

Q1/11 – Results Presentation. Deutsche Telekom.

May 6, 2011

Life's for Sharing



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Agenda.

Deutsche Telekom Results Presentation.



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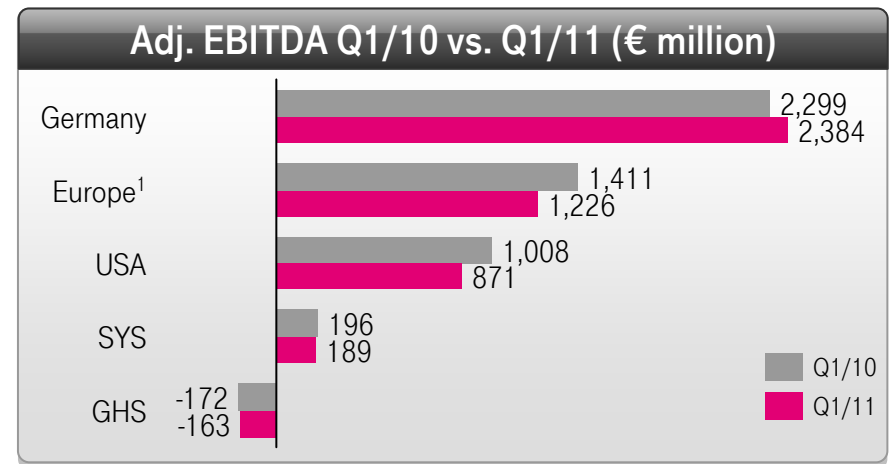
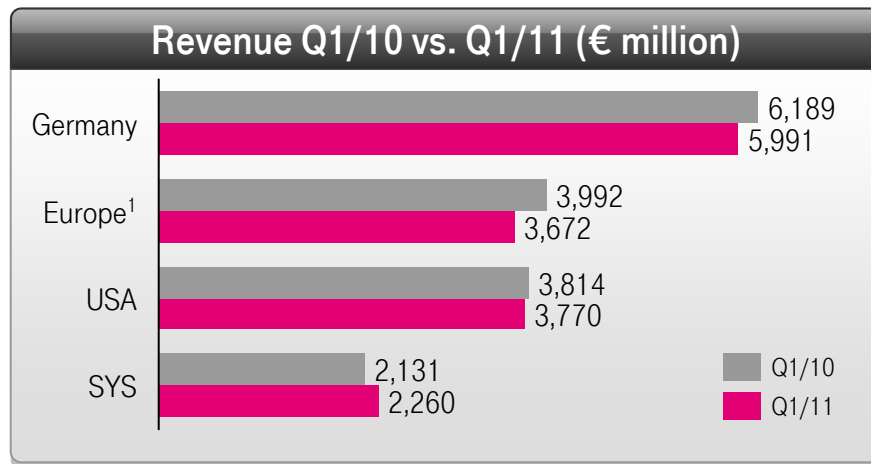
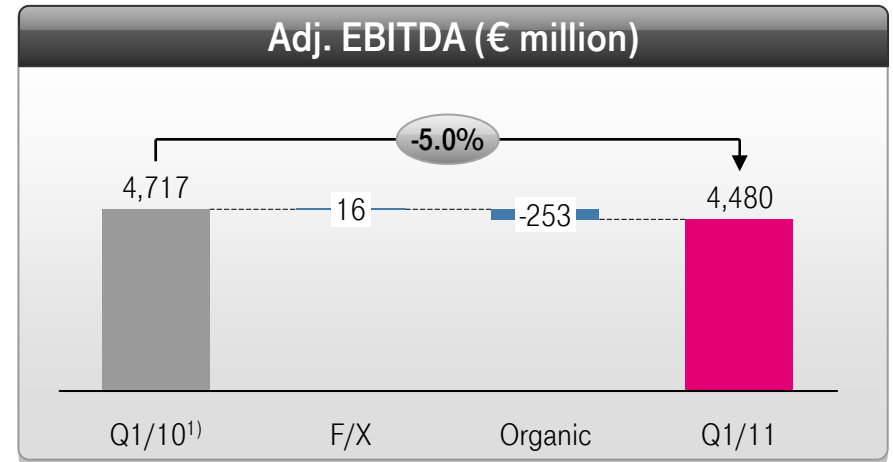
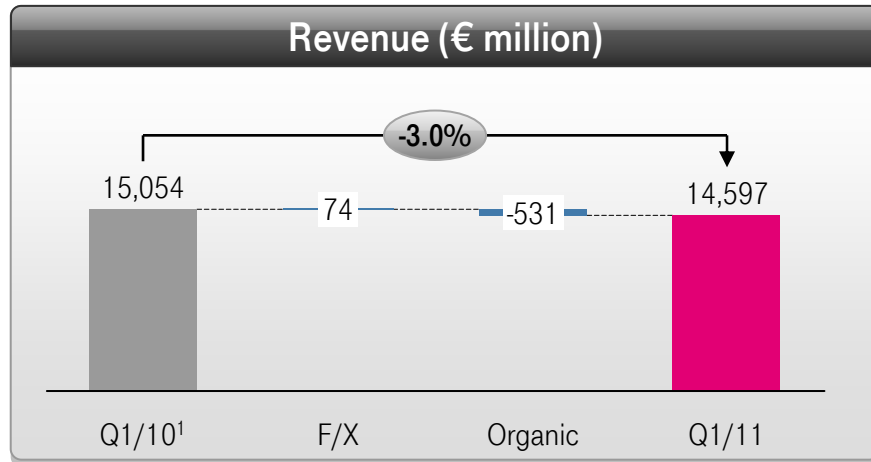
Q1 2011 Highlights.

- Structural solution for US business found, regulatory process started
 - Germany with 4th consecutive quarter of adj. EBITDA growth. Good momentum in key customer KPIs maintained in mobile and fixed
 - Systems Solutions with strong revenue growth and almost stable EBITDA compared to last year. Order entry up more than 20%
 - Ongoing cost cutting execution. Save for service contribution of 0.3 billion € in Q1. Net cost reduction of 0.4 billion € in Germany and Europe
 - Purchasing JV with France Telecom expected to further improve efficiency
 - Excl. UK, group revenue (-3.0%) and adj. EBITDA (-5.0%) impacted by challenging operational trends in the US and higher market invest and ongoing difficult economic environment in Europe
 - FCF of €1.1 billion in Q1/11 compared to €1.4 billion in Q1/10 reflecting different seasonality of interest and capex payments
 - Adj. net income of €0.7 billion € compared to 0.9 billion € in Q1/10 impacted by decline in EBITDA
- ⇒ Full year 2011 Guidance re-iterated



Q1/11 Overview.

Continuing and discontinued operations.



1) Q1 2010 figures without T-Mobile UK: Impact group €758 million of revenue and €173 million of adj. EBITDA; Impact segment Europe: €782 million of revenue and €176 million of adj. EBITDA

Q1/11 Key financials.

in € million	Q1/10 reported	Q1/11 reported	change in %	Q1/10 ex. UK	Q1/11 ex. UK	change in %
Revenue	15,812	14,597	-7.7%	15,054	14,597	-3.0%
▪ from Continuing operations	12,002	10,830	-9.8%	11,244	10,830	-3.7%
Adj. EBITDA	4,890	4,480	-8.4%	4,717	4,480	-5.0%
▪ from Continuing operations	3,882	3,609	-7.0%	3,709	3,609	-2.7%
Adj. net profit	891	701	-21.3%	966	701	-27.4%
Net profit (loss)	767	480	-37.4%	847	480	-43.3%
Adj. EPS (in €)	0.21	0.16	-23.8%	0.22	0.16	-25.9%
EPS (in €)	0.18	0.11	-38.9%	0.20	0.11	-45.0%
Free cash flow ¹	1,439	1,061	-26.3%	1,432	1,061	-25.9%
Cash capex	1,934	2,120	9.6%	1,873	2,120	13.2%



1) Before dividend payment, spectrum invest and €400 million payment for PTC settlement.

Strategy update: growth areas.

Deutsche Telekom growth areas ¹	Q1/10	Q1/11	Change		Ambition 2015
			Absolute	Percentage	
Revenue (€ bn)					
Mobile Internet²	1.0	1.2	0.3	28%	≈ 10
Connected Home³ Double & Triple play, Home Gateway and Communication Suite	1.5	1.6	0.0	2%	≈ 7
Online consumer services⁴	0.2	0.2	0.0	2%	2 - 3
T-Systems external revenue incl. Cloud Services	1.5	1.6	0.1	6%	≈ 8
Intelligent networks in Energy, Health, Media Distribution, Connected Car	-	-	-	-	≈ 1

1) Figures include T-Mobile US

2) Q1/10 adj. for T-Mobile UK

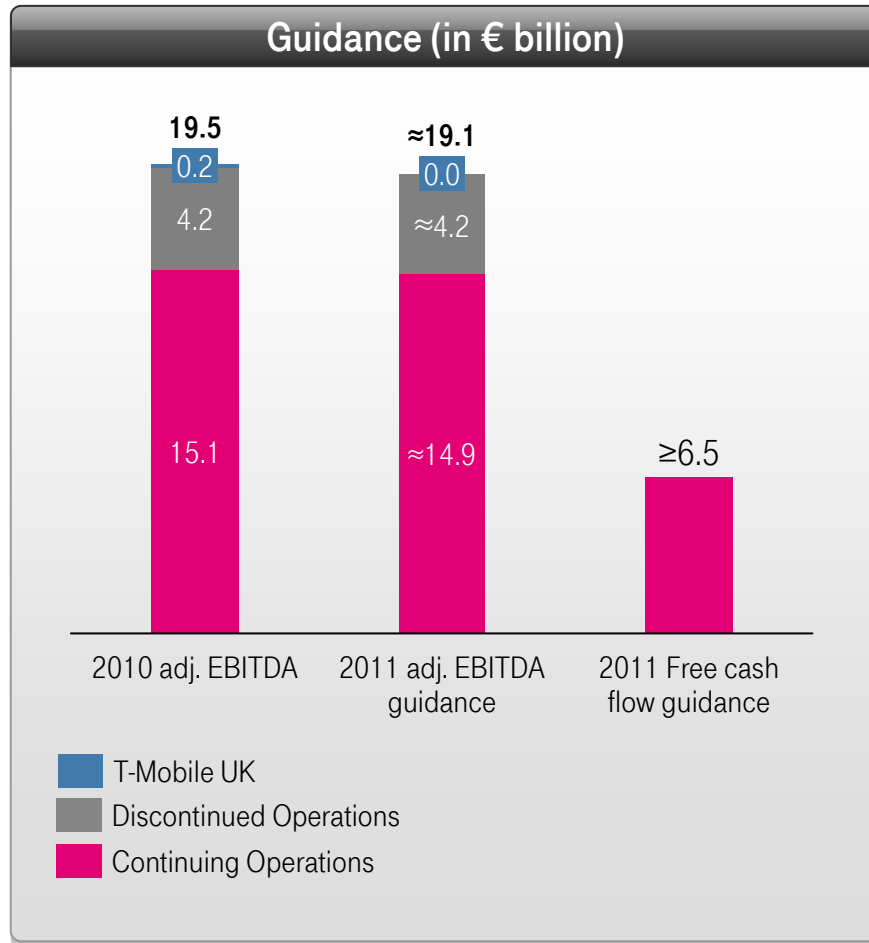
3) Q1/10 figures adjusted for new reporting logic Germany 2011

4) Figures adjusted for discontinued cash card business

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



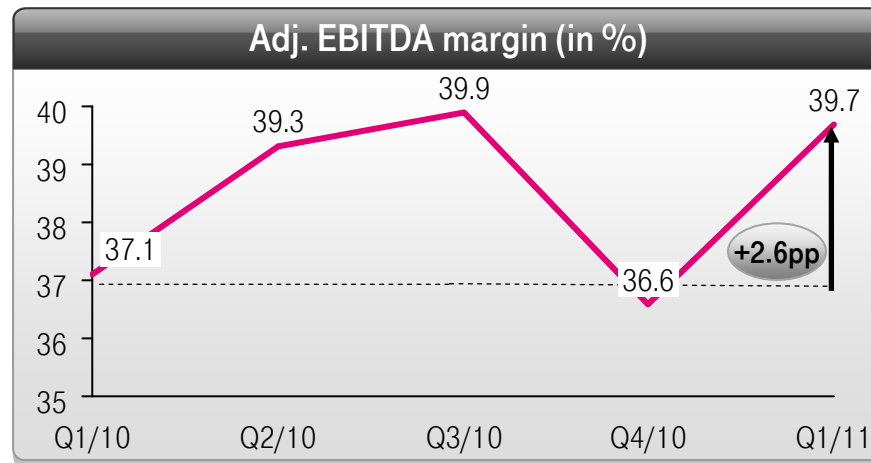
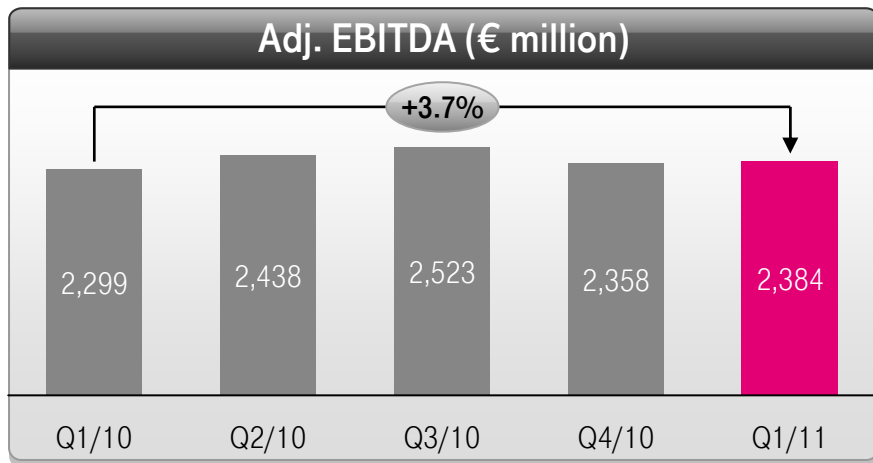
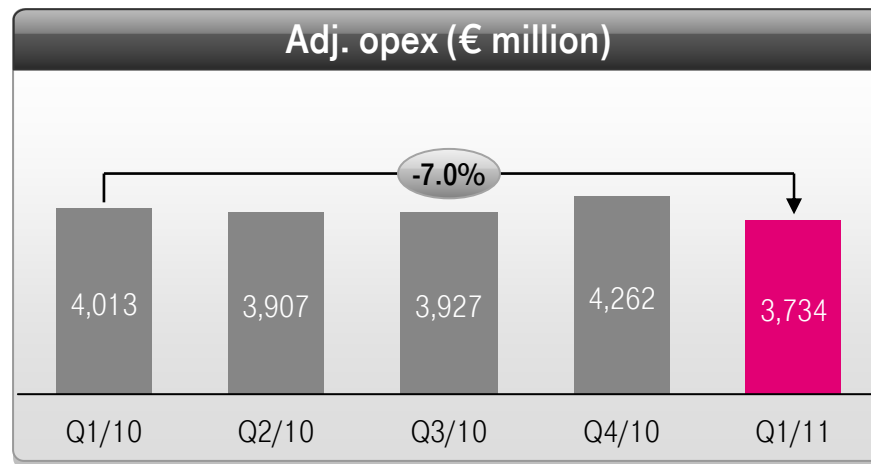
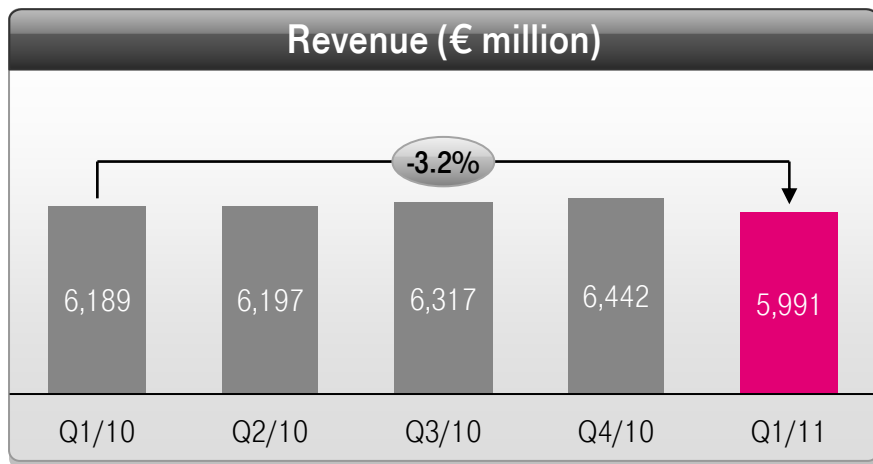
Guidance excl. the US – 2011 guidance reiterated.



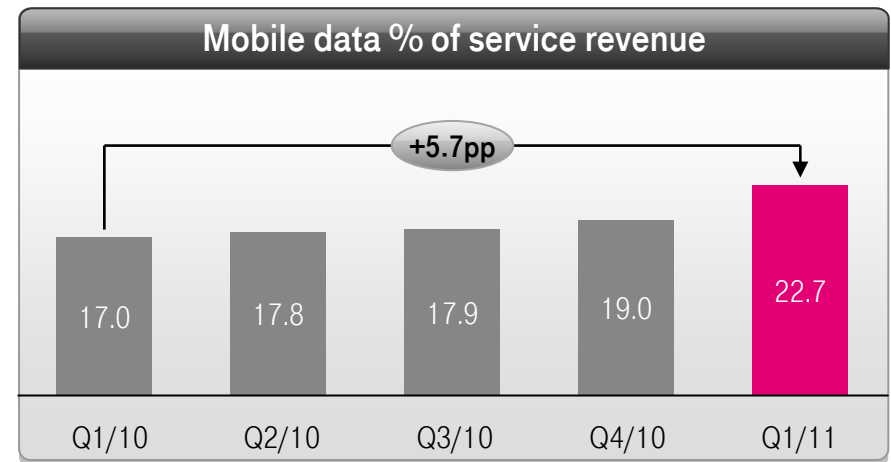
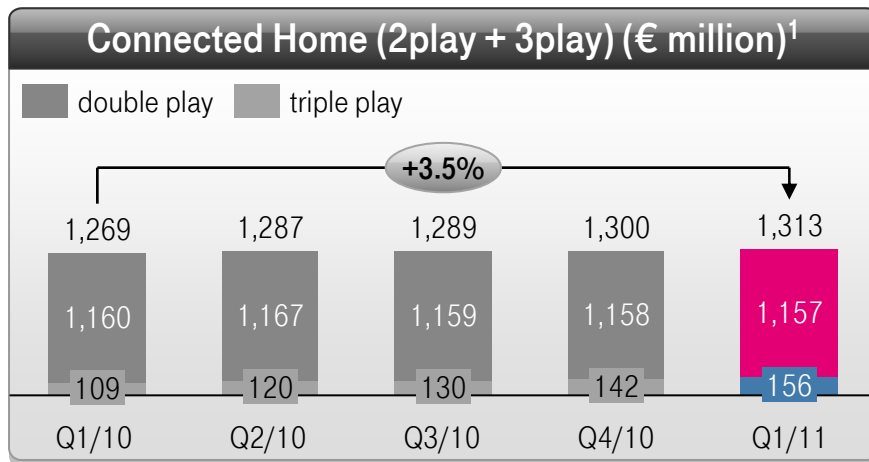
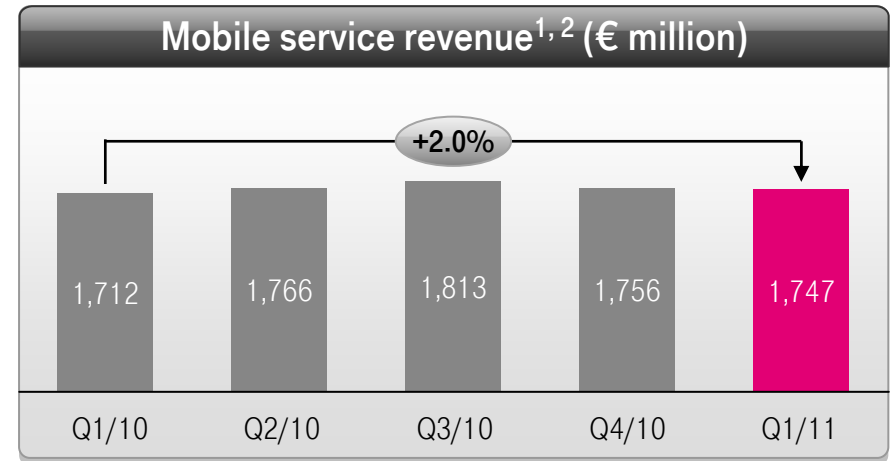
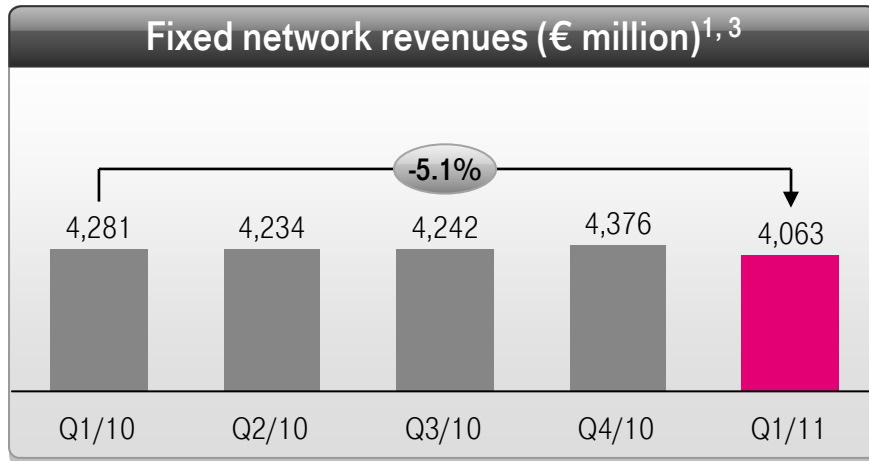
- Q1 2010 figures include €0.2 billion from the UK
- As a result of the sale of T-Mobile US guidance of “around 19.1 billion” split into:
 - Discontinued operation: US with stable EBITDA over FY 2010 of around US\$5.5 billion or around €4.2 billion based on F/X-rate of 1.33 (average rate of FY 2010)
 - 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)



Germany: strong profitability growth.

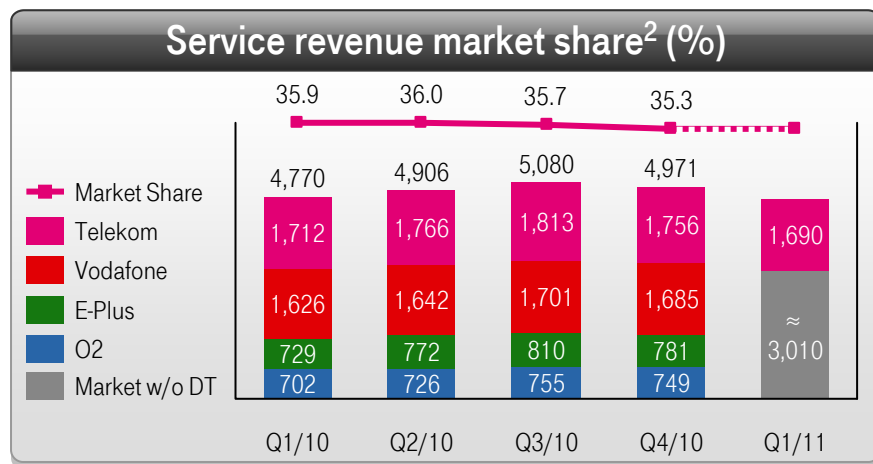
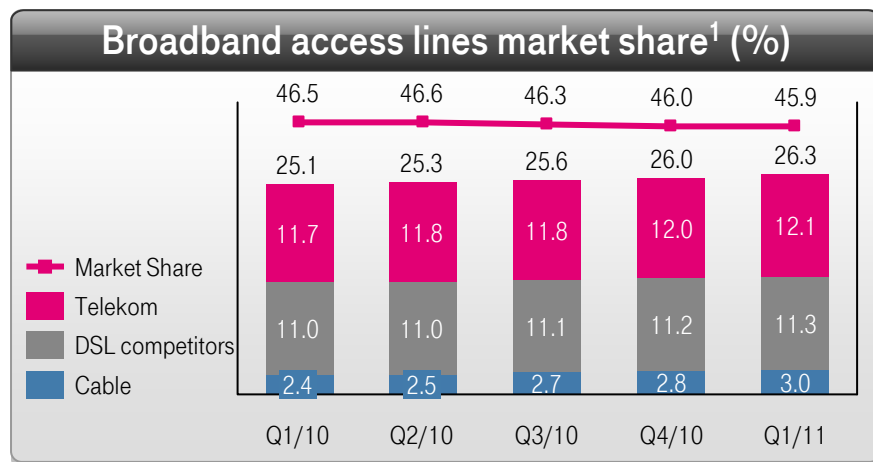


Germany revenue: continued focus on data & TV opportunity.



1) Since 1.1.2011 Total revenue and service revenue as well as derived KPIs are shown without country-internal revenues as Fixed Network and Mobile communications have been integrated. Prior-year figures are adjusted accordingly on a pro forma basis. 2) Adjusted for the reduction in MTR-rates (€57 million revenue) 3) "Fixed network" revenues includes revenues from Fixed network, Wholesale services, Online consumer services, Value-added services and Fixed network related others

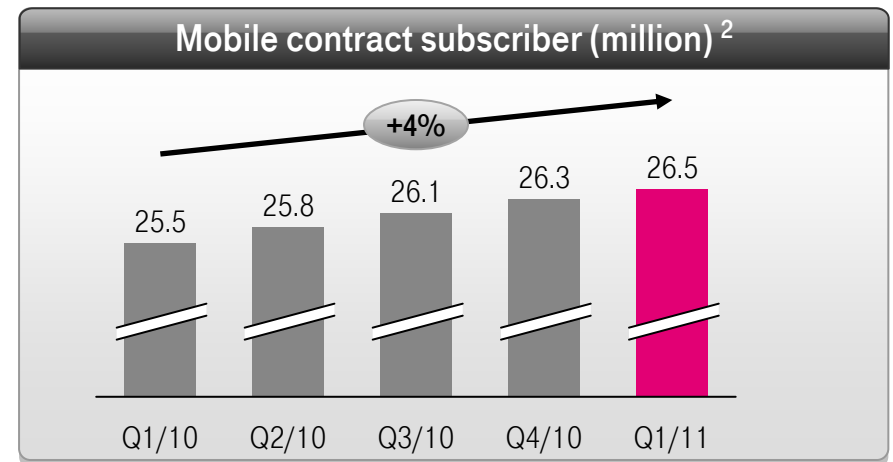
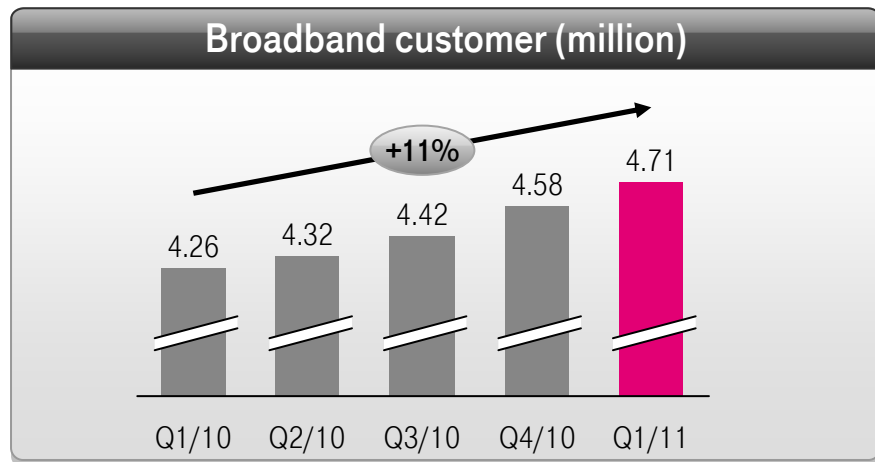
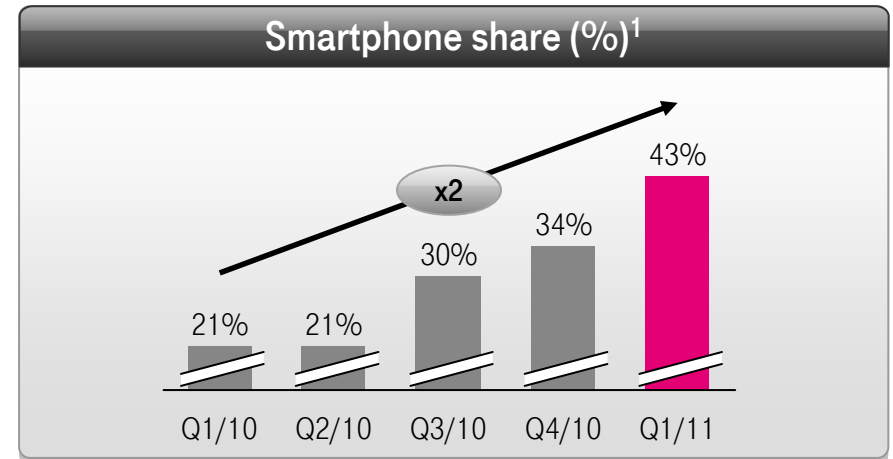
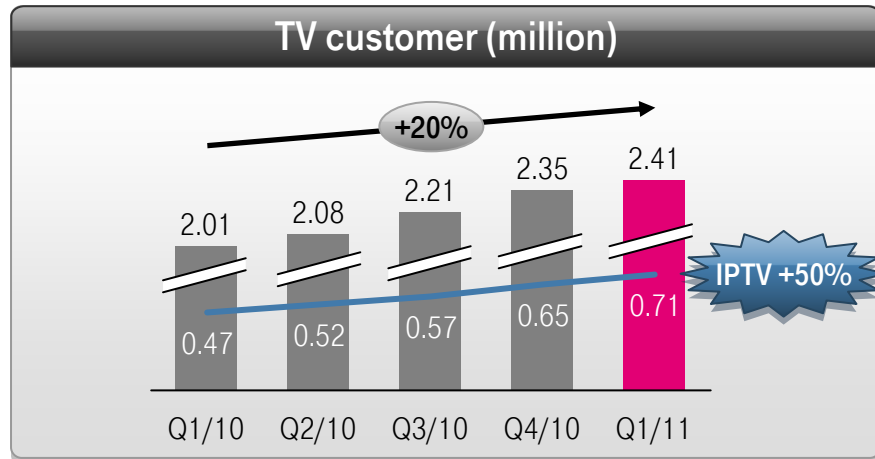
Germany: unique market position to target data market segment.



- Retail fiber-customers (VDSL) at 403k (+221k yoy)
 - Solid IPTV growth continues with +40% (361k) Entertain customers yoy now at 1,257k
 - Share of triple play customers increased approx. 3pp to 10.4% of broadband customer base
 - Improved line losses of 339k (372k in Q1/10)
-
- Strong ramp up in mobile data revenues 384 million (+32% yoy), due to successful launch of new product portfolio. Approx 1.5 million customers signed a contract, with a double play share of more than 60%.
 - 58% smartphone share of handsets sold in Q1/11 (+22pp yoy)
 - Estimated total mobile market decline due to MTR cut
 - MTR impact of 57 million on service revenues in Q1/11

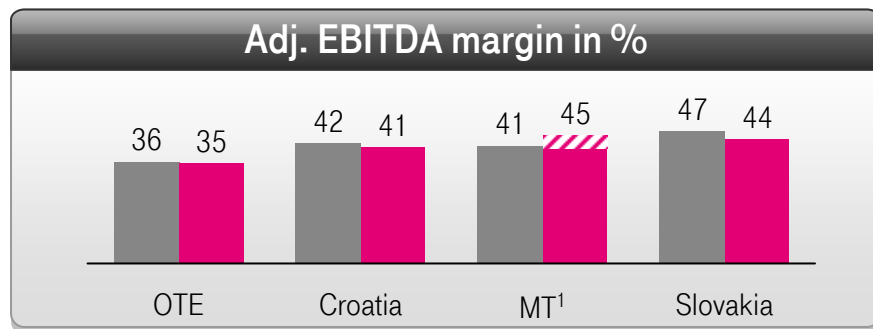
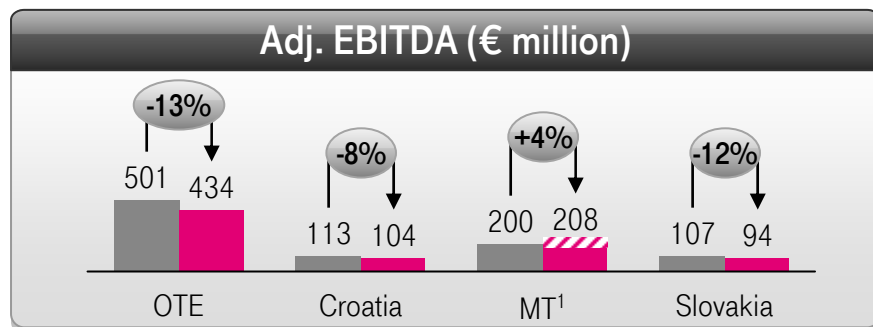
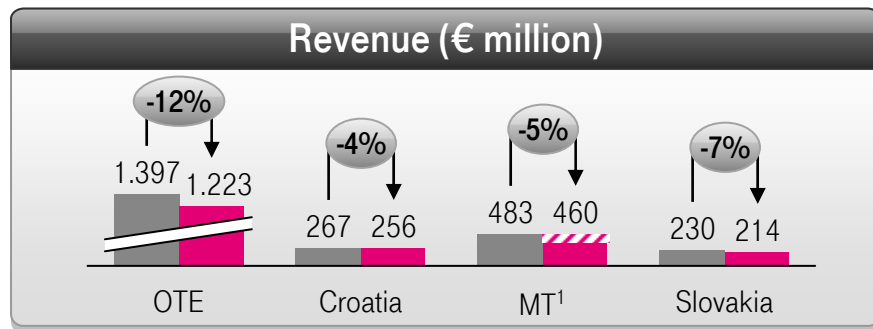


Europe – ongoing sustainable growth for future profitability.



1) Percentage of smartphones in dispatched devices (excl. OTE, Macedonia and Montenegro); 2) incl. 429k customers shifted to T-Systems in Hungary as of 1.1.2011

Europe – integrated operations: strong profitability despite economic and regulatory headwind and austerity measures.



OTE:

- Despite challenging regulation no BB losses in Greece. TV subs. exceed 1 mn within OTE group up to 1,1 mn.
- Maintained margin in tough environment.

Croatia:

- IPTV +24% up to 310k and ADSL +12% up to 642k, overcompensating line losses (fixed -44k).
- Strong market invest in mobile – iPhone sales more than doubled; decline in mobile revenue partly compensated by fixed network growth

MT:

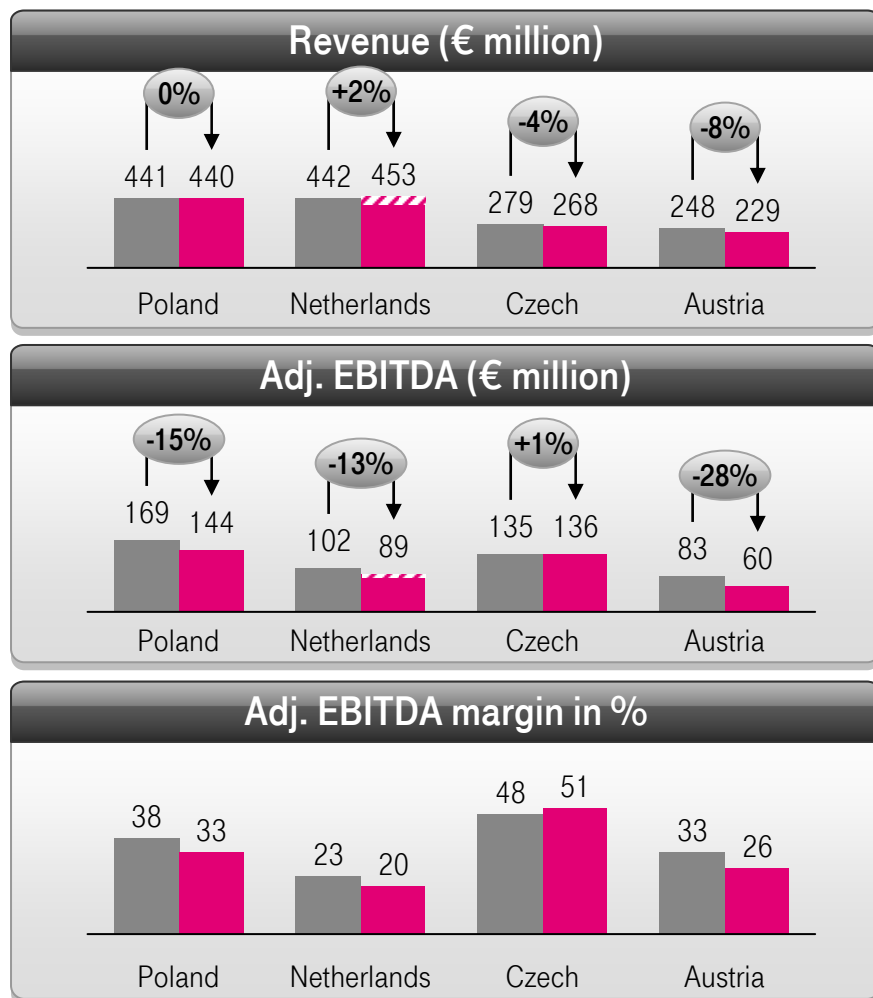
- TV customers (Sat, Cable, IP) up 14% to 827k yoy in group.
- Revenue and EBITDA impacted by €20 million tax in Q1.

Slovakia:

- TV customers almost doubled yoy: driven by Sat TV, IPTV customers increase of +25%.



Europe – mobile centric: front loading of market invest.



shaded area illustrates regulatory impact on TMNL: 35 million revenue and 7 million EBITDA



■ Q1/10 ■ Q1/11

Poland:

- Revenue stable despite regulation.
- Attack via smart investment in high-value customers: Smartphone-share > 38% – stronger data growth +26%

Netherlands:

- Decline in revenue fully from regulation (MTR -50%), but continued outperformance of incumbent
- Continued mobile data revenue growth of 37% through smart value-centric market invest
- Contract churn at stable 1.3% – contract base up by 13%, outperforming incumbent

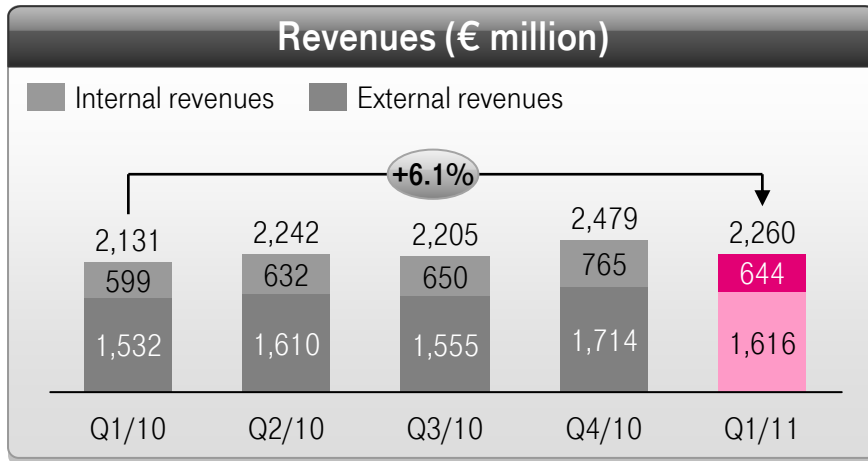
CZ:

- Impressive adj. EBITDA margin of 51%
- Adj. EBITDA excl. regulation +3%
- Contract churn at 0.5%, high number of retained customers (242k)

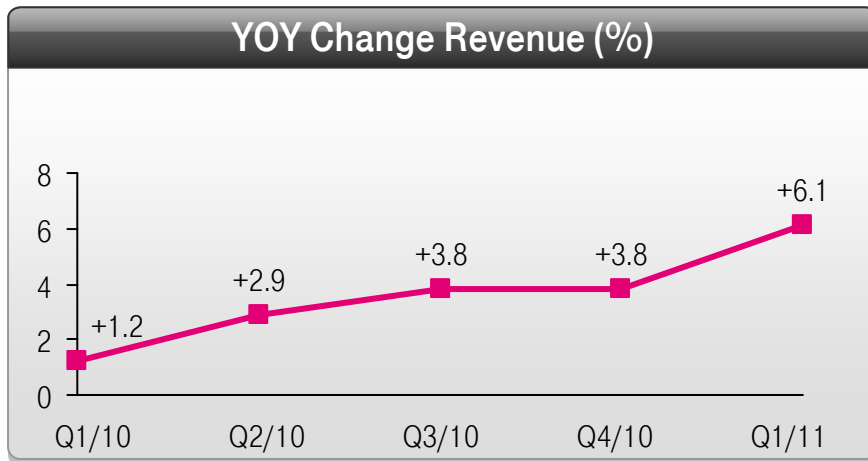
Austria:

- Higher net adds and contract churn below 1%
- 33% non-voice share of ARPU

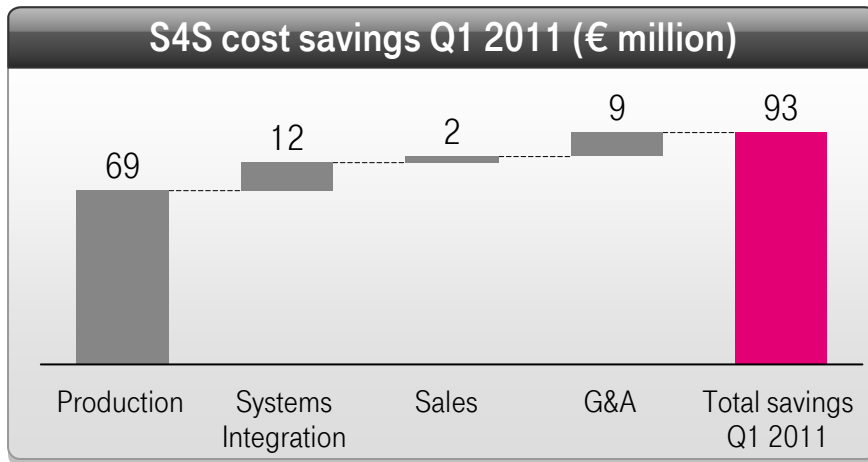
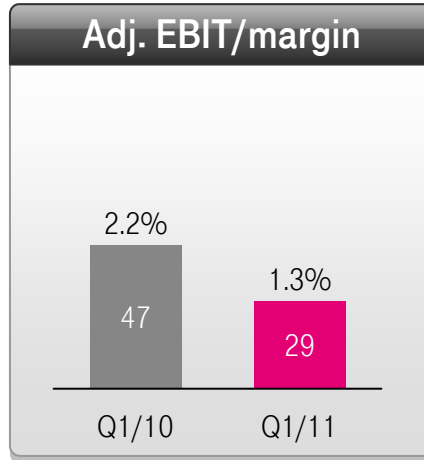
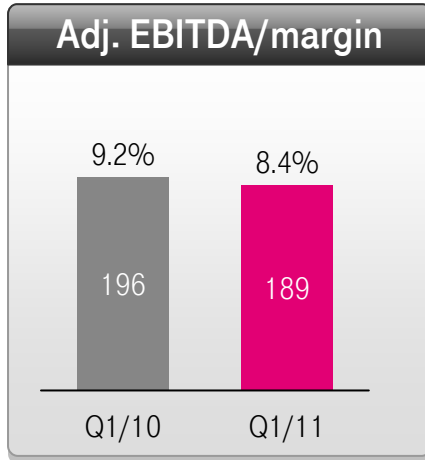
Systems Solutions: revenues up 6.1% in Q1/11.



- Strong revenue increase yoy of +6.1 % up to €2,260mn
- External revenues up +5.5% to €1,616mn
- Strong order entry of €2,593mn due to deals such as
 - Everything Everywhere
 - Fraport
- Voltaris – first significant smart metering deal



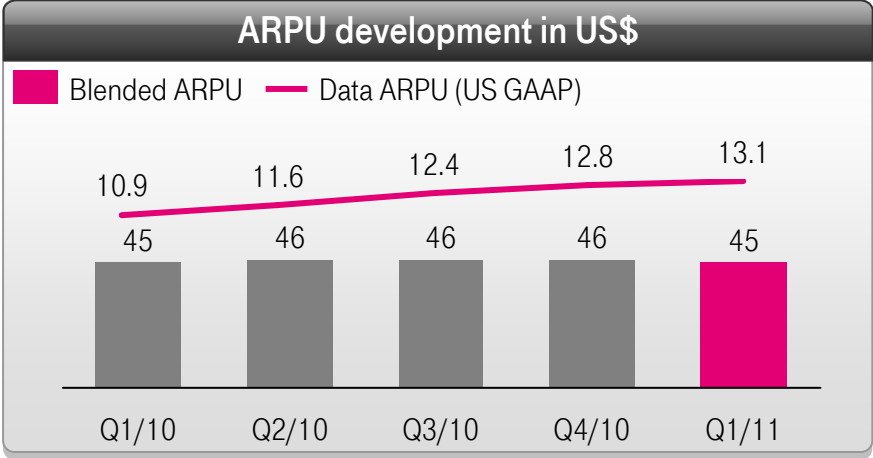
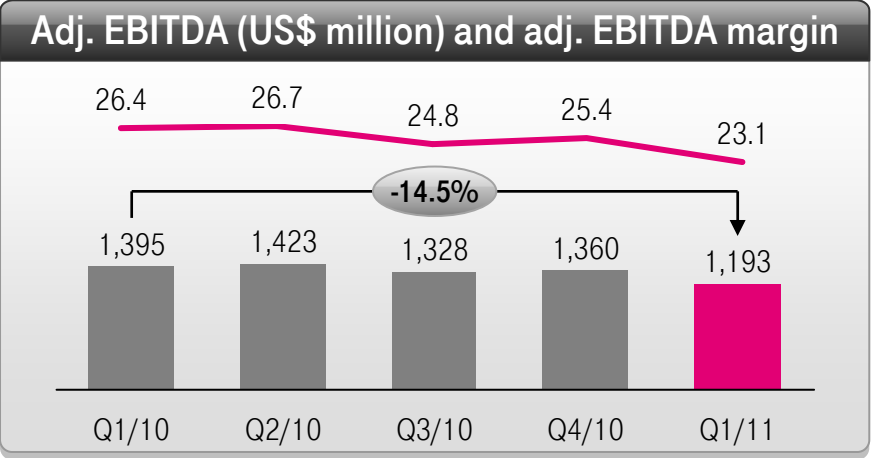
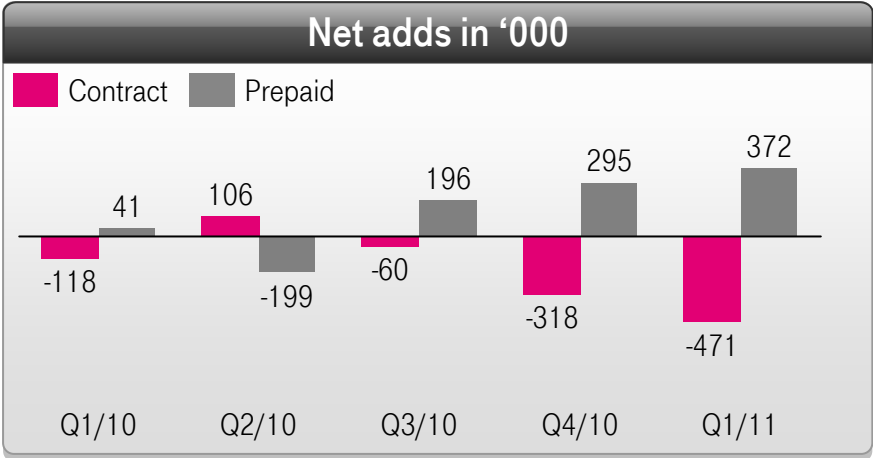
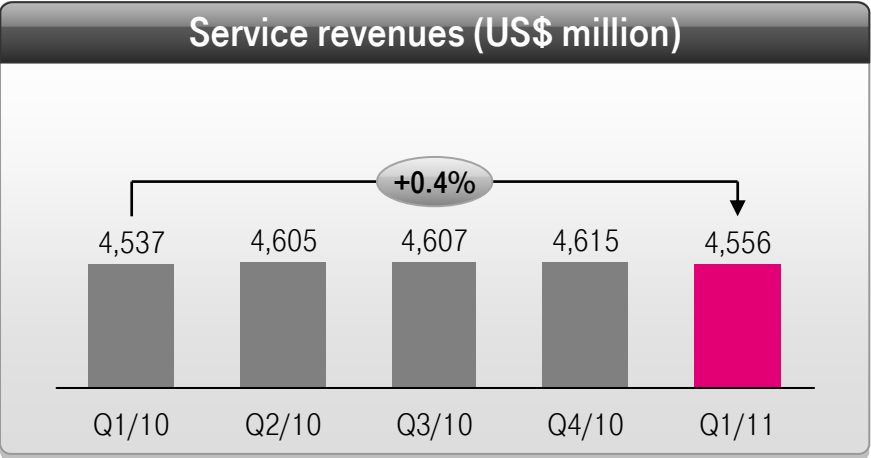
Systems Solutions : Q1 margins impacted by higher transformation costs.



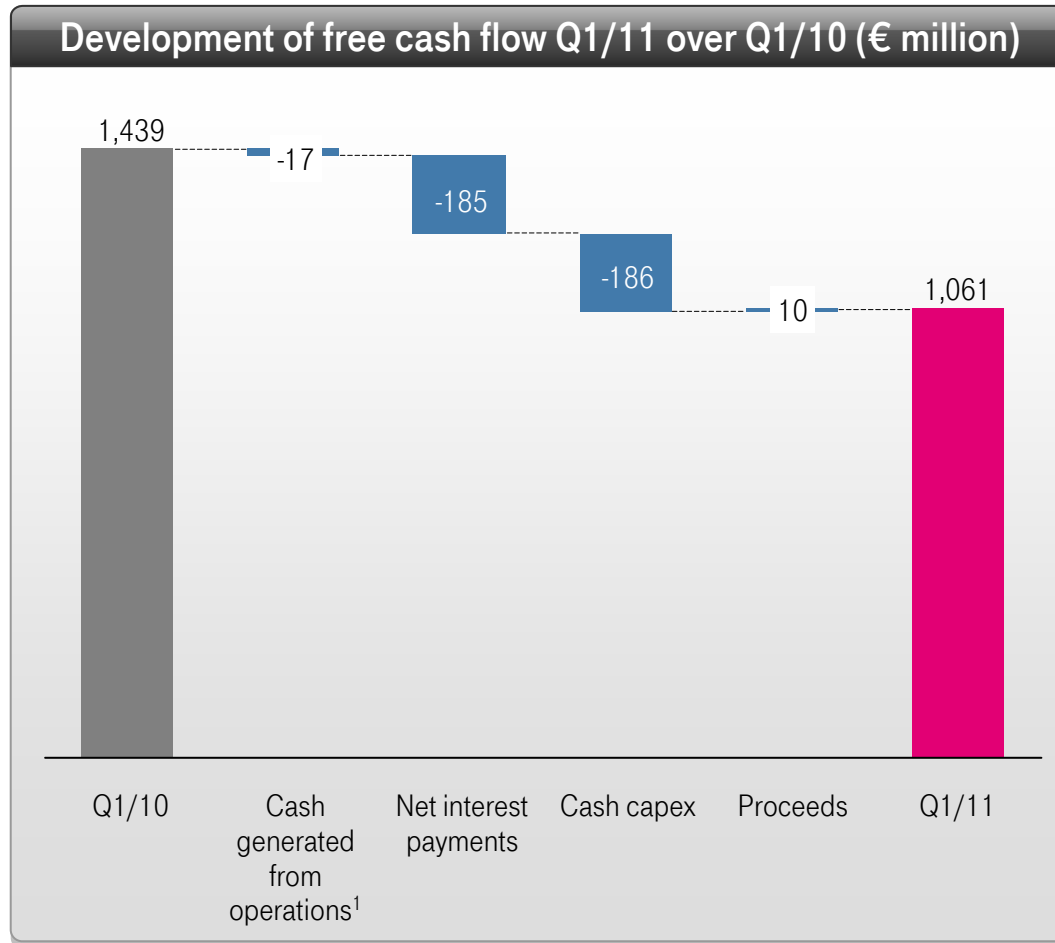
- Adj. EBITDA slightly down to €189mn with a margin of 8.4%
 - Higher transformation costs for new contracts and to safeguard quality in deals
 - Adj. EBIT margin in Q1/11 down to 1.3% from 2.2% in Q1/10
 - Higher depreciation and amortization due to extended investments in 2010
-
- 0.1 billion Save for Service contribution in Q1 2011
 - Improvements on global production setup, sourcing improvements, production platform optimization, reduction of freelancer costs
 - At Systems Integration focus on Next Generation products, test services and innovations as well as freelancer reduction and sourcing optimization
 - Optimization of Sales Operations and organizational setup for international growth
 - Internal optimization and standardization at G&A



US: continued revenue stabilization and strong data ARPU.



Free cash flow: Full year guidance confirmed – Q1 impacted by different seasonality of interest payments and cash capex.

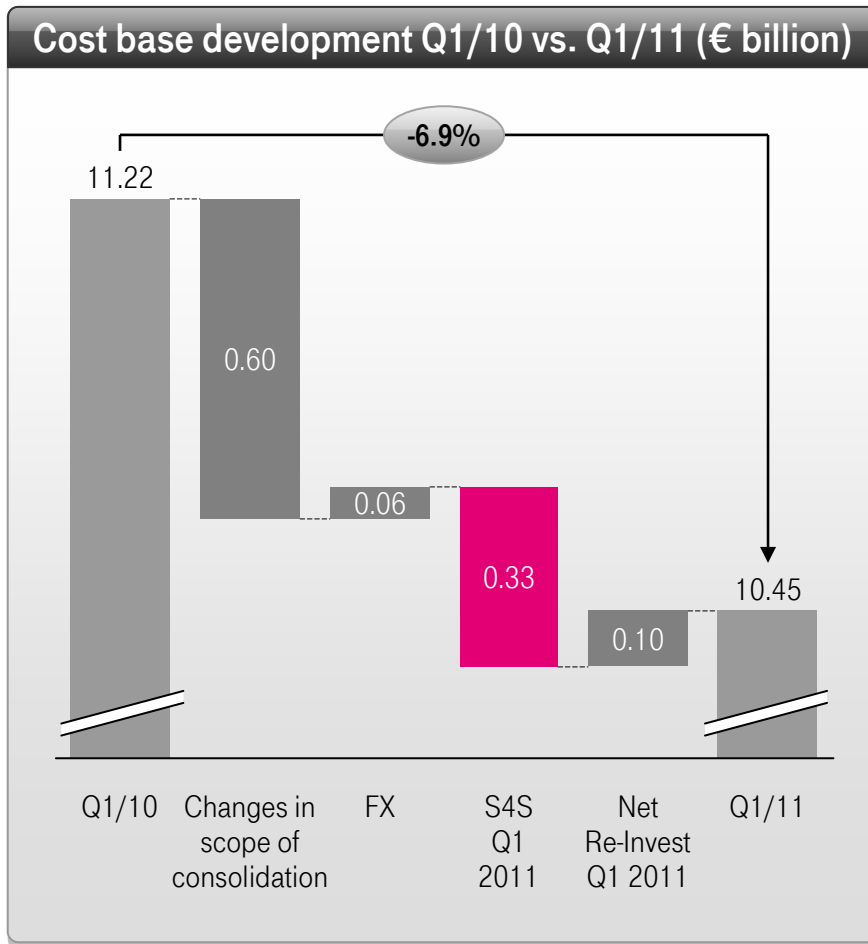


- Guidance of slightly growing to stable free cash flow over 2010 level of €6.5 billion confirmed
 - Cash flow generated from operations stable over last year (excl. €400 million for PTC settlement)
 - Higher level of interest payments and capex in Q1/11 will be balanced out in the upcoming quarters



1) Excl. €400 million for PTC settlement booked as change in other liabilities carried as working capital liabilities

Q1 2011 Save for Service results.



Contribution by Business Unit (€ million)	Q1/2011 Realized
Germany	134
USA	52
Europe	55
Systems Solutions	93
GHS	-
DT Group	334

- Savings realized in Q1 of €334 million results in run-rate total of €2.7 billion so far. 2010-12 target of €4.2 billion remains unchanged
- Net reduction of DT cost base by -6.9% (€0.7 billion) on corporate level, net OPEX savings in:
 - Germany €280 million
 - Europe €165 million (excl. UK)



Ongoing solid balance sheet ratios and improved rating outlook.

in € billion	31/03/2011	31/12/2010	30/09/2010	30/06/10	31/03/10
Balance sheet total	123.2	127.8	127.8	132.8	130.8
Shareholders' equity	42.7	43.0	43.4	44.8	44.3
Net debt	41.8	42.3	43.7	46.3	40.4
Net debt/adj. EBITDA ¹	2.2	2.2	2.2	2.3	1.9
Gearing	1.0x	1.0x	1.0x	1.0x	0.9x
Equity ratio	34.6%	33.7%	33.9%	33.7%	33.9%

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 last four quarters

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



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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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Thank you for your attention!

