Q4/11 – Results Presentation.
Deutsche Telekom.

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February 23, 2012

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Agenda.
Deutsche Telekom Results Presentation.

René Obermann
CEO

Timotheus Höttges
CFO

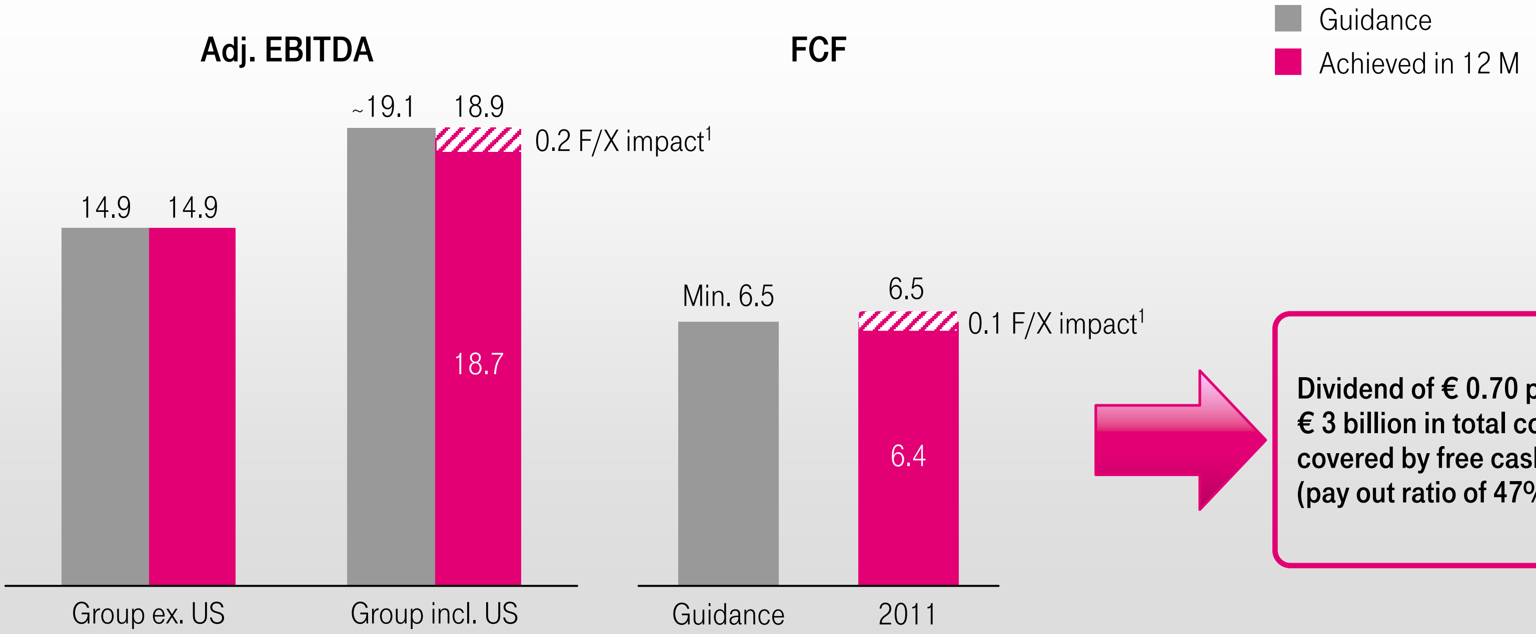
FY 2011: Highlights.

Group	▪ Group revenue of € 58.7 billion (-2.5% underlying)[1] ▪ Targets achieved with € 18.7 billion of adj. EBITDA and € 6.4 billion of free cash flow ▪ Net profit of € 0.6 billion impacted by exceptional write-offs ▪ Dividend of € 0.70 proposed to AGM ▪ Save for Service target overachieved with € 4.5 billion one year ahead of schedule
Germany	▪ Adj. EBITDA stabilized over previous year, adj. EBITDA-margin of 39.9%; 1.2 billion of net cost savings ▪ Market leadership in mobile service revenue and broadband defended ▪ Growth in VDSL (+78%) and Entertain customer base (+34%); mobile contract net adds +1,048k after -29k in 2010; line losses declining further (-21%), broadband customer base growing (+311k)
Europe	▪ Markets still suffering from weak economic conditions and regulation ▪ Despite weak economy good market performance in broadband (+5%), TV (+12%), IPTV (+24%), and mobile contract subs (+3%). Smartphone share increased by 20pp to 54% of dispatched devices ▪ Cost cutting of € 0.7 billion (excl. T-Mobile UK) results in slightly improved adj. EBITDA margin of 34.6%
US	▪ Net cost base reduction leads to satisfying adj. EBITDA of US$ 5.3 billion ▪ Revenue of 20.6 billion US$ (-3.3%) and decline in contract customers ▪ After termination of merger agreement and receipt of the break-up fee, re-investment needed in 2012

1) 2010 adjusted for deconsolidation of T-Mobile UK, 2011 adjusted for impact of currency and regulation

FY 2011: Guidance achieved.

FY Guidance and achievement in 2011 (€ billion)



Dividend of € 0.70 per share or € 3 billion in total comfortably covered by free cash flow (pay out ratio of 47%)

1) Mainly US$. Guidance rate was 1.33, FY 2011 actual is 1.39

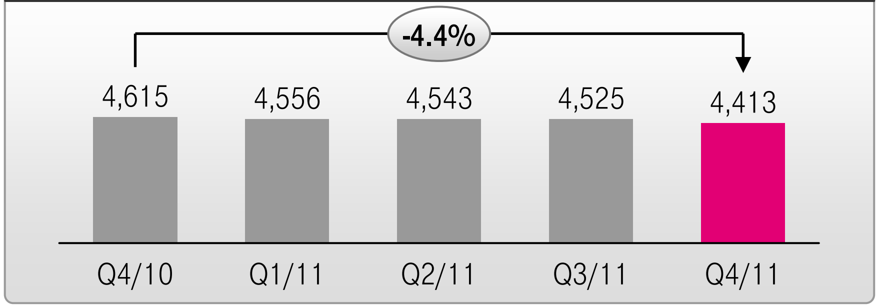
2011 Key financials.

€ million	Q4/10	Q4/11	change in %	FY/10	FY/11	change in %
Underlying revenue[1]	15,477	15,129	-2.2%	61,663	60,102	-2.5%
Revenue	15,477	14,911	-3.7%	62,421	58,653	-6.0%
Adj. EBITDA	4,550	4,611	1.3%	19,473	18,685	-4.0%
Adj. net profit	758	-92	n.a.	3,364	2,851	-15.2%
Net profit	-514	-1,340	n.a.	1,695	557	-67.1%
Adj. EPS (in €)	0.18	-0.02	n.a.	0.78	0.66	-15.4%
EPS (in €)	-0.12	-0.31	n.a.	0.39	0.13	-66.7%
Free cash flow[2]	1,733	1,887	8.9%	6,543	6,421	-1.9%
Cash capex[3]	2,521	2,147	-14.8%	8,532	8,260	-3.2%

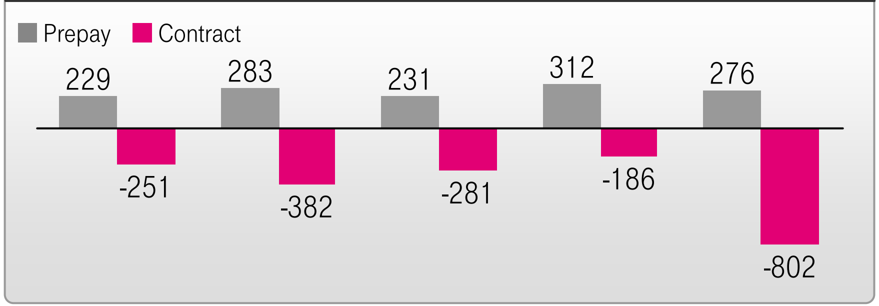
1) 2010 adjusted for deconsolidation of T-Mobile UK, 2011 and Q4 2011 adjusted for impact of currency and regulation
2) Before dividend payments, break-up fee, PTC settlement, and spectrum investments
3) Adjusted for spectrum investments (€ 146 million in 2011, € 1,319 million in 2010)

Strong EBITDA and prepaid performance, postpaid negatively impacted in Q4 by iPhone launch.

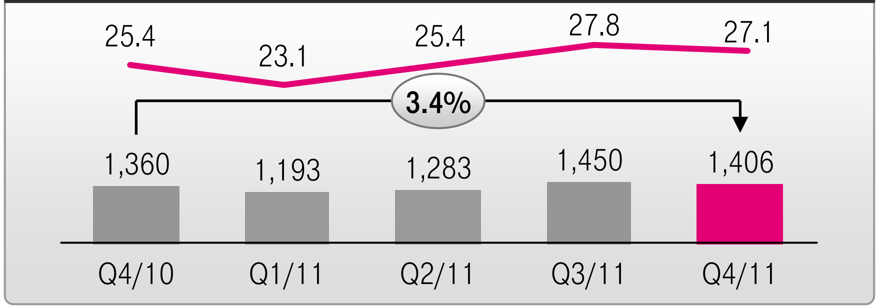
Service revenues (US$ million)



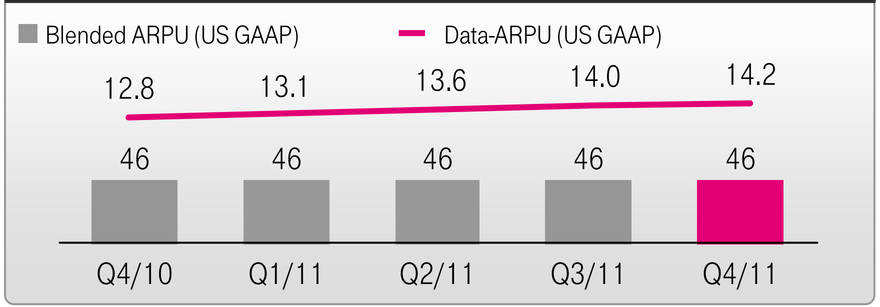
Net adds (‘000)[1]



Adj. EBITDA (US$ million) and adj. EBITDA margin



ARPU development (US$)

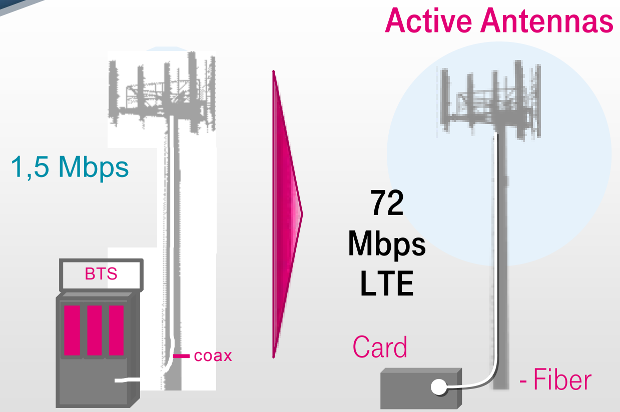


1) Walmart Family Mobile customers reclassified as contract customers, Q4/10 and Q1/11 restated accordingly

$1.4 billion incremental capex in the network in 2012/2013 to launch LTE in 2013.

$4 billion total investment

Modernize 37k sites in 2012/2013

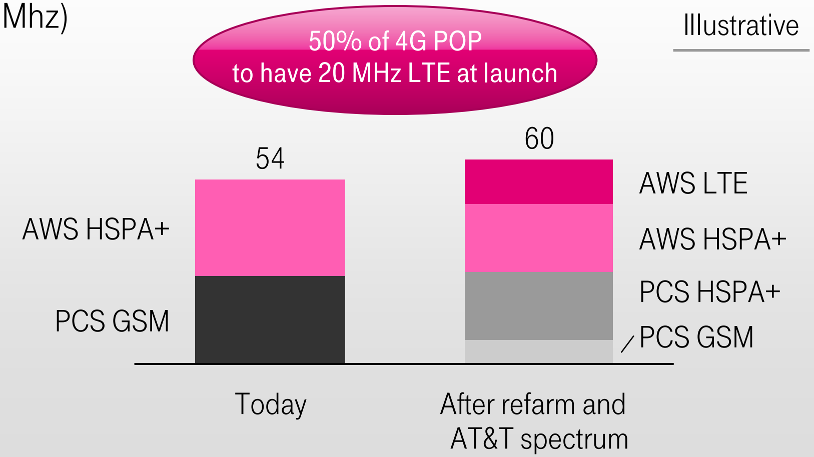


Multimode radios, tower top electronics, and new integrated antennas

+16% in-home coverage starting 2013

Repurposing existing spectrum usage

Average spectrum holdings in Top 100 markets
(Mhz)



LTE in 2013[1] – US band alignment
(LTE on AWS 1700 MHz, HSPA+ on PCS 1900 MHz)

1) More AWS spectrum needed to launch LTE in 100% of markets with 20MHz and more low-band spectrum needed to be competitive with top two operators. LTE launch in 2013 assumes: successful refarming of spectrum, regulatory approval of AT&T break-up spectrum transfer, no material change in latest data use forecast, and realization of technology enhancements

Reigniting the Challenger strategy.

Mission: Making Amazing 4G Services affordable

	Amazing 4G Services	Value Leader	Trusted Brand	Multi-Segment Player	Challenger Business Model
2012/ 2013	▪ **LTE**	▪ **Brand relaunch**	▪ **Distribution push**	▪ **B2B Invest** ▪ **MVNE platform**	▪ **Reinvent v2** ▪ **Churn v2**
2011	▪ America's largest 4G Network ▪ 25 4G devices	▪ SIM-only value plans ▪ 80% + smartphone mix in acquisitions	▪ Unlimited rate plans ▪ Store remodel phase 1	▪ Walmart partnership ▪ MVNOs ▪ Monthly 4G	▪ Save4Service/ Reinvent v1 ▪ Regional structure ▪ Churn v1

Outlook 2012.

Guidance 2012[1]	▪ Adj. EBITDA around € 18 billion (based on constant currency) ▪ Free cash flow around € 6 billion
Operations	▪ Execute on Challenger strategy in the US, committed to solve long-term strategic challenges ▪ Maintain market leadership and stabilize underlying adj. EBITDA in Germany ▪ Defend cash flows and maintain market-leading position in Europe ▪ Further external revenue growth and margin improvement at Systems Solutions ▪ Continued focus on mobilizing the internet, Connected Home, and convergent offerings ▪ Drive innovation in areas like cloud, payment, and content
Save4Service	▪ Further execution on efficiency programs ▪ Transformation projects like "shape headquarter", centralization of IT functions in Germany underway
Shareholder Remuneration[2]	▪ Based upon 2012 guidance € 3.4 billion shareholder remuneration and € 0.7 minimum dividend per share intended ▪ Execution and timing of share buy-back has not yet been decided by the management

1) Based on the assumption of constant currency = average exchange rates of 2011 (1€ = 1.39 US$); no further significant deterioration in the economic and regulatory environment in the markets we operate in; before cash payments connected to break-up fee
2) Subject to necessary board approval and AGM resolution

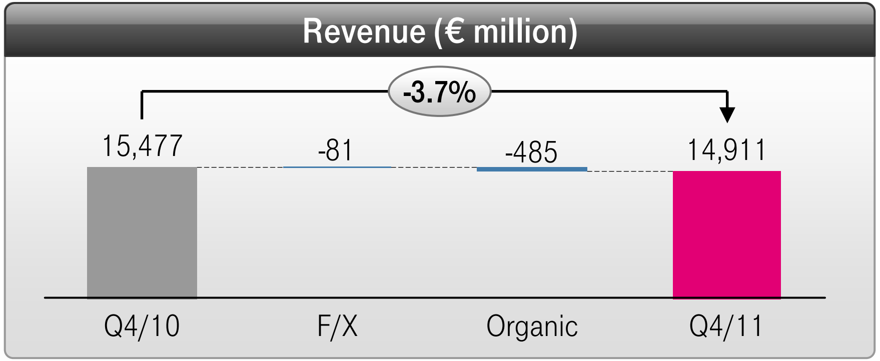
FY 2011: Growth areas.

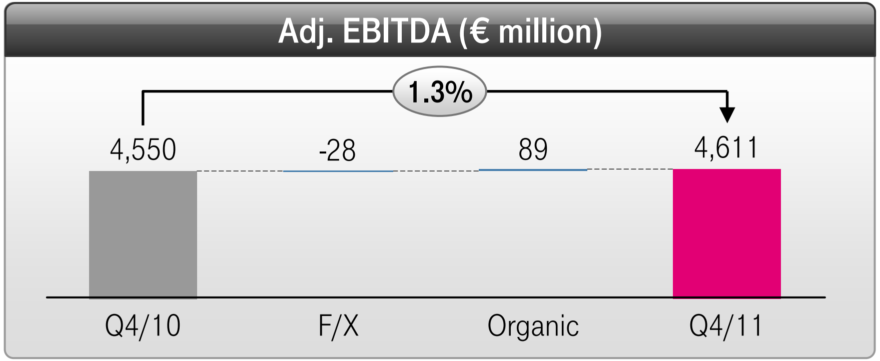
Deutsche Telekom growth areas[1] Revenue (€ billion)	FY/10	FY/11	Change		Ambition 2015
Mobile Internet	4.4	5.2	0.8	18%	≈ 10
Connected Home[2] thereof GER	6.2 5.1	6.3 5.3	0.1 0.2	1.7% 2.4%	≈ 7
Online consumer services[3]	0.9	0.9	0.0	-1.8%	2 - 3
T-Systems external revenue[4] incl. Cloud Services	6.4	6.5	0.1	1.2%	≈ 8
Intelligent networks in Energy, Health, Media Distribution, Connected Car	-	0.1	-	-	≈ 1

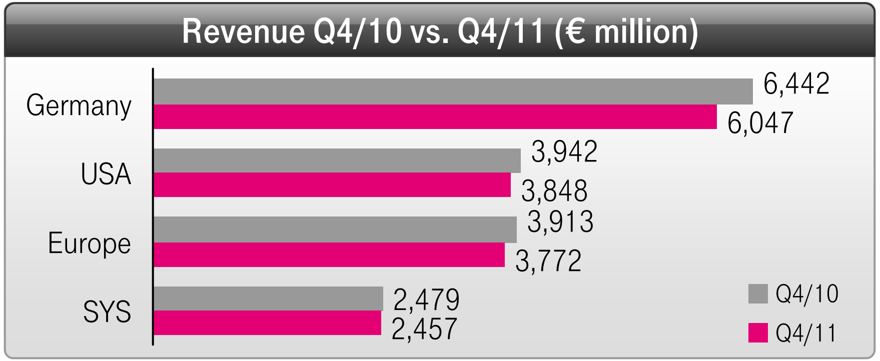
Absolute and percentage change calculated on the basis of millions of €

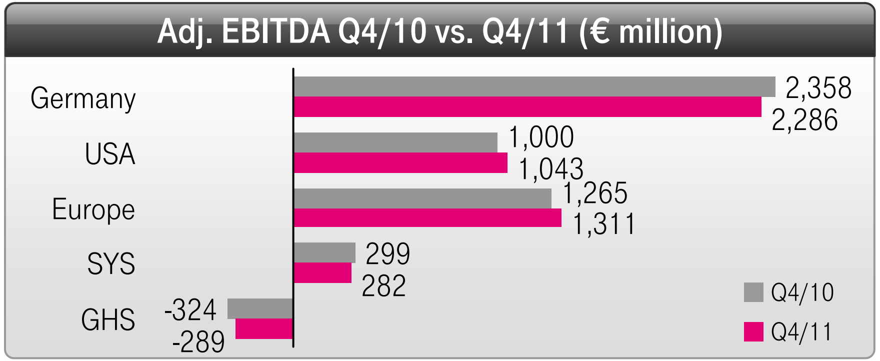
1) Figures include T-Mobile US
2) Figures adjusted for new reporting logic Germany 2011
3) Figures adjusted for discontinued cash card business
4) Difference to reported segment figure due to “Intelligent networks” which is part of the reported segment figures

Q4/11: Overview.

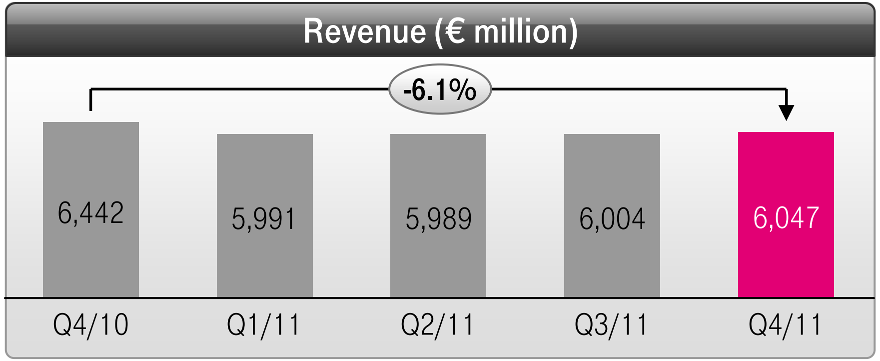


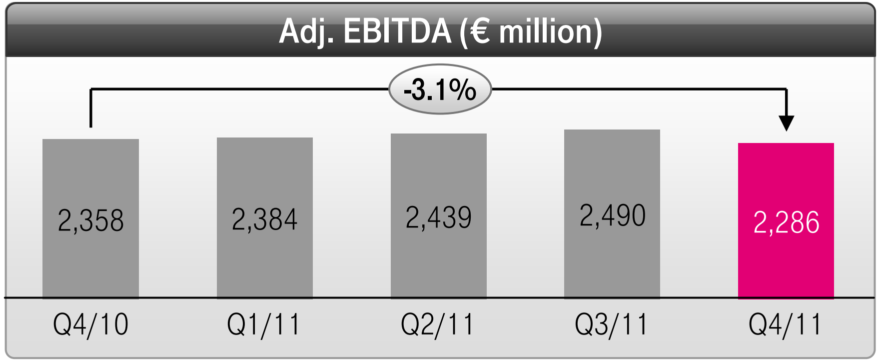


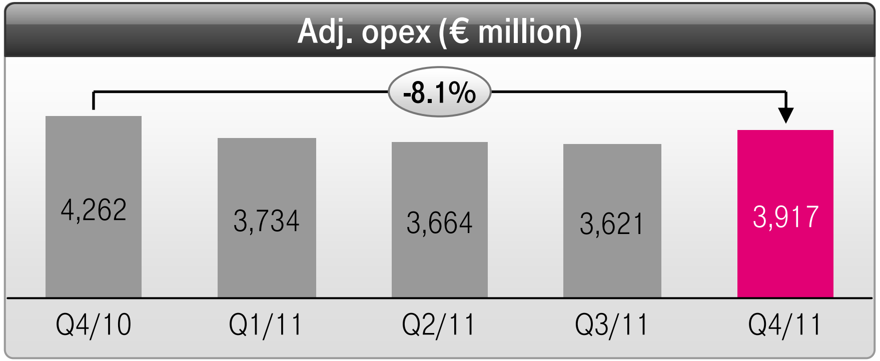


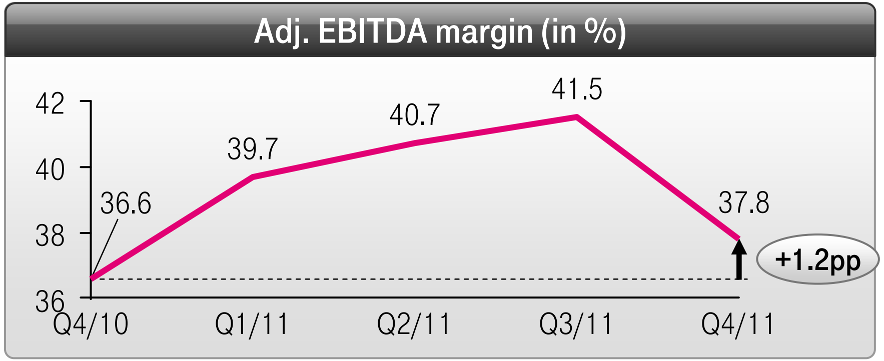


Germany: further improved EBITDA margin – revenue not satisfying.



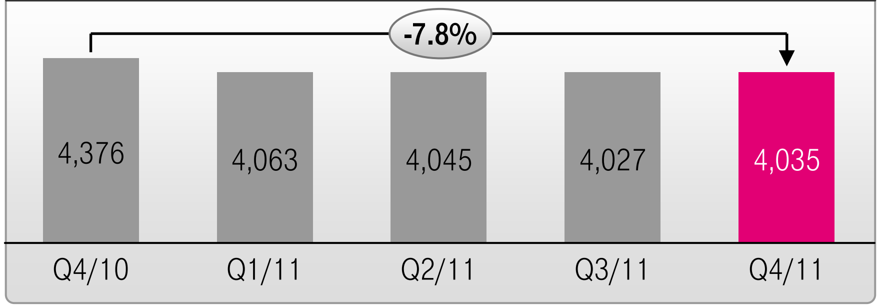




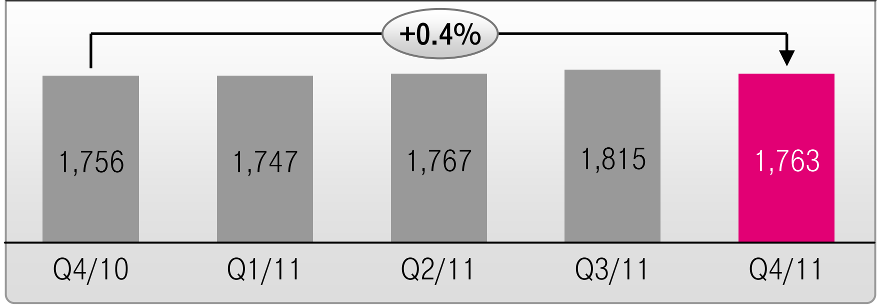


Germany revenue: continued focus on data & TV opportunity.

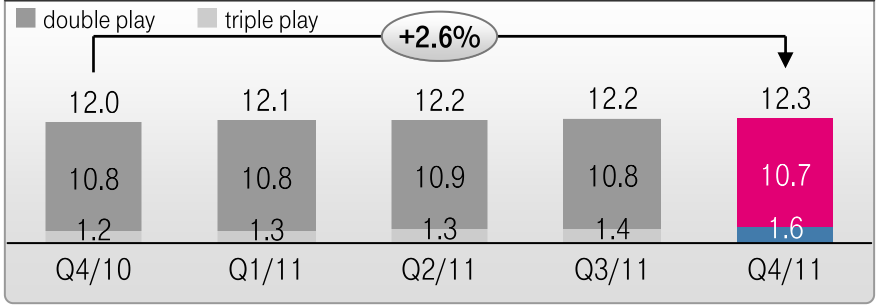
Fixed network revenues (€ million)[1]



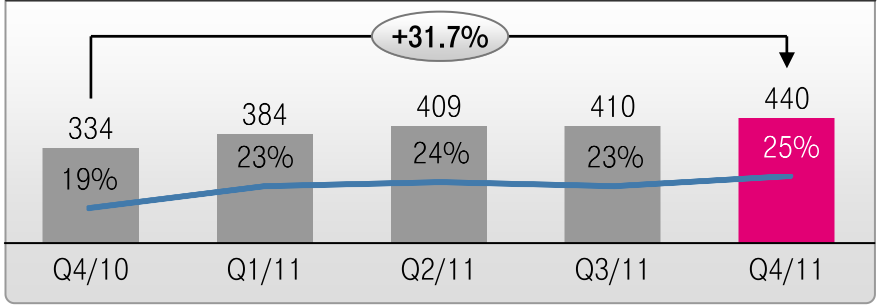
Mobile service revenue (€ million)[2]



2play + 3play customers (million)



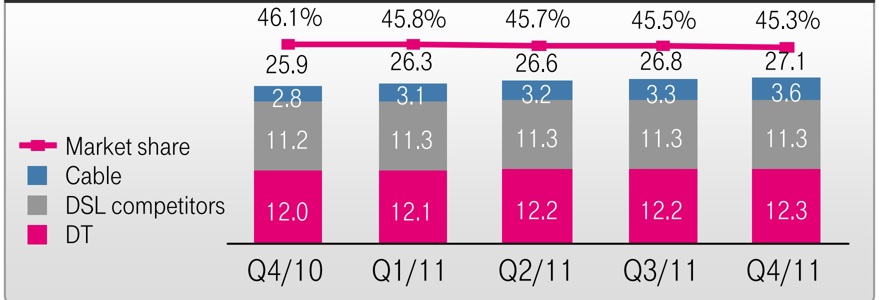
Mobile data revenue (€ million) and as % of ARPU



1) "Fixed network" revenue includes revenues from fixed network, wholesale services, online consumer services, value-added services and fixed network related others
2) Adjusted for the reduction in MTR–rates (Q4 = 35, Q3 = 58, Q2 = 61, Q1 = 57 millions of € revenue)

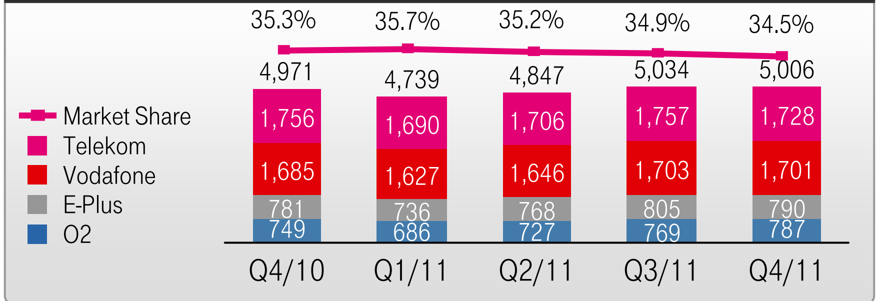
Germany: #1 in broadband and mobile service revenue.

Broadband access lines (million) and market share[1]



- Line losses 21% below last year: 295k in Q4 (373k in Q4/10)
- Broadband customers +3%: 12,265k, 64k net adds in Q4
- Entertain customers +34%: 1,553k total, 177k net adds in Q4
- Retail fiber-customers (VDSL) +78%: 608k total, 88k net adds in Q4
- Successful upsell strategy results in stable ARPA (+1.5%) Q4 over Q4
- “Landmark deal” with Deutsche Annington signed in Q4

Mobile service revenue (€ million) and market share[2]

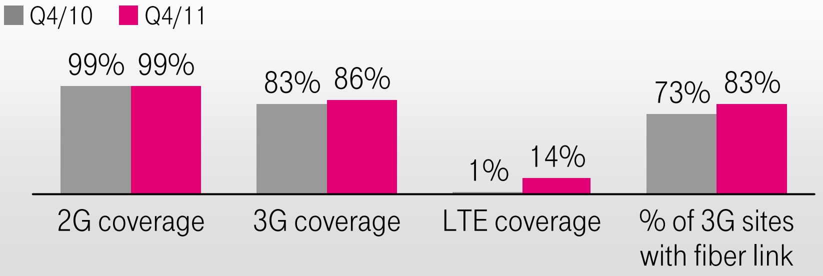


- Ongoing strong growth in mobile data revenues: € 440 million (+32% yoy)
- Mobile contract net adds of 387k – strong emphasis on service provider and value segment
- Record iPhone sales: 476k in Q4. Full year 1.2 million, despite loss of exclusivity only 1% below last year’s level

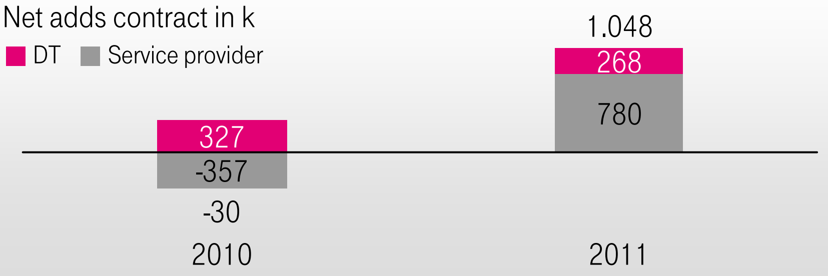
1) Company estimates; rounded figures; incl. reseller (competitor resale and resale); Q1/11 adjusted mainly due to changes in KDG reporting structure
2) Company estimates, incl. revenues from stationary wireless solutions (Call and Surf via Funk) since October 1, 2011

Germany: network roll-out and successful positioning.

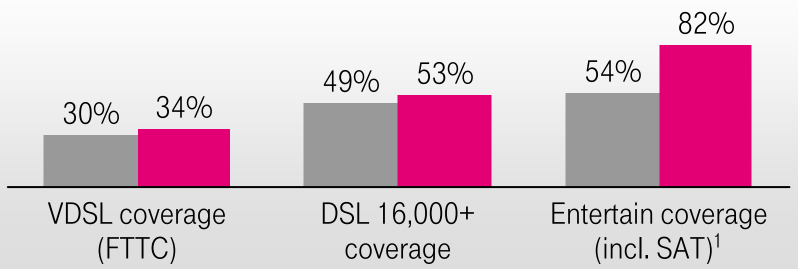
Mobile network population coverage and fiber link-up



Successfully re-vitalized service provider segment



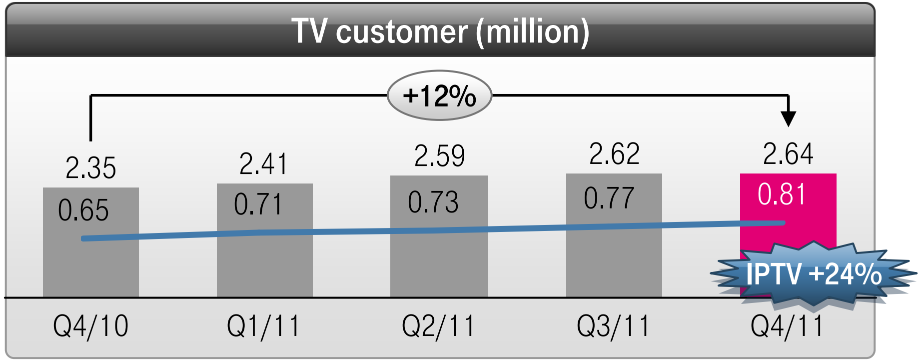
Broadband rollout (as % of access lines)

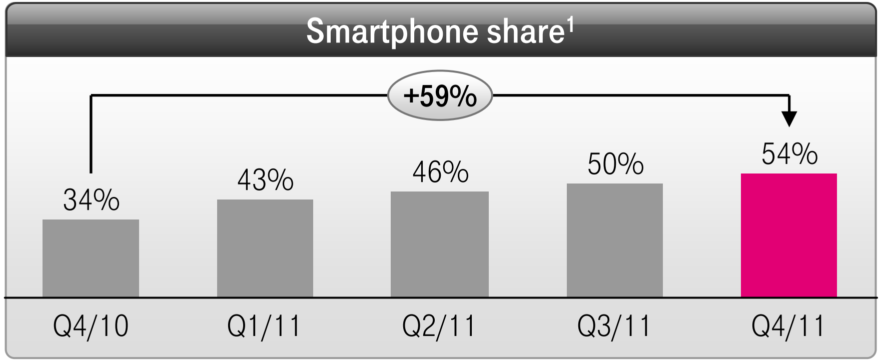


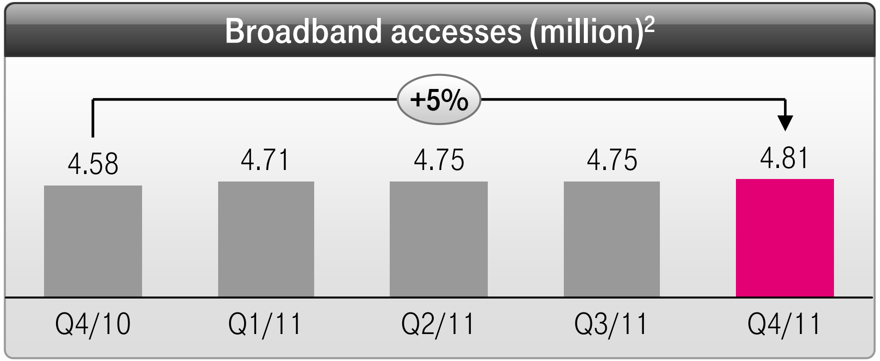
Major network awards won

1) DSL access of at least 3 Mbps required

Europe – growth in key market KPIs.







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

Europe – integrated markets: focus on robust margins in difficult environment.

Greece:
- Q4 with strongest adj. EBITDA performance in year 2011, margin increased yoy by 1.2pp
- Strong position in declining mobile market
- Sale of 20% stake in Telekom Serbia for € 380 million will support refinancing of OTE

Croatia:
- Revenue driven by F/X and regulation.
- EBITDA growth due to strong performance in mobile (+47% yoy)
- Underlying mobile service revenue (ex. regulation and F/X) with 4% growth

Hungary:
- Underlying revenue (ex. tax, regulation and F/X) -0.2%
- Hungarian broadband (+7%), IP-TV (+81%) and mobile contract (+6%) customer base with continued growth[2]

Slovakia:
- Revenue driven by ICT acquisition in fixed
- EBITDA and margin improvement result of cost-cutting initiative (FTEs -16% yoy)
- IPTV (+14%) and satellite (+55%) customers base with solid growth

Q4/10 Q4/11

1) Figures adjusted for special tax in Q4/10 and Q4/11 – impact: € 90 million and € 18 million (both on revenue and adj. EBITDA), Q4/10 figures adjusted for shift of business customers to T-Systems
2) Incl. business customers shifted to T-Systems in Hungary as of 1.1.2011

Europe – mobile-centric: economy and regulation impact revenue.

Poland:

- Q4/11 revenue significantly impacted by F/X losses (-€ 47 million). Underlying revenue (ex. MTR cut and F/X) -2.1%
- Underlying EBITDA (ex. MTR cut and F/X) -8% due to higher release of accruals in Q4/10

Netherlands:

- Change in tariff structure leads to catch-up of previously unrecognized revenue (€ 47 million). Underlying revenue (ex. MTR cut and catch-up) of +3.7%
- Underlying EBITDA (ex. MTR cut and catch-up) +11.5%
- Ongoing focus on contract customer growth (+11%)

CZ:

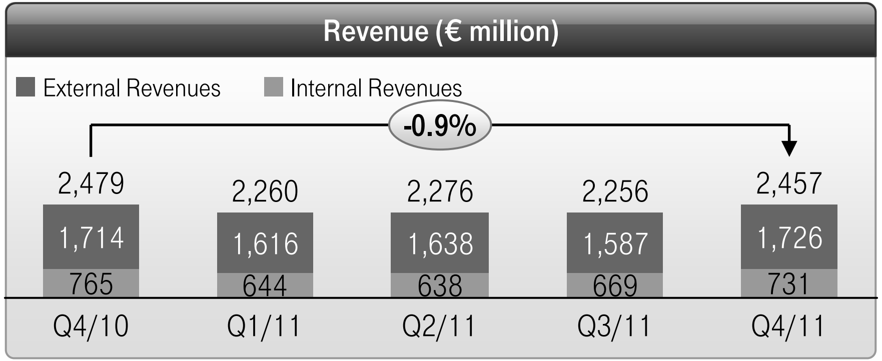
- Underlying revenue (ex. MTR cut and F/X) -0.3%
- Smartphone share in dispatched devices doubled to 52% resulting in an underlying (ex. MTR cut and F/X) EBITDA of -6.7%

Austria:

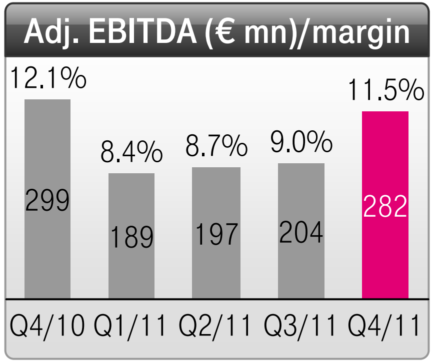
- Q4/11 adj. EBITDA driven by market invest cycles
- Continuous contract customer growth (+6%)
- Subscriber base grows to over 4 million subs

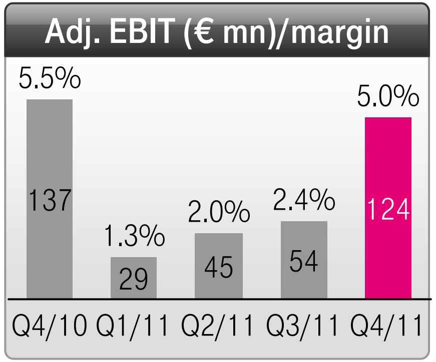
■ Q4/10 ■ Q4/11

Systems Solutions: revenue growth of 2.1% in FY 2011.



- Full year revenue growth (+2.1%) in 2011 due to successful closed deals in 2010 and 2011 and increasing revenues with cloud computing
- Revenue decrease of 0.9% yoy to € 2,457 million in Q4/11 driven by lower internal revenues (-4.4% yoy)
- External revenues up 0.7% to € 1,726 million in Q4/11 and 2.4% to € 6,567 million in FY 2011
- Deal highlights in 2011:
  Everything Everywhere, Valora, TOTAL, Magna, Daimler, Correo España, Neopost

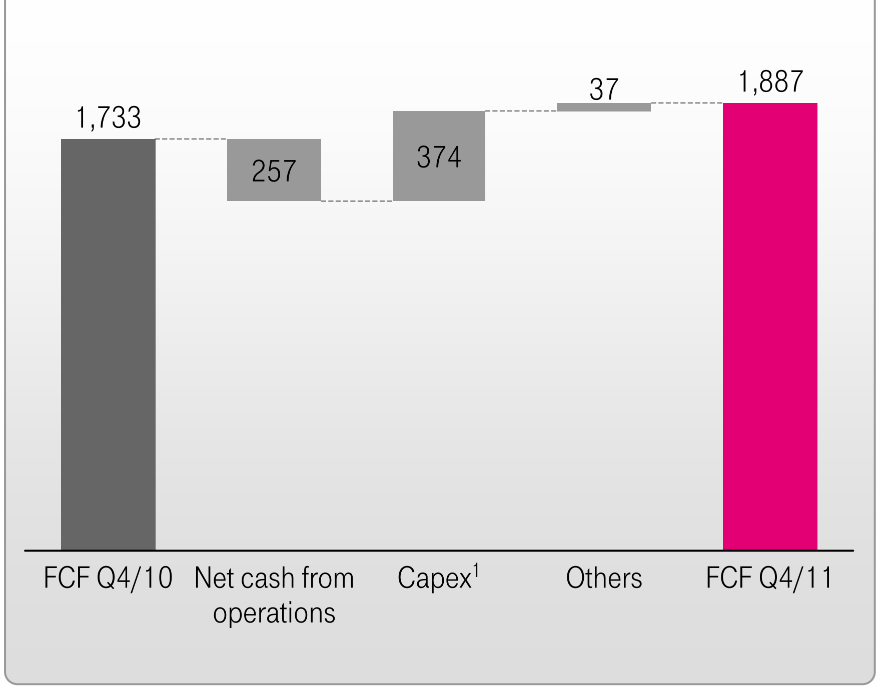




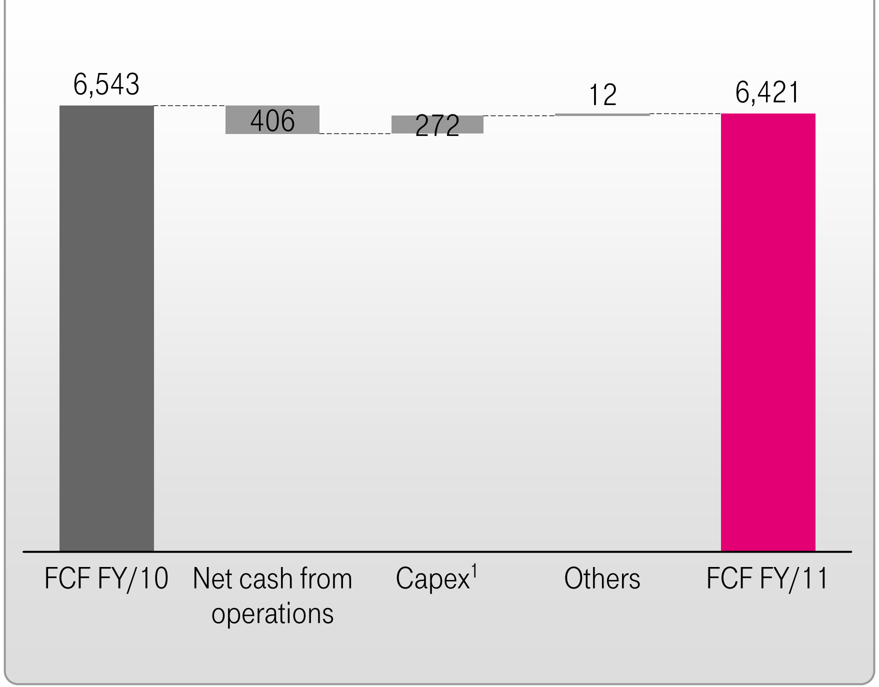
- Adj. EBITDA at € 282 million with a margin of 11.5%
- Adj. EBIT margin in Q4/11 slightly down to 5.0% from 5.5% in Q4/10
- Both EBITDA and EBIT improved throughout the year
- Capex was strongly and sustainably reduced in 2011 in order to protect cash flow
- Successful S4S cost savings of € 709 million in FY 2011

Free cash flow – delivered on target.

Free cash flow Q4/11 vs. Q4/10 (€ million)

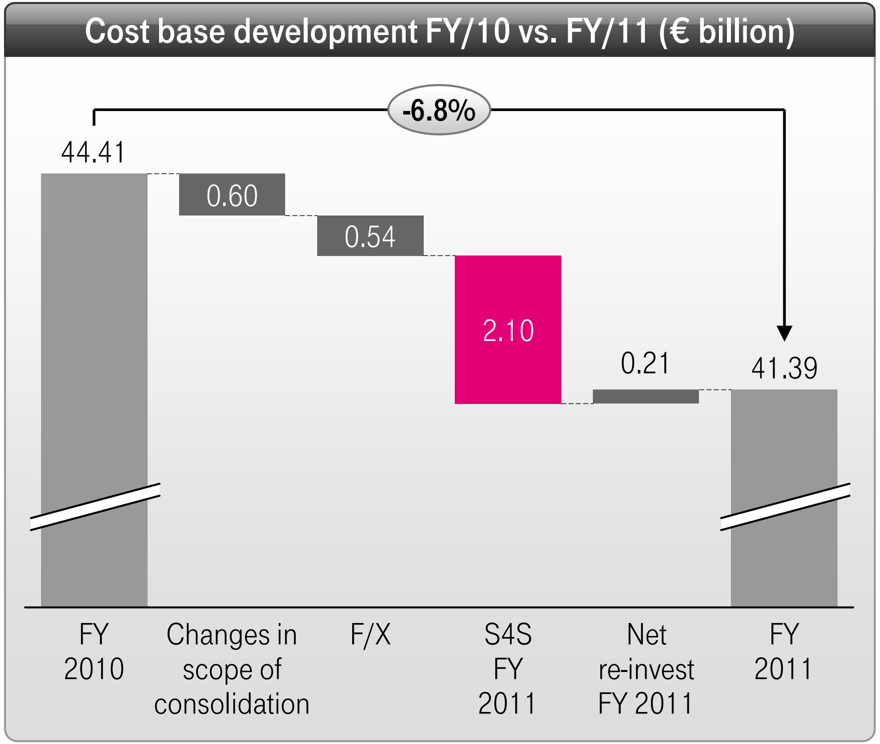


Free cash flow FY/11 vs. FY/10 (€ million)



1) Adj. for € 83 million of spectrum invest in Q4/11 and € 146 million in FY/11. FY/10 adjusted for € 1,319 million of spectrum investment

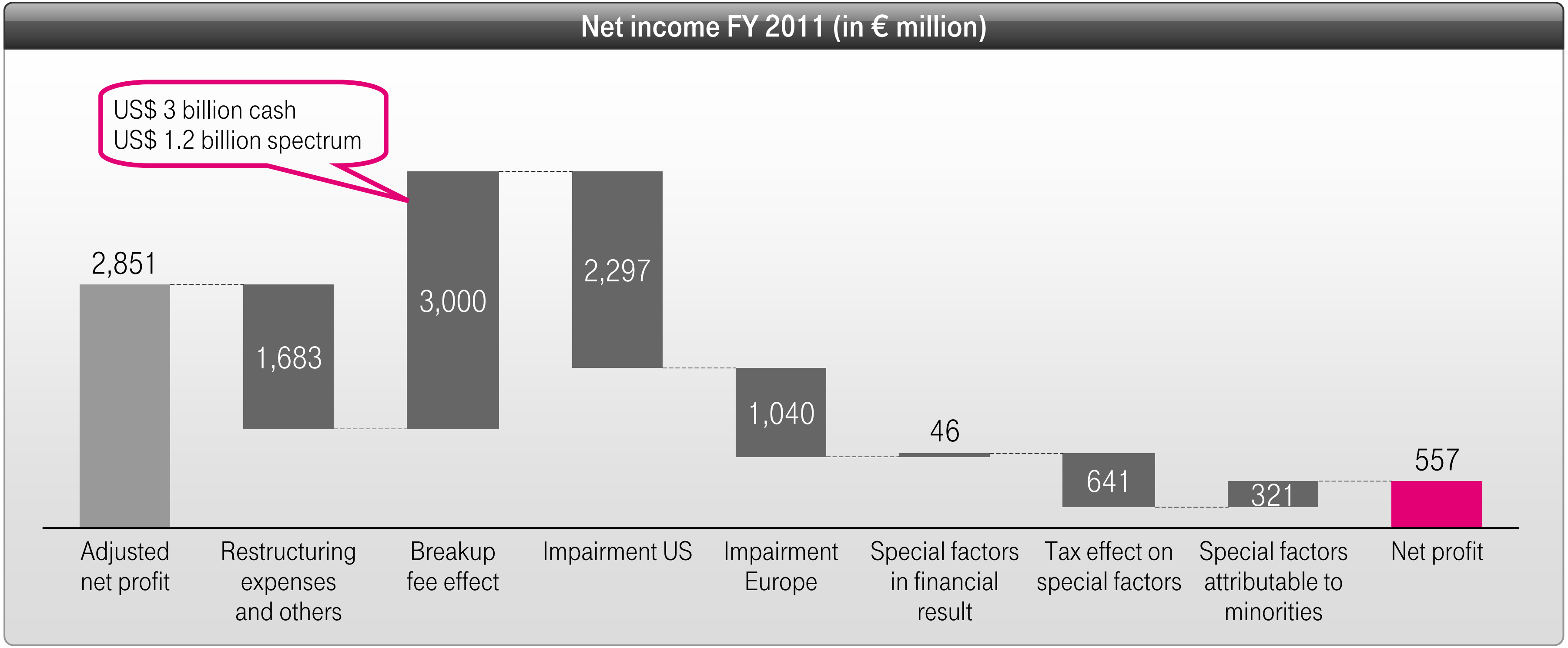
Save for Service: € 4.2 billion target overachieved one year ahead of schedule.



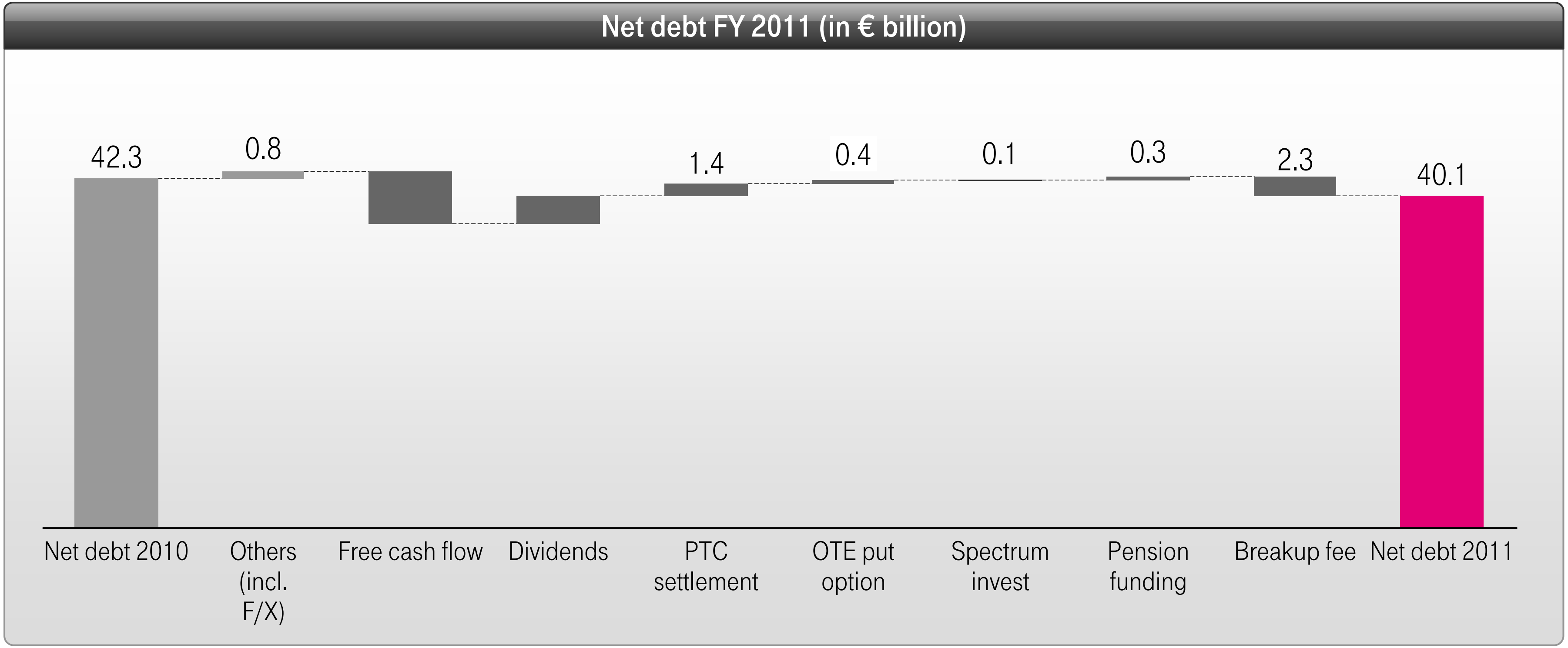
Contribution by business unit (€ million)	**FY/2011 realized**
Germany	450
USA	458
Europe	405
Systems Solutions	709
GHS	74
DT Group	**2,095**

- Incremental savings realized in Q4 amount to € 0.6 billion. Total run rate of savings at € 4.5 billion. 2010-2012 target of € 4.2 billion already overachieved end of 2011
- FY 2011 adj. net cost base reduction in Germany € 1.2 billion, Europe € 0.7 billion (excl. € 0.6 billion from UK deconsolidation), € 1.0 billion in the US (incl. F/X)

Net income development FY 2011: Special factors.



Net debt reduced by over € 2 billion (-5.1%) in FY 2011.



Balance sheet ratios: improved net debt over EBITDA ratio and gearing in Q4.

in € billion	31/12/2010	31/03/2011	30/06/2011	30/09/2011	31/12/2011
Balance sheet total	**127.8**	**123.2**	**123.1**	**124.6**	**122.5**
Shareholders' equity	43.0	42.7	39.3	40.7	39.9
Net debt	42.3	41.8	43.3	43.4	40.1
Net debt/adj. EBITDA[1]	2.2	2.2	2.3	2.3	2.1
Gearing	1.0x	1.0x	1.1x	1.1x	1.0x
Equity ratio	**33.7%**	**34.6%**	**31.9%**	**32.7%**	**32.6%**

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) Ratios for the interim quarters calculated on the basis of previous 4 quarters

Q&A.

René Obermann
CEO

Timotheus Höttges
CFO

Thank you for your attention!