Q1/11 – Results Presentation.
Deutsche Telekom.

May 6, 2011

Life's for Sharing

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Agenda.
Deutsche Telekom Results Presentation.

René Obermann
CEO

Timotheus Höttges
CFO

Q1 2011 Highlights.

- Structural solution for US business found, regulatory process started
- Germany with 4th consecutive quarter of adj. EBITDA growth. Good momentum in key customer KPIs maintained in mobile and fixed
- Systems Solutions with strong revenue growth and almost stable EBITDA compared to last year. Order entry up more than 20%

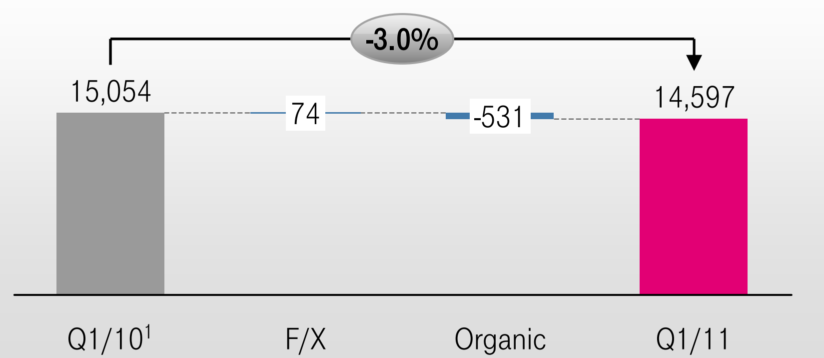
- Ongoing cost cutting execution. Save for service contribution of 0.3 billion € in Q1. Net cost reduction of 0.4 billion € in Germany and Europe
- Purchasing JV with France Telecom expected to further improve efficiency

- Excl. UK, group revenue (-3.0%) and adj. EBITDA (-5.0%) impacted by challenging operational trends in the US and higher market invest and ongoing difficult economic environment in Europe
- FCF of €1.1 billion in Q1/11 compared to €1.4 billion in Q1/10 reflecting different seasonality of interest and capex payments
- Adj. net income of €0.7 billion € compared to 0.9 billion € in Q1/10 impacted by decline in EBITDA

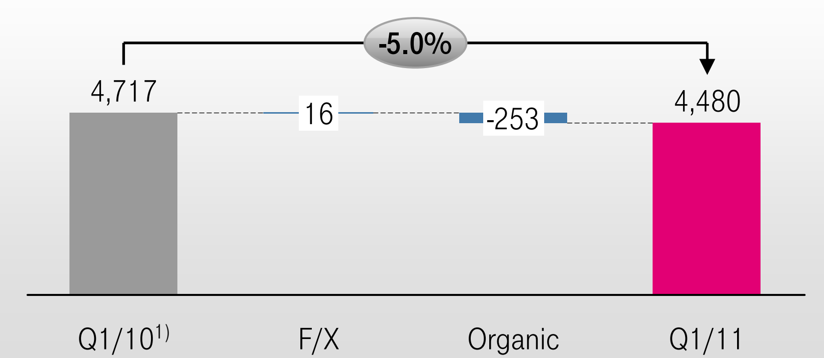
⇨ Full year 2011 Guidance re-iterated

Q1/11 Overview.
Continuing and discontinued operations.

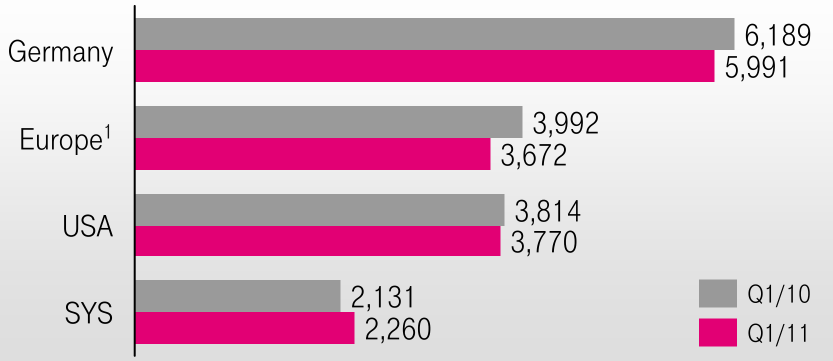
Revenue (€ million)



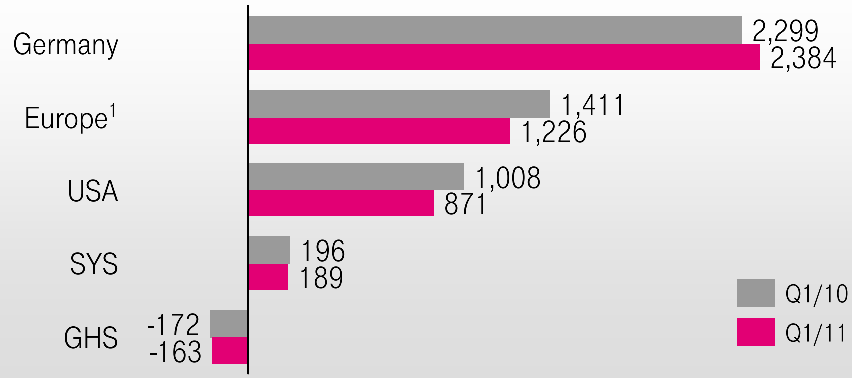
Adj. EBITDA (€ million)



Revenue Q1/10 vs. Q1/11 (€ million)



Adj. EBITDA Q1/10 vs. Q1/11 (€ million)



1) Q1 2010 figures without T-Mobile UK: Impact group €758 million of revenue and €173 million of adj. EBITDA; Impact segment Europe: €782 million of revenue and €176 million of adj. EBITDA

Q1/11 Key financials.

in € million	Q1/10 reported	Q1/11 reported	change in %	Q1/10 ex. UK	Q1/11 ex. UK	change in %
Revenue	15,812	14,597	-7.7%	**15,054**	**14,597**	**-3.0%**
▪ from Continuing operations	12,002	10,830	-9.8%	**11,244**	**10,830**	**-3.7%**
Adj. EBITDA	4,890	4,480	-8.4%	**4,717**	**4,480**	**-5.0%**
▪ from Continuing operations	3,882	3,609	-7.0%	**3,709**	**3,609**	**-2.7%**
Adj. net profit	891	701	-21.3%	**966**	**701**	**-27.4%**
Net profit (loss)	767	480	-37.4%	**847**	**480**	**-43.3%**
Adj. EPS (in €)	0.21	0.16	-23.8%	**0.22**	**0.16**	**-25.9%**
EPS (in €)	0.18	0.11	-38.9%	**0.20**	**0.11**	**-45.0%**
Free cash flow[1]	1,439	1,061	-26.3%	**1,432**	**1,061**	**-25.9%**
Cash capex	1,934	2,120	9.6%	**1,873**	**2,120**	**13.2%**

1) Before dividend payment, spectrum invest and €400 million payment for PTC settlement.

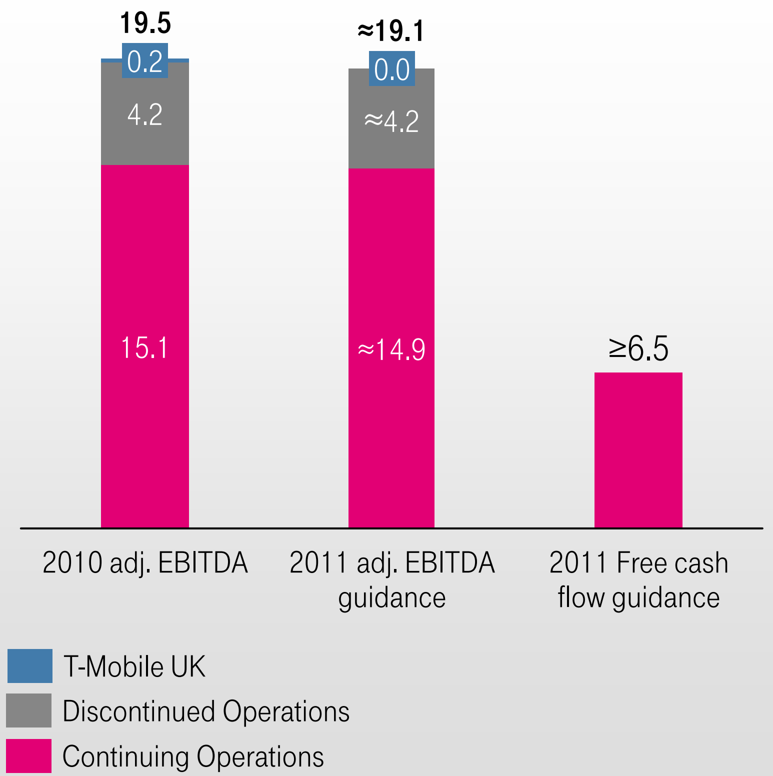
Strategy update: growth areas.

Deutsche Telekom growth areas[1]	Q1/10	Q1/11	Change		Ambition 2015
Revenue (€ bn)					
Mobile Internet[2]	1.0	1.2	0.3	28%	≈ 10
Connected Home[3] Double & Triple play, Home Gateway and Communication Suite	1.5	1.6	0.0	2%	≈ 7
Online consumer services[4]	0.2	0.2	0.0	2%	2 - 3
T-Systems external revenue incl. Cloud Services	1.5	1.6	0.1	6%	≈ 8
Intelligent networks in Energy, Health, Media Distribution, Connected Car	-	-	-	-	≈ 1

1) Figures include T-Mobile US
2) Q1/10 adj. for T-Mobile UK
3) Q1/10 figures adjusted for new reporting logic Germany 2011
4) Figures adjusted for discontinued cash card business
Absolute and percentage change calculated on the basis of millions of € amounts

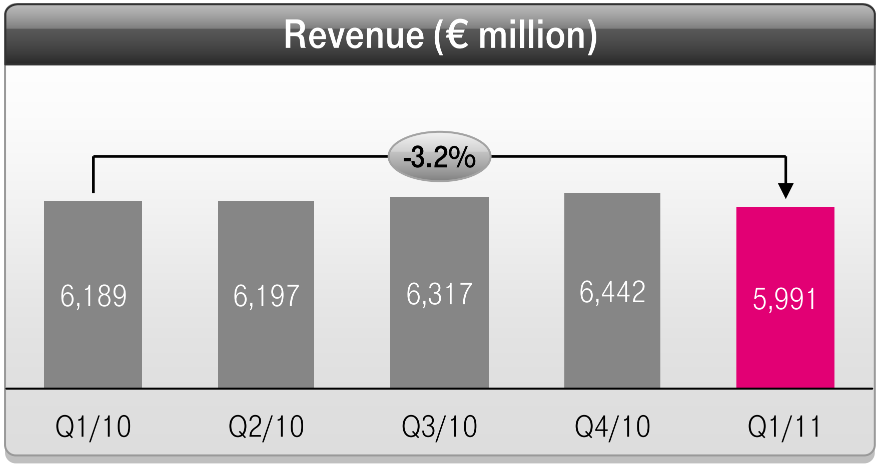
Guidance excl. the US – 2011 guidance reiterated.

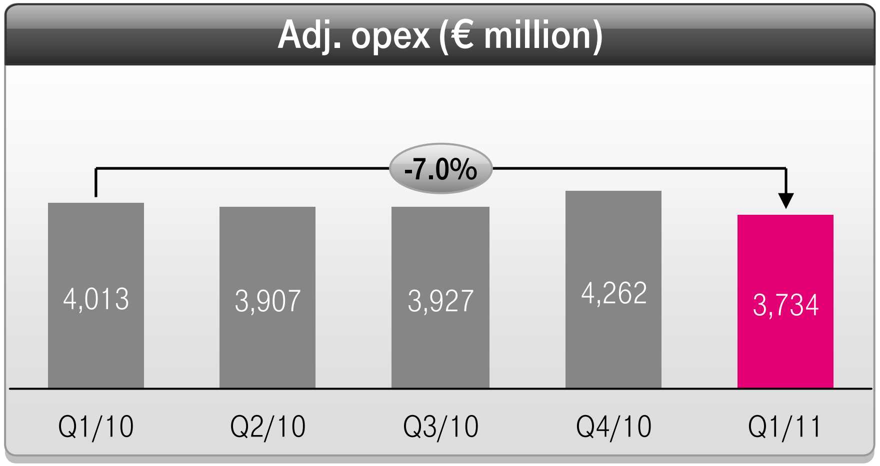
Guidance (in € billion)

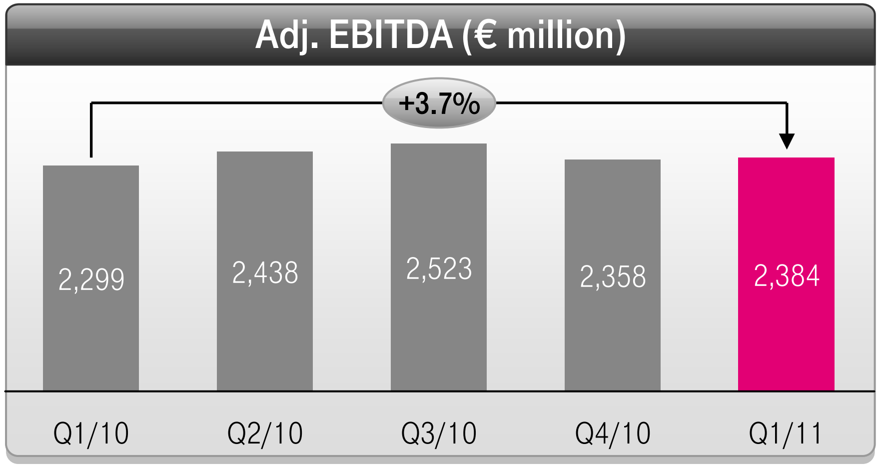


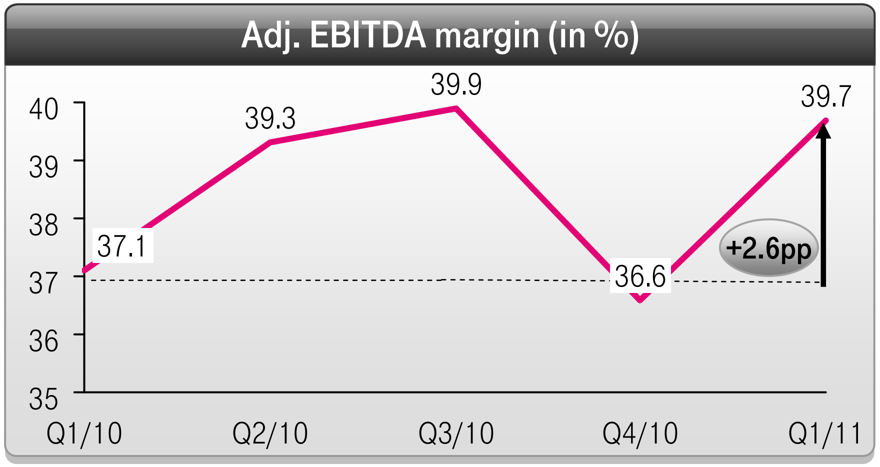
- Q1 2010 figures include €0.2 billion from the UK
- As a result of the sale of T-Mobile US guidance of "around 19.1 billion" split into:
  - Discontinued operation: US with stable EBITDA over FY 2010 of around US$5.5 billion or around €4.2 billion based on F/X-rate of 1.33 (average rate of FY 2010)
  - Continuing operations: around €14.9 billion
- Free cash flow guidance unchanged at stable to slightly growing over FY 2010 of €6.5 billion
- Guidance assumes constant currency (average exchange rates of 2010). Free cash flow guidance not including €0.4 billion for PTC settlement)

Germany: strong profitability growth.



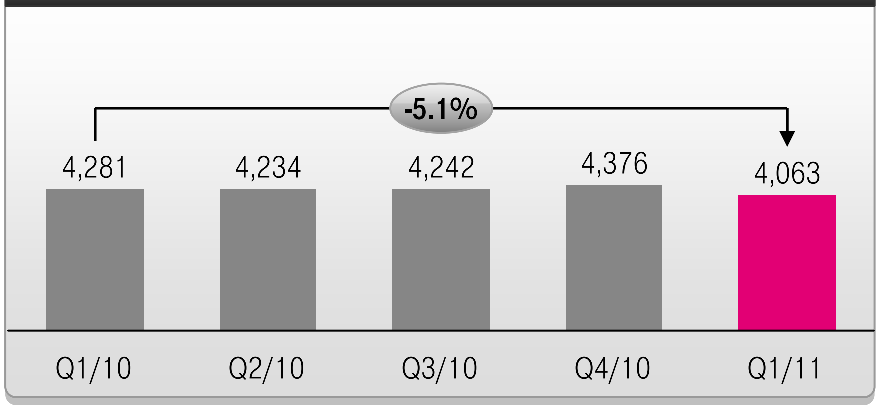




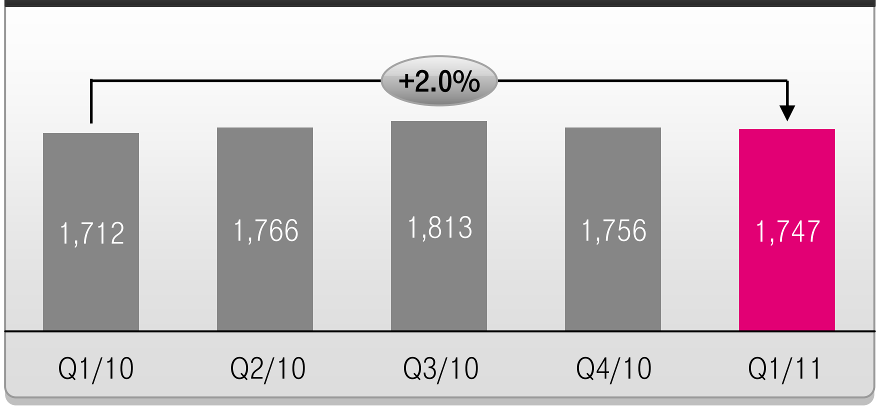


Germany revenue: continued focus on data & TV opportunity.

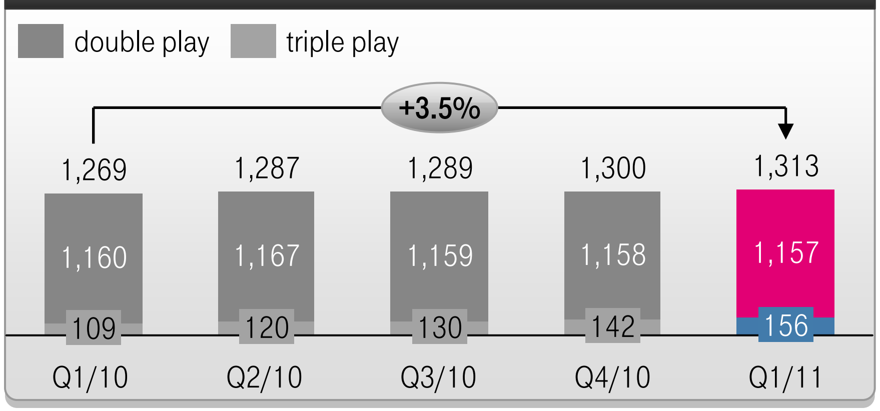
Fixed network revenues (€ million)[1, 3]



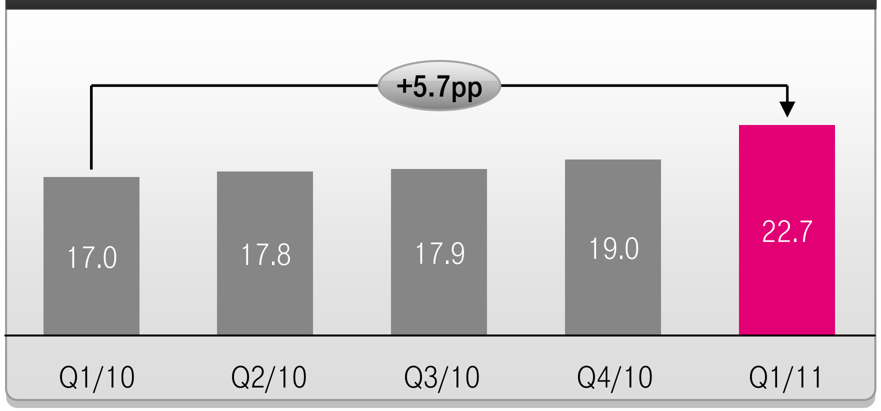
Mobile service revenue[1, 2] (€ million)



Connected Home (2play + 3play) (€ million)[1]

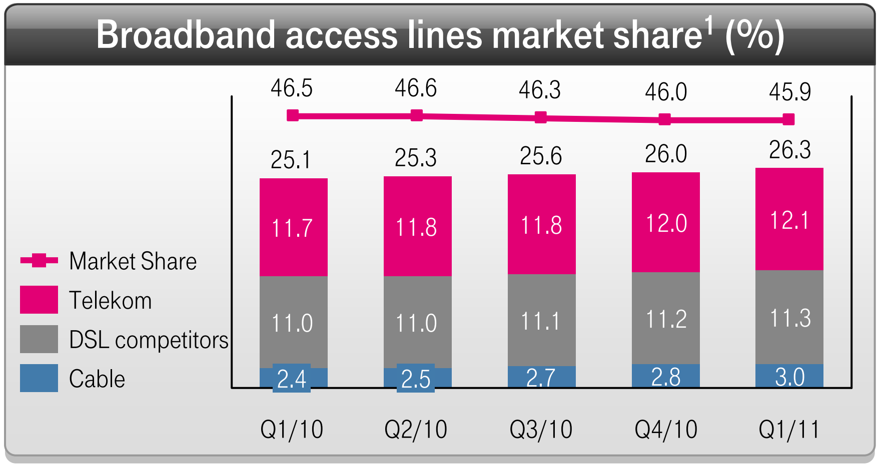


Mobile data % of service revenue

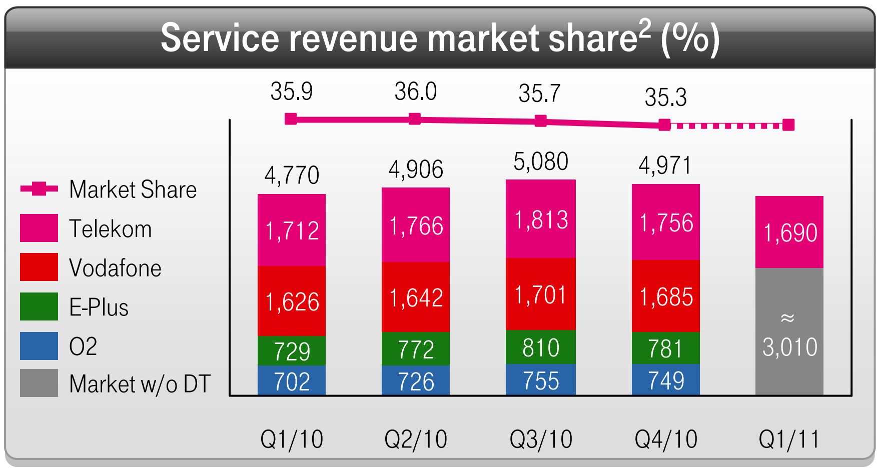


1) Since 1.1.2011 Total revenue and service revenue as well as derived KPIs are shown without country-internal revenues as Fixed Network and Mobile communications have been integrated. Prior-year figures are adjusted accordingly on a pro forma basis. 2) Adjusted for the reduction in MTR–rates (€57 million revenue) 3) "Fixed network" revenues includes revenues from Fixed network, Wholesale services, Online consumer services, Value-added services and Fixed network related others

Germany: unique market position to target data market segment.



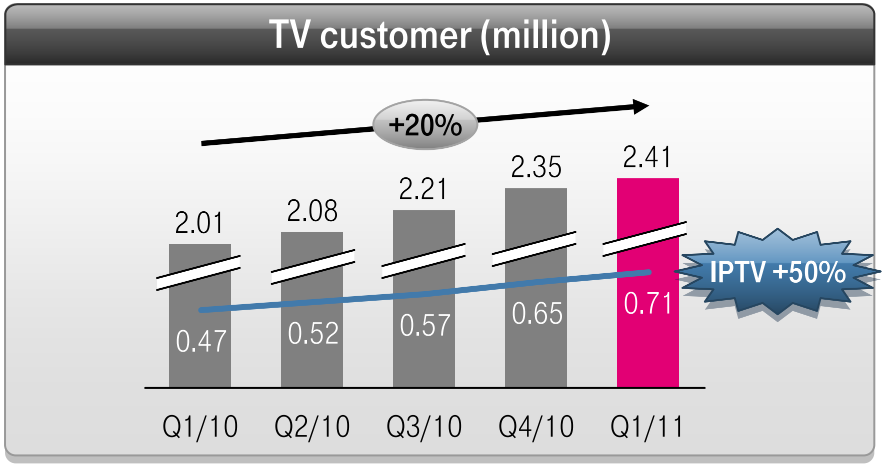
- Retail fiber-customers (VDSL) at 403k (+221k yoy)
- Solid IPTV growth continues with +40% (361k) Entertain customers yoy now at 1,257k
- Share of triple play customers increased approx. 3pp to 10.4% of broadband customer base
- Improved line losses of 339k (372k in Q1/10)

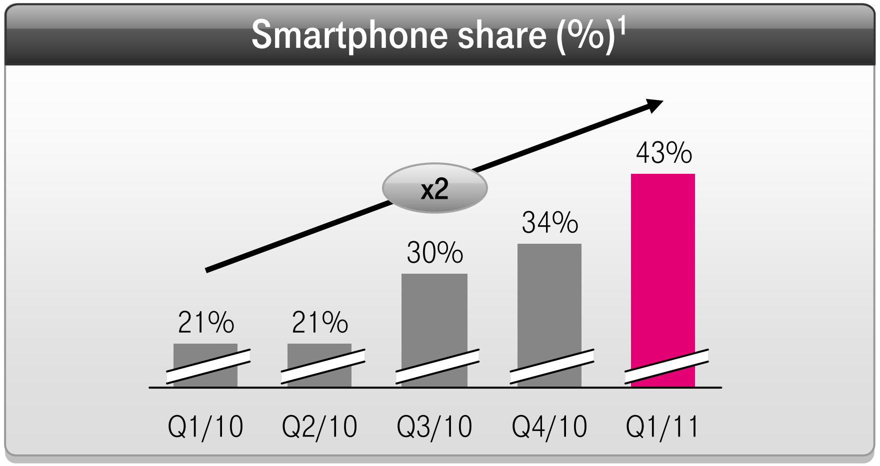


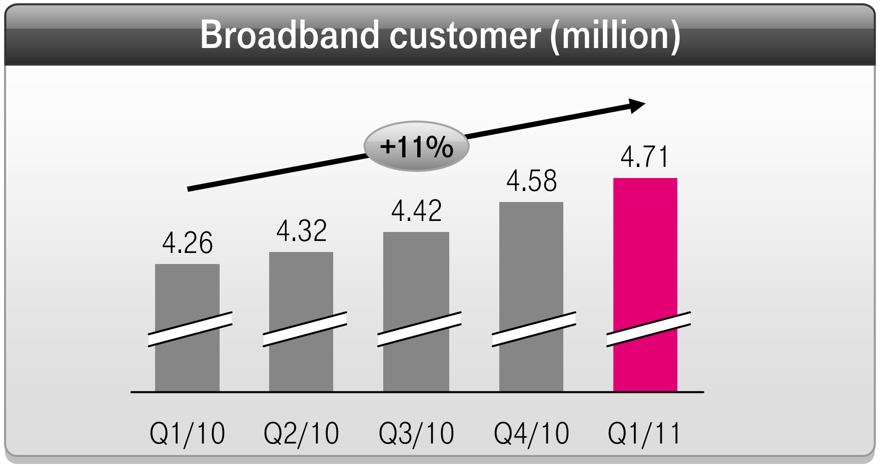
- Strong ramp up in mobile data revenues 384 million (+32% yoy), due to successful launch of new product portfolio. Approx 1.5 million customers signed a contract, with a double play share of more than 60%.
- 58% smartphone share of handsets sold in Q1/11 (+22pp yoy)
- Estimated total mobile market decline due to MTR cut
- MTR impact of 57 million on service revenues in Q1/11

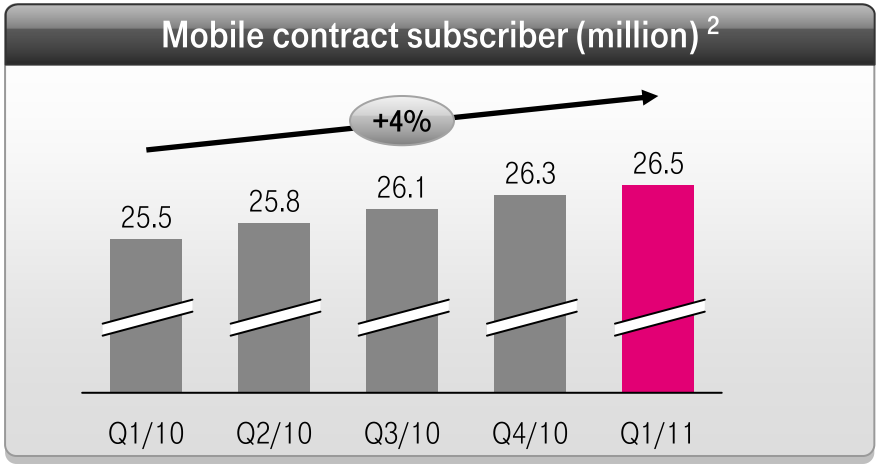
1) Company estimates: Q1/10 and Q2/10 adjusted by one-time item wholesale. Rounded figures. Incl. reseller (competitor resale and resale); 2) Q1/2011 company estimates

Europe – ongoing sustainable growth for future profitability.



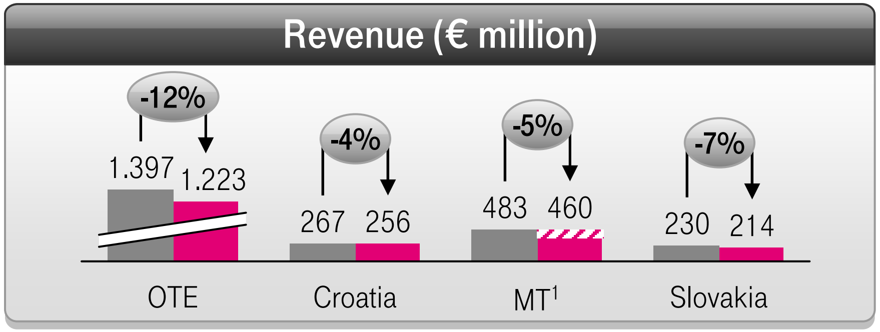


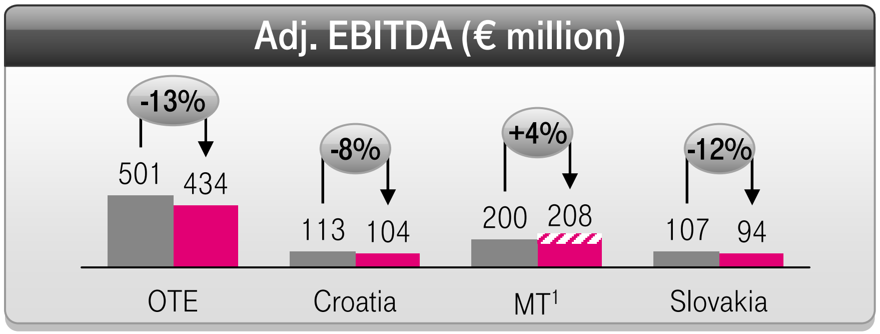


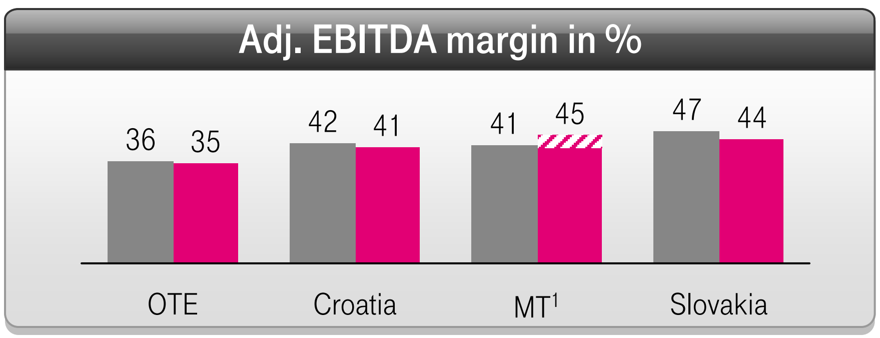


1) Percentage of smartphones in dispatched devices (excl. OTE, Macedonia and Montenegro); 2) incl. 429k customers shifted to T-Systems in Hungary as of 1.1.2011

Europe – integrated operations: strong profitability despite economic and regulatory headwind and austerity measures.







OTE:

- Despite challenging regulation no BB losses in Greece. TV subs. exceed 1mn within OTE group up to 1,1mn.
- Maintained margin in tough environment.

Croatia:

- IPTV +24% up to 310k and ADSL +12% up to 642k, overcompensating line losses (fixed -44k).
- Strong market invest in mobile – iPhone sales more than doubled; decline in mobile revenue partly compensated by fixed network growth

MT:

- TV customers (Sat, Cable, IP) up 14% to 827k yoy in group.
- Revenue and EBITDA impacted by €20 million tax in Q1.

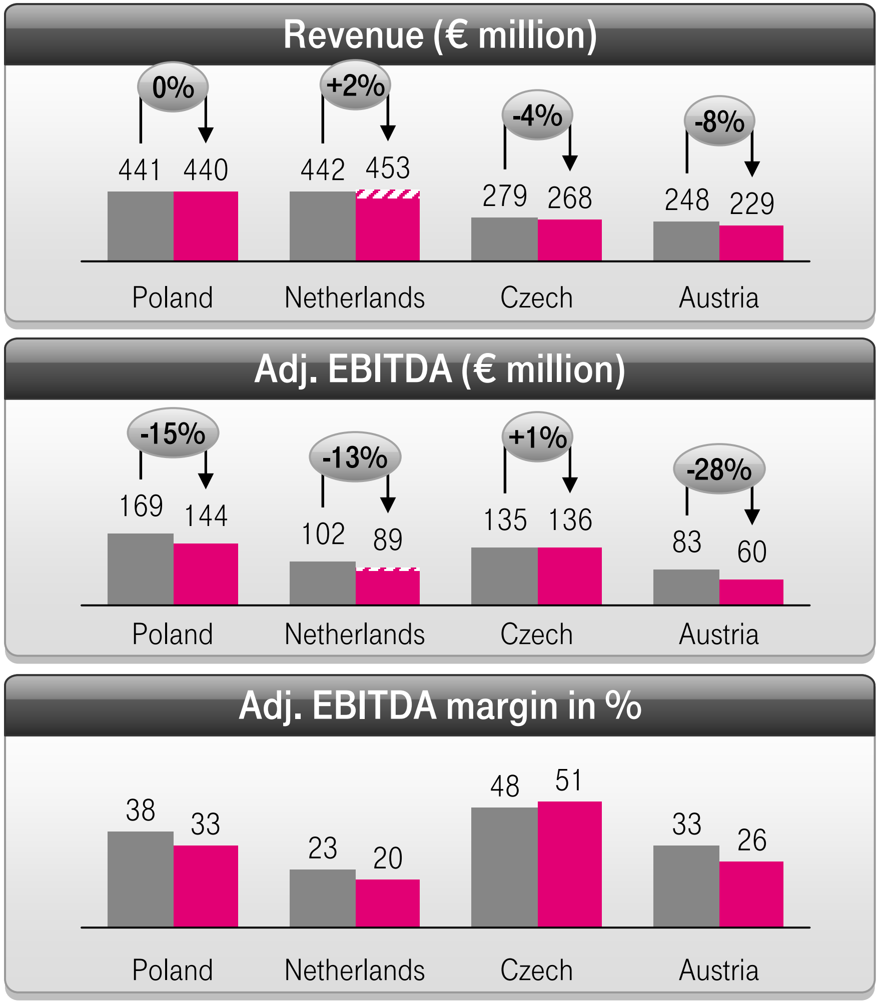
Slovakia:

- TV customers almost doubled yoy: driven by Sat TV, IPTV customers increase of +25%.

Q1/10 Q1/11

1) Figures adjusted for special tax in Q1/11 - shaded area illustrates impact: €20 million on revenue and adj. EBITDA, 2pp on margin
Q1/10 figures adjusted for shift of business customers to T-Systems.

Europe – mobile centric: front loading of market invest.



shaded area illustrates regulatory impact on TMNL: 35 million revenue and 7 million EBITDA

Q1/10 Q1/11

Poland:

- Revenue stable despite regulation.
- Attack via smart investment in high-value customers: Smartphone-share > 38% – stronger data growth +26%

Netherlands:

- Decline in revenue fully from regulation (MTR -50%), but continued outperformance of incumbent
- Continued mobile data revenue growth of 37% through smart value-centric market invest
- Contract churn at stable 1.3% – contract base up by 13%, outperforming incumbent

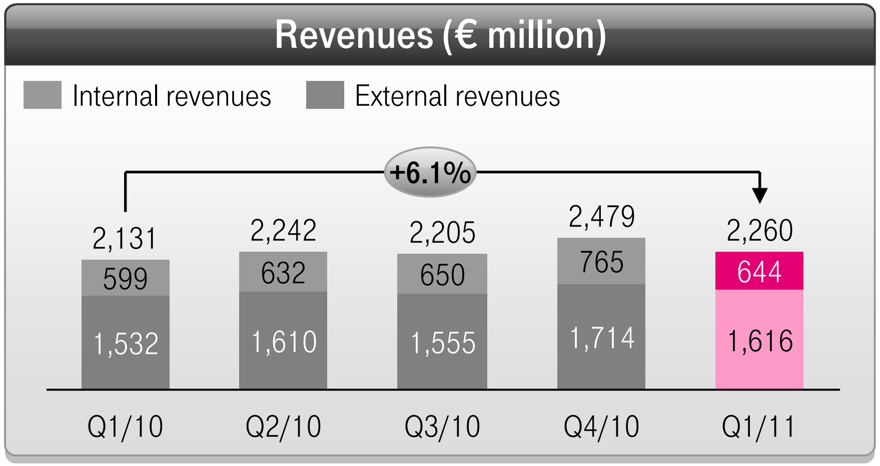
CZ:

- Impressive adj. EBITDA margin of 51%
- Adj. EBITDA excl. regulation +3%
- Contract churn at 0.5%, high number of retained customers (242k)

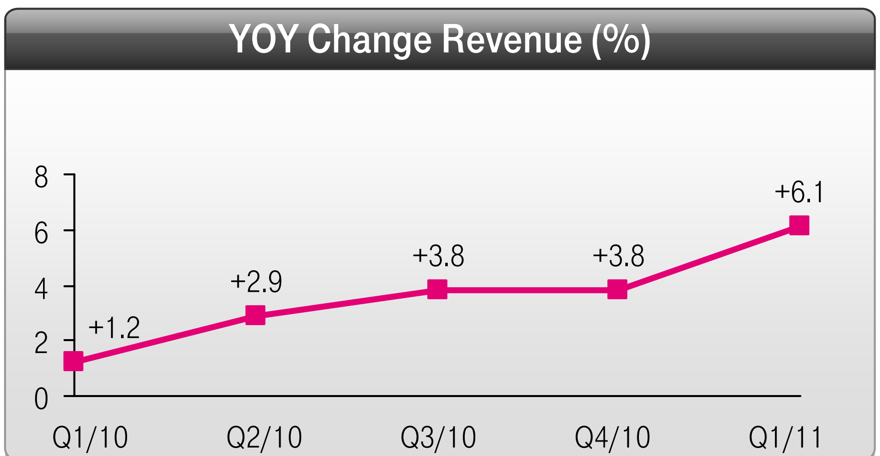
Austria:

- Higher net adds and contract churn below 1%
- 33% non-voice share of ARPU

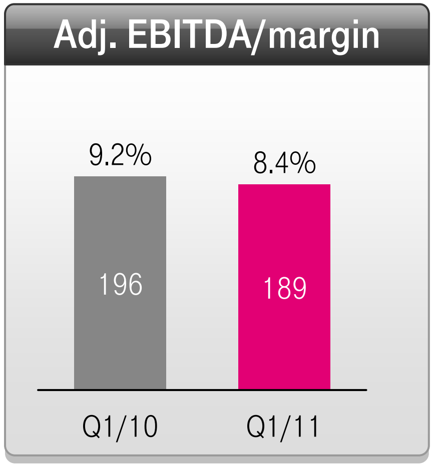
Systems Solutions: revenues up 6.1% in Q1/11.

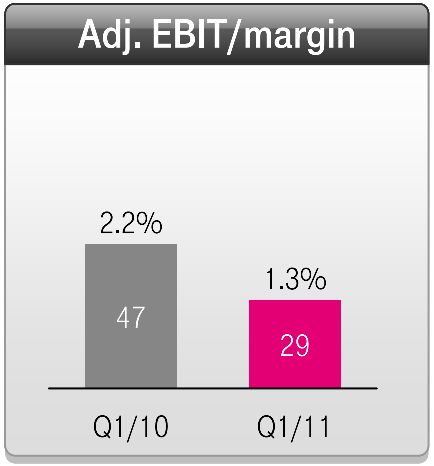


- Strong revenue increase yoy of +6.1 % up to €2,260mn
- External revenues up +5.5% to €1,616mn
- Strong order entry of €2,593mn due to deals such as
  - Everything Everywhere
  - Fraport
- Voltaris – first significant smart metering deal

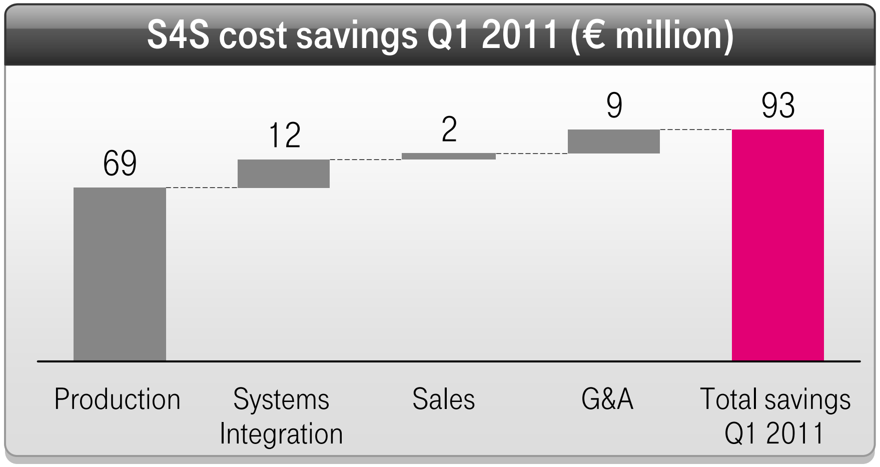


Systems Solutions : Q1 margins impacted by higher transformation costs.





- Adj. EBITDA slightly down to €189mn with a margin of 8.4%
- Higher transformation costs for new contracts and to safeguard quality in deals
- Adj. EBIT margin in Q1/11 down to 1.3% from 2.2% in Q1/10
- Higher depreciation and amortization due to extended investments in 2010

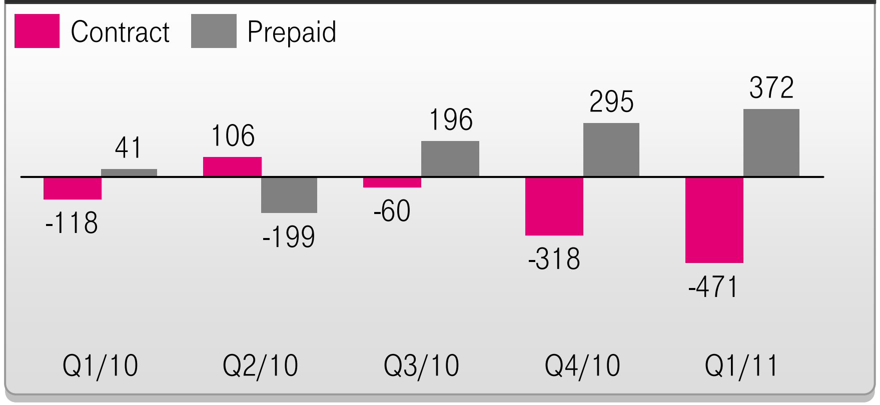


- 0.1 billion Save for Service contribution in Q1 2011
  - Improvements on global production setup, sourcing improvements, production platform optimization, reduction of freelancer costs
  - At Systems Integration focus on Next Generation products, test services and innovations as well as freelancer reduction and sourcing optimization
  - Optimization of Sales Operations and organizational setup for international growth
  - Internal optimization and standardization at G&A

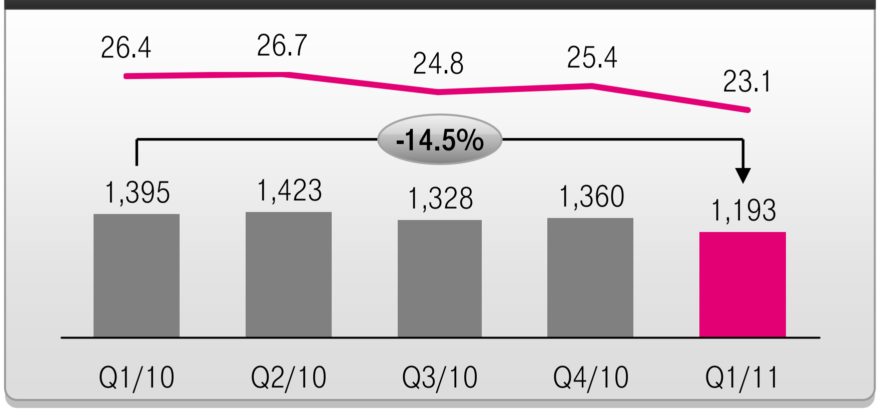
US: continued revenue stabilization and strong data ARPU.

Service revenues (US$ million)

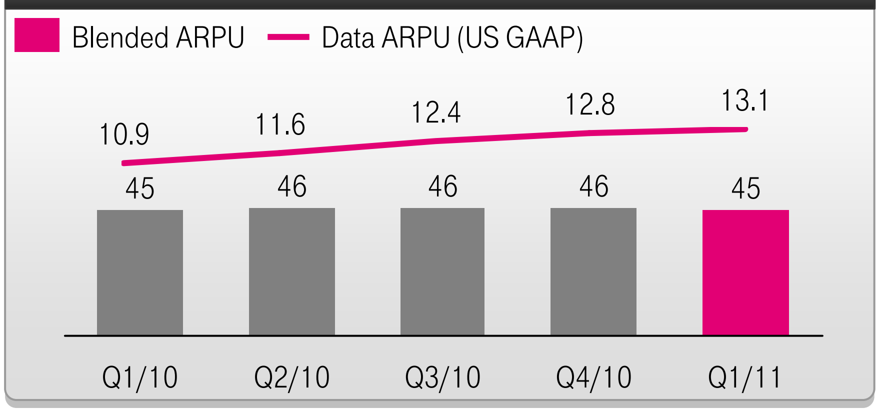
Net adds in '000



Adj. EBITDA (US$ million) and adj. EBITDA margin

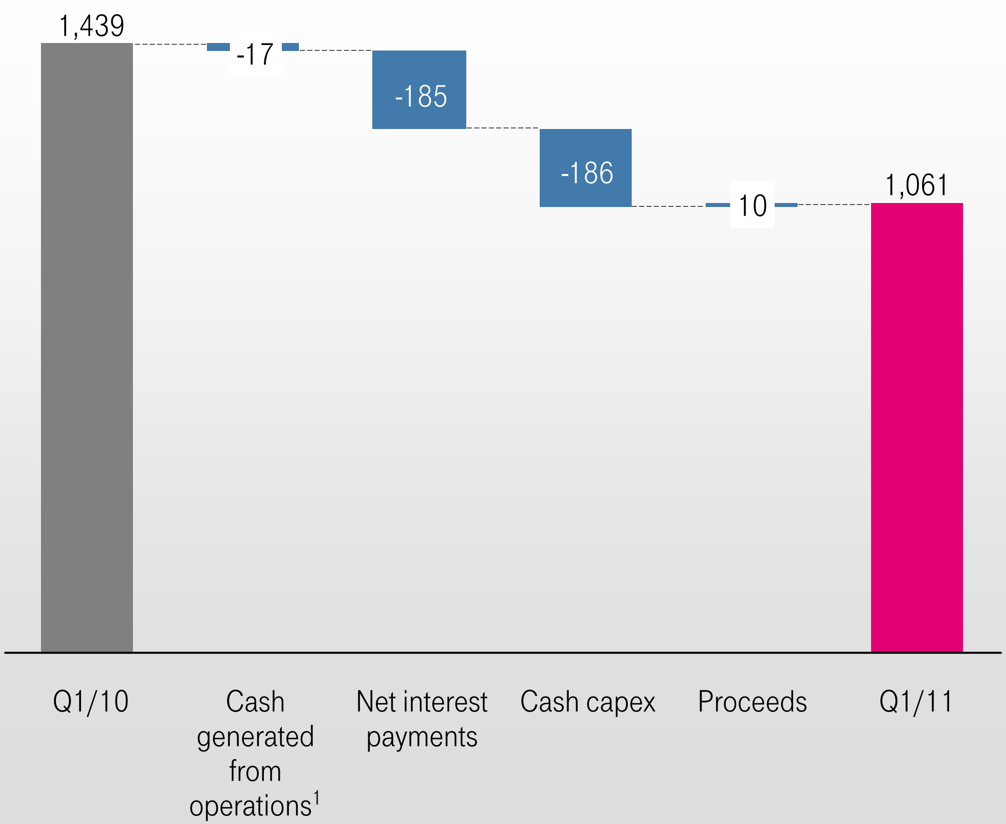


ARPU development in US$



Free cash flow: Full year guidance confirmed – Q1 impacted by different seasonality of interest payments and cash capex.

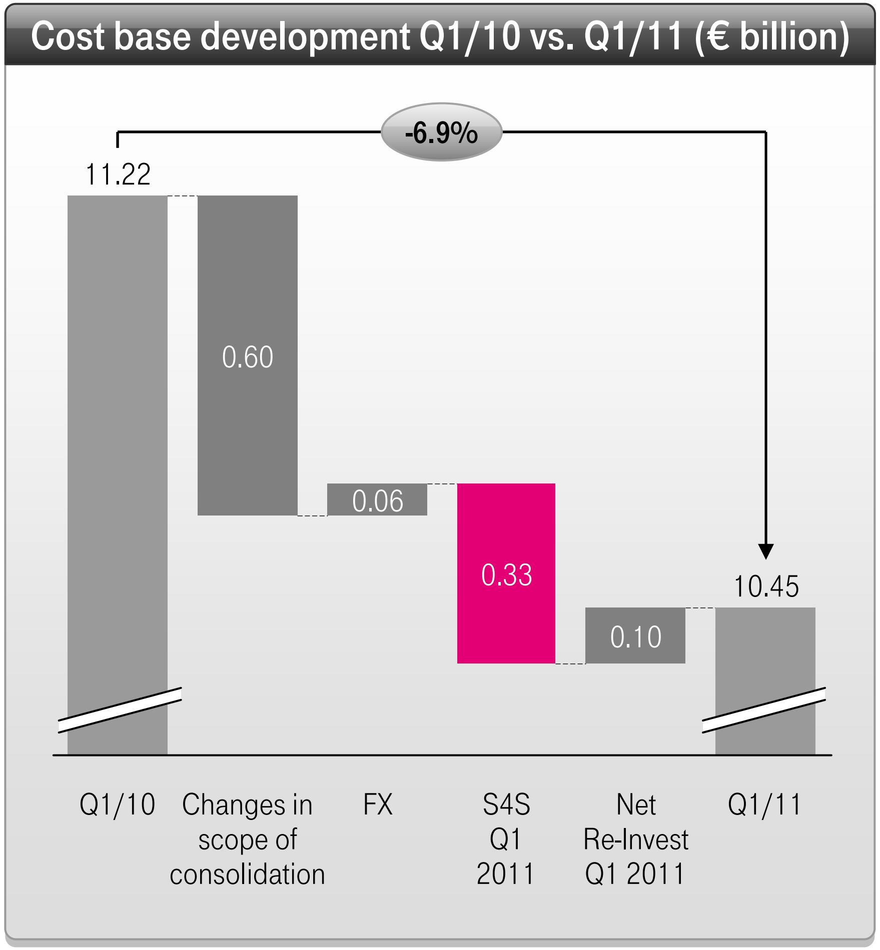
Development of free cash flow Q1/11 over Q1/10 (€ million)



- Guidance of slightly growing to stable free cash flow over 2010 level of €6.5 billion confirmed
  - Cash flow generated from operations stable over last year (excl. €400 million for PTC settlement)
  - Higher level of interest payments and capex in Q1/11 will be balanced out in the upcoming quarters

1) Excl. €400 million for PTC settlement booked as change in other liabilities carried as working capital liabilities

Q1 2011 Save for Service results.



Contribution by Business Unit (€ million)	Q1/2011 Realized
Germany	134
USA	52
Europe	55
Systems Solutions	93
GHS	-
DT Group	**334**

- Savings realized in Q1 of €334 million results in run-rate total of €2.7 billion so far. 2010-12 target of €4.2 billion remains unchanged
- Net reduction of DT cost base by -6.9% (€0.7 billion) on corporate level, net OPEX savings in:
  - Germany €280 million
  - Europe €165 million (excl. UK)

Ongoing solid balance sheet ratios and improved rating outlook.

in € billion	31/03/2011	31/12/2010	30/09/2010	30/06/10	31/03/10
Balance sheet total	**123.2**	**127.8**	**127.8**	**132.8**	**130.8**
Shareholders' equity	42.7	43.0	43.4	44.8	44.3
Net debt	41.8	42.3	43.7	46.3	40.4
Net debt/adj. EBITDA[1]	2.2	2.2	2.2	2.3	1.9
Gearing	1.0x	1.0x	1.0x	1.0x	0.9x
Equity ratio	**34.6%**	**33.7%**	**33.9%**	**33.7%**	**33.9%**

Comfort zone ratios	
2 - 2.5x Net debt/adj. EBITDA	✓
25 - 35% Equity ratio	✓
Gearing: 0.8 to 1.2	✓
Liquidity reserve covers redemption of the next 24 months	✓

Current Rating			
Fitch:	**BBB+**	positive outlook	✓
Moody's:	**Baa1**	watch positive	✓
S&P:	**BBB+**	positive outlook	✓
R&I:	**A**	stable outlook	✓

1) Calculation based on adj. EBITDA of last four quarters

Q&A - Please press “*1” to ask a question.

René Obermann
CEO

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CFO

For remaining questions please contact the IR department after the call.

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Thank you for your attention!