

Q3/10 – Results Presentation. Deutsche Telekom.

November 4, 2010

Life's for Sharing



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Agenda.

Deutsche Telekom Results Presentation.



René Obermann
CEO



Timotheus Höttges
CFO



9M 2010 Highlights – Decent progress to achieve FY10 targets.

9 months results – on track to achieve full year targets

- Excluding T-Mobile UK revenue growth of 0.4% in 9M
- Adj. EBITDA at €14.9 billion in 9M – on track to achieve guidance of “around €20 billion minus de-consolidation impact of the UK”
- Free cash flow at €4.8 billion in 9M – on track to achieve at least €6.2 billion for full year
- Germany: cumulated broadband net add-market share of 40.2% - on track to achieve guidance of 40-45% for the full year
- Germany: line losses of 1.2 million in 9M – 26% below last year’s level
- Germany: Entertain packages sold at 1.4 million – on track to achieve full year target of 1.5 million
- S4S: continues to support group profitability with savings of €1.7 billion in 9M. Full year target of €2 billion will be overachieved
- Mobile data revenue of €3.2 billion in 9M, up 26%

Solid performance in Q3

- Germany – Mobile: Q3 best quarter ever for iPhone sales of 400k taking total to 2.3 million since launch, ongoing strong underlying revenue and EBITDA growth in mobile; Fixed: 6.9% opex reduction leading to margin improvement of 1.4pp yoy
- USA: data ARPU growth accelerating, further revenue stabilization, but churn not satisfying
- EU – Integrated operators: successfully tackling economic and regulatory headwinds – margins and cash flows protected; mobile centric: increase in market invest impacting margins
- Systems Solutions: improvement in external revenue and adj. EBIT margin as promised



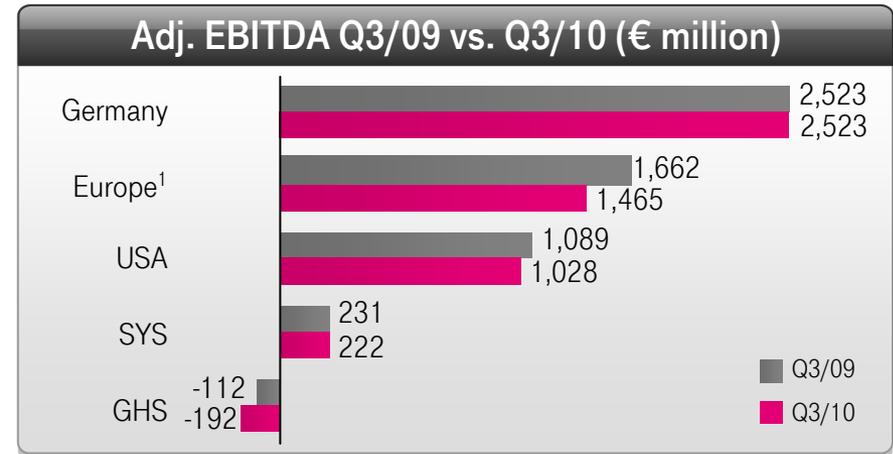
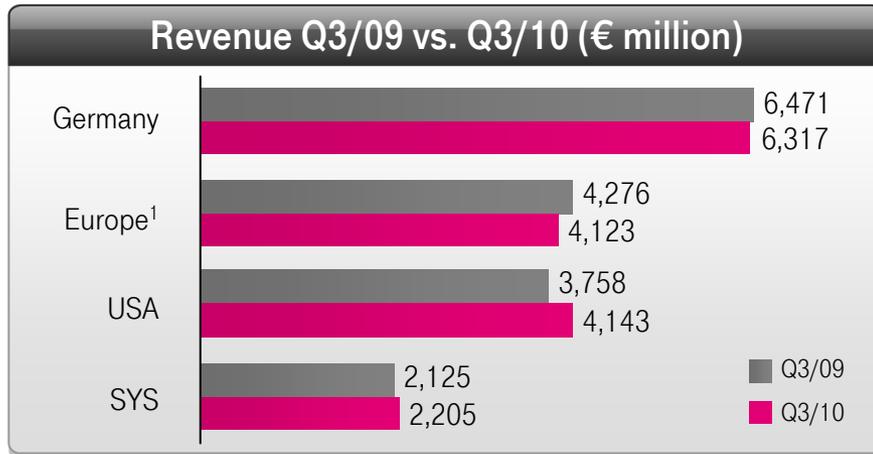
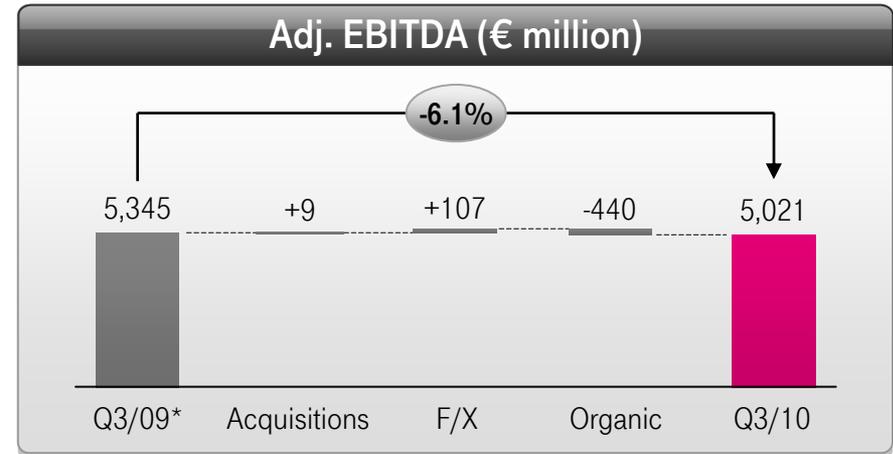
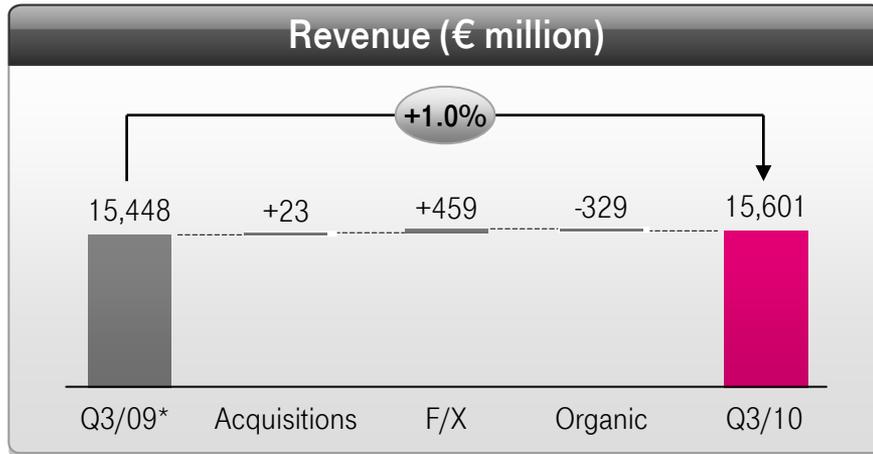
Q3 Overview group financials.

in € million	Q3/09 reported	Q3/10 reported	Q3/09 excl. UK	Q3/10 excl. UK	change in % excl. UK
Revenue	16,262	15,601	15,448	15,601	1.0%
Adj. EBITDA	5,528	5,021	5,345	5,021	-6.1%
Adj. net profit	1,074	969	1,006	1,021	1.5%
Net profit	959	1,035	892	1,087	21.9%
Adj. EPS (in €)	0.24	0.23	0.22	0.24	7.9%
EPS (in €)	0.22	0.23	0.20	0.24	18.3%
Free cash flow ¹⁾	3,286	1,882	3,094	1,882	-39.2%
Cash capex	2,131	2,036	2,094	2,036	-2.8%



1) Before dividend payment and spectrum invest; Q3 2009 including €759 million of factoring

Q3 Overview: strong Q3 09 impacts yoy comparison.



1) 2009 figures without T-Mobile UK: Impact group €814 million of revenue and €183 million of adj. EBITDA; Impact segment Europe: €848 million of revenue and €182 million of adj. EBITDA

Q3 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
<ul style="list-style-type: none">▪ USA: data ARPU growth accelerating▪ PL: revenue stabilization	<ul style="list-style-type: none">▪ Re-structuring of SME Sales and IT offices in Germany	<ul style="list-style-type: none">▪ Launch of LTE network in Germany.▪ “Best mobile network” award in Germany from “Chip”-magazine – 2,100 3G sites added in 2010 in Germany▪ HSPA+ with 42Mbps roll-out in the US announced	<ul style="list-style-type: none">▪ Preferred partner for Windows mobile phone in holiday business in Germany▪ New mobile data plans introduced in Germany and US – embracing tiered pricing▪ Smartphones: 53% of all handsets sold in Germany	<ul style="list-style-type: none">▪ T-Systems enters into partnerships with ABB on smart metering▪ 2/3 of all SAP transactions processed in the cloud▪ Improved industry position reflected by industry analysts (e.g. Gartner)

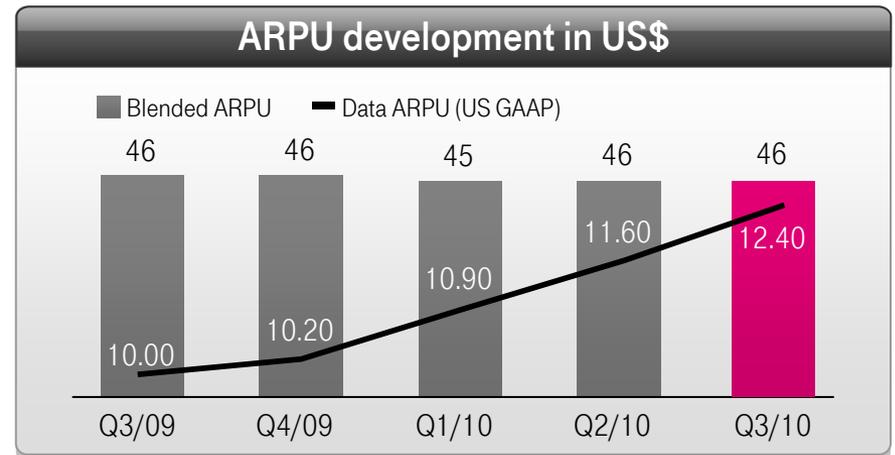
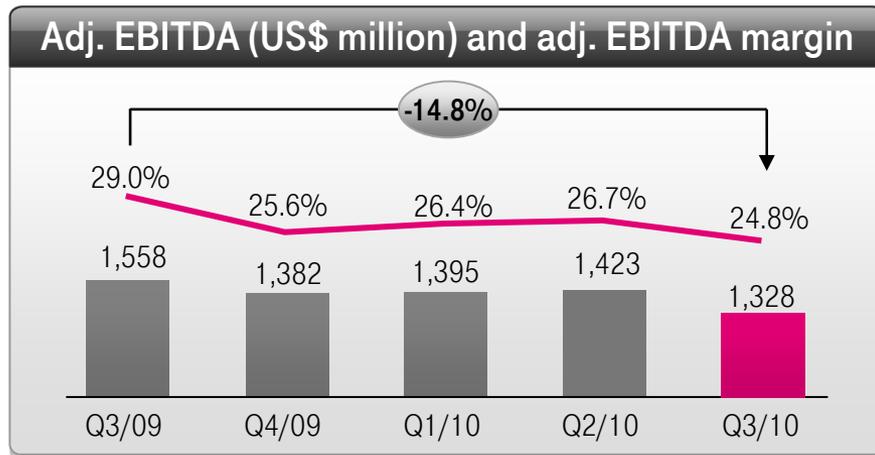
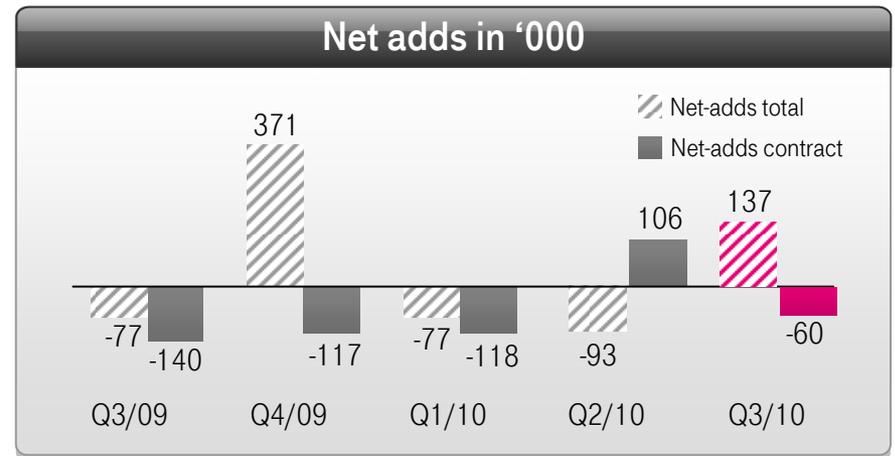
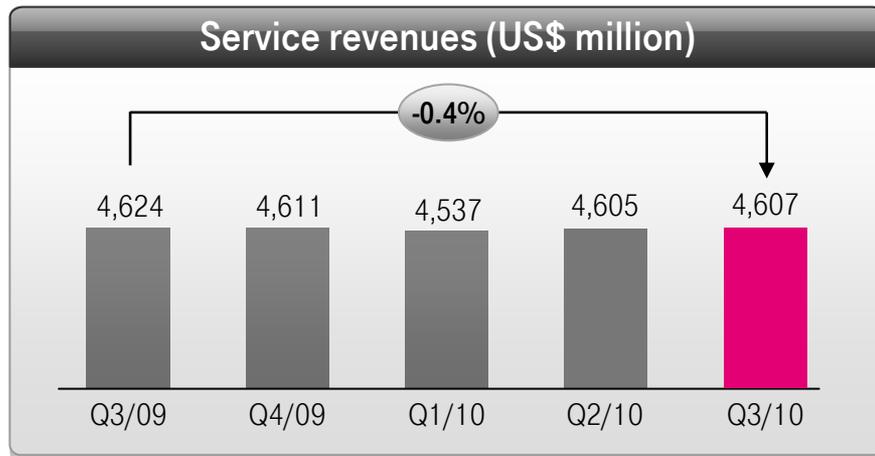


Strategy update: growth areas.

Deutsche Telekom Growth Areas	9M 2009	9M 2010	Change		Ambition 2015
Revenue (€ bn)					
Mobile Internet	2.6	3.2	0.7	26.2%	≈ 10
Connected Home Double & Triple play, Home Gateway and Communication Suite	3.9	4.2	0.3	7.8%	≈ 7
Online Consumer Services	0.5	0.7	0.2	33.3%	2 - 3
T-Systems external revenue incl. Cloud Services	4.5	4.7	0.2	5.2%	≈ 8
Intelligent networks in Energy, Health, Media Distribution, Connected Car	0	0	0	0.0%	≈ 1



US: continued revenue stabilization and strong data ARPU – margin reflecting smartphone uptake and network costs.



Operational priorities for 2010: improve the US market position.

Network

- 3G coverage: 209 million POPs; >29,000 3G sites, up >1,600 in Q3
- Nationwide 4G network: HSPA+ (21 Mbps) expected to reach 200 million POPs by YE '10; upgrade to HSPA+ (42 Mbps) starting in 2011
- JD Power Wireless Call Quality Performance Study: No. 1 in Southeast and Southwest

Devices

- 7.2 million 3G smartphones (21% of total customers), up from 2.8 million in Q3/09
- First HSPA+-capable smartphones: T-Mobile G2, T-Mobile myTouch 4G
- 1st tablet (Samsung Galaxy Tab) and 1st HSPA+-capable netbook (Dell Inspiron Mini 10 4G)
- Launch partner for Microsoft Windows Phone 7: HTC HD7, Dell Venue Pro

Distribution

- 2,034 own stores
- 8,042 national retail stores (postpaid only)
- Walmart Family Mobile Powered by T-Mobile launched in 2,500 Walmart stores
- Launch of Target stores run by RadioShack: 455 per end of Q3

Pricing

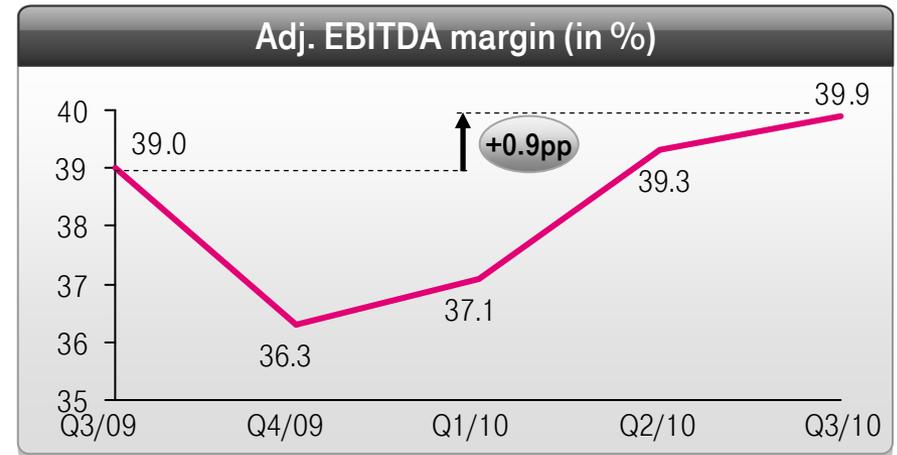
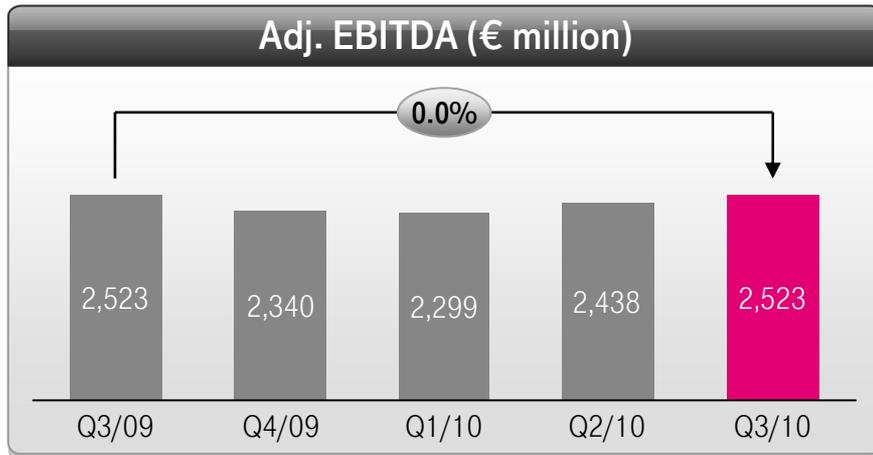
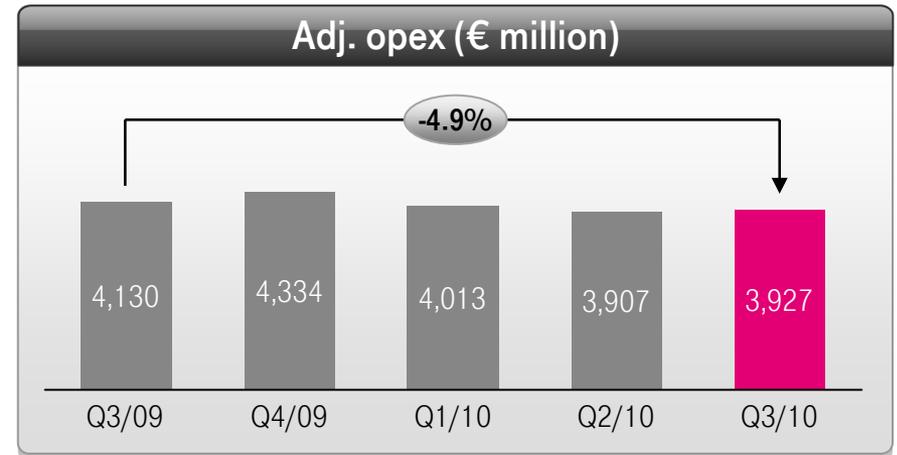
- Introduction of tiered data pricing¹⁾: \$10 (200 MB with \$0.10 per MB overage), \$30 unlimited²⁾, \$45 unlimited²⁾ incl. tethering
- Walmart Family Mobile Powered by T-Mobile: \$45 unlimited talk and text, \$25 add-a-line
- New branded prepaid monthly plans: \$70 unlimited talk & text with 2 GB data, \$50 unlimited talk & text with 100 MB data, \$30 1500 talk & text with 30 MB data, \$15 unlimited text



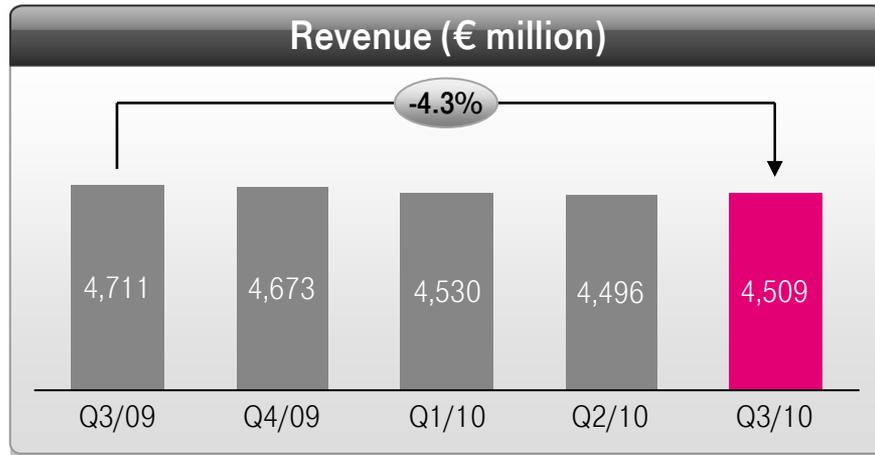
1) Pricing for „even more“ rate plans. Available this holiday season

2) speed throttling beyond 5 GByte

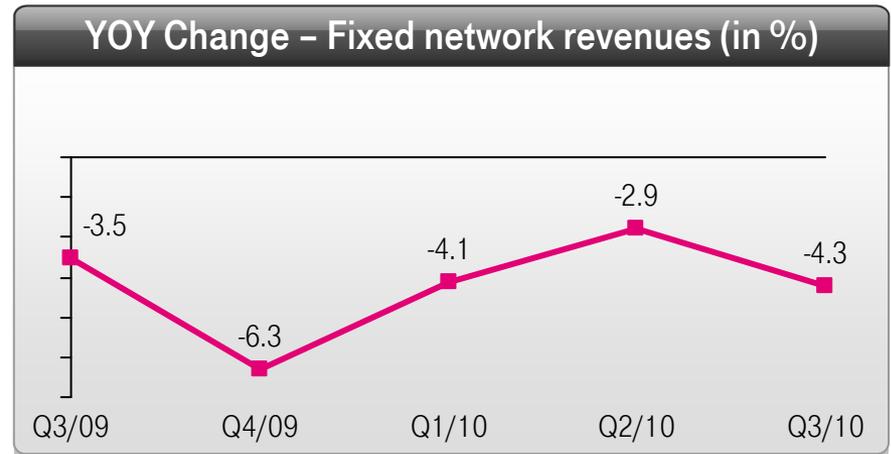
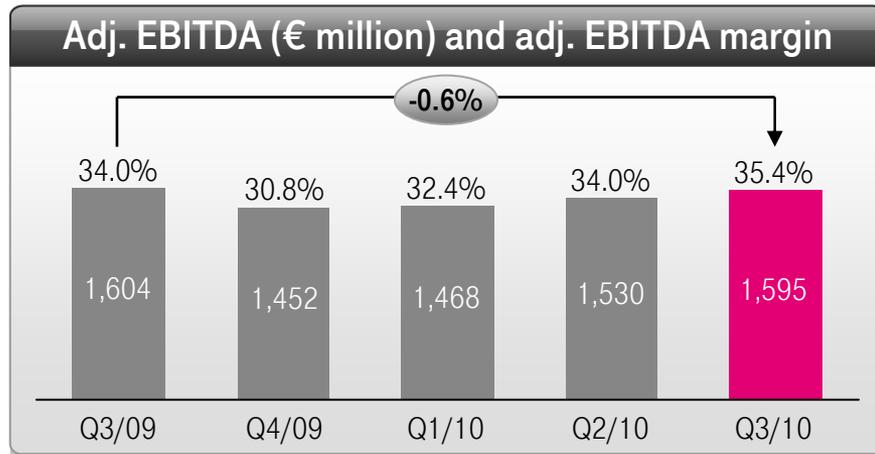
Germany: sustainable improvement in EBITDA-margin.



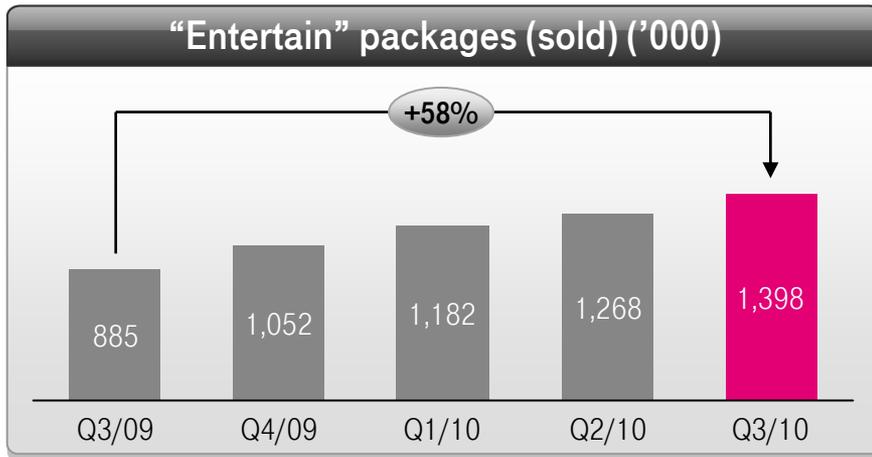
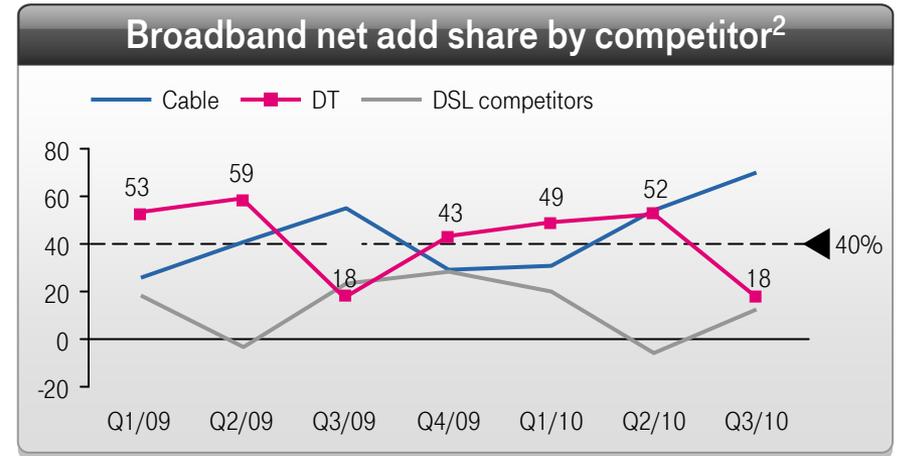
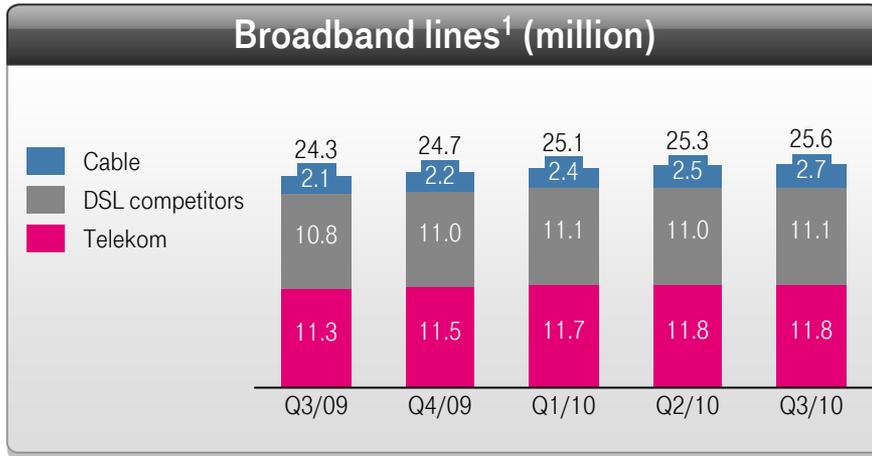
Germany fixed: strong 'Save 4 Service' execution.



- Revenue trend impacted by wholesale and value added services in Q3 09. Improvement in trend expected for Q4
- Adj. EBITDA stable at around €1.6 billion
- Efficiency program 'Save 4 Service' proves to be successful, sequential increase in profitability
- Thanks to excellent cost discipline the adj. EBITDA margin improved by 1.4 percentage points yoy, driven by adj. opex savings of -6.9% in fixed network



Germany fixed: strong leadership in the German broadband market.

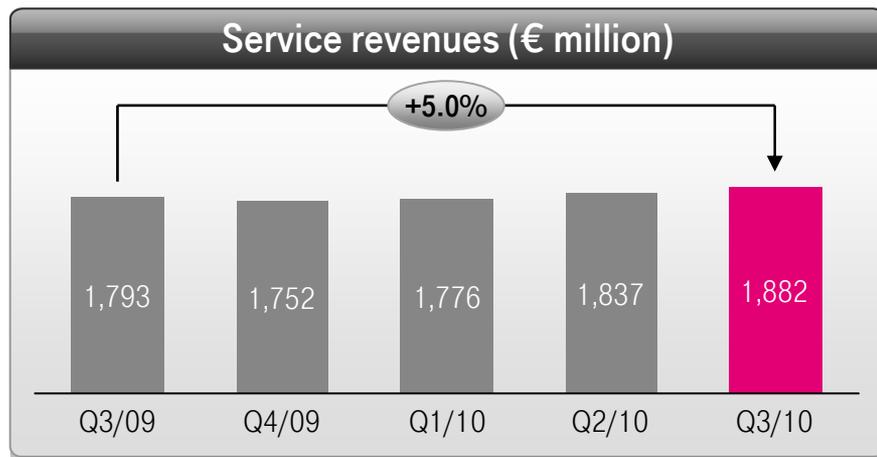


- Cumulated line losses of 1,213k are 26% below 2009
- Broadband net add share in Q3 and resale DSL losses of 210k have a negative effect on traditional PSTN line losses in Q3
- Marketed Entertain customers now at 1.4 million
- Retail fiber-customers (VDSL) at 278k (+147% yoy)

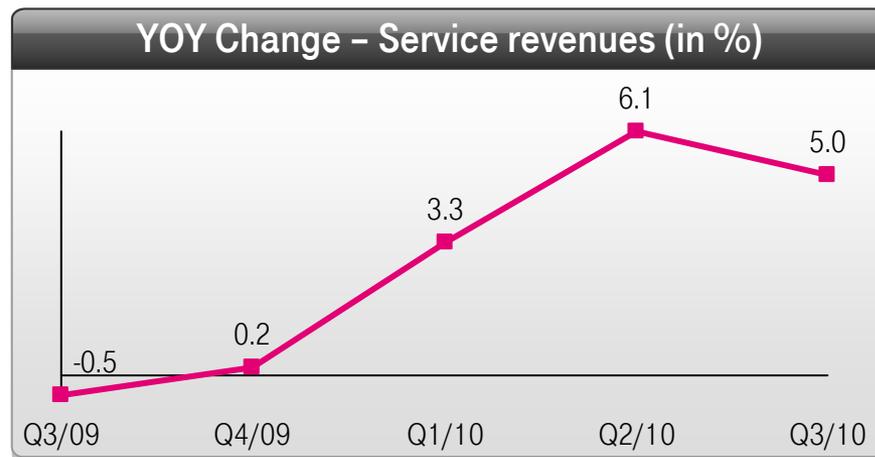
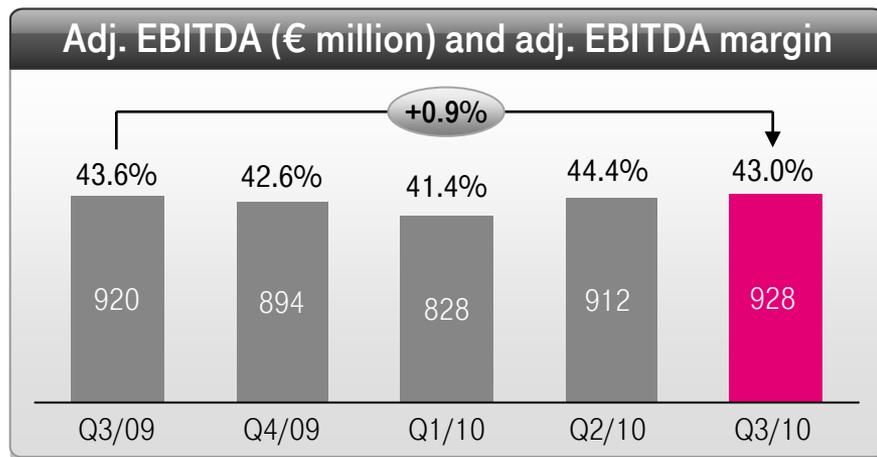


1) 2010 own estimates, Q1 and Q2 adjusted by one-time item wholesale. Rounded figures. Incl. reseller (competitor resale and resale);
 2) DTAG view (retail).Retroactive adjustment starting in 2007 because of reclassification of UnityMedia broadband customer base (March 31, 2010)

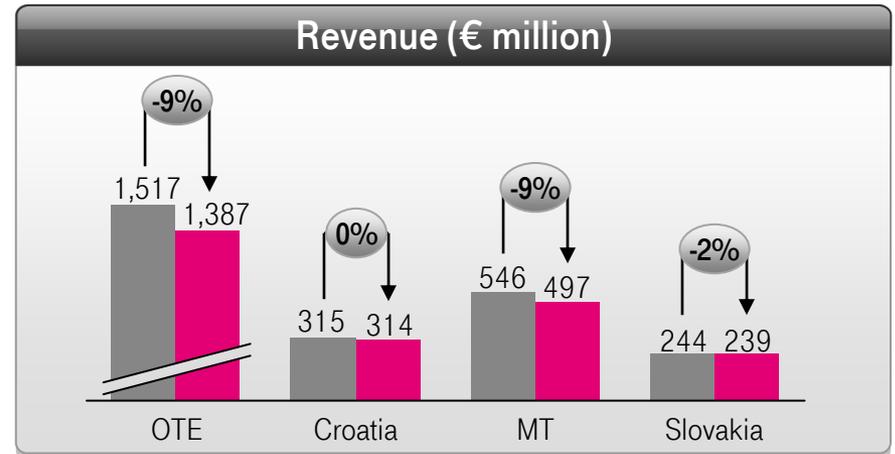
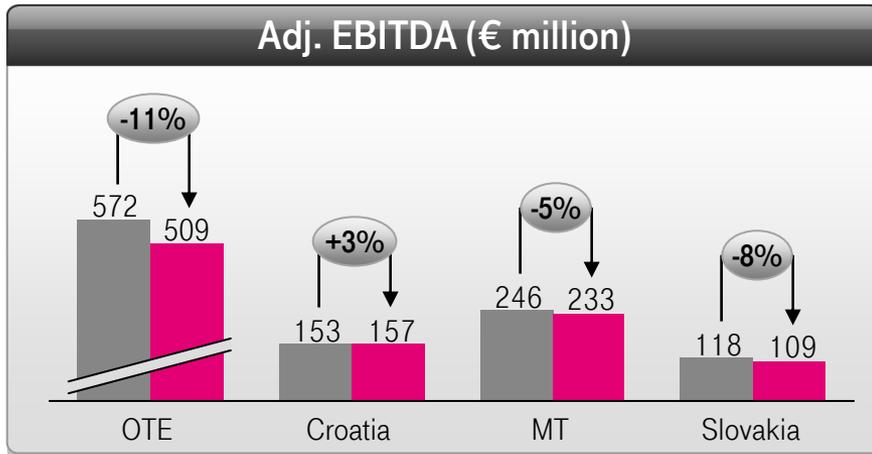
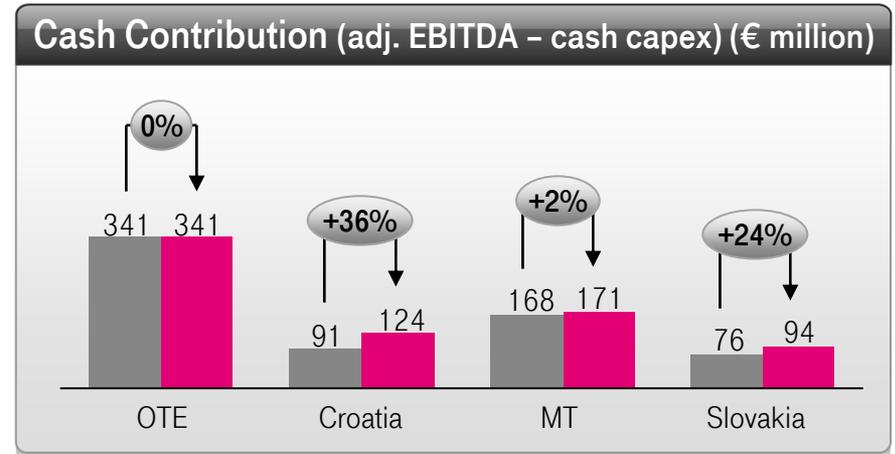
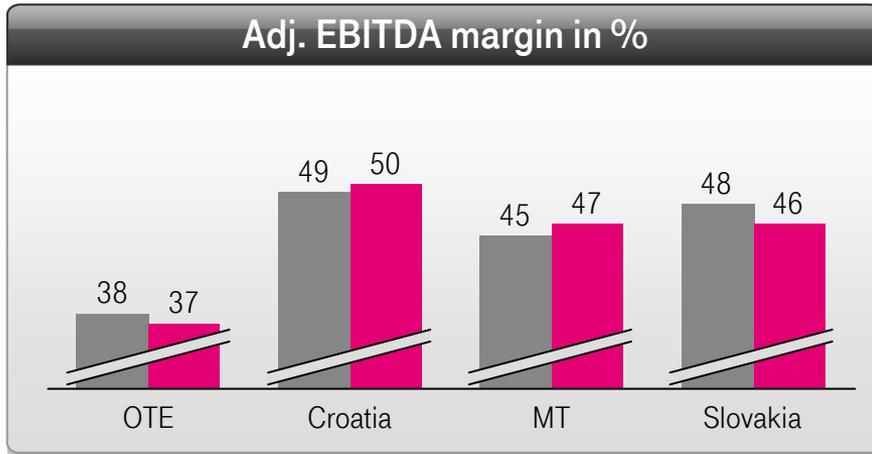
Germany mobile: data revenues boosting top line growth.



- Data revenues growth of 27% boosting top line growth of +2.3% despite loss of O2 deal (EUR 81 mn)
- Continuous ramp up of high-value customers with
 - record level iPhone numbers in Q3 (+400k)
 - increased contract customer base (+0.4% yoy)
 - contract ARPU growing again (+€2 vs. Q3/09)
- Impressive adj. EBITDA margin of 43.0% despite record smartphone sales (53% of handsets sold) and O2 deal



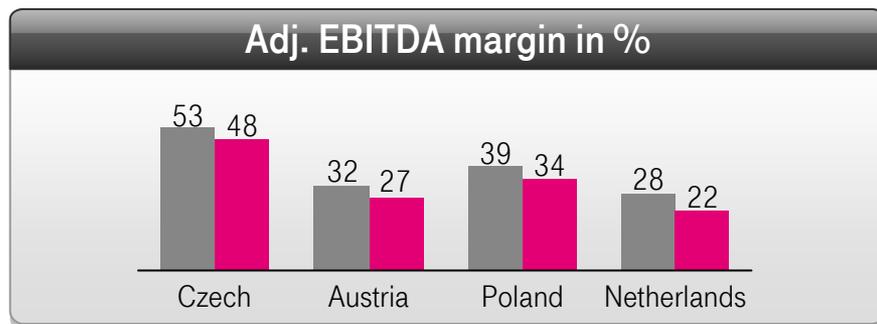
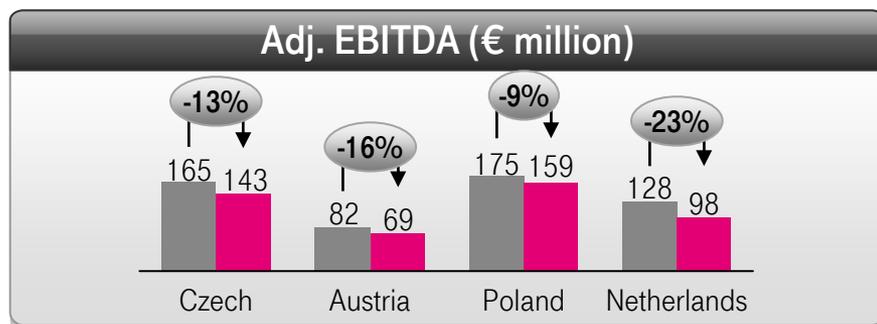
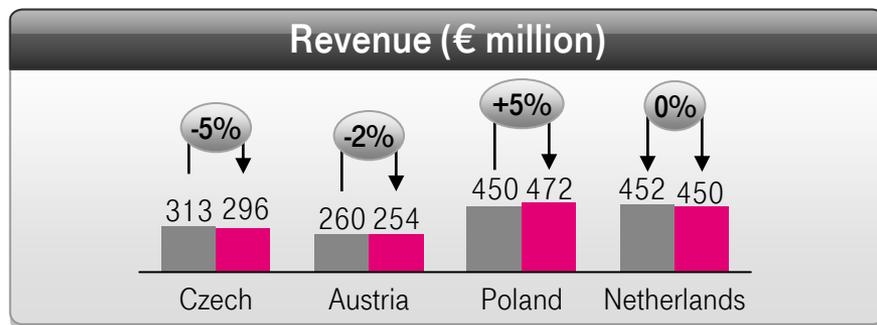
Europe – integrated operations: Defending cash flow and margin - outperforming peers.



■ Q3/09 ■ Q3/10



Europe – mobile centric: Higher market invest impacting margins.



▪ CZ:

- Revenue driven by regulation (excl. regulation revenue flat). Increase in market invest (in €) of 31% due to more retention. Integration of broadband business and FDD roll-out increasing cost base

▪ Austria:

- Revenue decline driven by regulation (excl. regulation revenue growth of 3.8%). Increase in market invest of 50% due to 24% increase of retained and acquired subscribers with shift in mix to contract

▪ Poland:

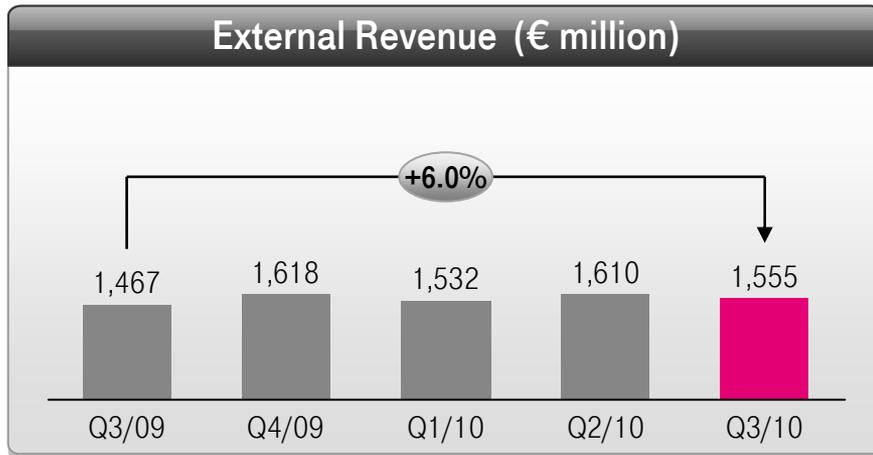
- Back to revenue growth, data revenues +37% . EBITDA impacted by increase in market invest of 22%, due to increase in retention expenses and more data devices

▪ Netherlands:

- Continued outperformance of competition. Total revenue and EBITDA impacted by loss of wholesale contract. (margin impact 4pp). EBITDA further impacted by increase in market invest of 27%: 100k iPhone sales. Synergy case: Indirect costs further reduced by €17 million



Systems Solutions: accelerating revenue growth in Q3.

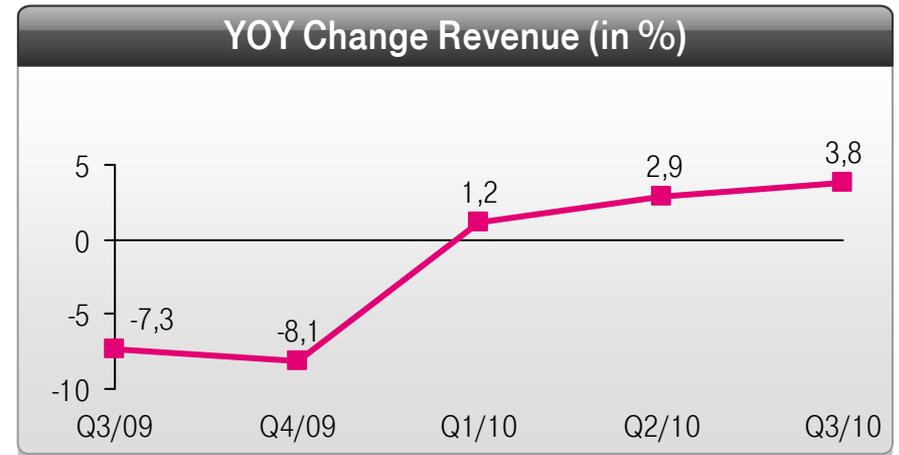


Revenue increase continues:

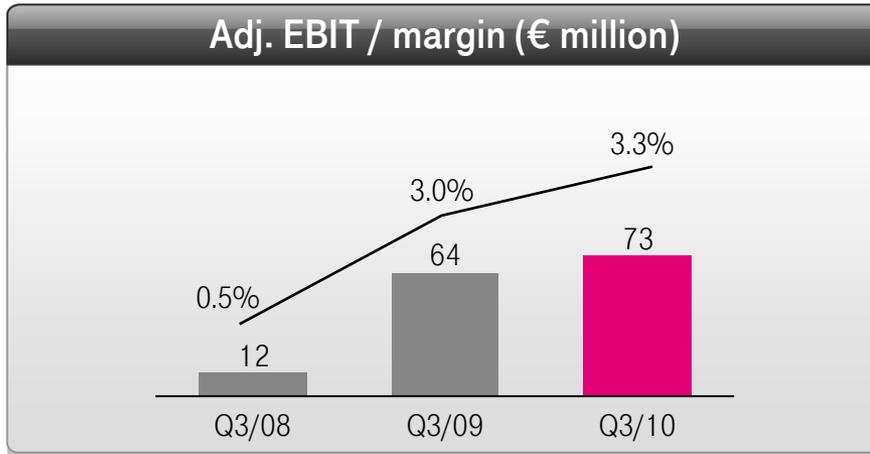
- Revenue increase yoy of +3.8 % up to €2,205 million
 - Despite decreasing internal revenue, as T-Systems contributes to the optimization of group IT costs
- International revenues grew yoy +11.0% up to €715 million

External revenues up +6.0% to €1,555 million

- Big Deals of 2009 and in H1 2010 bear fruit

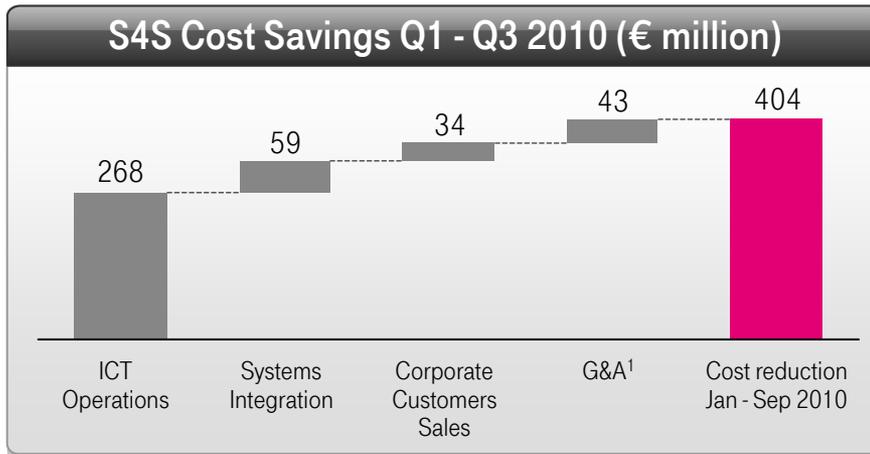


Systems Solutions: profitability improvement driven by efficiency.



Adj. EBIT increase despite additional expenses from new deals:

- EBIT +€9 million up to €73 million in Q3/10
- Adj. EBIT margin in Q3/10 improved to 3.3% from 3.0% in Q3/09



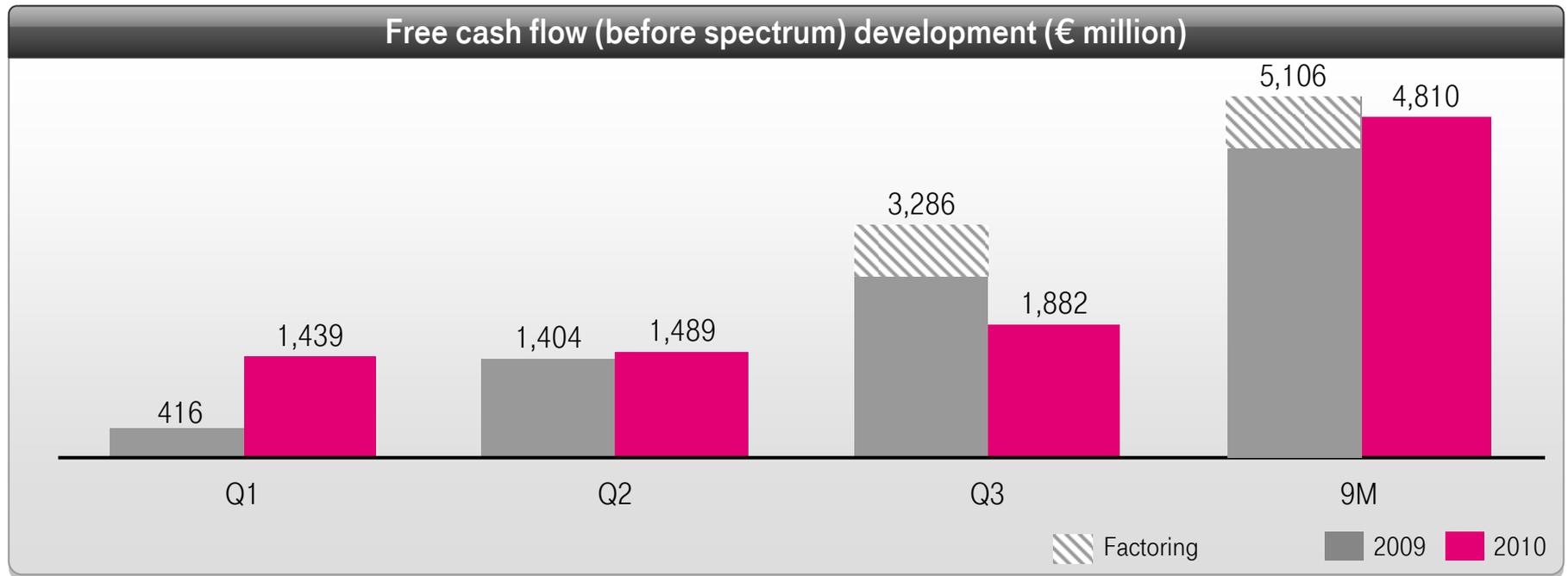
Forceful execution of efficiency program

- €0.4 billion Save for Service contribution in Q1-Q3/10
 - Optimization of data center infrastructure, reduction of maintenance costs due to new technologies
 - Reduction of production costs at Systems Integration through near- and off-shore locations combined with cost management and higher utilization
 - Simplification and standardization of Sales
 - Internal optimization of G&A, reduction of freelancer

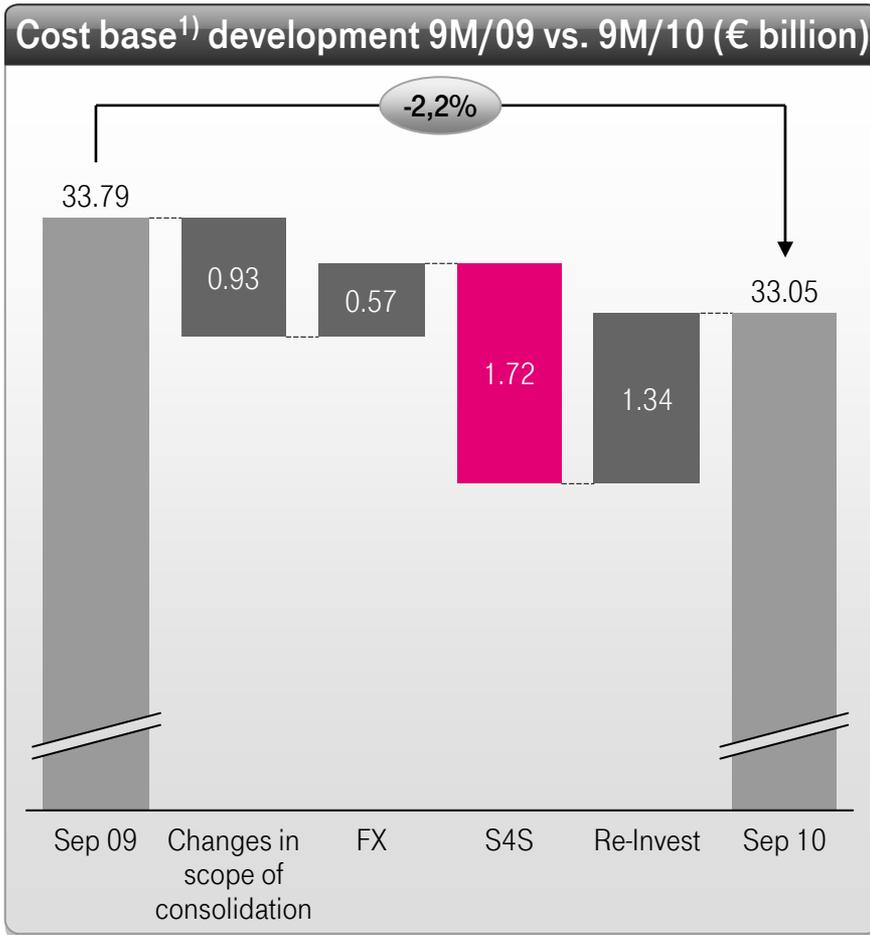


1) incl. national subsidiaries not part of the aforementioned categories

Free cash flow: on track to achieve at least € 6.2 billion.



S4S: €1.7 billion savings gross so far – €740 million net.



Contribution

by Business Unit (€ million)

YtD 2010

Germany	515
USA	361
Europe	300
Systems Solutions	404
GHS	140
DT Group	1,720

- €1.7 billion gross savings on corporate level
- Net cost base of group reduced by €0.74 billion
- Strong underlying* net savings in Germany (€0.49 billion) and Europe (€0.48 billion) partially offset by market invest predominantly in the US.
- Full year target of €2 billion will be overachieved



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

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

Ongoing solid balance sheet ratios and stable rating.

in € billion	30/09/2010	30/06/10	31/03/10	31/12/09	30/09/09
Balance sheet total	127.8	132.8	130.8	127.8	129.3
Shareholders' equity	43.4	44.8	44.3	41.9	41.6
Net debt	43.7	46.3	40.4	40.9	42.4
Net debt/adj. EBITDA ¹	2.2	2.3	1.9	2.0	2.1
Gearing	1.0x	1.0x	0.9x	1.0x	1.0x
Equity ratio	33.9%	33.7%	33.9%	32.8%	32.2%

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



Current Rating

Fitch: **BBB+** stable outlook



Moody's: **Baa1** stable outlook



S&P: **BBB+** stable outlook



R&I: **A** stable outlook



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



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For remaining questions please contact the IR department after the call.



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