# DEUTSCHE TELEKOM

Q2/14 RESULTS

LIFE IS FOR SHARING.

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# REVIEW Q2/14

LIFE IS FOR SHARING.

# LEADING TELCO: KEY ACHIEVEMENTS IN Q2

## KEY ACHIEVEMENTS

- LTE (77% POP coverage) and fiber roll out (39% household coverage) continuing in Germany. Further progress in Europe: Poland launched LTE in June
- All-IP migration: Germany accelerates to 527k migrations in Q2. Europe achieves IP-Share of 32%
- Germany: broadband net adds turn positive (+7k), ongoing good momentum in TV (+63k) and fiber (+227k). Adj. EBITDA margin of 41.3%
- US: delivers on EBITDA growth (+22.1% in US$) and margin improvement (20.5%) as promised. FY branded postpaid net add forecast increased to 3.0 to 3.5 million
- Europe: Significant cost savings result in organic EBITDA growth (+1.7%)

## Q2 FINANCIAL HIGHLIGHTS

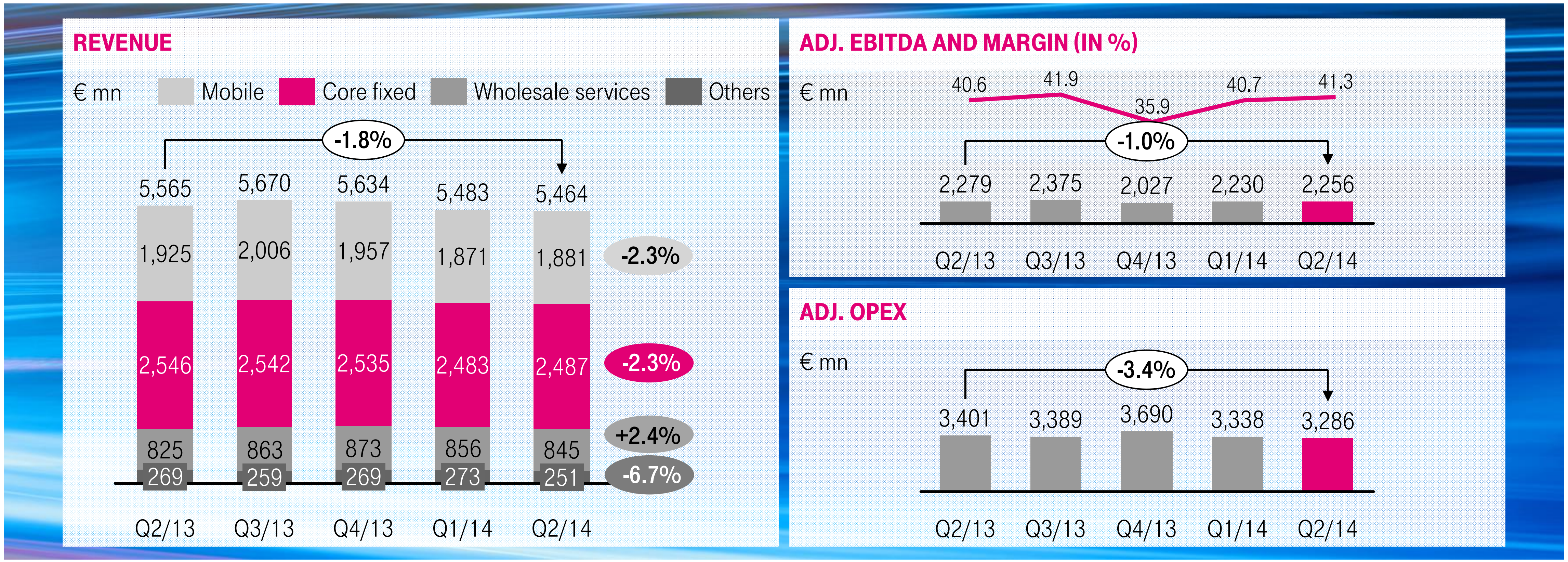
- Organic group revenue growth of 0.6%
- Slight adj. EBITDA growth (+0.3%) – on track to deliver on guidance
- FCF of € 1 billion slightly below previous year as expected and in line with guidance
- Financial guidance for FY 2014 confirmed

# **H1/14:** KEY FIGURES

| € mn | Q2 2013 | Q2 2014 | Q2 Change | H1 2013 | H1 2014 | H1 Change |
|---|---|---|---|---|---|---|
| Revenue | 15,157 | 15,114 | -0.3% | 28,942 | 30,008 | 3.7% |
| Adj. EBITDA | 4,417 | 4,429 | 0.3% | 8,705 | 8,550 | -1.8% |
| Adj. net profit | 810 | 636 | -21.5% | 1,577 | 1,223 | -22.4% |
| Net profit | 530 | 711 | 34.2% | 1,094 | 2,528 | 131.1% |
| Adj. EPS (in €) | 0.19 | 0.15 | -21.1% | 0.37 | 0.28 | -24.3% |
| EPS (in €) | 0.12 | 0.16 | 33.3% | 0.25 | 0.57 | 128.0% |
| Free cash flow[1] | 1,109 | 1,049 | -5.4% | 2,147 | 2,032 | -5.4% |
| Cash capex[2] | 2,068 | 2,197 | +6.2% | 4,155 | 4,262 | +2,6% |
| Net debt (in € bn) | 41.4 | 41.4 | 0.0% | 41.4 | 41.4 | 0.0% |

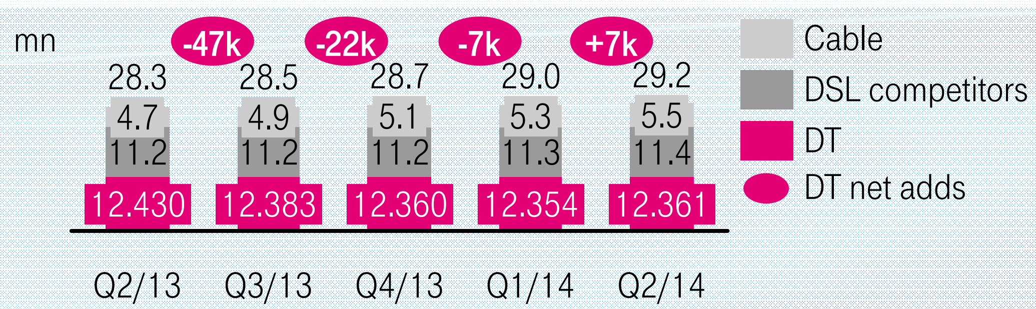
1) Free cash flow before dividend payments and spectrum investment and before effects in connection with the AT&T transaction and compensation payments for MetroPCS employees
2) Before spectrum payments. Q2/13: € 130 million; Q2/14: € 1,749 million; H1/13: € 1,067 million; H1/14: € 1,881 million

# **GERMANY:** SOLID REVENUE TREND AND STRONG MARGIN

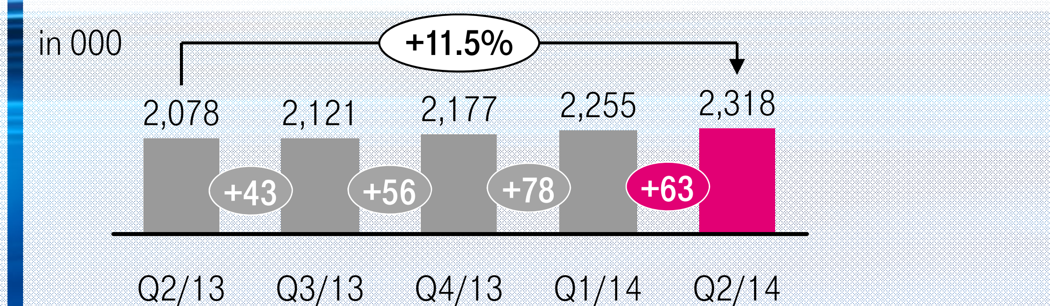


# GERMANY FIXED: SOLID GROWTH IN TV AND FIBER – LINE LOSSES ON TEN YEAR LOW

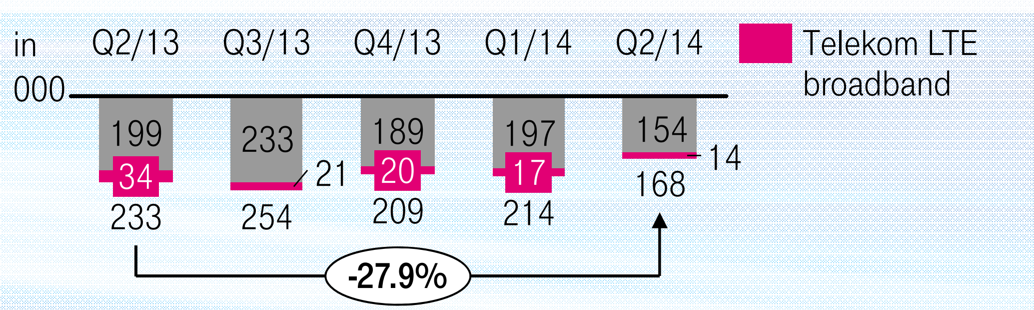
## GERMAN BROADBAND MARKET[1]



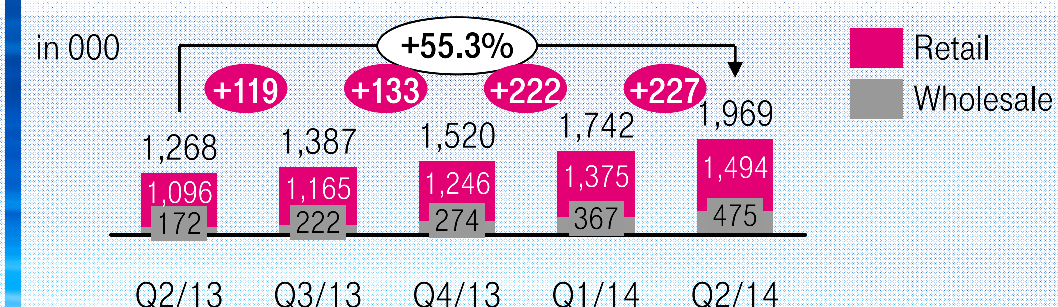

## ENTERTAIN CUSTOMERS




## LINE LOSSES



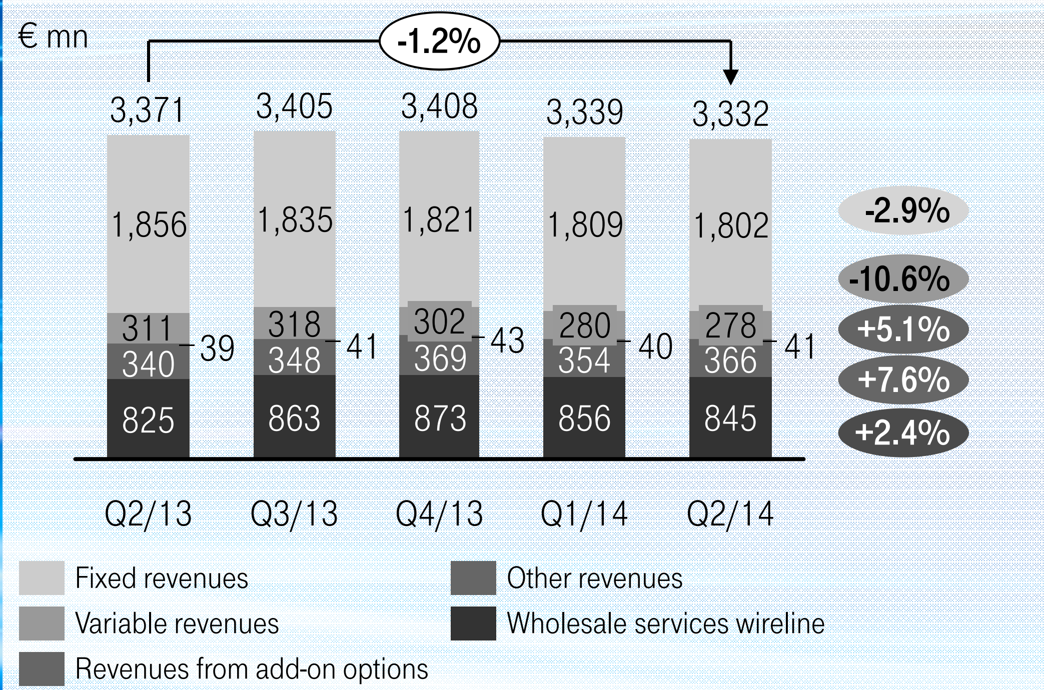

## FIBER CUSTOMERS



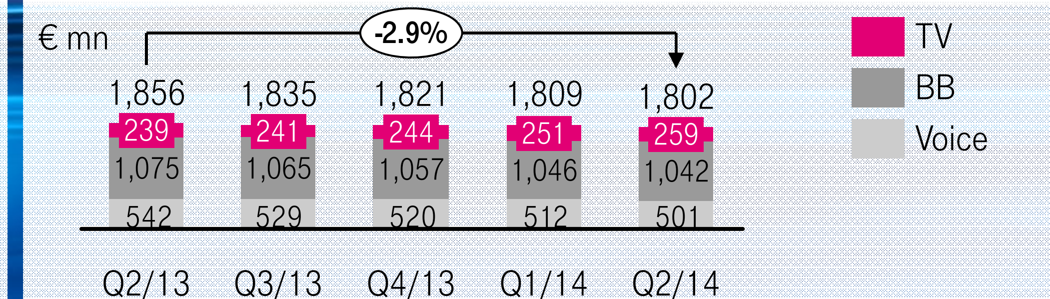

1) Based on management estimates

# **GERMANY FIXED:** SLIGHT IMPROVEMENT IN RETAIL MAINLY DUE TO REDUCED LINE LOSSES

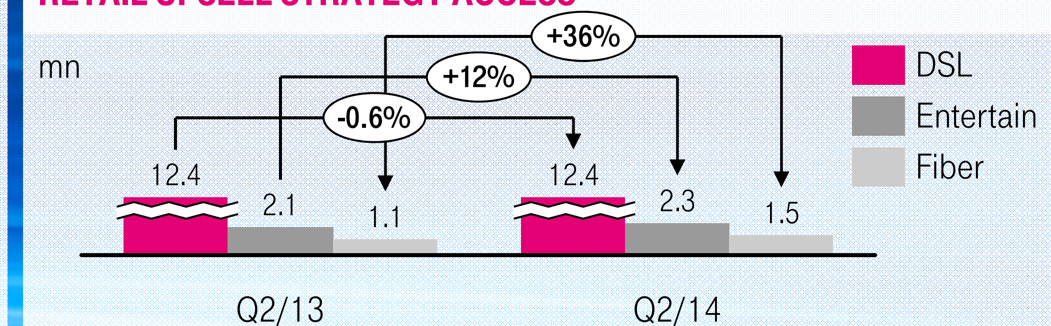
## FIXED NETWORK REVENUE (CORE FIXED AND WHOLESALE)




## FIXED REVENUES (FIXED LINE)

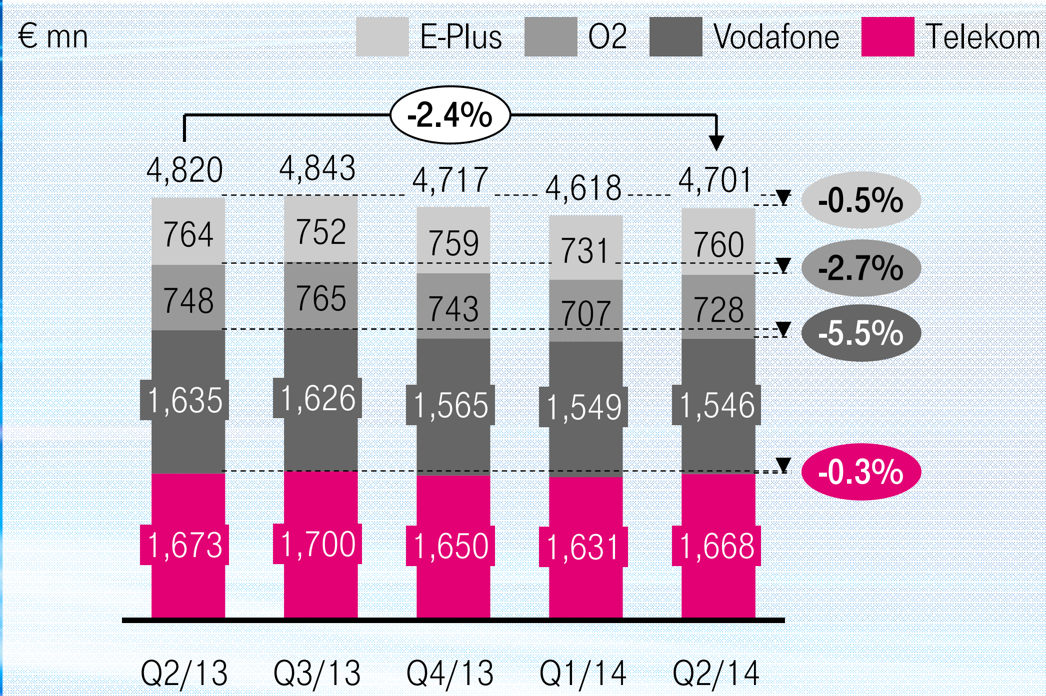



## RETAIL UPSELL STRATEGY ACCESS

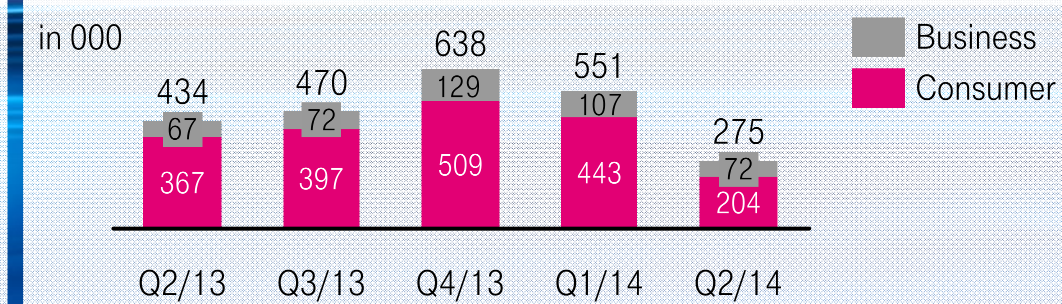


# **GERMANY MOBILE:** MOBILE CONTINUES TO GROW REVENUE MARKET SHARE

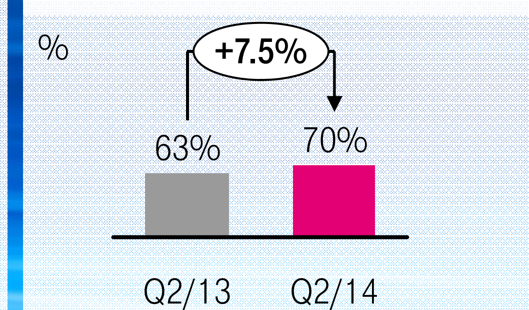
## GERMAN MOBILE MARKET SERVICE REVENUE[1]



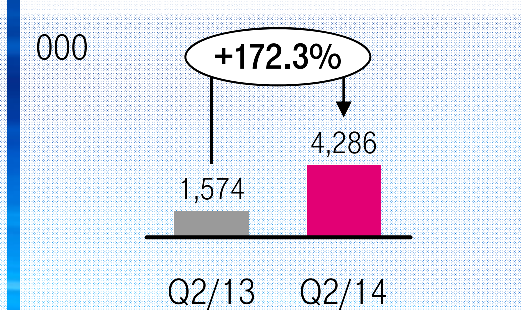

## CONTRACT NET ADDS




## SMARTPHONE PENETRATION[2]



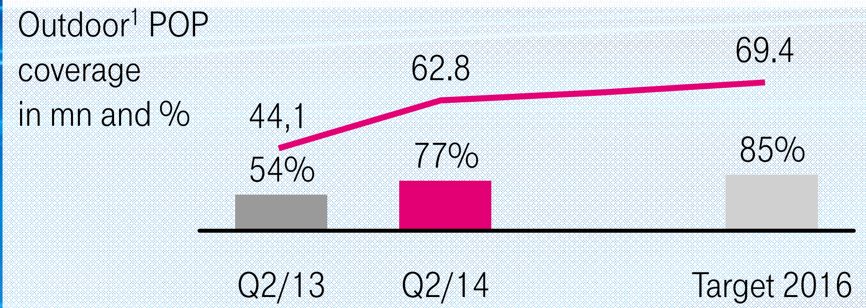

## LTE CUSTOMERS[3]



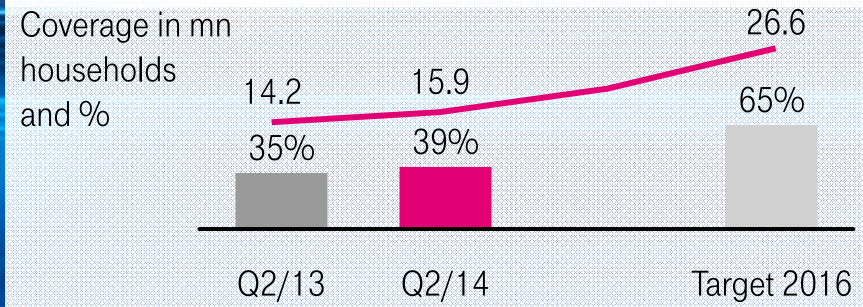

1) Based on management estimates 2) Of own branded retail customers 3) Customers using an LTE device and tariff plan including LTE

# **GERMANY:** INTEGRATED NETWORK ROLLOUT AND ALL-IP MIGRATION FULLY ON TRACK

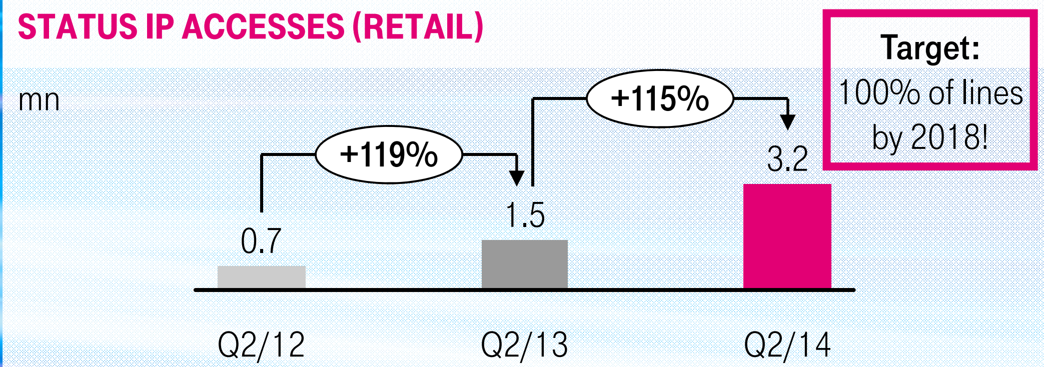
## INS – STATUS LTE ROLLOUT



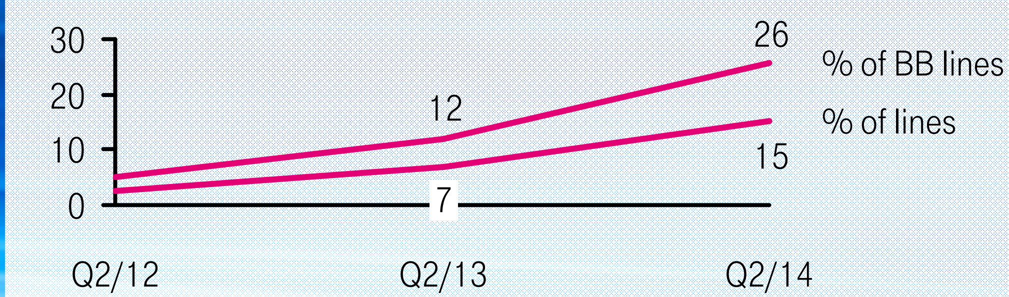

## INS – STATUS FIBER ROLLOUT[2]




## STATUS IP ACCESSES (RETAIL)



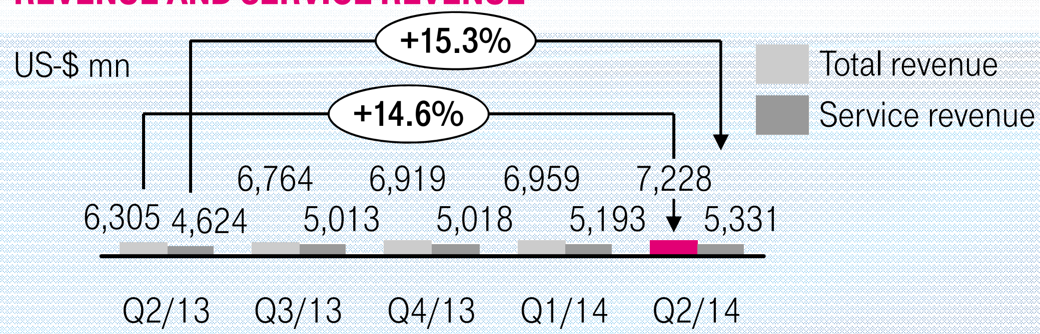

## STATUS IP ACCESSES (RETAIL)



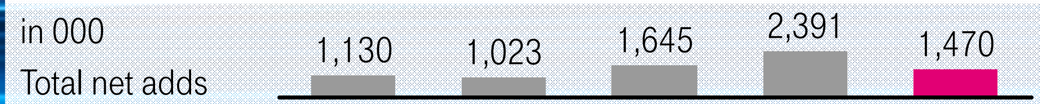

1) Near window 2) In % of households within fixed network coverage in Germany

# **TMUS:** EBITDA AND MARGIN RECOVERY AS PROMISED – ONGOING STRONG CUSTOMER GROWTH

## REVENUE AND SERVICE REVENUE

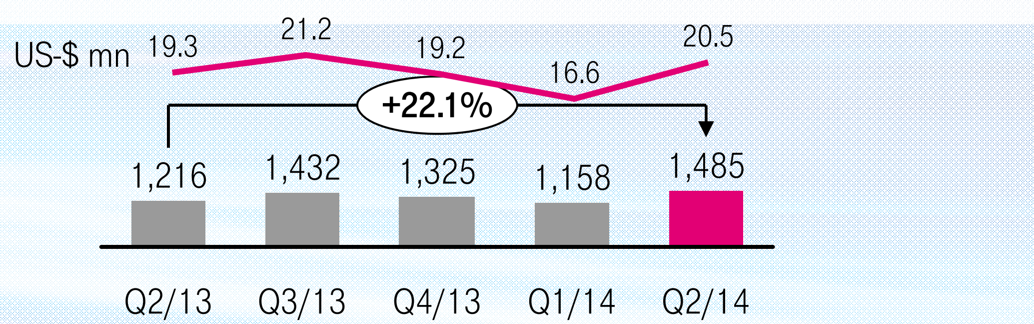



## NET ADDITIONS

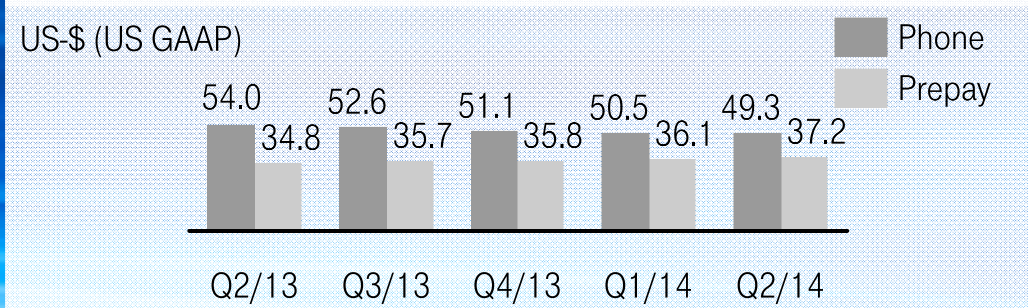



| Branded: | Q2/13 | Q3/13 | Q4/13 | Q1/14 | Q2/14 |
|---|---|---|---|---|---|
| ▪ Postpaid | 688 | 648 | 869 | 1,323 | 908 |
| ▪ Prepay | -10 | 24 | 112 | 465 | 102 |
| Wholesale[1] | 452 | 351 | 664 | 603 | 460 |

## ADJ. EBITDA AND MARGIN (IN %)



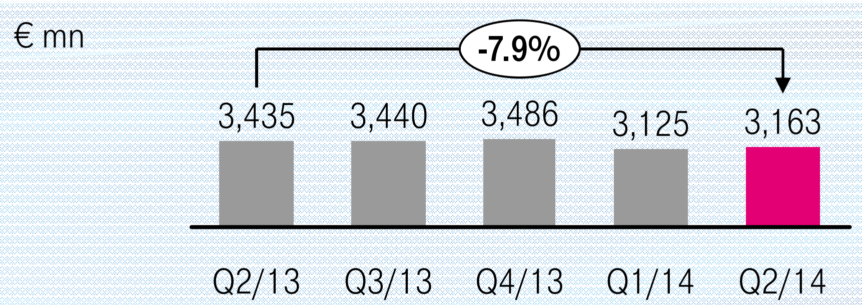

## BRANDED CUSTOMERS: POSTPAID PHONE AND PREPAY ARPU



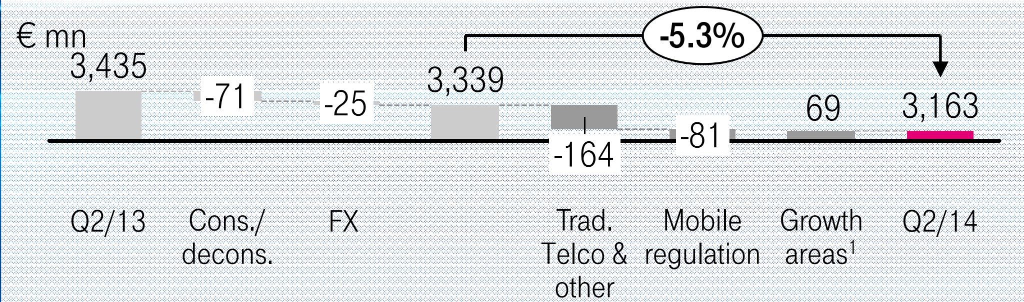

1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

# **EUROPE:** ADJ. EBITDA MARGIN DRIVEN BY COST SAVINGS

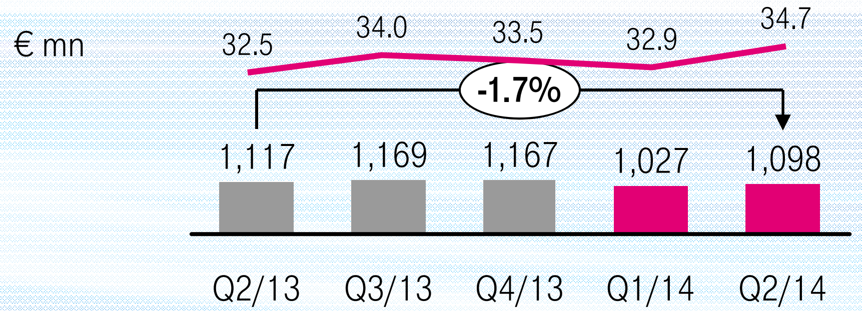
## REVENUE AS REPORTED



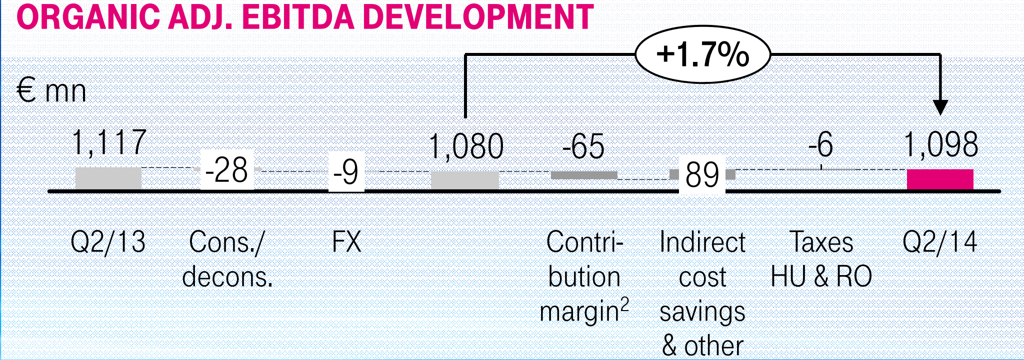

## ORGANIC REVENUE DEVELOPMENT




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



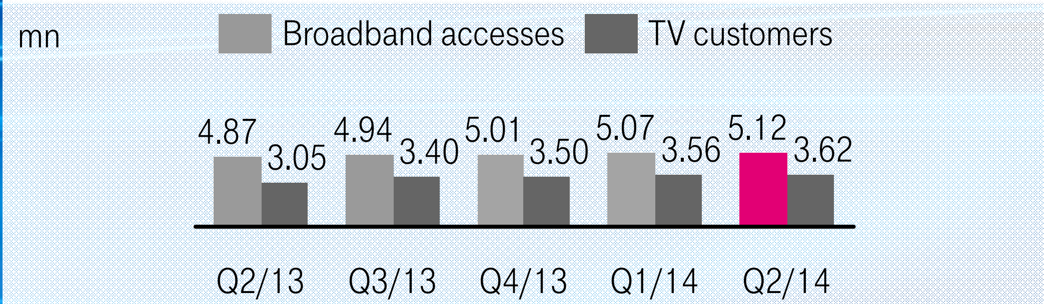

## ORGANIC ADJ. EBITDA DEVELOPMENT



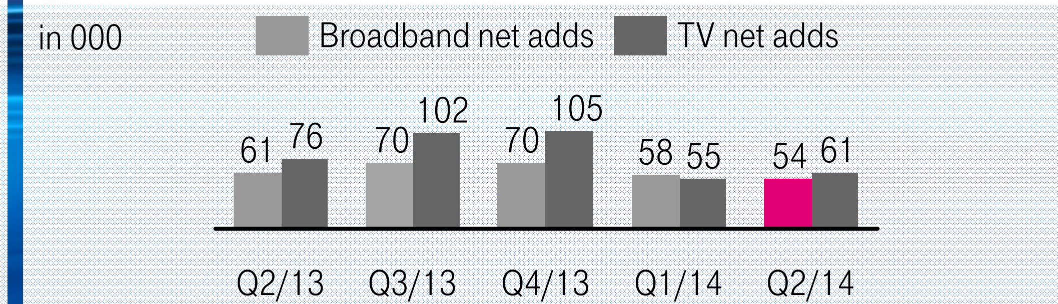

1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other) 2) Total revenues – direct cost

# **EUROPE:** GROWTH IN MOBILE AND FIXED KEY AREAS

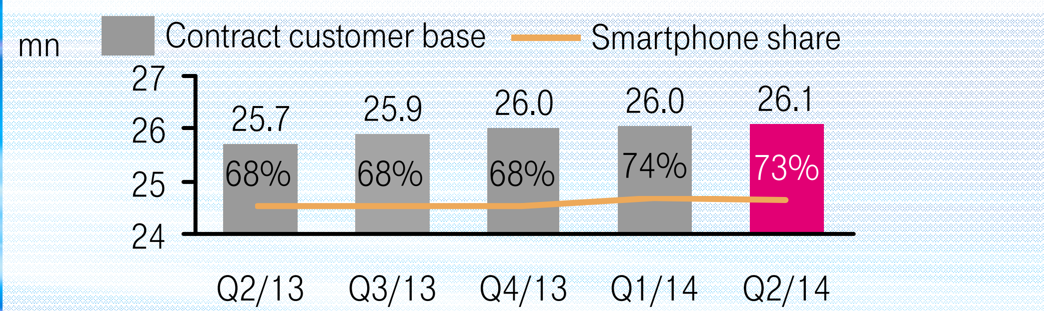
## POCKETS OF GROWTH – BROADBAND AND TV[1]



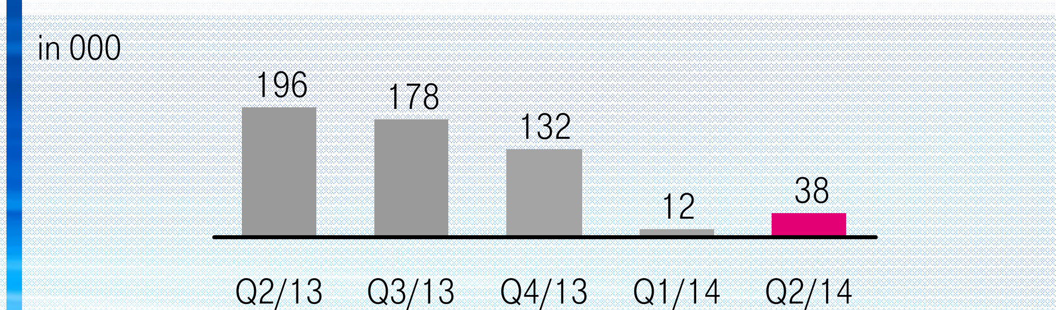

## NET ADDS – BROADBAND AND TV[1]




## POCKETS OF GROWTH – MOB. CONTRACT AND SMARTPHONES[1]

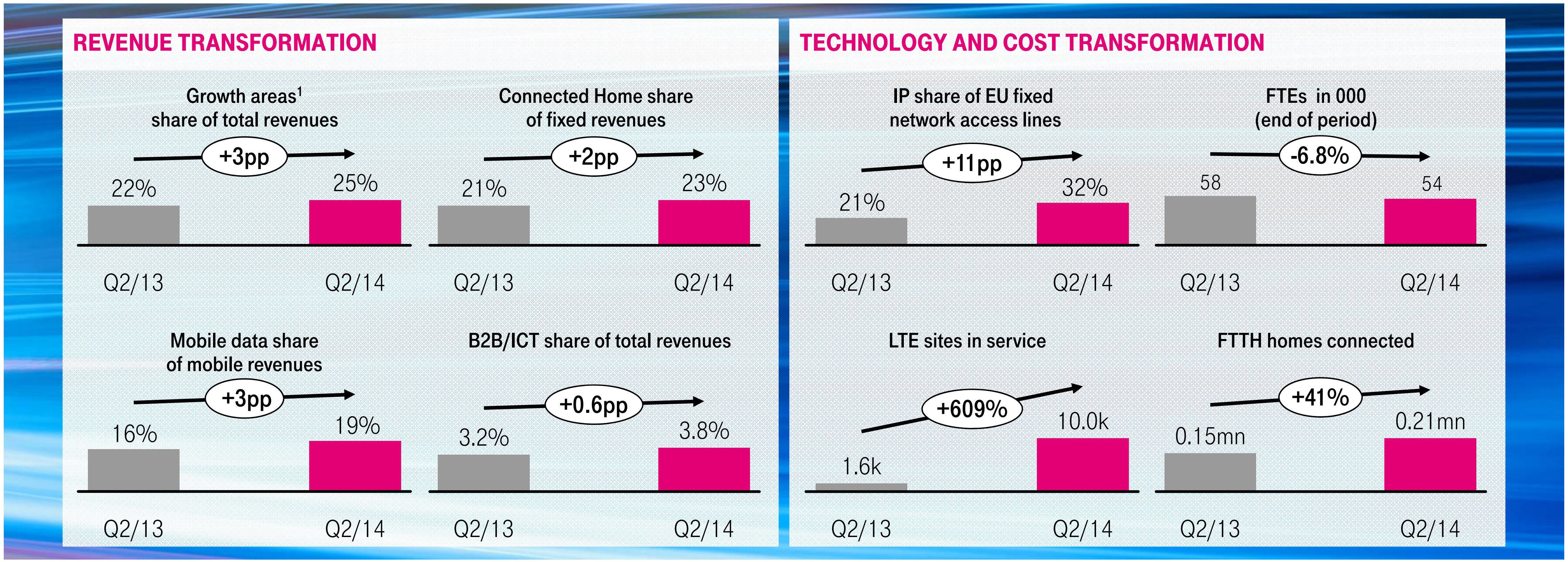



## NET ADDS – MOBILE CONTRACT[1]



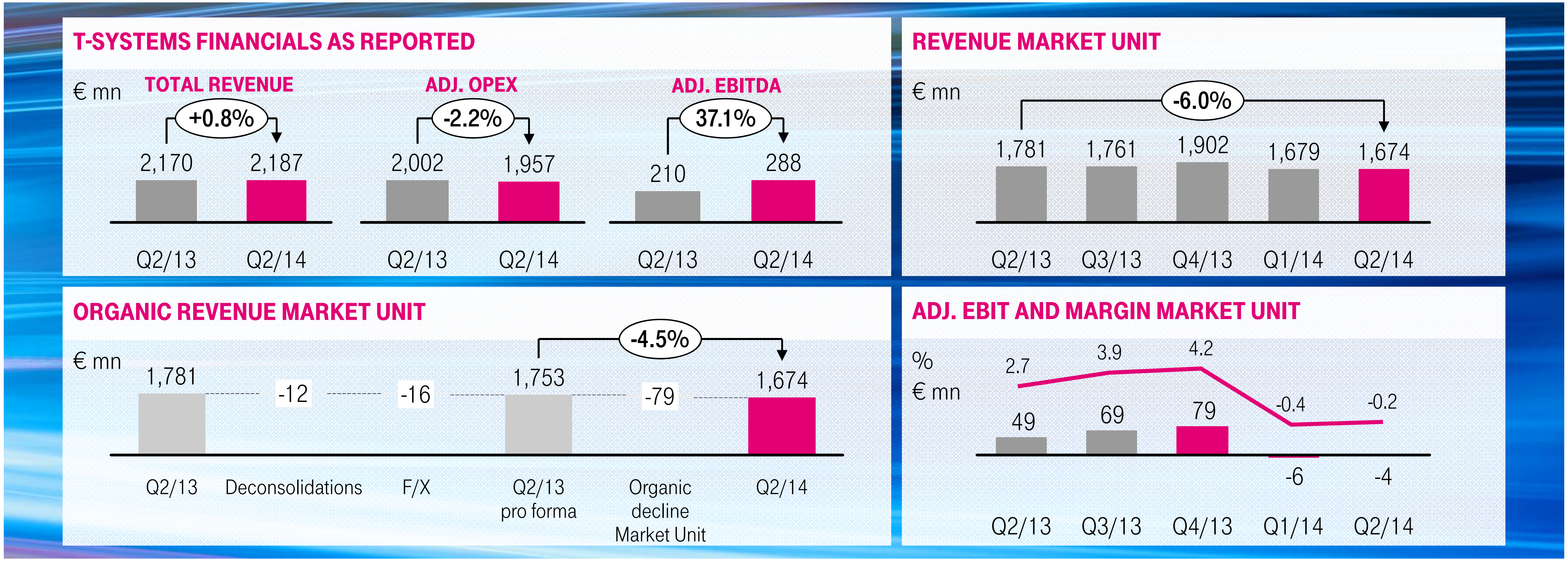

1) Incl. business customers shifted to T-Systems in Hungary as of January 1, 2011. Smartphone share w/o AL and Bulgaria based on purchased devices. TV figures include DiGi Slovakia as of September 1, 2013 (not counted as net adds). The customers of our companies in Bulgaria and Online in the Netherlands 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.

# EUROPE: REVENUE AND COST TRANSFORMATION ONGOING

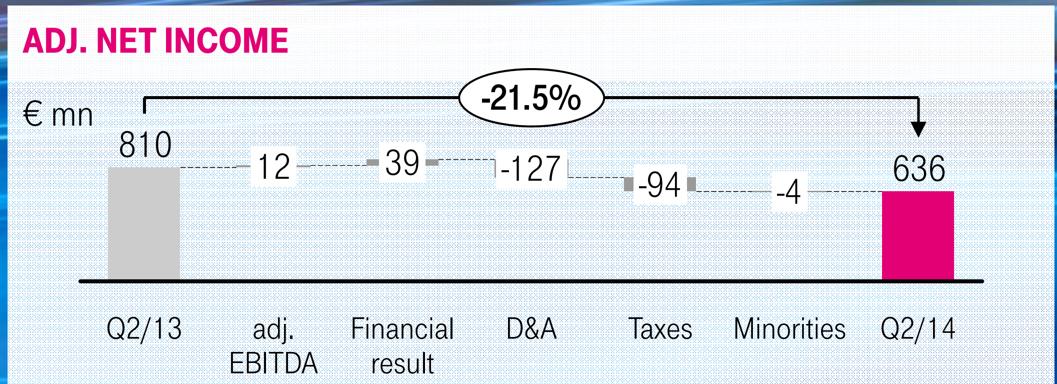


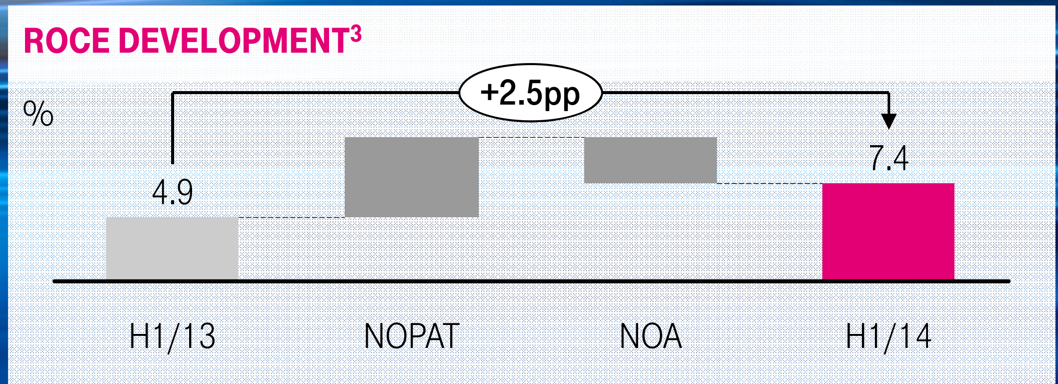

1) Mobile data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy, and other)

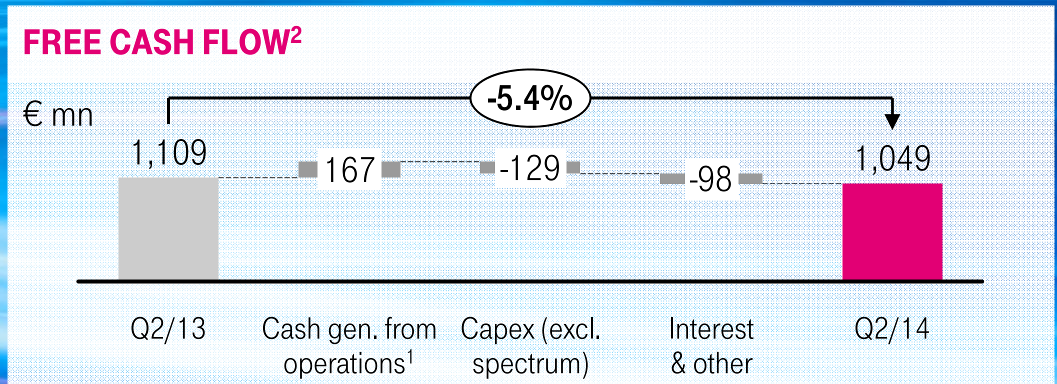
# SYSTEMS SOLUTIONS: REVENUE AND EBITDA IN Q2 DRIVEN BY TEL-IT

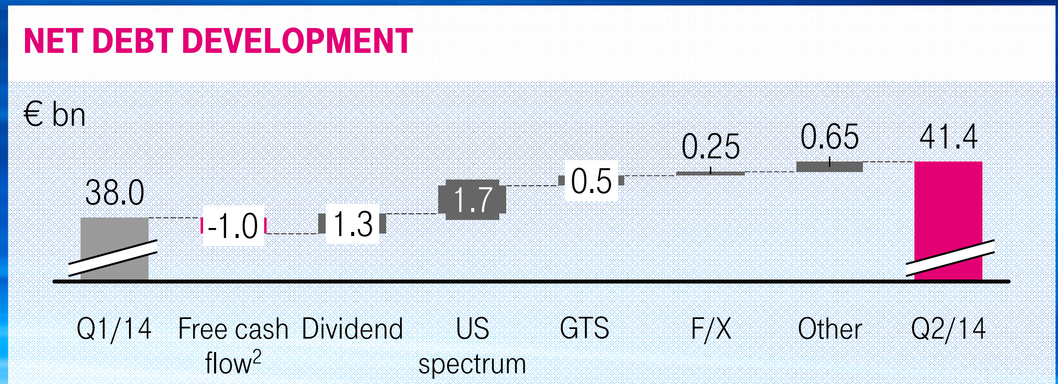


# FINANCIALS: FCF ON TRACK FOR GUIDANCE – NET DEBT REACHES PEAK FOR 2014, REDUCTION EXPECTED IN NEXT QUARTERS




1) Adjusted for € 93 million AT&T break-up fee and MetroPCS effects in Q2/13
2) Free cash flow before dividend payments, spectrum investment
3) Includes book gain on sale of Scout24

# **FINANCIALS:** BALANCE SHEET RATIOS REMAIN IN GUARDRAILS

| € bn | 30/06/2013 | 30/09/2013 | 31/12/2013 | 31/03/2014 | 30/06/2014 |
|---|---|---|---|---|---|
| Balance sheet total | 116.2 | 115.3 | 118.1 | 117.3 | 118.0 |
| Shareholders' equity | 31.3 | 32.0 | 32.1 | 32.8 | 32.5 |
| Net debt | 41.4 | 39.7 | 39.1 | 38.0 | 41.4 |
| Net debt/adj. EBITDA[1] | 2.4 | 2.3 | 2.2 | 2.2 | 2.4 |
| Equity ratio | 26.9% | 27.8% | 27.1% | 27.9% | 27.5% |

| 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: | **BBB+** | stable outlook |
| Moody's: | **Baa1** | stable outlook |
| S&P: | **BBB+** | stable outlook |

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

# THANK YOU!

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