

Leading Digital Telco – Vision 2030

September 2021



ERLEBEN, WAS VERBINDET.

Recap CMD 2021

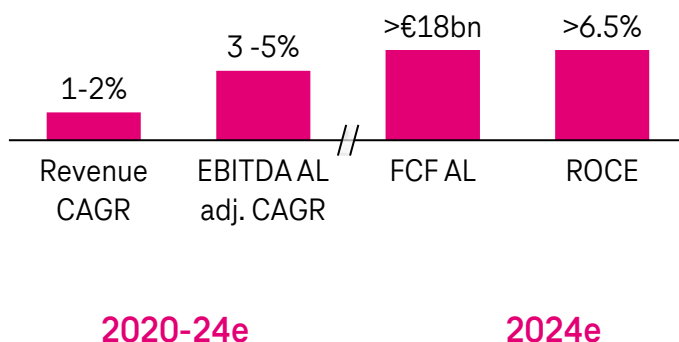
CMD priorities

Organic growth

- Our **flywheel** works
- Proven **execution**



DT group ambitions



Capital allocation/ portfolio



Invest in “leading” fiber & 5G networks ... and **monetize**



Focus on structurally **healthy markets** only



Secure **TMUS majority** (>50%)



Deleverage & return to corridor in 2024

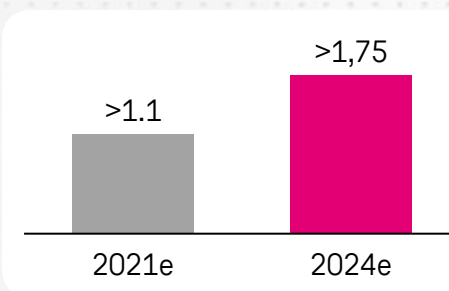


Strategic reviews for TMNL & towers



Shareholder value

EPS adj.
€/ share



Dividends

40-60%
of EPS adj., with
minimum of €0.60



Ambitious operational commitments along all levers

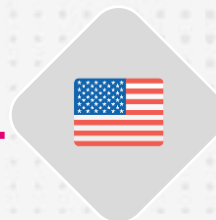
Future growth levers

From 2020 ...



... to 2024e

From 2020 ...



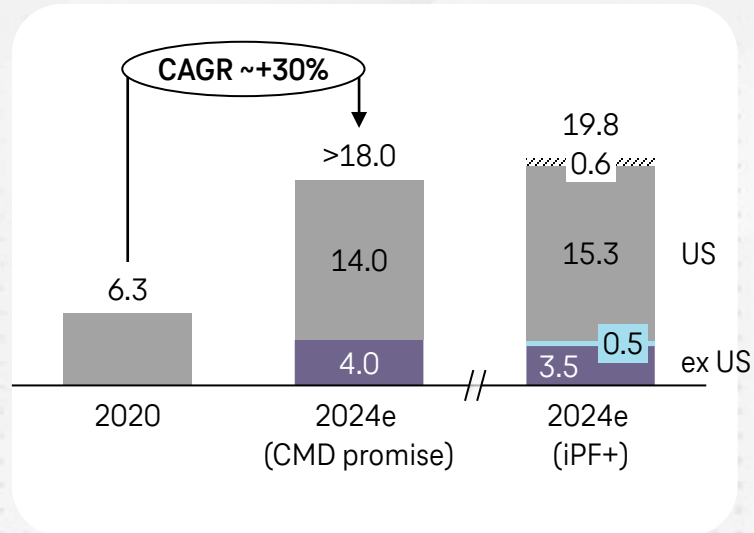
... to 2024e

B2C	Grow by turning customers into fans	6mn FMC households	10mn FMC households	Industry leading growth in branded postpaid customers 81.4mn	Industry leading growth in branded postpaid customers >90mn
B2B	Become digital enabler	B2B revenue: €12.0bn	+2% B2B revenue CAGR 2024e: €13.1bn	B2B market share: <10%	Double B2B market share 2024e: 20%
Digitalization	Digitalize, digitalize, digitalize – the full stack	GER: 24% eSales share/ 3.5 months time-to-market EU: 13% eSales share/ 1.7 months time-to-market	GER: 30% eSales share/ 2.0 months time-to-market EU: 25-30% eSales share/ 1.0 months time-to-market	Focus on synergies	
Networks	Build, orchestrate & differentiate	GER: 0.6mn fiber HH p.a. EU: 0.9mn fiber HH p.a.	GER: 2.5mn fiber HH p.a. EU: ~1mn fiber HH p.a.	5G pop coverage: ▪ 86% 600MHz ▪ 32% 2.5GHz	5G pop coverage: ▪ 97% 600MHz (end 2022) ▪ 90% 2.5GHz (end 2023)
		undisputed 5G leadership			
People, society & environment	#GreenMagenta #GoodMagenta	NET ZERO (Scope 1-2 by 2030, Scope 3 by 2050)	NET ZERO (Scope 1-2 by 2025, Scope 3 by 2040)	NET ZERO (Scope 1-2 by 2030, Scope 3 by 2050)	NET ZERO (Scope 1-2 by 2025, Scope 3 by 2040)

We will strongly grow the bottom line

Free Cashflow AL

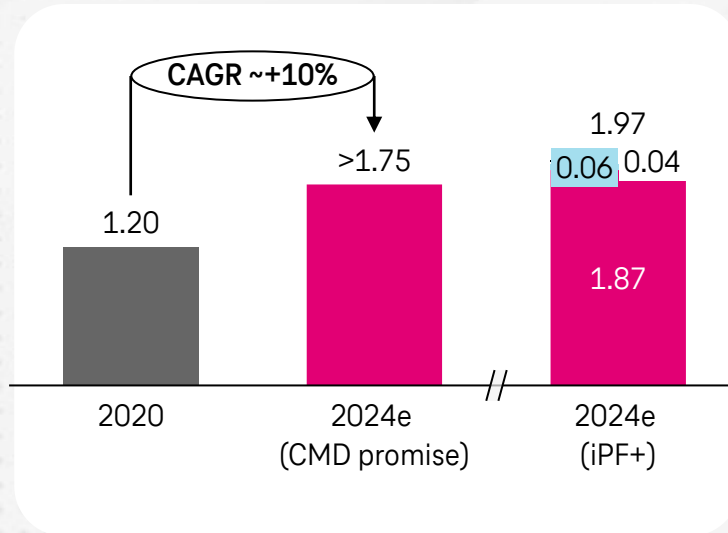
€bn



US merger integration
as main driver

EPS adj.

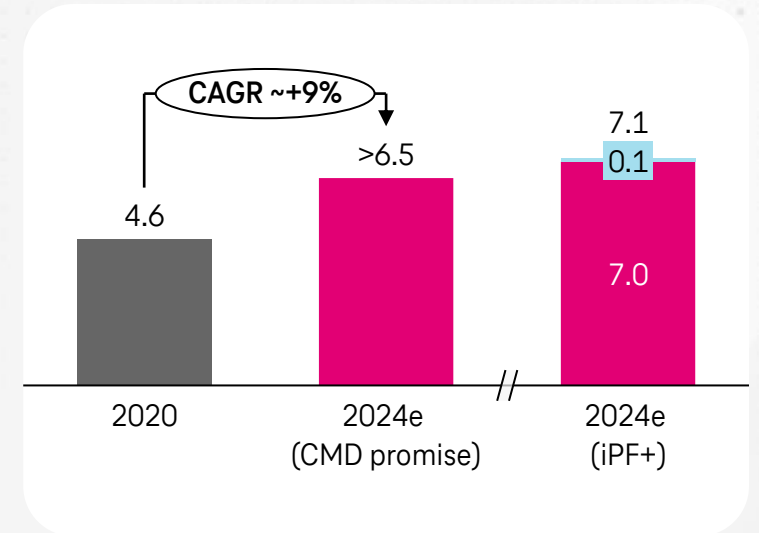
€/ stock



Steady growth from 2021
onwards driven by strong EBITDA increase

ROCE

%



ROCE growth on both sides of the Atlantic
driven by EBITDA increase

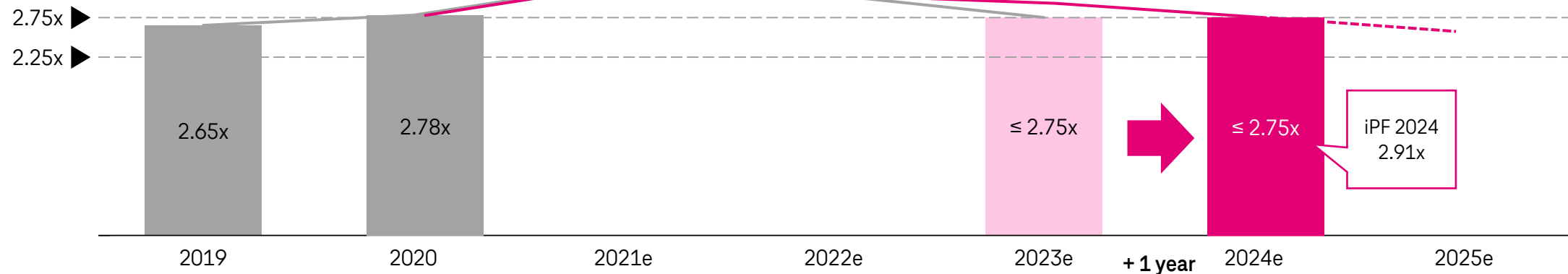
Foreign exchange effects
"Save-for-Fiber" ambition



Return into the leverage comfort zone delayed until end of 2024

Buyback case

Net debt to EBITDA adj.



- Unique **profitable growth opportunities** within our **portfolio** – majority in TMUS, 5G leadership, accelerate fiber rollout
- Despite later return into the comfort zone, **Moody's changed outlook** on DT from negative **to stable**
- **Upgrade TMUS rating by all rating agencies** due to faster integration & stronger operational performance
- Early indications that **rating agency might reconsider impact of lease extensions**

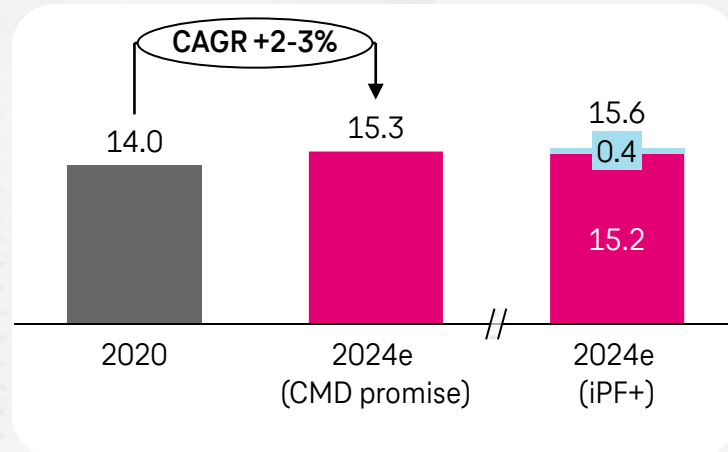
— w/o buyback
— with buyback



Ex US EBITDA growth funds both accelerated fiber rollout & FCF growth

EBITDA AL adj.

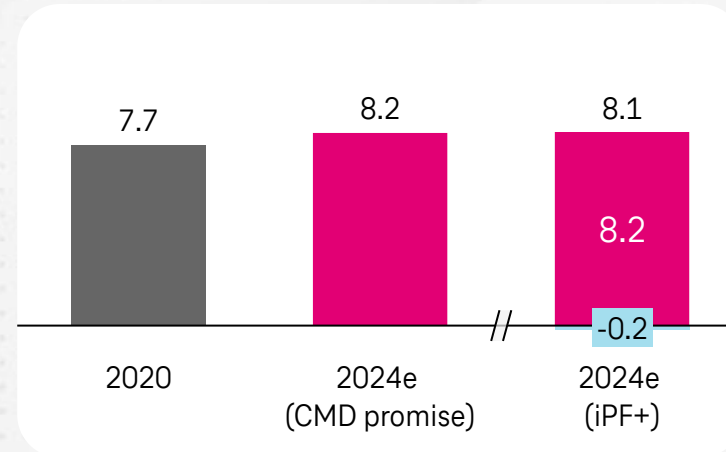
€bn



- **EBITDA growth** is driven by both net margin growth (25%) & indirect cost reduction (75%)
- **External IDC AL adj. will decrease** until 2024 by €1.2bn (-7%) – internal ambition is higher

Cash Capex

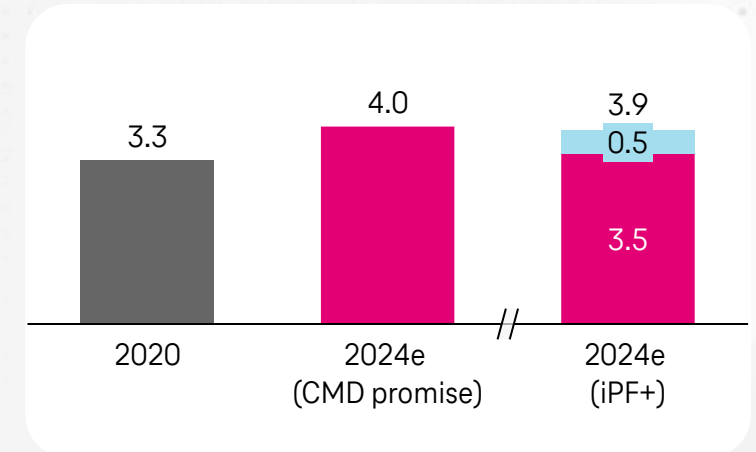
€bn



- **Increased investments** to sustain future growth momentum
- Ambition in 2024:
 - 10mn fiber HH in Germany
 - 10mn fiber HH in Europe
 - 5G leadership across footprint

Free Cashflow AL

€bn



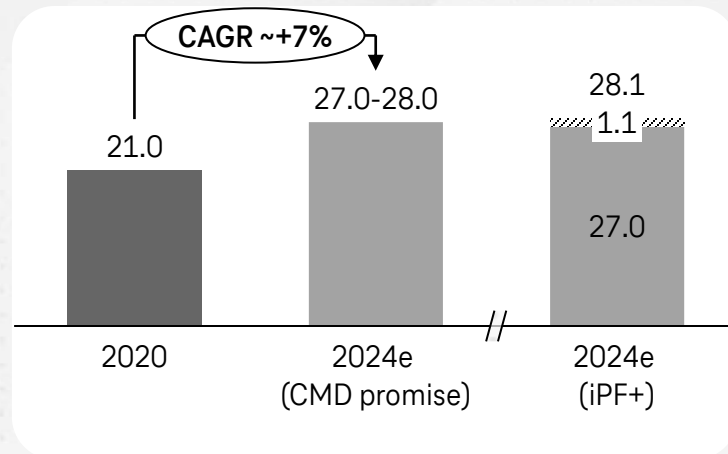
- **Driven** by growing **operative cash flow**
- **Other drivers¹ steady** & overall, broadly net neutral in 2021-24

“Save-for-Fiber” ambition

TMUS with strong EBITDA & FCF growth

EBITDA AL adj.

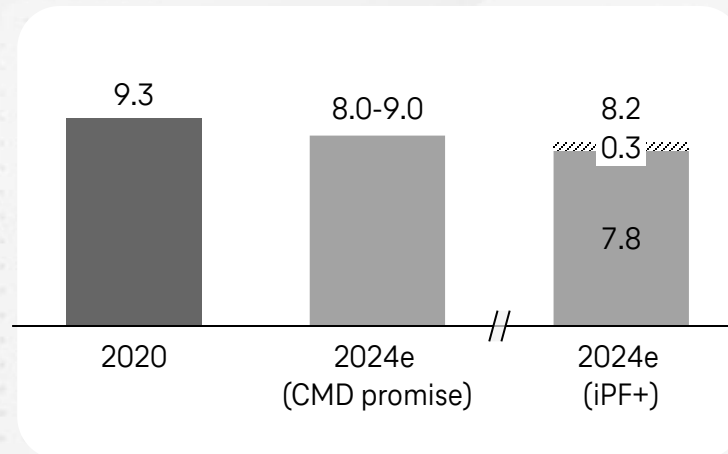
€bn



- **Service revenue** CAGR 2020-24: **4-5%**
- **Core EBITDA** CAGR 2020-24: **~10%** driven by both net margin growth (60%) & cost synergies (40%)

Cash Capex

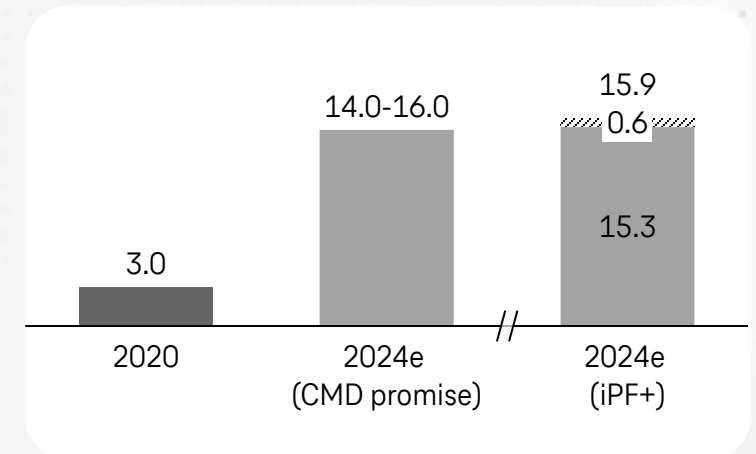
€bn



- **Integration spend** peak in 2021
- **Network migration** to be finalized by mid 2022
- **5G pop coverage:**
 - Extended range from 86% to 97% (YE 2022)
 - Ultra Capacity from 32% to 90% (YE 2023)

Free Cashflow AL

€bn



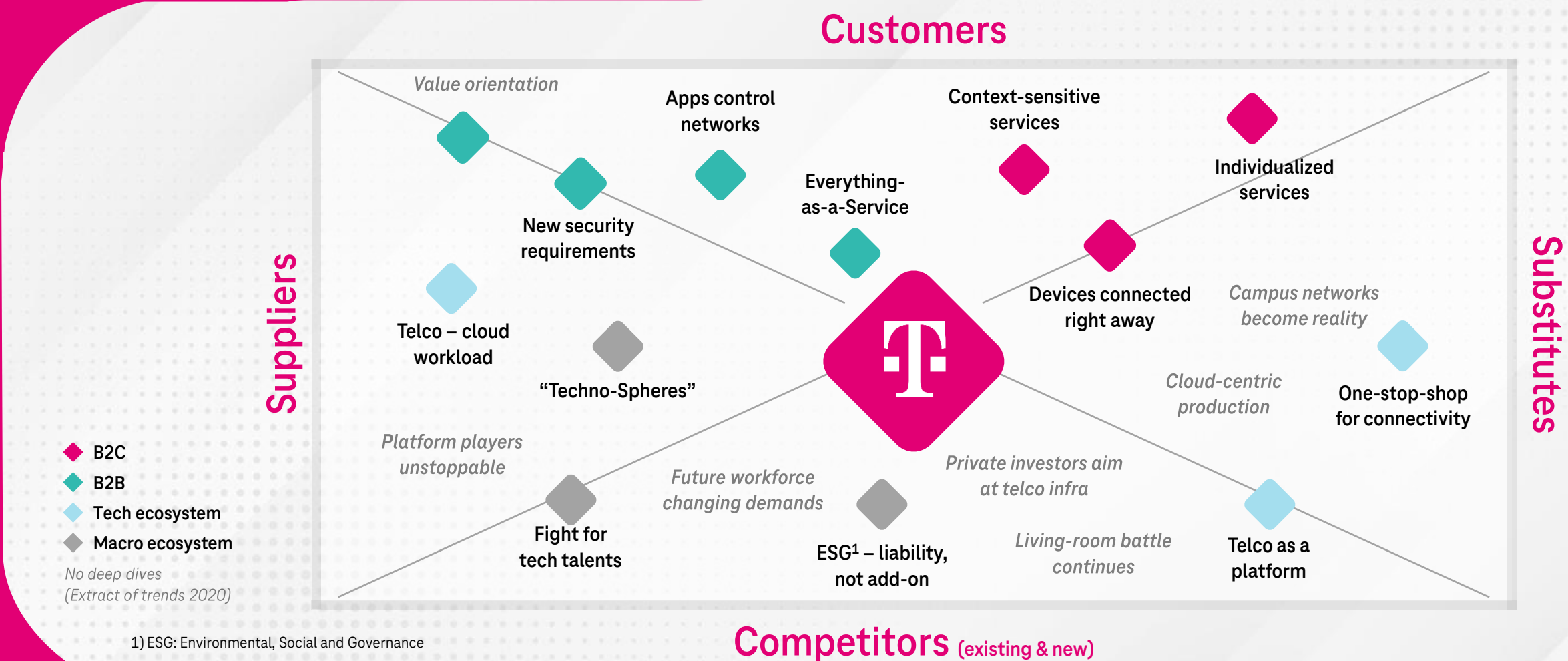
- **FCF growth accelerates** due to
 - Strong core EBITDA growth
 - Lower Capex need once network integration & 5G buildout have been finalized

Foreign exchange effects



Changes in DT ecosystem

Forces acting on DT – opportunities & threats in our ecosystem



B2C: Individual, context-sensitive, always connected

Individualized services



Consumers demand individualized CX, services & products - seamlessly integrated into their daily routine



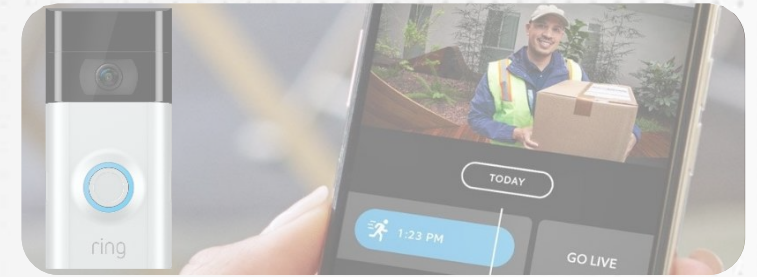
Sensor- & AI-enabled context-sensitivity



New sensor-based data sources allow prediction and real-time adaption to user-specific context



Devices connected right away

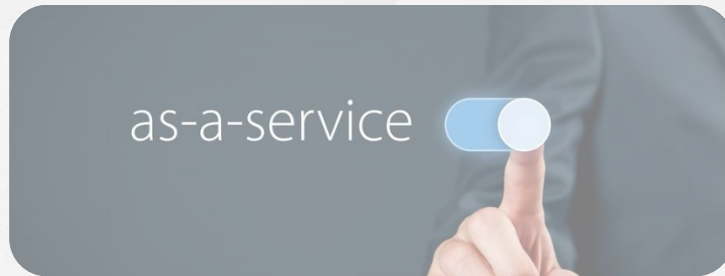


Devices are automatically connected as soon as powered up – embedded connectivity becomes an OEM feature



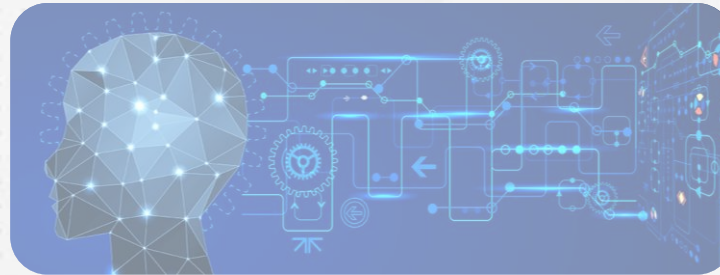
B2B: As-a-Service, QoS & zero-trust as differentiator

Everything-as-a-Service



Digital services are subscription-based, instantly available and configurable

Apps & network move closer together



Apps control network parameters (e.g. QoS) & extended network capabilities enable new use-cases (e.g. campus)

New security requirements in a digital world



Cloud adoption & hybrid working change security requirements for networks (e.g. from perimeter protection to ZTNA¹)



Tech: Telco as a Platform & network orchestration

Telco – just another cloud workload?



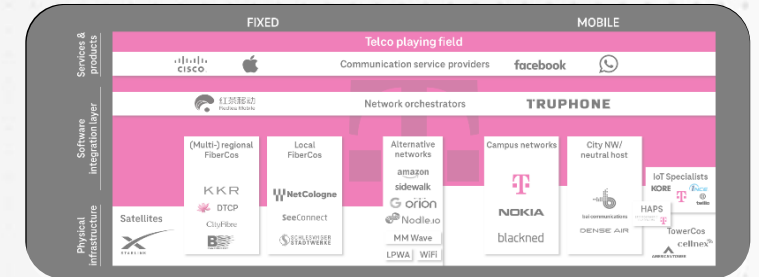
Network cloudification & 5G put pressure on traditional network equipment vendors & the telco operating model

Telco as a Platform – scalable & open

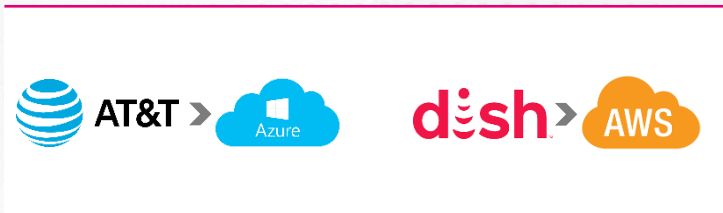


API-based architecture enables scalable integration of telco-services into new business models (e.g. Business messaging)

One-stop-shop for connectivity



„Network of networks“: Customers ask for a global & one-stop shop for connectivity – orchestration of access technologies¹



Environment: Resilient supply chains, tech talents & ESG

Competing „Technospheres“



“Technospheres” compete for global dominance – resilience & perimeters of supply chains pivotal¹

Fight for tech talents



Fight for tech talents intensifies – creative global hiring models are mandatory (e.g. flexible engagement models, acqui-hires²)

ESG³: Liability, not add-on



Capital markets value ESG equal to financial performance. Essential for societal & political acceptance.



UK's largest chipmaker acquired by CN-owned nexperia



Altmaier verbietet Verkauf an China



“We buy companies to get excellent people”



WORKING FROM ANYWHERE



BlackRock.

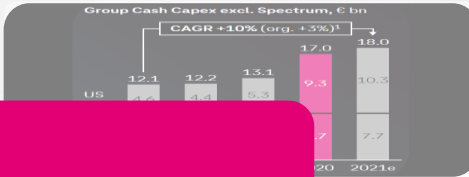
Leading Digital Telco – Vision 2030

We have good momentum ...



Financials

We are stronger than ever



Investors

The capital market trusts us



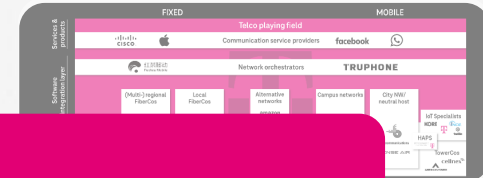
Portfolio

We create value



Ecosystem

We know what's ahead of us



... time to
disrupt
ourselves!

Digitalize, digitalize, digitalize

– new rules for vision 2030

Products

- ◆ Our products are **context-aware, personalized & digital first**

Networks

- ◆ **Convergent networks** for best connectivity: Anywhere & anytime

Technology

- ◆ Open ecosystem – **API-based, cloud-native & standardized with easy integration of partners**
- ◆ **Data only once:** Single source of truth for a 360° customer view
- ◆ Aggressive acquisition of **digital talents**

Governance

- ◆ Startup-like execution in new business areas – **scale fast & encourage ownership**
- ◆ Enable innovation & growth by **strategic acquisitions & cooperations**
- ◆ **Rigorous cost discipline** ensures room for action

Leading Digital Telco – Vision 2030

Grow

Lead in digital life & work

Best convergent networks+
& perfect service

Lead in business productivity

Software-defined, secure, global
networks, IoT & digitalization

Magenta Advantage

New business models
based on DT assets

Build & scale Telco as a platform

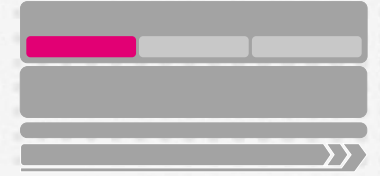
Cloud-based customer and network-service platforms

Best-in-class integrated network infrastructure – DT & partners

Save for growth investments

Simplify, digitalize, accelerate & act responsibly

Best convergent networks+ & perfect service

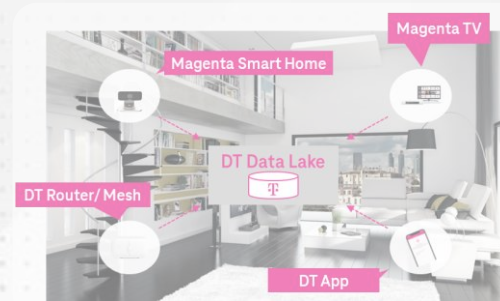


Convergent & omnipresent



- Connectivity through the eyes of customers, not tech-centric
- Best & reliable connectivity across all bearers

Personalized & context-aware



- Customers get the connectivity they need: Personalized & context-aware services
- OTT-like experiences: plug'n'play & predictive maintenance

“Magenta Inside”

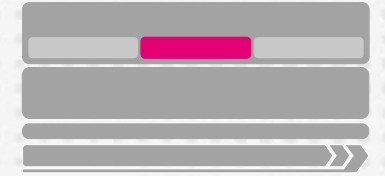


- Premium connectivity as differentiator for OEM products (i.e. consumer IoT/ smart life)
- Smart devices easy integrated & connected

What it takes:

- Invest in **convergent & differentiated networks**
- **Omni-channel experience:** Build D&A capabilities
- **Softwarize CPEs & scale HomeOS**
- Establish **“Magenta Inside”** with new go-to-market

Software-defined, secure, global networks, IoT & digitalization



Software-defined



- End-to-end cloud-native, modular network services
- Network integration capabilities into customer-specific app/ IT landscape

Global connectivity



- Partner of choice for multinational companies with global connectivity
- Smart provision of global connectivity based on own and third-party infrastructure

“Security by Design”

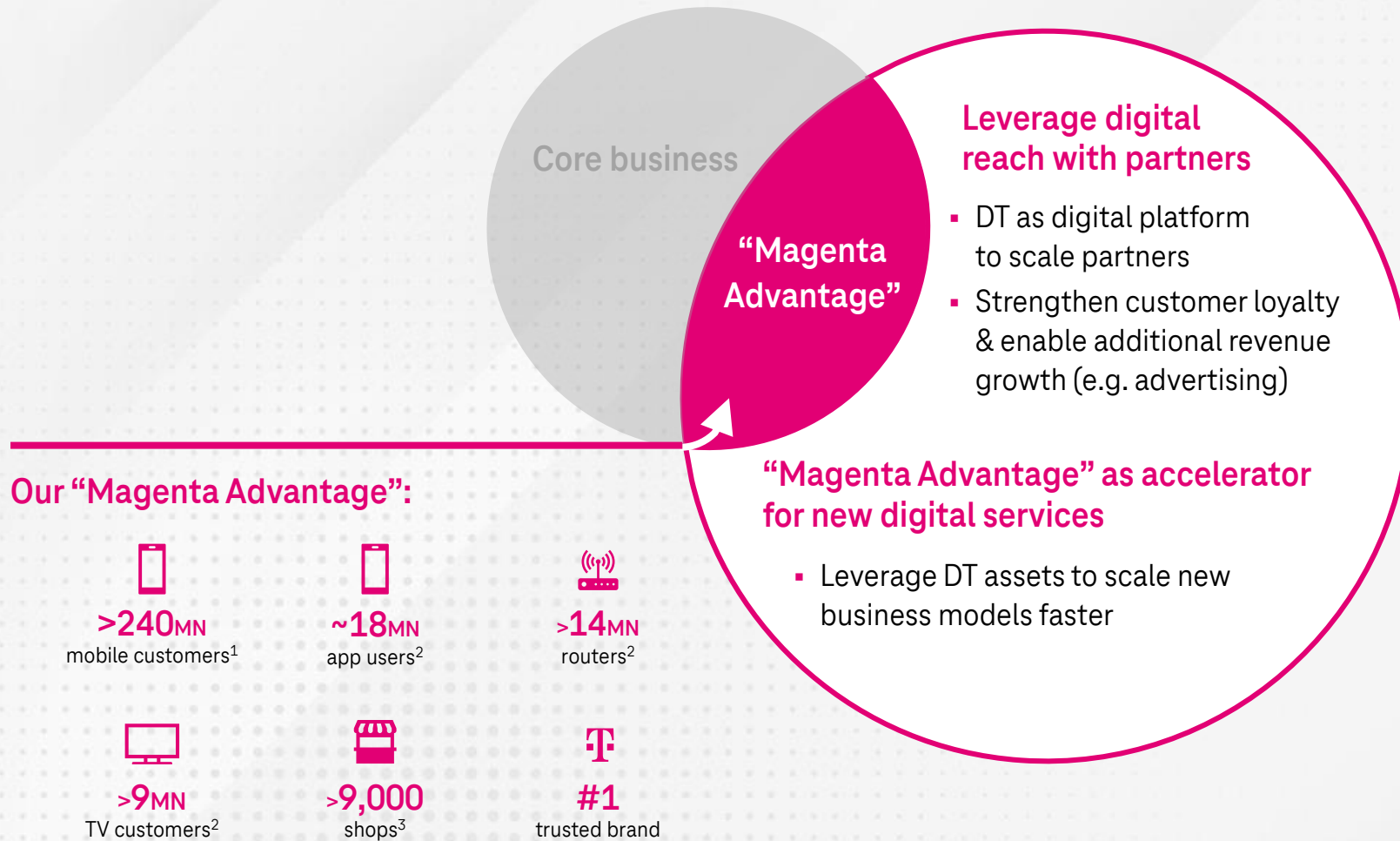
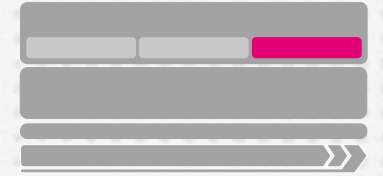


- Security as integral part of services, production & processes
- Best network security with SASE¹ & zero-trust network architecture

What it takes:

- Extend business customer portfolio with **software-based services**
- Strengthen **global delivery capabilities** for premium internet access
- Establish „**Security by Design**“ as guiding principle for core processes and services
- Increase **process efficiency** in order management, provisioning & delivery

New business models based on DT assets



What it takes:

- Combine **trust & personalization** in brand core
- Build **D&A** and **segmentation capabilities**
- Scale app across footprint
- Use **standardized APIs** to integrate 3rd parties
- Foster more **entrepreneurial freedom**: Arms length setup

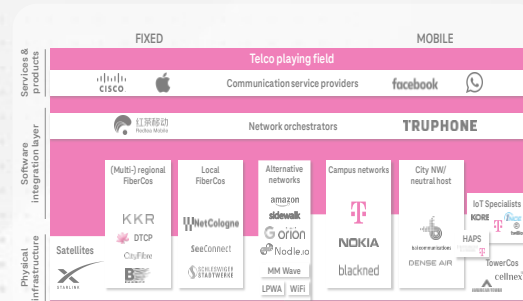
Build & scale Telco as a platform

Modular services, data & open APIs



- Modular & scalable services – accessible via open APIs
- Provide access to high quality data across silos & apply top notch analytics for best-in-class CX

“Network of networks”



- Build technology- & domain-agnostic orchestration capabilities
- Automation, cloudification & disaggregation

Best infrastructure



- Leadership in fiber & 5G
- DT with high infra-share (>60%) for ownership economics
- Strategic cooperations for faster network rollout

What it takes:

- Continue investing in **networks**: DT alone & with partners
- Adjust NT/ IT-architecture: **Cloud-based, open APIs**
- Build **network orchestration capabilities**
- **Democratize data & break-down silos** across DT
- Consistent **shut-down of legacy system**

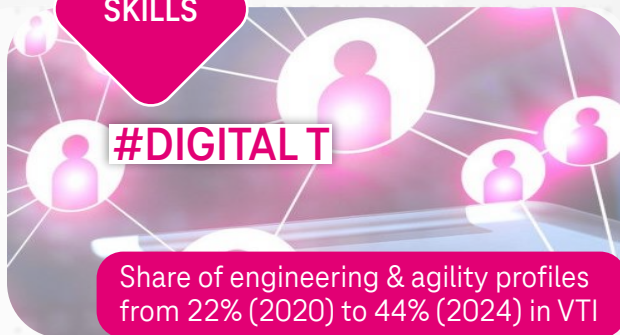
... and our transformation continues!

ESG



Climate-neutral in direct operations¹ until 2025

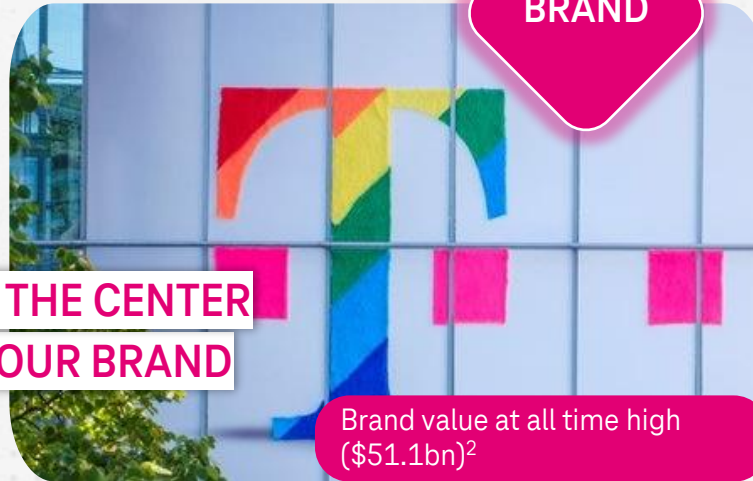
SKILLS



Share of engineering & agility profiles from 22% (2020) to 44% (2024) in VTI

BRAND

T IN THE CENTER
OF OUR BRAND



Brand value at all time high (\$51.1bn)²

CULTURE

#WERKSTOLZ

Pulse survey 05/2021:
86% are proud to be "T"

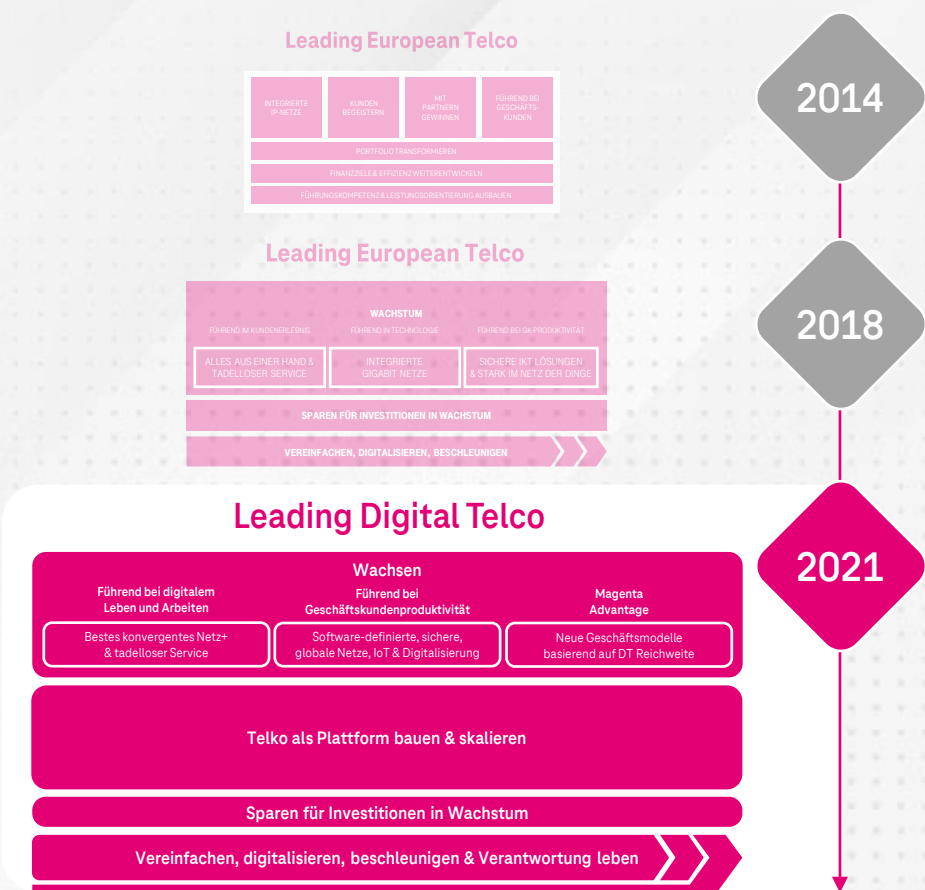
#WEWONTSTOP

PURPOSE

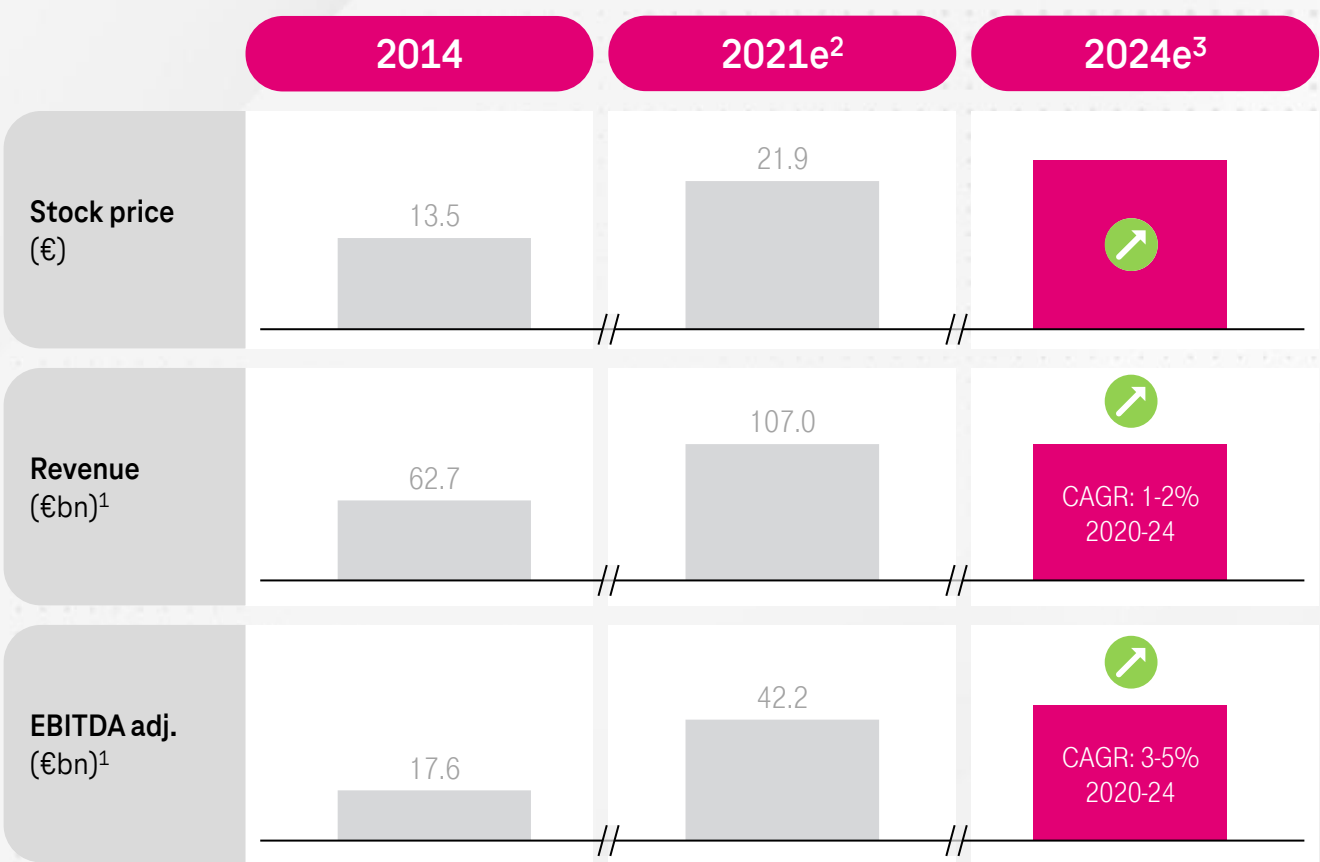
We are here for you – so you
can care for each other

Our commitment

Strategy development



Our performance



What we stand for

**We
grow**



... by turning customers into fans & strive to become the world's leading Telco brand

**First-class
portfolio**



– best assets, best markets & high discipline in managing portfolio & costs

**We
digitalize**



... businesses through best-in-class connectivity, digital solutions & cloud services – global, secure & self-service for customers

**Best
convergent
network**



– build, orchestrate & differentiate through the convergent “network of networks”.

**Best team
in the
industry**



– acting responsibly, recruiting digital talent & promoting entrepreneurship