

# DEUTSCHE TELEKOM

## Q1/2018 RESULTS



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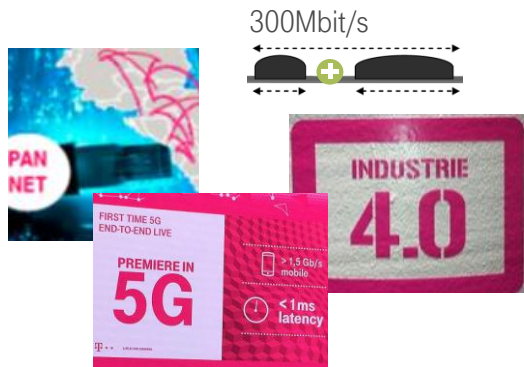
In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt and net debt. These alternative 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 Q1/2018

# 2018 Q1 HIGHLIGHTS: GROWTH ON BOTH SIDES OF THE ATLANTIC

## Growth: investments and innovations

- Cash capex at €3.1 bn
- IP-Migration continues in GER (73%) and EU (71%)
- Fiber roll-out: 4.4 mn new homes in GER and EU with access to Fiber yoy
- Continued LTE pop coverage expansion in GER (94%) and EU (95%)



## Growth: customers

- Demand for fiber in Germany
  - 10.4 mn German homes with fiber (+37% yoy)
  - Record quarter with 781k net adds
- Continued strong US growth
  - 5.9 mn net adds LTM<sup>1</sup>
  - Net add guidance for full year raised



## Growth: financials

- Strong growth continues
  - Revenue up 3.1% yoy<sup>2</sup>
  - Adj. EBITDA up 6.6% yoy<sup>2</sup>
  - Adj. EBITDA ex. US up 2.2%<sup>2</sup>
  - FCF up 12.5% yoy
  - adj. EPS +20%
- Net debt/Adj. EBITDA at 2.3x

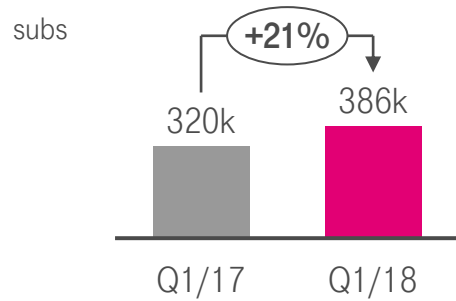


1) Adj. for 4,528k wholesale customers no longer reported since Q2/17

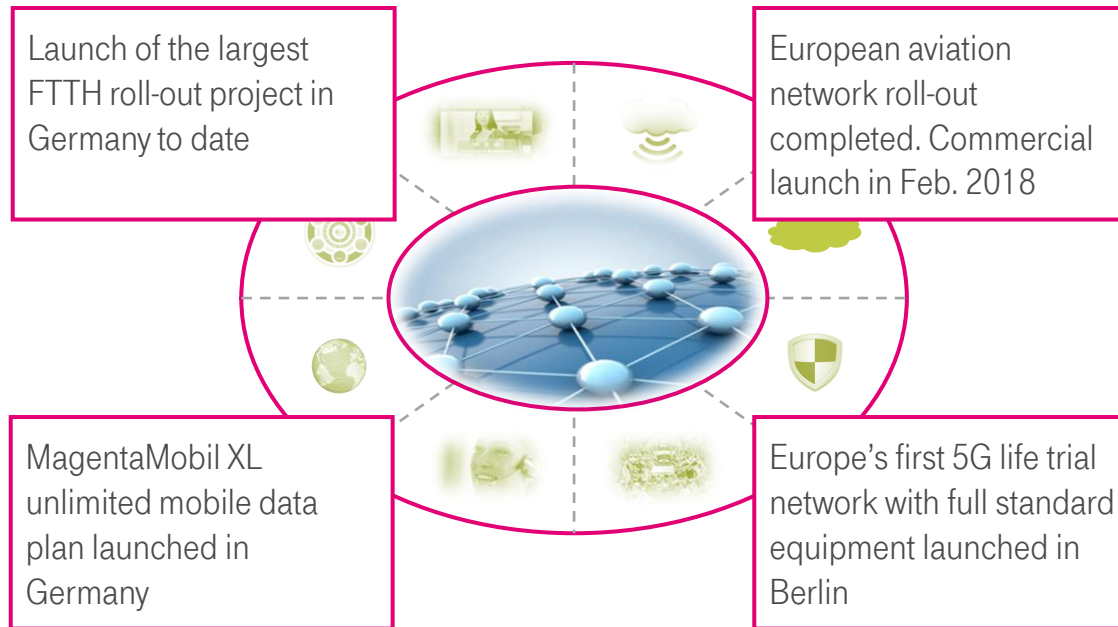
2) Revenue and adj. EBITDA growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation

# Q1/2018 INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

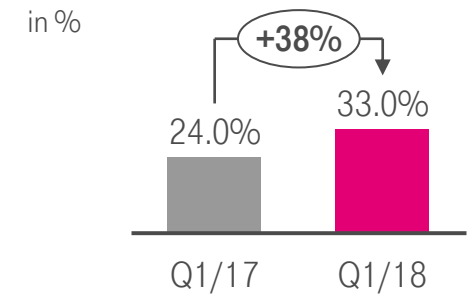
## Hybrid Access<sup>1</sup>



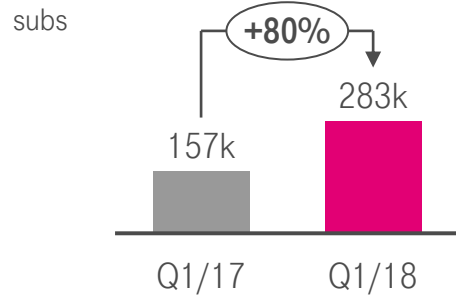
## Innovation/Network



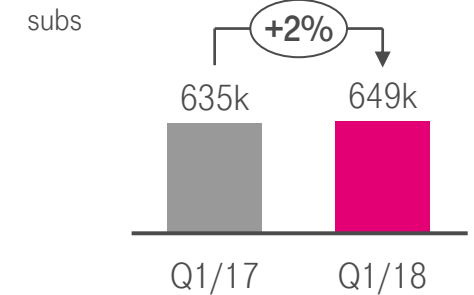
## E-service share of interactions



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



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

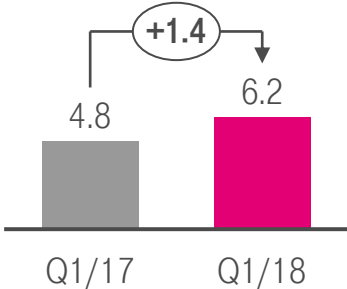


1) +5€ per customer/month 2) +10€ per customer/month 3) +8€ per customer/month

# Q1/2018 CUSTOMERS: STRONG DEMAND DRIVES MOMENTUM

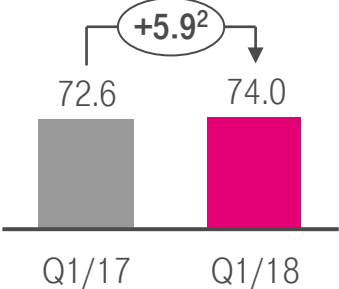
## MagentaEINS (Germany + EU)<sup>1</sup>

mn



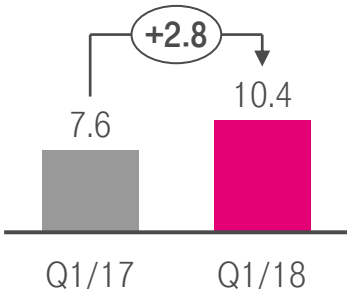
## US Mobile

mn



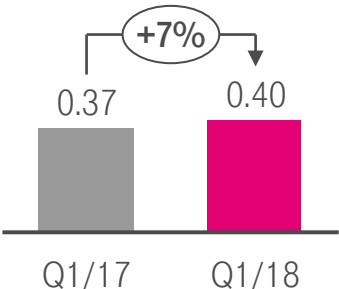
## Fiber in Germany

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

# US: HIGHLY ATTRACTIVE TRANSACTION



**Unique value creation opportunity for Deutsche Telekom Shareholders**

- U.S. market highly attractive
- Supercharging the Un-Carrier @ ~\$43 bn cost synergy NPV
- EBITDA and FCF growth-enhancing for DT's shareholders; EPS accretive 3 years after closing
- Further strengthening our Transatlantic Platform
- Unique combination of scale & growth
- DT ex U.S. investment and growth profile unaffected

**Attractive Transaction Terms**

- Stock-for-stock transaction; no cash consideration
- Fixed exchange ratio of 0.10256x
- DT controls and consolidates New T-Mobile US through proxy over Softbank shares
- No break-up fees

**Benefitting U.S. consumers, investments and job creation**

- Supercharging the pro-consumer Un-Carrier strategy
- Unique spectrum position to accelerate 5G competition
- Unprecedented investments in nationwide 5G
- Creating jobs from day 1

**Robust Capital Structure**

- DT Group to rapidly de-lever post integration
- New T-Mobile US returns to strict standalone funding
- \$8 bn DT shareholder loans to be repaid at closing + cancellation of \$2.5 bn RCF
- Remaining \$6.6 bn DT held debt will be redeemed over time
- DT remains committed to undisputed access to capital markets

**Governance Designed for Efficient Integration**

- The Un-Carrier team in charge
- Proven merger execution/value creation track record
- Clearly defined governance

# GUIDANCE 2018: EBITDA OUTLOOK RAISED BY €0.1 BN

€ bn

	<u>Revenue</u>	<u>Adj. EBITDA</u>	<u>FCF</u>
2014 – 2018 CAGR	+1 – 2%	+2 – 4%	≈+10%
achievements Q1/18	+3.1% <sup>2</sup>	+6.6% <sup>2</sup>	+12.5%
2018 Guidance (\$/€: 1.13)	Slight increase	Old: around 23.2 <b>New: around 23.3</b>	Around 6.2
thereof group excl. US		Around 13.2	
thereof TM US (US\$ bn)		Old: around 11.3 <sup>1</sup> <b>New: around 11.4<sup>1</sup></b>	
impact of new revenue standard (US\$ bn)		Around 0.35	
handset lease (US\$ bn)		0.6 – 0.7	

1) Equals mid-Point TMUS guidance (\$11.6bn US GAAP (previously 11.5)) + mid-point revenue recognition guidance (+\$0.35bn) and -\$0.5bn IFRS bridge

2) Growth rates on organic base: adjusted for currency fluctuations and changes in the scope of consolidation



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**REVIEW Q1/18**

# Q1 2018: FINANCIAL HIGHLIGHTS

€ mn

	Q1			FY		
	2017	2018	Change	2016	2017	Change
Revenue	18,646	17,924	-3.9%	73,095	74,947	+2.5%
Adj. EBITDA	5,550	5,549	0.0%	21,420	22,230	+3,8%
Adj. Net profit	939	1,190	+26.7%	4,114	6,039	+46.8%
Net profit	747	992	+32.8%	2,675	3,461	+29.4%
Adj. EPS (in €)	0.20	0.24	+20.0%	0.89	1.28	+43.8%
Free cash flow <sup>1</sup>	1,228	1,382	+12.5%	4,939	5,497	+11.3%
Cash capex <sup>2</sup>	3,245	3,076	-5.2%	10,958	12,099	+10.4%
Net debt	49,963	50,455	+1.0%	49,959	50,791	+1.7%

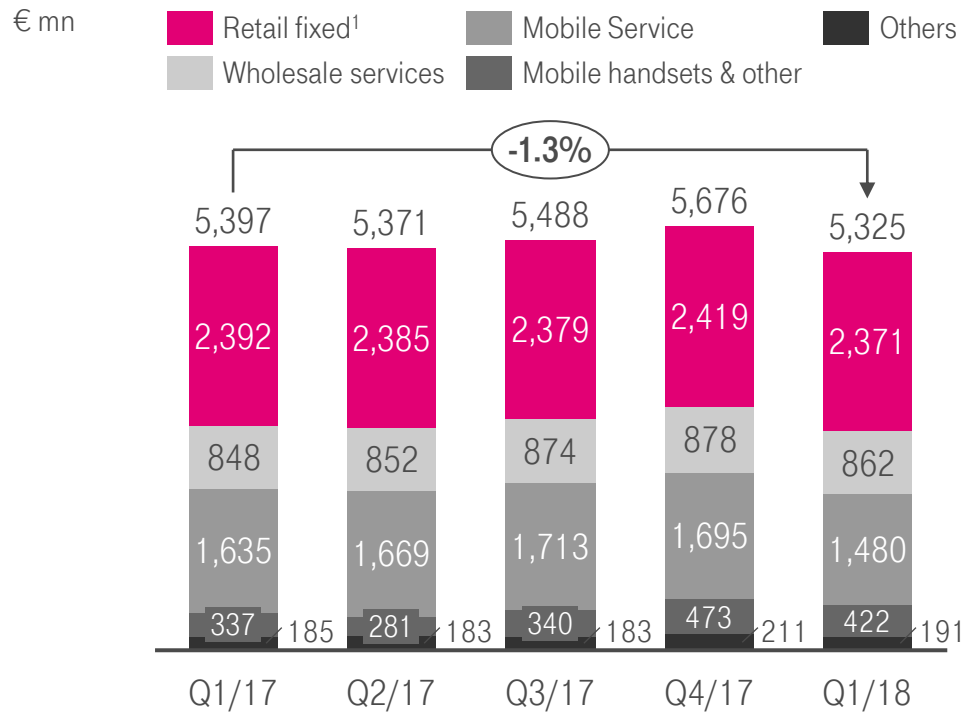
1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q1/17: €35 mn; Q1/18: €63 mn. FY/16: €2,682 mn; FY/17: €7,395 mn



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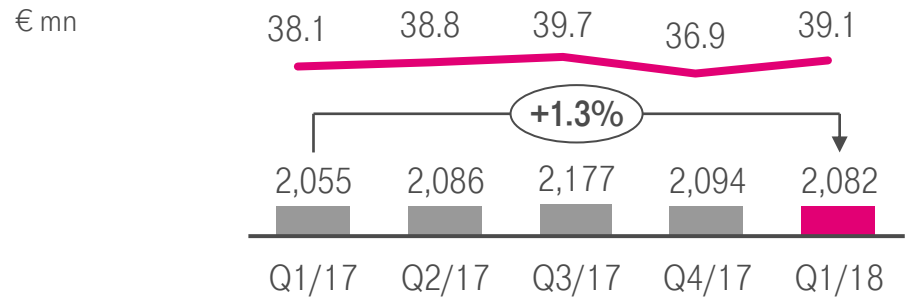
# GERMANY: REVENUE IMPACTED BY IFRS ADJ., EBITDA ON TRACK

## Revenue (as reported)

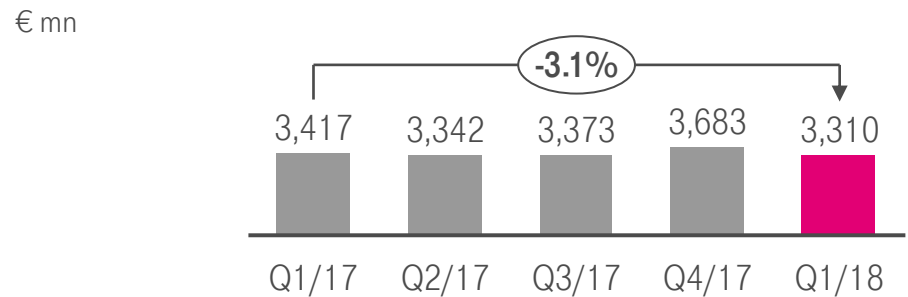


1) Fixed network core business

## Adj. EBITDA and margin (in % as reported)

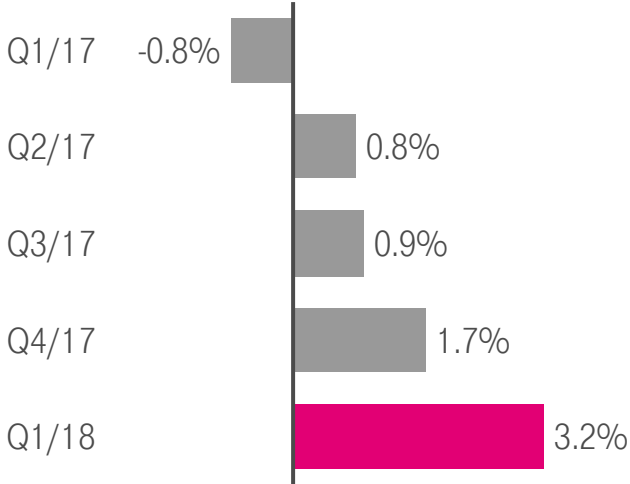


## Adj. OPEX (as reported)

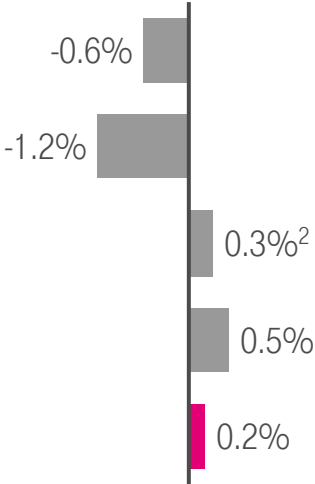


# GERMANY: SUSTAINED GROWTH IN SERVICE REVENUES (EXCL. IFRS 15)

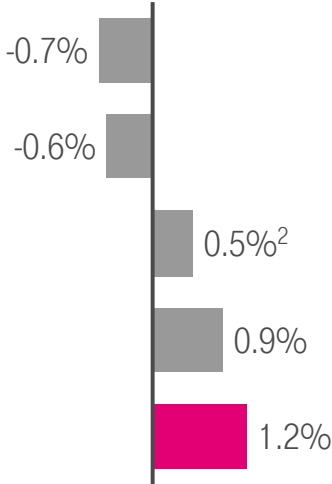
## Mobile service revenue



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



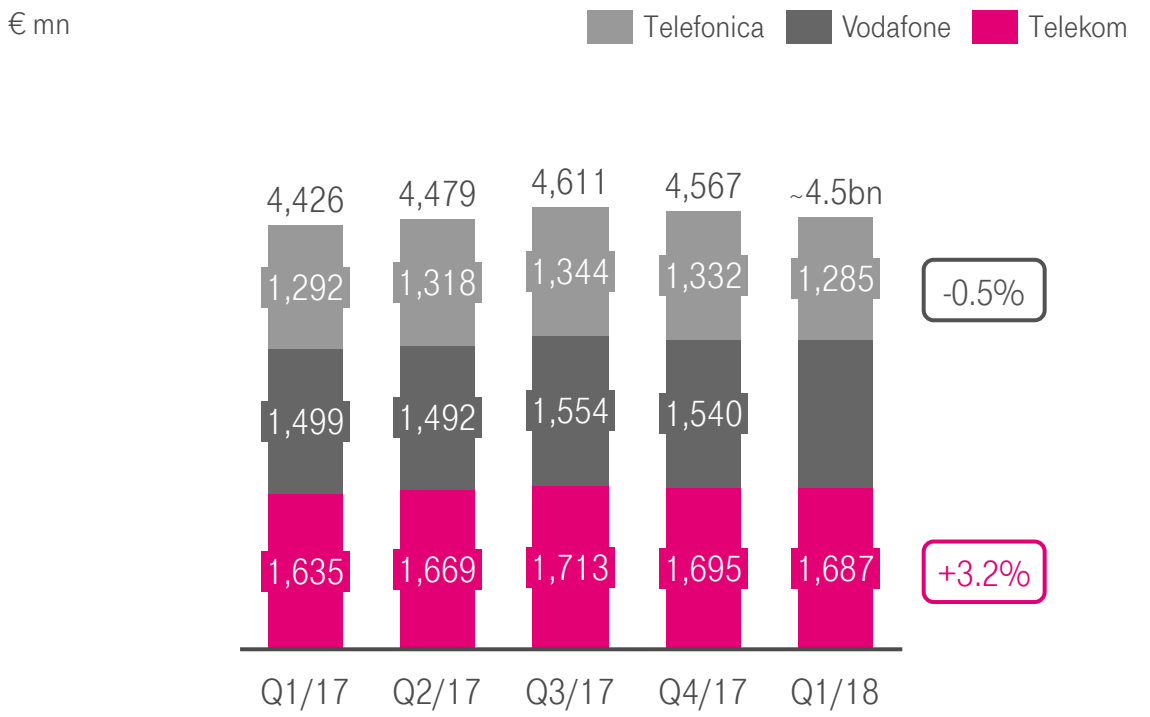
## Total service revenue<sup>1</sup>



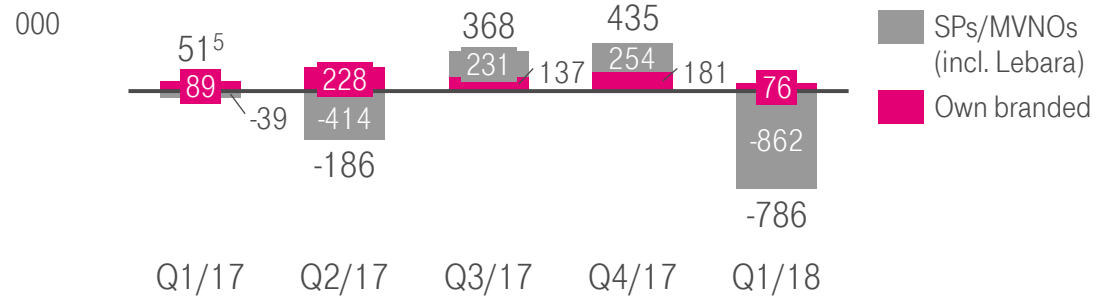
1) Total service revenue is a sum of fixed line and mobile service revenue. We define fixed line service revenue as fixed network core business revenue less fixed hardware revenue plus wholesale services fixed network revenue. From Q2/16 onwards we classify CPEs recurring rent revenue as fixed service revenue, and thus also part of total service revenue. Without this reclassification fixed line service revenue growth rate would be -0.2% in Q1/18, whereas TSR growth rate would be +1.0% in Q1/18. 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

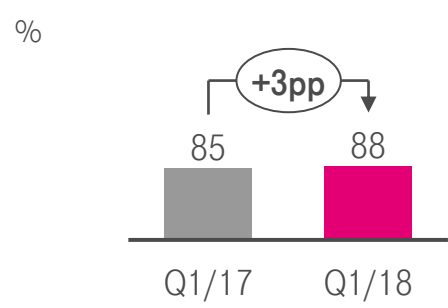
## German mobile market service revenue<sup>1</sup> (excl. IFRS 15)



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



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



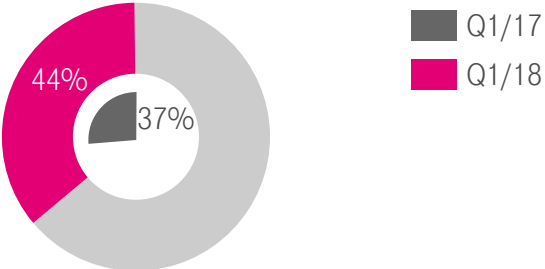
## LTE customers<sup>4</sup>



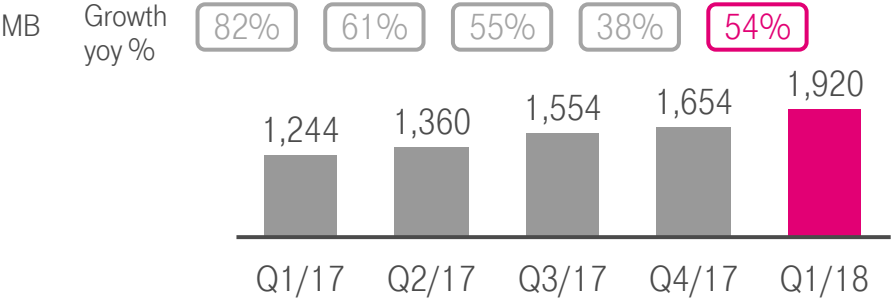
1) Management estimate 2) Figures may not add up due to rounding 3) Of own branded retail customers 4) Own customers using a LTE-device and tariff plan including LTE 5) Contract net adds under own brand impacted by disconnections (minus 41k)

# GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

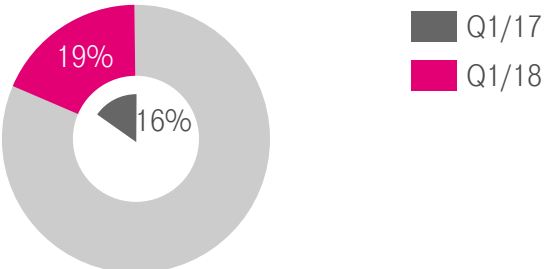
## Mobile contract customers in MagentaEINS bundles<sup>1</sup>



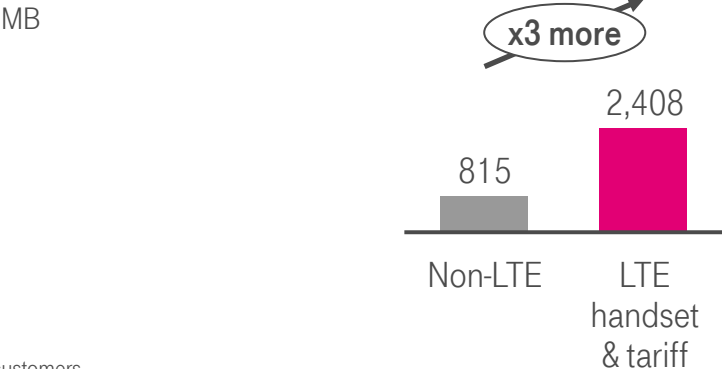
## Average Consumer Data Usage<sup>3</sup>



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



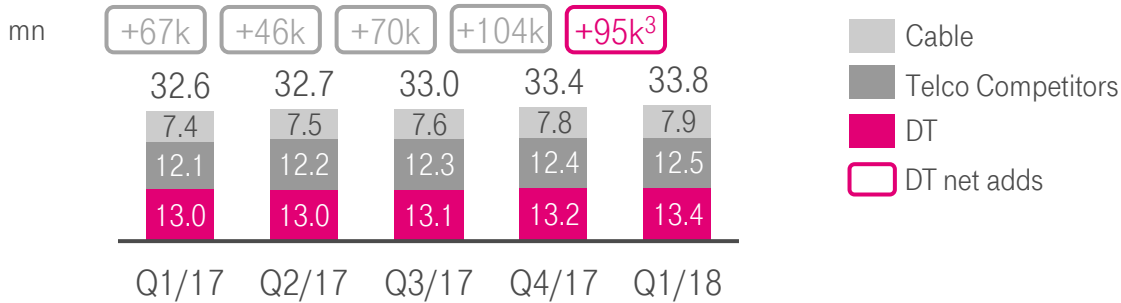
## Average data usage uplift<sup>3</sup>



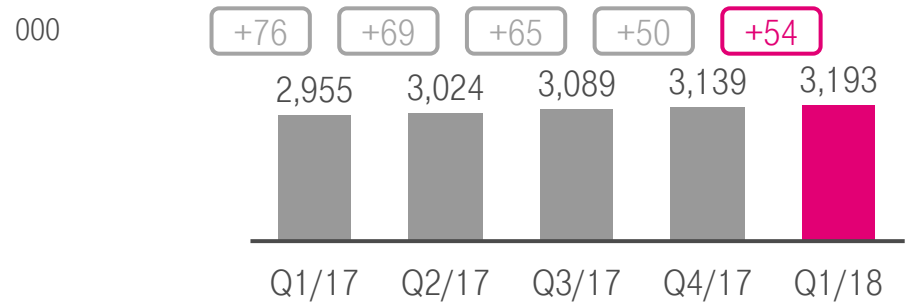
1) as % of B2C T-branded contract customers 2) as % of B2C broadband access lines 3) per month of B2C T-branded contract customers

# GERMANY FIXED: STRONG BROADBAND CUSTOMER GROWTH

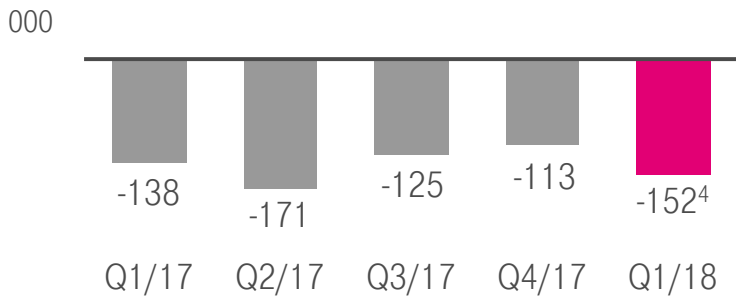
## German broadband market<sup>1</sup>



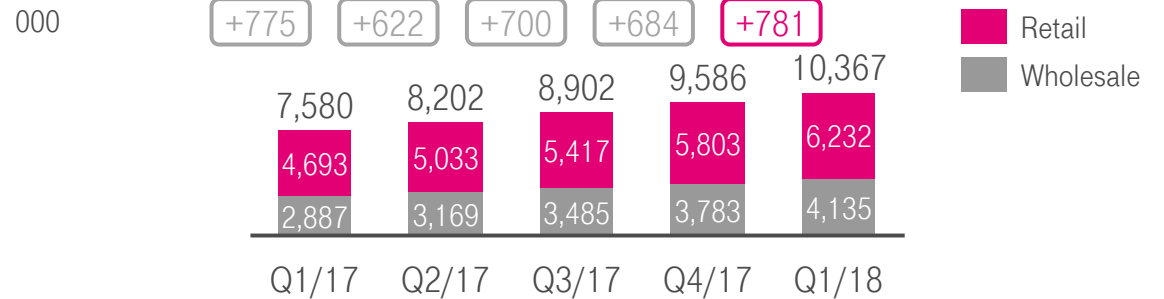
## Entertain customers



## Line losses



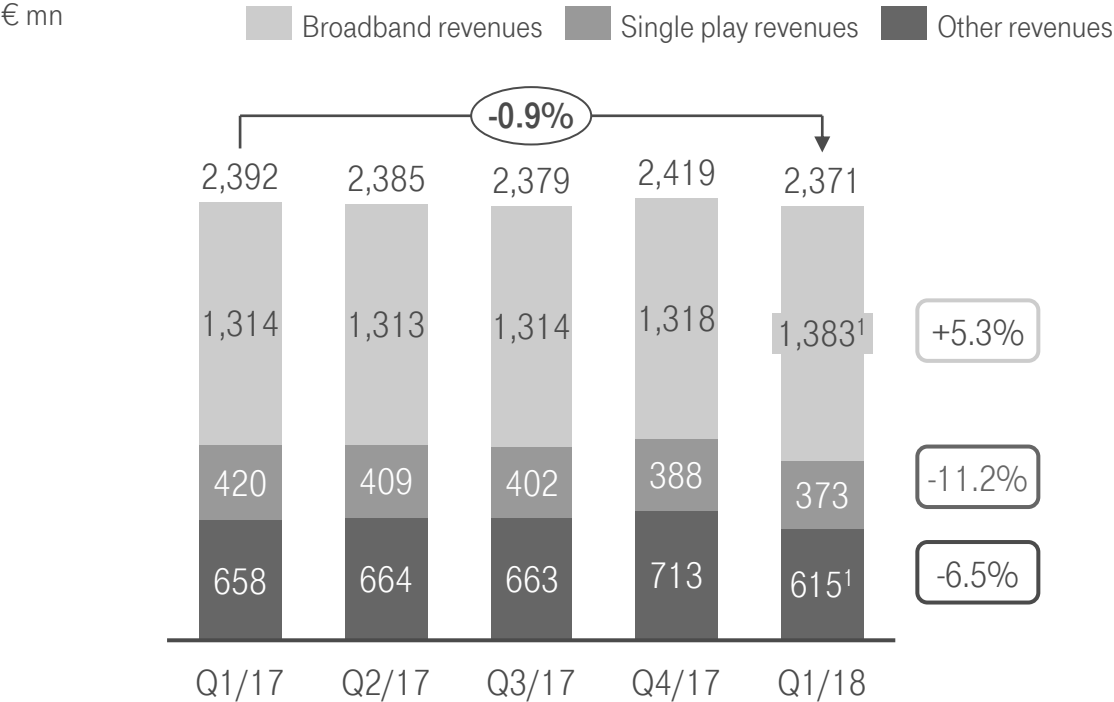
## Fiber customers<sup>2</sup>



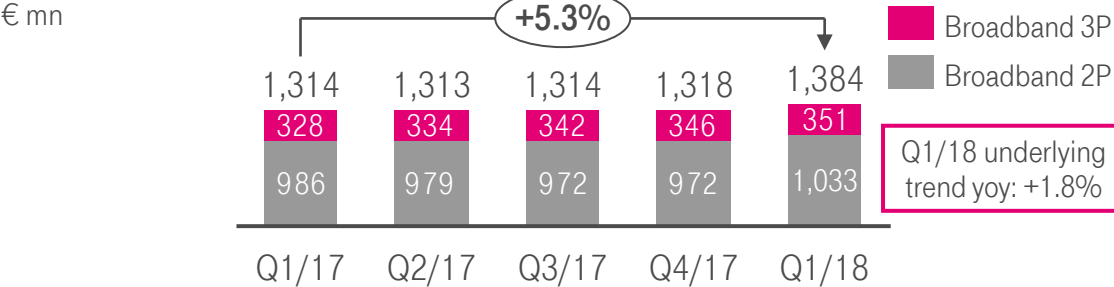
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH) 3) organic view: change in base was +148k. 4) Organic view: Change in base was -90k

# GERMANY FIXED: REVENUE TRENDS HEADING TOWARDS STABILIZATION

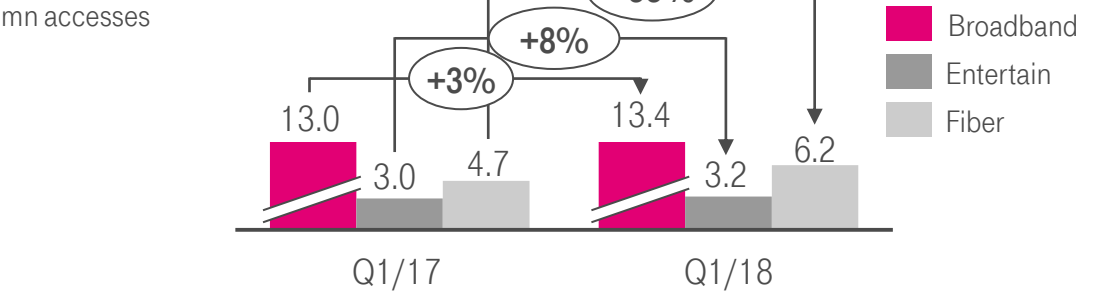
## Fixed network revenue retail (as reported)



## Broadband revenue<sup>1</sup> (excl. IFRS 15)



## Retail upsell strategy<sup>2</sup>



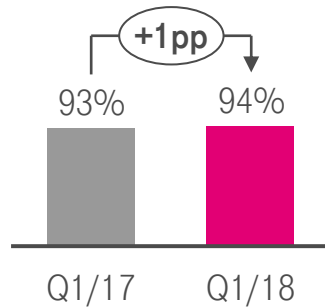
1) change in definition – no restatement for 2017. Effect in Q1/18: Shift of €47m from “Other revenues” to “BB revenues”. related to B2B broadband customers. 2) Percentages calculated on exact figures



# GERMANY: NETWORK ROLL-OUT AND IP-MIGRATION ON TRACK

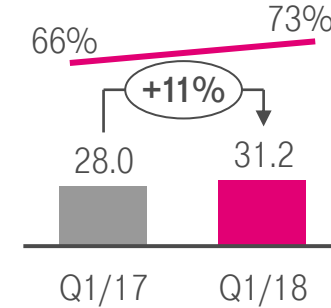
## INS - Status LTE rollout

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



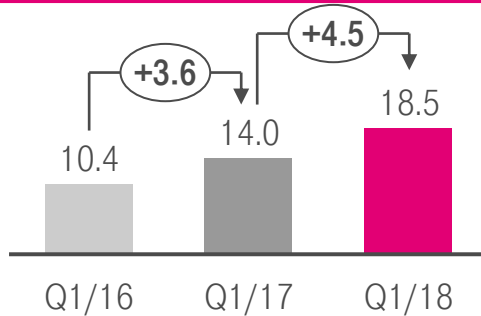
## INS - Status fiber rollout<sup>2</sup>

Coverage in % and  
millions of households



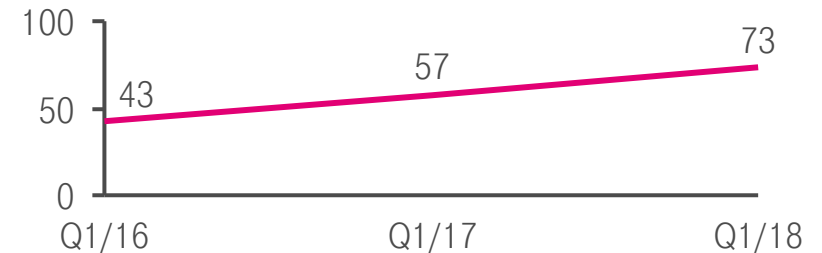
## Status IP accesses (retail & wholesale)

mn



## Status IP accesses (retail & wholesale)

% of lines



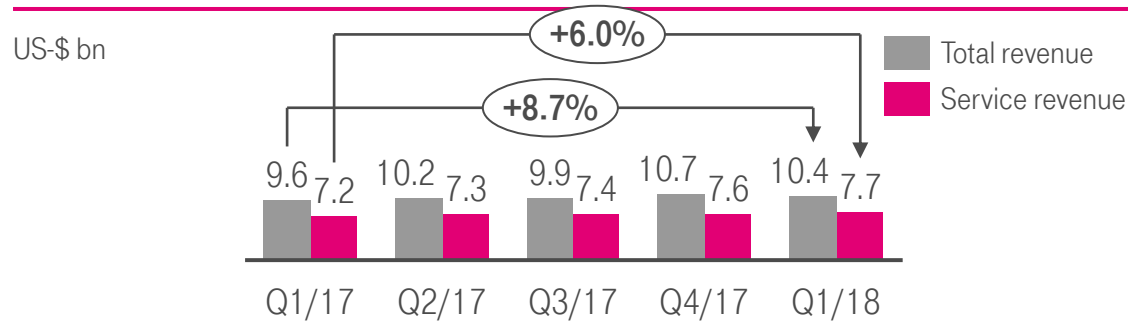
1) Outdoor coverage 2) In % of households within fixed network coverage in Germany



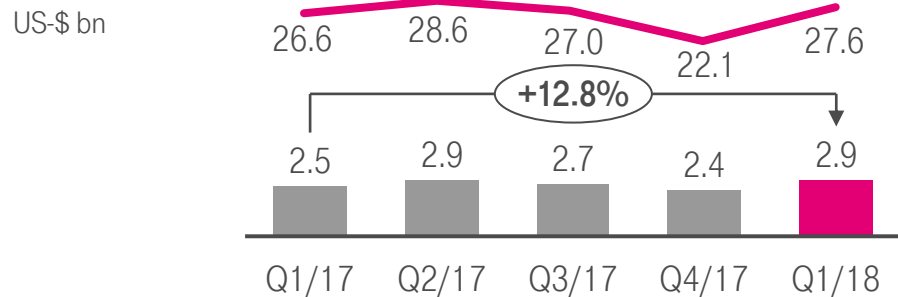
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# TMUS: CONTINUED INDUSTRY LEADING GROWTH

## Revenue and service revenue



## Adj. EBITDA and margin (in %)



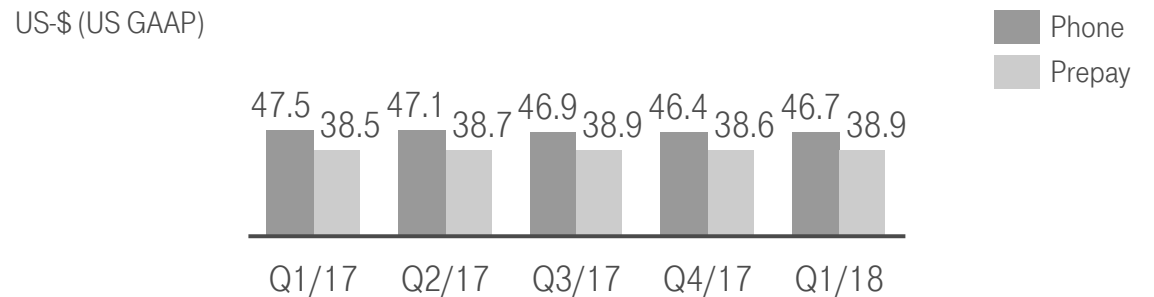
1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding

## Net adds

000

Category	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Total net adds	1,142	1,333	1,329	1,854	1,433
Branded:					
▪ Postpaid	914	817	817	1,072	1,005
▪ Prepay	386	94	226	149	199
Wholesale <sup>1</sup>	-158	422	286	633	229

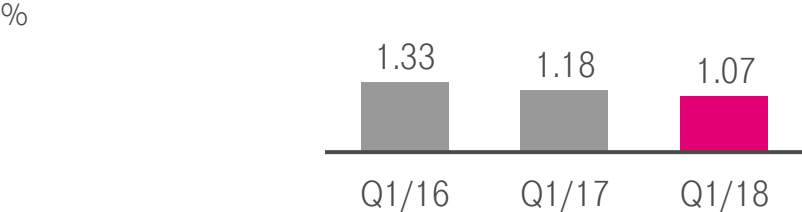
## Branded customers: Postpaid phone and prepay ARPU



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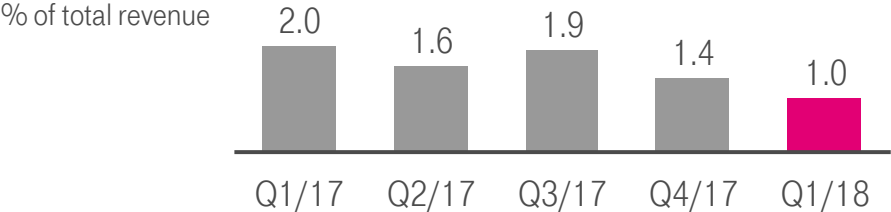
# TMUS: EXECUTING ON KEY DRIVERS

## Branded postpaid phone churn



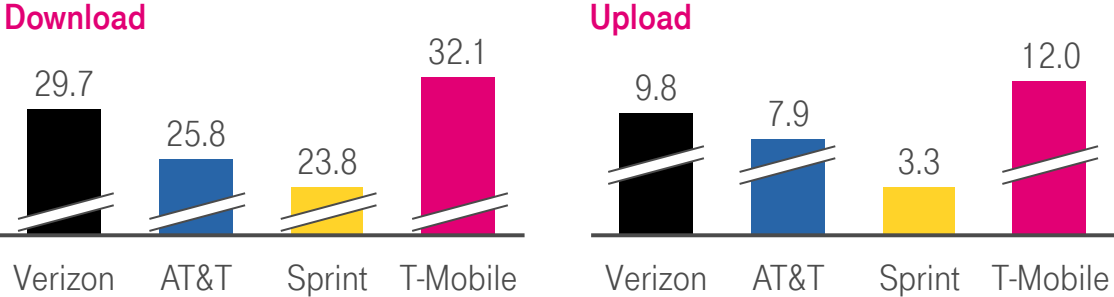
- Branded postpaid phone churn on record low level

## Bad debt expenses & losses from sale of receivables



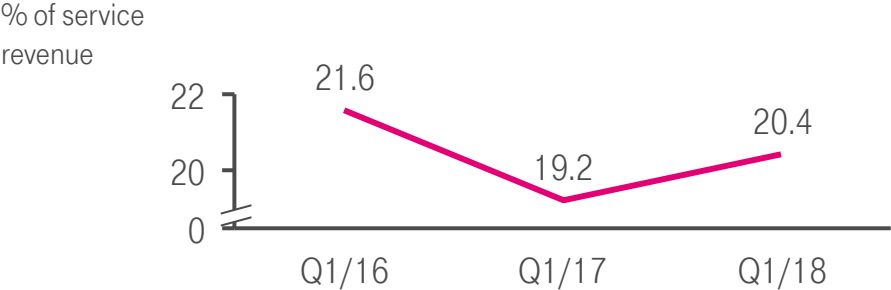
- Decrease reflects ongoing focus on managing customer quality

## Average 4G LTE speeds (in Mbps) Q1/18



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

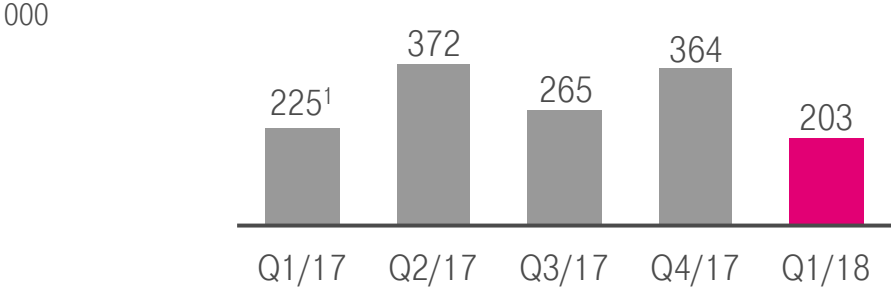
## Cost of service



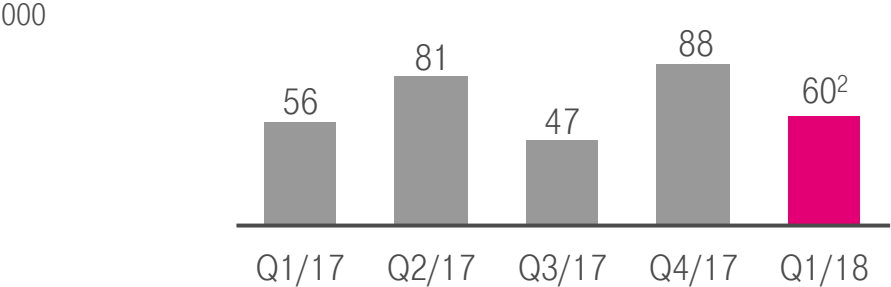
- Increase mainly driven by 600 MHz roll-out

# EUROPE: STRONG GROWTH IN CUSTOMER BASE

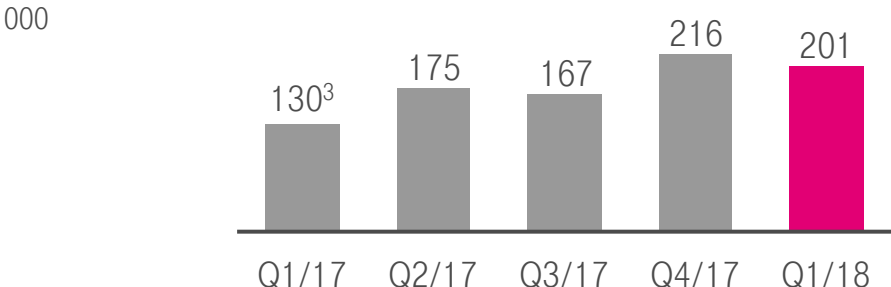
## Contract Net Adds



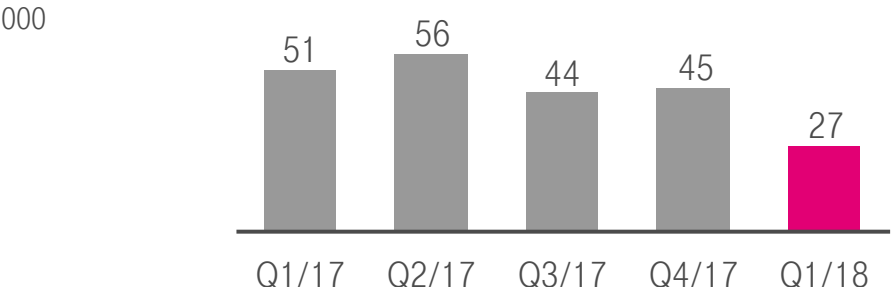
## BB Net Adds<sup>4</sup>



## FMC Net Adds



## TV Net Adds

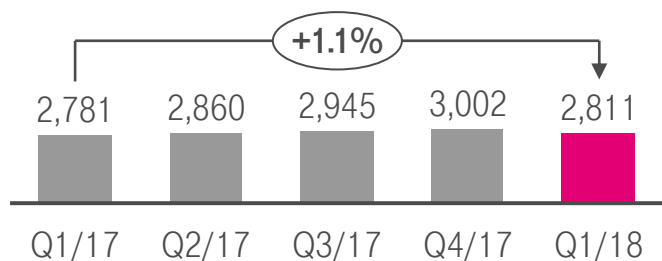


1) Organic view adjusted for re-classifications in Austria and Slovakia. Change in customer base is 167k 2) Organic view: adjusted for 111k re-classifications. Change in base is 171k.  
 3) organic view: adjusted for 137k re-classifications in Greece. Change in base is 267k 4) based on accesses

# EUROPE: GROWING REVENUE AND EBITDA

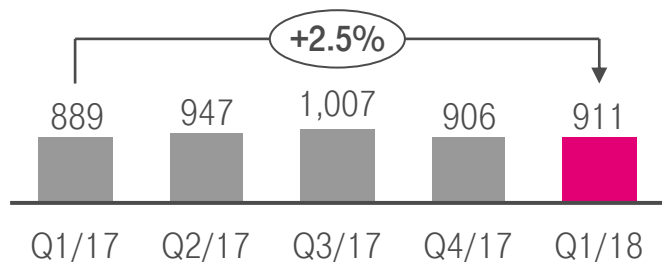
## Revenue

€ mn



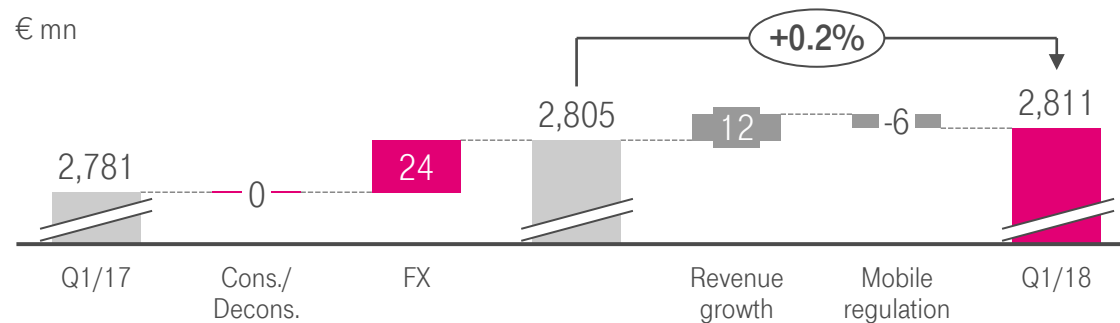
## Adj. EBITDA

€ mn



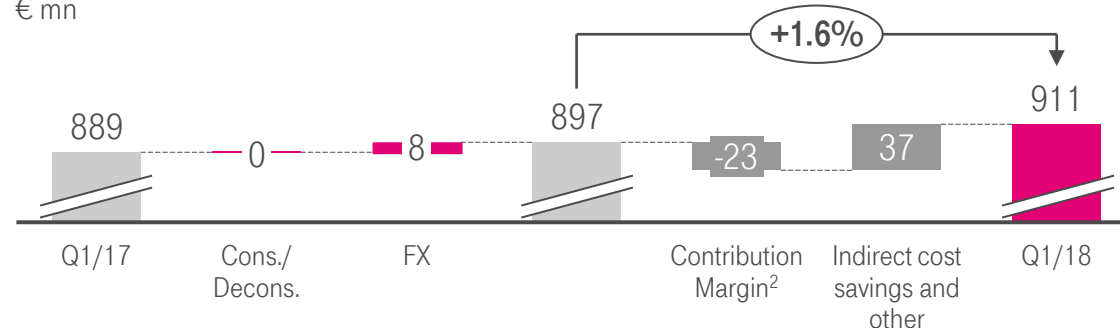
## Organic revenue development

€ 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



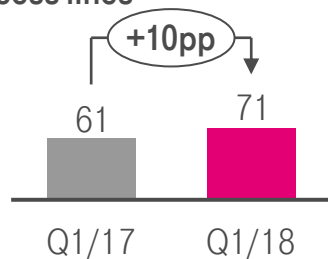
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# EUROPE: ONGOING INVESTMENTS IN NETWORK LEADERSHIP

## IP migration

IP share of fixed network access lines

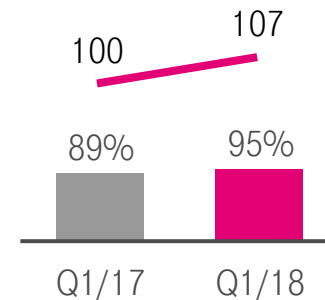
%



## LTE rollout

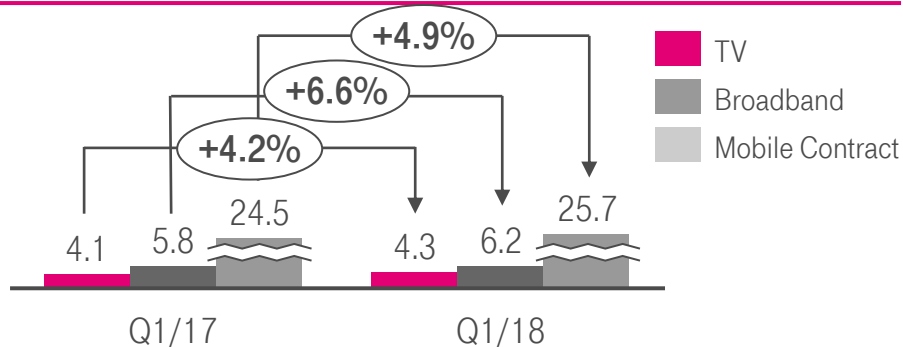
LTE outdoor pop coverage

mn and %



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

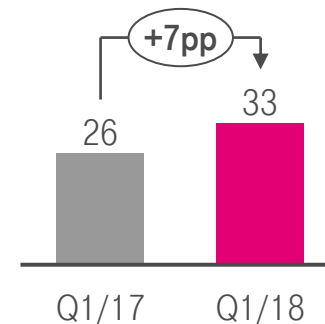
mn



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

Fiber household coverage

%



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



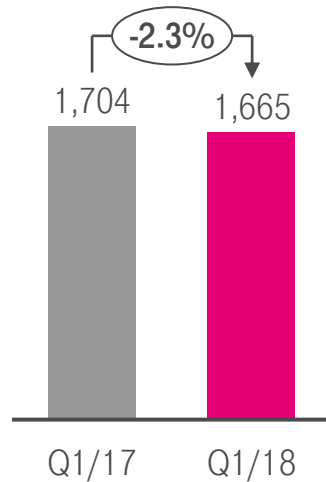
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# SYSTEMS SOLUTIONS: FULL YEAR OUTLOOK UNCHANGED - Q1 IMPACTED BY PHASING

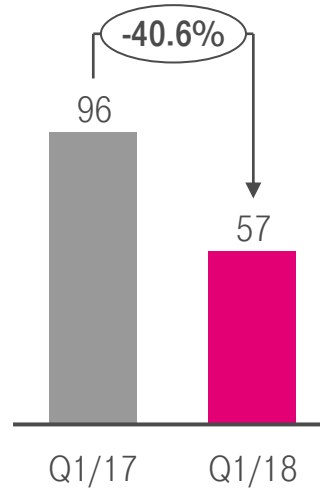
## T-Systems financials

€ mn

### Total revenue

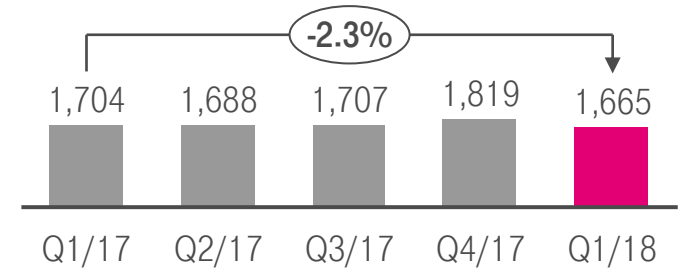


### Adj. EBITDA



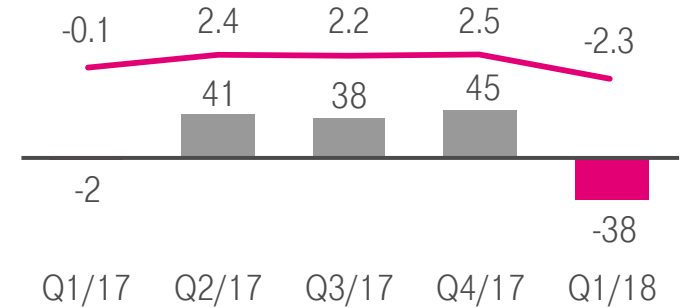
## Revenue

€ mn



## Adj. EBIT and margin in %

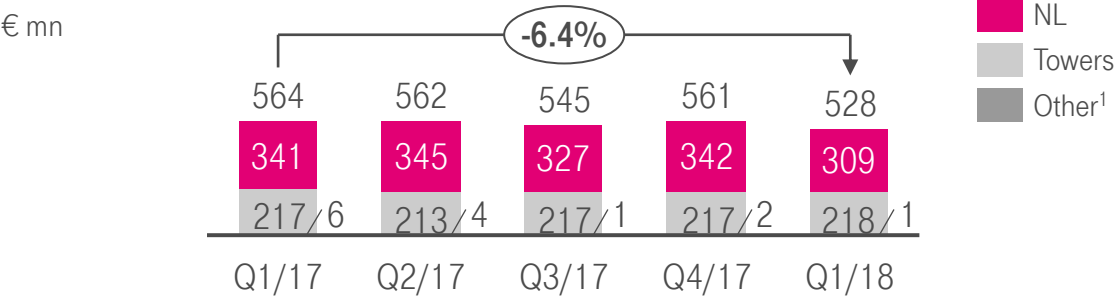
€ mn



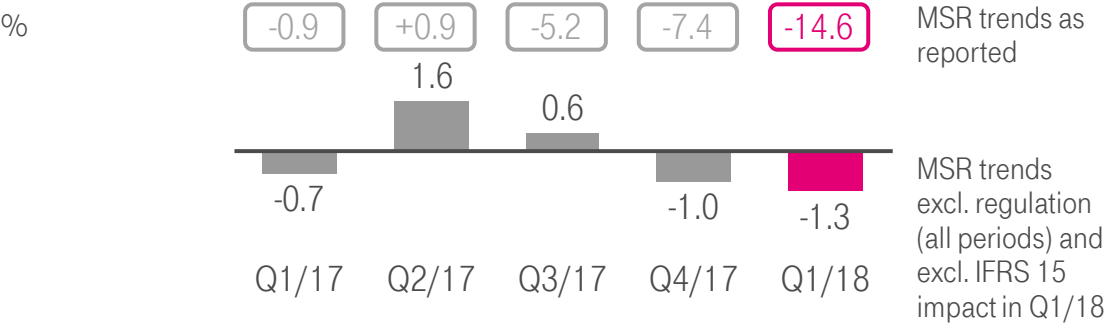
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# GROUP DEVELOPMENT: STEADY UNDERLYING DELIVERY - TM NL REVENUES IMPACTED BY IFRS 15

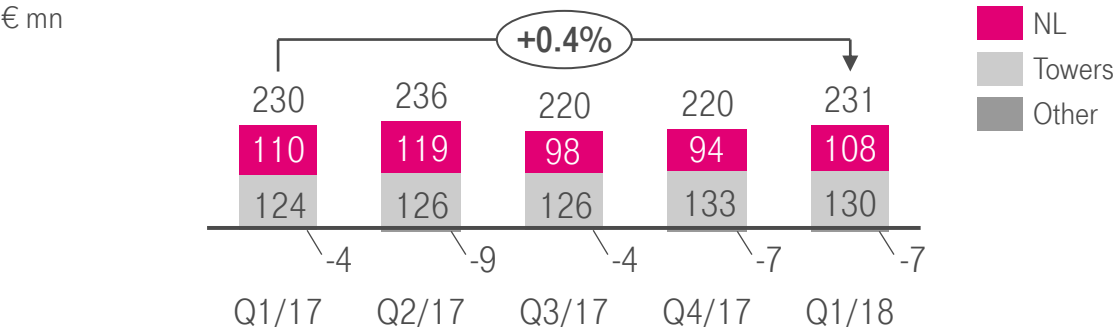
## Revenue



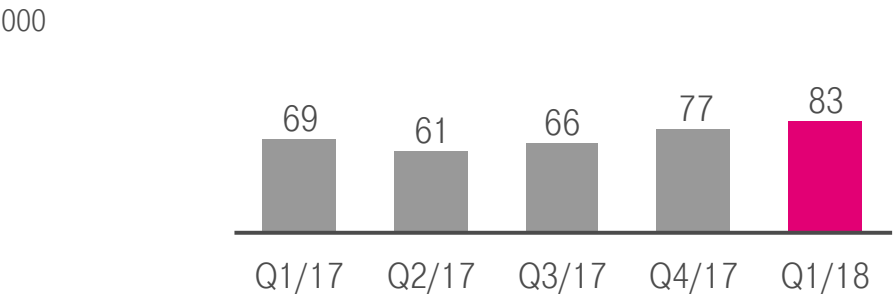
## Mobile service revenue trend yoy (NL)



## Adj. EBITDA



## Contract net adds (NL)

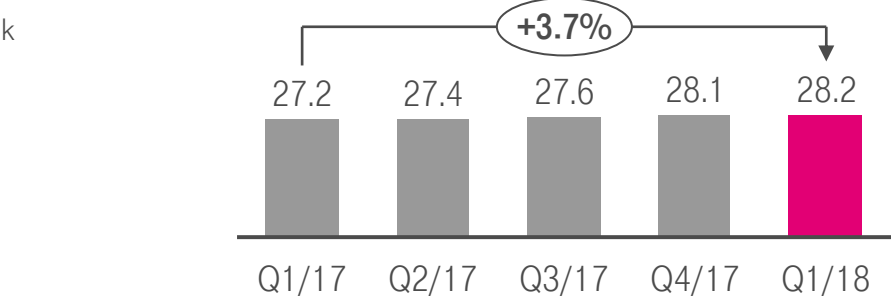


1) Strato was deconsolidated in Q2/17. Historic figures are also adjusted for Strato

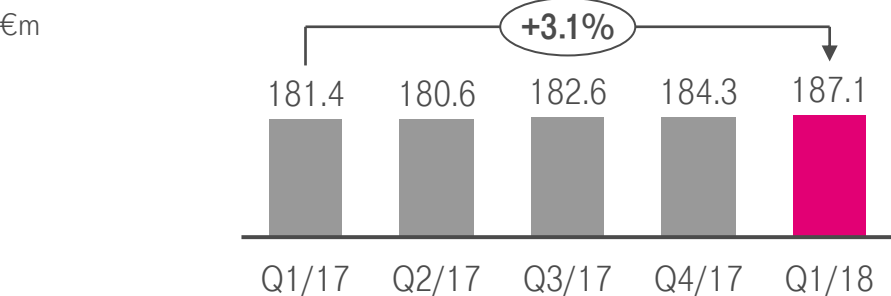


# GROUP DEVELOPMENT: TOWER BUSINESS DOING WELL

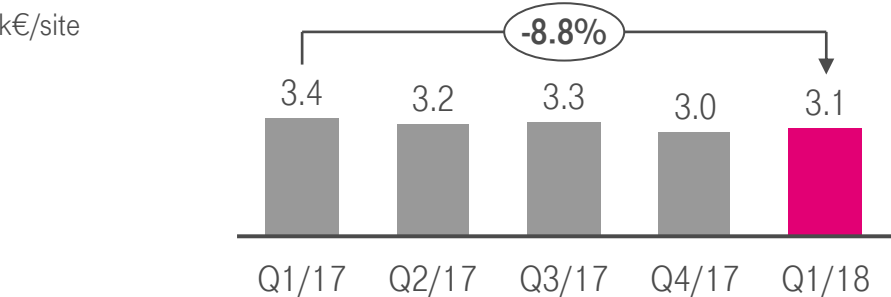
## Total site development



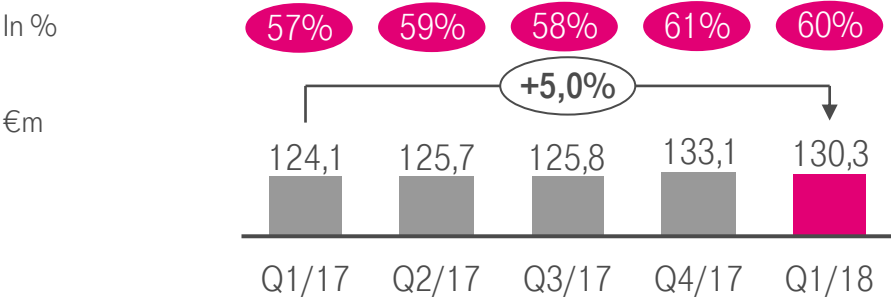
## Recurring rental revenue



## Opex per site (avg. sites)

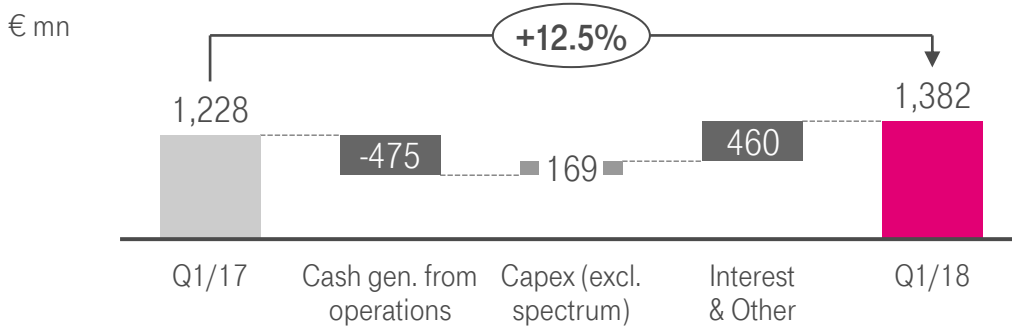


## EBITDA & EBITDA margin development

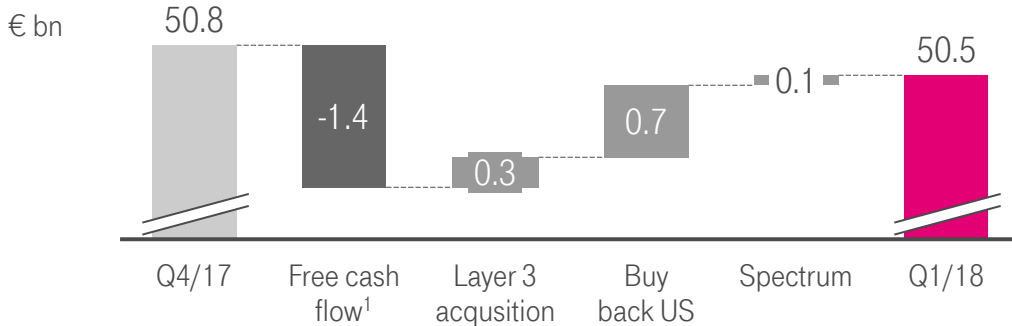


# FINANCIALS: FCF, NET DEBT, NET INCOME AND EPS

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

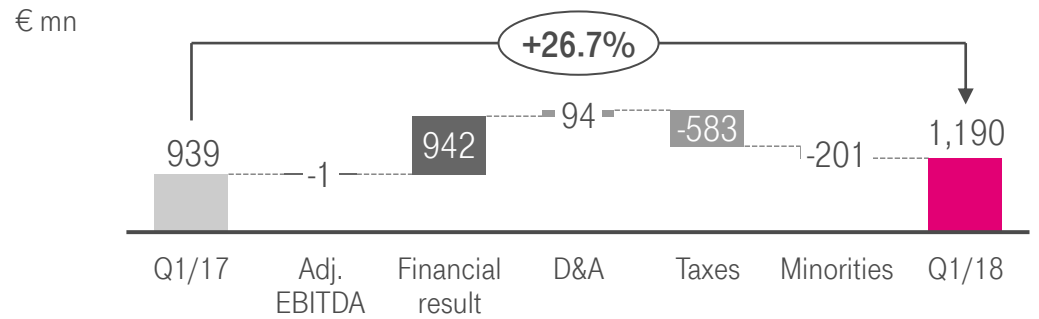


## Net debt development



1) Free cash flow before dividend payments and excl. Spectrum : Q1/18: €63 mn.

## Adj. net income



## Adj. EPS



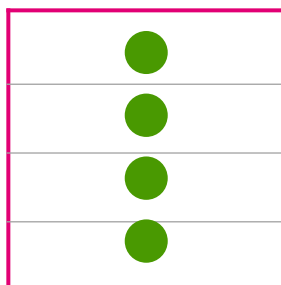
# FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	31/03/2017	30/06/2017	30/09/2017	31/12/2017	31/03/2018
Balance sheet total	148.6	141.5	139.8	141.3	138.0
Shareholders' equity	39.8	38.6	39.1	42.5	43.7
Net debt	50.0	55.2	52.6	50.8	50.5
Net debt/adj. EBITDA <sup>1</sup>	2.3	2.5	2.3	2.3	2.3
Equity ratio	26.8%	27.3%	27.9%	30.0%	31.7%

## 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

Moody's has changed outlook to "negative". S&P to "credit watch negative" following the announcement of the merger between TM US and Sprint end of April.

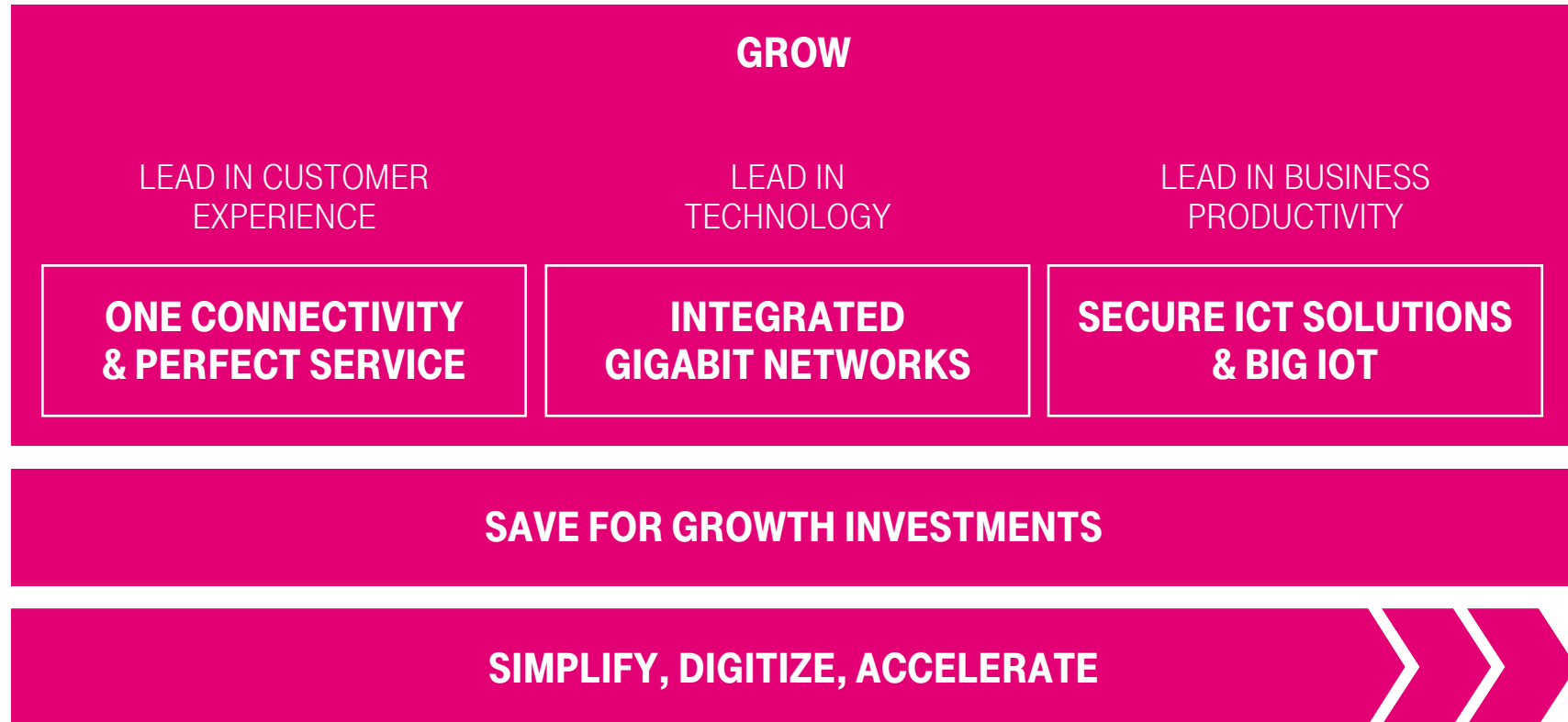
1) Ratios for the interim quarters calculated on the basis of previous 4 quarters

# 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.



# SNEAK PREVIEW: 2108 CAPITAL MARKETS DAY



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# CONFERENCE CALL WITH Q&A SESSION

The conference call will be held on **May 9 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/18Q1](http://www.telekom.com/18Q1)
- 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



# 2018: IFRS 15 IMPACT ON RESULTS

## Outlook beginning of year 2018

	Revenue	Adj. EBITDA
Group	-0.15 bn	max. +0.1 bn <sup>1</sup>
Germany	-1 to -1.5%	Impact of IFRS 9 (-) and IFRS 15 (+) will be neutral
US	+0.5%	+0.2% <sup>1</sup>
Europe	negligible	negligible
Group Development	no outlook given	no outlook given
Systems Solutions	no outlook given	no outlook given
GHS	no outlook given	no outlook given

## Current view

Group	Unchanged
Germany	Unchanged
US	Unchanged
Europe	Unchanged
Group Development	Approx. -2% on revenue and adj. EBITDA
Systems Solutions	negligible
GHS	negligible

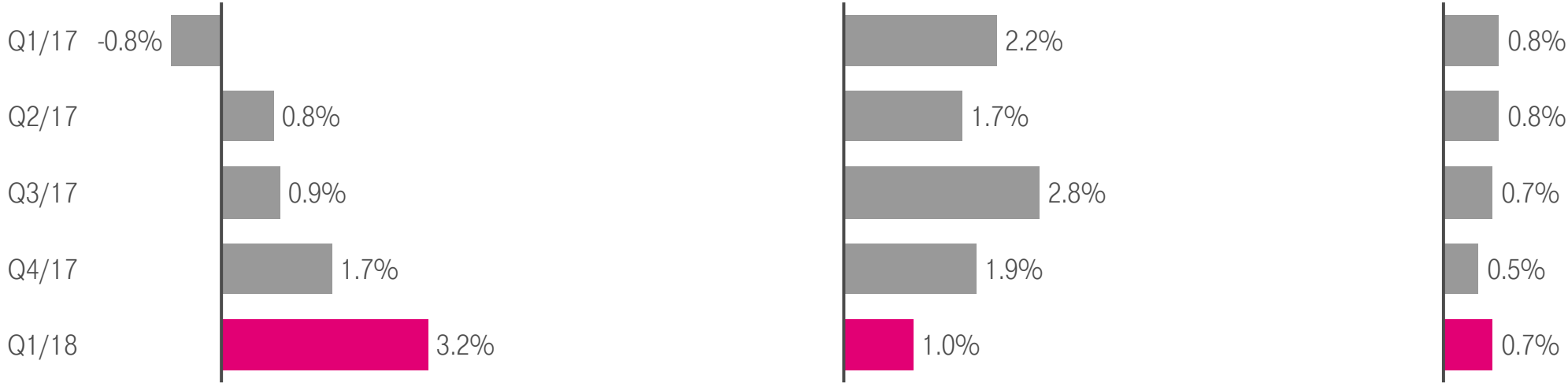
1) before the positive impact of 0.2 to 0.5bn US\$ announced by TM US in their 2018 outlook

# GERMANY MOBILE: SERVICE REVENUE (EXCL. IFRS 15)

## 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

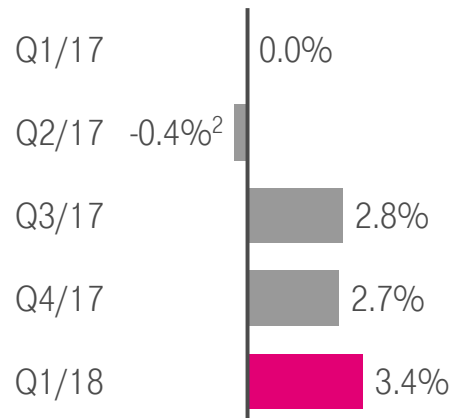
**≈ +1% (without EU roaming impact)**

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

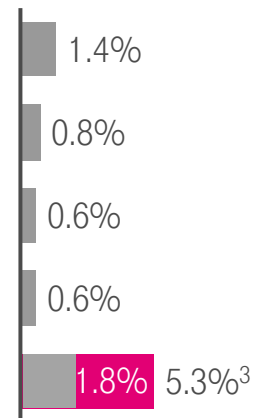
# GERMAN FIXED: SERVICE REVENUE (EXCL. IFRS 15)

## Growth rates YOY

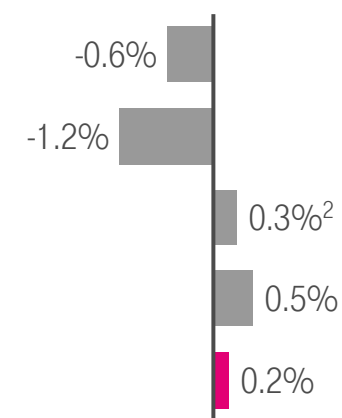
### Wholesale revenue



### 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 -0.2% in Q1/18. 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 3) change in definition – no restatement for 2017. Effect in Q1/18: Shift of €47m from “Other revenues” to “BB revenues” underlying performance +1.8%.



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**THANK YOU!**