

Group Strategy

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CAPITAL
MARKETS
DAY 2021

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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA after leases, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, free cash flow after leases, gross debt, net debt after leases and net debt. These alternative performance measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

Key messages

01

Delivery

We have delivered on our promises from last CMD & will do so again

02

Growth

We will continue growing all relevant financials (Revenue, adj. EBITDA AL, FCF AL, ROCE, adj. EPS) ... at low risk (execution strength, AAA markets)

03

Network leadership

We remain dedicated network investors & will efficiently underpin our leading 5G & Fiber position... our investments are self-funded

04

US majority

We will take the path to US majority... at attractive conditions & leveraging TMUS shareholder returns

05

Efficiency

We digitalize the full stack end-to-end to support bottom-line growth via higher efficiency & to enable future-proof operations

06

Shareholders

We guarantee attractive shareholder returns with dividends being 40–60% of adj. EPS, our dividend floor remains at €60 c minimum

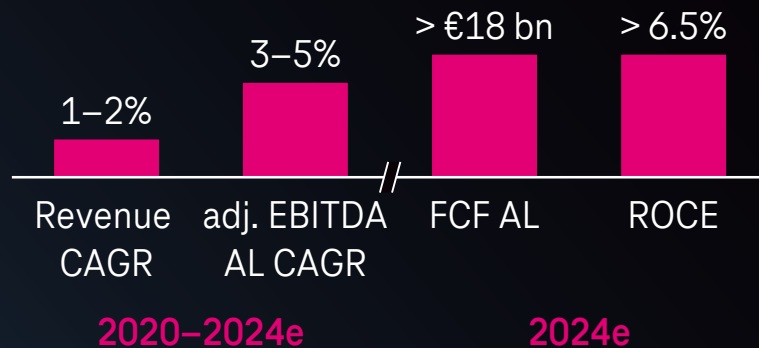
Accelerating our path to value creation

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 **US majority** (> 50%)



Deleverage & return to corridor in 2024

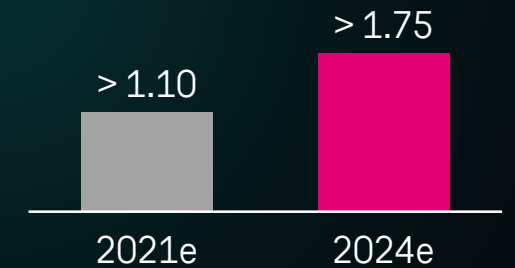


Strategic reviews for TMNL & Towers



SHAREHOLDER VALUE

Adj. EPS
€/share



Dividends

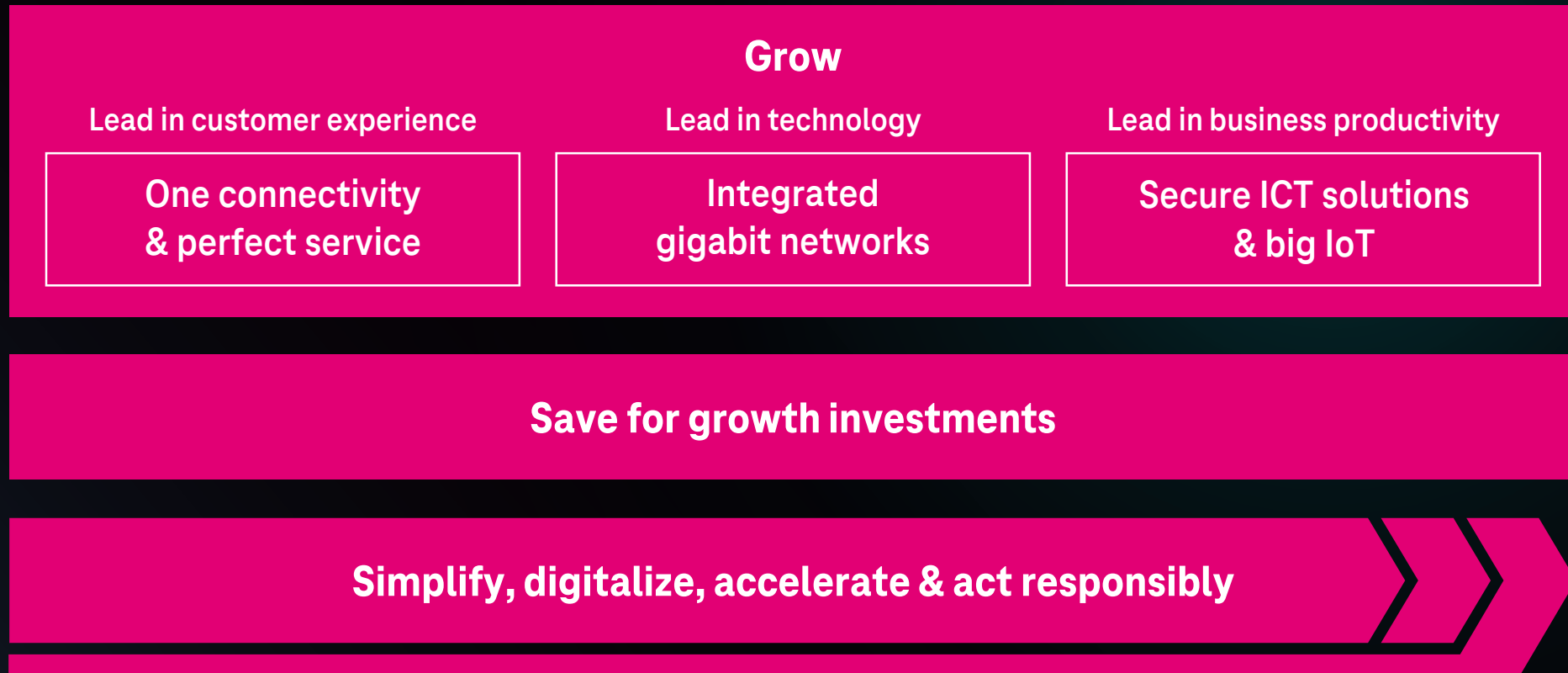
40-60%
of adj. EPS, with
minimum of €60 c



Review 2017–2021



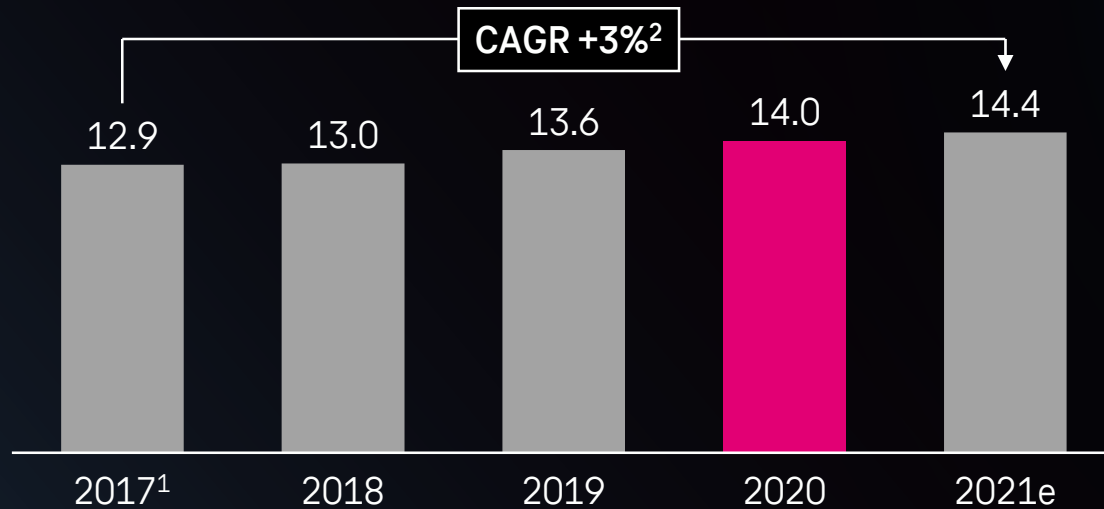
A strategy is a strategy is a strategy



We grow on both sides of the Atlantic

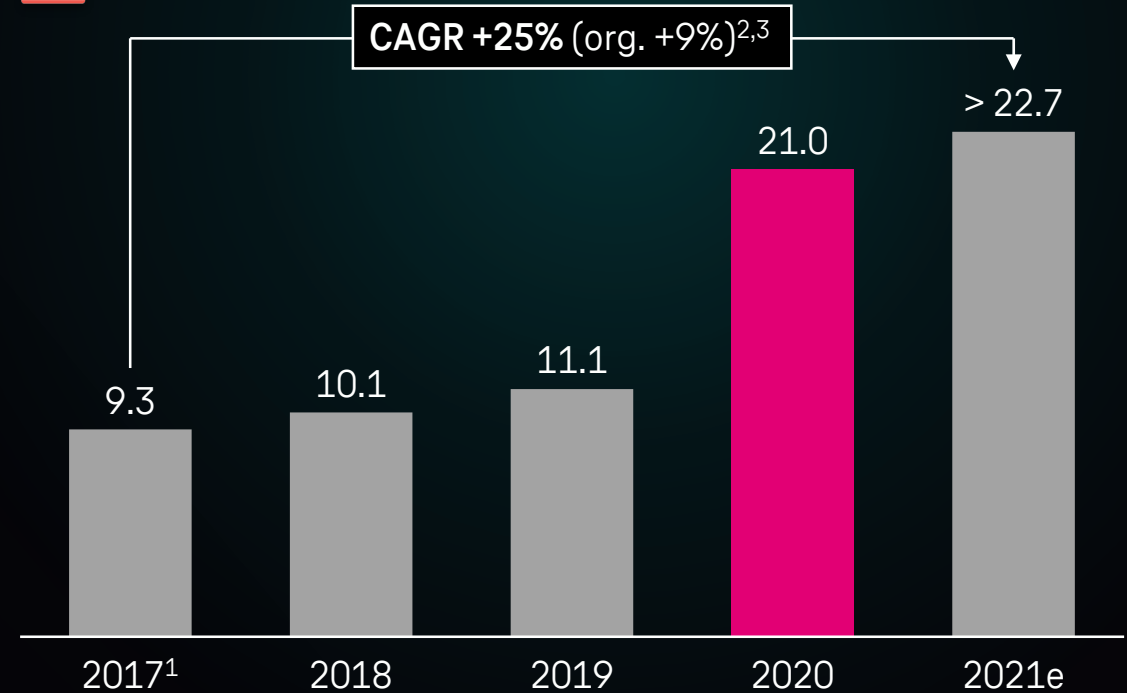
DT ex. US

Adj. EBITDA AL, € bn



T-Mobile US

Adj. EBITDA AL, € bn



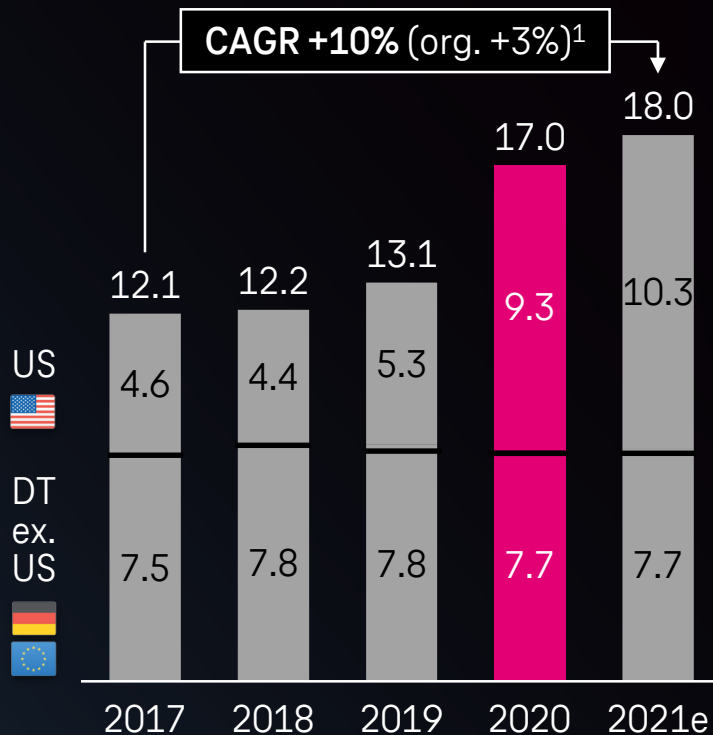
¹ On pre IFRS 16 base ² CAGR based on annual growth rates on a like-for-like basis ³ 25% inorganic CAGR incl. Sprint; 9% organic CAGR w/o Sprint; corrected for handset leases "Core EBITDA"



We invest a lot for a sustained growth momentum

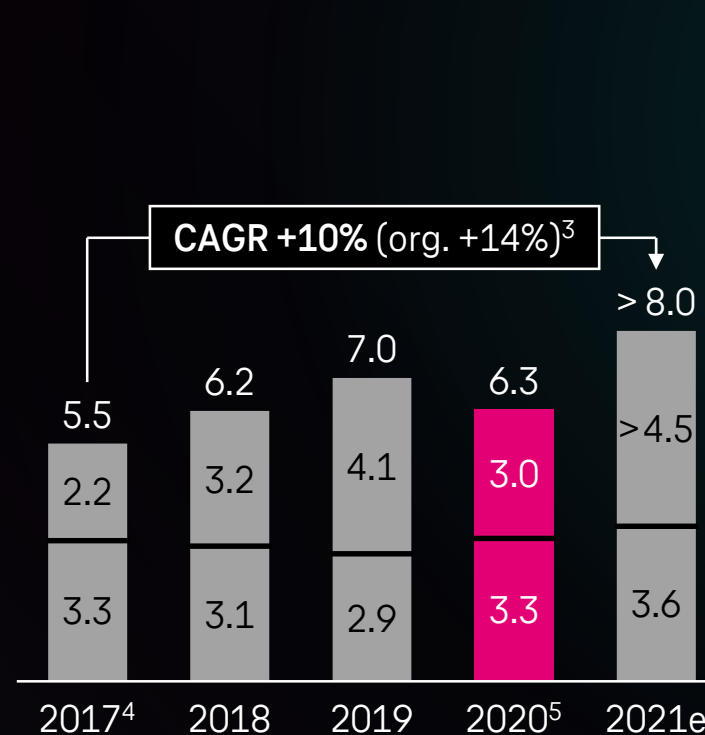
High investments...

Group Cash Capex excl. Spectrum, € bn



... while delivering on FCF...

Group FCF AL², € bn



... and creating the baseline for future growth

GER (YE 2020)



- 99% LTE HH cov., 67% 5G PoP cov.
- 82.5% FTTC HH cov.

EU (YE 2020)



- 98% LTE PoP cov., 43%/29% 5G PoP cov. in GR/AT
- > 4 mn FTTH/B HH cov. in GR, HU, SK & HR

TMUS (YE 2020)



- Leading spectrum position
- > 99% LTE PoP cov., 5G cov.⁶ > 280 mn people

¹ 10% inorganic CAGR; 3% organic CAGR based on annual growth rates on a like-for-like basis; DT ex. US 2017 organic: €7.6 bn ² Before dividend payments & spectrum invest, in 2020 also before Payer Swap & Zero Bond
³ 10% inorganic CAGR; 14% organic CAGR based on annual growth rates on a like-for-like basis ⁴ On pre IFRS 16 base ⁵ Decline due to merger related cash payments ⁶ Extended 5G coverage

Outinvest pays off: We are gaining customers across footprint

GER
 Mobile postpaid customers
 CAGR 2017–2020



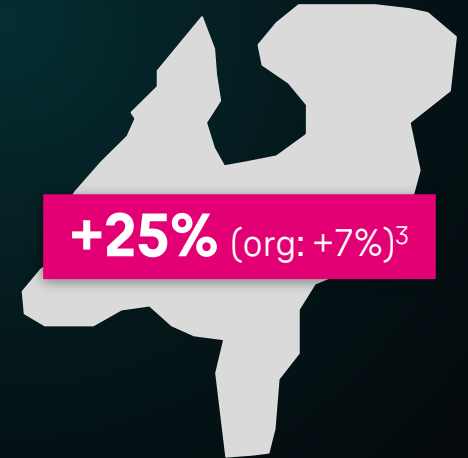
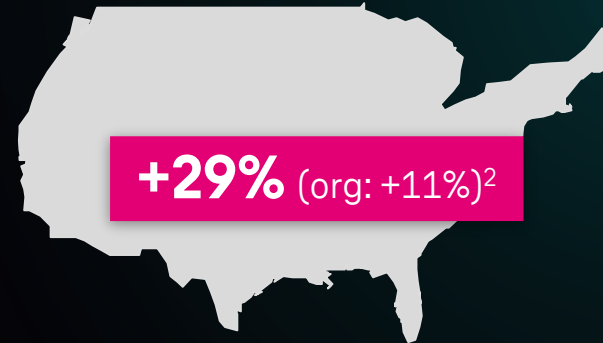
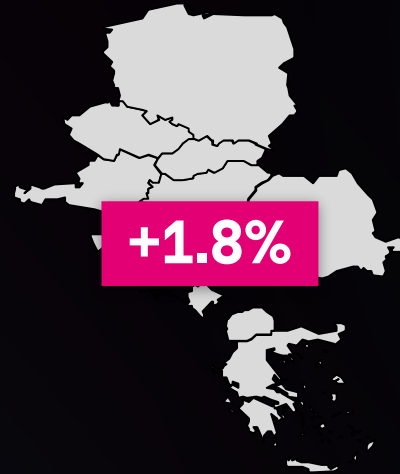
EU
 Mobile postpaid customers
 CAGR 2017–2020



US
 Mobile postpaid customers
 CAGR 2017–2020



NL
 Mobile postpaid customers
 CAGR 2017–2020



MARKET LEADER

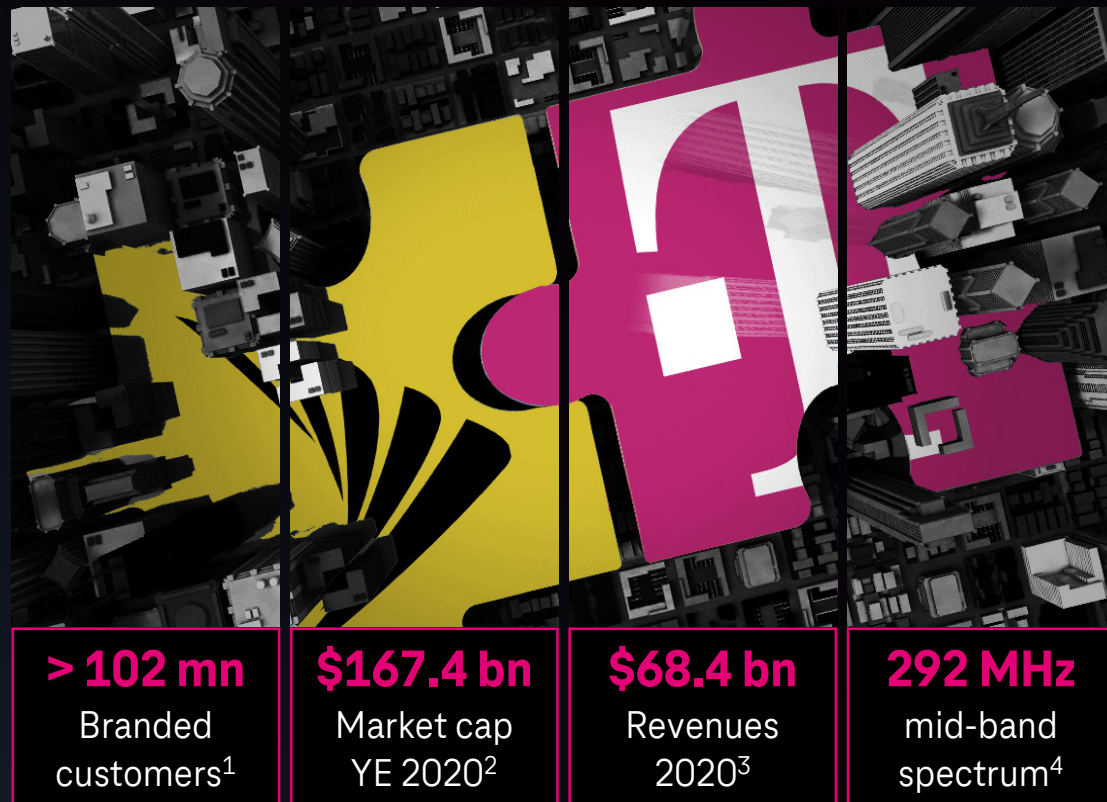
MOBILE ATTACKER

¹ Excl. Lebara ² 29% inorganic CAGR incl. Sprint; 11% organic CAGR w/o Sprint ³ 25% inorganic CAGR; 7% CAGR incl. Tele2 & excl. SIMPEL + excl. consolidation impacts



US: Deal closed, new #2 created & delivered best performance ever

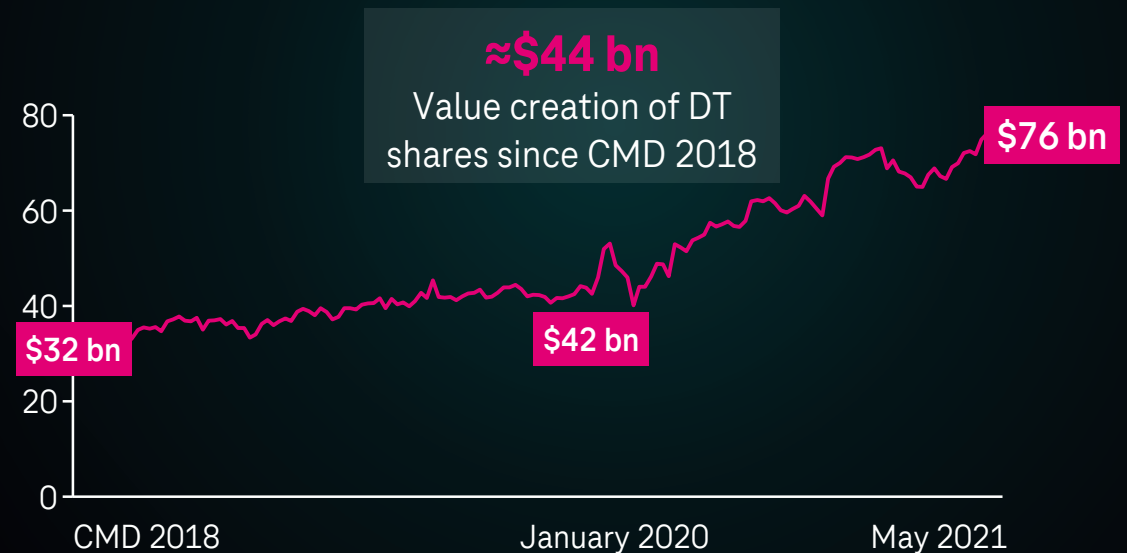
The “new T-Mobile US”: Baseline for leadership set



¹ YE 2020 ² May 14th, 2021 ³ FY 2020 ⁴ Current mid-band holdings after clearance, 2024+

Value creation & deal cornerstones

Market value of DT share in TMUS, \$ bn²



> 43% DT ownership in T-Mobile US ¹	101.5 mn shares Path to majority negotiated, option for additional shares
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Cleaned the garage, created new growth & kept discipline!



**CLEANED THE
GARAGE**

- Divested RO fixed line asset (€268 mn)
- Divested Telekom ALB (€50 mn)
- Toll Collect €9.6 bn arbitration risk, DT to pay €550 mn



**CREATED
NEW GROWTH**

- FMC merger AT (+93% FMC HH¹) & NL (+250% Broadband net adds²)
- Turn-around NL (+62% market share²), now #1 mobile
- Towers separated (DFMG, AT, NL) & actively managed (NL: €650 mn realized)



**KEPT DISCIPLINE:
WE SAID "NO" TO...**

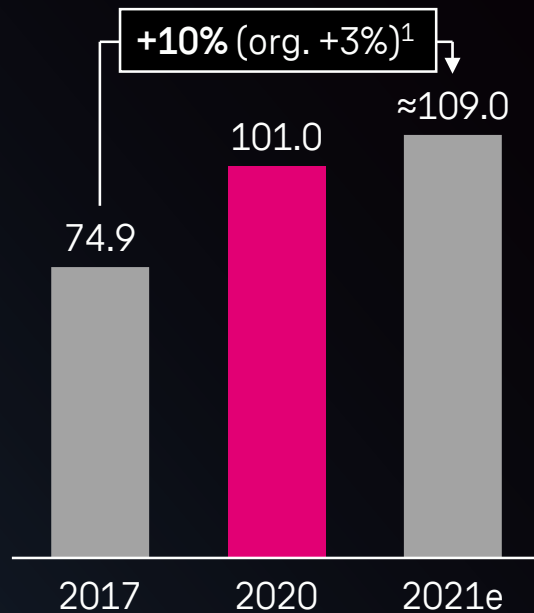
- ... off-footprint acquisitions
- ... expensive premium content deals
- ... big adjacency acquisitions

¹2019 vs. 2020 ²2017–2020

Consequently, we grow on all levels & outperform peers...

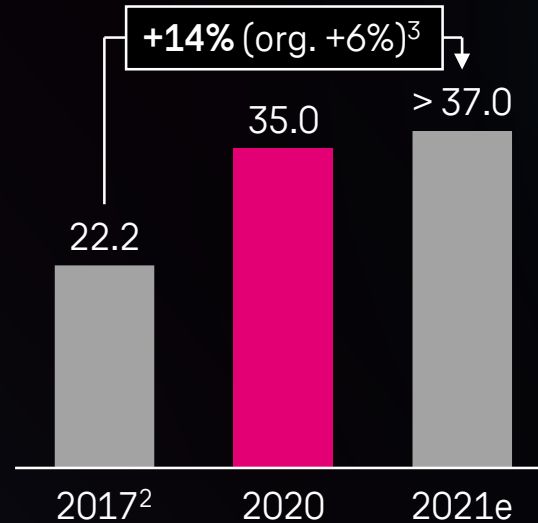
Revenue

€ bn



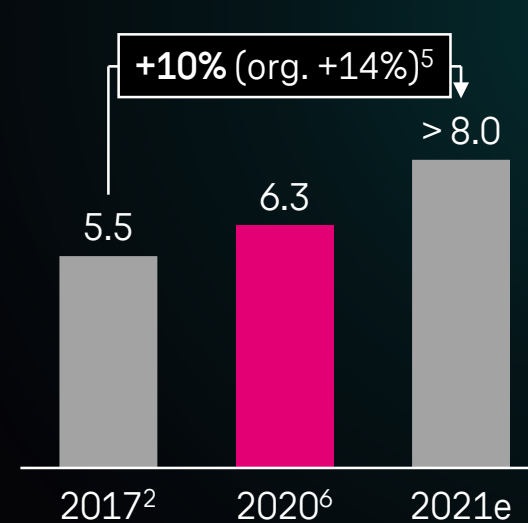
Adj. EBITDA AL

€ bn



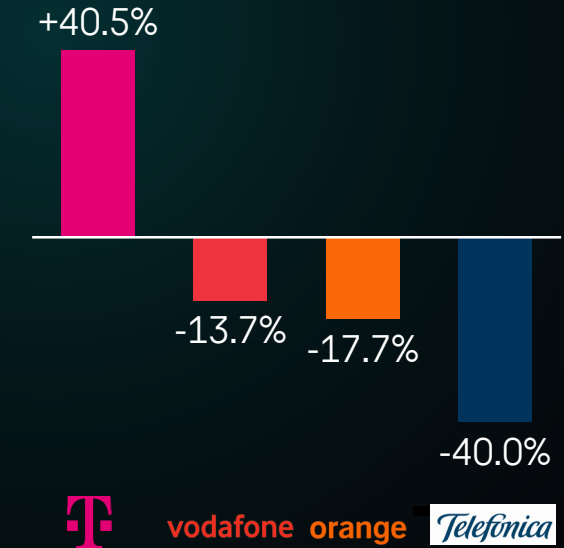
FCF AL⁴

€ bn



TSR⁷

May 23rd, 2018–May 14th, 2021



¹ 10% inorganic CAGR; 3% organic CAGR based on annual growth rates on a like-for-like basis

² On pre IFRS 16 base

³ 14% inorganic CAGR; 6% organic CAGR based on annual growth rates on a like-for-like basis; Corrected for handset leases "Core EBITDA"

⁴ Before dividend payments & spectrum invest, in 2020 also before Payer Swap & Zero Bond

⁵ 10% inorganic CAGR; 14% organic CAGR based on annual growth rates on a like-for-like basis

⁶ Decline due to merger related cash payments ⁷ Source: FactSet



CMD 2018 commitments: Strong delivery

	Ambition 2017–2021e	Achievements 2020 ¹	2017–2021e ³	Merger impact
Revenue CAGR	▪ 1–2%	▪ 3.0%	●	
Adj. EBITDA (AL) CAGR	▪ 2–4%	▪ 6.4%/7.7% ²	●	
Adj. EBITDA (AL) CAGR (ex US)	▪ 2–3%	▪ 3.3%	●	
FCF (AL) CAGR	▪ ≈10%; 2021: > €8 bn	▪ 9.6%	●	▪ Dilutive
FCF (AL) (ex US)	▪ 2021: ≈€4 bn	▪ €3.3 bn	●	▪ Dilutive
Adj. EPS	▪ 2021: ≈€1.2	▪ €1.2 (€1.05 ex SB options)	●	▪ Dilutive
ROCE	▪ ROCE > WACC	▪ 4.6% > WACC	●	▪ (Dilutive)
Cash Capex (ex US)	▪ Stable	▪ Stable	●	
Adj. indirect cost (AL) (ex US)	▪ €1.5 bn (net savings)	▪ €1.4 bn	●	
Dividend	▪ To reflect growth in adj. EPS; €50 c floor	▪ €60 c in 2020	●	▪ (Dilutive)

¹ On a like-for-like basis, actual results 2017–2020, or respectively actuals 2020 ² Corrected for handset leases “Core EBITDA” ³ Merger impact taken into consideration

Telco vision 2030



Let's imagine our world...



... in 2030



Paradigm shifts ahead – our telco vision 2030

01 B2C: From connectivity to customer experience

Connectivity everywhere: Massive devices as real-time data sources

New form of connectivity: Embedded & context-aware QoS

Embedded Connectivity
 Always best connected with Telekom
 Buy it & use it ... integrated, secure connectivity – modular & off-the-shelf

Dynamic & context-aware

Consumer IoT: QoS: Low power
 Mobile gaming: QoS: Low latency
 8K conference: QoS: High bandwidth

5G network slice | Home network slice

1 Source: Statista 2 YE 2020

02 B2B: From dedicated to software-driven enterprise solutions

Communication: VOICE: Voice, data and messaging services

Security: Central enterprise firewalls

Mobile connectivity: Mobile best effort data connectivity

FROM

TO

Enterprise Communications & Collaboration (ECC) solutions integrated into office suites

Context-specific app security (zero-trust network, secure access service edge)

Secure, dedicated network slices

One-stop-shop/ Global connectivity offerings

03 From ESG as hygiene factor to ESG as differentiator

ESG has become a social norm

Consumer behavior driven by social & environmental consciousness

ESG industry standards defined by politics & NGOs

Impact on industry on all levels

- ESG compliance driving shareholder value
- CO₂: Low-carbon economy
- €/MWh: Green energy & CO₂ offsetting
- TCFD: Executive pay & fin. reporting linked to ESG
- x7.1: Enabling of CO₂ reduction as differentiator¹

¹ DT in GER in 2020: 7.1, figure exemplary for enabler factor as differentiator

04 From monolithic incumbent to orchestrator – network of networks

FIXED | MOBILE

Telco Playing Field

Communication Service Providers: Cisco, Apple, Facebook, WhatsApp

Network Orchestrators: TRUPHONE

Software Integration Layer: (Multi-)Regional FiberCos, Local FiberCos, Alternative Networks, Campus Networks, City NW/ Neutral Host, IoT Specialists

Physical Infrastructure: Satellites, KKR, DTK, NetCologne, SeeConnect, Amazon, sidwalk, orion, Nodle.io, NOKIA, blackned, TowerCos, cellnex

05 From vertical silos to Telco-as-a-platform – cloud-native, API-based

Digital-first customer experience & service operations

B2C, B2B & B2B2C customer journeys

Telco as a platform: Scalable software integration layer

Unified data & analytics engine | Network/multi-domain orchestration | Product/service development | Embedded security | Platform-based services

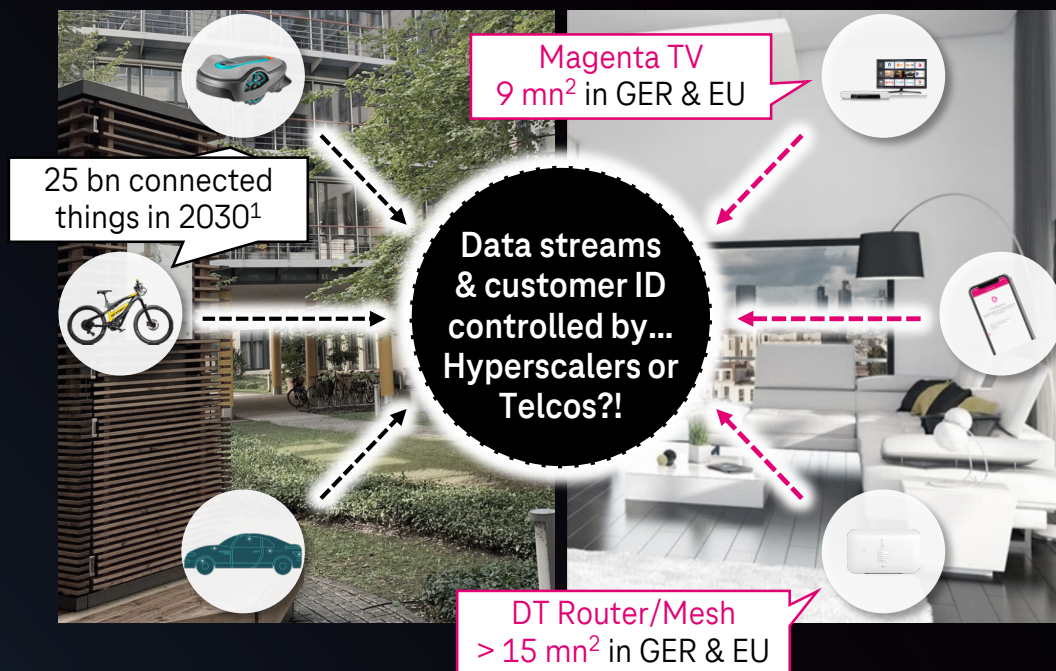
Telco & partner networks, services & capabilities via microservices & APIs

DT service 1, DT service 2, DT service 3, DT service ..., Telco service 1, Telco service 2, Telco service ..., Partner service 1, Partner service 2, Partner service 3, Partner service 4, Partner service ...

Harmonised business logics and APIs

From connectivity to customer experience

Connectivity everywhere: Massive devices as real-time data sources



New form of connectivity: Embedded & context-aware QoS



Embedded connectivity

Always best connected with Telekom
Buy it & use it... integrated, secure connectivity – modular & off-the-shelf



Dynamic & context-aware

Consumer IoT	Mobile gaming	8K conference
QoS: Low power	QoS: Low latency	QoS: High bandwidth

5G network slice

Home network slice

¹Source: Statista ²YE 2020



From dedicated to software-driven enterprise solutions

FROM

Communication



Voice, data and messaging services

Security



Central enterprise firewalls

Mobile connectivity



Mobile best effort data connectivity

TO



Enterprise Communications & Collaboration (ECC) solutions integrated into office suites



Context-specific app security (zero-trust network, secure access service edge)



Secure, dedicated network slices

One-stop-shop; Global connectivity offerings



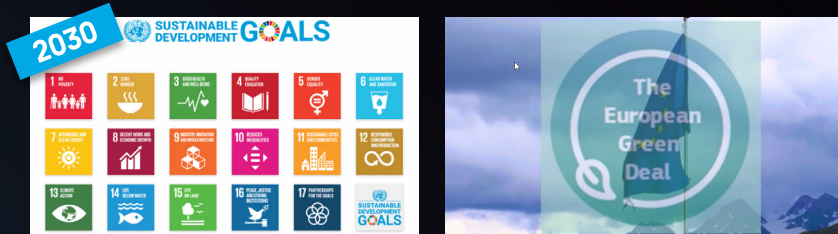
From ESG as hygiene factor to ESG as differentiator

ESG has become a social norm

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ESG industry standards defined by politics & NGOs



Impact on industry on all levels



ESG compliance driving shareholder value



Low-carbon economy



Green energy & CO₂ offsetting



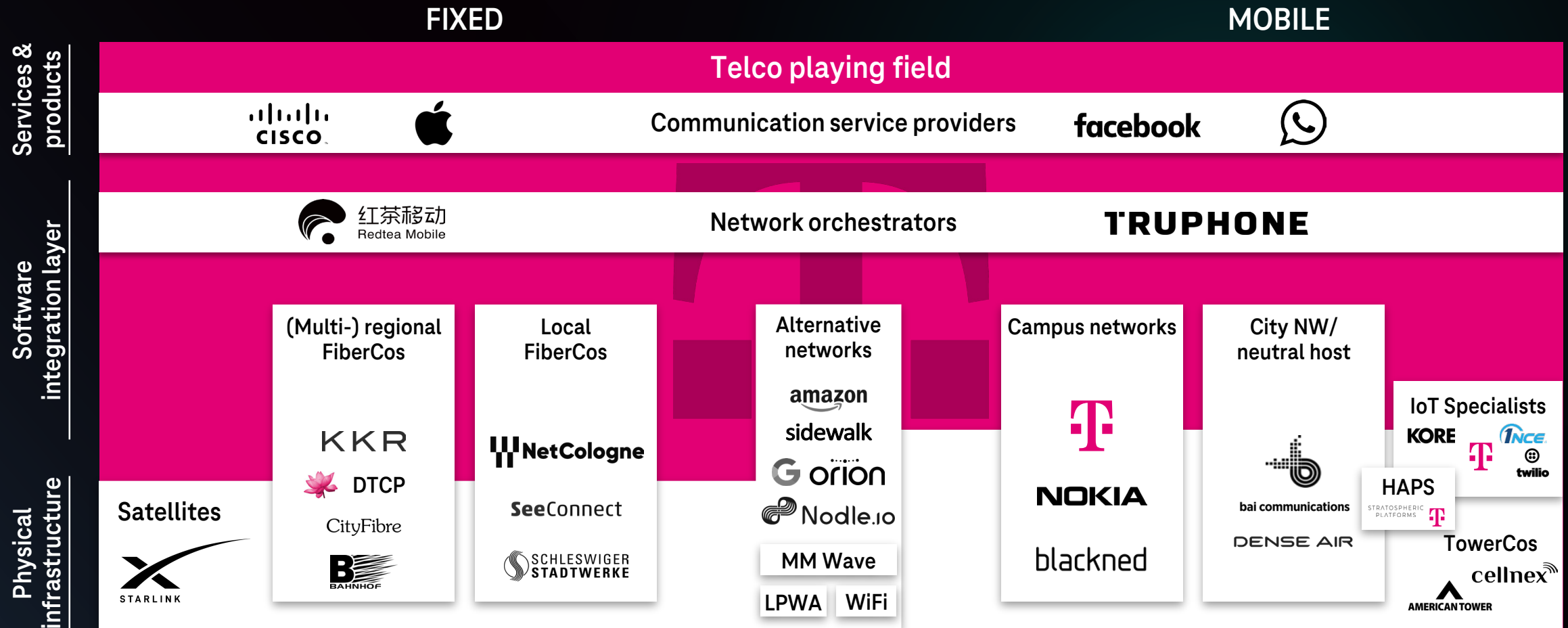
Executive pay & fin. reporting linked to ESG

x7.1

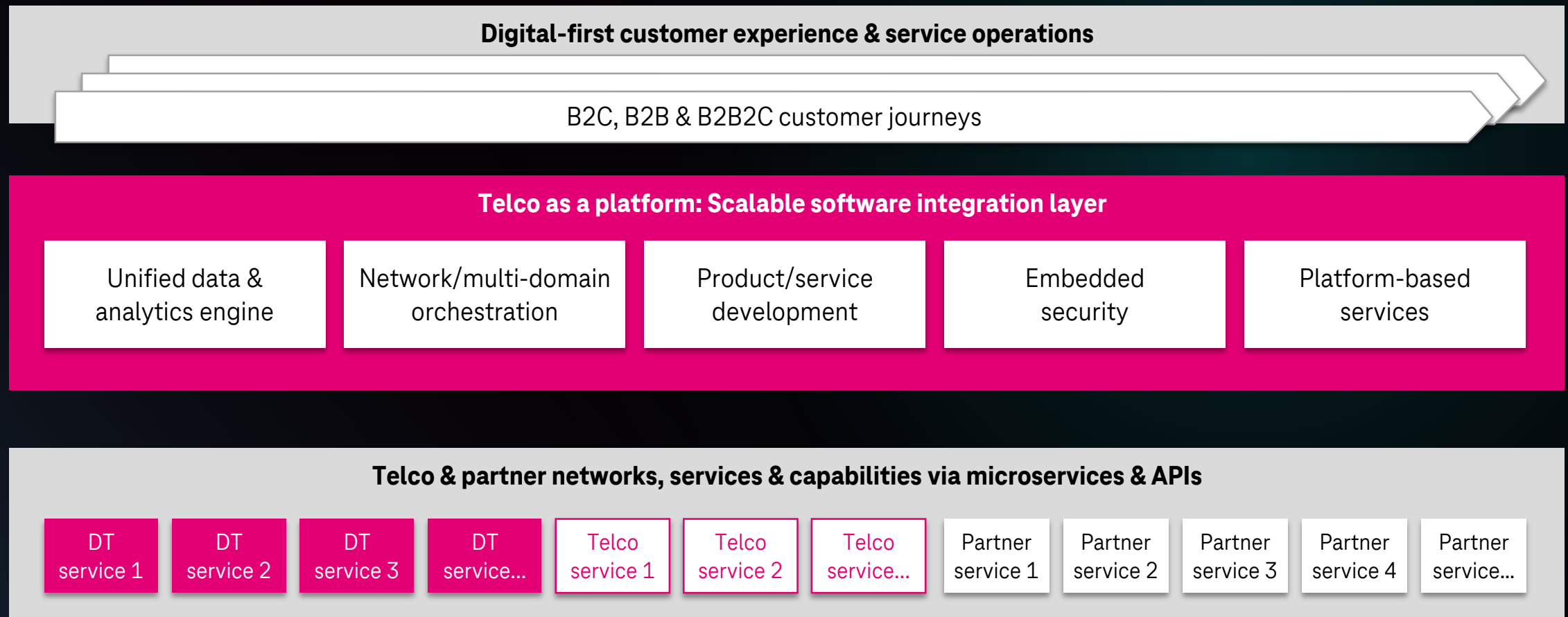
Enabling of CO₂ reduction as differentiator¹

¹DT in GER in 2020: 7.1, figure exemplary for enablement factor as differentiator

From monolithic incumbent to orchestrator – network of networks



From vertical silos to Telco-as-a-platform – cloud-native, API-based



Harmonized business logics and APIs

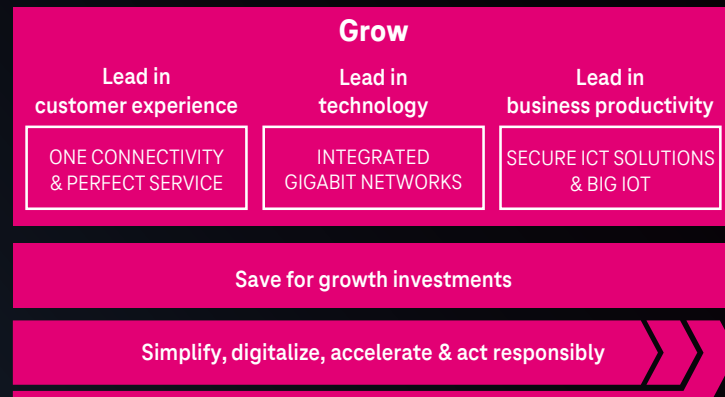
Strategy 2021–2024



These paradigm shifts drive our strategy evolution

What is right, stays right

A strategy is a strategy...
is a strategy!



Paradigm shifts ahead – telco vision 2030

- 01 B2C** From connectivity to customer experience
- 02 B2B** From dedicated to software-driven enterprise solutions
- 03 People, society & environment** From ESG as hygiene factor to ESG as differentiator
- 04 Networks** From monolithic incumbent to network orchestrator
- 05 Digitalization** From vertical silos to Telco-as-a-platform – cloud-native, API-based

Future growth levers: 2021–2024

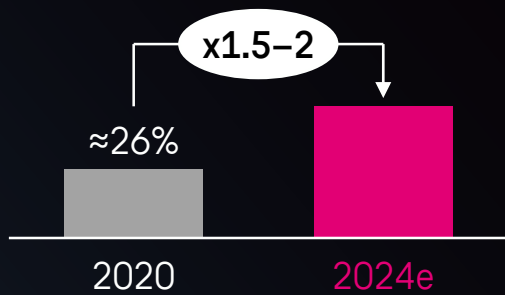
- Grow by turning customers into fans
- Become digital enabler
- #GreenMagenta, #GoodMagenta
- Build, orchestrate & differentiate
- Digitalize, digitalize, digitalize ... the full stack

...

Grow by turning customers into fans

LEAD IN FMC EXPERIENCE

GER FMC penetration in Broadband customer base



- **Best connectivity** experience
- **Seamless** interplay
- Innovations **beyond core**

BEST MOBILE EXPERIENCE

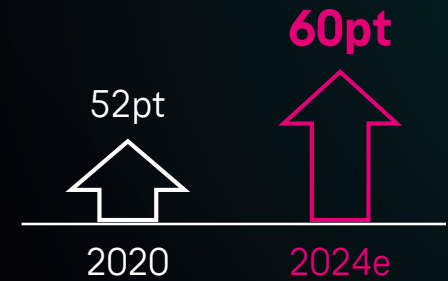
TMUS postpaid & home Broadband customer ambitions

Ambitions:
 Industry leading growth in branded postpaid customers incl. 7-8 mn home Broadband customers (by 2025)

- **Best 5G network**
- Fixed-Wireless-Access

DIFFERENTIATED SERVICE

GER first contact resolution rate



- **Personalized**, offline & digital
- **1st time right**
- **“Heimvernetzung”**

AMBITION 2024e

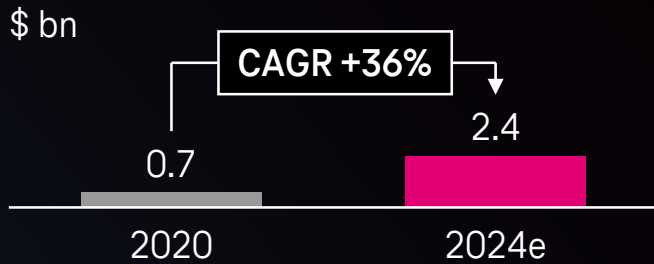
≈10 mn FMC households

- Industry leading growth** in branded postpaid customers
- Extend all-time-high customer satisfaction**
- Rejuvenate brand & raise digital optimism**

Leading B2B telco in Europe & digital enabler across footprint

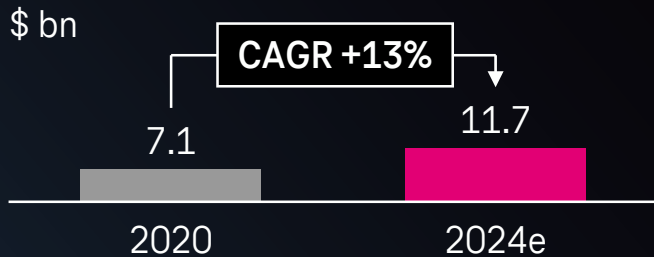
WAN SHIFTS TO THE CLOUD

SD-WAN end user spending^{1,2}



ECC WITH TAILWIND

UC end user spending^{1,2,3}



Enterprise networks

Manage value of customer base & create next gen portfolio (SDx, ECC, 5G Campus, ...)

IoT & security

Beyond core: Leverage best networks & global footprint to scale growth topics

Cloud & Digital

Secure multi-cloud & digital environments with strong industry orientation & sovereignty at the core

AMBITION 2024e

≈+2% B2B revenue CAGR

≈x2 B2B market share

x2 IoT revenue⁴ (to €0.6 bn)

> +50% Public cloud revenue⁵ (to €0.5 bn)

¹ In Europe ² Source: Gartner ³ UC = Unified Communications, significant share of ECC (Enterprise Communications & Collaboration) ⁴ DT Group external, GER w/o Smart City ⁵ DT Group internal/external

Leading European telco also means responsibility!



#GreenMagenta, #GoodMagenta... driving ESG to next level

AMBITION NEXT YEARS

100%

Electricity from renewables
for DT Group in 2021

New

0%

Scope 1+2: Net Zero own emissions 2025¹
Scope 3: Net Zero emissions value chain 2040²



Increase in energy efficiency
during network growth



Maintain all-time-high
in employee satisfaction

ESG incentives

Since 2010: ESG-based LTI for BoM
(customer & employee satisfaction, ...)

Since 2021: Energy & CO₂ in
BoM STI; next: ESG STI beyond BoM

New

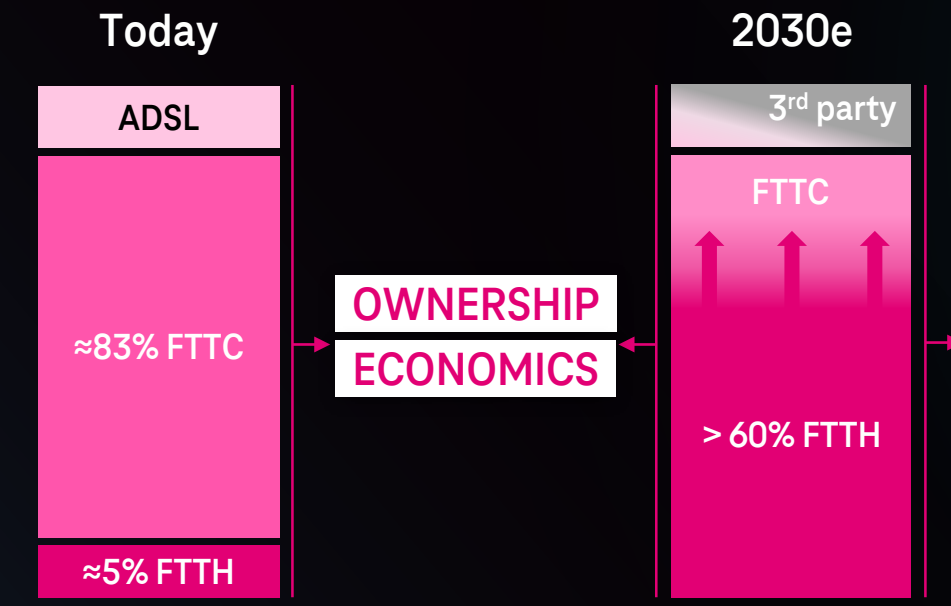


¹ Net Zero for Scope 1+2 (emissions from own activities & from purchased energy) ² Zero value chain emissions incl Scope 3 (emission from upstream & downstream activities)

Build, orchestrate & differentiate... #1 in Fiber & 5G

Fiber ambition

GER HH coverage



OWNERSHIP
ECONOMICS

MONETIZATION VIA
DIFFERENTIATION

GER retail market share

≈39%

≥ 40%



AMBITION 2024e

x4

Fiber HH up to 2.5 mn p.a.



+0.2 mn

Fiber HH¹ to 1.1 mn p.a.



Bring 5G to the masses

97%

5G PoP coverage



> 75%

5G PoP coverage



≈97%

5G coverage (already 2022e)²



Source: Capital IQ, Ericsson ¹ NatCos in AT, CZ, GR, HR, HU, ME, MK, SK ² 600 MHz, 90% for 2.5 GHz in 2023e



Digitalize, digitalize, digitalize... the full stack

- Boost eSales & **digital reach**
- **Service automation** & remote provisioning
- **Predictive & proactive** maintenance

CUSTOMERS & FRONTLINE



NETWORK & IT

- Open RAN & **cloudification**
- **Agile, cloud-native** IT (#time-to-market)

OPERATIONS

- Scale **RPA & AI...**
- ... to boost **internal efficiency** (+€300 mn EBITDA AL impact by 2024e)

AMBITION 2024e

30% eSales share



25–30% eSales share



2.0 Months time-to-market



1.0 Month time-to-market



We leverage our unique portfolio & generate synergies across group

TRANSLANTIC LEADERSHIP

Leverage weight across AAA markets in Western hemisphere

BUILD ONCE AND SCALE

Generate synergies & scale innovation across footprint


REPEATABLE PLAYBOOK

Leverage best practices across footprint




AMBITION 2024e

+50% ROCE in region GER 

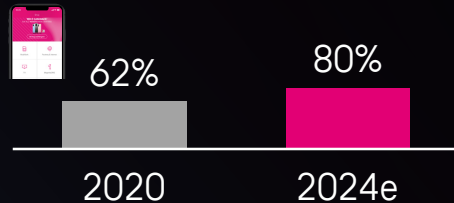
≈x2 B2B market share accelerated by B2B learnings in Europe 

SCALE OneApp 

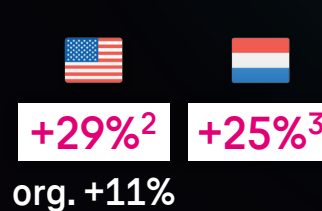
DT market position

#1 in Europe  
 #1 US soon to be 

EU OneApp Penetration





Mobile customers¹



FMC HH¹



75% of router base with own DT OS  

¹ CAGR 2017–2020 ² 29% inorganic CAGR incl. Sprint; 11% organic CAGR w/o Sprint ³ 25% inorganic CAGR; 7% CAGR incl. Tele2 & excl. SIMPEL + excl. consolidation impacts

Midterm ambition level



Midterm ambition level

	Midterm ambition level ¹	Year
Revenues	<ul style="list-style-type: none"> ▪ Group: CAGR +1–2% 	<ul style="list-style-type: none"> ▪ 2020–2024e
Total service revenues	<ul style="list-style-type: none"> ▪ Group: CAGR +3–4% 	<ul style="list-style-type: none"> ▪ 2020–2024e
Adj. EBITDA AL	<ul style="list-style-type: none"> ▪ Group: CAGR +3–5% ▪ Ex US: CAGR +2–3% 	<ul style="list-style-type: none"> ▪ 2020–2024e ▪ 2020–2024e
Adj. Core EBITDA AL	<ul style="list-style-type: none"> ▪ Group: CAGR +5–6% 	<ul style="list-style-type: none"> ▪ 2020–2024e
FCF AL	<ul style="list-style-type: none"> ▪ Group: > €18 bn ▪ Ex US: €4 bn 	<ul style="list-style-type: none"> ▪ 2024e ▪ 2024e
Adj. EPS	<ul style="list-style-type: none"> ▪ > €1.75 	<ul style="list-style-type: none"> ▪ 2024e
ROCE	<ul style="list-style-type: none"> ▪ > 6.5% 	<ul style="list-style-type: none"> ▪ 2024e
Cash Capex	<ul style="list-style-type: none"> ▪ Ex US: ≈€8.2 bn 	<ul style="list-style-type: none"> ▪ 2024e
Adj. indirect cost AL	<ul style="list-style-type: none"> ▪ Ex US: -€1.2 bn (net savings) 	<ul style="list-style-type: none"> ▪ 2020–2024e
Shareholder remuneration policy ²	<ul style="list-style-type: none"> ▪ Adj. EPS payout ratio 40–60%, Floor €60 c 	<ul style="list-style-type: none"> ▪ 2021–2024e

¹ Based on constant exchange rates (average exchange rate 2020 of €1 = US\$1.14) and no further changes in the scope of consolidation ² Subject to necessary AGM approval and Board resolution