

Introductory Remarks by René Obermann, CEO Deutsche Telekom AG

Thank you Chairman Goodlatte, Chairman Smith, Ranking Member Watt, Ranking Member Conyers, and Members of the Subcommittee. Good morning, my name is René Obermann; I am Chief Executive Officer of Deutsche Telekom AG. I appreciate the opportunity to testify today on behalf of DT.

I fully agree with Mr. Stephenson's introductory comments and I firmly believe that this transaction is *the* best possible outcome – not only for DT, T-Mobile USA and AT&T – but for our customers and for wireless competition and innovation in the United States. Before I discuss the substantial benefits of this transaction for T-Mobile's customers, I will first provide some background on our decision to proceed with the sale of T-Mobile.

Since Deutsche Telekom's acquisition of VoiceStream almost exactly 10 years ago today, our U.S. business has faced intense and evolving competition in the wireless sector. In recent years, in particular, T-Mobile USA has faced increasingly fierce competition from a growing number of players, including not only large facilities-based competitors, but also smaller "no contract" value players, and others such as MVNOs (Mobile Virtual Network Operators), regional wireless carriers, and so called "over-the-top providers" that include increasing number of mobile voice-over-IP solutions, such as Google Voice and Skype (which is now being acquired by Microsoft).

T-Mobile has been caught in the middle of this dynamic marketplace and has had an increasingly difficult time competing. We have steadily lost market share over the past two years. In the most recent quarter alone, we lost 471,000 contract customers, while other competitors are growing rapidly. While other competitors are moving quickly to build out and develop their LTE networks, T-Mobile lacks a clear path to LTE deployment. To meet the exponential growth

in demand for bandwidth, T-Mobile will need to move to LTE to remain competitive but the Company simply does not have access to the spectrum needed to deploy LTE effectively. T-Mobile has already dedicated its existing spectrum resources to its less spectrally efficient GSM and HSPA+ networks. As it is, the company is likely to face a spectrum crunch in several key markets in the coming years on those technologies alone, even without the move to LTE.

With this backdrop, Deutsche Telekom had to make some difficult decisions. Remaining a competitive force in the U.S. wireless marketplace was going to require a very significant capital investment in both spectrum and infrastructure. However, it has becoming increasingly apparent that the prospect of additional spectrum becoming available for acquisition is uncertain at best. Even if available, such an acquisition would have forced Deutsche Telekom to reallocate funds from our core European operations into T-Mobile USA – which would have been very difficult for us given our overall group debt situation and our capital investment needs in Europe.

This transaction resolves these issues in a manner that delivers more value with substantially less execution risk both to Deutsche Telekom and to T-Mobile's customers than any other alternative theoretically available to us. It allows DT to advance its global business strategy, while making available the resources necessary to modernize and upgrade Deutsche Telekom's core businesses in Europe. As a significant shareholder of AT&T after the transaction, this transaction will also mean that Deutsche Telekom maintains an interest in and can continue to contribute to the rapidly growing and highly competitive United States wireless business.

At the same time, the transaction will mean significant benefits for our U.S. T-Mobile customers.

To highlight just a few of these benefits:

- ***T-Mobile customers will enjoy substantial improvements in their coverage through access to AT&T's low-band 850 MHz spectrum.*** In particular, this will mean significantly improved deep in-building and rural coverage.
- ***The transaction will result in near-term network quality improvements for T-Mobile customers.*** Merging the companies' complementary networks and pooling their spectrum will very quickly lead to significant operating efficiencies, which will mean better coverage, fewer dropped and blocked calls, and faster and more consistent data downloads – particularly at peak times and in high-demand locations.
- ***The transaction will further give the combined company the resources and spectrum it needs to broadly deploy next generation 4G-LTE service to more than 97% of Americans.*** T-Mobile, on its own, simply did not have the spectrum to roll out its own competitive nationwide LTE network.
- ***Fourth, the transaction will allow the combined company to increase capacity and to reduce costs significantly, which will drive prices down and enhance opportunities for innovation – making the U.S. an even more competitive and innovative market.*** As I have already described, the U.S. wireless marketplace is extremely dynamic and competitive today – and will become even more so with the capacity growth and cost savings made possible by this transaction.

To conclude, Deutsche Telekom's sale of T-Mobile USA to AT&T is a true win-win solution. It not only advances Deutsche Telekom's business strategy, but also directly addresses T-Mobile USA's strategic challenges and delivers significant benefits to T-Mobile customers and wireless competition generally. Thank you for your time. I welcome any questions you have.