FY 2006.
Highlights.
Disclaimer.

This presentation contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. They include statements as to market potential, the “Outlook 2007” statements as well as our dividend outlook. They are generally identified by the words “expect,” “anticipate,” “believe,” “intend,” “estimate,” “aim,” “goal,” “plan,” “will,” “seek,” “outlook” or similar expressions and include generally any information that relates to expectations or targets for revenue, adjusted EBITDA or other performance measures. Forward-looking statements are based on current plans, estimates and projections. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom’s control, including those described in the sections “Forward-Looking Statements” and “Risk Factors” of the company’s Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission. Among the relevant factors are the progress of Deutsche Telekom’s workforce reduction initiative and the impact of other significant strategic or business initiatives, including acquisitions, dispositions and business combinations and cost saving initiatives. In addition, regulatory rulings, stronger than expected competition, technological change, litigation and supervisory developments, among other factors, may have a material adverse effect on costs and revenue development. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, Deutsche Telekom’s actual results may be materially different from those expressed or implied by such statements. Deutsche Telekom can offer no assurance that its expectations or targets will be achieved. Deutsche Telekom does not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise. Deutsche Telekom does not reconcile its adjusted EBITDA guidance to a GAAP measure because it would require unreasonable effort to do so. As a general matter, Deutsche Telekom does not predict the net effect of future special factors because of their uncertainty. Special factors and interest, taxes, depreciation and amortization (including impairment losses) can be significant to the company’s results. Among the adjustments to be made in determining adjusted EBITDA in 2007 will be the costs of the Group’s workforce adjustment initiative, which Deutsche Telekom estimates will result in costs and charges totaling approximately EUR 3.3 billion through 2008.

In addition to figures prepared in accordance with IFRS, Deutsche Telekom presents non-GAAP financial performance measures, including EBIT, EBIT margin, adjusted EBIT, adjusted EBIT margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net profit, free cash flow, gross debt and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways. For further information relevant to the interpretation of these terms, please refer to the chapter “Reconciliation of pro forma figures”, which is posted on Deutsche Telekom’s Investor Relations website at [www.deutschelekom.com].
2006 Highlights.
Free cash flow target exceeded.

- Revenue up 2.9% to €61.3 billion
- Adj. EBITDA at €19.4 billion
- Reported net income at €3.2 billion (adjusted at €3.9 billion)
- Free Cash Flow before spectrum capex at €5.7 billion
- 2006 dividend of €0.72 per share proposed

- 9.3 million mobile net adds¹
- Strong domestic DSL net adds in Q4:
  - 563k branded retail
  - 878k including resale

¹Pro forma incl. PTC and telephones for entire 2006.
FY 2006.
Financials.

**Domestic revenue (€ billion)**

- 2005: 23.2
- 2006: 21.8

Change: -6.1%

**International revenue (€ billion)**

- 2005: 2.79
- 2006: 2.85

Change: +2.3%

**Domestic adj. EBITDA (€ billion)**

- 2005: 8.9
- 2006: 7.9

Change: -11.6%

**International adj. EBITDA (€ billion)**

- 2005: 0.9
- 2006: 0.8

Change: -7.1%
Broadband/Fixed Network – domestic.
Revenue trends continue.

<table>
<thead>
<tr>
<th>Revenues in € million</th>
<th>2006</th>
<th>2005</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>21,835</td>
<td>23,249</td>
<td>-6.1%</td>
</tr>
<tr>
<td>Network communications</td>
<td>11,240</td>
<td>12,349</td>
<td>-9.0%</td>
</tr>
<tr>
<td>thereof narrowband access</td>
<td>7,803</td>
<td>7,882</td>
<td>-1.0%</td>
</tr>
<tr>
<td>thereof calling revenues</td>
<td>3,424</td>
<td>4,465</td>
<td>-23.3%</td>
</tr>
<tr>
<td>Value added services</td>
<td>945</td>
<td>1,069</td>
<td>-11.6%</td>
</tr>
<tr>
<td>Terminal equipment</td>
<td>333</td>
<td>425</td>
<td>-21.6%</td>
</tr>
<tr>
<td>Data communications</td>
<td>1,258</td>
<td>1,226</td>
<td>2.6%</td>
</tr>
<tr>
<td>Wholesale services</td>
<td>4,302</td>
<td>4,357</td>
<td>-1.3%</td>
</tr>
<tr>
<td>IP/Internet</td>
<td>3,000</td>
<td>2,994</td>
<td>0.2%</td>
</tr>
<tr>
<td>Others (e.g. Multimedia and Broadcasting)</td>
<td>757</td>
<td>829</td>
<td>-8.7%</td>
</tr>
</tbody>
</table>
Mobile.
Strong international growth.

<table>
<thead>
<tr>
<th>Domestic service revenues (€ billion)</th>
<th>International service revenues (€ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.8</td>
<td>17.5</td>
</tr>
<tr>
<td>-4.2%</td>
<td>+17.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Domestic adj. EBITDA (€ billion)</th>
<th>International adj. EBITDA (€ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.5</td>
<td>6.3</td>
</tr>
<tr>
<td>-7.7%</td>
<td>+6.3%</td>
</tr>
</tbody>
</table>
T-Mobile.
Germany: revenue under pressure – margin holding up.

Main drivers of service revenue decline:
- Lower calling revenues due to price cuts
- Increased price competition in business customer segment
- Termination rate cuts in November
- Lower roaming tariffs

Increased monthly recurring revenues from Relax and MAX tariffs

1.4 million net adds – 56% contract
T-Mobile.
USA: Consistently strong metrics – solid contract growth.

- Total revenue (US$) growth +16.1%
- Adj. EBITDA: $4.7 billion, up 15.6%
- Contract ARPU: $56 (up from $55 in 2005)
- Non-voice ARPU: $6.50 in Q4, up 36% yoy
- 3.4 million net adds – 83% contract
- >200k net increase in contract converged device users (BlackBerry & Sidekick) in Q4
UK: Strong service revenue growth and margin recovery.

- Total revenue growth +8.2%
- Contract ARPU at €66 (from restated €65 in 2005)
- Adj. EBITDA in Q4: €316 million, up 3.6% yoy
- 923k net adds – 79% contract
Business Customers. Strong international revenue growth.
Capex, FCF, and net debt.
€5.7 billion free cash flow in 2006.

<table>
<thead>
<tr>
<th>Cash Capex (€ billion)</th>
<th>Free cash flow adj. (€ billion)</th>
<th>Net debt (€ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.21</td>
<td>7.81</td>
<td>38.6</td>
</tr>
<tr>
<td>8.52</td>
<td>5.72</td>
<td>39.6</td>
</tr>
</tbody>
</table>

1 Before €2.1 billion for network assets and licenses in the US.
2 Before €3.3 billion spectrum capex in the US.
### 2006 – Free Cash Flow.
Free cash flow target exceeded.

<table>
<thead>
<tr>
<th>€ billion</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow</td>
<td>16.0</td>
<td>19.8</td>
</tr>
<tr>
<td>Change in working capital and accruals</td>
<td>2.2</td>
<td>-0.7</td>
</tr>
<tr>
<td>Taxes and dividends</td>
<td>-1.2</td>
<td>-1.1</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>17.0</td>
<td>17.9</td>
</tr>
<tr>
<td>Net interest payment</td>
<td>-2.8</td>
<td>-2.9</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>14.2</td>
<td>15.0</td>
</tr>
<tr>
<td>Investments in PP&amp;E and intangible assets</td>
<td>-11.8</td>
<td>-9.3</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>2.4</td>
<td>5.7</td>
</tr>
<tr>
<td>Free Cash Flow adjusted(^1)</td>
<td>5.7</td>
<td>7.8</td>
</tr>
</tbody>
</table>

\(^1\) 2005 excl. €2.1 billion for network assets and licenses in the US. 2006 excl. €3.3 billion for spectrum capex in the US.

Rounded figures.
**2006 – Net income.**
Adjusted net income of €3.9 billion in 2006.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>16.3</td>
<td>20.1</td>
<td>19.4</td>
<td>20.7</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>-11.0</td>
<td>-12.5</td>
<td>-11.0</td>
<td>-10.6</td>
</tr>
<tr>
<td>Net financial expense</td>
<td>-2.7</td>
<td>-1.4</td>
<td>-2.9</td>
<td>-2.5</td>
</tr>
<tr>
<td>- of which net interest expense</td>
<td>-2.5</td>
<td>-2.4</td>
<td>-2.5</td>
<td>-2.4</td>
</tr>
<tr>
<td>EBT</td>
<td>2.6</td>
<td>6.2</td>
<td>5.6</td>
<td>7.7</td>
</tr>
<tr>
<td>Income taxes</td>
<td>1.0</td>
<td>-0.2</td>
<td>-1.3</td>
<td>-2.6</td>
</tr>
<tr>
<td>Earnings after taxes</td>
<td>3.6</td>
<td>6.0</td>
<td>4.3</td>
<td>5.1</td>
</tr>
<tr>
<td>Minorities</td>
<td>-0.4</td>
<td>-0.4</td>
<td>-0.4</td>
<td>-0.5</td>
</tr>
<tr>
<td>Net income</td>
<td>3.2</td>
<td>5.6</td>
<td>3.9</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Rounded figures.
Efficiency.
32,000 job reduction program well on track.

- 12,200 employees have left the group as of year-end 2006
  - Of which 8,700 early and partial retirement and severance programs
  - Of which 600 sale of Vivento business units
  - Of which 2,900 turnover and regular retirement

- Total restructuring expenses\(^1\) for 32,000 job reduction program of €3.4 billion\(^2,3\):
  - €0.9 billion\(^2\) in 2005
  - €2.4 billion\(^2\) in 2006
  - €0.1 billion in connection with sale of Vivento business units in 2006

\(^1\) Booked as special factors.
\(^2\) Net of partial retirement and international operations (not included in 32,000 job reduction program)
\(^3\) Therefore €3.0 billion additions to provisions.
Balance sheet.
Balance sheet continues to be in excellent shape.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance sheet total</td>
<td>130.2</td>
<td>128.5</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>49.7</td>
<td>48.6</td>
</tr>
<tr>
<td>Net debt</td>
<td>39.6</td>
<td>38.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net debt/adj. EBITDA</td>
<td>2.04x</td>
<td>1.86x</td>
</tr>
<tr>
<td>Gearing</td>
<td>0.8x</td>
<td>0.8x</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>38.2%</td>
<td>37.8%</td>
</tr>
</tbody>
</table>
**Dividend.**

2006 dividend of € 0.72 per share proposed.

<table>
<thead>
<tr>
<th></th>
<th>Amount (€ billion)</th>
<th>Payout ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td>Reported net income</td>
<td>3.2</td>
<td>99%</td>
</tr>
<tr>
<td>Adjusted net income</td>
<td>3.9</td>
<td>81%</td>
</tr>
<tr>
<td>FCF before spectrum capex</td>
<td>5.7</td>
<td>55%</td>
</tr>
</tbody>
</table>
FY 2006.
Corporate Strategy.
“Focus, fix and grow”.
We mobilize personal and social networking.
Global trends in Telecommunications.

- **Personal communication in social networks** complementary to traditional voice and messaging usage
- **Mobile internet** as mega trend
- **Internet services incl. IPTV independent of access** ("multi-access")
- **Devices and user interface** as potential differentiator
- **Broadband everywhere**
DT portfolio – Consumer.

**Total DT customer base > 100 million**

- **DT market share**
  - Percent: ~86%
  - Number: 89

- **DT revenue share**
  - Percent: ~54%

**Country**
- Germany: 123
- CEE: 161
- A: 205
- GB: 274
- NL: 291
- US: 493

**Market size**
- Million customers

---

1. **Market size and market share Q3 2006.** Number of fixed lines equal to number of lines, DSL customers not additive, but assumed to be 100% overlapping with fixed line customers. 2. Fixed lines business in integrated countries (Hungary, Slovakia and Croatia). Fixed lines assumed to be equal to SB connections. 3. Includes HU, HR, SK, M, K, CG. Fixed-line business, not mutually exclusive. 4. Incl. TeleRing effect organic (2006). 5. Incl. Virgin.

Source: T-Com Controlling, TMG Controlling, IFF 2006, annual report.
DT portfolio – Consumer.

Total DT customer base > 100 million

DT market share
percent
~86

Market size
Million customers

Germany 123 161 205 274 291 493
CEE 2 37 45 35 34 24 15 12
A 4
PL
GB 5
NL
US

Grow abroad with mobile

1 Market size and market shares Q3 2006. Number of fixed line customer set equal to number of lines. DSL customers not additive, but assumed to be 100% overlapping with fixed line customers. 2 Fixed lines business in integrated countries (Hungary, Slovakia and Croatia). Fixed lines assumed to be equal to SB connections. Includes HU, HR, SK, M, K, CG. 3 Fixed and mobile, not mutually exclusive. 4 incl. TeleRing effect an organic (2006). 5 incl. Virgin

Source: T-Com Controlling, T-Mobile Controlling, IFR 2006, annual report
We mobilize personal and social networking.

- Improve competitiveness in Germany (and CEE)
- Grow abroad with mobile
- Mobilize internet and Web 2.0 trend

Business customers

T = Leading broadband provider through combination of efficient technologies
We mobilize personal and social networking.

- Market and customer situation
- Products and Innovation
- Sales, Service, and Marketing
- Brand architecture
- “Save for Service”
Market situation in Germany.

### Consumer retail market Germany

<table>
<thead>
<tr>
<th>Service</th>
<th>2006</th>
<th>CAGR</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAS/IP services</td>
<td>6.7</td>
<td>-1.7%</td>
<td>11.1</td>
</tr>
<tr>
<td>Mobile</td>
<td>21.2</td>
<td></td>
<td>21.8</td>
</tr>
<tr>
<td>Fixed broadband</td>
<td>3.1</td>
<td></td>
<td>6.4</td>
</tr>
<tr>
<td>Fixed voice</td>
<td>14.8</td>
<td></td>
<td>8.3</td>
</tr>
</tbody>
</table>

**Own estimates**

**Drive major innovation through IPTV and mobile internet**

- Maximize value share in the core business
  - Stabilize mobile share
  - Push broadband
  - Reduce PSTN line losses

**Improve our cost position significantly**
Different customers ...

Example: “IP generation”
EUR 140 monthly ICT budget

66% 99% 39 years
DSL users Mobile phone users Average age

4% 50% 66 years
“Best agers”

Example: “Conservative voice users”
EUR 45 monthly ICT budget

Note: Segment share “IP generation”: 15%; “Conservative voice users”: 17% (based on households)
... require differentiated offers and innovations.

**Standard offers**
- Standard products with full options suite (e.g., “Euro flat”, “Mobile flat”)

**Innovative service features**
- Voice-operated functionality
- Visual, non-serial, multi-access voicemail
- ISP fees included in DSL access
- Hotspots included
- Remote configuration and troubleshooting
- NewUI: Easy access to messaging, PIM, search, storage/load
- Hybrid box also for DVB
- In-house cabling alternatives
- Interactive TV applications

- Stabilization and later reduction of PSTN line losses
- 40%-45% retail DSL share of broadband net adds from 2007
- IPTV nationwide via ADSL2+ (750 cities) and VDSL (50 cities)
- New pricing model
- Interactive TV applications
- ~1.5 million IPTV users in 2010
IPTV end of 2006.

10 cities

VDSL, end of 2006
IPTV will be widely available.

750 cities
- ADSL2+ 2007
- 50 cities VDSL 2008
... also in mobile: innovative products and devices.

**Strategic direction**
- Inner circle bonding - leverage personal social networks

**Product example**
- Community tariff
- Mobile Instant Messaging

**Stabilize mobile market share**

**Devices**
- Compelling and differentiated devices
- Next generation MDA: Ameo

- Strengthen category leadership in “real time” internet with worry free pricing
- Easy mobile email
- New “worry-free” data tariffs
- Web’n’walk 3.0
Develop sales further ...

Immediate relief
- Integrated T-Retail-Partner program
- Standardized POS-formats in retail

Substantial improvements
- Shift sales to direct (e.g., expansion T-Punkte)
- Integrated channel management
- Expansion e-Channel
- Product launch process

Differentiation
- Largest “branded” sales surface
- Integrated customer perspective along all points of contact
Substantial improvements

- 786 T-Punkte
- Approx. 1,000 T-Partner
- e-Channel share >15%
- Approx. 1,500 new jobs

Target 2007/08

- North: 96 (+31)
- East: 96 (+55)
- South: 150 (+48)
- West: 244 (+66)

... especially direct sales.
Professional service.

Customer satisfaction index

Benchmark

Target2008
- Availability 80%
- On-time adherence 90%
- First-done rate 80%

Immediate relief
- Task forces to address imminent issues

Substantial improvements
- Benchmark customer satisfaction
- Fix IT systems and processes incl. selective greenfield
- Telekom-Service: Professional service near market level labor conditions

Differentiation
- Differentiation with "services as a product"
- Customer segment-specific service levels

1 Rescaled to benchmark level 100 based on TMD Net Promoter Score, 11/2006, and T-Com TR*M customer satisfaction index, 04-07/2006; 2 Availability, backlog, on time adherence, IT stability, waiting times; 3 Call center and TK; 4 Availability within 20 seconds (E20)
Marketing: segment-specific bundles.

<table>
<thead>
<tr>
<th>Customer segments</th>
<th>Standard offers¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Families</td>
<td><strong>Community bundle</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Triple play bundle</strong></td>
</tr>
<tr>
<td>IP Generation</td>
<td><strong>Double play bundles</strong></td>
</tr>
<tr>
<td>Young</td>
<td><strong>Single play offers</strong></td>
</tr>
<tr>
<td>Best ager</td>
<td><strong>Targets 2007</strong></td>
</tr>
</tbody>
</table>

¹ Standard offers consist of 1) standard connectivity offers from Voice, internet, TV; 2) option suite = selected packages of features/options with high preference share across segments.
Today’s brand situation.
Future branding architecture – Consumer.

Differentiating offerings “on the move” and “at home” in integrated markets

International consumer brand
Branding architecture: potential in young segment.

△ to fair market share, percent

<table>
<thead>
<tr>
<th>Segment</th>
<th>Mobile^2</th>
<th>DSL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price-sensitive</td>
<td>-1.2</td>
<td>-0.5^3</td>
</tr>
<tr>
<td>Young^1</td>
<td>-4.0</td>
<td>-9.0</td>
</tr>
<tr>
<td>Women</td>
<td>-4.5</td>
<td>-1.9</td>
</tr>
</tbody>
</table>

- Market share at risk due to “no-frills” offers in market
- Low brand differentiation
- Bad price perception

1 For T-Mobile “Young” market share is based on segment 14-25 years old, for DSL market share is calculated for 20-29 years old
2 Postpaid example, prepaid similar values except for price sensitive
3 Estimate
Branding architecture:
gain share in the young/price sensitive segment.

Second brand as a new category in the market

<table>
<thead>
<tr>
<th>Introduction:</th>
<th>Positioning:</th>
<th>Approach:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summer season</td>
<td>Simple and value for money</td>
<td>“Grass roots” marketing</td>
</tr>
</tbody>
</table>

- Fun
- Trendy
- Simple product portfolio (mobile, DSL, bundles)
- Good value for money
- Primarily online and call center

- ~1.0 EUR billion revenue in 2010
- Moderate investment
“Save for Service”.

Cost savings measures

**All-IP network ("NGF")**
- Migration to IP factory by 2012
- Capex/opex reduction, savings reinvested for IP migration

**Telekom-Service**
- Separate technical, infrastructure, technical service, and call center units to increase productivity approaching near market-level labor cost while securing jobs

**IT efficiency**
- Consolidate IT infrastructure and operations across business units

**Targets**
- EUR 2.0 billion savings in 2007
- EUR 4.2 – 4.7 billion savings by 2010
- Both personnel and material costs
- All units and hierarchy levels contribute
“Next Generation Factory”.

<table>
<thead>
<tr>
<th>From ...</th>
<th>... to</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technology</strong></td>
<td><strong>Significant reduction of production costs</strong> (EUR 1.2 bn. in 2010)</td>
</tr>
<tr>
<td>- Circuit-switched</td>
<td>- IP-based</td>
</tr>
<tr>
<td>- Copper</td>
<td>- Optical¹</td>
</tr>
<tr>
<td>- High complexity - diversity and technologies</td>
<td>- Reduced complexity - few platforms</td>
</tr>
<tr>
<td><strong>Architecture</strong></td>
<td><strong>Improvement of performance and customer service level</strong></td>
</tr>
<tr>
<td>- Vertical “silos”</td>
<td>- Horizontal “layers”</td>
</tr>
<tr>
<td>- Redundancy per silo</td>
<td>- Simplified architecture</td>
</tr>
<tr>
<td><strong>Integration</strong></td>
<td><strong>Increased flexibility</strong> (innovation rate, time-to-market of new products/services)</td>
</tr>
<tr>
<td>- Multiple production platforms</td>
<td>- Shared production elements</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td></td>
</tr>
<tr>
<td>- Centered around voice services</td>
<td>- Flexibility for new services</td>
</tr>
<tr>
<td></td>
<td>- Common service capabilities</td>
</tr>
</tbody>
</table>

¹ Optical and copper in last mile
Improve competitiveness in Germany (and CEE)

Grow abroad with mobile

Mobilize internet and Web 2.0 trend

Business customers
“Core beliefs” international growth.

<table>
<thead>
<tr>
<th>Devices and infrastructure procurement</th>
<th>Roaming synergies</th>
<th>International scale effects</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>TMO Group</strong> &gt; EUR 1.2 bn. per year</td>
<td>OECD and Non-OECD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Organic and potentially inorganic</td>
</tr>
<tr>
<td>Network operations</td>
<td></td>
<td></td>
<td>Applying strict economic discipline</td>
</tr>
<tr>
<td></td>
<td>...</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Local market and customer needs

Local competition
Grow abroad with mobile.

USD billions

Data/ internet market

OECD

2007 2012
17 203 186 237 317 80
Non-OECD

2007 2012
46 41 5 69 89 20

Voice/ messaging market

USD billions

OECD

2007 2012
416 730 314 415 669
Non-OECD

2007 2012
157 277 120 201 343 142

Invest in growth, potentially also inorganic additions

Potentially inorganic growth/leverage efficient technologies

Source: Projections based on IDC Black Worldwide Telecom Book (September 2006), Yankee
Grow in existing footprint.

Subscriber additions in 2007/08 for key TMO NatCos abroad

Million SIMs

- **US**: > 5
  - Segment-specific propositions
  - Reduce churn
  - Manage transition to 3G, leverage AWS spectrum
- **Western Europe**¹**: 2 - 3
  - **UK**: Shift to contract, shift to direct, further improve brand experience
  - **AT**: Push voice with both brands, mobile internet
  - **NL**: Continued shop roll-out; targeted growth in segments with voice/data propositions, cross-/up-selling
- **CEE**²**: ~1
  - **CZ**: FMS, selective FMC, and data; service culture;
  - **PL**: capture market growth
  - **HU, SK, HR**: Defend market share; leverage synergies

¹ W. Europe excl. Germany, UK incl. Virgin Mobile, AT incl. TeleRing effect inorganic
² Poland, Czech Republic, Hungary, Croatia, Slovakia and subsidiaries
Mobilize internet and Web 2.0 trend.

Top 3 video sites\(^1\):
160 million downloads per day

Duplication rate of blogs: 7 months

12.40 User-generated online video streams
US, Billions

0.35 Ad revenue of social networking sites
US, USD billions

\(^1\) YouTube, MySpace, Yahoo worldwide
The need ...
Support human need to network.

- Select buddies
- Fit with personal interests
- Customize user interface (UI)
- Utilize location information
Support human need to network.

- Select buddies
- Fit with personal interests
- Customize user interface (UI)
- Utilize location information

- One click to all communication services (voice, messaging, video etc.)
- Communicate seamlessly across bearers and devices
- Enjoy interactive entertainment

1 One-to-one and one-to-many communication
Support human need to network.

Personal
for me

Social
P2P
interaction

Networking
Easily linking your network

TM US example: myFaves customers with significantly higher ARPU

- Select buddies
- Fit with personal interests
- Customize user interface (UI)
- Utilize location information

- One click to all communication services (voice, messaging, video etc.)
- Communicate seamlessly across bearers and devices
- Enjoy interactive entertainment

- Invite friends and family
- Interact in your communities
- Share with online and selected offline communities
- “Pro-sume” user generated content

1 On e-to-one and one-to-many communication
Partner, make, venture.

**Partner management** (manage “co-opetition”)

**Own development**

**Venturing**

- **Partner with leading players** to integrate the most popular internet services
- **Internal development efforts** leveraging the existing T-Online know-how
- **Invest in new Web x.0 ventures** through “entrepreneurial investment management”
Improve competitiveness in Germany (and CEE)

Grow abroad with mobile

Mobilize internet and Web 2.0 trend

Build the ICT business
With a partner
Growing ICT market.

**Major trends**

- **TC market stagnating/declining with shrinking margins (up to -20% p.a.)**
- **New growth market ICT - IT and TC world are technically converging**
- **Still growing IT market (~6% CAGR) with attractive margins (esp BPO)**

---

**TC/IT revenue distribution Western Europe**

<table>
<thead>
<tr>
<th>Year</th>
<th>TC</th>
<th>IT</th>
<th>ICT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>61</td>
<td>39</td>
<td>66</td>
</tr>
<tr>
<td>2010</td>
<td>66</td>
<td>34</td>
<td>61</td>
</tr>
</tbody>
</table>

1 Market as defined in project “Weltmeister” (focus countries, industries, and products)
## Existing strengths in TC and IT.

### Today

<table>
<thead>
<tr>
<th><strong>TC</strong></th>
<th><strong>IT</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>✔ Trusted partner for security services</td>
<td>✔ Top 3 position (globally) in automotive IT services (✓)</td>
</tr>
<tr>
<td>✔ Ongoing IP service migration</td>
<td>✔ Over 1,550,000 SAP users</td>
</tr>
<tr>
<td>✔ Unique German transport and access network infrastructure</td>
<td>✔ Biggest European main-frame operations</td>
</tr>
</tbody>
</table>
Existing strengths in ICT.

**TC + IT = ICT**

| End-to-end management of ICT enabled processes | E.g., Toll Collect (✓) |
| New platforms and solutions | E.g., dynamic computing ✓ |
| Integrated infrastructure services | E.g., double WAN connection ✓ |
Ensure success of ICT business by evaluating our options, in particular partnerships.

- Although attractive assets existing, T-Systems needs to overcome structural challenges, e.g.
  - Lack of relevant international footprint
  - Portfolio mix with high portion of declining business (TC legacy, captive)
  - Lack of scale
- Current performance shows need to act

- We are determined to further develop the ICT business
- To execute we examine our options, in particular the possibility of strategic partnerships
Our strategy – summary.

- Improve competitiveness in Germany (and CEE)
- Grow abroad with mobile
- Mobilize internet and Web 2.0 trend
- Build the ICT business potentially with a partner

T = Leading broadband provider through combination of efficient technologies
We mobilize personal and social networking.

**T** = Leading broadband provider through combination of efficient technologies

- Improve competitiveness in Germany (and CEE)
- Grow abroad with mobile
- Mobilize internet and Web 2.0 trend
- Build the ICT business potentially with a partner

**Financing**

**Implementation**

**Execution**
Strategic financial KPIs.

Financial KPIs:
- Return on invested capital (EVA)
- Net Debt/EBITDA Gearing
- Profitable revenue growth
- Financial flexibility
- Growth
Prioritize sources and uses of funds.

Funding options

- **Use existing flexibility**
  - Free cash-flow from current operations
  - Dispose non-core assets
  - Flexibility given today’s leverage ratio

- **Increase funding**

Prioritize cash usage

1. Maintain attractive dividend policy
2. Invest in existing business (CAPEX, restructuring)
3. Pursue M&A
Assets for potential divestiture under scrutiny.

- DFMG
- US Towers
- Club Internet
- Ya.com
- Media & Broadcast
- DeTelImmobilien
- Sireo (remaining stake)
- Real estate portfolio
Execution has begun.

<table>
<thead>
<tr>
<th>Measures</th>
<th>Implemented</th>
<th>Started</th>
</tr>
</thead>
<tbody>
<tr>
<td>New management structure – “One company” Sales &amp; service, Products &amp; Innovation, Network, Administration</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Service Task-Forces initiated</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>T-Punkt roll-out</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Simplified branding architecture</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Second-brand</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>ADSL2+ for IPTV</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Development of community services and tariffs</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Development of new product road map</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>“Save-for-Service”</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>“Telekom-Service” preparation</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Divestiture of non-core assets</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Adjusted budget 2007</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>New target system for executives</td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>
We mobilize personal and social networking.
FY 2006.
Broadband/Fixed Network.
### Our goals 2007.
Secure competitiveness of T-Com.

| Development of broadband market leadership | ■ 40-45% DSL retail market share in 2007  
| ■ 2.1 million DSL net adds  
| ■ PSTN line losses at level of 2006 |
| T-Home for the mass market | ■ 100,000 – 200,000 IPTV-Customers in 2007 |
| Largest sales footprint | ■ 786 T-Punkte (+ 200 shops)  
| ■ 1,000 partners |
| Fulfill customer expectations | ■ Increase availability: 65%  
| ■ Increase punctuality: 80% |
| Save for service | ■ Cost savings of €1.2 billion |
| Winning culture | ■ One company  
| ■ Telekom Service |
Where are we today in Germany?

We will face challenges going forward

- 2 million customer loss in fixed in 2006
- Innovative products clearly failed their targets (T-Home, T-One)
- Strong competition and price pressure in fixed and mobile
- Improve customer satisfaction and service quality, e.g. availability and punctuality
- Increase efficiency of T-Com
- Strong competition from alternative carriers (cable, ULL >65% pop coverage)

Nevertheless – clear strengths

- Domestic market leaders (T-Com: 87% PSTN/ T-Mobile Germany: 37% SIMs)
- Best-in-class networks (VDSL, HSDPA) and innovative and competitive products (Double play offers, Web&Walk)
- DSL- growth market in Germany (T-Com grew faster than the market in Q4/06)
Customer losses in Germany.

89%¹ of the losses choose DSL after migration from T-Com.

### Reasons for customer losses¹
- Aggressive pricing from competitors
- Customer dissatisfaction with weak service

### Drivers of customer losses¹
- Migration to DSL offers from infrastructure based network operators and cable
- Fixed mobile substitution

High DSL retail share to reduce customer losses is necessary

---

¹ Based on customer survey from T-Com.
Broadband/DSL.
DSL push to fight customer losses.

- Development in Q4/06
  - T-Com and resale:
    - 878,000 DSL net adds
    - best quarter ever!
  - T-Com:
    - 563,000 DSL net adds
    - best quarter ever!

- Broadband market expected to grow by 10 million to 25 million lines in Germany by 2010

- Increase share of retail net adds through attractive pricing and value added services

**DSL retail net adds (in ‘000)**

<table>
<thead>
<tr>
<th></th>
<th>Ø Q1-Q4 2005</th>
<th>Ø Q1-Q4 2006</th>
<th>Ø Q1-Q4 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>197</td>
<td>186</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td>525</td>
</tr>
</tbody>
</table>

**Retail share**

<table>
<thead>
<tr>
<th></th>
<th>DSL net adds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>21%</td>
</tr>
<tr>
<td>2006</td>
<td>19%</td>
</tr>
<tr>
<td>Target</td>
<td>40-45%</td>
</tr>
</tbody>
</table>

1 Based on broadband subscribers from retail, resale, cable and via ULL.
**Development of market leadership in broadband.**
Aggressively defend our competitive position.

---

<table>
<thead>
<tr>
<th>Churn management</th>
<th>Product portfolio push</th>
<th>High network quality</th>
</tr>
</thead>
</table>
| **Triple-Play**   | - Attractive entry offers  
                   - More features  
                   - IPTV for all (16 MB) | ![1<sup>st</sup> Platz](image)  
Best mobile network in 2006 |
| **Double-Play**   | - Always competitive pricing  
                   - Enhancement through  
                   - Higher bandwidths  
                   - Hot Spot Flat  
                   - Attractive entry offers | ![1<sup>st</sup> Platz](image)  
Best internet and DSL provider in 2006 |
| **Single-Play**   | - Strong up-selling  
                   - Pricing in accordance with market development  
                   - Attractive entry offers  
                   - Introduce fixed-to-mobile flat rate  
                   - Expand international flat rate |
IPTV for the mass market.
New strategy: tripling IPTV coverage to 17 million homes in 2007.

- Increase of IPTV coverage from 16% to 44%
  - Launch of IPTV via ADSL 2+
  - VDSL (premium): 8 million homes
    ⇒ Mid term: VDSL in up to 50 cities
  - VDSL/ADSL2+ (IP TV): 17 million homes
    ⇒ ADSL2+ in up to 750 cities
- Attractive price offers for IPTV
- Increase stability of IPTV offer
  - New hardware
  - Software integration for DVB-T
  - Content: Bundesliga (soccer), over 150 channels and over 1,200 movies
  - HDTV
Service Germany.
Excellent service is key to secure broadband growth.

<table>
<thead>
<tr>
<th>Availability – accepted calls within 20 seconds by call center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average in 2006: 34%</td>
</tr>
<tr>
<td>Goal 2007: 65%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Punctuality – share of punctual installations at the customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average in Jan., 2007: 67%</td>
</tr>
<tr>
<td>Goal 2007: 80%</td>
</tr>
</tbody>
</table>

Key focus

- **Availability:**
  - Call avoidance
  - Productivity boost
  - Expand internal resources
  - External resources for peak management

- **Punctuality:**
  - Logistics tracking/quality gate
  - “One package to the customer”

- Improvement of IT stability
Sales Germany.
Increase number of point of sales in Germany.

Increase number of T-Punkte
- Increase number of own shops from 586 to 786 in 2007

eChannel
- 30 million service transactions in 2006
- Goal: 15% share of 3x3 product sales in 2007

Partners
- 1,000 partners in 2007
- Integrated T-Partner program (key account management, bonus system, etc.)

VSE segment
- Huge up-selling opportunities for VSE sales force

FY 2006 Investors Day
Investor Relations
March 1, 2007, Page 72
T-Com and T-Mobile - stronger together.
Integrating sales & service team implemented.

**Integrated Sales & Service Team Germany**

- **Sales**
  - T-Com/
  - T-Mobile

- **Customer Service**
  - T-Com/
  - T-Mobile

- **Technical customer service**
  - T-Punkte

- **Market and Quality Management**
  - T-Com/
  - T-Mobile

**Advantages and benefits**

- More focus on service than ever before
- One management team for sales and service in Germany
- Clear responsibilities for T-Com, T-Mobile Deutschland und T-Punkt shops
- From divisional view to customer view
  - One stop shopping
Telekom Service.
Secure competitiveness in Germany.

3 units of Telekom Service
- Call Center
- Technical Service
- Technical infrastructure

Service quality
- Integration of customer care
- Concentration of service experts

Reduction of costs
- Segment specific conditions required
- Increase efficiency (e.g. increase in working hours)
Save for Service
Efficiency program of T-Com in Germany.

### Development of cost base in 2007

<table>
<thead>
<tr>
<th>Cost Reduction</th>
<th>Termination</th>
<th>VDSL</th>
<th>SACs DSL, T-Punkt shops &amp; Others</th>
<th>Goal 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>-1.2</td>
<td>-0.3</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td>15.0</td>
<td>EUR - 0.9 bn</td>
<td>14.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Main measures in 2007

**Save for Service**

- **Marketing**
  - Simplification of product portfolio
  - Joint-group wide-campaign management and sourcing
  - **€ 0.2 bn**

- **Production**
  - Automation & centralization of network management functions
  - Reduction of component fault rates
  - Reduction of processing time back office
  - **€ 0.5 bn**

- **Distribution**
  - Extension of eChannel
  - **€ 0.4 bn**

- **IT & Others**
  - Optimization IT / Reduction of complexity
  - Shut down of cost intensive legacy systems
  - Reduction of IT- development costs
  - **€ 0.1 bn**

- **HR**
  - Improve terms and conditions

---

1. Included in the savings shown above. Primarily in production and distribution.
2. Based on revenue minus other operating income minus EBITDA.
Roadmap Sales & Service Germany.
Focus on quality and competitiveness.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Germany</td>
<td>■ Partner program</td>
<td>■ Multichannel control</td>
<td>■ Biggest branded sales interface</td>
</tr>
<tr>
<td></td>
<td>■ T-Partner</td>
<td>■ Increase number of own shops</td>
<td>■ Integrated customer view at all customer touchpoints</td>
</tr>
<tr>
<td>Service Germany</td>
<td>■ Punctuality</td>
<td>■ T-Service</td>
<td>■ Segment-specific services</td>
</tr>
<tr>
<td></td>
<td>■ Availability</td>
<td>■ CRM</td>
<td>■ Services culture</td>
</tr>
<tr>
<td></td>
<td>■ IT stability</td>
<td></td>
<td>■ Integrated customer insight over all customer contact points</td>
</tr>
<tr>
<td>Market position/competitiveness</td>
<td>■ Reduce customer losses</td>
<td>■ Push T-Home</td>
<td>■ Universal customer base management</td>
</tr>
<tr>
<td></td>
<td>■ Push DSL</td>
<td>■ Push IPTV via ADSL2+</td>
<td></td>
</tr>
<tr>
<td></td>
<td>■ Churn management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance culture</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Partner program**
- **T-Partner**
- **Multichannel control**
- **Increase number of own shops**
- **Expansion of e-channel**
- **Biggest branded sales interface**
- **Integrated customer view at all customer touchpoints**
- **T-Service**
- **CRM**
- **Segment-specific services**
- **Services culture**
- **Integrated customer insight over all customer contact points**
- **Push T-Home**
- **Push IPTV via ADSL2+**
- **Universal customer base management**
First achievements.

<table>
<thead>
<tr>
<th>Management Team</th>
<th>Planned and decided</th>
<th>implemented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated Sales &amp; Service Team in Germany</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales Germany</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion T-Punkte</td>
<td>✔</td>
<td>Q4/07</td>
</tr>
<tr>
<td>Integrated T-Partner program</td>
<td>✔</td>
<td>CeBit</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service Germany</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Task force Punctuality</td>
<td>✔</td>
<td>Q4/07</td>
</tr>
<tr>
<td>Task force Availability</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Task force IT stability</td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market position competitiveness</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Push DSL</td>
<td>✔</td>
<td>Q2/07</td>
</tr>
<tr>
<td>Push IPTV via ADSL2+</td>
<td>✔</td>
<td>2H/07</td>
</tr>
<tr>
<td>Churn management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd brand</td>
<td>✔</td>
<td>Q1/07</td>
</tr>
<tr>
<td>Single Play</td>
<td>✔</td>
<td>Q2/07</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Efficiency</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Telekom Service</td>
<td>✔</td>
<td>2H/07</td>
</tr>
</tbody>
</table>
FY 2006.

Priorities 2007, T-Mobile.
2006 Review: Continued Growth.

- More than 106 million mobile customers worldwide, up 8.8 percent
  - More than 25 million customers in the US, up 15.4 percent
  - More than 27 million customers in Eastern Europe1), up 13.7 percent

- €27.9 billion service revenues, up 10.7 percent

- Mobile data source for growth
  - 1.1 million web’n’walk customers, 60-70 percent of devices web’n’walk enabled
  - Nearly € 1.4 billion data revenues (w/o SMS), more than € 100 million WLAN revenues
  - Networks fully HSDPA enabled
  - New devices of the successful MDA series (T-Mobile Ameo)
  - Mobile data rapidly growing in all markets

1) In cl PT and TM CZ.
2006 Review:
Most Highly Regarded Service Company.

- Improved customer touch-points
  - Number 1 in customer service in 2006 in NL, CZ, A, HU, HR and SK
  - Number 1 or 2 in shop customer satisfaction e.g. in UK, A, CZ, NL, HU
  - 286 new shops opened in TMO 5 plus TMH; 99 new shops opened in TM US

- Improved segment specific propositions
  - 1.1m T-Mobile@home subscribers in Germany
  - 1.3m Flext subscribers in UK

- Improved end-to-end network experience
  - TMD: Winner of “connect” drive test, 7th consecutive “Network of the Year” award
  - Co-lead in A, CZ (2G); TM NL catching up with the leading competition

- Save for Growth completed, target overachieved (beyond € 1.3bn)
Growth Outlook 2009.

Estimated Mobile Market Growth – CAGR 06-09

Growth Drivers

USA
- Continued subscriber growth/market penetration
- Mobile data uptake

WE
- Fixed mobile substitution
- Usage stimulation by price perception management
- Mobile data uptake

CEE
- Continued subscriber growth/market penetration
- Mobile data uptake

Note: Bubble size indicates 2006 service revenue market size in Euro

1) Mobile operator only view for service revenues
Source: TMO Market Models
T-Mobile Deutschland.
Fixed-Mobile Substitution.

**Share of Outgoing Voice Minutes per Capita 2005A**

<table>
<thead>
<tr>
<th>Country</th>
<th>Fixed</th>
<th>Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>UK</td>
<td>71%</td>
<td>29%</td>
</tr>
<tr>
<td>FIN</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>D</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>F</td>
<td>56%</td>
<td>44%</td>
</tr>
<tr>
<td>I</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>NL</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>E</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>A</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>P</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>HU</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>PL</td>
<td>74%</td>
<td>26%</td>
</tr>
<tr>
<td>CZ</td>
<td>39%</td>
<td>61%</td>
</tr>
<tr>
<td>EU*</td>
<td>66%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Source: NRAs, CTIA, Company reports, IPSOS/Eurostat 2004/05, Merrill Lynch 2005; Strategy Analytics 2005; Ce1 MCI analysis.

*EU refers to EU15 (excl. Luxembourg) plus Switzerland, Norway, Czech Republic, Poland and Hungary.
German Mobile Market:
Usage Increase Still not Compensating Price Decline.

- 33 percent price reduction resulted in only 20 percent usage increase (0.6 price elasticity)
- Slight decline of market service revenues in the German market (-0.3 percent compared to 2005)

Source: Merrill Lynch European Wireless Matrix 3Q 2006; Note: Elasticity figures only indicative approximations
T-Mobile Brand Not Appealing to Young Segment.

- Average customer age for T-Mobile Deutschland is 42 years
- High price perception associated with Brand
- Relatively low Net Promoter Score

Source: TMD, GfK
Stabilization Measures for T-Mobile Germany.

5 levers ...

1. Push Young
2. Second brand
3. Churn reduction
4. Up- and cross-selling
5. Push acquisition in direct channels

... to implement “Game Changers”

- Refresh customer base
  - Correct price and image perception in Young segment
  - Segment-specific offers for youth (e.g., Relax / Max Student, Xtra Friends NonStop, w’n’w@home)
  - Target share in Young segment of ≈35% in 2007

- Diversify brand
  - Protect T-Mobile brand position against discounter attack
  - Launch Young-focused brand with attractive pricing

- Radically shift market approach
  - Strong push of direct channel – 200 new shops
  - Balance retention & acquisition to reduce churn: 2007 target of <15% in contract churn
  - Cross-SBU up-selling
Targeted Approach to Young & Low Frills Market Segments.

- Direct
  - Xtra Click
  - Relax Student

White Label SPs

Online Sales Partner

Own young focused second brand

Own young focused second brand
T-Mobile USA.
T-Mobile USA.
Successful New Products Drive Growth.

- myFaves tariffs successfully launched
  - Unlimited calling to 5 people on any network
  - People-centric unique user interface
- Converged devices (e.g. Sidekick 3 & Blackberry Pearl) drive data ARPU:
  - Approx. $6.50 in Q4 (up 36% yoy)
  - >200,000 net adds in Q4
- T-Mobile HotSpot @Home
  - Leveraging America’s leading hotspot network
    - T-Mobile HotSpot
  - National launch in 2007
T-Mobile USA.
Leading in Service & Outstanding Network.

- JD Power Award for best customer care 5x in a row
- Expand quality distribution in 2007
  - Expand # of company stores
  - Add high quality dealer locations
- Improve coverage
  - Further expand suburban coverage
  - 1,200 3G cell sites already deployed in NY
  - Broad 3G coverage within 18-24 months
  - Contracts with Ericsson and Nokia concluded
- HSPA logical technology choice
  - 2x more efficient than GSM in voice
  - Supports rich data applications and Internet access
  - Same technology path as T-Mobile in Europe
T-Mobile UK.

- **2006: Balancing Growth And Profitability**
  - Service revenue growth in 4Q of 16% YoY
  - Margin back at 26.9% in Q4 while adding a strong 246k net adds
  - Flext: more than 1.3m customers since February 2006

- **Driving Most Highly Regarded Service Company in 2006**
  - Strengthened direct sales: 119 new shops to a total of 247 in 2006
  - Contract churn in 4Q decreased from 2.9% to 2.1% YoY
  - First to launch HSDPA; leading broadband coverage in major cities

- **2007: Continue Profitable Growth**
  - Increase data revenues and continue shift to contract (target of >1m contract gross adds in 2007)
  - Improve loyalty & retention via truly differentiated customer experience
  - Improve cost base via Save for Service
Other Markets.
# Review 2006 / Operational Levers.

<table>
<thead>
<tr>
<th>Achievements 2006</th>
<th>Operational Levers (2007/08)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NL/Z/A</strong></td>
<td><strong>Develop customer base &amp; increase usage:</strong></td>
</tr>
</tbody>
</table>
| Simplified & innovative tariffs: NL - 225k web’n’walk subs, 300k Flex subs; Austria - 80k Mobile Internet | - New propositions  
- Cross- & up-selling  
- Churn reduction program |
| Significant improvements in customer service: #1 in call center satisfaction in all 3 markets | Manage competitive & regulatory pressure:  
- Continue push in direct channels  
- Reduction of cluster costs |
| Successful integration of tele.ring: First synergies realized (e.g. network & IT) Organizations aligned | Prepare for Further Competition:  
- Lock customer base via loyalty programs  
- National Roaming  
- Mobile broadband build-out  
- Leverage Integrated Telco Approach: e.g. use of common retail network, bundles |

<table>
<thead>
<tr>
<th>CEE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Successful re-branding in Montenegro and Macedonia</td>
<td></td>
</tr>
<tr>
<td>Successful launch of new propositions: e.g. HSDPA data cards in SK &amp; HU</td>
<td></td>
</tr>
<tr>
<td>Improved customer experience in all markets: #1 in call center satisfaction</td>
<td></td>
</tr>
</tbody>
</table>
Mobile Industry Trends.
Further Trends and Developments in the Telco Industry.

- Personal communication in social networks and communities replacing traditional voice and messaging usage patterns
- Mobile Internet as mega trend
- Multi-access and net-centric IP services
- Devices and user interface as differentiator

Opportunities for innovative products and customer-centric services
## Focused and Innovative Product Roadmap.

<table>
<thead>
<tr>
<th>Personal Communication</th>
<th>Strategic Direction</th>
<th>Product Example</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inner circle bonding - leverage personal social networks</td>
<td>Community Tariff &amp; UI, Mobile IM, Easy mobile email</td>
</tr>
<tr>
<td>Mobile Internet</td>
<td>Strengthen category leadership in “real time” Internet with worry-free pricing</td>
<td>New „worry-free“ data tariffs, Web‘n‘Walk 3.0</td>
</tr>
<tr>
<td>Terminals</td>
<td>Compelling and differentiated devices</td>
<td>Next Generation MDA: Ameo</td>
</tr>
</tbody>
</table>
Summary.

Deliver on 2007 financial envelope
- Stabilize T-Mobile Deutschland financial performance
- Sustain growth & profitability in TMUS & TMUK and other markets
- Increase execution speed and build on the One Company success
- Continue focus on contract growth & revenue market share
- Continue aggressive push towards direct channel in all markets
- Strengthen Brand, particularly in youth segments and position for Social Networking
- Prepare to take advantage of mega trends in telecommunication via effective partnering & product development
FY 2006.
Operational Priorities – T-Systems.
## Operational Priorities 2007 - Challenges and Measures

### Revenue Planning
- **Total Revenue**: Flat
- **Of which external**: Significant growth
- **Of which international**: Very ambitious growth

### Adjustments in Captive Business
- **Significant reduction of internal revenue as a result of price decrease**
## Operational Priorities 2007

Measures to boost revenue.

<table>
<thead>
<tr>
<th>Operational Priorities</th>
<th>Measures</th>
<th>Realization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International business</strong></td>
<td>■ Synchronize industry lines and local business units</td>
<td>Mar. 2007</td>
</tr>
<tr>
<td></td>
<td>■ Launch global key account management</td>
<td>Mar. 2007</td>
</tr>
<tr>
<td></td>
<td>■ Using alliances for global IP VPN coverage</td>
<td>Feb. 2007</td>
</tr>
<tr>
<td></td>
<td>■ Expand international IP infrastructure by 35 PoPs</td>
<td>Dec. 2007</td>
</tr>
<tr>
<td><strong>Key account management</strong></td>
<td>■ Implement horizontal sales (BPO, SI, TC): Strengthen front-end to customers via expanded specialist perspective</td>
<td>Mar. 2007</td>
</tr>
<tr>
<td></td>
<td>■ Run efficiency and effectiveness enhancement program &quot;Account Management&quot;</td>
<td>April 2007</td>
</tr>
<tr>
<td></td>
<td>■ Enforce service management: Ensure full-range customer support with sales, service, and delivery</td>
<td>Dec. 2007</td>
</tr>
</tbody>
</table>
## Operational Priorities 2007. Measures to boost revenue.

<table>
<thead>
<tr>
<th>Operational Priorities</th>
<th>Measures</th>
<th>Realization</th>
</tr>
</thead>
</table>
| **Portfolio principles** | - Horizontal IT and TC infrastructure services  
- Comprehensive vertical competency (automotive, public, and telco)  
- Selected vertical topics (e.g. road charging, transaction banking, health care card)  
- Define strategic portfolio and sales portfolio | Q1/07 |
| **Innovations** | - Focus on “Real ICT“ Present and prove ICT value.  
- First "all IP" products  
  - Conduct merger of all VPN offers  
  - Standardize voice-data connection  
- Start ICT marketing campaign, communication offensive  
- Start offers of fixed-mobile convergence  
- Develop innovative vertical solutions in our core industries, automotive, public and telco | Q3/07  
Q3/07  
Q1/07  
Q2/07  
Dec. 31, 2007 |
## Operational Priorities 2007.
Measures to increase efficiency.

<table>
<thead>
<tr>
<th>Operational Priorities</th>
<th>Measures</th>
<th>Realization</th>
</tr>
</thead>
</table>
| **Personnel reductions, site consolidations** | - Personnel reductions of about 2500 FTE  
- Consolidate customer independent data centers  
- Consolidate service desk sites  
- Consolidate BPO sites  
- Consolidate Systems Integrations sites  
- Sell/close units that do not fit the vertical competency portfolio | Dec. 31, 2007  
Dec. 31, 2008  
Dec. 31, 2007  
Dec. 31, 2008  
Dec. 31, 2007  
Dec. 31, 2008 |
| **Offshore/Nearshore** | - Double System Integration offshore staff in 07  
- Strengthen Offshore Capabilities | Dec. 31, 2007  
Dec. 31, 2007 |

<table>
<thead>
<tr>
<th>Year</th>
<th>FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>YE 06</td>
<td>1550</td>
</tr>
<tr>
<td>YE 07</td>
<td>3400</td>
</tr>
<tr>
<td>YE 08</td>
<td>5500</td>
</tr>
</tbody>
</table>

(FTEs)
### Operational Priorities 2007

**Measures to increase efficiency.**

<table>
<thead>
<tr>
<th>Operational Priorities</th>
<th>Measures</th>
<th>Realization</th>
</tr>
</thead>
</table>
| **Processes**          | Streamline service processes: migrate T-Systems portfolio to flexible delivery chain.  
                          Initial migration steps have already been realized in a pilot.  
                          Plan is to realize all IP products in 2007 with new delivery chain:  
                          Business access IP  
                          IP VPNs | Q4/08  
                          Feb. 2007  
                          Aug. 2007  
                          Dec. 2007 |
| **Platforms**          | Reduce IT budget  
                          Standardized wholesale interface T-Com – T-Systems  
                          Initial products  
                          Migrate all preliminary products for T-Com  
                          T-Systems drives the changeover to modern IP technology also via consolidation and reduction of transmission platforms  
                          Consolidate to one IP-VPN platform  
                          Dismantle frame relay platforms  
                          Dismantle ATM platforms | Dec. 31, 2007  
                          Oct. 2007  
                          Dec. 31, 2008  
                          July 2007  
                          June 2009  
                          Dec. 2012 |