

# Deutsche Telekom Investor Day. T-Systems: Enabler of Connected Life & Work.

Reinhard Clemens, CEO, and Klaus Werner, CFO  
March 18, 2010

Life is for sharing.



## Disclaimer.

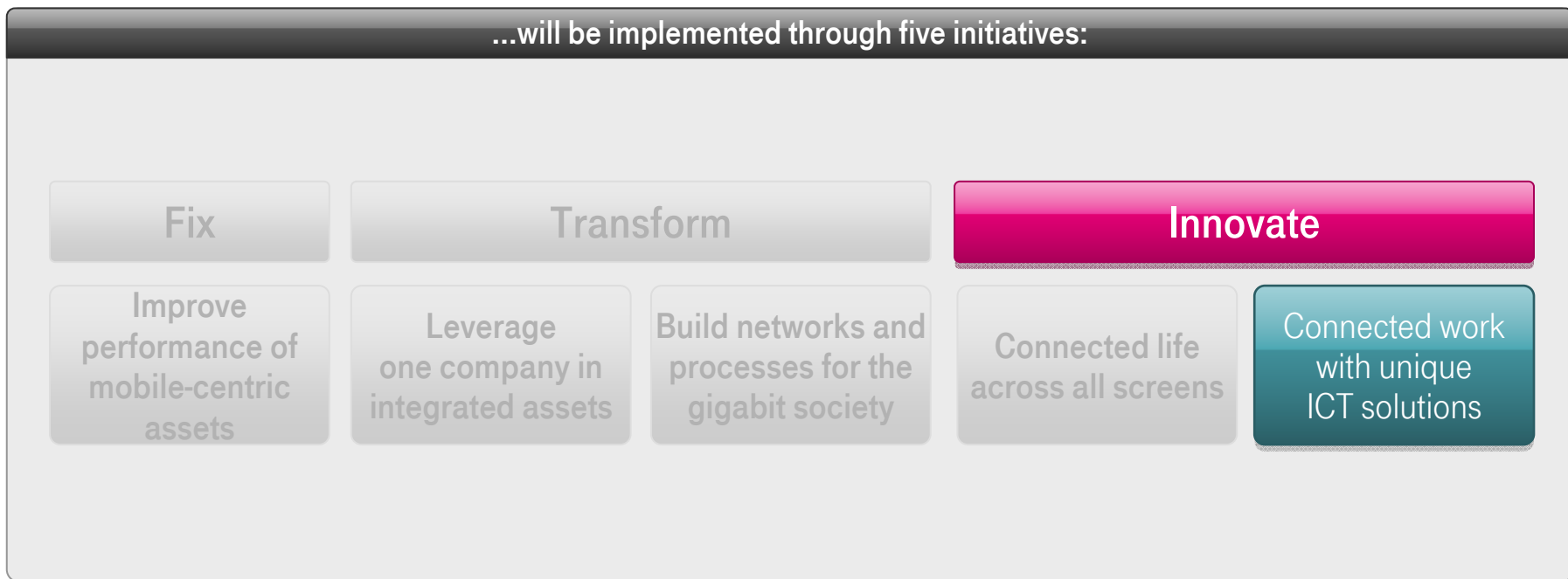
This presentation contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. These forward-looking statements include statements with regard to the expected development of revenue, earnings, profits from operations, depreciation and amortization, cash flows and personnel-related measures. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control, including those described in the sections "Forward-Looking Statements" and "Risk Factors" of Deutsche Telekom's Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission. Among the factors that might influence our ability to achieve our objectives are the progress of our workforce reduction initiative and other cost-saving measures, and the impact of other significant strategic, labor or business initiatives, including acquisitions, dispositions and business combinations, and our network upgrade and expansion initiatives. In addition, stronger than expected competition, technological change, legal proceedings and regulatory developments, among other factors, may have a material adverse effect on our costs and revenue development. Further, the economic downturn in our markets, and changes in interest and currency exchange rates, may also have an impact on our business development and the availability of financing on favorable conditions. Changes to our expectations concerning future cash flows may lead to impairment writedowns of assets carried at historical cost, which may materially affect our results at the group and operating segment levels. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. We do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways. For further information relevant to the interpretation of these terms, please refer to the chapter "Reconciliation of pro forma figures", which is posted on Deutsche Telekom's Investor Relations webpage at [www.telekom.com](http://www.telekom.com).



# DT Group Strategy....

FIX - TRANSFORM - INNOVATE



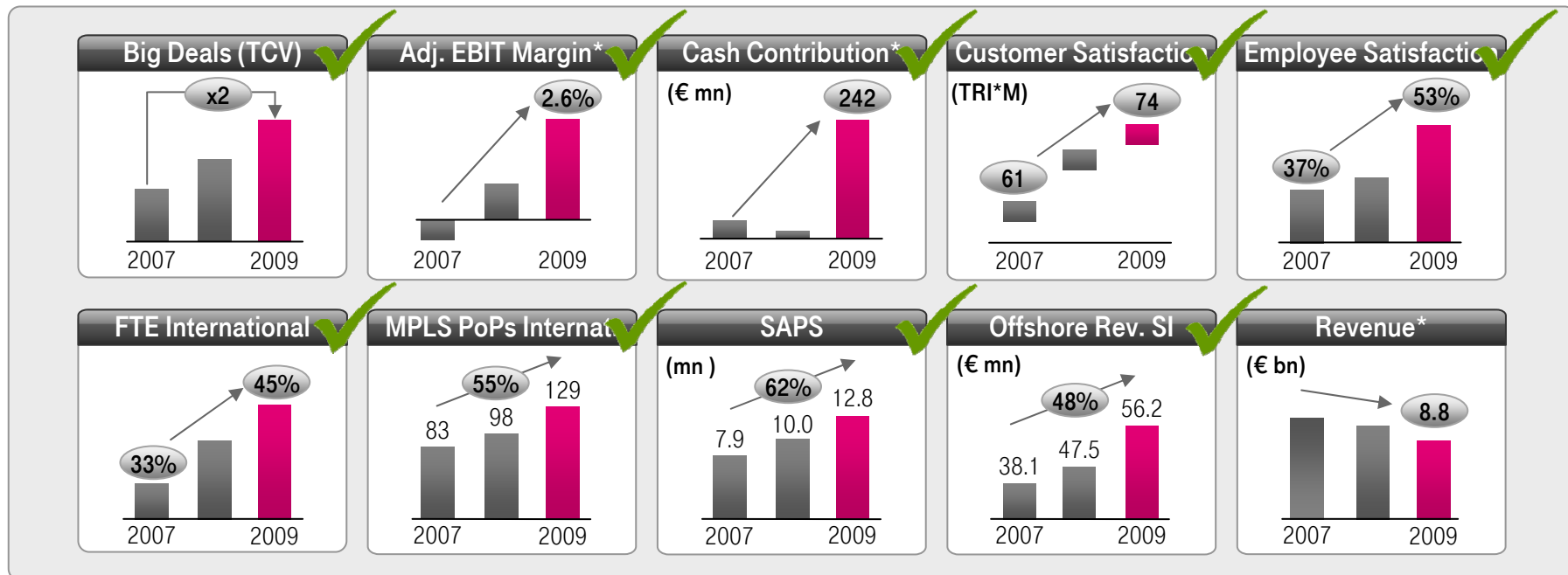
# The challenge ahead.

FIX - TRANSFORM - INNOVATE



# Achievements since 2007.

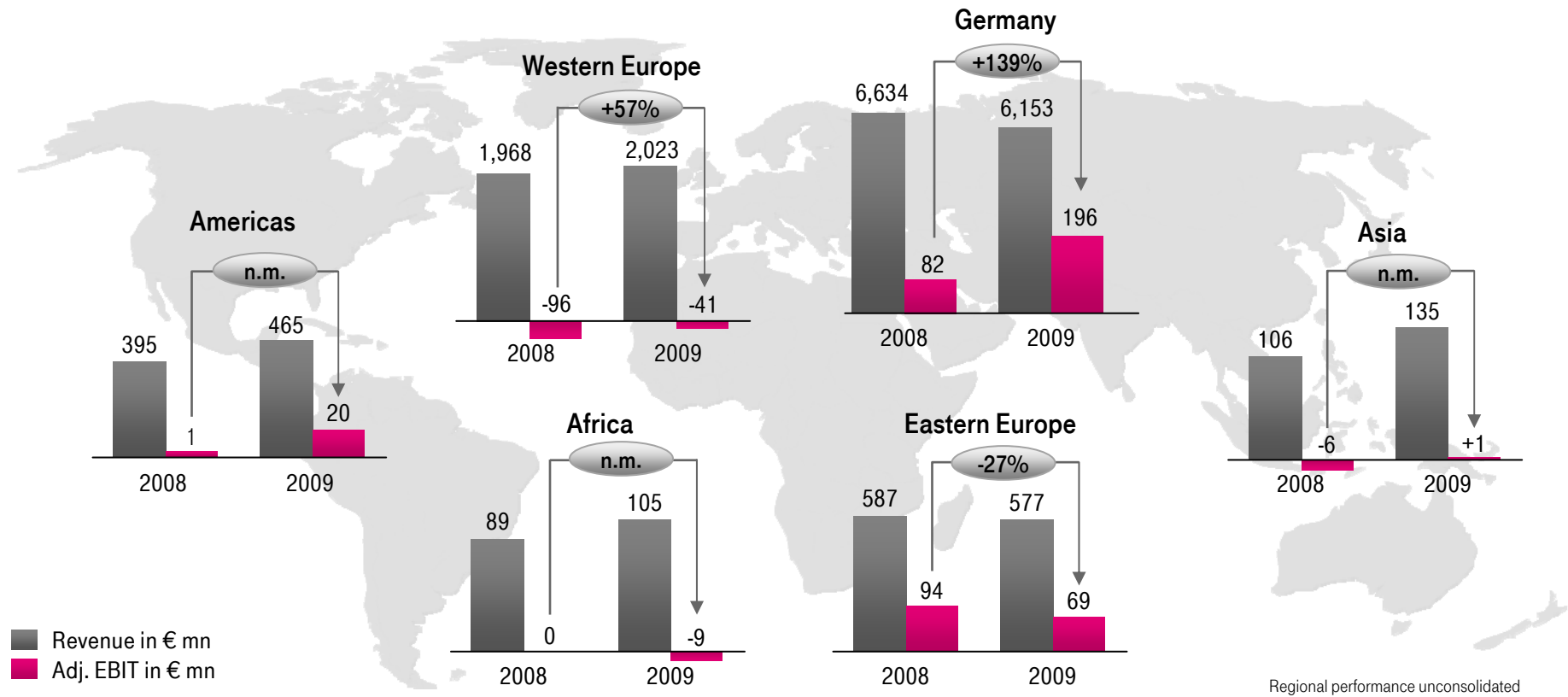
FIX - TRANSFORM - INNOVATE



\*Adj. EBIT margin, cash contribution and revenue 2007 excluding Media & Broadcast and Active Billing

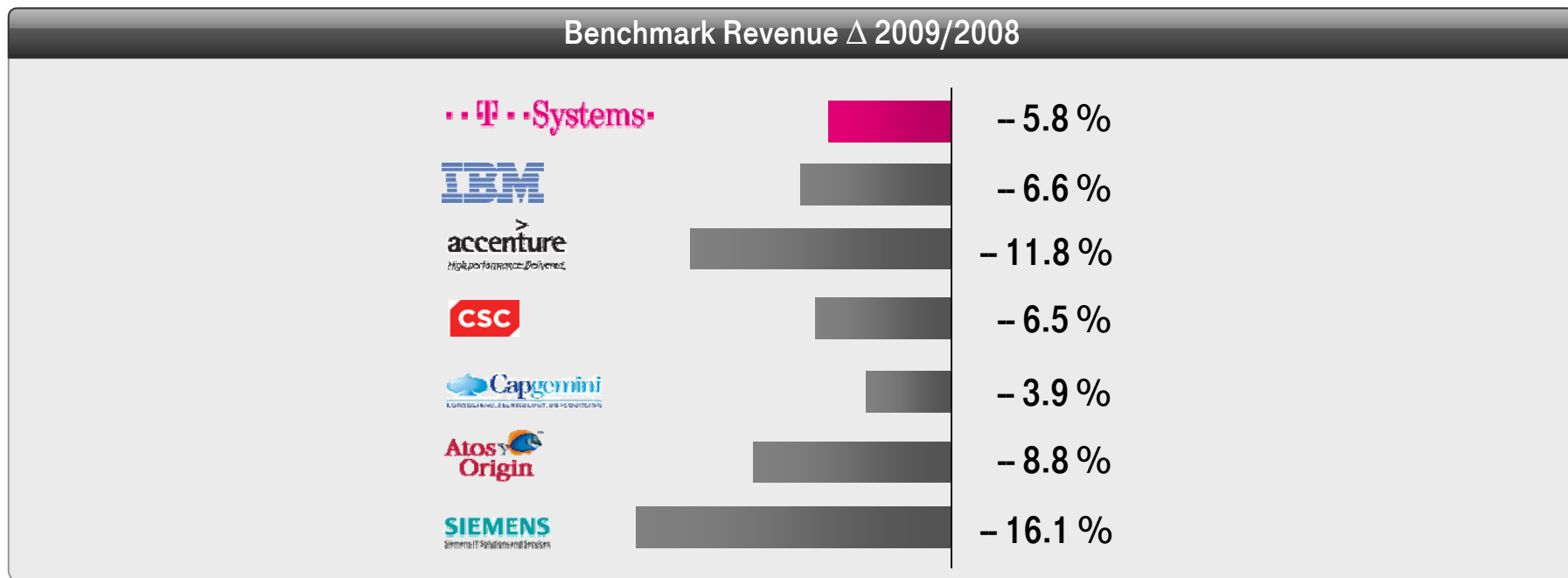
# Regional performance of revenue and adj. EBIT.

FIX - TRANSFORM - INNOVATE



Solid performance compared to competitors.

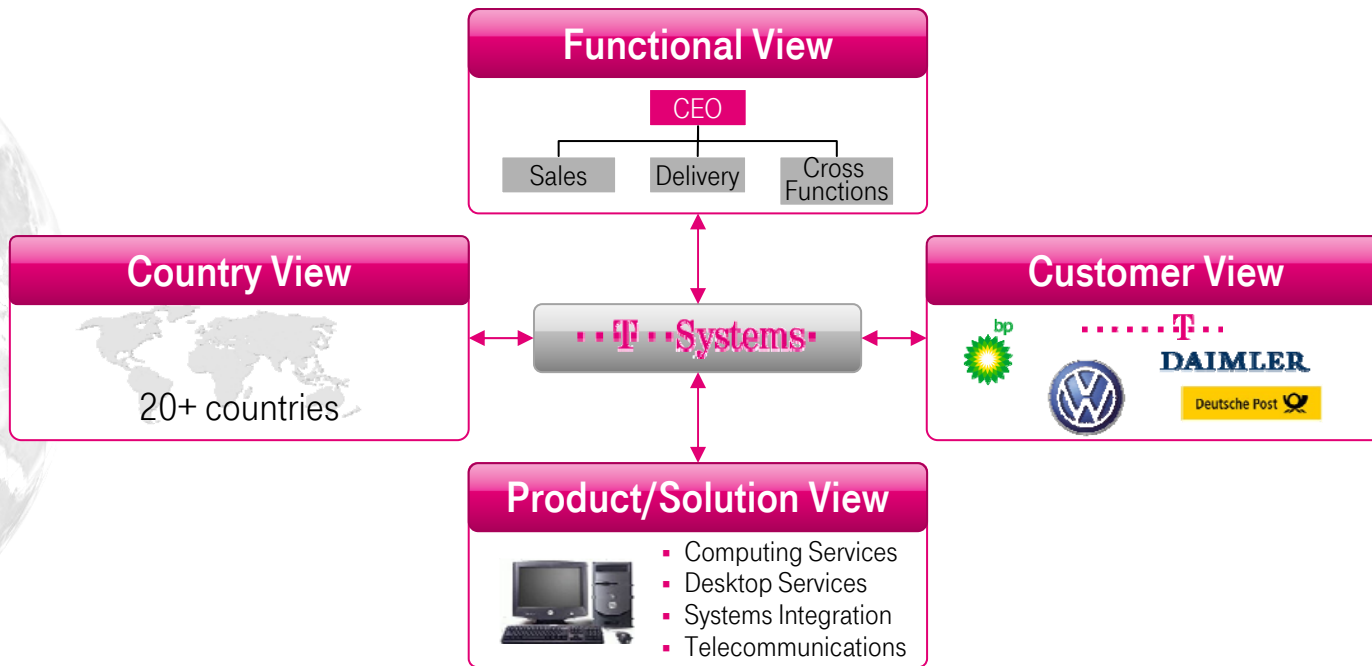
**FIX** - TRANSFORM - INNOVATE



Source: revenues derived from company and broker reports

# The 4 dimensions of T-Systems.

FIX - **TRANSFORM** - INNOVATE





Gross Profit is key steering parameter.

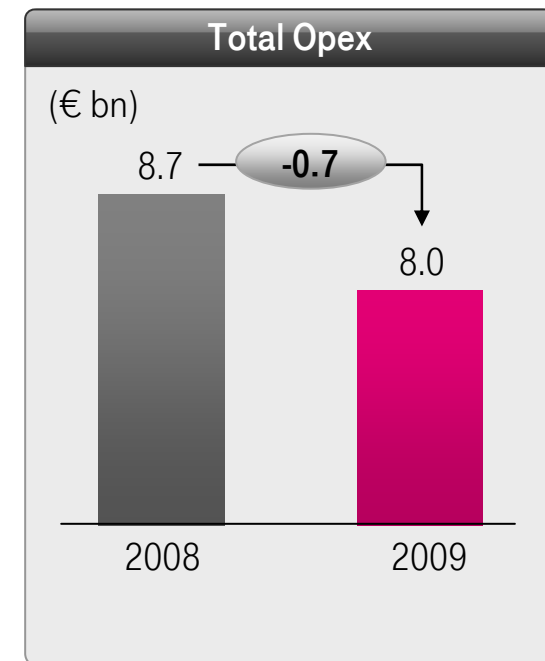
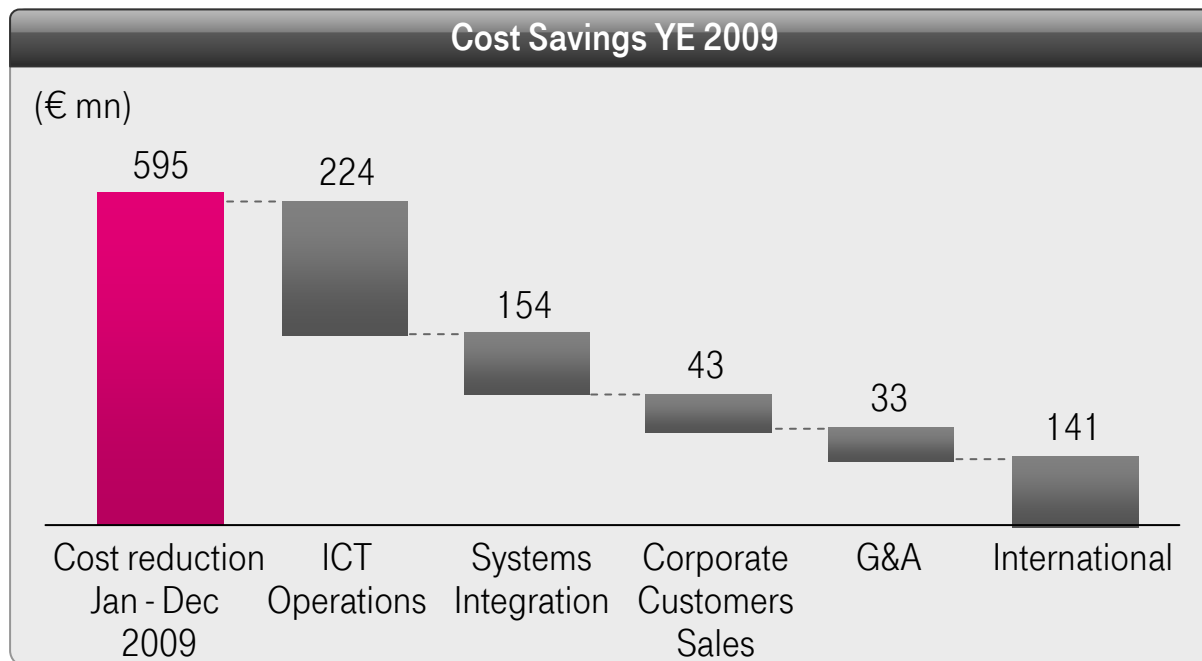
FIX - **TRANSFORM** - INNOVATE

| Steering Logic       |                                | 2008         | 2009         |
|----------------------|--------------------------------|--------------|--------------|
| Impacted<br>by Sales | Revenue                        | 100%         | 100%         |
|                      | - Material & Production costs  |              |              |
|                      | <b>= Gross Profit (margin)</b> | <b>18.7%</b> | <b>20.4%</b> |
|                      | Computing Services             | 12.9%        | 16.2%        |
|                      | Desktop Services               | 12.2%        | 14.1%        |
|                      | Systems Integration            | 15.6%        | 20.6%        |
|                      | Telecommunications             | 20.3%        | 19.1%        |
|                      | - SG&A expenses (margin)       | <b>18.6%</b> | <b>18.0%</b> |
|                      | <b>= Adj. EBIT margin</b>      | <b>0.7%</b>  | <b>2.6%</b>  |



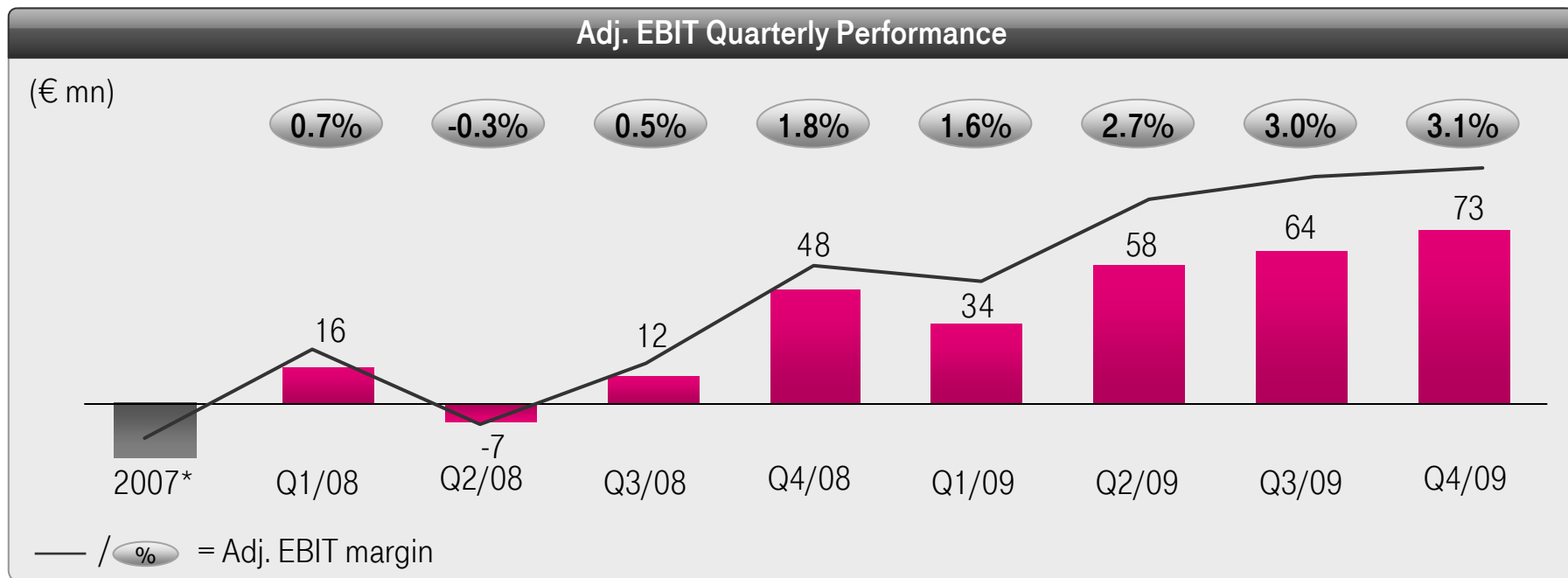
Save for Service program 2009:  
Total cost reduction of € 595mn.

FIX - **TRANSFORM** - INNOVATE



Sequential increase in profitability.

FIX - **TRANSFORM** - INNOVATE

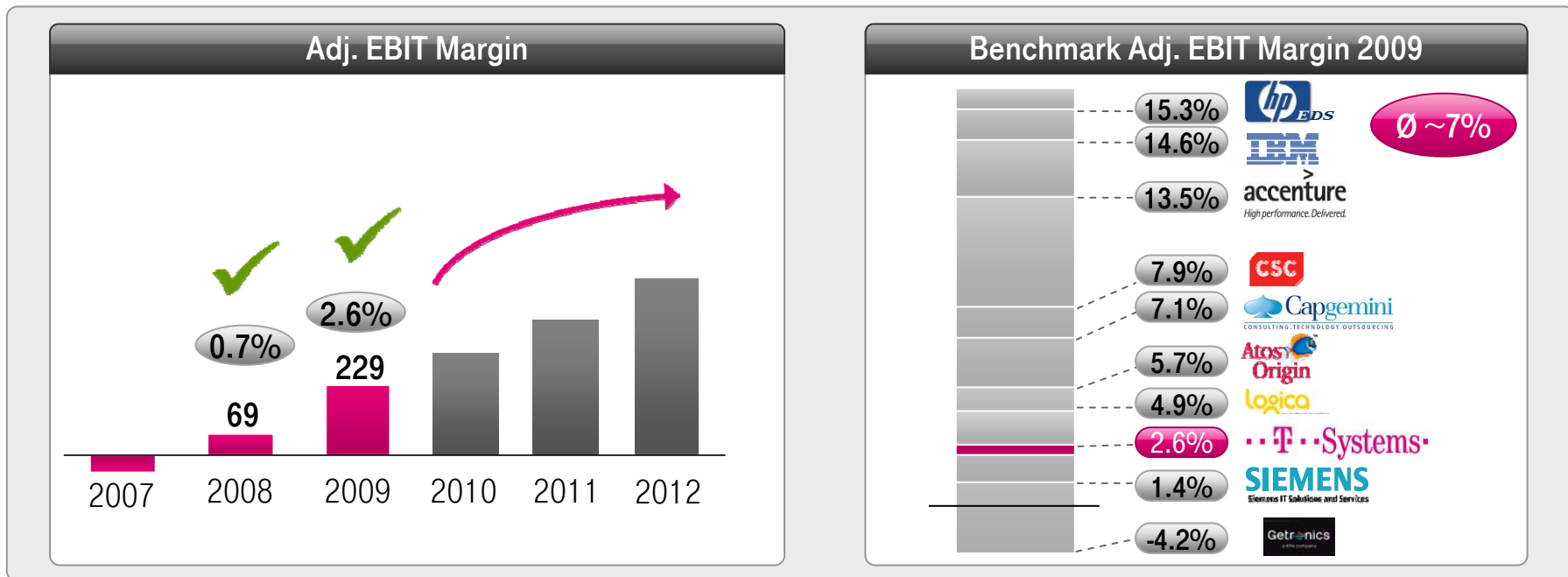


\*Adj. EBIT 2007 excluding Media & Broadcast and Active Billing



Our ambition:  
Grow adj. EBIT margin towards peer level.

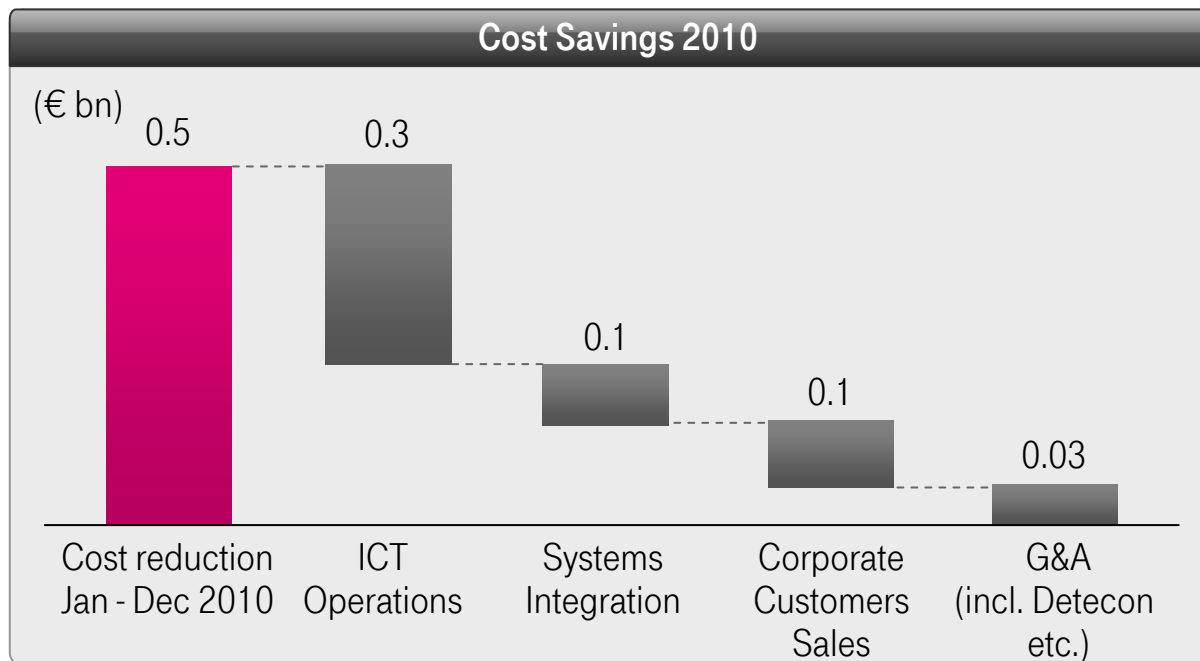
FIX - **TRANSFORM** - INNOVATE



Source: EBIT margin derived from company and broker reports

## Save for Service program 2010-2012: Further efficiency increase.

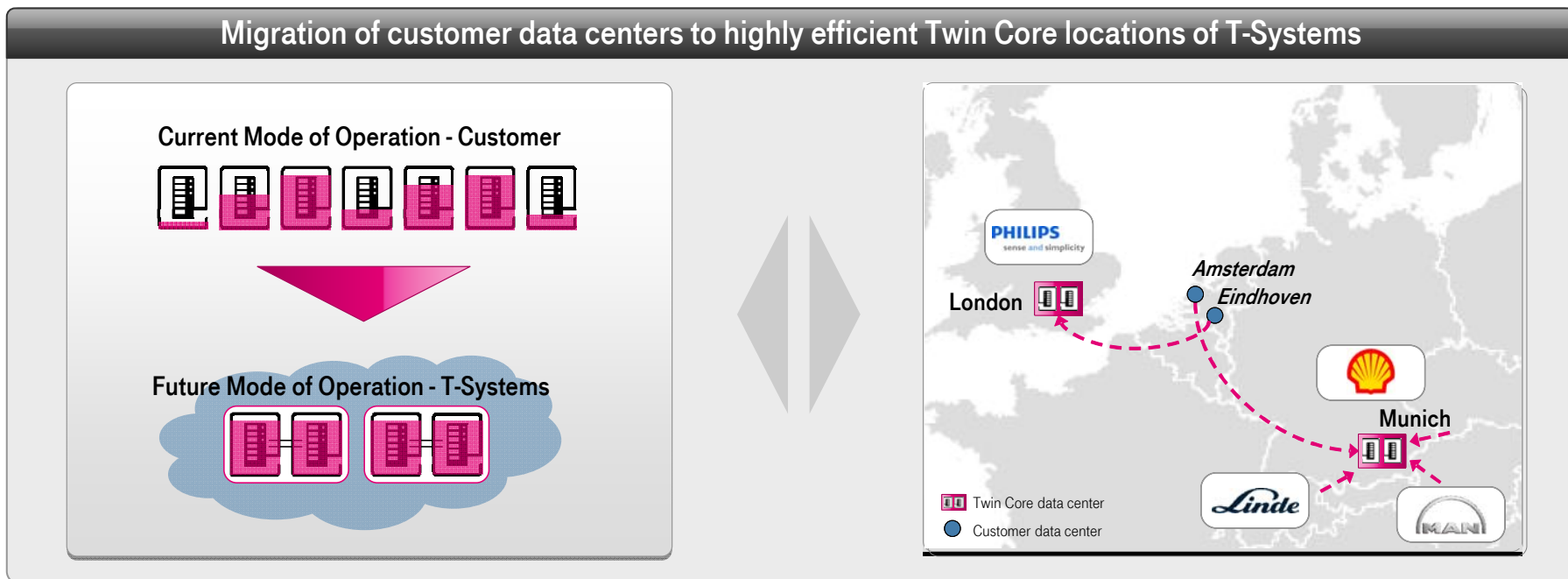
FIX - **TRANSFORM** - INNOVATE



\* S4S: Save for Service

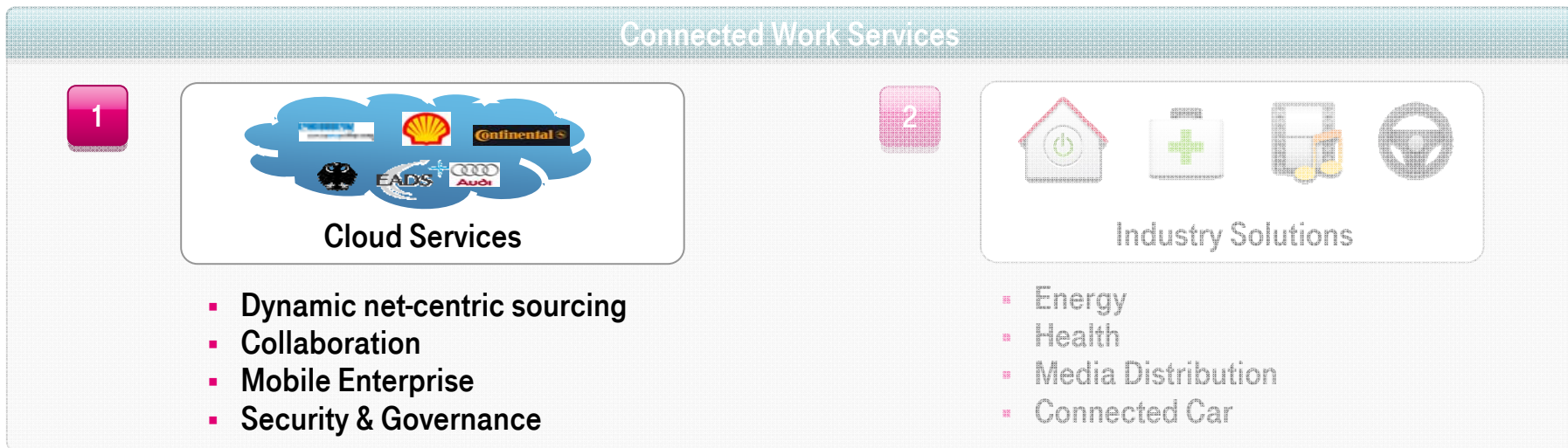
# Save for Service 2010: Migration of data centers.

FIX - **TRANSFORM** - INNOVATE



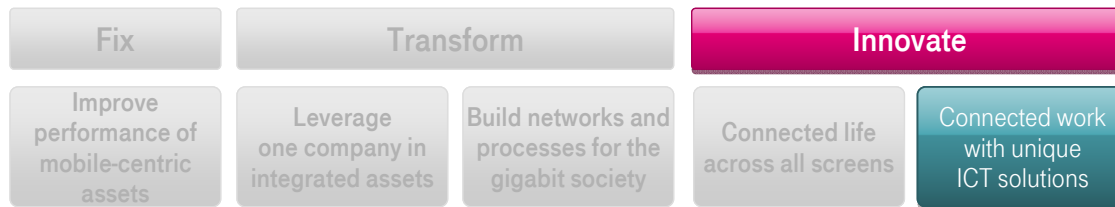
# Competencies: from cloud services to industry solutions in energy, health, connected car and media distribution.

FIX - TRANSFORM - **INNOVATE**




# Dynamic net-centric sourcing.

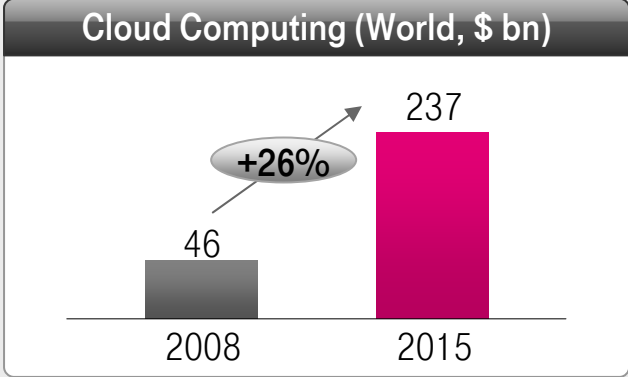
FIX - TRANSFORM - **INNOVATE**  
**Cloud Services**



### Customer Example



- Consolidation of the entire IT Infrastructure of about 300 data centers in 56 countries into a secure "Private Cloud"
- SAP Services, billed for on demand, delivered out of this private cloud
- Replacement of fixed IT costs with transparent flexible pricing model based on IT resources actually consumed



| Year | Value (\$ bn) |
|------|---------------|
| 2008 | 46            |
| 2015 | 237           |





# Collaboration.

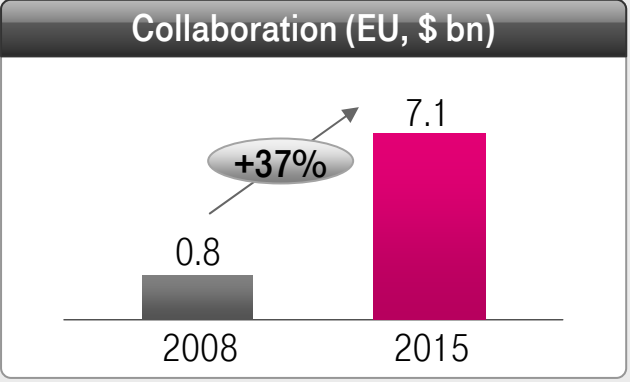
**FIX - TRANSFORM - INNOVATE**  
**Cloud Services**



### Customer Example



- Collaboration environment with highest security requirements – international high-tech defense projects
- Secure data communication
- Adapted access authorization with registration procedure for security cleared staff
- Role-based security concept built on a company wide public key infrastructure



| Year | Value (\$ bn) |
|------|---------------|
| 2008 | 0.8           |
| 2015 | 7.1           |




# Mobile Enterprise.

FIX - TRANSFORM - **INNOVATE**  
**Cloud Services**



### Customer Example



- Secure mobile access to email, business data and business applications
- Generation of dynamic financial reports via Microsoft mobility solution
- Printing email or excel sheets on any printer using any Windows Mobile device
- Full sourcing management of mobile devices (hardware and software)

#### Mobile Enterprise (WE, \$ bn)

| Year | Mobile Enterprise (WE, \$ bn) |
|------|-------------------------------|
| 2008 | 11.6                          |
| 2015 | 20.7                          |




# Security & Governance.

FIX - TRANSFORM - **INNOVATE**  
**Cloud Services**



### Customer Example



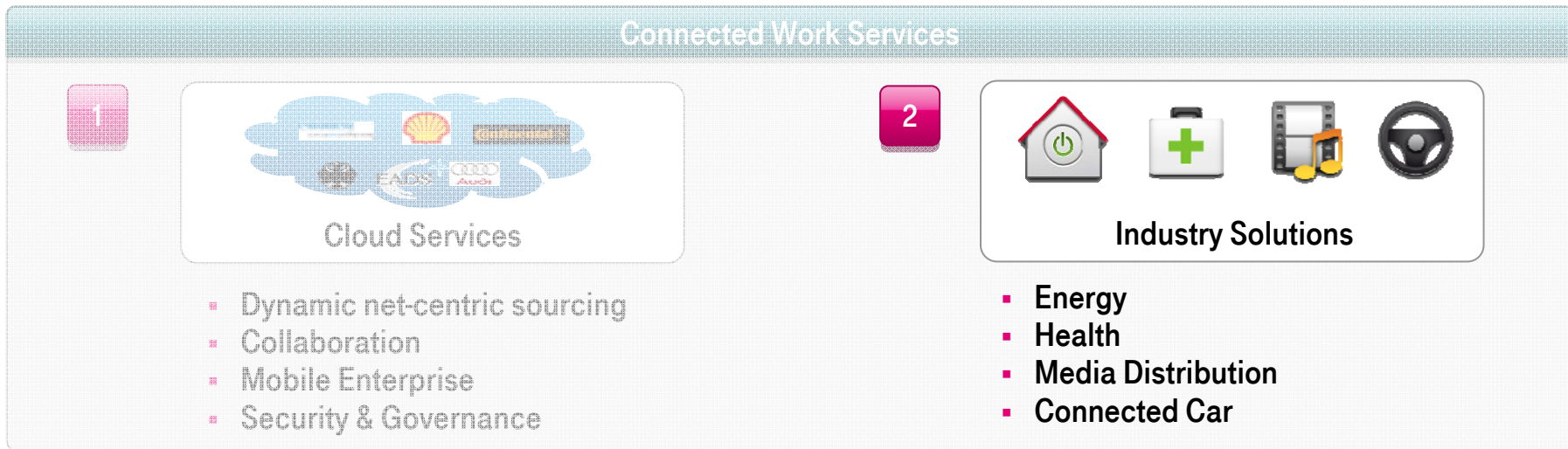
- “Secure Mobile Communication” (Germany SiMKo 2 ) for Government bodies and regulatory authorities via end to end security
- Encryption of all data stored on the device – including voice
- Recommended by the German BSI for German security grade “Classified – only for Internal Use” (VS-NfD)

| Year | Value (\$ bn) |
|------|---------------|
| 2008 | 35.0          |
| 2015 | 77.3          |



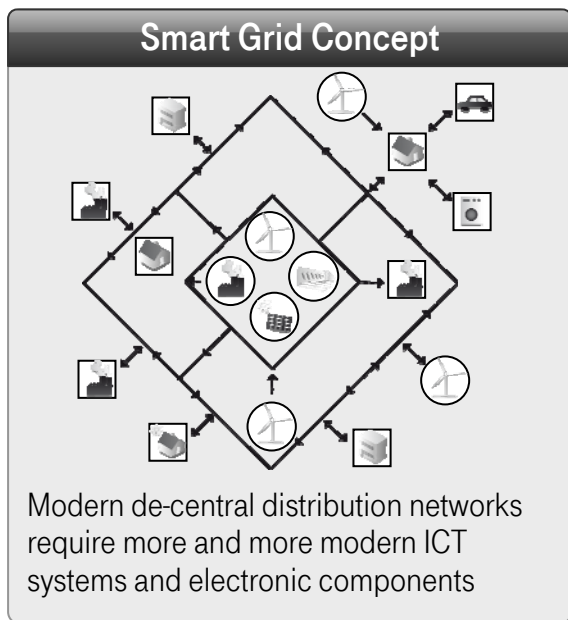
# Competencies: from cloud services to industry solutions in energy, health, connected car and media distribution.

FIX - TRANSFORM - **INNOVATE**

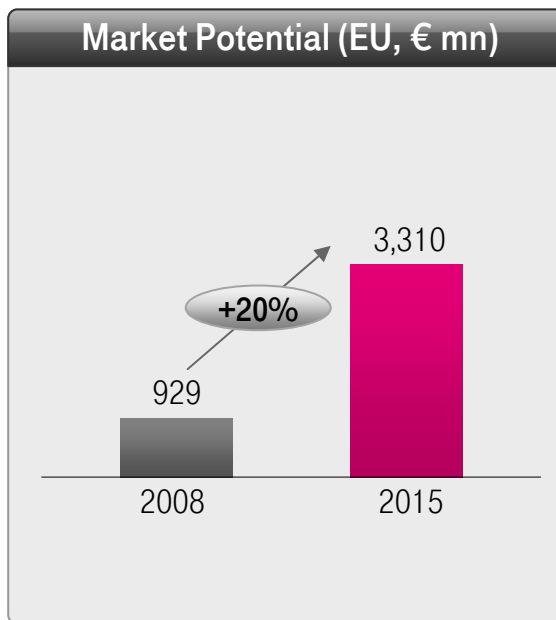


Energy: ICT enabled grids to match demand and supply of decentralized power distribution.

FIX - TRANSFORM - **INNOVATE**  
**Industry Solutions**





Source: ABB



Source: Berg Insight 2009

### Cooperation Examples

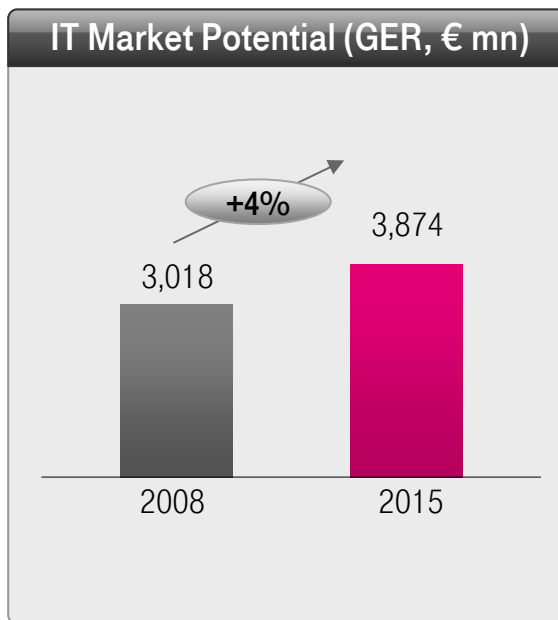
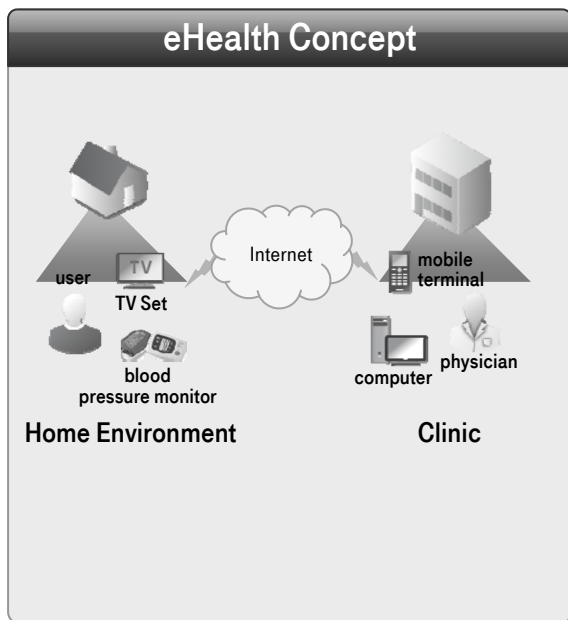



- Smart Grid pilot (incl. purchase optimization, demand side management, virtual power plant)
- T-City delivers the setting for an exclusive pilot (2,000 households) in testing smart grid business models



# Health: Metering and IT solutions for increased efficiency in health care system.

FIX - TRANSFORM - **INNOVATE**  
**Industry Solutions**

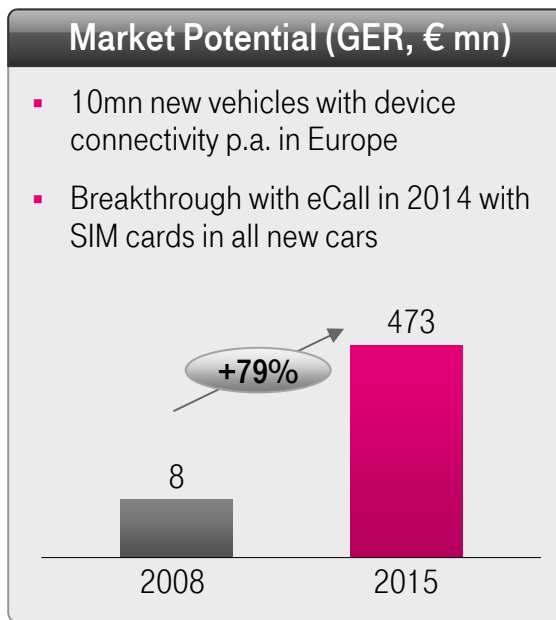
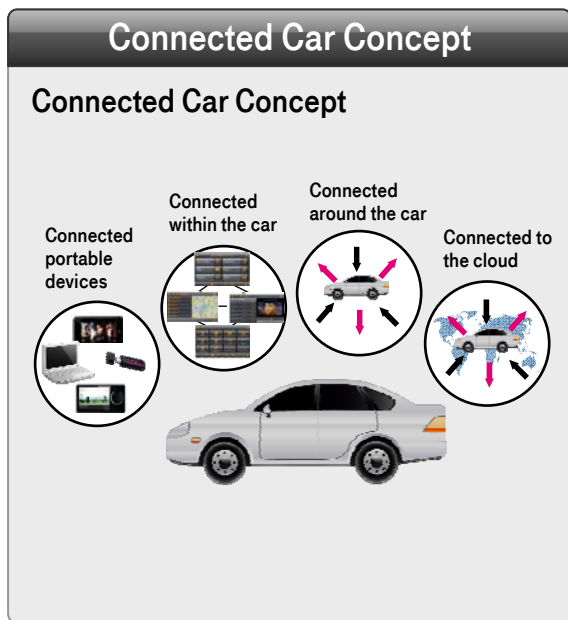


- ### Cooperation Examples
- Pilot project Home Care T-City
  - Cardio Beat study, Partnership for the heart project (T-Mobile)
  - Disease Management & Telemedicine for Diabetes
  - Care management Programs with Health Insurances
- 

Source: PAC



# Connected Car: the next device for digital content and communications.



Source: Berg Insight 2008/TSI Calculation

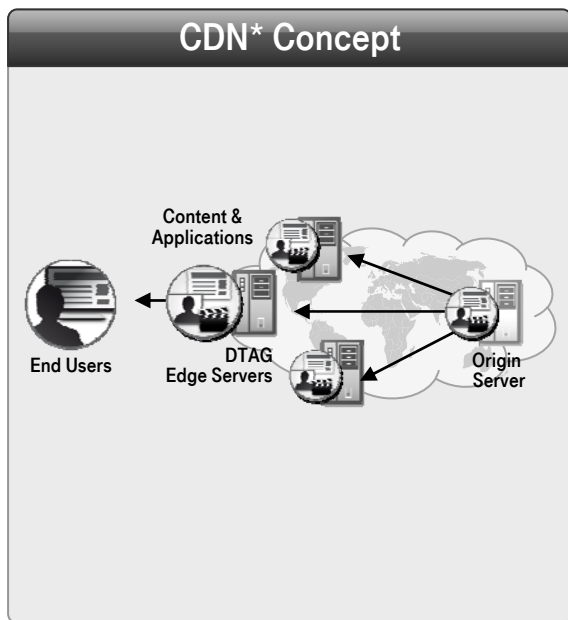
### Cooperation Examples

- Continental together with T-Systems developing open hardware platform AutoLinq
- Running DT Apps (e.g. Musicload, online address book)
- BMW ConnectedDrive solution developed in cooperation with T-Systems
- Connectivity always provided by T-Mobile

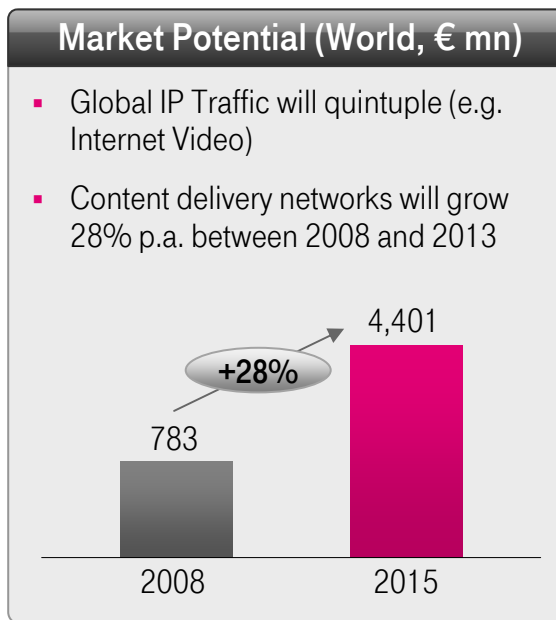


# Media Distribution: New business models for the world of online media.

FIX - TRANSFORM - **INNOVATE**  
Industry Solutions



\*Content Delivery Network



Source: Frost & Sullivan 2008

### Cooperation Examples

- DT AG in development of content delivery platform based on Edgecast technology
- 2<sup>nd</sup> generation CDN software with market leading performance and best in class features

The section highlights cooperation examples, featuring the Edgecast logo and logos for DER SPIEGEL and Bild, indicating their use of the technology.





## T-Systems' ambition level 2012.

|               | 2009   | Ambition Level 2012   |
|---------------|--|---|
| Growth        | <ul style="list-style-type: none"> <li>Revenue decline: -5.8%</li> </ul> | <ul style="list-style-type: none"> <li>Revenue growth above industry average in corresponding segments</li> <li>Fair market share in innovative "industry solutions"<sup>1</sup></li> </ul> |
| Quality       | <ul style="list-style-type: none"> <li>Excellent TRI*M: 74 pt</li> </ul> | <ul style="list-style-type: none"> <li>Strong TRI*M Index over peer average and above 75 pt</li> </ul>  |
| Profitability | <ul style="list-style-type: none"> <li>Adj. EBIT margin: 2.6%</li> </ul> | <ul style="list-style-type: none"> <li>Grow adj. EBIT margin towards peer level (around 7%)</li> </ul>  |



<sup>1</sup> Enabling perspective for groupwide responsibility

What our customers say.



Quelle

