

– The spoken word shall prevail –

**Speech for Deutsche Telekom's shareholders' meeting  
in Cologne on May 21, 2015**

**Timotheus Höttges**  
**Chairman of the Board of Management**  
**Deutsche Telekom AG**

Ladies and Gentlemen,  
Shareholders,

I would like to bid you a warm welcome to the Deutsche Telekom shareholders' meeting, also on behalf of our 230,000 employees.

A year ago, I spoke here about responsibility. Responsibility for our customers. Responsibility for the people and their families who work at Deutsche Telekom. And, of course, responsibility toward those who invest their capital in Deutsche Telekom. Namely you, our shareholders!

This responsibility has motivated me and the whole of Deutsche Telekom. The year 2014 was characterized by good team spirit, encouragement, and the will to change at all levels. This built a momentum, which certainly paid off:

2014 was a good year for Deutsche Telekom. And it was a good year for the T-Share!

My very warm thanks to all colleagues for their efforts!

All good things must be followed by even better ones. Digitization is changing the business world and therefore also Deutsche Telekom. It offers us massive opportunities:

- Better, tailored products for all
- Major progress in medicine, energy efficiency, and storm forecasting
- Further workload easing for people in many areas of production
- And, above all, new prosperity for the coming generation

We want to make use of these opportunities. Here in Europe. For us as a business enterprise. But also for and with others. We are accompanying entire industries in the transition to connected work, production, and sales. Deutsche Telekom is part of the Architecture for a Digital Future, which is also the title of our annual report. Today, I will be talking about this architecture.

First, an architect needs a clear picture of the finished building. We want to be the leading European telecommunications provider. The blueprint for this is our strategy. I will be talking about this in the first part.

Second, I will describe the progress we have made on the implementation side. This is the building progress. It will make sense to take a look at the figures as I do so.

And third, of course, I will look at the next phases of building. Specifically, our financial planning for the next three years.

First, the blueprint. The strategy, which you will remember from last year:

## 1. Integrated IP networks

Networks are the basis of all things. This is why we invest more than any other company. A large proportion of our investments totaling almost EUR 10 billion goes into networks.

What do we do specifically with your money?

We are building a network architecture that operates completely on the basis of the Internet protocol. The abbreviation for this is IP. Everything speaks one language: mobile and fixed networks. As well as all the applications running on them. Your answering device or your TV set, for example. And all devices connected to them. Your heating system and your household appliances. Even the connected car. Everything can communicate with each other because it all speaks one language.

Our new network will be more efficient and more powerful. And we are building it in all our European markets with a fixed network. We plan to migrate all Deutsche Telekom lines to this protocol by the year 2018. We have already reached the 10 million mark. And we are currently increasing this figure at the rate of 100,000 per week.

And we interconnect the networks across several countries. This is good for our customers. Here is just one example: Up to now it took 30 days from order placement to build an international corporate network for a business customer. In our new European network, it only takes 15 minutes!

We ensure that even more people travel at even faster rates on the data highways.

- LTE high-speed mobile technology makes up to 300 megabits per second possible. It lets you download a Hollywood movie in top quality to your computer in less than a minute. And we plan to make it available to up to 95 percent of the population in Germany and in many European countries by 2018.
- In the fixed network, it would be wrong to write off copper already. We can still do more about speed. But there is no doubt about it: Optical fiber is the future. But it is the combination of such technologies that makes it possible to deliver high-speed Internet to large numbers of people at short notice. At the same time, it helps us accelerate fiber buildout: We lay optical fiber right up to the front garden. From there, we use what is known as the vectoring method, which will soon make 250 megabits per second possible on the copper cable. The next step into the home to complete fiber buildout is then only a short one.
- We also kept our promise and brought the hybrid router to market in January. It is called hybrid because it can do both. We use it to combine the fixed and mobile networks. In this way, we will very soon achieve as much as 550 megabits.

Ladies and Gentlemen,

We do not just talk, we act. With our data highways we do not just connect people in the big cities. We connect everyone. The Federal Government's broadband targets are feasible. If the regulators support us, Deutsche Telekom will even reach these targets by 2018 single-handedly. We will then be providing 80 percent of all households in Germany with high-speed Internet. With at least 50 megabits per second. And, with the announced funding, we will be able to deliver to even more households.

## 2. Best customer experience

In everything that we as a business enterprise do we ask ourselves: What do our customers want?

Of course, they want products that are easy to operate. I showed you an example, our new router, a moment ago.

In addition, our customers want to be able to reach us round the clock. Via any channel. Traditionally, of course, in one of our Telekom shops. But we also take advantage of the opportunities for an even more direct exchange with customers via the Internet. We have hundreds of thousands of contacts with our customers via Twitter and Facebook. We also approach our customers actively. We explain things. We have uploaded 120 videos to the YouTube portal. In them, we provide readily understandable answers to frequently asked questions. These videos have been viewed more than a million times.

And if a hitch occurs in service, we react. Like last year, when we had problems with the changeover to the Internet protocol. We now have 2,000 more colleagues working in customer care and IT.

After all, our customers prefer to buy everything from a single source. Fixed network, mobile communications, and other services such as television. Customers today do not care any more which technology takes them into the Net. They simply want the best connection. In Germany, only Deutsche Telekom can do all this. With MagentaEINS, we are the first company to offer a true all-in-one product. It will make it even easier for our customers to put together the right products. And they will benefit from reasonable prices and faster mobile communication speeds.

Since market launch last fall, over one million customers have opted for a MagentaEINS package. This success even took the team's optimists by surprise.

As of March, business customers in Germany are also able to use MagentaEINS. The concept is now also being launched on other European markets. Another new feature is that MagentaEINS customers can use their contract anywhere in Europe for only additional EUR 10 per month. At no extra charge.

### 3. Win with partners

Our customers want more than just the best network and the best service. They want the latest applications from the Internet world. These are built by young companies. That is why it normally makes no sense for us to do it ourselves. Instead, we enter into partnerships. Everyone stands to benefit: Deutsche Telekom, our partners, and, above all, our customers.

We established the scenario for successful partnerships last year.

1. We connect our partners faster. This now only takes us three months on average. For example, you download an application, or app, to your cell phone. The app detects automatically whether you are a Deutsche Telekom customer. Our discounts are then automatically credited to the customer. It could not be easier.
2. We have reinforced the organization that looks for partners worldwide. In Europe. In Israel, because Israeli companies are No. 1 in Internet security. And, naturally, in Silicon Valley.
3. We concentrate here on precisely defined topics. Alongside Internet security, these include mobility, entertainment, home networking, and cloud computing. This involves saving and processing data at data centers.

In the past twelve months, we have won many new partners, including:

- Cloud provider Salesforce
- Video service Netflix
- Overnight accommodation portal Airbnb
- Security company FireEye
- and China Mobile, our partner for joint solutions for the connected car in China.

But we also do the building ourselves. For example, Qivicon, our own connected home system. More than 30 partners, from Miele to Philips, are now participating.

#### 4. Lead in business

Ladies and Gentlemen,

Industrial production is also subject to radical change. Machines are being digitized and networked. They produce data, which is evaluated in real time. Some machines use these analyses to manage themselves. And the finished products are also networked and supply data, which can, in turn, be analyzed. All these represent the essence of what we call Industry 4.0. The benefits:

- Products tailored to customers' needs at the costs you find in mass production
- Ongoing product improvements thanks to data analysis
- New business models. For example, in services: A networked car battery reports to the company when it needs replacing. The customer gets an automatic mail suggesting the date for an appointment with the nearest repair shop.

- And, last but not least, all this means: EUR 80 billion more value created in the next ten years in Germany alone

This is what Industry 4.0 stands for. If companies do it right. Our business customer segment supports other companies in doing so.

- Together with partners like SAP, Infineon, and Deutsche Bahn, we have founded an industry platform. It enables a range of very different applications, for example, for remotely controlling and monitoring robots.
- We offer the best network and the highest security. To make this possible, we opened the most modern and most secure data center in Europe at Biere near Magdeburg in 2014. This is our Fort Knox for data.

In the course of restructuring activities at T-Systems, we divested unprofitable business. We are now concentrating on those areas that involve growth. On the cloud, machine-to-machine communication, and big data analytics. And we tailor our marketing activities even more precisely to business customers. Growth is waiting here – the European cloud market alone is expanding by over 20 percent each year. In fact, for 2014, we reported 43 percent growth. We plan for business with corporate customers to be profitable again as of 2016.

Ladies and Gentlemen,

So much for our blueprint, the four elements of our strategy.

Architecture is always geared to its environment. And the digital world is currently being remapped. This impacts us. And it impacts our competitors.



- Everything is going software. This includes the Deutsche Telekom network or, rather, its management. It makes us faster and more flexible. And we can offer customers new products. In future, every new function will simply be a new computer program. Meaning software instead of component replacements. This will, naturally, also save money in future.
- Everything is going networks. The result is a steep rise in data traffic. In Germany alone, we transport 1265 petabytes of data over our networks each month. That is a figure with 15 zeros.
- Everything is going service. The boundaries between the individual segments are blurring, giving rise to new business models and new strong providers: Uber, a taxi company without any cars of its own. Airbnb, a hotel provider without any beds of its own. Or WhatsApp, a communication service without a network of its own.

This is changing competition radically. All the more reason for us to ensure that conditions are the same for everyone.

WhatsApp, Facebook, Skype, and Google indisputably offer communication services. But, unlike us, they do not have to guarantee an emergency call function, for example. And why does WhatsApp only work for WhatsApp customers? We do not only deliver phone calls and messages to Deutsche Telekom customers but to any line worldwide. It is not more regulation I want, but free competition. I think you will agree with me when I say that competition is only free if it is also fair.

Fair competition is, however, just one side of the coin. For us it is of vital importance that we do our homework. That we as an enterprise have the right answers. To ensure that the Internet companies do not get the better of us, we must be unique. We call this differentiation. I have already named several

points. The best network, best service, a global partner model, and security "Made in Germany".

Additionally, our strong brand. It stands for the key features of this company: innovation, competence, and simplicity. It gives people support and orientation. And it is shining. Today, the Deutsche Telekom brand is worth over EUR 30 billion.

We also differentiate ourselves through our bearing. Through our European identity. Allow me to illustrate this with two examples.

#### 1. How we handle data

Deutsche Telekom stands for trust. We respect our customers' privacy. At the same time, the digital world involves using data for commercial purposes. But, in fact, we do not want to do everything that is technically feasible. Because data always tells a story about the individual who generated it. We are therefore fighting for a European data protection regulation which must be complied with by all companies. Wherever their computers are installed.

German Basic Law states: Human dignity shall be inviolable. And in a digital world, digital dignity must also be inviolable.

#### 2. How we deal with customers

Have you ever tried to transfer your music from one cell phone to another? Or your books from the Amazon Kindle reader to a device from another vendor?

If so, you found it was either impossible, or at least very difficult. Many companies build closed systems around their Internet offers. Anyone wanting to quit the system must pay. In the case of the Kindle, for instance, you lose all

the books you have bought. On Facebook or WhatsApp, you lose all your social contacts. We do things differently. We give our customers the greatest possible freedom. To do so, we opt for open systems and open standards. As an example: With our Tolino reader you can now buy your books from six different booksellers. You are not tied to a single provider, and can transfer any books you buy without any difficulty.

Ladies and Gentlemen,

All this is only available from one provider.

And that is your Deutsche Telekom.

We must also continue to offer new things ourselves. And do so everywhere. This is not just about new products. But also about innovation on the Net. About smarter processes. And it must all happen at high speed. Our strategy can fail if we are not fast enough.

We need innovations for people's world of work. The key phrase here is:

- Work without borders. Since modern technology now allows us to collaborate virtually wherever we work and whenever we want. People are no longer tied to their desks but can also work on the move!
- Flexible not rigid. Teams are frequently rebuilt for different projects. Hierarchies then disintegrate.
- Machines as colleagues. Computers and robots can take on an increasing number of tasks. But they have to be programmed, controlled, and monitored.

For the digital work architecture, we need new skills. People must be better at organizing themselves. They must be readier to take on new tasks.

At the same time, there will be greater demand for basic human skills such as creativity. I am certain that work will be even greater fun in future than it is today.

For Deutsche Telekom, this also means changing as an employer. We must become more attractive for the young talents that have grown up with the Internet. In this case, we also need a different type of leadership in the company. Managers must require their staff to assume more responsibility. And give them the scope to do so.

We need bosses who come from the business. And they must know how the digital world works. So I am delighted that the Supervisory Board has won Christian Illek as our new Chief Human Resources Officer. His last post was as CEO of Microsoft Germany. Christian, it is good to have you on board again!

I would like to thank Thomas Kremer for taking on this post on an interim basis last year.

Ladies and Gentlemen,

This is not just about leadership. It is also about education. We need a modern concept. It would be irresponsible if the change taking place in our company stopped here. We will again be discussing this together with the employee representatives. As always.

Would it not make sense for us to train more people in those jobs we will mainly need in the future? Should we not, for example, train far more experts in

network technology, computer science, and security? And should trainees not have a real chance of being given a permanent job?

Young people are our future. We are well aware of the responsibility this carries. Deutsche Telekom is one of the largest training providers in Germany. And it will stay that way.

Ladies and Gentlemen,

This brings me to our building progress, in other words, to the figures and a look at the past financial year.

In short: We grew. And we are dependable. Because we have reached all our targets.

- Our revenue increased by 4.2 percent to EUR 62.7 billion. Even excluding currency effects and special factors, the figure is up by a notable 2.9 percent.
- Earnings before interest, taxes, depreciation, and amortization – known as adjusted EBITDA – rose by almost one percent. To EUR 17.6 billion. This is the first growth in six years!
- Freely available funds totaled EUR 4.1 billion. This is 10 percent down on the previous year. We chose to accept this decline in free cash flow, opting, instead, for a substantial increase in investments. Above all in Germany, but also in the United States. Since 2011, we have constantly raised our investments.

Our plan was a “triple jump” – and it is working:

First, we invest massively in a better infrastructure.

Second, we impress a growing number of customers with our superior quality. The result is more revenue.

Third, this increases our earnings.

I will now look at the individual business areas.

In 2014, we put around a million new optical fiber lines into service in Germany, almost twice as many as the previous year. And we want to do even better this year. Increasingly, customers are subscribing to add-on services such as television. In this area, we have gained over 260,000 new customers.

We continue to be market leader in mobile revenues. And we go on offering the best quality. We again won all network tests. This is also partly the result of the rollout of our LTE network, which now covers more than 10 million people.

This brings me to T-Mobile US. Well, customers are literally flocking to us. A bottom line of over eight million new customers in 2014 spells the highest growth in company history. We now have a total of 55 million mobile customers in the United States. More than in Germany.

What are the reasons for this success?

1. Nationwide LTE rollout
2. Exceptional marketing efforts by our magnificent team in the United States
3. Outstanding sales and customer care

This allowed us to revolutionize the U.S. market. The result: Revenue at T-Mobile US increased by almost 21 percent. And adjusted EBITDA by almost 11 percent.

Ladies and Gentlemen,

T-Mobile US stands on its own two feet financially. Our goal as owner is to increase its corporate value as far as possible. This succeeded impressively in recent times. The trading value has risen by more than 130 percent over the last two years.

We are now about to make major investments in mobile spectrum. The strong result in the United States puts us in a far better position than just two years ago. But it is our duty to go on improving the return on T-Mobile US. If we find a partner who will help us do so, we will obviously consider it.

Looking at our Europe operations, we see that the situation is still twofold. On the one hand, the crisis in many countries in Eastern and Southeastern Europe has not yet been resolved. This and regulation have a negative impact on revenue. At the same time, we cut costs. This kept earnings before interest, taxes, and capital expenditure at a constant level.

But we are also relying on growth in Europe. And we act accordingly:

- For example, changeover to the Internet protocol, IP: Slovakia is the second country after Macedonia to complete migration of its network. The total share of IP lines across all countries was already over 40 percent at year-end.
- For example, LTE rollout: We now reach 60 million inhabitants in Europe with the high-speed mobile network.
- For example, TV business: This gives us stable growth in Europe. In 2014, we grew the customer base by 6 percent – to 3.7 million customers.

And we see the results: Such growth areas already account for 25 percent of total revenue. This is 2 percentage points up on the figure for last year.

In 2014, we adjusted the structure of our subsidiaries in Europe. And did so at reasonable prices. We acquired the remaining 40-percent holding in T-Mobile Czech Republic for EUR 800 million. And, breaking news, we have just signed the agreement for takeover of our Slovakian subsidiary Slovak Telecom. This gives us another 49 percent of shares for EUR 900 million, which also means we are sole shareholder.

The planned acquisition of U.K. mobile communications company EE by British Telecom, BT for short, is another transaction which is in keeping with our strategy. Up to now, we managed the company as a joint venture with France's Orange. The takeover will turn a 50 percent holding in a mobile-only company into 12 percent in the No. 1 in the U.K., Europe's second largest economy. And BT relies on the same business model as we do: fixed and mobile networks. If the authorities agree to the sale, Deutsche Telekom will participate in BT's growth as its biggest single shareholder.

I have already spoken about T-Systems. Here, too, we are making progress. The stricter requirements for new orders are one of the factors that have enabled us to significantly improve our earnings margin. At the same time, we won further big deals in 2014 – including the recent orders from ThyssenKrupp and Daimler.

Ladies and Gentlemen,

Last week, we presented our figures for the first quarter of this year. Just briefly, the key message is that Deutsche Telekom has again made major improvements – with revenue up 13 percent and earnings up 11 percent. And



has done so even if we adjust the figures for the strong U.S. dollar exchange rate.

Ladies and Gentlemen,

To summarize: Deutsche Telekom is growing. In the past few months, the T-Share has also developed very well. At the same time, we must be honest. We were lucky. The economic situation and interest rate policy had a very positive impact on the stock market overall. However, we have also used the tailwind. This can be seen if we look at the combination of share trend and dividend, known as total shareholder return. With an increase of 11 percent from January to December 2014, we outperformed the Dax and also did better than Europe's Euro Stoxx index. And we rate ahead of most of peers.

And that is only if we look at the past year. The share price has risen again sharply since the beginning of this year. Our Deutsche Telekom share is currently trading at EUR 16.96. This is an increase of 28 percent since January.

The share price is not our objective. It is the result of our success with customers. In this way, we create value for you, our shareholders.

The same applies to our dividend. We have reached our targets. And we deliver on our promises. The Board of Management and the Supervisory Board propose that a dividend of 50 eurocents per share be paid out for the 2014 financial year.

This dividend is again tax-free for shareholders in Germany. Alternatively, you can again choose to receive the dividend in the form of shares. Many of you took advantage of this offer last year. You opted for shares instead of the cash dividend in the case of around 45 percent of shares. You will find details of this

in our annual report. This reduced the cash dividend payout by a good EUR 1 billion. Instead, capital was increased by around 1.9 percent. You therefore left your capital in the company. This reinforces our strategy for growth.

Thank you for placing your trust in us.

Ladies and Gentlemen,

I have already explained the next building stages. We published how you will benefit from this in February. We believe that we will go on growing. Year for year up to 2018:

- In revenue, by an average of 1 to 2 percent.
- In earnings before special factors and investments, known as adjusted EBITDA, by an average of 2 to 4 percent,
- and in free cash flow by an average of 10 percent per year.

We want you to participate in this growth. We plan to pay out a dividend of at least 50 eurocents per share for each of the financial years 2015 to 2018. And probably even more, since we plan to increase the dividend in line with the anticipated increase in free cash flow.

We therefore again offer you a reliable long-term prospect. Many of you have traveled some rocky roads with us in the past. I really appreciate this.

Ladies and Gentlemen,

Deutsche Telekom is helping build the Architecture for a Digital Future. With a clear blueprint and clear values.

Best networks are the life-giving arteries of the digital society. They are the basis for future growth in whole industries.

This is what we invest for.

Digitization creates new worlds of work. It enables new business models across entire industries. Seizing these opportunities and collaborating to create value in Europe.

This is what we stand for.

Analyzing data makes new and better products possible. The economic and the social benefits are vast. That data analysis is possible but, at the same time, our European concept of data privacy is maintained.

This is what we fight for.

We are working with others on the social and economic development of this continent. Digitization is the greatest opportunity for the prosperity of the coming generation. We want to exploit it and overcome existing anxieties. Deutsche Telekom sees itself as a trusted partner and companion for people in the digital world. As a campaigner for a strong, independent center of business in Europe. As a frontrunner in security on the Net. And as a successful business enterprise that creates value for its customers, workforce, and owners.

Ladies and Gentlemen,

This is what we work for!

Thank you.