

# DEUTSCHE TELEKOM

## Q4/12 RESULTS



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# REVIEW FY 2012

# 2012 KEY ACHIEVEMENTS: FINANCIAL TARGETS ACHIEVED, CUSTOMER TARGETS IN GERMANY AND EUROPE OVERACHIEVED

## GROUP

- Group key objectives achieved against industry trend: adj. EBITDA of €18 billion and FCF of €6.2 billion
- Dividend policy: proposal of €0.70 dividend per share for FY 2012; prudent and sustainable dividend policy for the years 2013/2014 introduced

## GERMANY

- Key financials: revenue trend further improved to -2.0% after -4.1% in 2011; adj. EBITDA-margin at 40%
- Strong 1,3 million mobile contract net adds, 2 million Entertain customers by YE/12, line losses down to 1 million, strong fiber net adds with 297k
- Future Integrated Network Strategy for Germany implemented, new fiber wholesale model introduced

## EUROPE

- Key financials: revenue decline significantly reduced to -4.0% after -5.5% in 2011<sup>1</sup>; underlying adj. EBITDA-margin roughly stable at 34%
- Strong growth in key growth areas: +970k mobile contract customers, +298k TV customers, +201k broadband customers
- Re-financing of OTE safeguarded well beyond 2014; LTE running in 4 countries

## US

- Key financials: trends remained challenging. Revenue in US-\$ -4.1%, adj. EBITDA in US-\$ -7.5%
- Improving customer trends: +203k mobile customers, branded contract customer losses improved, branded contract churn down 30bps to 2.4%
- Agreement with Apple, proposed merger with MetroPCS, sale of tower assets to support future performance

## SYSTEMS SOLUTIONS

- Key financials: revenue +0.6% mainly international, adj. EBITDA +11.2% due to cost reduction
- Order entry +18.1% to €8.7 billion mainly driven by new contract with Shell
- Foundation of Telekom IT to support group IT cost savings

<sup>1</sup> F/X adjusted, 2010 adjusted for deconsolidation of TM-UK.



# 2012: KEY FIGURES

€ bn	Q4			FY		
	2011	2012	Change	2011	2012	Change
Revenue	14,911	14,707	-1.4%	58,653	58,169	-0.8%
Adj. EBITDA	4,611	4,027	-12.7%	18,685	17,978	-3.8%
Adj. net profit	-92	203	n.a.	2,851	2,529	-11.3%
Net profit	-1,340	793	n.a.	557	-5,255	n.a.
Adj. EPS (in €)	-0.02	0.05	n.a.	0.66	0.59	-10.6%
EPS (in €)	-0.31	0.19	n.a.	0.13	-1.22	n.a.
Free cash flow	1,887	1,105	-41.4%	6,421	6,239	-2.8%
Cash capex	2,230	2,439	9.4%	8,406	8,432	0.3%
Net debt				40,121	36,860	-8.1%

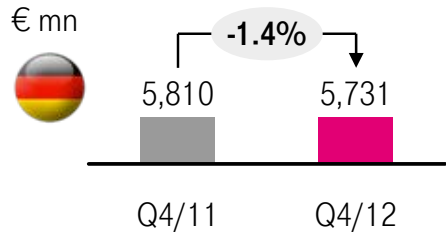


# 2010 – 2012: PERFORMANCE TOWARDS AMBITION LEVEL

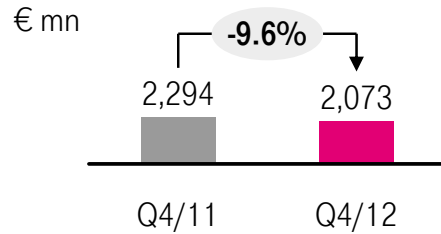
	Group ambition level 2012 (communicated in 2010)	
Group wide TV customers	5.5 – 6.0 mn	
Group wide mobile customers	>140 mn	
Group wide fixed broadband retail customers	>18 mn	
Revenues	>€6 bn mobile internet revenues	
	German revenues stabilized	
Save for Service 2010 – 2012	€4.2 bn savings, of which €1.8 bn net savings in GER & SEE	
FCF	Increasing from 2010 level of around €6.2 bn	
ROCE	+ >150bps	
Shareholder remuneration 2010 – 2012	€3.4 bn per annum, €0.70 minimum dividend per share	
	+ up to €1.2 bn share buybacks	

# Q4/12: MARKET INVEST IN GERMANY AND US IMPACT ADJ. EBITDA

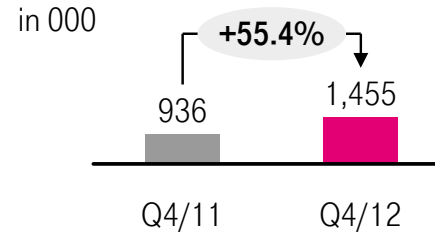
## Revenue



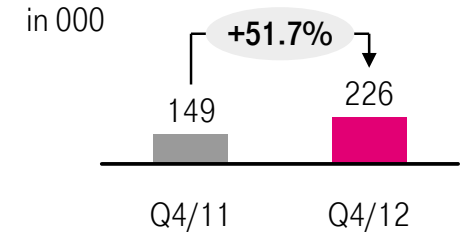
## Adj. EBITDA



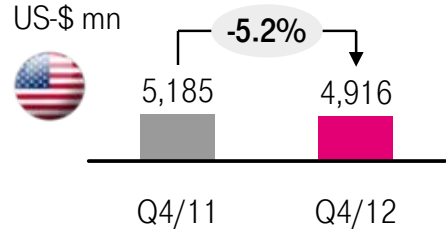
## Record smartphone sales



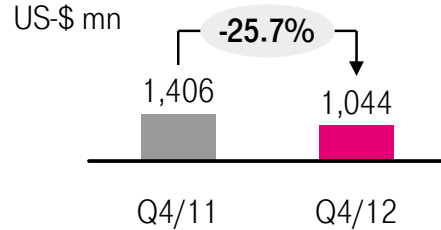
## Branded contract net adds



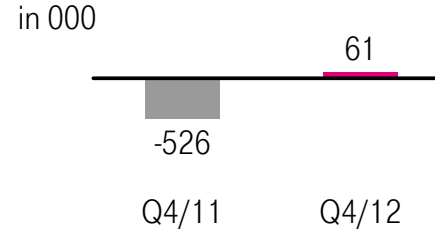
## Revenue



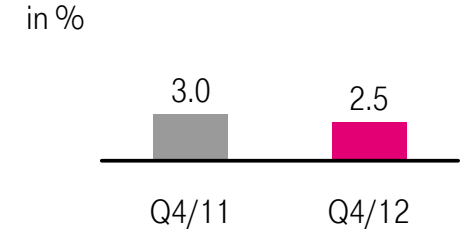
## Adj. EBITDA



## Positive net adds in Q4



## Branded contract churn



# DT GROUP GUIDANCE 2013 AND MID TERM AMBITION

	Guidance 2013 <sup>1</sup> (excl./incl. MetroPCS)	Mid term ambition <sup>1</sup> (incl. MetroPCS)
Group revenues		Growing 2014
Group adj. EBITDA	≈€17.4 bn/≈€18.4 bn	Growing 2014
Group FCF	≈€5 bn/≈€5 bn	≈€6 bn 2015
Group adj. EPS		Improvement to ≈€0.8 2015
Group ROCE		Improvement to ≈5.5% 2015
Shareholder remuneration policy	DPS €0.50/DPS €0.50	Review 2015

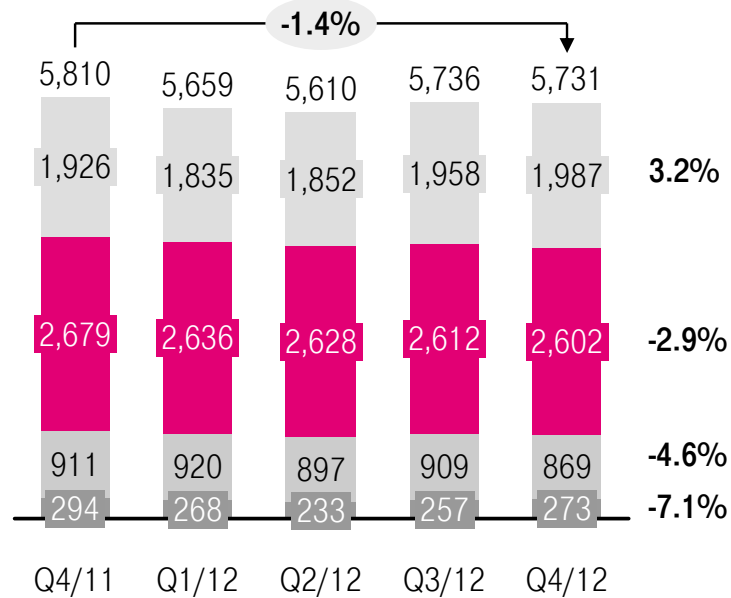
<sup>1</sup> Guidance based on constant exchange rates. 1€ = 1.27 US-\$.



# GERMANY: SOLID REVENUE TRENDS – ADJ. EBITDA AND OPEX DRIVEN BY 0.2 BILLION INCREASE IN MOBILE MARKET INVESTMENT

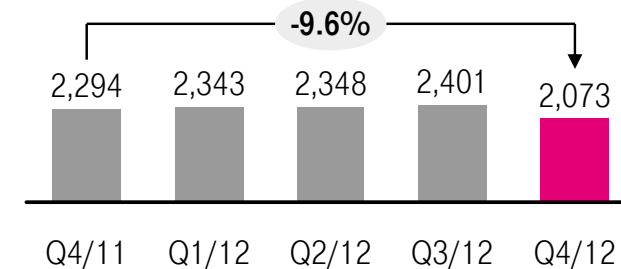
## Revenues

€ mn Mobile Core fixed Wholesale services Others



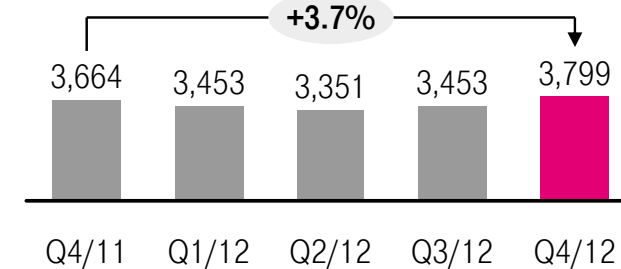
## Adj. EBITDA

€ mn



## Adj. OPEX

€ mn

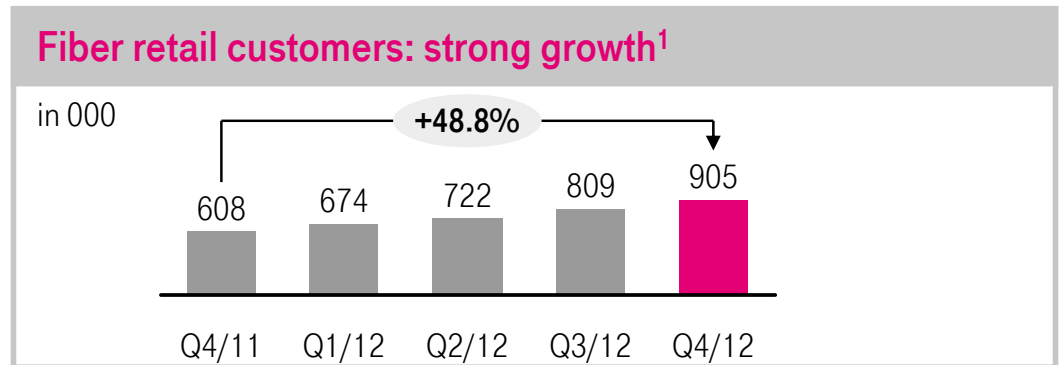
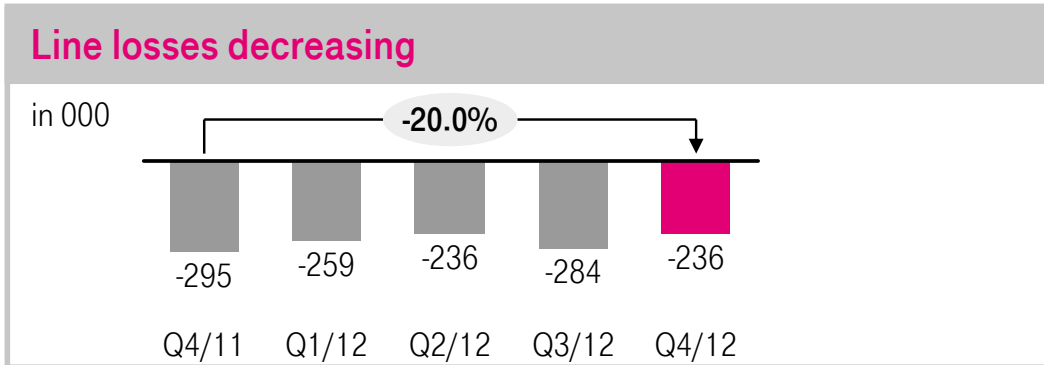
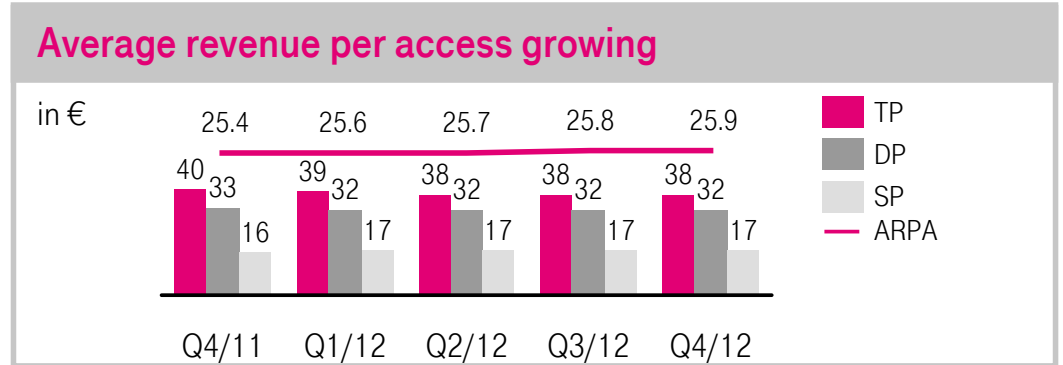
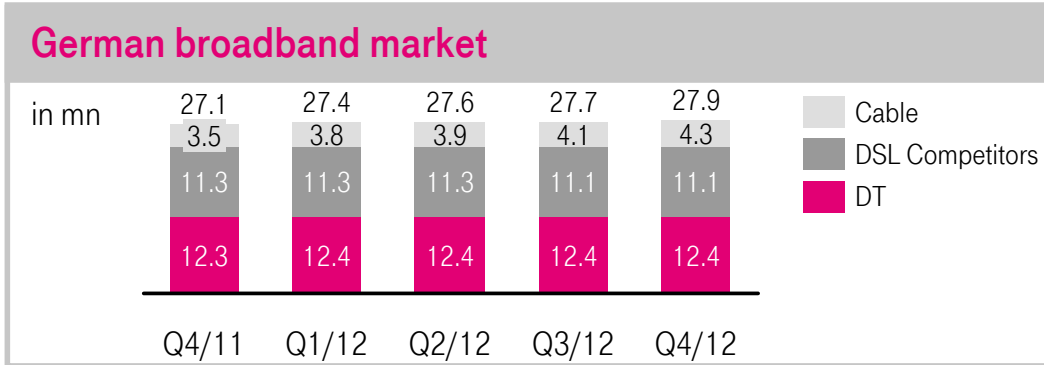


OPEX increase due to €0.2 billion higher mobile market invest



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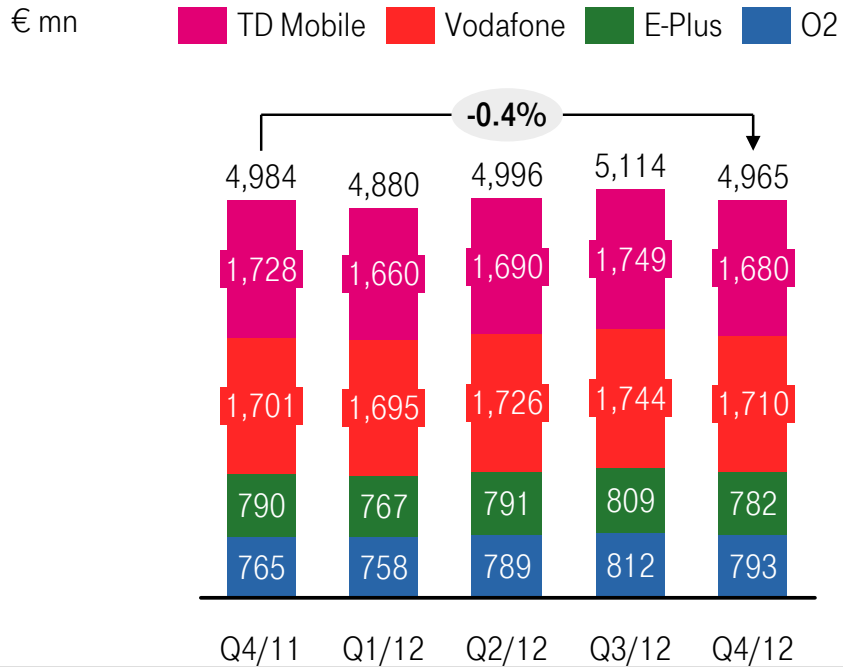
# GERMANY FIXED: VALUE STEERING RESULTS IN STABLE BROADBAND BASE AND REVENUE CONTRIBUTION – LINE LOSSES SHRINKING FURTHER



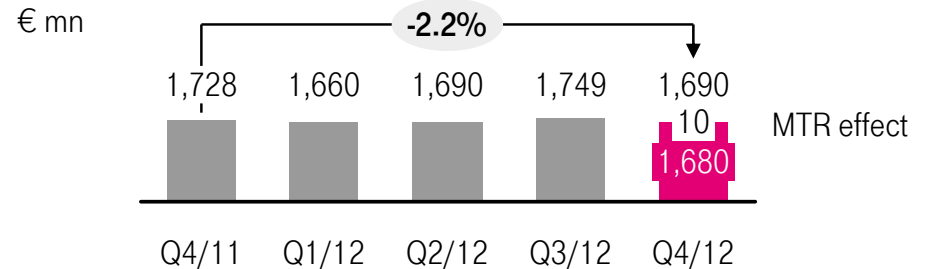
<sup>1</sup> FTTC and FTTH.

# GERMANY MOBILE: STRONG PUSH IN MARKET INVEST IN Q4 – RETURN TO UNDERLYING REVENUE GROWTH EXPECTED IN 2013

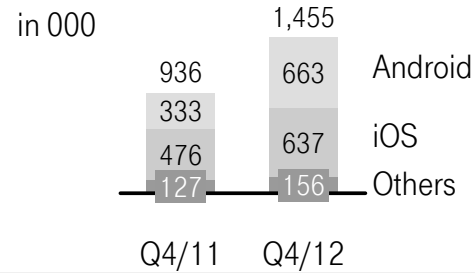
## German mobile market service revenue



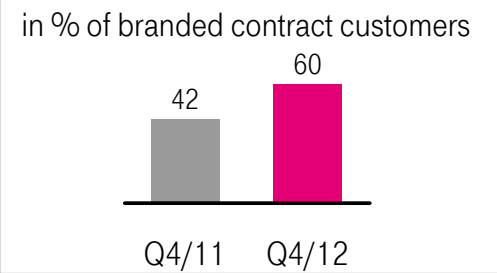
## TD mobile service revenue excl. MTR cut



## Smartphone sales



## Customers in double play



# GERMANY: MOBILE SERVICE REVENUES OUTLOOK 2013



- Growing ARPU of new branded contract customers
- Strong increase in contract customers in 2012
- Best network and mobile data proposition
- Highest customer satisfaction in German mobile
- Strong smartphone sales in 2012
- Service provider migration effect disappearing

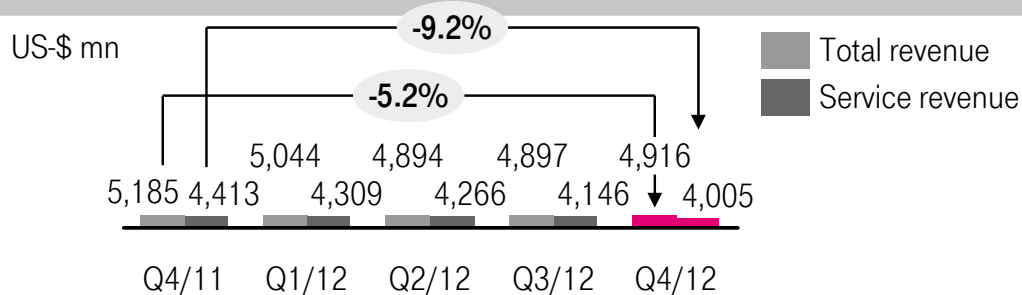


- MTR and roaming regulation
- Still decreasing ARPU in customer base
- IP substitution of SMS revenue

**Ambition:**  
return to underlying  
service revenue growth  
in 2013

# TMUS: 27% YOY IMPROVEMENT IN BRANDED CONTRACT LOSSES – ADJ. EBITDA IMPACTED BY HIGHER ADVERTISING AS EXPECTED

## Revenue and service revenue

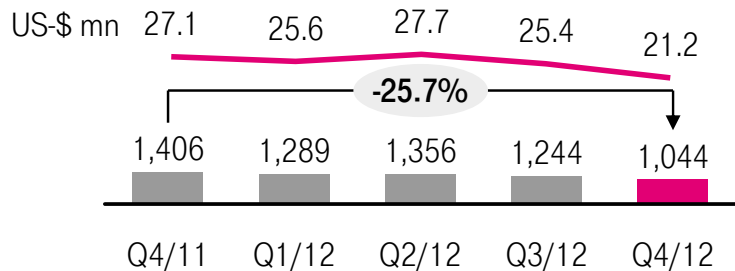


## Net additions

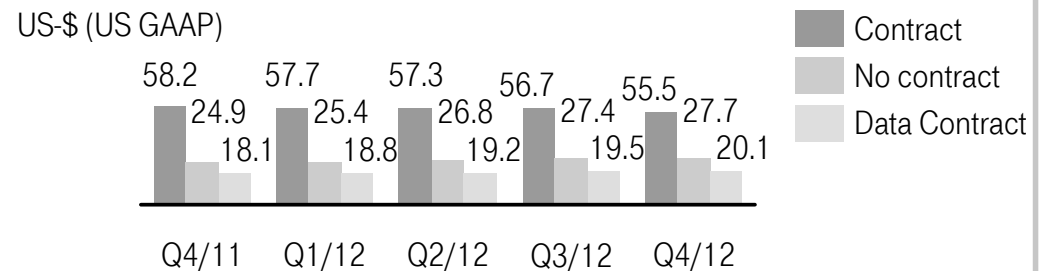
in 000

	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Total net adds	-526	187	-205	160	61
Branded:					
▪ Contract	-706	-510	-557	-492	-515
▪ No contract	220	249	227	365	166
Wholesale <sup>1</sup>	-40	449	125	287	410

## Adj. EBITDA and margin



## Branded customers: contract, no contract and data ARPU



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

# TMUS: METROPCS MERGER APPROVAL PROCESS ON TRACK

## MetroPCS PROCESS

Definitive proxy filed on February 25 and MetroPCS shareholder meeting scheduled for April 12  
All other regulatory approval processes also on track  
Anticipate closing in H1/2013

## MetroPCS BENEFITS

Spectrum: 61 → 72 MHz in Top 100 major metro areas; 63 → 76 MHz in Top 25 major metro areas  
Synergies: projected \$6 - 7 billion NPV of cost synergies  
Attractive growth profile: 5-year CAGRs of 3-5% revenues, 7-10% EBITDA, 15-20% FCF (EBITDA – capex)

## UN- CARRIER

Apple partnership  
100% Value plans – simple, transparent, flexible  
Stay tuned ...

## NETWORK

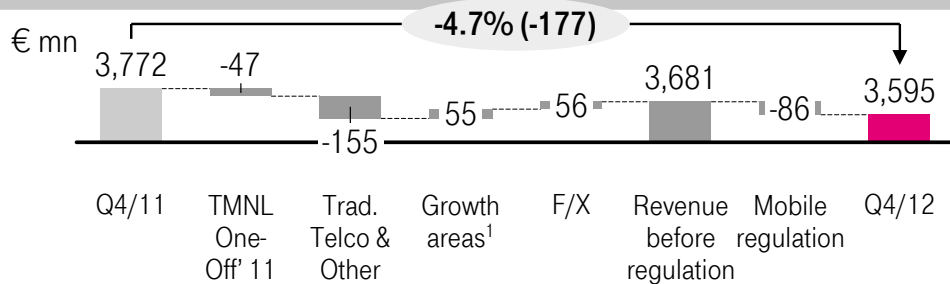
Enhanced spectrum position – path to at least 2x20 MHz LTE in 90% of Top 25 markets by 2014+  
Modernized 4G LTE network – 100 million LTE POPs mid-year, 200 million year-end  
HSPA+ on 1900 MHz spectrum – currently 142 million POPs, 200 million year-end



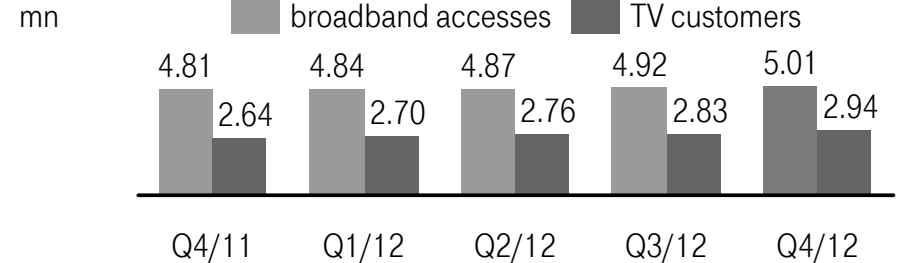
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# EUROPE: OUR POCKETS OF GROWTH CONTRIBUTE TO SLOWING DOWN THE HISTORICAL REVENUE DECLINE

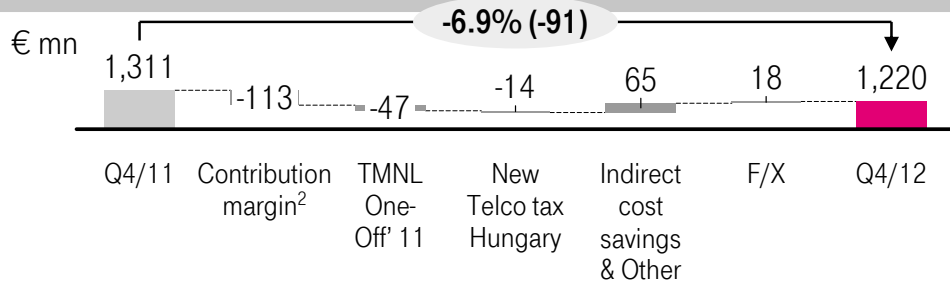
## Revenue



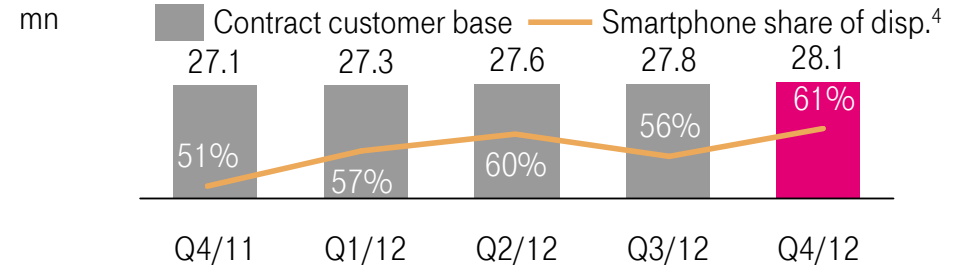
## Pockets of growth – broadband and TV<sup>3</sup>



## Adj. EBITDA



## Pockets of growth – mob. contract & smartphones<sup>3,4</sup>



<sup>1</sup> Mobile Data, Pay TV & fixed broadband, adjacent industries (online consumer services, insurance, energy and other).

<sup>2</sup> Total revenues – direct cost.

<sup>3</sup> Incl. business customers shifted to T-Systems in Hungary as of 1.1.2011.

<sup>4</sup> Figures adjusted due to incorporation of data from Cosmote Greece. Percentage of smartphones in dispatched devices (excl. Slovakia, Romania, Bulgaria, Montenegro and Macedonia).

# EUROPE: EUROPEAN OPERATIONS OUTPERFORM COMPETITION IN REVENUE DEVELOPMENT ON THE MAIN MARKETS

## Commercial drive

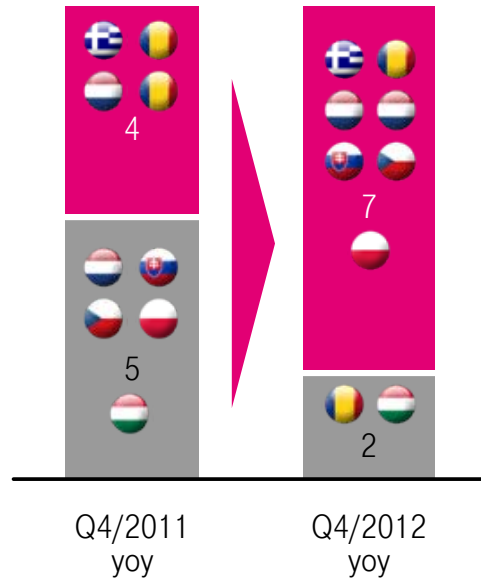
### Revenue performance<sup>1</sup>

vs. main peers 

outperformed peers/  
leadership fostered

based on relative  
revenue performance yoy

under-performed



## Key developments

### Refinancing OTE:

- OTE is refinanced **well beyond 2014** due to measures conducted in Q4/12 (e.g. syndicated loan at global level) and in Q1/13 (€0.7 bn raised on debt market)
- Disposal of **HellasSat** to Arabsat to be concluded in Q2/13

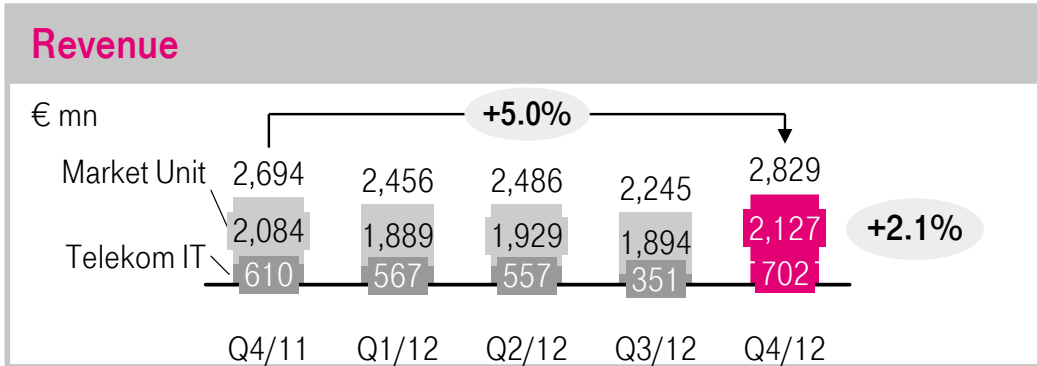
### Technology Leadership

- Running **LTE1800** in Greece, Hungary, Croatia and **LTE2600** in Austria
- **All-IP migration** is being pushed in Croatia and Macedonia
- Launch of **TeraStream** pilot in Croatia: first IPv6 network delivering consumer services
- **FTTH** homes connected reaching 128k, driven by Slovakia and Hungary

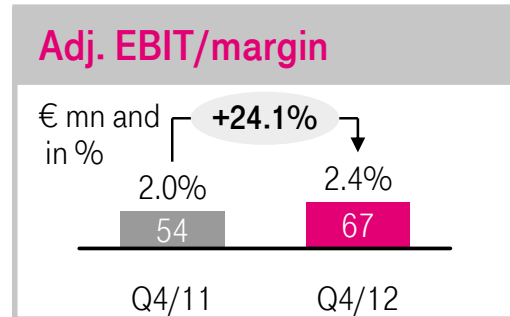
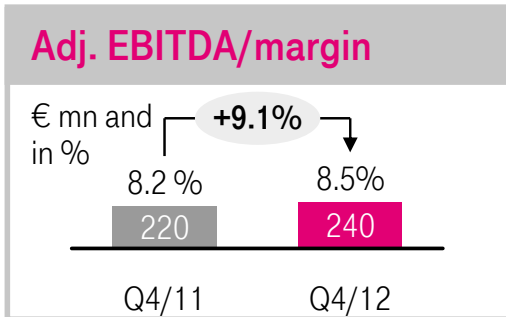
<sup>1</sup> Relative mobile service revenue performance vs. given national competitor in local currency, that reported until February 26th. Total mobile revenue comparison for Poland. T-Mobile Netherlands figures adjusted for one-timer in Q4/11 (catch up of previously not recognized revenues).



# SYSTEMS SOLUTIONS: PROFITABLE REVENUE GROWTH IN Q4/12



- Increase in order entry by 87.9% to €3,622 driven by deals such as
  - Shell, Presbyterian Healthcare (US), State of Lower Saxony
- Revenue up by 5.0% to €2,829 million driven by Market Unit (+2.1%) and Telekom IT (+15.1%, due to catch up effect from Q3)
- External revenue up by 2.6% to €1,771 million

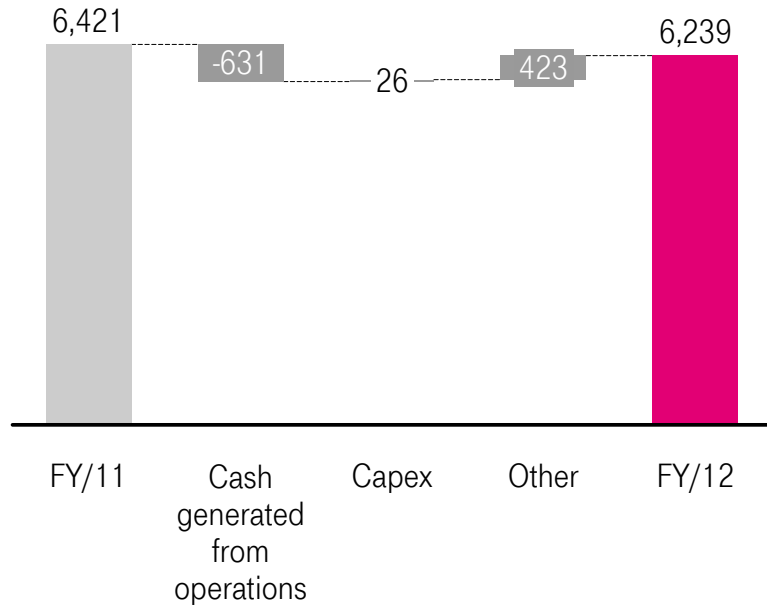


- Adj. EBITDA at €240 million with a margin of 8.5% and adj. EBIT at €67 million due to cost reductions
- Adj. EBIT margin at Market Unit improved to 3.1% from 2.6 in Q4/11

# CASH FLOW: DELIVERED ON GUIDANCE

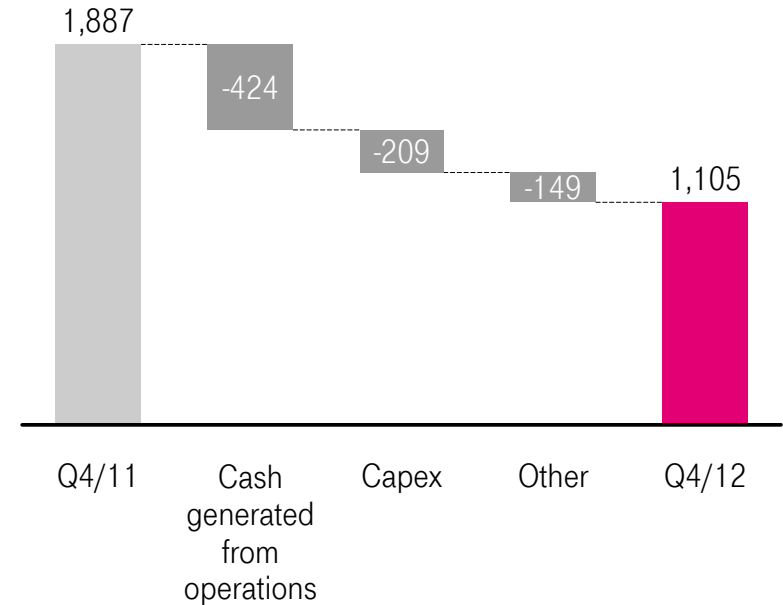
## Free cash flow full year

€ mn

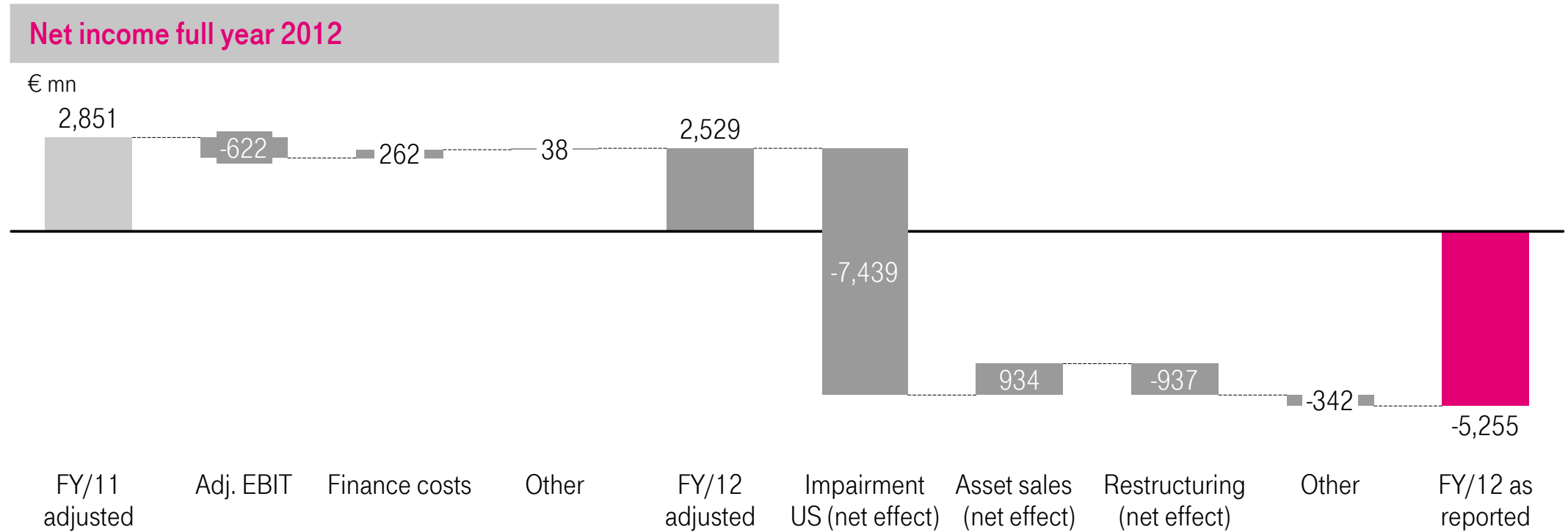


## Free cash flow Q4

€ mn

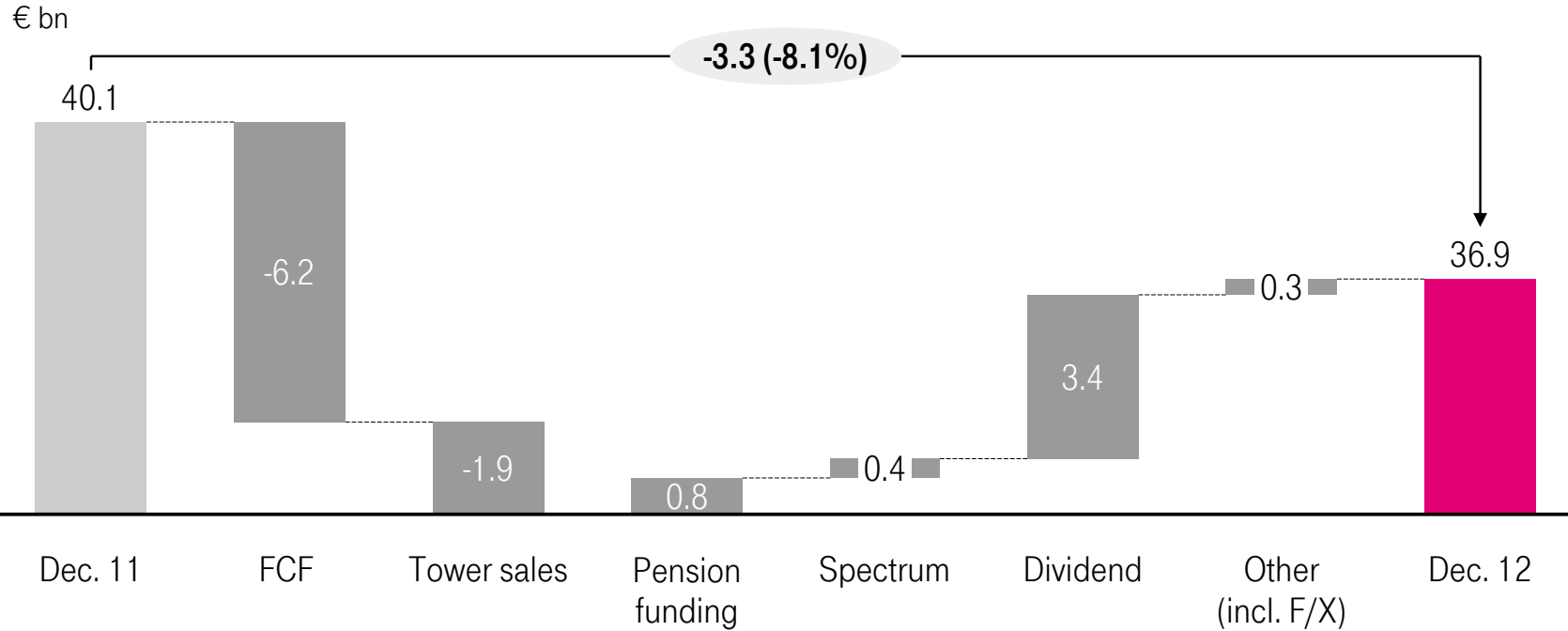


# NET INCOME 2012: IMPAIRMENT IN THE US MAJOR DRIVER



# NET DEBT: REDUCTION OF €3.3 BILLION

## Net debt development full year 2012



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# BALANCE SHEET: MAINTAINING SOLID RATIOS

€ bn	31/12/2011	31/03/2012	30/06/2012	30/09/2012	31/12/2012
Balance sheet total	122.5	120.5	121.1	108.2	107.9
Shareholders equity	39.9	39.8	37.6	30.3	30.5
Net debt	40.1	38.6	41.0	39.0	36.9
Net debt/Adj. EBITDA <sup>1</sup>	2.1	2.1	2.2	2.1	2.1
Equity ratio	32.6%	33.0%	31.1%	28.0%	28.3%

## 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

<sup>1</sup> Ratios for the interim quarters calculated on the basis of previous 4 quarters.

# DEUTSCHE TELEKOM: Q4 2012 RESULTS CONFERENCE CALL.

## Q&A.

Questions can be asked via the telephone conference call:

 0800 182 6766  0800 028 0471  +1 866 306 3455

 +49 69 403 59 619.

If you want to **ask a question**, please **press “\*1”**.

If you want to **cancel your question**, please press **“#”**.

# FURTHER QUESTIONS: PLEASE CONTACT THE IR DEPARTMENT

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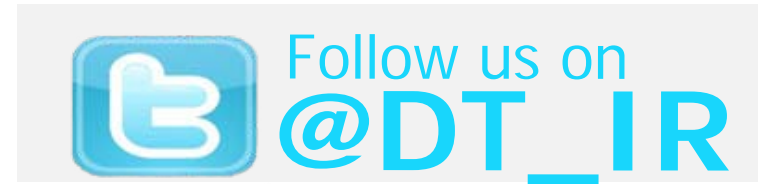
IR webpage:



IR twitter account:



IR youtube playlist:



**THANK YOU!**



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