Press conference on Deutsche Telekom's financial statements
Presentation of figures for the 2011 financial year
Bonn, February 23, 2012

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Thank you, René Obermann!

Let's turn to the fourth quarter now. At Group level, reported revenues declined by 3.7 percent year-on-year, whereas adjusted EBITDA increased by 1.3 percent. Revenue in Germany, the U.S., and at T-Systems developed slightly weaker, while the revenue decline in the Europe segment slowed down.

Adjusted EBITDA showed positive trends in Europe and the U.S. in the fourth quarter, whereas adjusted EBITDA in Germany, as anticipated, declined in the fourth quarter.

Moving to the details of the fourth quarter in Germany: The revenue trend was weaker in the fourth quarter, declining to minus 6.1 percent after minus 5 percent in Q3. The underlying revenue trend ex one timers and regulatory effects was minus 4.4 percent versus minus 3.4 percent in the third quarter of 2011.

Adjusted EBITDA in the quarter declined by 3.1 percent as anticipated due to seasonal marketing investment. As a result the margin decreased to

37.8 percent. However, this is the seventh consecutive quarter of year-on-year margin improvement.

Trends in our domestic fixed business revenue were pretty stable versus previous quarters. The main reasons for the weaker Q4 revenues were on the one hand a reduction of EUR 98 million in online/value added services and other revenues, mainly due to the termination of our cash card business.

On the other hand, revenues in our wholesale business declined by 11.6 percent, mainly driven by a one timer due to a court decision related to ULL fees. Excluding this one timer, the revenue trend was basically in line with the third quarter at minus 8.9 percent.

Our mobile service revenue trend has improved further and has turned positive excluding the MTR impact with +0.4 percent in the fourth quarter, driven by good contract customer growth and strong mobile data revenue growth of almost 32 percent.

In the German broadband market, we successfully defended our market share in excess of 45 percent of the customer base, despite the lower net add share in 2011. Line losses were more than 20 percent lower than last year at 1.3 million, only 295,000 of which in the fourth quarter. Our successful upselling strategy resulted in a slight increase in our average revenue per fixed line access year-on-year.

In mobile, we saw another strong quarter of customer intake with 387,000 contract net adds with a strong emphasis, as in Q3, on the third-party provider (service provider) and value segment, and record iPhone sales of almost 500,000.

As you all know, our powerful networks are key to our competitive edge. Let me therefore give you an update on our key network rollout initiatives so far:

- In 2011 we improved our nationwide 3G coverage by 3 percentage points to 86 percent and started our LTE rollout. We had 14 percent population coverage by year end and have connected 83 percent of our 3G sites with fiber link.

- On the broadband side we increased our VDSL coverage further to 34 percent and our Entertain coverage, as a result of the Entertain Sat product, to 82 percent.

One of our core initiatives in German mobile business in 2011 was to revitalize our third-party service provider segment, which we successfully executed: Whereas we lost contract net adds in 2010 in this segment, we added almost 800,000 net adds in 2011.

In the Europe segment, the growth in key market KPIs like TV, broadband and mobile contract customers, remained strong in the fourth quarter. And this although economic trends in some of the markets even worsened in the fourth quarter.

Both revenue and adjusted EBITDA trends in Greece improved in the fourth quarter, with the margin increasing to 37 percent. Operationally, we continue to feel the recession, however.

We increased our market share in mobile in the fourth quarter, whereas we suffer significant fixed line losses and a difficult market position in broadband due to the tough regulatory environment. Importantly, OTE sold their

20 percent stake in Telekom Serbia, which further supported the standalone refinancing efforts of OTE.

In Croatia, trends were similar to the previous quarter with a very impressive margin of almost 50 percent. Broadband and IP-TV growth trends remained positive. In mobile, we doubled the share of smartphones of all dispatched devices to 45 percent. Our non voice share improved by 10 percentage points to 35 percent in 2011.

At Magyar Telekom, adjusted for the special tax and the shift of business customers to T-Systems, revenue was stable year-on-year. By contrast, adjusted EBITDA trends were weaker, due in part to higher indirect costs.

In Slovakia, we were able to grow our adjusted EBITDA in the fourth quarter by 11 percent and improved our margin to over 39 percent, driven by efficiency gains. On the TV side, we increased our customer base by almost 30 percent versus Q4 2010 and in the tough Slovakian mobile market we returned to positive contract net adds in Q4.

In our mobile centric businesses, revenues were impacted by the economy, competitive pressures, tough regulation and a weak Polish Zloty and Czech Crown in Q4.

In Poland, on top of regulation the revenues in Q4 were heavily impacted by F/X. Revenue ex those effects was down by 2.1 percent. Underlying adjusted EBITDA was 8 percent below the Q4 2010 figure due to a higher release of accruals last year. On the operational side, our rebranding since June 2011 was a good success with good brand recognition and a reduced churn rate.

In the Netherlands, a change in our tariff structure led to a revenue recognition in Q4, impacting both revenue and adjusted EBITDA positively by

EUR 47 million. Underlying service revenue growth in mobile ex regulation and one timer was still up 0.3 percent, mainly driven by a strong 40 percent mobile data growth. We also showed good customer momentum with 100,000 iPhone sales, 46,000 contract net adds and a further increased smartphone share of 58 percent.

In the Czech Republic, we are facing tough competition. Underlying revenues ex F/X and regulation and one offs was minus 3 percent, whereas underlying adjusted EBITDA dropped by 12 percent. The share of dispatched smartphones doubled year-on-year, which resulted in good mobile data growth rates.

In Austria, we saw a weaker Q4 margin due to a market invest cycle pushing for smartphones – 73 percent of all dispatched devices in the quarter. On the operational side 96,000 contract net adds and a 0.9 percent contract churn are the highlights.

In Systems Solutions, we saw slightly worse trends compared to the previous quarters with revenues declining by 0.9 percent in Q4, mainly driven by lower internal revenues, whereas external revenues showed a slight increase.

Due to successful cost savings of more than EUR 700 million in 2011, adjusted EBITDA as well as adjusted EBIT margins improved throughout the year every quarter, with the EBIT margin reaching 5 percent in Q4, almost reaching last year’s level.

Turning to the key financial group metrics:

Free cash flow increased by 8.9 percent year-on-year in the fourth quarter. For the FY 2011 the picture looks similar, with lower cash from operations compensated by lower investment year-on-year. The slight decrease in cash flow versus 2010 is mainly due to currency translation effects. Please note that our reported free cash flow does not include the break-up fee received from AT&T.

We are extremely proud to have overachieved our 2010-2012 savings target already, at the end of 2011, and this with major contributions from almost all our segments leading to over EUR 2 billion of gross savings in 2011 alone. Most importantly, we managed to reduce our cost base by around 7 percent or over EUR 3 billion in 2011. Adjusted for currency translation effects and changes in the composition of the Group, we realized gross savings of over EUR 2 billion.

Let me be very clear: Though we are not communicating a new tranche with new target numbers today, we will continue with our Save for Service initiatives and even increase our efforts.

Our net income for the FY 2011 was impacted by several special items, which is why I would like to elaborate on this subject:

- The reported net income includes EUR 1.6 billion of restructuring expenses, roughly the same as last year.

- At T-Mobile USA we had a positive contribution of almost EUR 3 billion from the break-up fee we received from AT&T. This includes a cash break-up fee and a right to transfer of mobile licenses.

- On the other hand, there was a negative impact from impairment of EUR 2.3 billion in goodwill recognized in Q4 for the U.S. business.

- In the Europe segment, we had impairment losses of about EUR 1 billion in Q4, predominantly in Greece and Romania.

- The net tax effect on our special factors was a negative EUR 0.6 billion, mainly driven by the income tax expense of EUR 0.9 billion associated with the break-up fee from AT&T.

Adjusted net income last year came in at EUR 2.9 billion, covering our EUR 3 billion dividend for the 2011 financial year.

One of our priorities, also last year, was the reduction of our net debt. The biggest drivers for this were our strong free cash flow of EUR 6.4 billion and the cash element of the break-up fee in Q4. Assuming stable exchange rates, we would even have reduced our net debt by EUR 3 billion.

We continued with our strong balance sheet KPIs also in the fourth quarter. The ratio of net debt to adjusted EBITDA improved to 2.1x and is therefore clearly within our communicated corridor. The Group's equity ratio remains solid, lying just below 33 percent at the end of the year.

As a result of the U.S. deal cancellation, the rating agencies set their outlook back to “stable”.

And now René Obermann and I look forward to taking your questions.