

– The spoken word shall prevail –

Press conference on the 2015 financial year

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I, too, would like to warmly welcome you.

Tim Höttges has already shown you, using the most important Group figures, that the results we achieved in 2015 were extremely satisfying.

The figures lie well above the guidance we had given for 2015 and even above the mid-term ambition level. For 2014 to 2018, we want:

- to increase revenue by an average of 1 to 2 percent per year,
- to increase adjusted EBITDA by an average of 2 to 4 percent per year,
- to improve free cash flow with average growth of around 10 percent per year.

And at the same time, we want to increase the investment level by at least 1 to 2 percent per year on average. And that is exactly what we did again in 2015 –

namely raise the level of our investment. We have made huge investments to massively build out our networks and drive forward the conversion to IP technology.

As a result, we have achieved rapid growth across all segments in customer numbers and business, which in some areas accelerated again in the fourth quarter. But more on that in a moment.

The positive development of our customer base was also reflected in the financial ratios for the fourth quarter. Revenue increased by 5 percent to EUR 17.9 billion in these three months.

Adjusted EBITDA decreased by 15.7 percent to EUR 5.1 billion in the fourth quarter.

Both ratios were affected by T-Mobile US offering its customers the option of leasing instead of buying devices. This reduced revenue and increased adjusted EBITDA, as we mentioned earlier. Adjusted for this effect, both the revenue and earnings trends are in line with the trend for the year.

The result is clear: We kept up our encouraging rate of growth again in the fourth quarter and exceeded our mid-term ambition level.

Allow me to take a brief look at the segments.

T-Mobile US further increased the population coverage of its LTE network in 2015 and now has network coverage comparable to that of Verizon, with more than 300 million customers. At the same time, use of the low-frequency A-block spectrum significantly improved network quality in 2015, especially in buildings and residential areas on the outskirts of urban centers. These are key quality and purchasing arguments for customers.

Another word on the competitive situation: The number of postpaid customers increased by around 1.3 million in the fourth quarter. The churn rate for postpaid customers was reduced again compared with the prior year to 1.46 percent.

Also, it remains the case that more customers are switching from competitors to T-Mobile US than the other way around.

With the increase in the total number of customers by some 2.1 million, while average monthly revenues remain more or less stable, service revenue increased by around 13 percent year-on-year to USD 6.4 billion. Adjusted EBITDA rose by around 34 percent to USD 2.3 billion.

These figures clearly indicate that T-Mobile US' growth trend remained impressive and unbroken again in the fourth quarter.

Let us move on now to the Germany segment.

The fiber-optic roll-out gave another substantial boost to sales of fiber-optic lines, with an increase of 532,000. This is a new record, achieved in spite of the fact that for around 0.8 million households marketing only began at the end of the year. This will provide further growth in the first quarter of 2016.

After three quarters of consistently positive new customer figures in broadband business, the fourth quarter also saw the addition of 48,000 new customers. Thus, our total number of broadband customers increased by 283,000 in the full year. On the fixed-network side, our MagentaEins packages helped to increase the number of Entertain customers by 51,000 in the fourth quarter.

So good news overall for broadband revenues in the German fixed-network business: In the fourth quarter, they increased by 1.3 percent year-on-year. In the first quarter, this figure stood at zero.

In mobile communications, the number of branded contract customers grew by another 78,000 in the quarter. This increase was smaller than in previous quarters owing to the loss of a corporate customer.

We further extended our market leadership in mobile service revenues in a slightly declining overall market. I would also like to remind you again that the discounts on MagentaEins packages are posted here.

Around a third of the 1.1-percent decrease in total revenue in the fourth quarter was attributable to the reduction in low-margin trading with mobile devices. At the same time, the Germany operating segment increased adjusted EBITDA by 4.3 percent to EUR 2.1 billion thanks to strict cost control and thereby achieved the EBITDA stability promised for the full year despite high investments.

The Europe segment also continued to expand its customer base.

We recorded a 2 percent increase in the number of mobile contract customers. We achieved an increase of around 4 percent in broadband lines and of 5 percent in TV business.

The growth areas recorded much higher revenues in the fourth quarter than in the same quarter of the prior year. However, they were not yet sufficient to completely offset the declines in traditional telecommunications business. It should also be noted with respect to the revenue trend that we have discontinued the transfer business for international voice telephony, which has had a corresponding impact on revenue. Adjusted revenue declined by 2.6 percent.

Adjusted EBITDA decreased by around 5.3 percent. In particular, much weaker earnings from our Dutch subsidiary partly due to one-time effects in this quarter also had an impact here.

There is no doubt we still face a number of challenges in the Europe segment. And we are actively addressing these issues.

Take the Netherlands, for example: T-Mobile NL has the most developed LTE network of all its competitors. In the last two quarters, it has already succeeded in winning over contract customers. The company will continue on this path of translating its outstanding network into rising customer numbers and consequently also improve revenue and earnings trends.

Looking at Romania: We have just entered into a partnership with Orange. Mobile customers of our subsidiary Telekom Romania can now use Orange's LTE network in Romania. This means we can offer our customers greater mobile network coverage, which enables us to score points with our integrated offers. In return, Orange can use our broadband fixed-network infrastructure in metropolitan areas. This helps us with the capacity utilization of our networks.

Taking the example of Hungary: With our MagentaOne brand, we are the only provider on the market offering integrated products. We can exploit in full the advantage our package offers give us, scoring points with an LTE network that covers 97 percent of the population.

In Greece: Our product packages are marketed under the name CosmoteOne and are being very well received. Our LTE network, which reaches about 82 percent of the population, gives us a strong competitive edge here too.

This brings us to T-Systems:

In the fourth quarter, revenue in the Market Unit increased by 1.5 percent to EUR 1.9 billion. Cloud business in particular plays an increasingly important role here: In the last three months of 2015, it grew by 23 percent.

Both adjusted EBITDA and EBIT in the Market Unit were somewhat negatively impacted in the fourth quarter by necessary expenses in connection with the realignment of the business model. However, both of these KPIs improved in the Market Unit in the full year, driven mainly by strong growth in cloud business.

Ladies and Gentlemen,

Allow me briefly to look more closely at a few of the key financial performance indicators.

Total assets have grown significantly in the past year, mainly due to the high level of our investments in networks and technology as well as, of course, the spectrum acquired.

Our net debt increased by around EUR 5 billion. The largest share of this increase – around EUR 4 billion – is attributable to the acquisition of mobile licenses in Germany and the United States.

Another substantial effect of some EUR 2 billion is related to exchange rate fluctuations, mainly with regard to the translation of liabilities held by T-Mobile US at the exchange rate as of the reporting date. The U.S. dollar gained a good 13 percent in value compared with the prior year, which of course had a corresponding translation effect.

Thanks to the significant improvement in our earnings, we improved the ratio of net debt to adjusted EBITDA from 2.5 to 2.4 in the fourth quarter.

We also made substantial progress in important portfolio changes, which we either implemented or – in the case of our EE joint venture – continued to drive forward in 2015.

Our principles regarding inorganic transactions are clear and unchanged:
No acquisitions outside of our footprint.

All transactions follow the guiding principle of creating value for our shareholders. In the past year, we have increased our stake in Slovak Telekom to 100 percent for a very good price.

As sole shareholder, we can now act more quickly and flexibly and no longer have to pay out dividends to external co-owners from the company.

We further reduced our stake in Scout24 from 30 percent to around 14 percent in the course of the IPO. Following the successful sale of the majority stake at the start of 2014, we have now generated a positive result of around EUR 2.1 billion from the transactions.

We sold our online platform T-Online and the digital marketing company InteractiveMedia to Ströer in return for a stake of around 12 percent in the company. We believe that there are better opportunities for developing and creating value with these activities in the new group. We plan to profit from this through our stake.

Of course, this applies to an even greater extent to our new 12-percent financial stake in BT, which we received at the end of January 2016 in return for our 50-percent stake in the EE joint venture. BT is the leading integrated provider in the United Kingdom and we believe that this will also create substantial opportunities for value growth.

And now we look forward to your questions.