Q2/10 – Results Presentation.
Deutsche Telekom.

August 5, 2010

Not to be released until: Start Statement René Obermann

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Agenda.
Deutsche Telekom Results Presentation.

René Obermann
CEO

Timotheus Höttges
CFO

H1 2010 Highlights – excellent execution.

- Well underway to achieve full-year guidance:
  - Excluding T-Mobile UK revenue stable year-over-year in H1.
  - Adj. EBITDA at €9.9 billion in H1.
  - Net income improved from €-0.6 to €1.2 billion in H1.
- Excellent execution in Q2:
  - Germany: good progress in stabilization of revenue and turnaround in adj. EBITDA: +2.4%. Strong outperformance of competition: mobile with 6.1% service revenue growth and margin of 44%. Broadband net add market share of 52%. Fixed-network line losses on lowest level since 2005.
  - US: revenue and subscriber trends improved. With 106k contract net adds return to contract customer growth. Strong growth in data ARPU to US$11.60. Service revenue trend improved.
  - Europe: excluding UK adj. EBITDA margin remained stable compared to Q1 2010 in an ongoing difficult environment.
  - Systems Solutions: EBIT-Margin further improved to 3.4%, accelerated revenue growth: external revenue growth of 7.2%, total revenue growth of 2.9%. Stable order entry at €2.3 billion.
- Share buyback program: Board resolution taken, program to commence as of August 10th.
- Save for Service continues to support group profitability with savings of €1 billion in H1.
- Mobile data revenue of €2.1 billion in H1 up 28%.

We confirm our guidance.

Q2 financial overview: year-on-year improvement.

€ million	Q2/09 reported	Q2/10 reported	Q2/09 excl. TM UK	Q2/10 excl. TMUK	change in % excl. UK
Revenue	16,238	15,531	**15,386**	**15,531**	**0.9%**
Adj. EBITDA	5,258	5,012	**5,107**	**5,012**	**-1.9%**
Adj. net income	756	814	**831**	**836**	**0.6%**
Net income	521	475	**599**	**722**	**20.5%**
Adj. EPS (in €)	0.17	0.18	**0.19**	**0.19**	**0.0%**
EPS (in €)	0.12	0.11	**0.14**	**0.17**	**21.4%**
Free cash flow	1,404	1,489	**1,409**	**1,489**	**5.7%**
Cash CAPEX	2,211	2,041	**2,177**	**2,041**	**-6.2%**

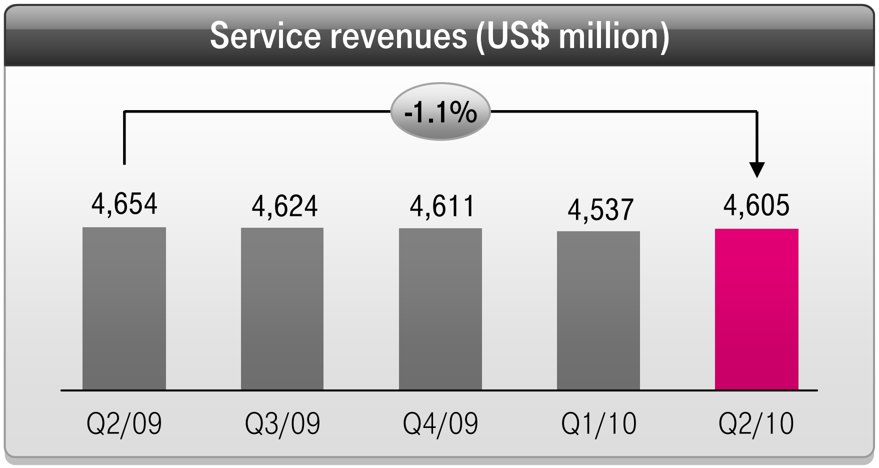
Strategy update: Fix – Transform – Innovate on track.

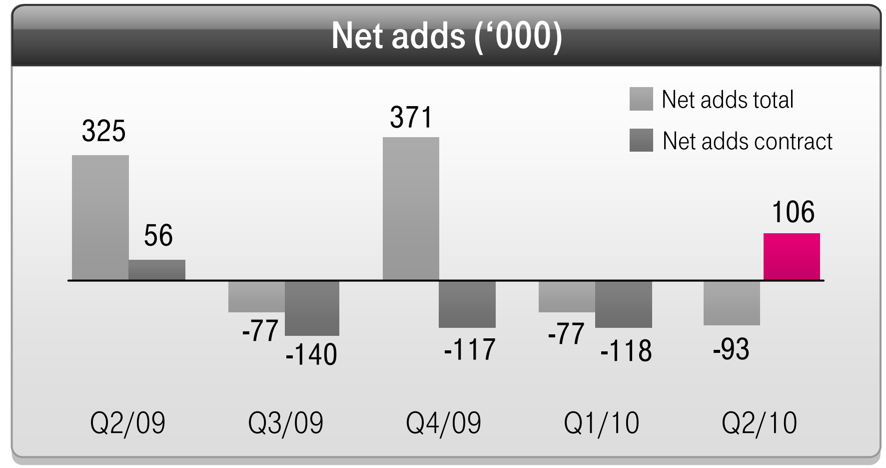
Fix	Transform		Innovate	
Improve performance of mobile-centric assets	**Leverage one company in integrated assets**	**Build networks and processes for the gigabit society**	**Connected life across all screens**	**Connected work with unique ICT solutions**
▪ US: revenue and subscriber trends improved. Continued growth in data ARPU: up 70 cents in Q2 to US\$11.60 ▪ NL: margin improved from 22% to 31% ▪ PL & CZ: ongoing margin strength: Czech republic at 48%, Poland remains at 39%	▪ Update on OTE-Synergies: €164 million run rate achieved ▪ Legal merger in Slovakia completed on July 1st ▪ Quad-play product launched in Hungary and Romania	▪ Spectrum auction in Germany with excellent result. ▪ 2x5MHz of spectrum acquired in Romania ▪ HSPA+ roll-out in Europe started in April. HSPA+ roll-out in the US now reaching 85 million POPs	▪ iPhone4 introduced ▪ Further Android devices ▪ Football world cup on mobile TV ▪ First 3D-Broadcasting over IPTV in Germany ▪ Personalized football TV-conferencing ▪ Scout24-Group expands internationally	▪ Several Big Deals in Q2/10 won: DEKA, DHL ▪ T-Systems receives "SAP-Certification in Cloud Services" ▪ Launch of „de.mail" registration

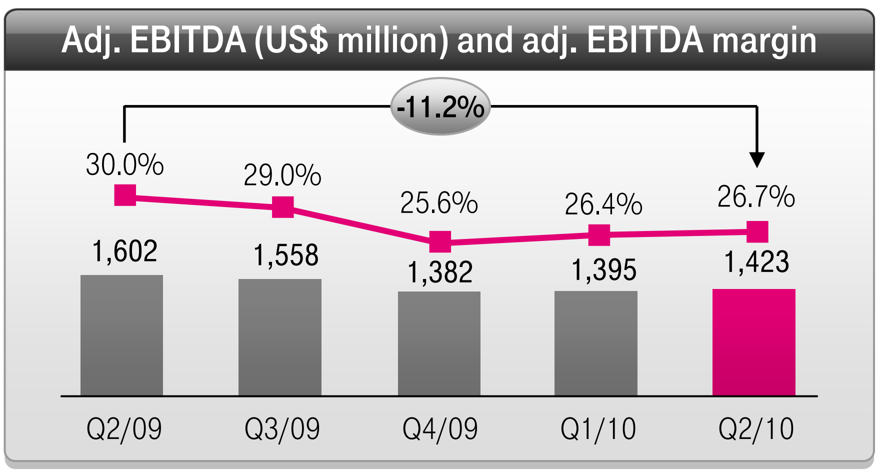
Strategy update: growth areas.

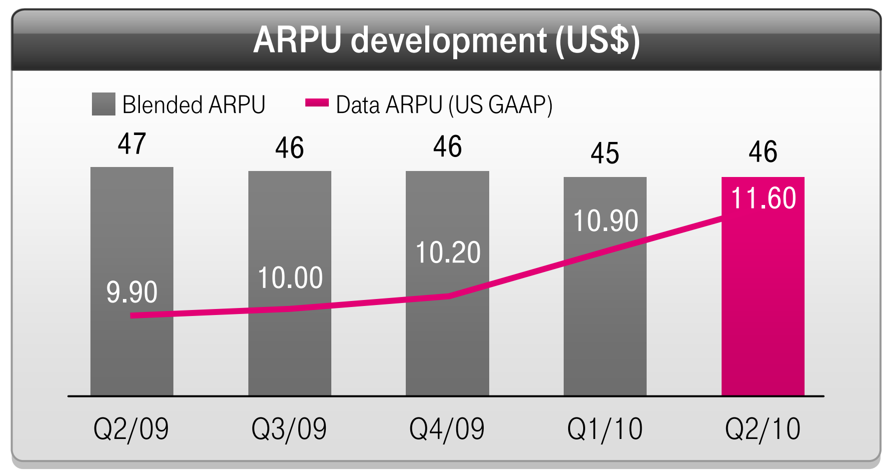
DT's Growth Areas Revenue (€ billion)	H1 2009	H1 2010	Change		2015e
Mobile Internet Non-voice revenues w/o SMS and messaging	1.6	2.1	0.5	27.9%	≈10
Connected Home Double & triple play, Home Gateway and Communication Suite	2.5	2.8	0.3	9.5%	≈7
Online Consumer Services	0.4	0.5	0.1	18.0%	2 - 3
T-Systems external revenue incl. Cloud Services	3.0	3.1	0.1	4.8%	≈8
Intelligent Networks in Energy, Health, Media Distribution, Connected Car	0.0	0.0			≈1

US: improved revenue trend and strong data ARPU – contract customer base growing again.









Operational priorities for 2010: improve the US market position.

Network

- 3G coverage: 208 million POPs; 27,581 3G sites, up 589 in Q2
- HSPA+ (21 Mbps) now reaching 85 million POPs; 185 million POPs by YE 2010 expected

Devices

- 6.5 million 3G smartphones (19% of total customers), up 1.3 million in Q2
- New 3G smartphones/devices: Samsung Vibrant, T-Mobile myTouch 3G Slide, Garminfone, new Rocket data stick, first HSPA+ smartphone later this summer

Distribution

- 2,052 own stores
- 7,298 national retail stores (postpaid only)

Pricing

- Focus on value-conscious families: promotional US$5 family add-on
- 5GB data stick plan for US$50 (US$40 for customers with another line)
- New branded prepaid plans: US$50 unlimited voice and text, US$15 unlimited text

Germany: strong execution over the last 4 years.

Customer base

H1/06 → H1/10	
1,007k → 687k	Line losses
19% → 46.2%	Share of retail broadband & IPTV as of total base
14.6mn → 17.2mn	Mobile contract customers

Competition

	H1/06 → H1/10
Broadband net add market share	5% → 50%
Mobile service revenue market share[1]	35.9% → 36.9%

Service KPIs

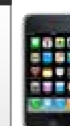
Q4/07[2] → Q4/09	
-51%	Number of complaints
+47%	MTBA
+24%	First contact resolution rate

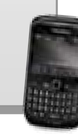
Adj. EBITDA margin

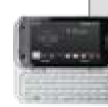
Q2/06[3] → Q2/10	
37.2% → 34.0%	Fixed network
39.3% → 44.4%	Mobile communications

Innovation

1.3 million Entertain packages sold
1.9 million iPhones sold
~100k LigaTotal! customers
DeutschlandLan
MobileTV
Program Manager





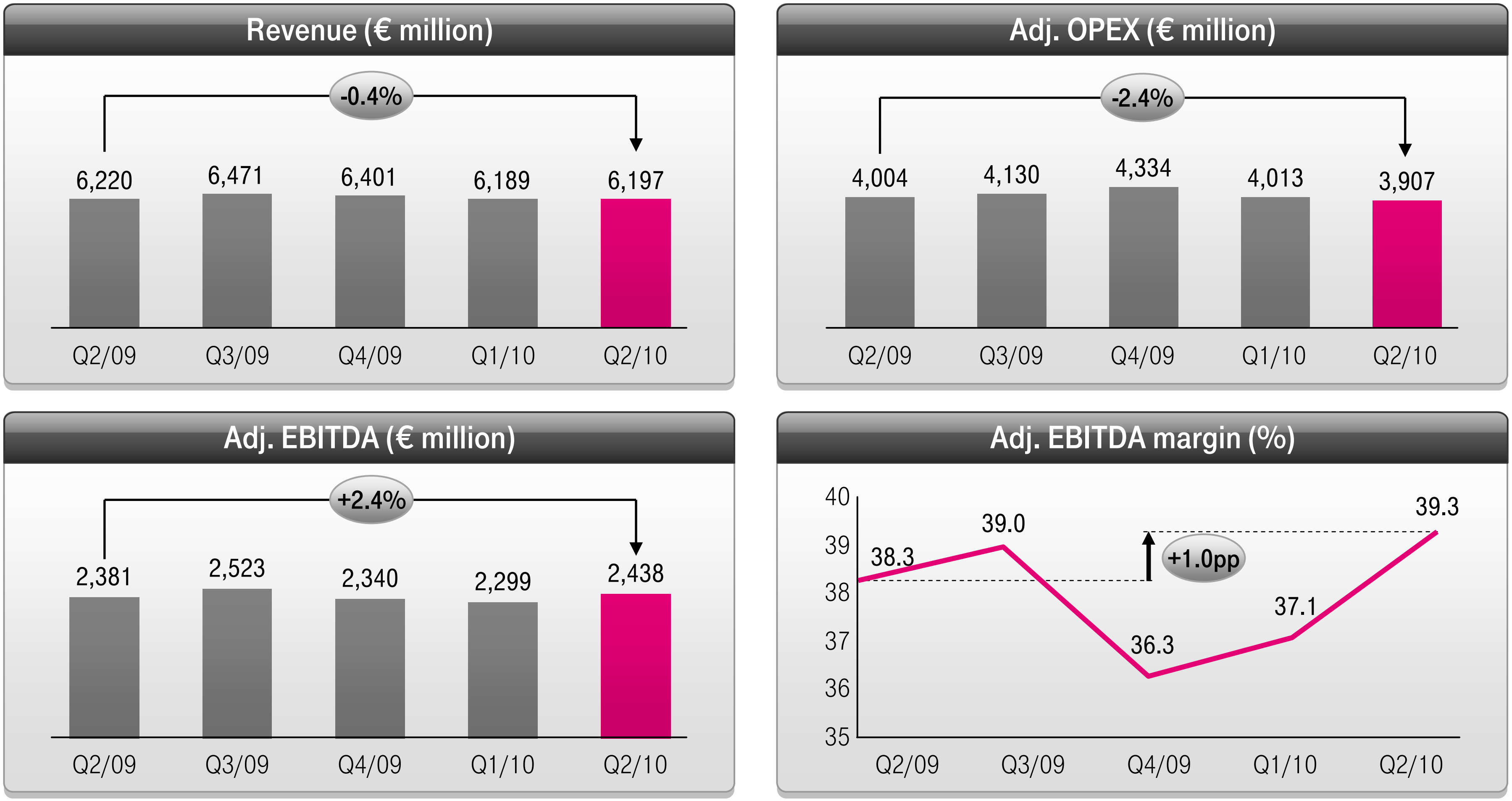


Adj. OPEX

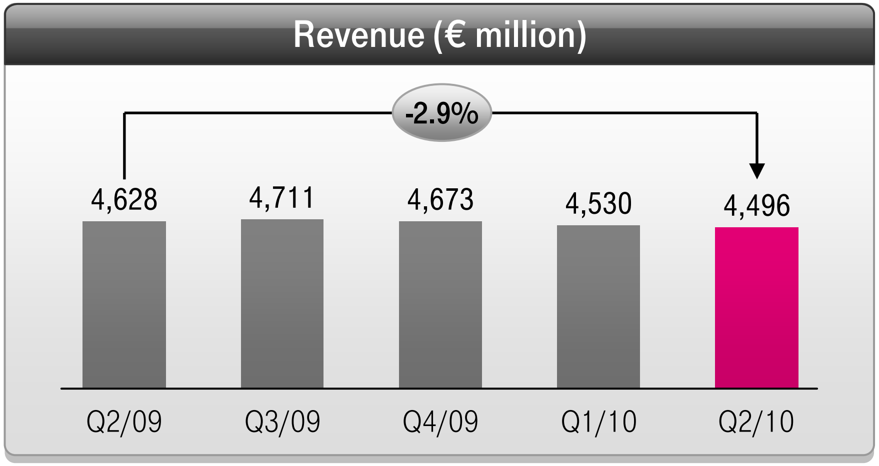
H1/06[4] → H1/10
EUR 9.7bn → EUR 7.9bn

1) Q2 data.
2) Values indexed to 100.
3) Fixed network = T-Com domestic; Mobile communications = T-Mobile Germany.
4) Due to structural changes not entirely comparable.

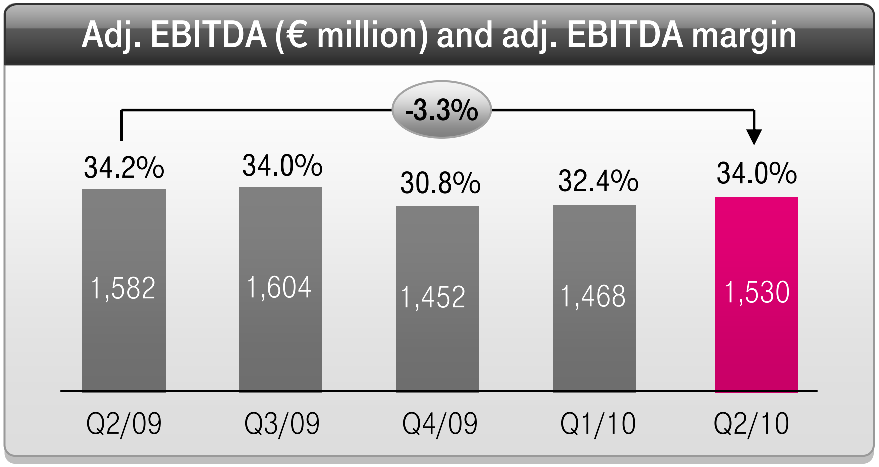
Germany Q2 2010: close to stable revenues and EBITDA growth.

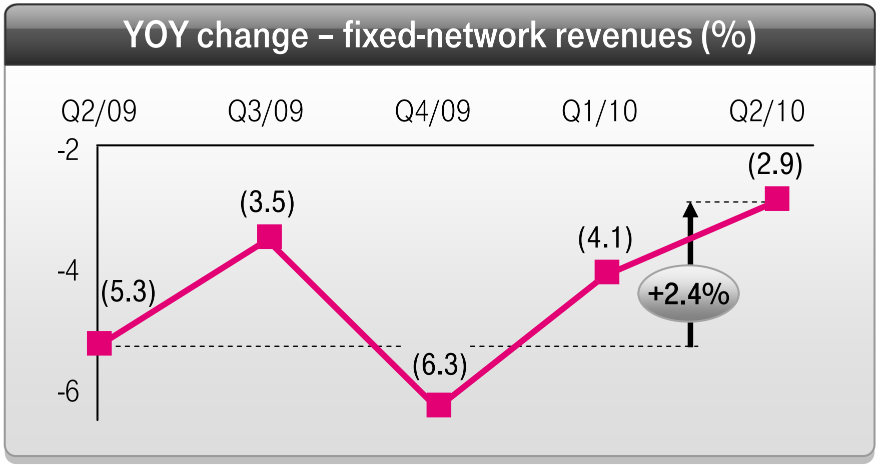


Germany fixed Q2 2010: continued top-line recovery.



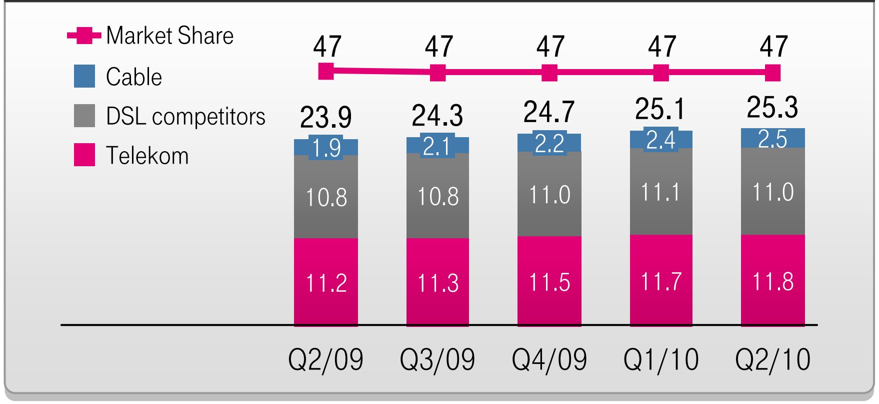
- Lowest revenue decline since 2008.
- Adjusted for settlement with Tele2 (affecting profitability by 0.7pp) EBITDA margin improved.
- Due to adj. net OPEX savings of 2.4% yoy, adjusted EBITDA decreased by only 3.3 percent in the second quarter.
- Continued reduction in fixed costs as a result of simplification and rationalization.





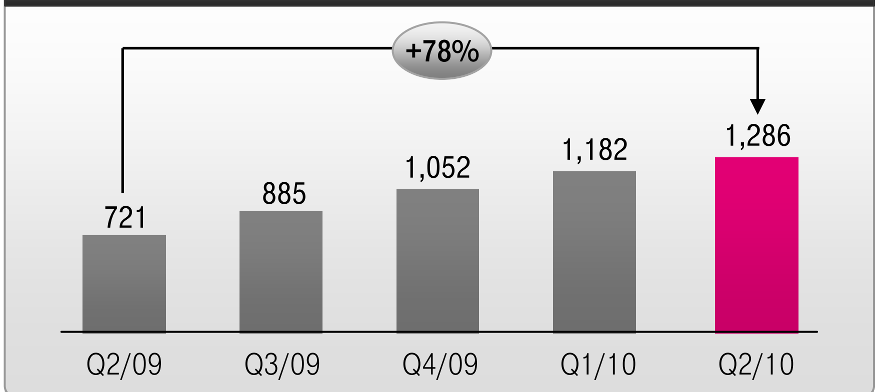
Germany fixed Q2 2010: excellent customer KPIs.

Broadband lines[1] (million)

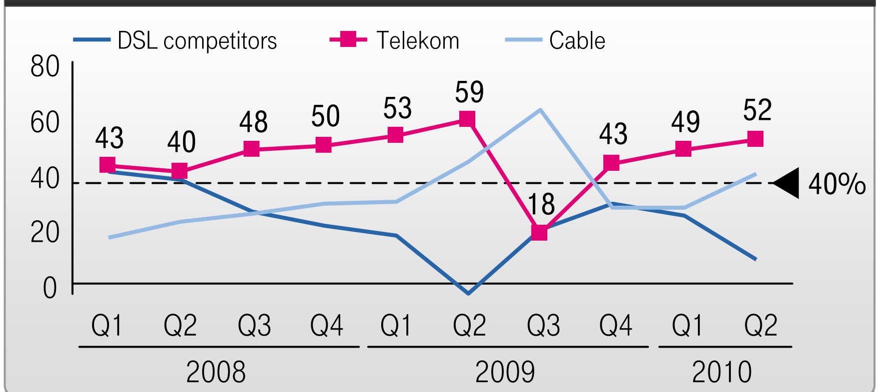


- Strong leadership in the broadband market:
  - Stable broadband retail market share of 47%; net add market share of 52.3% in Q2/10. YTD we saw a cumulated net add market share of 50.1%.
- Fixed market on recovery path:
  - Retail line losses (315k) on lowest level since 2005, supported by the further increase in double/triple play packages to 46% of total customer base.
  - Improved customer satisfaction as a key lever to reduce line losses. Broadband TRI*M index at 56 +1 point yoy and better than competition.

Entertain customer base (sold) ('000)

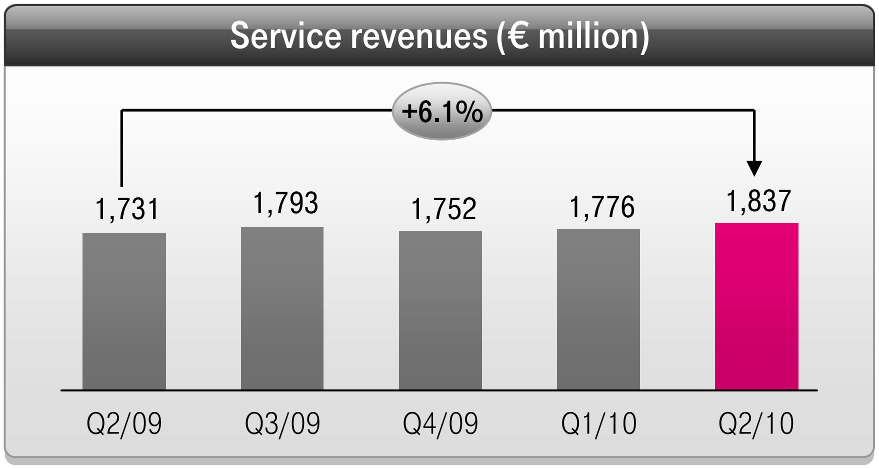


Domestic broadband net add share by competitor[2]

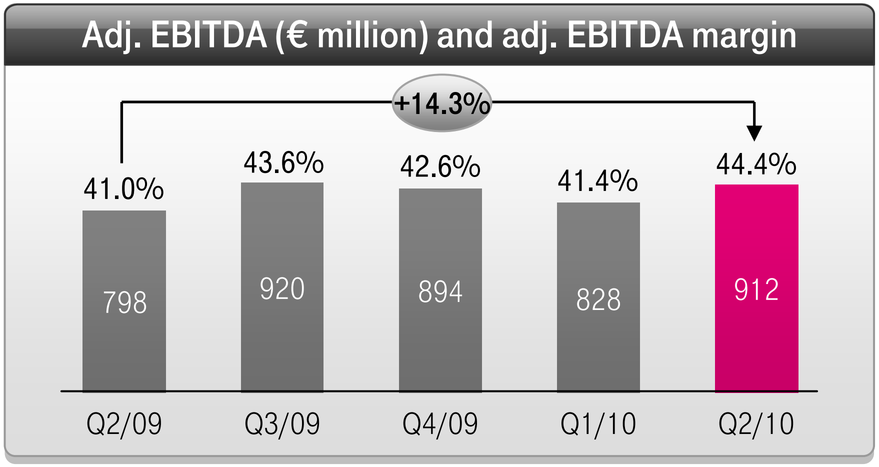


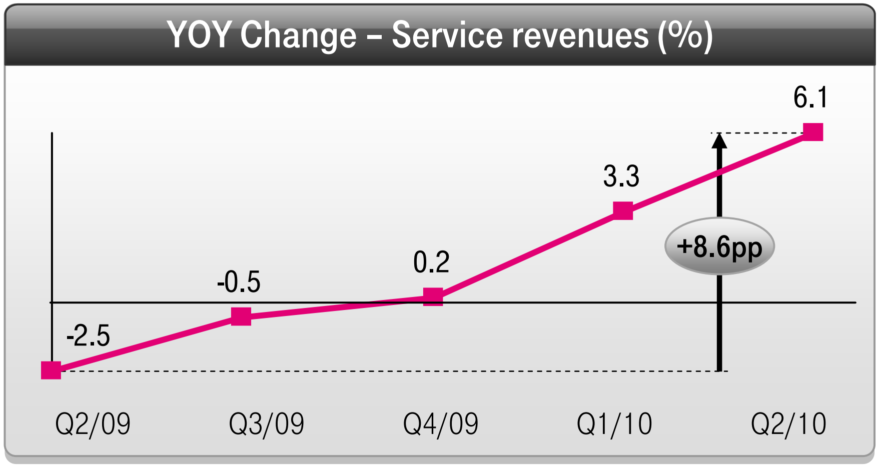
1) Market share for 2009 adjusted based on new BNetzA figures, 2010 own estimates, Q1 and Q2 adjusted by one-time item wholesale. Rounded figures. Incl. reseller (competitor resale and resale).
2) DTAG view (retail). Retroactive adjustment starting in 2007 because of reclassification of UnityMedia broadband customer base (March 31, 2010).

Germany mobile Q2 2010: sustained top line growth and continued focus on profitability.

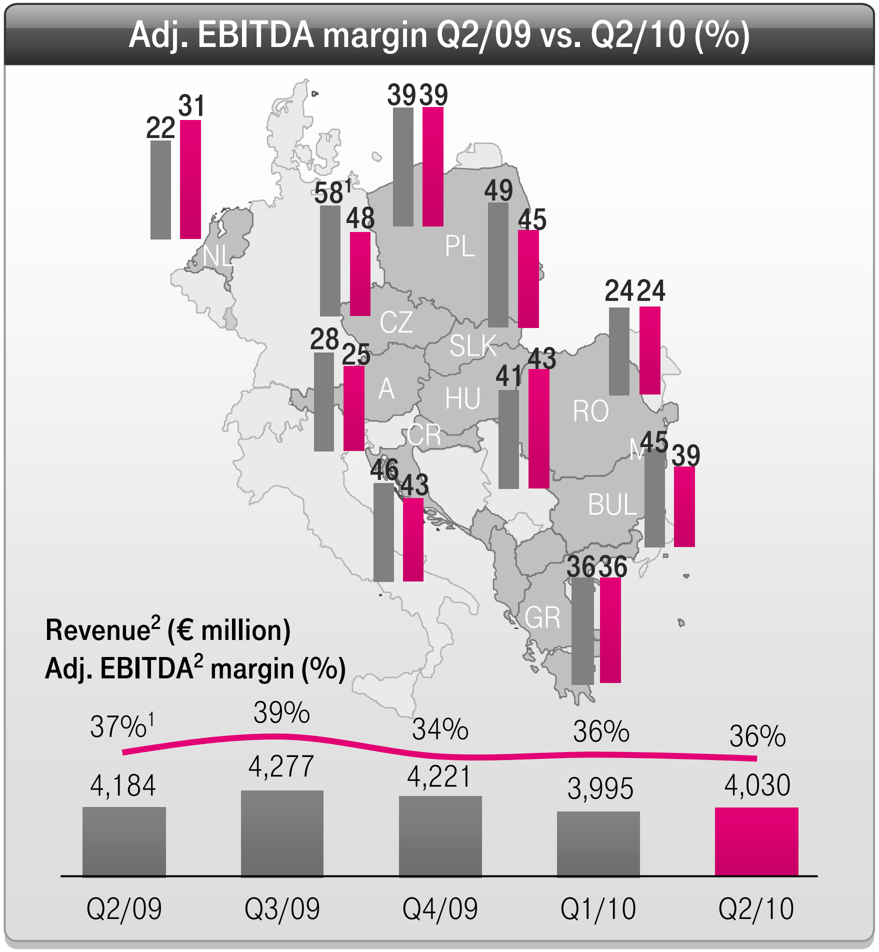


- Continued market outperformance in Q2, driven by service revenue growth of 6.1%.
- Strong uptake of +9pp in smartphone share of handsets sold (32%) leading to strong data growth of 54%.
- Adj. EBITDA increased 14.3% versus Q2/09, driven by:
  - Strong revenue growth: +5.5% yoy.
  - Maintaining focus on customer value. High-quality and loyal subscriber base: 17.2 million contract subscriber (+0.9% yoy).





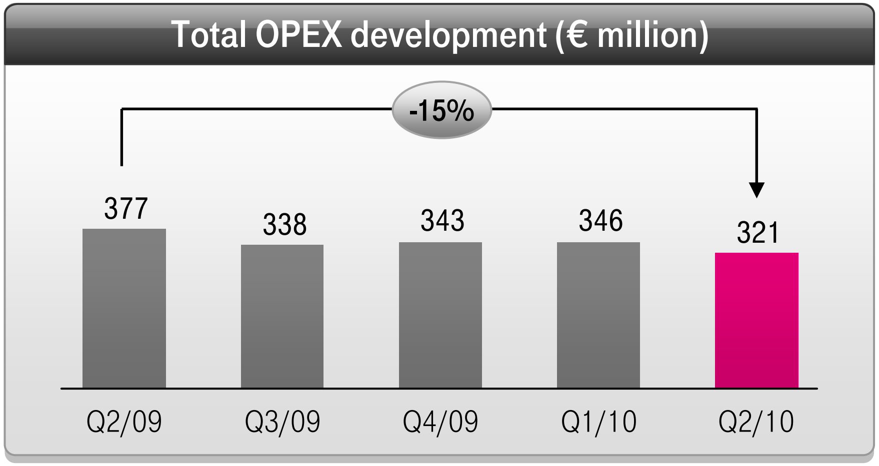
Europe Q2 2010: stable margin in a challenging environment.



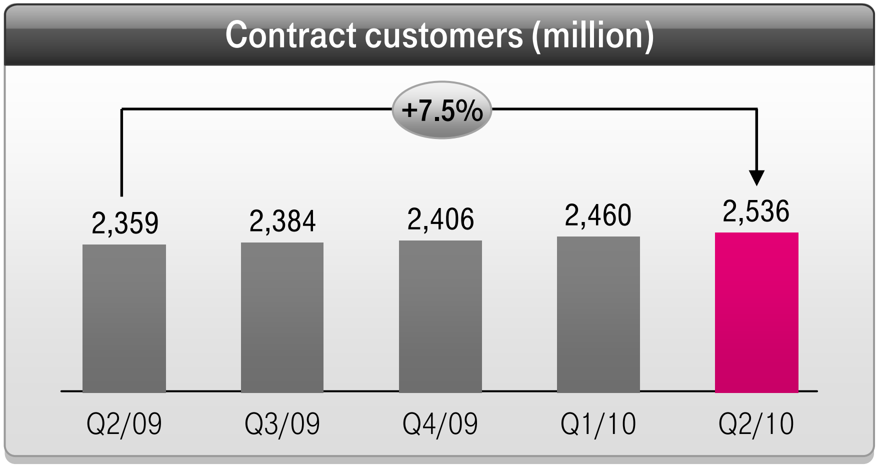
- EU: TV customers up 31% to 2.1 million yoy. Net adds of 67,000 in Q2/10.
- Regulatory effects: revenues (- €110 million) und EBITDA (- €31million).
- NL: very good performance in service revenues +3.5 % and data revenues +28.7%,TM NL significantly outperforming peers.
- CZ: mobile contract subscriber growth +5% and impressive contract churn at 0.4%.
- PL: margins stable due to tight cost control: OPEX -8.1% in local currency.
- Greece: despite financial crisis and competition margin stable at 36% but revenues (-9% yoy) and EBITDA (-10% yoy) negatively impacted. Service revenue market leadership further expanded.
- Hungary: margin growth to 43% (+1.5pp yoy).
- OTE: synergy run rate €164 million.

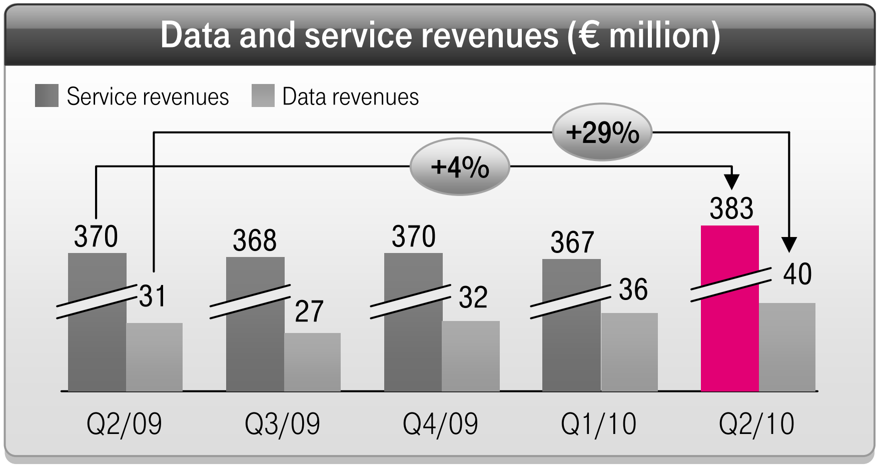
1) Q2/09 results positively impacted by a settlement of interconnection revenues related to past years.
2) Pro forma figures adjusted for UK.

T-Mobile NL Q2 2010: Deep Dive – synergies work!



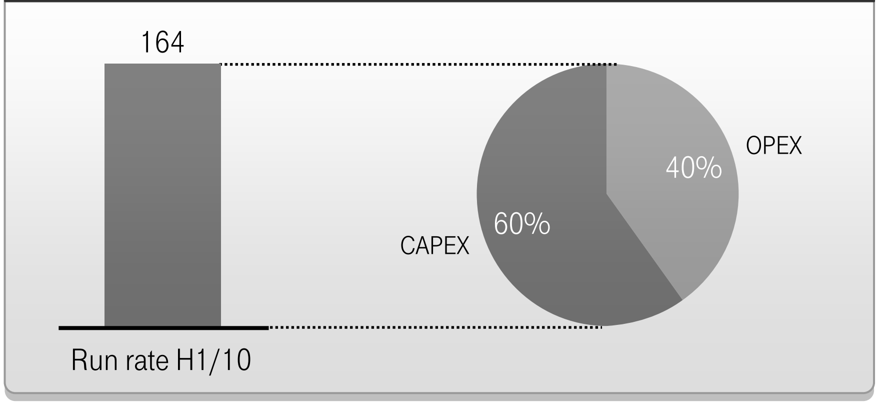
- Satisfying synergy run rate of more than €100 million p.a. with a planned increase of 30% until 2012.
- Integration: lower cost, higher synergies and a shorter time period than planned show great success.
- Efficiency: lower SACs per gross add generate higher value customers. Contract ARPUs stable despite regulation and competition.
- Profitability: record high EBITDA margin of 31% for Q2/2010.





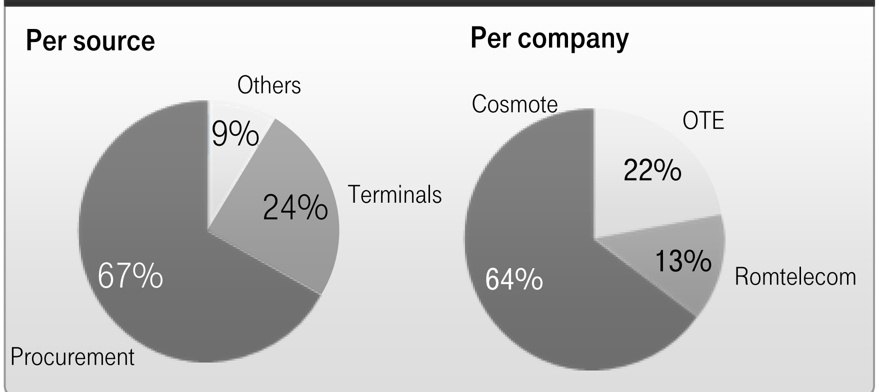
Update on OTE synergies: well on track.

Run rate of synergies (€ million)

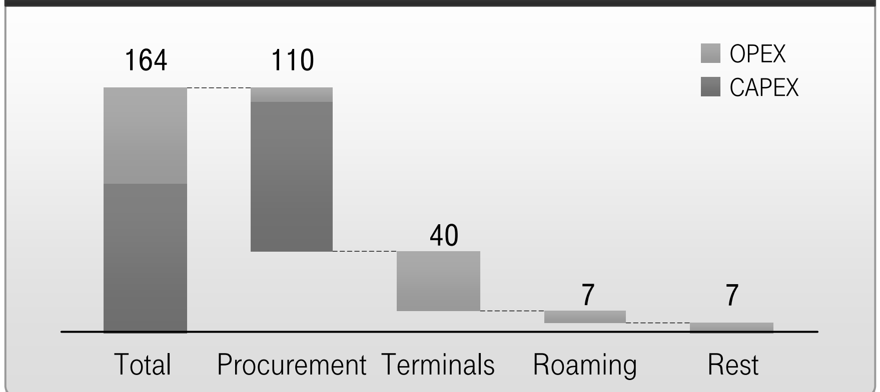


- As of Q2 measures with an annual potential of €164 million are already implemented.
- The total run rate from the buying case will be overachieved one year earlier.
- Current expectation is to achieve at least €215 million annual run rate until end of 2010.

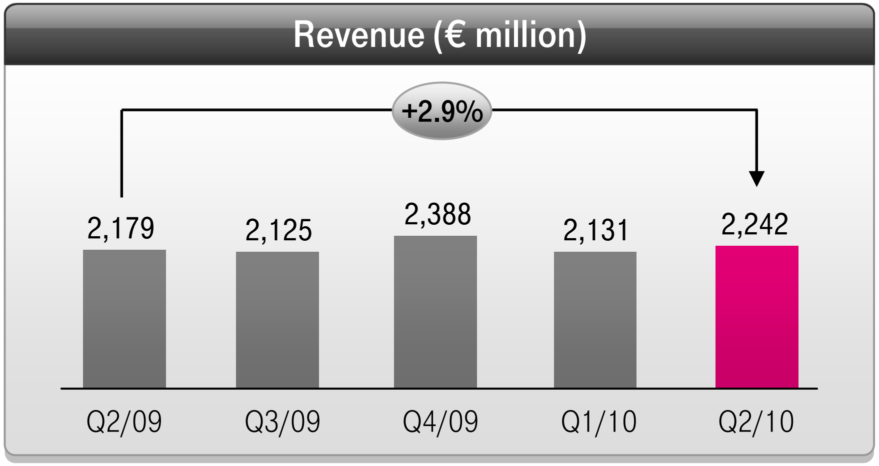
Run rate of synergies (€ million)



YTD achieved synergies (€ million)

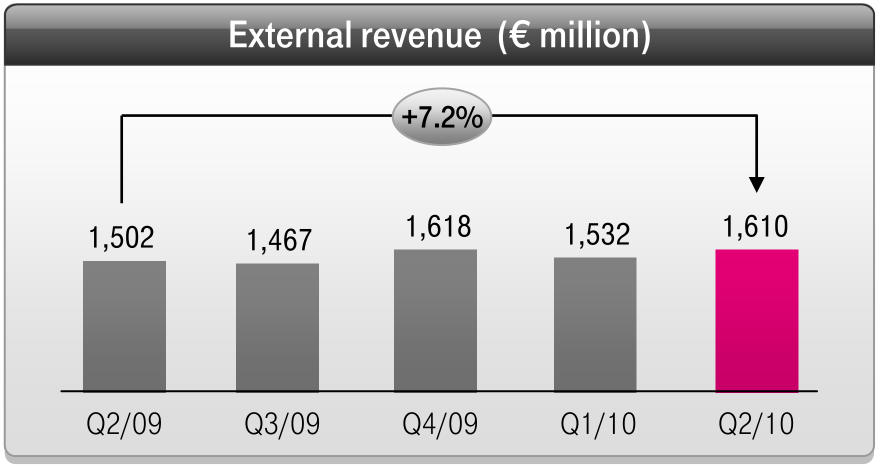


Systems Solutions Q2 2010: accelerated revenue growth in Q2.



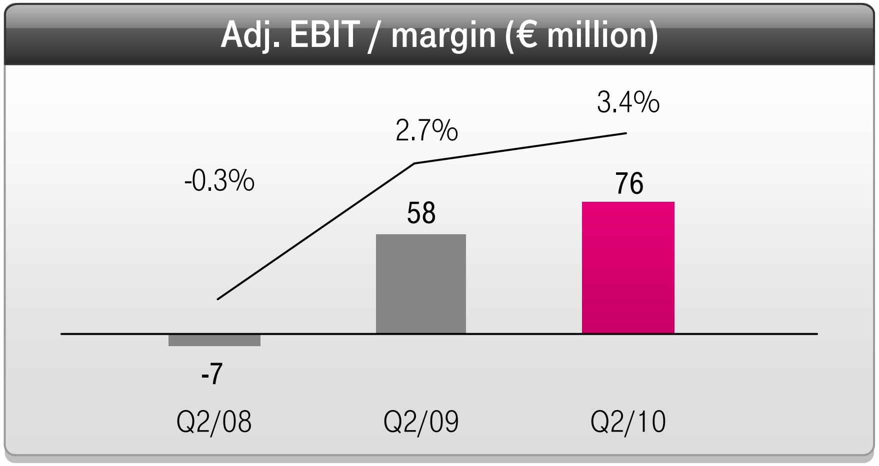
Revenue increase continues:

- Revenue growth of +2.9% up to €2,242 million.
- International revenue grew +7.9% up to €707 million.



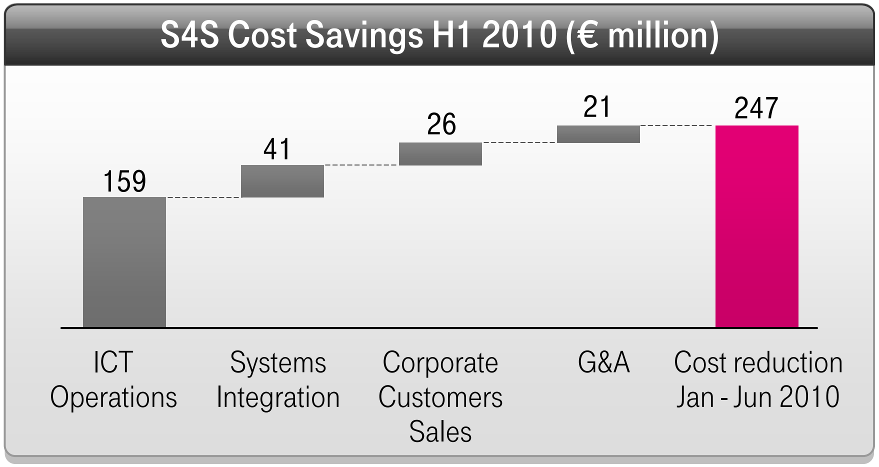
- External revenues improved by +7.2% up to €1,610 million.
- Several new Big Deals in Q2/10:
  - DekaBank, Deutsche Post DHL.
  - In 2009 closed Big Deals bear fruit.

Systems Solutions Q2 2010: profitability improvement driven by efficiency.



Sequential increase of Q2 profitability:

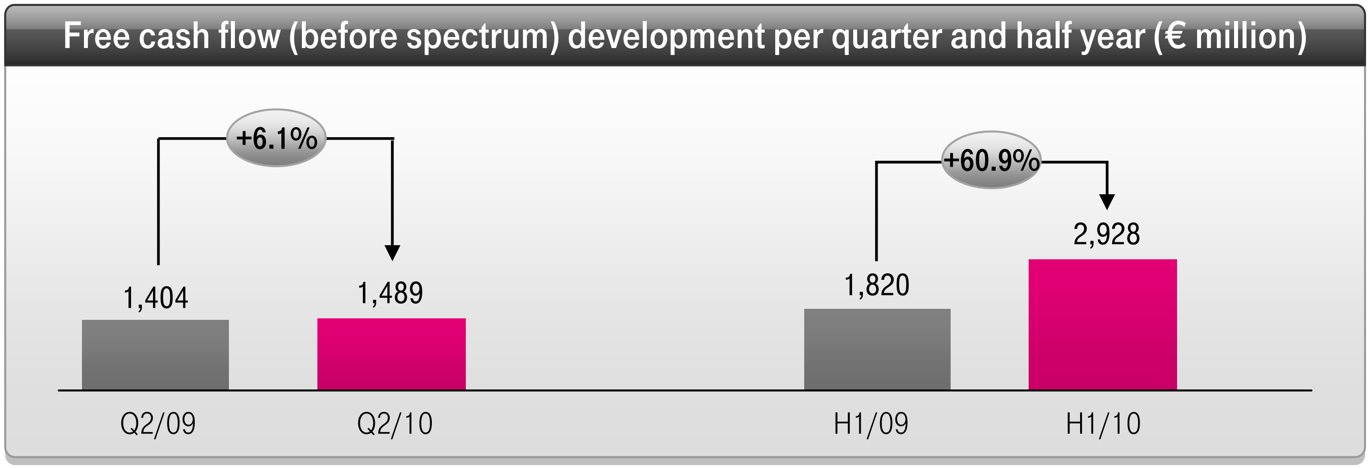
- EBIT + €18 million up to €76 million in Q2/10.
- Adj. EBIT margin in Q2/10 improved to 3.4% from 2.7% in Q2/09.

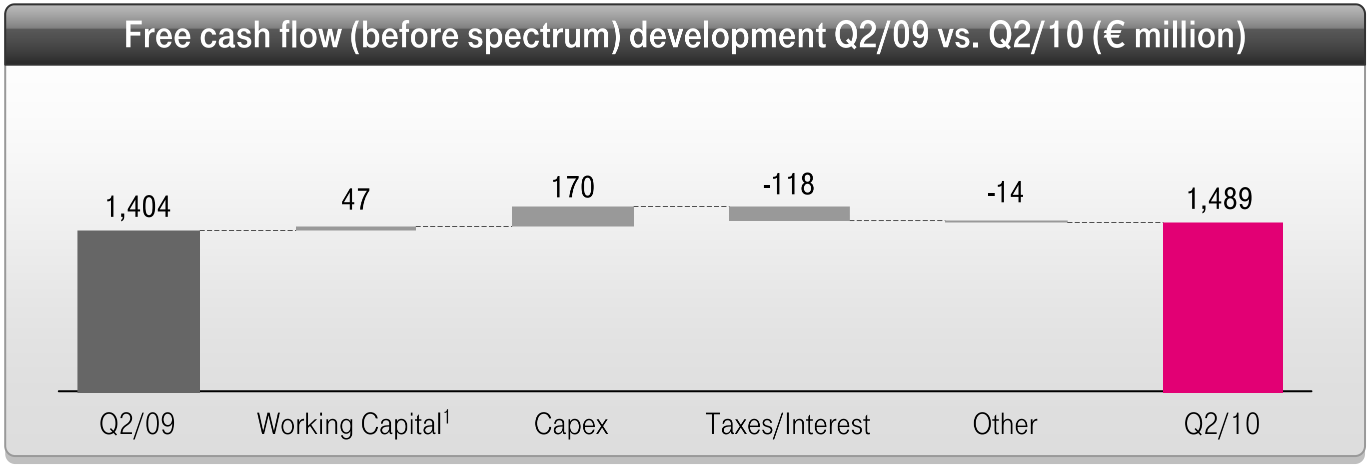


Forceful execution of efficiency program:

- 0.16 billion Save for Service contribution in Q2/10:
  - Optimization of data center infrastructure.
  - Reduction of production costs Systems Integration through optimized international delivery.
  - Restructure and standardize sales activities.
  - Process streamlining in G&A.

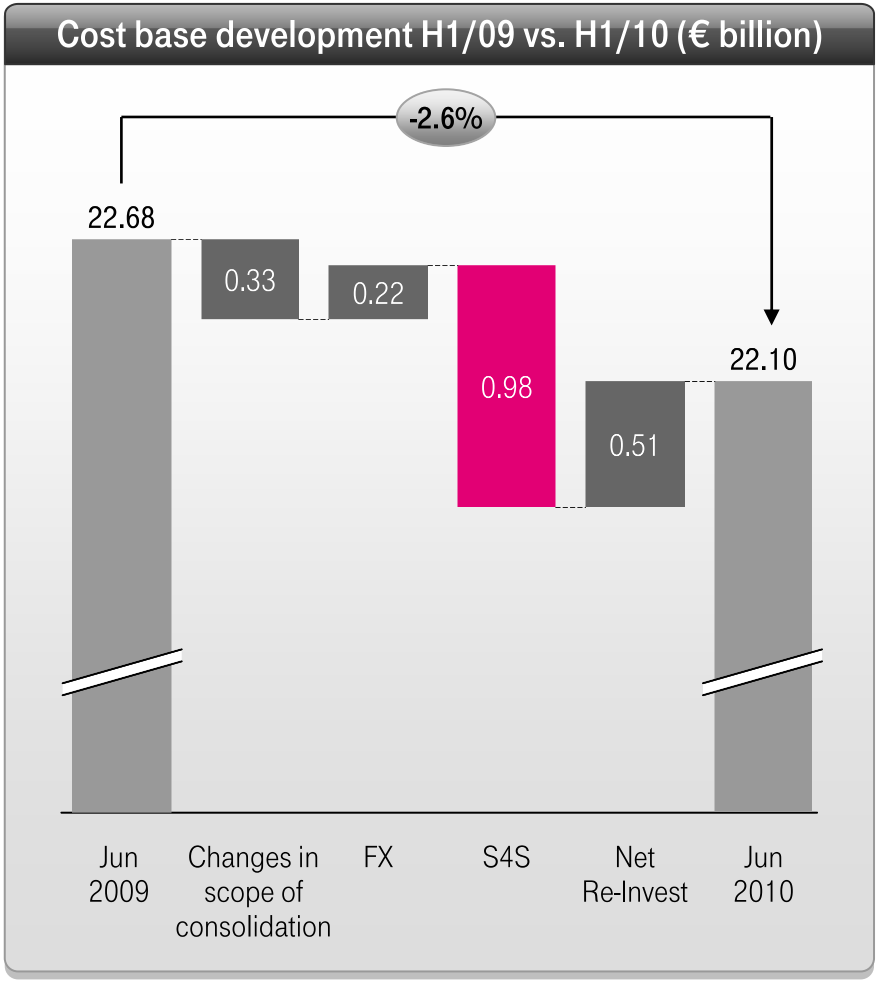
Free cash flow: strong improvement yoy – on track to achieve guidance.





1) Adjusted for €1.3 billion mobile spectrum payment.

Net cost reduction of €0.6 billion in H1.



Contribution by Business Unit (in € million)	YtD 2010
Germany	240
USA	193
Europe	210
Systems Solutions	247
GHS	93
DT Group	**983**

- €0.98 billion savings on corporate level w/o inorganic effects.
- On group level adj. EBITDA margin improved to 31.6% from 31.3%.
- Net cost base of group reduced by €0.58 billion – organic decrease of €0.47 billion.

Balance sheet: solid ratios.

in € billion	30/06/10	31/03/10	31/12/09	30/09/09	30/06/09
Balance sheet total	**132.8**	**130.8**	**127.8**	**129.3**	**132.9**
Shareholders' equity	44.8	44.3	41.9	41.6	41.5
Net debt	46.3	40.4	40.9	42.4	45.0
Net debt/adj. EBITDA[1]	2.3	1.9	2.0	2.1	2.2
Gearing	1.0x	0.9x	1.0x	1.0x	1.1x
Equity ratio	**33.7%**	**33.9%**	**32.8%**	**32.2%**	**31.2%**

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	✓

1) Calculation based on adj. EBITDA of last four quarters.

Q&A.

René Obermann
CEO

Timotheus Höttges
CFO

Thank you!

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