– The spoken word shall prevail –

Speech at the annual press conference on the 2010 financial year
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René Obermann
Chairman of the Board of Management
Deutsche Telekom AG

Good morning, Ladies and Gentlemen,
I am pleased to welcome you to our press conference on the 2010 financial year.

Last year – like 2009 – was a year in which we had to face a range of very different challenges in our markets. But we found good, future-oriented solutions to them.

Overall we are therefore satisfied with the results. Adjusted EBITDA was in line with our forecast at EUR 19.5 billion. Free cash flow at EUR 6.5 billion was even substantially above our original guidance. This is a clear indication of Deutsche Telekom's financial strength – and is important for the dividend, which is taken from cash flow.

Net revenue of the Group increased slightly by 0.4 percent in 2010 on a like-for-like basis – in other words, excluding T-Mobile UK from the end of the first quarter. This is clearly driven by the development of our strategic growth areas. Overall, we have recorded growth of more than 10 percent to a total of over EUR 17 billion in these areas. Adjusted net profit of EUR 3.4 billion is on a par with the 2009 figure. Reported net profit totaled EUR 1.7 billion, just under five times the figure we posted for 2009.

Based on these figures and the strong free cash flow in particular we – together with the Supervisory Board – will be proposing to the shareholders' meeting on May 12 payment of a dividend of 70 euro cents per share. Together with the share buy-backs in 2010 totaling EUR 400 million this is equivalent to total remuneration of EUR 3.4 billion – which is exactly what we announced with our shareholder remuneration policy for 2010 through 2012.

Ladies and Gentlemen,
We are particularly proud of developments in Germany: We have further stabilized revenue and can also report a slight increase in the fourth quarter. Adjusted EBITDA remained stable and the margin increased to 38.3 percent.

In the Europe segment, we have increased our cash flow slightly and improved our EBITDA margin by 1.5 percentage points. And we did so despite difficult overall economic conditions and additional negative factors in several countries, such as the special tax in Hungary levied for the first time in 2010.

The positive development of T-Systems has continued apace: Revenue from customers outside Deutsche Telekom grew by 5.4 percent. The adjusted EBIT margin also increased again, by more than one percentage point to the current level of 3.7 percent.

Revenue from the mobile Internet increased by 29.2 percent to around EUR 4.4 billion. This strong trend will continue – and it is good that we focused our attention on this segment very early on.

In the United States, the roll-out of our network for high-speed mobile Internet and a wide range of new smartphones are beginning to bear fruit – a situation reflected, above all, in the sharp increase in mobile data revenue, driven by the approximately 8.2 million smartphones currently on our 4G network.

The persistently high churn rate in the contract customer segment means the overall picture is not quite so rosy. And for that reason revenue development in 2010 is unsatisfactory overall. We have to change this, and we will. I will come back to T-Mobile USA again in a moment.

We successfully launched the second phase of our Save for Service program. We intend to generate overall savings of EUR 4.2 billion between 2010 and 2012. In the first year we made gross savings of EUR 2.4 billion, which is equivalent to 60 percent of our target figure. We have directly reinvested a large part of the savings to improve our market position in the various operating segments. In total, we have cut our cost base by around EUR 1 billion net.

The next chart summarizes the development of revenue and earnings on the basis of key figures for the full year. The comparison of figures excluding T-Mobile UK from the end of the first quarter of 2010 onwards is important here as this is the Group line-up with which we are starting 2011. And you can see that revenue increased by 0.4 percent year-on-year in 2010 on a like-for-like basis.

This is highlighted once again by a comparison of the fourth quarters of 2009 and 2010 on the next chart – excluding T-Mobile UK, revenue increased slightly by 0.4 percent.

The earnings figures for the fourth quarter comprise a number of factors that slightly distort the positive development of our operating business.

In Poland, for example, we had one-time expenses for the settlement of our long-running legal disputes. This step was necessary from a strategic point of view. So we finally agreed on a solution for PTC after all these years that will give us full, undisputed ownership of the company at very good terms and conditions. We can now take PTC forward and develop it, unhampered by those legal disputes – for instance with our planned network partnership with Orange Poland. This venture will enable us to expand our network jointly at a much lower cost.

In addition, the regular impairment test resulted in impairment losses of some EUR 0.7 billion, which impact profit and loss before taxes as a special factor. These impairment losses had to be recognized in Greece and Romania.

We also recorded special factors in EBITDA of around EUR 0.6 billion, the vast majority in Germany, relating to our socially conscious staff restructuring measures.

Combined, these three factors resulted in a difference of EUR 1.3 billion between reported and adjusted net profit.

And let us not forget the special tax in Hungary which has impacted revenue as well as adjusted and unadjusted EBITDA to the tune of some EUR 0.1 billion. This tax alone accounts for around 60 percent of the decline in adjusted EBITDA in the Europe segment.

Despite these factors – as I said earlier – adjusted EBITDA has come in as forecast. The fact that we also delivered on our free cash flow guidance and that net profit has increased substantially shows just how strong Deutsche Telekom is.

Ladies and Gentlemen,
We are convinced that this trend is set to continue. What this means for our outlook for 2011 in concrete terms is this:

Adjusted EBITDA is expected to remain almost stable at around EUR 19.1 billion – this also corresponds to current expectations in the capital market. It should be remembered that there will be no contribution to earnings from T-Mobile UK in 2011.

We are expecting free cash flow to remain stable at EUR 6.5 billion at the least, or even to grow slightly. This does not include the one-time payment made to settle the PTC issue. A quick look back: When we announced our strategy in March last year we forecast free cash flow of EUR 6.2 billion for 2010, followed by a slight increase in 2011. So you see, we have substantially increased our forecast in this respect.

That is the basis on which we also intend to implement our shareholder remuneration policy in 2011: payment of total remuneration of EUR 3.4 billion with a minimum dividend of 70 euro cents per share and the option of buying back more of our own shares.

The focus of our operations in 2011 is on our new approach to the U.S. market: We want to grow again in terms of revenue while maintaining a stable margin. To help improve our results at T-Mobile USA, we have launched another efficiency program – "Reinvent" – which we expect to generate savings up around USD 1 billion by 2013.

In Germany, we aim to defend our strong market position and stabilize adjusted EBITDA – despite the massive cuts in mobile termination charges and the subsequent pressure on revenue. Our aim for the Europe segment is to stabilize cash flows and defend our market position in each country.

T-Systems continues to focus on the ICT services growth market offering solutions for corporate customers and innovative network solutions. We plan to increase our revenue efficiency further, supported by cost-cutting measures.

We will certainly continue to focus on the mobile Internet, triple-play products, and convergence offerings and push innovations in the field of intelligent network solutions.

We are also aiming to further improve our efficiency. I mentioned earlier our savings target of approximately EUR 4.2 billion gross for 2010 through 2012. This includes net savings of some EUR 1.8 billion at Telekom Deutschland and in the countries of Southern and Eastern Europe.

Ladies and Gentlemen,
Let me now just outline the progress we have made implementing our Fix – Transform – Innovate strategy. In March we told you how we aim to develop our business and stated specific measures and clear targets through 2015. What have we achieved thus far? Let me go into more detail on some important points:

In the past year we resolved two major challenges: We incorporated T-Mobile UK into the Everything Everywhere joint venture with Orange, which was launched on April 1. We are already seeing that our maxim of "Better a 50 percent stake in the number one than being the sole proprietor of the number four in the market" was the right way to go. Everything Everywhere has paid us a dividend of EUR 380 million from free cash flow and operationally, the joint venture has helped us acquire some 300,000 new contract customers in the fourth quarter. That is quite promising.

I already briefly mentioned PTC. In 2010 the company increased revenue on a euro basis by just under five percent and improved its EBITDA margin by 2.5 percentage points. Year-on-year, the number of contract customers increased by 140,000.

Our mobile communications companies in Austria and the Netherlands have also improved their margins. In the Europe segment overall, the number of contract customers increased by some 1.1 million.

In the United States, monthly data revenue per user increased sharply again in the fourth quarter by 25.5 percent to USD 12.80. Here too, we have been very successful with our strategy of promoting the mobile Internet.

In 2010 we completed the integration of fixed-network and mobile communications activities in Germany, Slovakia, and Croatia with our integrated companies. This integration of fixed network and mobile communications has delivered additional results in Germany: We have just launched the integrated wireless product "Call & Surf via Funk", implementing our broadband products via LTE and carrying voice traffic over the fixed network.

We are continuing to build the networks and processes for the gigabit society. In Germany that means further expanding the 3G network and rapid roll-out of an LTE infrastructure. LTE has helped us close several hundred gaps in coverage. And our wireless "Call & Surf Comfort via Funk" product means that many areas that had to do without DSL in the past will get high-speed Internet access. And we are also pushing forward with rolling out optical fiber. We are demonstrating clearly that we want to offer broadband for more customer groups and expand the possibilities for use with high bandwidth. That's another contribution to our transformation into a "telco plus". We will tell you more about that at CeBIT.

One striking example of "connected life across all screens" is the sharp increase in the proportion of smartphones in the total number of cell phones sold. In Europe, the number of smartphones sold increased last year by 57 percent and now stands at around four million. Handsets running the Android operating system accounted for over 25 percent of total sales in the fourth quarter, and that figure is growing all the time. We can offer smartphones in a range of price categories and with different operating systems. This supports our strategy of making the mobile Internet affordable for many customer groups and, as a result, of benefiting from mobile Internet growth.

T-Systems has launched innovative products for connected life such as "Infrastructure as a service." At the same time, pilot projects for smart metering and e-health have been set up to promote business with innovative network solutions. T-Systems once again landed a number of big deals in 2010.

We have defined five growth areas as part of our strategy and set out specific revenue targets for each of them. With the results achieved last year, we are well on track to achieving our targets for 2015.

I have already touched on some topics, such as the growth in revenue from the mobile Internet of 29.2 percent, which corresponds to EUR 1 billion, to around EUR 4.4 billion. Growth has once again sped up in this sector compared with the first nine months when we were looking at an increase of 26 percent. Or the progress made by T-Systems in business with customers outside the Group.

We are seeing solid growth in revenue with double- and triple-play products for the connected home and with new products such as Home Gateway and Communication Suite. Here, growth has been in the order of five percent to EUR 5.5 billion. Our Internet products contributed around EUR 1 billion to revenue in 2010 – a 13.1 percent year-on-year increase.

We are currently not generating significant revenues from intelligent network solutions. That said, we have set up a host of promising projects and colla-borative ventures, such as with smart metering or with the connected car. More about all that at CeBIT in three days' time.

Ladies and Gentlemen,
Before I hand over to Tim Höttges who will, as usual, provide the details on the developments in the operating segments, I would like to tell you a little more about our strategy for T-Mobile USA.

Philipp Humm and I presented it to you at the end of January. We have set ourselves a clear goal. We want to have increasing revenues together with a stable margin before the end of 2011. Undoubtedly, certain challenges lie ahead. But on the other hand, we are also seeing a host of very positive fac-tors that make us confident that we will see T-Mobile USA meet its targets.

What's positive is that service revenues are starting to stabilize and remained at the prior-year level in the fourth quarter. The strong growth in data revenues played a major part in keeping the monthly revenue per user stable at USD 46. Business with terminal equipment insurance, which T-Mobile USA – like its competitors – has now been offering directly since the fourth quarter of 2010, had a positive impact on revenue.

Adjusted EBITDA came in virtually stable year-on-year, just as the margin did. This was thanks to lower costs for new customer acquisition and the retention of existing customers in the fourth quarter.

At the same time, the matter of customer acquisition and retention poses one of the biggest challenges. The churn rate among contract customers is too high and we are aiming to – and must – rectify this situation before the end of this year. The trend is reflected in the number of net adds last year and in the fourth quarter. Over the past three months of this year we have lost a net total of 318,000 contract customers. We not only have to expand our customer base. Acquiring a new mobile customer costs considerably more than retaining an existing customer. So reducing churn clearly contributes to improving earnings.

We gained almost 300,000 net customers in the prepay segment – also because we have expanded our alliances with mobile providers that do not have their own network.

An important selling point in competition in the United States is the combination of a broad range of smartphones – in particular reasonably-priced devices – with affordable rates and our well-developed and fast network. This will set us apart from the rest.

T-Mobile USA has continued to expand its 4G network with transmission speeds of up to 21 megabits per second, which now reaches 200 million people in 100 major cities in the United States. We have the largest 4G network in the United States. The next stage is to increase transmission speed to 42 megabits per second. By mid-2011 we will therefore be able to offer services to some 140 million people.

We have set clear targets for T-Mobile USA for 2011 – and beyond:

- We want to increase our revenue again while maintaining a stable margin. The "Grow" and "Reinvent" programs are therefore central to the work of the team built around Philipp Humm.
- "Grow" envisages revenue growth of USD 3 billion through 2014. We aim to benefit even more from market growth, particularly with the mobile Internet.
- At the same time, "Reinvent" is intended to generate gross savings of USD 1 billion through 2013, which will improve earnings further.
- Finally, the churn rate among contract customers is to be reduced toward the two-percent mark in 2011 compared with 2.3 percent for the whole of 2010.

And with that, I would now like to hand you over to Tim Höttges who will take you through developments in our business in Germany.