

# FY 2007 Conference call. Deutsche Telekom.

February 28, 2008



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# FY 2007. Highlights.

René Obermann, CEO

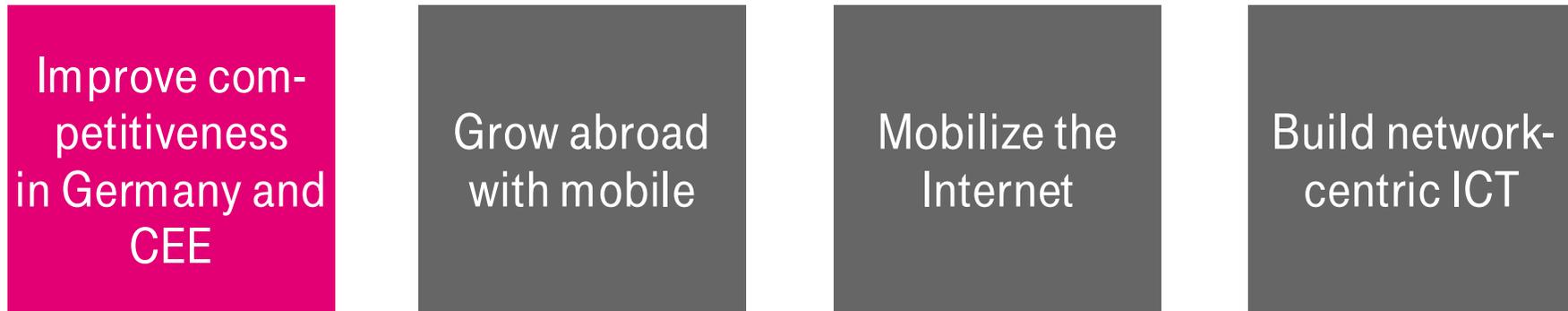


# 2007 Highlights: Delivering on what we promised.

|   | Target  |   | Achieved   |
|---|---|---|--|
| Adj. Group EBITDA                       | Around €19 billion                                    | ▶ | €19.3 billion ✓  |
| Free cash flow                          | Around €6.5 billion (raised from €6 bn)               | ▶ | €6.6 billion ✓   |
| „Save for Service“                      | €2 billion gross savings                              | ▶ | €2.3 billion gross savings ✓                               |
| Net cost reduction at BBFN domestic     | €0.9 billion  | ▶ | €0.9 billion ✓   |
| Dividend policy                         | Maintain attractive dividend policy                   | ▶ | €0.78 dividend proposed ✓                                  |
| Broadband net adds market share Germany | 40-45%  | ▶ | 44% ✓  |
| Second brand                            | Launch of “Congstar”                                  | ▶ | 200k customers as of Jan. 08 ✓                             |
| Mobile                                  | Grow abroad with mobile                               | ▶ | Strong organic growth<br>Acquisitions: Orange NL, SunCom ✓ |
| Business Customers                      | Build the network centric ICT business with a partner | ▶ | In advanced negotiations                                   |



# Management update: Focus, fix and grow.



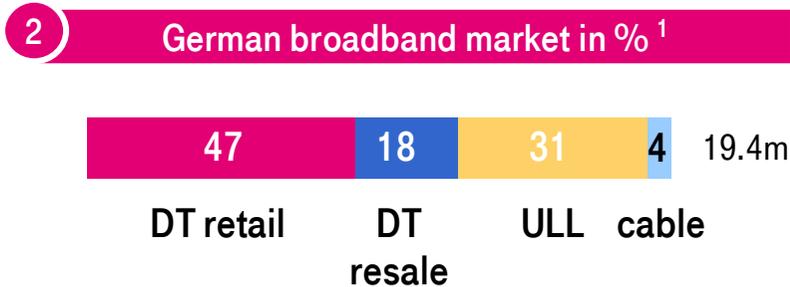
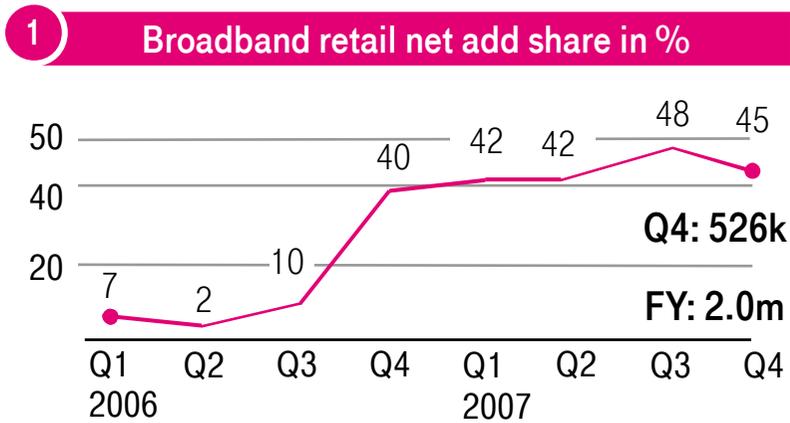
## Achievements 2007:

- DSL retail market share of net adds at 44% – target ratio of 40-45% achieved (FY 2006 18%)
- Successful retention: 85% of DSL retail base under contract with up to 24 months duration
- Good start for Triple Play products – 150k customers signed up as of Q4
- Quality measures significantly improved
- BBFN Germany improved quarterly adj. EBITDA margins sequentially in 2007 – Q4 margin of 36.0%
- Second brand “Congstar” successfully launched
- Exclusive launch of iPhone in Germany
- Robust contract customer growth (+962k) at T-Mobile Germany in 2007
- Appr. 8% reduction in adj. domestic personnel expenses from €10.24 billion to €9.45 billion in 2007

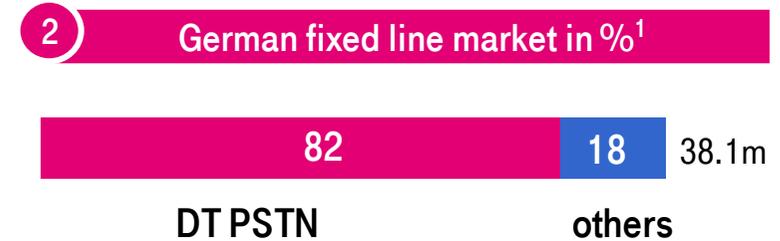


# Deutsche Telekom more than doubles share of DSL new customer business.

## DSL broadband



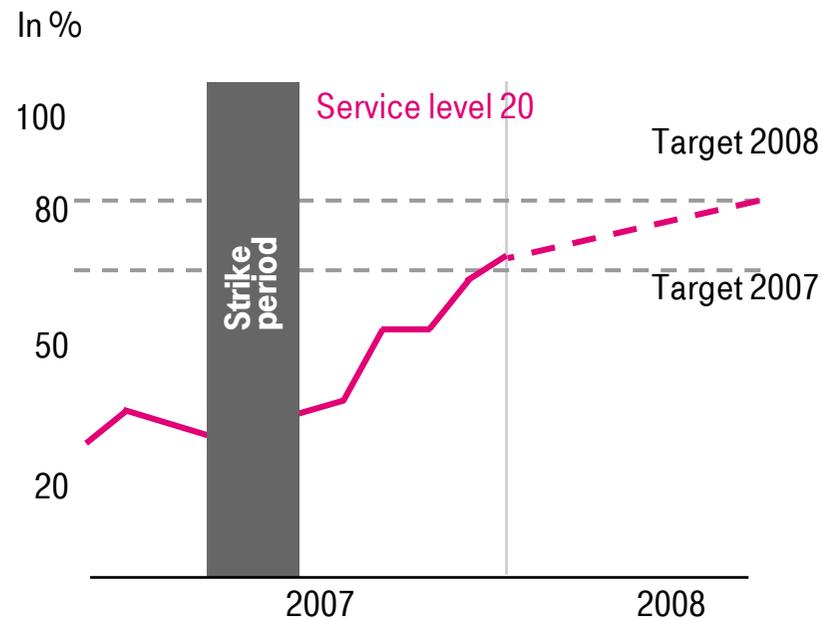
## PSTN lines



<sup>1</sup> Estimates.



# We have significantly improved customer service.



## Achievements 2007:

- E20 availability up to 69%, target >65%
- Deadline compliance up to 82%, target 80%
- IT stability up to 104 hours, target >100
- Order handling time 1.4 days, target 1-2
- 804 Telekom shops, target 786
- 1,011 Telekom partners, target >1,000

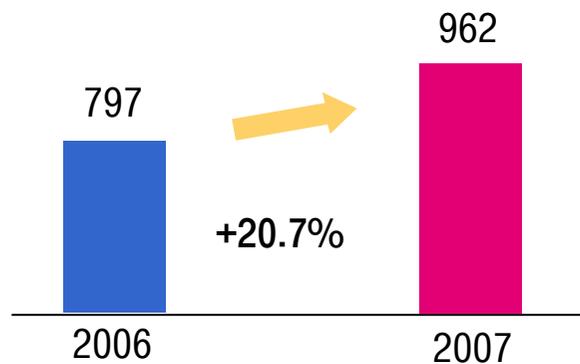
## Targets 2008:

- E20 availability >80%

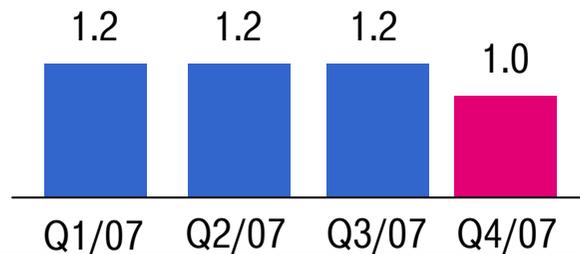


# Continued growth in contract customers in Germany.

Contract net adds T-Mobile Germany (in 000)



Contract churn (in %)



## Achievements 2007:

- Contract net adds up more than 20% in 2007 – 385k in Q4
- Contract churn stable at 1.2% in 2007 – Q4 churn of 1.0%
- Exclusive launch of iPhone in Germany on November 9
- Max flat rate customers now 939k: more than 722k added in 2007
- Close to 100k myFaves customers in Germany
- Contract MOU per customer up about 10% yoy in 2007 – total contract MOU up 17% yoy



# Personnel: Restructuring ahead of plan and showing significant cost savings in 2007.

- 14,400 domestic headcount gross reduction – 11,100 headcount net reduction (-6.9%) in 2007
- 5,000 FTE reduction in temp work and external contracting (primarily T-Home) in 2007, full impact only to be seen from 2008 onwards
- Approximately 8% reduction in adj. domestic personnel expenses from €10.24 billion to €9.45 billion in 2007

## Recent developments:

- 1,600 employees of VTS transferred to Nokia Siemens Networks in January 2008
- Sale of Media & Broadcast, deconsolidation in Q1 2008: approx. 1,200 employees
- Deconsolidation of 5 call center locations in March 2008: approx. 640 VCS employees
- €1.4 billion provisions for staff restructuring taken in Q4 2007 predominantly for early retirement for civil servants



# Management update: Focus, fix and grow.



## Achievements:

- T-Mobile continues double-digit international revenue growth (12.2% yoy in 2007) and improves international adj. EBITDA (+17.8% yoy in 2007), supported by first consolidation of PTC and tele.ring
- Strong international contract net adds: 5.1 million in 2007
- Acquisition of Orange NL (consolidated as of Oct. 1, 2007) significantly improves position in NL
- Acquisition of SunCom will strengthen T-Mobile USA's footprint (closed on February 22)
- Adj. EBITDA margin at T-Mobile UK up 2.8pp to 24.6% yoy in 2007
- Network sharing agreement with "3" UK announced in December



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

Service revenues (US\$ billion)



Adj. EBITDA (US\$ billion)

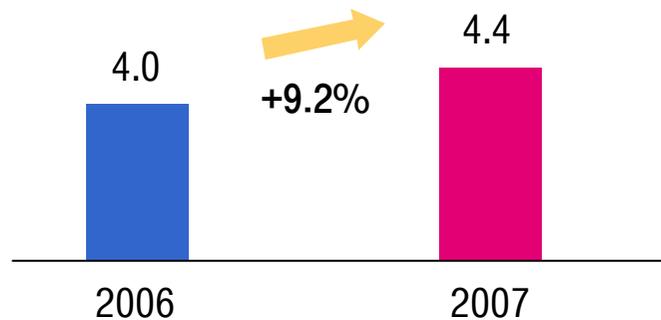


- Total revenues (US\$) up 12.6% in 2007
- Service revenues (US\$) up 16.6% in 2007
- Adj. EBITDA margin: 27.8% in 2007, up from 27.5% in 2006
- Strong ARPU in 2007:
  - Blended: \$51, up from \$50 in 2006
  - Contract: \$57, up from \$56 in 2006
- Contract churn: 1.9% in 2007 (down from 2.2%)
- 3.6 million net adds in 2007 – 74% contract
- Q4 net adds of 951k, of which 733k contract
- Unique differentiated products:
  - myFaves
  - FlexPay
  - HotSpot @ Home

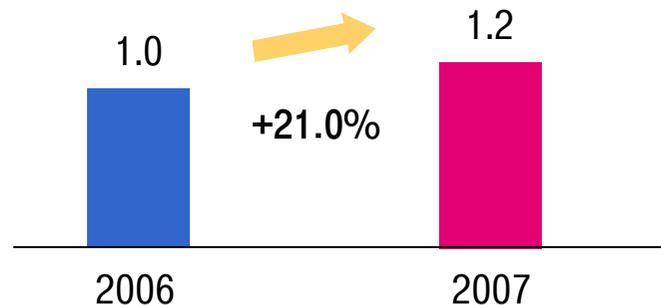


# Grow abroad with mobile: T-Mobile UK: Strong margin improvement.

Service revenues (€ billion)



Adj. EBITDA (€ billion)

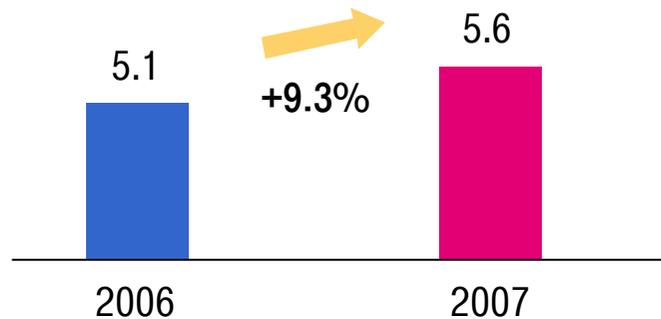


- Total revenues up 7.1% in 2007
- Service revenues up 9.2% in 2007
- Adj. EBITDA margin at T-Mobile UK up 2.8pp to 24.6% yoy in 2007, Q4 margin at 26.1%
- Strong ARPU in 2007:
  - Blended: €31, up from €29 in 2006
  - Contract: €66, unchanged from 2006
- Contract net adds: 165k in 2007
- Flex: 2.1 million customers, up from 1.3 million customers in 2006
- Network sharing with “3” UK
  - Savings of more than GBP1 billion over 10 years for each party
  - Increase 3G coverage to 98% within 2 years



# Grow abroad with mobile: CEE<sup>1</sup> countries: Delivering growth.

## Revenues (€ billion)



## Adj. EBITDA (€ billion)



- Total revenues up 9.3% in 2007
- Service revenues up 9.8% in 2007
- Adj. EBITDA margin in CEE countries up 1.1 pp to 39.4% yoy in 2007
- Contract net adds: 2.0 million in 2007
- Strong non-voice % of ARPU in 2007:
  - PTC up 3 pp to 19% in 2007
  - T-Mobile Croatia up 5 pp to 20%
- Contract churn in all CEE countries below 1.1%
  - PTC at 0.7% in 2007
  - T-Mobile CZ at 0.6%, down 0.1%pp from 2006
- Cash contribution of €1.5 billion, up 13.8%

<sup>1</sup> Poland, Czech Republic, Hungary, Croatia, Slovakia, Macedonia, and Montenegro. Figures pro forma.



# Management update: Focus, fix and grow.

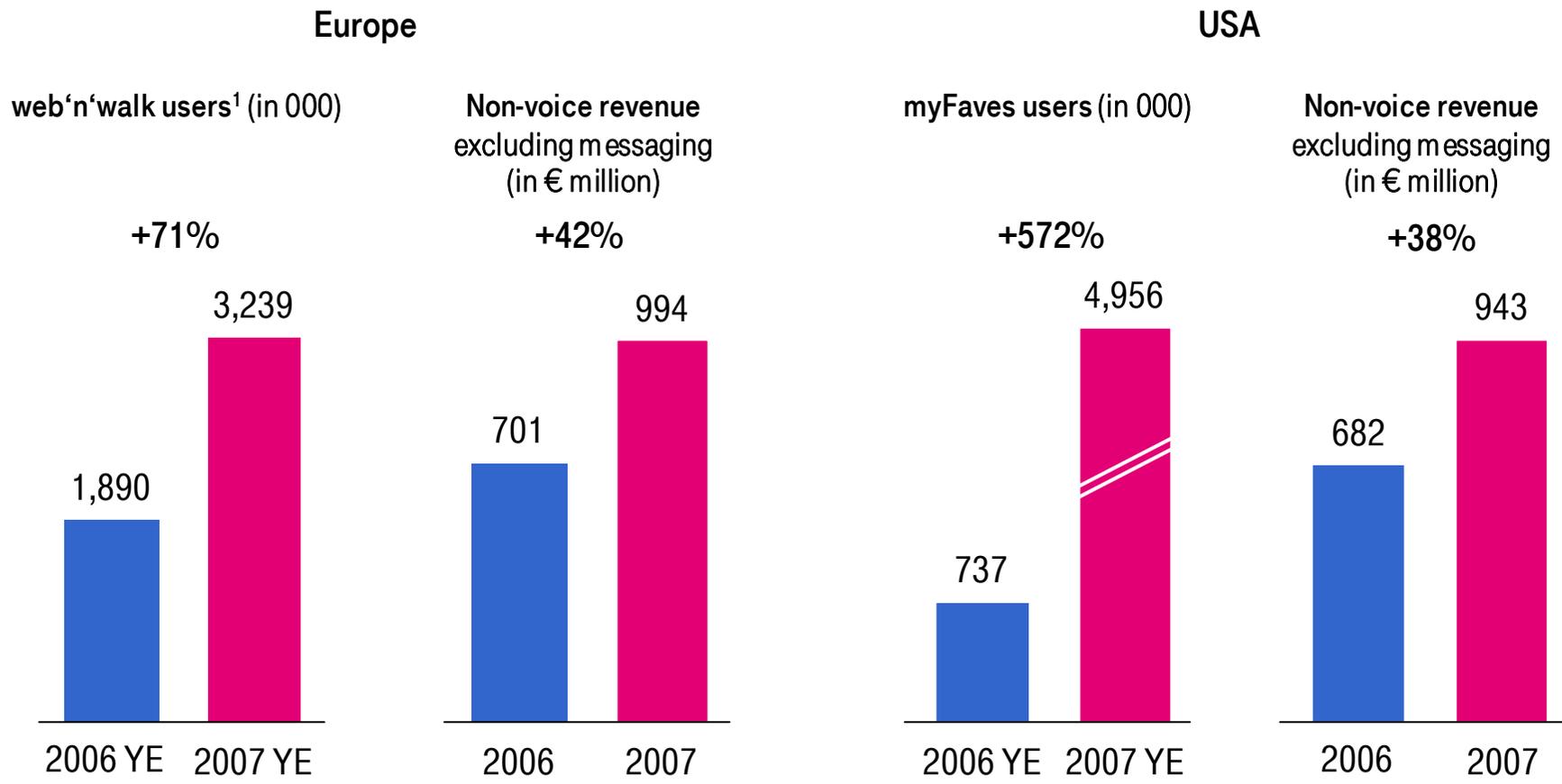


## Achievements:

- Non-messaging data revenue growth 40.0% to €1.9 billion in 2007
- UMTS data volume in Q4 2007 up 61% up from Q3 2007 – 2007 total almost 8x the volume in 2006
- 3.2 million web'n'walk customers: +1.3 million in 2007
- 5.0 million myFaves customers in the US: +4.2 million in 2007
- Exclusive launch of iPhone in Germany on November 9
- Open Handset Alliance with Google and others – first Android handset to be launched in H2/08
- Strategic partnership agreed between T-Mobile and Yahoo! including mobile search



# Mobilize the Internet.



<sup>1</sup> incl. D, UK, CZ, A and NL.



# Management update: Focus, fix and grow.

Improve competitiveness  
in Germany and  
CEE

Grow abroad  
with mobile

Mobilize the  
Internet

Build network-  
centric ICT

## Achievements:

- Partnering talks regarding Systems Integration in advanced stage, solution expected over next weeks
- Major double digit million € contracts won with Bosch (MPLS corporate network for Europe, Africa, and Middle East), MTU (Seamless Responsibility contract on computing + desktop services, network and application management) and the state of Saxony (build-out of an all-IP network) in Q4 and Airbus (mainframe management), Lidl (IP-based wide area network), and Old Mutual (ICT outsourcing) in 2008
- First worldwide company to receive the new certificate as a global SAP application management services provider (AMS) in December



# 6 Targets for 2008.

|  | Target  |
|--|---|
| Adj. Group EBITDA                              | around €19.3 billion                                |
| Free cash flow                                 | around €6.6 billion                                 |
| Dividend policy                                | maintain attractive dividend policy                 |
| Broadband retail net adds market share Germany | minimum 45%   |
| Grow abroad with Mobile                        | 3 million organic net adds for TMUS                 |
| Mobilize the internet                          | increase data revenue excluding messaging by c. 40% |



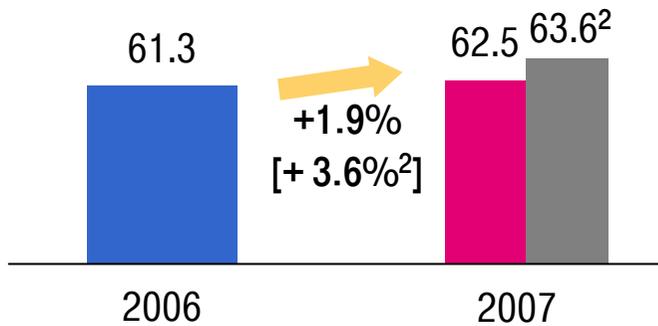
# FY 2007. Financials.

Dr. Karl-Gerhard Eick, CFO and Deputy CEO

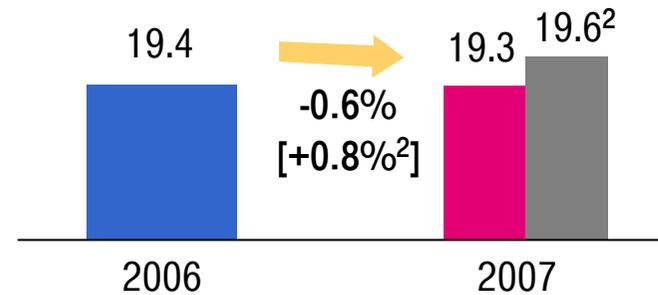


# Overview Group financials.

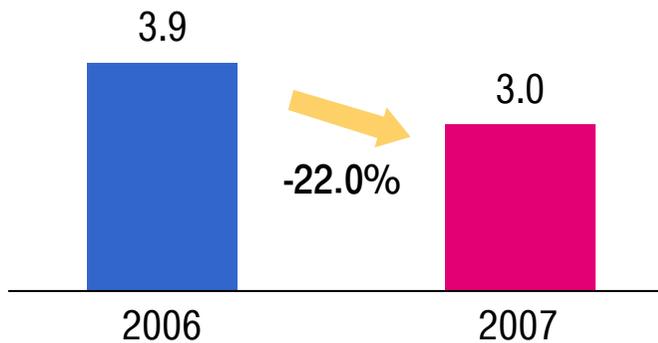
Revenue (€ billion)



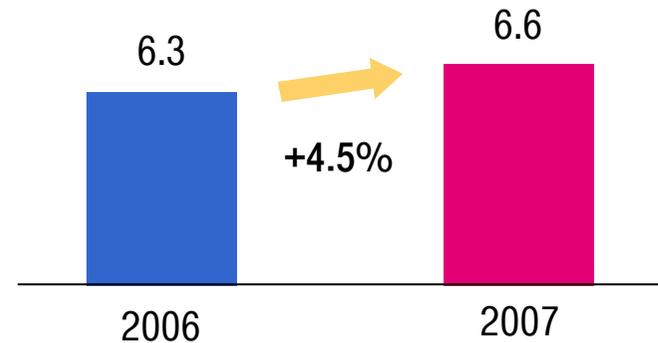
Adj. EBITDA (€ billion)



Adj. net Income (€ billion)



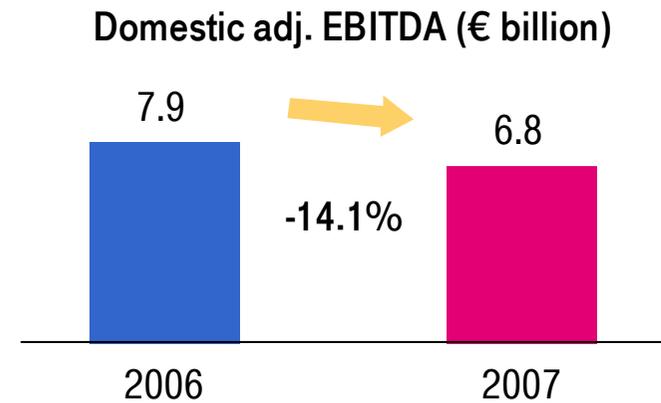
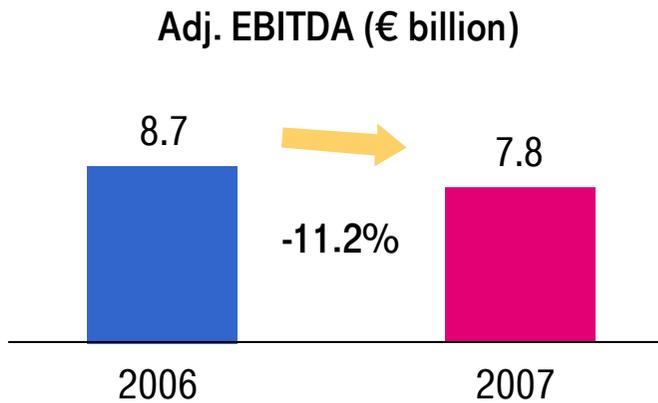
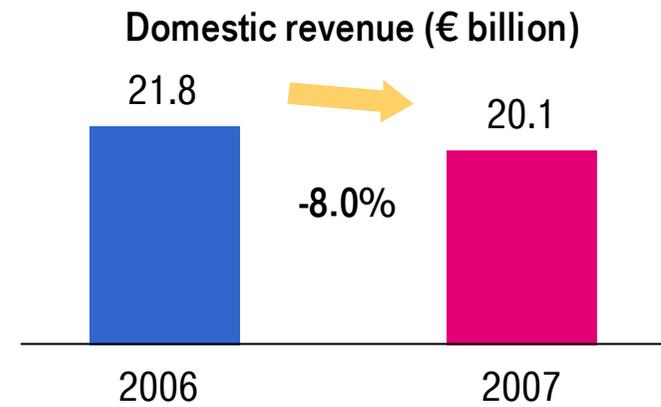
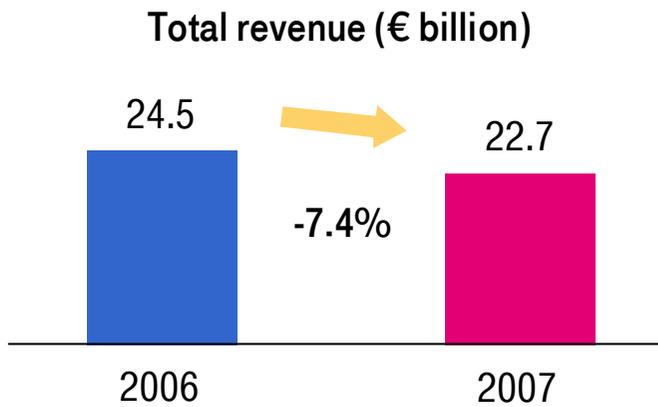
FCF adj.<sup>1</sup> (€ billion)



<sup>1</sup> 2006 excl. € 3.3 billion for spectrum capex in the US. <sup>2</sup> Assuming constant F/X.

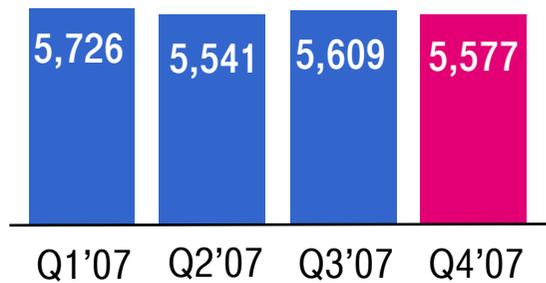


# BBFN Summary.

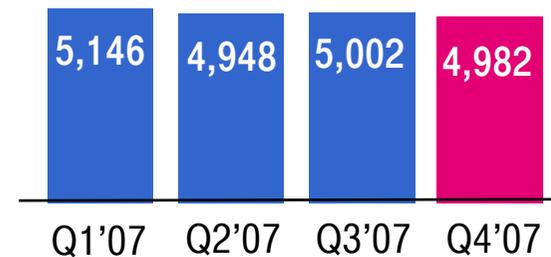


# BBFN Summary – Improved adj. EBITDA in Q4/07.

**Total revenue (€ million)<sup>1</sup>**  
(Excl. Club Internet and Ya.Com)



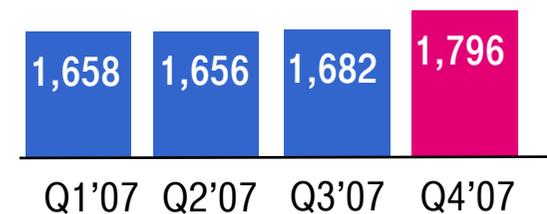
**Domestic revenue (€ billion)**



**Adj. EBITDA (€ million)<sup>1</sup>**  
(Excl. Club Internet and Ya.Com)



**Domestic adj. EBITDA (€ billion)**

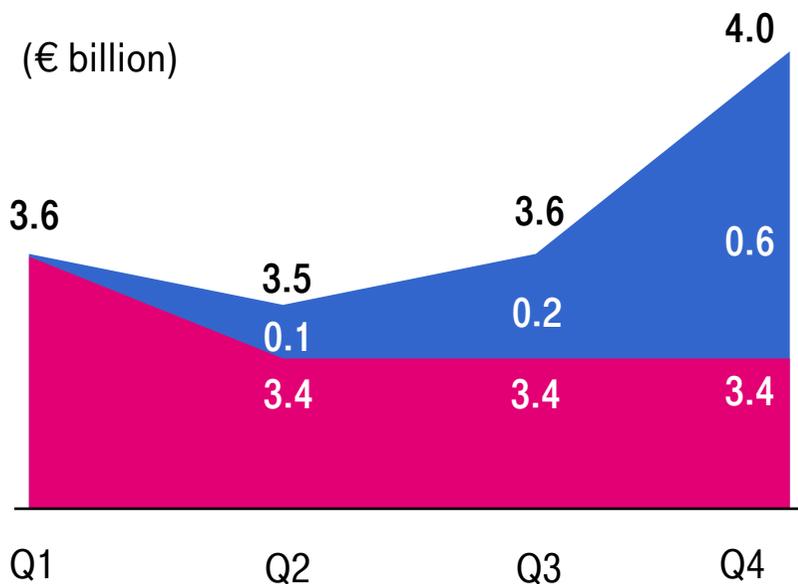


<sup>1</sup> Calculated on the basis of BBFN total minus BBFN Western Europe.



# Net Opex savings of €0.9 billion at BBFN Domestic.

Net Opex<sup>1</sup> savings of €0.9 billion



■ Opex in 2006  
 ■ Opex in 2007

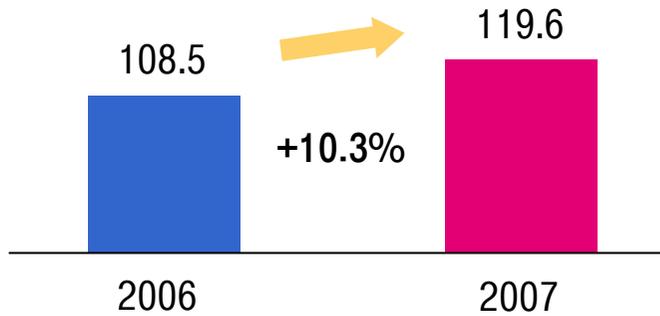
- Gross cost savings 2007 of €1.2 billion:
  - € 0.4 billion personnel costs
  - € 0.4 billion IT/Billing
  - € 0.4 billion rent, consulting and other
- Termination costs reduced by €0.2 billion
- Domestic net cost savings of €0.9 billion
- €0.5 billion of savings invested in customer base and better service e.g.:
  - higher DSL retail net adds
  - higher number of shops
  - better customer service

<sup>1</sup> Based on revenue minus adj. EBITDA plus other income (excl. SF).

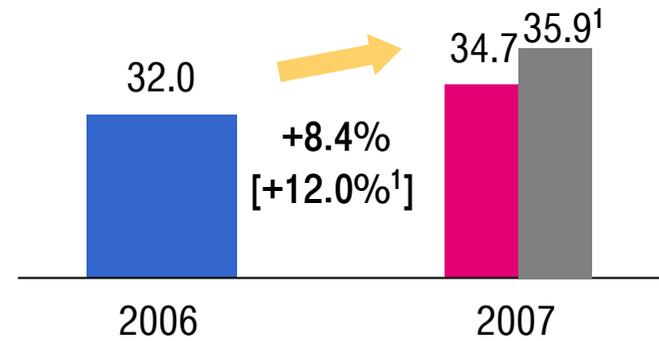


# Mobile summary.

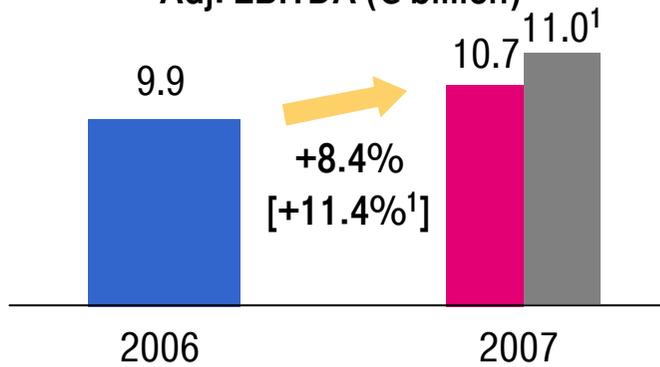
Customers (million)



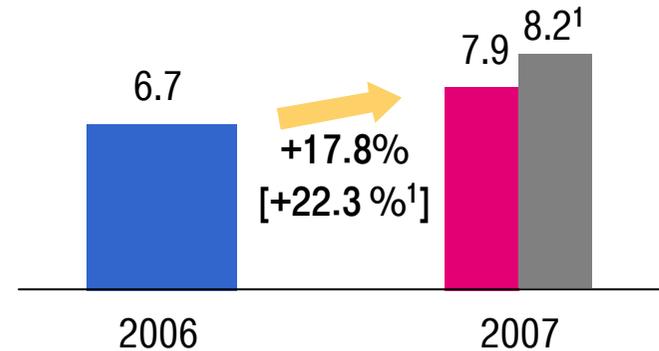
Total revenue (€ billion)



Adj. EBITDA (€ billion)



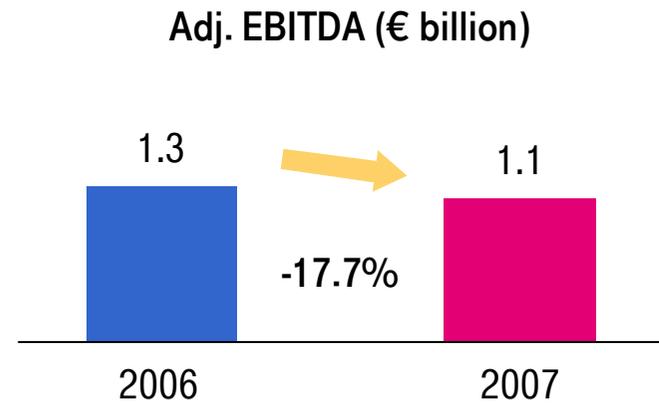
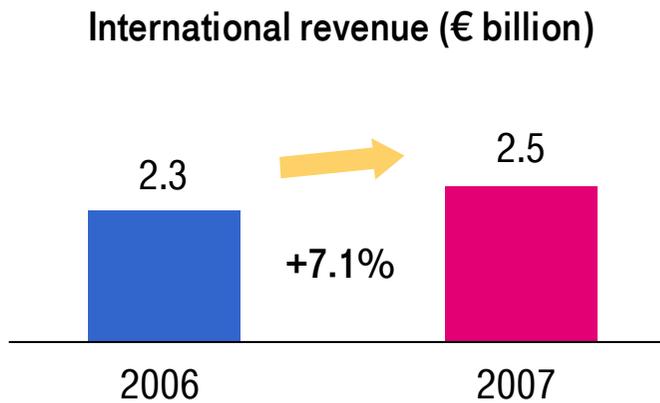
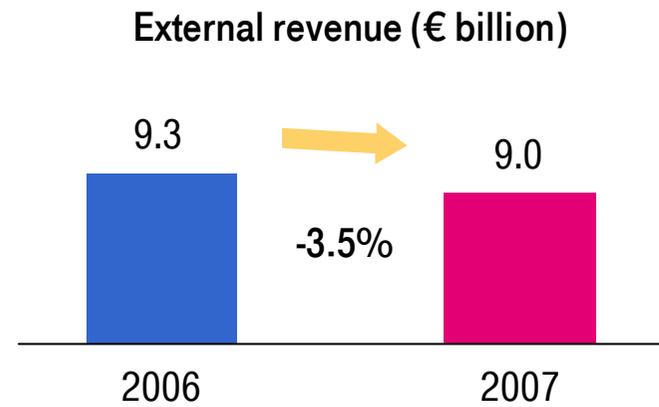
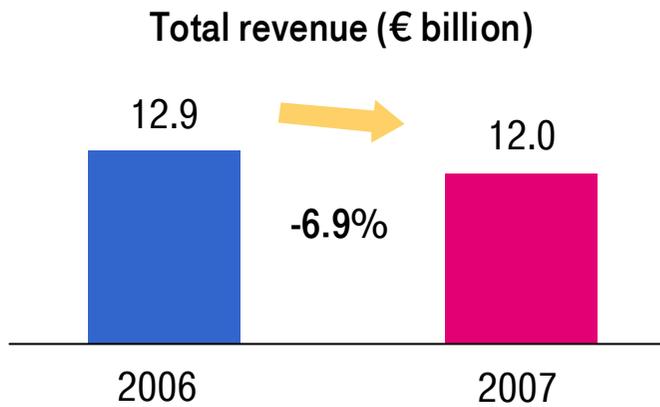
International adj. EBITDA (€ billion)



¹ Assuming constant F/X.

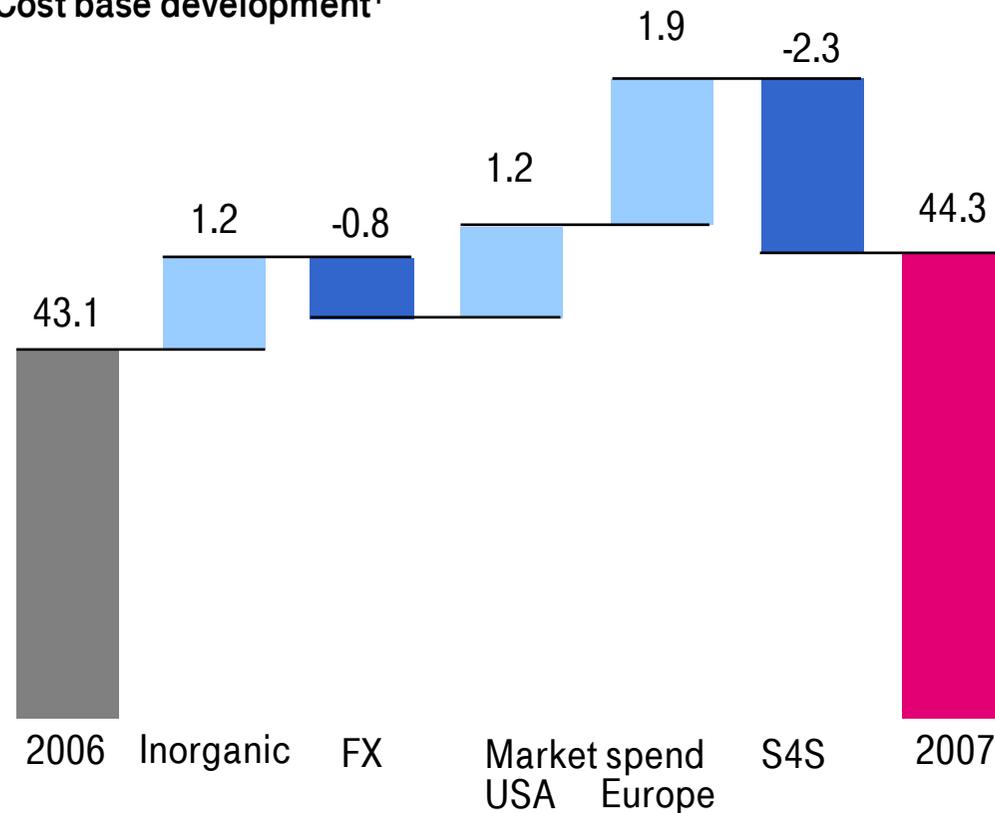


# Business Customers summary.



# Save for Service – gross savings and opex development.

## Cost base development<sup>1</sup>



- 2007 “Save for Service” (S4S) target with €2.3 billion overachieved
- Thereof €1.2 billion BBFN, €0.5 billion T-Mobile, €0.2 billion Business customers and €0.3 billion GHS
- 40% of cost savings personnel expenses
- Net cost base reduction of €0.9 billion at BBFN

<sup>1</sup> Defined as revenue less adj. EBITDA plus other income (excl. SF).



## 2007 – Free cash flow.

| € billion   | 2007  | 2006               |
|---|-------|--------------------|
| EBITDA (reported)   | 16.9  | 16.3               |
| Non cash items and others                                 | - 0.3 | 0.0                |
| Change in working capital and accruals                    | - 0.6 | 1.9                |
| Income taxes  | 0.2   | - 1.2              |
| Cash generated from operations                            | 16.2  | 17.0               |
| <i>Incl. Restructuring payments</i>                       | - 1.7 | - 0.7              |
| Net interest payment                                      | - 2.5 | - 2.8              |
| Net cash provided by operating activities                 | 13.7  | 14.2               |
| Investments in PP&E and intangible assets                 | - 8.0 | - 8.5 <sup>1</sup> |
| Proceeds from disposition of assets                       | 0.8   | 0.6                |
| - of which proceeds from real estate sales                | 0.5   | 0.4                |
| Free cash flow (excl. spectrum capex) <sup>1</sup>        | 6.5   | 6.3                |
| Free cash flow adj. (excl. spectrum capex) <sup>1,2</sup> | 6.6   | 6.3                |

<sup>1</sup> Excl. € 3.3 billion for spectrum capex in the US in 2006. <sup>2</sup> 2007 Excl. Centrica. Rounded figures.



## 2007 – Income taxes.

| € billion                 | 2007  | 2006  |
|---------------------------|-------|-------|
| Cash income taxes         | 0.2   | - 1.2 |
| Reported income taxes     | - 1.4 | 1.0   |
| - of which actual taxes   | - 0.2 | - 0.2 |
| - of which deferred taxes | - 1.2 | 1.2   |
| Adjusted income taxes     | - 1.7 | - 1.3 |

Taxes impacted by non-cash write-down of deferred tax assets in 2007 (€0.7 billion, due to German tax reform). 2006 benefited from a tax gain on the NOLs in the US (€1.3 billion)



## 2007 – Reported net income.

| € billion                       | 2007   | 2006   |
|---------------------------------|--------|--------|
| EBITDA                          | 16.9   | 16.3   |
| Depreciation and amortization   | - 11.6 | - 11.0 |
| Net financial expense           | - 2.8  | - 2.7  |
| - of which net interest expense | - 2.5  | - 2.5  |
| EBT                             | 2.5    | 2.6    |
| Income taxes                    | - 1.4  | 1.0    |
| Earnings after taxes            | 1.1    | 3.6    |
| Minorities                      | - 0.5  | - 0.4  |
| Net income                      | 0.6    | 3.2    |

D&A increased due to PTC & Telering (€0.6 billion)

2006 better due to gain from sale of financial assets (€0.2 billion)

Rounded figures



## 2007 – Adjusted net income.

| € billion                                  | 2007<br>adjusted | 2006<br>adjusted |
|--|------------------|------------------|
| EBITDA                                     | 19.3             | 19.4             |
| Depreciation and amortization <sup>1</sup> | - 11.2           | - 11.0           |
| Net financial expense                      | - 2.8            | - 2.9            |
| - of which net interest expense            | - 2.5            | - 2.5            |
| EBT  | 5.3              | 5.6              |
| Income taxes                               | - 1.7            | - 1.3            |
| Earnings after taxes                       | 3.5              | 4.3              |
| Minorities                                 | - 0.5            | - 0.4            |
| Net income                                 | 3.0              | 3.9              |

<sup>1</sup> Of which PPA effects: - 0.5 billion in 2007, - 0.3 billion in 2006.

Rounded figures



## 2007 – Balance sheet ratios.

| € billion                 | 31.12.2007 | 31.12.2006 |
|---------------------------|------------|------------|
| Balance sheet total       | 120.7      | 130.2      |
| Shareholders' equity      | 45.2       | 49.7       |
| Net debt                  | 37.2       | 39.6       |
| Net debt/adjusted EBITDA  | 1.9x       | 2.0x       |
| Equity ratio <sup>1</sup> | 34.7%      | 35.8%      |

<sup>1</sup> After dividends.



Thank you for your attention!

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