

DEUTSCHE TELEKOM

PRESS CONFERENCE RESULTS 2017



LIFE IS FOR SHARING.

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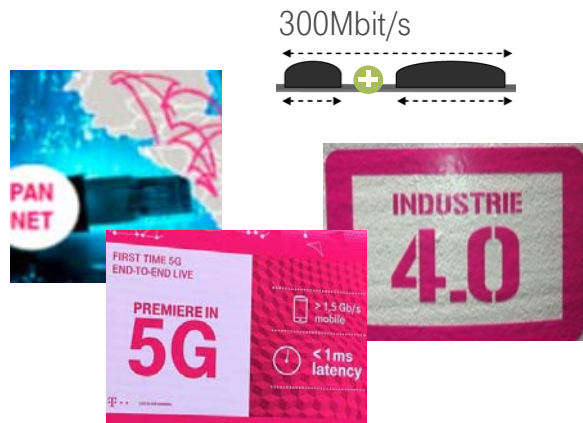
In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt, and net debt. These alternative 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 FY 2017

2017 HIGHLIGHTS: GROWTH IN COMMERCIALS AND FINANCIALS

Growth: investments and innovations

- Cash capex +10.4% to €12.1 billion
- IP-Migration for 70% of HHs in GER and EU completed
- Fiber roll-out: 4.1 million new homes in GER and EU with access to fiber
- LTE coverage both in GER and EU at 94%



Growth: customers

- Demand for fiber in Germany unabated
 - 9.6 million German homes with fiber (+41% yoy)
 - 2.8 million net adds
- Continued strong US growth
 - 5.7 million net adds¹
- EU: mobile contract net adds +75%



1) Adj. for 4,528k wholesale customers no longer reported since Q2/17

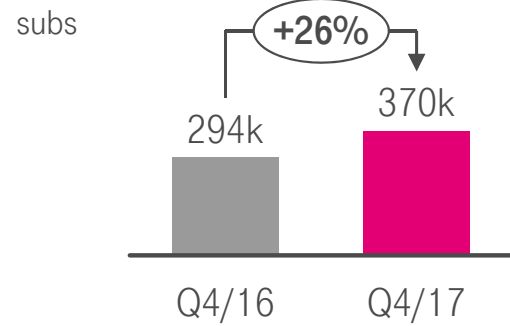
Growth: financials

- Strong growth continues
 - Revenue up 2.5% yoy
 - Adj. EBITDA up 3.8% yoy
 - FCF up 11.3% yoy
- Net debt/adj. EBITDA at 2.3x
- ROCE at 5.8%
- Dividend proposal of €0.65 per share

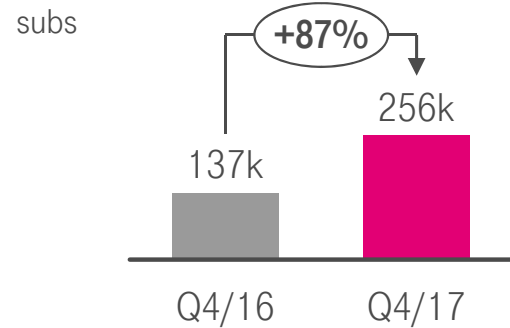


2017 INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

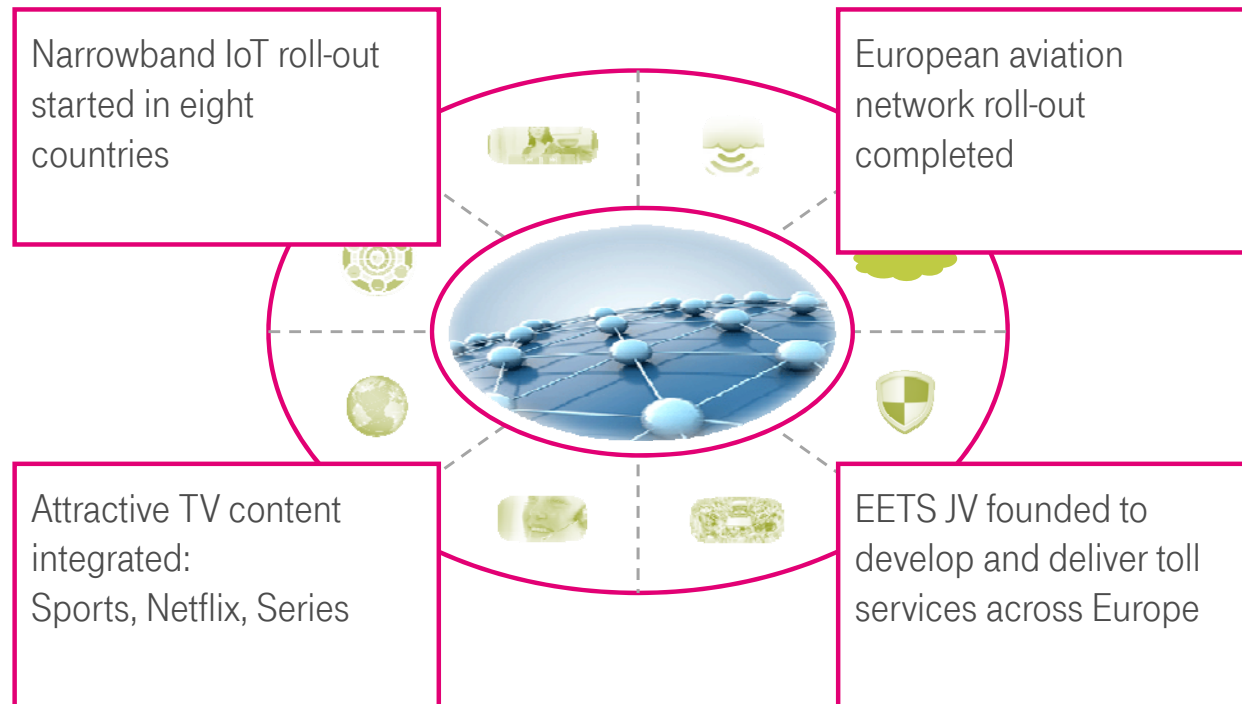
Hybrid access¹



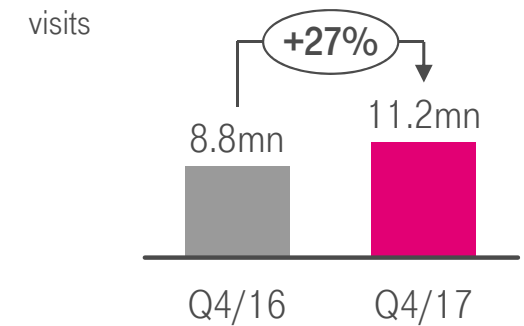
Smart home²



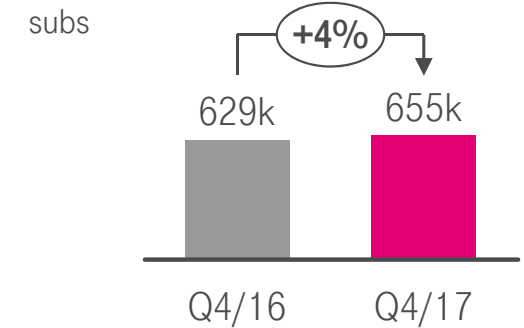
Innovation/network



Digital service app



IT support³



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

2017 CUSTOMERS: STRONG DEMAND DRIVES MOMENTUM

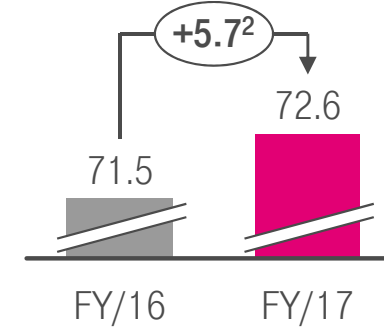
MagentaEINS (Germany + EU)¹

mn



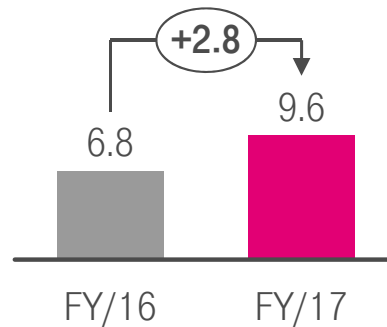
US Mobile

mn



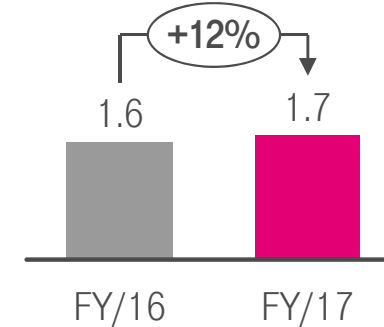
Fiber in Germany

mn



Cloud revenues

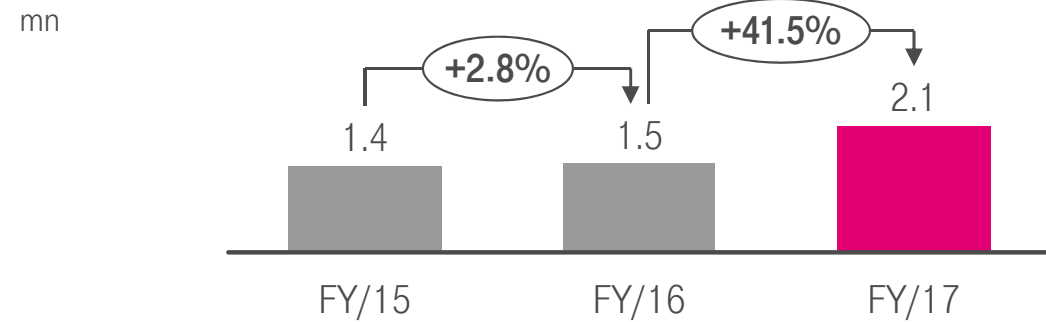
€ bn



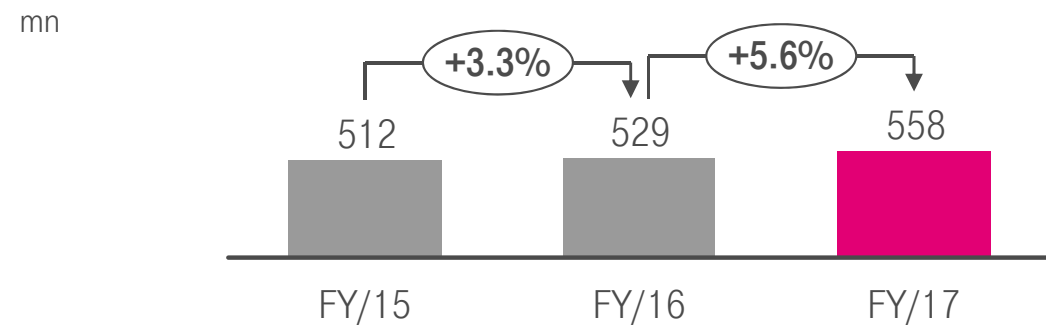
1) FMC RGUs may also appear under other brand name outside of Germany 2) Adj. for 4,528k wholesale customers no longer reported since Q2/17

2017 ACHIEVEMENTS: ACCELERATED GROWTH IN GER + EU¹

Net adds mobile contract (GER + EU¹)

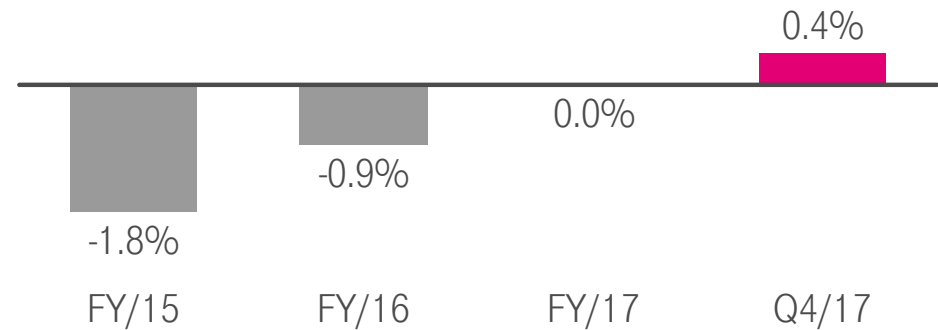


Net adds broadband (GER + EU¹)

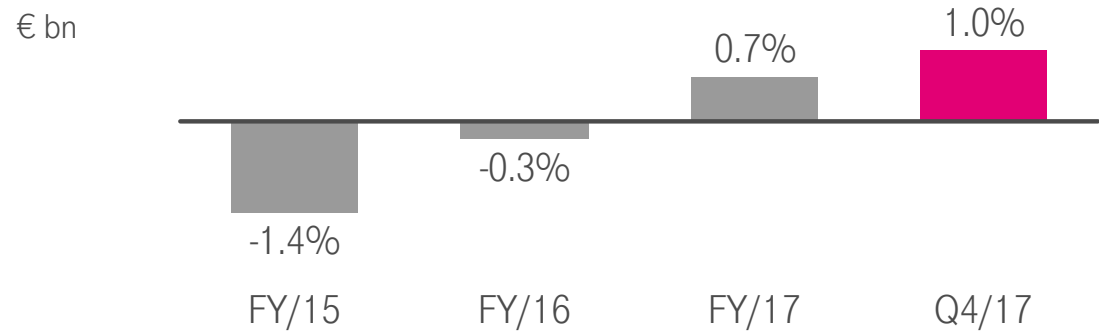


1) Incl. NL 2) Adjusted for regulation and currency effects

Service revenue trend yoy (GER + EU¹)



Organic service revenue trend yoy (GER + EU¹)²



FY 2017 HIGHLIGHTS: CAPITAL ALLOCATION DECISIONS

Stronger assets

- Austria: acquisition of UPC Austria
- TM-NL: take-over of Tele2 Netherlands
- Poland: fiber wholesale agreement with Orange Polska¹
- TMUS: acquisition of Layer3 TV

Shareholder returns DT

- Dividend increased in line with FCF to € 0.65/share²
- Dividend in kind to be discontinued

Pension funding / BT

- BT stake to be transferred into DT pension fund
- Voluntary annual pension funding of circa € 250 million discontinued

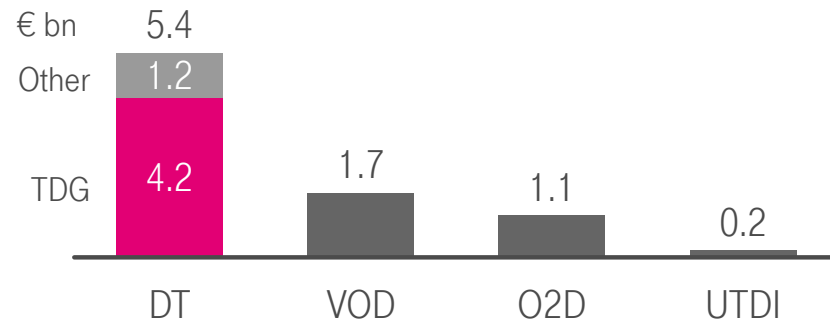
Shareholder returns DT subsidiaries

- TMUS: buyback of \$1.5 billion + direct share purchases
- OTE to distribute excess free cash flow

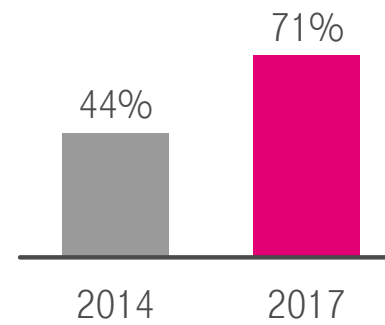
1) Statement of intent 2) Subject to necessary resolutions

GERMAN INFRASTRUCTURE: ACHIEVEMENTS

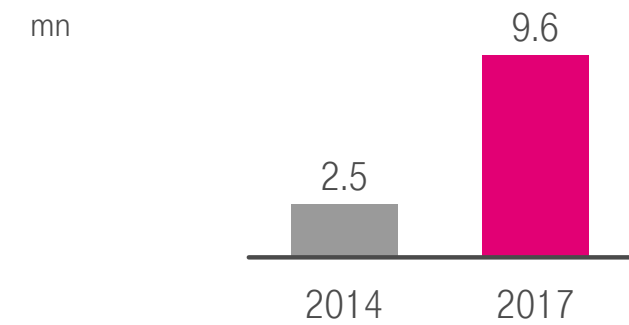
2017 German capex¹



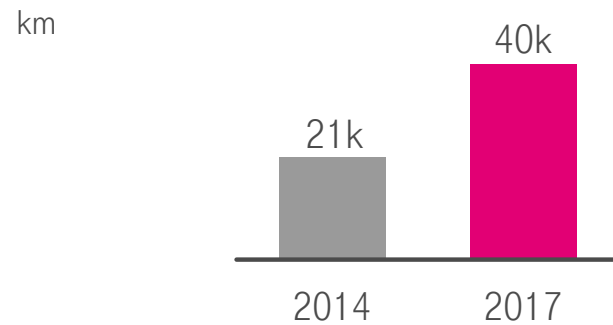
Fiber coverage



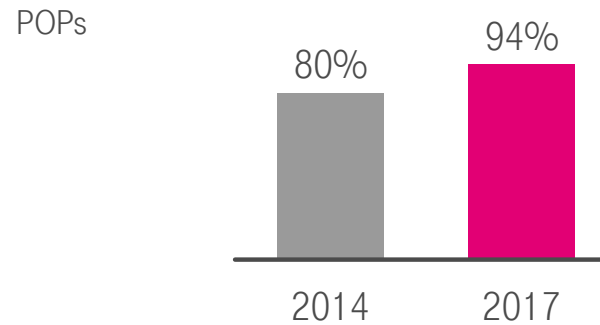
Fiber customers



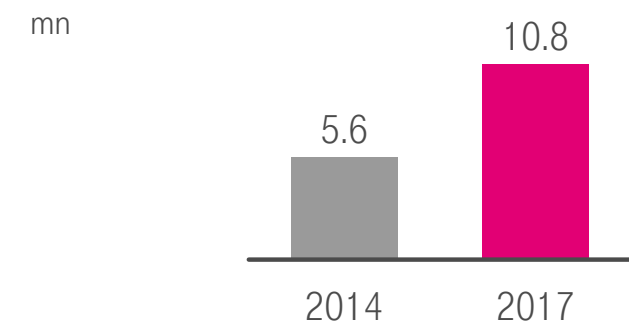
Fiber build



LTE coverage



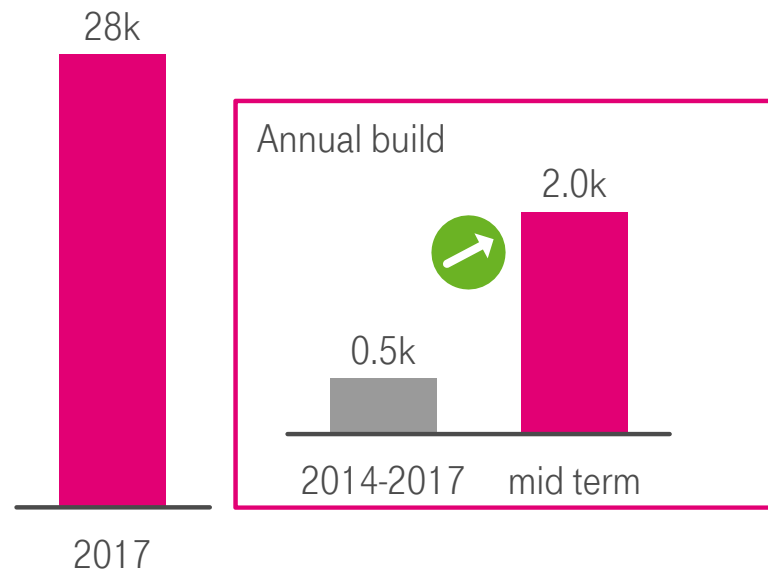
LTE customers



1) Peers according to external reporting; VOD: FY 2016/17; O2D and UI: FY 2016.

GERMAN INFRASTRUCTURE PRIORITIES: MOBILE

Accelerated tower build



- Coverage of “white spots”
- Improving customer experience
- DFMG capex to grow circa € 0.1 billion in 2018

2018/19 milestones

- Increase LTE pop coverage to 98% (2019)
- 3 million POPs in “white spots” to get LTE access by year end 2019
- Coverage of all German motorways and high speed (ICE) rail tracks in 2018/19



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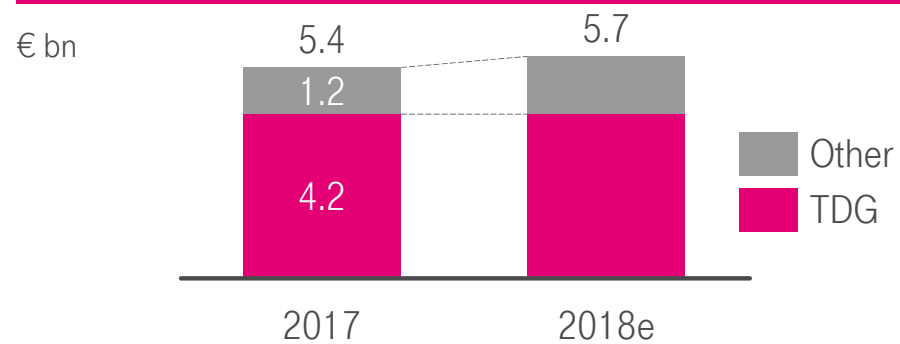
GERMAN INFRASTRUCTURE PRIORITIES: FIXED

	B2C	B2B
2017	<ul style="list-style-type: none">71% fiber coverage	<ul style="list-style-type: none">Circa 75% of businesses with up to 50Mbit/s available
2018	<ul style="list-style-type: none">80% fiber coverage15 mn homes with up to 250 Mbit/s by end 2018	<ul style="list-style-type: none">Accelerated build out of business districts with direct fiberFTTC coverage and speed increases
Mid term	<ul style="list-style-type: none">Ongoing high investments towards Gigabit targetsFurther details to be provided with CMD in May	<ul style="list-style-type: none">DT to connect 80% of businesses in business districts with fiber by early 2020s

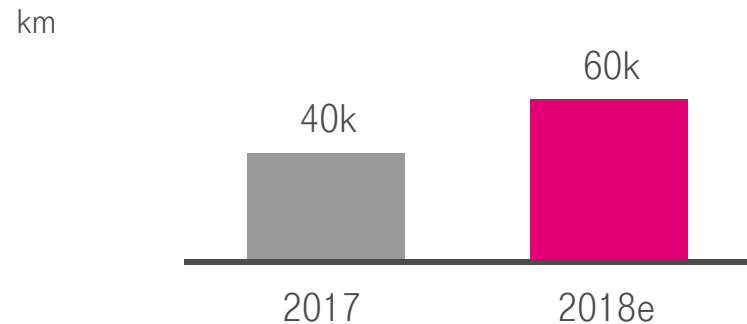


GERMAN INFRASTRUCTURE: CONTINUED HIGH INVESTMENTS

2017 German capex¹



Fiber deployed by TDG



1) Excl. spectrum

Outlook mid term

- High investments to stay in place
- Assuming fair and reliable regulatory framework
- TDG stable at high levels
 - Completion of promised vectoring roll-out in 2019
 - Investment framework to be redeployed towards Gigabit targets
 - Technology mix to include FTTH/B and FWA/Hybrid to maximize time-to-market and efficiency
- DFMG spending to remain elevated



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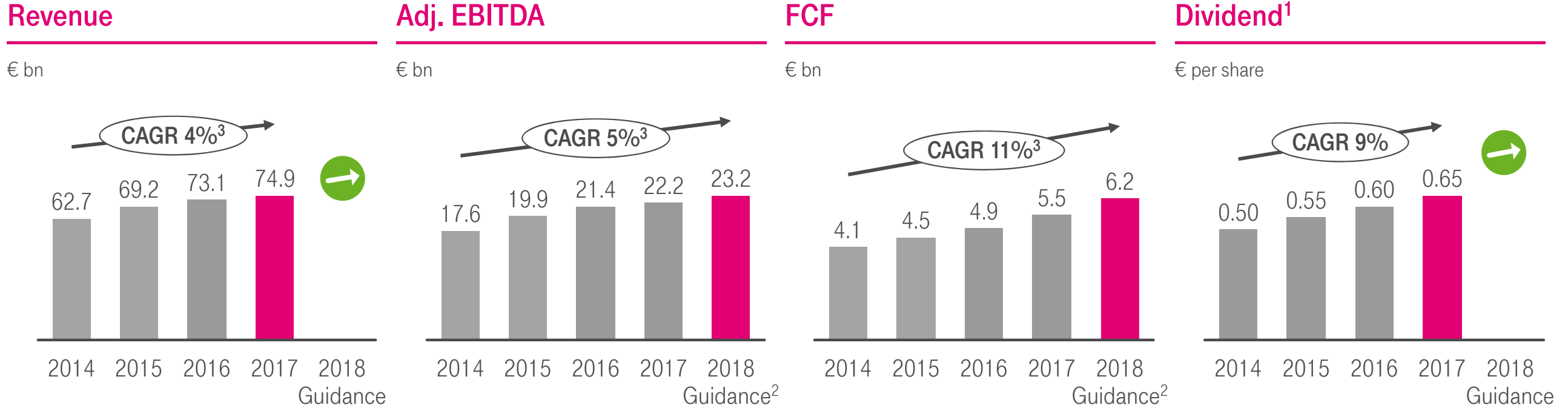
2017 FINANCIALS: GUIDANCE ACHIEVED

€ 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 ²	Around 5.5
Final 2017 Guidance (\$/€: 1.11)	Increase	Around 22.4 – 22.5 ²	Around 5.5
Results 2017 at guidance f/x (\$/€: 1.11)	75.7 (+3.6%) ✓	22.45 (+4.9%) ✓	5.5 (+12%) ✓
Results 2017 actual (\$/€: 1.13)	74.9 (+2.5%)	22.2 (+3.8%)	5.5 (+11.3%)

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

2017 FINANCIALS: DELIVERING GROWTH



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

+ 1 – 2%

+2 – 4%

+~10%

FOLLOWS FCF GROWTH

1) 2017 and 2018 subject to necessary resolutions 2) Guidance based on US\$ 1.13 = € 1 exchange rate 3) CAGRs are currency and handset lease effect adjusted

GUIDANCE 2018: WE WILL GROW ON BOTH SIDES OF THE ATLANTIC

€ bn

	<u>Revenue</u>	<u>Adj. EBITDA</u>	<u>FCF</u>
2014 – 2018 CAGR ¹	+1 – 2%	+2 – 4%	≈+10%
2018 Guidance (\$/€: 1.13)	Slight increase	Around 23.2	Around 6.2
thereof group excl. US		Around 13.2	
thereof TM US (US\$ bn)		Around 11.3 ¹	
impact of new revenue standard (US\$ bn)		Around 0.35	
handset lease and data stash (US\$ bn)		0.6 - 0.7	

1) Equals mid-point TMUS guidance (\$ 11.5 bn US GAAP) + mid-point revenue recognition guidance (+ \$ 0.35 bn) and - \$ 0.5 bn IFRS bridge

REVIEW Q4/17

FY AND Q4/2017: FINANCIAL HIGHLIGHTS

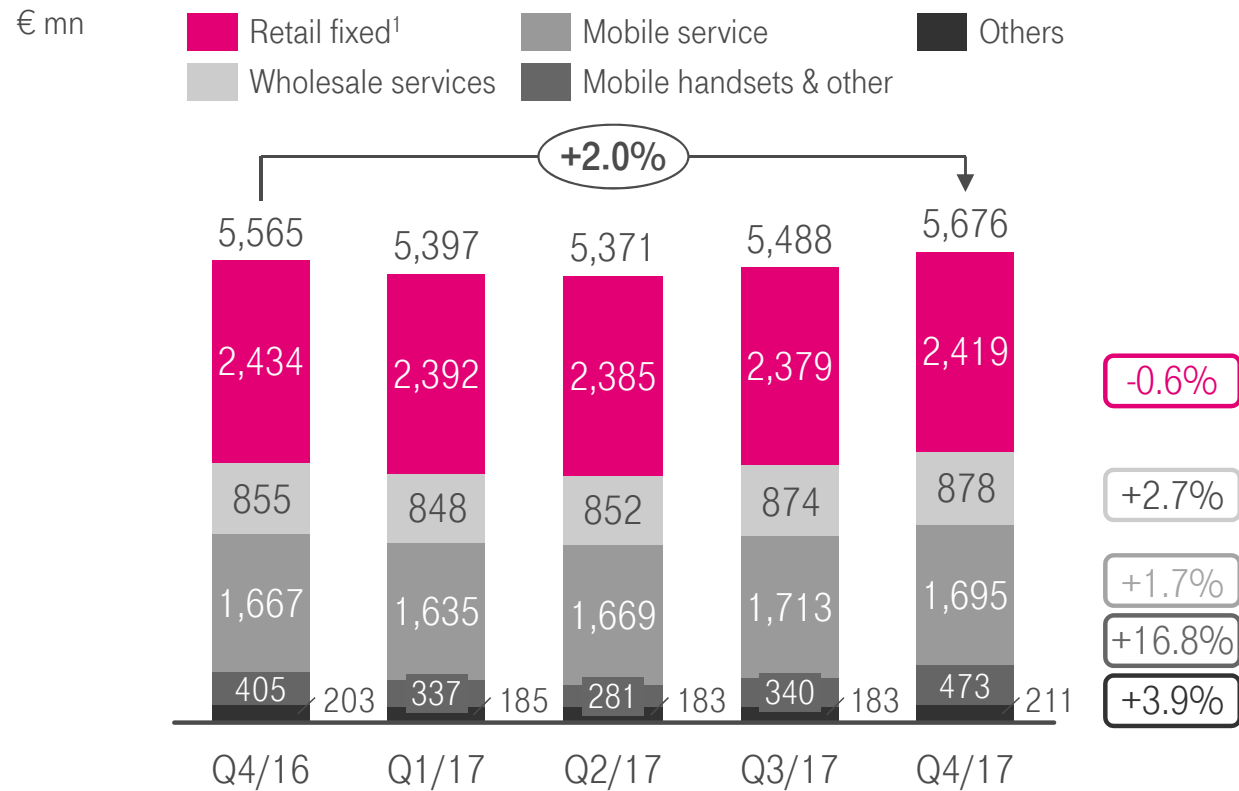
€ mn

	Q4			FY		
	2016	2017	Change	2016	2017	Change
Revenue	19,543	19,160	-2.0%	73,095	74,947	+2.5%
Adj. EBITDA	5,265	5,015	-4.7%	21,420	22,230	+3.8%
Adj. Net profit	973	2,657	+173.1%	4,114	6,039	+46.8%
Net profit	-2,124	1,332	n.m.	2,675	3,461	+29.4%
Adj. EPS (in €)	0.21	0.56	+166.6%	0.89	1.28	+43.8%
Free cash flow ¹	893	1,094	+22.5%	4,939	5,497	+11.3%
Cash capex ²	2,724	2,860	+5.0%	10,958	12,099	+10.4%
Net debt	49,959	50,791	+1.7%	49,959	50,791	+1.7%

1) Free cash flow before dividend payments and spectrum investment 2) Excl. spectrum: Q4/16: € 432 million; Q4/17: € 94 million; FY 16: € 2,682 million; FY 17: € 7,395 million

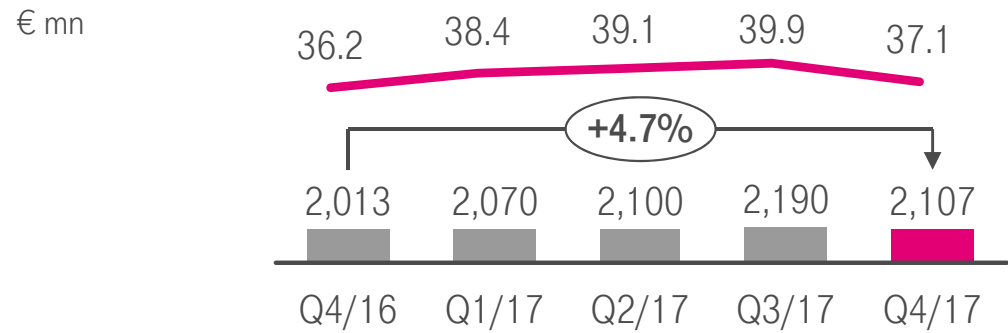
GERMANY: GROWING REVENUE AND ADJ. EBITDA

Revenue reported

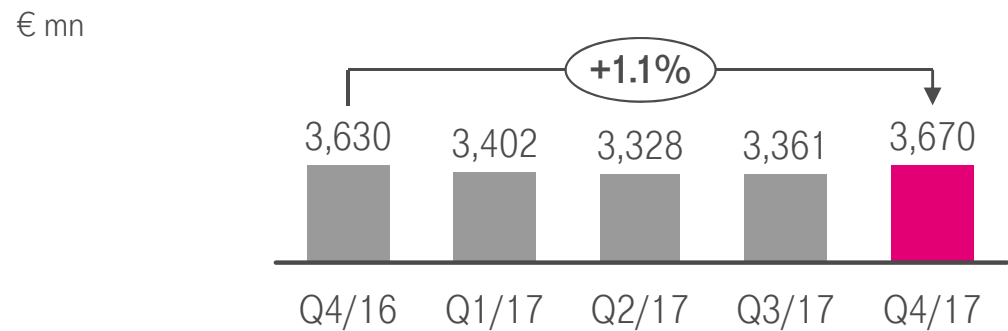


1) Fixed network core business

Adj. EBITDA and margin (in %)

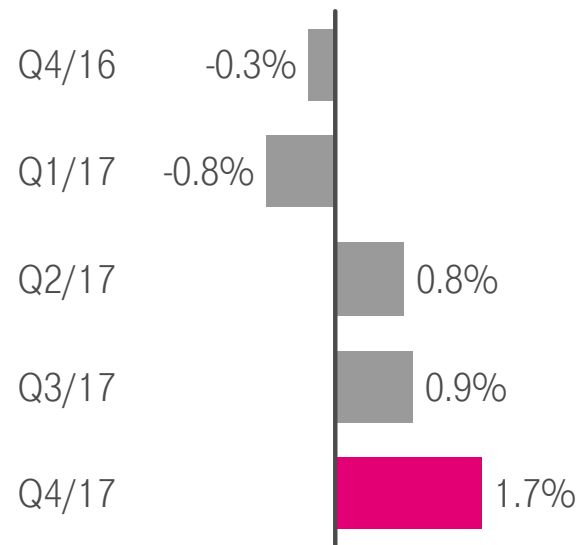


Adj. OPEX

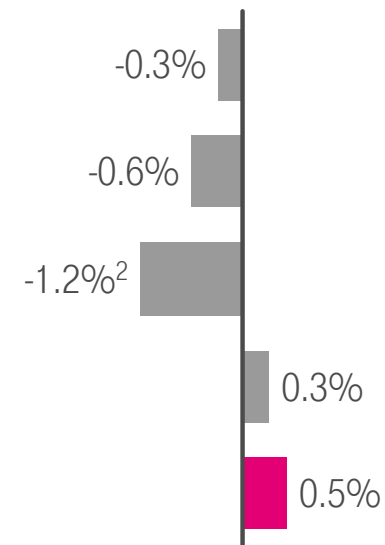


GERMANY: SUSTAINED GROWTH IN SERVICE REVENUES

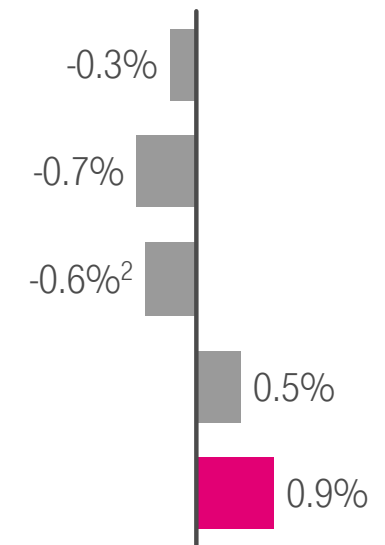
Mobile service revenue



Fixed line service revenue¹



Total service revenue¹

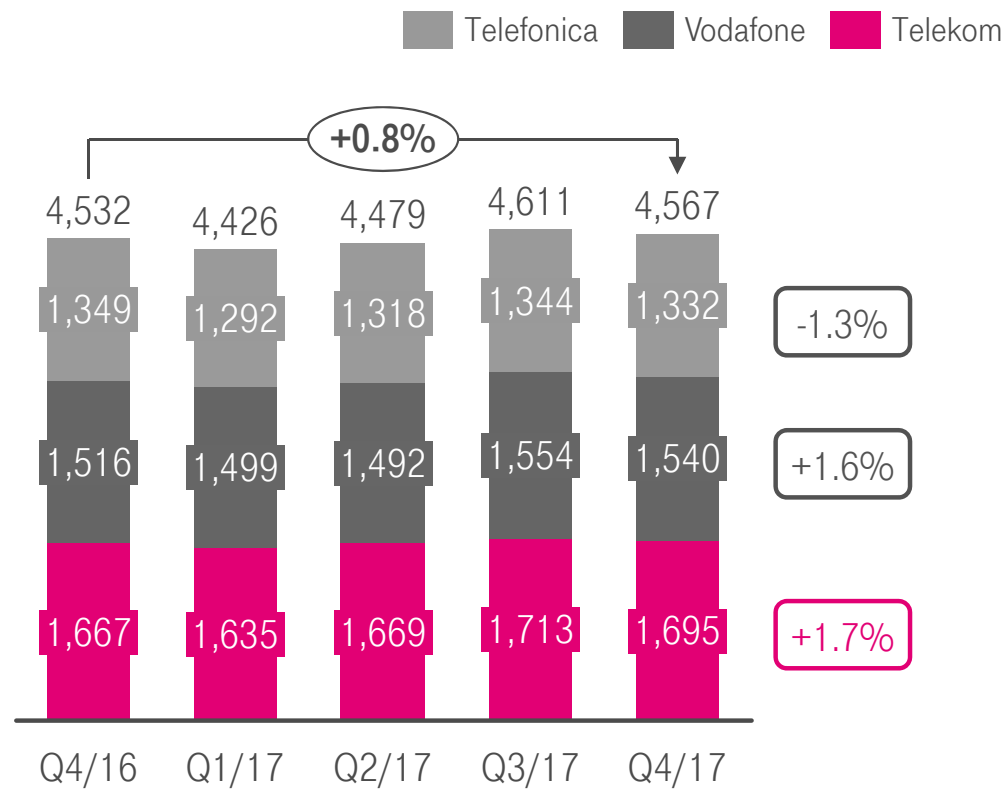


1) Total service revenue is a sum of fixed line and mobile service revenue. We define fixed line service revenue as fixed network core business revenue less fixed hardware revenue plus wholesale services fixed network revenue. From Q2/16 onwards, we classify CPEs recurring rent revenue as fixed service revenue, and thus also part of total service revenue. Without this reclassification, fixed line service revenue growth rate would be +0.1% in Q4/17, whereas TSR growth rate would be +0.6% in Q4/17. 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 -1.5% for fixed service revenue, resp. -0.8% for total service revenue

GERMANY MOBILE: GOOD COMMERCIAL MOMENTUM

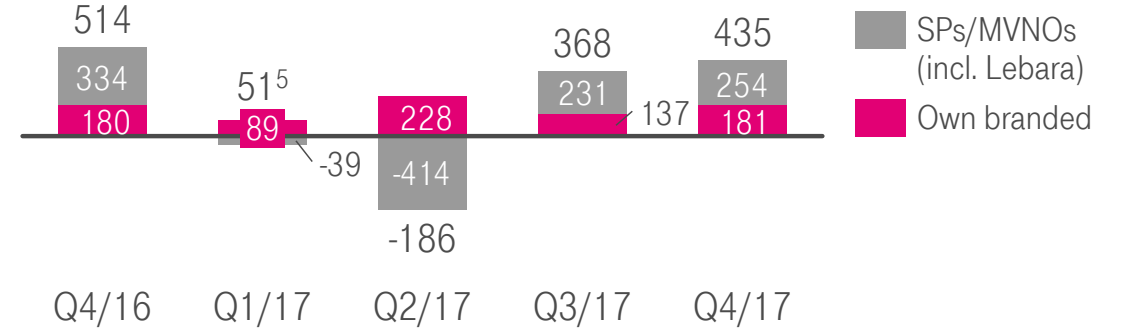
German mobile market service revenue¹

€ mn



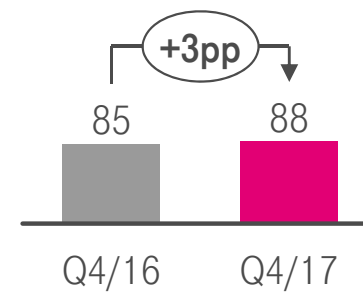
Contract net adds²

000



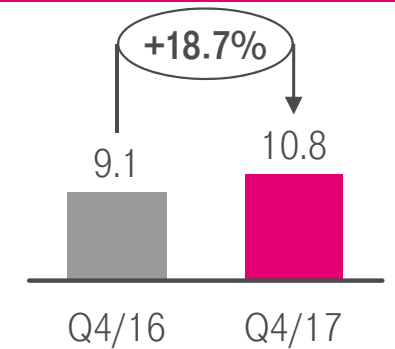
Smartphone penetration³

%



LTE customers⁴

mn



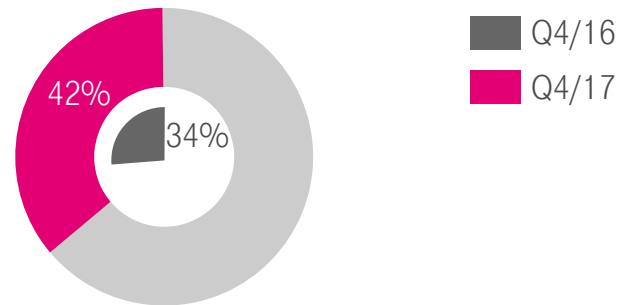
1) Management estimate 2) Figures may not add up due to rounding 3) Of own branded retail customers 4) Own customers using an LTE-device and tariff plan including LTE 5) Contract net adds under own brand impacted by disconnections (minus 41k)



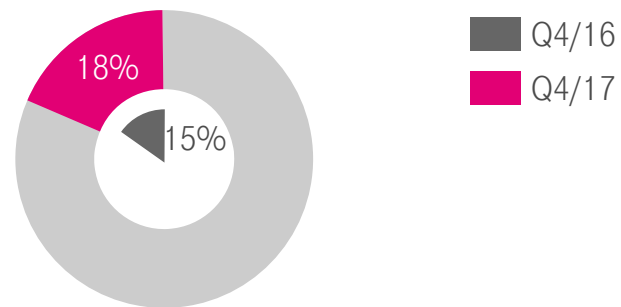
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GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

Mobile contract customers in MagentaEINS bundles¹

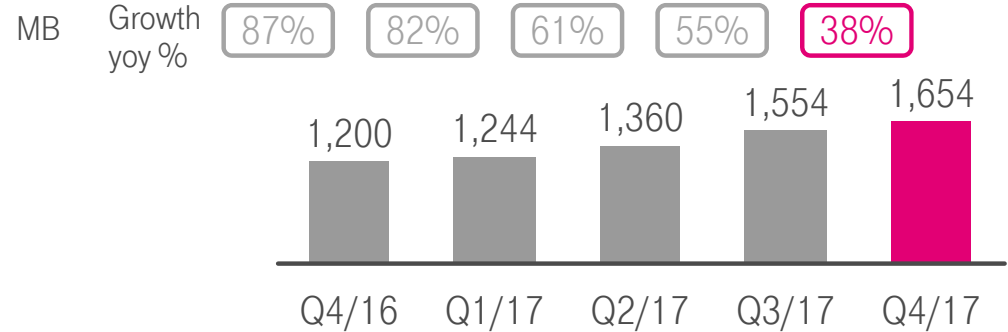


Households in MagentaEINS bundles²

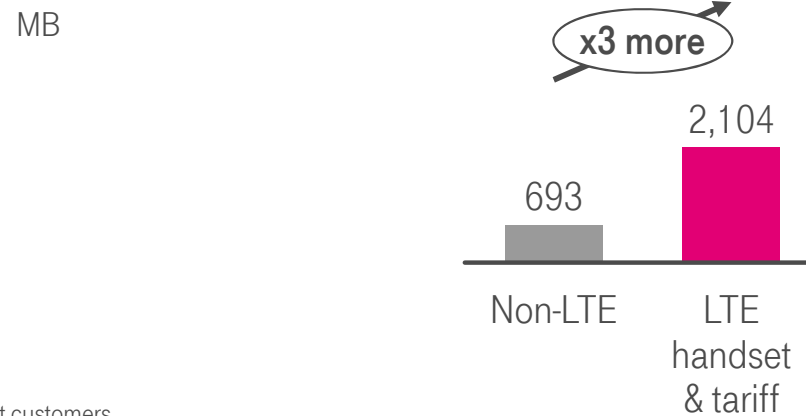


1) As % of B2C T-branded contract customers 2) As % of B2C broadband access lines 3) Per month of B2C T-branded contract customers

Average consumer data usage³

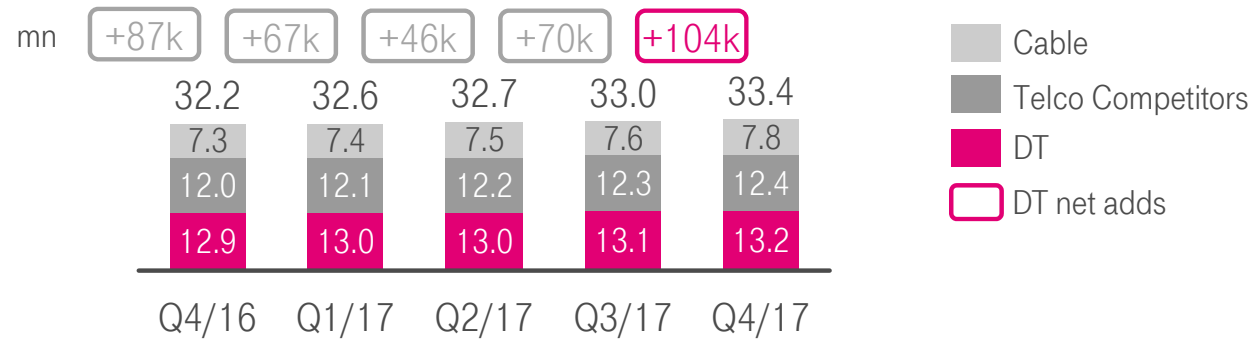


Average LTE usage uplift³

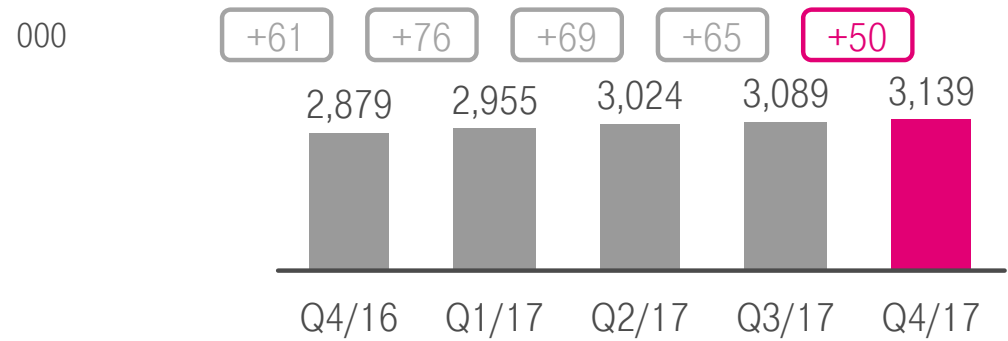


GERMANY FIXED: STRONG BROADBAND CUSTOMER GROWTH

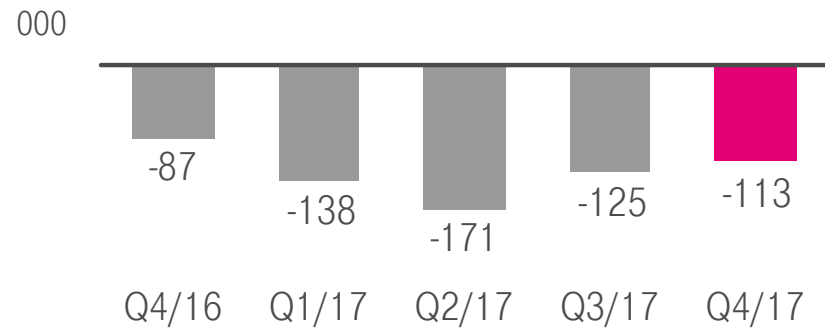
German broadband market¹



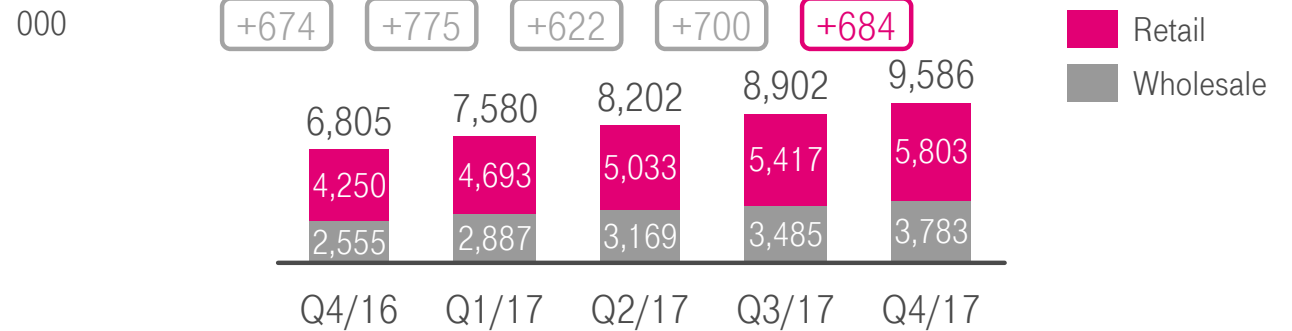
Entertain customers



Line losses



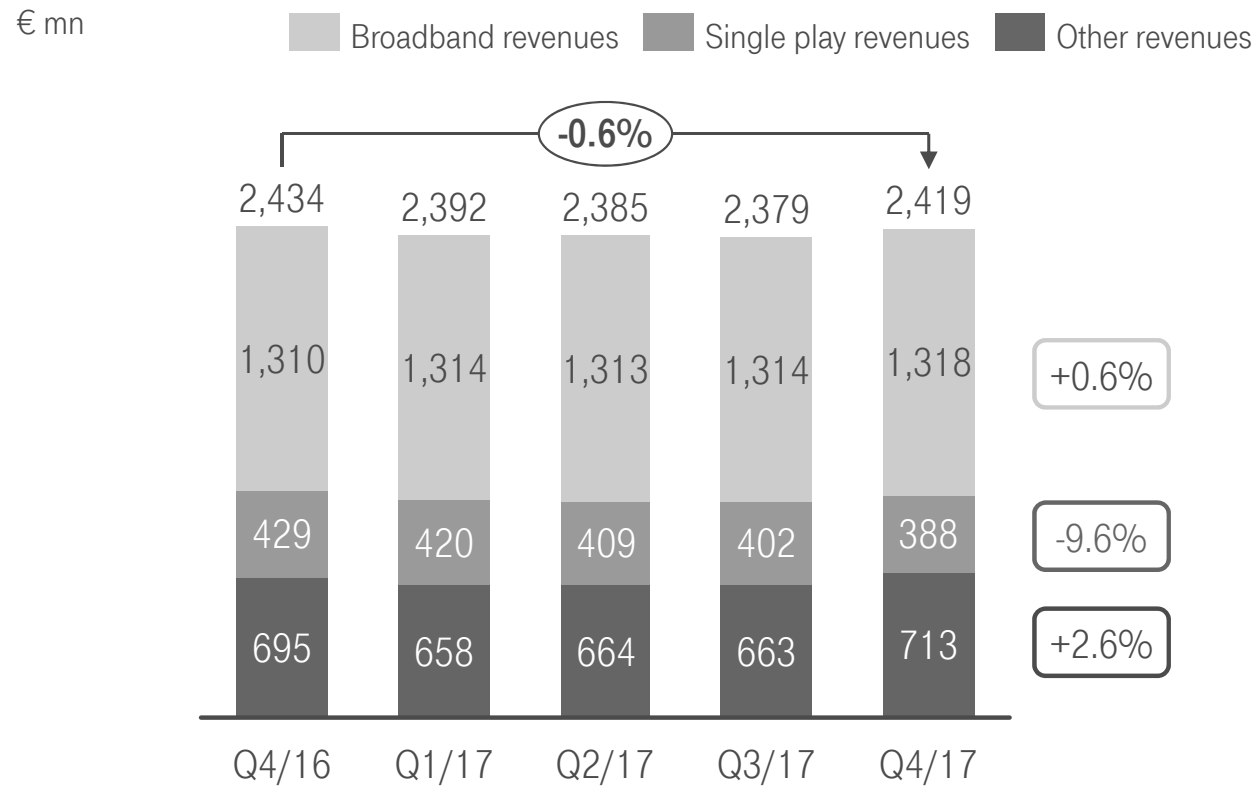
Fiber customers²



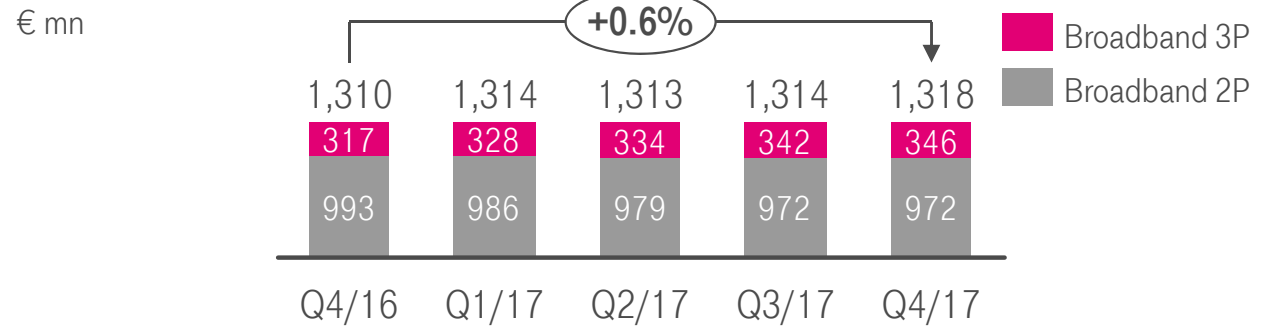
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, vectoring, and FTTH)

GERMANY FIXED: FIXED RETAIL CLOSE TO STABLE

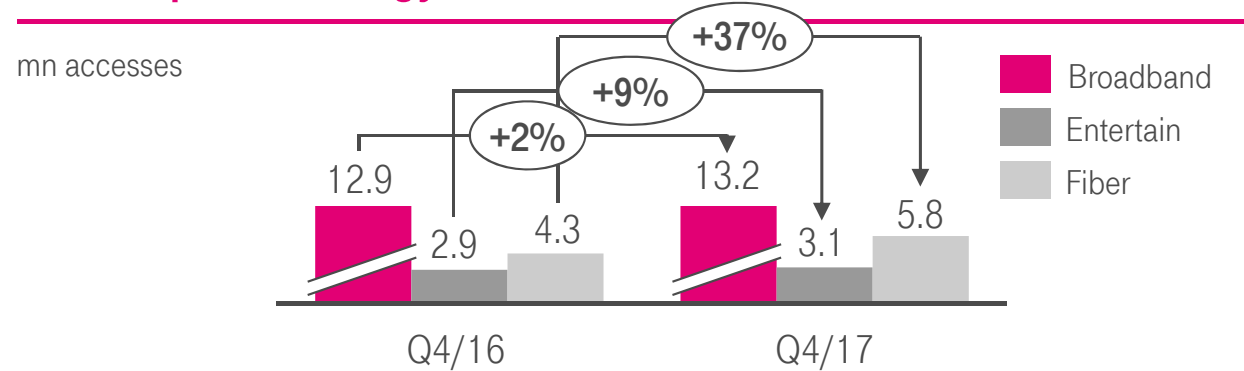
Fixed network revenue retail



Broadband revenue



Retail upsell strategy¹

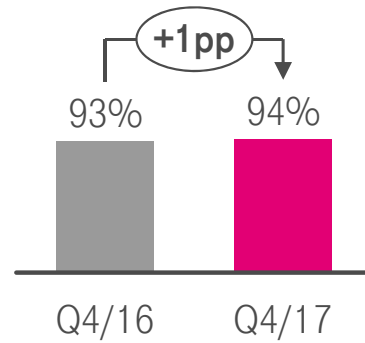


1) Percentages calculated on exact figures

GERMANY: NETWORK TRANSFORMATION ON TRACK

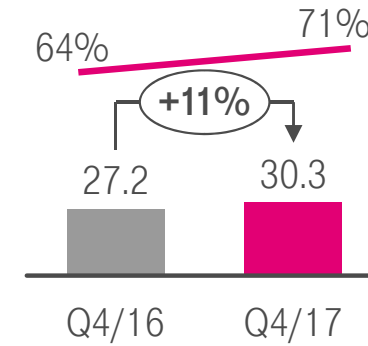
INS – Status LTE rollout

POP
Coverage in %¹



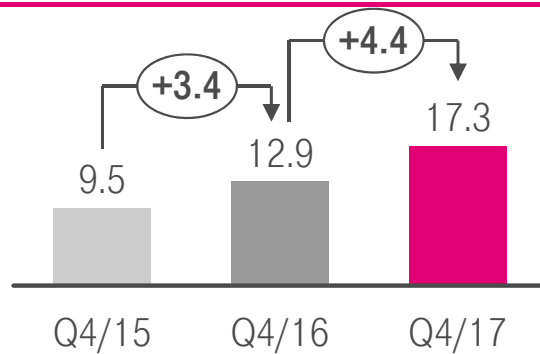
INS – Status fiber rollout²

Coverage in % and
millions of households



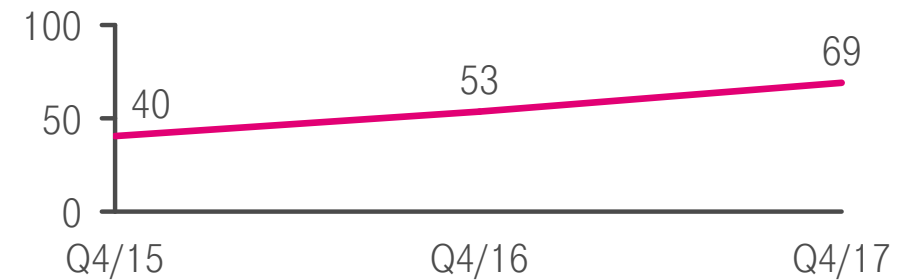
Status IP accesses (retail & wholesale)

mn



Status IP accesses (retail & wholesale)

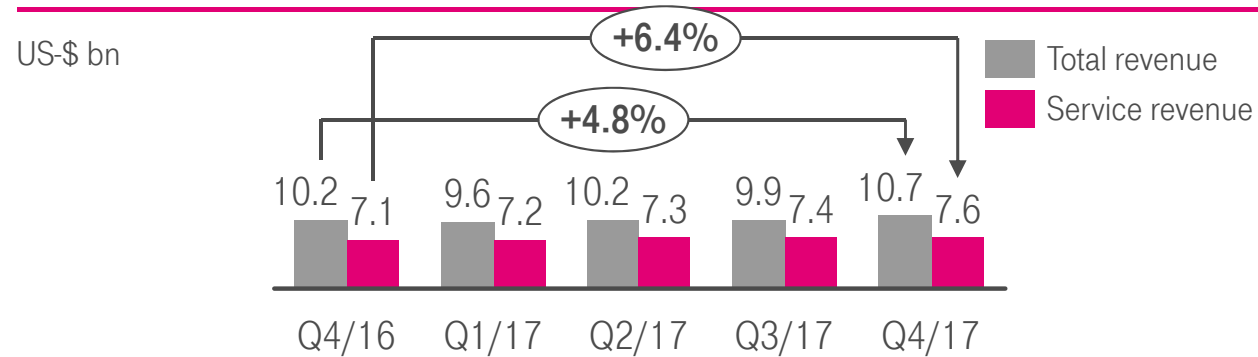
% of lines



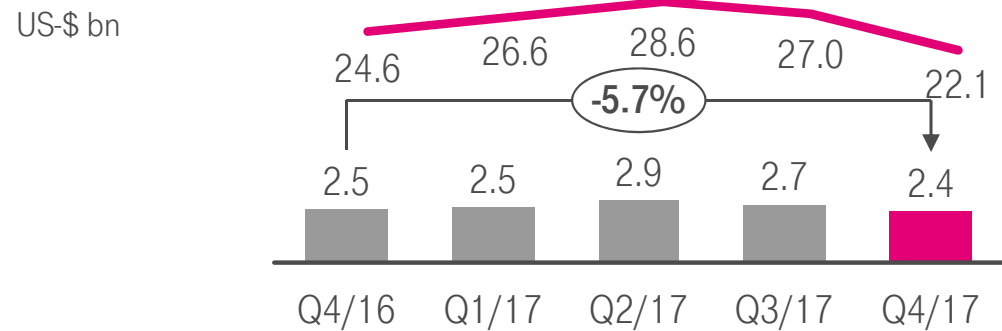
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany

TMUS: CONTINUED INDUSTRY LEADING GROWTH

Revenue and service revenue



Adj. EBITDA and margin (in %)



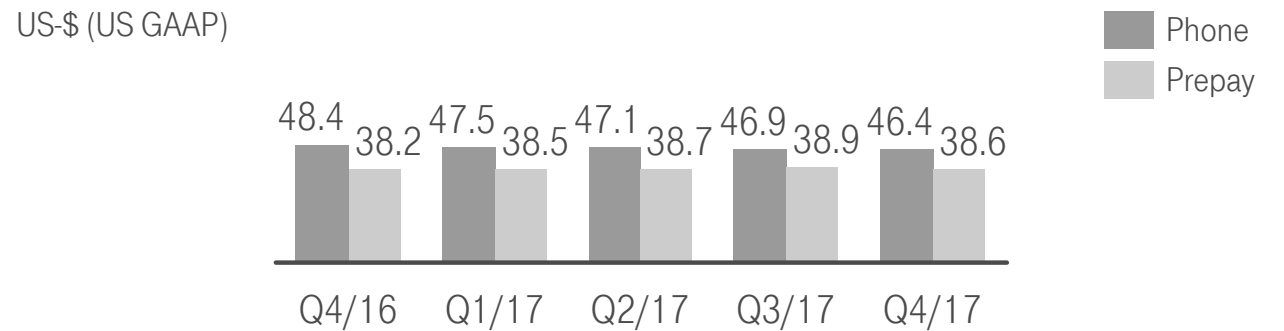
1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding

Net adds

000

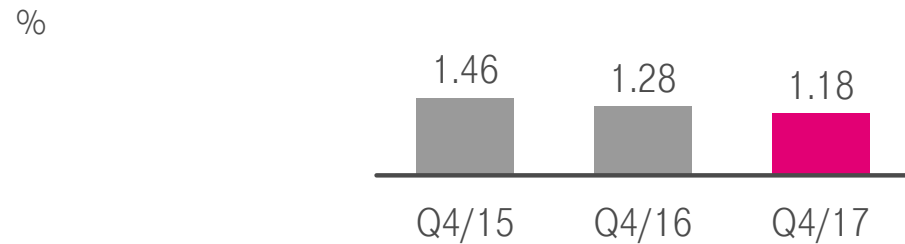
	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
Total net adds	2,101	1,142	1,333	1,329	1,854
Branded:					
▪ Postpaid	1,197	914	817	817	1,072
▪ Prepay	541	386	94	226	149
Wholesale ¹	363	-158	422	286	633

Branded customers: postpaid phone and prepay ARPU



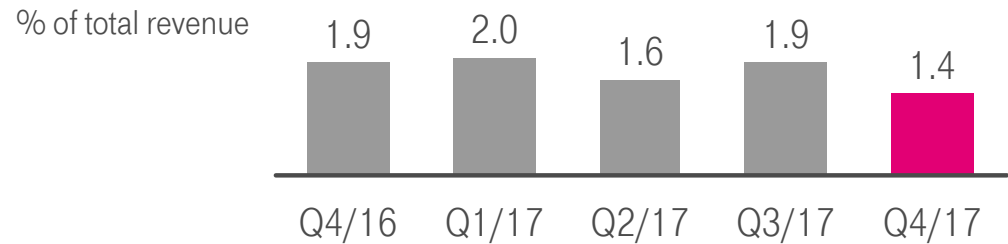
TMUS: EXECUTING ON KEY DRIVERS

Branded postpaid phone churn



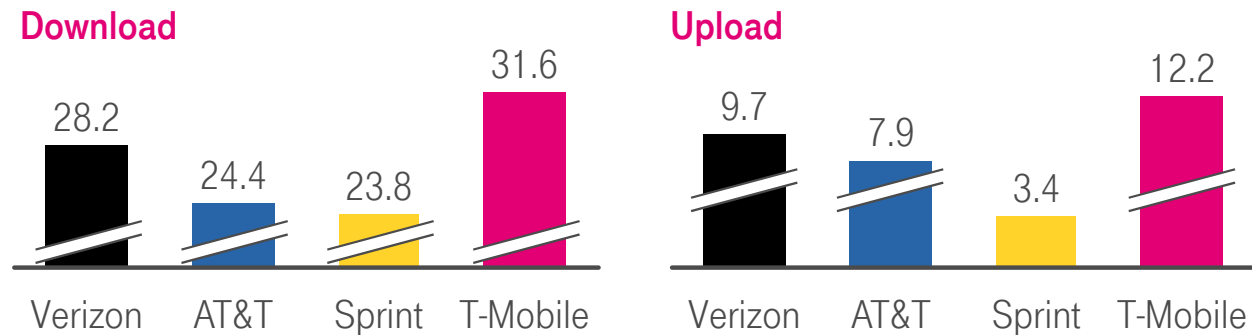
- Branded postpaid phone churn further decreased

Bad debt expenses & losses from sale of receivables



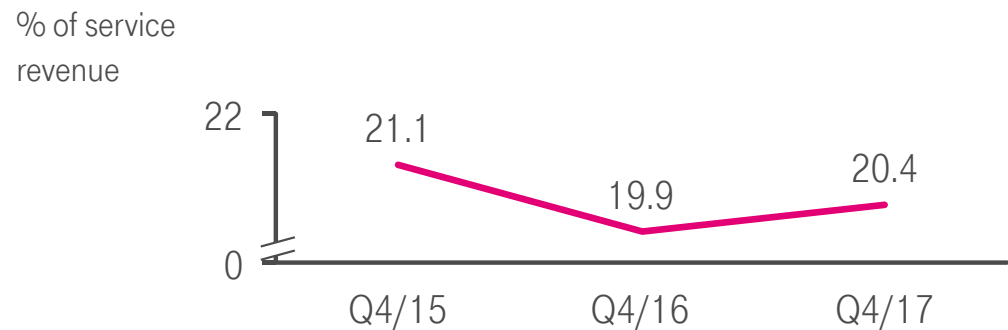
- Decrease reflects ongoing focus on managing customer quality

Average 4G LTE speeds (in Mbit/s) Q4/17



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

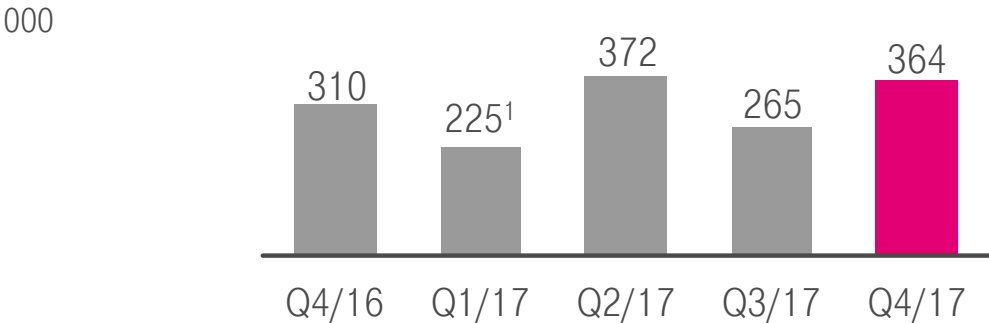
Cost of service



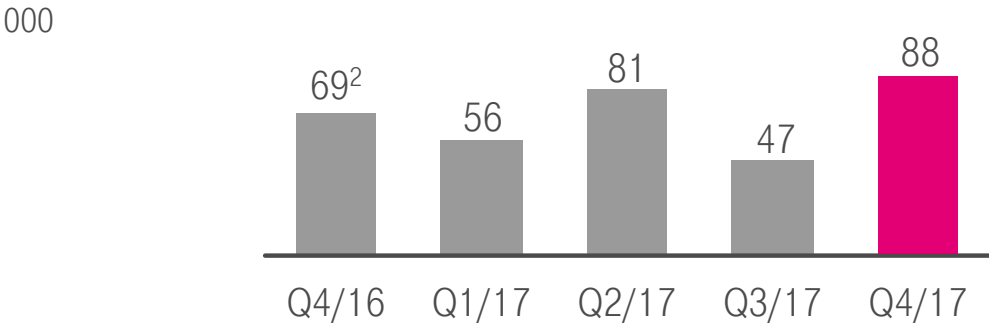
- Excl. hurricanes impact cost of service stable yoy

EUROPE: STRONG COMMERCIAL MOMENTUM

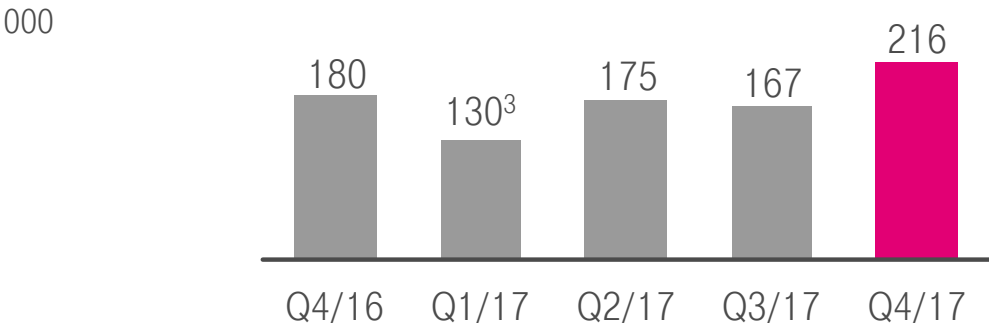
Contract net adds



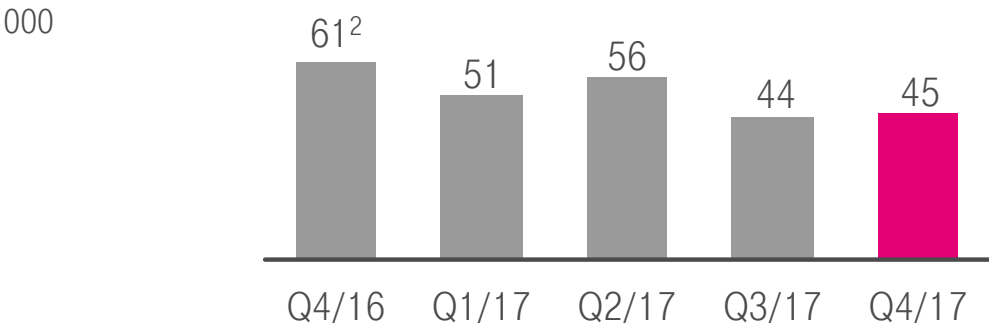
BB net adds



FMC net adds



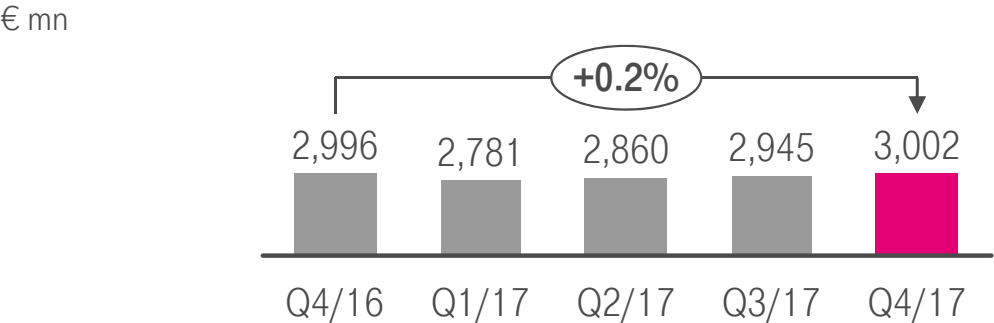
TV net adds



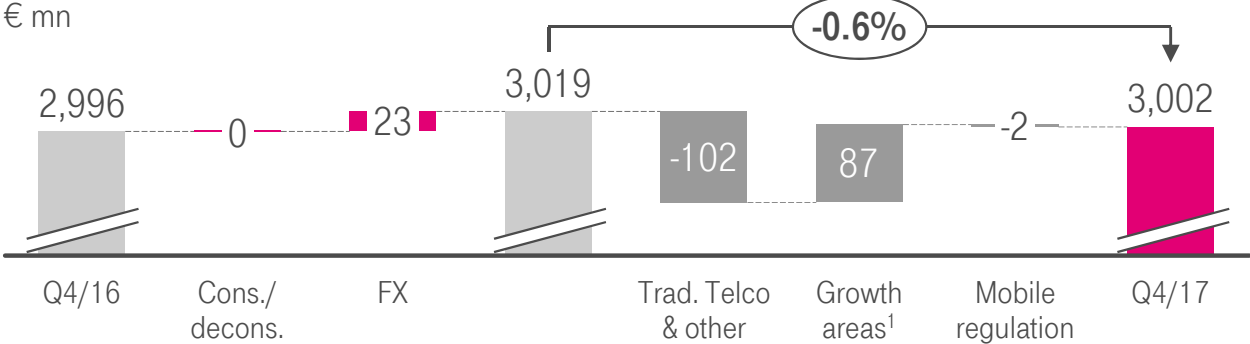
1) Organic view: adjusted for re-classifications in Austria and Slovakia. Change in customer base is 167k 2) Organic view: adjusted for 19k re-classifications in Hungary. Change in base is 50k. Q4 TV net adds adjusted for 22k re-classifications in Hungary. Change in base is 39k 3) Organic view: adjusted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

EUROPE: FINANCIALS ON PATH TO TURNAROUND

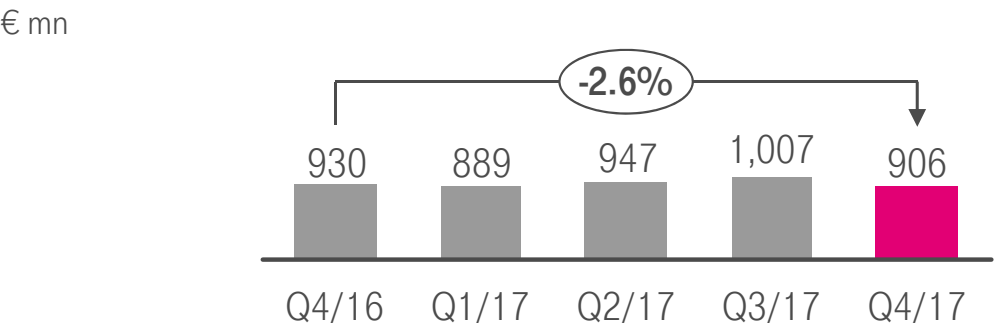
Revenue



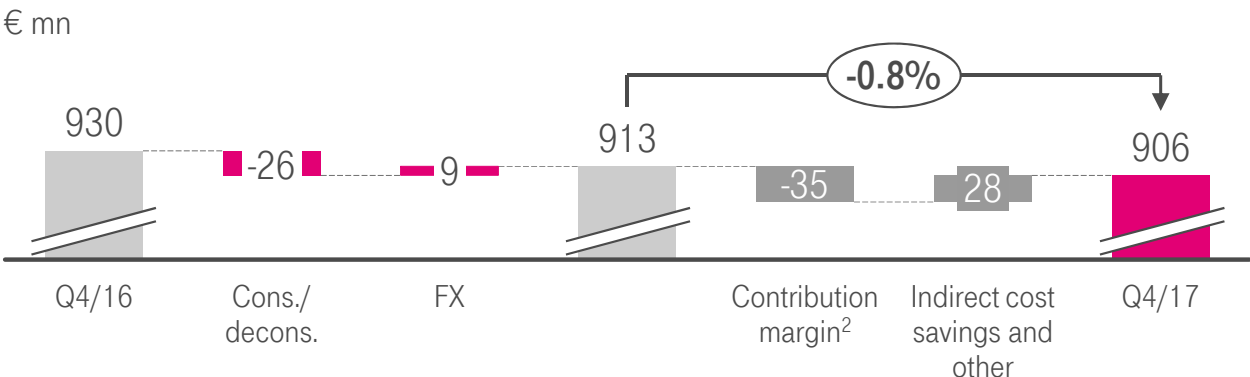
Organic revenue development



Adj. EBITDA



Organic adj. EBITDA development

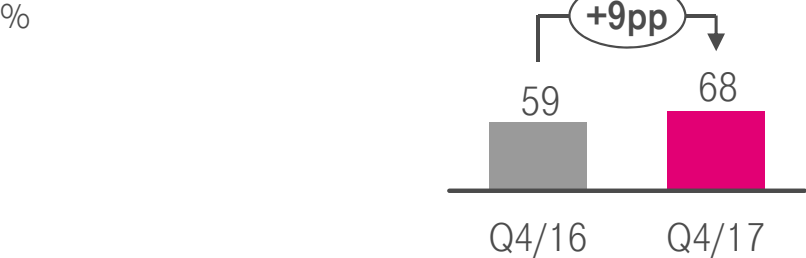


1) Mobile data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy, and other) 2) Total revenue - direct cost

EUROPE: ONGOING INVESTMENTS IN NETWORK LEADERSHIP

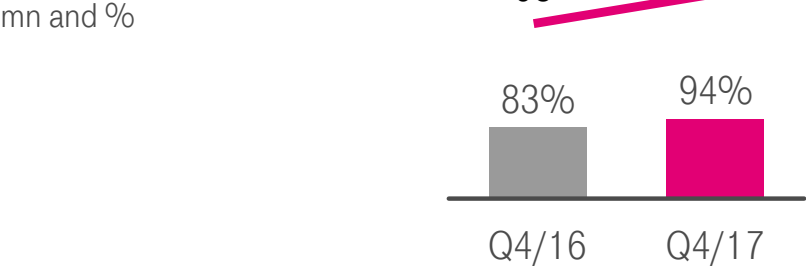
IP migration

IP share of fixed network access lines

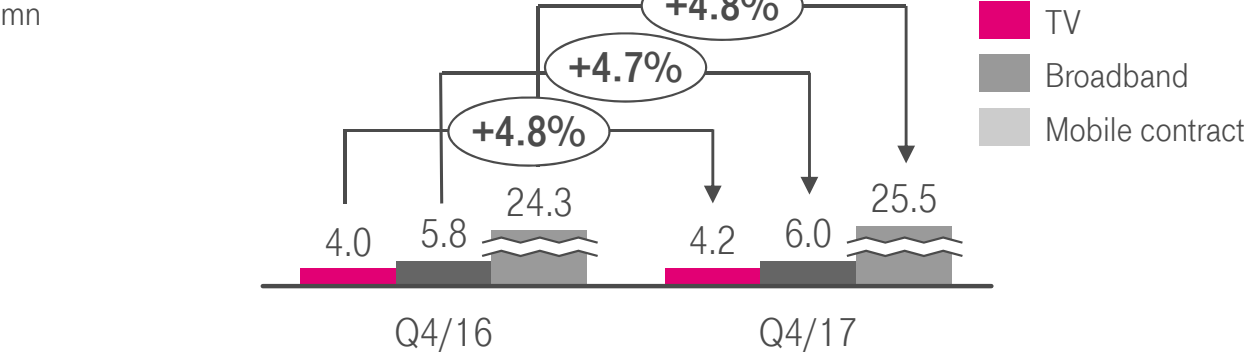


LTE rollout

LTE outdoor pop coverage

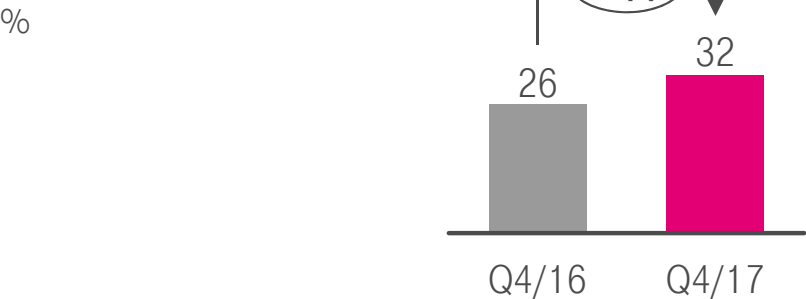


Customer base¹



Fiber rollout¹

Fiber household coverage



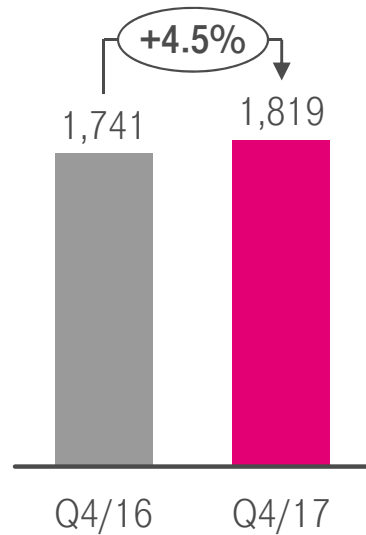
1) ≥ 100Mbit/s²-coverage: FTTH, FTTB, FTTC (with vectoring), cable/ED3. Broadband also incl. wholesale customers

SYSTEMS SOLUTIONS: STRONG Q4 BUT LEGACY CHALLENGES REMAIN

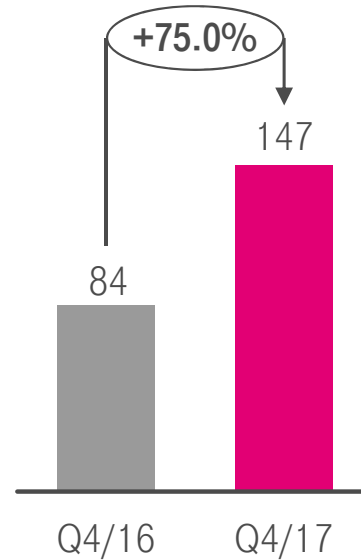
T-Systems financials

€ mn

Total revenue

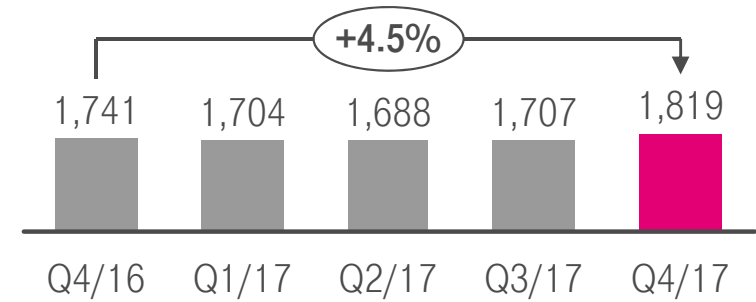


Adj. EBITDA



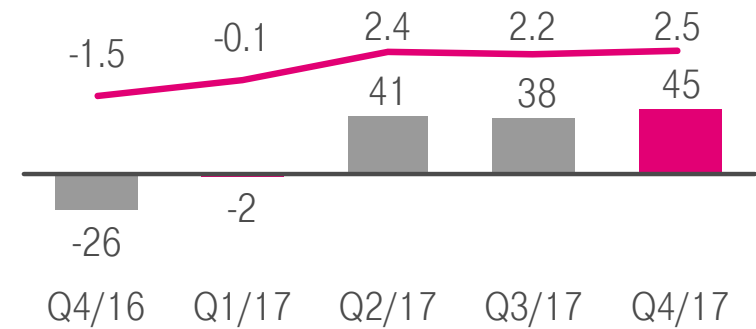
Revenue

€ mn



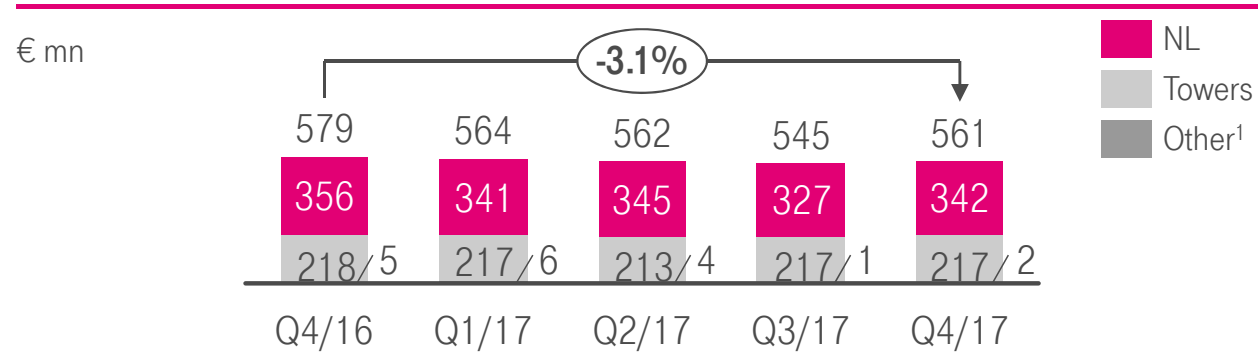
Adj. EBIT and margin in %

€ mn

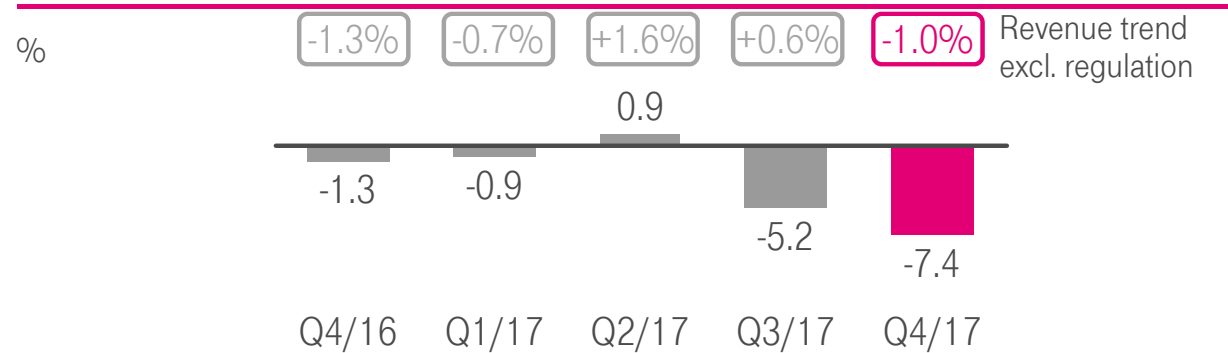


GROUP DEVELOPMENT: STEADY DELIVERY

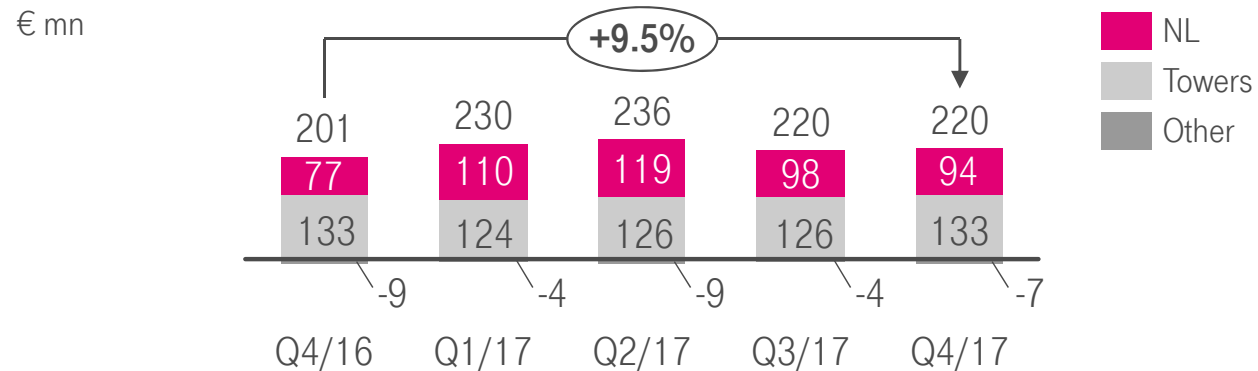
Revenue



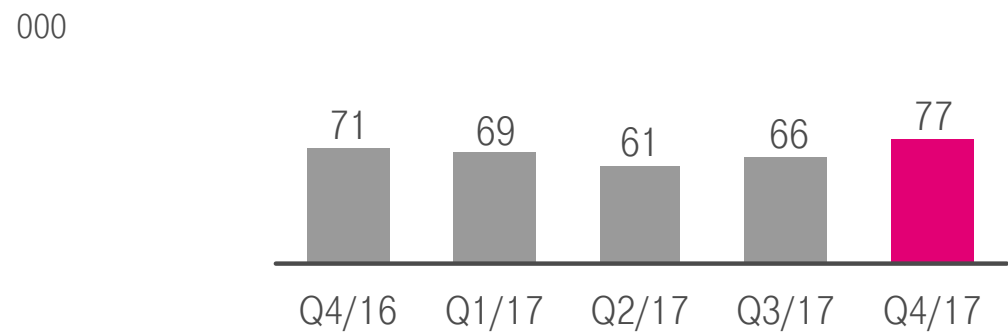
Mobile service revenue trend yoy (NL)



Adj. EBITDA



Contract net adds (NL)



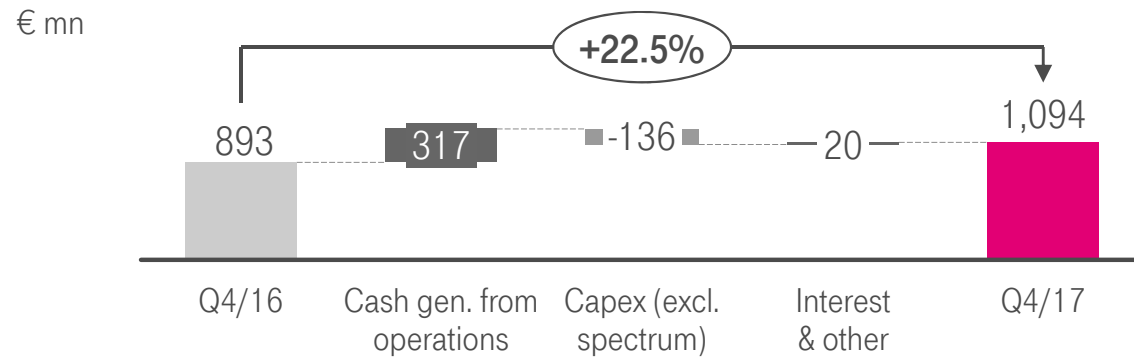
1) Strato was deconsolidated in Q2/17. Historic figures are also adjusted for Strato



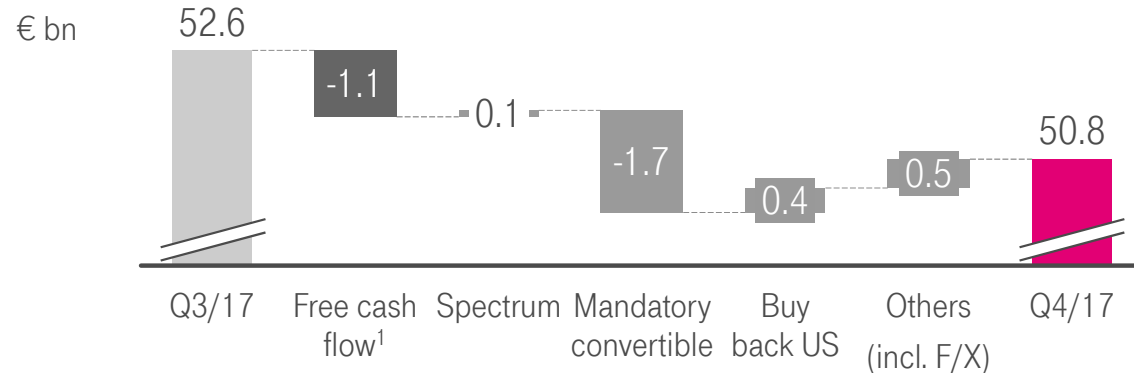
LIFE IS FOR SHARING.

FINANCIALS: FCF, NET DEBT, NET INCOME, AND ROCE

Free cash flow¹

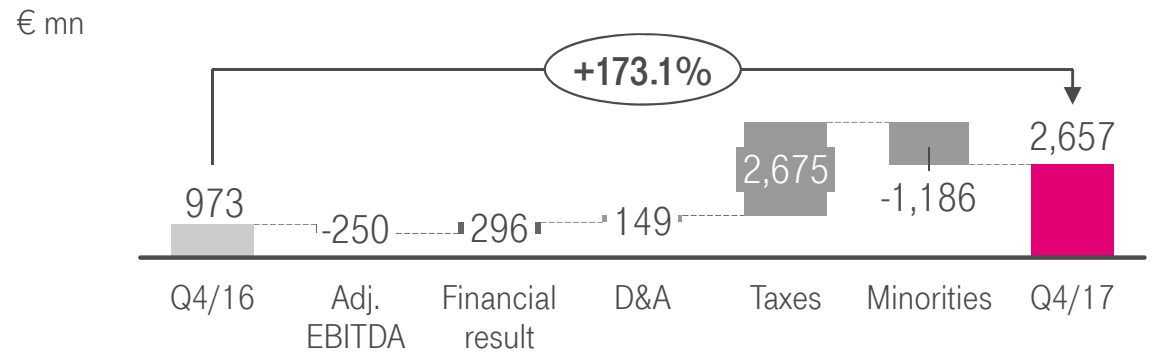


Net debt development

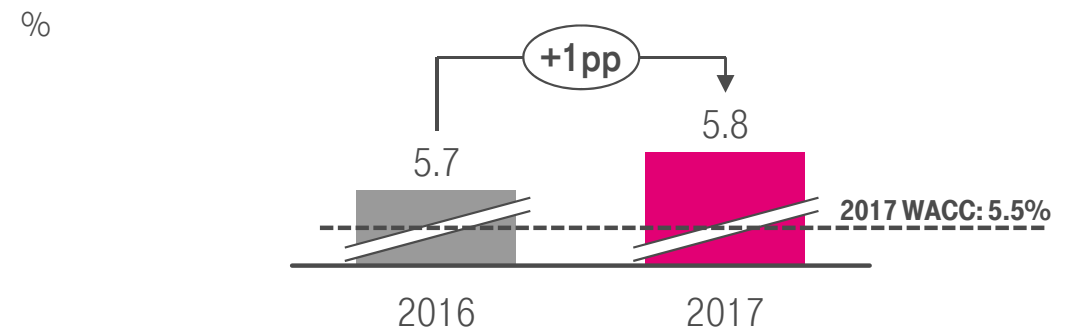


1) Free cash flow before dividend payments and excl. spectrum Q4/16: € 432 million; Q4/17: € 94 million

Adj. net income



ROCE



FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	31/12/2016	31/03/2017	30/06/2017	30/09/2017	31/12/2017
Balance sheet total	148.5	148.6	141.5	139.8	141.3
Shareholders' equity	38.8	39.8	38.6	39.1	42.5
Net debt	50.0	50.0	55.2	52.6	50.8
Net debt/adj. EBITDA ¹	2.3	2.3	2.5	2.3	2.3
Equity ratio	26.2%	26.8%	27.3%	27.9%	30.0%

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	●

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

Current rating

Fitch:	BBB+	stable outlook
Moody's:	Baa1	stable outlook
S&P:	BBB+	stable outlook

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!