

# DEUTSCHE TELEKOM CAPITAL MARKETS DAY 2012 GROUP STRATEGY & OUTLOOK

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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.



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# SAFE HARBOR STATEMENT.

## Additional Information and Where to Find It

This document also relates to a proposed transaction between MetroPCS Communications, Inc. ("MetroPCS") and Deutsche Telekom AG ("Deutsche Telekom") in connection with T-Mobile USA, Inc. ("T-Mobile"). The proposed transaction will become the subject of a proxy statement to be filed by MetroPCS with the Securities and Exchange Commission (the "SEC"). This document is not a substitute for the proxy statement or any other document that MetroPCS may file with the SEC or send to its stockholders in connection with the proposed transaction. MetroPCS' investors and security holders are urged to read the proxy statement (including all amendments and supplements thereto) and all other relevant documents regarding the proposed transaction filed with the SEC or sent to MetroPCS' stockholders as they become available because they will contain important information about the proposed transaction. All documents, when filed, will be available free of charge at the SEC's website ([www.sec.gov](http://www.sec.gov)). You may also obtain these documents by contacting MetroPCS' Investor Relations department at +1 (214) 570-4641, or via e-mail at [investor\\_relations@metropcs.com](mailto:investor_relations@metropcs.com). This communication does not constitute a solicitation of any vote or approval.

## Participants in the Solicitation

MetroPCS and its directors and executive officers will be deemed to be participants in any solicitation of proxies in connection with the proposed transaction, and Deutsche Telekom and its directors and executive officers may be deemed to be participants in such solicitation. Information about MetroPCS' directors and executive officers is available in MetroPCS' proxy statement dated April 16, 2012 for its 2012 Annual Meeting of Stockholders. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement and other relevant materials to be filed with the SEC regarding the proposed transaction when they become available. Investors should read the proxy statement carefully when it becomes available before making any voting or investment decisions.

## Cautionary Statement Regarding Forward-Looking Statements

This document includes "forward-looking statements" for the purpose of the "safe harbor" provisions within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Any statements made in this document that are not statements of historical fact, including statements about our beliefs, opinions, projections, and expectations, are forward-looking statements and should be evaluated as such. These forward-looking statements often include words such as "anticipate," "expect," "suggests," "plan," "believe," "intend," "estimates," "targets," "views," "projects," "should," "would," "could," "may," "become," "forecast," and other similar expressions.

All forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, many of which are generally outside the control of MetroPCS, Deutsche Telekom and T-Mobile and are difficult to predict. Examples of such risks and uncertainties include, but are not limited to, the possibility that the proposed transaction is delayed or does not close, including due to the failure to receive the required MetroPCS stockholder approvals or required regulatory approvals, the taking of governmental action (including the passage of legislation) to block the transaction, the failure to satisfy other closing conditions, the possibility that the expected synergies will not be realized, or will not be realized within the expected time period, the significant capital commitments of MetroPCS and T-Mobile, global economic conditions, disruptions to the credit and financial markets, fluctuations in exchange rates, competitive actions taken by other companies, natural disasters, difficulties in integrating the two companies, disruption from the transaction making it more difficult to maintain business and operational relationships, possible disruptions or intrusions of MetroPCS' or T-Mobile's network, billing, operational support and customer care systems which may limit or disrupt their ability to provide service, actions taken or conditions imposed by governmental or other regulatory authorities and the exposure to litigation. Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in the MetroPCS' 2011 Annual Report on Form 10-K and Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 and other filings with the SEC available at the SEC's website ([www.sec.gov](http://www.sec.gov)).

The forward-looking statements speak only as to the date made, are based on current assumptions and expectations, and are subject to the factors above, among others, and involve risks, uncertainties and assumptions, many of which are beyond our ability to control or ability to predict. Neither MetroPCS' investors and security holders nor any other person should place undue reliance on these forward-looking statements. Neither MetroPCS, Deutsche Telekom nor any other party undertake any duty to update any forward-looking statement to reflect events after the date of this document, except as required by law.



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# KEY MESSAGES.

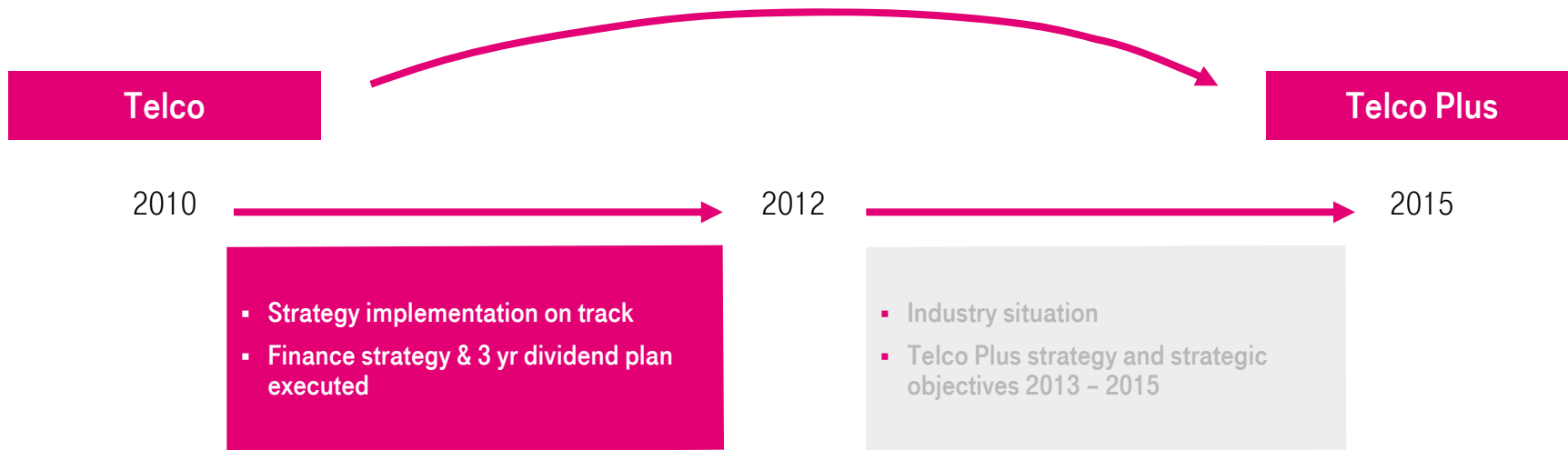
- 1 Key objectives achieved against industry trend – 2012 guidance reiterated
- 2 Significant investments in Germany and the US
- 3 Agreement with Apple for T-Mobile US
- 4 Chance to return to modest growth by 2014 driven by
  - revenue stabilization in Germany in 2014
  - return to underlying growth in Europe in 2014
  - return to growth at TMUS
- 5 Investments lead to lower FCF. Dividend lowered to a prudent and sustainable level



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# REVIEW 2010 – 2012

# FROM TELCO TO TELCO PLUS.



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# 2010 – 2012: ACHIEVEMENTS.



Valuation increase €1.7 bn of DT's stake – good operational development



Improved position after AT&T deal break-up



Broadband share kept broadly stable, 4pp margin enhancement

FIX

TRANSFORM



“One Company” in Germany and 3 major markets



€4.5 bn Save for Service savings achieved one year ahead of plan



“Telekom IT” established – €1 bn IT spend reduction by 2015



Growth areas overall mostly on track for 2015 ambition



Corporate innovation priorities defined



Partnering accelerating

INNOVATE

INVESTORS



3 year dividend program



Good relative TSR and valuation performance versus peers



Strict M&A discipline and good deal execution



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# 2010 – 2012: TMUS BUILDING CHALLENGER POSITION.



## AT&T BREAK-UP



- AWS spectrum and \$3 bn cash received as break-up fee

## NETWORK MODERNIZATION



- \$4 bn network investment
- Site upgrades and spectrum re-farming

## VERIZON SPECTRUM SWAP



- Enable more efficient network
- Higher LTE coverage

## TOWER TRANSACTION



- \$2.5 bn proceeds
- Maintaining operational flexibility

## MetroPCS COMBINATION



- Creating the leading value carrier
- Improved spectrum position



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# 2010 – 2012: PERFORMANCE TOWARDS AMBITION LEVEL.

## 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



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# 2010 – 2012: DT WITH ABOVE AVERAGE SHAREHOLDER RETURNS.

	TSR <sup>1</sup>	EV/EBITDA <sup>2,3</sup>		5YR CDS (BPS) <sup>3</sup>		RATINGS <sup>3,4</sup>	
	SINCE 2010	2010	2012	2010	2012	2010	2012
	37.3%	4.7x	4.8x	64	68	A-	A-
	13.5%	4.8x	4.7x	74	91	BBB+	BBB+
	-21.6%	5.1x	3.8x	119	292	BBB	BBB
	-27.0%	6.1x	4.7x	91	264	A-	BBB
	-34.0%	5.3x	3.7x	46	124	A-	A-
	-53.1%	5.7x	4.1x	55	170	BBB+	BBB



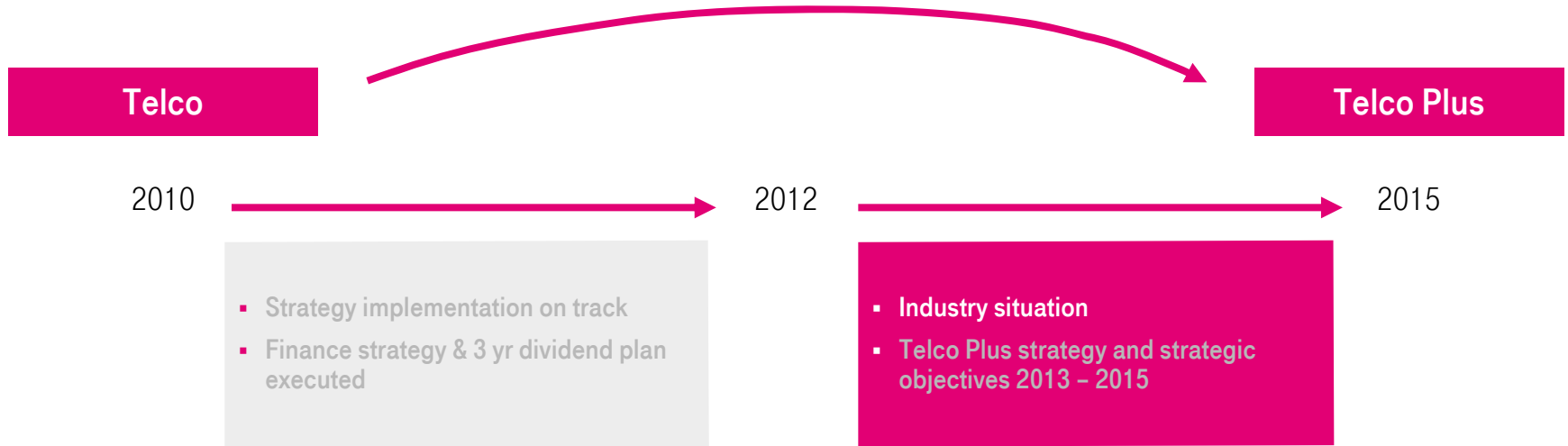
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Source: Company Information, FactSet, Bloomberg, Citi, Standard & Poors.

<sup>1</sup> Total Shareholder Return 25.02.2010 – 30.11.2012. <sup>2</sup> EV/EBITDA calendarised for 2010 and 2012. <sup>3</sup> End of Jan 2010 and Nov 2012. <sup>4</sup> S&P Ratings

# MARKET & TRENDS

# WE INVEST FOR LONG TERM GROWTH.



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# INDUSTRY SITUATION AND MAJOR TRENDS.

PRESSURES

OPPORTUNITIES

TOUGH ECONOMIC  
SITUATION



SATURATED MARKETS,  
CONTINUED PRICE  
PRESSURE



IP TRANSFORMATION

Virtual PBX



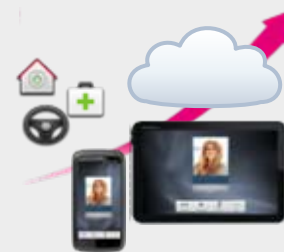
QoS

Efficient  
Networks

CHANGING REGULATION



GROWTH MARKETS



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# REGULATION: NEW PROSPECTS FOR HIGHER INVESTMENT LEVELS.

## NEW EU REGULATORY POLICY PROPOSAL<sup>1</sup>

- Reliable regulatory framework until 2020
- ULL charges stable until 2020
- No cost regulation for optical fiber/NGA networks if sufficient competition and non-discrimination
- NGA networks also include VDSL, FTTC – vectoring also supported by the EU



**“I intend to produce durable regulatory guidance, to apply at least until 2020.”  
(Neelie Kroes)<sup>1</sup>**

## IMPLICATION FOR GERMANY

**Encouraging comments have to materialize and are a precondition for increased network investments**



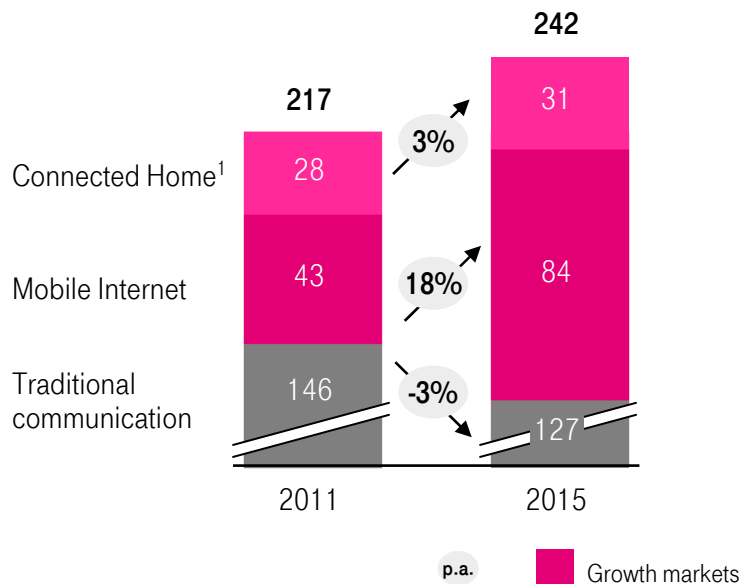
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<sup>1</sup> EC Digital Agenda Statement , 07/12/2012, SPEECH 12-552 and MEMO 12-554.

# MARKET PROJECTIONS.

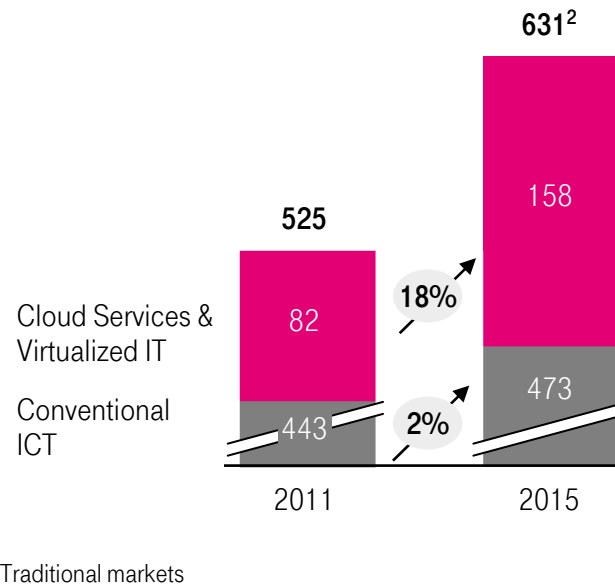
## TELECOMMUNICATION

€ bn



## INFORMATION & COMMUNICATIONS TECHNOLOGY

€ bn



<sup>1</sup> Incl. TV <sup>2</sup> Intelligent Networks partially included.

Source: DT planning for footprint, based on market insights and various external sources (e.g., Gartner, IDC, Analysys Mason).

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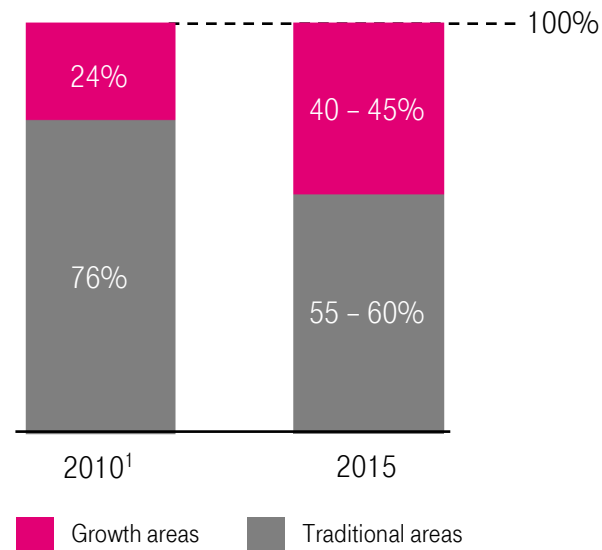
# TRANSFORMATION OF REVENUE MIX.

## DEUTSCHE TELEKOM GROWTH AREAS AND AMBITION 2015

MOBILE INTERNET	≈€10 bn
CONNECTED HOME	≈€7 bn
ONLINE CONSUMER SERVICES	≈€2 bn
T-SYSTEMS EXTERNAL (INCL. CLOUD)	≈€7 bn
INTELLIGENT NETWORKS	≈€1 bn



## REVENUE MIX DT GROUP



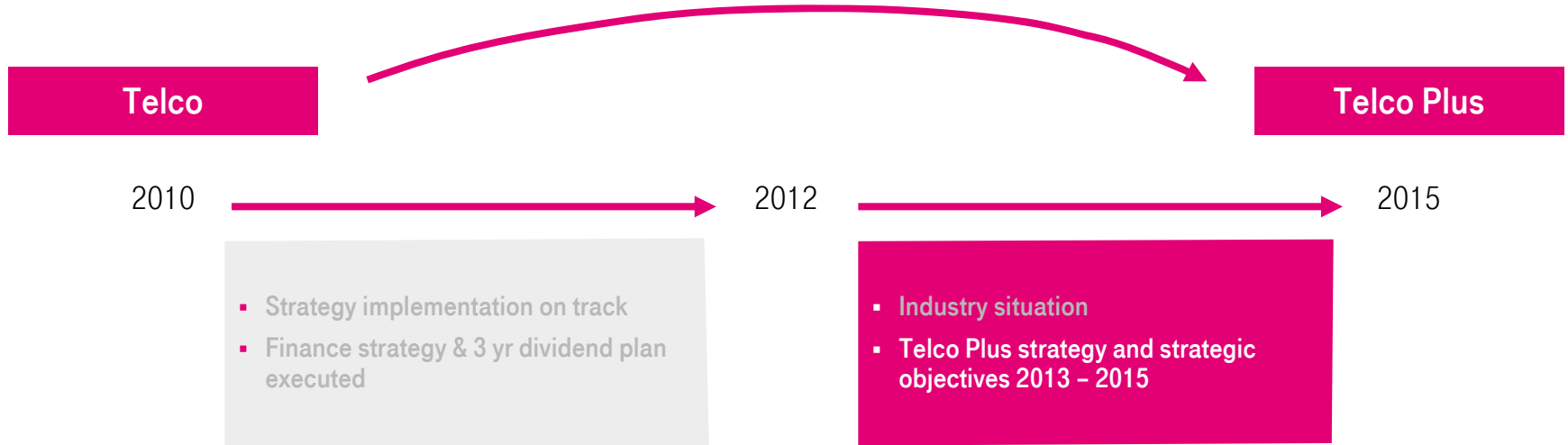
<sup>1</sup> Beginning of 2010.

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# STRATEGY 2013 – 2015

# WE INVEST FOR LONG TERM GROWTH.



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# STRATEGIC OBJECTIVES 2013 – 2015 PER SEGMENT.

## GERMANY



Stabilize revenues  
in 2014

## EUROPE



Return to underlying  
growth in 2014

## USA



Reinvigorate growth

## DBU



Generate  
double-digit growth

## T-SYSTEMS



Market Unit:  
Profitable growth  
Telekom IT:  
Spend reduction



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# TELCO PLUS.

Seamless connectivity for the Gigabit Society

More innovation by cooperation

Secure cloud solutions

Best-in-class customer experience



INNOVATE



Corporate Innovation Priorities



Intelligent Networks



Dynamic Cloud Services



SMB Business Marketplace



TRANSFORM



Continued efficiency improvement, target €2 bn



All IP Transformation



Telekom IT



COMPETE



K1 & Customer Experience Transformation Europe



Mobile Internet Push Europe



Network Modernization US + Apple Partnership

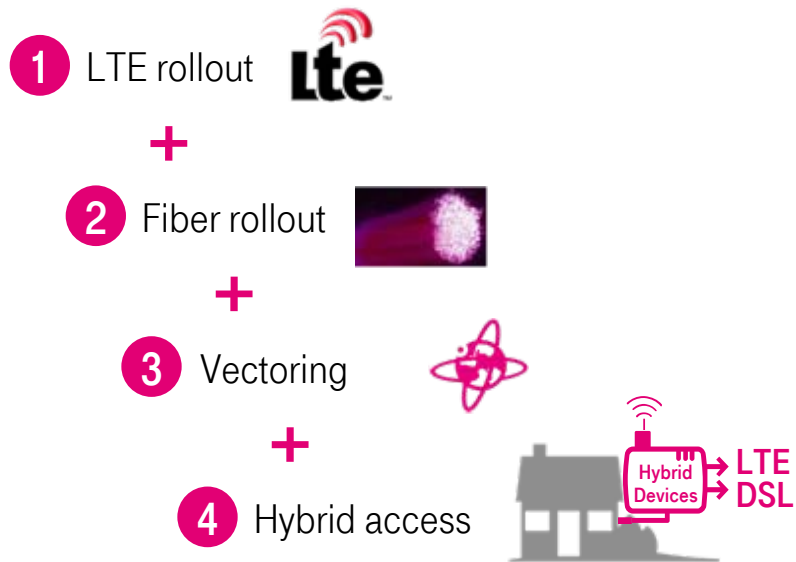


Integrated Network Strategy Germany



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# INTEGRATED NETWORK STRATEGY GERMANY.



- LTE: 85% coverage in 2016
- Fiber: around 65% coverage in 2016 with an option towards 80% (subject to public co-funding)

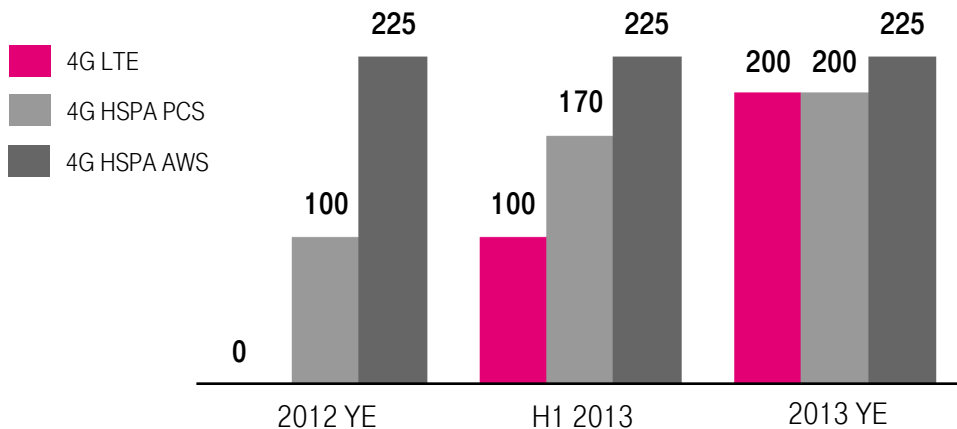


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# NETWORK MODERNIZATION US + APPLE PARTNERSHIP.

## NETWORK MODERNIZATION PROGRESSING RAPIDLY

mn population



4G (LTE AND HSPA) COVERAGE



## APPLE PARTNERSHIP



- TMUS has entered into an agreement with Apple to bring products to market together next year
- TMUS 2013 financial guidance incorporates all financials related to this agreement

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# FINANCIAL OUTLOOK

# INVESTING INTO DT'S FUTURE – CAPEX AND FCF PROFILES.



## Integrated Network Strategy

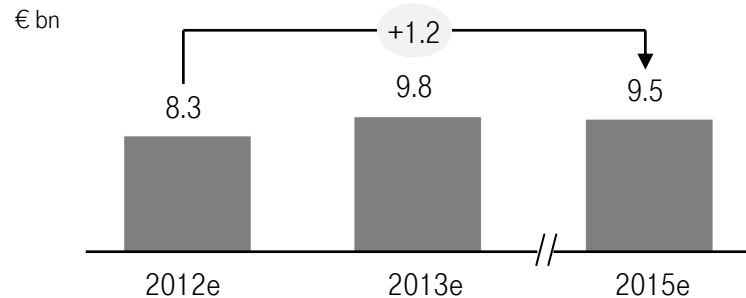
- Gross Capex FTTC/Vectoring: ≈€6 bn
- Capex Germany:
  - 2013: ≈€3.4 bn
  - 2014: ≈€4.1 bn
  - 2015: ≈€4.3 bn



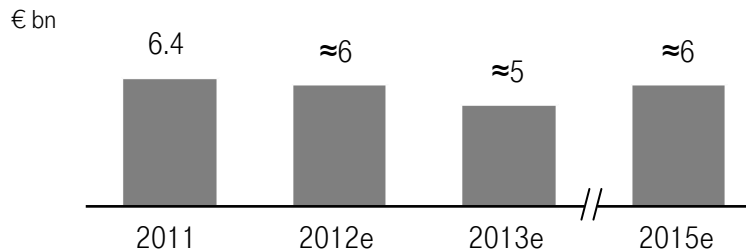
## Network modernization & PCS integration

- Network modernization gross Capex: \$4 bn
- Capex TMUS:
  - 2013: ≈\$4.7–4.8 bn
  - 2014: ≈\$3.0 bn
  - 2015: ≈\$3.1 bn

## CAPEX PROFILE 2012 – 2015



## FCF PROFILE 2011 – 2015



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# INVESTING INTO DT'S FUTURE – FINANCIAL SUMMARY.

## EQUITY

### New Shareholder Remuneration policy

- **Dividend<sup>1</sup>**
  - FY 2012: €0.70
  - FY 2013: €0.50
  - FY 2014: €0.50
  - FY 2015: re-visit
- Attractive option: Dividend in kind

### STAKEHOLDER MANAGEMENT

## TELCO PLUS



COMPETE



TRANSFORM



INNOVATE

## VALUE CREATION

- **EFFICIENCY MANAGEMENT**  
Reduce indirect costs by €2 bn<sup>2</sup>  
Increase ROCE to 5.5% (+150bp)
- **PORTFOLIO MANAGEMENT**  
No big M&A, Strategic review of Scout and EE
- **RISK MANAGEMENT**  
Low risk country portfolio (85% of SotP)

## DEBT

### Undisputed access to debt capital markets

- **Rating:** A-/BBB
- **Net debt/adj. EBITDA:** 2-2.5x
- **Equity ratio:** 25 – 35%
- **Liquidity reserve:** covering maturities of coming 24 months

### STAKEHOLDER MANAGEMENT



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

<sup>2</sup> Cum delta by 2015 vs. 2012 base line.

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# **2013 GUIDANCE & MID TERM AMBITION**

# DT GROUP GUIDANCE 2013 AND MID TERM AMBITION.

	GUIDANCE 2013 (EXCL./INCL. PCS)	MID TERM AMBITION (INCL. PCS)
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



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# KEY MESSAGES.

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