

Deutsche Telekom Investor Day. Southern & Eastern Europe.

March 18, 2010
Guido Kerkhoff

Life is for sharing.



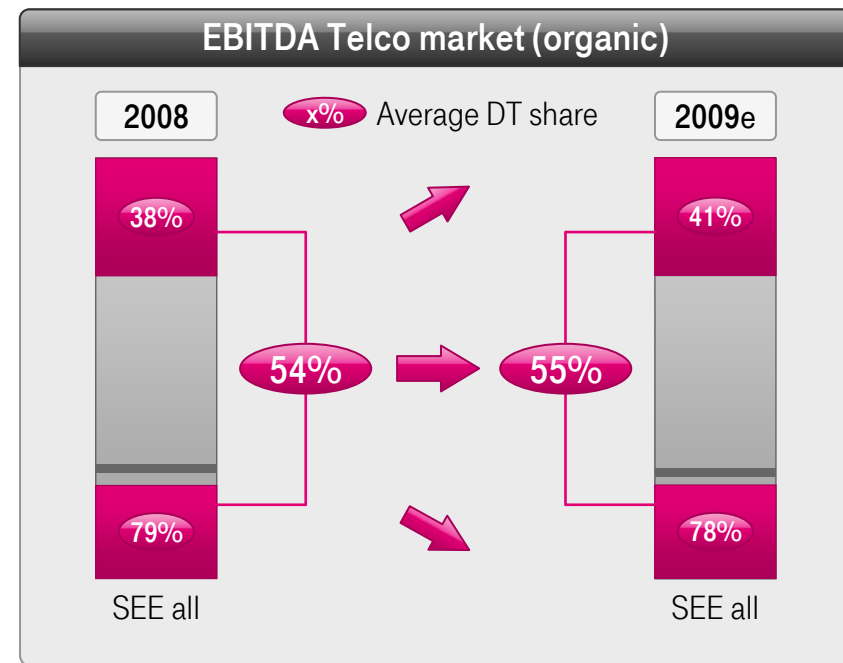
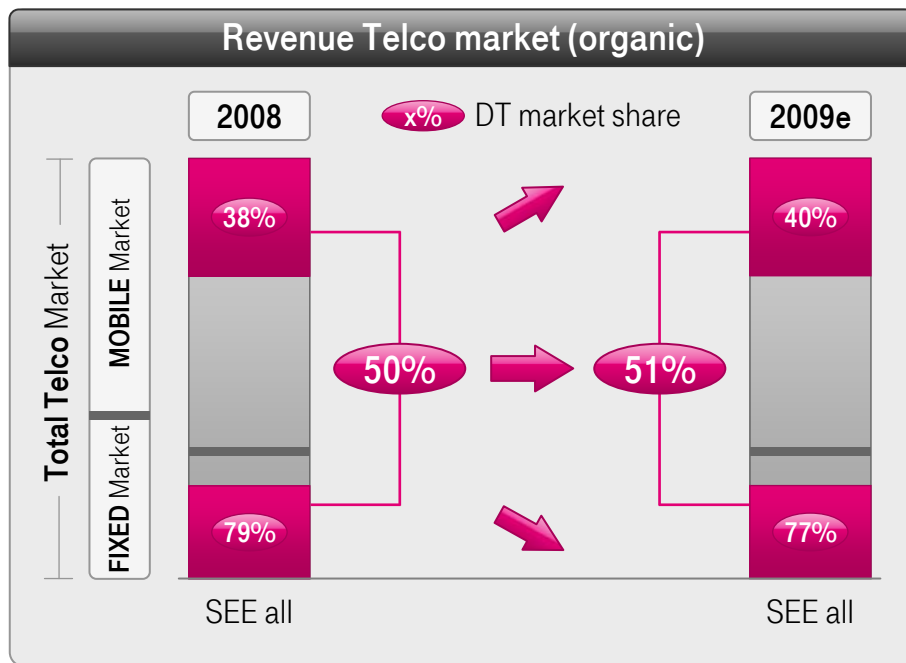
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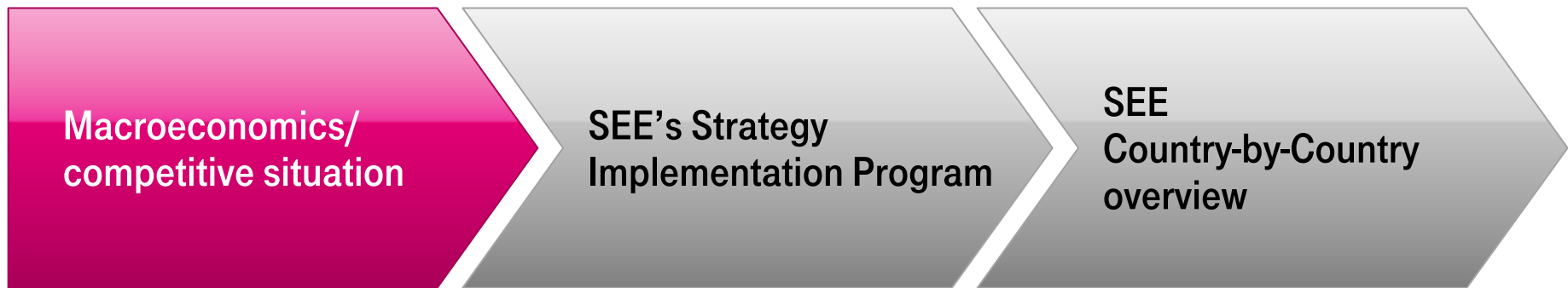


Strong market position translating into high profitability.

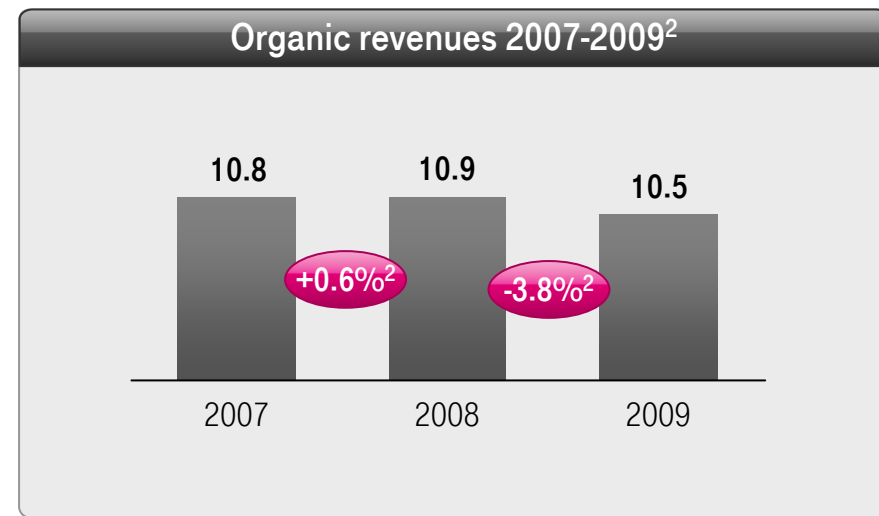
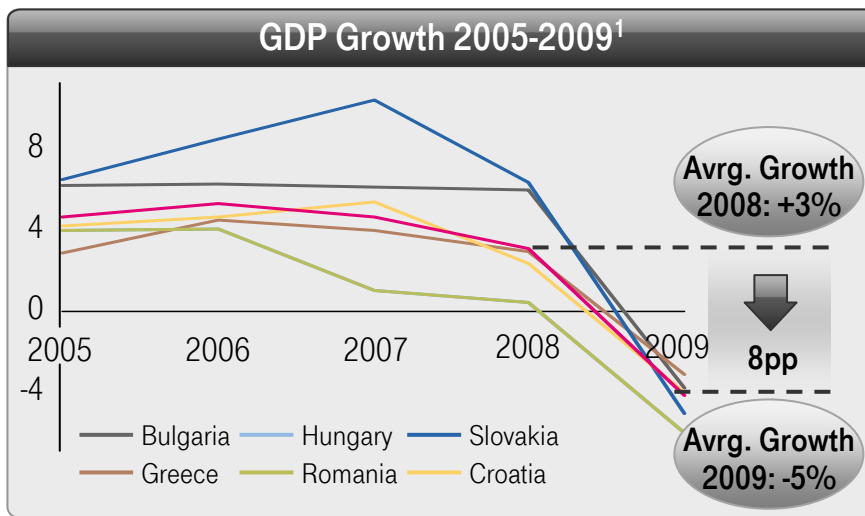


1) DT revenues: only core markets (connectivity markets); organic = FX-adjusted; Source: BCG market Data.

Content.



Macroeconomic Situation.



- 2008: Stable revenues in times of growth
- 2009: only 3.8% revenue decline at an average drop of 8pp in GDP growth

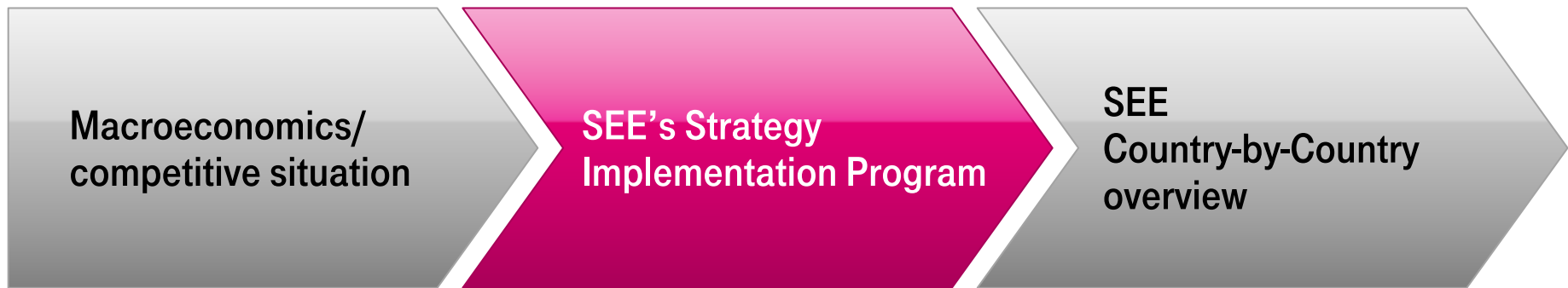


1) Source BCG-Analysis
 2) FX-adjusted on average 2007 F/X rates; OTE proforma estimate incl. January 2009

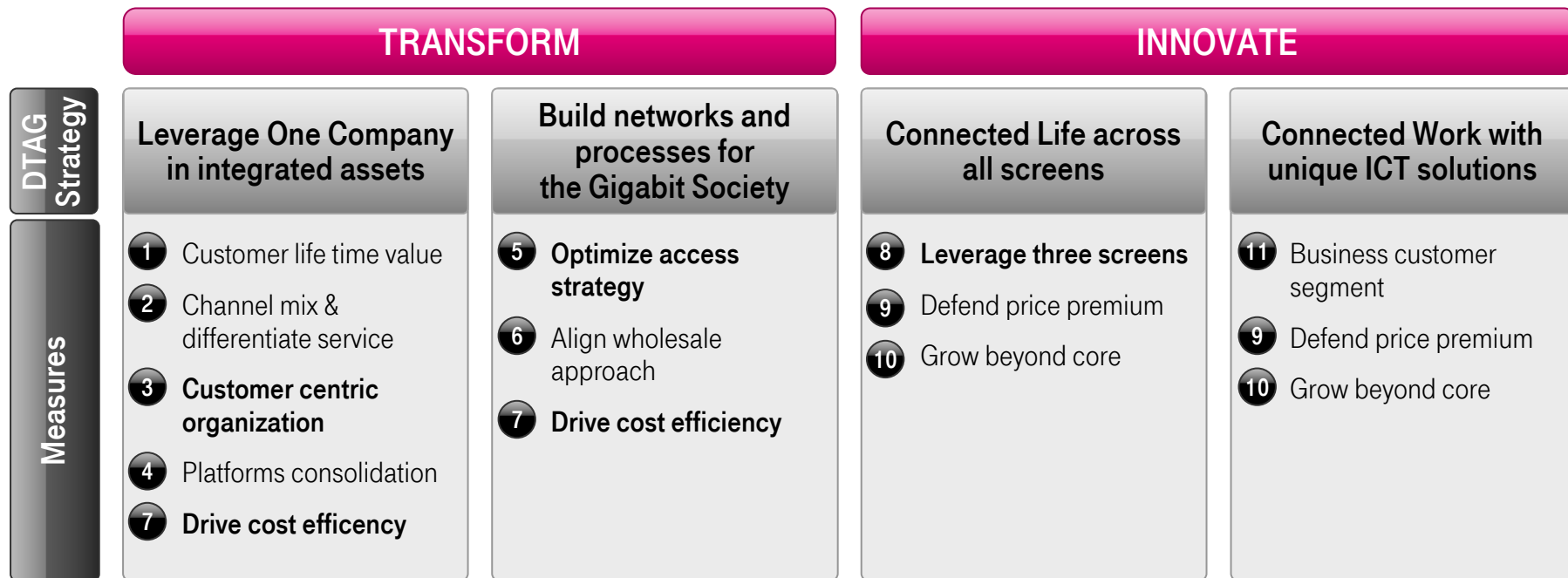
Challenges through fierce competition in different areas.



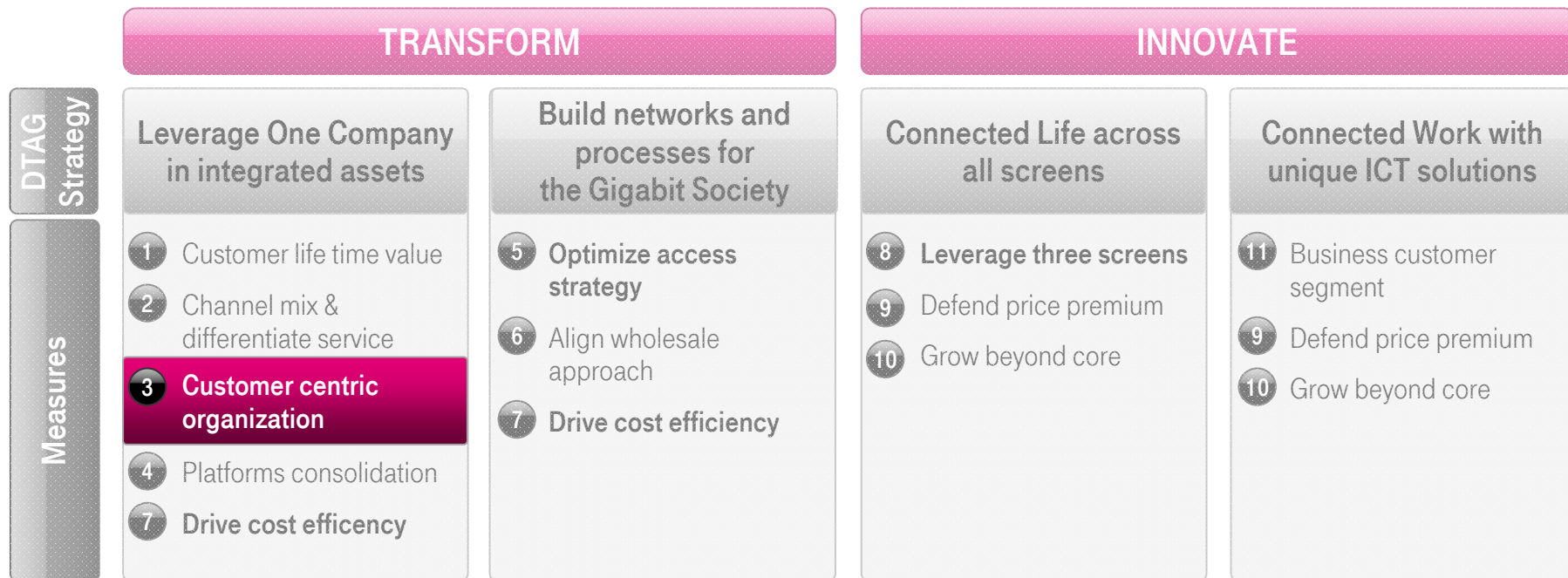
Content.



SEE's Fix – Transform – Innovate strategy implementation program.



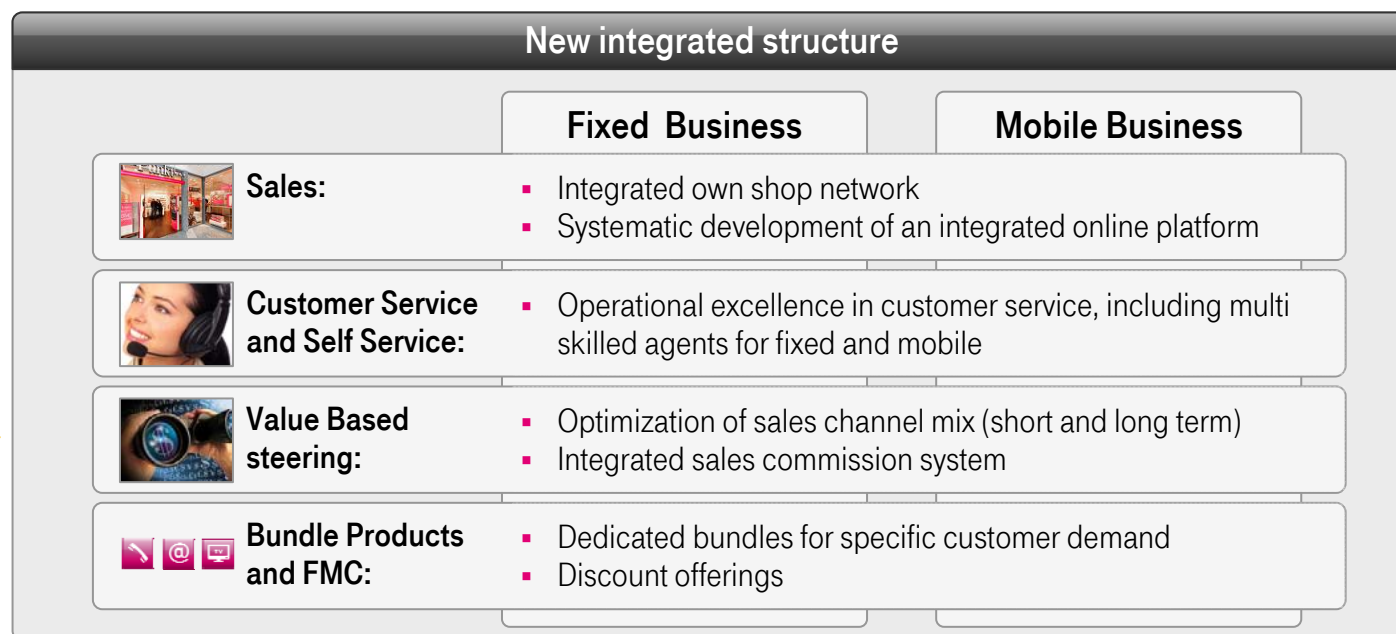
SEE's Fix – Transform – Innovate strategy implementation program.



Integration nearly completed in SEE ex OTE subsidiaries.

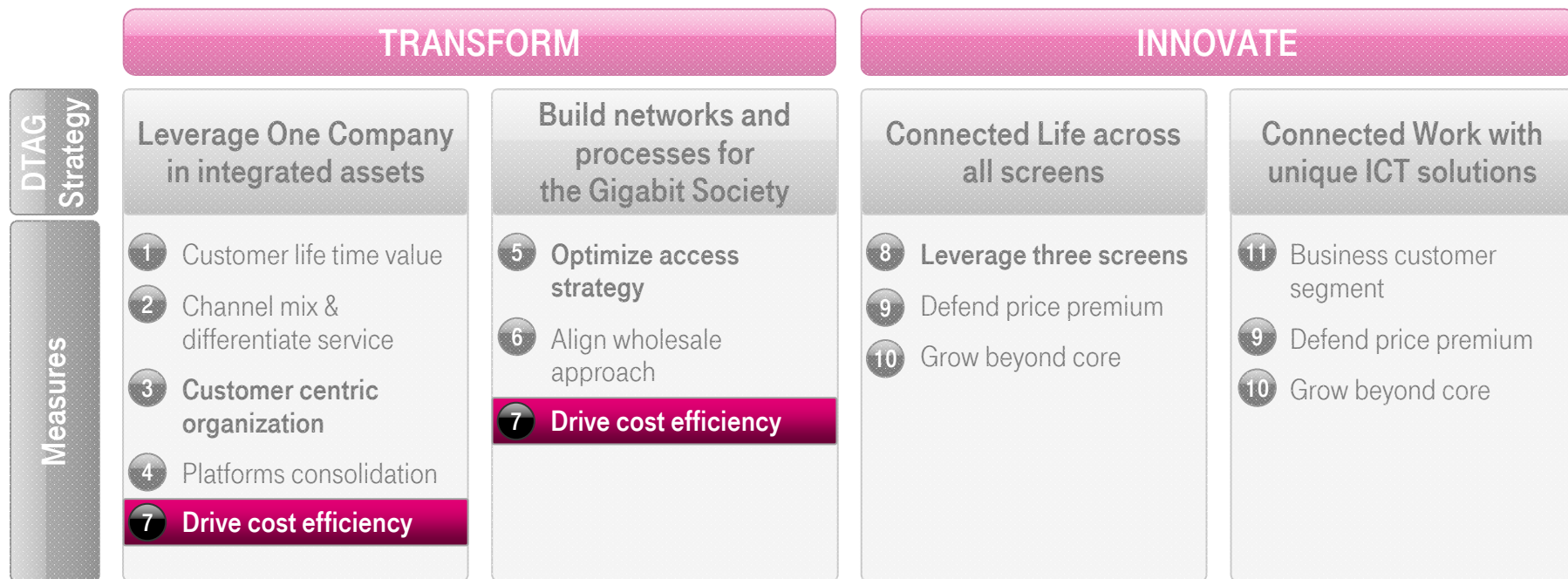


- Hungary**
March 2006 ✓
- Montenegro**
May 2009 ✓
- Croatia**
Jan. 2010 ✓
- Slovakia**
July 2010 ✓
- FYRO¹ Macedonia**
Mid 2010

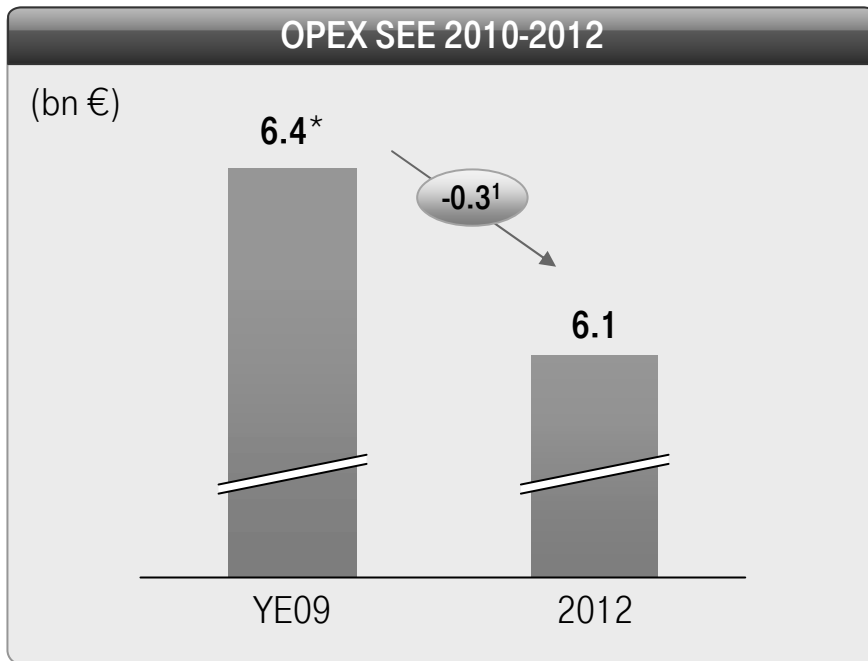


1) Former Yugoslavian Republic of Macedonia

SEE's Fix – Transform – Innovate strategy implementation program.



Save4Service@SEE: Reduction of SEE cost base by € -0.3 bn.

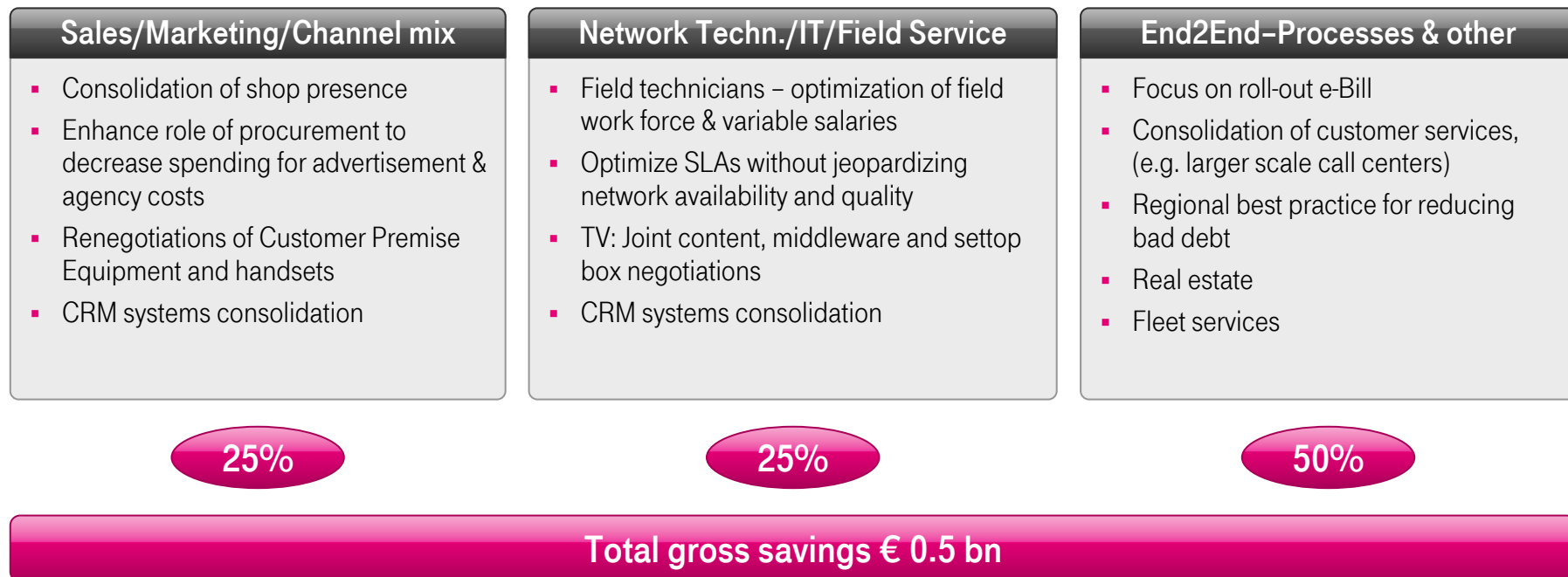


- ### Measures
- Adjusted **net savings**: €0.3 bn¹
 - **Gross savings** volume: €0.5 bn
 - Bundling of regional efficiency initiatives in **3 overarching program streams**
 - Sales/marketing/channel mix (25%)
 - Network/IT/field services (25%)
 - End-to-end processes & other (50%)
 - **Reinvest to strengthen competitiveness** and realize growth according to local market strategy

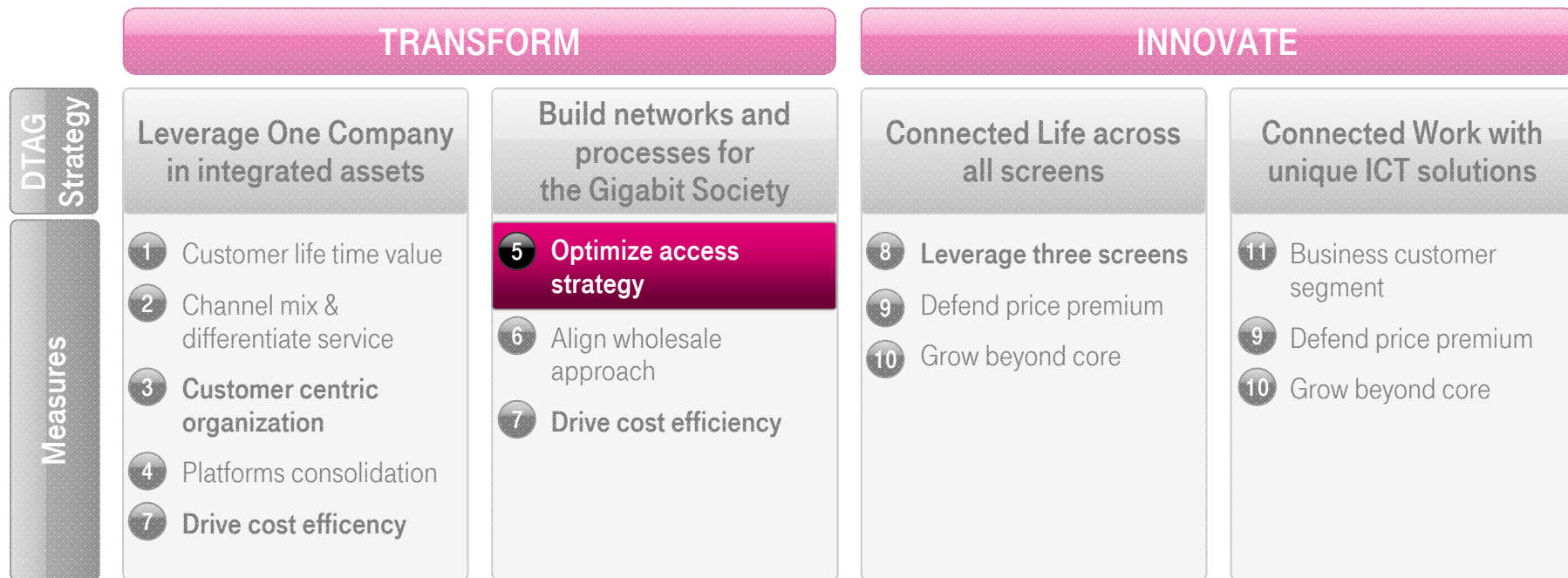


* Adjusted for € +0.5 bn M&A effects: mainly OTE Group fully consolidated from Feb. 2009, Zapp (Romania) fully consolidated from Nov. 2009, PosAm fully consolidated from February 2010.

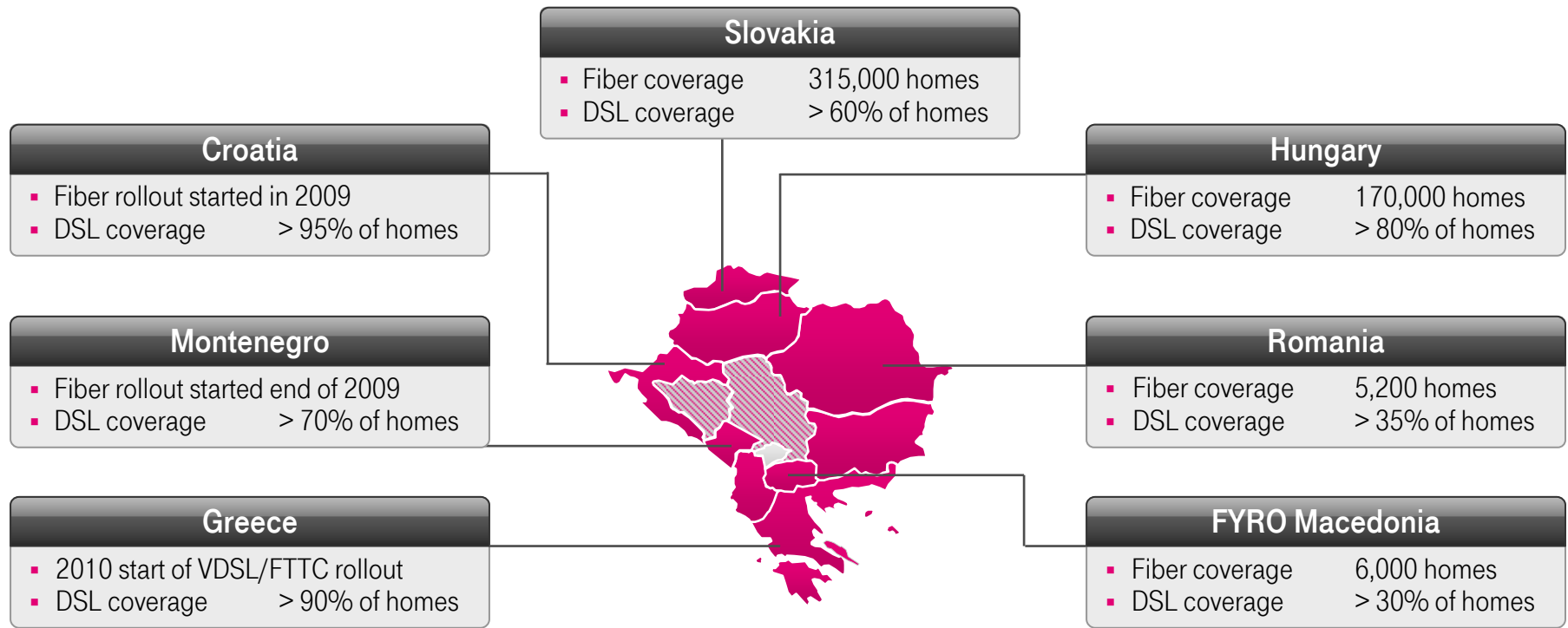
Measures identified in three areas of focus.



SEE's Fix – Transform – Innovate strategy implementation program.



Fiber rollout: more than 500,000 homes passed.



Coverage as of YE2009. Fiber: homes passed; xDSL: technical availability.

Mobile broadband development in SEE.



Recent 3G Network	
DT's 3G coverage*	
Greece	> 87%
Hungary	> 55%
Croatia	> 57%
Slovakia	> 14% / > 77% F-OFDM
Macedonia	> 53%
Montenegro	> 70%
Romania	> 55%
Bulgaria	> 69%
Albania	no 3G licence yet

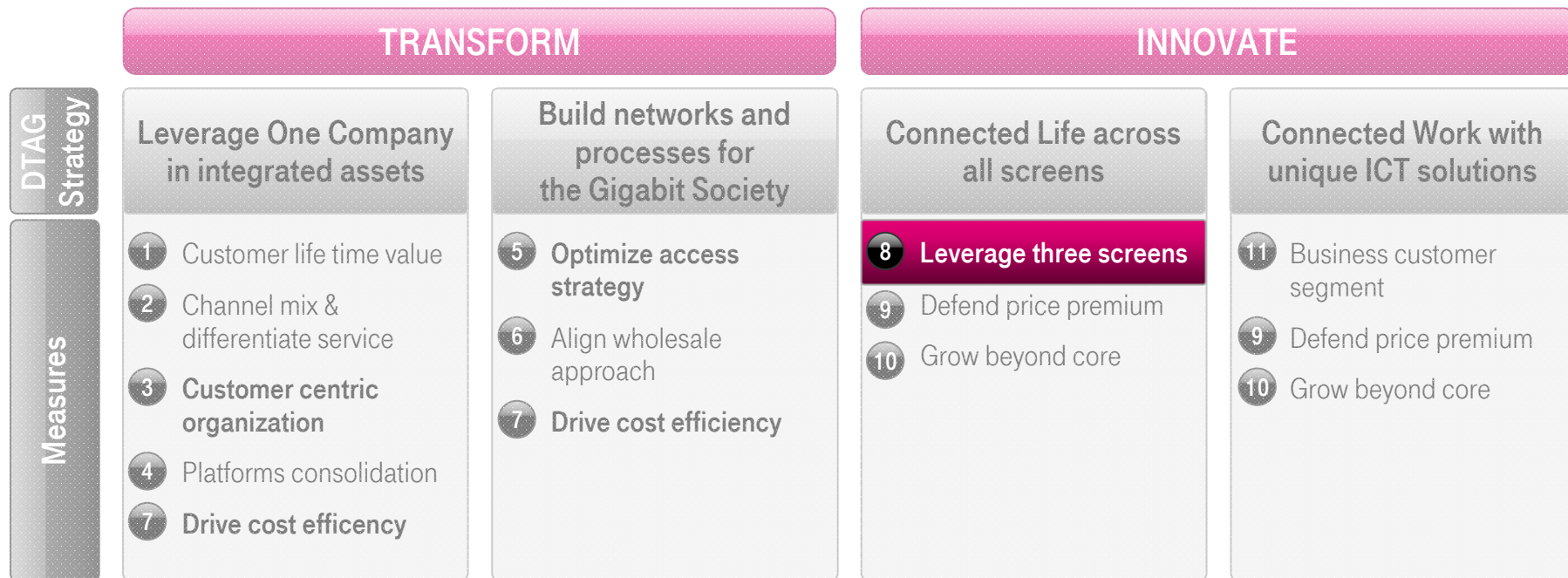


Next Generation Mobile Network	
Drivers	
1) Demand	
<ul style="list-style-type: none"> Rapidly growing demand for mobile data ➔ Increase speed & capacity with NGMN 	
2) Competitiveness	
<ul style="list-style-type: none"> Drastic cost-performance ratio improvement ➔ Reduce network costs by less complex flat all-IP network architecture 	
Rollout in SEE	
<ul style="list-style-type: none"> Group-wide coordination <ul style="list-style-type: none"> Common spectrum strategy Common strategic supplier decision and rollout plan Ongoing LTE showcases and trials in 2010 Start of implementation in 2011/12 onwards 	

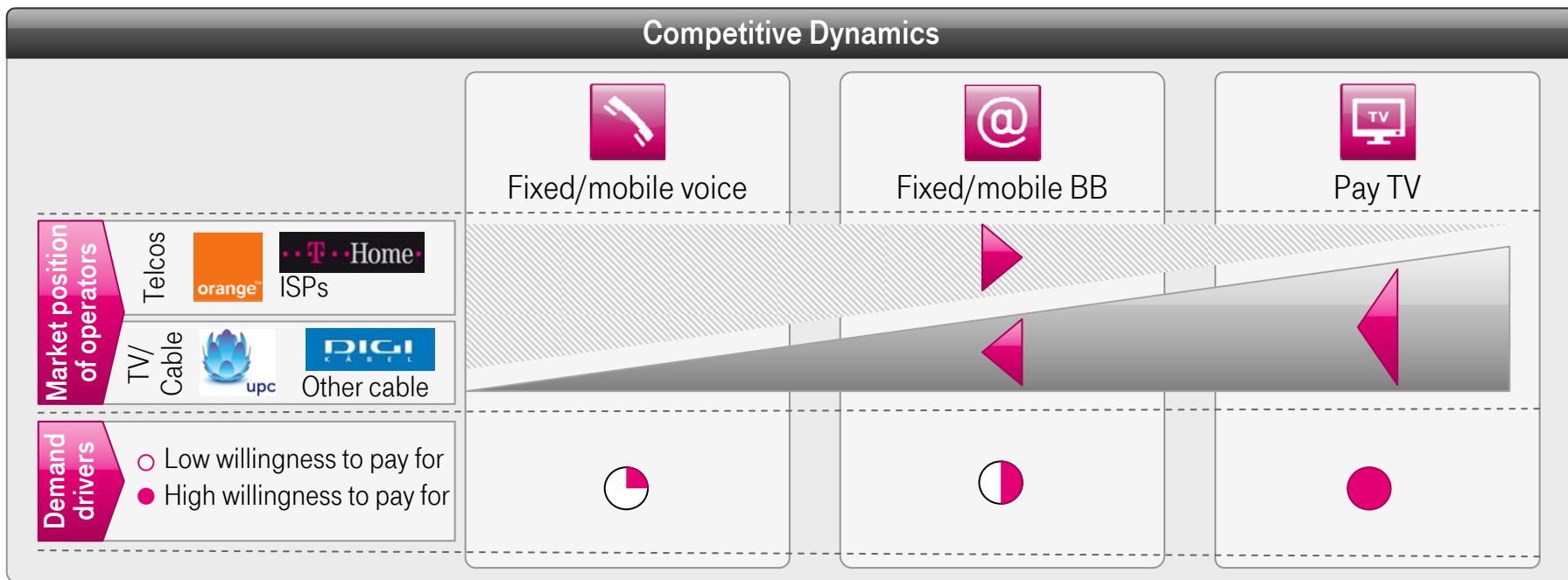


* Area coverage excl. unpopulated areas with no inhabitants.

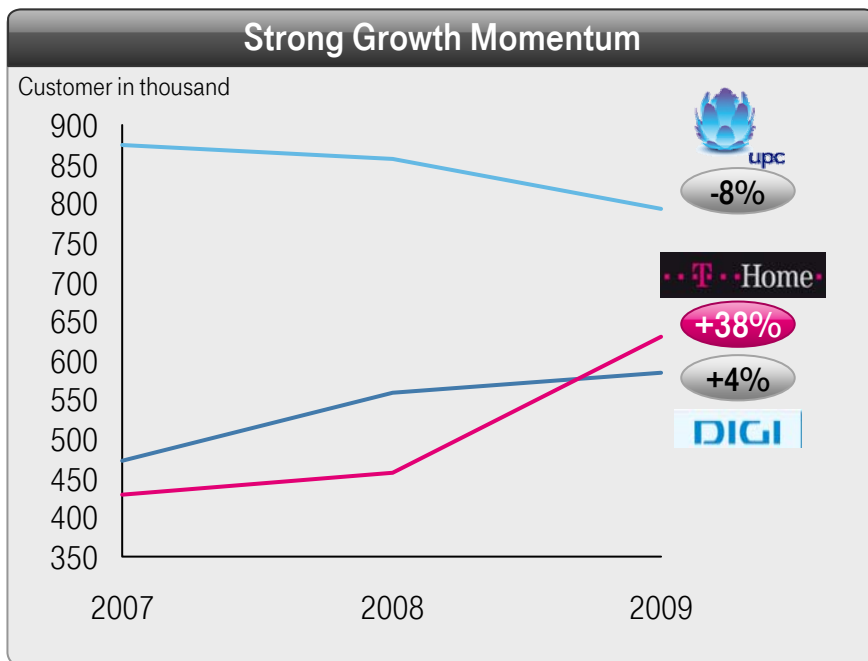
SEE's Fix – Transform – Innovate strategy implementation program.



To compete effectively in the future, TV is a must have.



Positive impact of TV: case study Hungary.



- ### TV Key for Upselling and Retention
- **Customer growth:**
Captured # 2 market position.
 - **Upselling into bundles:**
More than 2/3 of TV customers subscribe for at least one other service.
 - **Retention/Churn reduction:**
2% of TV customers with voice subscription intend to churn vs. 8% of voice only customers services.



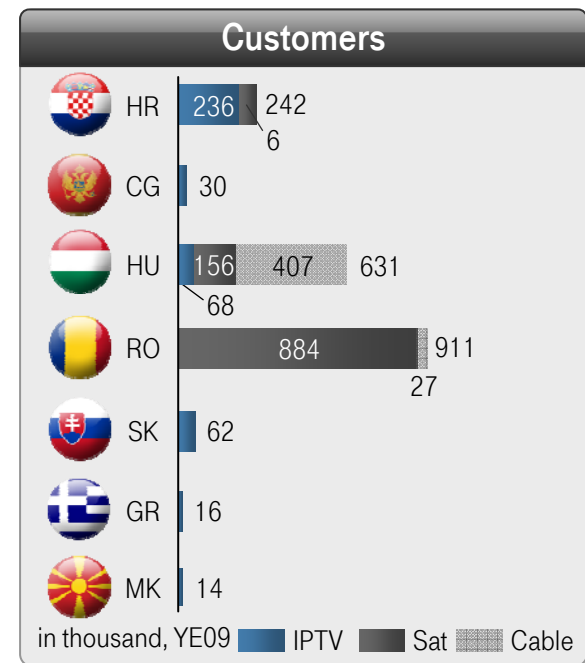
Sources: company data

Significant differences in proposition maturity and access technology.



TV Penetration* Market Shares*

Country	Penetration*	Market Shares*
HR	40%	36%
CG	56%	26%
HU	85%	25%
RO	79%	15%
SK	62%	5%
GR	14%	4%
MK	31%	2%



* Company data, management estimates; YE2009; overall TV market, across all technical methods

With IPTV, and Satellite, DT Group offers digital TV everywhere. Case study: Magio TV in Slovakia.



Magio Fiber: € 22
DSL: € 12 + € 7.95

Magio DSL: € 12 + € 7.95

Magio € 7.95

Fiber or ADSL2+/VDSL: IPTV

ADSL: Hybrid Satellite


No Broadband: Satellite

- Streamed VoD
- PC/Mobile remote control

- Interactive Magio Portal (Web-on-TV)



- Standard and HD Broadcast TV with Basic and Premium channel packages
- Hard Disk based PVR and Time Shift TV
- Basic Electronic Program Guide (EPG) for broadcast channels

IP Settop Box



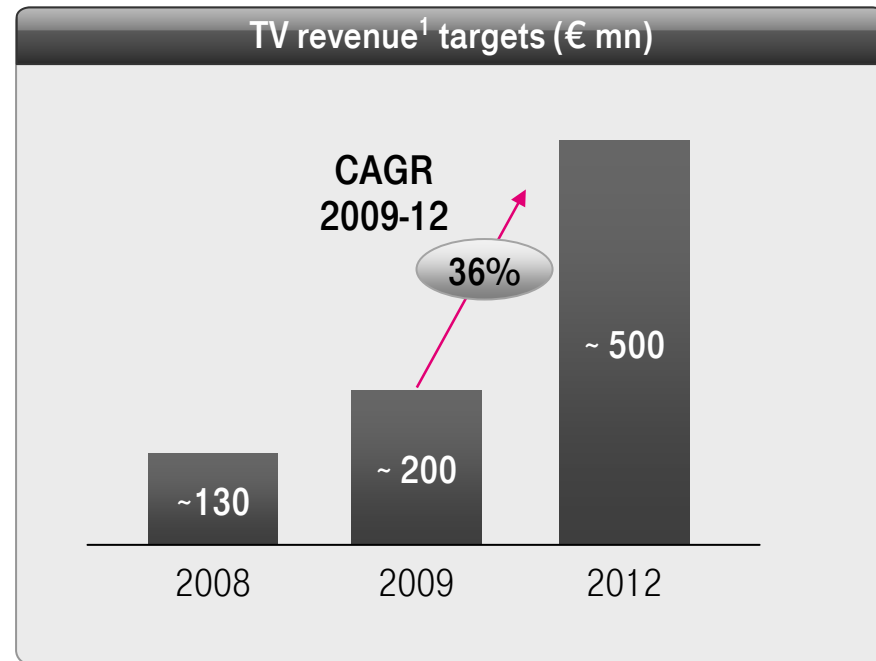
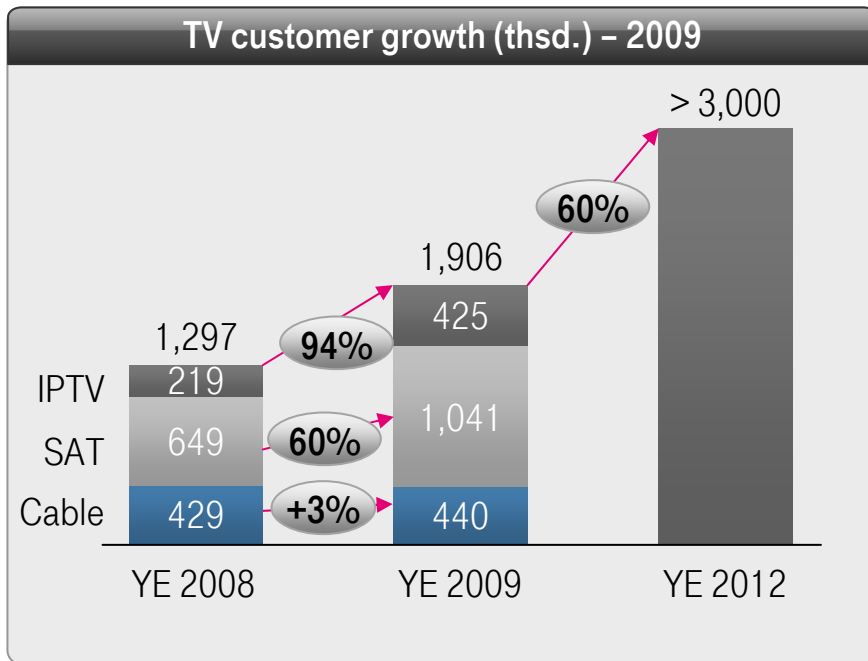
Hybrid Settop Box and Dish



Satellite Settop Box and Dish

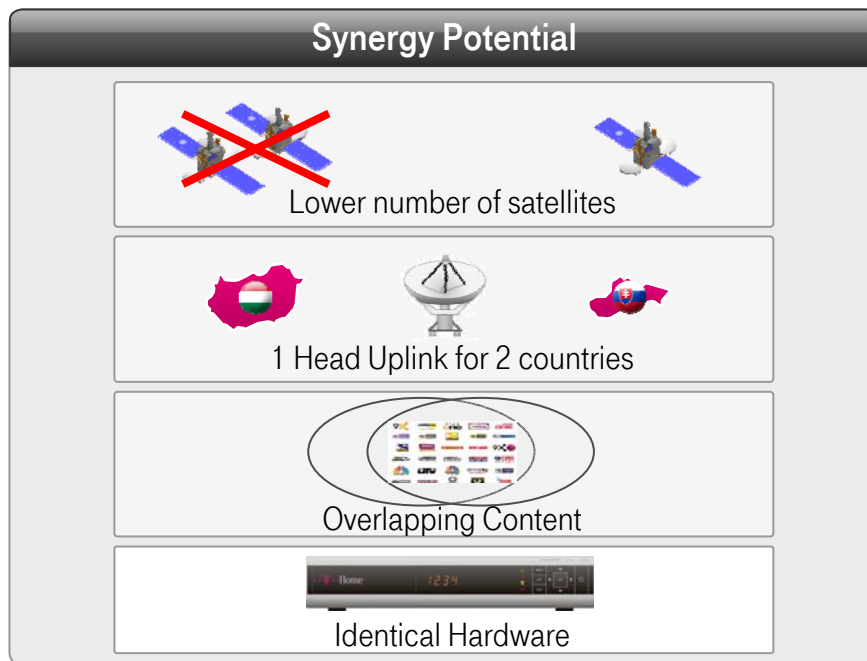


Large – and growing: DT Group TV business in SEE.

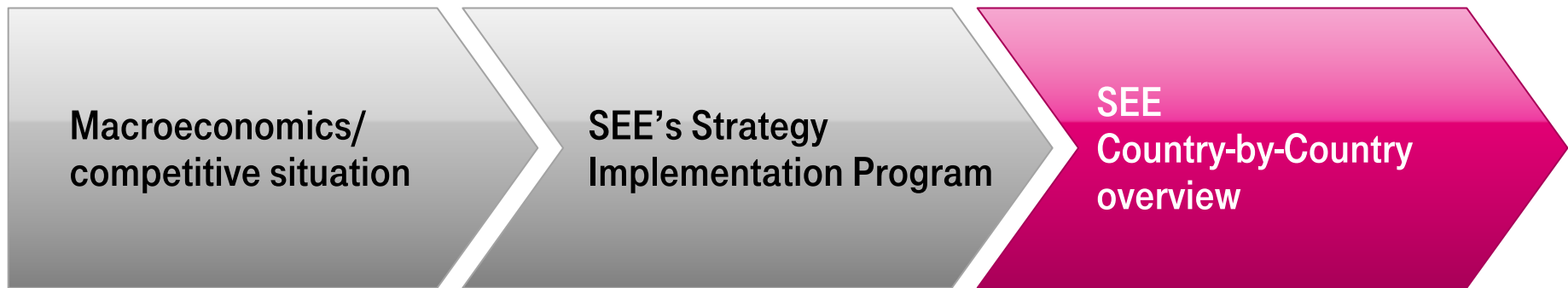


1) Total TV revenues, IPTV mainly incl. access revenues (retention & up-selling effects)

Slovakia/Hungary case study: Sat cooperation leveraging significant synergies.



Content.



Greece.

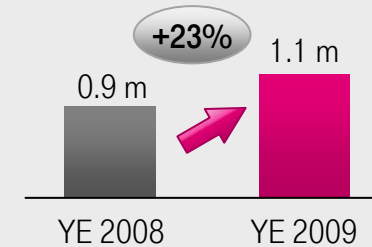


Strategic focus 2010 to 2012

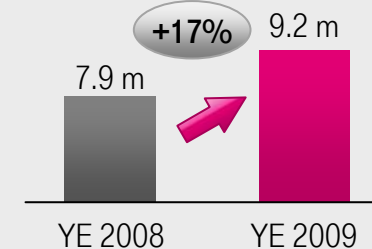
- Efficiency: realize DTAG synergies with SEE Strategy Implementation Program and increase profitability in line with S4S
- TV: Push via DSL and satellite to retain telco customers and create new revenue streams
- Mobile data: introduce new services and create new revenue streams
- Business customer: build-up B2B/ICT operations
- Network: further DSL and 3G rollout to ensure leading position in the fast growing broadband market
- Improve processes and enhance operational excellence
- Continue with successful differentiation strategy

Highlights 2009

Fixed broadband access lines retail



Mobile customers



Romania.

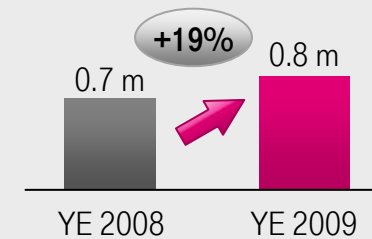


Strategic focus 2010 to 2012

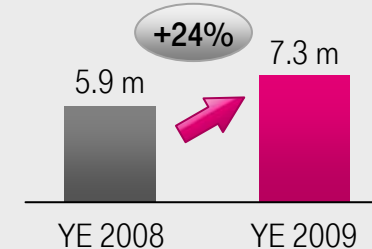
- Efficiency: realize DTAG synergies with SEE Strategy Implementation Program and increase profitability in line with S4S and maximize synergies from Zapp acquisition
- Mobile broadband: utilize 3G license from Zapp to enter mobile broadband market
- TV: further push offers to capture leadership position in broadband and TV market
- Network: continue with broadband network rollout and introduce low cost fiber offers (2nd Brand, NextGen)
- Business customer: build-up B2B/ICT operations
- Network: further 3G roll out

Highlights 2009

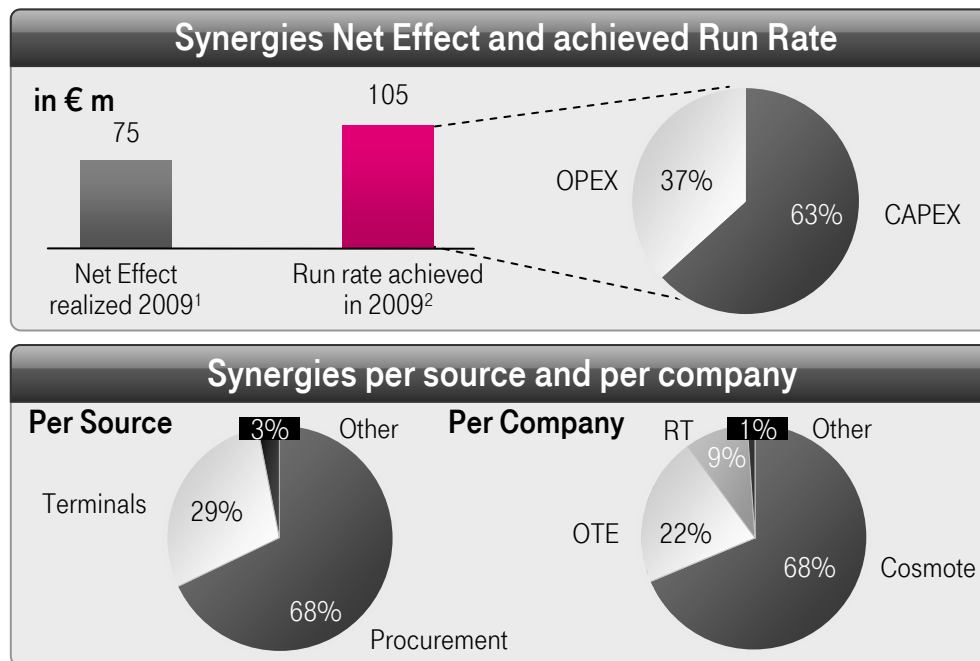
Fixed broadband access lines retail



Mobile customers



OTE Synergies 2009 – Overachievement on run rate driven by Procurement & Terminals.



- Cosmote: Synergies 60% in CAPEX & 40% in OPEX
- OTE fixed-line: Synergies nearly 100% in CAPEX
- Procurement projects with highest synergy impact driven by Cosmote, e.g. “wireless access” totaling to €36 m and “core & control” €14 m
- Terminals: Significant hand set price reductions for Cosmote achieved as a result of a common portfolio selection process between DT and Cosmote



1) Net Effect = Net effect of implemented measures as per YE 2009; 2) achieved Run Rate = Annualized synergies out of successfully implemented measures as per YE 2009

Hungary.

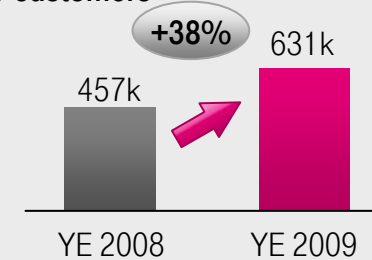


Strategic focus 2010 to 2012

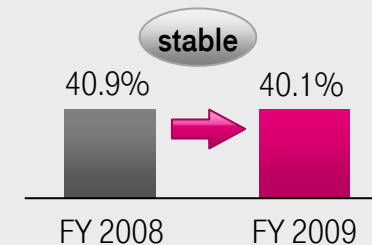
- Efficiency: realize DTAG synergies with SEE Strategy Implementation Program and increase profitability in line with S4S
- TV: Push access agnostic TV offering with consistent user interface and platform across three screens
- Grow beyond core: service innovation pilots/market launch in energy, smart security, e-health, finance
- Processes: drive automation & servicing and simplify IT systems landscape, i.e. merge CRM systems to one company wide platform

Highlights 2009

TV customers



Adj. EBITDA margin



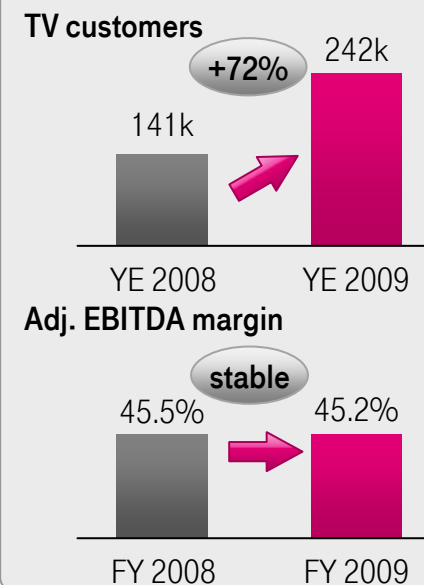
Croatia.



Strategic focus 2010 to 2012

- Efficiency: realize DTAG synergies with SEE Strategy Implementation Program and increase profitability in line with S4S
- Bundles: introduce bundles containing fixed and mobile components
- Fixed: expand in broadband and TV
- Mobile broadband: push by focusing on business and residential segment with redesigned customer-segment oriented tariff plans
- Business customer: build-up B2B/ICT operations
- Network: further fiber roll out

Highlights 2009



Slovakia.

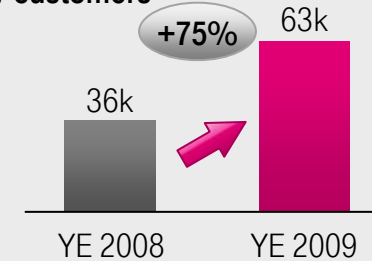


Strategic focus 2010 to 2012

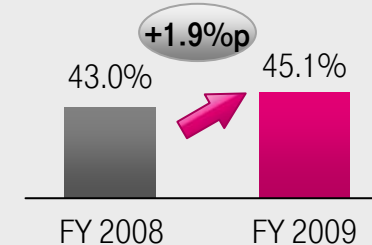
- Efficiency: realize DTAG synergies with SEE Strategy Implementation Program and increase profitability in line with S4S
- One Company: Integration of Slovak Telekom and T-Mobile Slovensko in July 2010
- Bundles: introduce bundles containing fixed and mobile services
- TV: push with introduction of “Magio Sat” (interactive satellite TV)
- Mobile broadband: push with attractive offers
- Mobile: churn management, cross-sell and up-sell to fixed base
- Business customer: drive consolidation in ICT business by organic/inorganic growth. i.e. acquisition “Posam”

Highlights 2009

TV customers



Adj. EBITDA margin



Country specific strategies reflected in the ambitions.

		2009	Ambition level 2012
Market shares¹	Market share service revenues	51%	stable
	Market share EBITDA	55%	stable
OPEX	OPEX	€6.4 bn ²	€0.3 bn net savings
TV	TV revenues ³	around €200 mn	around €500 mn
	TV customers YE	1.9 mn	> 3.0 mn



1) Total telco markets in SEE footprint; stable FX; non disclosing competitors estimated by DT

2) Including inorganic effects

3) Total TV, IPTV mainly including access revenues