

DEUTSCHE TELEKOM

Q1/2017 RESULTS



LIFE IS FOR SHARING.

DISCLAIMER

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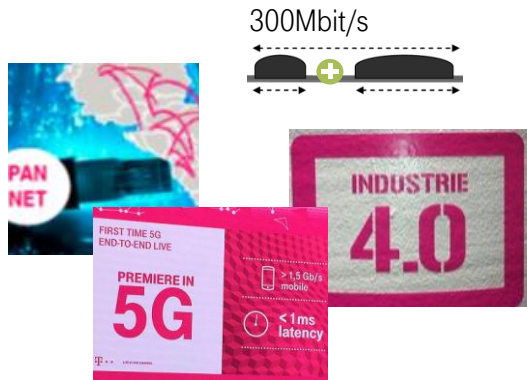
In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt and net debt. These alternative 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 Q1/17

Q1/2017 HIGHLIGHTS: INVESTMENTS, CUSTOMERS AND RESULTS

Investments and innovations (Q1/17)

- Outstanding result in the US low band spectrum auction. 31 MHz nationwide
- Launch of LTE on 900 MHz in Germany
- Announcement of program to connect 100 industrial zones in Germany with FTTH/B
- Cash capex +15% to €3.2 billion



Customers (Q1/17)

- Demand for Fiber in Germany unabated
 - 7.6 million German homes with fiber (+51% yoy)
 - New record 775k net adds
- Another quarter of strong US growth
 - 1.1 million net adds



Financial results (Q1/17)

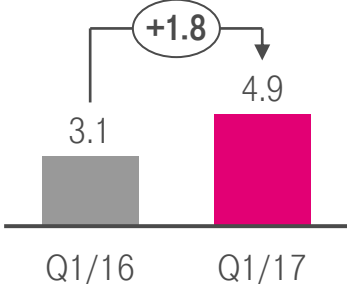
- Strong growth continues
 - Revenue up 5.8% yoy
 - Adj. EBITDA up 7.5% yoy
 - FCF up 49.4% yoy
- Net debt/Adj. EBITDA at 2.3x
- Guidance confirmed



CUSTOMERS: STRONG MOMENTUM. RECORD NEW FIBER SUBS

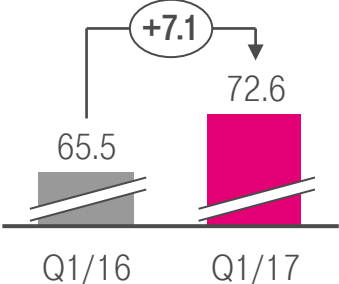
MagentaEINS (Germany + EU)¹

mn



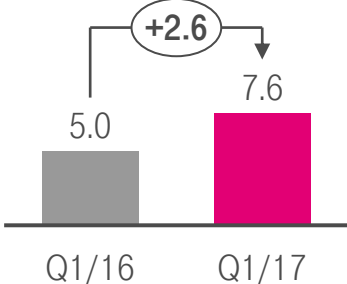
US Mobile

mn



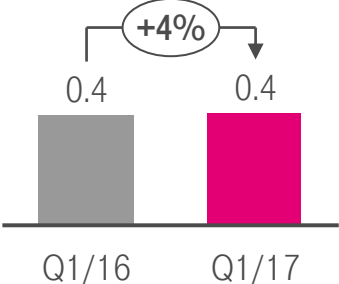
Fiber in Germany

mn



Cloud revenues

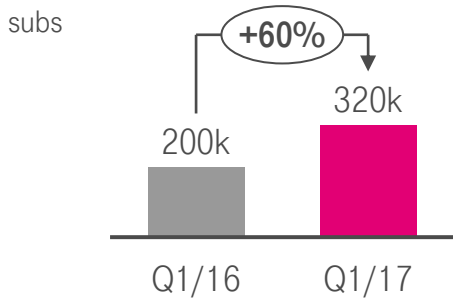
€ bn



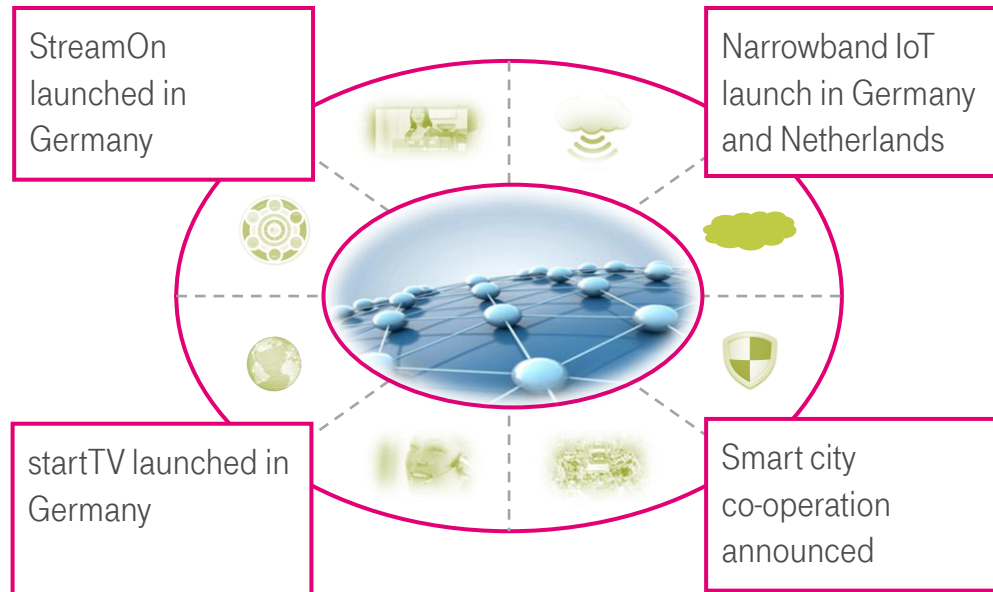
1) FMC RGUs may also appear under other brand name outside of Germany

INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

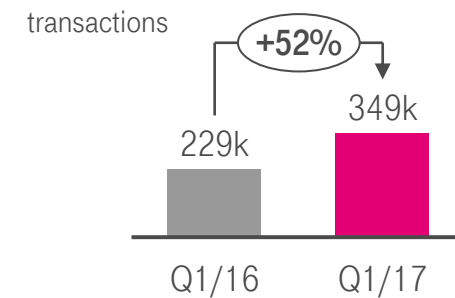
Hybrid Access¹



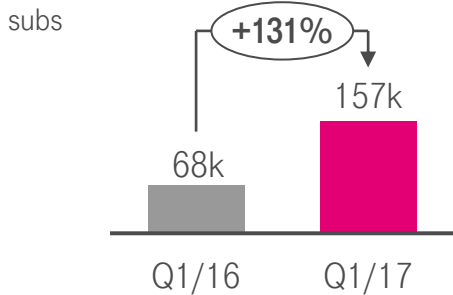
Innovation/Network



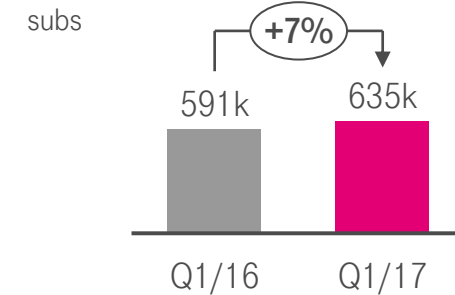
Service App



Smart Home²



IT-Support³



1) +5€ per customer/month 2) +10€ per customer/month 3) +8€ per customer/month

FINANCIALS AND GUIDANCE 2017: GUIDANCE RE-ITERATED

€ bn

	Revenue	Adj. EBITDA	FCF
2014 – 2018 CAGR ¹	+1 – 2%	+2 – 4%	≈+10%
2017 Guidance (\$/€: 1.11)	Increase	Around 22.2 bn ²	Around 5.5 bn
Q1/2017 performance	+5.8%	+7.5%	+49.4%

1) 14-18 CAGRs as per CMD 2015 guidance 2) Of which handset lease and data stash \$0.8 to 0.9 billion

REVIEW Q1/17

Q1/2017: FINANCIAL HIGHLIGHTS

€ mn

	Q1			FY		
	2016	2017	Change	2015	2016	Change
Revenue	17,630	18,646	+5.8%	69,228	73,095	+5.6%
Adj. EBITDA	5,163	5,550	+7.5%	19,908	21,420	+7.6%
Adj. Net profit	1,047	939	-10.3%	4,113	4,114	0.0%
Net profit	3,125	747	-76.1%	3,254	2,675	-17.8%
Adj. EPS (in €)	0.23	0.20	-13.0%	0.90	0.89	-1.1%
EPS (in €)	0.68	0.16	-76.5%	0.71	0.58	-18.3%
Free cash flow ¹	822	1,228	+49.4%	4,546	4,939	+8.6%
Cash capex ²	2,831	3,245	+14.6%	10,818	10,958	+1.3%
Net debt	47,603	49,963	+5.0%	47,570	49,959	+5.0%

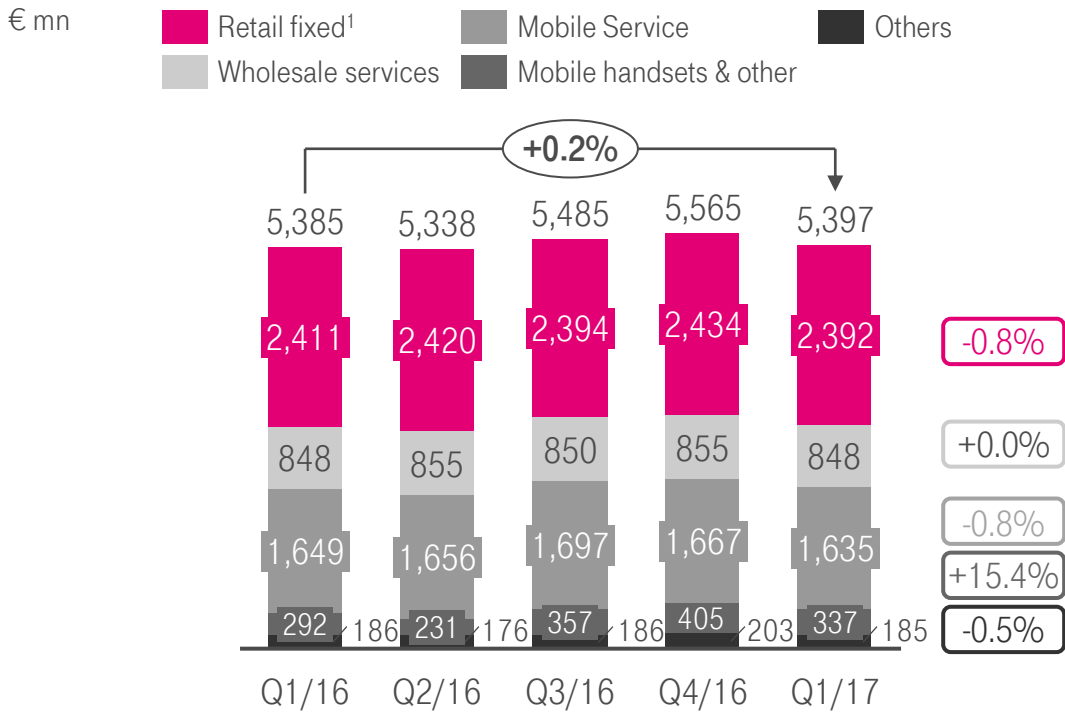
1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q1/16: € 1,065 million; Q1/17: € 35 million; FY/15: € 3,795 million; FY/16: € 2,682 million



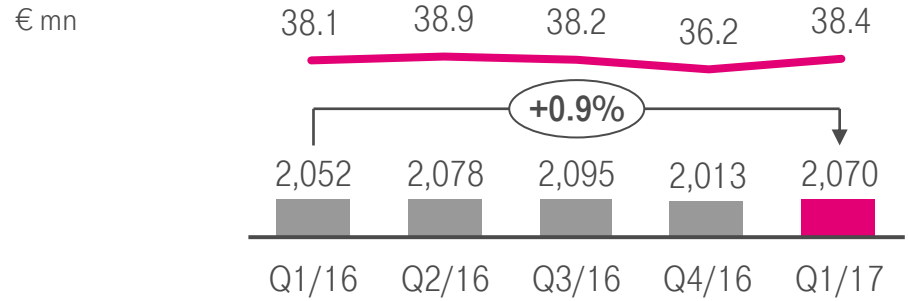
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GERMANY: GROWING ADJUSTED EBITDA

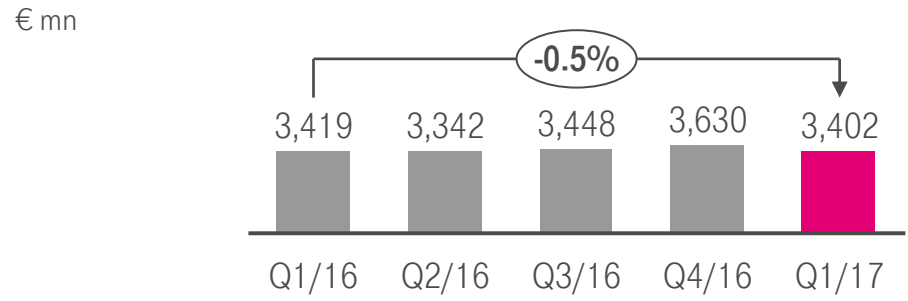
Revenue reported



Adj. EBITDA and margin (in %)



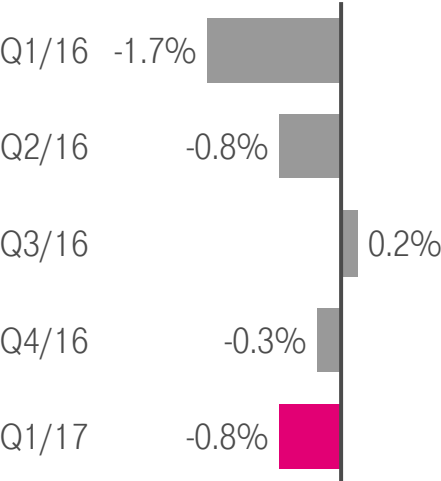
Adj. OPEX



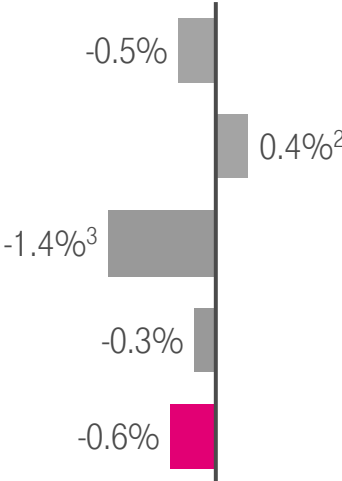
1) Fixed network core business

GERMANY: UNDERLYING TOTAL SERVICE REVENUES STABLE

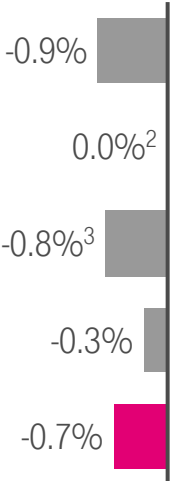
Mobile service revenues



Fixed line service revenues¹



Total service revenues¹

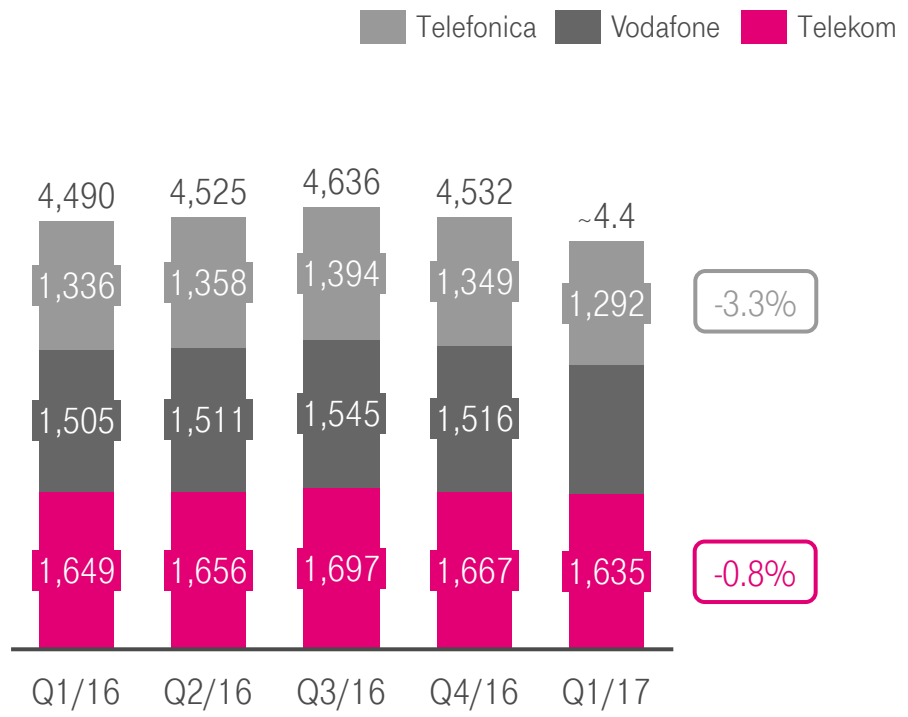


1) Total service revenues is a sum of fixed line and mobile service revenues. We define fixed line service revenues as fixed network core business revenues less fixed hardware revenues plus wholesale services fixed network revenues. From Q2/16 onwards we classify CPEs recurring rent revenues as fixed service revenues, and thus also part of total service revenues. Without this reclassification fixed line service revenue growth rate would be -0.9% in Q1/17, whereas TSR growth rate would be -0.9% in Q1/17. 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 +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) 3) 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

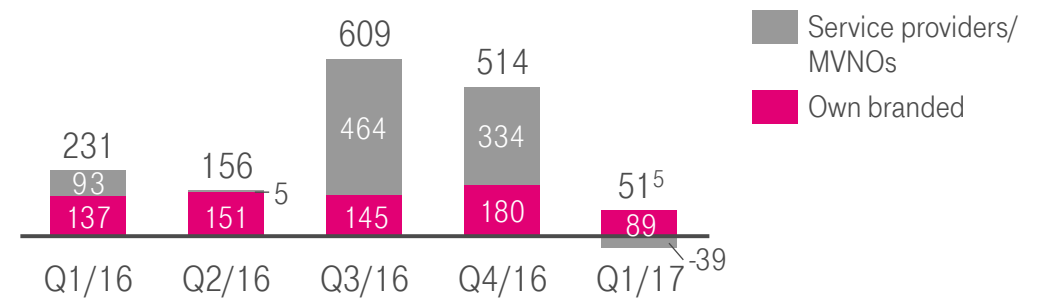
German mobile market service revenue¹

€ mn



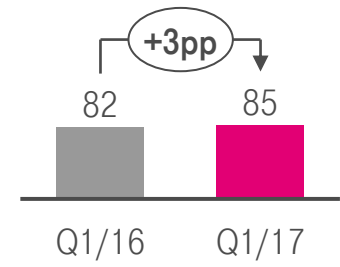
Contract net adds²

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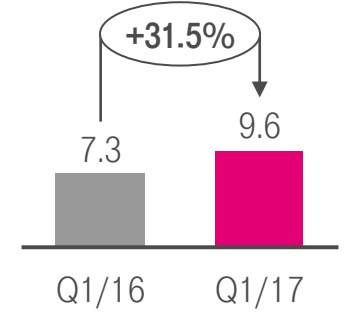
Smartphone penetration³

%



LTE customers⁴

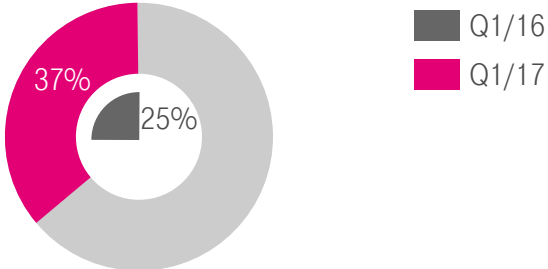
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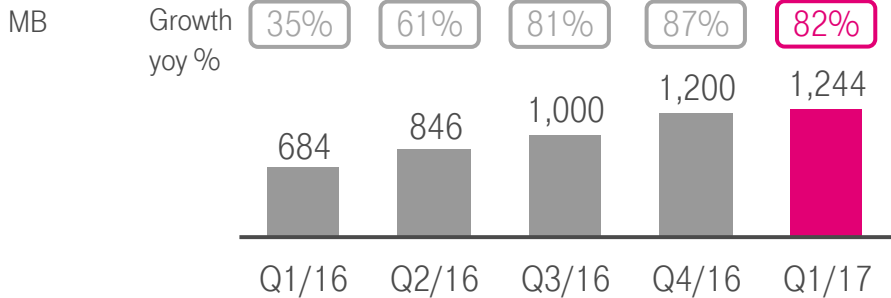
1) Management estimate 2) Figures may not add up due to rounding 3) Of own branded retail customers 4) Own customers using a LTE-device and tariff plan including LTE 5) Contract net adds under own brand impacted by disconnections (minus 41k)

GERMANY: STRONG PROGRESS WITH CONVERGENCE

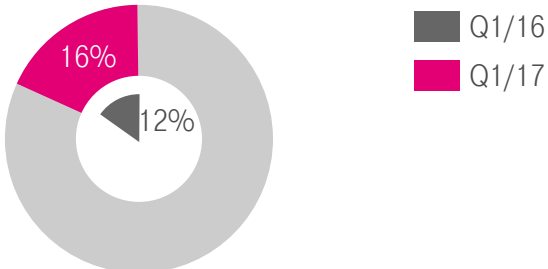
Mobile contract customers in MagentaEINS bundles¹



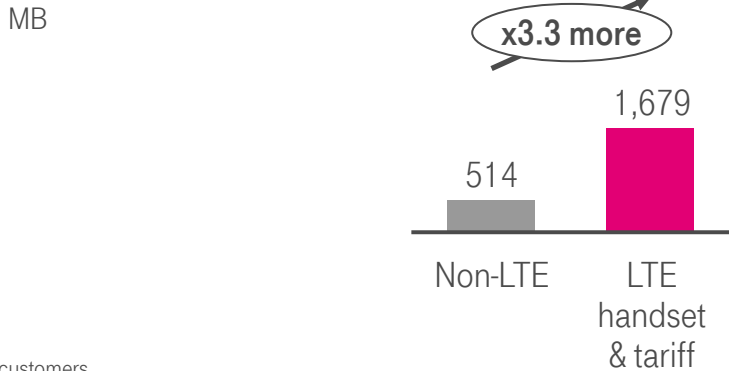
Average Consumer Data Usage³



Households in MagentaEINS bundles²



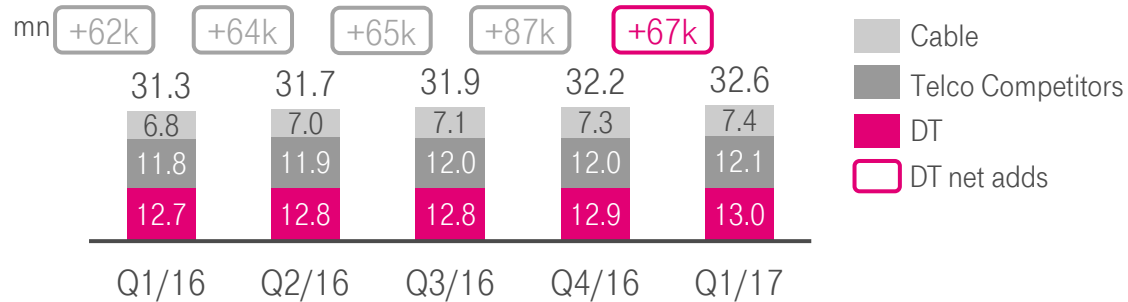
Average LTE usage uplift³



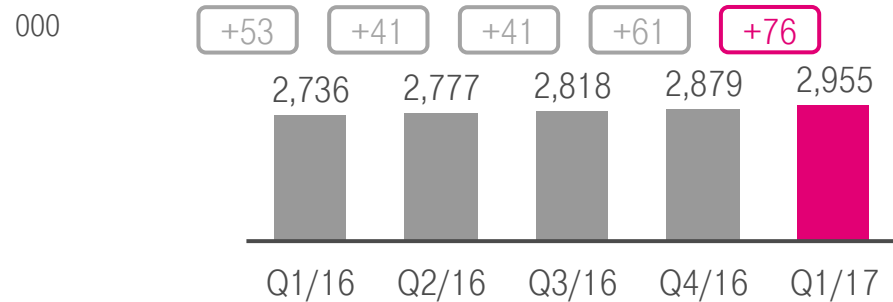
1) as % of B2C T-branded contract customers 2) as % of B2C broadband access lines 3) per month of B2C T-branded contract customers

GERMANY FIXED: 50% GROWTH IN FIBER CUSTOMERS

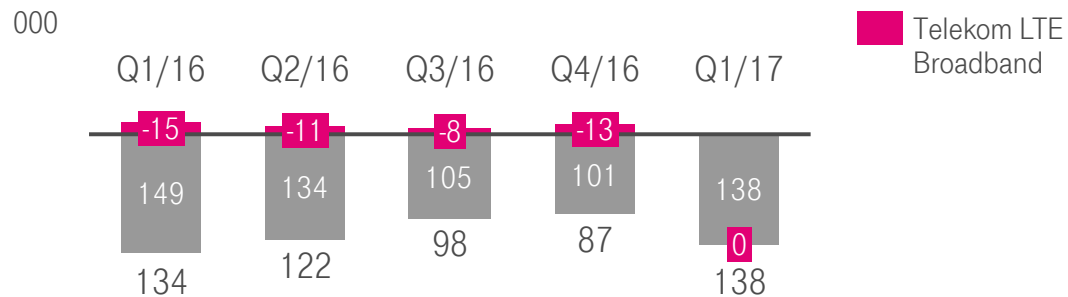
German broadband market¹



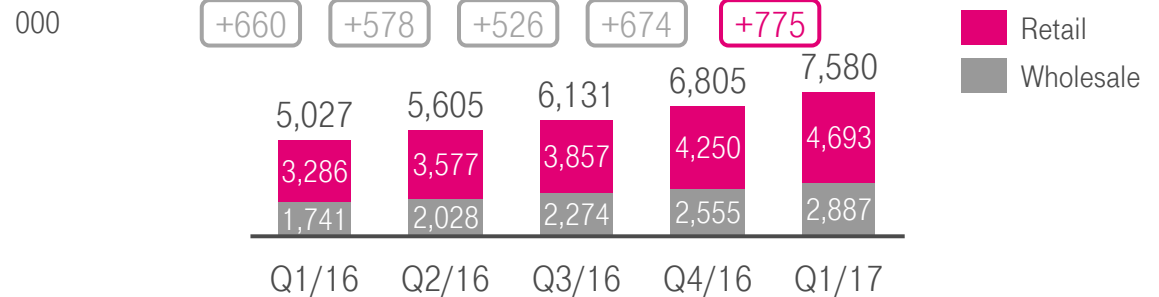
Entertain customers



Line losses



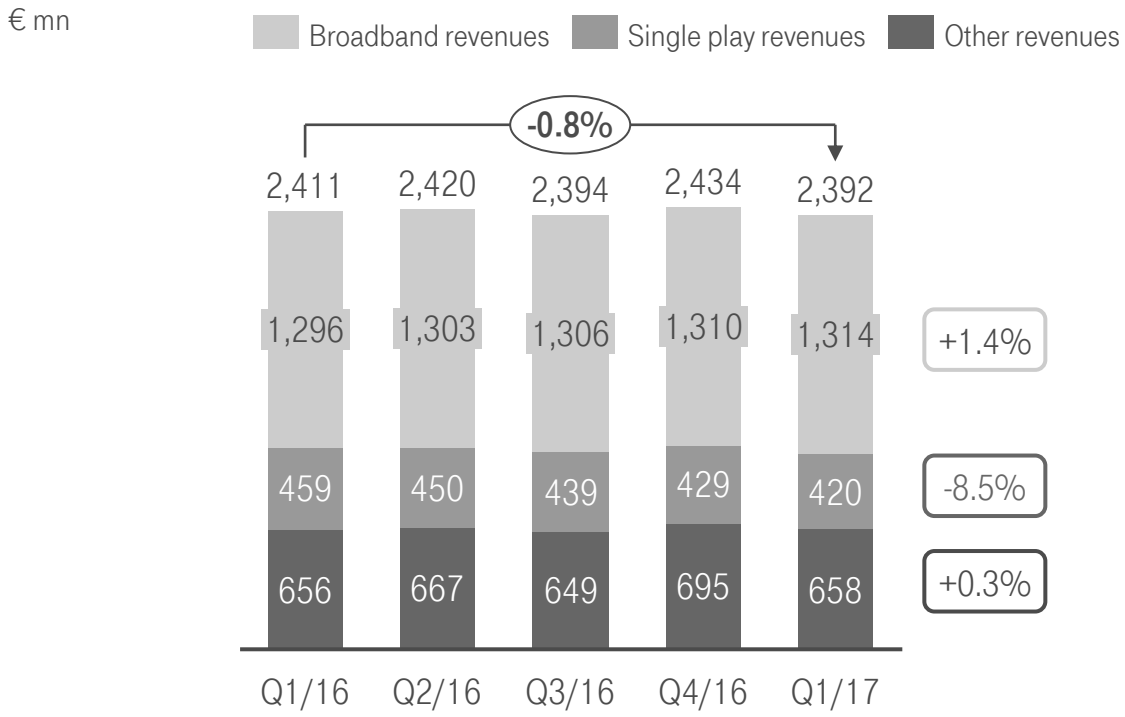
Fiber customers²



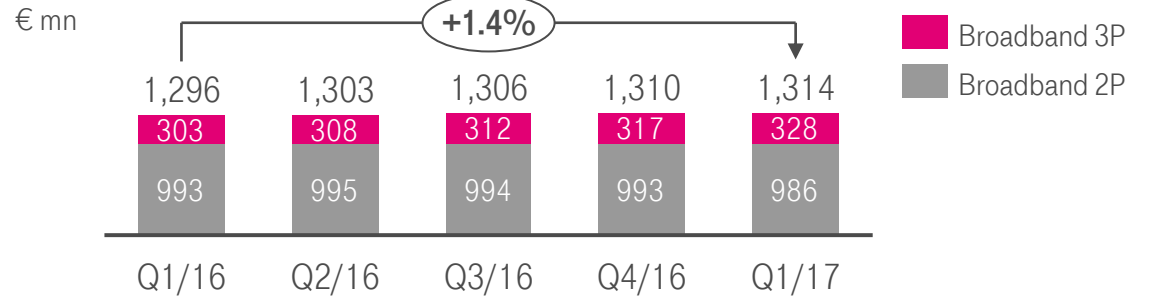
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

GERMANY FIXED: FIXED RETAIL MOMENTUM STABILIZING

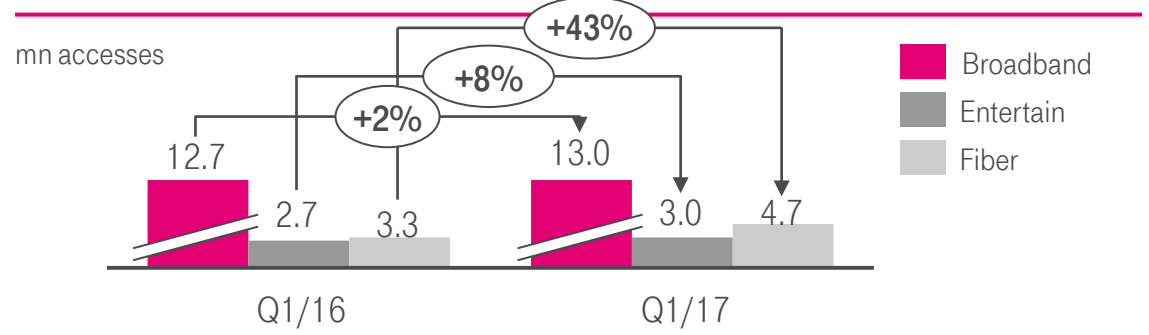
Fixed network revenues retail



Broadband revenues



Retail upsell strategy¹

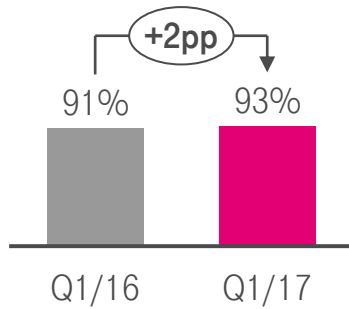


1) Percentages calculated on exact figures

GERMANY: NETWORK TRANSFORMATION ON TRACK

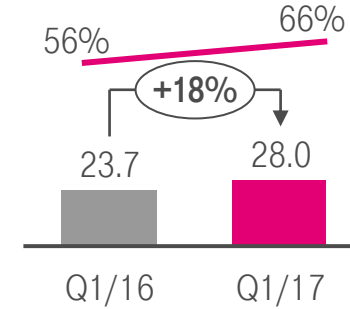
INS – Status LTE rollout

POP
Coverage in %¹



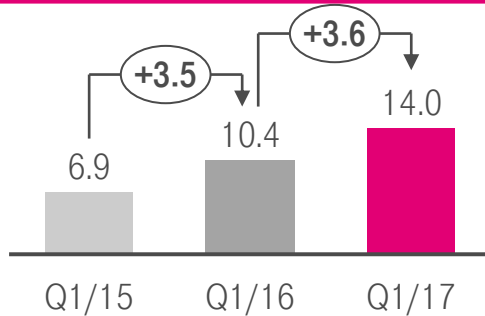
INS – Status fiber rollout²

Coverage in % and
millions of households



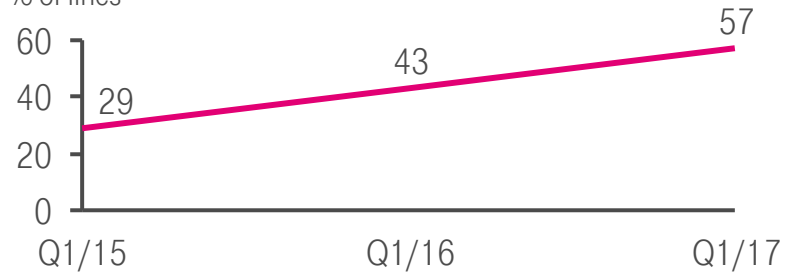
Status IP accesses (retail & wholesale)

mn



Status IP accesses (retail & wholesale)

in % of lines



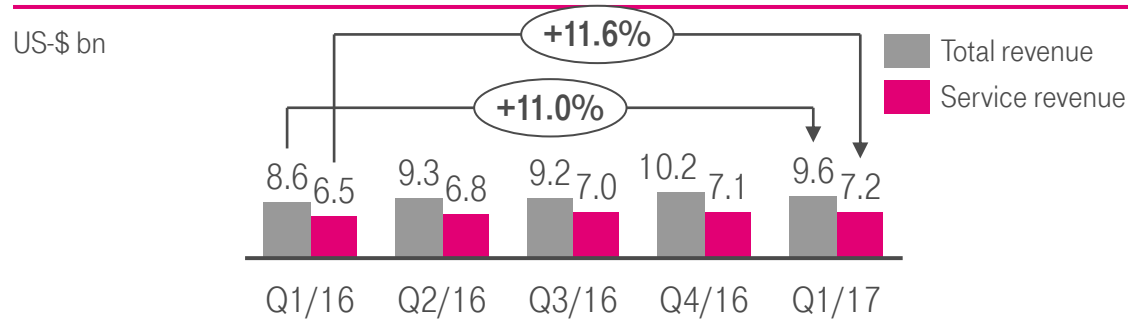
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany



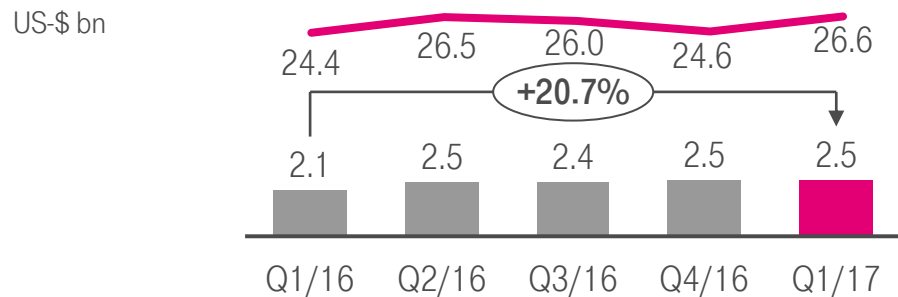
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TMUS: CONTINUED INDUSTRY LEADING GROWTH

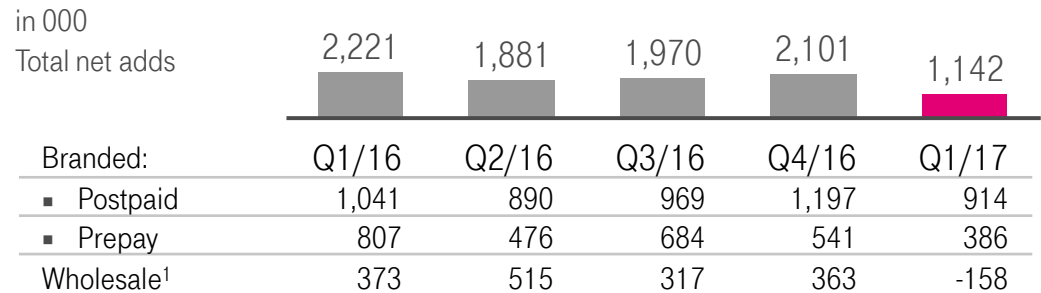
Revenue and service revenue



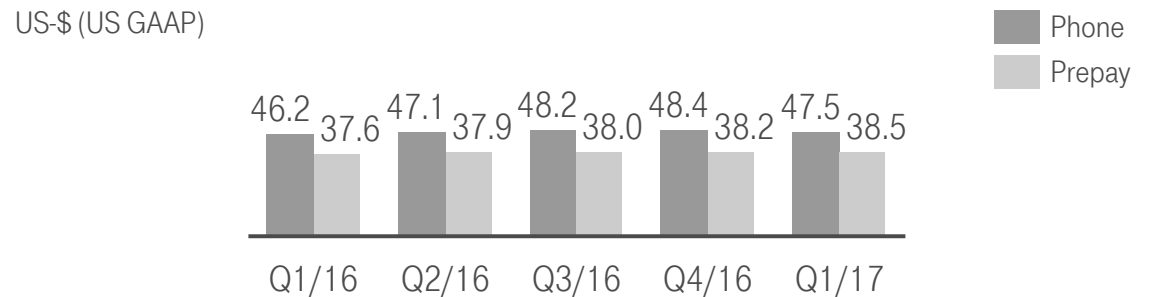
Adj. EBITDA and margin (in %)



Net adds



Branded customers: Postpaid phone and prepay ARPU



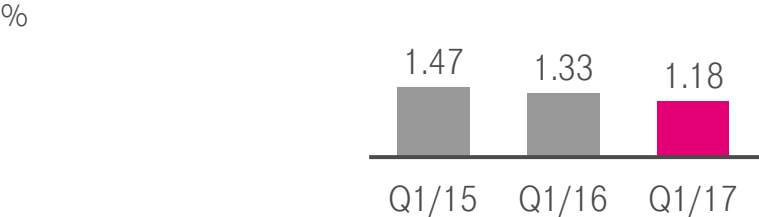
1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.



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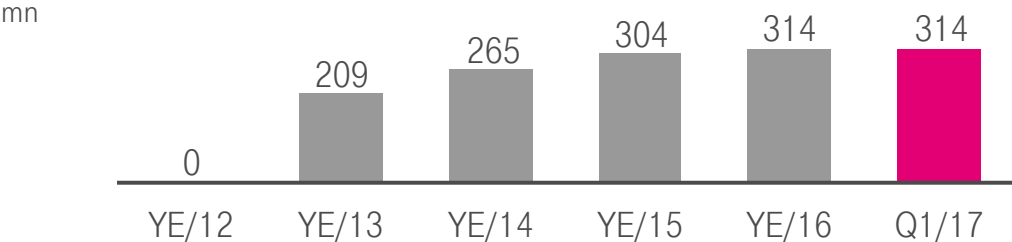
TMUS: EXECUTING ON KEY DRIVERS

Branded postpaid phone churn



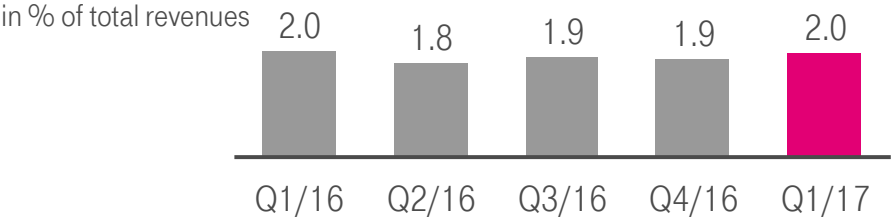
- Branded postpaid phone churn on record-low

LTE covered POPs



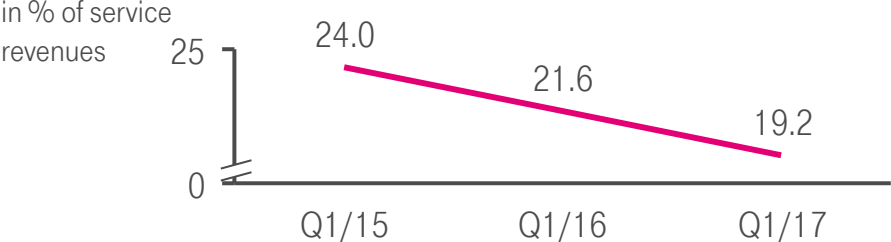
- A-block update: Deployed in 269 million POPs across 530 market areas (spectrum covers approx. 84% of US POPs or 272M people). Full build out expected end of 2017.

Bad debt expenses & losses from sale of receivables



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

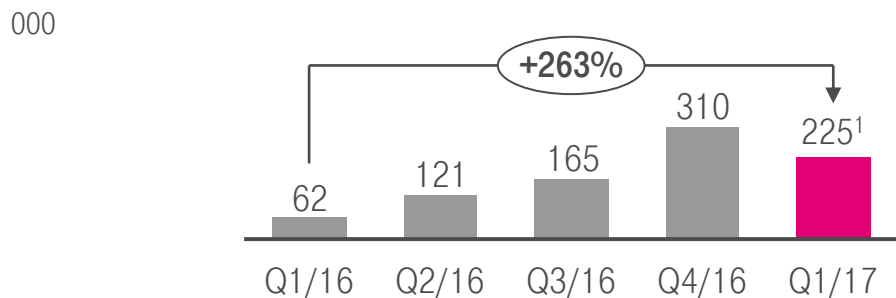
Cost of service



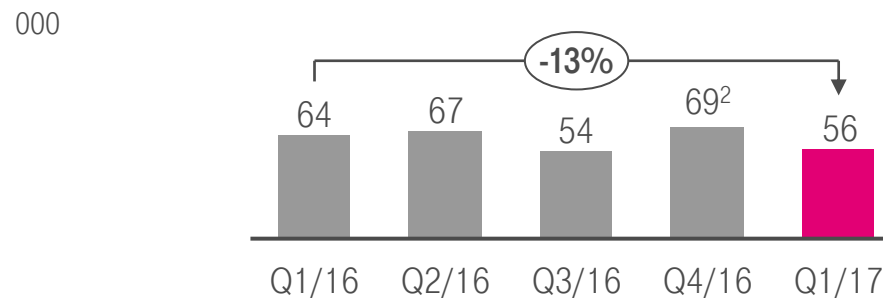
- MetroPCS synergies, growing scale and cost reductions outweigh network expansion costs

EUROPE: POSITIVE COMMERCIAL MOMENTUM

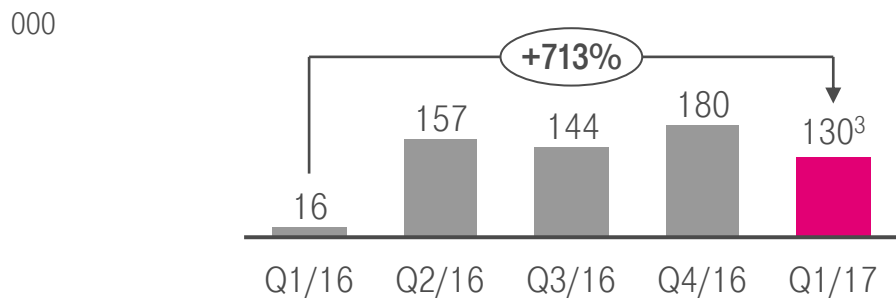
Contract Net Adds



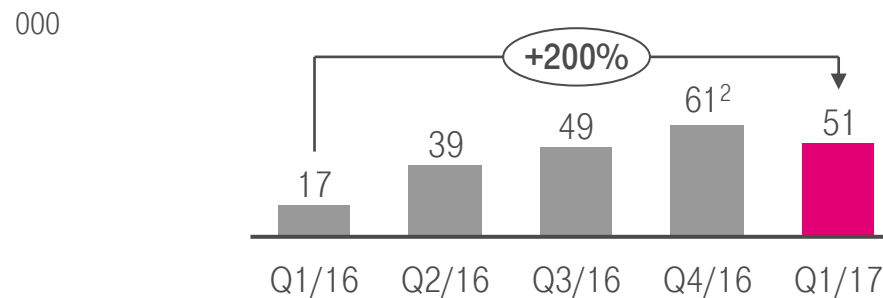
BB Net Adds



FMC Net Adds



TV Net Adds



1) Organic view adjusted for re-classifications in Austria and Slovakia. Change in customer base is 167k. 2) Organic view: adjusted for 19k re-classifications in Hungary. Change in base is 50k. Q4 TV net adds adjusted for 22k re-classifications in Hungary. Change in base is 39k. 3) organic view: adjusted for 137k re-classifications in Greece. Change in base is 267k.

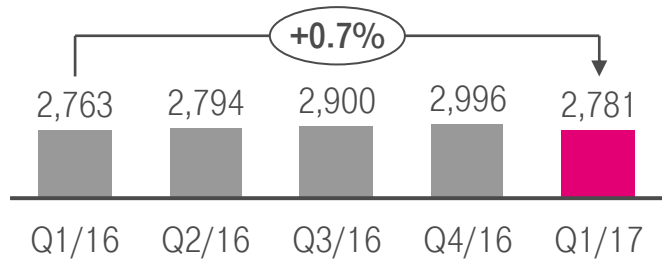


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EUROPE: FINANCIALS ON TRACK

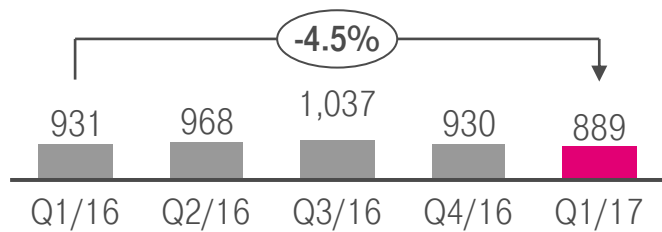
Revenue

€ mn



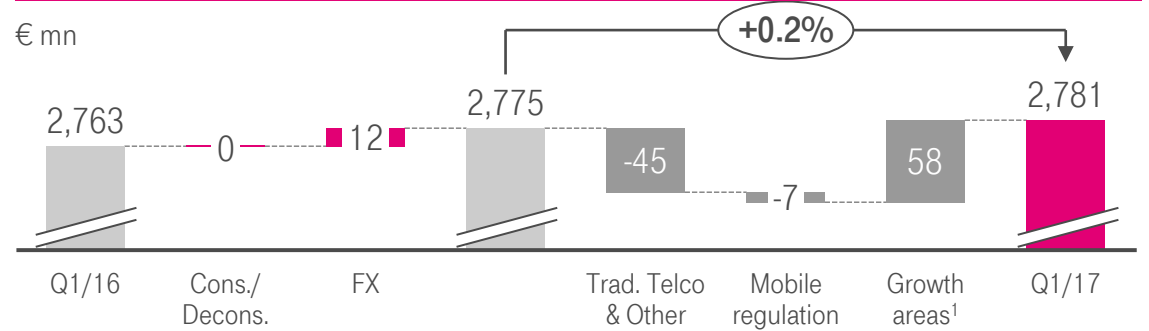
Adj. EBITDA

€ mn



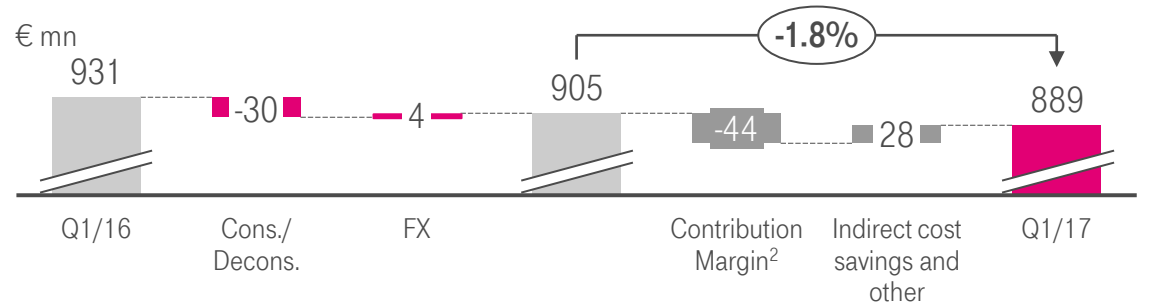
Organic revenue development

€ mn



Organic adj. EBITDA development

€ mn



1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other) 2) Total Revenues – Direct Cost

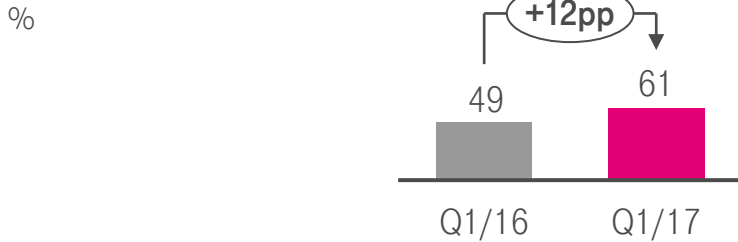


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EUROPE: ONGOING INVESTMENTS IN NETWORK LEADERSHIP

IP migration

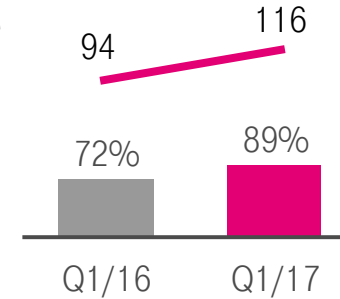
IP share of fixed network access lines



LTE rollout

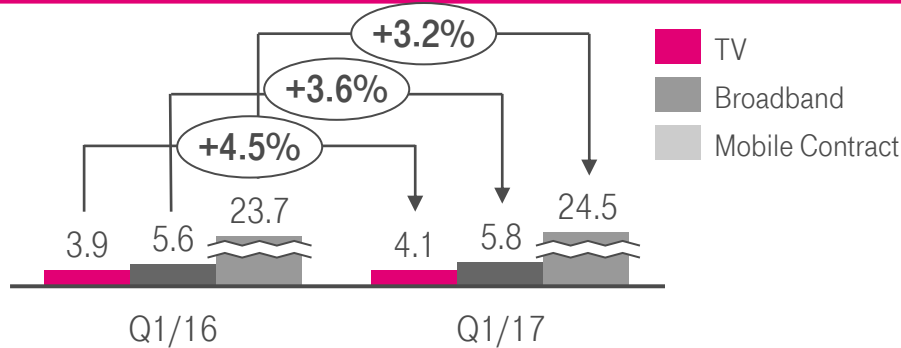
LTE outdoor pop coverage

mn and %



Customer base¹

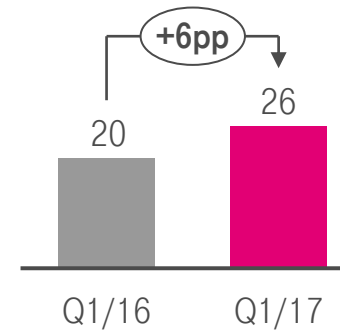
mn



Fiber rollout¹

Fiber household coverage

%



1) ≥ 100Mbit/s²-coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3. Broadband also incl. wholesale customers

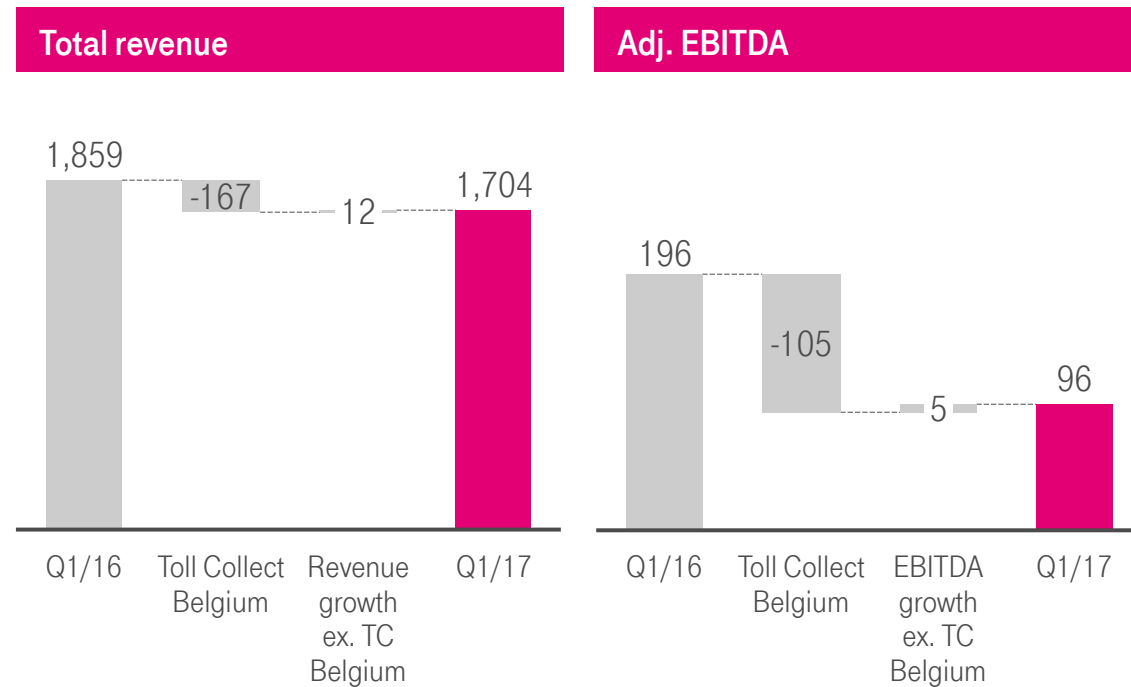


LIFE IS FOR SHARING.

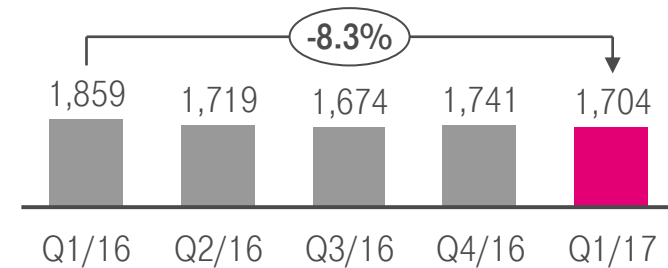
SYSTEMS SOLUTIONS: YOY COMPARISON IMPACTED BY Q1/2016 ONE OFF

T-Systems financials

€ mn

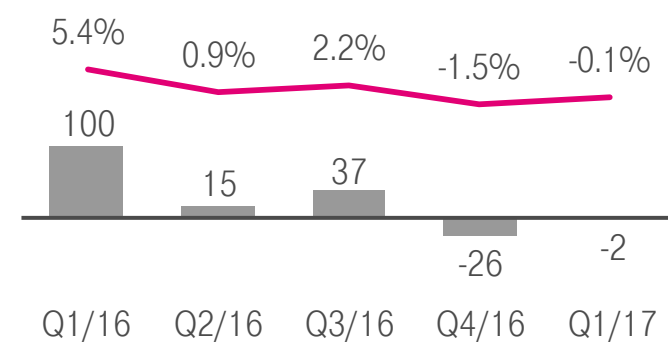


Revenue in € million



Adj. EBIT and margin

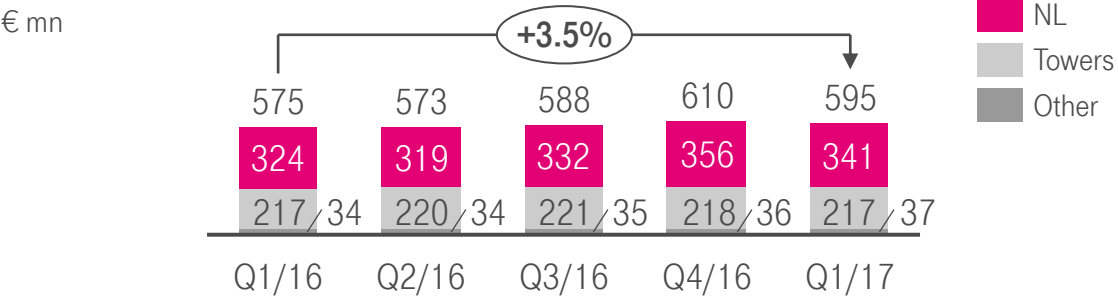
%
€ mn



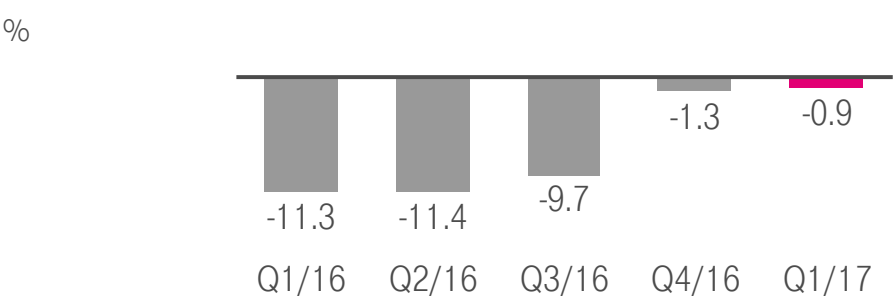
LIFE IS FOR SHARING.

GROUP DEVELOPMENT: DUTCH BUSINESS WITH STRONG PERFORMANCE IN Q1

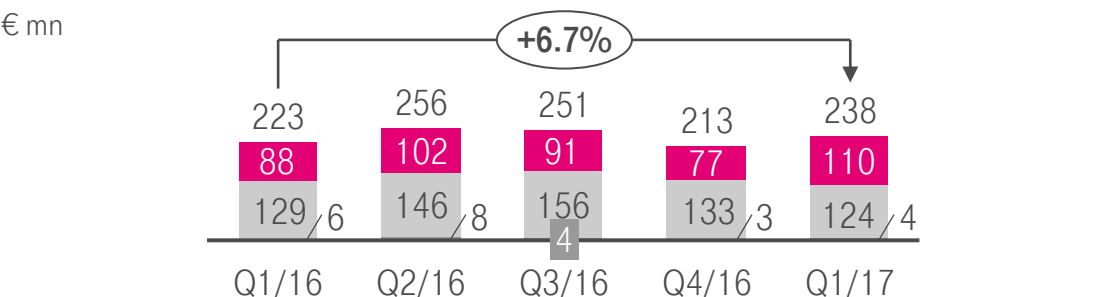
Revenue



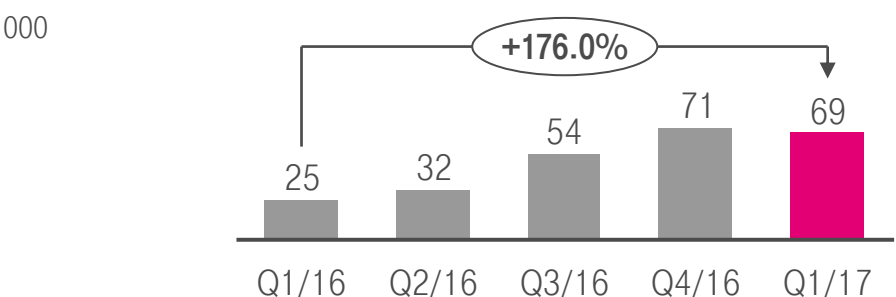
Mobile service revenue trend yoy (NL)



Adj. EBITDA

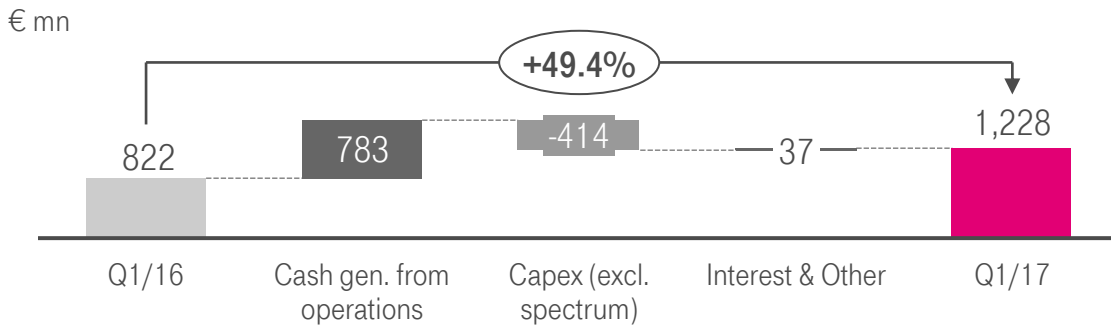


Contract net adds (NL)

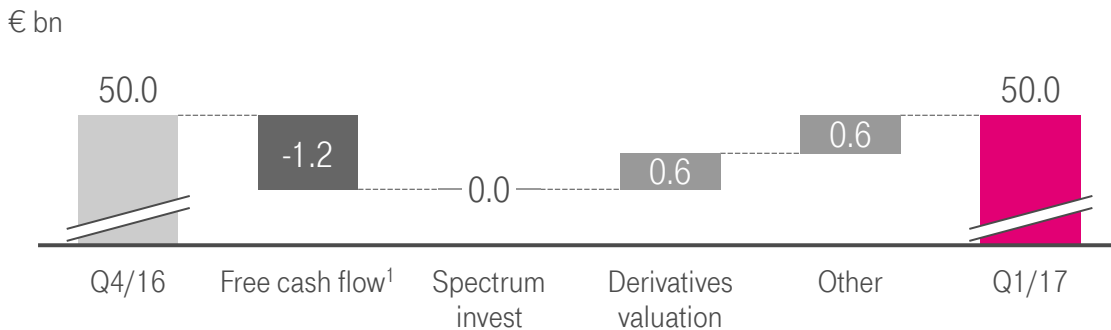


FINANCIALS: FCF, NET DEBT AND NET INCOME

Free cash flow ¹

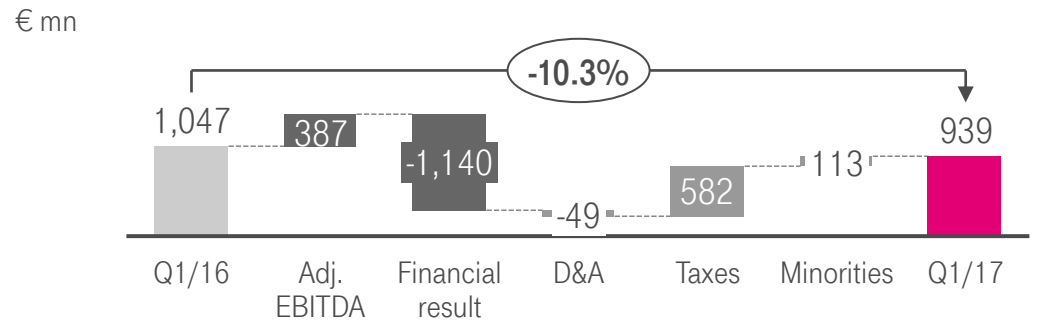


Net debt development



1) Free cash flow before dividend payments and excl. Spectrum: Q1/16: € 1,065 million; Q1/17: € 35 million

Adj. net income



FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	31/03/2016	30/06/2016	30/09/2016	31/12/2016	31/03/2017
Balance sheet total	143.6	143.5	143.1	148.5	148.6
Shareholders' equity	38.4	37.0	37.6	38.8	39.8
Net debt	47.6	48.7	48.5	50.0	50.0
Net debt/adj. EBITDA ¹	2.3	2.3	2.3	2.3	2.3
Equity ratio	26.8%	25.8%	26.3%	26.2%	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 4 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 transform 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.



CONFERENCE CALL WITH Q&A SESSION

The conference call will be held on **May 11 at 2:00 PM CET, 1:00 PM GMT, 8 AM ET.**

DT Participants: **Tim Höttges** (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/17Q1
- 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#

To **ask a questions**, please press “**star one**” on your touchtone telephone. Your name will be announced when it’s your turn to ask a question. Should you require to **cancel your question**, please press “**star two**”.



FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

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IR YouTube Channel

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LIFE IS FOR SHARING.

APPENDIX

OUR STRATEGY

LEADING EUROPEAN TELCO

**INTEGRATED
IP NETWORKS**

**BEST
CUSTOMER
EXPERIENCE**

**WIN WITH
PARTNERS**

**LEAD IN
BUSINESS**

TRANSFORM PORTFOLIO

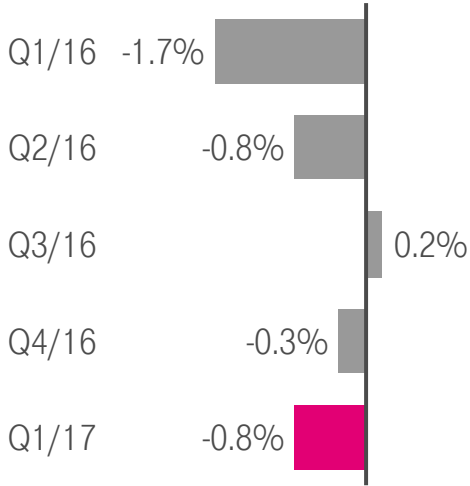
EVOLVE FINANCIAL TARGETS & EFFICIENCY

ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT

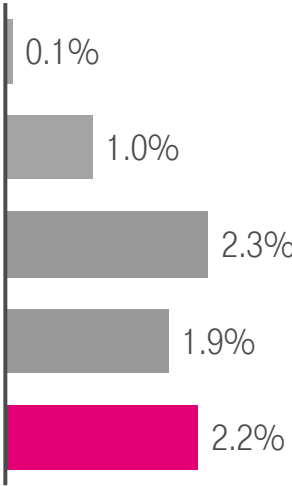


GERMANY MOBILE: SERVICE REVENUES

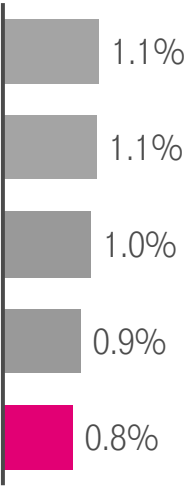
Reported mobile service revenues



Impact of mobile regulation¹



Impact of convergent offers²



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

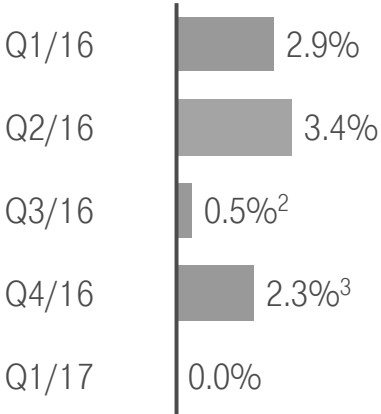
≈ +1% (without EU roaming impact)

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

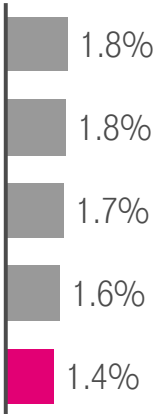
GERMAN FIXED: SERVICE REVENUES

Growth rates YOY

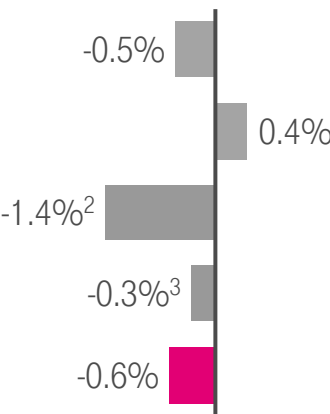
Wholesale revenues



Broadband revenues



Fixed line service revenues¹



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 -0.9% in Q1/17. 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 +4.6% for wholesale, respectively +0.7% for fixed service revenues under definition in Q2/16 (see 1) 3) 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%

THANK YOU!