FY 2010 – Results Presentation.
Deutsche Telekom.

February 25, 2011

Life is for sharing.

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Agenda.
Deutsche Telekom Results Presentation.

René Obermann
CEO

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CFO

FY 2010 Highlights – guidance achieved.

FY 2010	▪ Excl. T-Mobile UK, revenue slightly higher at €62.4 billion ▪ Targets achieved/overachieved: €19.5 billion adj. EBITDA, €6.5 billion free cash flow ▪ Adj. net profit (€3.4 billion) at last year's level – reported net profit improved to €1.7 billion ▪ PTC settlement secures undisputed full control and ownership
Operations	▪ Adj. EBITDA stabilization in Germany – margin improved to 38.3% ▪ Mobilize the internet: 30% growth data revenues to €4.4 billion in FY 2010 ▪ Cash flow in segment Europe stabilized – despite austerity measures and ongoing difficult economy ▪ Continued improvement at Systems Solutions – external revenue growth (+5.4%) and adj. EBIT-margin increased ▪ US: ongoing improvement in data proposition and data-ARPU, churn and net adds not satisfying
Save 4 Service	Better than anticipated: ▪ €2.4 billion gross savings 2010 ▪ €1 billion net adj. opex reduction in the group 2010 ▪ Strong underlying net cost base reduction in Germany and Europe of €1.1 billion
Shareholder Remuneration[1)]	▪ 2010: €3.4 billion annual shareholder remuneration confirmed: €400 million share buyback already done in 2010 – resulting dividend €0.70 per share

1) Subject to necessary AGM-approval

FY 2010 and Q4/10 excl. UK (since Q2/10).

in € million	Q4/09 ex. UK	Q4/10 ex. UK	change in %	FY 09 ex. UK	FY 10 ex. UK	change in %
Revenue	15,416	15,477	0.4%	62,152	62,421	0.4%
Adj. EBITDA	4,904	4,550	-7.2%	20,168	19,473	-3.4%
Adj. net profit	767	665	-13.3%	3,259	3,413	4.7%
Net profit (loss)	-135	-607	-349.6%	232	1,744	651.7%
Adj. EPS (in €)	0.18	0.15	-16.7%	0.75	0.79	5.3%
EPS (in €)	-0.03	-0.14	-366.7%	0.05	0.40	700.0%
Free cash flow[1)]	1,769	1,353	-23.5%	6,688	6,163	-7.8%
Cash capex[2)]	2,172	2,540	16.9%	9,054	8,551	-5.6%

1) Before dividend payment and spectrum invest.

2) 2010 excl. €1,300 million of spectrum in Germany

FY 2010 and Q4/10 reported.

in € million	Q4/09	Q4/10	change in %	FY 09	FY 10	change in %
Revenue	16,200	15,477	-4.5%	**64,602**	**62,421**	**-3.4%**
Adj. EBITDA	5,070	4,550	-10.3%	**20,668**	**19,473**	**-5.8%**
Adj. net profit	905	690	-23.8%	**3,390**	**3,364**	**-0.8%**
Net profit (loss)	-3	-582	n.a.	**353**	**1,695**	**380.2%**
Adj. EPS (in €)	0.21	0.16	-23.8%	**0.78**	**0.78**	**0.0%**
EPS (in €)	0.00	-0.13	n.a.	**0.08**	**0.39**	**387.5%**
Free cash flow[1)]	1,863	1,733	-7.0%	**6,969**	**6,543**	**-6.1%**
Cash capex[2)]	2,249	2,540	12.9%	**9,202**	**8,551**	**-7.1%**

1) Before dividend payment and spectrum invest

2) 2010 excl. €1,300 million of spectrum in Germany

Outlook 2011.

Guidance 2011	▪ Adj. EBITDA of around €19.1 billion (based on constant currency)[1)] ▪ Stable to slightly growing free cash flow from €6.5 billion in 2010[2)]
Operations	▪ Execute on challenger strategy in the US and return to growth ▪ Maintain market leadership and stabilize adj. EBITDA despite MTR cuts and related revenue decline in Germany ▪ Stabilize cash flows and maintain market-leading position in Europe ▪ Continue revenue growth and further improve efficiency at Systems Solutions ▪ Continued focus on mobilizing the internet, triple play products and convergent offerings ▪ Innovate with online consumer services and intelligent networks
Save 4 Service	▪ Further execution on efficiency programs ▪ S4S Phase II: around €4.2 billion gross savings expected 2010-2012 €1.8 billion net savings in Germany and Europe ▪ Reinvent (US): additional gross savings of $1 billion by 2013
Shareholder Remuneration[3)]	▪ €3.4 billion remuneration p.a. to DT shareholders expected for 2011-2012 with a minimum dividend of €0.70 p.a. and the rest via share buy backs

1) Constant currency = average exchange rates of 2010 2) Excl. €0.4 billion for PTC settlement paid in Q1 2011; 3) Subject to necessary AGM-approval and board resolution

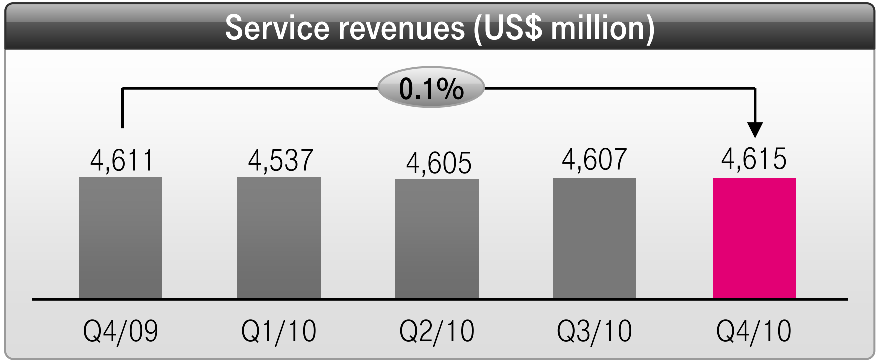
FY 2010 strategy update:
Fix – Transform – Innovate on track.

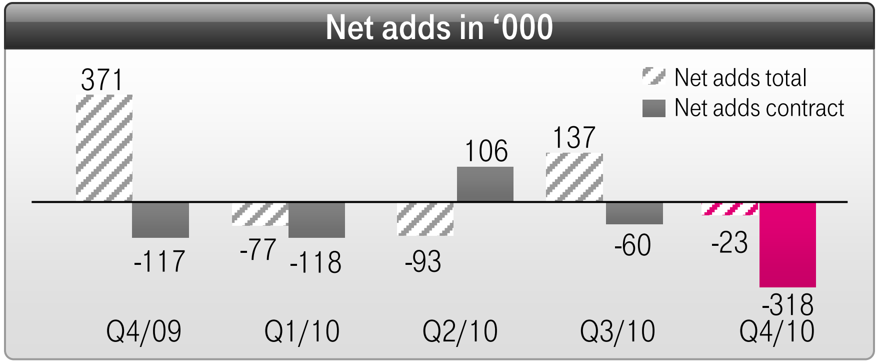
Fix	Transform		Innovate	
Improve performance of mobile-centric assets	**Leverage one company in integrated assets**	**Build networks and processes for the gigabit society**	**Connected life across all screens**	**Connected work with unique ICT solutions**
▪ Increased data ARPU in the US by 25.5% yoy to $12.80 ▪ A, PL, NL adj. EBITDA-margin improved, growing adj. EBITDA, CZ defending high margin ▪ Percentage of contract customers in base improved in CZ, PL, NL	▪ Merger of fixed and mobile operations completed in Germany, Croatia, Slovakia ▪ Quadruple play products launched in Romania, Hungary, and Slovakia ▪ “Call & Surf via Funk” pilot launched in Germany: broadband via LTE, voice via fixed	▪ Increase of 3G cell sites in Germany by 3,200 during 2010 ▪ German spectrum auction secures future spectrum needs at reasonable price ▪ FTTH pilots launched in autumn 2010 ▪ Significant expansion of mobile 3G networks in Europe ▪ TMUS 4G: 21Mbps rolled out to 200 million POPs, 42 Mbps to be launched in 140 million POPs by mid-year 2011	▪ Smartphone share of handsets sold increasing drastically from 29% to 43% in Germany. Android phones picking up ▪ TV push in SEE: +23% growth in base ▪ STRATO acquisition strengthened position in web hosting business ▪ Entertain: 3D-TV broadcasting ▪ 580,000 users on Mediacenter in Germany	▪ Big Deals won in 2010: EON, DHL, DekaBank etc. provide basis for further external revenue growth (+5.4% in 2010) ▪ Innovative products like “Infrastructure as a service” or “Deutschland LAN” for corporate customers launched ▪ Pilot projects on smart metering and eHealth launched in 2010

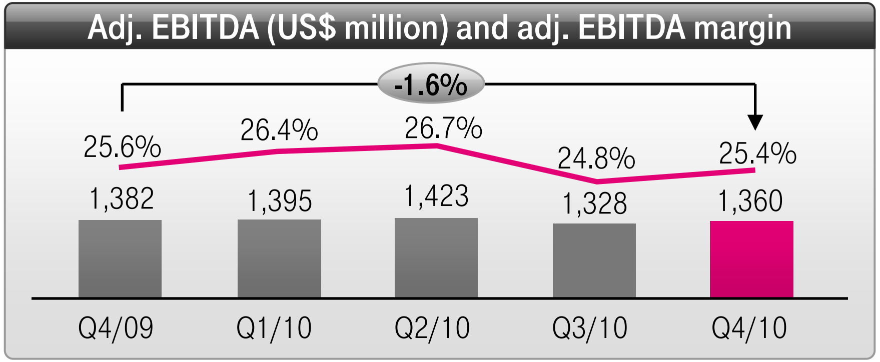
Strategy update: growth areas.

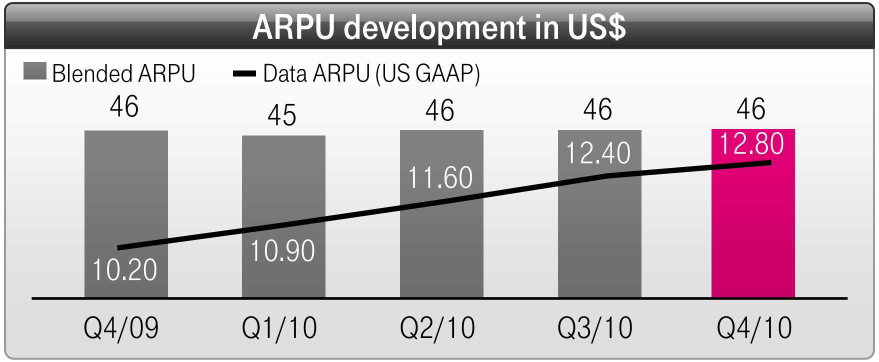
Deutsche Telekom growth areas	FY 2009	FY 2010	Change		Ambition 2015
Revenue (€ bn)					
Mobile Internet	3.4	4.4	1.0	29.2%	≈ 10
Connected Home Double & Triple play, Home Gateway, and Communication Suite	5.2	5.5	0.3	5.0%	≈ 7
Online consumer services	0.9	1.0	0.1	13.1%	2 - 3
T-Systems external revenue incl. Cloud Services	6.1	6.4	0.3	5.4%	≈ 8
Intelligent networks in Energy, Health, Media Distribution, Connected Car	-	-	-	-	≈ 1

US: continued revenue stabilization and strong data ARPU.

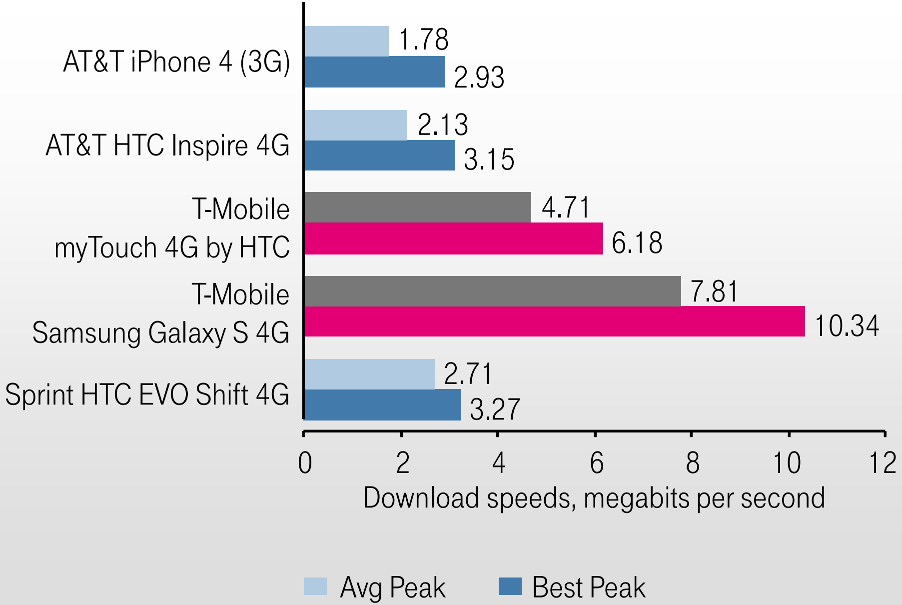








Recent US 4G speed tests confirm superiority of our network.



MSNBC

Galaxy S 4G beats out the competition with speeds of 7-10 Mbps

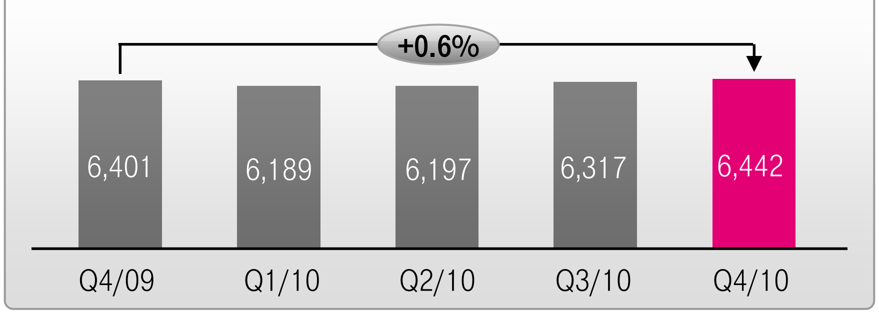
"Only one phone delivered anything you could really call 'extreme.'"

"Results consistently favored T-Mobile"

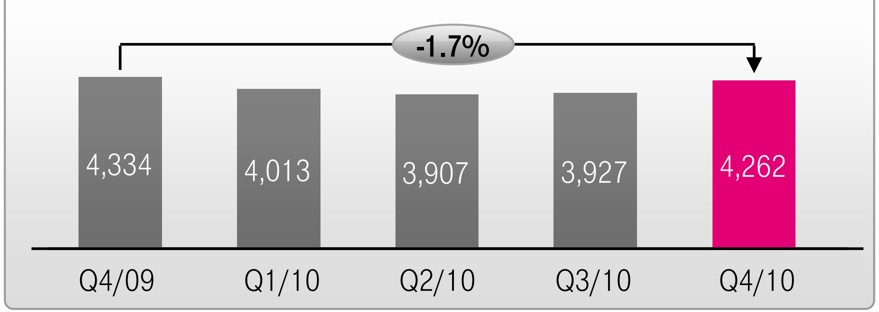
"[Galaxy S 4G] is one fast phone"

Germany: strong revenue and third consecutive quarter of increasing adj. EBITDA yoy.

Revenue (€ million)

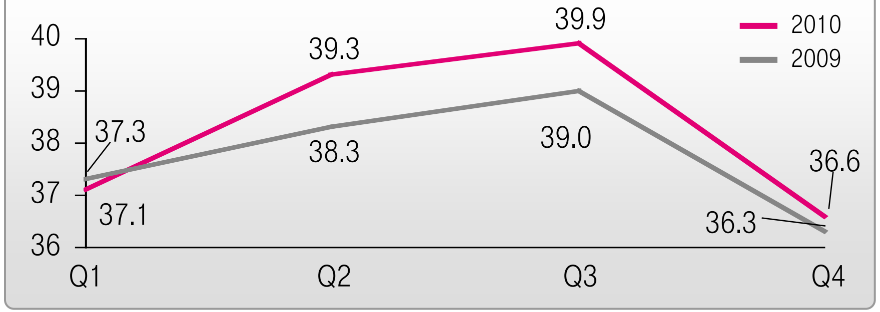


Adj. OPEX (€ million)

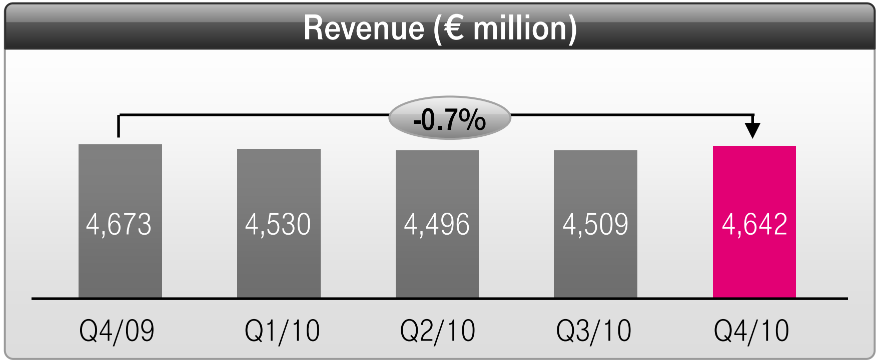


Adj. EBITDA (€ million)

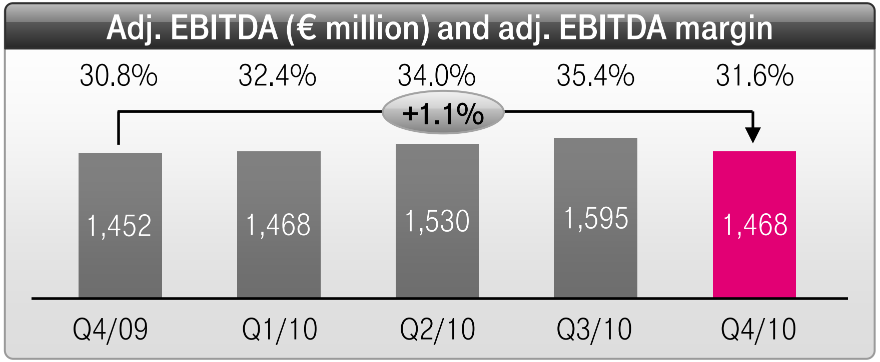
Adj. EBITDA margin (in %)

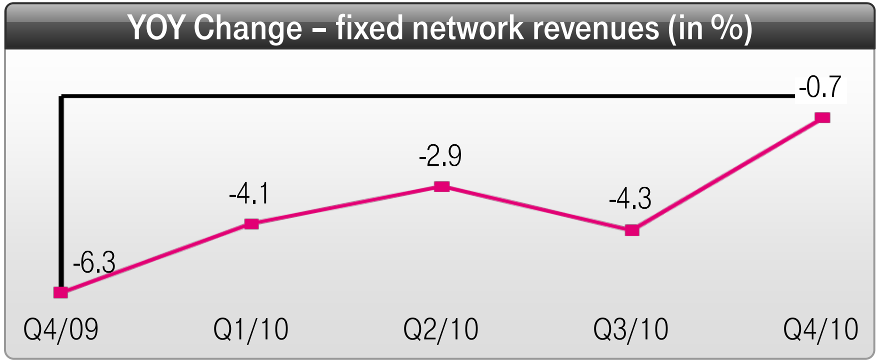


Germany fixed: continued increase in profitability.



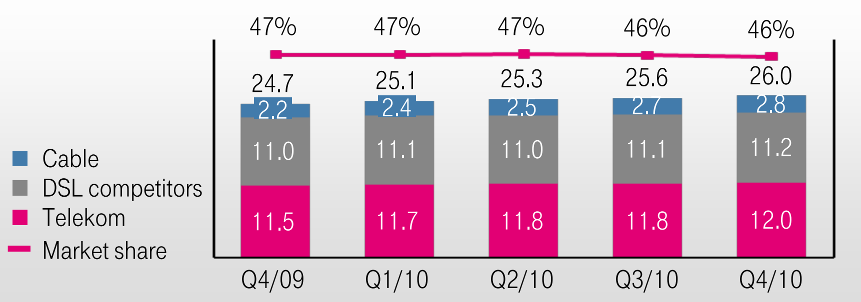
- As already announced in Q3, strong Q4 revenue
- Increase in adj. EBITDA despite commercial efforts
- Cost reductions compensate for revenue pressure
  - Driven by simplification, lower procurement costs, and selective centralization
  - Save 4 Service deeply embedded in organization
  - Adj. EBITDA improved by 1.1% yoy, driven by adj. opex savings of 3.8%



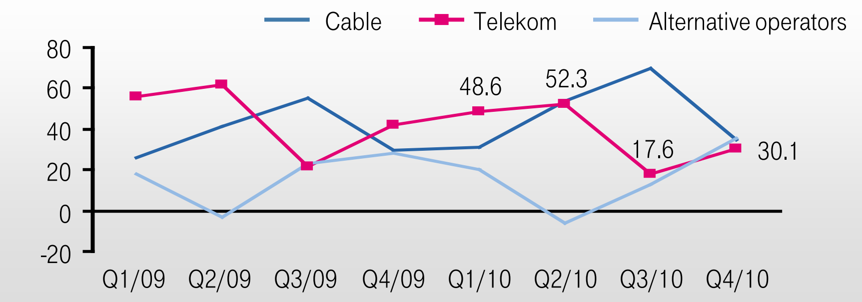


Germany fixed: managing for value resulted in stable broadband market share.

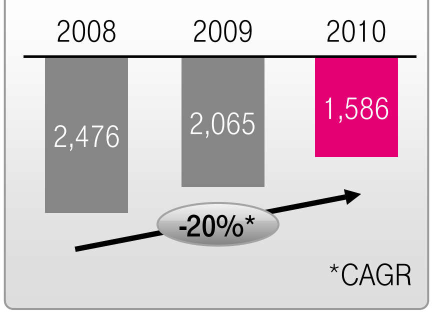
Broadband lines[1)] (million)



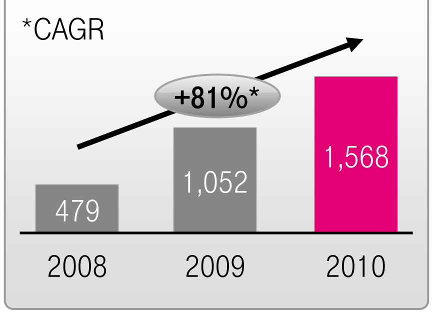
Broadband net add share by competitor[2)]



Line losses ('000)



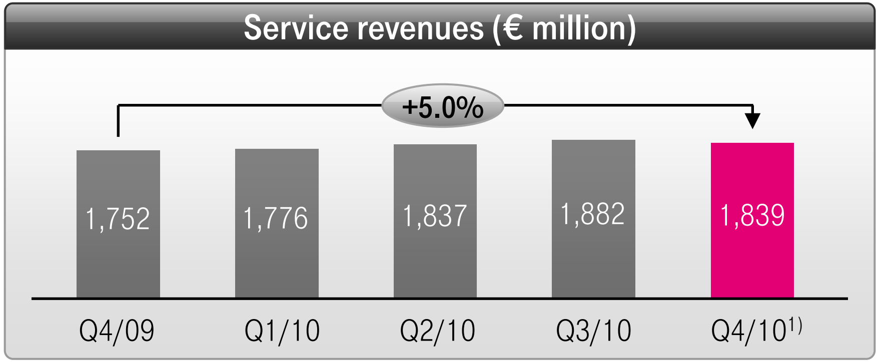
Entertain (sold) ('000)

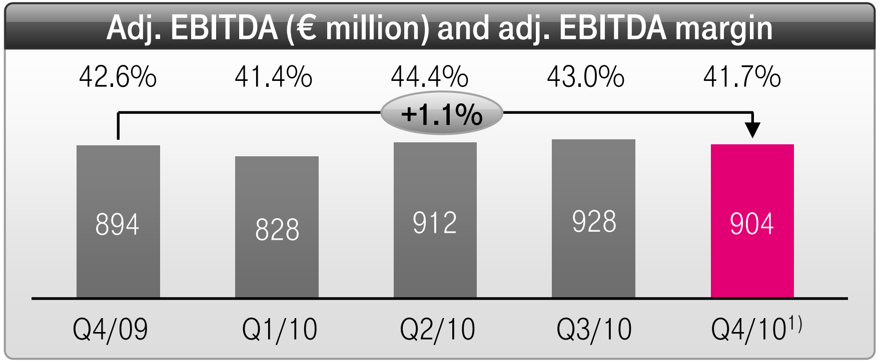


- Broadband net add share in Q4 impacted by aggressive unbundlers at the expense of cable. Managing for value resulted in 37.3% net add share in 2010
- Solid IPTV growth continues with +516k marketed Entertain customers in 2010 now at 1,568k
- Retail fiber-customers (VDSL) at 342k (+194k yoy)

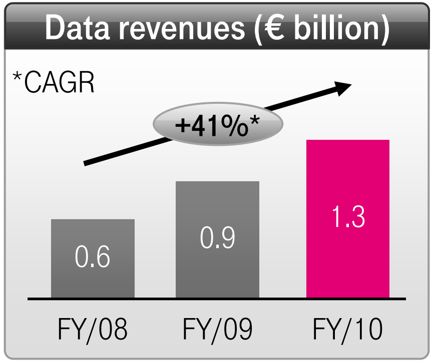
1) 2010 own estimates, Q1 and Q2 adjusted by one-time item wholesale. Rounded figures. Incl. reseller (competitor resale and resale)
2) DTAG view (retail). Retroactive adjustment starting in 2007 because of reclassification of UnityMedia broadband customer base (March 31, 2010)

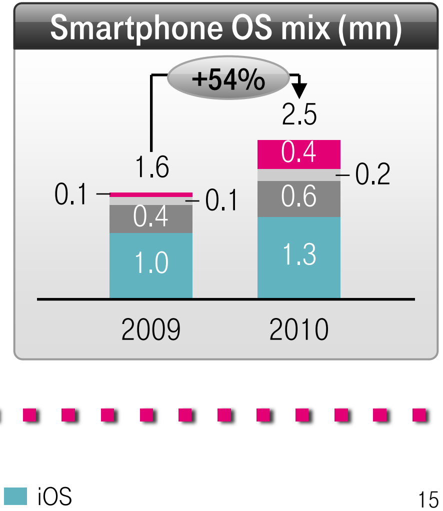
Germany mobile: continued service revenue growth and profitable market outperformance.





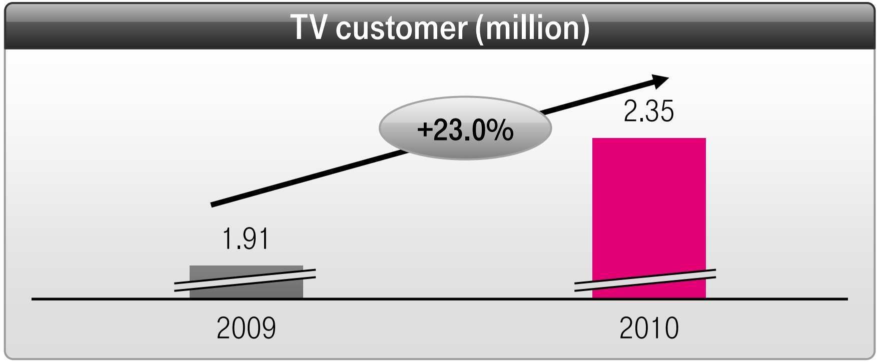
- Data revenue growth of 28% boosting share as % of service revenues by 4pp to 19% in Q4/10. December MTR impact of €28 mn on service revenues and €13 mn on EBITDA
- Continued focus on high-value customers
  - 347k iPhones, 45k Windows Phone 7 sold
- 50% of handsets sold in Q4/10 were smartphones compared to 28% in Q4/09
- Adj. EBITDA margin of 41.7%[1)], ahead of all competitors Underlying (w/o O2, Regulation) adj. EBITDA improvement of 11.1%

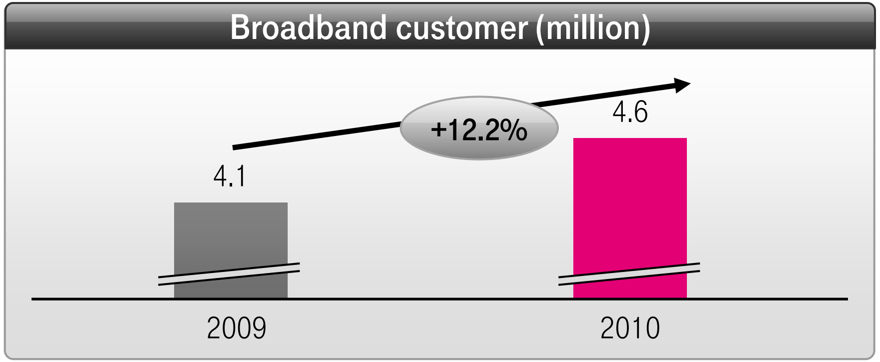


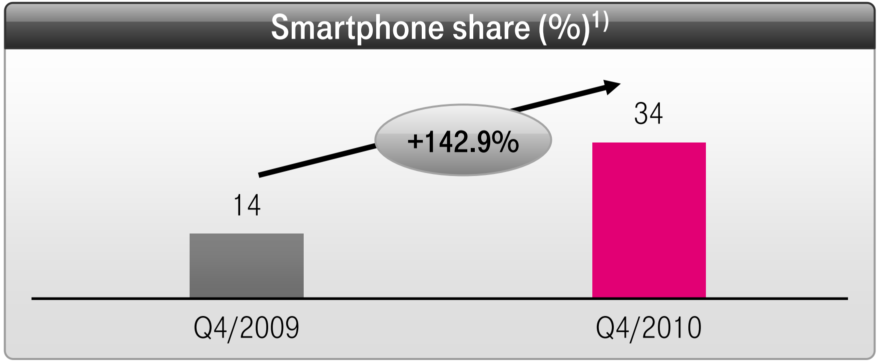


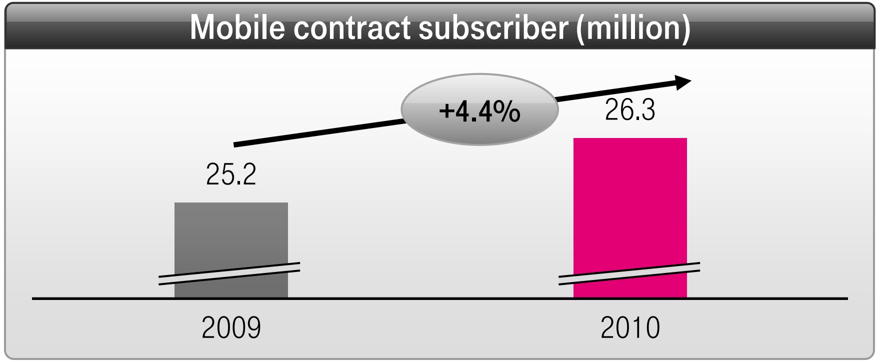
1) Adjusted for the reduction in MTR-rates (€28 million revenue and €13 million adj. EBITDA)

Europe – growth in strategic products broadband and mobile contract.









1) Percentage of smartphones in dispatched devices (excl. OTE, Macedonia and Montenegro)

FY 09 FY 10

Europe – integrated operations: mostly outperforming peers despite tough economic and regulatory conditions.

OTE:

- Traction gained in BB net-adds (+8k) from new tariffs. IPTV subs. more than tripled to 50k.
- Mobile: contract customer growth and service revenue development better than main competitor in Greece

Croatia:

- IPTV +26% up to 297k and ADSL +13.3% up to 629k, overcompensating line losses (fixed -53k)
- Revenue growth driven by fixed network overcompensating decline in mobile

MT:

- TV customers (Sat, Cable, IP) up 19% to 750k yoy. Contract customer growth of 9% in mobile business, broadband access growth of 10.4%
- Revenue and EBITDA impacted by €90 million tax in Q4

Slovakia:

- TV net-adds +24k or +16%: driven by Sat TV with 43k customers (+12k in Q4). IPTV customers increase of +32%
- Growth in fixed network revenues, decline in mobile

1) Figures adjusted for special tax. Shaded area illustrates impact: €90 million on revenue, EBITDA and cash contribution, 14pp on margin; difference to group figure of €98 million attributable to Systems Solutions

Q4/09 Q4/10

Europe – mobile centric: smart market investment and push in network enhancements impacting margins.

Poland:
- Revenue growth accelerated. Market investment in high-value customers, Smartphone-share more than 30% in Q4
- Additional 10% 3G sites vs. Q4/09

Netherlands:
- Competitors outperformed in 2010. Revenue and EBITDA impacted by regulation and loss of MVNO
- 37% mobile data revenue growth

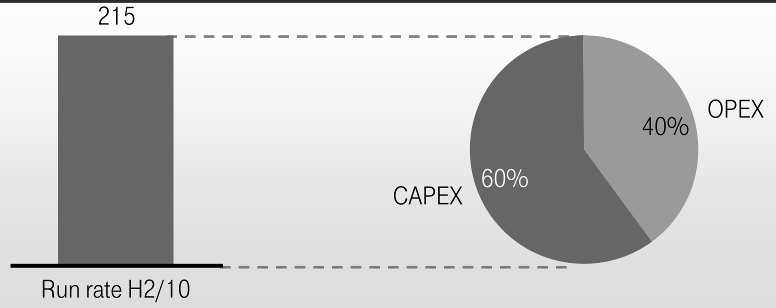
CZ:
- Revenue excl. regulation +2%. Increase in market invest of 15% - resulting in 292k retained subs
- Integration of broadband business and FDD roll-out, 3G sites more than doubled

Austria:
- Excl. regulation revenue flat
- EBITDA lower due to market investment and investment in 1st Austrian commercial LTE network

Q4/09 Q4/10

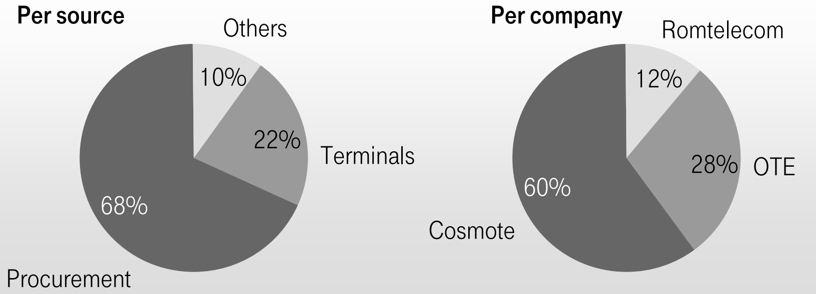
Update on OTE synergies: initial run rate potential achieved earlier than planned.

Run rate of synergies (€ million)

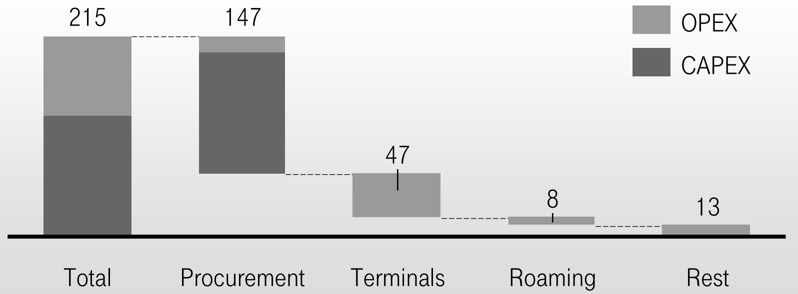


- As of Q4 measures with an annual potential of €215 million are already implemented
- The total run rate from the buying case has been achieved two years earlier than planned
- Savings are split into 60% CAPEX and 40% OPEX savings

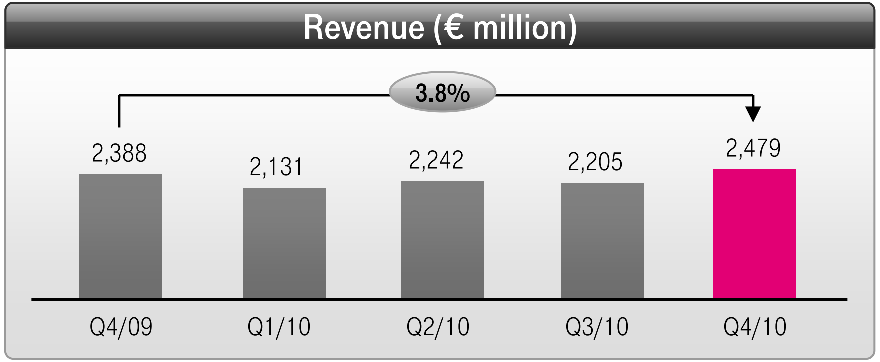
Run rate of synergies (€ million)



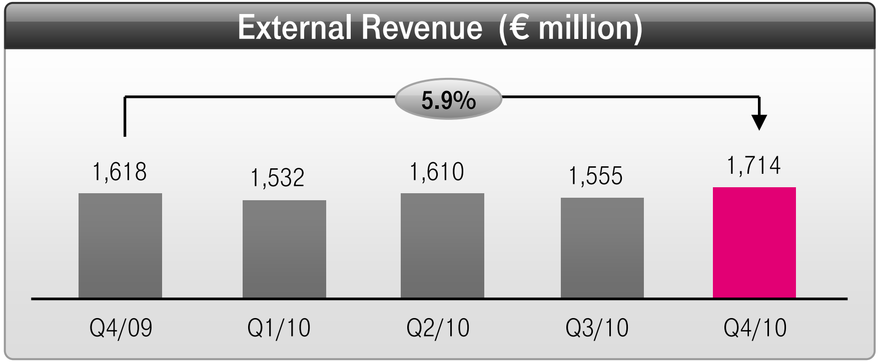
YTD achieved synergies (€ million)

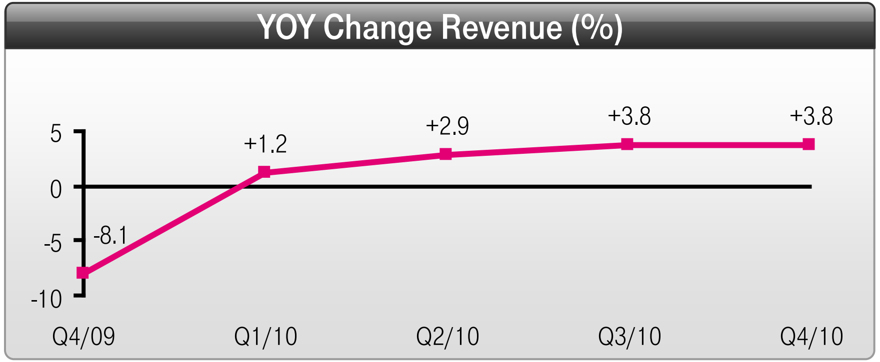


Systems Solutions: external revenue up 5.4% in FY2010.

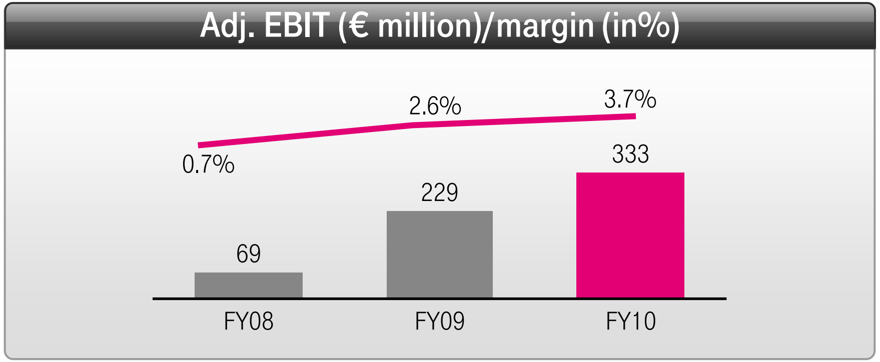


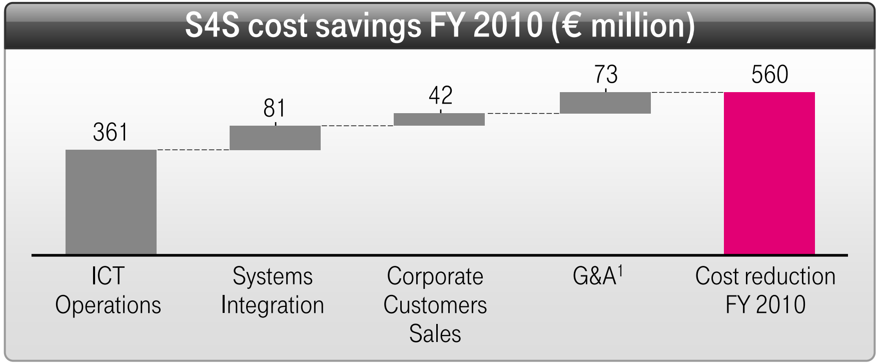
- External revenue - delivering on 5% CAGR target with FY2010 growth of 5.4%
- Closed Big Deals in 2010, such as EON, DHL, DekaBank provide the basis for further revenue growth





Systems Solutions: profitability improvement driven by efficiency.





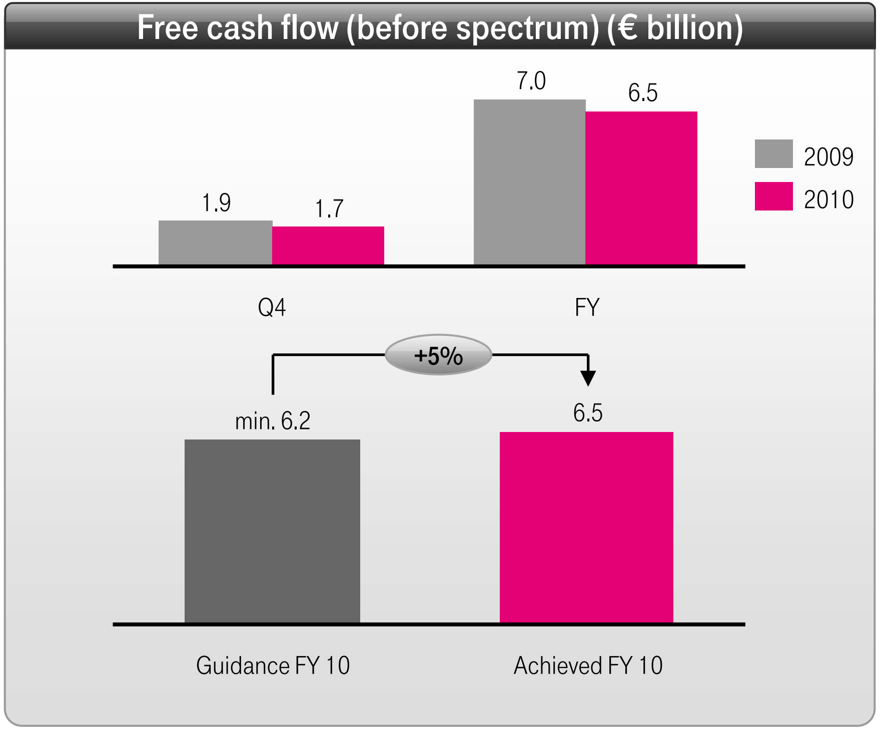
- Adj. EBIT margin in FY2010 improved to 3.7% from 2.6% in FY2009
- Corresponding adj. EBITDA improvement in FY2010 up to €948 million with a margin of 10.5%

Strong execution of efficiency program

- €0.6 billion **Save for Service** contribution in FY2010
  - Optimization of data center infrastructure, reduction of maintenance costs
  - Cost reduction at Systems Integration through near- and offshore locations, optimized freelancer costs
  - Simplification and standardization of offerings in Sales
  - Internal optimization at G&A, esp. Finance & Marketing

1) Incl. national subsidiaries not part of the aforementioned categories

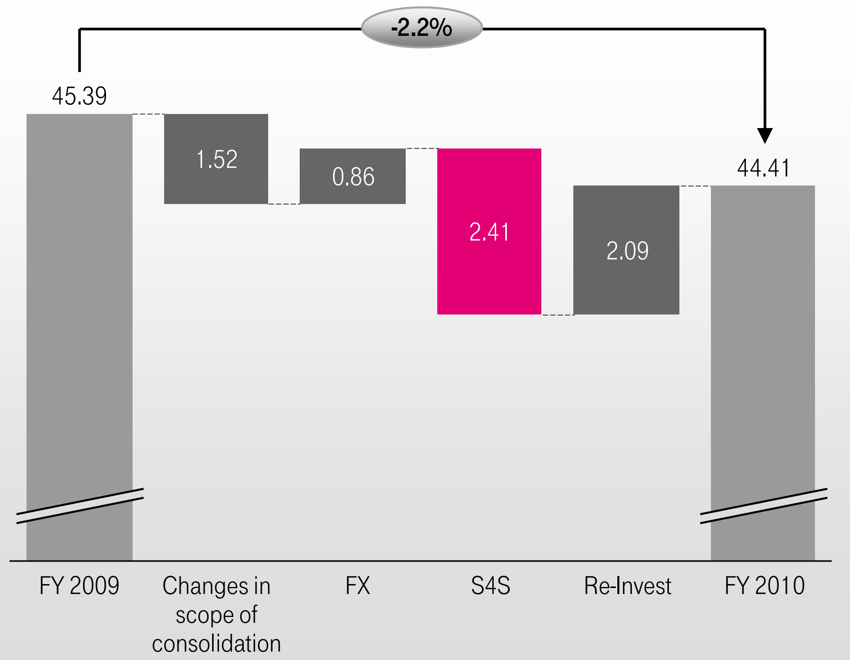
Free cash flow: guidance overachieved by €300 million.



- Development highlights success of central free cash flow steering:
  - working capital management: significant improvement in payables by introduction of group-wide payment policy
  - Capex discipline: cash capex reduced by €650 million FY on FY driven by US and EUR without jeopardizing necessary investments in infrastructure

S4S: 60% of €4.2 billion already achieved – €1 billion net.

Cost base[1)] development FY 2009 vs. FY 2010 (€ billion)



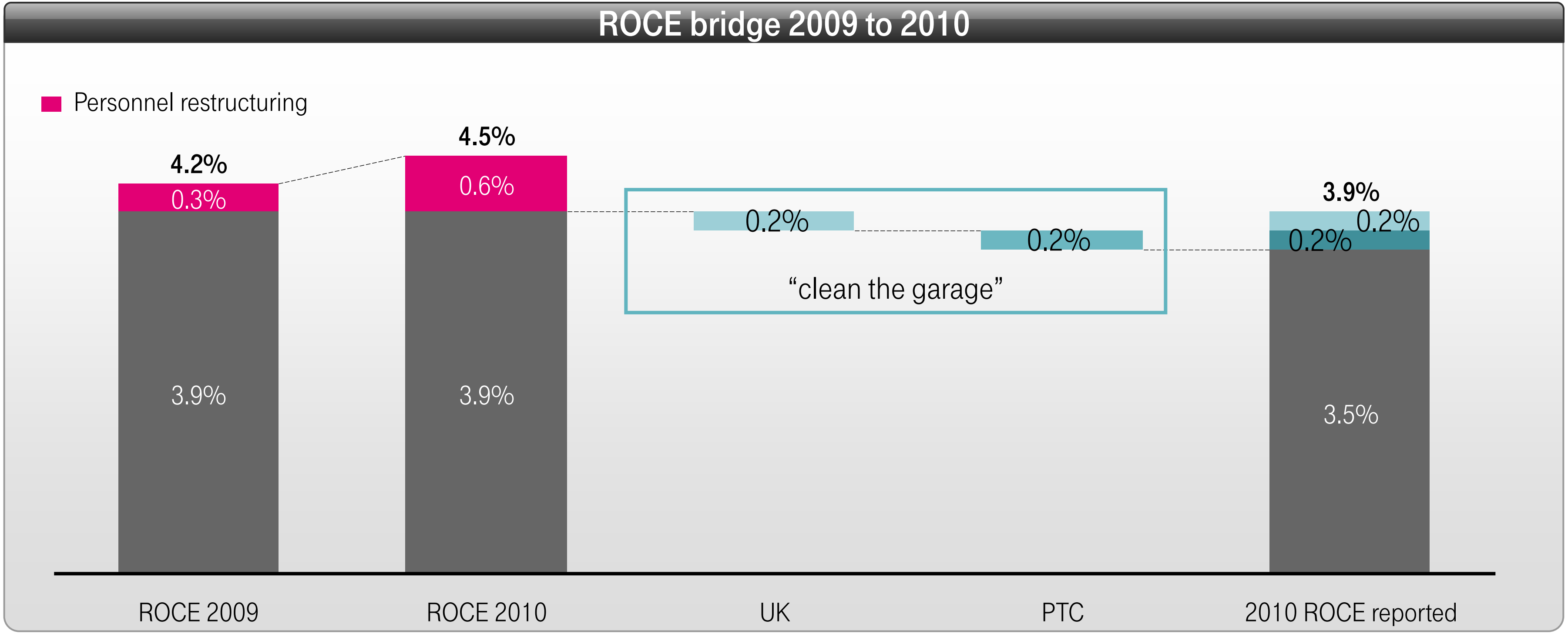
Contribution by Business Unit (€ million)	FY 2010
Germany	660
USA	570
Europe	370
Systems Solutions	560
GHS	250
DT Group	**2,410**

- €2.4 billion gross savings on corporate level
- Net cost base of group reduced by €1 billion
- Strong underlying[2)] net savings in Germany (€0.59 billion) and Europe (€0.5 billion) partially offset by market invest predominantly in the US

1) Defined as revenue minus adj. EBITDA plus adj. other operating income

2) Excl. F/X and changes in the composition of the group

ROCE development driven by UK deconsolidation, PTC settlement and additional personnel restructuring.



Ongoing solid balance sheet ratios and stable rating.

in € billion	31/12/2010	30/09/2010	30/06/10	31/03/10	31/12/09
Balance sheet total	**127.8**	**127.8**	**132.8**	**130.8**	**127.8**
Shareholders' equity	43.0	43.4	44.8	44.3	41.9
Net debt	42.3	43.7	46.3	40.4	40.9
Net debt/adj. EBITDA[1)]	2.2	2.2	2.3	1.9	2.0
Gearing	1.0x	1.0x	1.0x	0.9x	1.0x
Equity ratio	**33.7%**	**33.9%**	**33.7%**	**33.9%**	**32.8%**

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) Calculation based on adj. EBITDA of last four quarters

Q&A

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