

– The spoken word shall prevail –

Press conference

Presentation of 2010 half-year figures

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Chairman of the Board of Management

Deutsche Telekom

Good morning, Ladies and Gentlemen, and a warm welcome to you all here in Bonn.

Today we will be presenting the Group figures for the first half and the second quarter of 2010, and I'd like to say right away that these figures are very pleasing. We have managed to build on our good performance in the first quarter.

Let me start with an important note: For better comparability, the figures for the second quarter of 2009 have been adjusted to reflect the deconsolidation of T-Mobile UK effective April 1, 2010. That means that all revenue, EBITDA and net profit effects relating to T-Mobile UK have been removed from the figures for the second quarters of 2009 and 2010. Tim Höttges will, as usual, provide you with more details on the financial figures later on.

So, what were the highlights of the first six months?

Revenue in the first six months – excluding T-Mobile UK in the second quarter of 2009 – remained at the same level as the prior year at EUR 31.3 billion.

Adjusted EBITDA amounted to EUR 9.9 billion.

Reported net profit/loss improved from a loss of EUR 0.6 billion to a profit of EUR 1.2 billion.

Free cash flow amounted to EUR 2.9 billion, compared with EUR 1.8 billion in the prior year.

As announced, our Save for Service program continues to improve efficiency and profitability within the Group. In the first half of the year we made total gross savings of around EUR 1 billion, around EUR 0.5 billion of which we re-invested to bolster our competitive position.

On the basis of these good first six months, I can once again emphatically confirm our guidance.

The very good performance in the second quarter in Germany was especially pleasing. We stepped up a good three years ago to safeguard the future of our business in Germany. And we succeeded. In a nutshell, we can say: Revenue almost stabilized – profit up!

- Revenue in the second quarter totaled EUR 6.2 billion – a difference of just EUR 23 million year-on-year.
- Adjusted EBITDA increased by 2.4 percent to EUR 2.4 billion.
- This means that we have comfortably outperformed our competitors.

- In mobile communications, service revenues rose by 6.1 percent. That translates into an EBITDA margin of 44.4 percent – more than three percentage points higher than in the same period last year.
- In the fixed network, we secured 52 percent of new broadband customers. The line losses have reached a historic low of 315,000. More on that later.

Our U.S. business is showing clear signs of stabilizing – even if we do still have a number of challenges ahead of us. At the end of the second quarter, however, we can definitely say: We're heading in the right direction.

For the first time in six quarters, we have seen an increase in contract customers – of 106,000.

Monthly data revenue per customer increased in the second quarter by 70 cents to USD 11.60. Total service revenues remained virtually stable, posting a year-on-year decrease of 1.1 percent. For the sake of comparison, I'd like to point out here that in the first quarter of 2010, we were still posting a decrease of 2.5 percent.

In our European business outside Germany – excluding T-Mobile UK, as mentioned before – the earnings margin remained stable compared with the first quarter of 2010. The details reveal a mixed picture: In the Netherlands, Poland, Hungary, and Montenegro, for instance, we have improved our earnings. By contrast, the difficult market environments in Southern and Eastern Europe in particular have had a negative impact. We were not able to offset the decline in earnings by way of the markets mentioned above.

Mobile communications business in Greece has comfortably outperformed that of its competitors. All the same, OTE suffered a decline in revenue and profit in the second quarter.

T-Systems has substantially increased its net revenue by 7.2 percent. International revenue increased by 7.9 percent, and the EBIT margin has improved further to 3.4 percent.

Mobile data business posted strong growth again – 55 percent year-on-year in Germany in the second quarter. In total, revenue from mobile-Internet business rose by 27.9 percent in the first six months of the year to EUR 2.1 billion.

On a like-for-like basis, this reveals the following developments in the second quarter:

- Revenue within the Group increased by 0.9 percent to EUR 15.5 billion.
- We generated adjusted EBITDA of EUR 5 billion. This is a decrease of 1.9 percent compared with the EUR 5.1 billion in the same quarter last year. Just to remind you, that was our strongest second quarter ever.
- Adjusted net profit increased by 0.6 percent to EUR 0.8 billion.
- Unadjusted net profit rose to EUR 0.7 billion, up 20.5 percent.
- Free cash flow also increased by 5.7 percent to EUR 1.5 billion.

Ladies and Gentlemen,

We continued to push ahead with the implementation of our new "Fix – Transform – Innovate" strategy in the second quarter. We also said that we would keep you updated on the progress made in implementing the strategy.

For instance, in improving the performance of our mobile communications companies:

- Our mobile communications joint venture in the UK together with France Telecom was launched on April 1 and has since been working on integrating the two predecessor companies.
- In the USA we have continued to roll out our HSPA+ network. It now covers 85 million of the population. Hitherto we had a footprint in Philadelphia, New York and parts of Washington. In the second quarter, we added cities such as Los Angeles, Dallas, Atlanta, Houston, and Seattle. As such, we now cover 25 major cities.

Better network coverage has a direct impact on our business: We now have 6.5 million 3G devices on the T-Mobile USA network. At the start of the year there were 3.9 million. Our forecast for the year-end of at least 8 million now looks fairly conservative. Mobile data business now accounts for an even greater proportion of average monthly revenue: In the second quarter alone, data ARPU increased by 70 cents to USD 11.60. This means that, in terms of the absolute increase, we were on a par with or better than our major competitors. As I said: These are big steps in the right direction.

In the Netherlands, we significantly improved the profit margin from 22 percent to 31 percent and increased service revenues by 3.5 percent, clearly outpacing our competitors.

The merger between Slovak Telecom and T-Mobile Slovensko, which came into force on July 1, means that we are following the same strategy in Slovakia as in Germany. We also intend to reinforce our competitive position there by integrating fixed-network and mobile communications.

- We are generating the planned synergies in integrating OTE. Overall, the annualized figure rose to EUR 164 million.
- We are getting our networks in Germany up to speed for the Gigabit Society. One important step in this respect was the acquisition of new mobile communications spectrum with a total of 2 blocks of 10 MHz in the 800 MHz range, which enables us to gradually close more white spots. What's more, we acquired additional spectrum in the 1.8 and 2.6 GHz bands which we are using to expand our networks in metropolitan areas for even faster data traffic.
- At the same time, we started rolling out HSPA+ in Germany in April to once again substantially increase the available speeds on the basis of 3G technology. Austria, the Czech Republic, and the Netherlands are set to follow before the end of the year.

"Connected life, from cell phones right through to television" has also taken another step forward thanks to the Soccer World Cup and broadcasting to mobile devices.

- In the last week of June, the new iPhone 4 joined our lineup, with strong demand for the product from the outset.

This strong demand underscores the huge interest people have in new mobile data services – and in the associated devices. And it is not just about the

iPhone. Internationally we have more and more Android-based devices in our lineup, which are set to further bolster the trend toward the mobile Internet.

- Our Entertain offering is becoming a more customizable product. Starting from this year's Bundesliga season, soccer fans will be able to put together their own summary of the day's games. Viewers will be able to choose the games they are most interested in from all matches being played simultaneously. The viewer will be able to keep an eye on all the results of the selected games and switch between the games to see how they are going.

The Scout group continues to expand its international footprint, most recently with a joint venture in Russia.

- Progress also continued apace in the first half of the year in the field of "Connected work with unique ICT solutions."
- Many customers are already using our cloud services. Our customers get two thirds of all SAP services directly from the Web. For companies such as Shell and Philips that means they source services according to their needs and only pay based on what they use.
- Customers are utilizing our solutions in the systems integration segment. For instance, one in five of the world's largest commercial airports already uses airport solutions from T-Systems.
- In addition, T-Systems has acquired new orders, for example with Deutsche Post DHL, DekaBank, and the regional government of the state of Hesse. With minimum contract terms of five years and high order volumes, T-Systems is consolidating the foundations for further growth.

- Since June, prospective customers have been able to register for our "de.mail" service. Since then we have seen a great deal of interest in this solution for secure e-mail.

Mobile Internet revenue amounted to EUR 2.1 billion at the end of June. The strong growth continues unabated at 27.9 percent.

In the Connected Home growth area, the higher number of broadband lines and Entertain packages in Germany – with correspondingly higher average earnings compared with conventional fixed lines – contributed to the rise in revenue. We have sold 1.3 million Entertain packages to date. Growth in DSL lines, Internet TV and cable connections also continued in Southern and Eastern Europe, prompting revenue to increase by 9.5 percent to EUR 2.8 billion overall.

We generated revenues of EUR 0.5 billion with Internet services in the first half of the year, an increase of 18 percent. The complete acquisition of the ClickandBuy payment platform contributed to this development.

I already commented on the positive trend at T-Systems. At EUR 3.1 billion, revenues generated outside of the Telekom Group in the first half of 2009 have been exceeded by 4.8 percent.

Organizational and structural measures are being implemented in the field of intelligent network solutions for energy, health, media distribution, and connected cars. We will keep you informed on the further development here as well.

Taking all growth areas together, we have generated revenue of EUR 8.5 billion in the first half of 2010, a year-on-year increase of

EUR 1 billion. This corresponds to 27 percent of net revenue compared with 23 percent last year.

Ladies and Gentlemen,

Having provided you with an assessment of the first half of the year and a brief analysis of our strategy, I'd now like to show you in detail how we performed in the individual segments in the second quarter.

Turning first to developments in the USA:

Monthly average revenue in mobile data business of USD 11.60 – representing a 17.2-percent increase over the second quarter of 2009 – has helped stabilize average revenue of our contract customers at USD 52.

Overall, service revenues decreased by 1.1 percent year-on-year. That said, they picked up slightly by 1.4 percent compared with the first quarter of 2010, the first increase since the third quarter of 2008. In addition, the decline in revenues year-on-year contributed to the decline in earnings.

Adjusted EBITDA fell by 11.2 percent year-on-year to EUR 1.4 billion. Higher expenditure on customer acquisition was a major factor in this, although the decline in service revenues also had an impact year-on-year.

Although we increased expenditure to boost our market position, the EBITDA margin came in slightly higher than in the first three months at 26.7 percent.

We are making good progress in expanding our network both with 3G and HSPA+. Our network in the USA is acknowledged as the fastest for data transmission. We have extended our sales platform and added several new 3G devices to our lineup, and we are steadily improving our calling plans.

The development in the second quarter shows that we are on the right track: There is an ever larger number of customers opting for smartphones on T-Mobile's high-speed network.

Ladies and Gentlemen,

Over the past few months and years, we have tackled a great deal of tricky issues at Deutsche Telekom and have achieved a lot.

And there is one thing we are particularly proud of: After many years of decline in our home market, we have managed to stabilize business. Few thought we would manage it when we set ourselves this goal at the start of 2007. We faced a wide range of challenges back in 2006, which we have since tackled successfully. I would like to mention as an example the high number of complaints and the low rate of first-contact resolutions at Deutsche Telekom.

Since then:

- Our customer service has improved dramatically. The number of customer complaints has, for example, more than halved since the end of 2007. Our customer service is now acknowledged as excellent compared with the competition.
- We have introduced new service companies, laying the foundations for decisively improving service quality.
- Our market share of new broadband customers has increased from a meager 6 percent in the second quarter of 2006 to 52 percent between April and June 2010. The number of broadband and Entertain customers as a percentage of our total customer base has increased from 19 percent to over 46 percent since then. We are expecting a share of

around 45 percent of all new customers on the broadband market in 2010 as a whole.

- And our market share of service revenue in mobile communications has also risen from 35.9 percent in the second quarter of 2006 to around 36.9 percent at present. And the number of contract customers has increased by over 2.5 million to 17.2 million.
- Line losses in the fixed-network business are at an all-time low.
- We have almost managed to stop the decline in revenue of the past few years in the second quarter of 2010. In terms of adjusted EBITDA, we have seen an improvement for the first time year-on-year.
- We have also radically simplified our brand identity over the past few years and considerably improved the level of brand acceptance.
- With our Save for Service program, we have substantially improved efficiency and profitability, particularly in the German fixed-network segment. Operating costs amounted to EUR 9.7 billion in the first half of 2006. With Save for Service, we have been able to cut costs by around 20 percent to EUR 7.9 billion in the first six months of 2010.
- We have launched innovations such as Entertain, Deutsche Telekom's television service, and Liga total!, which will set itself even further apart from the competition with its personal Bundesliga summary service. We now have the iPhone 4 in our mobile lineup, a real driver for the mobile Internet. But we also offer other top devices, for example, based on Android, which has quickly made a name for itself on the market as an operating system.

- And last but not least, the integration of mobile and fixed-network communications under the umbrella of the new company in Germany has decisively strengthened our sales power. At the same time, we have launched overarching products and applications like the Program Manager, which allows the Entertain recording function to be controlled from smartphones.

Ladies and Gentlemen,

That is something we are proud of. In the Board of Management and throughout the entire company in Germany. Which is why a huge thank you goes to all the members of staff who have made this success possible. Thank you for your hard work over the past few years. And thank you for your willingness to embrace the necessary changes.

And with that I would now like to hand over to Tim Höttges who will run through the financial figures in more detail with you.