

– The spoken word shall prevail –

**Press conference on the 2017 financial year
February 22, 2018**

**Timotheus Höttges
Chairman of the Board of Management
Deutsche Telekom AG**

Good morning, Ladies and Gentlemen,

Thank you, Philipp.

I, too, would like to welcome you to our press conference on the 2017 financial statements.

When I took over as CEO of Deutsche Telekom at the end of 2013, the situation could pretty much be summed up as follows:

- Revenues were going up.
- But earnings were down.
- Capital expenditure was just under 9 billion euros, of which around 4 billion euros were spent in Germany.
- The dividend for 2013 had been reduced from 70 to 50 eurocents.

We worked on a new strategy. We planned to invest heavily and build state-of-the-art networks.

Our goal was – and still is – to deliver the best-quality customer experience.

And all at fair value for money with good, personalized service. We firmly believed that this would help us to grow.

Today, four years later, Deutsche Telekom is growing. Our customer base is growing, and revenue, earnings, and free cash flow are all on the rise. We are investing in parallel – and substantially more than in 2013.

Ladies and Gentlemen,

That goes for the last four years. And for 2017 in particular.

We have invested 12.1 billion euros Group-wide. 5.4 billion euros of this in Germany. That is an increase of around 35 percent compared with 2013.

On top of that, we spent another 7.4 billion euros last year on acquiring spectrum in the United States. These investments are bearing fruit: in terms of network quality and in terms of reach.

- Leading in the United States. The T-Mobile US network offers the highest speeds of all national mobile providers. And it now covers just as many customers as our major competitors.
- Leading in Germany. We regularly top all of the rankings and our customers acknowledge us as the leader in networks. That goes for both fixed-network and mobile communications.

- Leading in Europe. We have won the biggest network tests at nine of our mobile subsidiaries across Europe.

And it is paying off. Customers are coming to us.

- Last year, T-Mobile US recorded 5.7 million net customer additions – once again putting us at the head of the U.S. market in terms of new customer share.

That is four years in succession that we have added over 5 million new customers in the United States and four years in succession of the highest service revenue growth of all nationwide mobile network operators.

- We are also seeing strong growth in customer numbers in Europe. From Germany and our subsidiaries in Greece and Poland to the Netherlands. All in all, we added 2.1 million new mobile contract customers. The comparable figure from two years ago was just 1.4 million.
- In addition to mobile communications, our broadband business is also growing. On the same regional basis, we added 558,000 customers in 2017. The once painfully high line losses in Germany have shrunk heavily in recent years.

As a result of all this, we are able to present very good financials today.

- Net revenue is up 2.5 percent. Assuming the same composition of the Group and constant exchange rates, this figure increases to 3.6 percent.

- In addition to revenue growth in the United States, service revenues increased 0.6 percent in organic terms for Germany and Europe combined. The increase spiked in the fourth quarter to 1.0 percent. Back in 2015, we had still recorded a decline of 1.4 percent.
- Reported EBITDA is up 3.8 percent. Our most recent forecast for adjusted EBITDA – also in organic terms – was 22.4 to 22.5 billion euros.

In the end, we delivered 22.45 billion euros. That is an increase of 4.9 percent.

- Net profit grew 47 percent to 6 billion euros. This was due to various positive and negative non-recurring and special factors. Thomas Dannenfeldt will go into more detail later on.
- Free cash flow is up 11.3 percent to 5.5 billion euros. We reached our target here as well.

Ladies and Gentlemen,

If free cash flow rises, we want to increase our dividend in equal measure. We have always said we would, and we keep our promises.

We are planning to pay a dividend of 65 eurocents per share for the 2017 financial year. Of course, we first have to make sure the necessary legal conditions are met and get the approval of the relevant bodies, in particular the shareholders' meeting on May 17. If all goes according to plan, we will have increased our dividend by 30 percent in three years.

Ladies and Gentlemen,

Our financial success is due to the progress we have made in implementing our strategy. We continued to make headway in 2017 and laid the foundation for future growth, focusing on the following points in particular:

1. **Corporate activities:** We are outspending our competitors when it comes to network build-out, the IP transformation, and innovative business areas such as the IoT, cloud computing, and new products. In the process, we are not only fulfilling our customers' wishes, but also meeting political targets.

In everything we do, however, we want to ensure our shareholders get an excellent return on their investment. We want them to feel confident that our capital spending is worthwhile financially.

2. **Sustainable investments:** We are building networks for our customers. We are taking them on a journey to a world in which different devices and platforms are increasingly interconnected and convergent.

We are living up to our responsibility for a gigabit society. Network build-out in rural areas and broadband lines for schools are among our focus topics. And we are investing more in these areas than our competitors.

3. **Competitive portfolio:** We believe in the power of integrated offerings that unite mobile and fixed-network communications. In 2017, we made progress in three markets by means of inorganic measures.

We agreed the purchase of Tele2 in the Netherlands to give us the clout we need to attack KPN and Vodafone/Ziggo.

In Austria, we plan to acquire UPC, a cable network operator, so as to be able to offer convergent products in that market.

In Poland, we signed a Letter of Intent with Orange. Ultimately, we want to conclude a wholesale agreement that allows us to offer our product bundles to up to 5 million households with Orange fiber-optic lines.

4. **Entrepreneurship and management evolution:** We further strengthened entrepreneurship across our company by rolling out updated incentive systems and increasing the number of independently managed companies. Examples include our subsidiaries Deutsche Telekom Capital Partners and Deutsche Funkturm.

On top of that, management at Board level has become younger and more international.

Our three key European Board departments – Germany, Europe, and T-Systems – have new heads.

The international make-up of our team is enhancing both the diversity and the skills set of top management.

5. **Sustainable corporate strategy:** The success of the Group hinges on our around 220,000 employees, and they can be justly proud of the success they have helped create. That pride is evident in the high scores for leadership and corporate strategy reached in our latest employee surveys.
6. And, **perfect customer service and satisfied customers** – to name the most important aspect last: Everything we do revolves around customer experience.

We are constantly honing our portfolio of products and rate plans with the goal of always being able to offer the best network quality, the best value for money, and the best service.

With its Un-carrier strategy, for example, T-Mobile US has completely reinvented an industry that had a fairly bad reputation. After 19 quarters in succession with more than one million customer additions, T-Mobile has established an incredible track record.

In Europe, we are offering convergent product bundles in more and more markets. And some 6 million MagentaEINS customers currently on our books in Germany and the European subsidiaries show that we also made good progress in this area in 2017.

Beyond sheer numbers, we want to streamline processes for our customers, making them less cumbersome and time-consuming.

Over the last two years, we cut the number of customer complaints received by around a quarter.

Our Magenta Service app provides customers in Germany with comprehensive information on their contracts and our products in a concise and compact form, also offering them various options to make modifications themselves.

It was used over 11 million times last year. We utilize all the opportunities offered by digitalization, such as bots, of which we now have around 1,300 in operation.

These are real innovations and service improvements that add specific and substantial value for customers. Dirk Wössner, our new Board member responsible for Germany, will go into detail on our activities in a few moments.

Ladies and Gentlemen,

In a nutshell: 2017 was a successful year. We had set ourselves some ambitious targets. We met our targets and even raised the bar during the year – twice!

But: Deutsche Telekom keeps its feet firmly on the ground.

We constantly check ourselves and make adjustments where needed.

Like at T-Systems, where Adel Al-Saleh is currently making changes to the structures there to bring the company closer to the market.

Our ambition of being Europe's leading telecommunications provider remains unchanged.

That is why we constantly fine-tune our Group strategy to align it with the demands of the market, the expectations of customers, and the requirements for growth. We will provide comprehensive details of our strategy at the Capital Markets Day planned for May.

Ladies and Gentlemen,

We have set ourselves ambitious goals for 2018, too.

- We want to increase our capital expenditure again and plan to spend a total of 12.5 billion euros.
- Net revenue is to increase further.

- Adjusted EBITDA is set to grow to around 23.2 billion euros. We are assuming here the same underlying exchange rates that were used for the reported value of 22.2 billion euros in 2017.
- One particularly important point to mention: This EBITDA growth is to be driven by higher earnings in the Germany operating segment and the European subsidiaries, as well as – as you might expect – T-Mobile US.

In 2017, these three segments accounted for more than 95 percent of the Group's net profit. We want all three segments to deliver higher earnings in 2018 – so our guidance rests on three strong pillars.

- Turning to free cash flow, we plan to increase this to around 6.2 billion euros, or by about 12 percent.
- And, of course, our dividend promise remains unchanged: We want it to grow in the same measure as free cash flow.

Ladies and Gentlemen,

We are very confident that we will achieve our targets this year, too. If we do, then from 2015 through 2018:

- Revenue will have grown for four years in succession.
- Adjusted EBITDA – excluding exchange rate effects – will have increased on average by 5 percent per year.
- Free cash flow will have grown on average by 11 percent.

These figures are higher than the medium-term forecast we issued at our Capital Markets Day in early 2015. No other telecommunications company in Europe can currently boast such a profile:

- High cash capex – the highest compared with any competitor in Germany or the rest of Europe,
- growth in customer numbers, revenue and earnings, and
- rising dividends.

That is all from me for the time being. I will now hand over to Dirk Wössner.