

DEUTSCHE TELEKOM

Q4/2016 RESULTS



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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/16

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

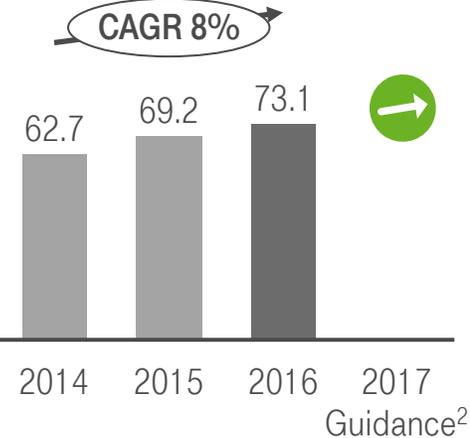


LIFE IS FOR SHARING.

GUIDANCE AND ACHIEVEMENTS: DELIVERING GROWTH

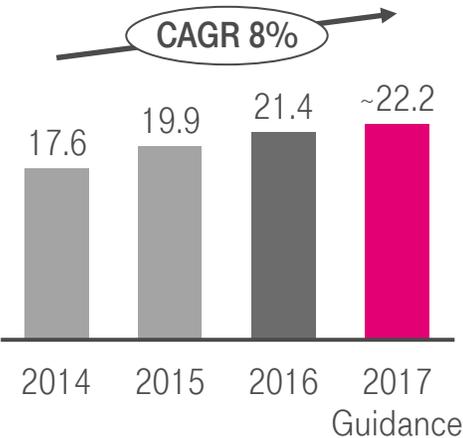
Revenue

€ bn



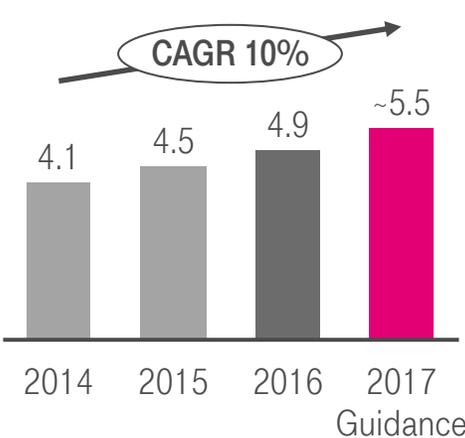
Adj. EBITDA

€ bn



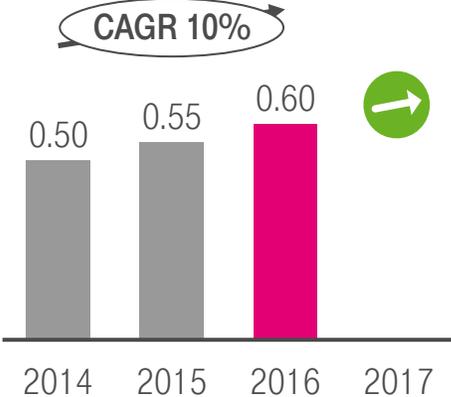
FCF

€ bn



Dividend¹

€ per share



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

+1 – 2%

+2 – 4%

+~10%

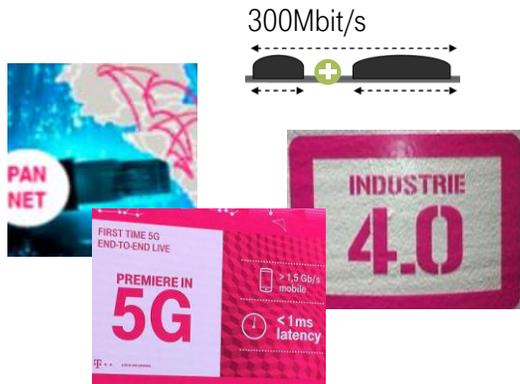
FOLLOWS FCF GROWTH

1) 2016 and 2017 subject to necessary resolutions 2) Guidance based on 1.11 US\$ = 1€ exchange rate

2016 HIGHLIGHTS: INVESTMENTS, CUSTOMERS AND RESULTS

Investments and innovation (FY/16)

- Further strengthening of spectrum position in the US and Europe
- € 11 billion investments (excl. spectrum) in networks and transformation
- Ongoing product and technology innovation



Customers (FY/16)

- Demand for Fiber in Germany continues unabated
 - 6.8 million German homes with fiber
 - 2.4 million new subs in FY
- Execution in the US continues
 - 8.2 million net adds

T-Mobile ONE



UN-CARRIER NEXT

Financial results (FY/16)

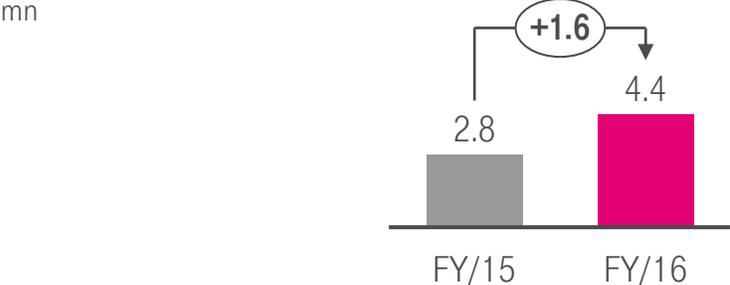
- Strong growth continues
 - Revenue up 5.6% yoy
 - Adj. EBITDA up 7.6%
 - FCF up 8.6%
 - DPS +9% to 0.60 €¹
- Net debt/Adj. EBITDA at 2.3x



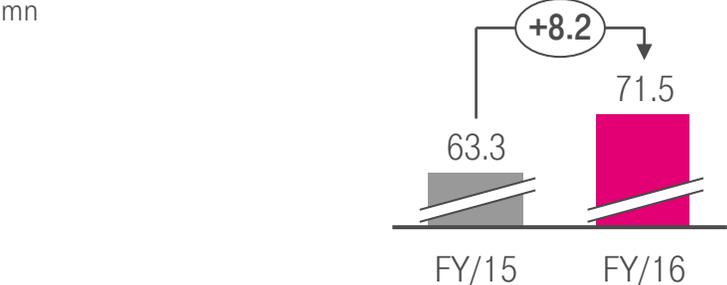
1) Subject to necessary resolutions

CUSTOMERS: STRONG MOMENTUM. RECORD NEW FIBER SUBS

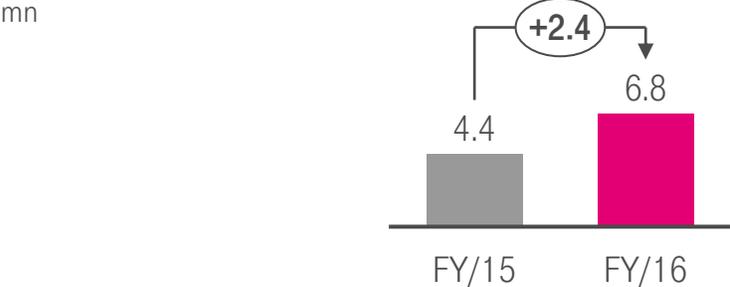
MagentaEINS (Germany + EU)¹



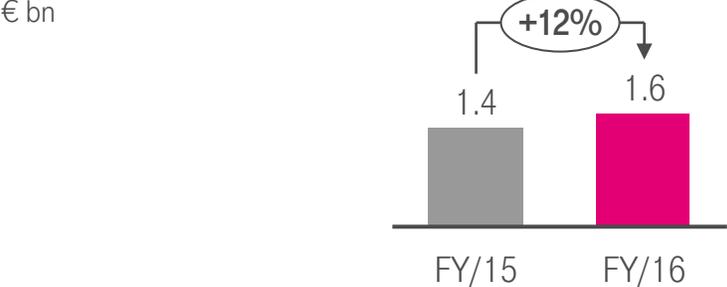
US Mobile



Fiber in Germany



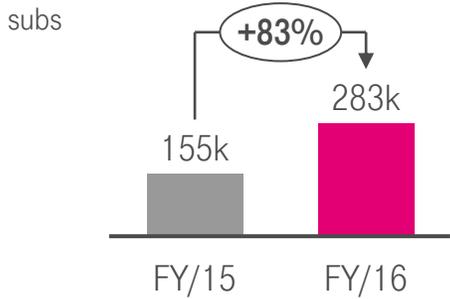
Cloud revenues



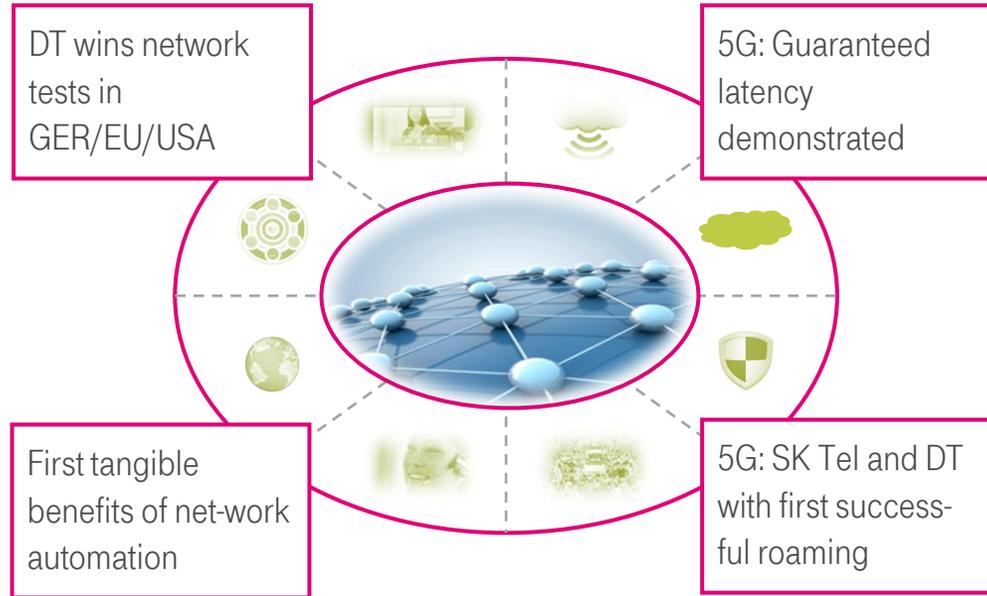
1) FMC RGUs may also appear under other brand name outside of Germany

INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

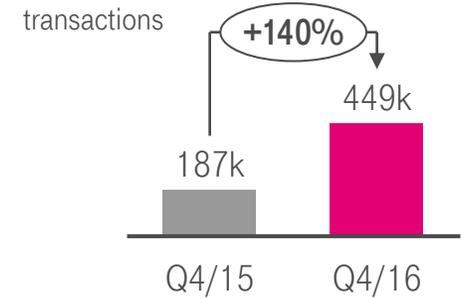
Hybrid Access¹



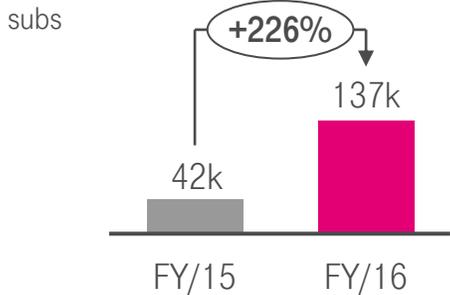
Innovation/Network



Service App



Smart Home²



IT-Support³



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

GUIDANCE: 2016 GUIDANCE SUCCESSFULLY ACHIEVED. 2017 GUIDANCE IN LINE WITH MID TERM AMBITION

€ bn

	<u>Revenue</u>	<u>Adj. EBITDA</u>	<u>FCF</u>
14-18 CAGR ¹	+1 – 2%	+2 – 4%	≈+10%
2016 Guidance (\$/€: 1.11)	Increase	Around 21.2 bn ²	Around 4.9 bn
FY 2016 performance	+5.6%	21.4 bn (+7.6%) ²	4.9 bn (+8.6%)
2017 Guidance (\$/€: 1.11)	Increase	Around 22.2 bn (+4%) ²	Around 5.5 bn (+12%)

1) 14-18 CAGRs as per CMD 2015 guidance 2) Of which handset lease and data stash \$0.7 billion in 2016 as per guidance. Actual result in 2016 was \$1.1 billion. 2017 guidance includes \$ 0.8 to 0.9 billion.



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REVIEW Q4/16

Q4/2016: FINANCIAL HIGHLIGHTS

€ mn

	Q4			FY		
	2015	2016	Change	2015	2016	Change
Revenue	17,859	19,543	+9,4%	69,228	73,095	+5.6%
Adj. EBITDA	5,143	5,265	+2.4%	19,908	21,420	+7.6%
Adj. Net profit	959	973	+1.5%	4,113	4,114	0.0%
Net profit	946	-2,124	n.m.	3,254	2,675	-17.8%
Adj. EPS (in €)	0.21	0.21	0.0%	0.90	0.89	-1.1%
EPS (in €)	0.21	-0.46	n.m.	0.71	0.58	-18.3%
Free cash flow ¹	998	893	-10.5%	4,546	4,939	+8.6%
Cash capex ²	3,015	2,724	-9,7%	10,818	10,958	+1.3%
Net debt	47,570	49,959	+5.0%	47,570	49,959	+5.0%

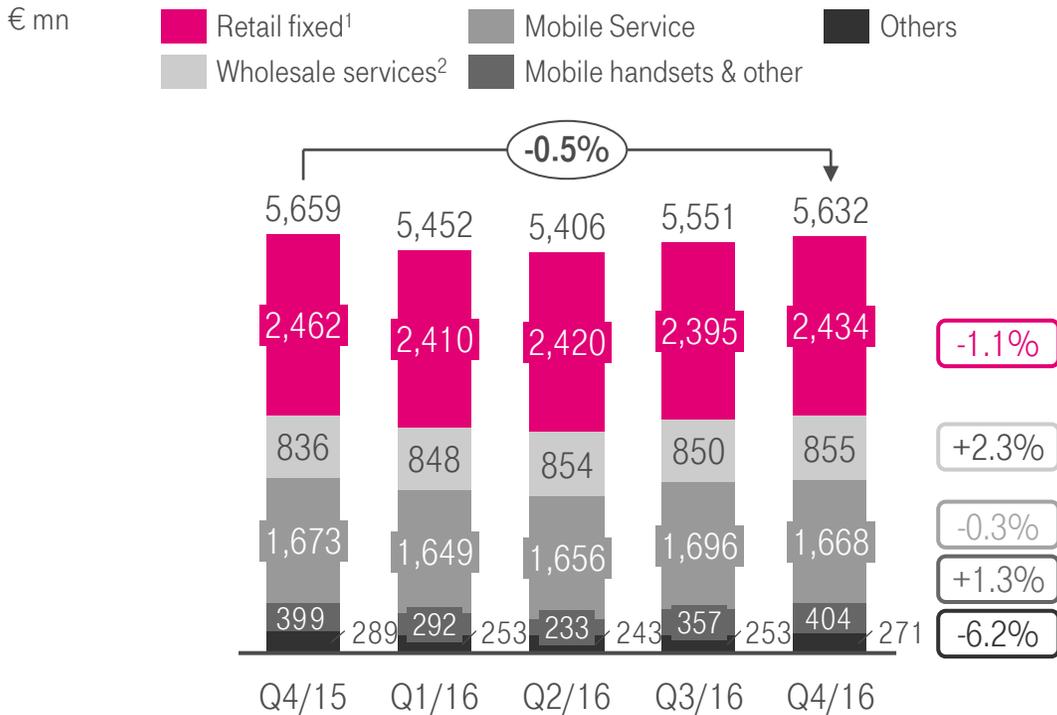
1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q4/15: € 26 million; Q4/16: € 432 million; FY/15: € 3,795 million; FY/16: € 2,682 million



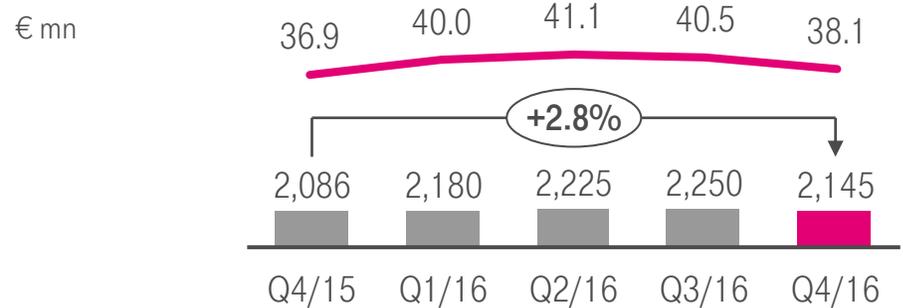
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GERMANY: GROWING EBITDA IN Q4 AND FY

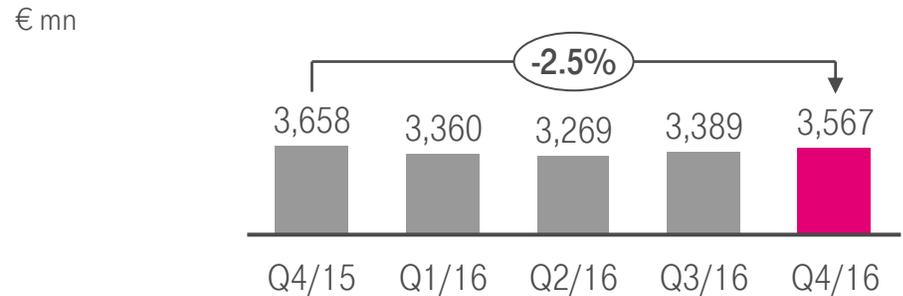
Revenue reported



Adj. EBITDA and margin (in %)



Adj. OPEX



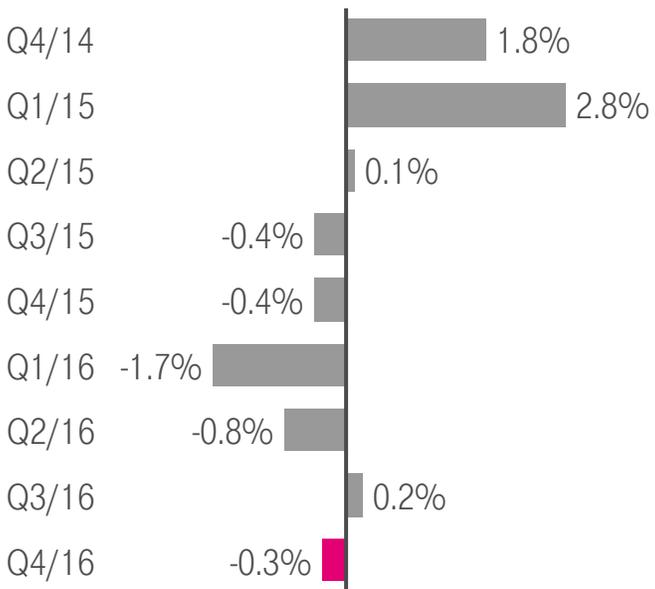
1) Fixed network core business 2) Figures 2015 have been restated . Approx. 80 million € shifted from wholesale to others



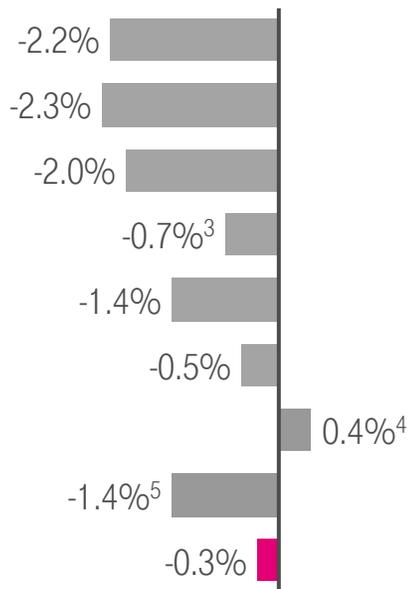
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GERMANY: TOTAL SERVICE REVENUES STABLE

Mobile service revenues



Fixed line service revenues^{1,2}



Total service revenues^{1,2}

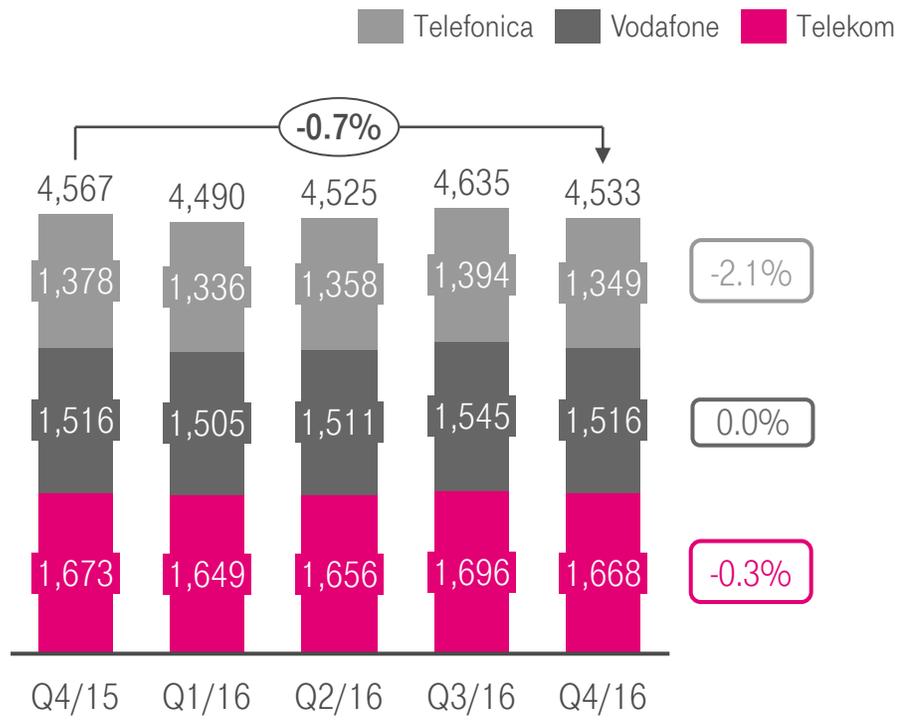


1) Total service revenues is a sum of fixed line and mobile service revenues. We define fixed line service revenues as fixed network core business revenues less fixed hardware revenues plus wholesale services fixed network revenues. From Q2/16 onwards we classify CPEs recurring rent revenues as fixed service revenues, and thus also part of total service revenues. Without this reclassification fixed line service revenue growth rate would be -0.6% in Q4/16, whereas TSR growth rate would be -0.5% in Q4/16. Old growth rates have not been restated. 2) Percentage changes for Q4 2014 – Q4 2015 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 -1.3% for fixed service revenues, respectively -1.0% for total service revenues 4) Revenue in Q2/16 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at +0.7% for fixed service revenues under definition in Q2/16 (see 1), respectively +0.2% for total service revenues under definition in Q2/16 (see 1) 5) Revenue in Q3/15 impacted by a positive one-off effect in wholesale. Adjusted for this effect fixed line service revenue trend would have been -0.6%, total service revenue trend in Q3/16 would have been -0.3%

GERMANY MOBILE: STEADY COMMERCIAL MOMENTUM

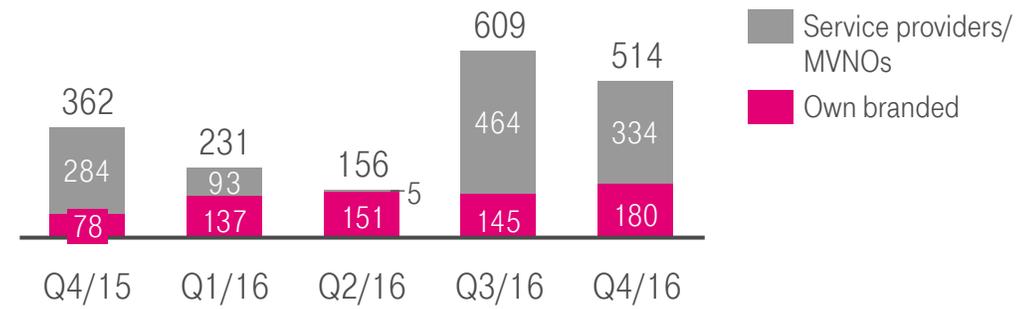
German mobile market service revenue¹

€ mn



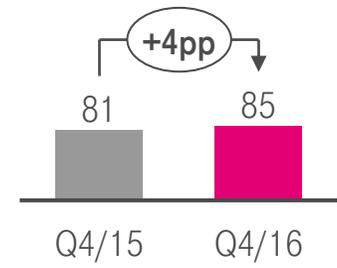
Contract net adds²

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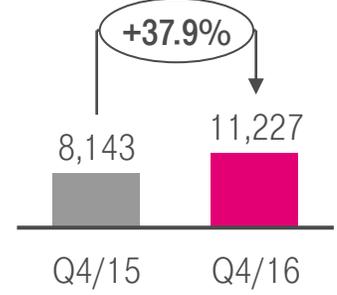
Smartphone penetration³

%



LTE customers⁴

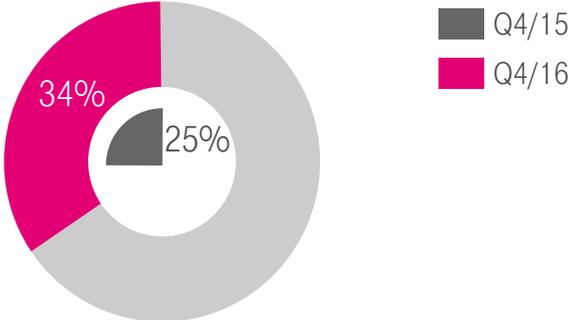
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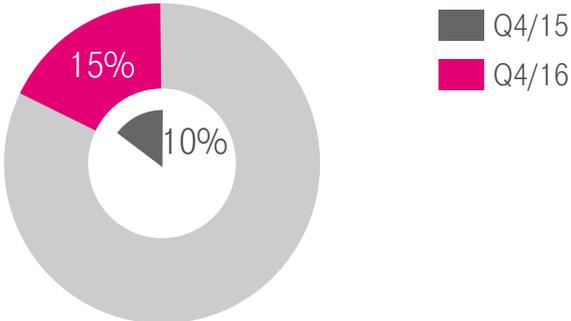
1) Management estimate 2) Figures may not add up due to rounding 3) Of own branded retail customers 4) Customers using a LTE-device and tariff plan including LTE

GERMANY: GREAT PROGRESS WITH CONVERGENCE AND DATA MONETIZATION

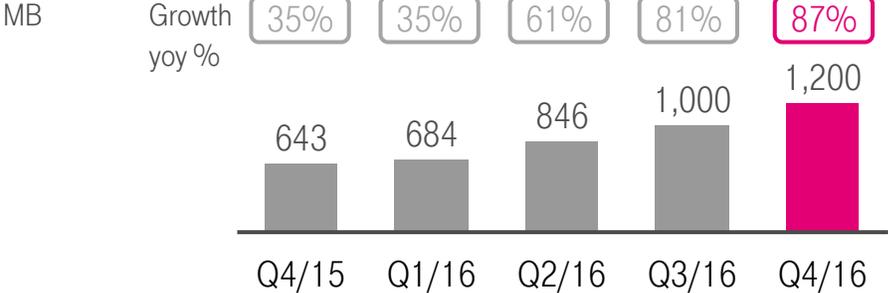
Mobile contract customers in M1 bundles¹



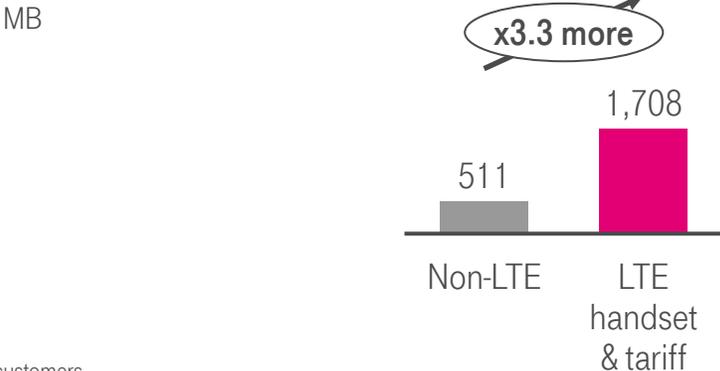
Households in M1 bundles²



Average Consumer Data Usage³



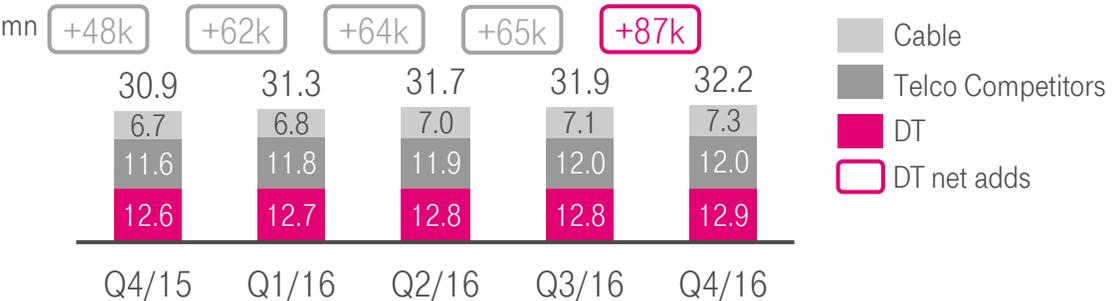
Average LTE usage uplift³



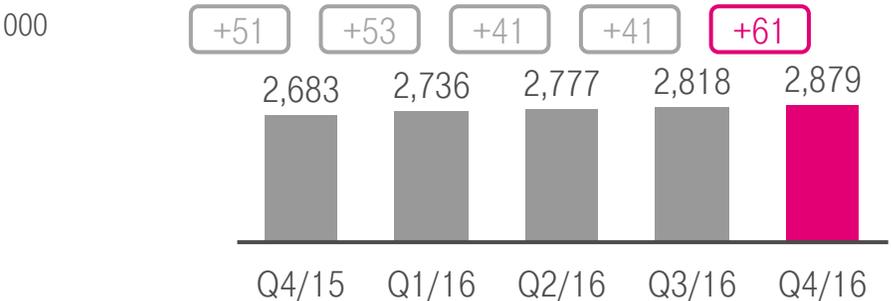
1) as % of B2C T-branded contract customers 2) as % of B2C broadband access lines 3) per month of B2C T-branded contract customers

GERMANY FIXED: RECORD GROWTH IN FIBER WITH 674K NEW CUSTOMERS

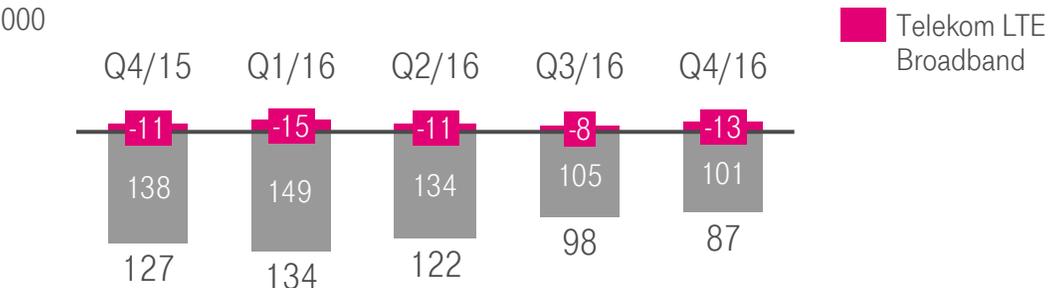
German broadband market¹



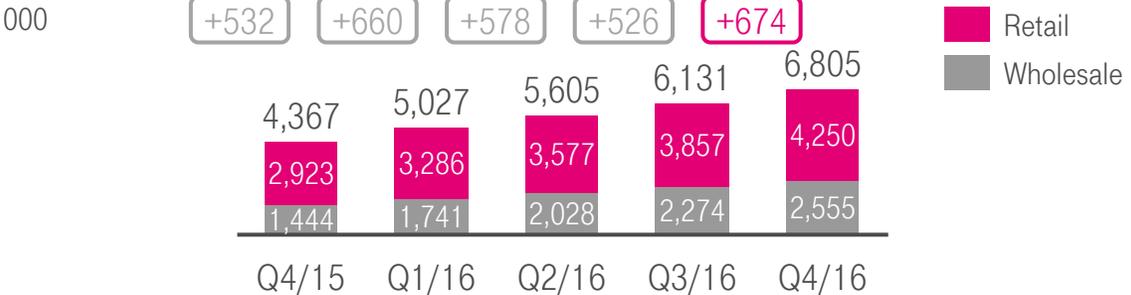
Entertain customers



Line losses



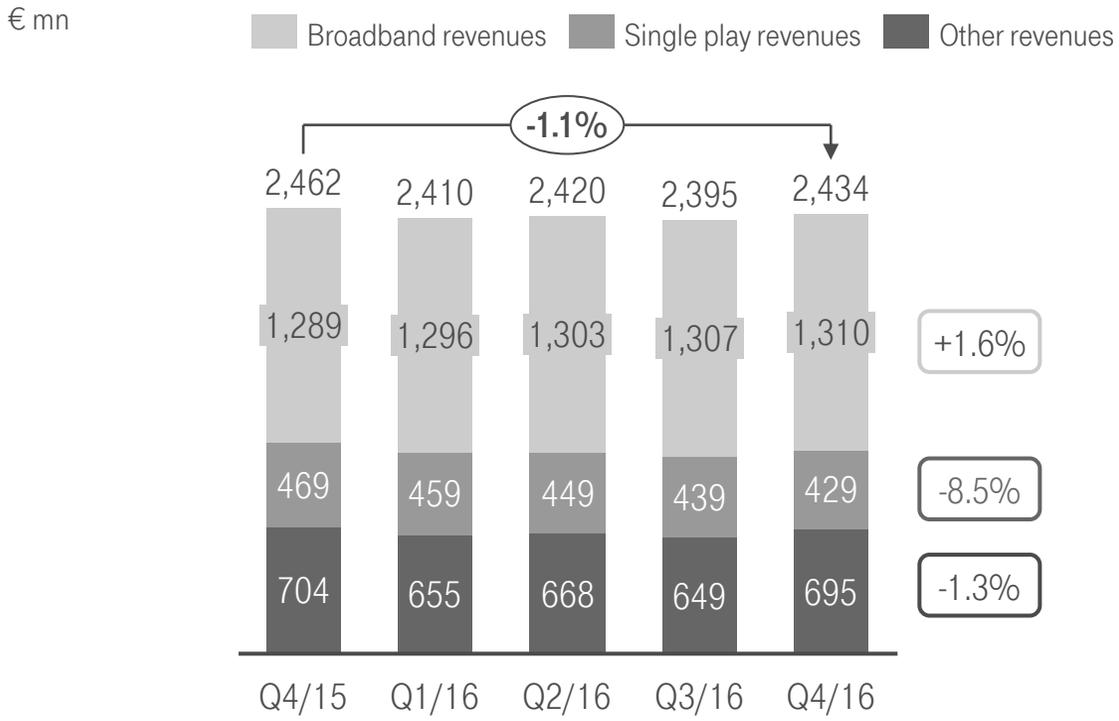
Fiber customers²



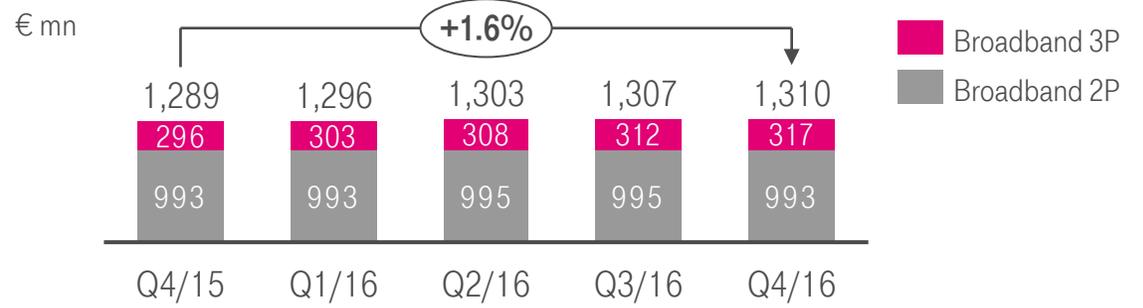
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

GERMANY FIXED: FIXED RETAIL MOMENTUM STABILIZING

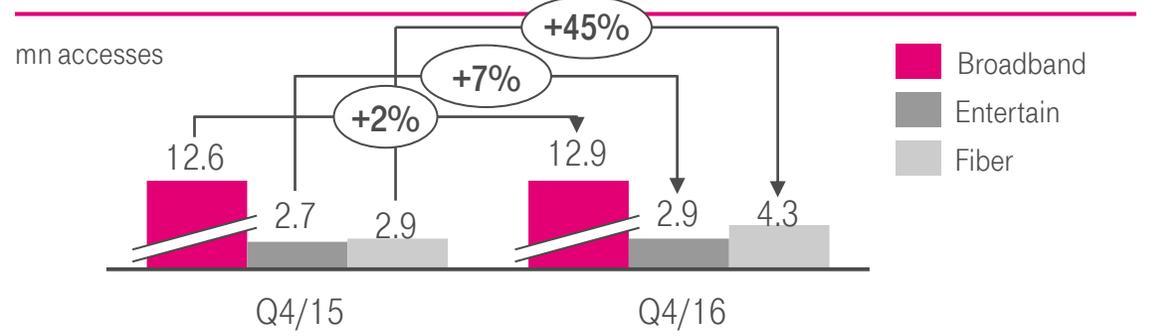
Fixed network revenues retail



Broadband revenues



Retail upsell strategy

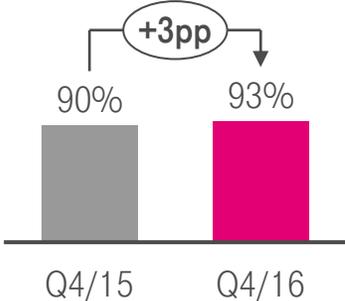


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GERMANY: FIBER COVERAGE REACHING 64 PERCENT AS PROMISED

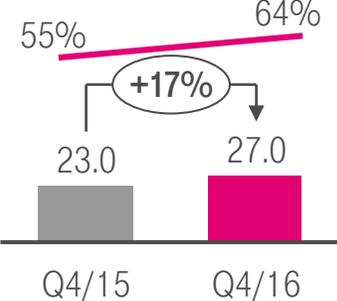
INS - Status LTE rollout

POP
Coverage in %¹



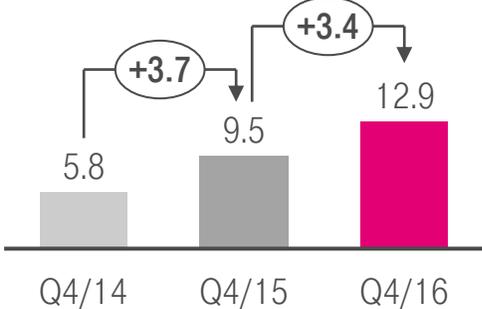
INS - Status fiber rollout²

Coverage in % and
millions of households



Status IP accesses (retail & wholesale)

mn



Status IP accesses (retail & wholesale)

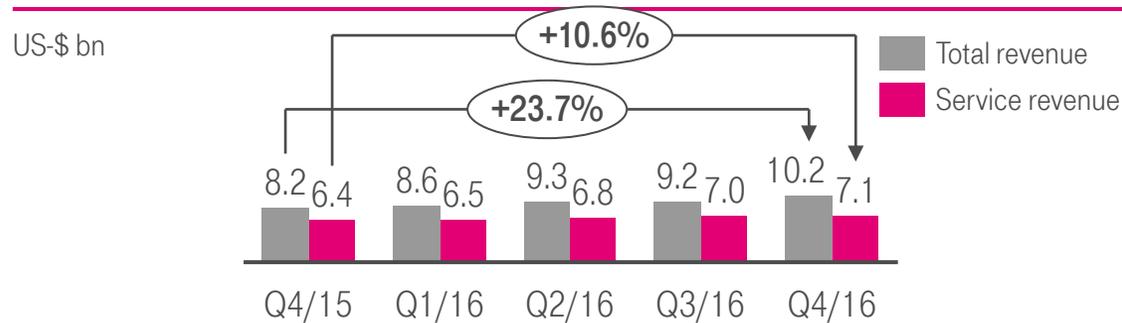
in % of lines



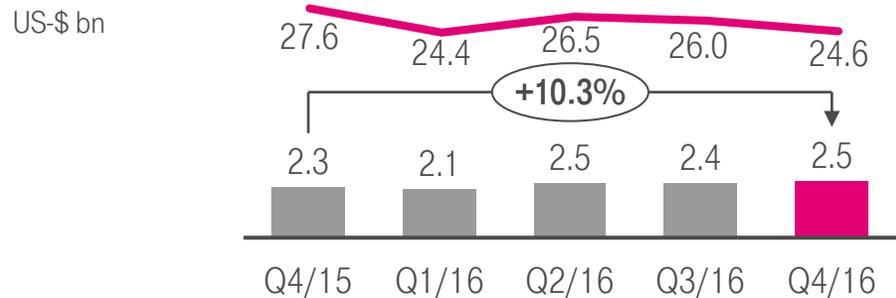
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany

TMUS: STRONG GROWTH IN ALL KEY METRICS

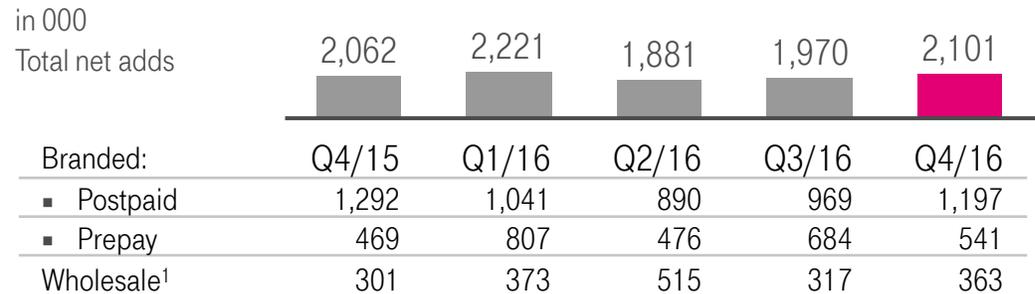
Revenue and service revenue



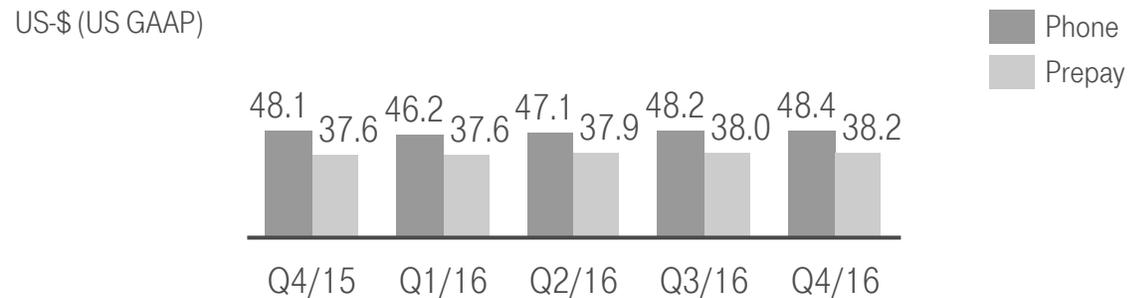
Adj. EBITDA and margin (in %)



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.



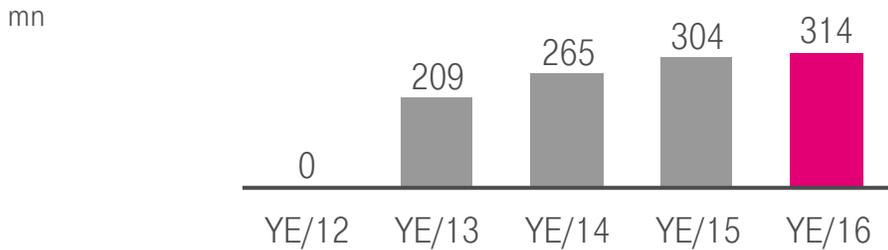
FOCUS ON TMUS: IMPORTANT DRIVERS KEEP TRENDING WELL

Branded postpaid phone churn



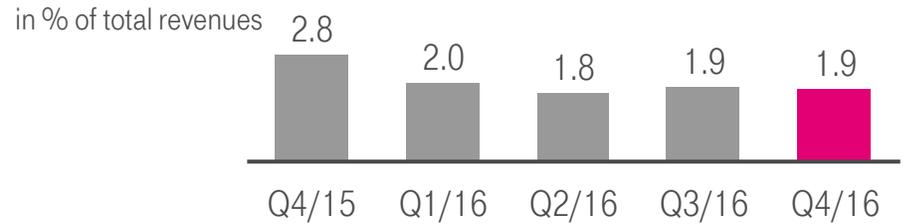
- Branded postpaid phone churn on record-low for a fourth quarter

LTE covered POPs



- A-block update: Deployed in more than 252 million POPs across 500 market areas (spectrum covers approx. 84% of US POPs or 272M people)

Bad debt expenses & losses from sale of receivables



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

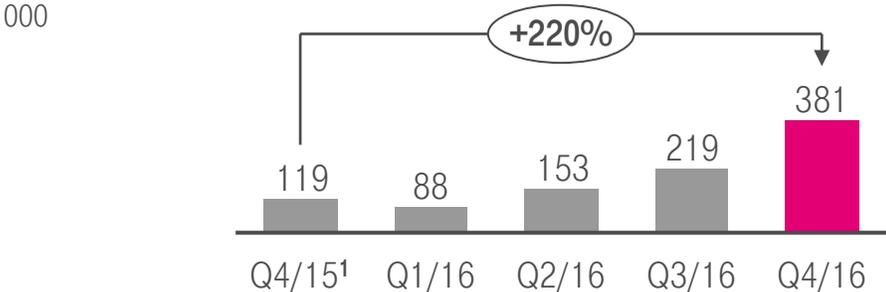
Cost of service



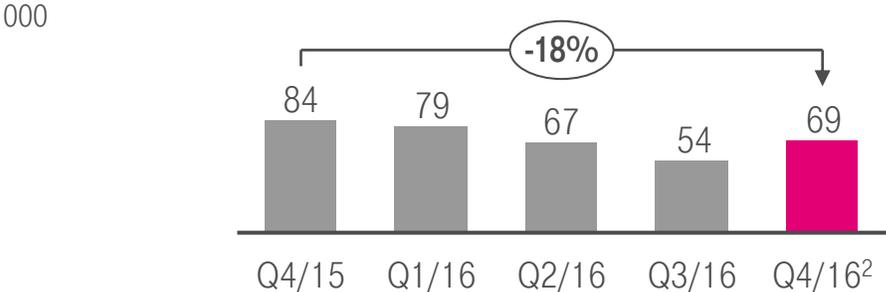
- MetroPCS synergies and growing scale outweigh network expansion costs

EUROPE: ACCELERATING CUSTOMER MOMENTUM IN MOBILE AND CONVERGENCE

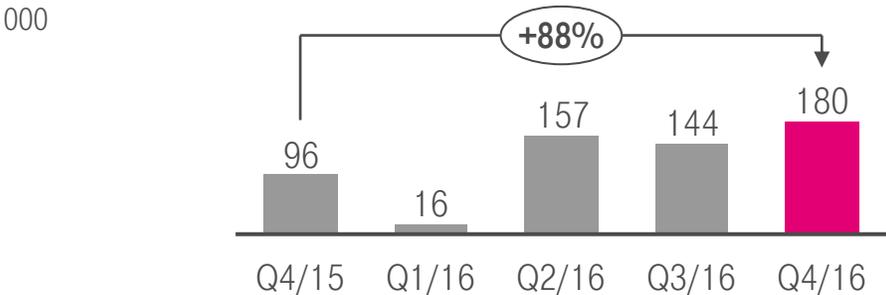
Contract Net Adds



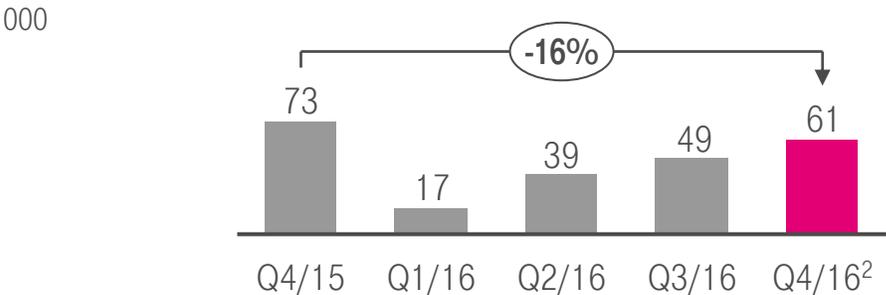
BB Net Adds



FMC Net Adds



TV Net Adds

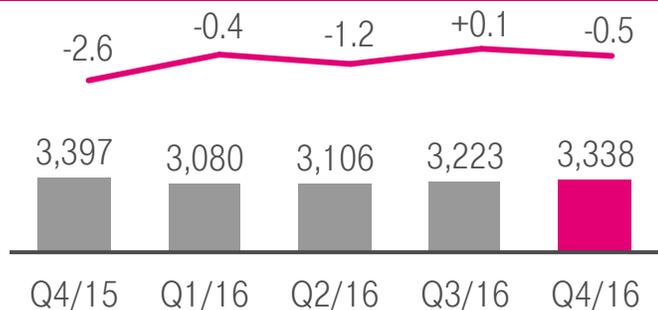


1) Adjusted for standardization of SIM-Card reporting in wholesale segment. Previous value was 471k

2) Excl. 164k BB customers acquired in NL and 19k disconnections in Hungary. TV net adds exclude 22k disconnections in Hungary.

EUROPE: INCREASED MARKET INVEST WEIGHS ON FINANCIALS

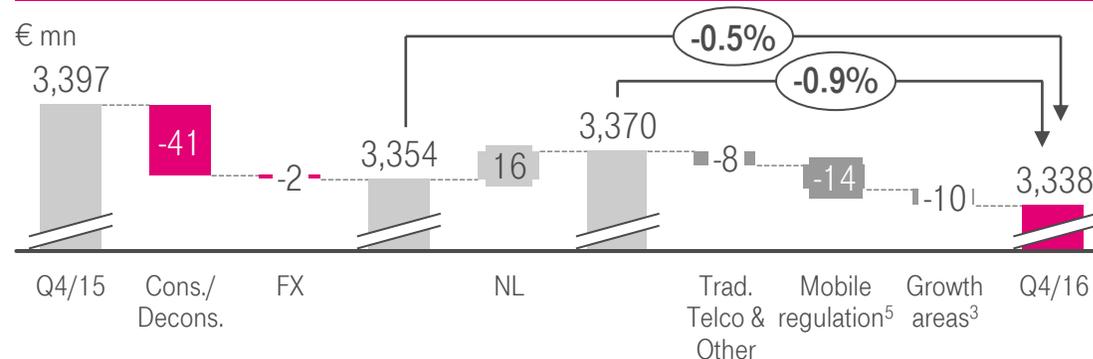
Revenue as reported in € mn and organic change yoy in %^{1,2}



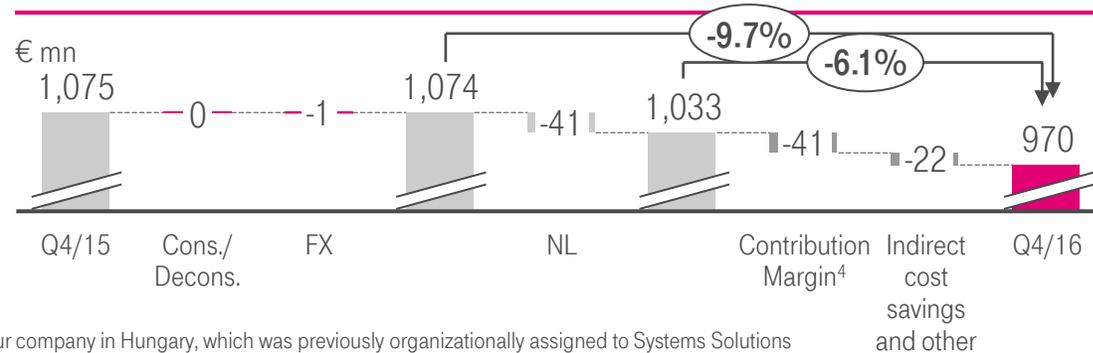
Adj. EBITDA as reported and organic change yoy in %^{1,2}



Organic revenue development



Organic adj. EBITDA development

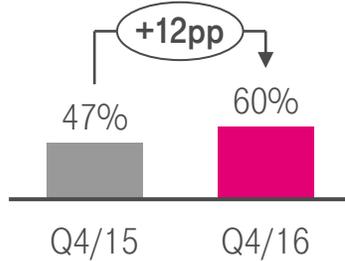


1) %-change figures as previously disclosed. Not adjusted for restatement. 2) The Business Customers unit of Magyar Telekom, our company in Hungary, which was previously organizationally assigned to Systems Solutions was consolidated in the Europe operating segment as of January 1, 2016. 2015 figures have been restated. 3) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other) 4) Total Revenues - Direct Cost 5) Total roaming impact (incl. NL) was 15 million €.

EUROPE: ONGOING INVESTMENTS IN NETWORK LEADERSHIP

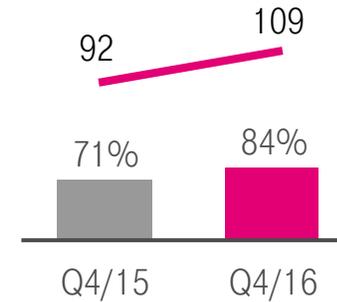
IP migration

IP share of fixed network access lines



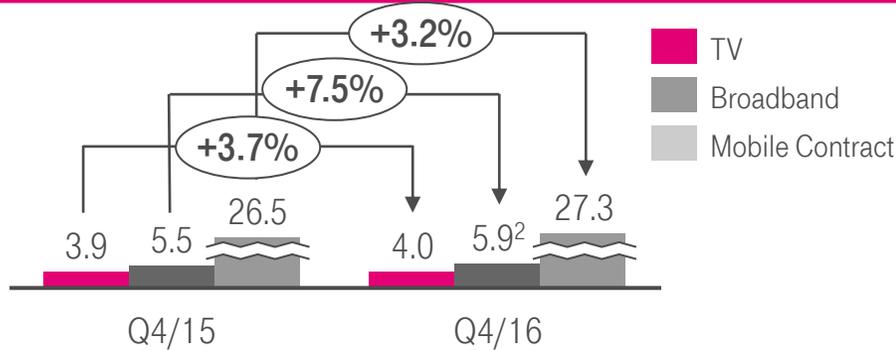
LTE rollout

LTE outdoor pop coverage
mn and %



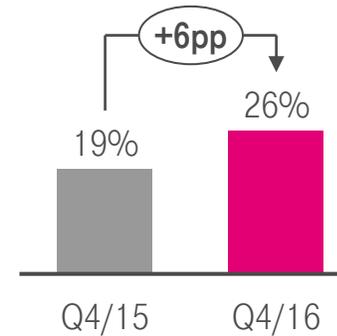
Customer base¹

mn



Fiber rollout¹

Fiber household coverage

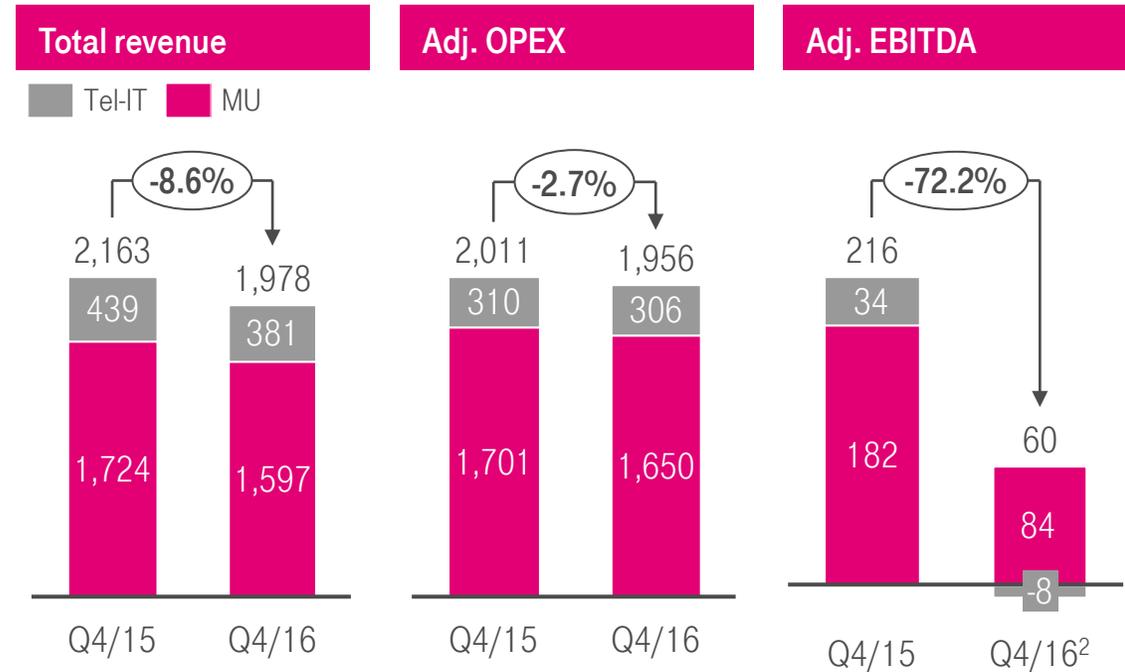


1) ≥ 100Mbit/s²-coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3. Broadband also incl. wholesale customers 2) Includes 164k customers acquired in NL in Q4

SYSTEMS SOLUTIONS: Q4 EBITDA IMPACTED BY LEGACY WRITE DOWN

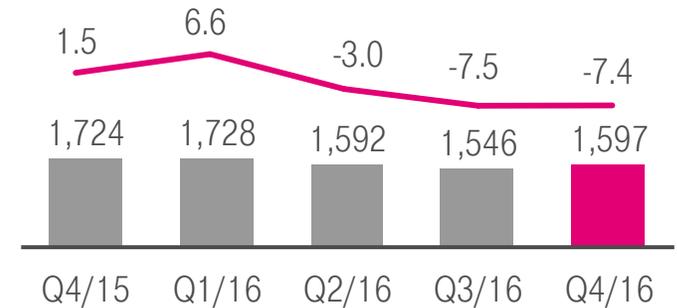
T-Systems Financials

€ mn

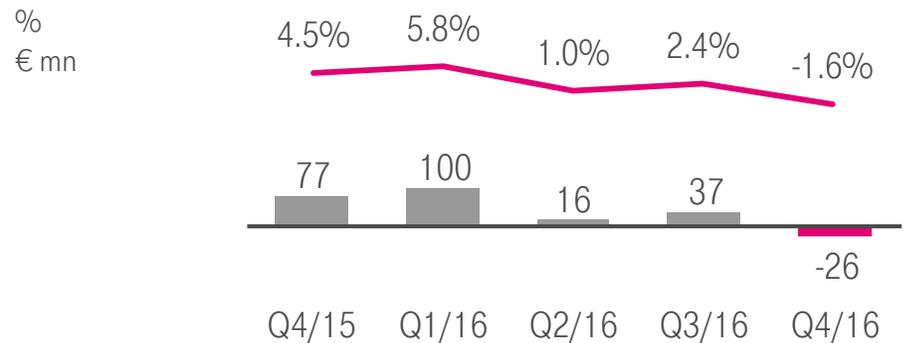


1) %-change figures as previously disclosed. Not adjusted for restatement. 2) Figures do not add up due to re-conciliation

Revenue Market Unit in € million and change yoy in %¹



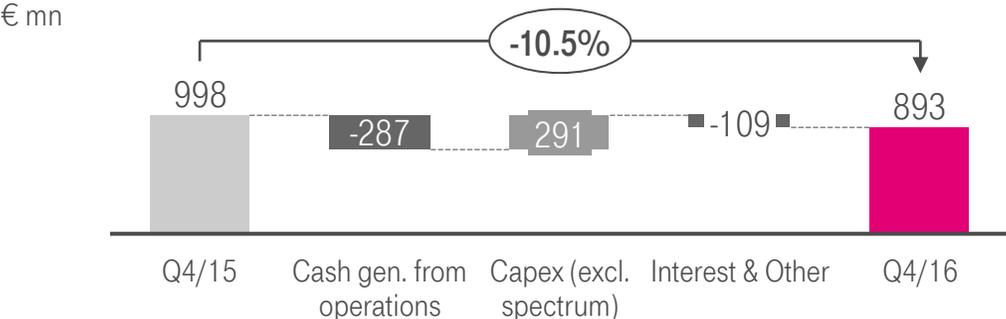
Adj. EBIT and margin Market Unit



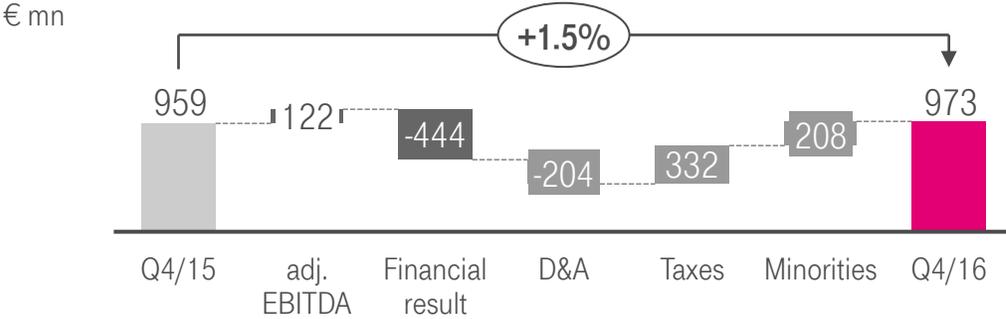
LIFE IS FOR SHARING.

FINANCIALS: FCF, NET DEBT, NET INCOME AND ROCE

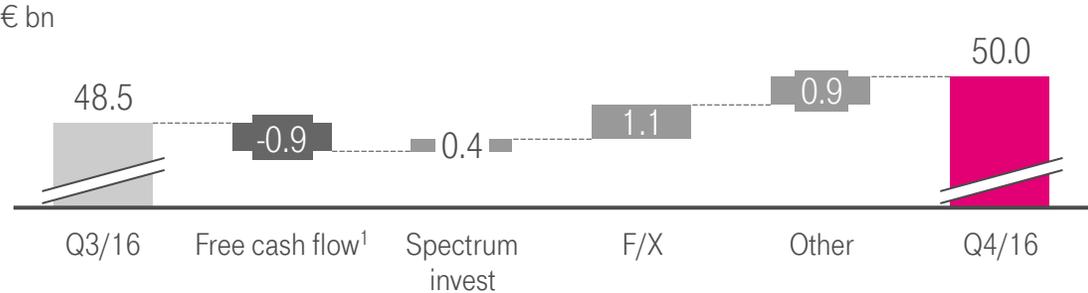
Free cash flow Q4/16¹



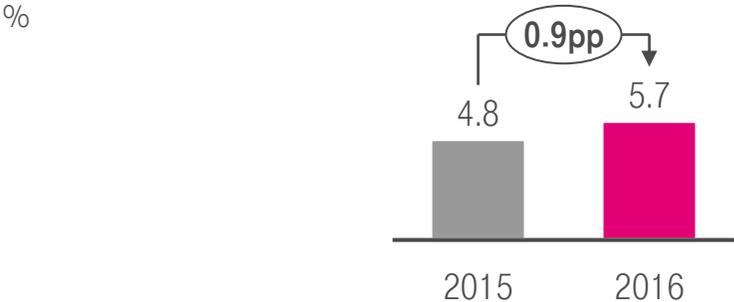
Adj. net income Q4/16



Net debt development Q4/16



ROCE development FY/16²



1) Free cash flow before dividend payments and spectrum investment (Q4/15: € 26 million; Q4/16: € 432 million) 2) 2016 includes EE book gain of 2.5 billion €

FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	31/12/2015	31/03/2016	30/06/2016	30/09/2016	31/12/2016
Balance sheet total	143.9	143.6	143.5	143.1	148.5
Shareholders' equity	38.2	38.4	37.0	37.6	38.8
Net debt	47.6	47.6	48.7	48.5	50.0
Net debt/adj. EBITDA ¹	2.4	2.3	2.3	2.3	2.3
Equity ratio	26.5%	26.8%	25.8%	26.3%	26.2%

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

DT Participants: **Tim Höttges** (CEO), **Thomas Dannenfeldt** (CFO), **Hannes Wittig** (Head of IR)

Webcast

- The **link to the webcast** will be provided here 20 minutes before the call starts: www.telekom.com/16Q4
- 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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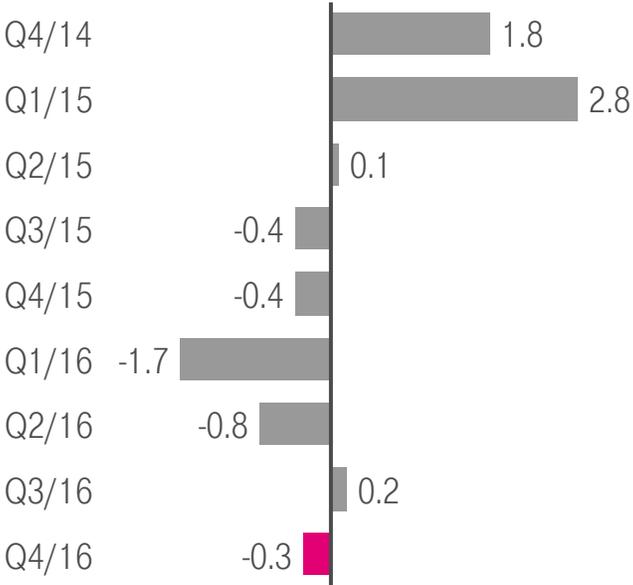


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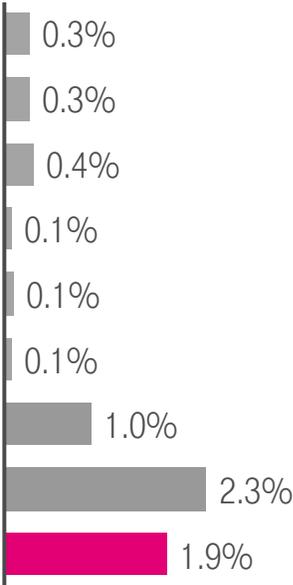
APPENDIX

GERMANY MOBILE: SERVICE REVENUES

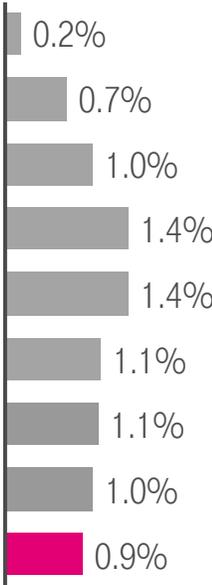
Reported mobile service revenues



Impact of mobile regulation¹



Impact of convergent offers²



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

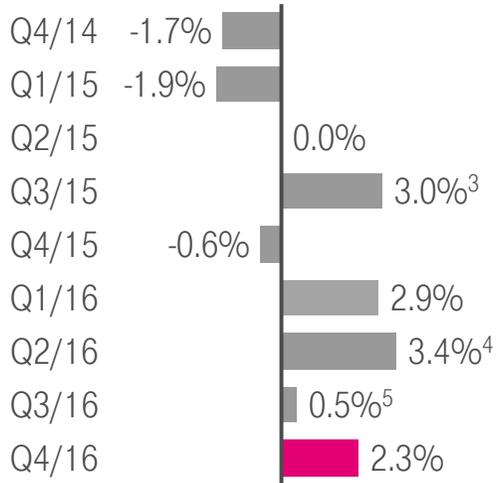
≈ +1% (without EU roaming impact)

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

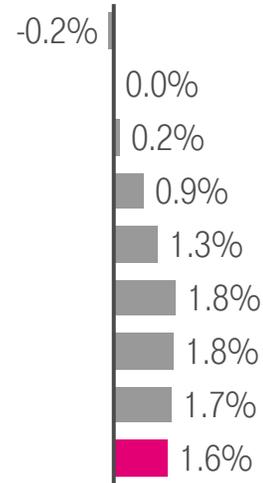
GERMAN FIXED: SERVICE REVENUES

Growth rates YOY

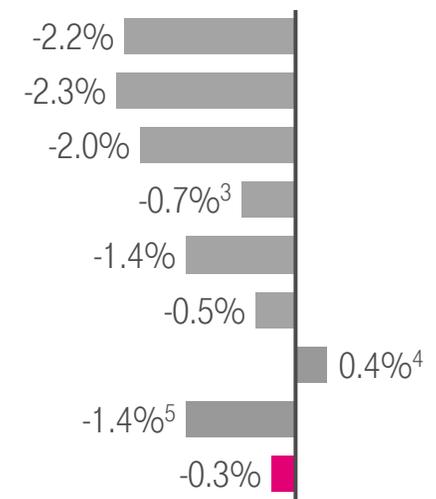
Wholesale revenues²



Broadband revenues



Fixed line service revenues^{1,2}



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

+0.0%

+2.0%

1) Fixed network core business revenues less fixed hardware revenues plus wholesale services fixed network revenues. From Q2/16 onwards we classify CPEs recurring rent revenues as fixed service revenues. Without this reclassification fixed line service revenue growth rate would be -0.6% in Q4/16. Prior quarters growth rates have not been restated. 2) Percentage changes for Q4 2014 – Q4 2015 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 -1.0% for total service revenues. 4) Revenue in Q2/16 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at +4.6% for wholesale, respectively +0.7% for fixed service revenues under definition in Q2/16 (see 1). 5) 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%



LIFE IS FOR SHARING.

THANK YOU!