

– The spoken word shall prevail –

Conference call

Report on the first quarter of 2017

May 11, 2017

Timotheus Höttges

Chairman of the Board of Management

Deutsche Telekom AG

Thank you, Philipp.

Ladies and Gentlemen,

I, too, would like to welcome you to the presentation of our quarterly figures.

First things first. The headlines from the first quarter were dominated by our U.S. business. So, I would like to begin with the strong development of T-Mobile US.

I will then take a look at the high customer growth in Germany and Europe and our good financial figures. Development in the first quarter was higher than the target we set for the Group at the Capital Markets Day in 2015 and in line with

our forecast for 2017. As a result, we can clearly confirm the outlook for the current year.

Ladies and Gentlemen,

T-Mobile US has grown strongly.

- A plus of 1.1 million new customers in the first quarter puts us way ahead of all our competitors.
- A churn rate in postpaid telephony of 1.18 percent is the lowest ever in the company's history.
- The customer base rose by more than 7 million year-on-year to a total of around 73 million.
- This goes hand in hand with strong revenue growth of 11 percent.
- Adjusted EBITDA is also up: by 21 percent in the first three months measured in U.S. dollars.

We have worked hard in recent years, both in the United States and in Bonn, to achieve this success. To put it in a nutshell: We have invested in areas with the best conditions, and this is now paying off.

We have been investing heavily in the United States since 2012 to expand the network there. In addition, we have built up the spectrum portfolio to keep us on our growth course in the future, thanks primarily to a raft of transactions with other companies and the spectrum auction that has just ended. If you add together all of the investments we have made over the past five years, as well as our expected cash expenditure this year, the total comes to over 40 billion dollars.

We were able to acquire 45 percent of the spectrum on offer at the just ended auction for a very good price. It is around only a third of what was paid at the AWS auction in 2015.

Together with the 700-megahertz spectrum we had already acquired, we will be able to extend our network to cover significantly more areas and people. Our commercial reach increases by some 80 million people. At the same time, we can substantially improve coverage in rural areas and within buildings, which is a key quality aspect for the customers of T-Mobile US.

The environment in the United States has helped us to significantly bolster the value of T-Mobile US overall. The value of our stake in the company has risen by more than 300 percent since the business combination with MetroPCS in May 2013. In euros, this translates to a fivefold increase.

We want this growth to continue.

T-Mobile US now has the size and financial strength to successfully remain on its growth course. And we intend to continue this success story.

We improved the basis for this once again by acquiring the new spectrum. This goes hand in hand with further potential for growth.

At the same time, it sets the bar extremely high for pursuing any strategic alternative to this independent course.

The conclusion of the spectrum auction means the end of the restrictions on participating companies laid out in the auction rules.

As such, it is not only permitted and possible, but now very likely that discussions will get underway concerning various potential strategic

combinations of businesses in our industry. That includes our company, T-Mobile US.

As you know, our policy is not to comment on M&A rumors, so I will just make a couple of general statements. Purely theoretically, we can see several advantages to consolidation and convergence. Both options open up a range of potential synergies and economies of scale.

Yet, on the other hand, there are many factors to consider, such as the respective valuation ratios, regulatory aspects, debt financing levels, and also the resulting governance structures.

Even if T-Mobile US were to be involved in such discussions, it would be impossible to say whether they would come to any kind of fruition.

The strong position we have established for ourselves gives us the time and space to evaluate all options together with colleagues in the U.S. with one clear goal in mind: How can we make the customer experience even better and continue to build value for our shareholders going forward?

As such, I will not comment on any speculation, neither today nor in the future.

That brings me to our Group figures for the first three months of 2017.

To sum it up: We have improved once again thanks to growth in Germany and Europe.

We have achieved strong growth in customer numbers, both at home and abroad, coupled with substantial increases in our KPIs. By ramping up our investments in better networks, we are strengthening the future of our business.

- We increased net revenue by 5.8 percent to 18.6 billion euros.
- Adjusted EBITDA increased by 7.5 percent to 5.6 billion euros.
- And we achieved all this despite cash capex of 3.2 billion euros – before spectrum investment. We thus invested 14.6 percent more than in the same period in 2016.
- At the same time, we improved free cash flow by 50 percent to 1.2 billion euros.
- Reported net profit in the first quarter of 2017 amounted to over 700 million euros. This figure is lower than in the same period of last year, but exactly in line with expectations. It is due to the one-time book gain of 2.5 billion euros from the sale of our stake in EE to BT last year, which we posted in the first quarter of 2016 and which, of course, has not been repeated this quarter.

Ladies and Gentlemen,

Exciting as our financial figures are, I am particularly pleased about the good development of customer figures in the first quarter.

I already mentioned in some detail the successes at T-Mobile US. This development is just phenomenal.

But the growth is now spreading into our business in Germany and revenue was also up in Europe in the first three months.

In a number of areas, we succeeded in repeating our strong gains in customers, in some cases achieving even higher customer growth.

- We commissioned 775,000 new fiber-optic lines in Germany in the first three months of 2017, i.e., 100,000 more than in the fourth quarter of

2016, which had been our strongest period to date. The number of lines now stands at more than 7.6 million.

- This led to a net increase of 67,000 in the number of broadband lines.
- Growth in Entertain customers reached 76,000; this is the biggest increase for three years. Our customer base now stands at around 3 million.
- We added 89,000 branded mobile customers.
- The number of MagentaEINS customers in Germany rose by 200,000 in the first three months of the year to reach around 3.2 million.
- And the launch of our latest product has been a great success: After just two weeks, more than 100,000 customers have already signed up for our StreamOn service.

That comes as no surprise, given that we are making our MagentaEINS packages ever more attractive.

This is all made possible thanks to our ongoing efforts to expand the best network.

We already have 93 percent coverage in Germany and have just started building out LTE in the 900-megahertz range to improve network quality both in rural areas and within buildings.

In the fixed network, some 28 million households now have access to our fiber-optic lines, up more than 4 million year-on-year.

What is more, we have launched a program to extend fiber-optic coverage to 100 industrial and commercial zones across Germany. And we are working on more.

In the Europe segment, the management team led by Srinu Gopalan has got off to a good start. Our network strategy is the basis for our success in Europe, too.

We increased fiber-optic coverage in the fixed network by 1.2 million year-on-year to reach over one quarter of all households. Our LTE networks already reach 116 million people, an increase of over 22 million year-on-year.

All key customer figures have risen:

- The number of broadband and TV customers grew by more than 50,000 in the first quarter.
- Some 225,000 new mobile contract customers were added.
- 130,000 new customers opted for our product bundles combining fixed-network and mobile services in the first quarter.

This increased revenue in Europe by 0.7 percent.

Ladies and Gentlemen,

We have got off to a good start in 2017. Developments in the first quarter have been in line with our full-year targets. Just to remind you of these targets:

- We want to increase revenue.
- Adjusted EBITDA is to rise by around 4 percent to 22.2 billion euros, assuming constant exchange rates.
- We want to increase free cash flow (before spectrum investment) by more than 10 percent to 5.5 billion euros.
- And capital expenditures are to grow by around 1 billion euros to total roughly 12 billion euros.

At the end of the first quarter, we are now – as I mentioned – in a position to fully reconfirm these full-year targets.

On that note, I would like to hand over to Thomas Dannenfeldt, who will explain our financial performance in detail.