

DEUTSCHE TELEKOM

Q3/2017 RESULTS



LIFE IS FOR SHARING.

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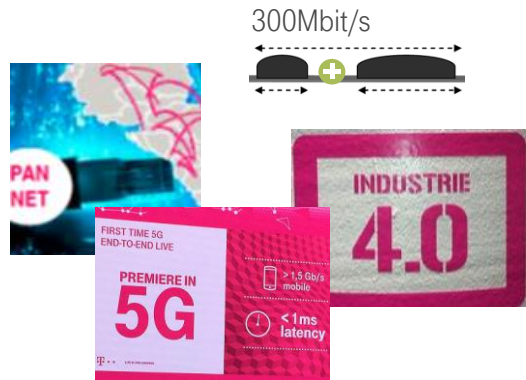
In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt and net debt. These alternative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



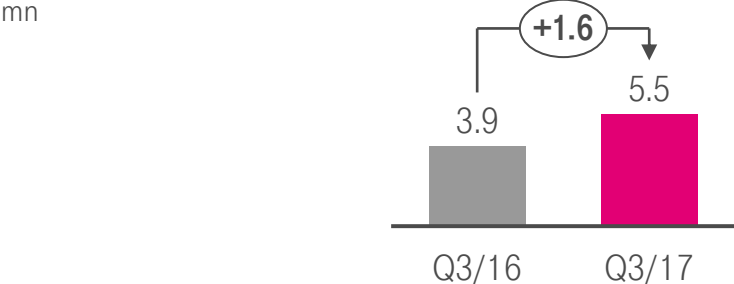
Financial results

- 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

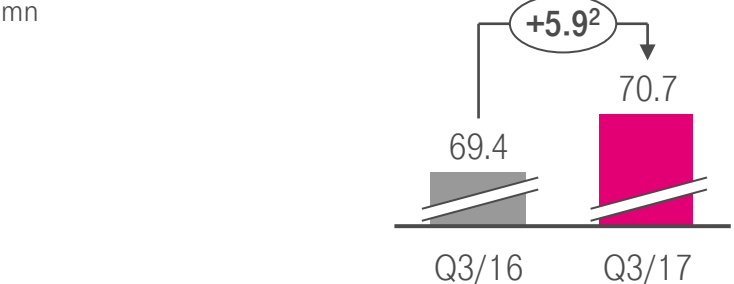


CUSTOMERS: STRONG DEMAND DRIVES MOMENTUM

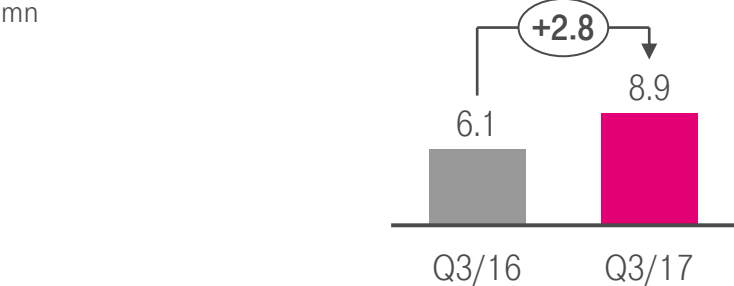
MagentaEINS (Germany + EU)¹



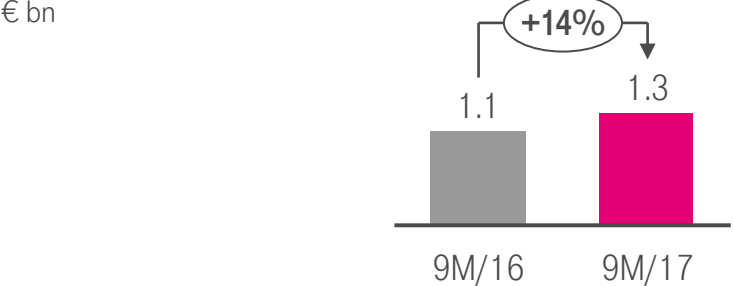
US Mobile



Fiber in Germany



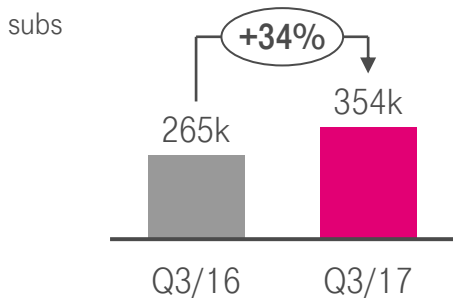
Cloud revenues



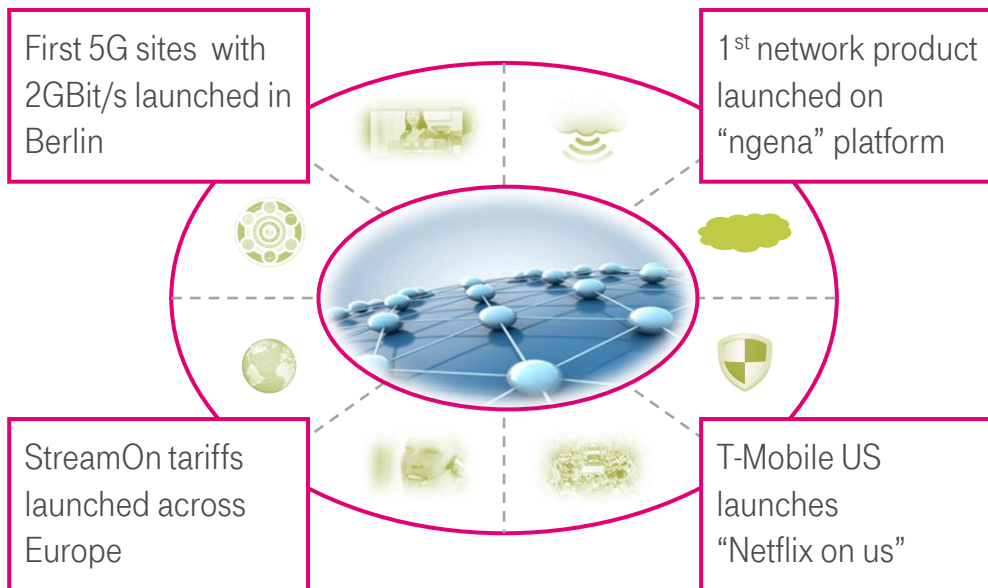
1) FMC RGUs may also appear under other brand name outside of Germany 2) Adj. for 4,528m wholesale customers no longer reported since Q2/17

INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

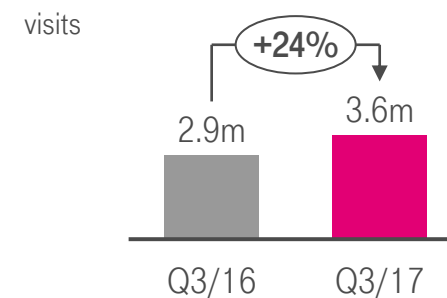
Hybrid Access¹



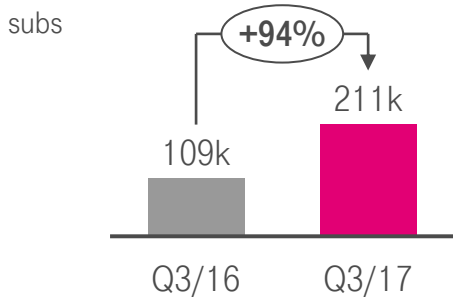
Innovation/Network



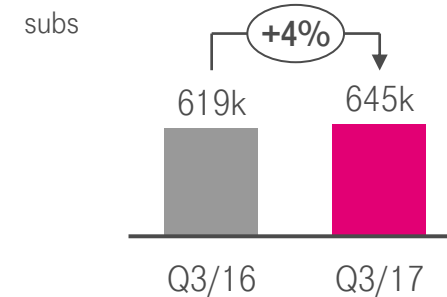
Service App



Smart Home²



IT-Support³



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

FINANCIALS AND GUIDANCE 2017: 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 – 0.95 billion as per new guidance



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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% |

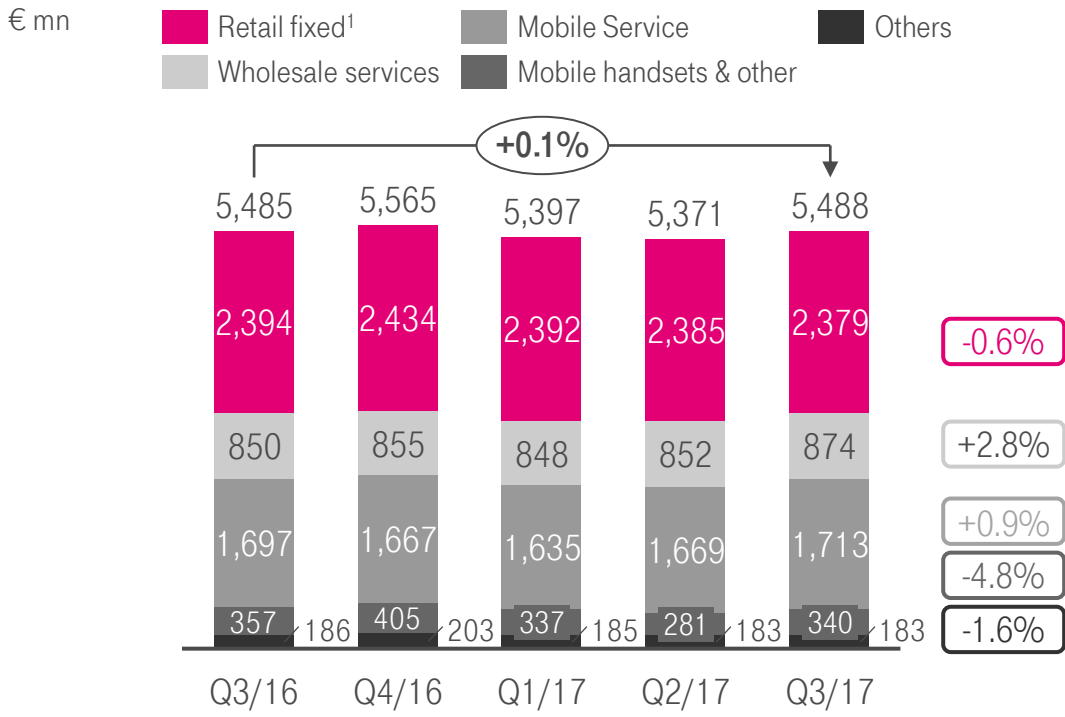
1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q3/16: € 1,146 million; Q3/17: € 19 million; 9M/16: € 2,250 million; 9M/17: € 7,300 million



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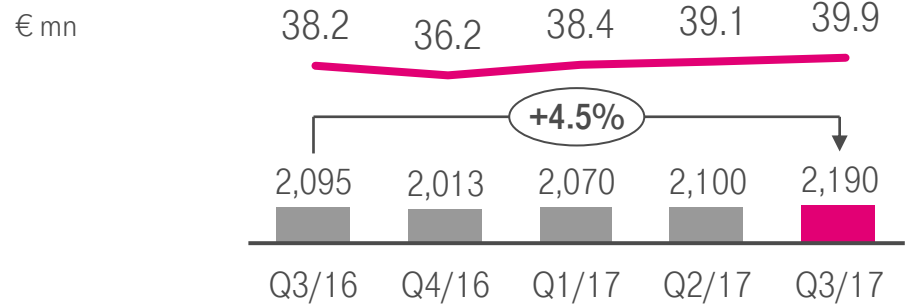
GERMANY: STRONG GROWTH IN ADJ. EBITDA

Revenue reported

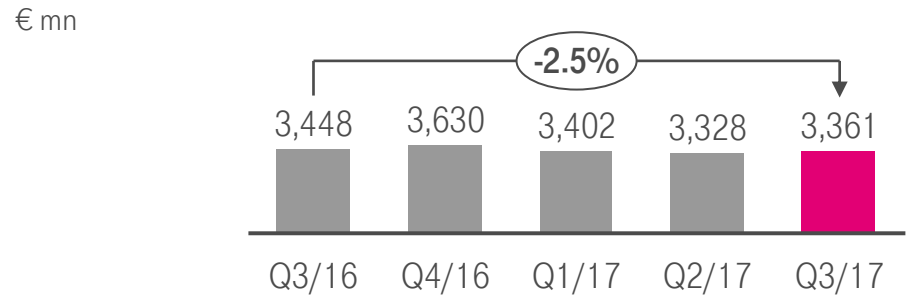


1) Fixed network core business

Adj. EBITDA and margin (in %)

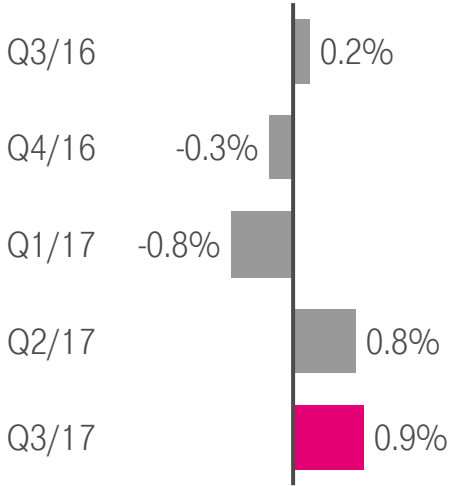


Adj. OPEX

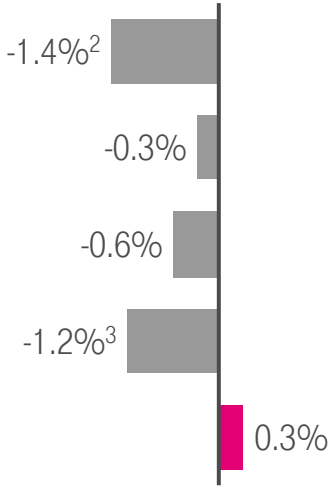


GERMANY: TURN-AROUND IN SERVICE REVENUES

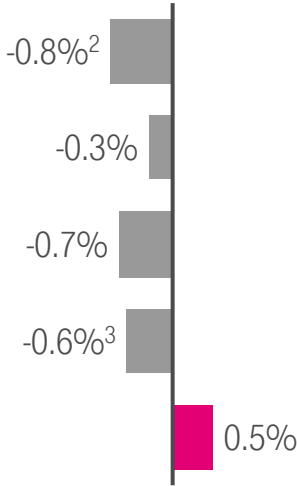
Mobile service revenue



Fixed line service revenue¹



Total service revenue¹

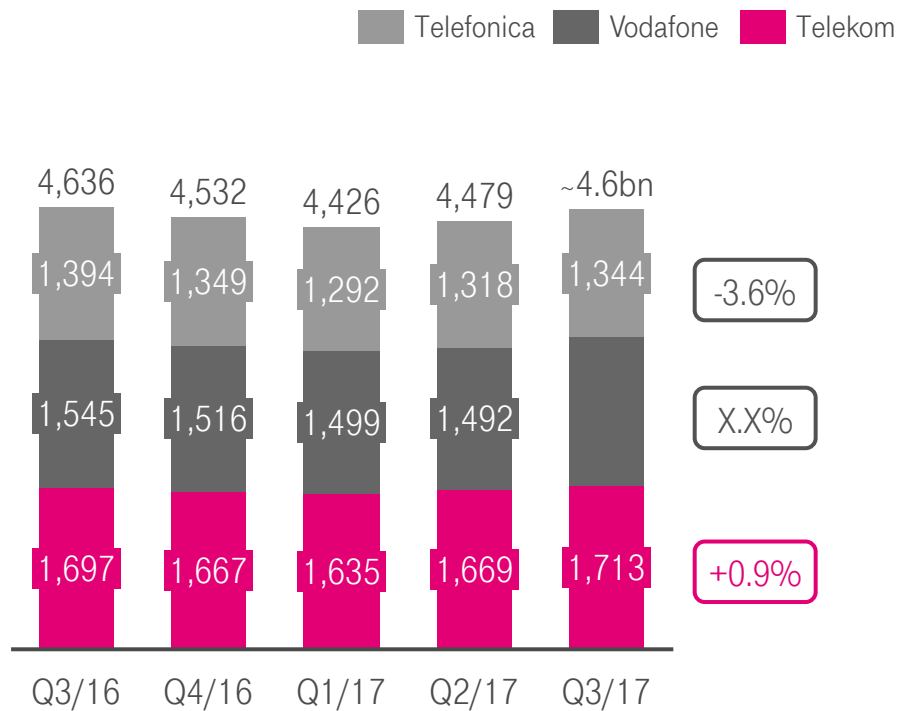


1) Total service revenue is a sum of fixed line and mobile service revenue. We define fixed line service revenue as fixed network core business revenue less fixed hardware revenue plus wholesale services fixed network revenue. From Q2/16 onwards we classify CPEs recurring rent revenue as fixed service revenue, and thus also part of total service revenue. Without this reclassification 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, resp. -0.8% for total service revenue

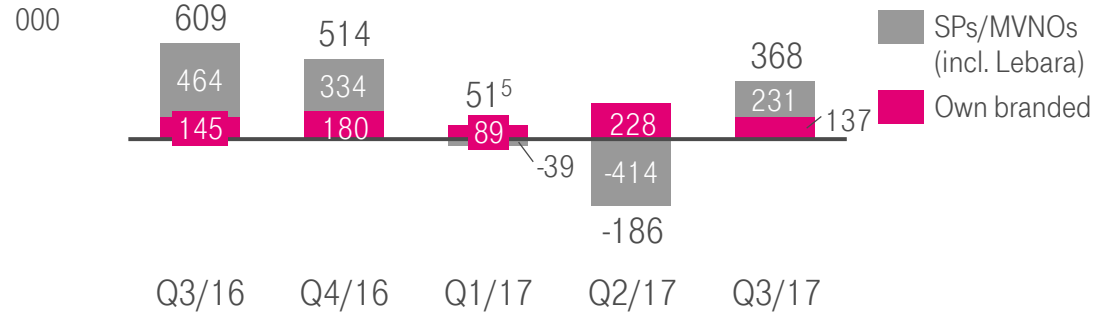
GERMANY MOBILE: STEADY COMMERCIAL MOMENTUM

German mobile market service revenue¹

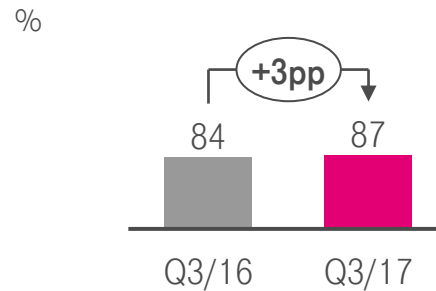
€ mn



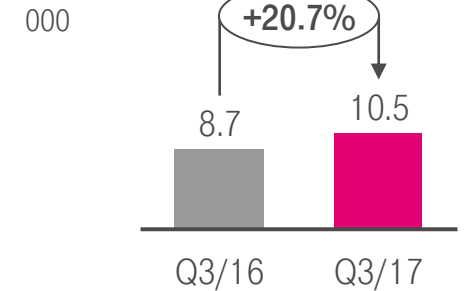
Contract net adds²



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 a LTE-device and tariff plan including LTE

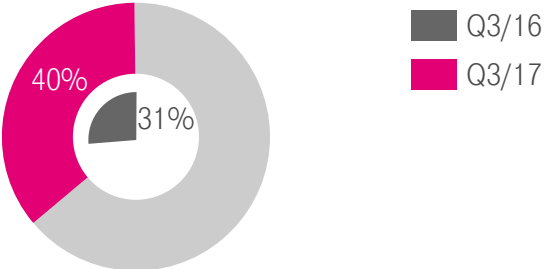
5) Contract net adds under own brand impacted by disconnections (minus 41k)



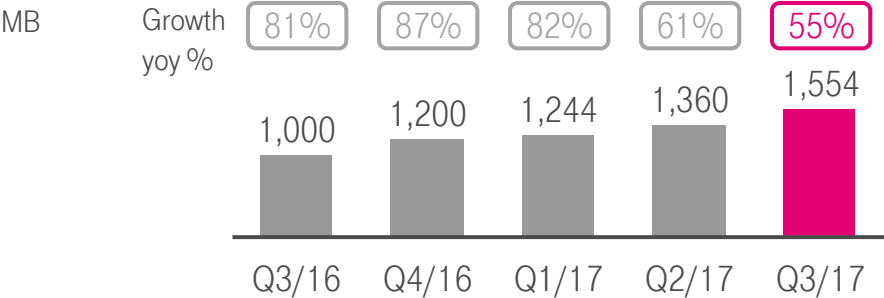
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GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

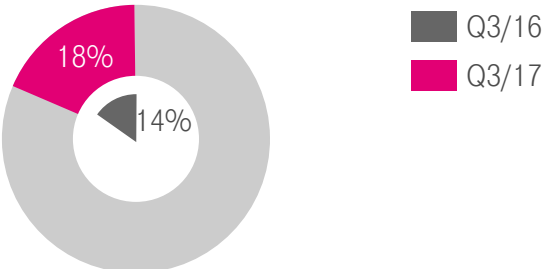
Mobile contract customers in MagentaEINS bundles¹



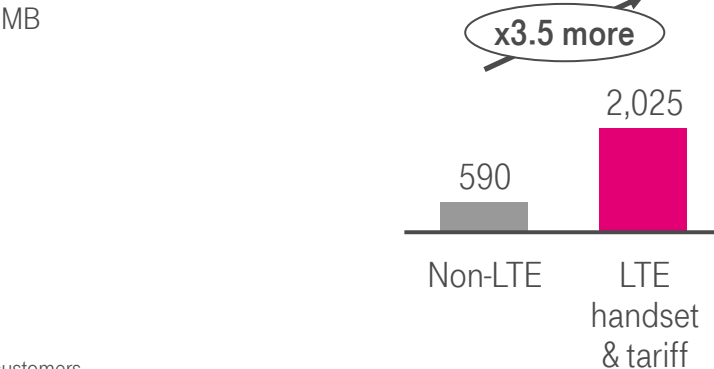
Average Consumer Data Usage³



Households in MagentaEINS bundles²



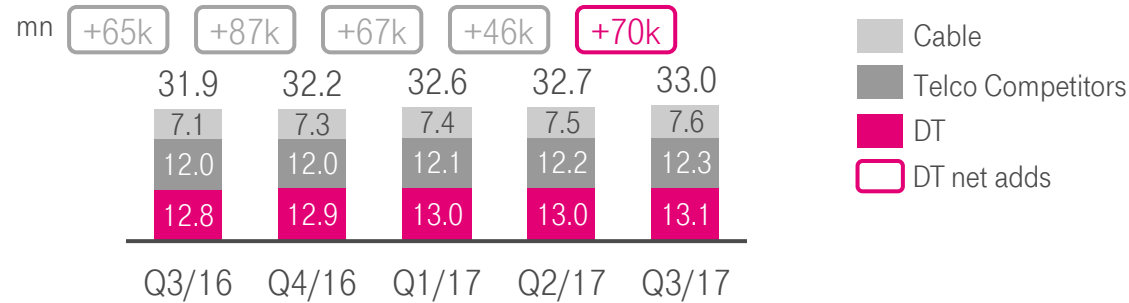
Average LTE usage uplift³



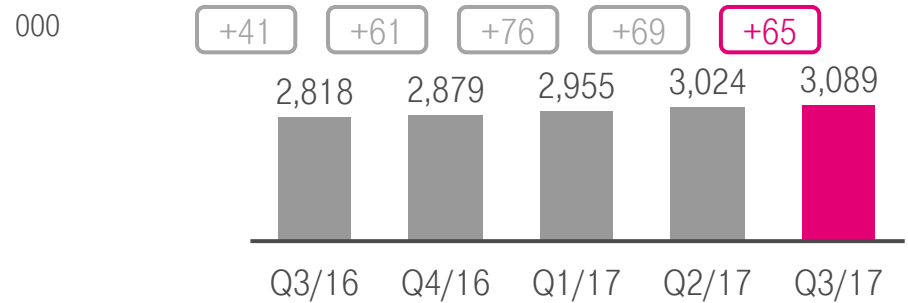
1) as % of B2C T-branded contract customers 2) as % of B2C broadband access lines 3) per month of B2C T-branded contract customers

GERMANY FIXED: UPSELLING DRIVES BROADBAND GROWTH

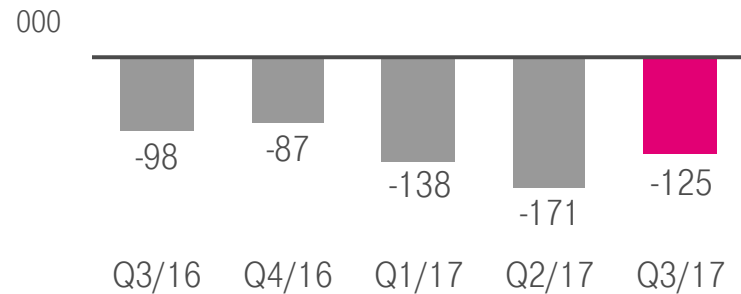
German broadband market¹



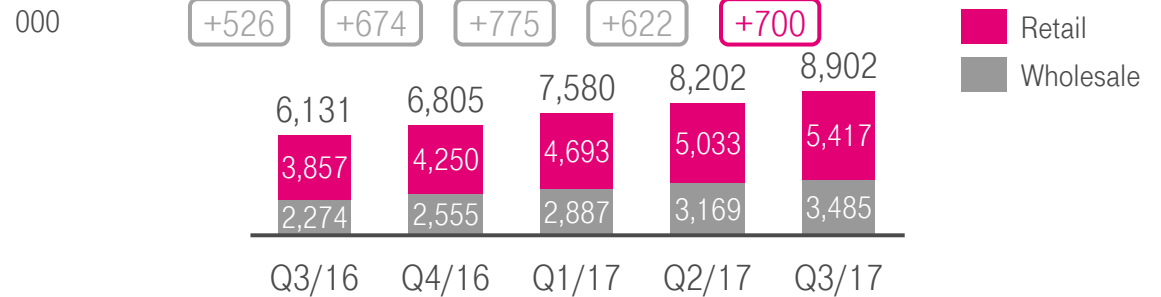
Entertain customers



Line losses



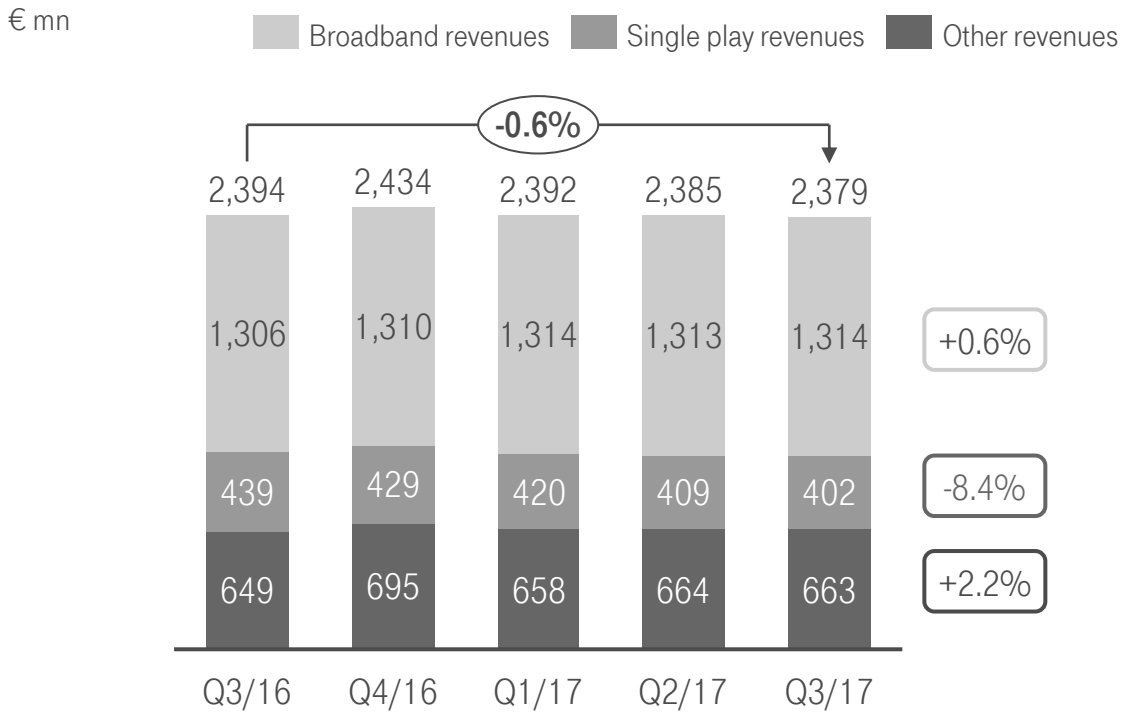
Fiber customers²



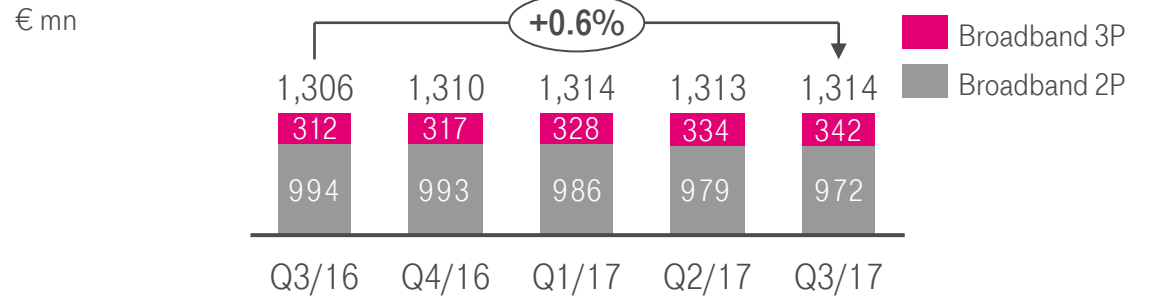
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

GERMANY FIXED: FIXED RETAIL CLOSE TO STABLE

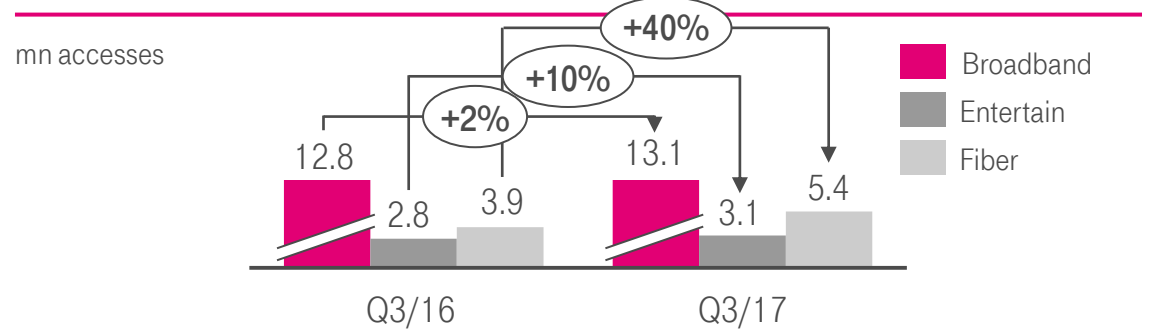
Fixed network revenue retail



Broadband revenue



Retail upsell strategy¹

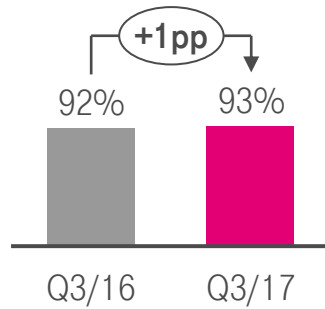


1) Percentages calculated on exact figures

GERMANY: NETWORK TRANSFORMATION ON TRACK

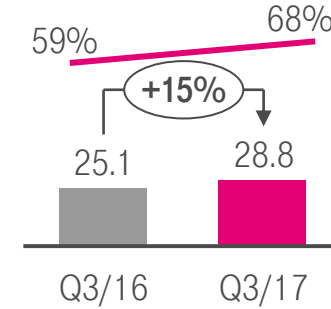
INS – Status LTE rollout

POP
Coverage in %¹



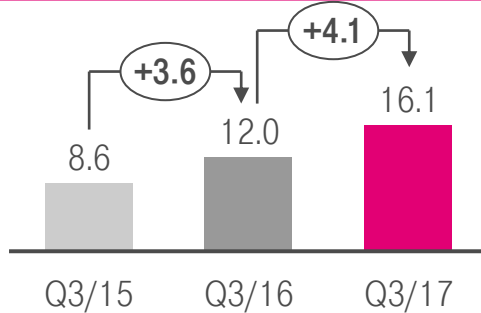
INS – Status fiber rollout²

Coverage in % and
millions of households



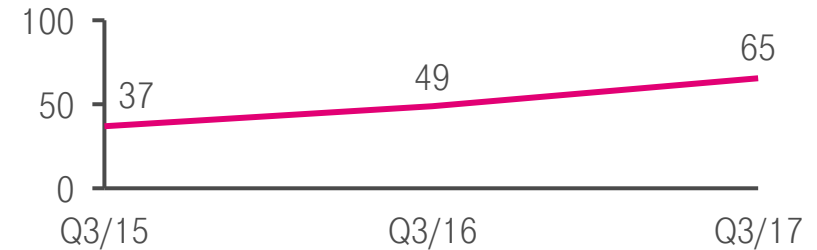
Status IP accesses (retail & wholesale)

mn



Status IP accesses (retail & wholesale)

% of lines



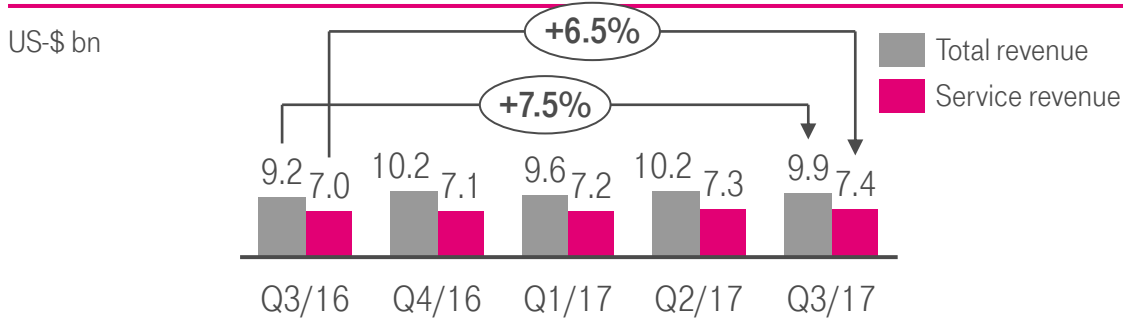
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany



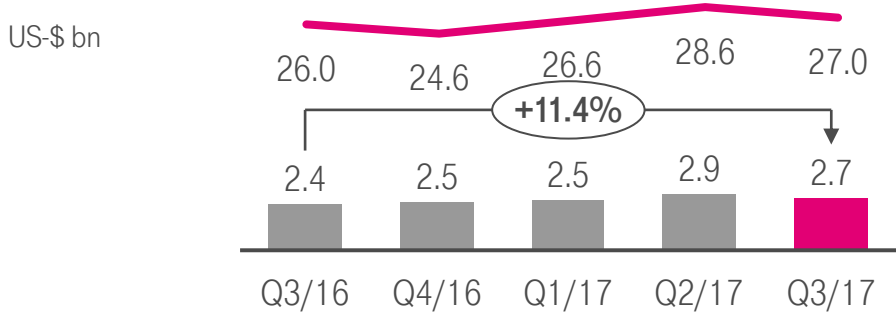
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TMUS: CONTINUED INDUSTRY LEADING GROWTH

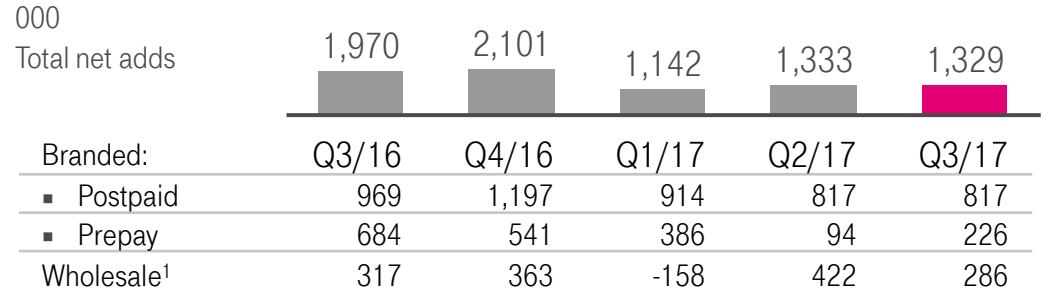
Revenue and service revenue



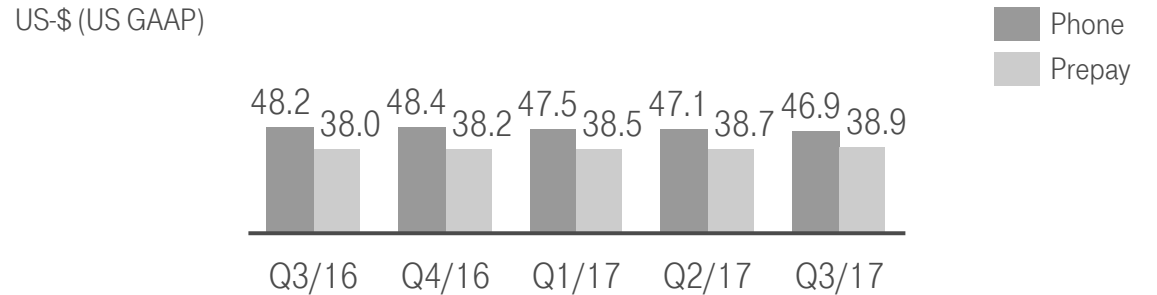
Adj. EBITDA and margin (in %)



Net adds



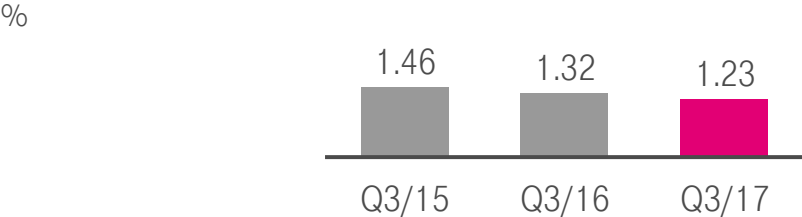
Branded customers: Postpaid phone and prepay ARPU



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

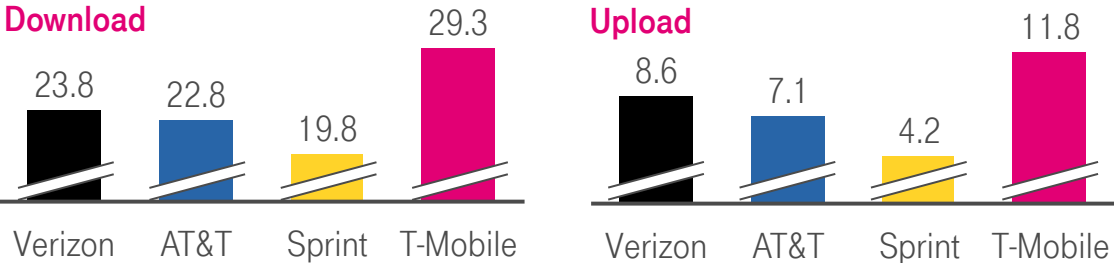
TMUS: EXECUTING ON KEY DRIVERS

Branded postpaid phone churn



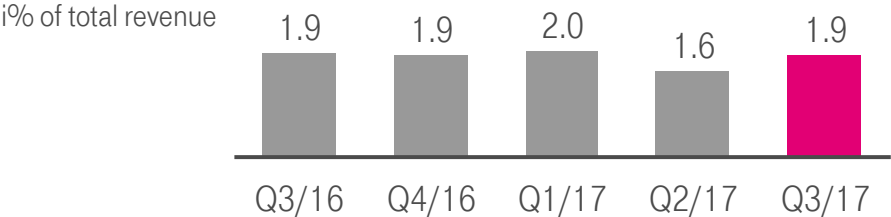
- Branded postpaid phone churn further decreased

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



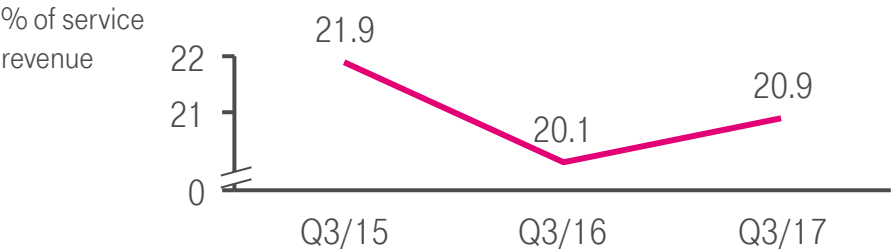
- Based on T-Mobile's analysis of national LTE results from Ookla® Speedtest data

Bad debt expenses & losses from sale of receivables



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

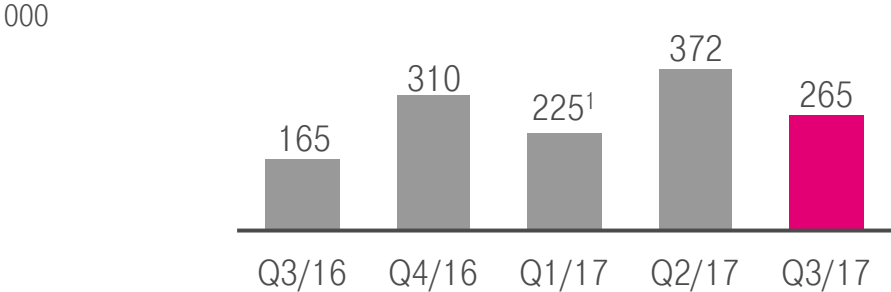
Cost of service



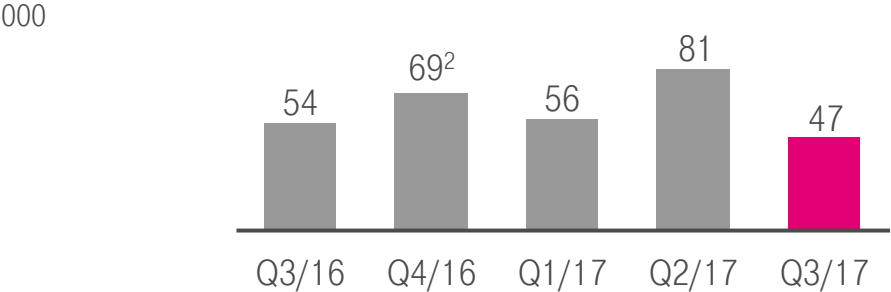
- Excl. hurricanes impact cost of service declined 20bps yoy

EUROPE: POSITIVE COMMERCIAL MOMENTUM

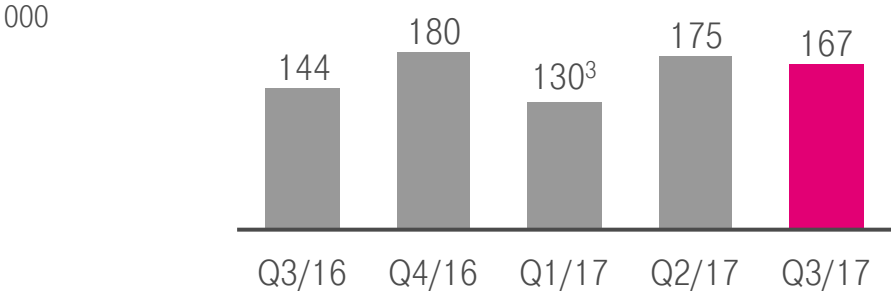
Contract Net Adds



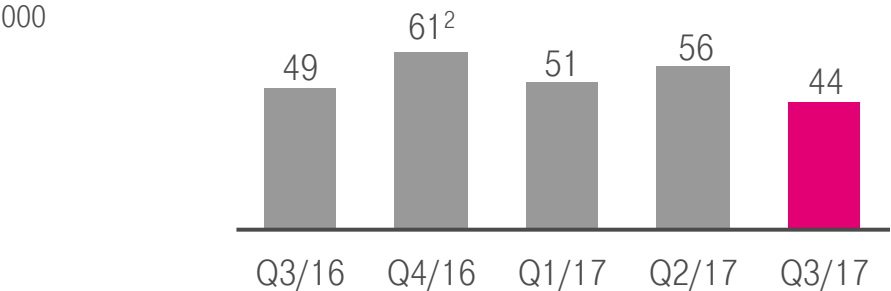
BB Net Adds



FMC Net Adds



TV Net Adds

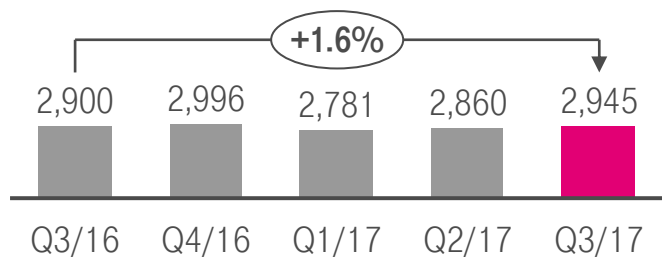


1) Organic view adjusted for re-classifications in Austria and Slovakia. Change in customer base is 167k 2) Organic view: adjusted for 19k re-classifications in Hungary. Change in base is 50k. Q4 TV net adds adjusted for 22k re-classifications in Hungary. Change in base is 39k 3) organic view: adjusted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

EUROPE: FINANCIALS ON TRACK

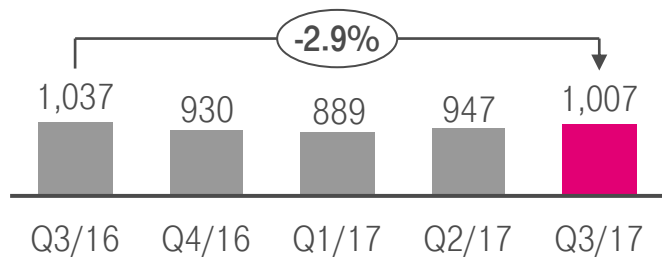
Revenue

€ mn



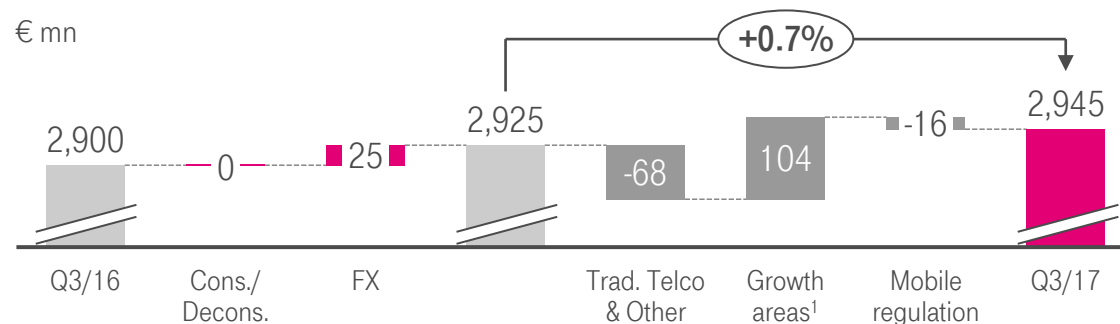
Adj. EBITDA

€ mn



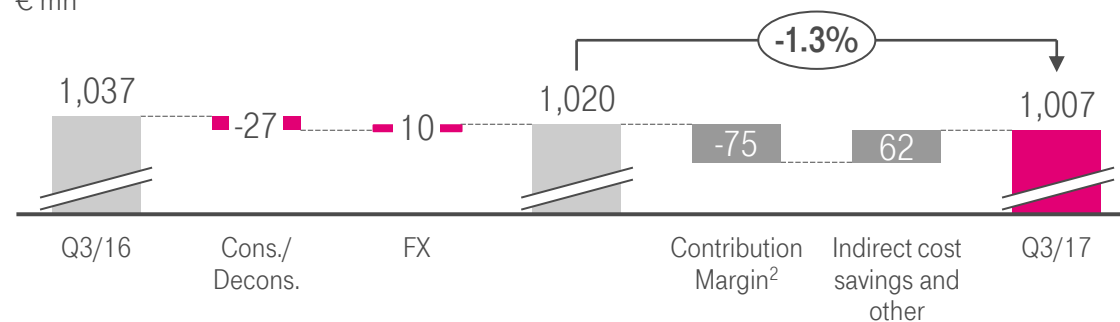
Organic revenue development

€ 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 Revenue – Direct Cost

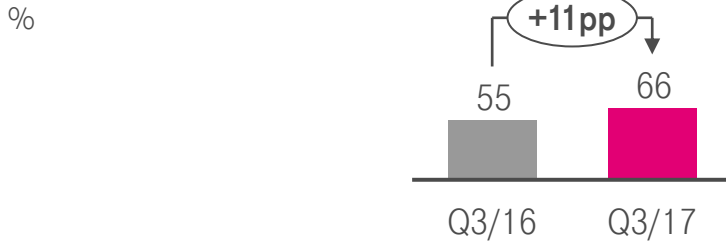


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EUROPE: ONGOING INVESTMENTS IN NETWORK LEADERSHIP

IP migration

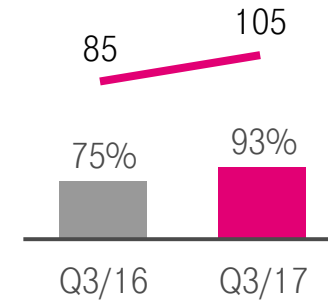
IP share of fixed network access lines



LTE rollout

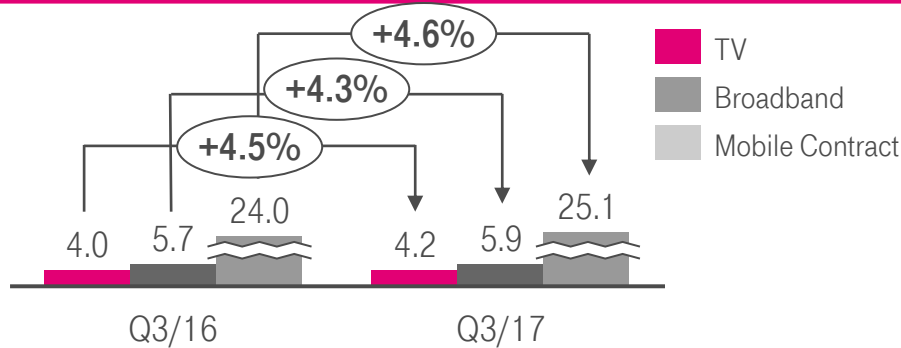
LTE outdoor pop coverage

mn and %



Customer base¹

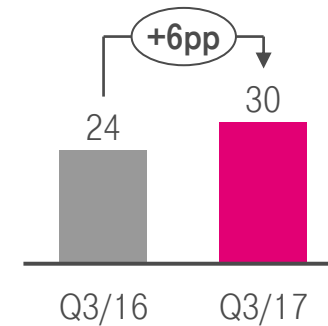
mn



Fiber rollout¹

Fiber household coverage

%



1) ≥ 100Mbit/s¹-coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3. Broadband also incl. wholesale customers



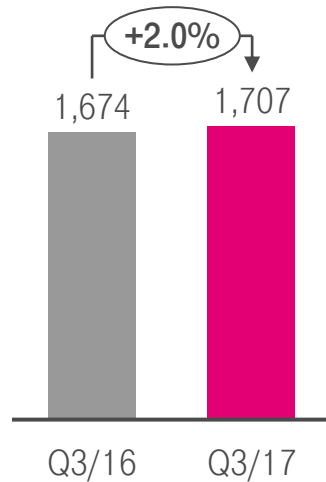
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SYSTEMS SOLUTIONS: RESULTS REMAIN MIXED

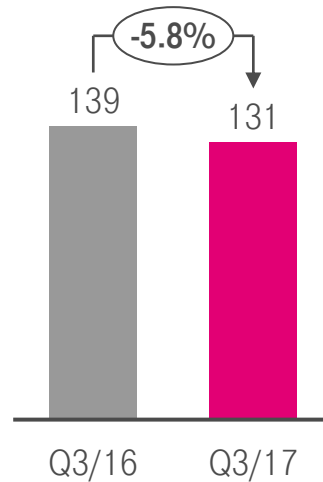
T-Systems financials

€ mn

Total revenue

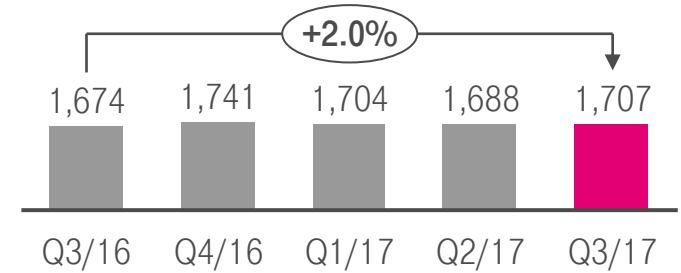


Adj. EBITDA



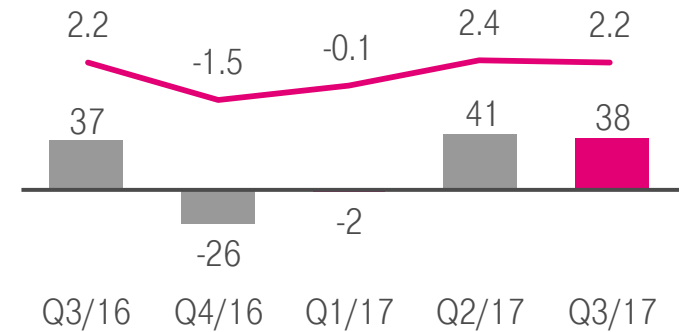
Revenue

€ mn



Adj. EBIT and margin in %

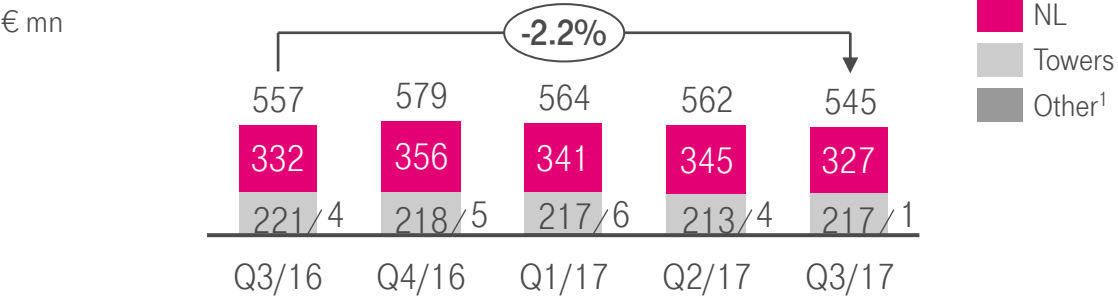
€ mn



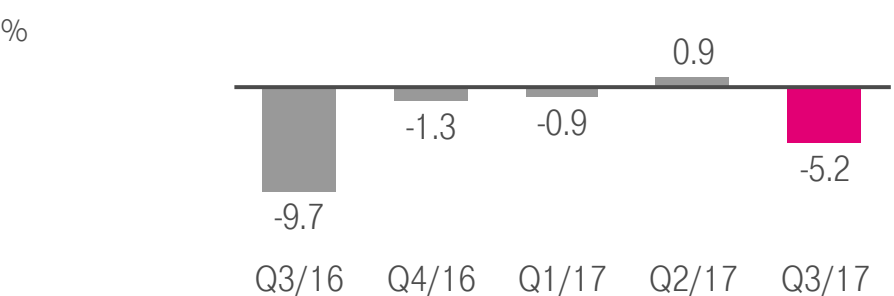
LIFE IS FOR SHARING.

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

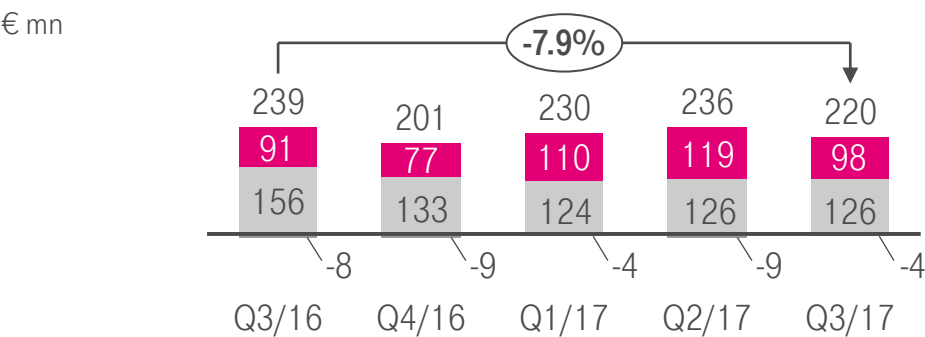
Revenue



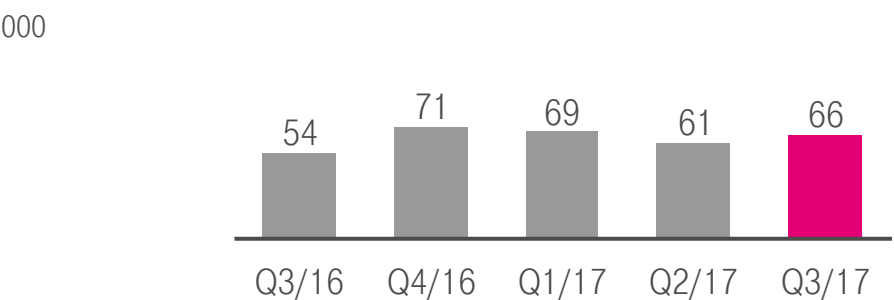
Mobile service revenue trend yoy (NL)



Adj. EBITDA



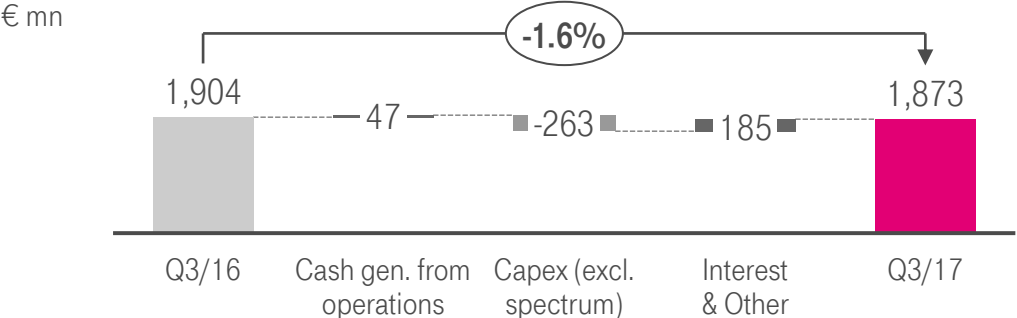
Contract net adds (NL)



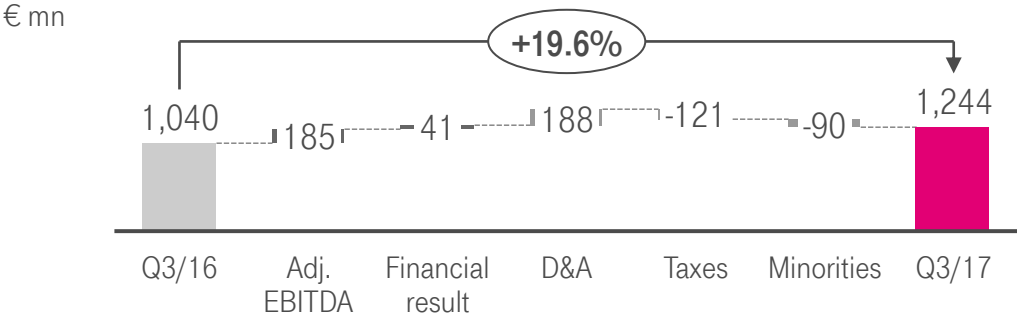
1) Strato was deconsolidated in Q2/17. Historic figures are also adjusted for Strato

FINANCIALS: FCF, NET DEBT, AND NET INCOME

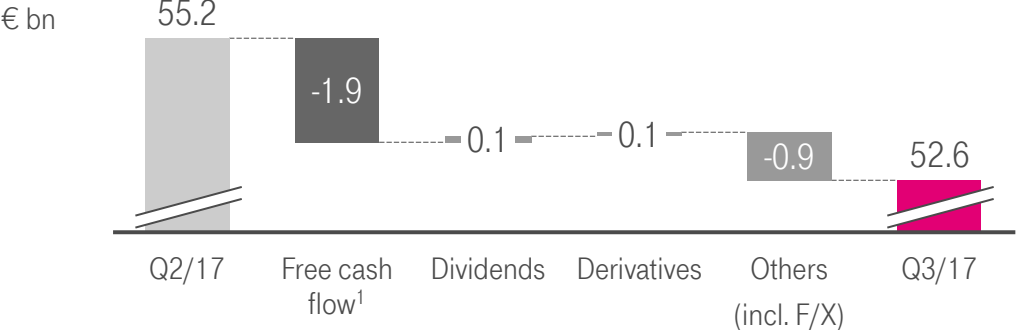
Free cash flow¹



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 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 **November 9 at 2:00 PM CET, 1:00 PM GMT, 8 AM ET.**

DT Participants: **Tim Hoettges** (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/17Q3
- 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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www.telekom.com/ircontacts



IR Webpage

www.telekom.com/investors



IR Twitter Account

www.twitter.com/DT_IR



IR YouTube Channel

http://www.telekom.com/youtube_ir



LIFE IS FOR SHARING.

APPENDIX

OUR STRATEGY

LEADING EUROPEAN TELCO

**INTEGRATED
IP NETWORKS**

**BEST
CUSTOMER
EXPERIENCE**

**WIN WITH
PARTNERS**

**LEAD IN
BUSINESS**

TRANSFORM PORTFOLIO

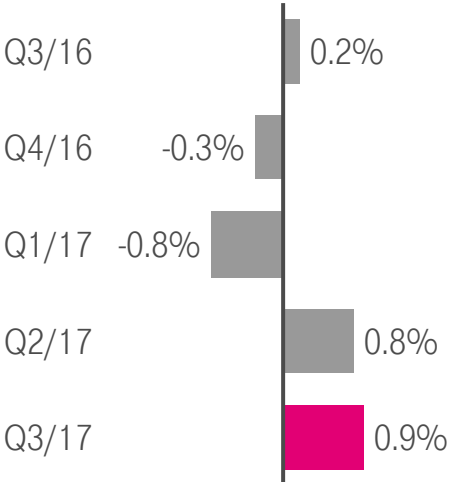
EVOLVE FINANCIAL TARGETS & EFFICIENCY

ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT

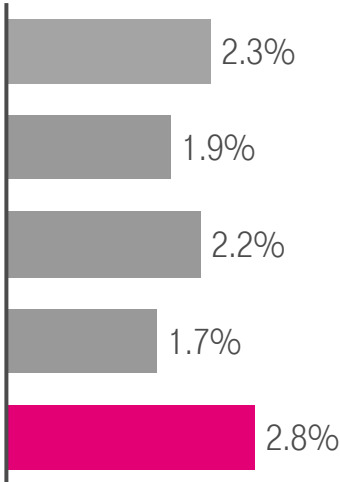


GERMANY MOBILE: SERVICE REVENUE

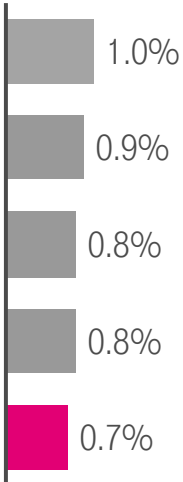
Reported mobile service revenue



Impact of mobile regulation¹



Impact of convergent offers²



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

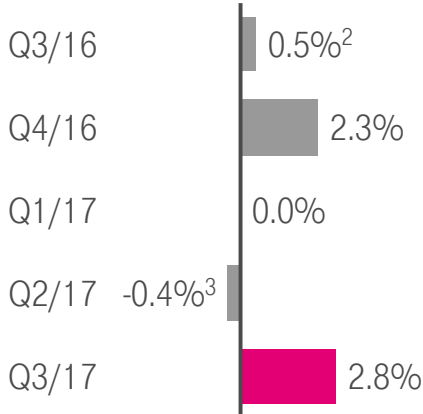
≈ +1% (without EU roaming impact)

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

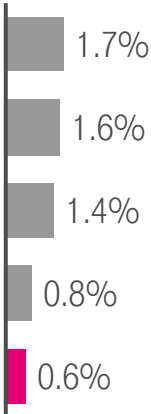
GERMAN FIXED: SERVICE REVENUE

Growth rates YOY

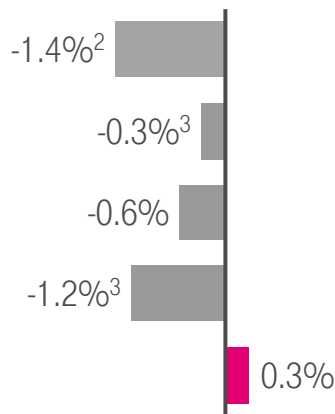
Wholesale revenue



Broadband revenue



Fixed line service revenue¹



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

+0.0%

+2.0%

1) 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. Without this reclassification fixed line service revenue growth rate would be -0.1% in Q3/17. Prior quarters growth rates have not been restated 2) 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% 3) Revenue in Q2/17 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at -1.5% for wholesale revenue, resp. -1.5% for fixed line service revenue.

THANK YOU!