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Start statement René Obermann

– Check against delivery –

Conference Call on Deutsche Telekom's
third quarter report of 2009
November 5, 2009

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Thank you, René Obermann! Turning to our new Germany segment, consisting of fixed and mobile, we are very pleased with the third quarter results:

- German mobile is back to growth with continuing strong margins.
- German fixed line continues its path to stabilization.

Overall revenue in our German home market was down only 2 percent year-on-year, whereas the adjusted EBITDA margin showed a continuous improvement throughout the quarters in 2009.

This strong result is due to our improved market positions both in mobile and fixed and clearly helped by our strong cost-cutting efforts: in the third quarter, adjusted opex were down 5 percent year-on-year.

In German fixed line revenues were down 4 percent year-on-year in the third quarter. This is a better result than the 5.3 percent year-on-year decline in the second quarter. This revenue trend improvement is due in particular to stable pricing for double-play offers. Due to our strong cost discipline we were able to essentially offset the remaining top-line pressure and report an adjusted EBITDA stabilized at around 1.6 billion euros for the last three quarters. Accordingly, the margin improved to 34 percent in Q3 2009 from 33.7 percent in Q3 2008.

In the German broadband market we have seen a significant slowdown in overall market growth. During the last two quarters, total German broadband net adds amounted to only about 400,000 each. As expected and flagged by us before, our retail net adds share in Q3 was hit by the peak of possible contract renewals. As a result, our retail net adds share amounted to only 18 percent in Q3. However, the share was already almost back to normal in September, giving us confidence that we will reach our stated goal of a broadband net adds market share of at least 45 percent in 2009. Cumulatively, as of Q3 the share amounted to 46 percent.

As a result of our weak broadband market share in Q3, PSTN line losses increased by 100,000 compared to Q2. However, cumulated line losses of 1.6 million were still significantly below the prior year and we feel confident that overall 2009 line losses will be approximately 15 percent below the level of 2008.

As in previous quarters, migrations from traditional resale DSL to all-IP impacted line losses in Q3, accounting for approximately 200,000 of the line losses in Q3.

Encouragingly, we achieved a sequential acceleration in the sales of Entertain packages. In total, we have now sold 885,000 Entertain packages, of which

678,000 were already connected as of Q3. Year-to-date we have sold more than 400,000 new Entertain packages, making us very confident to reach our target of 1 million Entertain packages sold in total by year-end.

The German mobile business, which now includes the tower business formerly included in GHS, returned to positive revenue growth of 1.4 percent in Q3. This occurred despite the impact of the MTR cuts of 32 million euros and was supported by O2 roaming revenues booked in the quarter amounting to 26 million euros. Service revenues were almost stable at 1.8 billion euros. In terms of service revenues, we have further expanded our market leadership.

We are particularly pleased with the continuous ramp-up of high-value customers:

- Year-on-year, the contract customer base increased by 2.4 percent.
- Contract MOUs grew by 6.1 percent.
- With an increase of one euro versus Q2 2009, contract ARPU is growing again.
- We had a stellar contract churn rate of just 1 percent in Q3.
- And we had another strong iPhone quarter with 279,000 iPhones sold in Q3, bringing the total number of iPhones sold in Germany to 1.2 million.

The adjusted EBITDA of German mobile has improved throughout the year in absolute terms as well as in terms of the margin.

I am now turning to the new Europe segment, which consists of the mobile businesses in the UK, the Netherlands, Austria, the Czech Republic, and Poland.

Revenues continued to be impacted by regulation and currency. Adjusting for the currency loss of 0.8 billion euros, organic revenues decreased by

2.6 percent in the first nine months, while in the third quarter the organic decrease amounted to 5.6 percent.

Excluding the impact of MTR and roaming regulation, revenue would have been flat organically in Q3 and up 1.1 percent year-on-year in the first nine months.

Adjusted EBITDA for the first nine months decreased by 5.2 percent organically. However, through cost cutting we have been able to significantly improve the overall margin since Q1. In the third quarter the margin amounted to 29 percent, compared to 26 percent the year before. In organic terms, third-quarter adjusted EBITDA improved by 7.2 percent year-on-year.

Despite the cost-cutting initiatives, cash capex remained stable at 0.7 billion euros in the first nine months and market invest was only reduced slightly from 19 percent of revenues to 18 percent in the first nine months of this year. The subscriber base grew by 1.2 percent to over 44 million in highly saturated markets and the contract percentage in the base grew by 1.7 percentage points year-on-year.

With the exception of the UK, where the EBITDA margin is rather stable year-on-year, we were able to improve the margin significantly in all markets. In Poland, we again had significantly better results than TPSA. In the Netherlands, the benefits of integration with Orange are finally coming through with a margin of 28 percent in Q3. Even in hyper-competitive Austria, we were able to achieve a margin of 32 percent.

Results of the new SEE segment, which consists of OTE and our integrated Eastern European businesses, benefitted from the consolidation of OTE. Adverse currency movements also impacted the results in this segment with 0.2 billion euros of revenue and 0.1 billion euros of adjusted EBITDA lost in currency translation in the first nine months of 2009. However, we were able to maintain a consistently high margin above 40 percent for the last three quarters.

Broadband lines grew by 19 percent year-on-year to 3.7 million. The IPTV customer base more than doubled to 339,000 and there were 2 million mobile net adds in the first nine months. Despite the very difficult economic climate, we showed a good operational performance in our Eastern European markets, mostly outperforming our local peers.

In terms of synergy realization we made good progress in Q3. So far we have achieved synergies with an annual run rate of more than 100 million euros, the net effect of which this year is forecast to be 70 million euros. About 57 percent of these synergies relate to capex synergies and 43 percent to opex synergies. For Cosmote the ratio is reverse: 40 percent capex synergies and 60 percent opex synergies. In OTE fixed-line the synergies are derived nearly 100 percent from capex synergies.

In terms of source, 61 percent of the synergies are derived from procurement, 34 percent from terminals, and 5 percent from others.
In terms of company, 62 percent of the synergies are from Cosmote,
26 percent from OTE, and 12 percent from Romtelecom.

In procurement we have achieved double-digit price reductions over average market prices in wireless and wireline access as well as core and control. In terminals we have achieved significant price reductions for Cosmote as a result of a common portfolio selection process between DT and Cosmote. In terms of revenue synergies, the margin initiatives need a longer ramp-up period. Hence, no significant run rates have been achieved year-to-date.

In Systems Solutions, we saw a continuation of trends from the previous quarter with a weaker top line but at the same time ongoing margin turnaround. In Q3 external revenues were down by 5.5 percent due to continued pricing pressure and postponed investment decisions by our customers.

Despite this development, the adjusted EBITDA was up by 13.8 percent, organically even by more than 20 percent, and the margin improved to 10.9 percent from 8.9 percent. Adjusted EBIT grew more than five times year-on-year to 64 million euros, equivalent to a margin of 3 percent. The improvement in profitability demonstrates the success of the efficiency program, with a Save for Service contribution of 0.1 billion euros, especially in IT and production. In terms of big deals, we announced the takeover of SAP's Europe-wide hosting business and a network deal with Nobel Biocare, among others.

As already highlighted at the beginning, we made great progress in Q3 with regard to free cash flow: in the third quarter alone, we achieved a free cash flow of 3.3 billion euros, bringing the total to 5.1 billion euros in the first nine months.

This underlines that we will comfortably reach our full-year target of around 7 billion euros in 2009.

How did we achieve this improvement?

- First, through an operational improvement as demonstrated by the record EBITDA in Q3.
- And, second, via a strong working capital management as flagged previously.

In terms of Save for Service we achieved a further gross cost reduction of 1.3 billion since Q3 2008. This brings the total to 5.4 billion euros, compared to the original target of up to 4.7 billion euros by 2010. In terms of the new segments, 3 billion euros of this amount came from Germany, 1.1 billion from Systems Solutions, and the remainder from Europe and GHS.

It is clear that we will continue with our cost-cutting measures with the same rigor as before. The next phase of our Save for Service program will address 100 percent of the cost base of Deutsche Telekom.

Please understand that, as our financial planning for the next years has not been finalized yet, we will present the details for the next phase of Save for Service together with our full-year results for 2009 as well as the outlook for 2010 in February.

Adjusted net income in Q3 2009 and during the first nine months of 2009 was slightly below the comparable periods in 2008, with the higher adjusted EBITDA offset by higher D&A and higher net financial expense due in particular to the consolidation of OTE.

Let me conclude my part with a quick look at the balance sheet. Our balance sheet ratios remain very solid:

- Despite the OTE takeover we kept our net debt to adjusted EBITDA ratio stable year-on-year.
- Our very solid financial KPIs helped us to refinance 5.3 billion in the debt capital markets in the first nine months.
- Due to our excellent access to the debt capital markets we were able to refinance ourselves at attractive interest rates.

With this I will give the floor back to René Obermann for the outlook.