



**DEUTSCHE TELEKOM**  
GERMAN CORPORATE  
DAY IN COPENHAGEN



LIFE IS FOR SHARING.

**CHRISTOPH GREITEMANN**  
**PEER ROSSBACH**

# DISCLAIMER

This presentation contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. These forward-looking statements include statements with regard to the expected development of revenue, earnings, profits from operations, depreciation and amortization, cash flows and personnel-related measures. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. Among the factors that might influence our ability to achieve our objectives are the progress of our workforce reduction initiative and other cost-saving measures, and the impact of other significant strategic, labor or business initiatives, including acquisitions, dispositions and business combinations, and our network upgrade and expansion initiatives. In addition, stronger than expected competition, technological change, legal proceedings and regulatory developments, among other factors, may have a material adverse effect on our costs and revenue development. Further, the economic downturn in our markets, and changes in interest and currency exchange rates, may also have an impact on our business development and the availability of financing on favorable conditions. Changes to our expectations concerning future cash flows may lead to impairment write downs of assets carried at historical cost, which may materially affect our results at the group and operating segment levels. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

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 Q1/15

# LEADING EUROPEAN TELCO: GOOD START INTO THE YEAR

## Q1/15 FINANCIAL HIGHLIGHTS GROUP

- Group revenue growth of 13% to €16.8 billion, organic growth of 4.7%
- Adj. EBITDA growth of 11% to €4.6 billion, organic growth of 5.6%<sup>1</sup>
- FCF of €0.9 billion in line with FY guidance
- Adj. net profit grows 77% to €1 billion<sup>1</sup>
- Group guidance FY 2015 confirmed

## Q1/15 HIGHLIGHTS

### Germany

- Strong revenue trends (+1.9%) driven by mobile service revenues (+2.8%) and equipment sales. Adj. EBITDA margin stable at 40% level
- Strong customer KPIs: 76k broadband net adds, TV net adds 74k, Fiber net adds (incl. wholesale) more than doubled to 463k. Magenta EINS converged product with 400k additions, line losses reduced by 39% to a 10 year low

### US

- US\$ revenue grows 11.7%, service revenue grows 9.1% and adj. EBITDA 18.4%
- 1.8 million customers added. Branded postpaid phone churn of 1.3% on all-time low. Net add forecast for full year raised while maintaining adj. EBITDA guidance

### Europe

- Improved revenue and adj. EBITDA trends: Revenue -0.6% to €3.1 billion. Adj. EBITDA -1.9% to €1 billion

1) Adj. EBITDA and net profit include €175 million other operating income from a settlement. Net profit also supported by re-classification of EE JV as held for sale



# Q1/15: KEY FIGURES

€ MN	Q1		
	2014	2015	Change
REVENUE	14,894	16,842	13.1%
ADJ. EBITDA <sup>1</sup>	4,121	4,574	11.0%
ADJ. NET PROFIT <sup>2</sup>	587	1,036	76.5%
NET PROFIT <sup>2</sup>	1,817	787	-56.7%
ADJ. EPS (IN €)	0.13	0.23	76.9%
EPS (IN €)	0.41	0.17	-58.5%
FREE CASH FLOW <sup>3</sup>	983	865	-12.0%
CASH CAPEX <sup>4</sup>	2,065	2,530	22.5%
NET DEBT (IN € BN)	38.0	46.3	22.0%

1) Adj. EBITDA in Q1/15 includes €175 million other operating income in GHS from a settlement of EE JV as held for sale 3) Free cash flow before dividend payments and spectrum investment

2) Net profit and adj. net profit include €175 million other operating income from a settlement. Net profit and adj. net profit also supported by re-classification 4) Before spectrum payments. Q1/14: €132 million; Q1/15: €1,899 million

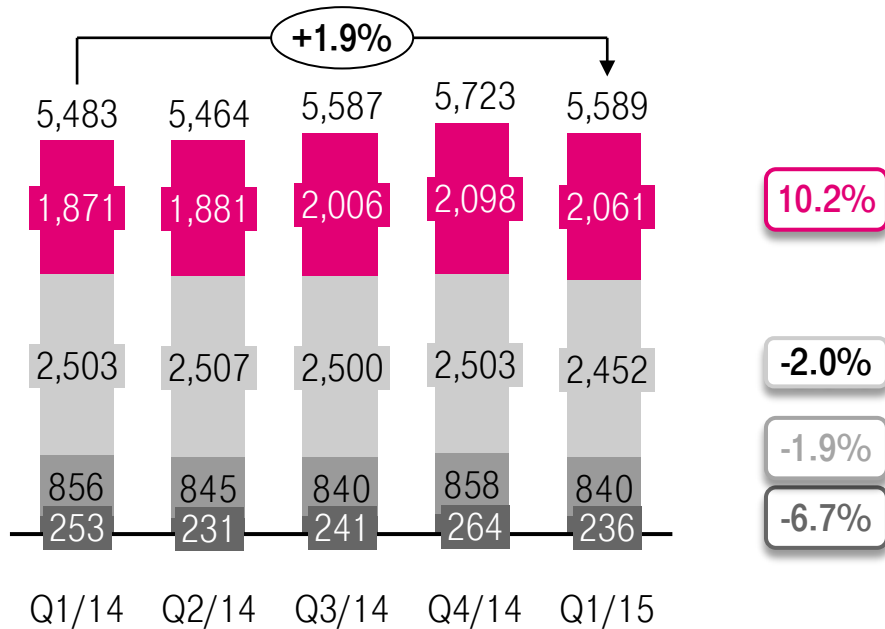


LIFE IS FOR SHARING.

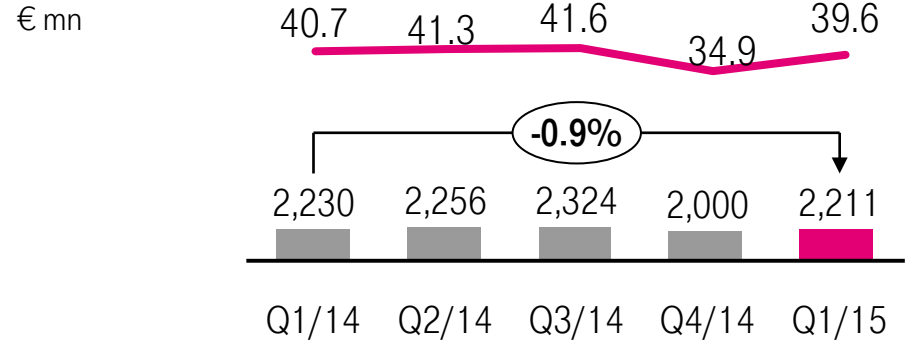
# GERMANY: GOOD MOMENTUM IN MOBILE DRIVES REVENUE GROWTH

## REVENUE<sup>1</sup>

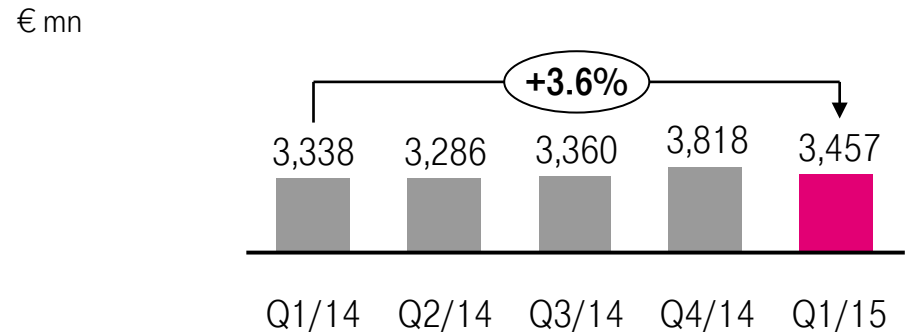
€ mn    Mobile    Core fixed    Wholesale services    Others



## ADJ. EBITDA AND MARGIN (IN %)



## ADJ. OPEX



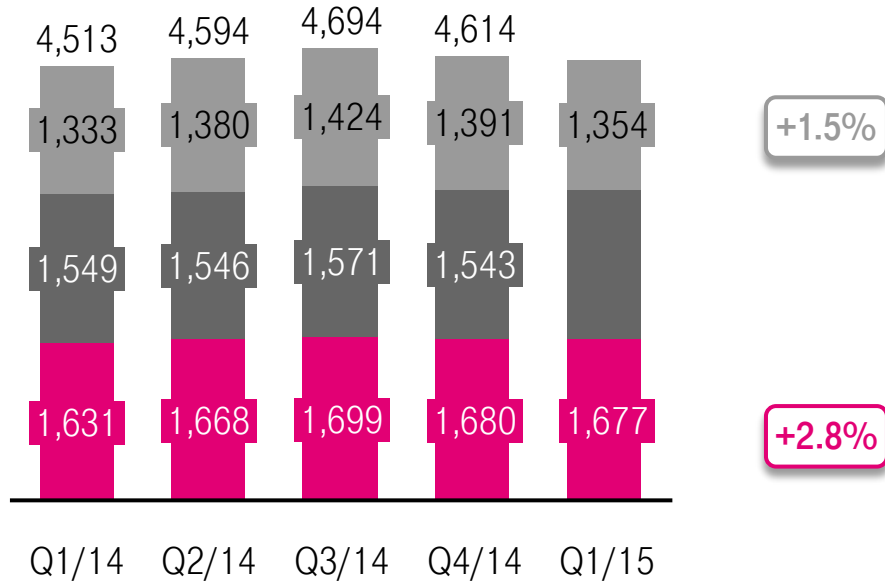
1) Online consumer service revenues in "others" have been allocated to revenues from core fixed since Jan. 1st 2015. Prior year figures have been adjusted accordingly.

# GERMANY MOBILE: GERMAN MOBILE MARKET GROWING. DT WITH FOCUS ON QUALITY

## GERMAN MOBILE MARKET SERVICE REVENUE

€ mn

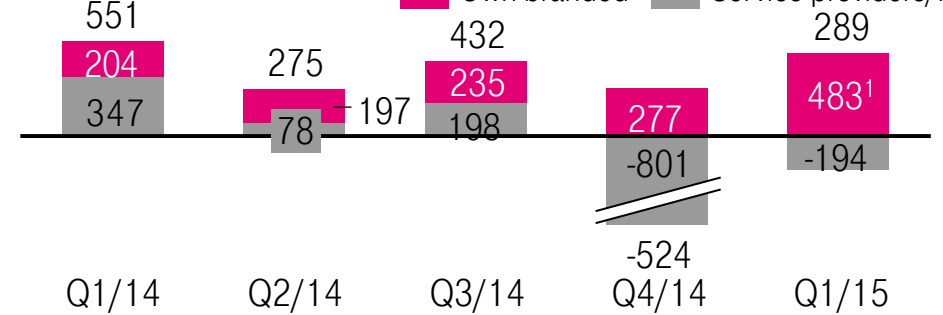
Telefonica Vodafone Telekom



## CONTRACT NET ADDS

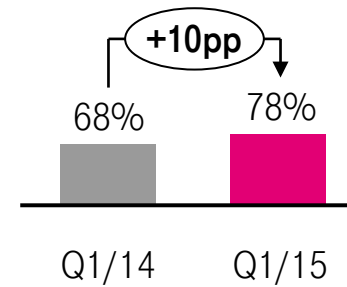
000

Own branded Service providers/MVNOs



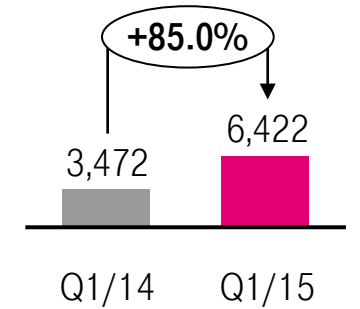
## SMARTPHONE PENETRATION<sup>2</sup>

%



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

000



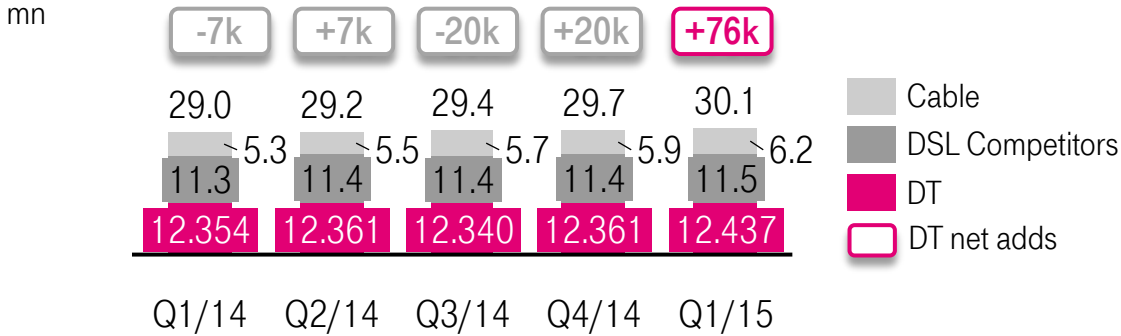
1) Q1/15 Impacted by reclassification of net +288k

2) Of own branded retail customers

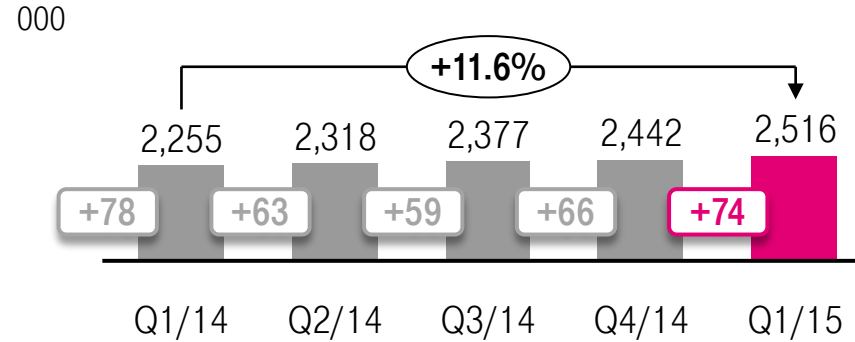
3) Customers using a LTE-device and tariff plan including LTE

# GERMANY FIXED: STRONG UPTAKE IN BROADBAND. FIBER NET-ADDS DOUBLED

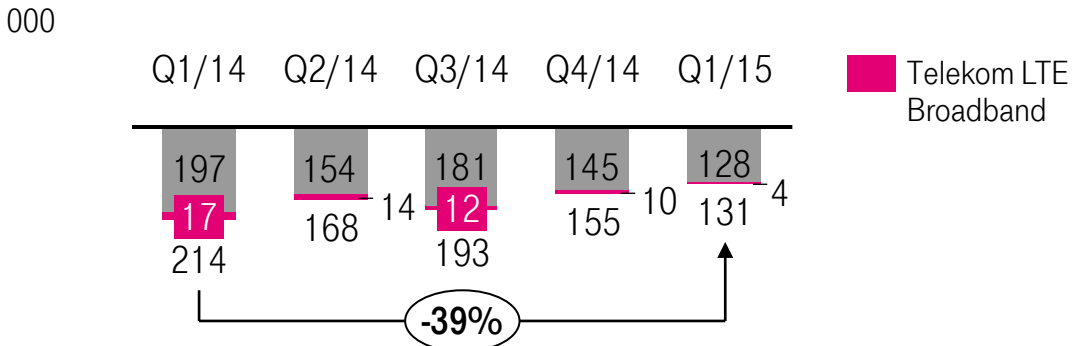
## GERMAN BROADBAND MARKET<sup>1</sup>



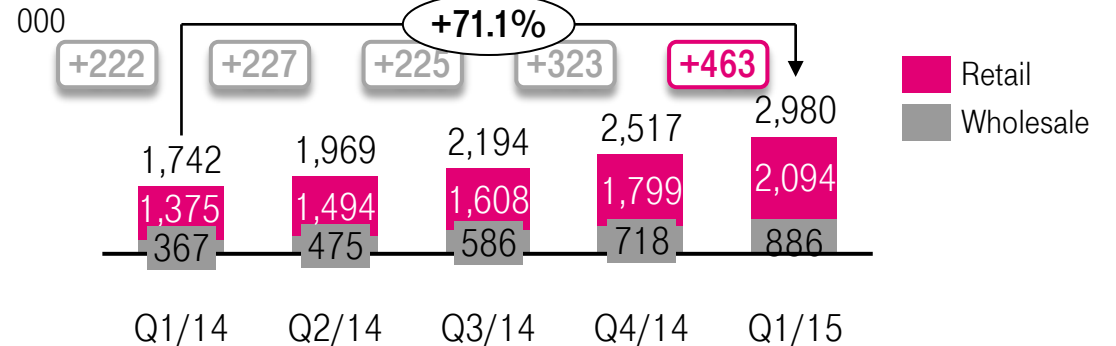
## ENTERTAIN CUSTOMERS



## 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)

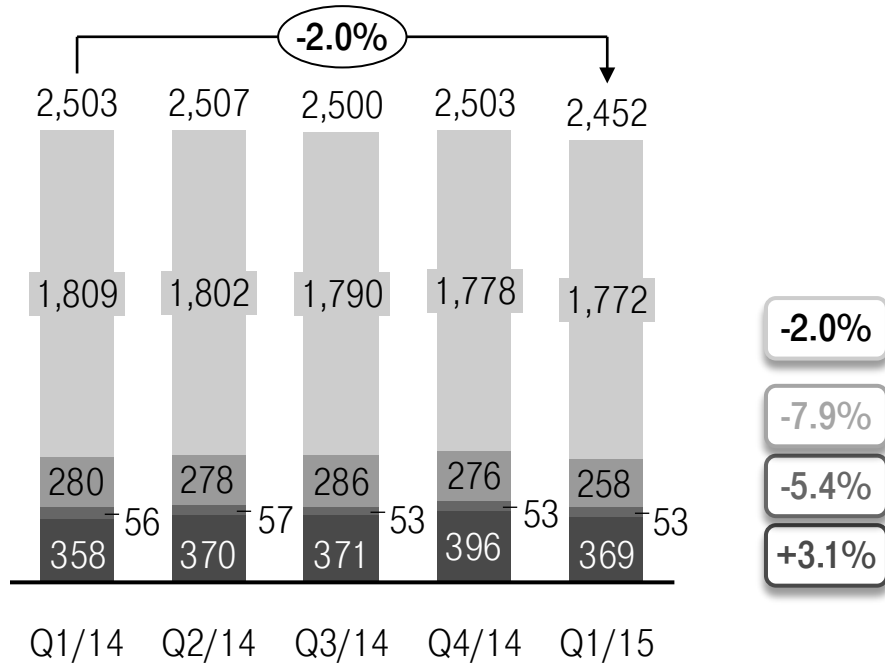


# GERMANY FIXED: UPSELLING AND FIBER IMPROVE REVENUE TRENDS

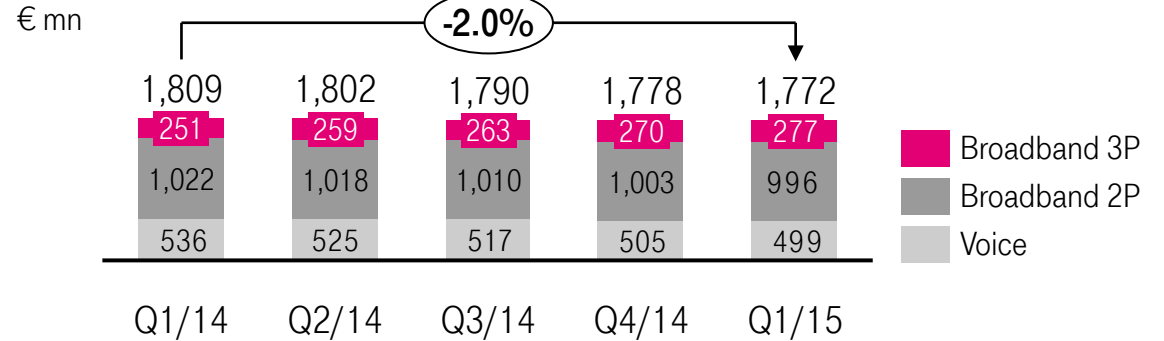
## FIXED NETWORK REVENUES (CORE FIXED)<sup>1</sup>

€ mn

- Fixed Revenues
- Revenues from add-on options
- Variable Revenues
- Other Revenues

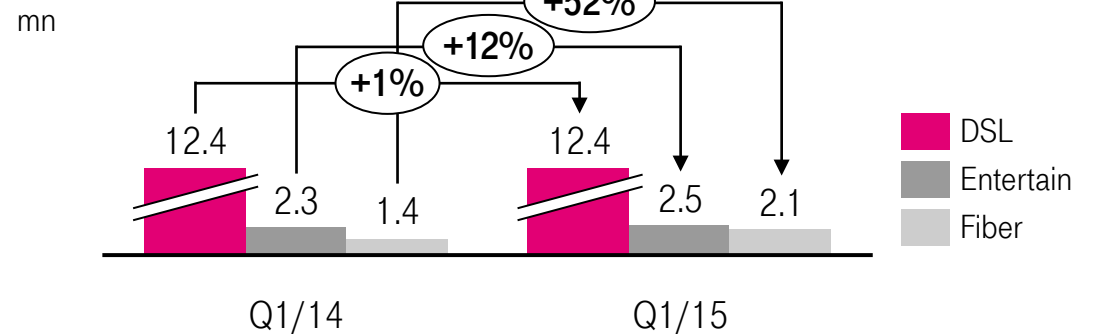


## FIXED REVENUES (FIXED LINE)<sup>2</sup>



## RETAIL UPSSELL STRATEGY ACCESS

% calculated on exact numbers



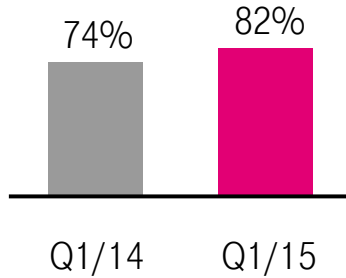
1) Online consumer service revenues have been allocated to revenues from add-on options since Jan. 1<sup>st</sup> 2015. Prior year figures have been adjusted accordingly.

2) Revenues from supplement accesses have been allocated from broadband double play revenues to voice revenues since Jan. 1<sup>st</sup> 2015. Prior year figures have been adjusted accordingly.

# GERMANY: GROWTH IN CAPEX FROM 0.7 TO 0.9 BILLION € ACCELERATES HIGH SPEED INFRASTRUCTURE ROLL-OUT AND IP-MIGRATION

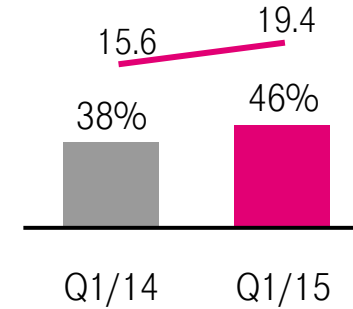
## INS- STATUS LTE ROLLOUT

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



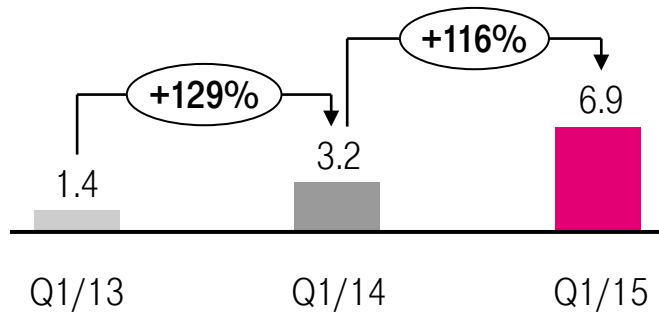
## INS- STATUS FIBER ROLLOUT<sup>2</sup>

Coverage in %  
and millions of households

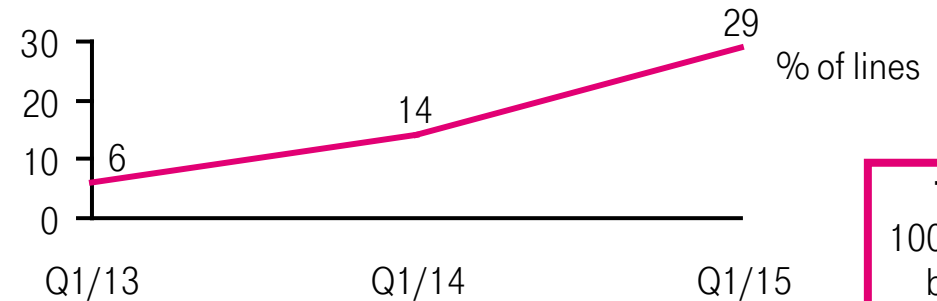


## STATUS IP ACCESSES (RETAIL & WHOLESALE)

mn



## STATUS IP ACCESSES (RETAIL & WHOLESALE)



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

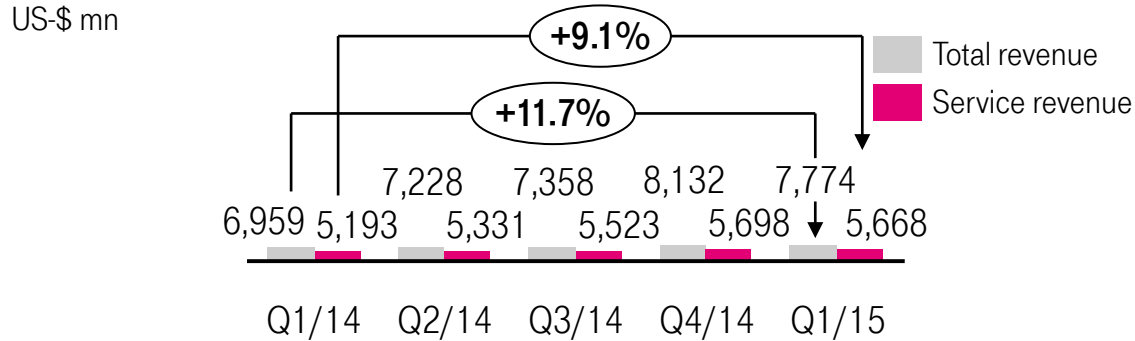
1) outdoor coverage 2) in % of households within fixed network coverage in Germany



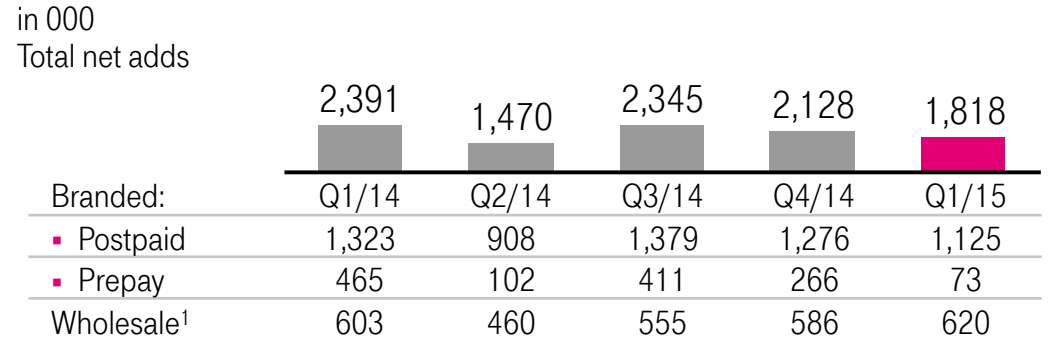
LIFE IS FOR SHARING.

# TMUS: CONTINUED SUBSCRIBER MOMENTUM. INDUSTRY LEADING GROWTH IN REVENUE AND ADJ. EBITDA. NET ADD FORECAST RAISED

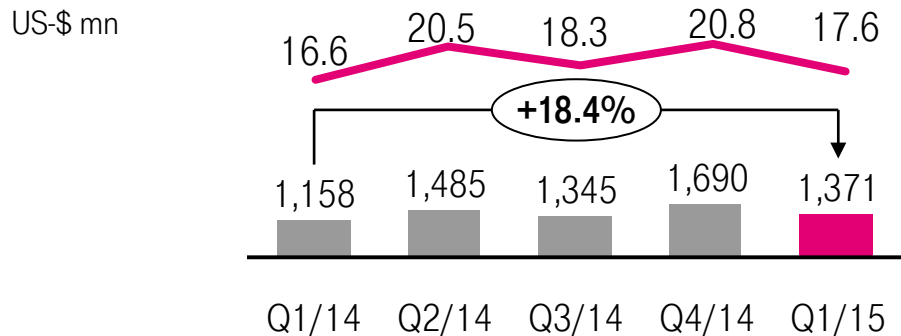
## REVENUE AND SERVICE REVENUE



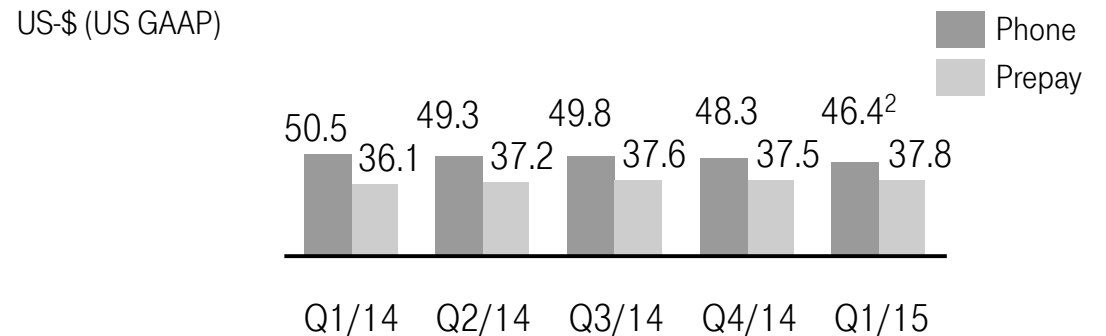
## NET ADDS



## 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

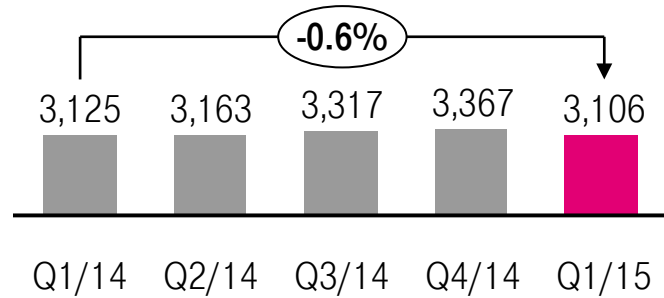


LIFE IS FOR SHARING.

# EUROPE: STEADY IMPROVEMENT IN ORGANIC REVENUE TRENDS

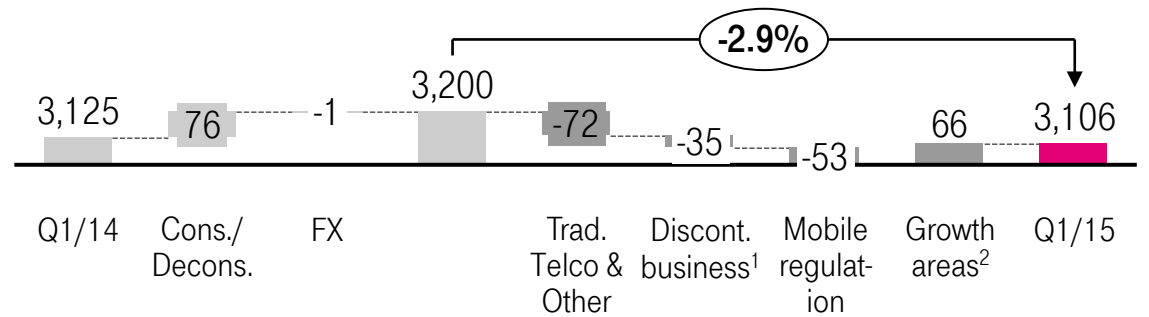
## REVENUE AS REPORTED

€ mn



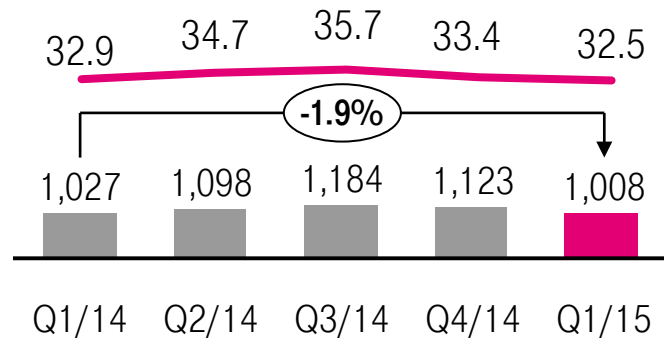
## ORGANIC REVENUE DEVELOPMENT

€ mn



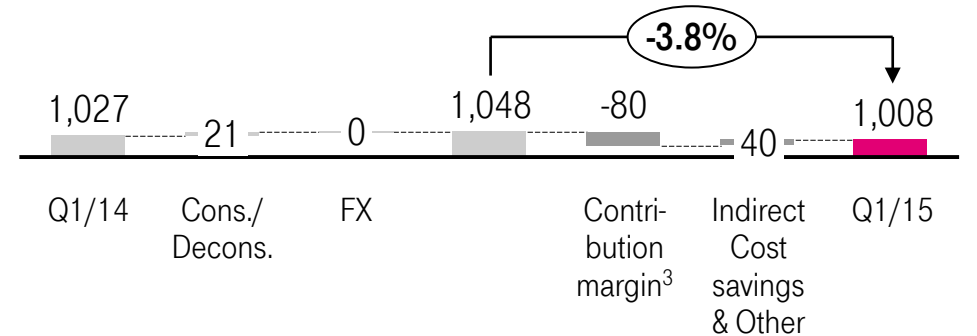
## ADJ. EBITDA AND MARGIN (IN %) AS REPORTED

€ 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

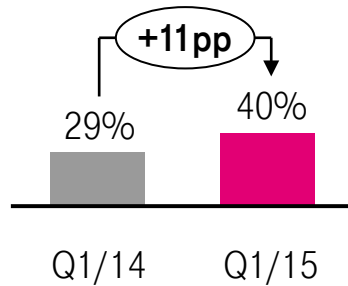


LIFE IS FOR SHARING.

# EUROPE: FOCUS ON TECHNOLOGY LEADERSHIP AND BEST CUSTOMER EXPERIENCE

## IP MIGRATION

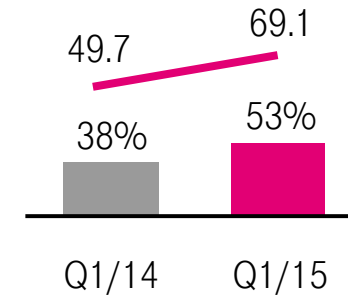
IP share of fixed network access lines



## LTE ROLLOUT

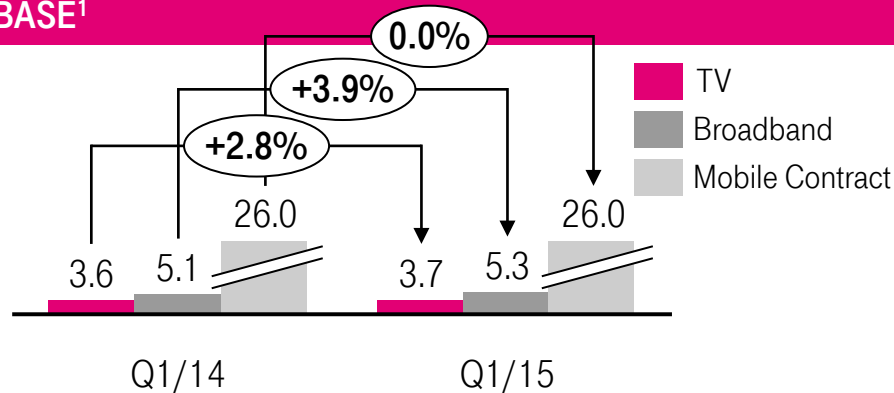
LTE outdoor pop coverage

in mn and %



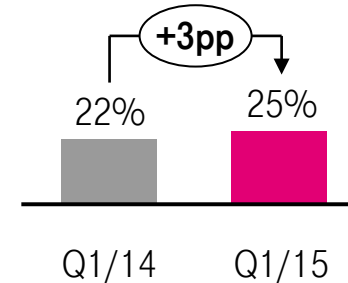
## CUSTOMER BASE<sup>1</sup>

mn



## CONNECTED HOME

Connected Home share of Fixed Revenues



1) incl. business customers shifted to T-Systems in Hungary as of 1.1.2011.



LIFE IS FOR SHARING.

# SYSTEMS SOLUTIONS: MARKET UNIT WITH IMPROVED PERFORMANCE

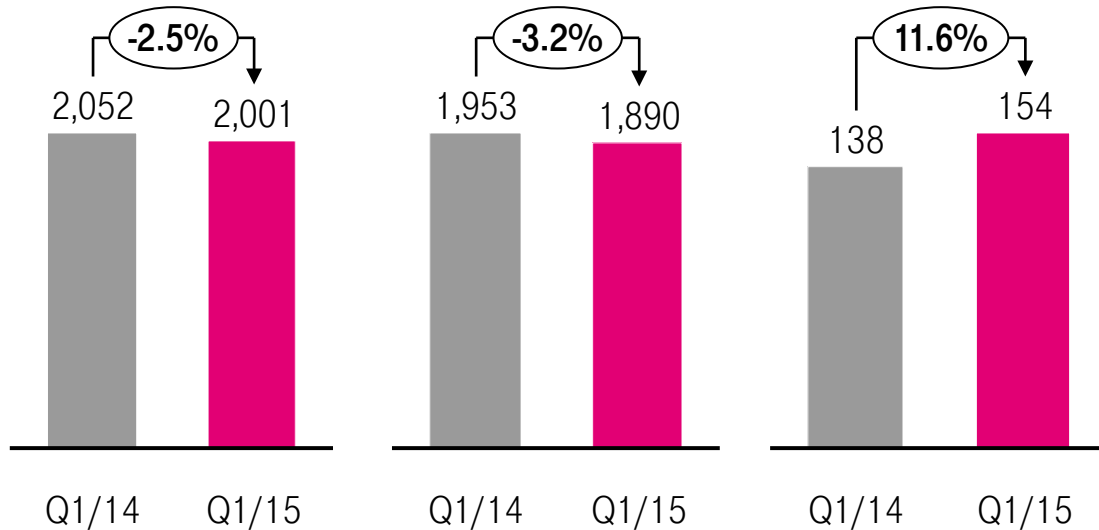
## T-SYSTEMS FINANCIALS

€ mn

TOTAL REVENUE

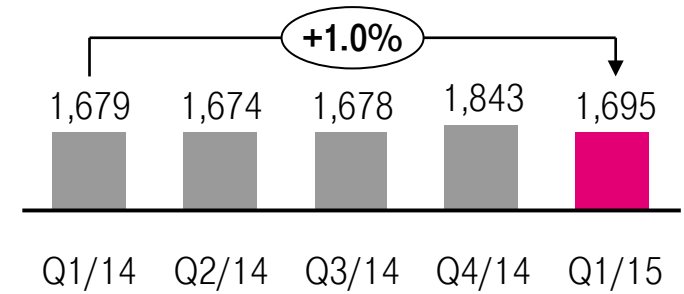
ADJ. OPEX

ADJ. EBITDA



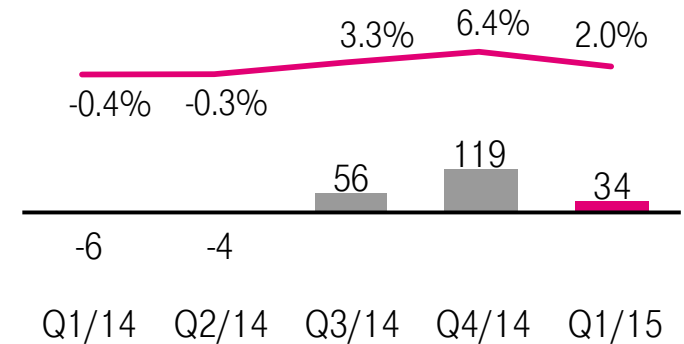
## REVENUE MARKET UNIT

€ mn



## ADJ. EBIT AND MARGIN MARKET UNIT

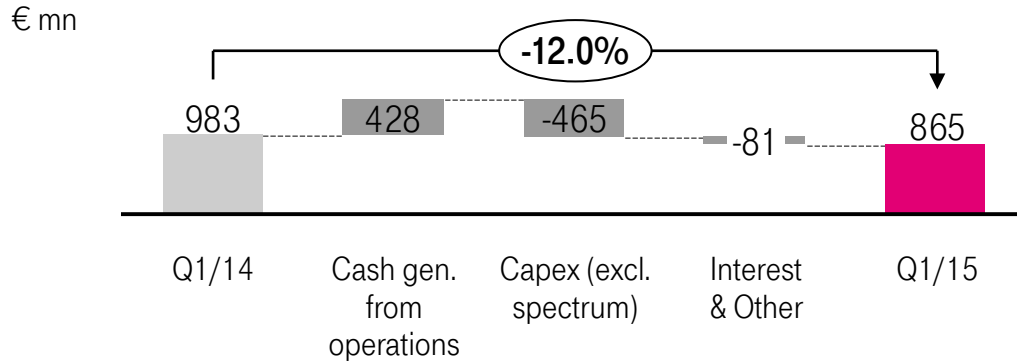
%  
€ mn



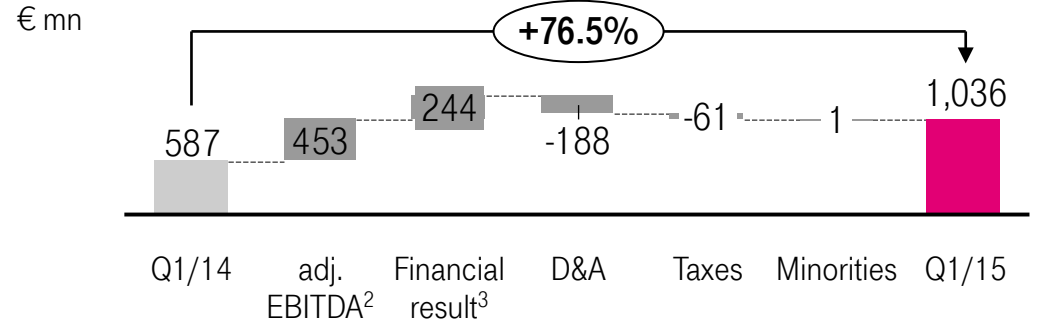
LIFE IS FOR SHARING.

# FINANCIALS: FCF IN LINE WITH FULL YEAR EXPECTATIONS

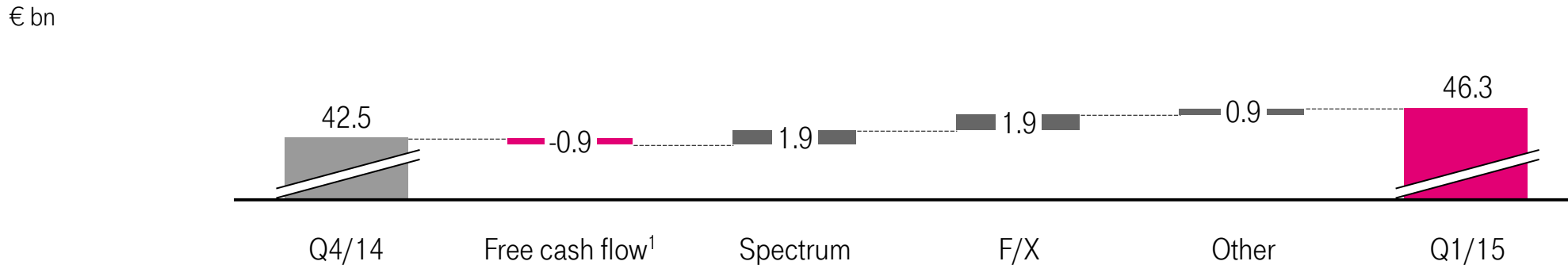
## FREE CASH FLOW Q1/15<sup>1</sup>



## ADJ. NET INCOME Q1/15



## NET DEBT DEVELOPMENT Q1/15



1) Free cash flow before dividend payments, spectrum investment 2) Adj. EBITDA includes €175 million other operating income from a settlement. 3) Financial result supported by re-classification of EE JV as held for sale (278 million)

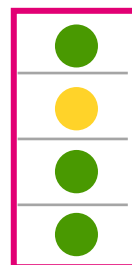


LIFE IS FOR SHARING.

# FINANCIALS: BALANCE SHEET RATIOS

€ BN	31/03/2014	30/06/2014	30/09/2014	31/12/2014	31/03/2015
BALANCE SHEET TOTAL	117.3	118.0	125.0	129.4	137.5
SHAREHOLDERS' EQUITY	32.8	32.5	34.0	34.1	37.0
NET DEBT	38.0	41.4	41.8	42.5	46.3
NET DEBT/ADJ. EBITDA <sup>1</sup>	2.2	2.4	2.4	2.4	2.6
EQUITY RATIO	27.9%	27.5%	27.2%	26.3%	26.9%

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 4 quarters.





# KEY MESSAGES CMD 2015

# KEY MESSAGES: DT IS THE LEADING EUROPEAN TELCO!

- 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.



# GROUP STRATEGY

# OUR STRATEGY

## LEADING EUROPEAN TELCO

INTEGRATED  
IP NETWORKS

BEST  
CUSTOMER  
EXPERIENCE

WIN WITH  
PARTNERS

LEAD IN  
BUSINESS

TRANSFORM PORTFOLIO

EVOLVE FINANCIAL TARGETS & EFFICIENCY

ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT

# OUR SUPERIOR PRODUCTION MODEL



## DIGITAL TRANSFORMATION OF CUSTOMER FACING PROCESSES

COST EFFICIENCY & SIMPLICITY



## ALL-IP TRANSFORMATION



PSTN migration  
in all NatCos

PLUG & PLAY

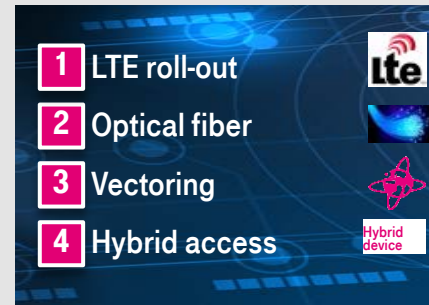
## PAN-EUROPEAN NETWORK



Centralized,  
virtualized  
architecture and  
production  
platforms

TIME TO MARKET

## INTEGRATED NETWORK STRATEGY



- 1 LTE roll-out
- 2 Optical fiber
- 3 Vectoring
- 4 Hybrid access

BEST CONNECTIVITY

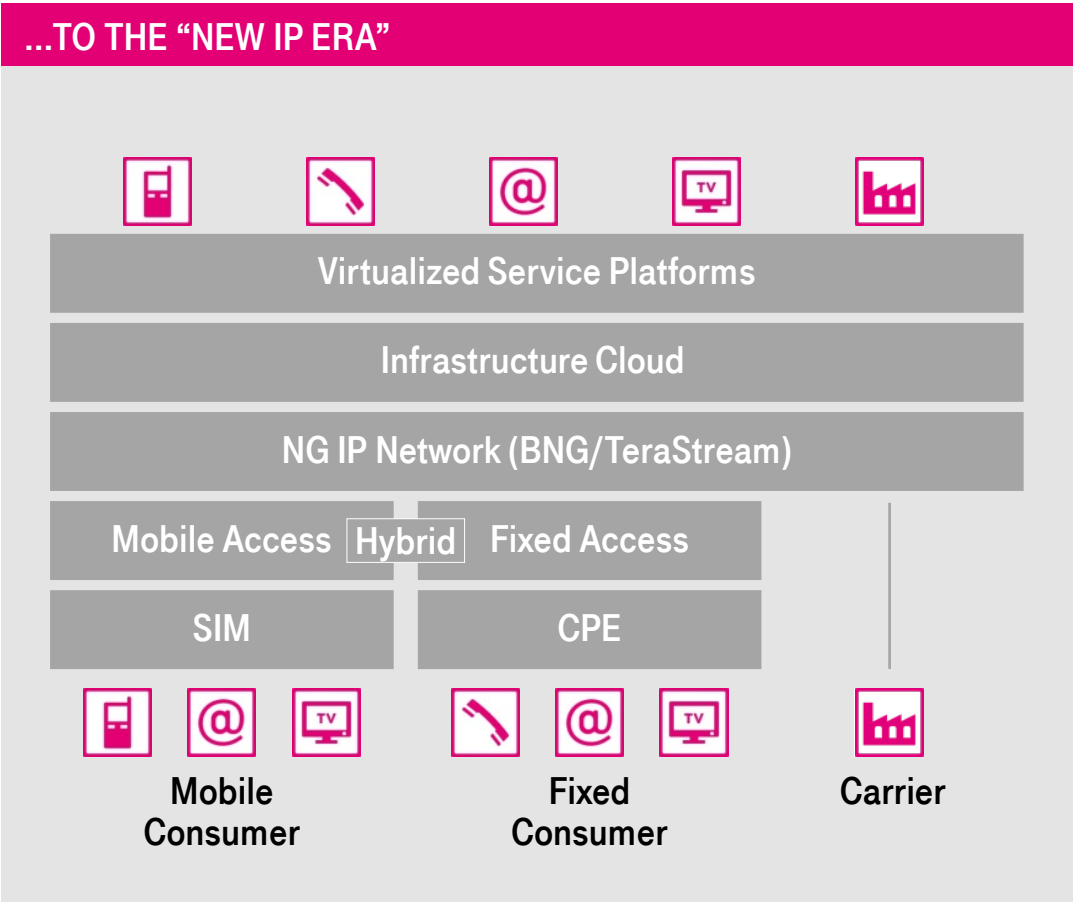
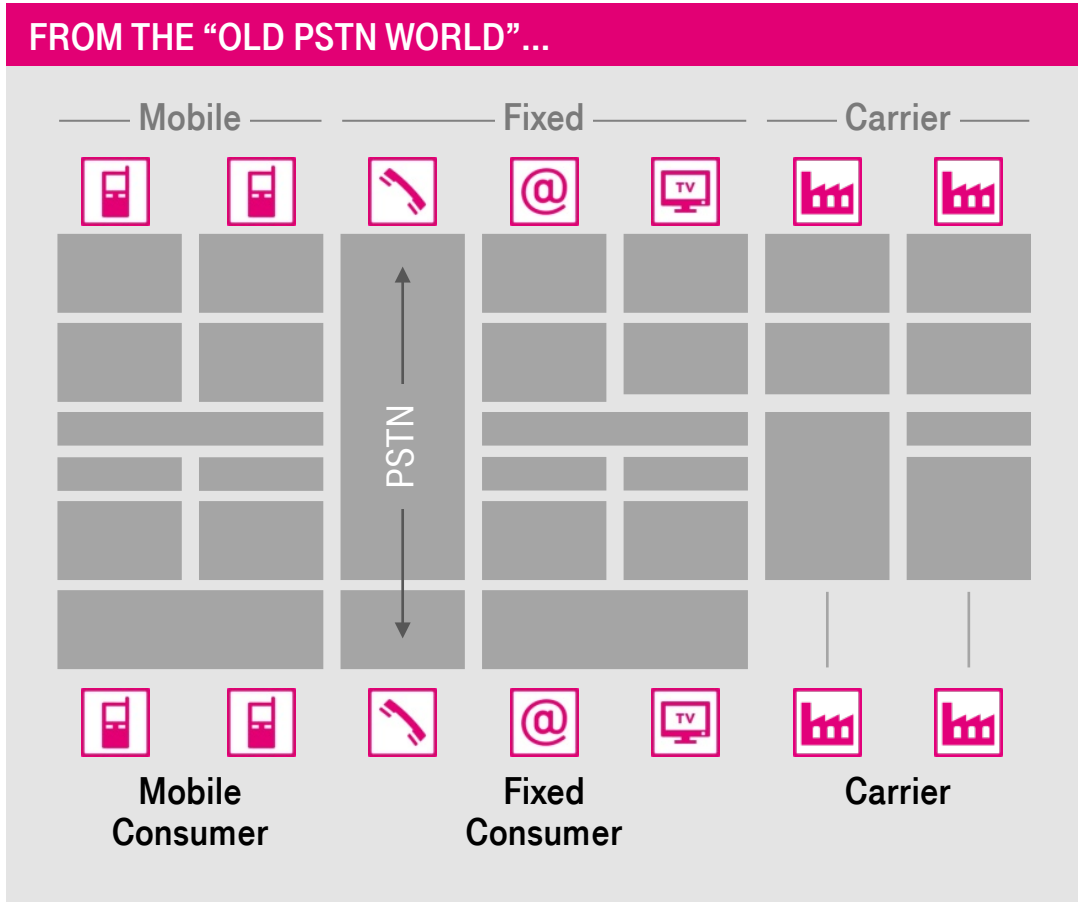
Annual run rate adj.  
Opex savings:

≈ €-1.2 bn<sup>1</sup>

(steady state in early 2020ies)

<sup>1</sup> Gross Opex savings D/EU before any counter effects (e.g. personnel cost increases)

# ALL IP TRANSFORMATION: THE CREATION OF A SIMPLIFIED AND STANDARDIZED NETWORK



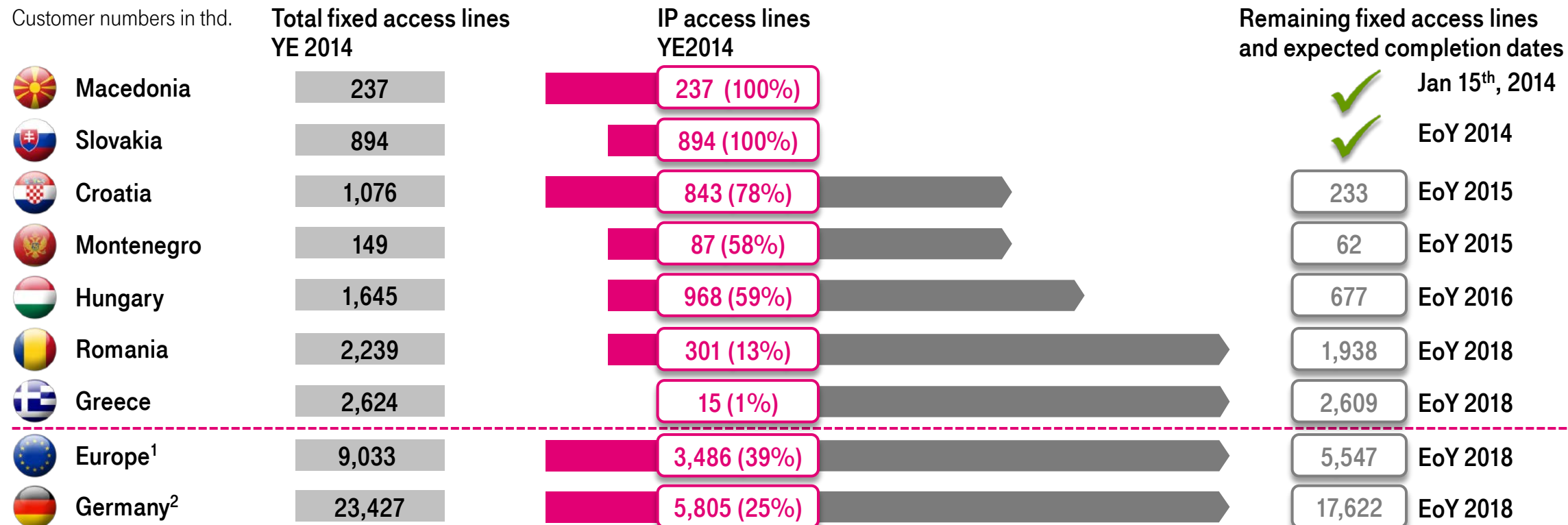
# ALL-IP TRANSFORMATION ON TRACK

ALL IP

PANNET

INS

## ALL-IP TRANSFORMATION BY COUNTRY



<sup>1</sup> Incl. Czech Republic (131 thd. fixed lines, 98% IP), and GTS (37 thd. fixed lines, 32% IP) <sup>2</sup> Incl. retail, Call&Surf via Funk, wholesale bundled and unbundled

# PANNET TARGET PICTURE 2020+: FROM NATCO-CENTRIC TO INTEGRATED PAN EUROPEAN SERVICE PRODUCTION

ALL IP

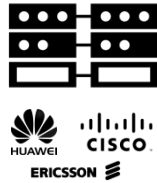
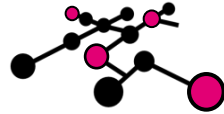
**PANNET**

INS

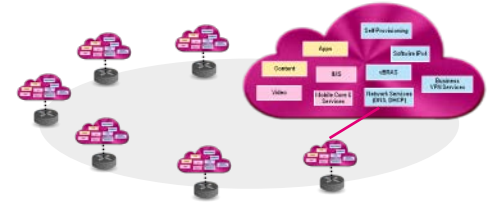
TODAY

FUTURE

Complex service production with distributed vendor-specific network elements



Highly simplified, virtualized, IP-based production architecture



Different, historically grown production in each NatCo



Integrated production, delivered to all NatCos



Each NatCo with own product development logic



One common product development logic for all countries





# OUR SEAMLESS HIGH PERFORMING NETWORK

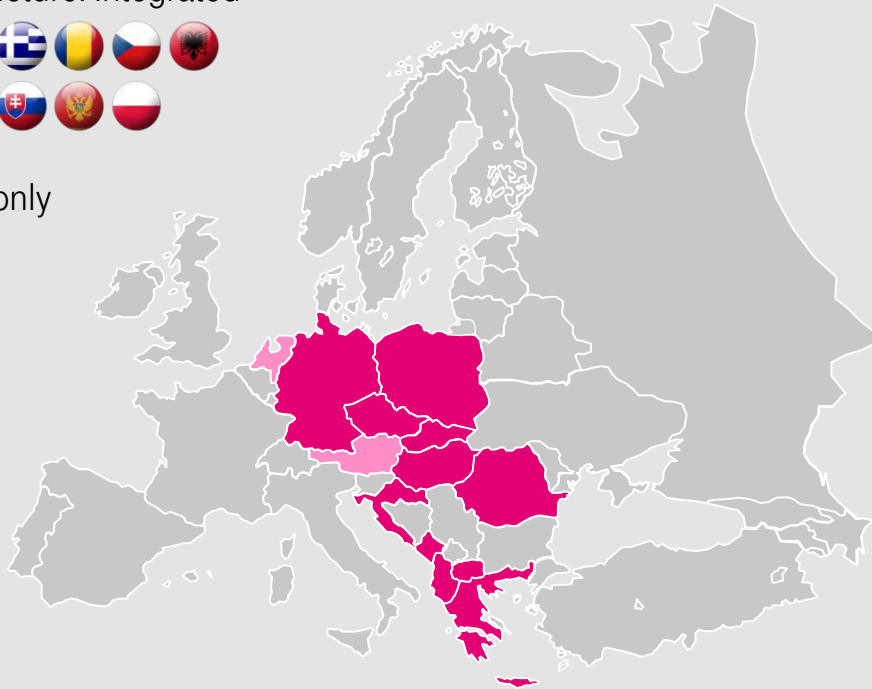


## TECHNOLOGY LEADERSHIP

Target picture: Integrated



Mobile only



## SUPERIOR SPEED AND COVERAGE - SEAMLESS ACCESS

We push a highly competitive fiber based infrastructure and at the same time stick to our capex envelope!



- **95% LTE pop-coverage<sup>1</sup>** in 2018 with up to 300Mbps
- Fiber household footprint of **≈ 80% in 2018** with at least 50 Mbps depending on regulatory adjustments
- Introduction of **super vectoring** with **more than 250Mbps in cable footprint**
- Download speed of **up to 550Mbps** via hybrid in cable footprint
- **264.000 hotspots and 2.000 small cells** in 2018 to boost mobile capacity & indoor coverage

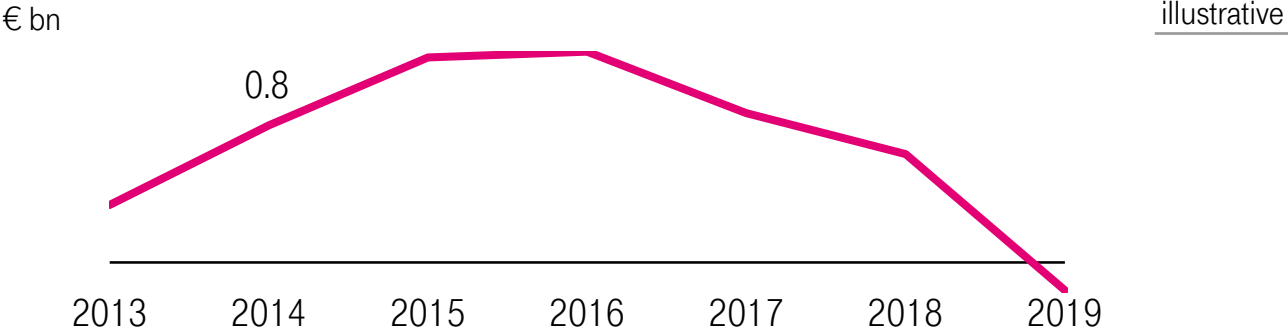


- **75-95%<sup>2</sup> LTE pop-coverage** in 2018 with up to 300 Mbps
- **≈50% of households<sup>3</sup> with at least 100Mbps** in 2018
- **≈12% of households<sup>3</sup> with up to 500Mbps<sup>4</sup>** in 2018
- **1.6mn hotspots** in 2018<sup>5</sup>

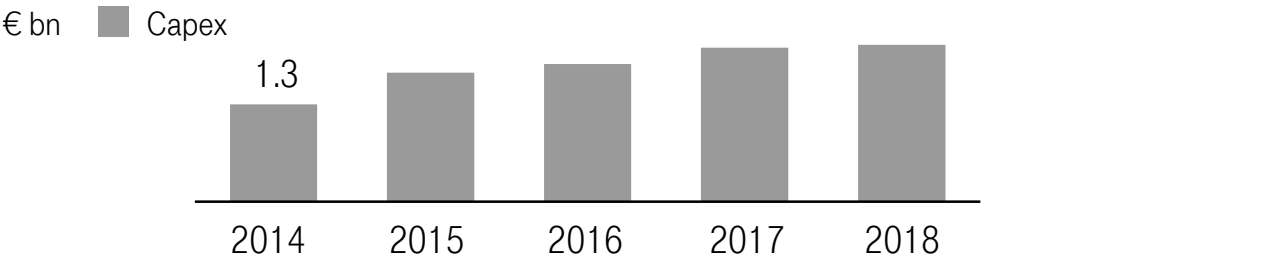
<sup>1</sup> Outdoor coverage    <sup>2</sup> Depending on country    <sup>3</sup> In integrated footprint    <sup>4</sup> FTTH, FTTB, FTTC, cable/ED3 (cable, esp. in Hungary with Euro-DOCSIS)    <sup>5</sup> Including FON

# INDIRECT COST SAVINGS WILL FUND THE INVESTMENT FOR THE TRANSFORMATION

 **OPEX AND CAPEX: DIGITAL TRANSFORMATION, IP TRANSFORMATION, PAN-EUROPEAN NETWORK<sup>1</sup>** 1 & 2 & 3



 **CAPEX: INS NETWORK** 4



**BENEFITS STEADY STATE FROM EARLY 2020IES**

**FIN. BENEFITS: ≈ €1.2 BILLION OPEX SAVINGS<sup>2</sup>**

- Segments
  - ≈ €0.7 bn Germany
  - ≈ €0.5 bn Europe
- Functional Areas
  - ≈ €0.4 bn Technology / Platforms
  - ≈ €0.8 bn Service

**COMMERCIAL BENEFITS**

- Enlarged fiber and LTE footprint and increased bandwidth for customers
- Faster time to market
- Easy to partner

<sup>1</sup> Excl. special factors. Measure related effects incl. savings. PanNet w/o transport & access. INS Opex in German fixed network also included.  
<sup>2</sup> Gross measure-related steady state Opex savings early 2020ies GER/EU vs. 2013, after accomplished IP and process-/e-transformation as well as PanNet (w/o transport & access) before any counter effects (e.g. personnel cost increases).

# WE FOLLOW A CLEAR PORTFOLIO STRATEGY



## CMD 2012: EE AND SCOUT UNDER STRATEGIC REVIEW



- **Strategic** solution: building the next **FMC market leader**
- **Premium** valuation: **£12.5 bn** EV
- Partnership potential and upside via participation in synergies



SCOUT 24

- Sale of 70% stake in Scout for **€1.6 bn**
- **Attractive valuation** of 20 times 2013 EBITDA
- 30% stake retains **significant upside potential** in value creation



- **Access to capital markets**, scale and synergies
- In combination with spectrum & AT&T breakup fee: foundation for **improved network proposition** and **turnaround**
- **Market cap almost doubled** since listing
- **Synergies NPV increased to \$9-10 bn**



## M&A POLICY GOING FORWARD

### 1 Europe

- Selective and minor FMC/ICT acquisitions in our core integrated markets, but only for attractive multiples
- TMA and TMNL: mobile attacker strategy

### 2 US

- Un-carrier strategy
- Continue de-risking, self-funding, king maker asset

### 3 Other

- Further monetization of assets if more value can be crystallized outside group
- Smaller technology M&A to strengthen business and innovation capabilities
- Minority shareholders: Opportunistic approach, only if economically attractive

### 4 General policy – No major acquisitions outside our footprint

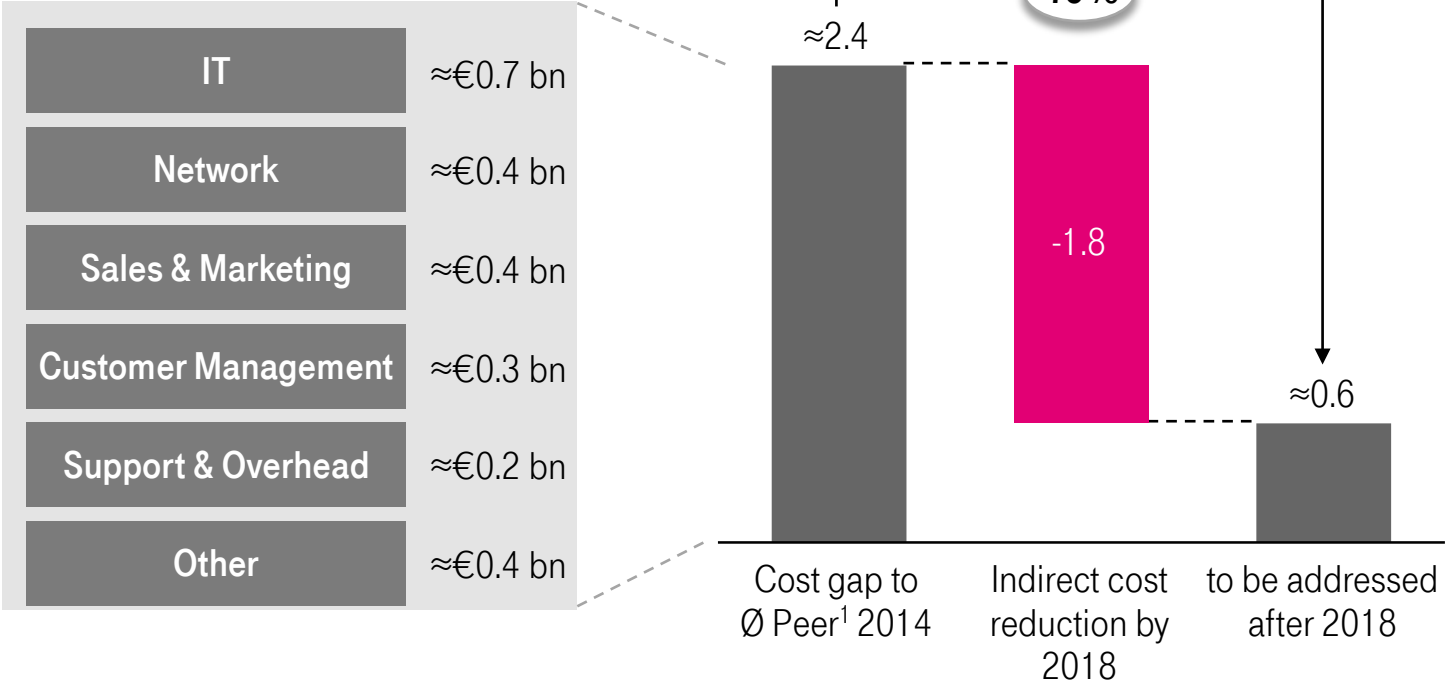


# **COST & PORTFOLIO TRANSFORMATION**

# WE WILL CLOSE 75% OF THE CURRENT COST GAP BY 2018 BY REDUCING INDIRECT COSTS EX US BY €1.8 BILLION

## COST GAP VERSUS PEER GROUP<sup>1</sup> (EX US)

€ bn

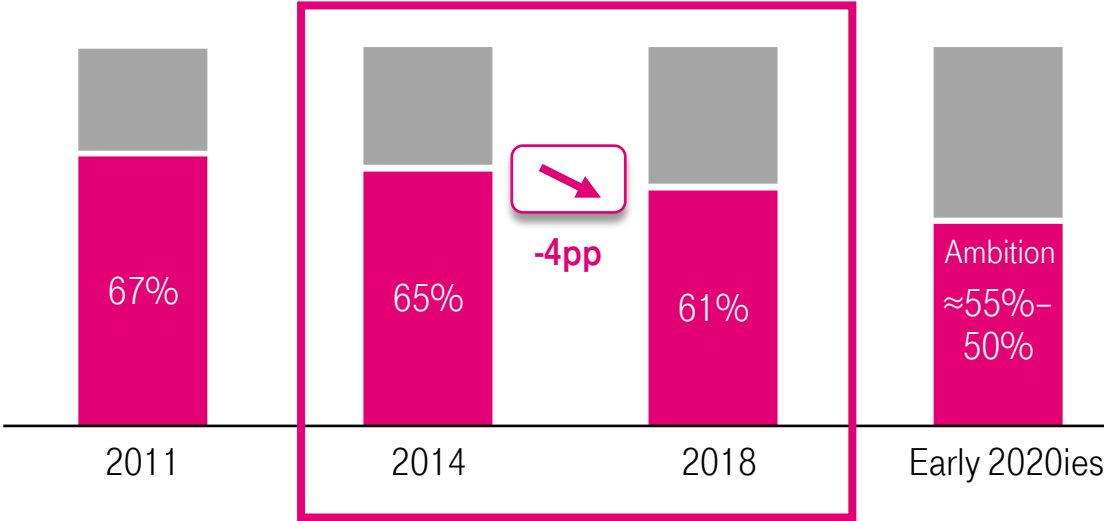


<sup>1</sup> Comparison of cost structures DT vs. peer group (=integrated European incumbents) based on reported information; management estimates

# THEREBY WE WILL IMPROVE COST FLEXIBILITY

## INCREASE OF FLEXIBILITY BY "VARIABILIZATION OF COST" (EX US)

Share of direct and indirect<sup>1</sup> cost



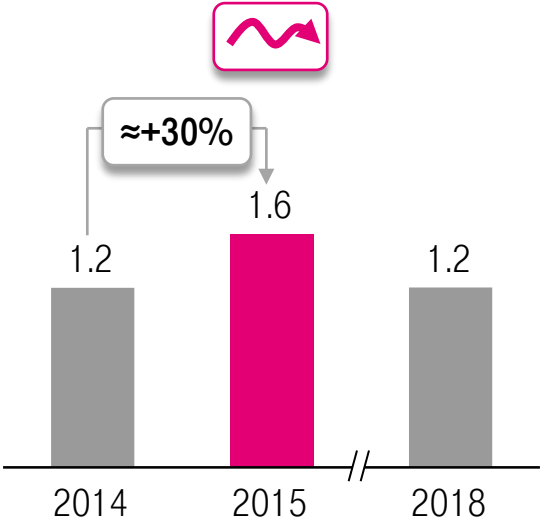
■ Adj. direct cost (ex US)

■ Adj. indirect cost (ex US)

<sup>1</sup> Before capitalization of labor

## CASH PERSONNEL SPECIAL FACTORS (EX US)

€ bn



# WE WILL ACCELERATE EXISTING PROGRAMS AND ADDRESS NEW POTENTIALS TO CLOSE THE GAP

## EXISTING PROGRAMS IMPACTING COSTS



TD 2018



One DT (Europe)



TSI 2015+



DBU Next



## ADDITIONAL COST REDUCTION AREAS

Reduce HQ and steering functions

Optimize shared service centers

Apply strict target costing approach

# ALL SEGMENTS EX US WILL CONTRIBUTE

## NET INDIRECT COST<sup>1</sup> SAVINGS PER SEGMENT (2014–2018)



€-1.8 billion

## EXAMPLES FOR COST REDUCTION UNTIL 2018

- 1 PERSONNEL EFFICIENCY €-0.5 bn
- 2 SYNERGIES: MULTI SHARED SERVICE CENTER €-0.2 bn
- 3 TEL-IT €-0.4 bn<sup>2</sup>
- 4 ...

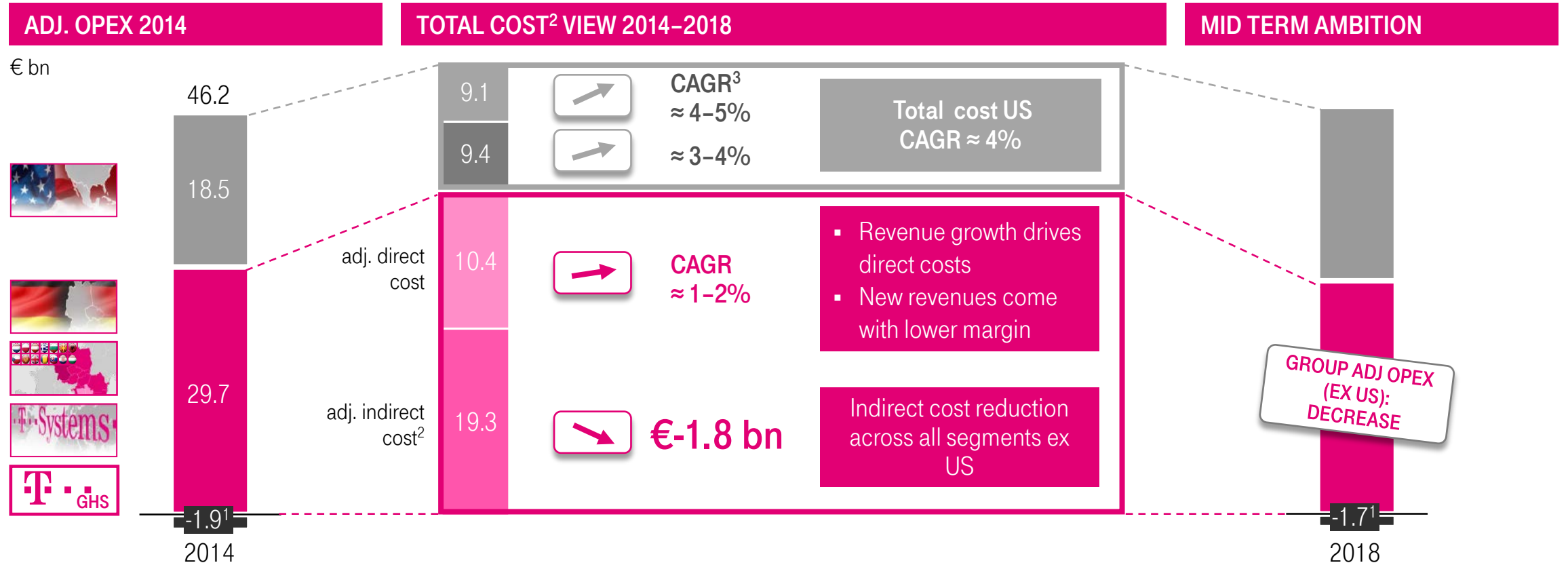


+ APPLICATION OF SYSTEMATIC TARGET COSTING APPROACH

<sup>1</sup> Before capitalization of labor    <sup>2</sup> IT spend consisting of Capex and Opex. Split approx. 50/50



# WE WILL CONTINUE TO DELIVER ON OPEX TRANSFORMATION



<sup>1</sup> Capitalization of labor    <sup>2</sup> Before capitalization of labor

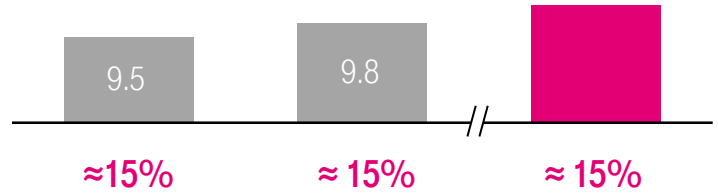
# CONTINUED HIGH INVESTMENTS IN INFRASTRUCTURE & TRANSFORMATION

## (CASH) CAPEX PROFILE<sup>1</sup>

€ bn



Cash Capex/Sales:



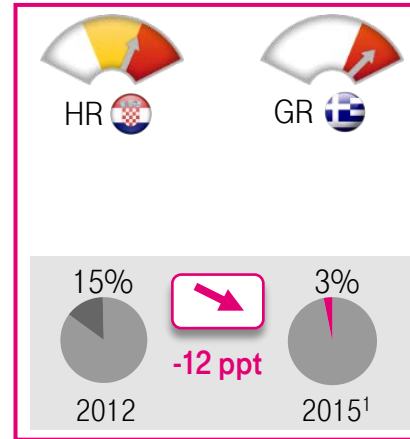
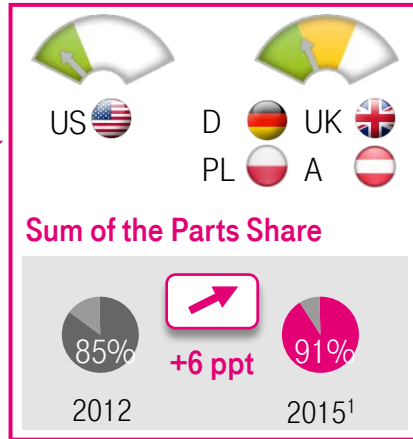
Increased network roll-out within same capex envelope (vs CMD 2012)



<sup>1</sup> Excl. spectrum

# IMPRESSIVE DE-RISKING TRACK RECORD SINCE LAST CAPITAL MARKETS DAY

## SUBSTANTIAL ECONOMIC RISK REDUCTION COMPARED TO CMD 2012



### T-MOBILE US: SUCCESSFUL DE-RISKING STORY

- Self funding fully intact!
- Around **\$14 bn** external capital since listing (May 2013)
  - Stand alone bond issuances
  - Sale of TMUS notes
  - Equity increase
  - Mandatory preferred convertible

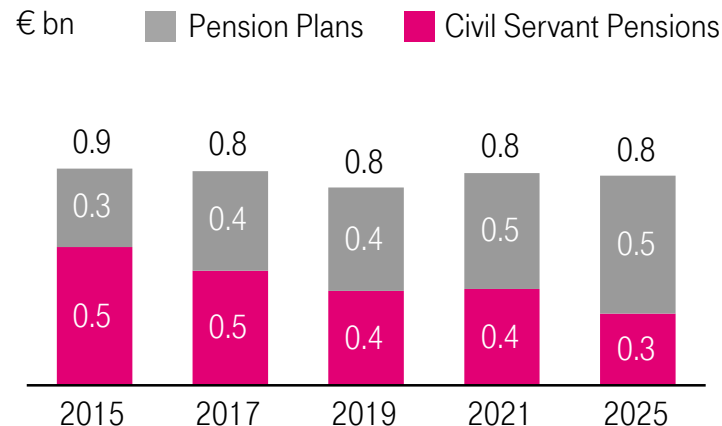
### OTE: RIGOROUS DE-RISKING EFFORTS

- Strong credit story!
- Successful sales of Globul, Tel. Serbia stake, Hellas Sat
- Rating improved by **4 Notches** (@ Moody's):  
From Caa1 in 2012 to currently Ba3
- Leverage Ratio improved from 1.9x to **0.8x**
- Maturities of **next 3 years** covered

<sup>1</sup> As per Feb. 2015

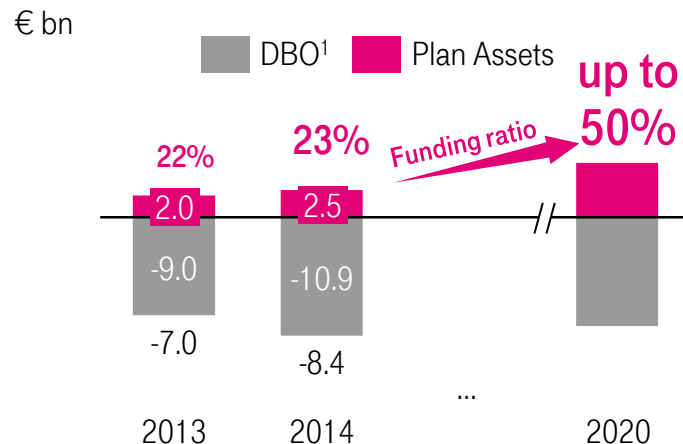
# WE ARE EXPECTING SLIGHTLY DECLINING PAYOUTS FOR PENSIONS

## PAYOUTS FOR PENSIONS (GER) DECREASING



- Payments for the civil servants pensions to decrease over time
- No volatility expected as number of civil servants is decreasing (no new hires) and contribution is fixed

## FUNDING RATIO INCREASING (VOLUNTARY)



- We plan to fund up to 50% of DBO until 2020
- **FUNDING IS ENTIRELY VOLUNTARY!**

## SENSITIVITY DRIVERS OF DBO<sup>2</sup>



- Highest sensitivity with discount rate
- Decrease of discount rate in 2014<sup>3</sup> by 140 bps almost entirely driving increase in DBO

<sup>1</sup> DBO = Defined benefit obligation    <sup>2</sup> Sensitivities for Germany as it covers 90% of total DBO    <sup>3</sup> Discount rates: 3.3% in 2013 versus 1.9% in 2014



# **OPERATIONALS & SEGMENTS**

# OPERATIONAL AND FINANCIAL PRIORITIES PER SEGMENT

## GERMANY



- Superior All-IP production model and INS rollout!
- No. 1 choice for customers via differentiation:
  - superior networks
  - best customer experience
  - best in class integrated products
- Revenue stabilization in 2016
- EBITDA CAGR 1–2%<sup>1</sup>

## EUROPE



- First to move to pan-European All-IP production model
- No. 1 choice for customers via differentiation:
  - best seamless connectivity
  - trust
  - simple and personal products!
- Radical indirect cost savings
- Cash contribution CAGR 0.5%<sup>1</sup>
- 2pp op. ROCE improvement

## USA



- Un-carrier strategy:
  - 2.2–3.2mn branded postpaid net adds in 2015!
  - 300m pops LTE coverage YE15
- Increased \$9-10bn NPV of Metro PCS synergies
- Updated 5-year growth rates<sup>2</sup>:
  - Revenue CAGR 7–9%
  - EBITDA CAGR 7–10%
  - FCF CAGR 13–18%

## T-SYSTEMS MU



- TSI 2015+ Execution
- No. 1 choice for customers via differentiation:
  - best networks & scalable platforms
  - Security
  - outstanding cloud experience!
- MU Revenue CAGR 3%<sup>1</sup>
- Positive TSI adj. cash contribution after 2016!

<sup>1</sup> All CAGR's 2014–2018    <sup>2</sup> 2012 – 2017 Financial Growth

# DIFFERENTIATION IN MOBILE THROUGH SUPERIOR NETWORK AND CLEAR VALUE STRATEGY



## BRAND PORTFOLIO



≈30€



- “D-Netz” Quality
- Medium speed
- Smartphone lease
- Basic portfolio

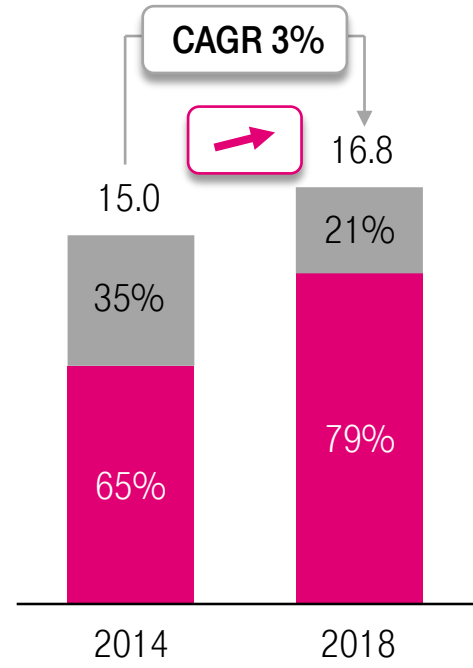
- Best Network
- High speed
- Subsidized smartphone
- Attractive options
- MagentaEINS

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

# mn

■ Single Play

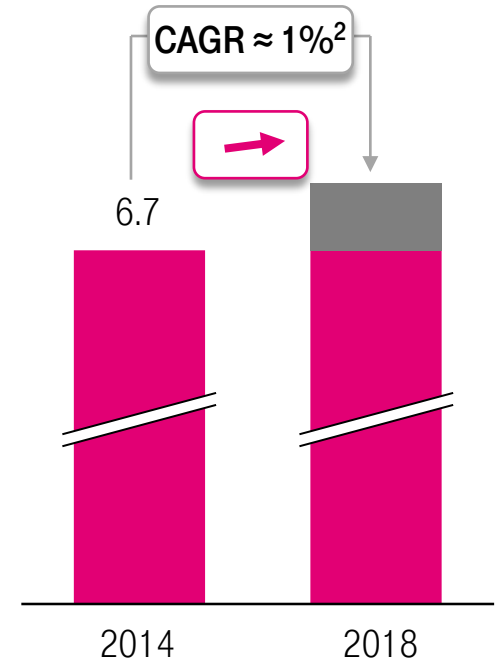
■ Double Play



## SERVICE REVENUES

€ bn

■ EU Roaming



<sup>1</sup> Without mobile wholesale    <sup>2</sup> Without EU Roaming impact

# DIFFERENTIATION IN BROADBAND VIA INNOVATIVE PRODUCTS AND INCREASED FIBER FOOTPRINT



## LEVERS IN BROADBAND RETAIL

- 1** MagentaEINS
- Leverage the base
  - Increase loyalty



- 2** Entertain 2.0
- Next Generation TV
  - Entertain on n-screens



- 3** Innovations
- Supervectoring
  - Hybrid



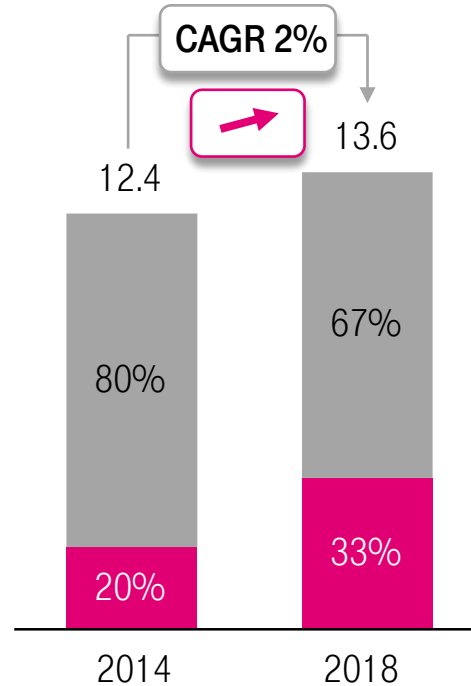
- 4** Regional offers
- Regional Pricing
  - Special Hardware Offers



## BROADBAND CUSTOMER BASE

# mn

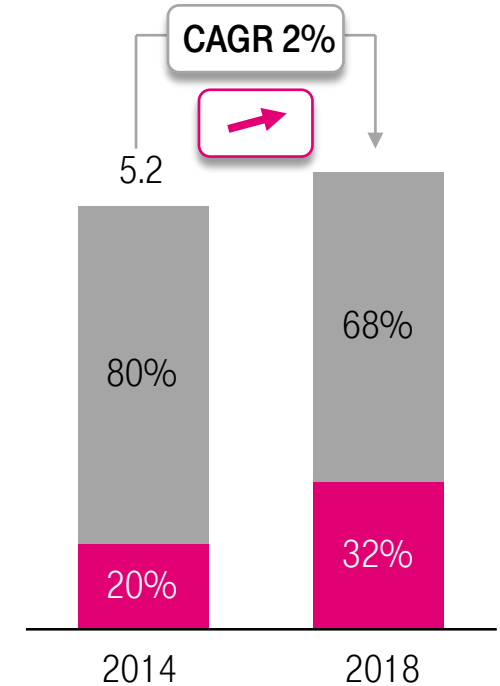
■ Double Play ■ Triple Play



## BROADBAND REVENUES

€ mn

■ Double Play ■ Triple Play





# GROWTH IN TV BY A MULTILAYER STRATEGY AND INCREASED FIBER FOOTPRINT



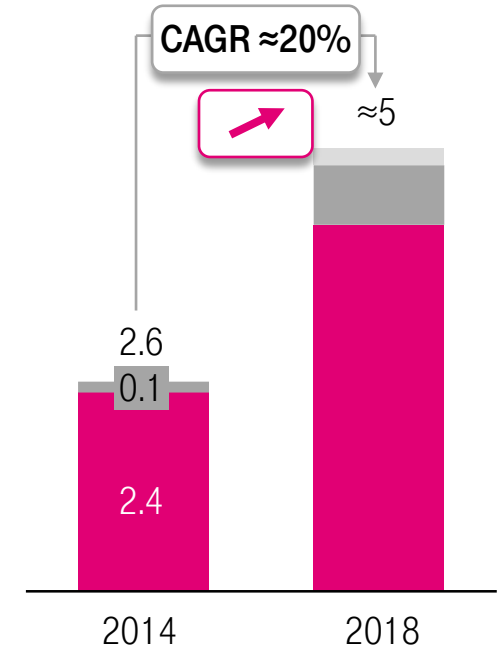
## NEXT GENERATION TV WITH NEW FEATURES

- Revised state of the art **user interface**
- **Seamless multi-screen** experience
- **Number 1 in HD** and becoming innovator in **4K**
- **Best on-demand content** experience
- **New functionalities**  
(Instant restart, backwards EPG)



## TV CUSTOMER BASE

# mn    ■ Wholesale    ■ Housing Associations    ■ Entertainment



## 3<sup>RD</sup> PARTY TV OFFERS (WHOLESALE)

- Customized product offering as “Digital TV – provided by Telekom”
- Resale partnership  
Start Q1/2015



## TV FOR HOUSING ASSOCIATIONS

- Deutsche Annington deal executed
- New deals won and direct roll-out
- Enlarge regional TV footprint



# INCREASE NETWORK UTILIZATION BY UPSELLING WHOLESALE PARTNERS TO FIBER SERVICE REVENUES



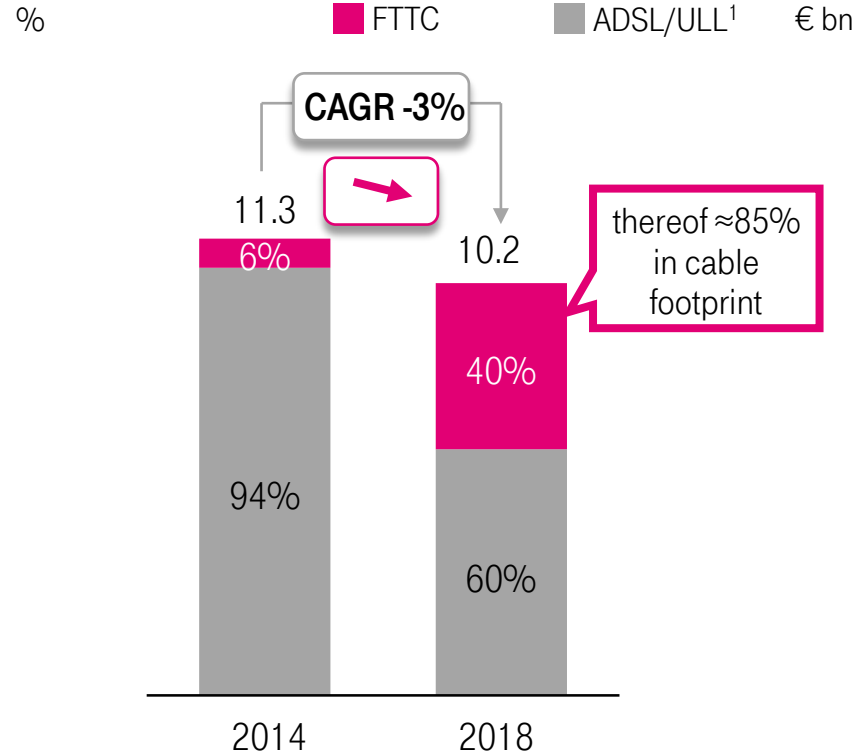
## KEY GOALS

**1** Utilization of Fiber Infrastructure with ≈35% of Fiber Footprint in active service

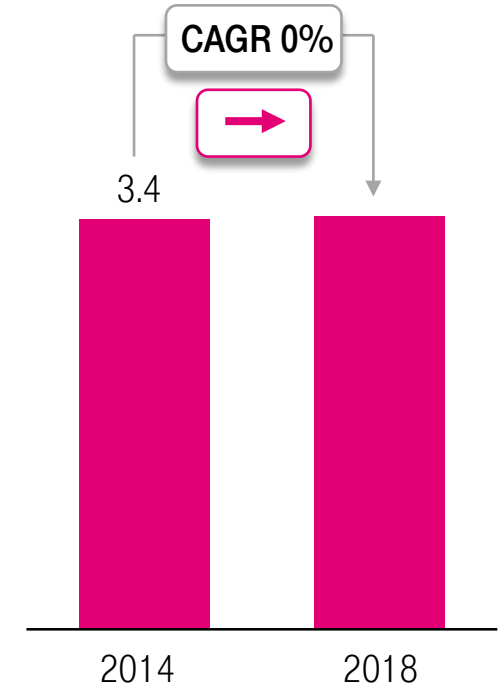
**2** Invest-Sharing via upfront Payment

**3** Competitive Fiber Wholesale prices for Partners (ARPA of ≈20€ ) and innovative Products (IPTV)

## WHOLESALE ACCESS BASE



## WHOLESALE REVENUES



<sup>1</sup> Unbundled local loops

# MAGENTA EINS: FIXED AND MOBILE ARE CONVERGING...



## OUR FIRST CONVERGED OFFER

**63%** MARKET RESEARCH<sup>1</sup>

Customers prefer bundles from a single source



## KEY GOALS

**1** CROSS-/UPSELLING

Leverage customer base

**2** ADD ON MOBILE SIM'S

1.5 SIM cards per household

**3** LOYALTY INCREASE

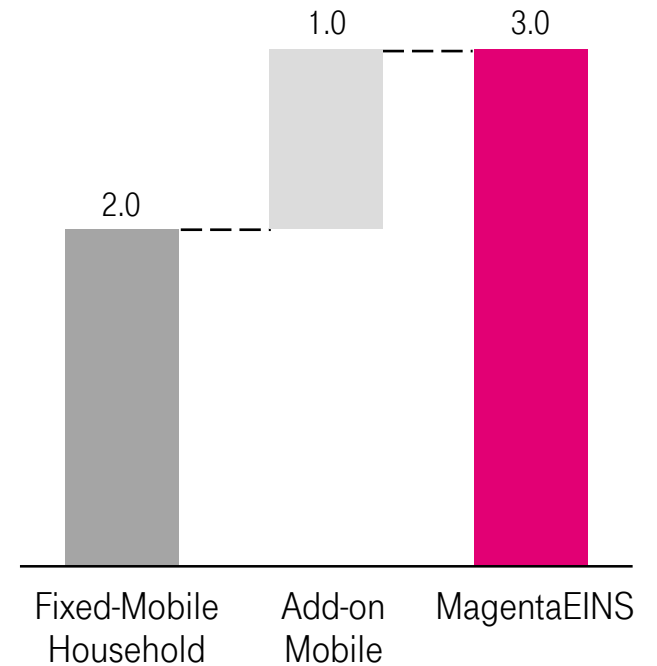
Reduce churn

**4** NEW CUSTOMERS

Value based customer acquisition

## 2018 (CONSUMER) CUSTOMER BASE

# mn

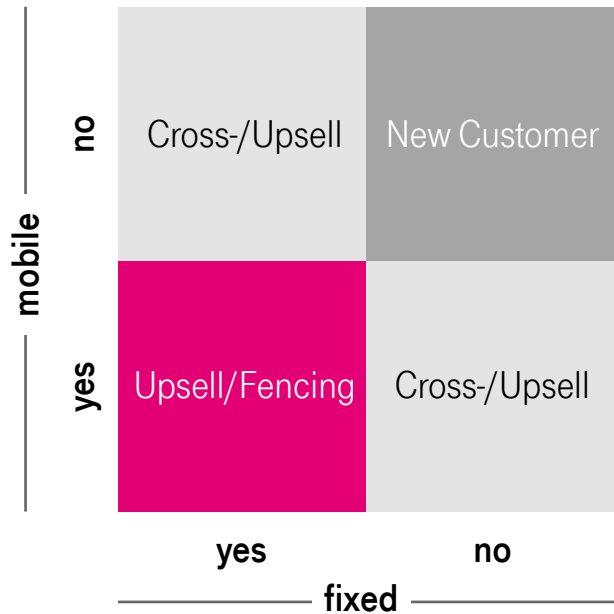


<sup>1</sup> Market research based on customer survey (2014)

# ... AND GENERATING ADDITIONAL VALUE THROUGH CROSS-/UPSELLING



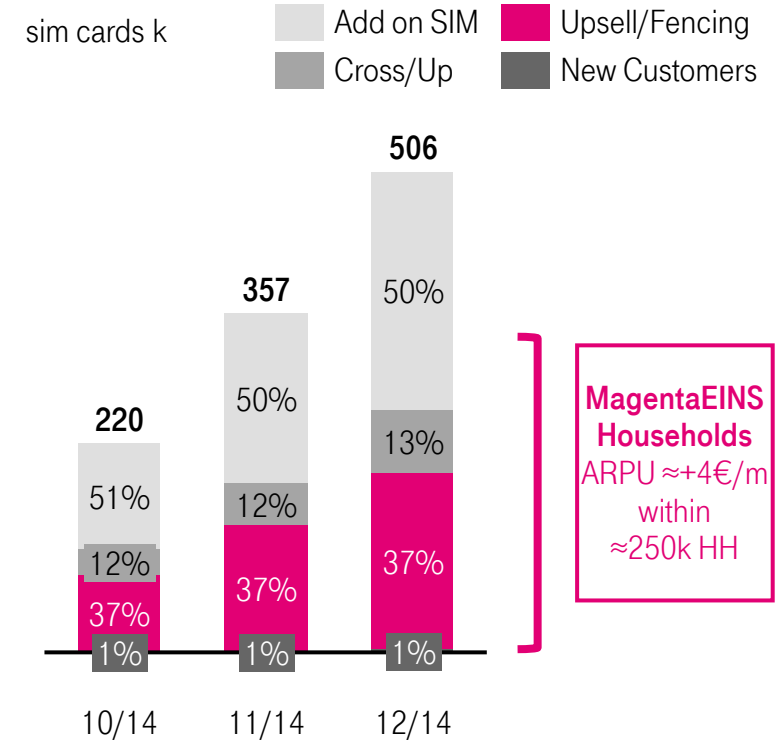
## FMC CUSTOMER POTENTIAL



## HIGHLIGHTS AFTER 4 MONTH

- 1 TRIPLE PLAY SHARE**  
>50%
- 2 GROWING SIM CARD PENETRATION**  
≈2 SIMs per HH
- 3 BOOST CUSTOMER LOYALTY<sup>1</sup>**  
75 Points TRI\*M
- 4 INCREASED MAGENTAEINS REVENUES**  
≈4€/m per HH

## MagentaEINS CUSTOMER BASE



<sup>1</sup> TRI\*M Index MagentaEINS customers

# PATH TO GROWTH AS UN-CARRIER

**55 Million Total Customers !**



**Path to Growth**



# 1. Un-carrier

## 2. SALES & SERVICE EXPERIENCE

Superior Sales and Customer Experience

## 3. NETWORK FOUNDATION

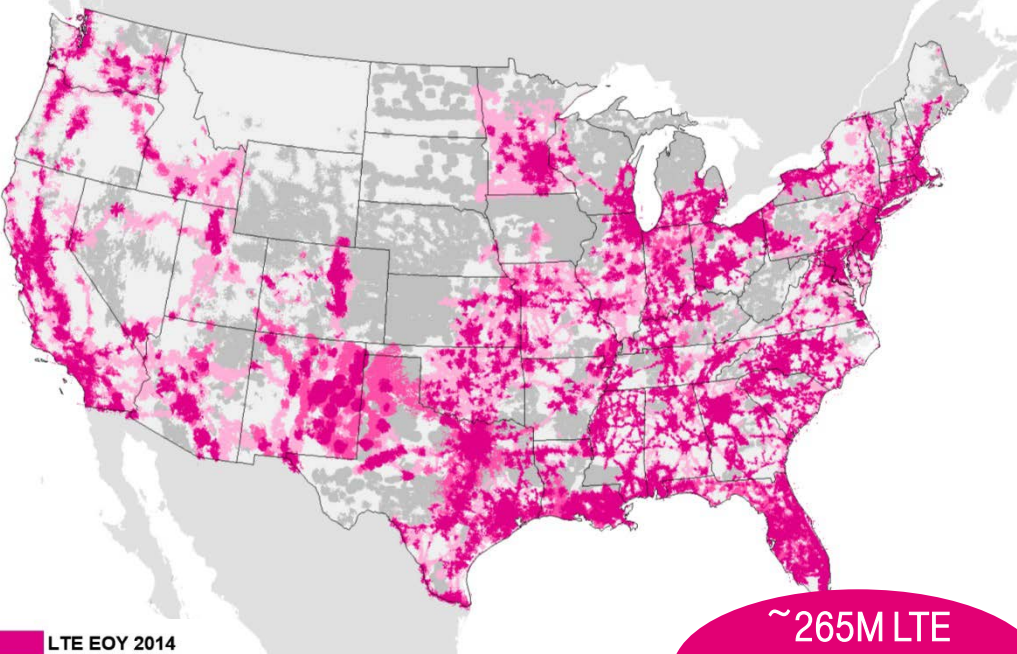
Solid Network Foundation and Spectrum Position

## 4. LEAN BUSINESS MODEL

Lean Cost Structure and full capture of MetroPCS Integration Synergies

# LEVEL THE COMPETITIVE PLAYING FIELD FROM A COVERAGE PERSPECTIVE

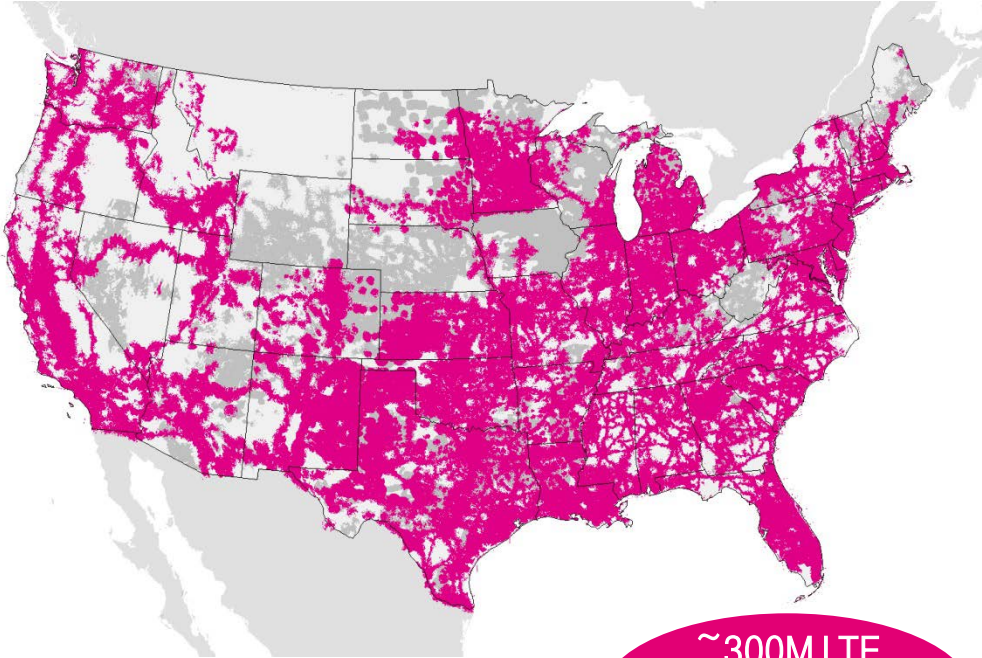
End of 2014 LTE Coverage



~265M LTE covered pops, 0.6 M sq.miles

- LTE EOY 2014
- HSPA
- GSM
- Partner Coverage

End of 2015 LTE Coverage



~300M LTE covered pops, 1.6 M sq. miles

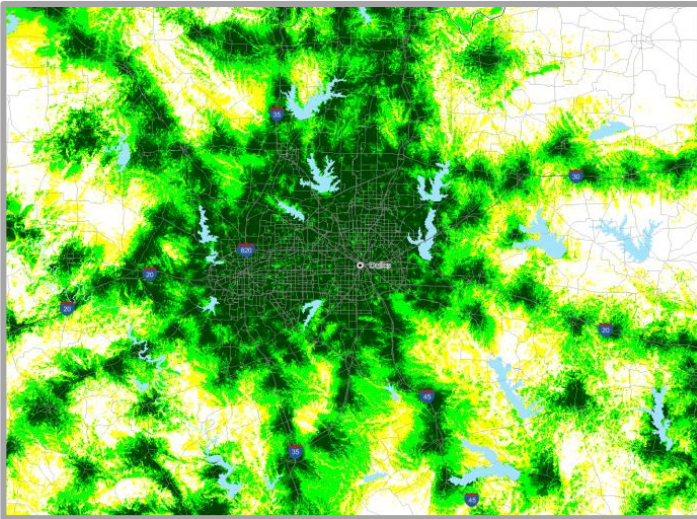
- LTE EOY 2014
- Partner Coverage

# EXPAND COVERAGE EFFICIENTLY THROUGH THE DISCIPLINED PURCHASE AND DEPLOYMENT OF LOW-BAND

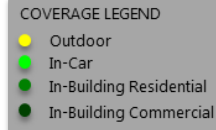
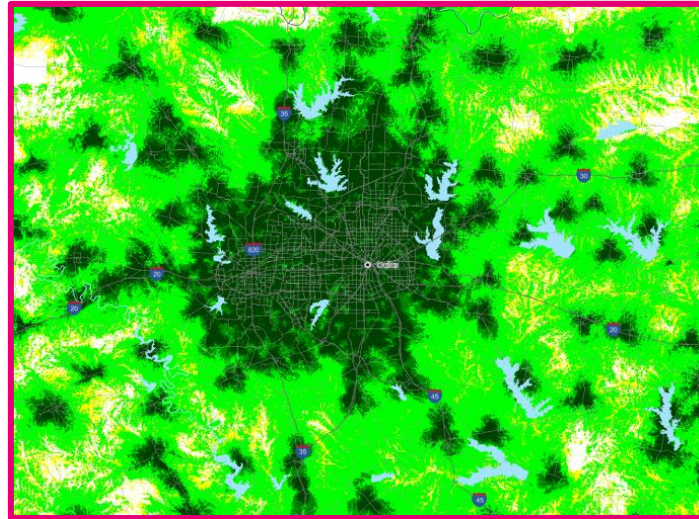
## Low-band deployment provides significant in-building coverage

Dallas example

LTE on mid-band only



LTE coverage with low-band



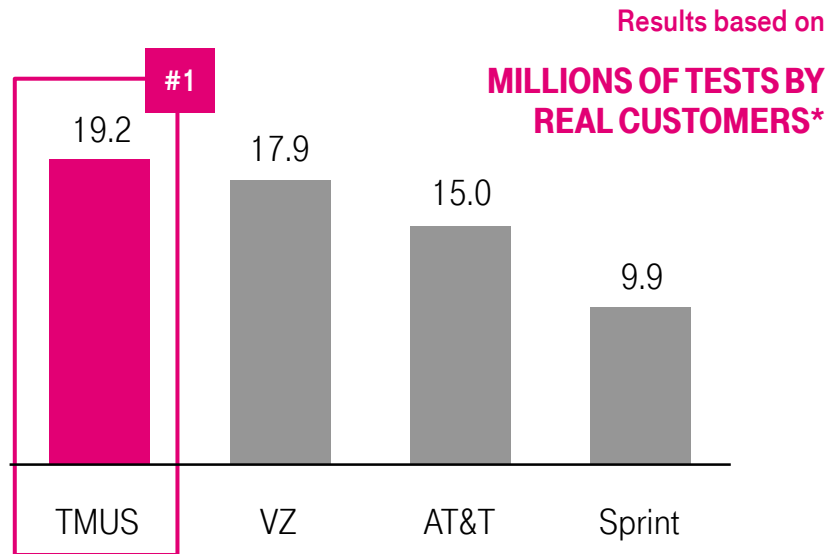
Already launched low-band in major markets such as Washington DC, Dallas, Houston, Cleveland, and Minneapolis

- Currently own or have agreements to own low-band spectrum for roughly 190 Million POPs; will opportunistically pursue more low-band spectrum
- Once deployed, over 70% of T-Mobile's existing subscribers will have increased coverage through low-band
- Low-band provides an average of 30% improvement in in-building residential covered pops
- In rural areas, low-band helps to obtain up to 2x the square miles in coverage compared to mid-band
- Intend to further complement low-band spectrum through broadcast auction in 2016



# PROVIDE INDUSTRY-LEADING FAST SERVICE EVEN IN AN ENVIRONMENT OF EXPLOSIVE DATA GROWTH

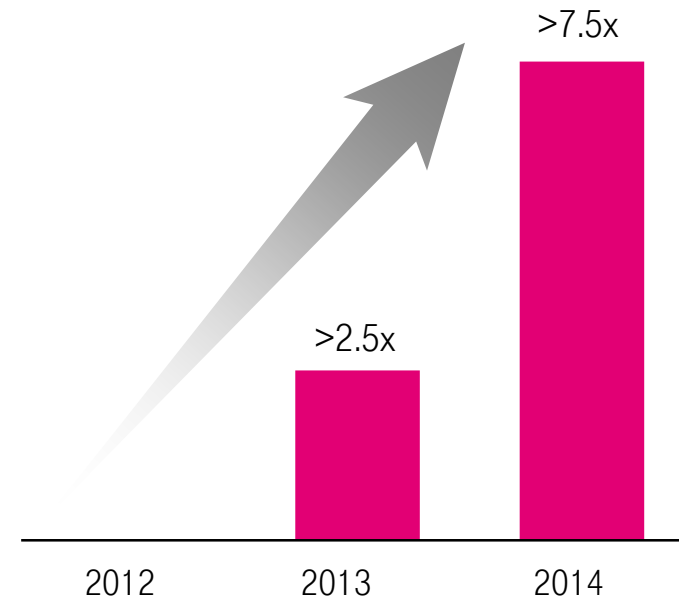
## Data Fast Network supports High Speed experience



121 market areas on wide-band LTE. Plan for over 150 markets by year-end 2015

## Data Strong network supports Data growth

Data growth (Indexed to IH 2012)

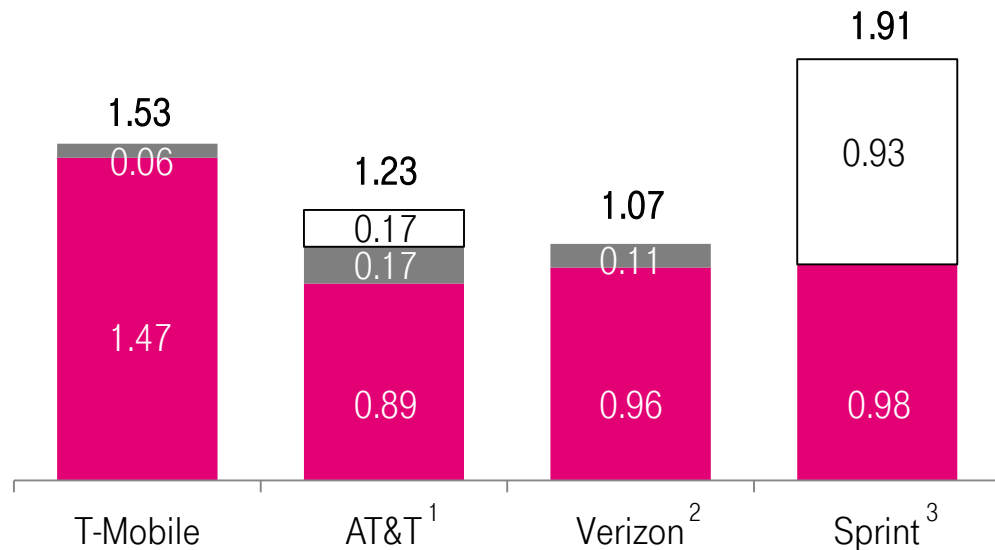
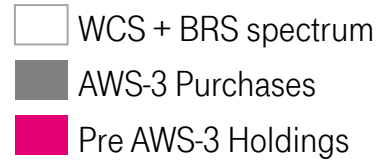


\*Based on T-Mobile's analysis of crowd-sourced 4G LTE download speeds

# SPECTRUM POSITION PROVIDES RUNWAY FOR CONTINUED GROWTH

## Spectrum Holdings in Top 25 Markets by Carrier, including AWS-3 auction results

Total Spectrum Holdings /Total Subs (in Hz/Customer)

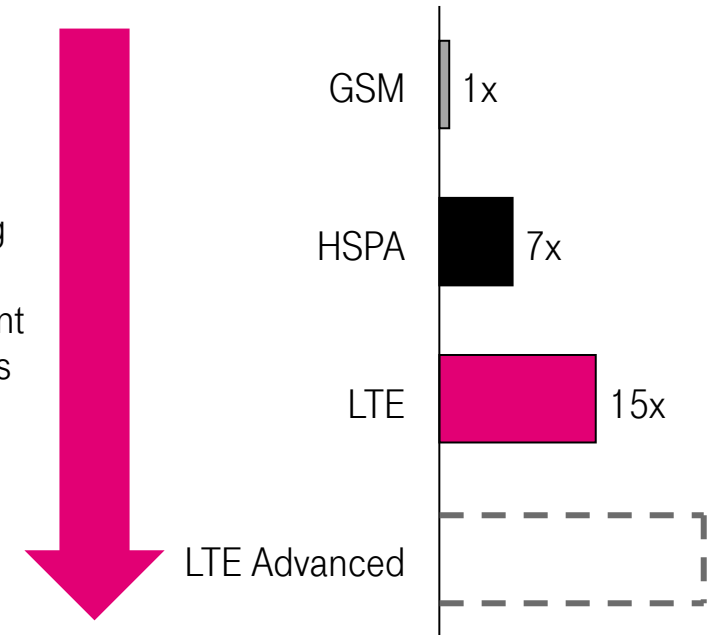


Source: T-Mobile Analysis <sup>1</sup> AT&T pre AWS-3 holdings exclude WCS holdings, <sup>2</sup> Verizon customers are retail only, and <sup>3</sup> Sprint pre AWS-3 holdings exclude BRS and EBS holdings

## Rapidly converting technology to achieve even higher spectral efficiency

Relative efficiency by technology

Accelerating migration to more efficient technologies



# METROPCS SYNERGIES \$9-10 B AFTER TAX NPV<sup>1</sup> VS. ORIGINAL PLAN OF \$6-7 B

Better/at original plan

One-time cost pull forward

Original plan						
	2013	2014	2015	2016	2017	5 Year Total
<b>Network (\$ M)</b>						
Opex savings	(0-50)	(0-50)	0-100	300-400	600-700	800-1200
Capex savings	100-200	300-400	400-500	450-550	400-450	1650-2100
One-time costs	(600-700)	(0-50)	(700-800)	(800-900)	—	(2100-2450)
<b>Non-network (\$ M)</b>						
Opex savings	0-50	100-200	150-250	150-250	200-300	600-1050
Capex savings	—	0-50	0-50	0-50	0-50	0-200
One-time costs	(150-250)	(0-100)	(0-100)	—	—	(150-450)

**Current view**  
(5 Year Total, \$ M)

1900-2100

2700-2900

(1500-1700)

1100-1300

0-100

(0-150)

**Current view NPV<sup>1</sup> of synergies \$9-10 B vs. original plan of \$6-7 B**

**TMUS expected to hit run-rate synergies one year earlier - 2016 vs. original plan of 2017**

<sup>1</sup> After-tax NPV calculated with 9% discount rate and 38% tax rate



# **FINANCE STRATEGY AND OUTLOOK**

# LEADING EUROPEAN TELCO WITH FOCUS ON ROCE

## EQUITY

### RELIABLE **SHAREHOLDER REMUNERATION** POLICY

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

## STRATEGY LEADING EUROPEAN TELCO

INTEGRATED  
IP NETWORKS

BEST  
CUSTOMER  
EXPERIENCE

WIN WITH  
PARTNERS

LEAD IN  
BUSINESS

### 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

## 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

# DT REMAINS ANCHOR OF STABILITY WITH NO CHANGE IN DEBT COMFORT ZONE RATIOS!

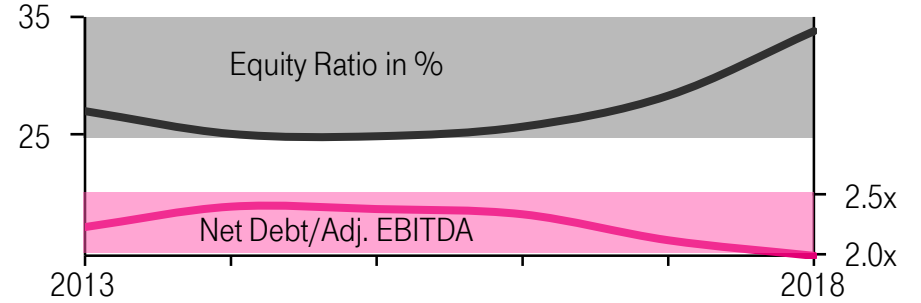
## DEBT POLICY STILL VALID

Undisputed access to debt capital markets

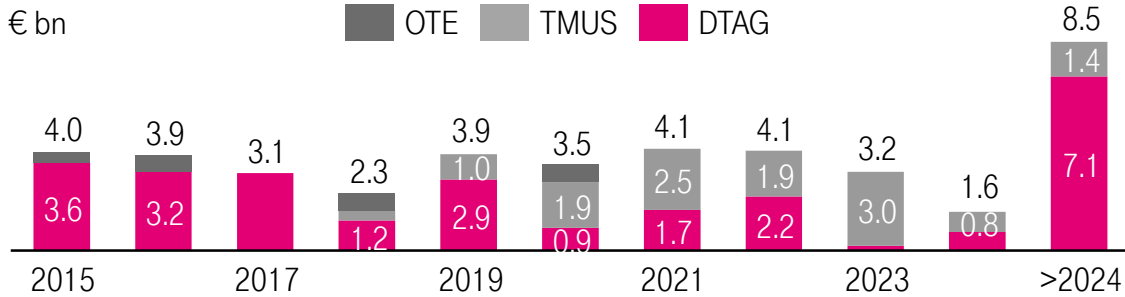


- **Rating:** A-/BBB
- **Net debt/adj. EBITDA:** 2.0–2.5x
- **Equity ratio:** 25–35%
- **Liquidity reserve:** covers maturities of coming 24 months

## COMFORT ZONE DEVELOPMENT

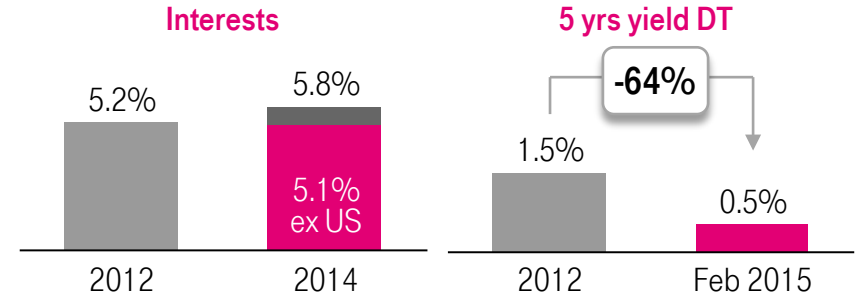


## BALANCED MATURITY PROFILE<sup>1</sup>



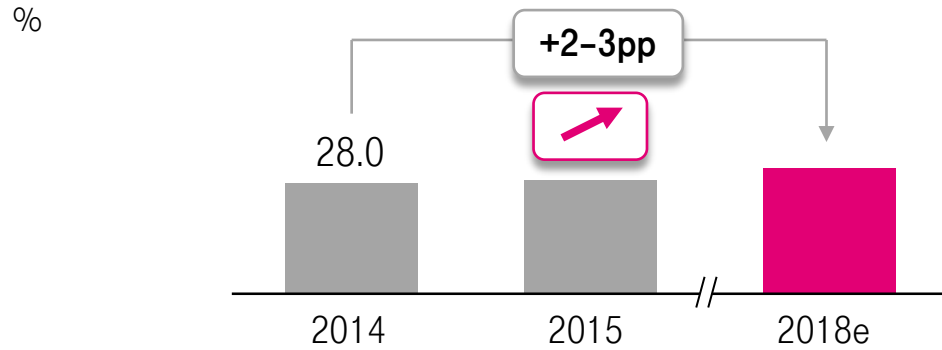
<sup>1</sup> As of Dec. 2014

## REFINANCING COST

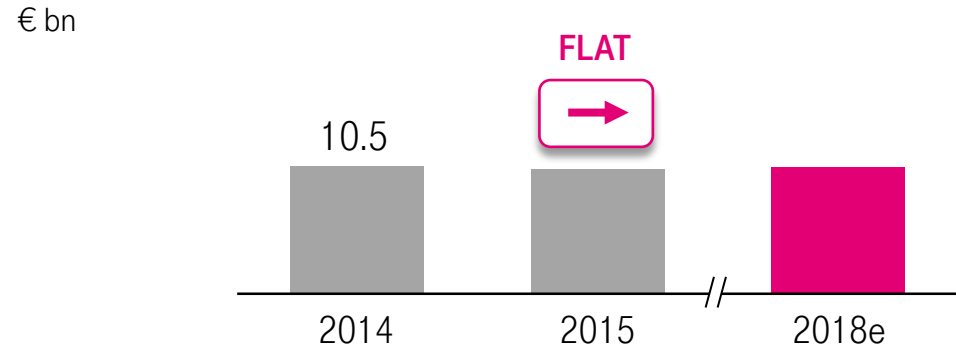


# WE WILL GROW IN EBITDA, EBIT AND EPS

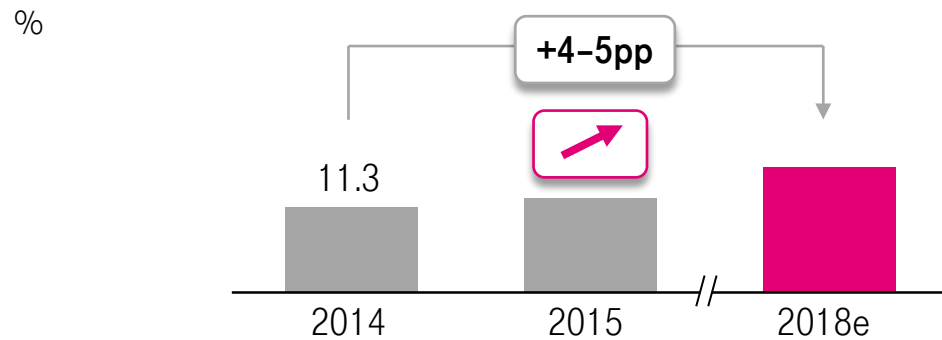
## INCREASING ADJ. EBITDA MARGIN



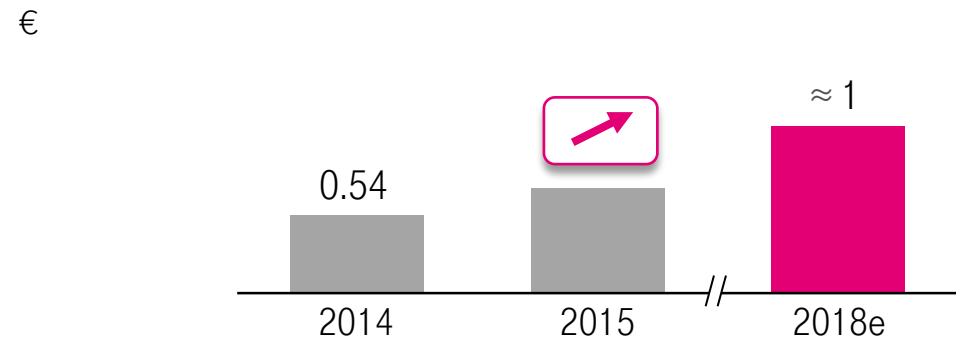
## FLAT ADJ. DEPRECIATIONS



## INCREASING ADJ. EBIT MARGIN

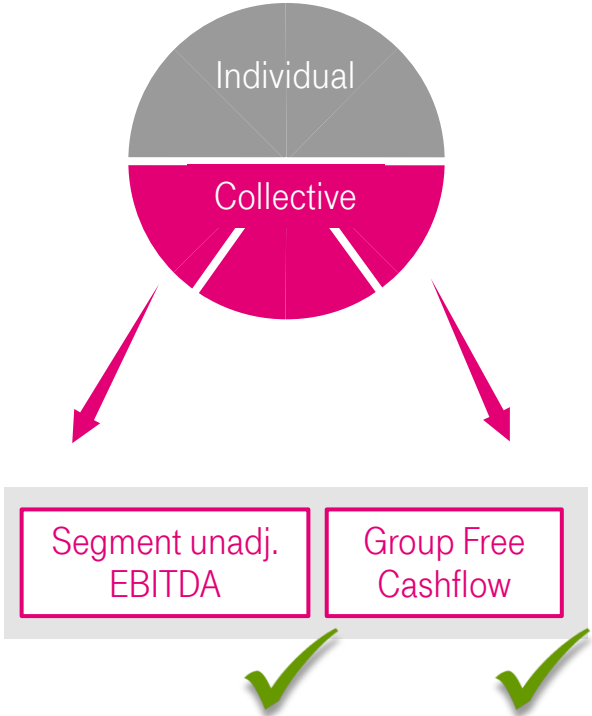


## IMPROVEMENT OF ADJ. EPS

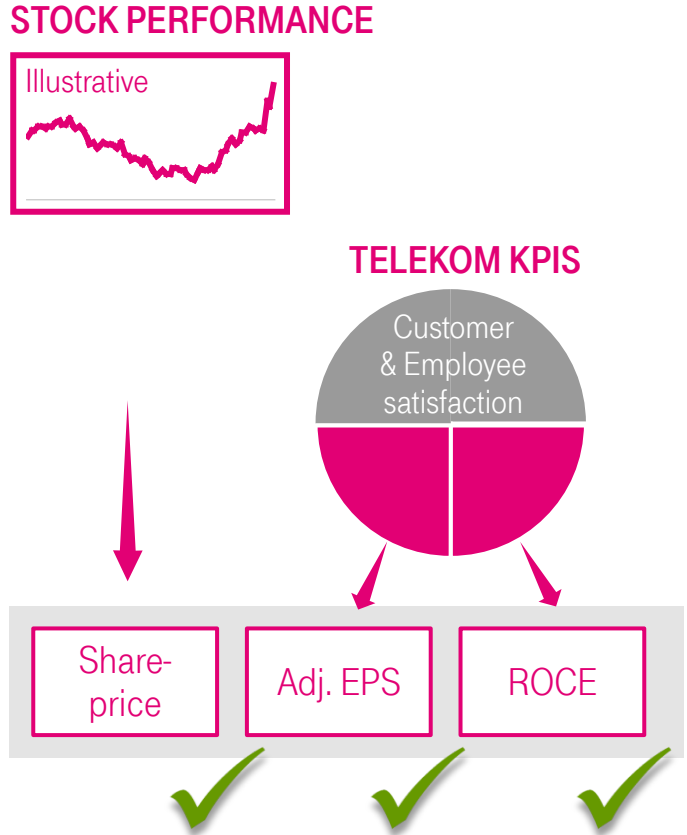


# MANAGEMENT INCENTIVES ALIGNED WITH SHAREHOLDERS INTEREST

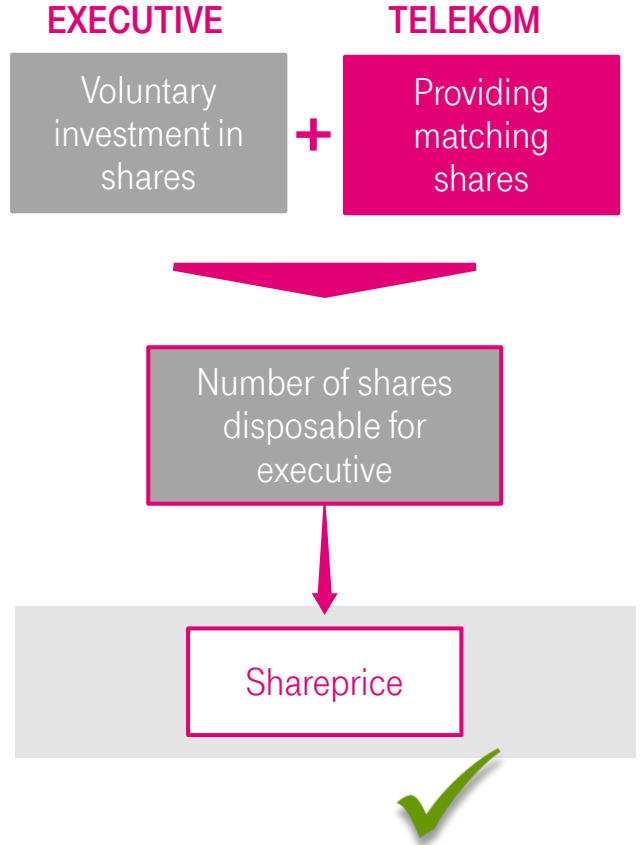
## 1 SHORT TERM INCENTIVE



## 2 LONG TERM INCENTIVE



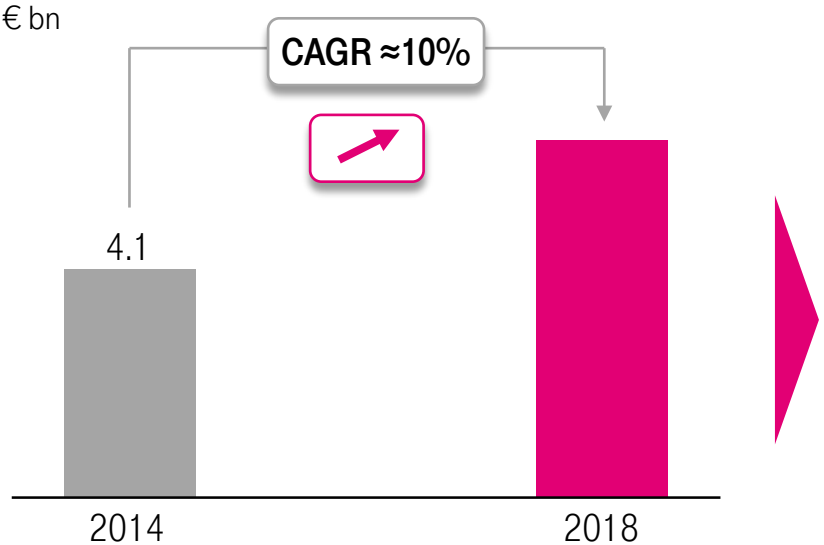
## 3 SHARE MATCHING PLAN



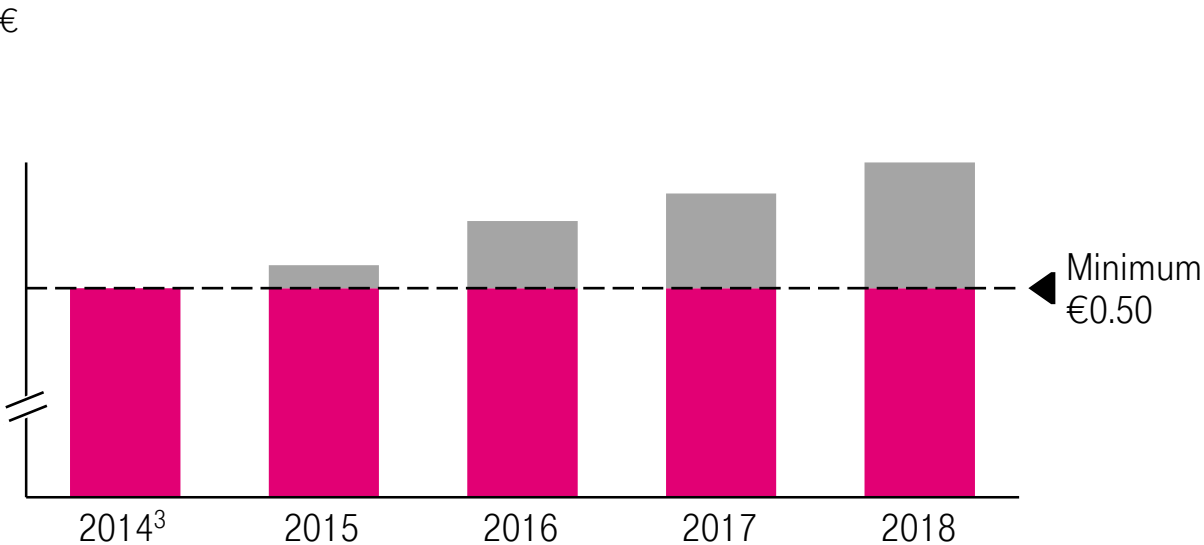


# OUR SHAREHOLDERS WILL PARTICIPATE IN GROWTH

## FREE CASHFLOW DT GROUP<sup>1</sup>



## DIVIDENDS FOLLOWING FCF GROWTH<sup>2</sup>



Note: Pension funding and spectrum investments will have no impact on our dividend policy

<sup>1</sup> Before spectrum investment    <sup>2</sup> Subject to necessary AGM approval and board resolution    <sup>3</sup> Columns are referring to the expected dividend per share for the respective financial year (with payout the year after)

# OUR GUIDANCE

	2014 RESULTS Reported	GUIDANCE 2015 ON A CONSTANT CURRENCY BASIS <sup>1</sup>	GUIDANCE 2015 ON CURRENT €/€ EXCHANGE RATE <sup>2</sup>
€ BN		€/€: 1.33	€/€: 1.13
REVENUE	62.7	Growth	Growth
ADJ. EBITDA	17.6	around 18.3	around 19.3
FCF	4.1	around 4.3	around 4.3

<sup>1</sup> Guidance based on constant exchange rates (Average €/€ exchange rate 2014 of 1,33) and no further changes in the scope of consolidation

<sup>2</sup> Guidance based on constant exchange rates (Current €/€ exchange rate of 1,13) and no further changes in the scope of consolidation; current: exchange rate as of Feb. 13

# MID TERM AMBITION LEVEL

TOPIC	MID TERM AMBITION LEVEL <sup>1</sup>	YEAR
GROUP REVENUES	CAGR 1–2%	2014–2018
GROUP ADJ. EBITDA	CAGR 2–4%	2014–2018
GROUP FCF	CAGR ≈10%	2014–2018
GROUP ADJ. EPS	≈€1 in 2018	2018
GROUP ROCE	ROCE > WACC in 2018	2018
GROUP CASH CAPEX	CAGR 1–2%	2014–2018
GROUP ADJ. OPEX	DECREASE (ex US)	2014–2018
SHAREHOLDER REMUNERATION POLICY (2015–2018) <sup>2</sup>	Following FCF growth; min. DPS of €0.50 p.a.	2015–2018

<sup>1</sup> Based on constant exchange rates (Average €/€ exchange rate 2014 of 1.33) and no further changes in the scope of consolidation    <sup>2</sup> Subject to necessary AGM approval and board resolution

# FURTHER QUESTIONS

## PLEASE CONTACT THE IR DEPARTMENT

### INVESTOR RELATIONS CONTACT DETAILS

**Phone** +49 228 181 - 8 88 80  
+1 212 301 - 6114

**E-Mail** [investor.relations@telekom.de](mailto:investor.relations@telekom.de)

Contact details for all  
**IR representatives:**  
[www.telekom.com/ircontacts](http://www.telekom.com/ircontacts)



### IR WEBPAGE

[www.telekom.com/investors](http://www.telekom.com/investors)



### IR TWITTER ACCOUNT

[www.twitter.com/DT\\_IR](http://www.twitter.com/DT_IR)



### IR YOUTUBE PLAYLIST

[www.youtube.com/deutschetelekom](http://www.youtube.com/deutschetelekom)



LIFE IS FOR SHARING.