

– The spoken word shall prevail –

Press conference on the 2016 financial year

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Ladies and Gentlemen,

I, too, would like to warmly welcome you to our conference call.

Our core message for 2016:

We achieved all of our Group financial targets in the past financial year. During this period, we again invested heavily in our business to lay the foundation for continued success in the future.

And – subject to the approval of the shareholders' meeting – we will also reliably deliver the expected dividend growth.

As the preceding years, the past financial year was thus again in line with our medium-term ambition level.

As you know, from 2014 to 2018, we plan

- to increase revenue by an average of 1 to 2 percent per year,
- to increase adjusted EBITDA by an average of 2 to 4 percent per year,
- and to improve free cash flow with average growth of around 10 percent per year.

At the same time, we aim to increase our total capital expenditure – excluding spectrum – by an average of at least 1 to 2 percent per year.

This planning is underpinned by a finance strategy that continues to be based on solidity and stability and guarantees undisputed access to the debt capital market at all times.

I would also like to say a few words about our business performance in the fourth quarter: In the last three months of 2016, the pace of growth in the customer base again picked up.

This was definitely the highlight of the fourth quarter. On the flip side, earnings at T-Systems were down due to write-downs on two legacy contracts.

The Group's net revenue increased by 9.4 percent to 19.5 billion euros in these three months. The key factor here was the thriving business in the United States.

Adjusted EBITDA rose by 2.4 percent to 5.3 billion euros. This reflects the increases in earnings at T-Mobile US and in Germany. In the Europe segment, we significantly grew our customer base for the future with additional market investments. The decline in earnings here in the fourth quarter is therefore due to investments in more attractive products and services for customers.

At T-Systems, the reduction in adjusted EBITDA was mainly attributable to the aforementioned risk provision recognized for two large-scale contracts. We previously discussed this issue in the third quarter.

After a successful fourth quarter and full year 2016, the Group on the whole is clearly on track towards fulfilling our medium-term ambitions.

Our adjusted net profit rose approximately in proportion to adjusted EBITDA and amounted to just under 1 billion euros.

The Group's reported net profit including special factors was affected in the fourth quarter primarily by the reduction in the carrying amount of our financial stake in BT mentioned by Tim Höttges.

The impairment loss of 2.2 billion euros reflects the entire decline in market value from initial recognition of the financial stake in the consolidation statement of financial position at the end of January to the reporting date of December 31, 2016. It includes both the change in share price and in the exchange rate.

However, our ability to conduct business remains unaffected by these accounting transactions, because they do not involve any cash outflow.

This is apparent looking at free cash flow. After three quarters, we had already met 80 percent of our projected free cash flow figure for the entire year. It was therefore clear that cash flow would be somewhat lower in the last three months of 2016 than in the prior year. The target for the full year was met with an increase of around 9 percent to 4.9 billion euros.

Keep in mind that, at the same time, capital expenditure was higher than in the prior year. In 2017, the Group will again increase this figure to around 12 billion euros, with free cash flow continuing to grow.

We do this to support the dynamic growth we saw again in many business areas in the fourth quarter.

In the Germany segment, the development of our fiber-optic lines is a particular highlight. The increase of 674,000 lines is the biggest posted in any quarter to date.

This helped us meet our target of approximately 280,000 broadband customer additions for the full year. In the fourth quarter, the increase amounted to 87,000, up considerably from the same period in the previous year. The number of Entertain subscribers rose again, by 61,000 for the quarter.

One factor increasingly in play here is our attractive MagentaEINS package products. In the fourth quarter, 375,000 customers signed up for one of these packages. What they want and what we give them are attractive fixed-network and mobile communications packages, plus additional services in many cases and the best network quality. MagentaEINS had three million customers at the end of 2016, a target we did not expect to meet until 2018.

In mobile communications, customers enjoy the best LTE network in Germany, now with coverage increased to 93 percent of the population.

In the fourth quarter, 180,000 (net) mobile contract customers were added under our own brands. And they were increasingly accessing the Internet on the go: The number of customers with LTE-enabled handsets and a corresponding rate plan rose by 38 percent year-on-year to 11.2 million.

As a result, we have clearly defended our leadership position in the German mobile communications market with service revenues remaining practically stable.

Fixed-network broadband revenues rose by 1.6 percent. A key reason for this was further growth in the Entertain business.

This further mitigated and almost entirely offset the losses in the traditional telephone business.

Adjusted EBITDA was up 2.8 percent as planned in the fourth quarter of the year. This created a solid foundation for planned growth in 2017.

Let us now turn to T-Mobile US, which in 2016 again outdistanced its competitors with customer numbers continuing to rise sharply and all key financial indicators increasing by double digits.

In the fourth quarter, T-Mobile US was able to win over a total of 1.7 million branded prepay and postpaid customers.

At the same time, average monthly revenue was up for both customer groups compared with the prior-year period. This indicates that higher-value rate plans, and greater data options in particular, more than compensate for promotions and the supplementary services added to plans as part of the Un-carrier initiatives.

The attractive rate plans and excellent quality of the 4G network, which now covers 314 million people, resulted not only in a large wave of new customers, but also in a substantial year-on-year reduction in the churn rate for contract and prepay customers alike.

Thanks to another increase of more than 8 million customers during the year and the rise in monthly average revenues, service revenues in U.S. dollars grew by 10.6 percent year-on-year in the fourth quarter.

On the back of the reduced churn rate and synergies from the business combination with MetroPCS and economies of scale, revenue growth also positively impacted on adjusted EBITDA which increased at the same rate.

In our European subsidiaries, we also pursue our strategy of offering integrated products and services like those in Germany wherever possible.

At the end of the year, a total of more than 1.4 million customers had signed contracts for product packages, up some 56 percent from a year ago.

This is also based on broadband network build-out. Our LTE networks now cover 84 percent of the population. In the fixed network, our fiber-optic lines are now available to 26 percent of households. The IP migration is now also almost complete in Hungary, the fifth of our national companies to be switched completely to IP technology.

In the fourth quarter in particular, we made additional investments in Europe in the attractiveness of our products and winning over new customers.

And they are bearing fruit.

In a single quarter, the number of MagentaONE customers in Europe grew by around 180,000.

We also saw a strong increase in our business with mobile contract customers with 381,000 net adds in the fourth quarter.

The TV business and the number of broadband lines also grew substantially once again.

Our decision to grow our business with new customers was reflected in a decrease in adjusted EBITDA in the fourth quarter. The strategy is also very clear and simple in the Europe segment: We initially invest in a broadly available, high-performance network infrastructure. Then we focus on convergent products in the integrated markets. The rising number of customers will have a delayed positive effect on revenue and earnings, thereby offsetting price pressure from competitors.

Now a few words about T-Systems.

As discussed in the third quarter, revenue and earnings in the last three months of 2016 were primarily impacted by adjustments and write-downs of two legacy contracts. Measures have been implemented to improve the profitability of these legacy contracts.

T-Systems achieved clear successes in order entry in 2016 and particularly in the fourth quarter.

The extension of major contracts with Shell and Deutsche Post DHL gave order entry a considerable boost in the last three months of 2016: It was up 28 percent year-on-year.

In closing, some remarks about the Group's financial ratios.

Total assets now amount to around 150 billion euros. Despite net debt of around 50 billion euros as of year-end 2016 and a spectrum acquisition in the United States not yet reflected in the statement of financial position, we have

ensured that the Group was on solid footing in 2016 and will continue to be in 2017 and beyond.

We clearly continue to operate within the planned target corridors.

This is part of a clear finance strategy that we are implementing for the Group. Among other things, we aim to achieve solid ratings and ensure undisputed access to the capital market.

And that was evident again in January 2017: In two transactions in this month, we placed bonds with a total volume of 3.5 billion U.S. dollars and 3.5 billion euros at very favorable terms to strong demand.

Our credit spreads ranged well below the terms other major European telecommunications companies have to offer. That indicates that our standing with bond investors is very good compared to our peers.

On the one hand, the funds we obtained cover Deutsche Telekom's maturities for the entire current year. On the other hand, we also provided T-Mobile US with funds and financing facilities.

As you can see, our growth strategy is supported by a clear and effective finance strategy focused on optimizing liquidity at favorable conditions and with minimal risk.

It is solid, like we want the company to be. And now we look forward to your questions.