

– The spoken word shall prevail –

**Speech for Deutsche Telekom's shareholders' meeting  
in Cologne on May 31, 2017**

**Timotheus Höttges**  
**Chairman of the Board of Management**  
**Deutsche Telekom AG**

We are the original. Your Deutsche Telekom. We connect people and businesses. In the best network. We digitize SMEs. We guarantee security in the Internet of Things. We take the tried and true, and we improve it! We venture into new fields. We deliver on our promises. The result? We are growing. And creating value.

Ladies and Gentlemen, shareholders,  
and customers,

2016 was a successful year for Deutsche Telekom. We are the highest-value telecommunications company in Europe. 83.2 billion euros. Today, I am going to speak about how we have achieved this. My address is not just about figures but about the convictions behind them. What motivates us at Deutsche Telekom. Because it is these convictions that differentiate us from the others, making sure we do not slacken in our efforts. And that we will continue to be successful in the future.

We are also supported by your convictions. You have accompanied us on our path to growth for many years now. You support our investments. You praise us. And criticize us. And I am sure you will again today.

But we feel that we have your support. You have been faithful to us for many years. That is a source of motivation. And is reflected in our success in 2016:

- Revenue: up 5.6 percent. 73.1 billion euros.
- Adjusted earnings before interest, taxes, depreciation and amortization: up 7.6 percent. 21.4 billion euros.
- Freely available funds. The finance experts refer to this as free cash flow: up 8.6 percent. 4.9 billion euros.

When Deutsche Telekom grows, the dividend grows, too. In line with free cash flow. That is what we promised. And so we now propose to pay out 60 cents per share. 20 percent more than two years ago.

Since the last shareholders' meeting, the price of Deutsche Telekom's share has risen. By almost ten percent. That puts it at the highest level for 15 years.

But size is not all that matters. We want to be the leading telecommunications company. In everything we do. And how we do it. Last year, I challenged our people at Deutsche Telekom to "Bring me prizes!" You can see the result here. The external view of our achievements:

- Lead in networks.

In Germany, Deutsche Telekom is winner of the key test in Connect magazine. For mobile communications. As well as for the fixed network.

The best network in the rest of Europe. The tests performed by P3 are the most important in the industry. And we come top in nearly every market. These include the Netherlands, Slovakia, Albania, Montenegro, Greece, Hungary, and Poland.

And, according to the OpenSignal test, the fastest network in the United States is that provided by T-Mobile US.

- Lead in service.

Focus Money magazine rates us top in online service.

The best customer experience is also delivered by our European companies. This was reflected in the Business Excellence Award.

And J.D. Power established that T-Mobile is the mobile provider with the best customer service in the United States.

- Lead in business.

We are digitizing SMEs. Management consultants Experton Group named us Digital Transformation Leader.

And we won silver for our data centers in the Hosting Award 2016.

- Next category. Lead in the workforce.

We continue to develop the skills of our employees. Increasingly, online. In 2016, we won the German Human Resources Management Prize for this.

In Singapore, T-Systems won the Best Employer Brand Award.

T-Mobile US also scooped up a number of prizes. It achieved a place in one of the renowned Forbes 500 listings. As one of the best employers in the United States in 2016. It is not just the customers who love T-Mobile US. But also the people who work there.

We are successful in every field. I am really pleased about this. And I am proud of it. Because these prizes are the expression of our convictions. People at Deutsche Telekom want to be leaders. This brings out their strength. So our thanks go here to all our colleagues!

Our strategy is paying off. Which is why we are adhering to our plan. For the fourth year in succession. Everyone in our company knows what guides us. The headers are the same. But we add new content to the individual sections each year. We take the tried and true, and we improve it! We venture into new fields.

#### 1. Integrated IP networks

The generation of our children and grandchildren considers Internet access to be a basic human right. They want seamless access. No matter how. No matter where. And they get it from us:

- Without any cherry-picking. We establish high-speed networks in the cities as well as in the country. Virtually nationwide.
- But we do not invest indiscriminately. We work efficiently. That is why we use a mix of different technologies. Optical fiber. Vectoring, mobile

communications. Combined smartly. That speeds up our networks. For cell-phone computer games. For video calls between parents and their children. To allow architects to send plans to a building site without delay.

- And our network speaks a single language. 57 percent of all lines in Germany have migrated to the Internet protocol. This figure is 61 percent in our other European markets. In Croatia, Macedonia, and Slovakia, we have already made it to 100 percent.

No one invests more than Deutsche Telekom. 11 billion euros in 2016. Excluding spectrum. Around 5 billion euros of it in Germany. And this year, we will be investing 1 billion more worldwide. 12 billion all told.

In 2016, we linked four million new households to our fiber network in Germany. It now comprises a total of 28 million households. Meaning almost 70 percent of all households in Germany. And another five million households in our other markets in Europe. So that Deutsche Telekom is Europe's leading fiber-optic company.

And the build-out is ongoing. We are supplying Germany with high-speed bandwidth. 80 percent of households will be guaranteed 50 megabits per second from us in the next two years. Most will have considerably more, up to 250 megabits per second. And of course we provide fiber to the home for an increasing number of customers.

The same applies to Germany's SMEs. 80 percent of all business enterprises in Germany are located in 3,000 business parks. When it comes to optical fiber rollout, these business parks are ours. Plans are underway for the first 100 and we have our sights on the next 200. We will be rolling the technology out to them by the year 2020. Deutsche Telekom is digitizing Germany.

But we cannot do it all on our own. Last year, I said here that I respect the companies that are handling expansion themselves. Companies such as Wilhelm-tel, EWE-Tel, M-Net, and the Neumünster municipal utility. This respect now translates into new business relationships. We have outstanding products. Why are they only available to customers who have our network? Our strategy is for every household to access them. 100 percent. That does not mean we need our own networks everywhere. We are building them with partners. Or sharing their use. This is more efficient. And therefore right. In 2016, we created the post of network cooperation officer. Our first partners are NetCologne and Innogy.

Investing must pay off. My impression is that the regulators in Germany know this. And politicians are realizing that investments are preferable to subsidies. For this, the conditions must be right. The Federal Network Agency has therefore approved overall build-out with vectoring. It has revised the regulations.

In the case of fiber to the home, Europe now has the chance to do everything right. The rule for the new optical fiber networks must be: no regulation! Europe needs investment. Which means it needs incentives for investment. Meaning real competition. Fair competition. If not, Europe will not get the infrastructure it desperately needs.

Parallel to this, we are getting set for the next network revolution. 5G. I have already shown you what 5G can do. Concurrently with this, we are also expanding our fast mobile network. Meaning LTE. We already reach 93 percent of all residents in Germany. 89 percent in Europe. And 97 percent in the United States.

## 2. Best customer experience

And so I come to the second part of our strategy: best customer experience. This is another of our convictions.

- We say that, with us, our customers get everything from a single-source provider. This is why we designed MagentaONE. And this rate plan is a bestseller. Last year, we acquired 1.1 million new customers in Germany. A total of 4.9 million customers in Europe currently have one of these fixed/mobile price plans.
- Around this core product, we offer additional services. They include our Entertain TV offer.
- And, of course, customers are delighted when we offer them excellent service.

We gave Entertain a face-lift. I showed it to you here last year. Customer growth in 2016 requires no explanation: Almost 200,000 new customers in Germany speak for themselves. We now have seven million TV customers throughout Europe.

Customers also want to be able to listen to music whenever they feel like it and wherever they are. And watch movies. This is now possible. With our StreamOn rate. This simply translates into "go on watching." Data usage from different partners does not reduce purchased data volumes. Apple Music, Amazon Music, ARD, ZDF, or Netflix are already participating. Customers love this. 150,000 customers have already booked this new rate and we look forward to welcoming more partners in the future.

A crucial aspect for our customers is, as always, our service. Our strategy is to get better step by step. And these are not just empty words. We are working hard to achieve it. This year, we merged our technical service and customer service units. Because customers only get the service they need if

the two work hand in hand. The impact was huge. 35,000 Deutsche Telekom employees now belong to the new unit. And we see that it is successful:

- Last year, I told you we would have more technical service appointments on Saturdays in future. Since then, 20 percent more service engineers work Saturdays. And they handle more service orders. An increase of 25 percent. I would like to thank our works councils at this point. They cooperated for the good of our customers!
- Last year, I stated that we would assign specific contacts in the service unit. For all new customers. And for everyone who moves house. And we have done so. Some 400,000 customers now have their own personal adviser.

These were all vital steps. Now we are set to tackle the next issues our customers do not like.

- They are annoyed when appointments with our service engineers come to nothing. As of 2018 this should no longer happen. Our goal is to keep every appointment. Deutsche Telekom will be there. And we will always let you know if something goes wrong. And arrange a new appointment.
- Next problem: the timeframes for appointments. They are pretty broad. We want to gradually narrow them. Our conviction is that no one should have to sacrifice whole days of leave for Deutsche Telekom. This is an ambitious target. It will take time. But we can do it.

Take TV as an example of how I picture service in the future. Here, we constantly analyze the quality of our lines. And check data transmission. In this way, we have already identified 200,000 customers whose signal was inconsistent. We give them a call. Even before they notice anything themselves. And we then solve any technical problems.



### 3. Win with partners

This brings me to the third point. "Win with partners." What differentiates us from our competitors is what we do ourselves. For the rest, we cooperate with partners. This, too, is a question of convictions.

We have built a unique ecosystem of partners around our business. We cooperate with over 200 other businesses. In every area.

- With SK Telecom from South Korea on 5G.
- With Microsoft and Salesforce in the cloud.
- With Cisco on the Smart City.
- Or with Mojo on the connected car.

### 4. Lead in business

This affects T-Systems, our business customer segment. Last year, I stated that all segments at Deutsche Telekom must report a positive cash contribution. We did not achieve this. Which annoys me. We had to perform write-downs for two legacy contracts. That ruined our 2016 result. I am firmly convinced that the T-Systems team achieves a lot. In the last three years, it has re-vamped its business model. And cut its costs. By 7.5 percent. This is truly praiseworthy. But we still have not achieved what we set out to do. A positive cash contribution. That is our goal. And we have a plan on how we will achieve this. We are helping digitize the German economy. We are developing new products for the Internet of Things. We have established a separate unit for this purpose. And when it makes sense, we also participate in innovative companies in this sector.

Digitization is not an option for tomorrow. It is a must for today. Our title as world export champion is at stake. But SMEs are still hesitant. Which is why we help them.

1. With data centers that store the companies' data. Securely. And in compliance with German data privacy rules.
2. With our security products, which we also offer as a service.
3. And, third, with a global network for Industry 4.0.

Do you know any other company in Germany that offers secure data centers? And at the same time has so many partners? We built Europe's biggest data center in Biere. And we are expanding it again. At present we have 20,000 servers there. These are the cabinets in which we store the data. Soon there will be 50,000. Last year, our business with the cloud grew by twelve percent. To 1.6 billion euros.

Do you know any other company that is so explicitly concerned with Internet security? We have a whole separate unit for this. With 1,200 colleagues. And, at our development center in Israel, we research into ever-better defense mechanisms.

Do you know any other company in Germany that focuses to such an extent on the global networking of our economy? And continues to expand it? As of this year, we are cooperating even more closely than before with BT in the UK. We have agreed that we can use BT's global network with immediate effect. For our business customers. This extends our global reach by 60 percent.

## 5. Portfolio development

This brings me to my last point. Our portfolio. Meaning our shareholding structure. Here again, there is no mistaking our convictions. We want to generate value. For you, our shareholders.

We are very successful at this in the United States. With T-Mobile US, we are scooping up all the new customers in the market. Eight million in 2016. We invest boldly. First and foremost in networks and spectrum. At the latest frequency auctions, we again grasped the opportunity offered to us. 45 percent of all the frequencies up for bidding there went to us. At a lower price than at previous auctions. We spent about 8 billion dollars. With the new frequencies, we now reach all far-flung corners of the USA. From coast to coast. 80 million people more than before.

We invest where it is worth our while. The conditions in the United States are right. The regulatory situation, too. And so the value of our shareholding, converted to euros, has increased fivefold since 2013. It is now worth 32 billion euros. So we have taken the right decisions. We have opted for return.

Your Deutsche Telekom is the leading European telecommunications company. But we now also have a strong bridge over the Atlantic, with sturdy pillars on both continents. The situation in the USA is completely different from what it was a few years ago. We are in a position of strength. We are continuing to develop our business. We have many different options to do this. We decide what, when, and how.

Unfortunately, things were not so good in the UK. We became the largest single shareholder in BT in 2016, with a financial stake of 12 percent. The value of this stake has fallen. By a total of 2.2 billion euros in 2016. The reasons are obvious. The share price has plummeted since the Brexit referendum. And pound sterling has lost almost 10 percent in value.

However, the sale of EE meant that there was still a positive impact on our result in the first quarter of 2016. Namely, 2.5 billion euros. In total, therefore, a slight improvement.

At the same time, our financial stake is the right strategic step. BT is the leading network provider in the UK. With fixed and mobile communications. BT is market leader in every segment. In consumer customers. In business customers. And in the TV segment. We are working hard to make our money work for us. We open up every opportunity for BT. We make every effort to generate value.

At the bottom line we can say: Standing by our convictions pays off. They help us keep on track. They help us improve the tried and true. They help us venture into new fields. And so they ensure that your capital generates return. We therefore confirm our medium-term targets. And the forecast for the current year:

- We want to grow our revenue from 2014 to 2018. By an average of one to two percent each year. So this year, we expect another revenue improvement.
- The target for our earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) is an average increase of 2 to 4 percent. For this year, we expect 22.2 billion euros. Meaning a rise of some 4 percent.
- And we also want to improve our free cash flow. By 10 percent on average. This year we expect it to be around 5.5 billion euros. Meaning a rise of 12 percent.

Our convictions apply to more than just our business operations. Reliability is a virtue in itself, not just when it comes to figures. It also applies to the societies we operate in. It applies to the people we work for. And it applies to the people

who work for us. Deutsche Telekom is grounded and fair. That is why we act on our words.

- We stand for the success of the coming generation. So we also focus on tomorrow's leaders. When the time comes, we want to be able to place your company in the best hands. At every Board meeting, we discuss our succession management and how we can best support the up-and-coming executives. We have established a group of 250 managers who we are looking at very carefully. We are entrusting them with vital projects. This empowers them to shape change at Deutsche Telekom. And they are prepared gradually to assume more responsibility.
- In Srinivasa Gopalan we now have a real sales expert on board. New to the Europe segment. He worked in a market in India in which profit margins are extremely low. And he is strong in his conviction that we must make the Europe segment grow again.
- We stand for digitization. Which is why we are going digital ourselves. Just one example: Next generation networks will differ fundamentally from those of today. Data centers control data traffic. And conventional network technology is shifting closer to information technology. IT. For this reason, we set up our new Technology and Innovation Board department last year. Headed by Claudia Nemat. It bundles IT with conventional technologies. That makes us faster and more efficient.
- We stand for digital responsibility. We cannot ignore the risks posed by digitization. For example, that people will lose their jobs. Because intelligent machines and computers will be handling more work in future. We are therefore making sure our people are fit for the digital future. We train them. We develop their skills. In 2016, we had 7,500 apprentices and cooperative

university students in the company. And spent 4.2 million hours on continuing education. Many of them online.

- And: We stand for Europe. Europe is our foundation. Without the conviction that Europe will work, nothing will work in our company. Our brand promise "Life is for sharing" stands for precisely this. It is consistent with the European idea. Your Deutsche Telekom does not stand for hatred and isolation. It stands for sharing and solidarity. Which is why we have joined the "We for Europe" initiative. Together. For liberty. For peace. And for progress. This is Europe. It is worth fighting for.

I have spoken about Deutsche Telekom's strategy today. About the progress we made in 2016. About our plans for the future. About what you can rely on. Because it is our convictions that guide and motivate us.

Customer delight drives our actions! Discussing the best ideas and solutions in the company. Even if this gets heated. And then closing ranks and implementing what we have agreed on. Providing our employees with a place to perform and grow. And acknowledging their achievements. Showing respect. Appreciation. And delivering on our promises. These are the values on which we create value.

We are not just any old telecommunications company. We define this business. We re-invent this business, time and again. This is what makes us leaders.

We are the original.

Thank you.