

Q1 2006 Conference Call.

Deutsche Telekom.

May 11, 2006.

Kai-Uwe Ricke

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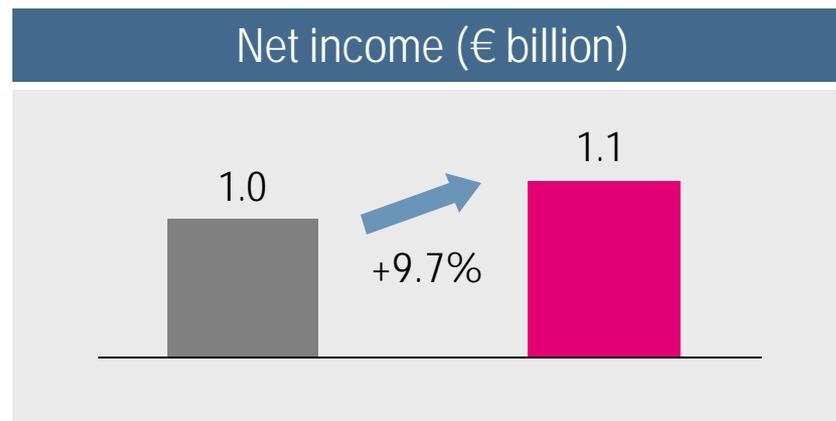
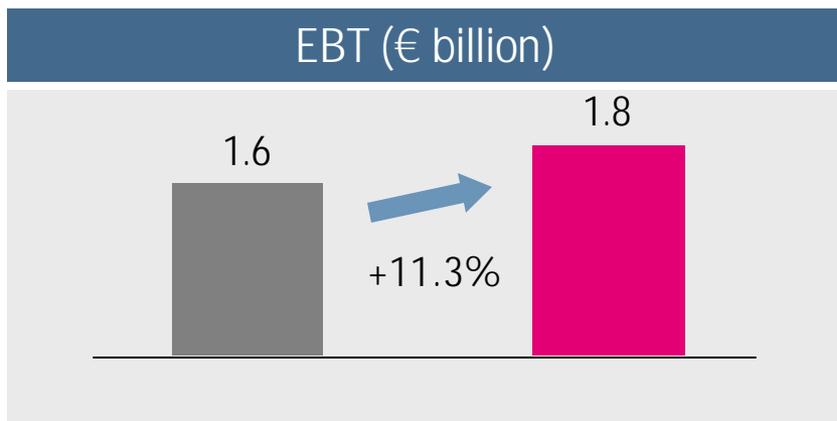
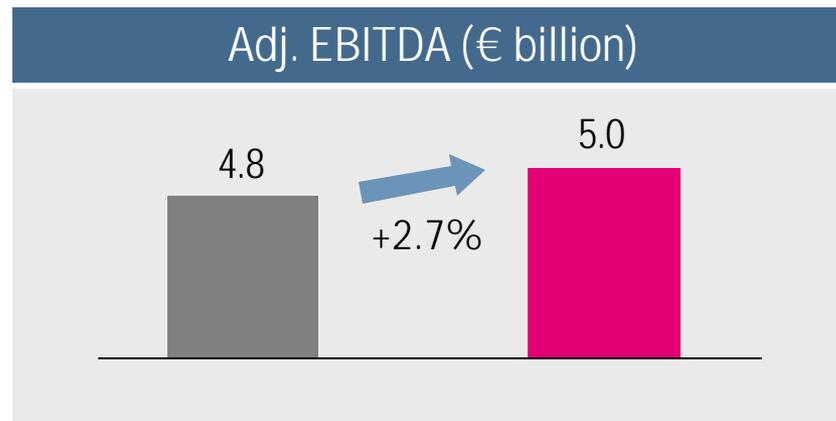
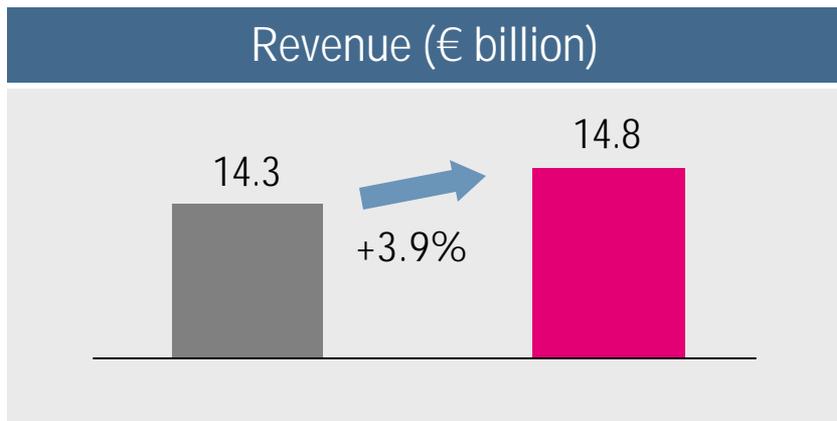
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# Q1 2006 Group Results.

Good group results despite tough environment in Germany.



■ Q1 2005  
■ Q1 2006



# Excellence program

€ 0.25bn out of €1.2bn invested in growth

BBFN

- 1 Defense of fixed-network core business
- 2 "Conquer the home"

Mobile

- 3 Expansion of mobile core business
- 4 Expansion of mobile data services

BC

- 5 Strengthen telecommunications core business
- 6 Grow in ICT solutions

BBFN/  
Mobile

- 7 Convergence
- 8 Implementation of a comprehensive CRM system<sup>1</sup>

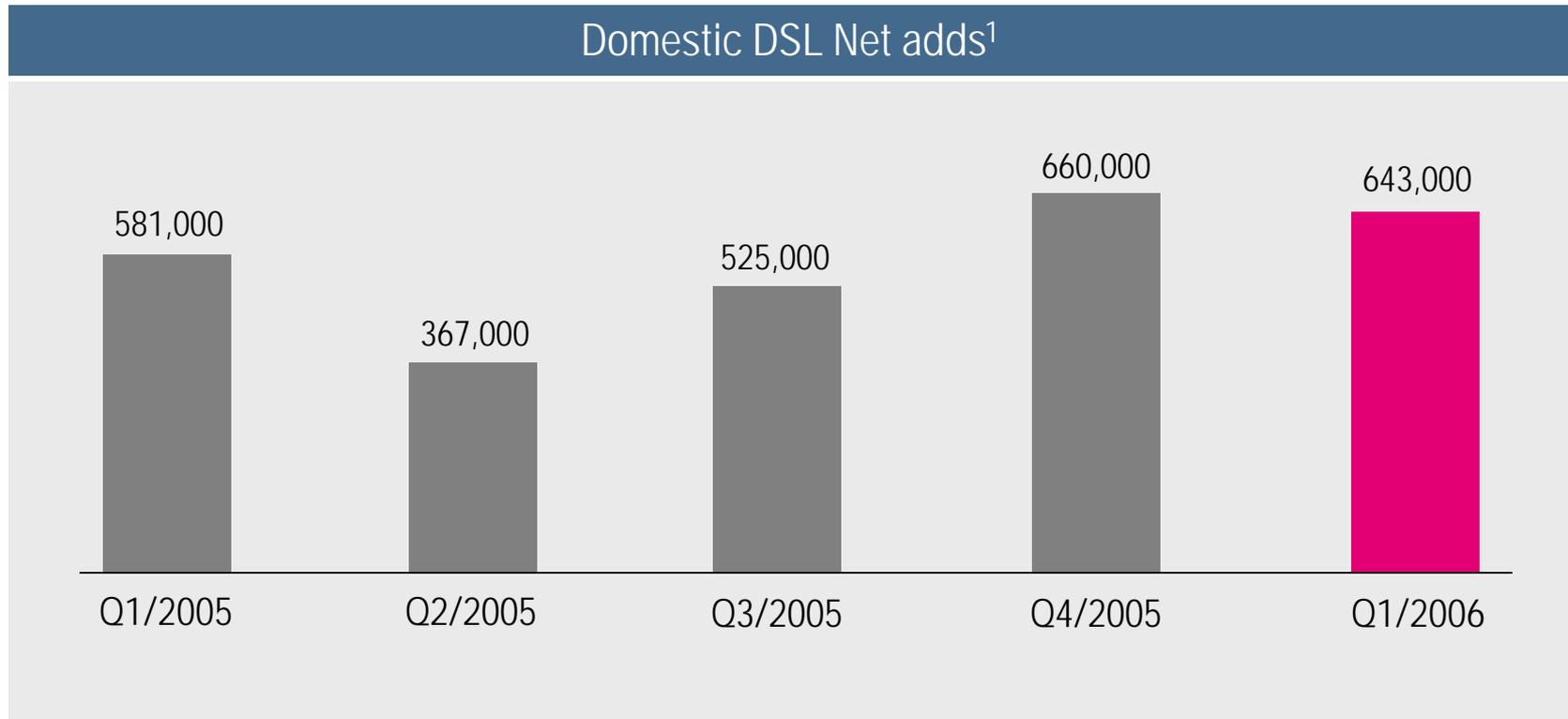
Group

- 9 Operational excellence
- 10 Cultural change and HR development

<sup>1</sup> After merger with T-Online.



# Excellence program: Defense of fixed-network core business. Strong DSL growth.



<sup>1</sup> Resale plus retail.



# Defense of fixed-network core business, "conquer the home" and convergence.

New initiatives on track.

Calling minutes market share

- Domestic minute market share on T-Com's PSTN network increased fourth consecutive quarter
- On track to stabilize minute market share ✓

Triple Play

- A significant amount of contracts with TV channels already signed
- Hardware suppliers for set-top box selected (Cisco/Microsoft)
- On track for product launch mid 2006 ✓

VDSL roll out

- 12,000 cable distributors for first 10 cities upgraded
- VDSL network on track for Triple Play launch ✓

T-One (Dualphone)

- Friendly user trials will start mid May
- On track for product launch mid 2006 ✓



# Excellence program: Expansion of mobile core business.

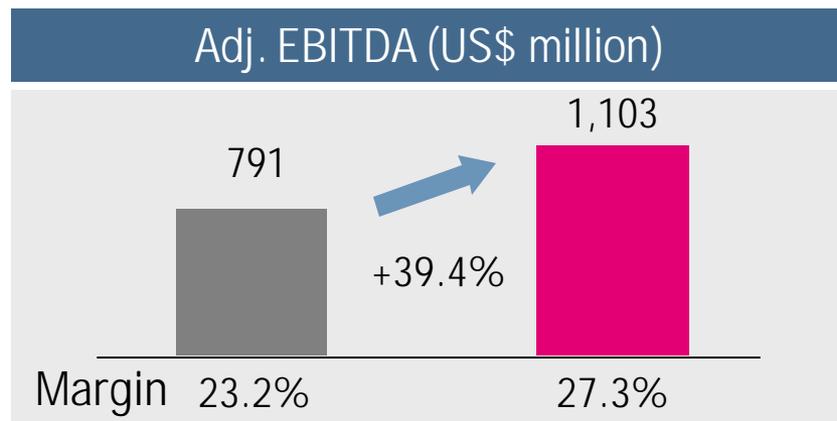
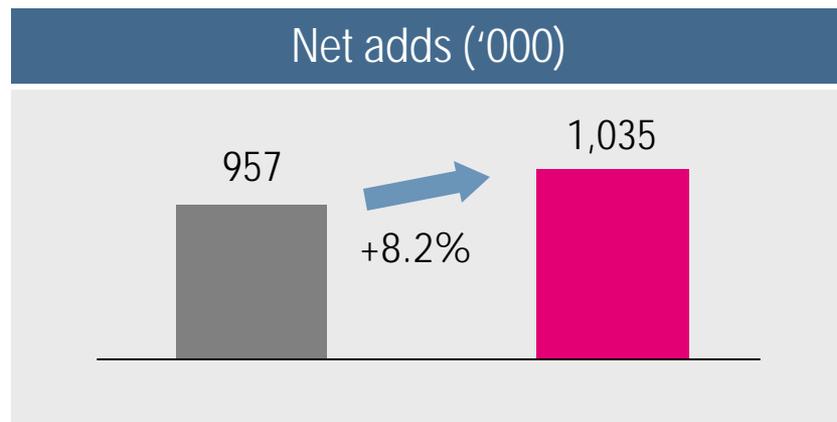
## T-Mobile delivers on strategy.

- T-Mobile delivered on the strategy as presented in November 2005
  - +12.3% revenue growth
  - +8.0% adj. EBITDA growth
  - 1.3 million contract net adds in Q1
- T-Mobile USA remains strongest growth driver for DT group
- T-Mobile Germany faces tough environment
- T-Mobile UK: excellent customer growth



# Excellence program: Expansion of mobile core business.

## T-Mobile USA – Continued superior execution.



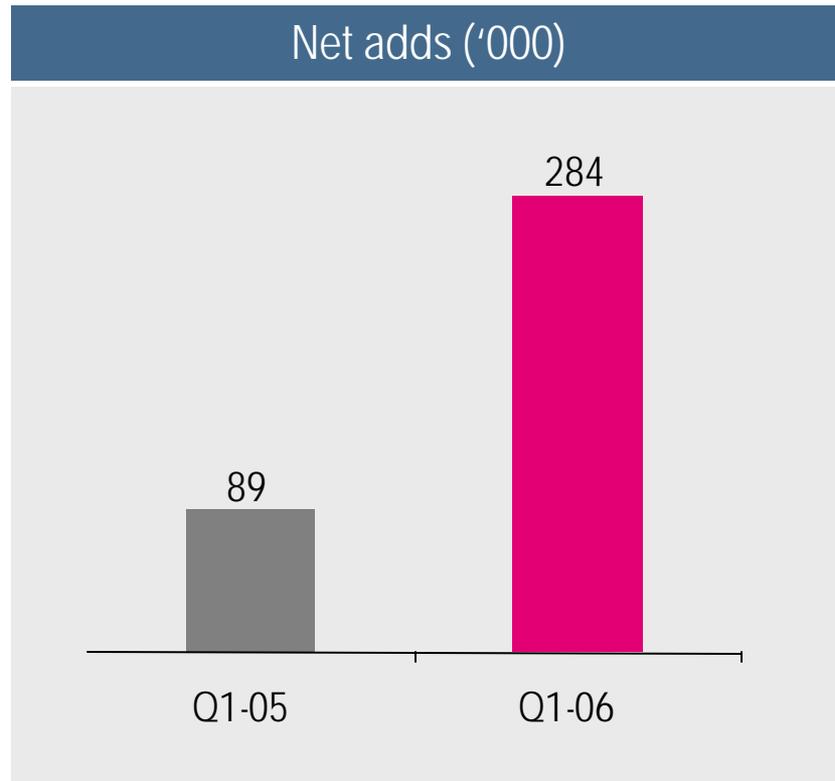
■ Q1 2005  
■ Q1 2006

- ARPU revenue (US\$) growth +20.5%
- Stable contract ARPU at \$54
- Contract churn at 2.1% from 2.3%
- 3,700 cell sites added over 12 months
- Most highly regarded service company: winner of 4 recent JD Power awards:
  - Overall customer satisfaction
  - Wireless customer care
  - Wireless call quality: 3 out of 6 regions (highest ranking)
  - Wireless retail service



# Excellence program: Expansion of mobile core business.

Germany – New measures to compensate for falling prices.

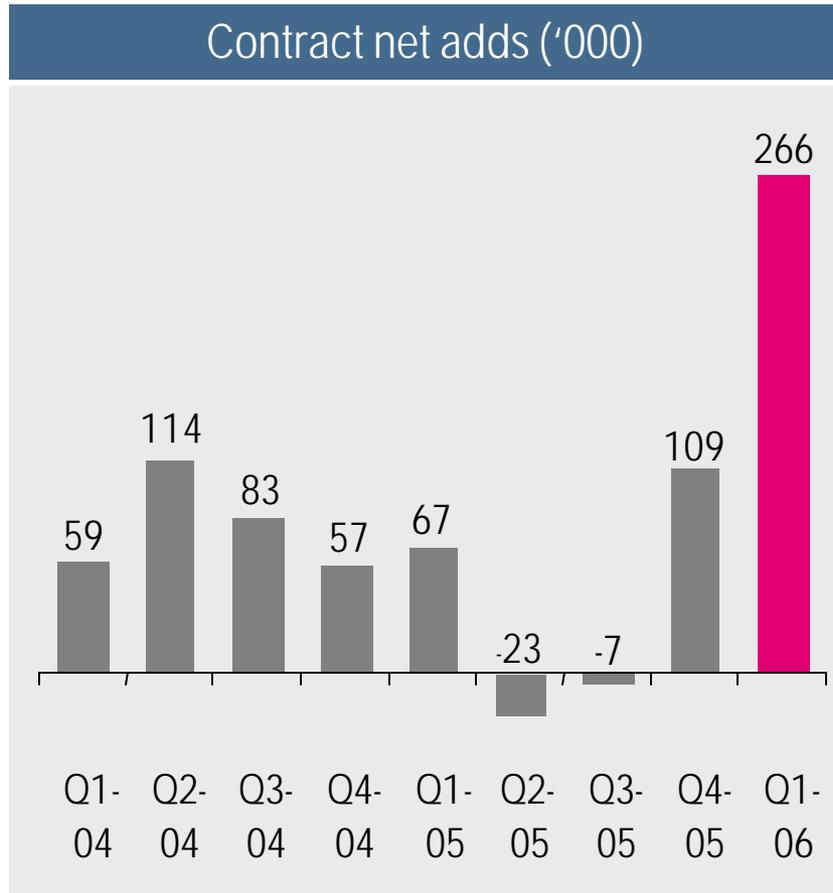


- -3.4% revenues: termination rate cuts and competition
- Save-for-Growth program supports strong EBITDA margin
- Attractive tariffs launched in Q1
- 515k T-Mobile@home customers
- +9 % total voice minutes



# Excellence program: Expansion of mobile core business.

UK - Strong market invest to build momentum.



- +4.5% total revenues, +7.4% ARPU revenues
- Market invest: -40.1% adj. EBITDA
- Highest contract net adds ever
- 257k new Flext customers in one month



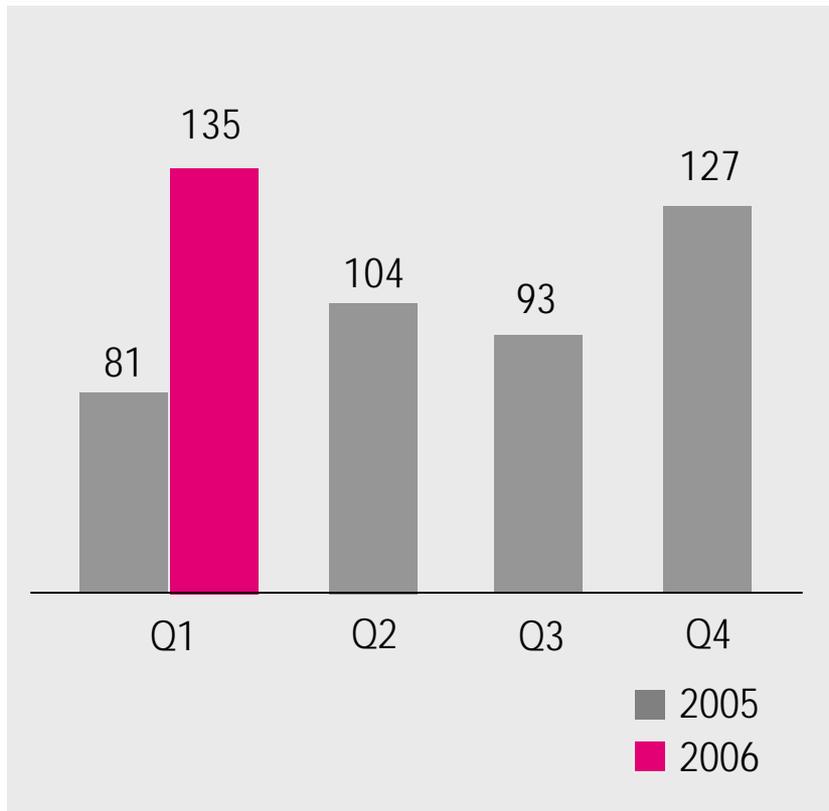
# Excellence program: Expansion of mobile data services. Pushing mobile data.

- +50% non-voice non-SMS revenue
  - Increase to € 317 million in Q1/06 from € 211 million in Q1/05
  - 35% of FY05 revenue in Q1 alone
- Web'n'walk: 381k data plans sold, of which 309k in Q1
- Attractive new tariffs introduced
- HSDPA network launched: 1.8 Mbit/s
  - Upgrade in Germany, Austria, and the Netherlands already completed
  - UK launch in H2/06



# Excellence program: Growth in ICT solutions. Strong IT revenue growth in business services.

IT revenues of SE/ME/LE<sup>1</sup> (€ million)



- Accelerated growth: increase of 67% compared to Q1 2005
- First quarter “new” IT revenues fully compensate for decrease in traditional voice and legacy data revenues
- On track to meet target of € 700 million IT revenues in 2006

<sup>1</sup> Business Services



# Excellence program: Operational excellence.

## Efficiency initiatives implemented.

- Personnel restructuring well underway:
  - Decision for a legal provision for civil servants expected at the end of Q2
  - Gross headcount reduction in Germany at 1,500 as of March 31
  - As of April 3,500 agreements for severance payments or partial retirement have been requested or agreed since the beginning of the year
  - 1,100 employees have left Vivento in Q1, of which 630 externally
- Cost cutting initiatives to help secure 2006 targets:
  - Monetization of real estate in Q1
  - Overhead costs
- Additional measures to be implemented:
  - IT costs
  - Network costs
  - Real estate



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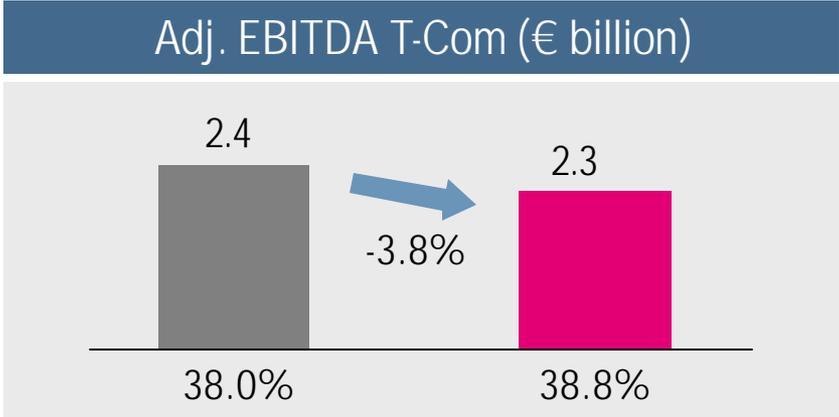
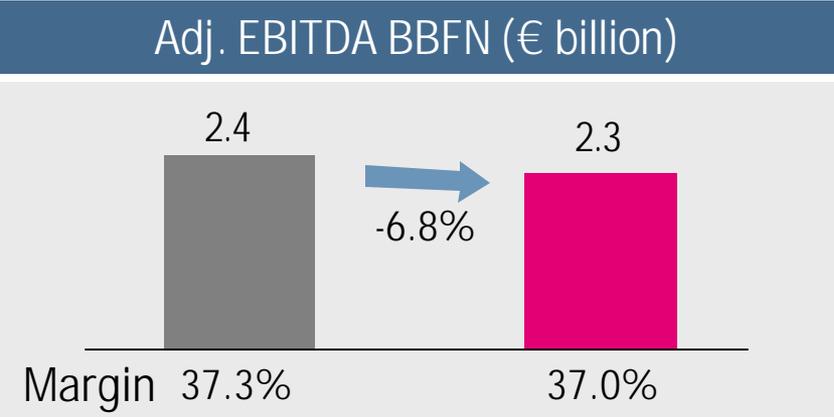
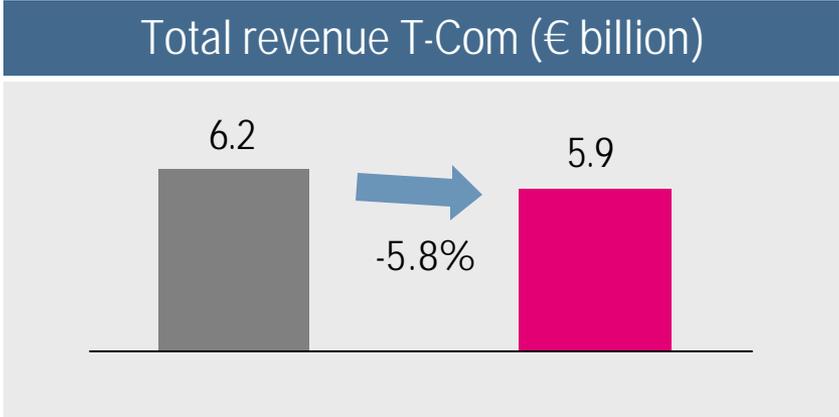
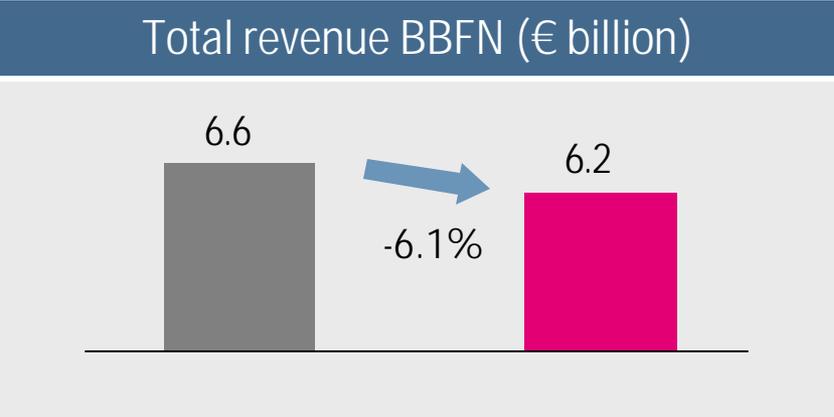
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Dr. Karl-Gerhard Eick

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# Broadband/Fixed Network. Development in Q1 2006.



■ Q1 2005  
■ Q1 2006



## Broadband/Fixed network.

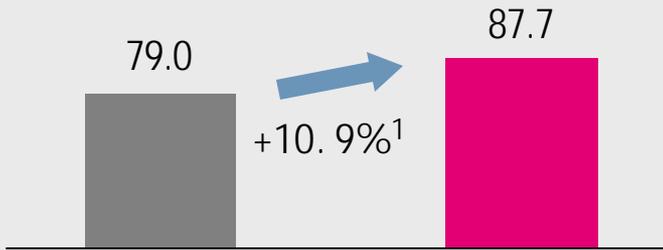
Revenue of T-Com Germany driven by lower calling revenues.

€ million	Q1 2006	Q1 2005	Delta
Total	5,241	5,606	-365
Network communications	2,886	3,164	-278
thereof narrowband access	1,950	1,981	-31
thereof calling revenues	935	1,182	-247
Value added services	234	273	-39
Terminal equipment	115	99	16
Data communications	321	344	-23
Wholesale services	1,207	1,199	8
IP/Internet	254	303	-49
Others	224	224	0

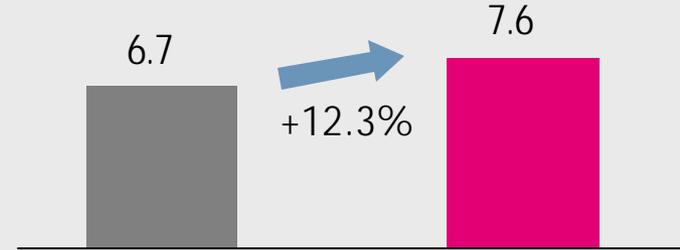


# Mobile. Strong growth.

Customers (million)



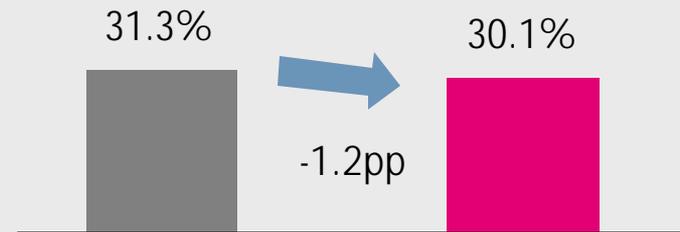
Total revenue (€ billion)



Adj. EBITDA (€ billion)



Adj. EBITDA margin (in %)



■ Q1 2005

■ Q1 2006

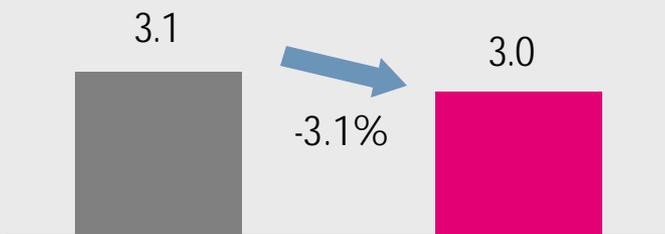
<sup>1</sup> Organic customer growth, historical number adjusted (inclusion of Monet in Q1/05).



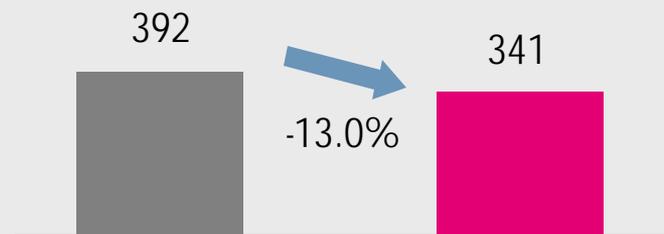
# Business Customers.

Gedas consolidation to help revenues.

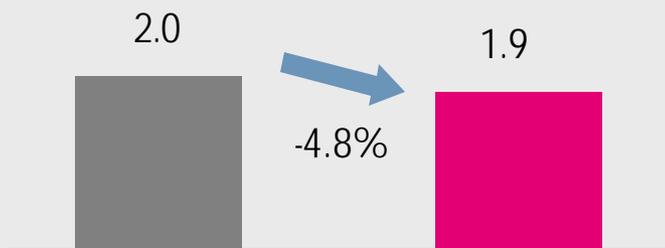
Business Customers – Total revenue (€ bn)



Business Customers – adj. EBITDA (€ mn)



Top 60+ customers<sup>1</sup> – Total revenue (€ bn)



SE/ME/LE<sup>2</sup> – Total revenue (€ bn)



1 Enterprise Services  
2 Business Services

■ Q1 2005  
■ Q1 2006



## Q1 2006 – Free Cash Flow.

Cash flow supported by working capital improvements.

€ billion	Q1 2006	Q1 2005
Cash Flow	4.7	4.7
Change in working capital and accruals	- 1.2	- 1.7
Taxes and dividends	- 0.2	- 0.4
Cash generated from operations	3.3	2.6
Net interest payment	- 0.5	- 0.4
Net cash provided by operating activities	2.8	2.2
Investments in PP&E and intangible assets	- 2.0	- 3.1 <sup>1</sup>
Free Cash Flow	0.8	- 0.9 <sup>1</sup>
Free Cash Flow (including the acquisition of Gedas and excl. network assets and licenses in the U.S.)	0.5	1.0

<sup>1</sup> Incl. € 1.9 billion for network assets and licenses in the US.



## FY 2005 – Net income.

9.7% increase in reported net income.

€ billion	Q1 2006	Q1 2005	Q1 2006 adj.	Q1 2005 adj.
EBITDA	4.9	4.8	5.0	4.8
Depreciation and amortization	-2.6	-2.5	-2.6	-2.5
Net financial expense	-0.6	-0.7	-0.8	-0.7
- of which net interest expense	-0.7	-0.7	-0.7	-0.7
EBT	1.8	1.6	1.6	1.6
Income taxes	-0.6	-0.5	-0.6	-0.5
Earnings after taxes	1.2	1.1	1.1	1.1
Minorities	-0.1	-0.1	-0.1	-0.1
Net income	1.1	1.0	1.0	1.0

Rounded figures.



## Balance sheet.

Balance sheet in excellent shape.

€ billion	31.03.2006	31.12.2005
Balance sheet total	130.3	127.9
Equity	50.1	49.6
Net debt	37.8	38.6
Net debt/adj. EBITDA	n/a	1.9x
Gearing	0.75x	0.78x
Equity ratio	38.5%	38.8%



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# Targets 2006.

Group guidance confirmed.

		Revenue 2006 (€ bn)	Adj. EBITDA 2006 (€ bn)
BBFN	Nov 2005	25.4 – 25.8	
	New	24.8 – 25.2	9.4 – 9.6
Mobile	Nov 2005	30.9 – 31.3	
	New <sup>1</sup>	31.9 – 32.3	10.0 – 10.2
Business Customers		13.4 – 13.6	1.5 – 1.6
Group		62.1 – 62.7	20.2 – 20.7

<sup>1</sup> Also incl. tele.ring.

