

Q4/09 – Results Presentation.

Deutsche Telekom.

February 25, 2010

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Agenda.
Deutsche Telekom Results Presentation.



René Obermann
CEO

FY09 and Q4 2009 Review
Outlook 2010 & Guidance



Timotheus Höttges
CFO

FY09 and Q4 2009 Review
Save for Service Review and Outlook
Shareholder Remuneration



Good 2009 results despite economic crisis.

FY 2009	<ul style="list-style-type: none">▪ Targets achieved: €20.7 billion adj. EBITDA, €7 billion free cash flow▪ Both free cash flow and adj. net income (€3.4 billion) at last year's level▪ Significant investment into operations: €9.2 billion capex▪ Q4 with robust operating performance – revenue +0.6% and adj. EBITDA +8.6%▪ UK joint venture as a strategic progress
Operations	<ul style="list-style-type: none">▪ Adj. EBITDA margin improvement in Germany▪ Mobilize the internet – Data revenues exceeding €1 bn per quarter▪ Strong margin performance in European mobile▪ Continued turn-around at T-Systems, though not yet on competition levels
Save 4 Service	<ul style="list-style-type: none">▪ €5.9 billion gross savings 2007-2009▪ €2.5 billion net savings in fixed-line Germany¹
Shareholder Remuneration	<ul style="list-style-type: none">▪ 2009: €0.78 dividend per share, free of German withholding tax, proposed by Management and Supervisory Board



¹ Domestic fixed line business: savings YE06-YE09 (i.e. w/o business customers) , 2009 pro forma

Realistic outlook, reasonable investment & predictable returns for shareholders.

Guidance 2010¹⁾	<ul style="list-style-type: none">▪ Around €20 billion in adj. EBITDA▪ Around €6.2 billion in FCF▪ Slightly higher cash capex than in 2009▪ No major M&A
Operations	<ul style="list-style-type: none">▪ More investment in broadband access (fixed and mobile)▪ Focus on new service initiatives▪ Further execution on efficiency improvements
Save 4 Service	<ul style="list-style-type: none">▪ S4S Phase II: Around €4.2 billion gross savings expected 2010-2012; €1.8 billion net savings in Germany and SEE
Shareholder Remuneration ²⁾	<ul style="list-style-type: none">▪ 2010-12: Unchanged €3.4 billion remuneration to DT shareholders expected for 2010-2012 with a minimum dividend of €0.70 p.a. and the rest via share buy backs

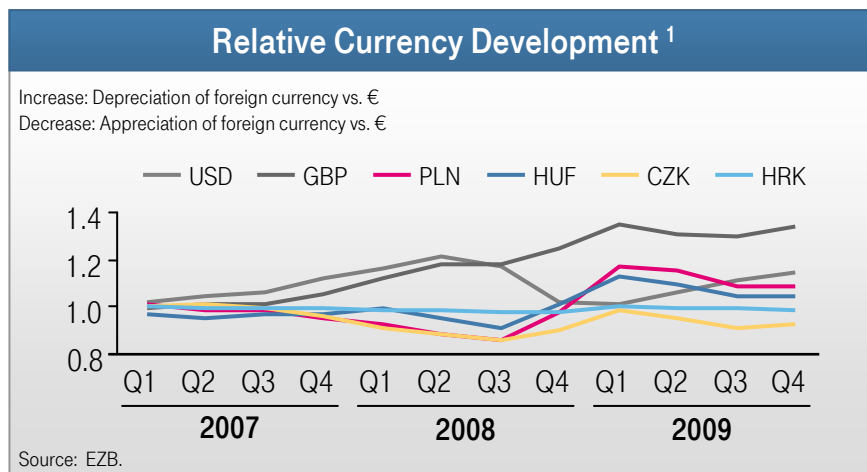
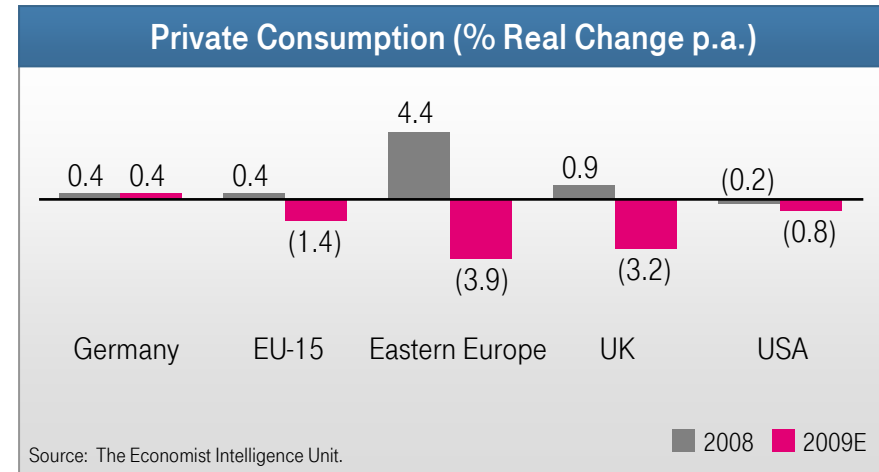
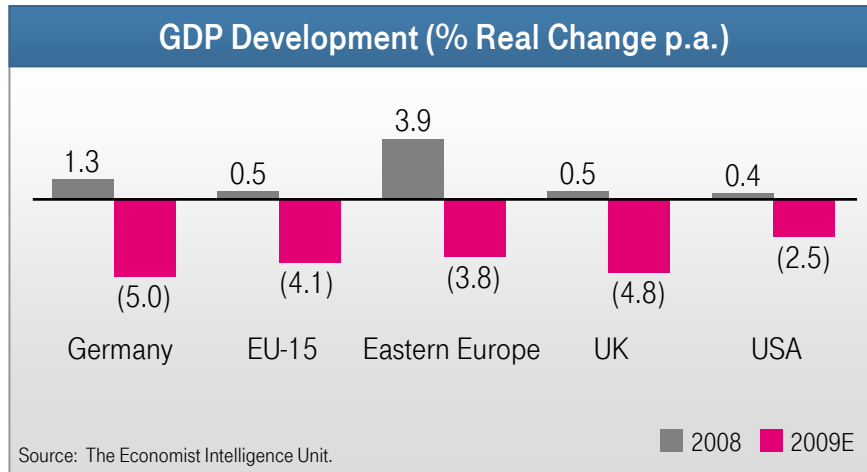
 1) incl. TM UK for the full year 2010 2) Subject to necessary AGM-Approval and board resolution

1. Economic environment 2009/2010



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Economic environment 2009 and impact on DT.

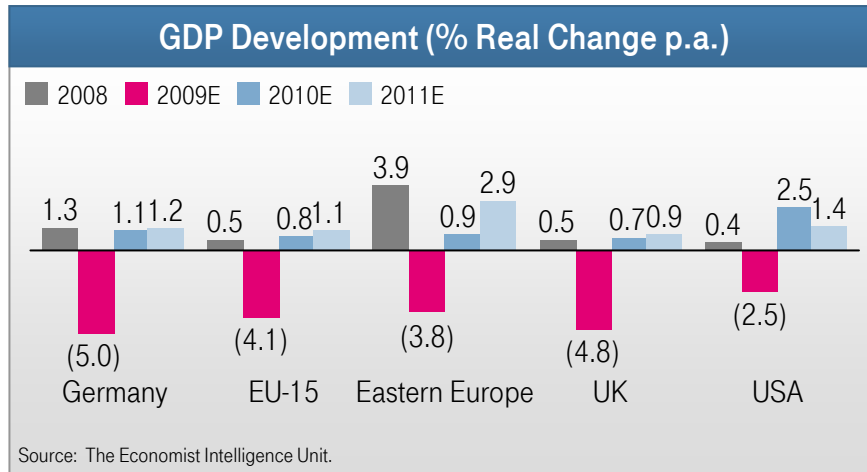


- ### Impact on Deutsche Telekom
- €0.1 billion adj. EBITDA lost via currency translation vs. 2008
 - GDP development in all DT core markets were negative
 - Visitor revenues for Europe are down 25% and net roaming revenues more than 28%
 - Negative impact of new taxes introduced in SEE >€0.1 billion
 - Negative regulatory impact

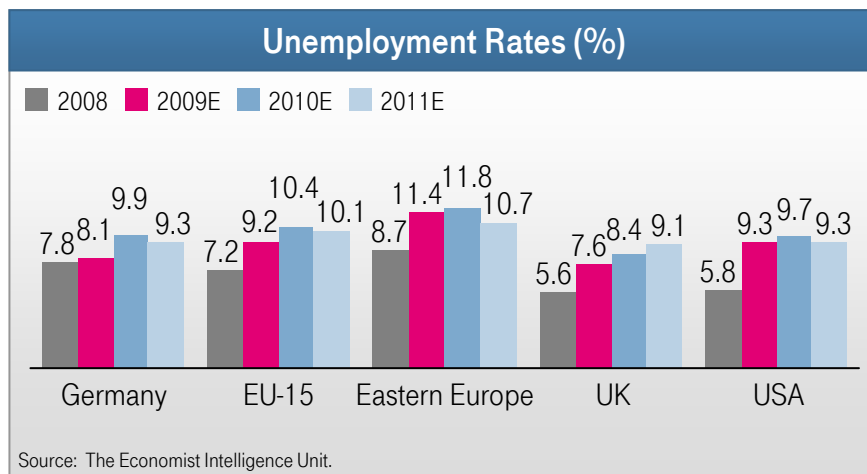


¹ Depiction of change of foreign currencies vs. rates at end of Q4 2006. Nominal amounts are spot rates.

Economic Outlook 2010 and potential issues for DT.



- ### Potential Impact on Deutsche Telekom
- Low GDP growth expectations for Europe and the US will keep pressure on prices, especially as private consumption growth lags behind overall GDP trend
 - Ongoing necessity for cost reductions
 - Consistently high unemployment rates may impact consumer spending
 - Further risks from inflation, high public debt, bankruptcies and tax increases

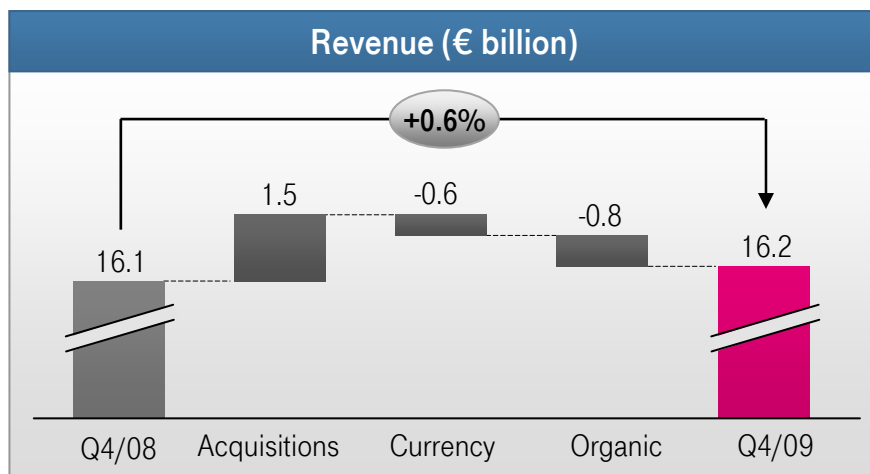


2. Q4/FY2009

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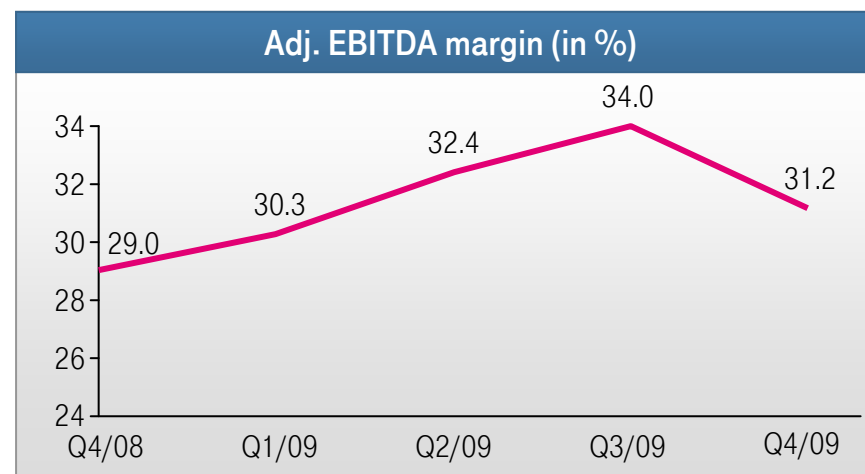
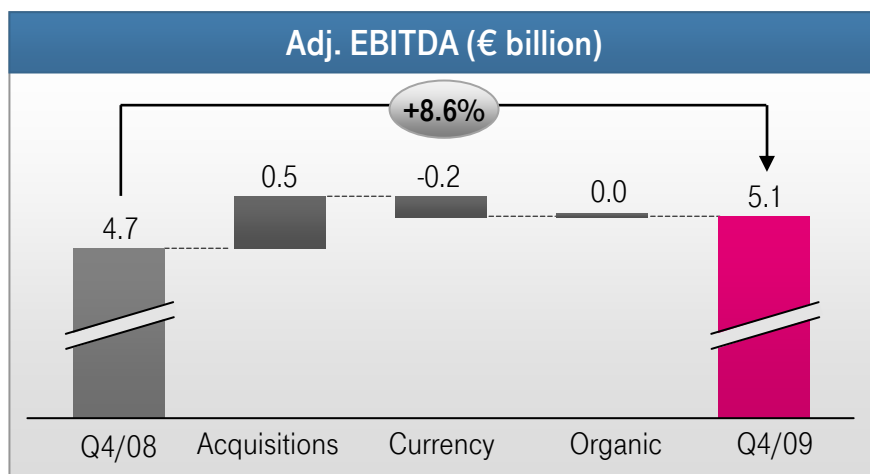
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Q4 Group highlights: Group margin up more than 2pp.

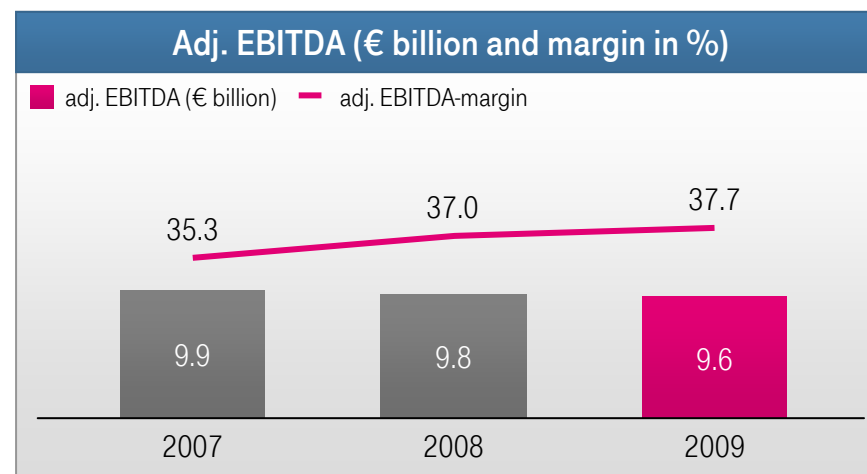
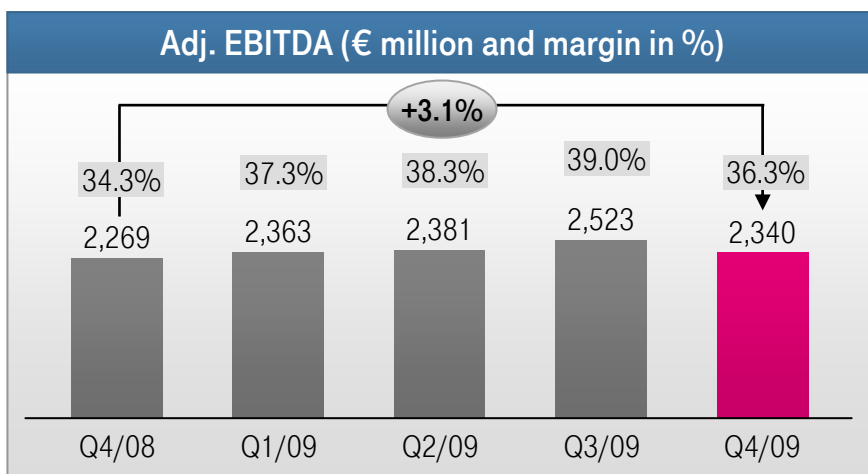
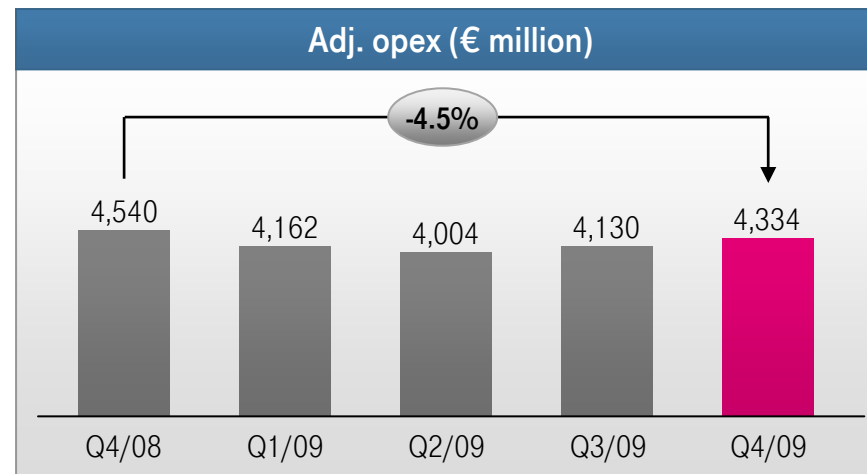
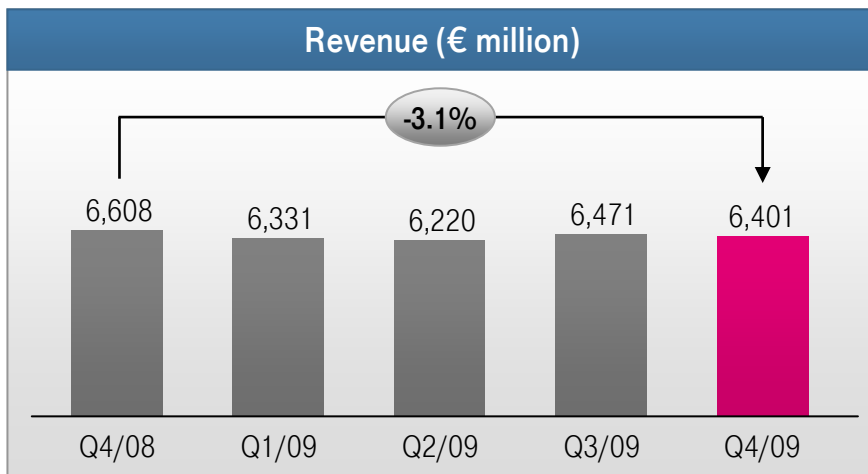


Overview Q4 financials

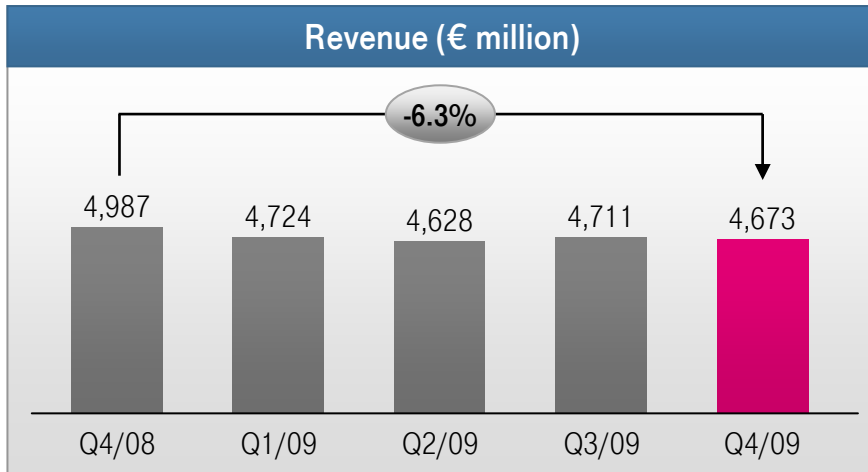
- Achieved guidance despite considerable currency headwind
Group revenue growth of 0.6% in Q4/09
- Group adj. EBITDA growth of 8.6% in Q4/09
- Group margin improved from 29.0% to 31.2%
- Adj. net income up 5.1% to € 0.9 billion
- Q4/09 FCF improved 49.6% to €1.9 billion



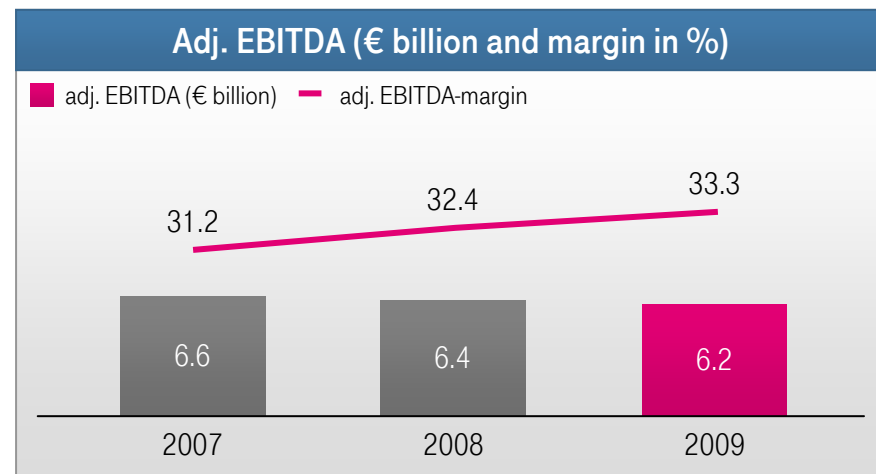
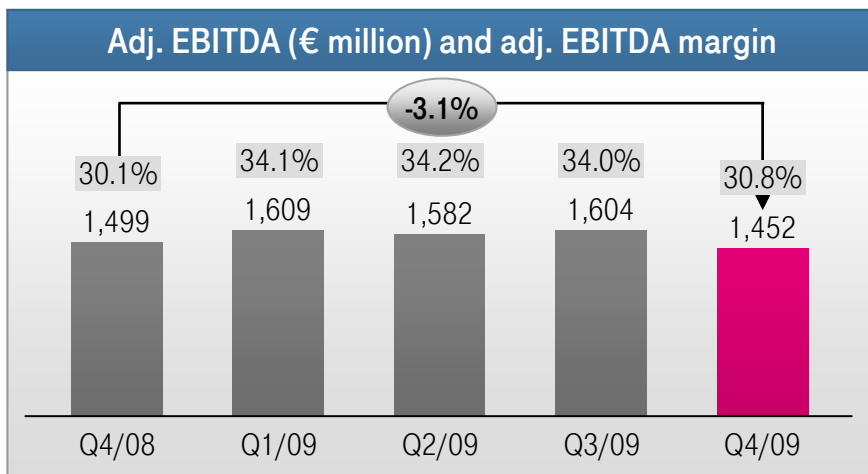
Germany: Adj. EBITDA growth – €947 million net cost reduction 2009.



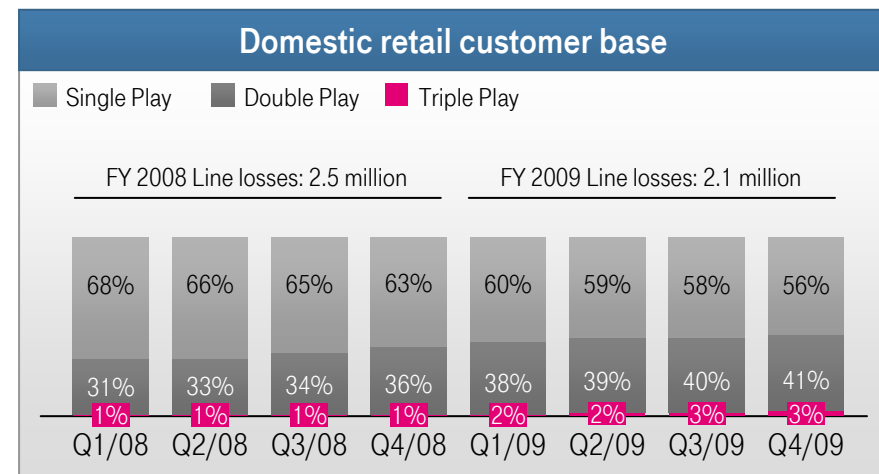
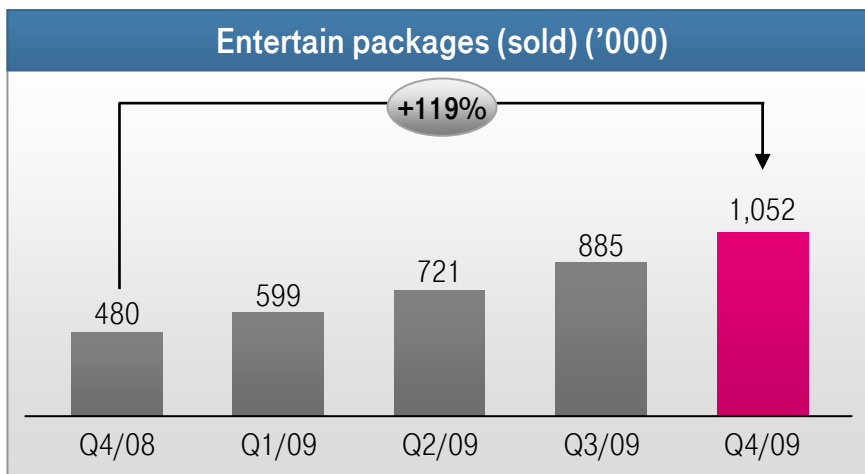
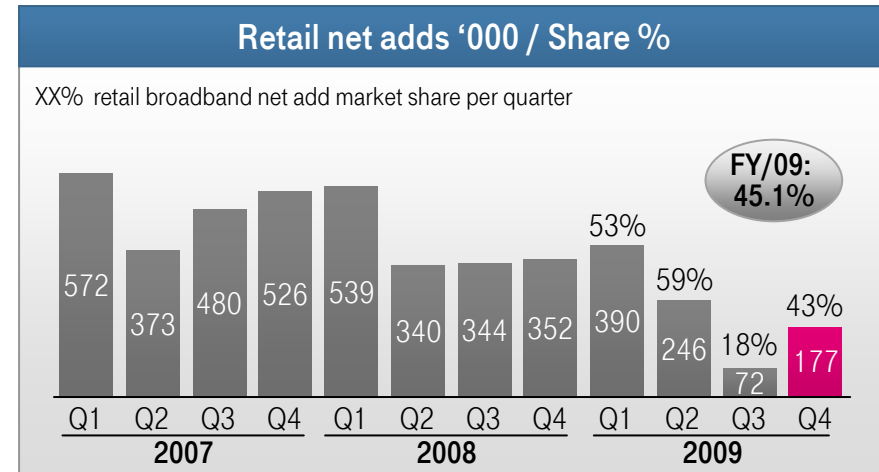
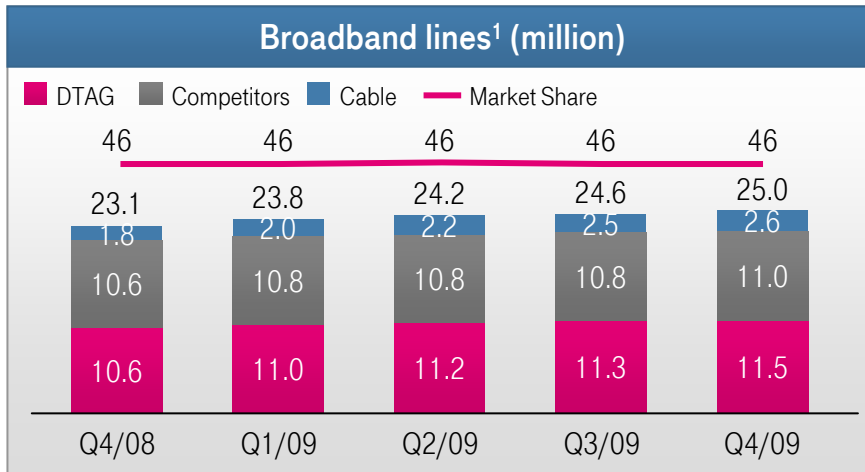
Germany: Fixed – on its way towards adj. EBITDA stabilization.



- Fixed network adj. EBITDA of -3.1% in Q4/09,
- Due to cost discipline FY/09 adj. EBITDA -2.4%
- Adj. Opex of fixed network reduced by €0.9 billion in FY/09, cost base reduced to €13 billion
- FY/09 adj. EBITDA margin improved by 0.9pp to 33.3%
- Approx. 4,400 yoy net headcount reduction (-5.5%)

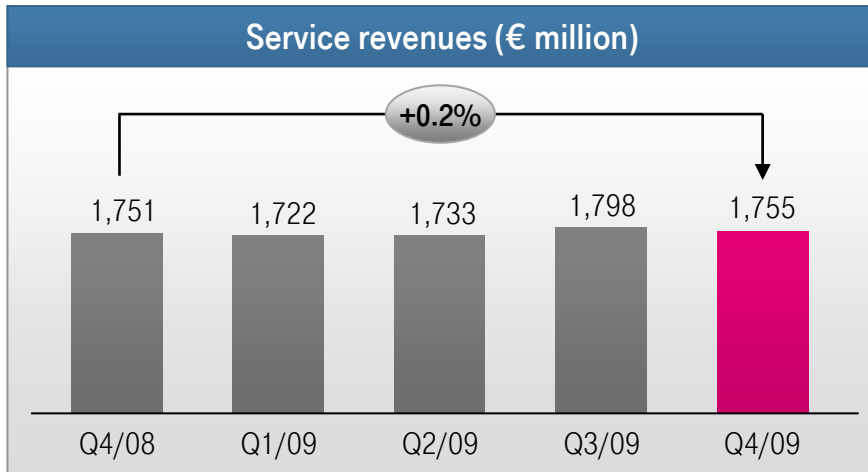


Germany: Fixed – 45% broadband net add market share, as guided.

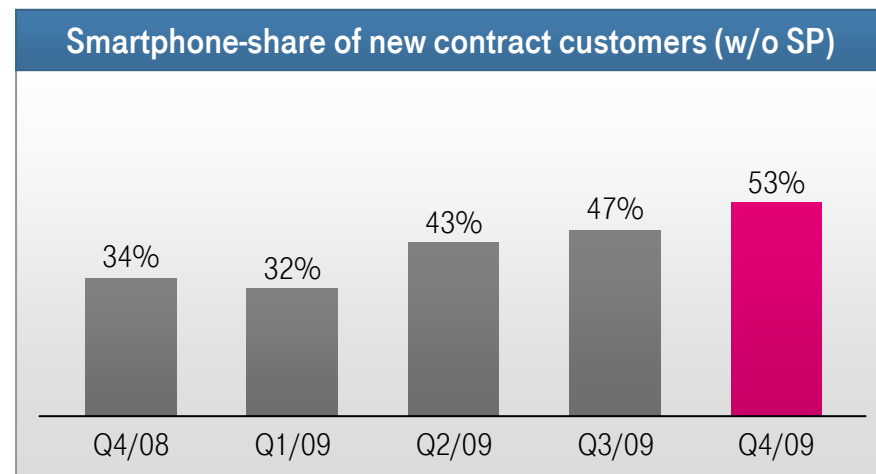
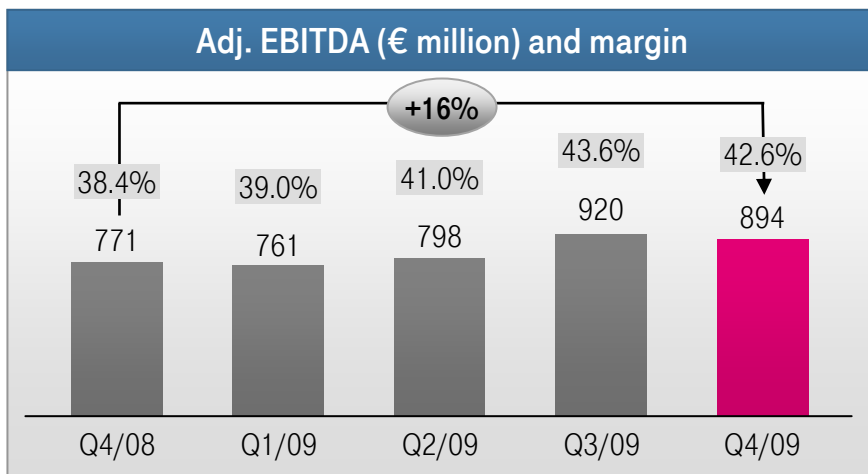


¹ Market share for 2008 adjusted based on new BNetzA figures, 2009 own estimates. Rounded figures. Competitors: ULL, WS bundled and unbundled and resale.

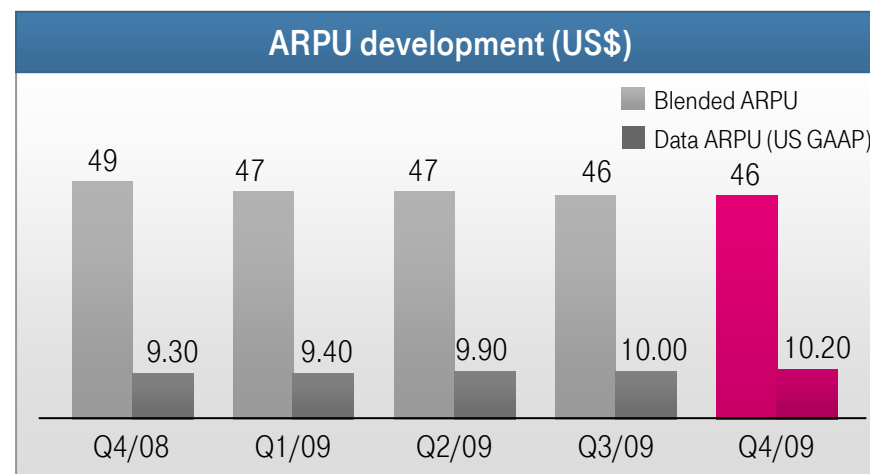
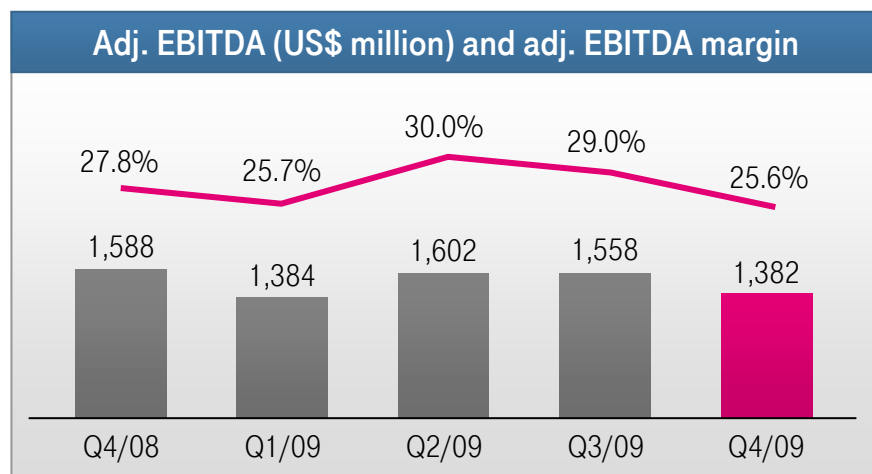
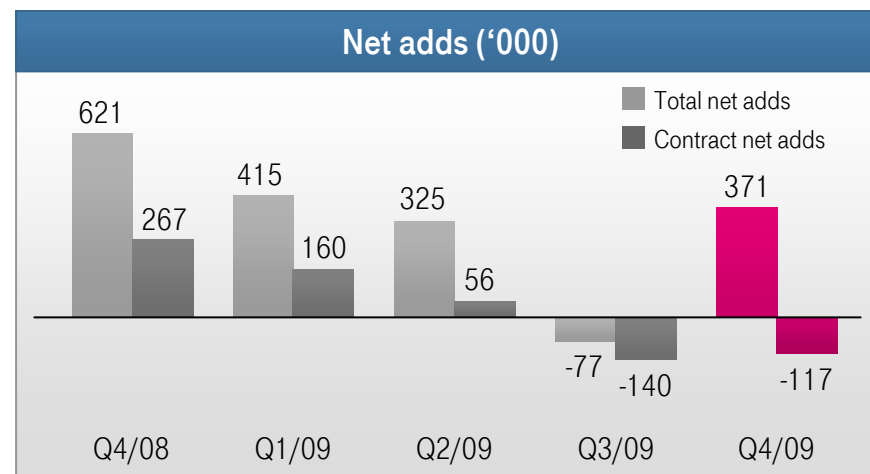
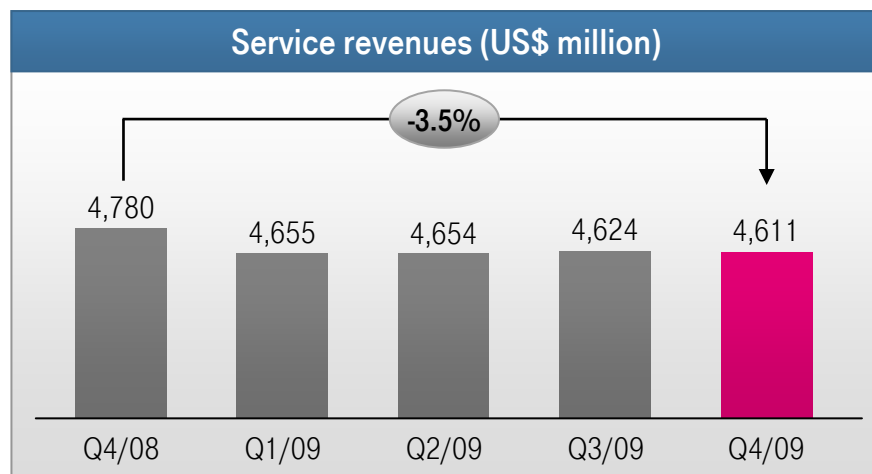
Germany: Mobile returns to growth with increased margin.



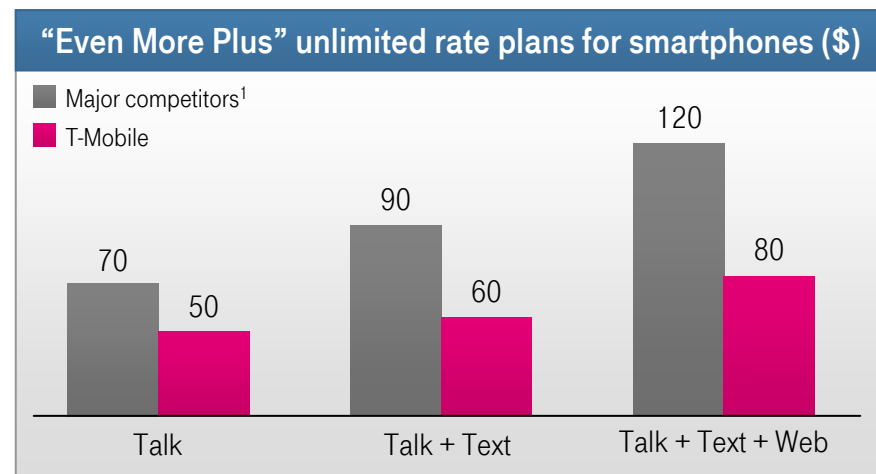
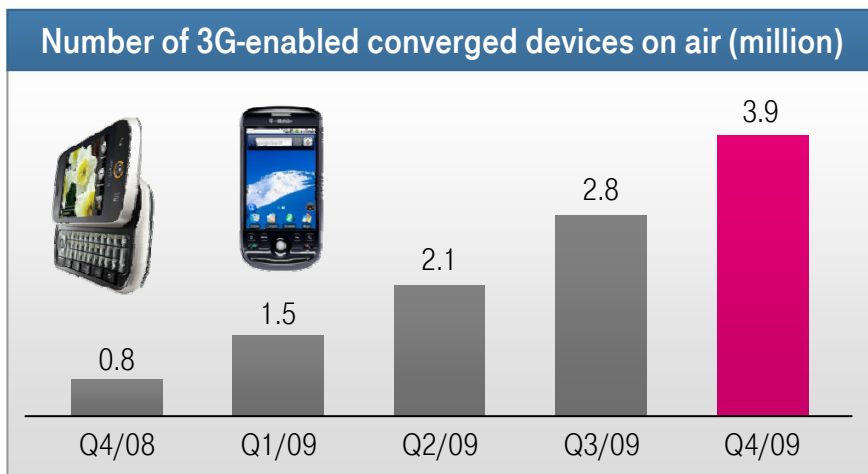
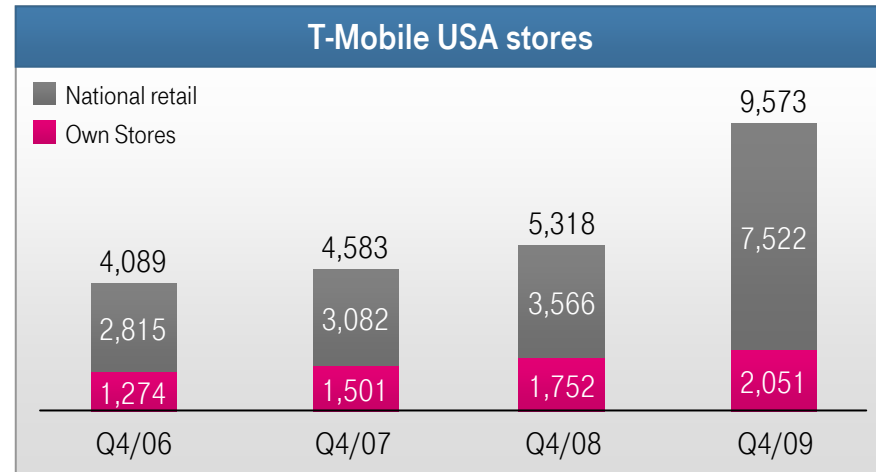
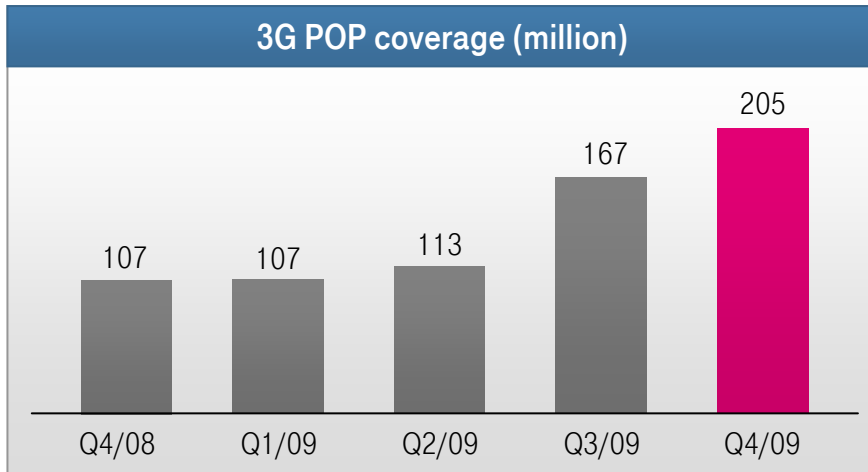
- 1.5 million iPhones dispatched since market launch, 1 million during 2009
- Data Revenues up 46% yoy to €947 million in FY/09
- Service Revenue leadership expanded to almost 2 pp versus Vodafone
- MOU per contract customer up about 6.2% yoy in FY/09 – total contract MOU up 9.3% yoy in 2009
- Contract net adds of +62k in Q4/09, +194k in FY/09
- Growth of Non Voice Revenue share of Service Revenues by 4pp yoy to 26%.



USA: 371k net adds – revenues still not satisfactory.

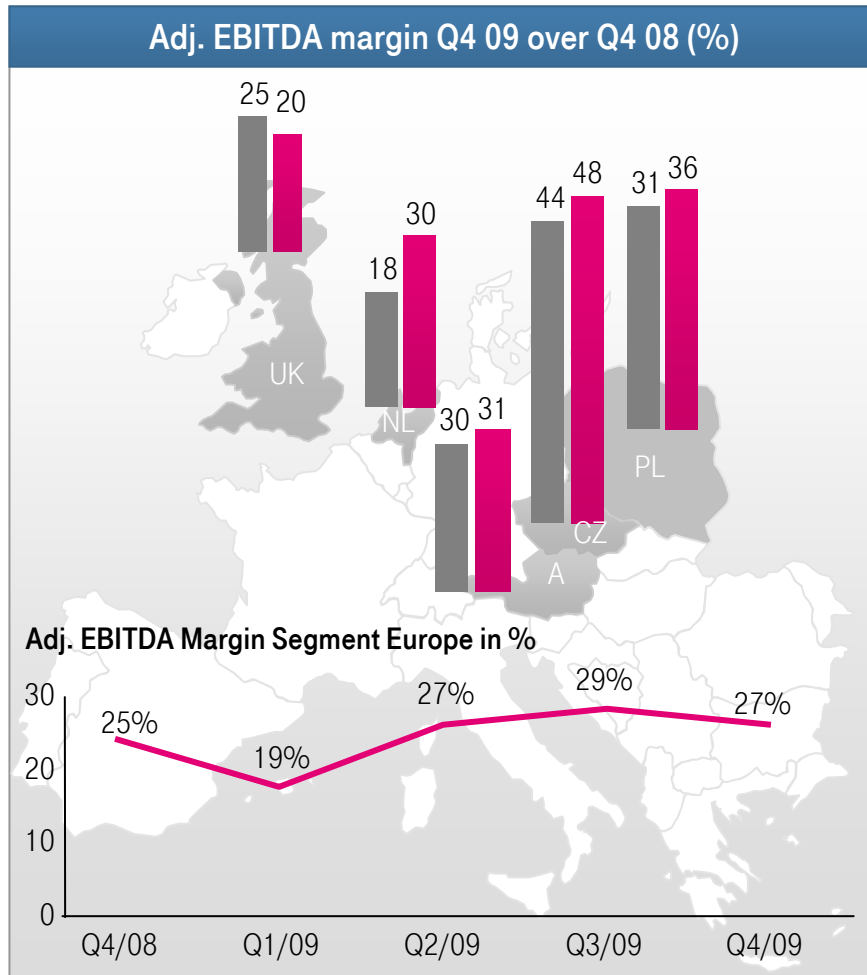


USA: Good execution on roadmap.



1 AT&T and Verizon

Europe: Good margin performance despite F/X and regulation.



- UK: revenue (GBP) decrease of 10% in Q4 cannot be compensated by cost reductions. Prepay push delivers 570k net-adds.
- NL: synergies from Orange integration driving massive improvement of margin. Strong growth in data revenues of 61%. Clear example of intra market consolidation.
- A: margin increase driven by cost management. W/O regulation revenue would have shown approx. 2% growth.
- CZ: revenues decrease of 9% in CZK but adj. EBITDA slightly growing by 0.6%.
- PL: PTC back on track after a challenging start in 2009. 7% revenue decrease in local currency driven by regulation.

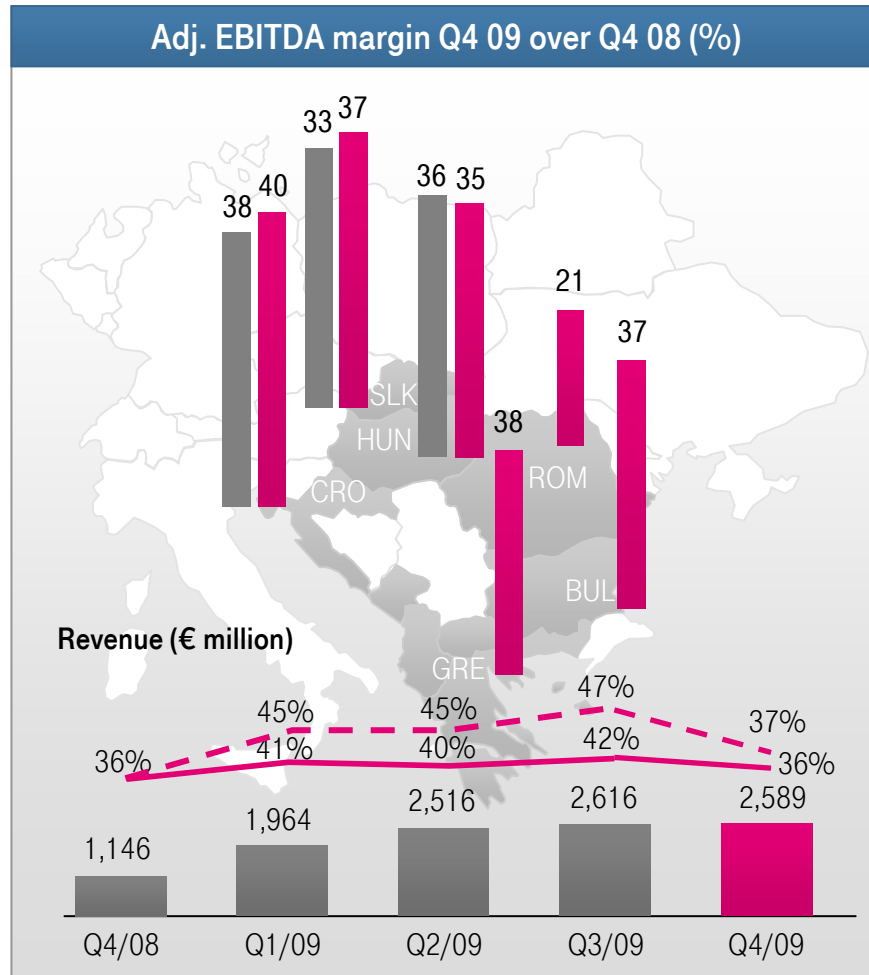


Europe: UK JV on track

Regulation	<ul style="list-style-type: none">▪ JV document filed with EU on January 11▪ Remedies under discussion▪ Office of Fair Trade asked for referral on February 3▪ March 1: Clearance from EU expected▪ Deal closing expected in H1 2010
Business	<ul style="list-style-type: none">▪ Strong focus kept on day to day business▪ Businesses continue to be managed independently with products, services, distribution strategy and network unchanged▪ JV management team will be selected by the end of 1Q10▪ Confident of business case and £3.5 billion synergies



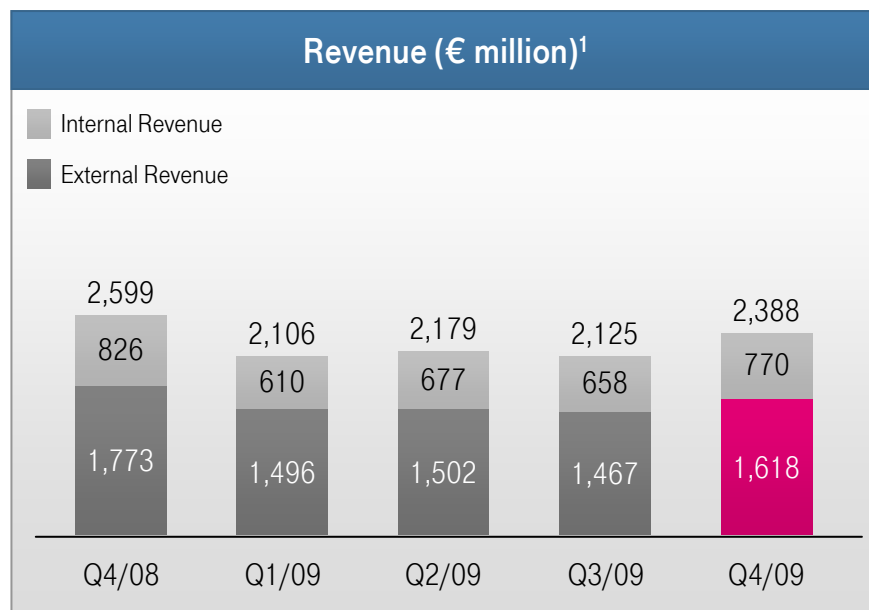
SEE: Market leadership translates into strong profitability.



- Revenue and adj. EBITDA growth driven by consolidation of OTE
- Negative currency impact for FY: €0.2 billion revenue and €0.1 billion adj. EBITDA lost in currency translation yoy
- Ongoing high profitability: Segment margin for FY/09 at 40%
- Strong customer development
 - Continued broadband growth to 3.8 million accesses (+15% yoy)
 - Continued IPTV growth: 425k subs in total (+94% yoy) with 88k net adds in Q4/09.
 - 2.9 million mobile net adds in FY/09



Systems Solutions: Strong order entry in Q4.

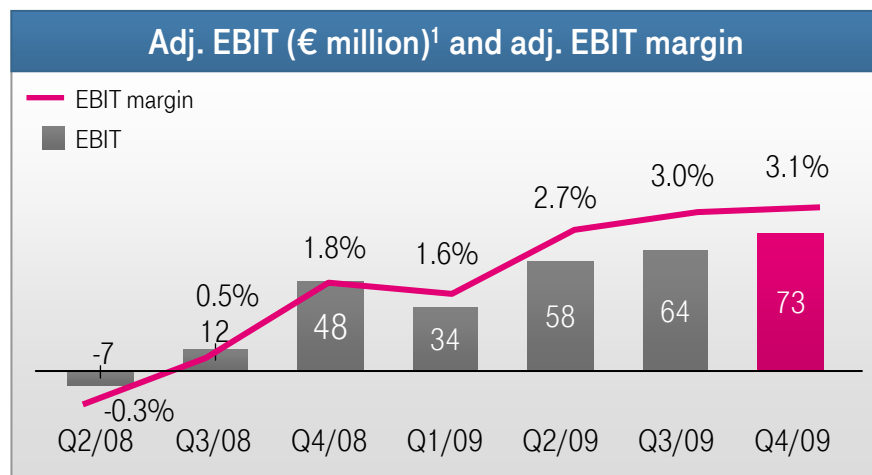


- Several new big deals won, basis set for future revenue
- Revenue 2009 affected by financial crisis in line with overall difficult market environment
- Full year 2009 external revenues down by 4.5% due to continued pricing pressure and postponed investment decisions by customers
- Q4/09 strongest quarter in 2009
- Strong order entry in Q4/09, +15.3% against Q4/08
- Several new Big Deals in Q4/09:
 - BP UK, Philips, Eskom/Transnet, SAP Europe
- Deals underline Systems Solutions' ability to deliver globally

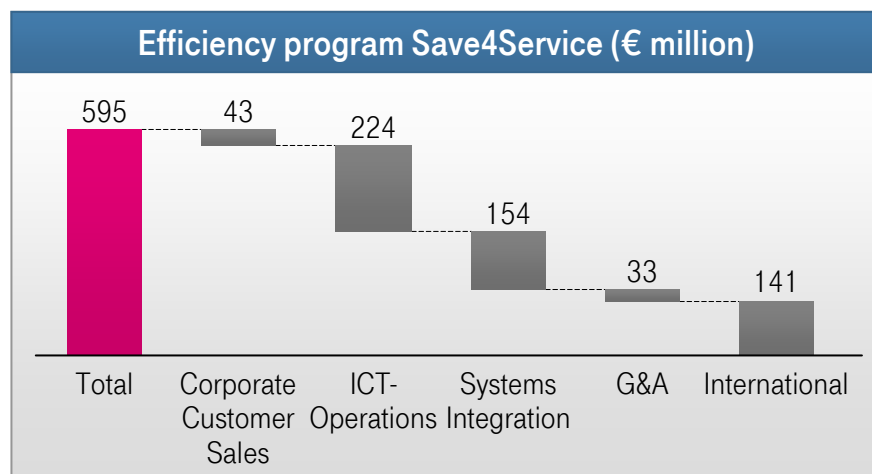


¹ As of January 1, 2009, small and medium-sized business customers of the Systems Solutions operating segment (until January 1, 2009, called Business Customers operating segment) are disclosed under the Broadband/Fixed Network operating business area. Prior-year comparatives have been adjusted. Percentages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

Systems Solutions: Margin turnaround over the last six quarters.



- Adj. EBITDA up by 8.2% to €250 million
- Adj. EBITDA margin in Q4/09 improved to 10.5% from 8.9% in Q4/08
- Adequate adj. EBIT improvement since Q2/08, but EBIT margin still significantly below industry average
- Efficiency program successfully under way, next steps necessary and defined in Phase II of Save for Service

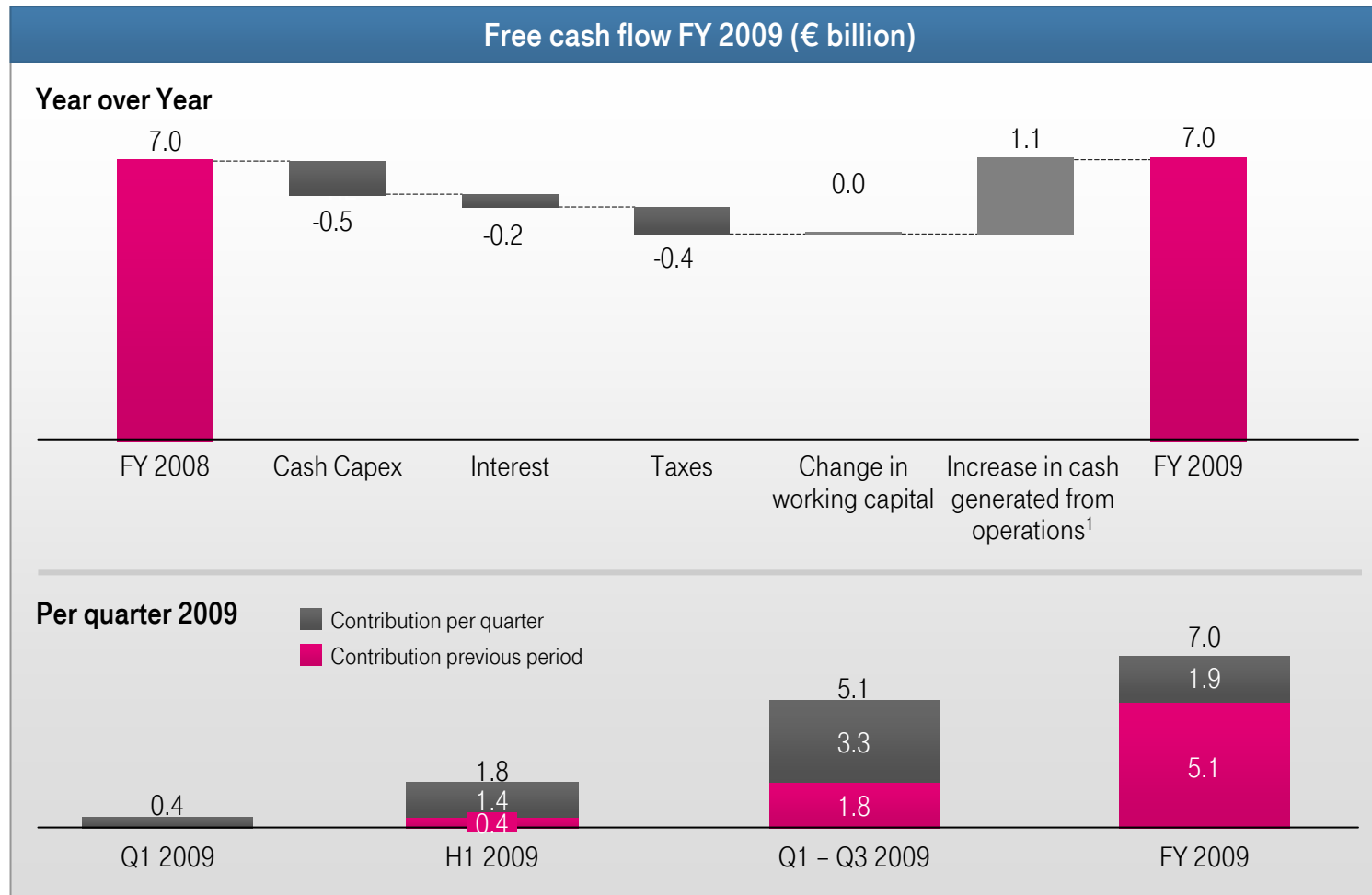


- €0.6 billion Save for Service contribution in 2009:
 - Reshape of sales organization
 - Data center consolidation, Near- and Offshoring
 - Reduction of production costs, increase of utilization at Systems Integration
 - Process streamlining and general & administrative cost reduction (G&A)
 - Optimization of delivery costs, reshape of local organizations internationally



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.

Group free cash flow: Higher capex, taxes and interest compensated.



¹ Before taxes and change in working capital

Group income statement: Q4 adj. net income grows by 5.1%.

P&L adjusted for special influences (in € million)	Q4/09	Q4/08	FY/09	FY/08
EBITDA	5,070	4,669	20,668	19,459
Depreciation and amortization	-2,730	-2,713	-11,510	-10,639
Net financial expense	-735	-702	-3,125	-2,936
- of which net interest expense	-620	-589	-2,555	-2,487
EBT	1,605	1,254	6,033	5,884
Income taxes	-585	-310	-2,102	-1,889
Earnings after taxes	1,020	944	3,931	3,995
Minorities	-115	-83	-541	-569
Net income	905	861	3,390	3,426





Reconciliation to net income (in € million)	Q4 /09	Q4/08	FY/09	FY/08
Net income adjusted	905	861	3,390	3,426
Special influences	-908	-1,591	-3,037	-1,943
Net income reported	-3	-730	353	1,483



Group balance sheet: Solid ratios.

€ billion	31/12/09	30/09/09	30/06/09	31/03/09	31/12/08
Balance sheet total	127.8	129.3	132.9	133.8	123.1
Shareholders' equity	41.9	41.6	41.5	45.2	43.1
Net debt	40.9	42.4	45.0	42.8	38.2
Net debt / adj. EBITDA ¹	2.0	2.0	2.2	2.0	2.0
Gearing	1.0x	1.0x	1.1x	0.9x	0.9x
Equity ratio²	30.2%	30.2%	29.9%	30.6%	32.3%

Comfort zone ratios

2 - 2.5x Net debt/adj. EBITDA	
25 - 35% Equity ratio	
Gearing: 0.8 to 1.2	
30% Liquidity reserve	

Comfort zone ratios going forward

2 - 2.5x Net debt/adj. EBITDA
25 - 35% Equity ratio
Gearing: 0.8 to 1.2
Liquidity reserve covers redemptions of next 24 months

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

² Excl. dividend.



3. Outlook 2010

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Operational priorities for 2010. Strategy update on Investor Day March 17/18.

- Improve US market position

- Exploit German fixed mobile integration

- Make the JV in the UK a success

- Maintain market and profitability leadership in SEE

- Further financial turnaround and improvement of market position at Systems Solutions

- Execute on Save for Service

- Deliver on financial targets and new shareholder remuneration



Operational priorities for 2010: Improve the US market position.

Network	<ul style="list-style-type: none">▪ Roll out HSPA+ (21 Mbps) to Top 30 markets▪ 75% of 3G sites with Ethernet backhaul by year-end▪ Over 5,000 additional 3G cell sites
Devices	<ul style="list-style-type: none">▪ First HSPA+ data stick in US market (“webConnect Rocket”)▪ HSPA+-capable smartphones to be launched in H2/10▪ New 3G smartphones: HTC HD2, Motorola CLIQ XT
Distribution	<ul style="list-style-type: none">▪ Capitalize on expanded distribution incl. RadioShack
Pricing	<ul style="list-style-type: none">▪ Capitalize on “Even More” and innovative “Even More Plus” rate plans



Guidance 2010¹.

Guidance assumes constant currencies and no further significant economic deterioration
(Basis 2009 average exchange rates: 1€ = 1.39US\$)

Adj. Group EBITDA

- Around €20 billion

Free cash flow

- Around €6.2 billion

¹ incl. TM UK for the full year 2010

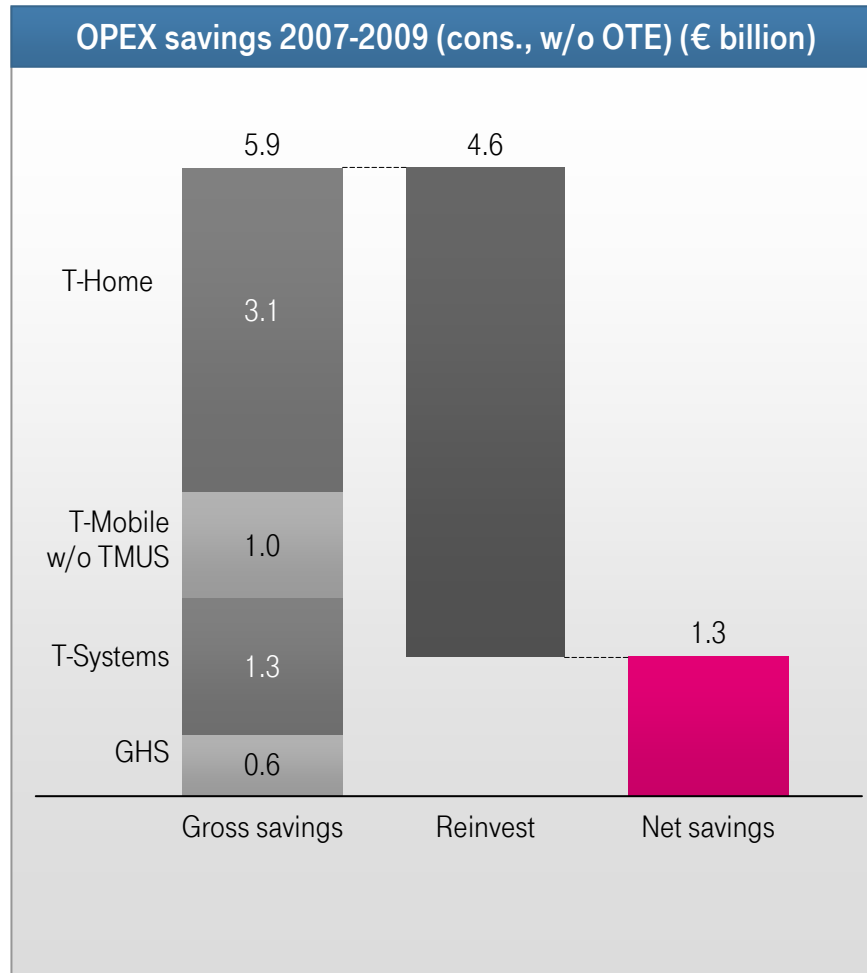


4. Save 4 Service

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2007-2009 S4S delivered €5.9 billion gross savings.
 Net savings after reinvest into service and growth: €1.3 billion.

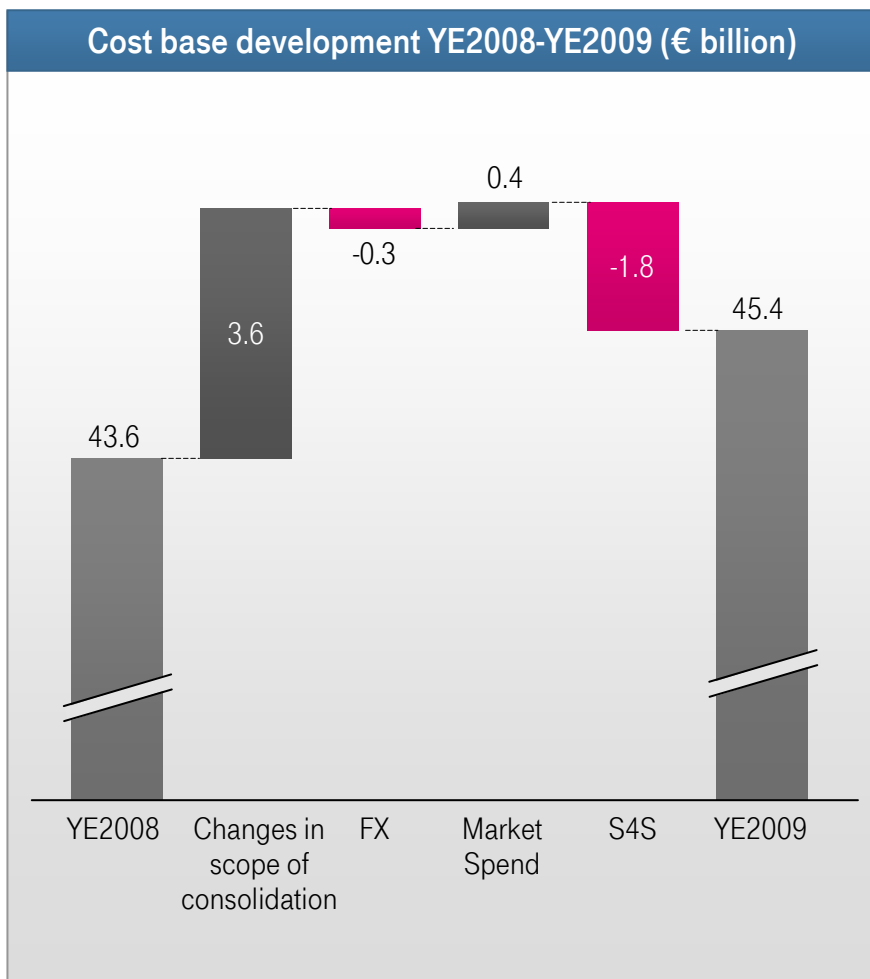


- ✓ **Gross savings of €5.9 billion realized, versus original target of €4.2 to €4.7 billion by 2010**
- ✓ **Freed up capital to reinvest into strengthening competitiveness and enable growth, e. g.:**
 - Germany: Service & quality, Rollout T-Shops, Entertain, VDSL
 - TSI: Big deals acquisition, quality improvements
 - TMUS: Net add-share, sales, network
- ✓ **Consolidated net savings on group level: €1.3 billion – examples:**
 - Fixed-line Germany: €2.5 billion¹
 - Adj. Domestic personnel expenses: -€1.7 billion (-17%) due to 20% headcount reduction 2007-2009
 - Domestic G&A: approx. €0,5 billion



¹ Domestic fixed line business: savings YE06-YE09 (i.e. w/o business customers) , 2009 pro forma

S4S cost reductions of €1.8 billion in 2009 – margin increase to 32%.

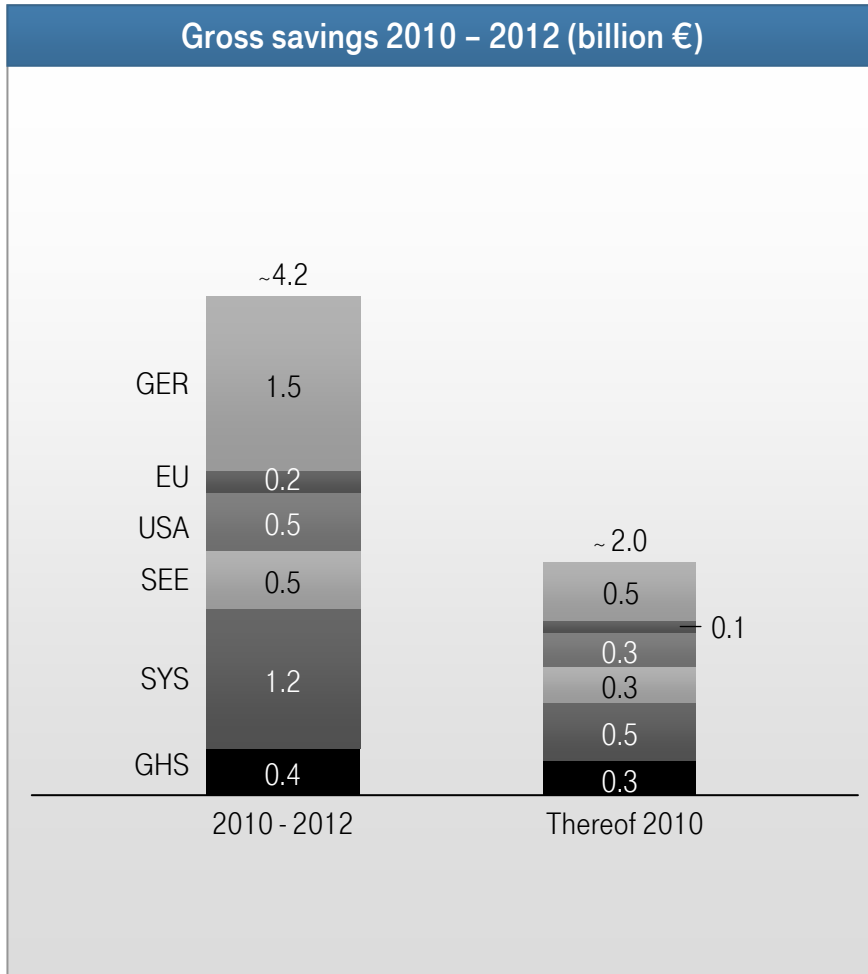


Contribution by Business Unit (in € million)	2009
T-Home	976
T-Mobile (w/o TMUS)	165
Systems Solutions	595
GHS	94
DT Group	1.831

- €1.8 billion savings on corporate level w/o inorganic effects
- On group level adj. EBITDA margin increased by + 0.4 pp. to 32%
- Incremental savings realized in Q4/09: €0.5 billion



We continue our successful track record – S4S 2010-2012.



- **Continuation of successful track record – S4S is a number one priority initiative in the group**
- **Global scope: Stronger focus on international units**
- **Ambitious target defined: €4.2 billion gross savings, thereof ~50% in 2010**
- **Strong focus on net savings, Germany: €1.5 billion, SEE €0.3 billion, domestic G&A functions: €0,4 billion 2010 to 2012**
- **Savings ambitions continuously challenged along implementation**



5. New Shareholder Remuneration



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Financial framework aimed at reconciling the interests of all stakeholders.

Group	<ul style="list-style-type: none">▪ 2010 capex slightly above 2009 level – consistent investment through the downturn. Expectation to broadly maintain capex in 2011/2012▪ No major M&A	
Employees	<ul style="list-style-type: none">▪ Safe jobs with a perspective▪ Any necessary staff restructuring socially responsible	
Bondholders	<ul style="list-style-type: none">▪ Maintain Net debt/EBITDA corridor 2-2.5▪ Liquidity reserve > redemptions of next 24 months▪ 2010 fully financed	
Investors	<ul style="list-style-type: none">▪ New shareholder-oriented dividend policy: 3 year commitment to maintain shareholder remuneration.▪ Drive operational performance	



€0.78 per share dividend for 2009 proposed by Management and Supervisory Board¹.

Results 2009	
▪ Revenue	↗
▪ Adj. EBITDA	↗
▪ FCF	→
▪ Adj. net income	→
▪ Dividend per share	→
▪ 2009 dividend w/o withholding tax in Germany	→

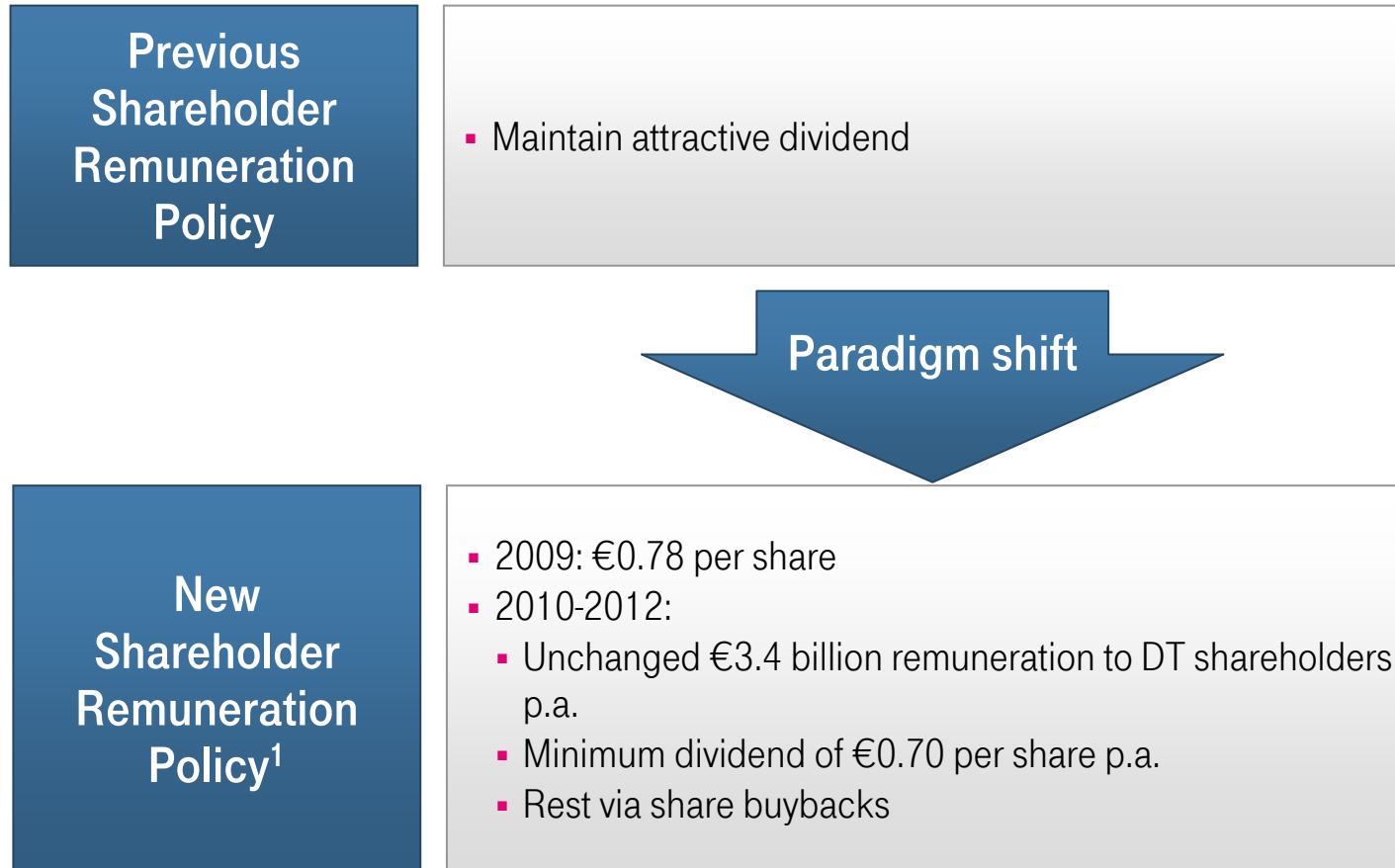
For 2009:

- €0.78 dividend per share without German withholding tax
- €0.78 adj. EPS per share
- €1.60 FCF per share

¹ Subject to necessary AGM-Approval



First DAX company with an explicit 3 year minimum dividend per share plus additional buybacks policy.



¹ Subject to necessary AGM-Approval and board resolution



Q&A.



René Obermann
CEO



Timotheus Höttges
CFO



Thank you for your attention!

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Life is for sharing.