

– The spoken word shall prevail –

Conference Call
First quarter report of 2016
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Chairman of the Board of Management
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Ladies and Gentlemen,

A warm welcome to our conference call where we would like to present to you the developments in the first quarter of 2016.

Let me start with the key figure for the first three months:

We now have five million fiber-optic lines in service in Germany. That is over two million more than a year ago. In the first three months of 2016 alone, we saw record-breaking growth of net 660,000 lines.

I am very happy with this result.

I am also happy about the 3.3 million branded customers that have connected up to our fiber-optic network. 1.2 million more than at the end of March 2015.

I am – almost – equally delighted about the more than 1.7 million lines which we are now providing to our competitors. That is an increase of 855,000 in just one year.

We are building the networks for the gigabit society. Our goal is to offer customers the best possible Internet connection and to increase bandwidths systematically, both at home and on the go.

We have opted for fiber optics and are combining the technology to create an intelligent mix. Everything that creates more bandwidth is good for people and good for Germany. That is what we are focusing on.

Ladies and Gentlemen,

The strong growth in fiber-optic lines in Germany is part of our strategy of becoming the leading European telecommunications provider.

Just to remind you, a quick breakdown of the core elements:

- Integrated networks based on IP technology
- The best customer experience
- Setting up innovative products and services in cooperation with partners
- Lead in business

In the first quarter, we invested around EUR 2.8 billion worldwide excluding payments for mobile spectrum licenses, a year-on-year increase of 11.9 percent. We focused on increasing network coverage in the fixed network and in mobile communications, and on transforming the network.

In Germany this means:

In mobile communications, we extended LTE coverage by 9 percentage points to currently around 91 percent. A record-breaking figure compared with European rivals.

Here too, the data clearly shows that Germany is not lagging behind other countries.

In the fixed network, we now cover 56 percent of households with our fiber-optic network, i.e., over 4 million more than a year ago.

At the same time, we have pushed forward the migration to IP to 10.4 million lines at the end of the first quarter. Ultimately, it is not just about data throughput speed on the line, but also about the pace of implementing new services, about simple relocations for our customers, about making it easier to add on services or giving customers the option of setting up certain line features by themselves.

It is about simply doing things – and also about making things simpler.

We will continue to follow this course systematically:

We have modernized our TV product Entertain. On Monday we launched a new technical platform which offers additional product features for customers. Niek Jan van Damme extensively presented the new Entertain over the past week.

My personal highlight is the new restart function that only Entertain offers: You get home, the movie has already started – and you can watch it from the start simply using restart without having to program anything beforehand.

Our MagentaEINS rate plans have been upgraded to include a device component that our customers can use to obtain a top-of-the-line smartphone or tablet every twelve months for a modest charge. Furthermore, we have increased the included services with the MagentaMobil rate plans, including a free roaming package for European countries outside Germany.

We have also now implemented the MagentaONE model in all European subsidiaries where we provide consumers with integrated packages. In the first quarter, we rolled out these kinds of products in the markets in Macedonia and Croatia.

We can also differentiate ourselves from the competition with excellent network quality for mobile communications: The independent testers from P3, who are also responsible for the "connect" tests, have just awarded their best-ever rating to our network in the Netherlands. In eight of our subsidiaries, including Greece, Poland, and Hungary, we received the "Best in test" rating over the past twelve months.

At the end of the first quarter, we gained more than one million customers for our convergence products in the European subsidiaries. That is growth of just under 14 percent in these first three months alone. Together with customers in Germany, we now have 3.3 million MagentaONE customers.

That brings me to T-Mobile US, which has continued its outstanding success story. We expanded LTE network coverage to around 308 million people at present.

T-Mobile US has also acquired additional spectrum in the 700 MHz range or concluded relevant contracts in the first quarter. In the low-frequency range, the company can thus increase coverage to around 260 million people and improve network quality in buildings and in residential areas near the

metropolitan centers in future. Among the big four national providers, T-Mobile US offers the highest download speeds.

For the full year, T-Mobile US increased the target for customer growth to the current 3.2 to 3.6 million postpaid branded customers following the previous 2.4 to 3.4 million.

At T-Systems, it is clear to see that we are establishing ourselves as a digitization partner for SMEs and corporate customers. Here our partnering concept is doing particularly well.

At CeBIT, we launched the Open Telekom Cloud, our new public cloud product that provides small enterprises with an entry route into digitization. We also recently concluded a partnership with GE Digital.

We have also put together the Cloud of Things Starter Kit for small and mid-size enterprises, which from this summer will make it very easy for them to start out into the Industry 4.0 era.

And our new Telekom Security unit is also making good progress.

Our concept of the Open Public Cloud based on German data privacy standards is going down extremely well in the marketplace. 31 percent higher revenue from cloud services in the first quarter at Group level speaks volumes.

These developments have fed through into very gratifying financial figures in the first quarter.

Net revenue increased by 4.7 percent to EUR 17.6 billion.

Adjusted EBITDA rose by 12.9 percent to EUR 5.2 billion.

Reported free cash flow was EUR 0.8 billion, 5 percent lower than in the same period last year. This includes effects relating to the disposal of our stake in the British company EE. Calculated on a like-for-like basis, free cash flow increased by 10.6 percent.

All the figures clearly underline our targets for the year.

Adjusted EBITDA is expected to increase to around EUR 21.2 billion and free cash flow to come in at around EUR 4.9 billion.

And on that note, I would like to hand over to Thomas Dannenfeldt, who will explain our financial figures in detail.