Conference call third quarter 2013
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Thank you, René Obermann!

Let us begin with a look at business in Germany. We are satisfied with our operating performance in the third quarter.

Revenues declined by 1.2 percent year-on-year. On a positive note, the decline in revenues from core fixed-network business was just 2.7 percent, which is an improvement against previous quarters. Despite a slight decline of one percent, excluding the effect of reduced termination charges, mobile-service revenues still significantly outperformed our peers.

Wholesale revenues fell 5 percent year-on-year, which was pretty much in line with the underlying trend of the second quarter. Adjusted for regulatory effects, the underlying revenues were down by 4.1 percent in the third quarter.

As the drop in revenues was offset by cost savings of almost 2 percent, the margin increased slightly – despite higher staff-related and energy costs.

In our German fixed-network business, we recorded satisfying results all in all once again in the third quarter of 2013.

I would like to highlight the following developments:

- The trend in line losses improved year-on-year despite substitution by the 21,000 new LTE wireless broadband customers gained in the third quarter.
- As you know, our "Call & Surf via Funk" product, which is based on state-of-the-art LTE technology, is resonating well with the market and will close up the gaps in the German DSL network. It gives customers access to high-speed Internet in areas where no comparable fixed network product is available.
- We continue to have strong growth in new fiber customers with 119,000 net new additions, 50,000 of which came from wholesale thanks to what is known as our contingent model.
- Broadband net adds were still negative at minus 47,000 and were burdened by the delayed launch of the “Entertain to go” product and the seasonal rise in churn in the third quarter. This is clearly not satisfying and we will tackle the problem as of the fourth quarter by increasing our promotion of Entertain.

Let us turn now to mobile business. Service revenues in Germany's mobile market decreased by 4.7 percent in the third quarter according to our market estimates – which is a clear deterioration versus the previous quarter. Despite the fact that we still outperformed the competition, our underlying service revenues in the third quarter – excluding the effect of reduced termination charges – were still down slightly by one percent.

The reasons for this were first and foremost the intense competition and also the new reductions in roaming charges implemented in the summer. SMS revenues also declined by 30 percent year-on-year. On the other hand, we had a very strong increase of almost 31 percent in our mobile data revenues. This was driven by increased smartphone penetration and a growing number of LTE customers with data tariffs.

We are very satisfied to report the second very strong quarter for T-Mobile US.

In concrete figures:

- We gained 648,000 postpaid net adds in the quarter, an improvement of 1.1 million net adds versus last year.
- Year-on-year, the churn rate dropped by 60 base points to 1.7 percent.
- Adjusted EBITDA increased year-on-year and quarter-on-quarter despite the higher branded postpaid gross adds. This rise is mainly driven by somewhat lower customer acquisition costs.
- Branded postpaid average revenue per user (ARPU) declined by 7.8 percent year-on-year due to the rapid customer shift to Simple Choice and value plans. These now account for 61 percent of the branded postpaid base – a clear increase against the 50 percent we saw at the end of the second quarter. Branded prepaid ARPU rose by 30 percent year-on-year, driven by the inclusion of MetroPCS customers, who have higher ARPU.

Let me give you an update on two of our core initiatives in the U.S. this year, the rollout of our LTE network and the MetroPCS integration.

Toward the end of the third quarter, we already had 202 million POPs covered in U.S. metro areas. We have modernized over 25,000 base stations and already cover 91 of the top 100 markets in the U.S. with our superfast LTE network.

The integration of MetroPCS is also ahead of plan. By the end of the third quarter, we launched the Metro brand in 15 markets and established 1,300 new points of sale.

Revenues in the Europe segment declined organically by 3.4 percent in the third quarter; the best performance since the first quarter of 2012. The underlying decline excluding deconsolidation, exchange rates, one-timers, and regulatory effects improved to 0.6 percent.

The decline in revenues, first and foremost from voice and text messaging, was partly compensated by higher device revenues, particularly in Poland, the Czech Republic, and the Netherlands.

The single biggest negative impact still came from Greece, with declines in both fixed and mobile voice business. However, revenues in Greece actually increased on the previous quarter.

Operational performance at OTE in the quarter just ended was also very strong with 218,000 TV customers by the end of the third quarter, far in excess of expectations. OTE reported 12,000 retail net adds in broadband business.

Adjusted EBITDA in the segment fell more strongly than in the second quarter. We increased our market invest in the Netherlands, which resulted in strong operational KPIs, namely 57,000 contract net adds in the mobile segment. We have a highly competitive market environment in the Czech Republic and

Croatia, where cost savings were unable to compensate sufficiently for the revenue decline.

We maintained excellent momentum in our growth areas in Europe. We again recorded growth in the TV segment with 110,000 net adds, bringing the total number of TV customers up to just under 3.5 million. We posted 64,000 broadband net adds in the third quarter. We also gained 164,000 contract net adds in the mobile segment.

At this point, let me again give you a quick update on the progress we made in our revenue, technology, and cost transformation in the Europe segment during the third quarter:

- The share of total revenues from our growth areas increased by 3 percentage points year-on-year to 22 percent.
- The share of fixed-network revenues from Connected Home grew by 0.6 percentage points year-on-year to 21.1 percent.
- The share of mobile data revenues in total mobile revenues grew by 3 percentage points to 17 percent.
- And the share of B2B/ICT revenues in total revenues increased by 0.4 percentage points to almost 3 percent.

We also made good progress on the cost and efficiency side, and I would like to give you two examples of developments that underline this:

- Firstly, the All-IP share of all fixed-network lines grew by 10 percentage points to 26 percent.
- And, secondly, LTE sites in service more than tripled year-on-year to 2,800. We now have LTE networks in commercial use in six countries.

Turning to Systems Solutions, our third quarter results showed some improvements.

The revenue increase of 1.8 percent was driven by the Market Unit's return to organic growth of 2.7 percent and the catch-up effect at Telekom IT as a result of billing IT projects internally. Order entry was strong, up almost 12 percent to EUR 1.8 billion.

Also, adjusted EBITDA and EBIT showed continued improvement, driven by successful efficiency measures and the conclusion of the cost-intensive transition and transformation phase in several of our big deals.

The EBIT margin of Systems Solutions improved to 2.3 percent in the third quarter, the EBIT margin of the Market Unit to 3.8 percent.

Telekom IT delivered on its promise to reduce IT costs, successfully lowering IT spending by a quarter of a billion euros in the first nine months.

Now we come to the Group's financial KPIs:

- At EUR 1.4 billion, free cash flow decreased by more than 39 percent compared with the very strong prior-year quarter.
- Cash generated from operations declined more strongly than EBITDA due to the working capital impact of EUR 0.5 billion from the equipment installment plans at T-Mobile US. Cash capex increased by EUR 350 million, driven first and foremost by investments in LTE network rollout in the U.S.
- Adjusted net profit decreased by 11.4 percent year-on-year in the third quarter. This was mainly due to a declining loss from financial activities

driven by currency translation and the valuation of financial instruments as well as the increase in finance costs and income taxes.

- Free cash flow in the third quarter and the sale of Bulgarian companies Globul and Germanos led to a reduction in net debt compared with the previous quarter to EUR 39.7 billion.

The "Other" position of EUR 492 million shown on the chart includes dividend payments of EUR 200 million to minority shareholders and a EUR 107 million payment for spectrum in Poland.

Finally, let us turn to our balance sheet ratios.

The ratio of net debt to adjusted EBITDA decreased again slightly to 2.3:1 as a result of the reduction in net debt. Please remember that this only includes EBITDA from MetroPCS for five months. Calculated on a full-year basis, the ratio would be 2.2:1.

The equity ratio also improved to 27.8 percent due to a slightly lower asset base and increased shareholder equity.

All our KPIs are comfortably within their target corridors. And our ratings with the major agencies remain at BBB+ level and with stable outlooks.

And now, René Obermann and I look forward to taking your questions.