B2B: Growth Driver for Telekom Deutschland
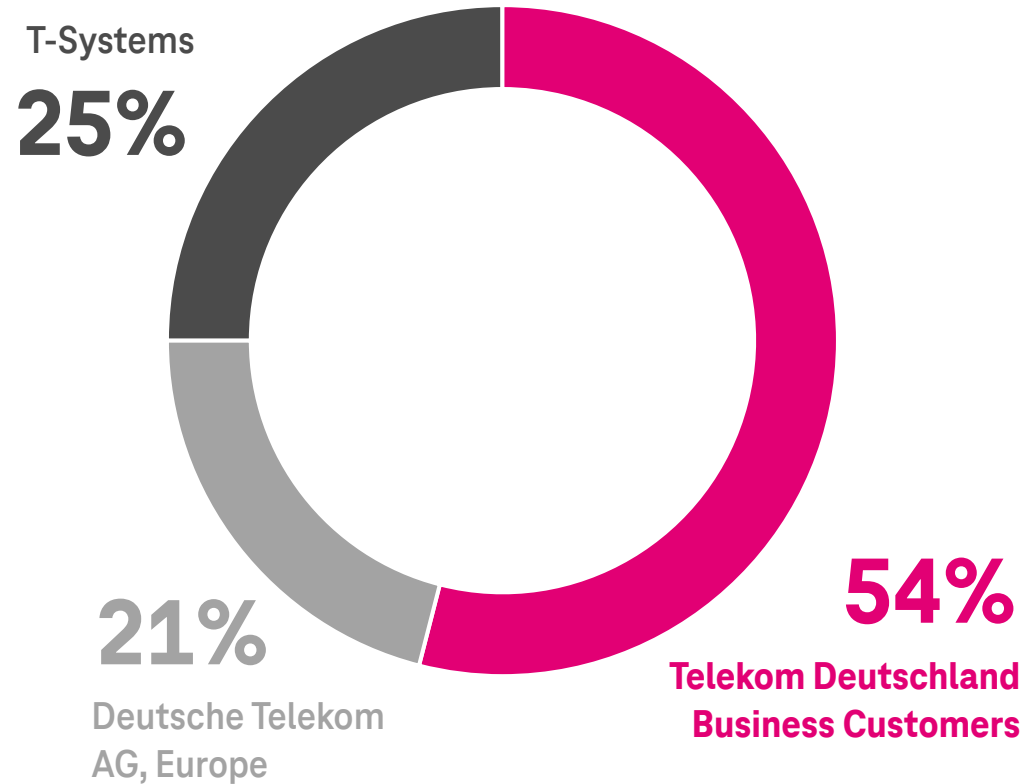
Srini Gopalan, CEO Segment Germany
September 14, 2022

B2B is an essential part of Deutsche Telekom AG

Share of total business customer revenue[1]

T-Systems
25%

21%
Deutsche Telekom
AG, Europe

54%
Telekom Deutschland
Business Customers

B2B share of total Segment Germany revenue

Total revenue
Segment Germany
24 bn €
60.189
employees

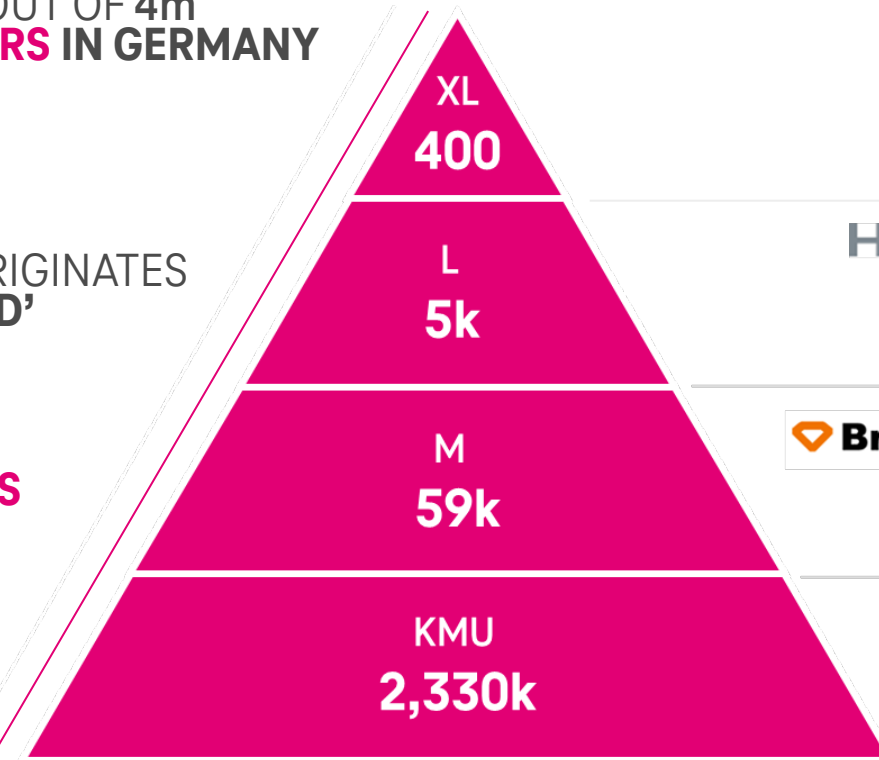**9 bn €**
B2B revenue
Segment Germany
9.000 employees
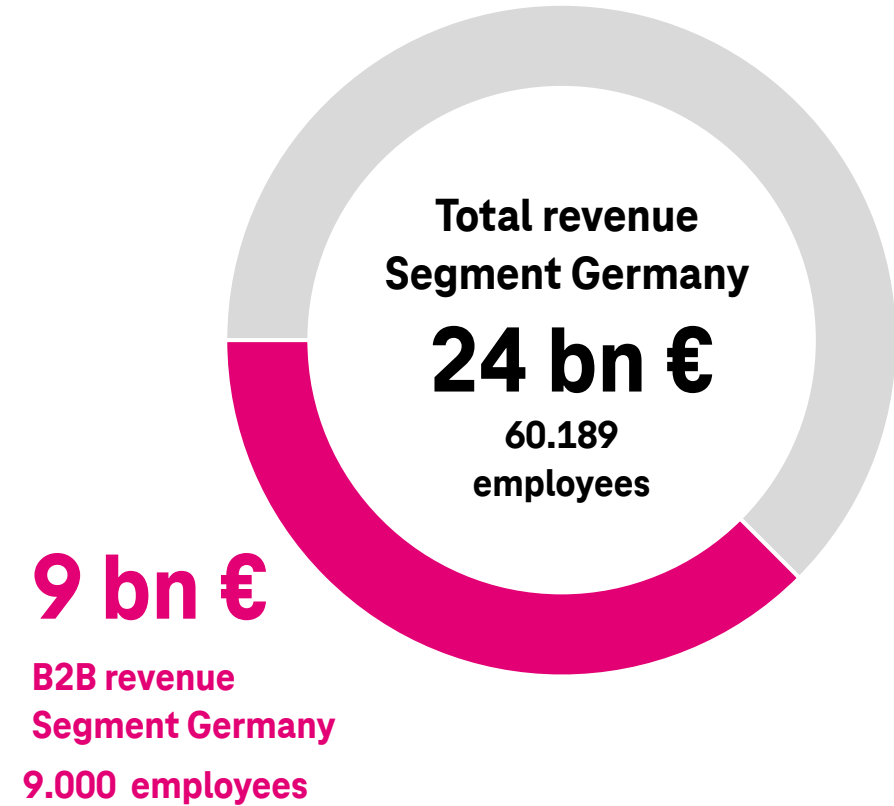
Our 2.4m customers: The engine of German economy

60% MARKET SHARE 2,4 OUT OF **4m** **BUSINESS CUSTOMERS** IN GERMANY

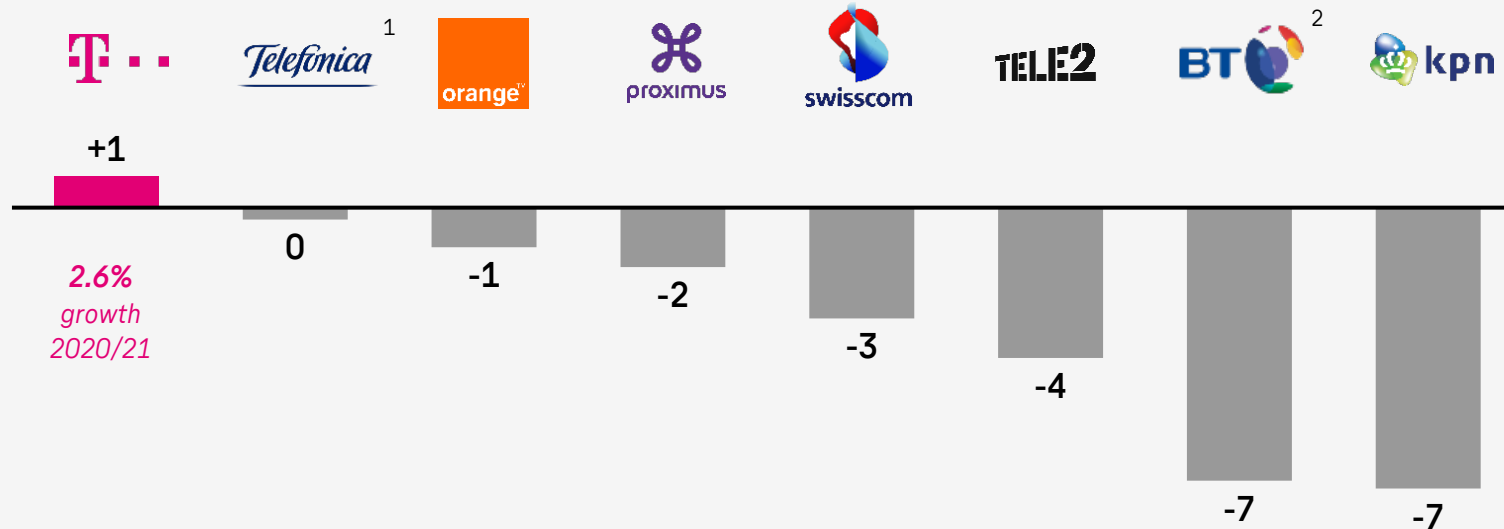**56%** OF THE **GERMAN** GDP ORIGINATES FROM THE **'MITTELSTAND'**

80% OF THE **HIDDEN CHAMPIONS** (1,2k) ARE ALREADY **OUR CUSTOMERS**

XL
400

L
5k

M
59k

Public -
20 k

KMU
2,330k

We are growing ahead of our EU peers

B2B Revenue CAGR 2019 - 2021 in %

Logos shown (left to right): T (Deutsche Telekom), Telefónica [1], orange tv, proximus, swisscom, TELE2, BT [2], kpn

Bar values:
- T: +1 — *2.6% growth 2020/21*
- Telefónica [1]: 0
- orange: -1
- proximus: -2
- swisscom: -3
- TELE2: -4
- BT [2]: -7
- kpn: -7

[1] Telefónica: based on 2019 figures published by Telefónica & revenue growth rates for 2020 & 2021 published in Morgan Stanley Research - European Telcos | B2B: A mixed bag (15 Nov 2021) & Morgan Stanley Research - European Telcos | B2B: Flat at last (Apr 2022)
[2] BT: Financial year/ Q1 starting in April & financial year/ Q4 ending in March
Vodafone: not included due to limited availability of B2B financials
Source: B2B revenues based on quarterly reports & annual reports published by respective companies; Morgan Stanley Research - European Telcos | B2B: A mixed bag (15 Nov 2021) & Morgan Stanley Research - European Telcos | B2B: Flat at last (Apr 2022)

Our success factors

- **Market leader** in SMB-centric German market

- **Strong sales execution**

- **Advanced legacy attrition / IP-migration**

- **Growth in mobile and IT**

We grew despite some headwinds

Our growth drivers

Strong performance in mobile
driven by volume growth
(democratization of mobile)

Strong growth in IT
driven by cross sell of IT, digitalization &
faster adoption of digital products

Headwinds

**Legacy fixed
line erosion**
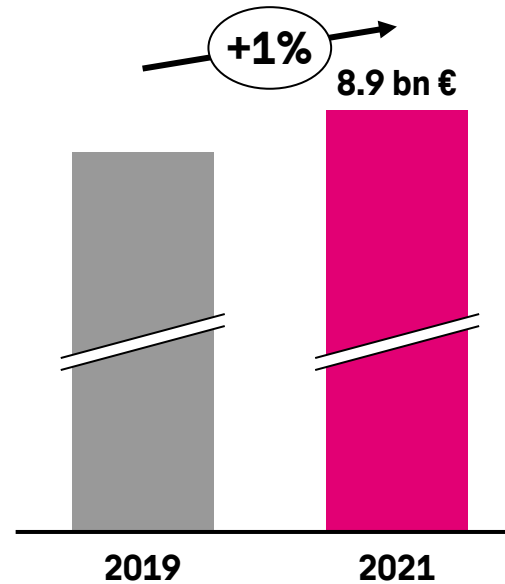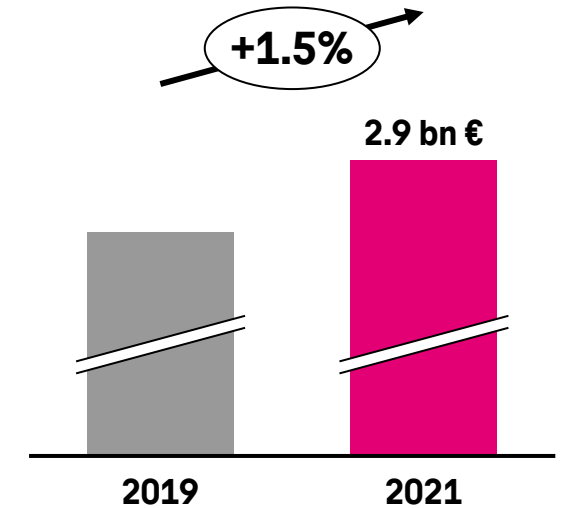
**Covid-19 impact
in roaming**

**Managing
TC integration**

IP migration

Total Revenues B2B

+1%

8.9 bn €

2019   2021

Total Mobile Revenues B2B

+1.5%

2.9 bn €

2019   2021

Note: Growth rates based on reported values in Mixed CAGR logic

We differentiate ourselves from competition

Best Customer Centricity

Record-high customer satisfaction
TRI*M 2021: 78 Points, preferred partner for digitalization

Strong position in German market
Portfolio **covers all segments** from KMU to XL and Public addressing >2.4m customers

Leading B2B Brand in Germany
Customer perception as **digitalization leader** & **strong media presence** (DigitalX, Social Media, Ads, etc.)

Powerful Sales Force & Delivery
Market-leading **direct sales force** with industry specific know-how & young talents

Best products

Undisputed Mobile Leader
Capitalized on mobile democratization wave; **market share increase** from 53% in '14 to 57% in '20

Integrated Products
Increased **customer retention** (50% lower churn rate vs. standalone products, TRI*M +10pts) and **upsell**

IT complementing TC
Sustainably growing **IT product portfolio** (growth 2020/21: +12%), **esp. in KMU and Mittelstand**

Extensive Partner Network
> 5,500 **international partners**
> 500 **startups** under contract

Best Network

Leading Network
In fixed line & **5G coverage**
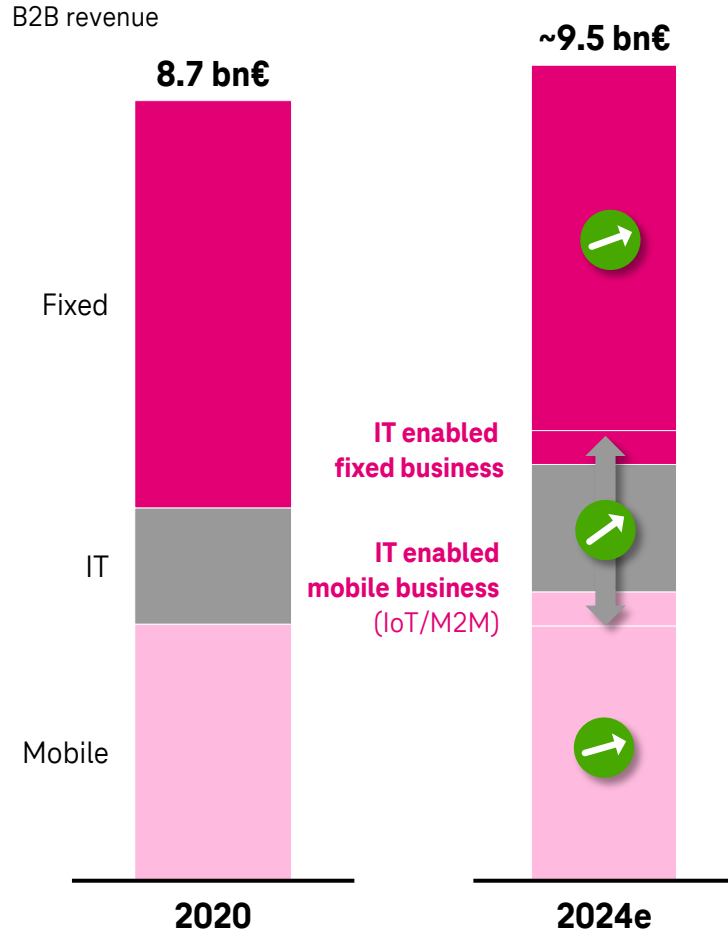(>90% 5G household coverage beginning of 2022)

Successful Network Transformation
Ahead of our peers in network transformation (all-IP)

We are proactively transforming our business

Our CMD promise

B2B revenue

8.7 bn€ (2020)

~9.5 bn€ (2024e)

Fixed

IT enabled fixed business

IT

IT enabled mobile business (IoT/M2M)

Mobile

2020 — **2024e**

From

|	From	To
Fixed WAN Leased Lines / Mass market	**Classic network & security solutions** (e.g. MPLS)	• **Software defined everything** ("SD-X") • **Premium Internet based underlay** • **Built-in security** (e.g. SASE)
	Legacy voice / low bandwidth broadband business	• **Value Increase** (best available speed, FMC first) • **Enterprise Communication & Collaboration**
IT	Project driven **standalone products** & reselling	• Recurring revenues from **products & solutions** supporting our core
Mobile	**Solid growth in core connectivity** & standalone products	• **Further growth in core connectivity** • **Leverage best connectivity** (5G / Upsell) • **Solution revenue** (e.g. ECC, IoT, 5G Campus Networks)

Key initiatives for our transformation

~9.5 bn€

IT enabled fixed business

IT enabled mobile business (IoT/M2M)

2024e

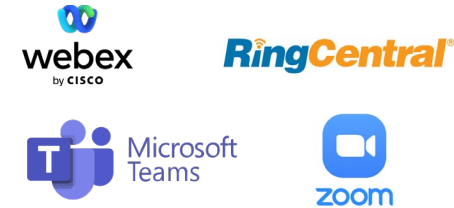## Key initiatives for growth (examples)
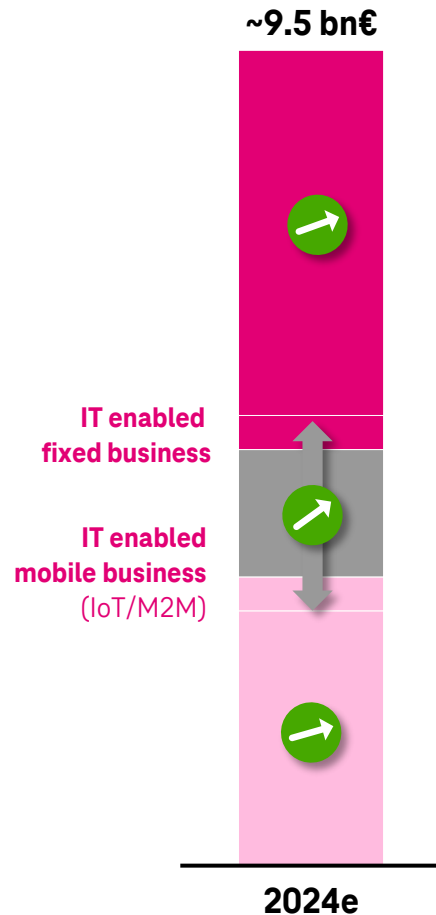
MagentaBusiness Networks (MBN)

Secure software defined enterprise networks (SD-WAN) based on our global DT network to offer automated, standardized and fast provision & self-service offers.
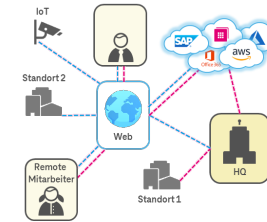
MagentaBusiness Collaboration (MBC)

Integration of communication and collaboration products **with our connection/voice** products.
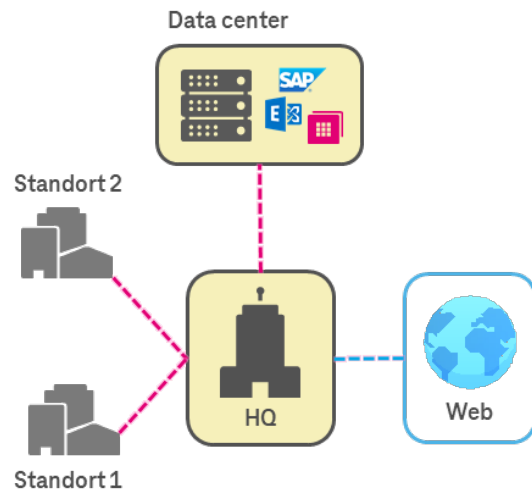
Internet of Things (IoT)

Focused market approach with our **partner ecosystem**, **innovation** & **new business models** to increase the profitability of our IoT business.
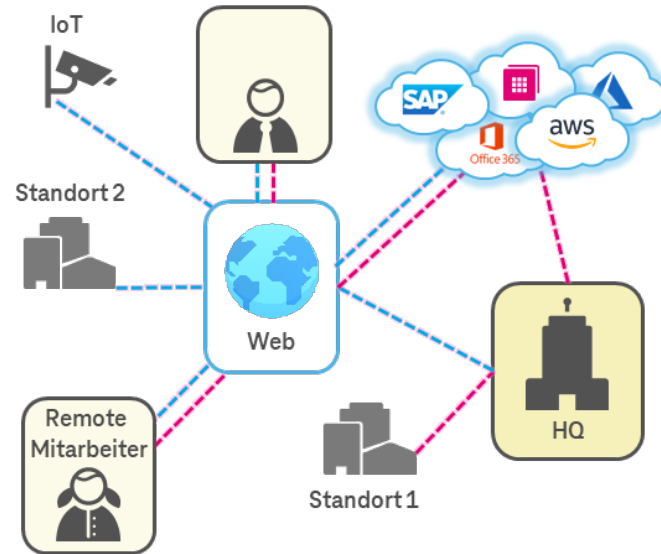
SD-WAN focus for fixed/enterprise networks growth

From centralized...

Data center

Standort 2

Standort 1

HQ

Web

- Central topology (MPLS)
- Central access to the Internet
- Static data flows & limited cloud

...to decentralized network models

IoT

Standort 2

Remote Mitarbeiter

Web

Standort 1

HQ

- Decentralized topology (SD-X)
- Local access to the Internet
- Cloud services and mobile working

Our success factors
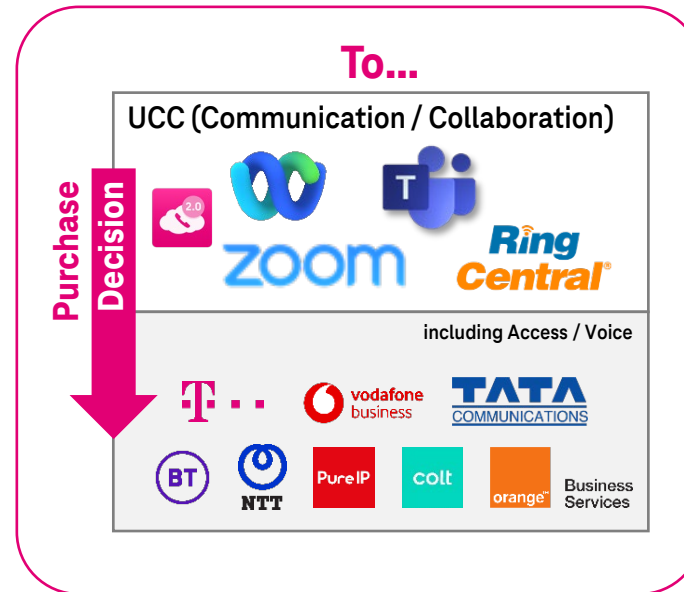
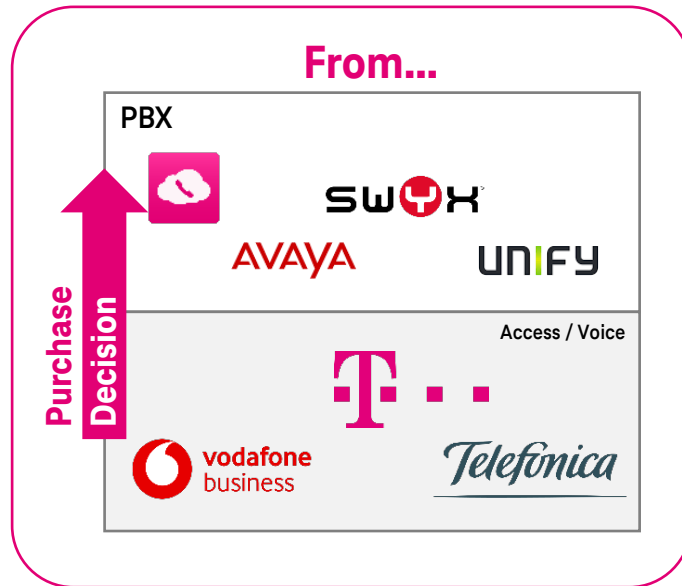**Leading SD-X product portfolio**

Strong partner network

Cost effectiveness driven by automation & self service

Fast time to market

MPLS = Multiprotocol label switching   SD-x = Software defined everything   IoT = Internet of things

MBC is our answer to changed market dynamics

From...

PBX

SWYX

AVAYA   UNIFY

Access / Voice

T ··

vodafone business   Telefónica

Purchase Decision

To...

UCC (Communication / Collaboration)

ZOOM   Ring Central

including Access / Voice

T ··   vodafone business   TATA COMMUNICATIONS

BT   NTT   Pure IP   colt   orange™ Business Services

Purchase Decision

- **OTT players** entering the market

- Customers buy **access independently from voice**

- **Purchase decision** increasingly originating from **UCC solutions**

Need for market leading Communication & Collaboration portfolio integrated with our core offerings

Our success factors

One frontend for all collaboration solutions

Leading partners onboarded (e.g. Microsoft TeamsX)
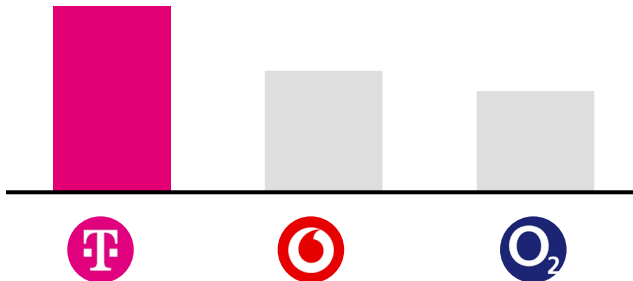
Price advantage for our customers

Hosted in Germany

We are leading in the mobile market

Undisputed network leader

Best 5G Coverage

>92%

- **>100,000** antennas
- **>34,000** sites
- **>2,000** 5G sites on 3,6 GHz

What matters for B2B customers

Coverage

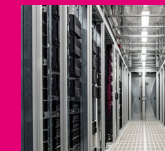# Reliability

Service

Our focus topics

Network Slicing
e.g. for mobile gaming, video production

IoT
15% revenue growth (H1 21 vs. H1 22)

5G campus networks
Projects with top customers launched (i.e. Deutsche Messe – biggest German Campus Network)

AR/XR
e.g. AR FieldAdvisor

Q&A