



DEUTSCHE TELEKOM
MIDYEAR 2015
UPDATE
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This presentation contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. These forward-looking statements include statements with regard to the expected development of revenue, earnings, profits from operations, depreciation and amortization, cash flows and personnel-related measures. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. Among the factors that might influence our ability to achieve our objectives are the progress of our workforce reduction initiative and other cost-saving measures, and the impact of other significant strategic, labor or business initiatives, including acquisitions, dispositions and business combinations, and our network upgrade and expansion initiatives. In addition, stronger than expected competition, technological change, legal proceedings and regulatory developments, among other factors, may have a material adverse effect on our costs and revenue development. Further, the economic downturn in our markets, and changes in interest and currency exchange rates, may also have an impact on our business development and the availability of financing on favorable conditions. Changes to our expectations concerning future cash flows may lead to impairment write downs of assets carried at historical cost, which may materially affect our results at the group and operating segment levels. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

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

TECHNOLOGY
BEST NETWORK LEADERSHIP All-IP
SUPERIOR PRODUCTION MODEL
GROW ROCE **SMART M&A**
BEST CUSTOMER EXPERIENCE
CONVERGENCE
CLOUD
LEAD IN BUSINESS

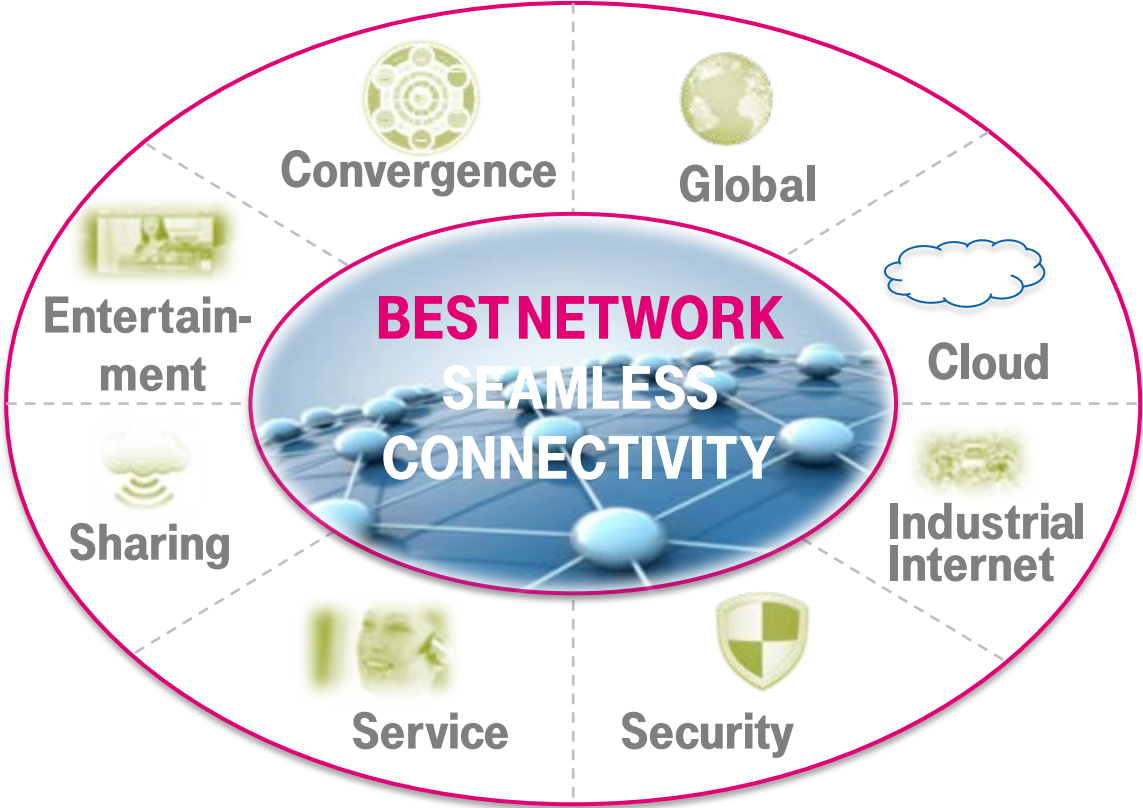
WIN WITH PARTNERS
STECKERLEISTE
MOST TRUSTED BRAND
UNCARRIER
REMOVING PAIN POINTS
ECOSYSTEM
SMART M&A
INDUSTRIAL INTERNET

DIVIDEND GROWTH
GROW CASH FLOW
IT-SECURITY



LIFE IS FOR SHARING.

BEST NETWORK: SEAMLESS CONNECTIVITY



CONSUMERS

BUSINESS CUSTOMERS



LIFE IS FOR SHARING.

BEST NETWORK: MAJOR TRANSFORMATION UNDER WAY

ALL-IP TRANSFORMATION



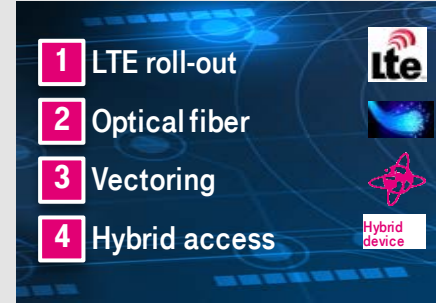
- Radical simplification
- Improved customer experience

PAN-EUROPEAN NETWORK



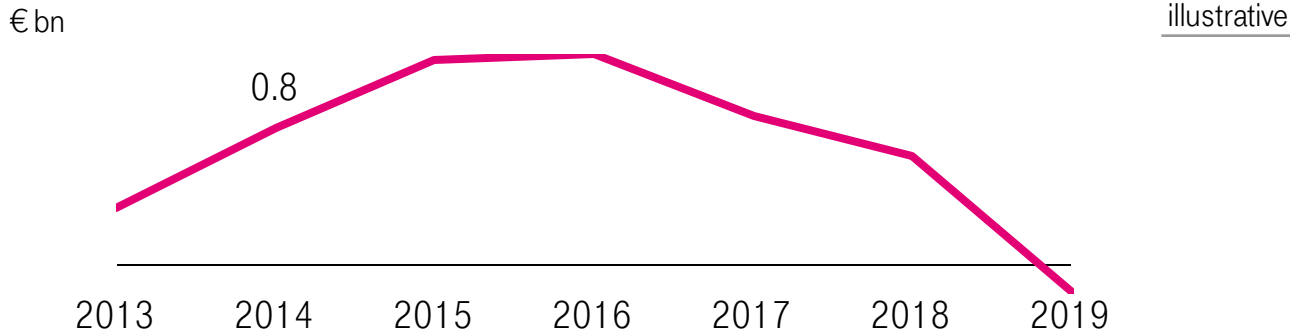
- Integrated pan-European service production
- Improved customer experience & time to market

INTEGRATED NETWORK STRATEGY

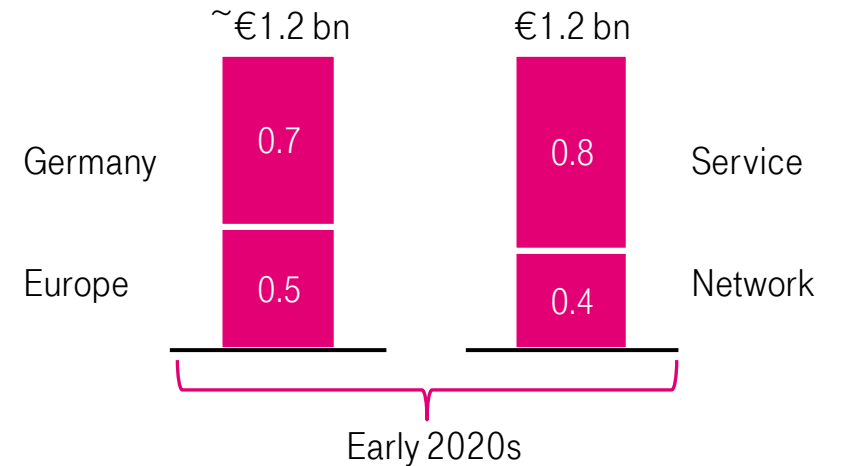


- German fibre footprint reaching 80% of homes by 2018
- Super-vectoring and hybrid router
- > 100 Mbps for > 50% of European homes by 2018

OPEX AND CAPEX: DIGITAL TRANSFORMATION, IP TRANSFORMATION, PAN-EUROPEAN NETWORK*



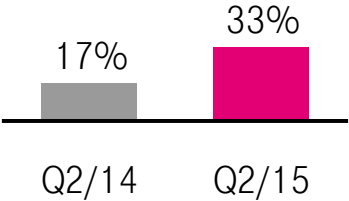
Steady state benefits



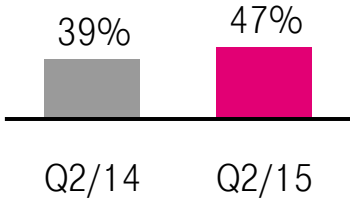
*Excl. special factors. Measure related effects incl. savings. PanNet w/o transport & access. INS Opex in German fixed network also included.

BEST NETWORK: TRANSFORMATION KEY METRICS

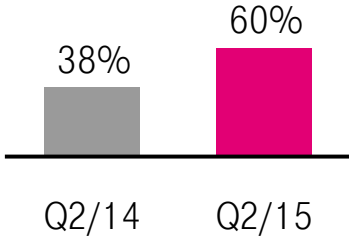
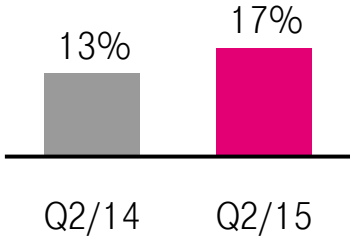
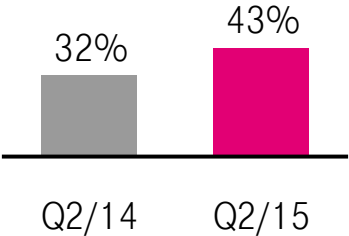
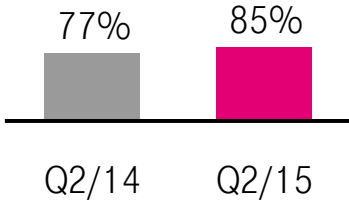
IP SHARE OF FIXED ACCESS LINES



FIBRE ROLLOUT

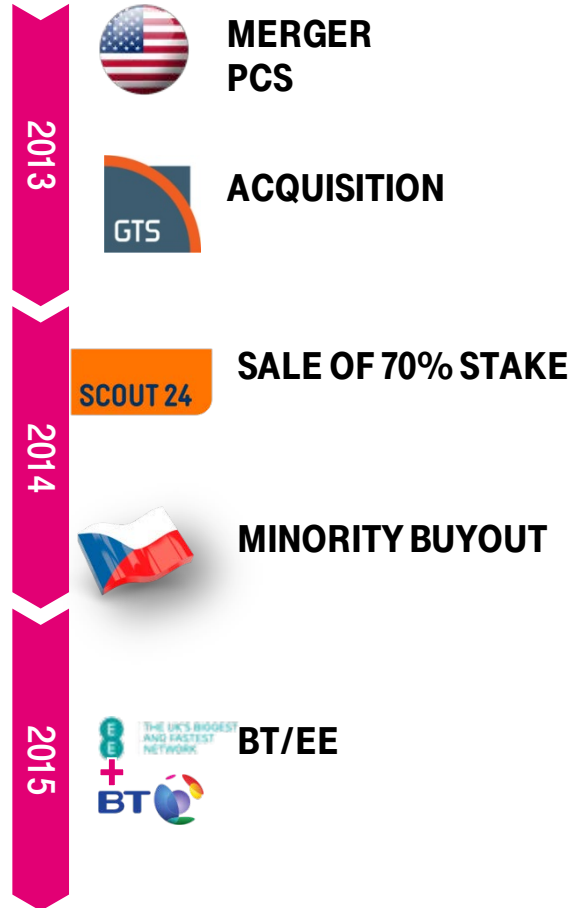


LTE ROLLOUT



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PORTFOLIO STRATEGY: DISCIPLINED EXECUTION



RECENT TRANSACTIONS

SLOVAK TELEKOM MINORITIES

- Quality asset
- Attractive valuation

GERMAN SPECTRUM AUCTION

- DT acquired 100 of 270MHz available spectrum.
- Strengthening our German network leadership

TRANSFER OF TEF D CELL SITES

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

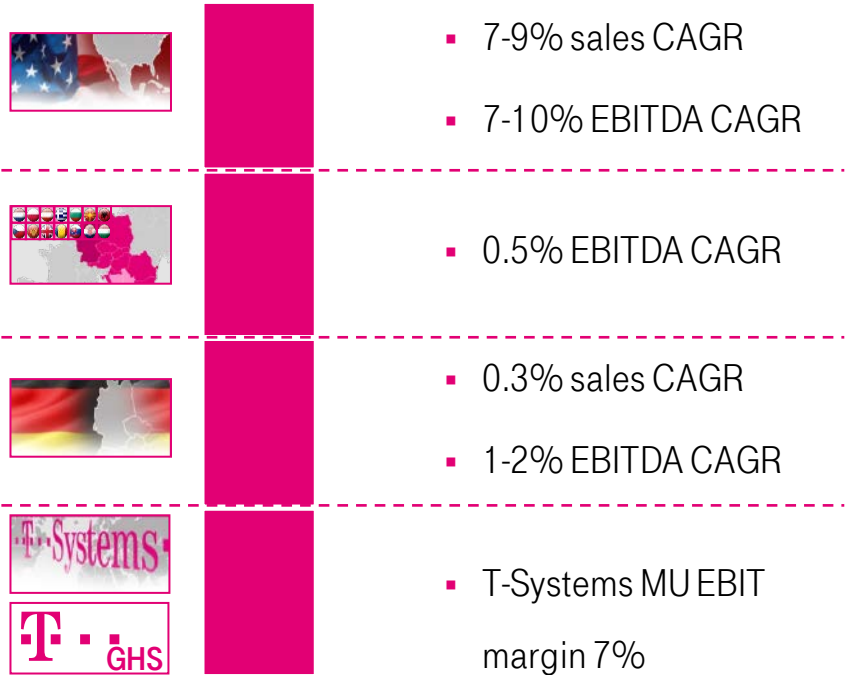
GUIDING PRINCIPLES

- 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

OUR CMD TARGETS: WE ARE WELL ON TRACK

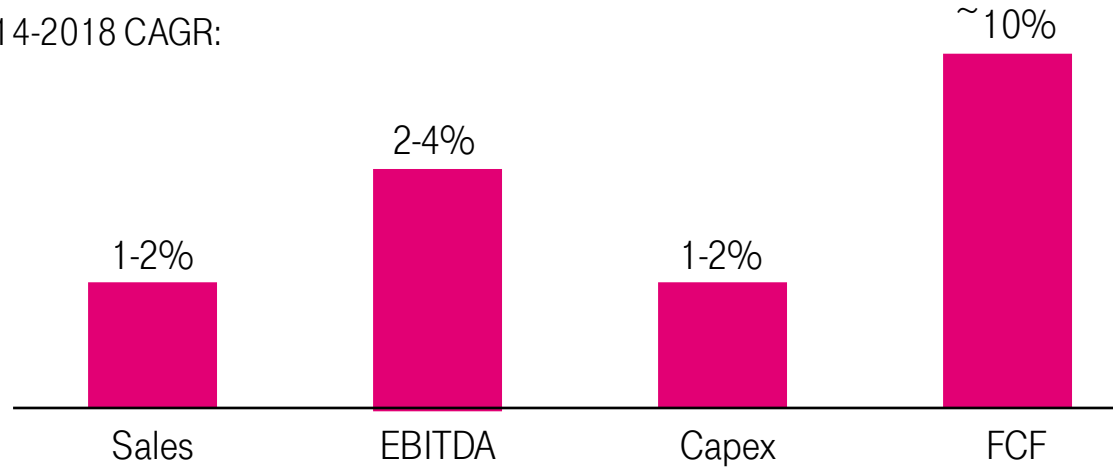
SEGMENT LEVEL *

€ 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

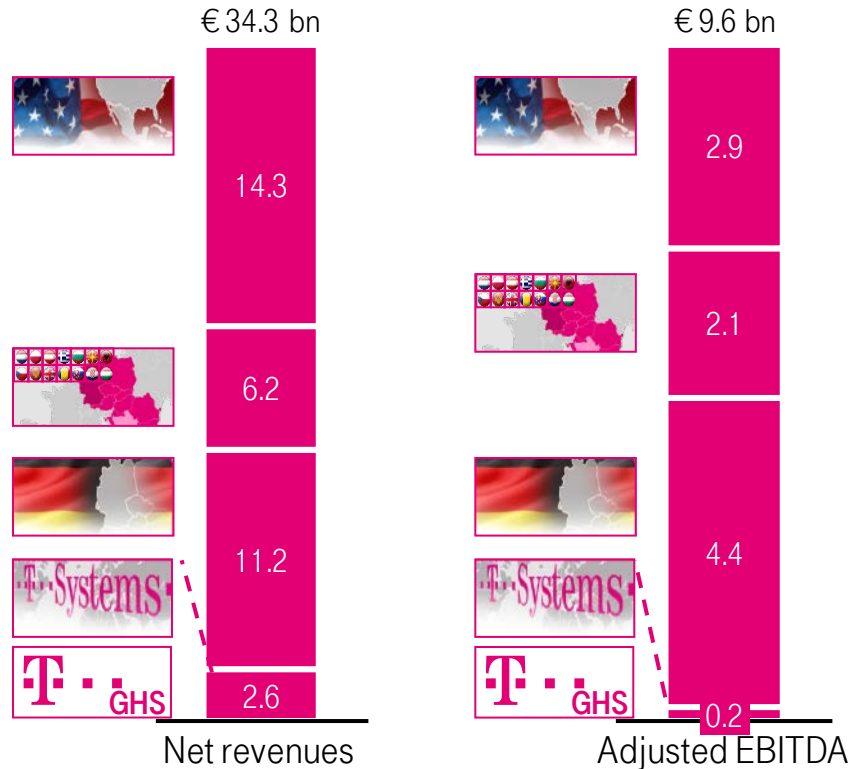
*2014-2018, except US (2012-2017)

** Based on 2014 average exchange rates

H1 2015: GROWTH AND TRANSFORMATION IN FOCUS

CONTRIBUTION OF THE SEGMENTS

€ bn

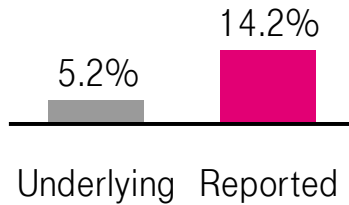


SEGMENT VIEW

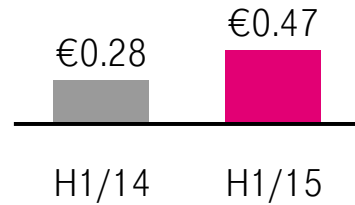
- Rapid subscriber growth and margin expansion
- Low-band spectrum opportunities
- Progress towards operational stabilization
- Peer-leading network transformation program
- Strong momentum in fibre and convergence
- Significant investments in network transformation
- T-Systems focusing on higher margin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

H1 2015: STRONG FINANCIALS

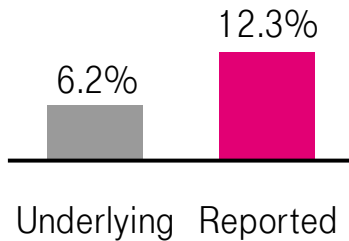
REVENUE GROWTH



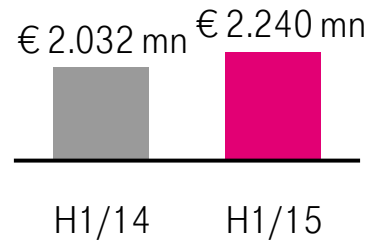
EPS* €/SHARE



EBITDA GROWTH*



FCF*



*H1 2015 positively impacted by € 175mn from a settlement

KEY MESSAGES

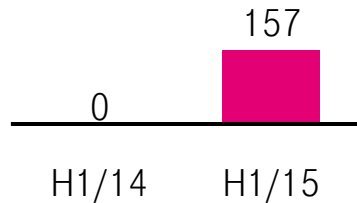
- Strong growth in revenue, adj. EBITDA and FCF
- Ahead of track in key KPI's (Fibre, All-IP, Magenta EINS, US postpaid)
- Heavy investments in our network transformation, funded by strict cost management
- Well on track for our 2015 guidance and our Capital Markets Day targets



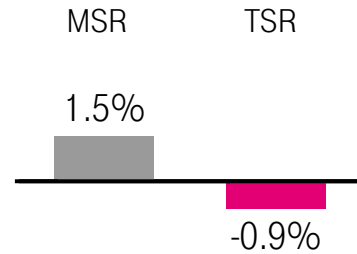
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GERMANY: KPI MOMENTUM AND TRANSFORMATION INVESTMENTS

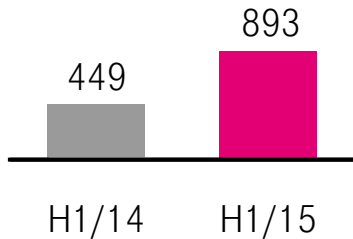
BROADBAND NET ADDS '000



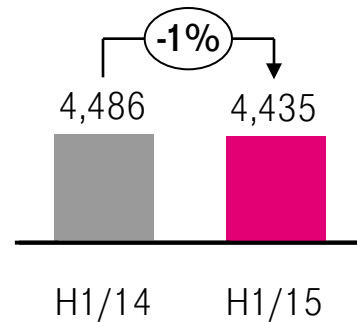
H1 SERVICE REVENUE GROWTH % Y/Y



FIBRE NET ADDS '000



EBITDA € MN



H1 HIGHLIGHTS

- Growing faster than expected in key KPI's
 - 157k broadband net adds
 - 760k Magenta EINS net adds
 - 2m lines migrated to All-IP
- Line loss down to 118k in Q2
- Mobile service revenues in Q1/Q2 impacted by convergence and volatility in large account billing, but no major changes in market environment or DT underlying trends
- EBITDA almost stable despite commercial momentum and transformation investments; committed to €8.8bn 2015 target

GERMANY: FOCUS ON SERVICE REVENUE PERFORMANCE

GERMAN TOTAL SERVICE REVENUES¹

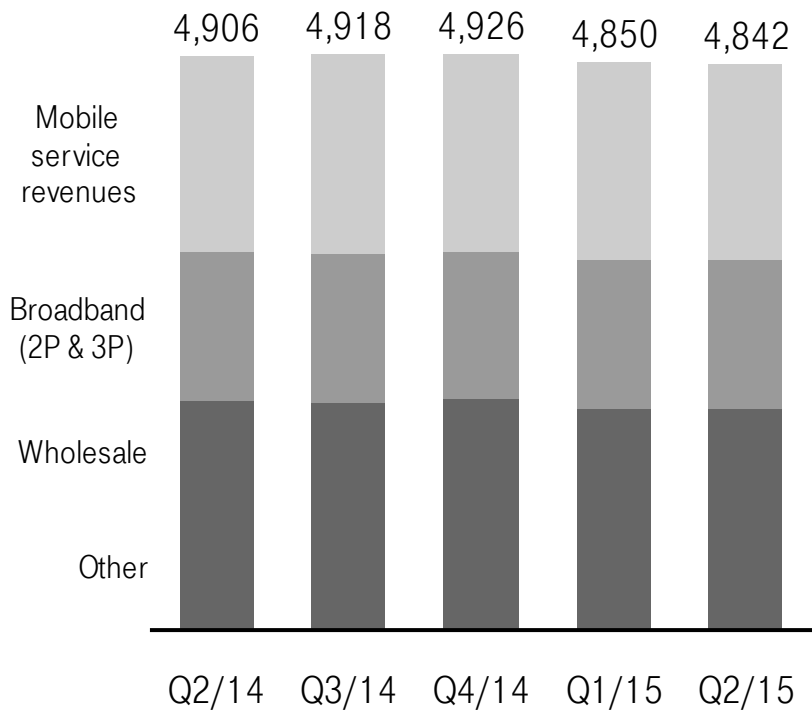
H1 GROWTH RATE

DRIVERS

MEDIUM TERM GUIDANCE

€ mn

(2014 – 2018 CAGR)



-0.9%



+1.5%



+0.1%



-0.9%

- + Underlying growth
- Convergence accounting

- + Volume growth
- Promotions

- + Fiber wholesale

- Legacy attrition accelerated by all-IP

+1%²



+2%



Stable



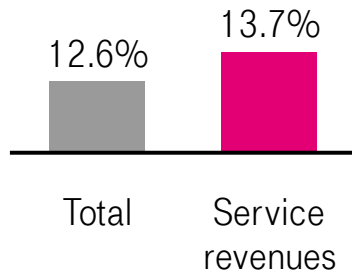
**German revenues:
+0.3% CAGR²**



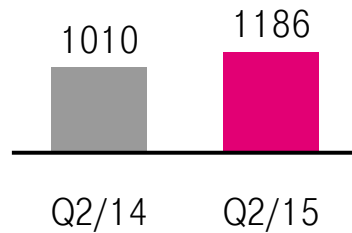
1) Core fixed excl. device revenues, plus wholesale wireline, plus mobile service revenues
2) Without EU roaming impact

T-MOBILE US: STRONG MOMENTUM CONTINUES

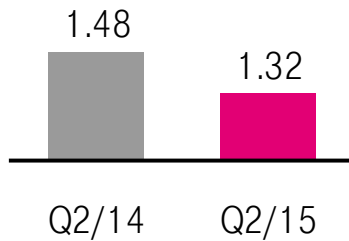
REVENUE GROWTH YOY %



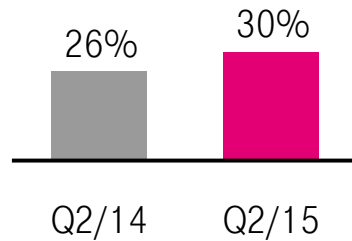
BRANDED NET ADDS '000



CHURN %*



EBITDA MARGIN %**



*Branded postpaid churn

** Adjusted

*** Q2 ARPU 1% higher than Q1, adjusted for impact of Data Stash deferral

Q2 HIGHLIGHTS

- Now the third largest US wireless carrier
- 6th consecutive quarter with > 1 million branded net adds
 - Postpaid phone ARPU sequentially stable***
- Metro PC'S network shut down accomplished, faster than planned, on July 1st
- Cost of service down four percentage points
- 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



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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

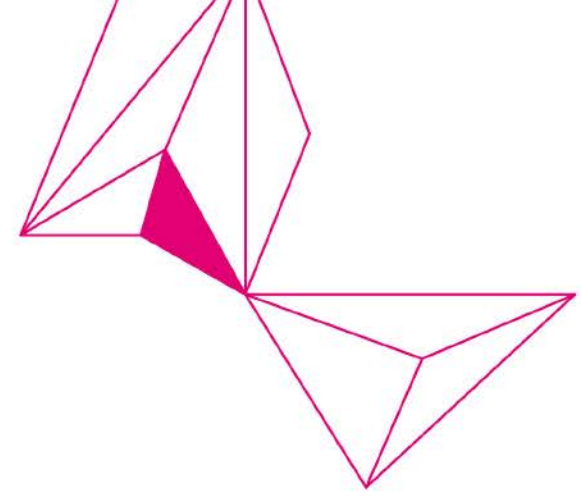
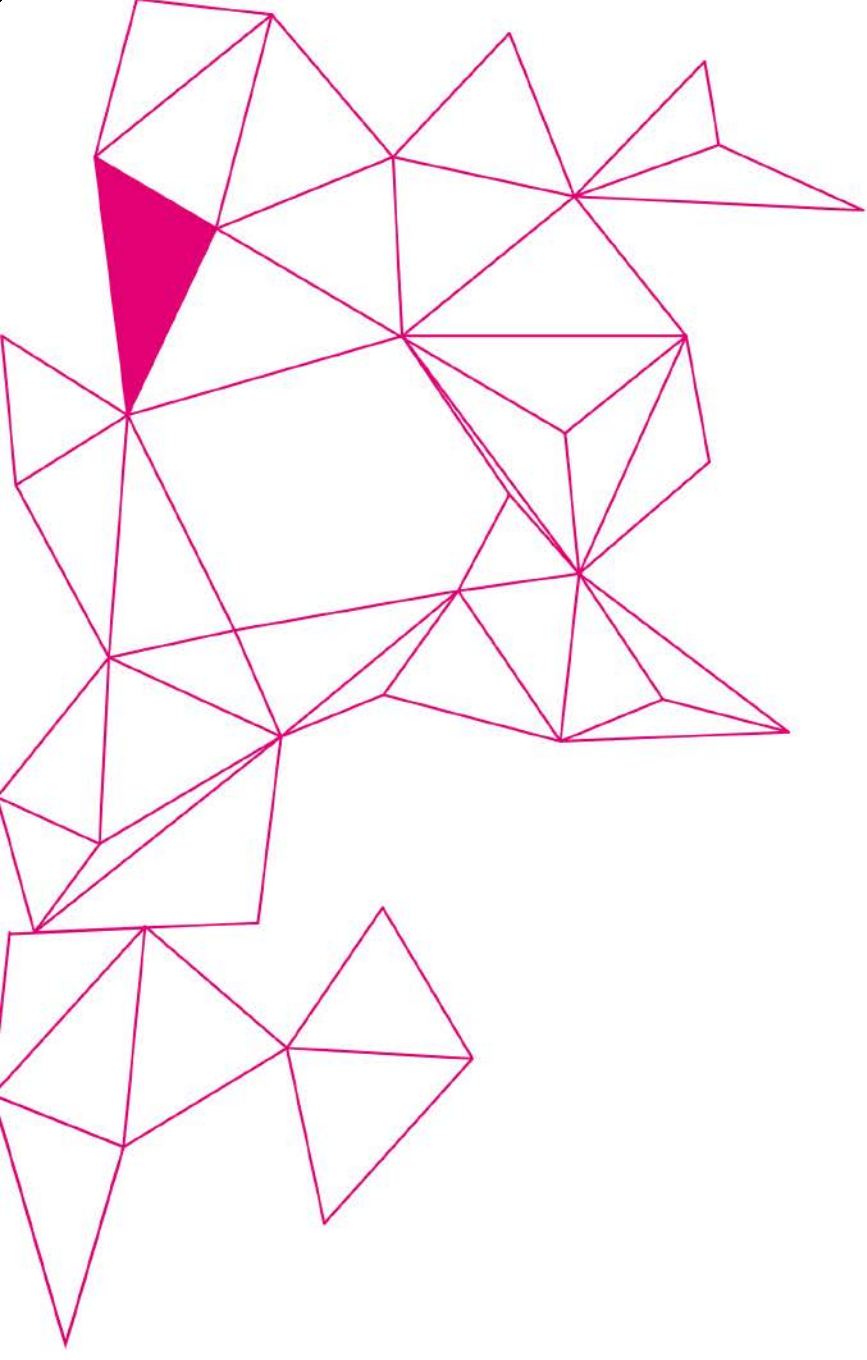
- 1 INFRASTRUCTURE TRANSFORMATION**
Support fast IP migration and transform network infrastructure
- 2 COST TRANSFORMATION**
Reduce indirect cost
- 3 PORTFOLIO MANAGEMENT**
Deliver on preferred business model (integrated + B2C/B2B) and value generation
- 4 RISK MANAGEMENT**
Maintain low risk country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

III DEBT

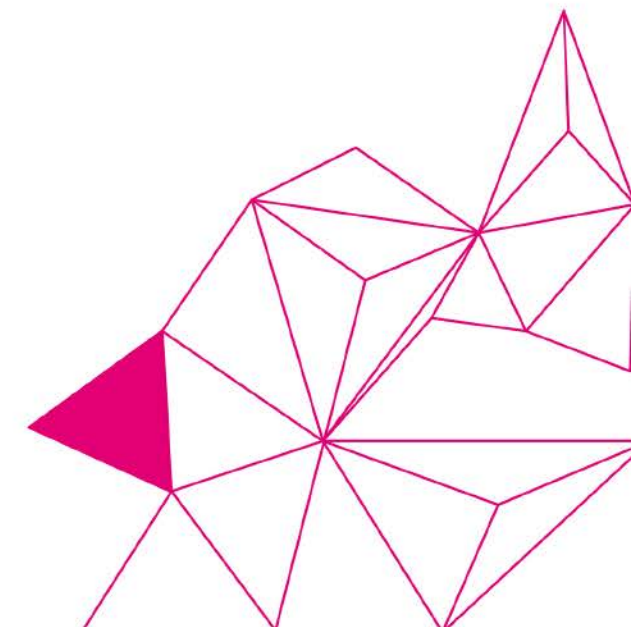
UNDISPUTED ACCESS TO DEBT CAPITAL MARKETS

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

¹ Subject to necessary AGM approval and board resolution



THANK YOU!



FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

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