

– The spoken word shall prevail –

Conference Call
First quarter report of 2014
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Timotheus Höttges
Chairman of the Board of Management
Deutsche Telekom AG

Ladies and Gentlemen,

Welcome to the presentation of our latest results.

I am happy to report that we will be presenting an extremely positive first quarter to you today.

First, I would like to take a look at key developments in the quarter. After that, my colleague Thomas Dannenfeldt will be supplying details of figures for the individual business areas.

During the first quarter, we continued to work systematically on our strategy, with which we intend to become the leading European telecommunications provider.

Allow me to briefly put the most important developments into context:

In Germany, we continued to forge ahead with our integrated network strategy. We substantially improved LTE coverage, and the fiber-optic and vectoring build-out is progressing at full speed.

At the same time, we are converting the network to IP technology, and migrated around 500,000 additional lines during the first quarter of the year. We are investing massively in this, and in optical fiber and LTE expansion.

Our success proves that this is the right approach. We achieved a slight increase in mobile service revenues and the best quarter ever in sales of fiber-optic-based lines.

In the Europe segment, we maintained last year's trend and, with the help of several transactions, broadened our basis for offering integrated solutions. Worthy of first mention here is the acquisition of the GTS group, which has now been granted unconditional approval. With this company we will be advancing our mobile-centric business in Poland and the Czech Republic and consolidating our position in the business customer area.

In the Czech Republic, we acquired the remaining shares in T-Mobile Czech Republic, thus additionally paving the way for faster integration of fixed-network and mobile business.

And the migration of the fixed network to IP is also an important task for our European subsidiaries. Macedonia was the first country to see migration completed, and we are right on schedule at our other European companies.

T-Systems' position remained difficult in a highly competitive business environment. This was once again a clear indication of the need for

fundamental realignment. We recently negotiated the basis for realignment with the employees' representatives in a comprehensive package of measures.

The first steps have already been taken. Under the T-Systems 2015+ program, for example, we handed over our desktop services business to a partner and discontinued hardware resales.

In the United States, T-Mobile US once again accelerated the pace of its growth. John Legere's team published the figures just a few days ago. They recorded more new business than AT&T and Verizon together, with 2.4 million net adds.

Ladies and Gentlemen,

Backed by solid financial ratios, we are exploiting our scope for action and working on generating new opportunities. One example is the sale of a 70-percent stake in the Scout group for an outstanding price. On the other hand, we acquired the non-controlling interest in T-Mobile Czech Republic, enabling us to drive the Group's strategic orientation rapidly towards integrated solutions.

In addition, we used the proceeds to further reduce our financial liabilities. The book profit from the Scout transaction was also the key factor in the substantial increase in net profit, which more than tripled to EUR 1.8 billion.

In operational terms, we maintained the trend that sets us apart from our European competitors – Deutsche Telekom is growing, and growing fast. Net revenue rose by 8 percent in the first quarter to EUR 14.9 billion. This is partly due to the business combination with MetroPCS in the United States.

We also saw an increase in organic growth of 4.2 percent. The totally new market strategy that T-Mobile US has been following for the past year is paying off. This is strong, value-added growth, as Thomas Dannenfeldt will explain to you shortly.

And the strategy in the United States also receives a positive rating from the capital market, as is impressively reflected in the increase in the T-Mobile US share price of around 9 percent following announcement of the first-quarter figures a week ago.

Adjusted EBITDA decreased by 3.9 percent to EUR 4.1 billion in the first quarter of the year. We are well on track here, in the same way as with free cash flow, which amounted to around EUR 1 billion and comes close to last year's figure.

As a result, I can now also confirm the Group's guidance for the full year. We continue to expect adjusted EBITDA to remain stable in comparison with last year at EUR 17.6 billion. And as for free cash flow, we see no reason to change our forecast of about EUR 4.2 billion for the full year.

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

Thank you, Thomas.

Ladies and Gentlemen,

In the past years, Deutsche Telekom could always be relied on to pursue its strategy unerringly and to put what it communicated into practice.

This is the path we will continue to follow.

In Germany, we will push ahead with our integrated network strategy. This means, too, that we will increase the marketing pressure for our fiber-optic products. We plan to maintain the upward trend we have seen in broadband lines in past quarters over the further course of the year. This will help us to broaden the basis for offering products and services from a single source.

The combination of broadband and Entertain is popular among our customers, as Thomas Dannenfeldt has just explained. We will also be pushing ahead with our SME campaign.

With the migration of all fixed-network lines to IP technology in Germany and in our European subsidiaries, we will, at the same time, establish an efficient, future-oriented network infrastructure. In Germany, we plan to migrate a total of around 3 million lines in the course of the year.

In the Europe segment, we want to complete migration of the fixed network to IP in Slovakia by the end of the year. This makes it the second national company after Macedonia to achieve this.

We will kick off the integration of GTS after closing, probably in a few weeks' time. Then we will be in a position to offer our customers in Poland and the Czech Republic a broader product portfolio. Our Polish subsidiary PTC will also

offer high-speed mobile services based on LTE from May and thereby strengthen its market position. And, last but not least, we want to boost our acquisition of new broadband customers in the fixed network.

At T-Systems, we continue to work on implementing the T-Systems 2015+ program with the aim of continually improving earning power and extending our position in digital innovation areas. At the same time, we naturally have our sights set on our target, namely to achieve savings of EUR 1 billion in internal IT costs by the year 2015.

In the United States, we will continue to work hard to implement the Un-carrier strategy. This involves expanding our LTE network to cover 250 million of the population.

The greatest praise for the company's success comes from its competitors, who are now copying various aspects of the T-Mobile US rate plans. We are happiest with the encouragement from customers who are flocking in great numbers to our U.S. subsidiary – and staying there. And we are, of course, also happy with the praise from the capital market. As a result, the value of our shareholding in T-Mobile US doubled to almost USD 17 billion in the space of a year.

As you can see, we have reason to be satisfied on many counts – and we are working hard on the others.

And now we look forward to your questions.