



# DEUTSCHE TELEKOM

## Q2/15 RESULTS

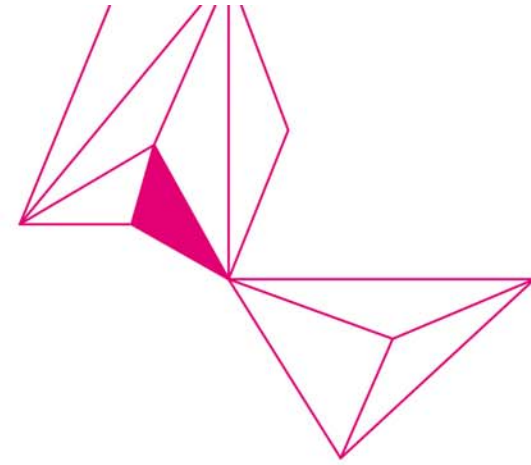
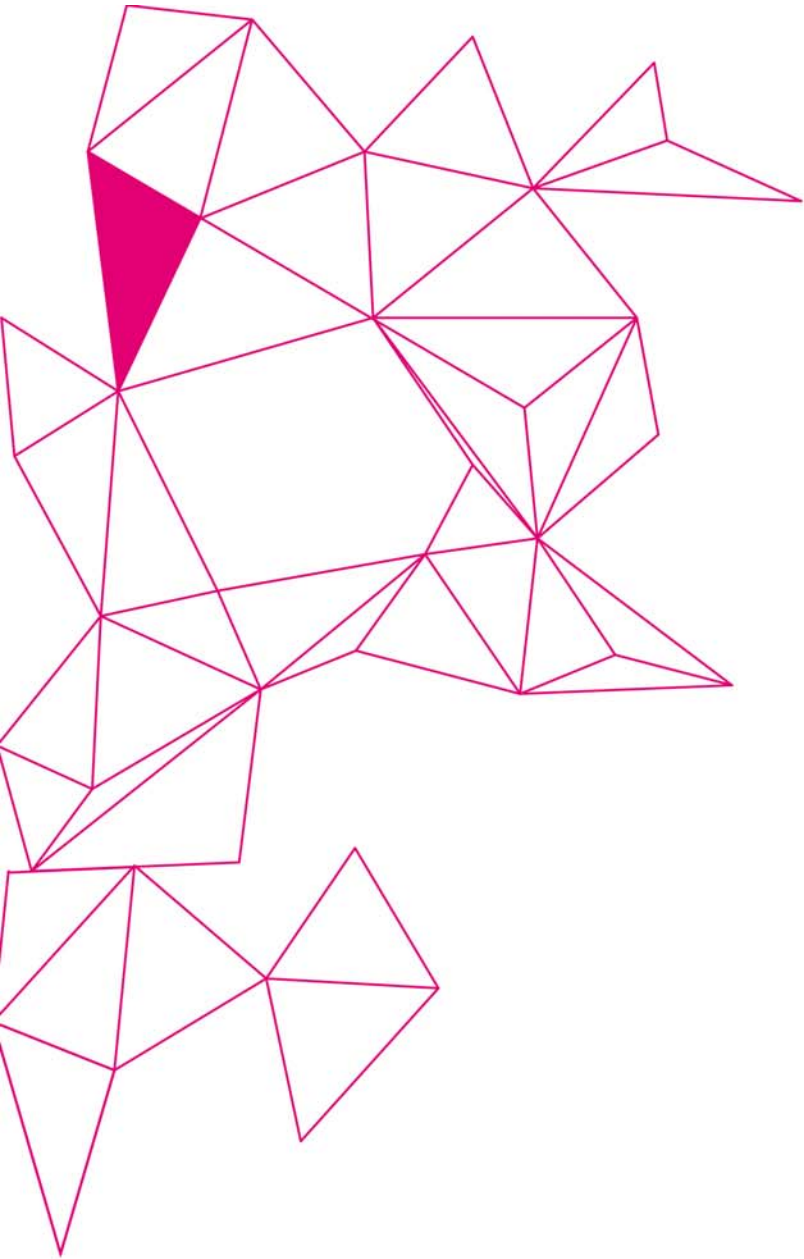


LIFE IS FOR SHARING.

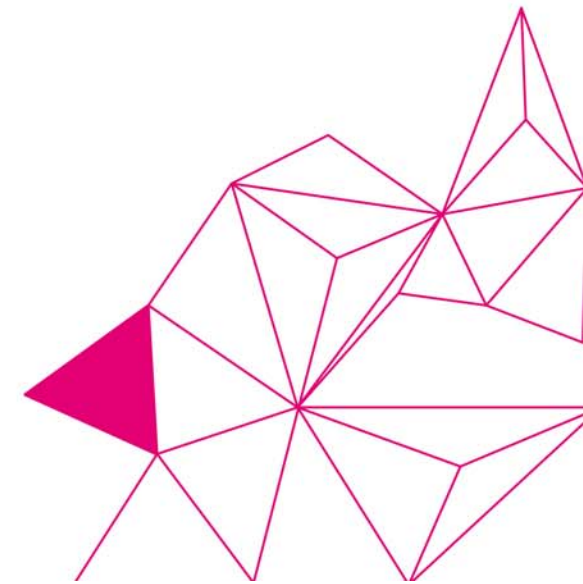
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**REVIEW Q2/15**



## LEADING EUROPEAN TELCO: KEY MESSAGES Q2

- 1** Strong growth in revenue, adj. EBITDA, and FCF; well on track for our 2015 guidance and our Capital Markets Day targets. We therefore re-iterate our guidance.
- 2** As in Q1, stronger than expected performance in our key KPIs (US net adds, German fiber/broadband, All-IP lines). Underlying mobile service revenues in Germany in line with expectations. In Germany, the lowest line loss in eleven years. We now expect at least 250k broadband net adds in 2015, up from 100k.
- 3** We are continuing to invest heavily – € 5 billion in H1 – in network differentiation through ALL-IP, LTE, and fiber.
- 4** Strict indirect cost control to ensure adherence to financial targets, despite stronger than expected KPI growth and significant capex increase.
- 5** TMUS: 9<sup>th</sup> quarter in a row with more than 1 million net adds leads to second time increase in subscriber growth guidance with unchanged EBITDA growth expectations. Now 3<sup>rd</sup> largest carrier in the US!
- 6** Disciplined investments to strengthen our existing footprint (Slovak minorities, German and US spectrum and cell sites).



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# H1/15: FINANCIAL HIGHLIGHTS

€ MN	Q2			H1		
	2014	2015	Change	2014	2015	Change
REVENUE	15,114	17,428	+15.3%	30,008	34,270	+14.2%
ADJ. EBITDA	4,429	5,026	+13.5%	8,550	9,600	+12.3%
ADJ. NET PROFIT	636	1,078	+69.5%	1,223	2,114	+72.9%
NET PROFIT	711	712	+0.1%	2,528	1,499	-40.7%
ADJ. EPS (IN €)	0.15	0.24	+60.0%	0.28	0.47	+67.9%
EPS (IN €)	0.16	0.16	0.0%	0.57	0.33	-42.1%
FREE CASH FLOW <sup>1</sup>	1,049	1,375	+31.1%	2,032	2,240	+10.2%
CASH CAPEX <sup>2</sup>	2,197	2,575	+17.2%	4,262	5,105	+19.8%
NET DEBT (IN € BN)	41.385	48.835	+18.0%	41.385	48.835	+18.0%

1) Free cash flow before dividend payments and spectrum investment 2) Excl. spectrum: Q2/14 € 1,749 million; Q2/15 € 1,755 million; H1/14 € 1,881 million; H1/15 € 3,654 million

# FOCUS ON TRANSACTIONS: STRENGTHENING OUR CORE ASSETS

## SLOVAK TELEKOM MINORITIES

- Acquisition of 49% government stake for € 0.9 billion<sup>1</sup> or 3.8 times 2014 EBITDA
- Quality asset, consistent with DT strategy (fully integrated, 100% All-IP)



- **Strengthening our European footprint**
- **Another example of our prudent approach to M&A**

## GERMAN SPECTRUM AUCTION

- DT acquired 100 of 270 MHz available spectrum
- DT acquired 50 of 130 MHz available low band spectrum<sup>2</sup>
- Average spend of € 0.22 MHz/POP (total € 1.8 bn)



- **Strengthening our German network leadership**

## TRANSFER OF TEFD CELL SITES

- 7,700 cell sites transferred by TefD
- Accelerated mobile roll-out and increased network capacity



- **Strengthening our German network leadership**

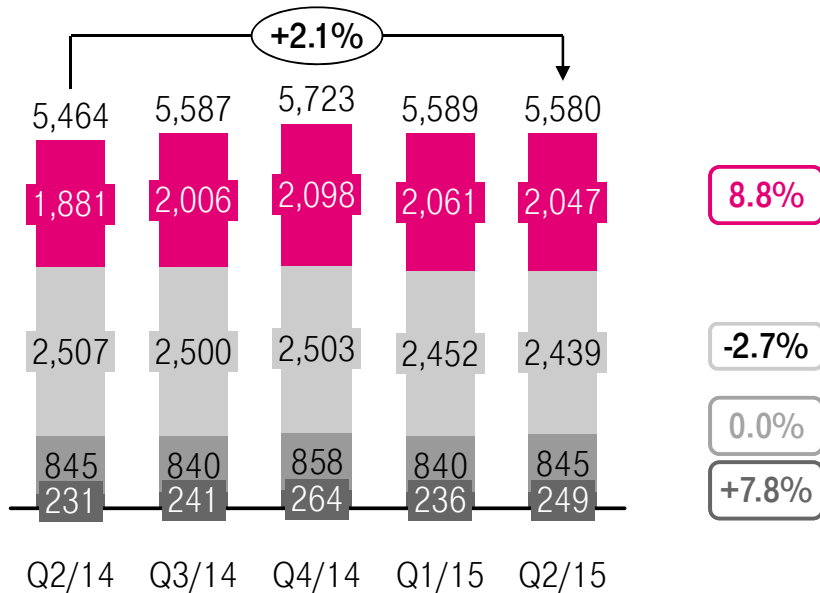
1) Including € 0.1 billion in escrow for litigation risks 2) Including 20 MHz in 700 MHz spectrum band and 30 MHz in 900 MHz spectrum band



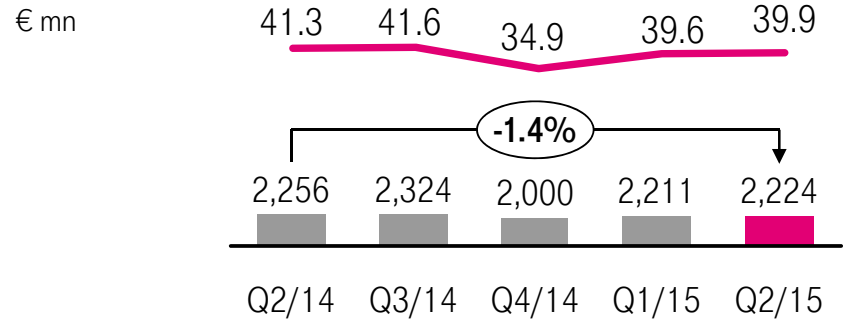
# GERMANY: REVENUES CONTINUE TO GROW SUPPORTED BY STRONG MOBILE GROWTH AND STABLE WHOLESALE REVENUES

## REVENUE<sup>1</sup>

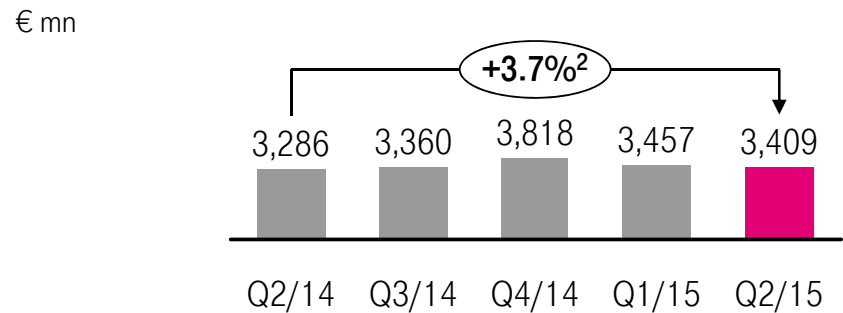
€ mn    Mobile    Core fixed    Wholesale services    Others



## ADJ. EBITDA AND MARGIN (IN %)



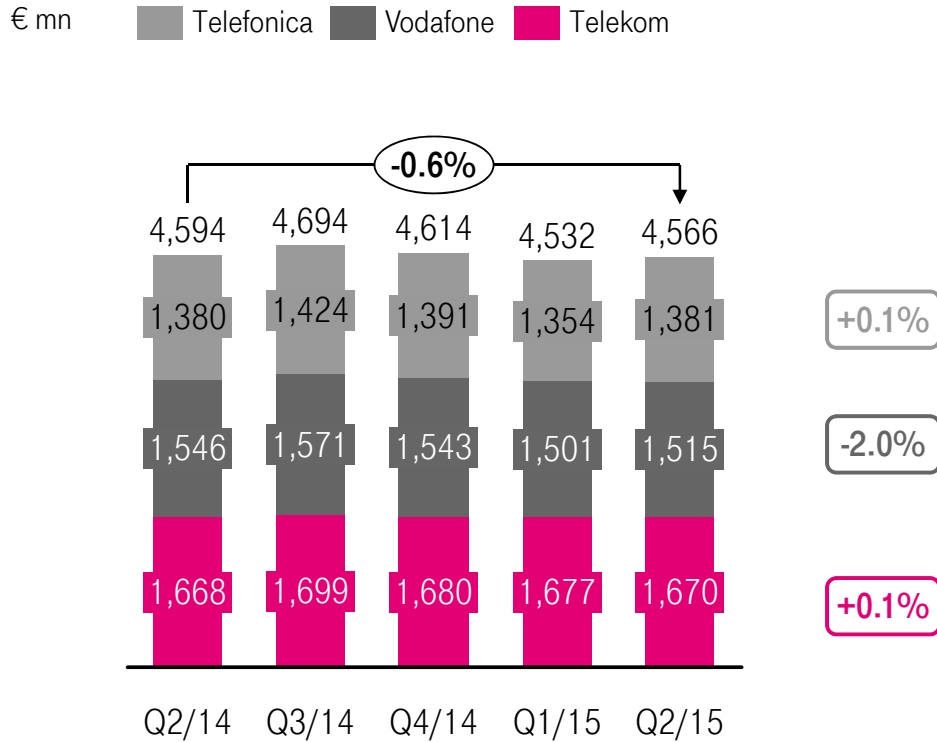
## ADJ. OPEX



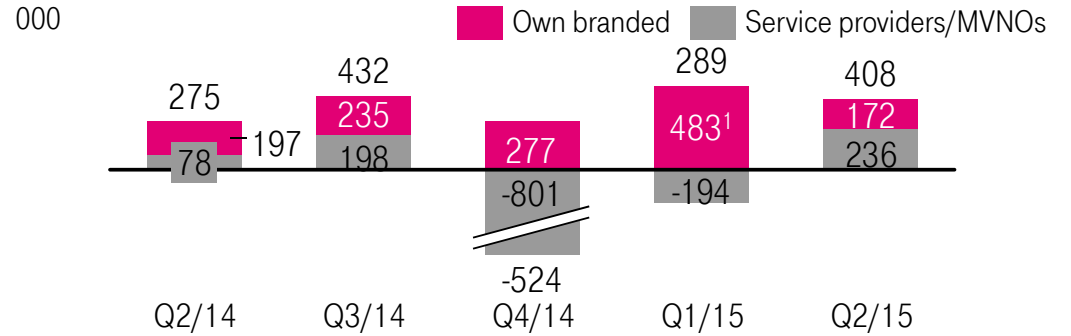
1) Online consumer service revenues in "others" have been allocated to revenues from core fixed since January 1, 2015. Prior year figures have been adjusted accordingly    2) Indirect costs reduced by 0.3% yoy

# GERMANY MOBILE: TELEKOM CONTINUES TO OUTPERFORM MARKET

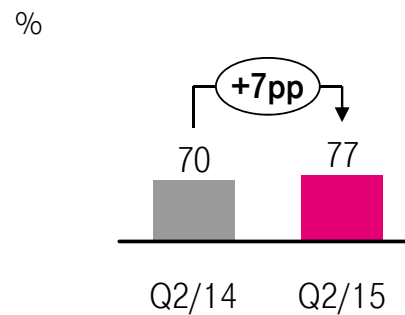
## GERMAN MOBILE MARKET SERVICE REVENUE



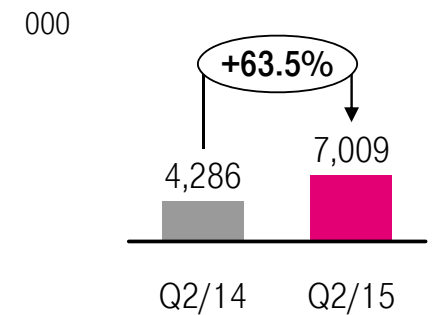
## CONTRACT NET ADDS



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



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



1) Q1/15 impacted by reclassification of net +288k

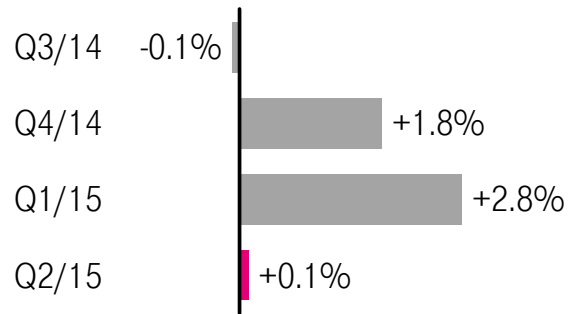
2) Of own branded retail customers

3) Customers using a LTE-device and tariff plan including LTE

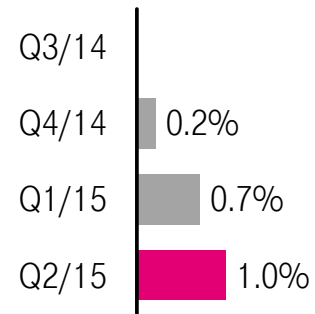


# FOCUS GERMAN MOBILE SERVICE REVENUES: HEALTHY TRENDS ADJUSTED FOR CONVERGENCE AND SEASONAL VOLATILITY

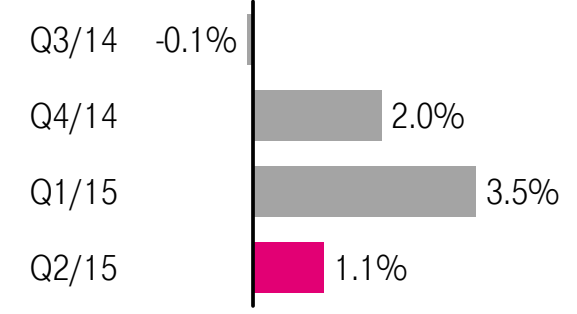
## REPORTED MOBILE SERVICE REVENUES



## IMPACT OF CONVERGENCE PRODUCTS<sup>1</sup>



## UNDERLYING GROWTH

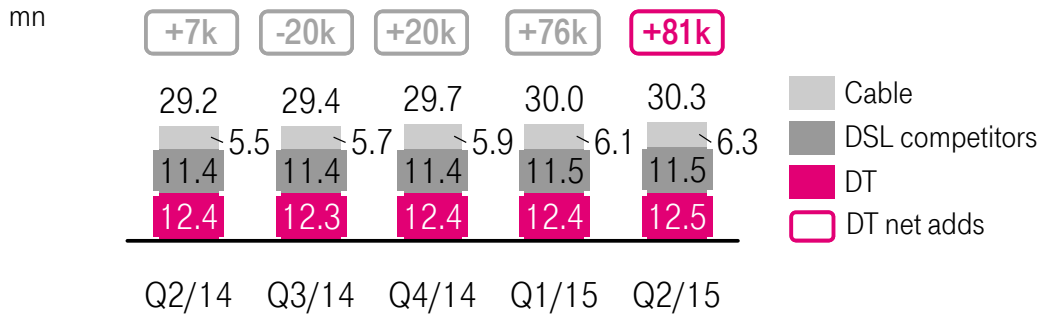


- **Headline trends impacted by 3 factors**
  - MagentaEINS discounts booked in mobile
  - DT LTE broadband (mobile) switching to hybrid (fixed)
  - Unusually high volatility in large account billing
- **No major changes in market environment or DT underlying trends**
- **Target of 1% medium term mobile service revenue CAGR reiterated**

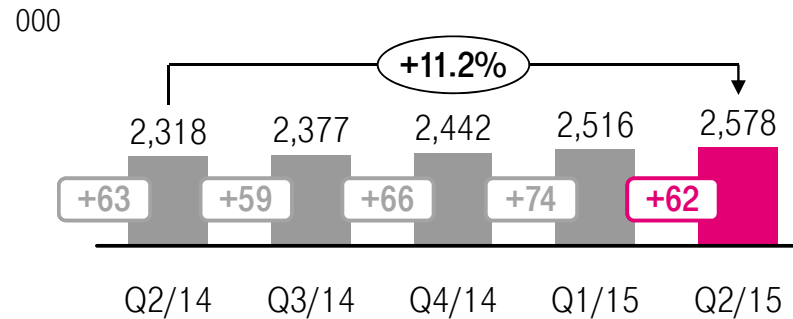
1) Impact of MagentaEINS and Telekom LTE broadband

# GERMANY FIXED: HIGHEST UPTAKE IN BROADBAND SINCE Q1/2012

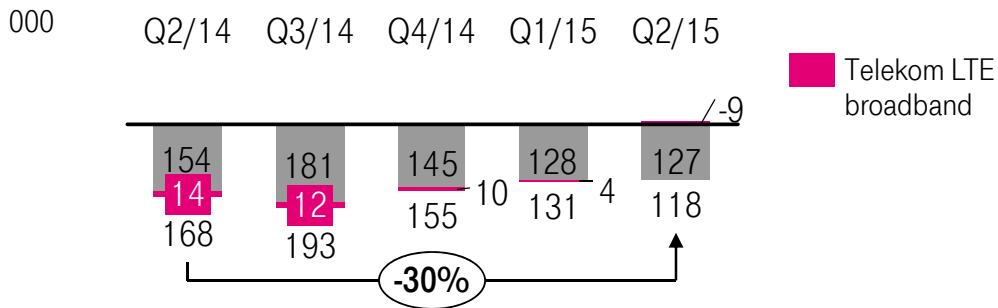
## GERMAN BROADBAND MARKET<sup>1</sup>



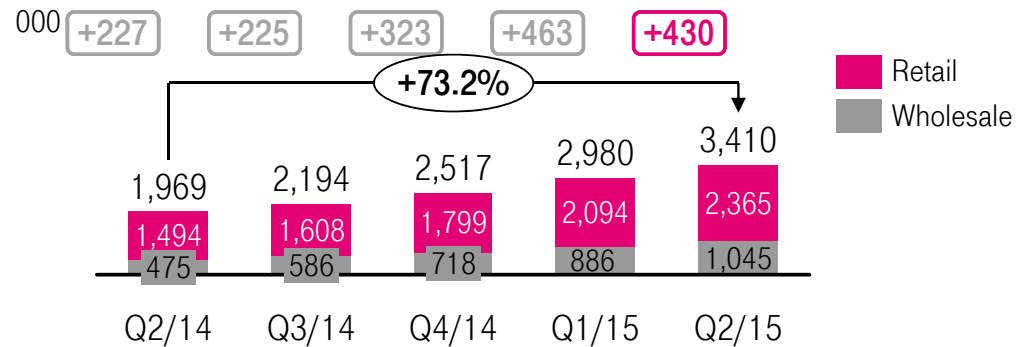
## ENTERTAIN CUSTOMERS



## LINE LOSSES



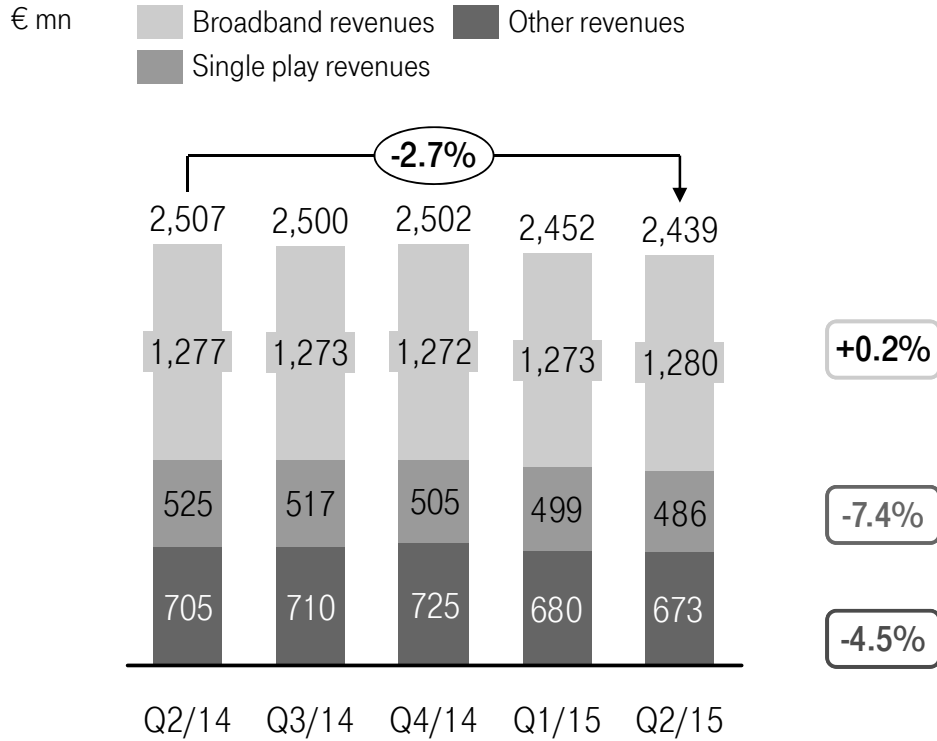
## FIBER CUSTOMERS<sup>2</sup>



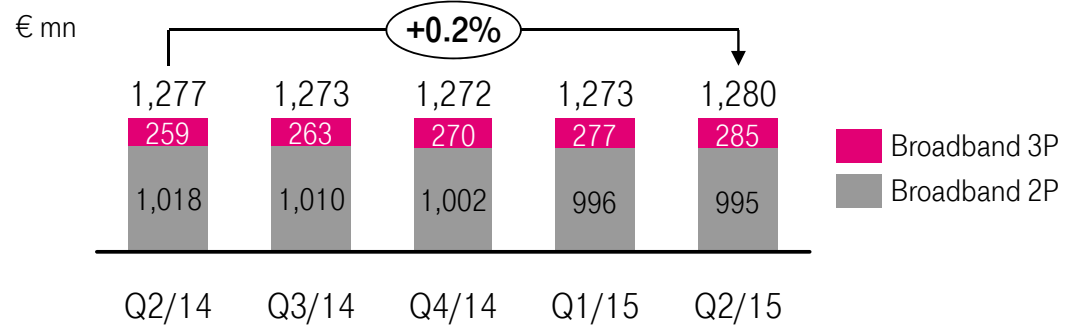
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, vectoring, and FTTH)

# GERMANY FIXED: BROADBAND REVENUES START GROWING

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

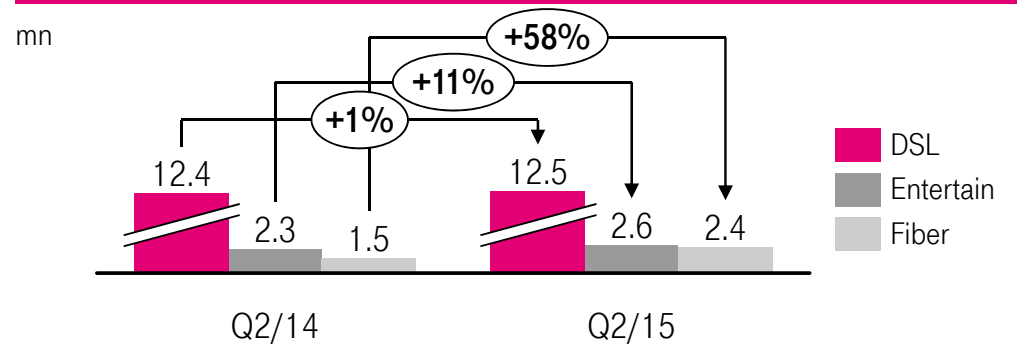


## BROADBAND REVENUES<sup>2</sup>



## RETAIL UPSELL STRATEGY

% calculated on exact numbers



1) Online consumer service revenues have been allocated to revenues from add-on options since January 1, 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 January 1, 2015. Prior year figures have been adjusted accordingly.

# FOCUS GERMAN TOTAL SERVICE REVENUES: H1 DOWN LESS THAN 1% - ON TRACK FOR CMD GUIDANCE

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

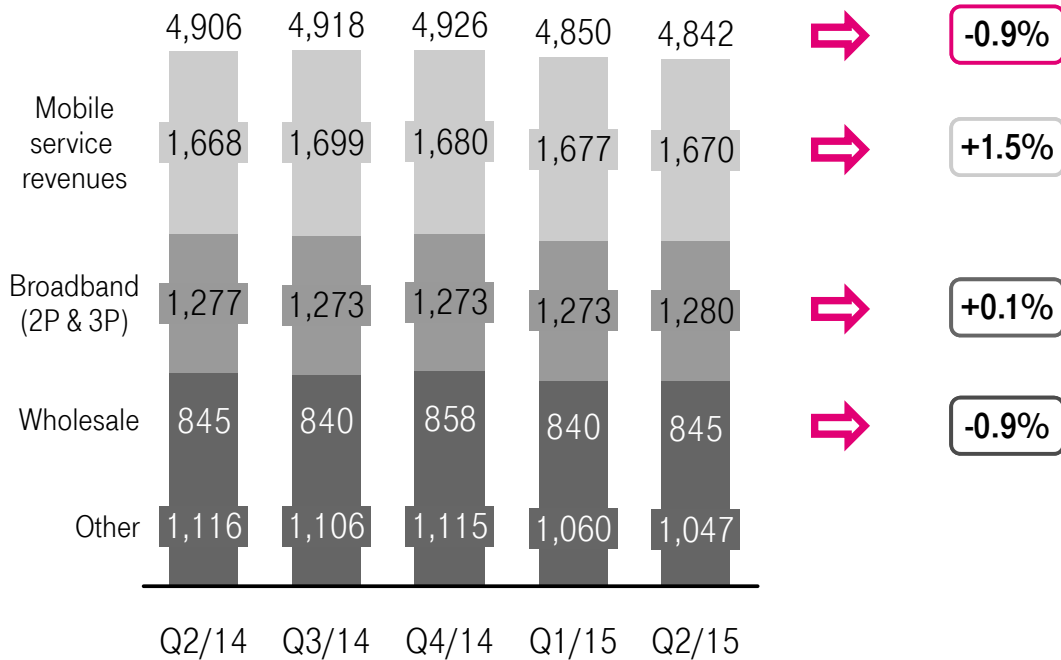
## H1 GROWTH RATE

## DRIVERS

## MEDIUM TERM GUIDANCE

€ mn

(2014 – 2018 CAGR)



- + Underlying growth
- Convergence accounting

- + Volume growth
- Promotions

- + Fiber wholesale

- Legacy attrition accelerated by all-IP

+1%<sup>2</sup>

+2%

Stable

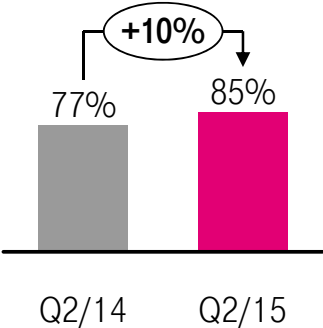
German revenues:  
+0.3% CAGR<sup>2</sup>

1) Core fixed excl. device revenues, plus wholesale wireline, plus mobile service revenues 2) Without EU roaming impact

# GERMANY: HIGH SPEED INFRASTRUCTURE ROLL-OUT AND IP-MIGRATION

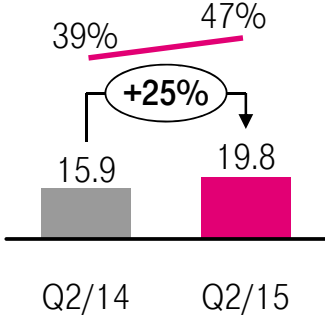
## INS - STATUS LTE ROLL-OUT

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



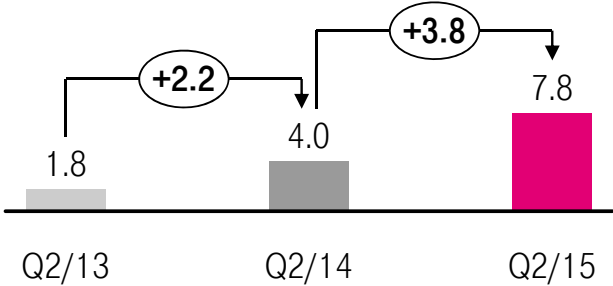
## INS - STATUS FIBER ROLL-OUT<sup>2</sup>

Coverage in % and millions of households



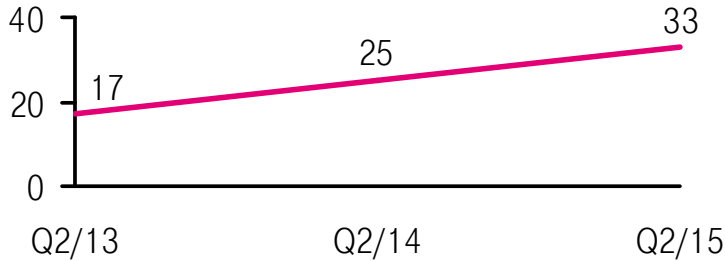
## STATUS IP ACCESSES (RETAIL & WHOLESALE)

mn



## STATUS IP ACCESSES (RETAIL & WHOLESALE)

% of lines

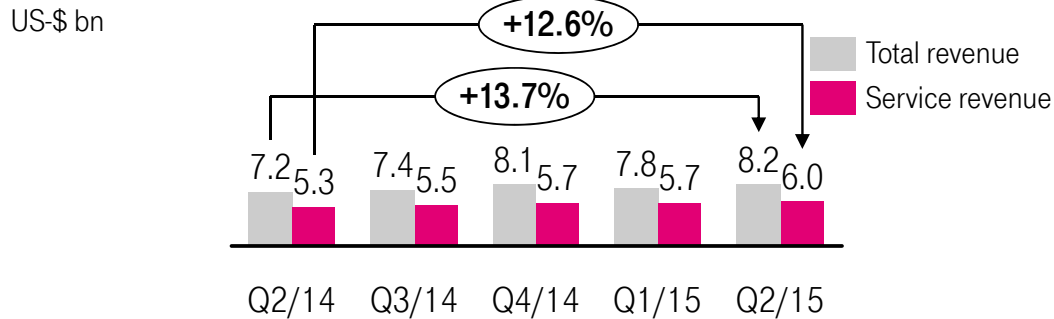


**Target:**  
100% of lines by 2018!

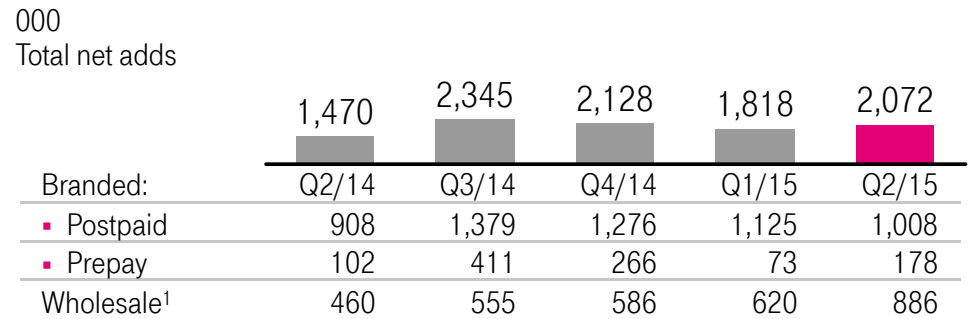
1) Outdoor coverage 2) In % of households within fixed-network coverage in Germany

# TMUS: CUSTOMER MOMENTUM CONTINUES. NET ADD FORECAST RAISED AGAIN. INDUSTRY LEADING FINANCIAL PERFORMANCE

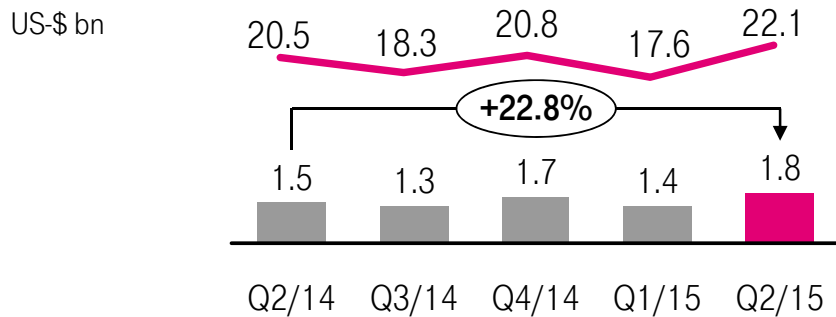
## REVENUE AND SERVICE REVENUE



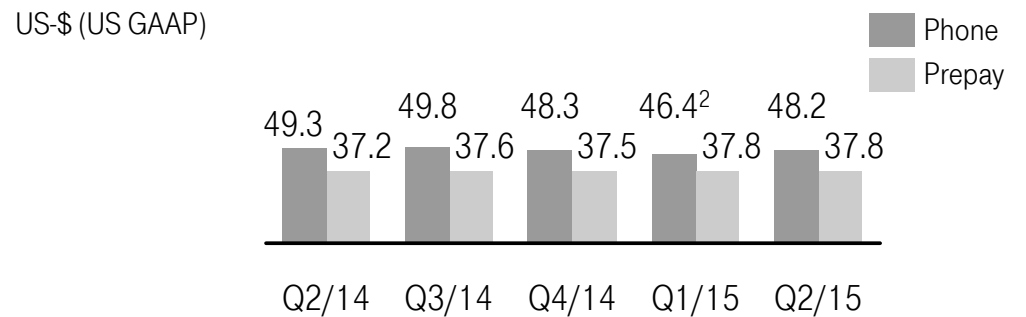
## NET ADDS



## 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.

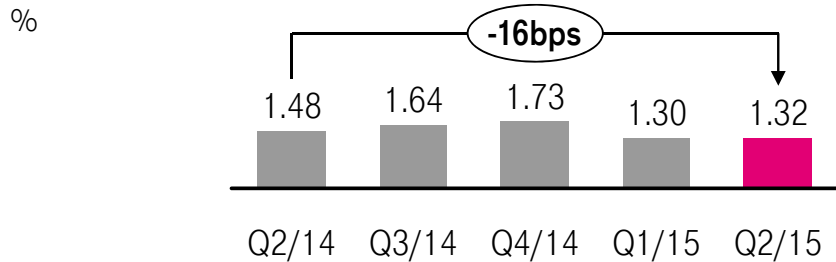
2) Excl. data stash effect postpaid phone ARPU was US\$ 47.7



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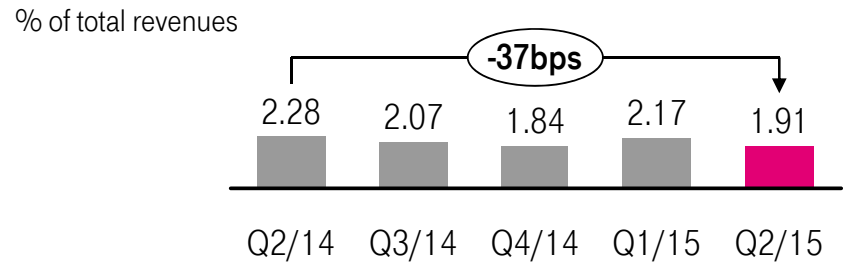
# FOCUS ON TMUS: POSITIVE DEVELOPMENT IN KEY DRIVERS

## BRANDED POSTPAID PHONE CHURN



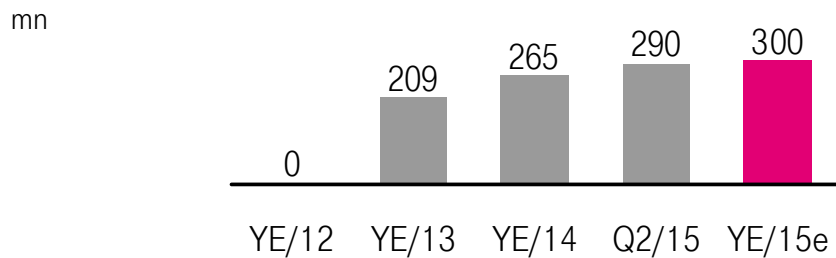
- Positive porting ratios against all carriers

## BAD DEBT EXPENSES & LOSSES FROM FACTORING



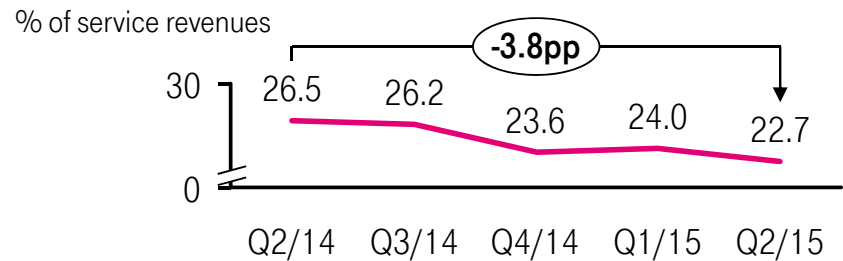
- Receivables classified as prime stable at 52%

## LTE COVERED POPs



- A-block spectrum now live in 141 market areas (spectrum covers 60% of US POPs)

## COST OF SERVICE



- Benefitting from MetroPCS synergies (network integration completed on July 1)

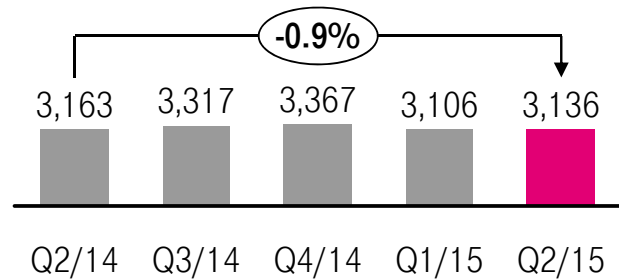


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# EUROPE: REVENUE TRANSFORMATION CONTINUING AS EXPECTED

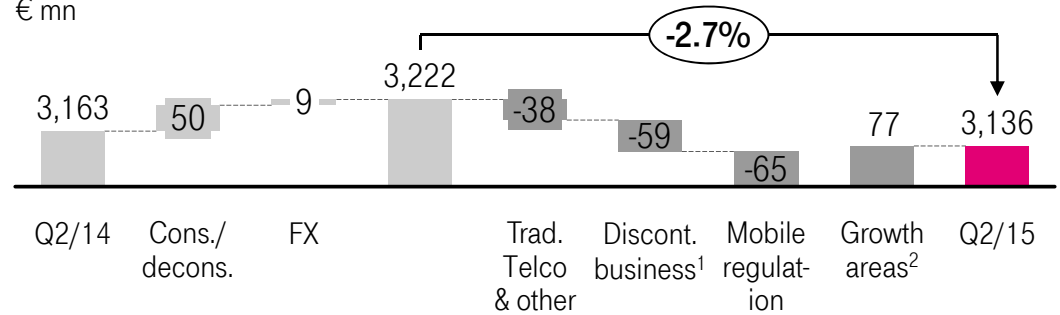
## REVENUE AS REPORTED

€ mn



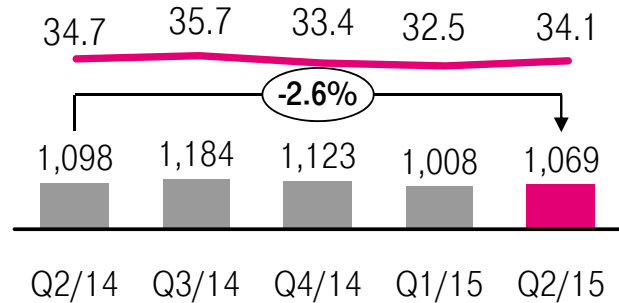
## ORGANIC REVENUE DEVELOPMENT

€ mn



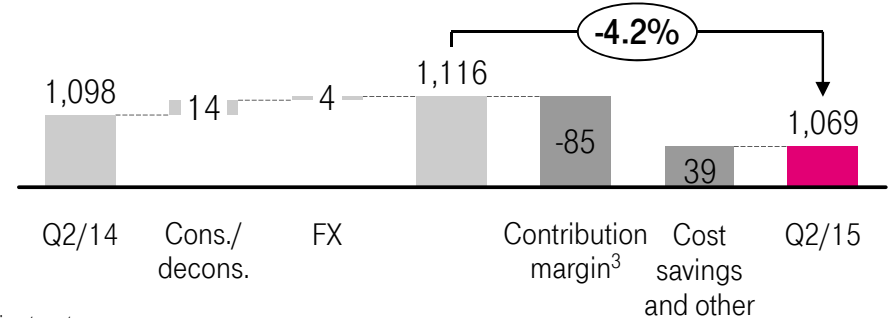
## ADJ. EBITDA AND MARGIN (IN %) AS REPORTED

€ 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



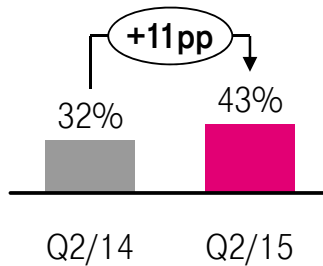
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# EUROPE: AIMING FOR TECHNOLOGY LEADERSHIP AND BEST CUSTOMER EXPERIENCE

## IP MIGRATION

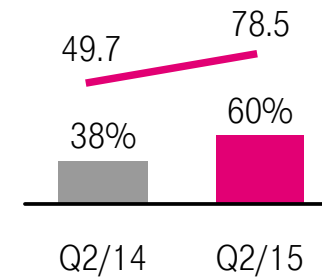
IP share of fixed-network access lines



## LTE ROLL-OUT

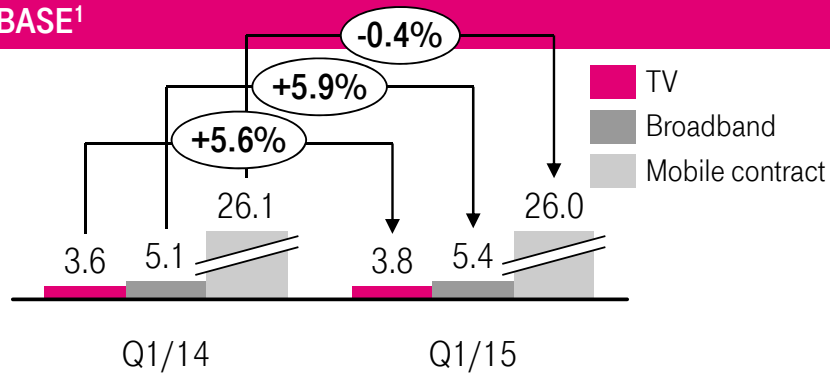
LTE outdoor pop coverage

mn and %



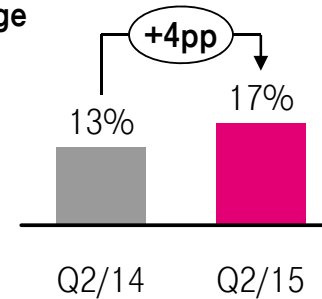
## CUSTOMER BASE<sup>1</sup>

mn



## FIBER ROLL-OUT

Fiber household coverage



1) Incl. business customers shifted to T-Systems in Hungary as of January 1, 2011



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# SYSTEMS SOLUTIONS: MARKET UNIT WITH IMPROVED PERFORMANCE

## T-SYSTEMS FINANCIALS

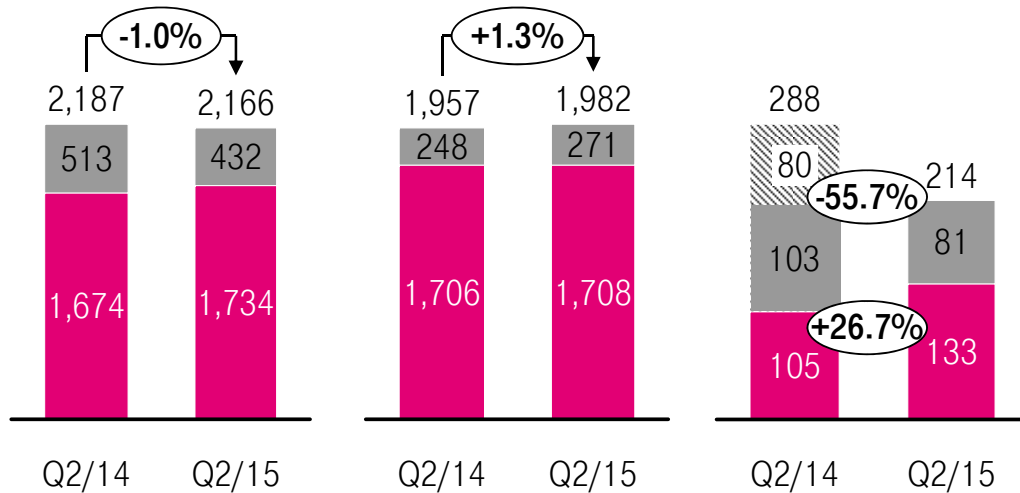
€ mn

### TOTAL REVENUE

### ADJ. OPEX<sup>1</sup>

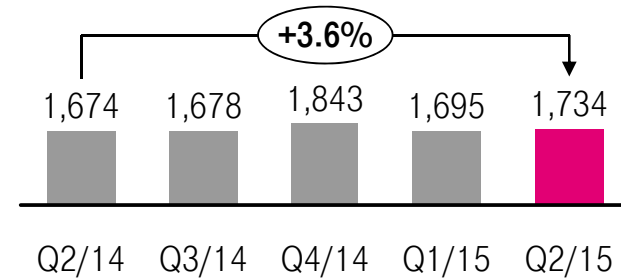
### ADJ. EBITDA<sup>2</sup>

■ Te-HT ■ MU



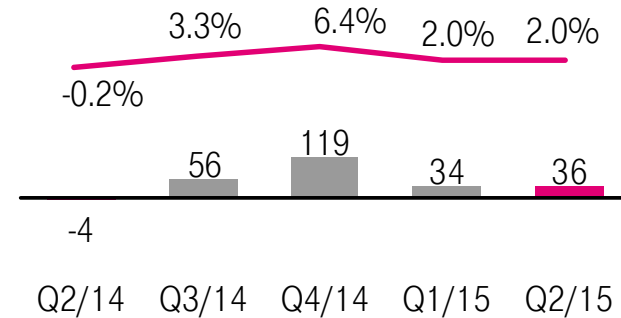
## REVENUE MARKET UNIT

€ mn



## ADJ. EBIT AND MARGIN MARKET UNIT

%  
€ mn

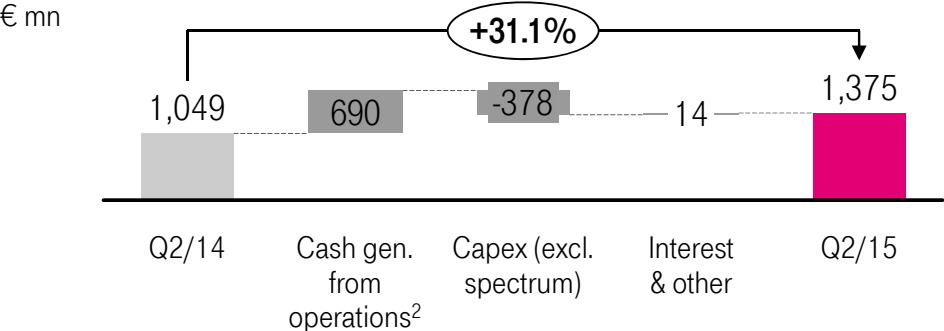


1) Figures may not add up due to rounding/elimination

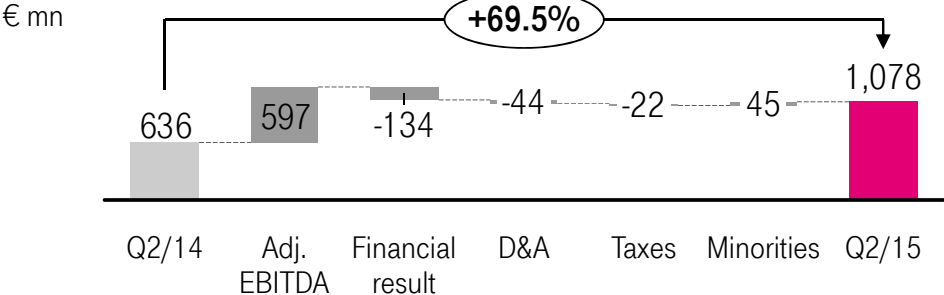
2) Q2/14 adj. EBITDA of Te-HT benefitted from a milestone completion of a large internal IT project (One.ERP). This profit recorded in Te-HT was eliminated at Group level.

# FINANCIALS: GROWTH IN FCF AND ADJ. NET INCOME

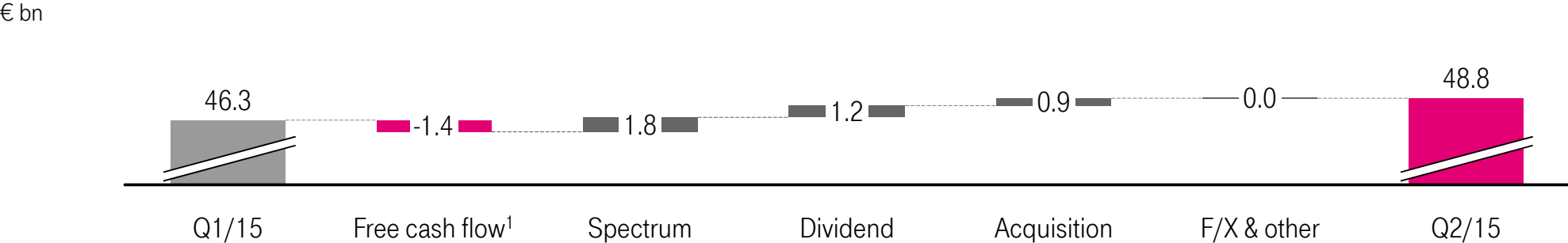
## FREE CASH FLOW Q2/15<sup>1</sup>



## ADJ. NET INCOME Q2/15



## NET DEBT DEVELOPMENT Q2/15

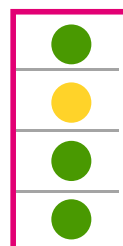


1) Free cash flow before dividend payments, spectrum investment 2) Includes € 175 million from a settlement

# FINANCIALS: BALANCE SHEET RATIOS

€ BN	30/06/2014	30/09/2014	31/12/2014	31/03/2015	30/06/2015
BALANCE SHEET TOTAL	118.0	125.0	129.4	137.5	135.0
SHAREHOLDERS' EQUITY	32.5	34.0	34.1	37.0	36.0
NET DEBT	41.4	41.8	42.5	46.3	48.8
NET DEBT/ADJ. EBITDA <sup>1</sup>	2.4	2.4	2.4	2.6	2.6
EQUITY RATIO	27.5%	27.2%	26.3%	26.9%	26.6%

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:

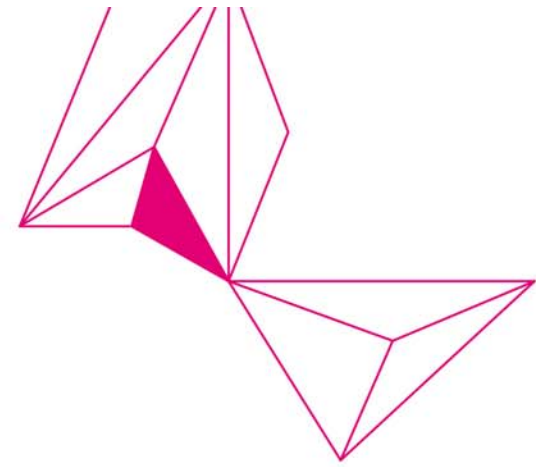
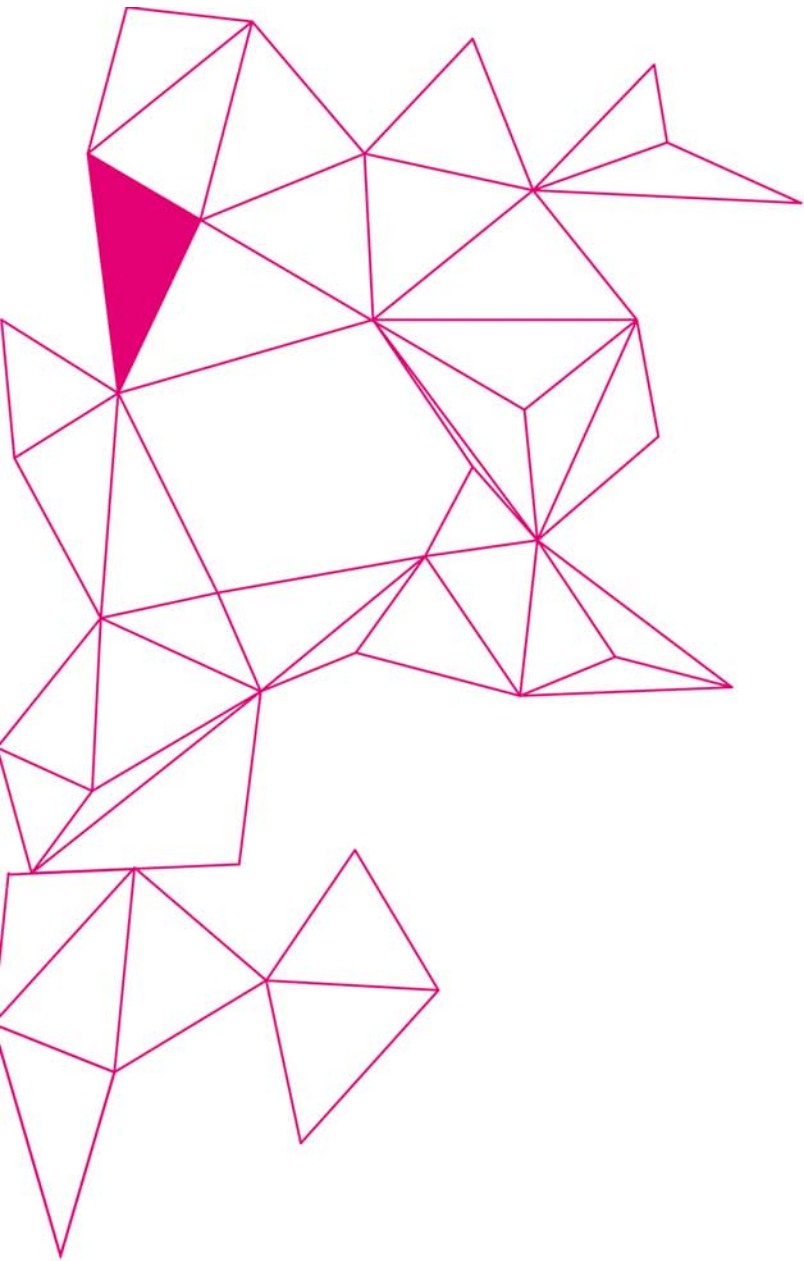
<b>BBB+</b>	stable outlook
<b>Baa1</b>	stable outlook
<b>BBB+</b>	stable outlook

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

# EXECUTING OUR STRATEGY

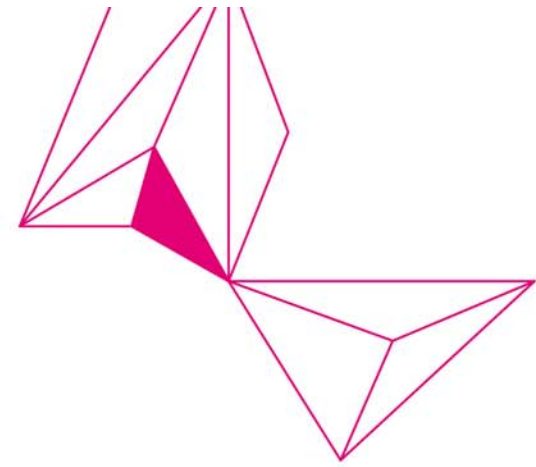
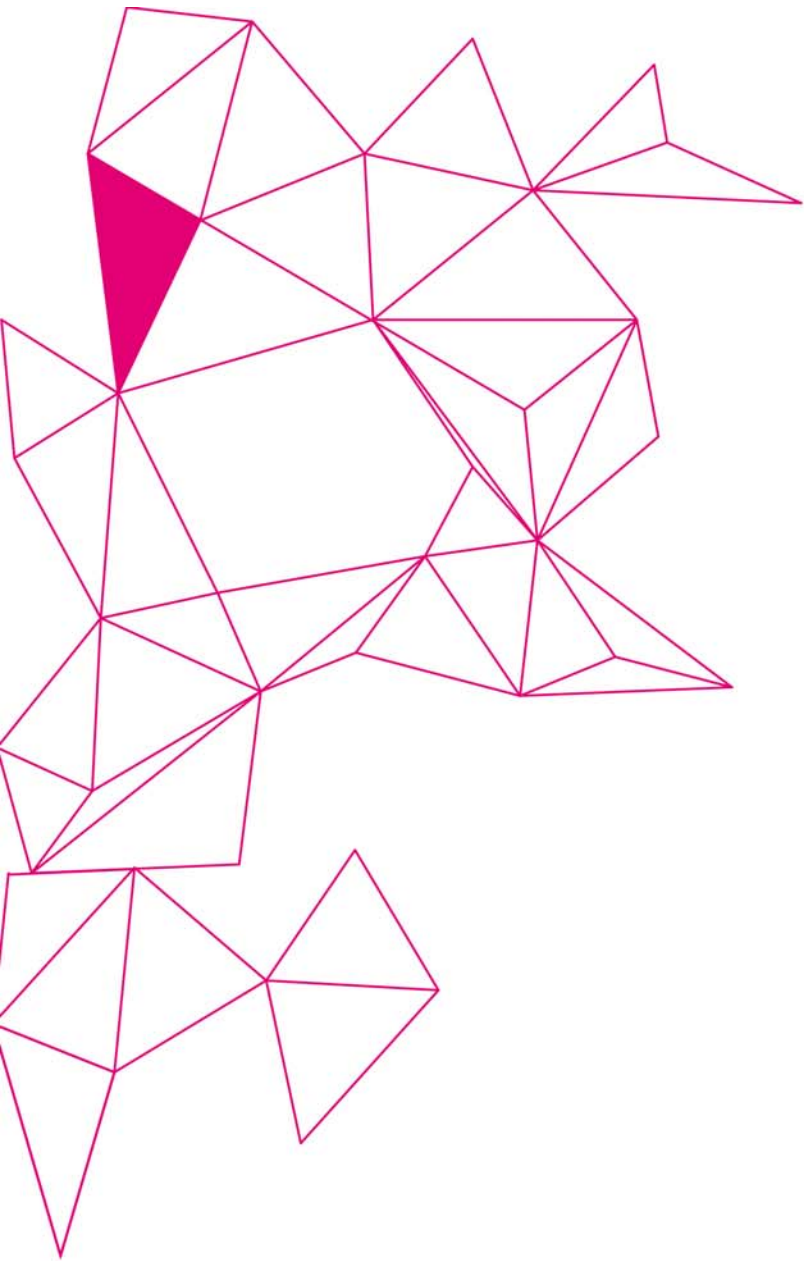
- 1** Leading European Telco:  
Integrated market leader with superior margins and returns.
- 2** We strengthen our differentiation by best customer experience and by continuously investing into leading access networks and our transformation programs.
- 3** We are transforming towards a lean and highly 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.





## Q & A





**THANK YOU!**

