

– The spoken word shall prevail –

**Speech for Deutsche Telekom's shareholders' meeting 2019  
in Bonn on March 28, 2019**

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

**Life is for sharing.**

Ladies and Gentlemen,  
Shareholders, Employees,  
Customers,

Our motto is: commitment and motivation.

- It stands for perfect service.
- It stands for mobile communications and fixed network – from a single source.
- It stands for gigabit networks – everywhere.
- It stands for secure products for business. And a strong position in the Internet of Things.

This is our strategy. This is what we are using as the basis of our business. And our customers rely on us. We make sharing possible. Videos, photos, emotions, and data.

But it is not only about sharing. It is also about participation. Participation in the possibilities offered by the internet. Participation in the opportunities of digitalization. Participation in new wealth. In short: taking part. That is what we are working for.

- We are laying fiber-optic cables – we have 40 million fiber-optic lines. Europe-wide.

- We are eradicating coverage gaps. We are increasing the number of cell sites from 29,000 to 36,000 in 2021. That is just in Germany.
- And: We are investing. More than any other European competitor. 46 billion euros in the last four years, 21 billion of this in Germany.

What we stand for makes us what we are: Europe's leading telecommunications company. 216,000 employees work to keep it that way.

To our employees:

It is your success. You put your heart and soul into what you do. For the company. For our customers. Thank you all very much.

2018 was a record year. We adjusted our financial planning – upwards – three times! Deutsche Telekom is growing. We posted major gains across the board. For 2018:

- Revenue: up 0.9 percent to 75.7 billion euros.
- Adjusted earnings before interest, taxes, depreciation, and amortization: up 5 percent to 23.3 billion euros.
- And free cash flow: up 13.7 percent to 6.2 billion euros.

Four years ago, I presented our plans to you. Our targets through 2018. We exceeded these targets. We outperformed every single other European competitor:

- In terms of customer numbers: 220 million worldwide. An increase of ten million in the last year.
- In terms of revenue.
- And in terms of our value on the capital market.

This is also reflected in the share price performance. The T-Share is worth 15.64 euros. That is 5.7 percent higher than at the end of 2017.

Ladies and Gentlemen,

We want you to participate in this success. We propose to pay a dividend of 70 cents per share. 40 percent more than four years ago. That is despite our higher investments. Around 40 percent. Since 2013.

We are not resting on the laurels of this success. We have new goals. We want to continue growing. Our plan for 2017 to 2021 is to achieve average annual growth

- of 1 to 2 percent in revenue,
- of 2 to 4 percent in earnings before interest, taxes, depreciation, and amortization – 23.9 billion euros this year, and
- of 10 percent in free cash flow. 6.7 billion euros this year.

We also want to increase the dividend by 2021. In the future, it will no longer be oriented to free cash flow. The focus will be on the profit generated by your Deutsche Telekom. The dividend will be aligned with adjusted earnings per share, which currently stand at 96 eurocents. This figure is projected to rise to 1.20 euros by 2021 – plus 20 percent. If we take over Sprint, there will be start-up costs involved. So, we are setting a lower limit on the dividend in the event this happens. It will not fall below 50 cents.

Ladies and Gentlemen,

Deutsche Telekom itself must be successful if it is to successfully enable participation. What did we do in 2018 to make this happen? What is next? That is what I am going to talk about today. In four key points.

## **1. We look problems in the eye. We solve them.**

Take the company Toll Collect, for example. We spent many years in a dispute with the German government before the arbitral tribunal. They wanted us to pay several billions of euros. Now we have reached an agreement. That gives us additional breathing space. Our legal department litigated in 21 patent cases in 2018. And won them all.

Another example: pension provisions. Until recently, the pension provisions in Deutsche Telekom's statement of financial position were growing. This was down to the low interest rates. We therefore made the decision to cover future pension payments with our own assets. We transferred our stake in British Telecom to the Deutsche Telekom pension fund.

One last example: T-Systems. I made some mistakes in this respect. Our assessment of the market was too optimistic. And competition was fiercer than anticipated. The bottom line is: T-Systems is not in the black.

But under the new leadership of Adel Al-Saleh and his team, the signs now point towards growth. T-Systems won new deals in 2018 totaling 6.8 billion euros – almost 30 percent more than in the previous year.

You may well be asking: What is different this time?

One key aspect: Our revenue breakdown is changing. At T-Systems, the revenue was split as follows:

- a third with traditional telecommunications,
- a third from IT business with other companies, and
- a third from growth areas – that is data center business, cloud computing, the Internet of Things, and online security.

In 2018, the contribution of the growth areas was up slightly, to 35 percent. We want this to rise to 46 percent by 2021. This is what we invest for.

In other areas, we are making savings – 1.5 billion euros Group-wide. In administration costs, for example. Unfortunately, this means we have to part ways with some employees, including many executives. The new T-Systems has fewer managers. In the past, we had a hierarchy with up to eight levels. Soon, we will have brought this down to three in most areas. A flatter hierarchy speeds up decision-making and makes it more efficient.

Nevertheless, it is a painful process. Many colleagues will soon no longer be with the company. Despite the great work they have contributed over many years. But: We simply cannot hang on to jobs at the expense of other parts of our business.

But at Deutsche Telekom, we let no one fall through the cracks. We help people look for new positions. We offer support throughout the transition process. For example, with severance arrangements. We agreed on this with the trade unions. I would like to say thank you to the employees' representatives for the trust-based dialog.

The good news is: We are not only cutting jobs – we are also creating them. Around 12,000 new positions this year, predominantly for experts and junior staff.

## **2. We are there for our customers**

Being approachable. Being accessible. These are important to us. We have 100 million customer contact cases every year – that is just in Germany. And have improved our service over the past few years. Like we promised.

- We used to have two units: Technical Service and Customer Advice. Today, Service is once again a single unit. 30,000 people working together to solve problems.
- The number of complaints used to be high. It is coming down steadily. 25 percent less last year. Down 43 percent since 2014.
- It used to take us several attempts to resolve customer issues. We now resolve almost 30 percent more cases on first contact compared to 2017.

We still make mistakes. I am sorry when things go wrong. But we are getting better. And we have won several awards. Deutsche Telekom provides the best service in Germany.

- That is what Connect magazine reports.
- Focus Money says the same.
- And independent certification organization TÜV has given our service the seal of approval.

Being there for customers also means listening.

Take climate change, for example. The younger generation is asking us: What kind of planet will you leave behind for us? Are you building or obstructing our future?

Climate change is also relevant to us, Deutsche Telekom. Our data centers consume a great deal of energy. We have a fleet of 37,000 vehicles in Europe. Ultimately, digitalization helps to reduce CO<sub>2</sub> emissions. But we are part of the problem. We have responded to this situation. From the end of 2021, we will only use electricity from renewable sources. By 2030, we plan to cut our carbon footprint overall – by 90 percent. We have also launched a campaign to reduce the use of plastic. We are halving the amount of plastic used for SIM cards. This saves 17.5 tons of plastic.

All of this costs more. But it is money well invested. It is an investment in the future. And an investment *for a future*. And if that is not enough: There are also good commercial grounds for doing so. Young people look at the cost of a product and the cost for the environment. Both have to be right.

The second example is fairness. How many of you have been our loyal customers for over ten years? You have been faithful to us for many years. But you do not get the same offers as new customers. Do not get the same discounts. This is common practice in our industry. But it is not fair. We are changing this, step by step. Our current offering is the same for everyone. Loyal customers and new customers.

This brings me to my third point:

### **3. We strengthen our subsidiaries and associates**

We position them optimally in every market.

- Through acquisitions.
- And, where necessary, through disposals.

In the European market, our focus is on becoming a one-stop shop for fixed-network and mobile services. We now offer this everywhere:

- In Austria, we took over cable provider UPC for 1.8 billion euros.
- In the Netherlands, we merged our T-Mobile subsidiary with Tele2. Customers benefit – our network in the Netherlands is the best in Europe. And we have won the largest share of new customers.
- In Poland, we reached an agreement with providers Orange and Nexera. We will soon be able to offer fixed-network and mobile communications from a single source in five million households there.
- We are selling our subsidiary in Albania, where we still have no convergent products. Our subsidiary, OTE, has agreed to the sale. The authorities will have the last word.

In the United States, our focus is on the merger with Sprint. The combined business would have some 130 million customers.

This would put T-Mobile US level with top dogs AT&T and Verizon. Not only that, but together, T-Mobile US and Sprint would be able to roll out 5G even faster. They would bring coverage to many areas currently without high-speed fixed network. This would make the new T-Mobile US a strong competitor for cable operators like Comcast or Charter.

And: It creates jobs – in new shops and in new call centers. Particularly in rural areas.

Ladies and Gentlemen,

The planned business combination has already passed the first hurdles. It has been authorized by the security authorities. 16 states have approved the transaction. We need 19 in total. We are working to safeguard the remainder with strong lobbying.

Because the business combination is good – for competition in America, for customers, for more jobs, and also for you. In terms of costs alone, both companies will make savings. 43 billion dollars.

What is clear is that T-Mobile US is doing extremely well, even without Sprint. Seven million new customers in 2018. Adjusted earnings before interest, taxes, depreciation, and amortization: up 8.3 percent to 10.1 billion euros. We are the challenger in the market. And we will continue this path.

This brings me to my fourth point:

#### **4. We invest in the future**

12.2 billion euros in 2018. Before spectrum costs. This year, the figure is rising yet again. To 12.7 billion euros. In state-of-the-art data centers, innovative products, and above all in networks. They are getting faster and faster – and reaching more and more people.

In the United States, we now cover almost 99 percent of the population with LTE.

In Europe, this figure is 97 percent – an increase of three percentage points in the last year. And 7.6 million households receive fixed-network internet via a fiber-optic line. Either to the home or at least to the gray street cabinets.

In Germany, our LTE network covered 98 percent of the population at the end of 2018. That is an increase of four percentage points, helped by the construction of 1,300 new cell sites.

At the end of 2018, 33 million households were connected to the fixed network via fiber-optic lines. 28 million customers could enjoy speeds as high as 100 Mbit/s and over. More than 14 million households had up to 250 Mbit/s. As did two million companies. As of today, 20 million households receive up to 250 Mbit/s.

When it comes to participation, you could say: **Only mass is first class.** We need broadband for the many, not for the few. And that is exactly how we build our network: with bandwidths that ensure participation. With lines that can handle everything – from Netflix to sending a blueprint. And our network is growing. With the needs of customers.

No one does networks as well as us. Including in mobile communications. We offer the best in ten countries in Europe, including Germany. We win every test: Chip, Computerbild, and the Connect test.

But it is not enough for us to be better than the others. Rather, we always want an outstanding network. Especially in our home market. In Germany. We invest continually to make this a reality. Once again over 5 billion euros.

- We are closing coverage gaps. By building new antennas. More than 2,000 a year on average through 2021.
- We are rolling out 5G across Germany. Our plans are ambitious: 99.3 percent of the population by 2025, and 90 percent of the country.

Our industry is undergoing change. Mobile communications are entering the 5G era. We are rolling out optical fiber in the fixed network. New times call for new answers. Our goal? 100 percent. In mobile communications and in the fixed network. Everyone should be able to participate in the possibilities of digitalization. Everyone should be able to take part. That is why Deutsche Telekom invests more than any other. But: We will only get there by working with others. A player with a market share of 40 percent cannot build all of the new networks. And no regulator on Earth wants a new monopoly.

So, we are partnering up with others. In the mobile network for example:

- We have reached an agreement with Telefonica to run fiber-optic lines to many cell sites. This is the basis for 5G.
- We also open up many of our sites to all of our competitors for co-use. Particularly in rural areas. Places where there are still coverage gaps. We build the mast and others can use it to mount their antennas.
- We are open to discussing coverage gaps with our competitors. I am all for working together to close these gaps. But this only works when investment is both promoted and protected.

Examples in the fixed network include:

- The Glasfaser NordWest joint venture, which we just founded together with EWE. If the antitrust authorities give the venture their backing, we will lay fiber-optic lines directly to 1.5 million households.
- We are also part of an alliance in Stuttgart to build out optical fiber to the home. 1.4 million households will be connected by 2030.
- And, as we speak, we are making a start on building out optical fiber in North Saxony to 43,000 households.

From 2021, we plan to connect up to two million households directly with optical fiber every year. That is provided the right regulatory framework is in place. But even that is not enough for us. We are working on a new model for even more optical fiber in Germany. This model could be attractive to municipalities and municipal utility companies, for example. We plan to rent and operate their fiber-optic networks. In parallel, we ensure that anyone can access this network at market-oriented, freely negotiated prices.

This model lets everyone play to their strengths. The utility companies already lay lines for electricity, for gas, and for water. They have building capacities to spare, while we have virtually zero left. But what they do not do so well is know how to operate a network. That is something that we can do better. By joining forces, we avoid unnecessary parallel build-out work.

Ladies and Gentlemen,

We also need new answers in other areas. Some things just do not fit any more.

- We want to build 2,000 new antennas a year. But it takes over two years to get the required approvals.
- We provide LTE on train routes. But not all railcars are equipped with repeaters. We are working with Deutsche Bahn to change this.
- We want to provide 5G nationwide. But a quarter of the available spectrum is not being auctioned. An artificial shortage is being created, which can push up the price. Then further down the line, there is no money for the build-out.

Ladies and Gentlemen,

Deutsche Telekom is doing a great deal. We are cooperating. We are investing. We are working at full capacity. We have completely changed tack these days.

So I ask you: Please give us your support so we can continue to take Germany forward. Give us the freedom to invest. Maximum investment and maximum regulation just do not go together. Some people do not like that. But sometimes things are as simple as they appear.

Ladies and Gentlemen,

We have transformed Deutsche Telekom over the past few years.

What is next?

- We will soon have migrated all of our networks to the Internet Protocol. We are farther along than any other. The advantage is that the network can be managed in a completely new way. Using software. This is less expensive and allows us to launch new products on the market much faster.

- And the network itself is becoming a computer. With computing power that is accessible to customers. This makes new products possible. Like smart glasses. Until now, they have been heavy and bulky. Because the computer is built into the glasses themselves. Soon, this will no longer be the case. The network itself will be the computer.
- We connect the machines and products of industry. In factories and beyond. Wirelessly. This makes businesses more flexible and productive. We are already in the process of building campus networks. Like the one with Osram in Augsburg.
- The network is also getting safer. Because 5G is the first standard with built-in security. Deutsche Telekom is also the German market leader for online security. We created a separate unit dedicated to this field. Telekom Security is home to 1,800 experts.
- And the benefits are not only for businesses. We help consumers create smart homes:
  - With new routers that provide good internet reception through the entire home.
  - With voice control, so you can operate all Deutsche Telekom devices in the home using voice commands. And many other products as well.
  - We are building a standardized operating system for the smart home. From lamps to washing machines.

We will only be able to do this if we also change our culture. At Deutsche Telekom, we collaborate differently. We work in teams both within and across departments. Older colleagues with younger colleagues. Using agile methods.

Ladies and Gentlemen,

Taking part means: being connected. Being part of something. Not being on the fringes, but right in the middle of things. Emphasizing not what divides us, but what unites us. Not defining borders, but breaking them down. That is the core of your Deutsche Telekom. Making sharing happen. Making participation happen. That is

what our customers experience. That is what unites us. That is why 216,000 Deutsche Telekom employees get up each morning.

All of us are committed to continuing the same path. This time next year, we want to be able to look back and say:

- We have solved problems.
- We are there for our customers.
- We are strengthening our subsidiaries and associates.
- We are investing in the near future. We are shaping this future. Because we are growing in all segments.

And we are taking everyone with us on this journey.

Ladies and Gentlemen,

All of you are part of it. All of you are taking part.

Thank you.