

– The spoken word shall prevail –

Conference call

Report on the third quarter of 2017

November 9, 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.

It is an exceptionally good quarter. We are growing in all of our markets – in Germany, Europe, and the United States – and in terms of both revenue and customer numbers.

Operational business in Germany and the U.S. – our two largest segments – is making a decisive contribution to EBITDA. At the same time, we are investing record amounts: Every four minutes in Germany, a main distribution frame is connected to the fiber-optic network.

The Group's figures after nine months speak for themselves:

- Revenue is up 4.2 percent. That is really strong growth.
- Adjusted EBITDA is up 6.6 percent.
- And free cash flow is up 8.8 percent.

Our three-pronged strategy is working: We are making massive investments in the best networks. That is enabling us to win over new customers and enhance our revenues. The first two quarters of 2017 went well, and it is good to see that we were able to improve on our performance again in the third quarter.

That is why we have raised our full-year forecast for the second time this year. We now expect adjusted Group EBITDA to reach 22.4 to 22.5 billion euros. At the start of the year, we had forecast 22.2 billion euros. In August, we raised our guidance to 22.3 billion.

This increased earnings power goes into additional investments. We are building the network of the future. That is why our guidance for free cash flow remains unchanged at around 5.5 billion euros.

In the first nine months of the year alone, the Group invested 9.2 billion euros – 1 billion euros more than in the prior year. And that is excluding expenses for spectrum.

Cash capex is planned to reach around 12 billion euros by year-end. More than 5 billion euros of it in Germany alone. For optical fiber, for LTE, for our data center in Biere. In short, for state-of-the-art networks and technologies through to cloud and 5G.

By the way, if we look at all our capital expenditure of the last twelve months – on networks, technology, and mobile spectrum licenses – we have invested a total of around 20 billion euros.

And despite this record investment spending and the high payments for spectrum in the U.S., we have maintained our solid financial ratios at all times.

That brings me to the latest developments in the U.S. The last few weeks were, without doubt, the most turbulent in my professional career.

To cut to the chase: Our goal is to create value for our shareholders and our customers. And we have acted in line with that principle. You already know the outcome.

After the end of the spectrum auction in the United States, discussions arose about potential business combinations. In May, my response to this issue was this:

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

Please excuse the subjunctive I used at the time – you know that negotiations of this kind are a highly sensitive matter.

But what I said is what has in fact happened: T-Mobile US and Sprint explored options to create a win-win situation for both companies, their customers, and their shareholders.

We saw an opportunity in a deal.

But we also knew it would be complicated.

In addition to economies of scale and potential synergies, we were also confronted with more fundamental questions: regulation, strategy, governance – to name just a few. These had to stand up to intense scrutiny on both sides. We suggested this six months ago, too.

We and T-Mobile US conducted the talks together. On the basis of the data and plans available to us, we found no possibility for a business combination that would satisfy all those involved – including Sprint and Softbank. It was not individual arguments, but the sum total of all the aspects that ultimately spoke against the combination.

It was right to make an attempt. But it is just as right for T-Mobile US to continue now along its own path.

T-Mobile US has flourished in recent years. We, Deutsche Telekom, have played a crucial part in this with investments of more than 40 billion U.S. dollars from 2012 to 2017.

This success story continued in the third quarter of 2017, too:

- We have gained 3.7 million branded postpaid customers within twelve months.
- Service revenues were up 7 percent in the third quarter.

Both of these figures are market leading among national mobile providers in the United States – by some margin. We also lead the market in terms of network capacity and customer satisfaction.

The newly acquired low-frequency spectrum will enable T-Mobile US to further consolidate its top position among the national network operators in terms of network coverage and transmission speeds. The first 600 MHz base stations

have already gone into operation. In record time – just six months after the licenses were awarded, we have already started using these in some markets.

I have been in this industry for a long time. But I cannot remember there ever being a network operator to put newly acquired spectrum into commercial operation and thus make it available to customers in such a short space of time. This underlines our leading position in the field of technology as well.

T-Mobile US is ideally positioned for an independent future.

That is not to say that the company is not open to considering consolidation and convergence options to further advance itself in the future.

Where there are opportunities for synergies and economies of scale, clearly, management is always bound to weigh up the resulting risks and rewards.

And of course, as the majority shareholder, we will support such considerations where they offer advantages for the company as well as for all its shareholders. But, as in the past, we will not comment on public speculations – now or in the future.

And that brings me to our Europe segment.

As I already said: Revenues are growing.

Plus 1.6 percent year-on-year in the third quarter. And customers are flocking to us.

- Within the space of a year, we have added more than 1 million new mobile contract customers.
- More than 230,000 new broadband lines.

- Some 200,000 new customers for our TV offerings since the end of September last year.

The work of Srinu Gopalan and his team is bearing fruit. We believe in Europe. That is why we continue to invest at a high level, as for example announced by our Greek subsidiary OTE.

This investment spending is supporting our growth and we want to keep it up.

Ladies and Gentlemen,

It is always nice to end things on a high note.

And the high note for me this quarter is our business in Germany. Niek-Jan van Damme is leaving us after a great quarter.

I am exceptionally grateful to him for his work over the past nine years. He has achieved a lot for the company, our customers, and our employees.

As I said, he really made his mark in the third quarter:

- Service revenue up 0.5 percent
- Adjusted EBITDA up 4.5 percent.

And then there is our record capital expenditure – over 4 billion this year in the Germany segment, and well over 5 billion euros with all our German activities.

That is helping us attract customers in Germany as well:

- We already have 3.5 million MagentaEINS customers in Germany and 5.5 million customers across Europe. 1.6 million more than at the end of September 2016.

- Entertain: a plus of 65,000 customers year-on-year. Our broad range of products and services is helping fuel this growth: like Bundesliga 3 soccer, the Europa League in collaboration with Sky, our first exclusive TV series, and, starting 2018, our first homegrown TV production.
- We have doubled the number of customers on our Smart Home platform in a year.
- More than 350,000 customers in Germany now use our hybrid router, around 100,000 more than a year ago.
- Our StreamOn rate plans are also very well received: In just a few months, we have won 400,000 customers in Germany. We are now also offering them in Croatia, Poland, and Greece.

In our cloud business, revenue increased by 14 percent Group-wide to 1.3 billion euros in the first nine months. After a somewhat faltering start to the year, this business has now gained momentum: In the third quarter, revenue increased by 19 percent.

Ladies and Gentlemen,

We now come to what has become a ritual in this call. I would like to give you an update on our broadband build-out. Even though – depending on which filter bubble you are currently in – you could be forgiven for thinking the decision on nationwide FTTH build-out has long been made, I would like to take the opportunity to speak up for our technology mix.

Our aim is and remains fast Internet for as many people as possible in Germany, whether in rural areas or urban centers. This is what we promised – and this is what we are delivering. Over the last twelve months, we have increased the number of fiber-optic lines by 2.8 million.

While other competitors like Vodafone make grandiose announcements about investments in new, fast lines from 2018 – also using copper lines, by the way, because that is what TV cable is – we have already finished in many areas and are connecting people.

Just last week we had one of those days where, in one fell swoop, we established the technical requirements necessary to provide 3.5 million new households with up to 100 Mbit/s. That brings the number to seven million households since the start of the year.

By February next year, another three million households will be added. And we will not rest on our laurels there: By 2019, these lines will offer transmission speeds of up to 250 Mbit/s.

Ladies and Gentlemen,

Week after week, day after day, new, fast lines are being added in Germany. In urban centers and rural areas alike.

And it is not just vectoring:

A week ago, the administrative district of Vorpommern-Rügen gave the green light for Germany's biggest fiber-optic project. And who won the Europe-wide tender process for the 40,000 FTTH lines? That is right: us, Deutsche Telekom! And we are not stopping there.

Our goal was actually to lay 30,000 km of fiber-optic cables. Thanks to new cable-laying technology, among other things, we have progressed faster: This year, we will reach 40,000 km. Next year, we want to lay 60,000 km. We already operate Europe's biggest fiber-optic network and it is growing, day by day.

Why not follow our Twitter account @telekomnetz just for a week, to get a feel for just how much is happening? Including and in particular outside of big cities, where our competitors tend to concentrate their efforts. I will just read out to you what we have done in the last seven days alone:

Tarnbach-Dietharz, 1,400 HH

Gerstungen, 1,040 HH

Mehlmeisel, 735 HH

Auerbach, 740 HH

Tauberrettersheim, 370 HH

Aschersleben, 1,300 HH

Contract awarded for Walpertskirchen, 100 HH

Hafenlohr-Windheim, 320 HH

Contract awarded for Vilgertshofen, 321 HH

Steinmark, 90 HH

Vordorf-Rethen, 210 HH

In Bramsche, we have connected a business park with 1 Gbit/s.

As you know, we are picking up the pace yet again and expediting the fiber-optic build-out for business parks as well as for private households.

Around half of all business parks in Germany and around 70 percent of companies currently have access to bandwidths of more than 30 Mbit/s. But we are not waiting for the grass to grow here either:

In Düsseldorf, for example, our medium-term plan is to roll out to some 4,000 companies. The offerings will range from asymmetric 100 Mbit/s business customer lines to symmetric 1 Gbit/s lines.

I could go on. I am enjoying myself. I love it because behind each report there are people and companies that will benefit from our investments. They have

fast Internet now. Now! Today! At this moment! And that is the main difference. That would not be the case if you always mindlessly demanded the use of one specific technology instead of improving the performance of the existing infrastructure in the mix and at the same time building out optical fiber.

That is it from me for today. I will now hand over to Thomas Dannenfeldt, who will tell you about our financial figures for the third quarter.