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**DEUTSCHE TELEKOM**  
Q3/2016 RESULTS



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**REVIEW 9M/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



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# LEADING EUROPEAN TELCO: GUIDANCE RE-ITERATED – ONGOING EXECUTION

## Customers (9M/16)

- Demand for fiber in Germany continues unabated
  - 6.1 million German homes with fiber
  - 1.8 million net adds in 9M
- Growth story in the US continues
  - 6.1 million net adds
  - FY forecast raised for the third time

## Investments and innovation (9M/16)

- Further strengthening of spectrum position in the US and Europe
- Continued high investments (excl. spectrum) of € 8.2 billion (+5.5%) in networks and transformation
- Ongoing product and technology innovation

## Financial results (9M/16)

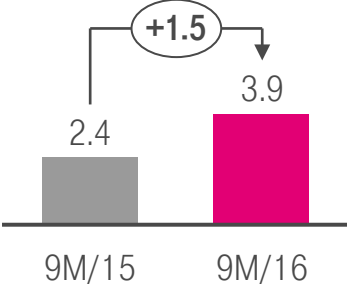
- Strong growth continues
  - Revenue up 4.2% yoy
  - Adj. EBITDA up 9.4%
  - FCF up 14.0%
- Net debt/adj. EBITDA at 2.3x down from 2.5x one year ago



# CUSTOMERS: STRONG MOMENTUM

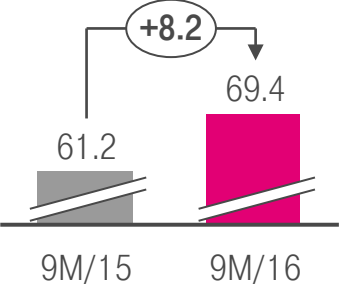
## MagentaEINS (Germany + EU)<sup>1</sup>

mn



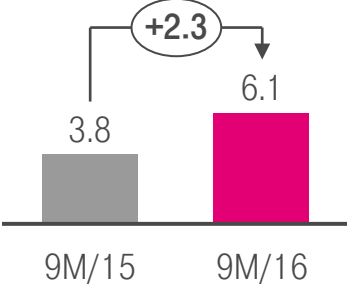
## US Mobile

mn



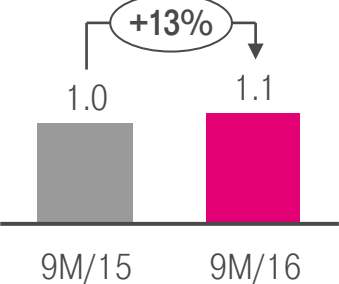
## Fiber in Germany

mn



## Cloud revenues

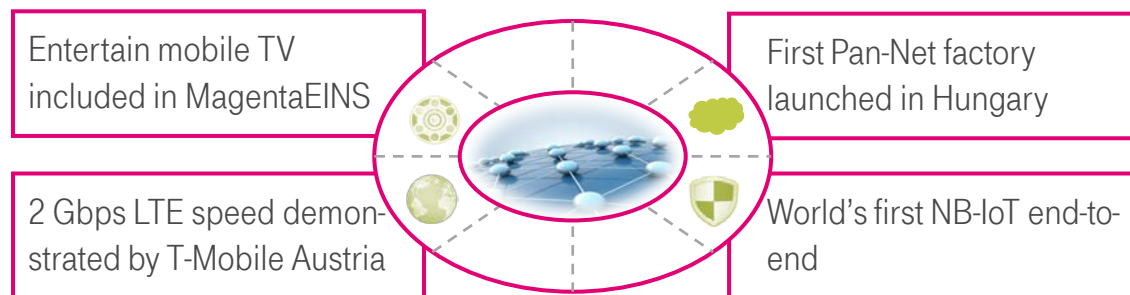
€ bn



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

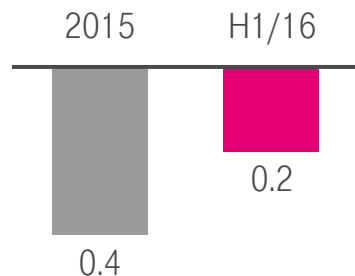
# 9M 2016: HIGHLIGHTS

## Innovation/best networks



## Efficiency

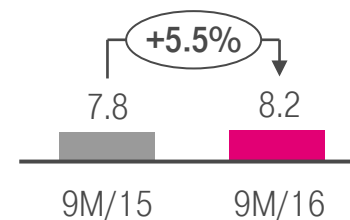
YOY change indirect costs (excl. US) in € billion



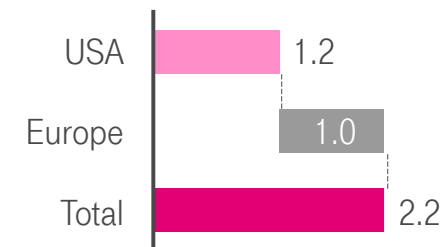
- Slightly behind last year's run rate due to IP-Migration

## Investments (€ bn)

Cash capex (excl. spectrum)



9M/16 spectrum spend



## Regulation

### “Nahbereich”

- Green light for vectoring roll-out announced in September

### Interconnection

- Ongoing proceedings regarding fixed and mobile interconnection

### European framework

- Draft published

### Roaming

- Ongoing discussions regarding FUP/wholesale caps

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

€ bn

	Revenue	Adj. EBITDA	FCF
14-18 CAGR <sup>1</sup>	+1-2%	+2-4%	≈+10%
2016 Guidance (\$/€: 1.11)	Increase	Around 21.2 bn <sup>2</sup>	Around 4.9 bn
9M 2016 performance	+4.2%	+9.4% (+5.4%) <sup>3</sup>	+14.0% (+27.4%) <sup>3</sup>

1) 14-18 CAGRs as per CMD 2015 guidance 2) Of which handset lease and data stash \$0.7 billion

3) Percentage change in brackets represents adj. EBITDA and FCF comparable development yoy: adjusted for handset lease/data stash (adj. EBITDA), UK dividends (FCF), and settlement (adj. EBITDA and FCF)



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# REVIEW Q3/16

# Q3/2016: FINANCIAL HIGHLIGHTS

€ mn

	Q3			9M		
	2015	2016	Change	2015	2016	Change
Revenue	17,099	18,105	+5.9%	51,369	53,552	+4.2%
Adj. EBITDA	5,165	5,535	+7.2%	14,765	16,155	+9.4%
Adj. net profit	1,040	1,040	0.0%	3,154	3,141	-0.4%
Net profit	809	1,053	+30.2%	2,308	4,799	+107.9%
Adj. EPS (in €)	0.23	0.23	0.0%	0.69	0.68	-1.4%
EPS (in €)	0.18	0.23	+27.8%	0.51	1.04	+104.2%
Free cash flow <sup>1</sup>	1,308	1,904	+45.6%	3,548	4,046	+14.0%
Cash capex <sup>2</sup>	2,698	2,739	+1.5%	7,803	8,234	+5.5%
Net debt	47,868	48,484	+1.3%	47,868	48,484	+1.3%

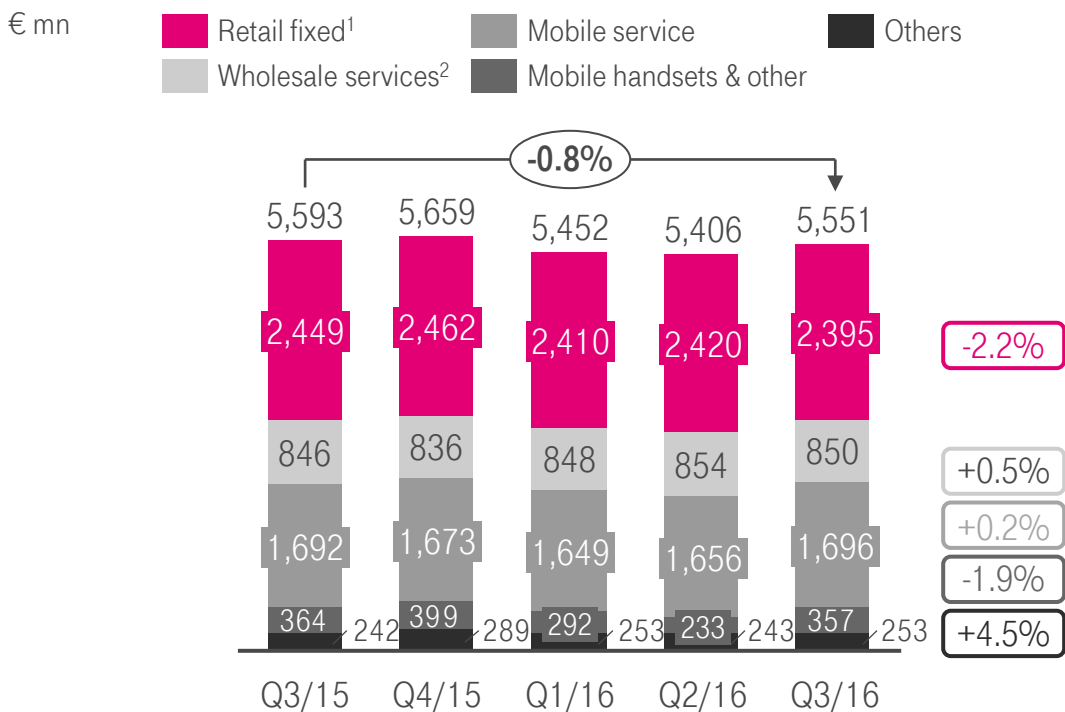
1) Free cash flow before dividend payments and spectrum investment 2) Excl. spectrum: Q3/15: € 115 million; Q3/16: € 1,146 million; 9M/15: € 3,769 million; 9M/16: € 2,250 million



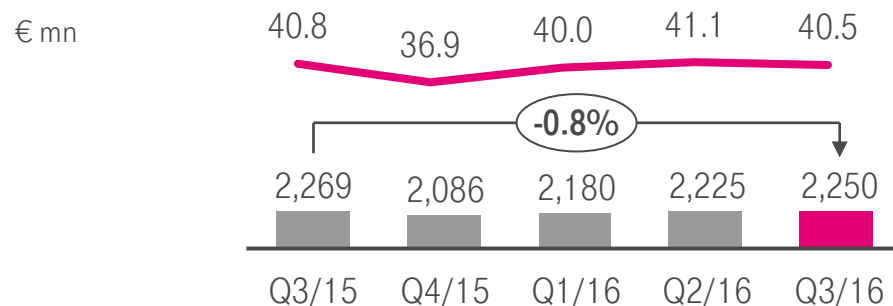
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# GERMANY: UNDERLYING REVENUES CLOSE TO STABLE

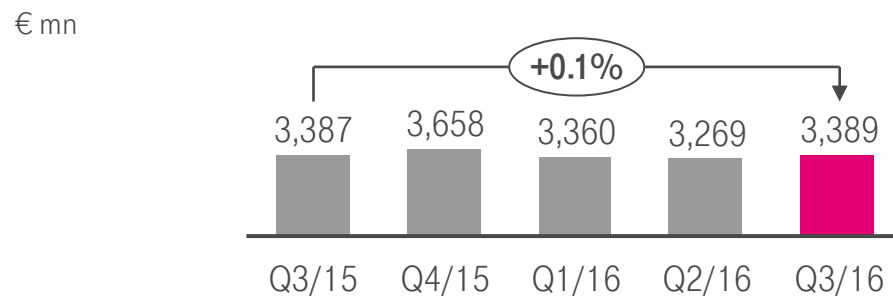
## Revenue reported



## Adj. EBITDA and margin (in %)



## Adj. OPEX



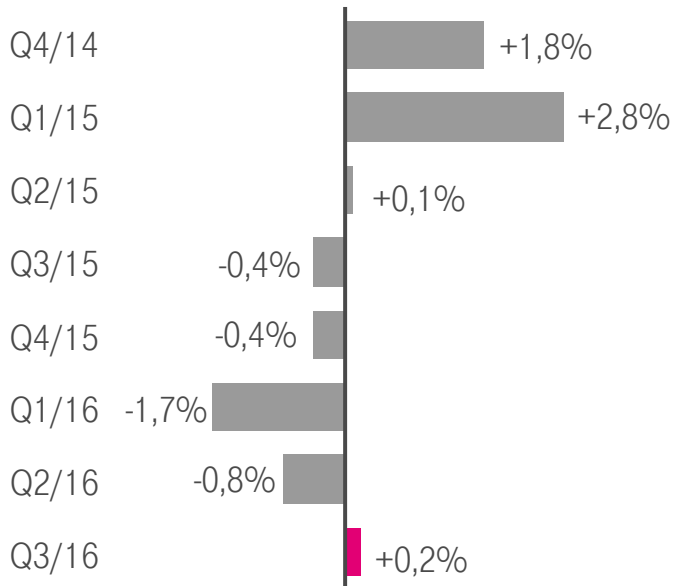
1) Fixed network core business 2) Figures 2015 have been restated. Approx. € 80 million shifted from wholesale to others



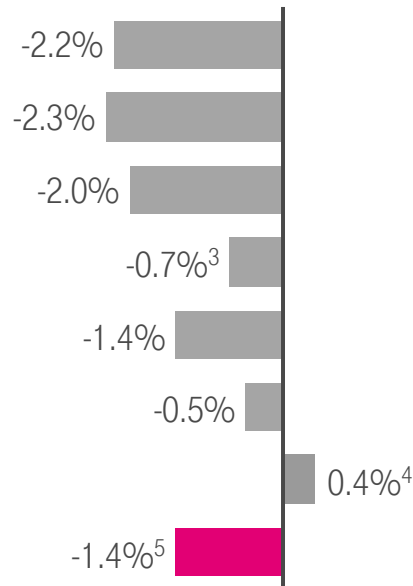
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# GERMAN TOTAL SERVICE REVENUES: STRONG PERFORMANCE IN MOBILE – FIXED IMPACTED BY DIFFICULT COMP

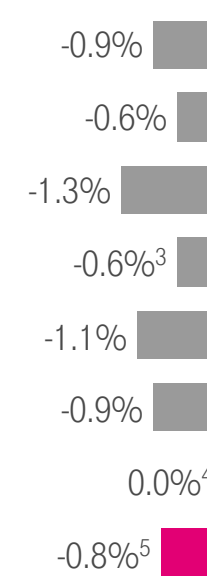
## Mobile service revenues



## Fixed line service revenues<sup>1,2</sup>



## Total service revenues<sup>1,2</sup>

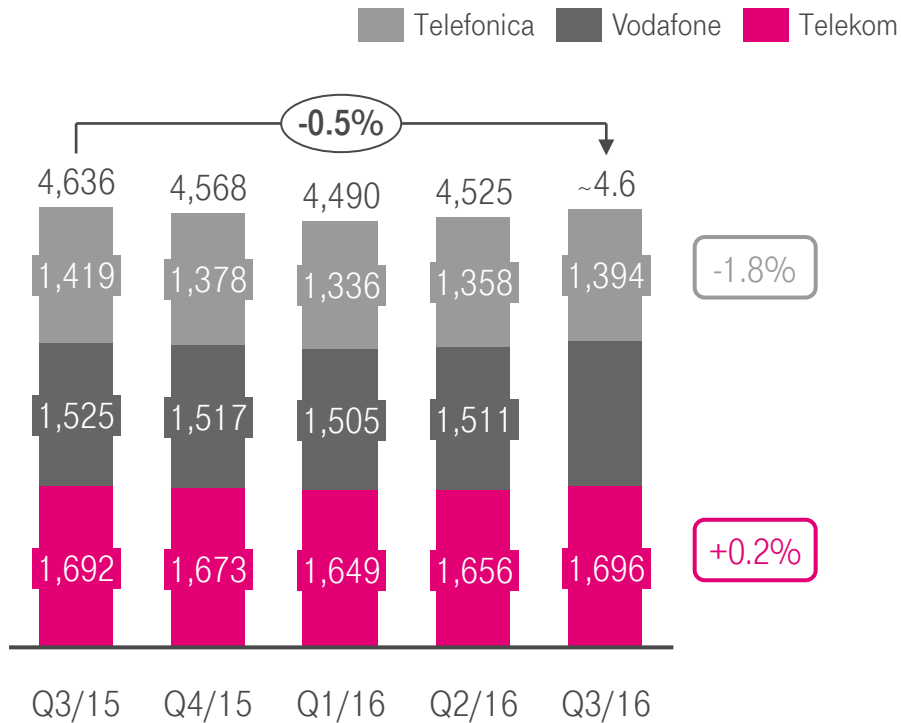


1) Total service revenues is a sum of fixed line and mobile service revenues. We define fixed line service revenues as fixed network core business revenues less fixed hardware revenues plus wholesale services fixed network revenues.. From Q2/16 onwards, we classify CPEs recurring rent revenues as fixed service revenues, and thus also part of total service revenues. Without this reclassification, fixed line service revenue growth rate would be -1.6% in Q3/16, whereas TSR growth rate would be -1.0% in Q3/16. Old growth rates have not been restated. 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 -1.3% for fixed service revenues, respectively -1.0% for total service revenues 4) Revenue in Q2/16 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at +0.7% for fixed service revenues under definition in Q2/16 (see 1), respectively +0.2% for total service revenues under definition in Q2/16 (see 1) 5) Revenue in Q3/15 impacted by a positive one-off effect in wholesale. Adjusted for this effect, fixed line service revenue trend would have been -0.6%, total service revenue trend in Q3/16 would have been -0.3%

# GERMANY MOBILE: STEADY COMMERCIAL MOMENTUM

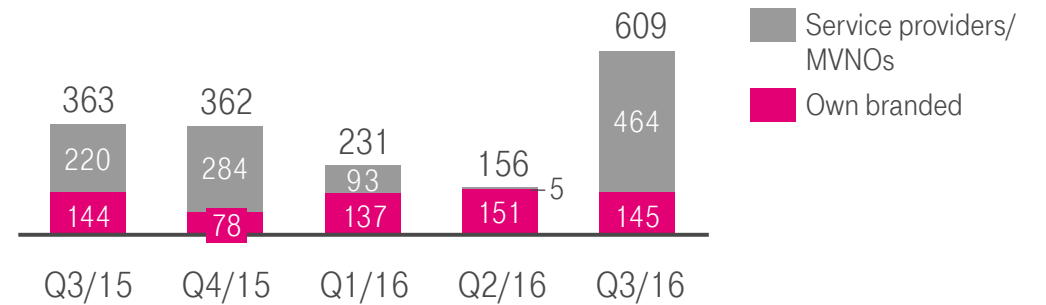
## German mobile market service revenue<sup>1</sup>

€ mn



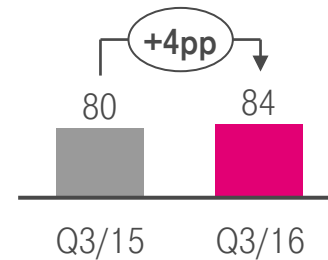
## Contract net adds<sup>2</sup>

000



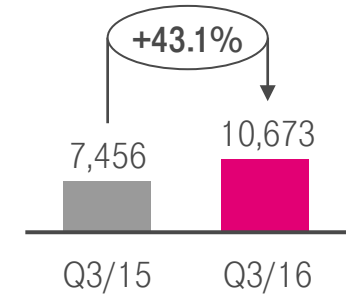
## Smartphone penetration<sup>3</sup>

%



## LTE customers<sup>4</sup>

000



1) Management estimate

2) Figures may not add up due to rounding.

3) Of own branded retail customers

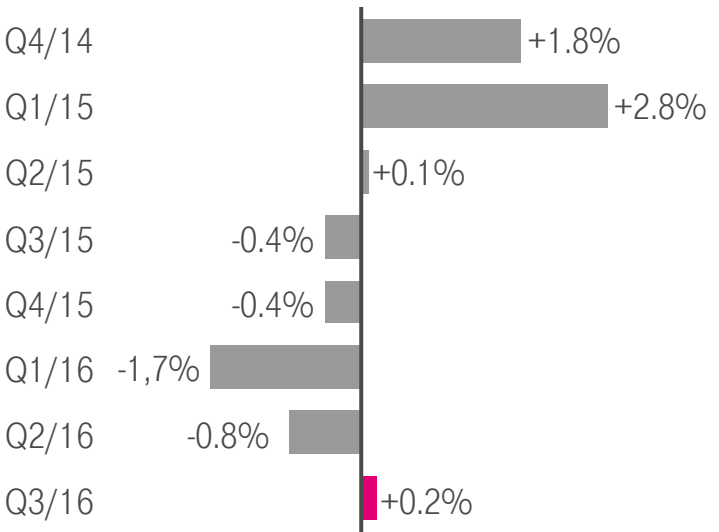
4) Customers using an LTE-device and tariff plan including LTE



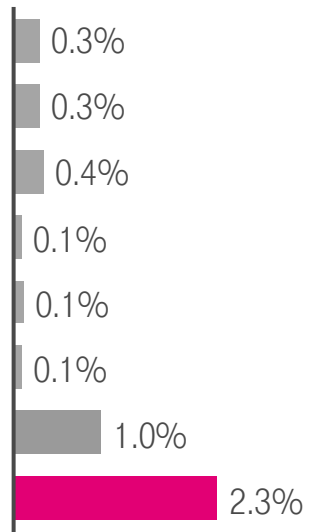
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# GERMAN MOBILE SERVICE REVENUES: TREND RECOVERY CONTINUES, DESPITE GREATER ROAMING DRAG

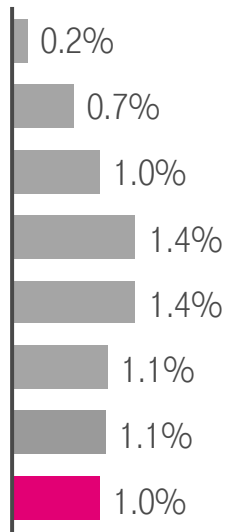
Reported mobile service revenues



Impact of mobile regulation<sup>1</sup>



Impact of convergent offers<sup>2</sup>



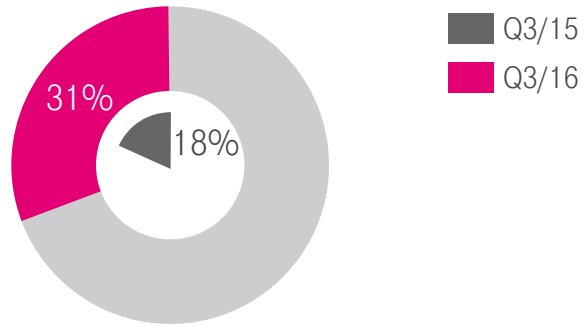
Medium term guidance (2014-2018 CAGR): **Re-iterated**

**≈ +1% (without EU roaming impact)**

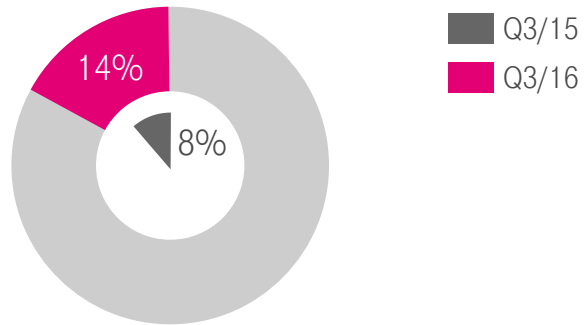
1) Impact of MTR and EU Roaming regulation 2) Impact of MagentaEINS and Telekom LTE broadband

# GERMANY: FMC PENETRATION AND DATA MONETIZATION

## Mobile contract customers in M1 bundles<sup>1</sup>

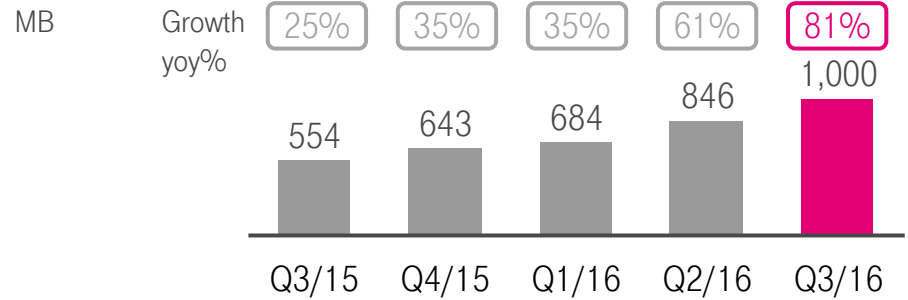


## Households in M1 bundles<sup>2</sup>

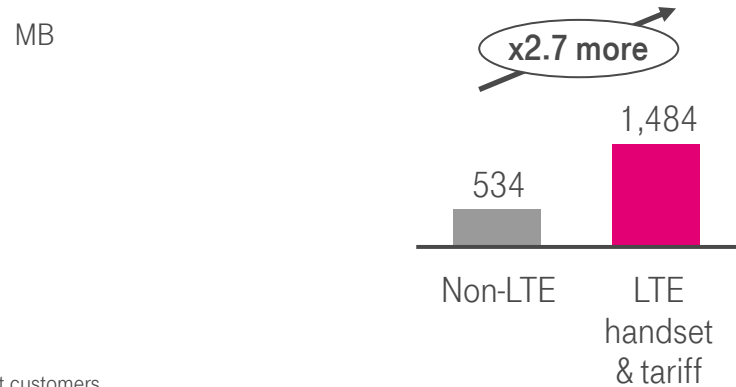


1) As % of B2C T-branded contract customers 2) As % of B2C broadband access lines 3) Per month of B2C T-branded contract customers

## Average consumer data usage<sup>3</sup>

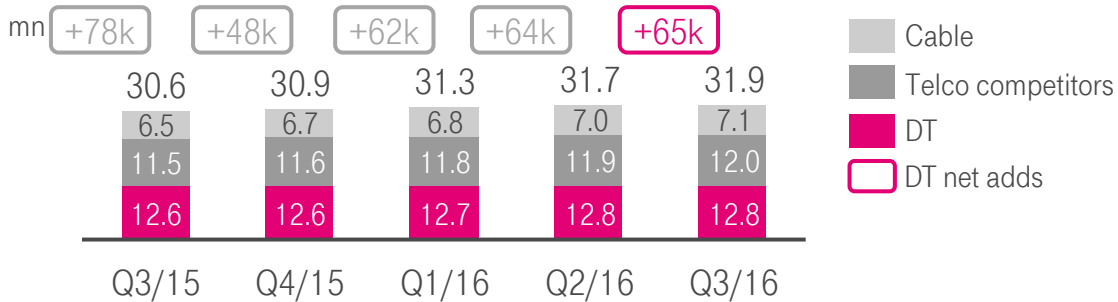


## Average LTE usage uplift<sup>3</sup>

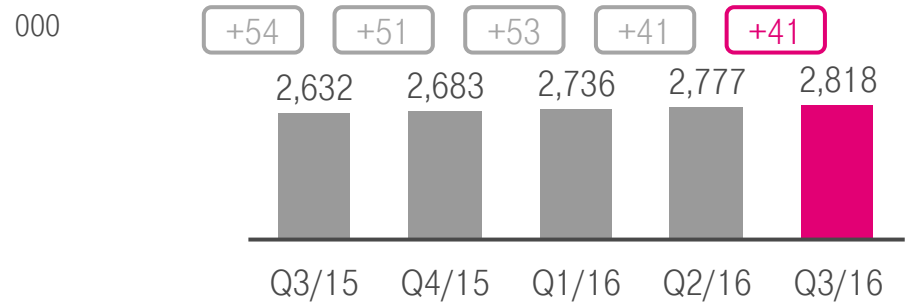


# GERMANY FIXED: STRONG GROWTH IN FIBER CONTINUES

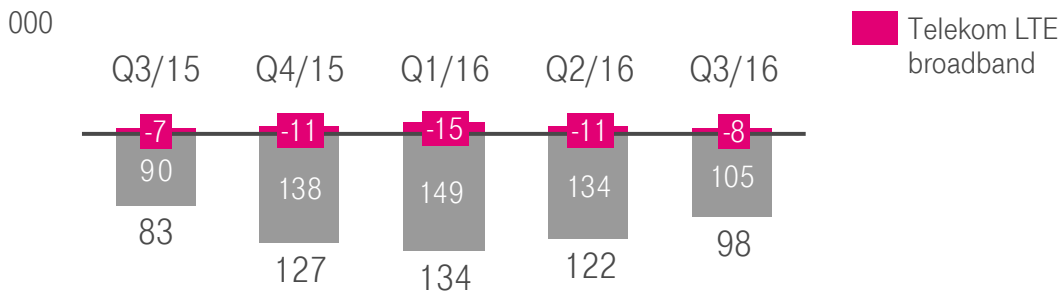
## German broadband market<sup>1</sup>



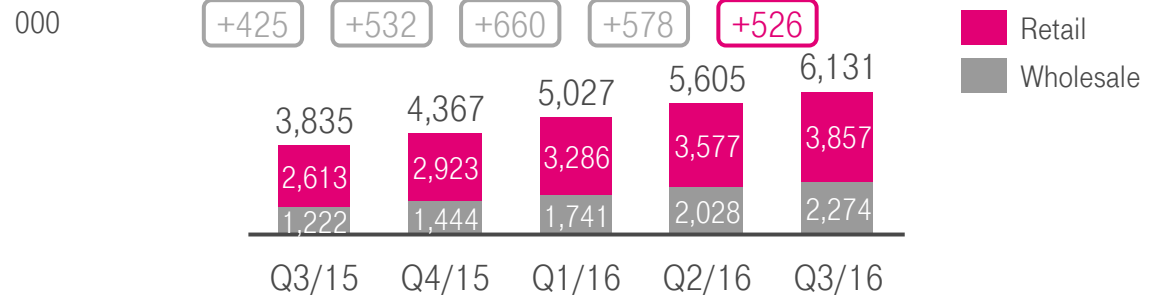
## Entertain customers



## Line losses



## Fiber customers<sup>2</sup>

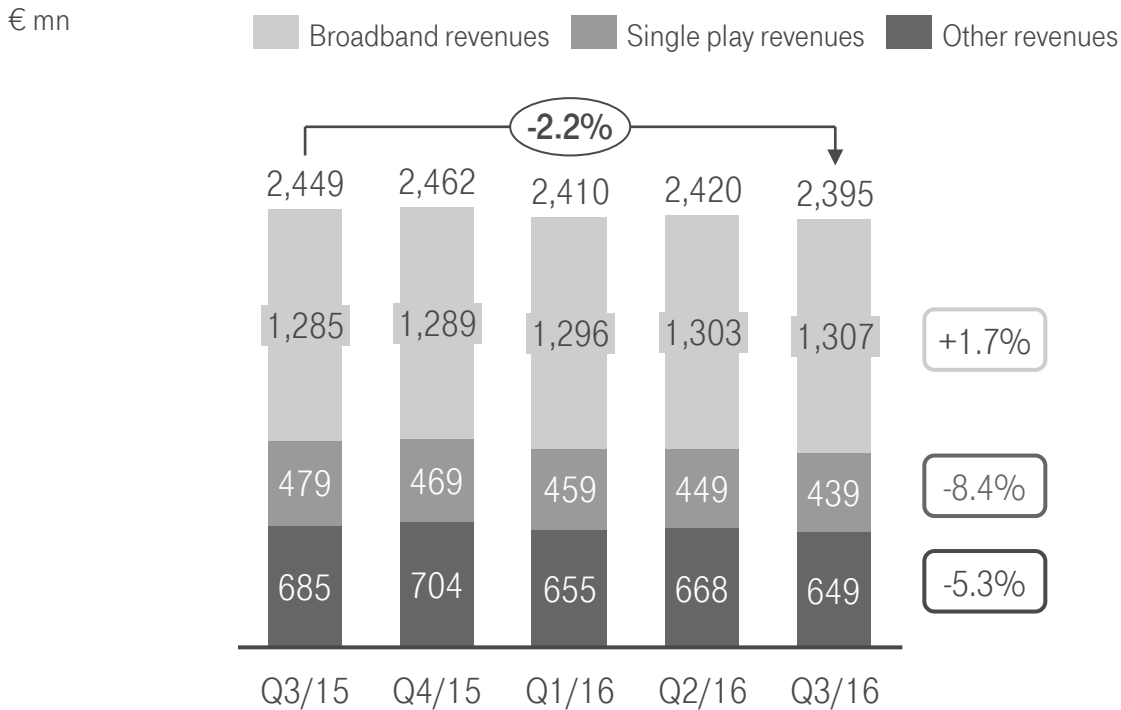


1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, vectoring, and FTTH)

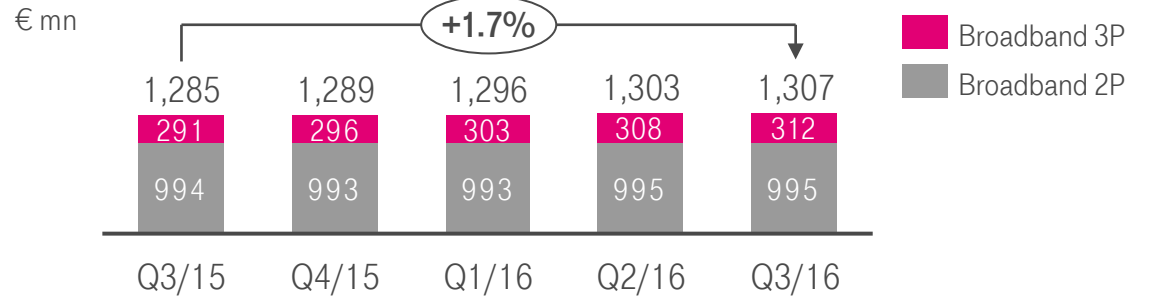


# GERMANY FIXED: FIBER DRIVES RETAIL BROADBAND REVENUES

## Fixed network revenues retail

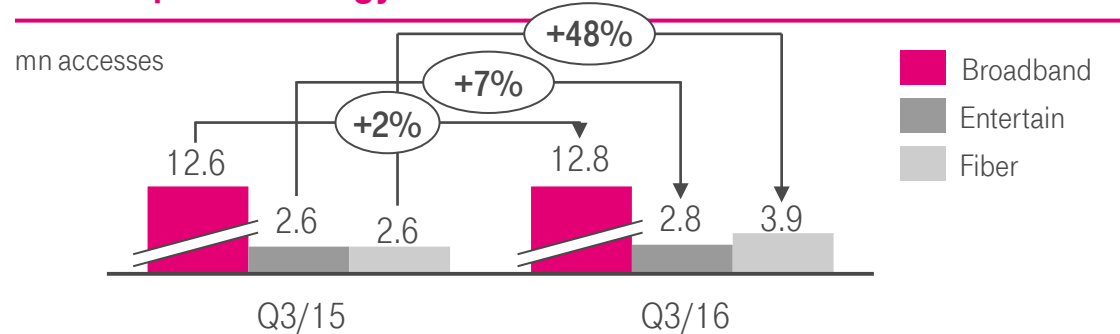


## Broadband revenues



## Retail upsell strategy

% calculated on exact numbers

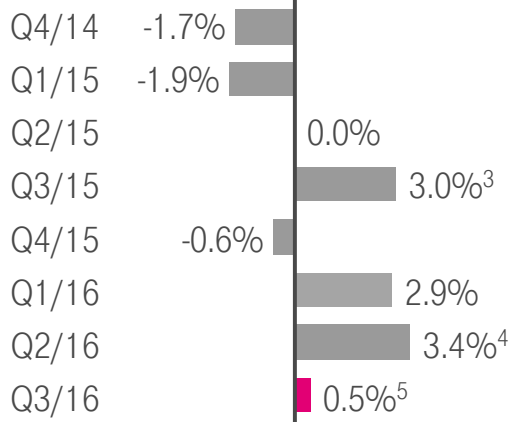


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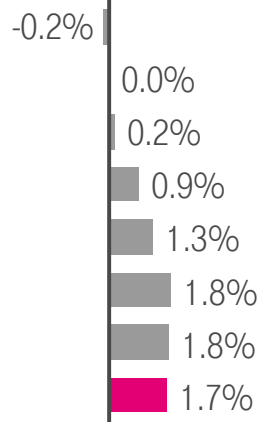
# GERMAN FIXED LINE SERVICE REVENUES: UNDERLYING REVENUES CLOSE TO STABLE

## Growth rates YOY

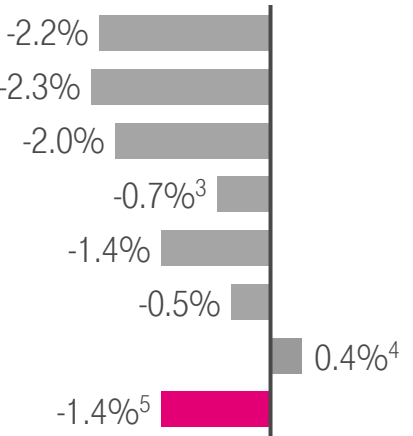
### Wholesale revenues<sup>2</sup>



### Broadband revenues



### Fixed line service revenues<sup>1,2</sup>



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

**+0.0%**

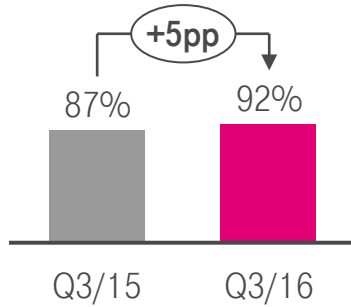
**+2.0%**

1) Fixed network core business revenues less fixed hardware revenues plus wholesale services fixed network revenues. From Q2/16 onwards, we classify CPEs recurring rent revenues as fixed service revenues. Without this reclassification, fixed line service revenue growth rate would be -1.6% in Q3/16. Prior quarters growth rates have not been restated. 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 -1.0% for total service revenues. 4) Revenue in Q2/16 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at +4.6% for wholesale, respectively +0.7% for fixed service revenues under definition in Q2/16 (see 1) 5) Revenue in Q3/15 impacted by a positive one-off effect in wholesale. Adjusted for this effect, wholesale revenue trend would have been +3.5%, fixed line service revenue trend in Q3/16 would have been -0.6%

# GERMANY: ALMOST 50% OF IP-MIGRATION COMPLETED

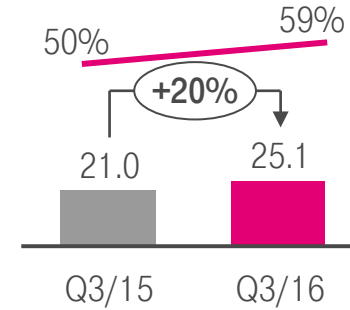
## INS – status LTE rollout

POP  
Coverage in %<sup>1</sup>



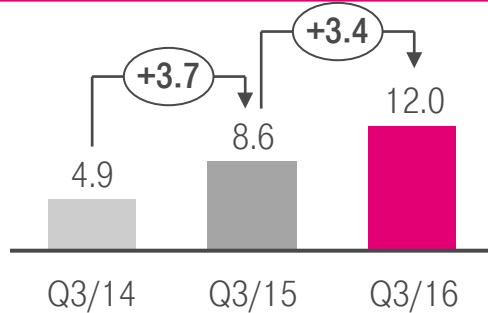
## INS – status fiber rollout<sup>2</sup>

Coverage in % and  
millions of households



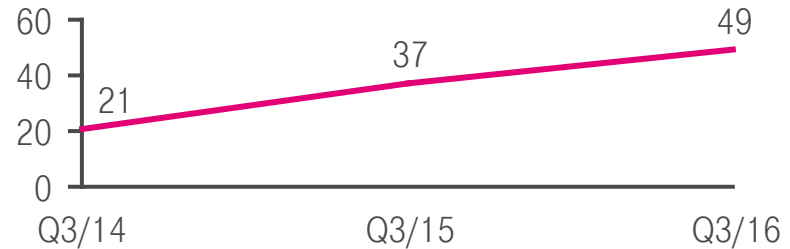
## Status IP accesses (retail & wholesale)

mn



## Status IP accesses (retail & wholesale)

in % of lines



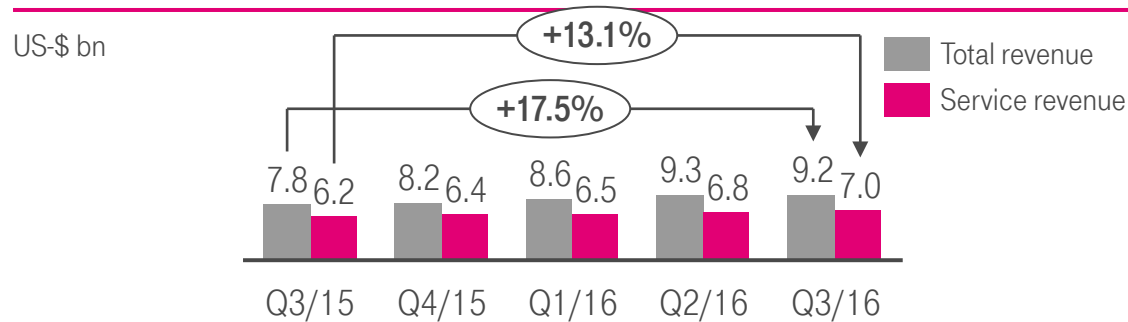
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany



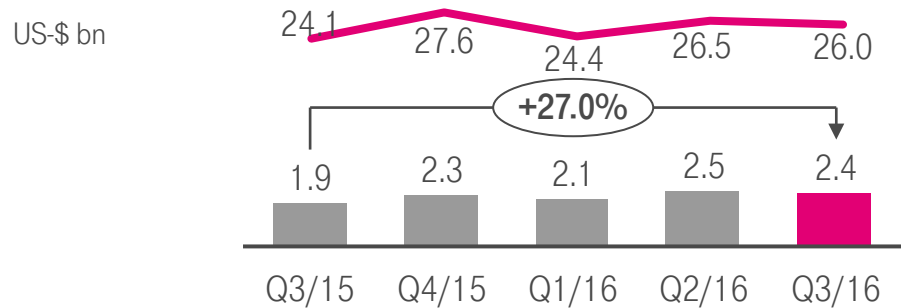
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# TMUS: STRONG GROWTH IN ALL KEY METRICS

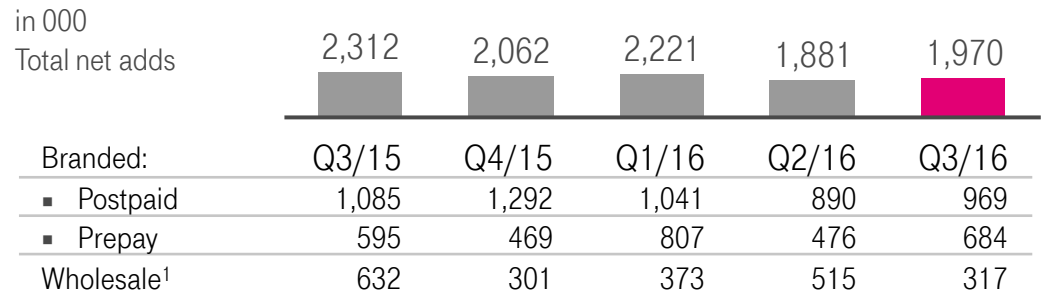
## Revenue and service revenue



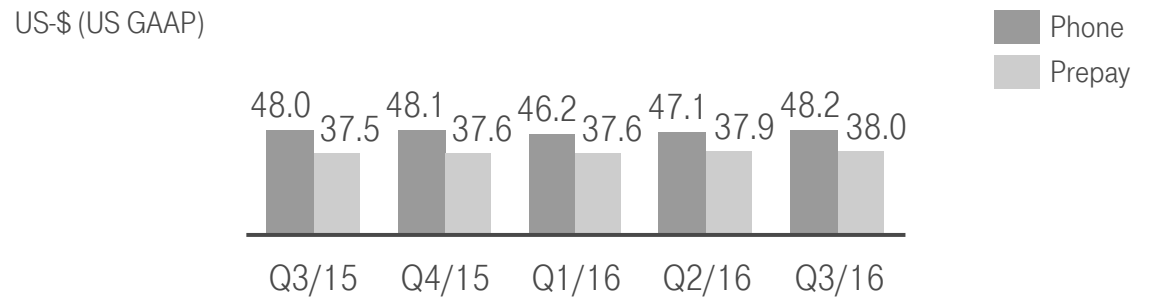
## Adj. EBITDA and margin (in %)



## Net adds



## Branded customers: postpaid phone and prepay ARPU

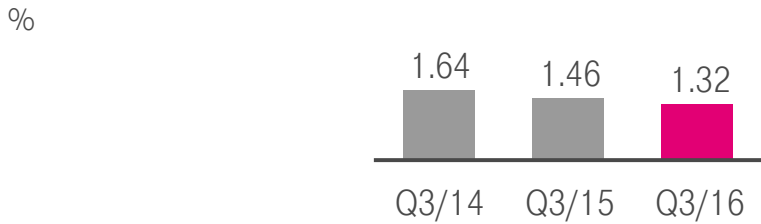


1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.



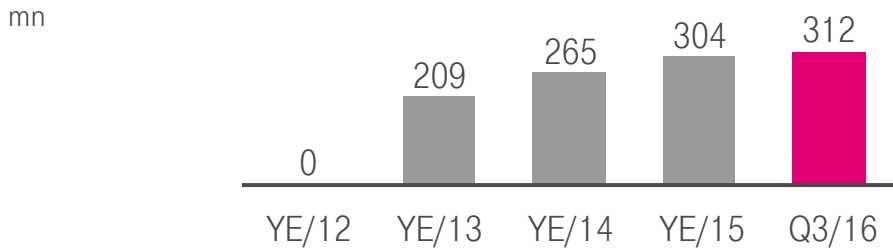
# FOCUS ON TMUS: IMPORTANT DRIVERS KEEP TRENDING WELL

## Branded postpaid phone churn



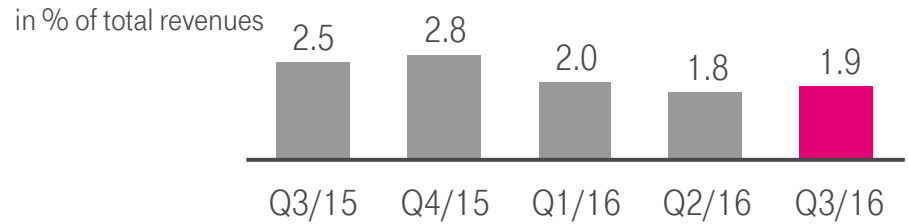
- Adjusted for the MVNO transfer churn rate of 1.2%

## LTE covered POPs



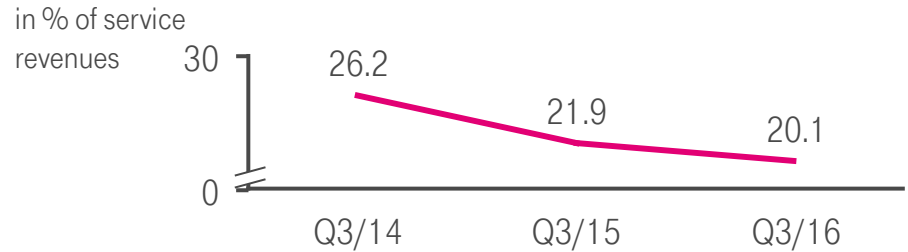
- A-block update: deployed in more than 225 million POPs across 366 market areas (spectrum covers approx. 84% of US POPs or 272M people)

## Bad debt expenses & losses from sale of receivables



- Receivables classified as prime remain flat at 53% (adj. for EIP receivables sold)

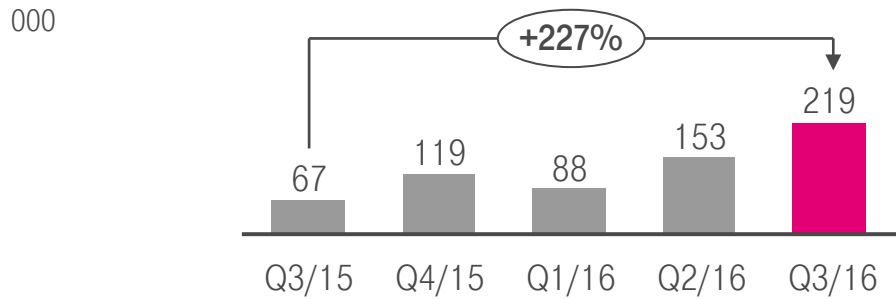
## Cost of service



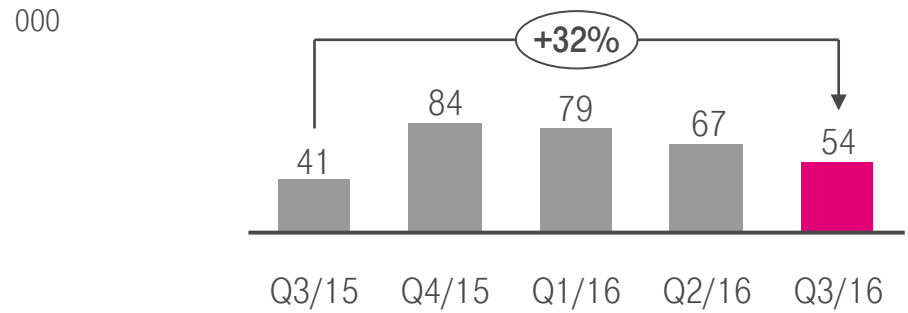
- MetroPCS synergies and growing scale outweigh network expansion costs

# EUROPE: IMPROVING CUSTOMER MOMENTUM

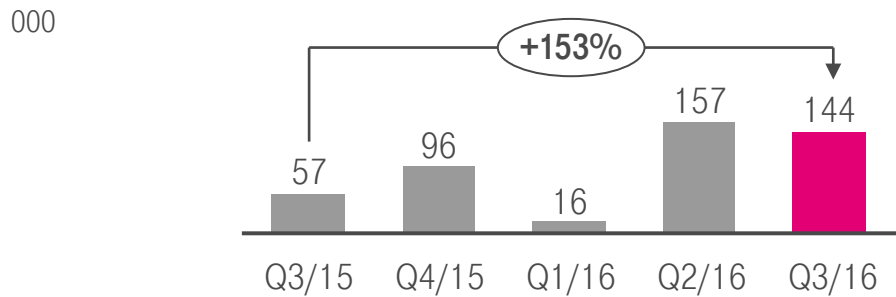
## Contract net adds <sup>1</sup>



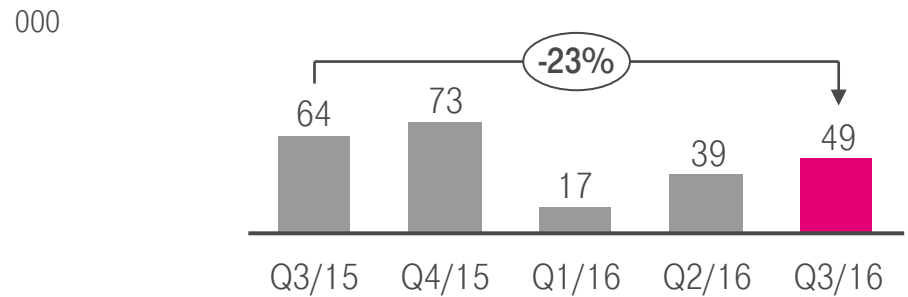
## BB net adds



## FMC net adds



## TV net adds



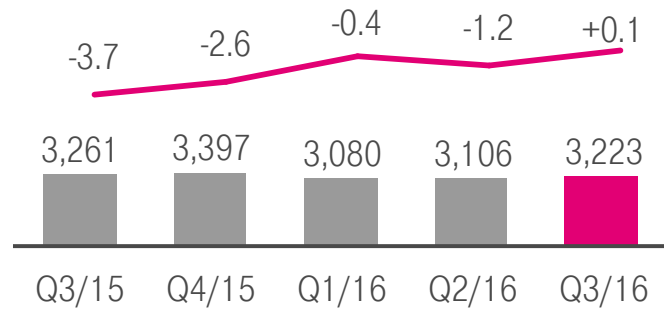
1) Adjusted for standardization of SIM-card reporting in wholesale segment. Previous value in Q4/15 was 471k.



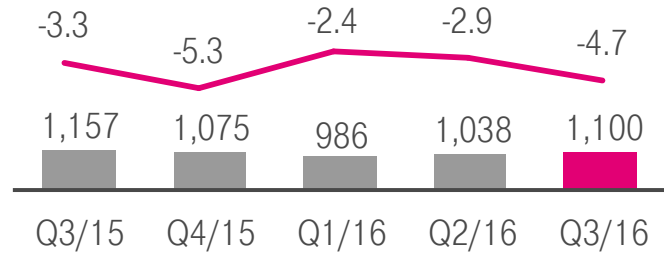
LIFE IS FOR SHARING.

# EUROPE: INCREASED MARKET INVEST AND ROAMING WEIGH ON TRENDS

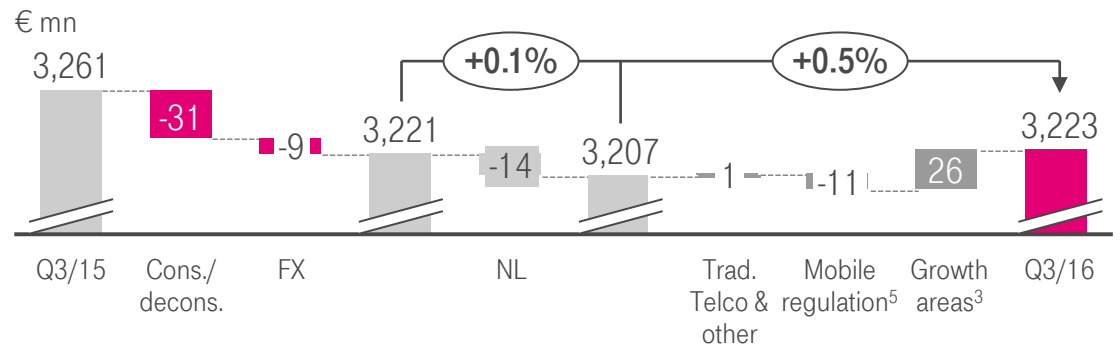
Revenue as reported in € mn and organic change yoy in %<sup>1,2</sup>



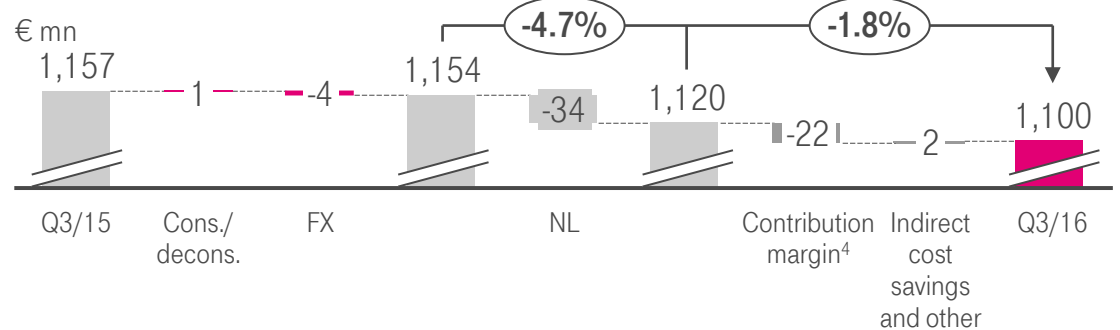
Adj. EBITDA as rep. in € mn and organic change yoy in %<sup>1,2</sup>



Organic revenue development



Organic adj. EBITDA development

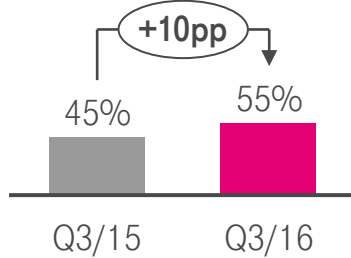


1) %-change figures as previously disclosed. Not adjusted for restatement. 2) The Business Customers unit of Magyar Telekom, our company in Hungary, which was previously organizationally assigned to Systems Solutions, was consolidated in the Europe operating segment as of January 1, 2016. 2015 figures 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 5) Total roaming impact (incl. NL) was € 15 million.

# EUROPE: FOCUS ON IP MIGRATION AND LTE LEADERSHIP

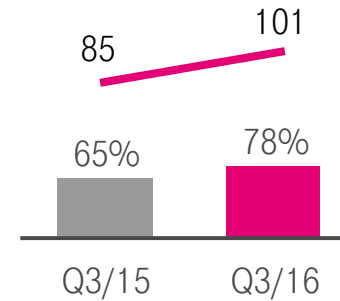
## IP migration

IP share of fixed network access lines



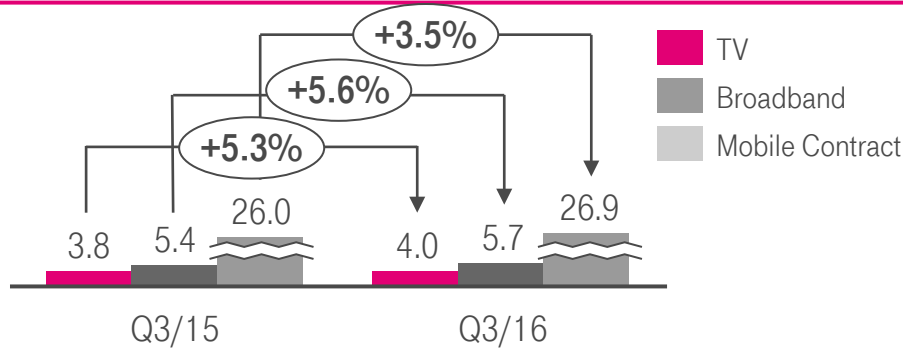
## LTE rollout

LTE outdoor pop coverage  
mn and %



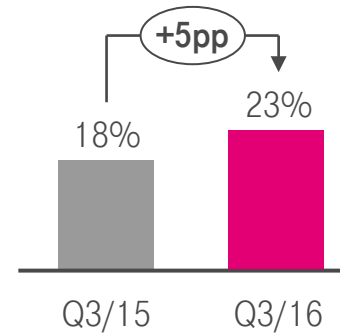
## Customer base<sup>1</sup>

mn



## Fiber rollout<sup>1</sup>

Fiber household coverage



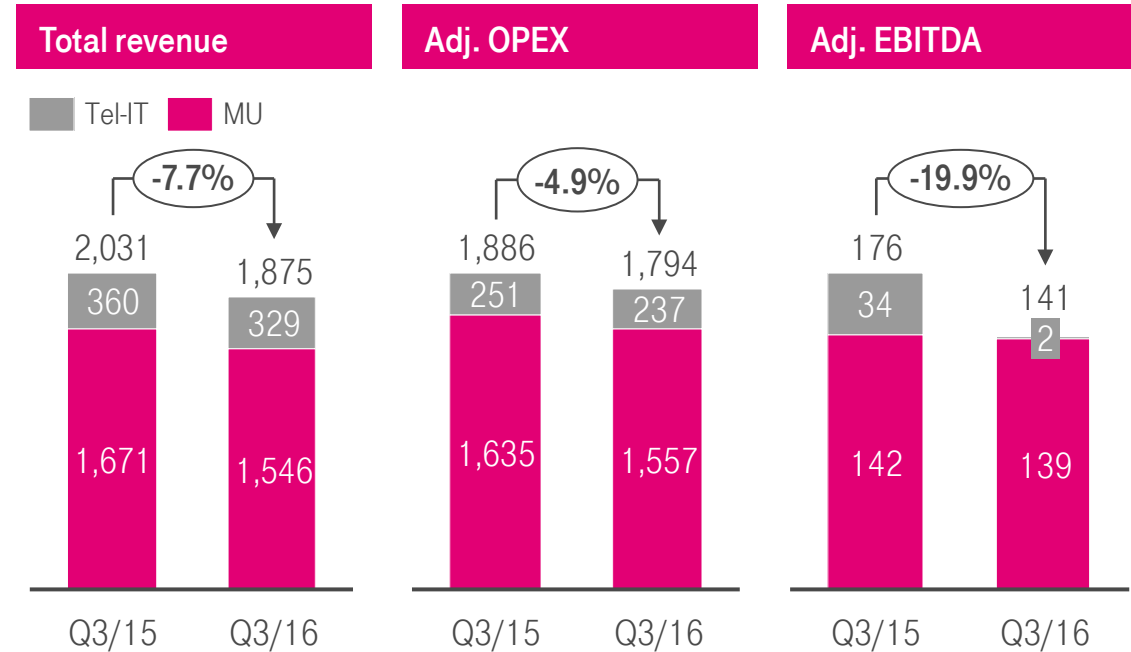
1) ≥ 100Mbit/s-coverage: FTTH, FTTB, FTTC (with vectoring), cable/ED3. Broadband also incl. wholesale customers



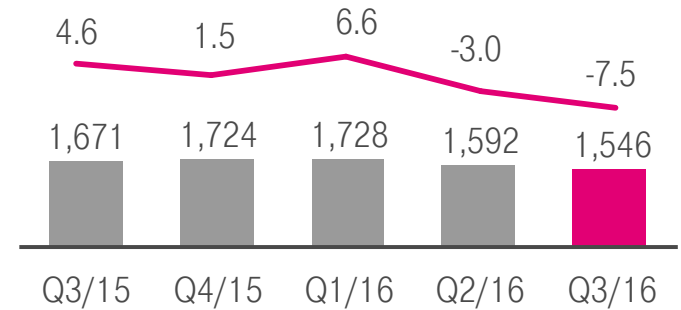
# SYSTEMS SOLUTIONS: TURNAROUND ONGOING

## T-Systems financials

€ mn

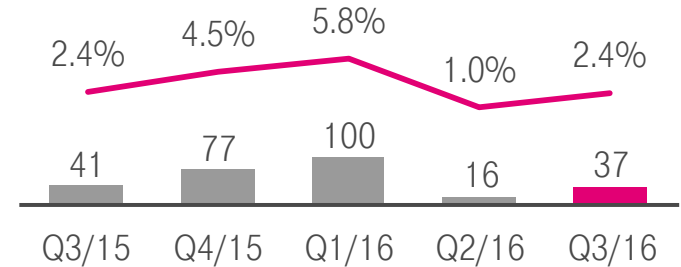


## Revenue Market Unit in € million and change yoy in %<sup>1</sup>



## Adj. EBIT and margin Market Unit

%  
€ mn



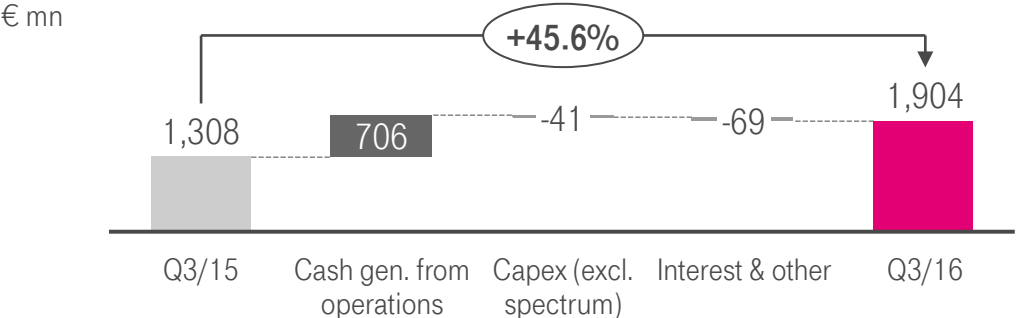
1) %-change figures as previously disclosed. Not adjusted for restatement.



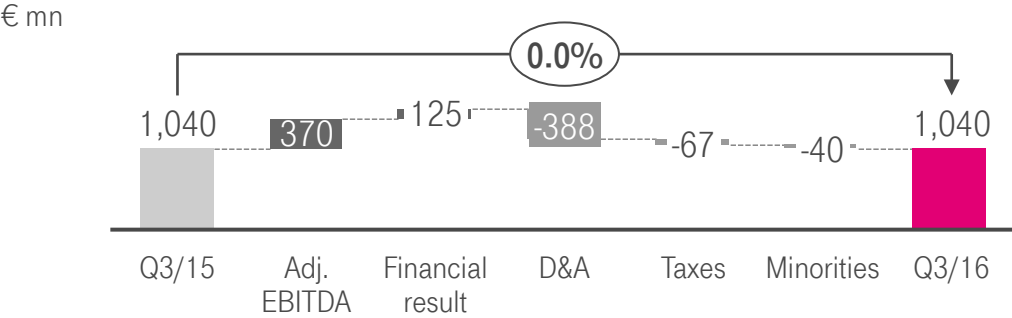
LIFE IS FOR SHARING.

# FINANCIALS: FCF, NET DEBT, AND NET INCOME

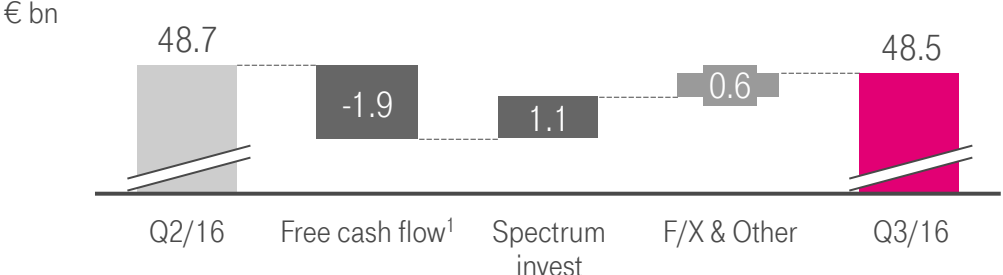
## Free cash flow Q3/16<sup>1</sup>



## Adj. net income Q3/16



## Net debt development Q3/16



1) Free cash flow before dividend payments and spectrum investment (Q3/15: € 115 million; Q3/16: € 1,146 million)

# FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	30/09/2015	31/12/2015	31/03/2016	30/06/2016	30/09/2016
Balance sheet total	135.2	143.9	143.6	143.5	143.1
Shareholders' equity	36.5	38.2	38.4	37.0	37.6
Net debt	47.9	47.6	47.6	48.7	48.5
Net debt/adj. EBITDA <sup>1</sup>	2.5	2.4	2.3	2.3	2.3
Equity ratio	27.0%	26.5%	26.8%	25.8%	26.3%

## 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:	<b>BBB+</b>	stable outlook
Moody's:	<b>Baa1</b>	stable outlook
S&P:	<b>BBB+</b>	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.



**Q&A**

**THANK YOU!**