



**DEUTSCHE TELEKOM**  
MIDYEAR 2015  
UPDATE  
**T...**

LIFE IS FOR SHARING.

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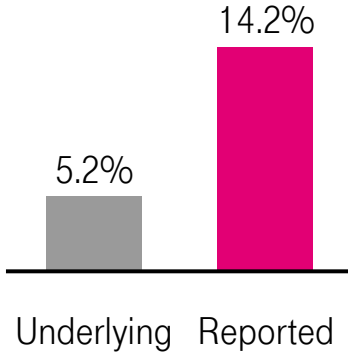
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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income,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

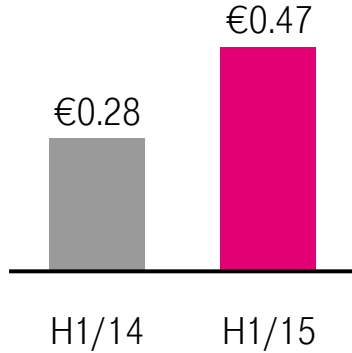


# DEUTSCHE TELEKOM H1 2015: KEY MESSAGES

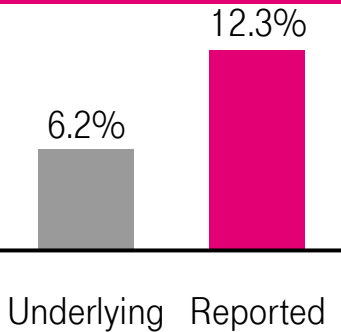
## REVENUE GROWTH



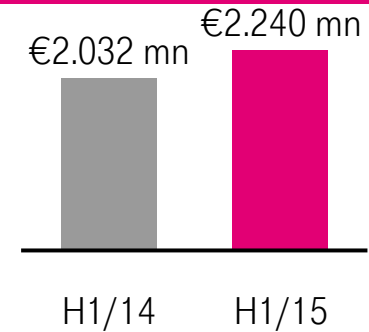
## EPS<sup>1</sup> €/SHARE



## EBITDA GROWTH\*



## FCF\*



<sup>1</sup> H1 2015 positively impacted by € 175mn from a settlement

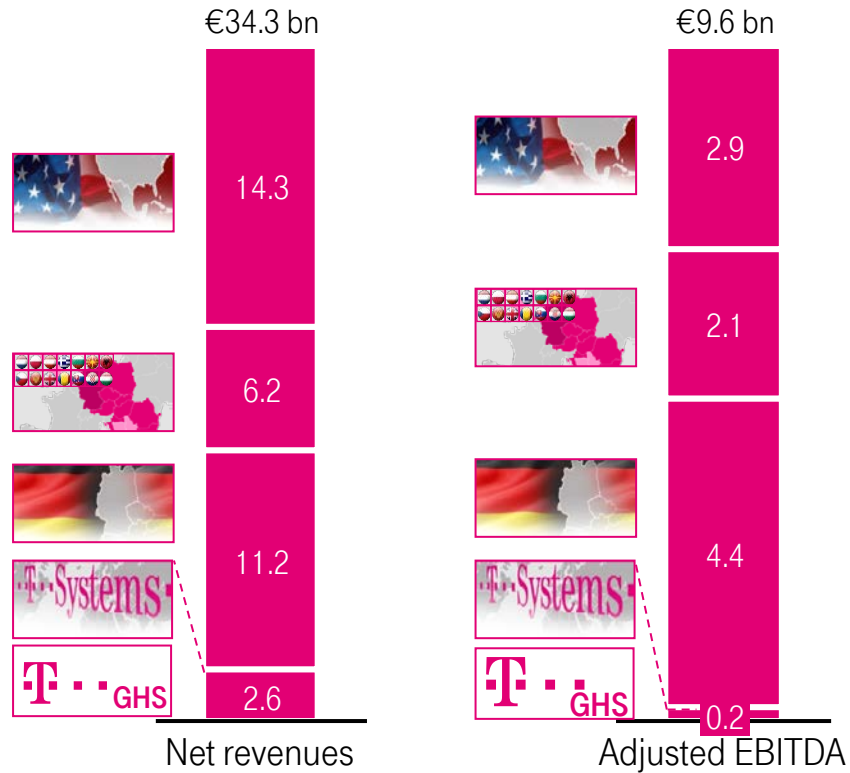
## KEY MESSAGES

- 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

# DEUTSCHE TELEKOM H1 2015: SEGMENT VIEW

## CONTRIBUTION OF THE SEGMENTS

€ bn

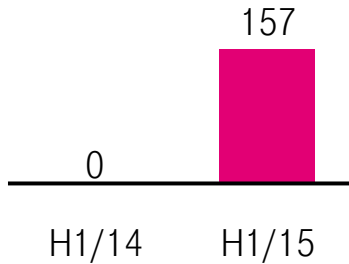


## SEGMENT VIEW

- 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

# GERMANY: KPI MOMENTUM AND TRANSFORMATION INVESTMENTS

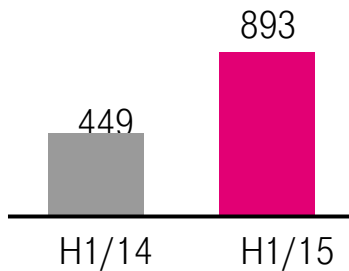
## BROADBAND NET ADDS '000



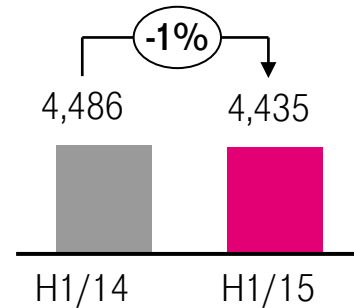
## H1 SERVICE REVENUE GROWTH % Y/Y



## FIBRE NET ADDS '000



## EBITDA € MN



## H1 HIGHLIGHTS

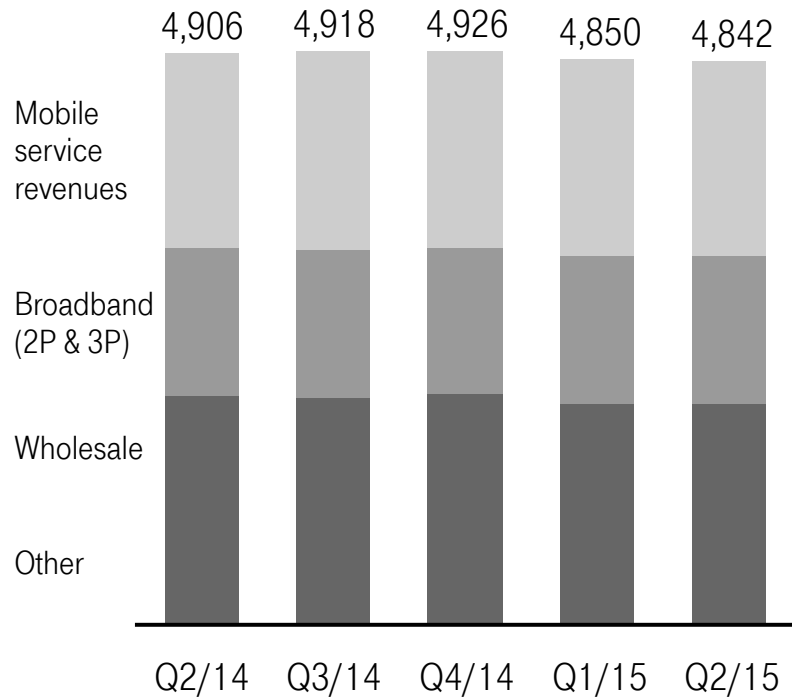
- Growing faster than expected in key KPIs
  - 157k broadband net adds
  - 760k Magenta EINS net adds
  - 2m lines migrated to All-IP
- Line loss down to 118k in Q2
- Mobile service revenues in Q1/Q2 impacted by convergence and volatility in large account billing, but no major changes in market environment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



# FOCUS ON GERMAN SERVICE REVENUE PERFORMANCE

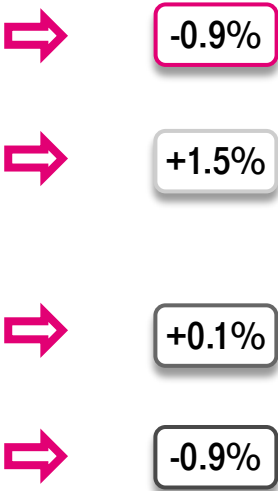
## GERMAN TOTAL SERVICE REVENUES<sup>1</sup>

€ mn



<sup>1</sup> Core fixed excl. device revenues, plus wholesale wireline, plus mobile service revenues  
<sup>2</sup> Without EU roaming impact

## H1 GROWTH RATE



## DRIVERS

- + Underlying growth
- Convergence accounting
- + Volume growth
- Promotions
- + Fiber wholesale
- Legacy attrition accelerated by all-IP

## MEDIUM TERM GUIDANCE

(2014 – 2018 CAGR)

+1%<sup>2</sup>



+2%



Stable

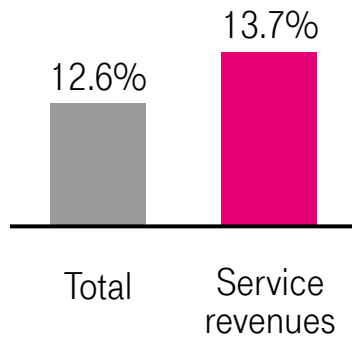


**German revenues: +0.3% CAGR<sup>2</sup>**

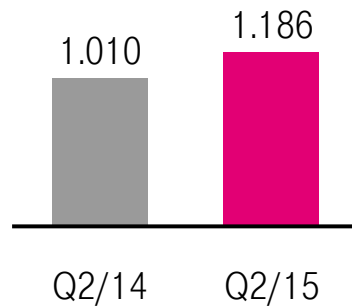


# T-MOBILE US: STRONG MOMENTUM CONTINUES

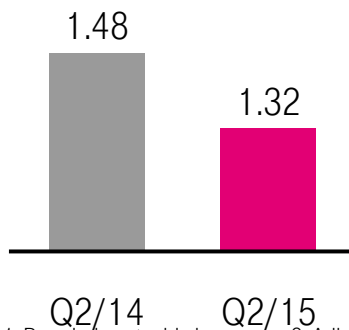
## REVENUE GROWTH YOY %



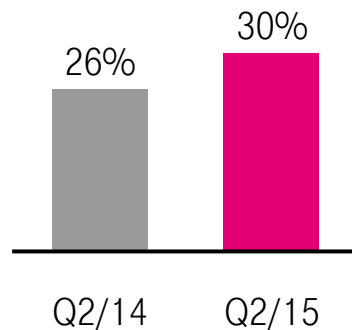
## BRANDED NET ADDS '000



## CHURN %<sup>1</sup>



## EBITDA MARGIN %<sup>2</sup>



<sup>1</sup> Branded postpaid churn <sup>2</sup> Adjusted  
<sup>3</sup> 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<sup>3</sup>
- 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

# DEUTSCHE TELEKOM: FOCUS ON RETURNS

## II EQUITY

### RELIABLE SHAREHOLDER REMUNERATION POLICY

- **DIVIDEND<sup>1</sup>**
  - 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

<sup>1</sup> Subject to necessary AGM approval and board resolution



# MAJOR NETWORK TRANSFORMATION INVESTMENT UNDER WAY

## ALL-IP TRANSFORMATION



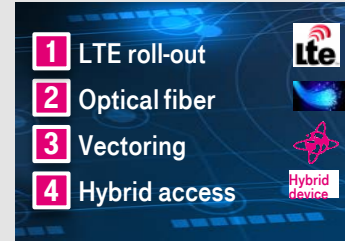
- Radical simplification
- Improved customer experience

## PAN-EUROPEAN NETWORK



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

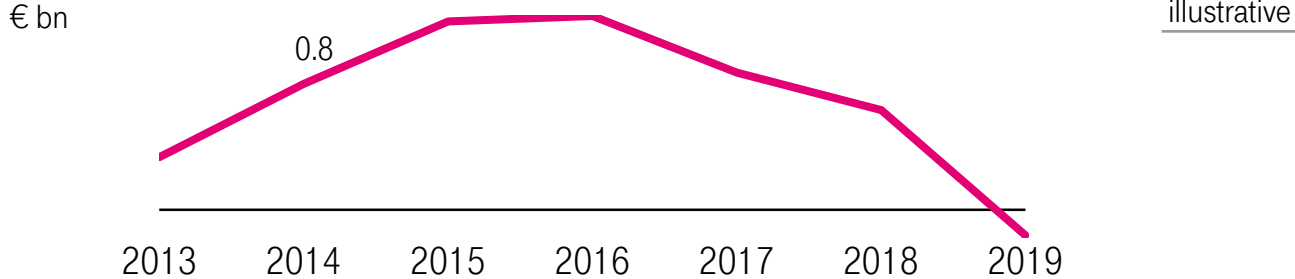
## INTEGRATED NETWORK STRATEGY



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



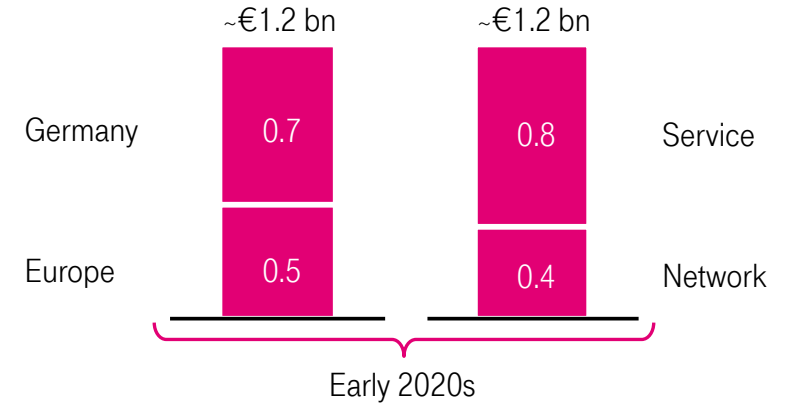
## OPEX AND CAPEX: DIGITAL TRANSFORMATION, IP TRANSFORMATION, PAN-EUROPEAN NETWORK<sup>1</sup>



illustrative

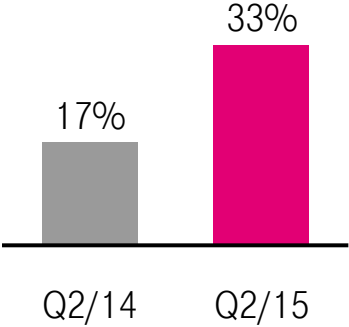
<sup>1</sup> Excl. special factors. Measure related effects incl. savings. PanNet w/o transport & access. INS Opex in German fixed network also included.

## STEADY STATE BENEFITS

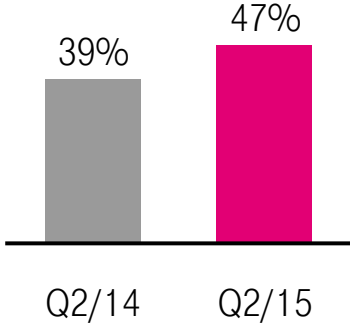


# NETWORK TRANSFORMATION: KEY METRICS

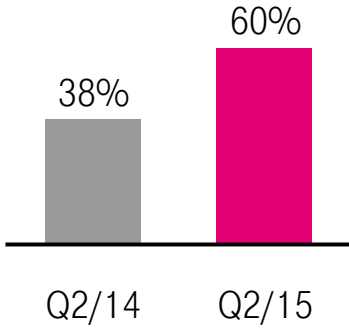
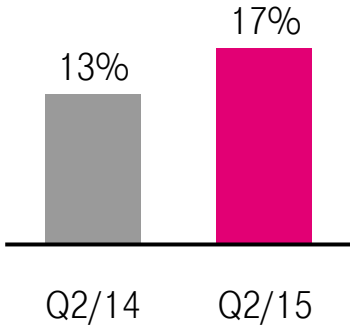
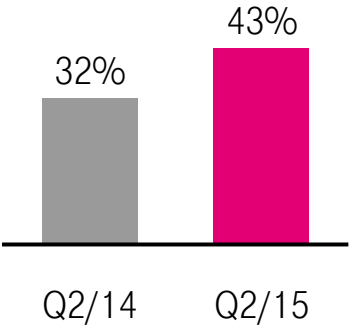
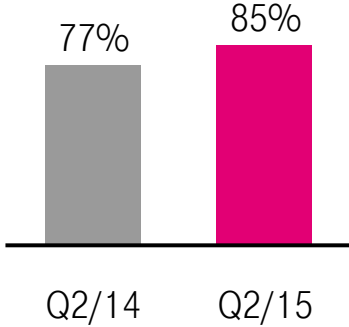
IP SHARE OF FIXED ACCESS LINES



FIBRE ROLLOUT




LTE ROLLOUT




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# PORTFOLIO STRATEGY: DISCIPLINED EXECUTION

**2013**

 **MERGER  
PCS**


 **ACQUISITION**


**2014**

 **SALE OF 70% STAKE**

 **MINORITY BUYOUT**

**2015**

 **BT/EE**

 **T-ONLINE/STRÖER**

## 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

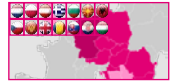
# OUR CMD TARGETS: WE ARE WELL ON TRACK

## SEGMENT LEVEL<sup>1</sup>

€ bn



- 7-9% sales CAGR
- 7-10% EBITDA CAGR



- 0.5% EBITDA CAGR



- 0.3% sales CAGR
- 1-2% EBITDA CAGR



- T-Systems MU EBIT margin 7%

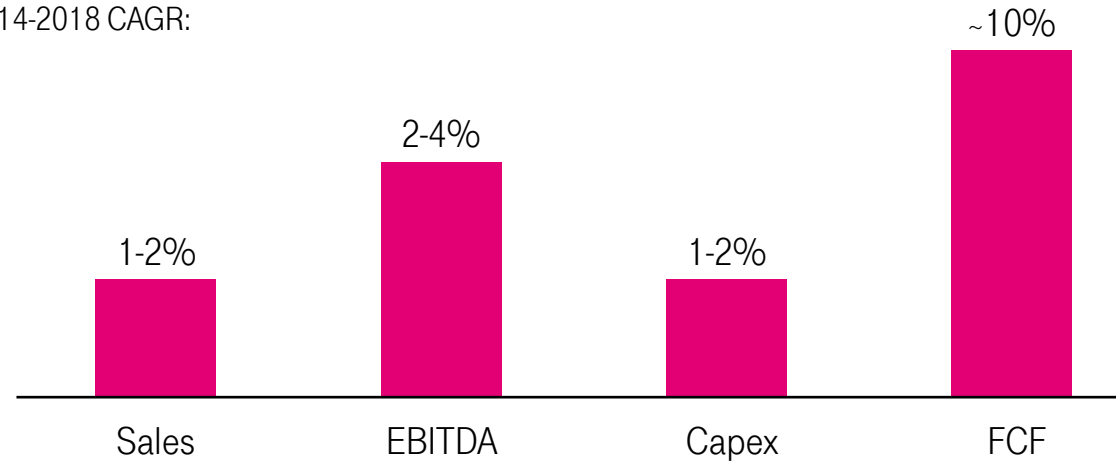


<sup>1</sup> 2014-2018, except US (2012-2017)

<sup>2</sup> Based on 2014 average exchange rates

## GROUP LEVEL<sup>2</sup>

2014-2018 CAGR:



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

# FURTHER QUESTIONS

## PLEASE CONTACT THE IR DEPARTMENT

### INVESTOR RELATIONS CONTACT DETAILS

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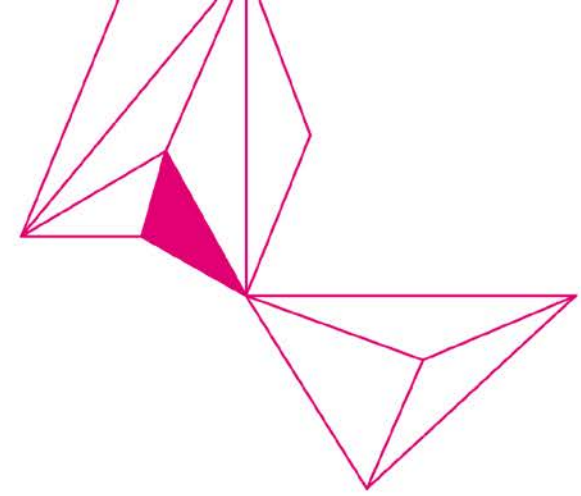
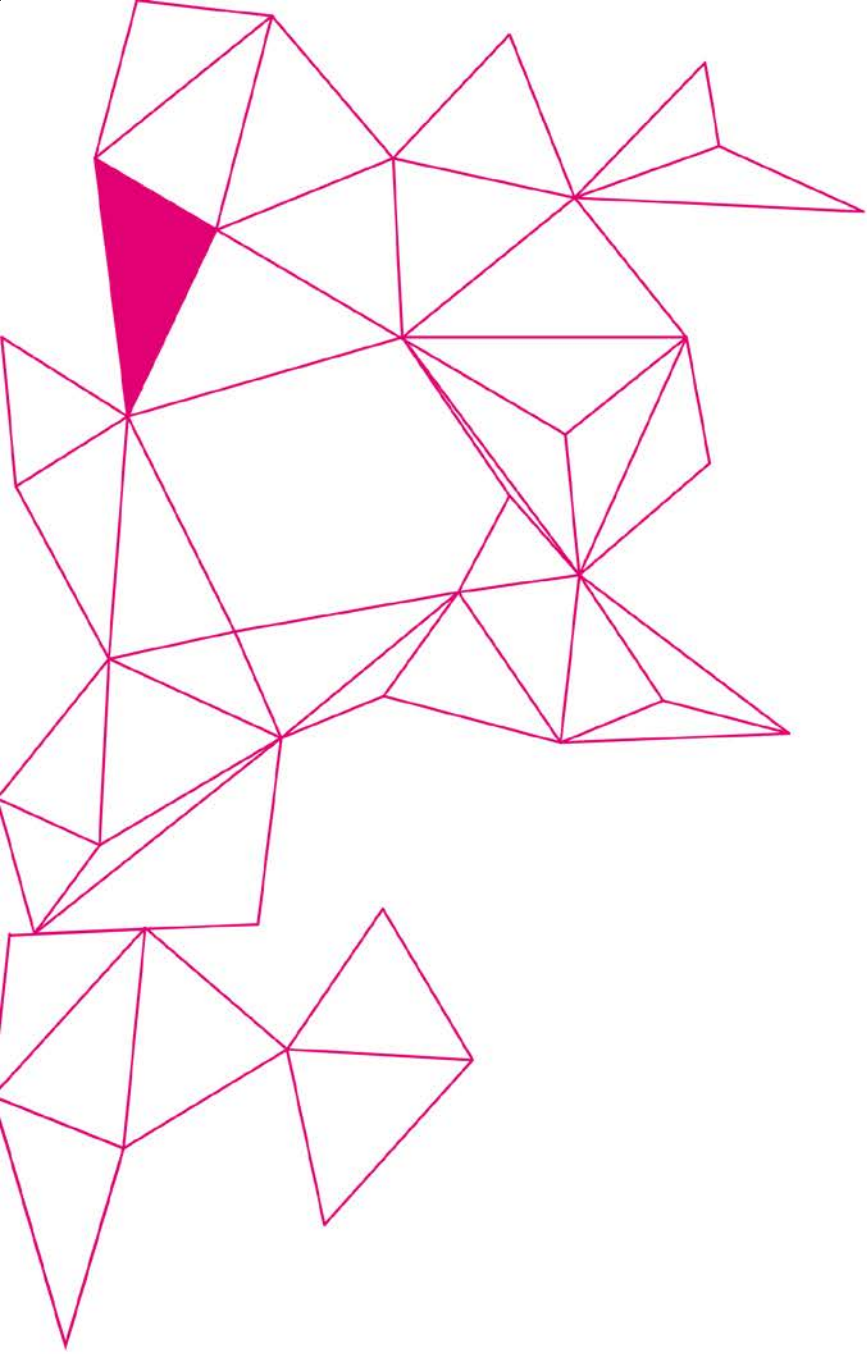


### IR YOUTUBE PLAYLIST

[www.youtube.com/deutschetelekom](http://www.youtube.com/deutschetelekom)



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