

– Check against delivery –

**Speech for Deutsche Telekom's shareholders' meeting 2021  
in Bonn on April 1, 2021**

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

Dear Shareholders,  
Colleagues,  
Ladies and Gentlemen,

In a nutshell: 2020 was a record year for Deutsche Telekom. Despite the coronavirus pandemic.

Deutsche Telekom's employees are really going the extra mile right now. And for that, I offer my warmest thanks.

Our culture has carried us through. The Guiding Principles we follow. That is what I want to talk about today.

In this difficult period, we are in a position to provide a sense of security. Our hygiene concepts work. The health rate rose in the last year. To 95 percent. We hope that we will also be able to vaccinate in the near future. Over 70,000 employees within eight weeks. Our company medical service could handle that.

As a result, we see a light at the end of the tunnel. We just do not know how long the tunnel is. But we are looking forward. Bolstered by the strong financial position we created for ourselves in 2020. We are strong in the United States. In Germany. And also in Europe.

We exceeded our guidance on both sides of the Atlantic.

- Revenue: up 25.4 percent to 101 billion euros. Thereby breaking through the revenue sound barrier of 100 billion euros. In organic terms, revenue increased by three percent. We grew even without the merger in the United States.
- Adjusted EBITDA<sup>1</sup> up 41.6 percent to 35 billion euros. In organic terms, the growth rate stood at 7.9 percent.
- Net profit: up 7.5 percent to 4.2 billion euros.
- Free cash flow<sup>2</sup>: 6.3 billion euros, down 10.3 percent. But we had expected this decline. It is just a temporary consequence of the business combination in the United States. Which we closed exactly a year ago today.

The business combination is a great success. We are now serving more than 100 million customers in the United States. That already positions us second in the market. The market capitalization of T-Mobile US has increased since the business combination last spring by 20 billion dollars to 150 billion dollars. And the synergies are even greater than planned. We anticipated six billion dollars per year. Now we expect 7.5 billion dollars.

It is time to reap the rewards. First, we are reducing the debt in the United States. Then, we will profit directly from the success of the U.S. business. In the period from 2023 to 2025, T-Mobile US will give up to 60 billion dollars back to shareholders. As you know, we currently hold a stake of around 43 percent. So up to around 26 billion dollars will go to Deutsche Telekom.

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

<sup>2</sup> Free cash flow AL.

This gives us a lot of scope and opens up possibilities:

- We can increase our shareholding in T-Mobile US to more than 50 percent. We secured the option to do that. And at a lower price than the current share price.
- We can invest further in Europe. Without the United States, the fiber-optic build-out in Germany would be much more difficult.
- We can further develop our dividend.
- And we can reduce the Group's net debt. At present, it stands at around 120 billion euros. That is 2.78 times our adjusted EBITDA<sup>3</sup>. We are aiming for 2.25 to 2.75. We will be back inside this corridor in the medium term.

Ladies and Gentlemen,

People make numbers. A culture without a strategy is aimless. But a strategy without culture is weak. The former national handball coach Dagur Sigurðsson once told me the following formula for success:

Success equals talent plus hard work times attitude.

The right attitude is the key factor. The multiplier for what we achieve. For us, this is expressed in our six Guiding Principles:

### **1. Delight our customers**

Always putting customers at the focus. All our products and internal processes are aligned accordingly. And in our Ideas Forge, we work together with customers on new products.

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<sup>3</sup> Adj. EBITDA.

Among the places I went to visit last year were Nuremberg and Bamberg, where I met Tanja Kroczeck. In the first coronavirus wave, she packed up her computer, put it in her car, and since then she has been working from home. If just one customer is disconnected from the internet, she swings into action. Just like her 30,000 service colleagues in Germany. They fulfilled 43 million customer requests in 2020. Another case in point that shows – the results come from the attitude:

- Fewer complaints. Down 35 percent since 2019.
- Less lateness. Actually, none anymore. Our technicians are on time for 95 percent of all agreed appointments.
- Less ping pong. We resolve more than half the problems on the first call. This first contact resolution rate has increased significantly to 54 percent.

Our customer service sets us apart from our competitors. That has not always been the case. Today, we lead the field. No matter which indicator you look at: brand image. Ratings from our customers. Ratings from trade journals. Deutsche Telekom is almost always in first place. And today is no different. In “connect” magazine.

But most of all, I am delighted by the direct feedback we have had from customers. We have undertaken to turn them into fans. And during the crisis, there really was fan mail. We received hundreds of letters saying thank you. Thank you, dear customers. It does us good. And it motivates us.

I also receive complaints. And then we swing into action.

That takes us to our second Guiding Principle:

## **2. Get things done**

We want things to be simple for our customers. So, we are simplifying all our products. Sometimes we start small. And then make it big.

The best example of this is the MeinMagenta app, which we developed in the European markets. Now it is available in Germany too. And we continue to add

features. This app lets customers manage everything themselves from home. Setting up Wi-Fi. Reporting faults. Questions relating to the contract. 60 percent of all customers use it.

The fact that this works comes down to one thing: We have migrated our entire network to the internet protocol. You could say, there is no more need for interpreters, in other words, the interfaces between the individual components. Instead, everything now speaks one language. Everything understands this language. All devices. All applications.

We invested more than a billion euros in this migration. And it is now paying off: More digitalization. Fewer outages. Better customer service. Easy set-up of devices. That is what IP stands for. At the same time, we have reduced Telekom Deutschland's indirect costs. Down 0.2 billion last year.

The second aspect is: We built out more, despite the coronavirus pandemic. Deutsche Telekom is the leading 5G provider. We cover 80 percent of the population in Germany. 86 percent in the United States. And 100 percent in the Netherlands.

Deutsche Telekom has always been leading in mobile communications. We have the best network in 12 out of 13 markets. We are the best provider in Europe. And our network in the Netherlands is the best network ever tested in the world, at least according to the provider "umlaut".

In the fixed network, we are being accused of having missed the boat. But we are not ones to stand around waiting at the pier. We set sail long ago. And we have completed many stages along the way. We started by laying optical fiber to the street cabinets. Vectoring and super vectoring.

Now we are moving on. We are building optical fiber directly into the homes. But Deutsche Telekom will not create a new monopoly network. That is why we are working with hundreds of partners.

We also know that our major competitors will not build as much FTTH as we will. So, we have concluded lease agreements for our network. With Vodafone, Telefonica, and 1&1 Versatel. Volume: 17 billion euros. Over ten years. This will enable us to increase the capacity utilization of our network. It reduces our costs. It increases the profitability of our own build-out. And we can continue to invest.

Ladies and Gentlemen,

I am an avowed “network investor”. In the past seven years, we have invested 36 billion euros in Germany alone. 30 percent more than in the seven years before that. Now we will raise this figure again. 18.4 billion worldwide. In Germany, over 5.5 billion euros<sup>4</sup>. We will not be satisfied until everyone can take part.

Infrastructure pays off over a long period. For fiber, it is 15 years. What matters is that you have high capacity utilization of the infrastructure. Together with fair prices. And low internal costs.

In the last year, we achieved a return on capital employed of 4.6 percent in the Group. That is more than our cost of capital. This goes to show that our long-term investments are paying off. In Germany, our broadband revenues are up 7.8 percent compared to 2018. And with FTTH, this figure will grow even more.

### **3. Team together – team apart**

Deutsche Telekom has developed a strong culture of debate. For us, it is not about the power of individual departments, rather it is about the power of the point made. We did away with the sulking corner. We work together to implement what we have decided together.

Climate protection is a good example.

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<sup>4</sup> Excl. spectrum.

The build-out of the networks. The operation of data centers. The cars that our technicians use to get out and about. All these things generate more CO<sub>2</sub>. And the young generation in particular is demanding that we do something about it. Every ton of CO<sub>2</sub> saved ensures a bit more future.

We discussed it. Between the costs on one side. And the necessary climate protection on the other. There is no compromise here. We want both things. We want the build-out. And we want it to be climate-neutral, i.e, with net zero emissions. To this end, we have invested tens of millions. We have invested in solar parks and wind farms. And we only buy electricity from renewable sources of energy.

Deutsche Telekom's network is 100 percent green. In the last year alone, we saved 300,000 metric tons of CO<sub>2</sub> in Germany.

Deutsche Telekom aims to be leading. That is why we have adjusted our targets again. For 2030, we had committed to 90 percent less CO<sub>2</sub>. Now we have determined that we will reach 100 percent. And we will do this by 2025<sup>5</sup>.

But we want more. The products that we buy and sell should also be net zero. We will achieve this by 2040<sup>6</sup>.

#### **4. Act with respect and integrity**

Deutsche Telekom advocates for a society in which diversity and inclusion are a given.

There is no room for racism, sexism, or discrimination in our company. Our "T" stands for taking part. Diversity brings people together. 27 percent of our managers are women and the number keeps rising. And in 2020, we filled 24 percent of all management vacancies internationally. Including on our Board of Management. Dominique Leroy has been responsible for the Europe segment since November. Welcome, Dominique!

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<sup>5</sup> Scope 1 and Scope 2.

<sup>6</sup> Scope 3.

But we also stand for respect and integrity. Because unfortunately, we see that hate and incendiary speech are on the rise. The internet is becoming a crime scene. Deutsche Telekom takes a clear position on this. We want an internet in which people can move freely, without fear of being marginalized. We are campaigning for this with 44 partners. Our campaign against hate speech has reached 340 million people. It is shaking things up. It is moving people. And hopefully it will help to improve online discourse.

Dear shareholders,

Respect is a social duty. It is also a corporate one. Especially in this last, far from simple year of coronavirus. That is why we have paid out a special bonus to employees for this special performance. 500 euros, across Europe. For everyone. Except for managers.

We also encourage employees to be a part of Deutsche Telekom. In Germany, any employee can now buy shares. For 1,000 euros per year. We will add half the shares again on top. After a retention period of four years. We will turn employees into entrepreneurs.

## **5. I am T – count on me**

We keep our promises. That is how we aim to deal with each other. To deal with customers. And, of course, the same goes for you, our shareholders.

What we say is what we do. We are proposing a dividend of 60 euro cents per share for this year. This puts the return from share price and dividend at 6.8 percent in 2020. Much higher than at all of our main competitors.

The share has performed well recently. The price is currently 17.17 euros. Around 12 percent more than at the shareholders' meeting last year. Nevertheless, I can still see room for growth. And most analysts do too. The average target share price is 19.82 euros.

This means Deutsche Telekom is bucking the trend. It is the only telecommunications company still represented in the EuroStoxx 50.

Why is that?

- We focus on strong economies: We operate our networks in Europe and the United States.
- We focus on doing what we are good at. Building networks and selling products that are closely linked to these networks.
- We offer our customers added value. Fixed-mobile convergence products from a single source.
- We actively address issues. Albania, Romania, Greece, the Netherlands, and the United States. In all these countries, the business did not go to plan in the past. Either we parted ways from it, or we licked it into shape. And how! Just look at the Netherlands and the United States.

Above all things, our success is down to the fact that from our attitude, real actions follow. In business life, trust is the most important currency. And reliability begets trust. Deutsche Telekom has built new trust in recent years. Including on the capital market.

That brings me to my final point:

## **6. Stay curious and grow**

We keep our eyes open. We stay on the ball. In our company, everyone enjoys personal growth. And as a result, so does the company as a whole.

And so we grow:

- Mobile customers<sup>7</sup> in Europe and Germany: up 1.4 million last year. In the United States: up 5.5 million.

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<sup>7</sup> Mobile contract customers.

- Broadband customers: up 388,000 in Germany. Up 281,000 in Europe.
- Earnings are growing accordingly<sup>8</sup>. In 2020, the bottom line was up 1.5 percent in Germany. Up 2.1 percent in Europe. Up 10.8 percent in the United States. And in the Group Development segment it was up 6.6 percent.

We are continuing this growth.

1. In Germany, by systematically building out FTTH and 5G.
2. In Europe, by focusing business more on convergent offers, i.e., mobile communications, fixed network, and TV from a single source.
3. And in the United States, with the attack on the duopoly of AT&T and Verizon. We can become the number one there. By having the best network by some margin.

We also see opportunities for growth with business customers. We now support small and medium-sized companies from Telekom Deutschland. That is one reason why revenue has fallen at T-Systems. In 2020: down 5.6 percent to 4.2 billion euros.

We are also shedding business that does not turn a profit. But the coronavirus pandemic is also taking its toll. Corporations are holding back on investments for the moment.

The restructuring of T-Systems is hard. But T-Systems also needs to make a positive contribution to the Group's results. To this end, we are now aligning it as a straight service provider for information technology. That means: business with data centers, or the cloud; digital solutions, such as the WarnApp, which can soon be used to report rapid antigen tests. And, thirdly, security. Everything companies need to protect themselves in the digital space.

Dear shareholders,

2020 was a record year. But this year, we want to do even better.

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<sup>8</sup> Adj. EBITDA AL (organic).

We plan to achieve:

- Adjusted EBITDA<sup>9</sup> of around 37 billion euros.
- Free cash flow<sup>10</sup> of around eight billion euros.
- And further growth in revenue.

We will announce our medium-term planning at the Capital Markets Day in May.

Ladies and Gentlemen,

We are still in the middle of the pandemic. But many people are losing confidence. We are not going to be affected by this. We have shown that we can be successful. Even during the crisis.

There is reason to be optimistic in our society, too. We can do more than we sometimes think we can. We have all the ingredients for the formula for success. Dedication. Talent. Now it comes down to our attitude:

I hope that once the pandemic is over, we will take a good hard look. What did we do well? What did we do badly? And change it. The question cannot be: What have I got to lose? Rather it must be: What can we all gain? And exactly what contribution can I make? Digitalization at all levels is the key here. It is an obligation for Europe. And an opportunity for Deutsche Telekom.

We are ready to help. Because we know ourselves that what it takes is to: Delight our customers. Be a team together – and a team apart. Act with respect and integrity. Be somebody others can count on. Stay curious and grow. And above all: Get things done. Just like our Guiding Principles.

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<sup>9</sup> Adj. EBITDA AL.

<sup>10</sup> Adj. free cash flow AL.

In this way, Deutsche Telekom will continue to be successful, now and in the future. Our attitude powers our strategy. So that from the supposed small details of 2020, the big picture of 2030 can grow. There can be no future without a past.

Thank you.