– Check against delivery –

Conference call
Report on the third quarter of 2018
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Good morning, Ladies and Gentlemen.

And thank you, Philipp.

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

The third quarter of 2018 went well. I would like to take you through the key developments in brief. You will find more details on the quarterly figures in the presentation and backup.

The key message today is that our high investment continues to drive customer growth.

- We invested some 9.1 billion euros worldwide during the first nine months of 2018, mainly on building out our networks. Not only that, but we also improved product and service quality.
- We recorded customer growth across all operating segments.

- Revenue increased further as a result. On an organic basis, net revenue of the Group grew by 2.8 percent in the first nine months.
- Adjusted EBITDA continued to increase in organic terms – by 6.2 percent in three quarters. I would particularly like to highlight the trend in our European subsidiaries, where we achieved a turnaround.
- Our bottom line was also up both in the third quarter and after nine months. That applies for both reported net profit and net profit adjusted for special factors.
- At the nine-month point, we are raising our full-year EBITDA guidance for the third time, to around 23.6 billion euros. And we are now also raising our guidance for free cash flow to around 6.3 billion euros.

Ladies and Gentlemen,

Let me give you some data on our progress with network build-out.

Our fiber-optic network in Germany and Europe now covers more than 39 million households. That is 4.8 million more than a year ago.

In Germany, we reach more than 32 million households. Here, we are now increasing transmission speeds over the fixed network.

We already offer some 25 million households in Germany data rates of over 50 Mbit/s. That is an increase of around 80 percent within twelve months.

On August 1, we began rolling out super vectoring, which enables surfing speeds of over 100 Mbit/s and up to as much as 250 Mbit/s. At the end of the third quarter, this technology was already available to some 8 million households.

Our fiber-optic network already covers 31,000 business locations in around 100 business parks.

Take a look at our networks blog on the Deutsche Telekom website if you have the chance. We post weekly updates on how we are increasing speeds in the broadband network, line by line. Or you can also follow us on Twitter.

LTE coverage in our European subsidiaries stood at 96 percent at the end of the third quarter. In Germany, the level is 98 percent – that is 5 percentage points higher than one year ago.

Our LTE network has the most extensive coverage in Germany. We will also continue to improve network quality and bring down the number of coverage gaps, also known as white spots. We plan to put some 1,300 new cell sites into operation in 2018 alone. We have reached agreements with the states of Bavaria, Hesse, North Rhine-Westphalia, and others to close mobile network white spots as rapidly as possible.

Ladies and Gentlemen,

Let me also talk briefly about 5G and the spectrum auction conditions that are due to be specified soon.

We are the only network operator to have stated how we intend to implement the 5G build-out for our consumers and business customers.
We presented our eight-point plan for this just recently. It contains clear statements on what we aim to achieve in terms of capital expenditure and network coverage.

The journey to 5G is not a solitary one. We are open to the prospect of partnerships with other network operators. We want to coordinate the 5G build-out with companies from other industries and public administration – because these are our customers and the future users of 5G. What we need is a user conference with all key players in the industry to work out the technical requirements.

5G will be an essential part of our future lives. But the digital transformation comprises so much more than that. To achieve it, we need to enter into a close dialog with our customers, with users, and also with the companies developing and offering products for the digital transformation: from start-ups and software providers like Microsoft and SAP through to device manufacturers like Samsung and network infrastructure producers like Huawei.

That is why we hosted a Digital Summit with representatives of industry and government in Cologne on November 7-8: a two-day tradeshow with high-caliber speakers and a wide array of examples from everyday practice, from flexible electric vehicles to digitalized winemaking. This new kind of networking and information event focused on digitalization was sold out weeks ago.

Ladies and Gentlemen,

But far from only focusing on networks, the main concern of customers is service quality. And that is true worldwide.

Take the United States, for example:

- T-Mobile has just, for the second time in a row, scored the highest rating in the J.D. Power business customer satisfaction study.

Or Telekom Deutschland,

- where we came top in the connect hotline test for Germany.
- Connect gave our MeinMagenta service app a rating of "excellent".

The app lets you track and manage data consumption, costs, contracts, and rate plans, as well as access our comprehensive online help service.

- We cut down the number of missed appointments by around half over the last twelve months. In fixed-network business, 97 percent of customer appointments are now kept.

- On top of that, the number of customer complaints fell by around 30 percent.

We intend to continue improving the quality of service for our customers.

Ladies and Gentlemen,

Our customer base has continued to grow over the last few quarters.
Let me give you some examples.

- Compared with last year, the number of fiber-optic-based lines in Germany increased by 30 percent to 11.6 million.
- Within twelve months, the number of customers surfing in the German fixed network with speeds of up to 100 Mbit/s virtually doubled.
- Our convergent offerings are now used by 6.9 million customers across Europe. That is 1.4 million more than a year ago. We are also further expanding our portfolio in Germany with the launch of MagentaTV and more than 8,000 exclusive titles from the ARD and ZDF channels.

- We added 1.7 million new branded mobile contract customers in Germany and our European subsidiaries over the last twelve months.
- T-Mobile US has recorded the highest growth in postpaid telephony customers for 19 quarters in succession. This was helped by postpaid churn rates of around just 1 percent in the third quarter. On the back of 6.5 million new customers added in the last twelve months, T-Mobile US has just raised its guidance for postpaid customer additions for the full year.

Ladies and Gentlemen,

In the first nine months of 2018, we increased the Group’s net revenue and adjusted EBITDA.

The United States was not the sole driving force behind this growth in EBITDA. More recently, the development of business in Germany and primarily in Europe have given a strong boost to the earnings trend. Adjusted EBITDA outside of the United States increased by 2.5 percent in the first nine months on an organic basis. In our European subsidiaries, adjusted EBITDA was up 2.9 percent.

Ladies and Gentlemen,

You will know from the presentation on T-Mobile US' quarterly figures that our subsidiary has revised its EBITDA guidance upward for the full year.
The average figure is now 0.2 billion U.S. dollars higher than previously forecast.

This raised forecast is reflected in the guidance for the entire Group. We now expect adjusted EBITDA to come in at around 23.6 billion euros. If you remember, we began the year with a guidance of around 23.2 billion euros. EBITDA in the prior year was 22.2 billion euros.

The raised earnings forecast means we have now also raised our guidance for free cash flow to around 6.3 billion euros. This is up from the original forecast figure of around 6.2 billion euros and last year's figure of 5.5 billion euros. That was an increase of just over 14 percent.

Ladies and Gentlemen,

The operational development seen in the first six months of the year continued in the third quarter.

We were also able to close a strategic gap in Austria with the acquisition of UPC, which has been fully consolidated since the end of July. UPC's cable network currently serves some 560,000 broadband customers who predominantly also use its TV service. We can now offer our customers in Austria fixed-network and mobile product bundles as a one-stop shop.

With that, I will now hand you over to Thomas Dannenfeldt.