

DEUTSCHE TELEKOM

Q3/2017 RESULTS



LIFE IS FOR SHARING.

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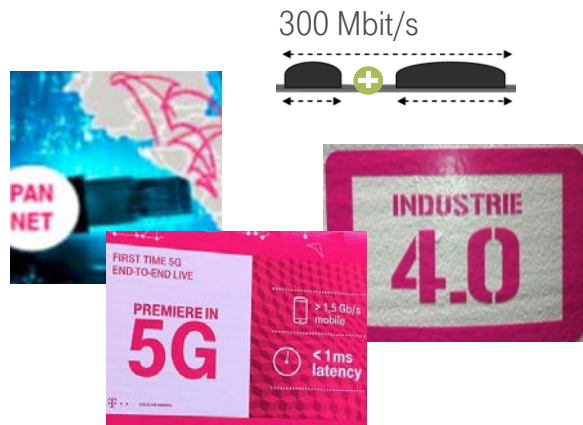
In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt, and net debt. These alternative performance measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

REVIEW 9M/2017

9M/2017 HIGHLIGHTS: STRONG GROWTH AND RAISED GUIDANCE

Investments and innovations

- 2/3 of customer base in GER and EU migrated to IP
- FTTH rollout for business parks in Germany started
- Cash capex +12.2% to € 9.2 billion



Customers

- Demand for fiber in Germany unabated
 - 8.9 million German homes with fiber (+45% yoy)
 - 2.1 million net adds year to date
- Continued strong US growth
 - 3.8 million net adds



Financial results

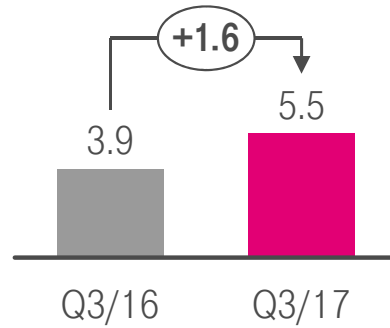
- Strong growth continues
 - Revenue up 4.2% yoy
 - Adj. EBITDA up 6.6% yoy
 - FCF up 8.8% yoy
- Net debt/adj. EBITDA at 2.3x
- EBITDA-guidance raised



CUSTOMERS: STRONG DEMAND DRIVES MOMENTUM

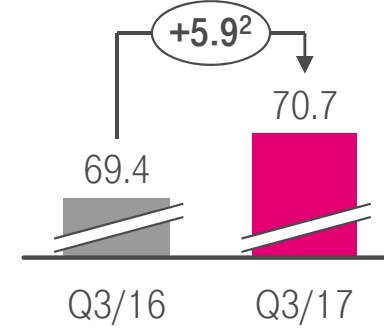
MagentaEINS (Germany + EU)¹

mn



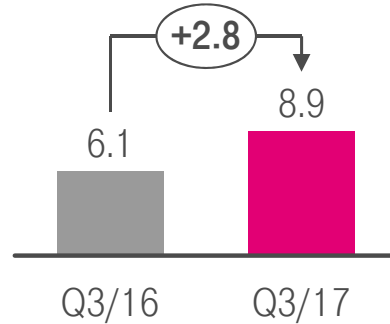
US Mobile

mn



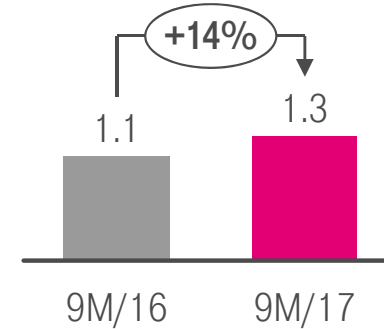
Fiber in Germany

mn



Cloud revenues

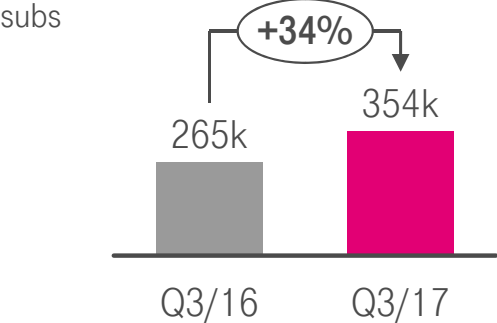
€ bn



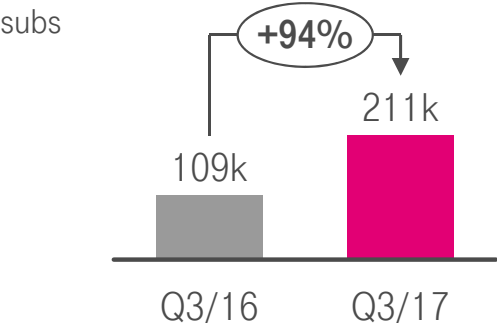
1) FMC RGUs may also appear under other brand name outside of Germany 2) Adj. for 4.528 million wholesale customers no longer reported since Q2/17

INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

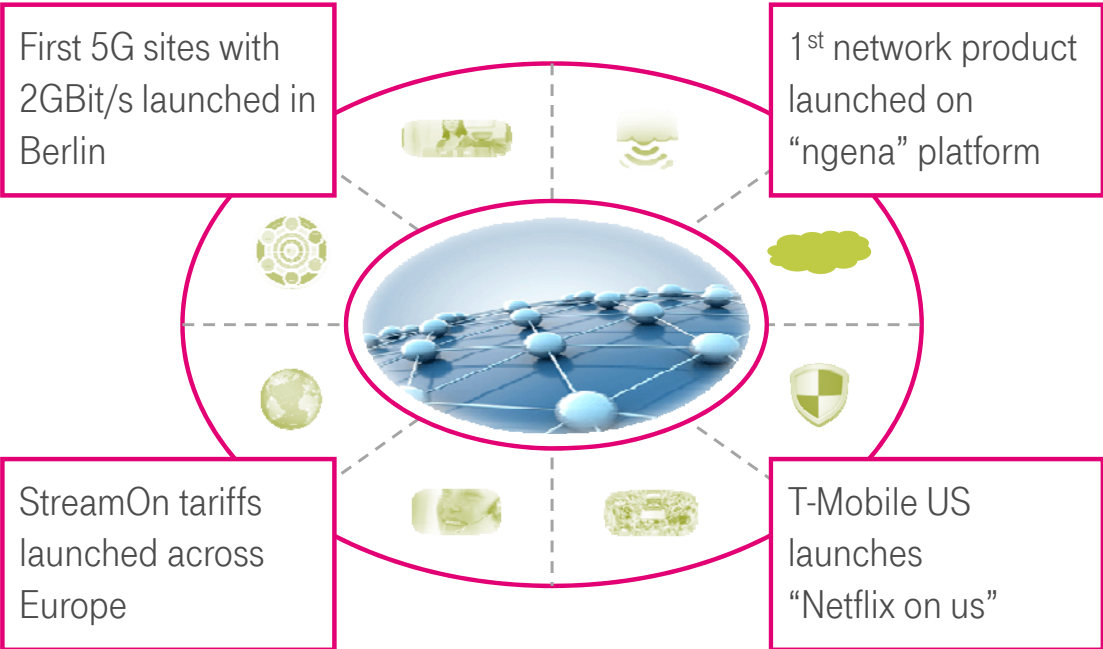
Hybrid access¹



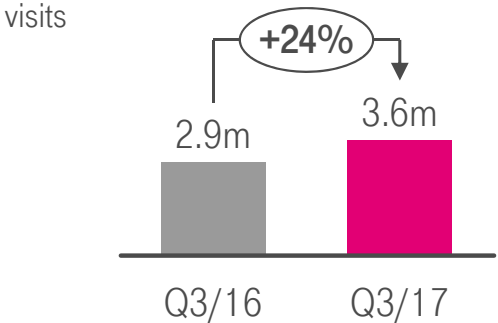
Smart Home²



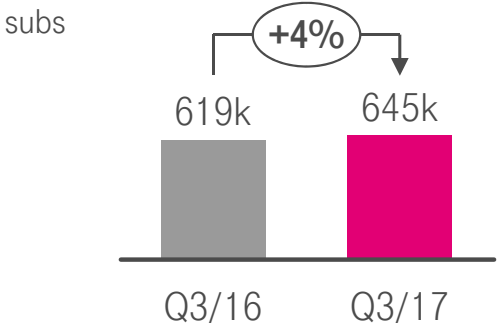
Innovation/Network



Service app



IT-Support³



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

FINANCIALS AND GUIDANCE 2017: GROWTH AGAIN AHEAD OF MID-TERM TARGETS

€ bn

	<u>Revenue</u>	<u>Adj. EBITDA</u>	<u>FCF</u>
2014 – 2018 CAGR ¹	+1 – 2%	+2 – 4%	≈+10%
Initial 2017 guidance (\$/€: 1.11)	Increase	Around 22.2 bn ²	Around 5.5 bn
Revised guidance per H1/17 (\$/€: 1.11)	Increase	Around 22.3 bn ²	Around 5.5 bn
NEW 2017 guidance (\$/€: 1.11)	Increase	Around 22.4 – 22.5 bn ²	Around 5.5 bn
9M/2017 performance	+4.2%	+6.6%	+8.8%

1) 14-18 CAGRs as per CMD 2015 guidance 2) Handset lease and data stash \$ 0.8 to 0.9 billion as per old guidance. \$ 0.85 to 0.95 billion as per new guidance

REVIEW Q3/17

Q3/2017: FINANCIAL HIGHLIGHTS

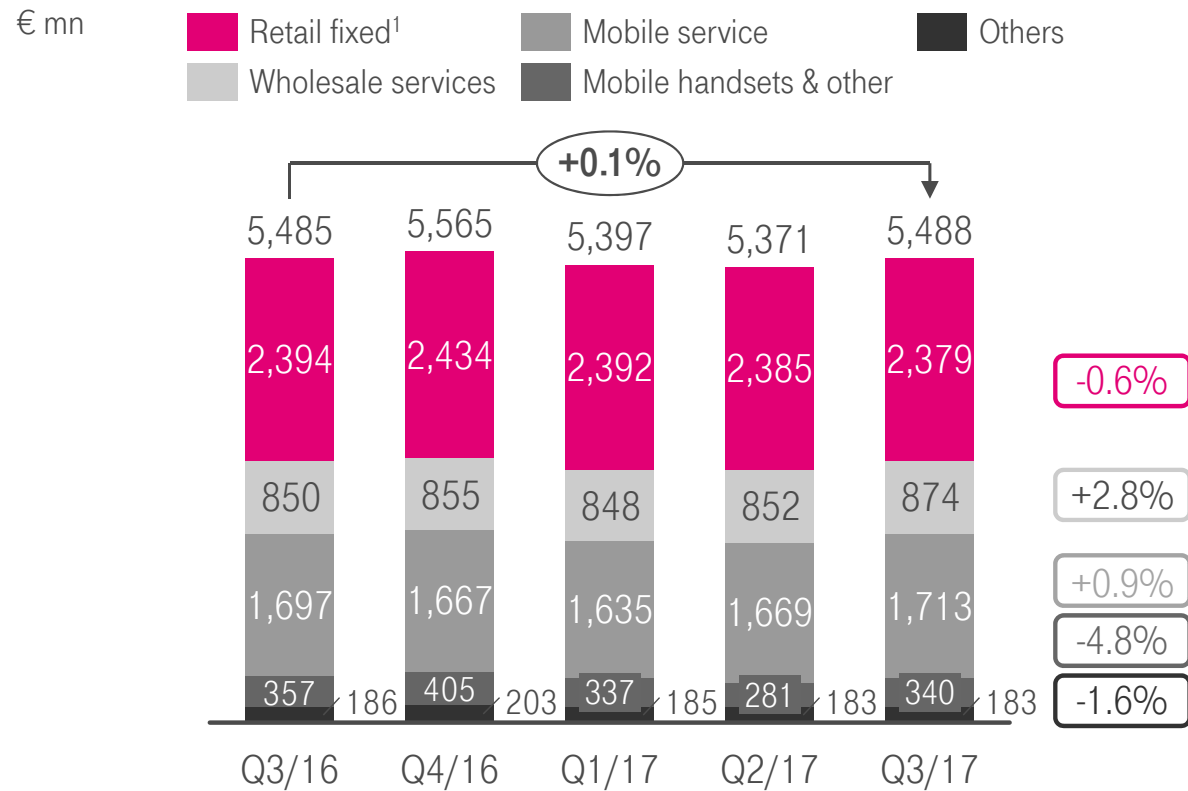
€ mn

	Q3			9M		
	2016	2017	Change	2016	2017	Change
Revenue	18,105	18,251	+0.8%	53,552	55,787	+4.2%
Adj. EBITDA	5,535	5,720	+3.3%	16,155	17,215	+6.6%
Adj. net profit	1,040	1,244	+19.6%	3,141	3,382	+7.7%
Net profit	1,053	507	-51.9%	4,799	2,129	-55.6%
Adj. EPS (in €)	0.23	0.26	+13.0%	0.68	0.72	+5.9%
Free cash flow ¹	1,904	1,873	-1.6%	4,046	4,403	+8.8%
Cash capex ²	2,739	3,002	+9.6%	8,234	9,241	+12.2%
Net debt	48,484	52,635	+8.6%	48,484	52,635	+8.6%

1) Free cash flow before dividend payments and spectrum investment 2) Excl. spectrum: Q3/16: € 1,146 million; Q3/17: € 19 million; 9M/16: € 2,250 million; 9M/17: € 7,300 million

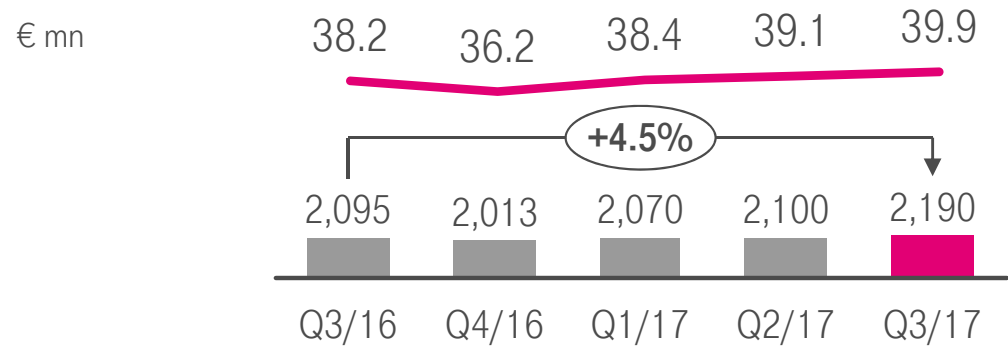
GERMANY: STRONG GROWTH IN ADJ. EBITDA

Revenue reported

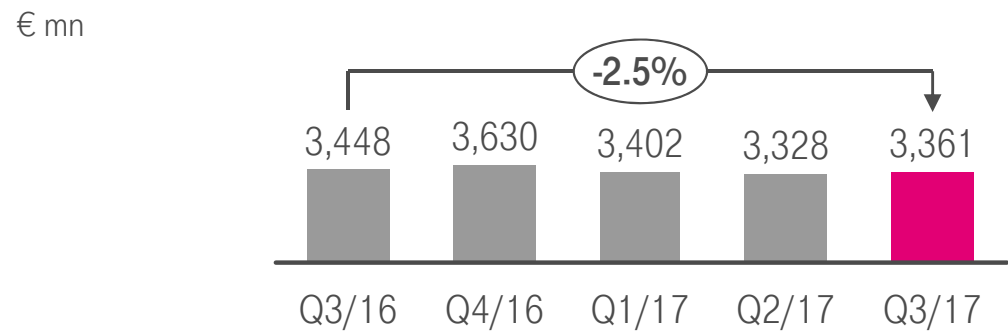


1) Fixed network core business

Adj. EBITDA and margin (in %)

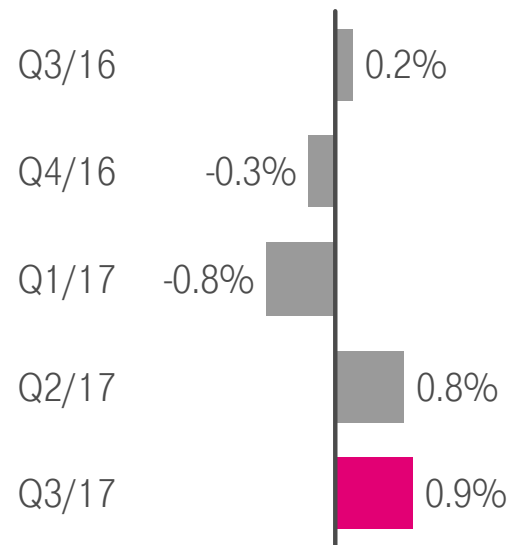


Adj. OPEX

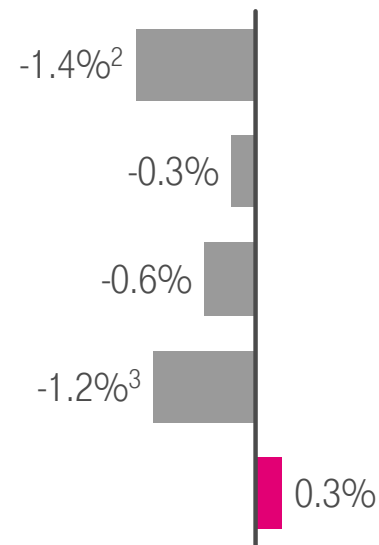


GERMANY: TURN-AROUND IN SERVICE REVENUES

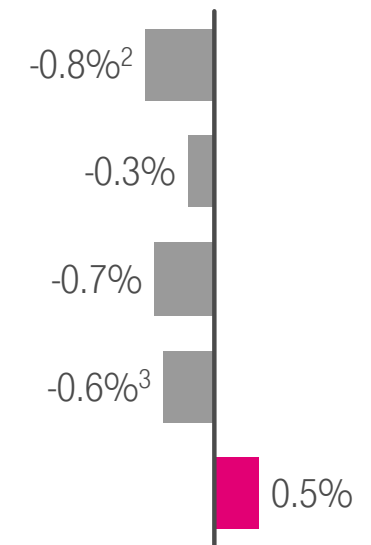
Mobile service revenue



Fixed line service revenue¹



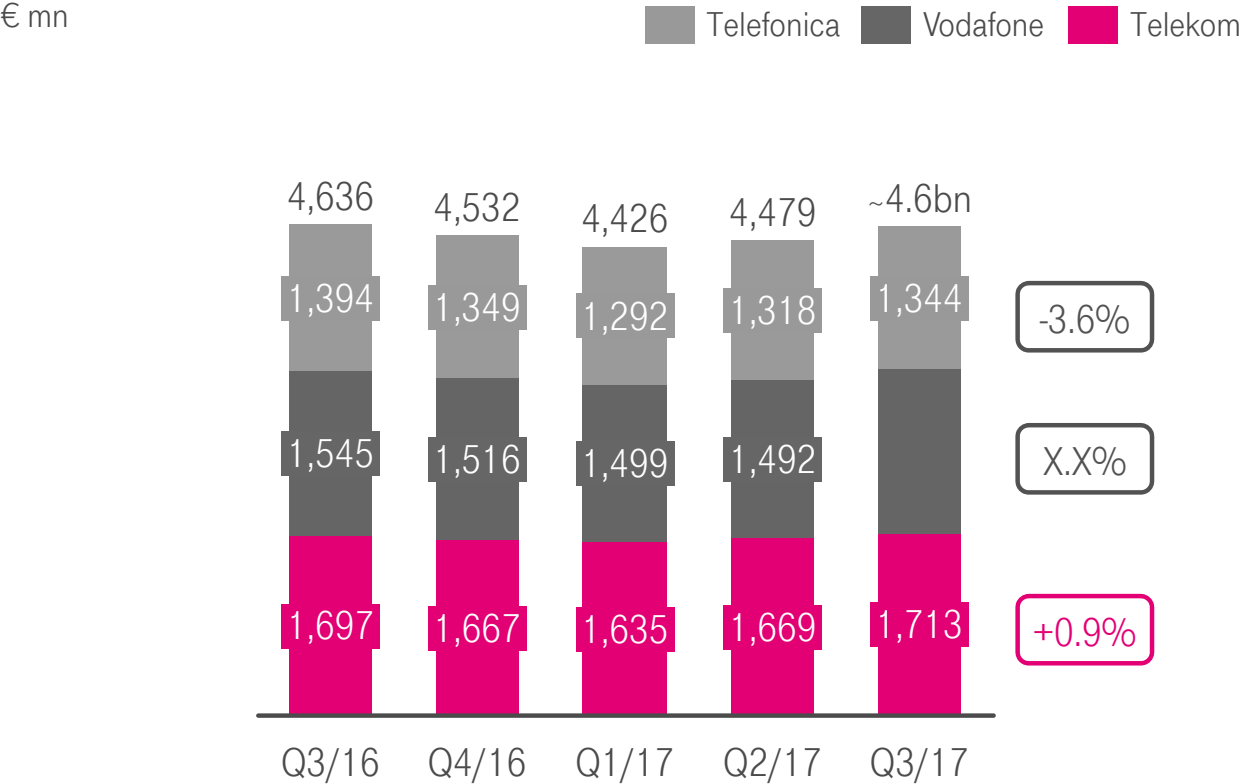
Total service revenue¹



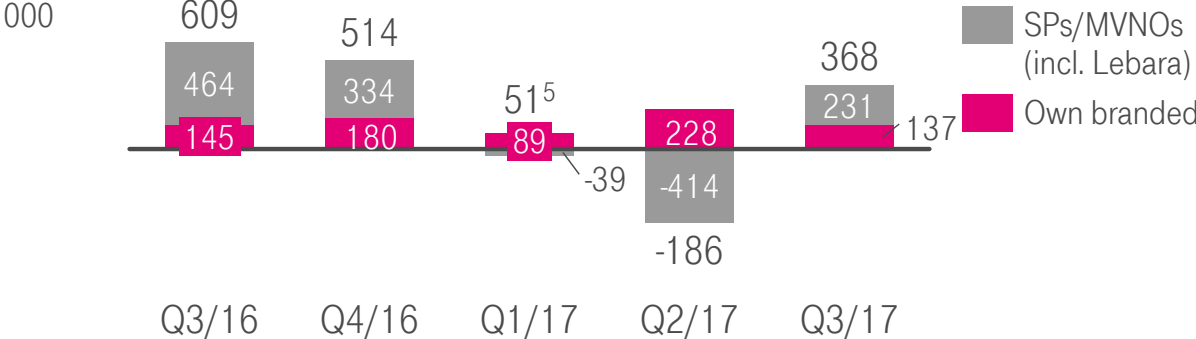
1) Total service revenue is a sum of fixed line and mobile service revenue. We define fixed line service revenue as fixed network core business revenue less fixed hardware revenue plus wholesale services fixed network revenue. From Q2/16 onwards, we classify CPEs recurring rent revenue as fixed service revenue, and thus also part of total service revenue. Without this re-classification, fixed line service revenue growth rate would be -0.1% in Q3/17, whereas TSR growth rate would be +0.3% in Q3/17. Old growth rates have not been restated. 2) 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%. 3) Revenue in Q2/16 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at -1.5% for fixed service revenue, respectively -0.8% for total service revenue

GERMANY MOBILE: STEADY COMMERCIAL MOMENTUM

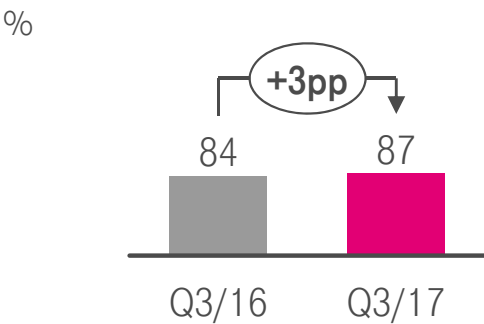
German mobile market service revenue¹



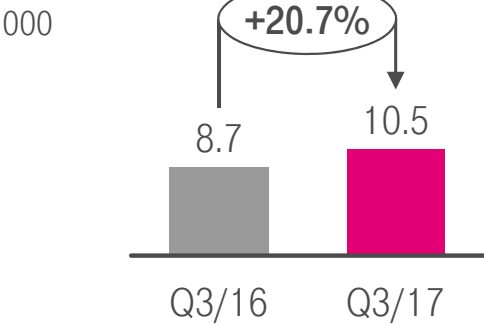
Contract net adds²



Smartphone penetration³



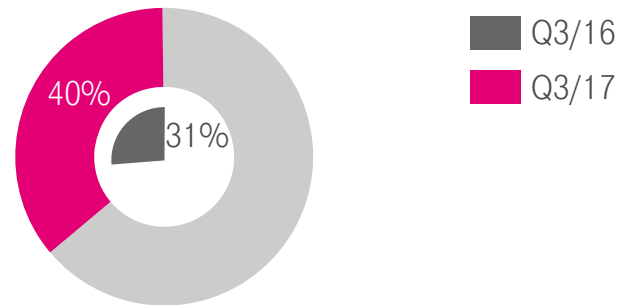
LTE customers⁴



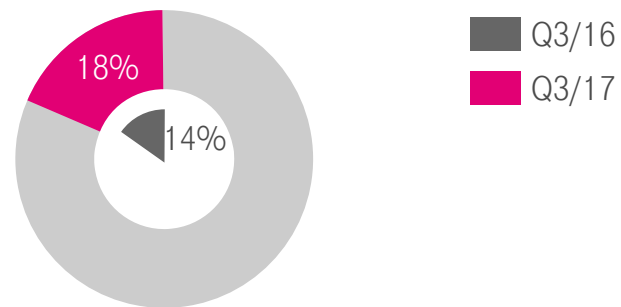
1) Management estimate 2) Figures may not add up due to rounding. 3) Of own branded retail customers 4) Own customers using an LTE-device and tariff plan including LTE 5) Contract net adds under own brand impacted by disconnections (minus 41k)

GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

Mobile contract customers in MagentaEINS bundles¹

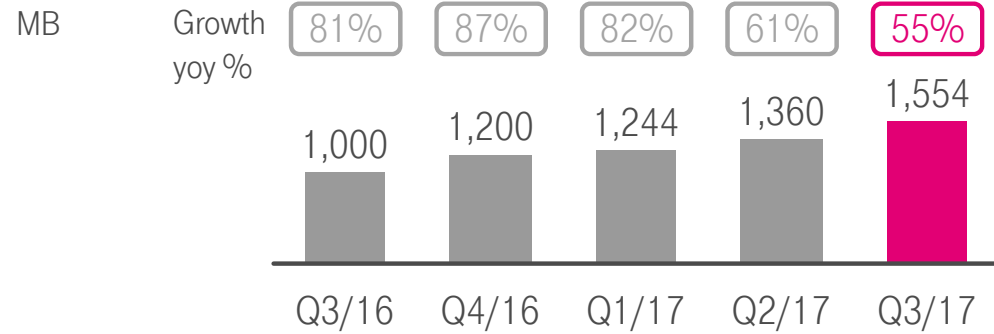


Households in MagentaEINS bundles²

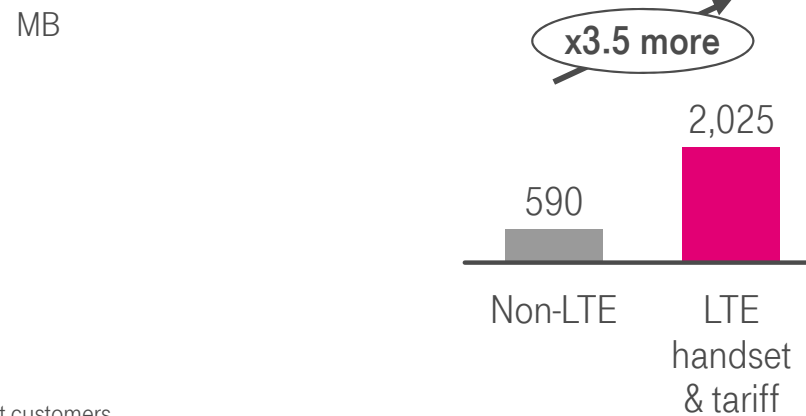


1) As % of B2C T-branded contract customers 2) As % of B2C broadband access lines 3) Per month of B2C T-branded contract customers

Average consumer data usage³

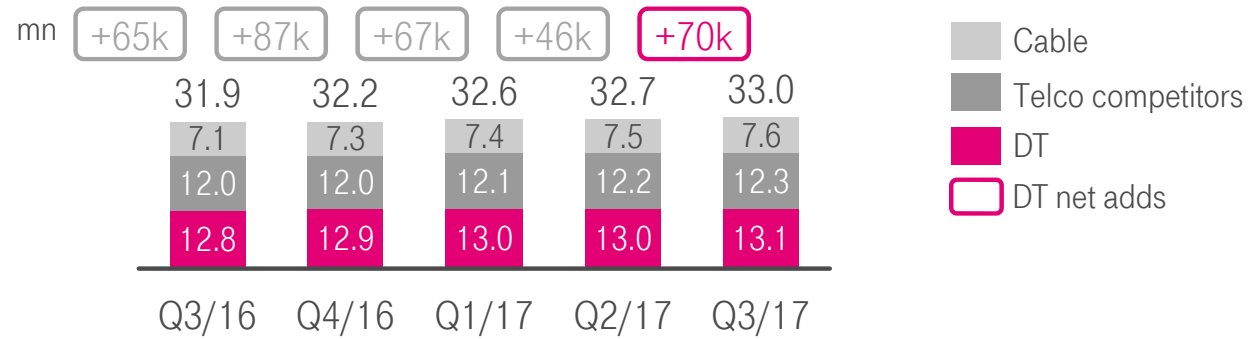


Average LTE usage uplift³

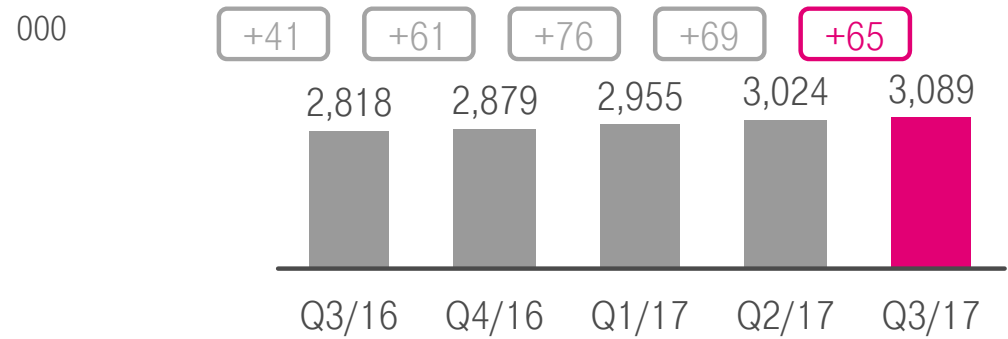


GERMANY FIXED: UPSELLING DRIVES BROADBAND GROWTH

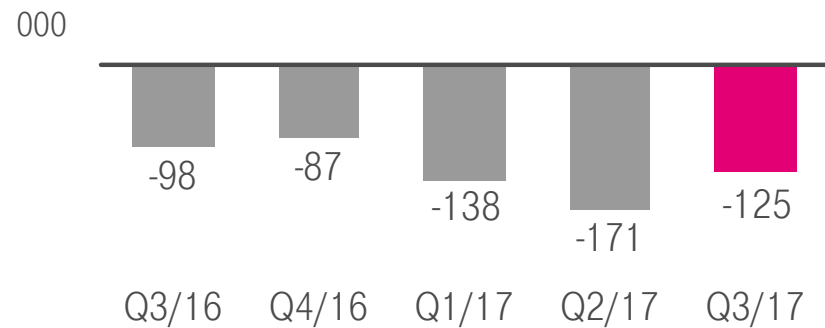
German broadband market¹



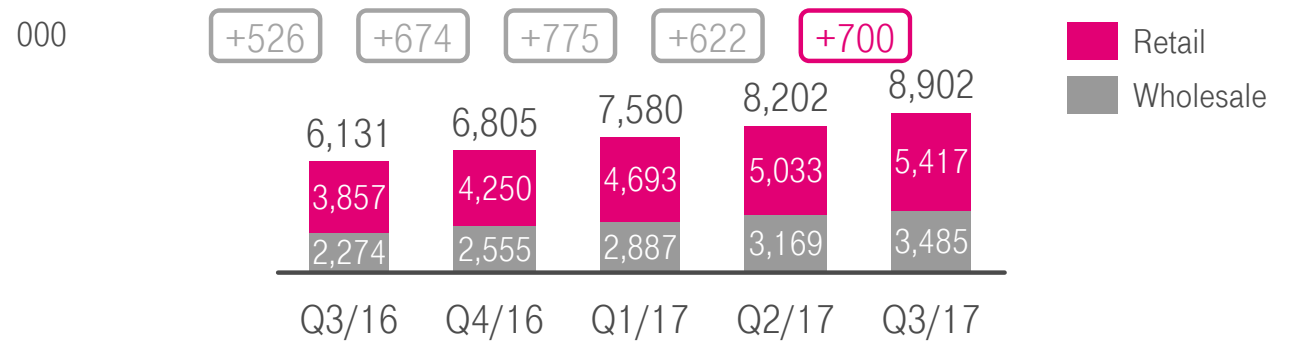
Entertain customers



Line losses



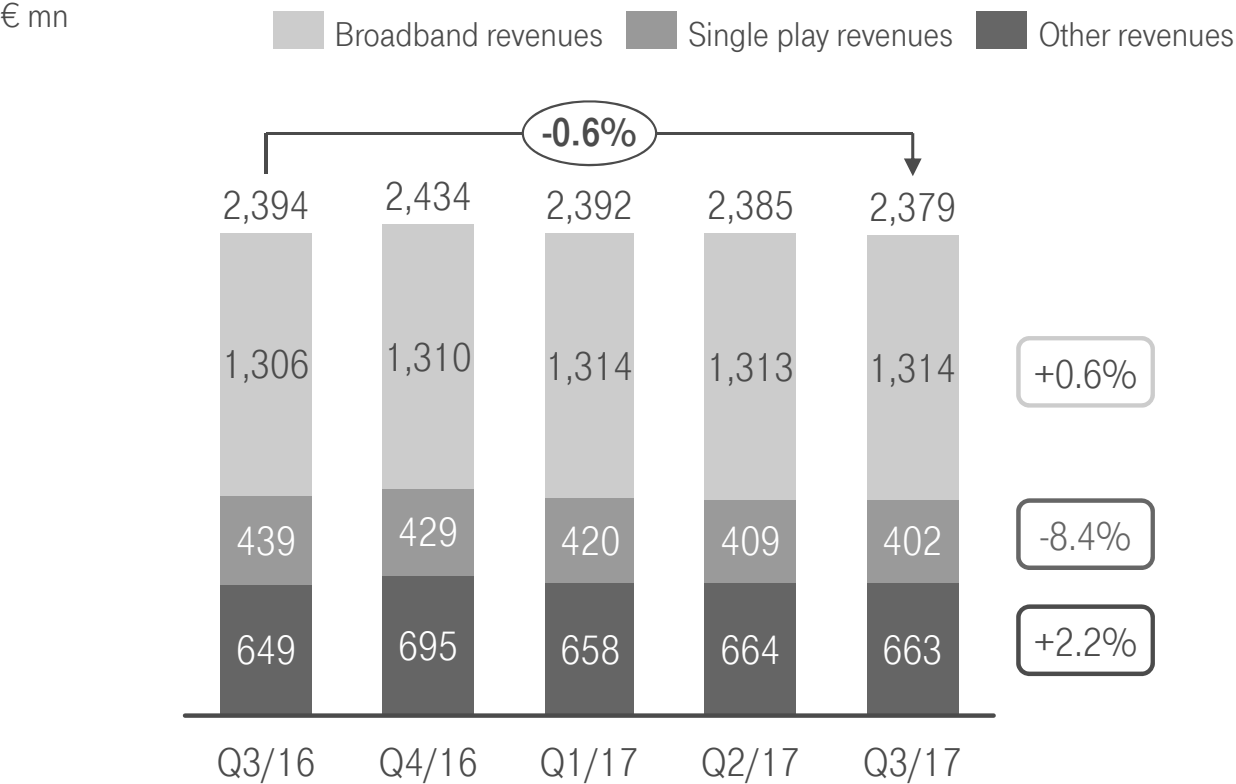
Fiber customers²



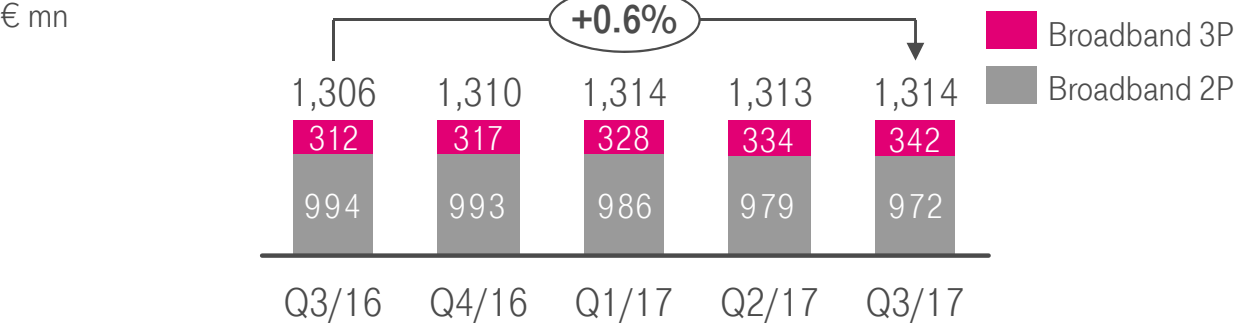
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, vectoring, and FTTH)

GERMANY FIXED: FIXED RETAIL CLOSE TO STABLE

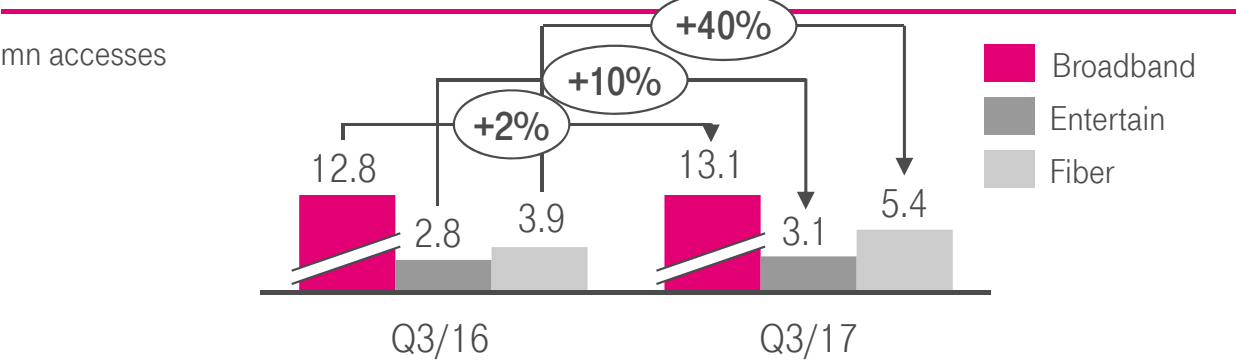
Fixed network revenue retail



Broadband revenue



Retail upsell strategy¹

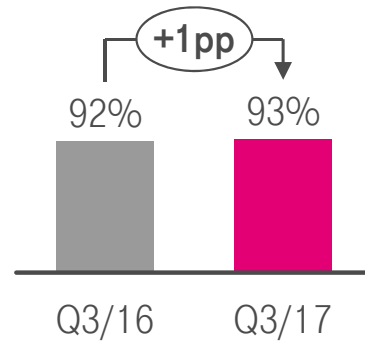


1) Percentages calculated on exact figures

GERMANY: NETWORK TRANSFORMATION ON TRACK

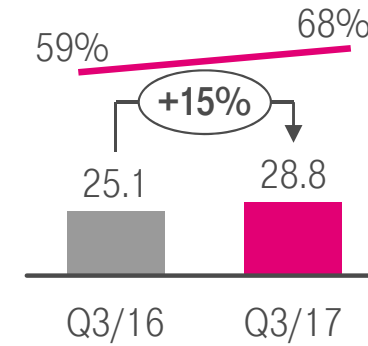
INS – Status LTE rollout

POP
Coverage in %¹



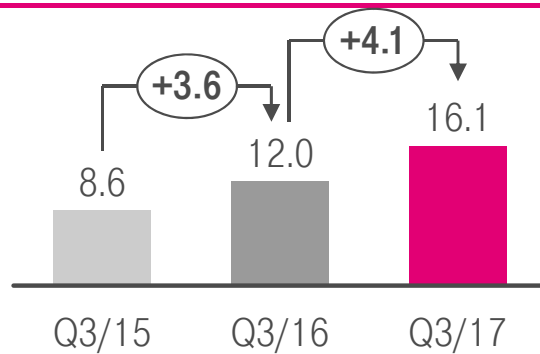
INS – Status fiber rollout²

Coverage in % and
millions of households



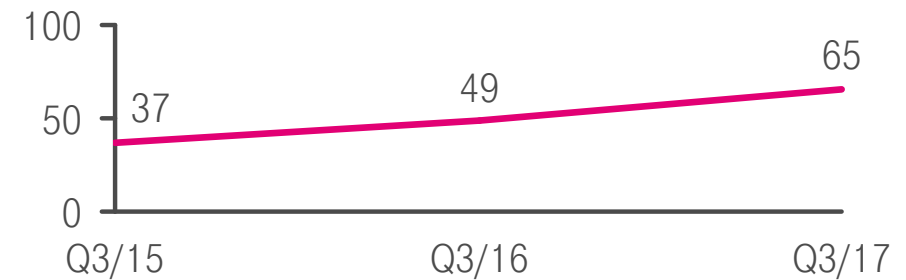
Status IP accesses (retail & wholesale)

mn



Status IP accesses (retail & wholesale)

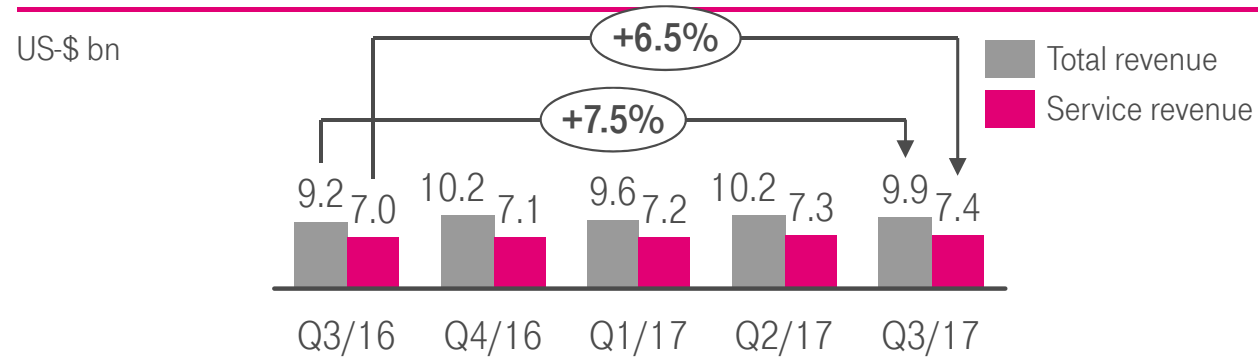
% of lines



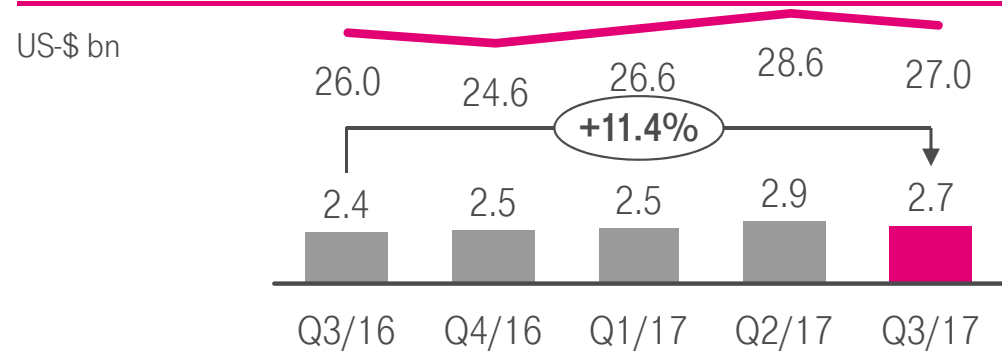
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany

TMUS: CONTINUED INDUSTRY LEADING GROWTH

Revenue and service revenue

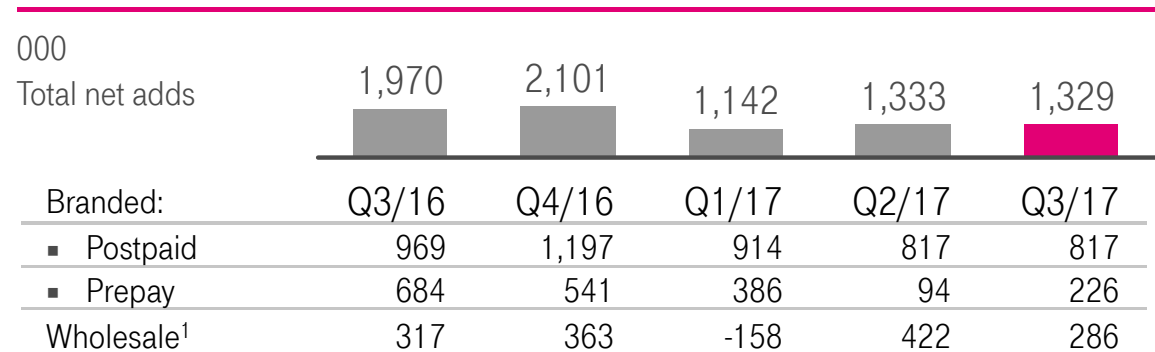


Adj. EBITDA and margin (in %)

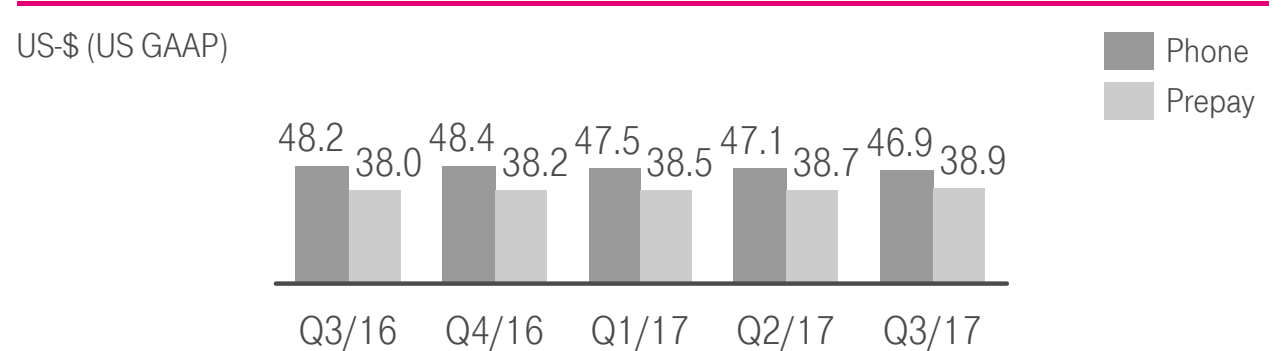


1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

Net adds

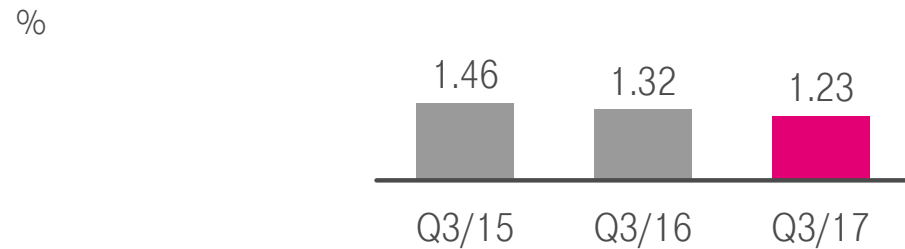


Branded customers: postpaid phone and prepay ARPU



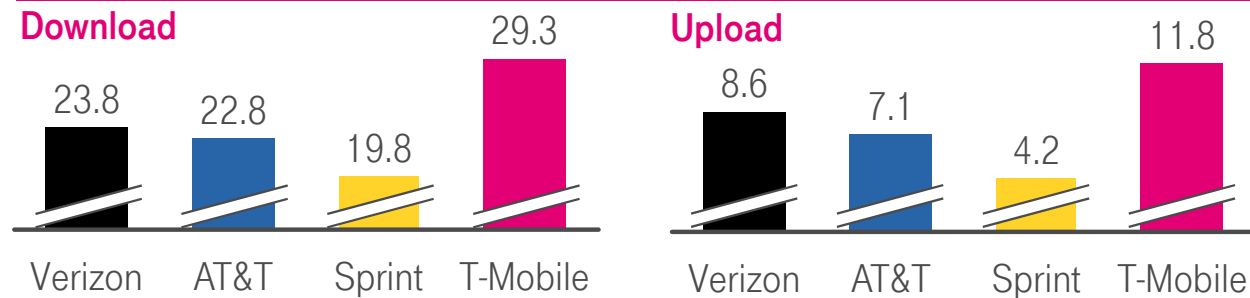
TMUS: EXECUTING ON KEY DRIVERS

Branded postpaid phone churn



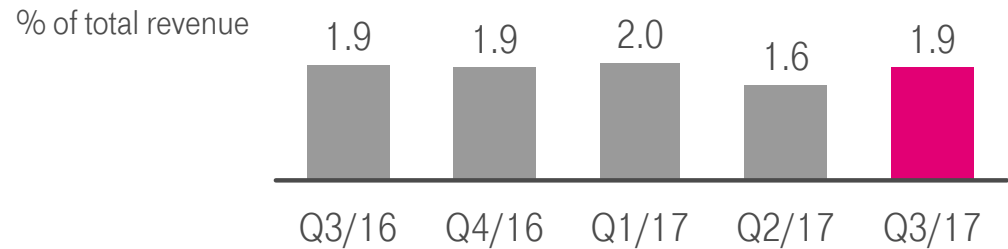
- Branded postpaid phone churn further decreased

Average 4G LTE speeds (in Mbps) Q3/17



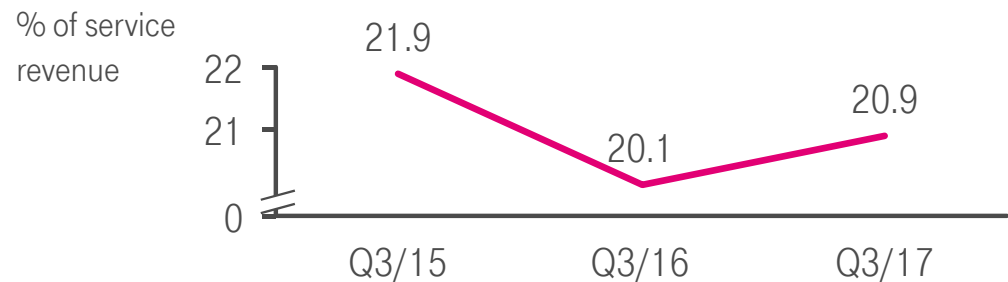
- Based on T-Mobile's analysis of national LTE results from Ookla® Speedtest data

Bad debt expenses & losses from sale of receivables



- Underlying trend of improvement unchanged – 0.2pp of Q3 result driven by hurricanes

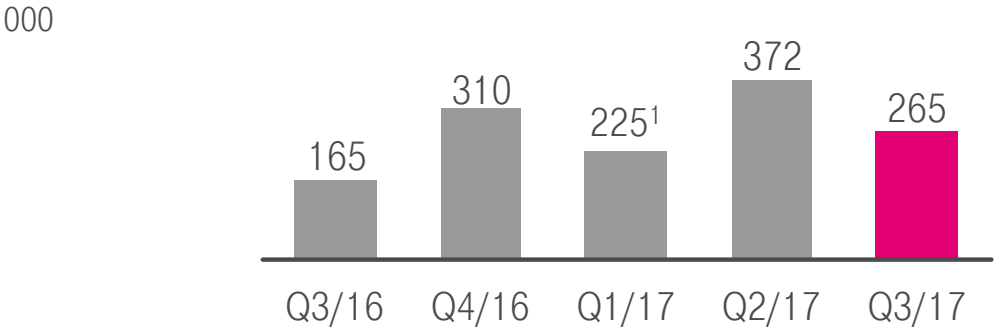
Cost of service



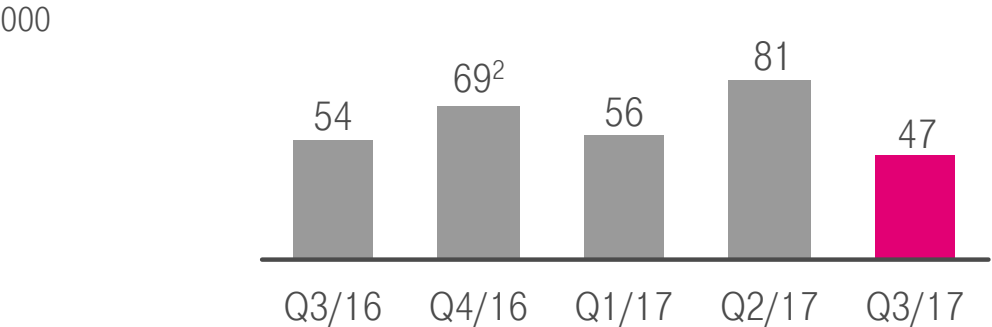
- Excl. hurricanes impact, cost of service declined 20bps yoy

EUROPE: POSITIVE COMMERCIAL MOMENTUM

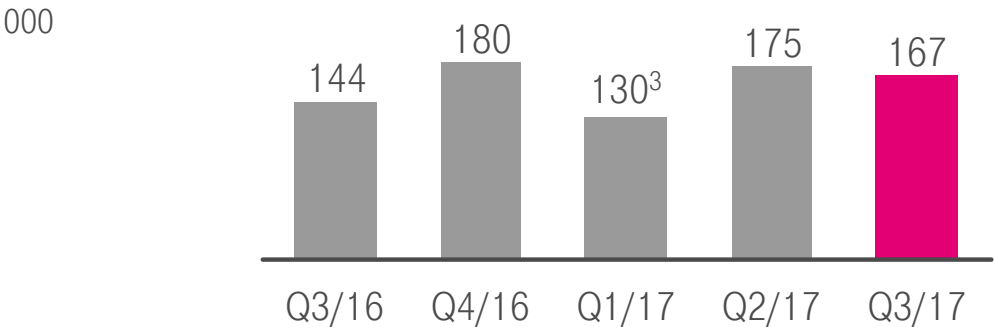
Contract net adds



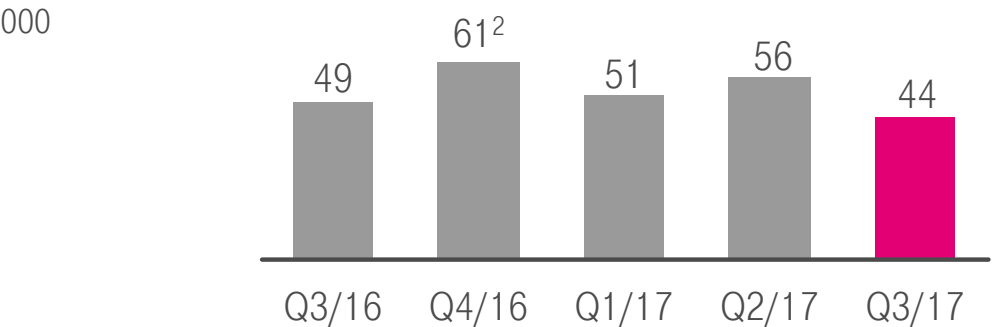
BB net adds



FMC net adds



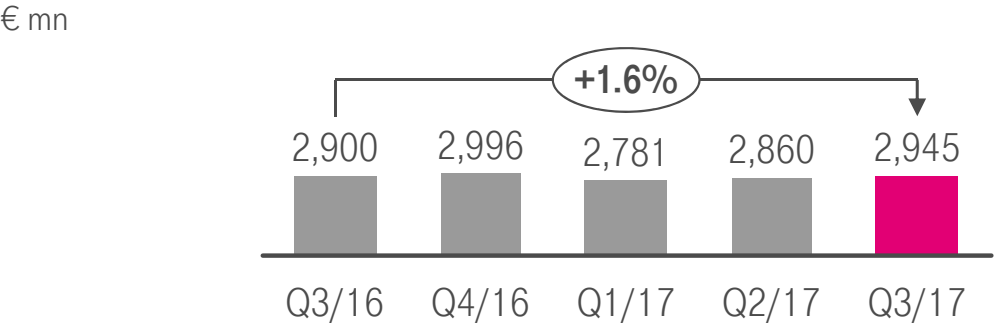
TV net adds



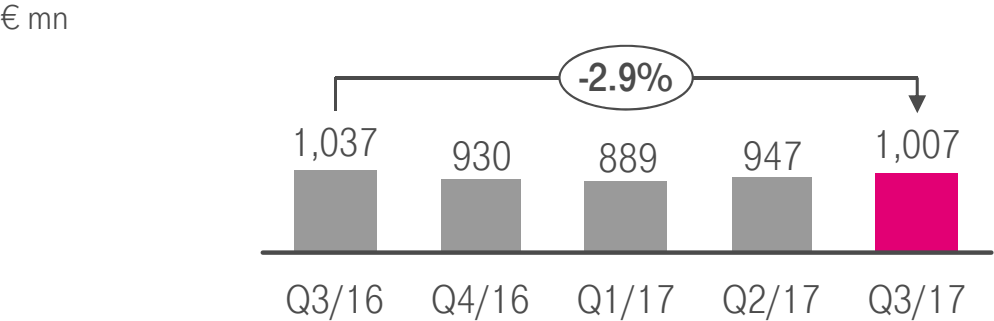
1) Organic view adjusted for re-classifications in Austria and Slovakia. Change in customer base is 167k 2) Organic view adjusted for 19k re-classifications in Hungary. Change in base is 50k. Q4 TV net adds adjusted for 22k re-classifications in Hungary. Change in base is 39k 3) Organic view adjusted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

EUROPE: FINANCIALS ON TRACK

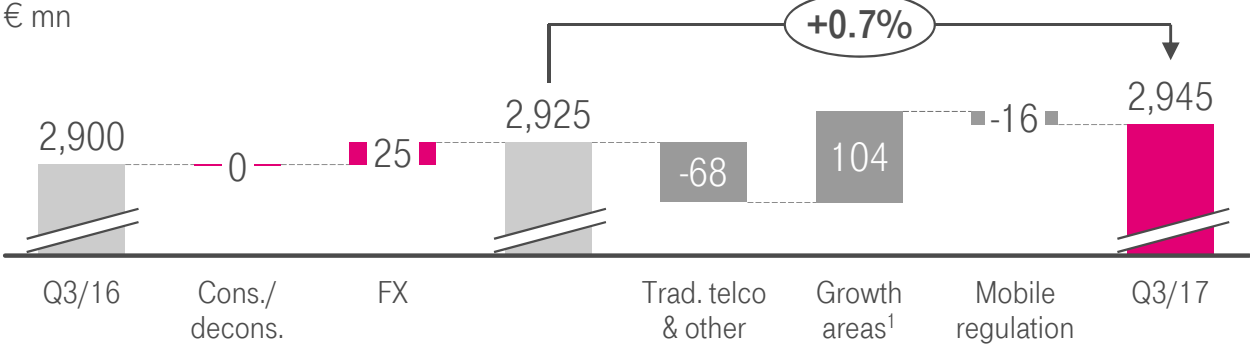
Revenue



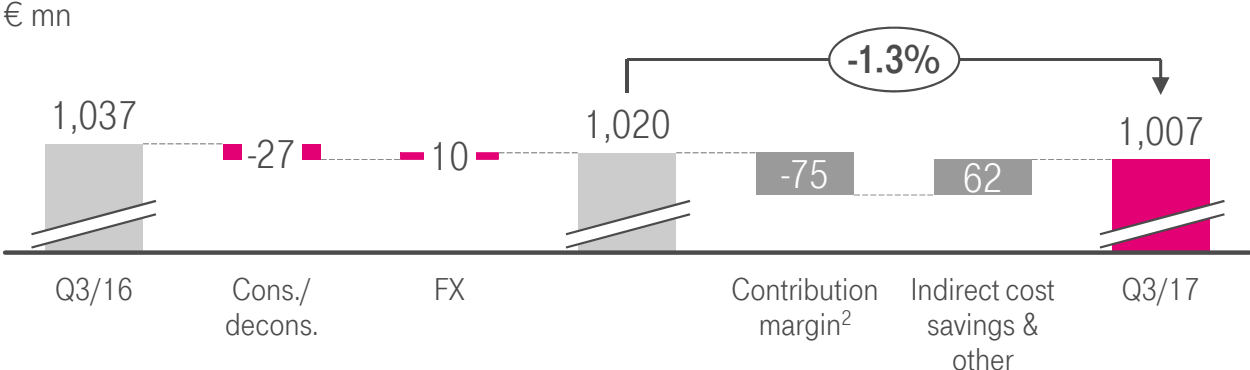
Adj. EBITDA



Organic revenue development



Organic adj. EBITDA development

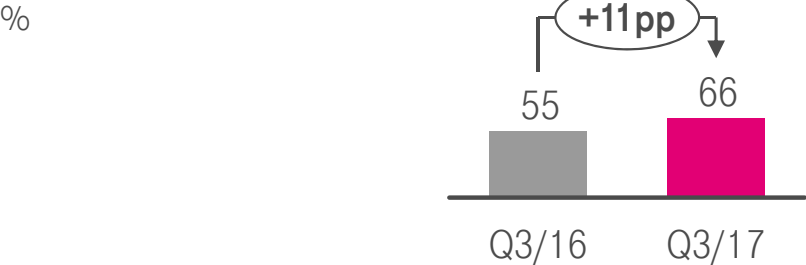


1) Mobile data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy, and other) 2) Total revenue - direct cost

EUROPE: ONGOING INVESTMENTS IN NETWORK LEADERSHIP

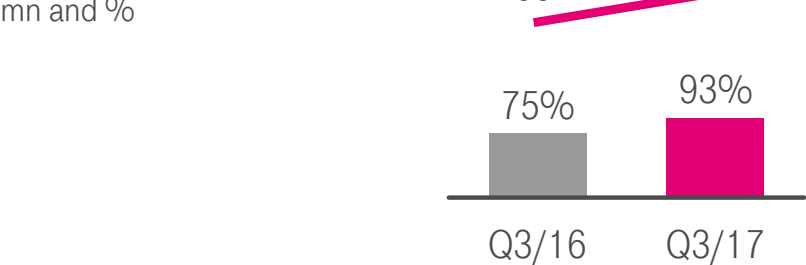
IP migration

IP share of fixed network access lines

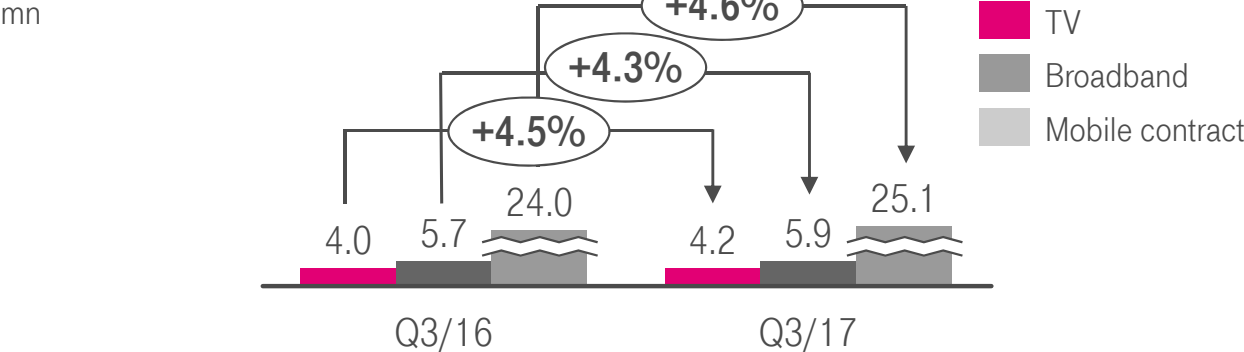


LTE rollout

LTE outdoor pop coverage

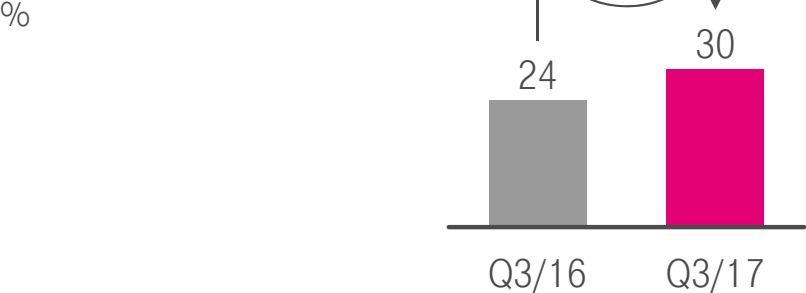


Customer base¹



Fiber rollout¹

Fiber household coverage



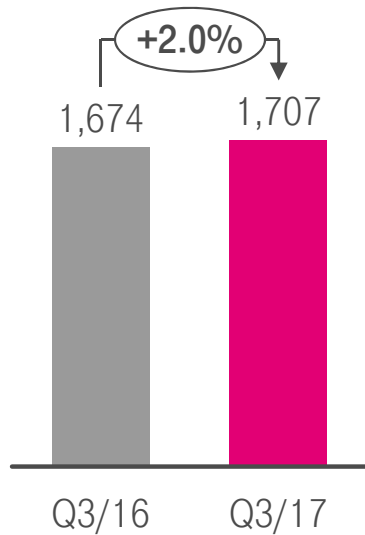
1) ≥ 100Mbit/s-coverage: FTTH, FTTB, FTTC (with vectoring), cable/ED3. Broadband also incl. wholesale customers

SYSTEMS SOLUTIONS: RESULTS REMAIN MIXED

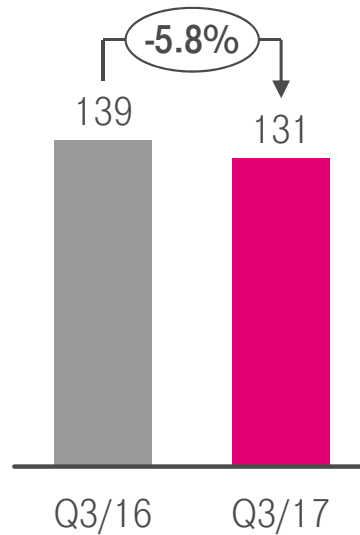
T-Systems financials

€ mn

Total revenue

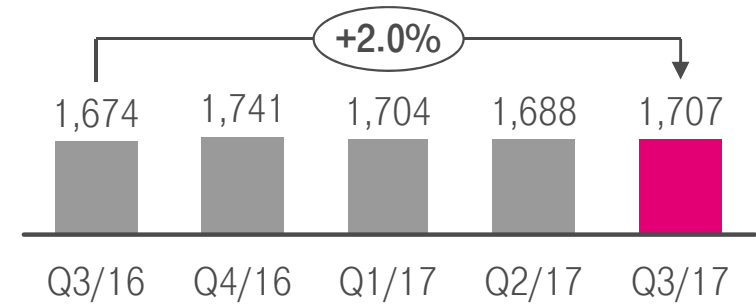


Adj. EBITDA



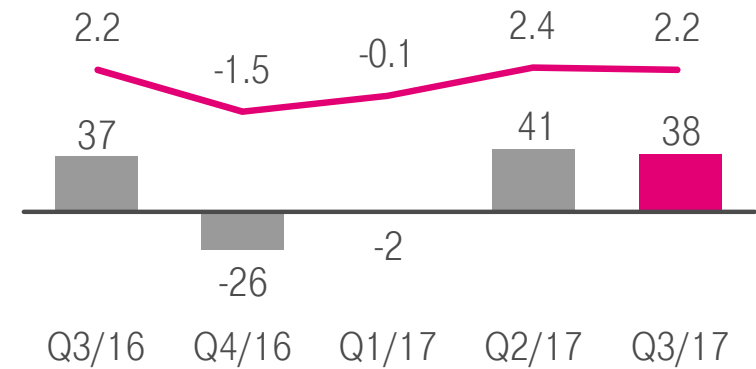
Revenue

€ mn



Adj. EBIT and margin in %

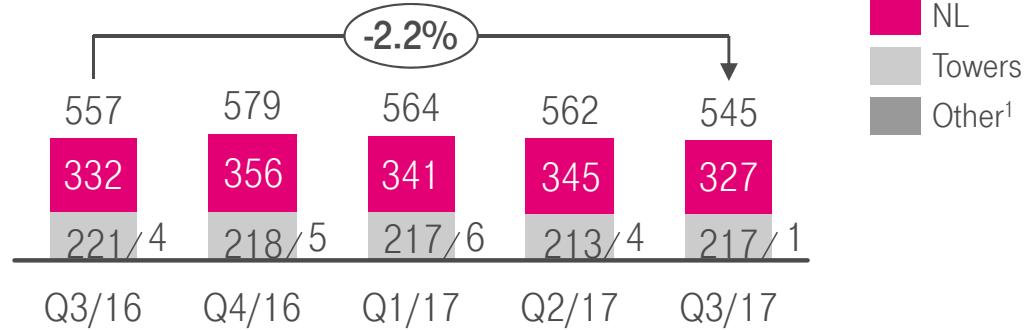
€ mn



SEGMENT GROUP DEVELOPMENT: TOWERS IN TRANSITION, DUTCH COMMERCIAL PERFORMANCE REMAINS STRONG

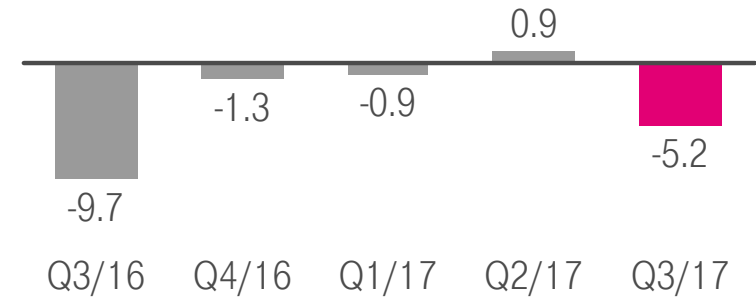
Revenue

€ mn



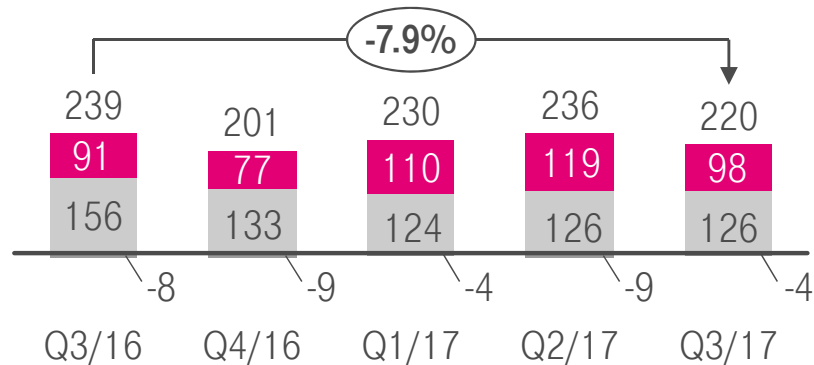
Mobile service revenue trend yoy (NL)

%



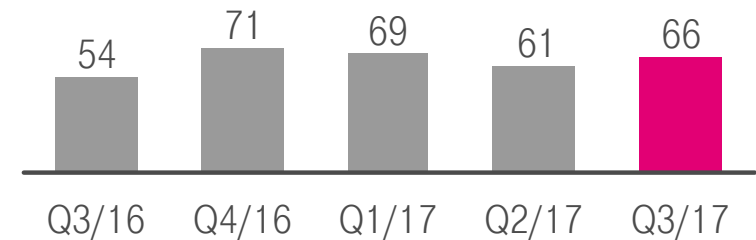
Adj. EBITDA

€ mn



Contract net adds (NL)

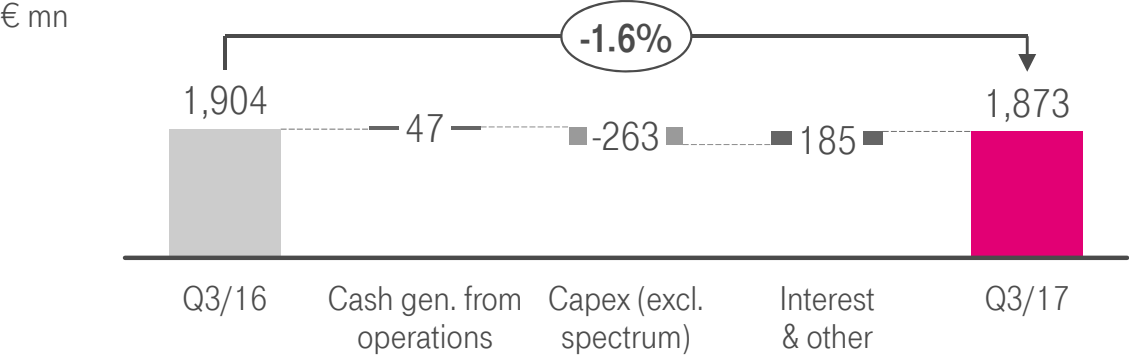
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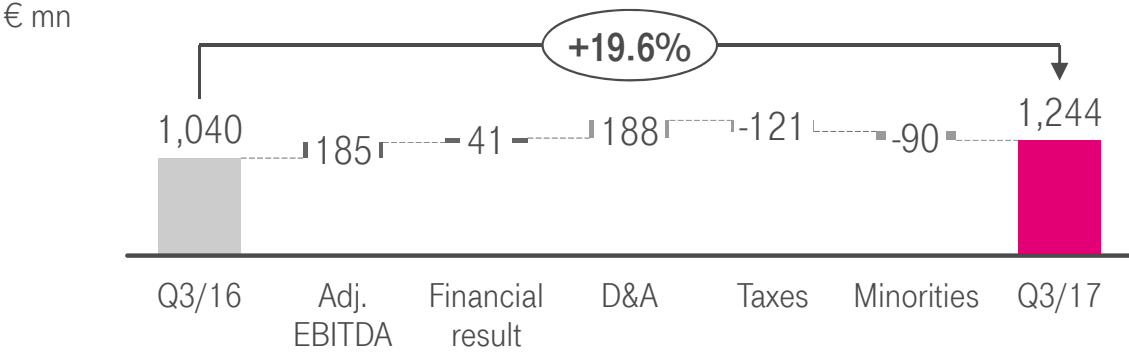
1) Strato was deconsolidated in Q2/17. Historic figures are also adjusted for Strato

FINANCIALS: FCF, NET DEBT, AND NET INCOME

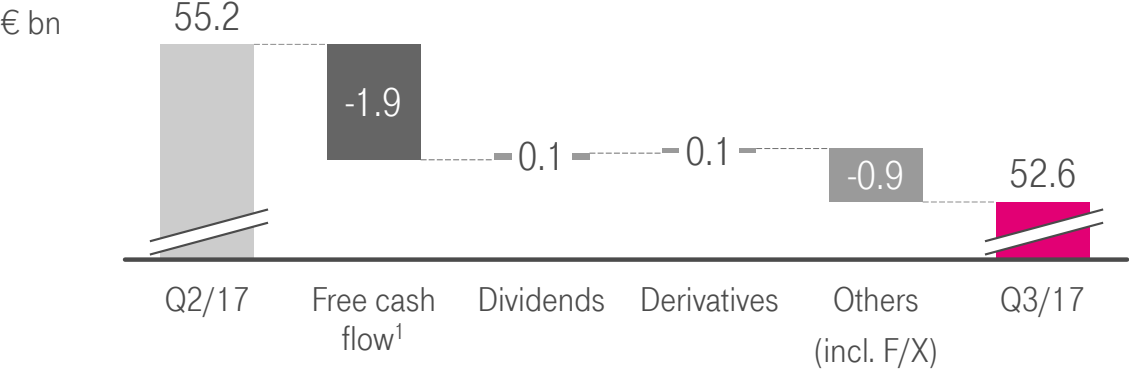
Free cash flow¹



Adj. net income



Net debt development



1) Free cash flow before dividend payments and excl. spectrum (Q3/16: € 1,145 million; Q3/17: € 19 million)

FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	30/09/2016	31/12/2016	31/03/2017	30/06/2017	30/09/2017
Balance sheet total	143.1	148.5	148.6	141.5	139.8
Shareholders' equity	37.6	38.8	39.8	38.6	39.1
Net debt	48.5	50.0	50.0	55.2	52.6
Net debt/adj. EBITDA ¹	2.3	2.3	2.3	2.5	2.3
Equity ratio	26.3%	26.2%	26.8%	27.3%	27.9%

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 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.

THANK YOU!