

DEUTSCHE TELEKOM CAPITAL MARKETS DAY 2018



LIFE IS FOR SHARING.

GROUP DEVELOPMENT

THORSTEN LANGHEIM

KEY MESSAGES

01

OVERVIEW

GD actively manages the DT asset portfolio. This includes Group M&A, portfolio management, investment controlling BT/TMUS and active management of selected assets, as well as our successful venture & special situation capital arm

02

OPTIMIZING PORTFOLIO AND CAPITAL ALLOCATION

We have increased the value of the portfolio in recent years, realizing latent value from non-core activities, while systematically strengthening our in-footprint assets, on both sides of the Atlantic

03

HUGE VALUE CREATION IN THE US

TMUS is a great example of active portfolio management through combining organic investments and M&A moves ...and we were right in waiting to agree the deal with Sprint

04

SUCCESSFUL TMNL TURNAROUND

We have stabilized TMNL and established it as challenger in a highly converged market. Our proposed Tele2 transaction will supercharge our competitive challenge

05

CREATING VALUE FROM TOWERS

Across Europe DT owns > 53 thousand towers. We have begun to carve out, professionalize and improve our German tower operations. These will see substantial asset and EBITDA growth going forward, as we prepare for 5G

06

UNIQUE APPROACH TO INNOVATION INVESTING

DT Capital Partners has > \$1 bn under management and established a successful track record

07

FINANCIAL OUTLOOK

We expect our operating assets to deliver +3–4% annual growth in EBITDA and +3% in adjusted underlying¹ Cash Contribution, from 2017–2021e. Above all, we strive to increase the value of our assets

¹ Excl. DFMG roll-out Cash Contribution impact (Capex and EBITDA)

REVIEW AND STRATEGY

GROUP STRATEGY

GERMANY

SYSTEMS SOLUTIONS

TECHNOLOGY & INNOVATION

T-MOBILE US

EUROPE

GROUP DEVELOPMENT

FINANCE

OUR MISSION: PROTECT AND GROW DT SHAREHOLDER VALUE

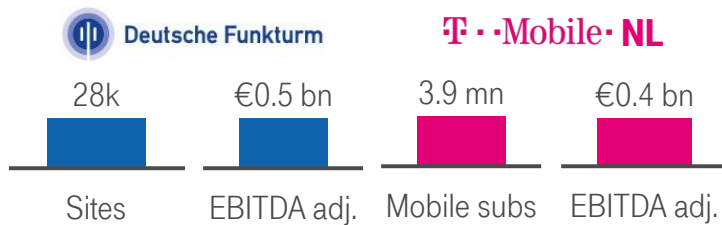
Investment management

Investment controlling of our **public investments...**

T-Mobile US¹



...Active management of **dedicated DT assets**



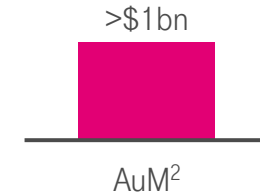
M&A + Portfolio management

- Overarching **capital allocation** strategy
- Group-wide M&A** strategy
- Portfolio reviews** and optimization

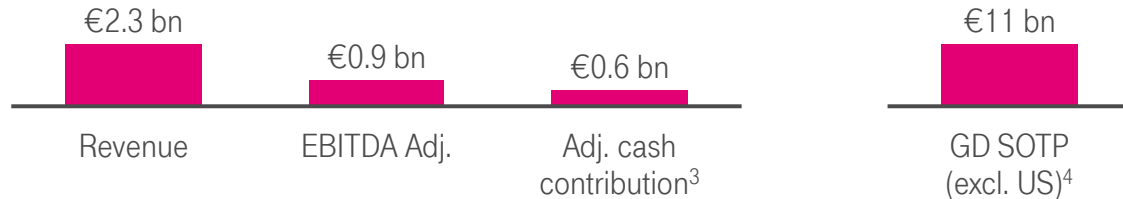


DT Capital partners

- Venture Capital, Growth Equity and Special Situations investments**
- Generate **value** and give DT access to **innovation**
- Unique governance & incentive schemes** as a harbour for selected assets



GD KEY FINANCIALS¹, € BN



Note: all figures refer to 2017 Actual

¹ TMUS Financials not reported under Group Development

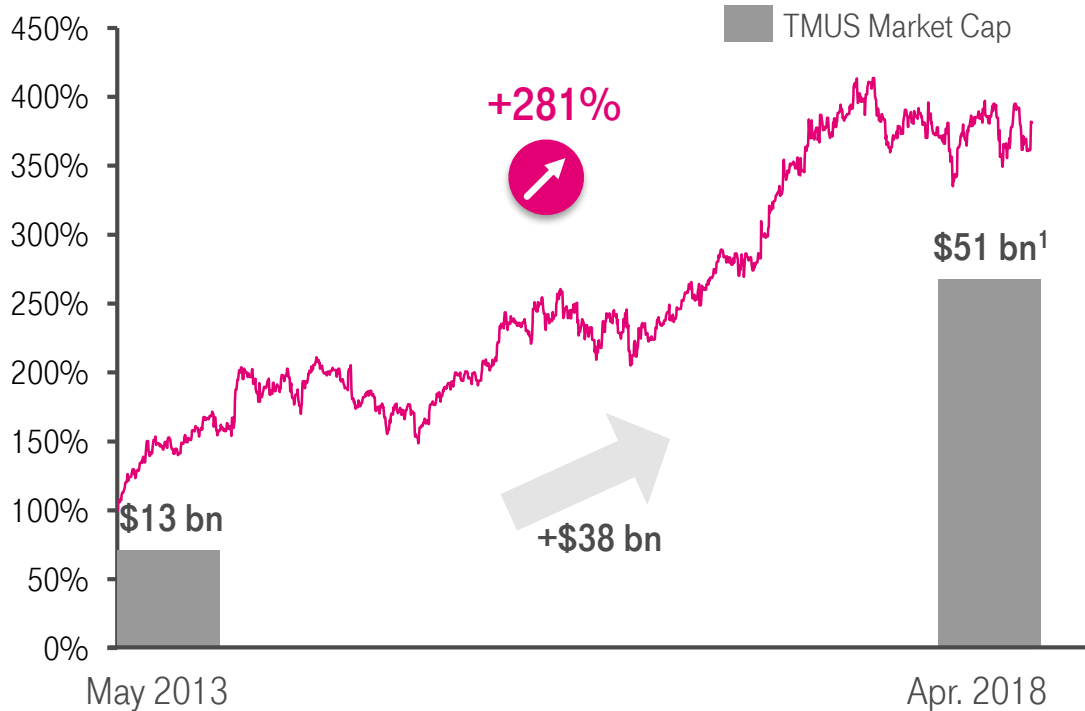
² Assets under Management incl. Advisory

³ EBITDA Adj – SF cash – Cash Capex

⁴ SOTP based on broker consensus (Q4/17); BT market cap as of May, 15th

STRONG TRACK RECORD IN PORTFOLIO MANAGEMENT

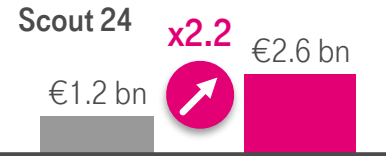
TMUS share price since Metro PCS merger



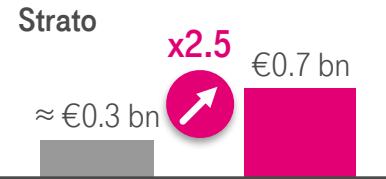
¹ DT share of 63% = \$32 bn

Value creation elsewhere

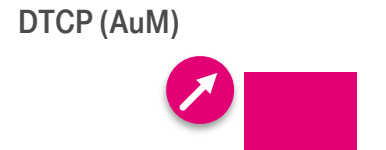
DONE



DT value 2012 Proceeds



DT value 2014 Proceeds

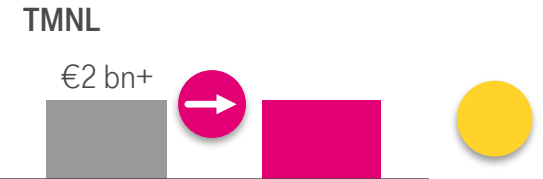


2015 Today

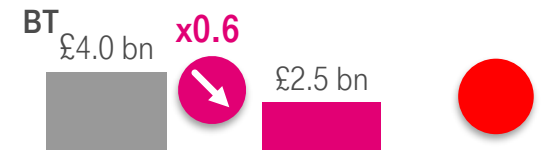
WORK IN PROGRESS



Part of TDG Stand-alone

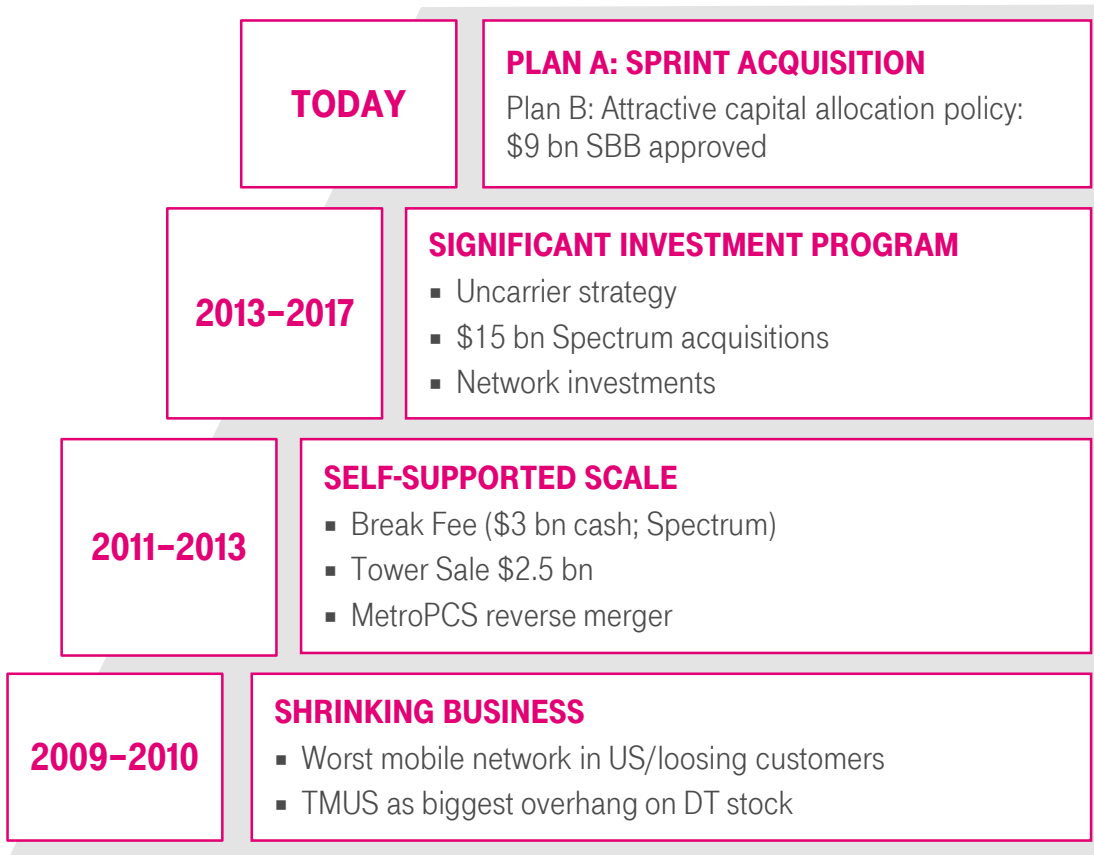


2016 Today



50% of EE 12% of BT

TMUS: A STORY OF SIGNIFICANT VALUE CREATION



Sprint transaction meets our key objectives

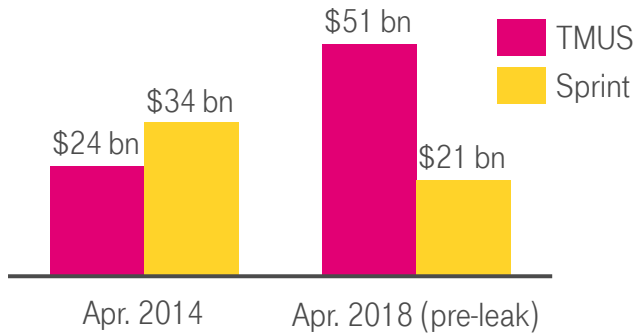


- Supercharge the Uncarrier & transform TMUS to a 5G leader
- Retain significant exposure to attractive US market
- Create value via tremendous synergy potential
- Effective governance
- “No cash leaving the system”
- Compelling capital allocation policy in place as Plan B
- Improved strategic position for future M&A (buyer or seller)

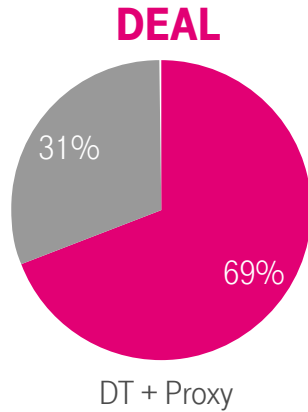
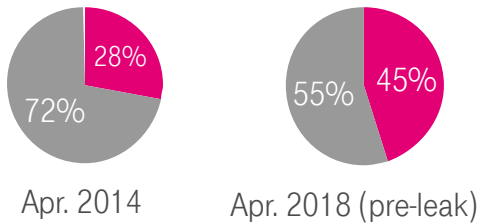
TMUS: SUPERCHARGING THE UNCARRIER

Improved relative position

Market Caps¹



DT ownership NewCo



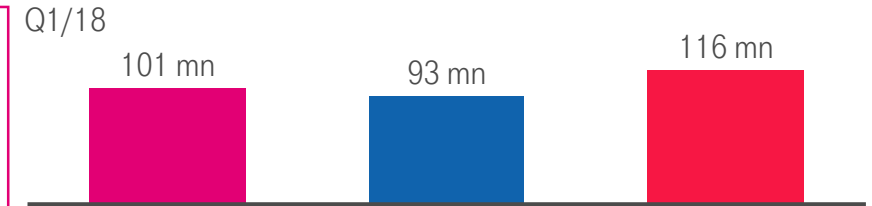
From sub-scale to long-term sustainable competitor



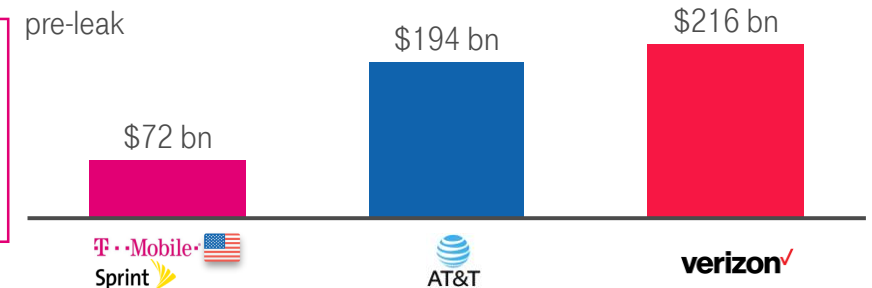
Spectrum position²



Branded subscribers



Market capitalization



Source: Capital IQ, Company Information, Market data as of Apr 9th, 2018 (pre-leak)

¹ Sprint Market Cap based on share price of \$5.14 and basic shares outstanding (BSO) of 4,004 mn; TMUS Market Cap based on share price of \$63.09 and basic shares outstanding (BSO) of 849 mn ²Microwave spectrum not included

TMNL: TURNAROUND IN MOTION BUT STILL LONG WAY TO GO

Key measures and initial results



New **management team, steering model** and unique incentive scheme



New market approach/“**Unlimited**”



Aggressive **cost cutting**: -30% overhead FTE¹



De-risked “Unlimited” via network capacity expansion



Acquired **fixed capabilities** and initiated **Towers carve-out**



Won “**Best Network**” 2017 & 2018



Net Adds/Revenue **improving/won last 6 quarters**



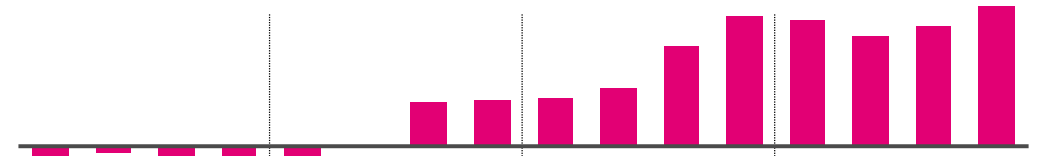
€35 **Attacking the Duopoly** with Unlimited/Family plan

¹ Non-customer-facing staff ² Adjusted for MTR (Mobile Termination Rate) and roam-like-home impact

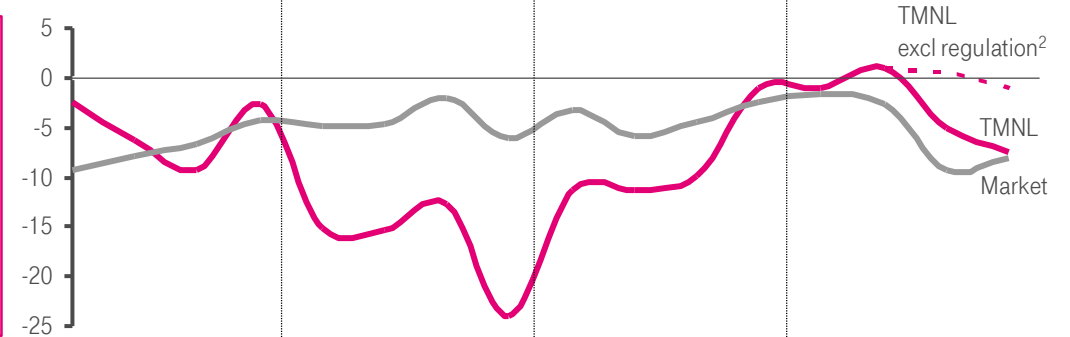
Stabilization despite regulatory headwinds



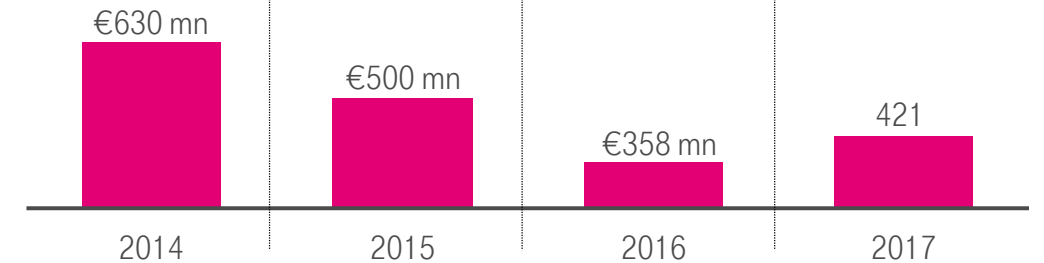
Quarterly Net Adds



Service Revenue YoY Change (%)



EBITDA adj.

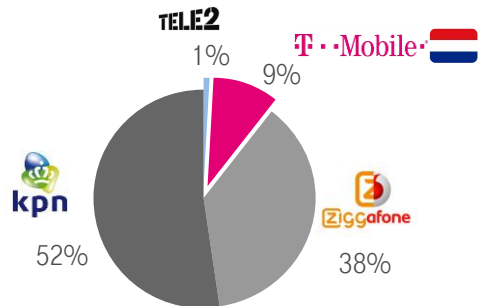


TMNL: DUTCH MARKET NEEDS LONG-TERM VIABLE MAVERICK

Unique characteristics of Dutch telco market

- Two players with >90% fixed BB coverage
- Low mobile-data consumption
- Toughest **net neutrality** rules in Europe
- High fixed wholesale-access pricing

Fixed + mobile EBITDA market shares¹



¹ 2017 Actual

TMNL value creation plan

Continue turnaround execution

- “Unlimited” customer champion
- Mobile network leader
- Lowest structural cost in the market



Tele2 acquisition

- 2-to-3 **FMC** merger
- €1 bn synergies
- Cash “stays in the system”
- Towers stay with DT



Long-term sustainable “unlimited maverick”

DFMG: GREAT ASSET BASE TO START FROM

Key strengths of DMFG



#1 German tower operator



Structural growth opportunity in Germany



Best-in-class sites portfolio



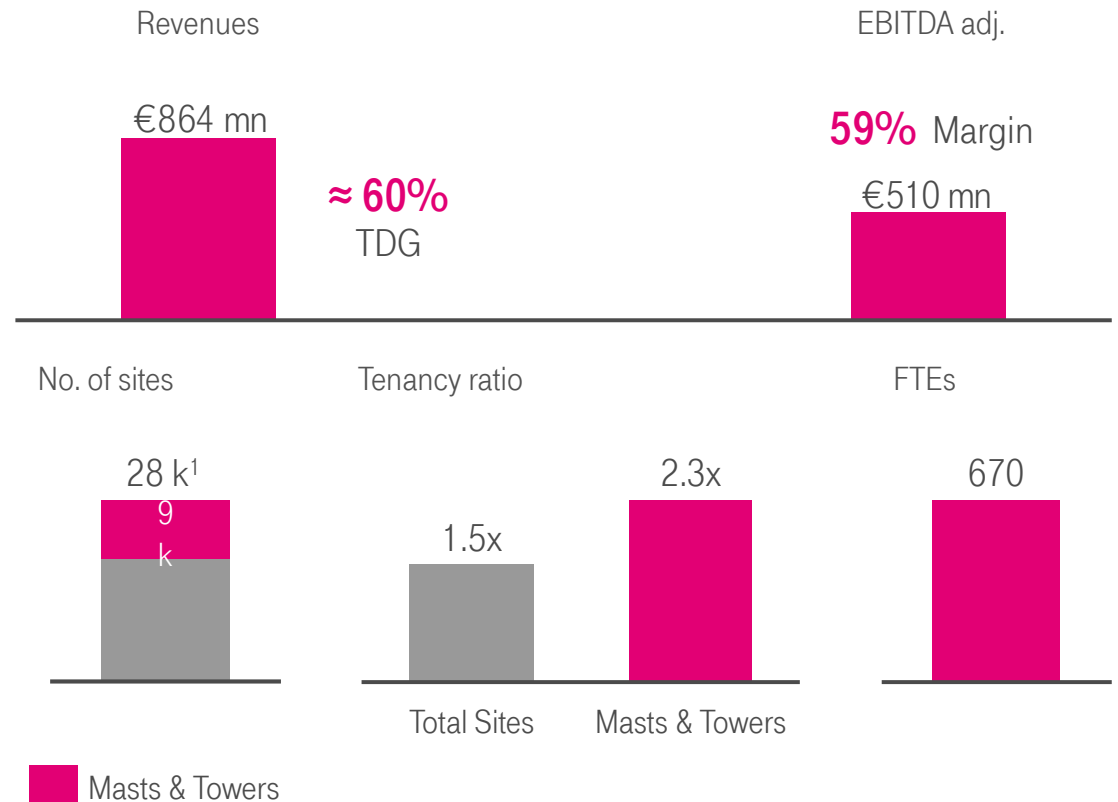
Comprehensive & state-of-the-art IT



Significant optimization potential and growth upside

¹ Including c. 3k resell sites; partially (but not solely) rented by TDG

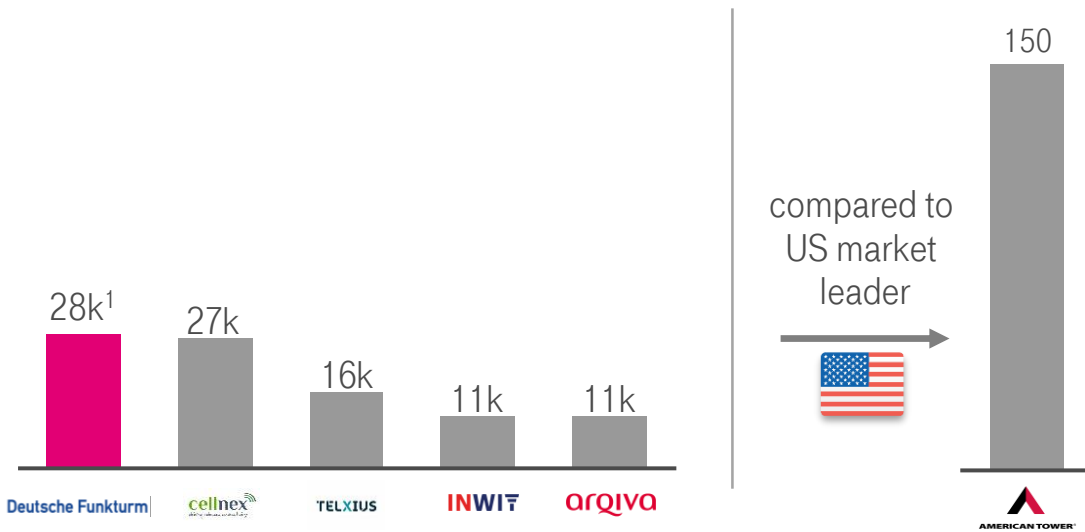
Key facts 2017A



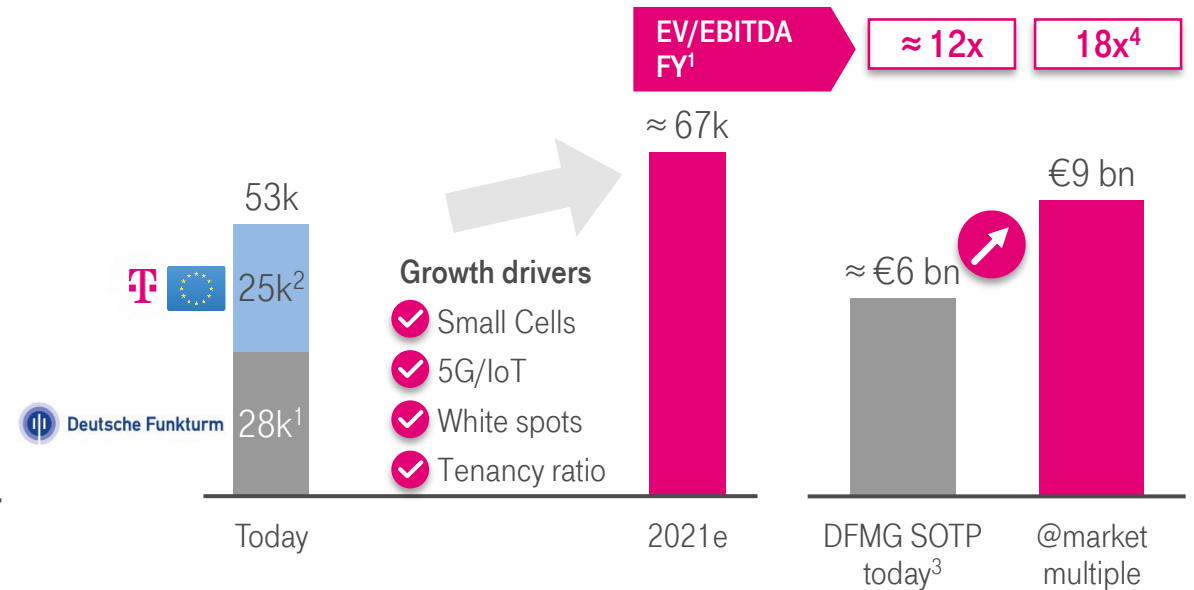
DFMG: OPERATES IN A VERY ATTRACTIVE MARKET

European TowerCo industry still fragmented

Number of sites



DT/DFMG with high growth and value upside



Structural value drivers



Mobile Data traffic growth

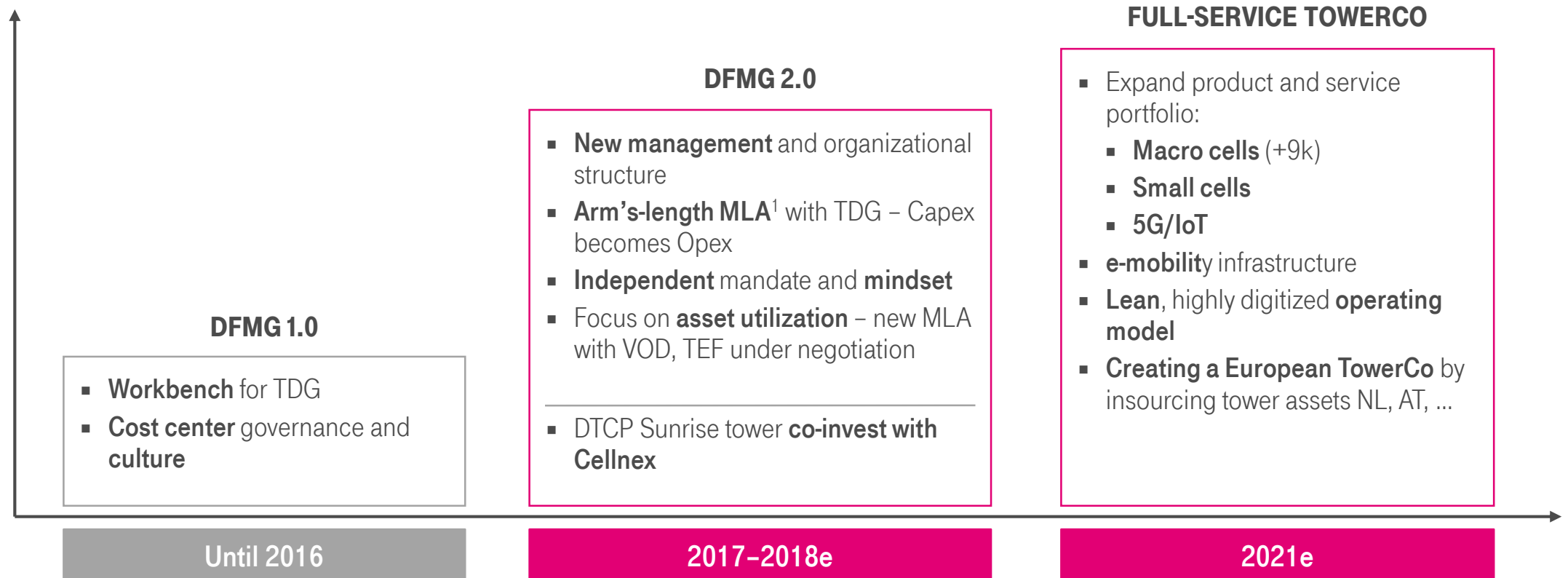


5G Small cells



No regulation

Source: Company reports, CapitalIQ; ¹ Including c. 3k resell sites; partially (but not solely) rented by TDG ² 2017 Actuals owned sites only ³ Implied based on broker SOTP average ⁴ Based on average Cellnex + INWIT multiples



¹ Master Lease Agreement

DTCP: MORE THAN DT'S VENTURE CAPITAL ARM



ESTABLISHED SUCCESSFUL TRACK RECORD TO ATTRACT EXTERNAL CAPITAL

- Set up of new fund platform open for external investors to build scale

STRONG COLLABORATION WITH DT TO COMBINE BEST OF BOTH WORLDS

- Investment focus in areas that are or might become relevant for DTAG
- Investments can benefit from strong access to DTAG either as a customer or as a channel partner to generate synergy

AUTONOMOUS GROUP WITH MARKET STANDARD VC/PE INCENTIVE SCHEME

- “Share the gain/share the pain”

INVESTMENT MANAGEMENT GROUP OF DEUTSCHE TELEKOM

- €250 mn Venture Capital
- €200 mn Special Situations
- Active asset management & Advisory
- 35 Deals/5 exits @ 2.4 times money
- Cellnex co-invest into Sunrise towers
-    

FINANCIAL OUTLOOK

GROUP STRATEGY

GERMANY

SYSTEMS SOLUTIONS

TECHNOLOGY & INNOVATION

T-MOBILE US

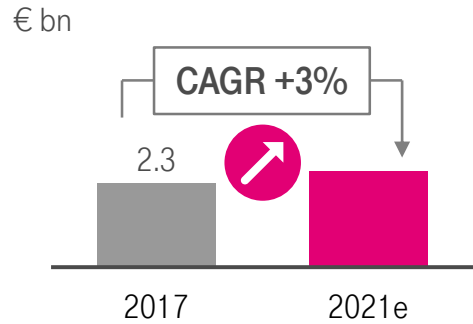
EUROPE

GROUP DEVELOPMENT

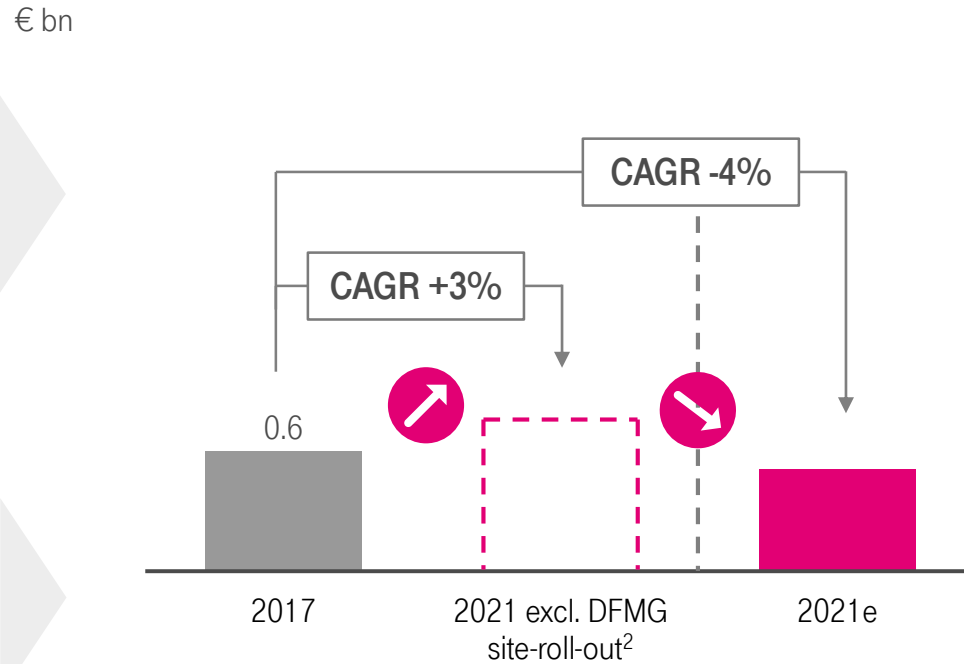
FINANCE

FINANCIAL OUTLOOK GROUP DEVELOPMENT

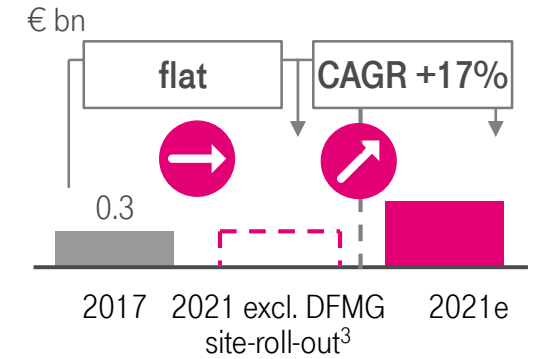
Revenues



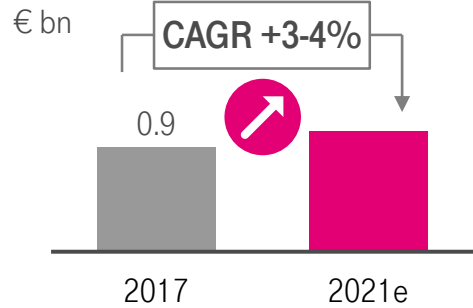
Cash Contribution¹



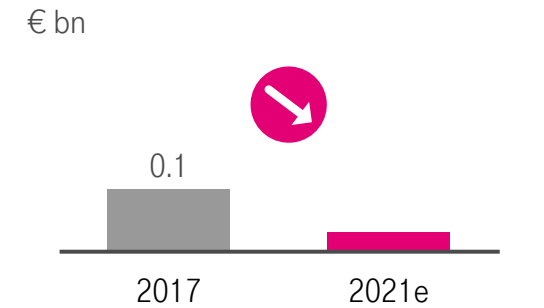
Cash Capex



Adj. EBITDA



Special factors (Cash)



¹Cash Contribution = Adj. EBITDA - Cash Capex - Special factors (Cash) ²Excl. Cash Contribution impact of DFMG roll-out plan ³Excl. ≈ €0.5-0.6 bn cumulative roll-out Capex 2018-2021e

MIDTERM AMBITION LEVEL

GROUP STRATEGY

GERMANY

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T-MOBILE US

EUROPE

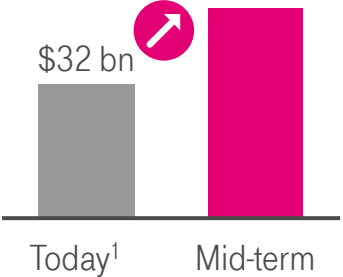
GROUP DEVELOPMENT

FINANCE

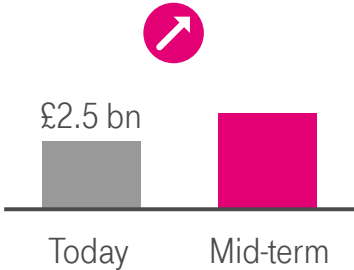
WE DRIVE ASSET VALUES



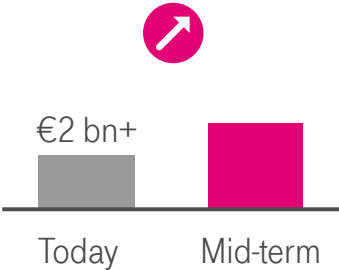
- Secure deal approval to tap US\$43+ bn synergy upside
- Attractive stand-alone prospects and capital allocation policy as plan B



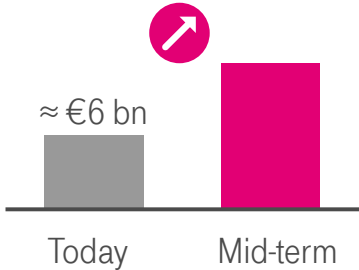
- FMC market leader in second largest EU economy
- Trades at significant discount to market



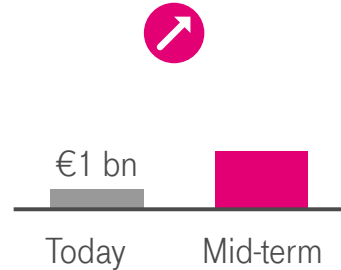
- Continued turnaround & transformation to lowest structural costs
- Secure T2 deal approval to establish long term viable maverick



- Crystallize intrinsic value
- Capture secular growth opportunity
- Build leading EU TowerCo



- Grow assets under management
- Raise external capital to build scale



¹ DT share in TMUS market cap (May, 15th)