

– The spoken word shall prevail –

**Speech for Deutsche Telekom's shareholders' meeting 2020  
in Bonn on June 19, 2020**

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

Dear Shareholders,  
Dear Employees,  
Ladies and Gentlemen,

This year, your Deutsche Telekom is 25 years young. It has continually adapted itself: To new technology. To customer requirements. And to the competition.

Shaping the change. This has made us strong. And continues to make us strong today.

Deutsche Telekom was once first and foremost a fixed-network provider. Today, we are a one-stop shop for fixed network, mobile communications, and TV services. We have almost 186 million mobile customers. 25 years ago, we had just two million.

Today, our TV customers number 8.6 million. 25 years ago, we did not even have a TV test card.

Deutsche Telekom used to be analog. Today, we are digital. This year we will migrate the last remaining consumer line in Germany to the Internet Protocol. In Europe, we have migrated almost 92 percent.

Touching every one of 35 million lines in the process. For our customers, this means better voice quality. Faster help. No more complicated access data. Just plug in the router. And you are all set!

Deutsche Telekom was once a wholly German company. Today, we are international. 115,000 of our colleagues work outside of Germany. More than 50 percent.

We have invested almost 260 billion euros in 25 years. Including spectrum licenses. And paid out over 50 billion euros in shareholder dividends.

As a result, we are currently Europe's most valuable telecommunications company. With a market cap of over 70 billion euros.

Private investors who bought the T-Share in 1996 have seen its value increase by 170 percent. Including loyalty shares.

Because our shares have also performed well. Whether you take the last three years. Five years. Or even ten years. We have consistently outperformed our European competitors. The T-Share has also shaken off the coronavirus crisis. Thanks to the prospect for continued growth. Thanks to our good financial figures. And also thanks to our distribution of profits.

We originally announced a dividend of 50 euro cents. Provided the merger in the U.S. goes through. As you know, it did go through. With this in mind, we are today proposing a dividend of 60 euro cents per share.

2019 was the best year in our history.

- Revenue: 80.5 billion euros, up 6.4 percent.

- Earnings from operations<sup>1</sup>: 24.7 billion euros, up 7.2 percent.
- Free cash flow<sup>2</sup>: 7.0 billion euros, up 15.9 percent.
- Net profit<sup>3</sup> adjusted for special factors: 4.9 billion euros, up 8.9 percent.

So, I would like to say: Happy Birthday, dear Deutsche Telekom!

Ladies and Gentlemen,

Our past success is no guarantee for our future success. Nevertheless, I firmly believe that we can play to our strengths even better in the future.

Europe is going digital. This trend is set to continue. Germany in particular needs to step up digitalization. In businesses. In public authorities. But above all in the education system. Deutsche Telekom is here and ready to give its support.

There are five key points that are central to our future strategy.

### **1. We build the best networks. By far.**

This is what we invest for. 13.1 billion euros alone last year. 5.5 billion euros of this in Germany.

In eleven of twelve networks in Europe, we are the no. 1 in mobile communications. And we also lead the way in the United States.

Our LTE coverage in Europe is at 97.3 percent. In the German mobile network it is at 98.2 percent. We installed 5,000 antennas in 2019 alone. One every two hours.

Our network build-out focuses not on confrontation, but on cooperation. Together with Telefónica and Vodafone we are closing 6,000 mobile coverage gaps. And

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<sup>1</sup> Adj. EBITDA AL

<sup>2</sup> Free cash flow

<sup>3</sup> Reported net profit

another 4,000 zones known as “gray spots” with Vodafone. We also work hand in hand with municipalities as part of our “Hunting down dead zones” campaign.

Now comes the next step. The future is 5G. Magenta, our Austrian subsidiary, was the first-ever provider in Europe to offer 5G. As of the day before yesterday, 12,000 antennas are in operation across Germany. Covering 16 million people. And this is set to rise to 40 million from mid-July.

In the German fixed network, over 30 million households have up to 100 Mbit/s. 35 million have up to 50 Mbit/s. And more.

In our European subsidiaries, we now reach around 10 million households with optical fiber. That is 2.6 million more households than in the previous year.

The future for the fixed network is: fiber to the home. Or FTTH for short. 1.7 million households in Germany can already have FTTH from us. We intend to up the pace substantially. To two million households per year.

My goal is to connect every household in Germany with optical fiber by 2030. This requires multi-billion-euro investments for Germany. Some will come from us. And some from our competitors. But it will not happen if leasing the networks is more cost effective than building them.

We want Germany to be a world leader in building out the networks. Deutsche Telekom will become the No. 1 fiber-optic company in Germany.

That is why we are now building our fiber-optic installation factory. We are laying the last mile of fiber-optic cable from the gray street cabinets to people’s homes. And we will lease optical fiber from competitors. In a fair world, companies using our infrastructure make their own available to us on equal terms. For everyone. This will make nationwide coverage a reality.

## **2. Deutsche Telekom is inclusive. We segregate no one.**

We are the provider for all. And for every budget. From business customers to schoolkids. From simple cell phones to high-end devices. The T is an umbrella with room for everyone. This is where our important second brand congstar comes in. From zero to five million customers in ten years. Sales in 2019: over 600 million euros.

Our revenue with business customers will soon exceed 15 billion euros. Putting us firmly in the No. 1 spot. In Germany and Europe.

On the U.S. market, we will in future offer improved connectivity for business customers. And we expect to see strong growth in other business areas, too. From the Internet of Things, and online security, to business with data centers – the cloud.

But our aspiration of inclusiveness also shapes our culture. We connect people. We do not separate them. Racism. Sexism. Discrimination. Hate and incendiary speech. There is no place for these here. We work to ensure that everyone has the same opportunities. No matter their background. No matter their gender. No matter their skin color.

Diversity makes us more creative. More tolerant. More open. And more successful. 25 years ago, we were predominantly German and male. Today, 26 percent of our managers are women. 20 percent of all management positions are international. And I would like to see another Board of Management more diverse than ours.

But there has also been criticism. Not everyone has the same opportunities. Our heads are still filled with preconceptions. We will continue to shape the change. And I include myself in that.

## **3. Deutsche Telekom acts locally. Utilizing its global strengths.**

Take procurement, for example. IT. In short: wherever size matters.

At the same time, we know that the local markets are very different. That is why our decisions are local.

Take the Netherlands, for example. Until recently, our business there was flagging. So, we gave T-Mobile Netherlands free rein. With a new team. And new ideas. And the business combination with Tele2. Today, T-Mobile Netherlands has one of Europe's best mobile networks. Customers are coming to us. Over 300,000 new customers last year alone. We have the biggest growth in the market.

My second example is the United States. Yet another transformation we worked hard on for many years. Since the IPO, the value of T-Mobile US has increased more than sixfold.

More than six million new customers last year. 33.5 million since 2012. Back then we came from a shrinking business.

But we did not give up. We invested 54 billion dollars just in the period 2012 through 2019. Most of this in the network.

In 2013, we launched the Un-carrier strategy. We are the challenger in the market. And we have worked our way up to the No. 3 spot on our own.

In 2017, the opportunity came to combine our business with Sprint. But we wanted better terms for the deal. So, we initially said no. But we kept working on it. And negotiating. And in April the business combination finally went through.

As a result, it is the biggest merger of a German company in the United States ever. The combined company has a total volume of more than 110 billion dollars. And it puts a German company in a leading role in the U.S. I believe this is good for Germany.

The business combination is good for the network build-out. We have more spectrum than our competitors.

The business combination is good for customers. TMUS is currently building the United States' best 5G network. 215 million people can already use 5G. In terms of customer numbers, we are now on an equal standing with AT&T and Verizon.

And the business combination is good for you, our shareholders. It creates value. Today, the new T-Mobile US has a market cap of 127 billion dollars. Comparable provider Verizon has a market cap of around 235 billion dollars. That is a difference of around 110 billion dollars. Give me one good reason why we cannot substantially close this gap! Particularly given the expected synergies of at least 43 billion dollars.

Ladies and Gentlemen,

The business combination marks a milestone in Deutsche Telekom's 25-year history. It enables us to continue investing extensively: in the United States. And also in Europe.

This brings me to my fourth point.

#### **4. Deutsche Telekom does business responsibly.**

In 2018, we said we would bring down our costs. By 1.5 billion euros. We had already saved more than half of our target by the end of 2019. 0.8 billion euros.

One example is T-Systems. We phased out five management levels. And reduced the number of managers by 30 percent. We have downsized our bigger units. The success is clear. Earnings from operations<sup>4</sup> in 2019: up 17 percent. To 519 million euros.

Another example is that we are offering more and more digital services. Take the Magenta app. View your invoices. Book a new rate plan. Solve internet access problems. It is all possible online. From the comfort of your own home. No

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<sup>4</sup> Adj. EBITDA AL

technicians. No calling customer service hotlines. 55 percent of customers in Germany and Europe are already using the app. I hope you are, too!

And we can save further costs by digitalizing even more areas. The coronavirus crisis has shown us that it is possible. One example. In the first quarter alone we saved 12 million euros in travel costs. We now use video calling for many conferences.

We are learning from this.

## **5. Deutsche Telekom offers perfect customer service.**

This is where I look at Germany. While our customer service is not yet perfect, it is running more smoothly now than ever before.

- The call waiting queues are still there. But they are getting shorter. Waiting times have dropped by almost 60 percent from last year.
- Technicians are arriving on time. 50 percent fewer missed appointments compared to 2018.
- And: We handle our customers' requests directly. On their first call. Our first-call resolution rate is 50 percent.

It sounds simple. But it meant completely overhauling our customer service. The structure. The culture. And the entire way our customer services colleagues work. The change is impressive. We have become one of the most customer-friendly companies, joining the likes of Amazon and Miele. According to a new survey. The Trusted Brand Survey.

Ladies and Gentlemen,

Deutsche Telekom is strong when it can be there for society. It is a huge source of energy for us. I believe that this strength stems from our sense of responsibility. And pride in our brand. 93 percent of our employees say that Deutsche Telekom responded well to the coronavirus crisis.

We are making the most of this energy. By placing social responsibility at the center of our work. We will not be satisfied until everyone can take part. Bringing people together. This is what we put our hearts and souls into.

Many talk the talk. They say: “We could if we wanted to. We would if we had to.” Deutsche Telekom walks the talk. It says: “We can. We want. We do.”

The Corona Warn App is just one example.

The climate crisis is another. It was the subject of heated debate until very recently. We have already switched to implementation mode.

From this year, all Deutsche Telekom customers in Germany use the green network. Powered 100 percent by electricity from renewable sources. From the coming year, the entire Group is set to transition to 100 percent renewable energy.

We also launched the “We care for our planet.” initiative. Our environmental and climate protection initiatives are being aligned even more closely. Take our MagentaTV box, for example, which in future will be made entirely from recycled plastic. And we are taking steps across the board to prevent and reduce our use of plastics and packaging.

Ladies and Gentlemen,

To sum up:

- We have award-winning networks in virtually all of our markets.
- This year, we successfully realized the business combination in the United States.
- In 2019, Deutsche Telekom posted its best-ever results.
- We are growing across all segments. United States: up 4.7 percent. Germany: up 2.4 percent. Europe: up 3.1 percent. T-Systems: up 17 percent. And our other subsidiaries: up 11 percent.

- In parallel, our investments remain at an all-time high. This year once again, we plan to invest 13 billion worldwide, with over five billion of that earmarked for Germany.

Of course, we are also feeling the effects of the crisis. From bad debts. Forgone international revenues. From roaming. And temporary shop closures.

But we are confident that we will bounce back. Because digitalization is everywhere right now. And this brings us opportunities.

That is why my guidance for 2020 is the same as before the crisis. Remember, it is for the Group under the old structure. It does not yet include the integration of Sprint. We expect to present the new guidance in the second quarter. We want to continue growing. In terms of revenue. In terms of earnings from operations<sup>5</sup>. And in terms of free cash flow<sup>6</sup>.

Ladies and Gentlemen,

There can be no future without a past. In the last 25 years, countless people have played their part in making your company better little by little. We have a history. But we are not history.

To all of them, I say thank you!

Those from our past. Those from our present. And those who are just joining us. Because we have also changed in that respect: Deutsche Telekom is a modern company. We are an attractive prospect for up-and-coming talent. We need young minds to help us on our way to becoming a company for software.

2,150 trainees and students on cooperative degree courses start with us this year in Germany. Welcome to Deutsche Telekom! It is great to have you on board.

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<sup>5</sup> Adj. EBITDA AL

<sup>6</sup> Free cash flow

Our Supervisory Board has also brought about changes. In 25 years it has initiated change. Or supported it. It has itself become more diverse. And it has made the company more diverse.

Our Supervisory Board has also brought about changes. It has initiated transformation over 25 years. Or supported it. It has become more diverse. And it has made the company more diverse.

Yesterday, the Supervisory Board appointed Srinu Gopalan as the new Board of Management member responsible for our business in Germany. He will assume this position on November 1, and is the first to do so who is not coming from Europe. But he is all the more successful. He led our European business to growth. And I am sure that he will also meet the announced targets in Germany, especially with regard to 5G and bringing optical fiber to the home. Together with a great team at Telekom Deutschland. Congratulations Srinu.

Ladies and Gentlemen,

Deutsche Telekom had plenty of support over the 25 years. And some luck, too. Critical reflection will be central to our future success. We must recognize our responsibility so we can continue to change.

I am seeing so much solidarity across our society in these times. That is very encouraging. But also I see a great deal of debate and disagreement. It is always the others who are to blame. Whether it is the network build-out. The lack of digitalization. Or Europe's competitiveness in general. We are even experiencing a resurgence of conspiracy theories. But it mostly serves one purpose: To absolve people of any responsibility of their own.

We do not do that. Responsibility is what motivates us. Like a workhorse we plow our furrows.

- We will become the number one fiber-optic company in Germany and Europe.

- We will become the 5G market leader.
- We will become No. 1 in the United States.
- We will help to drive forward the digitalization of Europe.
- And we will build a European champion. If we have the opportunity. To help Europe become less dependent. And chart its own course of digitalization. On an equal standing with Asia and North America.

We want Deutsche Telekom to be a company that is not simply there. But a company where people take part. And feel connected. As customers. As employees. And as shareholders. We have a long journey ahead of us. But who would have thought 25 years ago that Deutsche Telekom would be where it is today? We continue to change. We won't be satisfied until everyone can take part.

Thank you. Look after yourselves. And stay well.