

– The spoken word shall prevail –

Press conference on the 2016 financial year

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Chairman of the Board of Management

Deutsche Telekom AG

Good morning, Ladies and Gentlemen,

I am pleased to welcome you to our press conference on the financial statements for the growth year 2016. The figures we will be presenting here today send a clear message – one that becomes plain enough just by looking at our three key financial indicators:

- Revenue is up 5.6 percent.
- Adjusted EBITDA is up 7.6 percent.
- Free cash flow is up 8.6 percent.

And, as always at Deutsche Telekom, when the company grows, we want our shareholders to profit, too. That is why the Board of Management and the Supervisory Board will be proposing a dividend increase to 60 eurocents per

share to the shareholders' meeting. This would be equivalent to a total increase in the dividend of 20 percent in two years.

At the same time as successfully developing our operating business, we continued to invest heavily in the future of our company. 11 billion euros, and that is not including spectrum.

The result: Deutsche Telekom's customer base is growing, especially with fiber-optic customers in Germany. With mobile customers in Europe. And of course also with mobile customers in the United States.

In operational terms, 2016 was a good year for us.

The growth I mentioned at the start is in line with the financial targets we announced at the Capital Markets Day in early 2015. And we want to continue growing in 2017.

- Revenue is to increase further; especially through growth in the United States.
- We expect adjusted EBITDA to increase by some 4 percent to around 22.2 billion euros, with growth coming from Germany as well as from the United States.
- Turning to free cash flow, we plan to increase this to around 5.5 billion euros.
- We also plan to increase investments again in the current year to 12 billion euros excluding expenses for spectrum. As I said before: "We are ramping up investments!"

Ladies and Gentlemen,

It is also true to say that we have worked intensely on the areas where we have problems. Let me give you two examples:

- In the Netherlands, we have turned the trend around. The figures are now going up, instead of down. We won 71,000 new mobile contract customers in the fourth quarter. We have repositioned the T-Mobile brand. We launched new, different rate plans in January, which has given us a completely new rate plan structure. And we hope that this will continue to drive the upwards trend.
- We also strengthened our position by buying the fixed-network business from Vodafone. This means we will soon be able to offer integrated products comprising fixed-network and mobile communications in the Netherlands as well.
- In addition, with Huawei we have just entered into a partnership that goes much deeper than a traditional supplier relationship. T-Mobile already has the best network in the Netherlands. Together with Huawei, we will continually and flexibly adapt network capacities to growing data usage. For our customers, this will mean superior network quality – all of the time. Unlimited means unlimited. The network will be developed continuously to ensure it is consistently the best in the market in terms of technology. That is virtually a guarantee of innovation.
- The restructuring work continues at T-Systems, too. Overall, we are seeing some very positive developments in business customer operations. Both in telecommunications and IT business. Order entry at T-Systems rose by 18 percent last year. We would also have reported better earnings if it was not for two legacy contracts that required us to perform write-downs. Our actions have limited the future risk we are exposed to from these contracts.

In addition, in the fourth quarter of 2016, we posted an impairment loss on our financial stake in the BT Group. I deliberately use the word "posted" because there is no cash outflow involved.

Our financial leeway is therefore unaffected.

The reasons are well known: Since the Brexit referendum, the share price has decreased significantly and the pound sterling has lost almost 10 percent in value. For us this means a need for impairment of 2.2 billion euros.

In the first quarter of 2016, the BT deal had a positive effect on our earnings of 2.5 billion euros. So there is still a slight positive net effect on net profit as of the end of the year. The financial stake in the leading integrated network operator in the UK is still the right strategy for me.

And that brings me to the operational development in the last year and the strong trend in customer numbers. As I said: We are growing!

1. The number of our fiber-optic customers in Germany increased by 2.4 million to 6.8 million.

We increased the coverage of our fiber-optic network by four million in 2016 to 27 million households. In addition to our own strong commitment to fast broadband build-out, we are also open to partnerships.

To this end, in 2016, we created the position of Group officer for fiber-optic cooperations. A signal that was well received by the market. We want coverage to be expanded in Germany. We are avowed network investors. But we cannot do it all on our own. That is why we want to work more with others who are building out networks themselves. After

our agreement with NetCologne, the recently agreed cooperation with Innogy is one of these new partnerships. In the future, we will also use their infrastructure to give more customers access to our products.

2. MagentaONE is also developing with great success. We won 1.6 million customers in 2016 in Germany and Europe for these product packages. 4.4 million customers in total now have one of these integrated rate plans.
3. Our cloud business grew by 12 percent to revenue of 1.6 billion euros over the past year. That is why we are also expanding T-Systems' data center in Biere from 20,000 to 50,000 servers and equipping ourselves for further growth.
4. In the United States, we won another 8 million new mobile customers – for the third year in a row. T-Mobile US is now the third biggest national provider by a clear margin.

This success in the United States is the result of strategic decisions made at Deutsche Telekom. These include:

- Investment of the break-up fee in the T-Mobile network
- Replacement of the local management team
- Reverse IPO by way of the MetroPCS transaction
- Position substantially strengthened in the prepay market thanks to MetroPCS

We have invested a total of 20 billion euros in the United States over the last three years. This strategic decision is paying off. The industry has never been witness to a turnaround on this scale.

As a result, we achieved a high increase in the value of our subsidiary in this period: up 25 billion euros or 400 percent since May 2013.

Ladies and Gentlemen,

With all these figures, there is one thing we never lose sight of: our customers! We ask ourselves again and again what they want and what is best for them, that is why we invest in our networks and in product innovations.

- Our hybrid router is an example of this. When broadband cannot be provided via the fixed network, it can often be offered by combining wireless and existing fixed-network capacity. 283,000 customers are already doing this. That is 80 percent more than in the previous year.
- Our Magenta SmartHome service is gathering momentum and bringing the Internet of Things into our customers' homes. We already sold 100,000 Magenta SmartHome starter packages in 2016, taking the total customer base to 140,000. The most popular products are alarm functions for windows and doors, fire detectors, and cameras that can be viewed via the Magenta cloud. On top of this come energy management products, i.e., for controlling lights and heating. We are now working with 40 partners. Like us, they believe that the Internet of Things depends on common standards and that isolated product groups are not a good solution for customers.
- Our partnership with Amazon is another example of our achievements. Not only do we sell the innovative Echo and Echo Dot devices in Telekom shops, but Magenta SmartHome is already integrated into the active voice control system and will be optimized further over the coming months. This means we are offering our customers the opportunity to control Magenta SmartHome using voice recognition.
- We are also making progress in 5G. Some of you may already have followed this at Mobile World Congress. Together with the South Korean

company SK Telekom and Ericsson, we have developed an intercontinental 5G test network for the first time, which enables network slicing. That means you can model sub-networks on one infrastructure. These virtual networks can satisfy very specific requirements, for instance in terms of bandwidth or latency.

Another topic on the subject of networks is in-flight Internet. Just a quick update here: The commercial launch is planned for the middle of the year.

Ladies and Gentlemen,

Our focus for 2017 is very clear. I have already given you the financial targets. In operations, we will be concentrating on:

- Our growth areas cloud services, smart home, and security.
- The further development of integrated products and seamless broadband connections, or "seamless connectivity", as it is known. This includes our leading position as regards the new 5G communications standard.
- And, of course, we will this year once again be looking to improve productivity and ensure strict cost discipline.

And we are sure that the capital market will continue to recognize our efforts as it did last year. At the end of 2016, we had the highest market capitalization of all European competitors with some 75 billion euros.

As you know, we lead the market in a whole range of categories, but I admit, I am especially delighted to be the leading European telecommunications company in terms of market capitalization.

Thank you.