



DEUTSCHE TELEKOM

Q2/15 RESULTS

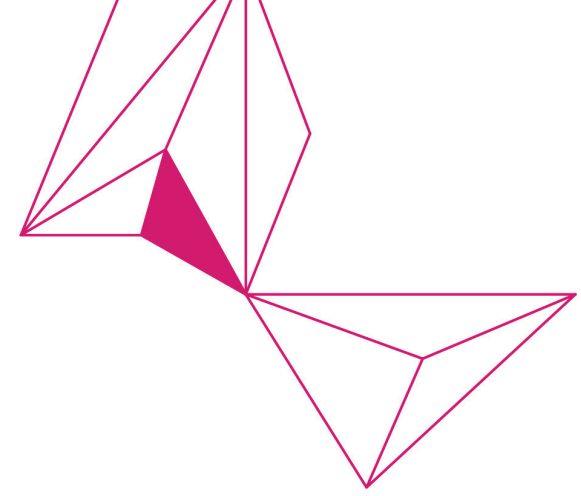
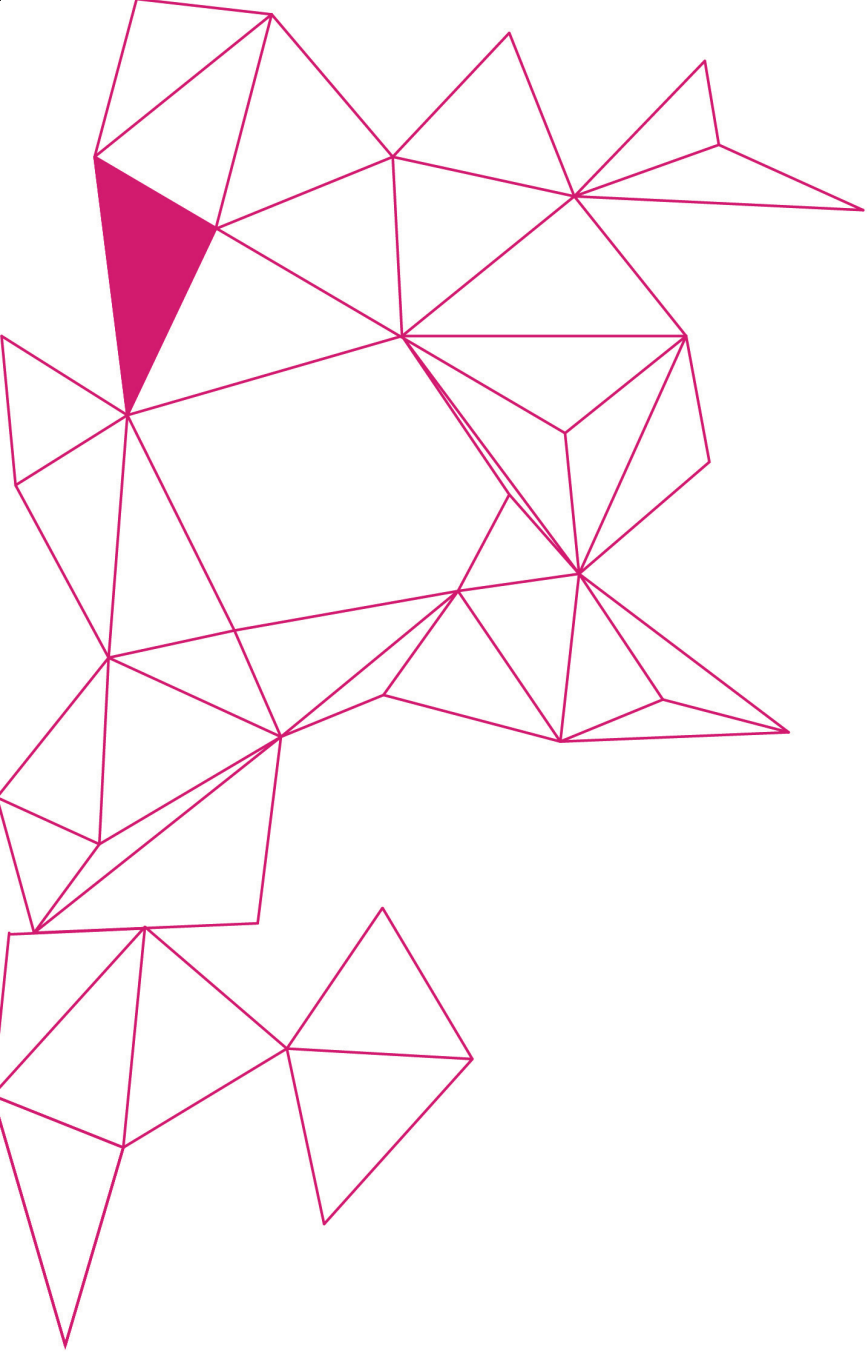


LIFE IS FOR SHARING.

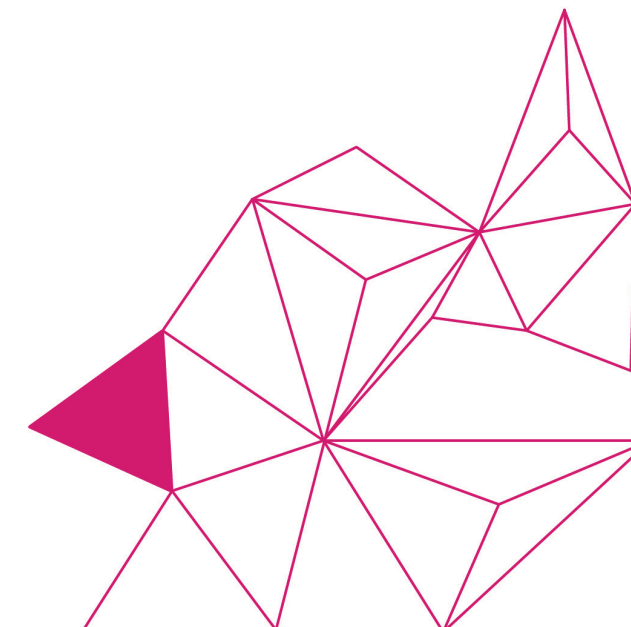
DISCLAIMER

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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 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** 9th 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 3rd largest carrier in the US!
- 6** Disciplined investments to strengthen our existing footprint (Slovak minority, German and US spectrum and cell sites)



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 ¹	1,049	1,375	+31.1%	2,032	2,240	+10.2%
CASH CAPEX ²	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 €



LIFE IS FOR SHARING.

FOCUS ON TRANSACTIONS: STRENGTHENING OUR CORE ASSETS

SLOVAK TELEKOM MINORITIES

- Acquisition of 49% government stake for 0.9 billion €¹ 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 spectrum²
- Average spend of € 0.22 MHz/POP (total € 1.8 bn)



- **Strengthening our German network leadership**

TRANSFER OF TEF D CELL SITES

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



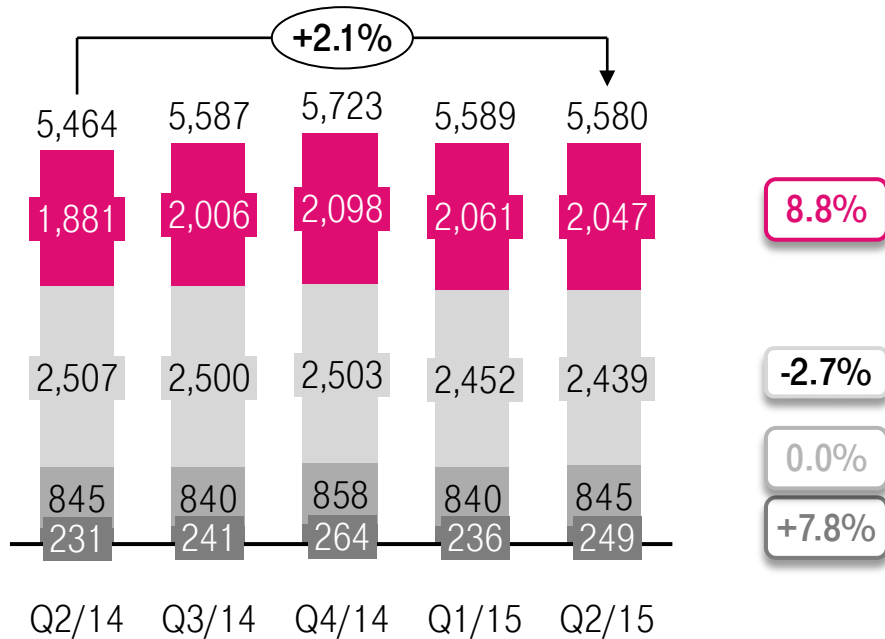
- **Strengthening our German network leadership**

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

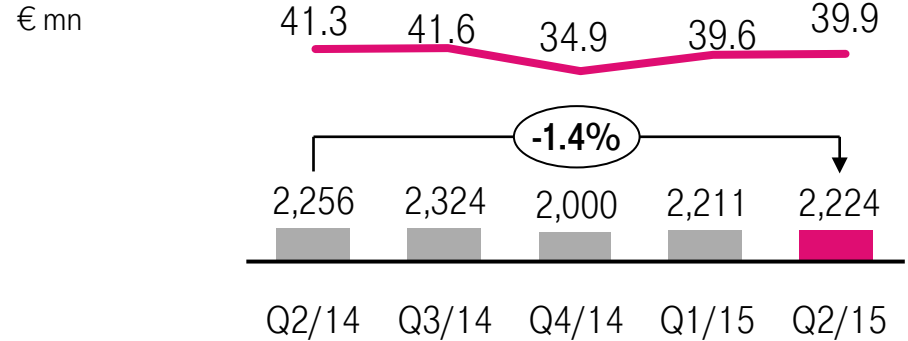
GERMANY: REVENUES CONTINUE TO GROW SUPPORTED BY STRONG MOBILE GROWTH AND STABLE WHOLESALE REVENUES

REVENUE¹

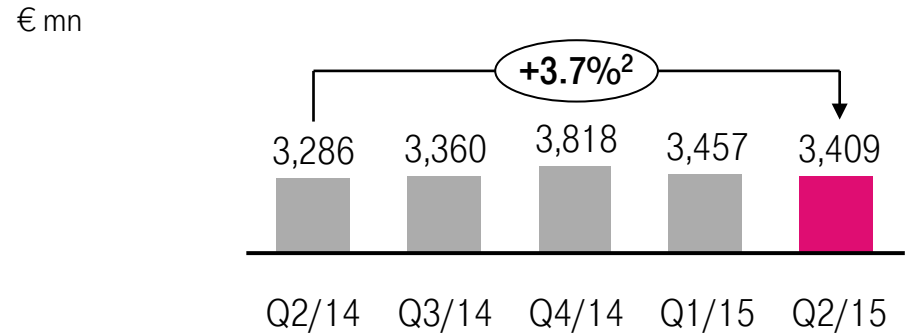
€ mn Mobile Core fixed Wholesale services Others



ADJ. EBITDA AND MARGIN (IN %)



ADJ. OPEX

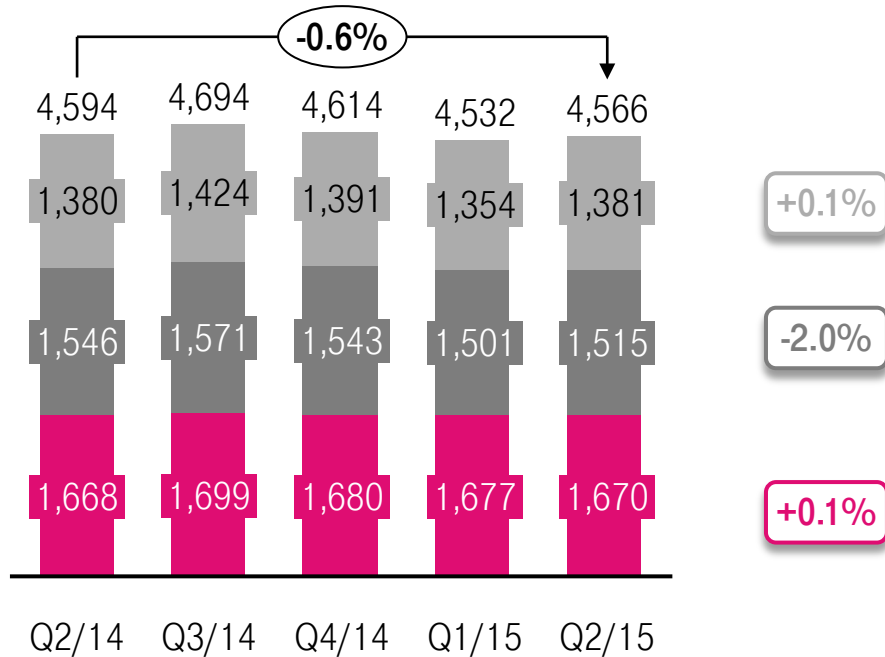


1) Online consumer service revenues in "others" have been allocated to revenues from core fixed since Jan. 1st 2015. Prior year figures have been adjusted accordingly 2) Indirect costs reduced by 0.3% yoy

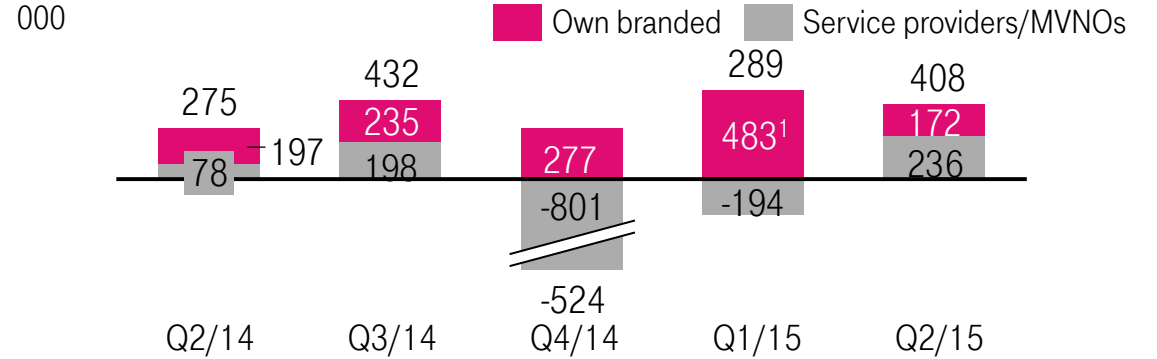
GERMANY MOBILE: TELEKOM CONTINUES TO OUTPERFORM MARKET

GERMAN MOBILE MARKET SERVICE REVENUE

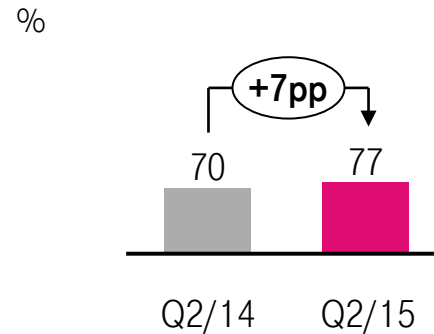
€ mn ■ Telefonica ■ Vodafone ■ Telekom



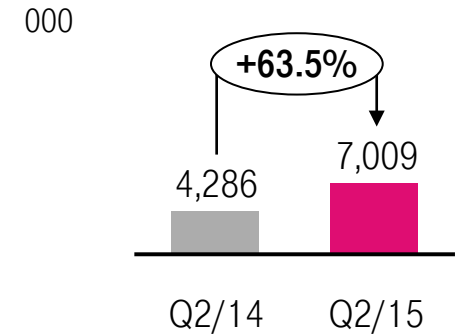
CONTRACT NET ADDS



SMARTPHONE PENETRATION²



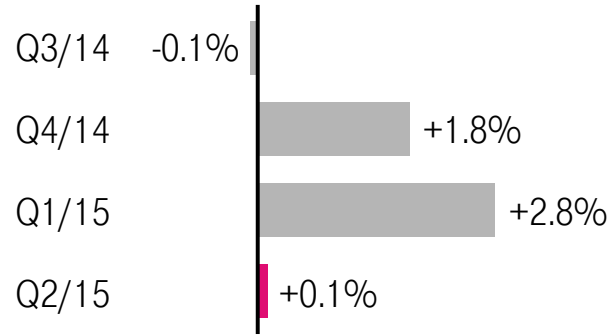
LTE CUSTOMERS³



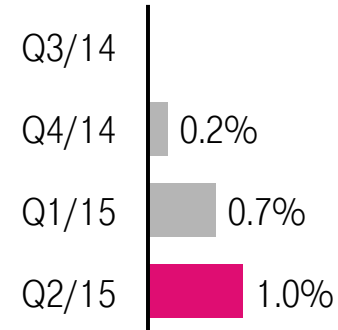
1) Q1/15 impacted by reclassification of net +288k 2) Of own branded retail customers 3) Customers using a LTE-device and tariff plan including LTE

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

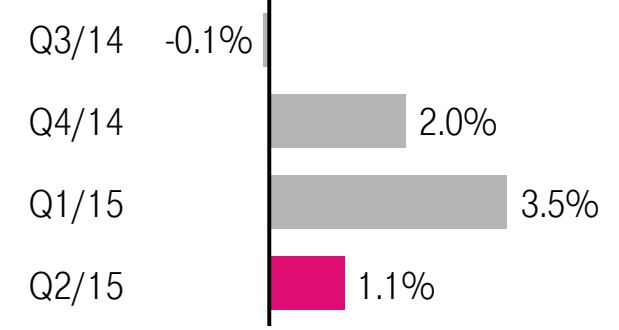
REPORTED MOBILE SERVICE REVENUES



IMPACT OF CONVERGENCE PRODUCTS¹



UNDERLYING GROWTH



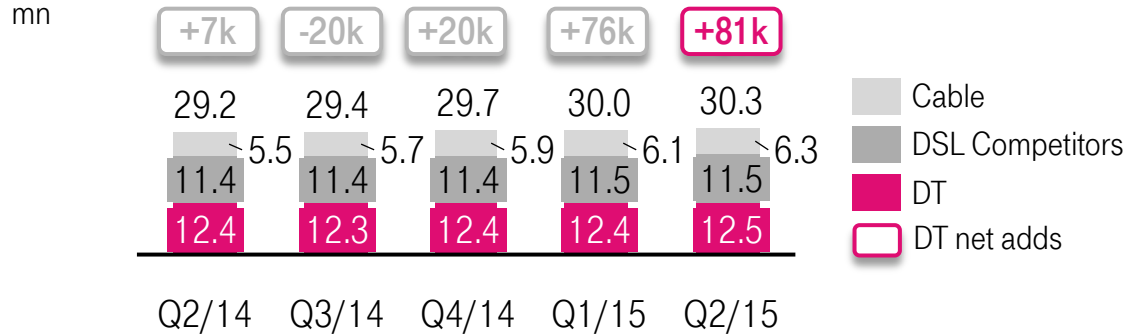
- **Headline trends impacted by 3 factors**
 - MagentaEINS discounts booked in mobile
 - DT LTE broadband (mobile) switching to hybrid (fixed)
 - Unusually high volatility in large account billing
- **No major changes in market environment or DT underlying trends**
- **Target of 1% medium term mobile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

1) Impact of MagentaEINS and Telekom LTE broadband

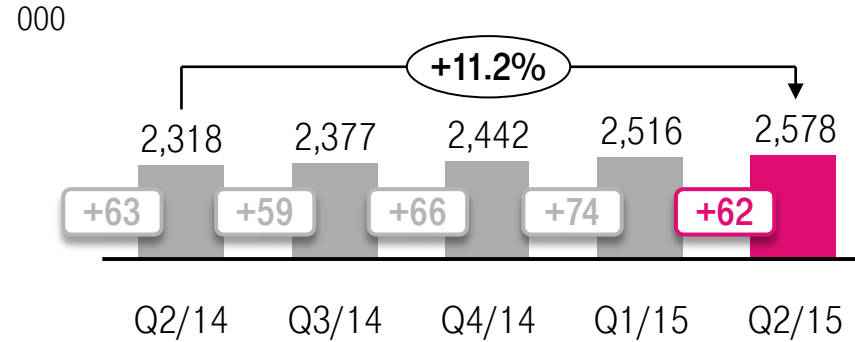


GERMANY FIXED: HIGHEST UPTAKE IN BROADBAND SINCE Q1/2012

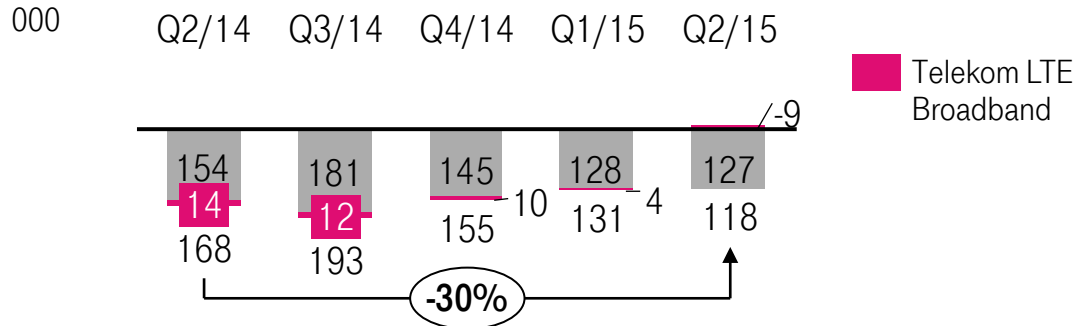
GERMAN BROADBAND MARKET¹



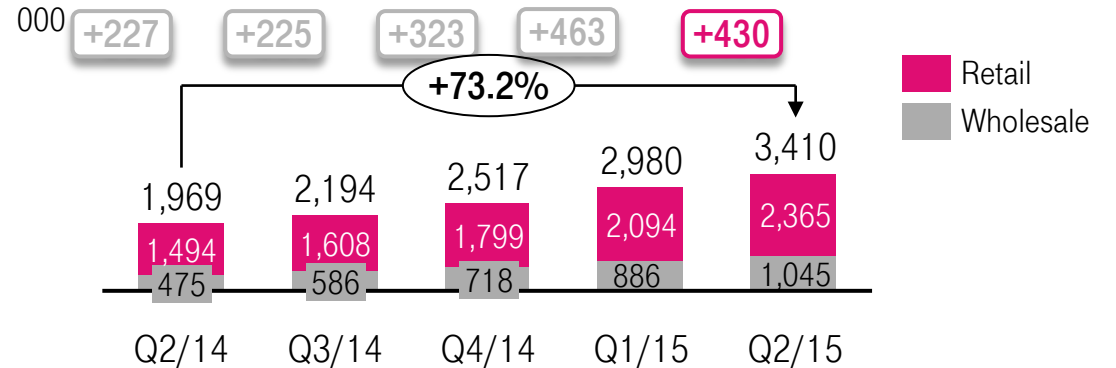
ENTERTAIN CUSTOMERS



LINE LOSSES



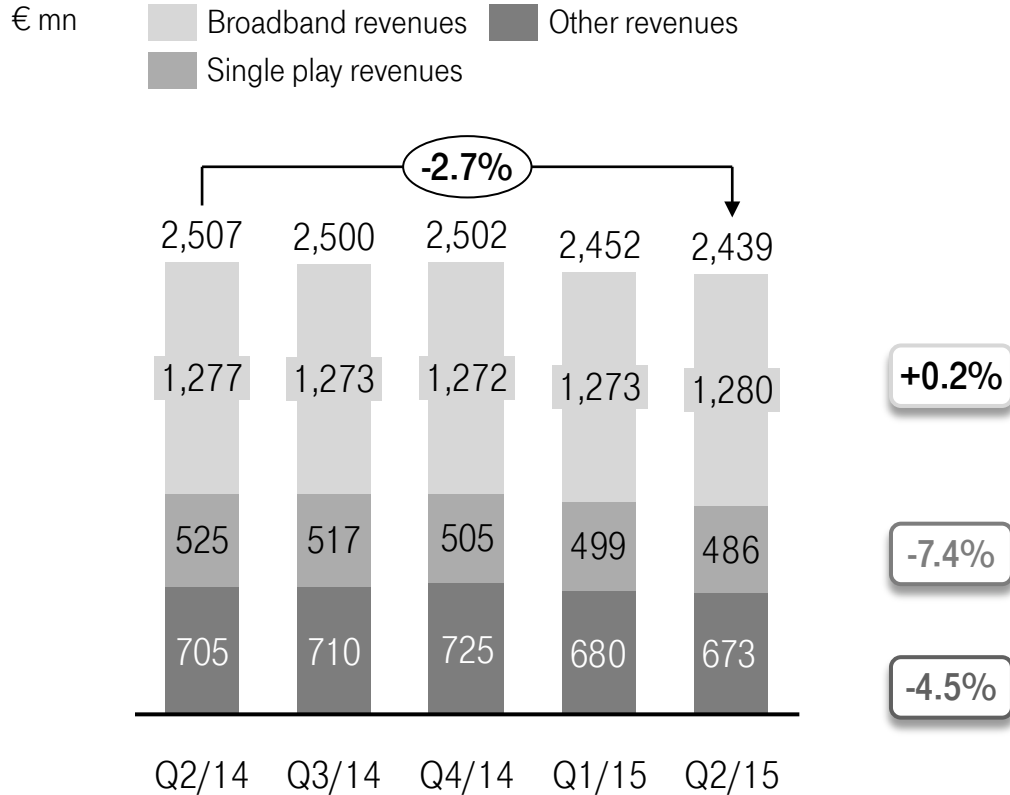
FIBER CUSTOMERS²



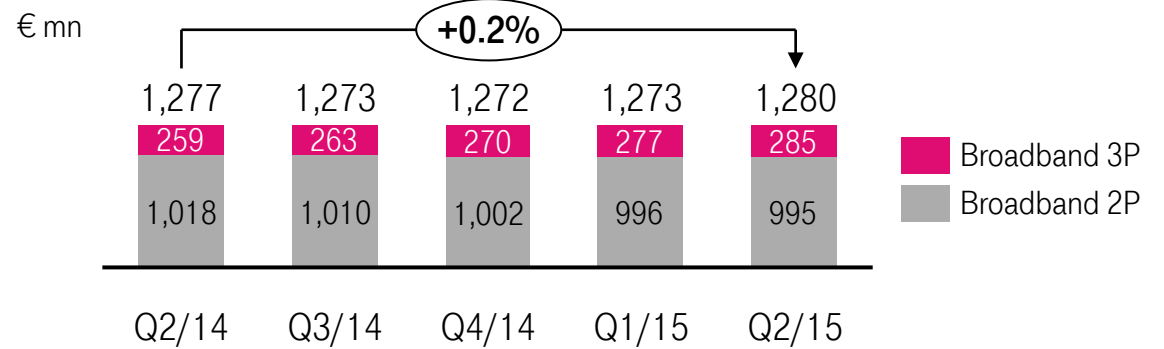
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

GERMANY FIXED: BROADBAND REVENUES START GROWING

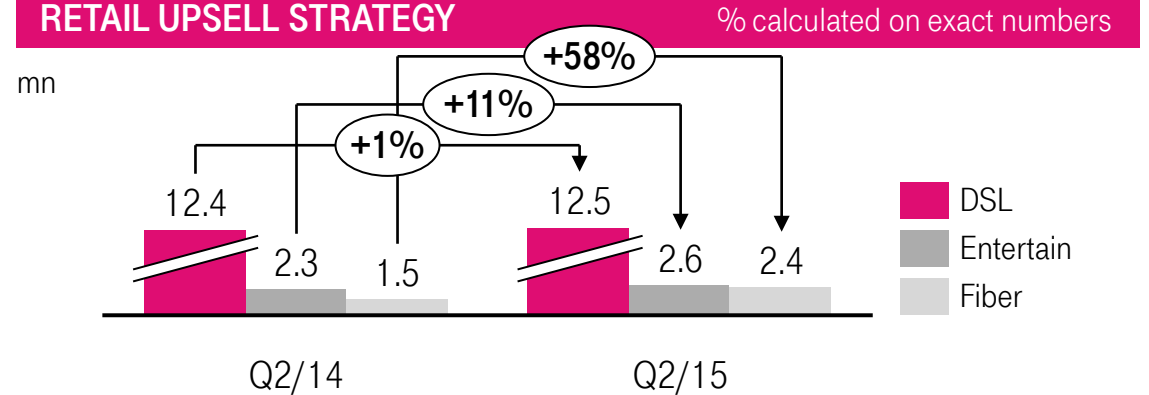
FIXED NETWORK REVENUES (CORE FIXED)¹



BROADBAND REVENUES²



RETAIL UPSELL STRATEGY



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

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

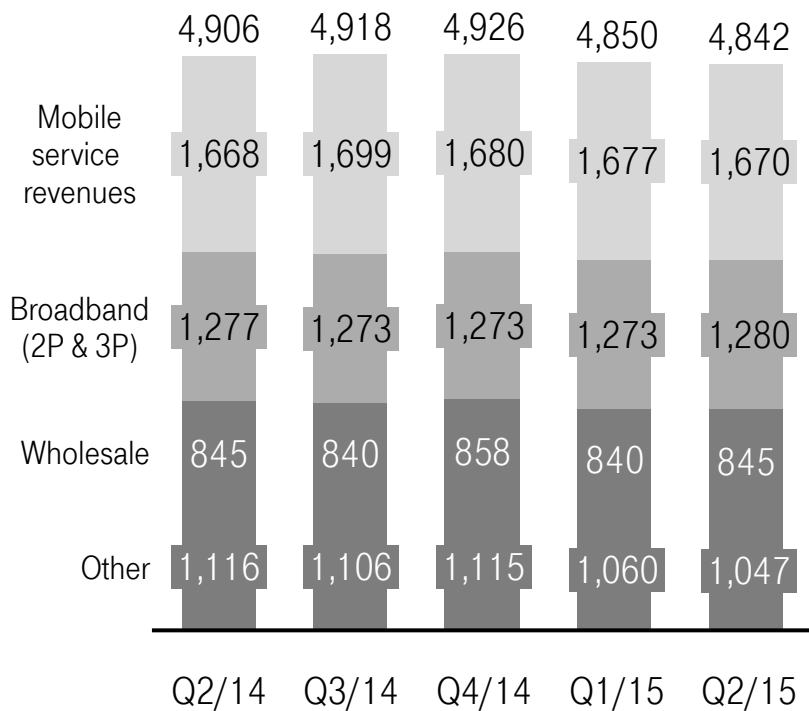
GERMAN TOTAL SERVICE REVENUES¹

H1 GROWTH RATE

DRIVERS

MEDIUM TERM GUIDANCE (2014 – 2018 CAGR)

€ mn



- + Underlying growth
- Convergence accounting

- + Volume growth
- Promotions

- + Fiber wholesale

- Legacy attrition accelerated by all-IP

+1%²

+2%

Stable



**German revenues:
+0.3% CAGR²**

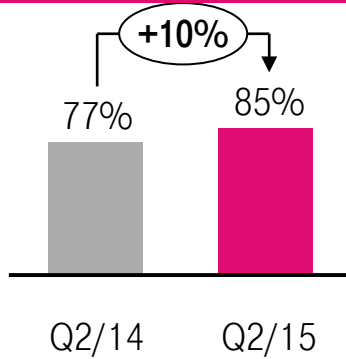


1) Core fixed excl. device revenues, plus wholesale wireline, plus mobile service revenues
2) Without EU roaming impact

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

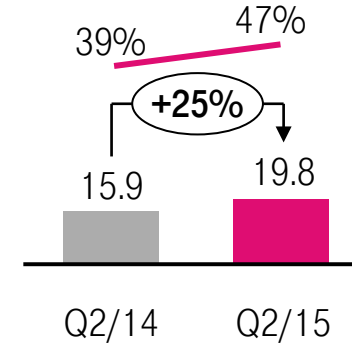
INS- STATUS LTE ROLLOUT

POP
Coverage in %¹



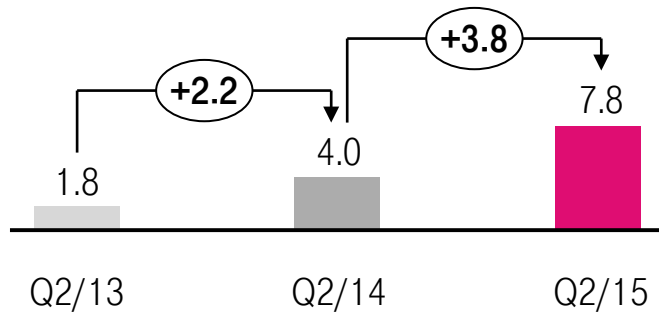
INS- STATUS FIBER ROLLOUT²

Coverage in %
and millions of
households



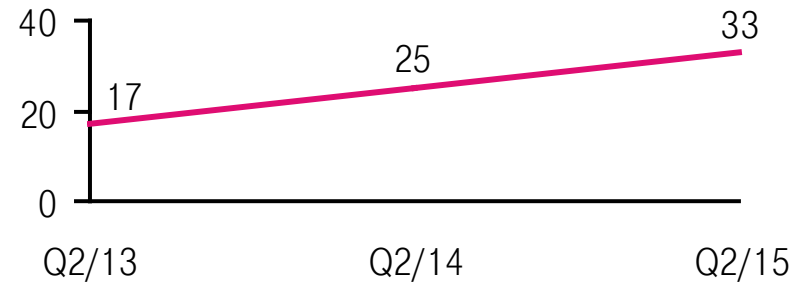
STATUS IP ACCESSES (RETAIL & WHOLESALE)

mn



STATUS IP ACCESSES (RETAIL & WHOLESALE)

in % of lines



Target:
100% of lines
by 2018!

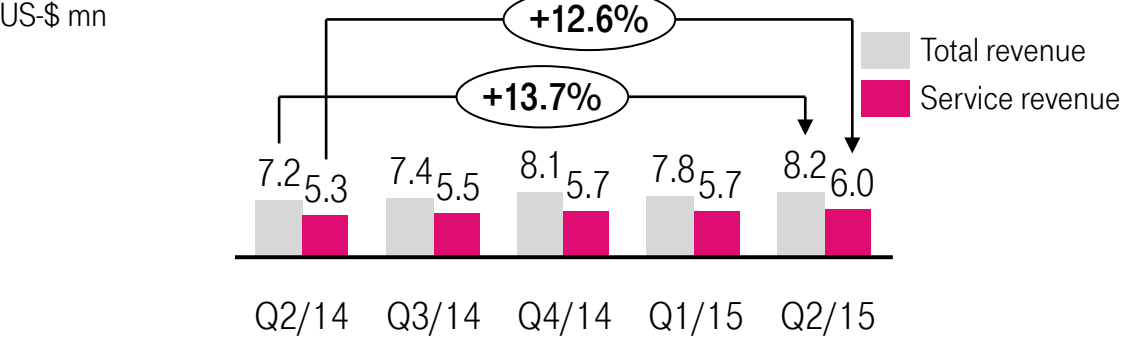
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany



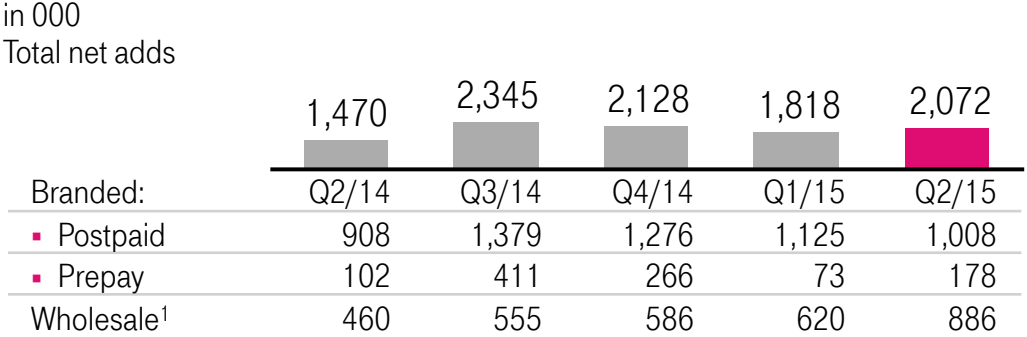
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TMUS: CUSTOMER MOMENTUM CONTINUES. NET ADD FORECAST RAISED AGAIN. INDUSTRY LEADING FINANCIAL PERFORMANCE

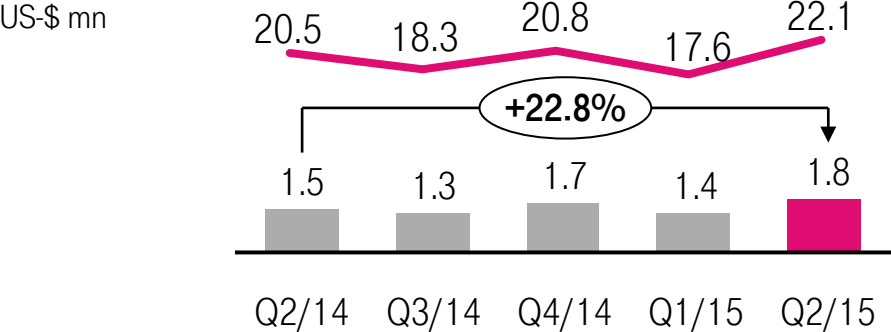
REVENUE AND SERVICE REVENUE



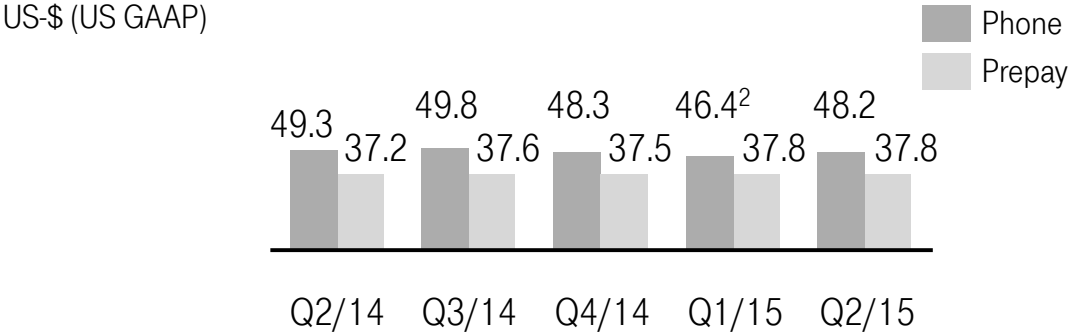
NET ADDS



ADJ. EBITDA AND MARGIN (IN %)



BRANDED CUSTOMERS: POSTPAID PHONE AND PREPAY ARPU



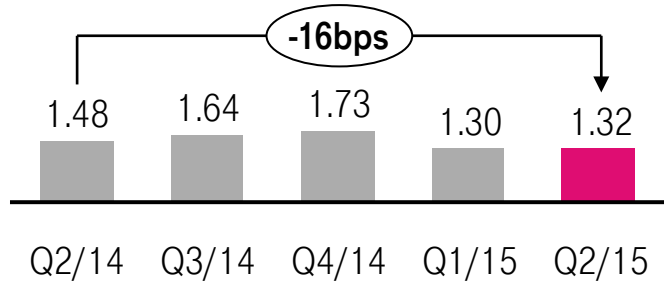
1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

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

FOCUS ON TMUS: POSITIVE DEVELOPMENT IN KEY DRIVERS

BRANDED POSTPAID PHONE CHURN

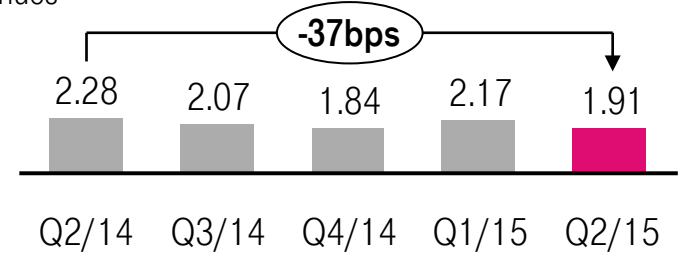
in %



- Positive porting ratios against all carriers

BAD DEBT EXPENSES & LOSSES FROM FACTORING

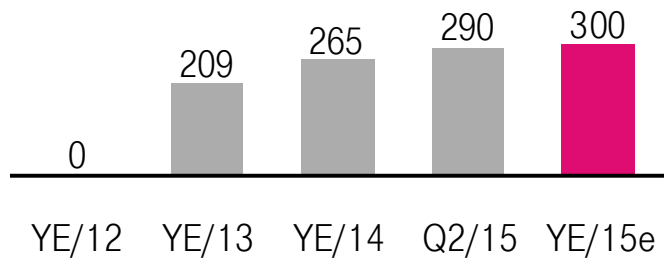
in % of total revenues



- Receivables classified as prime stable at 52%

LTE COVERED POPs

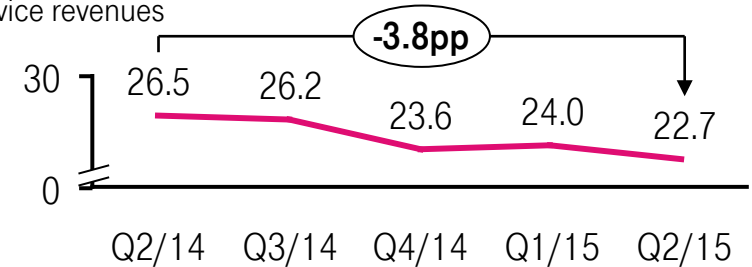
in million



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

COST OF SERVICE

in % of service revenues



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

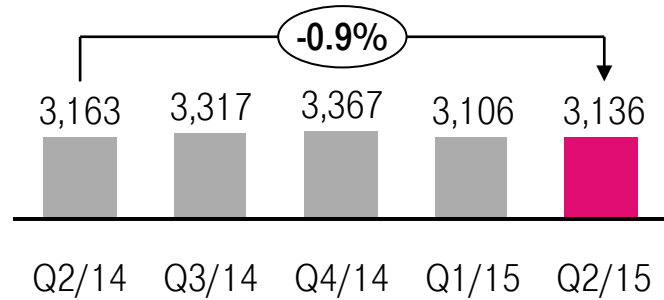


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EUROPE: REVENUE TRANSFORMATION CONTINUING AS EXPECTED

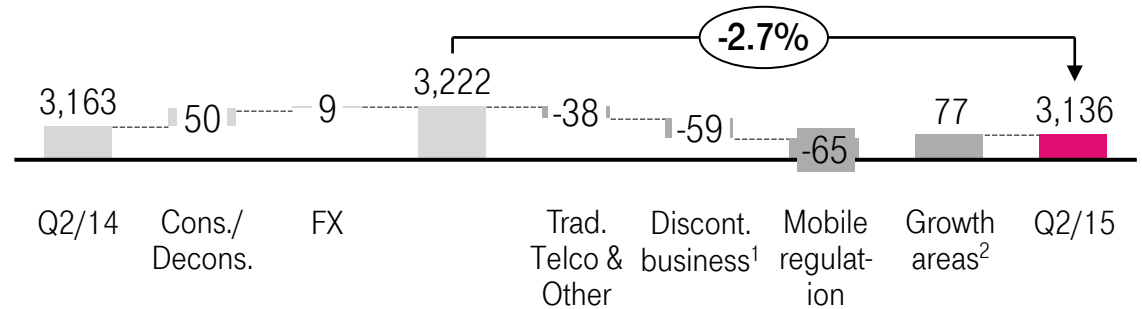
REVENUE AS REPORTED

€ mn



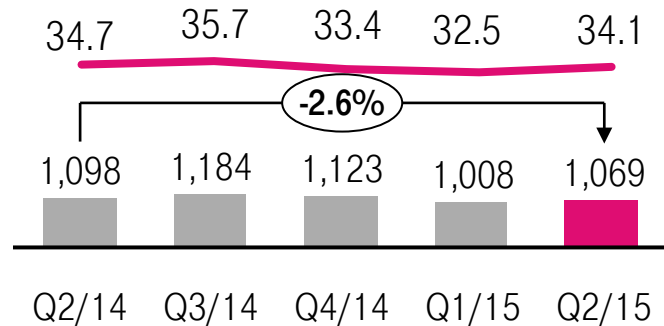
ORGANIC REVENUE DEVELOPMENT

€ mn



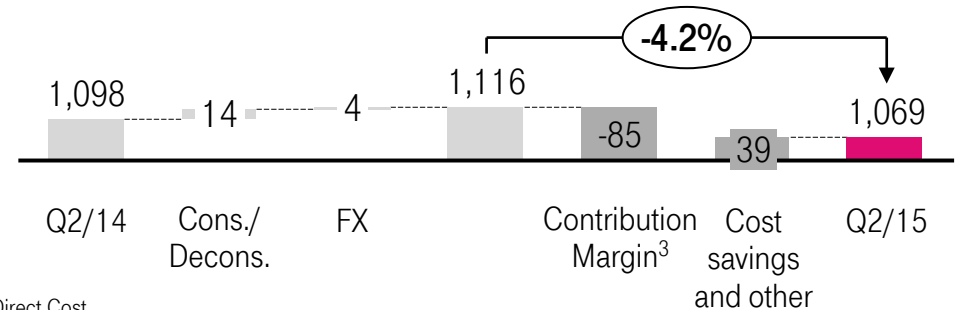
ADJ. EBITDA AND MARGIN (IN %) AS REPORTED

€ 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

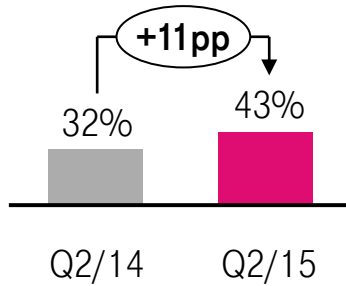


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EUROPE: AIMING FOR TECHNOLOGY LEADERSHIP AND BEST CUSTOMER EXPERIENCE

IP MIGRATION

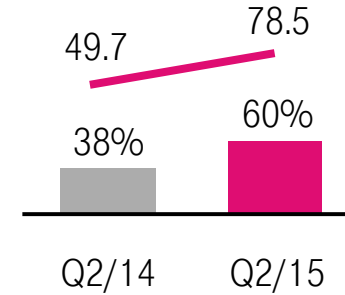
IP share of fixed network access lines



LTE ROLLOUT

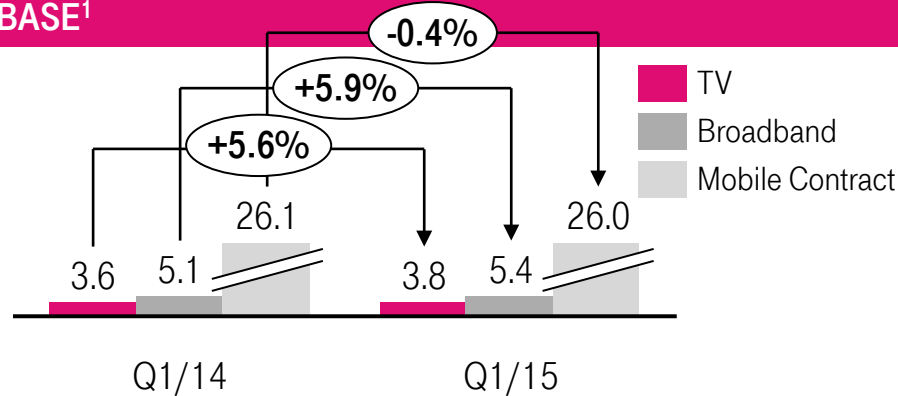
LTE outdoor pop coverage

in mn and %



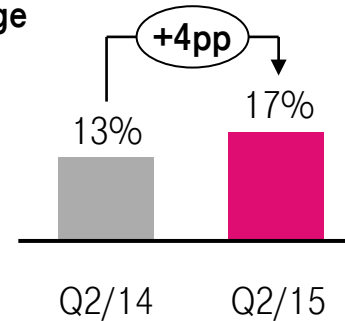
CUSTOMER BASE¹

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 IMPROVED PERFORMANCE

T-SYSTEMS FINANCIALS

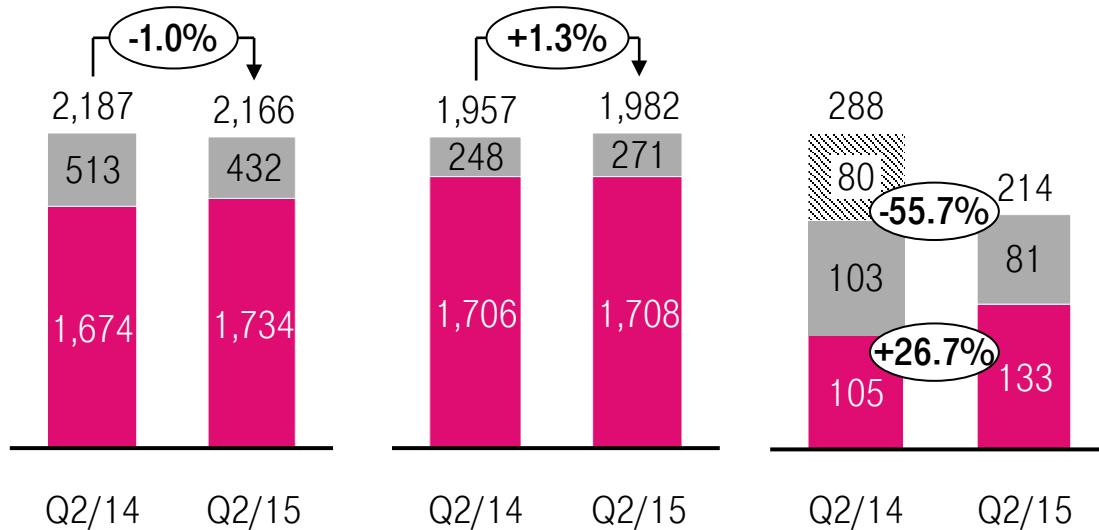
€ mn

TOTAL REVENUE

ADJ. OPEX¹

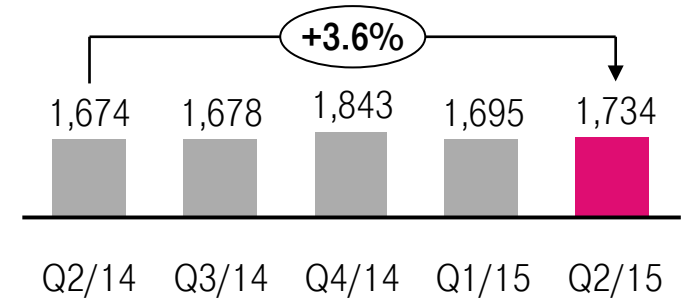
ADJ. EBITDA²

■ Tel-HT ■ OneERP impact² ■ MU



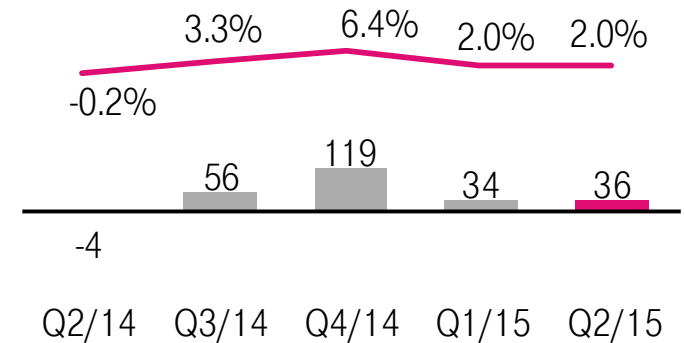
REVENUE MARKET UNIT

€ mn



ADJ. EBIT AND MARGIN MARKET UNIT

%
€ mn



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

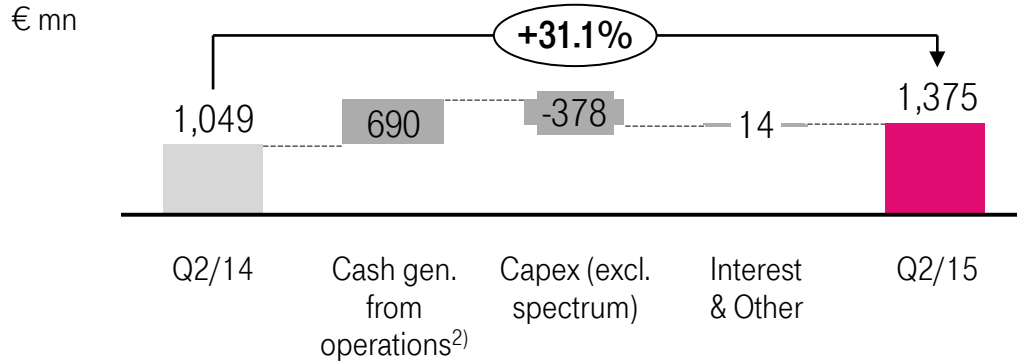
2) Q2/14 adj. EBITDA of Tel-HT benefitted from a milestone completion of a large internal IT project (OneERP), explaining € 80 million difference between Q2/14 and Q2/15. This Profit recorded in Tel-HT was eliminated at group level.



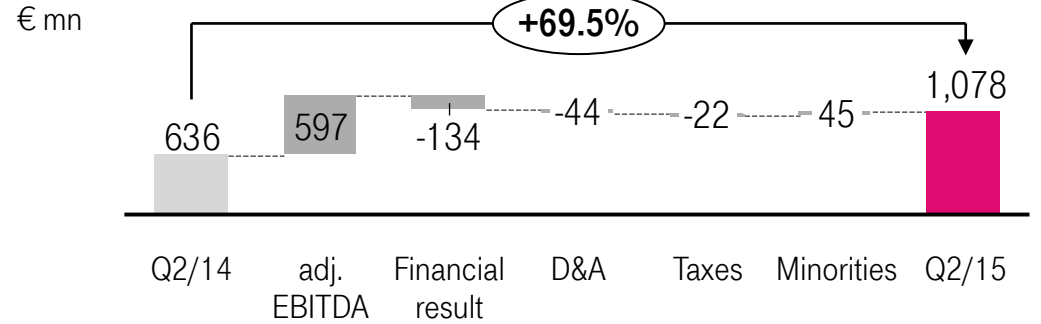
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FINANCIALS: GROWTH IN FCF AND ADJ. NET INCOME

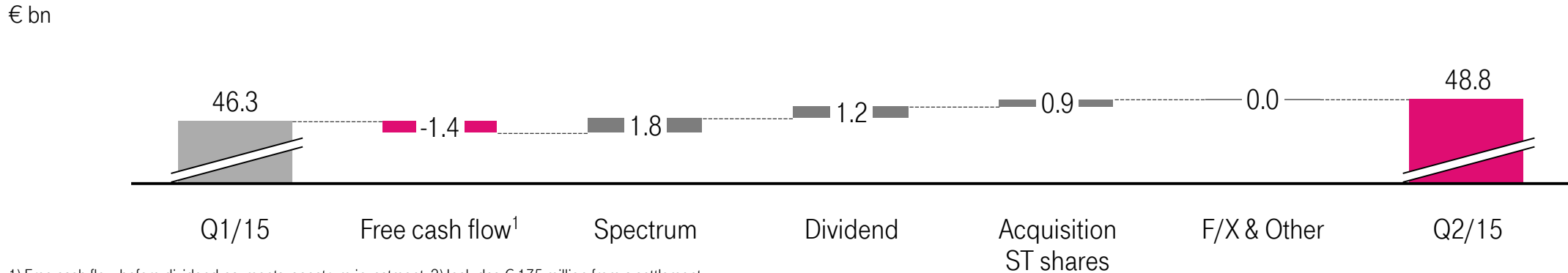
FREE CASH FLOW Q2/15¹



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

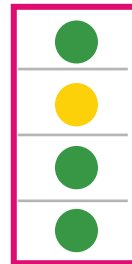


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FINANCIALS: BALANCE SHEET RATIOS

€ 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 ¹	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:

BBB+	stable outlook
Baa1	stable outlook
BBB+	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 **August 6 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/15Q2

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

DE	0800 9656288	+	code 69447490#
UK	0800 0515931	+	code 69447490#
US	+1 866 7192729	+	code 69447490#
Other	+49 69 271340801	+	code 69447490#

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FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

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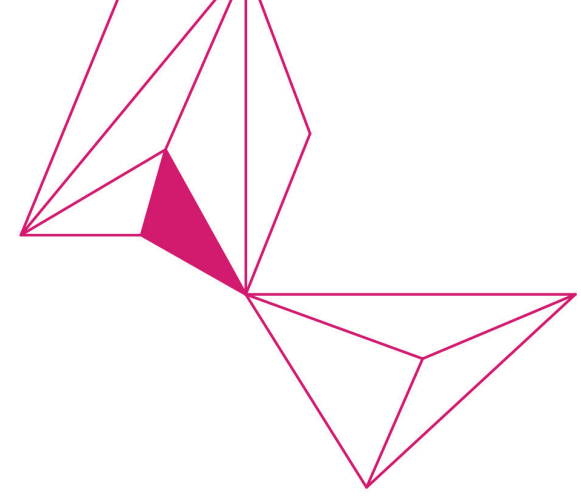
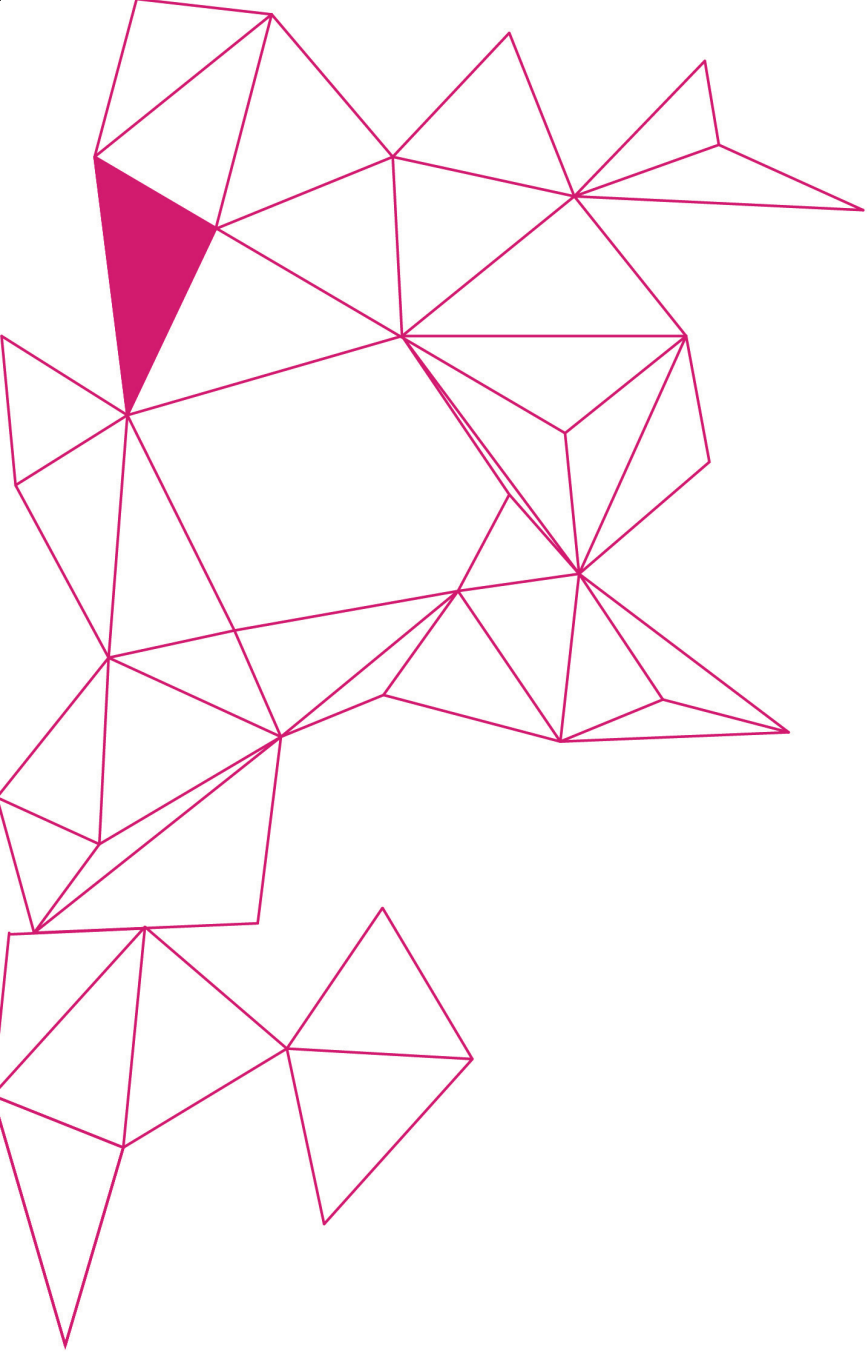


IR YOUTUBE PLAYLIST

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THANK YOU!

