Q3/11 – Results Presentation.
Deutsche Telekom.

November 10, 2011

Life's for Sharing

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Agenda.
Deutsche Telekom Results Presentation.

René Obermann
CEO

Timotheus Höttges
CFO

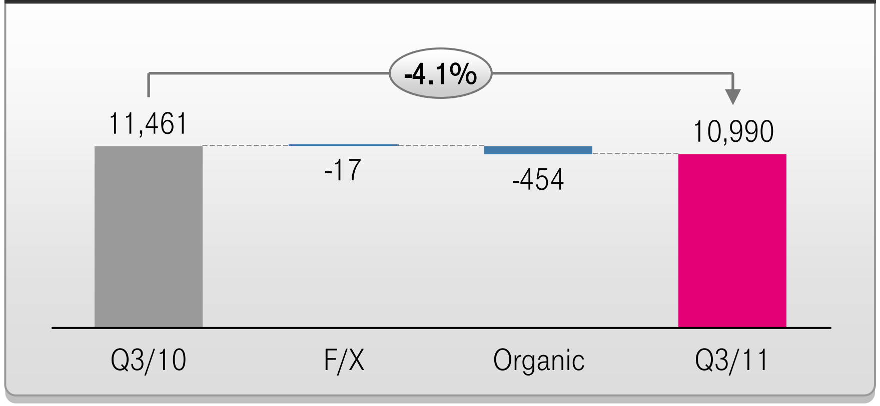
Q3 2011: Solid quarter – 75% of full year guidance achieved.

- Group revenue of €11.0 billion (-4.1%) and adj. EBITDA of €3.9 billion (-2.7%)
- FCF at €1.7 billion in Q3/11 well on track to achieve full year target
- Adj. net income increases 49% to €1.3 billion from €0.9 billion in Q3/10
- Save for service contribution of €1.5 billion in 9M.
- Germany: highest adj. EBITDA margin of 41.5% due to opex reductions of €0.3 billion in Q3 alone
  - Newly launched "Entertain" via satellite with 50k subscriptions in first month
  - 466k contract customer net adds in mobile
  - Mobile service revenue trend stabilization in Q3
  - No signs of meaningful SMS cannibalization via apps
  - Line losses in fixed improved by almost 40% year over year
- Europe: adj. EBITDA margin further improved to 35.8%
  - Greece with ongoing improvement in revenue and EBITDA trends
  - Strong increase in adj. EBITDA in the Netherlands (+24%)
  - Adj. EBITDA in the Czech Republic (-19%) impacted by regulation and one-off effect
- US: Q3 adj. EBITDA growth of 9.2%,
  - Adj. EBITDA margin at 27.8%
  - Net adds improved quarter over quarter in a challenging environment

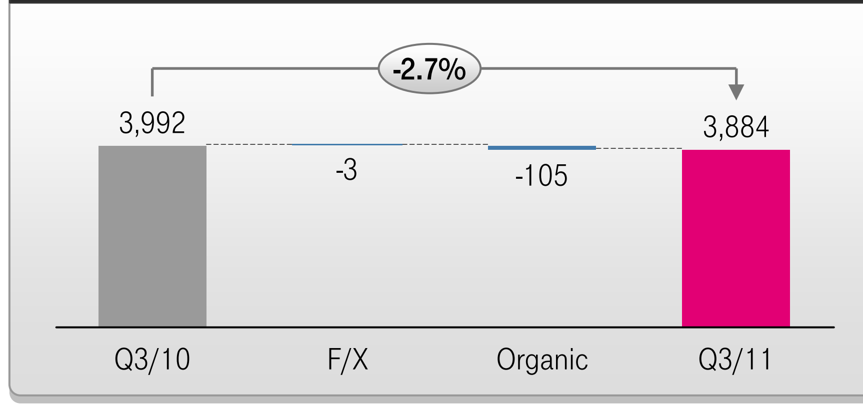
→ Full year 2011 Guidance re-iterated

Q3/11 Overview.
Continuing and discontinued operations.

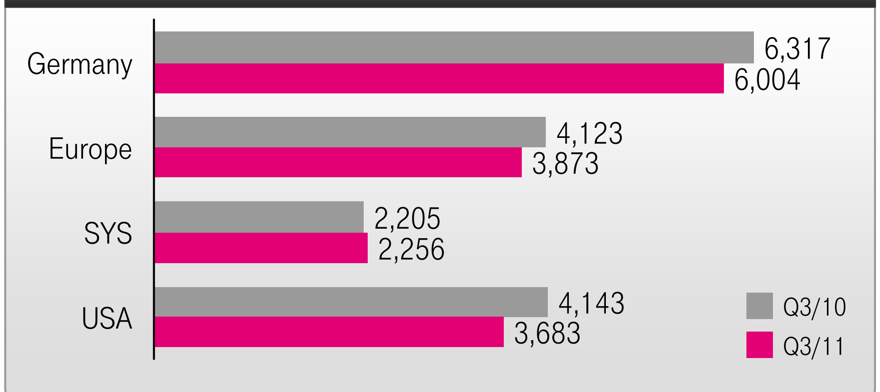
Revenue (€ million) Continuing operations



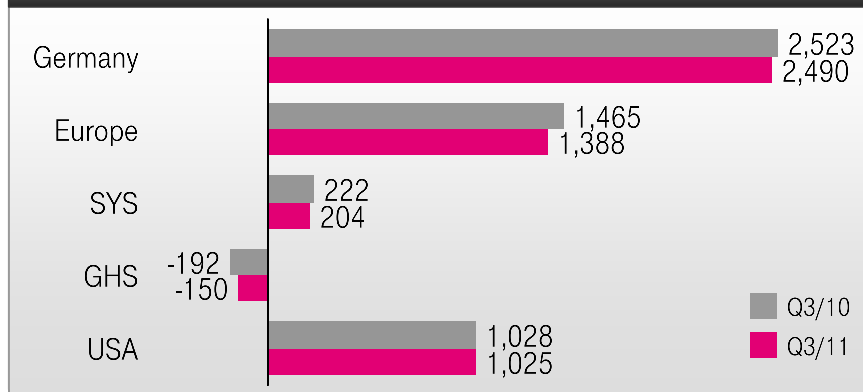
Adj. EBITDA (€ million) Continuing operations



Revenue Q3/10 vs. Q3/11 (€ million)



Adj. EBITDA Q3/10 vs. Q3/11 (€ million)



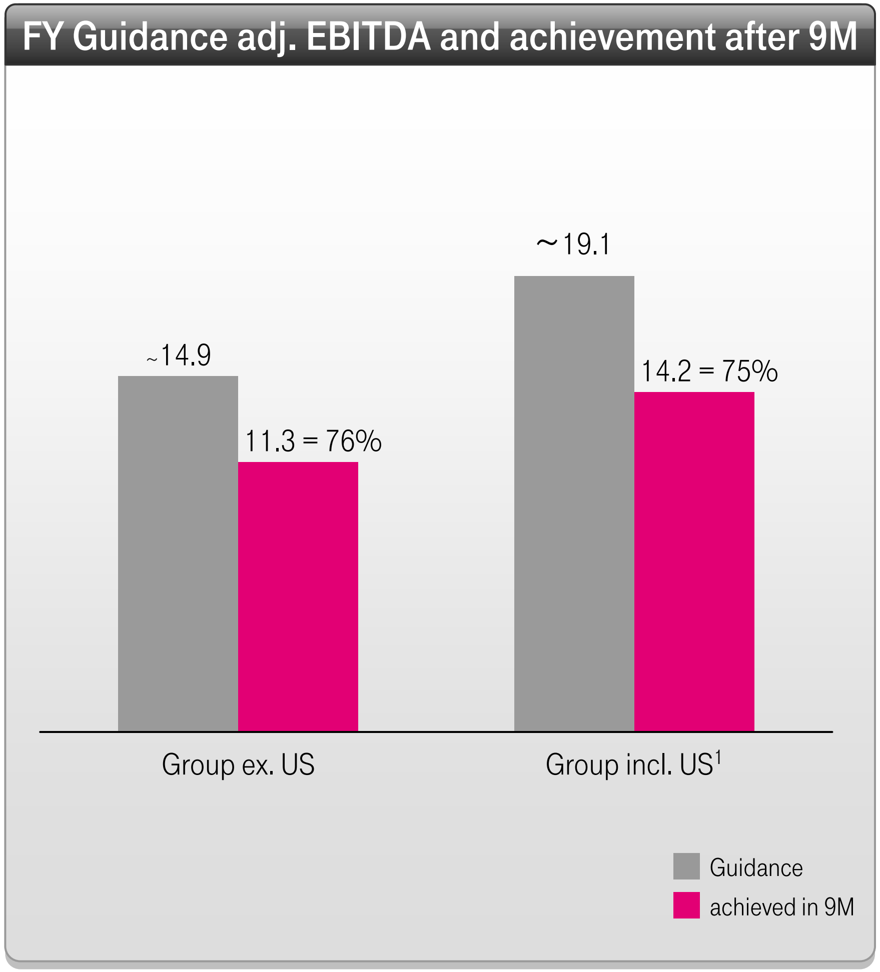
Q3/11 Key financials.

(€ million)	Q3/10	Q3/11	change in %
Revenue from Continuing operations	11,461	10,990	-4.1%
▪ Revenue incl. the US	15,601	14,670	-6.0%
Adj. EBITDA from Continuing operations	3,992	3,884	-2.7%
▪ Adj. EBITDA incl. the US	5,021	4,907	-2.3%
Adj. net profit	867	1,291	48.9%
Net profit	933	1,069	14.6%
Adj. EPS (in €)	0.20	0.30	50.0%
EPS (in €)	0.22	0.25	13.6%

Free cash flow[1]	1,882	1,706	-9.4%
Cash capex[1]	2,036	2,114	3.8%

1) Before dividend payments and spectrum costs in Europe of €63 million in Q3 2011

2011 guidance reiterated.

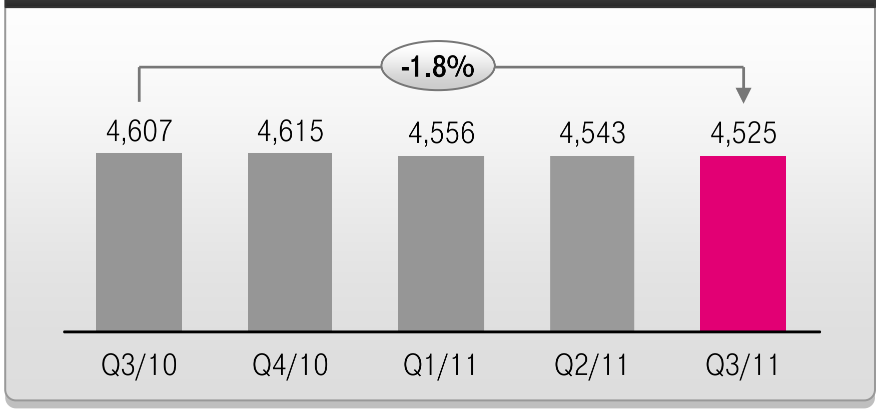


- As a result of the sale of T-Mobile US guidance of "around 19.1 billion" split into:
  - Discontinued operations: US with stable EBITDA over FY 2010 of around US$5.5 billion or around €4.2 billion based on F/X-rate of 1.33 (average rate of FY 2010). In 9M €163 million lost in currency translation.
  - Continuing operations: around €14.9 billion
- Free cash flow guidance unchanged at stable to slightly growing over FY 2010 of €6.5 billion
- Guidance assumes constant currency (average exchange rates of 2010). Free cash flow guidance not including €0.4 billion for PTC settlement

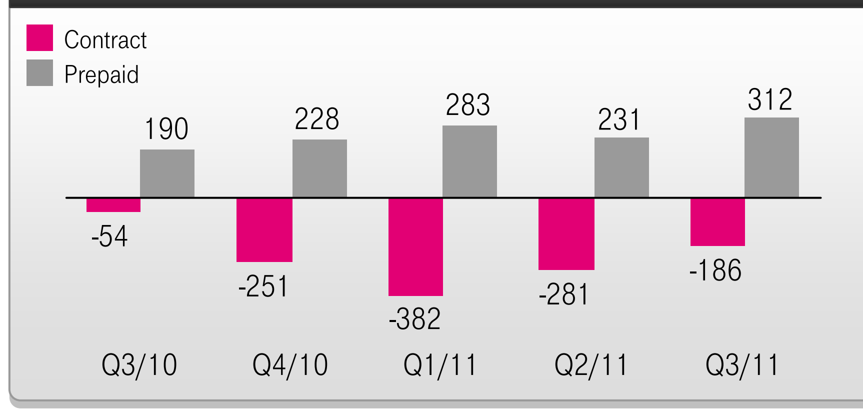
1) US-EBITDA translated at 1.33 guidance f/x

US: cost discipline supports margin.

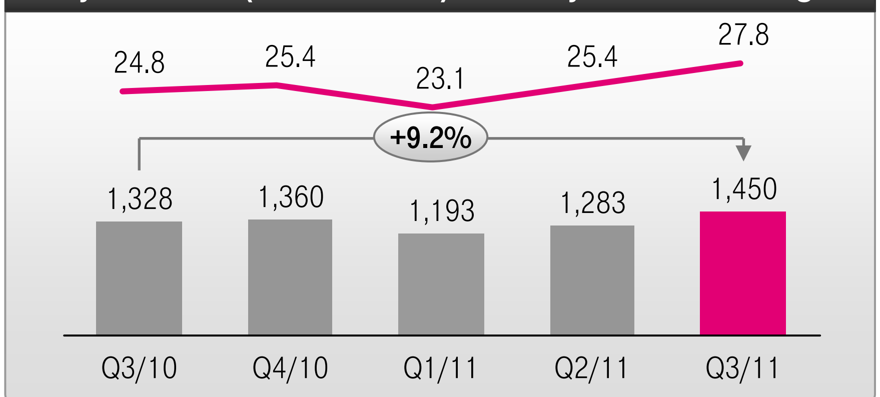
Service revenues (US$ million)



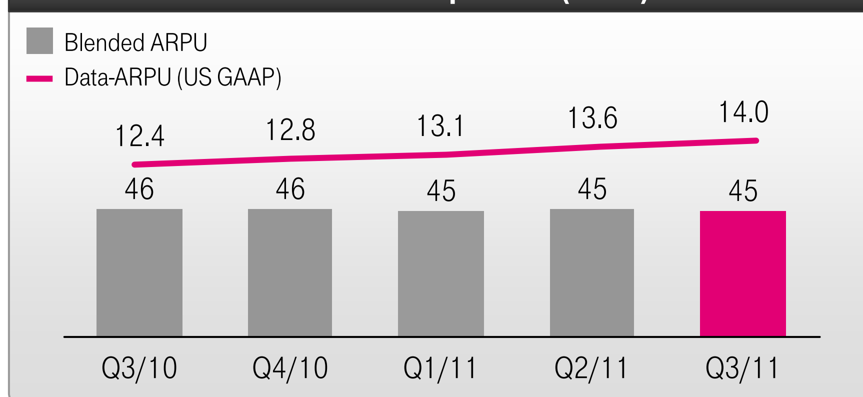
Net adds ('000)[1]



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

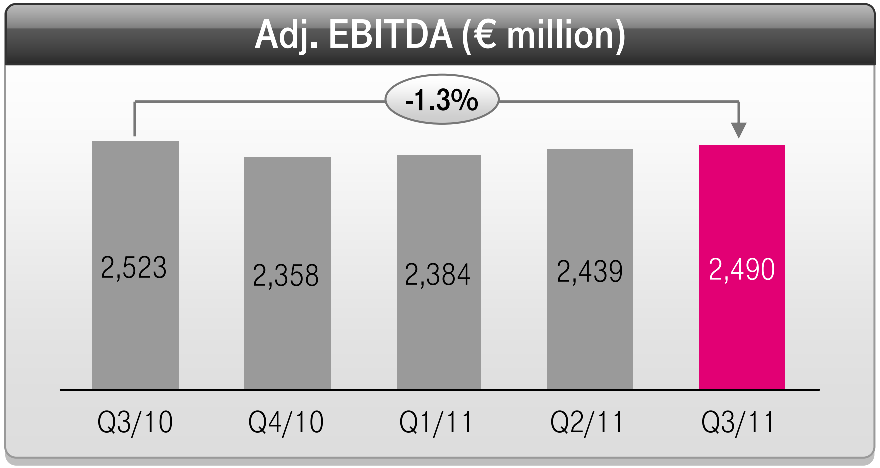


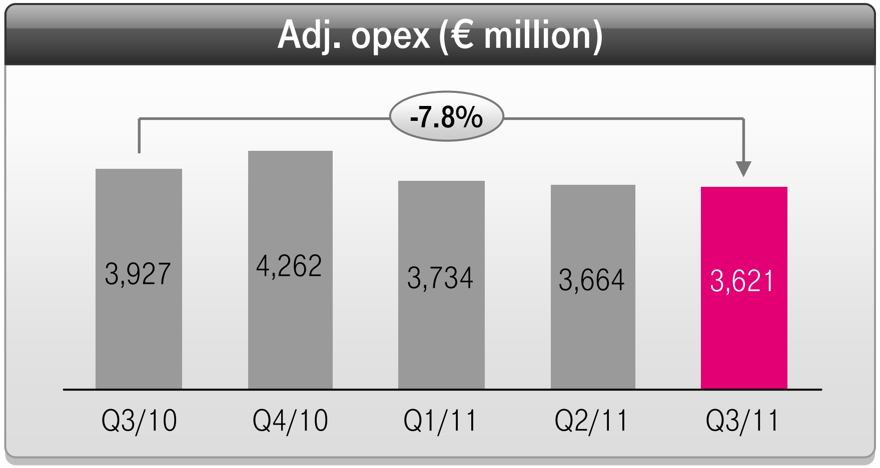
ARPU development (US$)

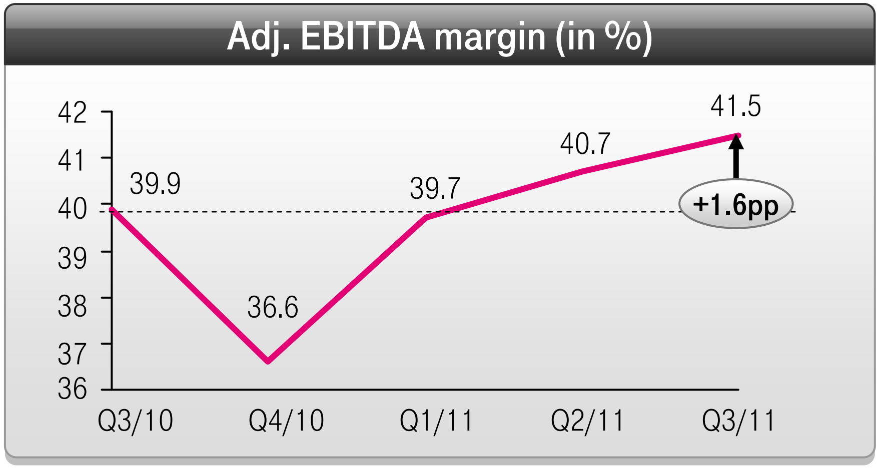


1) Walmart Family Mobile customers reclassified as contract customers, Q3/10, Q4/10, and Q1/11 restated accordingly.

Germany: strong cost discipline results in further improved EBITDA margin.



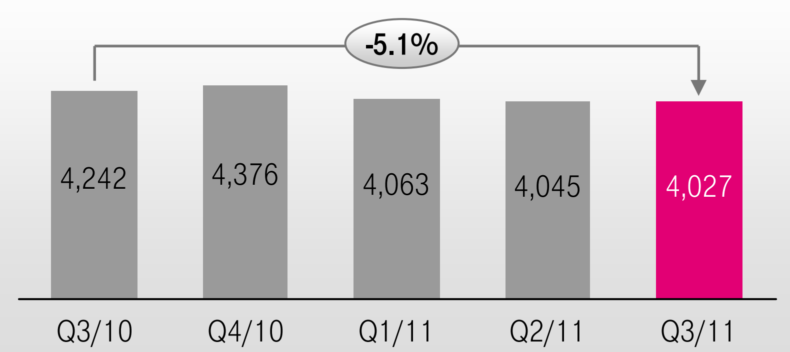




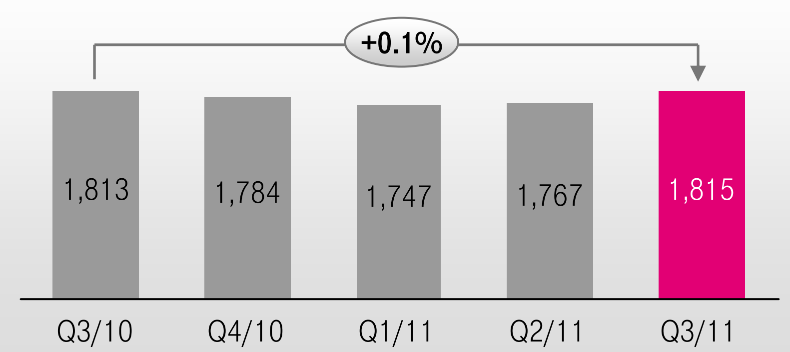
1) Q3 includes MTR-cut of approximately €58 million, adjusted for MTRs revenue decrease would have been 4%

Germany revenue: continued focus on data & TV opportunity.

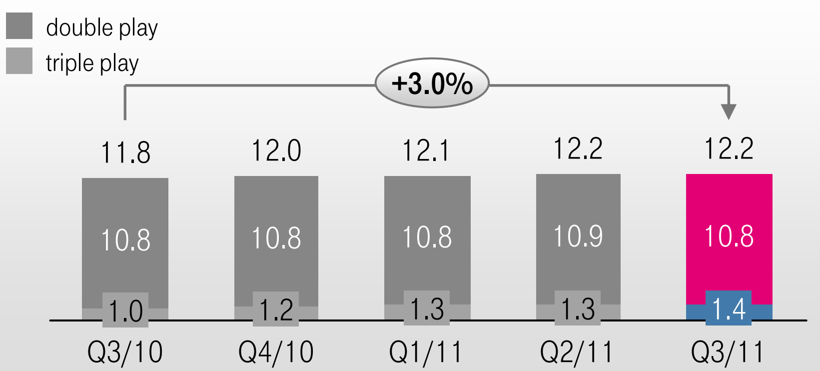
Fixed network revenues (€ million)[1]



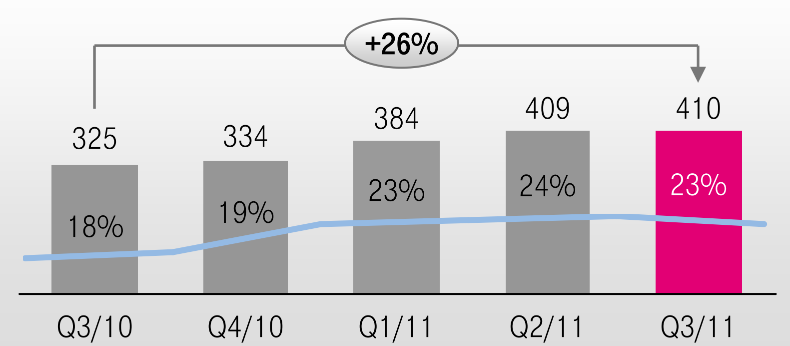
Mobile service revenue[2] (€ million)



2play + 3play customers (million)



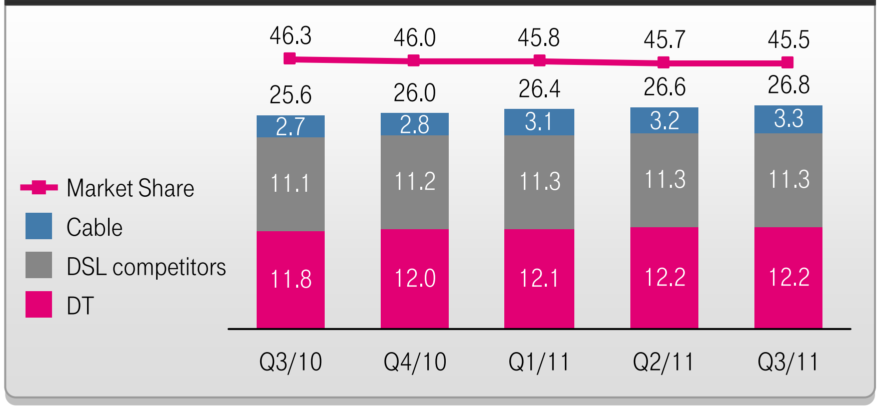
Mobile data revenue (€ million) and as % of ARPU



1) "Fixed network" revenues 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 (Q3 = €58 million revenue)

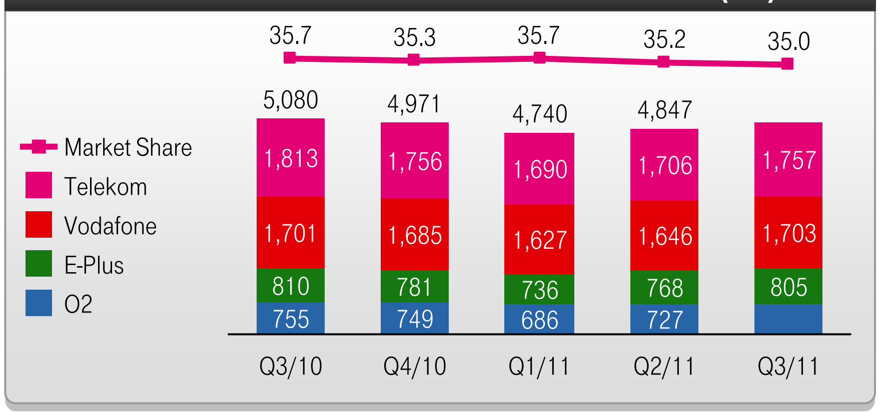
Germany: #1 in broadband and mobile service revenue.

Broadband access lines market share[1] (%)



- 52% of the domestic fixed customer base of 23.7million are broadband customers
- Line losses almost 40% below last year: 323k (525k in Q3/10)
- Solid IPTV growth continues with +32% (333k) Entertain customers now at 1,375k supported by new SAT offer.
- Retail fiber-customers (VDSL) growth to 520k (+242k yoy)

Mobile service revenue market share[1] (%)



- Strong ramp up in mobile data revenues: €410 million (+26% yoy), due to successful launch of new product portfolio
- Mobile contract net adds of 466k - as announced with strong emphasis on service provider and value segment
- stable contract churn of 1.1%, ongoing best in class
- 64% smartphone share of handsets sold in Q3/11 (+11pp yoy)
- iPhone sales: 221k – impacted by launch of 4S in October

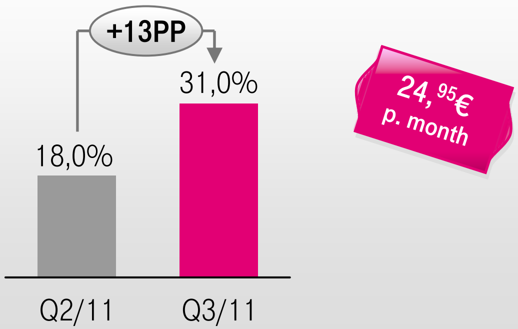
1) Company estimates; Rounded figures; Incl. reseller (competitor resale and resale); Q1/11 adjusted mainly due to changes in KDG reporting structure

Germany: initiatives in mobile and fixed with strong achievements.

Successful promotion of „Special Call&Surf Mobil“

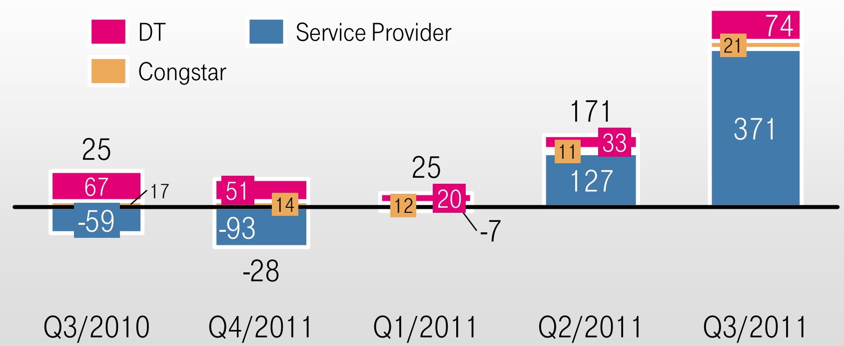
Share of contract Gross Adds consumer

Promotion price until Sep. 14th



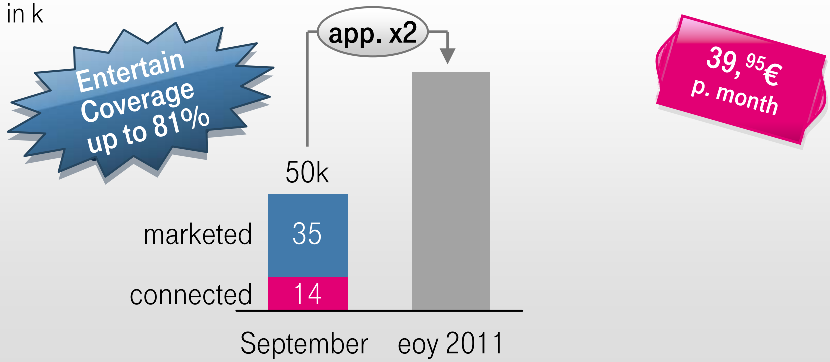
New segments successfully targeted via Service Provider

Net Adds contract in k.



50k Entertain Sat sold since Sep 1st

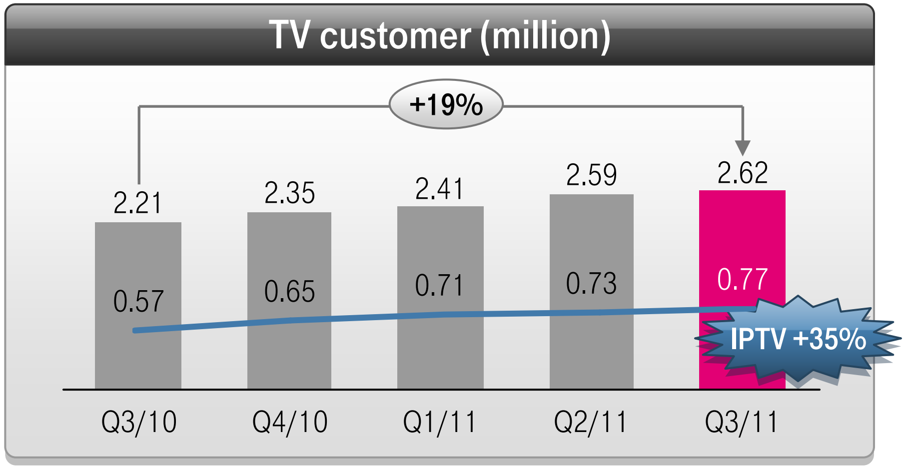
in k

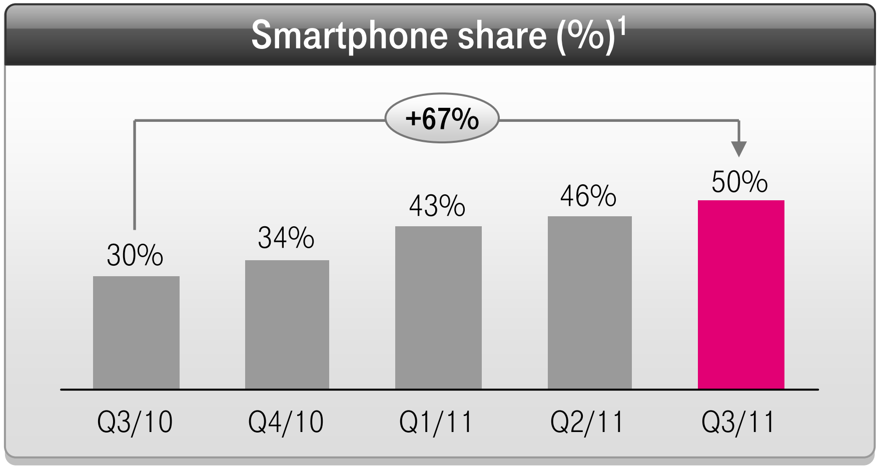


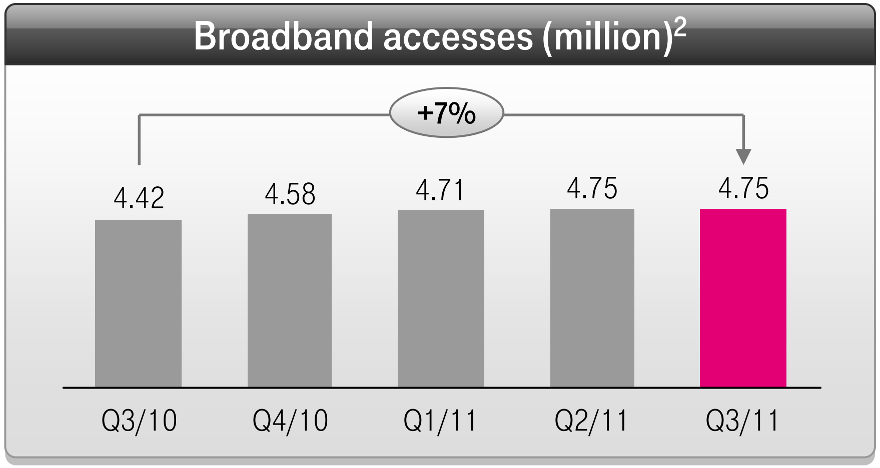
- „Special Call&Surf Mobil“ promotion successfully targeted Value segment. More than 70% of intake are new customers.
- As promised new customer segments addressed via Service Provider
- Entertain SAT combined with VDSL push as new running horse for TV success story

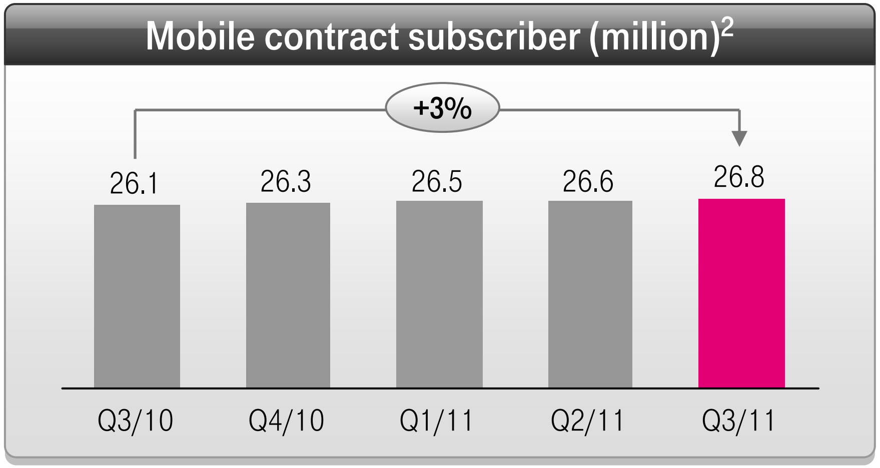
Entertain is available with a DSL connection of at least 3 Mbit/s

Europe – growth in key market KPIs.



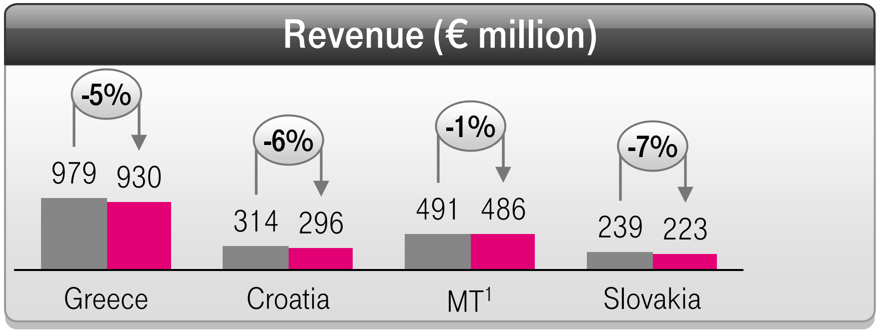


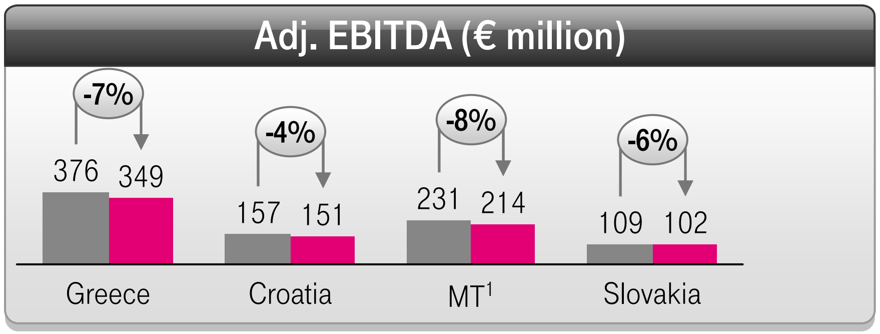


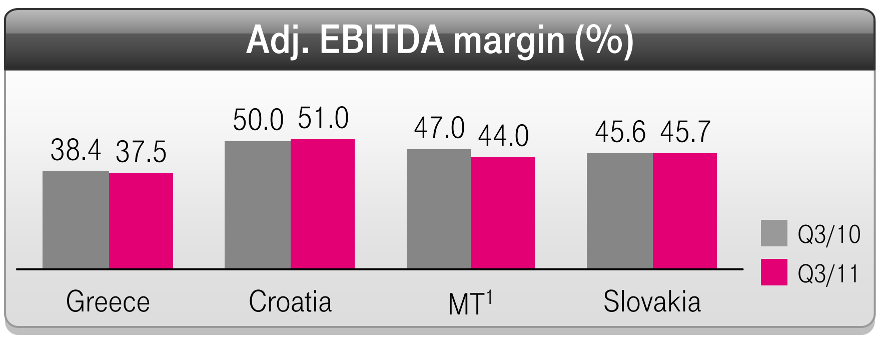


1) Percentage of smartphones in dispatched devices (excl. OTE, Macedonia and Montenegro); 2) incl. customers shifted to T-Systems in Hungary as of 1.1.2011

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







Greece:

- Financials show signs of progress: both revenue and adj. EBITDA trends improved compared to Q1 and Q2
- Recent agreement with unions on working hours and wage reduction will result in €160 million cost reductions in next three years
- Leadership in mobile safeguarded with 42k contract and 98k prepay net adds in Q3

Croatia:

- Underlying revenue decline 1.6%. Underlying adj. EBITDA decline 0.6%
- Growth in IPTV (+19.9%) and broadband (+7.7%) partially compensate line losses. Smartphone share doubled to 35%

MT (Hungary and others):

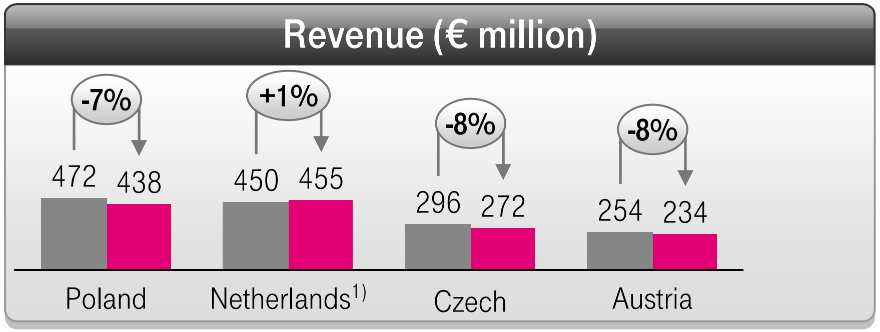
- Underlying revenue -2.2%. Underlying adj. EBITDA -9.1%
- Growth in IPTV +68% (Hungary +85.4%)

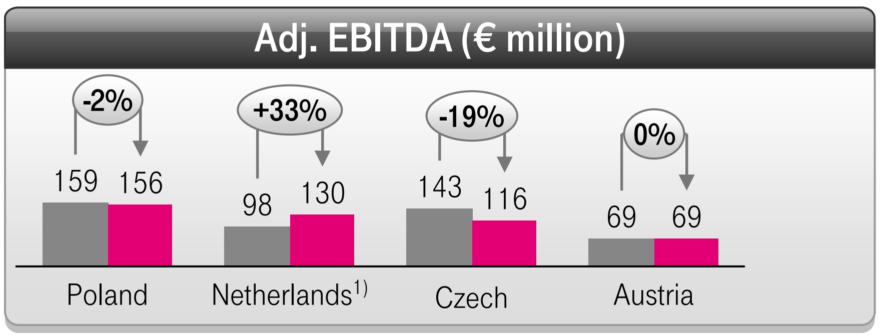
Slovakia:

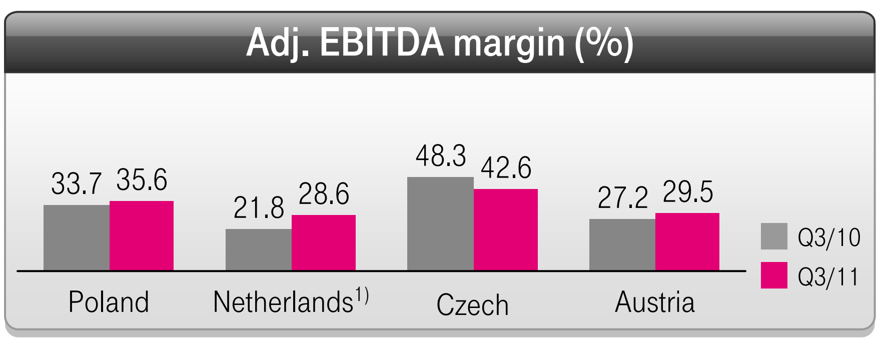
- Underlying revenue decline of 5.9%. Underlying adj. EBITDA -6.4%
- IPTV +16,9%. Smartphone share at 46% in Q3

1) Figures adjusted for special tax in Q3/11 - impact: €20 million on revenue and adj. EBITDA, 0,1%p on margin Q3/10 figures adjusted for shift of business customers to T-Systems segment.

Europe – mobile centric: focus on profitability.







Poland:

- Underlying revenue -1.1%. Adj. EBITDA underlying +5%
- Rebranding with positive impact on contract net adds

Netherlands:

- Underlying revenue +1.1% and adj. EBITDA +32.7%. EBITDA improvement predominantly due to iPhone driven expenses in Q3/10.
- Smartphone sales increased again: now 62% of devices in Q3. Contract net adds 53k. SMS revenues increased by 12% with majority of traffic within bundles

CZ:

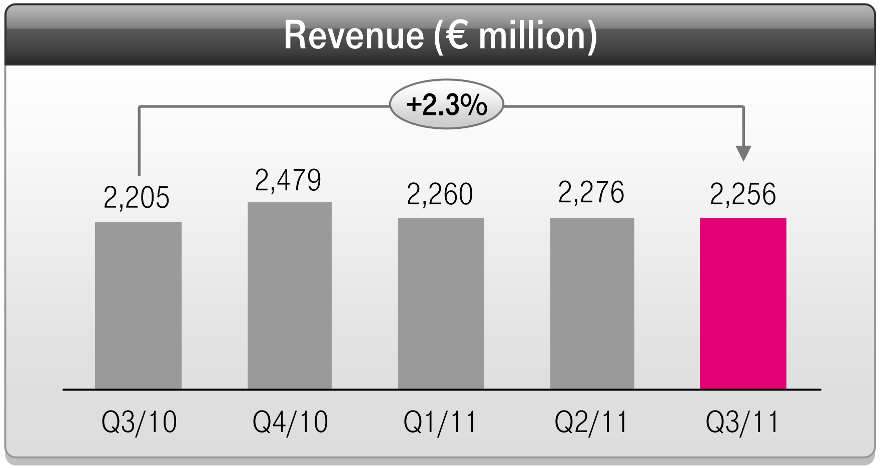
- Decline in revenue due to regulation and competition driven price decreases
- Adj. EBITDA declining due to revenue shortfall and bankruptcy of a service provider

Austria:

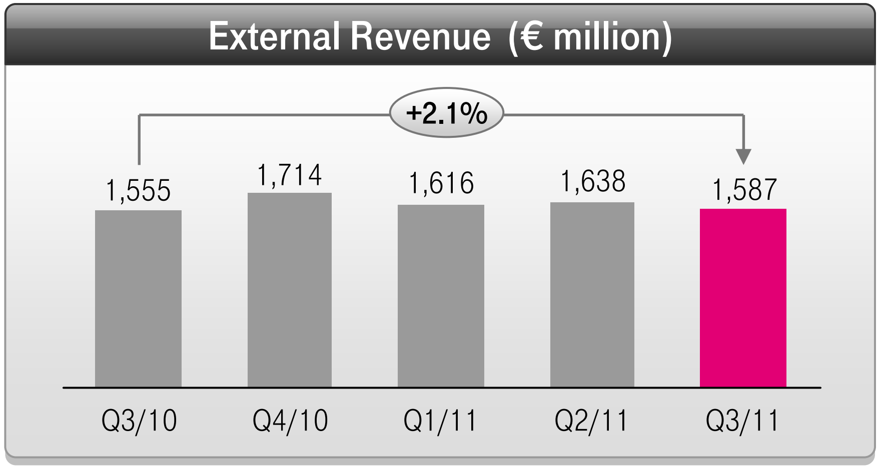
- Revenue impacted by regulation and competition
- Revenue decline fully compensated by opex savings
- Solid contract (16k) and prepay (40k) net adds

1) Q3/11 adjusted for regulatory impact

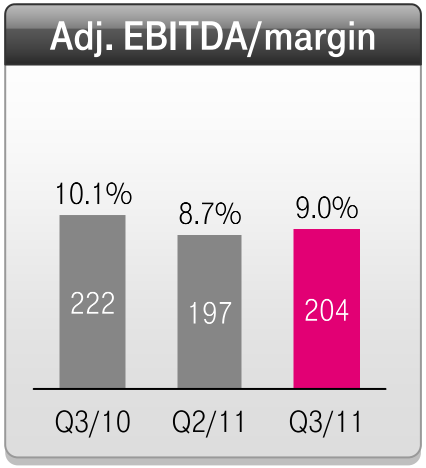
Systems Solutions: revenue growth of 2.3% in Q3/11.

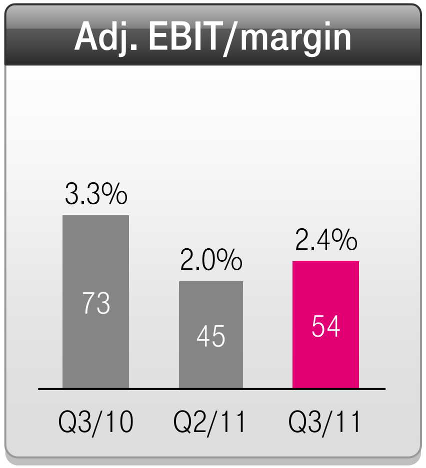


- Revenue increase yoy of +2.3% up to €2,256 million
- External revenues up +2.1% to €1,587 million
- Strong order entry vs. Q3/10 of €1,926 million due to renewals and additional business in customer base (e.g. Daimler)

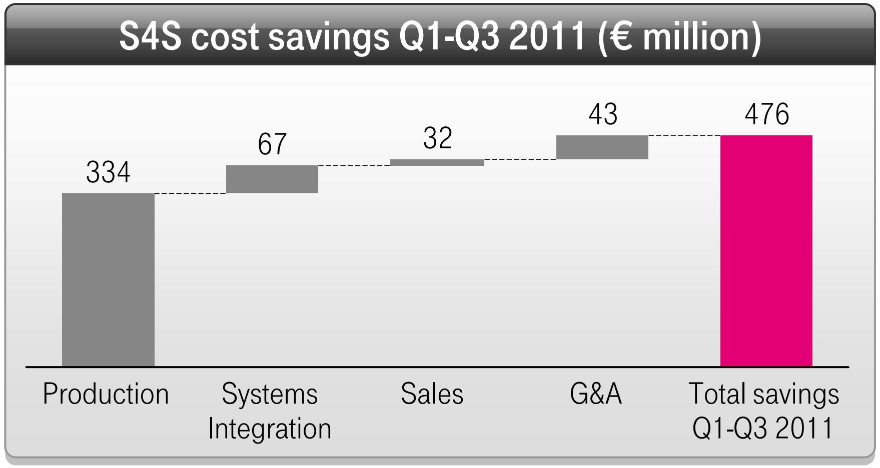


Systems Solutions : Save for Service cost savings.





- Adj. EBITDA at €204 million with a margin of 9.0%
- Adj. EBIT margin in Q3/11 down to 2.4% from 3.3% in Q3/10
- Ongoing impact of higher opex related to big deal execution and quality assurance
- Both EBITDA and EBIT margin improved quarter on quarter
- Capex reduced by €65 million in order to protect cash flow

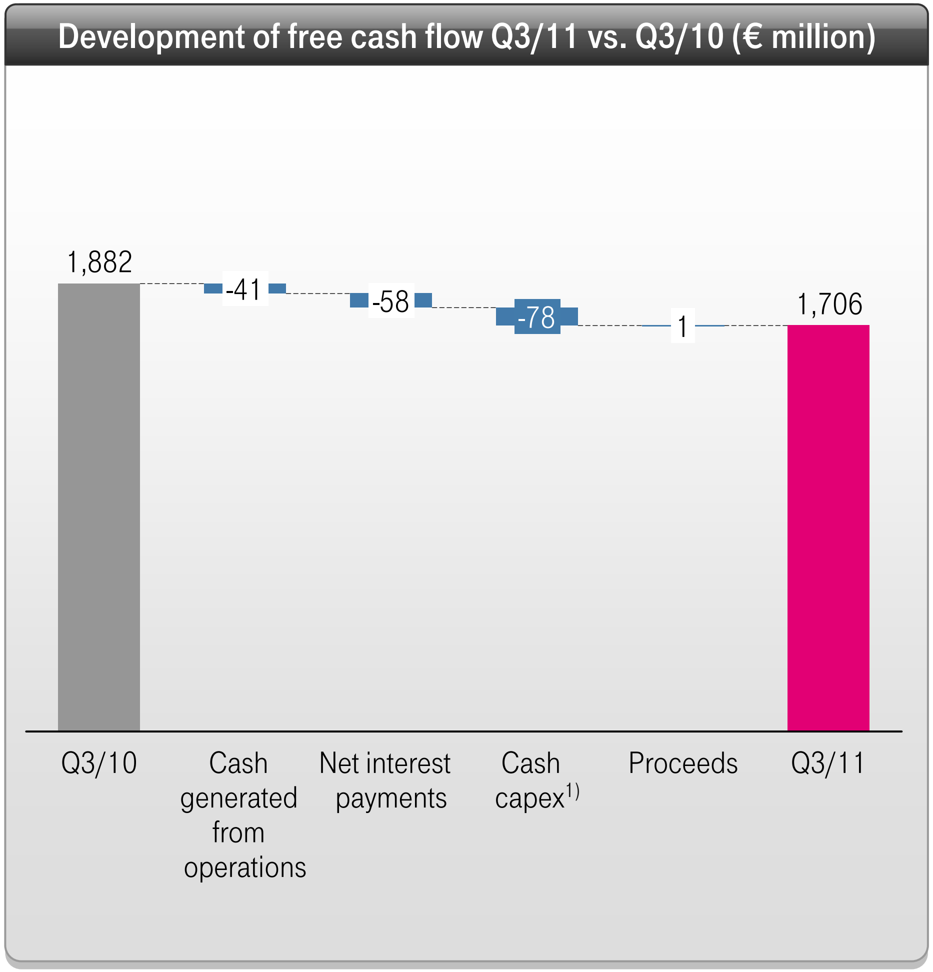


Besides quality assurance focus remains on S4S program to improve overall efficiency:

- standardized tools & processes within Sales
- Improvements on global production setup: sourcing, platforms, standardization
- Further sourcing optimization at Systems Integration
- G&A: general cost reduction

In total €0.5 billion S4S contribution in Q1-Q3/11

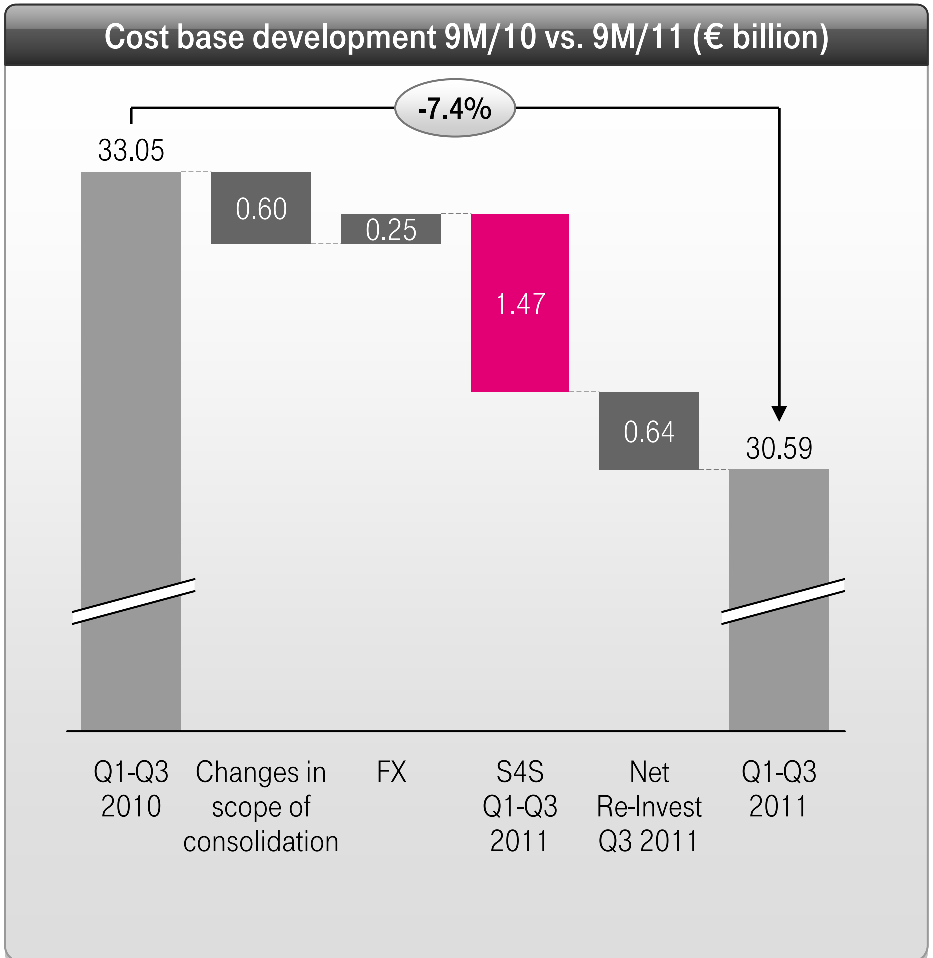
Free cash flow: full year guidance confirmed.



- Guidance for cash flow confirmed
  - Q3 cash flow impacted by higher capex, esp. in Germany, and interest payments
  - We expect reversal of capex trends in Q4 which will support free cash flow generation

1) Adj. for €63 million of spectrum invest

Q3 2011 Save for Service: 3.9 billion out of 4.2 achieved.



Contribution by Business Unit (€ million)	Q1-Q3/2011 Realized
Germany	424
USA	287
Europe	247
Systems Solutions	476
GHS	34
DT Group	**1.468**

- Total run rate of S4S program now at €3.9 billion of €4.2 to be achieved 2010 to 2012
- Net reduction of DT cost base by -7.4% (€2.46 billion) on corporate level driven by S4S, deconsolidation of UK and reduction of Mobile Termination Rates.
- Contribution to net cost reduction
  - Germany €0.8 billion
  - USA € 0.8 billion
  - Europe €1.1 billion (incl. €0.6 billion UK deconsolidation)

Ongoing solid balance sheet ratios and improved rating outlook.

in € billion	30/09/2011	30/06/2011	31/03/2011	31/12/2010	30/09/2010
Balance sheet total	**124.6**	**123.1**	**123.2**	**127.8**	**127.8**
Shareholders' equity	40.7	39.3	42.7	43.0	43.4
Net debt	43.4	43.3	41.8	42.3	43.7
Net debt/adj. EBITDA[1]	2.3	2.3	2.2	2.2	2.2
Gearing	1.1x	1.1x	1.0x	1.0x	1.0x
Equity ratio	**32.7%**	**31.9%**	**34.6%**	**33.7%**	**34.0%**

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+**	positive outlook	✓
Moody's:	**Baa1**	watch positive	✓
S&P:	**BBB+**	positive outlook	✓
R&I:	**A**	stable outlook	✓

1) Calculation based on adj. EBITDA of continuing and discontinued operations over the last four quarters

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

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CFO

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

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