Deutsche Telekom

Analyst Presentation
August 28, 2001
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Highlights and Strategy

Dr. Ron Sommer
CEO
Strong fundamentals

Strategic direction right on track

- Improved operational earnings power
  - Mobile EBITDA margin increased from 13% in H1/00 to 23% in H1/01
  - T-Com EBITDA margin above 30% in H1/01
  - EBITDA losses at T-Online International further reduced

- Delivering on our promises
  - H1/01 revenues grew by almost 17% to €22.5 billion
  - On track to double mobile EBITDA by year-end: from €0.6 billion in H1/00 to €1.4 billion in H1/01
  - 2001 Group EBITDA margin targeted at around 30% (adjusted for special influences)

- Changing Deutsche Telekom’s growth profile
  - VoiceStream/Powertel acquisition closed on May 31, 2001
  - Further steps in Eastern Europe
First-half 2001: key figures

Double-digit increases in revenues and adjusted EBITDA

<table>
<thead>
<tr>
<th>Euro (billion)</th>
<th>H1/2001</th>
<th>H1/2000</th>
<th>Δ Euro</th>
<th>Δ%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>22.5</td>
<td>19.2</td>
<td>3.3</td>
<td>16.9%</td>
</tr>
<tr>
<td>Adjusted EBITDA**</td>
<td>7.2</td>
<td>6.5</td>
<td>0.8</td>
<td>11.9%</td>
</tr>
<tr>
<td>EBITDA (reported)</td>
<td>8.2</td>
<td>11.2</td>
<td>-3.0</td>
<td>-26.6%</td>
</tr>
<tr>
<td>Cash from operations</td>
<td>6.8</td>
<td>5.2</td>
<td>1.6</td>
<td>30%</td>
</tr>
</tbody>
</table>

* Calculated on the basis of exact values.
** Without special effects.
Powerful presence in Europe and USA

Almost one quarter of group revenues from outside Germany

International Revenues

in € billion

H1 1999  |  H1 2000  |  H12001*  |  2001e
---|---|---|---
1.5  |  3.4  |  5.2  |  22.5
16.8  |  19.2  |  23%  |  25%
9%  |  18%  |  |  

* Including one month PTEL/VSTR revenues
VoiceStream.
Changing the Group’s growth profile

- Double-digit revenue CAGR (2001 - 2004)
- Group EBITDA CAGR (2001 - 2004) increases from 6.6% to 13.9%
- WorldClass tariff implemented, offering seamless roaming at an attractive price for TMO customers
- Leveraging of DT’s purchasing power leads to first cost reductions
- Integration teams on branding/marketing, devices, and infrastructure procurement
T-Mobile
T-D1 No. 1 in Germany

Shift towards high-value customers

- No. 1 in Germany on total subscribers and blended ARPU
- Net adds in contract are picking up (38% of total net adds)
- Prepay SACs in Q2 reduced from €133 to €60 compared with last year
T-Com –
At the forefront of DSL technology

Well on track for 90% coverage by year end

**T-DSL installations**

Customers (millions)

- **Lines installed**
- **Outstanding contracts**

**DSL customers as of H1/01**

- **SBC**
- **DT**
- **Verizon**
- **BellSouth**
- **Qwest**
- **FT**

Of which lines installed

Source: company websites.

August 2001
Page 9
T-Systems – No. 2 systems house in Europe

Strong growth after successful integration

- Top line growth 46%
- Main drivers of revenue growth are Computing Services (+20%)*, Desktop Services (+16%)*, and Network Services (+13%)*
- Successful e-business/convergence services take-up ensures long-term growth (chemplorer, European Network eXchange, Continental)
- debis Systemhaus integration successfully implemented (H1/01 growth: + 18%)*, personnel fluctuation on a peer level

* pro forma, unaudited
T-Systems – Global network infrastructure

€ 500 million capex in 2001

Responsibilities for international network infrastructure and international carrier services will shift from T-Com to T-Systems
T-Online – Focus on profitability

EBITDA break-even for Germany 2002 and for the TOI Group 2003 targeted

T-Online Germany
- New tariffs positively accepted and successful migration of narrow-band flat-rate customers

Club Internet
- The French market is in a strong consolidation phase
- New offerings, Premium Services, and access products are being developed and will be launched soon

Ya.com
- The Spanish market is not as mature as other European countries and therefore has a high potential for growth
- Ya.com is number 2 in portals in Spain and is continuously expanding its portal network
Flowback management (1)

Flowback management successfully until block trade

Performance European Telcos 31/5/01-24/8/01

-70 -60 -50 -40 -30 -20 -10 0 10 20

Deutsche Telekom  France Télécom  Telefonica  Telecom Italia  British Telecom  Vodafone  KPN  Sonera

6/8/01
Flowback management (2)

57% of new shares already recycled

(in million T-shares)

1,168

590 Free float
- Successfully redistributed
- approx. 600 million shares held by US investors (28% of freefloat) as of June 30

578 Insider total
- 58 Sold pre-closing
- 22 Pre-released and sold (Sonera)

498 43% of shares issued
- 209 As of September 1 (10x average daily trading volume*)
- 289 As of December 1 (14x average daily trading volume*)

* Based on Xetra and NYSE only; trading volume including OTC and block trades: over 40 million shares per day

* Based on Xetra and NYSE only; trading volume including OTC and block trades: over 40 million shares per day

As of December 1

As of September 1

(14x average daily trading volume*)

(10x average daily trading volume*)
Flowback – Sonera

Pre-release from 09/01 lock-up in accordance with publicly disclosed right

- Framework enabling a program of small transactions between beginning of July and end of August
- 21.9 million shares sold
- Average volume traded per trading day: 1.37 million shares
- Average share price: € 25.75
- Vast majority higher than weighted average daily share price (minimum price: € 25.00)
- No shares sold during any market turbulences
- 11.8 million shares free as of September 1, 2001
## Flowback management

### Core shareholder shares free of lock-up

<table>
<thead>
<tr>
<th>Insiders (DT shares)</th>
<th>from 1/9/01 (ADTV)</th>
<th>from 1/12/01** (ADTV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hutchison Whampoa (171.2m)</td>
<td>82.6m (4.1x)</td>
<td>88.6m (4.4x)</td>
</tr>
<tr>
<td>Telephone and Data Systems (131.5m)</td>
<td>52.6m (2.6x)</td>
<td>78.9m (3.9x)</td>
</tr>
<tr>
<td>Sonera Corporation (49.1m)*</td>
<td>11.8m (0.6x)</td>
<td>37.3m (1.9x)</td>
</tr>
<tr>
<td>SCANA Com Holdings (39.0m)</td>
<td>15.6m (0.8x)</td>
<td>23.4m (1.2x)</td>
</tr>
<tr>
<td>The Goldman Sachs Group (29.9m)</td>
<td>14.4m (0.7x)</td>
<td>15.5m (0.8x)</td>
</tr>
<tr>
<td>ITC Holding Company (20.7m)</td>
<td>8.3m (0.4x)</td>
<td>12.4m (0.6x)</td>
</tr>
<tr>
<td>John W. Stanton (18.3m)</td>
<td>8.8m (0.4x)</td>
<td>9.5m (0.5x)</td>
</tr>
<tr>
<td>Others (37.9m)</td>
<td>15.1m (0.8x)</td>
<td>22.8m (1.1x)</td>
</tr>
<tr>
<td><strong>Total number of shares free of lock-up</strong></td>
<td>209.2m (10.5x)</td>
<td>288.4m (14.5x)</td>
</tr>
</tbody>
</table>

* Includes Powertel stake
** Includes shares not sold in lock-up period between VoiceStream shareholder vote and closing
Our agenda going forward

Turning potential into performance

Quality offensive – Operating performance
Debt reduction – Integration – Innovation

DSL Top Positioning
Focus on SME market

VoiceStream integration
Improved customer mix
Improvement of mobile data

Convergence
Global Networks

Value-added content
Premium services

T-Com
T-Mobile
T Systems
T-Online
Financials

Dr. Karl-Gerhard Eick
CFO
## Strong financial position

### Proactive financing activities over the last 18 months

<table>
<thead>
<tr>
<th>Financing activities (€ billion)</th>
<th>Asset disposal program (€ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Bond 15.0</td>
<td>Global One 2.9</td>
</tr>
<tr>
<td>Syndicated Loan 18.0</td>
<td>T-Online 2.9</td>
</tr>
<tr>
<td>Samurai Bond 1.5</td>
<td>Cable Assets 3.2</td>
</tr>
<tr>
<td>Eurobond 8.0</td>
<td>Wind 2.7</td>
</tr>
<tr>
<td>EMTN 8.3</td>
<td>Sprint (FON + PCS) 3.5</td>
</tr>
<tr>
<td>Total 50.8</td>
<td>Total 15.2</td>
</tr>
</tbody>
</table>

- Financing activities include a variety of financial instruments such as Global Bond, Syndicated Loan, Samurai Bond, Eurobond, EMTN, and others.
- Asset disposal program includes disposal of assets such as Global One, T-Online, Cable Assets, Wind, Sprint (FON + PCS), and others.
# Net debt position

Increase in net debt due to VoiceStream partially offset by asset disposals

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt (01/01/01)</td>
<td>€ 56.5 bn</td>
</tr>
<tr>
<td>First consolidation VoiceStream</td>
<td>8.3</td>
</tr>
<tr>
<td>Cash component VoiceStream</td>
<td>4.9</td>
</tr>
<tr>
<td>Sprint</td>
<td>-3.5</td>
</tr>
<tr>
<td>WIND</td>
<td>-2.7</td>
</tr>
<tr>
<td>Dividend (net)</td>
<td>1.4</td>
</tr>
<tr>
<td>Radiomobil</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Net debt (current)</strong></td>
<td><strong>€ 65.5 bn</strong></td>
</tr>
<tr>
<td><strong>Financing reserves</strong></td>
<td><strong>€ 28.3 bn</strong></td>
</tr>
</tbody>
</table>

* Committed open credit lines and cash.
Debt reduction

We plan to reduce our net debt by around 1/4 until the end of 2002

€ billion

-5.0

-2.5

-1.0

-1.0

-10.0

+4.0

Approx. 50.0

today

End 2002

Cable assets

Real estate

Fance Telecom

Other assets

T-Mobile IPO

debis

T-Mobile IPO
Improved equity ratio

Equity increases from €42.7 billion to €70.5 billion

€ (million)

31/12/2000

124,242

32.9%

(€ 42.7 bn)

18.5%

18.1%

30/06/2001

177,027

39.1%

(€ 70.5 bn)

42.8%

non-interest bearing liabilities

equity
debt

Equity increases from €42.7 billion to €70.5 billion
Strong Cash Flow

Capex and interest payments more than covered by cash from operations

Net cash from operating activities

Cash from operations

€ (billion)

4.0  4.5  5.0  5.5  6.0  6.5  7.0

4.4  4.7

7%

H1/00  H1/01

5.2  6.8

30%

6.8
Revenue breakdown

Changing our business mix dramatically

Revenue breakdown as of H1/00

- T-Com: 53%
- T-Mobile: 21%
- T-Systems: 18%
- T-Online: 2%
- Others: 2%

Revenue breakdown as of H1/01

- T-Com: 43%
- T-Mobile: 25%
- T-Systems: 6%
- T-Online: 3%
- Others: 6%
# T-Mobile

**H1/01 EBITDA already on level of entire year 2000**

<table>
<thead>
<tr>
<th>Euro (million)</th>
<th>H1/2001</th>
<th>H1/2000</th>
<th>Δ Euro</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,973</td>
<td>4,557</td>
<td>1,416</td>
<td>31.1%</td>
</tr>
<tr>
<td>EBITDA (reported)</td>
<td>1,375</td>
<td>597</td>
<td>778</td>
<td>130.3%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>1,375</td>
<td>597</td>
<td>778</td>
<td>130.3%</td>
</tr>
<tr>
<td>Adj. EBITDA-Margin</td>
<td>23.0</td>
<td>13.1</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>
## VoiceStream – key figures

### VoiceStream performance on track

<table>
<thead>
<tr>
<th></th>
<th>Q1/2001</th>
<th>Q2/2001</th>
<th>H1/2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covered POPs (million)</td>
<td>112</td>
<td>145</td>
<td>145</td>
</tr>
<tr>
<td>Subscribers (‘000)</td>
<td>4,390</td>
<td>5,953</td>
<td>5,953</td>
</tr>
<tr>
<td>ARPU (blended) $</td>
<td>51</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Service revenues ($ million)*</td>
<td>638</td>
<td>744</td>
<td>1,382</td>
</tr>
<tr>
<td>Adjusted EBITDA ($ million)</td>
<td>-134 **</td>
<td>-85 ***</td>
<td>-219</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>-21%</td>
<td>-11%</td>
<td>-16%</td>
</tr>
<tr>
<td>Capex ($ million)</td>
<td>564</td>
<td>395</td>
<td>959</td>
</tr>
</tbody>
</table>

* Subscriber, prepaid, and roaming revenues.

** Excluding incentive bonuses of $13 million at VoiceStream.

*** Excluding incentive bonuses of $32 million at VoiceStream and $5 million at Powertel.
## VoiceStream and Powertel

### Closing purchase price and goodwill in comparison with the announcement values in July 2001

<table>
<thead>
<tr>
<th>Purchase price (€ billion)</th>
<th>VSTR</th>
<th>PTEL</th>
<th>Total US-GAAP</th>
<th>July 2000 US-GAAP</th>
<th>Total HGB</th>
</tr>
</thead>
<tbody>
<tr>
<td>thereof share exchange</td>
<td>24.9</td>
<td>6.4</td>
<td>31.3</td>
<td>45.8</td>
<td>28.4</td>
</tr>
<tr>
<td>thereof cash component</td>
<td>4.9</td>
<td>0</td>
<td>4.9</td>
<td>8.5</td>
<td>4.9</td>
</tr>
<tr>
<td>thereof initial investment/others</td>
<td>6.0</td>
<td>0.1</td>
<td>6.1</td>
<td>6.9</td>
<td>6.1</td>
</tr>
<tr>
<td>Total</td>
<td>35.8</td>
<td>6.5</td>
<td>42.3</td>
<td>61.2</td>
<td>39.4</td>
</tr>
<tr>
<td>thereof goodwill</td>
<td>18.4</td>
<td>5.6</td>
<td>24.0</td>
<td>44.7</td>
<td>25.0</td>
</tr>
</tbody>
</table>
## Expected goodwill and license amortization

<table>
<thead>
<tr>
<th>€ billion</th>
<th>Amount</th>
<th>Amortization period</th>
<th>Income effect plan 2001</th>
<th>Income effect following years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licenses</td>
<td>HGB</td>
<td>24.1</td>
<td>20</td>
<td>0.7</td>
</tr>
<tr>
<td>Goodwill</td>
<td>HGB</td>
<td>25.0</td>
<td>20/7/3</td>
<td>0.9</td>
</tr>
<tr>
<td>Total</td>
<td>HGB</td>
<td>49.1</td>
<td>n/a</td>
<td>1.6</td>
</tr>
<tr>
<td>Licenses</td>
<td>US-GAAP</td>
<td>24.1</td>
<td>20</td>
<td>0.6 *</td>
</tr>
<tr>
<td>Goodwill</td>
<td>US-GAAP</td>
<td>24.0</td>
<td>20 **</td>
<td>0.7</td>
</tr>
<tr>
<td>Others</td>
<td>US-GAAP</td>
<td>1.9</td>
<td>3/7</td>
<td>0.2</td>
</tr>
<tr>
<td>Total</td>
<td>US-GAAP</td>
<td>50.0</td>
<td>n/a</td>
<td>1.5</td>
</tr>
</tbody>
</table>

* According to US-GAAP, licenses will be amortized from the start of the actual usage of the licenses.

** As of January 1, 2002 goodwill will not be amortized over a period of time due to the introduction of "impairment tests".
## T-Com

### Stable adjusted EBITDA margin

<table>
<thead>
<tr>
<th>Euro (million)</th>
<th>H1/2001</th>
<th>H1/2000</th>
<th>Δ Euro</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>13,062</td>
<td>13,312</td>
<td>-250</td>
<td>-1.9%</td>
</tr>
<tr>
<td>EBITDA (reported)</td>
<td>3,942</td>
<td>4,065</td>
<td>-123</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>4,042 *</td>
<td>3,947 ***</td>
<td>95</td>
<td>2.4%</td>
</tr>
<tr>
<td>Adj. EBITDA-Margin</td>
<td>30.9 ****</td>
<td>29.6 ****</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

* Value adjustment for inventories and others of € 0.1 billion.

** Excluding € 0.2 billion revenue for the cable activities in NRW and Hesse.

*** Excluding € 0.1 billion EBITDA for the cable activities in NRW and Hesse.

**** EBITDA margin adjusted for mentioned effects.
**T-Systems**

**Convergence world drives future growth**

<table>
<thead>
<tr>
<th></th>
<th>H1/2001</th>
<th>H1/2000</th>
<th>Δ Euro</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>6,717</td>
<td>4,593</td>
<td>2,124</td>
<td>46.2%</td>
</tr>
<tr>
<td>EBITDA (reported)</td>
<td>354</td>
<td>3,327</td>
<td>-2,973</td>
<td>-89.4%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>472 *</td>
<td>463 **</td>
<td>9</td>
<td>1.9%</td>
</tr>
<tr>
<td>Adj. EBITDA-Margin</td>
<td>7.0</td>
<td>10.1</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

* Adjusted for losses on accounts receivable for domestic carrier services (€ 118 million)

** Without the sale of Global One (€ 2,864 million).
# T-Online*

**EBITDA improvement from Q1/01 to Q2/01**

<table>
<thead>
<tr>
<th>Euro (million)</th>
<th>Q2/2001</th>
<th>Q1/2001</th>
<th>Δ Euro</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>346</td>
<td>361</td>
<td>-15</td>
<td>-4.2%</td>
</tr>
<tr>
<td>EBITDA (reported)</td>
<td>-25</td>
<td>-27</td>
<td>2</td>
<td>7.4%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>-25</td>
<td>-27</td>
<td>2</td>
<td>7.4%</td>
</tr>
<tr>
<td>EBITDA TOI**</td>
<td>-57</td>
<td>-66</td>
<td>9</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

* Division including DeTeMedien.

**TOI = T-Online International Group without DeTeMedien.**
### Others

**H1/2001 vs. H1/2000**

<table>
<thead>
<tr>
<th>Euro (million)</th>
<th>H1/2001</th>
<th>H1/2000</th>
<th>Δ Euro</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>3,623</td>
<td>3,361</td>
<td>262</td>
<td>7.8%</td>
</tr>
<tr>
<td>EBITDA (reported)</td>
<td>2,510</td>
<td>465</td>
<td>2,045</td>
<td>439.8%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>1,554 *</td>
<td>1,289 **</td>
<td>265</td>
<td>20.6%</td>
</tr>
<tr>
<td>Adj. EBITDA-Margin</td>
<td>42.9</td>
<td>38.4</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

* Without the sale of Sprint FON (€ 956) incl. consulting and sales costs.

** Without losses on the disposition of noncurrent assets and increased transfers to accruals (€ - 824).
Outlook

- Full focus on operational business and fundamentals
- T-Mobile remains the main driver for continued EBITDA improvement in H2/2001 and beyond
- Improvement of visibility of the U.S. wireless business represents key objective in H2/2001 (EBITDA, Capex, revenue, market share)
- Continued debt reduction through disposal of non-core assets
- Focus on cash generation will drive every business decision going forward
- Strong dividend yield underpins share price