

– The spoken word shall prevail –

Conference Call

First quarter report of 2016

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Ladies and Gentlemen, I, too, would like to offer you a warm welcome.

Our figures show a clear growth profile again in the first quarter of 2016, in line with our guidance for the year 2016 and our medium-term forecast.

Just to remind you again: In the period from 2014 to 2018, we want

- to increase revenue by an average of 1 to 2 percent per year,
- adjusted EBITDA to grow by an average of 2 to 4 percent per year,
- to improve average free cash flow for these years by some 10 percent annually.

Revenue in this quarter continued to show strong growth due to the excellent development of business in the United States and to growth at T-Systems.

The increase of around 13 percent in adjusted EBITDA includes the positive effect from T-Mobile US as a result of the Data Stash terminal equipment lease model.

Net profit increased substantially to EUR 3.1 billion, which is four times the prior-year figure. This reflects earnings of EUR 2.5 billion from the sale of our stake in EE to the UK company BT. Adjusted for this factor, net profit increased by a good one percent.

This clear growth in adjusted earnings did not translate into an equivalent increase in adjusted net profit. This is due to a higher tax expense, and, above all, to the increase of around 17 percent in depreciation and amortization resulting from our increased investment volume.

Net debt is at EUR 47.6 billion, the same level as in the prior quarter.

So let us take a look at the development in the operating segments.

In Germany, revenue and adjusted EBITDA increased in line with our expectations for the full year 2016.

Total revenue in the Germany segment decreased by 2.5 percent in the first quarter to EUR 5.4 billion, but half of this decline is attributable to our decision to substantially reduce low-margin trade with mobile devices.

Following the trend of the German mobile industry as a whole, we also recorded a decline in service revenues. This decrease of 1.7 percent is attributable, on the one hand, to an unusually strong prior-year quarter and, on

the other, to the continued successful marketing of MagentaEINS. As you are all aware, the discounts in these packages are posted entirely in mobile operations.

We assume that these trends will improve again in the second quarter, and we continue to expect average multi-annual growth in service revenues (excluding the loss in roaming revenue) of approximately one percent.

In Germany, customer numbers are rising across all segments:

We recorded an increase of 62,000 broadband customers in the first quarter.

For the full year, we plan an increase in the customer base of more than that of the prior year.

The number of Entertain customers rose by 53,000 to more than 2.7 million.

We expect the new Entertain platform to further stimulate demand.

The further increase in demand for fiber-optic products is particularly pleasing.

The number of fiber-optic customers increased, as already mentioned, by 660,000.

This means that the growth trend in broadband revenue continued and improved further, increasing by 1.8 percent to EUR 1.3 billion in the first quarter. This figure had stagnated in the prior-year quarter. This upward trend reflects the rising number of fiber-optic lines and increased revenue from TV business.

We also recorded significant revenue growth in wholesale revenues, which were up around 3 percent. This was primarily due to the contingent model and the year-on-year increase in fiber-optic lines by almost 100 percent.

We are making great strides in our network roll-out, as planned and announced.

LTE mobile coverage of the population is already at 91 percent and we are continuing to expand. Coverage with fiber-optic lines increased by 4.3 million households to 56 percent year-on-year. And, of course, we will continue consistently to achieve the build-out targets that we set out.

Some 26 percent of DSL customers now use our fiber-optic infrastructure, 9 percentage points more than a year ago.

This brings us to T-Mobile US, whose success story continues seamlessly in the financial figures.

Compared with the prior-year quarter, the customer base grew by 8.7 million overall. T-Mobile US once again led the sector in the United States for yet another quarter in the first quarter of 2016.

After four quarters in succession with more than two million net additions, T-Mobile US now has around 65.5 million subscribers, thereby extending its lead on the number four in the market.

Thanks to its attractive rates and outstanding network quality, T-Mobile US continued to keep the churn rate for postpaid customers low, at 1.3 percent, despite increased competition. For prepay customers, it even fell significantly year-on-year by 0.8 percentage points to 3.8 percent.

T-Mobile US also leads the market in terms of the development of its financial figures. That goes for revenue, which increased by around 11 percent overall in the quarter. But more importantly, service revenues climbed around 14 percent to USD 6.5 billion.

The difference between these two values is attributable to the terminal equipment lease model. Under this business model, the value of the terminal devices is not posted to total revenue. Rather, it is recognized as capital expenditure and accordingly written down over the contract term.

This in turn has a positive effect on adjusted EBITDA, which, offset against the negative effect from Data Stash, resulted in a positive effect of some USD 0.2 billion on T-Mobile US' adjusted EBITDA. In total, adjusted EBITDA rose by some USD 0.7 billion, or 53.5 percent, to USD 2.1 billion.

The Europe segment continued its trend towards stabilization.

This is also based on the continued network build-out.

In our European subsidiaries, our fiber-optic network covers around 850,000 more households than a year ago. We now cover some 20 percent of households in our integrated subsidiaries.

In mobile communications, we increased population coverage with LTE by around another 25 million inhabitants, bringing it up to more than 72 percent of the population.

This was reflected in growth across all key product categories:

A year-on-year increase of 2 percent in mobile contract customers, 4-percent growth in broadband lines to 5.3 million, and growth in TV customers of around 5 percent to 3.9 million.

Of the decline in revenue of EUR 77 million compared with the first quarter of 2015, more than three quarters is attributable to exchange rate effects and the spin-off of the energy resale business in Hungary. Thus, in organic terms, revenue remained more or less stable.

The adjusted EBITDA trend also improved, with a reported decrease of 3 percent to EUR 1 billion. This decline is attributable to exchange rate effects and effects from changes in the composition of the Group, as well as primarily to the T-Mobile NL business, which is realigning itself in an increasingly competitive environment.

In the first quarter, T-Systems benefited from a major contract to set up a toll collection system in Belgium and from the fast growing cloud business.

The Market Unit's revenue increased by 6.6 percent to EUR 1.7 billion. Its international revenue increased by 17.5 percent, driven by the toll collection system contract. Cloud revenues increased by some 24 percent.

The toll collection system contract had a strong positive effect on segment earnings: Adjusted EBITDA at T-Systems increased by around 42 percent to EUR 206 million. This includes an earnings contribution of a good EUR 100 million from the toll collection system contract.

To conclude, let me talk about a number of financial KPIs and our financing situation.

At the end of March, net debt was almost exactly the same as at the end of 2015, at EUR 47.6 billion. Due to the substantial increase in earnings the ratio of net debt to adjusted EBITDA once again remained within our target corridor of 2 to 2.5, at 2.3.

This shows that Deutsche Telekom continues to be solidly financed.

Our bond investors also attest to this, as is clear from the bond we issued in March for EUR 4.5 billion in total.

In this way, we were able to finance ourselves at much better conditions than other telecommunications companies. At present, these bonds are generally being traded on the market at an A-rating level.

And now, we look forward to your questions.