

# H1 2007 Conference call. Deutsche Telekom.

August 9, 2007



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# H1 2007. Highlights.

René Obermann, CEO



# H1/07 Highlights: Successful start to the new strategy.

- Group revenue up 3.5% to €31 billion – strong international revenue growth (+14.6%)
- Adj. group EBITDA at € 9.6 billion – second quarter 1.8% growth
- International adj. EBITDA growth (+21.8%) continues
- Free cash flow of €2.3 billion (+5%)
- Reported and adj. net income at €1.1 billion (impacted by higher D&A, net financial expense, and taxes)
- Improved competitiveness in Germany
- Asset disposal program continued: €1.2 billion achieved as of today
- “Save for Service” cost cutting plan for 2007: €0.8 billion realized in H1

# Management update: Focus, fix and grow.

Improve competitiveness  
in Germany

Grow abroad  
with mobile

Mobilize  
internet and  
Web 2.0 trend

Build the ICT  
business  
With partner(s)

## Achievements:

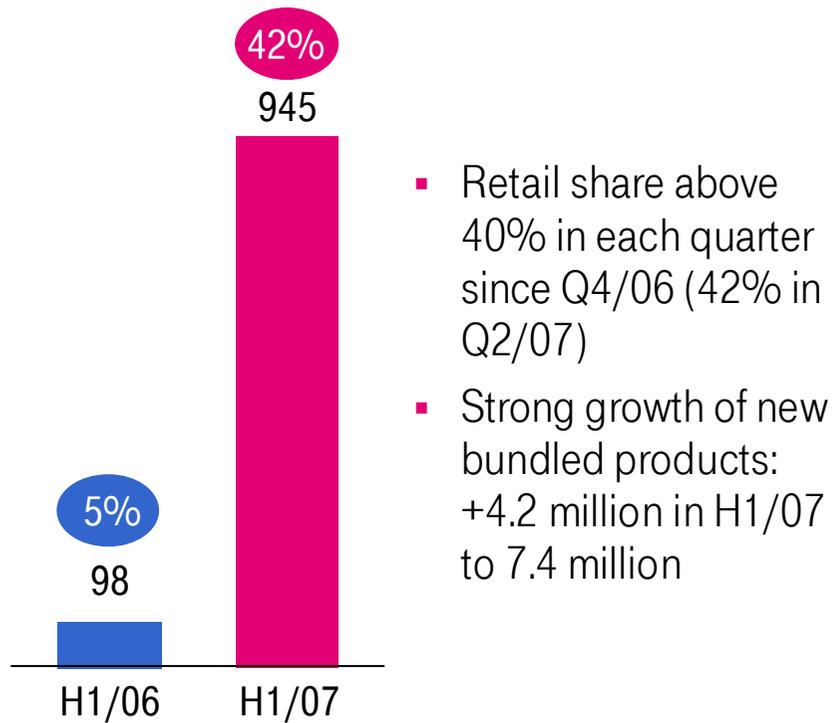
- 2<sup>nd</sup> quarter DSL retail market share of net adds at 42% – H1 in line with plan
- BFFN cost cutting improves domestic margin in Q2: 1.3 pp sequential improvement
- Robust contract customer growth at T-Mobile Germany: 428k in H1/07
- 2<sup>nd</sup> brand launched in July
- Telekom Service set up as of July: projected savings increasing to approx. €0.7 billion p.a. by 2010

# Improve competitiveness in Germany. Telekom Service - Key achievements.

- Foundation for successful customer-centric organization achieved through Telekom Service agreement
- Implementation of three cost efficient and focused customer service units
- Increase working hours from 34 to 38 h without compensation (50,000 employees)
- Other changes in terms and conditions will increase effective weekly working hours as well
- Salary cut by 6.5% for non-civil servants (31,000 employees), cost/hour reduced by 20-25%
- Variable part of salary increased to up to 20%
- Pay freeze for DTAG employees until YE 2008
- Lower salary entry level: from up to approx. €36,000 to up to approx. €23,000

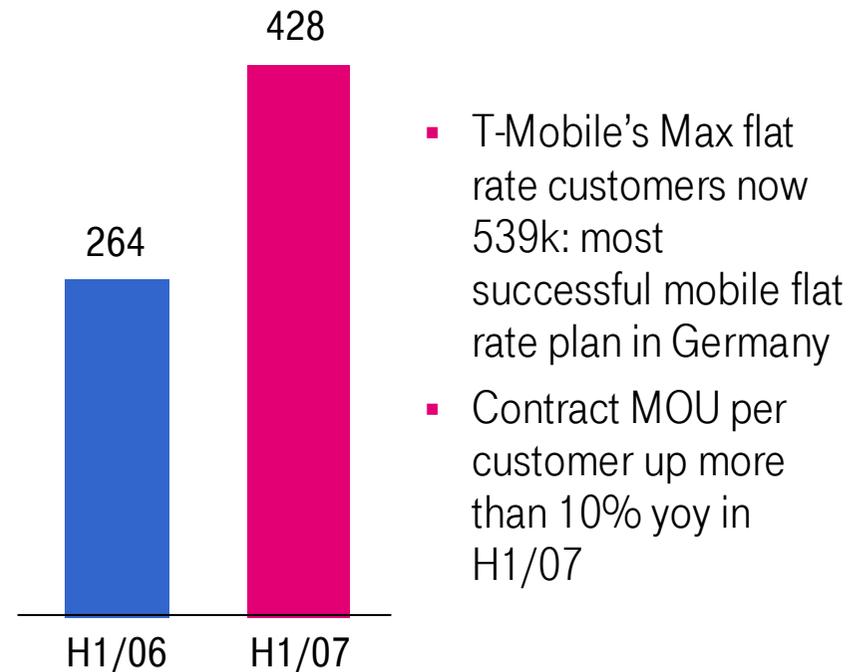
# Improve competitiveness in Germany.

Broadband retail market share and net adds (in 000)



- Retail share above 40% in each quarter since Q4/06 (42% in Q2/07)
- Strong growth of new bundled products: +4.2 million in H1/07 to 7.4 million

Contract net adds T-Mobile Germany (in 000)



- T-Mobile's Max flat rate customers now 539k: most successful mobile flat rate plan in Germany
- Contract MOU per customer up more than 10% yoy in H1/07

# Save for Service.

- 2007 “Save for Service” target of €2 billion on track
- €0.8 billion actual savings achieved in H1 2007
- Measures for an annual total of €1.4 billion implemented

Savings H1 2007	in € billion
BBFN	0.5
Mobile	0.1
Business Customers	0.1
GHS	0.1
<b>Total</b>	<b>0.8</b>

# Personnel: 6,200 net domestic headcount reduction.

- 8,200 domestic headcount reduction<sup>1</sup> in H1 (20,400 employees since start of “32,000 program” in 2006)
  - Of which 5,000 early and partial retirement and severance programs
  - Of which 1,400 turnover and regular retirement
  - Of which 1,800 deconsolidation
- 1,600 new hires mainly in service and sales
- Additional approx. 1,800 contracts for early and partial retirement and severance programs signed as of end of June 2007

<sup>1</sup> Before new hires.

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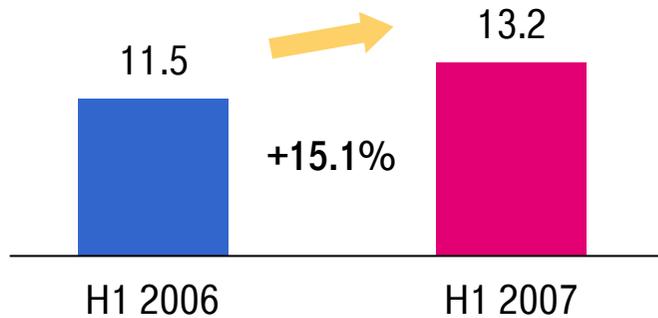
Build the ICT  
business  
With partner(s)

## Achievements:

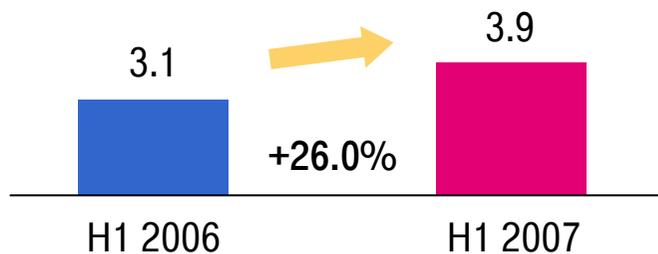
- T-Mobile continues double digit revenue growth (10.5% in H1) and improves margins (0.9 pp yoy in H1)
- Strong contract net adds: 2.5 million in H1/07 (excl. Germany)
- Intended acquisition of Orange NL will significantly improve position in the NL
- T-Mobile HotSpot @ Home launched in the US

# Grow abroad with mobile: International revenue and EBITDA development.

Mobile international revenues (€ billion)

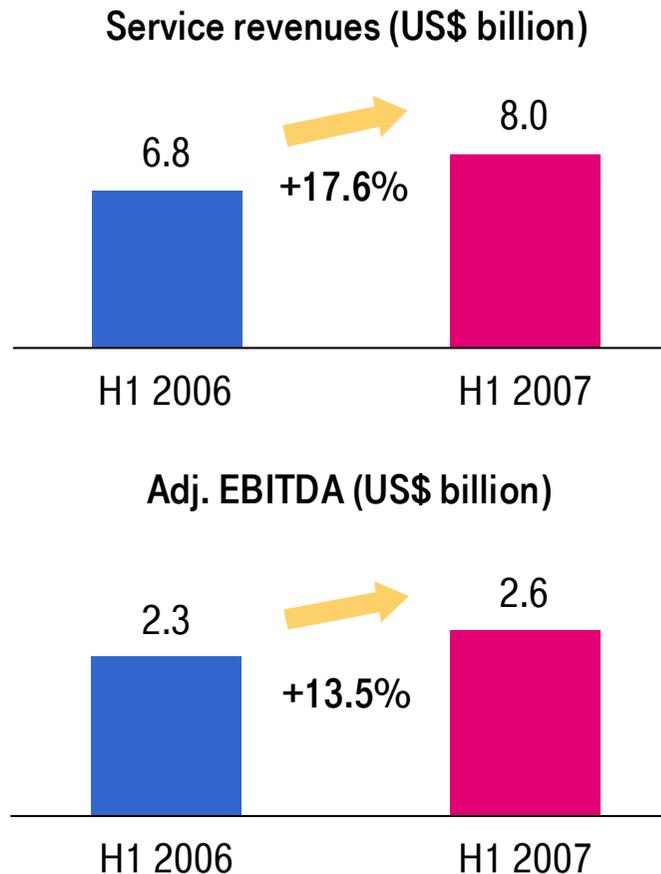


Mobile international adj. EBITDA (€ billion)



- Strong revenue and adj. EBITDA growth continues
- UK EBITDA at €500 million, up from €336 million in H1 06. Margin improved from 15.6% to 21.3%
- Contract customer base increased by 6.5 million in 12 months to 56 million

# Grow abroad with mobile: T-Mobile USA: Delivering growth and profitability.



- Total revenue (US\$) up 13.2%
- Adj. EBITDA margin at 29.0% in Q2/07, up from 27.0% in Q1/07
- Strong ARPU in H1/07:
  - Blended: \$51, up from \$50 in H1/06
  - Contract: \$57, up from \$55 in H1/06
- Contract churn at 1.9% in H1/07 (from 2.1%)
- 1.8 million net adds – 77% contract (1.4 million)

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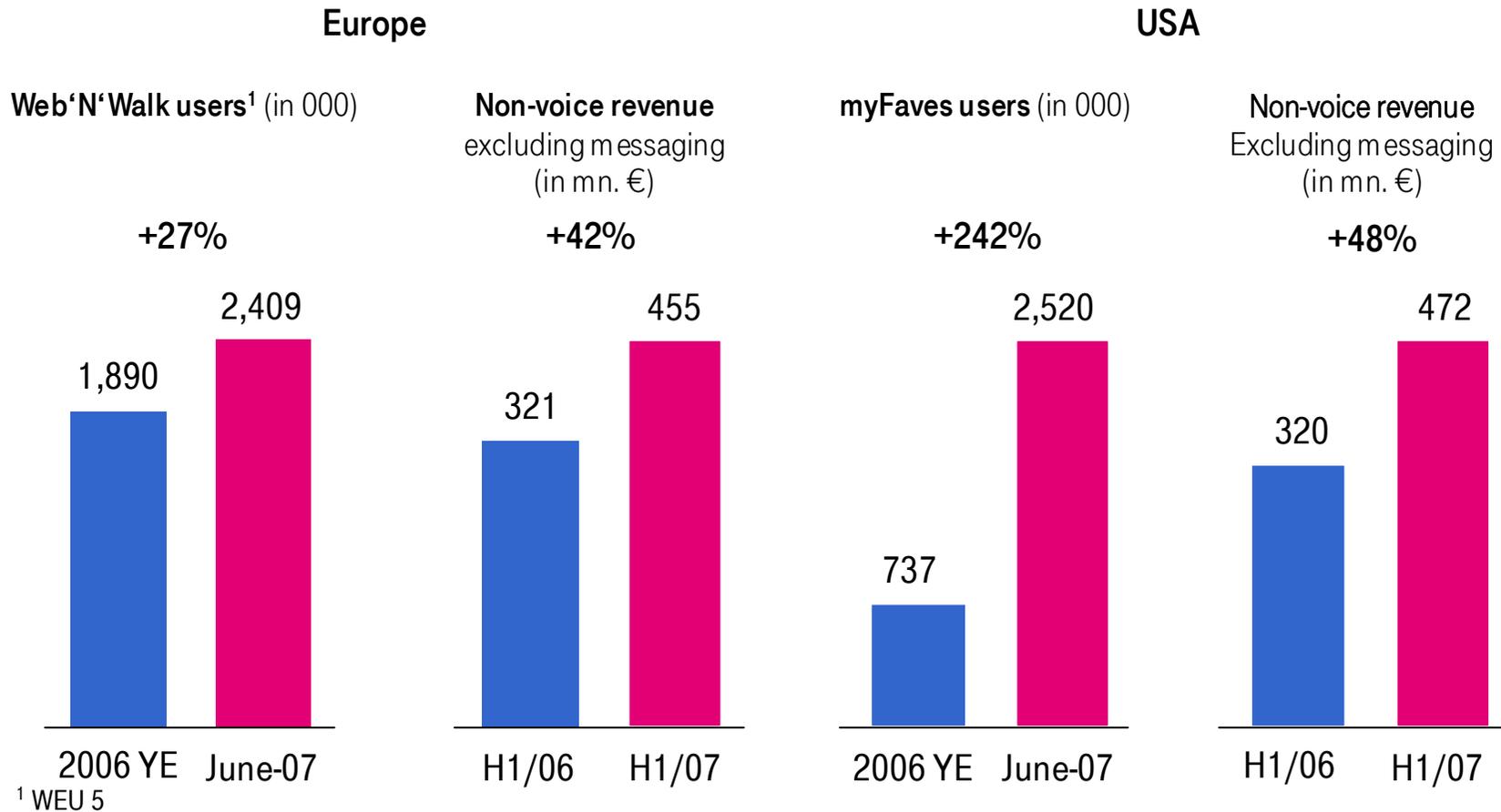
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## Achievements:

- Total data revenues €2.6 billion in H1/07, up 31.5%
- US data revenues €0.9 billion in H1/07, up 47.6%
- Non-messaging data revenue growth 44.5% to €0.9 billion in H1/07
- UMTS data volume in H1/07 more than 10 times UMTS data volume in H1/06
- 2.4 million web'n'walk customers, +0.5 million in H1/07
- 2.5 million myFaves customers, +1.8 million in H1/07

# Mobilize the internet and Web 2.0 trends.



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## Update:

- Full commitment to our business/corporate solutions focused on network-centric ICT services
- Providing critical IT and TC components and processes for our business customers from one source
- Based on our discussions with potential partners we have fine-tuned the core activities we want to pursue in network-centric ICT
- We are now in a position to tailor the scope and structure of the business parts to be partnered, which is a complex process that needs accuracy and due diligence

# Asset-disposal program.

- **DFMG**
  - **US Towers**
  - **Club Internet** ✓
  - **Ya.com** ✓
  - **Media & Broadcast**
  - **DeTelmmobilien**
  - **Sireo (remaining stake)** ✓
  - **Real estate** ✓
- **Progress asset-disposal program:**
    - Club Internet sale concluded on June 29
    - €0.9 billion cash-in in H1/07 (incl. real estate)
    - Ya.com sale concluded on July 31
    - €1.2 billion total committed to date

## 2007 Guidance: We reconfirm our guidance.

- Moderate revenue growth
- Adj. group EBITDA: around €19 billion
- Free cash flow: around €6 billion (incl. real estate sales)

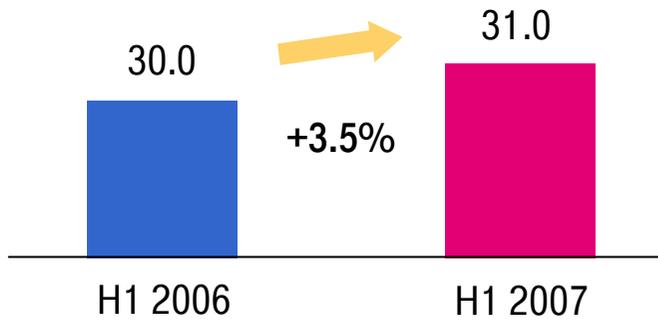
# H1 2007. Financials.

Dr. Karl-Gerhard Eick, CFO and Deputy CEO

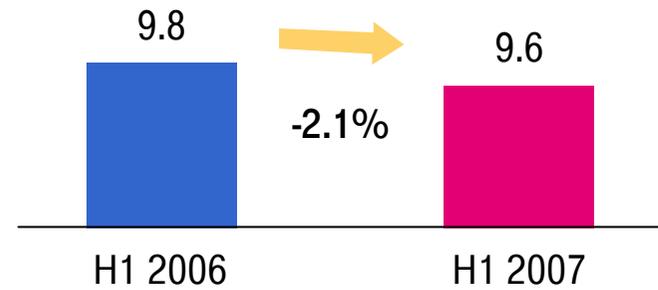


# Overview Group financials.

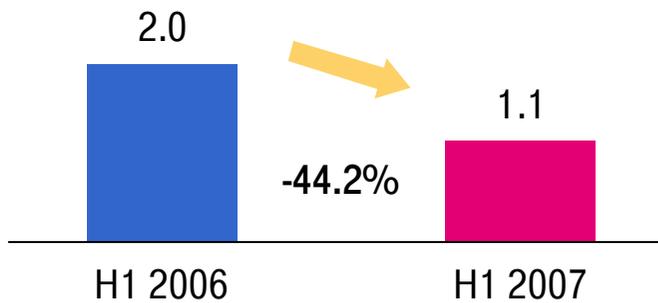
Revenue (€ billion)



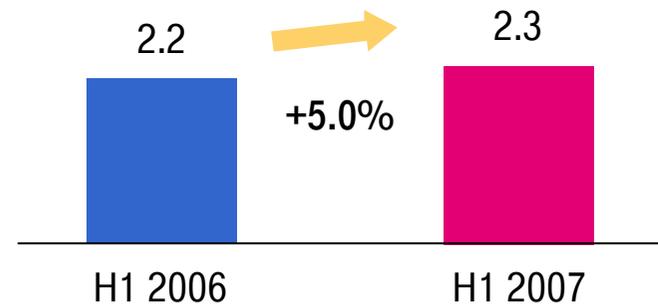
Adj. EBITDA (€ billion)



Adj. net Income (€ billion)

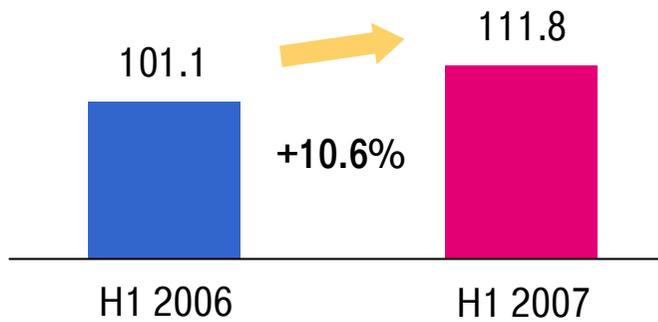


FCF adj. (€ billion)

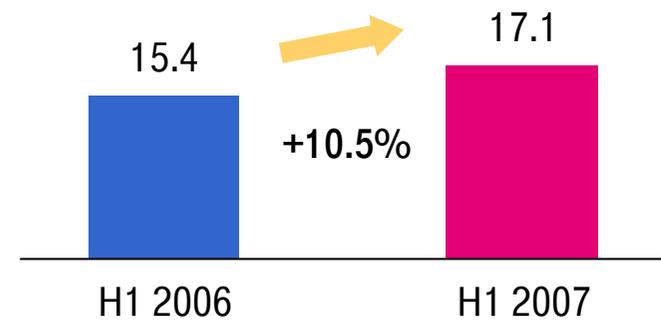


# Mobile summary.

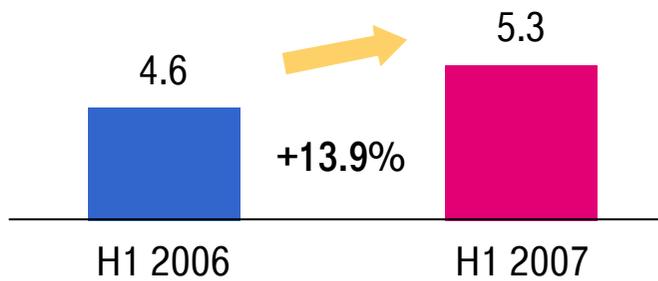
Customers (million)



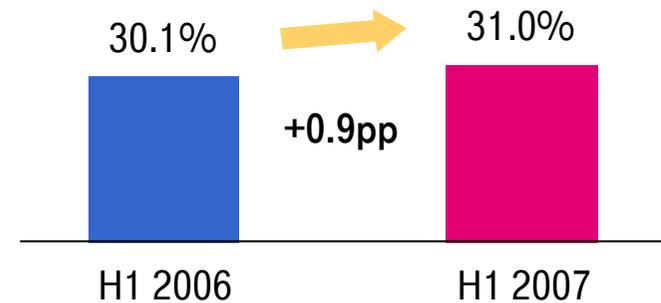
Total revenue (€ billion)



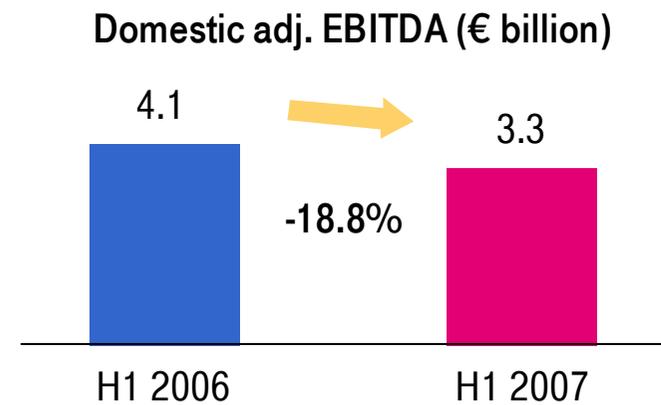
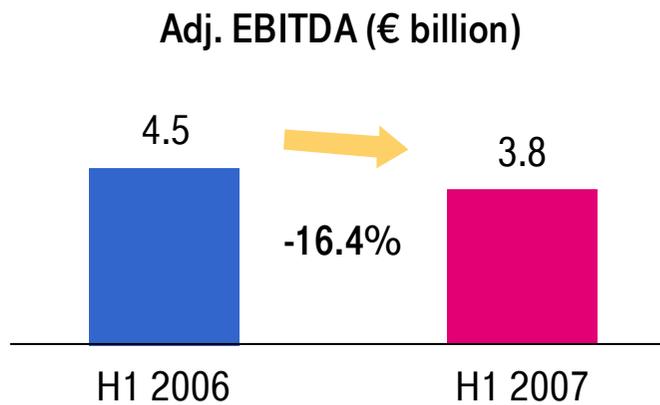
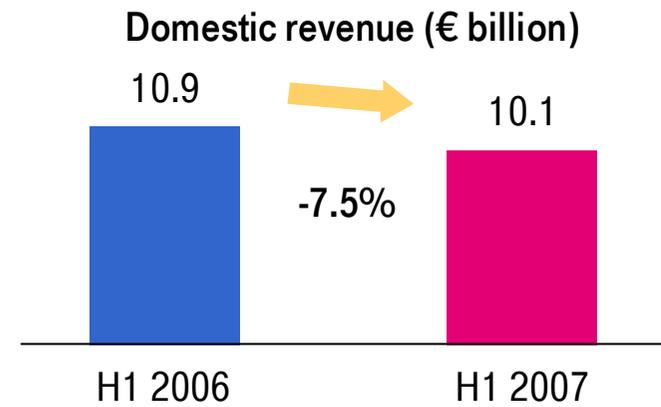
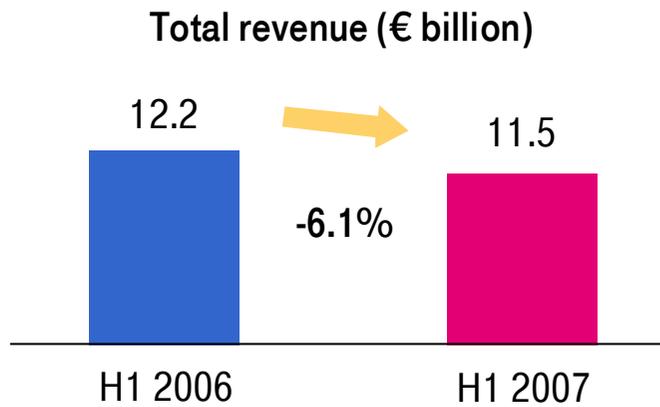
Adj. EBITDA (€ billion)



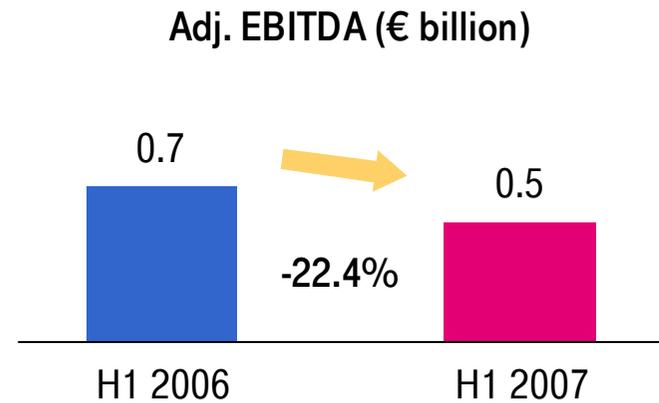
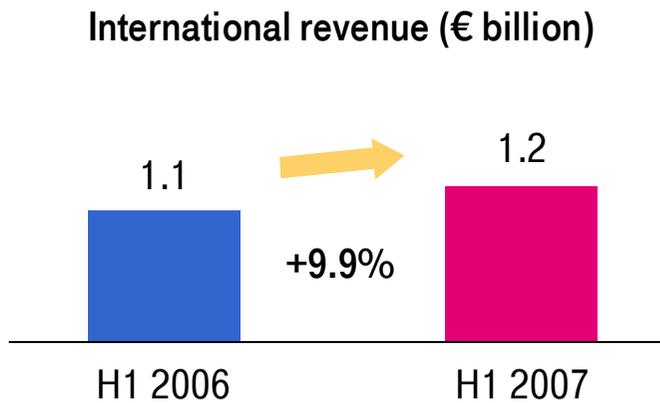
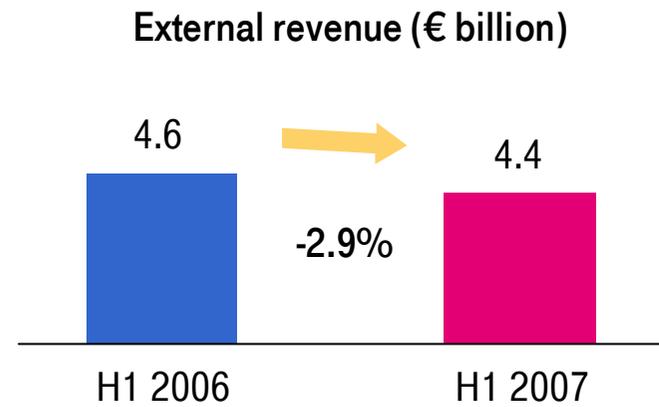
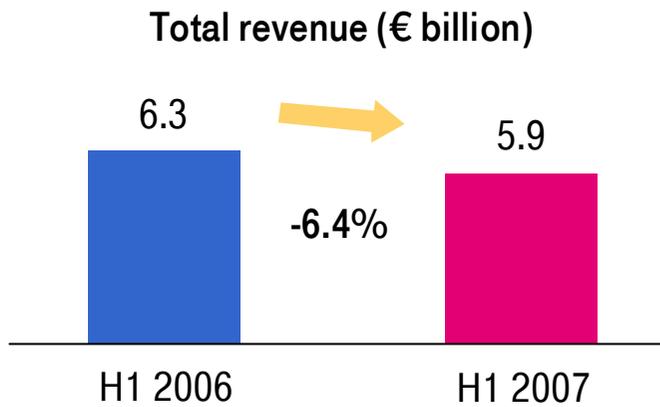
Adj. EBITDA margin (in %)



# BBFN Summary.



# Business Customers summary.



# H1 2007 – Free cash flow.

€ billion	H1/07	H1/06
EBITDA (reported)	9.4	9.6
Non cash items and others	- 0.4	- 0.0
Change in working capital and accruals	- 2.3	- 2.0
- of which restructuring payments	- 1.0	- 0.2
Income taxes paid	- 0.0	- 0.5
Cash generated from operations	6.6	7.1
Net interest payment	- 1.4	- 1.4
Net cash provided by operating activities	5.2	5.7
Investments in PP&E and intangible assets	- 3.6	- 4.0
Proceeds from disposition of assets	0.5	0.4
- of which proceeds from real estate sales	0.4	0.3
Free cash flow	2.2	2.2
Free cash flow adjusted <sup>1</sup>	2.3	2.2

<sup>1</sup> Excl. Centrica.  
Rounded figures.

## H1 2007 – Net income.

€ billion	H1/07	H1/06	Adj. H1/07	Adj. H1/06
EBITDA	9.4	9.6	9.6	9.8
Depreciation and amortization	- 5.5	- 5.2	- 5.5	- 5.2
Net financial expense	- 1.5	- 1.3	- 1.5	- 1.5
- of which net interest expense	- 1.3	- 1.3	- 1.3	- 1.3
EBT	2.3	3.1	2.6	3.1
Income taxes	- 1.0	- 0.8	- 1.2	- 0.8
Earnings after taxes	1.3	2.3	1.4	2.3
Minorities	- 0.3	- 0.2	- 0.3	- 0.2
Net income	1.1	2.1	1.1	2.1

Rounded figures

# H1 2007 –Balance sheet ratios.

€ billion	30.06.2007	31.03.2007
Balance sheet total	124.5	129.4
Shareholders' equity	47.2	50.0
Net debt	40.4	39.1
Gearing	0.9x	0.8x
Equity ratio <sup>1</sup>	37.9%	36.2%

<sup>1</sup> Excl. dividend payout.

Thank you for your attention!