– The spoken word shall prevail –

Conference Call
Second quarter report of 2016
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Ladies and Gentlemen,

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

You know how important it is to me that our results develop in line with our medium-term financial targets. Just to remind you, these are:

- To increase revenue by an average of 1 to 2 percent per year from 2014 through 2018.
- To grow adjusted EBITDA by an average of 2 to 4 percent per year.
- To improve average free cash flow by some 10 percent annually.

And I can tell you quite clearly that the results of the second quarter are very much in line with our medium-term targets.

Net revenue was up 2.2 percent in the second quarter of 2016. Here, T-Mobile US was the driving force with two-digit growth. Organic growth was as much as 3.9 percent.

Adjusted EBITDA rose by 8.6 percent. It would have grown by 9.9 percent excluding changes in the composition of the Group and on the basis of constant exchange rates. In other words: We are growing profitably, with an EBITDA margin that increased by 1.8 percentage points to 30.6 percent.

This is also consistent with the fact that net profit decreased by 12.8 percent compared with the prior-year period, as this figure includes net negative special factors of around EUR 0.4 billion relating mainly to staff restructuring expenses.

The improvement in adjusted EBITDA was offset in part by an increase in depreciation and amortization resulting from higher investments as well as from the JUMP! On Demand terminal equipment lease model introduced at T-Mobile US. Both elements resulted in a higher depreciation and amortization base.

In adjusted net profit, the increase in EBITDA was largely offset by the higher depreciation and amortization base. As a result, net profit in the second quarter of 2016 remained virtually unchanged on the prior-year level.

The 4.0 percent decline in free cash flow was attributable to several positive one-time effects from 2015. For one thing, the cash inflow from a settlement agreement had generated a one-time increase of EUR 175 million in the figure for the second quarter of 2015. For another, the prior-year figure included a dividend payment we had received from our former joint venture, EE. Other effects include investments before spectrum, which were 3.5 percent higher. Adjusted for the two effects in 2015 I just mentioned, free cash flow would have risen by 19 percent. That puts us exactly on target to meet our free cash flow guidance for 2016 of around EUR 4.9 billion.

Net debt remained at the previous year's level. The sharp increase in earnings reduced the ratio of net debt to adjusted EBITDA to 2.3 compared with 2.6 in the prior year. As announced back then, we have returned to our guidance range of between 2 and 2.5.

This brings me to the development of business in our operating segments.

In Germany, the boom in fiber-optic lines continued with 578,000 additions – again around one third more than in the same quarter of the prior year. Growth in branded broadband lines and in the number of Entertain customers was slightly weaker than in the prior-year period at 64,000 and 41,000, respectively.

In the first half of the year, we intensified our focus on mobile business and successfully rolled out new rate plans as part of our More4More strategy. In the second half of the year, the focus will shift to fixed-network business. Here, we expect our new "So gut, so guenstig!" (“Best value, great deal”) offer to provide additional impetus. Our goal is still to win more broadband customers in 2016 than in the previous year.

The decline in traditional single-play telephony business was compensated for by a 1.8 percent revenue increase in branded broadband business and a 3.4 percent rise in wholesale.

With 151,000 branded mobile customer additions in the second quarter, we maintained the prior-year level.

As I mentioned, our More4More rate plans were well received by customers. And even though we upped the data volume included in the rate plans, many customers also opt for an upgrade. In the quarter now ended, the growth in data use accelerated to an increase of around 60 percent.

Mobile service revenues declined at the same rate as the market as a whole, by around 0.8 percent. Our revenue trend reflects the reduction in roaming charges at the beginning of May as well as the discounts from the MagentaEINS packages that are fully recognized in mobile business. Excluding these two factors, service revenues would have increased by around 1.1 percent.

We are still confident that mobile service revenues – excluding the regulatory impact – will increase by 1 percent on average.

Let there be no confusion: although the significant rise in MagentaEINS customers in Germany reduced mobile service revenues in the second quarter by around a quarter million, in the overall analysis, the MagentaEINS bundles are having a clearly positive effect on revenue in Germany. Through upselling and cross-selling, revenue from a MagentaEINS household is on average EUR 8.20 higher per month than the revenue generated prior to subscribing to the rate package.

On the whole, service revenues in mobile and fixed-network business therefore remained stable year-on-year.

Total revenue from the Germany segment in the second quarter was down 3.1 percent on the prior-year figure. Around 2 percentage points of the decrease were attributable to the lower revenues from mobile devices distribution business.

Adjusted EBITDA remained flat on the prior-year figure.

This brings us to T-Mobile US, which continued its success story and achieved strong growth in all key metrics in the second quarter. And yes, we are proud of headlines like "Deutsche Telekom subsidiary continues its triumphant success in the United States."

The addition of 1.9 million new customers in the second quarter, an increase of 8.5 million year-on-year, gave a further boost to revenue.

Service revenue in U.S. dollars rose by 12.5 percent, once again the strongest growth in the U.S. mobile industry.

Adjusted EBITDA improved by around a third, lifting the EBITDA margin by more than 4 percentage points.

The subscriber growth is translating into better results, helped along by several other factors:

- Service costs only increased by a good 2 percent year-on-year, clearly at a lower rate than the service revenue.
- The churn rate among postpaid customers decreased again year-on-year to reach a record low of 1.27 percent.
- In the prepay segment, T-Mobile US is benefiting above all from the strong MetroPCS brand and stable, high average monthly revenue per customer of just under USD 38. Here, the churn rate was also substantially reduced at the same time, by around 1 percentage point.

The strong performance in the second quarter was well received by the capital markets: The share gained considerable ground in the days that followed the announcement of the second-quarter results, with most analysts raising their upside targets and ratings for T-Mobile US.

Our customer base in the Europe operating segment grew overall.

We recorded 153,000 new mobile contract customers, 53,000 net branded broadband additions, and 39,000 new TV customers.

The 3.2 percent decrease in reported revenue was mainly attributable to the spin off of the energy resale business in Hungary and exchange rate effects. In organic terms, the decrease was 1.2 percent. The growth areas now account for around 30 percent of revenue. Mobile data business in particular witnessed strong growth, as did TV business in Greece, for example.

Adjusted EBITDA in organic terms decreased 2.9 percent.

Leaving aside the development of business in the Netherlands, revenue in this segment remained virtually stable and the decrease in earnings would have been significantly smaller.

However, encouraging signs can also be seen in the Netherlands:

The company has now recorded a positive contract customer trend for two consecutive quarters. In the second quarter of 2016, the number of contract customers increased by 32,000 compared with a decrease of 85,000 in the prior year.

We are working on bringing the Netherlands back into positive territory.

Austria shows that this is possible:

Three years ago, we had a 9 percent revenue shortfall there, with adjusted EBITDA down nearly a quarter. In the second quarter of 2016, T-Mobile Austria added contract customers and pushed mobile data growth. Revenue increased by 1.5 percent and adjusted EBITDA by over 6 percent.

Let me end with a few words about T-Systems.

Revenue from cloud services, of which T-Systems generates over 70 percent, again increased substantially. Following an increase of 31 percent at Group level in the first quarter of the year, we saw revenue increase 22 percent for the first six months to over EUR 0.7 billion. T-Systems is reiterating its forecast of growing its cloud business faster than the market in the years up to 2018.

The segment's adjusted EBIT decreased compared with the same period in 2015. Several one-time effects including the start-up costs for the Open Telekom Cloud had a negative impact on earnings.

T-Systems has struck a 170-million-euro deal with the German state of Saxony-Anhalt to upgrade the state's data network over a period of five years.

Austrian freeway operator ASFINAG has literally just awarded T-Systems the contract for its new toll collection system GO-Maut 2.0. This is a major deal covering the operation of IT systems in the Vienna-based data center, some 230 sales points in Austria and abroad, and the 48 mobile control units.

Ladies and Gentlemen,

Our balance sheet figures are all within the target corridors we set ourselves.

We are very much on track at the end of the first six months to achieving our 2016 targets for Deutsche Telekom.

And now we look forward to your questions.