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**DEUTSCHE TELEKOM**  
Q1/2016 RESULTS



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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents non-GAAP financial 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 non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

# REVIEW Q1/16

# 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



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# LEADING EUROPEAN TELCO: ONGOING EXECUTION – GUIDANCE RE-ITERATED

## Customers

- Record demand for Fiber
  - 5 million German homes on fiber
  - 660k net adds in Q1 alone
- Growth in the US continues
  - 2.2 million net adds
  - 14% service revenue growth



## Investments and innovation

- Further strengthening of spectrum position in the US and Europe
- Ongoing investments into networks and transformation
- Innovative offers launched



## Financial results

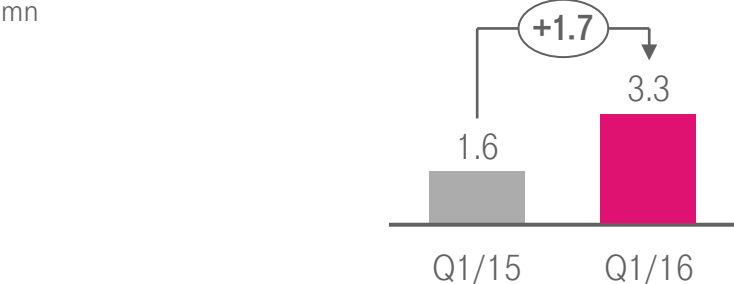
- Strong growth continues
  - Revenue up 4.7% yoy
  - Comparable<sup>1</sup> adj. EBITDA up 6.5%
  - Comparable<sup>1</sup> FCF up 10.6%
- Net debt/Adj. EBITDA at 2.3x



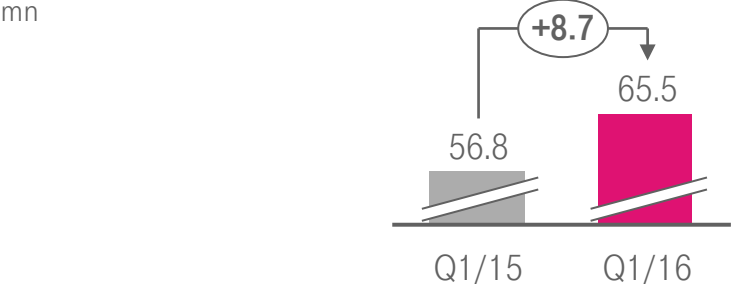
1) Adjusted for handset lease/data stash (adj. EBITDA) and EE dividend (FCF)

# CUSTOMERS: STRONG MOMENTUM WITH CUSTOMERS

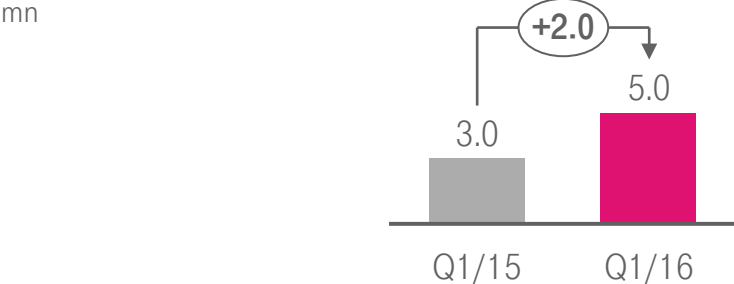
## Magenta Eins (Germany + EU)<sup>1</sup>



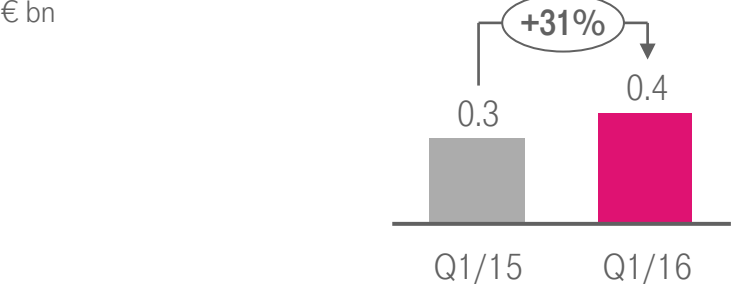
## US Mobile



## Fiber in Germany



## Cloud revenues



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

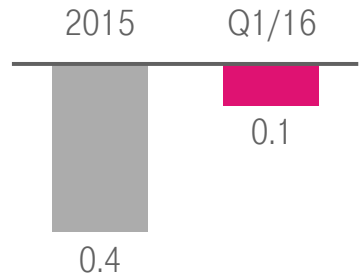
# Q1 2016: HIGHLIGHTS

## Innovation/Best networks



## Efficiency

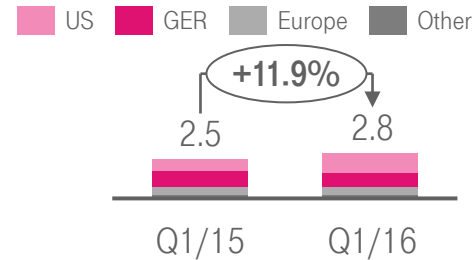
Indirect costs (Excl. US) in billion €



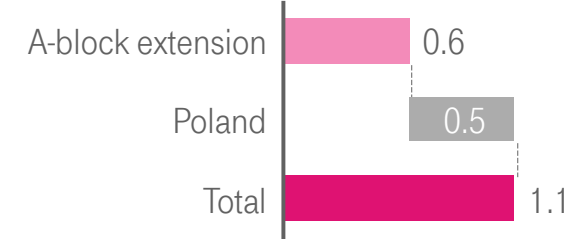
- Ongoing efficiency improvements in line with target run rate

## Investments (€ bn)

Cash Capex (excl. Spectrum)



Spectrum spend



## Funding/Portfolio

### Funding

- 2016 maturities covered (€ 4.5 billion raised in Q1)
- Revised approach to TMUS self funding
  - \$ 4 billion note purchase agreements with TMUS
  - Case by case logic – no read-across to other pillars of TM US strategy or spectrum auction

### Portfolio

- M&A policy re-iterated

# FINANCIALS AND GUIDANCE 2016: STRONG MOMENTUM CONTINUES, GUIDANCE RE-ITERATED

€ bn

	<u>Revenue</u>	<u>Adj. EBITDA</u>	<u>FCF</u>
2016 Guidance (\$/€: 1.11)	Increase	Around 21.2 bn <sup>2</sup>	Around 4.9 bn
14-18 CAGR <sup>1</sup>	+1-2%	+2-4%	≈+10%
Q1 2016 performance	+4.7%	+12.9% (6.5%) <sup>3</sup>	-5.0% (+10.6%) <sup>3</sup>

1) 14-18 CAGRs as per CMD 2015 guidance 2) Of which handset lease and data stash \$0.7 billion 3) In Brackets: Adj. EBITDA adjusted for handset lease. FCF adjusted for dividend impact EE.



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# REVIEW Q1/16

# Q1/2016: FINANCIAL HIGHLIGHTS

€ mn

	Q1			FY		
	2015	2016	Change	2014	2015	Change
Revenue	16,842	17,630	+4.7%	62,658	69,228	+10.5%
Adj. EBITDA	4,574	5,163	+12.9%	17,569	19,908	+13.3%
Adj. Net profit	1,036	1,047	+1.1%	2,422	4,113	+69.8%
Net profit	787	3,125	+297.1%	2,924	3,254	+11.3%
Adj. EPS (in €)	0.23	0.23	0.0%	0.54	0.90	+66.7%
EPS (in €)	0.17	0.68	+300.0%	0.65	0.71	+9.2%
Free cash flow <sup>1</sup>	865	822	-5.0%	4,140	4,546	+9.8%
Cash capex <sup>2</sup>	2,530	2,831	+11.9%	9,534	10,818	+13.5%
Net debt	46,310	47,603	+2.8%	42,500	47,570	+11.9%

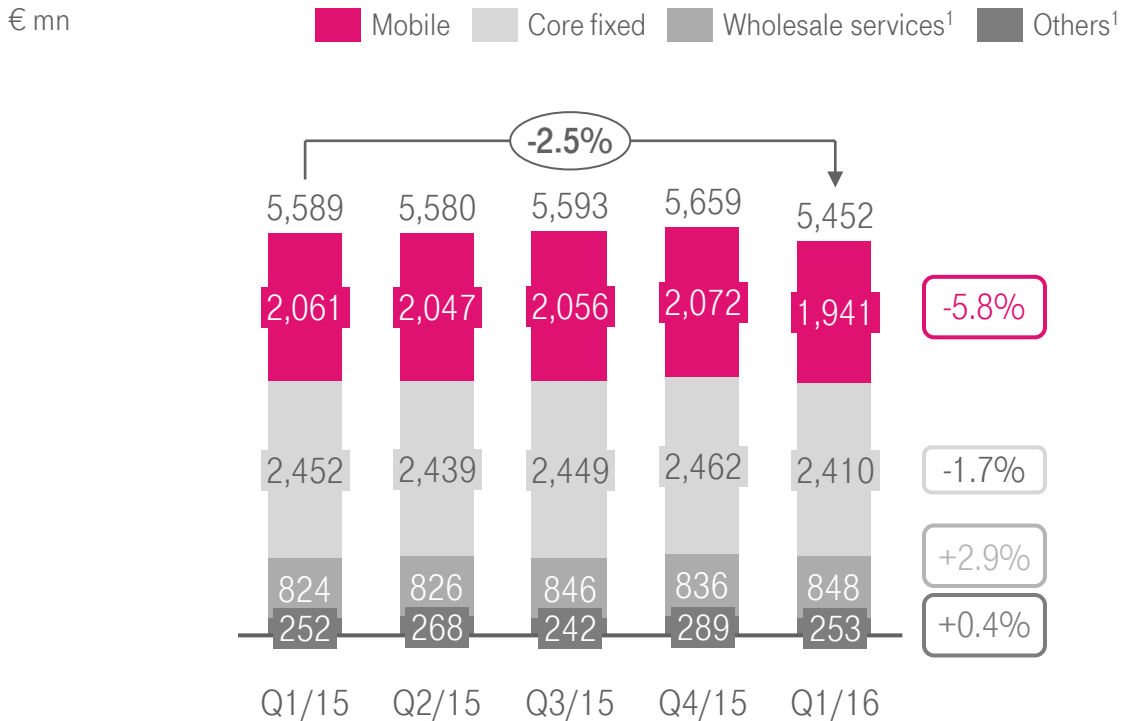
1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q1/15: € 1,899 million; Q1/16: € 1,065 million; FY/14: € 2,310 million; FY/15: € 3,795 million



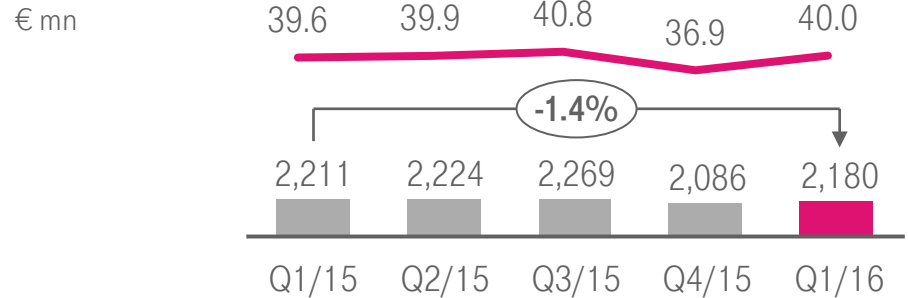
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# GERMANY: REVENUES IMPACTED BY LOWER HANDSET SALES. EBITDA ON TRACK

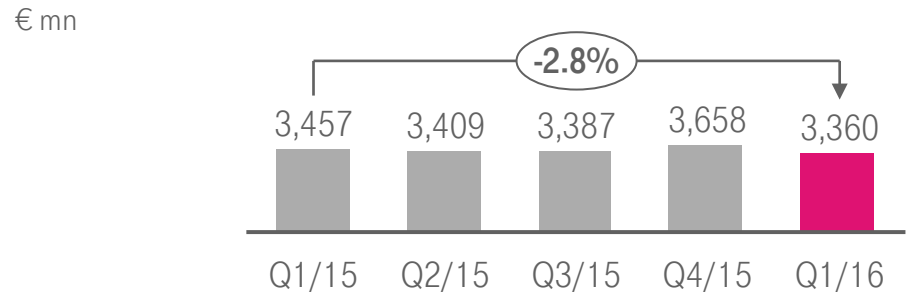
## Revenue reported



## Adj. EBITDA and margin (in %)



## Adj. OPEX

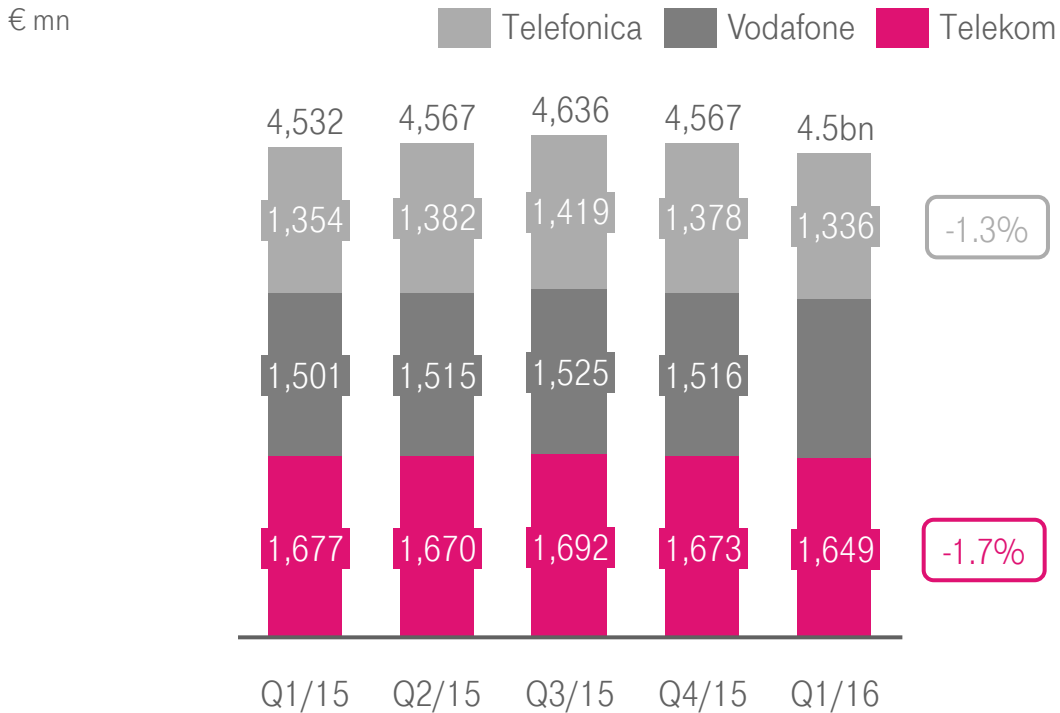


1) Figures 2015 have been restated . Approx. 80 million € shifted from wholesale to others

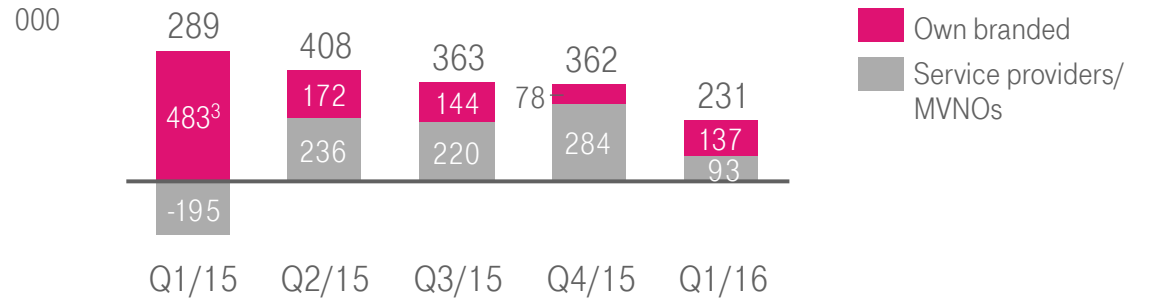


# GERMANY MOBILE: STEADY MOMENTUM WITH CUSTOMERS

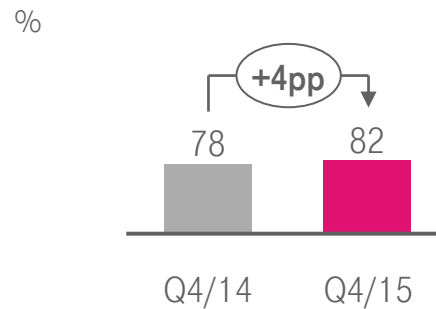
## German mobile market service revenue<sup>1</sup>



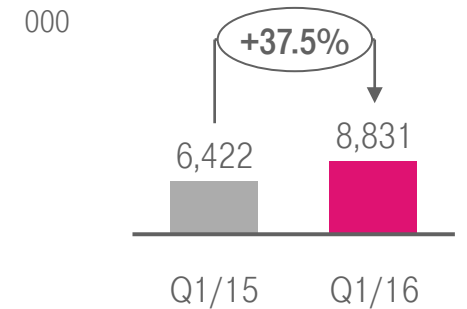
## Contract Net adds<sup>2</sup>



## Smartphone penetration<sup>4</sup>



## LTE customers<sup>5</sup>



1) Management estimate including LTE

2) Figures may not add up due to rounding

3) Q1/15 impacted by re-classification of 288k customers from service providers to own branded

4) Of own branded retail customers

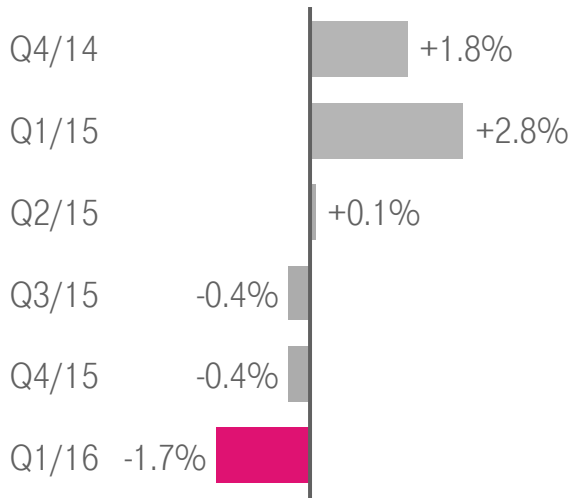
5) Customers using a LTE-device and tariff plan



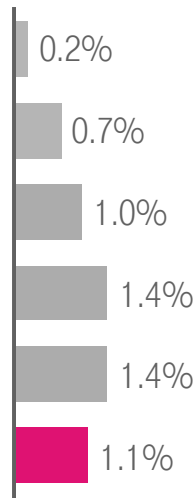
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# GERMAN MOBILE SERVICE REVENUES: A TOUGH COMP BUT NO FUNDAMENTAL CHANGE

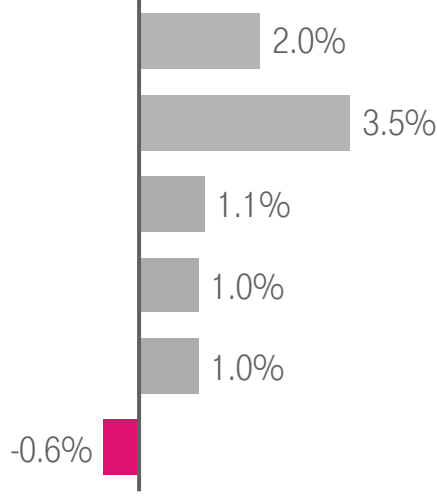
## Reported mobile service revenues



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



## Underlying growth



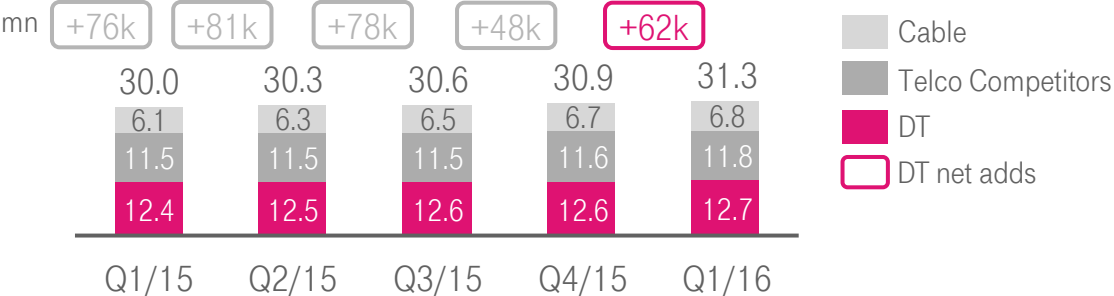
Medium term guidance (2014–2018 CAGR): **Re-iterated**

≈ +1% (without EU roaming impact)

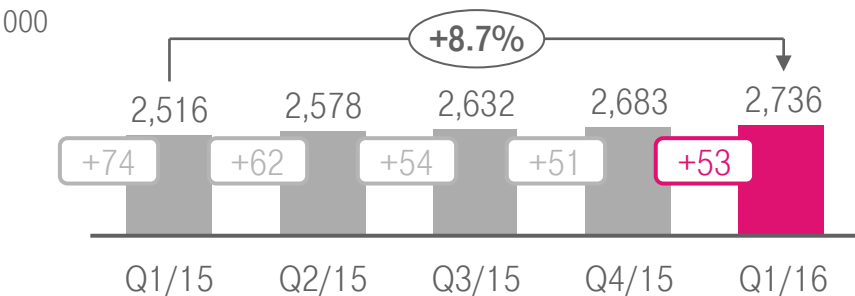
1) Impact of MagentaEINS and Telekom LTE broadband

# GERMANY FIXED: INVESTMENTS IN INFRASTRUCTURE DRIVE FIBER GROWTH

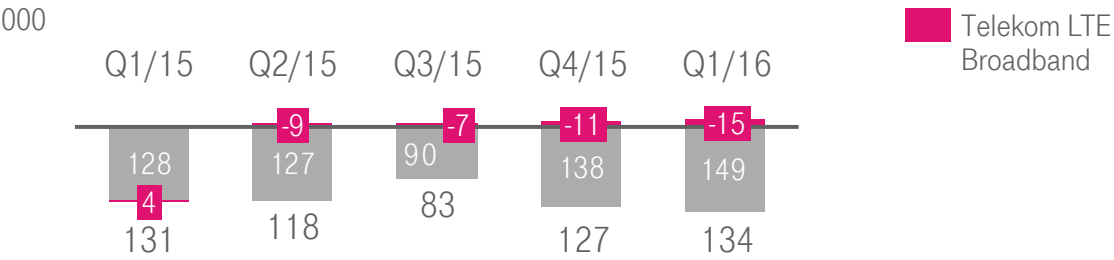
## German broadband market<sup>1</sup>



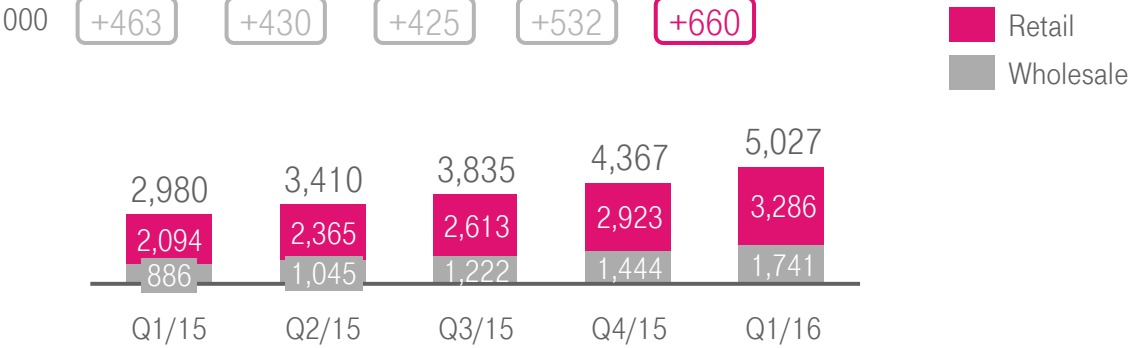
## Entertain customers



## Line losses



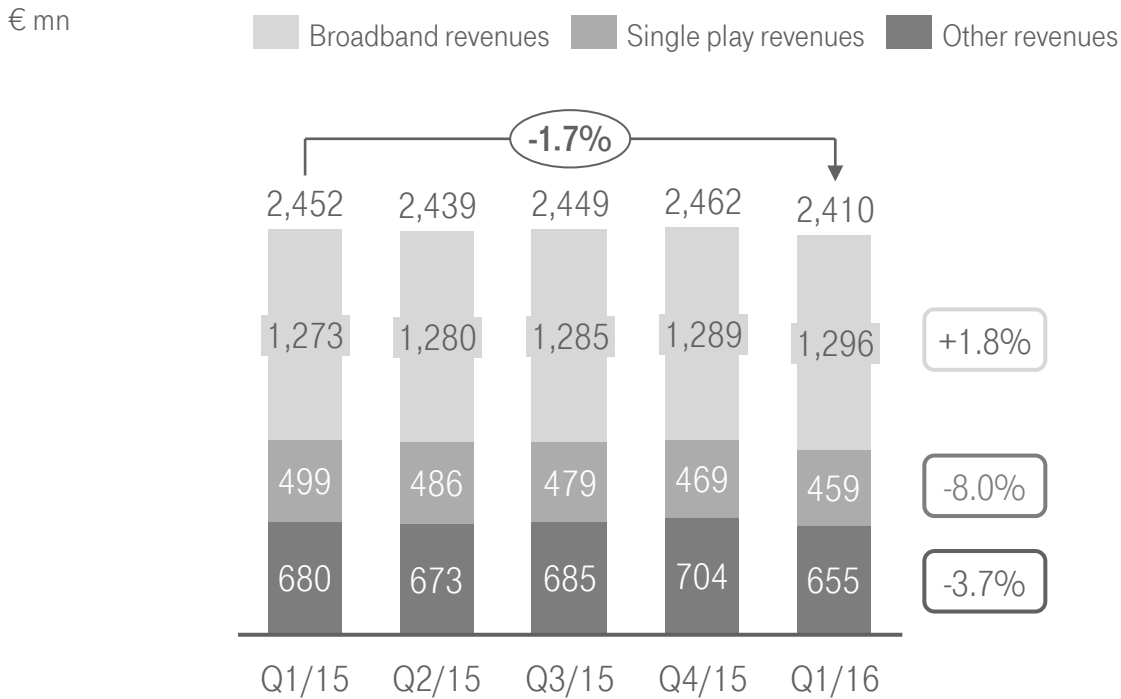
## Fiber customers<sup>2</sup>



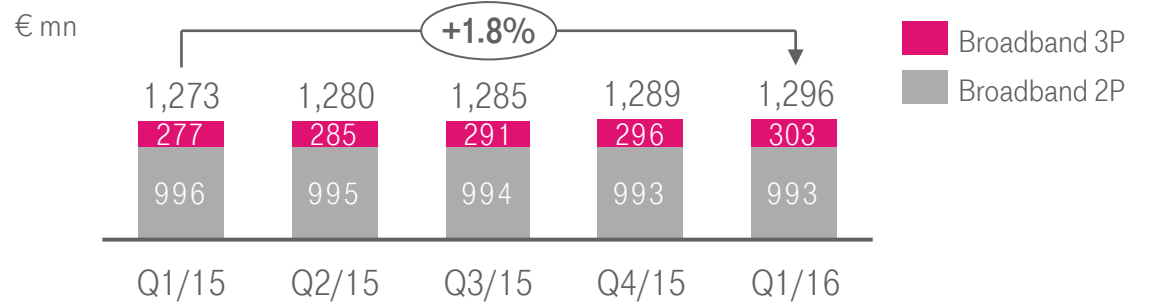
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

# GERMANY FIXED: OUR UPSELL STRATEGY IS WORKING

## Fixed network revenues (core fixed)

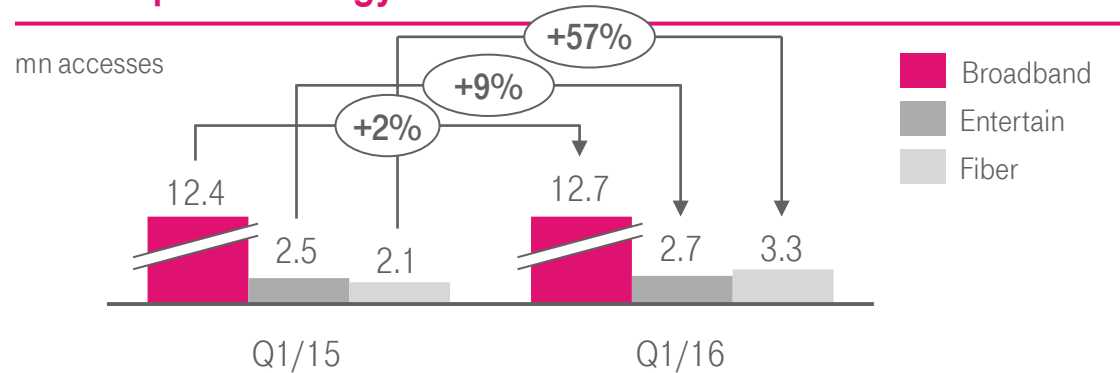


## Broadband revenues



## Retail upsell strategy

% calculated on exact numbers

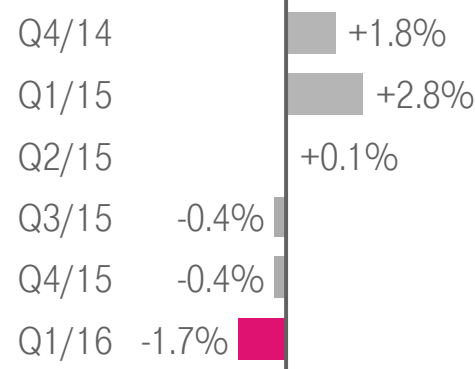


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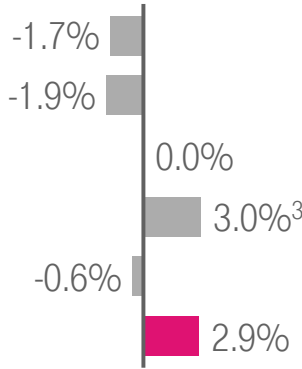
# GERMAN TOTAL SERVICE REVENUES: WE ARE FUNDAMENTALLY ON TRACK

## Growth rates YOY

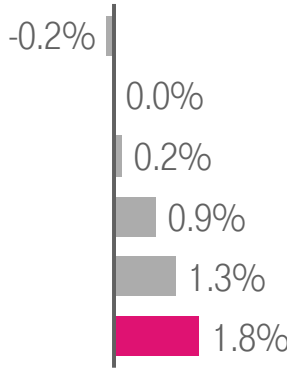
### Mobile service revs



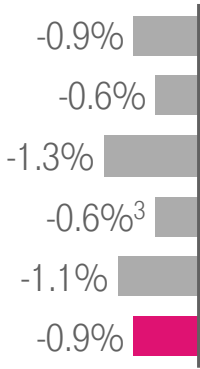
### Wholesale revs<sup>2</sup>



### Broadband revs<sup>2</sup>



### Total service revs



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



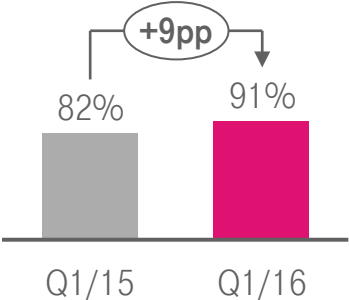
1) Without EU roaming impact 2) Percentage changes for Q4 2014 - Q4 2015 not restated  
 3) Revenue in Q3/15 benefitted from special factor related to settlement agreements concerning charged fees from previous years. Adjusted growth rate at 0.0% for wholesale, respectively -1.1% for total service revenues 4) CAGR for total revenues



# GERMANY: NETWORK ROLL-OUT AND TRANSFORMATION CONTINUE

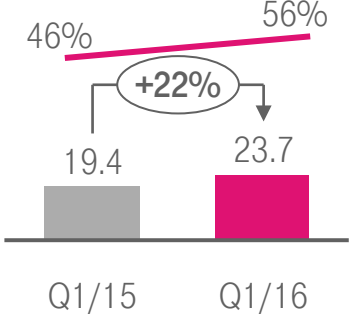
## INS - Status LTE rollout

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



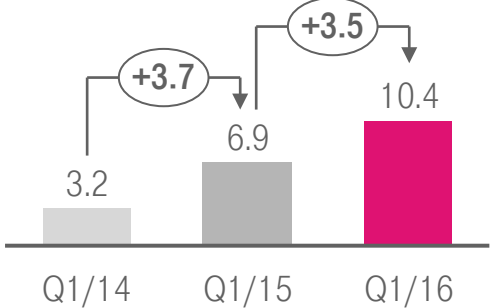
## INS - Status fiber rollout<sup>2</sup>

Coverage in % and  
millions of households



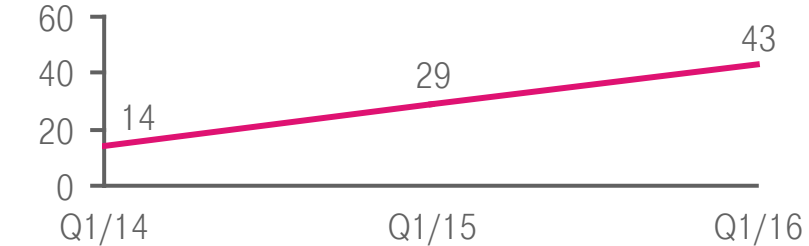
## Status IP accesses (retail & wholesale)

mn



## Status IP accesses (retail & wholesale)

in % of lines

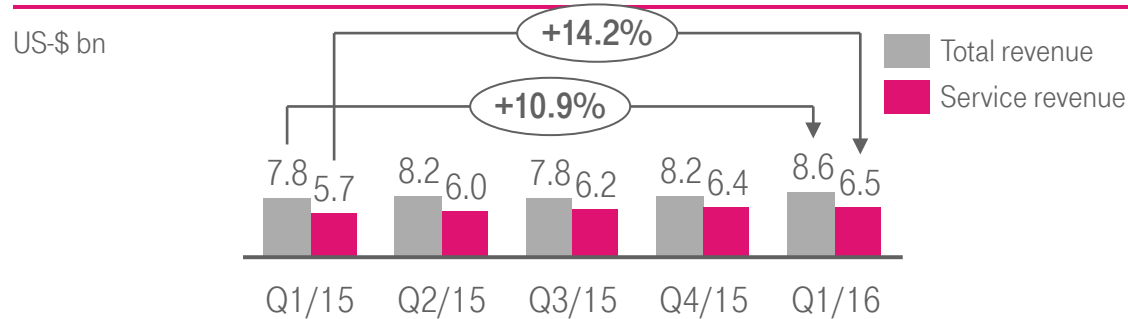


**Target:**  
100% of lines  
by 2018!

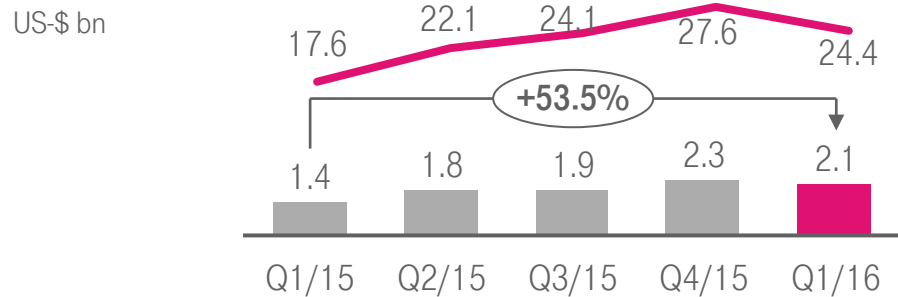
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany

# TMUS: STRONG GROWTH IN ALL KEY METRICS

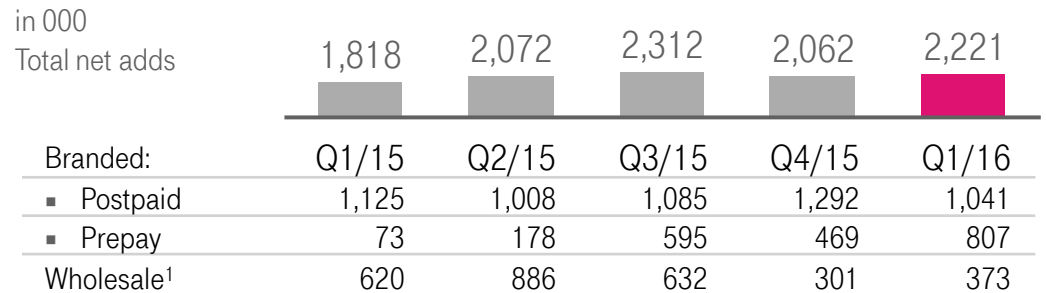
## Revenue and service revenue



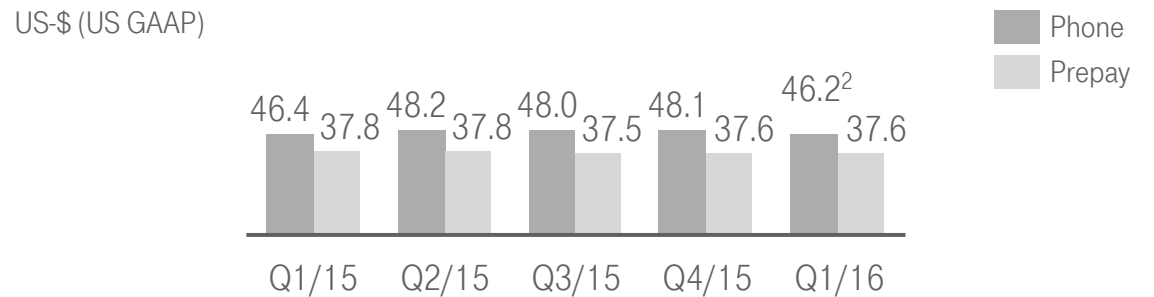
## Adj. EBITDA and margin (in %)



## Net adds



## Branded customers: Postpaid phone and prepay ARPU



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

2) Excl. data stash effect postpaid phone ARPU increased 0.3% QoQ and decreased 0.2% yoy

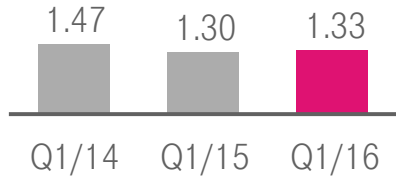


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# FOCUS ON TMUS: IMPORTANT DRIVERS KEEP TRENDING WELL

## Branded postpaid phone churn

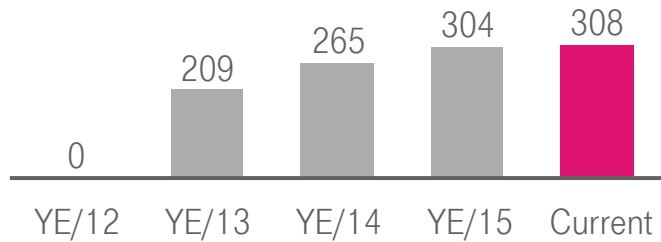
%



- Churn remains on low level, despite more intense competition

## LTE covered POPs

mn



- A-block update: Deployed in more than 340 market areas (spectrum covers approx. 80% of US POPs or 258M people)

## Bad debt expenses & losses from sale of receivables

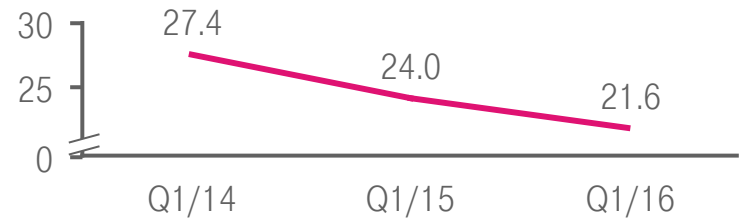
in % of total revenues



- Receivables classified as prime unchanged at 52% (incl EIP receivables sold)

## Cost of service

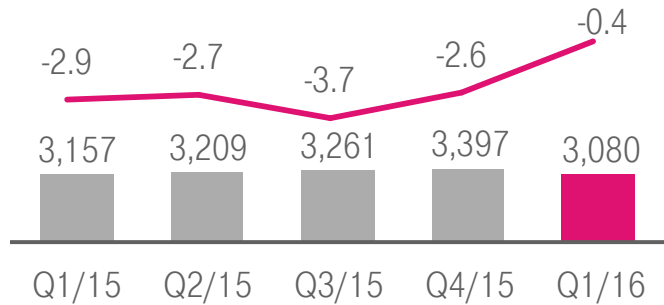
in % of service revenues



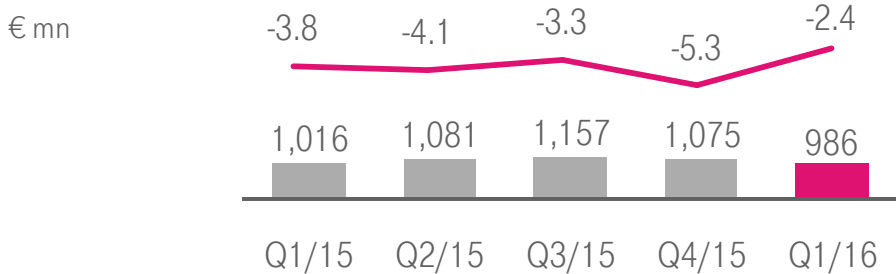
- MetroPCS synergies and growing scale outweigh network expansion costs

# EUROPE: TREND TOWARDS STABILIZATION CONTINUES

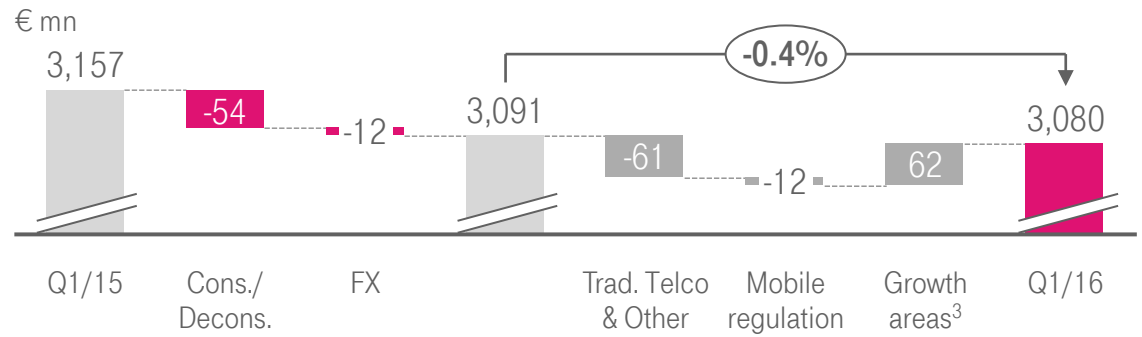
## Revenue as reported in € mn and organic change yoy in %<sup>1,2</sup>



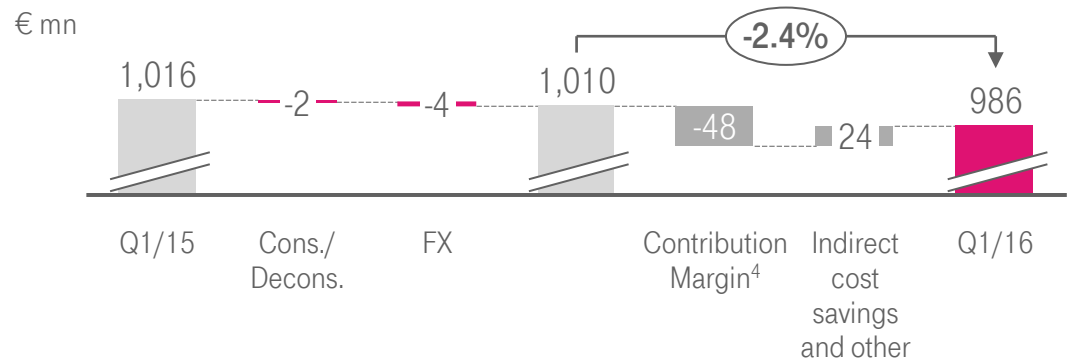
## Adj. EBITDA as reported and organic change yoy in %<sup>1,2</sup>



## Organic revenue development



## Organic adj. EBITDA development



1) %-change figures as previously disclosed. No 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

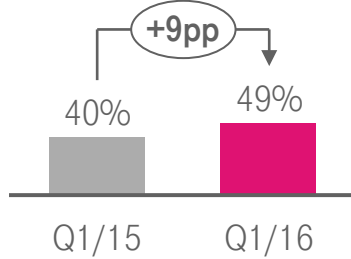


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# EUROPE: IP MIGRATION AND LTE LEADERSHIP

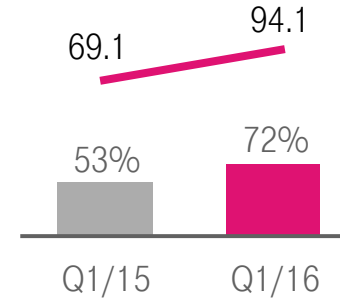
## IP migration

IP share of fixed network access lines



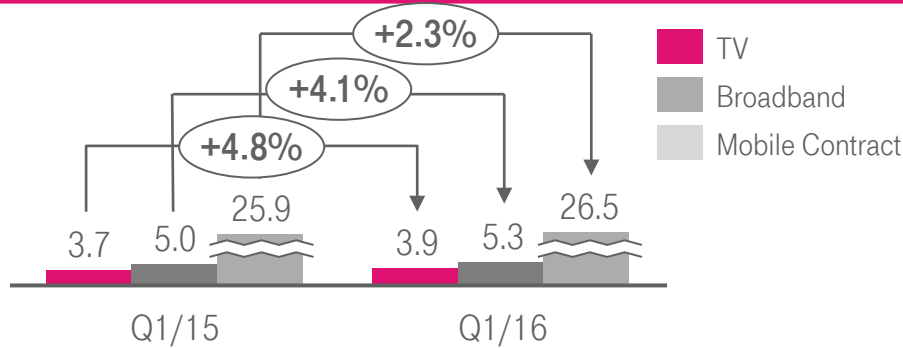
## LTE rollout

LTE outdoor pop coverage  
mn and %



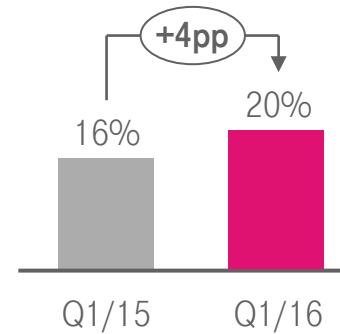
## Customer base<sup>1</sup>

mn



## Fiber rollout<sup>1</sup>

Fiber household coverage

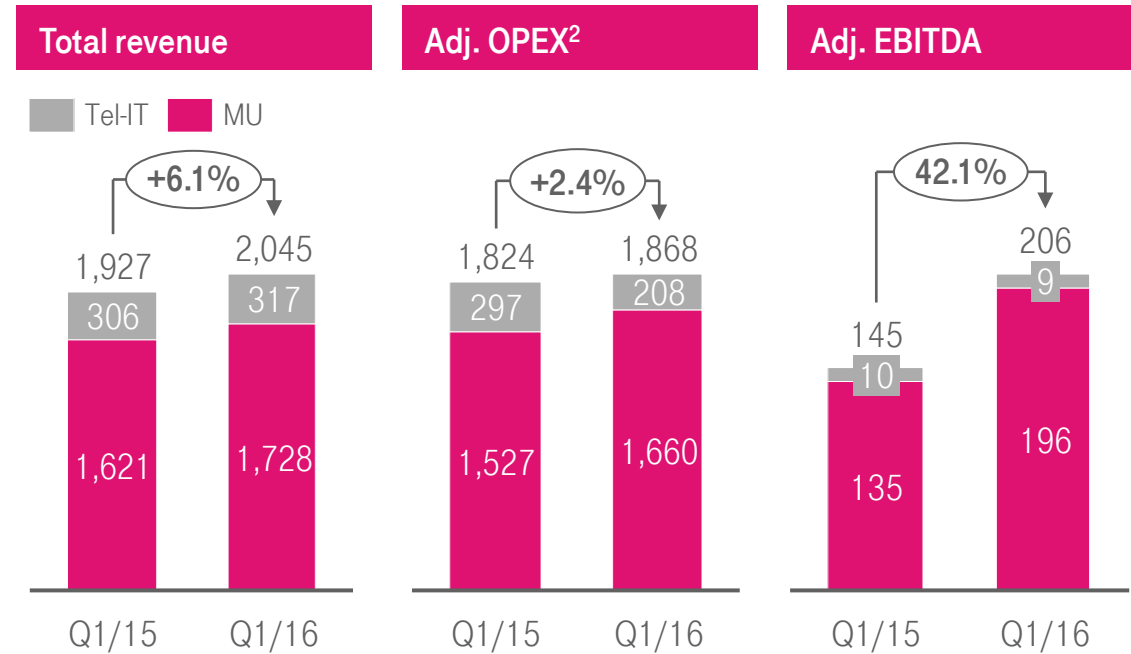


1) ≥ 100Mbit/s<sup>2</sup>-coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3

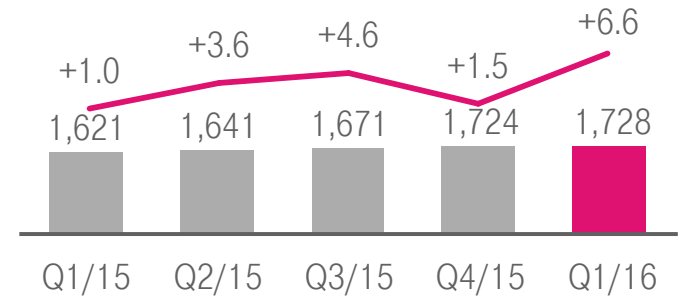
# SYSTEMS SOLUTIONS: TRANSFORMATION MAKING PROGRESS

## T-Systems Financials<sup>1</sup>

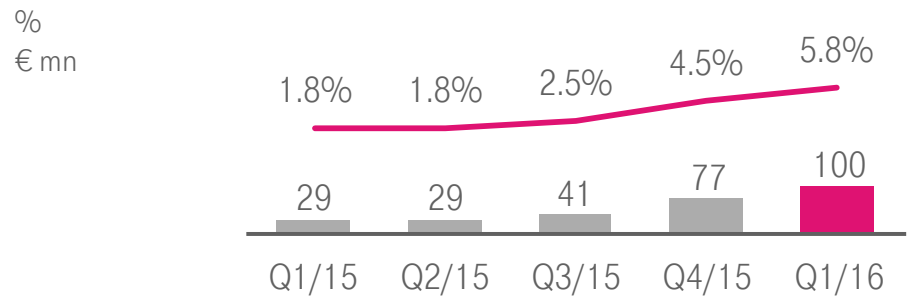
€ mn



## Revenue Market Unit in € million and change yoy in %<sup>3</sup>



## Adj. EBIT and margin Market Unit



1) Trends in Q1 positively impacted by completion toll system Belgium 2) Figures may not add up due to rounding/elimination 3) %-change figures as previously disclosed. Not adjusted for restatement.

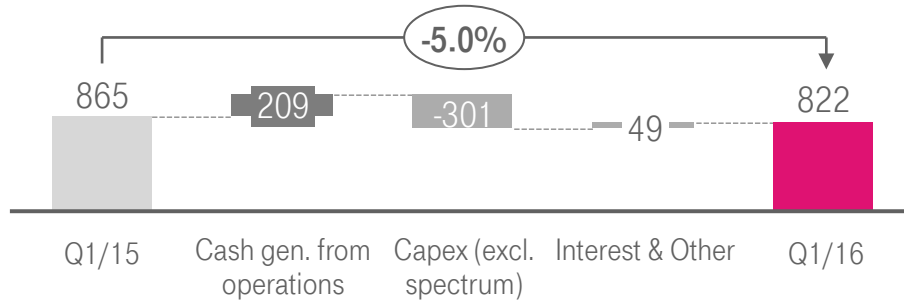


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# FINANCIALS: FCF, NET DEBT AND NET INCOME

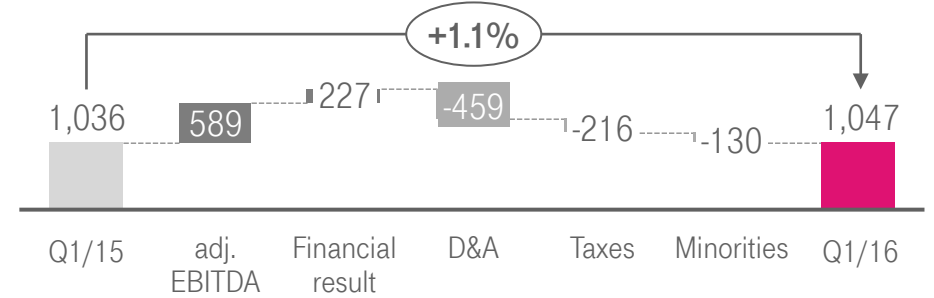
## Free cash flow Q1/16<sup>1</sup>

€ mn



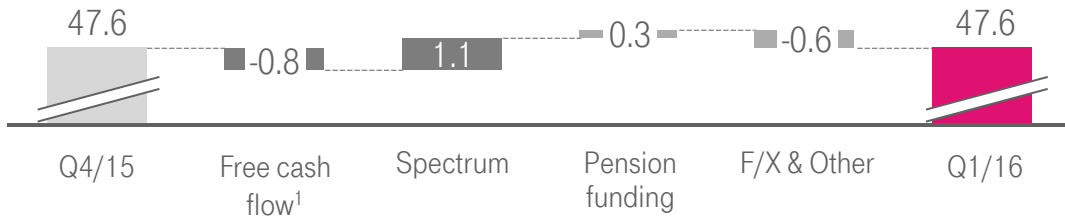
## Adj. net income Q1/16

€ mn



## Net debt development Q1/16

€ bn



1) Free cash flow before dividend payments and spectrum investment (Q1/15: € 1,899 million; Q1/16: € 1,065 million)



LIFE IS FOR SHARING.

# FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	31/03/2015	30/06/2015	30/09/2015	31/12/2015	31/03/2016
Balance sheet total	137.5	135.0	135.2	143.9	143.6
Shareholders' equity	37.0	36.0	36.5	38.2	38.4
Net debt	46.3	48.8	47.9	47.6	47.6
Net debt/adj. EBITDA <sup>1</sup>	2.6	2.6	2.5	2.4	2.3
Equity ratio	26.9%	26.6%	27.0%	26.5%	26.8%

## Comfort zone ratios

Rating: A-/BBB	●
2-2.5x net debt/Adj. EBITDA	●
25-35% equity ratio	●
Liquidity reserve covers redemption of the next 24 months	●

## Current rating

Fitch:	<b>BBB+</b>	stable outlook
Moody's:	<b>Baa1</b>	stable outlook
S&P:	<b>BBB+</b>	stable outlook

1) Ratios for the interim quarters calculated on the basis of previous 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 are transforming towards a lean and highly agile IP production.
- 4** We are self-funding DT's transformation by disciplined cost management.
- 5** We will grow in all relevant financial KPI's (ROCE, Revenue, EBITDA, FCF).
- 6** Our shareholders will participate with growth of dividends following FCF growth and our prudent debt policy remains unchanged.



# CONFERENCE CALL WITH Q&A SESSION

The conference call will be held on **May 4 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

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- The **link to the webcast** will be provided here 20 minutes before the call starts: [www.telekom.com/16Q1](http://www.telekom.com/16Q1)
- 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

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<b>DE</b>	0800 9656288	<b>+</b>	code 69447490#
<b>UK</b>	0800 0515931	<b>+</b>	code 69447490#
<b>US</b>	+1 866 7192729	<b>+</b>	code 69447490#
<b>Other</b>	+49 69 271340801	<b>+</b>	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

### Investor Relations Contact details

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Contact details for all  
IR representatives:

[www.telekom.com/ircontacts](http://www.telekom.com/ircontacts)



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**THANK YOU!**