



DEUTSCHE TELEKOM

Q4/14 RESULTS



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REVIEW Q4/14

LEADING EUROPEAN TELCO: KEY HIGHLIGHTS 2014

2014 HIGHLIGHTS

- Germany: Revenue trends improved (-0.8% 2014 yoy versus -1.3% 2013 yoy). Adj. EBITDA margin stabilized at 40% level. Improvement in all relevant KPIs: line losses reduced by 25%, broadband losses stopped. TV net adds +26% (265k), fiber net adds (incl. wholesale) almost doubled to 1 million. Successful launch of MagentaEINS converged product with 506k customers.
- US: In US\$ revenue grows 20.3%, service revenue grows 17.1% and adj. EBITDA grows 10.3%. 8.3 million customers added.
- Europe: Ongoing revenue transformation – revenue share from growth areas improved to 25% (+2pp), TV (+6%) and broadband (+6%) customer base continue to grow. Reduction of adj. opex (€-0.6 bn) results in improved adj. EBITDA margin of 34% (+1pp).
- Systems Solutions: First results for “TSI 2015+” achieved. Adj. opex in market unit reduced by €0.4 billion.

2014 FINANCIAL HIGHLIGHTS GROUP

- Group revenue growth of 4.2% to €62.7 billion
- Adj. EBITDA growth of 0.8% to €17.6 billion in line with guidance
- FCF of €4.1 billion in line with guidance
- Net profit more than tripled to €2.9 billion

Delivering on dividend policy for 2014:

€0.50 per share to be proposed to AGM

2014 Shareholder return:

Total shareholder return of **11%** achieved in 2014



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FY/14: KEY FIGURES

€ MN	Q4			FY		
	2013	2014	Change	2013	2014	Change
REVENUE	15,665	17,002	8.5%	60,132	62,658	4.2%
ADJ. EBITDA	4,060	4,444	9.5%	17,424	17,569	0.8%
ADJ. NET PROFIT	355	399	12.4%	2,755	2,422	-12.1%
NET PROFIT	-752	-110	85.4%	930	2,924	214.4%
ADJ. EPS (IN €)	0.08	0.09	12.5%	0.63	0.54	-14.3%
EPS (IN €)	-0.18	-0.03	83.3%	0.21	0.65	209.5%
FREE CASH FLOW ¹	1,032	983	-4.7%	4,606	4,140	-10.1%
CASH CAPEX ²	2,446	2,779	13.6%	8,861	9,534	7.6%
NET DEBT (IN € BN)	39.1	42.5	8.7%	39.1	42.5	8.7%

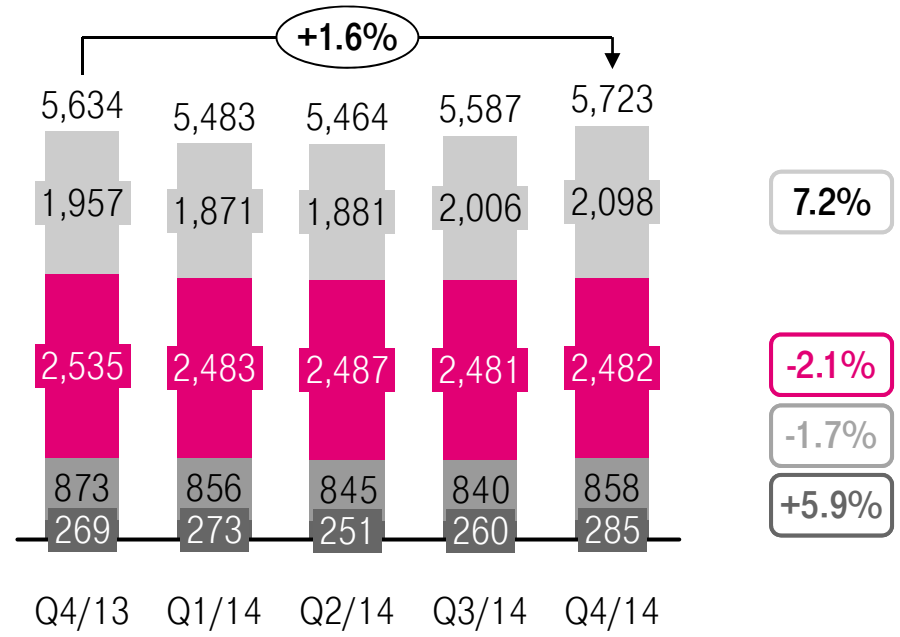
1) Free cash flow before dividend payments and spectrum investment and before effects in connection with the AT&T transaction and compensation payments for MetroPCS employees

2) Before spectrum payments. Q4/13: €1,022 million; Q4/14: €338 million; FY/13: €2,207 million ; FY/14: €2,310 million

GERMANY: REVENUE GROWTH DRIVEN BY MOBILE SERVICE REVENUES

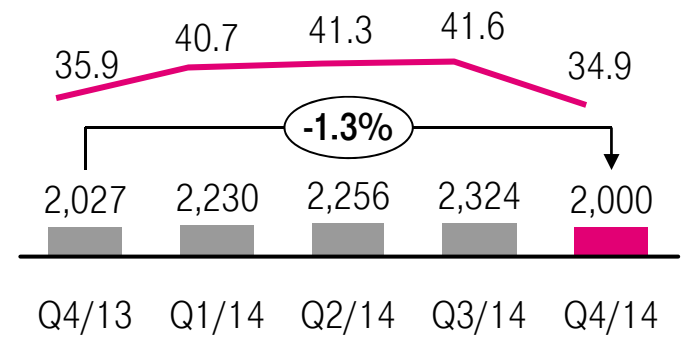
REVENUE

€ mn Mobile Core fixed Wholesale services Others



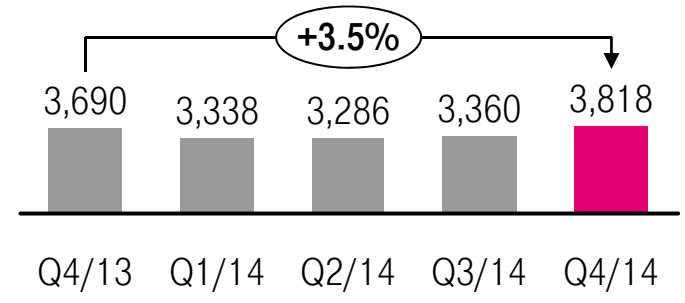
ADJ. EBITDA AND MARGIN (IN %)

€ mn



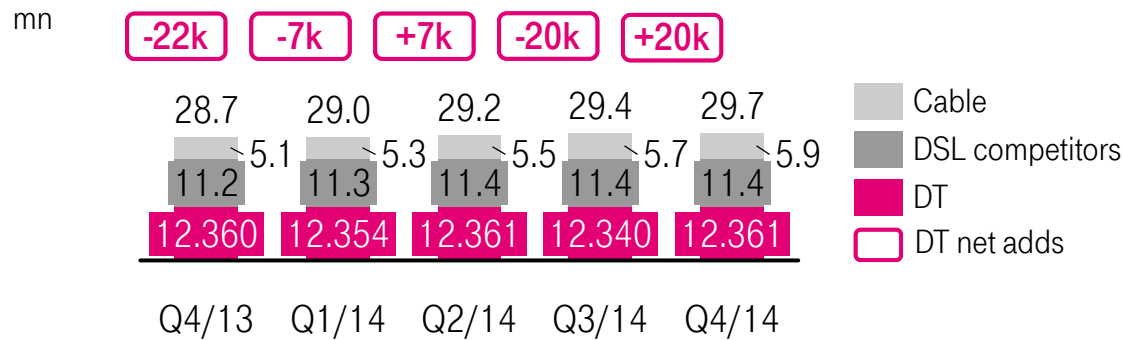
ADJ. OPEX

€ mn

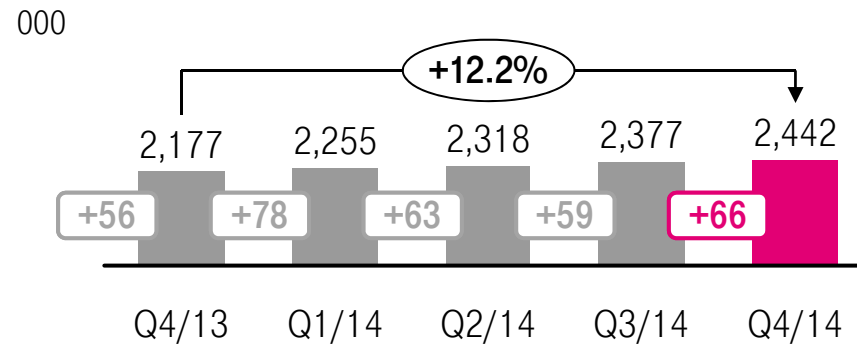


GERMANY FIXED: NETWORK ROLL-OUT DRIVES FIBER NET-ADDS TO RECORD LEVEL – BB-NET ADDS TURN POSITIVE

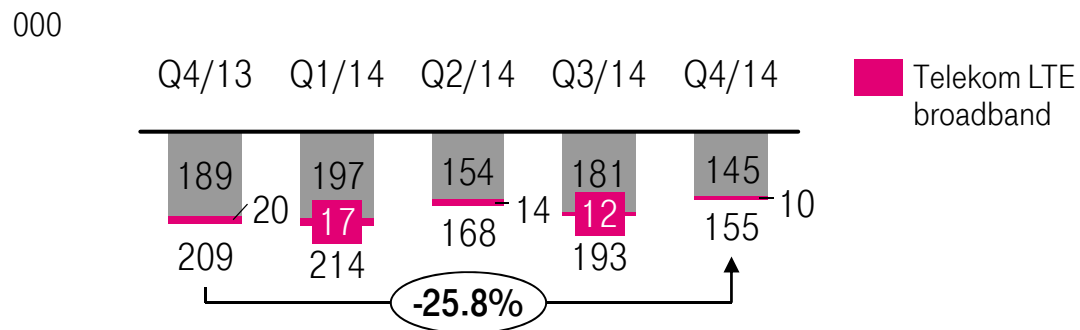
GERMAN BROADBAND MARKET¹



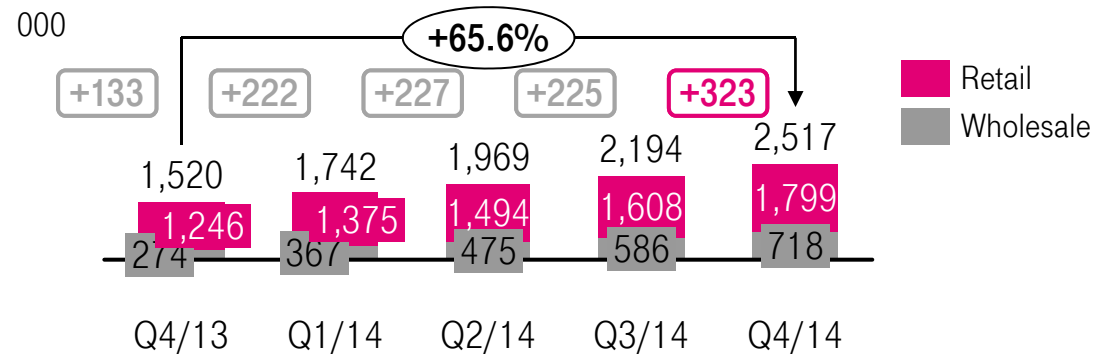
ENTERTAIN CUSTOMERS



LINE LOSSES



FIBER CUSTOMERS²



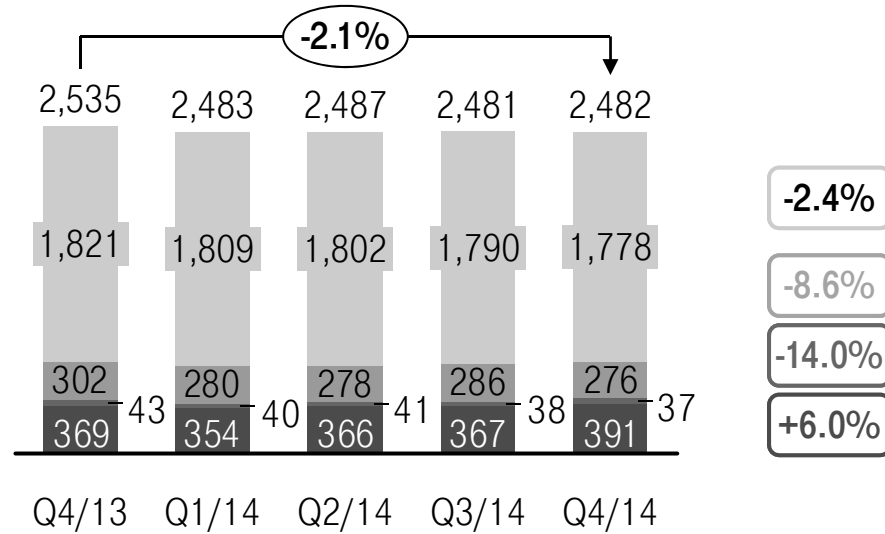
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, vectoring, and FTTH)

GERMANY FIXED: Q4 BEST QUARTER IN REVENUE TREND DURING 2014

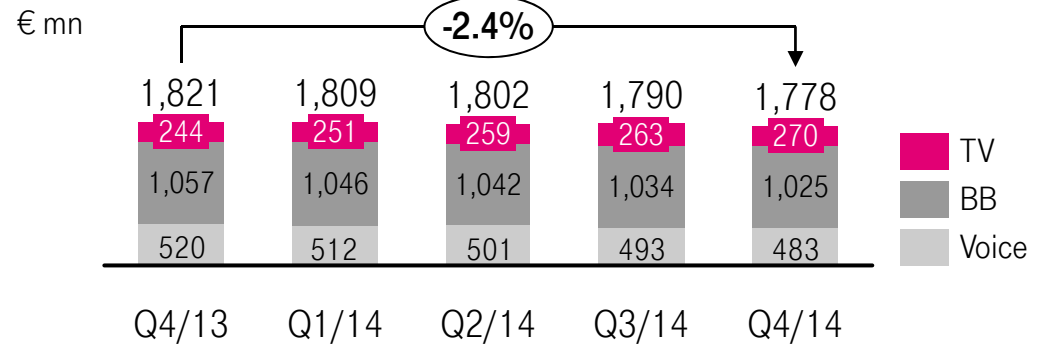
FIXED NETWORK REVENUES (CORE FIXED)

€ mn

- Fixed revenues
- Revenues from add-on options
- Variable revenues
- Other revenues

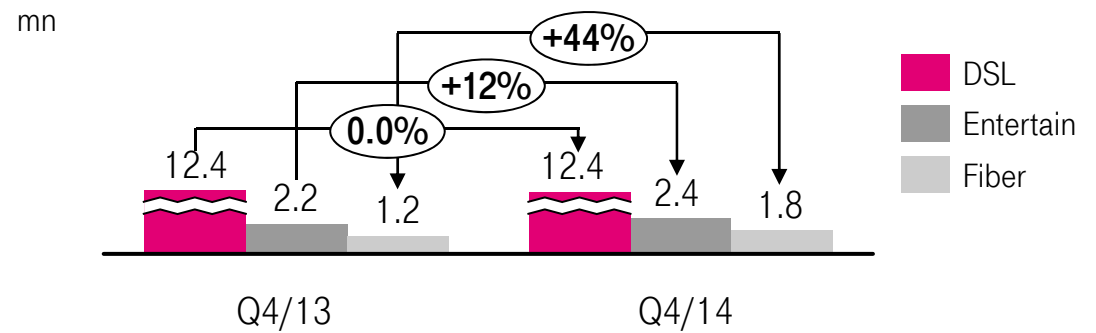


FIXED REVENUES (FIXED LINE)



RETAIL UPSELL STRATEGY ACCESS

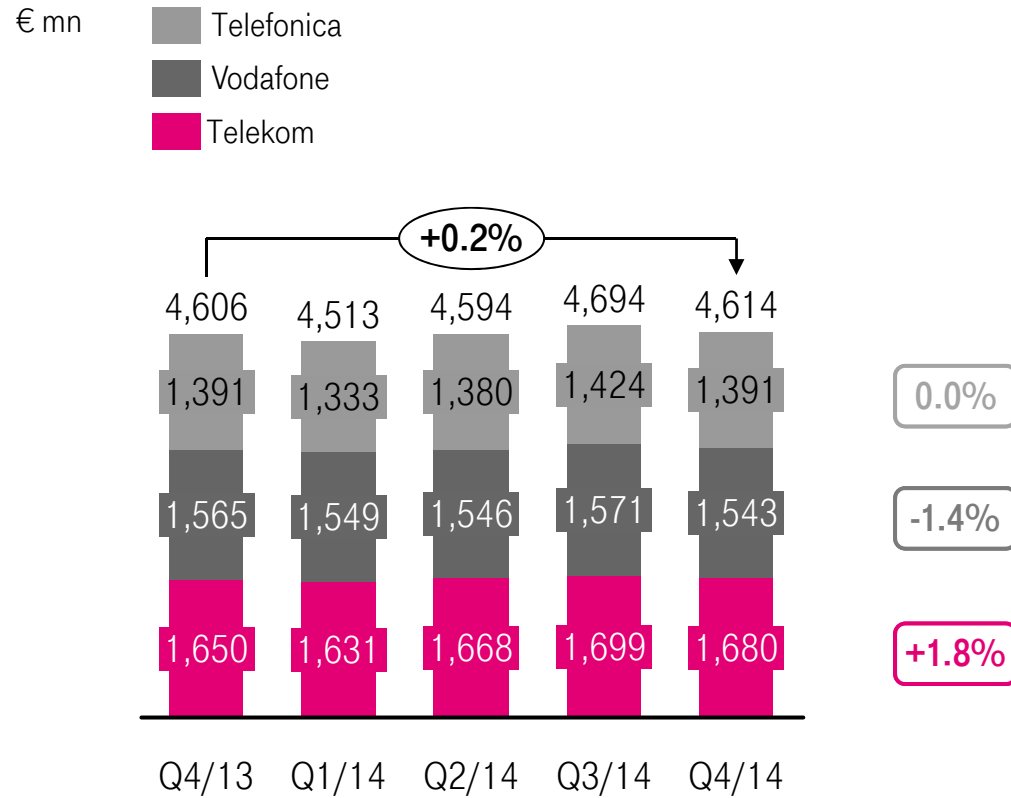
% calculated on exact numbers



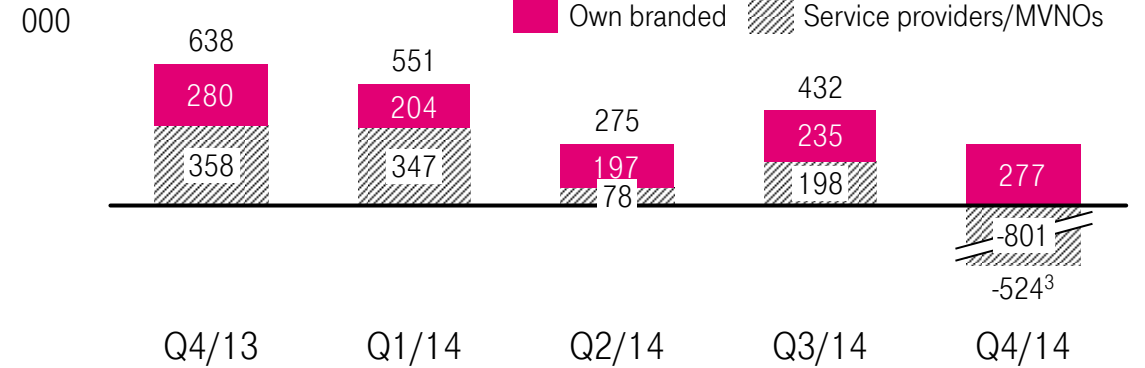
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GERMANY MOBILE: GERMAN MOBILE MARKET GROWS AGAIN – DT CONTINUES TO OUTPERFORM

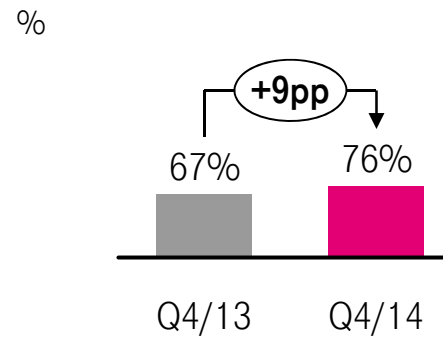
GERMAN MOBILE MARKET SERVICE REVENUE



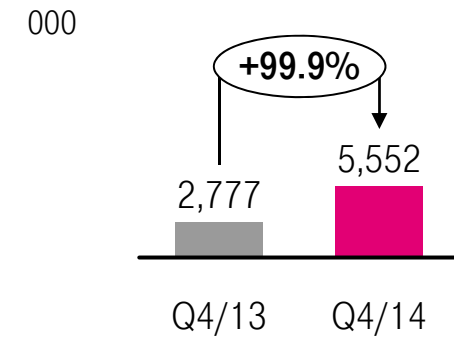
CONTRACT NET ADDS



SMARTPHONE PENETRATION¹



LTE CUSTOMERS²

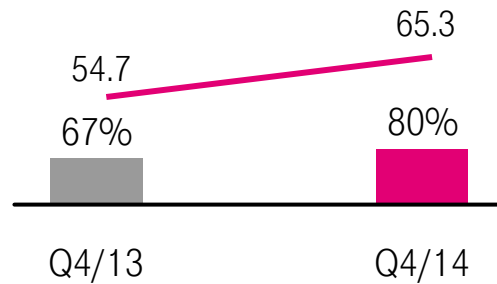


1) Of own branded retail customers 2) Customers using an LTE device and tariff plan including LTE 3) Impacted by the de-recognition of 1.5 million inactive SIM cards by one service provider

GERMANY: ACCELERATED LTE ROLL-OUT. FIBER ROLL-OUT AND IP-MIGRATION ON TRACK.

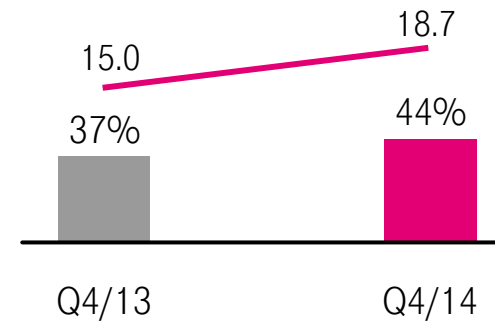
INS- STATUS LTE ROLLOUT

POP Coverage in mn and %¹



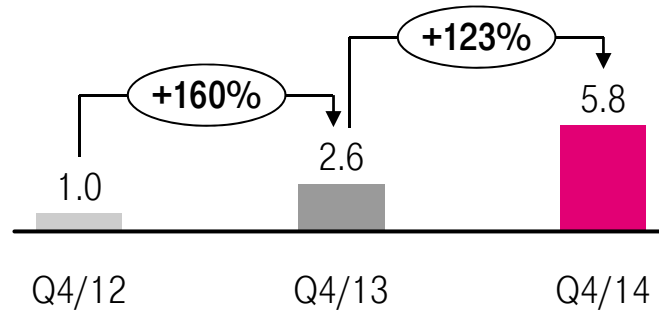
INS- STATUS FIBER ROLLOUT²

Coverage in mn households and %

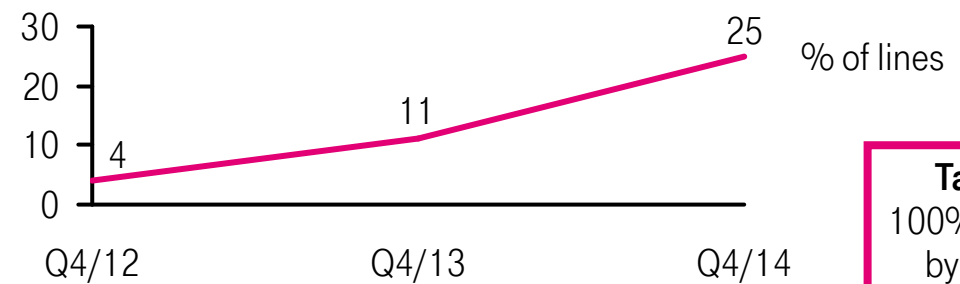


STATUS IP ACCESSES (RETAIL & WHOLESALE)

mn



STATUS IP ACCESSES (RETAIL & WHOLESALE)



Target:
100% of lines
by 2018!

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

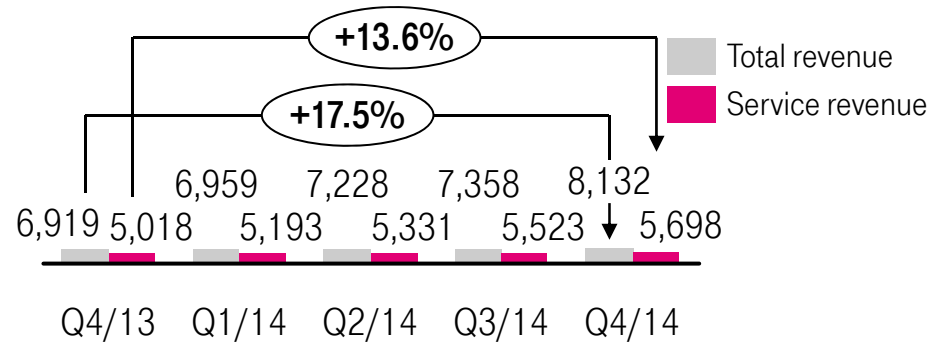


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TMUS: CONTINUED NET ADD MOMENTUM ACCELERATING REVENUE GROWTH AND STRONG ADJUSTED EBITDA GROWTH

REVENUE AND SERVICE REVENUE

US-\$ mn



NET ADDS

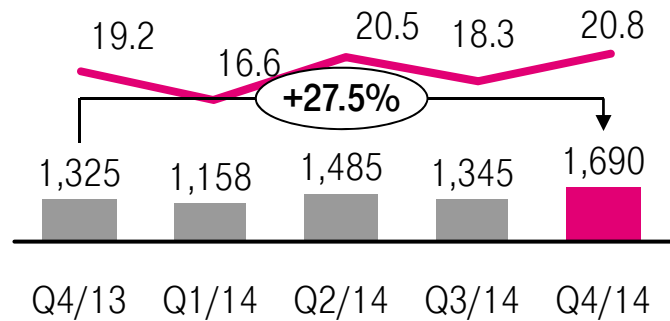
000

Total net adds

	Q4/13	Q1/14	Q2/14	Q3/14	Q4/14
Total net adds	1,645	2,391	1,470	2,345	2,128
Branded:					
▪ Postpaid	869	1,323	908	1,379	1,276
▪ Prepay	112	465	102	411	266
Wholesale ¹	664	603	460	555	586

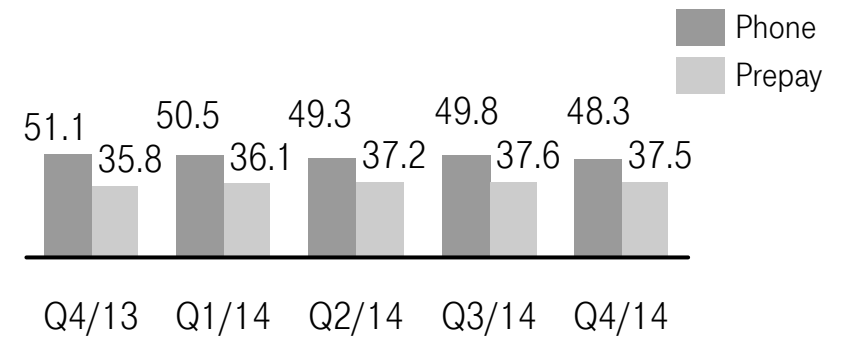
ADJ. EBITDA AND MARGIN (IN %)

US-\$ mn



BRANDED CUSTOMERS: POSTPAID PHONE AND PREPAY ARPU

US-\$ (US GAAP)



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

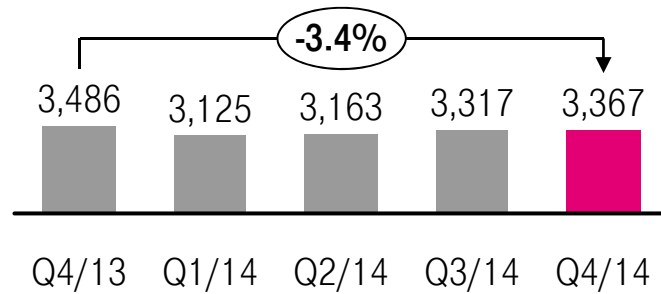


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EUROPE: ONGOING COST SAVINGS LIMIT IMPACT OF REVENUE DECLINE ON PROFITABILITY

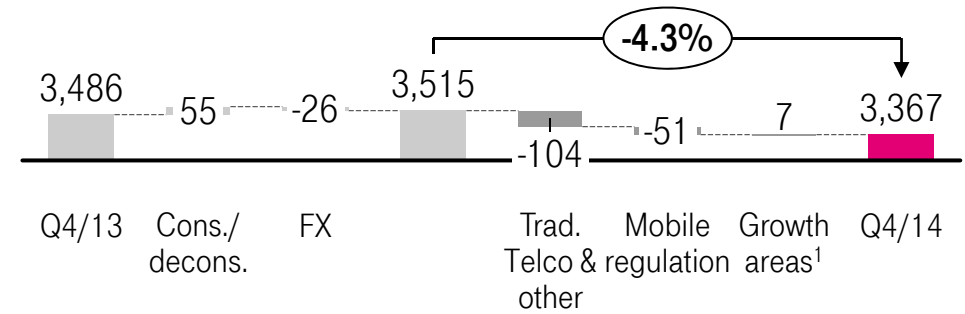
REVENUE AS REPORTED

€ mn



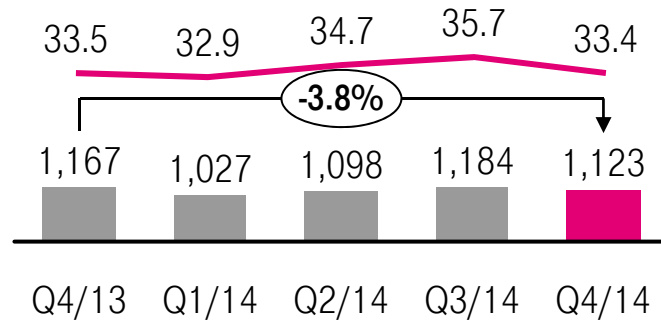
ORGANIC REVENUE DEVELOPMENT

€ mn



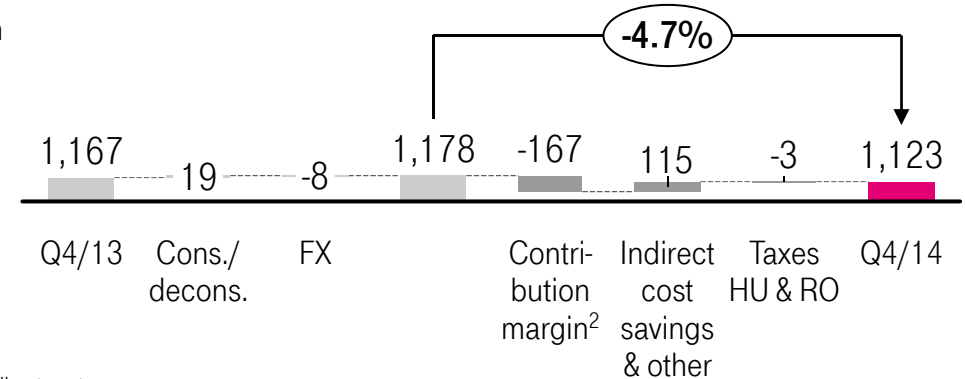
ADJ. EBITDA AND MARGIN (IN %) AS REPORTED

€ mn



ORGANIC ADJ. EBITDA DEVELOPMENT

€ mn



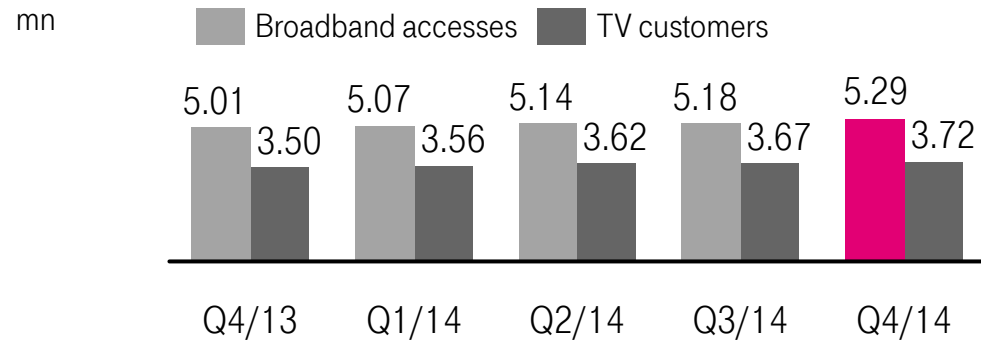
1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy, and other) 2) Total revenues – direct cost



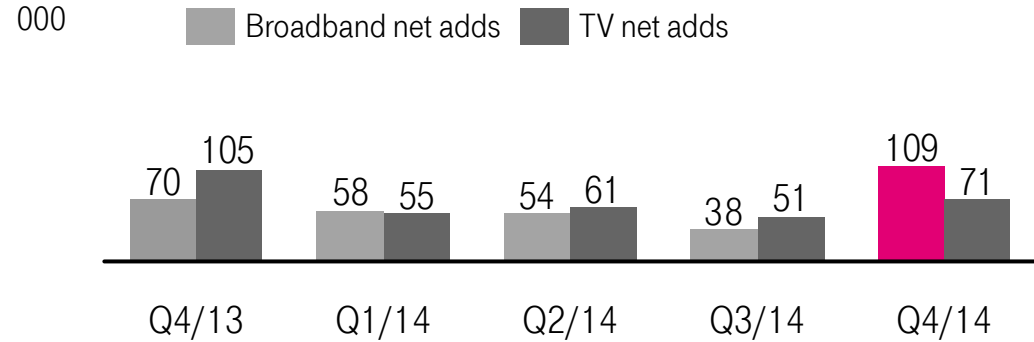
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EUROPE: CONTINUED GROWTH IN BROADBAND AND TV BASE

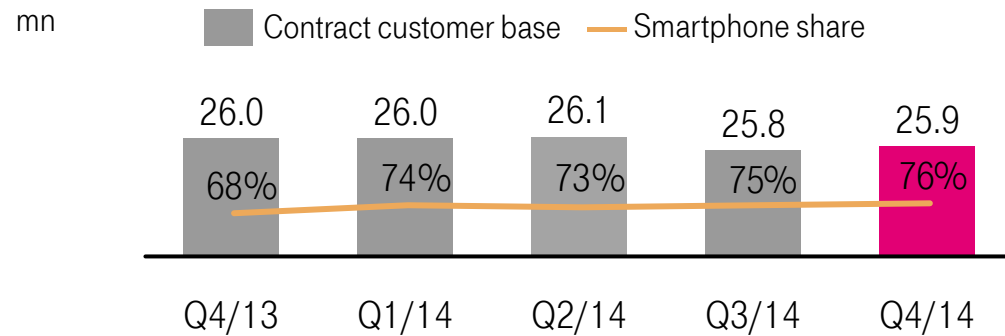
POCKETS OF GROWTH – BROADBAND AND TV¹



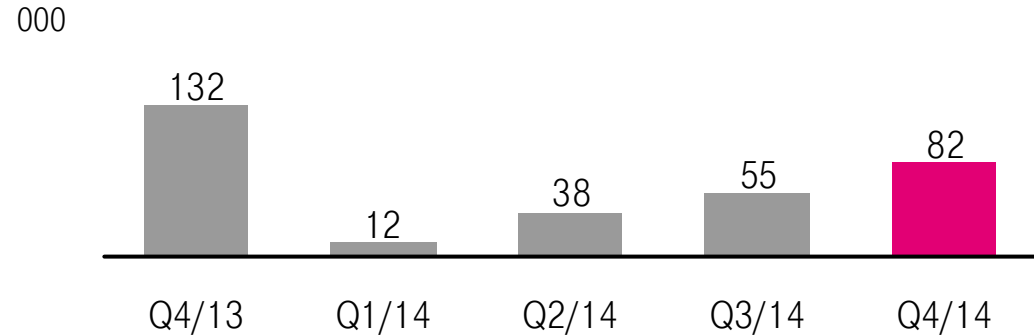
NET ADDS – BROADBAND AND TV¹



POCKETS OF GROWTH – MOBILE CONTRACT AND SMARTPHONES¹



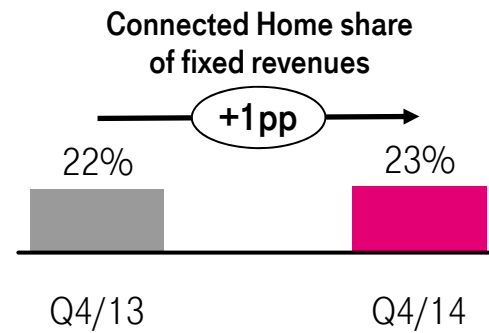
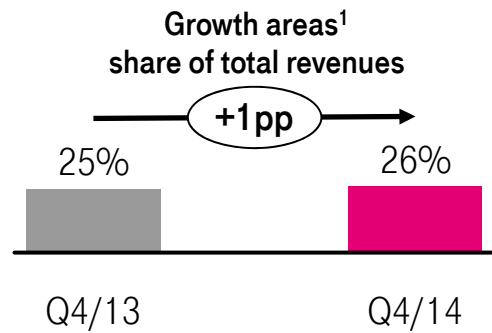
NET ADDS – MOBILE CONTRACT¹



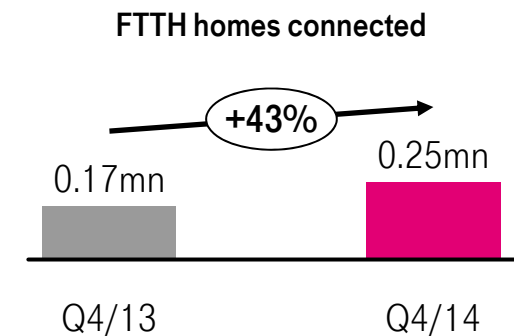
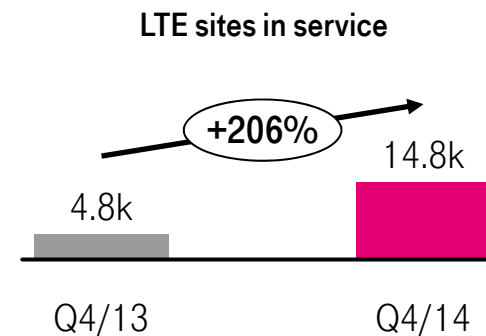
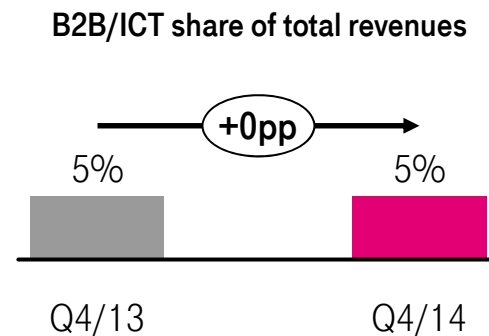
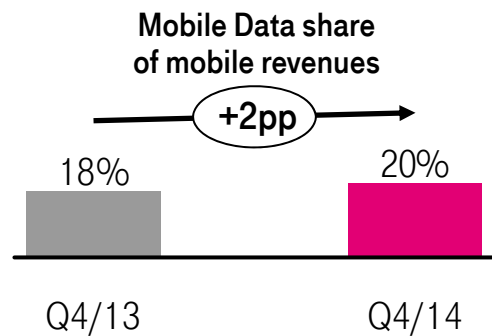
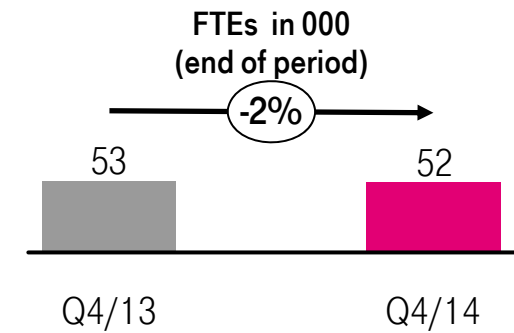
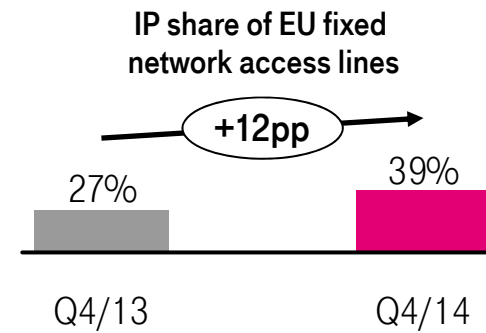
¹ Incl. business customers shifted to T-Systems in Hungary as of January 1, 2011. Smartphone share w/o AL and Bulgaria based on purchased devices. The customers of our companies in Bulgaria and Online in the Netherlands are no longer included in the Europe operating segment since August 1, 2013, and January 2, 2014, respectively following the sale of the shares held in the companies. They have been eliminated from the historical customer figures to improve comparability. TV net adds in Q4 have been adjusted for the sale of 27k SAT-TV customer base in the Czech Republic

EUROPE: ONGOING REVENUE AND NETWORK TRANSFORMATION

REVENUE TRANSFORMATION



TECHNOLOGY AND COST TRANSFORMATION



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

SYSTEMS SOLUTIONS: COST REDUCTION CONTINUES – MARKET UNIT WITH IMPROVED REVENUE TREND AND EBIT MARGIN

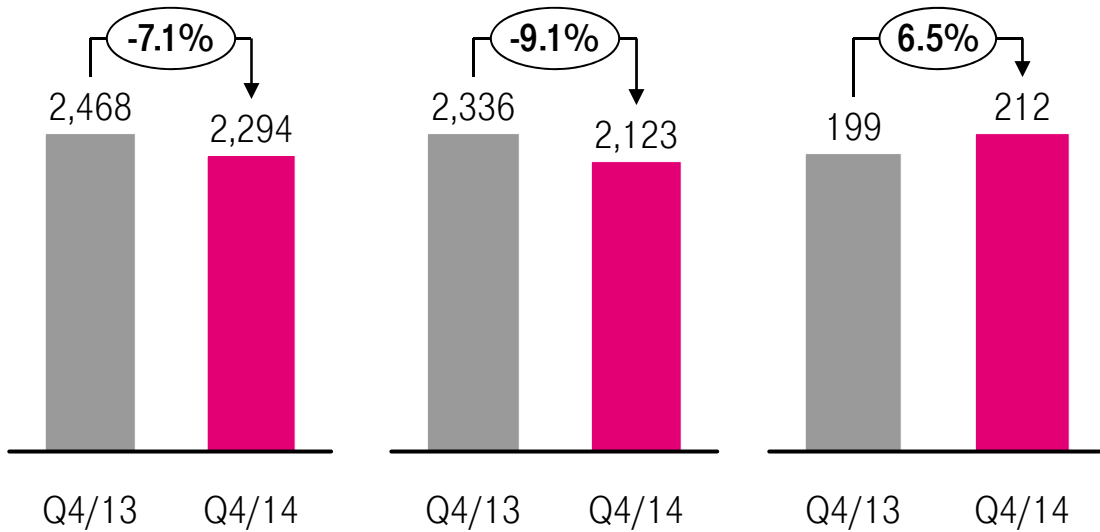
T-SYSTEMS FINANCIALS

€ mn

TOTAL REVENUE

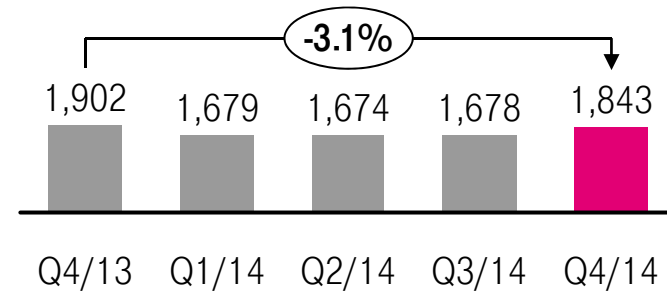
ADJ. OPEX

ADJ. EBITDA



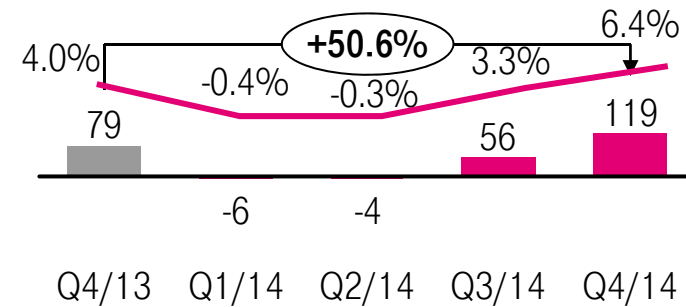
REVENUE MARKET UNIT

€ mn



ADJ. EBIT AND MARGIN MARKET UNIT

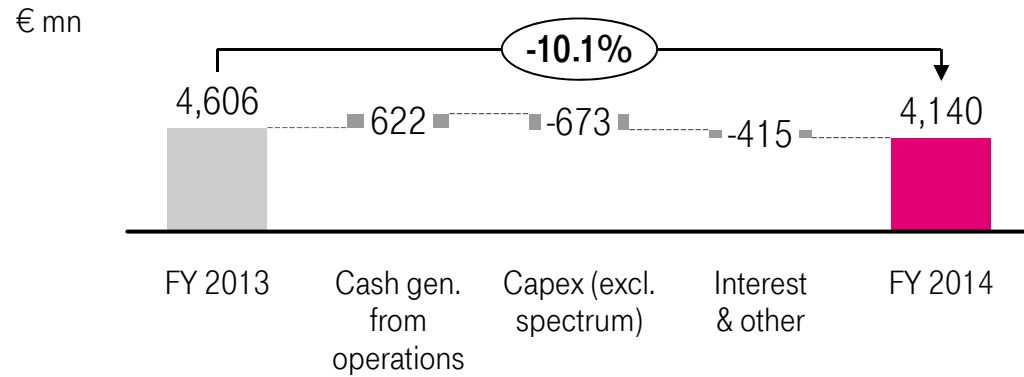
%
€ mn



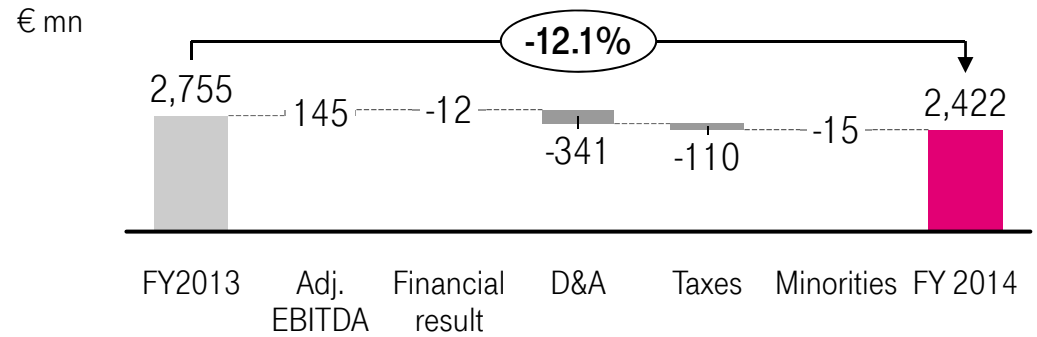
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FINANCIALS: FY FCF IN LINE WITH GUIDANCE OF AROUND €4.2 BILLION

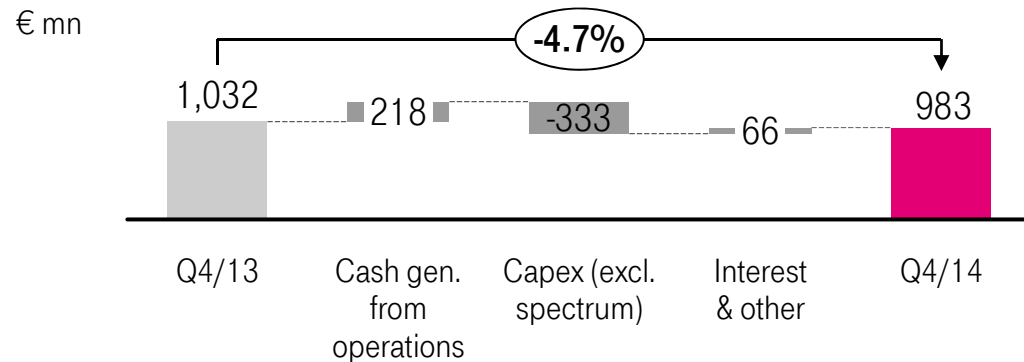
FREE CASH FLOW FY 2014¹



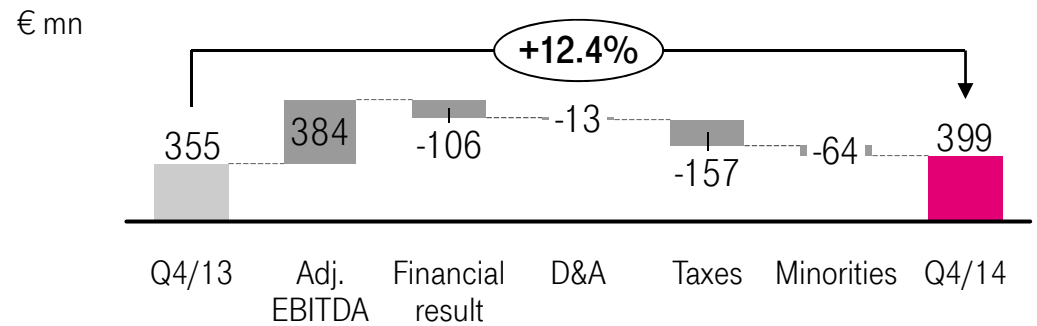
ADJ. NET INCOME FY 2014



FREE CASH FLOW Q4¹



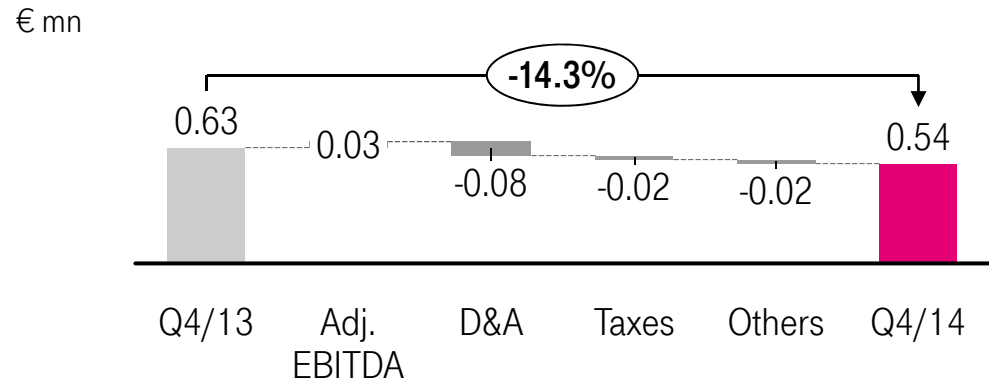
ADJ. NET INCOME Q4



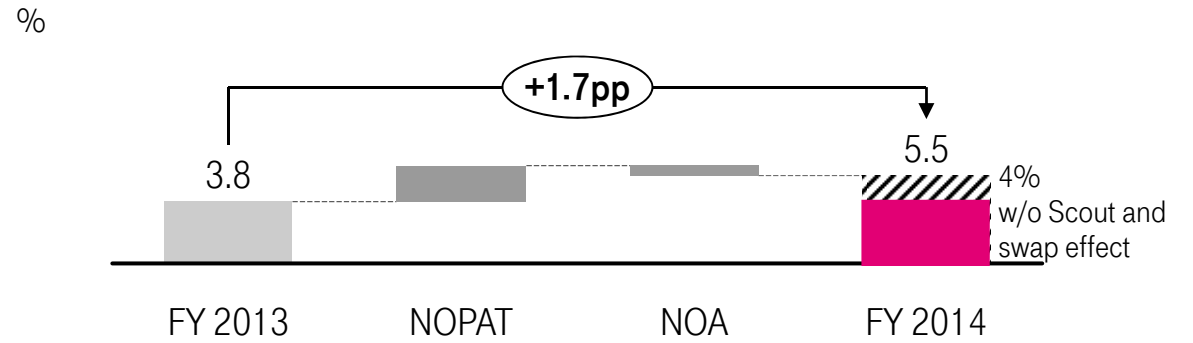
1) Free cash flow before dividend payments, spectrum investment

FINANCIALS: ROCE, EPS, AND NET DEBT

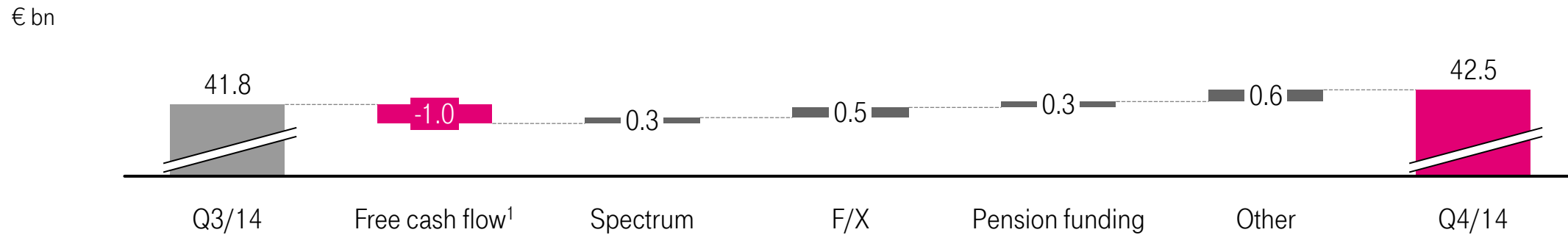
DEVELOPMENT ADJ. EPS FY 2014



ROCE DEVELOPMENT FY 2014²



NET DEBT DEVELOPMENT Q4

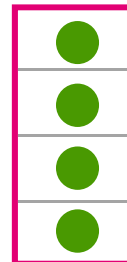


1) Free cash flow before dividend payments, spectrum investment 2) Includes book gain on sale of Scout24 and Verizon spectrum swaps

FINANCIALS: BALANCE SHEET RATIOS WITHIN TARGET RANGES

€ BN	31/12/2013	31/03/2014	30/06/2014	30/09/2014	31/12/2014
BALANCE SHEET TOTAL	118.1	117.3	118.0	125.0	129.4
SHAREHOLDERS' EQUITY	32.1	32.8	32.5	34.0	34.1
NET DEBT	39.1	38.0	41.4	41.8	42.5
NET DEBT/ADJ. EBITDA ¹	2.2	2.2	2.4	2.4	2.4
EQUITY RATIO	27.1%	27.9%	27.5%	27.2%	26.3%

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:
Moody's:
S&P:

BBB+	stable outlook
Baa1	stable outlook
BBB+	stable outlook

1) Ratios for the interim quarters calculated on the basis of previous four quarters

GUIDANCE

	2014 RESULTS Reported	GUIDANCE 2015 ON A CONSTANT CURRENCY BASIS ¹	GUIDANCE 2015 ON CURRENT \$/€ EXCHANGE RATE ¹
€ BN		\$/€: 1.33	\$/€: 1.13
REVENUE	62.7	Growth	Growth
ADJ. EBITDA	17.6	around 18.3	around 19.3
FCF	4.1	around 4.3	around 4.3

1) Based on no further changes in the scope of consolidation



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