

# DEUTSCHE TELEKOM

## Q4/2017 RESULTS



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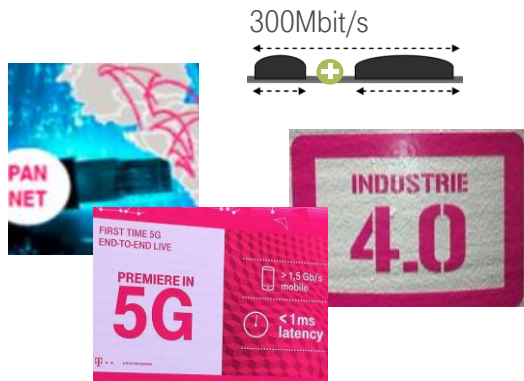
In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt and net debt. These alternative performance measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

# **REVIEW FY/2017**

# 2017 HIGHLIGHTS: GROWTH IN COMMERCIALS AND FINANCIALS

## Growth: investments and innovations

- Cash capex +10.4% to €12.1 billion
- IP-Migration for 70% of HHs in GER and EU completed
- Fiber roll-out: 4.1 million new homes in GER and EU with access to Fiber
- LTE coverage both in GER and EU at 94%



## Growth: customers

- Demand for fiber in Germany unabated
  - 9.6 million German homes with fiber (+41% yoy)
  - 2.8 million net adds
- Continued strong US growth
  - 5.7 million net adds<sup>1</sup>
- EU: mobile contract net adds +75%



1) Adj. for 4,528k wholesale customers no longer reported since Q2/17

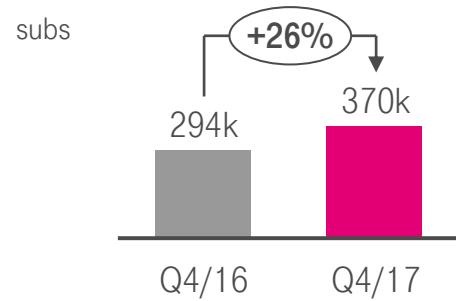
## Growth: financials

- Strong growth continues
  - Revenue up 2.5% yoy
  - Adj. EBITDA up 3.8% yoy
  - FCF up 11.3% yoy
- Net debt/Adj. EBITDA at 2.3x
- ROCE at 5.8%
- Dividend proposal of €0.65 per share

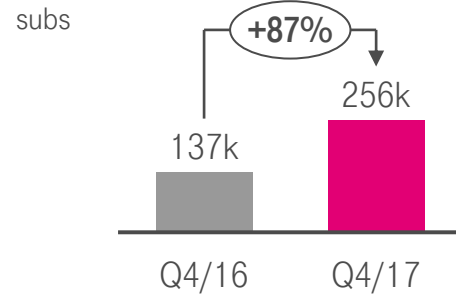


# 2017 INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

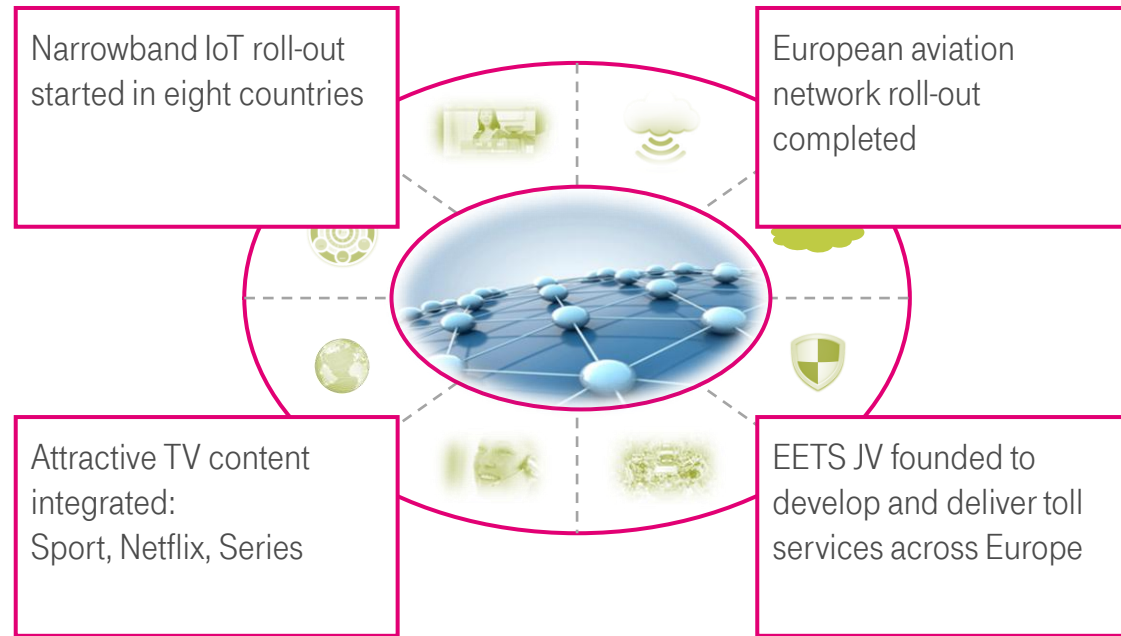
## Hybrid Access<sup>1</sup>



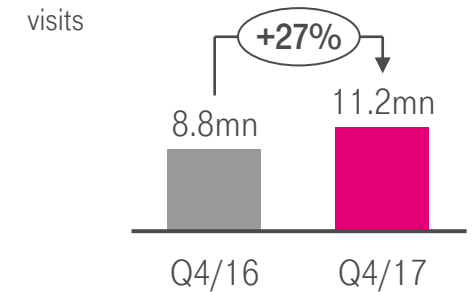
## Smart Home<sup>2</sup>



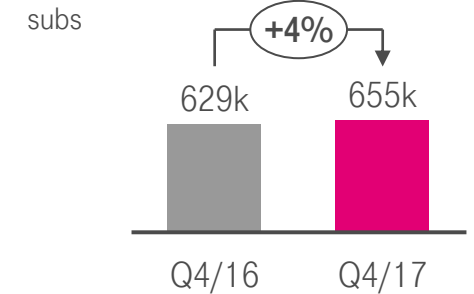
## Innovation/Network



## Digital Service App



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

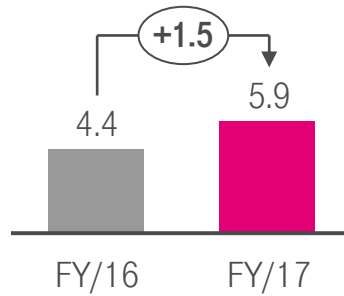


1) +5€ per customer/month 2) +10€ per customer/month 3) +8€ per customer/month

# 2017 CUSTOMERS: STRONG DEMAND DRIVES MOMENTUM

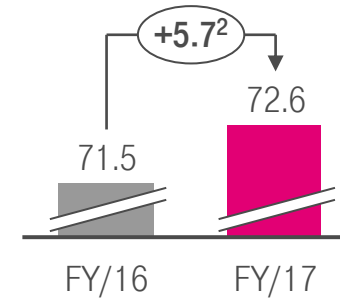
## MagentaEINS (Germany + EU)<sup>1</sup>

mn



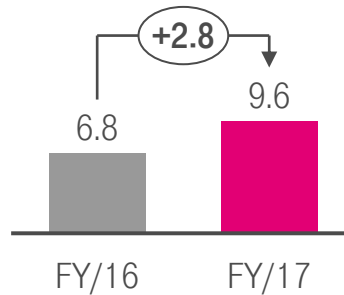
## US Mobile

mn



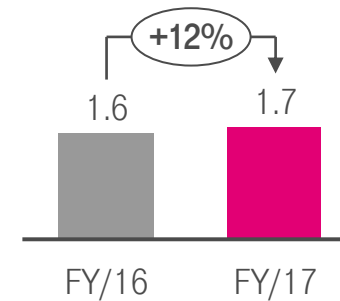
## Fiber in Germany

mn



## Cloud revenues

€ bn



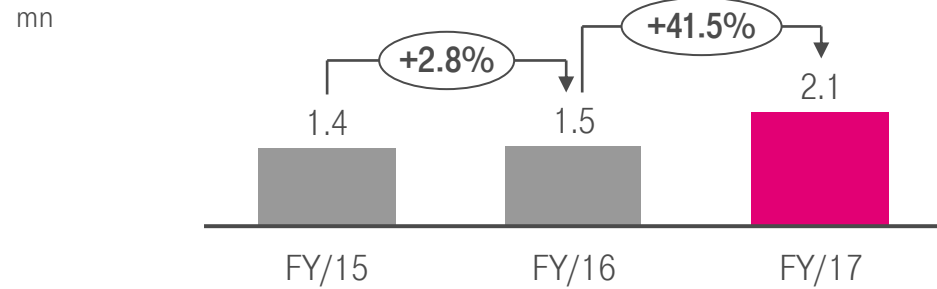
1) FMC RGUs may also appear under other brand name outside of Germany 2) Adj. for 4,528k wholesale customers no longer reported since Q2/17



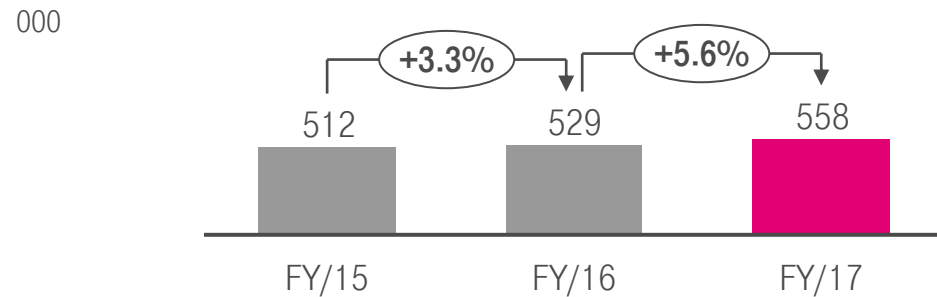
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# 2017 ACHIEVEMENTS: ACCELERATED GROWTH IN GER + EU<sup>1</sup>

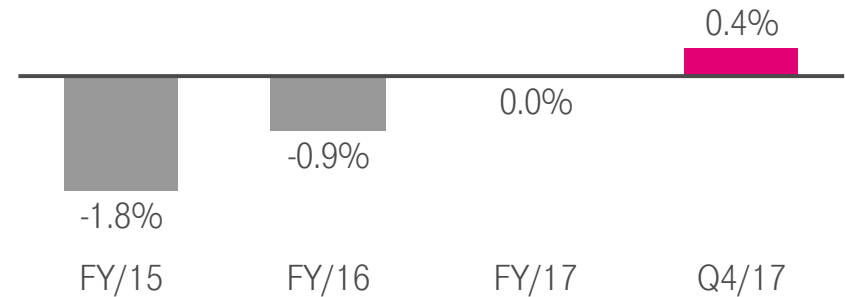
## Net adds mobile contract (GER + EU<sup>1</sup>)



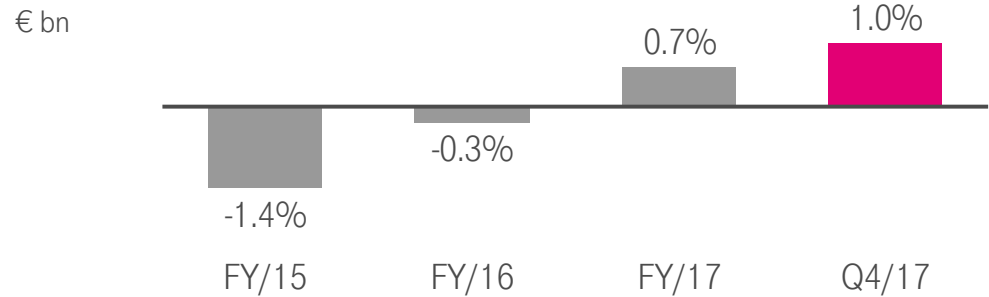
## Net adds broadband (GER + EU<sup>1</sup>)



## Service revenue trend yoy (GER + EU<sup>1</sup>)



## Organic service revenue trend yoy (GER + EU<sup>1</sup>)<sup>2</sup>



1) incl. NL 2) adjusted for regulation and currency effects

# FY 2017 HIGHLIGHTS: CAPITAL ALLOCATION DECISIONS

## Stronger assets

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- Austria: acquisition of UPC Austria
- TM-NL: Take-over of Tele2 Netherlands
- Poland: Fiber wholesale agreement with Orange Polska<sup>1</sup>
- TM US: acquisition of Layer3 TV

## Shareholder returns DT

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- Dividend increased in line with FCF to € 0.65/share<sup>2</sup>
- Dividend in kind to be discontinued

## Pension funding / BT

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- BT stake to be transferred into DT pension fund
- Voluntary annual pension funding of c250m € discontinued

## Shareholder returns DT subsidiaries

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- TMUS: buyback of \$1.5 billion + direct share purchases
- OTE to distribute excess free cash flow

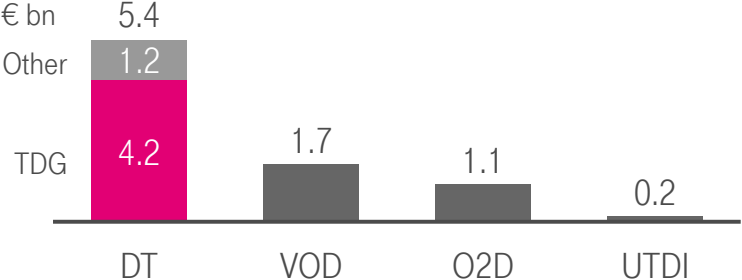
1) Statement of intent    2) subject to necessary resolutions



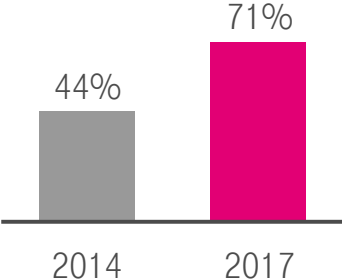


# GERMAN INFRASTRUCTURE: ACHIEVEMENTS

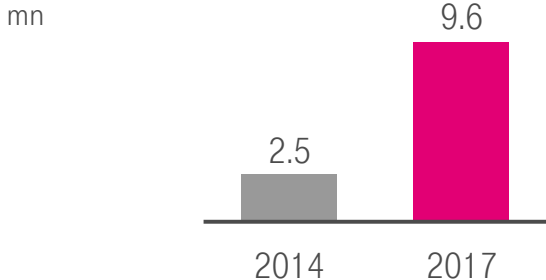
## 2017 German Capex<sup>1</sup>



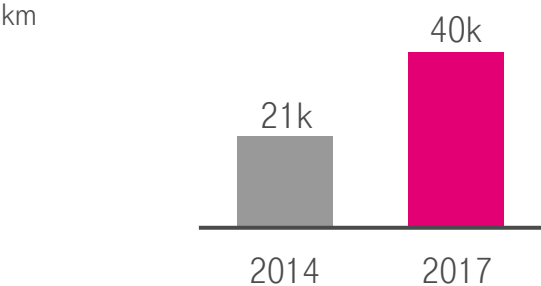
## Fiber coverage



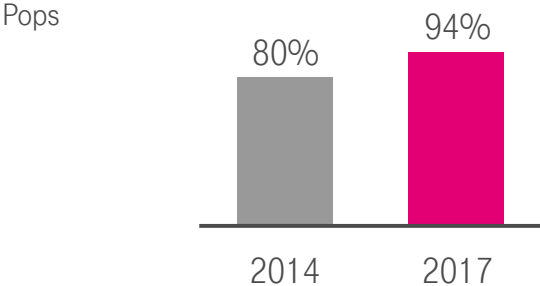
## Fiber customers



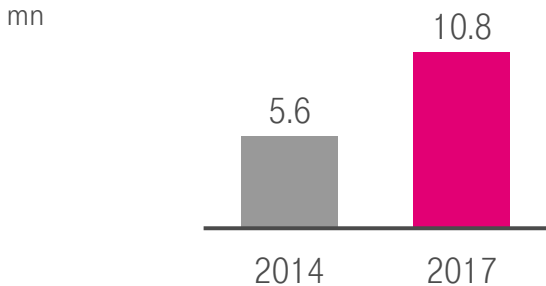
## Fiber build



## LTE Coverage



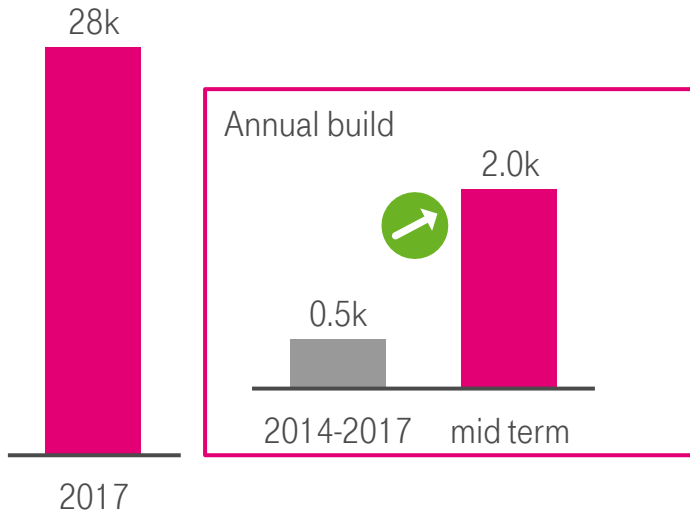
## LTE Customers



1) Peers according to external reporting; VOD FY 2016/17; O2D and UI: FY 2016.

# GERMAN INFRASTRUCTURE PRIORITIES: MOBILE

## Accelerated tower build



- Coverage of “white spots”
- Improving customer experience
- DFMG capex to grow c0.1bn € in 2018

## 2018/19 milestones

- Increase LTE pop coverage to 98% (2019)
- 3mn POPs in “white spots” to get LTE access by year end 2019
- Coverage of all German motorways and high speed (ICE) rail tracks in 2018/19

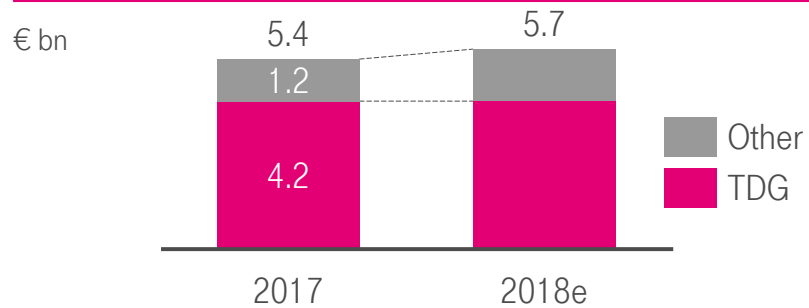
# GERMAN INFRASTRUCTURE PRIORITIES: FIXED

	B2C	B2B
2017	<ul style="list-style-type: none"><li>71% fiber coverage</li></ul>	<ul style="list-style-type: none"><li>c75% of businesses with up to 50Mbps available</li></ul>
2018	<ul style="list-style-type: none"><li>80% fiber coverage</li><li>15m homes with up to 250 Mbp/s by end 2018</li></ul>	<ul style="list-style-type: none"><li>Accelerated build out of business districts with direct fiber</li><li>FTTC coverage and speed increases</li></ul>
Mid term	<ul style="list-style-type: none"><li>Ongoing high investments towards Gigabit targets</li><li>Further details to be provided with CMD in May</li></ul>	<ul style="list-style-type: none"><li>DT to connect 80% of businesses in business districts with fiber by early 2020ies</li></ul>

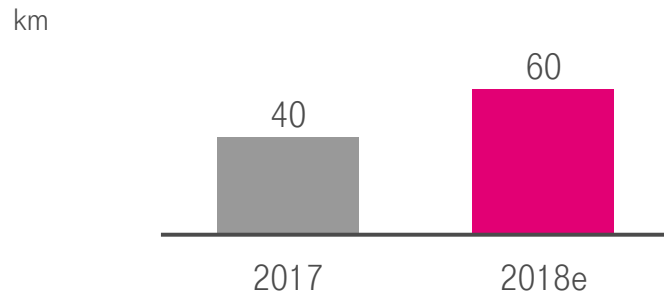


# GERMAN INFRASTRUCTURE: CONTINUED HIGH INVESTMENTS

## 2017 German Capex<sup>1</sup>



## Fiber deployed by TDG



1) Excl. spectrum

## Outlook mid term

- High investments to stay in place
- Assuming fair and reliable regulatory framework
- TDG stable at high levels
  - Completion of promised vectoring roll-out in 2019
  - Investment framework to be redeployed towards Gigabit targets
  - Technology mix to include FTTH/B and FWA/Hybrid to maximize time-to-market and efficiency
- DFMG spending to remain elevated



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# 2017 FINANCIALS: GUIDANCE ACHIEVED

€ bn

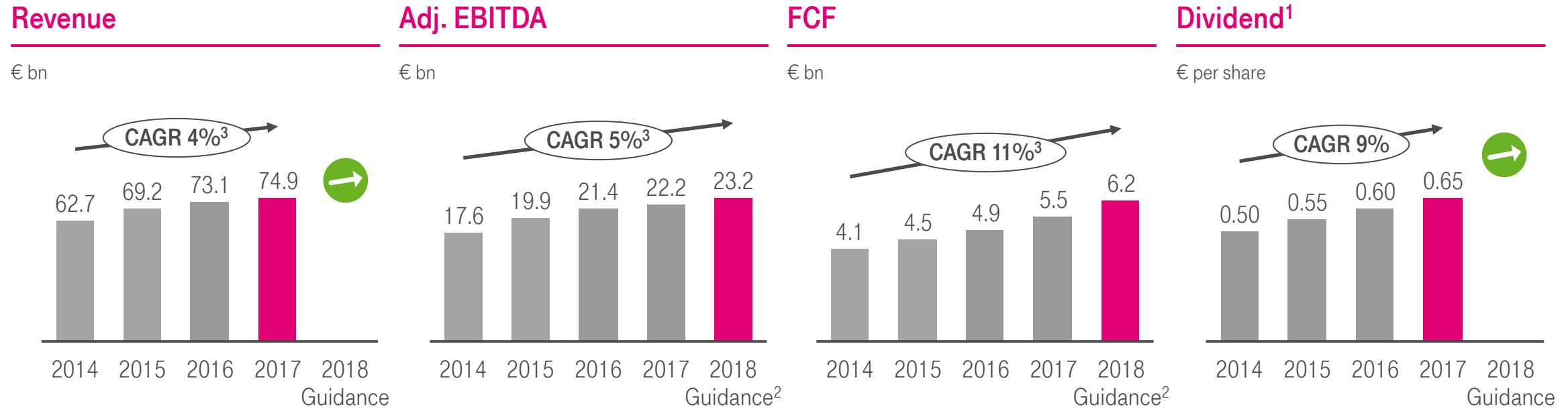
	Revenue	Adj. EBITDA	FCF
2014 – 2018 CAGR <sup>1</sup>	+1 – 2%	+2 – 4%	≈+10%
Initial 2017 Guidance (\$/€: 1.11)	Increase	Around 22.2 bn <sup>2</sup>	Around 5.5 bn
Final 2017 Guidance (\$/€: 1.11)	Increase	Around 22.4 – 22.5 bn <sup>2</sup>	Around 5.5 bn
<b>Results 2017 at guidance f/x (\$/€: 1.11)</b>	<b>75.7 (+3.6%) ✓</b>	<b>22.45 (+4.9%) ✓</b>	<b>5.5 (+12%) ✓</b>
Results 2017 actual (\$/€: 1.13)	74.9 (+2.5%)	22.2 (+3.8%)	5.5 (+11.3%)

1) 14-18 CAGRs as per CMD 2015 guidance 2) Handset lease and data stash \$0.8 to 0.9 billion as per old guidance. \$0.85 – 0.95 billion as per new guidance



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# 2017 FINANCIALS: DELIVERING GROWTH



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



1) 2017 and 2018 subject to necessary resolutions 2) Guidance based on 1.13 US\$ = 1€ exchange rate 3) CAGRs are currency and handset lease effect adjusted

# GUIDANCE 2018: WE WILL GROW ON BOTH SIDES OF THE ATLANTIC

€ bn

	<u>Revenue</u>	<u>Adj. EBITDA</u>	<u>FCF</u>
2014 – 2018 CAGR <sup>1</sup>	+1 – 2%	+2 – 4%	≈+10%
2018 Guidance (\$/€: 1.13)	Slight increase	Around 23.2	Around 6.2
thereof group excl. US		Around 13.2	
thereof TM US (US\$ bn)		Around 11.3 <sup>1</sup>	
impact of new revenue standard (US\$ bn)		Around 0.35	
handset lease and data stash (US\$ bn)		0.6 - 0.7	

1) equals mid-Point TMUS guidance (\$11.5bn US GAAP) + mid-point revenue recognition guidance (+\$0.35bn) and -\$0.5bn IFRS bridge



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**REVIEW Q4/17**



# FY AND Q4 2017: FINANCIAL HIGHLIGHTS

€ mn

	Q4			FY		
	2016	2017	Change	2016	2017	Change
Revenue	19,543	19,160	-2.0%	73,095	74,947	+2.5%
Adj. EBITDA	5,265	5,015	-4.7%	21,420	22,230	+3.8%
Adj. Net profit	973	2,657	+173.1%	4,114	6,039	+46.8%
Net profit	-2,124	1,332	n.m.	2,675	3,461	+29.4%
Adj. EPS (in €)	0.21	0.56	+166.6%	0.89	1.28	+43.8%
Free cash flow <sup>1</sup>	893	1,094	+22.5%	4,939	5,497	+11.3%
Cash capex <sup>2</sup>	2,724	2,860	+5.0%	10,958	12,099	+10.4%
Net debt	49,959	50,791	+1.7%	49,959	50,791	+1.7%

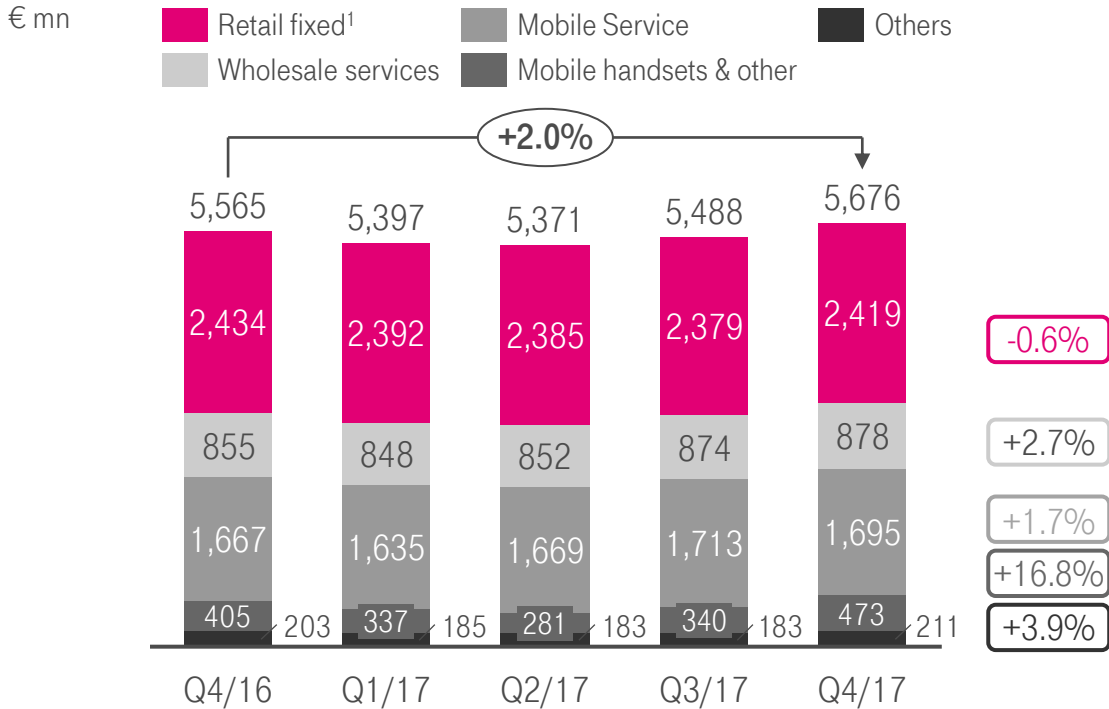
1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q4/16: € 432 million; Q4/17: € 94 million; FY/16: € 2,682 million; FY/17: € 7,395 million



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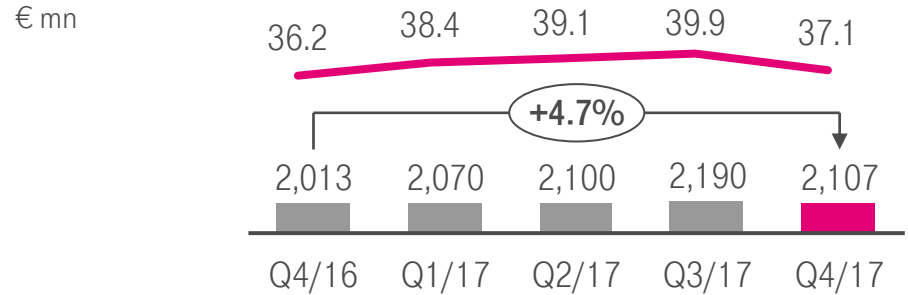
# GERMANY: GROWING REVENUE AND ADJ. EBITDA

## Revenue reported

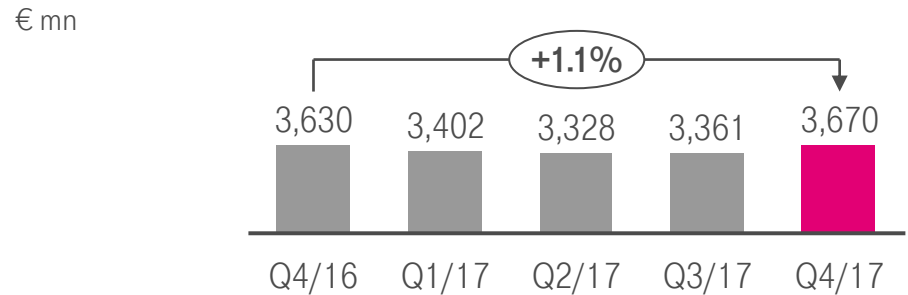


1) Fixed network core business

## Adj. EBITDA and margin (in %)



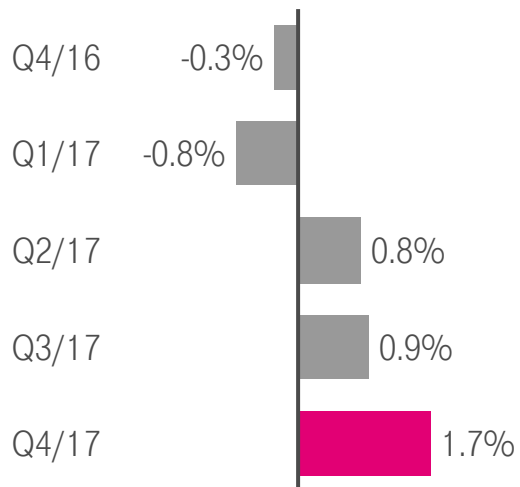
## Adj. OPEX



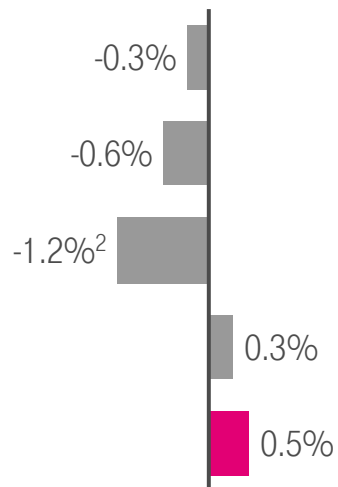
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# GERMANY: SUSTAINED GROWTH IN SERVICE REVENUES

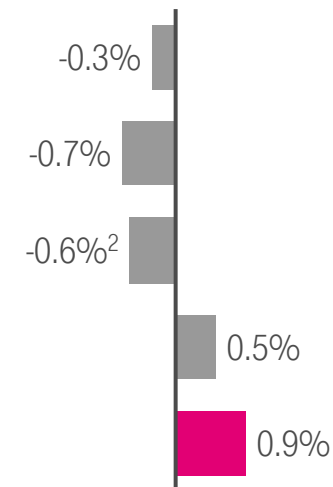
## Mobile service revenue



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



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



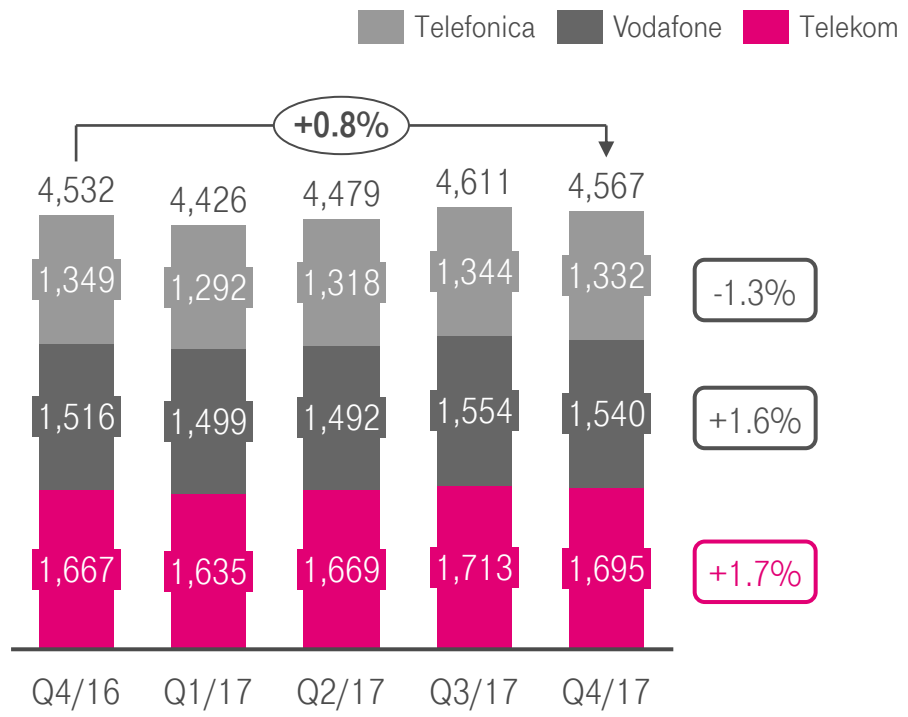
1) Total service revenue is a sum of fixed line and mobile service revenue. We define fixed line service revenue as fixed network core business revenue less fixed hardware revenue plus wholesale services fixed network revenue. From Q2/16 onwards we classify CPEs recurring rent revenue as fixed service revenue, and thus also part of total service revenue. Without this reclassification fixed line service revenue growth rate would be +0.1% in Q4/17, whereas TSR growth rate would be +0.6% in Q4/17. 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 -1.5% for fixed service revenue, resp. -0.8% for total service revenue



# GERMANY MOBILE: GOOD COMMERCIAL MOMENTUM

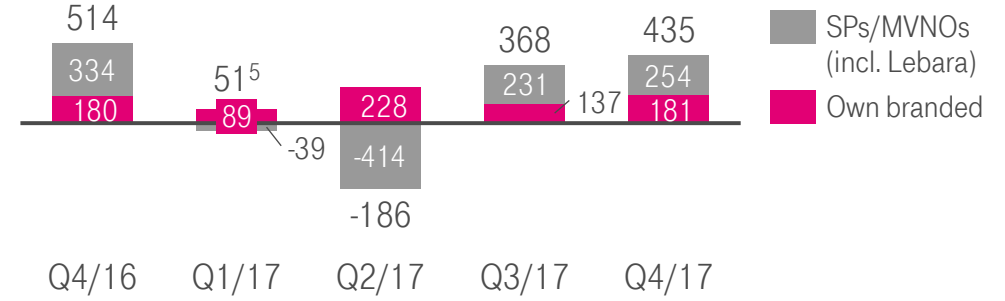
## German mobile market service revenue<sup>1</sup>

€ mn



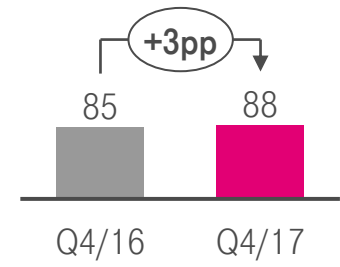
## Contract net adds<sup>2</sup>

000



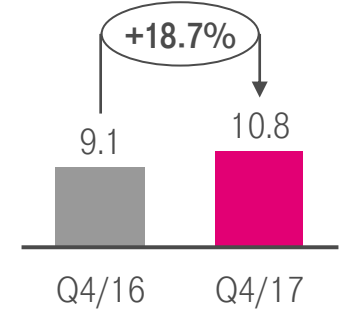
## Smartphone penetration<sup>3</sup>

%



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

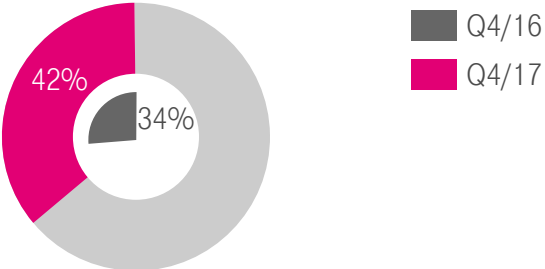
mn



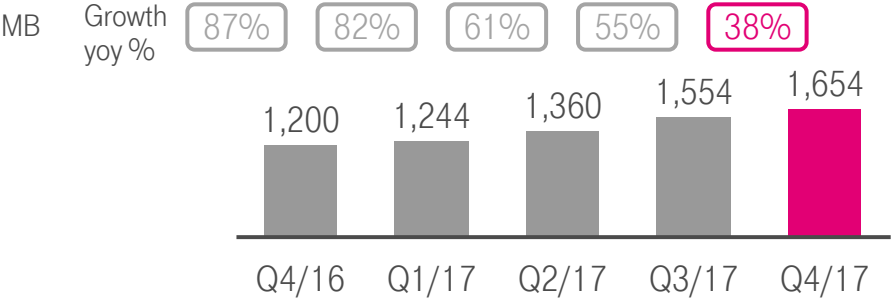
1) Management estimate 2) Figures may not add up due to rounding 3) Of own branded retail customers 4) Own customers using a LTE-device and tariff plan including LTE 5) Contract net adds under own brand impacted by disconnections (minus 41k)

# GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

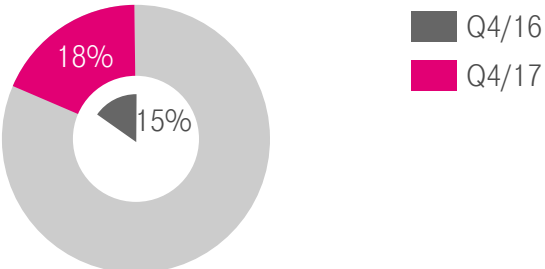
## Mobile contract customers in MagentaEINS bundles<sup>1</sup>



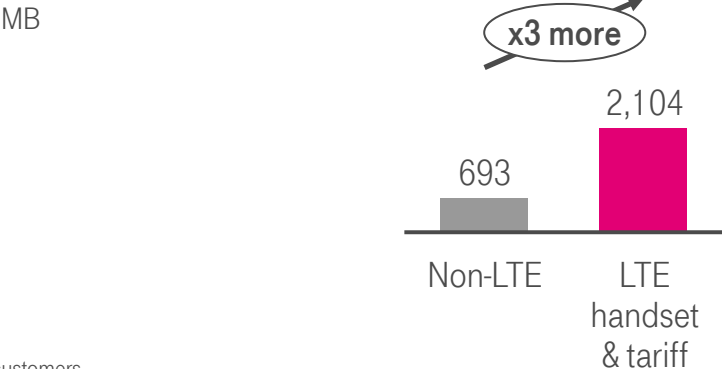
## Average Consumer Data Usage<sup>3</sup>



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



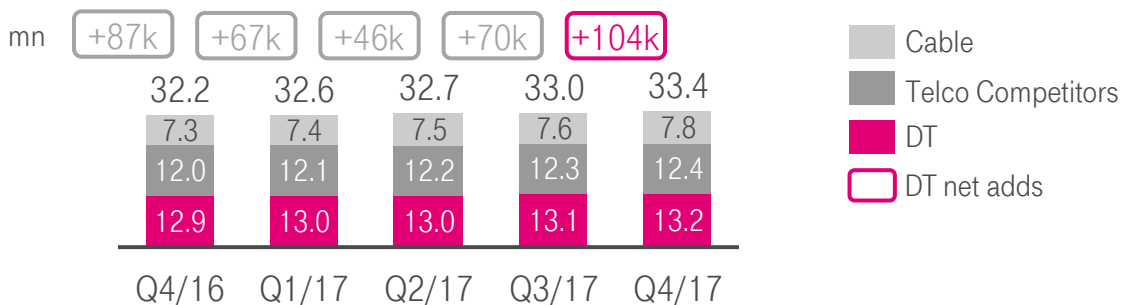
## Average LTE usage uplift<sup>3</sup>



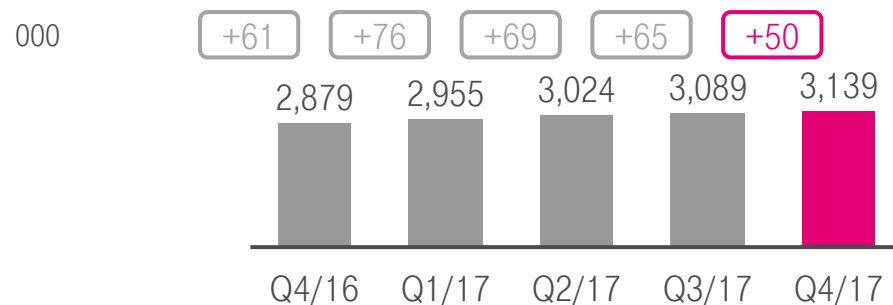
1) as % of B2C T-branded contract customers 2) as % of B2C broadband access lines 3) per month of B2C T-branded contract customers

# GERMANY FIXED: STRONG BROADBAND CUSTOMER GROWTH

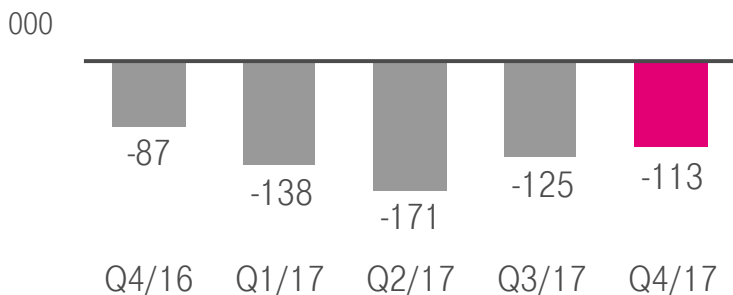
## German broadband market<sup>1</sup>



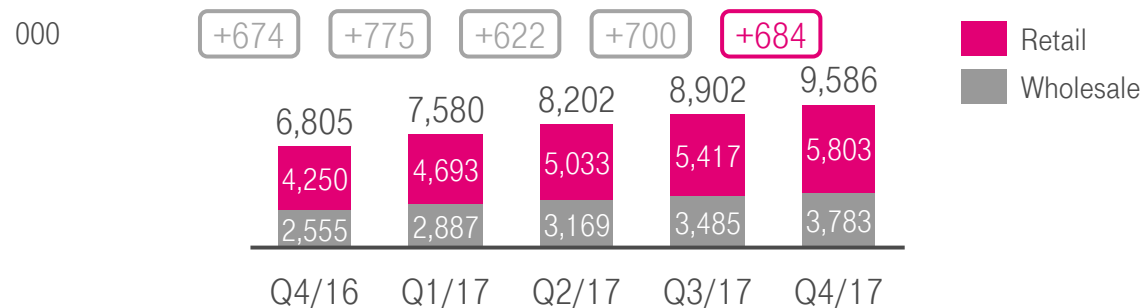
## Entertain customers



## Line losses



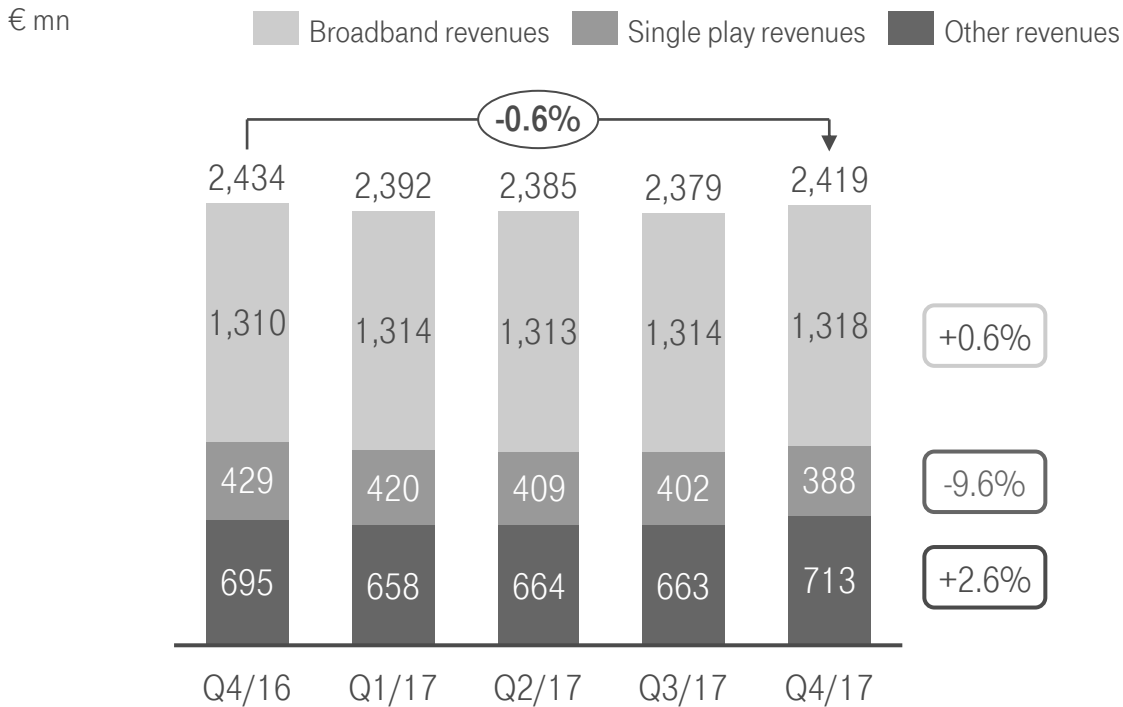
## Fiber customers<sup>2</sup>



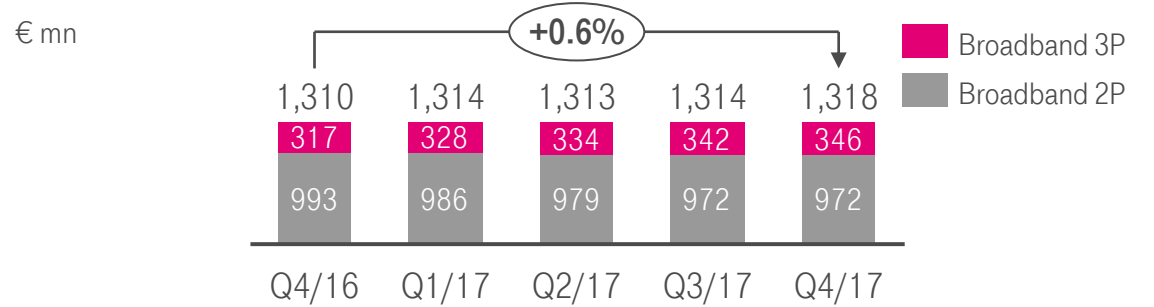
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

# GERMANY FIXED: FIXED RETAIL CLOSE TO STABLE

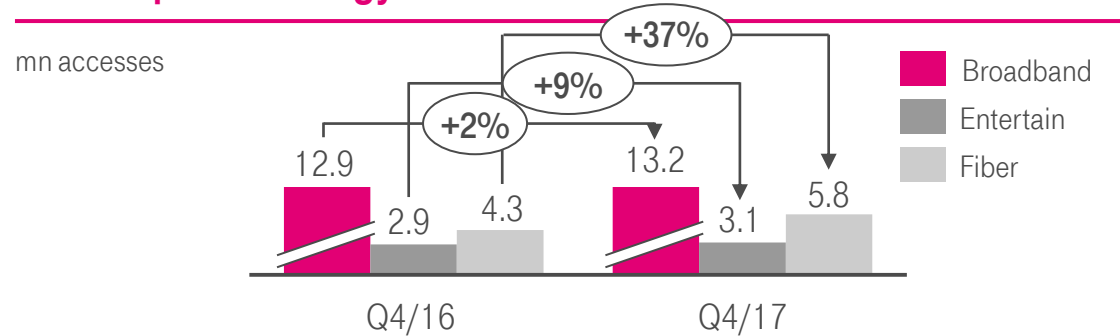
## Fixed network revenue retail



## Broadband revenue



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



1) Percentages calculated on exact figures

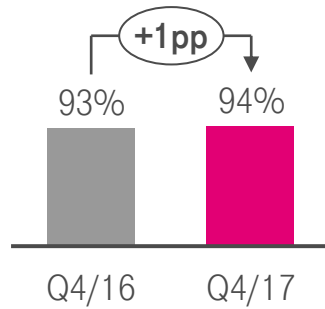


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# GERMANY: NETWORK TRANSFORMATION ON TRACK

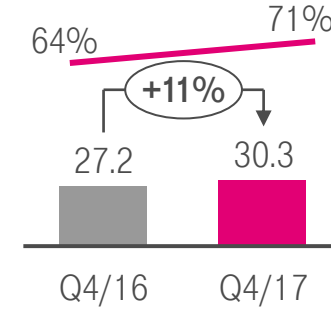
## INS – Status LTE rollout

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



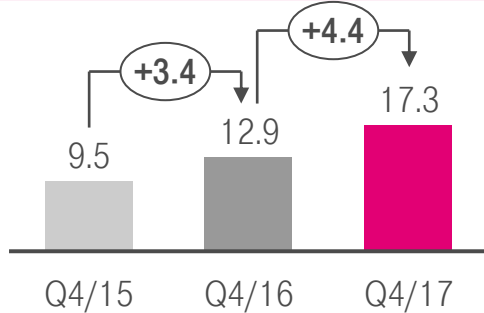
## INS – Status fiber rollout<sup>2</sup>

Coverage in % and  
millions of households



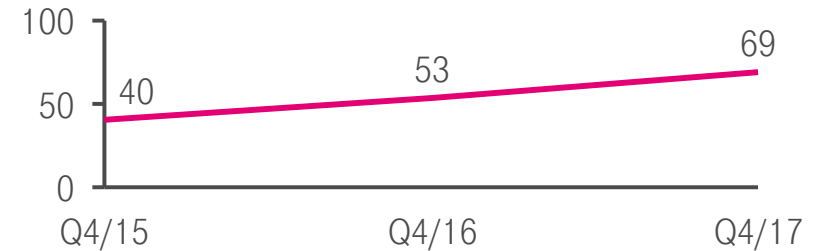
## Status IP accesses (retail & wholesale)

mn



## Status IP accesses (retail & wholesale)

% of lines



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

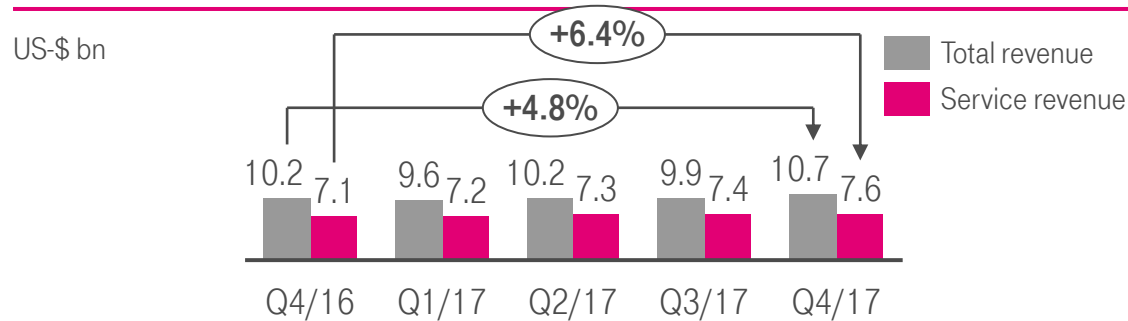


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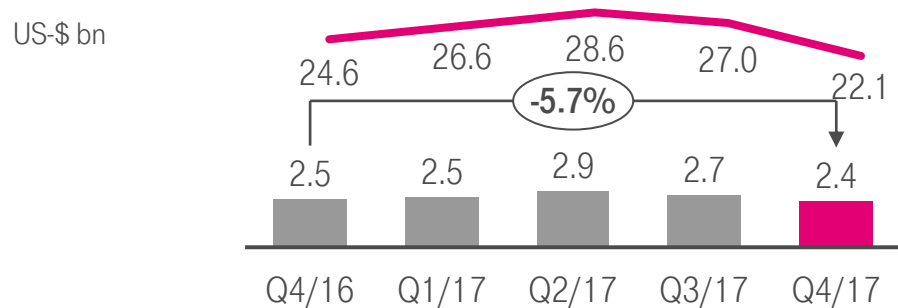


# TMUS: CONTINUED INDUSTRY LEADING GROWTH

## Revenue and service revenue



## Adj. EBITDA and margin (in %)



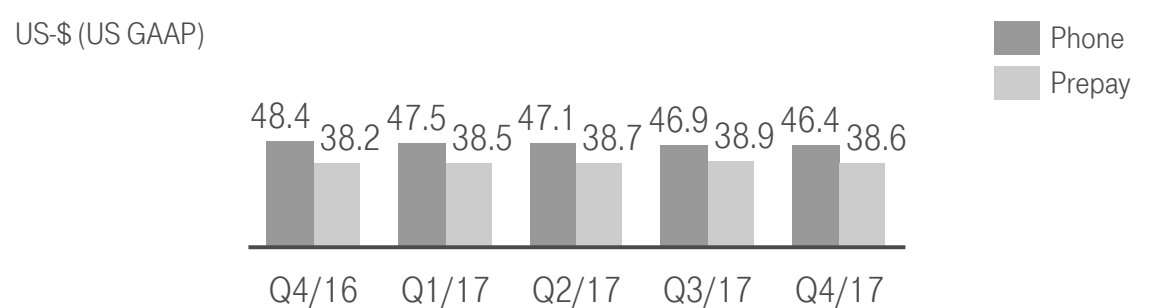
1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding

## Net adds

000

	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
Total net adds	2,101	1,142	1,333	1,329	1,854
Branded:					
▪ Postpaid	1,197	914	817	817	1,072
▪ Prepay	541	386	94	226	149
Wholesale <sup>1</sup>	363	-158	422	286	633

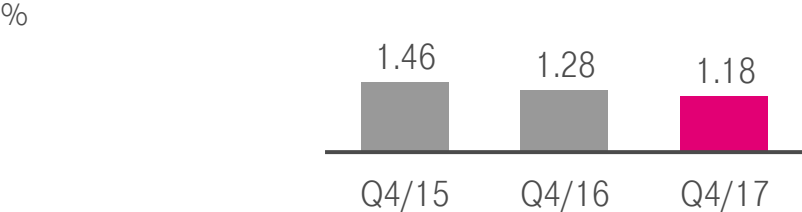
## Branded customers: Postpaid phone and prepay ARPU



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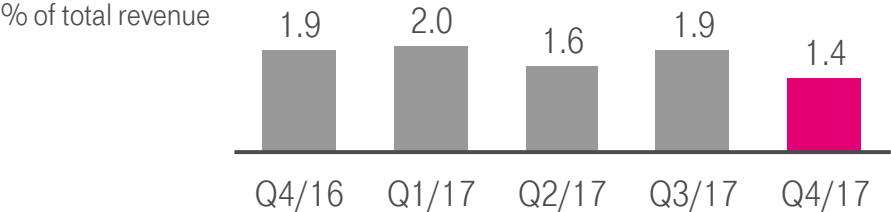
# TMUS: EXECUTING ON KEY DRIVERS

## Branded postpaid phone churn



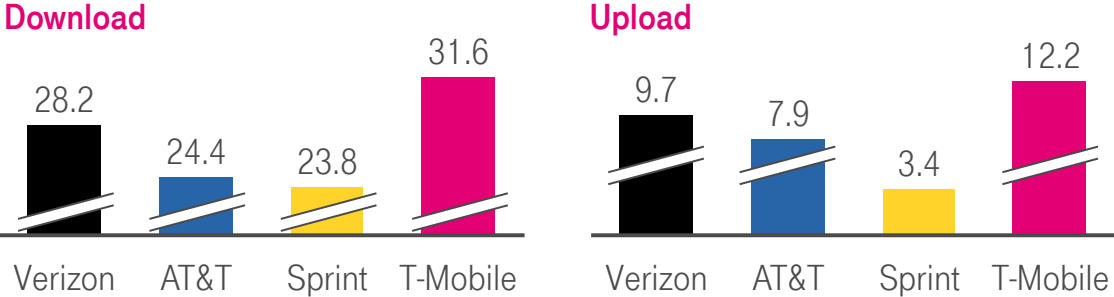
- Branded postpaid phone churn further decreased

## Bad debt expenses & losses from sale of receivables



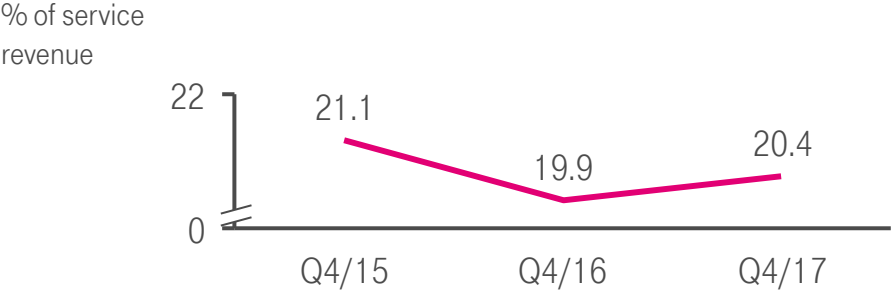
- Decrease reflects ongoing focus on managing customer quality

## Average 4G LTE speeds (in Mbps) Q4/17



- Based on T-Mobile's analysis of national LTE results from Ookla® Speed test data

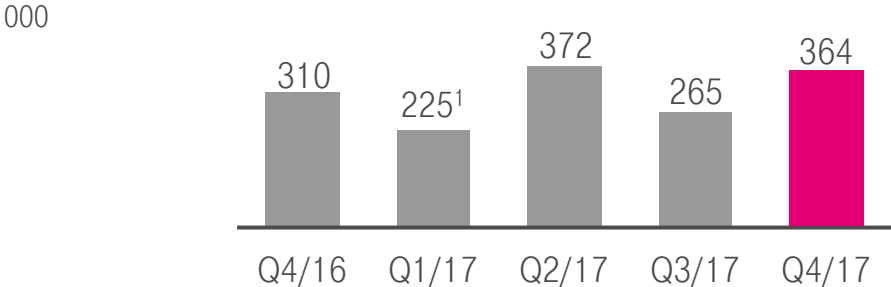
## Cost of service



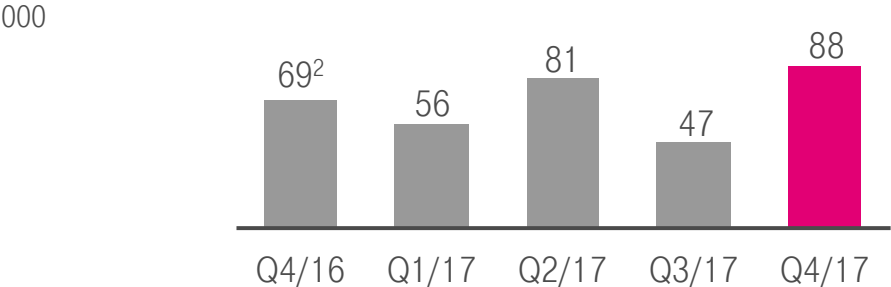
- Excl. hurricanes impact cost of service stable yoy

# EUROPE: STRONG COMMERCIAL MOMENTUM

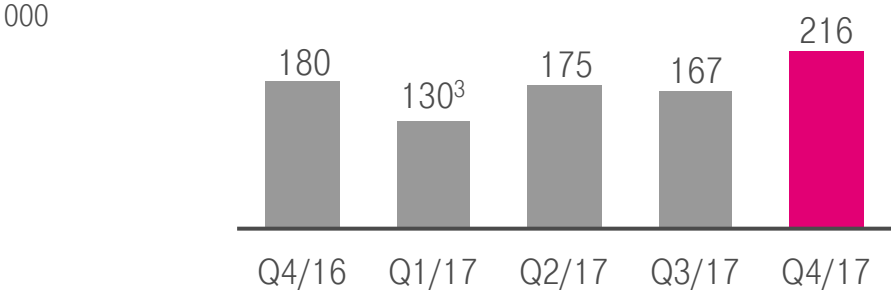
## Contract Net Adds



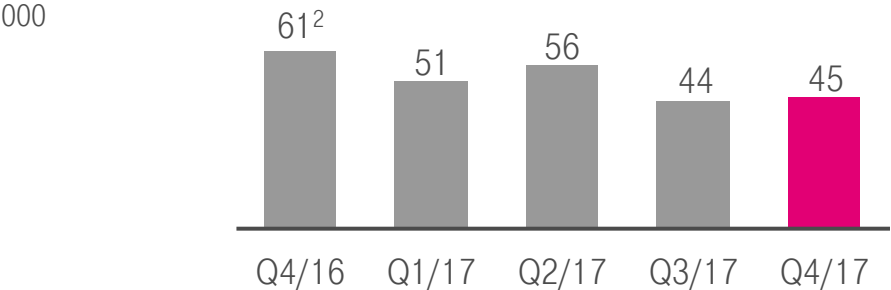
## BB Net Adds



## FMC Net Adds



## TV Net Adds

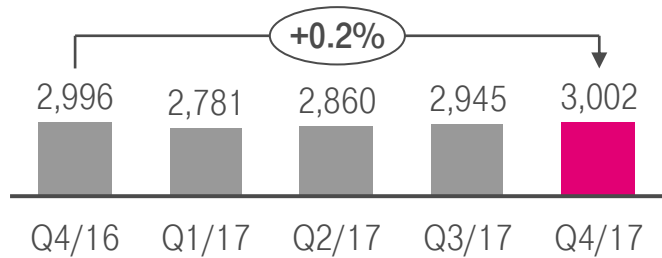


1) Organic view adjusted for re-classifications in Austria and Slovakia. Change in customer base is 167k 2) Organic view: adjusted for 19k re-classifications in Hungary. Change in base is 50k. Q4 TV net adds adjusted for 22k re-classifications in Hungary. Change in base is 39k 3) organic view: adjusted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

# EUROPE: FINANCIALS ON PATH TO TURNAROUND

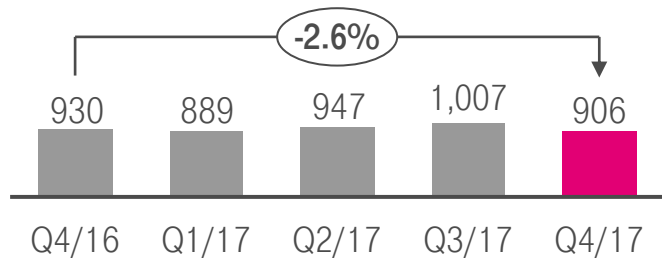
## Revenue

€ mn



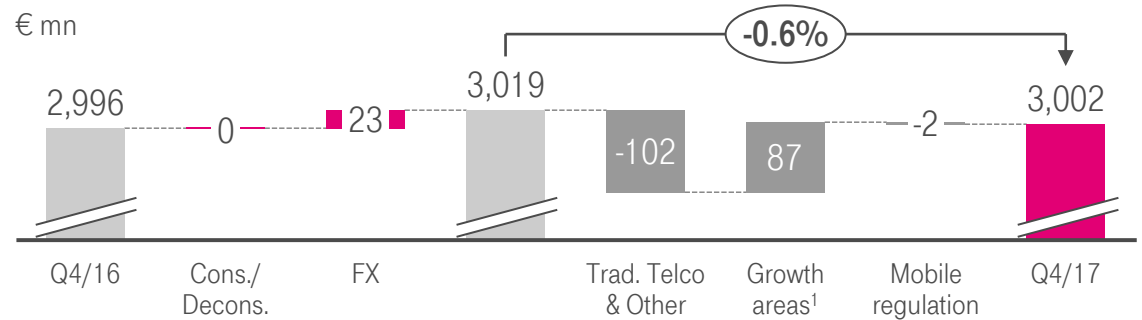
## Adj. EBITDA

€ mn



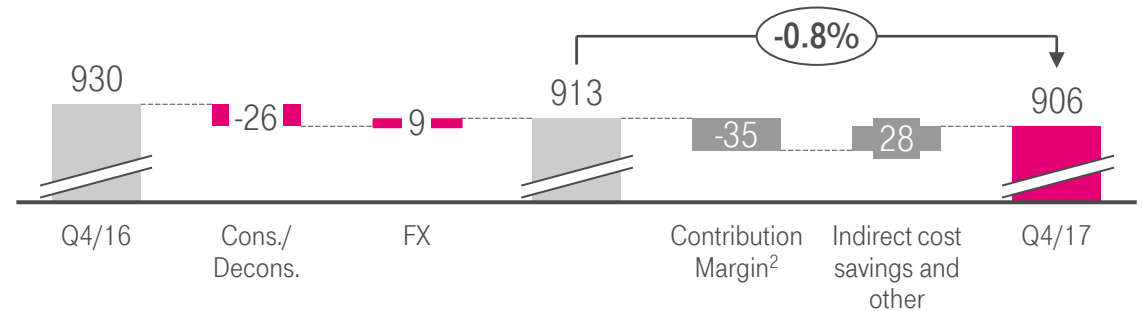
## Organic revenue development

€ 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 Revenue – Direct Cost



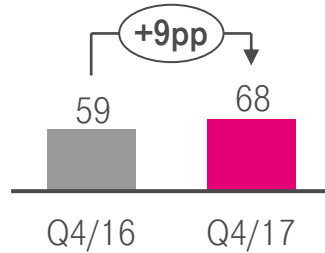
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# EUROPE: ONGOING INVESTMENTS IN NETWORK LEADERSHIP

## IP migration

IP share of fixed network access lines

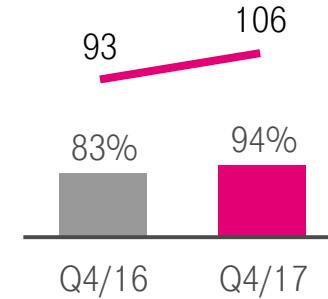
%



## LTE rollout

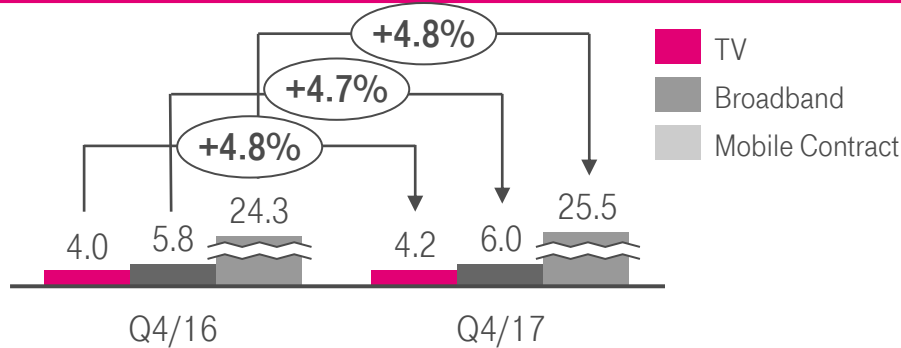
LTE outdoor pop coverage

mn and %



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

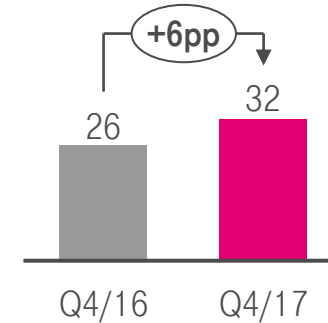
mn



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

Fiber household coverage

%



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

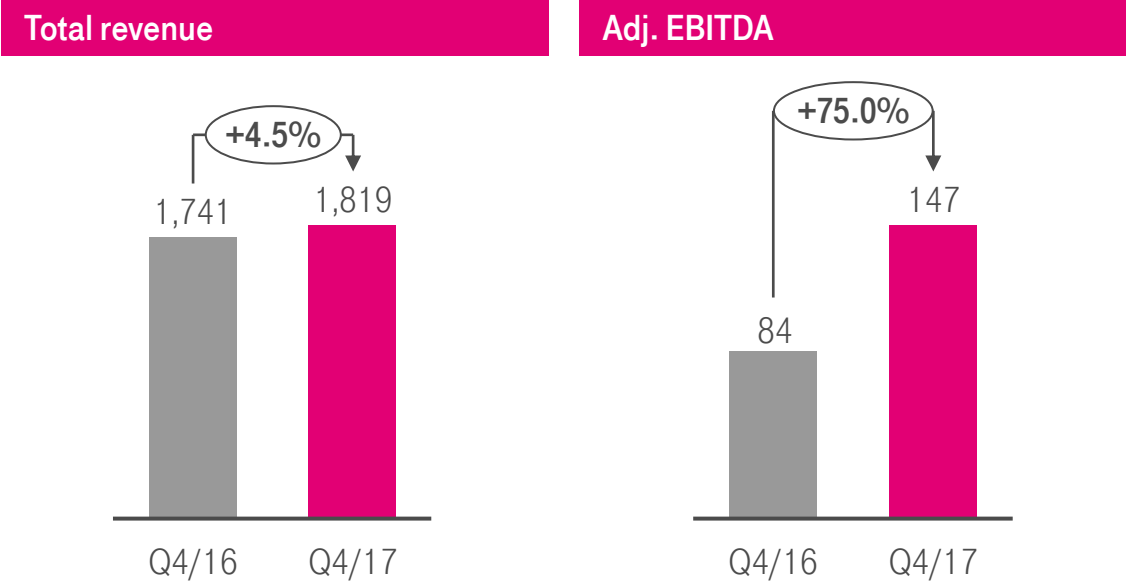


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# SYSTEMS SOLUTIONS: STRONG Q4 BUT LEGACY CHALLENGES REMAIN

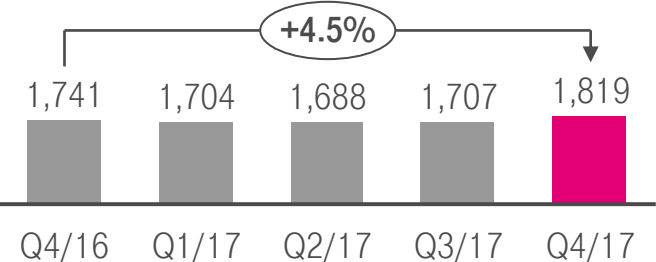
## T-Systems financials

€ mn



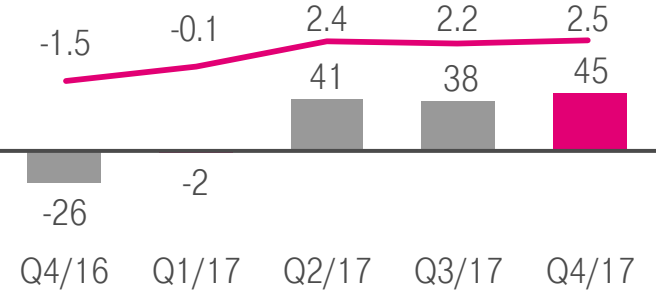
## Revenue

€ mn



## Adj. EBIT and margin in %

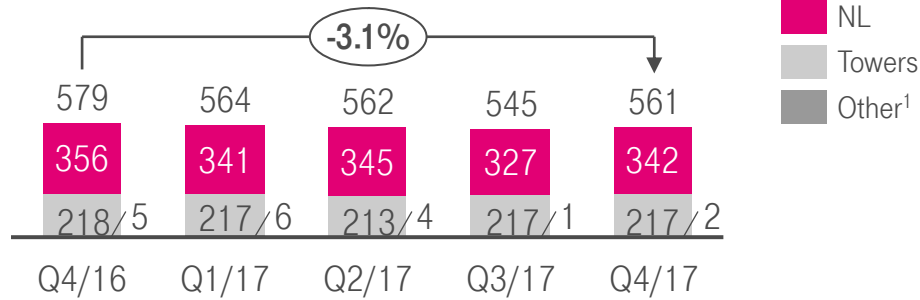
€ mn



# GROUP DEVELOPMENT: STEADY DELIVERY

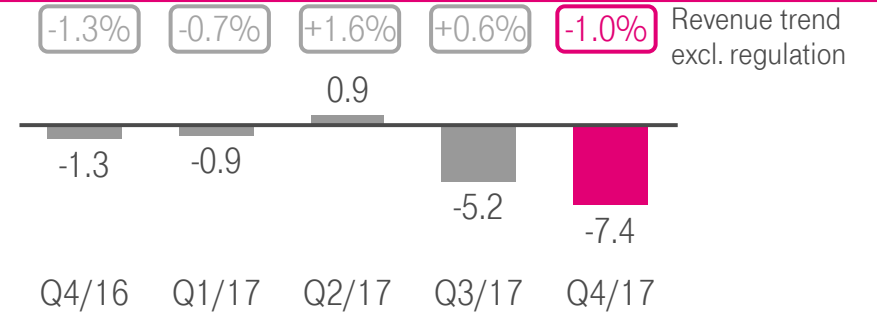
## Revenue

€ mn



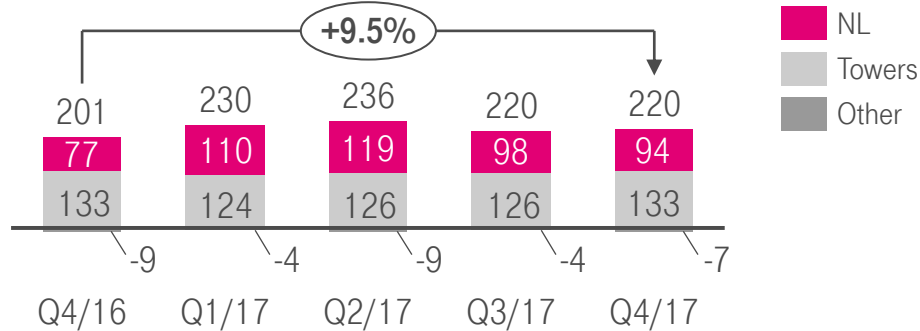
## Mobile service revenue trend yoy (NL)

%



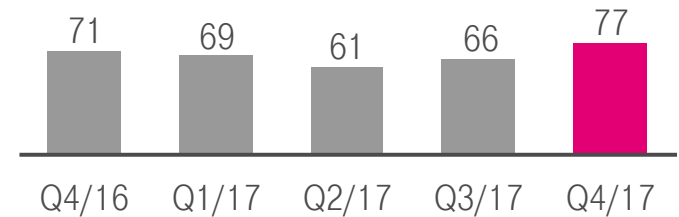
## Adj. EBITDA

€ mn



## Contract net adds (NL)

000

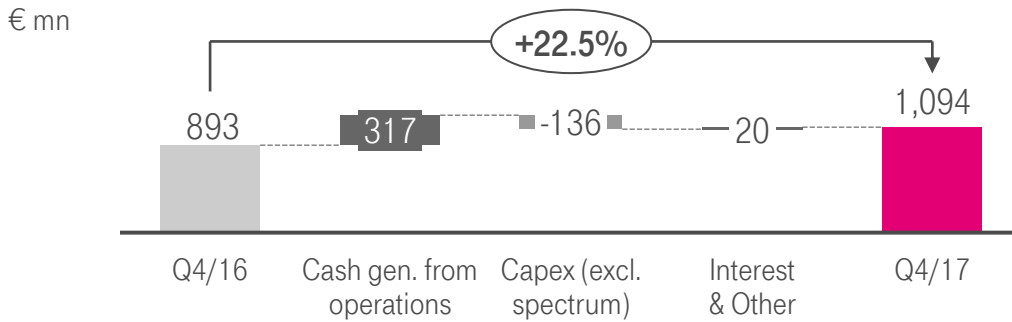


1) Strato was deconsolidated in Q2/17. Historic figures are also adjusted for Strato

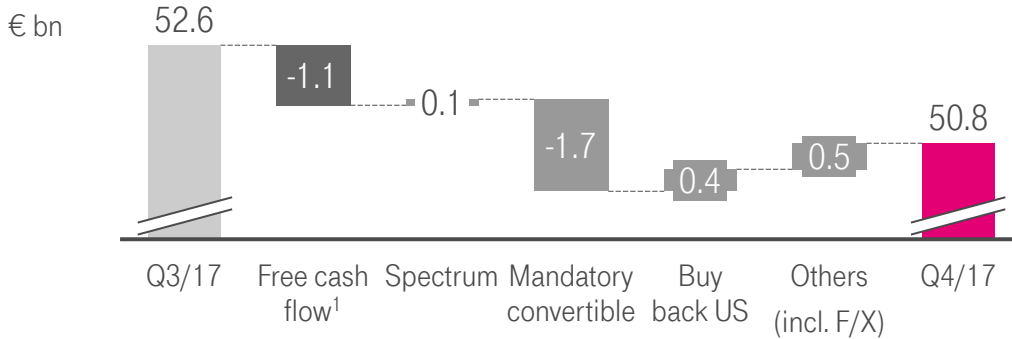


# FINANCIALS: FCF, NET DEBT, NET INCOME AND ROCE

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

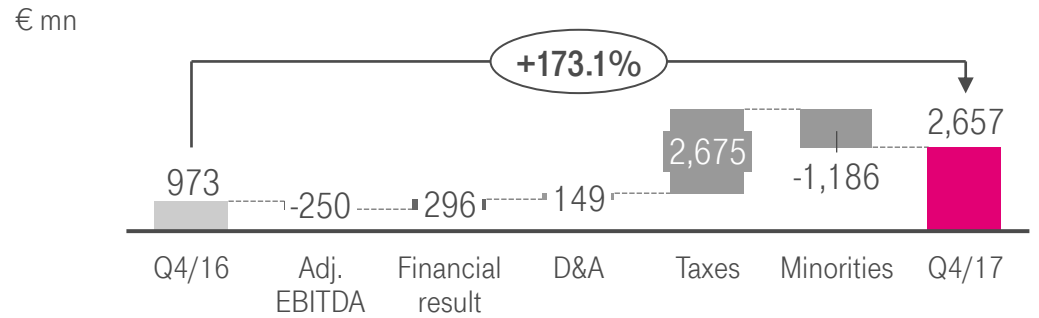


## Net debt development

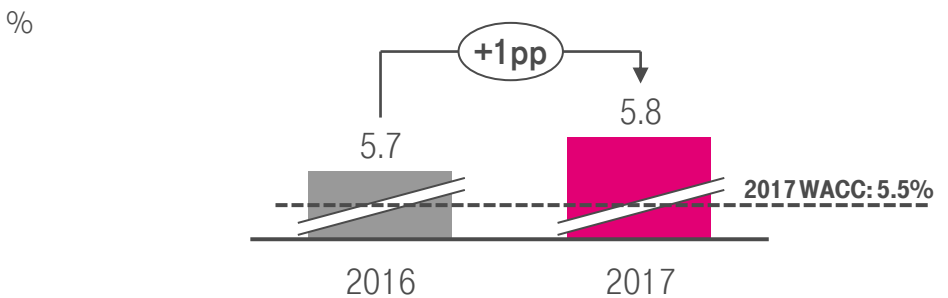


1) Free cash flow before dividend payments and excl. Spectrum Q4/16: € 432 million; Q4/17: € 94 million

## Adj. net income



## ROCE





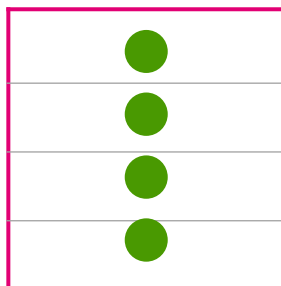
# FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	31/12/2016	31/03/2017	30/06/2017	30/09/2017	31/12/2017
Balance sheet total	148.5	148.6	141.5	139.8	141.3
Shareholders' equity	38.8	39.8	38.6	39.1	42.5
Net debt	50.0	50.0	55.2	52.6	50.8
Net debt/adj. EBITDA <sup>1</sup>	2.3	2.3	2.5	2.3	2.3
Equity ratio	26.2%	26.8%	27.3%	27.9%	30.0%

## 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:	<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 **February 22 at 2:00 PM CET, 1:00 PM GMT, 8 AM ET.**

DT Participants: **Tim Hoettges** (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/17Q4](http://www.telekom.com/17Q4)
- 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)

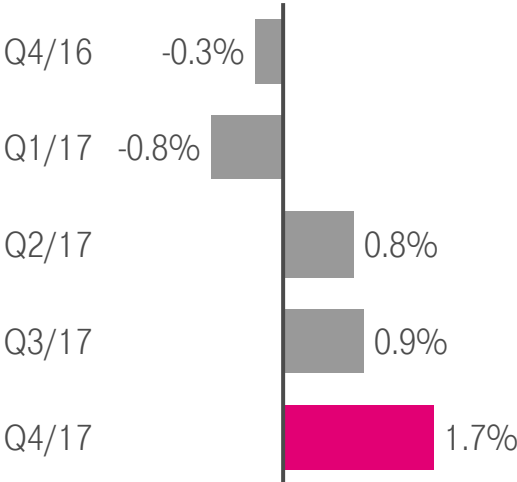


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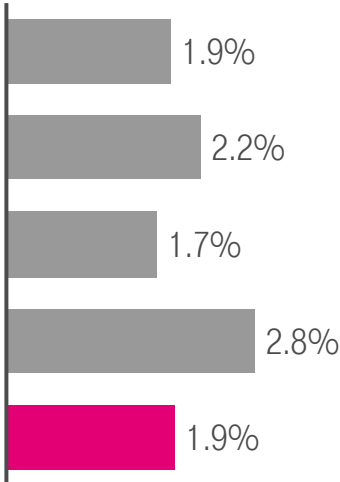
# APPENDIX

# GERMANY MOBILE: SERVICE REVENUE

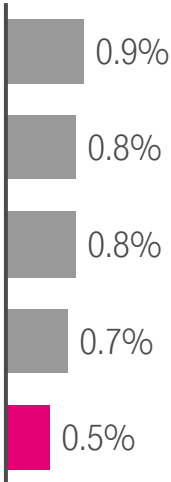
## Reported mobile service revenue



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



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



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

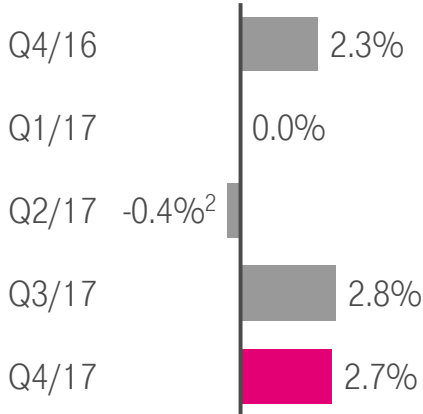
≈ +1% (without EU roaming impact)

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

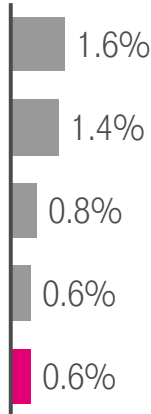
# GERMAN FIXED: SERVICE REVENUE

## Growth rates YOY

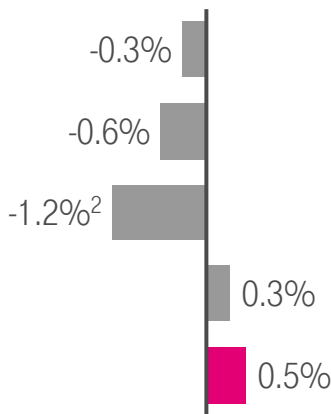
### Wholesale revenue



### Broadband revenue



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



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

**+0.0%**

**+2.0%**

1) Fixed network core business revenue less fixed hardware revenue plus wholesale services fixed network revenue. From Q2/16 onwards we classify CPEs recurring rent revenue as fixed service revenue. Without this reclassification fixed line service revenue growth rate would be +0.1% in Q3/17. Prior quarters growth rates have not been restated 2) Revenue in Q2/17 impacted by a negative special factor related to a settlement agreement. Adjusted growth rate at -1.5% for wholesale revenue, resp. -1.5% for fixed line service revenue.

**THANK YOU!**