



DEUTSCHE TELEKOM

9 MONTH 2015

UPDATE



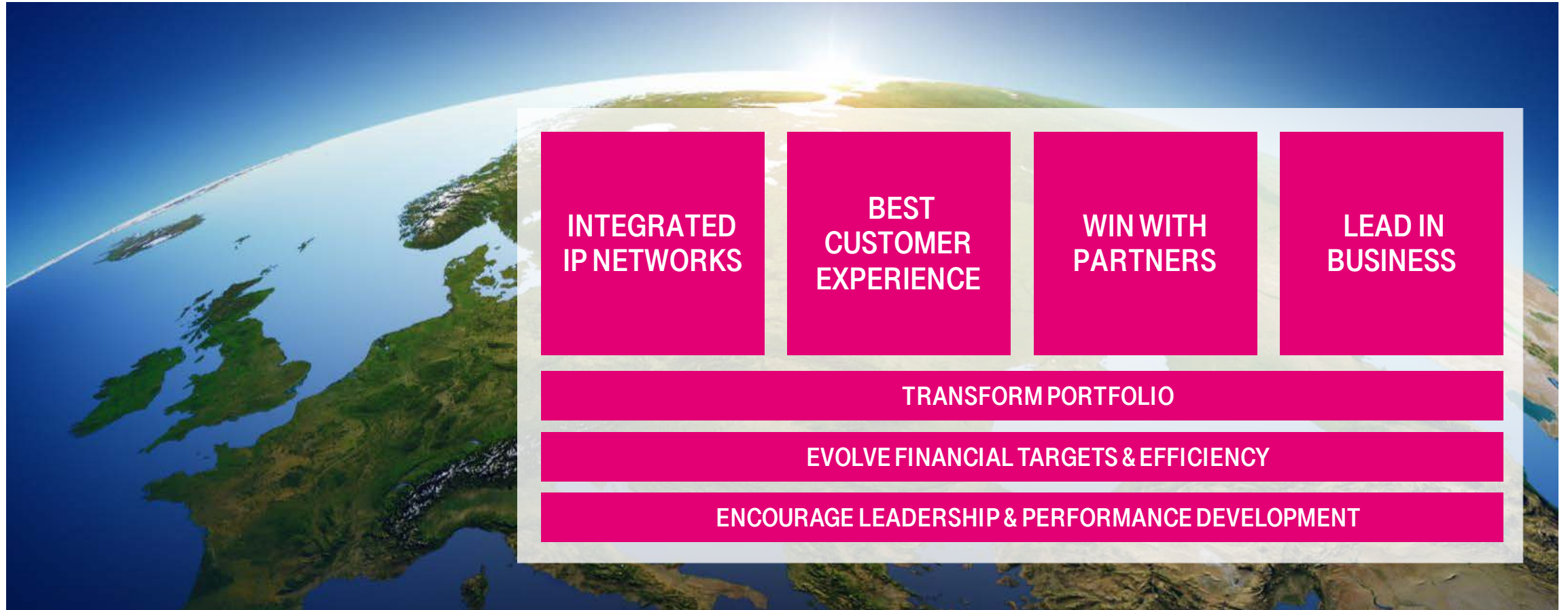
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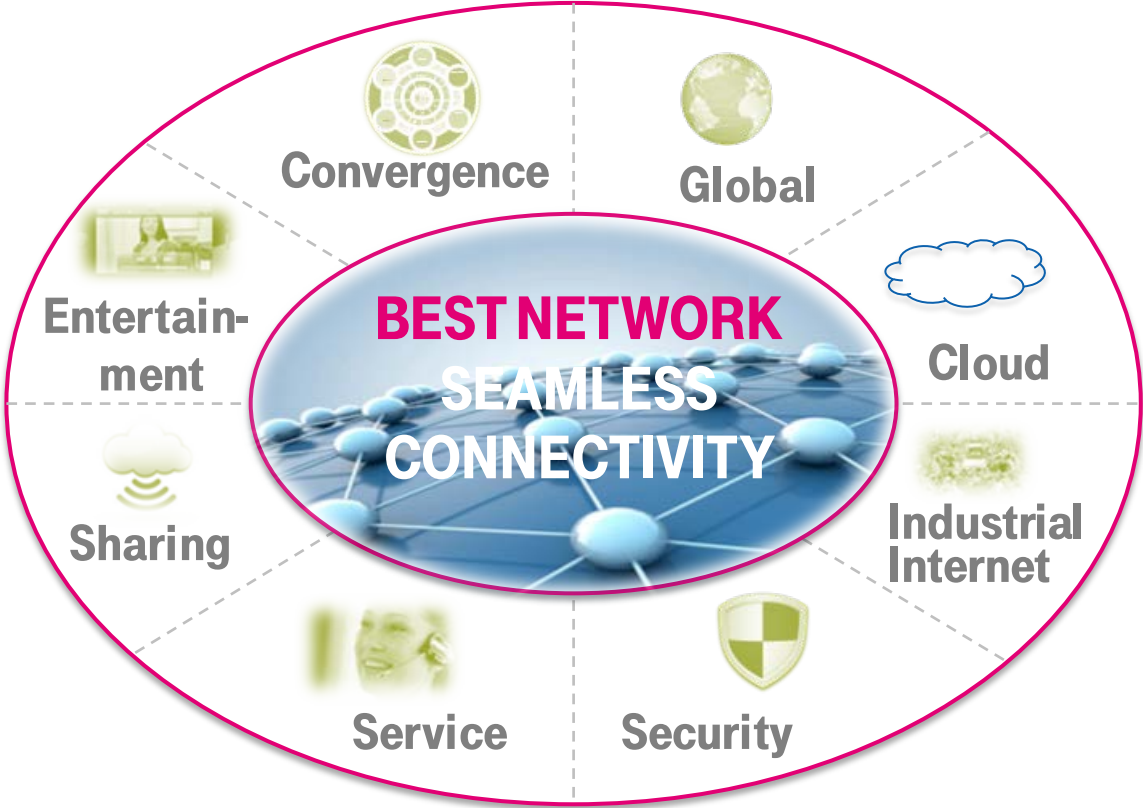
In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt and net debt. These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

LEADING EUROPEAN TELCO



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BEST NETWORK: SEAMLESS CONNECTIVITY



CONSUMERS

BUSINESS CUSTOMERS



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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.



WE WILL BENEFIT FROM THE TRANSFORMATION TOWARDS A SUPERIOR PRODUCTION MODEL

1 DIGITAL TRANSFORMATION OF CUSTOMER FACING PROCESSES

COST EFFICIENCY & SIMPLICITY



2 ALL-IP TRANSFORMATION



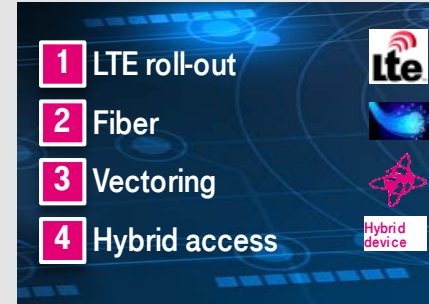
PLUG & PLAY

3 PAN-EUROPEAN NETWORK



TIME TO MARKET

4 INTEGRATED NETWORK STRATEGY



BEST CONNECTIVITY

Annual run rate adj. Opex savings:

≈€-1.2 bn¹

(steady state in early 2020ies)



¹ Gross Opex savings D/EU before any counter effects (e.g. personnel cost increases)

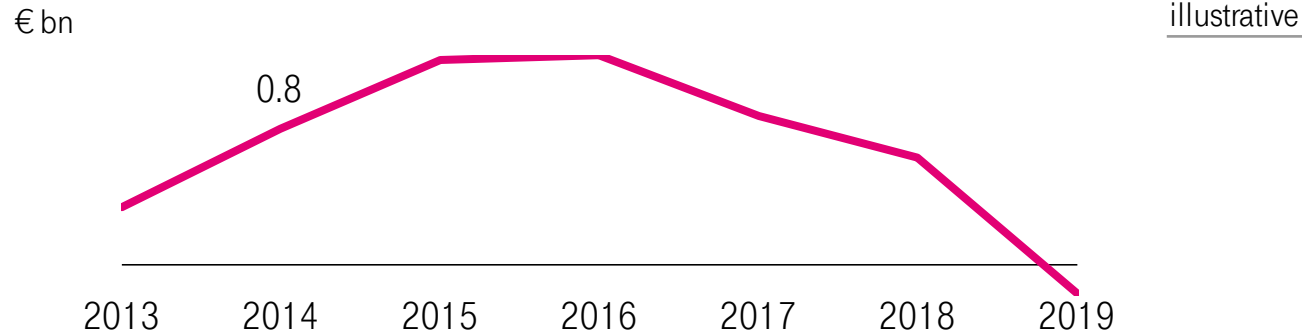
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INDIRECT COST SAVINGS WILL FUND THE INVESTMENT FOR THE TRANSFORMATION



OPEX AND CAPEX: DIGITAL TRANSFORMATION, IP TRANSFORMATION, PAN-EUROPEAN NETWORK¹

1 & 2 & 3



CAPEX: INS NETWORK

4



BENEFITS STEADY STATE FROM EARLY 2020IES

FIN. BENEFITS: ≈ €1.2 BILLION OPEX SAVINGS²

- Segments
 - ≈ €0.7 bn Germany
 - ≈ €0.5 bn Europe
- Functional Areas
 - ≈ €0.4 bn Technology/ Platforms
 - ≈ €0.8 bn Service

COMMERCIAL BENEFITS

- Enlarged fiber and LTE footprint and increased bandwidth for customers
- Faster time to market
- Easy to partner

¹ Excl. special factors. Measure related effects incl. savings. PanNet w/o transport & access. INS Opex in German fixed network also included.

² Gross measure-related steady state Opex savings early 2020ies GER/EU vs. 2013, after accomplished IP and process-/e-transformation as well as PanNet (w/o transport & access) before any counter effects (e.g. personnel cost increases).



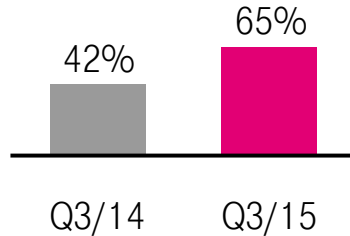
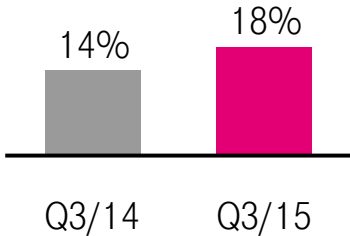
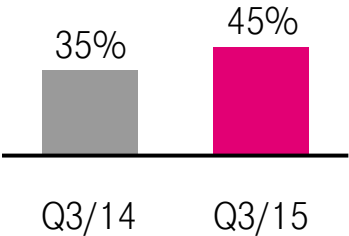
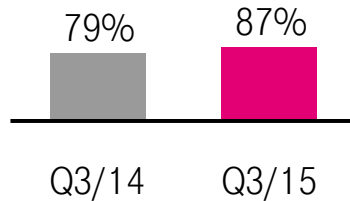
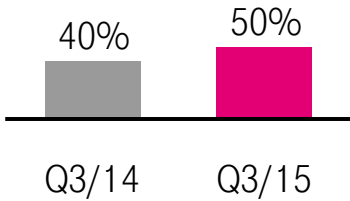
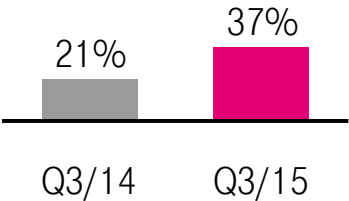
■ ■ **LIFE IS FOR SHARING.**

INTEGRATED IP NETWORK: TRANSFORMATION KEY METRICS

IP SHARE OF FIXED ACCESS LINES

FIBRE ROLLOUT

LTE ROLLOUT



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PORTFOLIO STRATEGY: DISCIPLINED EXECUTION FOR SHAREHOLDERS

2013
2014
2015



**MERGER
PCS**



ACQUISITION

SCOUT 24

SALE OF 70% STAKE



MINORITY BUYOUT



BT/EE

RECENT TRANSACTIONS

SLOVAK TELEKOM MINORITIES

- Quality asset
- Attractive valuation

T-ONLINE SALE

- Sale of general interest portal for 12% and 2 board seats in Ströer
- A clear win-win plus future strategic upside

TRANSFER OF TEF D CELL SITES

- 7.7k cell sites transferred
- Strengthening our German network leadership

GUIDING PRINCIPLES

- Committed to A-/BBB ratings comfort zone
- In Europe preference for integrated approach
- In US, focus on Un-carrier strategy. Continued de-risking, self-funding, kingmaker asset.
- General Policy – no major acquisitions outside our footprint.
- Clear and proven commitment to creating value for shareholders.



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OUR PRIORITIES: GROWTH AND TRANSFORMATION

CONTRIBUTION OF THE SEGMENTS (YTD 2015)



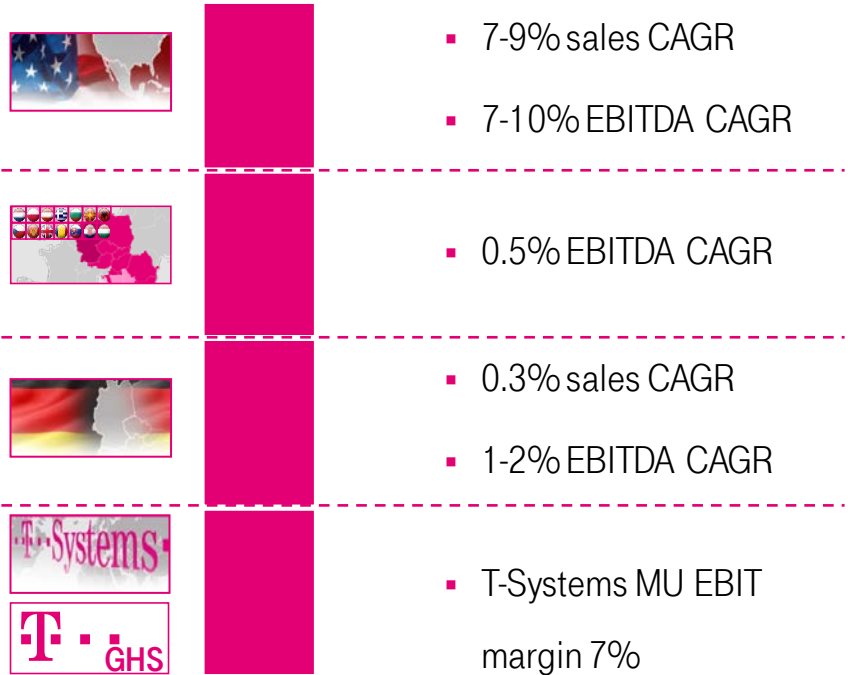
SEGMENT VIEW

- Rapid subscriber growth and margin expansion
- Low-band spectrum opportunities
- Progress towards operational stabilization
- Peer-leading network transformation program
- Strong momentum in fibre and convergence
- Significant investments in network transformation
- T-Systems focusing on higher margin growth

OUR CMD TARGETS: WE ARE WELL ON TRACK

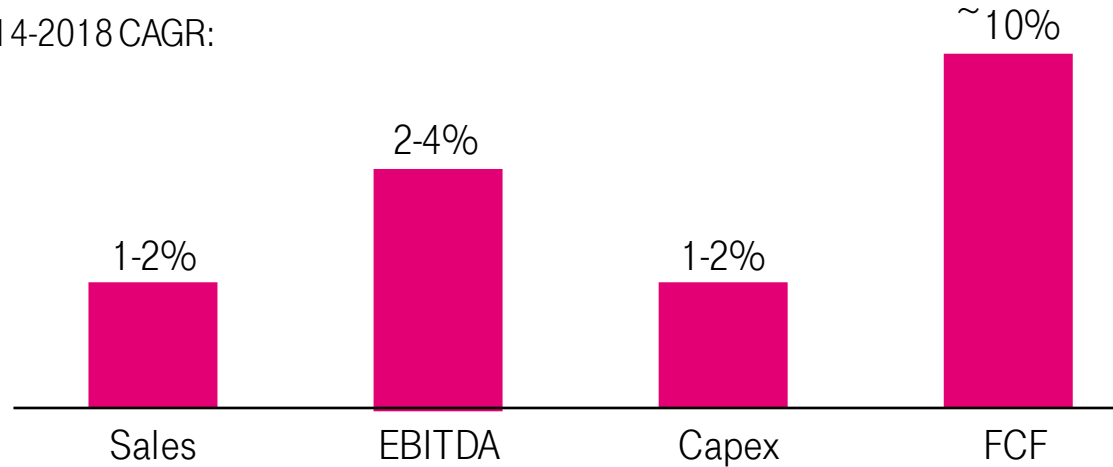
SEGMENT LEVEL*

€ bn



GROUP LEVEL**

2014-2018 CAGR:



- ROCE > WACC in 2018
- Adjusted EPS ~ €1 in 2018
- Shareholder remuneration to follow FCF growth
- Minimum DPS of €0.5 pa

*2014-2018, except US (2012-2017)

** Based on 2014 average exchange rates



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LEADING EUROPEAN TELCO: KEY MESSAGES Q3

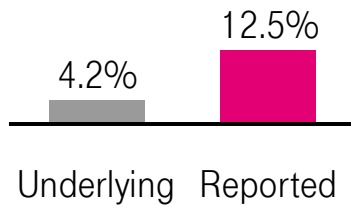
- 1** On track for our 2015 guidance and our Capital Markets Day targets. We re-iterate our guidance. Strong growth in all relevant financial KPIs. Germany growing in top-line revenues
- 2** All-IP migration and fiber expansion in Europe and LTE roll-out in Europe and the US well on track. Continued heavy investments in quality differentiation: 7.8 billion €¹ in 9M
- 3** Strong momentum in KPIs (TM US net adds, German fiber/broadband and line losses, Magenta 1, European TV and broadband subs)
- 4** T-Mobile continues to lead in growth rates on the US mobile market. Subscriber forecast raised for the third time this year while keeping EBITDA guidance unchanged
- 5** Continued execution in portfolio management to crystallize value: Scout24 and T-Online

1) Excl. spectrum

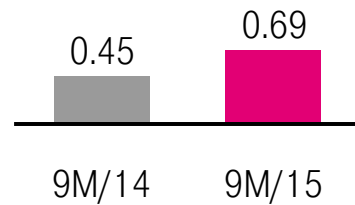


FIRST NINE MONTHS 2015: STRONG FINANCIALS

REVENUE GROWTH



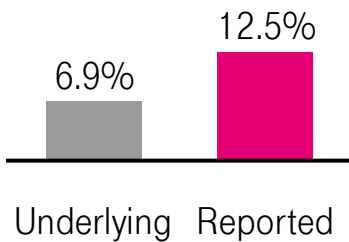
ADJ. EPS €/SHARE



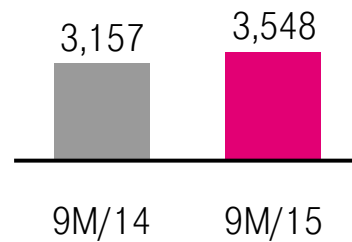
KEY MESSAGES

- Strong growth in revenue, adj. EBITDA and FCF
- Ahead of track in key KPI's (Fibre, All-IP, Magenta EINS, US postpaid)
- Heavy investments in our network transformation, funded by strict cost management
- Well on track for our 2015 guidance and our Capital Markets Day targets

EBITDA GROWTH

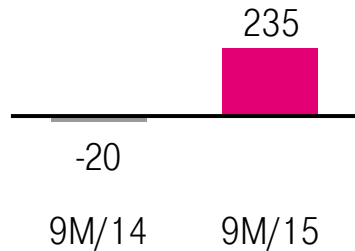


FCF (€ MILLION)

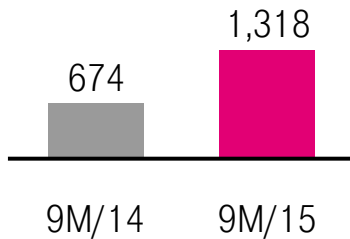


GERMANY: KPI MOMENTUM AND TRANSFORMATION INVESTMENTS

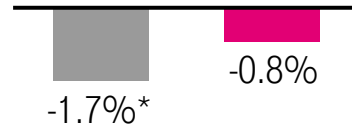
BROADBAND NET ADDS '000



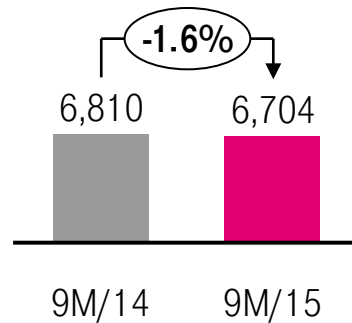
FIBER NET ADDS '000



YTD TOTAL F+M SERVICE REV. %Y/Y



ADJ. EBITDA € MN



FIRST NINE MONTHS 2015 HIGHLIGHTS

- Growing faster than expected in key KPI's
 - 235k broadband net adds
 - 1,085k Magenta EINS net adds
 - 2.8m lines migrated to All-IP
- Line loss down to -83k in Q3/15
- Mobile service revenues in Q3/15 impacted by convergence and one-off in visitor revenues, but no major changes in market environment or DT underlying trends
- Broadband revenue growth improves to 0.9% in Q3/15
- EBITDA almost stable despite commercial momentum and transformation investments; committed to €8.8bn 2015 target

*Prior year trends not fully comparable

MAGENTA EINS: A GREAT UPSELLING PLATFORM

- Mobile
- Internet
- DSL
- Access

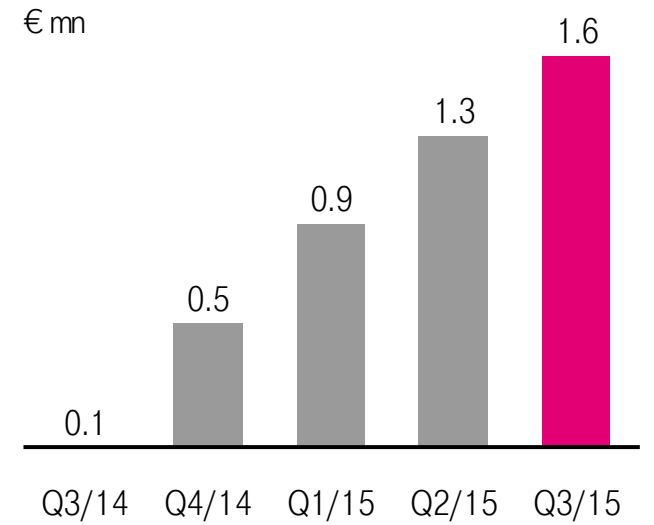
- Product world in silos
- Every tariff element to be booked separately

FROM SEPARATE, COMPLEX TARIFFS...

- Convergent portfolio, also beyond tariffs
- Seamless connectivity

...TO FULLY INTEGRATED TODAY.

MAGENTA EINS CUSTOMER BASE



- Stronger than expected momentum (initial target of 3m customers year end 2018)
- Incremental household revenue of €6/month ahead of expectations
- Better, rather than more, discounting
- Going forward, increasing focus on monetization

GERMAN TOTAL SERVICE REVENUES: EXECUTION TOWARDS CMD AMBITION LEVELS

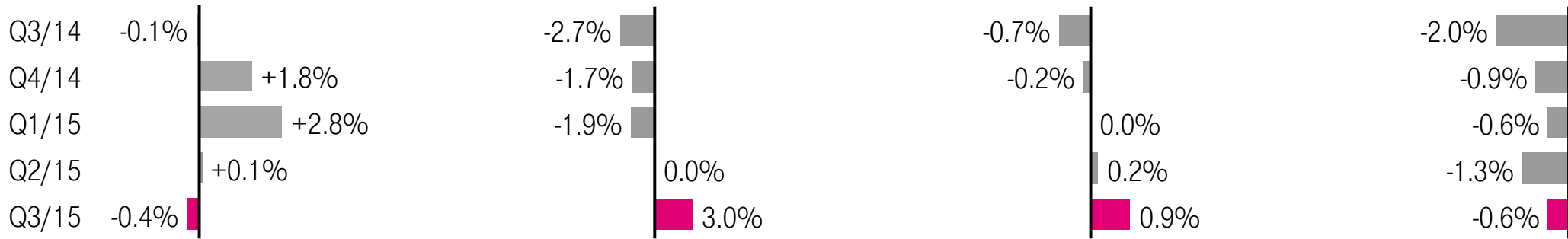
GROWTH RATES YOY

MOBILE SERVICE REVS

WHOLESALE REVS³

BROADBAND REVS²

TOTAL SERVICE REVS



MEDIUM TERM GUIDANCE

(2014 – 2018 CAGR)

MOBILE SERVICE REVS

WHOLESALE REVS

BROADBAND REVS

TOTAL REVS

≈+1%¹

+0.0%

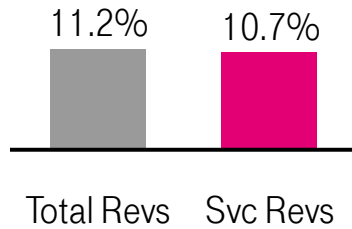
+2.0%

+0.3%¹

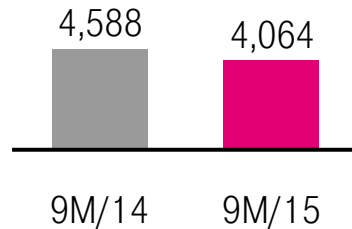
1) Without EU roaming impact 2) Percentage changes for Q3/Q4 2014 not restated 3) Revenue in Q3/15 benefitted from special factor related to settlement agreements concerning charged fees from previous years. Adjusted growth rate at 0.0%

FIRST NINE MONTHS T-MOBILE US: STRONG MOMENTUM CONTINUES

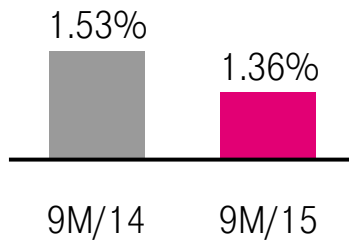
REVENUE GROWTH YOY %



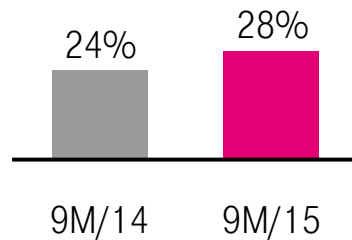
BRANDED NET ADDS '000



CHURN %*



EBITDA MARGIN %**



FIRST NINE MONTHS 2015 HIGHLIGHTS

- Third largest US wireless carrier with >61M customers
- 5th consecutive quarter with > 1 million branded net adds
- Metro PCS network shut down accomplished, faster than planned, on July 1st
- Cost of service down almost two percentage points
- Year end 2015 goal of total 4G LTE POP coverage of 300M already achieved
- A-Block (700MHz) spectrum becoming available to ~60% of US population by year end
- FCC confirming 600MHz auction in early 2016, with up to 30MHz reserved spectrum

* Branded postpaid phone churn

** Adjusted



LIFE IS FOR SHARING.

LEADING EUROPEAN TELCO: FOCUS ON ROCE

II EQUITY

RELIABLE SHAREHOLDER REMUNERATION POLICY

- **DIVIDEND¹**
 - Following FCF growth
 - Floor at €0.50 per share
 - Attractive option: Dividend in kind

STRATEGY LEADING EUROPEAN TELCO

INTEGRATED IP NETWORKS

BEST CUSTOMER EXPERIENCE

WIN WITH PARTNERS

LEAD IN BUSINESS

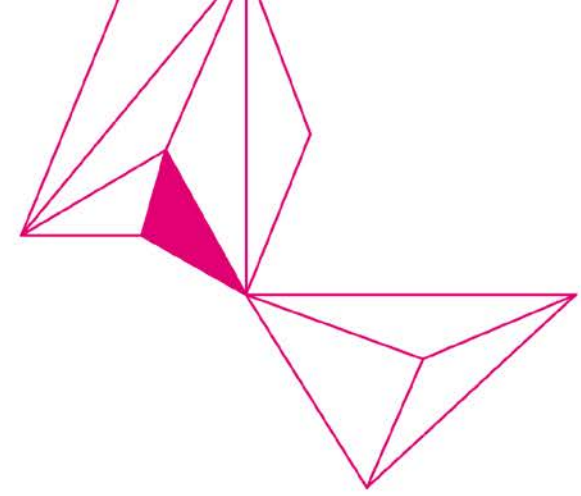
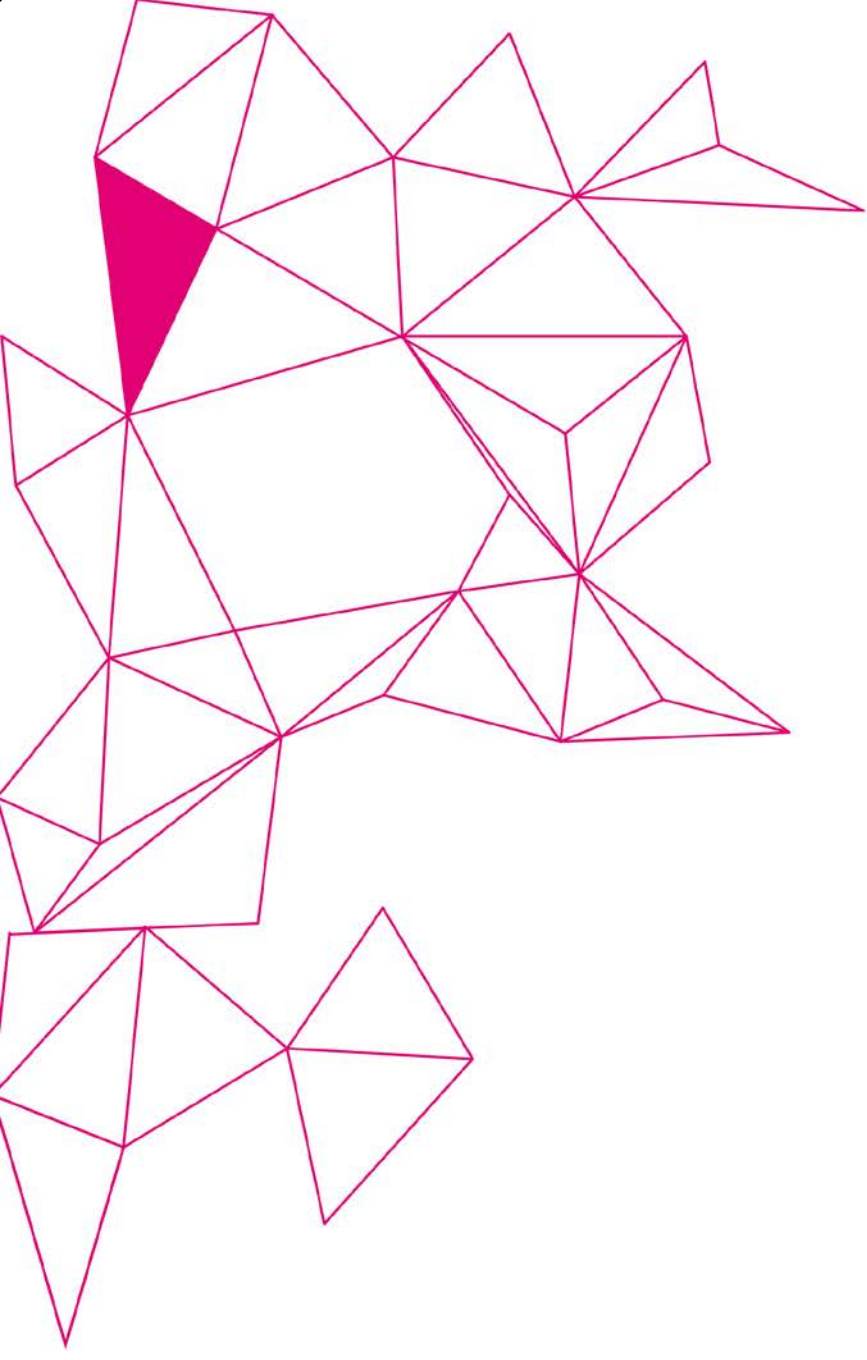
I VALUE CREATION: ROCE > WACC

- 1 INFRASTRUCTURE TRANSFORMATION**
Support fast IP migration and transform network infrastructure
- 2 COST TRANSFORMATION**
Reduce indirect cost
- 3 PORTFOLIO MANAGEMENT**
Deliver on preferred business model (integrated + B2C/B2B) and value generation
- 4 RISK MANAGEMENT**
Maintain low risk country portfolio

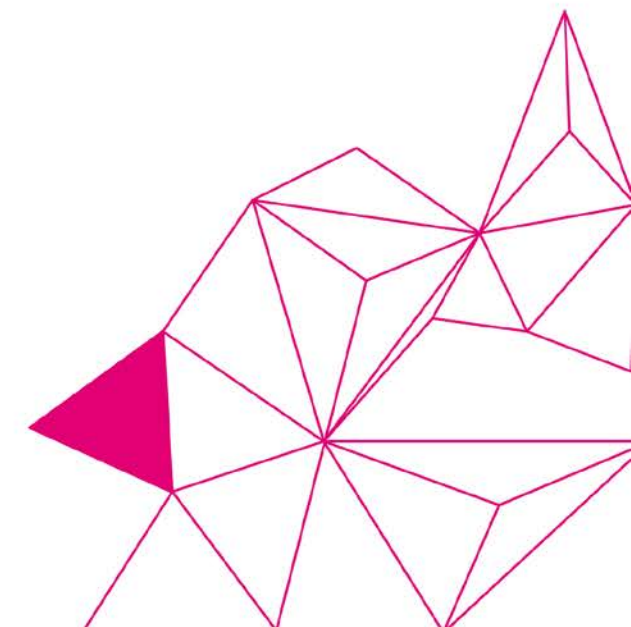
III DEBT

UNDISPUTED ACCESS TO DEBT CAPITAL MARKETS

- **RATING**
A-/BBB
- **NET DEBT/ADJ. EBITDA**
2–2.5x
- **EQUITY RATIO**
25–35%
- **LIQUIDITY RESERVE**
covers maturities of coming 24 months



THANK YOU!



FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

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