– Check against delivery –

Press Conference
Presentation of 2010 half-year figures
Bonn, August 5, 2010

Timotheus Höttges
Board member responsible for Finance
Deutsche Telekom

Thank you, René Obermann!
I am particularly pleased with our performance in Germany, both on the operational and on the financial side.

With a slight year-on-year decline of 0.4 percent revenue was almost stable. This compares to -2.2 percent in Q1. This improvement was supported by strong growth in mobile and a smaller decline in fixed.

The positive trend in mobile is the result of the positive effect of the slight year-on-year increase in the contract customer base in combination with higher average revenue per month. Mobile data growth substantially contributed to this growth.

In the fixed network, the revenue decline in network communication continued to slow down, primarily due to two factors:
The increasing number of double- and triple-play lines with higher average revenue per month on the one hand, and the fewest line losses since 2005 on the other.

The overall positive revenue trend combined with continued OPEX cuts of 2.4 percent resulted in adjusted EBITDA growth of 2.4 percent to more than EUR 2.4 billion in the quarter. The margin expanded by one percentage point year-on-year to 39.3 percent and by three percentage points compared to Q4 2009.

In German fixed, revenue trends continued to improve in Q2 2010.
Revenue for the quarter decreased by 2.9 percent. This is the lowest revenue decline since 2008. In the prior-year period, the decline was 5.3 percent.

Due to net OPEX savings of 2.4 percent, adjusted EBITDA decreased by only 3.3 percent in Q2. The margin stayed essentially flat at 34 percent. Adjusted for a settlement with Tele2, which impacted our margin by 70 basis points, the EBITDA margin would have improved by 50 bps year-on-year to 34.7 percent.

On the operational side, the German fixed-line business showed an excellent performance in Q2:
Our broadband retail market share was unchanged at 47 percent. And we have maintained a market share of more than 46 percent for more than three years. In the quarter we achieved a net add market share of 52.3 percent. This brought our cumulated net add market share for the year-to-date to 50.1 percent. Cable companies regained some market share in the quarter, while the DSL competitors had a smaller share.

With 315,000, line losses stabilized on a low level, in fact even lower than the 372,000 line losses in Q1, supported by the further increase in double- and triple-play bundled packages to 46 percent of the total customer base.

We see improved customer satisfaction as a key lever to reduced line losses. The TRI*M index for our broadband business is now at 56, up 1 point year-on-year and above the average for the competition.

In German mobile we once again outperformed all of our competitors in Q2 in terms of service revenue and ARPU growth. We achieved an excellent service revenue growth of 6.1 percent, compared to 3.3 percent in Q1. This growth is more than double that of any of our German competitors. ARPU grew by 8.8 percent year-on-year, far exceeding the growth at any competitor.

Compared to Q1 we saw a further acceleration in mobile-Internet revenue growth to 54 percent, driven by the strong uptake in the share of smartphones of handsets sold. Smartphones now account for around a third of all handsets sold. That is around 9 percentage points more than the prior-year period.

Adjusted EBITDA was also very strong, up 14.3 percent, an even faster increase than the growth rate in Q1 of 8.8 percent. This represents a strong margin of 44.4 percent, up from 41 percent in Q2 2009.

This was driven by the strong revenue growth and a continued focus on the contract-customer segment with low churn rates.

The development of figures in the Europe segment was significantly impacted by the deconsolidation of T-Mobile UK effective April 1. On a like-for-like basis, meaning excluding revenue generated by T-Mobile UK in Q2 2009, the revenue decline in the Europe segment was 3.7 percent. On the same like-for-like basis, the margin was largely stable.

Regulatory effects continued to impact revenues and EBITDA. Adjusted for the deconsolidation of T-Mobile UK and for regulatory effects, the revenue decline would have been only 1.1 percent.

Our TV strategy in Southern and Eastern Europe shows extremely good success. We offer cable or Internet television in various markets, for example in

Greece, Hungary, Romania, Croatia, and Slovakia. The number of TV customers grew by 31 percent year-on-year to 2.1 million, with 67,000 net adds in Q2 alone.

Let’s review the development in key markets:
The Netherlands again had a very good performance with service revenue growth of 3.5 percent, significantly outperforming our peers, driven by strong mobile-data revenue growth of 28.7 percent. At the same time the margin expanded by 9 percentage points to 31 percent. I’ll come back to the Netherlands in a minute.

In the Czech Republic contract customers grew by 5 percent while churn remained at the impressive low level of 0.4 percent. The margin decreased to a still very high 48 percent. Recall that the results in Q2 2009 were positively impacted by a settlement of interconnection revenues related to past years.

In Poland revenue and EBITDA grew in euro terms due to currency effects. The margin was stable at 39 percent due to tight cost control with OPEX declining by 8 percent in Polish Zloty. Also in local currency and adjusted for negative regulatory effects, the service revenue decline improved to -3.2 percent.

In Greece, despite the impact from the weak economy and the financial crisis, the margin remained stable at a good 36 percent and we expanded our service revenue market leadership in the Greek mobile market. However, revenues, down 9 percent year-on-year, and EBITDA, down 10 percent year-on-year, were impacted by the crisis. The OTE management expects these factors, which have negatively impacted the Q2 top-line performance, to continue impacting revenues in the second half of the year. As in Q2, the OTE management will actively pursue initiatives to contain revenue erosion, cut costs, and preserve cash.

The OTE synergy run rate amounted to EUR 164 million in Q2, a level originally targeted for 2011. I will get back to the synergies in a minute.

In Hungary, the margin expanded by one and a half percentage points to 43 percent.

Let's do a Deep Dive into T-Mobile Netherlands. It is an example of a very successful in-country consolidation. Synergies work. We acquired Orange NL back in 2007. We have achieved a satisfying synergy run rate of more than EUR 100 million with a further planned increase of 30 percent until 2012. The integration with Orange has been a great success with lower cost, higher synergies, and a shorter time period than planned. With lower average customer acquisition costs, we are increasing the number of high-value customers.

Contracts ARPUs have been stable despite regulation and competition. In the last year alone, OPEX have been reduced by a total of 15 percent. During the same time the number of contract customers increased by 7.5 percent to over 2.5 million.

In the second quarter of 2010 service revenues grew by 3.5 percent and data revenues by 28.7 percent. We achieved a record high adjusted EBITDA margin of 31 percent in Q2. In sum, we are very happy with the results the team has achieved in the Netherlands.

Let me provide you with some more details on the OTE synergies. As of Q2 measures with an annual potential of EUR 164 million are already implemented. Of these, 60 percent are CAPEX synergies and 40 percent OPEX synergies. The majority of synergies derive from procurement and occur at Cosmote.

The total run rate from the buying case will therefore be overachieved one year earlier. We expect the annual run rate to increase to at least EUR 215 million by the end of 2010.

In Systems Solutions we saw an acceleration of the positive revenue trend that we already saw in Q1.

Total revenue grew by 2.9 percent to EUR 2.2 billion, supported by strong international revenue growth of 7.9 percent to EUR 707 million.

External revenues improved by 7.2 percent to EUR 1.6 billion. In Q2, we won several new Big Deals including DekaBank, and Deutsche Post DHL. As demonstrated by the acceleration in revenue growth, the big deals closed in 2009 are beginning to bear fruit.

Importantly, Systems Solutions was able to achieve a further increase in adjusted EBIT and adjusted EBIT margin due to the forceful execution of its efficiency program. Adjusted EBIT improved sequentially by EUR 18 million to EUR 76 million in Q2, equivalent to a margin of 3.4 percent, up from 2.7 percent in Q2 2009, and -0.3 percent in Q2 2008.

Save for Service cost savings amounted to EUR 247 million in the first half of 2010, with 64 percent of these coming from the ICT operations. We have therefore already achieved 50 percent of the total Save for Service ambition level for 2010.
In Q2 specifically, the Save for Service contribution amounted to EUR 0.16 billion. Measures included the optimization of data-center infrastructure, the reduction of production costs in Systems Integration, the restructuring and standardization of sales activities, and process streamlining.

Turning to the free cash flow development for the quarter:

Free cash flow amounted to EUR 1.5 billion, 6.1 percent higher than in Q2 2009.

This was driven in particular by lower CAPEX and changes in working capital which more than offset the higher cash-out for taxes and interest.

Free cash flow for the first half amounted to EUR 2.9 billion, up 60.9 percent, providing us with a good foundation to reach our unchanged guidance of around EUR 6.2 billion for the year.

Savings from Save for Service amounted to almost EUR 1 billion in H1 with sizable contributions coming from most operating segments including the US. Compared to June 2009, we achieved net savings of EUR 0.6 billion in the Group or an organic decrease of EUR 0.5 billion excluding changes in the scope of consolidation and excluding F/X.

As a result, the group adjusted EBITDA margin improved from 31.3 to 31.6 percent year-on-year.

Examples for Save for Service measures are:

Germany:

- Efficient steering of field-service assignments through new IT.
- Standardization and process automation in the provision of customer lines.

US:

- Significant improvement of purchasing conditions, for example in the areas of real estate, IT, and mobile content.

Europe:

- Reduction of network costs through savings in the areas of field service, vendor portfolio, and energy costs (e.g. Cosmote).

TSI:

- Increased standardization and reduction of complexity in the product portfolio.

GHS:

- Centralization and elimination of duplication of administrative processes (e.g. establishing payment, closing, and consolidation factories).

Moving to our balance sheet, key ratios remained solid despite the sequential increase in net debt. As in 2009, net debt increased due to the payment of the dividend in Q2. In addition, the stronger dollar also increased net debt. This was due to the technical effect of the translation of U.S. dollar-based liabilities with a stronger dollar overall. In addition, we paid a total of EUR 1.3 billion in the quarter to purchase spectrum in the German spectrum auction.

However, shareholder's equity also benefited from exchange rate effects and increased sequentially to EUR 44.8 billion.

Net debt to adjusted EBITDA increased to 2.3 but will decrease again in future quarters.

Gearing only increased slightly to 1 times and the equity ratio stayed at a high 33.7 percent, two and a half percentage points higher than a year ago.

We took advantage of favorable market conditions and raised debt capital amounting to approximately EUR 2.8 billion since the beginning of the year. We will continue to opportunistically tap the bond market in 2010.

With that René Obermann and I look forward to your questions.