

– The spoken word shall prevail –

**Speech for Deutsche Telekom's shareholders' meeting 2018  
in Bonn on May 17, 2018**

**Timotheus Höttges  
Chief Executive Officer  
Deutsche Telekom AG**

Good morning shareholders,  
live-stream viewers,  
customers,  
Ladies and Gentlemen,

The future is what we are building today. That is why we connect people with the latest technologies, and that is what enables us to shape our tomorrow. That is our promise, our mission, and what drives us. We make sure that we can deliver on this promise in the future, too. Because our networks are the basis for everything:

- Having access to global knowledge.
- Keeping in contact with friends.
- Interacting with the authorities online.
- Sharing cars so that we can reduce carbon emissions.
- Optimizing supply chains in industry.

All this is already possible today, and we make the connections. We are Deutsche Telekom and our 216,000 employees are working to achieve this. They are there for the company, but also – and more importantly – they are there for our customers. And for that, I would like to sincerely thank all of our employees.

You are successful. Deutsche Telekom is growing. In all our markets – in Germany, Europe, and the United States. Let us summarize the 2017 financial year:

- Revenue: up 2.5 percent to 74.9 billion euros.
- Adjusted earnings before interest, taxes, depreciation and amortization: up 3.8 percent to 22.2 billion euros.
- Freely available funds, which finance experts refer to as free cash flow: up 11 percent to 5.5 billion euros.

When freely available funds rise, so too does the dividend, which is why we are proposing a dividend of 65 eurocents per share. That would be a 30 percent higher dividend than only three years ago.

Ladies and Gentlemen,

When you run a company, you have to keep your eye on several different time horizons. The first horizon is day-to-day business: what you offer your customers now and how you go about it. The second time horizon reaches several months beyond that: What will make us different from the competition then? What do we have to do to get there? The third time horizon stretches even further into the future: What changes can we expect to see in the competitive environment? How do we need to change? What opportunities can we spot?

This third time horizon is often overlooked, because day-to-day business demands our full attention, and because the inclination to avoid risks is strong – instead of focusing on opportunities for the future. But entrepreneurship calls for both: playing it safe *and* seizing potential. Entrepreneurship means offering opportunities – working to find them – making the most of them. That is what I am going to talk about today.

The best example of this is the United States. Only a few years ago, T-Mobile US was synonymous with high costs, low customer numbers, and very low profits. Since then, we have revamped T-Mobile US completely, by investing huge amounts of capital. We now have the fastest network in the United States. We are the challenger in the market. We get rid of things that bother customers. We won more than one million new customers in each of the last 20 quarters. We are growing. Today, we have 74 million customers. This strength has opened up new opportunities for us.

We have created value with the T-Mobile US share and we are making the most of that now. We want to merge T-Mobile US with Sprint to create an even stronger T-Mobile, one on an equal footing with the big market incumbents, AT&T and Verizon.

The new T-Mobile will have 127 million mobile customers, and revenues of around 73 billion dollars, based on current estimates. On the proviso that the authorities give their approval. This business combination is to be accomplished via a share swap. That means we are not spending any money to achieve it. Our plans for investments in Europe are unchanged. That is a promise.

We will be the new T-Mobile's biggest shareholder, with a stake of around 42 percent. What is more, we have a voting-rights agreement with Softbank. This means we have the voting rights for around 69 percent of the T-Mobile

shares. And that means that T-Mobile US' earnings will continue flowing to Deutsche Telekom. You, our shareholders, will profit from T-Mobile US' growth, just as you have in recent years.

What opportunities does this agreement offer? Gigantic ones:

- Better networks. We will merge Sprint and T-Mobile's networks. That will lower operating costs and expand coverage. In addition, the two companies will be able to roll out the new 5G network standard even faster and more comprehensively.
- New jobs. We will be opening new stores. Or call centers, because we will have even more customers to look after in the United States. Especially in rural areas.
- Cost benefits. The two companies will save around 43 billion dollars.
- More competition. Because we will be better placed to exploit our market role as the challenger. We will be able to put even more pressure on AT&T and Verizon, but also on other companies such as Comcast, Dish, and Charter. My promise to all our customers in America is this: We will stay true to ourselves. We will get rid of the things that bother customers.
- Added value. In free cash flow alone, we are expecting 9 billion euros more in 2022 than in 2019.

Ladies and Gentlemen,

I personally have spent seven years working to make this merger happen. There have been many ups and downs. But there is no opportunity without risks – risks that must be taken if we are to open up new horizons. By the same token, we are not reckless. We have negotiated well. I am convinced that this business combination is the best thing for the U.S. market and for Deutsche Telekom – and that goes for the long term.

We have got to where we are now because we are a great team at Deutsche Telekom: diverse, international, with old hands, and yet younger on average than we were just a few years ago. And that includes the Board of Management. We stick together. We work to find opportunities – and we make the most of them. In this, we are led by our strategy. Our strategy has not changed in the last four years and can thus offer us guidance. We are not zigzagging about – but driving straight ahead. We remain flexible. We do not stay on the surface, but burrow down and make a big impression. This year, we honed our strategy. We are concentrating on three aspects, ones in which we want to lead and where we see opportunities for further growth.

#### 1. Lead in customer experience

The important thing is finding the right answer for each market. In the United States, that means we do things differently than the others. We are the challenger. We are changing the market rules there – and will do so even more in the future.

In Europe, the answer is “one connectivity” – both fixed-network and mobile services, from a single source. That is what customers want, and that is why we designed MagentaEINS. In 2017, 1.5 million new customers in Germany and Europe opted for MagentaEINS or corresponding products. A total of six million customers.

We believe in products that combine fixed-line and mobile communications, products with a rate plan and service from a single source. That is what we focused on doing in 2017.

- In the Netherlands, we are acquiring Tele2, which will enable us to mount a better challenge to the big market incumbents, Vodafone/Ziggo and KPN – provided the regulators approve the takeover.

- In Austria, our acquisition of UPC, a cable network operator, will enable us to offer convergent products in that market. Once again: if the authorities give their approval.
- And, in Poland, we reached an agreement with Orange. The goal there is to offer not only mobile communications, but also fiber-optic technology to five million households.

We are the leading company offering products and services from a single source.

Beyond that, we are working to make MagentaEINS even more attractive. In Germany, customers receive twice the normal mobile data volume, and anyone who needs more can get unlimited data. We are the first company to offer a rate plan with no data limits – in the best network.

Ladies and Gentlemen,

No company in Europe is pursuing the convergence of networks more resolutely. That is what sets us apart from our competitors. It is something we will soon be offering in the stratosphere, when we connect aircrafts to the Internet – with speeds of 75 Mbit per second and per aircraft. That is considerably faster than the current method via satellite. All this while traveling at 1,000 km/h at altitudes of up to 33,000 feet. We are the first in the world to do this.

But it is not only our networks that distinguish us from our competitors. It is also our perfect service. We are constantly working to deliver this and we are getting better and better at it.

- Last year, I announced there would be no more canceled appointments with our technicians, and we almost achieved our goal: According to the latest data, less than 2 percent of agreed appointments have had to be canceled.
- The first time I addressed the shareholders' meeting, back in 2014, I also promised you that I would halve the number of complaints by the end of 2018. And we will achieve that. In 2017 alone, we reduced the number by 17 percent.

Ladies and Gentlemen,

Our service wins almost every test, Focus Money, Check 24, TÜV Siegel...  
But: Every error annoys us. Our service will never live up to our exacting standards. That is why we take every opportunity to improve, and digitalization is part of that.

- Do you know about bots? These are robots, but not ones made of wires and metal. They are simply programs that roam our networks. They check customer lines. They report faults or even rectify themselves. We have already deployed 1,500 such bots.
- As of the end of this year, we will begin deploying voice biometrics on our customer hotlines. That means we will identify our customers quite simply by the sound of their voices. No more time wasted searching for your customer number – a real time-saver. And the process is very secure.

## 2. The second pillar of our strategy: lead in technology

Our aspiration is clear: We want our customers to be able to use all the potential the network has to offer, with no interruptions and trouble-free; whenever and wherever they want; today and tomorrow. That is why we are

investing. In 2017: capital expenditures of 12 billion euros, 5.4 billion euros in Germany alone. In networks, and in our data center in Biere, for example.

No one in Germany pays as much attention to their networks as Deutsche Telekom and the mobile network is one example of that. We are eradicating coverage gaps. To this end, Deutsche Funkturm will be raising its capital expenditure. We will build 1,200 new sites this year, and 2,000 next year. By the end of 2018, we will provide 95 percent of the population with LTE – both in Germany and across the whole of Europe.

Another example is the fixed network. Our critics talk a lot about copper cables. But we are acting, laying fiber-optic cables. We rolled out 40,000 kilometers of them in Germany in 2017. We dug 240,000 ditches, enough soil to fill 13,000 dump trucks. And this year, we will be doing even more work, laying 60,000 kilometers of fiber-optic cable. Our fiber-optic network comprises 455,000 kilometers. The next-best competitor has about 58,000 kilometers.

20 million households currently receive high-speed internet with download speeds up to 100 Mbit per second. And, today, the internet offers so many more opportunities: The days when we were all only recipients of data are long since gone; now we are also senders. And Deutsche Telekom's network makes uploading data possible. We offer up to 40 Mbit per second. That is more than cable networks can manage.

Our network build-out will continue this year: Month after month, we connect hundreds of thousands of households in Germany to our fast network. By the end of 2018, that will mean speeds of up to 100 Mbit per second for some 26 million households. 15 million will even enjoy speeds as high as 250 Mbit per second.



Ladies and Gentlemen,

Some view our capital expenditure with a critical eye. They accuse us of laying fiber-optic cables only as far as the cable distributors, the gray boxes and not, as a rule, direct to the home. That is true. But it is also true that, with our method, 95 percent of all households will have fast internet access by the end of 2019, 80 percent of them from Deutsche Telekom alone. That means that every household will be able to make the most of today's Internet, trouble-free.

Instead of doing that, we could of course lay fiber-optic to the home – but then we would only have managed to connect a fraction of households by 2019: just 10 percent. That would have widened the digital divide between urban and rural areas and it would also have led to a social divide. That is why we chose not to take that path. Our approach was billions for millions.

Now comes the next step. We are building fiber-optic direct to the home. In the eastern German town of Bautzen: 56,000 households. In the Western Pomerania-Rügen region: 40,000 households. In Naumburg/Saale: 46,000 households. Just three examples among many. Companies are a special focus of this initiative. We are already providing the first business parks with fiber-optic lines. Now, it is the turn of the next 115, comprising a total of 49,000 companies. Our overall goal is to connect 400,000 companies: 80 percent of all companies in business parks.

Ladies and Gentlemen,

The number of households with speeds of 250 Mbit per second is rising rapidly. As of 2021, Deutsche Telekom will connect two million households a year direct to the fiber-optic network, if policymakers set the right framework.

But we need a level playing field when building new networks. That means no regulation for fiber-optic lines. That way we can avoid the duplication of infrastructure. And we will continue to lease our network to our competitors in the future. But we also want the option of leasing their new networks, too: on the same conditions; freely and fairly negotiated. That will enable us to achieve gigabit speeds throughout Germany more quickly.

The government can see who is building networks and who is not; who is delivering and who is just making promises. We are pleased to have competition, because if it is fair, then it is good for the customer.

### 3. I now come to my third point: lead in business

Our business customers are in the middle of the fourth industrial revolution: the digital transformation. This presents us with another opportunity – because we have what the companies need:

- A network with which they can connect not only their various locations worldwide, but also the devices and appliances they produce there. This network is the Internet of Things, and we are building this network of machines and sensors for Europe. It has already been rolled out in eight countries, including Germany.
- Data centers from which companies can access all their applications. Last year, our cloud computing business grew 12 percent.
- A third factor is that business customers need the latest security applications. That is why we have set up a dedicated unit. Customer interest in it is huge; its business grew 18 percent in 2017.

Ladies and Gentlemen,

5G, the next-generation network, is on the horizon, and it will truly bring the Internet of Things to life. For this reason, 5G is of strategic importance to an industrialized nation like Germany. The spectrum auction in Germany is due to start soon.

We appeal to you to take the long view. We can only spend each euro once: either on spectrum or on network build-out. My suggestion would be: on build-out.

Ladies and Gentlemen,

We can see many opportunities for Deutsche Telekom when it comes to business customers. Our footprint markets are growing. IoT business is growing at an annual rate of 20 percent. Companies want to transform themselves digitally. And they ask us: how?

Our answer is a dedicated unit at T-Systems that we have created for this purpose. It comprises 4,800 employees with a diverse array of skills. That gives us the flexibility to put together working groups for each customer that are tailored to their particular problems. We are no longer offering products alone, but suitable solutions.

T-Systems has had a bad run and it has still not broken even. That is not what we had planned. T-Systems' employees have worked hard and have made many changes. But the market has changed even faster than we anticipated, and we still have more catching up to do. Adel Al-Saleh is the new face at the helm of T-Systems. Welcome!

Ladies and Gentlemen,

2017 was a good year for Deutsche Telekom. But it was a modest one for Deutsche Telekom's share price, which declined in the course of the year. One reason for this is that conditions are tough for all telecommunications companies. The industry as a whole is rated lower than it has been in 15 years. What is more, over the last 12 months, the U.S. dollar trend has not been good for us. The dollar is now down 8 percent. And the capital markets have been asking whether our high capital expenditures are really worthwhile.

My answer to that is: yes. The best networks are an attractive product, and that will remain so in the future. Deutsche Telekom is doing well. We have the opportunity to invest, and that is why we are doing it. That said, of course I am not satisfied with our share price. I am fighting for better conditions for investments – despite extremely strong headwinds. This Board of Management is doing everything it can to create value for our customers, for our employees, and for you, our shareholders.

In recent years, we have built a Deutsche Telekom that offers many opportunities to do just that.

We are growing in 95 percent of our operations. Here are our revenue figures for 2017:

- United States: up 5.9 percent.
- Europe: up 0.5 percent in organic terms.
- Germany: up 0.7 percent.

No other telecommunications company can boast such a growth profile on both sides of the Atlantic and, this year, we want that growth to continue in all three

of our markets, which is why our capital expenditure will once again reach 12.5 billion euros.

- As a result, net revenue is expected to rise yet again.
- The same goes for adjusted EBITDA, which should grow to 23.3 billion euros, measured at constant exchange rates.
- We also anticipate an increase in freely available funds – a 12 percent rise to 6.2 billion euros.
- And what we have said regarding the dividend remains in place: It will be higher, just like our free cash flow.

Our Capital Markets Day will take place on May 24, and we will once again provide detailed guidance concerning our medium-term goals. Our Capital Markets Day will also be broadcast online. At [www.telekom.com](http://www.telekom.com). I would like to invite you to join me.

Our last Capital Markets Day was in 2015 and we exceeded the goals we set ourselves then. It is true: We deliver on our promises, and the entire Board of Management stands behind what it says. And one person who has kept a close eye on these things in recent years is our CFO, Thomas Dannenfeldt.

Thomas,

You have decided to leave Deutsche Telekom after 26 years with the company. You have magenta blood in your veins. And you have done great work and achieved much for Deutsche Telekom. For that, I sincerely thank you.

I would also like to thank our Supervisory Board, who stand for a new tradition at Deutsche Telekom. There are no sudden changes in the Board of Management; transitions are managed smoothly.

Christian Illek, who is currently the Board of Management member responsible for Human Resources, will be our new CFO starting 2019. He knows this company and its business better than nearly anyone else.

The transition at Telekom Deutschland was also a smooth one. Dirk Wössner has been Managing Director there since January. Welcome back, Dirk.

Ladies and Gentlemen,

The digital transformation is like an ocean full of opportunities. It is powerful. It is endless. It is inviting. Perhaps the biggest challenge is finding the right opportunity among the many on offer.

That is why Deutsche Telekom is sailing this ocean with a clear sense of direction. We bear in mind where we have come from. We know where we are at the moment. And we are agreed on our goal: being there for our customers; building the best networks; facilitating the digital transformation of companies; growing in the process; and creating value. That is what we are working for.

And we never lose sight of our identity, our European values. We utilize data, and we respect data privacy. We make use of artificial intelligence, and we observe ethical principles. We make the most of our competitive opportunities, and we play by the rules.

Our belief is that these things are not mutually exclusive. In fact, at Deutsche Telekom, they very much belong together. With the right people, the right attitude, and the right values, we have a perfect opportunity.

Thank you.