– The spoken word shall prevail –

Conference Call
Deutsche Telekom AG at First Quarter 2009
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Thank you, René!

Let us now get down to the details and have a look at the first chart of our financials – revenue growth. In terms of group financials, revenue grew by 6 percent in the first quarter due to the consolidation of OTE and SunCom. As a result, T-Mobile Europe, T-Mobile US, and BBFN all had positive revenue growth in the first quarter. The impact of foreign exchange was slightly positive overall, with the stronger dollar more than offsetting weaker European currencies, including pound sterling and the Polish zloty. Organically, only Mobile US and GHS grew this quarter. Next slide please.

The next chart shows adjusted EBITDA growth due to consolidation effects. Adjusted EBITDA grew by 3 percent, again driven by the consolidation of OTE and SunCom. The impact of foreign exchange was also slightly positive. Compared to revenues, adjusted EBITDA was impacted to a larger extent by organic change, especially at Mobile Europe and Mobile US, as we already highlighted on April 21. Next slide please.

That takes us to the chart on free cash flow. Also on April 21, we already talked about the fact that free cash flow was impacted by significant front-loading effects this quarter. Compared to the first quarter of 2008, cash capex increased by EUR 0.8 billion. Half of this increase was due to a shift in payment schedule and EUR 0.3 billion to front-loading in volume. Compared to the first quarter of 2008, cash capex increased in all divisions, with the strongest increases at Mobile US, Mobile Europe, and BBFN.

Drivers for capex front-loading were the accelerated 3G rollout at Mobile US and Europe and the 2G roaming overbuild at Mobile US. Restructuring payments increased by EUR 0.3 billion, primarily due to higher payments for redundancies at T-Service, most of which already took place in December 2008. The increase in cash taxes and interest payments was due to the consolidation of OTE. Based on all these factors, free cash flow was reduced to EUR 0.25 billion from EUR 1.6 billion the year before. Due to the front-loading nature of many of these factors, we expect free cash flow to normalize in future quarters. Next slide please.

With regard to our cost-cutting program “Save for Service” the following chart shows we are well ahead of plan, having already achieved an annual run-rate of gross savings of EUR 4.4 billion as of the first quarter, compared to a target of more than EUR 4.7 billion by 2010. More than half of the EUR 4.4. billion came from BBFN, roughly 20 percent from Mobile, and the remainder from Systems Solutions and GHS. In the first quarter, we achieved an incremental contribution of EUR 270 million, with again roughly half coming from BBFN, but also a significant contribution from Systems Solutions. Despite these cost cuts, the cost base of the group nevertheless increased year-on-year due to the consolidation of OTE and SunCom and higher market spend. Next slide please.

Turning to net income: As the next chart shows , reported net income turned negative this quarter, compared to the first quarter of 2008. The main factor for this development was a goodwill write-down of EUR 1.8 billion at T-Mobile UK. This means specifically that we recognized an impairment loss on the goodwill of the cash-generating unit T-Mobile UK. Events or circumstances that resulted in this impairment loss primarily include the major economic slowdown and more intense competition in the United Kingdom. Lower roaming revenues and newly introduced regulation of roaming and termination charges had a negative impact on revenue. Increased termination charges for the use of third-party mobile communications networks and high levels of expenditure for customer acquisition and retention resulted in increases in the cost base. Next slide please.

The chart on adjusted net income shows that since the goodwill write-down was a special factor, it did not impact adjusted net income, which decreased by 12.7 percent from EUR 0.8 billion to EUR 0.7 billion. While the consolidation of OTE led to an increase in D&A and a slight deterioration of the net financial expense, the overall impact on adjusted net income was nevertheless accretive due to the positive impact of the consolidation on adjusted EBITDA. Therefore, the decrease in net income was caused by the weaker performance in other areas, including Mobile Europe and US. Next slide please.

Turning to the balance sheet, the following chart shows that net debt increased to EUR 42.8 billion, compared to EUR 38.2 billion at the end of 2008. Of the increase, EUR 4.3 billion were due to the consolidation of OTE, offset partially by the free cash flow of EUR 0.3 billion. The remainder was caused by foreign exchange effects, a dividend payment at HT in Croatia, and other smaller factors. Next slide please.

This chart shows the balance sheet ratios. Despite the increase in net debt, our balance sheet ratios remained solid and well within the comfort zone ratios. The gearing at the end of Q1 was 0.9 times, the same as at the end of 2008 and just slightly higher than a year ago. This compares to our comfort zone of 0.8 to 1.2 times. The equity ratio excluding the dividend was 31.2 percent at the end of Q1, approximately one percentage point below the ratio at the end of 2008 and well within our comfort zone of 25 to 35 percent. Next slide please.

Let us have a look at the chart with the liquidity reserves. Compared to the end of 2008, our liquidity reserves increased from EUR 20 to EUR 22.3 billion. In terms of percentage of net debt, the liquidity reserves remained constant at 52 percent, well ahead of the comfort zone ratio of 30 percent. As per March 31 the average time to maturity of our 28 credit lines was 2.1 years. Next slide please.

We have now reached the last chart – the maturity profile as of March 31, 2009.
Following the OTE acquisition, we had remaining maturities in 2009 of EUR 3.3 billion at the end of Q1, including EUR 0.6 billion from OTE, compared to EUR 4.4 billion, excluding OTE, at the end of 2009. Combined with our ample liquidity reserves and projected free cash flow we remain in a very comfortable financial situation.

With this we are now ready for your questions.