

# DEUTSCHE TELEKOM

## Q2/2017 RESULTS



LIFE IS FOR SHARING.

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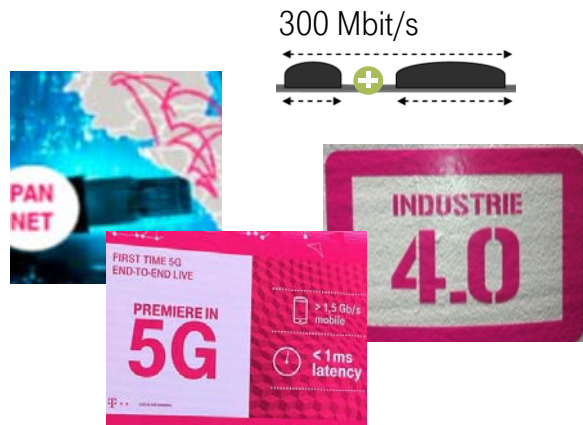
In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt, and net debt. These alternative 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 H1/17

# H1/2017 HIGHLIGHTS: INVESTMENTS, CUSTOMERS, AND RESULTS

## Investments and innovations

- Acquisition of substantial 600 MHz frequencies and completion of 700 MHz roll-out
- Successful launch of consumer propositions in Germany incl. StreamOn and Start TV
- Cash capex +13.5% to € 6.2 billion



## Customers

- Demand for fiber in Germany unabated
  - 8.2 million German homes with fiber (+46% yoy)
  - 1.4 million net adds year to date
- Another half year of strong US growth
  - 2.5 million net adds



## Financial results

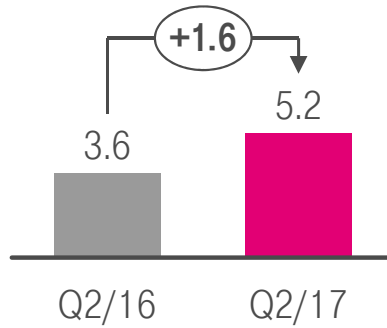
- Strong growth continues
  - Revenue up 5.9% yoy
  - Adj. EBITDA up 8.2% yoy
  - FCF up 18.1% yoy
- Net debt/adj. EBITDA at 2.5x
- EBITDA-guidance raised



# CUSTOMERS: STRONG MOMENTUM

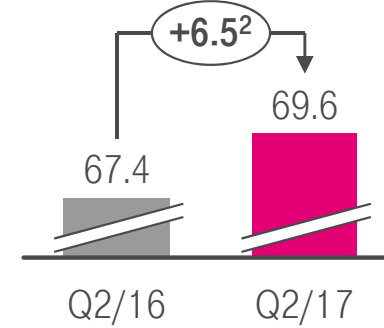
## MagentaEINS (Germany + EU)<sup>1</sup>

mn



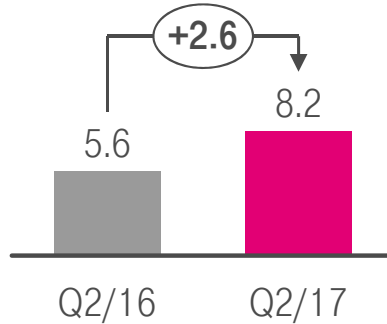
## US Mobile

mn



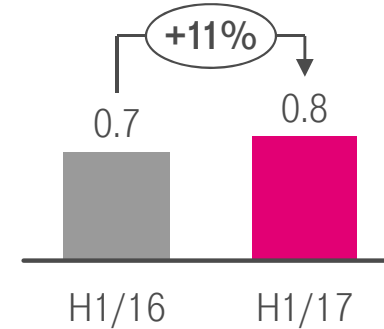
## Fiber in Germany

mn



## Cloud revenue

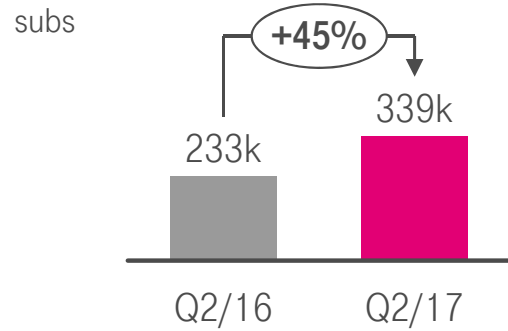
€ bn



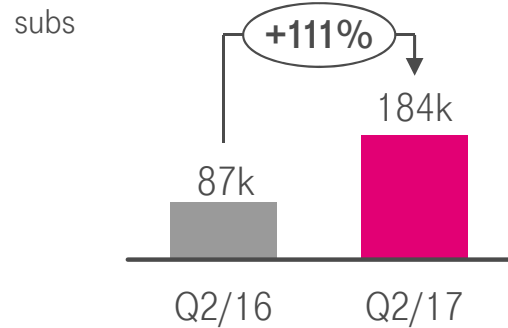
1) FMC RGUs may also appear under other brand name outside of Germany 2) Adj. for 4.368 million wholesale customers no longer reported since Q2/17

# INNOVATIONS: FOCUS ON CUSTOMER EXPERIENCE

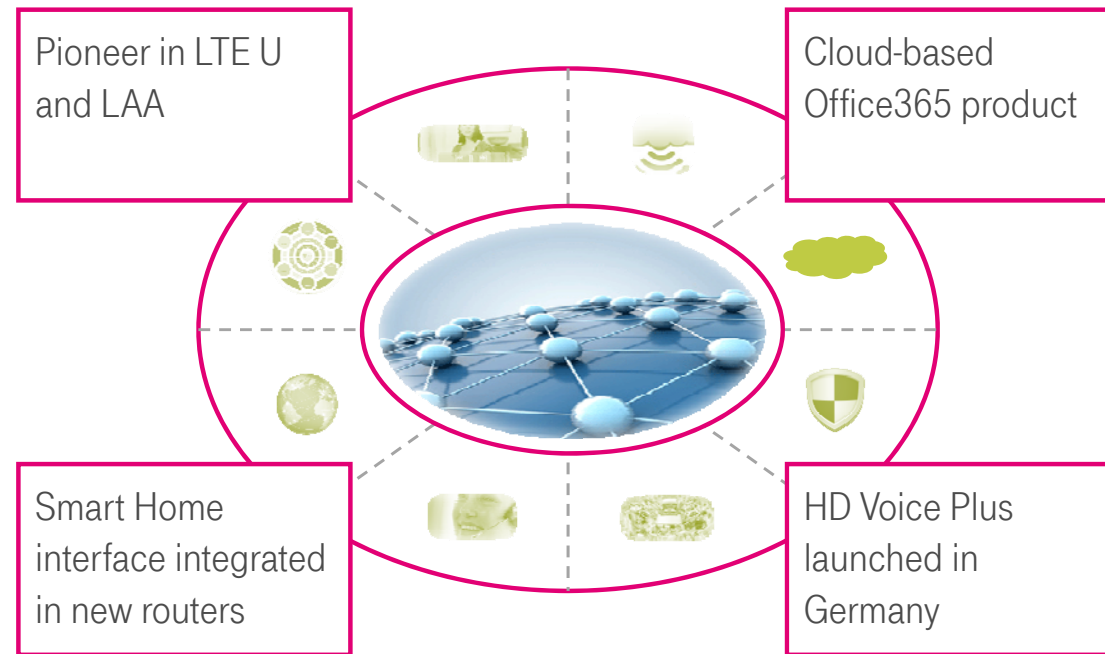
## Hybrid access<sup>1</sup>



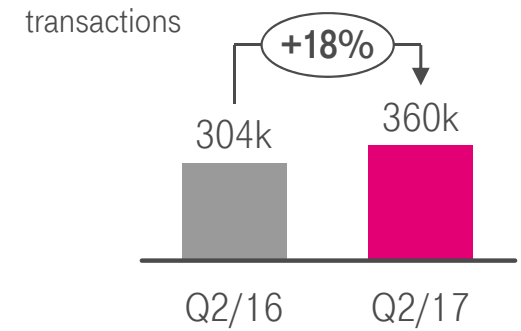
## Smart Home<sup>2</sup>



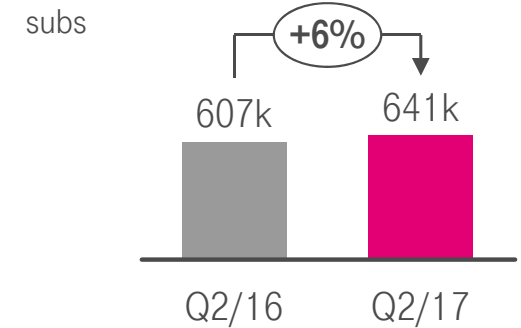
## Innovation/Network



## Service app



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



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

# FINANCIALS AND GUIDANCE 2017: ADJUSTED EBITDA GUIDANCE INCREASED FOLLOWING IMPROVED OUTLOOK TMUS

€ bn

	<u>Revenue</u>	<u>Adj. EBITDA</u>	<u>FCF</u>
2014 – 2018 CAGR <sup>1</sup>	+1 – 2%	+2 – 4%	≈+10%
OLD 2017 guidance (\$/€: 1.11)	Increase	Around 22.2 bn <sup>2</sup>	Around 5.5 bn
NEW 2017 guidance (\$/€: 1.11)	Increase	Around 22.3 bn <sup>2</sup>	Around 5.5 bn
H1/2017 performance	+5.9%	+8.2%	+18.1%

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

# REVIEW Q2/17



# Q2/2017: FINANCIAL HIGHLIGHTS

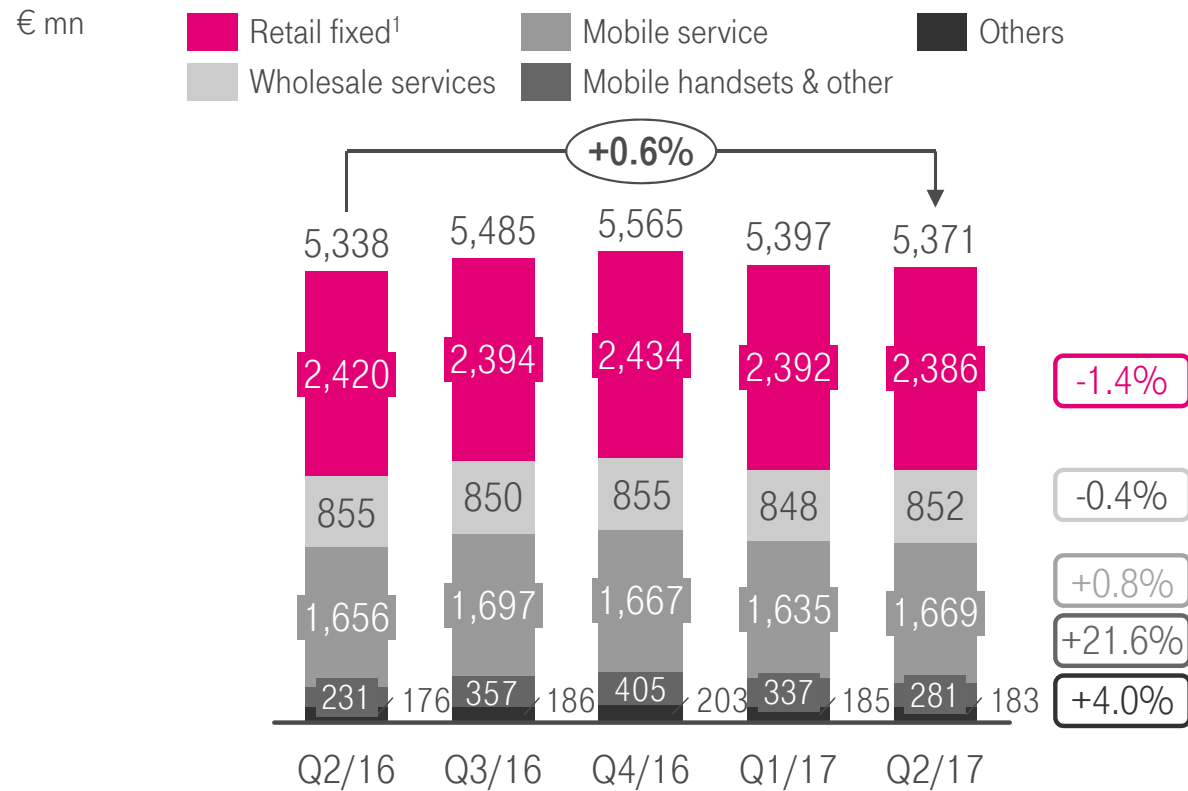
€ mn

	Q2			HY		
	2016	2017	Change	2016	2017	Change
Revenue	17,817	18,890	+6.0%	35,447	37,537	+5.9%
Adj. EBITDA	5,457	5,944	+8.9%	10,620	11,495	+8.2%
Adj. net profit	1,054	1,199	+13.8%	2,101	2,138	+1.8%
Net profit	621	874	+40.7%	3,746	1,621	-56.7%
Adj. EPS (in €)	0.23	0.26	+13.0%	0.46	0.46	0.0%
EPS (in €)	0.13	0.19	+46.2%	0.81	0.35	-56.8%
Free cash flow <sup>1</sup>	1,320	1,301	-1.4%	2,142	2,530	+18.1%
Cash capex <sup>2</sup>	2,664	2,994	+12.4%	5,495	6,238	+13.5%
Net debt	48,692	55,249	+13.5%	48,692	55,249	+13.5%

1) Free cash flow before dividend payments and spectrum investment    2) Excl. spectrum: Q2/16: € 40 million; Q2/17: € 7,246 million; HY/16: € 1,105 million; HY/17: € 7,282 million

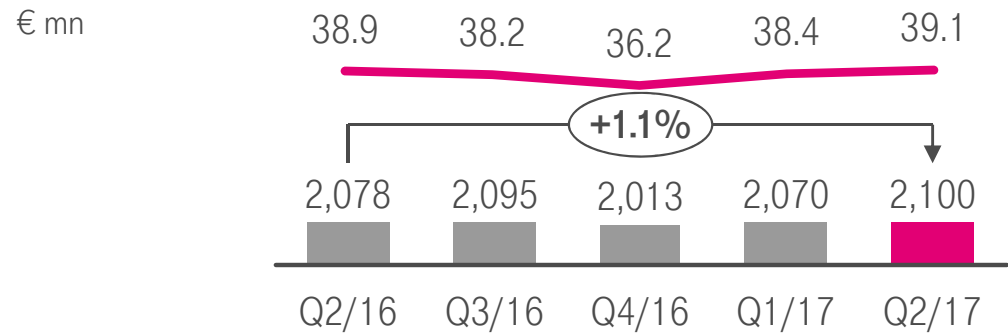
# GERMANY: GROWING REVENUE AND ADJUSTED EBITDA

## Revenue reported

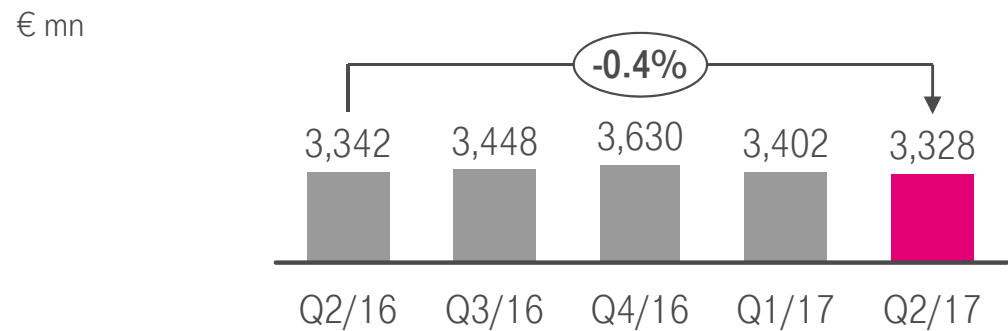


1) Fixed network core business

## Adj. EBITDA and margin (in %)

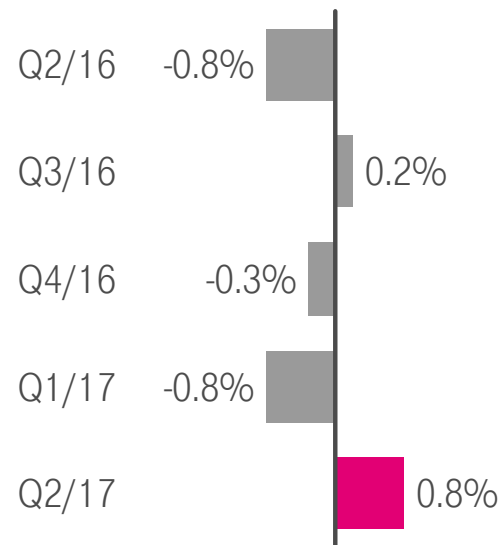


## Adj. OPEX

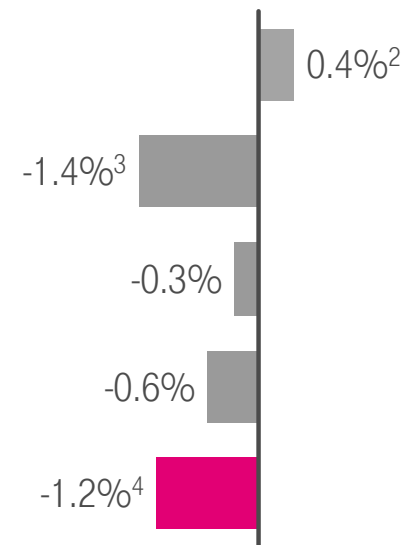


# GERMANY: UNDERLYING TOTAL SERVICE REVENUE STABLE

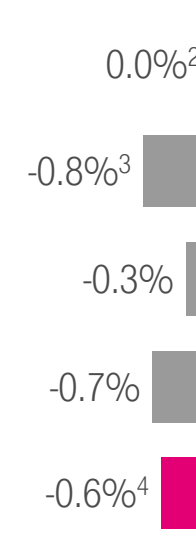
## Mobile service revenue



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



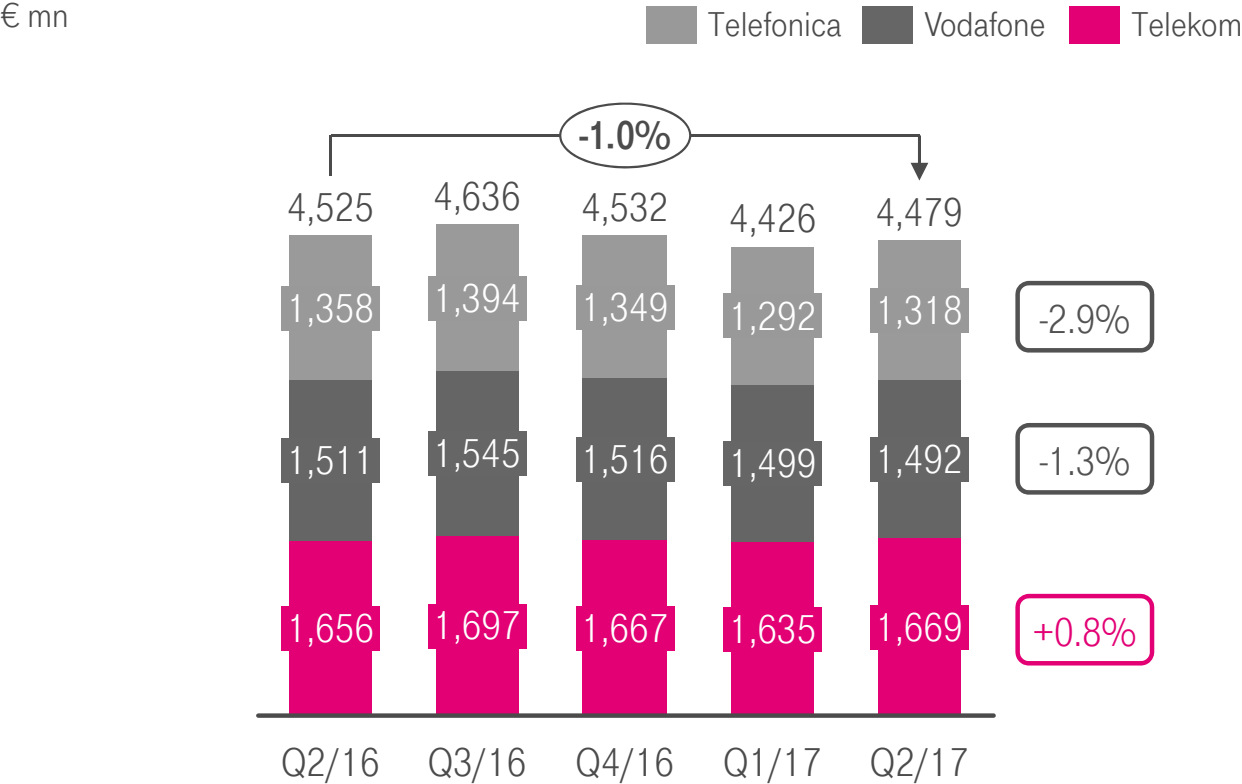
## Total service revenue<sup>1</sup>



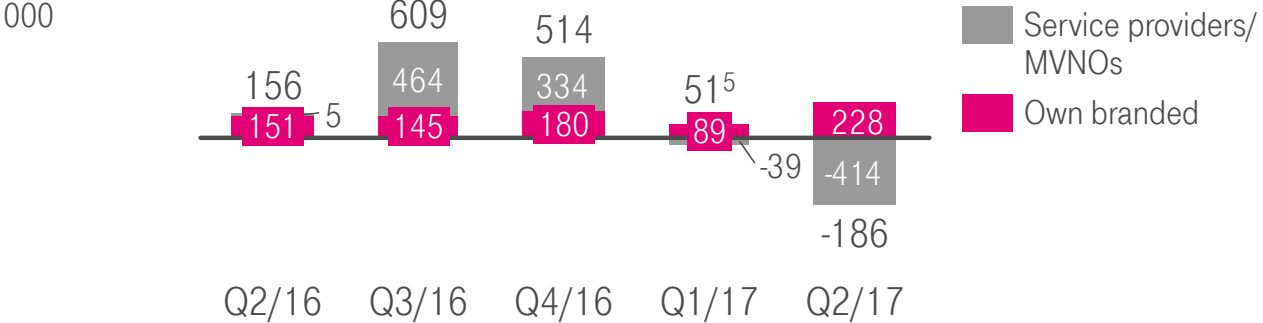
1) Total service revenue is a sum of fixed line and mobile service revenue. We define fixed line service revenue as fixed network core business revenue less fixed hardware revenue plus wholesale services fixed network revenue. From Q2/16 onwards, we classify CPEs recurring rent revenue as fixed service revenue, and thus also part of total service revenue. Without this reclassification, fixed line service revenue growth rate would be -1.6% in Q2/17, whereas TSR growth rate would be -0.8% in Q2/17. 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 revenue under definition in Q2/16 (see 1), respectively +0.2% for total service revenue 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% 4) Adjusted growth rate (see 2) at -1.5% for fixed service revenue, respectively -0.8% for total service revenue

# GERMANY MOBILE: STEADY COMMERCIAL MOMENTUM

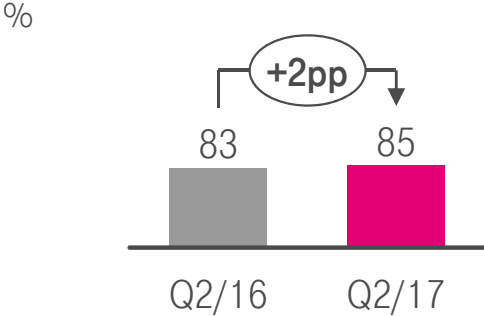
## German mobile market service revenue<sup>1</sup>



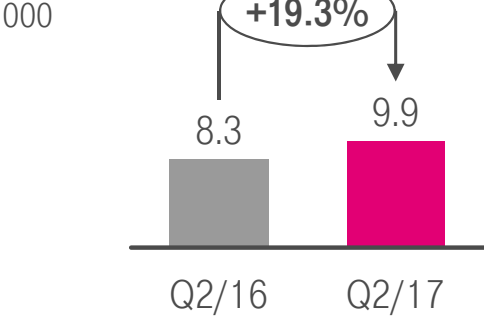
## Contract net adds<sup>2</sup>



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



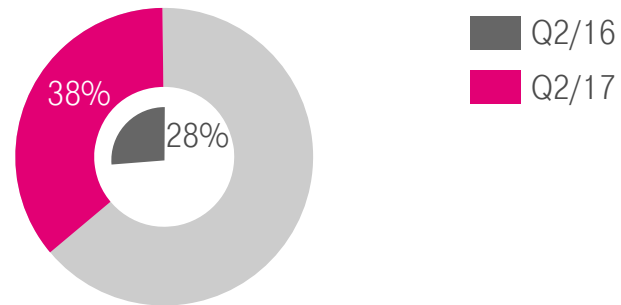
## LTE customers<sup>4</sup>



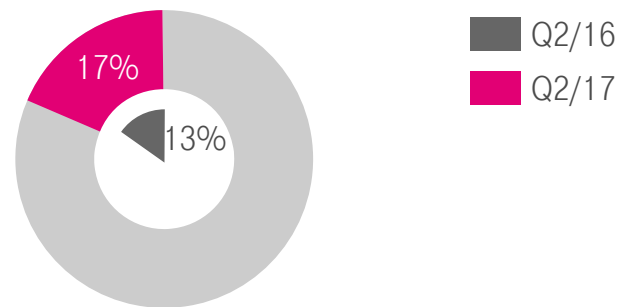
1) Management estimate 2) Figures may not add up due to rounding. 3) Of own branded retail customers 4) Own customers using an LTE-device and tariff plan including LTE 5) Contract net adds under own brand impacted by disconnections (minus 41k)

# GERMANY: GOOD PROGRESS WITH CONVERGENCE AND DATA

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

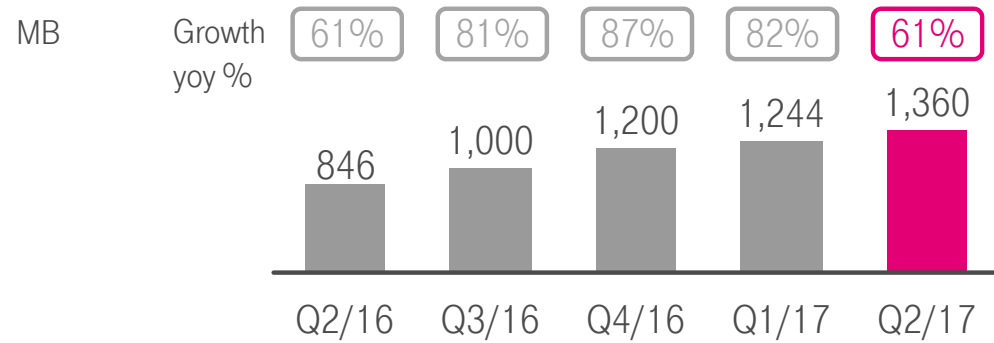


## Households in MagentaEINS bundles<sup>2</sup>

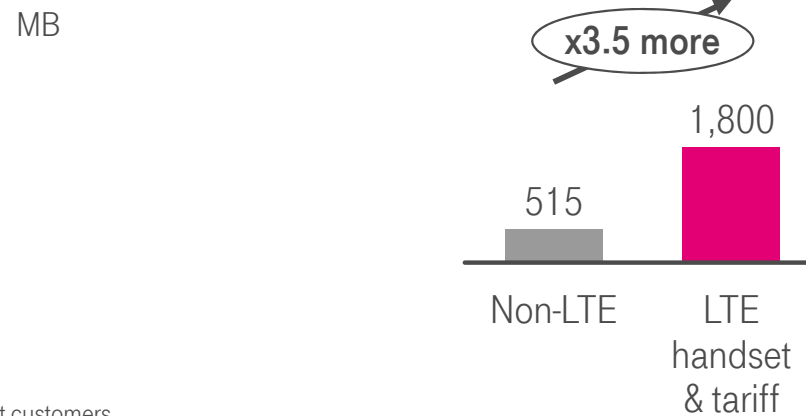


1) As % of B2C T-branded contract customers 2) As % of B2C broadband access lines 3) Per month of B2C T-branded contract customers

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

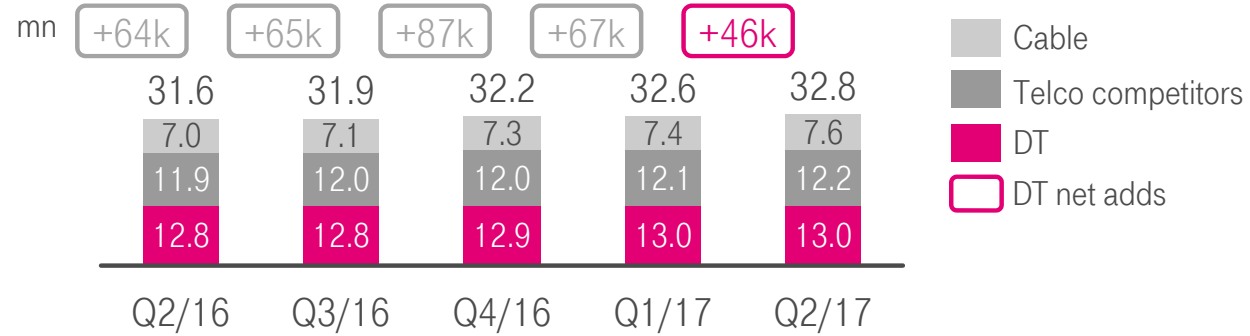


## Average LTE usage uplift<sup>3</sup>

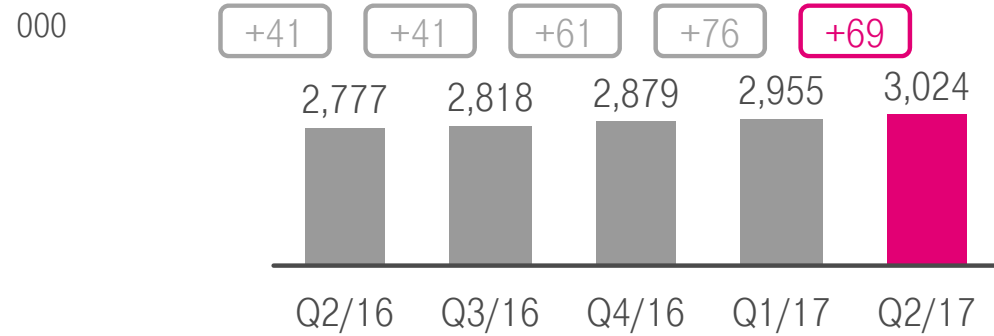


# GERMANY FIXED: STRONG GROWTH IN FIBER CUSTOMERS

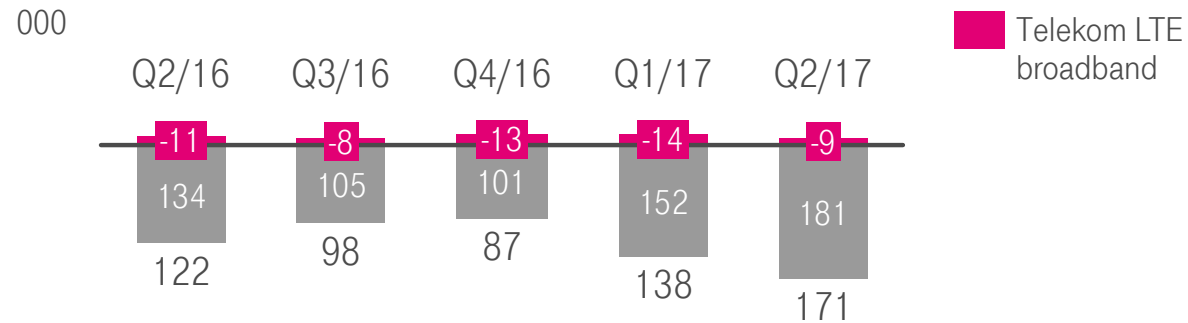
## German broadband market<sup>1</sup>



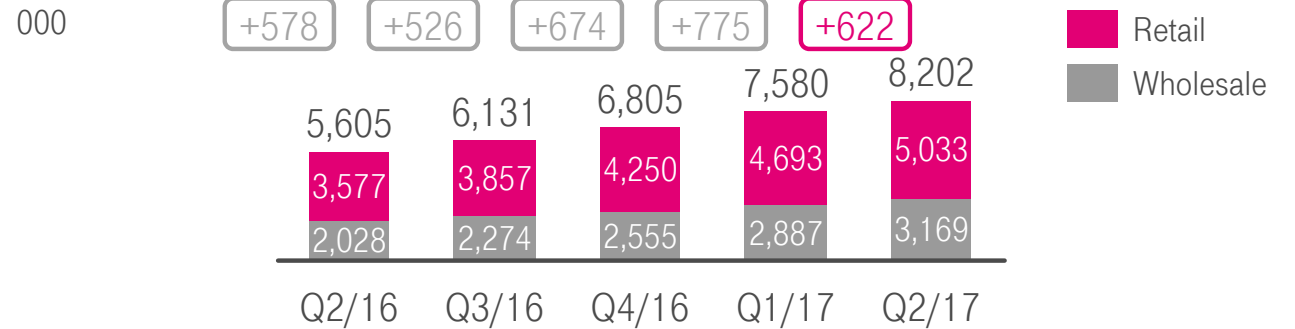
## Entertain customers



## Line losses



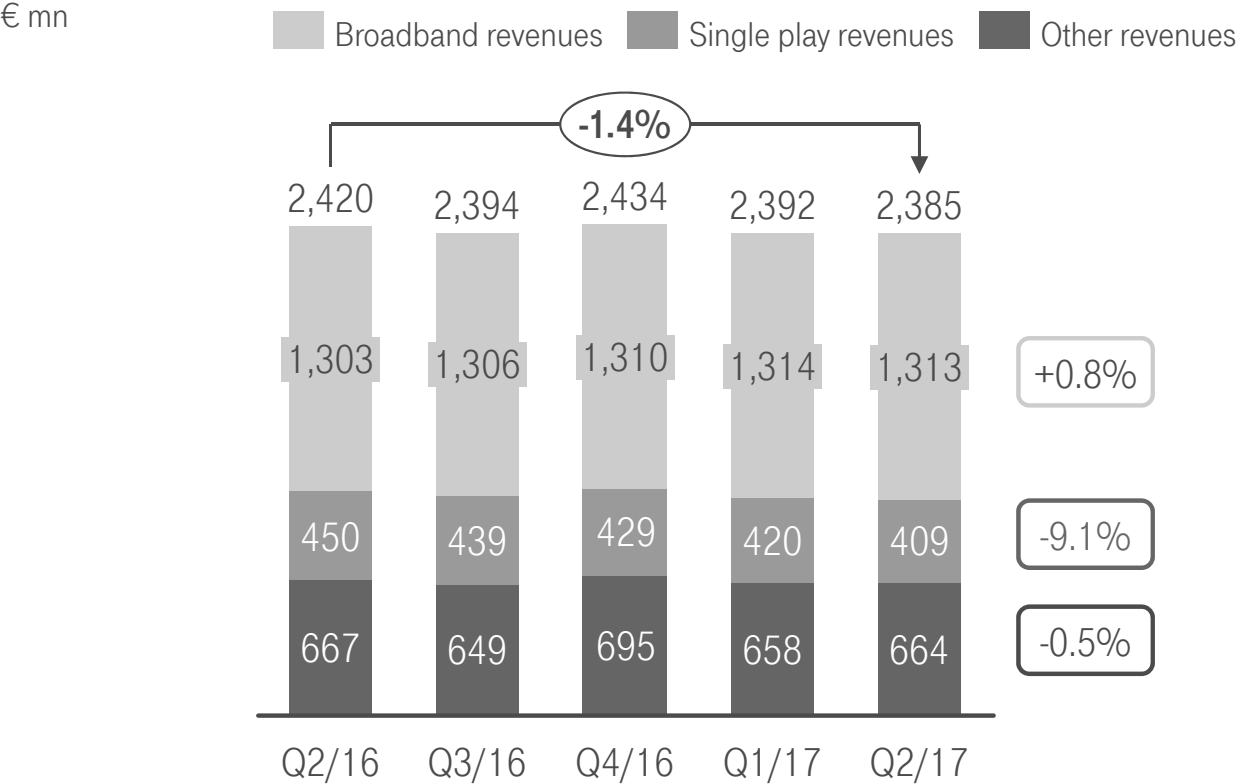
## Fiber customers<sup>2</sup>



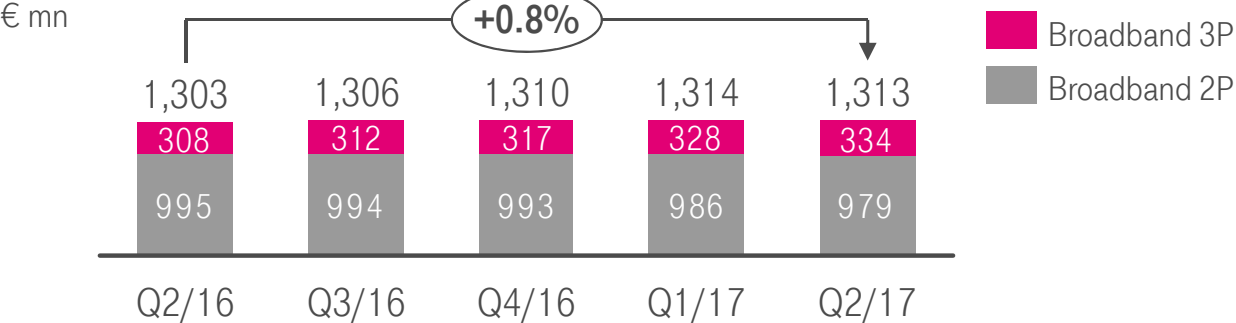
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, vectoring, and FTTH)

# GERMANY FIXED: FIXED RETAIL IMPACTED BY PROMOTIONS AND "HARD MIGRATION"

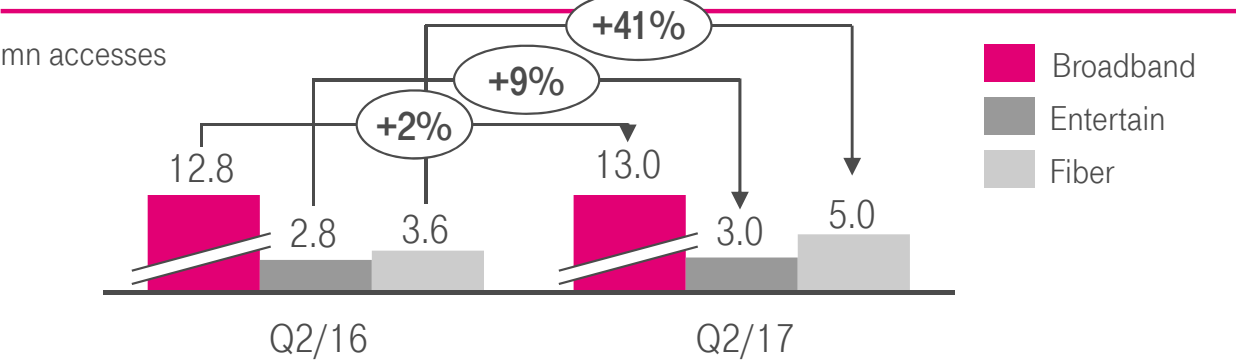
## Fixed network revenue retail



## Broadband revenue



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

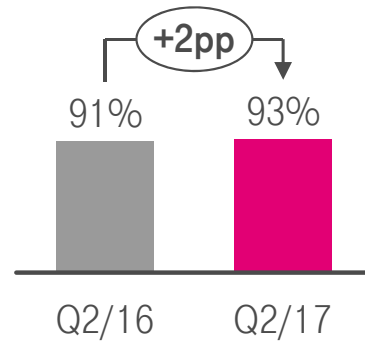


1) Percentages calculated on exact figures

# GERMANY: NETWORK TRANSFORMATION ON TRACK

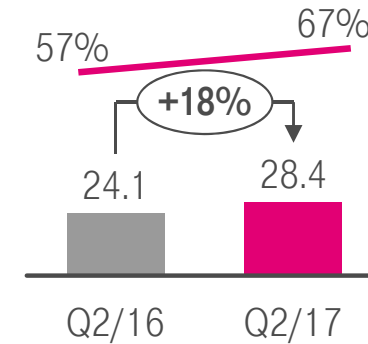
## INS – Status LTE rollout

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



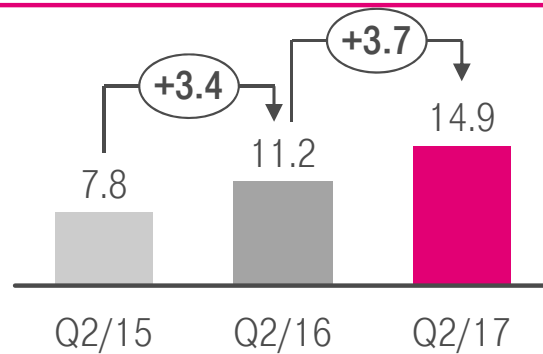
## INS – Status fiber rollout<sup>2</sup>

Coverage in % and  
millions of households



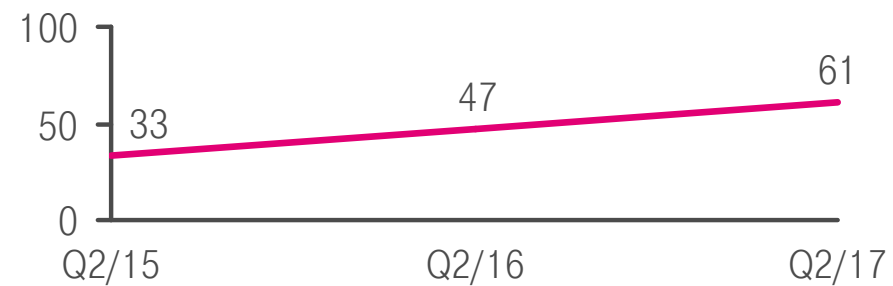
## Status IP accesses (retail & wholesale)

mn



## Status IP accesses (retail & wholesale)

% of lines

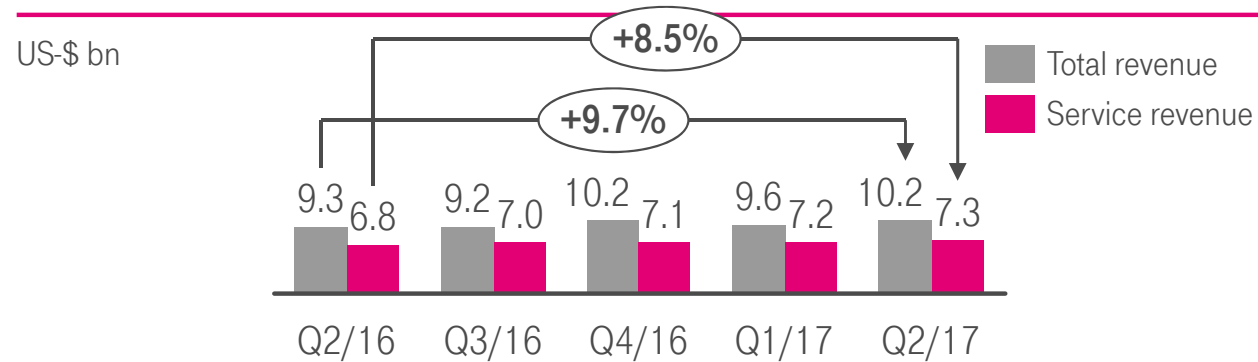


1) Outdoor coverage 2) In % of households within fixed network coverage in Germany

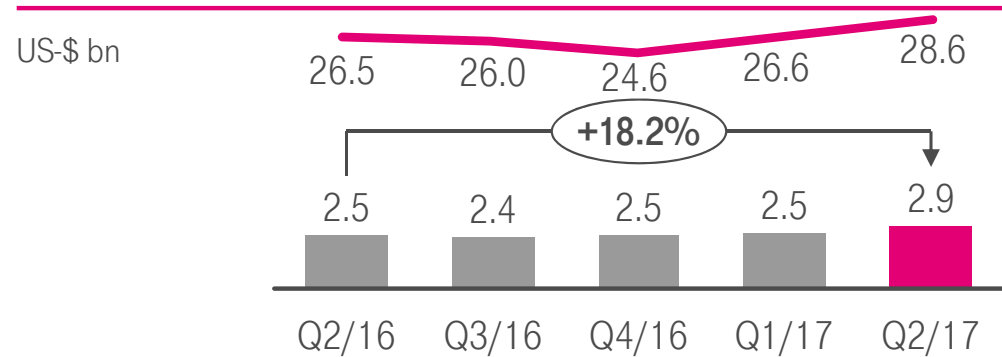


# TMUS: CONTINUED INDUSTRY LEADING GROWTH

## Revenue and service revenue

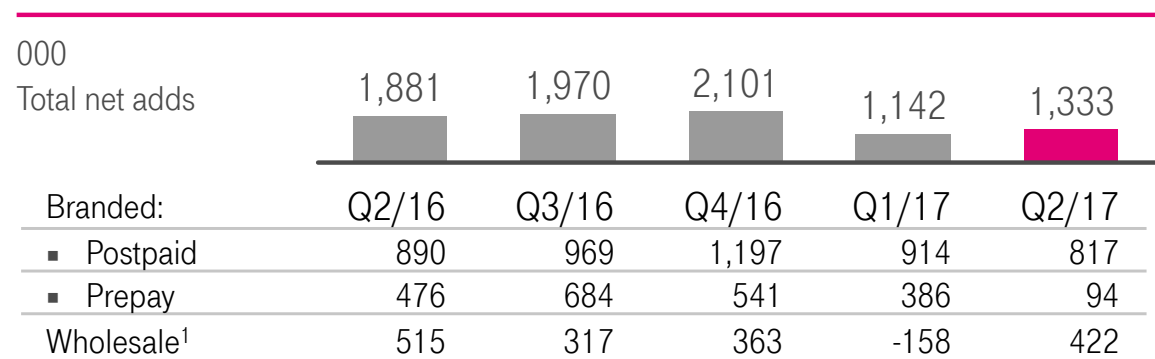


## Adj. EBITDA and margin (in %)

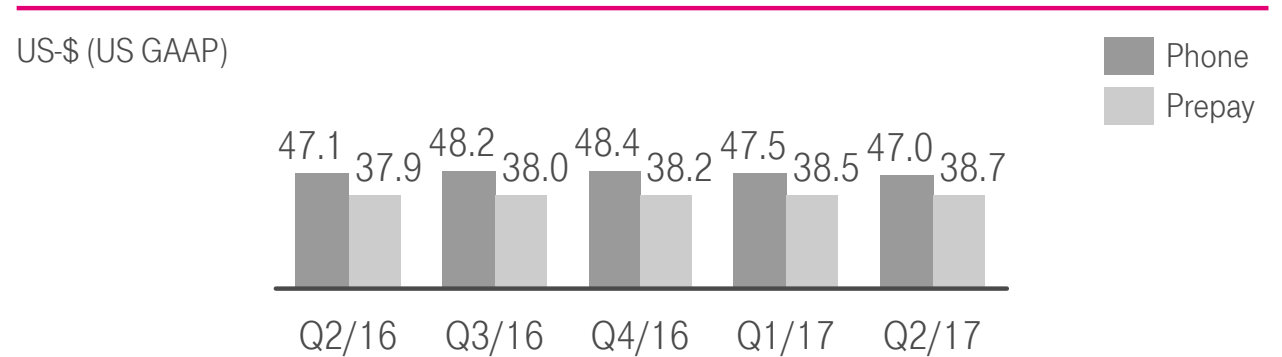


1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

## Net adds

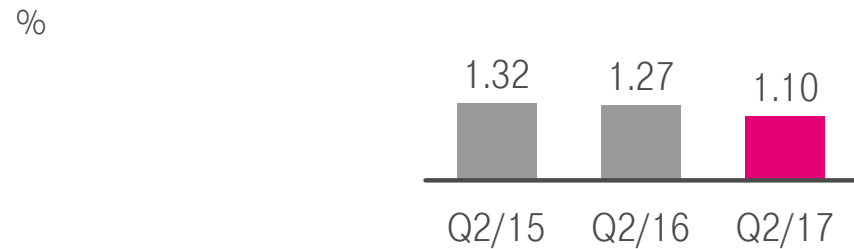


## Branded customers: postpaid phone and prepay ARPU



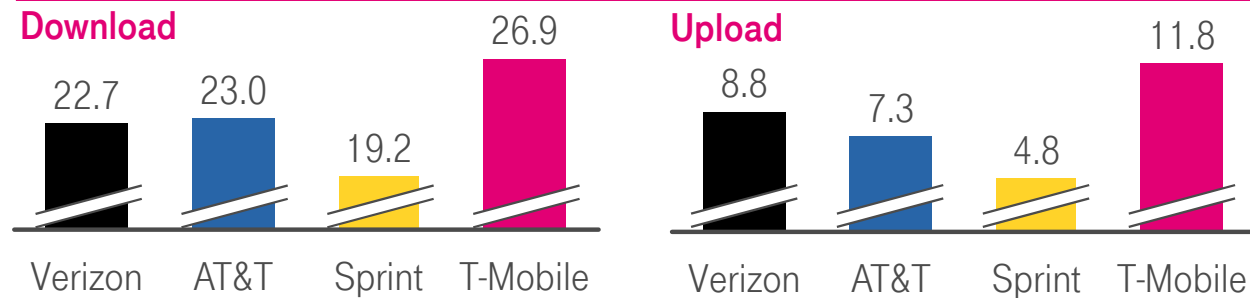
# TMUS: EXECUTING ON KEY DRIVERS

## Branded postpaid phone churn



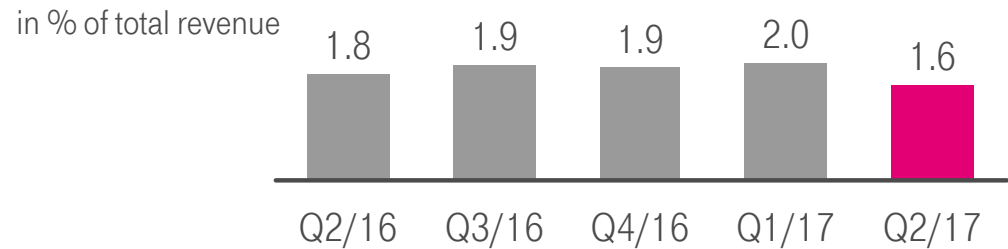
- Branded postpaid phone churn on record low

## Average 4G LTE speeds (in Mbps) Q2/17



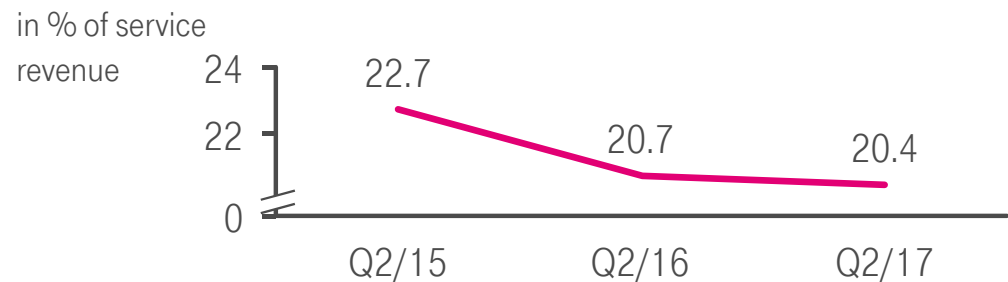
- Based on T-Mobile's analysis of national LTE results from Ookla® Speedtest data

## Bad debt expenses & losses from sale of receivables



- Ongoing focus on managing customer quality – record-low ratio

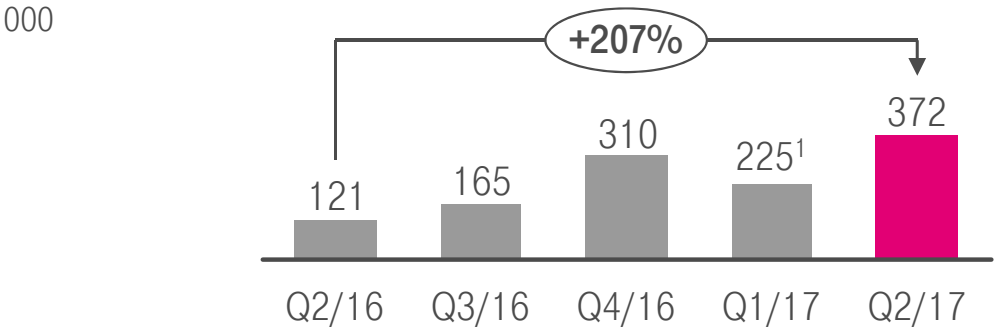
## Cost of service



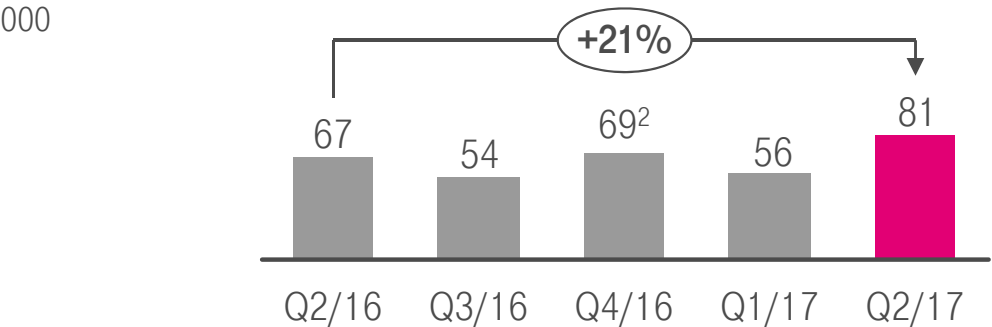
- Despite timing of network expansion costs and higher international roaming costs, cost of service as percentage of service revenue continues to decrease.

# EUROPE: POSITIVE COMMERCIAL MOMENTUM

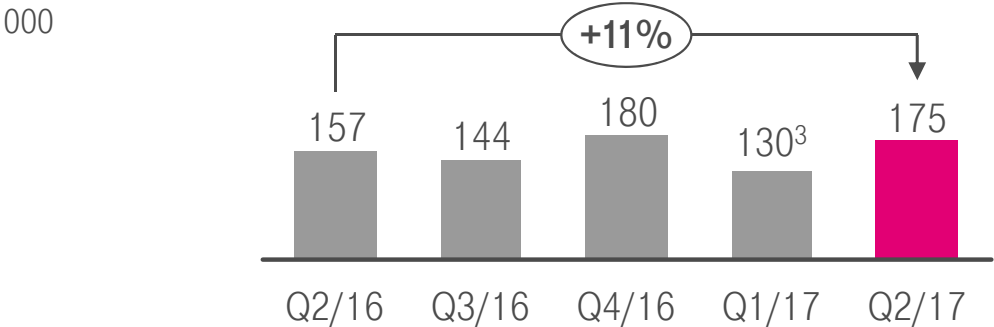
## Contract net adds



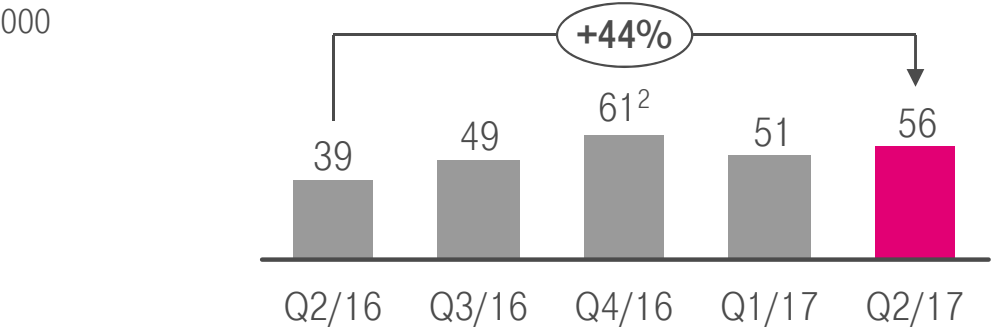
## BB net adds



## FMC net adds



## TV net adds

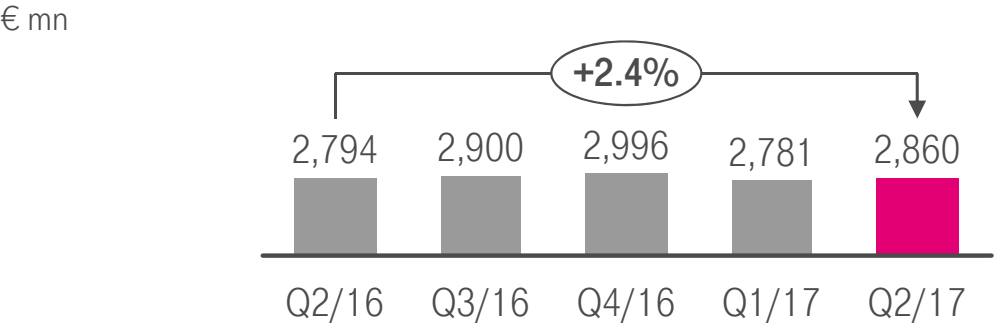


1) Organic view adjusted for re-classifications in Austria and Slovakia. Change in customer base is 167k in base is 39k 3) Organic view adjusted for 137k re-classifications in Greece. Change in base is 267k

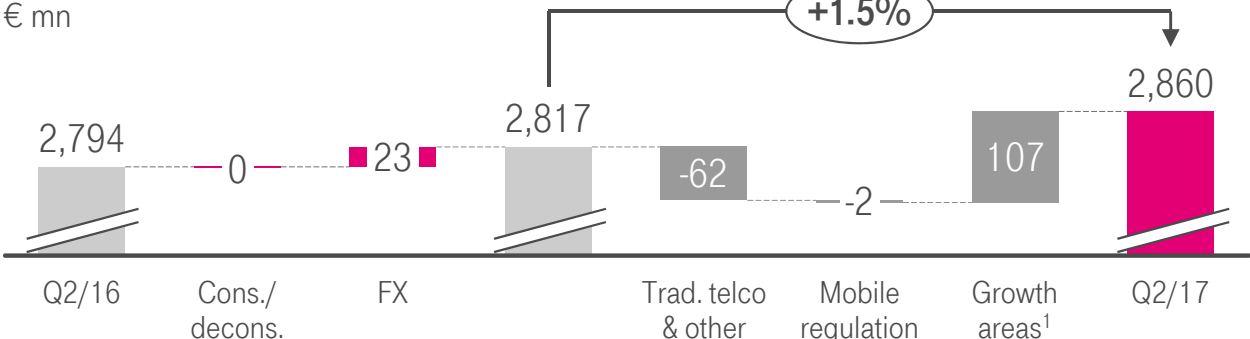
2) Organic view adjusted for 19k re-classifications in Hungary. Change in base is 50k. Q4 TV net adds adjusted for 22k re-classifications in Hungary. Change in base is 22k

# EUROPE: FINANCIALS ON TRACK

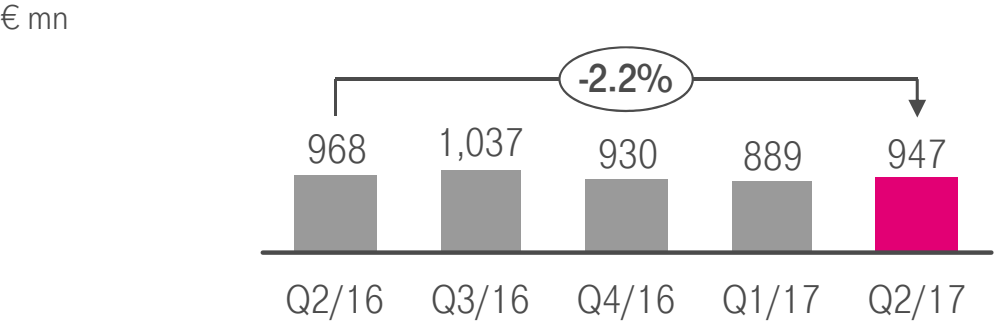
## Revenue



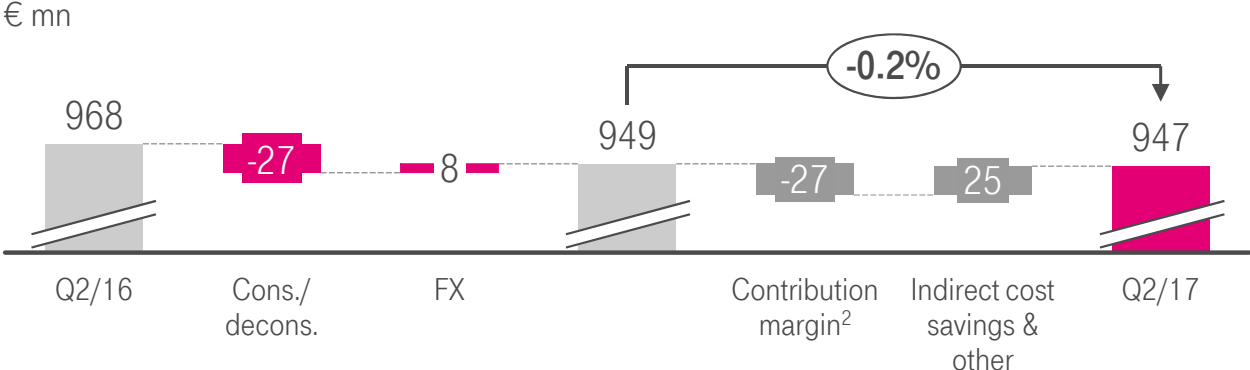
## Organic revenue development



## Adj. EBITDA



## Organic adj. EBITDA development

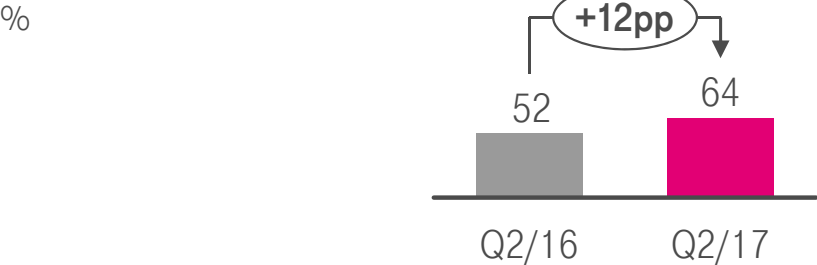


1) Mobile data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy, and other) 2) Total revenue - direct cost

# EUROPE: ONGOING INVESTMENTS IN NETWORK LEADERSHIP

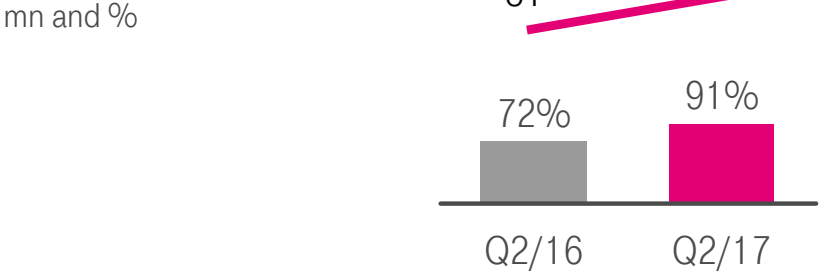
## IP migration

IP share of fixed network access lines

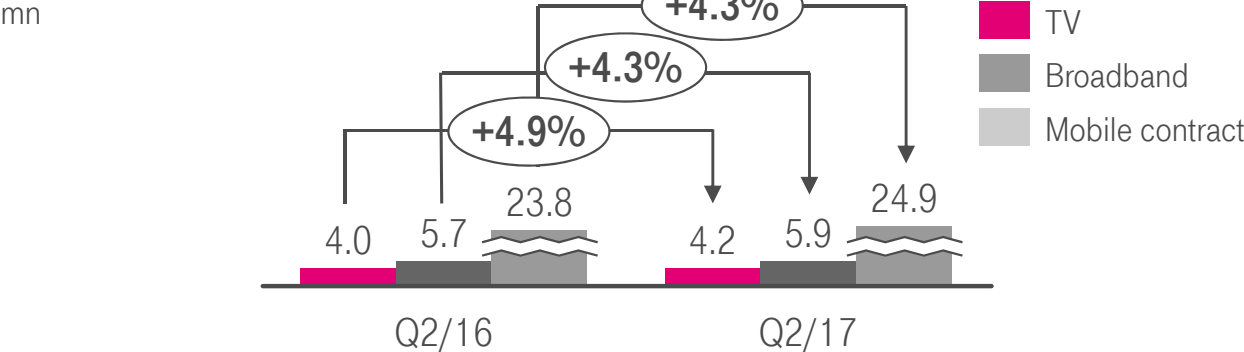


## LTE rollout

LTE outdoor pop coverage

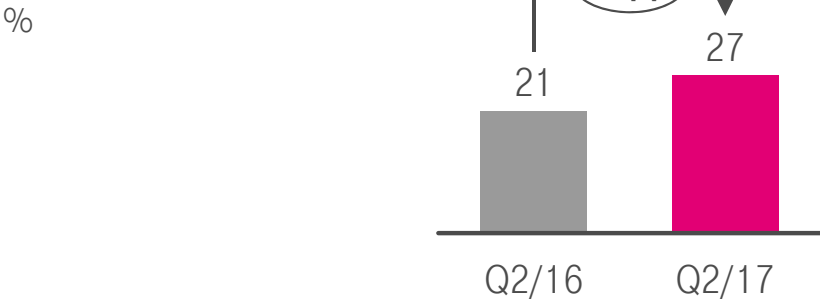


## Customer base<sup>1</sup>



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

Fiber household coverage



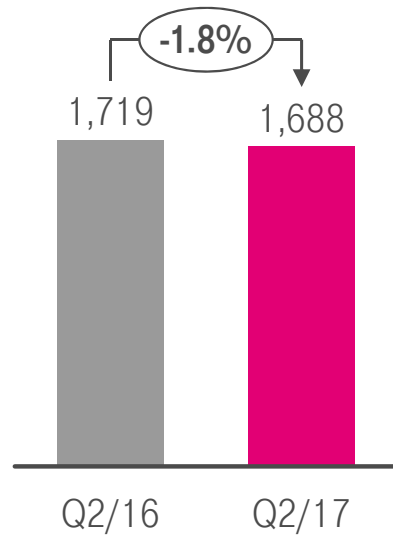
1) ≥ 100Mbit/s-coverage: FTTH, FTTB, FTTC (with vectoring), cable/ED3. Broadband also incl. wholesale customers

# SYSTEMS SOLUTIONS: ADJ. EBITDA BENEFITS FROM VOLATILITY

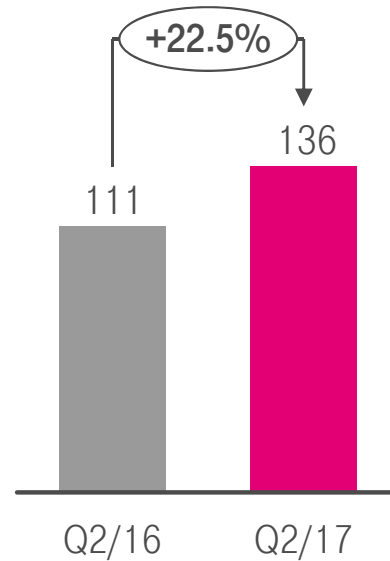
## T-Systems financials

€ mn

### Total revenue



### Adj. EBITDA



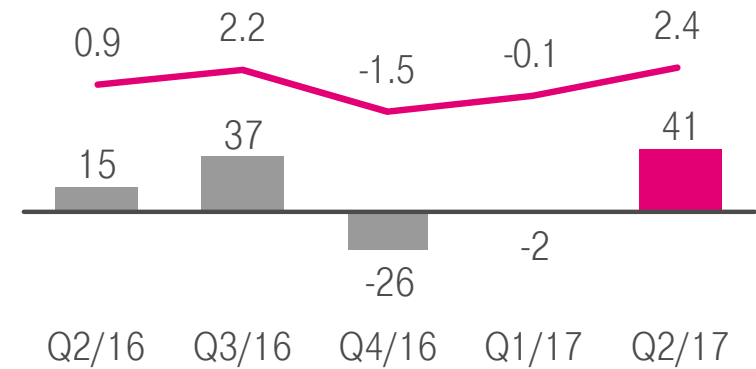
## Revenue

€ mn



## Adj. EBIT and margin in %

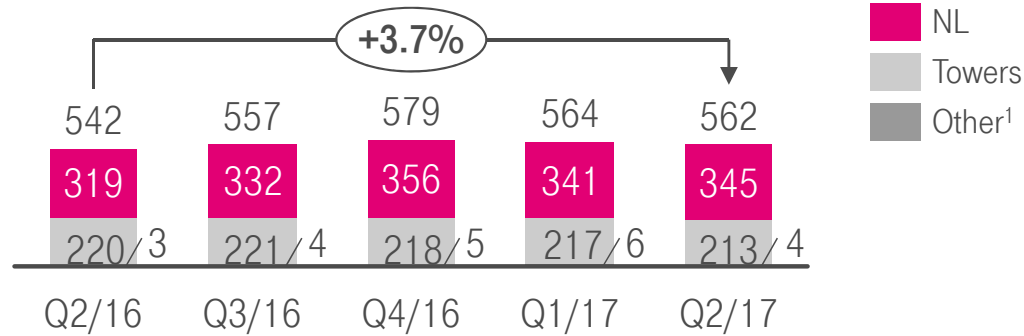
€ mn



# SEGMENT GROUP DEVELOPMENT: WELL ON TRACK

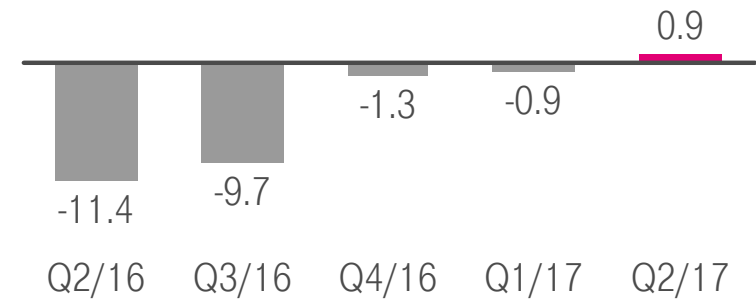
## Revenue

€ mn



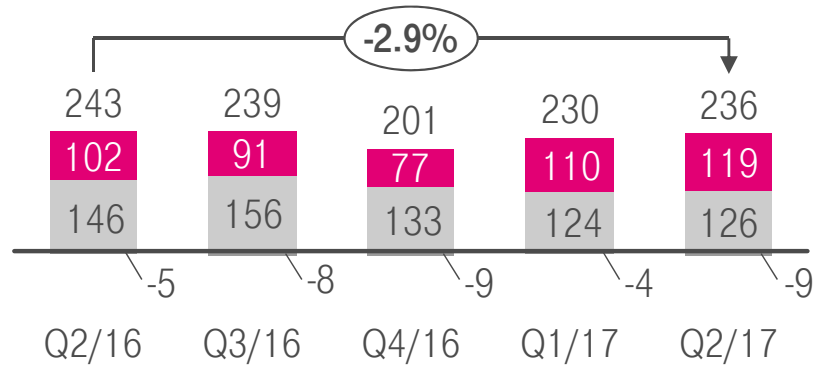
## Mobile service revenue trend yoy (NL)

%



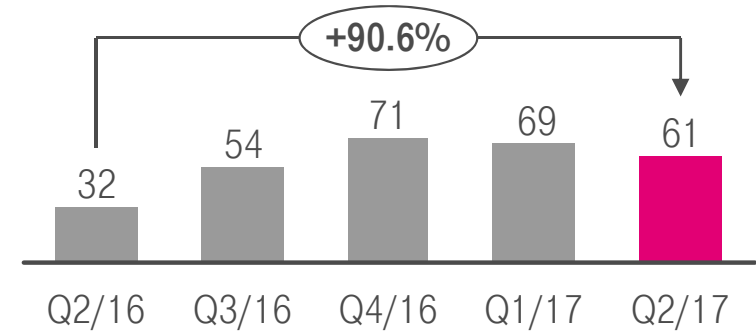
## Adj. EBITDA

€ mn



## Contract net adds (NL)

000



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

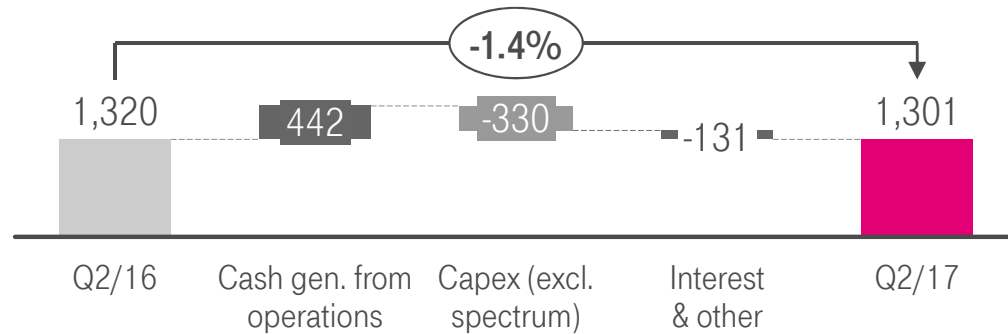


LIFE IS FOR SHARING.

# FINANCIALS: FCF, NET DEBT, AND NET INCOME

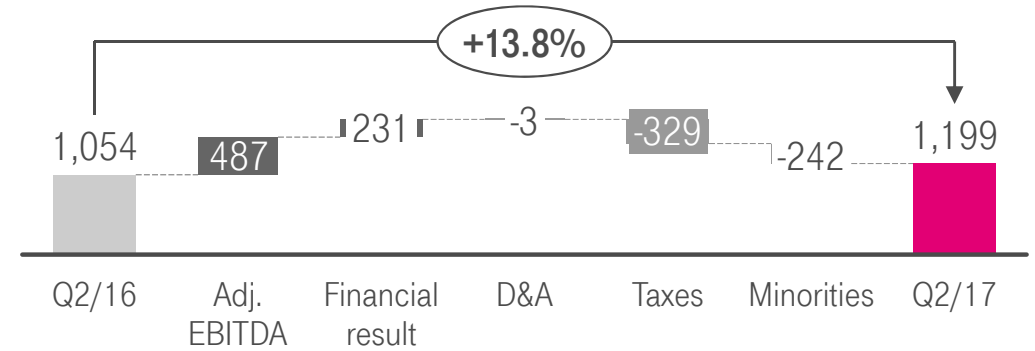
## Free cash flow<sup>1</sup>

€ mn



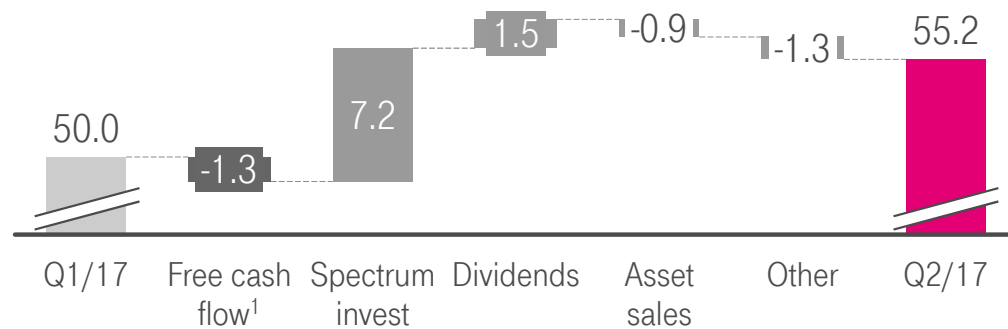
## Adj. net income

€ mn



## Net debt development

€ bn



1) Free cash flow before dividend payments and excl. spectrum: Q2/16: € 40 million; Q2/17: € 7,247 million



# FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	30/06/2016	30/09/2016	31/12/2016	31/03/2017	30/06/2017
Balance sheet total	143.5	143.1	148.5	148.6	141.5
Shareholders' equity	37.0	37.6	38.8	39.8	38.6
Net debt	48.7	48.5	50.0	50.0	55.2
Net debt/adj. EBITDA <sup>1</sup>	2.3	2.3	2.3	2.3	2.5
Equity ratio	25.8%	26.3%	26.2%	26.8%	27.3%

## 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 four 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.

**THANK YOU!**