**Conference Call**
**First quarter report of 2013**
**May 8, 2013**

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**Chairman of the Board of Management**
**Deutsche Telekom AG**

Ladies and Gentlemen,

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

A lot has happened since our annual press conference in late February. We have achieved a number of major strategic targets concerning Deutsche Telekom's two largest markets, Germany and the United States.

First, in March the Federal Network Agency set the new prices for unbundled local loop lines. So for the first time, the charges have not been cut – they have actually been raised slightly. This follows statements by the European Commission, which aims to generate greater planning certainty for business models in the fixed network, as well as to stimulate investment in broadband networks.

In April, the Federal Network Agency also published a draft consultation paper on vectoring. Not all of the points are in our favor; nor has the draft been legally enforced. But we are headed in the right direction.

The most important point is that the Federal Network Agency has acknowledged that, for technical reasons, vectoring can only be installed at a main distribution frame by a single provider.

That is an important precondition of our planned fixed-network broadband roll-out. Over the next few years, we plan to invest around EUR 6 billion in Germany in order to upgrade most of our network with optical fiber so it can handle transmission rates of up to 100 MBits.

And that brings me to the second point.

On April 24, MetroPCS shareholders approved the merger with T-Mobile USA. Since May 1, both companies have been united under the same roof. That day, the company's stock started trading on the New York Stock Exchange under "TMUS." The share price has developed well over the first few days.

We worked long and hard to get to this point. Including MetroPCS, our customer base has grown to approximately 43 million. We have broader spectrum and better network coverage. Towards the end of the year, we expect our LTE network to cover 200 million potential users.

John Legere and his team began to review the company's rate plans and product range before the merger. Our shops began marketing the iPhone on April 12 and around 500,000 devices have already been sold, which will also give our business a boost. We are finally at the point where we can attack the U.S. market with the necessary momentum.

Ladies and Gentlemen, the regulatory decisions on the ULL and vectoring and the now closed merger with MetroPCS in the U.S., which is now complete, are two very important issues for us.

They are two strong cornerstones of our strategy that will help us put Deutsche Telekom back on the growth track.

And now, let us turn to the operating results of the first quarter of 2013.

- Both our mobile customer bases in Germany continue to grow strongly, that of our own brands as well as that of our sales partners. And where VDSL is concerned, our own business and our partnerships under what is known as the "contingent" model are progressing well.
- The number of T-Mobile brand customers in the U.S. increased for the first time in 15 quarters. The turnaround looks achievable.
- Many of our subsidiaries in Europe continued to perform strongly compared with competitors, and our contract customer base has seen net growth overall in the mobile, broadband, and TV business.

Despite this, sustained pressure on prices and regulatory decisions led to a 4.5 percent decline in Group revenue to EUR 13.8 billion. This is largely due to business at our European subsidiaries and in the United States.

Adjusted EBITDA decreased by 4.3 percent to EUR 4.3 billion in the first quarter.

Free cash flow amounted to slightly more than EUR 1.0 billion, around 7.5 percent less than in the first quarter of 2012.

Reported net profit increased by 3.5 percent to more than EUR 560 million, and adjusted net profit by almost 31 percent to around EUR 770 million.

Based on these solid first quarter figures, we can confirm our guidance for the full year.

Excluding the MetroPCS transaction, we expected adjusted EBITDA of around EUR 17.4 billion for the full year. MetroPCS has been fully consolidated in the Group since May 1, which means its contribution to earnings is to be added for the eight remaining months of 2013. We still expect free cash flow of around EUR 5 billion.

Let me touch briefly on developments in the individual operating segments – Tim Höttges will go into more detail afterwards.

Business in Germany is developing solidly.

The number of mobile contract customers signed up to the Congstar and Telekom brands increased by 144,000 net. Together with our service partners operating in our network, we gained 441,000 customers overall.

Service revenues continued to develop positively. You have to remember that Germany's entire mobile communications industry had to shoulder a revenue loss of more than EUR 100 million as a result of the cuts in termination rates.

Excluding this factor, service revenue remained stable in the first quarter. On a like-for-like basis, this decline was still 2.2 percent in the last three months of 2012.

We continue to pursue our goal of growing again with our mobile communication service revenues for the full year 2013, excluding the impact of the change in termination charges.

Strong growth in optical fiber products has brought the number of lines up to more than 1.1 million. The increase of 156,000 lines since the end of 2012 is the biggest posted in any quarter to date. This was thanks in part to the contingent model, which allows competitors to use our infrastructure and is enjoying a positive response.

Turning to Entertain, our customer base has now grown to more than 2 million customers. More than 16 percent of our DSL customers now also have Entertain, which is helping to lift revenue per access.

Our European business is still beset by significant challenges, but we are holding up well on the whole.

We posted 72,000 mobile contract customer adds in the first quarter.

In the fixed-network business, we gained almost 60,000 new broadband customers, bringing the total number of lines up to more than 5 million.

Our TV business was also very successful, growing by 72,000 customers to more than 3 million in total.

What this means is that the growth rates for both the mobile Internet and TV business have reached double digits compared to the first quarter of 2012.

What is more, our strategy of expanding into the business customer market with ICT solutions is making good progress, posting a year-on-year increase in revenue of 4.3 percent. The slight slowdown in our growth in this area more recently, compared with in prior quarters, is mainly down to the austerity programs being pursued by private and public customers.

Regulatory factors had a negative impact on mobile business at the European subsidiaries of around EUR 126 million.

That corresponds to half of the decline in revenue in the first three months of the year.

Adjusted EBITDA was similarly impacted. Regulatory effects and special taxes also accounted for more than half of the decline in EBITDA in the first quarter. In Greece, for example, mobile termination rates were cut by 74 percent year-on-year through the end of March 2013.

The situation in Hungary is particularly testing. We paid a special telecommunications tax in Hungary in the first quarter of 2012, which has since been phased out – only to be replaced by a new tax in the middle of the same year.

On top of this, yet another infrastructure tax was imposed in the first quarter of 2013, based – broadly speaking – on the length of cabling that has been laid. Consequently, the better the network build-out, the higher the tax that is levied. This is also frustrating the ongoing infrastructure build-out, and is placing a considerable burden on our results.

In contrast, on the operational side our Hungarian subsidiary was moderately successful in the first quarter, posting an increase of 10,000 broadband lines in the fixed network and 16,000 new mobile contract customers.

In Greece, OTE maintained a strong course despite an extremely severe economic environment and tough regulatory interventions.

In the fixed-network business, the number of broadband lines increased by some 10 percent year-on-year. And we have now – finally – had our VDSL offerings approved by the regulator, which gives us the green light to move into the end customer market.

Our TV customer base has now grown to almost 150,000 – an increase of more than 100 percent compared with the first three months of 2012.

Despite a considerable drop in revenue, the EBITDA margin improved by one percentage point thanks in part to cost savings which included staff reductions of more than 11 percent.

At the same time, OTE continued to strengthen its financial basis, having agreed to sell its satellite business in the first quarter and Bulgarian company Globul in April.

Despite all the challenges we are faced with, the OTE team is doing a fantastic job.

This brings me to the United States.

As already mentioned, the number of own-brand customers in this segment increased for the first time in a long time. At around 3,000, that growth sounds modest. But in the same quarter of last year, we recorded a decrease of 261,000.
The total number of customers – including sales partners and M2M – increased by 579,000 compared with 187,000 in the prior year.

It goes without saying that the development in customer numbers is headed in the right direction, as is the contract customer churn rate, which dropped 60 basis points year-on-year to 1.9 percent. We have broken the negative trend.

John Legere and his team already achieved a great deal in the first three months of 2013 with the overhauled rate structure. And, as I said, we can attack the market together with MetroPCS since May 1.

We also closed a gap in our handset portfolio on April 12 with the addition of the iPhone, the lack of which had been affecting our competitiveness. Since then, we have sold around half a million iPhones to existing customers and – especially important – to many new customers, too. So we are making considerable headway in the U.S. mobile communications market.

The positive development in revenue did not start to show in the first quarter of 2013. This is partly due to the decline in our contract customer base compared with prior quarters.

The figures from the first quarter show that this trend has now been brought to a halt and turned around.

In addition, our more aggressive pricing policy with what we call our Value plans is resulting in lower average revenues per user, especially among contract customers. At the same time, though, customer retention is on the rise as the value for money we offer is improving in relation to the competition.

As a result, the churn rate is down. Looking to prepay customers, monthly revenues are up thanks to the success of our new flat rate plans in this segment. Our aim is to build up and secure longstanding relationships with our customers. The trend among both contract and prepay customers is headed in the right direction. We aim to record revenue growth in the mid and long term.

Turning lastly to T-Systems, order entry grew by almost 33 percent in the first quarter. We won some big deals with companies such as EADS and Swiss

Federal Railways (SBB), as well as on the back of our extensive portfolio of cloud products.

Total revenue declined in the first quarter due to reduced earnings from Group-internal business. In contrast, revenue generated by the Market Unit increased slightly.

Our earnings developed particularly positively, and our EBIT margin at the Market Unit increased by around one percentage point.

Ladies and Gentlemen,

The first quarter figures show that we have got the new financial year off to a solid start. The economic situation in Europe outside of Germany remains extremely strained.

On top of this, we are being hemmed in by a whole raft of government-led and regulatory decisions that are putting pressure on revenues and results.

And in Germany, too, the competitive pressure remains extraordinarily high. But the proposed regulatory paper on vectoring and the new prices for unbundled local loop lines offering long-term stability lead us to hope that we will be able to take back the flexibility to act on our own terms and move our business forward with massive investments.

This hope has already crystallized into a real opportunity in the United States and the business combination with MetroPCS – it is up to us now to seize the opportunity.

And with that, I would like to hand you over to Tim Höttges.