Q1/10 – Results Presentation. Deutsche Telekom.

May 12, 2010

Life's for Sharing

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Agenda.
Deutsche Telekom Results Presentation.

René Obermann
CEO

Timotheus Höttges
CFO

Q1 Highlights – Good start into the year.

- Improved EBITDA, strong growth in free cash flow and net income
  - Germany: Mobile continues to expand market leadership, outpacing competition. Excellent customer KPIs in German fixed, improved revenue trends, fixed margin impacted by one-timers.
  - SEE: 22% revenue and 16% adj. EBITDA growth – supported by F/X and acquisitions. Margin at 39%.
  - Europe with nearly stable revenues (-1%), adj. EBITDA up 42%, supported by margin improvements in all operations.
  - Systems solutions with 1.2% revenue growth driven by external revenue growth of 2.4%. Promising order entry up 7.3%. Adj. EBIT further improved.
  - USA: Good development on data ARPUs and EBITDA. Revenue and subscriber trends remain in management focus.
- New 3 year shareholder remuneration policy: €3.4 billion annually with €0.70 minimum dividend per share, remainder returned via share buybacks
- New board member compensation scheme approved by AGM, incl. share ownership and long-term incentivization based on four parameters incl. ROCE and EPS.
- Closing of joint venture in the UK
- New strategy “fix, transform and innovate” presented in March with focus on shareholder returns and return on capital employed as steering logic

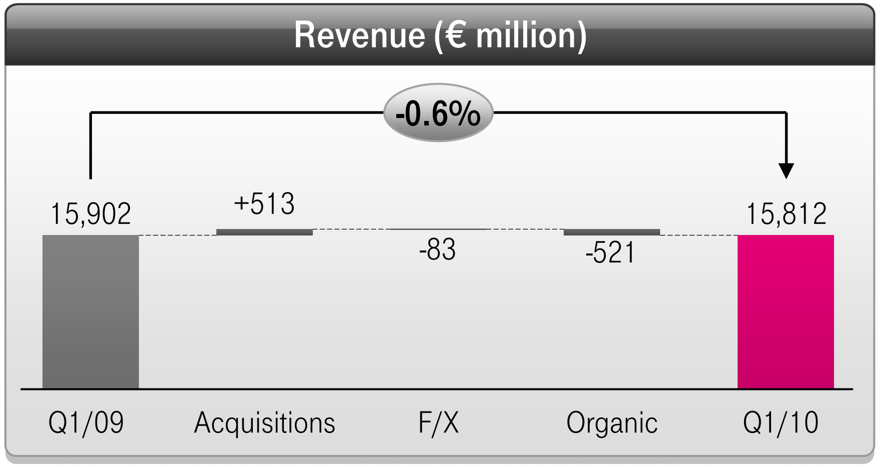
Guidance for full year 2010 confirmed

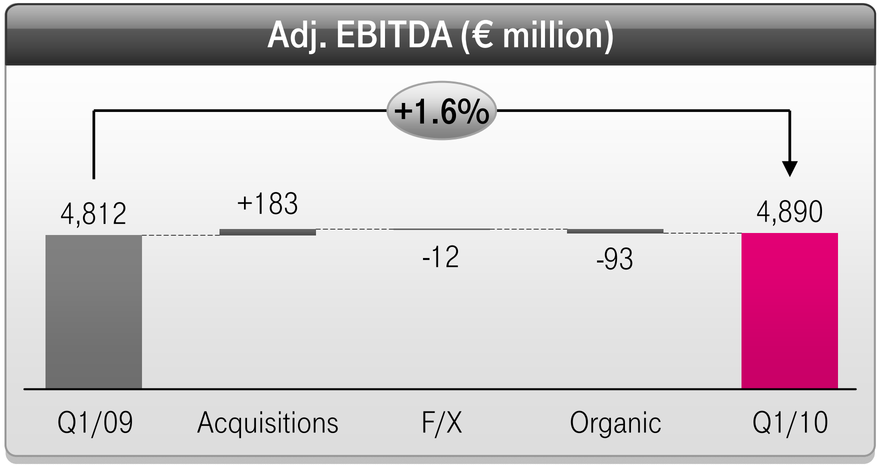
Q1 financial overview: strong year on year improvement.

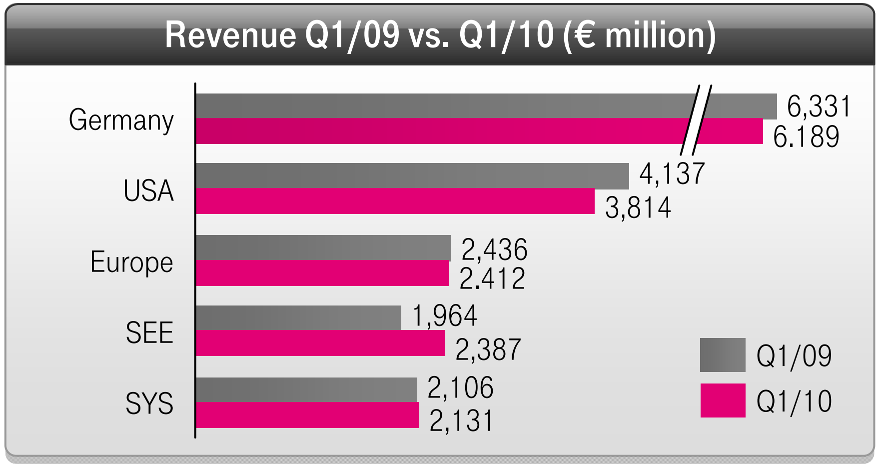
in € million	Q1/09	Q1/10	Change in %
Revenue	15,902	15,812	-0.6%
Adj. EBITDA	4,812	4,890	+1.6%
Adj. Net income	655	891	+36%
Net income	-1,124	767	n.m.
Free cash flow	416	1,439	+249%
Cash capex	2,611	1,934	-26%
Adj. EPS (in €)	0.15	0.21	+40%

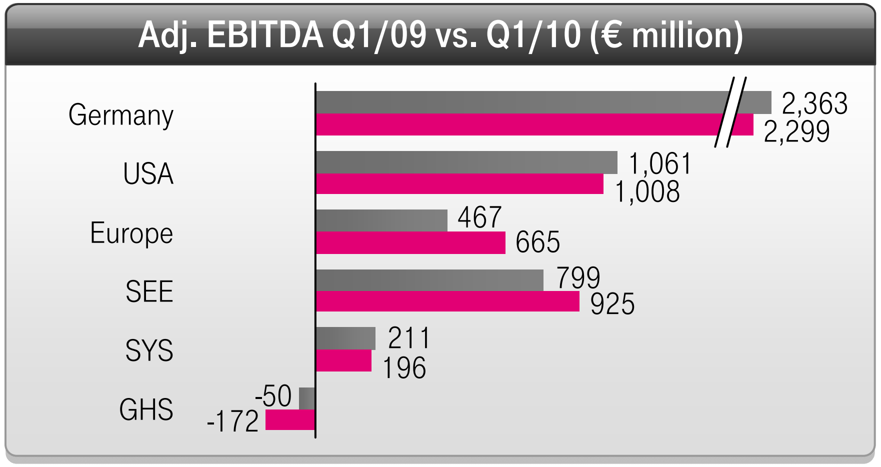
- Improvement in adj. net income driven by better EBITDA and lower D&A on tangible assets
- Net income Q1/09 impacted by goodwill impairment in the UK
- Free cash flow improvement due to less CAPEX and improved working capital
- Lower CAPEX driven by delays in underground constructions caused by hard winter and different seasonality of spending

Q1 financial overview: positive adj. EBITDA development.









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: Accelerated data ARPU growth in Q1 (+1.50US$) yoy. ▪ UK: Joint Venture up and running as of April 1st. Launch of "everything everywhere". ▪ NL & A: Dutch (+9pp) and Austrian (+14pp) EBITDA margins improved ▪ Netherlands and Poland outperforming peers	▪ "Telekom Deutschland" legally implemented as of April 1st . ▪ Croatia since January 1st in "One company" structure ▪ The legal merger of Slovak Telekom and T-Mobile Slovensko will come into effect on July 1st	▪ 3G in Romania, Zapp integration on track ▪ 3G roll-out in Czech Republic ▪ Progress on 3G in the US, HSPA+ roll-out in key markets ▪ Fiber roll-out SEE ▪ 2.6 GHz spectrum acquired in the Netherlands	▪ Launch of mobile media distribution in Germany ▪ TV push in SEE: +110k TV net adds ▪ Click 'n' buy leading payment platform acquired ▪ STRATO acquisition to strengthen position in web hosting business	▪ Deutschland LAN ▪ ABB power grid partnership ▪ Acquisitions of strong local players in Slovakia and Croatia to transform pure Telco business segment into ICT ▪ Several new Big Deals in Q1/10 won: German Aerospace Center (DLR), Deutsche Post DHL, SBB (Swiss Railways), TUI Travel

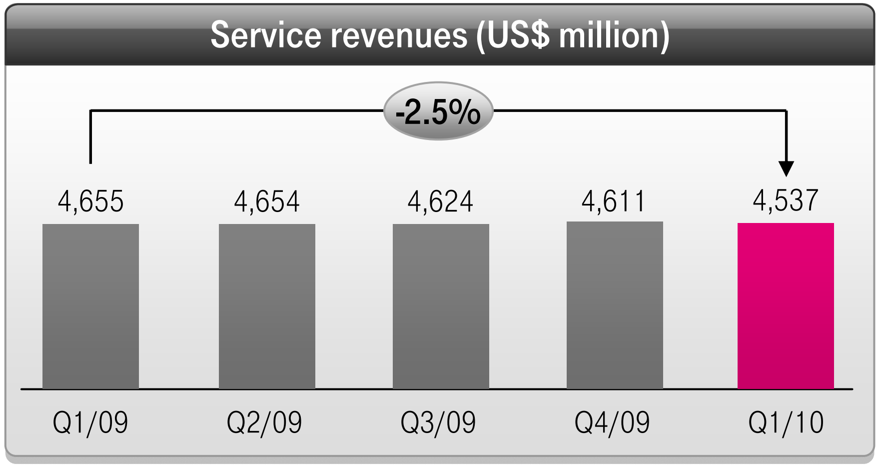
Strategy update: growth areas.

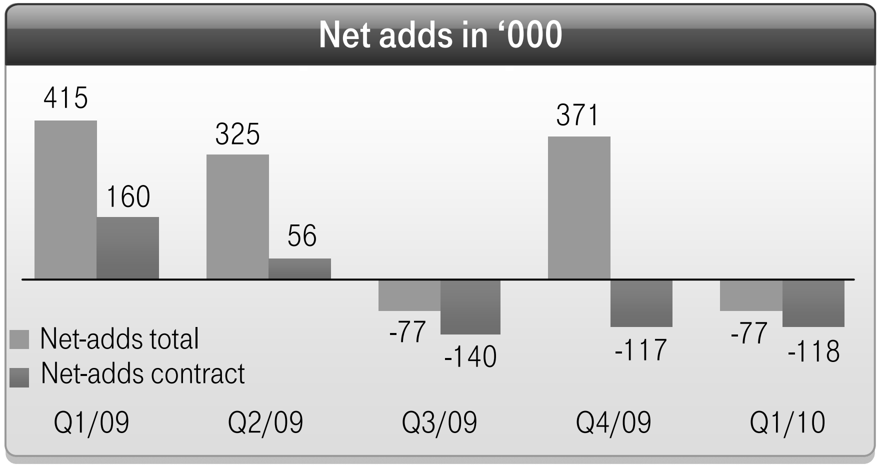
DT's Growth Areas Revenue in € bn.	2009	Q1/10	2015e
Mobile Internet	4	1.1	≈10
Connected Home Double & triple play, Home Gateway and Communication Suite	5	1.4	≈7
Online Consumer Services	0.8	0.2	2 - 3
T-Systems external revenue incl. Cloud Services	6.1	1.5	≈8
Intelligent Networks in Energy, Health, Media Distribution, Connected Car	0	0	≈1

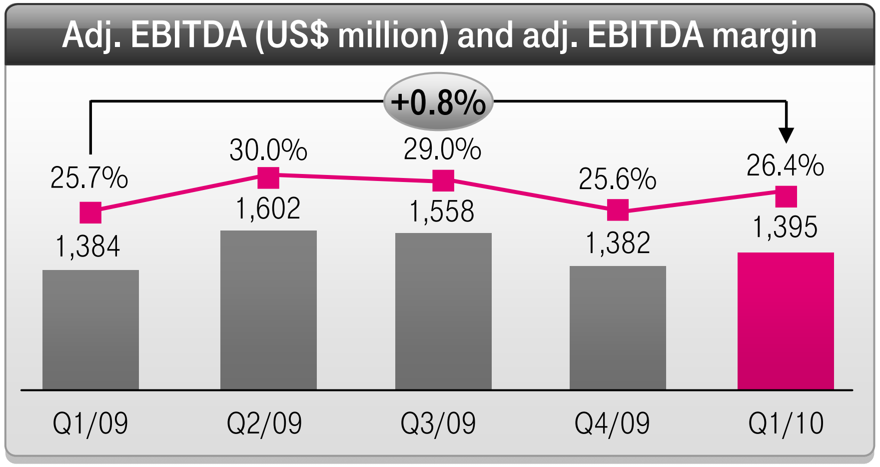
Operational priorities for 2010: Improve the US market position.

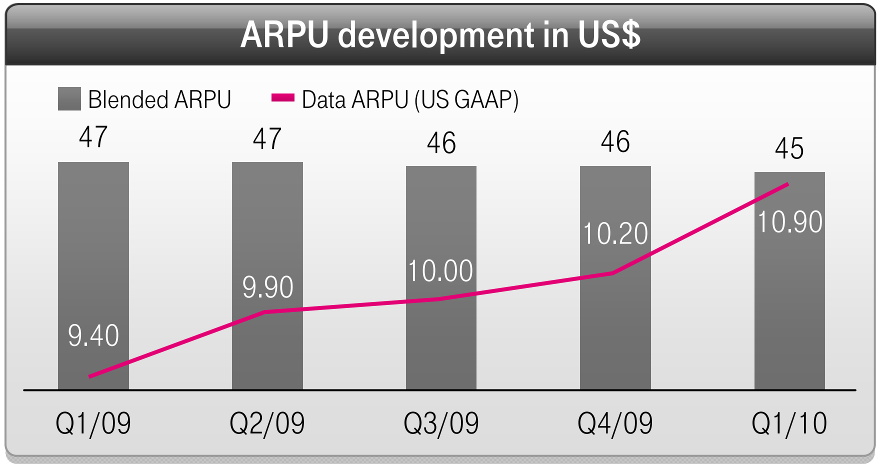
Network	▪ 3G coverage: 208 million POPs; 26,992 3G sites, up 1,437 in Q1 ▪ HSPA+ (21 Mbps) launched in Philadelphia, New York, New Jersey, Long Island, suburban Washington, DC with LA to follow shortly ▪ HSPA+: 185 million POPs by YE 2010
Devices	▪ 5.2 million 3G converged devices, up 1.3 million in Q1 ▪ New 3G smartphones: HTC HD2, Nokia 5230 Nuron, Motorola CLIQ XT, T-Mobile myTouch 3G Slide, Garminfone ▪ webConnect Rocket data stick: first HSPA+ device by a US carrier
Distribution	▪ 2,065 own stores ▪ 7,522 national retail stores (incl. RadioShack) ▪ Highest ranking in the J.D. Power and Associates 2010 Wireless Retail Sales Satisfaction Study
Pricing	▪ Focus on value-conscious families: promotional $5 family add-on ▪ New data pricing for data sticks: no more overage charges but speed throttle beyond 5GB ▪ 5GB data stick plan for $50 ($40 for customers with another line)

USA: data ARPU growth further accelerating.



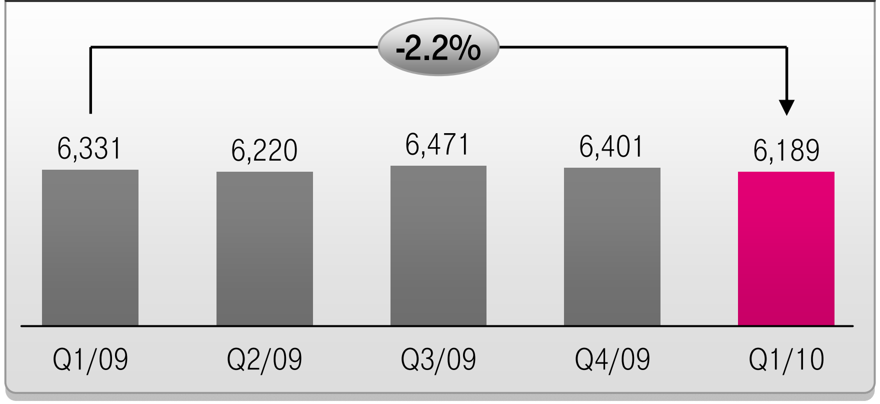




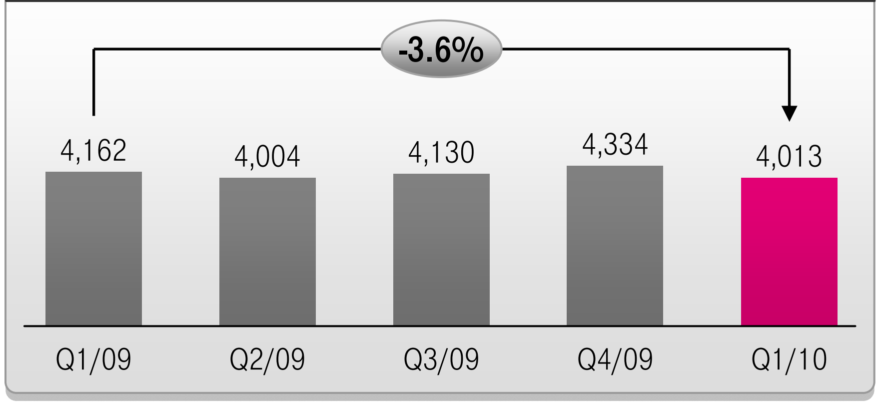


Germany: trend toward stabilization continues.

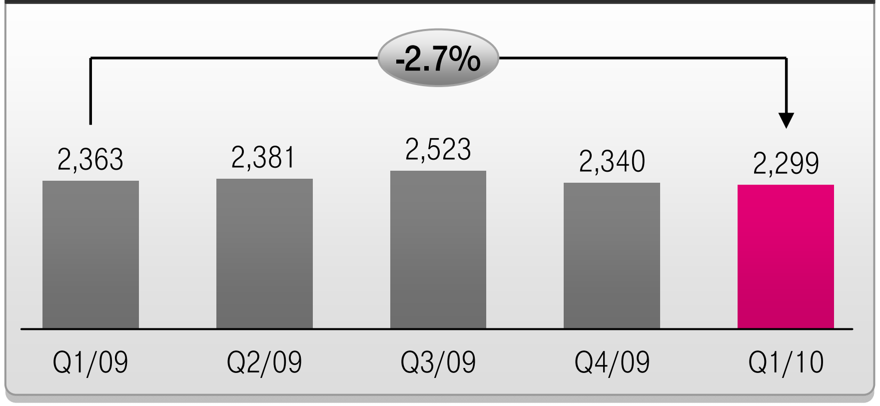
Revenue (€ million)



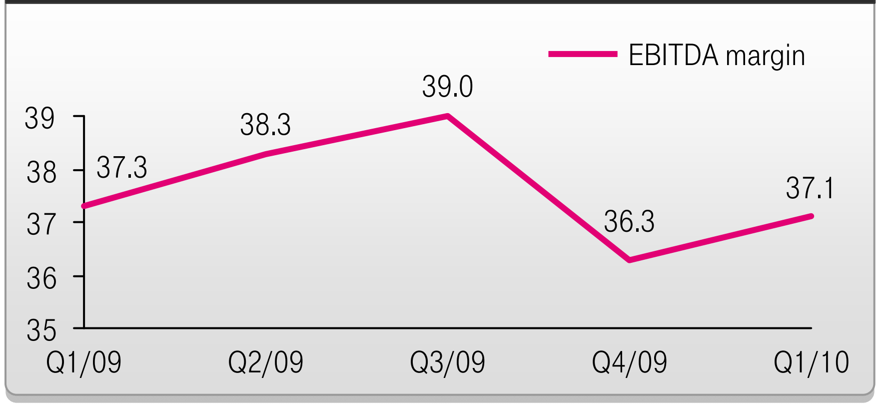
Adj. opex (€ million)



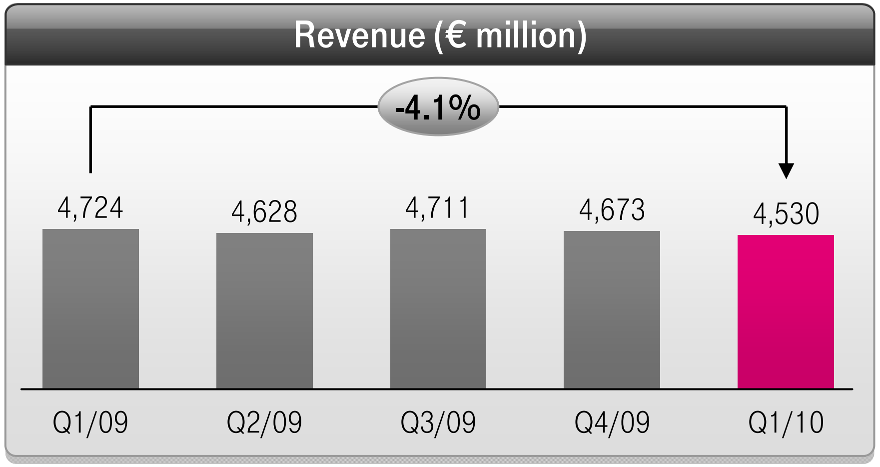
Adj. EBITDA (€ million)



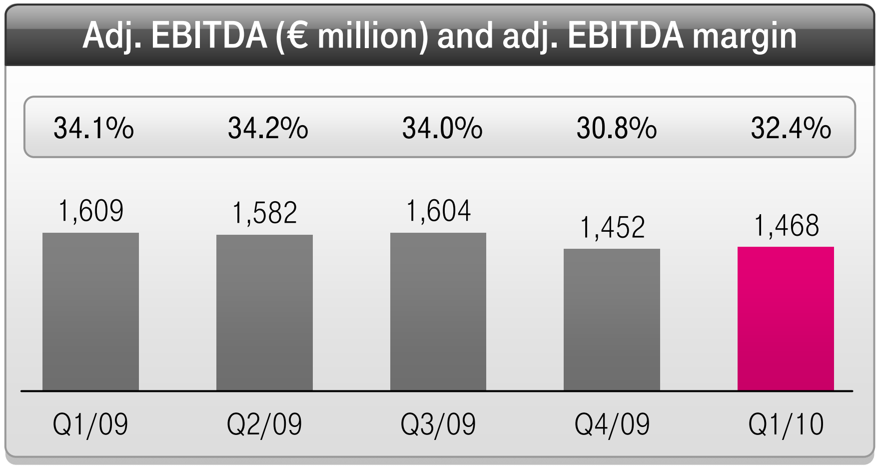
Adj. EBITDA margin (in %)

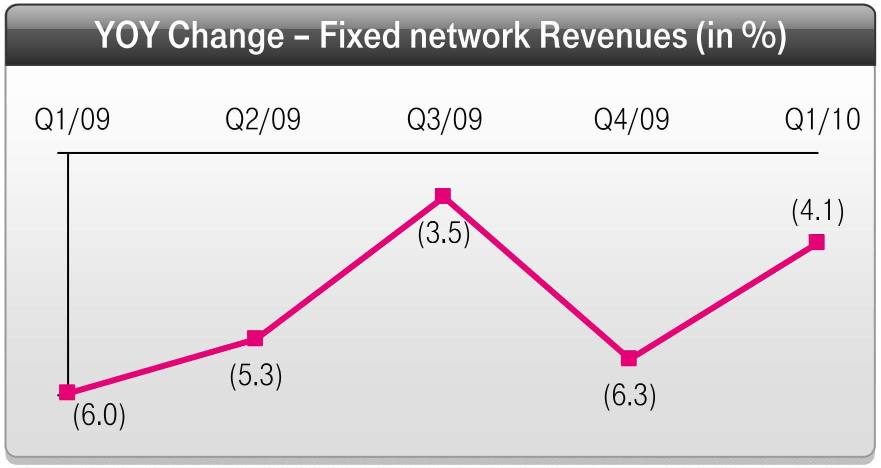


Germany fixed: adj. EBITDA margin w/o one timers stable.



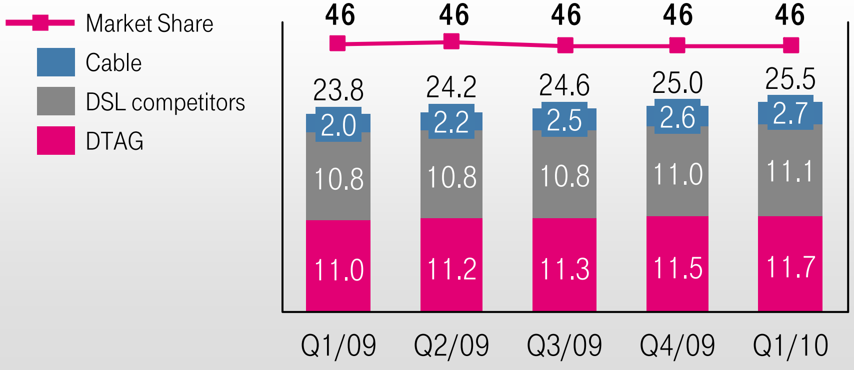
- Revenue trends improved with -4.1% in Q1/10.
- One time effects affecting adjusted EBITDA:
  - provisions for incentive payments -45 million,
  - provisions for legal risks approx. -24 million.
- Decrease of -18.7% in Cash Capex driven by delays in underground constructions caused by hard winter. Fiber readiness back-end loaded (phasing of network roll-out plan).



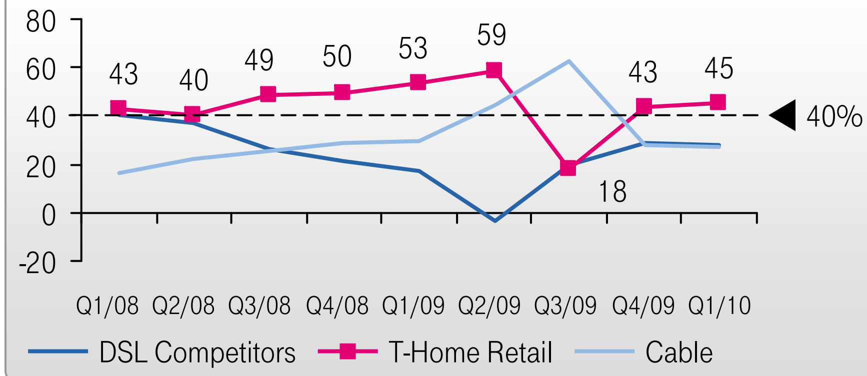


Germany fixed: Excellent customer KPIs.

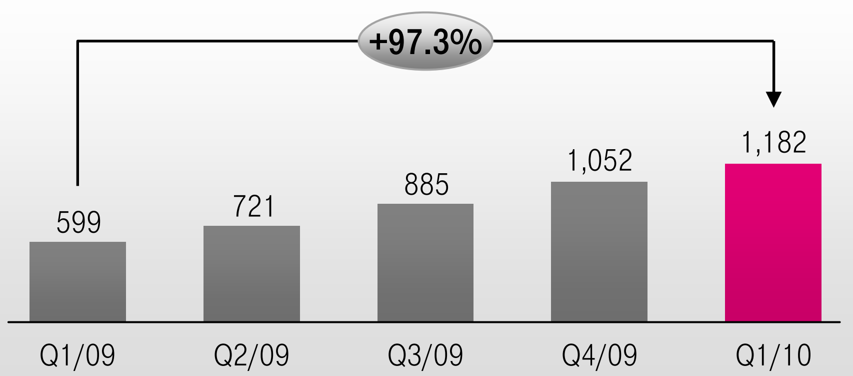
Broadband lines[1] (million)



Domestic broadband net add share by competitor



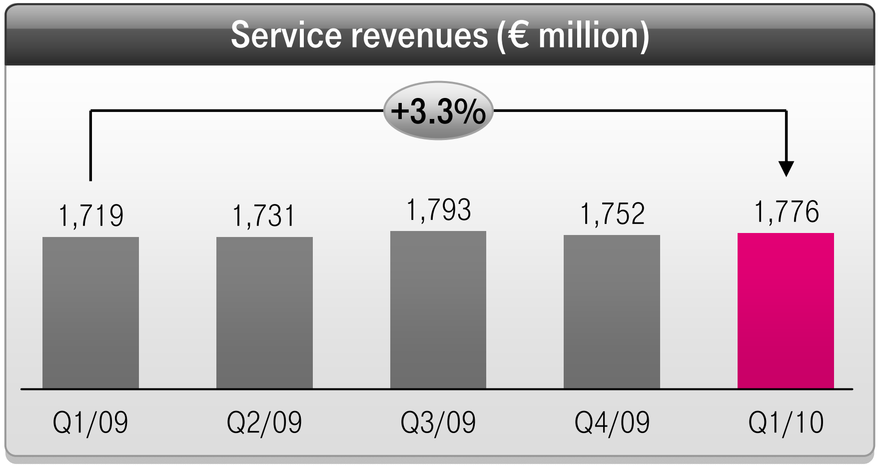
Entertain customer base (sold) ('000)



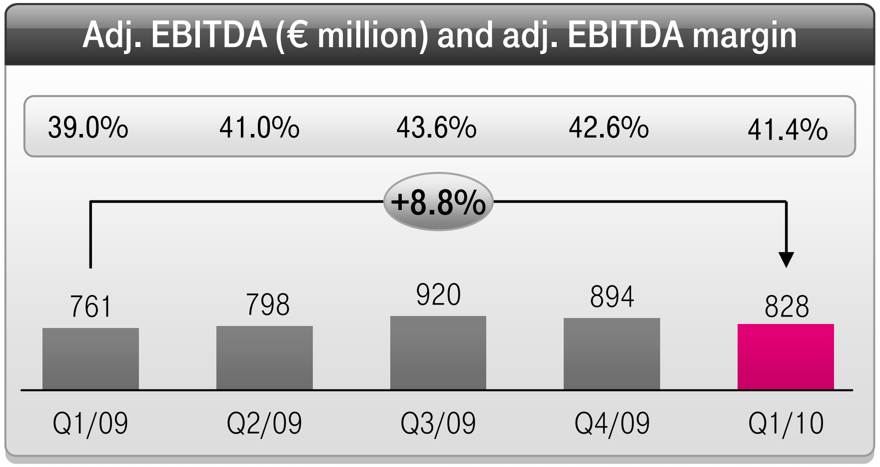
- Broadband retail market share of 46%;
  Net add market share of 45% in Q1/10.
- Outflow to cable slightly lower compared to previous quarters.
- Success of retention and double play offers is starting to reduce line losses by -38%: Line losses of 372k in Q1/10 vs. 602k in Q1/09 on lowest level since Q4/05.

1) Market share for 2009 adjusted based on new BNetzA figures, 2010 own estimates. Rounded figures. Incl. reseller (competitor resale and resale); DTAG view (retail).

Germany mobile: market leadership expanded, strong margin, excellent revenue and operational KPI development.

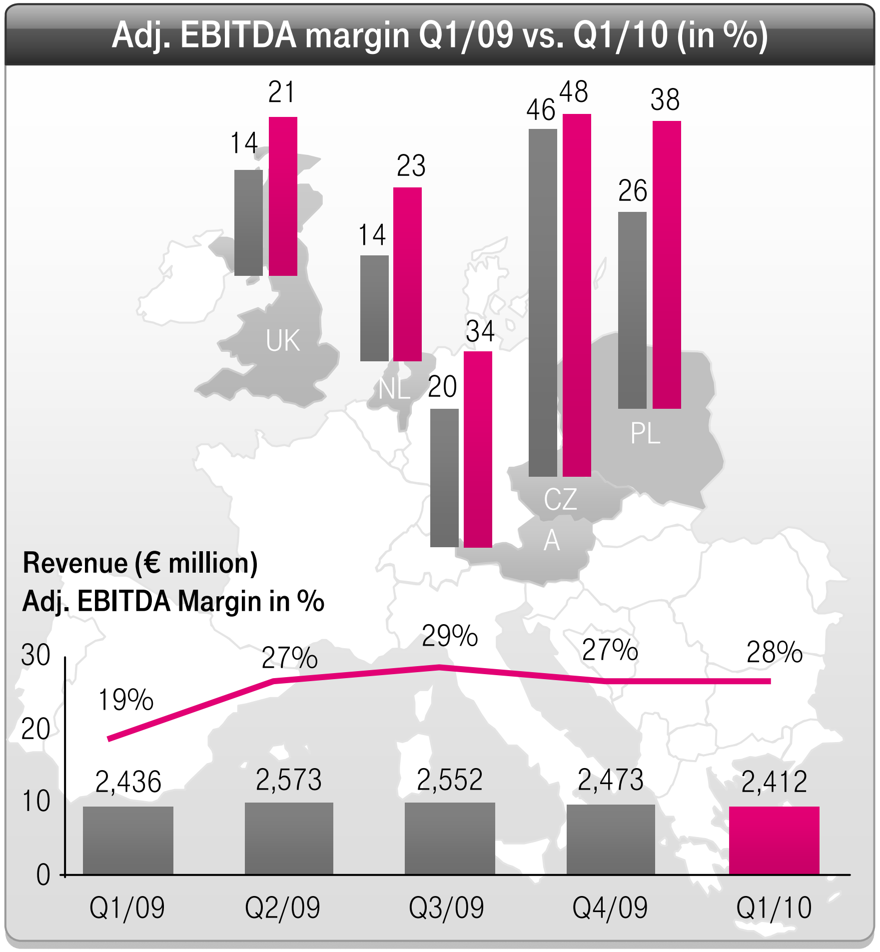


- Continued market outperform in Q1, driven by Service Revenue Growth of 3.3% , despite EUR -32 million impact from MTR Regulation in Q1/10.
- Contract net adds of +72k in Q1/10, contract base +322k yoy.
- Data Revenues up 39% yoy, due to increase in customer base using our double flat tariffs.



- Adj. EBITDA up 8.8% versus Q1/09 – driven by:
  - Strong revenue growth: +2.5% yoy
  - High-quality subscriber base: 17.3 million contract (+1.9% yoy)
  - Reduced contract churn: 1.3% (-0.3pp)
  - More efficient SAC/SRC spend, focusing on customer value.

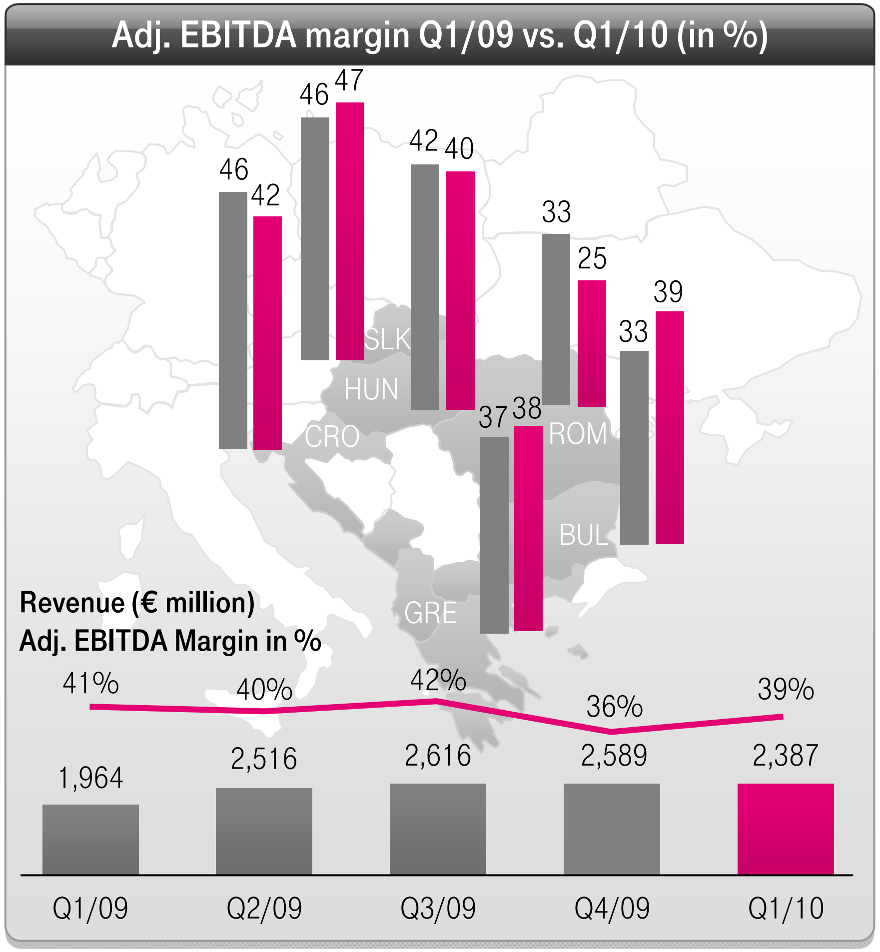
Europe: Significant yoy margin improvement in all businesses.



- Europe with nearly stable revenues (-1%) MTR and roaming impact of approx. 6.4pp on revenue; adj. EBITDA up 42%, supported by margin improvements in all operations.
- NL: service revenue (+4.9%) better than market and recovery from negative growth rates in 2009.
  Growing contract base and growing contract ARPU (excl. Visitors) supported by data devices
- A: service revenue decline (-8.2%) entirely driven by MTR and roaming reduction
- CZ: improved service revenue trend in Q1/10 (-7.5%)[1] compared to Q4/09. Increase of contract net adds by 7% yoy and improved contract churn rate to a level of 0.4%.
- PL: service revenue (-8.8%)[1] better then market, decline driven by MTRs. Contract subscriber base improved by 6% .
- UK: service revenues (-8.6%)[1] improved sequentially.
  Continued prepay push: 122,000 net-adds (excl. Virgin).

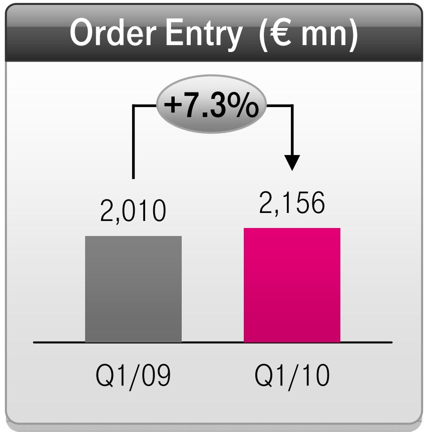
1) In local currency

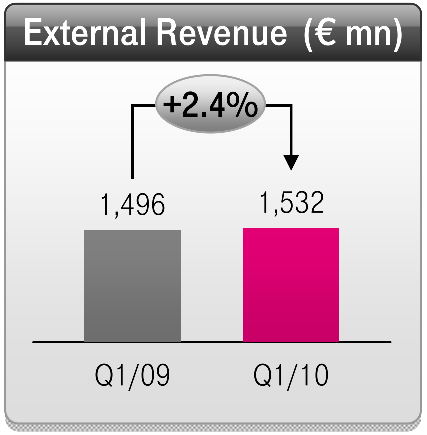
SEE: solid margins maintained in a difficult economic environment.

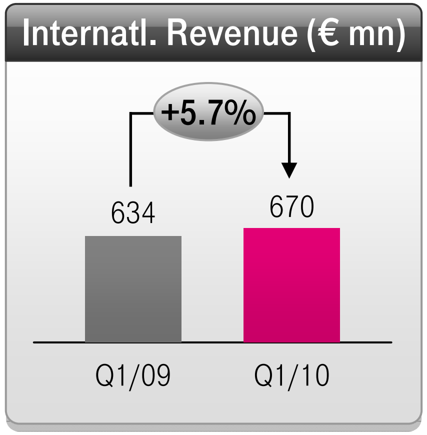


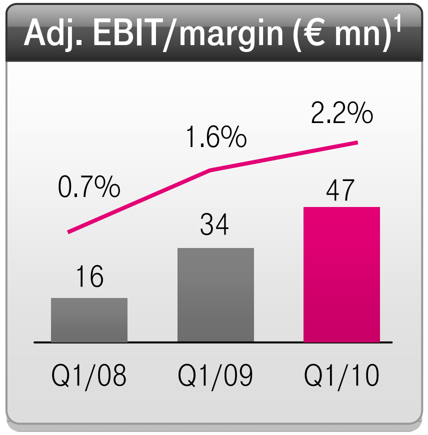
- 22% revenue and 16% adj. EBITDA growth – supported by F/X and OTE.
- Despite tough environment ongoing high EBITDA-margin of 39% for Q1/10 through tight cost control
- TV sales strong and approaching broadband sales: 110k TV net adds vs. 129k broadband net adds in Q1
- Transformation of Telco business ongoing: ICT acquisition in Croatia and Slovakia closed
- Romania: integration of Zapp on track
- Greece: limited impact from economic crisis

Systems Solutions: revenue returns to growth in Q1, efficiency bears fruit.









Outperforming peers: total revenue up 1.2% to € 2,131 million.

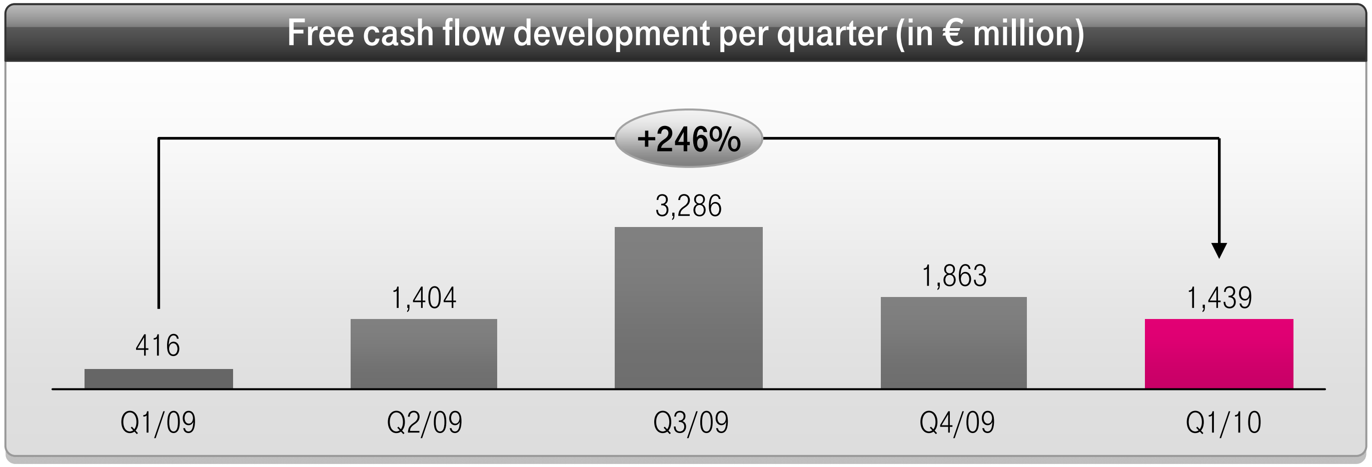
- Order entry growth of 7.3% to € 2,156 million despite continuing effect form economic downturn
- External revenues improved by 2.4% yoy
- International revenue growth of 5.7% yoy
- Several new Big Deals in Q1/10 were won:
  - German Aerospace Center (DLR), Deutsche Post DHL, SBB (Swiss Railways), TUI Travel

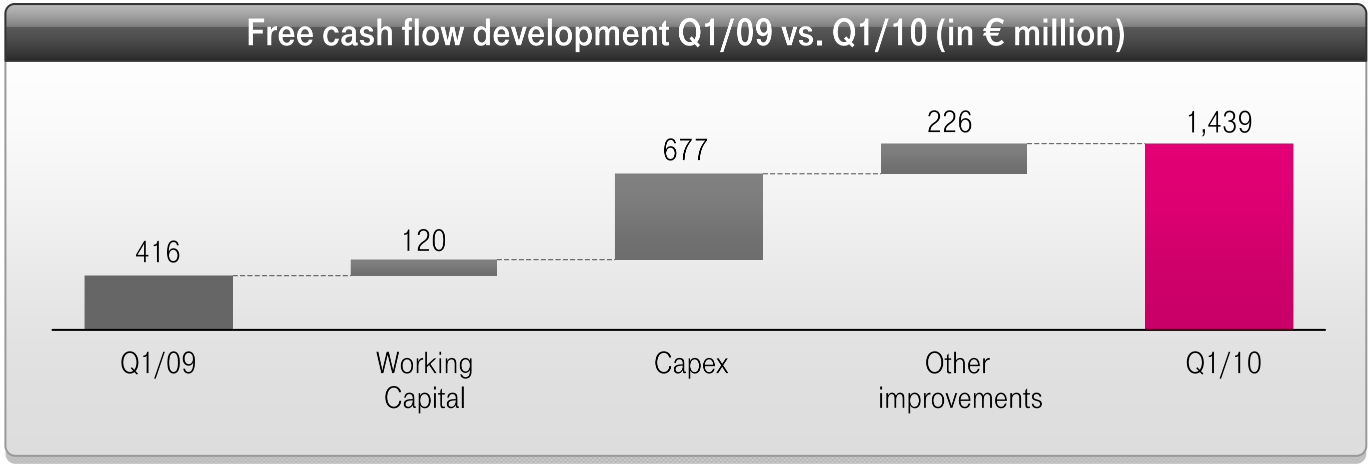
Sequential increase of Q1 profitability.

- Adj. EBIT margin in Q1/10 improved to 2.2% from 1.6% in Q1/09
- Forceful execution of efficiency program
- €0.1 billion Save for Service contribution in Q1/2010

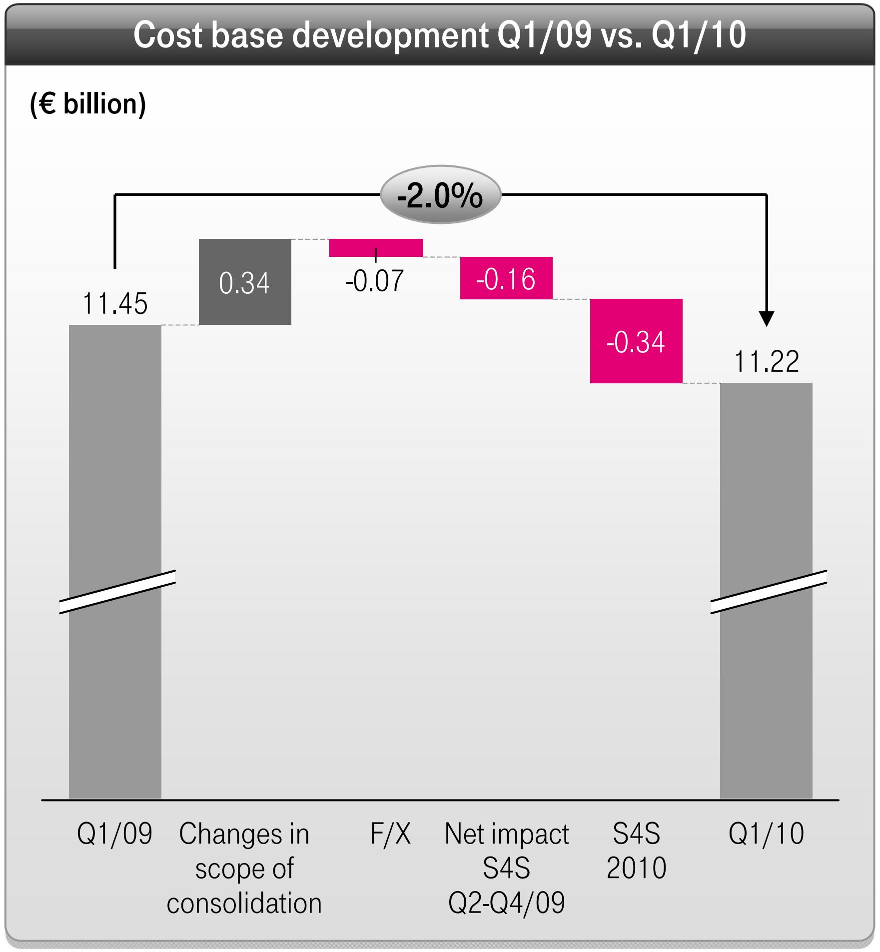
1) As of January 1, 2009, small and medium-sized business customers of the Systems Solutions operating segment (until January 1, 2009, called Business Customers operating segment) are disclosed under the Broadband/Fixed Network operating business area. Prior-year comparatives have been adjusted. Percentages calculated on the basis of figures shown.

Free cash flow: strong improvement yoy.





Cost base reduction of €0.5 billion, S4S contribution of €0.34 billion in 2010.



Contribution by Business Unit (in € million)	YTD 2010
Germany	41
USA	65
Europe	85
SEE	-
Systems Solutions	92
GHS	56
DT Group	**339**

- €339 million savings on corporate level in Q1/10
- On group level adj. EBITDA margin improved to 30.9% from 30.3%
- Net cost base of group reduced by € 0.23 billion – organic decrease of €0.5 billion

Group balance sheet: Solid ratios.

in € billion	31/03/10	31/12/09	30/09/09	30/06/09	31/03/09
Balance sheet total	**130.8**	**127.8**	**129.3**	**132.9**	**133.8**
Shareholders' equity	44.3	41.9	41.6	41.5	45.2
Net debt	40.4	40.9	42.4	45.0	42.8
Net debt/adj. EBITDA[1]	2.0	2.0	2.0	2.2	2.0
Gearing	0.9x	1.0x	1.0x	1.1x	0.9x
Equity ratio	**33.9%**	**32.8%**	**32.2%**	**31.2%**	**33.8%**

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	✓

1 Calculation for the non full year ratios based on mid-point of DT guidance

Guidance 2010[1] confirmed.

Guidance assumes constant currencies and no further significant economic deterioration

Adj. Group EBITDA	▪ Around €20 billion (deconsolidation impact of T-Mobile UK approx. €0.4 to 0.5 billion)
Free cash flow	▪ Around €6.2 billion (deconsolidation of T-Mobile UK with no impact)

1 incl. TM UK for the full year 2010 and based on the average exchange rates for the full year 2009

Q&A - Please press “*1” to ask a question.

René Obermann
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For remaining questions please contact the IR department after the call

For further questions please contact the IR department:

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