– The spoken word shall prevail –

Speech at the annual press conference on the 2010 financial year
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Thank you, René Obermann!

Overall, we are quite pleased with the financial results for the Germany division: Both revenues and adjusted EBITDA grew in Q4 with the EBITDA performance supported by a 1.7 percent reduction in adjusted opex. Accordingly, the margin improved by 0.3 percentage points year-on-year to almost 37 percent in Q4, continuing the positive trend of the past two quarters.

Let’s turn to the details, starting with fixed: As already indicated in Q3, revenue trends have significantly improved in the fourth quarter. The resulting year-over-year revenue decline of 3 percent for the full year is a further improvement over the prior year (2009 vs. 2008: -5.3 percent) and shows that we are well on our way toward stabilizing German revenues as a whole by 2012.

Adjusted EBITDA increased by 1.1 percent to almost EUR 1.5 billion in Q4 despite the as usual higher fourth-quarter commercial efforts, driven by adjusted opex savings of 3.8 percent.

Our broadband net add share in Q4 was impacted by very aggressive unbundlers who gained market share at the expense of cable. We are not happy with the resulting 30.1 percent share in Q4, but we remained very competitive overall, as can be seen by the significant reduction in line losses, which im-proved at a 20 percent CAGR over the last two years and were below 1.6 million in 2010. This is the lowest they have been for 5 years. With our double-play price cut in Q4, while at the same time increasing standard download speeds to up to 16 Megabits per second, we have improved our competitiveness in the marketplace going forward.

Importantly, solid IPTV growth continued with over 500,000 additional marketed Entertain customers in 2010 and an Entertain customer base of close to 1.6 million packages sold by year-end, higher than the guided number of 1.5 million. Of the 1.6 million packages sold 1.2 million were already connected.

In German mobile we continued our market outperformance despite the impact of the MTR cuts. Adjusted for the impact of the MTR cuts, service revenues grew by 5 percent year-on-year in Q4.

This solid growth in service revenues was driven by data revenue growth of 28 percent. We have further increased our lead in terms of service revenues year-on-year. Despite the loss of iPhone exclusivity, we continued very strong iPhone sales with almost 350,000 iPhones sold in Q4 alone. In addition, we sold almost 50,000 Windows 7 smartphones.

Also adjusted for the impact of the MTR cuts, adjusted EBITDA grew by 1.1 percent to over EUR 900 million. With an adjusted EBITDA margin of 41.7 percent, we were ahead of all our competitors.

Turning to the Europe segment, despite a difficult macroeconomic environment, the impressive growth in strategic products continued.

The number of TV customers grew by almost a quarter to 2.4 million, which is of essential importance for customer retention and ARPU stabilization at our businesses and is an integral part of our "connected life across all screens" strategy.

At the same time, the smartphone share more than doubled to 34 percent of new and retained customers in Q4, which lays the foundation for even stronger mobile data revenue growth.

In addition, broadband customers grew by 12 percent in 2010 to 4.6 million, with the number of mobile contract customers increasing by more than 1 million, or 4 percent, to over 26 million.

Financially, we were able to keep the cash contribution of the Europe segment almost stable, despite the EBITDA decline, due to capex discipline – and in spite of the new special tax levied in Hungary, which I will go into in more detail shortly.

Let’s have a closer look at the financial developments in the integrated operations of the Europe segment:

The OTE group maintained a relatively stable margin of 34 percent overall in Q4 despite continuing revenue pressures. In Greece, we gained traction in broadband net adds from new tariffs and the IPTV customers more than tripled to 50,000.

We are pleased with the continued strong performance of our operations in Croatia, which managed to improve the margin to 41percent. IPTV customers improved by 26 percent year-on-year to 297,000.

The performance of the Magyar Telekom group was severely impacted by the special tax on revenue, which impacted both revenues and adjusted EBITDA by EUR 90 million in Q4. Excluding this tax, the adjusted EBITDA would have been essentially stable year-on-year and the margin would have increased to 38 percent. Operationally, the number of TV customers grew by 19 percent year-on-year to 750,000. Thanks to our investments into network superiority and our smartphone push, we are continuously outperforming our peers in the Hungarian market.

Finally, Slovakia had a revenue and adjusted EBITDA development similar to the previous quarter. We could compensate the decline in mobile revenues partially by growth in fixed network revenues.

Turning to the mobile-centric assets, developments were not uniform:

In Poland, we had a very good year: we increased revenues by almost 5 percent and the adjusted EBITDA margin by 2.5 percentage points to almost 38 percent in 2010. Furthermore we increased our contract customer base by 140,000 and thereby improved the quality of our customer base.
In the fourth quarter, we solved the long-standing ownership dispute, introduced a new CEO, and signed a letter of intent for a network sharing deal with Orange. This means that we set the base to even improve our current position in the Polish market and target market leadership mid-term.

In the Netherlands, we are increasingly reaping the fruits of the integration of Orange: We have fully achieved the already increased savings targets given at our Investor Day, which resulted in an improvement of over 2 percentage points in our adjusted EBITDA margin, despite very strong iPhone sales. We clearly outperformed our competitors in terms of service revenue and contract customer growth for the full year 2010. Mobile data continued to grow very strongly with a growth rate of about 40 percent in 2010.

In the Czech Republic, we kept a very high margin level of 48 percent in 2010, while at the same time still growing our contract customer base by more than 4 percent, and keeping our contract churn rate at a very low 0.5 percent. At the same time, we invested heavily into our network, more than doubling the number of 3G sites versus 2009. This together with the integration of our fixed-line operations will enable us to offer even better converged products and tariffs going into 2011.

Finally in Austria revenue suffered severely from regulation, but we were able to keep our service revenue market share continuously above 30 percent. Operationally, we were the first operator to launch LTE services as of October and the first mobile TV offer as of November. In the fourth quarter we showed the lowest contract churn rate ever with 0.8 percent and even increased the number of our iPhone sales by 12 percent year-on-year despite the iPhone launch by Telekom Austria.

In the context of the Europe segment, let me also update you on the OTE synergies: As of Q4, measures with an annual potential of EUR 215 million are already implemented. This means that the total run rate from the acquisition case has been achieved two years earlier than planned. The savings are split into 60 percent capex and 40 percent opex savings.

Turning to Systems Solutions, healthy revenue growth continued in Q4, with revenues growing by 3.8 percent in terms of total revenues and close to 6 percent in terms of external revenues.

At the same time, Systems Solutions continued to improve its profitability driven by efficiency. The adjusted EBIT margin improved from 2.6 percent in 2009 to 3.7 percent in 2010, while adjusted EBITDA improved by 2.7 percent to EUR 948 million, corresponding to a margin of 10.5 percent. This development reflects the strong execution of the efficiency program with a Save for Service contribution of EUR 0.6 billion in 2010.

After this overview of the divisions, let's turn to free cash flow for the group: With EUR 6.5 billion we overachieved our original guidance by 5 percent. It is a strong result that highlights the success of our central free cash flow steering. In terms of working capital management, we achieved a significant improve-ment in our payables as we introduced a group-wide payment policy. We de-monstrated capex discipline with cash capex reduced by EUR 650 million year-on-year to EUR 8.6 billion excluding spectrum, without jeopardizing the necessary investments in infrastructure.

Turning to our cost cutting program "Save for Service", we achieved gross savings of 2.4 billion Euros at the corporate level, or almost 60% of the total targeted 4.2 billion in 2010 to 2012, with strong savings coming from all major divisions. This resulted in a net cost base reduction for the group of 1 billion Euros. Strong underlying net savings in Germany and Europe were partially offset by reinvest, predominantly in the US.

As promised at our Investor Day last year, I would like to update you on the work we are doing at Deutsche Telekom with regard to ROCE and the ROCE development. After introducing ROCE as the key steering logic last year, we are working on all key measures to drive ROCE improvement:

- Management incentivization, including line management, with ROCE has been introduced starting from this year!
- Reducing the opex base through our Save for Service program, which has become part of our group culture, remains a core focus and is already running ahead of our targets!
- Central free cash flow steering, including an optimization of our working capital throughout the next years.
- More proactive portfolio steering, including fixing underperforming assets as proven by our UK joint venture or currently the US.
- And, last but not least, continued discipline with regard to mergers and acquisitions, as demonstrated in the last 2 years!

Let me be very clear: we are not satisfied with the ROCE development in 2010. Although the underlying ROCE slightly improved to 4.5 percent, the personnel re-structuring measures as well as the impact of the formation of the UK joint venture, and the solution in Poland weighed on the ROCE and resulted in a reported ROCE of 3.5 percent. All three effects represent deliberate management decisions for the longer-term benefit of the company and the longer-term ROCE development but with a short-term negative trade-off on ROCE.

Despite all the moving parts of the ROCE, we remain committed to improving our ROCE at Deutsche Telekom over the next few years!

Let me conclude by reviewing our balance sheet: Our key balance sheet ratios remain solid and well within our comfort zone ratios. Compared to a year ago, the ratio of net debt to adjusted EBITDA increased to 2.2 times but is down from the peak of 2.3 times as of Q2. Gearing remained stable at 1 times, while the equity ratio actually improved by almost 1 percentage point to 33.7%. Our credit ratings remain stable with also a stable outlook from all agencies.

With this René Obermann and I are now ready for your questions!