



**DEUTSCHE TELEKOM**  
GERMAN CORPORATE  
CONFERENCE

NIEK JAN VAN DAMME  
BOARD MEMBER FOR GERMANY



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# GERMANY: STRATEGY

## LEADING EUROPEAN TELCO

### INTEGRATED IP NETWORKS

- Integrated Network Strategy
- Network Quality
- IP- & Process Transformation

### BEST CUSTOMER EXPERIENCE

- MagentaEINS
- Next Generation TV
- E-Company

### WIN WITH PARTNERS

- Partnering Initiatives
- Steckerleiste

### LEAD IN BUSINESS

- Mid-Market Initiative
- IT-Cloud
- DeutschlandLAN
- M2M




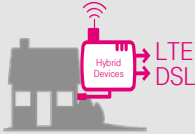
## TRANSFORM PORTFOLIO

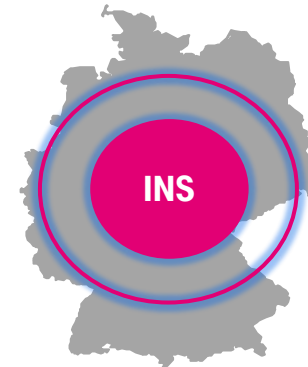
## EVOLVE FINANCIAL TARGETS & EFFICIENCY

Stable revenues & EBITDA growth  
fund our transformation investments

## ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT

# GERMANY: MORE COVERAGE & SPEED WITHIN THE SAME CAPEX ENVELOPE

INTEGRATED NETWORK STRATEGY		STATUS 2014
1	LTE rollout 	80% Pop coverage Download up to 150 Mbps
2	Fiber rollout 	44% HH coverage
3	Vectoring 	Download 100 Mbps Upload 40 Mbps
4	Hybrid access 	Market launch Q4/2014

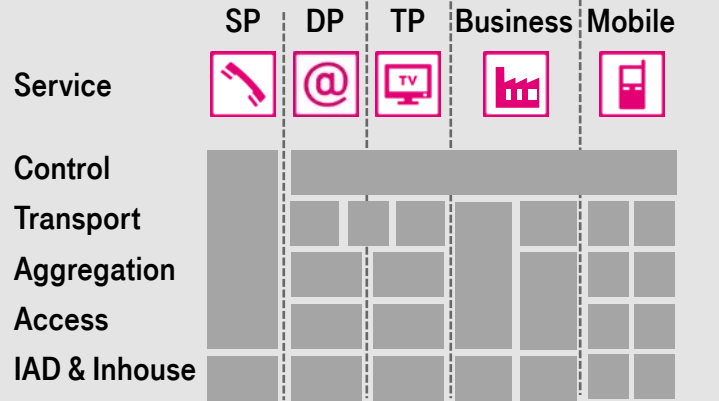


AMBITION 2018
95% Pop coverage with up to 300 Mbps
≈80% HH coverage with at least 50 Mbps depending on regulatory adjustments
Introduction of Supervectoring with more than 250 Mbps in cable footprint
Top download-speed of up to 550 Mbps in cable footprint

→ MORE COVERAGE AND HIGHER SPEED WITHIN THE SAME CAPEX ENVELOPE VS. CMD 2012

# GERMANY: TRANSFORMATION ON TRACK TO ACHIEVE 100% IP-CUSTOMERS IN 2018

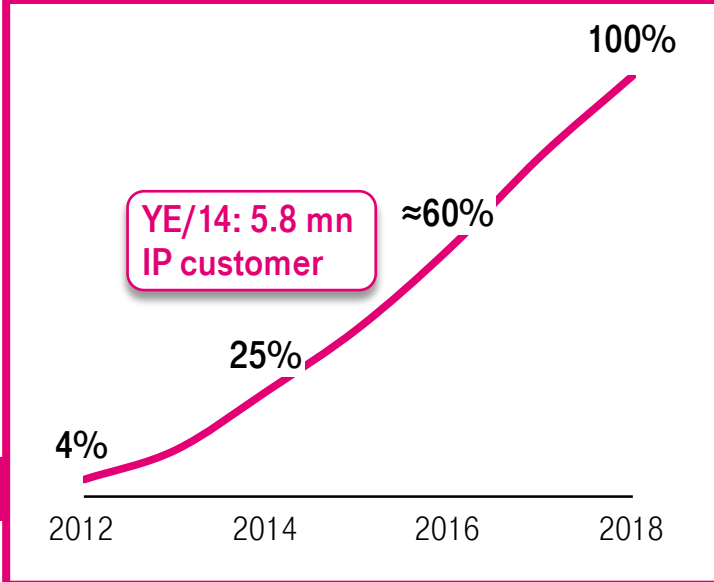
## FROM THE "OLD PSTN WORLD" ...



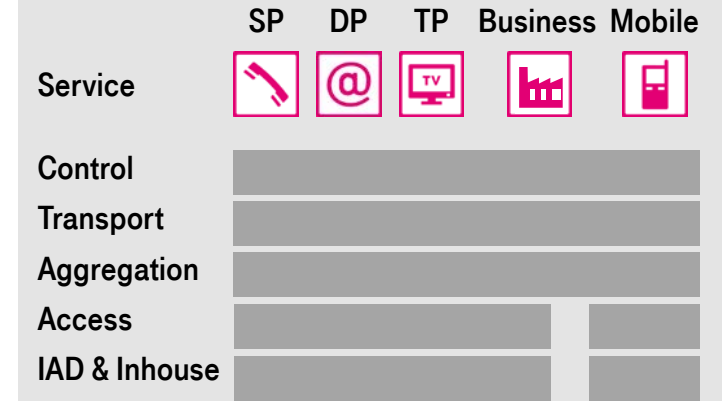
## BENEFITS FOR CONSUMER

- Higher **Speed & Network Quality**
- **Access to future Products** and **services**
- **Easy** self-provisioning and set up via **WEB & APP**
- Less wiring at customer site

## SHARE OF IP-ACCESS<sup>1</sup>



## ...TO THE "NEW IP ERA"



## BENEFITS FOR BUSINESS

- Higher **Speed & Network Quality**
- **Easy** self administration
- **Modular** fixed mobile offers
- **Seamless** Cloud integration & high scalability

<sup>1</sup> Incl. Wholesale



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

## OUR FIRST CONVERGED OFFER

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

Customers prefer bundles from a single source

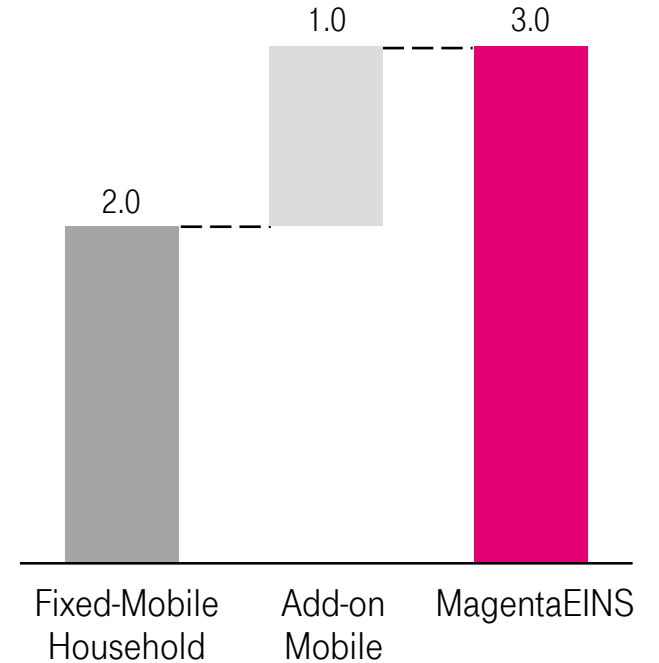


## KEY GOALS

- 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

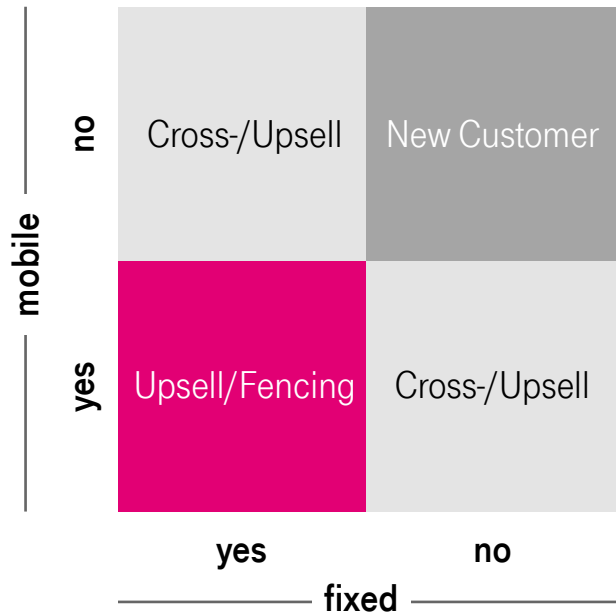
# mn



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

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

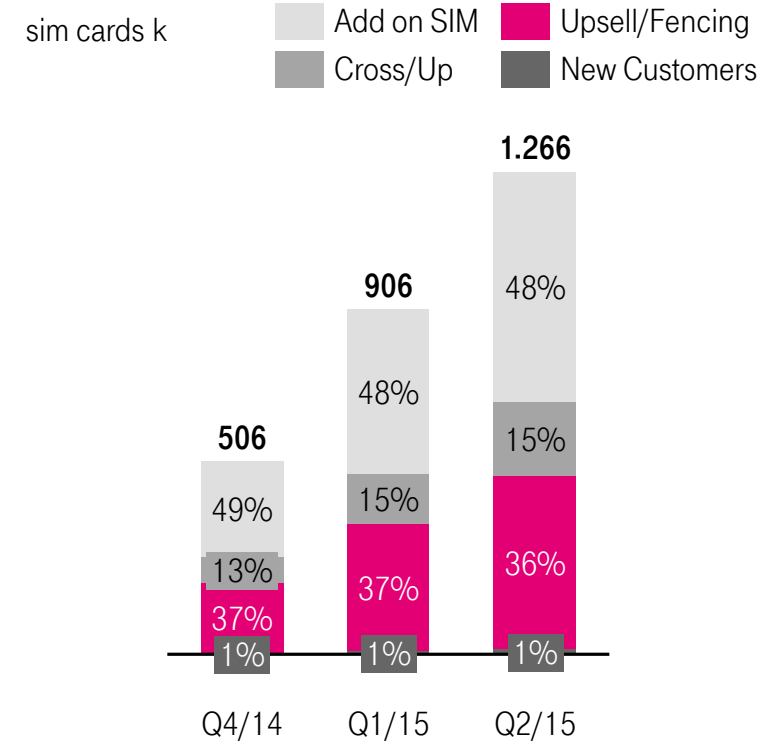
## FMC CUSTOMER POTENTIAL



## 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

# GERMANY: E-COMPANY TRANSFORMATION WITH FOCUS ON E-SERVICE AND E-SALES

## EXCELLENT CUSTOMER EXPERIENCE “24/365”



### Digital touch points & omni-channel approach

- Products and services are e-Channel enabled
- Seamless customer experience across all touch points



### Increase customer self service

- All sales and service processes are self-service enabled
- Customer self service via portal, app & magic button functionalities

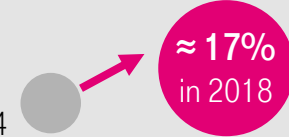


### Optimized usability

- Plug and Play functionalities incl. optimized incident management
- One Identity Management

### 1 Increase E-SALES<sup>1</sup>

10%  
in 2014



### 2 Reduce SERVICE CONTACTS

in 2018

-16%

### 3 Enhance LOYALTY (TRI\*M)<sup>2</sup>

60 PP  
in 2014



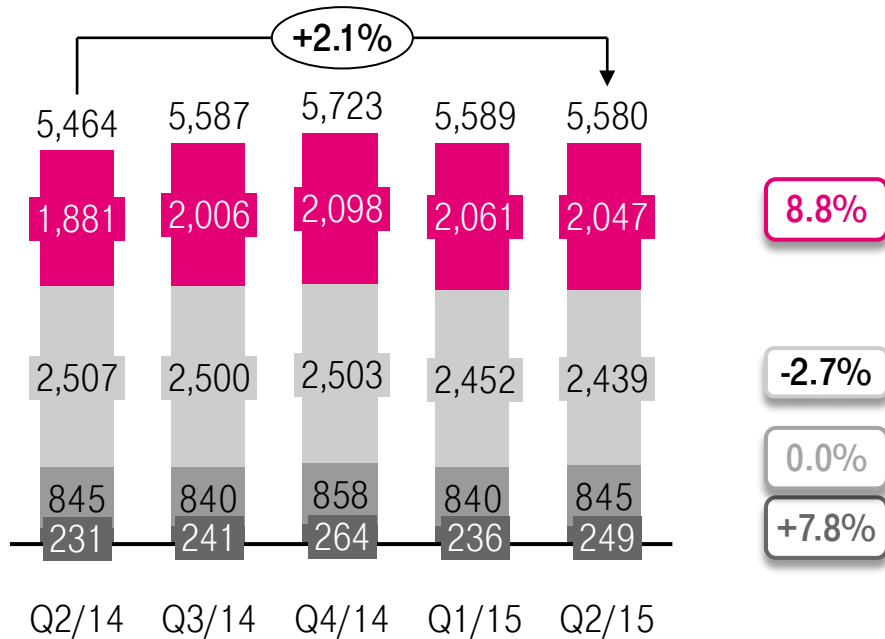
<sup>1</sup> Without IVM and Congstar    <sup>2</sup> TRI\*M Index for all Telekom customers



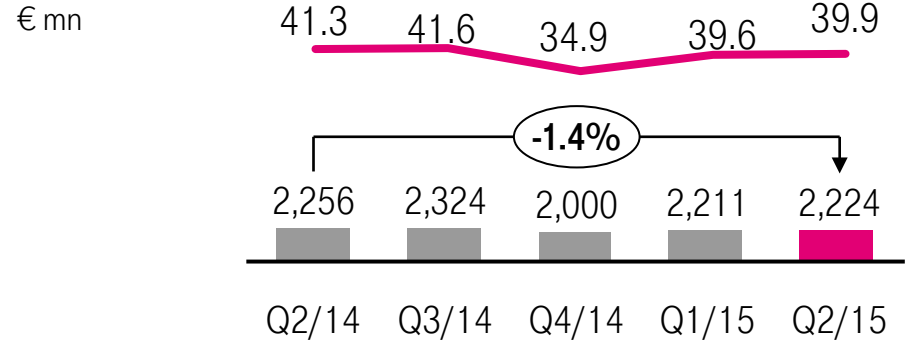
# GERMANY: REVENUES CONTINUE TO GROW SUPPORTED BY STRONG MOBILE GROWTH AND STABLE WHOLESALE REVENUES

## REVENUE<sup>1</sup>

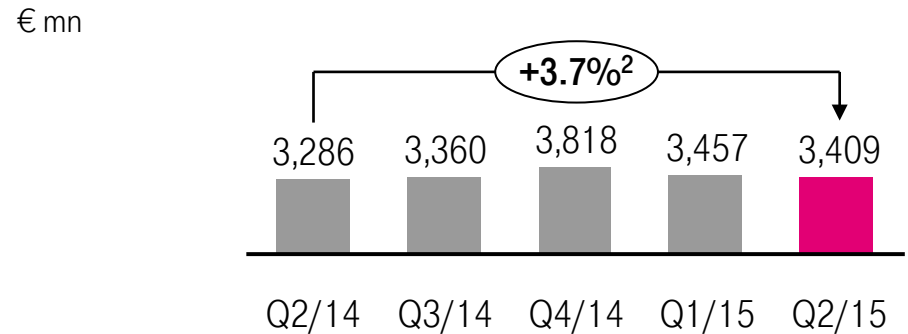
€ mn    Mobile    Core fixed    Wholesale services    Others



## ADJ. EBITDA AND MARGIN (IN %)



## ADJ. OPEX



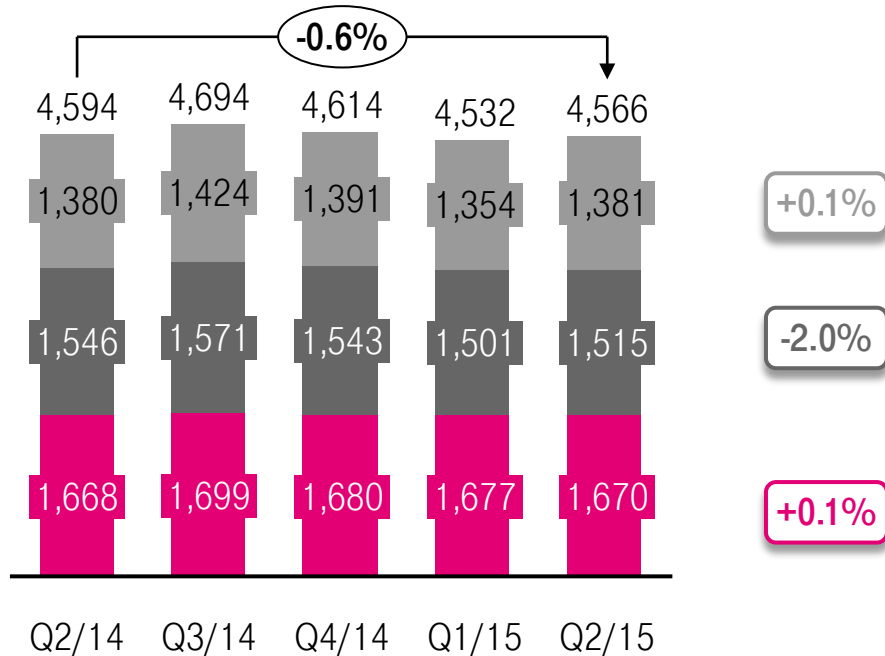
1) Online consumer service revenues in "others" have been allocated to revenues from core fixed since Jan. 1st 2015. Prior year figures have been adjusted accordingly    2) Indirect costs reduced by 0.3% yoy

# GERMANY MOBILE: TELEKOM CONTINUES TO OUTPERFORM MARKET

## GERMAN MOBILE MARKET SERVICE REVENUE

€ mn

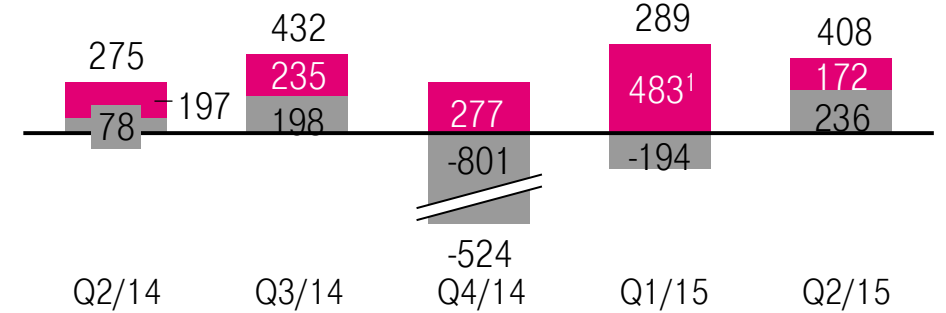
Telefonica Vodafone Telekom



## CONTRACT NET ADDS

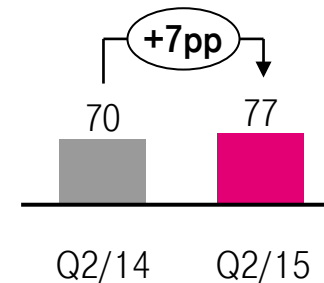
000

Own branded Service providers/MVNOs



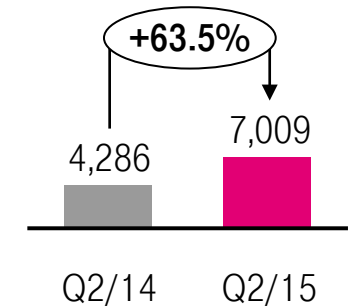
## SMARTPHONE PENETRATION<sup>2</sup>

%



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

000



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

2) Of own branded retail customers

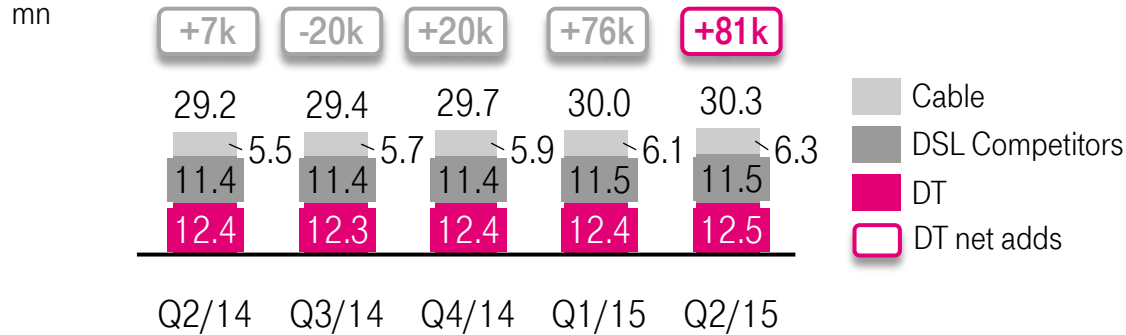
3) Customers using a LTE-device and tariff plan including LTE



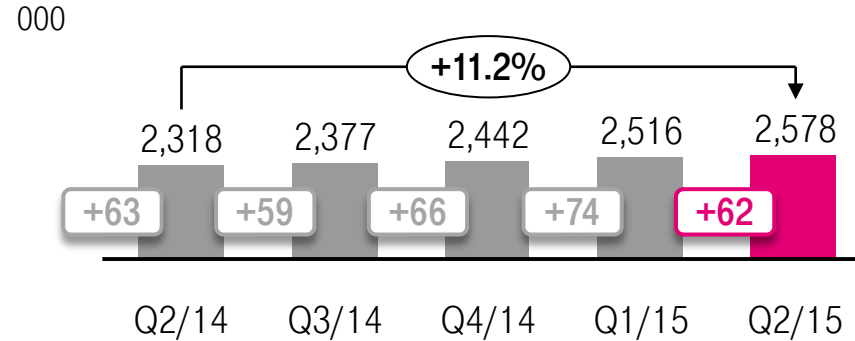
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# GERMANY FIXED: HIGHEST UPTAKE IN BROADBAND SINCE Q1/2012

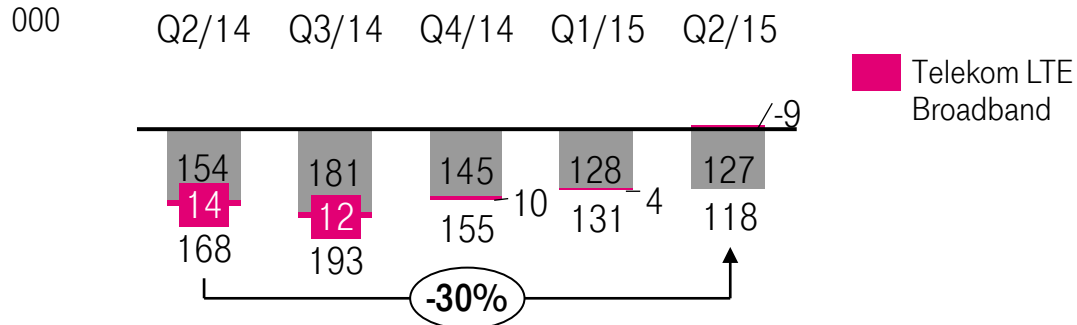
## GERMAN BROADBAND MARKET<sup>1</sup>



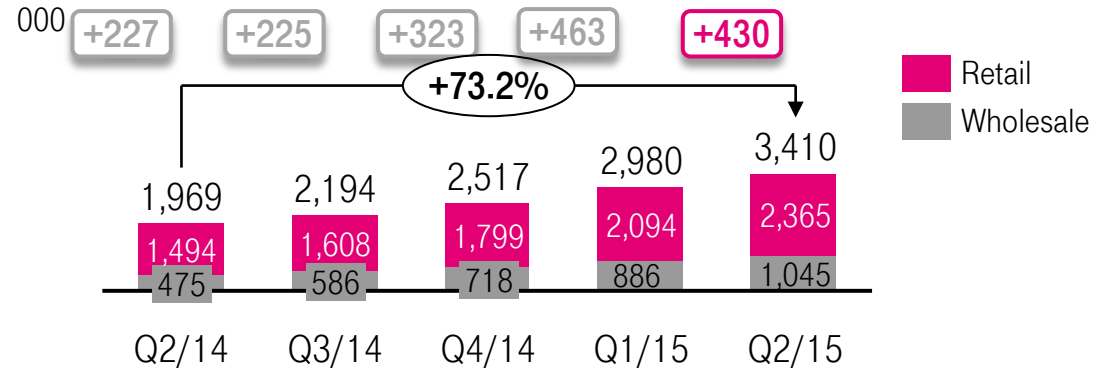
## ENTERTAIN CUSTOMERS



## LINE LOSSES



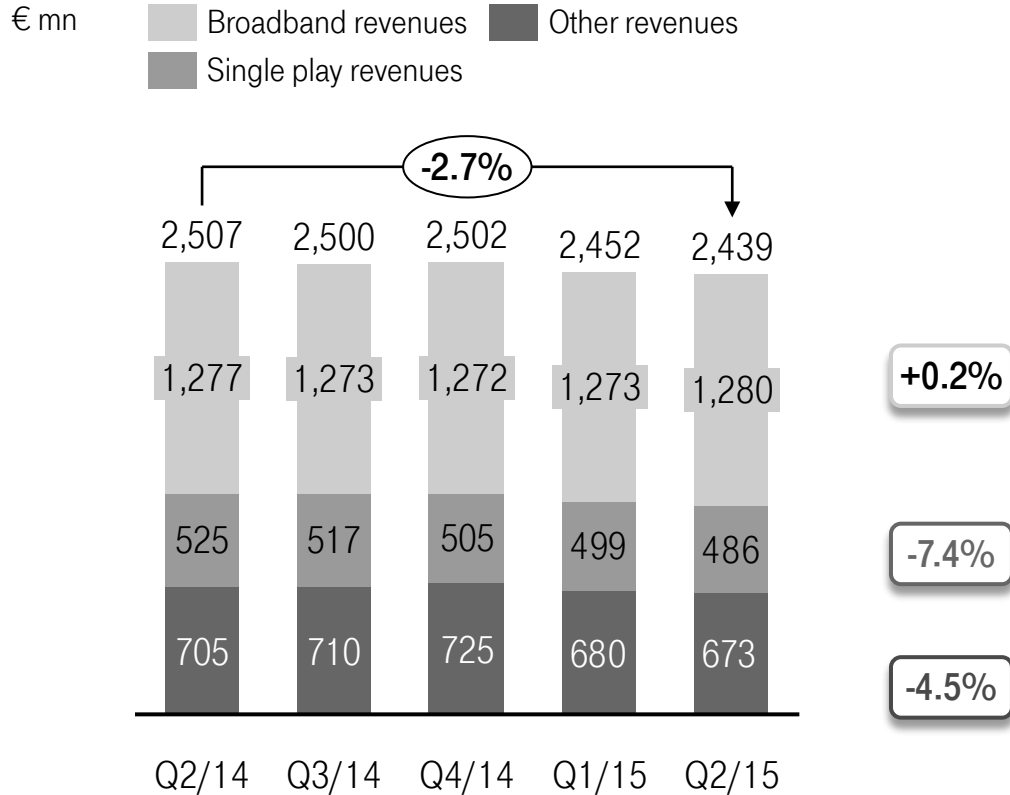
## FIBER CUSTOMERS<sup>2</sup>



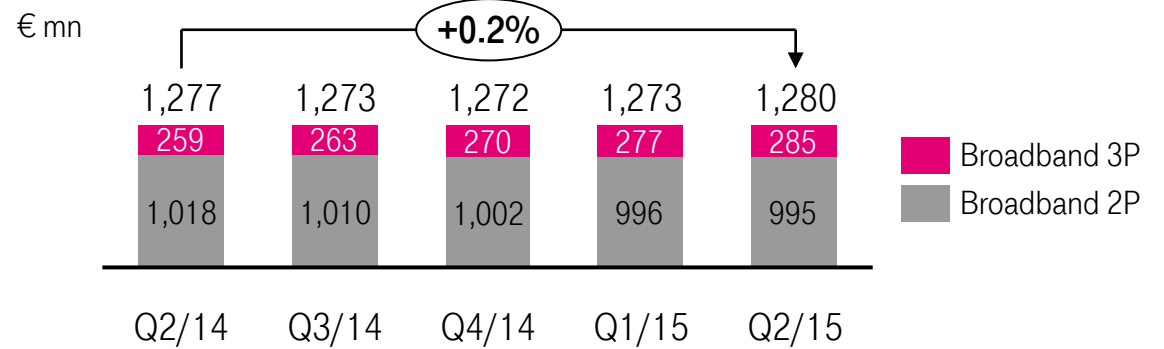
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

# GERMANY FIXED: BROADBAND REVENUES START GROWING

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

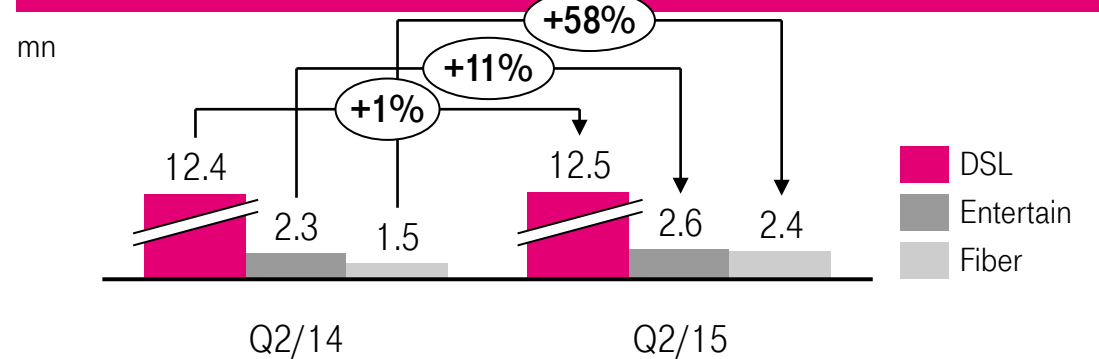


## BROADBAND REVENUES<sup>2</sup>



## RETAIL UPSELL STRATEGY

% 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.

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

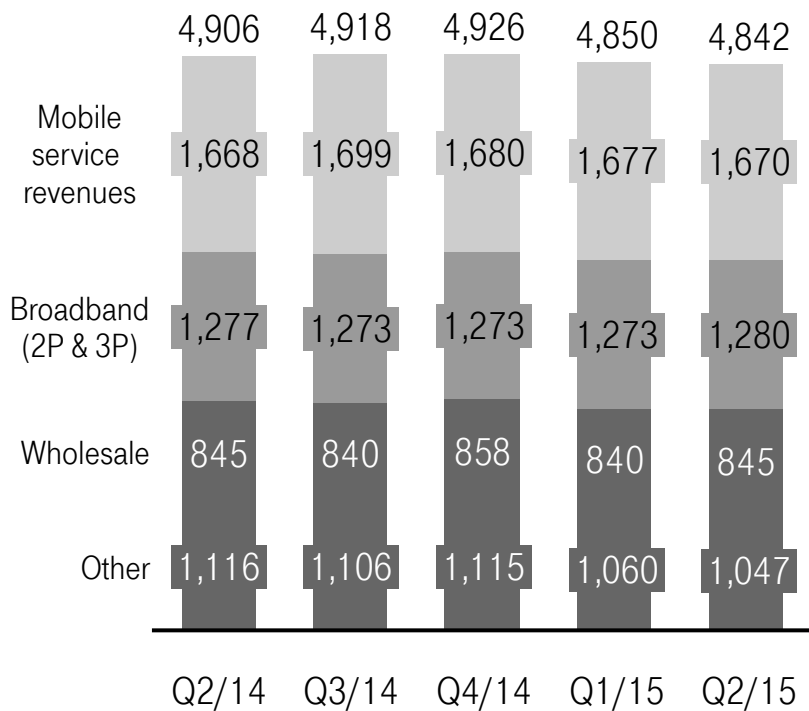
## GERMAN TOTAL SERVICE REVENUES<sup>1</sup>

## H1 GROWTH RATE

## DRIVERS

## MEDIUM TERM GUIDANCE (2014 – 2018 CAGR)

€ mn



- + Underlying growth
- Convergence accounting

- + Volume growth
- Promotions

- + Fiber wholesale

- Legacy attrition accelerated by all-IP

+1%<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

# GERMANY: MID TERM AMBITION LEVEL

	MID TERM AMBITION LEVEL	YEAR
MARKET	▪ #1 in FMC with MagentaEINS: 3mn customers	2018
	▪ #1 in mobile service revenue: CAGR $\approx 1\%$ <sup>1</sup> /market share >36%	2018
	▪ #1 broadband: CAGR $\approx 2\%$ /market share >40% <sup>2</sup>	2018
QUALITY	▪ Customer loyalty index: $\approx 64$ points	2018
FINANCIALS	▪ Adj. EBITDA margin: $\approx 42\%$	2018
	▪ Growing adj. EBITDA: CAGR 1-2%	2014-2018
	▪ Growing adj. cash contribution: CAGR $\approx 2\%$	2014-2018
	▪ Revenue stabilization	2016

<sup>1</sup> Without EU roaming impact    <sup>2</sup> Access market share in 2018



# FURTHER QUESTIONS

## PLEASE CONTACT THE IR DEPARTMENT

### INVESTOR RELATIONS CONTACT DETAILS

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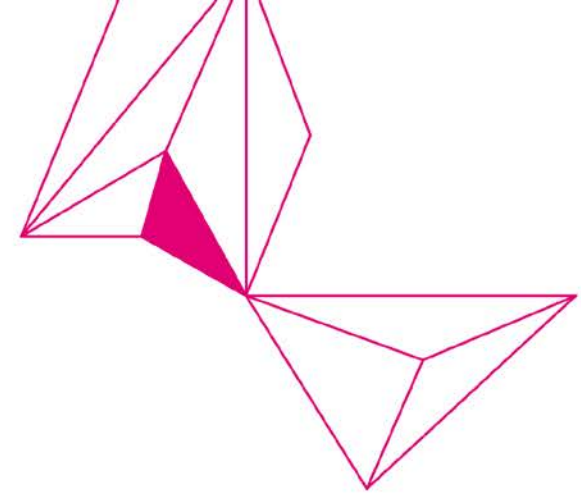
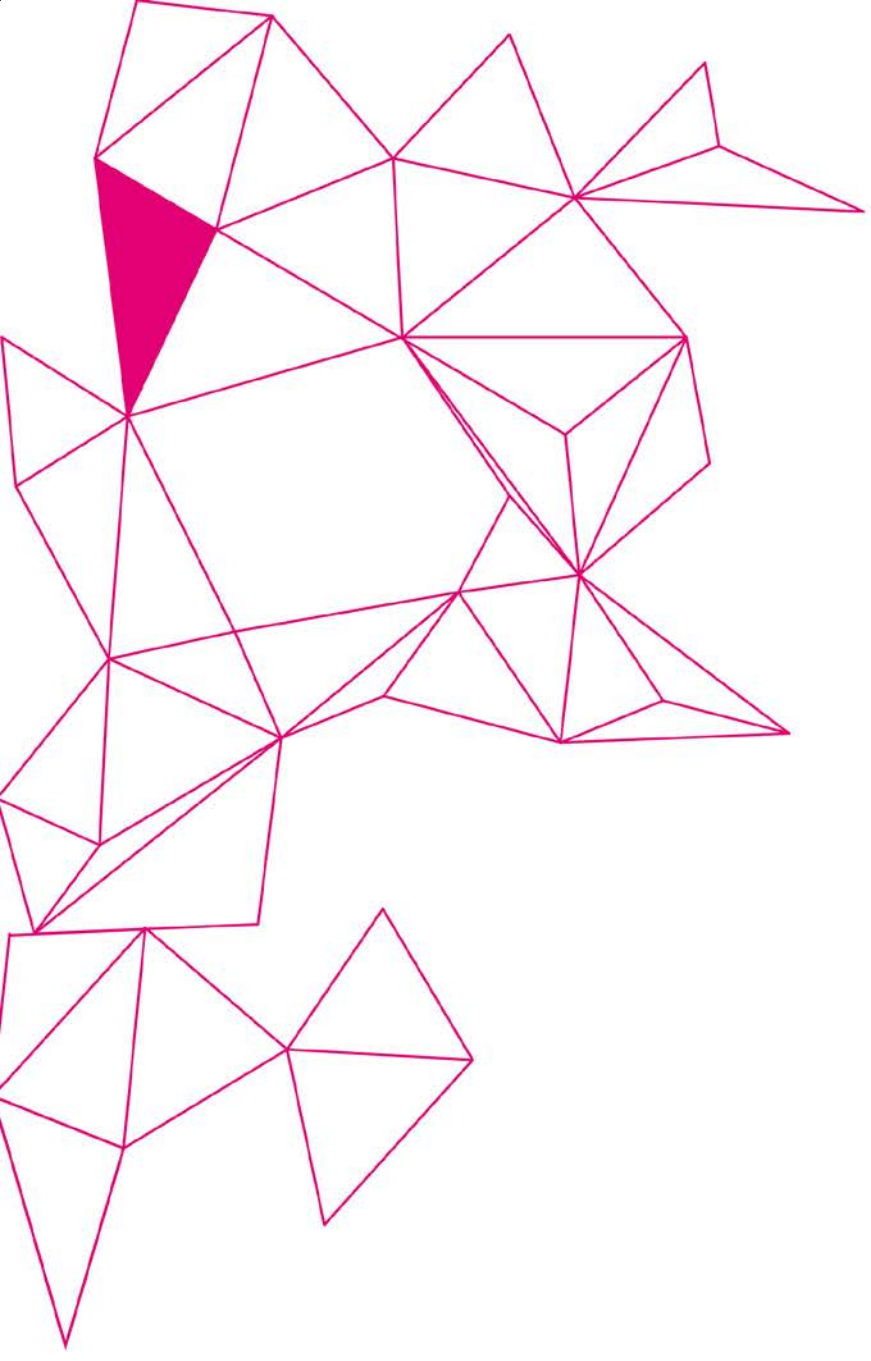


### IR YOUTUBE PLAYLIST

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



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**THANK YOU!**

