

– Check against delivery –

**Press conference on the 2019 financial year**

**February 19, 2020**

**Timotheus Höttges**

**Chief Executive Officer**

**Deutsche Telekom AG**

Thank you, Philipp.

Good morning, Ladies and Gentlemen.

From me, too, a very warm welcome to our press conference on Deutsche Telekom's financial statements. It is said that one should use superlatives sparingly, but today truly is a historic day.

As you know, Deutsche Telekom AG turns 25 this year. That is why I would like to start today by thanking everyone – not only the people who have played their part in our past, but all of you who are here today and helping to shape the future. You have all made Deutsche Telekom into what it is today. So, from me and the entire Board of Management: Thank you!

Deutsche Telekom's history has been marked by highs and lows, successes and crises. It has had to learn to survive in the face of competition. And it is still here. We have undergone dramatic change, and we intend to continue doing so – we won't be satisfied until everyone is connected.

Ladies and Gentlemen,

We have given ourselves two gifts for our 25<sup>th</sup> anniversary. And that is what I would like to talk about today.

**1. Deutsche Telekom closed the 2019 financial year more successfully than any other since its establishment:**

- Revenue: 80.5 billion euros, up 6.4 percent.
- Adjusted EBITDA AL: 24.7 billion euros. The increase here was 7.2 percent. Another record. Our most recent guidance was 24.1 billion euros.
- Free cash flow: 7.0 billion euros, up 15.9 percent. We had forecast around 6.7 billion euros.
- Net profit: 3.9 billion euros, up 78.5 percent. Adjusted for special factors, net profit increased by 8.9 percent to 4.9 billion euros. Adjusted earnings per share rose by 8.3 percent to 1.04 euros.
- So, I would like to say: Happy Birthday, dear Telekom.

**2. The merger between T-Mobile US and Sprint is within reach.**

We have successfully guided the transaction through all steps of the approval process so far. With the Committee on Foreign Investment in the United States, the FCC, the DOJ, and now with Judge Marrero. And the New York Attorney General stated on Sunday that she does not plan to appeal against Judge Marrero's ruling. It will be the biggest merger with a German company the U.S. has ever seen. The combined company will have a total volume of more than 110 billion U.S. dollars.

It is a cash-free transaction protecting equity and based solely on the issue of new T-Mobile shares, which is good news for our other Group-wide investments, too.

T-Mobile US and Sprint together have around 140 million customers. In Europe, we have a total of some 130 million mobile, fixed-network, and broadband customers. Once the transaction closes, Deutsche Telekom will have a strong presence on both sides of the Atlantic that is unmatched in the European telco sector.

And I believe that Germany also stands to benefit from a German or European company taking on a leading role in a key U.S. industry.

Deutsche Telekom employees can be immensely proud of what we have achieved. I say a huge thanks to the team in the United States and above all to the team here in Bonn, who led the negotiations as TMUS' majority shareholder and worked on obtaining the relevant approvals. On a personal level, I can say that it was the most exciting and biggest business challenge of my career to date. But it was a challenge I particularly relished. That is thanks to a great team, in particular Thorsten Langheim, who contributed hugely, as well as many others, too.

But back to the topic at hand. If you recall:

- We started in 2011 with shrinking U.S. operations and plans to sell.
- When the sale to AT&T fell through in the same year, we received additional spectrum and a payment of 3 billion dollars.
- In 2012, we implemented a strict self-funding policy at T-Mobile US, under which the company financed its investments with its own operations as well as its own external funding sources.
- In 2013 came the merger with MetroPCS and our repositioning on the market as an Un-carrier.
- The enormous growth of our U.S. business prompted us in 2016 to partially wind back the self-funding policy. At the time, this was advantageous all round on account of the better financing terms at Deutsche Telekom AG compared to T-Mobile US, as well as the associated lower interest payments.
- Between 2010 and 2019, T-Mobile US, with heavy backing from Deutsche Telekom, invested a total of around 54 billion U.S. dollars.

- With this, we were able to evolve the company into a "king maker asset" and raise T-Mobile US' market cap from around 11 billion U.S. dollars in 2013 to around 82 billion U.S. dollars most recently. That is a more than sevenfold increase! Today, our stake is worth over 50 billion U.S. dollars.
- At the end of 2017, we saw the opportunity to merge with Sprint, but were unable to reach an agreement on the controlling majority. But we kept at it, ramped up our Un-carrier strategy, enhanced the value of TMUS, and in 2018 were able to broker a deal.
- Under this agreement, Deutsche Telekom receives 42 percent of the shares in the new and bigger T-Mobile US. However, a voting rights agreement with Softbank entitles us to 67 percent of the voting rights and 9 of the 14 Board seats. This means we can continue to fully consolidate T-Mobile US in the Deutsche Telekom Group.
- We have Mike Sievert on board in the United States. Mike masterminded the Un-carrier strategy and is the ideal CEO to lead T-Mobile US into a new era. We all knew that a handover was imminent. But the question of when was particularly difficult in this case, because nobody embodies the T brand quite like John Legere, whom we have a great deal to thank for. But we also wanted everyone involved in the merger to know exactly what was going on in this respect.

So, what does the deal mean for Deutsche Telekom? What potential will it generate?

### **1. Increased value**

On the day the ruling was announced in New York, the aggregate value of T-Mobile US, Sprint, and Deutsche Telekom shares rose by more than 25 billion U.S. dollars. AT&T has a market capitalization of 274 billion U.S. dollars, and Verizon 242 billion U.S. dollars. At today's date, the new T-Mobile US would have a market cap of almost 120 billion U.S. dollars. That is a difference of around 120 billion dollars. I see no reason why this cannot be reduced considerably.

## **2. Customers**

AT&T has 150 million customers and Verizon 140 million. As of today, the new T-Mobile would have around 140 million customers. This puts us on an equal footing and in a position to ramp up our attacks on the competition. In the B2B market we are not yet where we could be, looking at our market share, so the potential is there for the taking.

## **3. Spectrum**

The new TMUS will benefit from a unique spectrum position that will enable it to build the United States' best nationwide 5G network. T-Mobile US already operates the first nationwide 5G network based on 600 MHz spectrum, covering more than 200 million people.

Ladies and Gentlemen,

The deal benefits Deutsche Telekom on all levels. And that includes Telekom in Germany. We are giving our shareholders the prospect of further growth. And, as a European company in a key U.S. market, we will have a voice.

Of course, we can only spend our euros once. That is why I have long called for Germany and Europe to develop an investment-friendly regulatory framework. Right now, the socially relevant goal is: Build networks. And the numerous partnerships that now emerge based on the principles of the market economy, are signaling a shift in our industry's culture – one that I feel deserves a chance.

We have signed a deal with Vodafone on around 4,000 gray spots. Where an area was previously covered exclusively by one provider, the companies are now making mobile infrastructure available in equal measure to the others.

We plan to work in unison with Vodafone and Telefonica to close a further 6,000 gaps in mobile network coverage. We are joining forces with companies like Ewe.Tel to build out optical fiber. And we are partnering with other companies that invest in optical fiber – the watchword here is wholebuy.

In addition, Deutsche Telekom invested an unprecedented amount in 2019: 13.1 billion euros, around 5.5 billion of which in Germany. We will invest a similarly high sum again this year. And we are using the money to build 5G, LTE and, increasingly, FTTH. We are set to connect up to two million households every year starting 2021, and are banking on receiving the necessary support.

This brings me to my third piece of good news today:

### **3. For the first time in 15 years, adjusted EBITDA AL is growing across all segments.**

- Our Germany operations were up 2.4 percent.
- The Europe operating segment was up 5.0 percent.
- Systems Solutions business was up 17.4 percent.
- The Group Development segment was up 15.8 percent.
- Business outside the United States was up 4.7 percent overall.
- T-Mobile US: up 10.4 percent.

Let me give you some details:

#### **1. Customers**

- In continental Europe we now serve around 58 million mobile contract customers. That is 2.4 million more than in the previous year.
- Our MagentaEins products are used by 9.6 million customers in Germany and in our European subsidiaries.

- We are also growing further in the United States. Our customer base there increased by 6.4 million, compared with the end of 2018 to around 86 million. With 4.5 million postpaid customer additions, we once again hit a record high for customer growth in the U.S. mobile industry.

## **2. Networks**

- We continued to expand our fiber-optic-based network in Germany and can now offer around 80 percent of households surfing speeds of over 50 Mbit/s.
- In our European subsidiaries, we now reach 10 million households with optical fiber. That is 2.8 million more households than in the previous year.
- Our LTE mobile coverage in Germany now stands at over 98 percent. The levels are similarly high across our European subsidiaries.
- We have already set up around 450 5G antennas across Germany. The number is set to rise to around 1,500 by the year-end, and will bring 5G to Germany's 20 largest cities. In Austria, Magenta became the first provider in Europe to launch a 5G network.

## **3. Digitalization**

- In Germany, we migrated all consumer fixed-network lines to IP technology.
- The IP migration is now also complete in six of the seven European footprint countries using our own fixed-network infrastructure.

With our Mein Magenta app, customers in Germany can now look up their contract status, buy devices, or select add-on services – conveniently and online. 30 percent of customers in Germany have downloaded the app, and as many as 55 percent of customers in our European subsidiaries have downloaded the equivalent OneApp.

#### **4. Service**

Looking specifically at Germany, it is true to say that service here is still not perfect, but we are getting better. It is running more smoothly now than ever before.

- We have cut our average hotline waiting times by over 40 percent compared with 2017.
- The number of complaints dropped by half in the same period.
- The punctuality of our field service team has improved by more than 80 percent.
- And around 30 percent more customer cases are resolved on first contact.

#### **5. Cost reduction**

- In 2018, we made a clear statement at the Capital Markets Day regarding our plans to reduce indirect costs long term by around 1.5 billion euros in the years 2017 through 2021. Our activities here have resulted in savings of around 0.8 billion euros already in the last two years.
- One example of our plans going forward: Streamlined processes and the opportunities offered by digitalization are helping us in various areas, including the FTTH build-out. By optimizing our structural and build-out planning as part of the FTTH Factory, we expect to reduce the time and effort involved in FTTH planning by around half compared with 2017.
- The higher number of customers contacting us online, faster processes, and the growing digitization of our technical platforms are further key factors that help us not only to keep costs under control, but to continue driving them down.

## 6. Sustainability

- The climate crisis and sustainability are hugely relevant topics. Deutsche Telekom has been actively implementing measures for quite some time now. As of this year, all Telekom customers in Germany now surf in the green network powered from 100 percent renewable energy sources. From the coming year onwards, the entire Group is set to transition to 100 percent renewable energy.
- By 2030, we want to reduce CO<sub>2</sub> emissions by 90 percent. One step on this journey has been to expand our fleet of electric vehicles.
- And we have reduced the amount of plastic in the Group, for example, by halving the size of the SIM card punch cards.
- We also added a new item entitled "Act responsibly" to our Group strategy to underline our commitment to our social responsibility. And not as a side product to daily business. But in our daily business.

Ladies and Gentlemen,

To sum up:

- In 2019, Deutsche Telekom posted its best-ever results.
- The merger in the United States is within reach. It will fundamentally alter our international standing. And generate tremendous growth opportunities.
- We are growing across all segments. We have the best networks in virtually all of our markets. And we are investing more than ever before to continue expanding these networks.

Ladies and Gentlemen,

As you know, the merger in the United States is not yet over the finish line. So, my guidance for 2020 is based on the Group in its current set-up. Once the deal closes, we can present the new guidance in due time. But the same applies in both cases: We keep our promises. In recent years, we have actually exceeded our guidance.

For 2020, we expect:

- Net revenue is set to rise again in 2020.
- We plan to achieve adjusted EBITDA AL of around 25.5 billion euros by the year-end, a plus of more than 3 percent. That is excluding exchange rate effects and based on the current Group structure.
- All operating segments are set to contribute to this trend with higher earnings.
- Free cash flow AL is expected to rise to around 8.0 billion euros, up from around 7.0 billion euros in 2019.
- We plan to underpin this growth course with continued high investments of around 13 billion euros worldwide. Well over 5 billion euros of this figure will be invested across all operating segments in Germany.
- Last November, the Board of Management and the Supervisory Board announced their plans to pay a dividend of 60 euro cents per share for the 2019 financial year. We raised the lower limit for the planned dividend for the coming years from 50 to 60 euro cents per share. This applies irrespective of the successful closing of the business combination of T-Mobile US and Sprint. This is subject to approval by the shareholders' meeting as well as other legal conditions.

Ladies and Gentlemen,

25 years ago, Deutsche Telekom was a public authority. Today, it is an international corporation. One with strong mainstays on both sides of the Atlantic. We have transformed ourselves on many levels. We have become more diverse, developed new products, and entered new markets.

We are checking off the boxes, one by one. And focusing on our core task: Delivering the best networks. We won't be satisfied until everyone can #takepart.

With that, I will now hand you over to Christian Illek.