Q2/12 – Results Presentation.
Deutsche Telekom.

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August 9, 2012

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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

Agenda.
Deutsche Telekom Results Presentation.

René Obermann
CEO

Timotheus Höttges
CFO

Q2 2012 Results.

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Q2 2012: Another solid quarter – guidance unchanged.

Group

- **Robust 2nd quarter financials, full year guidance re-iterated:**
  - Almost stable group revenue of €14.4 billion (-0.7%), supported by currency
  - Adj. EBITDA of €4.7 billion – slightly above last year's level
  - First half year's FCF essentially stable at €2.8 billion

Germany

- **Mobile service revenues with better trends – EBITDA-margin further improved:**
  - Good net adds in broadband (47k) and Entertain (105k). Line losses only 236k, 20% below last year, driven by low churn
  - Mobile service revenue trends improved from -1.8% to -1.0% yoy in Q2, mobile contract net adds of 464k
  - Revenue -3.1%. Adj. EBITDA margin further improved to 42% supported by adj. opex reduction of 4.1%

Europe

- **2nd quarter with higher bias on market invest:**
  - Economic trends and currencies have deteriorated in some countries
  - Organic revenue decline of 3.8%, adj. EBITDA -6.7%
  - Solid growth in key KPIs: broadband accesses (+35k), TV customers (+62k) and mobile contract subscribers (+310k)

US

- **Q2 results with further improved adj. EBITDA and margin:**
  - Adj. EBITDA increased 18.6% to € 1.1 billion; in US$ improvement of 5.7% to US$ 1.4 billion; margin of 27.7%
  - Total revenues up 8.7% to €3.8 billion due to currency, in US$ revenue declined 3.1% to US$ 4.9 billion
  - Branded contract customer churn improving from 2.6 to 2.1% yoy.

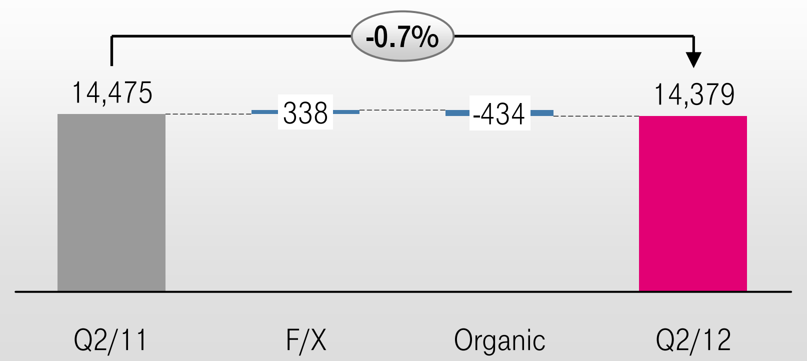
Q2/12 Key financials: Revenue and adj. EBITDA almost stable, leap in net profit.

€ million	Q2/11	Q2/12	change	H1/11	H1/12	change
Revenue	14,475	14,379	-0.7%	29,072	28,811	-0.9%
Adj. EBITDA	4,687	4,697	+0.2%	9,167	9,174	+0.1%
Adj. net profit[3]	951	819	-13.9%	1,652	1,400	-15.3%
Net profit	348	614	+76.4%	828	852	+2.9%
Adj. EPS (in €)	0.22	0.19	-13.6%	0.38	0.33	-13.2%
EPS (in €)	0.08	0.14	+75.0%	0.19	0.20	+5.3%
Free cash flow[1]	1,767	1,668	-5.6%	2,828	2,790	-1.3%
Cash capex[2]	1,879	1,625	-13.5%	3,999	3,754	-6.1%

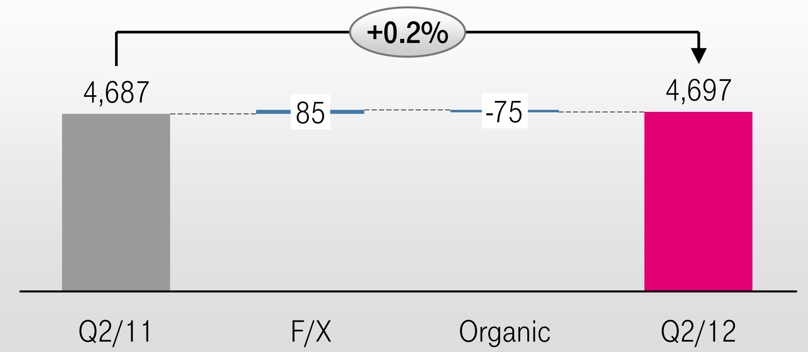
1) Before dividend payments, break-up fee, PTC settlement, AT&T deal related payments and spectrum investments
2) Adjusted for spectrum investments: €41 million in H1 2012
3) Q2/12 figure include D&A from the US which was not included in Q2 last year

Q2/12 Overview.

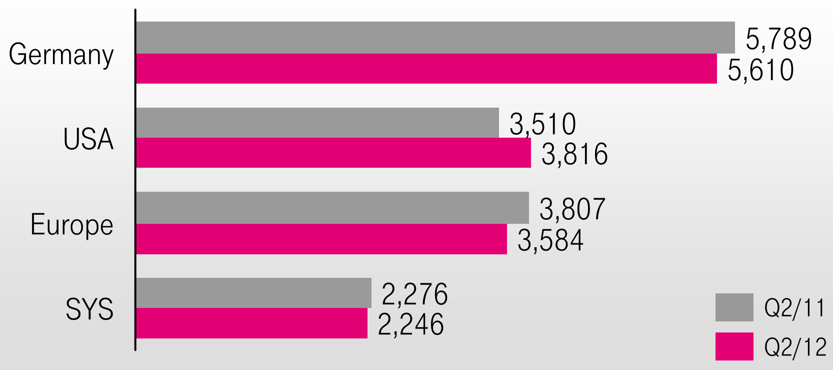
Revenue (€ million)



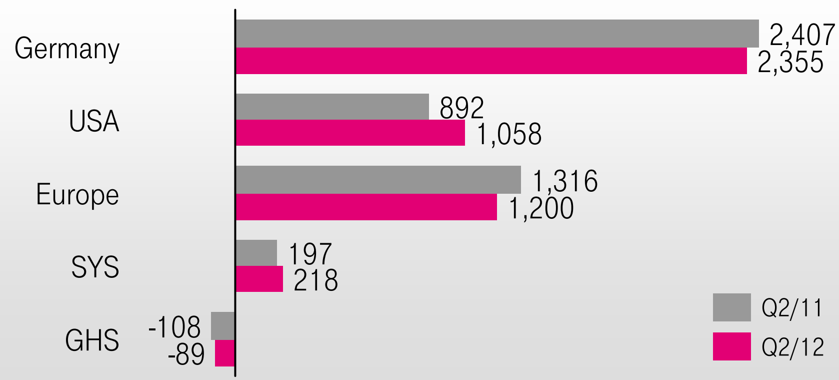
Adj. EBITDA (€ million)



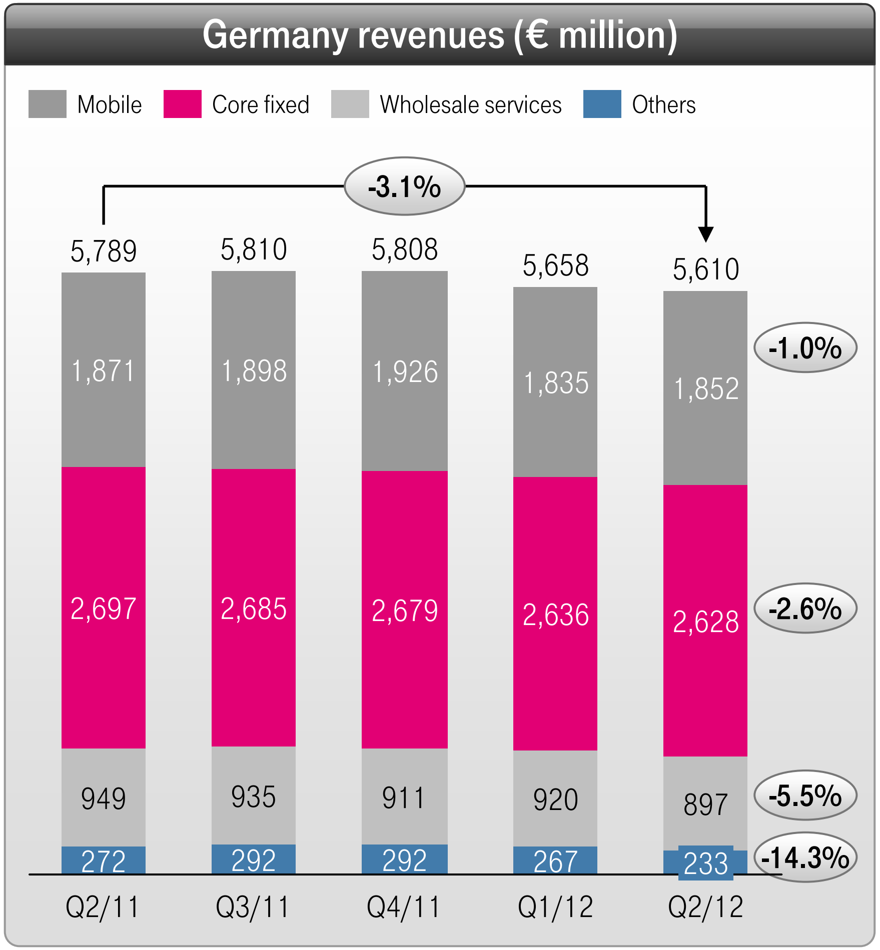
Revenue Q2/11 vs. Q2/12 (€ million)

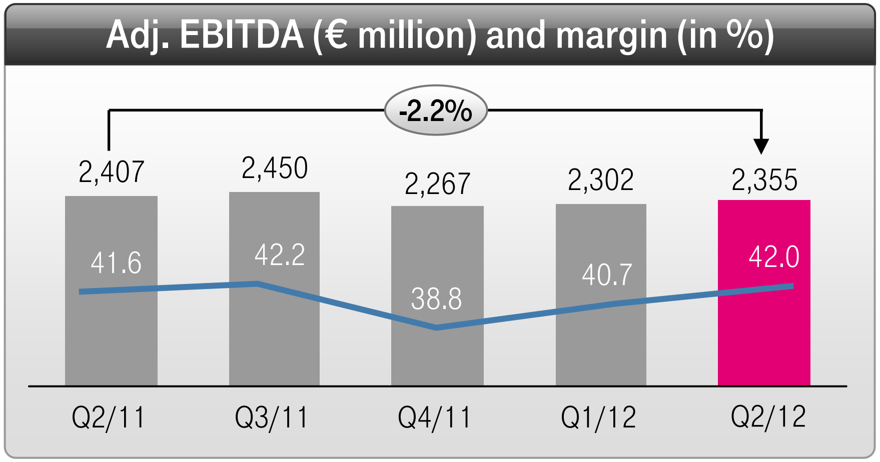


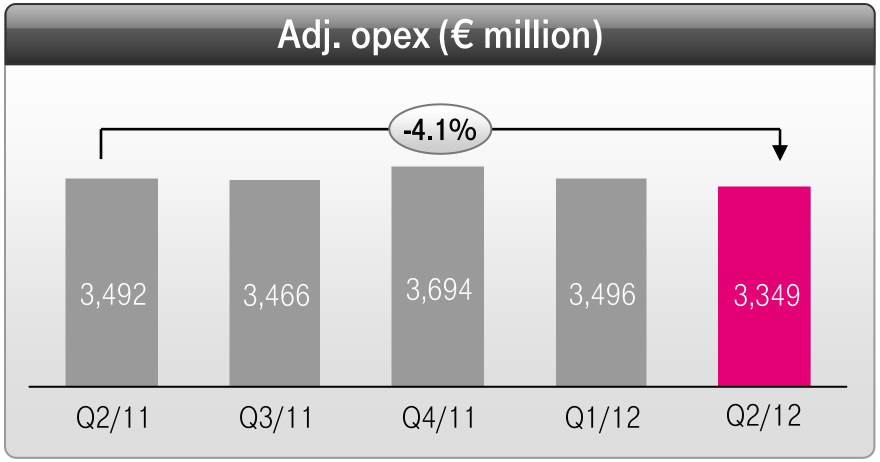
Adj. EBITDA Q2/11 vs. Q2/12 (€ million)



Germany: strong margin, cost cutting accelerated vs. Q2/11 and slightly improved revenue trends in mobile.

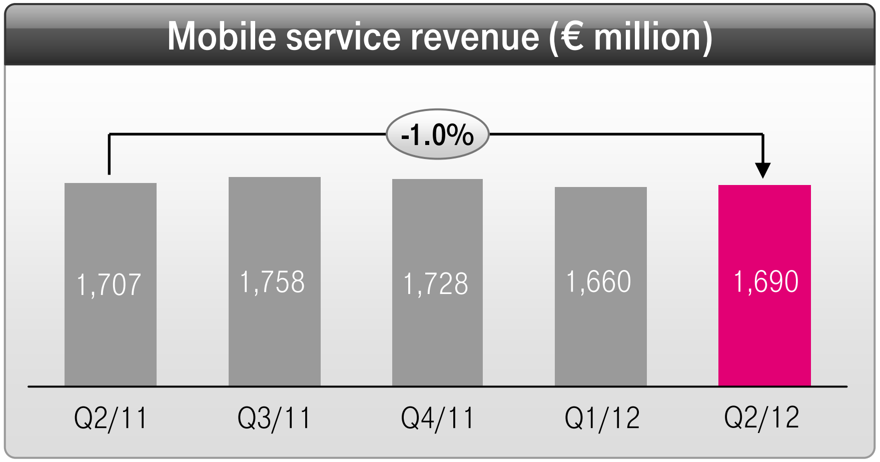


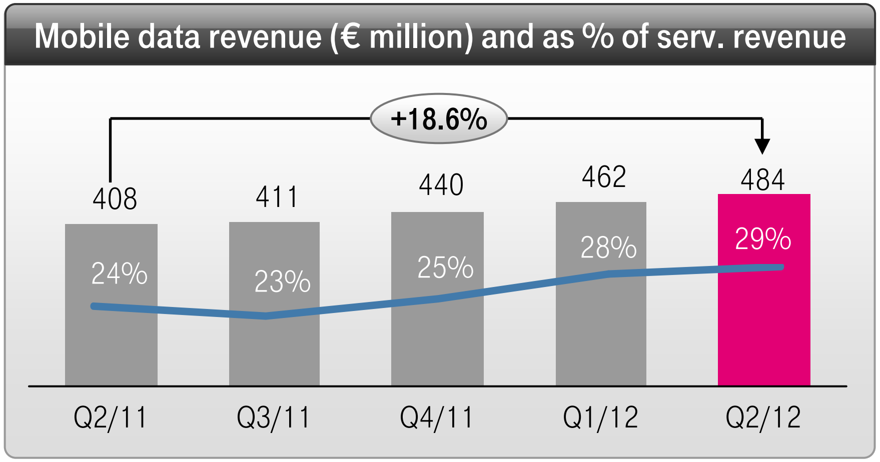


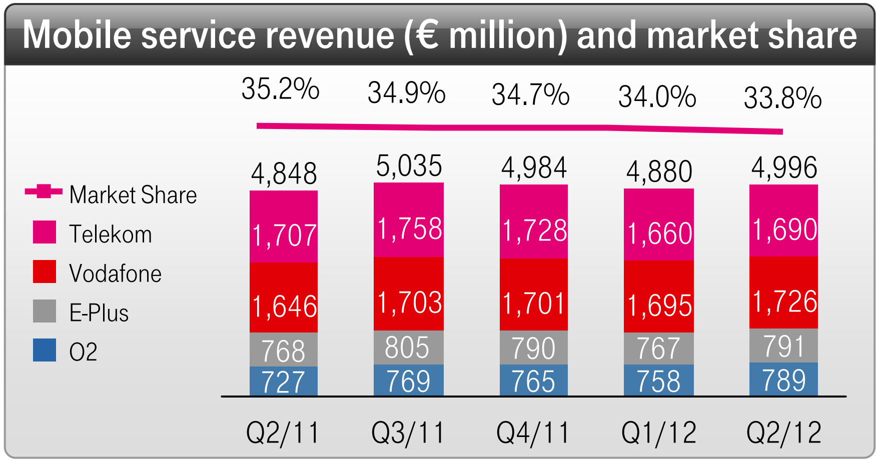


The activities and functions of the Digital Services area and of the Internet service provider STRATO (Consumers) that were previously reported under the Germany operating segment, have been assigned to GHS from January 1, 2012 and reported as part of the DBU (Digital Business Unit). Prior-year figures have been adjusted.

Germany – Mobile: initiated measures with first results.



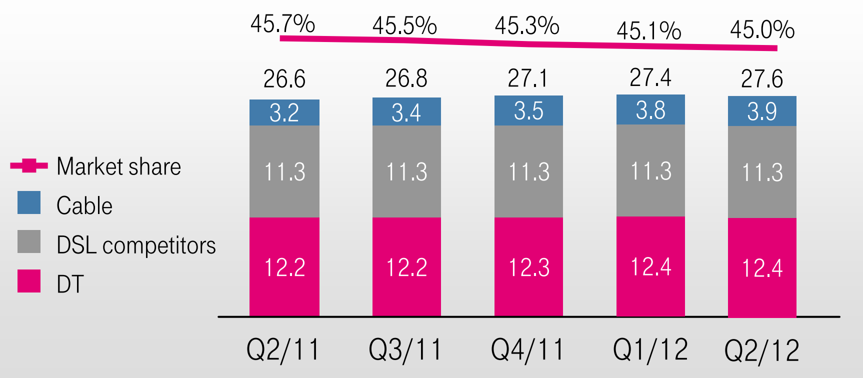




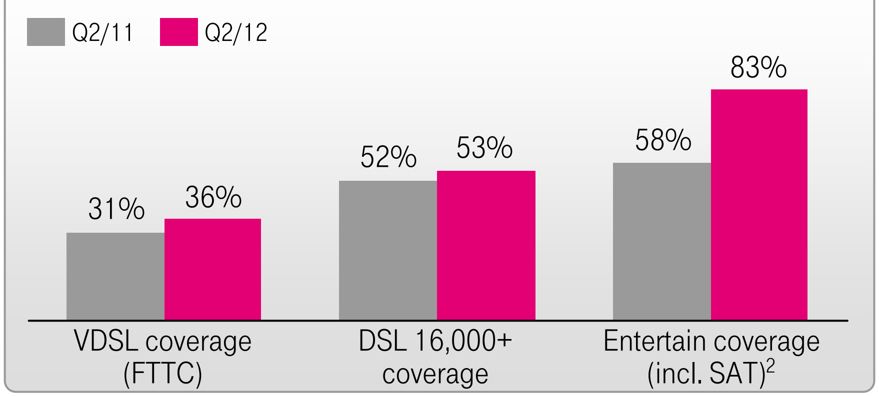
- Mobile contract net adds of 464k
- Smartphone sales in Q2: 781k smartphones, of which 226k iPhones
- LTE: covering approximately 10 million households in rural areas, planning to cover up to 100 big cities by year end

Germany – fixed: growth in broadband subs, Entertain continues to drive ARPA uplift, fiber approaching 6% of broadband base.

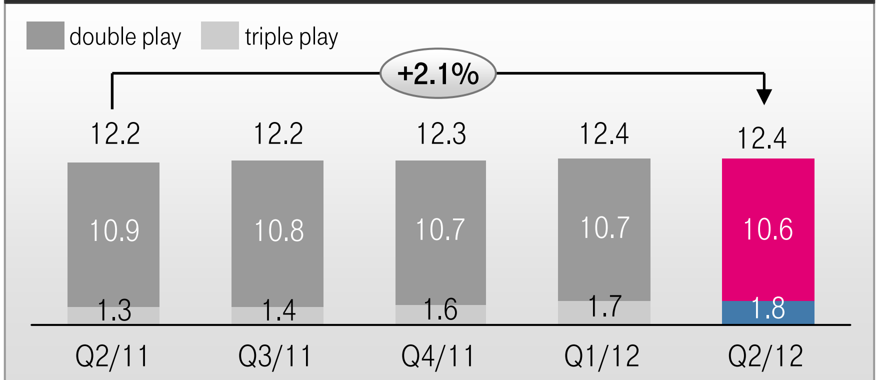
Broadband access lines (million) and market share[1]



Broadband rollout (as % of access lines)



2play + 3play customers (million)

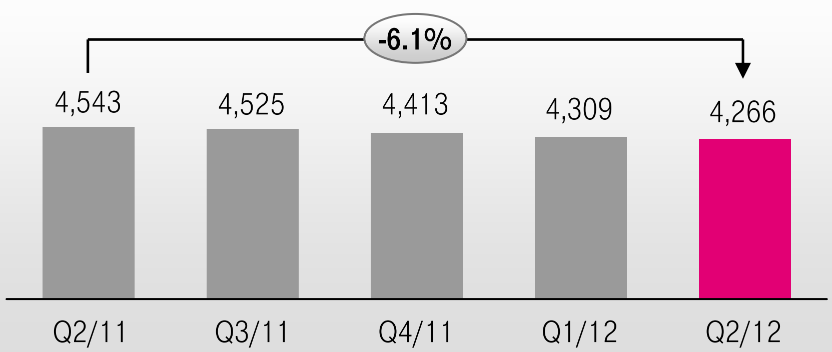


- Line losses 20% below last year: 236k in Q2. (295k in Q2/11)
- Broadband customers +2.1%: 12,414k, 47k net adds in Q2
- Entertain customers +41%: 1,830k total, 105k net adds in Q2
- Retail fiber-customers (VDSL) +59%: 722k total, 48k net adds in Q2
- Upsell strategy: Consumer ARPA increased by €0.30 to €25.7

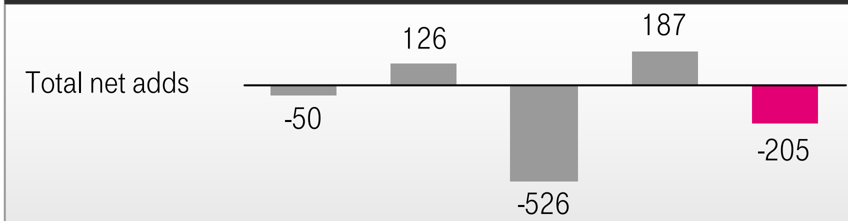
1) Company estimates; Rounded figures; incl. reseller (competitor resale and resale); Q1/11 adjusted mainly due to changes in KDG reporting structure
2) DSL-access of at least 3 Mbit/s required

US: +5.7% adj. EBITDA,+227k branded prepaid & better churn – branded contract losses impacted by weak gross adds.

Service revenues (US$ million)

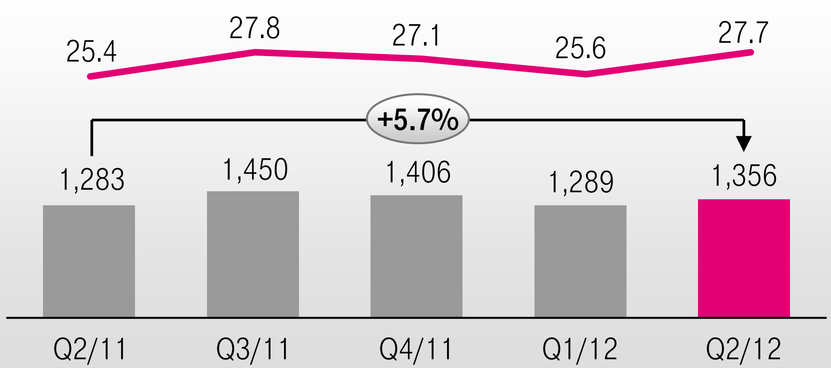


Net adds ('000)

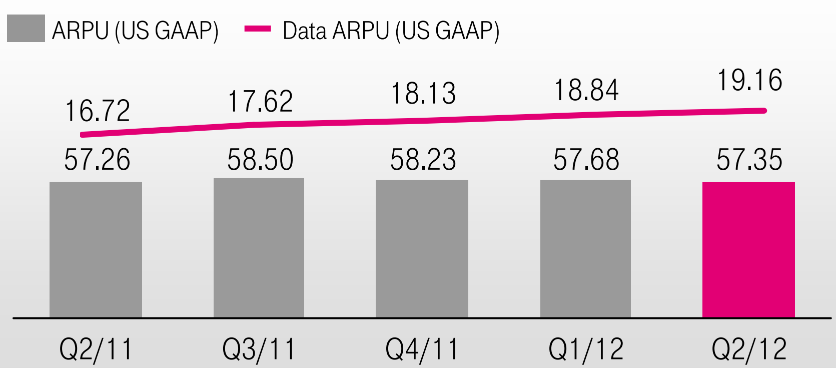


	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12
Branded Contract	-536	-389	-706	-510	-557
Branded Prepaid	-71	254	220	249	227
Wholesale[1]	558	261	-40	449	125

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



Branded contract: ARPU and data ARPU (US$)



1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

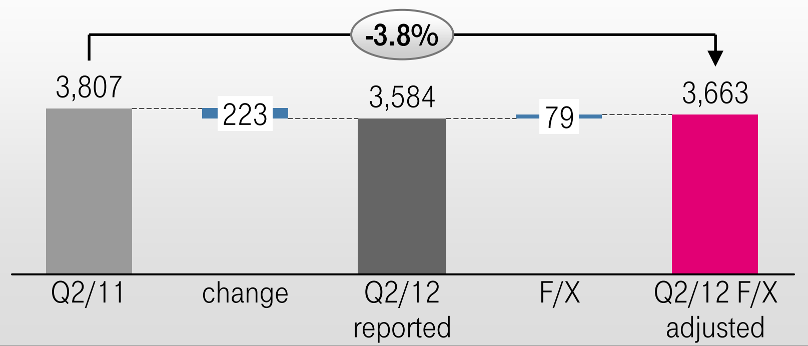
US: Good progress on strategy execution.

Mission: Making Amazing 4G Services Affordable

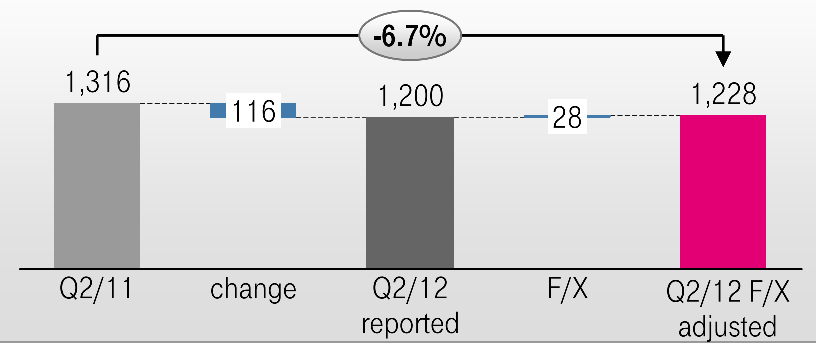
	Amazing 4G Services	Value Leader	Trusted Brand	Multi-Segment Player	Challenger Business Model
Key Programs	▪ **Refarming** ▪ **LTE in 2013**	▪ **Brand relaunch**	▪ **Distribution push**	▪ **B2B Invest** ▪ **MVNE platform**	▪ **Reinvent v2** ▪ **Churn v2**
Progress	▪ VZ spectrum swap agreement ▪ Over 250 sites modernized ▪ Samsung Galaxy SIII and Note launched	▪ New advertising launched in Q2 ▪ Advertising to ramp up in H2 as planned	▪ Opened 1000th TMUS Premium Retailer (TPR) ▪ Approx. 8,700 prepaid doors added in Q2	▪ B2B ramp initiated incl. $50 European data plan for business ▪ 2 new MVNOs signed	▪ Reinvent: well on track to achieve $0.9 billion savings ▪ Branded contract churn at 2.1% (Q2/11 2.6%)

Europe: solid customer KPIs. Financials impacted by higher bias on market invest and worsening macro trends.

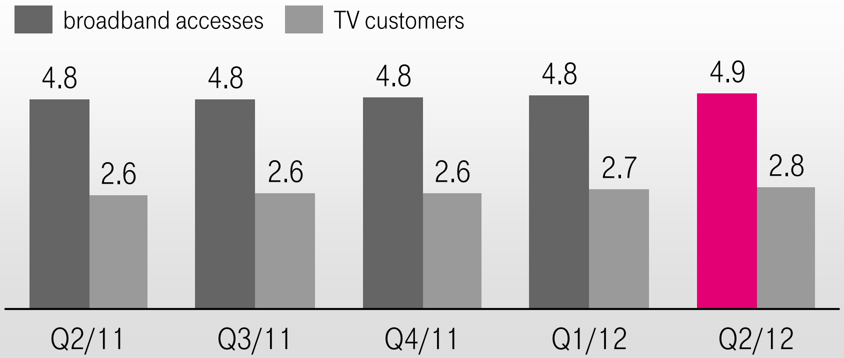
Organic revenue development



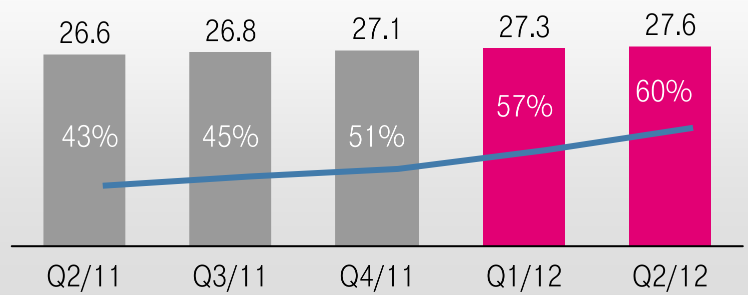
Organic adj. EBITDA development



Broadband and TV accesses (million)[1]

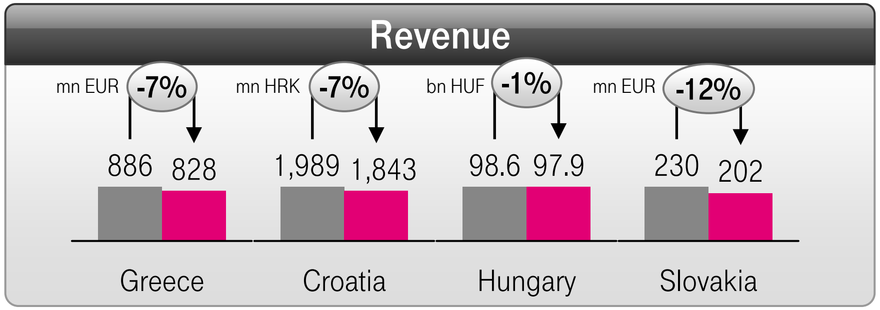


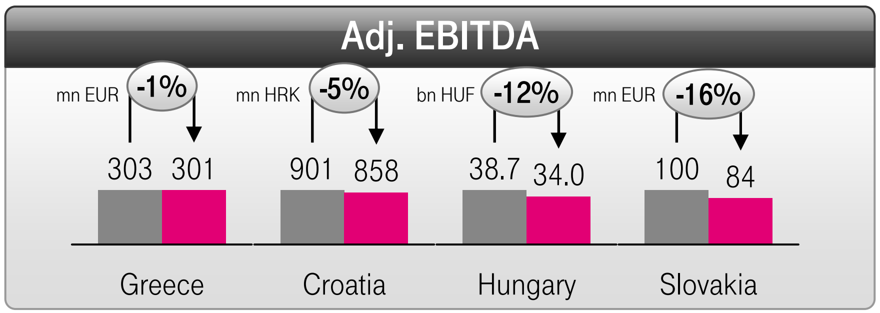
Contract subscribers (mn) and smartphone share[1, 2]

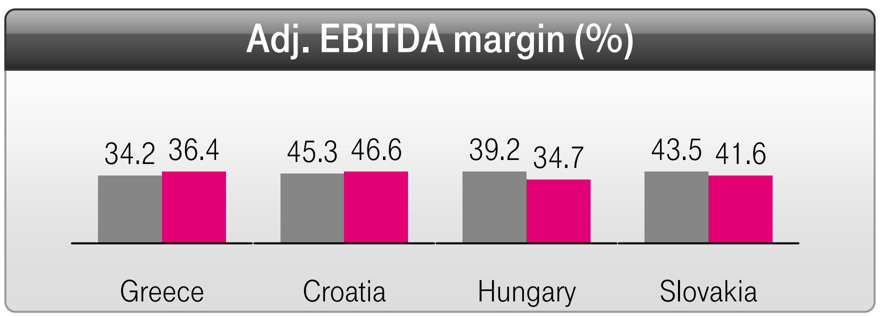


1) Incl. business customers shifted to T-Systems in Hungary as of 1.1.2011.
2) Figures adjusted due to incorporation of data from Cosmote Greece. Percentage of smartphones in dispatched devices (excl. Slovakia, Romania, Bulgaria, Montenegro and Macedonia);

Europe – integrated markets.







Greece:

- Ongoing challenging economic and regulatory situation
- Return to positive broadband and TV net adds on the fixed line side and outperformance of competition in mobile
- Cost control delivers an almost flat EBITDA and a higher margin
- Continued focus on securing refinancing, reduction of cost base and maintaining momentum in mobile and fixed

Hungary:

- Operationally revenues well defended with underlying revenues ex MTR's + 0.5% in the quarter, driven by IPTV, broadband and new businesses. Mobile outperforming competition with 25k contract net adds[1]; strong 57% smartphone share
- Decline in EBITDA margin a result of low margins of new revenue streams.
- Partial price increases in mobile and fixed announced for H2

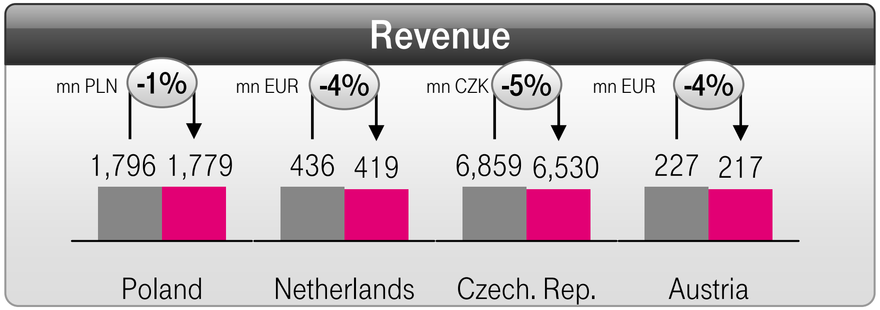
Slovakia:

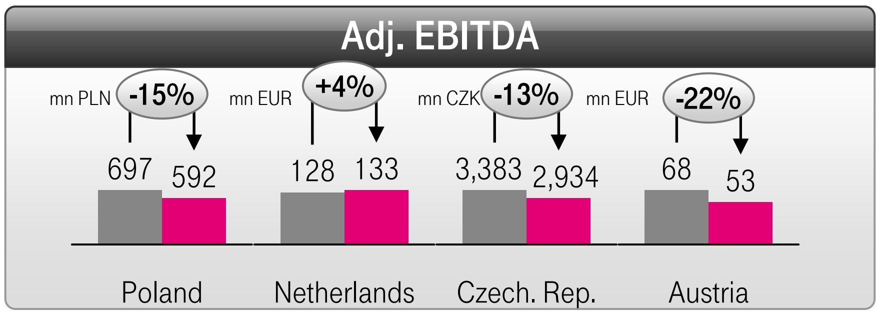
- Slowdown of the economy and continued competition impacted business
- Operationally good 11% yoy growth in TV customers and 12k new contract customers in mobile.
- Revenue development driven especially by fixed, notably the ICT business, where public sector reduced spending
- Management will continue to reduce the cost base

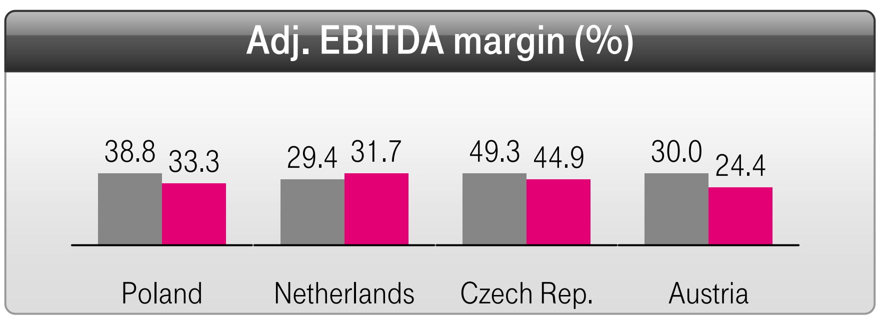
■ Q2/11 ■ Q2/12

1) Incl. business customers shifted to T-Systems in Hungary as of 1.1.2011.

Europe – mobile centric.







Poland:

- Economy in Poland still robust – although slight decline in GDP growth.
- Strong contract net adds of 76k outperforming main competitor. Mobile data revenues +19%
- Almost flat revenue, as lower service revenues are compensated by higher device revenues
- Underlying Adj. EBITDA (w/o MTR cuts and one-timers) -4.4%. Q2/11 profitability impacted by one-timers

Netherlands:

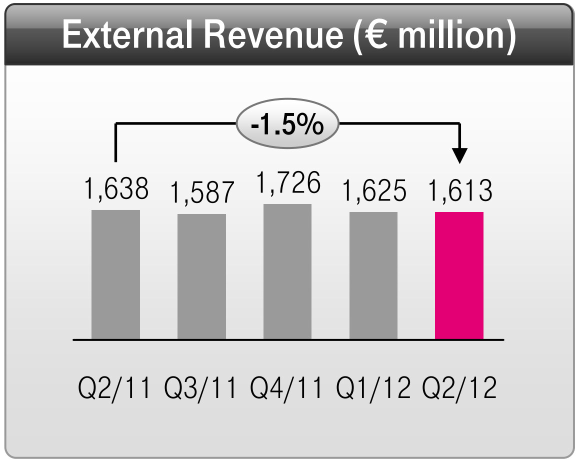
- Mobile market in the Netherlands shows accelerating decline in Q2. TM NL gained share - better revenue trends than competitors
- Strong increase in mobile data revenues of 54% could not fully compensate MTR cut and price declines in traditional services. Revenues excl. MTR cut remain basically flat yoy
- Adj. EBITDA and margin benefited from tariffs changes in 2011 and cost savings

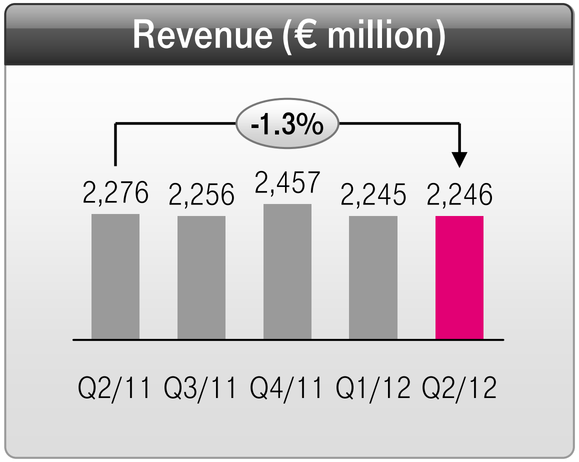
Czech Republic:

- TM CZ defended market leading position in Q2 in deteriorating economic and highly competitive environment
- Stronger bias on market invest results in highest contract net-adds of all operators but also in declining margins
- Revenue decline driven by regulation. Excl. MTR revenue decline at 1.1%

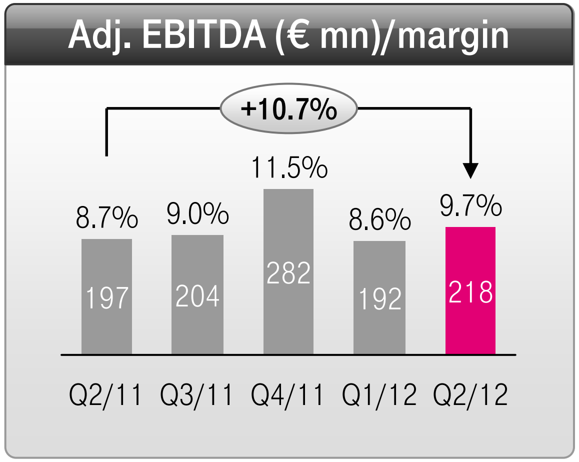
Q2/11 Q2/12

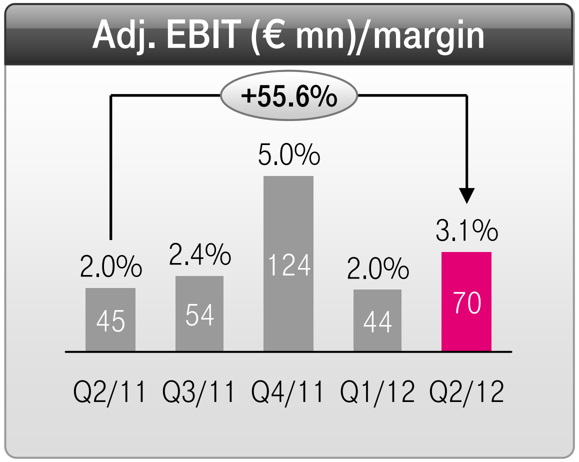
Systems Solutions: profitability strongly improved.





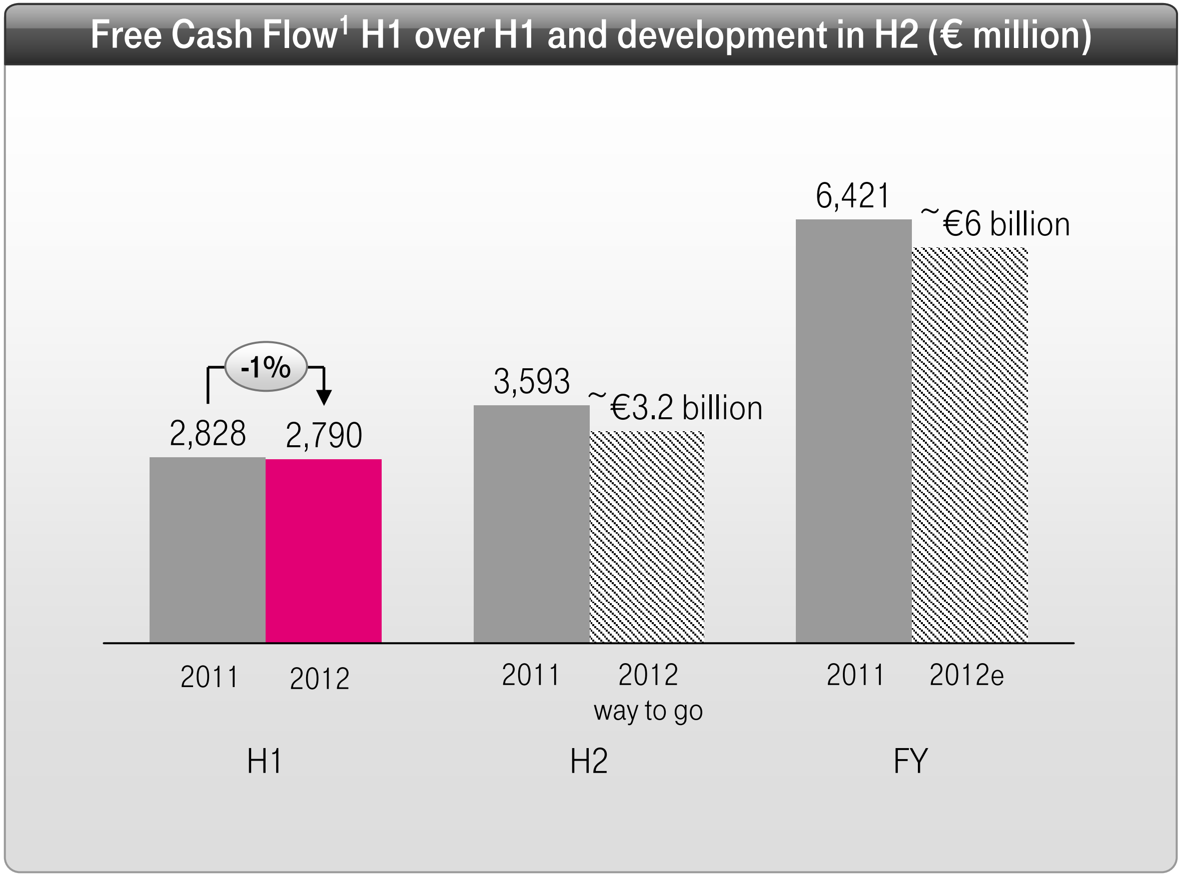
- Revenue decrease of 1.3% yoy to €2,246 million in Q2/12
- External revenue down by 1.5% to €1,613 million due to general price declines
- Order entry up by 8.2%
- Deal Highlights:
  Georg Fischer, Daimler , Everything Everywhere, BP





- Adj. EBITDA at €218 million with a margin of 9.7%
- Adj. EBIT strongly improved by 55.6% yoy with a margin of 3.1% in Q2/12
- Successful gross cost savings of €147 million in Q2/12

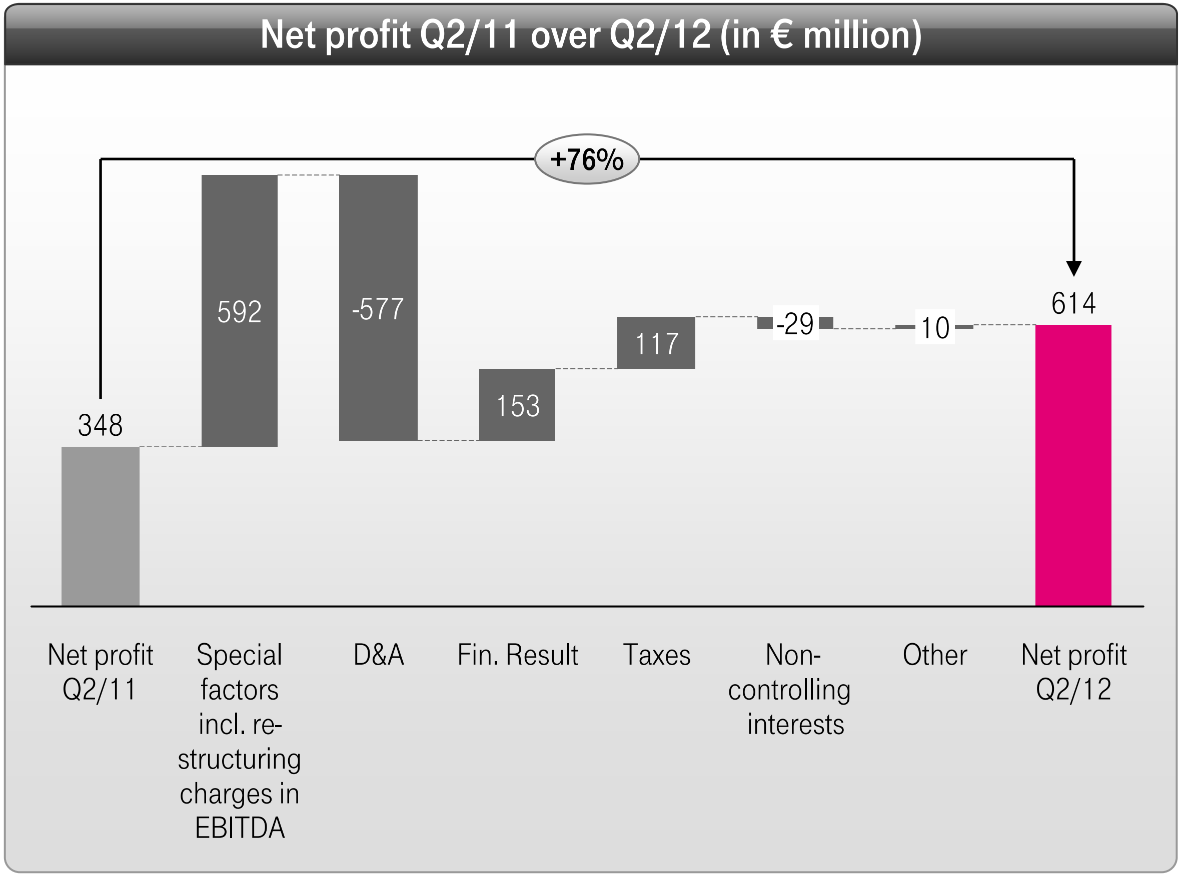
Free cash flow: almost stable free cash flow in 1st half year creates headroom in second half year.



- As expected free cash flow benefitted in H1 from lower taxes and interest payments
- Additionally €0.2 billion less investments contributed to strong performance of free cash flow
- Investments are expected to increase in H2
- Guidance of around €6 billion unchanged

1) before dividend payments, break-up fee, PTC settlement, AT&T deal related payments and spectrum investments

Net profit development Q2/12.



- Different timing of restructuring charges compared to 2011 supports net profit in Q2/12
- Increase in depreciation predominantly from the US – due to being fully consolidated again. Trend will continue in Q3 and reverse in Q4

Balance sheet ratios: stable development.

in € billion	30/06/2011	30/09/2011	31/12/2011	31/03/2012	30/06/2012
Balance sheet total	**123.1**	**124.6**	**122.5**	**120.5**	**121.1**
Shareholders' equity	39.3	40.7	39.9	39.8	37.6
Net debt	43.3	43.4	40.1	38.6	41.0
Net debt/adj. EBITDA[1]	2.3	2.3	2.1	2.1	2.2
Gearing	1.1x	1.1x	1.0x	1.0x	1.1x
Equity ratio	**31.9%**	**32.7%**	**32.6%**	**33.0%**	**31.1%**

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+**	stable outlook	✓
Moody's:	**Baa1**	stable outlook	✓
S&P:	**BBB+**	stable outlook	✓
R&I:	**A**	stable outlook	✓

1) Ratios for the interim quarters calculated on the basis of previous 4 quarters

Deutsche Telekom's Q2 2012 results conference call.

Q&A.

Questions can be asked via the telephone conference call:

0800 182 6766 0800 028 0471 +1 866 306 3455

+49 69 403 59 619.

If you want to **ask a question**, please **press "*1"**.

If you want to **cancel your question**, please press **"#"**.

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