



# DEUTSCHE TELEKOM

## Q3/15 RESULTS

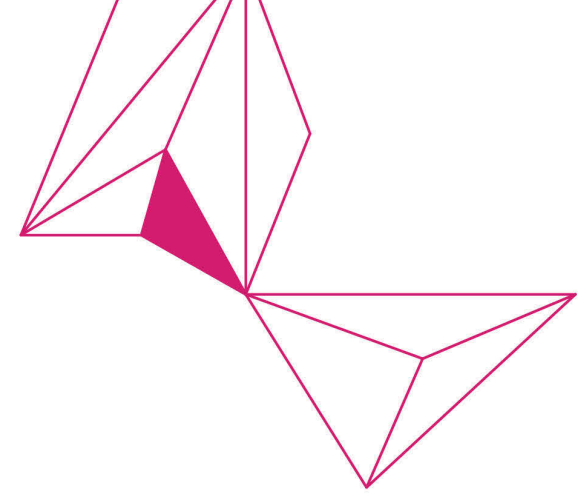
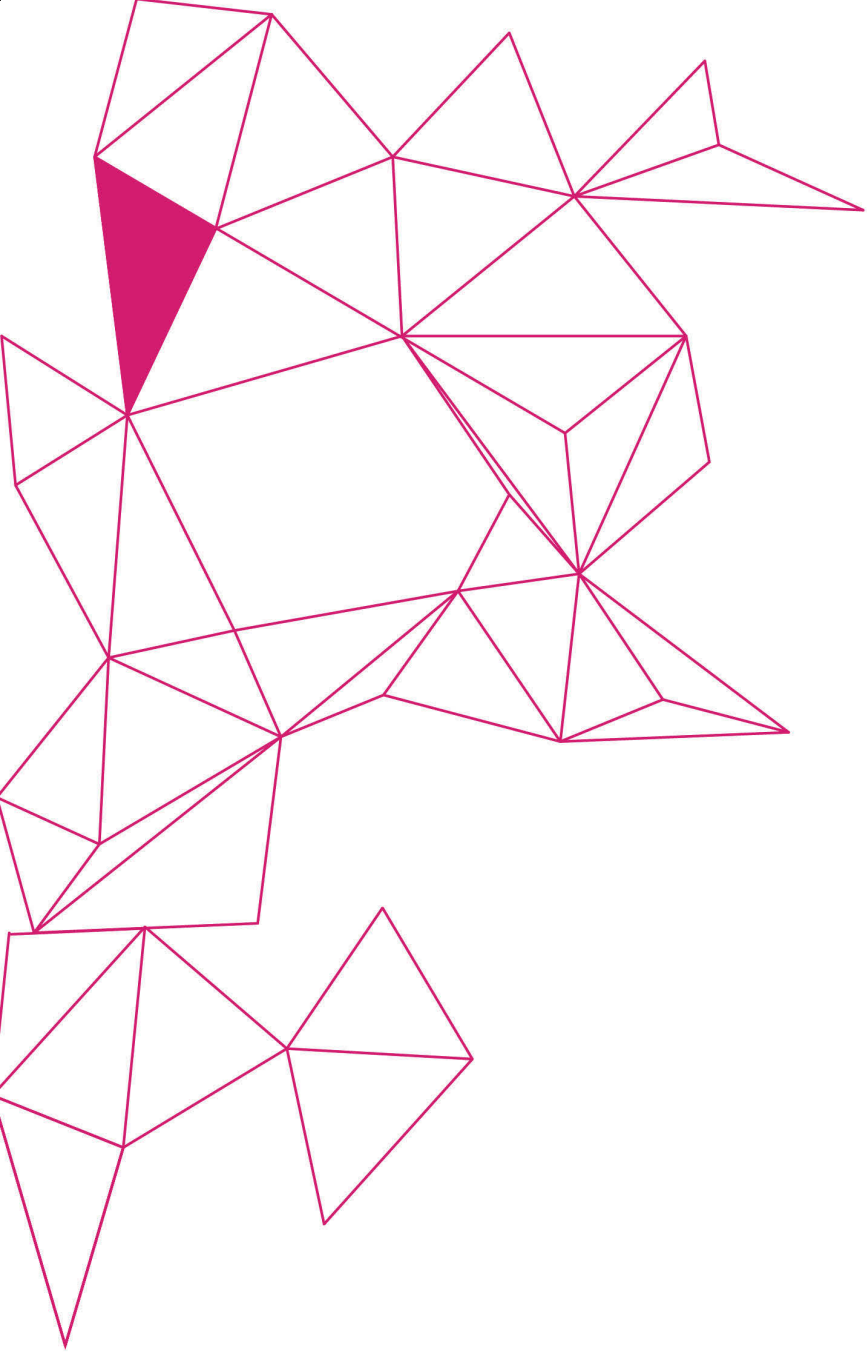


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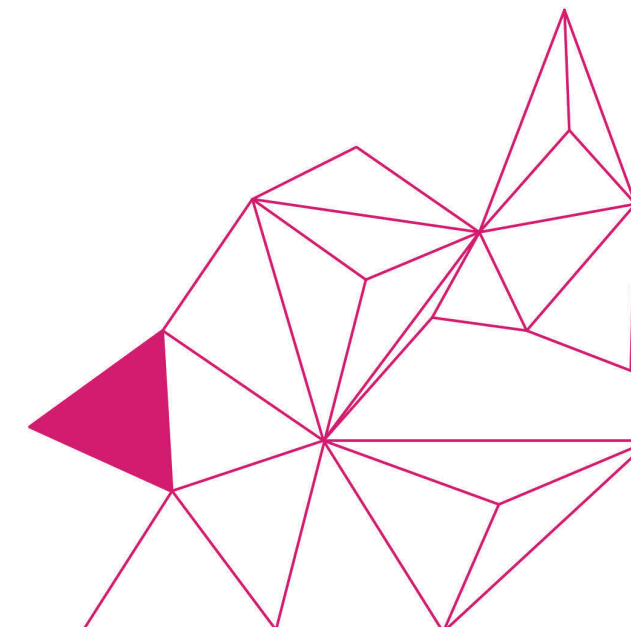
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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income,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



# REVIEW Q3/15



# 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 €<sup>1</sup> in 9M
- 3** Strong momentum in KPIs (TM US net adds, German fiber/broadband and line losses, Magenta1, 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



# 9M/15: FINANCIAL HIGHLIGHTS

€ MN	Q3			9M		
	2014	2015	Change	2014	2015	Change
REVENUE	15,648	17,099	+9.3%	45,656	51,369	+12.5%
ADJ. EBITDA	4,575	5,165	+12.9%	13,125	14,765	+12.5%
ADJ. NET PROFIT	800	1,040	+30.0%	2,023	3,154	+55.9%
NET PROFIT	506	809	+59.9%	3,034	2,308	-23.9%
ADJ. EPS (IN €)	0.17	0.22	+29.4%	0.45	0.69	+53.3%
EPS (IN €)	0.11	0.18	+63.6%	0.68	0.51	-25.0%
FREE CASH FLOW <sup>1</sup>	1,125	1,308	+16.3%	3,157	3,548	+12.4%
CASH CAPEX <sup>2</sup>	2,493	2,698	+8.2%	6,755	7,803	+15.5%
NET DEBT (IN € MN)	41,809	47,868	+14.5%	41,809	47,868	+14.5%

1) Free cash flow before dividend payments and spectrum investment    2) Excl. Spectrum: Q3/14: 91 million €; Q3/15: 115 million €; 9M/14: 1,972 million €; 9M/15: 3,769 million €



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# TRANSACTIONS: CONTINUED PORTFOLIO TRANSFORMATION

## T-ONLINE TRANSACTION

- Merger of T-Online portal business and Interactive Media into Stroer
- DT receives Stroer shares worth 0.4 billion € currently

- **Value crystallization of non-strategic assets with strong partners**

## SCOUT24 IPO

- Successful IPO of Scout24 with 0.4 billion € of proceeds for DT
- Total proceeds for Scout24 now at 2.1 billion €

- **Monetization of non-strategic assets**

## AIR TO GROUND TRANSACTION

- Partnership with Inmarsat “European Aviation Network” to combine satellite connection with terrestrial based LTE
- Bringing LTE based high speed connectivity to aviation passengers in Europe

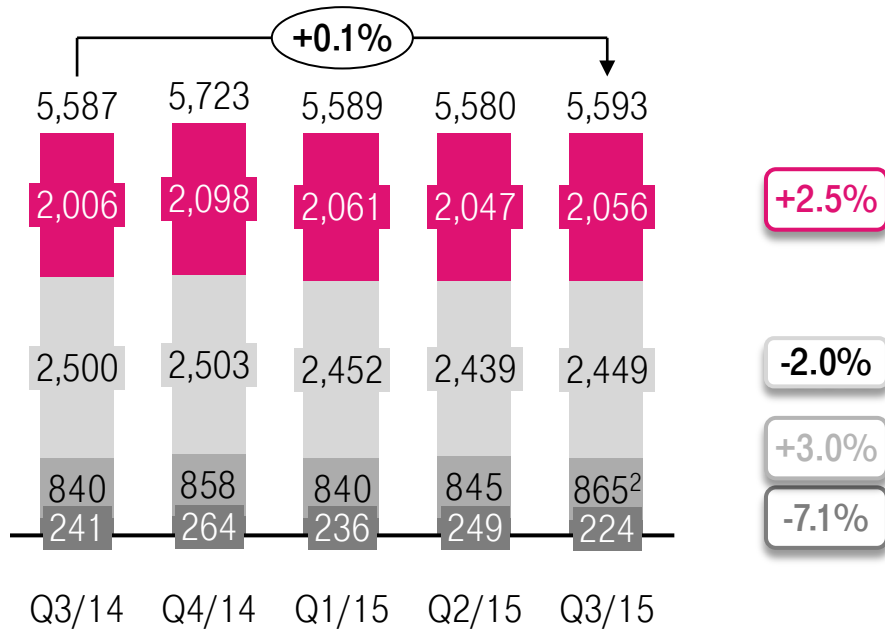
- **Network leadership and seamless connectivity for our customers**



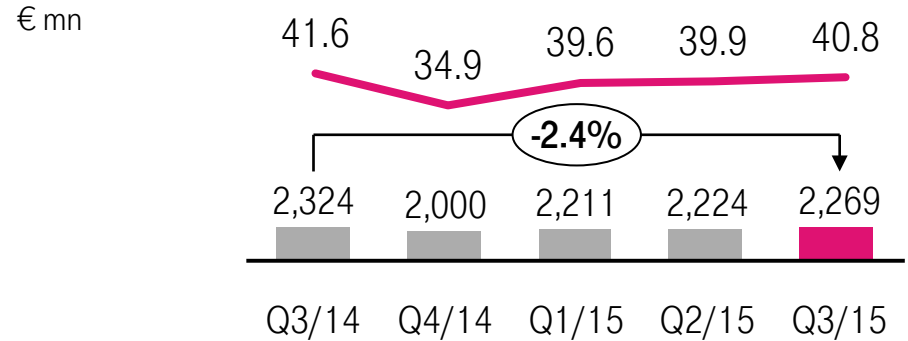
# GERMANY: ON TRACK FOR STABLE ADJ. EBITDA IN 2015

## REVENUE REPORTED<sup>1</sup>

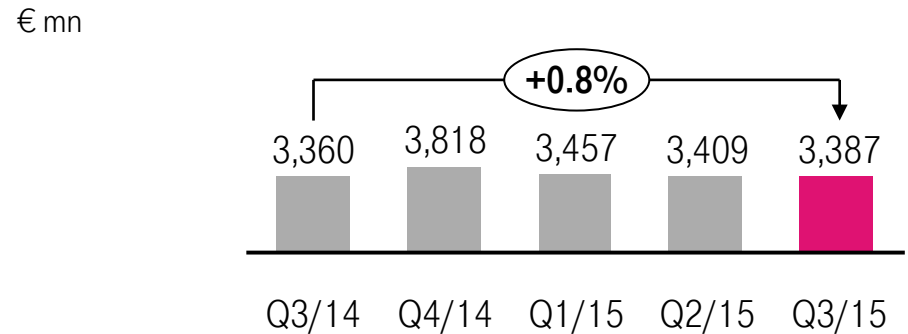
€ mn    Mobile    Core fixed    Wholesale services    Others



## ADJ. EBITDA AND MARGIN (IN %)



## ADJ. OPEX

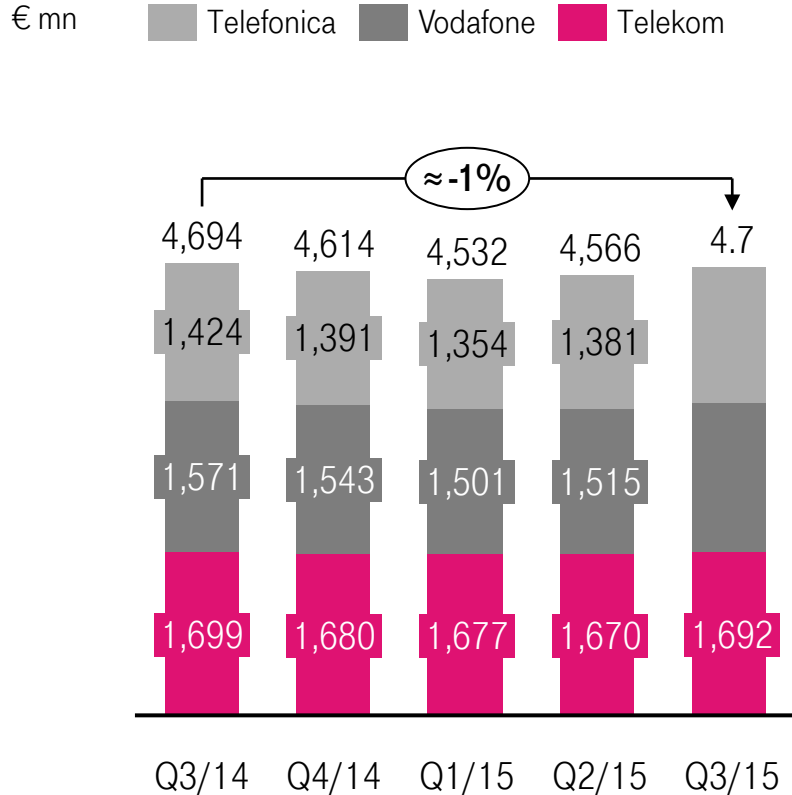


1) Online consumer service revenues in "others" have been allocated to revenues from core fixed since Jan. 1st 2015. Prior year figures have been adjusted accordingly

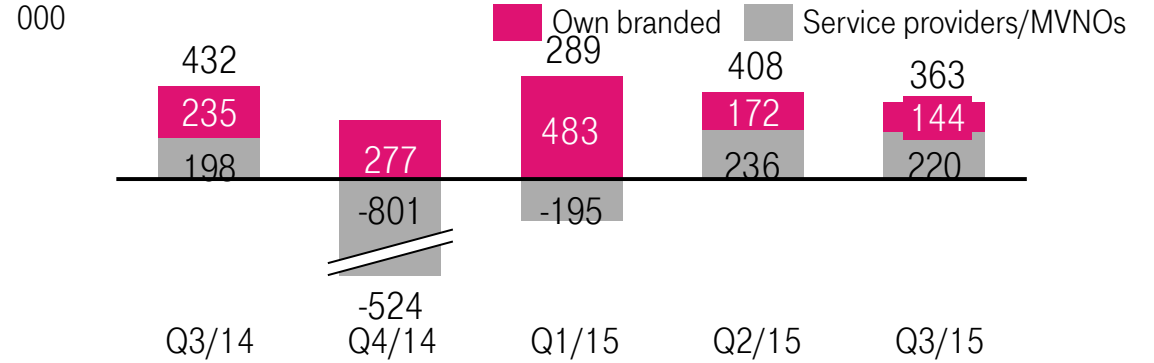
2) Revenue in Q3/15 benefitted from special factor related to settlement agreements concerning charged fees from previous years. Adjusted growth rate at 0.0%

# GERMANY MOBILE: CONTINUED MARKET OUTPERFORMANCE

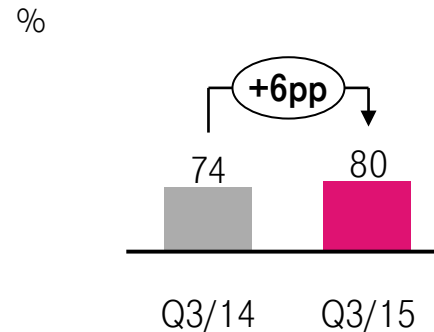
## GERMAN MOBILE MARKET SERVICE REVENUE<sup>1</sup>



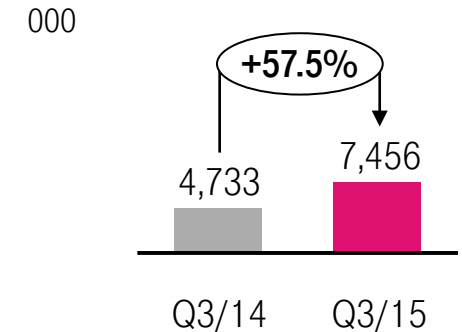
## CONTRACT NET ADDS<sup>4</sup>



## SMARTPHONE PENETRATION<sup>2</sup>



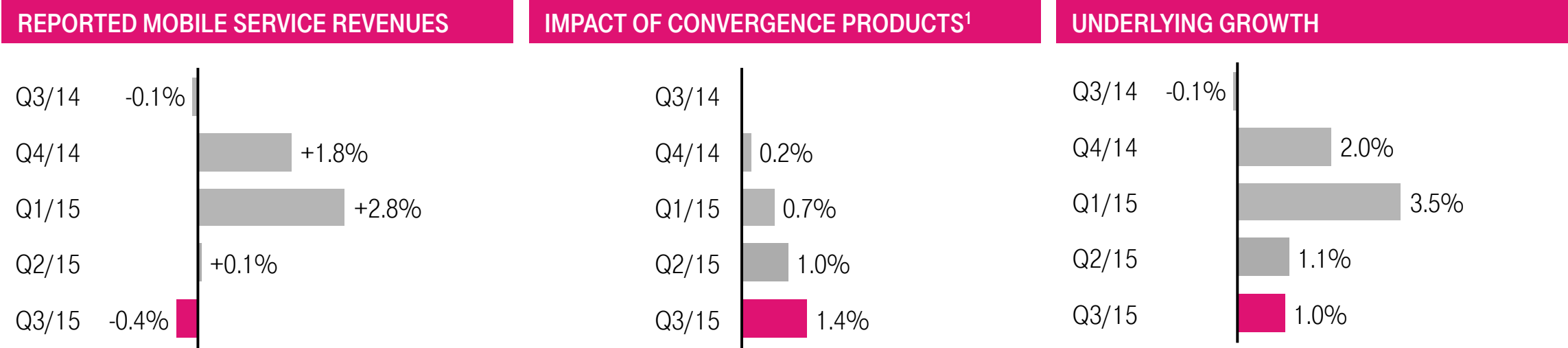
## LTE CUSTOMERS<sup>3</sup>



1) Management estimate 2) Of own branded retail customers 3) Customers using a LTE-device and tariff plan including LTE 4) Figures may not add up due to rounding



# GERMAN MOBILE SERVICE REVENUES: HEALTHY UNDERLYING MOMENTUM

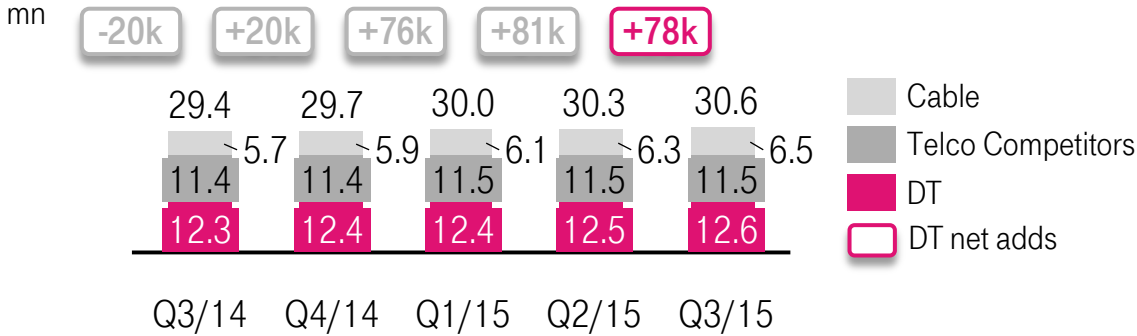


▪ Target of medium term CAGR of ≈1% (without EU roaming impact) reiterated

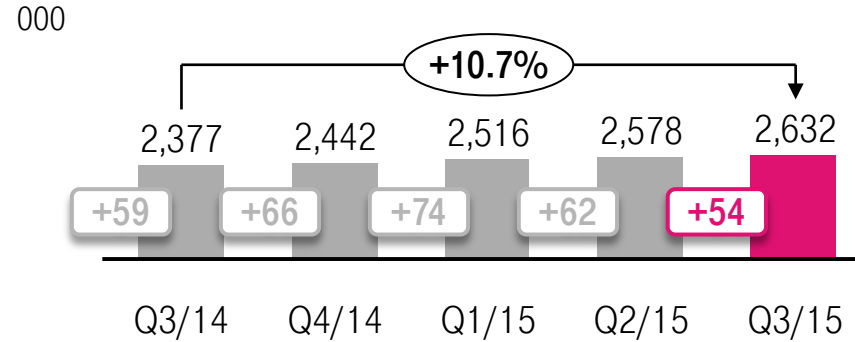
1) Impact of MagentaEINS and Telekom LTE broadband

# GERMANY FIXED: STRONG GROWTH WITH FIBER

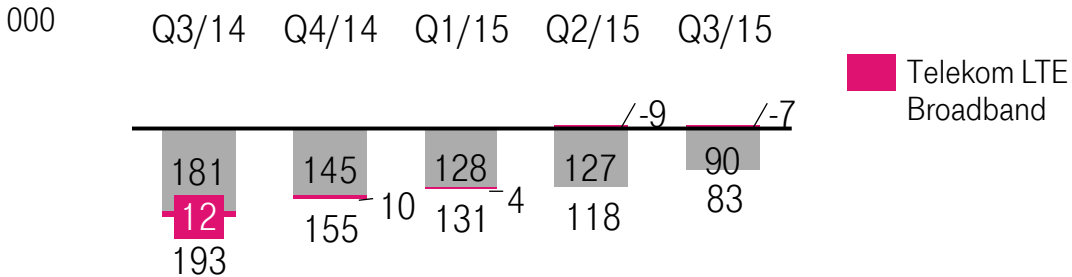
## GERMAN BROADBAND MARKET<sup>1</sup>



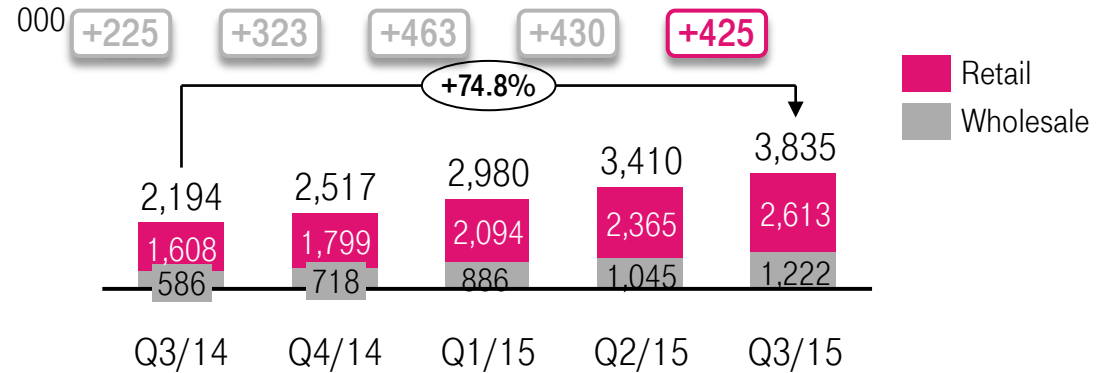
## ENTERTAIN CUSTOMERS



## LINE LOSSES



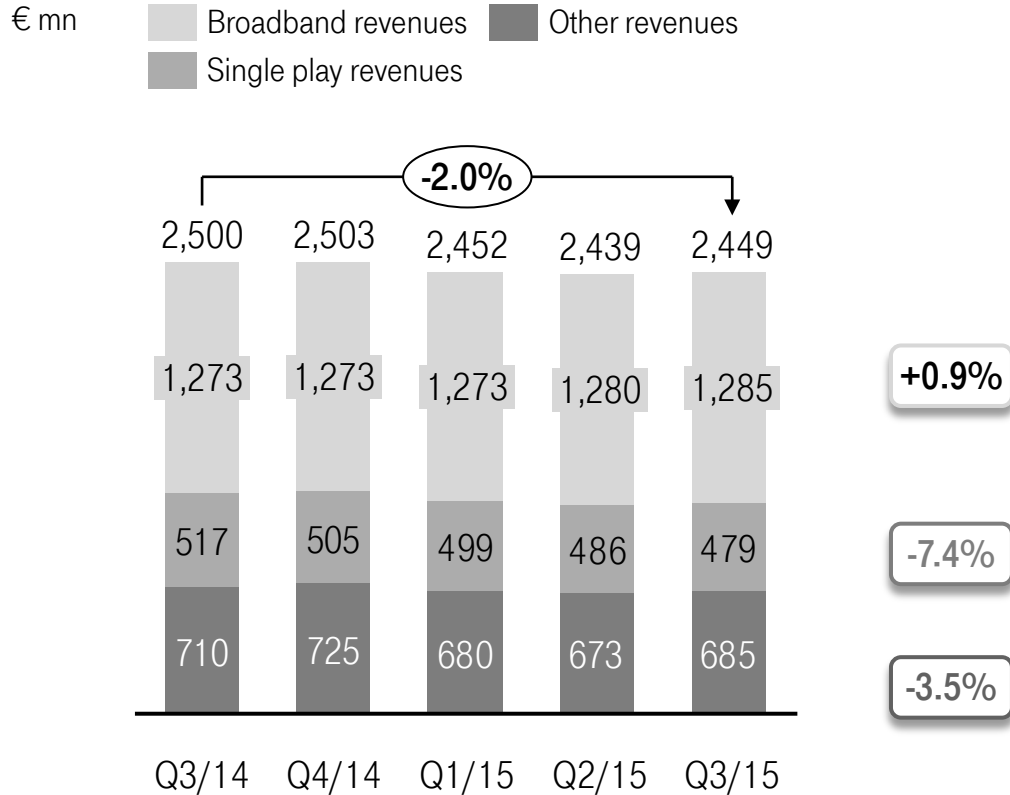
## FIBER CUSTOMERS<sup>2</sup>



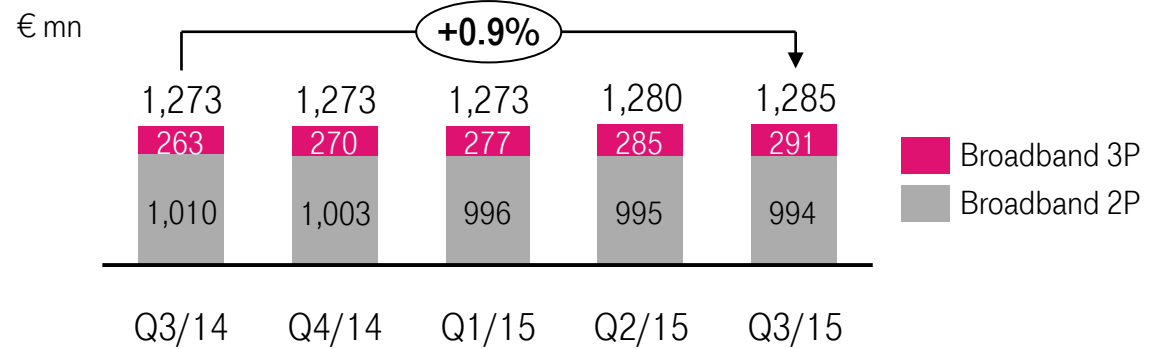
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

# GERMANY FIXED: BROADBAND REVENUES GROWING

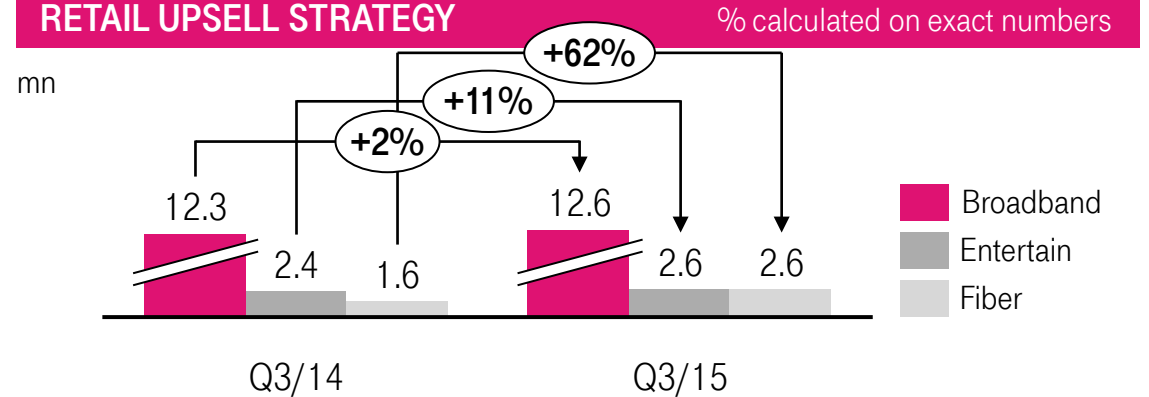
## FIXED NETWORK REVENUES (CORE FIXED)<sup>1</sup>



## BROADBAND REVENUES<sup>2</sup>



## RETAIL UPSELL STRATEGY



1) Online consumer service revenues have been allocated to revenues from add-on options since Jan. 1<sup>st</sup> 2015. Prior year figures have been adjusted accordingly.

2) Revenues from supplement accesses have been allocated from broadband double play revenues to voice revenues since Jan. 1<sup>st</sup> 2015. Prior year figures have been adjusted accordingly.

# GERMAN TOTAL SERVICE REVENUES: EXECUTION TOWARDS CMD AMBITION LEVELS

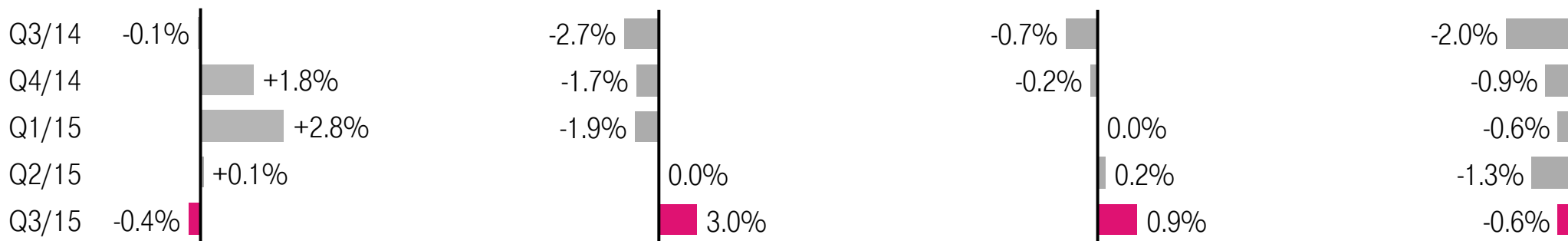
## GROWTH RATES YOY

### MOBILE SERVICE REVS

### WHOLESALE REVS<sup>3</sup>

### BROADBAND REVS<sup>2</sup>

### TOTAL SERVICE REVS



## MEDIUM TERM GUIDANCE

(2014 – 2018 CAGR)

### MOBILE SERVICE REVS

### WHOLESALE REVS

### BROADBAND REVS

### TOTAL REVS

≈ +1%<sup>1</sup>

+0.0%

+2.0%

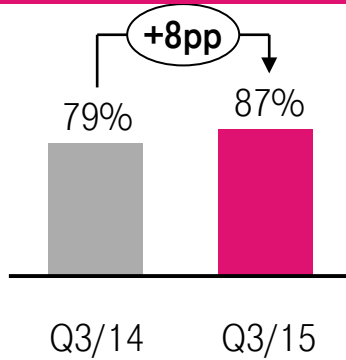
+0.3%<sup>1</sup>

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%

# GERMANY: INVESTING IN LTE, FIBER AND ALL-IP

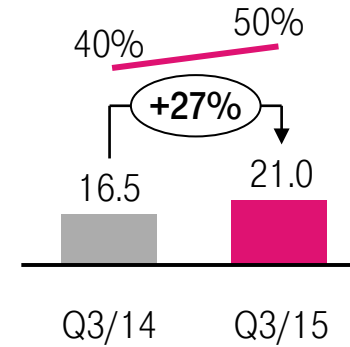
## INS - STATUS LTE ROLLOUT

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



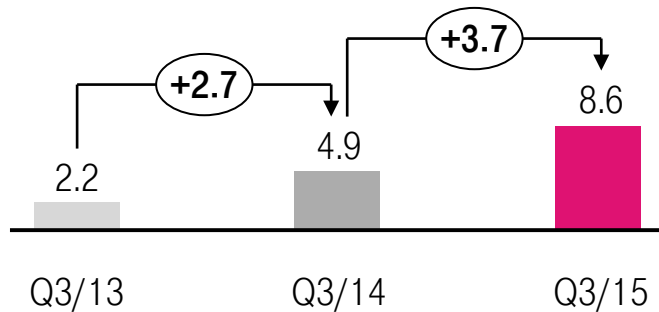
## INS - STATUS FIBER ROLLOUT<sup>2</sup>

Coverage in % and millions of households



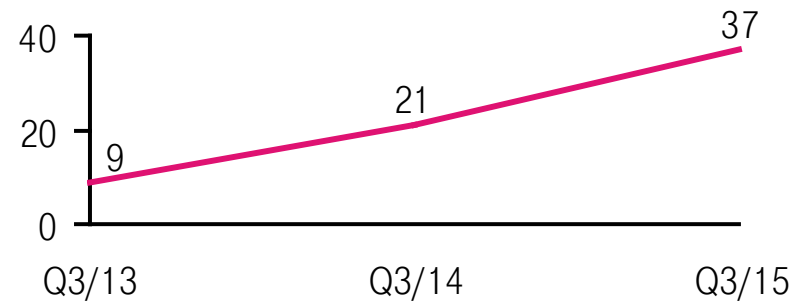
## STATUS IP ACCESSES (RETAIL & WHOLESALE)

mn



## STATUS IP ACCESSES (RETAIL & WHOLESALE)

in % of lines



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

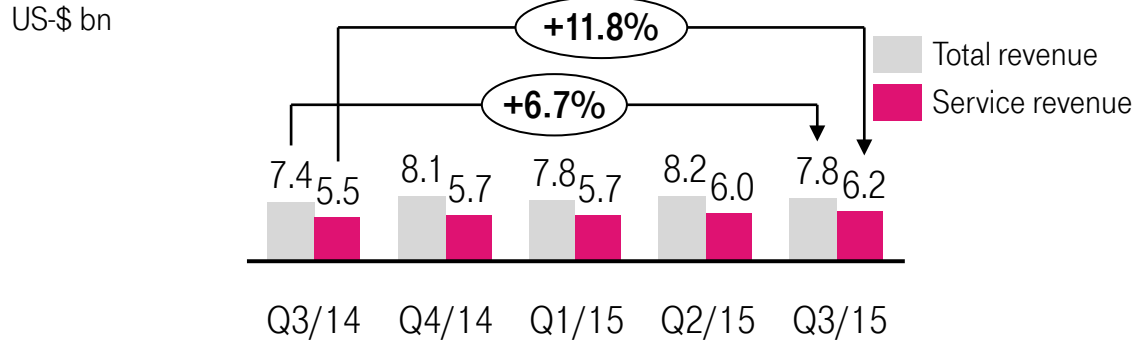
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany



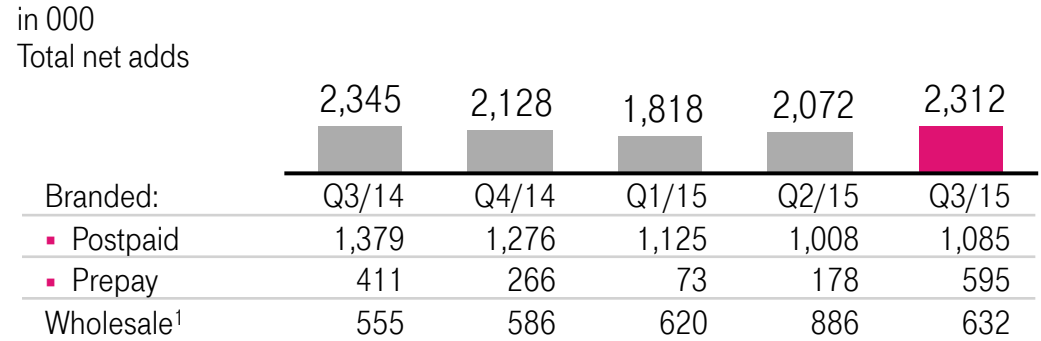
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# TMUS: 10TH SUCCESSIVE QUARTER OF OVER 1M NET ADDS DRIVING STRONG FINANCIAL GROWTH

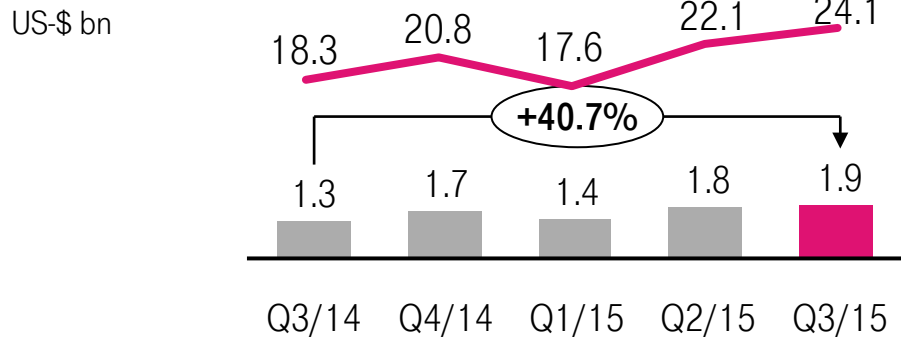
## REVENUE AND SERVICE REVENUE



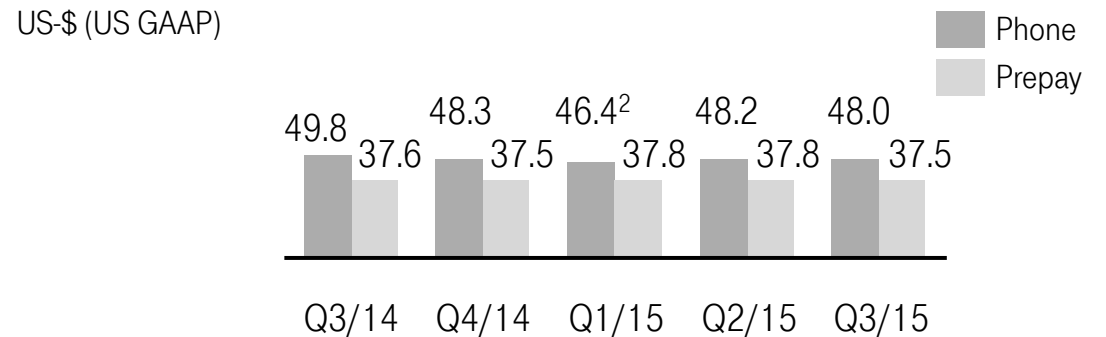
## NET ADDS



## ADJ. EBITDA AND MARGIN (IN %)



## 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 was US\$ 47.7

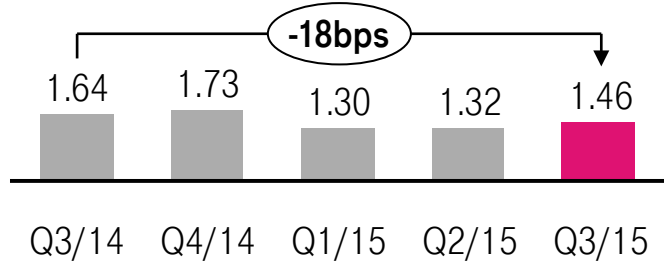


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# TMUS: KEY DRIVERS TRENDING WELL

## BRANDED POSTPAID PHONE CHURN

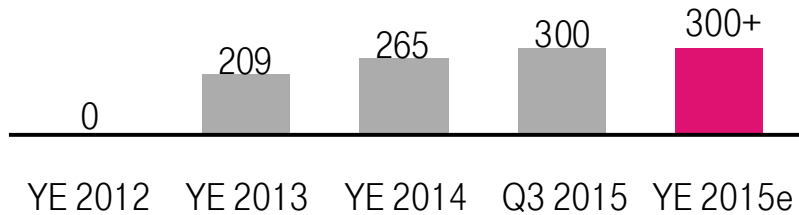
in %



- Positive porting ratios against all carriers

## 4G LTE COVERED POPS

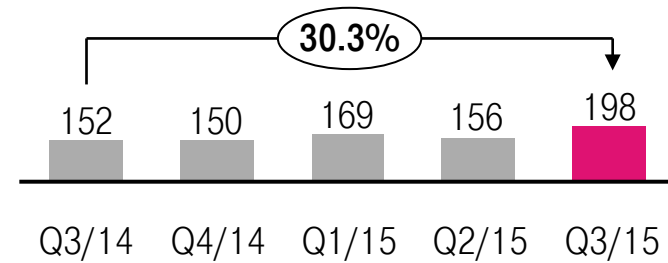
in million



- Year-end 2015 goal of a total 4G LTE POP coverage of 300 million already achieved.

## BAD DEBT EXPENSES AND LOSSES FROM FACTORING

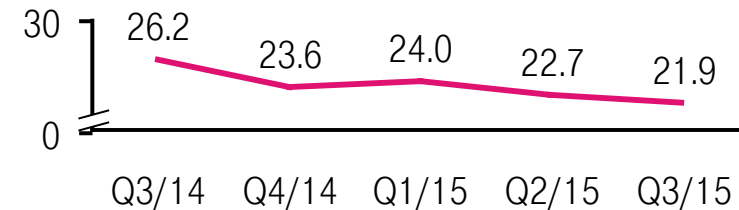
in US\$



- Higher EIP bad debt expense due to seasonal factors and growth of the EIP program in prior quarters

## COST OF SERVICE

in % of service revenues

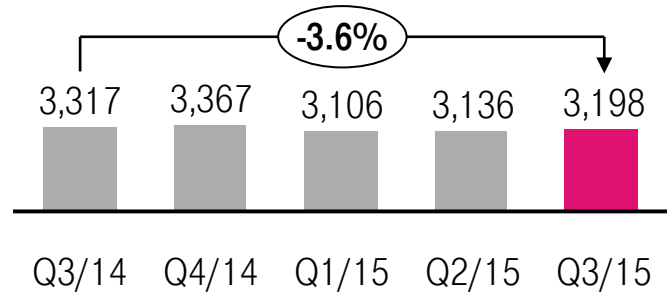


- Benefitting from MetroPCS synergies and lower backhaul expenses

# EUROPE: REVENUE TRANSFORMATION CONTINUING AS EXPECTED

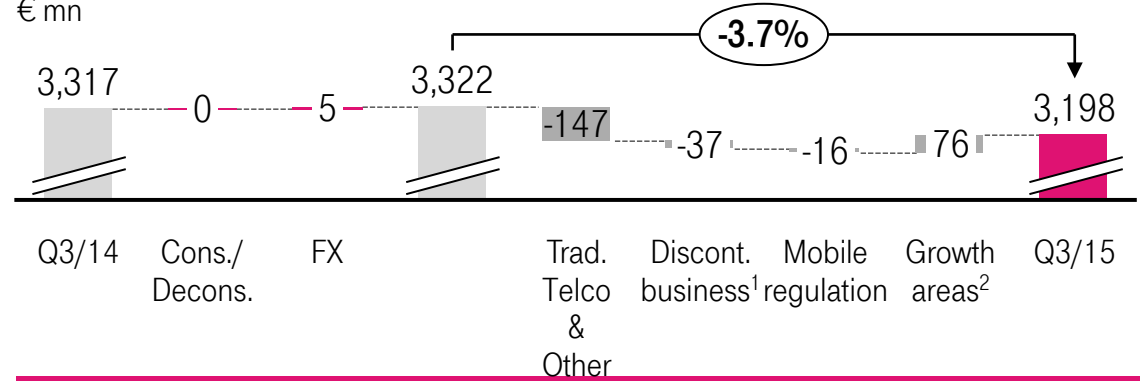
## REVENUE AS REPORTED

€ mn



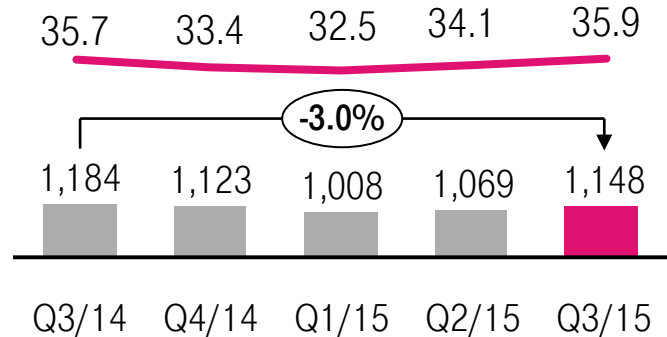
## ORGANIC REVENUE DEVELOPMENT

€ mn



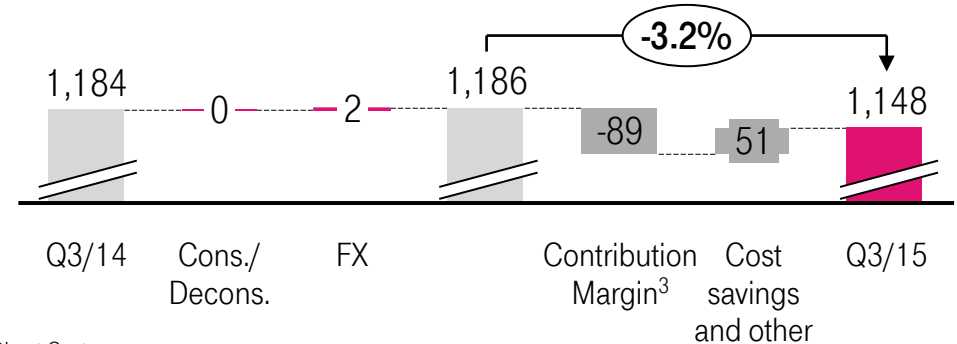
## ADJ. EBITDA AND MARGIN (IN %) AS REPORTED

€ mn



## ORGANIC ADJ. EBITDA DEVELOPMENT

€ mn



1) International Voice hubbing

2) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other)

3) Total Revenues – Direct Cost



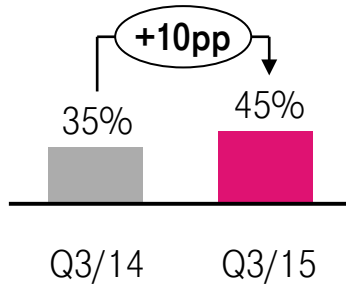
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# EUROPE: INVESTING IN TECHNOLOGY LEADERSHIP

## IP MIGRATION

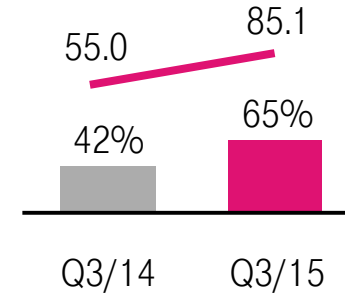
IP share of fixed network access lines



## LTE ROLLOUT

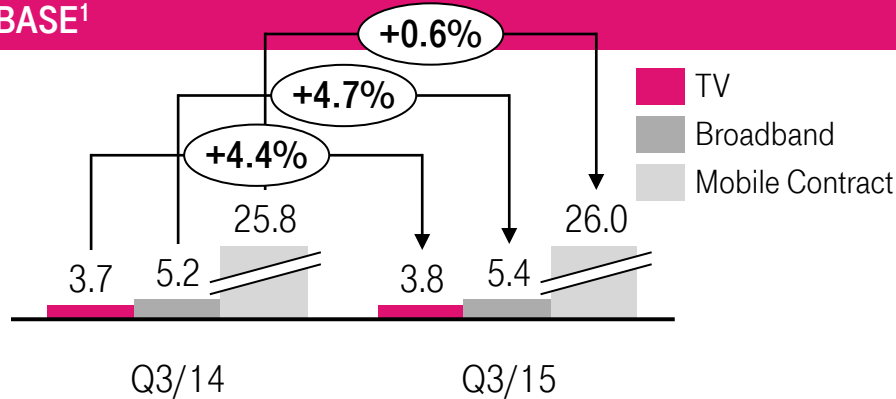
LTE outdoor pop coverage

in mn and %



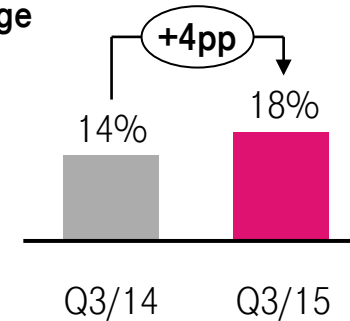
## CUSTOMER BASE<sup>1</sup>

mn



## FIBER ROLLOUT

Fiber household coverage



1) incl. business customers shifted to T-Systems in Hungary as of 1.1.2011.



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# SYSTEMS SOLUTIONS: MARKET UNIT WITH SHIFT IN REVENUE BASE TO GROWTH AREAS

## T-SYSTEMS FINANCIALS

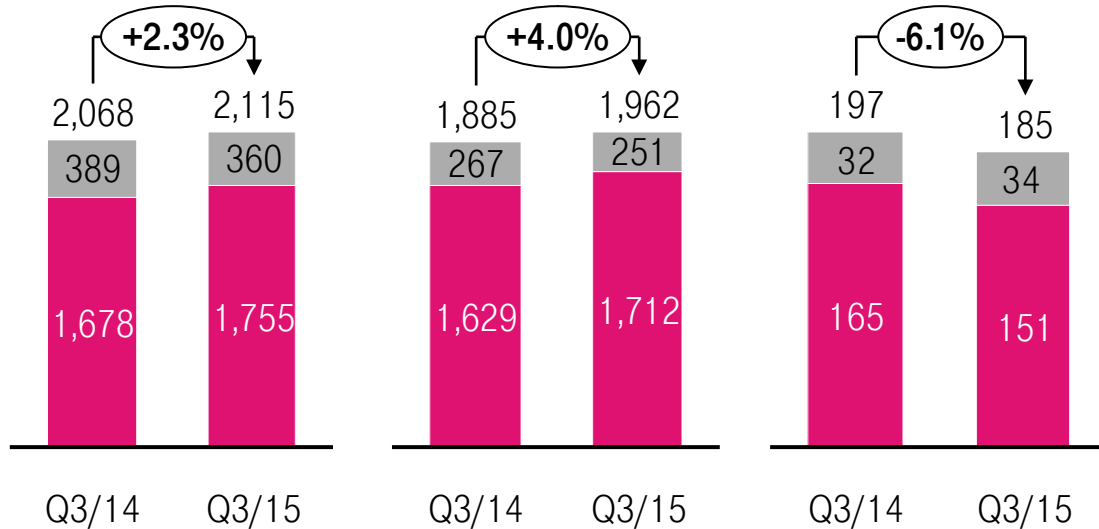
€ mn

TOTAL REVENUE

ADJ. OPEX<sup>1</sup>

ADJ. EBITDA

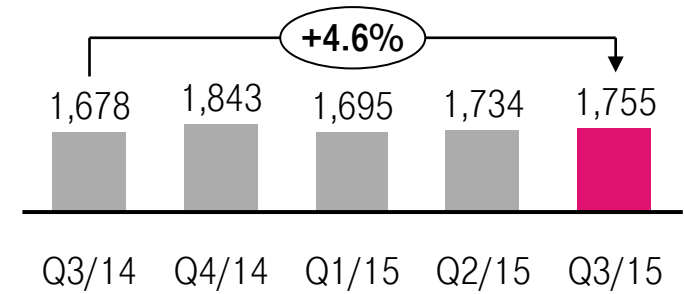
■ Tel-HT ■ MU



1) Figures may not add up due to rounding /elimination

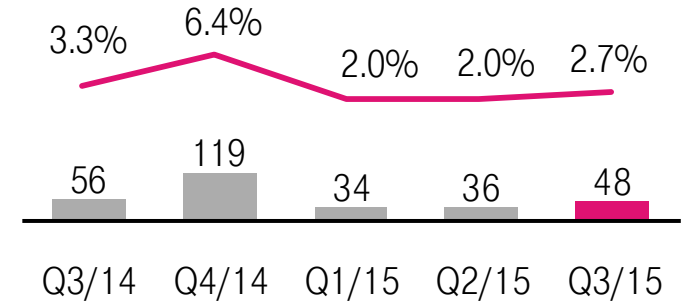
## REVENUE MARKET UNIT

€ mn



## ADJ. EBIT AND MARGIN MARKET UNIT

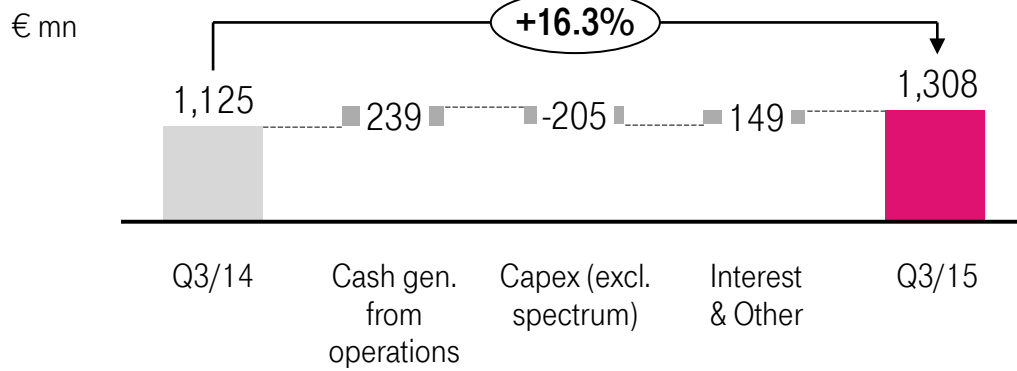
%  
€ mn



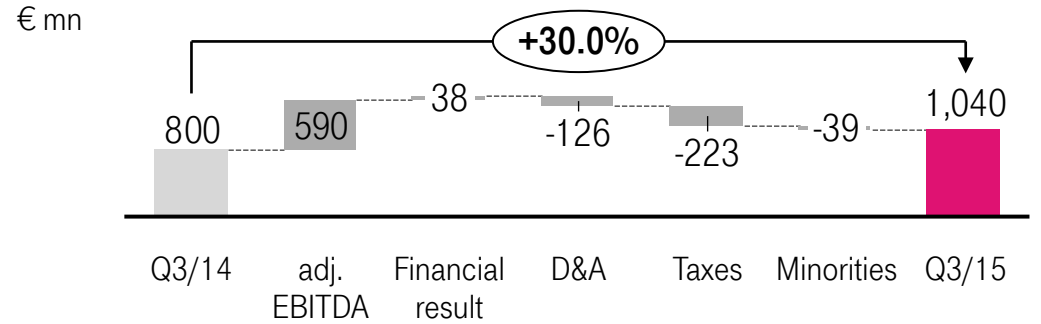
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# FINANCIALS: ADJ. EBITDA DRIVING FCF AND NET INCOME

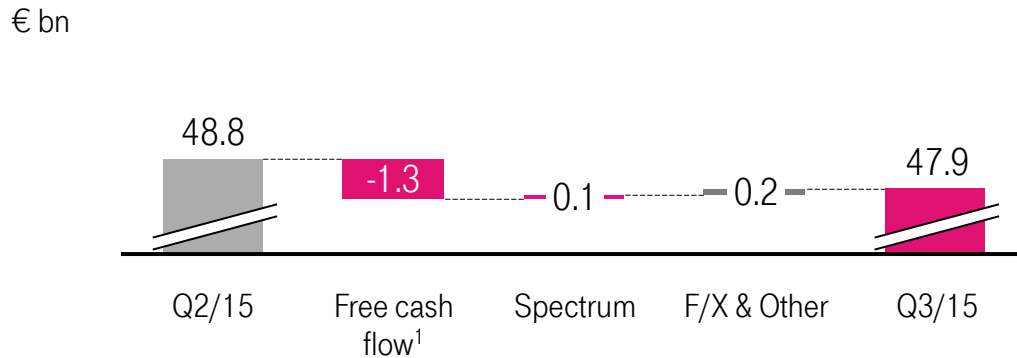
## FREE CASH FLOW Q3/15<sup>1</sup>



## ADJ. NET INCOME Q3/15



## NET DEBT DEVELOPMENT Q3/15<sup>2</sup>



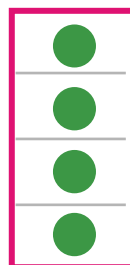
1) Free cash flow before dividend payments and spectrum investment (Q3/14: 91 million €; Q3/15: 115 million €)

2) Figures may not add up due to rounding

# FINANCIALS: BALANCE SHEET RATIOS WITHIN THE TARGET CORRIDOR

€ BN	30/09/2014	31/12/2014	31/03/2015	30/06/2015	30/09/2015
BALANCE SHEET TOTAL	125.0	129.4	137.5	135.0	135.2
SHAREHOLDERS' EQUITY	34.0	34.1	37.0	36.0	36.5
NET DEBT	41.8	42.5	46.3	48.8	47.9
NET DEBT/ADJ. EBITDA <sup>1</sup>	2.4	2.4	2.6	2.6	2.5
EQUITY RATIO	27.2%	26.3%	26.9%	26.6%	27.0%

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:
Moody's:
S&P:

<b>BBB+</b>	stable outlook
<b>Baa1</b>	stable outlook
<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 **November 5 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

- The **link to the webcast** will be provided here 20 minutes before the call starts: [www.telekom.com/15Q3](http://www.telekom.com/15Q3)

**NEW**

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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Other	+49 69 271340801	+	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 the **“star two”**.



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# FURTHER QUESTIONS

## PLEASE CONTACT THE IR DEPARTMENT

### INVESTOR RELATIONS CONTACT DETAILS

**Phone** +49 228 181 - 8 88 80  
+1 212 301 - 6114

**E-Mail** [investor.relations@telekom.de](mailto:investor.relations@telekom.de)

Contact details for all  
**IR representatives:**  
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### IR TWITTER ACCOUNT

[www.twitter.com/DT\\_IR](http://www.twitter.com/DT_IR)

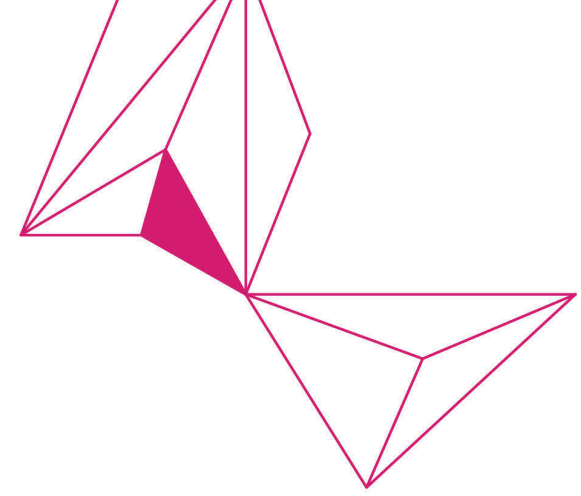
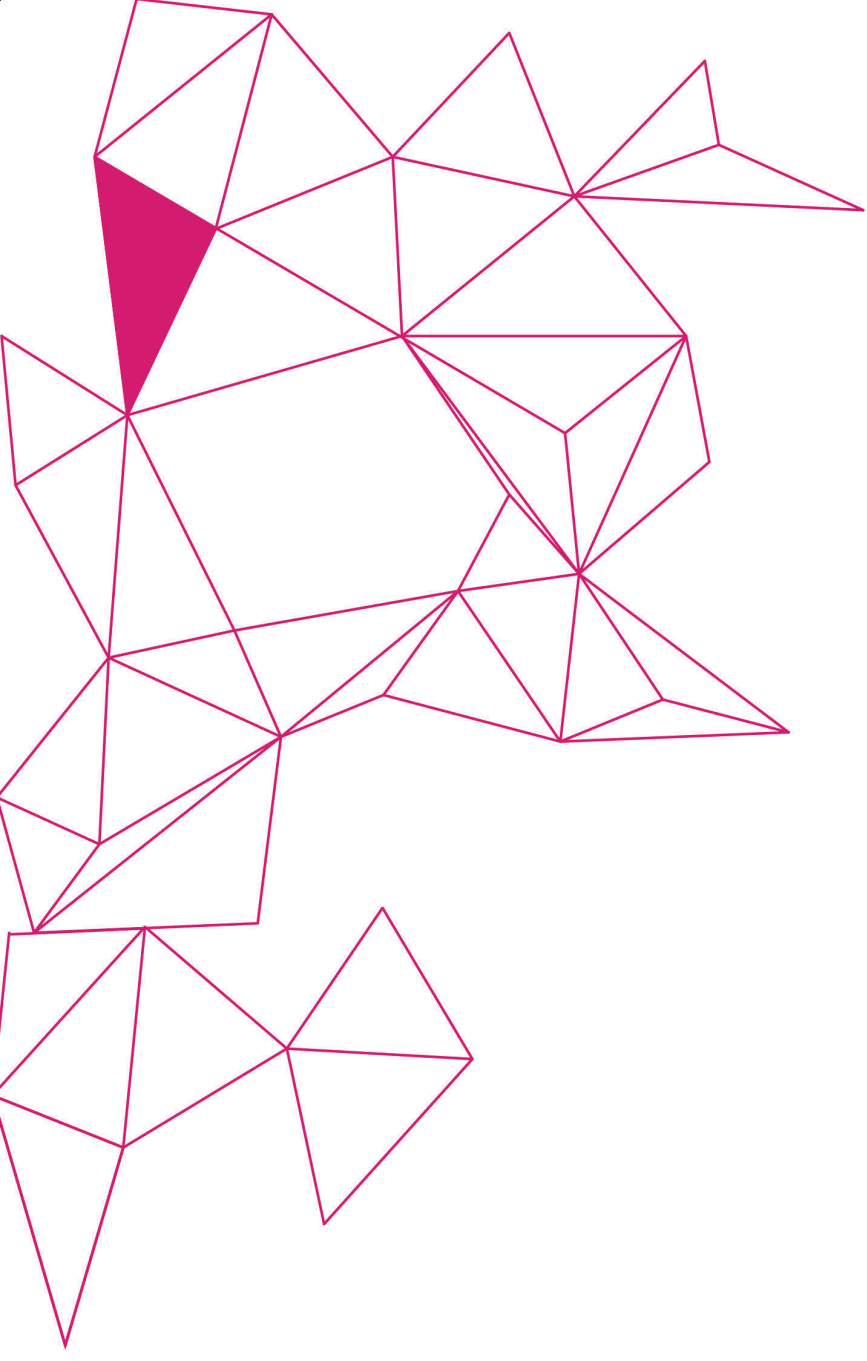


### IR YOUTUBE PLAYLIST

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



LIFE IS FOR SHARING.



**THANK YOU!**

