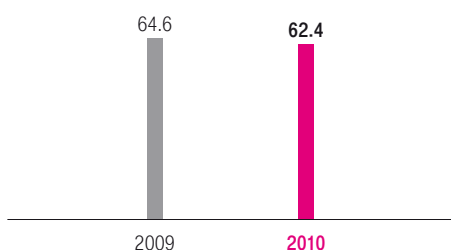


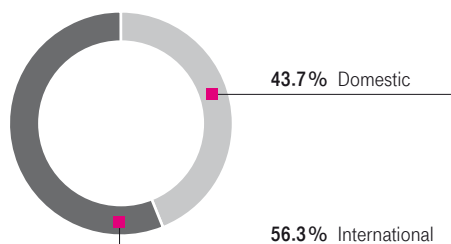
# Overview of the 2010 financial year.

## Net revenue. (billions of €)



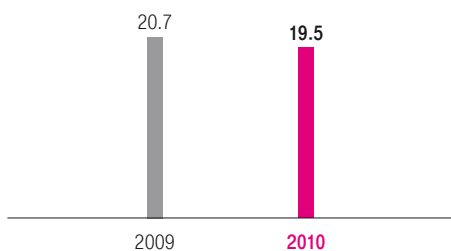
- Net revenue decreased by 3.4 percent compared with the prior year. Excluding T-Mobile UK, net revenue increased slightly year-on-year by EUR 0.3 billion.
- Changes in the composition of the Group (OTE, T-Mobile UK) had a net negative effect of EUR 1.9 billion, while exchange rate effects totaling EUR 1.2 billion had a positive impact on net revenue.
- Operations were positively impacted by the development of mobile data revenue and the increase in revenue from Systems Solutions as a result of new deals.
- Negative impacts on operations included fixed lines lost to competition and regulatory price cuts.

## Proportion of net revenue generated internationally. (%)



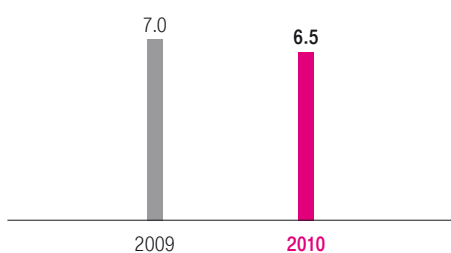
- Proportion of net revenue generated internationally decreased slightly to 56.3 percent, compared with 56.6 percent in the prior year.
- Domestic net revenue amounted to EUR 27.3 billion, EUR 0.8 billion lower than in the prior year. International net revenue decreased year-on-year by 3.9 percent or EUR 1.4 billion.
- The decline in international net revenue is primarily attributable to the establishment of the new joint venture Everything Everywhere in the United Kingdom. T-Mobile UK has no longer been fully consolidated since April 1, 2010.

## Adjusted EBITDA. (billions of €)



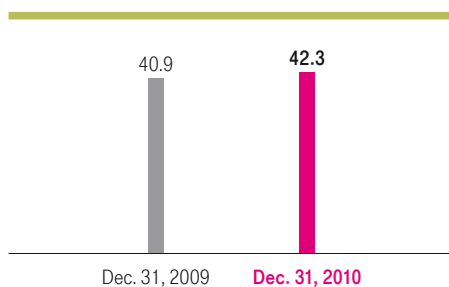
- We generated adjusted EBITDA of EUR 19.5 billion, achieving the target we originally communicated for the year of approximately EUR 20 billion, less EUR 0.4 to 0.5 billion following the deconsolidation of T-Mobile UK.
- Fixed-network lines lost to competitors, price changes imposed by the regulator, and newly imposed or increased special taxes on telecommunications services had a negative impact on adjusted EBITDA.
- Cost management and the Save for Service program only partly offset these effects.

## Free cash flow (before dividend payments and spectrum investment). (billions of €)



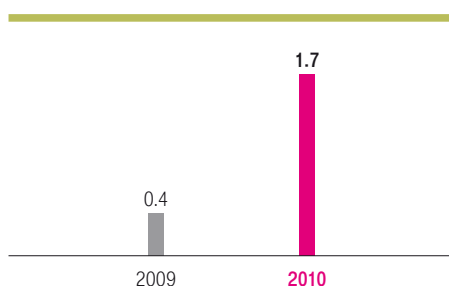
- Free cash flow amounted to EUR 6.5 billion, exceeding the Company's guidance for 2010 by EUR 0.3 billion despite a year-on-year decrease of EUR 0.6 billion in cash inflows from factoring.

### Net debt. (billions of €)



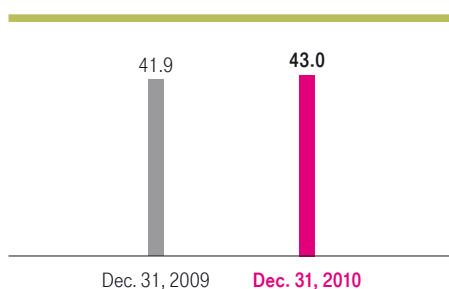
- Net debt increased by 3.3 percent compared with the end of 2009 to EUR 42.3 billion.
- This increase was driven by: dividend payments of EUR 4.0 billion (including dividends paid out to non-controlling interests), payments of EUR 1.3 billion for spectrum, exchange rate effects of EUR 0.8 billion, effects of corporate transactions of EUR 0.8 billion – mainly relating to T-Mobile UK and STRATO – and the share buy-back amounting to EUR 0.4 billion.
- Free cash flow of EUR 6.5 billion reduced net debt.

### Net profit. (billions of €)



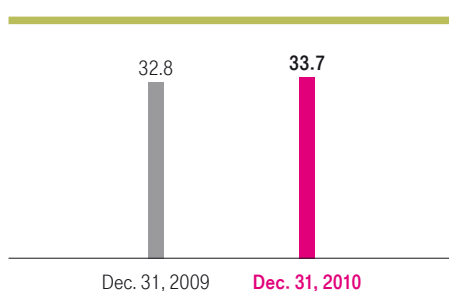
- Net profit increased by EUR 1.3 billion to EUR 1.7 billion.
- The decline in EBITDA was more than offset.
- Depreciation, amortization, and impairment losses (including impairment on goodwill and property, plant and equipment) decreased by EUR 2.1 billion; loss from financial activities reduced by EUR 0.5 billion.
- Income tax expense decreased by EUR 0.8 billion; decline in share of non-controlling interests in profit.

### Shareholders' equity. (billions of €)



- Shareholders' equity increased by EUR 1.1 billion compared with the end of 2009.
- Positive effects from currency translation (EUR 3.7 billion) and net profit (EUR 1.7 billion).
- Negative effects from dividend payments (EUR 4.0 billion) and capital decrease (EUR 0.4 billion).

### Equity ratio. (%)



- Total assets remained almost unchanged compared with the end of 2009 (EUR 127.8 billion).
- Increase of 2.6 percent in shareholders' equity.
- This resulted in an improvement in the equity ratio.

## Comparison of expectations and actual development at Group level.

The estimates for the 2010 financial year originally published in the 2009 Annual Report were based on the planning assumption that the UK subsidiary T-Mobile UK was fully consolidated. Everything Everywhere, the joint venture established on April 1, 2010 as a result of the merger of T-Mobile UK and Orange UK, is included in the consolidated statement

of financial position under investments accounted for using the equity method. The share in the joint venture's profit/loss is reported under profit/loss from financial activities in the consolidated income statement. The original estimates have therefore been adjusted to take account of the changed circumstances.

Adjusted EBITDA 	
<b>2010 guidance</b>	<b>2010 delivery</b>
– Including T-Mobile UK, approx. <b>€ 20 billion</b>	
– Excluding T-Mobile UK, less <b>€ 0.4 – 0.5 billion</b>	<b>€ 19.5 billion</b>


Free cash flow 	
<b>2010 guidance</b>	<b>2010 delivery</b>
– Including T-Mobile UK, approx. € 6.2 billion	
– Excluding T-Mobile UK, approx. <b>€ 6.2 billion</b>	<b>€ 6.5 billion</b>


**Capital expenditure (before spectrum)** totaled EUR 8.5 billion in 2010 and was concentrated in all countries on further rolling out broadband and expanding capacities in existing networks. In mobile communications, we increased 3G network coverage, while in the fixed network, the focus was mainly on DSL, VDSL, and IPTV. Furthermore, we continued to upgrade the existing telephone network to a next-generation network, such as the IP-based voice network. At T-Systems, capital expenditure was primarily in connection with customer orders and the expansion of new shared platforms (e.g., for cloud services).

## Comparison of stakeholders' expectations and actual development.

The following measures and achieved targets serve to ensure the different expectations and interests that the stakeholders (shareholders, providers of debt capital, employees, and the "entrepreneurs within the enterprise")

have of the Group are fulfilled.  For further explanations, please refer to the section "Group strategy and Group management."

Shareholders 	
<b>Shareholder remuneration policy<sup>a</sup></b>	<p><b>2010 guidance</b></p> <ul style="list-style-type: none"> <li>– Total annual remuneration volume of <b>€ 3.4 billion</b></li> <li>– Of which minimum annual dividend of <b>€ 0.70 per share</b></li> </ul> <p><b>2010 delivery</b></p> <ul style="list-style-type: none"> <li>– Share buy-back of <b>€ 0.4 billion</b> and</li> <li>– Proposed dividend for 2010 of <b>€ 0.70 per share</b> (€ 3.0 billion)</li> </ul>

Providers of debt capital 	
<b>Rating</b>	<b>2010 guidance</b> A-/BBB+ <b>2010 delivery</b> BBB+
<b>Relative debt</b>	2 to 2.5x 2.2x
<b>Equity ratio</b>	25 to 35% 33.7%
<b>Gearing</b>	0.8 to 1.2 1.0
<b>Liquidity reserve</b>	covers maturities of the next 24 months covers maturities > 24 months

**Guidance through 2012**  
Improvement of 150 basis points

**ROCE**

**ROCE level<sup>b</sup>**  
2010: 3.5% (2009: 3.9%)

**Staff restructuring and staff reduction**  
Expenses arising from staff restructuring in 2010: € 1.0 billion  
ROCE impact: ≈ -0.6 %-age points

**Transactions in 2010**  
– Establishment of the Everything Everywhere joint venture  
– PTC transaction  
Total ROCE impact: ≈ -0.4 %-age points

**Employees**

**"Entrepreneurs within the enterprise"**

<sup>a</sup>  Please refer to footnote 2, page 129.

<sup>b</sup> ROCE 2010: 3.9% (excluding expenses arising from the PTC transaction and effects from the deconsolidation of T-Mobile UK).