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– Check against delivery –

**Statement  
delivered at the press conference  
on Deutsche Telekom's first half-year results 2008  
August 7, 2008, in Bonn**

**Dr. Karl-Gerhard Eick  
Member of the Board of Management Finance,  
Deputy CEO  
Deutsche Telekom AG**

Thank you, Rene!

I am very pleased with our second quarter results, especially with the improvements in our domestic operations. On an organic basis, that is adjusted for currency effects and changes in the scope of consolidation, both revenues and adjusted EBITDA were stable year-on-year in the second quarter. I will comment on the development by division in a minute, but let me highlight the development in Broadband/Fixed Network, where the domestic revenue decline improved to minus 4.4 percent with stable adjusted EBITDA, compared to the second quarter of 2007. The development in domestic Mobile was also encouraging, where we saw a year-on-year increase in adjusted EBITDA for the first time in three years.

Reported net income in the second quarter was impacted by a number of special factors, amounting to minus EUR 239 million in total. These con-

sisted primarily of personnel-related restructuring expenses. In addition, net interest expense was impacted by a one-time charge of EUR 0.2 billion for the additional interest expense for bonds with step-up clauses due to the ratings downgrade. This charge was not booked as a special factor and therefore impacted both reported and adjusted net income. Adjusted for special factors, but including this one-time "step-up" charge, adjusted net income increased by eleven percent to EUR 633 million in the second quarter.

Free cash flow continued its positive trend from the first quarter and increased by twelve percent to close to EUR 2 billion in the second quarter alone.

Let me now discuss the divisions, starting with Mobile. On balance we saw good results here. At an organic level, the customer base grew by ten million to 125 million. We saw particularly strong customer growth in the U.S., Germany, the Netherlands, and several Eastern European markets, including Hungary and Croatia.

Financial results were once again impacted by adverse foreign exchange movements, especially in terms of the dollar/euro and pound sterling/euro exchange rates. While reported revenues were essentially flat, they grew by close to four percent on an organic basis. Continued strong organic growth in the U.S. was the main driver behind this development.

Despite the negative foreign exchange effects, reported adjusted EBITDA grew by 3.4 percent. This was driven by more than five percent adjusted EBITDA growth in our European mobile operations, with good growth in most countries including Germany, more than offsetting weaker development in the UK and Austria. Adjusted EBITDA for T-Mobile USA stayed essentially flat in euro terms. In organic terms, adjusted EBITDA for the Mobile division grew by 5.3 percent to EUR 2.9 billion, mostly driven by the U.S., which remains the strongest organic growth driver for the Group.

Turning now to Broadband/Fixed Network or BBFN, revenue trends improved compared to the first quarter, while we were able to keep EBITDA stable with good progress on cost cutting. With a domestic revenue decline of 4.4 percent, we were at the upper end of our guidance range of minus four to minus six percent for the whole year. Adjusted EBITDA for BBFN as a whole benefited from the deconsolidation of T-Online France and Spain last year. Including the EBITDA benefit from the sale of these loss-making operations, adjusted EBITDA at BBFN remained stable. Domestic adjusted EBITDA remained stable as well, with cost cuts offsetting the impact of the negative revenue development.

Let's have a closer look at the domestic revenue development at BBFN. Compared to the first quarter the revenue decline improved from minus six percent year-on-year to minus 4.4 percent in the second quarter. This improvement was mainly due to a lesser decline in calling revenues. These decreased by 16.5 percent year-on-year in the second quarter, compared to a decline of 22.8 percent in the first quarter. In addition, IP/Internet revenues grew by 4.7 percent in the second quarter, compared to a decrease of 1.3 percent in the first quarter.

As we saw, adjusted EBITDA in BBFN remained stable. The domestic revenue decline of approximately EUR 220 million was more than offset by domestic opex cuts amounting to approximately EUR 240 million. Additional savings from our "Save for Service" Group cost cutting program in BBFN amounted to EUR 0.4 billion. These savings came from a variety of sources, including production, sales and service, marketing, IT and overheads.

The results in Business Customers continued to be impacted by the sale of Media & Broadcast and the transfer of Active Billing to BBFN. Adjusted for these effects and assuming constant currencies, total revenues declined by just 1.2 percent in the second quarter, compared to a decline of 5.2 percent in the first quarter. This development was supported by continued growth in international revenues, which grew by 3.4 percent in the second quarter.

Adjusted EBITDA, however, remained under pressure, even when adjusted for the sale of Media & Broadcast and the transfer of Active Billing and assuming constant currencies. The decline of eleven percent adjusted is due to continued pricing and competitive pressure.

In terms of our "Save for Service" cost cutting program, by mid-year we had already achieved a total run-rate of EUR 3 billion annually, compared to the target for 2010 of EUR 4.2 to 4.7 billion of gross cost cuts. The Q2 contribution alone amounted to EUR 0.5 billion. This combined with F/X developments more than compensated for higher market spend and led to a net cost base reduction in the Group of EUR 0.4 billion, compared to Q2/07. Specific cost-cutting measures in the second quarter included:

- At BBFN, more insourcing in production and IT and reduction of sales & service costs.
- In Mobile, first cost savings from the network JV in the UK.
- In Business Customers, personnel reductions at Systems Integration in Germany.
- And at GHS, personnel reductions at Deutsche Telekom headquarters and opex reductions resulting from the shared service initiatives.

In terms of personnel, the headcount of the Group was reduced by 6,900 employees or 2.8 percent over the past year. This consists of a headcount reduction of 11,500 employees or 7.5 percent in Germany, which more than offset an increase of 4,600 employees outside Germany. As a result of this headcount reduction we were able to reduce adjusted personnel expenses in the first half by four percent for the Group and six percent domestically. This also resulted in slightly improved personnel cost ratios.

Turning now to the main financial metrics for the Group, free cash flow in the second quarter improved to EUR 2 billion, despite higher capex. Cash generated from operations improved from EUR 4.1 to 4.4 billion due to slightly lower income tax payments and less of a negative impact from working capital than in the second quarter of 2007. Net interest payments im-

proved, in particular, due to a special interest payment of EUR 190 million in May 2007 for a bond which matured that month. Accordingly, net cash provided by operating activities improved from EUR 3.2 to 3.7 billion. This more than compensated for the increase in cash capex, which was caused in particular by the 3G-driven increase in capex at T-Mobile USA, and the decline of proceeds from the disposal of assets due to lower proceeds from real estate sales.

As I mentioned, reported net income was impacted by special factors amounting to EUR 239 million, consisting mainly of personnel-related restructuring payments. In Q2 2007, however, the negative special factors from restructuring were compensated by the gain from the sale of T-Online France. In addition, net financial expenses were impacted by the one-time "step-up" charge of EUR 0.2 billion from the ratings downgrade. These two factors and a slight increase in minorities more than offset a reduction in P&L taxes.

Adjusted for special factors, net income continued to improve, compared to the prior year. The second quarter increase of 11.1 percent would have been even stronger, were it not for the "step-up" charge of EUR 0.2 billion.

Turning to the balance sheet, net debt increased significantly in the second quarter. This was mainly due to the dividends of EUR 3.7 billion paid in the second quarter, including dividends paid to minorities in our Eastern European holdings, and the payment of EUR 2.6 billion for the initial 20 percent stake in OTE. These more than offset our free cash flow of EUR 2 billion in the second quarter. We ended the quarter with net debt of EUR 40.6 billion, compared to EUR 35.9 billion at the end of the first quarter. Despite this increase, our balance sheet ratios remained healthy with a gearing ratio of one and an equity ratio of 35.1 percent.

With this René and I are now ready for your questions.