– The spoken word shall prevail –

Conference Call
First quarter report of 2014
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Thanks, Tim.

Ladies and Gentlemen,

I would now like to present to you our latest figures in detail. The first quarter of this year, like 2013, was also a complete success for us.
Net revenue stands at EUR 14.9 billion. That is a clear increase of 8.0 percent compared with the prior-year quarter. It has been a long time since we have been able to report such a strong level of growth.

In organic terms too – i.e., adjusted for currency and consolidation effects – we have improved significantly on the prior year with an increase of 4.2 percent. As Tim already said, the high revenue growth is thanks to our booming business in the U.S. But I will get to that in a moment.

Adjusted EBITDA fell by 3.9 percent year-on-year to EUR 4.1 billion in the first quarter of 2014. The main factors behind this are:

Firstly, a decline of around EUR 70 million in the Europe segment, mainly due to deconsolidations and currency effects.

Secondly, a decrease of more than EUR 40 million, or 5.0 percent, in the United States due to currency effects and the fact that we deliberately maintained a high level of investment in the U.S. market. The success in new customer business proves this was the right path to take.

Thirdly, a clear decline at T-Systems, partly as a result of the restructuring introduced under the T-Systems 2015+ program.

Net profit of EUR 1.8 billion in the first quarter was dominated by the book profit in connection with the sale of a 70-percent stake in the Scout group, which more than tripled net profit compared with the prior year.

Free cash flow stood at around EUR 1.0 billion. This, like EBITDA, is well within the range forecast for the full year.

And that brings me to the development of the individual segments, starting with Germany.

Business was stable overall and dominated by successes in mobile communications and our optical fiber-based lines.

Revenue amounted to EUR 5.5 billion in the first quarter, declining slightly by 1.5 percent. Adjusted EBITDA stood at EUR 2.2 billion, falling minimally by 1.1 percent. As a result, the EBITDA margin climbed by 0.2 percentage points to

40.7 percent compared with the same quarter in 2013, which is a sound development.

In the fixed network, the optical fiber roll-out and attractive high-speed and TV offerings had an increasingly positive effect. The number of optical fiber-based lines increased by 222,000 to 1.74 million, making it the strongest quarter since market launch. In addition to 129,000 branded customers, we also saw a strong increase in wholesale business with 93,000 new lines, driven mostly by the "contingent model." So we are making excellent progress in both key growth areas.

The same applies to our TV offerings, where the number of Entertain customers increased by 10.8 percent year-on-year to 2.3 million. In the first quarter of 2014, we gained around 78,000 new Entertain customers, of which more than 60,000 were in connection with an optical fiber-based line. This means that around half of the 129,000 new branded customers immediately added an Entertain product to their order. So our strategy of upselling and offering attractive products from a single source is increasingly paying off.

We recorded a slight decrease of 7,000 broadband lines in the first quarter. This is better than in the three preceding quarters – but of course we have set the bar higher. We made further investments in rolling out optical fiber and vectoring and increased optical fiber coverage by 4 percentage points within a year, bringing total coverage to 38 percent of households. In the optical fiber and vectoring growth areas in particular, we are gradually increasing the absolute number of lines, while the development of our market shares is improving substantially. At the moment, these figures are still relatively low, but they strengthen our position, especially against the cable companies. We will also further step up marketing pressure on optical fiber-based broadband and TV products.

Line losses in the fixed network fell substantially by 21 percent to 214,000. From a Group perspective, we have to bear in mind that 17,000 of these customers switched from the fixed network to our wireless broadband product Call & Surf via Funk, and thus are counted as mobile customers. Effectively, that means we recorded less than 200,000 line losses for the second quarter in succession.

In mobile communications, we gained 204,000 net contract adds for our Telekom and Congstar brands in the first quarter – 42 percent more than in the prior year – while at the same time slightly reducing customer acquisition and retention costs. We achieved a slight increase of 0.2 percent in service revenues year-on-year and thus expect to have further extended our market lead since we expect to see declining service revenues in the German mobile market as a whole.

This success is down to the outstanding quality of our network, which is made possible in part by our high level of investment. For example, in addition to the fiber-optic build-out I already mentioned, we have increased the percentage of the population covered by LTE from 50 to 74 percent within a year as part of our integrated network strategy. We are also making good progress with IP migration, with half a million lines migrated in the first quarter of 2014. We substantially upped the pace at which we are moving towards the technology of the future with a migration rate of some 45,000 customers per week.

That brings me to T-Mobile US.

The company published its figures just over a week ago and has once again surpassed the excellent trend seen in the previous quarters.

Overall, 2.4 million new customers were added in the first three months of 2014, of which more than 1.3 million were branded postpaid customers. This means that, on an organic basis, T-Mobile US won more than 6 million customers in less than a year. Together with MetroPCS, the customer base grew by 44.5 percent, falling just shy of the 50-million mark at 49.1 million.

Revenue in U.S. dollars also climbed sharply by 48.8 percent overall, as did service revenues, which increased by 32.9 percent. The success of T-Mobile US's Un-carrier strategy is a strong driving force behind customer acquisition and revenues. We are prepared to invest in developing the market further and recorded virtually stable adjusted EBITDA on an IFRS basis of USD 1.2 billion in the first quarter. Converted into Euros, this is a decrease of 5.0 percent.

The key thing is that we are investing in high-value growth. The churn rate for branded postpaid customers fell to 1.5 percent in the first quarter, down 0.4 percentage points compared with a year earlier and one percentage point below the first quarter of 2012. At the same time, the quality of our customer receivables, the prime percentage, has increased hugely. Absolute expenses for bad debts in connection with service revenues also declined year-on-year and compared with the fourth quarter of 2013, despite the rapid growth in revenue.

This success makes us hungry for more. That's why we are continuing to invest in network coverage and network quality: T-Mobile operates the fastest 4G LTE network in the United States. We are now present in 284 metropolitan regions and cover more than 220 million of the population. In other words, we can offer this service in 95 out of 100 of the most densely populated regions. At the same time, we have extended the sales footprint of the MetroPCS brand. At the end of the quarter, it was present in 30 new markets where it had a total of 2,175 points of sale, bringing the total to almost 9,000.

This is the basis on which we are driving forward customer acquisition: T-Mobile US plans to grow its branded prepaid customer base by 2.8 to 3.3 million in the full year. Previously, growth of between 2 and 3 million had been expected.

You can see that T-Mobile US has not simply extrapolated the customer trend from the first quarter 1:1 for the full year. This is because the annual planning is designed to provide a greater balance between tapping the excellent growth potential currently available and generating reasonable results.

We have increased our ambition level for customer development without changing the guidance for the Deutsche Telekom Group's net profit.

Let us move on to the Europe segment.

Of the decreases in reported revenue and earnings of more than 6 percent each, around 70 percent is attributable to the sale of several companies, such as Globul and Hellas-Sat, as well as currency effects. Comparing the two quarters on a like-for-like basis – i.e., excluding these effects – revenue declined by 2.6 percent. The decrease in adjusted EBITDA was somewhat smaller at 2.3 percent, thanks to good cost control. Thus the adjusted EBITDA margin improved slightly to 32.9 percent. This is a very respectable result in a persistently difficult economic environment.

We have continued to work hard to transform the company into one that generates a higher proportion of its revenue from growth areas. Our mobile Internet, B2B/ICT, broadband, and TV growth areas, as well as adjacent industries, already accounted for 25 percent of revenue in the first quarter of 2014, which equates to a year-on-year climb of 3 percentage points. Mobile data business, for example, grew 17 percent year-on-year in organic terms, and B2B/ICT by as much as 25 percent.

This was driven by growth of 55,000 new customers in TV business and 58,000 new broadband lines. We now have well over 5 million customers for broadband lines in the fixed network. By contrast, growth in mobile contract customer net adds was weaker than in the first quarter of the prior year. On a like-for-like basis – i.e., excluding Globul – the number of contract customers in the Europe segment increased by around half a million and the percentage of contract customers making up the total customer base increased by one percentage point to 45.1 percent.

A key factor in this transformation is the migration to IP in the fixed network, where we have already reached 29 percent of our fixed-network lines, 10 percent more than in the prior year. Following the complete migration in Macedonia, Slovak Telekom, for example, has now migrated 69 percent of its lines and is on track to migrate the entire network by the end of the year. So this is all evidence that we are well on the way to having a more efficient network that can incorporate new products and services faster.

Despite the still tough market environment, the first steps of our T-Systems 2015+ program to realign the company already started to have an impact at T-Systems in the first quarter. This is clearly visible in our new orders. Because we have tightened up our profitability criteria, the number of potential orders that are of interest to T-Systems has fallen. As a result, new orders decreased by 28.4 percent compared with the prior year to EUR 1.4 billion. The first effects of the realignment can also be seen in revenue. We discontinued the hardware resales business and also terminated a first agreement, which resulted in a 4.1 percent drop in the Market Unit's revenue adjusted for changes in the composition of the group and currency effects.

The adjusted EBIT margin decreased to minus 0.4 percent from a positive 0.2 percent in the prior year. Just like for adjusted EBITDA, around half of the decline resulted from small changes in the organizational structure of individual business activities within the Group.

In intragroup business, T-Systems continues to make key contributions to cost cutting in IT with great success. The Group's IT costs were reduced by a further 4.3 percent in the first quarter.

We are rigorously implementing the T-Systems 2015+ program. The key components of this are the agreement just reached with the employees' representatives on the overall package for the collective agreement and workforce restructuring, as well as the discontinuation of the desktop business.

But the program also includes opening up and exploiting new opportunities, especially in innovative areas such as cloud services and in intelligent network solutions. For example, T-Systems has just closed a deal with Daimler AG for an order volume in the three-digit million range.

In the long term, T-Systems will assume sole responsibility for maintaining, developing, and integrating numerous software applications across all of the automaker's important business areas. In addition to cooperating on conventional systems integration, the two companies will also work together on promising areas such as connected cars and the cloud-based workplace.

Ladies and Gentlemen,

Allow me to close by looking more closely at a few of the key financial ratios.

The Group's net financial liabilities declined by more than EUR 1 billion compared with the end of 2013 to EUR 38 billion. The main factors were:

- the cash inflow of some EUR 1.6 billion from the sale of 70 percent of the Scout group
- free cash flow of around EUR 1.0 billion

An opposing factor was the payment of around EUR 0.8 billion to acquire the non-controlling interest in T-Mobile Czech Republic

Adjusted net profit fell by 23.5 percent compared with the prior-year quarter. This is due in part to the decline in adjusted EBITDA. In addition, the Group's depreciation, amortization, and impairment losses increased, especially in the United States, where the increase was driven in particular by the consolidation of MetroPCS. In line with the decrease in adjusted EBITDA, tax expenses recognized in profit and loss also fell.

The sharp increase in ROCE to 9.3 percent is of course related to the Scout transaction. In the full-year view, this figure will drop substantially.

In the statement of financial position, shareholders' equity increased by EUR 0.7 billion compared with the end of 2013; the equity ratio now stands at 27.9 percent. Shareholders' equity therefore falls within our planned ranges, as does the ratio of adjusted EBITDA to net debt at 2.2. Our rating at Moody’s remains at Baa1 and at Fitch and S&P at BBB+. All agencies continue to give us a "stable" outlook. Based on this, we continue to enjoy excellent financing conditions on the international debt market.

And now, I hand you back to Tim. Thank you for listening.