



**DEUTSCHE TELEKOM**  
MIDYEAR 2015  
UPDATE  
**T...**

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# LEADING EUROPEAN TELCO

**TECHNOLOGY**  
**BEST NETWORK LEADERSHIP** All-IP  
SUPERIOR PRODUCTION MODEL  
GROW ROCE **SMART M&A**  
**BEST CUSTOMER EXPERIENCE**  
CONVERGENCE  
CLOUD  
**LEAD IN BUSINESS**

**WIN WITH PARTNERS**  
STECKERLEISTE  
**MOST TRUSTED BRAND**  
UNCARRIER  
**REMOVING PAIN POINTS**  
ECOSYSTEM  
SMART M&A  
**INDUSTRIAL INTERNET**

**DIVIDEND GROWTH**  
GROW CASH FLOW  
**IT-SECURITY**



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# BEST NETWORK: SEAMLESS CONNECTIVITY



**CONSUMERS**

**BUSINESS CUSTOMERS**



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# BEST NETWORK: MAJOR TRANSFORMATION UNDER WAY

## ALL-IP TRANSFORMATION



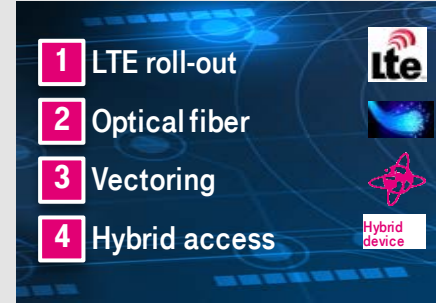
- Radical simplification
- Improved customer experience

## PAN-EUROPEAN NETWORK



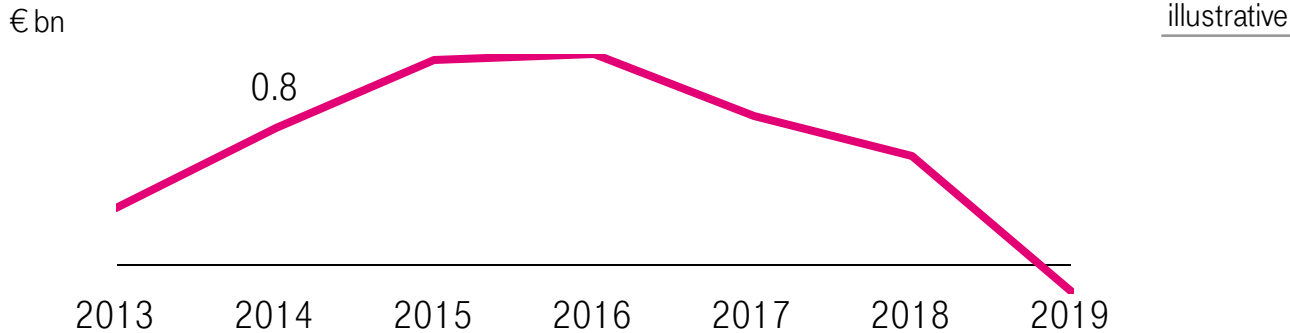
- Integrated pan-European service production
- Improved customer experience & time to market

## INTEGRATED NETWORK STRATEGY

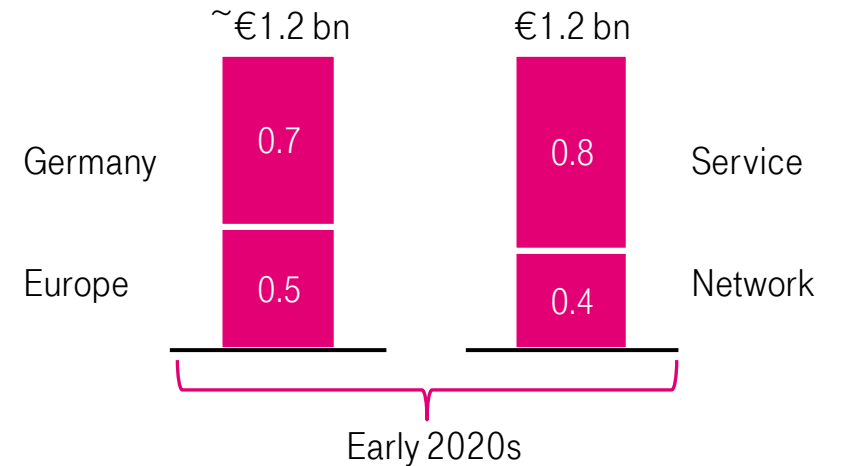


- German fibre footprint reaching 80% of homes by 2018
- Super-vectoring and hybrid router
- > 100 Mbps for > 50% of European homes by 2018

## OPEX AND CAPEX: DIGITAL TRANSFORMATION, IP TRANSFORMATION, PAN-EUROPEAN NETWORK\*



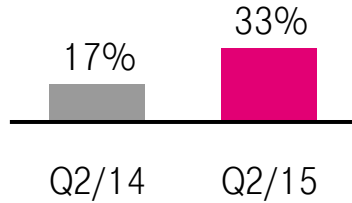
## Steady state benefits



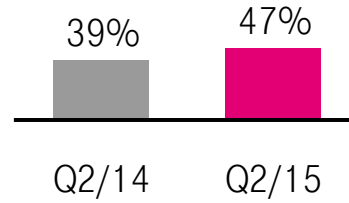
\*Excl. special factors. Measure related effects incl. savings. PanNet w/o transport & access. INS Opex in German fixed network also included.

# BEST NETWORK: TRANSFORMATION KEY METRICS

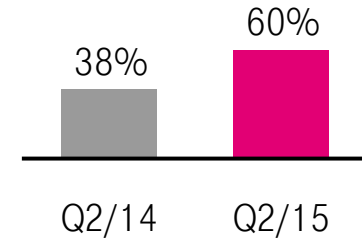
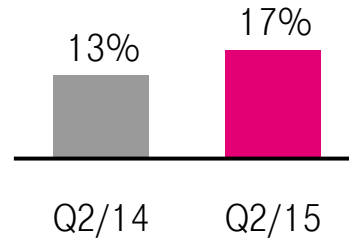
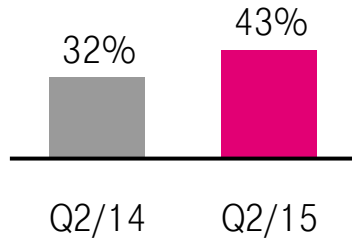
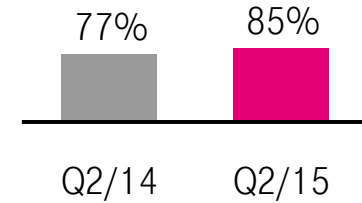
## IP SHARE OF FIXED ACCESS LINES



## FIBRE ROLLOUT



## LTE ROLLOUT



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# PORTFOLIO STRATEGY: DISCIPLINED EXECUTION

2013  
2014  
2015



**MERGER  
PCS**



**ACQUISITION**

SCOUT 24

**SALE OF 70% STAKE**



**MINORITY BUYOUT**



**BT/EE**

## RECENT TRANSACTIONS

### SLOVAK TELEKOM MINORITIES

- Quality asset
- Attractive valuation

### GERMAN SPECTRUM AUCTION

- DT acquired 100 of 270MHz available spectrum.
- Strengthening our German network leadership

### TRANSFER OF TEF D CELL SITES

- 7.7k cell sites transferred
- Strengthening our German network leadership

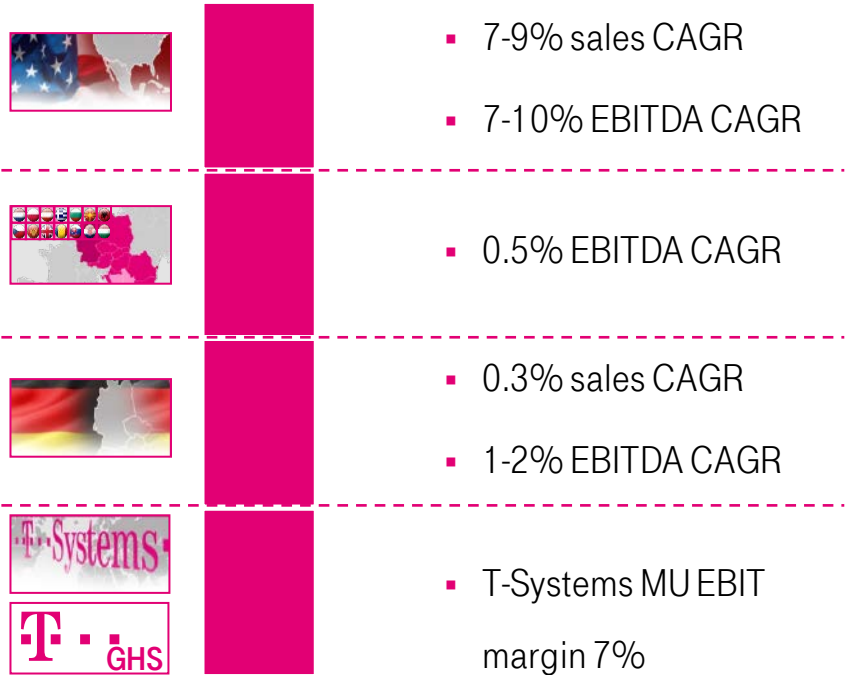
## GUIDING PRINCIPLES

- Committed to A-/BBB ratings comfort zone
- In Europe preference for integrated approach
- In US, focus on Un-carrier strategy. Continued de-risking, self-funding, kingmaker asset.
- General Policy – no major acquisitions outside our footprint

# OUR CMD TARGETS: WE ARE WELL ON TRACK

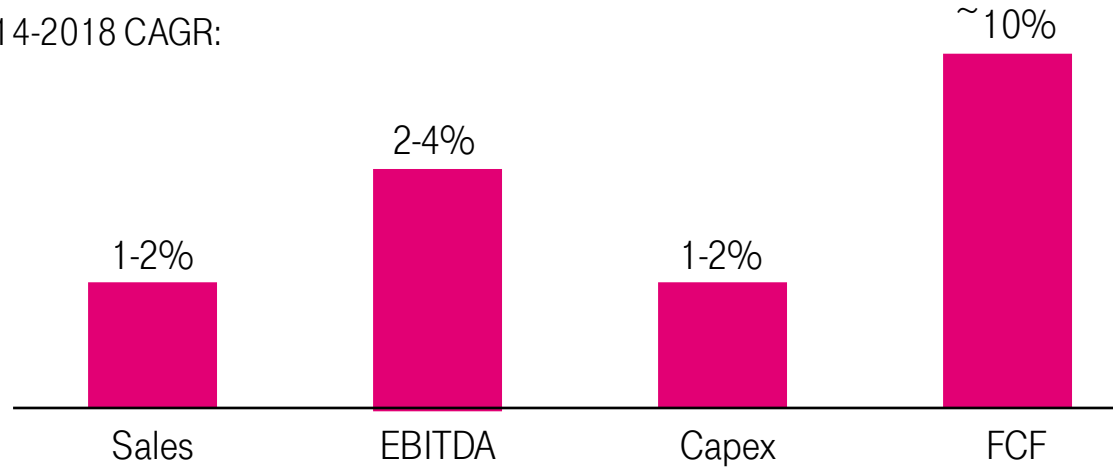
## SEGMENT LEVEL \*

€ bn



## GROUP LEVEL \*\*

2014-2018 CAGR:



- ROCE > WACC in 2018
- Adjusted EPS ~ €1 in 2018
- Shareholder remuneration to follow FCF growth
- Minimum DPS of €0.5 pa

\*2014-2018, except US (2012-2017)

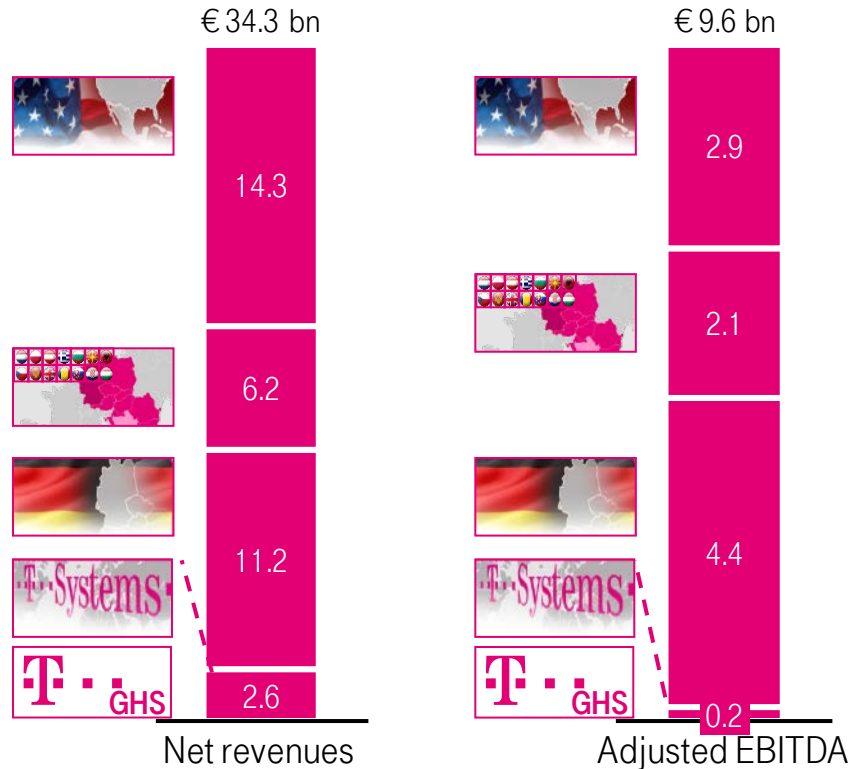
\*\* Based on 2014 average exchange rates



# H1 2015: GROWTH AND TRANSFORMATION IN FOCUS

## CONTRIBUTION OF THE SEGMENTS

€ bn

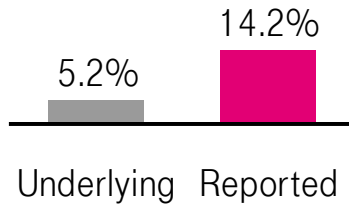


## SEGMENT VIEW

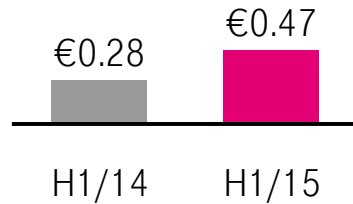
- Rapid subscriber growth and margin expansion
- Low-band spectrum opportunities
- Progress towards operational stabilization
- Peer-leading network transformation program
- Strong momentum in fibre and convergence
- Significant investments in network transformation
- T-Systems focusing on higher margin growth

# H1 2015: STRONG FINANCIALS

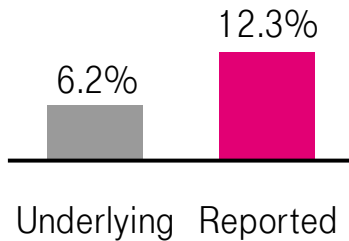
## REVENUE GROWTH



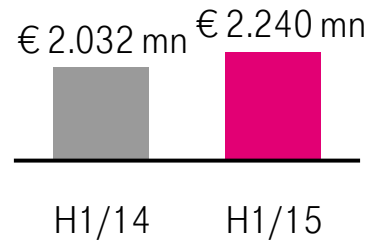
## EPS\* €/SHARE



## EBITDA GROWTH\*



## FCF\*



\*H1 2015 positively impacted by € 175mn from a settlement

## KEY MESSAGES

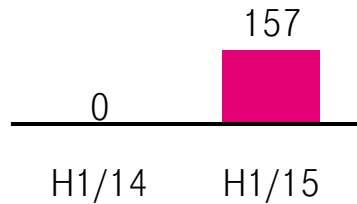
- Strong growth in revenue, adj. EBITDA and FCF
- Ahead of track in key KPI's (Fibre, All-IP, Magenta EINS, US postpaid)
- Heavy investments in our network transformation, funded by strict cost management
- Well on track for our 2015 guidance and our Capital Markets Day targets



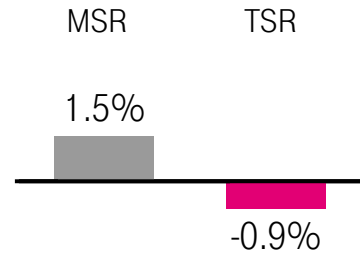
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# GERMANY: KPI MOMENTUM AND TRANSFORMATION INVESTMENTS

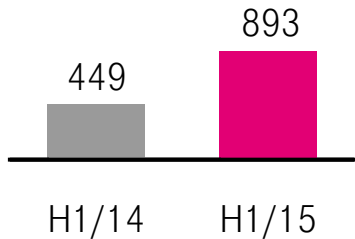
## BROADBAND NET ADDS '000



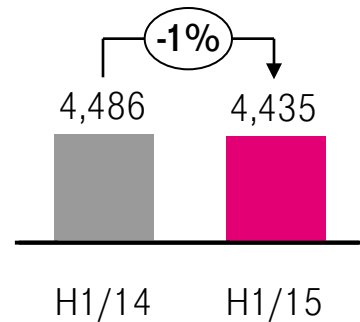
## H1 SERVICE REVENUE GROWTH % Y/Y



## FIBRE NET ADDS '000



## EBITDA € MN



## H1 HIGHLIGHTS

- Growing faster than expected in key KPI's
  - 157k broadband net adds
  - 760k Magenta EINS net adds
  - 2m lines migrated to All-IP
- Line loss down to 118k in Q2
- Mobile service revenues in Q1/Q2 impacted by convergence and volatility in large account billing, but no major changes in market environment or DT underlying trends
- EBITDA almost stable despite commercial momentum and transformation investments; committed to €8.8bn 2015 target

# GERMANY: FOCUS ON SERVICE REVENUE PERFORMANCE

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

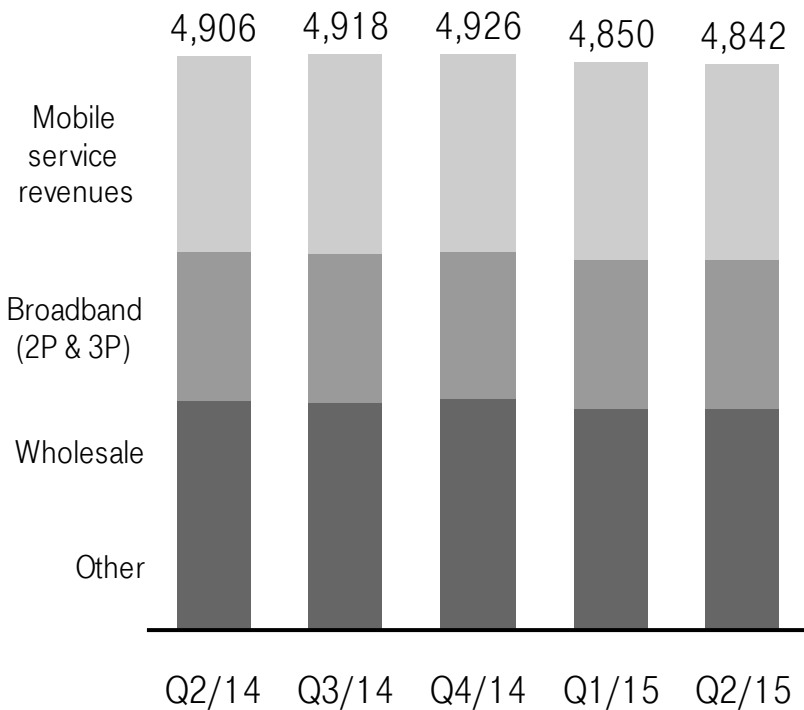
## H1 GROWTH RATE

## DRIVERS

## MEDIUM TERM GUIDANCE

€ mn

(2014 – 2018 CAGR)



-0.9%



+1.5%



+0.1%



-0.9%

- + Underlying growth
- Convergence accounting

- + Volume growth
- Promotions

- + Fiber wholesale

- Legacy attrition accelerated by all-IP

+1%<sup>2</sup>



+2%



Stable



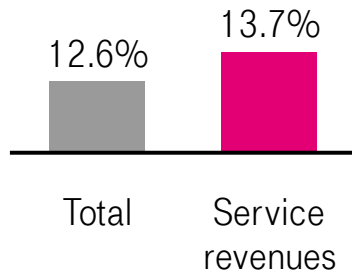
**German revenues:  
+0.3% CAGR<sup>2</sup>**



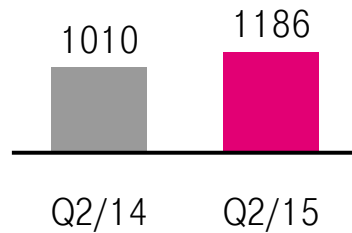
1) Core fixed excl. device revenues, plus wholesale wireline, plus mobile service revenues  
2) Without EU roaming impact

# T-MOBILE US: STRONG MOMENTUM CONTINUES

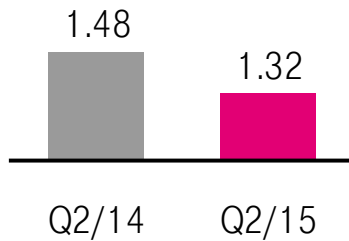
## REVENUE GROWTH YOY %



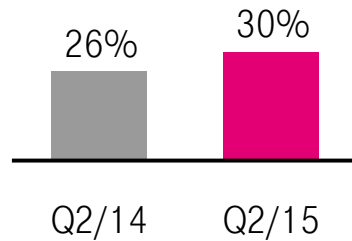
## BRANDED NET ADDS '000



## CHURN %\*



## EBITDA MARGIN %\*\*



\*Branded postpaid churn

\*\* Adjusted

\*\*\* Q2 ARPU 1% higher than Q1, adjusted for impact of Data Stash deferral

## Q2 HIGHLIGHTS

- Now the third largest US wireless carrier
- 6<sup>th</sup> consecutive quarter with > 1 million branded net adds
  - Postpaid phone ARPU sequentially stable\*\*\*
- Metro PC'S network shut down accomplished, faster than planned, on July 1<sup>st</sup>
- Cost of service down four percentage points
- A-Block (700MHz) spectrum becoming available to 60% of US population by year end
- FCC confirming 600MHz auction in early 2016, with up to 30MHz reserved spectrum



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# LEADING EUROPEAN TELCO: FOCUS ON ROCE

## II EQUITY

### RELIABLE SHAREHOLDER REMUNERATION POLICY

- **DIVIDEND<sup>1</sup>**
  - Following FCF growth
  - Floor at €0.50 per share
  - Attractive option: Dividend in kind

## STRATEGY LEADING EUROPEAN TELCO

INTEGRATED  
IP NETWORKS

BEST  
CUSTOMER  
EXPERIENCE

WIN WITH  
PARTNERS

LEAD IN  
BUSINESS

## I VALUE CREATION: ROCE > WACC

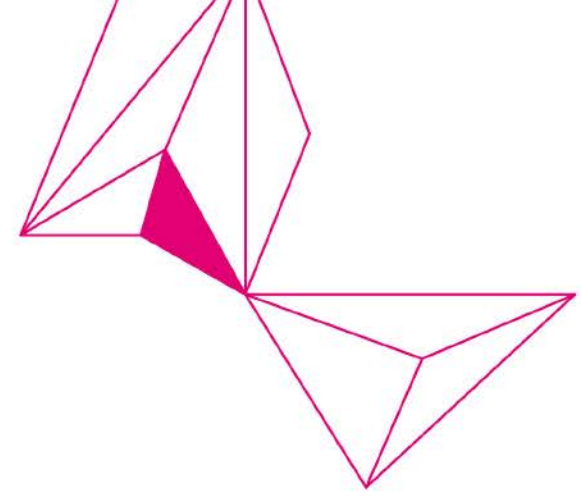
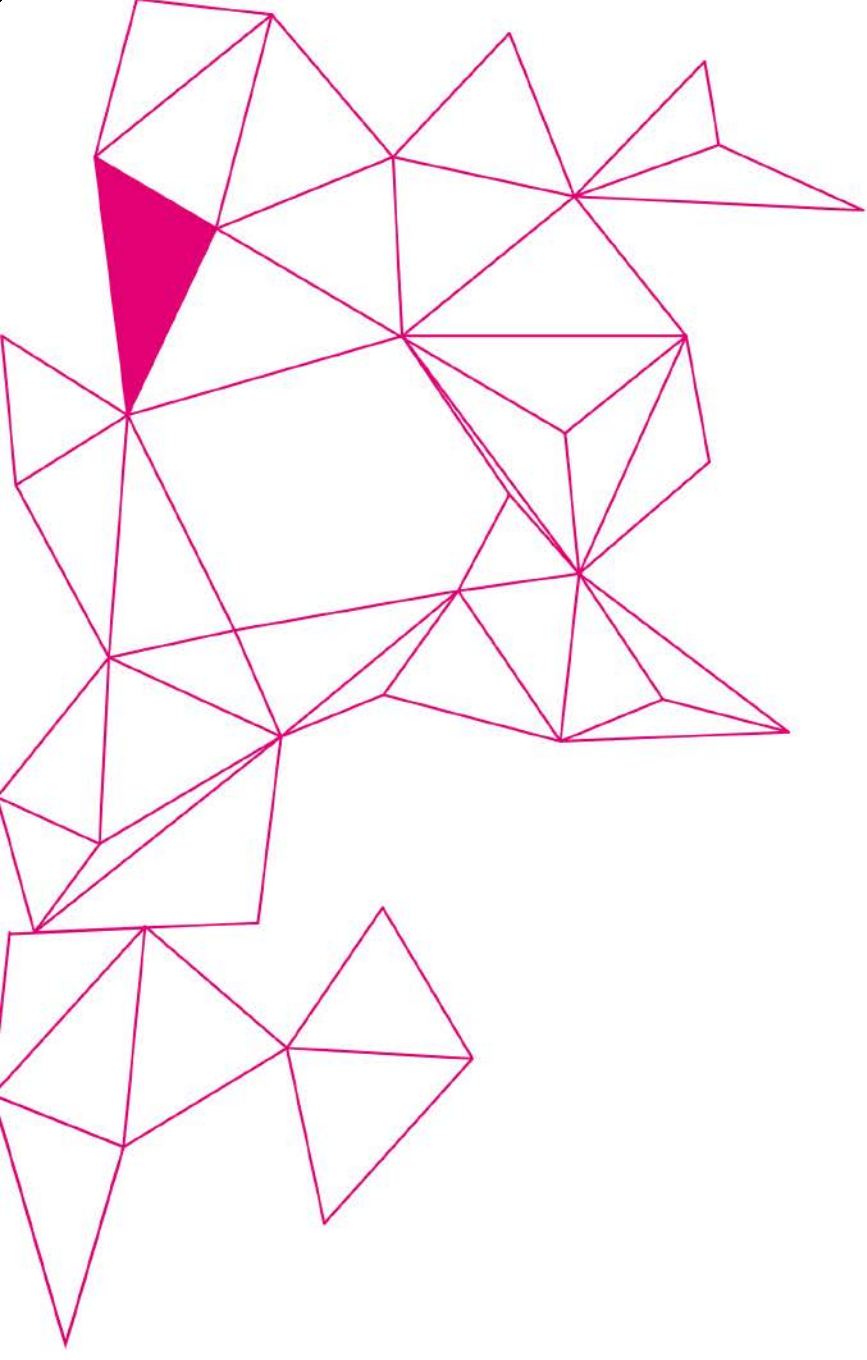
- 1 INFRASTRUCTURE TRANSFORMATION**  
Support fast IP migration and transform network infrastructure
- 2 COST TRANSFORMATION**  
Reduce indirect cost
- 3 PORTFOLIO MANAGEMENT**  
Deliver on preferred business model (integrated + B2C/B2B) and value generation
- 4 RISK MANAGEMENT**  
Maintain low risk country portfolio

## III DEBT

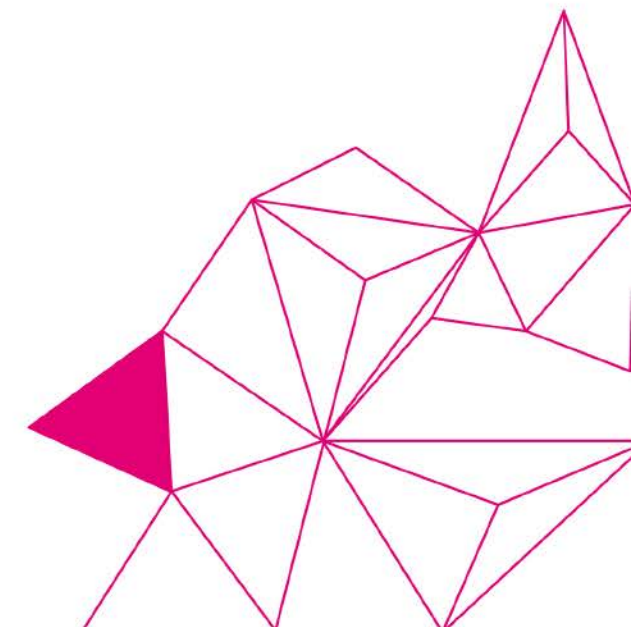
### UNDISPUTED ACCESS TO DEBT CAPITAL MARKETS

- **RATING**  
A-/BBB
- **NET DEBT/ADJ. EBITDA**  
2-2.5x
- **EQUITY RATIO**  
25-35%
- **LIQUIDITY RESERVE**  
covers maturities of coming 24 months

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



**THANK YOU!**



# FURTHER QUESTIONS

## PLEASE CONTACT THE IR DEPARTMENT

### INVESTOR RELATIONS CONTACT DETAILS

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