

– The spoken word shall prevail –

**Press conference on the 2017 financial year
February 22, 2018**

**Dirk Wössner
Board member, Germany
Deutsche Telekom AG**

Ladies and Gentlemen,

I, too, would like to warmly welcome you to our press conference.

I am delighted to be back at Deutsche Telekom after nearly three years with Rogers.

I would like to start by taking a look at the 2017 financial year with you.

It was a year of positive trends for Telekom Deutschland. The year-on-year increase in earnings of 2.8 percent in the Germany segment is particularly encouraging. We navigated to a course of growth in 2017. This is particularly evident if we look at the trend in the fourth quarter of 2017. Adjusted EBITDA rose by 4.7 percent in this quarter.

Service revenues continued to develop positively over the course of the year. After starting the first quarter with a year-on-year deficit of 0.7 percent, we reported growth of 0.9 percent in the last three months of 2017.

The positive trend in mobile business from minus 0.8 percent in the first quarter to 1.7 percent in the last quarter was particularly marked. This underscored our leading position.

We added 181,000 new branded mobile customers in the fourth quarter.

And nearly 11 million customers now have LTE components in their contracts, that is 19 percent more than in the prior year.

Data consumption among postpaid consumers increased by 38 percent year-on-year and now totals more than 1.6 gigabytes a month on average. So not only is network coverage in Germany of 94 percent working in our favor, but we have now also connected substantially more than 80 percent of mobile sites with optical fiber.

Demand for our fiber-optic lines in the fixed network remained at a sustained high level.

We activated 2.8 million fiber-optic lines in 2017. As of the year-end, we operated 9.6 million fiber-optic lines and expect to pass the 10 million mark very soon.

We added 104,000 new broadband customers in the fourth quarter of the year just ended. Over the full year, the number of broadband customers climbed by around 290,000, in line with our forecast.

The focus of our integrated network strategy is, of course, to get the edge over our competitors using bundled services. Over the last year, we added a total of 600,000 MagentaEINS customers in Germany. That is an increase of 20 percent.

Revenues in wholesale business increased by 2.6 percent in the fourth quarter. Regarding the debate surrounding broadband build-out, it is important to remember that we made some 3.8 million fiber-optic lines available to our competitors as of year-end 2017.

For 2018, we expect to continue the positive results trend. Adjusted EBITDA is set to increase to around 8.6 billion euros, compared with 8.5 billion euros in 2017.

But, Ladies and Gentlemen, as you know, the successes of today rest on the shoulders of yesterday's efforts. So let us dive straight in.

Because one area is particularly close to our hearts: the **broadband build-out in Germany**.

Having spent the last few years in Canada, away from the broadband debate currently raging in Germany, I perhaps have a somewhat more "rational view" of the discussions.

I was surprised at the level of vehemence and, in some cases, extremely dogmatic stances taken by many in the build-out debate here. It is a discussion in which many protagonists insist on using – to put it mildly – half truths.

It often feels like the technology itself is seen as more important than the desired result, which is to bring high-speed Internet to as many people as possible as quickly as possible.

A goal that Deutsche Telekom has always stood by: Our focus is on building out optical fiber infrastructure rapidly to get fast Internet to as many people and businesses as possible and deliver the necessary bandwidths.

Only then will the focus turn to achieving gigabit speeds.

Together with the policy-makers, we agreed to utilize a mix of technologies that would allow us to meet this goal; an approach that I also expressly stand by today.

This is the only way that we can deliver on our voluntary commitment – a commitment to offer speeds of at least 50 Mbit/s to 80 percent of households by the end of next year. We are confident that we will meet this target.

Not only has Deutsche Telekom always been committed to building out the optical fiber network, it has consistently put its words into actions. We have made incredible progress with installing and expanding the infrastructure so far:

- The Deutsche Telekom network now includes some **455,000** kilometers of fiber-optic lines.
- In recent years, we have on average laid **30,000** kilometers of fiber-optic cable per year.
- In **2017**, we already upped this to **40,000** kilometers.
- In **2018**, we will accelerate our efforts considerably and plan to lay a good **60,000** kilometers of fiber-optic cable by the year-end.

But laying cables is not enough. We are also upgrading our hardware and set up 25,000 street cabinets in 2017.

This is essential if we are to bring fast Internet to households.

It requires very high levels of investment. Group-wide, Deutsche Telekom invested 5.4 billion euros in Germany last year. This was used in many areas, including the fixed-network build-out, the mobile communications network, and our data center in Bielefeld.

No other company invests anywhere like this level of capital to expand the broadband service in Germany – and we already build out exclusively using optical fiber.

We also plan to up the stakes in 2018: 5.7 billion euros are earmarked for Group investments in Germany.

It is down to this huge level of investment and mammoth build-out efforts that some **71** percent of all households in Germany – let me say that again: some **71** percent of households – were already connected to the fiber-optic network in Germany by the end of **2017**. That is over 30 million households in total.

By the end of **2018**, we want to connect some **80** percent of all households, that is around **33 million** households, to the fiber-optic network.

Let me say a few words about our short-term priorities for the build-out:

First: To date, we have rolled out bandwidths of up to **100 Mbit/s** to some **19 million households** and the build-out continues. By the end of 2018, some **26 million** households will have access to these kinds of speeds.

Second: And because we know the world keeps turning, we will start utilizing super-vectoring in summer, as promised.

The plan is to make speeds of at least 100 Mbit/s and peak speeds of up to 250 Mbit/s available to around **15** million households already by the end of this year.

The accelerated build-out pace and huge leap in speeds means we expect starting speeds to rise over time from **16 Mbit/s** to **50 Mbit/s**.

Although the topic of gigabit speeds is attracting a lot of attention right now, we do not expect to see demand among consumers for these kinds of bandwidths in the near future. Take Canada, for example. Gigabit speeds are available in quite a few locations, but consumers mainly purchase bandwidths of between 30 and 150 Mbit/s.

At the moment, it is primarily business customers who need gigabit speeds. A key element of our build-out strategy is thus our commitment to the business customer segment, in particular business parks:

- Assuming the demand is there, in **2018** we will be installing FTTH to directly link up some **100** business parks.
- In the coming **years**, we want to cover some **3,000 business parks** with our build-out initiative.
- That equates to around **80** percent of business locations within the parks with around **400,000** businesses and **millions** of workers.

Ladies and Gentlemen,

Similar to my predecessors, one other point is of particular importance to me.

And that is rural areas. Let me give you a few facts that often get lost in the – sometimes emotional – debate.

One example: In **2017**, Deutsche Telekom installed optical fiber in over **1,000** – or more than one in two – communities in Bavaria, with the result that now two-thirds of households in rural parts of Bavaria have access to high-speed Internet with at least **30 Mbit/s**. By the end of 2018, we want connect over 80 percent of communities in Bavaria to the fiber-optic network.

Things are taking shape in other federal states, too: In the Vorpommern-Rügen district of **Mecklenburg-Western Pomerania**, we are currently working to build out to around **40,000 households** as part of our biggest funding project to date. We are bringing fiber-optic lines right into people's homes.

Our goal is still to bring high-speed Internet to as many customers as possible – and this includes our rural customers. That is why we have taken part in more than **1,000 funding programs** and have brought high-speed Internet to over half a million households in the past year alone.

And we plan to get actively involved in as many funding programs as possible, both in this and the coming years, to improve broadband coverage nationwide.

We also continue to put a focus on building out our **LTE network**. We are increasing the investments of Deutscher Funkturm by around 100 million euros in the current year. This will allow us to significantly increase build-out work to mobile sites from around 500 per year on average in recent years to some 2,000 per year in the medium term.

The improved LTE coverage will reach 98 percent of the population by the end of 2019. In parallel, we will methodically work to localize and eliminate coverage white spots on the freeways and significantly improve coverage along rail routes and in rural areas.

But it does not stop at LTE: **5G** is just around the corner in the truest sense. 5G will revolutionize the way we support and promote our business customers.

Overall, 5G offers around **1,000 times the capacity**, **100 times** the connection density, 10 times the speed, a **10 times lower latency period** and **1.5 times higher mobility**.

And these are just our own efforts, they do not show the full picture. We are committed to cooperation models. No company is capable of building out Germany's network on its own. We have already signed cooperation agreements with NetCologne, Innogy, and EWE. As to the precise nature of the partnership, we are generally open. Right now, we are in talks with around 70 more companies with a view to getting ahead.

Ladies and Gentlemen,

Let me sum up our plans for actively shaping the broadband build-out.

We promise you today that we will continue to invest upwards of 5 billion euros each year in German infrastructure over the coming years; that is over 20 billion euros in the next four years.

Our technology mix will shift increasingly towards FTTH – i.e., from the street to the building – and make gigabit bandwidths available step by step.

It goes without saying that we will not only make bandwidths of this size available in urban areas, but also in rural areas. We will provide more details of our activities here at the Capital Markets Day in May.

Ladies and Gentlemen,

As you can see, we still have a great deal to do. Deutsche Telekom is building the gigabit network for Germany and it is doing so every day.

On that note, I will now hand over to Thomas Dannenfeldt.