GROUP STRATEGY

TIMOTHEUS HÖTTGES
WHAT DRIVES US...

- DEDICATED NETWORK INVESTMENT
- FOCUSED PORTFOLIO APPROACH & CAPITAL ALLOCATION
- PASSION FOR CUSTOMER EXPERIENCE
- BEST-OF-BREED TEAM WITH ENTREPRENEURIAL SPIRIT
- LEADERSHIP & WINNING MENTALITY
- WALK THE TALK

...TURNED DT INTO A GROWTH COMPANY
REVIEW 2014 – 2018
## GROWTH ABOVE COMMITMENTS

### Revenue (organic)\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>€ bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>67.1</td>
</tr>
<tr>
<td>2015</td>
<td>69.1</td>
</tr>
<tr>
<td>2016</td>
<td>71.7</td>
</tr>
<tr>
<td>2017</td>
<td>74.9</td>
</tr>
<tr>
<td>2018e</td>
<td>74.9</td>
</tr>
</tbody>
</table>

\(+4\%\)

### Adj. EBITDA (organic)\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>€ bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>18.9</td>
</tr>
<tr>
<td>2015</td>
<td>20.1</td>
</tr>
<tr>
<td>2016</td>
<td>20.6</td>
</tr>
<tr>
<td>2017</td>
<td>22.2</td>
</tr>
<tr>
<td>2018e</td>
<td>23.3</td>
</tr>
</tbody>
</table>

\(+5\%\)

### FCF\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>€ bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4.1</td>
</tr>
<tr>
<td>2015</td>
<td>4.5</td>
</tr>
<tr>
<td>2016</td>
<td>4.9</td>
</tr>
<tr>
<td>2017</td>
<td>5.5</td>
</tr>
<tr>
<td>2018e</td>
<td>6.2</td>
</tr>
</tbody>
</table>

\(+11\%\)

### Dividend per share

<table>
<thead>
<tr>
<th>Year</th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.50</td>
</tr>
<tr>
<td>2015</td>
<td>0.55</td>
</tr>
<tr>
<td>2016</td>
<td>0.60</td>
</tr>
<tr>
<td>2017</td>
<td>0.65</td>
</tr>
<tr>
<td>2018e</td>
<td>0.70(^3)</td>
</tr>
</tbody>
</table>

\(+9\%\)

---

1 Based on constant exchange rates (Average exchange rate 2017 of €1 = US$1.13); revenue and adj. EBITDA corrected for handset lease

2 Before dividend payments & spectrum invest

3 Subject to necessary AGM approval and board resolution
GROWTH PROFILE ACROSS OUR FOOTPRINT...

### Germany revenue

Excl. DFMG, € bn

- 2014: 22.0
- 2016: 21.8
- 2017: 21.9

CAGR: -0.6% → +0.7%

### Europe revenue

Organic, € bn

- 2014: 11.8
- 2016: 11.5
- 2017: 11.6

CAGR: -1.3% → +0.5%

### TMUS revenue

$ bn

- 2014: 29.7
- 2016: 37.3
- 2017: 40.3

CAGR: +10.8%

---

**GROUP STRATEGY**  **GERMANY**  **SYSTEMS SOLUTIONS**  **TECHNOLOGY & INNOVATION**  **T-MOBILE US**  **EUROPE**  **GROUP DEVELOPMENT**  **FINANCE**
...SUPPORTED BY CONTRACT CUSTOMER GROWTH

Germany
Mobile postpaid customers, mn
Lebara DT ex Lebara
2014 2015 2016 2017
22.3 23.7 25.2 25.9
Customer growth in line w/fair share

Europe
Mobile postpaid customers (excl TMNL), mn
2014 2015 2016 2017
23.1 23.7 24.3 25.5
Customer growth in line w/fair share since 2017

TMUS
Mobile postpaid customers, mn
2014 2015 2016 2017
27.2 31.7 34.4 38.0
Customer growth well above fair share

‘FRONT BOOK ≈ BACK BOOK’ REDUCING RISK

CAGR
INVEST FOR SUSTAINED GROWTH MOMENTUM

We heavily invested in the past...

<table>
<thead>
<tr>
<th>Year</th>
<th>Group Cash Capex</th>
<th>€ bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>12.8</td>
<td>2.7</td>
</tr>
<tr>
<td>2015</td>
<td>14.6</td>
<td>3.8</td>
</tr>
<tr>
<td>2016</td>
<td>13.5</td>
<td>2.6</td>
</tr>
<tr>
<td>2017</td>
<td>7.4</td>
<td>12.1</td>
</tr>
</tbody>
</table>

...while delivering strongly on FCF...

<table>
<thead>
<tr>
<th>Year</th>
<th>Group FCF</th>
<th>€ bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>4.9</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>5.5</td>
<td>+11%</td>
</tr>
</tbody>
</table>

...and creating the basis for future growth

- **Germany**
  - 94% LTE Pop coverage (2017)
  - ≈ 80% HH vectoring coverage (2019e)

- **Europe**
  - 94% LTE Pop coverage (2017)
  - 8/11 NatCos with “Best in Test” network

- **TMUS**
  - Leading low band spectrum position
  - LTE rollout to > 320 mn Pop

- **Others**
  - Innovation (e.g. Edge Computing, 5G)
  - TSI: IoT & Security scale-up

1 Based on constant exchange rates (Average exchange rate 2017 of €1 = US$1.13)
2 Before dividend payments & spectrum invest
3 Delayed due to long regulatory process

GROUND STRATEGY          GERMANY              SYSTEMS SOLUTIONS              TECHNOLOGY & INNOVATION            T-MOBILE US          EUROPE          GROUP DEVELOPMENT            FINANCE

**CAGR**
WINNING MENTALITY: “BRING ME AWARDS”
PORTFOLIO: DISCIPLINED CAPITAL ALLOCATION

- Invest in footprint
  - T-Mobile
  - €11 bn 2015–2017 cum. spectrum spend

- Consolidate towards FMC
  - UPC
  - BT
  - EE

- Invest in innovation
  - T-Mobile Capital Partners
  - 1NCE
  - Relayr
  - MotionLogic
  - Axonize
  - Roambee

- Buy out minorities
  - Slovak Telekom
  - OTE

- Divest non-core activities
  - SCOUT 24
  - STRATO
  - T-Mobile Online

- Risk situation stabilized
  - TOLL COLLECT
  - service on the road

STRATEGIES:

- Disciplined capital allocation
- Consolidate towards Free Mobile Communications
- Invest in footprint
- Invest in innovation
- Buy out minorities
- Divest non-core activities
- Risk situation stabilized
WE HAVE KEPT OUR PROMISES...

**KEY FINANCIALS**

<table>
<thead>
<tr>
<th>Ambition level 2018</th>
<th>Achievements 2017</th>
<th>Delivered/on track</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Group ROCE &gt; WACC in 2018</td>
<td>- ROCE &gt; WACC in 2017</td>
<td></td>
</tr>
<tr>
<td>- Group Adj. OPEX decrease (2014–2018)</td>
<td>- €0.7 bn indirect cost decrease vs. 2014</td>
<td></td>
</tr>
<tr>
<td>- Following FCF growth; min. DPS of €0.50 p.a.</td>
<td>- €0.65</td>
<td></td>
</tr>
</tbody>
</table>

**SHAREHOLDER REMUNERATION (2015–2018)**

- Following FCF growth; min. DPS of €0.50 p.a.
- €0.65

1 Compared to target of €1.8 bn

- €0.7 bn indirect cost decrease vs. 2014
...AND HAVE LEARNED ALONG THE JOURNEY

Key learnings

- Convergence works, our customers love it
- Dialogue marketing is a must
- Network leadership pays off
- M&A is a valid lever for growth
- The last 1% is the toughest (e.g. All-IP)
- People make the difference
LEADING TELCO ON BOTH SIDES OF THE ATLANTIC...

Strong presence in US and Europe...

Market growth 2017 vs 2016

127 mn mobile customers +6.9 mn

96 mn mobile customers
19 mn broadband lines
7 mn TV customers

Revenue
Adj. EBITDA

DT ex US 2017, € bn
Revenue
Adj. EBITDA

TMUS & Sprint pro forma 2017, $ bn
Revenue
Adj. EBITDA

+2.0%¹

+1.8%²

+2.3 mn⁴
+0.5 mn
+0.5 mn

...with significant value creation

☑ Presence in two strongest economies in Western Hemisphere
☑ 90% of revenues in AAA economies
☑ Well-balanced growth & yield profile
☑ Local entrepreneurism & global scale
☑ High relevance for local economies

¹ Total mobile revenue ² Total integrated revenue ³ Pro forma revenue and adjusted EBITDA as of FY 2017; Calculated as the sum of T-Mobile US and Sprint revenue/adjusted EBITDA (as per respective company reporting) ⁴ FY 2017 total net adds (incl. wholesale); U.S. includes 5.7 mn and 1.2 mn net adds for T-Mobile US and Sprint, respectively; T-Mobile US net adds adjusted for wholesale customers restatement

= 2017 vs. 2016

14
...WITH AN EVEN STRONGER POSITION POST US DEAL

**Attractive TMUS/Sprint deal terms**

- Unique value creation opportunity for DT shareholders
- Attractive transaction terms
- Benefitting US consumers, investments & job creation
- Governance designed for efficient integration
- Robust capital structure

**DT’s global position strengthened**

Reported Revenue 2017\(^1\), € bn

<table>
<thead>
<tr>
<th>Company</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT&amp;T</td>
<td>131</td>
</tr>
<tr>
<td>Verizon</td>
<td>103</td>
</tr>
<tr>
<td>Deutsche Telkom pro forma</td>
<td>102</td>
</tr>
<tr>
<td>Telmexica</td>
<td>75</td>
</tr>
<tr>
<td>Sprint</td>
<td>27</td>
</tr>
<tr>
<td>DT</td>
<td>52</td>
</tr>
<tr>
<td>Telefonica</td>
<td>49</td>
</tr>
<tr>
<td>Vodafone</td>
<td>46(^3)</td>
</tr>
<tr>
<td>Orange</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: Company information

1. $-denominated figures converted in € based on exchange rate as of April 20th, 2018 (€1 = US$1.22745)
2. Based on Sprint FY 2017 reported revenue, converted in €
3. LTM as of Sep. 2017 and excluding Netherlands operations in H2 FY 2016/17
4. Additional revenue from newly acquired Liberty assets in Germany, Czech Republic, Hungary & Romania
FUTURE GROWTH IS FUELED BY THREE MAIN PILLARS

LEAD IN CUSTOMER EXPERIENCE + LEAD IN TECHNOLOGY/NETWORKS + LEAD IN BUSINESS PRODUCTIVITY
WE LEAD IN CUSTOMER EXPERIENCE AND IMPROVE CONTINUOUSLY

Our proof points

- We provide **one seamless T-connectivity**: Connect App, European Aviation Network
- We offer the leading **FMC** proposition: +1.5 mn FMC customers in our integrated footprint (FY 2017)
- We are **“The Un-Carrier” in the US**: +11% post-paid customers in 2017
- We have made it to the living rooms with simple, modular products: TV, Smart Home, Smart Speaker
- Our **customer service** is continuously improving: Decreased no-shows in Germany by 33% (FY 2017)
MAGENTA 1: OUR UNIQUE CONVERGENCE OFFER

More than a tariff...

- **Magenta ID**
- **Customer Touchpoints**
  (Shop, Call Center, App etc.)

---

...and resonating with customers

FMC HH penetration in Germany and Europe (blended)
(FMC HHs/fixed broadband base)

≈ 40%

Seamless customer experience
- Magenta ID as single identifier
- Omni-channel customer journey

Seamless products & services
- Comprehensive portfolio positioned in the living room
- Integration across devices

Seamless connectivity
- Access agnostic
- Make, buy and partner

---

Devices/Hardware
- **Magenta Connectivity**
  Mobile  Fixed  Partner

Communication
- Voice, Messaging, Video
- Entertainment
  (TV, Video, Music, Gaming)
- Smart Home
  (Qivicon, Voice Hub etc.)
- Consumer IT
  (Cloud etc.)
- Security
- ...
We strive for perfect customer service

We treat service as a key differentiator...

- Dedicated organization with > 30,000 employees for E2E responsibility of customer service
- One touch self service ability and personalized customer care with “Mein Magenta App”
- Predictive maintenance to fix problems before they arise

...reflected in our high ambitions

- Contact resolution within 24h: 66% (2017) vs. > 80% (2021e)
- Rate of complaints: 4% (2017) vs. ≈ 1% (2021e)
- Net promoter score: 34 pts. (2017) vs. ↑ (2021e)
- Customer service satisfaction: 74% (2017) vs. ↑ (2021e)

TEAM OF EXPERTS (TEX)
- Own P&L responsibility for dedicated teams
- Very high “Care NPS” (+9 pts. yoy 2017) at very low costs per account (-13% yoy 2017)
- Focus for 2018: global care to ensure 24/7 best customer experience

1 Formerly MagentaSERVICE App 2 Q1 2018
WE ARE “DEDICATED NETWORK INVESTORS”

Our proof points

- We own extended fiber backbone in our European footprint: Key asset for integrated Gigabit networks
- We roll out broadband for the masses: ≈ 80% HH coverage with vectoring in 2019 (≈ 62% in 2018)
- We push the fiber rollout: Already more than 455,000 km fiber deployed in Germany, 240,000 km in our EU footprint
- We enable real-time networks: IP migration completed in 5 EU NatCos, 75 k BNG access nodes migrated in Germany in 2017
- We provide leading mobile network quality: Winner of all relevant network tests (e.g. Connect, P3, Opensignal)
- We drive network innovation with 5G and Edge Computing: 600 MHz rollout started in US, MobiledgeX launched

---

1 Bandwidth ≥ 50 Mbps, delayed due to regulatory decisions
MOBILE NETWORK LEADERSHIP EVERYWHERE

**Germany**

- Macro cell sites, k
  - 2017: 27
  - 2021e: 36

Strengthen leadership position (incl. 5G) & enable new use cases (e.g. IoT, FWA)

**Europe**

- Macro cell sites, k
  - 2017: 41
  - 2021e: 47

Build on strong fiber footprint to lead in 5G & maintain growth momentum

**TMUS**

- Macro cell sites, k
  - 2017: 61
  - 2021e: + Small Cells

Extend network capacity & density to pave way for 5G
PUSHING FIBER ROLLOUT IN GERMANY...

In a very complex environment...

- Customer demand
- Competition (price, speed)
- Monetization (regulation)
- Broadband rollout
- Political & public demand

...we developed a sustainable & economically viable fiber rollout plan

- High-speed networks (50–250 Mbps)
  - Finalize and monetize (Super) vectoring rollout for max. high-speed coverage until end 2019e
    - 80% DT infrastructure
    - 95% incl. wholebuy
  - Gigabit networks (≥1 Gbps)

- Start FTTH rollout from 2018
  - New residential areas
  - Business parks
  - Telekom@School

- Ramp up to 2 mn HH p.a. by 2021e
  - White spots (subsidized)
  - B2C winback areas
  - ... complemented by cooperation & co-invest models and supported by a sensible wholesale access model

Benefits for DT:

- Defend/grow market share
- Maintain high & stable investment budget
- Adhere to strict FTTH/B return criteria: 7.5% IRR
- Enable the Gigabit society
...AND INTEGRATING GIGABIT NETWORKS IN EUROPE

Uniquely positioned to drive FMC...

Converged Leaders

Converged Challengers

Tele2 merger

Fixed BB rollout planned

acquisition

...and further drive broadband rollout

FTTH/B household coverage\(^1\), % of HH in GR, HU, SK, HR

<table>
<thead>
<tr>
<th>Year</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>17%</td>
</tr>
<tr>
<td>2021e</td>
<td>30%</td>
</tr>
</tbody>
</table>

- **Triple organic FTTH/B investment** (run-rate p.a.) within stable total capex envelope in EU NatCos until 2021e\(^1\)
- **FMC proposition** to drive penetration & mitigate back book risks (front book = back book)

\(^1\) FTTH/B and Cable ED3.1, excluding Romania
In a regulated environment...

DT Group revenue split

DT position

- Create conditions for collaborations
- Provide fair framework for fiber investments
- Make sensible use of public funding
- Release spectrum for 5G, securing investment incentives
- Push approval of merger in NL and AT

...German telecommunications policy sets the right tone

Recent developments

- Fiber
  - “We create incentives via change to ex-post Open Access regulation instead of detailed ex-ante Regulation like copper”
- Subsidies
  - “We want nationwide Gigabit networks until 2025, preferably with fiber into the building”
  - “We expect €10-12 bn funding needs in this legislative period”
- 5G
  - “We speed up densification of mobile networks and develop Germany to a leading market for 5G”
- EU regulation
  - Foster market environment for further infrastructure investment
- Consolidation

German coalition agreement 2018

Release spectrum for 5G, securing investment incentives

Foster market environment for further infrastructure investment

Push approval of merger in NL and AT

DT position

Create conditions for collaborations
Provide fair framework for fiber investments
Make sensible use of public funding
Release spectrum for 5G, securing investment incentives
Push approval of merger in NL and AT

DT Group revenue split

Regulated
Non-Regulated (mainly US)

Ø 2015 – 2017

> 50%
Our proof points

- We build horizontal platforms & vertical solutions for the Internet of Things: NB-IoT network in 8 EU markets & US, IoT unit established
- We enable E2E SMB digitalization with secure & reliable ICT solutions: Existing trusted customer relationships, 20% IT/Cloud revenue growth in SMB in 2017 in Germany
- We provide leading cyber security solutions: German market leader with > 1,400 experts
- We enhance our global connectivity proposition: Germany-outbound focus, smart SD-WAN powered by ngena
- We provide platforms for secure data exchange and analytics: Telekom Data Intelligence Hub (DTH) launched
...WITH SECURE ICT SOLUTIONS FOR SMB DIGITALIZATION

**We leverage our strengths...**

- Trusted partner with strong B2B brand & customer base
- Large & efficient sales force
- Reputation as ICT provider (8x isg/Experton leader)
- Local partner network

**...with a strong portfolio...**

- Connectivity-Based Converged ICT Portfolio
  - Cloud
  - Software/Applications
  - IoT
  - Security
  - Fixed & Mobile Connectivity (incl. NB-IoT, M2M & Campus Networks)

**...to grow in SMB digitalization**

- B2B revenue Germany, € bn
  - 2017: 6.0
  - 2021e: +2% (6.5)

- B2B revenue Europe, € bn
  - 2017: 3.2
  - 2021e: +3% (3.6)

**CAGR**

**GROUP STRATEGY**  **GERMANY**  **SYSTEMS SOLUTIONS**  **TECHNOLOGY & INNOVATION**  **T-MOBILE US**  **EUROPE**  **GROUP DEVELOPMENT**  **FINANCE**
CLEAR TURNAROUND PLAN FOR T-SYSTEMS

Preserving optionality with portfolio-based steering...

TC CORE
- Fixed Line Services
- Mobile Services

GROWTH-PORTFOLIOS
- Digital Solutions
- SAP
- IoT
- Public Cloud/Managed Services
- Road Charging
- Classified ICT
- Security

CLASSIC IT
- Dedicated SI Solutions
- Managed Infrastructure Services & Private Cloud

Revenues 2017
- €2.2 bn
- €2.1 bn
- €2.5 bn

CAGR 2017–2021e

...and turnaround initiatives
- Sales revitalization
- Portfolio focus
- Delivery integration
- Overhead reduction

- Transform revenue mix towards growth portfolio
- Increase profitability
  (Cash contribution breaking even in 2020e)
- Maintain strategic optionality
GROWTH UNDERPINNED BY VALUE TRANSFORMATION

LEAD IN CUSTOMER EXPERIENCE + LEAD IN TECHNOLOGY/NETWORKS + LEAD IN BUSINESS PRODUCTIVITY

SAVE FOR GROWTH INVESTMENTS

SIMPLIFY, DIGITALIZE, ACCELERATE
### Indirect Costs DT Group ex US, €bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Indirect Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>18.5</td>
</tr>
<tr>
<td>2021e</td>
<td>17.0</td>
</tr>
</tbody>
</table>

#### Accelerated cost reduction...

- Address cost savings potential more effectively than in the past
- Focus on operational excellence and lean organizational structure (e.g. enabled by digitalization)

#### ...across all segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Cost Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deutschland</td>
<td>-€0.8 bn</td>
</tr>
<tr>
<td>Europe</td>
<td>-€0.4 bn</td>
</tr>
<tr>
<td>T·Systems·</td>
<td>-€0.1 bn</td>
</tr>
<tr>
<td>GHS (incl. GROUP DEVELOPMENT)</td>
<td>-€0.2 bn</td>
</tr>
</tbody>
</table>
DIGITAL TRANSFORMATION TO ADDRESS UNTAPPED POTENTIAL

We have started our E2E digitalization...

We digitalize our touchpoints:
“Mein Magenta App” in Germany\(^1\), One App for EU

We simplify our products and services:
e.g. EU tariff reduction

We automate our core business processes:
1,500 bots handling 20 mn transactions in Germany

We exploit our data:
> 300 analytics use cases, > 50 ongoing AI projects,
> 100 experts working on AI

We transform our IT systems:
Portfolio approach in Germany, harmonized API Layer in EU

We digitalize our network for real-time operations:
IP/BNG migration, Access 4.0

...and aim for more

Share of resolved requests in digital channels\(^2\)

\[ \begin{array}{c|c|c}
\text{Year} & 2017 & 2021e \\
\hline
\text{Share} & 38\% & 70\% \\
\end{array} \]

One App Penetration

\[ \begin{array}{c|c|c}
\text{Year} & 2017 & 2021e \\
\hline
\text{Penetration} & 20\% & > 50\% \\
\end{array} \]

\(^1\) Formerly MagentaSERVICE App  
\(^2\) E-Service Share Interaction, year end 2017
BOLD CULTURAL TRANSFORMATION...

Strengthened the team on all levels...

New board members ...  

Adel Al-Saleh  
T-Systems  

Srini Gopalan  
Europe  

Dirk Wössner  
Germany  

...supported by a strong international management team  

Omair Khan  
Data Governance  

Omar Tazi  
Product Innovation & Customer Experience  

Alex Choi  
Research & Technology Innovation  

Campbell McClean  
IT Architecture  

Surya Manepalli  
Operational Excellence TSI  

Eva Somorjai  
Human Resource Europe  

Debanjan Banerjee  
Investment Monetization Europe  

...to drive cultural transformation  

- **Transform culture & organization** towards agile mindset  
  (220 T³ transformation leaders participated in classes in 2017)  
- **Support cross-functional collaboration**  
  (90% of business leader placements in 2017 were cross-functional)  
- **Establish new ways of working**  
  (T&I established with new pool organization; > 10k employees enabled in “Design Thinking” in 2017)  
- **Drive empowerment and entrepreneurship**
...INNOVATIVE BUSINESS & STEERING MODELS...

New asset management & investment models

New Segment
Group Development

Innovative Spin-Outs

Growth & Financial Investments

Innovative ways of working

Flexible Incentive Models

Entrepreneurial headroom
Collective targets

Agile Development

Iterative & incremental
Cross-functional teams

Pool Organizations

Competence Chapters
Project-based staffing

ENTREPRENEURIAL VALUE CREATION

AGILITY & ACCELERATION
...TAKING CORPORATE RESPONSIBILITY

“Lighthouse” examples...

Climate Change & Enabling Potential

Sustainable Supply Chain

Human Rights & Employee Relations

Social Engagement

Digital Ethics

...of contribution to the sustainable development goals

- Climate: 20% CO₂ footprint reduction by 2020e¹
- Renewable energy share: Group at 41% (2017), TMUS aims at 100% by 2021e
- Impact: Positive CO₂ effect enabled on customer side at 71% above DT emissions
- ESG² risk assessment integral part in purchasing process
- 81% of procurement volume reviewed according to ESG² criteria (i.e. audits)
- Joint audit corporation and supplier development program
- Continuous human rights due diligence covering > 100 business units³
- 41% of social engagement activities focus on media skills & digital literacy
- Telekom Foundation with focus on STEM⁴, digital teaching and learning
- Integration into the German labor market: DT employs ≈ 340 refugees
- Ethics codex for responsible use of Artificial Intelligence implemented
- Codex defines how DT will use AI for product and service development

¹ Compared to base year 2008, without T-Mobile US, in t CO₂ ² ESG: Environmental, Social & Governance ³ Incl. assessments of basic minimum requirements ⁴ Science, technology, engineering and mathematics
OUR AMBITION: LEADING EUROPEAN TELCO

GROW

LEAD IN CUSTOMER EXPERIENCE
ONE CONNECTIVITY & PERFECT SERVICE

LEAD IN TECHNOLOGY
INTEGRATED GIGABIT NETWORKS

LEAD IN BUSINESS PRODUCTIVITY
SECURE ICT SOLUTIONS & BIG IOT

SAVE FOR GROWTH INVESTMENTS

SIMPLIFY, DIGITALIZE, ACCELERATE
MID TERM AMBITION LEVEL
# Mid Term Ambition Level

<table>
<thead>
<tr>
<th>Group</th>
<th>Mid Term Ambition Level</th>
<th>Year</th>
<th>Implications of US deal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group Revenues</strong></td>
<td>CAGR +1–2%</td>
<td>2017–2021e</td>
<td>Confirmed</td>
</tr>
<tr>
<td></td>
<td>CAGR +2–4%</td>
<td>2017–2021e</td>
<td>Confirmed</td>
</tr>
<tr>
<td></td>
<td>CAGR ≈ +10%</td>
<td>2017–2021e</td>
<td>Slightly dilutive in 2021e &amp; accretive in 2022e</td>
</tr>
<tr>
<td><strong>Group Adj. EBITDA</strong></td>
<td>≈ €1.20</td>
<td>2021e</td>
<td>Confirmed</td>
</tr>
<tr>
<td><strong>Group FCF</strong></td>
<td>ROCE &gt; WACC</td>
<td>2021e</td>
<td>Confirmed</td>
</tr>
<tr>
<td><strong>Group Adj. EPS</strong></td>
<td>Ex US stable</td>
<td>2017–2021e</td>
<td>Confirmed</td>
</tr>
<tr>
<td><strong>Group ROCE</strong></td>
<td>Ex US -€1.5 bn</td>
<td>2017–2021e</td>
<td>Confirmed</td>
</tr>
<tr>
<td><strong>Group Cash CAPEX</strong></td>
<td>Dividend will reflect growth in adjusted EPS. Floor remains at €0.50 per share</td>
<td>2017–2021e</td>
<td>Confirmed</td>
</tr>
</tbody>
</table>

1 Based on constant exchange rates (Average exchange rate 2017 of € 1 = US$1.13) and no further changes in the scope of consolidation.  
3 Subject to necessary AGM approval and board resolution. 2018 dividend target of €0.70 per share. Share buy backs to be considered, but not relevant for first 3 years in US deal scenario.
WHY DT: BEST POSITIONED FOR FUTURE GROWTH

**Unique FOOTPRINT & ASSET BASE**
- Transatlantic presence in worlds’ leading economies
- Converged leader in Europe with superior network position

**GROWTH Profile**
- 95% of footprint growing with further FMC growth potential
- Supercharging the Un-Carrier boosts DT’s financial profile (EPS accretive from year 3)

**Untapped VALUE POTENTIAL**
- Still untapped potential from cost transformation
- Accelerated digitalization to improve CX and reduce costs

**Clear STRATEGY**
- Focus on connectivity core & adjacent business
- Focused portfolio approach & capital allocation

**Best TEAM**
- New international leaders with excellent track record
- Walk the talk & winning mentality
BOTTOM LINE: WE HAVE A PLAN

- Accelerate FMC growth
- Foster fiber monetization
- Establish “Perfect Service” (Der Service)
- Close convergence gaps in non-integrated NatCos
- Intensify FMC & TV commercialization
- Supercharge the Un-Carrier
- Intensify team of experts (TEX) approach
- Fiber rollout: Ramp up to 2 mn HH p.a. by 2021e
- 99% LTE outdoor coverage in 2020e
- Fiber rollout: Ramp up to 0.75 mn HH p.a. by 2021e
- 99% LTE outdoor coverage in 2021e
- Close remaining coverage gap
- Accelerate rollout of low band spectrum
- 5G & IoT innovation leadership
- Complete IT transformation
- Expand IT/TC portfolio for SME via “Mittelstands-initiative 2.0” (~€6.5 bn B2B revenue in 2021e)
- Accelerate B2B growth (~€3.6 bn revenue in 2021e)
- Gain fair share in B2B
- Grow in IoT
- Expand security portfolio & commercialization
- Establish ngena as global SD-WAN solution

ONE CONNECTIVITY & PERFECT SERVICE

INTEGRATED GIGABIT NETWORKS

SECURE ICT SOLUTIONS & BIG IOT

GROWTH

- Group Revenues: CAGR +1-2% (2017-2021e)
- Group Adj. EBITDA: CAGR +2-4% (2017-2021e)
- Group Ind. Opex: Ex US ~€1.5 bn (2017-2021e)
- Group Cash Capex: Ex US stable (2017-2021e)
- Group FCF: CAGR ~ +10% (2017-2021e)
- Group Adj. EPS =~ €1.20 (2021e)

SAVE FOR GROWTH INVESTMENTS

- Simplify offerings
- Cut off legacy systems
- Push online sales & service channels
- Drive E2E process automation
- Foster data-driven decision-making

SIMPLIFY, DIGITALIZE, ACCELERATE

- Drive cultural transformation
- Enable innovative business & steering models

Growth Implications

- Indirect cost savings target
- DT ex US 2017-2021e, € bn

Group Strategy

Germany
Systems Solutions
Technology & Innovation
T-Mobile US
Europe
Group Development
Finance

38