Press conference
Annual report of 2012
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Thank you, René Obermann!

Let us start with business in Germany. Revenues declined just 1.4 percent year-on-year, a development very similar to the third quarter.

Mobile revenues climbed by 3.2 percent, mainly as a result of the high revenues from handset sales.

Fixed-network revenues declined by 2.9 percent, very much in line with the development in the third quarter.

Wholesale revenues were somewhat weaker than in the prior quarter, down 4.6 percent.

Adjusted EBITDA, as already highlighted, declined by close to 10 percent mainly due to higher market invest in mobile.

In our German fixed-network business, we saw a number of encouraging developments:

- Line losses in traditional fixed-network business were reduced by 20 percent to just 236,000.
- Average revenue per access continued to climb steadily, driven by ongoing migration to double- and triple-play products.
- The number of high-speed optical fiber lines grew sharply by some 50 percent to more than 900,000.

It is worthwhile mentioning that VDSL wholesale is also finally gaining some traction. The customer base grew by 47,000 in the fourth quarter. Our broadband market share is just under 45 percent.

The broadband net adds and the comparatively strong growth among our cable competitors underline once again the importance of our future integrated network strategy for Germany.

Turning to mobile business, service revenues in the entire German mobile market declined by 0.4 percent in the fourth quarter.

Excluding the effect of the cut in mobile termination rates totaling EUR 10 million, our mobile service revenues decreased by 2.2 percent.

Specifically, this was driven by the following developments:

- A worsening trend in voice revenues.
- A decline in revenues from text messaging, which is down to the increased use of what are known as over-the-top applications.
- The weaker revenue trend in the consumer segment is still attributable in part to the termination of the agreement with Drillisch.
- In the business customer segment, revenues continue to be marked by sustained tough competition and pressure on rate plans.

On the other hand, we saw excellent results with 437,000 mobile contract net adds and strong growth in double-play customers.

We were frankly disappointed with service revenue development in the fourth quarter and intend to return to growth in 2013. The following trends give us the confidence that we will achieve this:

- Increasing average revenue per user among branded new contract customers.
- Robust smartphone sales and strong growth in our contract customer base in 2012.
- And our position as "best network provider" on the market, with top ratings for customer satisfaction and mobile data products.

On the other hand, we will continue to feel the effects of the mobile termination rate cuts and roaming regulation, as well as the sustained decline in existing customer ARPU as a result of rate plan optimization.

Let me reiterate, however, that our goal is to return to service revenue growth in 2013.

The development of total revenues in the U.S. was stable for the third quarter in succession.

While the trend in service revenues further weakened slightly due to the continuing migration to Value plans, this was offset by higher equipment revenues. Total revenue decreased by 5.2 percent in the fourth quarter. This compares to a decline of 5.9 percent in the third quarter.

Lower service revenues as well as higher advertising spending impacted adjusted EBITDA in the fourth quarter. This was, however, in line with our full-year guidance of USD 4.9 billion.

We reduced branded contract churn by 27 percent year-on-year. Growth in branded prepay customers continued, though at a slower pace than in the third quarter. This was primarily due to higher churn. On the other hand, the growth in wholesale customers was very strong, driven by strong MVNO net adds in particular.

Turning to ARPU, the trends already seen in previous quarters continued.

ARPU for branded contract customers continued to decline, driven by the migration of customers to Value plans. By contrast, branded prepay customers continued to increase. This was mainly a result of the sustained popularity of our Monthly 4G rate plans.

The situation with data business is similar. Data ARPU remained robust and exceeded USD 20 for branded contract customers for the first time.

Revenues in the Europe segment declined 4.7 percent in the fourth quarter. Regulatory measures had a considerable negative impact in the last quarter of the year. Throughout the year, in 12 out of 13 countries, mobile termination rates were cut at least once, twice even in Greece and Romania.

A one-time effect at T-Mobile Netherlands, which had a favorable effect in the last three months of 2011, negatively impacted the year-on-year comparison.

The economic environment remains tough but we were able to partially offset the decline this caused in traditional telecommunications revenues with our growth areas. Revenue development improved slightly compared with the third quarter.

Besides a lower contribution margin, adjusted EBITDA was also impacted by the new usage-based tax in Hungary. This is the second special tax in the country to have a negative impact on our business in the second half of 2012. Strict cost savings meant we were able to partially offset the above effects.

From an operational perspective, connected home revenues were driven by growth in our broadband base, which now has more than 5 million lines. Our TV customer base grew to almost 3 million.

Our mobile contract customer base grew by almost 1 million year-on-year and exceeded 28 million subscribers. Mobile data growth was driven in part by the increase in the smartphone share, which exceeded 60 percent of all devices sold in the fourth quarter.

Comparing the development of our mobile revenues with those of our key competitors, our performance improved significantly year-on-year. While in the fourth quarter of 2011 we outperformed only four out of nine main national competitors, in the last quarter of 2012 we outperformed seven of them. Of particular note is that we improved the development of our mobile revenue compared with Orange in Poland and Slovakia.

In addition, let me highlight some other key developments concerning the Europe operating segment:

OTE has made outstanding efforts over the past few weeks and months to secure borrowing and reduce its debt:

- Extension of a bank loan of EUR 500 million through to February 2014.
- Issuance of a five-year bond with a volume of EUR 700 million.
- And the completion of the sale of a stake in HellasSat to ArabSat for around EUR 200 million scheduled for the second quarter of 2013.

We expect that OTE's liquidity in conjunction with projected free cash flow will cover all repayments in 2013 once these transactions have been concluded. Rating agency Standard & Poor's responded and raised OTE's rating 2 notches to B+.

We pride ourselves on our technology leadership, which is further endorsed with LTE roll-outs in Greece, Hungary, Croatia, and Austria. In the first three of these countries, iPhone 5 customers can now – as in Germany – use our superior 4G LTE network. We are pioneering the all-IP migration in Croatia and Macedonia. We have launched a TeraStream pilot in Croatia and have already linked up 128,000 households via FTTH.

Turning to Systems Solutions business, the fourth quarter results were quite strong.

Revenues grew by 5 percent, driven by 2.1 percent growth at the Market Unit and the expected recovery in Telekom IT revenues, which were up by 15 percent.

Order entry was very strong in the fourth quarter. The increase of almost 90 percent was mainly driven by the prolongation of the Shell deal.

External revenues increased by 2.6 percent.

Adjusted EBITDA and adjusted EBIT also grew considerably, by 9 and 24 percent, respectively. The adjusted EBIT margin at the Market Unit improved to 3.1 percent, up 50 base points from the fourth quarter of 2011.

Turning to free cash flow, we over-delivered on our guidance of approximately 6 billion. At EUR 6.2 billion, free cash flow was down less than EUR 0.2 billion year-on-year.

Fourth-quarter free cash flow was in line with expectations. The reduction compared with the fourth quarter of 2011 was driven by higher capex and the reduction in EBITDA due to higher market invest.

Adjusted net profit for the full year amounted to EUR 2.5 billion. The year-on-year reduction was driven by the decline in adjusted EBIT, offset to some extent by lower finance costs.

The reported net loss of just under EUR 5.3 billion is mainly due to the impairment in the U.S. business in the third quarter of 2012. I would like to mention once again that the impairment loss is solely down to the fact that the International Financial Reporting Standards (IFRS) require the share price of MetroPCS at the time of announcing the combination to be used as the basis for valuing T-Mobile USA. It does not mean that the impairment is attributable to a change in management's assessment of the development in operations in the United States.

Net debt was reduced substantially by EUR 3.3 billion, or 8.1 percent, year-on-year thanks to strong free cash flow. This was despite EUR 3.4 billion in dividend payments, EUR 0.8 billion in pension funding, and EUR 0.4 billion in spectrum purchases.

Finally, let us turn to our balance sheet ratios.

The ratio of net debt to adjusted EBITDA remained stable year-on-year at 2.1.

At 28.3 percent, the equity ratio improved slightly from the third quarter. The year-on-year decrease was caused by the reduction in shareholders' equity due to the U.S. impairment in particular.

With regard to our comfort zone ratios, we are in the green across the board. And our rating with the major agencies remains at BBB+ and with stable outlooks. As a result, we continue to get excellent financing conditions in the debt capital markets.

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