



# DEUTSCHE TELEKOM

## Q3/15 RESULTS

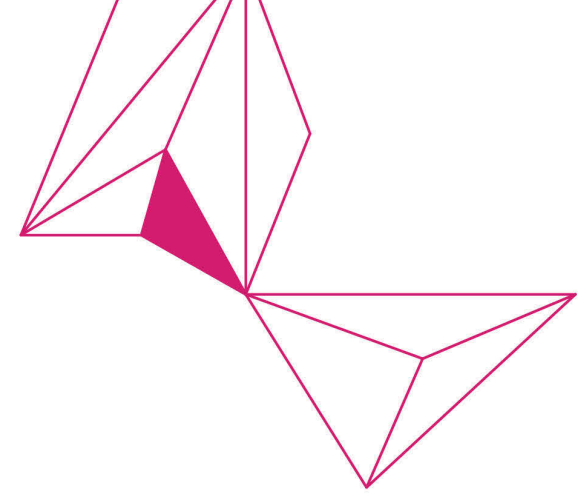
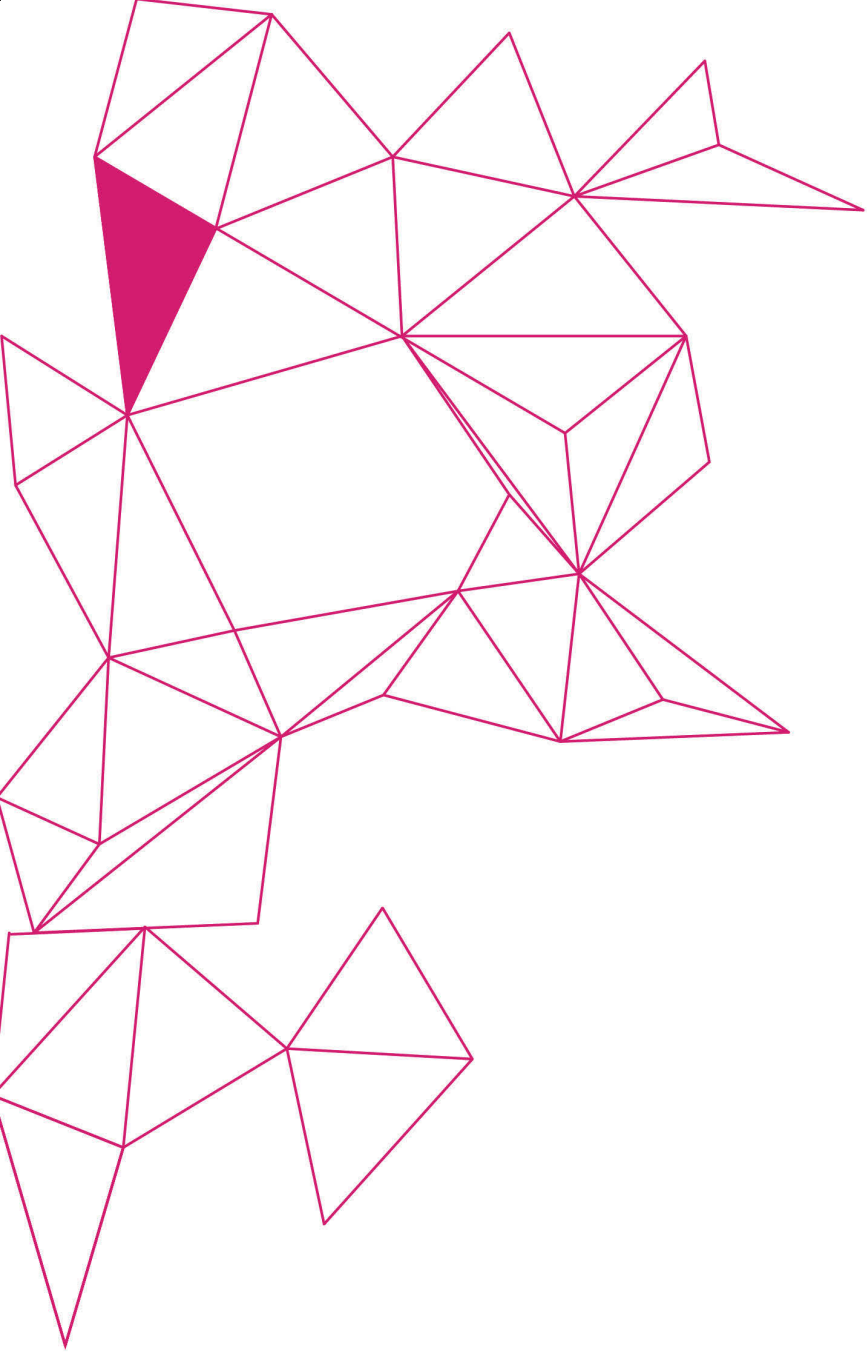


LIFE IS FOR SHARING.

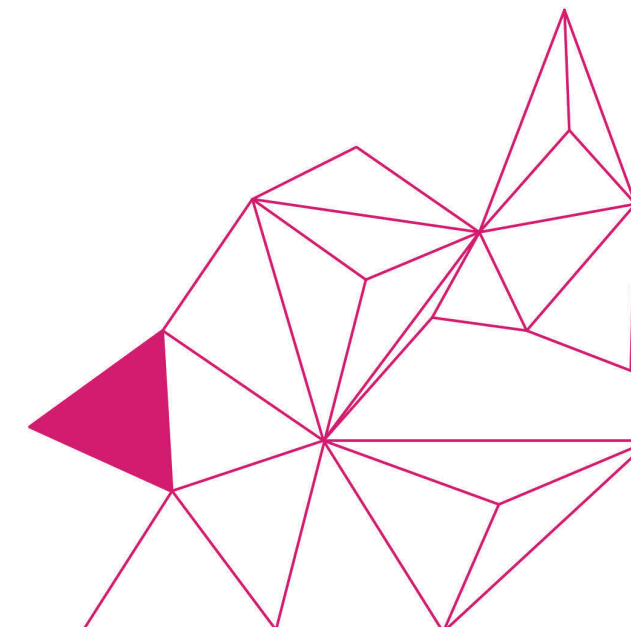
# DISCLAIMER

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 Q3/15



# LEADING EUROPEAN TELCO: KEY MESSAGES Q3

- 1** On track for our 2015 guidance and our Capital Markets Day targets. We re-iterate our guidance. Strong growth in all relevant financial KPIs. Germany growing in top-line revenues
- 2** All-IP migration and fiber expansion in Europe and LTE roll-out in Europe and the US well on track. Continued heavy investments in quality differentiation: 7.8 billion €<sup>1</sup> in 9M
- 3** Strong momentum in KPIs (TM US net adds, German fiber/broadband and line losses, Magenta1, European TV and broadband subs)
- 4** T-Mobile continues to lead in growth rates on the US mobile market. Subscriber forecast raised for the third time this year while keeping EBITDA guidance unchanged
- 5** Continued execution in portfolio management to crystallize value: Scout24 and T-Online

1) Excl. spectrum



# 9M/15: FINANCIAL HIGHLIGHTS

€ MN	Q3			9M		
	2014	2015	Change	2014	2015	Change
REVENUE	15,648	17,099	+9.3%	45,656	51,369	+12.5%
ADJ. EBITDA	4,575	5,165	+12.9%	13,125	14,765	+12.5%
ADJ. NET PROFIT	800	1,040	+30.0%	2,023	3,154	+55.9%
NET PROFIT	506	809	+59.9%	3,034	2,308	-23.9%
ADJ. EPS (IN €)	0.17	0.22	+29.4%	0.45	0.69	+53.3%
EPS (IN €)	0.11	0.18	+63.6%	0.68	0.51	-25.0%
FREE CASH FLOW <sup>1</sup>	1,125	1,308	+16.3%	3,157	3,548	+12.4%
CASH CAPEX <sup>2</sup>	2,493	2,698	+8.2%	6,755	7,803	+15.5%
NET DEBT (IN € MN)	41,809	47,868	+14.5%	41,809	47,868	+14.5%

1) Free cash flow before dividend payments and spectrum investment    2) Excl. Spectrum: Q3/14: 91 million €; Q3/15: 115 million €; 9M/14: 1,972 million €; 9M/15: 3,769 million €



LIFE IS FOR SHARING.

# TRANSACTIONS: CONTINUED PORTFOLIO TRANSFORMATION

## T-ONLINE TRANSACTION

- Merger of T-Online portal business and Interactive Media into Stroer
- DT receives Stroer shares worth 0.4 billion € currently

- **Value crystallization of non-strategic assets with strong partners**

## SCOUT24 IPO

- Successful IPO of Scout24 with 0.4 billion € of proceeds for DT
- Total proceeds for Scout24 now at 2.1 billion €

- **Monetization of non-strategic assets**

## AIR TO GROUND TRANSACTION

- Partnership with Inmarsat “European Aviation Network” to combine satellite connection with terrestrial based LTE
- Bringing LTE based high speed connectivity to aviation passengers in Europe

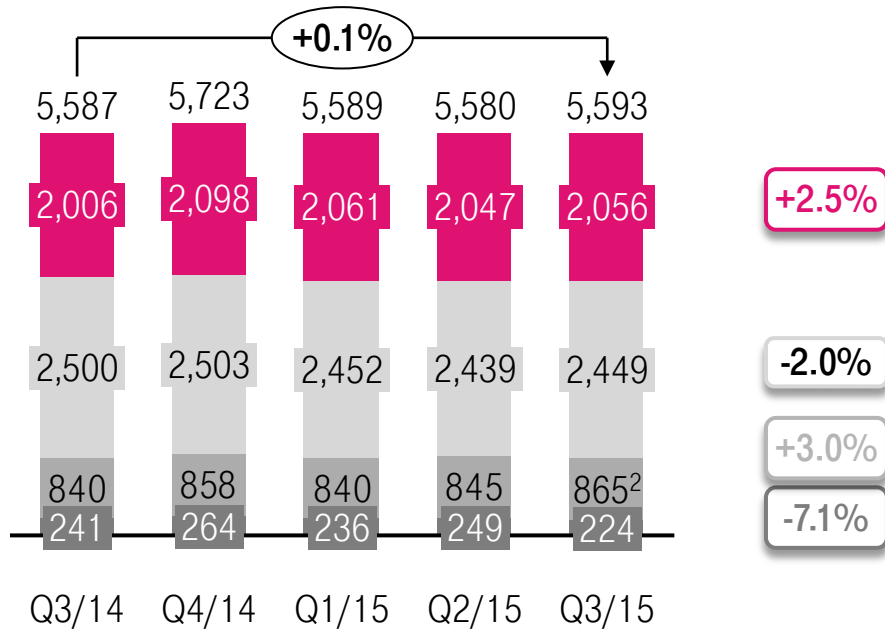
- **Network leadership and seamless connectivity for our customers**



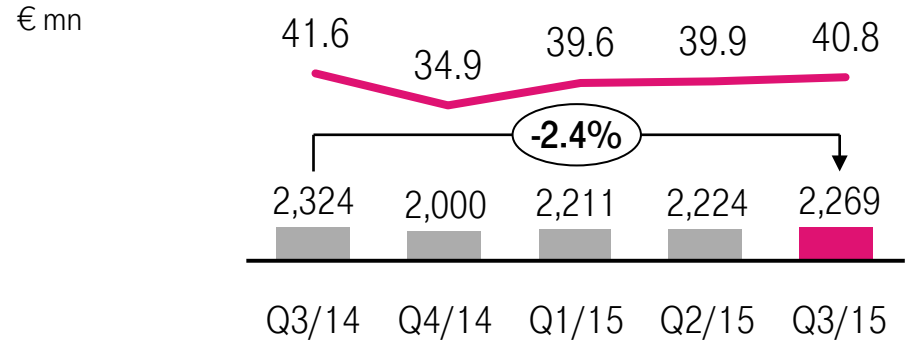
# GERMANY: ON TRACK FOR STABLE ADJ. EBITDA IN 2015

## REVENUE REPORTED<sup>1</sup>

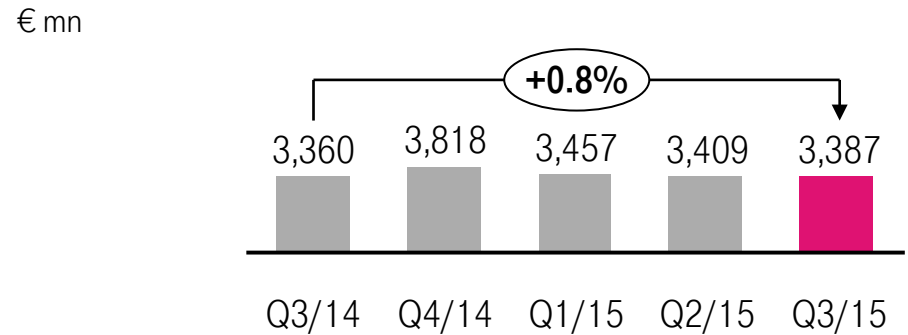
€ mn    Mobile    Core fixed    Wholesale services    Others



## ADJ. EBITDA AND MARGIN (IN %)



## ADJ. OPEX

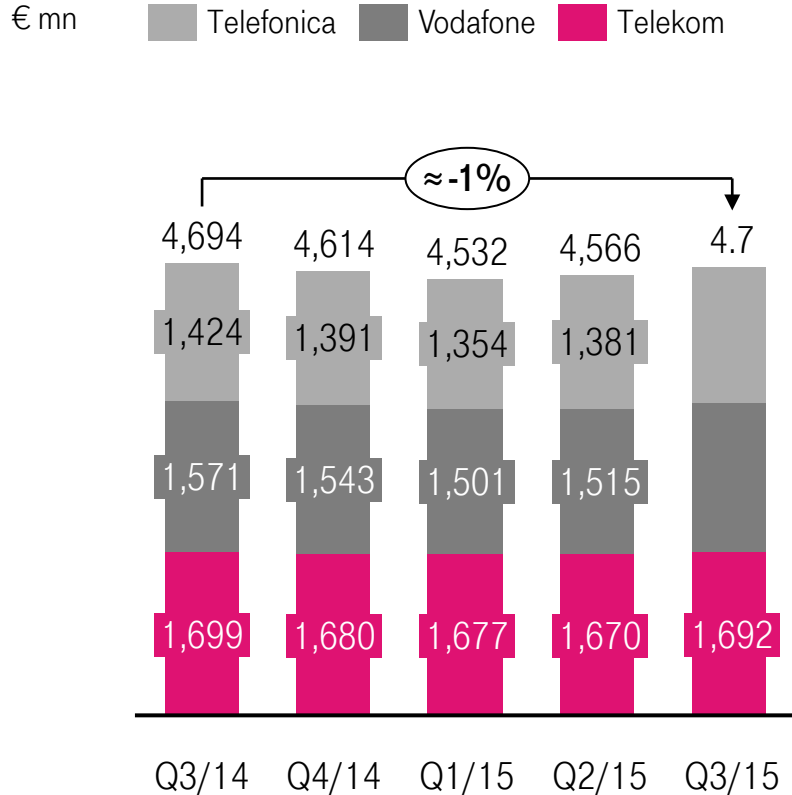


1) Online consumer service revenues in "others" have been allocated to revenues from core fixed since Jan. 1st 2015. Prior year figures have been adjusted accordingly

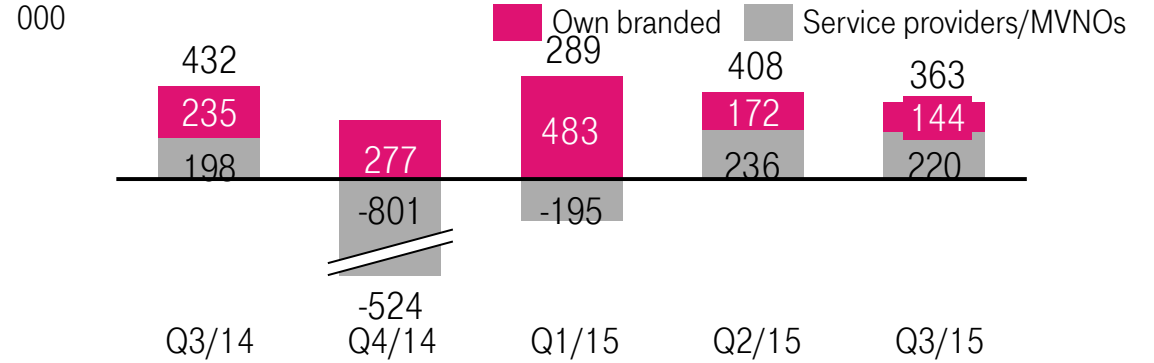
2) Revenue in Q3/15 benefitted from special factor related to settlement agreements concerning charged fees from previous years. Adjusted growth rate at 0.0%

# GERMANY MOBILE: CONTINUED MARKET OUTPERFORMANCE

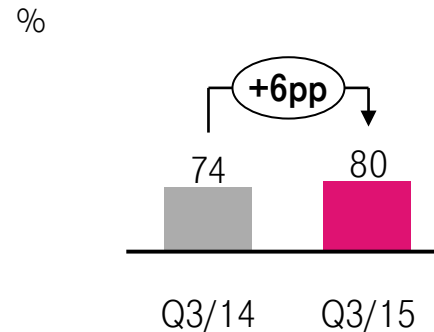
## GERMAN MOBILE MARKET SERVICE REVENUE<sup>1</sup>



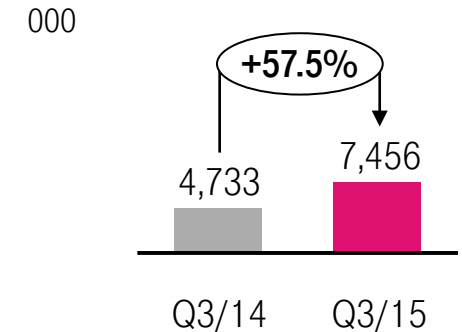
## CONTRACT NET ADDS<sup>4</sup>



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



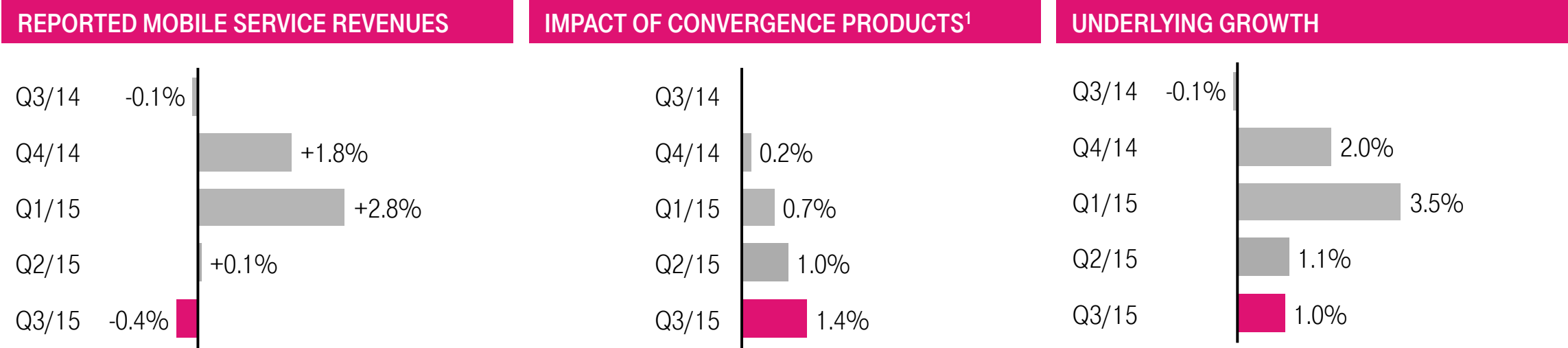
## LTE CUSTOMERS<sup>3</sup>



1) Management estimate 2) Of own branded retail customers 3) Customers using a LTE-device and tariff plan including LTE 4) Figures may not add up due to rounding



# GERMAN MOBILE SERVICE REVENUES: HEALTHY UNDERLYING MOMENTUM

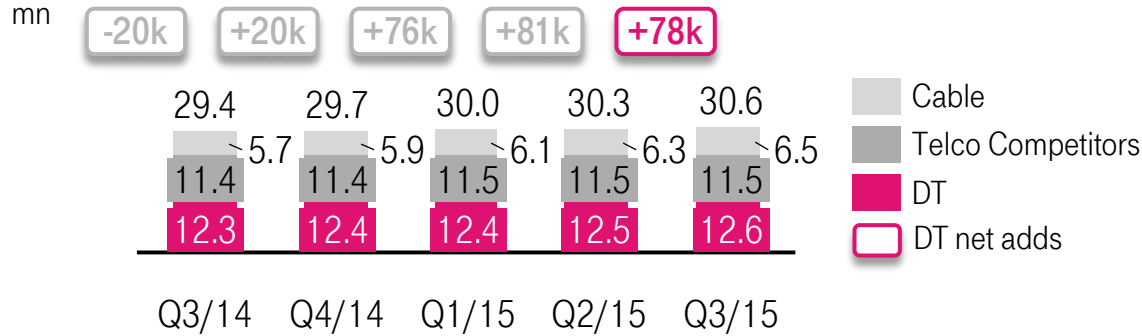


▪ Target of medium term CAGR of ≈1% (without EU roaming impact) reiterated

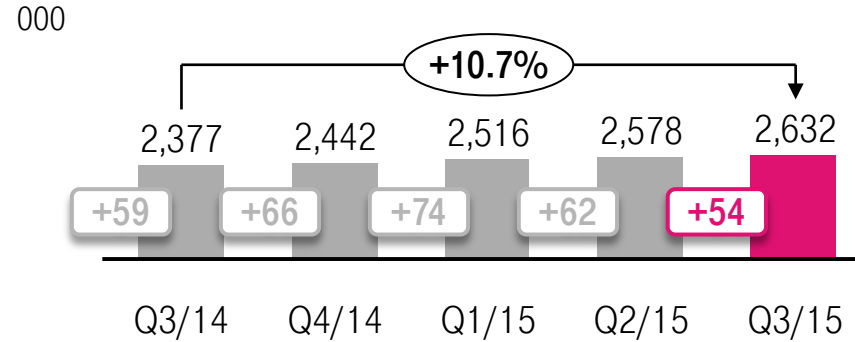
1) Impact of MagentaEINS and Telekom LTE broadband

# GERMANY FIXED: STRONG GROWTH WITH FIBER

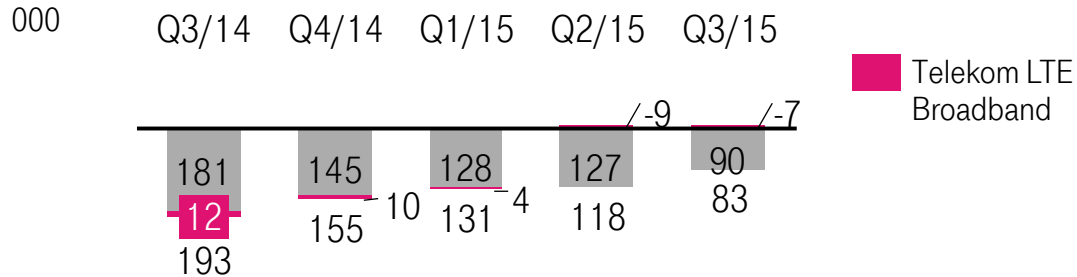
## GERMAN BROADBAND MARKET<sup>1</sup>



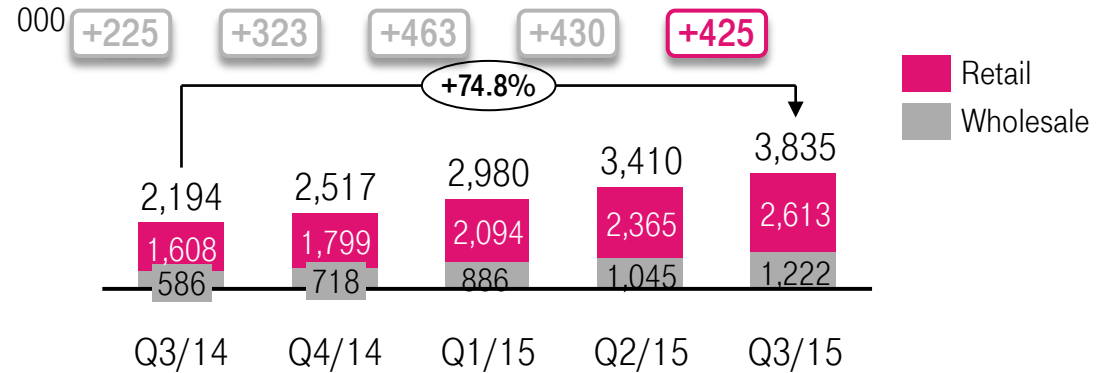
## ENTERTAIN CUSTOMERS



## LINE LOSSES



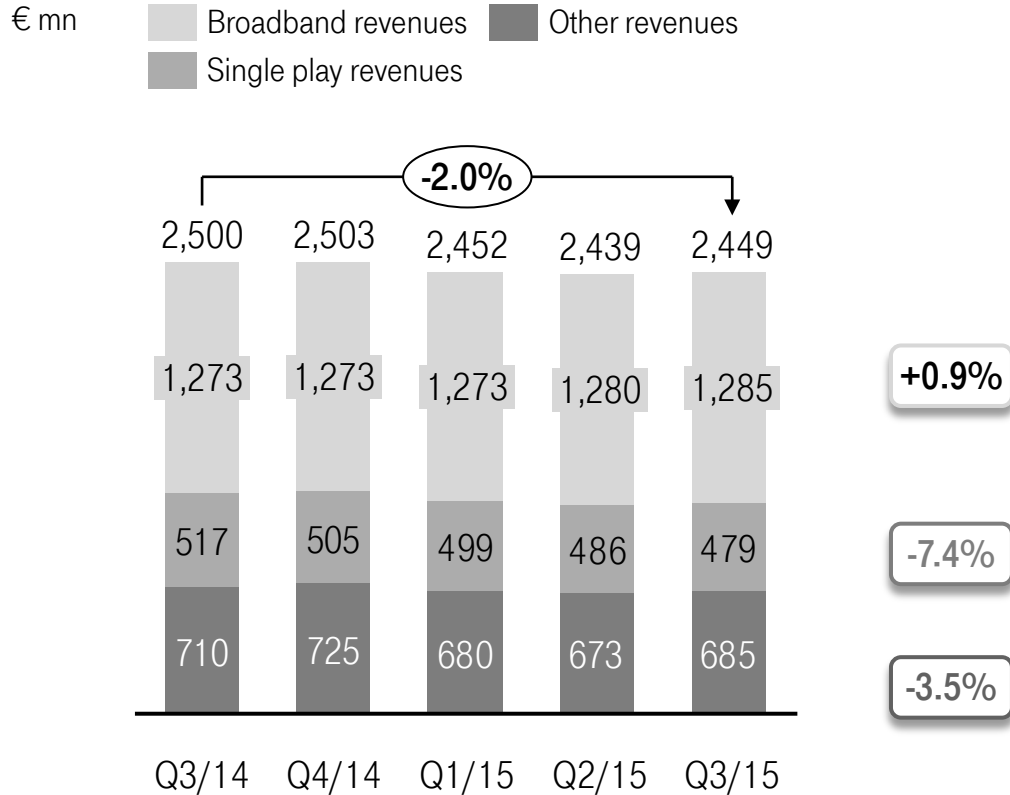
## FIBER CUSTOMERS<sup>2</sup>



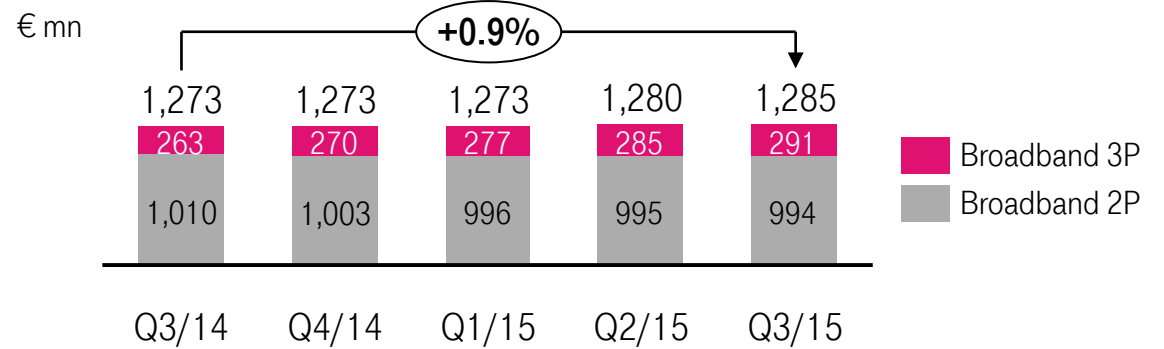
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

# GERMANY FIXED: BROADBAND REVENUES GROWING

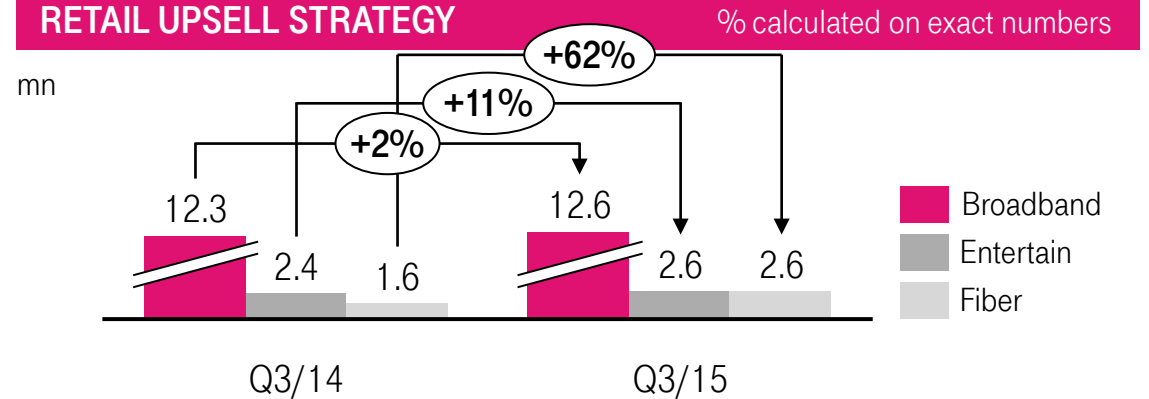
## FIXED NETWORK REVENUES (CORE FIXED)<sup>1</sup>



## BROADBAND REVENUES<sup>2</sup>



## RETAIL UPSELL STRATEGY



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.

# GERMAN TOTAL SERVICE REVENUES: EXECUTION TOWARDS CMD AMBITION LEVELS

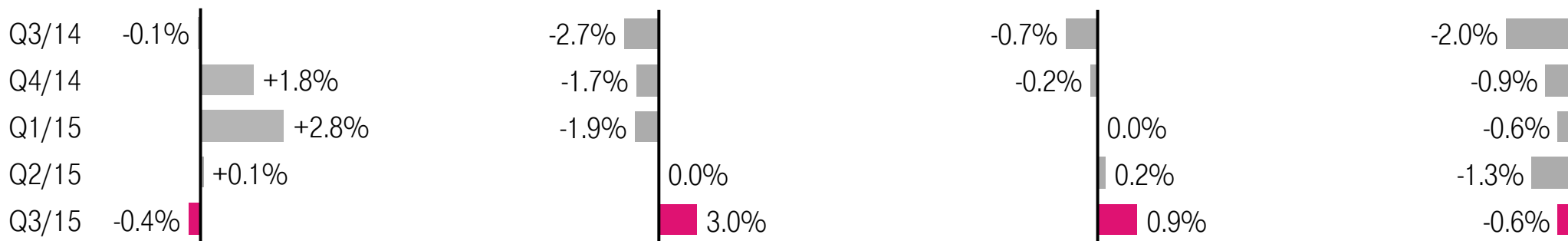
## GROWTH RATES YOY

### MOBILE SERVICE REVS

### WHOLESALE REVS<sup>3</sup>

### BROADBAND REVS<sup>2</sup>

### TOTAL SERVICE REVS



## MEDIUM TERM GUIDANCE

(2014 – 2018 CAGR)

### MOBILE SERVICE REVS

### WHOLESALE REVS

### BROADBAND REVS

### TOTAL REVS

≈ +1%<sup>1</sup>

+0.0%

+2.0%

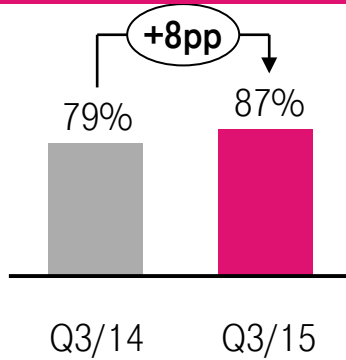
+0.3%<sup>1</sup>

1) Without EU roaming impact 2) Percentage changes for Q3/Q4 2014 not restated 3) Revenue in Q3/15 benefitted from special factor related to settlement agreements concerning charged fees from previous years. Adjusted growth rate at 0.0%

# GERMANY: INVESTING IN LTE, FIBER AND ALL-IP

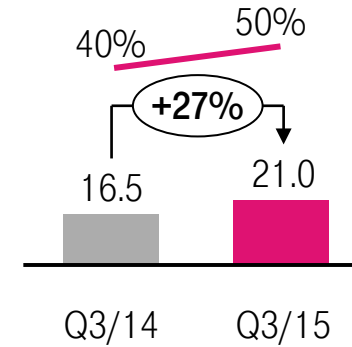
## INS - STATUS LTE ROLLOUT

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



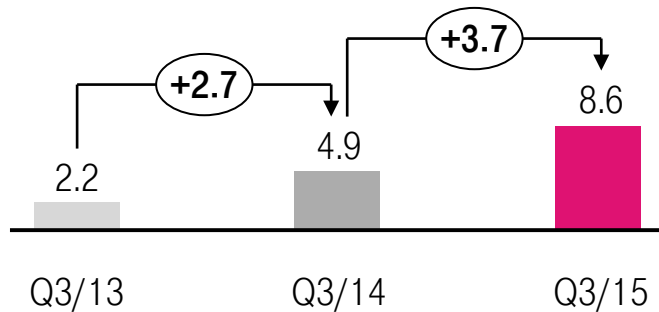
## INS - STATUS FIBER ROLLOUT<sup>2</sup>

Coverage in %  
and millions of households



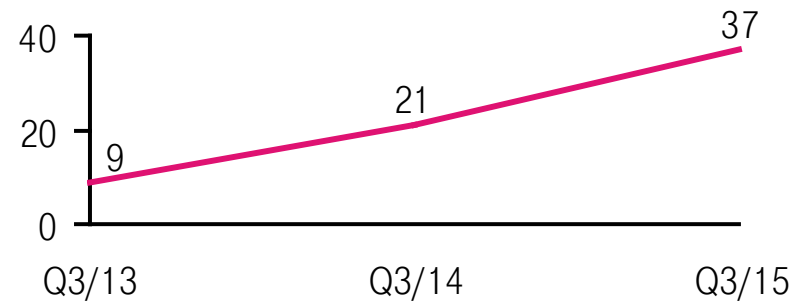
## STATUS IP ACCESSES (RETAIL & WHOLESALE)

mn



## STATUS IP ACCESSES (RETAIL & WHOLESALE)

in % of lines



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

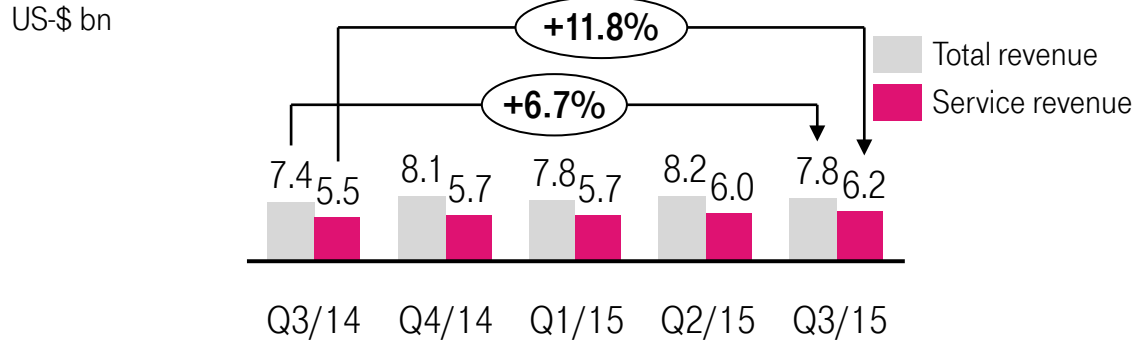
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany



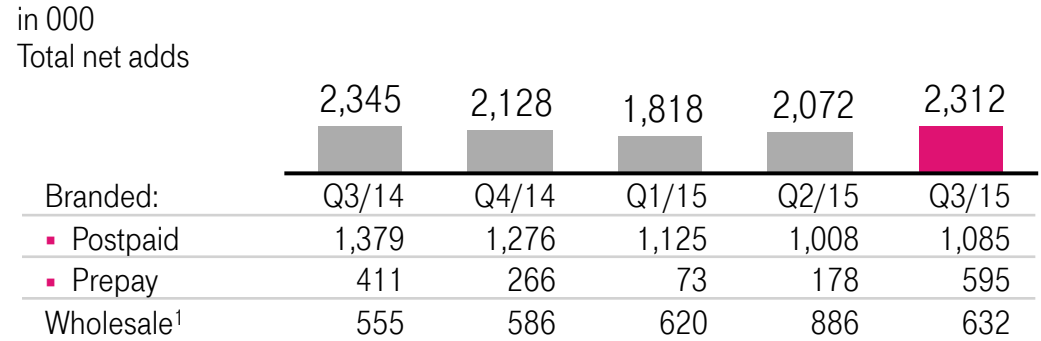
LIFE IS FOR SHARING.

# TMUS: 10TH SUCCESSIVE QUARTER OF OVER 1M NET ADDS DRIVING STRONG FINANCIAL GROWTH

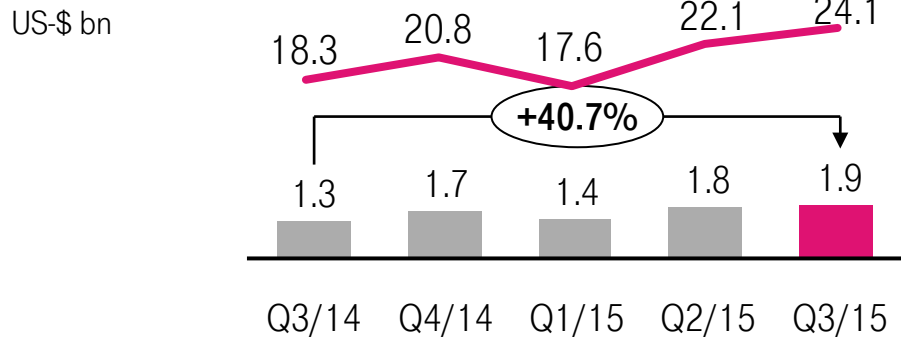
## REVENUE AND SERVICE REVENUE



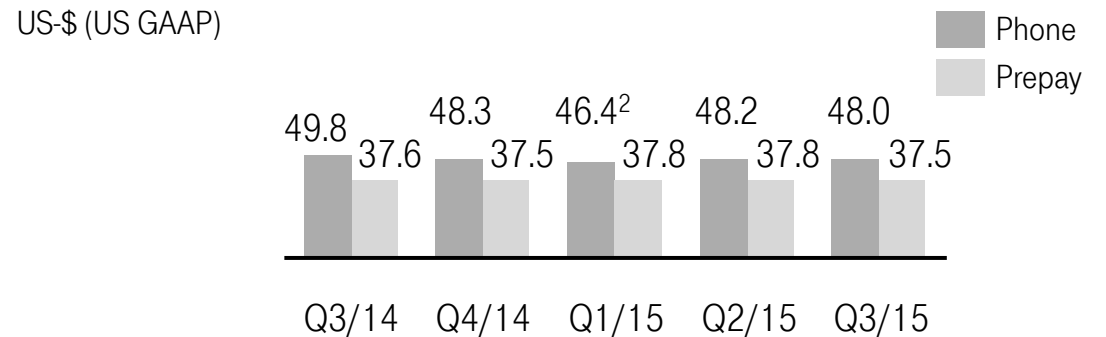
## NET ADDS



## 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.

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

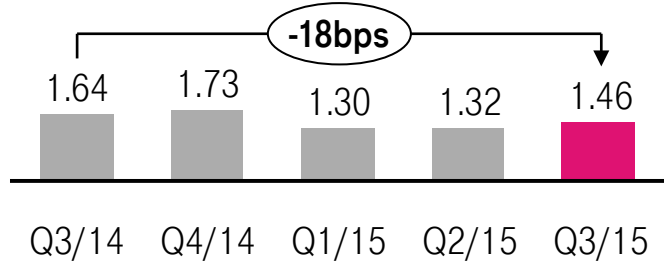


LIFE IS FOR SHARING.

# TMUS: KEY DRIVERS TRENDING WELL

## BRANDED POSTPAID PHONE CHURN

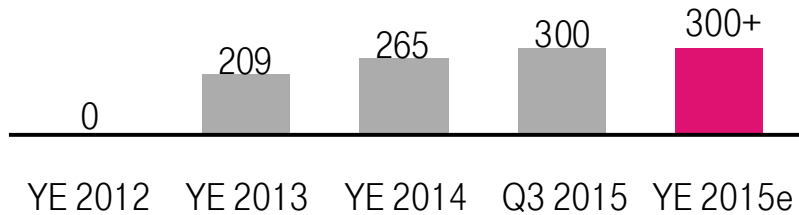
in %



- Positive porting ratios against all carriers

## 4G LTE COVERED POPS

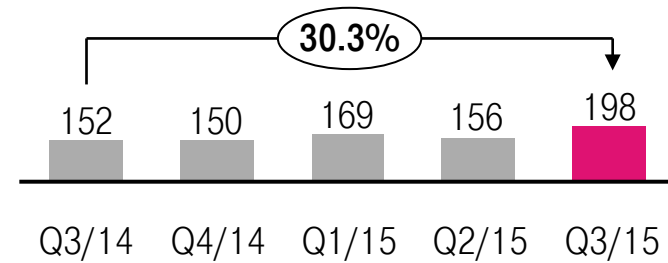
in million



- Year-end 2015 goal of a total 4G LTE POP coverage of 300 million already achieved.

## BAD DEBT EXPENSES AND LOSSES FROM FACTORING

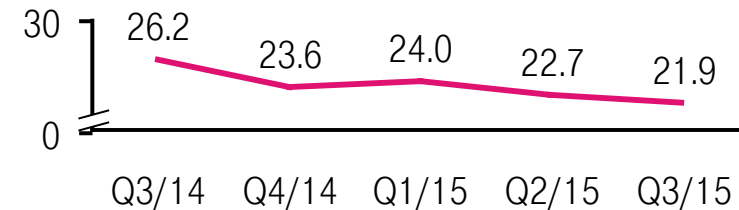
in US\$



- Higher EIP bad debt expense due to seasonal factors and growth of the EIP program in prior quarters

## COST OF SERVICE

in % of service revenues

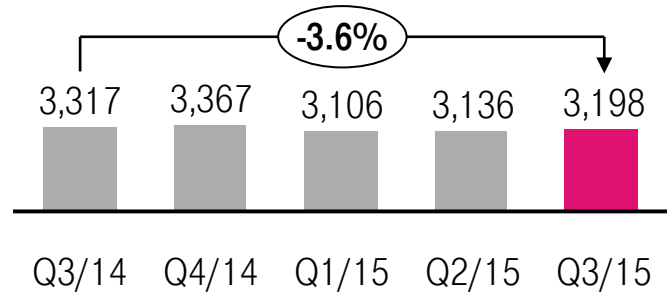


- Benefitting from MetroPCS synergies and lower backhaul expenses

# EUROPE: REVENUE TRANSFORMATION CONTINUING AS EXPECTED

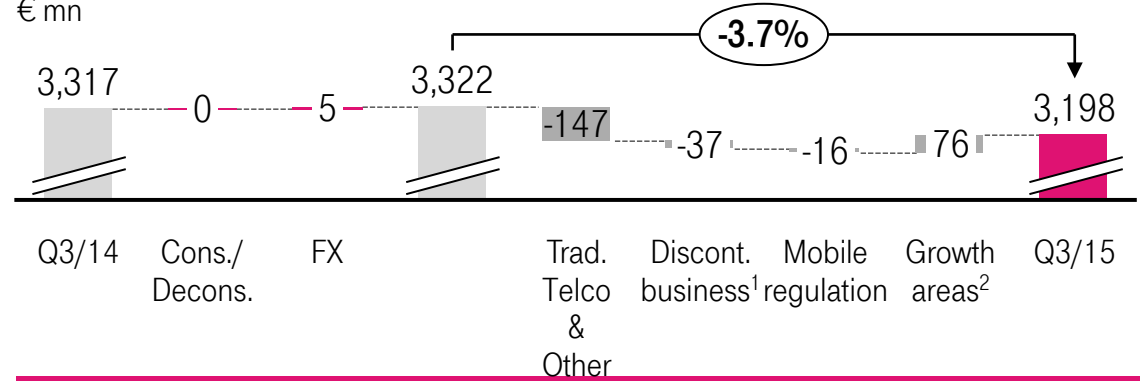
## REVENUE AS REPORTED

€ mn



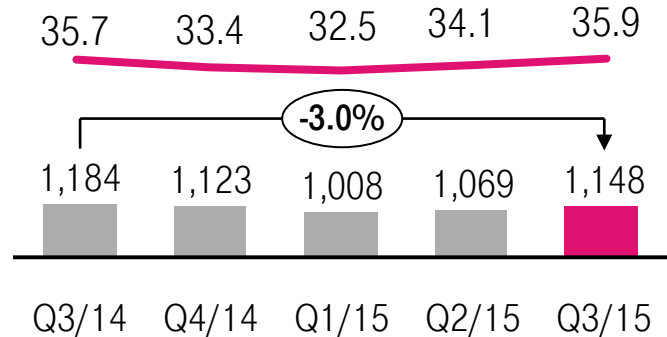
## ORGANIC REVENUE DEVELOPMENT

€ mn



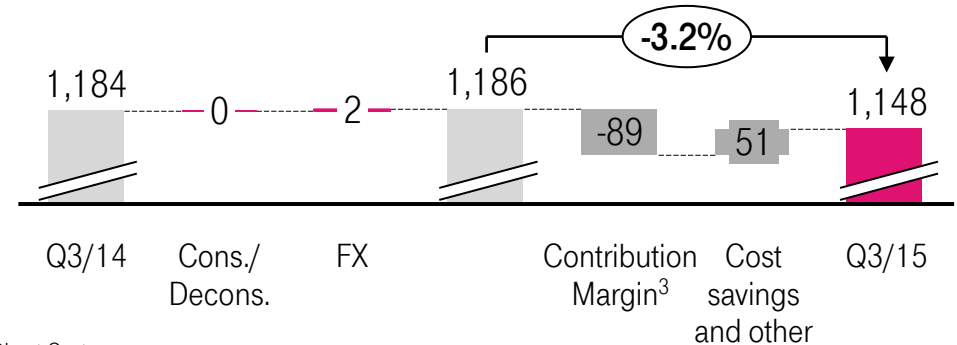
## ADJ. EBITDA AND MARGIN (IN %) AS REPORTED

€ 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



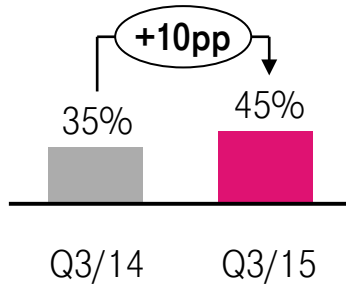
LIFE IS FOR SHARING.



# EUROPE: INVESTING IN TECHNOLOGY LEADERSHIP

## IP MIGRATION

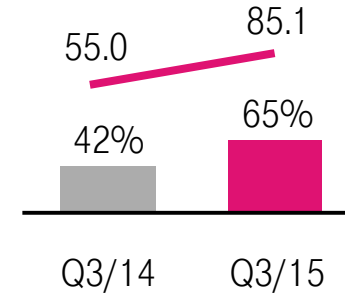
IP share of fixed network access lines



## LTE ROLLOUT

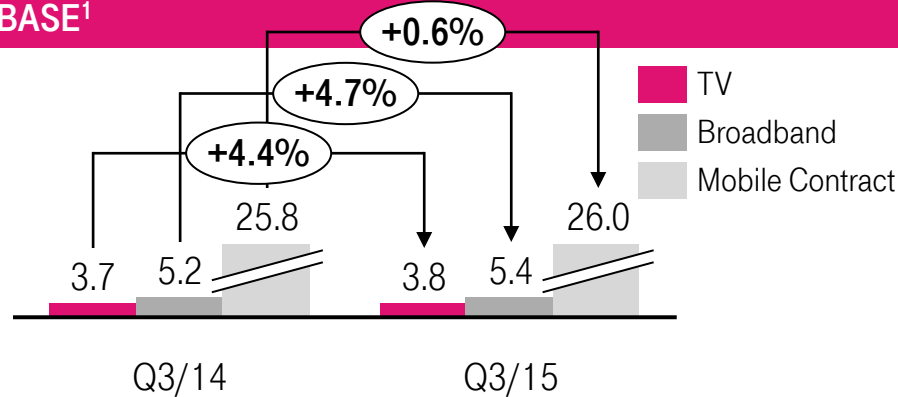
LTE outdoor pop coverage

in mn and %



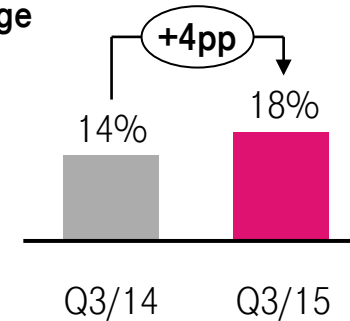
## CUSTOMER BASE<sup>1</sup>

mn



## FIBER ROLLOUT

Fiber household coverage



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



LIFE IS FOR SHARING.

# SYSTEMS SOLUTIONS: MARKET UNIT WITH SHIFT IN REVENUE BASE TO GROWTH AREAS

## T-SYSTEMS FINANCIALS

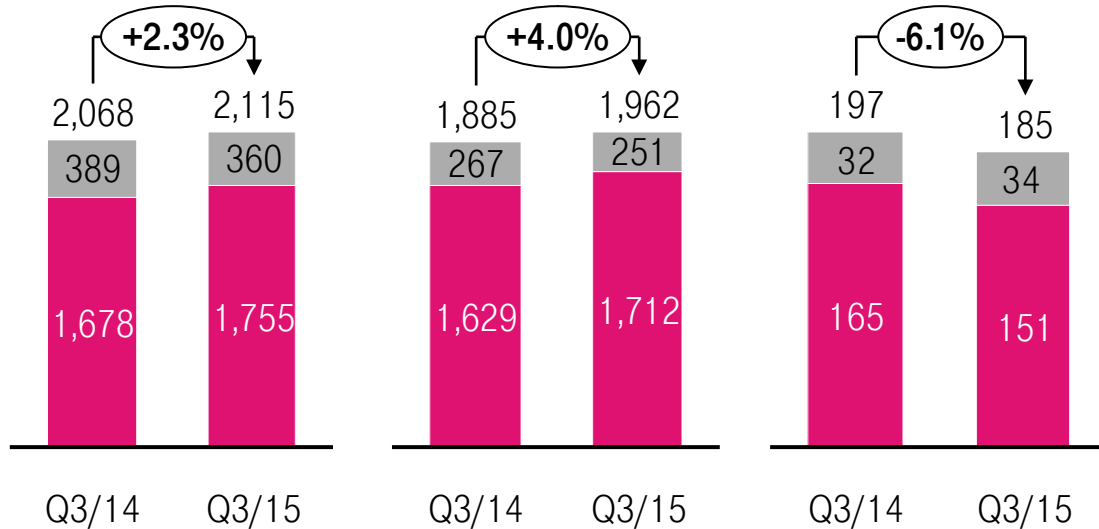
€ mn

TOTAL REVENUE

ADJ. OPEX<sup>1</sup>

ADJ. EBITDA

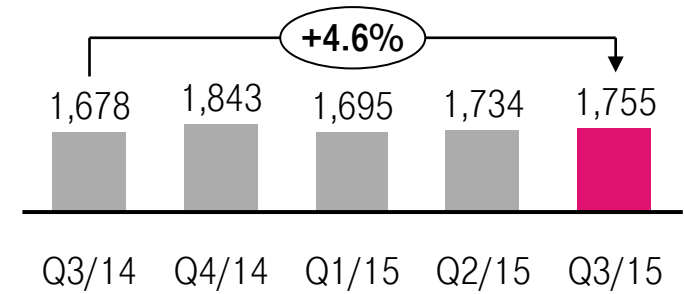
■ Tel-HT ■ MU



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

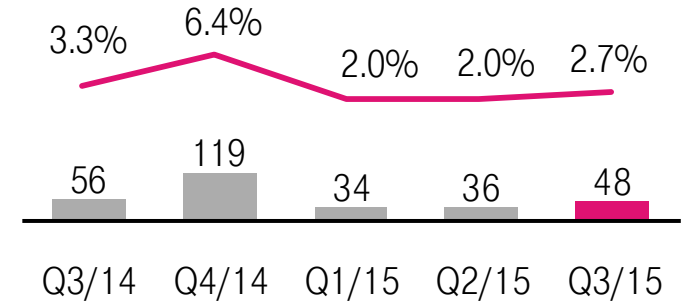
## REVENUE MARKET UNIT

€ mn



## ADJ. EBIT AND MARGIN MARKET UNIT

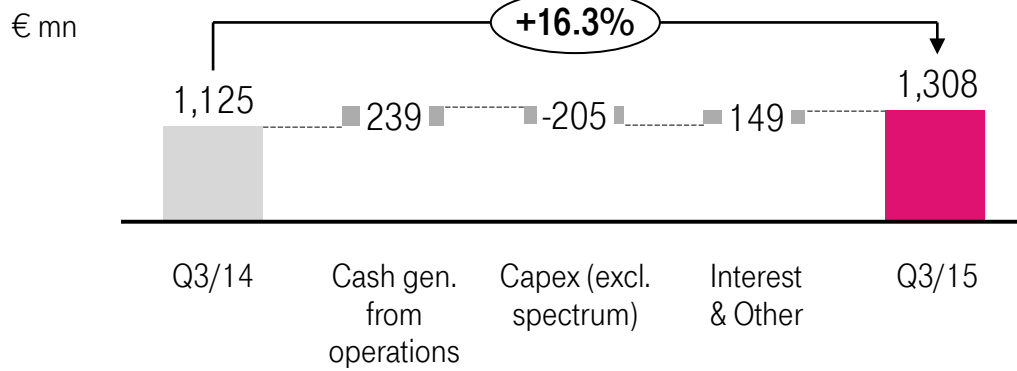
%  
€ mn



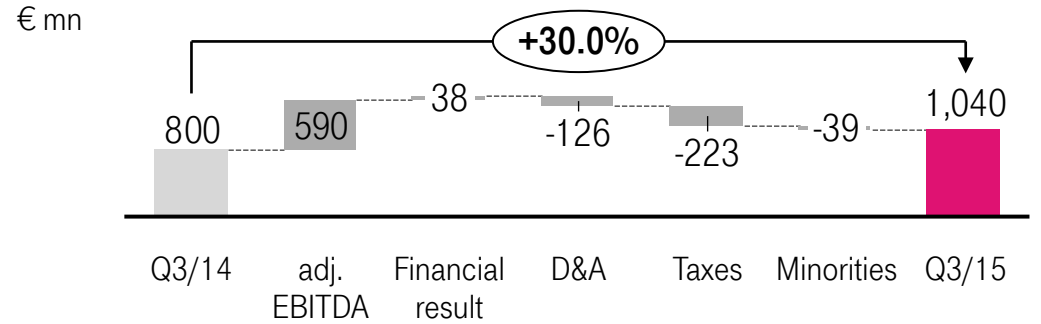
LIFE IS FOR SHARING.

# FINANCIALS: ADJ. EBITDA DRIVING FCF AND NET INCOME

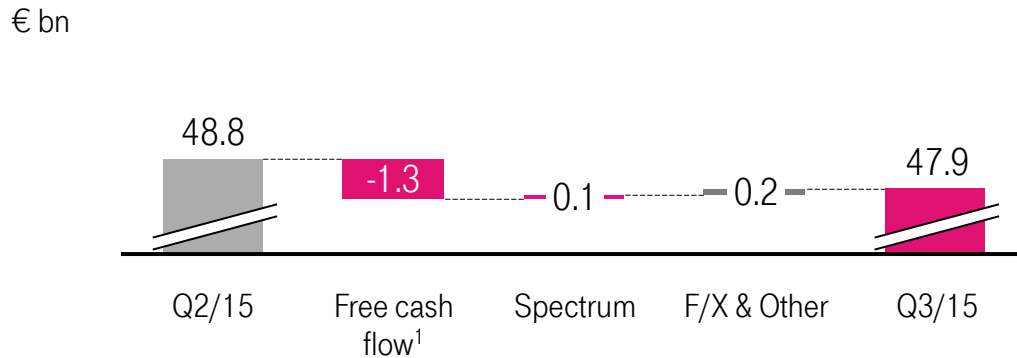
## FREE CASH FLOW Q3/15<sup>1</sup>



## ADJ. NET INCOME Q3/15



## NET DEBT DEVELOPMENT Q3/15<sup>2</sup>



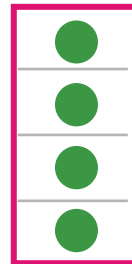
1) Free cash flow before dividend payments and spectrum investment (Q3/14: 91 million €; Q3/15: 115 million €)

2) Figures may not add up due to rounding

# FINANCIALS: BALANCE SHEET RATIOS WITHIN THE TARGET CORRIDOR

€ BN	30/09/2014	31/12/2014	31/03/2015	30/06/2015	30/09/2015
BALANCE SHEET TOTAL	125.0	129.4	137.5	135.0	135.2
SHAREHOLDERS' EQUITY	34.0	34.1	37.0	36.0	36.5
NET DEBT	41.8	42.5	46.3	48.8	47.9
NET DEBT/ADJ. EBITDA <sup>1</sup>	2.4	2.4	2.6	2.6	2.5
EQUITY RATIO	27.2%	26.3%	26.9%	26.6%	27.0%

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.

# 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 **November 5 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/15Q3](http://www.telekom.com/15Q3)

**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#

To **ask a questions**, please press **“star one”** on your touchtone telephone. Your name will be announced when it’s your turn to ask a question. Should you require to **cancel your question**, please press the **“star two”**.



LIFE IS FOR SHARING.

# 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)

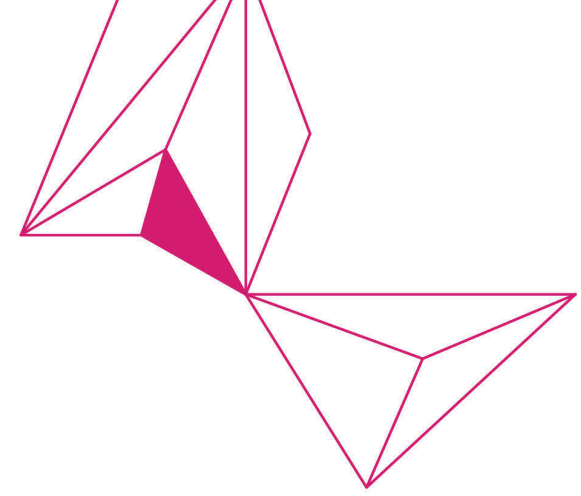
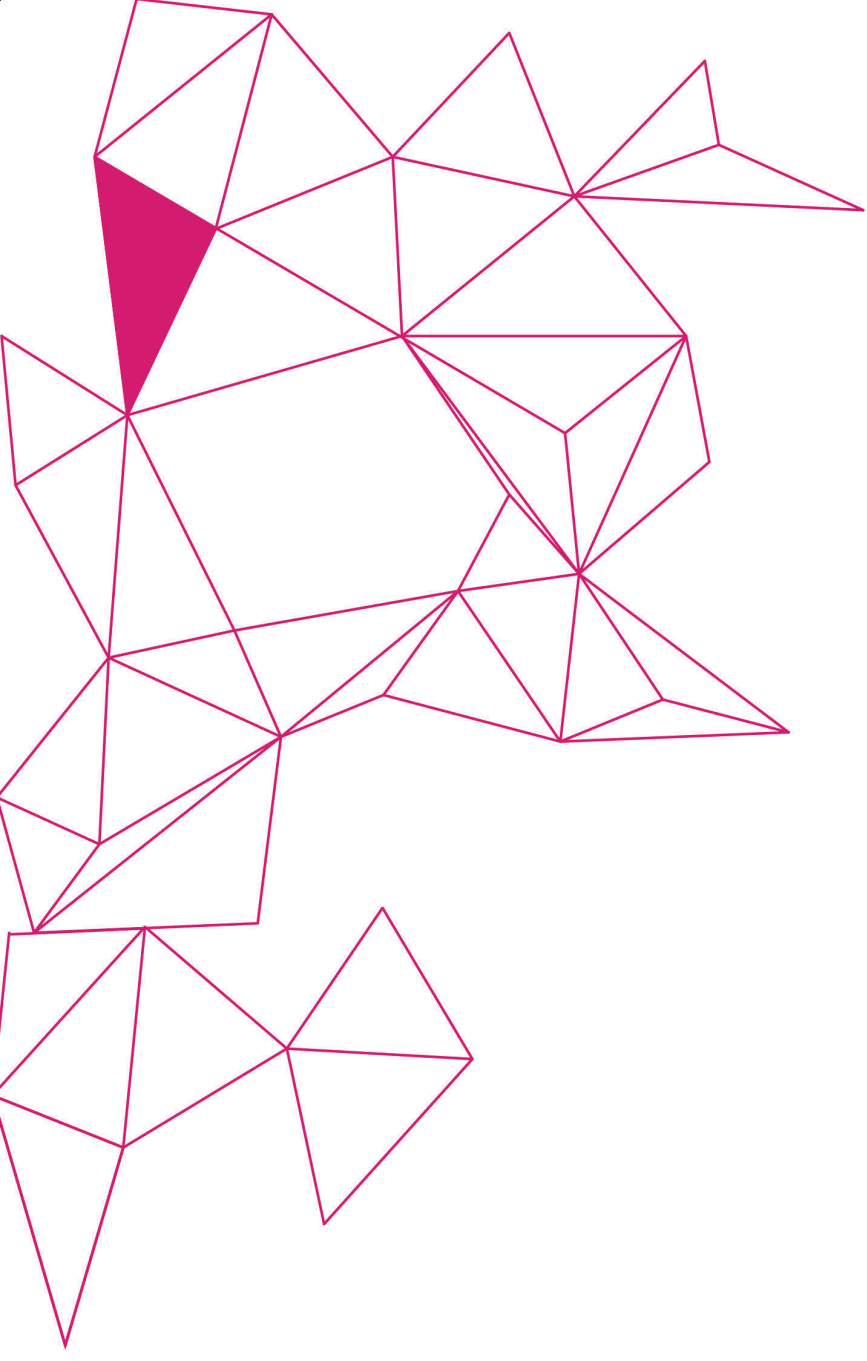


### IR YOUTUBE PLAYLIST

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



LIFE IS FOR SHARING.



**THANK YOU!**

