– The spoken word shall prevail –

Conference Call
Third quarter report of 2015
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I, too, would like to warmly welcome you to our conference call.

Tim Höttges has said it already: We are delivering what we promised.

Let me remind you of the details: At the Capital Markets Day in February, we clearly stated to you our mid-term ambition level and our financial targets for the 2015 financial year.

Accordingly, for 2014 to 2018, we want:

- To increase revenue by an average of 1 to 2 percent per year
- To increase adjusted EBITDA by an average of 2 to 4 percent per year
- To improve average free cash flow for these years by some 10 percent.

I can only confirm:

We are clearly on track for our annual forecast and the capital market expectations for 2015.

We once again recorded an excellent operational development in the third quarter. With double-digit growth in almost all key financial indicators; no one else has matched this.

Net revenue increased by 9.3 percent to around EUR 17.1 billion. The strong U.S. business continues to be the main driver of this growth, increasing by some 27 percent due to ongoing high customer acquisition and positive exchange rate effects.

In organic terms, net revenue grew by 2.2 percent. That is less than in the last two quarters and is also attributable to the T-Mobile US business. The rate model was extended to include a leasing option for mobile equipment.

Under this option, mobile equipment revenue is not recognized in full at the time of concluding the contract, but rather is spread over the term of the contract.

It is important to note that service revenues grew by around as much in the third quarter as they did in the quarter before.

Driven by the strong revenue growth, adjusted EBITDA also increased by 12.9 percent to EUR 5.2 billion. The increase in adjusted EBITDA of just under EUR 0.6 billion also benefited the bottom line, with reported net profit growing by 60 percent to a good EUR 800 million and adjusted net profit growing by 30 percent to more than EUR 1 billion. Free cash flow in the third quarter came in at EUR 1.3 billion, a year-on-year increase of a good 16 percent.

These figures were achieved on the back of excellent operational developments:

In the United States, we won 2.3 million new customers in the third quarter. This was the fifth quarter in a row where our U.S. subsidiary recorded a gain of more than a million branded postpaid customers. Because of this, we have now adjusted our forecast for customer growth upwards for what is already the third time this year: We now expect to acquire between 3.8 and 4.2 million new branded postpaid customers in the 2015 financial year – and without affecting the EBITDA target.

In Germany, we recorded undiminished strong demand for fiber-optic products: We won 425,000 new fiber-optic customers from July to September. This brings the total number of fiber-optic lines to 3.8 million, an increase of around 75 percent compared with the prior-year quarter.

We also expect strong growth here in the fourth quarter, because we start marketing these products to another 2.4 or so million households in the roll-out areas.

Tim Höttges has already talked on the issue of "Best connectivity". That is what you get at Deutsche Telekom. On the one hand, through fiber-optics, and on the other, even where fiber-optics are not available. For example with our innovative hybrid line, for which we recorded 51,000 additions in the third quarter.

With growing numbers of lines and the sale of higher-value products – the keyword being Entertain, which now has 2.6 million customers – revenue from broadband business is also making strides: While revenues remained stable in the first quarter compared with the prior-year period, in the third quarter we recorded an increase of 0.9 percent.

In mobile communications, we are generating momentum with our excellent network quality. In our branded contract customer business alone, we recorded 144,000 net additions under the Telekom and "congstar" brands. We increased LTE coverage to 87 percent compared with 79 percent a year ago. In the same period, the number of LTE customers rose by more than 2.7 million.

In the countries of our Europe operating segment, the telecommunications markets continue to face intense competition. Nevertheless, we recorded moderate growth in the number of contract customers in the mobile communications market to 25.4 million. In broadband business, we increased the number of lines by 4.7 percent year-on-year to 5.4 million; the number of TV lines increased by 4.4 percent to 3.8 million.

This success is clearly down to our high network quality. With our "network of the future", we provide state-of-the-art connectivity. By 2018, for example, we want to convert our entire networks in Europe to IP technology. To date, in Germany, for instance, we have migrated 8.6 million retail and wholesale lines to IP.

As of September 30, 2015, we recorded more than 3.9 million IP-based lines in the Europe segment – up 13.1 percent compared with the end of 2014. Following the successful completion of IP migration in Slovakia and Macedonia last year, Croatia and Montenegro are now to follow by the end of 2015. We are well on track in this regard, with migration rates of 98 percent and 96 percent respectively after the first nine months of the year.

T-Systems also continues to make good progress. Adjusted EBITDA in the Market Unit declined slightly in the third quarter due to seasonal effects, but in the first nine months it increased by around 16 percent. As Tim Höttges already mentioned, cloud business is growing rapidly, increasing the Market Unit's revenue by 4.6 percent in the third quarter.

That completes our look at the very encouraging development of the operating business.

I would just like to briefly highlight one figure in our key financials:

We managed to bring the ratio of net debt to adjusted EBITDA back to 2.5 as announced. This puts it back in our target corridor of between 2 and 2.5.

Furthermore, it is important to me to emphasize that despite a 15 percent increase in capital expenditure, growth in free cash flow for 2015 is on course to be exactly at the level expected by the capital market.

We now look forward to your questions.