

– The spoken word shall prevail –

**Press conference on the 2015 financial year**

**February 25, 2016**

**Timotheus Höttges**

**Chairman of the Board of Management**

**Deutsche Telekom AG**

Good morning, Ladies and Gentlemen,

Dynamism and reliability – these two words have forged our 2015 financial year.

Let us look at dynamism for a second: Our growth over the past year has been substantial across many parts of the company. We have attracted more customers with our offerings, we have successfully launched many innovations, and we have invested in the networks.

Our efforts are paying off and our financial results reflect this. We have seen double-digit growth in all key categories.

Take free cash flow, for example, which has improved by around 10 percent. So in the very first year, we are already keeping a promise we made at the Capital Markets Day in early 2015.

But that is not the only promise we made. We said that if free cash flow increases, the dividend will rise in equal measure. The Board of Management and the Supervisory Board will therefore be recommending a dividend of 55 euro cents per share to the shareholders' meeting – that is a 10 percent increase on the prior year. This year, once again, the dividend is tax-free for shareholders subject to taxation in Germany.

It is also important at this juncture to address something that has been discussed a great deal in the past, which is that our net profit more than covers the dividend. Reported earnings per share for 2015 stand at EUR 0.71 per share, rising to EUR 0.90 per share once adjusted. The Group has thus clearly earned the dividend.

As a result, we are sending a strong signal for the future and confirming the ambition level of our medium-term planning for 2014 through 2018. Sustainable growth remains our focus.

Ladies and Gentlemen,

Over the past year, Deutsche Telekom has invested EUR 10.8 billion, primarily in the network build-out and the transformation to all-IP.

That is EUR 1.3 billion or 13.5 percent more than in the prior year.

In other words, 15.6 percent of our revenues have flowed back into producing higher speeds, better network availability, and more innovation.

In addition to this, we invested some EUR 3.8 billion in spectrum, largely in Germany and the United States.

Let me just say a few words on the fiber-optic build-out, which is currently the subject of very controversial discussion here in Germany.

In Germany and at our European subsidiaries, we have extended our fiber-optic coverage to another 5.1 million households overall – that is an increase of 24 percent, bringing us up to 26.7 million households.

In Germany alone, 23 million households now have access to fiber-optic lines. That is 4.4 million more than a year ago.

As you know, our goal is to connect around 80 percent of households to our fiber-optic network by the end of 2018. This figure could rise even further in the subsequent years thanks to recent changes in subsidy policy.

We have also made progress with LTE, and now cover 90 percent of the German population, which is a year-on-year increase of 10 percentage points.

By the end of 2015, our European subsidiaries had extended LTE coverage to reach more than 70 percent of the population. That is 30 million more residents in these countries than a year ago.

T-Mobile US has also invested in its network. 4G now reaches more than 300 million citizens, which is an increase of 40 million compared to the previous year.

On top of that, T-Mobile US has acquired spectrum in the 700 MHz range. This spectrum will bring better network quality in buildings and in areas on the outskirts of urban centers for another almost 50 million U.S. citizens.

At the same time, we have been forging ahead with the IP migration in Germany and Europe. 13.6 million lines are now connected to a network that

speaks the same language. That is an increase of almost 46 percent from the year before.

The figure for Germany has already reached 9.5 million, or 40 percent of all lines.

Four of our European subsidiaries have migrated their networks in full. The fifth, and the largest one yet, will be Hungary in 2016.

A modern, high-performance network is essential to offer our customers innovative products. Let me give you a couple of examples:

Our flagship product, MagentaOne, which is our integrated service that is now available in Germany and at five of our European subsidiaries.

And what could be my favorite device right now, the Puls tablet, because it is evidence that we develop today's products starting with what the customer wants. We sold around 60,000 of these tablets last year.

I believe this device has a good chance of replacing the conventional fixed-network telephone and becoming the main control device in the home.

On top of this are our Smart Home products, which use our open platform Qivicon. Qivicon has now attracted more than 40 partners and is accessed internationally.

Or our hybrid router, which combines fixed and mobile network service in one unit to make broadband surfing possible even in rural areas.

Or our cloud portfolio, which we expanded in 2015 thanks to exclusive partnerships with Microsoft, Huawei, and Cisco. Our customers can use our

products to ensure their data is securely hosted in Germany, and we are the only provider that meets the legal requirements in Germany. Crucially, these aspects create a high standard of confidence and are thus a mark of quality compared with providers from other parts of the world.

Customers are becoming ever more security-conscious, too, and we continue to intensify our activities in this area following double-digit growth rates in security services in 2015. We set up the Telekom Security unit with some 1,000 employees, whose goal is to lead the field in this area.

Ladies and Gentlemen,

Broadband and convergent products, the mobile build-out in the United States, and the intensification of our cloud activities are all part of our efforts to meet the needs of consumers and business customers alike. The dynamic developments in our customer base and revenue figures over the past year reveal the success of these efforts. A clear sign that our strategy is working.

MagentaOne has already attracted some 2.9 million customers in Germany and Europe.

The number of customers connected to our fiber-optic network in Germany grew to 4.4 million in just one year. This represents growth of around 1.9 million, or more than 70 percent, in a single year.

The customer base in the U.S. continued to increase, rising by 8.3 million to 63.3 million. Thanks to the highest growth rate among the four national network providers, T-Mobile US is now number three in the American market in terms of customers.

The Group's revenues from cloud products increased 30 percent to EUR 1.4 billion over the past year, mainly at T-Systems, which accounted for almost EUR 1 billion and an increase of 24 percent.

Together, these developments have produced financial results that stand for reliability. Or, to put it another way, we are delivering on our promises from 2015.

But that is only half the story, because key financial indicators have developed significantly better than we forecast at the Capital Markets Day in early 2015.

Net revenue increased by 10.5 percent to EUR 69.2 billion. In organic terms, that is an increase of 3 percent.

Adjusted EBITDA rose by 13.3 percent to EUR 19.9 billion. On a like-for-like basis, i.e., excluding exchange rate effects and various one-time effects, the growth was 6.2 percent.

This is down to the positive development of revenue and is helped by the development in indirect costs, which fell on an organic basis by some EUR 0.4 billion year-on-year for the Group excluding T-Mobile US. This figure is also in line with our planning, which forecasts a reduction in the cost base of the Group excluding the U.S. of some EUR 1.8 billion in the period 2014 through 2018.

All of this was only made possible by our 230,000 employees who give their absolute best all year round. I would like to express my sincerest thanks to them.

Ladies and Gentlemen,

I have been talking about the development of key financials on an organic basis. If we take the positive developments in the exchange rate into consideration, our results get even better.

Our original forecast for 2015 put adjusted EBITDA at around EUR 18.3 billion based on an exchange rate of USD 1.33 per euro.

We also gave a comparative EBITDA forecast of EUR 19.3 billion based on the exchange rate at the time of USD 1.13 per euro.

But the actual average exchange rate was USD 1.11 per euro. Using this as a basis for calculation, the adjusted forecast for 2015 stood at EUR 19.4 billion.

Reported adjusted EBITDA thus significantly exceeded our forecast.

Underlying growth was strong. This still holds true even when we consider that the accounting logic of the device leasing model at T-Mobile US and the effects of Data Stash as well as several one-time effects had a positive impact on adjusted EBITDA of around EUR 0.15 billion. As you know, these are all aspects that we have referred to previously.

So to sum up: Deutsche Telekom could be counted on in 2015!

For 2016, we expect to see a substantial improvement in our key financials as well as organic growth.

Our forecast says that

1. revenue is expected to increase again,

2. we plan to achieve adjusted EBITDA of around EUR 21.2 billion, an increase of more than 6 percent,
3. free cash flow is again forecast to rise strongly to around EUR 4.9 billion, or around 8 percent, keeping it in line with the ambition level we communicated at the Capital Markets Day.

We intend to meet these targets despite our plans to invest significantly more cash in our networks and the digitization compared with 2015.

We already have the next innovations in our sights or are working to realize them – the key phrase here is dynamism and reliability:

- We aim to launch our new TV platform in the second half of the year.
- Developments in super vectoring will allow us to reach download speeds of up to 250 Mbit/s over the fixed network in future.
- Transfer speeds over the mobile network are also on the rise. In Germany, as well as in five of our European subsidiaries, we offer up to 300 MBit/s. And we are already working on pushing that up even higher.
- Our partnership with Inmarsat aims to provide in-flight Internet access in Europe at LTE speeds, starting with Lufthansa airplanes from 2017.

But I will stop there, as we gave an in-depth look at these innovations just last Monday in Barcelona!

We are clearly pursuing our strategy of becoming the leading European telco. 2015 was a highly successful financial year for Deutsche Telekom and we are optimistic and confident going into 2016.

On that note, I will now hand over to Thomas Dannenfeldt.