

– The spoken word shall prevail –

Press conference on the 2014 financial year

Bonn, February 26, 2015

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Ladies and Gentlemen,

I, too, would like to welcome you warmly to our press conference. We made sure that 2014 was a really good year! And not through acquisitions or merely mathematically due to changes in exchange rates, but in organic terms.

Last year, we saw how the logic of our strategy increasingly translated into higher revenue and earnings in many areas.

I would like to illustrate this by discussing various trends in the individual operating segments in the fourth quarter.

Let us start with business in Germany.

Thanks to higher investments, we substantially increased the network coverage of both our mobile LTE network and our fiber-optic lines.

The results are really impressive:

The number of fiber-optic lines increased by 323,000 in the fourth quarter. This growth is well over twice as strong as in the fourth quarter of 2013. We currently have 2.5 million lines in operation, including wholesale. We recorded growth of 20,000 in broadband lines, and reduced the line losses to the lowest level in ten years. On the back of the increase in the number of fiber-optic lines, the number of Entertain customers also grew by another 66,000, and now stands at more than 2.4 million.

Of course, we want to build on this success with regard to fiber-optic lines. In the fourth quarter of 2014, VDSL went on sale in new roll-out areas covering around 1.3 million households passed. According to our plans, we will add an average of around 1 million more households passed per quarter in new roll-out areas in the current year.

In mobile communications, we increased service revenues by 1.8 percent year-on-year. Deutsche Telekom thus did not only outperform the market overall, but also increased its lead on the market's number two in the fourth quarter.

The number of mobile contract customers under the Telekom and Congstar brands grew by 277,000 between October and December. In addition, we recorded the highest ever smartphone sales in a quarter, selling more than 1.5 million devices. Around 76 percent of our consumers under the Telekom brand now have a smartphone. The number of customers who use an LTE-enabled device and have subscribed to an LTE rate plan doubled during the year to more than 5.6 million.

Overall, we achieved revenue growth of 1.6 percent at segment level in the fourth quarter. This is the first growth since the merging of fixed-network and mobile communications.

We have continued to invest heavily in developing the market, with one focus being the marketing for MagentaMobil and MagentaEINS. Nevertheless, we were able to hold adjusted EBITDA more or less stable at EUR 2.0 billion.

This brings me to T-Mobile US.

I will present the figures according to the IFRS international accounting standards, as they are included in our consolidated financial statements. I will stick to the U.S. dollar figures, so you can clearly see the organic development.

T-Mobile US further rolled out its 4G network and increased the population coverage by more than a quarter year-on-year. In many regions, the network also offers the highest transmission rates.

Another advantage: T-Mobile US offers attractive rates, which are the most customer-friendly around. Coupled with top devices and the best service, this is a real customer magnet: 2.1 million new customers in the fourth quarter, 1.3 million of them new branded postpaid customers.

This trend is clearly reflected in revenue. In the third quarter of 2014, service revenues increased by 10.2 percent year-on-year. In the fourth quarter, growth accelerated to 13.6 percent. And this growth was organic, on a dollar basis, excluding exchange rate effects or changes in the consolidated group.

Adjusted EBITDA developed in line with the increase in revenue, growing by 27.5 percent in the quarter to USD 1.7 billion. Since earnings grew faster than

revenue, the margin improved by more than one and a half percentage points in the final quarter to 20.8 percent.

Now to our business in Europe.

In view of the fact that the economy here remains weak in many places, there is somewhat less momentum than in Germany or even the United States.

We are implementing our strategy step by step, and that means:

Where possible, we are also pursuing an integrated approach at our subsidiaries in Southern and Eastern Europe. In Poland and the Czech Republic, the acquisition of GTS in 2014 made a contribution in this regard, strengthening our business customer segment.

On the way to a pan-European network, we increased the percentage of IP-based lines to 38.6 percent in 2014. This equates to around 3.5 million lines. We almost tripled the number of LTE base stations to just under 15,000.

We continuously expand our customer base. In the fourth quarter of 2014, this meant:

- Broadband customers up by 109,000
- TV customers up by 71,000
- Mobile contract customers up by 82,000

The positive customer trend allowed us to limit the revenue decline in the fourth quarter to 3.4 percent, or, in organic terms, to 4.3 percent. With strict cost controls, we held the adjusted EBITDA margin on a level with the prior year at 33.4 percent.

For T-Systems, the 2014 financial year was dominated by the restructuring process.

There is only so much the figures for one quarter can tell you. But things are moving in the right direction. The Market Unit's revenue declined by 3.1 percent compared with the prior-year quarter. T-Systems opted out of low-margin business. This had a significant impact on revenue. At the same time, the adjusted EBIT margin leaped up to 6.4 percent, thanks to reductions in cost. T-Systems also continued to help reduce IT costs throughout the Group.

To conclude, I would like to talk briefly about a few key financial figures.

In terms of free cash flow, we met our target for the year with over EUR 4.1 billion.

T-Mobile US' self-financing strategy resulted in higher interest payments. Firstly, because our subsidiary raised additional debt capital. Secondly, T-Mobile US' direct external debt increased when we divested bonds in a volume of USD 5.6 million from our own portfolio to external creditors at the end of 2013.

Net profit was affected by the sale of the majority of the shares in Scout24. This factor is not included in adjusted net profit. The 12.1 percent decline was primarily due to higher depreciation and amortization, which rose by around EUR 350 million year-on-year. This was driven, on the one hand, by massive investments, which increased the level of assets by around EUR 8 billion year-on-year. And, on the other hand, MetroPCS was included in the consolidated financial statements for the full 2014 financial year, whereas this had only been the case for eight months in the prior year. In the fourth quarter, reported net profit was mainly affected by the aforementioned sharp increase in adjusted EBITDA at T-Mobile US.

In terms of our financial ratios, we are still within the range we set for ourselves.

When considering net debt, you must take into account the fact that, unlike revenue generated in the course of the year, liabilities denominated in U.S. dollars must be translated at closing rates. Accumulated for the full financial year, the impact of currency translation amounted to around EUR 1.8 billion.

By contrast, the ratio of net debt to adjusted EBITDA held steady at 2.4.

Ladies and Gentlemen,

For the current financial year, we expect growth in revenue, earnings, and free cash flow.

For our guidance for 2015, it is important to understand our business model, especially with regard to the current trend in the dollar exchange rate.

T-Mobile US generates its revenue and incurs its expenses in U.S. dollars. For the consolidated accounts in euros, we translate revenues and earnings into euros on the basis of average exchange rates. The average annual exchange rate for the last year was USD 1.33 per euro. Of course, the current strength of the dollar leads to higher euro values in the translation. This is a pure translation effect, without any basis in operating business: The margin is the same, whether calculated in euros or dollars.

Since the translation of dollar values at different exchange rates makes it difficult to compare the figures and thus business development over a number of years, we traditionally give you our annual forecast for the Group on the basis of the same average exchange rate that we use to translate the actual figures of the prior year. On this basis, we expect adjusted EBITDA to increase

substantially from EUR 17.6 billion to around EUR 18.3 billion in 2015. Underlying this is a clear upwards trend in operations, due in particular to strong growth in earnings in the United States.

However, a number of analysts base their expectations for the contribution made by T-Mobile US to Group earnings on their own exchange rate assumptions. We have therefore in addition translated our guidance on the basis of the current exchange rate of USD 1.13 per euro. In purely mathematical terms, this would result in Group EBITDA of around EUR 19.3 billion.

The forecast for free cash flow is impacted to a lesser extent by this kind of currency translation, because T-Mobile US' contribution is relatively limited here, thanks to the self-financing of its investments and its strong growth. On the basis of both exchange rates, free cash flow is expected to be around EUR 4.3 billion.

And now I would like to hand you back to Tim Höttges.