Conference Call
Presentation of the Q3/2012 financial figures
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Thank you, René Obermann!

In Germany, we saw improved revenue trends and an almost stable adjusted EBITDA margin despite a EUR 100 million higher marketing invest.

Revenues in the third quarter declined by only 1.3 percent year-on-year. The decline is smaller than in the second quarter, which is essentially due to better revenue trends in mobile, wholesale, and other revenue.

Mobile revenues increased by 3.2 percent, predominantly driven by strong smartphone sales. Revenue in the core fixed-line business declined 2.7 percent, a continuation of the trend seen in prior quarters. Other revenue declined by 12 percent, driven by fixed-line and value-added revenues.

As announced in the second quarter, we spent significantly more on market invest. Nonetheless, due to continued opex discipline, our adjusted EBITDA margin remained broadly stable year-on-year at almost 42 percent.

The decline in mobile service revenues once again slowed down considerably, driven mainly by strong mobile data revenue growth of 21 percent. Excluding the loss of one wholesale provider and the impact of a roaming price cut in July, service revenues would have grown clearly year-on-year.

We had very strong smartphone sales in the third quarter with 322,000 iPhones and 561,000 Android phones sold. iPhone 5 sales were particularly encouraging: We sold 100,000 devices in the last two weeks of September.

We are very pleased with our KPIs for the fixed network in Germany. Again, Entertain and retail fiber net adds were particularly strong at 76,000 and 83,000, respectively.

As a result of our successful upsale strategy, consumer ARPA, or average revenue per access, improved again by 30 euro cents to EUR 25.80 year-on-year.

In our U.S. business we recorded positive overall net adds, driven by a strong branded prepay customer intake and a 17-percent increase in branded contract gross adds. The figures reflect the continued success of our Monthly 4G plans.

As in the second quarter, we continued to see a slight year-on-year improvement in branded contract churn from 2.6 to 2.3 percent.

Service revenues in U.S. dollars declined by 8.4 percent, mainly due to weaker ARPU trends, resulting from the shift to the popular Value plans and a change in the subscriber mix.
As indicated and expected, we increased our advertising spend and customer acquisition costs in the third quarter significantly. As a result, adjusted EBITDA declined by 14 percent year-on-year. Nevertheless, adjusted EBITDA during the first nine months remained essentially flat at USD 3.9 billion.

In our Europe segment, trends were weaker in the third quarter, both in revenue and in adjusted EBITDA. The economic environment in some of our markets, notably the Netherlands, the Czech Republic, Hungary, and Greece, remains difficult. And, as René Obermann has already mentioned, mobile termination rates (MTR) were broadly reduced and special taxes imposed.

Despite this difficult environment, we again performed reasonably well in operational terms: We grew our broadband customer base by almost 4 percent and our TV customer base by 8 percent. Also, at the end of September, we had 1 million more mobile contract customers than in September 2011.

Let me take a closer look at two countries in our Europe business. In Greece, we saw weaker financial trends in the third quarter. Both revenues and EBITDA were down by 11 percent.

The revenue decline was due to a 27-percent MTR cut in August and the new EU roaming regulation. Nevertheless, due to strict cost discipline, the EBITDA margin improved slightly year-on-year.

In operational terms, we saw a continued good performance: In mobile, contract net adds turned positive again and in the fixed network we registered 34,000 broadband net adds,19,000 new SAT TV customers, and even had positive IPTV net adds.

In terms of refinancing, the OTE management is well on its way to securing their refinancing on their own with the planned asset sales of Hellas Sat and Globul on top of free cash flow generation.

In Hungary, we registered revenue growth driven by the surge in IPTV business, the integrated fixed and mobile Paleta service, and new sources of revenue, such as energy resale.

Due to the lower margins of some of these businesses and the impact of the double special taxation, EBITDA declined by more than 6 percent year-on-year.

Operationally, Magyar Telekom outperformed its rival Telenor in terms of contract net adds and was able to increase its mobile prices in September and fixed-line prices in October.

Let me make a few remarks about our UK joint venture Everything Everywhere. Excluding the effects of MTRs, we achieved a growth in service revenues of 3.1 percent.

With 250,000 contract net adds, we recorded solid growth and occupied a good share of the market. Postpaid churn remained at a low 1.2 percent.

On October 30, we launched our LTE offering, which will allow our UK business to benefit from our head start in LTE as well as our strong iPhone 5 position in the next quarters.

This brings me to T-Systems: As of July 1, 2012, Deutsche Telekom reorganized the Group's IT structure, pooling all of its internal IT activities within the Systems Solution operating segment to form the new Telekom IT unit.

As a result of lower project activity in the third quarter of 2012 compared with the third quarter of 2011 and further efforts to bring down overall IT costs at Deutsche Telekom, the Telekom IT revenues decreased by over 44 percent year-on-year. As a result of this, overall revenues at Systems Solutions declined by 10.7 percent, only partially compensated by 0.8 percent growth in external revenues and 9.5 percent growth in international revenue.

In the course of launching the new Telekom IT unit, we introduced what is known as a zero margin logic for intracompany service provision, under which IT services are provided without the markups that are customary in the market. Accordingly, the EBIT margin at Systems Solutions is significantly below the margins reported previously.

In the third quarter, we saw a particularly strong free cash flow generation with a free cash flow of EUR 2.3 billion, up 37 percent year-on-year. We are hence well on track towards our full-year target. Therefore, our forecast of free cash flow of around EUR 6 billion for the year remains unchanged.

Let me now turn to our net profit. In the third quarter, adjusted net profit decreased by 29.4 percent to EUR 0.9 billion year-on-year. However, this was not due to our operating business, but to an IFRS accounting rule under which we had to classify T-Mobile USA as a "discontinued operation" in 2011, after we had come to an agreement with AT&T on the planned sale of the company. According to this regulation, property, plant, and equipment as well as intangibles could no longer be depreciated or amortized. The EUR 559 million increase in depreciation and amortization in the third quarter of 2012 is almost entirely attributable to this regulation. Adjusted for this one-time effect, on a like-for-like basis net profit in the third quarter of 2011 was approximately at the same level as in the third quarter of this year.

At this point, I would like to say straight away that in the fourth quarter, we will see exactly the opposite effect. In the last three months of 2011, we retrospectively recognized all of the depreciation and amortization at T-Mobile USA that had been discontinued since March 20, 2011.

Now, let me explain the special factor that impacted net profit negatively in the third quarter of 2012 to the tune of EUR 7.4 billion. Under IFRS we were required to perform an impairment test after the decision to combine T-Mobile USA with MetroPCS.

The valuation of T-Mobile USA is calculated based on the MetroPCS share price directly prior to the announcement of the deal. Precisely the synergies arising from the combination of MetroPCS and T-Mobile USA are not taken into account. The total benefits expected from the combination come to a net present value of between USD 6 and 7 billion. They include:

- a major reduction in national roaming expenses for MetroPCS thanks to T-Mobile USA's nationwide coverage and
- the anticipated rapid migration of MetroPCS customers through cell phone upgrades.

Again, to clarify: The impairment test involved valuing T-Mobile USA as a stand-alone company, because effective September 30, 2012, the company was still held as a stand-alone entity in our books.

The only reason why we had to recognize the impairment loss was that according to IFRS we had to use the MetroPCS share price as valuation basis. The impairment loss, however, is not attributable to a change in management's assessment of the development in operations in the United States. Any future increase in value of the larger and more powerful newly combined entity is not taken into account in the carrying amount determined at this point in time.

Finally, let us turn to our balance sheet ratios. Net debt was reduced year-on-year by over EUR 4 billion to EUR 39 billion. With the proceeds of the Towers deal in the U.S. at the end of September, we expect our net debt to be below EUR 38 billion by the end of 2012.

One of our key ratios, the ratio of net debt to adjusted EBITDA, improved year-on-year from 2.3 to 2.1 effective September 30, 2012, even before the Towers deal was closed.

As a result of the impairment loss related to the U.S. transaction, our equity ratio was down significantly and, as a result, our gearing temporarily rose to 1.3, which is just outside of our comfort zone.

However, due to the free cash flow trend and net debt reductions that are anticipated for the fourth quarter, we expect to return to our comfort zone ratio of 0.8 to 1.2 by year end.

We continue to have a stable outlook from all rating agencies and maintain undisputed access to debt capital markets.

With this, René and I are now ready for your questions.