

Deutsche Telekom Investor Day. Germany.

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Life is for sharing.



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Key achievements 2007 – 2009

...T...

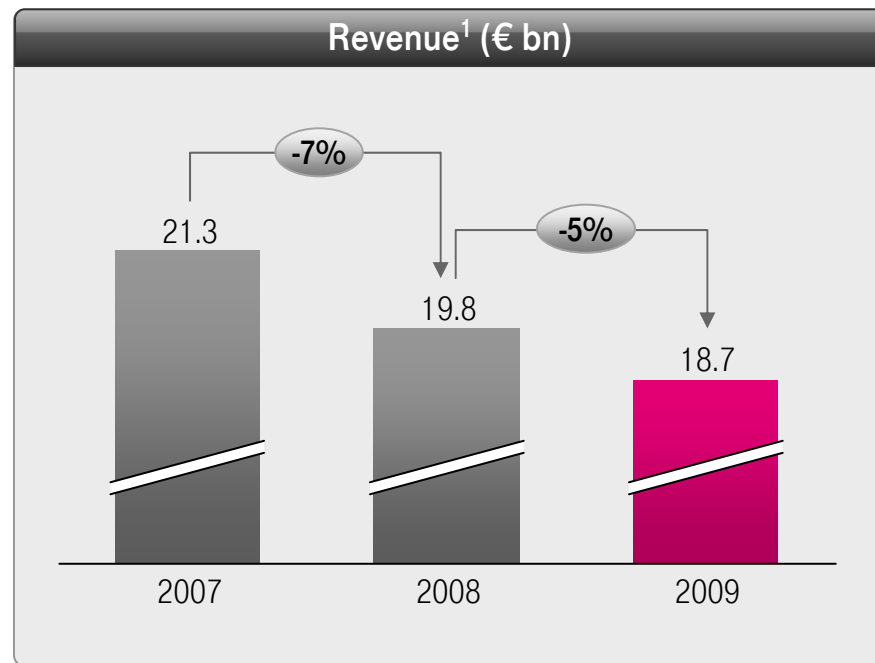
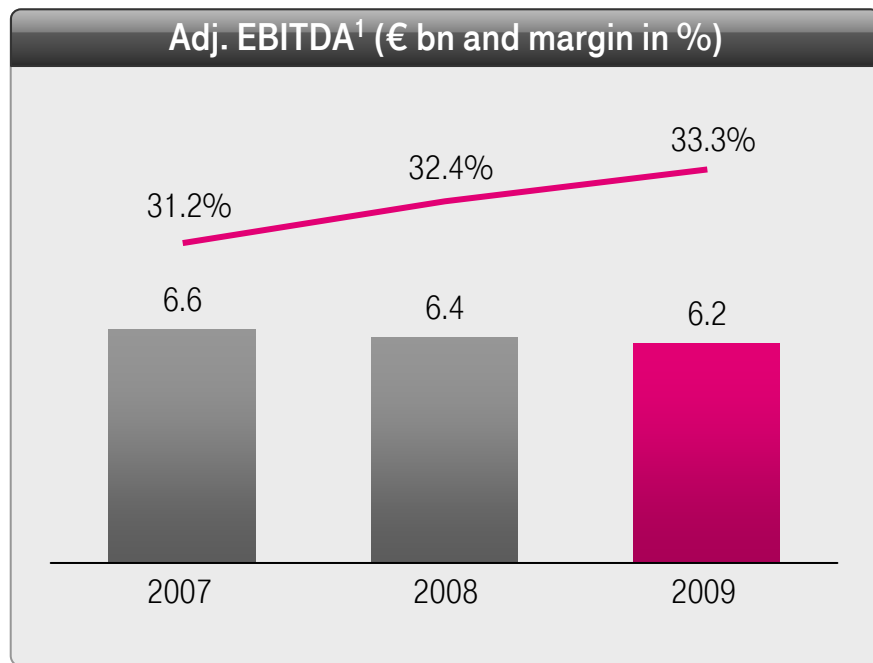
Fixed line: goals achieved – a reliable partner.

	2008 ¹	2009 ¹	2010 (Guidance Investor Day 2008)	Outlook
Adj. EBITDA	- 3.7 %	-2.4%	Stabilize EBITDA	✓
Adj. Opex	€ -1.34 bn	€ -0.94 bn	Ongoing cost reduction with higher net savings	✓
Revenue	-7.2%	-5.3%	Stabilize revenue	✗
Broad-band Net adds Net add market share	1.6 mn 45%	0.9 mn 45%	>45% Broadband market share >1.5 mn Entertain customers	✓
PSTN Net adds Market share	-2.5 mn 74%	-2.1 mn 69%	Ongoing line losses; market share ~65%	✓



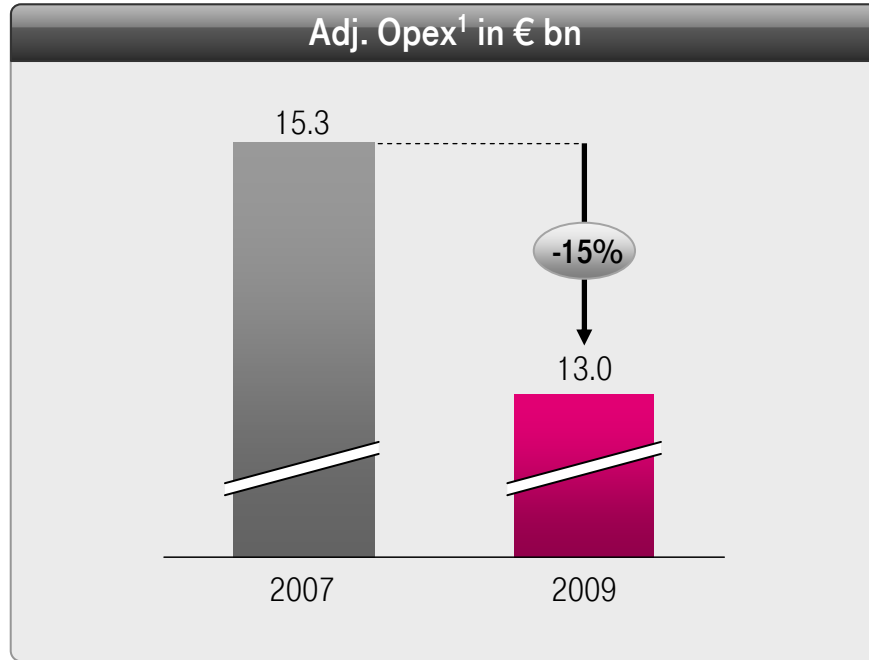
¹ Effective July 1, 2009 the fixed-network figures include PASM (Power and Air Condition Solution Management GmbH & Co. KG) without Global Network, International Carrier Services & Solutions (ICSS) and the share of Deutsche Telekom AG in the Product House. All prior-quarter and prior-year figures have been adjusted for better comparability.

Fixed line: we improved continuously ...



¹ Effective July 1, 2009 the fixed-network figures include PASM (Power and Air Condition Solution Management GmbH & Co. KG) without Global Network, International Carrier Services & Solutions (ICSS) and the share of Deutsche Telekom AG in the Product House. All prior-quarter and prior-year figures have been adjusted for better comparability.

... and lowered our cost base by € 2.3bn.



Cost cutting achievements

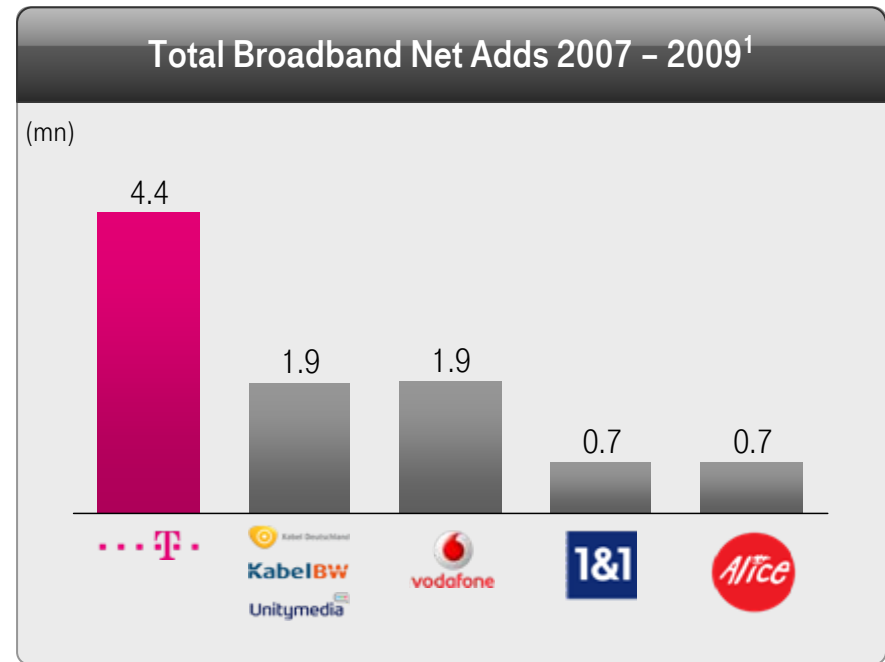
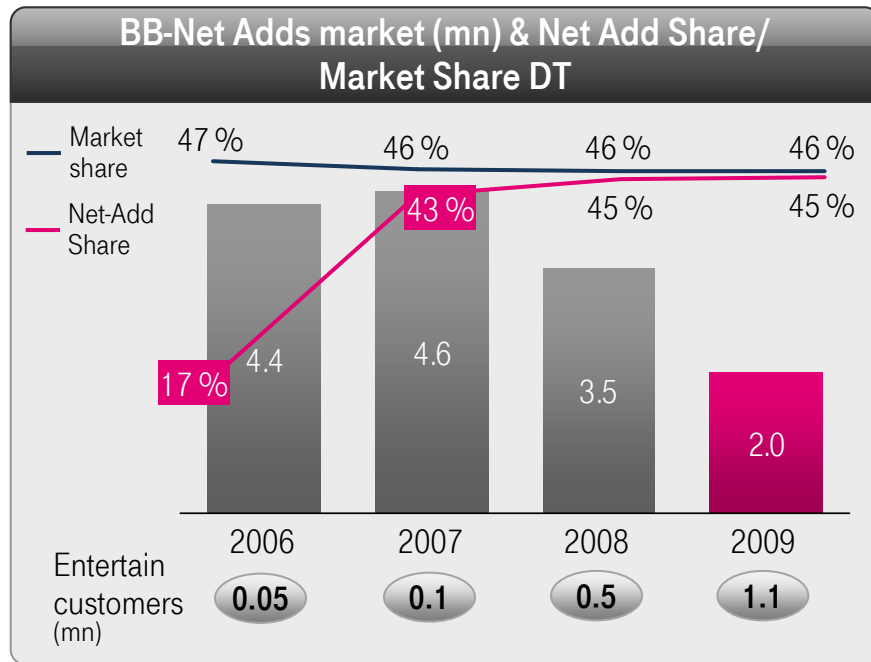
€ 2.3bn net cost reduction since 2007 due to:

- Rental, maintenance, energy costs
- Termination
- Less 3rd party contracts (esp. call centers)
- Personnel
- IT



¹ Effective July 1, 2009 the fixed-network figures include PASM (Power and Air Condition Solution Management GmbH & Co. KG) without Global Network, International Carrier Services & Solutions (ICSS) and the share of Deutsche Telekom AG in the Product House. All prior-quarter and prior-year figures have been adjusted for better comparability.

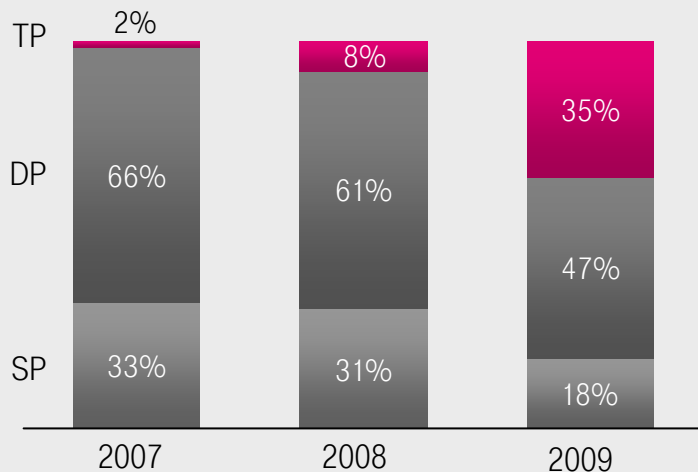
Within German broadband market we are the clear #1...



¹ Figures for Unitymedia, 1&1 and Alice are Q3 2009 because Q4 figures have not been published to date. All other figures are Q4/09.

... whereas our customer base moved to premium value packages ...

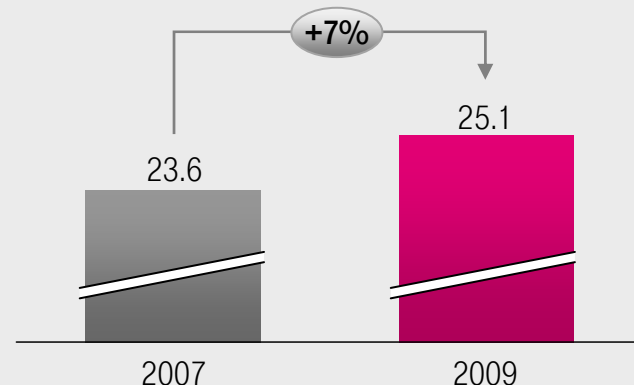
Net Add Share of SP/DP/TP-packages¹



Revenue per access

Increasing revenue per access due to successful up-selling:

Total monthly Ø revenue per access 2007-2009²:



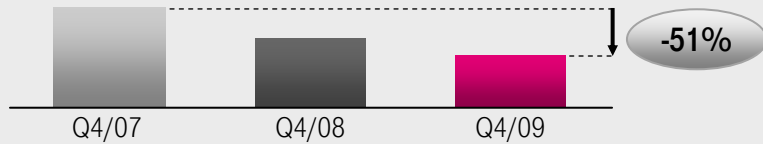
¹ Calculated on complete packages

² Calculated on monthly recurrent charge retail (w/o T-GK)

... and our customer service today is superior to our competitors.

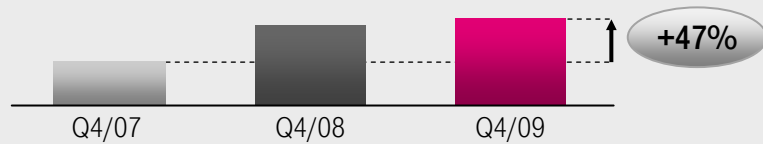
Less complaints...

Number of complaints¹



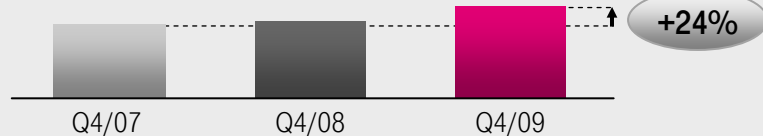
...higher network stability...

Mean Time between assistance for DSL lines¹



...and improved problem solving

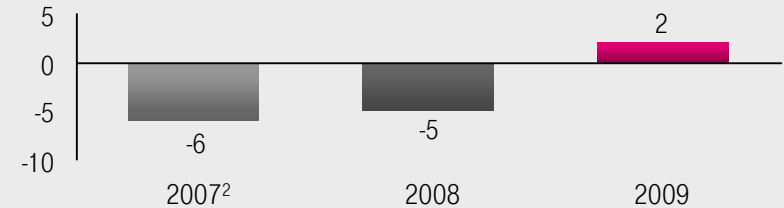
First contact resolution rate¹



...T-Home customers' loyalty superior to competitors

BB Retail customers:

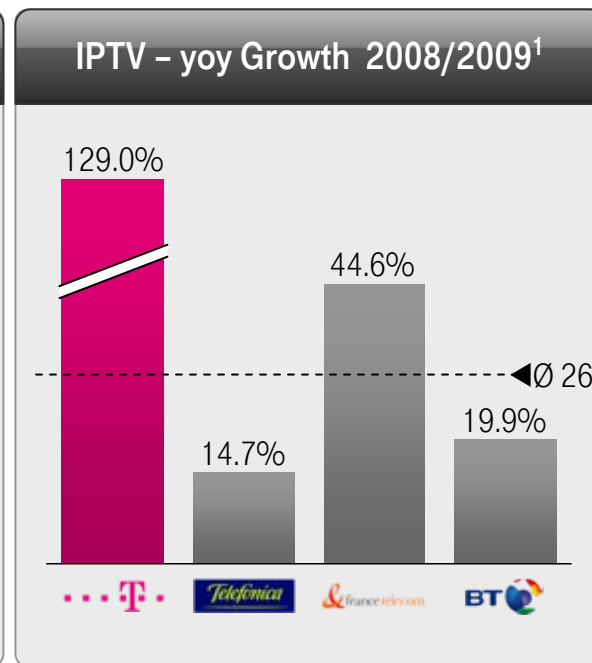
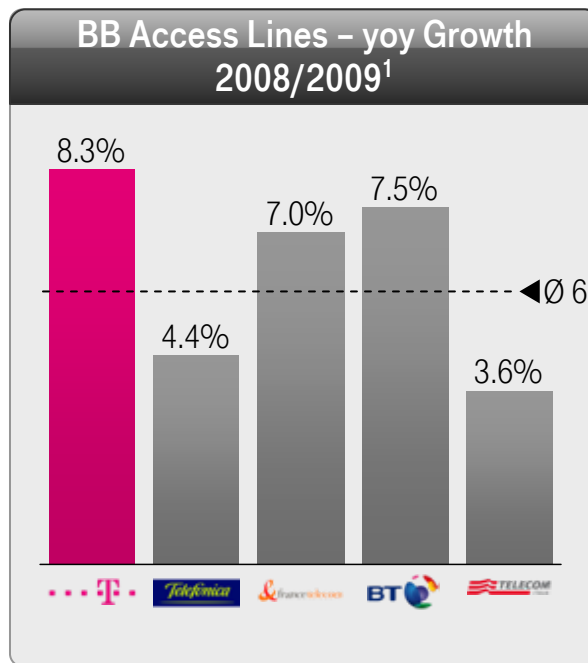
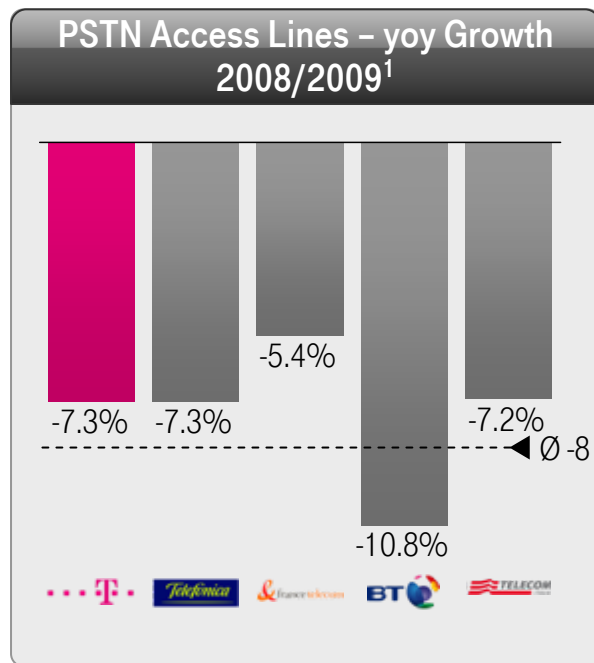
Delta TRI*M index vs. competitors Ø (pts.)



¹ Values indexed to 100

² Q1/08

Our fixed line performance is excellent compared to our peers.



Ø = average of peers w/o Deutsche Telekom,

¹ Domestic Fixed Line-Business

Publications FY 2009

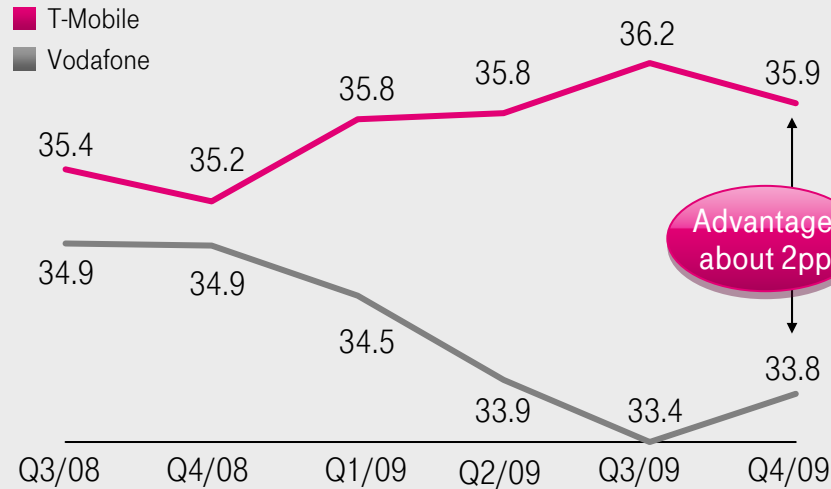
T-Mobile Germany achieved top and bottom line targets ...

2007 up to 2009		
Adj. EBITDA	▪ Exceed analysts' expectations	✓
Save for Service	▪ Reduction of non-commercial Opex	✓
Service Revenues	▪ Stabilizing market share ▪ Top performer in Europe ▪ Win and strengthening of market leadership	✓
Data Revenues	▪ Higher growth rates than competitors	✓
Customers	▪ Market leadership within value contract segment defended	✓



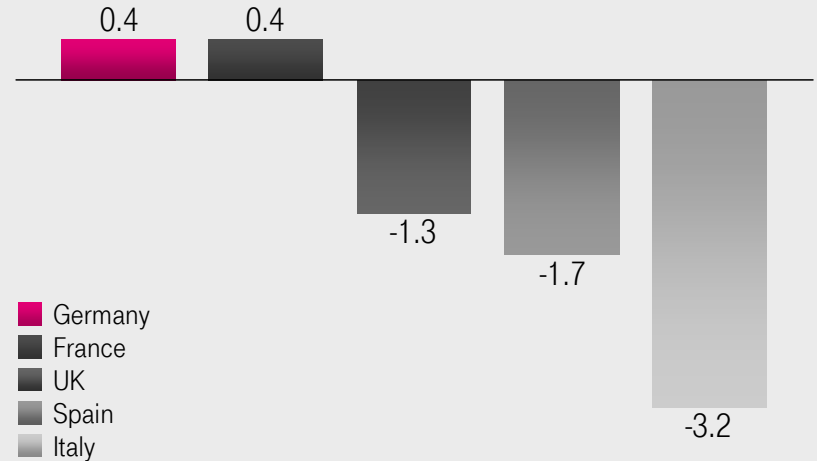
... expanded the service revenue market leadership ...

Service Revenues TMD vs. VOD



Development of Top 5 Incumbents in National Markets

Delta Market Share Service Revenues last 4 yrs. (pp)

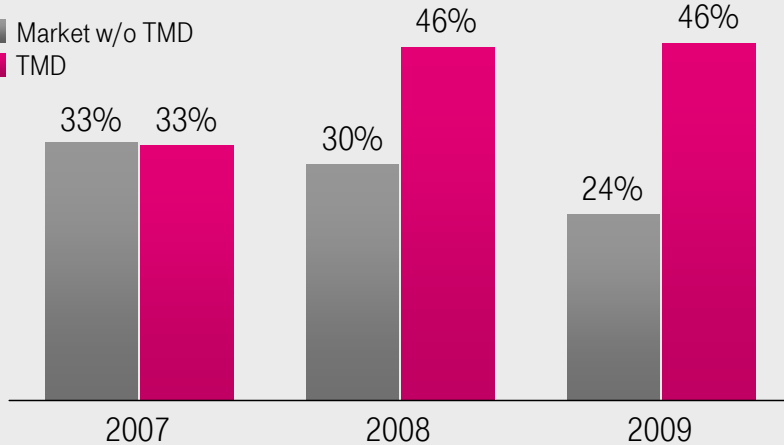


... and improved data revenues, supported by increasing smartphone penetration.

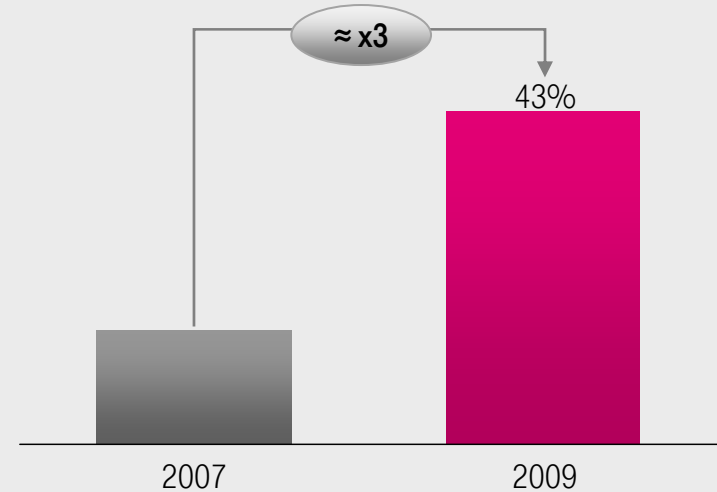
Growth rates Data Revenues

Growth yoy (%)

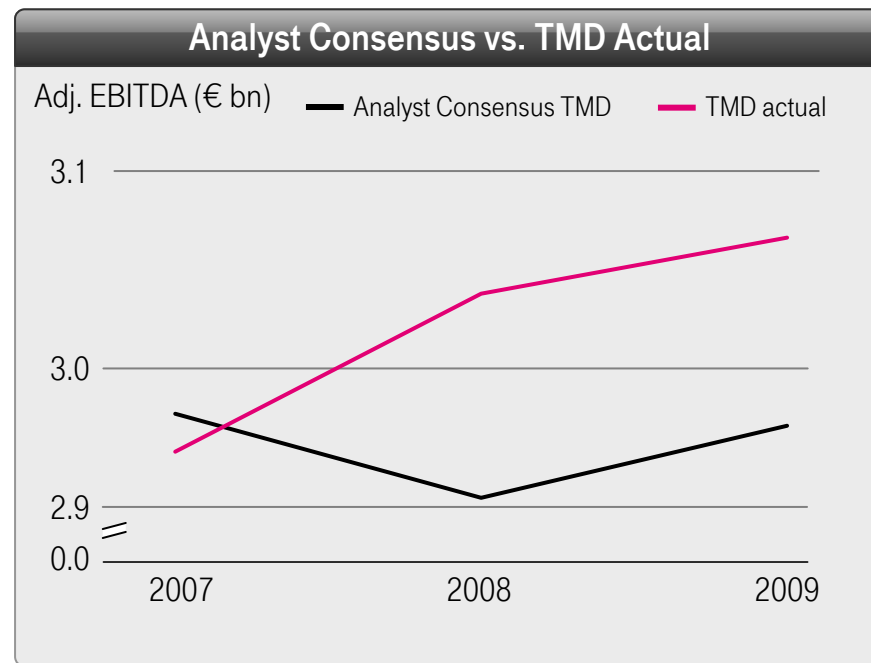
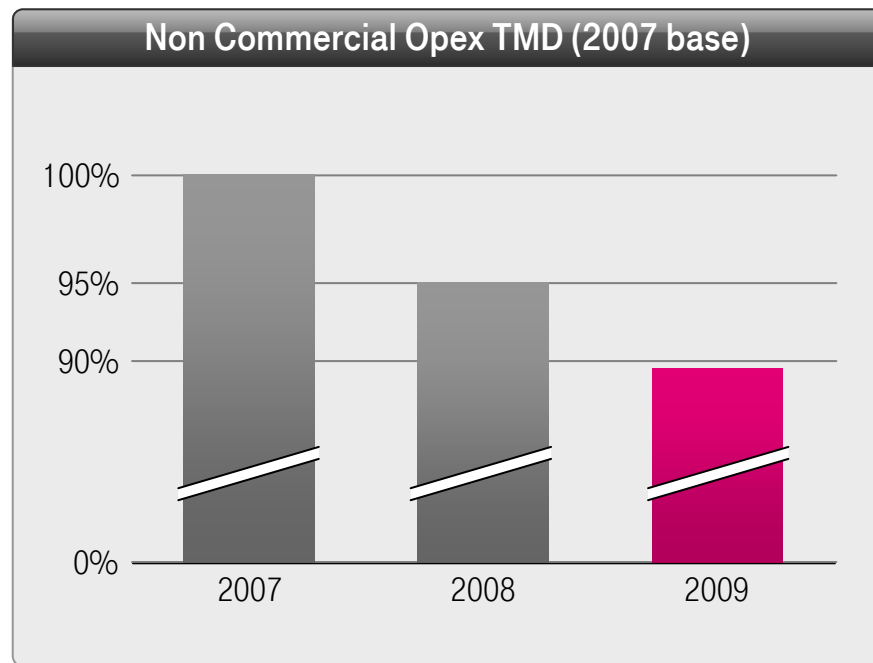
■ Market w/o TMD
■ TMD



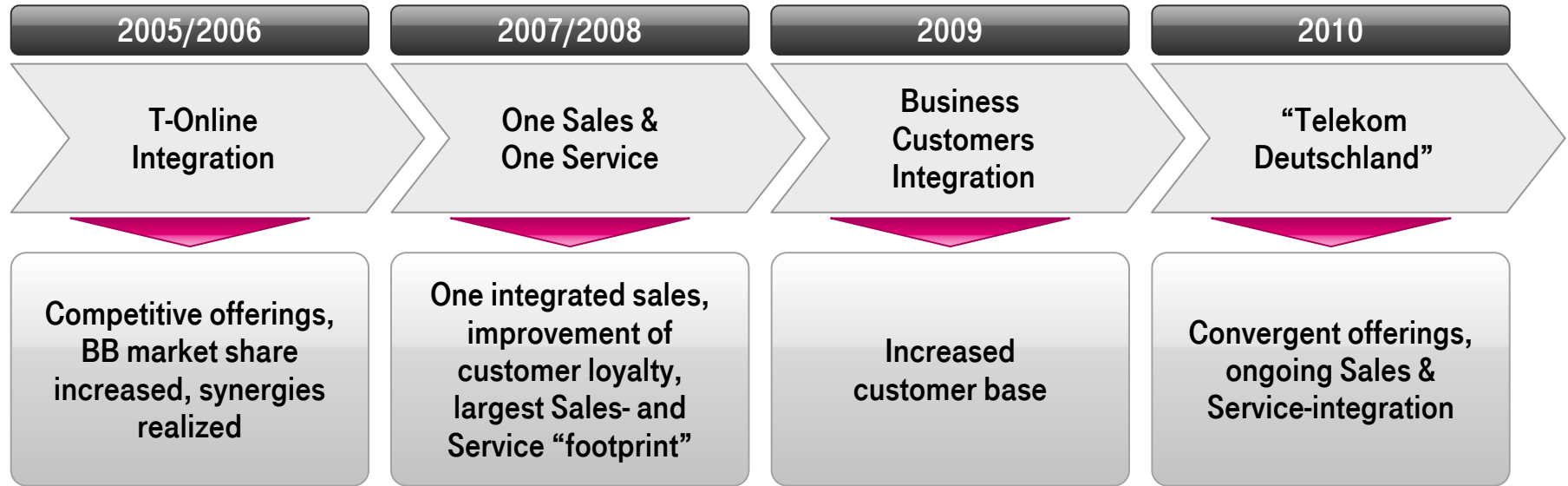
Smartphone Share of new Contract Customers (w/o Service Provider)



Through tight cost control T-Mobile Germany outperformed EBITDA analyst consensus.



“Telekom Deutschland” is an important move for the future.



► “Telekom Deutschland” is the consequent continuation of our transformation strategy.



Strategy Outlook

...T...

Our core beliefs are the guidelines for our strategy.

Quality	Delight customers with top quality – secure price premium	
Networks	Increase bandwidth – invest in network roll-out	
Products	Transform “Entertain” to an infotainment platform – realize growth opportunities	
Customer Service	Offer best customer service – establish new service products in the market	
Costs	Continue lowering the cost base – invest in growth	



The strategy for Germany underlines the group strategy.



Quality leader through superior orchestration of networks, products and customer service.

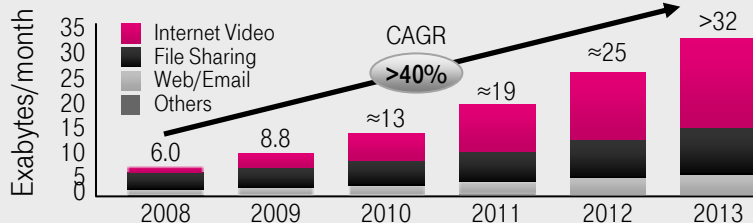
	Connected Life (Consumer)	Connected Work (Business)
Sales & Service	One consistent user interface ✓ Similar user experience at all channels ✓	Target group oriented sales structures ✓ Optimized, regional customer service structures
Products	Connected Entertain ✓ Connected Home	Application Platforms (Verticals)
	Connected Community	Deutschland LAN Cloud Services ✓
Networks	High bandwidth with value optimized technology mix of both fixed and mobile networks ✓	



Networks: Growing traffic demands require new network technologies.

Fixed

Global Internet Traffic Forecast¹



Network Technologies

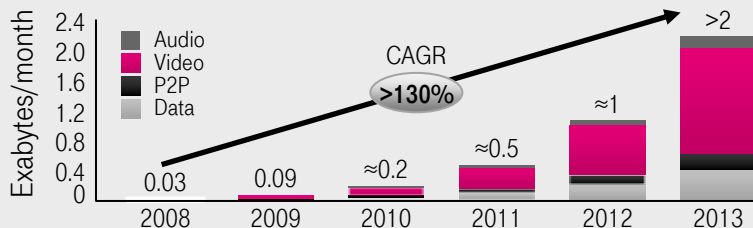
FTTH

VDSL

DSL



Mobile



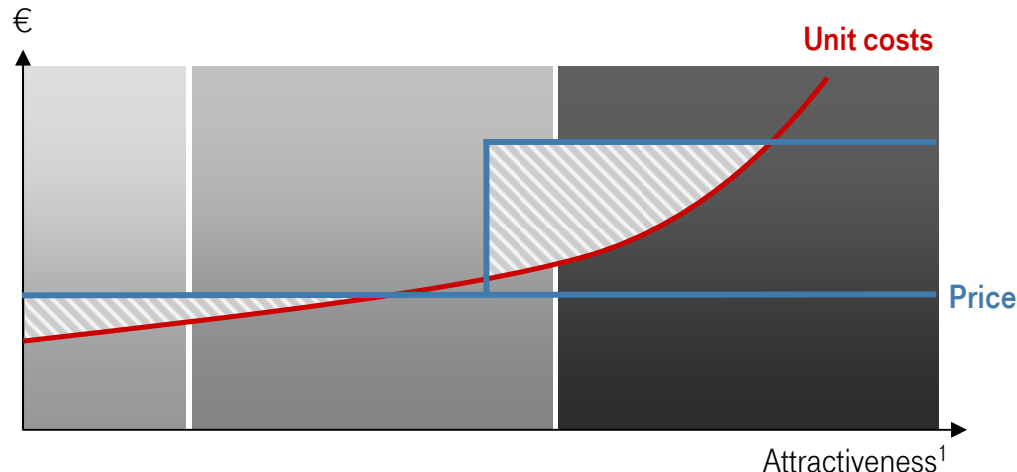
LTE

UMTS/ HSPA

GSM/EDGE



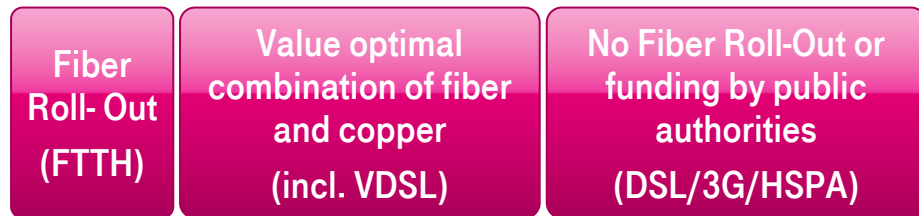
Networks: Buildout will be value optimized.



Value optimal mix of fiber, copper and mobile in hybrid network structures

- **Fixed Access: Homes passed/coverage 2012**
 - DSL: >97%
 - VDSL: >31%
 - Up to 10% FTTH²
- **Mobile Access: Pop coverage 2012**
 - 2G: >99 %
 - EDGE: >99%
 - 3G: >85%
 - HSPA: > 85%

Utilization of co-operation/ partnerships



¹ Decreasing attractiveness of a region (population density, actual competitive situation)

² Up to 10% of all fixed line households; FTTH rollout will be based on economical efficiency; Regional focus and timing will be adopted dynamically

Consumer lock-in through continuous buildout of integrated voice/data and application platforms ...

Connected Life		
Connected Community	Connected Entertain	Connected Home
Integrated Voice/Data Platform	Integrated Entertainment Platforms across all Screens	Integrated Home Management across Screens
Examples ▪ Common Address Book ▪ Single Sign On (incl. Online Communities) ▪ Common Email/Messaging ▪ Common Storage	Examples ▪ IPTV / Video on Demand ▪ Common Music & Radio (incl. RSS) ▪ User Generated Content (incl. Photos), Personal Photos/Videos ▪ Common Relevance Platform	Examples ▪ Smart Metering ▪ Remote Management ▪ Home Surveillance ▪ Security
Integrated Networks – across Fixed & Mobile		



... like our integrated IPTV program manager ...

Program Manager – Access Across Three Screens



Highlights

- Programming the set top box via web program manager or while on the road
- TV Guide with convenient search function and personal favorite lists
- Notification and reminder functionality



... and innovative cloud services for business customers.

Customer Perspective on Connected Work



Connected Work from the Cloud in One Package

Deutschland LAN comprising

- IP-Access – 10 Mbit/s sym. with QoS, nationwide
- Hosted PBX
- Incl. IT: control-center for Connected Work, Net based address book
- Same User-Interface on all devices (PC, mobile & desktop phone)
- Incl. IT: Presence, email-accounts, SaaS
- Subsidized devices (fix & mobile)
- All internal Voice & Data (fix & mobile) included
- Security: Firewall



On top we differentiate ourselves through superior customer service.



On Top Services (comes with additional service fees)

- IT On Site Service
- Flat fee On Site Service
- Customer Premises Equipment service package

Service Differentiation (based on customer value/lifecycle status)

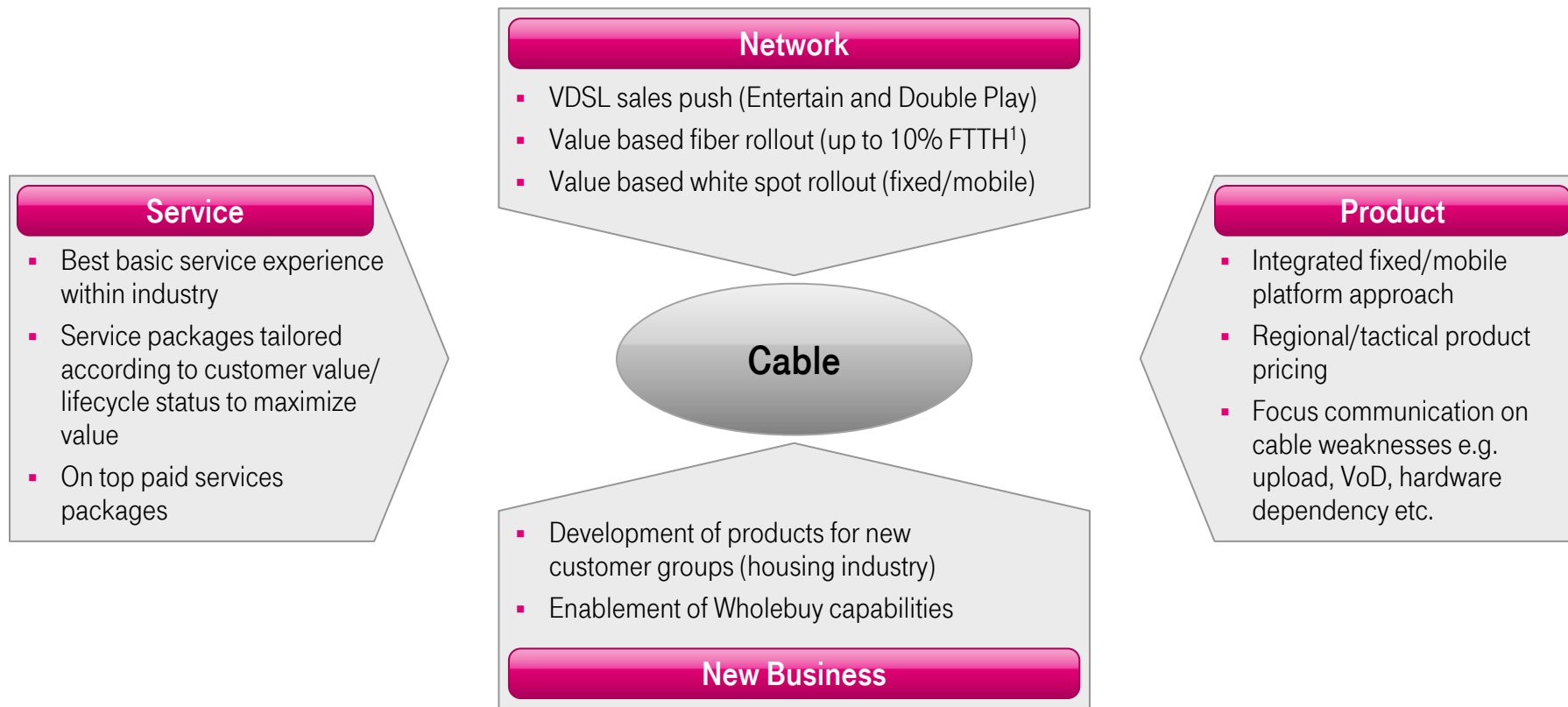
- Top Service for high value customers
- Dedicated starter and retention teams
- Value based service level differentiation

Basic Service Packages (applicable to all customers)

- Best in class service (e.g. reachability, first contact resolution rate)
- Similar customer experience across all sales & service channels



How to tackle cable.



¹ Up to 10% of all fixed line households; FTTH rollout will be based on economical efficiency; Regional focus and timing will be adopted dynamically

Financial Outlook

...T...

Based on achievements and a clear strategy we will strengthen the key drivers for our financial performance.

Stabilization of Revenue



- Exploit pockets of growth
- Leverage customer value

Save for Service



- Reduction of non-commercial Opex
- Increase of loyalty and service quality

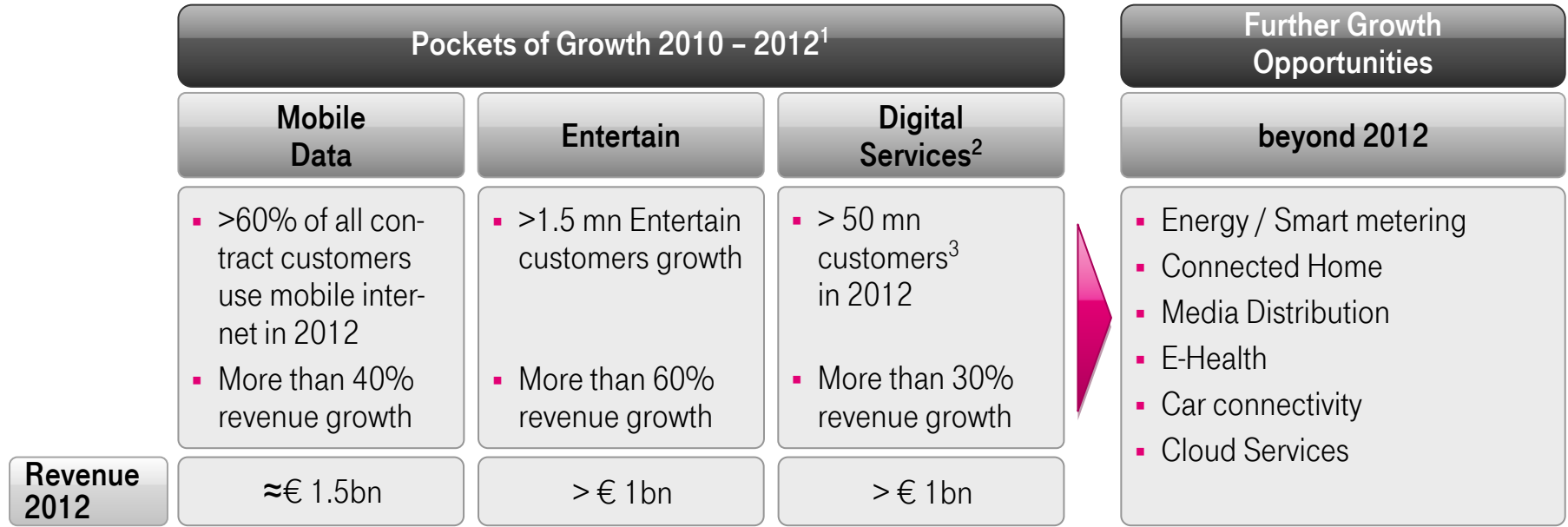
Smart Capex Investment



- Shift Capex from legacy to growth areas
- Ensure competitiveness vs. cable and demand driven network upgrade for mobile broadband



Various revenue growth areas supporting revenue stabilization.



Based on stable market shares in fixed broadband and mobile service revenues



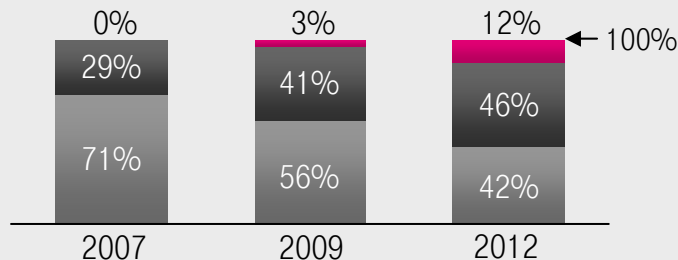
¹ Growth base: 2009;

² Includes all internet businesses in the segment: search, payment, e-commerce, digital content and communication, including Scout-Group, Load family and t-online.de; ³ Gross reach

Higher share of premium products will drive customer value and loyalty.

**Example Fixed:
SP vs. TP**

Access Lines (share)



Customer Loyalty¹

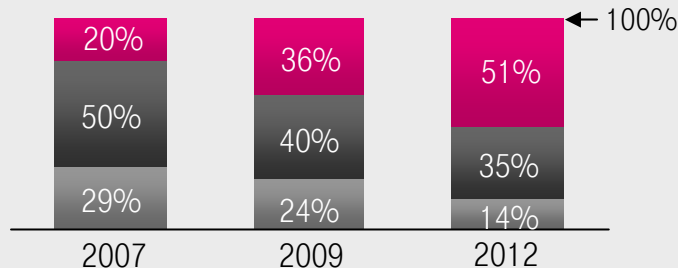
TP: 69

DP: 57

SP: 40

**Example Mobile:
Pay per Use
vs. Flat**

Contract Subscribers Consumer (share)



Customer Loyalty¹

Flat: 68²

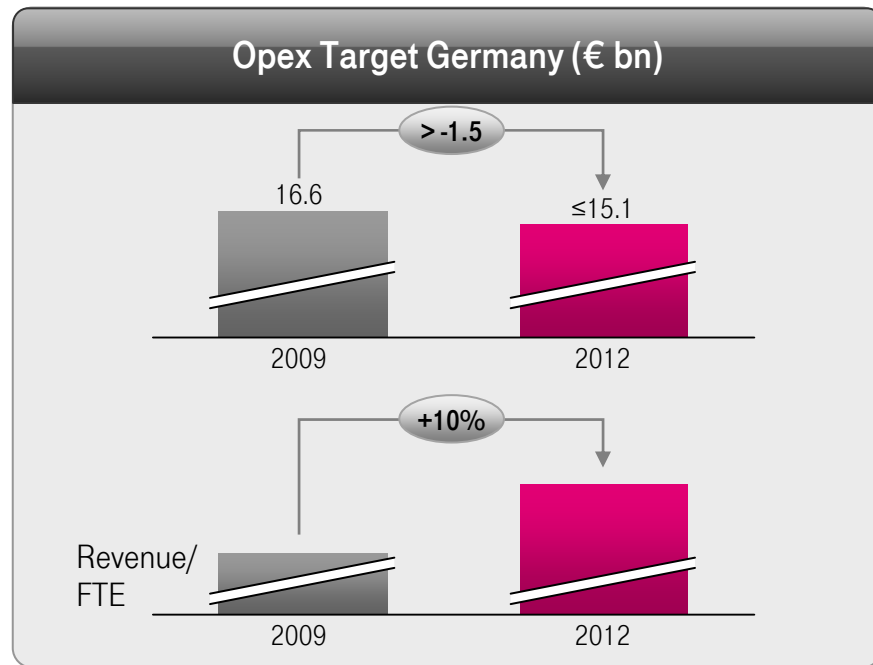
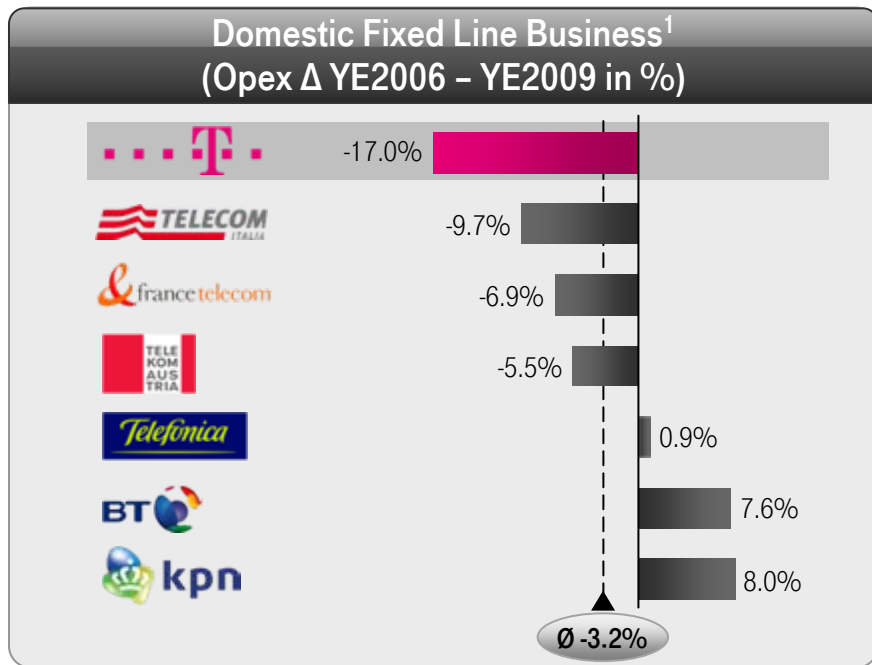
Budget: 61

Pay-per-Use: 49



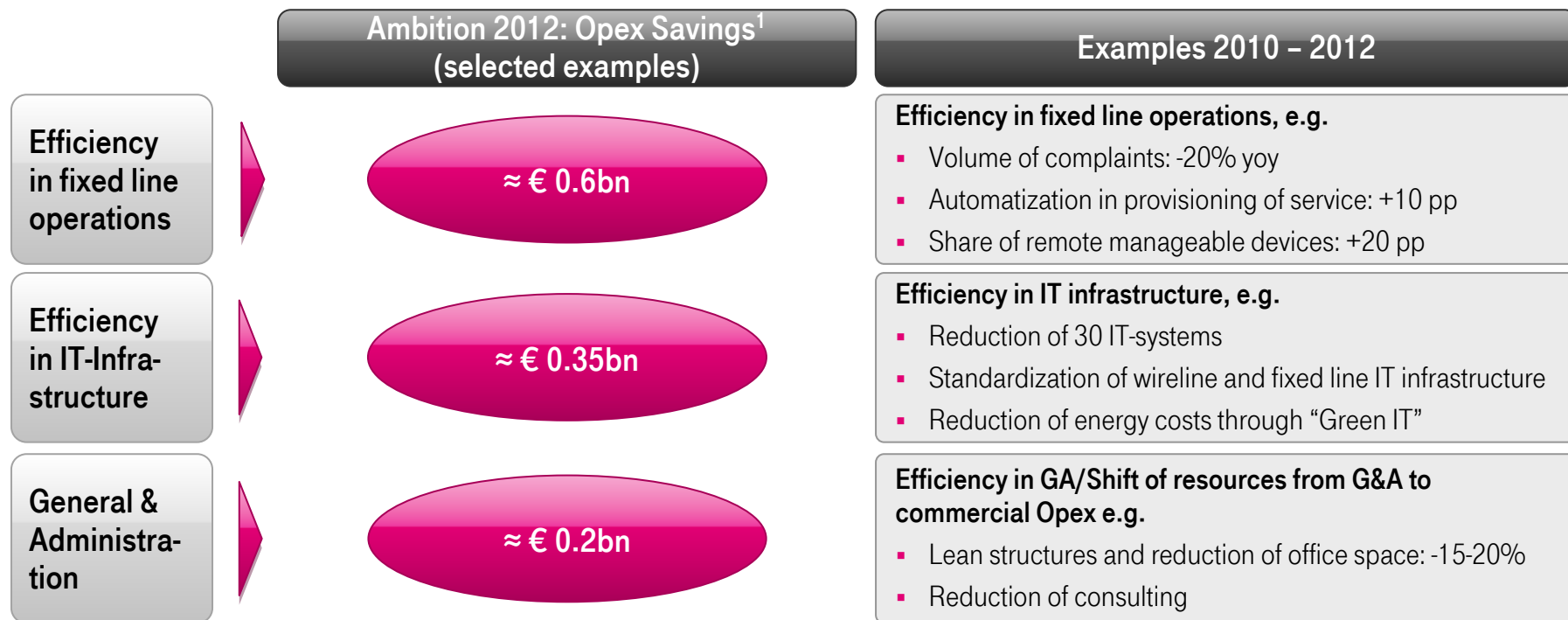
¹ TRI*M (Q4/09); ² TRI*M for partly flat (flat rate to PSTN and/or on-net) is 68; TRI*M for full flat (flat rate to PSTN, on-net and offnet) is 71; Flat incl. Combicards

We optimize rigorously our cost base ...

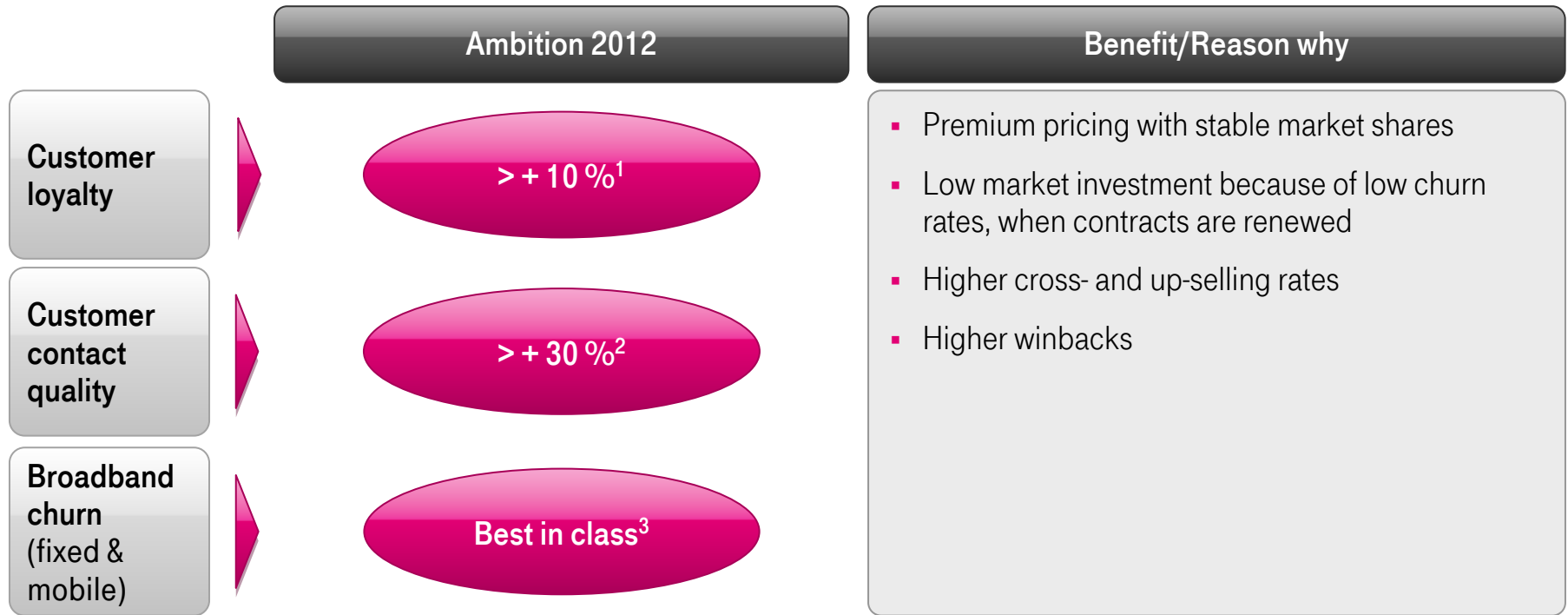


¹ Source: UBS, FT: 2006 extrapolated based on FT data, DT: internal, domestic fixed line business: 2009 pro forma, no YE09 restatement for T-Home (OCP)

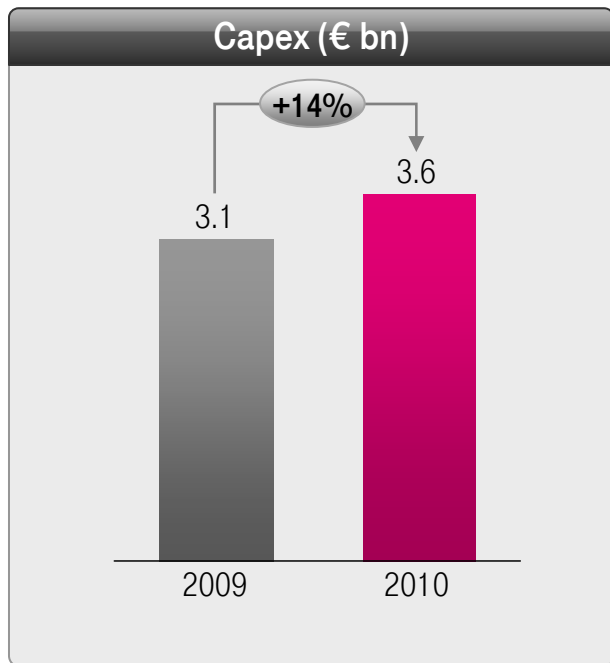
... Major S4S savings on non-commercial Opex.



S4S does not only deliver better efficiency but also higher quality and stronger customer loyalty.



We invest in sustainable and demand driven growth ...



Key Capex Drivers

- **Mobile Data / Internet: High bandwidth anywhere**
 - Enhance quality of 3G network & LTE roll-out¹
- **Bandwidth demand fixed network /IP TV**
 - Expand market leadership broadband fixed network
 - Entertain 2.5-3mn by YE 2012
- **Efficiency increase**
 - Network integration of fixed line and wireless networks
 - Transform major areas of IT
- **Fiber Readiness**
 - Ensure competitiveness vs. cable operators
 - Enable the use of 3rd party fiber infrastructure

Results 2012

- ≈ € 1.5bn revenue
- > € 1bn Entertain revenue
- > € 1.5bn net savings
- Up to 10% FTTH²



¹ Depending on auction results

² Up to 10% of all fixed line households; FTTH rollout will be based on economical efficiency; Regional focus and timing will be adopted dynamically

... by focusing our investments on growth areas and efficiency gain.

Maintain high investment levels with focus on growth and efficiency

Revenue Growth
and Innovation

Capex 2012

≈ 55 %

Transform
and Efficiency

≈ 30 %

Legacy and Compliance

≈ 15 %

Examples

- Push VDSL/3G/4G¹
- FTTx
- Entertain/Connected life and work
- New Business (e.g. Energy, Health)
- Broadband coverage expansion

- All IP Transformation
- Next generation IT-systems (SSM, ERP, CRM)
- Zero touch processes
- Portfolio reduction

- Limit investment in end-of life technology (e.g. PSTN)



Our ambition level 2012: Expand market leadership and improve financial performance.

		2009	Ambition Level 2012
Market share broadband		46%	stable
Market share service revenues (mobile)		36%	stable
Entertain customers		1.1mn	2.5 - 3mn
Data revenues (mobile)		€ 0.9bn	≈ € 1.5bn
Customer Loyalty Index	fixed	2007-2009: + 22%	2010-2012: + > 10%
	mobile	2007-2009: + 13%	
Adj. Opex net reduction		2007-2009: € 2.4bn	2010-2012: > € 1.5bn
Adj. EBITDA margin		37.7%	
Revenues		€ 25.42bn	
One Company:		▪ Cost savings through integrated processes / IT systems ▪ Exploitation of market potential with integrated products ▪ Share of customers with both fixed and mobile contracts only 22%	▪ Revenue synergies¹ ≈ € 0.4bn in 2012 (mainly cross-/up-selling) ▪ Share of customers with both fixed and mobile contracts > 30%
Exploit German fixed mobile integration			



¹ No increase of total revenues 2012 by revenue synergies