

– The spoken word shall prevail –

**Speech for Deutsche Telekom's shareholders' meeting
in Cologne on May 25, 2016**

Timotheus Höttges
Chairman of the Board of Management
Deutsche Telekom AG

Ladies and Gentlemen,
Shareholders,
Customers,

55 cents.

This is the dividend that the Board of Management and Supervisory Board will propose to you today. This in itself shows that 2015 was a successful year for Deutsche Telekom. And we deliver on our promises. Our free cash flow increased by ten percent. Which is the reason why your dividend is also up ten percent.

On this note, I would like to bid you a warm welcome to the Deutsche Telekom shareholders' meeting, also on behalf of our 225,000 employees.

"Answers for the Digital Future" is the title of my speech today. And I begin with the first of these answers: Deutsche Telekom is building the network for the gigabit society. In doing so, we are establishing the basis for digitization. Digitization offers others an opportunity as well as us. And in order to exploit this opportunity, we are changing. I want to talk about how we are doing this. And about the benefit that our customers stand to gain.

But I will start with a look at the 2015 financial year. What business-related issues did we face? How did we respond? What was the result? Where are our strengths? What must improve?

Ladies and Gentlemen,

To summarize: Deutsche Telekom is growing. And doing so on a grand scale.

- In Group revenue: up 11 percent to EUR 69.2 billion.
- In adjusted earnings before interest, taxes, depreciation and amortization, or EBITDA: up 13.3 percent to EUR 19.9 billion.
- In free cash flow: up ten percent to EUR 4.5 billion.

Last year, we promised we would generate value for you. This was successful. The Deutsche Telekom share achieved a return of 30 percent in 2015 based on the price trend and dividend. That is more than the 10 percent achieved by the DAX. And more than most of our competitors.

My warmest thanks therefore go to all the people working at Deutsche Telekom. Your hard work paid off. You are quite right to be proud. It is your success.

And I promise you as our shareholders that we will not rest on our laurels. On the contrary, we set our sights that bit higher each year. We are making bold investments.

Our strategy guides us. It works. So it is staying the way it is. We want to be the leading European telecommunications provider. Leading from within Europe. In all our markets. For me, “leading” is not just about size. For me, “leading” is an attitude. We are leaders when we win one network test after the other. When we are awarded a prize as the best employer. Or as a company that acts responsibly. And we will be leaders wherever we hold a successful dialog with our customers. A dialog that creates confidence. Confidence that Deutsche Telekom offers the best products – not only today but that it will also do so in the future.

In 2015, we achieved this. Revenue, customer and earnings figures all speak for themselves.

I will start with our business in Germany.

For ten years, we saw our revenues here declining. The initial object was to halt this. And then to grow. To do this, we invested: in the networks. In new products. In good service.

This is paying off. We are the market leader in fixed-network business. We are the market leader in mobile communications. We are the market leader for offerings from a single source. And we are the market leader among business customers.

Revenue grew by 0.7 percent in Germany in 2015. To over EUR 22 billion. Our adjusted earnings (EBITDA) totaled almost EUR 9 billion and therefore remained stable.

MagentaEINS is again a big success with over two million customers. We came up with this service after receiving repeated customer requests for all-in packages. So we now offer fixed-network and mobile communications from a single source. And we have optional add-ons such as TV and the connected home. Customers who choose MagentaEINS get a discount on their mobile phone bill. All told, we earn almost EUR 8 more per month in revenue from households with this service.

What is our trend in Europe like?

Here, we generated revenue totaling EUR 12.7 billion. 2 percent down. And our adjusted earnings (EBITDA) also shrank. By 3.2 percent.

We must grow again. To do so, we will rely predominantly on packages from a single source in the same way as here in Germany. Customers go for these products.

- Example: MagentaONE in Europe – from zero to one million customers in less than a year!
- Example: TV – up 5.1 percent.
- Example: broadband – up 3.7 percent.

We saw pleasing developments in many countries across Europe in the first quarter of 2016. Fixed-network business is growing everywhere. And without the Netherlands, the overall result would be positive.

Our corporate customer segment T-Systems is still in a state of flux. And so are our customers.

Traditional business models are undergoing radical change. Software and big data analytics are becoming ever more important for companies. Traditional

craftsmanship and engineering skills are no longer adequate. In consequence, there is a risk that revenue and profits generated in European industry could drift away from Europe. Above all, to the big Internet platforms in North America. We help prevent this happening. We provide support for companies digitizing their business models. Over the past three years, we have fundamentally transformed T-Systems with this goal in mind. And it is paying off:

- Revenue with external customers is up 3.4 percent. To EUR 6.2 billion.
- Adjusted earnings before interest and taxes (EBIT): up by 73 million. To EUR 200 million.
- Profit margin (adjusted EBIT margin): rose from 1.5 percent to 2.3 percent.
- Revenue with cloud computing: rose by 24 percent. To almost EUR 1 billion. On a Group basis, this revenue actually totaled EUR 1.4 billion. Up 30 percent.

Our success with the cloud is again the result of a successful dialog with our customers. We asked companies: What do you need for digitization to be successful? Their answer: secure data centers, where their data remains in Germany. And from where their applications run.

So we created the House of Clouds. Unique worldwide. In the House of Clouds, we manage data as a trustee. Only customers can access the data itself while using applications from well-known foreign providers. This could be Microsoft, Salesforce, or Cisco. A public or private cloud. We have everything under one roof. Securely wrapped up in line with German data protection standards. In the most state-of-the-art data center in Europe. Demand is so high that we are expanding.

Despite the success, the transformation of T-Systems is not yet complete. Our aim is clear: every business area at Deutsche Telekom must deliver a positive cash contribution.

Finally, a look at the USA:

Only three years ago, our position there was indifferent. We lacked the customers we needed in order to create value. The first important step was therefore the business combination with MetroPCS. Besides this, we also invested heavily: In what is currently the fastest network in the United States. In new frequencies for mobile communications. And in new rate plans that customers are excited about.

The success is awesome. It caught our competitors on the wrong foot. We won more than eight million new customers in 2015. This is the entire customer growth in the market. With a total of over 66 million customers, we are now the third-biggest mobile provider in the United States.

Today, business handled by T-Mobile US delivers the largest share of our Group revenue. Almost EUR 29 billion. This is 29 percent more than in 2014. Our adjusted earnings (EBITDA) actually rose by 55 percent. To EUR 6.7 billion. And the value of our share in T-Mobile US has grown by 168 percent over the last three years.

We continue to improve the network in 2016. Above all, our service inside buildings and in the metropolitan suburbs. A vital factor here is the current frequency auction. We expect the results in the second half of the year.

Ladies and Gentlemen,

As you can see, we have an answer for the digital future in each of our segments. We deliver innovations. We have a clear strategy and we implement it.

Successes are visible. Revenue is rising. Earnings are rising. Our free cash flow is increasing. And, with them, your dividend.

This year, you can again choose to take your dividend in the form of shares. Last year, many of you did so. You opted for shares instead of the cash dividend in the case of 49 percent of all shares. Details of this can be found in our annual report. It meant that we paid out around EUR 1.1 billion less in dividends. Instead, capital increased by 1.6 percent. This helped us on our path to growth. Thank you all very much.

Ladies and Gentlemen,

I have shown you where we are performing well. But I also want to talk about where we need to improve. We cannot afford to slacken our efforts. We continue to work point for point through our plan.

1. Portfolio. That is, companies in which we hold a stake. Business is not yet equally good in all our markets. There is a clear trend toward providers offering fixed and mobile communications. But we recognize that every market has a niche for a mobile-only provider. We have shown time and time again that we re-invent where other companies would divest. The U.S. is the most striking example. Or the UK, where 50 percent of a holding in a mobile-only company was transformed into 12 percent in BT. The market leader in fixed and mobile communications in the second biggest economy in Europe. The disposal in the first quarter of 2016 generated a one-time contribution to our results of EUR 2.5 billion. And, as the biggest single shareholder, we continue to participate in BT's progress.

We have a single goal for all our business activities: We create value.

2. Our customer service. I was a regular visitor to our shops in 2015. And in the field. I visited customers at home. And I spoke with them on the telephone. There were many complaints. Each of these annoys me. And each of them brings me back to reality. Yes, our service is better than it used to be. Yes, we are better than our competitors. But no, we still do not live up to our own expectations.

So we change the things our customers do not like. For example:

- Personal adviser when changing provider or residence. Many customers ask us why they always encounter different contacts in our service department. And why they then have to explain what they want several times over. Especially when they are new to the company or plan to take their number with them when moving. In response to this, we now provide personal advisers for these customers.
- New app for all issues relating to service. It enables our customers to solve many of the problems themselves. Or they set up a connection to a member of service staff at the press of a button. Via chat, video, or phone call. Or get someone to call them back. And the app shows them how long they will have to wait.
- Appointments with service engineers. Many customers are annoyed when they have to take time off work for appointments with Deutsche Telekom. We will resolve this by offering many more appointments on Saturdays in future. This will enable us to spread the weekday burden and offer greater flexibility from Monday to Friday. To do this, we need more flexible working

hours. And we are optimistic that the employee representatives will agree to this.

Ladies and Gentlemen,

Deutsche Telekom is a global player. But where our customers are concerned, we are also completely local. Not like the big corporations of the Internet. We can be reached on a local basis in all our markets. In the national language. When customers have questions, they get answers. This proximity is what sets us apart.

And now I come to the third area in which we have to improve: network build-out. It is, and will continue to be, the basis for everything we do. It has top priority for me.

Deutsche Telekom has delivered the best network for many years. Our core product is timeless. But we go on re-inventing it. And we plan the network in such a way that it is the answer to the digital future. In 2010, my predecessor René Obermann was the first person in Germany to refer to a gigabit society. Now everyone is talking about it. But Deutsche Telekom was the only company to act on these words in the past six years.

No company in Germany has installed more optical fiber than we have. 400,000 kilometers.

No company in Germany has a fiber infrastructure that offers full coverage this close to the customer.

No company invests as much as we do, over EUR 4 billion last year.

We are planning to ramp up our investments even further in 2016. I will put it bluntly: Germany needs high-speed networks. Germany needs broadband for everyone. And now rather than later.

Not only in urban but also in rural areas. In places where high-speed Internet has not yet gained a foothold. Where people are waiting for it. And where no-one else goes, apart from Deutsche Telekom. Our expansion plans will enable us to deliver at least 50 megabits per second to over 80 percent of German households by the year 2018. And we will provide many customers with far higher bandwidths of up to 100 or 200 megabits.

Then comes the next step. Here, we rely on a whole range of different technologies. In the mid-term, this will allow us to cater for up to 500 megabits on the last few meters to the customer's home.

Ladies and Gentlemen,

We are building this network. This is why we answer the question as to how we are doing it. In terms of technology and financing.

For me, there is no such thing as good or bad technology. But there is good or bad bandwidth. And there are areas that are served and areas that are underserved.

This is partly due to the fact that competition has assumed ludicrous proportions in some places. Our competitors do nothing but moan and groan. Sometimes they complain that the prices they pay for our network are too high. Sometimes they say that we have the wrong technology. Then build-out is too slow, they claim. But as soon as we expand it, these critics are only too happy to use our network. They market our products under

their name. And all because we are regulated. Our competitors have no incentive to invest themselves.

It would be better for Germany if others also contributed to expansion. So I have the utmost respect for local providers who are doing just that. But I have little respect for those who invest nothing and then pocket earnings off the back of others' networks. Moaning won't build a network. Better to invest than criticize. Then we will have real infrastructure competition.

Ladies and Gentlemen,

It is a given fact that the network of the future is based on optical fiber. The future is optical fiber. But the network of the future will be more than just higher bandwidth. Meaning how fast data moves. There are other aspects that define its quality. That it is reliable. That it shifts seamlessly between fixed and mobile. That it automatically finds the best connection. That it reacts fast. The technical term is latency. The best we achieve at present is between 20 and 40 milliseconds. That is the blink of an eye. But this blink is too long for the technology of the future.

We cannot send data halfway around the world. We process it where it occurs. Proximity matters. Computers are being integrated directly into cell towers to deliver much faster response times. For some applications perhaps just one millisecond.

This network of the future has a name: 5G. People and billions of machines and sensors will communicate over it. Containers crossing the oceans will transmit their positions and the state of their loads. Sensors on the field will show farmers whether enough rain is falling and when crops are ripe enough for harvesting. Elevators will report when they need servicing. And do so before they fail.

This is the digital future. 5G is our answer. We will be launching it starting in 2020. But we are already making the preparations today.

Ladies and Gentlemen,

All of our plans have to do with digitization. But while we see it as an opportunity, others are troubled by it. They feel overwhelmed at being permanently available. They are afraid that robots will soon handle their work. Or that society will become transparent because personal data is freely available.

We take these concerns seriously. At the beginning of the year, we launched an initiative to induce the discussion on digital responsibility. Because we, too, are learning. We do not have all the answers. But we know the experts who work with this day in, day out. No one company, no political party, no customer can shape digitization on its own. It is a task we must share. We invite people to participate in a public, open dialog. Why not join in? On our Internet site, on the YouTube video portal, or on Twitter.

I am convinced that digitization is the greatest gift because it is the basis for prosperity for coming generations. It promises new technologies that make people's lives easier. It is the driving force of a new industrial revolution. So let's try to be more optimistic in our dealings with digitization.

Of course many things are getting faster. More difficult to plan. More exciting. More stressful. But we can learn to handle it. Just talking is not enough. We need to take action.

That is why we are expanding the digital skills base of our employees. The fact that learning itself is going digital is helpful. We have used this to develop

computer-based courses. Available wherever participants happen to be.
Anytime.

Digital enterprises need people who work independently. Who show initiative. And are good at working their way into new topics. That is why, at Deutsche Telekom, project teams take the place of rigid hierarchies. We look at the problem that needs solving. And find the right people for the job. Within the company. Or with partners. Digital tools are a big help in cross-border collaboration. We have a kind of Telekom Facebook. Over 100,000 employees around the world use it.

And they are supported by a new generation of management. Managers who moderate, not control. Who go on demanding and developing innovations. It is helpful that they have worked abroad. That they bring together people from different cultures. And that they are familiar with different areas and functions, not just one. Anyone who assumes management duties in our company must meet these criteria.

Ladies and Gentlemen,

We view the future with optimism. And we will take this opportunity to generate value. This is all about big revenue. Whether it is the mobility of the future. The Industrial Internet. The connected home. Our skills are in general demand. Our answers for the digital future. Best networks. Secure data centers. Proximity to the customer. These are what set us apart from the rest. That is why our outlook is bolder than that of our competitors.

We want to grow year for year:

- By an average of one to two percent in revenue between 2014 and 2018.

- By an average of two to four percent in earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA).
- In our free cash flow by an average of 10 percent.

Ladies and Gentlemen,

Digitization goes hand in hand with change. But Deutsche Telekom is well versed in this respect. Change is a recurring theme in the history of our company. When we address this theme, we are looking at a piece of Telekom history. It links us to the people who shaped Deutsche Telekom before us. And it hands the baton to those who will come after us.

Our employees are proud of how we are establishing ourselves as pioneers of digitization. And they are proud of our tradition. At its core, our company goes back 150 years. We connect people. We connect companies. And in future we will connect everything to everything else.

I feel it is important, despite the changes, that Deutsche Telekom stays the way it is: down to earth and decent. That we connect and are reliable. That people can identify with us. And that customers experience with us that life is for sharing.

Thank you.