

– The spoken word shall prevail –

**Press conference on the 2017 financial year
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Chief Financial Officer
Deutsche Telekom AG**

Ladies and Gentlemen,

I, too, would like to warmly welcome you to our press conference.

We delivered in 2017 and we are still growing. This growth continues to be fueled by rising capital expenditures, in Germany and in the United States. At the same time, we have kept our financial ratios within our comfort zone. And, of course, we also plan to keep our dividend commitment to our shareholders.

So, all in all, a very successful financial year. It was the third year in a row in which we achieved or exceeded the planned average medium-term growth rates communicated at the Capital Markets Day in 2015.

Our plan for the period 2014–2018 is to achieve average annual growth:

- of 1 to 2 percent in revenues,

- of 2 to 4 percent in adjusted EBITDA, and
- of around 10 percent in free cash flow.

Let me now briefly discuss our business performance in the fourth quarter of 2017.

Only at first glance do the reported financial figures not appear to reflect the strong customer growth that Tim Höttges and Dirk Wössner just mentioned.

Thus, reported revenue decreased by 2 percent to 19.2 billion euros. In organic terms, revenue grew by 2.7 percent.

More or less the same applies to adjusted EBITDA, where we recorded a decline of 4.7 percent. That was attributable to the weaker U.S. dollar, which had fallen around 9 percent year-on-year against the euro in the fourth quarter.

Taking the strength of the euro into account, earnings were on par with the prior-year level, as expected.

Net profit increased significantly in the fourth quarter, as in the full year. It was influenced by a number of positive and negative special factors in 2017, which more or less balanced each other out.

On the positive side, we recorded a one-time non-cash effect of 1.7 billion euros in the fourth quarter as a result of the tax reform in the United States.

Special factors on the negative side mainly resulted from the impairment of goodwill and property, plant, and equipment in the Europe segment, from expenses for staff-related measures, and from the reduction in the carrying amount of the financial stake in the BT Group.

Capital expenditures also increased by a further 5 percent to 2.9 billion euros in the fourth quarter, providing firm underpinnings for the ongoing positive trend in our customer numbers.

Allow me briefly to discuss developments in the operating segments that have not been mentioned yet.

T-Mobile US once again had an excellent quarter, as reported on two weeks ago.

The company increased its service revenues by 6.4 percent to 7.6 billion U.S. dollars, once again the strongest growth in the U.S. mobile industry. The service revenues of all our competitors declined over the same period.

The decline in earnings of some 5.7 percent in the three-month period was due, among other things, to the impact of hurricanes in the third and fourth quarters, as well as to higher sales and promotional expenses. Measured in dollars and in accordance with local GAAP, the company posted earnings growth of 4 percent in the fourth quarter – a figure that saw it exceed market expectations.

T-Mobile US plans to continue its success story in 2018, a story it has been writing for almost five years now and one that has carried the company to the top of the U.S. mobile market in terms of both customer growth and financial figures.

The number of postpaid customers is set to grow by another 2 to 3 million, and earnings will rise as well.

The company offers by far the fastest download and upload speeds of any U.S. mobile provider. The 4G/LTE network already covers 322 million people.

The low-frequency spectrum acquired in spring in the 600 MHz range will allow us to continue driving the network build-out in a complementary way, because these frequencies cover larger areas per radio cell and pass the walls of buildings with less attenuation than those, for example, in the 1900 MHz range.

This will ensure we meet several targets:

- We can further enhance network quality, especially in suburbs and rural areas.
- In-house mobile coverage will be significantly improved.
- We can expand the regions in which we have a well built-out, fast network, as well as shops. We currently cover some 260 million people. We can now offer our products in additional regions, often areas in which there have previously only been two providers.

Let us move on now to the Europe segment.

We continued to invest extensively in our networks here. Population coverage with LTE is now at 94 percent. That is 11 percentage points or some 13 million people more than a year ago.

We have won the latest mobile network tests in eight out of eleven countries. In the three other subsidiaries, we are only just behind the quality leaders.

In the fixed-network area, our fiber-optic network now covers 32 percent of all households, 1.3 million more than a year ago.

And, as expected, this improved network coverage has translated into substantially higher customer additions.

We again recorded significant year-on-year growth in terms of both mobile contract customers and broadband lines, and in sales of convergent product packages in the fourth quarter.

Revenue continued to increase in our growth areas – mobile data, fixed-network broadband, pay TV, and convergent product packages, as well as B2B/ICT. In the fourth quarter of 2017, it accounted for around 34 percent of total revenue, compared with around 30 percent a year earlier.

We thus made further progress in the turnaround announced for our European business. Both reported and organic revenue remained practically stable compared with the prior year.

The trend in organic adjusted EBITDA has shown a clear improvement over the last few years: from a year-on-year decline of 5.3 percent in the fourth quarter of 2015 to a decline of less than 1 percent in the most recent quarter.

For 2018, the Europe segment is planning an increase in adjusted EBITDA – for the first time in a very long time.

At T-Systems, revenue and especially adjusted EBITDA improved significantly year-on-year.

However, it should be noted that the fourth quarter of 2016 also included substantial expenses in connection with two legacy contracts.

There are further significant challenges ahead for T-Systems, especially in traditional IT business. Our competitors worldwide are also having to deal with pressure on margins, with restructuring and inorganic measures being the order of the day.

But T-Systems also has a whole range of business areas that are performing positively and hold great potential for the future.

The telecommunications business is delivering profitable results. Our cloud business is achieving double-digit growth and, in 2017, we generated revenue at Group level of more than 1.7 billion euros in this segment. The area of security is already contributing revenue that is clearly in the three-digit million range.

In the Group Development segment, T-Mobile Netherlands made great strides. In the full year, the company won 273,000 new contract customers, 77,000 of them in the fourth quarter. EBITDA also increased again.

The Netherlands is a highly competitive market dominated by KPN and Vodafone/Ziggo, each with convergence products.

The planned merger of T-Mobile NL and Tele2 is absolutely crucial if competition is to work in the customers' favor going forward, and is the only way to create a challenger with staying power.

Ladies and Gentlemen,

To close, I would just like to mention two special subjects: first, the dividend in kind and, second, funding of our pension obligations.

We introduced the dividend in kind at a time when it was apparent that we were headed towards a significant increase in capital expenditures, especially in the United States, due to the upcoming spectrum auctions.

It also gave shareholders an interesting choice.

Of course, the downside was the dilution of the shares of existing shareholders.

The auction in the United States ended very successfully for us. At the same time, we are still within our target debt corridor as of the end of the year.

We have therefore decided not to use this instrument any more.

Now for the funding of our pension obligations.

A few years ago, we began to increase external funding and regularly pay at least 250 million euros a year into plan assets. We now want to transfer our financial stake in BT to this fund.

The important thing is that we will retain all rights attached to the shares. At the same time, the share of external funding will rise to around 60 percent. This also means that, in the future, we will no longer make the annual payment of at least 250 million euros.

Ladies and Gentlemen,

We have a successful 2017 behind us, in which we achieved all of our forecasts.

Our development over the quarters underlines the fact that Deutsche Telekom's growth is based on an ever broader-footing.

As late as 2015, earnings growth was still attributable entirely to our U.S. business.

For 2018, the three major segments Germany, United States, and Europe all include sustainable EBITDA growth in their forecasts.

Just as set out in our long-term forecast: Deutsche Telekom is a growing company.