Q2/11 – Results Presentation.
Deutsche Telekom.

August 4, 2011

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Life is for sharing.

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Agenda.
Deutsche Telekom Results Presentation.

René Obermann
CEO

Timotheus Höttges
CFO

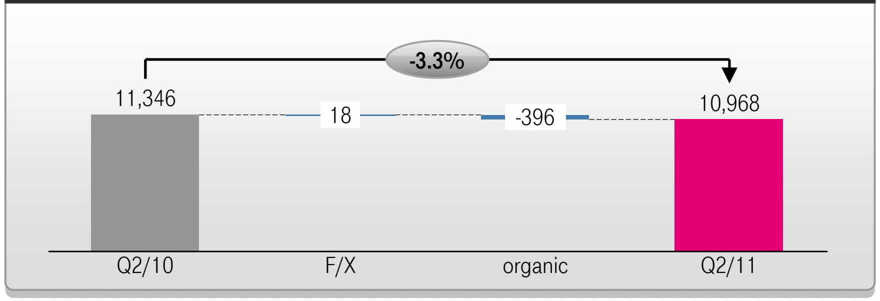
Q2/2011 Highlights.

- Structural solution for the US-business: Regulatory process running according to plan
- Germany successfully continues stabilization of adj. EBITDA, adj. EBITDA margin exceeds 40%, line losses of 295k on record low level
- Europe: margin recovery in Poland, Netherlands, and Austria as expected, other countries with improved revenue and adj. EBITDA trends compared to Q1
- Ongoing cost-cutting execution. Save for Service contribution of €0.9 billion in H1. Net cost reduction of €0.5 billion in Germany, €0.3 billion in Europe, and €0.4 billion in the US
- Network JV with TPSA in Poland to further improve efficiency, PTC re-branded
- Group revenue (-3.3%) and adj. EBITDA (-2.6%) from continuing operations
- FCF grows 19% to €1.8 billion in Q2/11 compared to €1.5 billion in Q2/10
- Adj. net income increases 17% to €1.0 billion compared to €0.8 billion in Q2/10

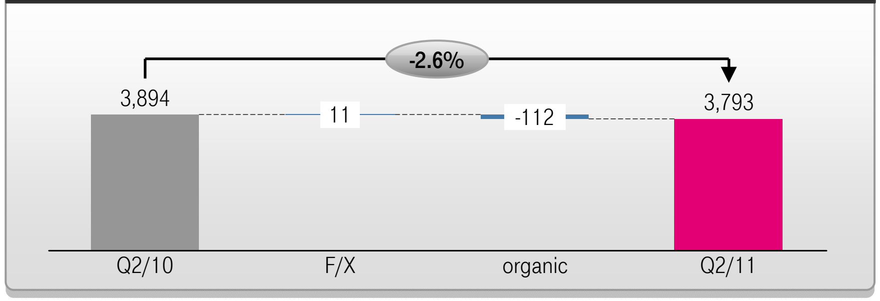
➔ Full year 2011 guidance re-iterated

Q2/11 Overview.
Continuing and discontinued operations.

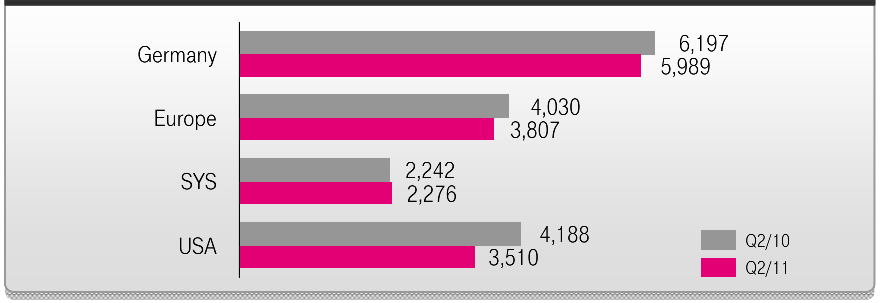
Revenue continuing operations (€ million)



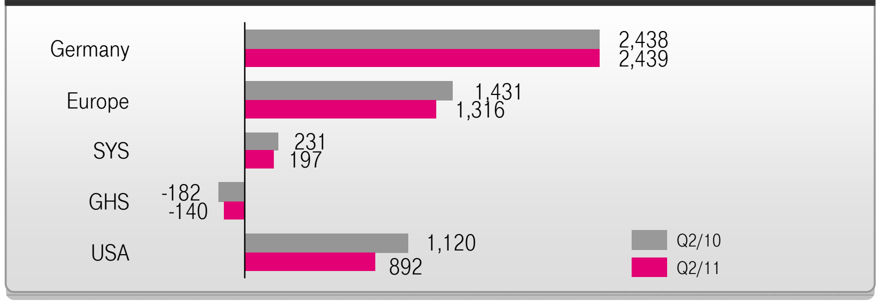
Adj. EBITDA continuing operations (€ million)



Revenue Q2/10 vs. Q2/11 (€ million)



Adj. EBITDA Q2/10 vs. Q2/11 (€ million)



Q2/11 Key financials.

in € million	Q2/10	Q2/11	change in %
Revenue from continuing operations	11,346	10,968	-3.3%
▪ Revenue incl. the US	15,531	14,475	-6.8%
Adj. EBITDA from continuing operations	3,894	3,793	-2.6%
▪ Adj. EBITDA incl. the US	5,012	4,687	-6.5%
Adj. net profit	814	951	16.8%
Net profit	475	348	-26.7%
Adj. EPS (in €)	0.18	0.22	22.2%
EPS (in €)	0.11	0.08	-27.3%
Free cash flow[1]	1,489	1,767	18.7%
Cash capex[1]	2,041	1,879	-7.9%

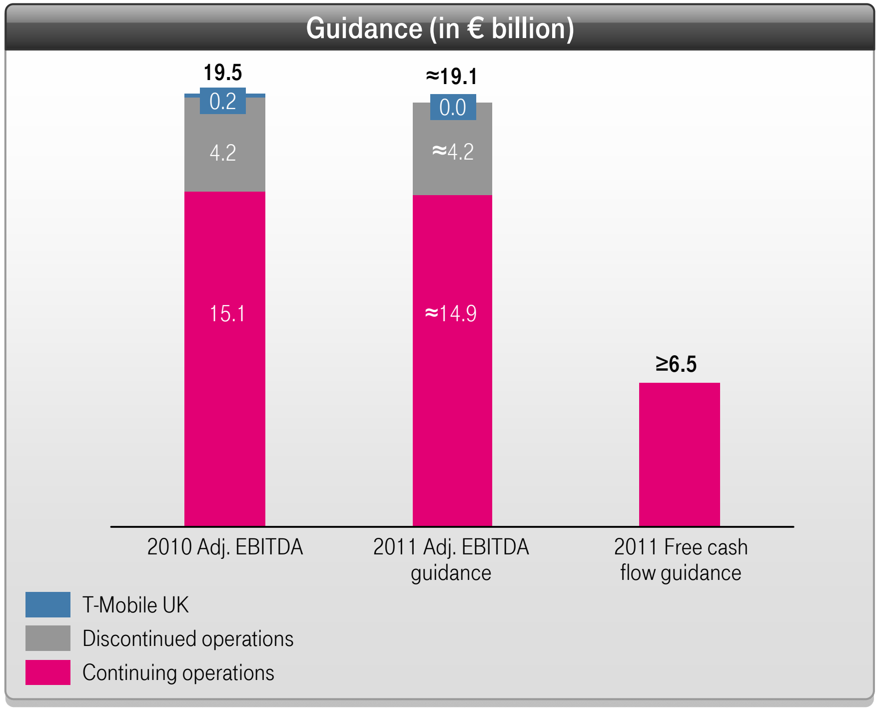
1) Before dividend payment and spectrum costs of €1,300 million in Germany in Q2 2010

Strategy update: growth areas.

Deutsche Telekom growth areas[1]	Q2/10	Q2/11	Change		Ambition 2015
Revenue (€ bn)					
Mobile internet thereof GER and EU	**1.1** 0.5	**1.2** 0.7	**0.1** 0.1	**13%** 23%	**≈ 10**
Connected Home[2] thereof GER	**1.6** 1.3	**1.6** 1.3	**0.0** 0.0	**0.0%** 3%	**≈ 7**
Online consumer service [3]	**0.2**	**0.2**	**0.0**	**0.5%**	**2 - 3**
T-Systems external revenue[4] incl. Cloud Services	**1.6**	**1.6**	**0.0**	**0.0%**	**≈ 8**
Intelligent networks in Energy, Health, Media Distribution, Connected Car	**-**	**0.03**	**-**	**-**	**≈ 1**

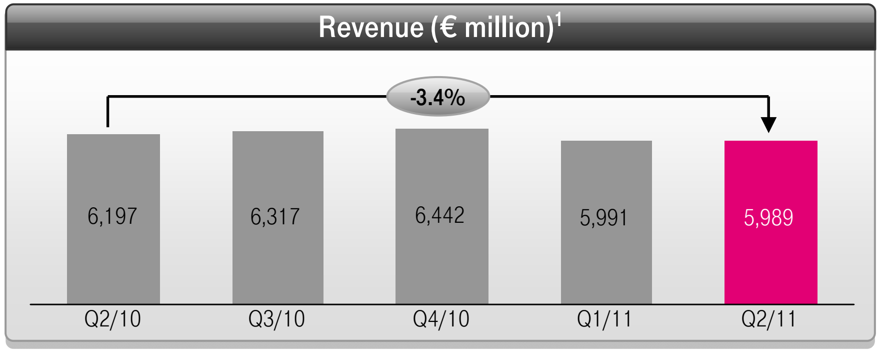
1) Figures include T-Mobile US
2) Figures adjusted for new reporting logic Germany 2011
3) Figures adjusted for discontinued cash card business
4) Difference to reported segment figure due to "Intelligent networks" which is part of the reported segment figures.
Absolute and percentage change calculated on the basis of millions of € amounts

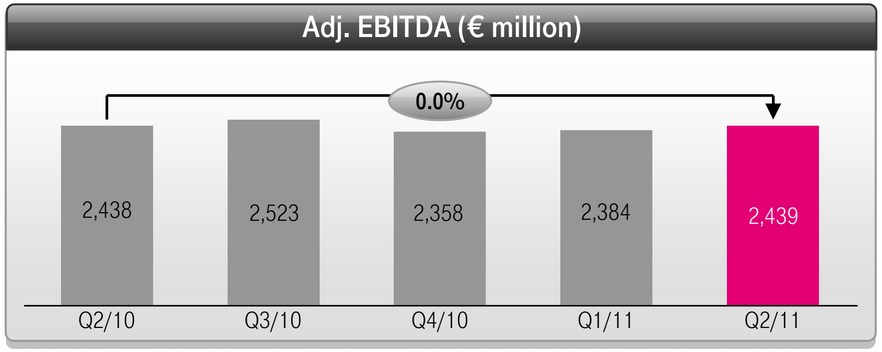
2011 guidance reiterated.

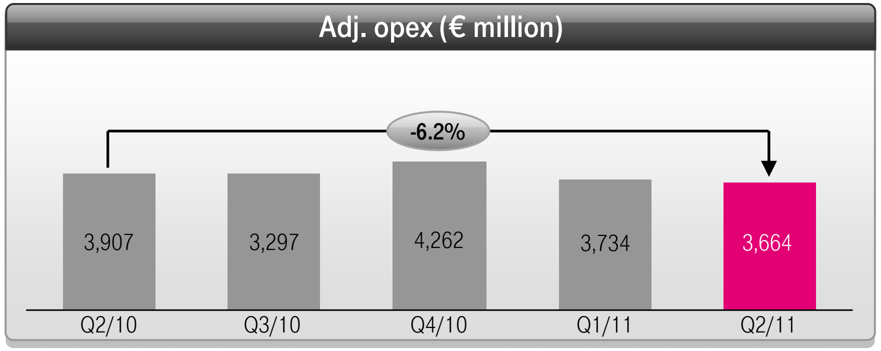


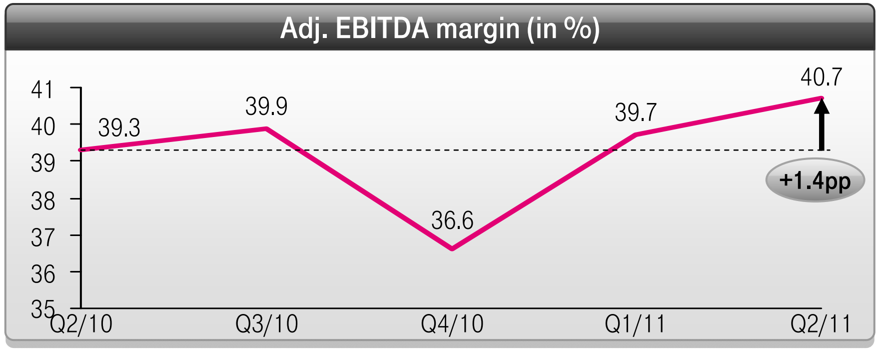
- As a result of the sale of T-Mobile US guidance of “around 19.1 billion” split into:
  - Discontinued operation: US with stable EBITDA over FY 2010 of around US$5.5 billion or around €4.2 billion based on F/X-rate of 1.33 (average rate of FY 2010)
  - Continuing operations: around €14.9 billion
- Free 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: adj. EBITDA margin exceeds 40%.



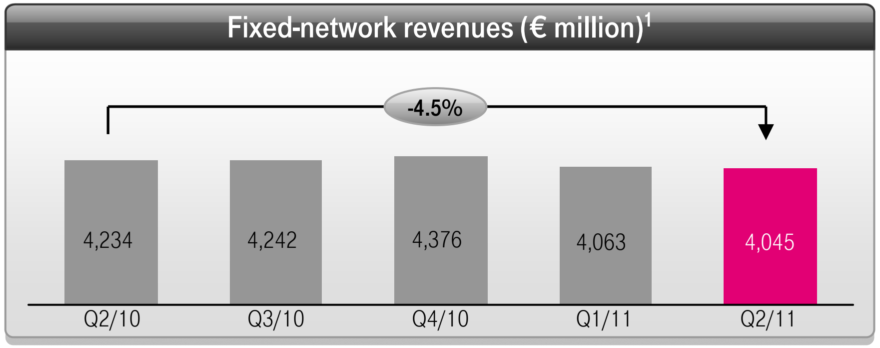


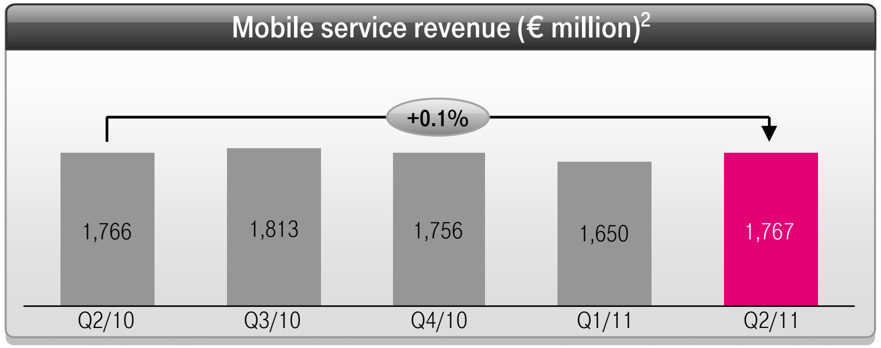


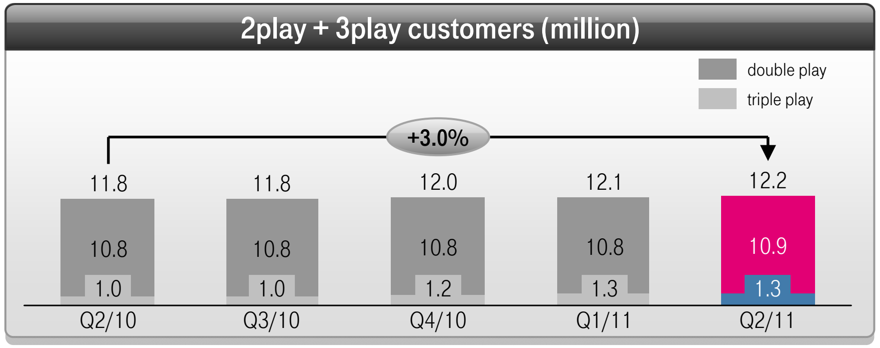


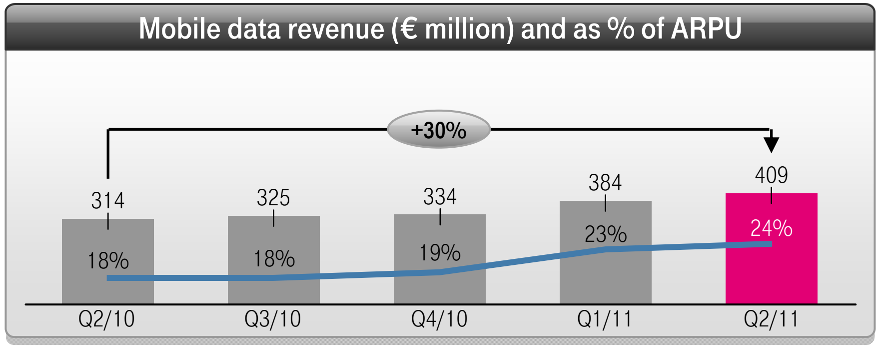
1) Q2 includes MTR-cut of approximately €61 million, adjusted for MTRs revenue decrease would have been 2%

Germany revenue: continued focus on data & TV opportunity.



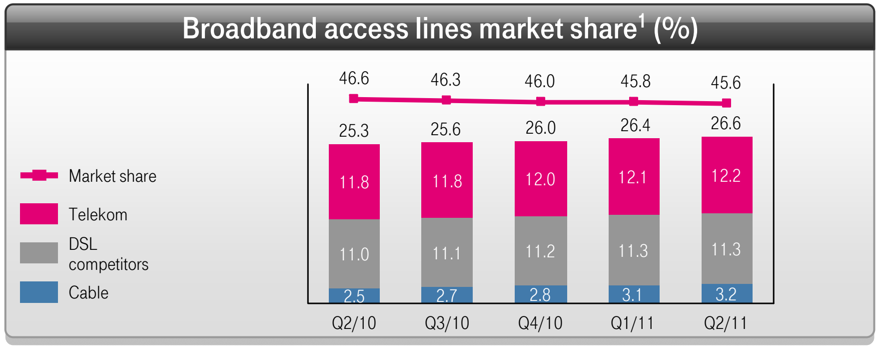




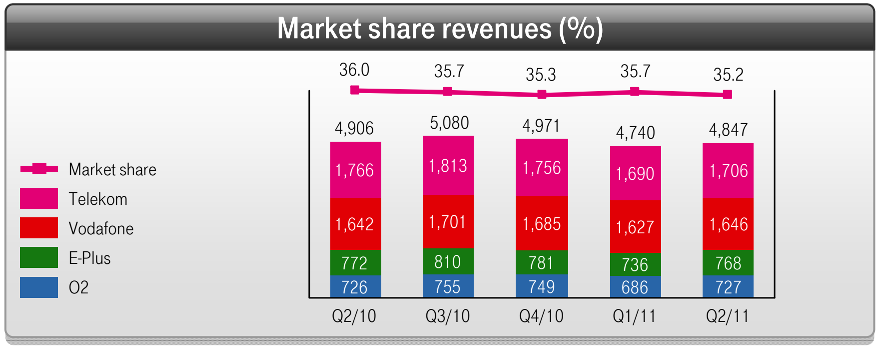


1) "Fixed-network" revenues includes revenues from fixed network, wholesale services, online consumer services, value-added services and fixed-network related others
2) Q2 Adjusted for the reduction in MTR-rates (€61 million revenue)

Germany: #1 in broadband and mobile service revenue.



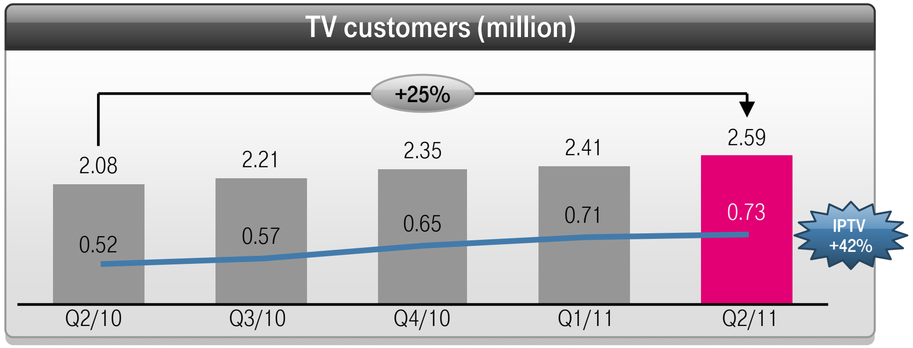
- More than 50% of the domestic fixed customer base of 24.0 million are broadband customers
- Lowest line losses since years with only 295k (339k in Q1/11)
- Solid IPTV growth continues with +34% (330k) Entertain customers yoy now at 1,301k
- Retail fiber-customers (VDSL) at 454k (+227k yoy)

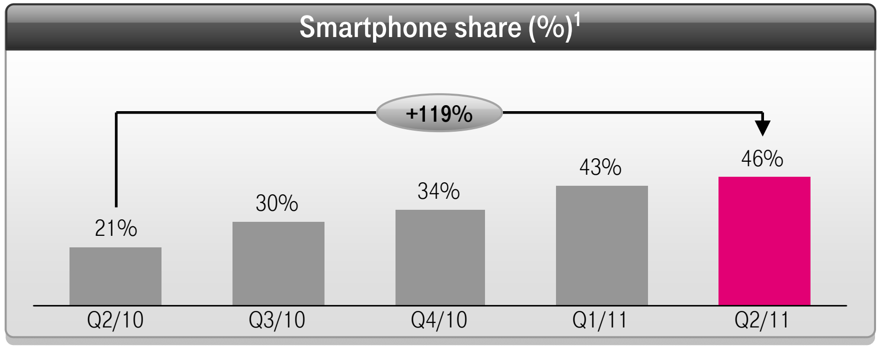


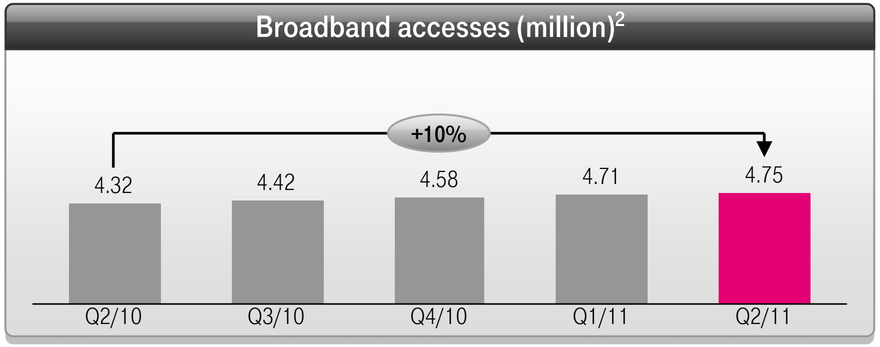
- Strong ramp up in mobile data revenues 409 million (+30% yoy) due to successful launch of new product portfolio. Approx. 2.5 million signed a contract, with a double play share of 63%.
- Best in class contract churn of 1.1% (-0.3pp yoy)
- 62% smartphone share of handsets sold in Q2/11 (+31pp yoy)
- MTR impact of €61 million and Roaming Impact of €8 million on service revenues in Q2/11
- iPhone sales: with 248k on last year's level

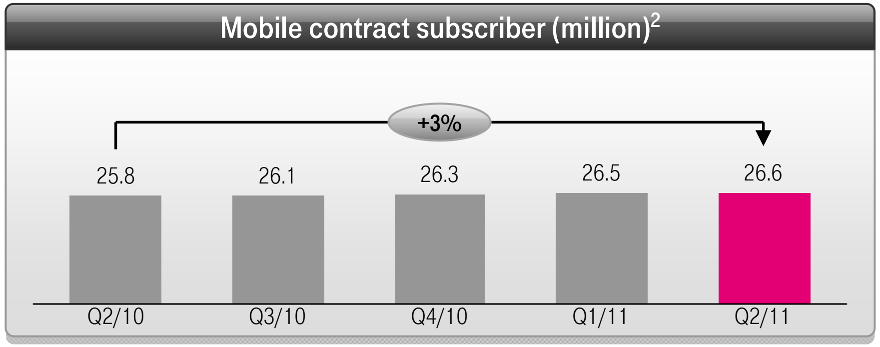
1) Company estimates: Q2/10 adjusted by one-time item wholesale. Rounded figures. Incl. reseller (competitor resale and resale); Q1/11 adjusted mainly due to changes in KDG reporting structure

Europe – growth in key market KPIs.



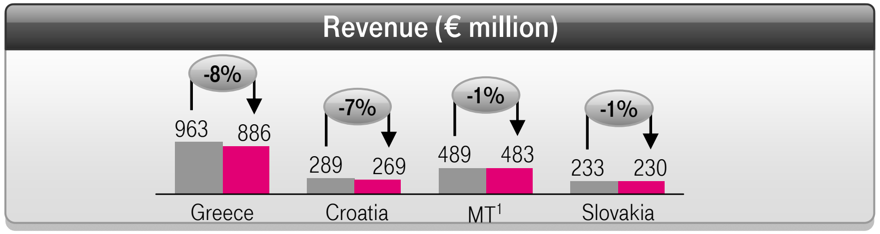


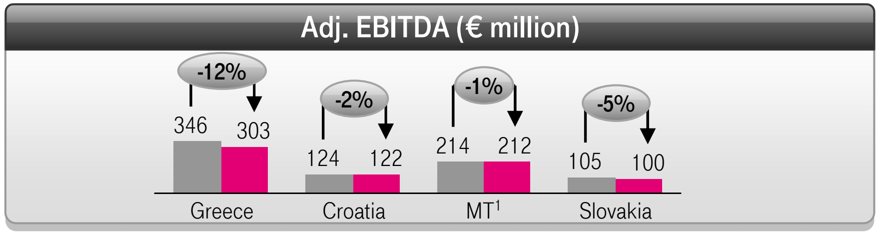


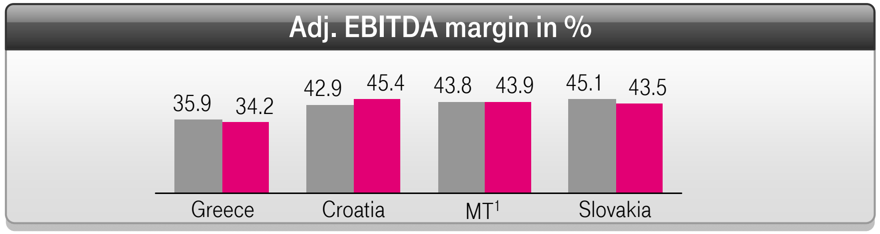


1) Percentage of smartphones in dispatched devices (excl. OTE, Macedonia, and Montenegro)
2) incl. customers shifted to T-Systems in Hungary as of 1.1.2011

Europe – integrated markets: high margins defended and better revenue trends compared to Q1.







Greece:
- Strong position in Greece mobile market: Cosmote service revenue market share up 0.7pp
- Fixed hampered from line losses and regulation

Croatia:
- Still challenging economic development, e.g. high unemployment
- Better revenue trends in fixed, mobile revenue still suffering from regulation and price declines
- Growth in IPTV (+21%) and DSL (+11%), growth in prepay and contract subscribers (+7.5%)

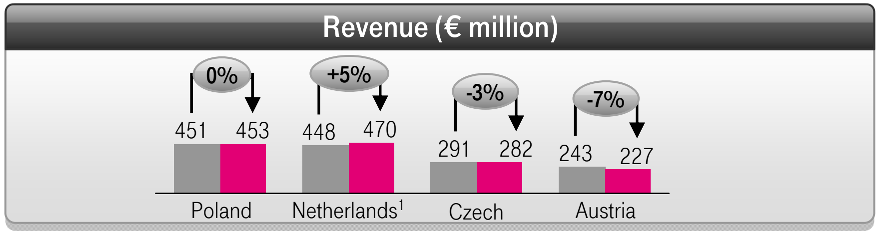
Hungary:
- Underlying revenue trend improved, underlying adj. EBITDA with small increase yoy due to excellent cost discipline
- Robust growth in mobile subs, underlying mobile service revenue has returned to growth – outperforming competition. 7% growth in TV-subs (TV-market-share of 28%) and 7% growth in broadband subs

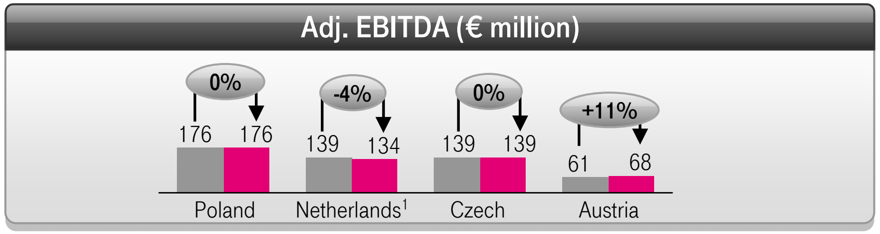
Slovakia:
- Stable revenue in fixed due to 60% growth in TV-subs, adj. EBITDA trends improved vs. Q1
- Tough competition in mobile impacts revenue and adj. EBITDA

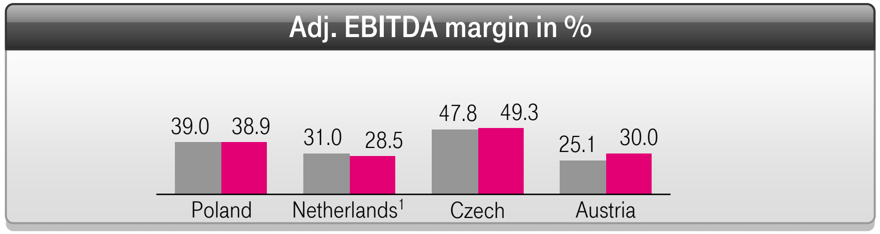
Q2/10 Q2/11

1) Figures adjusted for special tax in Q2/11 - impact: €20 million on revenue and adj. EBITDA, 2pp on margin Q2/10 figures adjusted for shift of business customers to systems solutions

Europe – mobile centric: margin recovery.







Poland:

- Improving macroeconomic conditions
- Underlying slight revenue growth driven by data revenue
- Smartphone share in new handsets exceeds 42%, leads to leading ARPU in industry but limits net adds in comparison to competition

Netherlands:

- Underlying revenue growth of 5%, EBITDA margin sequentially improved
- Performance in line with incumbent, not entirely satisfying compared to closest competitor
- SMS revenues continue to grow with 8%, no IP-cannibalization effect, encouraging pricing trends, TMNL switches to tiered data pricing in line with industry in Q3

CZ:

- Improving macroeconomic conditions
- Re-gaining market leadership in Q2 with best-in-class margins

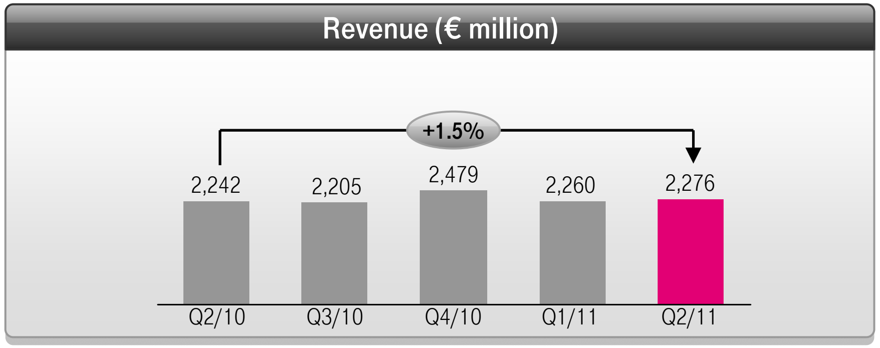
Austria:

- Revenue impacted strongly by regulation
- Margin recovery vs. Q1 as expected following due to opex savings

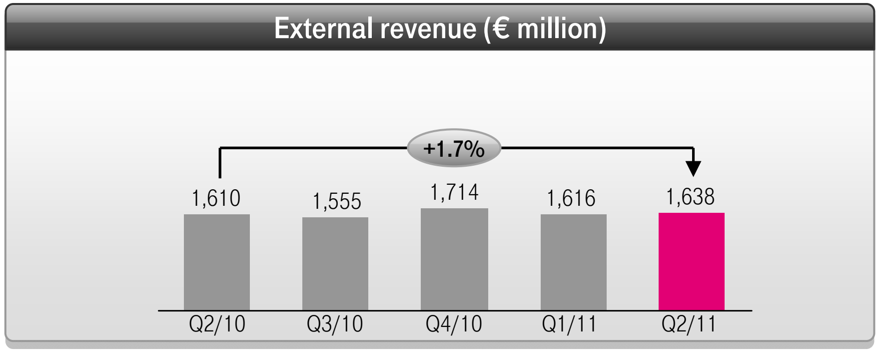
Q2/10 Q2/11

1) Q2/11 Adjusted for regulatory impact

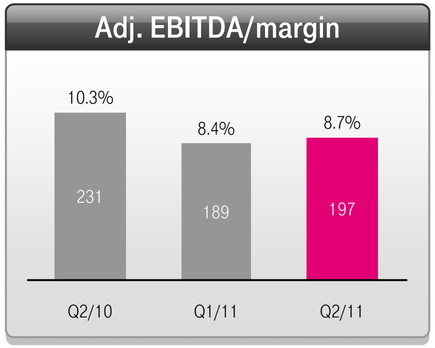
Systems Solutions: revenues up by 1.5% in Q2/11.

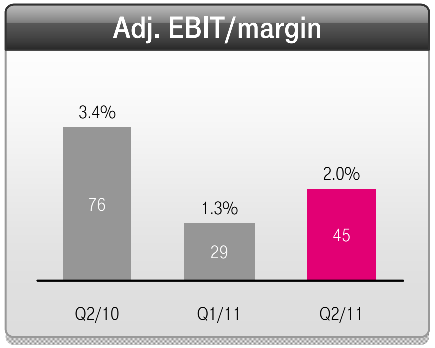


- Revenue increase yoy of +1.5 % up to €2,276 million
- External revenues up +1.7% to €1,638 million
- Temporary focus on execution and quality assurance of big deals rather than new business
- Order entry of €2,039 million due to deals such as
  - Valora, TOTAL, Magna
  - Decrease yoy due to exceptionally strong order entry in Q2/10 (mainly due to the Deutsche Post DHL Deal)

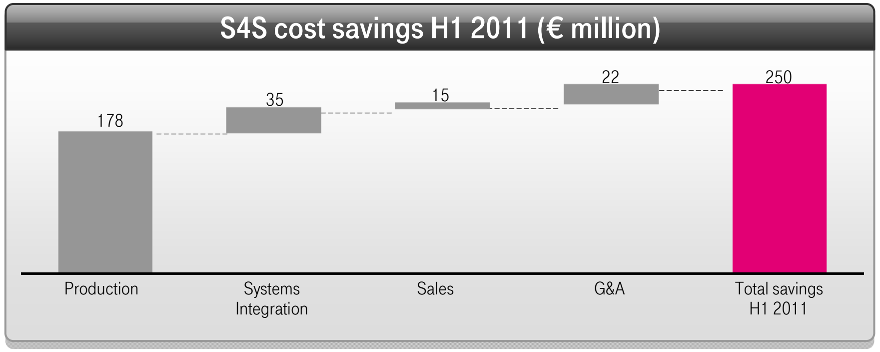


Systems Solutions: Save for Service cost savings.



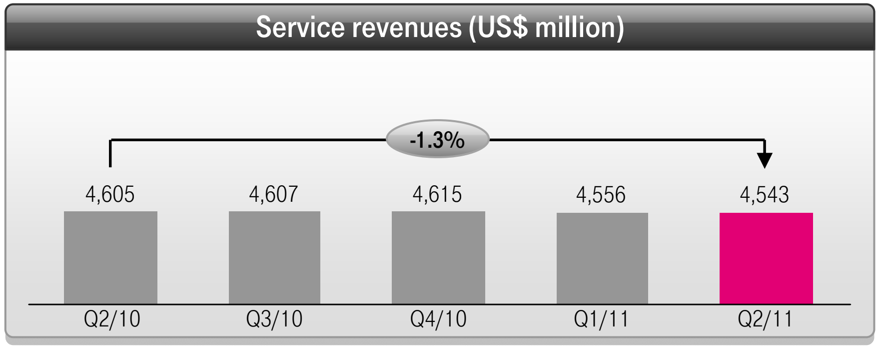


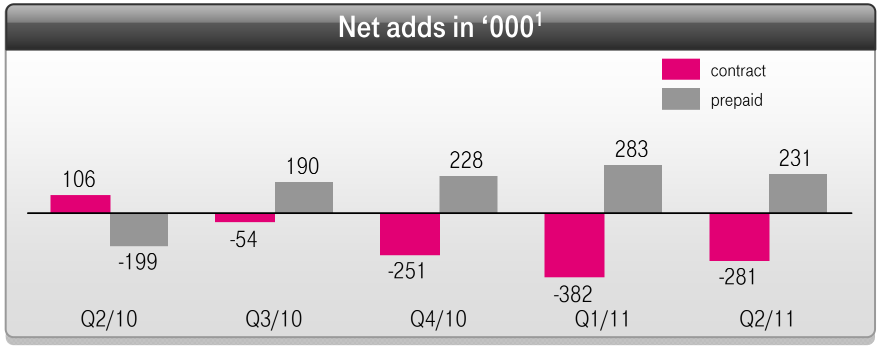
- Adj. EBITDA at €197million with a margin of 8.7%
- Adj. EBIT margin in Q2/11 down to 2.0% from 3.4% in Q2/10, yet improved qoq by 0.7pp
- Higher opex related to big deal execution had an impact on Q2 margins
- Cash capex reduced by €92 million following lower order entry and to protect cash flow

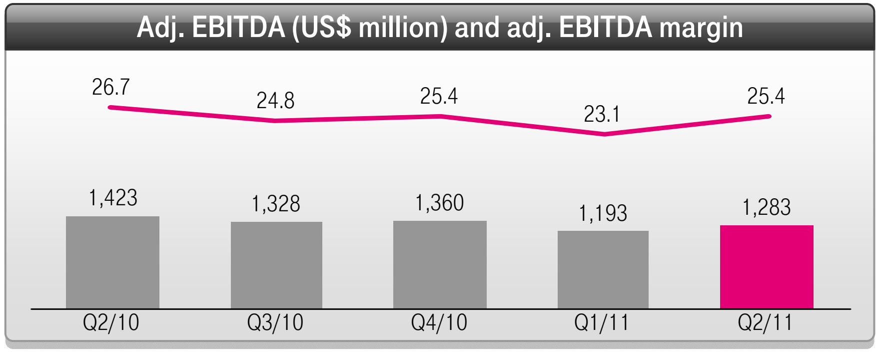


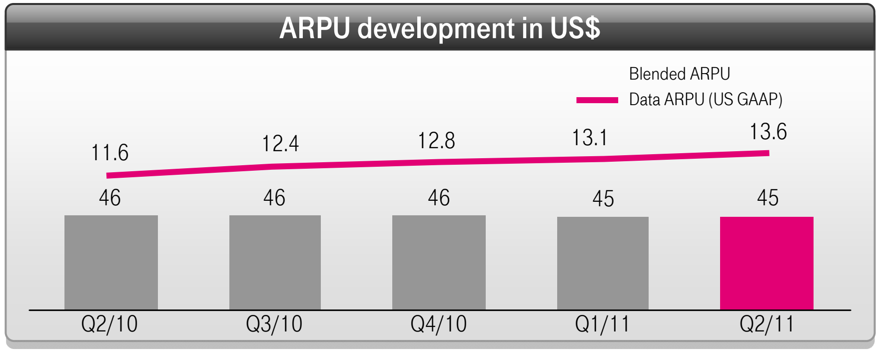
- 0.3 billion Save for Service contribution in H1 2011
  - Improvements on global production setup, sourcing improvements, production platform optimization, reduction of freelancer costs
  - At Systems Integration focus on Next Generation products, test services and innovations as well as freelancer reduction and sourcing optimization
  - Optimization of Sales Operations and organizational setup for international growth
  - Internal optimization and standardization at G&A

US: sequential improvement in adj. EBITDA in ongoing difficult operational environment.



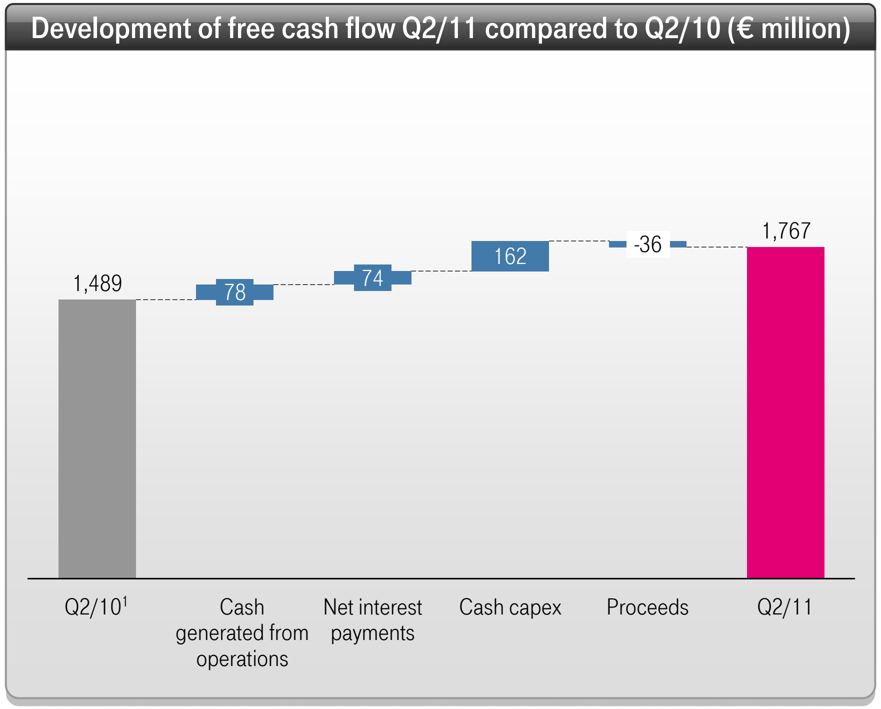






1) Walmart Family Mobile customers reclassified as contract customers, Q3/10, Q4/10, and Q1/11 restated accordingly

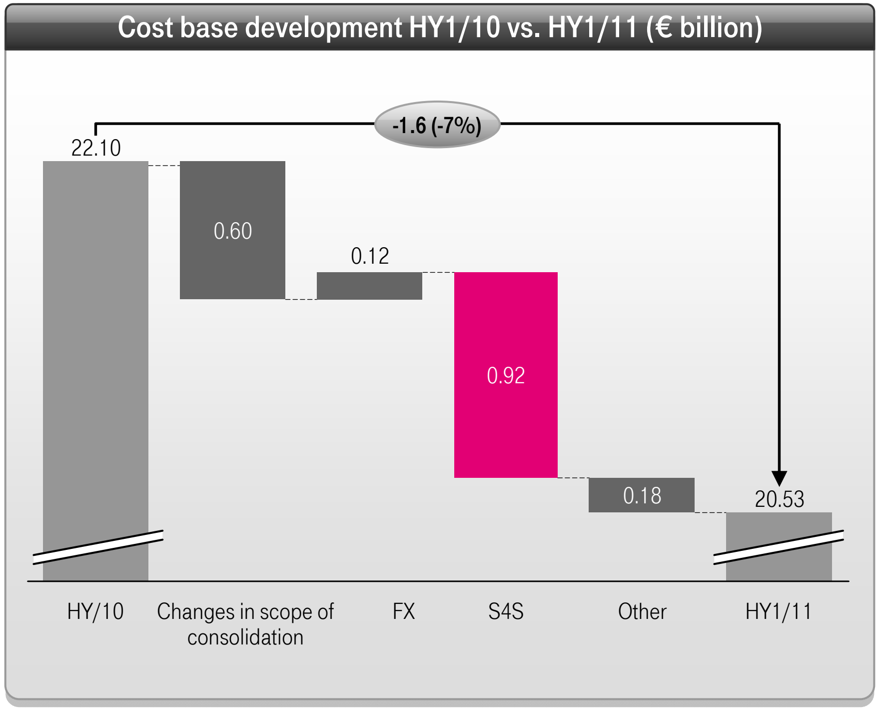
Free cash flow: full-year guidance confirmed.



- Guidance of slightly growing to stable free cash flow over 2010 level of €6.5 billion confirmed
  - H1 2011 free cash flow with €2.8 billion basically on last year's level of €2.9 billion
  - As expected higher level of interest payments and capex in Q1/11 were balanced out in Q2/11
  - We expect strongest quarterly contribution to free cash flow in Q4/11

1) Q2 2010 excl. €1,300 million payment for mobile spectrum in Germany

HY1 2011 Save for Service results.



Contribution by business unit (€ million)	HY1/2011 Realized
Germany	348
USA	164
Europe	141
Systems Solutions	250
GHS	16
DT Group	**919**

- Savings realized in HY1 of €919 million result in run-rate of total of €3.3 billion so far. 2010-12 target of €4.2 billion remains unchanged.
- Net reduction of DT cost base by -7% (€1.6 billion) on corporate level, net OPEX savings in:
  - Germany €-523 million
  - USA €-383 million
  - Europe (ex. UK) €-293 million
  - GHS €-76 million

Ongoing solid balance sheet ratios and improved rating outlook.

in € billion	30/06/2011	31/03/2011	31/12/2010	30/09/2010	30/06/10
Balance sheet total	**123.1**	**123.2**	**127.8**	**127.8**	**132.8**
Shareholders' equity	39.3	42.7	43.0	43.4	44.8
Net debt	43.3	41.8	42.3	43.7	46.3
Net debt/adj. EBITDA[1]	2.3	2.2	2.2	2.2	2.3
Gearing	1.1x	1.0x	1.0x	1.0x	1.0x
Equity ratio	**31.9%**	**34.6%**	**33.7%**	**33.9%**	**33.7%**

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.

René Obermann
CEO

Timotheus Höttges
CFO