– The spoken word shall prevail –

Conference Call
Third quarter report of 2014
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Chairman of the Board of Management
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Thank you, Philipp, for your introduction!

Ladies and Gentlemen,

I, too, extend a very warm welcome to you all. Now that you have heard a lot from me in recent days and weeks about digitizing, big data, and data security, today's meeting is, as every three months, about conservative quarterly reporting. We can present you with good figures, we have clearly succeeded in maintaining the positive trend of the first six months. And when we deliver on what we promised, my top finance guy likes to refer to that as a 'business-as-usual quarter'. I am just slightly more emotional and am delighted.

Also because I know just how much hard work we have put into the past quarter in particular. The transformation of Deutsche Telekom is very much underway. Just take our enormous capex, the migration of the fixed network to IP, or our integrated network strategy with the LTE and fiber roll-out.

Although the third quarter has been very calm on the surface, almost boring really, if you look closely you will see quite an exceptional transformation.

Compared to the prior quarter, we have raised our capex yet again. We now have greater mobile and fixed-network bandwidth, and better network coverage, allowing us to offer state-of-the-art technology to a rising number of customers.

For them, that is a tangible increase in product and service quality which makes us very attractive – higher customer numbers are proof of that.

We have improved in all operating segments, but we still have some way to go.

Let me give you some examples:

- Since the beginning of the year we have increased the number of mobile contract customers for our Group brands by 637,000. Our brand strategy is working. I will say more about MagentaEins in a moment.

- In the fixed network, we now have 674,000 more fiber-optic lines. The selling point of our new infrastructure is bandwidth.

So it is clear that our investments are paying off. This is not just great for our own customers – our competitors are also placing orders for a massive number of lines in our network.

- T-Mobile US has gained over 3.6 million postpaid customers since the start of the year. Our Un-carrier strategy is revolutionizing the market.

- Although the European markets are only improving slightly here and there, customers clearly appreciate our products: In the Europe segment, we won 151,000 new broadband and 167,000 new TV customers in the first nine months of the year, while the number of mobile contract customers rose by more than 100,000.

Strategy-related trends are clearly on an upward trajectory in all areas of the Group.

We set ourselves apart from our competitors with our excellent network. We invest heavily in our networks, and these investments are paying off.

Within the first 9 months, EUR 6.8 billion went primarily into the LTE build-out in mobile communications and into optical fiber and vectoring in the fixed network. On top of this, we invested in the migration to IP technology in Germany and our subsidiaries in Europe.

Here are just a few examples that reflect the progress we are making with our strategy:

In Germany, we raised LTE network coverage to 79 percent. As a result, around 15 million more people than last year are now able to use the network, which recently came out in top place in all competitor ratings. In the fixed network, we increased our fiber-optic coverage by another 2 million households to the current level of 16.5 million. As for our IP migration, we are on schedule with a current base of 3.7 million lines.

We have had times when we switched over as many as 60,000 lines a week. In the vast majority of cases, it is a very smooth process. However, I make no secret of the fact that, unfortunately, a program of this scope can never run without some problems. After all, we are talking here about the world's biggest IP migration, which we are currently handling.

We make every effort to remedy issues promptly wherever they occur. However, every single fault is one too many, and annoys our customers as well as us.

I can assure you that I work closely with my colleagues in Technology, IT, and our Germany business to follow the precise chain of events.

At this point I would, however, contradict statements which claim that IP technology is not mature. This is absolute nonsense; many industries, including our own, have relied on it for years and it is now indispensable, since the supplier industry no longer supports the old transmission technology. In view of this, all telecommunications companies will be moving over to IP sooner or later, if they have not done so already.

The migration is also in full swing in our European subsidiaries, where the share of IP fixed-network lines rose by 11 percentage points to 35 percent. Slovakia will be the second country after Macedonia to complete the move – probably by the end of the year.

The number of LTE sites has grown more than four-fold to a total of almost 12,000.

T-Mobile US expanded its LTE network coverage to 250 million of the population – and offers better transmission rates than any of its competitors.

These developments led to a rise in net revenue in the third quarter by 0.8 percent to EUR 15.6 billion.

Adjusted EBITDA fell only slightly by 1.8 percent to EUR 4.6 billion. Despite higher investments in developing the market.

In the United States, especially, we ramped up expenditure to win new customers. These investments in market development reduced adjusted EBITDA in the United States in the quarter by 6 percent compared with the prior-year figure.

The result, however, is rapid customer growth, which has been maintained over the last six quarters. T-Mobile US has just raised its customer growth forecast for the third time – it now expects to gain between 4.3 and 4.7 million new branded postpaid customers for the full year.

Since the first quarter of 2013, in other words before the business combination between the former T-Mobile USA and MetroPCS, and before the early days of the Un-carrier strategy, our U.S. subsidiary has improved its customer base by 19 million – or more than 55 percent – to 52.9 million customers. Around 10 million of these customer additions can be attributed to organic growth. Not only is this company now a real force to be reckoned with in the United States – we have even got the number 3 spot firmly in our sights!

Strong customer growth has started to produce the desired impact on revenue. In the third quarter, total revenue increased by 8.7 percent and service revenue by 10.1 percent year-on-year. This makes us the number 1 for revenue growth in our sector in the United States.

On this note, I would again like to explicitly contradict our critics. I remember well what Thomas Dannenfeldt said at the start of the year: It is all about a three-pronged approach! First, customer numbers grow, then revenue and then earnings. Personally, I am delighted with the success of our colleagues in the United States and I am convinced that T-Mobile US will continue to be a source of great satisfaction for us.

And now I would like to turn to our business in Germany. Our integrated network strategy is increasingly paying off. This is reflected, for example, in the trend for fiber-optic lines together with Entertain. In the areas where we are building out the fiber-optic network, in particular, we note a large proportion of new customers who also opt for Entertain.

And this is the precise starting point for our MagentaEins package offers. Sales have got off to a good start in the first few weeks since its launch.

In mobile communications, stable service revenues have enabled us to build on our market leadership again despite the slight market decline. Smartphone sales increased to 1.35 million – making this the second strongest quarter ever! And a clear customer vote for the quality leader in Germany's mobile market.

I was pleased with the third-quarter trend in our European subsidiaries.

The decline in revenue proved to be far more moderate than in previous quarters.

This downward trend is almost fully attributable to the negative impact of mobile regulation. So, adjusted for these regulatory impacts, revenue has remained virtually stable.

This is a real success for our strategy, namely to offset the decline in the traditional telecommunications business by expanding growth areas such as mobile Internet, broadband, and TV, and to do so despite a still difficult overall economic environment in the region. These growth areas now account for 26 percent of total revenue.

Parallel to this, the companies successfully pursued their cost-cutting initiatives. This caused adjusted EBITDA to rise by 1.3 percent, translating into an excellent 35.7 percent margin.

Transformation and cost-cutting measures at T-Systems are producing the first results. The company's EBITDA margin improved in the course of the year. The decline in revenue in the market unit slowed down in comparison with previous quarters, and order entry was up significantly on the previous year.

A large-scale contract for a T-Systems subsidiary to set up and operate a toll collection system in Belgium played a vital role in this trend. T-Systems is valued by our corporate customers as a partner for digitization.

One quarter can, of course, only offer a partial view – but the trend now points in the right direction.

Ladies and Gentlemen,

Operational and financial trends in the third quarter have followed on seamlessly from the first six months. This also applies to the free cash flow of EUR 1.1 billion, which is below the prior-year quarter but is still within the guidance.

Now, after the first three quarters, we are therefore convinced that we will succeed in meeting our forecast for the full year. Just to remind you: Adjusted EBITDA is expected to be around EUR 17.6 billion, with free cash flow at around EUR 4.2 billion.

This is what we promised – and this is what we plan to deliver!

On that note, I will now hand over to Thomas Dannenfeldt.