### Q1 2008 Conference call. Deutsche Telekom.

May 8, 2008

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#### Agenda. Deutsche Telekom Q1 2008 results conference call .

Introduction
 Stephan Eger

Head of Investor Relations

- Q1 2008 Highlights
  René Obermann
  CEO
- Q1 2008 Financials
  Dr. Karl-Gerhard Eick
  CFO and Deputy CEO

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 Q&A
 If you like to ask a question, please press "\* 1" on your touchtone telephone

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## Q1 2008. Highlights.

René Obermann, CEO

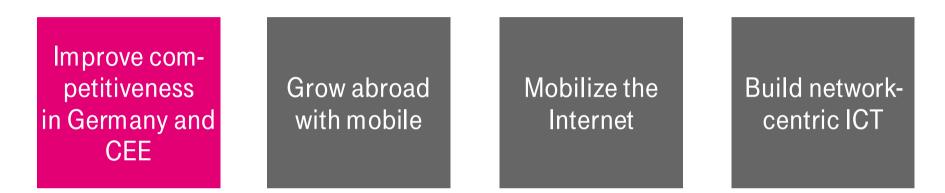


#### Q1 2008 Highlights.

- Revenue -3.1% yoy to €15.0 billion organic growth +0.4%
- Adj. EBITDA stable at €4.7 billion organic growth 1.1% (+3.1% assuming constant F/X). Well on track to achieve FY guidance
- FCF at €1.6 billion (from €0.5 billion in Q1/07). Well on track to achieve FY guidance
- Net income more than doubled to €924 million adjusted net income up 33.2% yoy to €750 million
- Adj. group personnel expenses down by 6.0% yoy to €3.3 billion
- Net group headcount reduction of 9,400 employees (as of 3/31/08 yoy)



#### Management update: Focus, fix and grow.



#### Achievements Q1 2008:

- DSL retail market share of net adds at 43% strong DSL retail net adds of 539k
- BBFN Germany:
  - Cost savings continued in Q1: cost base reduced by €0.3 billion
  - Domestic adj. EBITDA up 0.5% yoy, margin improved to 34.5% from 32.2% in Q1/07
- Successful customer retention: Broadband churn reduced from 1.6% to 1.1% quarter on quarter<sup>1</sup>
- Attractive new voice and data tariffs launched by T-Mobile Germany
- Robust contract customer growth (+210k) at T-Mobile Germany in Q1/08
- T-Mobile Germany: adj. EBITDA margin improved to 36.7%

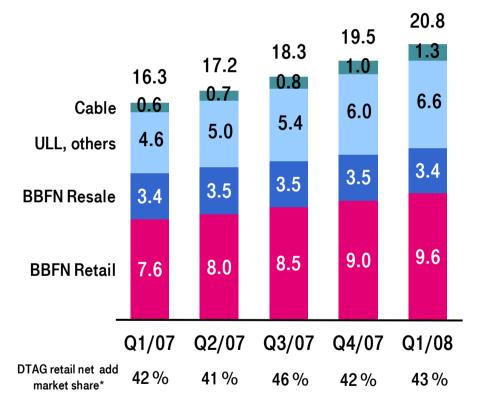
<sup>1</sup> Monthly churn rate



#### Domestic broadband market. Stabilizing the broadband market share.

#### Broadband lines in million

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#### Development Q1/08:

- 539k retail DSL net adds
- Stabilized retail broadband market share of 46% since 3 quarters
- Approx. 460k line losses excl. ALL-IP migration
- Est. 120k migrations to ALL-IP of resale DSL
- 590k ULL net adds

\*Net add market share for 2007 adjusted on base of new BNetzA figures, 2008 own estimates. Rounded figures.

### T-Mobile Germany. Improved margin.

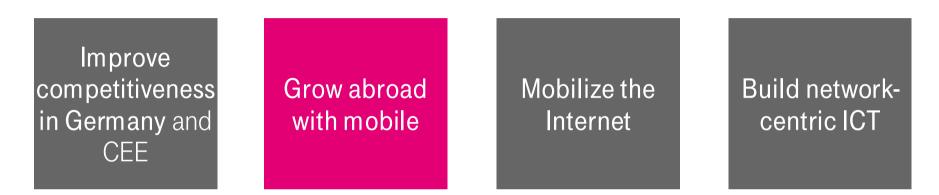
Service revenues (€ billion)

1.75 1.71 -2.2% Q1/07 Q1/08 Adj. EBITDA (€ million) 700 692 -1.1% Q1/07 Q1/08

#### Achievements Q1/08:

- Improved financial trends:
  - Service revenues: -2.2% yoy vs. -3.0% yoy in Q1/07
  - Adj. EBITDA: -1.1% yoy vs. -11.4% yoy in Q1/07
  - Adj. EBITDA margin: 36.7% vs. 35.9% in Q1/07
- Contract net adds of 210k in Q1/08
- Contract churn: 1.1% in Q1/08 vs. 1.2% in Q1/07
- Attractive new voice and data tariffs launched, e.g.:
  - Max L (€79.95): 0 Cent/min all German networks
  - MyFaves L (€24.95): 0 Cent/min to 5 numbers in German fixed line and other T-Mobile customers
  - web'n'walk L (€34.95): laptop flat rate
- MOU per contract customer up about 6% yoy in Q1/08 – total contract MOU up 13% yoy

#### Management update: Focus, fix and grow.



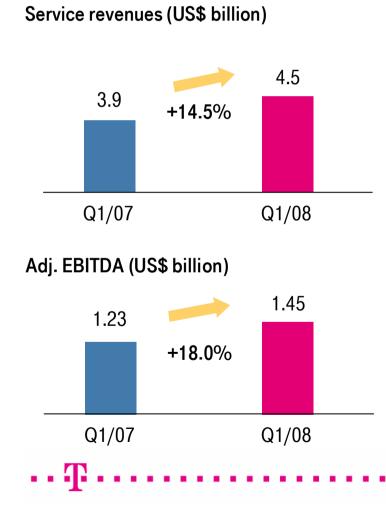
#### Achievements Q1 2008:

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- T-Mobile improves international revenues (+1.7% yoy in Q1/08; +7.6% organic growth)
- T-Mobile improves international adj. EBITDA (+5.8% yoy in Q1/08, +12.7% organic growth)
- Strong international contract net adds: 1.2 million in Q1/08 (not including acquired SunCom base)
- Acquisition of SunCom (closed on 2/22) added 1.1 million customers to T-Mobile USA base
- 3G network launch in New York City on May 5
- CEE Mobile<sup>1</sup> with double-digit revenue and EBITDA growth

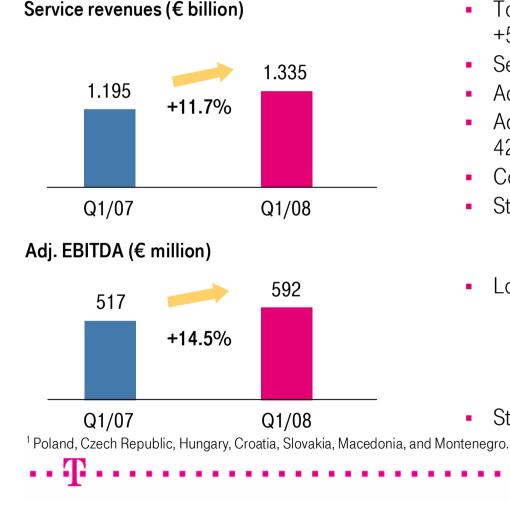
<sup>1</sup> Poland, Czech Republic, Hungary, Croatia, Slovakia, Macedonia, and Montenegro.

### Grow abroad with mobile: T-Mobile USA. Continued strong growth despite economic slowdown.



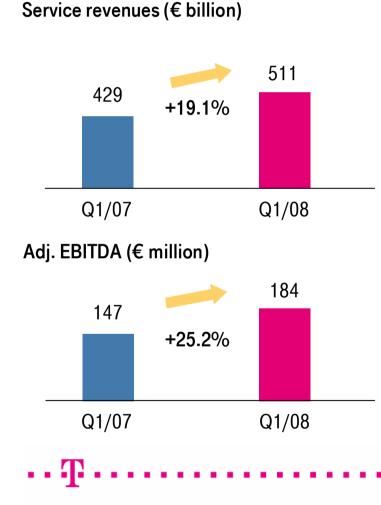
- Total revenues (US\$) up 14.1% in Q1/08 (organic 12.5%)
- Service revenues (US\$) up 14.5% in Q1/08
- Adj. EBITDA margin: 27.9% in Q1/08, up from 27.0% in Q1/07
- Contract churn: 1.7% in Q1/08 (from 1.9%)
- Q1 net increase in customer base: 2.1 million
  - Net adds: 981k (versus 980k in Q1/07 and 951k in Q4/07), of which 732k contract
  - 1.1 million consolidation of SunCom (2/22)
  - More than 5.5 million myFaves customers
  - Continuing success of FlexPay
- 30.8 million customer base
- Very strong messaging growth: almost 33 billion SMS/MMS in Q1/08 from 16 billion in Q1/07
- 3G launch in New York City on May 5

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



- Total revenues up 10.8% in Q1/08 (organic +5.5%)
- Service revenues up 11.7% in Q1/08
- Adj. EBITDA up 14.5% in Q1/08 (organic +9.1%)
- Adj. EBITDA margin in CEE countries up 1.4pp to 42.2% yoy in Q1/08
- Contract net adds: 407k in Q1/08
- Strong yoy non-voice revenue growth Q1/08:
  - Total up 28.3% to €256 million
  - Without messaging up 86.4% to €77 million
- Low contract churn in key markets in Q1/08:
  - PTC: 0.7%
  - T-Mobile CZ: 0.5%
  - T-Mobile Hungary: 0.9%
  - T-Mobile HR: 0.6%
- Stable cash contribution of €371 million

# Grow abroad with mobile: PTC. Strong yoy improvement.



- Total revenues up 17.5% in Q1/08 (organic +8.2%)
- Service revenues up 19.1% in Q1/08
- Adj. EBITDA up 25.2% in Q1/08 (organic +15.0%)
- Adj. EBITDA margin up 2.1pp to 35.1% in Q1/08
- Contract net adds: 190k in Q1/08
- Strong yoy non-voice revenue growth Q1/08:
  - Non-voice % of ARPU up 2pp to 20%
- Contract churn at 0.7% in Q1/08
- Cash contribution of €93 million, down 18.4% due to higher CAPEX

#### Management update: Focus, fix and grow.

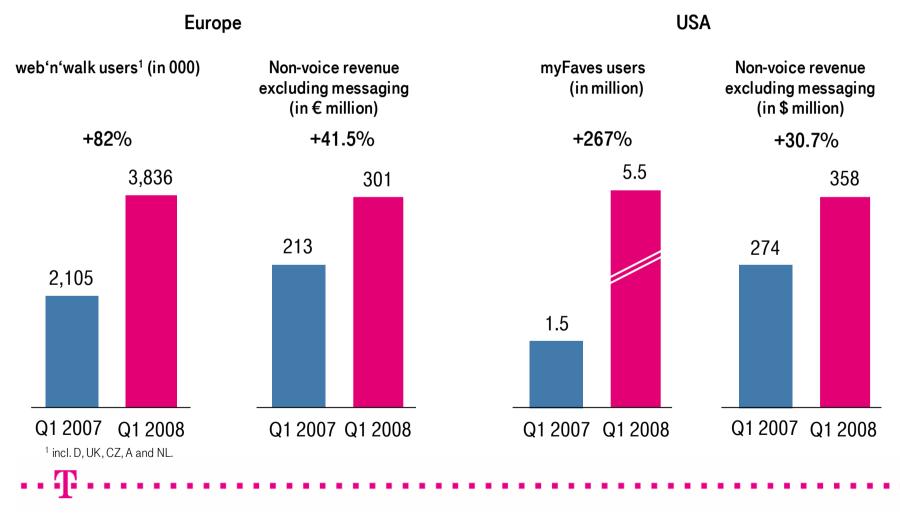


#### Achievements Q1 2008:

- Non-voice revenues w/o messaging up 28.0% yoy to €540 million
  - Europe up 41.5% yoy to €301 million
  - US up 30.7% yoy in local currency to \$358 million (total incl. messaging up 32.9% to \$747 million)
- Attractive new data tariffs launched incl. laptop flat rate of €34.95 in Germany
- US: 3G (UMTS/HSDPA) network launched in New York City on May 5
  - 3G base stations increased to 13,000 at the end of Q1/08 from 8,000 at YE 2007
  - 20 to 25 core markets to be launched by year-end 2008
  - Launch enables use of AWS spectrum laying the foundation for future growth

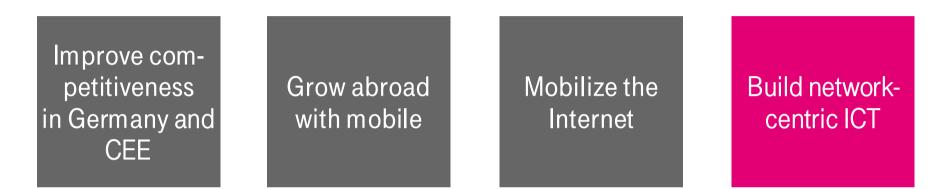


#### Mobilize the Internet.



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#### Management update: Focus, fix and grow.



#### Achievements Q1 2008:

- Cognizant alliance on global IT delivery, access to strong offshore capabilities of Cognizant, transfer of TS India to Cognizant
- Royal Dutch Shell: 5-year €1 billion agreement on global data-center outsourcing. TS to take on 900 IT-employees from Shell
- Focus on network-centric ICT:
  - Sale of Media & Broadcast, transfer of Active Billing to BBFN
  - Reporting focus: Computing & Desktop Services, Systems Integration, and Telecommunications (former Business Services now migrated to Telecommunications)



#### Targets for 2008 confirmed.

|                   | Target                              |
|-------------------|-------------------------------------|
| Adj. Group EBITDA | Around €19.3 billion                |
| Free cash flow    | Around €6.6 billion                 |
| Dividend policy   | Maintain attractive dividend policy |

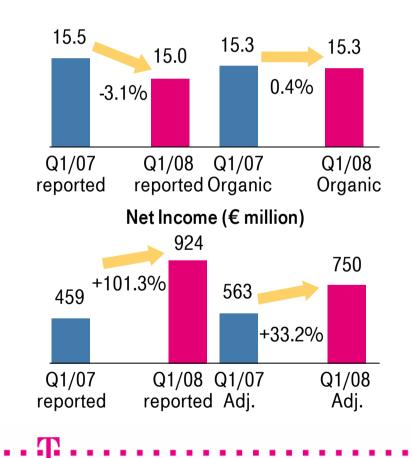
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### Q1 2008. Financials.

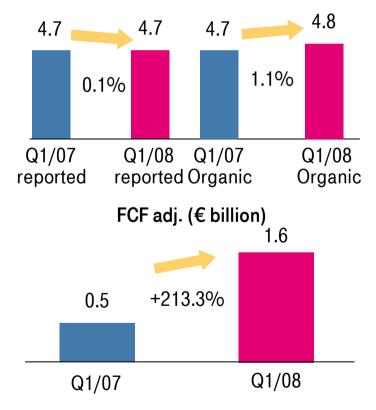
Dr. Karl-Gerhard Eick, CFO and Deputy CEO



### Overview Group financials. Strong growth in adj. net income and FCF.

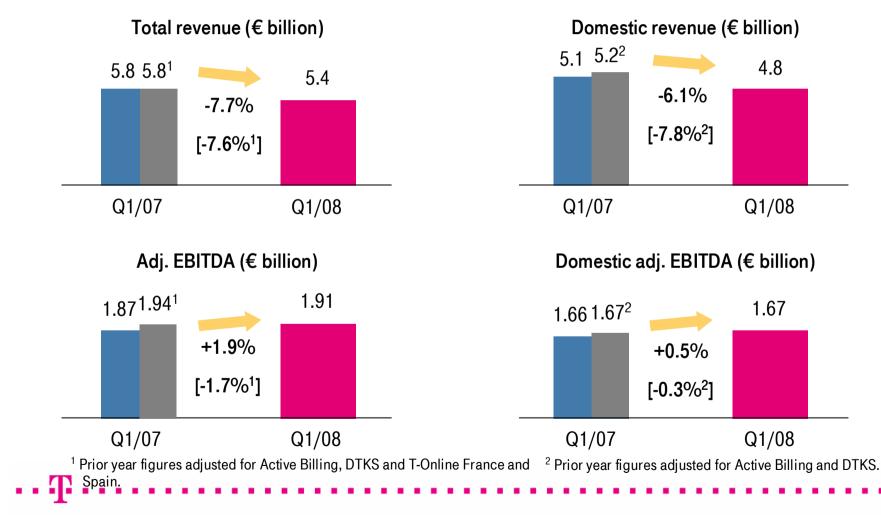


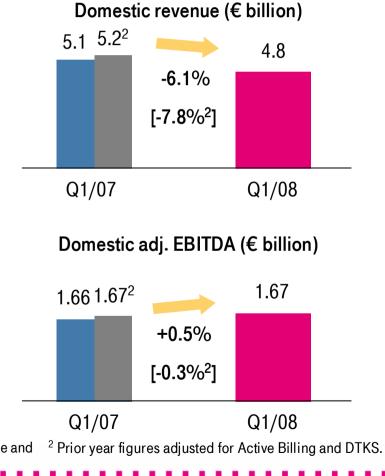




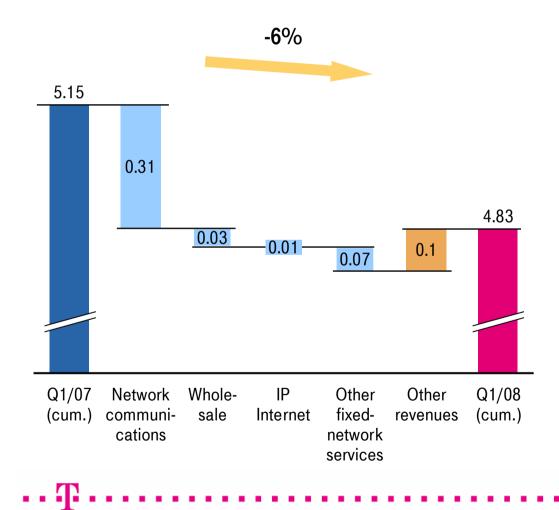
Adj. EBITDA (€ billion)

### **BBFN** Summary. Improvement in adj. EBITDA despite revenue pressures.



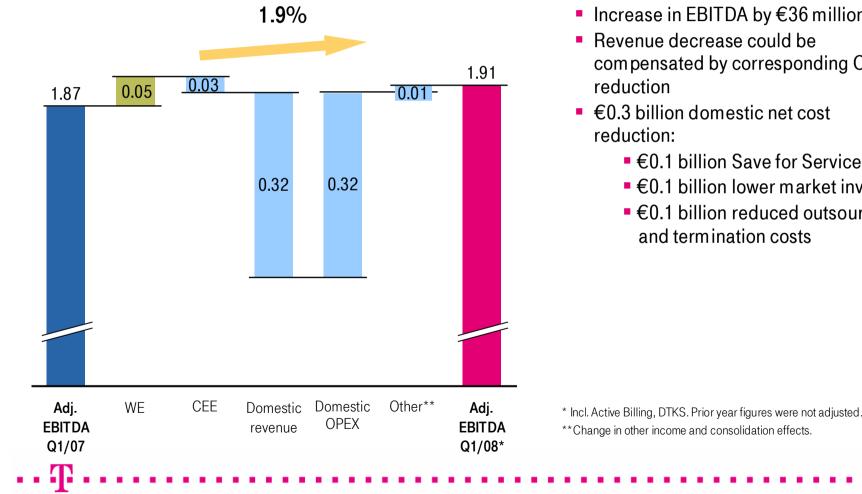


#### BBFN domestic revenue development in Q1 2008.



- Reduction in network communications from access (€0.16bn) and calling revenues (€0.15bn) due to line losses and price effects from Max 06/Max 07
- Wholesale almost stable, growth in ULL offset by voice interconnection and resale DSL
- IP Internet almost stable due to growth in DSL lines and new consolidation of Immobilien Scout 24 as of November 2007 despite strong price pressure
- Other fixed-network services: reduction in data communications revenues and value-added services
- Offsetting: structural effects from DTKS and Active Billing

#### BBFN adj. EBITDA development in Q1 2008.

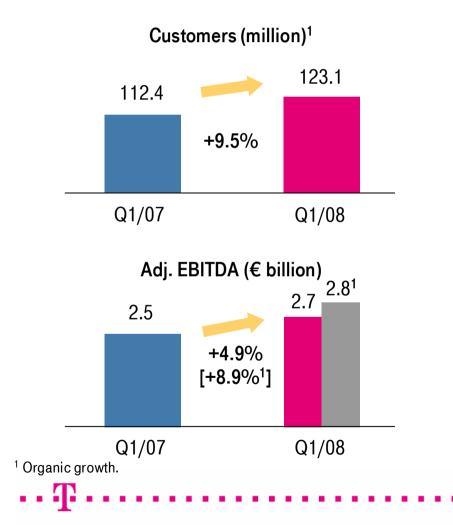


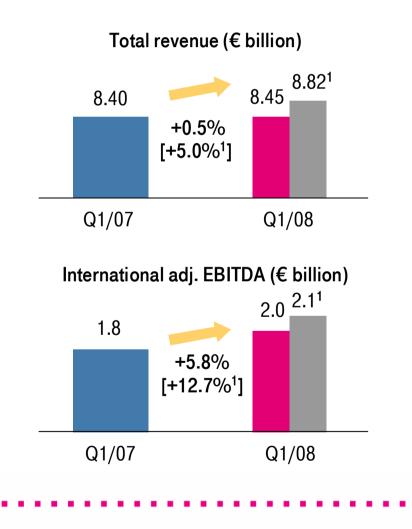
Increase in EBITDA by €36 million yoy

- compensated by corresponding OPEX
- €0.3 billion domestic net cost
  - €0.1 billion Save for Service
  - €0.1 billion lower market invest
  - €0.1 billion reduced outsourcing and termination costs

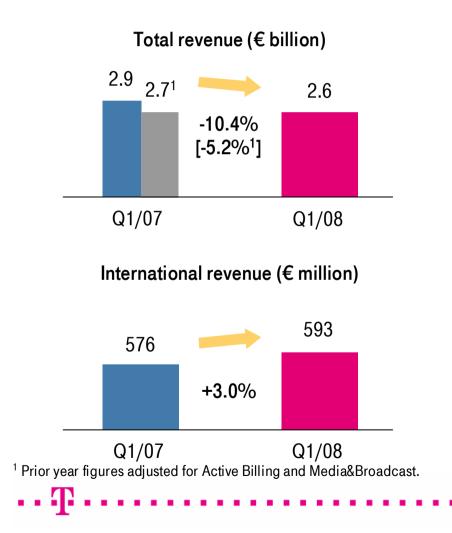
\*\*Change in other income and consolidation effects.

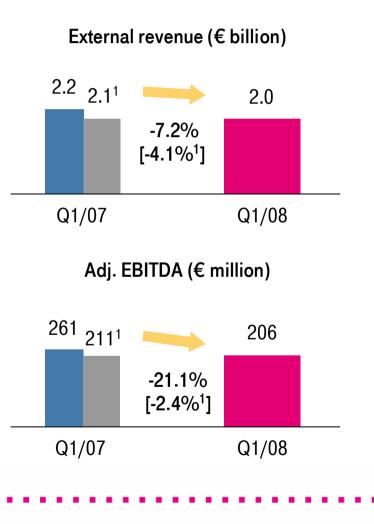
### Mobile summary. Strong organic adj. EBITDA growth.



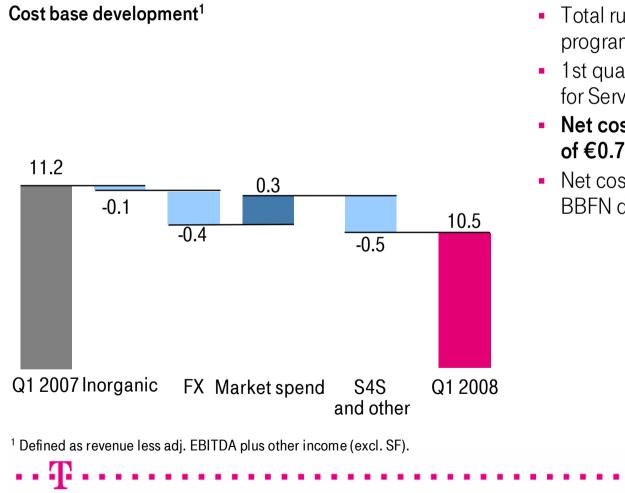


#### Business Customers summary. Results impacted by sale of Media & Broadcast.





#### Save for Service – Gross savings and opex development. Significant net cost reduction for the group.



- Total run rate of "Save for Service" (S4S) program at €2.5 billion
- 1st quarter of 2008 contribution of Save for Service €0.24 billion
- Net cost base reduction in the Group of €0.7 billion
- Net cost base reduction of €0.3 billion at BBFN domestic

#### Group headcount development: Q1 2007 to Q1 2008.

- Group headcount net reduction 9,400 FTEs (-3.8%) at the end of the period yoy
- Employees decrease in Germany: net –13,300 FTEs (-8.4%)
- Employees increase International: net + 3,900 FTEs (+4.5%)
  - Increase in headcount at T-Mobile USA (related to the sustained customer growth and a systematic expansion of business, SunCom)
  - Workforce reduction in Eastern Europe (Magyar Telekom Group, Croatia Telekom, Slovak Telekom)
  - Business Customers: continuation of the internationalization strategy in so-called near- and offshore countries
- Adj. personnel expenses in Q1 2008:
  - Approx. 6% reduction for the Group to €3.3 billion
  - Approx. 8% reduction domestically to €2.3 billion
- Adj. personnel cost ratio in Q1 2008:
  - Group cost ratio improved to **21.9%** from 22.6% in Q1 2007
  - Domestic cost ratio improved to 30.7% from 31.5% in Q1 2007

#### Personnel: Domestic Restructuring ahead of plan.

- **5,500** domestic headcount gross reduction 4,000 headcount **net reduction (-2.6%)** in Q1 2008
  - 1,500 new hires mainly in service and sales
  - 1,600 employees of VTS transferred to Nokia Siemens Networks in January 2008
  - Sale of Media & Broadcast, deconsolidation in January 2008: 1,200 employees
  - Deconsolidation of 5 call center locations in March 2008: 400 VCS employees
- Vivento update: Since start 39,300 transfers into Vivento; 30,900 have left again, thereof 19,800 outside the group; remaining Vivento employees as of March 31: 8,400



#### Q1 2008 – Free cash flow.

#### On track to achieve 2008 full-year guidance.

| € billion                                       | Q1 2008 | Q1 2007 |
|---|---------|---------|
| EBITDA (reported)                               | 5.0     | 4.5     |
| Non cash items and others                       | - 0.5   | - 0.1   |
| Change in working capital and accruals          | - 0.6   | - 2.1   |
| Income taxes                                    | - 0.2   | 0.2     |
| Cash generated from operations                  | 3.8     | 2.5     |
| Incl. restructuring payments                    | - 0.3   | - 0.8   |
| Net interest payment                            | - 0.4   | - 0.5   |
| Net cash provided by operating activities       | 3.3     | 2.1     |
| Investments in PP&E and intangible assets       | - 1.8   | - 2.0   |
| Proceeds from disposition of assets             | 0.1     | 0.4     |
| - of which proceeds from real estate sales      | 0.0     | 0.3     |
| Free cash flow                                  | 1.6     | 0.4     |
| Free cash flow adj. (excl. Centrica in Q1 2007) | 1.6     | 0.5     |

Rounded figures.

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#### Q1 2008 – Reported net income.

Reported net income more than doubled to €924 million.

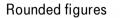
| € billion                       | Q1 2008 | Q1 2007 |
|---------------------------------|---------|---------|
| EBITDA                          | 5.0     | 4.5     |
| Depreciation and amortization   | - 2.7   | - 2.7   |
| Net financial expense           | - 0.7   | - 0.7   |
| - of which net interest expense | - 0.6   | - 0.7   |
| EBT                             | 1.6     | 1.0     |
| Income taxes                    | - 0.6   | - 0.5   |
| Earnings after taxes            | 1.1     | 0.6     |
| Minorities                      | - 0.1   | - 0.1   |
| Netincome                       | 0.9     | 0.5     |



#### Q1 2008 – Adjusted net income.

#### Adjusted net income up by one third to €750 million.

| € billion                       | Q1 2008<br>adjusted | Q1 2007<br>adjusted |
|---------------------------------|---------------------|---------------------|
| EBITDA                          | 4.7                 | 4.7                 |
| Depreciation and amortization   | - 2.7               | - 2.7               |
| Net financial expense           | - 0.6               | - 0.7               |
| - of which net interest expense | - 0.6               | - 0.7               |
| EBT                             | 1.4                 | 1.2                 |
| Income taxes                    | - 0.5               | - 0.5               |
| Earnings after taxes            | 0.9                 | 0.7                 |
| Minorities                      | - 0.1               | - 0.1               |
| Net income                      | 0.8                 | 0.6                 |



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### Q1 2008 – Balance sheet ratios. Reduced net debt despite SunCom acquisition.

| € billion                 | 31.03.2008 | 31.12.2007 |
|---------------------------|------------|------------|
| Balance sheet total       | 118.4      | 120.7      |
| Shareholders' equity      | 44.5       | 45.2       |
| Net debt                  | 35.9       | 37.2       |
| Gearing                   | 0.8x       | 0.8x       |
| Equity ratio <sup>1</sup> | 34.8%      | 34.7%      |

<sup>1</sup> After dividends.

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Thank you for your attention!

