DEUTSCHE TELEKOM CAPITAL MARKETS DAY 2012

T-SYSTEMS

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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.

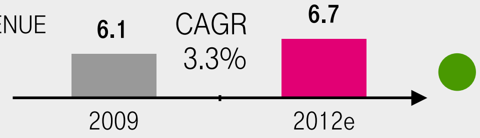
REVIEW 2010 – 2012

2010 – 2012: T-SYSTEMS' ACHIEVEMENT SINCE WE MET LAST TIME.

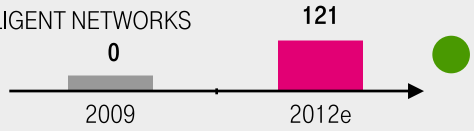
	AMBITION LEVEL 2012
GROWTH	▪ Revenue growth above industry average ▪ Fair market share in innovative "industry solutions"[1]
QUALITY	▪ Strong TRI*M Index over peer average and above 75 pt
PROFITABILITY	▪ Grow adj. EBIT margin towards peer level (ca. 7%)

ACHIEVEMENTS 2012

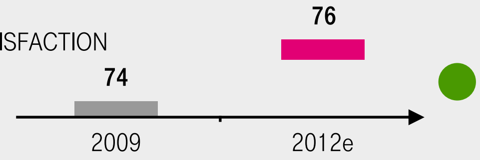
EXTERNAL REVENUE
€ bn



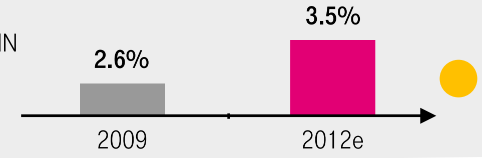
REVENUE INTELLIGENT NETWORKS
€ mn



CUSTOMER SATISFACTION
TRI*M



ADJ. EBIT MARGIN
€ mn



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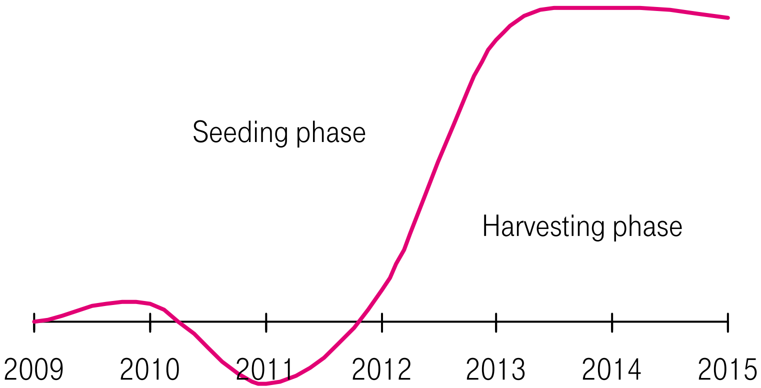
[1] Enabling perspective for groupwide responsibility   adj. EBIT margin: Forecast in old structure before restatement

2010 – 2012: OVER 20 BIG DEALS SHOW GREAT TRUST.

Total Contract Value 2010 – 2012: ~€8 bn

2008	Shell	Deutsche Telekom	OLD MUTUAL	Heineken	Eskom	
2009	Linde	PHILIPS	MAN	BRITISH AIRWAYS	bp	arvia-kom
2010	ITERGO	TUI Travel PLC	SBB CFF FFS	Shell	Nokia Siemens Networks	
2011	DekaBank	T-Mobile Netherlands	DAIMLER	e·on		
2012	DZ BANK	valora	CLARIANT	Copart	BRITISH AMERICAN TOBACCO	
		everything everywhere	Boehringer Ingelheim	+GF+		

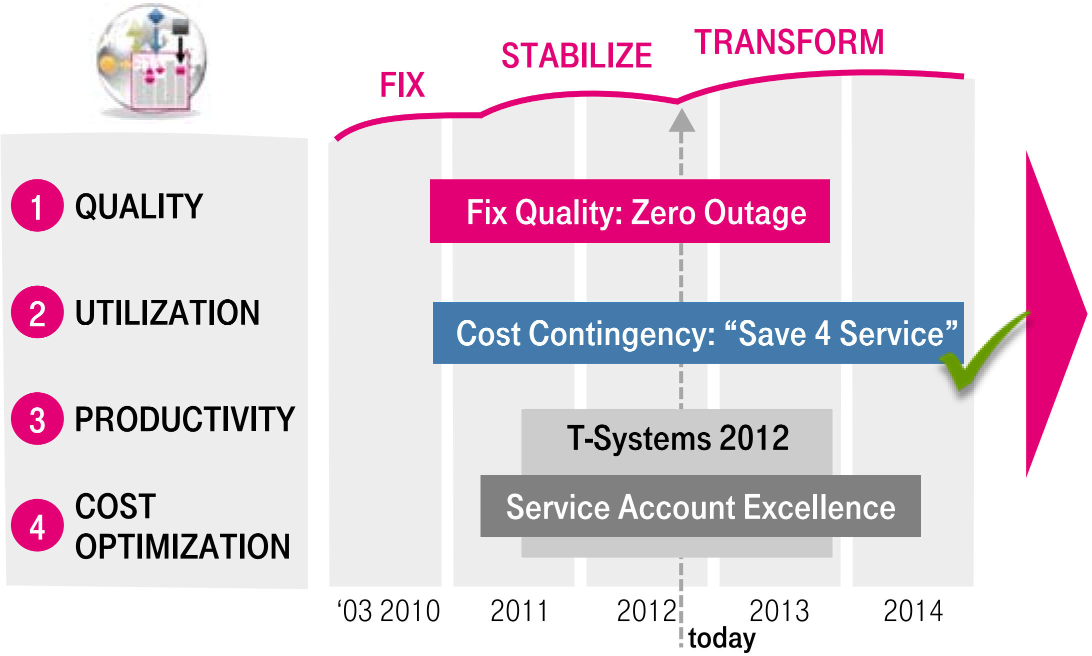
GROSS PROFIT DEVELOPMENT OF BIG DEALS WON 2009 – 2010



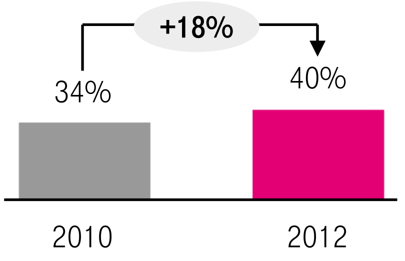
QUALITY: CHALLENGE TO DELIVER....

2010 – 2012: KEY PROJECTS FOR IMPROVEMENTS ALREADY IN PLACE.

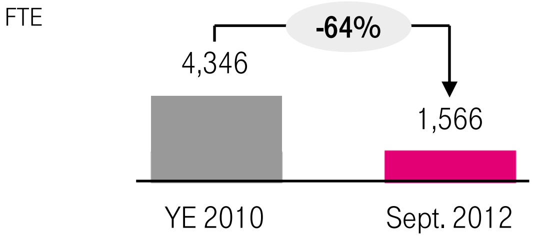
MASTERPLAN T-SYSTEMS



NEARSHORE/OFFSHORE QUOTA PRODUCTION



FREELANCER GLOBAL PRODUCTION



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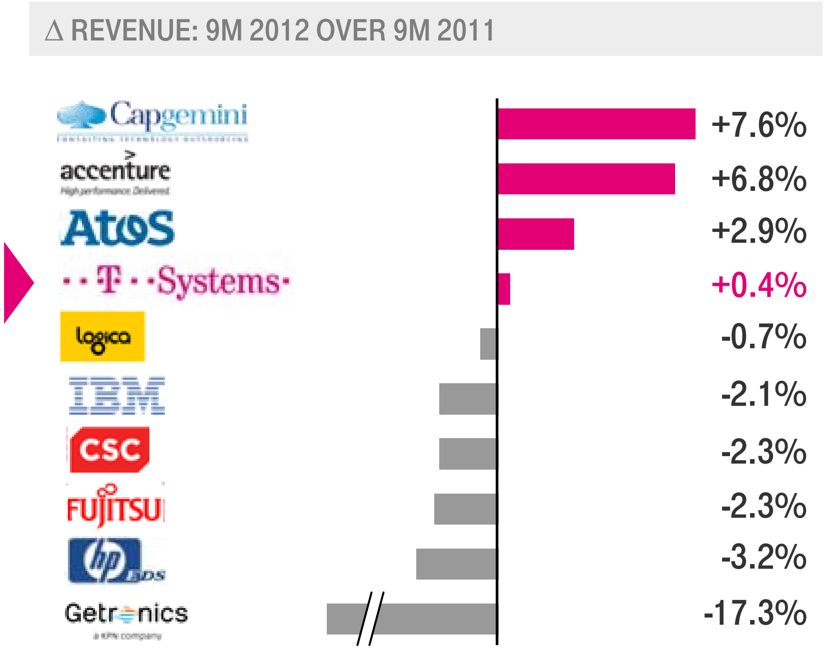
2010 – 2012: UNLIKE MAIN PEERS OUR REVENUE IS STILL GROWING.



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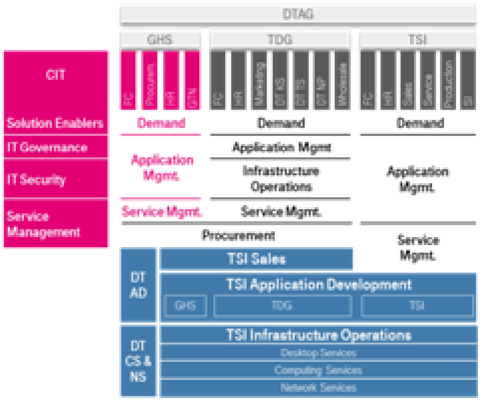
Logica: No quarterly reporting since acquisition by CGI

DT NEEDS TO CUT IT SPEND SIGNIFICANTLY – FORMATION OF TELEKOM IT.

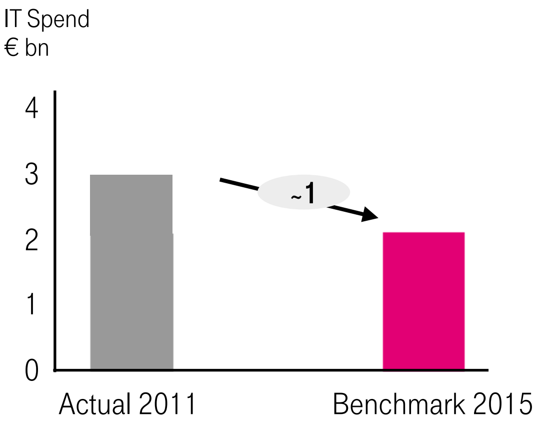
QUALITY ISSUES

- **Time to market** not competitive
- Insufficient **time, budget, and quality** of projects
- Distributed projects and **redundancies** in tasks
- **No clear responsibility** and heterogeneous IT systems

COMPLEX STRUCTURES



NEED FOR IT SPEND REDUCTION



With bundling of all internal IT functions of DT in Germany within Telekom IT, a strict optimization in terms of cost, quality and time-to-market is possible.

MARKET TRENDS

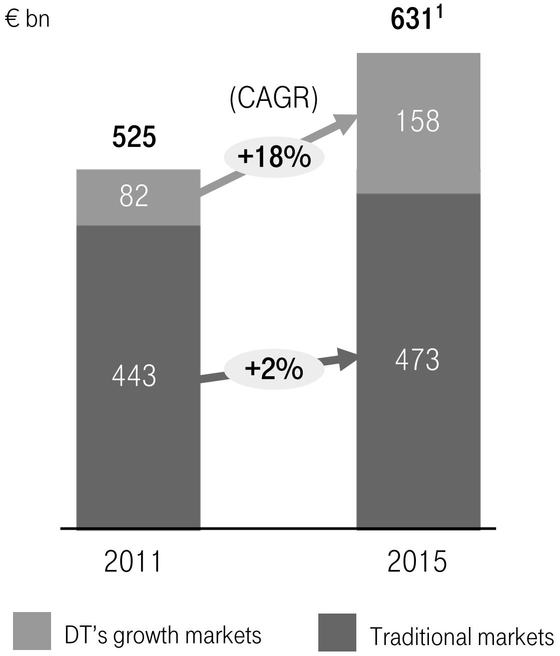
ATTRACTIVE MARKET ENVIRONMENT FOR ICT BUSINESS.

BUSINESS AREAS

SCALABLE ICT SERVICES (GROWTH AREAS)

CONVENTIONAL ICT BUSINESS

MARKET DEVELOPMENT TSI FOOTPRINT



SUCCESS FACTORS

- Fuel growth by **developing bundled, end-to-end solutions** in disruptive technology areas (cloud, analytics, mobility)
- Make use of **key paradigms like:**
  - speed & simplicity
  - service & convenience
- Increase **offshore** leverage
- Develop industrialized delivery models to drive up **services profitability**
- **Expand channel partner** delivery as primary lever of margin improvement

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Source: Based on market insights and various external sources (e.g., Gartner, IDC, Analysys Mason). [1] Intelligent Networks partially included.

GLOBAL FUTURE TRENDS & TECHNOLOGIES FROM DT'S PERSPECTIVE.

GROWTH WITH GLOBAL TREND CLOUD[1]

Turnover worldwide **EUR 114 billion**

2016

1.3 billion
mobile workers worldwide (till 2015)

BIG DATA MARKET FORECAST[2]

CAGR (IDC)
40 %

currently
1.8 Zettabytes
of data volume worldwide

Market forecast
worldwide (till 2017)
EUR 53 billion

INTELLIGENT NETWORKS[3]

Installed
smart meters
worldwide
(till 2020)
nearly 1 billion

More than **50 %** of patients
will use mobile health solutions (till 2017)

Numbers of cars with internet access
by 2020 (global)

> 100 million

NETWORK SECURITY BECOMING MORE RELEVANT[4]

Direct damage caused
by cyber crime 2011 (worldwide)
EUR 85.2 billion

Total volume cyber crime incl.
countermeasures 2011 (global)
EUR 290 billion

10 % CAGR (2012 – 2016)

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[1] Source: IDC, DTAG [2] Source: Wikibon 2012 Big Data Market Size and Vendor Revenues [3] Source: DTAG, research2guidance 2012, Pike Research [4] Source: IDC/gartner/PAC, Symantec Report 2011

STRATEGY 2013 – 2015

MARKET UNIT:
PROFITABLE GROWTH
TELEKOM IT:
SPEND REDUCTION

2013 – 2015: OUR PRIORITIES DERIVED FROM DT'S STRATEGY.

Seamless connectivity for the Gigabit Society

More innovation by cooperation

Secure cloud solutions

Best-in-class customer experience

INNOVATE
Cloud
BigData
Security
Intelligent Networks

TRANSFORM
Offshoring
Standardization
Make or Buy
Automation

COMPETE
Quality
Telekom IT

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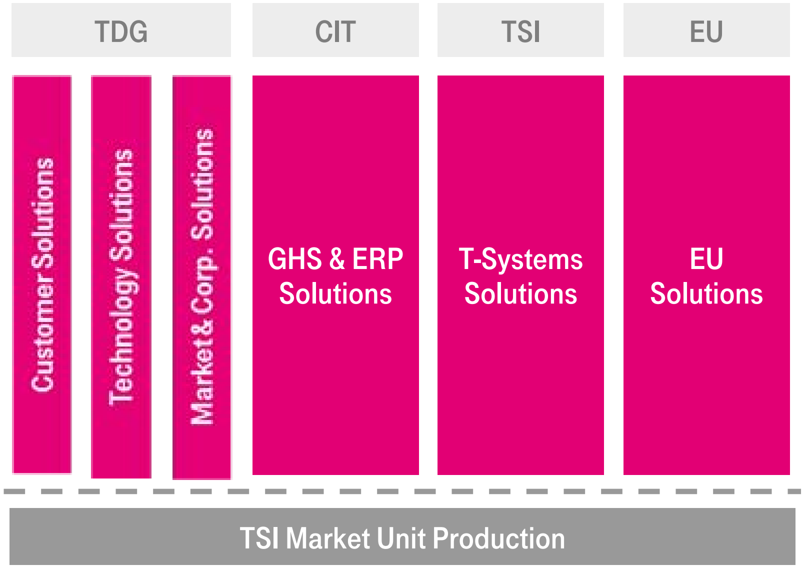
2013 – 2015: TELEKOM IT WITH End2End ACCOUNTABILITY & CLEAR INTERFACES.

COMPETE

TELEKOM IT



KEY FACTS

- **DT's service provider** for domestic business units, organized along six solution domains
- **More than 8,000** internal and **2,000** external employees (1.7.2012)
- **€2.7 bn** IT budget (2011 restated)
- Responsible for CRM/Billing systems managing **23 mn fixed line & 35 mn** mobile customers
- Operating **Shared Platforms** for European NatCos (€15 bn yearly revenue)

→ Mission: Reduction of IT spend by €1bn by 2015

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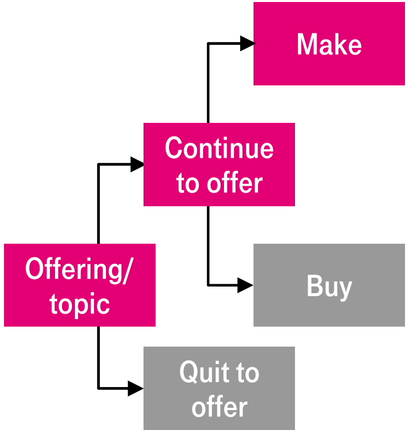
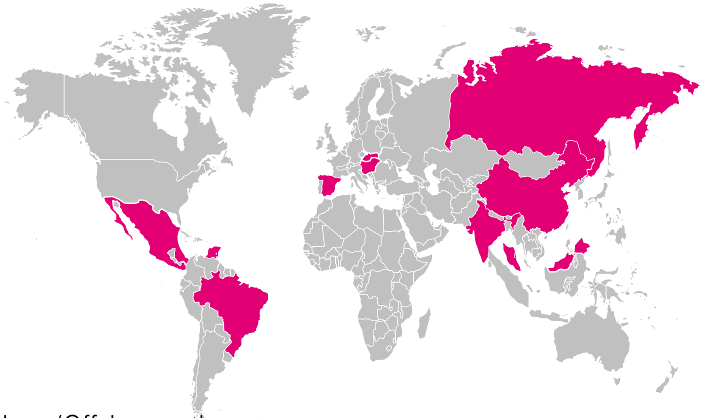
2013 – 2015: COST CUTS BY OPTIMIZING PORTFOLIO & PRODUCTION.

TRANSFORM

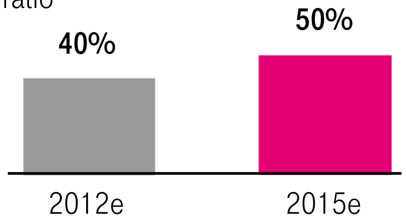
STREAMLINING OF PORTFOLIO → MAKE OR BUY DECISION → MOVE TO NEAR-/OFFSHORE LOCATIONS

- INNOVATION
- STANDARDIZATION
- PARTNERING





Near-/Offshore ratio

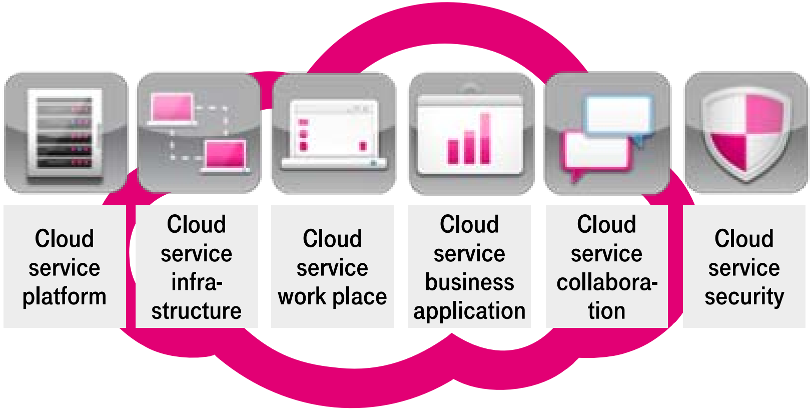


2013 – 2015: CLOUD COMPUTING AS KEY ENABLER FOR GROWTH.

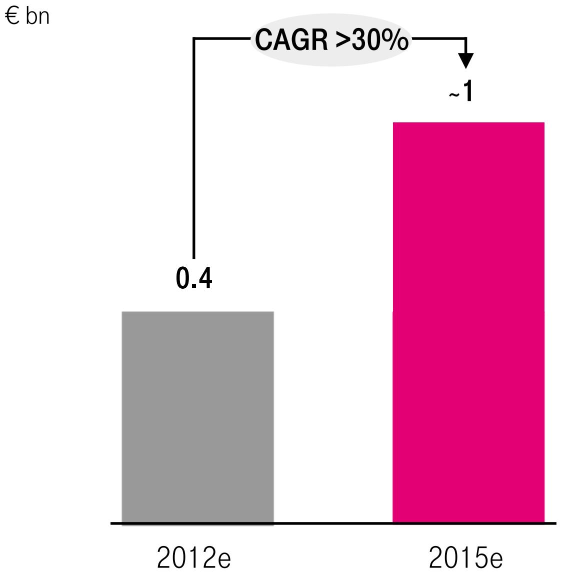
INNOVATE

DT CLOUD SERVICES PORTFOLIO

- T-Systems cloud pioneer since 2005: first SAP applications from the cloud
- The cloud as a current business driver: 80% of the SAP business is cloud
- In total 600 customers to use DT cloud services



ENTERPRISE CLOUD REVENUE TSI 2012 – 2015



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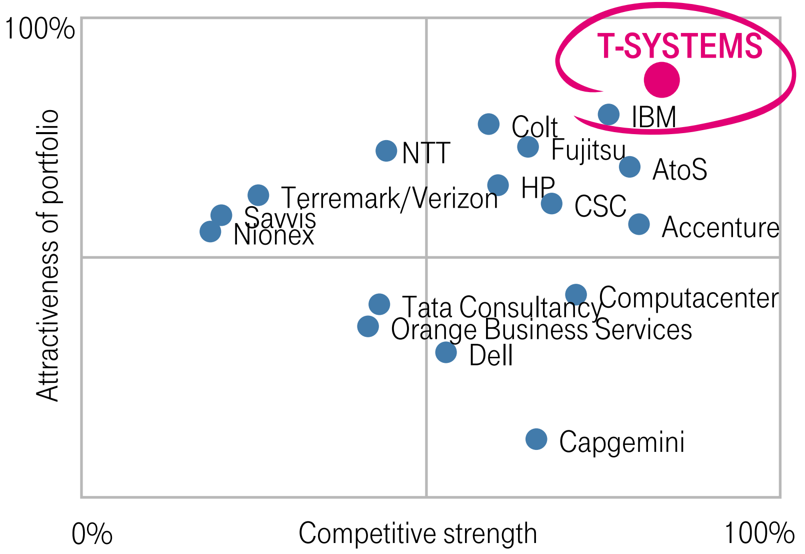
2013 – 2015: #1 IN CLOUD SERVICES THROUGH EARLY MARKET APPROACH.

INNOVATE

POSITIONING OF RELEVANT PROVIDERS



5 MAJOR ADVANTAGES IN THE MARKET

1. **Trust:** "Engineered in Germany"
2. **Security:** "End-to-End" design with firewalls, honeypots, intrusion detection systems, etc.
3. **Data privacy:** Data stored in Germany
4. **Ability to perform:** High performance data center, certifications, "corporate customer tested", reliability
5. **Choice:** Broad spectrum for medium-sized and large companies and organizations

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Source: Experton 2012, Forrester 2011, Gartner 2011

2013 – 2015: INTELLIGENT NETWORKS - NEW SOLUTIONS FOR UNCONTESTED MARKET SPACE.

INNOVATE

ENERGY

- Energy Data Platform
- Energy Efficiency Management
- Metering Services
- Home Management

RWE Eskom e.on

Partner for top national & international utilities

HEALTH

- Integrated Care
- Utilization of care management
- SAP Health Insurance Model
- Telematic Services for Health

CHARITÉ

Remote monitoring at EU's biggest university hospital

CONNECTED CAR

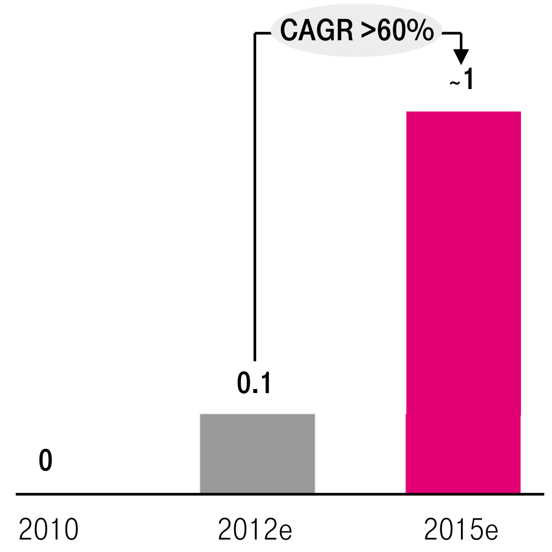
- Enabling Services and processes
- Telematics infrastructure
- Backend integration projects
- Connectivity & operations

DB

Internet access for more than 1 mn cars in 2013

REVENUE DEVELOPMENT IN'S DT GROUP

€ bn



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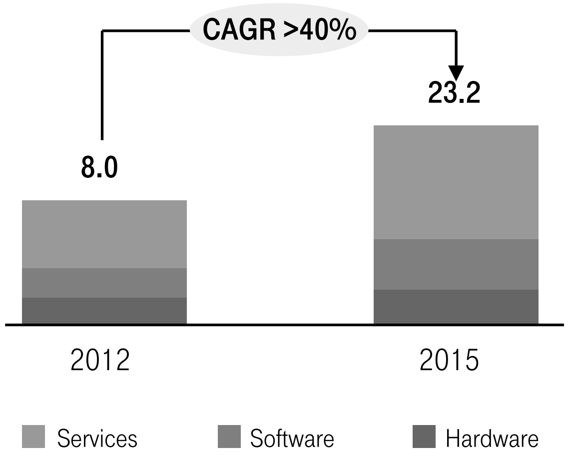
2013 – 2015: BIG DATA.

INNOVATE

TSI FOOTPRINT BIG DATA MARKET

Market Forecast € bn[1]



- Key topic on CxO level at our customers
- Emerging Blue Ocean Market (high margins)

T-SYSTEMS OFFERING STRATEGY

- Consulting capabilities and vertical solutions
- Cloud based Big Data platform
- On demand delivery Model

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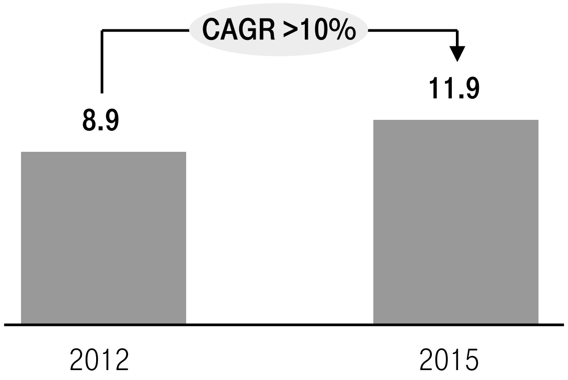
[1] Source: Gartner/IDC

2013 – 2015: SECURITY.

INNOVATE

TSI FOOTPRINT SECURITY SERVICES MARKET

Market Forecast € bn[1]



- Cyber crime threat increases on a daily basis
- Investments in security are a top priority for CIOs
- Spend makes up more than 10% of overall IT budget

Cyber protection initative on European level

TRUSTED PARTNER STRATEGY

- Enterprise Security Mgmt.
- Identity & Access Mgmt.
- Infrastructure Security Serv.

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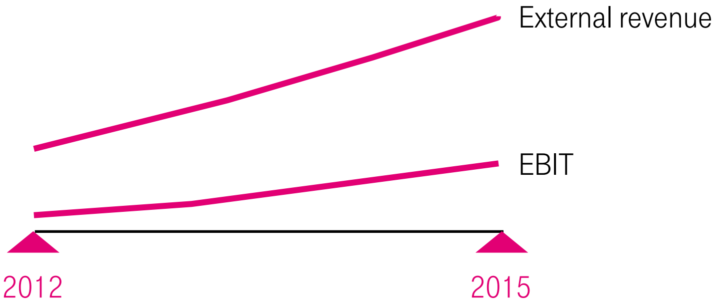
[1] Source: Gartner/IDC

FINANCIAL OUTLOOK

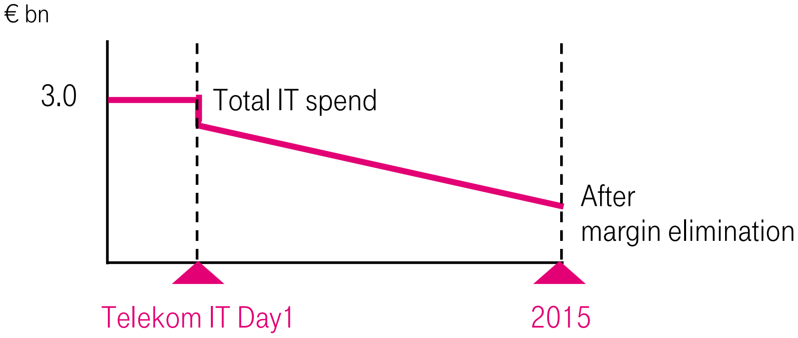
NEW ORGANISATION: INTERNAL IT SEPARATED FROM EXTERNAL IT.

TSI MARKET UNIT



- Revenue volume 2012e ≈ €7.8 bn
- Push revenue growth
- Goal: EBIT margin improvement
- Profit Center

TELEKOM IT



- Revenue volume 2012e ≈ €2.3 bn
- EBIT margin = 0
- Go-live July 1, 2012
- Cost Center, focus: Germany

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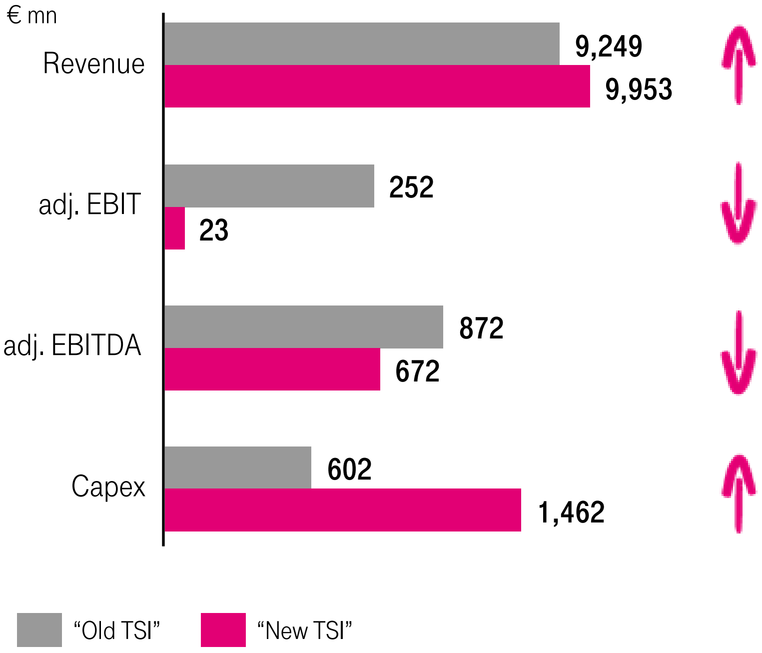
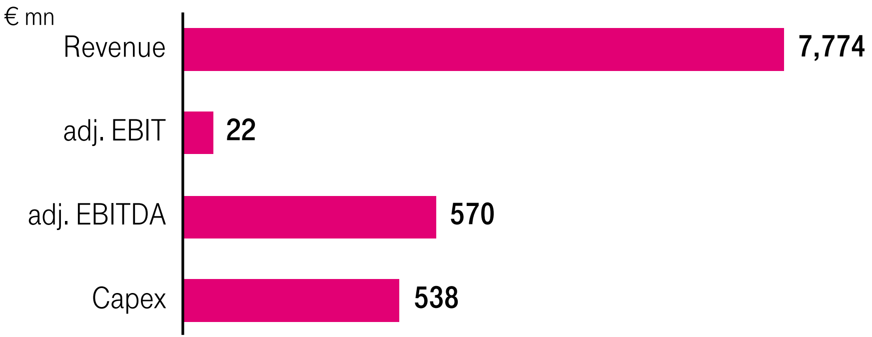
CHANGES IN FINANCIALS 2011.

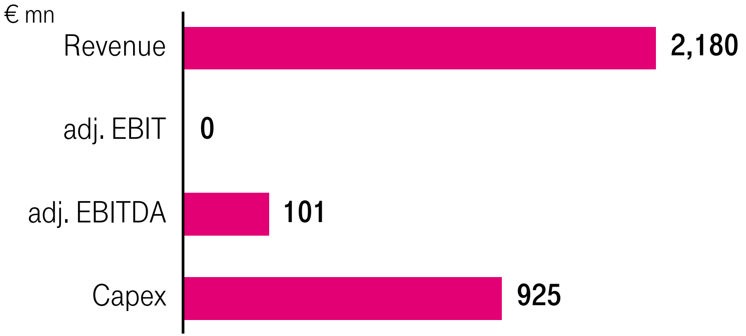
TSI TOTAL



MARKET UNIT



TELEKOM IT



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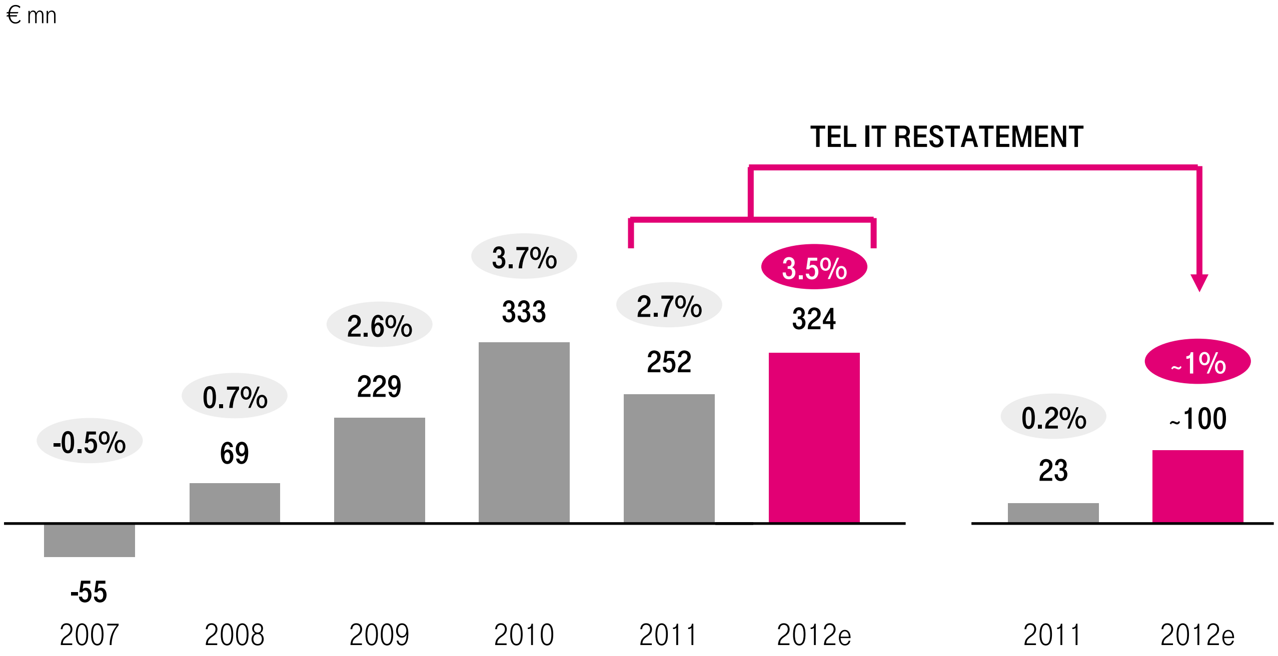
ADJ. EBIT MARGIN TSI: DROP DUE TO NEW STRUCTURE.

ADJ. EBIT DEVELOPMENT AND EXPECTATION



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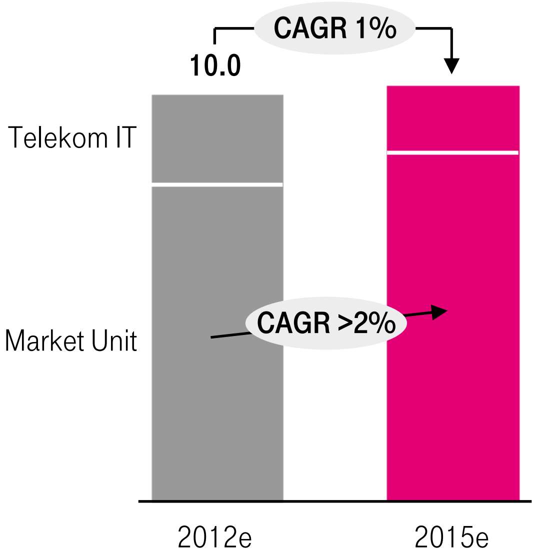
WAY FORWARD: T-SYSTEMS TOTAL.

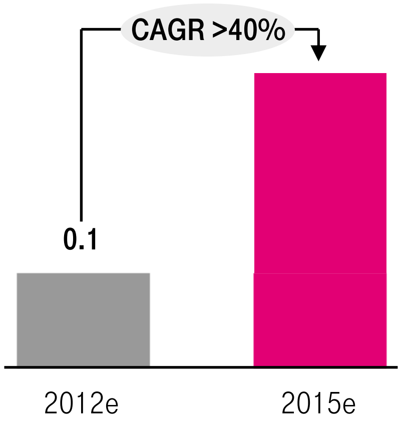
TSI TOTAL – REVENUE

€ bn



TSI TOTAL – ADJ. EBIT

€ bn



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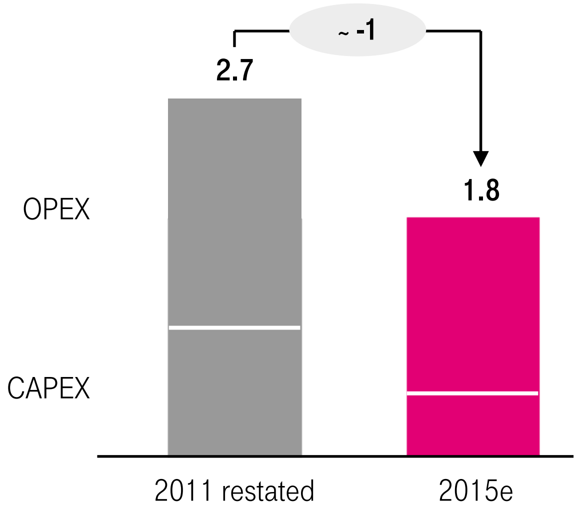
WAY FORWARD: TELEKOM IT REDUCES IT SPEND FOR DT GROUP.

IT SPEND

€ bn



Reduce IT spend to benchmark level
(Value Case for DT) through

- Demand reduction ~€0.3 bn
- Reduction of external Workforce Synergies & Process efficiency ~€0.3 bn
- Infrastructure consolidation ~€0.2 bn
- Application retirement ~€0.1 bn

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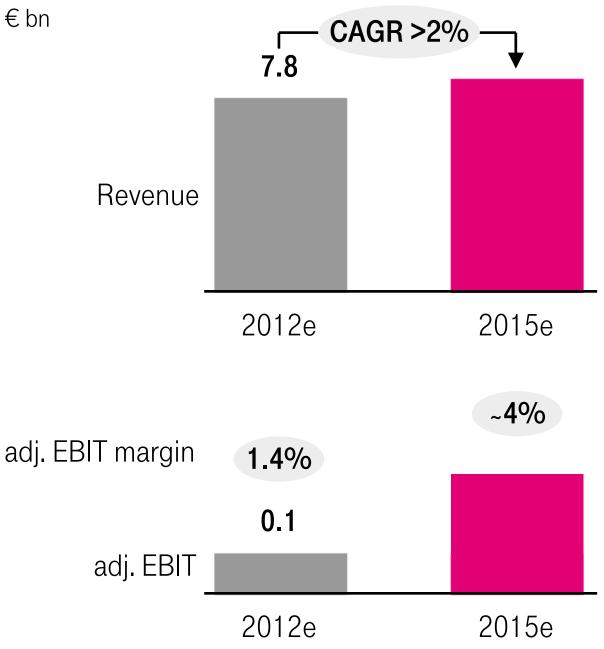
WAY FORWARD: MARKET UNIT RESPONSIBLE FOR PROFITABLE GROWTH.



GROWTH

- Further develop our business in growing markets (Cloud services, Intelligent Networks , Big Data, Network Security), focus on SI and CS revenues

EFFICIENCY

- Increase profitability through – e.g. lean and agile company (structural improvement of overhead functions)/push offshoring and standardization

ASSETS

- Further improve asset utilization

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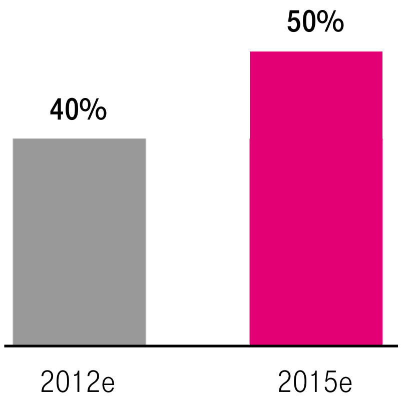
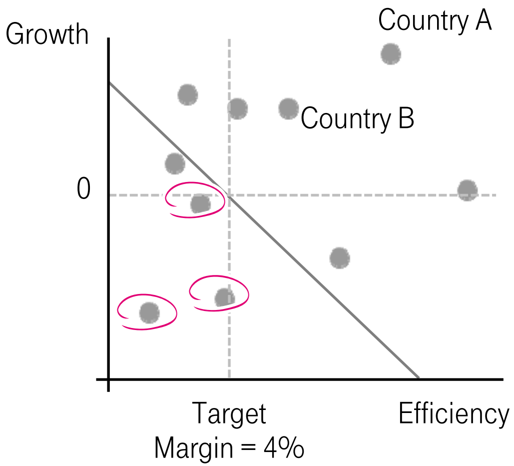
WAY FORWARD: MARKET UNIT – EFFICIENCY MEASURES.

PUSH NEAR-/OFFSHORING PRODUCTION



IMPROVE EFFICIENCY OF FOOTPRINT

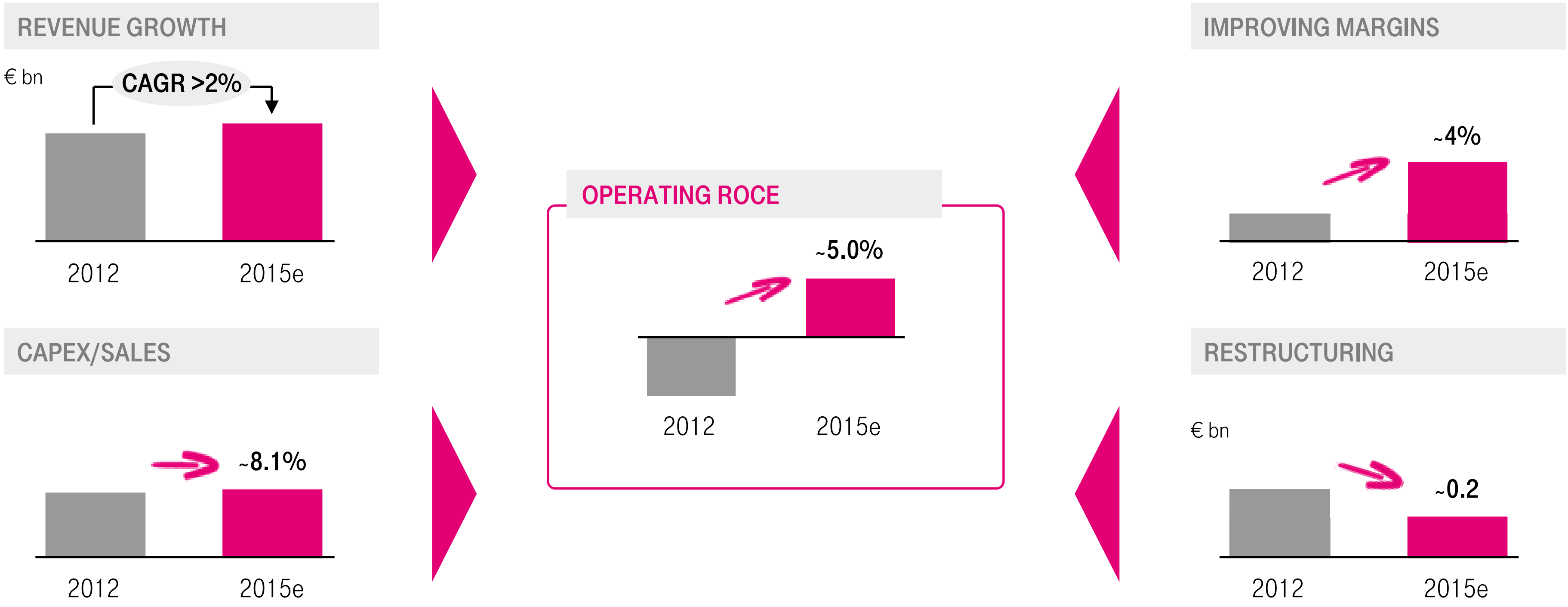


EFFICIENCY PROGRAM

Strategic initiatives → Lighthouse projects → Detailed measures

- Reduction of vertical integration
- Consolidation of data centers
- Expand “Zero Touch” - customer self service (e.g. Cloud)
- New procurement approach
- Structural optimization of Sales and G&A (reduction of support functions, SmartFC)

MARKET UNIT: KEY LEVERS FOR ROCE IMPROVEMENT ADDRESSED.



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AMBITION LEVEL 2015

T-SYSTEMS' AMBITION LEVEL 2015.

	AMBITION LEVEL 2015
REVENUE	Above market growth (~2% CAGR expected)
QUALITY	Maintain TRI*M Index above peer average and > 70 points
ADJ. EBIT MARGIN	Around 4%
TELEKOM IT	€~1 bn IT spend reduction to benchmark level

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Revenue and adj. EBIT margin ambition levels refer to Market Unit

Revenue: 2% CAGR expected for addressable market weighted by TSI revenue split TC/IT