– The spoken word shall prevail –

**Conference call**
**Report on the first quarter of 2018**
**May 9, 2018**

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**Chief Executive Officer**
**Deutsche Telekom AG**

Good morning, Ladies and Gentlemen,

And thank you, Philipp.

I, too, would like to welcome you to our conference call.

We are taking up a lot of your time at the moment. Just ten days ago we announced the planned merger of T-Mobile US and Sprint, today it is our first-quarter figures, in one week's time our shareholders' meeting, and seven days after that our Capital Markets Day. But we do not want to tire you out with our rapid pace.

So I want to keep things short today and limit myself to four main messages and a summary.

First message: We made a very good start to 2018.

We won substantial numbers of new customers in all markets and made operational gains everywhere. On both sides of the Atlantic. Here are some examples for customer numbers:

- In Germany, we set a new quarterly record for the number of new fiber-optic lines, which rose by 781,000. And by now we have reached a total of 10.4 million lines.
- We already have more than 1 million StreamOn customers in Germany.
- Convergence is fueling growth. We had more than 6 million MagentaONE customers in our European portfolio at the end of the first quarter. That is an increase of over 25 percent.
- In the first quarter, our European subsidiaries gained more than 200,000 contract customers in mobile communications and for convergence products.
- In the United States, we won more than 1.4 million new mobile customers. It was the 20th consecutive quarter in which T-Mobile US added more than 1 million new customers. T-Mobile US has raised its full-year target for postpaid customer additions substantially.

That is having a positive impact on the earnings of the individual Group segments:

- In Germany, adjusted EBITDA rose by 1.3 percent.
- In Europe, adjusted EBITDA rose by 1.6 percent in organic terms.
- In the United States, adjusted EBITDA rose by 12.8 percent.

My second message is this: Our capital expenditures remain at a very high level.

In the first quarter alone, we invested 3.1 billion euros. If that looks to you to be less than in the prior-year period, the reason is the effect of converting T-Mobile US' capital expenditure into euros. We still expect full-year cash capex to increase to 12.5 billion euros. There is no cutting back here.

- Our fiber-optic network in Germany now covers 31.2 million households, around 3.2 million more than a year ago.
- As of late summer, we want to make things even better for our customers with super-vectoring and speeds of up to 250 Mbit/s.
- That applies to the 5G build-out as well, where we are leading the way. For instance, we have already installed the first antennas for live commercial operations in Berlin, making us the first company in Europe with an operational 5G network.
- In our European subsidiaries, too, we increased the proportion of households covered by our fiber-optic network by 7 percentage points to 33 percent.
- Our mobile networks cover 94 percent of the population with LTE in Germany and 95 percent in our European footprint countries.
- In the United States, our newly acquired 600 MHz spectrum already enables us to cover 823 cities and municipalities across 31 states.

My third message concerns something I am not so happy about:

- The exchange rate of the U.S. dollar to the euro declined by about 15 percent year-on-year. This is something on which we have no influence. Our very strong operational performance was severely diminished by the translation of our U.S. dollar figures into euros.

  T-Mobile US' contribution to net revenue was around 1.2 billion euros lower after translation than if the exchange rate had remained the same as in the prior-year quarter. That turned a 3.1 percent increase in organic revenue into a reported decline of 3.9 percent.

The impact on adjusted EBITDA amounted to more than 0.3 billion euros. At 5.55 billion euros, reported earnings were on par with a year ago.

- The accounting transition to IFRS 15 means we have to provide a lot of explanations when comparing current figures with those of previous periods. It is heavy going. You will find a presentation on this topic on our website, and we would be happy to explain it to you in person. The important thing is that the different factors influencing revenue and EBITDA more or less neutralize each other at the Group level.

- It goes without saying that the business trend at T-Systems is unsatisfactory, although the order entry figures in the first quarter give us reason for optimism. Still, we are aware of the fact that Adel Al-Saleh and his team have a lot of difficult tasks ahead of them.

- As yet, the trend in TV business in Germany and Europe is not what we had imagined. Given all we have done to offer exclusive content, higher growth rates should be possible.

Ladies and Gentlemen,

I now come to my fourth message: Our very sound financials in the first three months of 2018.

- Net revenue rose 3.1 percent in organic terms – meaning, above all, at constant exchange rates.
- Adjusted EBITDA grew 6.6 percent in organic terms.

- Business outside the United States grew 2.2 percent in organic terms.
- The Group's free cash flow rose 12.5 percent.
- Reported net profit grew by one-third to 1 billion euros. Adjusted for special factors, such as the impairment loss on our financial stake in BT in the prior-year quarter, net profit rose 27 percent to 1.2 billion euros.
- Adjusted earnings per share improved substantially, rising by one-fifth to 24 euro cents in the first quarter.

At 2.3, the ratio of net debt to adjusted EBITDA is well within our guidance range. We have already fully recouped our additional capital expenditure on the 600 MHz spectrum we acquired in the United States last year.

Given the positive outlook for our U.S. business, we raised our forecast there for adjusted EBITDA by around 0.1 billion dollars.

As a result, we are now also raising our earnings forecast for the Group to around 23.3 billion euros, 0.1 billion euros higher than the previous forecast.

All other forecasts for the Group remain unchanged.

Free cash flow is expected to increase to around 6.2 billion euros.

Consequently, we also want to raise the dividend, subject of course to all the statutory requirements. Over the last three years, we have increased our dividend by 30 percent. At our shareholders' meeting next week, the Board of Management and Supervisory Board will propose a dividend of 65 euro cents per share.

So our motto on both sides of the Atlantic is: We won't stop!
I'll now hand over to Thomas Dannenfeldt.