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Start statement Timotheus Höttges

MEDIA INFORMATION

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Deutsche Telekom plugs into the future with digital power strip

- Group focuses on integrated IP networks
 - Goal: become the leading European telecommunications provider
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Deutsche Telekom further develops its strategy and aims to become the leading European telecommunications provider. CEO Timotheus Höttges laid out the strategic vision: "We are a trusted companion in an increasingly complex digital world – at home and at work, any place, anytime. Making life easier for people and enriching it for the long term is the very essence of what we do. Deutsche Telekom views its network as a life-giving artery – fast, reliable, and secure. Easily accessible to all."

The rationale: Customers choose telecommunications providers with high-performance networks, particularly in light of the rapid growth in data volumes. A strong network is also the decisive factor for online service providers looking for a high-quality technical platform for their products that allows them to set up their own services quickly and easily. As a result, integrated telecommunications providers are generally in a better position than fixed- or mobile-only providers.



Deutsche Telekom's leadership goal covers four dimensions:

- The best network
- The best service
- The best products
- The preferred provider for business customers

Four areas of operation are derived from this vision:

- Integrated IP networks
- Best customer experience
- Win with partners
- Lead in business

Integrated IP networks

Deutsche Telekom continues to drive forward broadband roll-out in both the fixed and mobile networks. At the same time, it is systematically working on simplification by switching the fixed-network infrastructure to all-IP technology. The migration is to be completed at all of the Group's European subsidiaries by the end of 2018. In addition, Deutsche Telekom has launched LTE in almost all its markets. By the end of 2017, the Group is aiming to offer its European customers LTE coverage across at least 50 percent of its networks.

As part of the integrated network strategy, the LTE network in Germany will be built out for transmission rates of up to 150 Mbit/s with coverage of up to 85 percent. "LTE advanced" is to offer speeds of up to 300 Mbit/s in future. In the fixed network, the optical fiber and vectoring roll-out will see at least 24 million households able to enjoy bandwidths of up to 100 Mbit/s at the end of 2016.



Deutsche Telekom is planning a pan-European, fully all-IP-based network for its European subsidiaries. "We want to intelligently link all of our network access technologies with each other, and we want to do this across national borders. At the same time, customers should be unaware of the complex technology. They simply get the best connection, whether they are at home or on the move – and at a good price," said Höttges, emphasizing the focus of activities for this network strategy.

IP technology significantly reduces the time-to-market for new products and services, often down to just a few days or weeks. In addition, the technology enables superior voice quality, access to various services via one device, a larger portfolio of multimedia and convergent services, cloud solutions and remote IT support. Macedonia has already been able to launch the Broadband-on-demand service thanks to IP technology. The new concept allows customers to get high-speed Internet whenever they want at the click of a mouse.

Deutsche Telekom's partners can connect their services to the network far more quickly and easily. At the same time, an IP-based network offers significant operating cost advantages by saving energy and maintenance costs, as well as providing simplified customer connection processes.

Best customer experience

The convergence of fixed-network and mobile technologies allows services to be distributed seamlessly independent of access infrastructure. This means integrated offerings that include fixed network, TV and mobile all-in-one rate plan, and access to TV recordings from the customer's cell phone. Family packages can also be expanded flexibly, for example, to include additional SIM cards.



A key element of the network integration is the hybrid router. The router is scheduled to be launched in Germany in 2014, combining the advantages of the fixed network – high, consistent capacity – with those of mobile – high transmission rate – to achieve top download speeds of up to 250 Mbit/s. Bringing together individual components in one integrated product increases transparency for the customer while at the same time opening the door to benefits from combined offerings.

Furthermore, customers should be able to carry out many processes online by themselves in future thanks to simplified service platforms. Service is to become simpler and faster, ensuring a seamless customer experience, regardless of how the customer comes into contact with Deutsche Telekom. Deutsche Telekom aims to be the best telecommunications provider in the eyes of the customer.

Win with partners

"We build standardized platforms – imagine a power strip where partners simply plug in their services," says Höttges. A simplified network infrastructure is a key factor in being able to offer a wider range of products and services together with partners in future. Preference is to be given to innovative online services developed by partners to enhance Deutsche Telekom's range of products and services. A program to be implemented in the course of 2014 is to enable partners to integrate their products and services both in contractual and technical terms into Deutsche Telekom's portfolio within three months. Deutsche Telekom is already doing this with partners such as Spotify and Evernote. Partner products are flexibly integrated into these platforms and can thus be booked simply and directly by customers.

Platform business for partnering in the M2M, smart home, intelligent networks, and payment areas is particularly important. Examples include the Qivicon



platform for networking and controlling in-house systems, which now has around 30 partners, or the successful cooperation with booksellers in the development of the Tolino e-reader. Deutsche Telekom benefits from the cutting-edge services, which customers can simply subscribe to and pay for transparently via their Telekom bill. The partners can focus on their products and services while Deutsche Telekom manages the technical processes and billing in the background, and integrates the services into its marketing activities.

In addition, Deutsche Telekom is growing its TV business. The company plans to further develop the TV platform for Germany and Europe with the aim of providing "TV across all screens," irrespective of whether the screen is a TV, a tablet, or a laptop. For the customer, this means an improved product and, thanks to the modernization of the TV platform, faster implementation of new applications. Deutsche Telekom's goal is to have around 10 million TV customers in the Germany and Europe segments by 2017.

Lead in business

Deutsche Telekom has high expectations of its business customer unit and in Germany intends to profit more from growth in IT solutions for the SME segment. By 2018, IT revenue from small and medium-sized enterprises in Germany is to grow by over EUR 600 million. Its strong position in telecommunications solutions is to be used to extend its market share of IT solutions for this customer group. The focus is on cloud services, security solutions, convergent mobile and fixed-network products, along with solutions for virtual collaboration. Deutsche Telekom will present details of this at CeBIT in Hanover.

In addition, the Group's subsidiary T-Systems is restructuring its business model and moving towards transformation and integration services as well as



scalable ICT services. The focus here is on the growth areas: IT platforms and cloud services. Instead of individualized solutions for specific customers, in future, T-Systems will concentrate on platforms which can be re-employed for various purposes. Examples of these scalable services include cloud platforms, ICT security solutions, M2M services, and intelligent network solutions. Specific components for individual customers are to be bought in from specialized external providers in future. The aim is to generate around 50 percent of T-Systems' total revenue with such standardized IT solutions from 2017 onwards.

B2B business will be intensified in the Group's European subsidiaries, primarily to generate increased revenue shares from ICT business.

The agreed acquisition of GTS will allow Deutsche Telekom's mobile communications companies in Poland and the Czech Republic in particular to expand their portfolio to include fixed-network products. Target groups are predominantly business and multinational customers who can then be offered cross-border pan-European voice and data services, virtual private networks, and cloud services, on the basis of a large-scale regional optical fiber network, including data centers. This aims to bring a significant boost to ICT revenue in the European subsidiaries.



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