



# DEUTSCHE TELEKOM

## Q4/14 RESULTS



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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 Q4/14**

# LEADING EUROPEAN TELCO: KEY HIGHLIGHTS 2014

## 2014 HIGHLIGHTS

- Germany: Revenue trends improved (-0.8% 2014 yoy versus -1.3% 2013 yoy). Adj. EBITDA Margin stabilized at 40% level. Improvement in all relevant KPIs: line losses reduced by 25%, Broadband losses stopped. TV net adds +26% (265k), Fiber net adds (incl. wholesale) almost doubled to 1 million. Successful launch of Magenta EINS converged product with 506k customers.
- US : In US\$ revenue grows 20.3%, service revenue grows 17.1% and adj. EBITDA grows 10.3%. 8.3 million customers added.
- Europe: Ongoing revenue transformation - revenue share from growth areas improved to 25% (+2pp) , TV (+6%) and broadband (+6%) customer base continue to grow. Reduction of adj. opex (€-0.6 bn) results in improved adj. EBITDA margin of 34% (+1pp).
- Systems Solutions: First results for “TSI 2015+” achieved. Adj. opex in market unit reduced by €0.4 billion.

## 2014 FINANCIAL HIGHLIGHTS GROUP

- Group revenue growth of 4.2% to €62.7 billion
- Adj. EBITDA growth of 0.8% to €17.6 billion in line with guidance
- FCF of €4.1 billion in line with guidance
- Net profit more than tripled to €2.9 billion

Delivering on dividend policy for 2014:

**0.50€** per share to be proposed to AGM

2014 Shareholder return:

Total shareholder return of **11%** achieved in 2014



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# FY/14: KEY FIGURES

€ MN	Q4			FY		
	2013	2014	Change	2013	2014	Change
REVENUE	15,665	17,002	8.5%	60,132	62,658	4.2%
ADJ. EBITDA	4,060	4,444	9.5%	17,424	17,569	0.8%
ADJ. NET PROFIT	355	399	12.4%	2,755	2,422	-12.1%
NET PROFIT	-752	-110	85.4%	930	2,924	214.4%
ADJ. EPS (IN €)	0.08	0.09	12.5%	0.63	0.54	-14.3%
EPS (IN €)	-0.18	-0.03	83.3%	0.21	0.65	209.5%
FREE CASH FLOW <sup>1</sup>	1,032	983	-4.7%	4,606	4,140	-10.1%
CASH CAPEX <sup>2</sup>	2,446	2,779	13.6%	8,861	9,534	7.6%
NET DEBT (IN € BN)	39.1	42.5	8.7%	39.1	42.5	8.7%

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. Q4/13: €1,022 million; Q4/14: € 338 million; FY/13: € 2,207 million ; FY/14: € 2,310 million

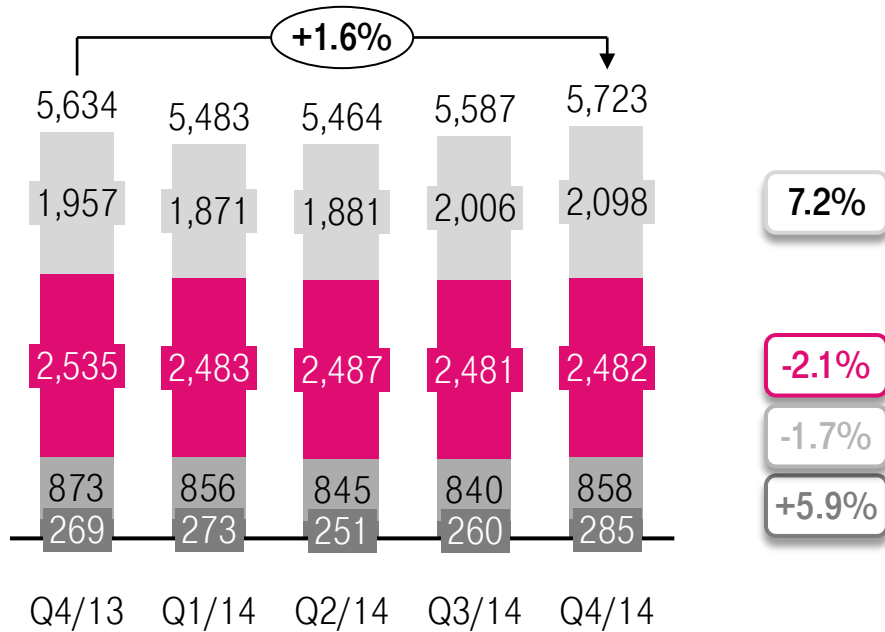


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# GERMANY: REVENUE GROWTH DRIVEN BY MOBILE SERVICE REVENUES

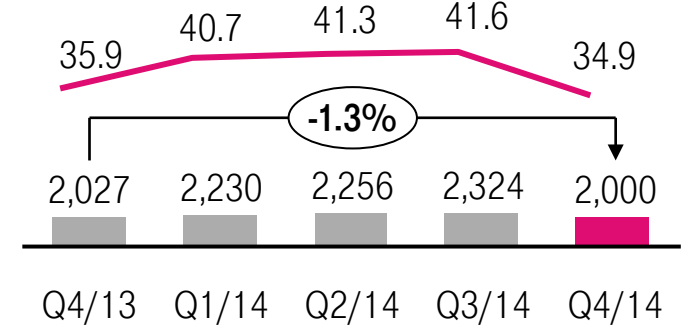
## REVENUE

€ mn    Mobile    Core fixed    Wholesale services    Others



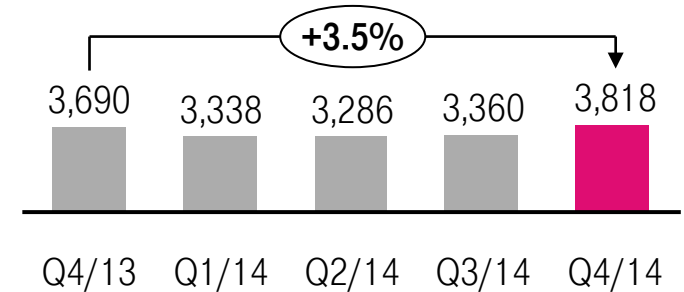
## ADJ. EBITDA AND MARGIN (IN %)

€ mn



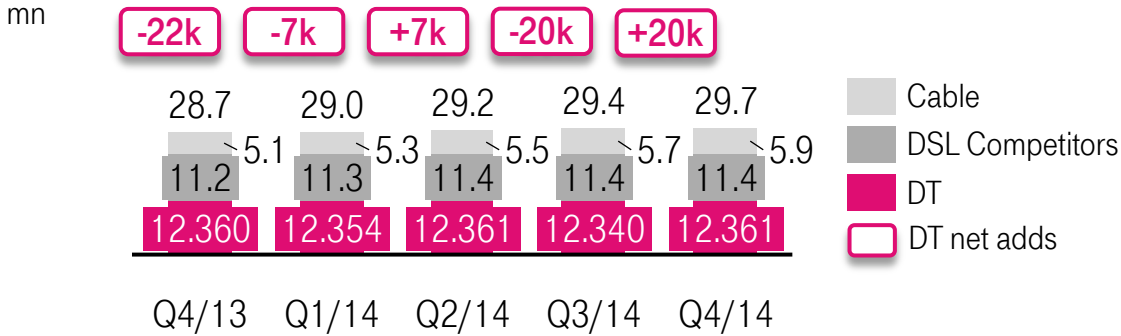
## ADJ. OPEX

€ mn

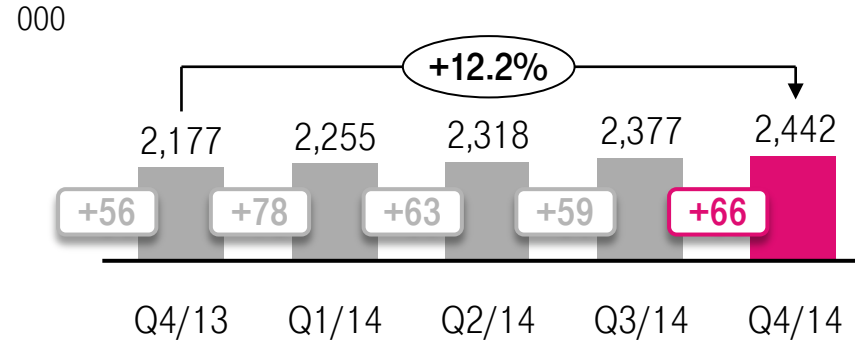


# GERMANY FIXED: NETWORK ROLL-OUT DRIVES FIBER NET-ADDS TO RECORD LEVEL – BB-NET ADDS TURN POSITIVE

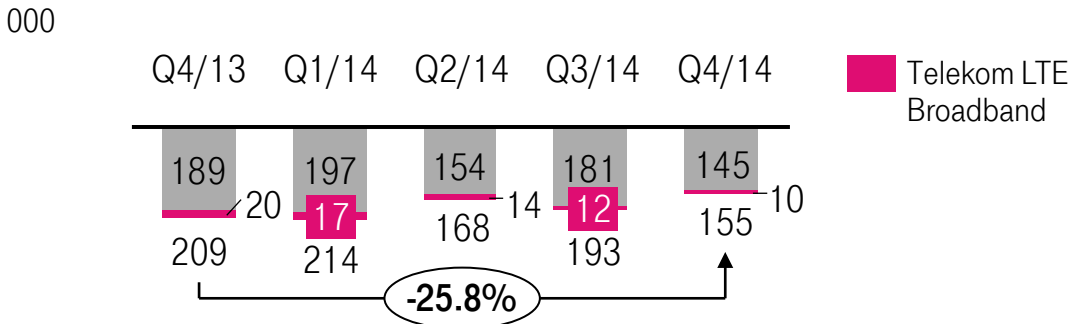
## GERMAN BROADBAND MARKET<sup>1</sup>



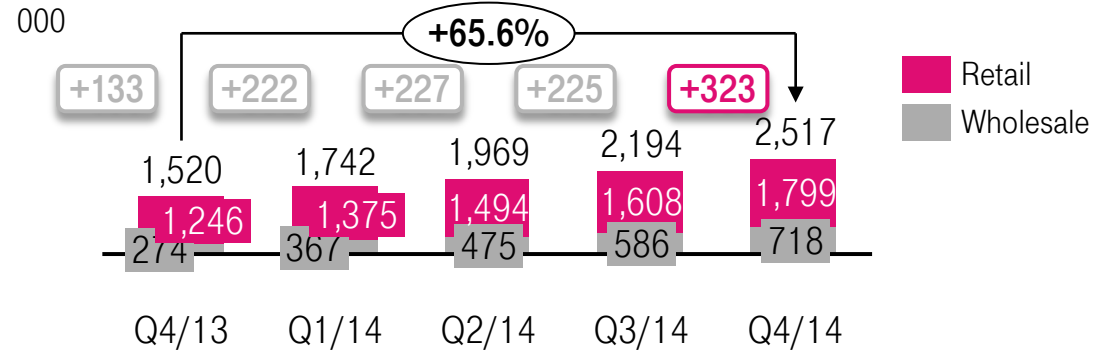
## ENTERTAIN CUSTOMERS



## LINE LOSSES



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



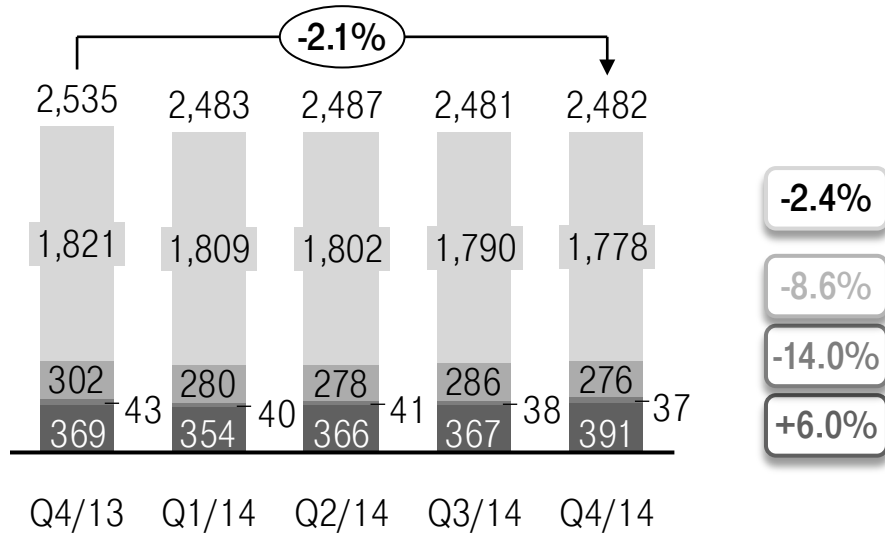
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

# GERMANY FIXED: Q4 BEST QUARTER IN REVENUE TREND DURING 2014

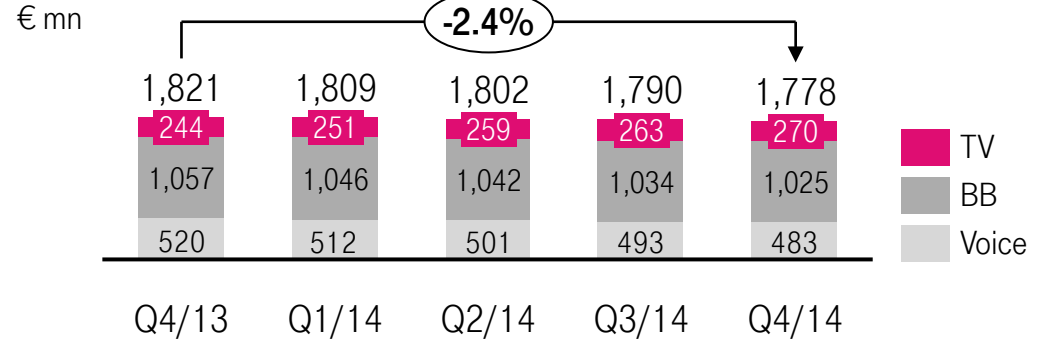
## FIXED NETWORK REVENUES (CORE FIXED)

€ mn

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

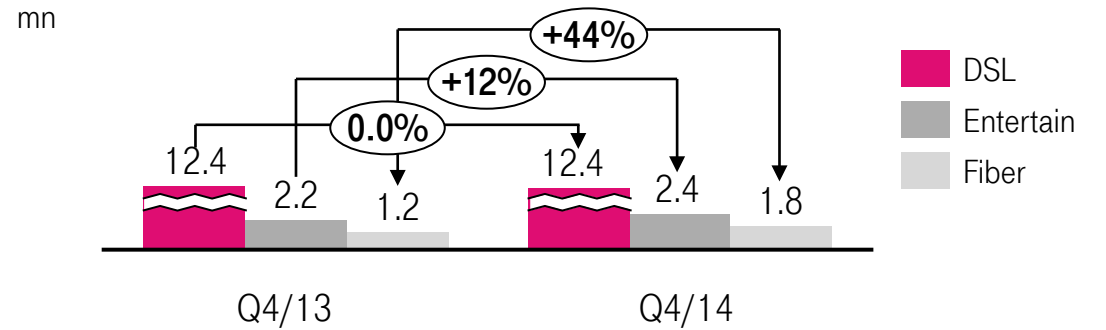


## FIXED REVENUES (FIXED LINE)



## RETAIL UPSELL STRATEGY ACCESS

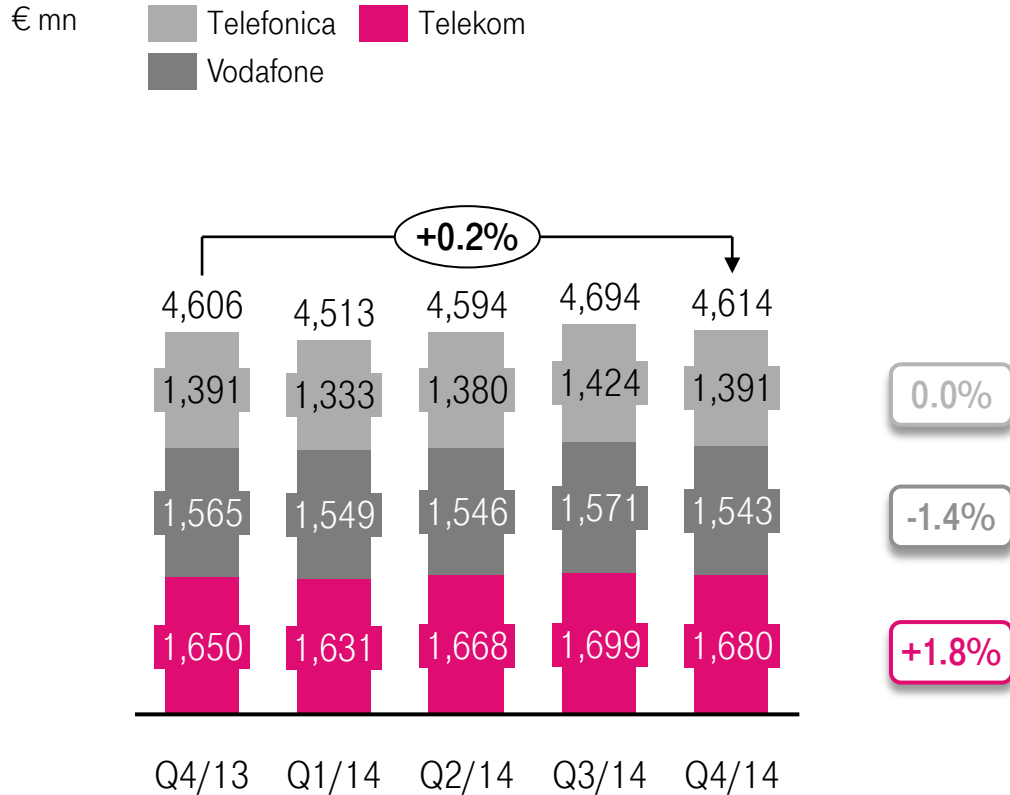
% calculated on exact numbers



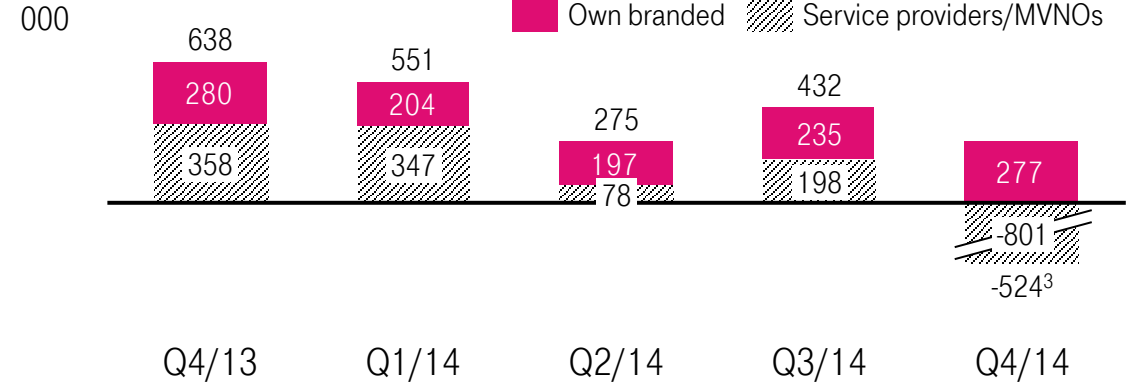


# GERMANY MOBILE: GERMAN MOBILE MARKET GROWS AGAIN – DT CONTINUES TO OUTPERFORM

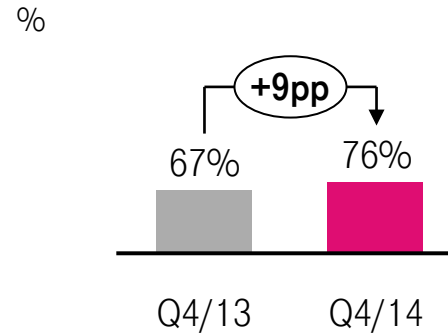
## GERMAN MOBILE MARKET SERVICE REVENUE



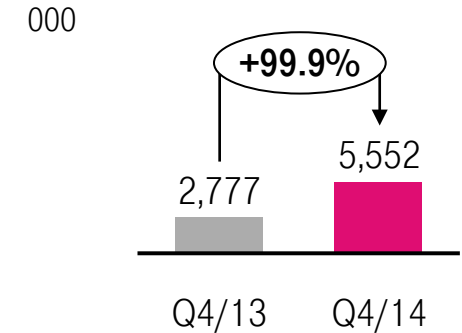
## CONTRACT NET ADDS



## SMARTPHONE PENETRATION<sup>1</sup>



## LTE CUSTOMERS<sup>2</sup>

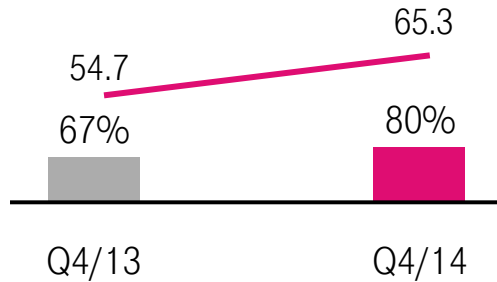


1) Of own branded retail customers 2) Customers using a LTE-device and tariff plan including LTE 3) Impacted by the de-recognition of 1.5 million inactive SIM cards by one service provider

# GERMANY: ACCELERATED LTE ROLL-OUT. FIBER ROLL-OUT AND IP-MIGRATION ON TRACK.

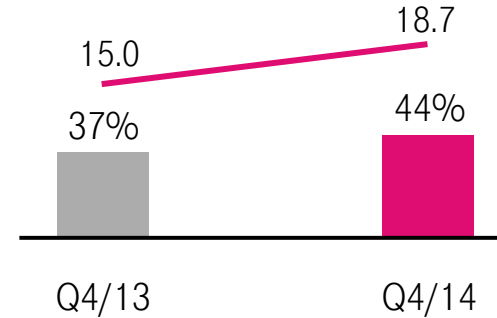
## INS- STATUS LTE ROLLOUT

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



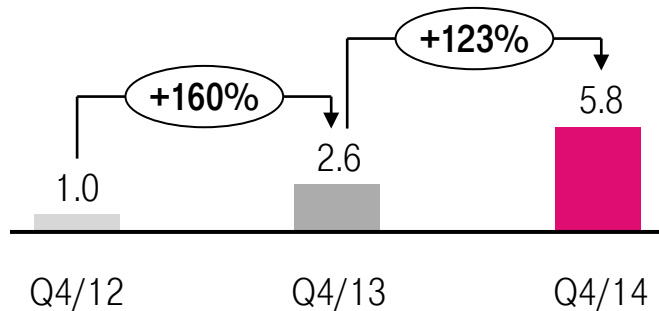
## INS- STATUS FIBER ROLLOUT<sup>2</sup>

Coverage in mn households and %

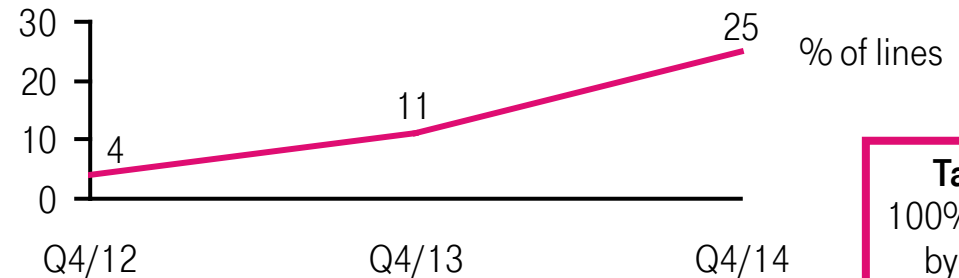


## STATUS IP ACCESSES (RETAIL & WHOLESALE)

mn



## STATUS IP ACCESSES (RETAIL & WHOLESALE)



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

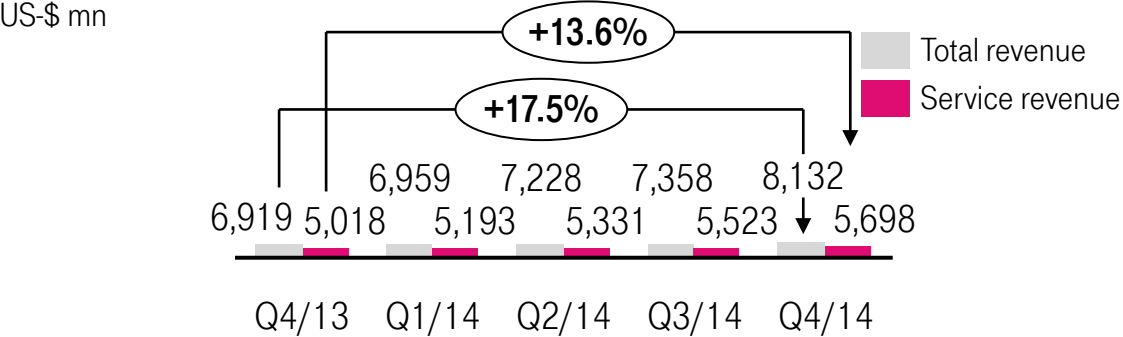
1) outdoor coverage 2) in % of households within fixed network coverage in Germany



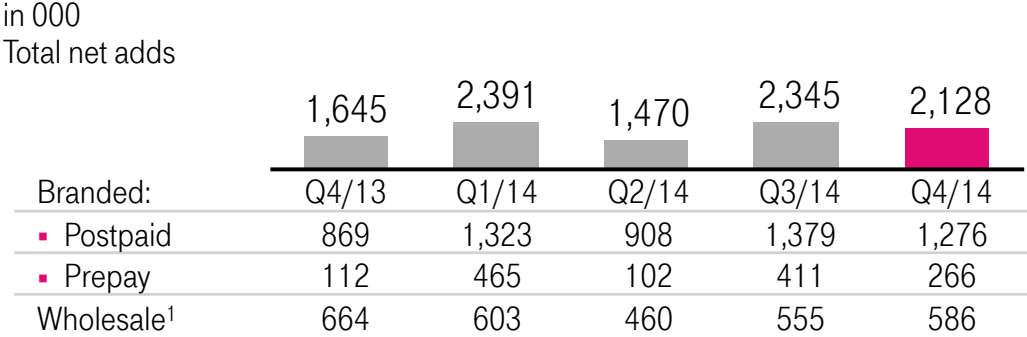
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# TMUS: CONTINUED NET ADD MOMENTUM ACCELERATING REVENUE GROWTH AND STRONG ADJUSTED EBITDA GROWTH

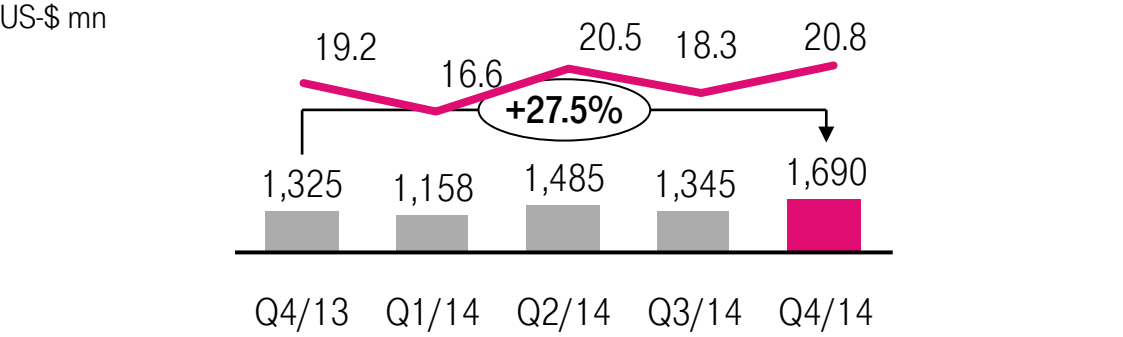
## REVENUE AND SERVICE REVENUE



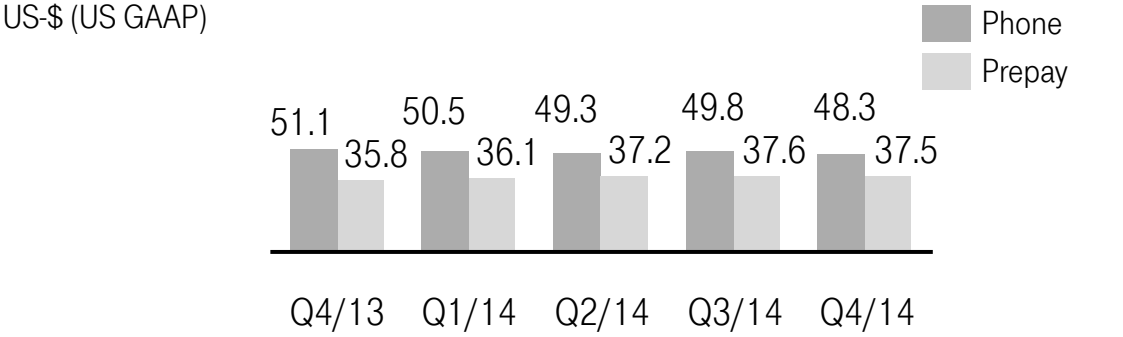
## NET ADDS



## ADJ. EBITDA AND MARGIN (IN %)



## BRANDED CUSTOMERS: POSTPAID PHONE AND PREPAY ARPU

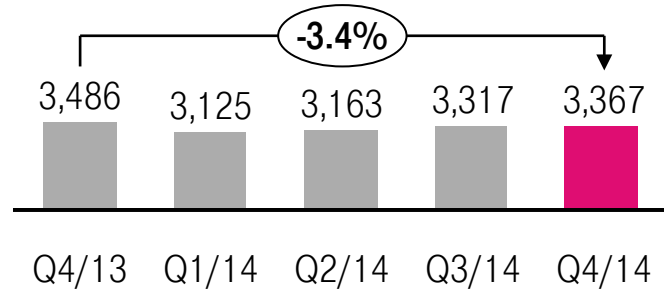


1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

# EUROPE: ONGOING COST SAVINGS LIMIT IMPACT OF REVENUE DECLINE ON PROFITABILITY

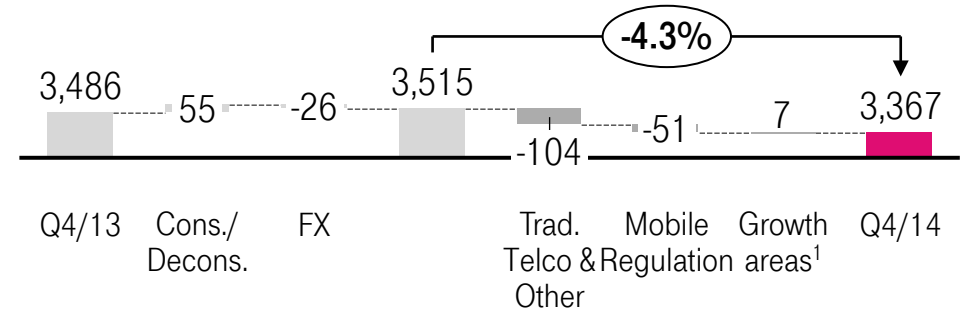
## REVENUE AS REPORTED

€ mn



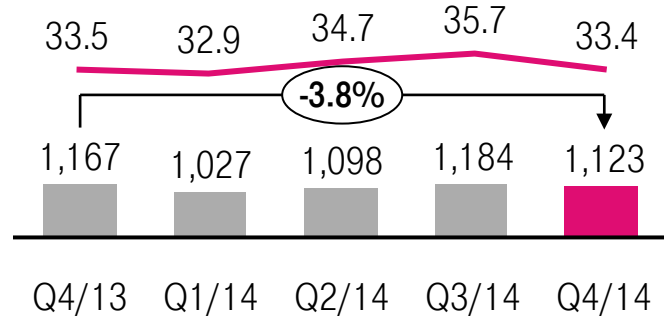
## ORGANIC REVENUE DEVELOPMENT

€ mn



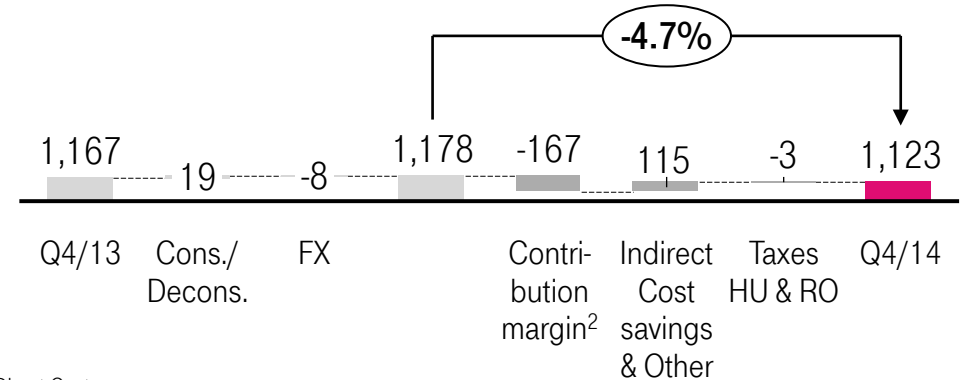
## ADJ. EBITDA AND MARGIN (IN %) AS REPORTED

€ mn



## ORGANIC ADJ. EBITDA DEVELOPMENT

€ mn



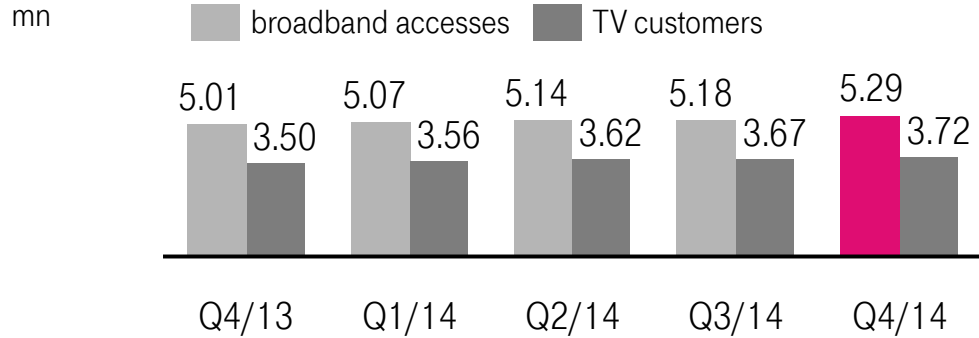
1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other) 2) Total Revenues – Direct Cost



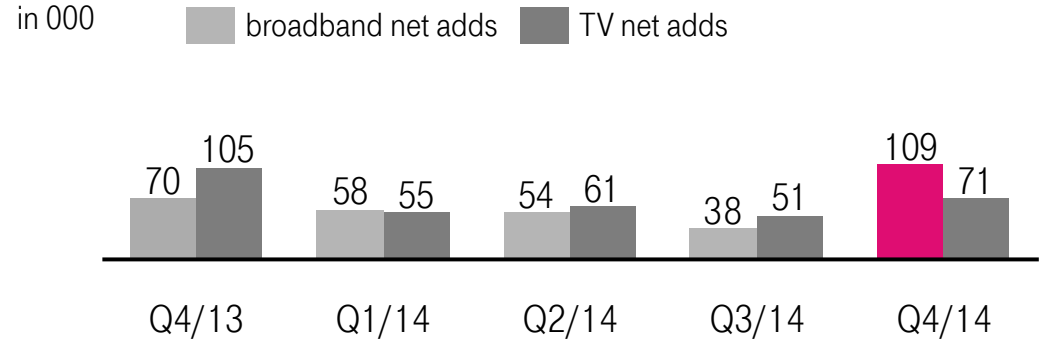
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# EUROPE: CONTINUED GROWTH IN BROADBAND AND TV BASE

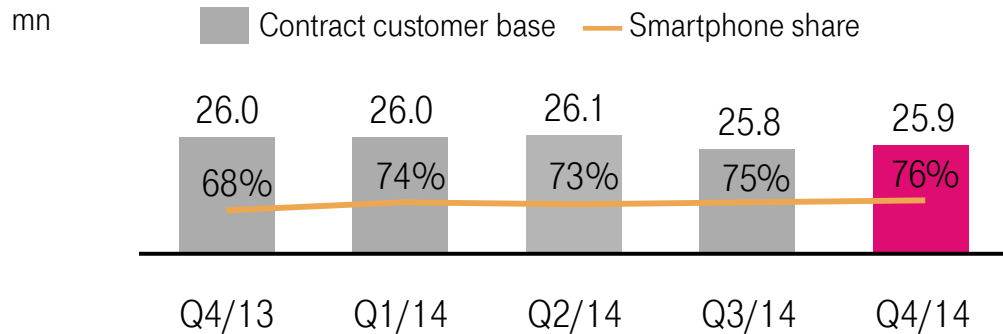
## POCKETS OF GROWTH – BROADBAND AND TV<sup>1</sup>



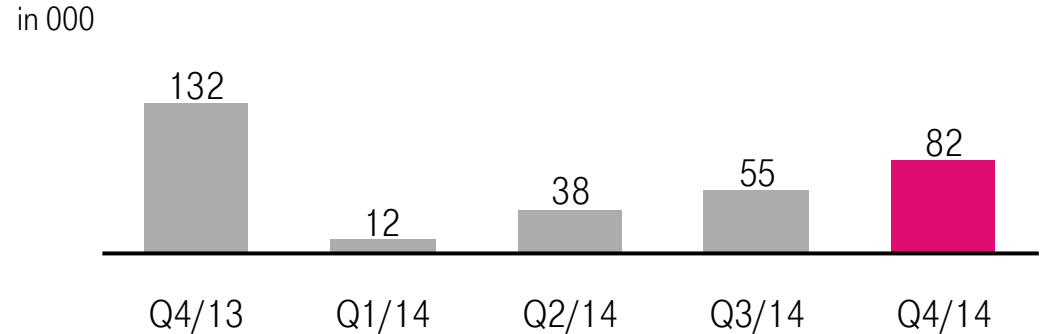
## NET ADDS – BROADBAND AND TV<sup>1</sup>



## POCKETS OF GROWTH – MOB. CONTRACT AND SMARTPHONES<sup>1</sup>



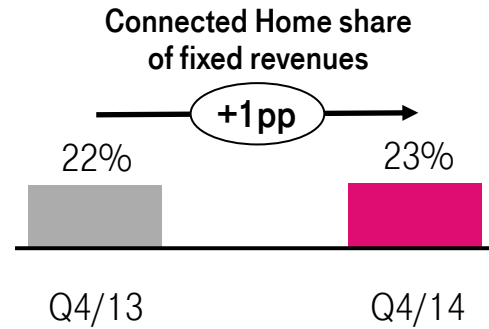
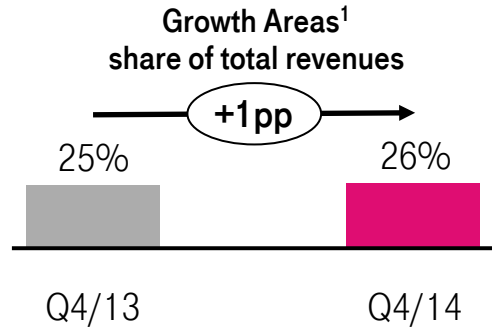
## NET ADDS – MOBILE CONTRACT<sup>1</sup>



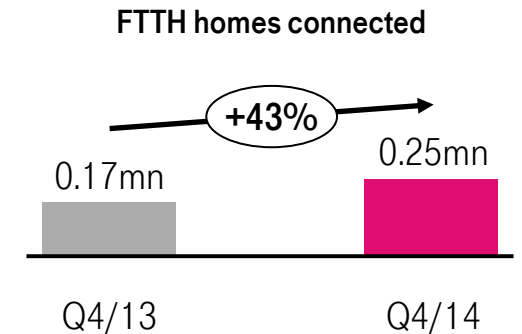
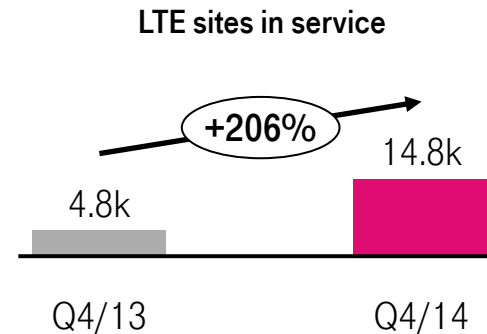
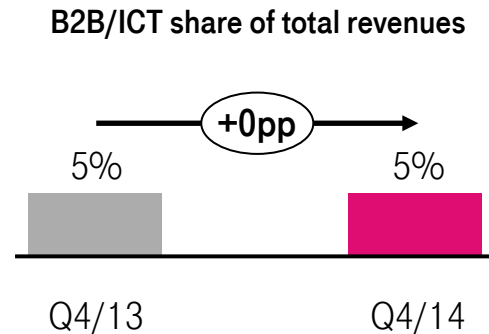
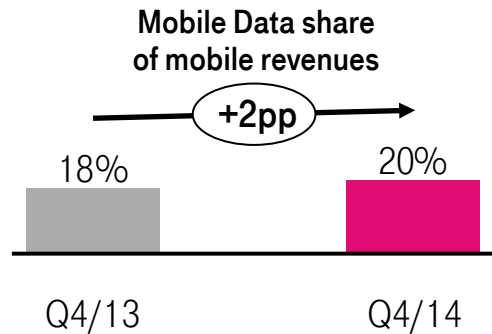
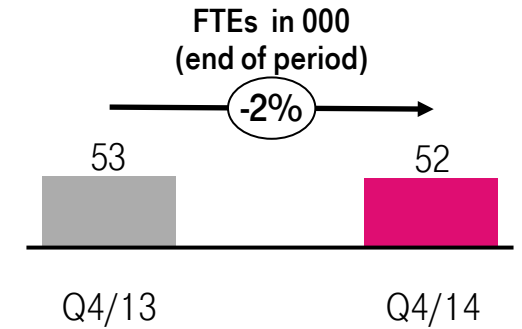
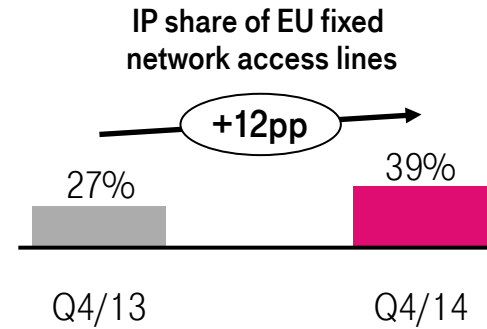
<sup>1</sup>) incl. business customers shifted to T-Systems in Hungary as of 1.1.2011. Smartphone share w/o AL and Bulgaria based on purchased devices. The customers of our companies in Bulgaria and Online in the Netherlands are no longer included in the Europe operating segment since August 1, 2013 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. TV net adds in Q4 have been adjusted for the sale of 27k SAT-TV customer base in the Czech Republic

# EUROPE: ONGOING REVENUE AND NETWORK TRANSFORMATION

## REVENUE TRANSFORMATION



## TECHNOLOGY AND COST TRANSFORMATION



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

# SYSTEMS SOLUTIONS: COST REDUCTION CONTINUES – MARKET UNIT WITH IMPROVED REVENUE TREND AND EBIT-MARGIN

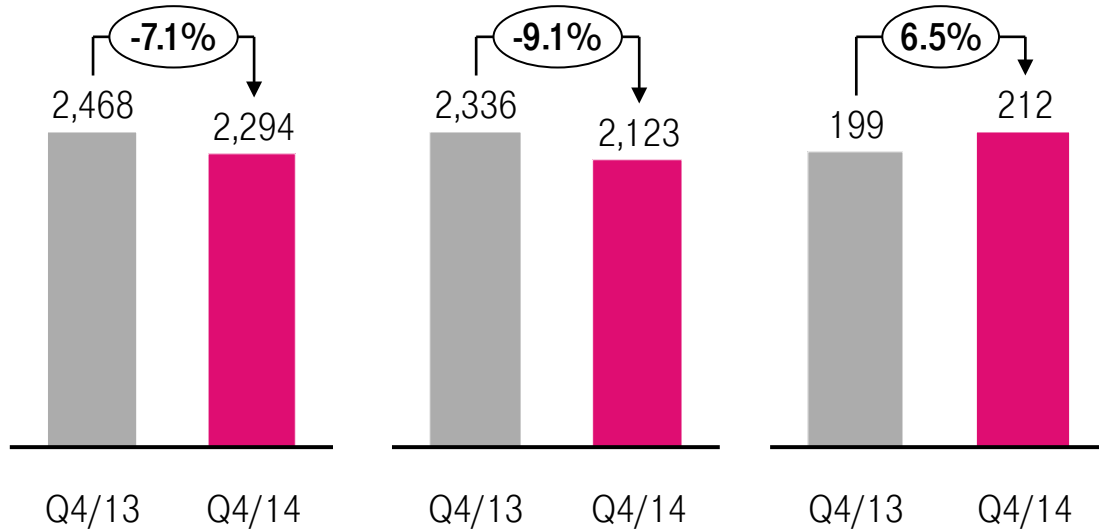
## T-SYSTEMS FINANCIALS

€ mn

TOTAL REVENUE

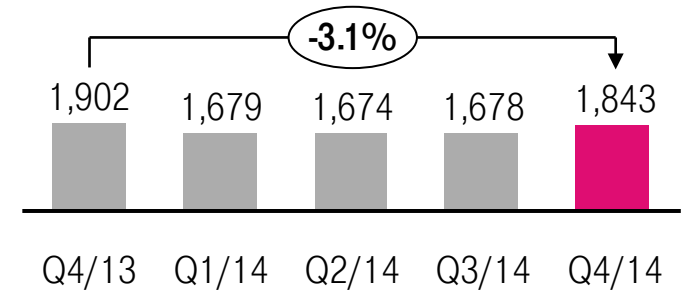
ADJ. OPEX

ADJ. EBITDA



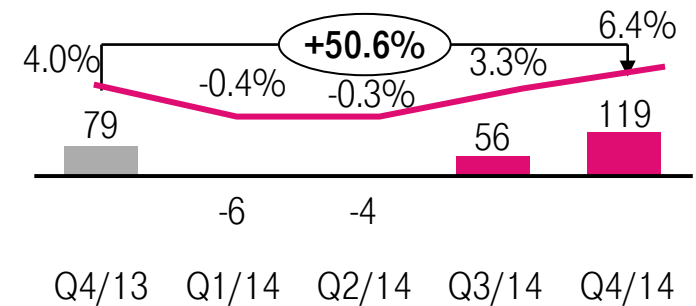
## REVENUE MARKET UNIT

€ mn



## ADJ. EBIT AND MARGIN MARKET UNIT

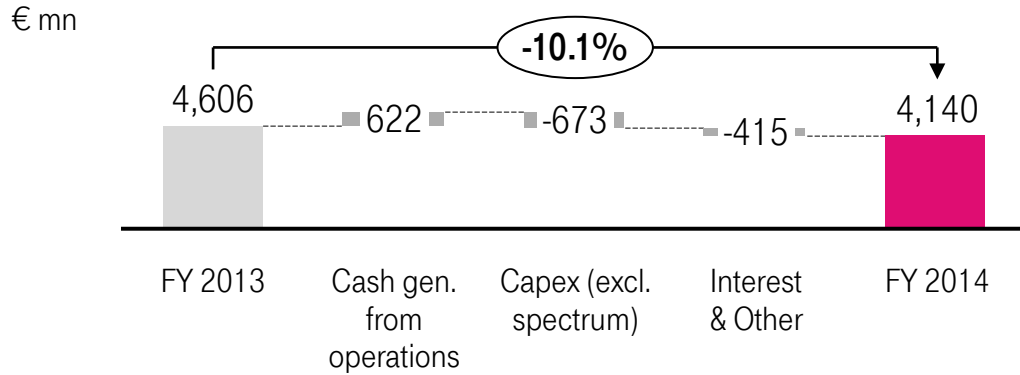
%  
€ mn



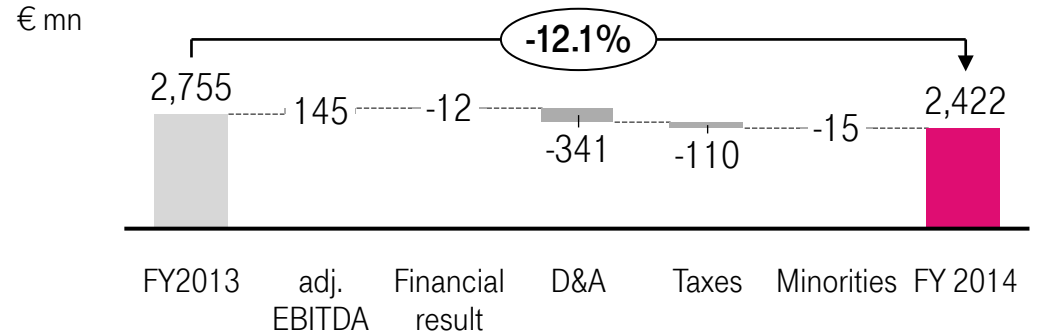
LIFE IS FOR SHARING.

# FINANCIALS: FY FCF IN LINE WITH GUIDANCE OF AROUND 4.2 BILLION

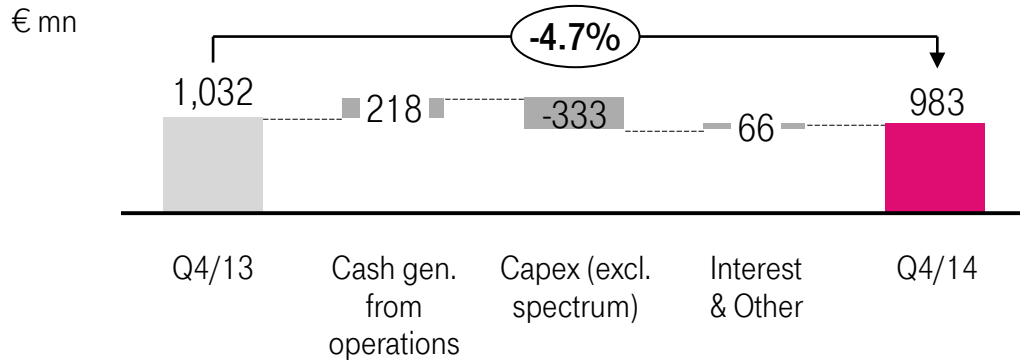
## FREE CASH FLOW FY 2014



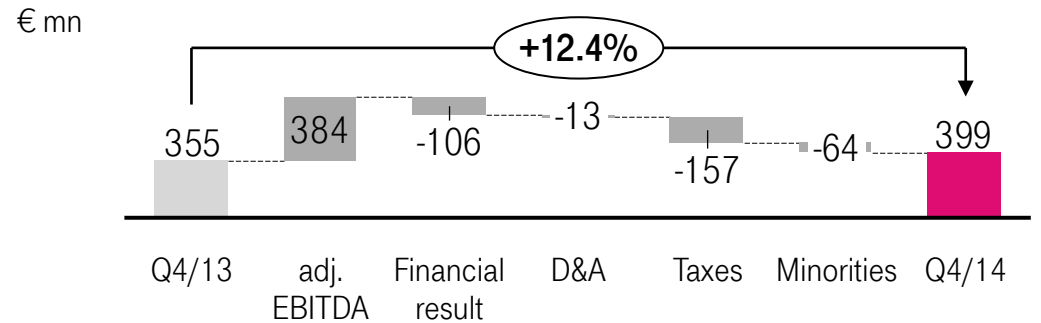
## ADJ. NET INCOME FY 2014



## FREE CASH FLOW Q4<sup>1</sup>



## ADJ. NET INCOME Q4

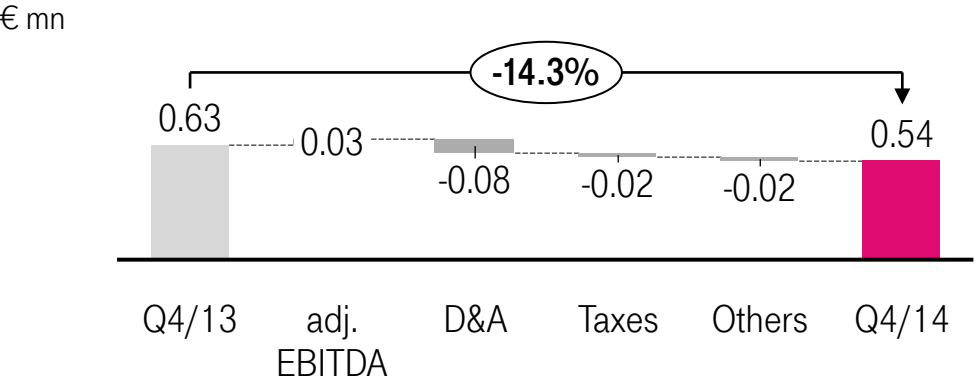


1) Free cash flow before dividend payments, spectrum investment 2) includes book gain on sale of Scout24

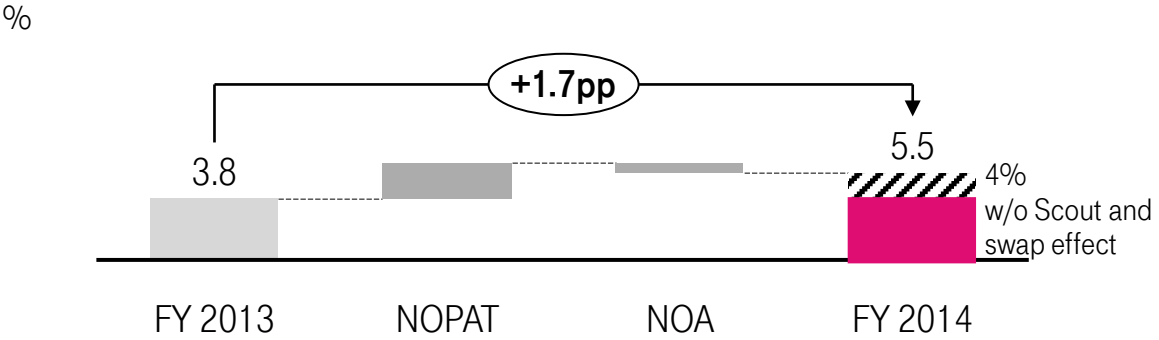


# FINANCIALS: ROCE, EPS AND NET DEBT

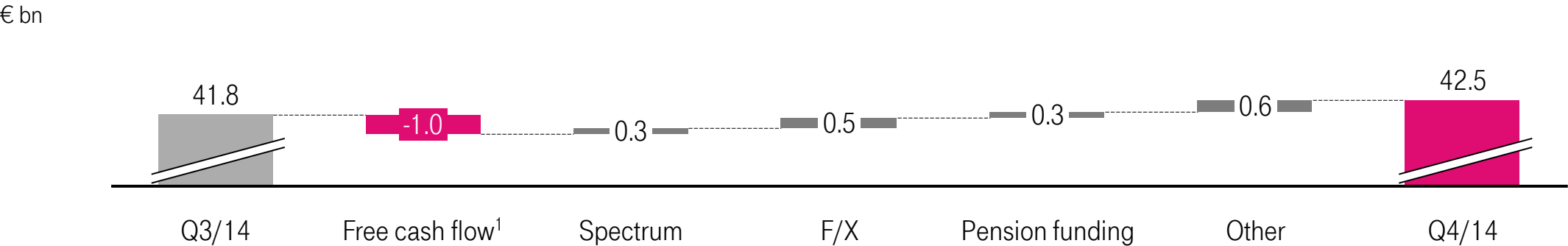
## DEVELOPMENT ADJ. EPS FY 2014



## ROCE DEVELOPMENT FY 2014<sup>2</sup>



## NET DEBT DEVELOPMENT Q4

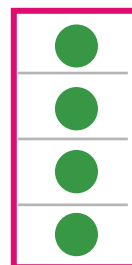


1) Free cash flow before dividend payments, spectrum investment 2) includes book gain on sale of Scout24 and Verizon spectrum swaps

# FINANCIALS: BALANCE SHEET RATIOS WITHIN TARGET RANGES

€ BN	31/12/2013	31/03/2014	30/06/2014	30/09/2014	31/12/2014
BALANCE SHEET TOTAL	118.1	117.3	118.0	125.0	129.4
SHAREHOLDERS' EQUITY	32.1	32.8	32.5	34.0	34.1
NET DEBT	39.1	38.0	41.4	41.8	42.5
NET DEBT/ADJ. EBITDA <sup>1</sup>	2.2	2.2	2.4	2.4	2.4
EQUITY RATIO	27.1%	27.9%	27.5%	27.2%	26.3%

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.

# 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



# FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

## INVESTOR RELATIONS

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