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**DEUTSCHE TELEKOM**  
FY/2015 RESULTS



LIFE IS FOR SHARING.

# DISCLAIMER

This presentation contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. These forward-looking statements include statements with regard to the expected development of revenue, earnings, profits from operations, depreciation and amortization, cash flows, and personnel-related measures. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. Among the factors that might influence our ability to achieve our objectives are the progress of our workforce reduction initiative and other cost-saving measures, and the impact of other significant strategic, labor, or business initiatives, including acquisitions, dispositions, and business combinations, and our network upgrade and expansion initiatives. In addition, stronger than expected competition, technological change, legal proceedings, and regulatory developments, among other factors, may have a material adverse effect on our costs and revenue development. Further, the economic downturn in our markets, and changes in interest and currency exchange rates, may also have an impact on our business development and the availability of financing on favorable conditions. Changes to our expectations concerning future cash flows may lead to impairment write downs of assets carried at historical cost, which may materially affect our results at the group and operating segment levels. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

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# REVIEW FY/15

# OUR STRATEGY: EXECUTION DELIVERED IN ALL FOCUS AREAS

## 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: DOUBLE DIGIT MOMENTUM

## Customers

- Strong demand for fiber and converged products
- Growth in the US continues with 8.3 million net adds

## Investments and innovation

- Record investments (€ 14.6 bn) in network, transformation, and spectrum
- Multiple innovations focused on seamless connectivity; strong growth with the cloud (+30%, € 1.4 bn revenues)

## Financial results

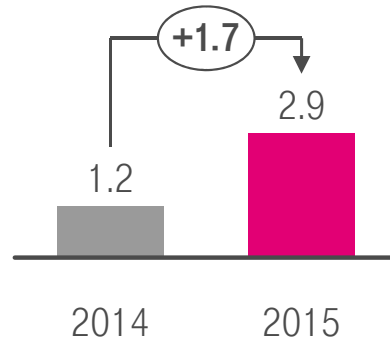
- Double-digit growth in all major financial metrics
- Growing dividend of € 0.55 proposed, reflecting 10% free cash flow growth
- Re-iterating 2014–2018 mid-term targets for the group



# CUSTOMERS: STRONG MOMENTUM WITH CUSTOMERS

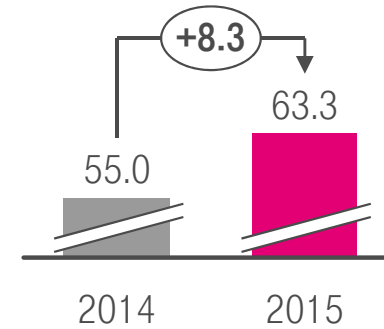
## MagentaEins (Germany + EU)<sup>1</sup>

mn



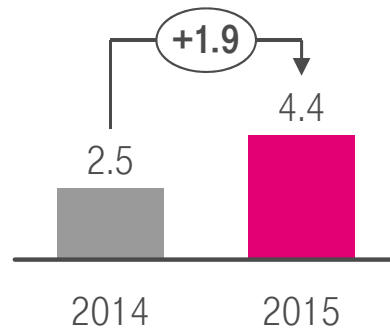
## US Mobile

mn



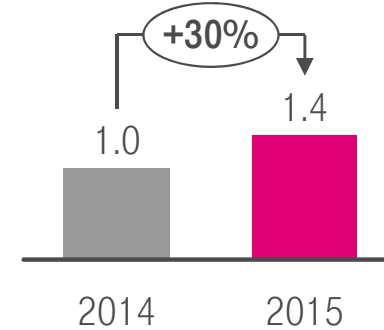
## Fiber in Germany

mn



## Cloud revenues

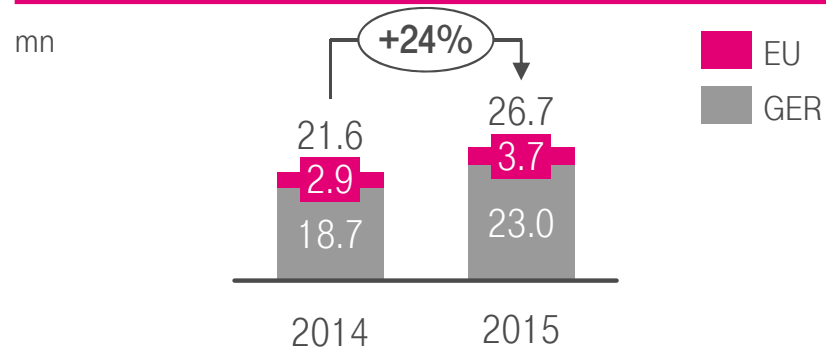
€ bn



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

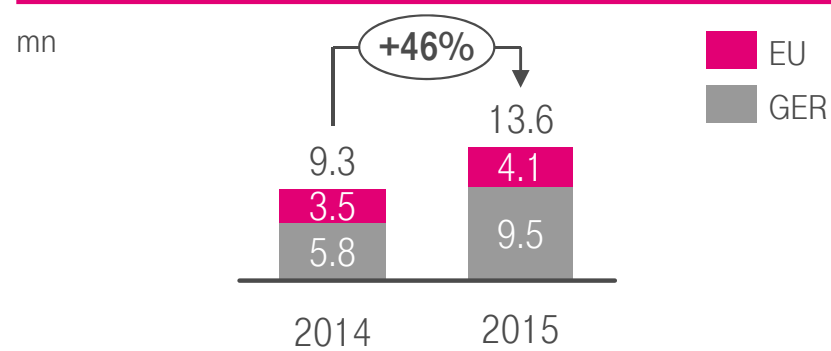
# NETWORKS: COMMITTED TO NETWORK EXCELLENCE

## Fiber homes passed<sup>1</sup>



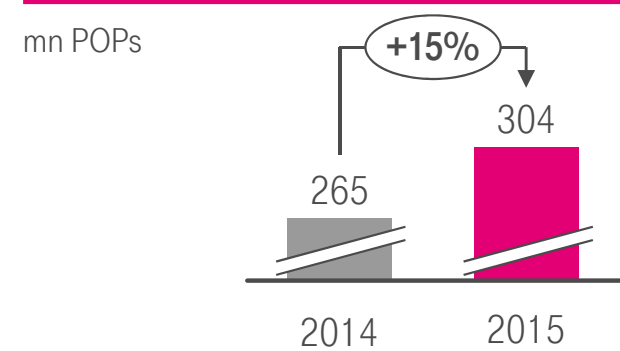
- 55% of all German homes passed at YE 2015
- 80% of German homes covered YE 2018
- Public broadband subsidies provide opportunity for coverage beyond 80%

## All-IP homes



- 40% of DT lines in Germany on new platform at YE 2015
- Completion target YE 2018
- Four EU countries completed<sup>2</sup>

## US LTE coverage



- Geographic LTE coverage more than doubled
- A-Block spectrum covers 210 million POPs<sup>3</sup>
- Recent agreements bring total to 258 million POPs

1) In EU defined as ≥ 100Mbit/s-coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3

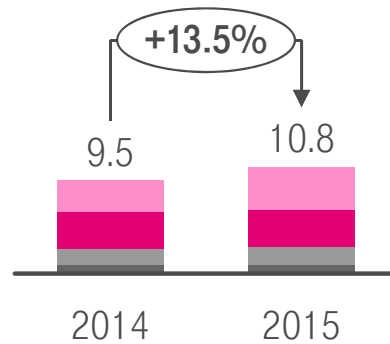
2) Macedonia: Jan. 2014, Slovakia: Dec. 2014, Montenegro: Nov. 2015, Croatia: Dec. 2015

3) YE 2015 deployed in areas covering 188 million POPs

# INVESTMENTS: STRONG INVESTMENT MOMENTUM

## Cash capex (excl. spectrum)

€ bn

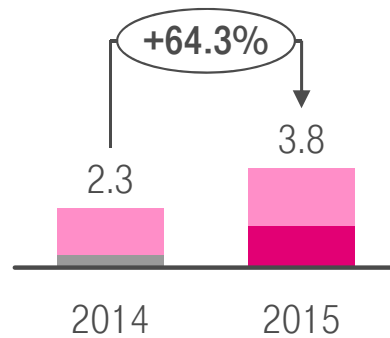


## 2016 Investment highlights

- Subscriber and usage growth
- Extended broadband roll-out
- Deployment of newly acquired LTE spectrum
- Network transformation/cloud

## Spectrum investments (cash)

€ bn



## 2016 Spectrum agenda

- Incentive auction in the US
- LTE spectrum in Poland

US GER Europe Other



# COST EFFICIENCY: DELIVERING AS PROMISED

## Indirect costs (excl. US)<sup>1 2</sup>

€ bn



## Headcount (excl. US)<sup>3</sup>

000



### 2015 Cost reduction measures

- Reduced headquarter and steering functions
- Optimization of shared service centers
- IT efficiency gains
- e-transformation

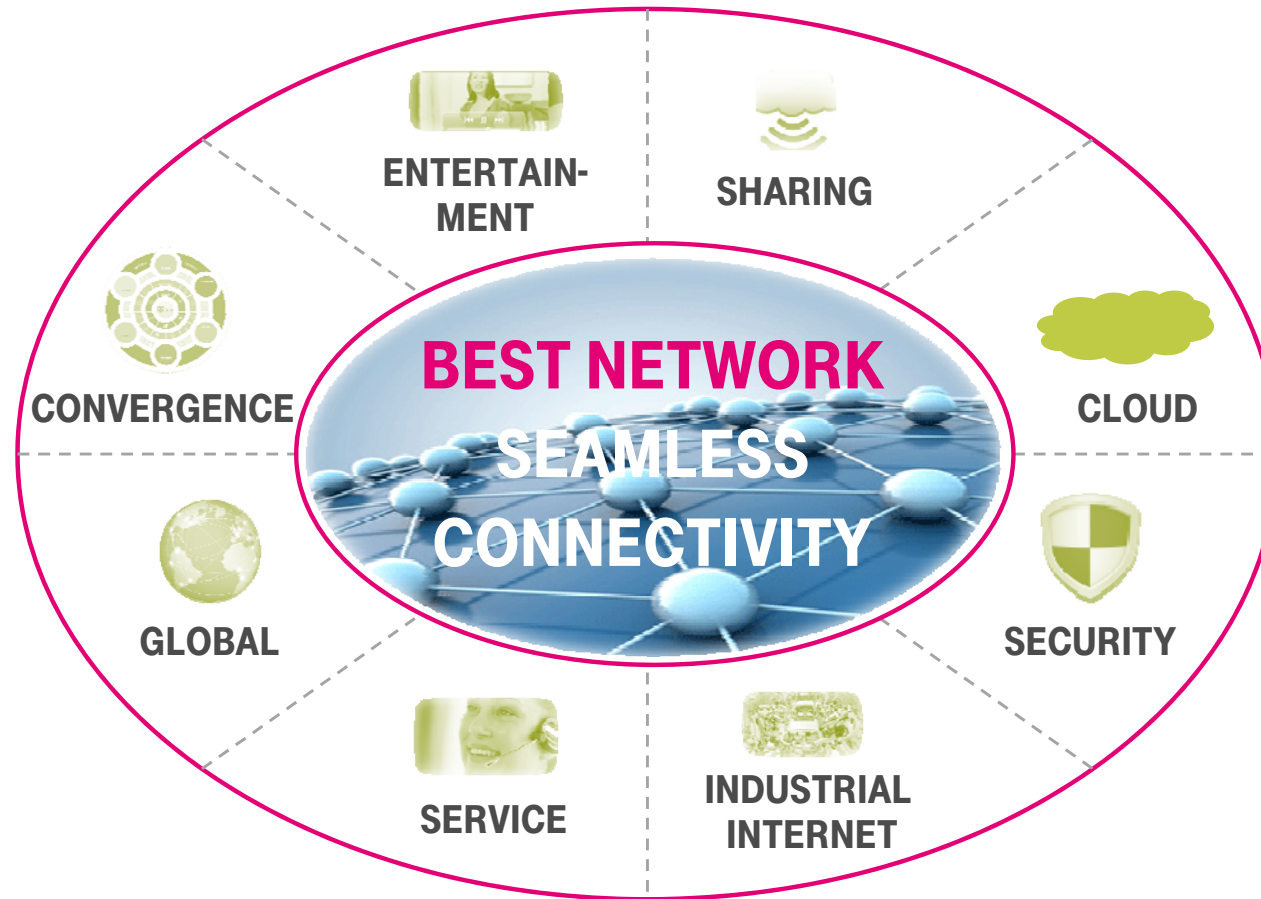
1) Before capitalization of labor 2) Organic development (excl. F/X and changes in the scope of consolidation) 3) At balance sheet date; excl. trainees and student interns

# INNOVATION: BEST NETWORK AND SEAMLESS CONNECTIVITY

- MagentaEins platform
- New tariffs include EU roaming and WiFi
- Convergent devices, including Puls and Hybrid

- Direct Air to Ground partnership with Inmarsat
- Unique ability to provide LTE speeds in the air

- Record speeds with XG.fast
- Record low latency in wireless



- Innovative TM US video proposition 'Binge On'
- Highly popular with customers

- Powerful cloud infrastructure
- Unique trust-based value proposition
- Unique partnerships (Microsoft, Huawei, Cisco)

- New 'Magenta Security' business unit launched
- Double digit growth already in 2015

# PORTFOLIO: ANOTHER YEAR OF STRONG RESULTS

## EE/BT

- Exchange of 50% of EE into 12% of the leading converged player in the UK



## Slovak Telecom minorities

- 49% acquired for 0.9 billion
- Quality asset fully converged
- Attractive multiple



## Guiding principles

- Committed to A- to BBB rating
- In Europe preference for integrated approach
- In US focus on 'Un-carrier' strategy and spectrum investments
- General policy: No major acquisitions outside our footprint
- Clear and proven commitment to creating value for our shareholders

## T-Online/Ströer

- Exchange of general interest portal for a 12% stake in Ströer



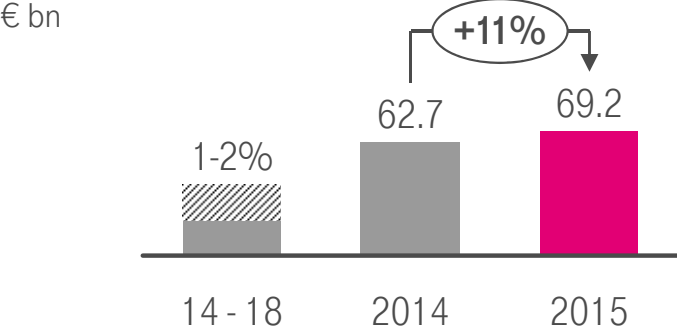
## Sale of Scout24 shares

- Further proceeds of 0.4 billion through IPO taking total to 2.1 billion
- Residual stake of 13%

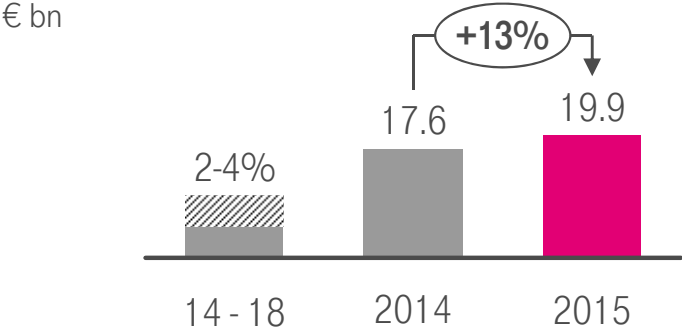


# FINANCIAL PERFORMANCE: DOUBLE-DIGIT GROWTH

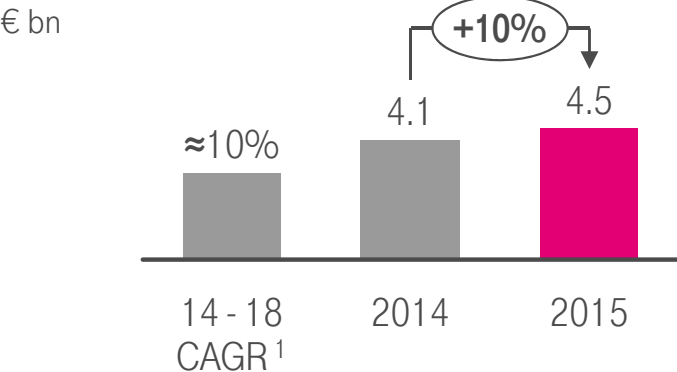
## Revenue



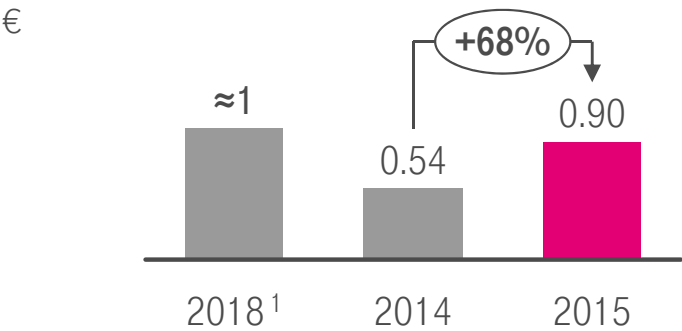
## Adj. EBITDA



## FCF growth rate



## Adj. EPS



**DIVIDEND POLICY** Following FCF growth  
Floor at € 0.50

---

**Proposed dividend per share<sup>2</sup>**

€

Year	Proposed Dividend (€)	Change
2014	0.50	-
2015	0.55	+10%

1) 14-18 CAGRs and 2018 values as per CMD 2015 guidance 2) Subject to AGM resolution

# GUIDANCE 2016

€ bn

	Guidance 2015 (\$/€: 1.11)	Results 2015 (\$/€: 1.11)	Guidance 2016 (\$/€: 1.11)
Revenue	Increase	+10.5%	Increase
Adj. EBITDA	around 19.4 <sup>1</sup>	19.9	around 21.2
<i>Of which handset lease + data stash in US\$ bn</i>		<i>0.16</i>	<i>0.7</i>
FCF <sup>2</sup>	around 4.3	4.5	around 4.9

1) Original guidance was "around 18.3" resp. "around 19.3" based on \$/€ exchange rate of 1.33/1.13. 19.4 billion is result of applying actual exchange rate of 1.11

2) Free cash flow before dividend payments and spectrum investment

# REVIEW Q4/15

# 2015: FINANCIAL HIGHLIGHTS

€ mn

	Q4			FY		
	2014	2015	Change	2014	2015	Change
Revenue	17,002	17,859	+5.0%	62,658	69,228	+10.5%
Adj. EBITDA	4,444	5,143	+15.7%	17,569	19,908	+13.3%
Adj. Net profit	399	959	+140.4%	2,422	4,113	+69.8%
Net profit	-110	946	n.a.	2,924	3,254	+11.3%
Adj. EPS (in €)	0.09	0.21	+133.3%	0.54	0.90	+66.7%
EPS (in €)	-0.03	0.20	n.a.	0.65	0.71	+9.2%
Free cash flow <sup>1</sup>	983	998	+1.5%	4,140	4,546	+9.8%
Cash capex <sup>2</sup>	2,779	3,015	+8.5%	9,534	10,818	+13.5%
Net debt	42,500	47,570	+11.9%	42,500	47,570	+11.9%

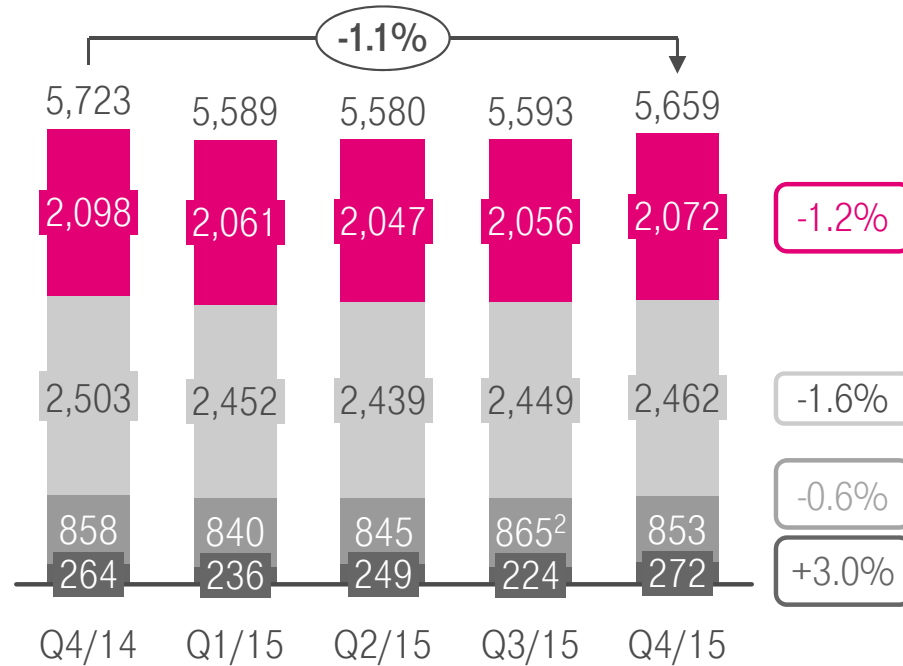
1) Free cash flow before dividend payments and spectrum investment 2) Excl. spectrum: Q4/14: € 338 million; Q4/15: € 27 million; FY/14: € 2,310 million; FY/15: € 3,795 million

# GERMANY: STABLE ADJ. EBITDA IN 2015

## Revenue reported<sup>1</sup>

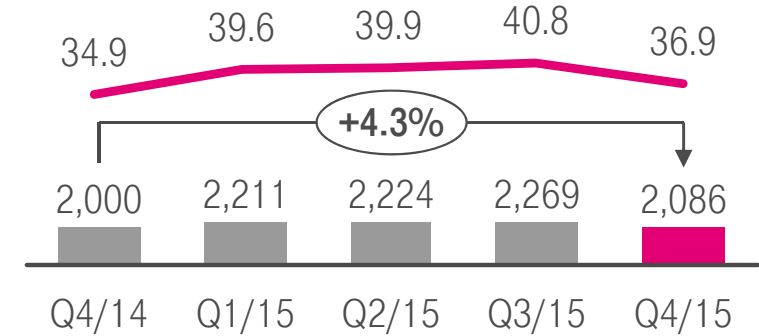
€ mn

Mobile Core fixed Wholesale services Others



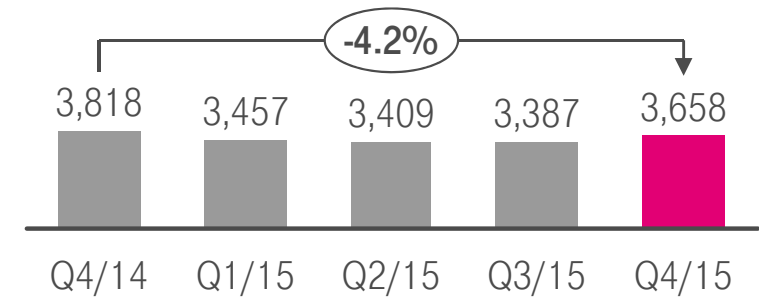
## Adj. EBITDA and margin (in %)

€ mn



## Adj. OPEX

€ mn



1) Online consumer service revenues in "others" have been allocated to revenues from core fixed since January 1, 2015. Prior year figures have been adjusted accordingly.

2) Revenue in Q3/15 benefitted from special factor related to settlement agreements concerning charged fees from previous years. Adjusted growth rate at 0.0%.

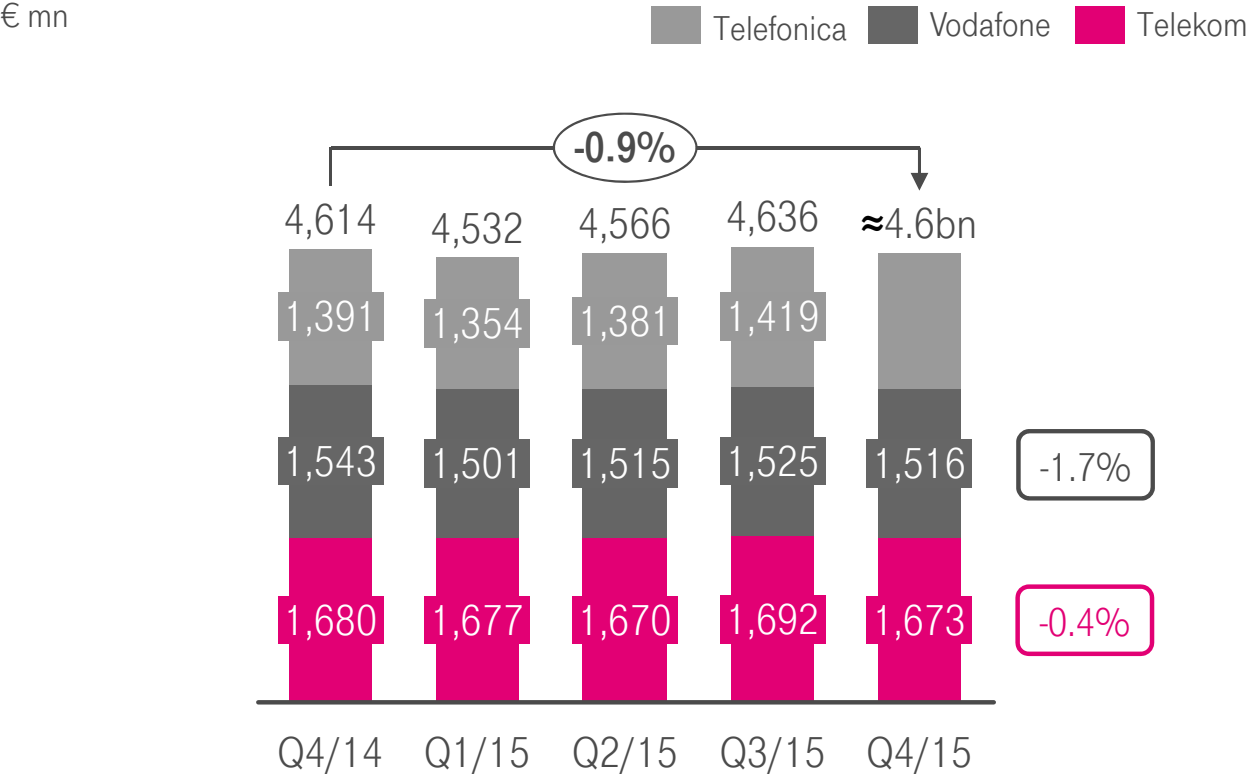


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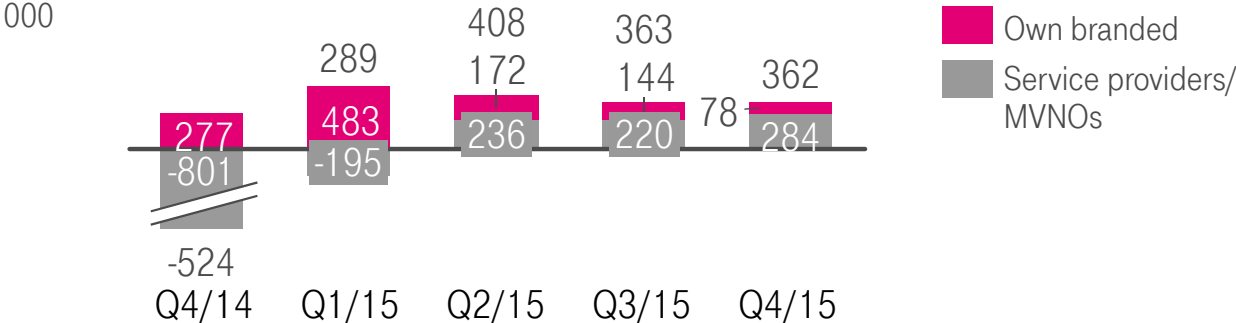


# GERMANY MOBILE: HEALTHY MOMENTUM CONTINUES

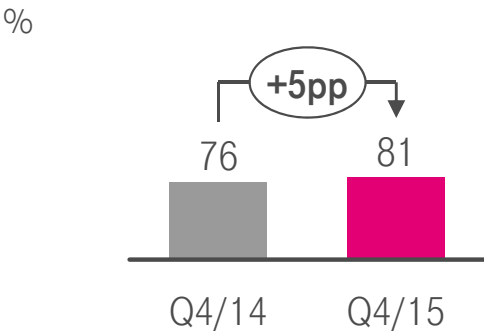
## German mobile market service revenue<sup>1</sup>



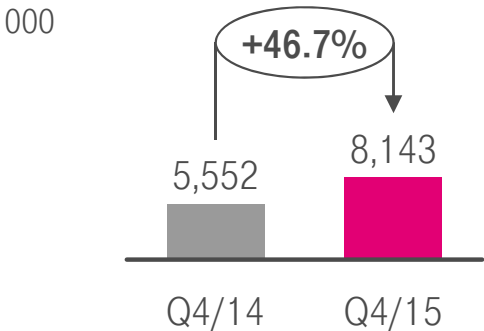
## Contract net adds<sup>2</sup>



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



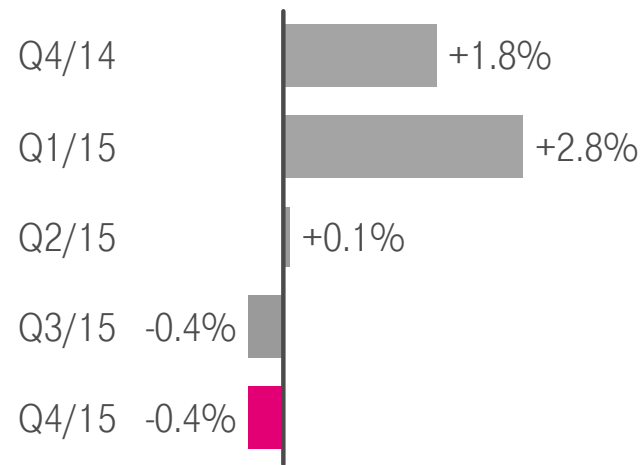
## LTE customers<sup>4</sup>



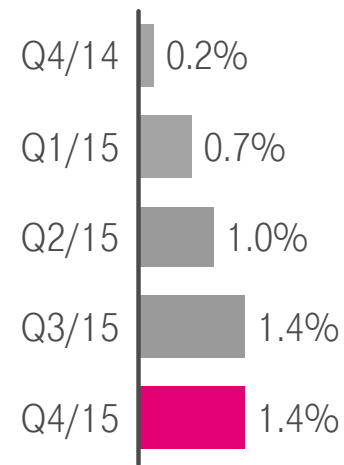
1) Management estimate 2) Figures may not add up due to rounding 3) Of own branded retail customers 4) Customers using an LTE-device and tariff plan including LTE

# GERMAN MOBILE SERVICE REVENUES: UNDERLYING POSITIVE

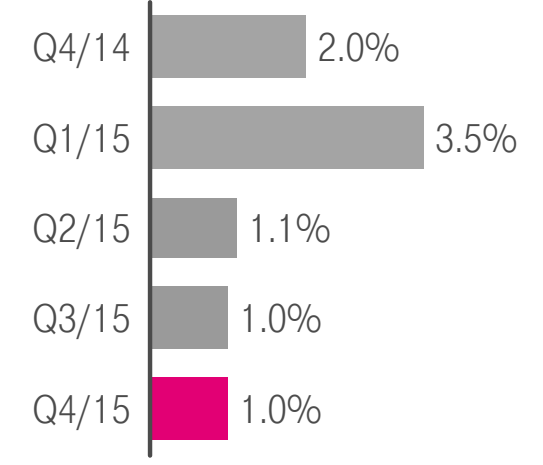
## Reported mobile service revenues



## Impact of convergence products<sup>1</sup>



## Underlying growth



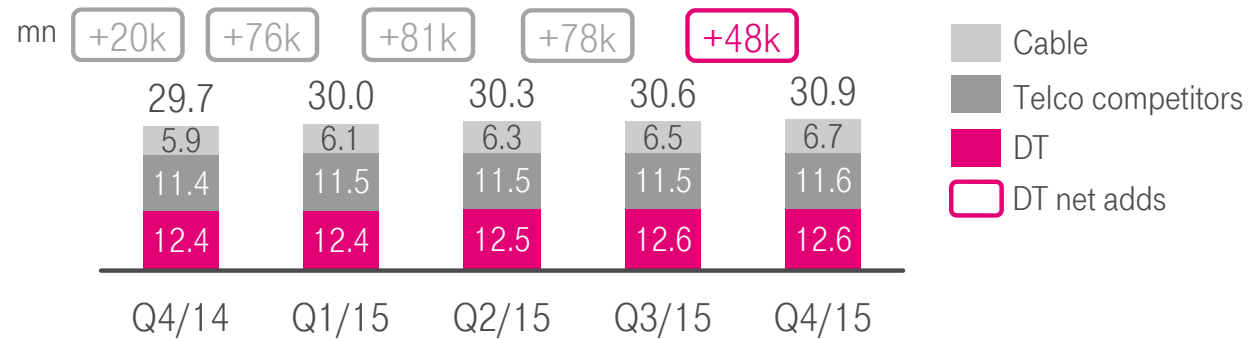
## Medium term guidance (2014–2018 CAGR): re-iterated

≈ +1% (without EU roaming impact)

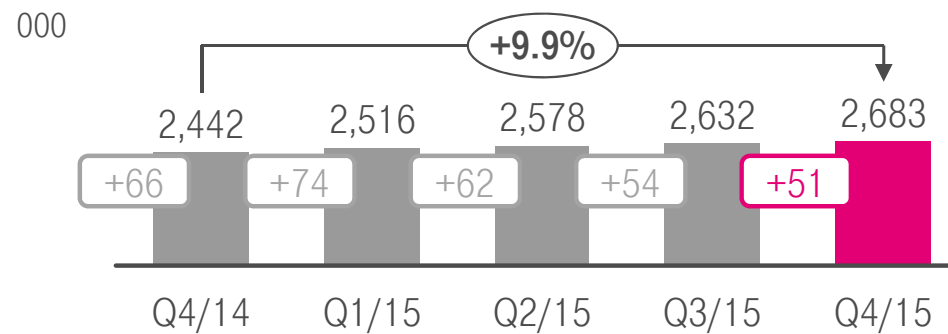
1) Impact of MagentaEINS and Telekom LTE broadband

# GERMANY FIXED: STRONG FIBER GROWTH

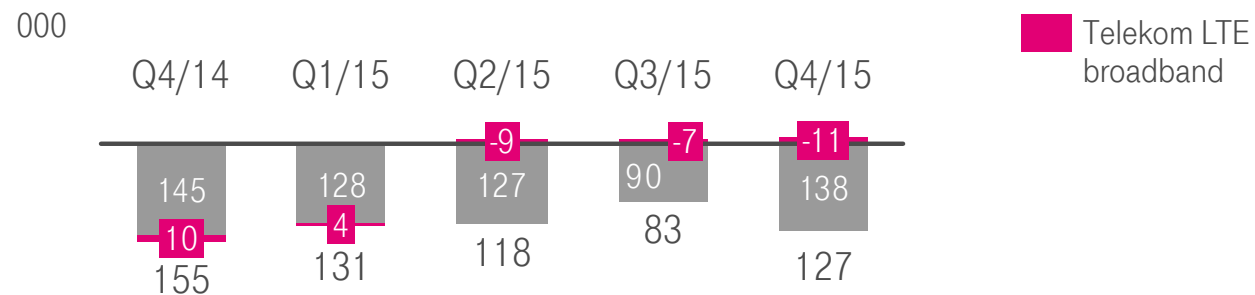
## German broadband market<sup>1</sup>



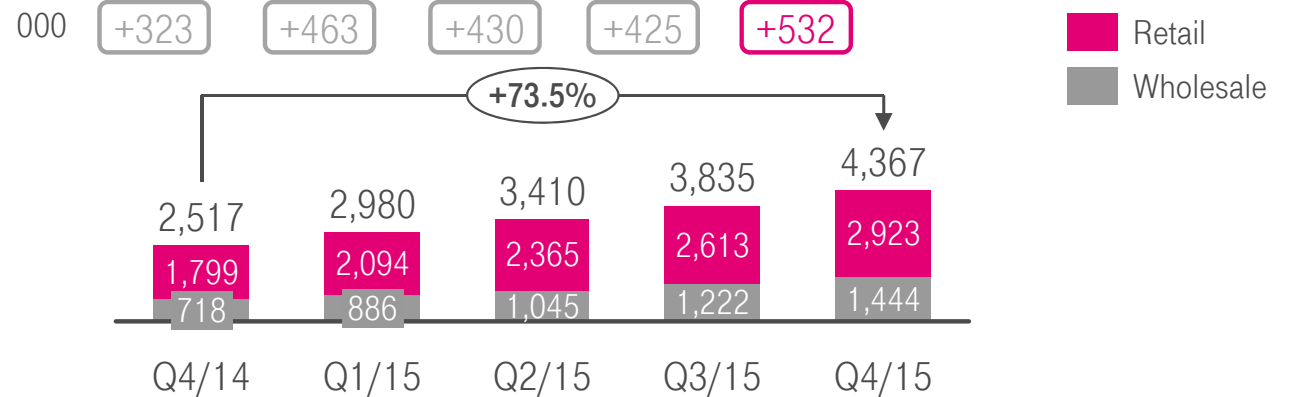
## Entertain customers



## Line losses



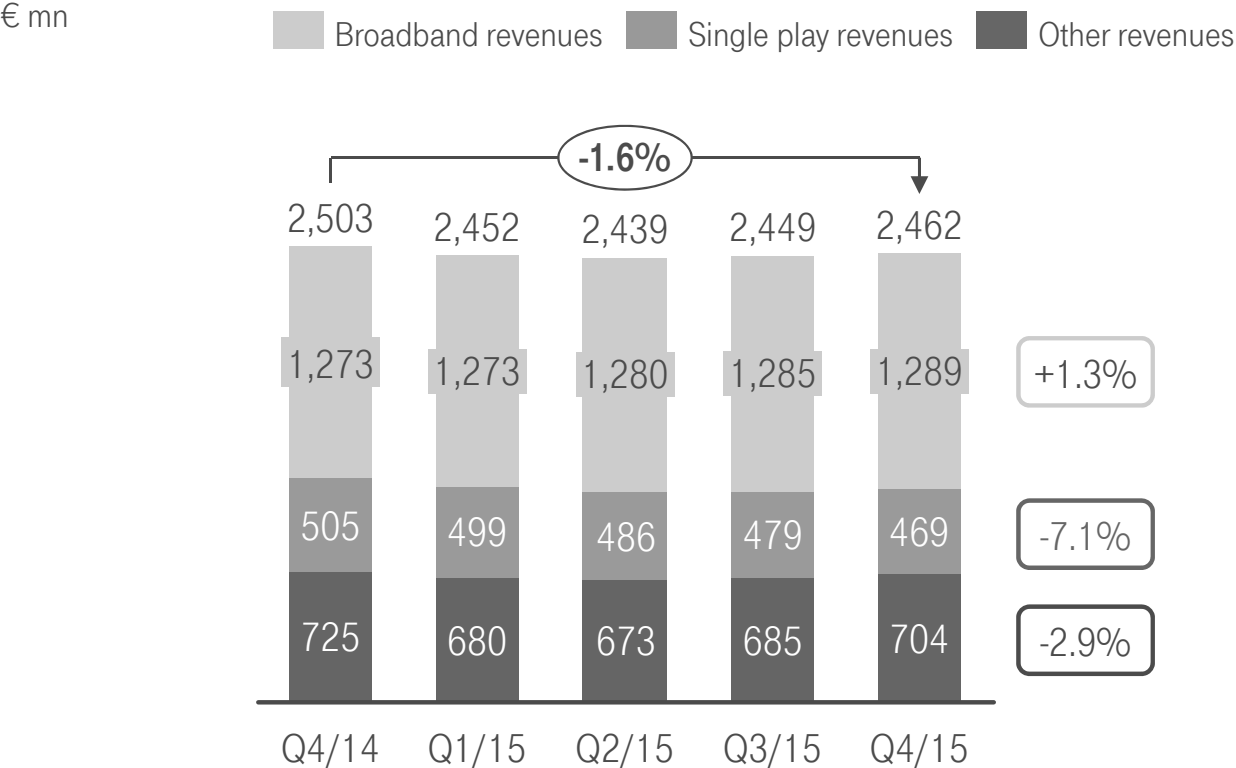
## Fiber customers<sup>2</sup>



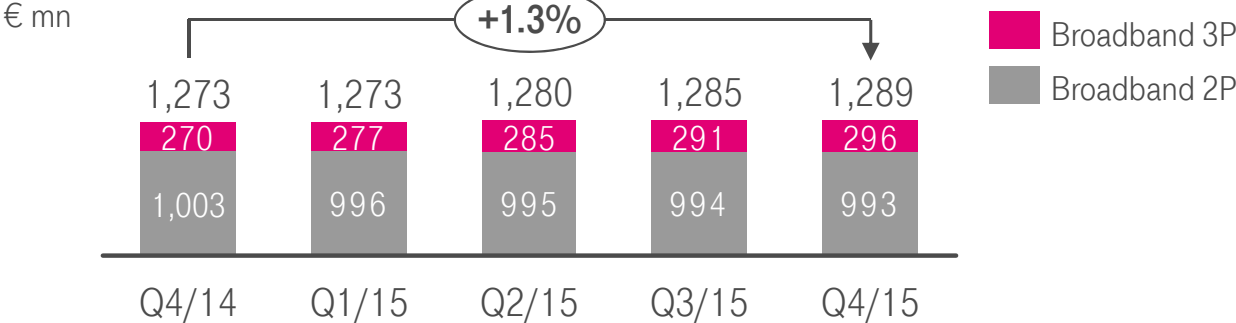
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring, and FTTH)

# GERMANY FIXED: BROADBAND GROWTH ACCELERATING

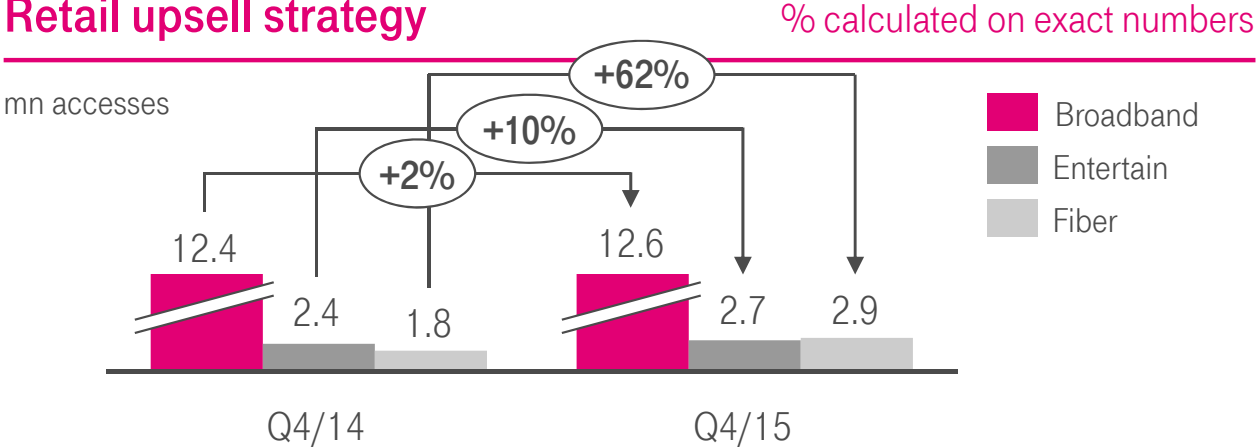
## Fixed network revenues (core fixed)<sup>1</sup>



## Broadband revenues<sup>2</sup>



## Retail upsell strategy

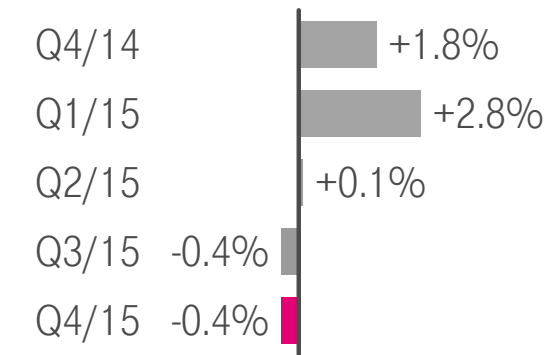


1) Online consumer service revenues have been allocated to revenues from add-on options since January 1, 2015. Prior year figures have been adjusted accordingly.  
 2) Revenues from supplement accesses have been allocated from broadband double play revenues to voice revenues since January 1, 2015. Prior year figures have been adjusted accordingly.

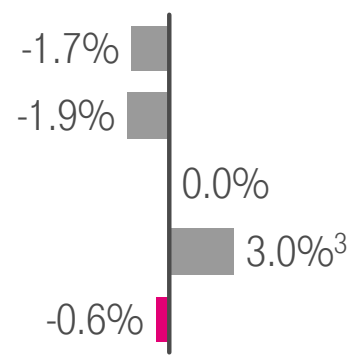
# GERMAN TOTAL SERVICE REVENUES: WE ARE ON TRACK

## Growth rates YOY

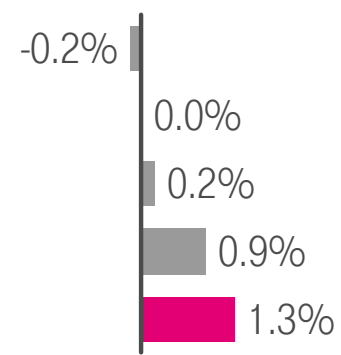
### Mobile service revenues



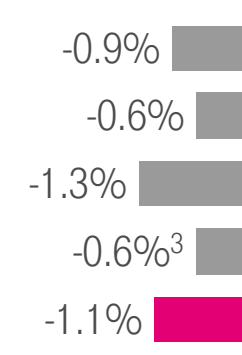
### Wholesale revenues<sup>2</sup>



### Broadband revenues<sup>2</sup>



### Total service revenues



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

≈ +1%<sup>1</sup>

+0.0%

+2.0%

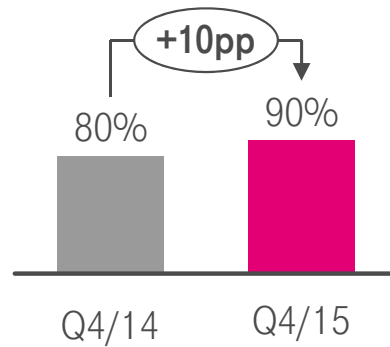
+0.3%<sup>1</sup>

1) Without EU roaming impact 2) Percentage changes for Q4/14 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

# GERMANY: RAPID NETWORK ROLL-OUT AND TRANSFORMATION

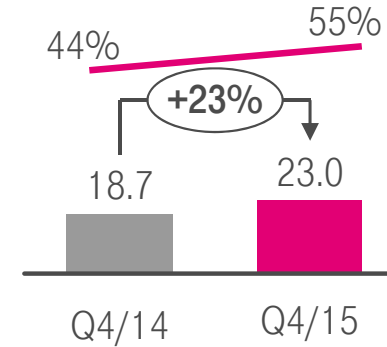
## INS – status LTE roll-out

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



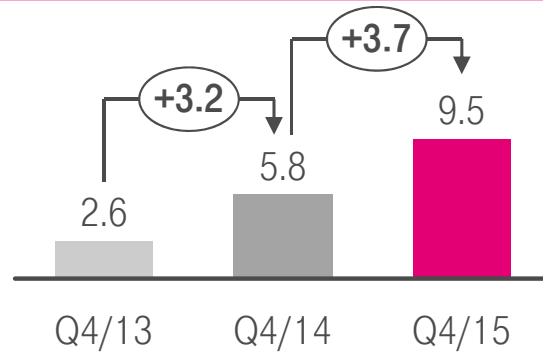
## INS – status fiber roll-out<sup>2</sup>

Coverage in % and  
millions of households



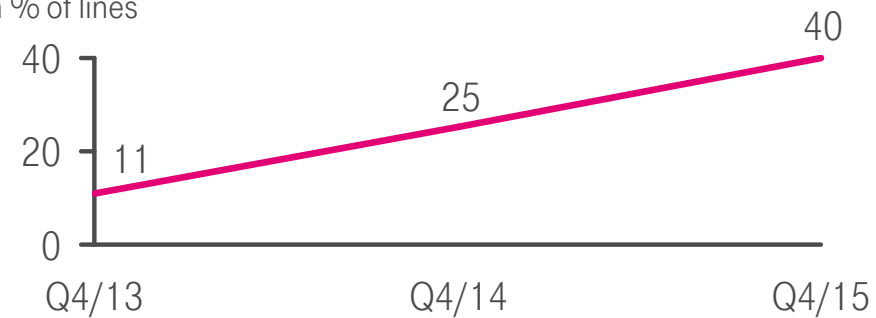
## Status IP accesses (retail & wholesale)

mn



## Status IP accesses (retail & wholesale)

in % of lines

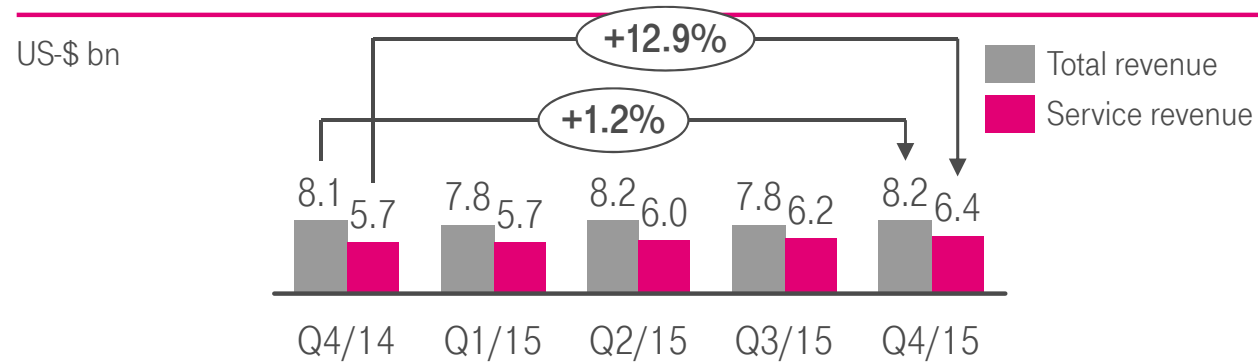


**Target:**  
100% of lines  
by 2018!

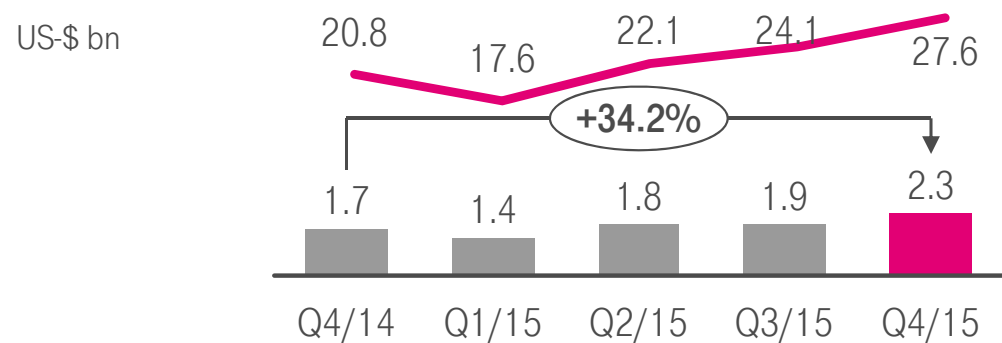
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany

# TMUS: STRONG GROWTH IN ALL KEY METRICS

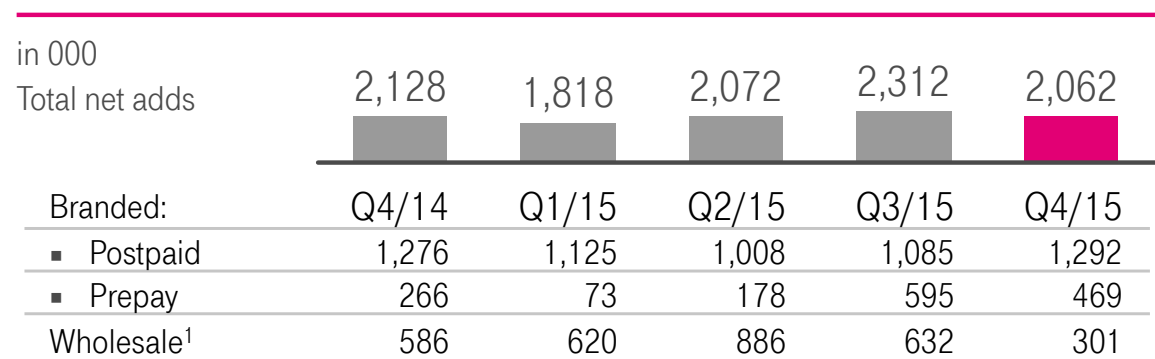
## Revenue and service revenue



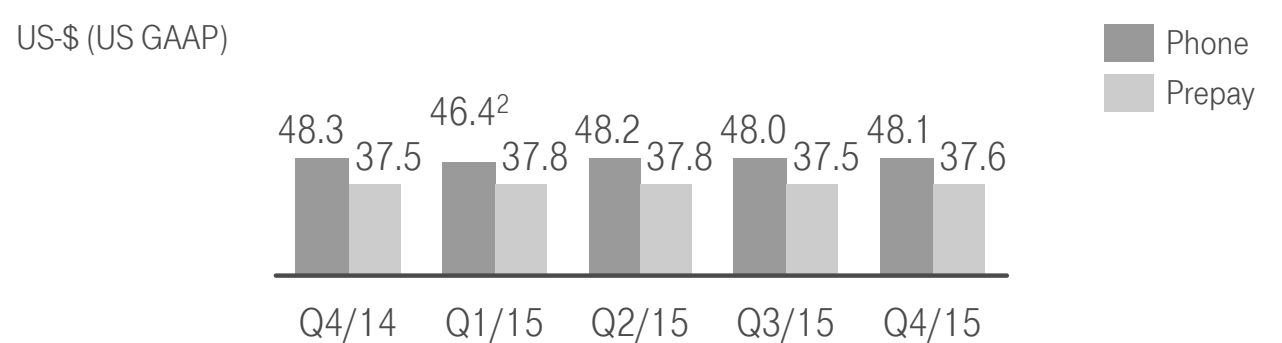
## Adj. EBITDA and margin (in %)



## Net adds



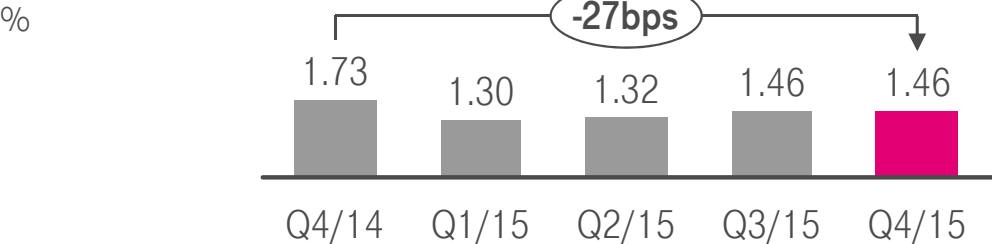
## Branded customers: postpaid phone and prepay ARPU



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 was US\$ 47.7

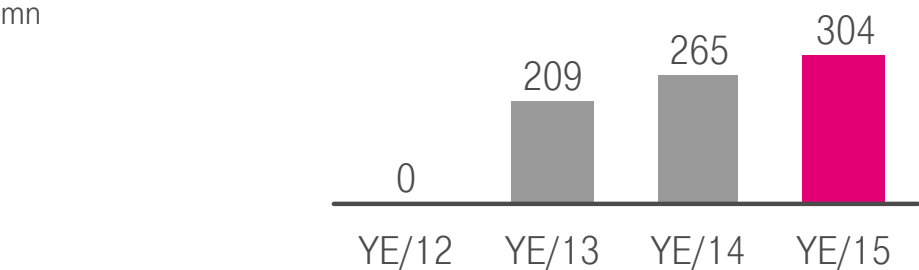
# FOCUS ON TMUS: IMPORTANT DRIVERS KEEP TRENDING WELL

## Branded postpaid phone churn



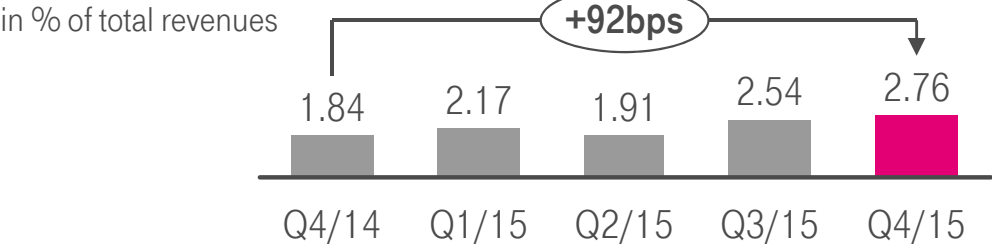
- Positive porting ratios against all carriers

## LTE covered POPs



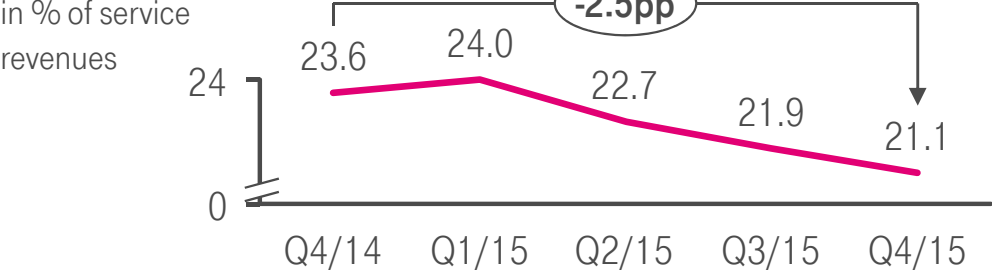
- A-block spectrum now live in more than 300 market areas (spectrum covers 80% of US POPs or 258 million people)

## Bad debt expenses & losses from sales of receivables



- Higher bad debt expense resulting primarily from sales of receivables
- Receivables classified as prime stable at 52% (incl EIP receivables sold)

## Cost of service

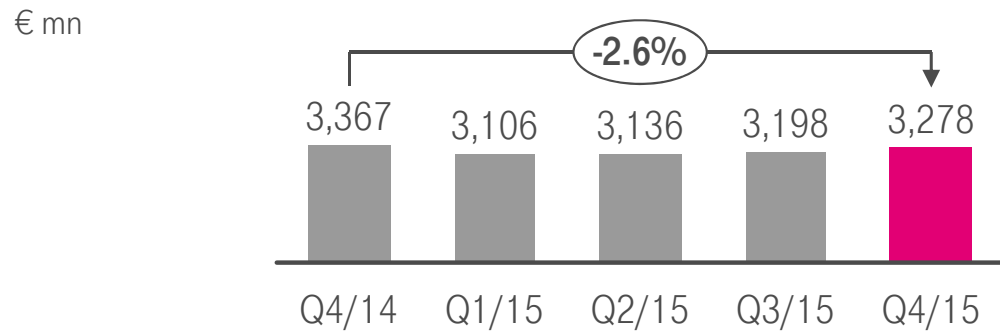


- Benefitting from MetroPCS synergies (network integration completed on July 1)

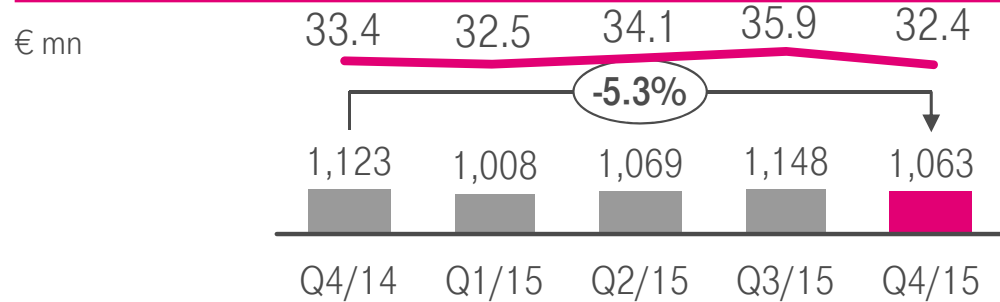


# EUROPE: IMPROVED PERFORMANCE IN 2015

## Revenue as reported



## Adj. EBITDA and margin (in %) as reported

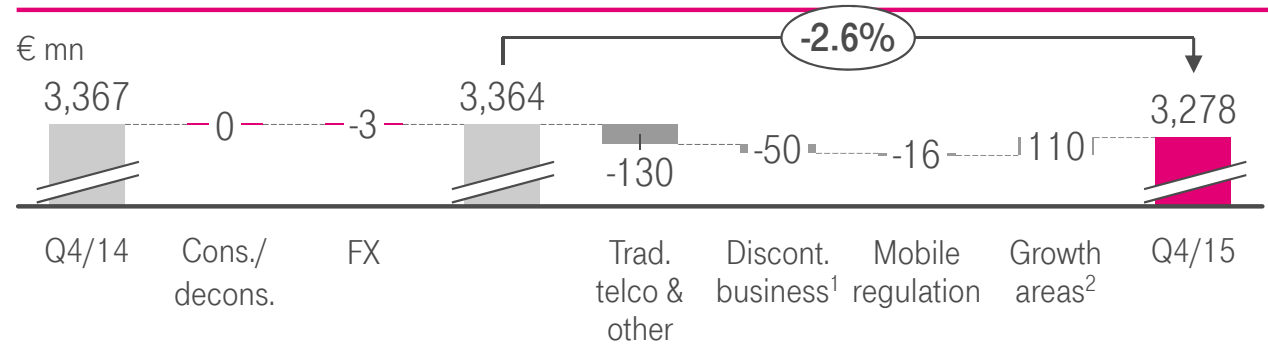


1) International voice hubbing

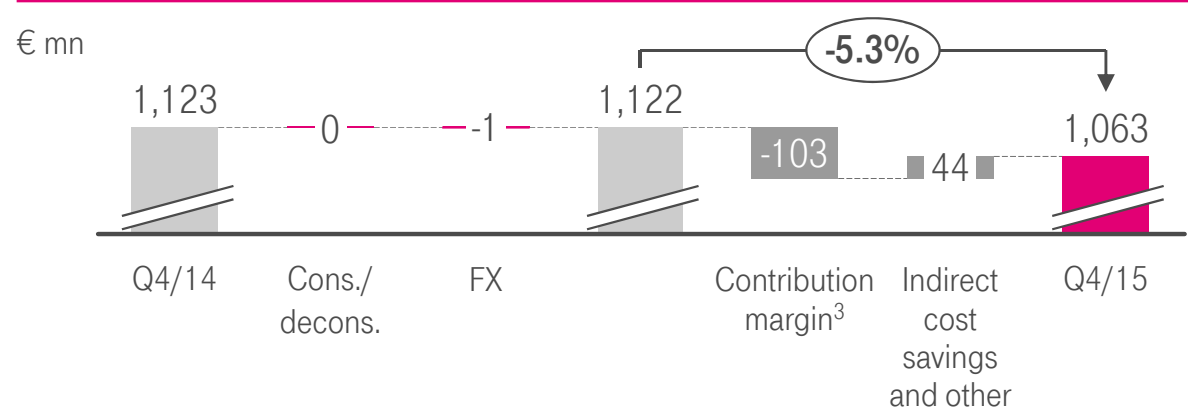
2) Mobile data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy, and other)

3) Total revenues - direct cost

## Organic revenue development



## Organic adj. EBITDA development

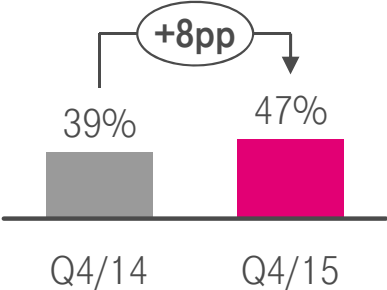


LIFE IS FOR SHARING.

# EUROPE: IP MIGRATION CONTINUES APACE

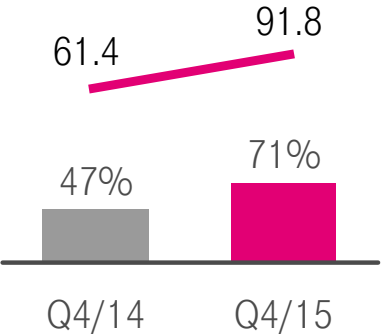
## IP migration

IP share of fixed network access lines



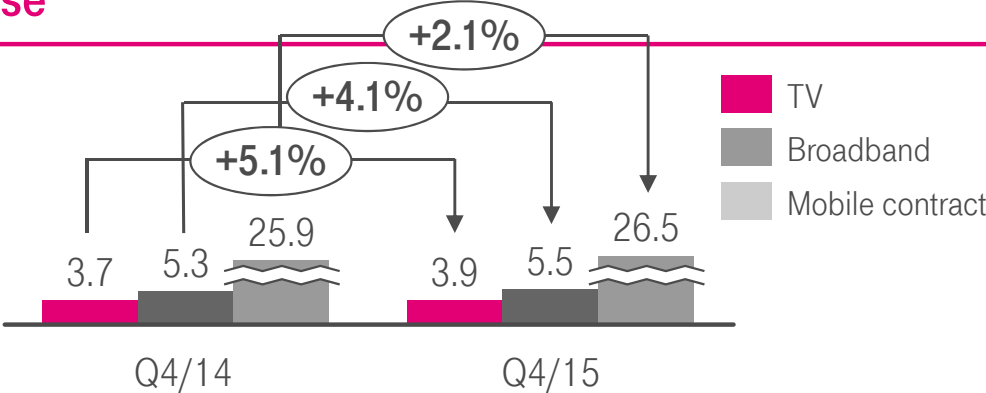
## LTE roll-out

LTE outdoor POP coverage  
mn and %



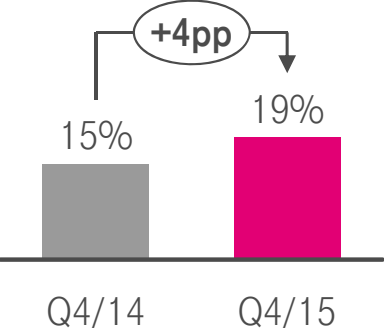
## Customer base<sup>1</sup>

mn



## Fiber roll-out<sup>2</sup>

Fiber household coverage

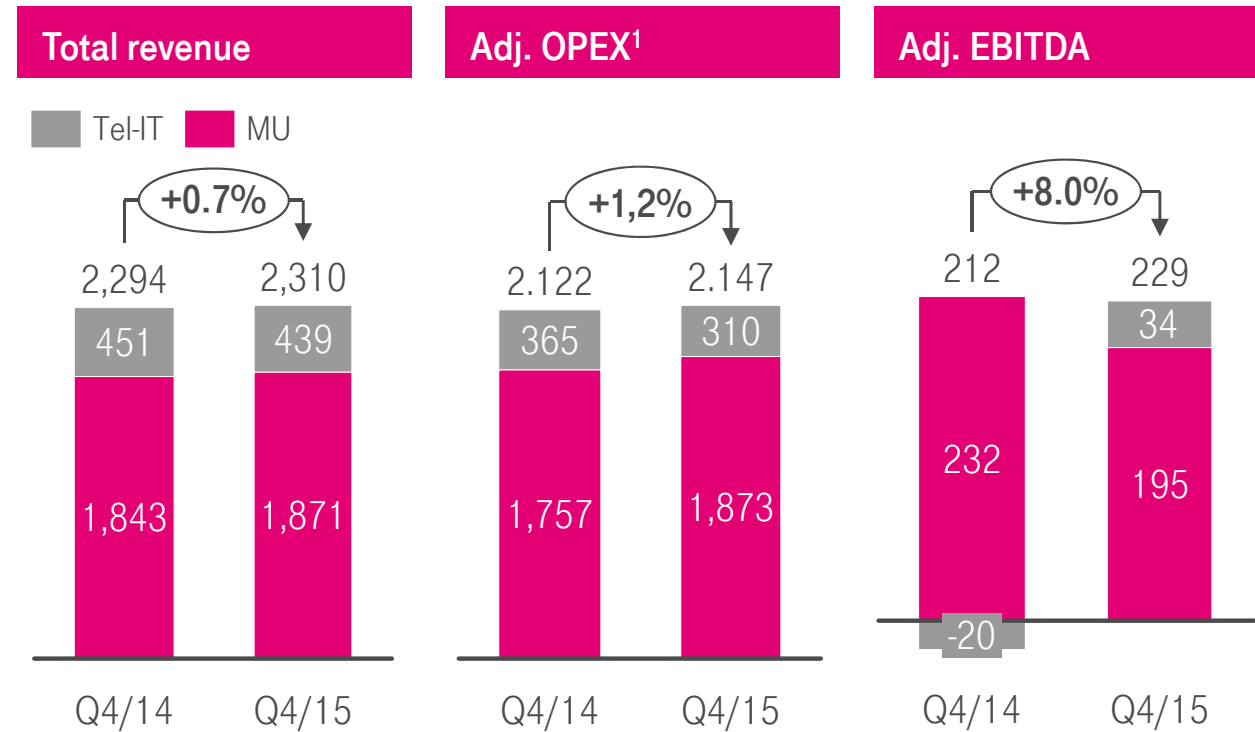


1) Incl. business customers shifted to T-Systems in Hungary as of January 1, 2011 2) ≥ 100Mbit/s-coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3

# SYSTEMS SOLUTIONS: IMPROVED PERFORMANCE IN 2015

## T-Systems financials

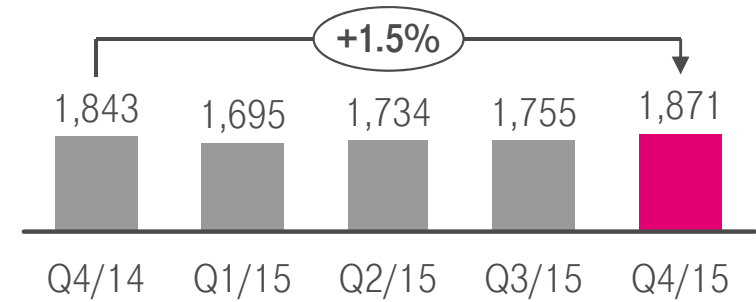
€ mn



1) Figures may not add up due to rounding/elimination.

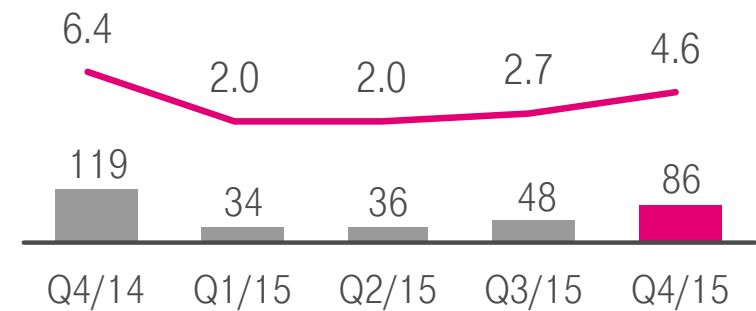
## Revenue Market Unit

€ mn



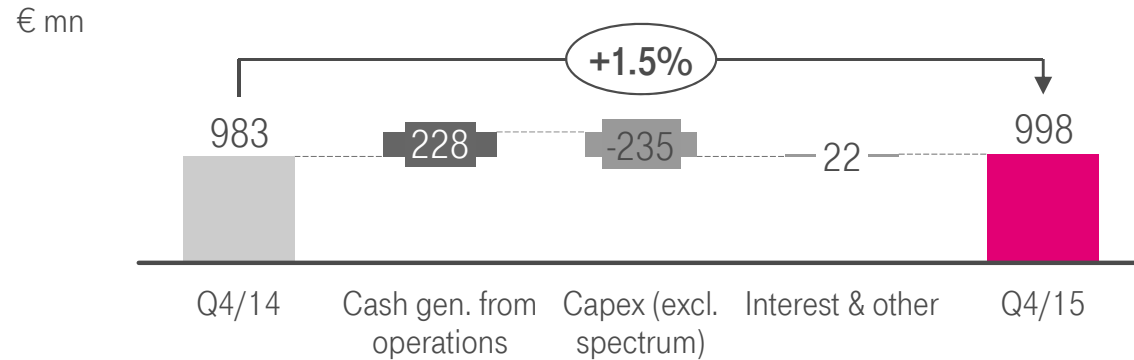
## Adj. EBIT and Margin Market Unit

%  
€ mn

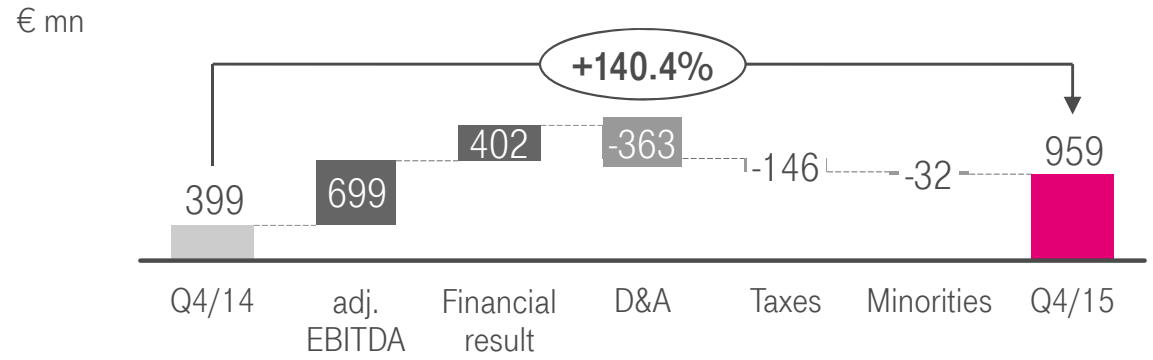


# FINANCIALS: FCF, NET INCOME, AND ROCE GROWTH

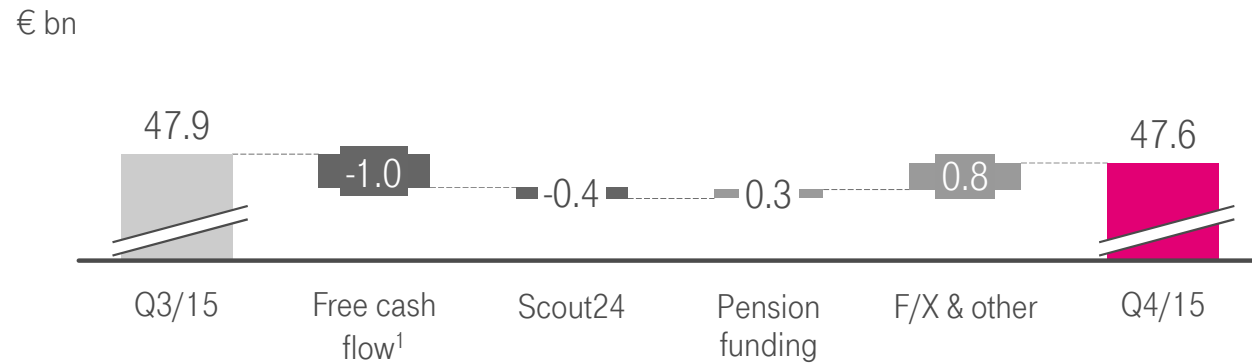
## Free cash flow Q4/15<sup>1</sup>



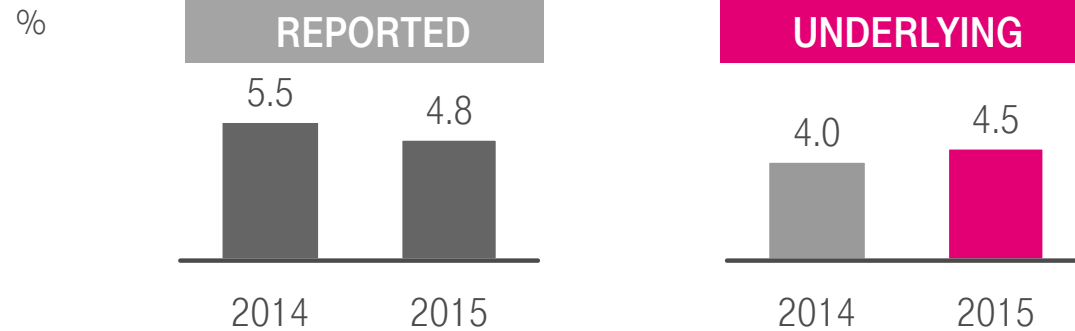
## Adj. net income Q4/15



## Net debt development Q4/15



## ROCE development FY 2015<sup>2</sup>



1) Free cash flow before dividend payments and spectrum investment (Q4/14: € 338 million; Q4/15: € 27 million) 2) 2014 underlying adjusted for Scout24 sale and Verizon spectrum swap; 2015 underlying adjusted for Scout IPO and T-Online/Interactive Media sale

# FINANCIALS: COMFORTABLY WITHIN OUR COMMITMENTS

€ bn

	31/12/2014	31/03/2015	30/06/2015	30/09/2015	31/12/2015
Balance sheet total	129.4	137.5	135.0	135.2	143.9
Shareholders' equity	34.1	37.0	36.0	36.5	38.2
Net debt	42.5	46.3	48.8	47.9	47.6
Net debt/adj. EBITDA <sup>1</sup>	2.4	2.6	2.6	2.5	2.4
Equity ratio	26.3%	26.9%	26.6%	27.0%	26.5%

## 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.

**THANK YOU!**