

# DEUTSCHE TELEKOM

## Q1/2017 RESULTS



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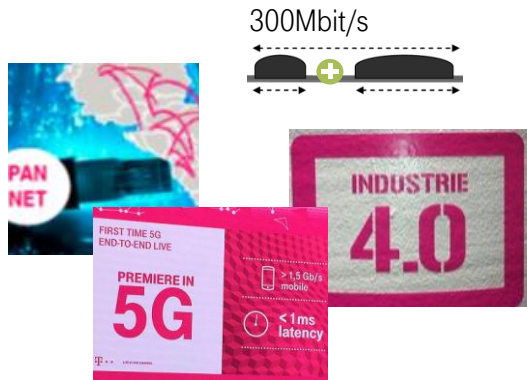
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**REVIEW Q1/17**

# Q1/2017 HIGHLIGHTS: INVESTMENTS, CUSTOMERS AND RESULTS

## Investments and innovations (Q1/17)

- Outstanding result in the US low band spectrum auction. 31 MHz nationwide
- Launch of LTE on 900 MHz in Germany
- Announcement of program to connect 100 industrial zones in Germany with FTTH/B
- Cash capex +15% to €3.2 billion



## Customers (Q1/17)

- Demand for Fiber in Germany unabated
  - 7.6 million German homes with fiber (+51% yoy)
  - New record 775k net adds
- Another quarter of strong US growth
  - 1.1 million net adds



## Financial results (Q1/17)

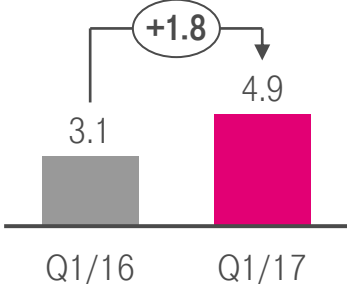
- Strong growth continues
  - Revenue up 5.8% yoy
  - Adj. EBITDA up 7.5% yoy
  - FCF up 49.4% yoy
- Net debt/Adj. EBITDA at 2.3x
- Guidance confirmed



# CUSTOMERS: STRONG MOMENTUM. RECORD NEW FIBER SUBS

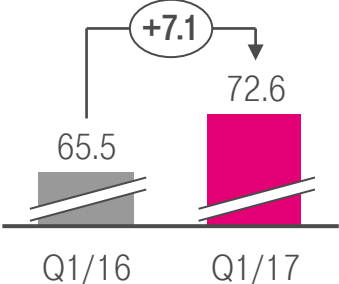
## MagentaEINS (Germany + EU)<sup>1</sup>

mn



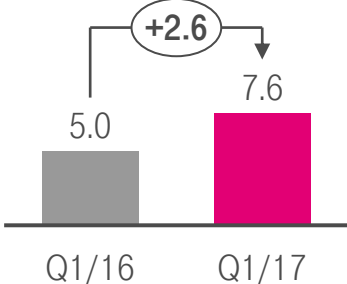
## US Mobile

mn



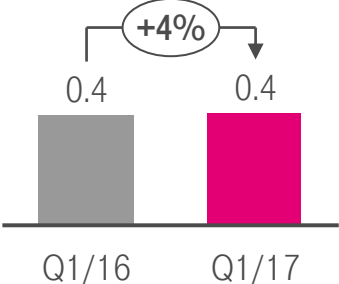
## Fiber in Germany

mn



## Cloud revenues

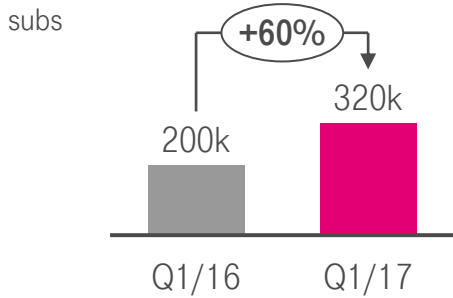
€ bn



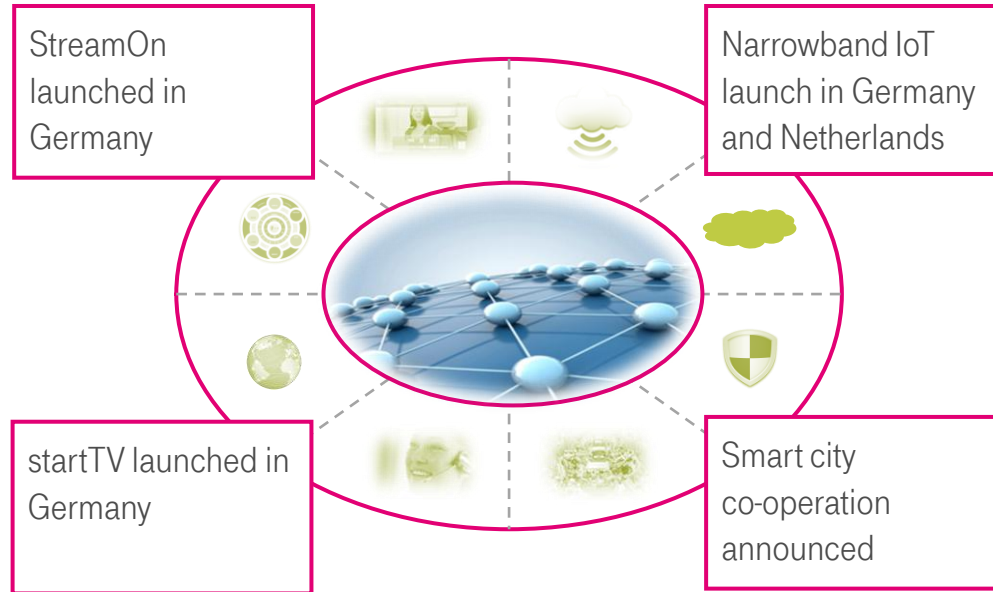
1) FMC RGUs may also appear under other brand name outside of Germany

# INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

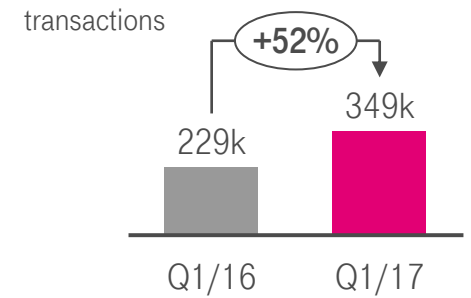
## Hybrid Access<sup>1</sup>



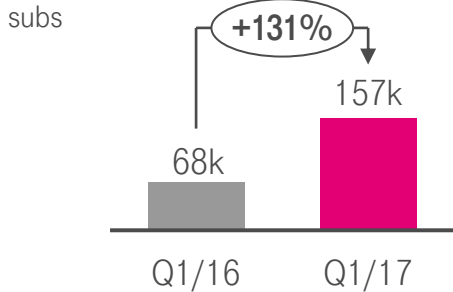
## Innovation/Network



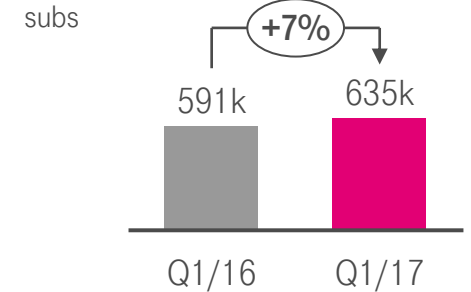
## Service App



## Smart Home<sup>2</sup>



## IT-Support<sup>3</sup>



1) +5€ per customer/month 2) +10€ per customer/month 3) +8€ per customer/month

# FINANCIALS AND GUIDANCE 2017: GUIDANCE RE-ITERATED

€ bn

|                               | <b>Revenue</b> | <b>Adj. EBITDA</b>          | <b>FCF</b>    |
|-------------------------------|----------------|-----------------------------|---------------|
| 2014 – 2018 CAGR <sup>1</sup> | +1 – 2%        | +2 – 4%                     | ≈+10%         |
| 2017 Guidance (\$/€: 1.11)    | Increase       | Around 22.2 bn <sup>2</sup> | Around 5.5 bn |
| Q1/2017 performance           | +5.8%          | +7.5%                       | +49.4%        |

1) 14-18 CAGRs as per CMD 2015 guidance 2) Of which handset lease and data stash \$0.8 to 0.9 billion

**REVIEW Q1/17**



# Q1/2017: FINANCIAL HIGHLIGHTS

€ mn

|                             | Q1     |        |        | FY     |        |        |
|-----------------------------|--------|--------|--------|--------|--------|--------|
|                             | 2016   | 2017   | Change | 2015   | 2016   | Change |
| Revenue                     | 17,630 | 18,646 | +5.8%  | 69,228 | 73,095 | +5.6%  |
| Adj. EBITDA                 | 5,163  | 5,550  | +7.5%  | 19,908 | 21,420 | +7.6%  |
| Adj. Net profit             | 1,047  | 939    | -10.3% | 4,113  | 4,114  | 0.0%   |
| Net profit                  | 3,125  | 747    | -76.1% | 3,254  | 2,675  | -17.8% |
| Adj. EPS (in €)             | 0.23   | 0.20   | -13.0% | 0.90   | 0.89   | -1.1%  |
| EPS (in €)                  | 0.68   | 0.16   | -76.5% | 0.71   | 0.58   | -18.3% |
| Free cash flow <sup>1</sup> | 822    | 1,228  | +49.4% | 4,546  | 4,939  | +8.6%  |
| Cash capex <sup>2</sup>     | 2,831  | 3,245  | +14.6% | 10,818 | 10,958 | +1.3%  |
| Net debt                    | 47,603 | 49,963 | +5.0%  | 47,570 | 49,959 | +5.0%  |

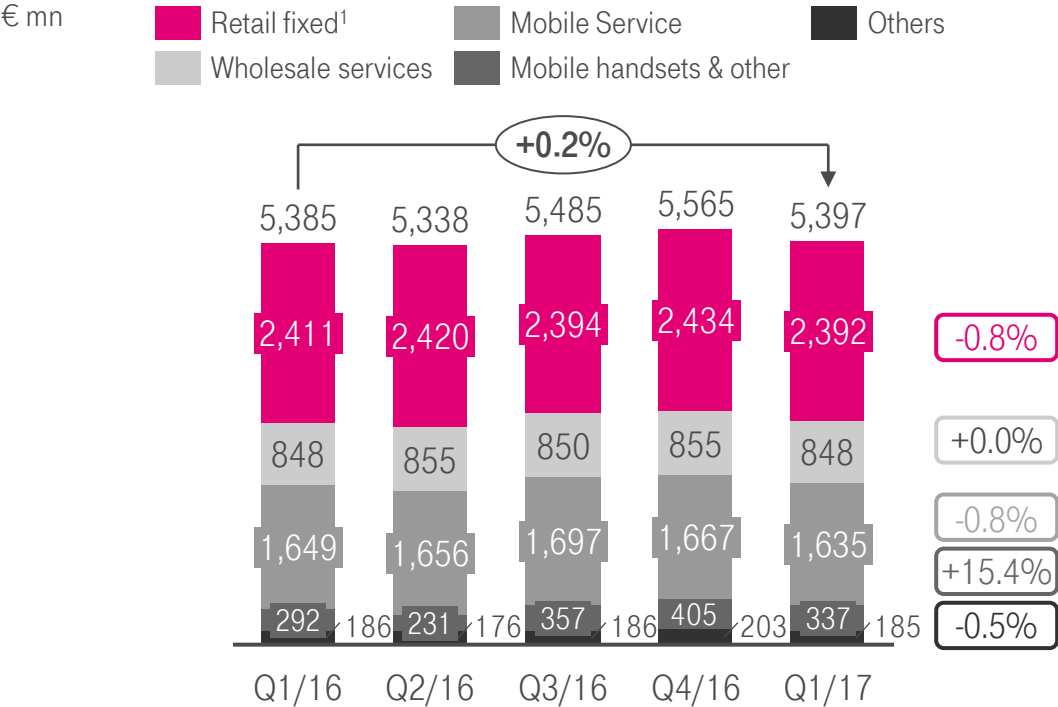
1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q1/16: € 1,065 million; Q1/17: € 35 million; FY/15: € 3,795 million; FY/16: € 2,682 million



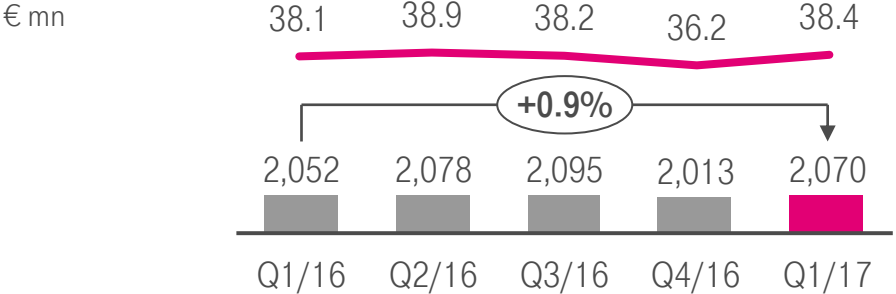
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# GERMANY: GROWING ADJUSTED EBITDA

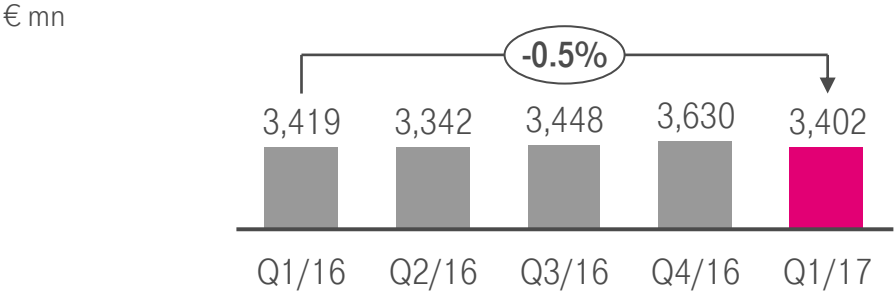
## Revenue reported



## Adj. EBITDA and margin (in %)



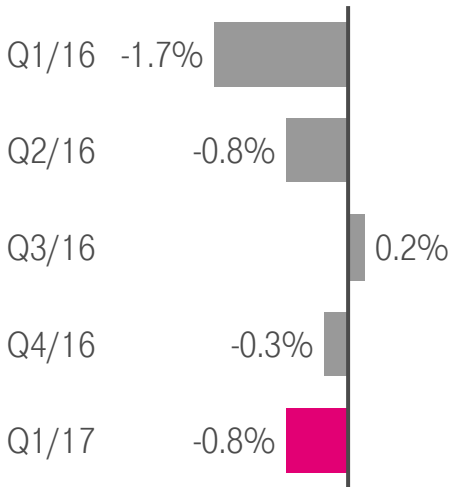
## Adj. OPEX



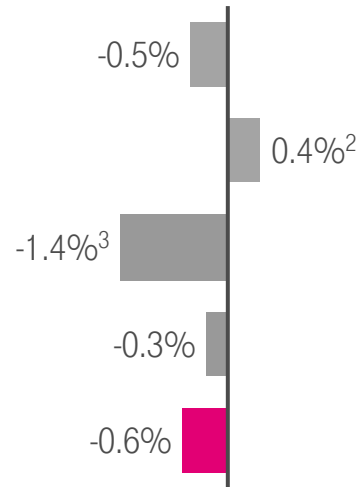
1) Fixed network core business

# GERMANY: UNDERLYING TOTAL SERVICE REVENUES STABLE

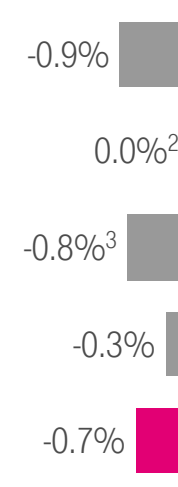
## Mobile service revenues



## Fixed line service revenues<sup>1</sup>



## Total service revenues<sup>1</sup>

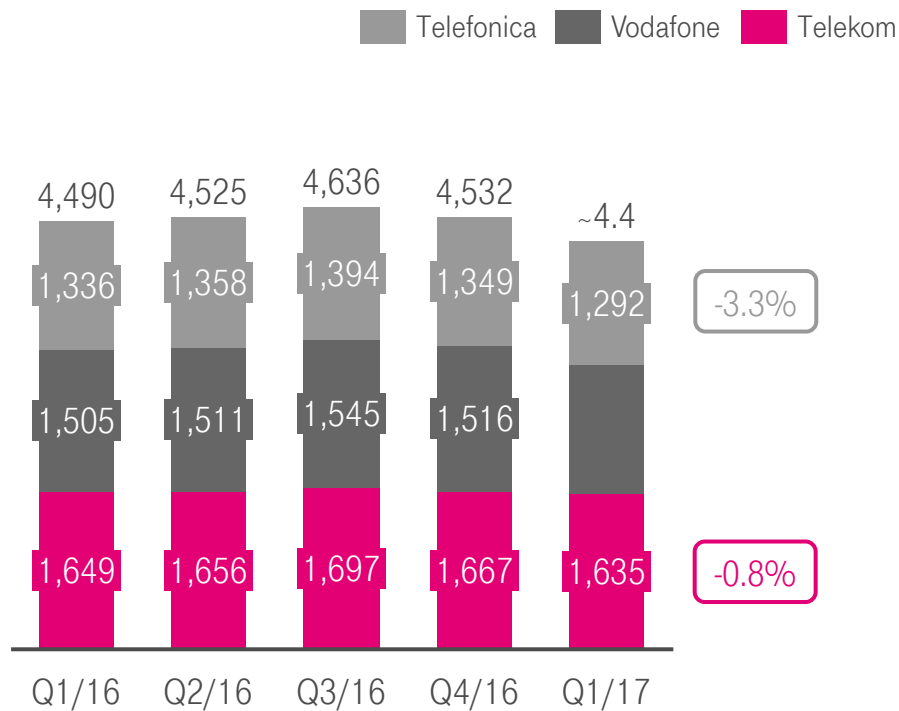


1) Total service revenues is a sum of fixed line and mobile service revenues. We define fixed line service revenues as fixed network core business revenues less fixed hardware revenues plus wholesale services fixed network revenues. From Q2/16 onwards we classify CPEs recurring rent revenues as fixed service revenues, and thus also part of total service revenues. Without this reclassification fixed line service revenue growth rate would be -0.9% in Q1/17, whereas TSR growth rate would be -0.9% in Q1/17. Old growth rates have not been restated 2) Revenue in Q2/16 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at +0.7% for fixed service revenues under definition in Q2/16 (see 1), respectively +0.2% for total service revenues under definition in Q2/16 (see 1) 3) Revenue in Q3/15 impacted by a positive one-off effect in wholesale. Adjusted for this effect fixed line service revenue trend would have been -0.6%, total service revenue trend in Q3/16 would have been -0.3%

# GERMANY MOBILE: STEADY COMMERCIAL MOMENTUM

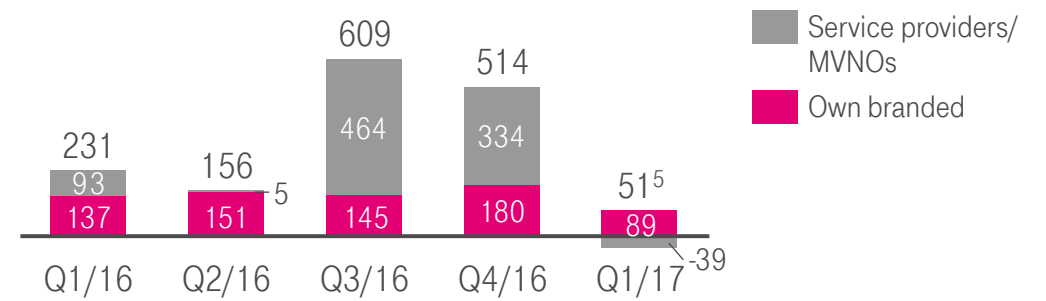
## German mobile market service revenue<sup>1</sup>

€ mn



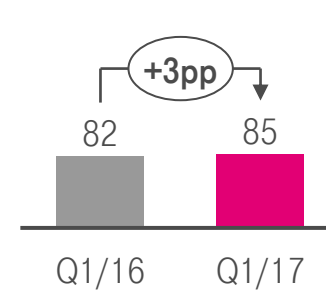
## Contract net adds<sup>2</sup>

000



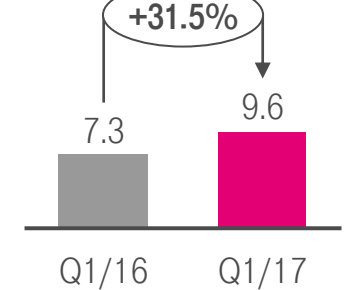
## Smartphone penetration<sup>3</sup>

%



## LTE customers<sup>4</sup>

000



1) Management estimate

2) Figures may not add up due to rounding

3) Of own branded retail customers

4) Own customers using a LTE-device and tariff plan including LTE

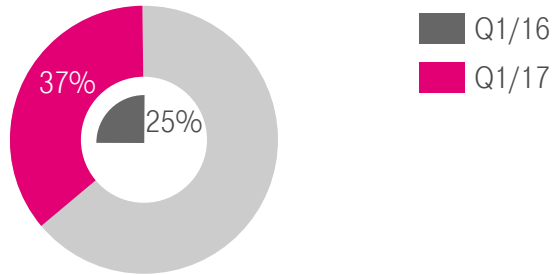
5) Contract net adds under own brand impacted by disconnections (minus 41k)



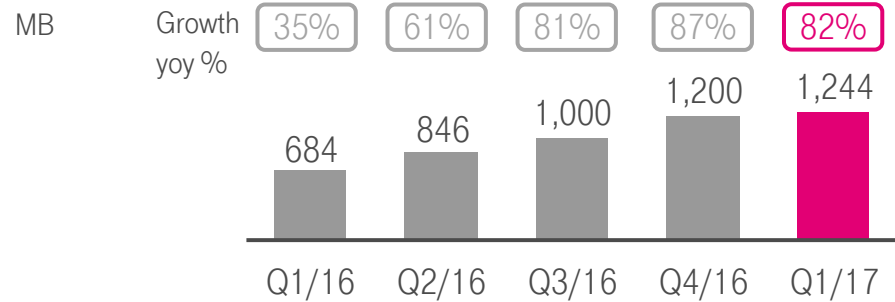
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# GERMANY: STRONG PROGRESS WITH CONVERGENCE

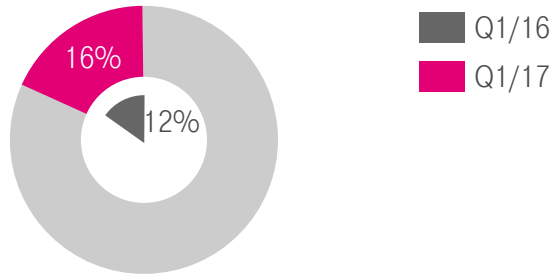
## Mobile contract customers in MagentaEINS bundles<sup>1</sup>



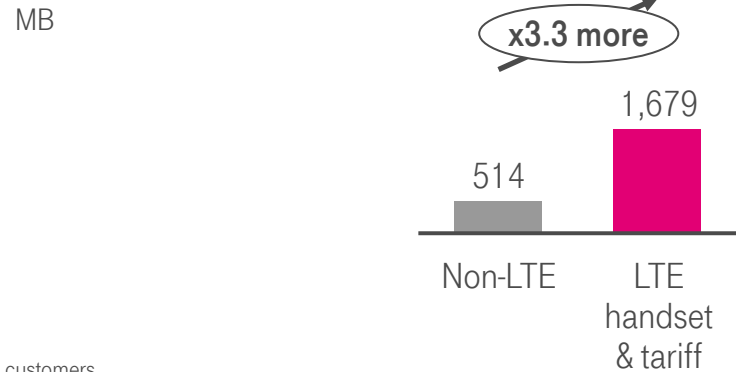
## Average Consumer Data Usage<sup>3</sup>



## Households in MagentaEINS bundles<sup>2</sup>



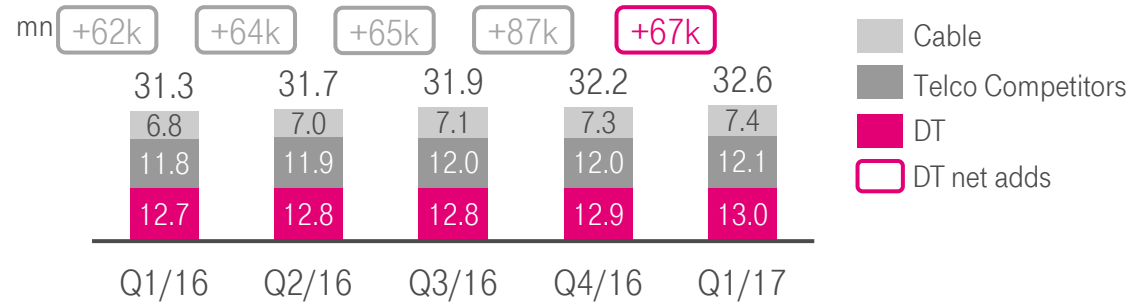
## Average LTE usage uplift<sup>3</sup>



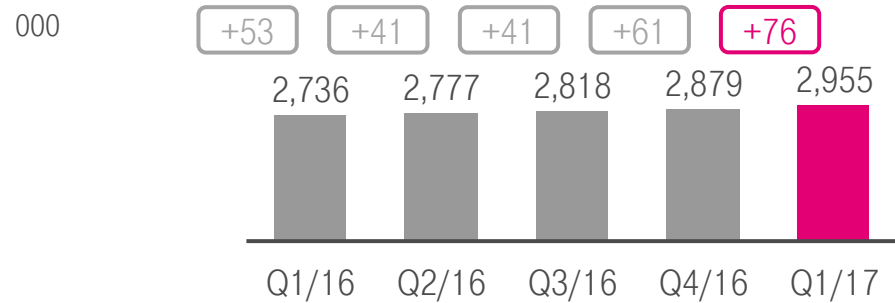
1) as % of B2C T-branded contract customers 2) as % of B2C broadband access lines 3) per month of B2C T-branded contract customers

# GERMANY FIXED: 50% GROWTH IN FIBER CUSTOMERS

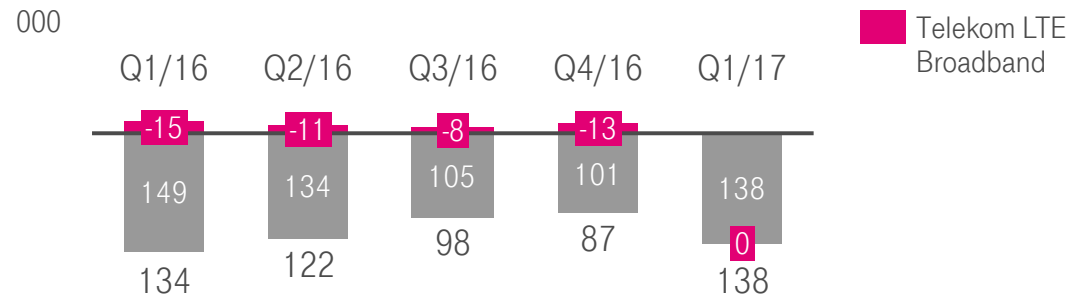
## German broadband market<sup>1</sup>



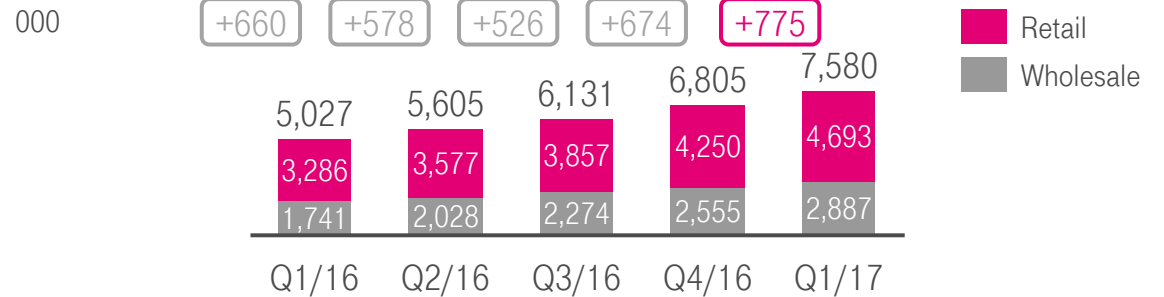
## Entertain customers



## Line losses



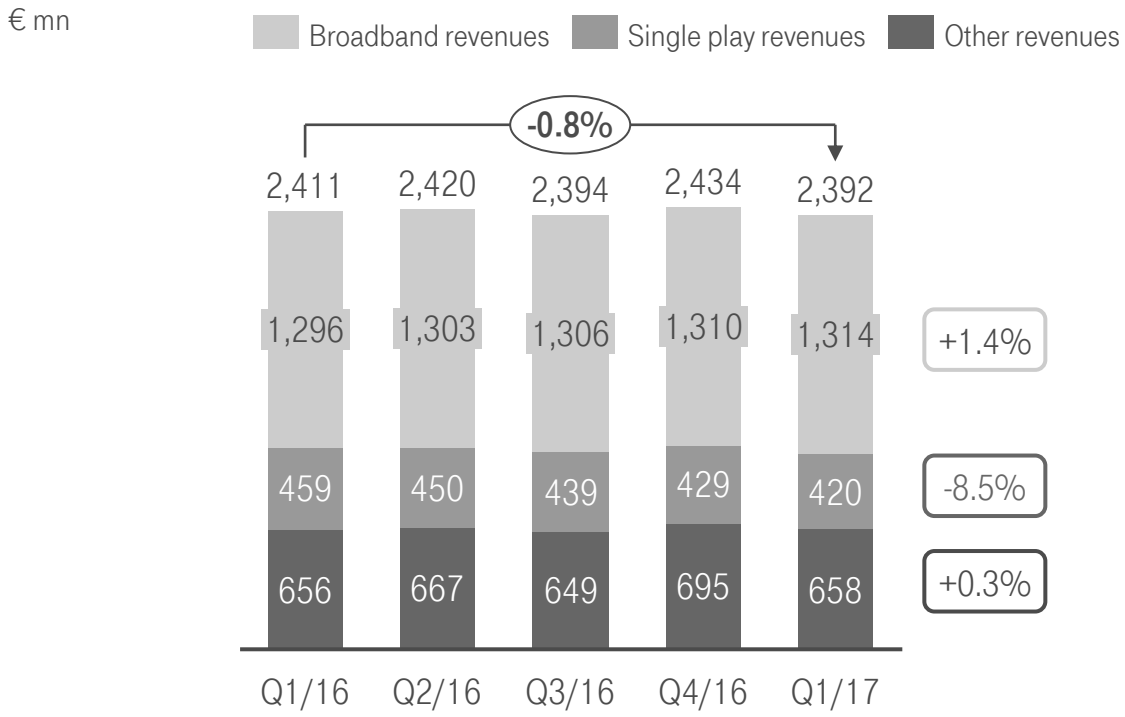
## Fiber customers<sup>2</sup>



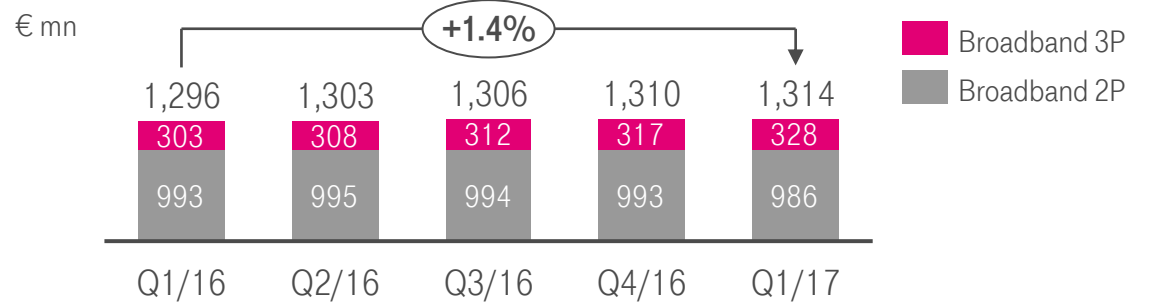
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

# GERMANY FIXED: FIXED RETAIL MOMENTUM STABILIZING

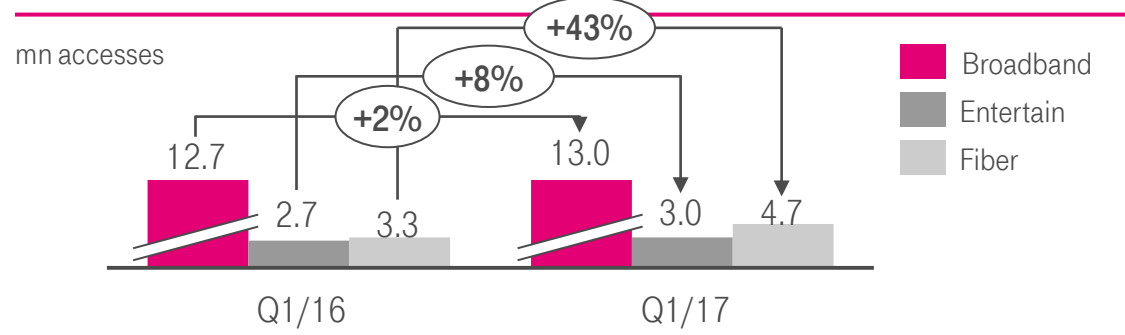
## Fixed network revenues retail



## Broadband revenues



## Retail upsell strategy<sup>1</sup>

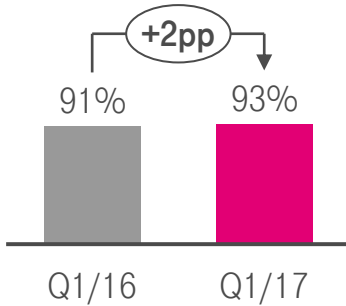


1) Percentages calculated on exact figures

# GERMANY: NETWORK TRANSFORMATION ON TRACK

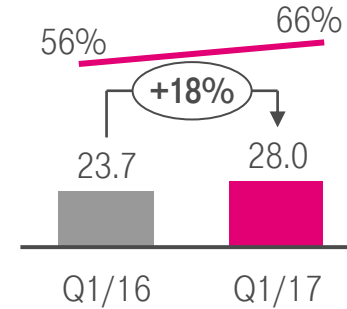
## INS – Status LTE rollout

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



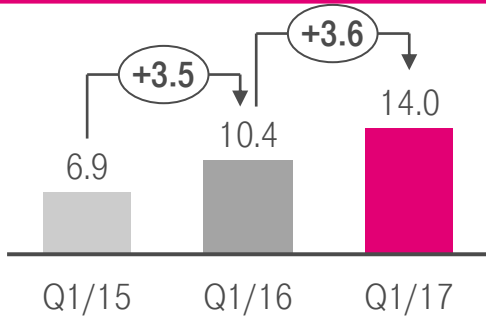
## INS – Status fiber rollout<sup>2</sup>

Coverage in % and  
millions of households



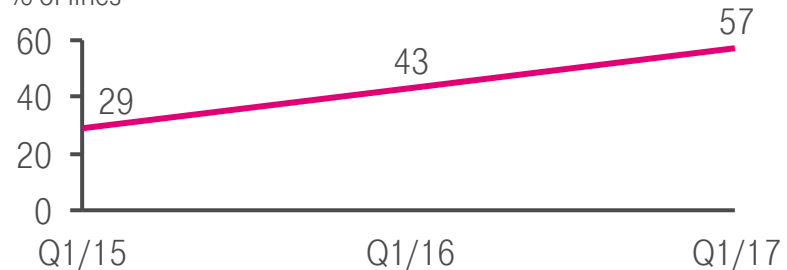
## Status IP accesses (retail & wholesale)

mn



## Status IP accesses (retail & wholesale)

in % of lines



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

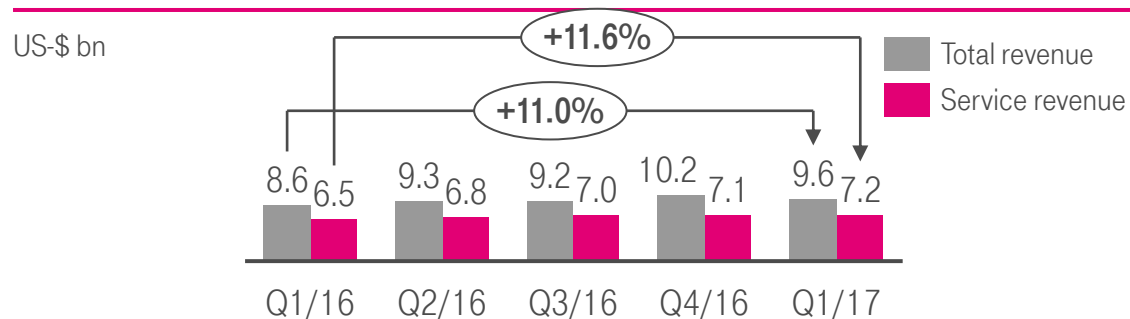


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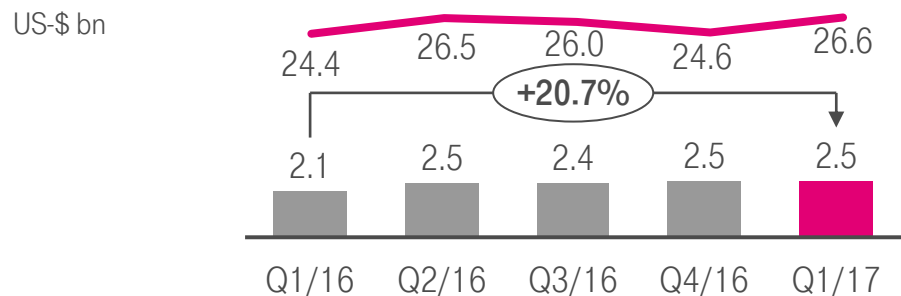


# TMUS: CONTINUED INDUSTRY LEADING GROWTH

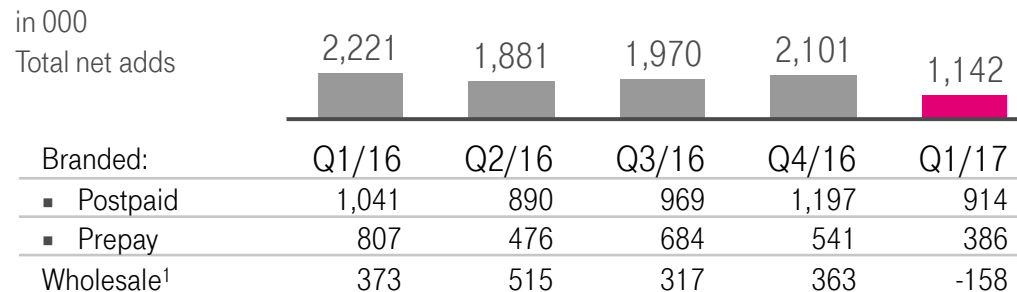
## Revenue and service revenue



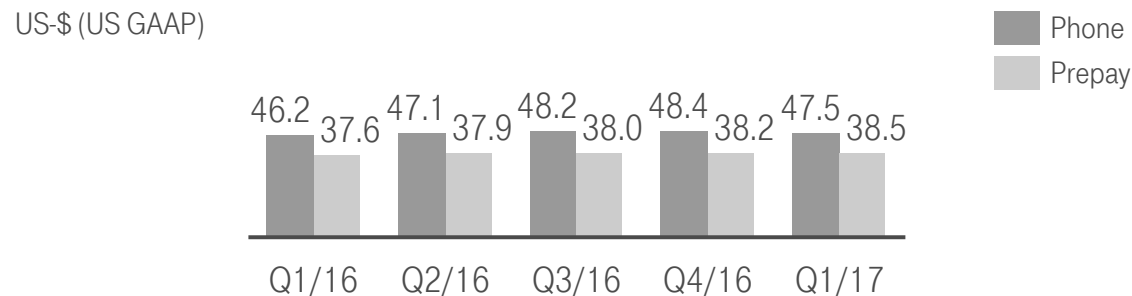
## Adj. EBITDA and margin (in %)



## Net adds



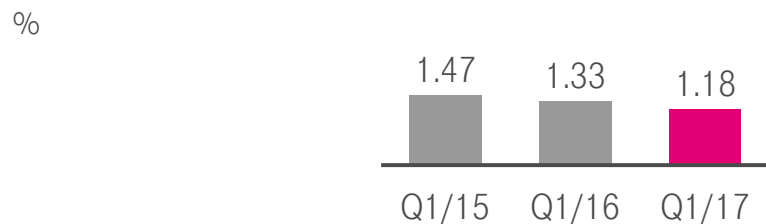
## Branded customers: Postpaid phone and prepay ARPU



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

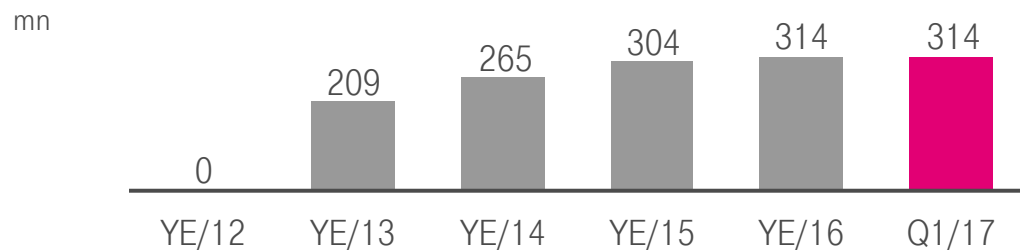
# TMUS: EXECUTING ON KEY DRIVERS

## Branded postpaid phone churn



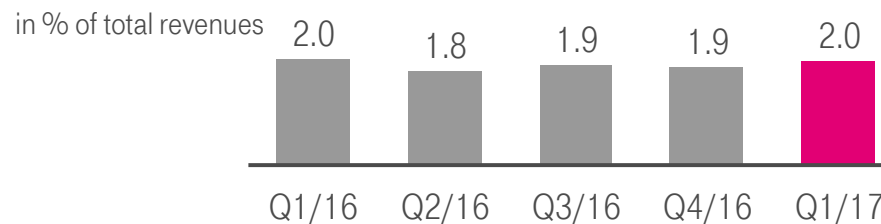
- Branded postpaid phone churn on record-low

## LTE covered POPs



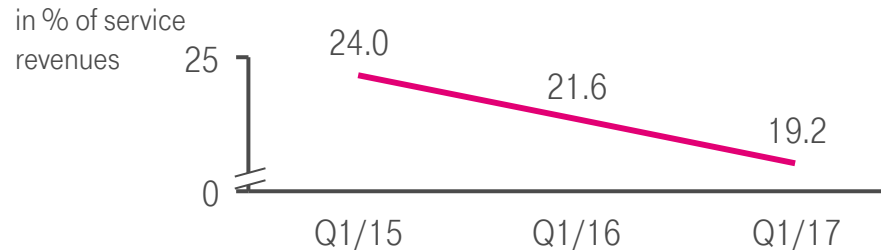
- A-block update: Deployed in 269 million POPs across 530 market areas (spectrum covers approx. 84% of US POPs or 272M people). Full build out expected end of 2017.

## Bad debt expenses & losses from sale of receivables



- Receivables classified as prime remain flat at 53% (adj. for EIP receivables sold)

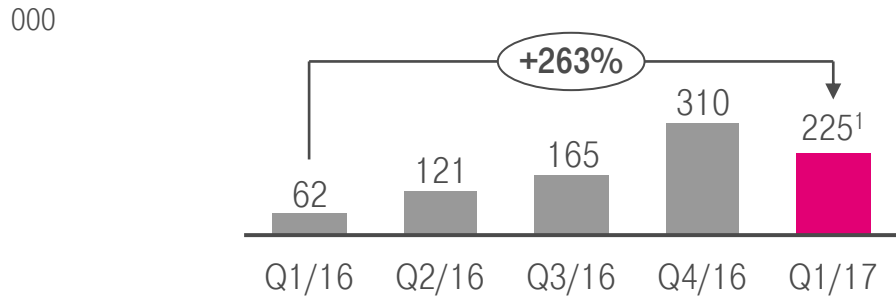
## Cost of service



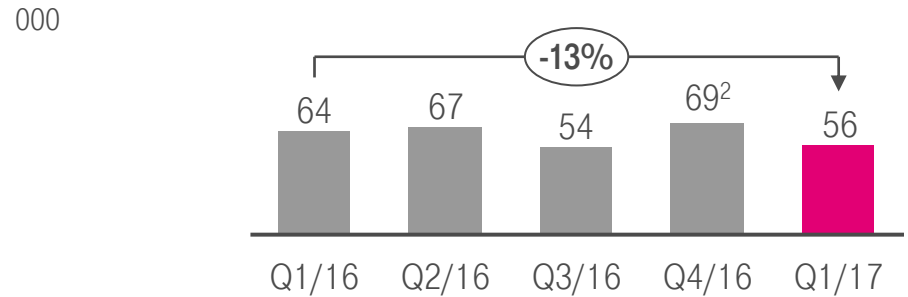
- MetroPCS synergies, growing scale and cost reductions outweigh network expansion costs

# EUROPE: POSITIVE COMMERCIAL MOMENTUM

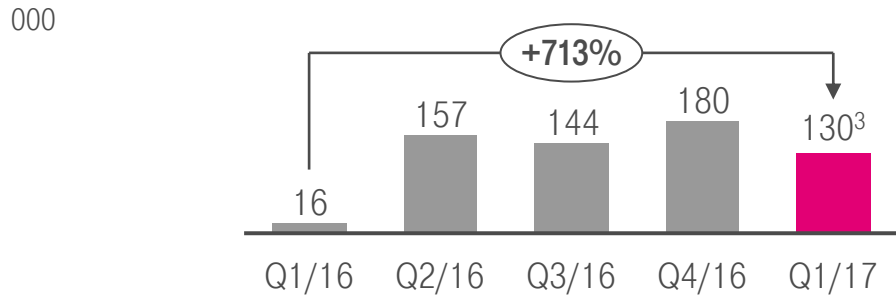
## Contract Net Adds



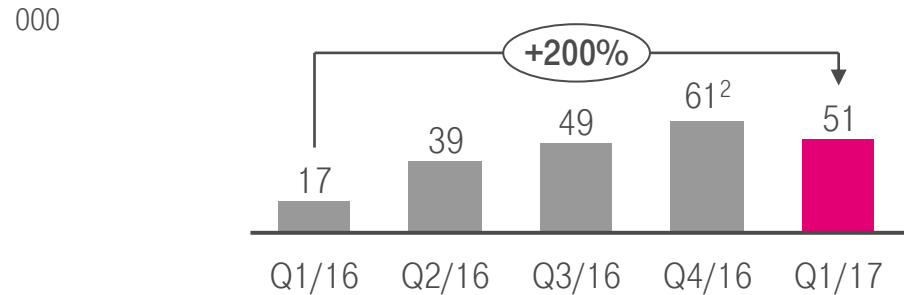
## BB Net Adds



## FMC Net Adds



## TV Net Adds



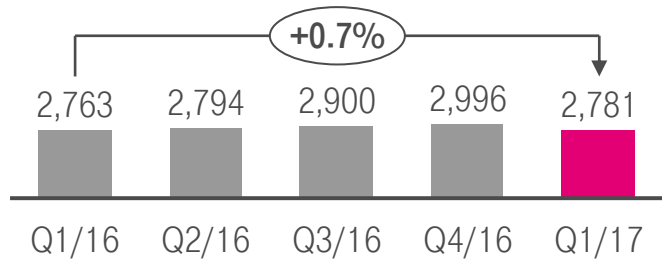
1) Organic view adjusted for re-classifications in Austria and Slovakia. Change in customer base is 167k. 2) Organic view: adjusted for 19k re-classifications in Hungary. Change in base is 50k. Q4 TV net adds adjusted for 22k re-classifications in Hungary. Change in base is 39k. 3) organic view: adjusted for 137k re-classifications in Greece. Change in base is 267k.



# EUROPE: FINANCIALS ON TRACK

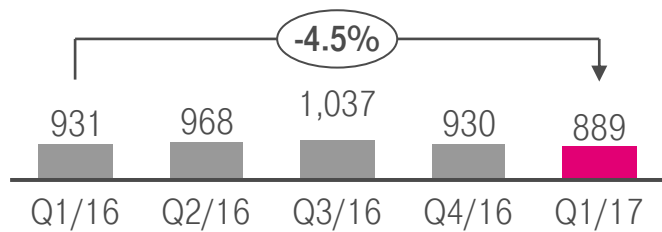
## Revenue

€ mn



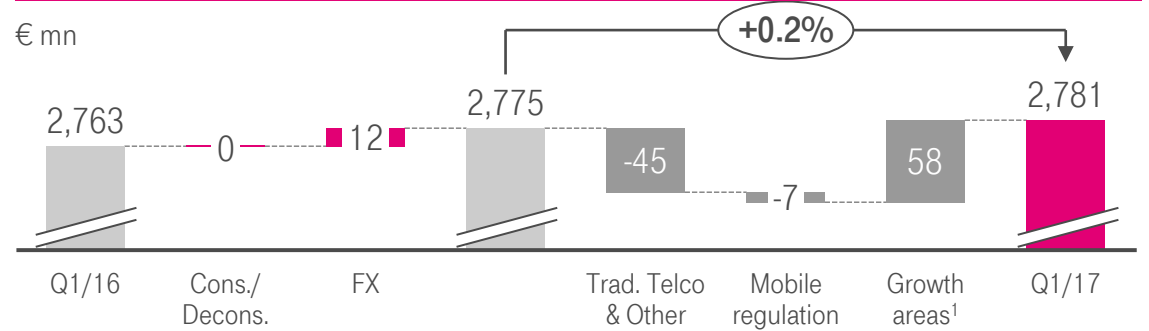
## Adj. EBITDA

€ mn



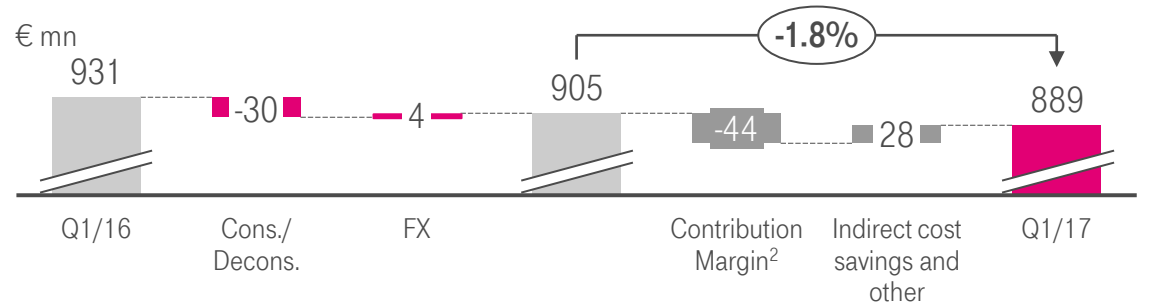
## Organic revenue development

€ 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

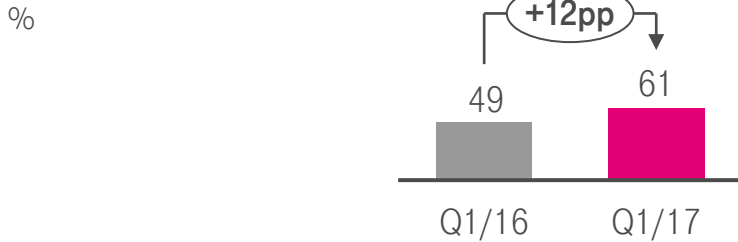


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# EUROPE: ONGOING INVESTMENTS IN NETWORK LEADERSHIP

## IP migration

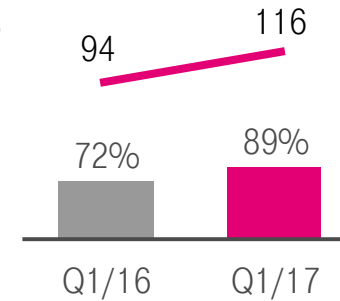
IP share of fixed network access lines



## LTE rollout

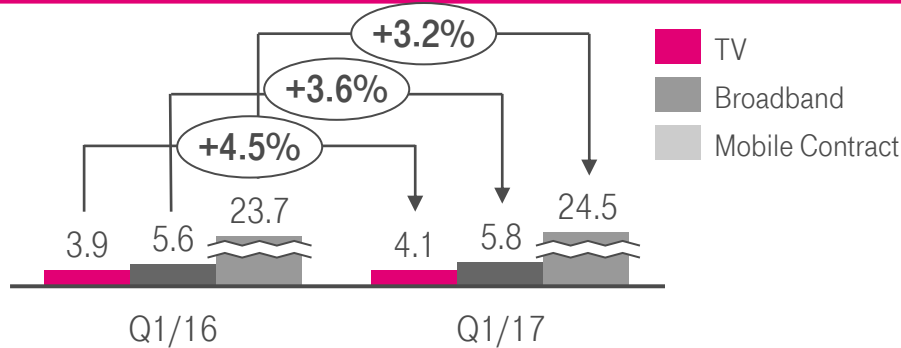
LTE outdoor pop coverage

mn and %



## Customer base<sup>1</sup>

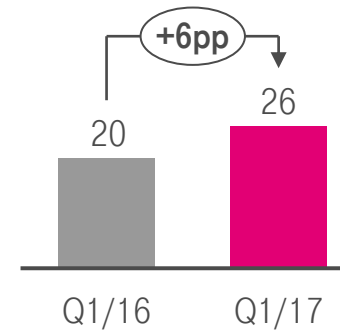
mn



## Fiber rollout<sup>1</sup>

Fiber household coverage

%



1) ≥ 100Mbit/s<sup>2</sup>-coverage: FTTH, FTTB, FTTC (with Vectoring), cable/ED3. Broadband also incl. wholesale customers

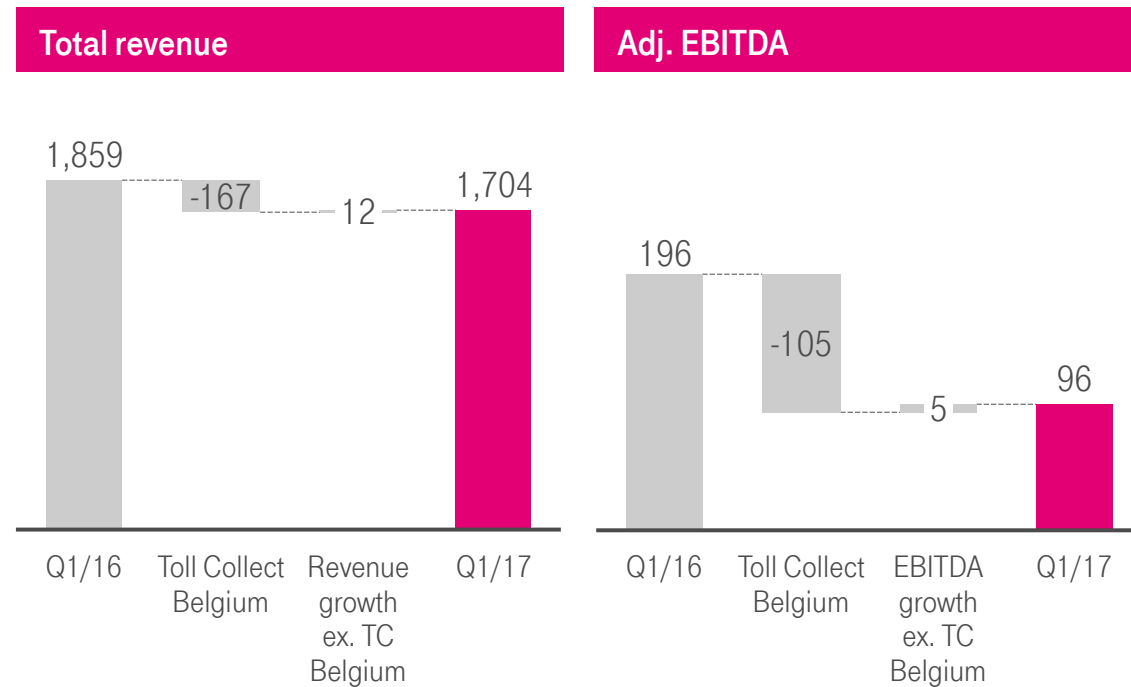


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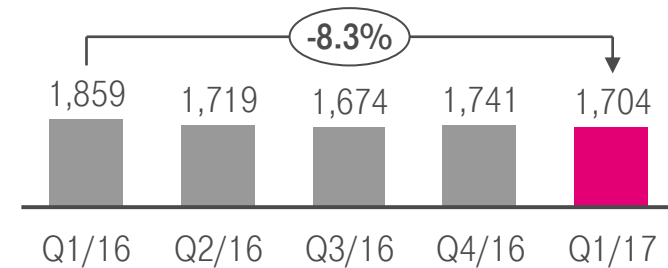
# SYSTEMS SOLUTIONS: YOY COMPARISON IMPACTED BY Q1/2016 ONE OFF

## T-Systems financials

€ mn

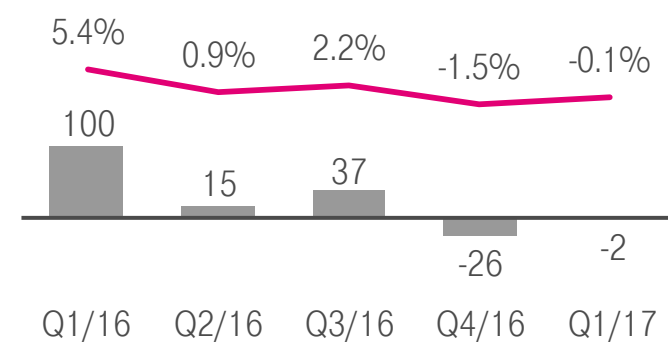


## Revenue in € million



## Adj. EBIT and margin

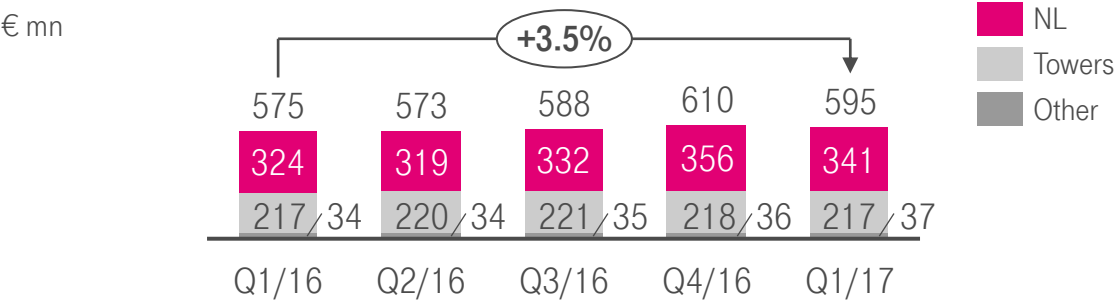
%  
€ mn



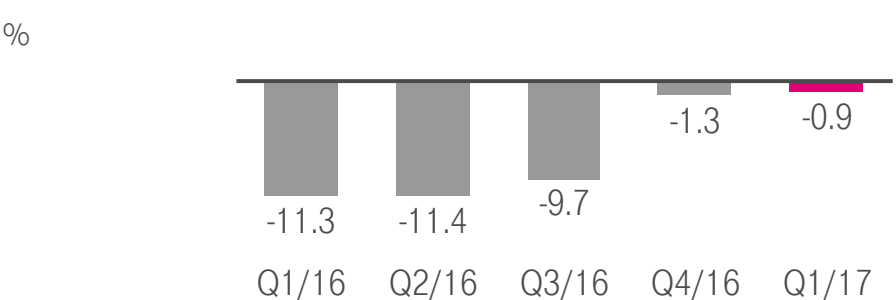
LIFE IS FOR SHARING.

# GROUP DEVELOPMENT: DUTCH BUSINESS WITH STRONG PERFORMANCE IN Q1

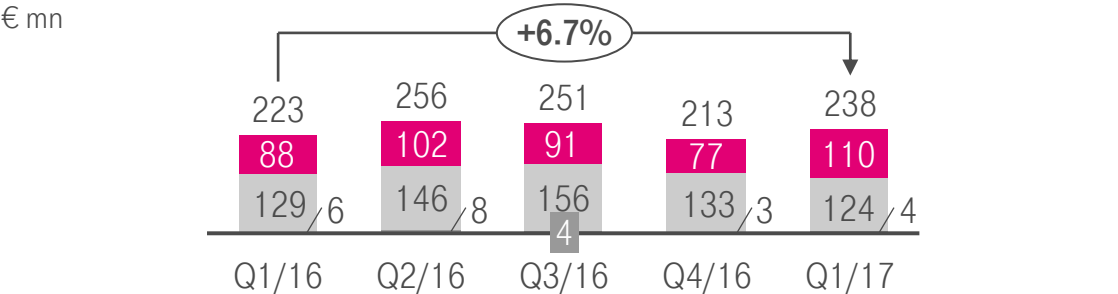
## Revenue



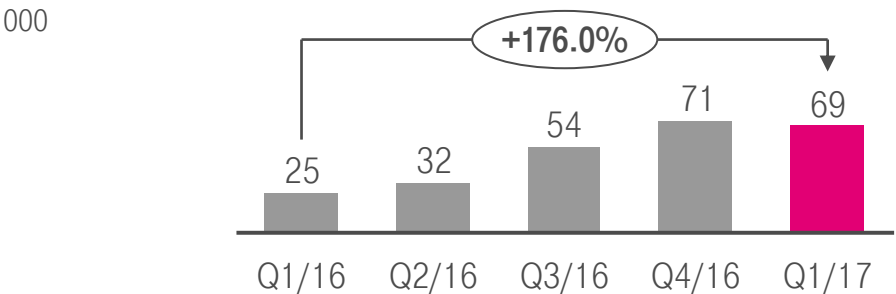
## Mobile service revenue trend yoy (NL)



## Adj. EBITDA

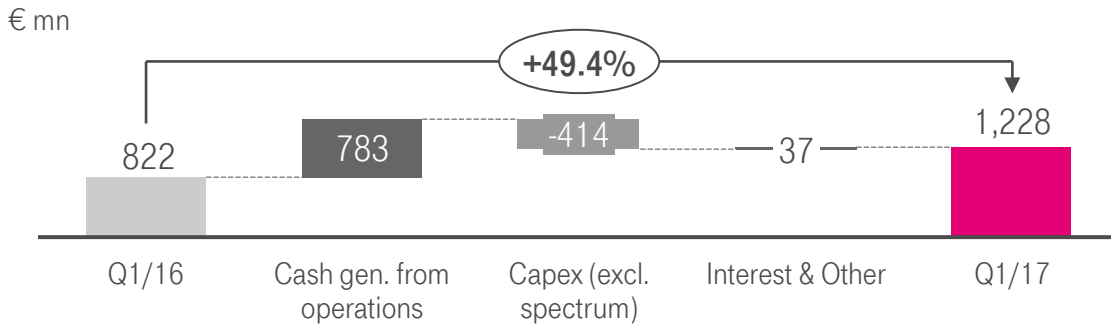


## Contract net adds (NL)

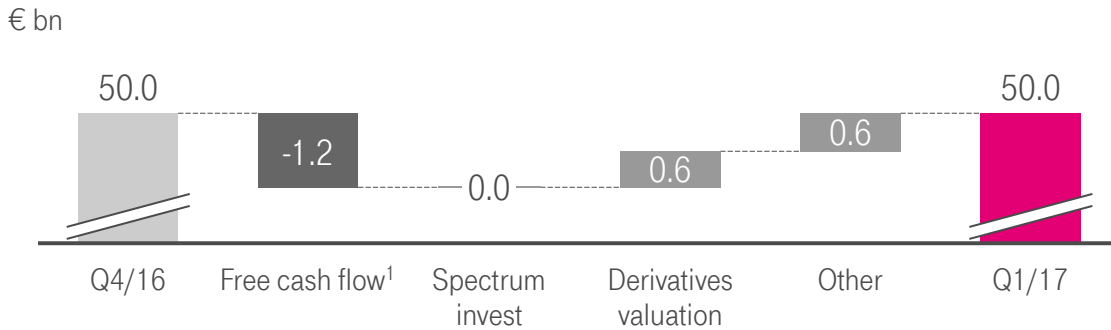


# FINANCIALS: FCF, NET DEBT AND NET INCOME

## Free cash flow <sup>1</sup>

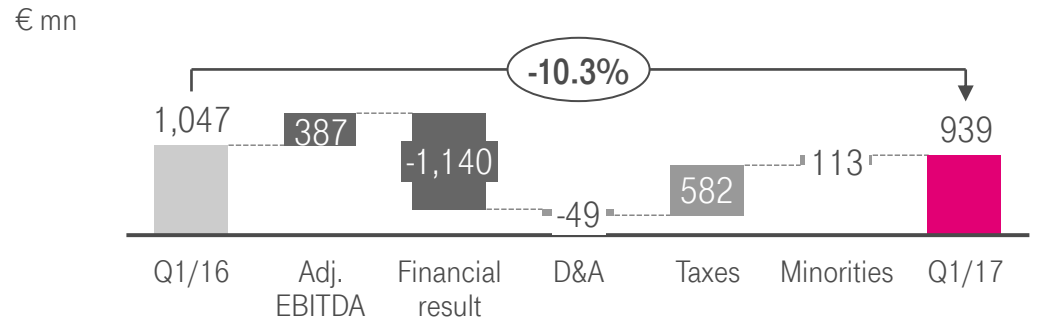


## Net debt development



1) Free cash flow before dividend payments and excl. Spectrum: Q1/16: € 1,065 million; Q1/17: € 35 million

## Adj. net income





# FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

|                                   | 31/03/2016 | 30/06/2016 | 30/09/2016 | 31/12/2016 | 31/03/2017 |
|-----------------------------------|------------|------------|------------|------------|------------|
| Balance sheet total               | 143.6      | 143.5      | 143.1      | 148.5      | 148.6      |
| Shareholders' equity              | 38.4       | 37.0       | 37.6       | 38.8       | 39.8       |
| Net debt                          | 47.6       | 48.7       | 48.5       | 50.0       | 50.0       |
| Net debt/adj. EBITDA <sup>1</sup> | 2.3        | 2.3        | 2.3        | 2.3        | 2.3        |
| Equity ratio                      | 26.8%      | 25.8%      | 26.3%      | 26.2%      | 26.8%      |

## 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:   | <b>BBB+</b> | stable outlook |
| Moody's: | <b>Baa1</b> | stable outlook |
| S&P:     | <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 transform 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 **May 11 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

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- The **link to the webcast** will be provided here 20 minutes before the call starts: [www.telekom.com/17Q1](http://www.telekom.com/17Q1)
- 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

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|       |                  |   |                |
|-------|------------------|---|----------------|
| 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 “**star two**”.



# FURTHER QUESTIONS

## PLEASE CONTACT THE IR DEPARTMENT

### Investor Relations Contact details

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Phone +49 228 181 – 8 88 80

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

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



### IR Twitter Account

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



### IR YouTube Channel

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[http://www.telekom.com/youtube\\_ir](http://www.telekom.com/youtube_ir)



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# APPENDIX

# OUR STRATEGY

## LEADING EUROPEAN TELCO

**INTEGRATED  
IP NETWORKS**

**BEST  
CUSTOMER  
EXPERIENCE**

**WIN WITH  
PARTNERS**

**LEAD IN  
BUSINESS**

TRANSFORM PORTFOLIO

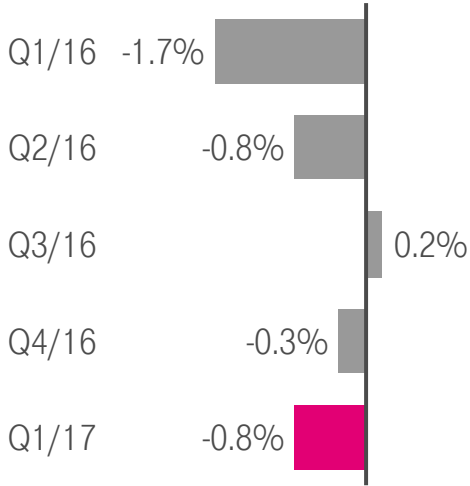
EVOLVE FINANCIAL TARGETS & EFFICIENCY

ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT

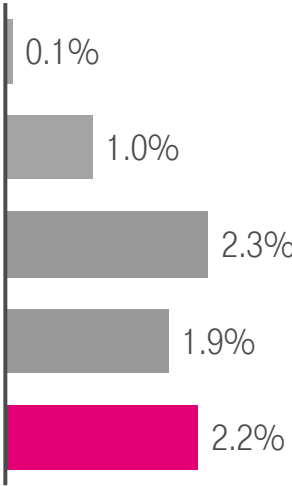


# GERMANY MOBILE: SERVICE REVENUES

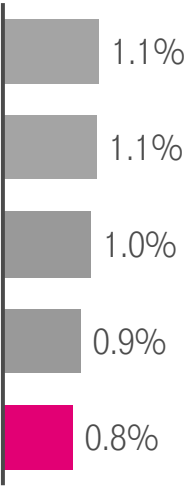
Reported mobile service revenues



Impact of mobile regulation<sup>1</sup>



Impact of convergent offers<sup>2</sup>



Medium term guidance (2014 – 2018 CAGR): **Re-iterated**

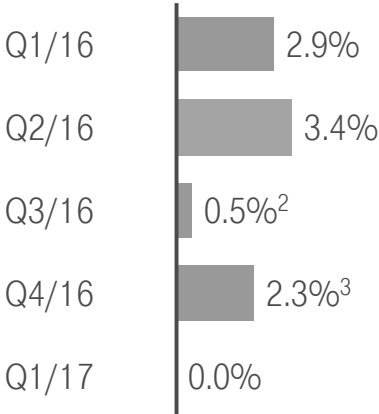
**≈ +1% (without EU roaming impact)**

1) Impact of MTR and EU Roaming regulation    2) Impact of MagentaEINS and Telekom LTE broadband

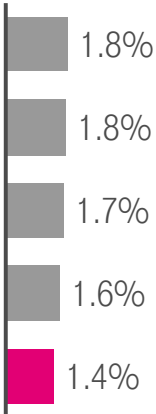
# GERMAN FIXED: SERVICE REVENUES

## Growth rates YOY

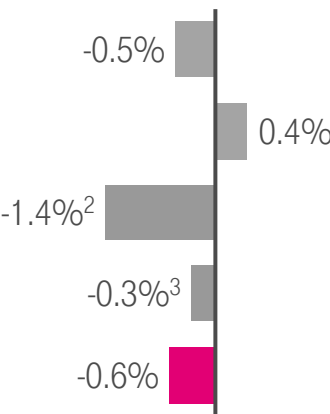
### Wholesale revenues



### Broadband revenues



### Fixed line service revenues<sup>1</sup>



## Medium term guidance (2014 – 2018 CAGR): Re-iterated

**+0.0%**

**+2.0%**

1) Fixed network core business revenues less fixed hardware revenues plus wholesale services fixed network revenues. From Q2/16 onwards we classify CPEs recurring rent revenues as fixed service revenues. Without this reclassification fixed line service revenue growth rate would be -0.9% in Q1/17. Prior quarters growth rates have not been restated. 2) Revenue in Q2/16 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at +4.6% for wholesale, respectively +0.7% for fixed service revenues under definition in Q2/16 (see 1) 3) Revenue in Q3/15 impacted by a positive one-off effect in wholesale. Adjusted for this effect wholesale revenue trend would have been +3.5%, fixed line service revenue trend in Q3/16 would have been -0.6%



**THANK YOU!**