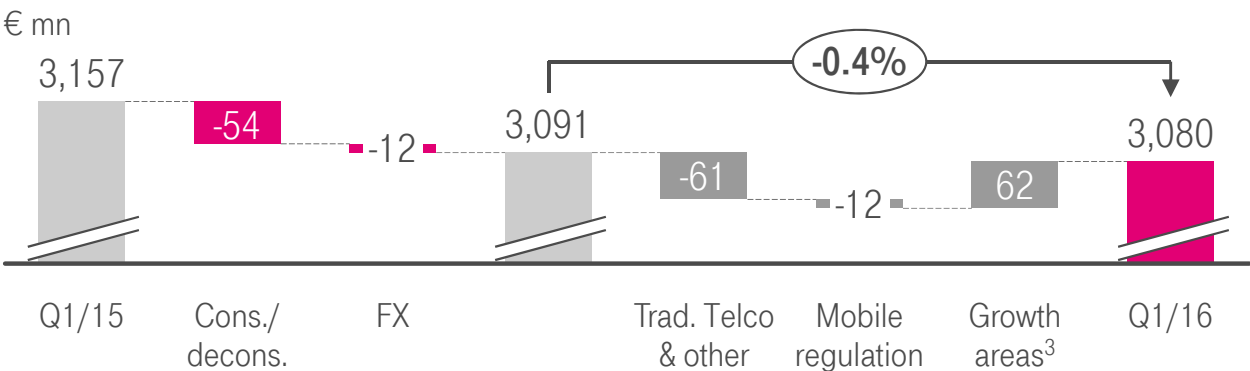
- MetroPCS synergies and growing scale outweigh network expansion costs

EUROPE: TREND TOWARDS STABILIZATION CONTINUES

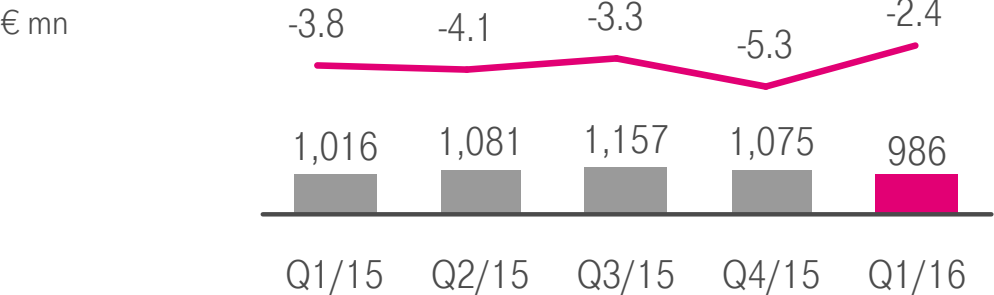
Revenue as reported in € mn and organic change yoy in %^{1,2}



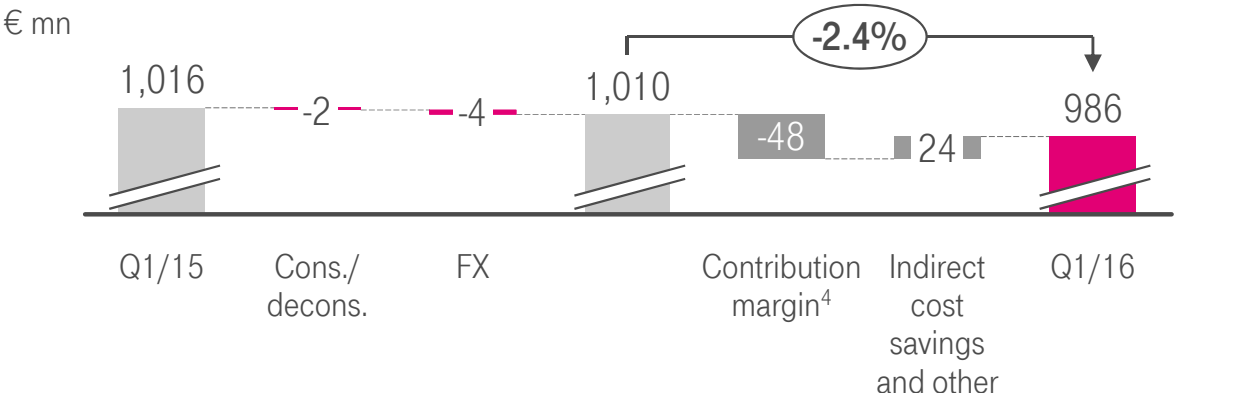
Organic revenue development



Adj. EBITDA as reported and organic change yoy in %^{1,2}



Organic adj. EBITDA development

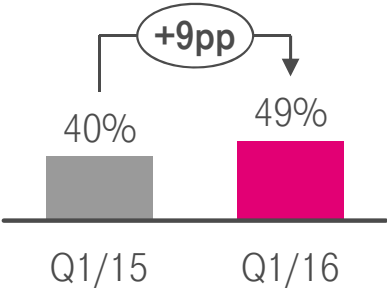


1) %-change figures as previously disclosed. Not adjusted for restatement
 2) The Business Customers unit of Magyar Telekom, our company in Hungary, which was previously organizationally assigned to Systems Solutions, was consolidated in the Europe operating segment as of January 1, 2016. 2015 figures have been restated.
 3) Mobile data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy, and other) 4) Total revenues – direct cost

EUROPE: IP MIGRATION AND LTE LEADERSHIP

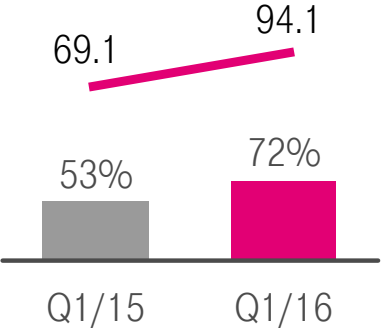
IP migration

IP share of fixed network access lines

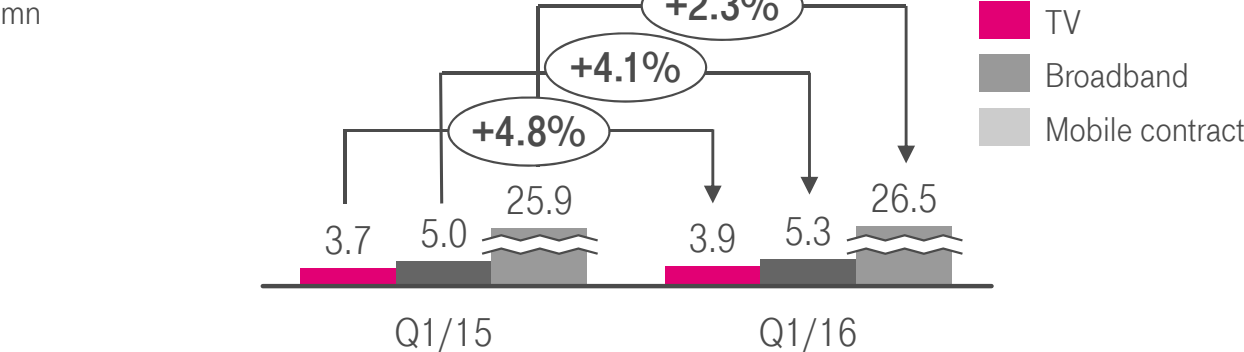


LTE rollout

LTE outdoor pop coverage
mn and %

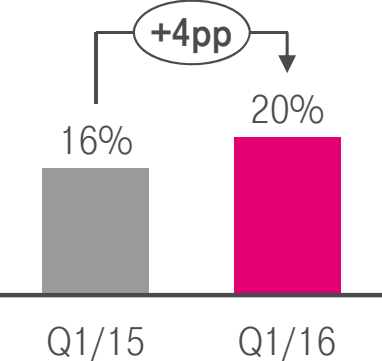


Customer base¹



Fiber rollout¹

Fiber household coverage

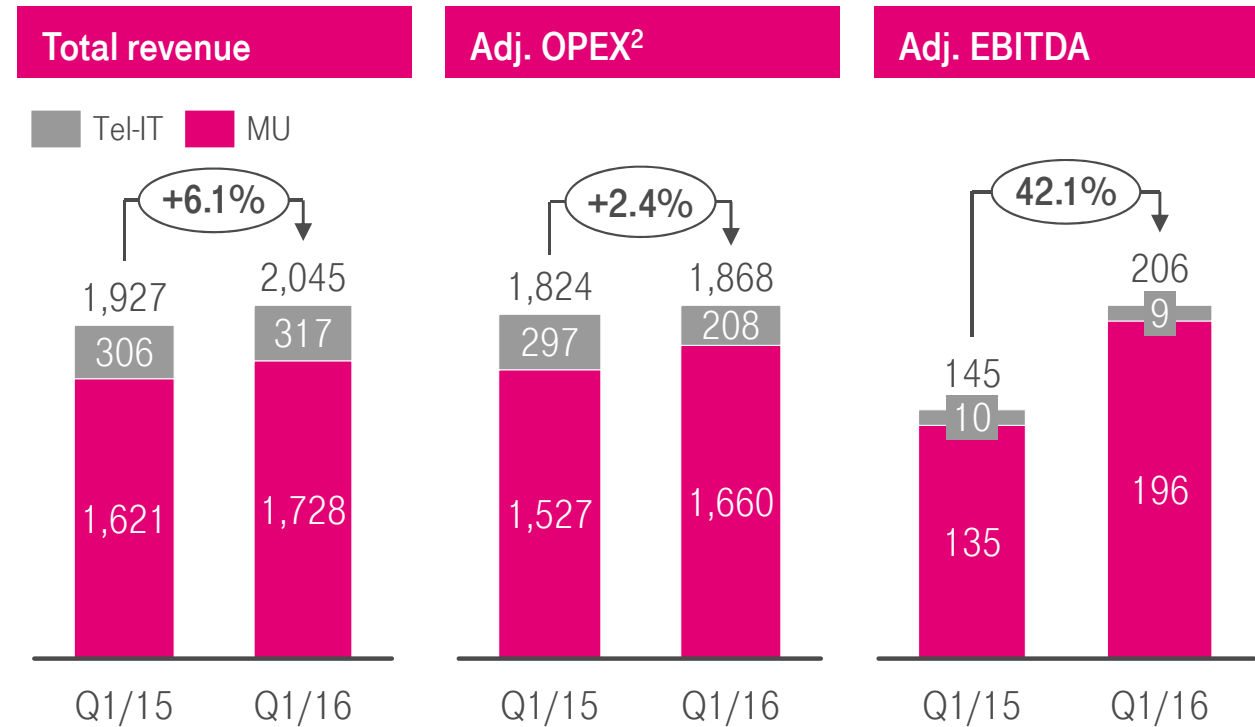


1) ≥ 100Mbit/s-coverage: FTTH, FTTB, FTTC (with vectoring), cable/ED3

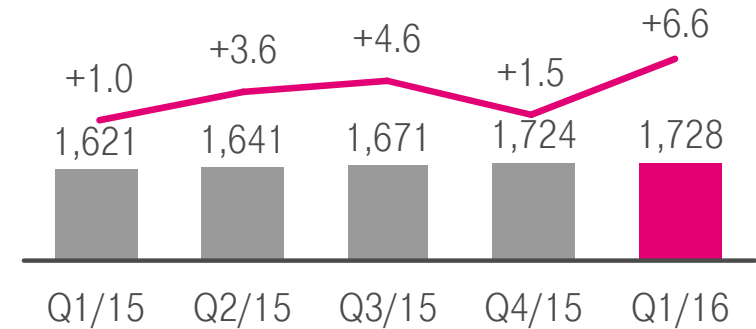
SYSTEMS SOLUTIONS: TRANSFORMATION MAKING PROGRESS

T-Systems financials¹

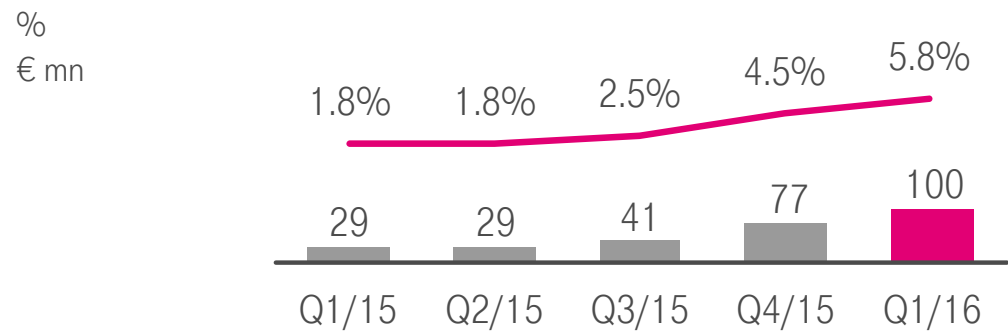
€ mn



Revenue Market Unit in € million and change yoy in %³



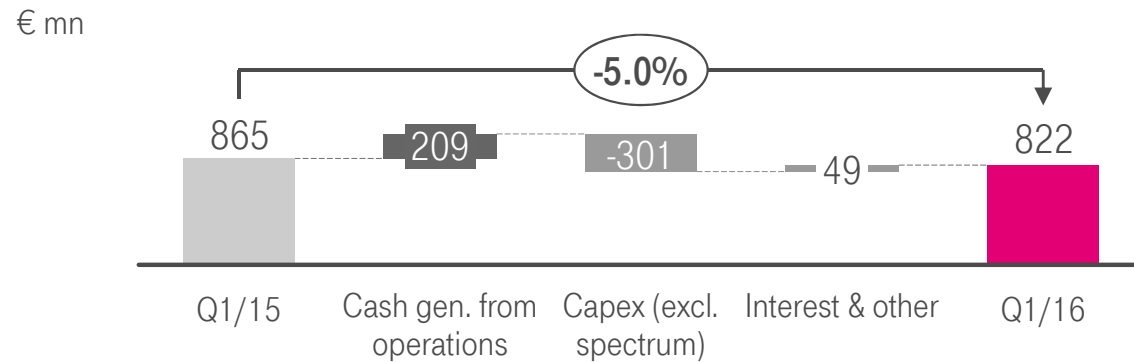
Adj. EBIT and margin Market Unit



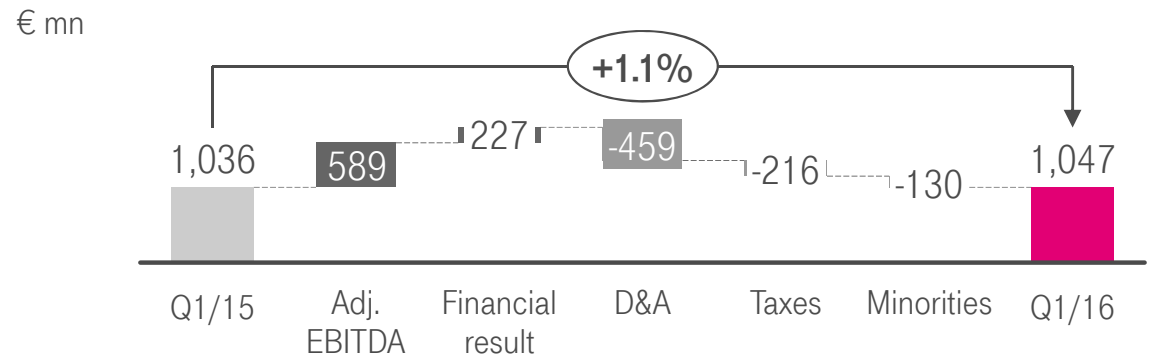
1) Trends in Q1 positively impacted by completion toll system Belgium 2) Figures may not add up due to rounding/elimination . 3) %-change figures as previously disclosed. Not adjusted for restatement

FINANCIALS: FCF, NET DEBT, AND NET INCOME

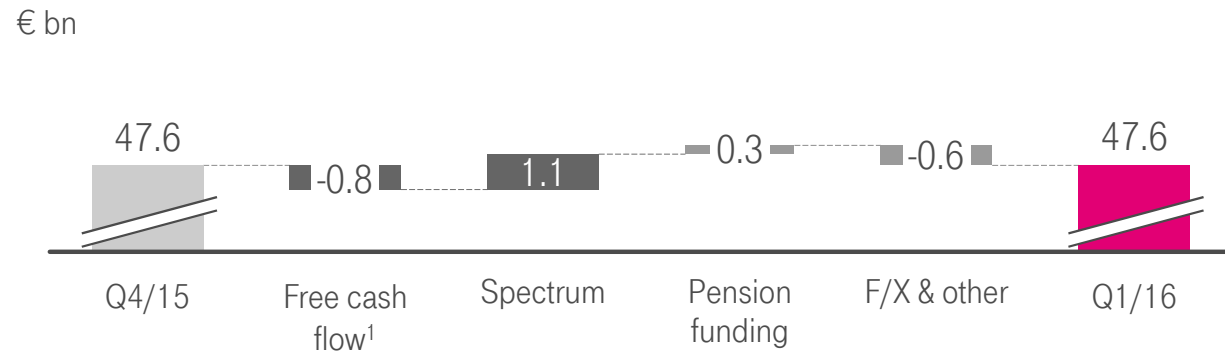
Free cash flow Q1/16¹



Adj. net income Q1/16



Net debt development Q1/16



1) Free cash flow before dividend payments and spectrum investment (Q1/15: € 1,899 million; Q1/16: € 1,065 million)

FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	31/03/2015	30/06/2015	30/09/2015	31/12/2015	31/03/2016
Balance sheet total	137.5	135.0	135.2	143.9	143.6
Shareholders' equity	37.0	36.0	36.5	38.2	38.4
Net debt	46.3	48.8	47.9	47.6	47.6
Net debt/adj. EBITDA ¹	2.6	2.6	2.5	2.4	2.3
Equity ratio	26.9%	26.6%	27.0%	26.5%	26.8%

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:	Baa1	stable outlook
S&P:	BBB+	stable outlook

1) Ratios for the interim quarters calculated on the basis of previous four quarters.

EXECUTING OUR STRATEGY

- 1** Leading European Telco:
Integrated market leader with superior margins and returns.
- 2** We strengthen our differentiation by best customer experience and by continuously investing into leading access networks and our transformation programs.
- 3** We are transforming towards a lean and highly agile IP production.
- 4** We are self-funding DT's transformation by disciplined cost management.
- 5** We will grow in all relevant financial KPI's (ROCE, Revenue, EBITDA, FCF).
- 6** Our shareholders will participate with growth of dividends following FCF growth and our prudent debt policy remains unchanged.

THANK YOU!