

– The spoken word shall prevail –

**Press conference on the 2014 financial year**

**Bonn, February 26, 2015**

**Timotheus Höttges**

**Chairman of the Board of Management**

**Deutsche Telekom AG**

Good morning, Ladies and Gentlemen,

We can summarize the 2014 financial year in one clear statement: Deutsche Telekom is growing. And doing so at a rate we have not seen for a good many years.

On that note, welcome to our press conference on Deutsche Telekom's financial statements.

We have already reported the very positive development of operations in many areas in previous quarters, a trend that continued impressively into the fourth quarter. As the year drew to an end, our staff made another huge concerted effort.

Our revenue improved significantly, with an increase of 4.2 percent in the full year. In organic terms, revenue also increased, by 2.9 percent.

We improved reported adjusted EBITDA by almost 1 percent, growing again for the first time in six years.

Reported net profit more than tripled to EUR 2.9 billion, with the sale of 70 percent of our stake in the Scout group making a substantial contribution. Thus, it clearly exceeded the originally proposed dividend amount to be paid out for the 2014 financial year.

Our strategy is paying off: First, we massively invest in our networks. As a result, we convince more customers with our superior network quality and our service. And ultimately, we thus increase our revenue and earnings:

- Our cash capex totaled EUR 9.5 billion in 2014. That is more than 15 percent of revenue.
- Part of this amount was spent on rolling out our LTE networks, which now cover 100 million more people worldwide than in the previous year. This is more than the entire population of Germany.
- With our VDSL and FFTx networks in Germany and at our European subsidiaries, we now reach around 5 million more households than a year ago.

These investments pay off, directly resulting in higher customer numbers:

- In 2014, we recorded branded mobile contract additions of around 5.7 million worldwide.
- In Germany alone, we put 1 million new fiber-optic lines into service.
- Added to this are more than half a million new TV customers in Europe.

- And we increased the number of IP-based lines throughout Europe by around 4.2 million.

And all this was the basis for improving our financials.

We had already reported slight organic revenue growth for 2013, following six years of declining revenues. Now we are actually experiencing organic growth of a more substantial nature. And the strong fourth quarter makes me optimistic that this trend can continue in the years to come.

Adjusted EBITDA reached EUR 17.6 billion and so met our forecast for the year. Despite a slight organic decline of 0.7 percent, this is still a major improvement compared with the prior year, when the figure decreased by more than 3 percent.

Free cash flow is likewise within the forecast range, totaling EUR 4.1 billion for the full year.

We were prepared to accept the decline of 10 percent, as previously announced, and to opt in favor of a substantial increase in investments, above all in the United States, but also in Germany. Precisely this is increasingly paying off, as the given customer and revenue figures show.

So let us first take a look at the segment which currently shows the strongest growth momentum: our mobile subsidiary in the United States, T-Mobile US. Here the customer rush continues. After the U.S. management had raised its forecast several times during the year, the company reported more than 8 million net adds at the end of the year, the strongest growth in its entire history. The number of new branded postpaid customers also increased impressively, by almost 5 million.

This again reflects the process I mentioned earlier: First, the investments in networks and products, then the customers, then revenue and earnings. Revenue at T-Mobile US increased by almost 21 percent. EBITDA grew by just under 11 percent. Our objective is to maintain the year's strong positive trend in the coming year.

In 2014, things also worked out well in our Germany business. In the full year, we virtually kept revenue and adjusted EBITDA stable, with slight declines of 0.8 and 1.4 percent respectively. Our EBITDA margin therefore remained at around 40 percent.

As announced, we invested heavily in Germany, with capital expenditure of EUR 3.8 billion, almost 12 percent more than in the previous year.

We focused on pursuing the integrated network strategy – covering aspects such as VDSL, vectoring, IP migration, as well as the LTE build-out.

In the fixed network, we put around 1 million new fiber-optic lines into operation in our own business and through our wholesale partners, almost twice the figure for the previous year. And since more and more customers now use high-speed broadband lines, orders for add-on services, first and foremost our Entertain TV service, are also rising. In this area, we have added over a quarter of a million new customers.

We halted the decline in broadband lines and again substantially reduced the loss of traditional fixed-network lines. In mobile communications, we once again extended our market lead in service revenues. This is where LTE network build-out pays back. Last year, we extended its coverage to reach over 10 million more inhabitants. And did so with a network that has again been commended as the best in all relevant tests.

We intend to continue these trends and to exploit our competitive edge as a national integrated provider. With MagentaEINS we are the first company to offer a true convergence product. And with resounding success: Over 650,000 MagentaEINS customers in the couple of months since market launch – need I say more?

Now to our business in Europe. Here, too, we are making progress. In view of the continuing difficult economic situation, the decline in revenue is not at all excessive. Over the course of the year, we succeeded in stabilizing our adjusted EBITDA in organic terms at virtually the prior-year level. With the organic decline in revenue of 4 percent, it was first and foremost good cost management that enabled us to actually increase our margin by 1 percentage point to 34.2 percent.

In Europe, we continue to focus on technology leadership and high customer satisfaction. In mobile communications, 3G service coverage now lies at 80 percent. In most countries, we have already reached LTE coverage of over 50 percent, varying according to individual roll-out schedules. This corresponds to almost 60 million inhabitants.

We also made good progress with roll-out of our fiber-optic lines. At year-end, we were already delivering this service to 6 million households. As a result, we now generate 25 percent of our revenue in our growth areas – in other words, broadband, mobile Internet, and television. This is 2 percentage points above the figure for last year.

At T-Systems, we are in the process of restructuring – in terms of strategy, operations, and workforce. The T-Systems 2015+ master plan is well under way, with a clear focus on increasing profitability.

It will presumably take some time before this is clearly reflected in our financial figures. But development over the year shows we are on the right track. We won additional big deals, like the one we signed with ThyssenKrupp and the contract to set up a toll collection system in Belgium. In particular, we expanded our cloud business.

Thanks to stricter requirements for the return on new orders and major cost reductions of the adjusted cost base of around EUR 0.4 billion in the Market Unit, we significantly improved our earnings margin for the full year.

Ladies and Gentlemen,

Seen overall, 2014 was a highly satisfactory year for us. Thomas Dannenfeldt will give you a deeper insight into the figures in a moment – with his main focus on the fourth quarter.

In view of the positive overall trend, we will naturally deliver on our dividend promise. We join with the Supervisory Board in proposing to the shareholders' meeting that a dividend of 50 eurocents per share be paid out to shareholders. This is again tax-free for shareholders in Germany. Following the huge response in the last two years, we again offer shareholders the option to have their dividend paid out in the form of shares.

Important for me is that Deutsche Telekom has its sights set on growth again. And this will not just be a flash in the pan affair – on the contrary, I am thoroughly convinced that it is the start of a continuing and sustainable development.

We want our shareholders to participate adequately in our business development also in the years to come. But more about this in a moment.

I will now hand over to Thomas Dannenfeldt.