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statement Timotheus Höttges**

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Statement

delivered at the press conference

on Deutsche Telekom's first half-year results 2009

August 6, 2009 in Bonn

Timotheus Höttges

Chief Financial Officer

Deutsche Telekom AG

Thank you, René Obermann!

I am pleased with the progress we have made in terms of profitability and cash flow in the second quarter. But we still have a lot of work to do.

Group revenues grew by 7.4 percent in the second quarter. This growth was driven by the first-time full consolidation of OTE. Currency impacts were moderately positive overall, with a stronger dollar offsetting the weakness in Eastern European currencies. The underlying organic development of Group revenue was minus 3.3 percent.

Systems Solutions business and BBFN both recorded some improvements in revenue as compared with the first quarter of 2009. In contrast, there was a

slight decline in the trends at Mobile Communications Europe and USA, as was already mentioned by René Obermann.

Compared to revenues, the adjusted EBITDA performance in Q2 was much more satisfying. Supported by the OTE consolidation, adjusted EBITDA grew by 8.4 percent to EUR 5.3 billion. The underlying organic development, adjusted for currency effects and changes in the consolidated group, was minus 3.2 percent. This is considerably better than minus 6.6 percent in the first quarter. With the exception of BBFN, where the second quarter was more or less in line with the first quarter, all other divisions saw strong improvements in the underlying organic growth rates. In Systems Solutions, adjusted EBITDA increased organically by almost one third. US adjusted EBITDA was basically flat, compared to a decrease of 7.2 percent in the first quarter. In organic terms, adjusted EBITDA in Mobile Communications Europe declined by 4.4 percent in the second quarter, compared to minus 13.5 percent in the first quarter. Within European mobile, Austria, the Czech Republic, and Poland all had positive year-on-year organic growth rates.

Turning to free cash flow: Second-quarter free cash flow amounted to EUR 1.4 billion, up significantly from EUR 0.4 billion in the first quarter. I am happy with the significant improvement in trend quarter-on-quarter. However, I am clearly not satisfied with the performance in the first half of the year. Looking at the entire first half, free cash flow amounted to EUR 1.8 billion. Despite the improvement in adjusted EBITDA, other factors continued to weigh on free cash flow.

Most prominently, cash outflows for investments, the so-called cash capex, increased by EUR 1.2 billion year-on-year. Of this EUR 1.2 billion increase, roughly EUR 0.5 billion each came from Mobile Communications USA and BBFN, and the remaining increase of EUR 0.2 billion was due to Mobile Communications Europe. The increase in the US was driven partly by

currency, but underlying cash capex in US dollars also increased by a quarter in the first half, driven by the accelerated 3G rollout. Of the total EUR 1.2 billion increase in cash capex, around EUR 0.4 billion was incremental in Q2.

Compared to the first half of 2008, changes to provisions including the payment of variable compensation totaling EUR 0.7 billion had a negative impact on free cash flow.

Cash taxes and restructuring payments increased by EUR 0.2 billion each.

How do we plan to achieve our full-year free cash flow guidance of around EUR 7 billion including OTE?

First of all, we expect second-half adjusted EBITDA to be higher than first-half adjusted EBITDA. Using the mid-point of our guidance, this implies an improvement by approximately EUR 0.8 billion in H2 versus H1.

We plan full-year cash capex of around EUR 9 billion including OTE, which implies a EUR 0.6 billion reduction in H2 versus H1.

In addition, a number of specific H1 payments will not re-occur in H2, such as the advance payments for the civil service pensions and variable compensation payments.

Finally, we are aiming for a substantial working capital improvement in H2, based on strict management of receivables, liabilities, and inventories.

We made further significant progress with regard to cost cutting with a first-half "Save for Service" contribution of EUR 771 million. EUR 500 million of these savings were made in the second quarter, which is about double the amount recorded in the first quarter.

The first-half “Save for Service” savings thus clearly exceeded the incremental market spend of EUR 560 million. Nevertheless, the cost base increased as expected due the first-time consolidation of OTE and currencies.

With a total “Save for Service” gross cost reduction of EUR 4.9 billion, we have now exceeded our original target of EUR 4.7 billion 18 months ahead of schedule. Of the EUR 4.9 billion, slightly more than 50 percent came from BBFN, just under 20 percent each from Mobile and Systems Solutions, and the remainder from GHS.

Prominent examples of the net impact of our 2007 to 2009 “Save for Service” initiatives are:

- A EUR 1.4 billion reduction of our domestic adjusted personnel expenses.
- A reduction of our marketing costs by EUR 200 million as a result of the streamlining of our marketing/communication budget and a more focused brand portfolio.
- A EUR 2.0 billion opex reduction at T-Home in Germany between the end of 2007 and the first half of 2009.

While we are very satisfied having overachieved our original target ahead of plan, this is clearly not the end of cost cutting at Deutsche Telekom. To the contrary, we are focused on achieving additional savings and will update you on our new “Save for Service” initiatives and targets in the fourth quarter, as René Obermann already mentioned.

A big driver of past and future cost reductions is continued headcount reduction in Germany and other markets. While group headcount increased by almost 15 percent compared to the end of 2008 due to the OTE consolidation, domestic headcount decreased by almost 12,000 employees year-on-year, a

reduction of 8.4 percent. This was primarily attributable to the deconsolidation of DeTelImmobilien.

The headcount reduction resulted in a 6.3 percent reduction of domestic adjusted personnel expenses and a reduction of 40 basis points in the domestic adjusted group personnel cost ratio to just over 30 percent. The first-half reduction of headcount in Germany was relatively small due to a front loading of employee hires (1,900 new employees), which should normalize in the second half of the year.

Turning to the bottom line, we had a good second quarter relative to the second quarter of last year. Reported net income increased by 32.2 percent to EUR 521 million. The consolidation of OTE is responsible for the increase in D&A. This increase, however, was offset by the improvement in EBITDA. Reported net income also benefited from lower net interest expense and lower profit attributable to minorities. Looking at the first six months, reported net income was still negative due to the first-quarter impairment loss recognized on the goodwill of T-Mobile UK.

Adjusted net income excluding special factors also increased significantly in the second quarter by 19.4 percent to EUR 756 million, with the improvement driven by more or less the same factors as for reported net income.

Special factors in the second quarter amounted to minus EUR 235 million. Of this amount, minus EUR 183 million were expenses for staff-related measures, primarily severance payments, and EUR 31 million were other restructuring expenses. Financial results were impacted by special factors in connection with interest cost added back to pension provisions totaling minus EUR 112 million, partially offset by positive special factors of EUR 49 million in terms of income tax expenses.

Adjusted net income improved by 2 percent in the first six months of 2009 to just over EUR 1.4 billion, with the improvement in adjusted EBITDA being offset by higher D&A.

Net debt increased from EUR 42.8 billion at the end of March to EUR 45 billion at the end of June as a result of dividend payments of EUR 3.8 billion, including minorities. The outflow was partially offset by the second-quarter free cash flow of EUR 1.4 billion.

Despite the increase in net debt our balance sheet ratios remain solid and well within the comfort zone ratios. As of June 30, 2006, the gearing, i.e. the ratio of net debt to shareholders' equity amounted to 1.1 times and the equity ratio to 31.2 percent. We are thus within our comfort zone ratio of 0.8 to 1.2 times for gearing and 25 to 35 percent for the equity ratio.

We have also maintained our strong liquidity reserves of EUR 22 billion as of the end of the quarter, made up of EUR 6.8 billion in cash and cash equivalents and EUR 15.2 billion in credit lines not yet drawn. These included 28 bilateral credit facilities of EUR 600 million each adding up to EUR 16.8 billion. The average time to maturity of these credit lines was 2.1 years per June 30, 2009. OTE had EUR 350 million of credit facilities not drawn, which are maturing from 2010 to 2012 with the majority in 2012.

Let me end my remarks with a look at the maturity profile. As of June 30, 2009, we had remaining maturities of EUR 2.5 billion. The maturities are well balanced. Generally, we would be able to fund upcoming maturities out of our organic free cash flow generation. Additionally, we have sufficient unused bilateral credit lines at hand. As of June 30, this year we have done funding of EUR 4.9 billion, including euro bonds of EUR 2 billion and US dollar bonds of EUR 1.1 billion. We will continue to tap the debt market opportunistically in the

case of favorable market conditions. In July, we made a private placement of EUR 350 million in addition to the EUR 4.9 billion.

With this, we are now ready for your questions.