

Q3/08 Conference call.

Deutsche Telekom.

November 6, 2008



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# Agenda.

## Deutsche Telekom Q3/08 results conference call.

- Introduction  
Stephan Eger  
Head of Investor Relations
- Q3/08 Highlights  
René Obermann  
CEO
- Q3/08 Financials  
Dr. Karl-Gerhard Eick  
CFO and Deputy CEO
- Q&A If you like to ask a question, **please press ”\* 1”** on your touchtone telephone



# Q3/08. Highlights.

René Obermann, CEO



## Q1-Q3/08 Highlights.

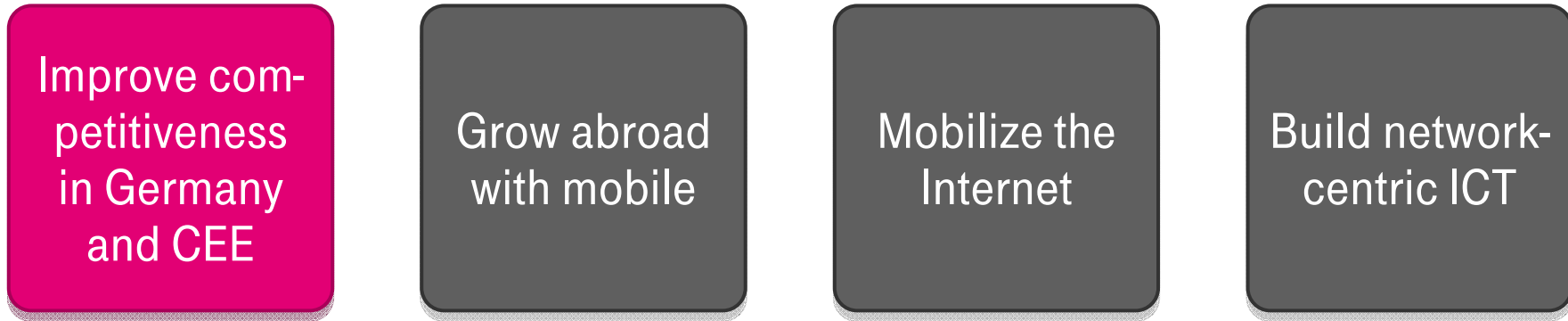
- Revenue flat on an organic basis<sup>1</sup>  
(reported revenue decreased 2.5% from €46.7 billion to €45.6 billion)
- Adj. EBITDA up 0.9% on an organic basis<sup>1</sup>  
(reported adj. EBITDA increased 0.5% from €14.7 billion to €14.8 billion)
- Free cash flow stable at €5.8 billion
- Net income improved 67.5% to €2.2 billion  
(adj. net income improved 17.1% to €2.6 billion)
- Retail broadband net add market share of 49% in Germany in Q3
- Leading edge devices (iPhone 3G, G1) launched successfully
- Continued double-digit revenue and EBITDA growth in US<sup>2</sup> and Eastern Europe
- Domestic net headcount reduction of 16,200 yoy
- “Save for Service” ahead of schedule: €3.5 billion total annual run rate achieved

<sup>1</sup> Assuming constant currencies and no changes in the scope of consolidation.

<sup>2</sup> In US\$.



# Management update: Focus, fix and grow.



## Achievements Q3/08:

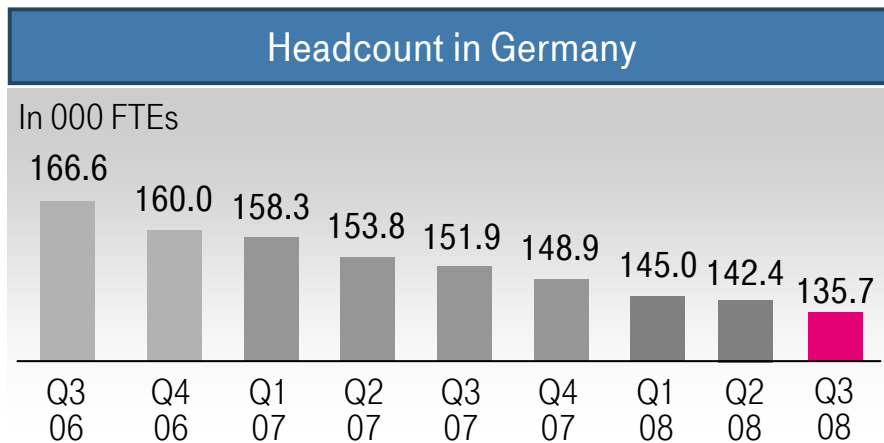
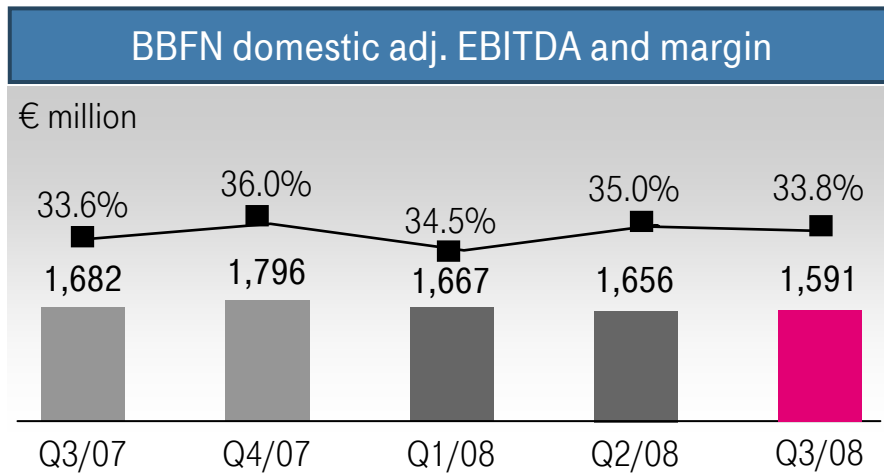
- BBFN domestic revenue decrease in Q3 of -5.9% in line with guidance of -4 to -6% range
- Adj. EBITDA of BBFN domestic in Q3 decreased by 5.4% as expected
- Adj. opex of BBFN domestic reduced by 5.1% yoy or €0.2 billion, Q1-Q3 net savings of €0.7 billion
- Ongoing domestic headcount reduction of 16,200 net yoy as of 30/09/08 (incl. deconsolidations)
- Retail broadband net add market share 49%, net adds of 344k in an overall slower market growth
- Strong CEE fixed network adj. EBITDA margin of 43.2% in Q3
- T-Mobile Germany adj. EBITDA margin of 43.6%<sup>1</sup> in Q3/08, up from 37.7% in Q3/07

<sup>1</sup> Including benefit from asset sale (€0.1 billion).



# Improve competitiveness in Germany and CEE.

## Ongoing cost and headcount reduction in Germany.

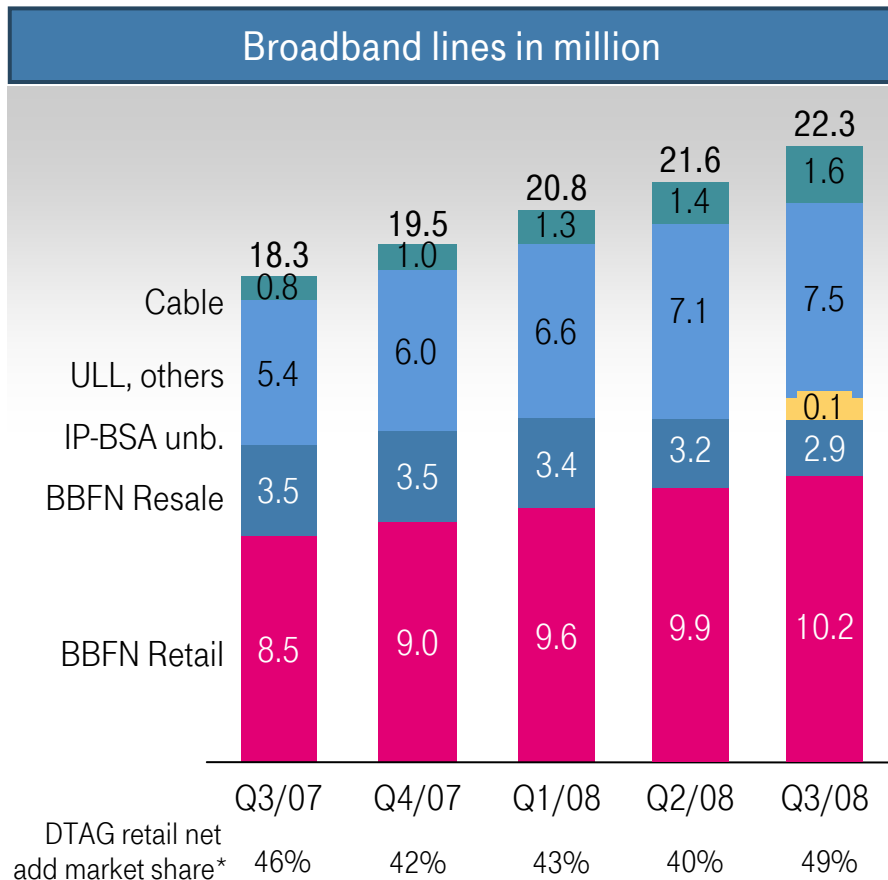


- BBFN adj. domestic EBITDA with -5.4% in Q3 (-1.6% in Q1-Q3) well on track to achieve better end of FY guidance of -5 to -8%
- Successful group cost cutting initiative “Save for Service”: total run rate of program at €3.5 billion annually as of 30/09/08
- 16,200 yoy net headcount reduction
- Vivento: since start 40,500 transfers; 32,000 have left, thereof 20,700 outside the group; remaining Vivento employees as of Sept. 30: 8,500



# Improve competitiveness in Germany and CEE.

## Domestic broadband retail net add market share at 49%.



### Development Q3/08:

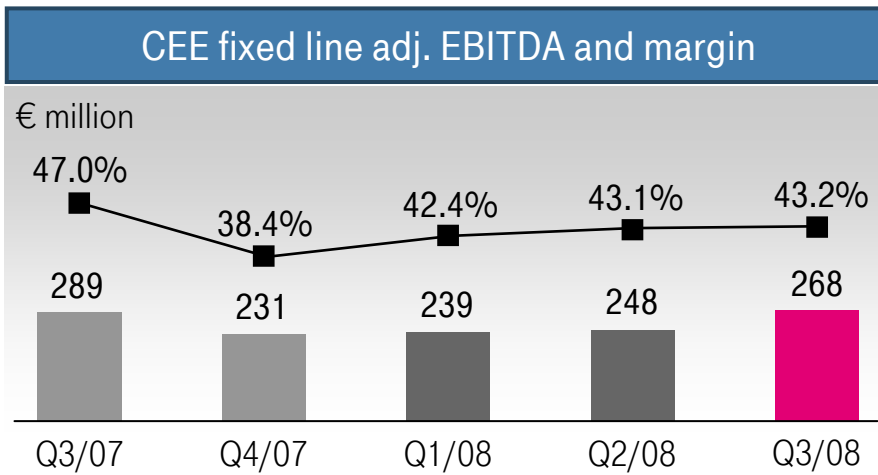
- Stabilized retail broadband market share of 46% since 5 quarters
- Net add market share of 49% shows full recovery of CRM introduction in Q2
- Successful winback campaign: 154k customers won back in Q1-Q3/08
- 344k retail DSL net adds
- 394k ULL net adds incl. All-IP migrations
- 574k line losses including All-IP migration of resellers (resale DSL -264k)

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

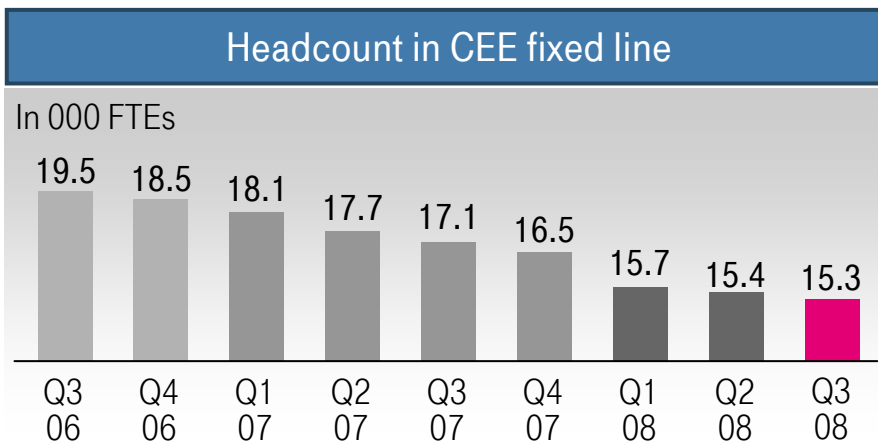




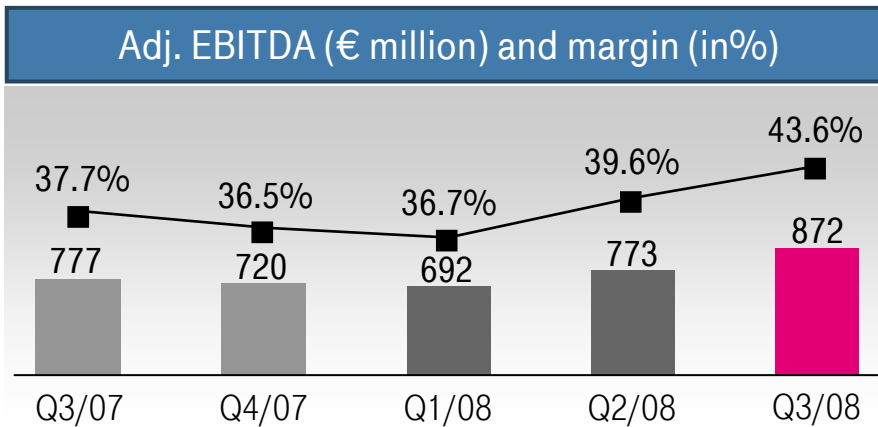
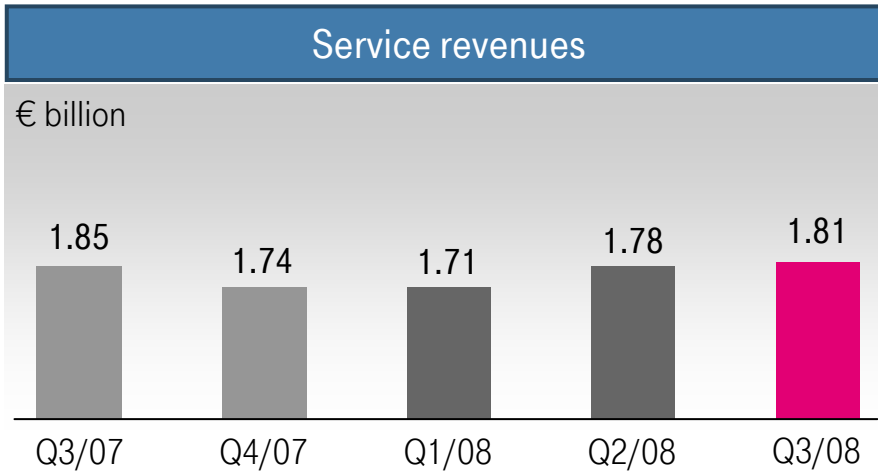
# Improve competitiveness in Germany and CEE. CEE fixed line – continued high profitability.



- Fixed network CEE continues to deliver high profitability. Q3/08 adj. EBITDA margin at 43.2%
- Q3/08 revenue €0.6 billion
- Q3/08 adj. EBITDA €0.27 billion
- Headcount reduced by 1,800 or 11% yoy



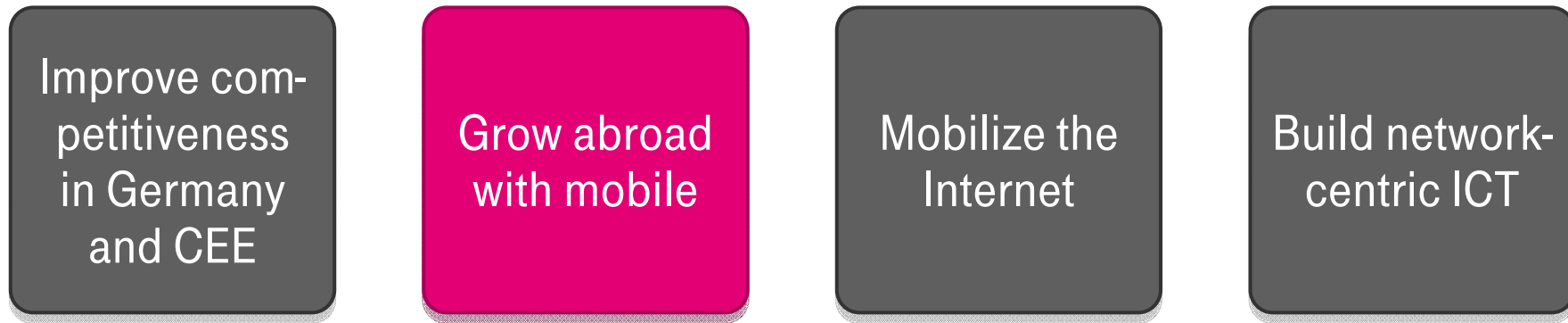
# Improve competitiveness in Germany and CEE. T-Mobile Germany.



- Financial trends:
  - Service revenues: -2.5% yoy vs. -4.9% yoy in Q3/07
  - Adj. EBITDA: +12.2% yoy vs. -13.0% yoy in Q3/07
  - Adj. EBITDA margin: 43.6% vs. 37.7% in Q3/07 (adj. EBITDA benefitted from intangible asset sale of €0.1 billion in Q3/08)
- Contract net adds of 271k in Q3/08
- Contract churn: 1.1% in Q3/08 vs. 1.2% in Q3/07
- MOU per contract customer up about 5% yoy in Q3/08 – total contract MOU up 11% yoy
- Non-voice revenues w/o messaging up 37.2% yoy
- iPhone 3G launched on July 11



# Management update: Focus, fix and grow.



## Achievements Q3/08:

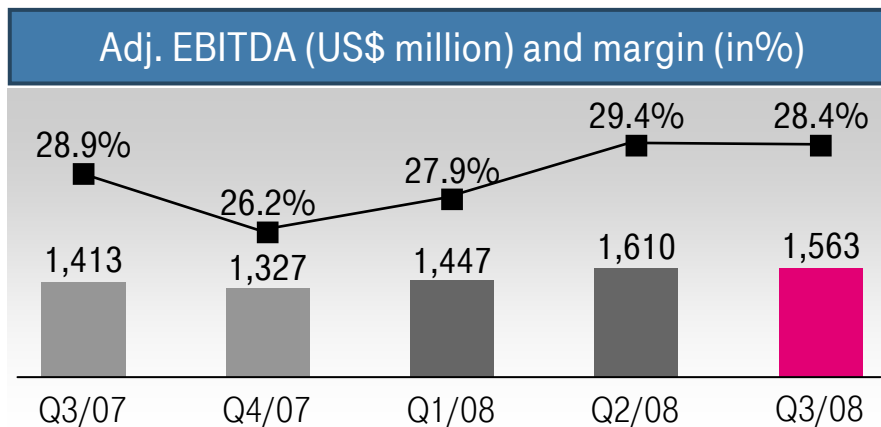
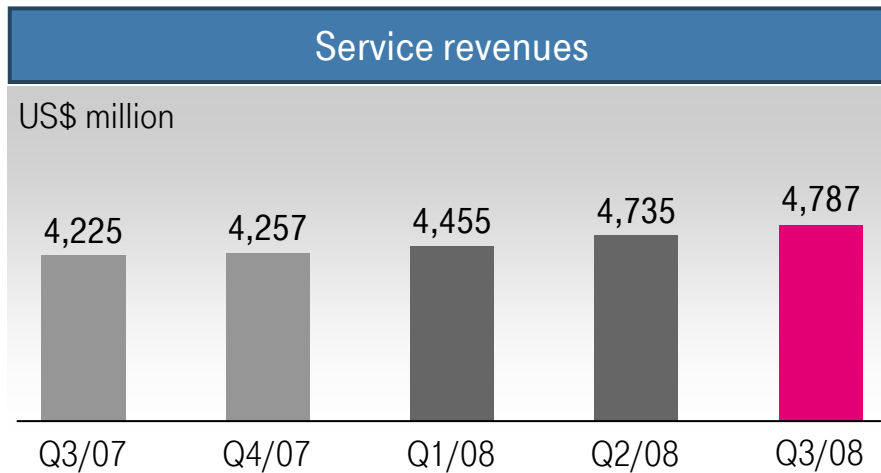
- 1.0 million contract customers added internationally. Total international sub base now at 87.9 million
- T-Mobile improves international revenues (4.2% organic growth, 3.1% reported yoy in Q3/08)
- T-Mobile USA continues double-digit revenue and adj. EBITDA growth (in US\$)
- CEE Mobile<sup>1</sup> continues double-digit revenue and adj. EBITDA growth
- OTE: final EU approval secured

1 Poland, Czech Republic, Hungary, Croatia, Slovakia, Macedonia, and Montenegro.



# Grow abroad with mobile: T-Mobile USA.

## Continued double-digit growth in Q3.

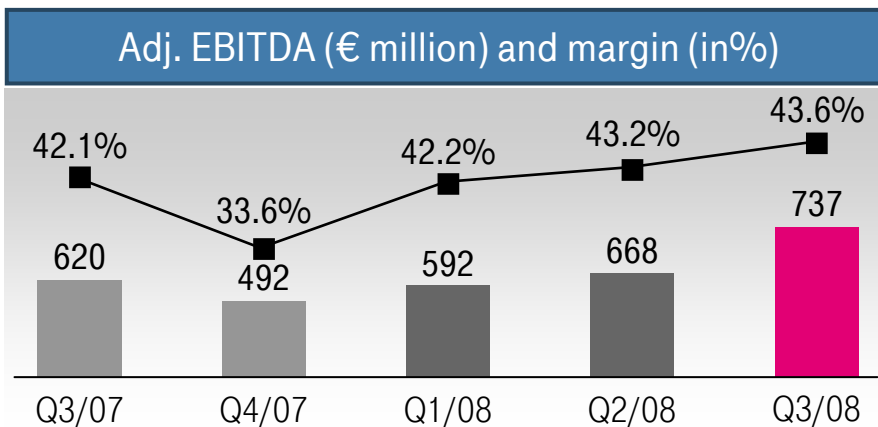
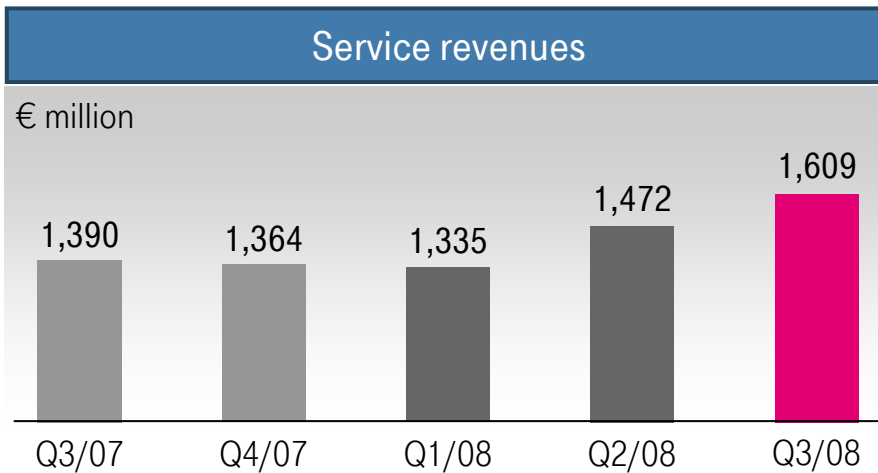


- Total revenues (US\$) up 12.5% yoy
- Service revenues (US\$) up 13.3% yoy
- Adj. EBITDA (US\$) up 10.6% yoy
- Adj. EBITDA margin: 28.4% in Q3/08, compared to 28.9% in Q3/07
  - Slight decrease driven by higher network costs (incl. 3G) and higher market invest
- Q3/08 net adds (670k) in line with Q2/08 (668k)
  - Q3/08 contract gross adds up 13.4% from Q3/07 and up 9.1% from Q2/08
  - Lower contract share of net adds (44%) driven by sequentially higher contract churn
  - Majority of prepaid adds from FlexPay
- G1 phone launched on October 22
- 3G coverage in more than 120 major cities as of late November (equivalent to 28 metropolitan areas and 100 million POP coverage)



Grow abroad with mobile.

CEE<sup>1</sup> countries – continued double-digit growth.

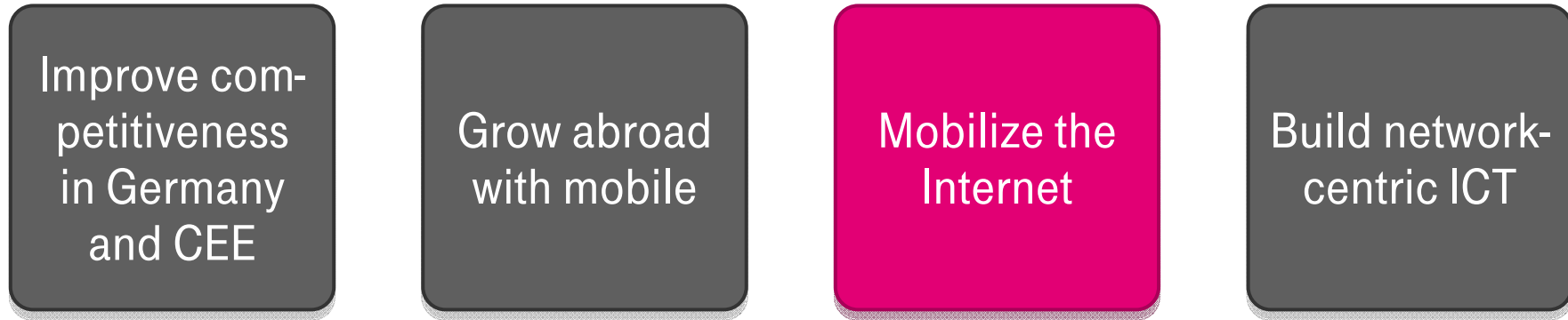


<sup>1</sup> Poland, Czech Republic, Hungary, Croatia, Slovakia, Macedonia, and Montenegro.

- Total revenues up 14.8% in Q3/08
- Service revenues up 15.8% in Q3/08
- Adj. EBITDA up 18.9% in Q3/08
- Adj. EBITDA margin in CEE countries up 1.5pp to 43.6% in Q3/08
- Contract net adds: 479k in Q3/08
- Strong yoy non-voice revenue growth Q3/08:
  - Total up 26.2% to €286.6 million
  - Without messaging up 116.0% to €112 million
- Further improvement in contract churn in key markets in Q3/08:
  - PTC: 0.6%, T-Mobile CZ: 0.2%, T-Mobile Hungary: 0.8%, T-Mobile HR: 0.7%
- Strong growth in cash contribution up 19.2% yoy to €565 million



## Management update: Focus, fix and grow.



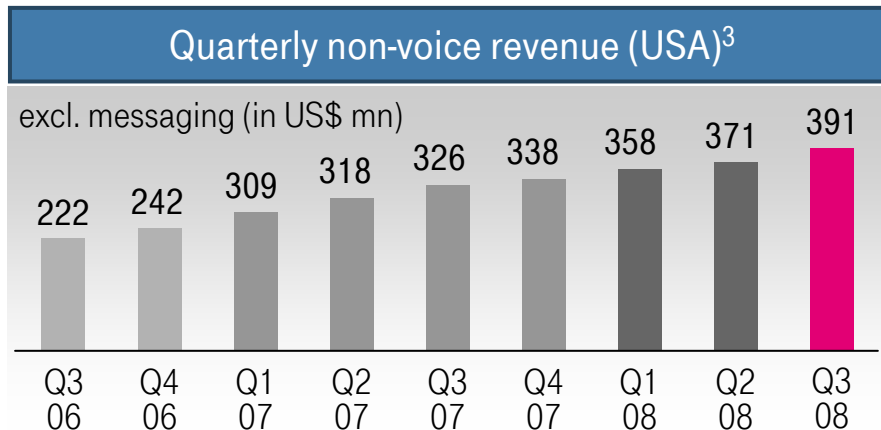
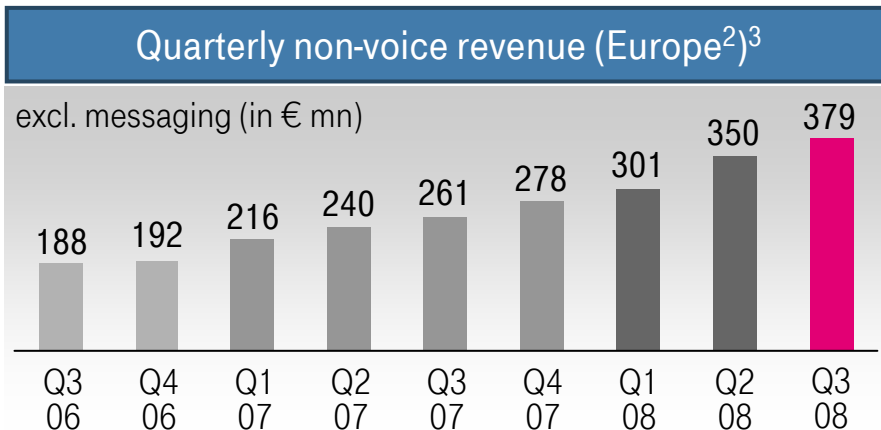
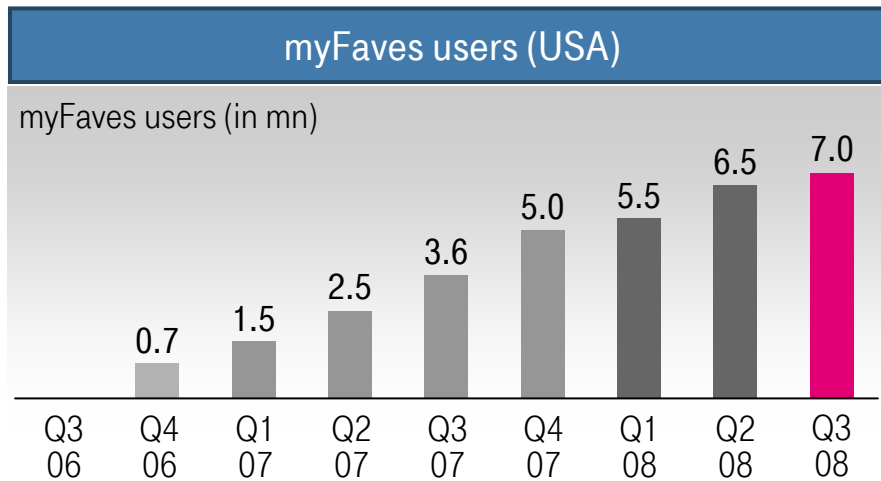
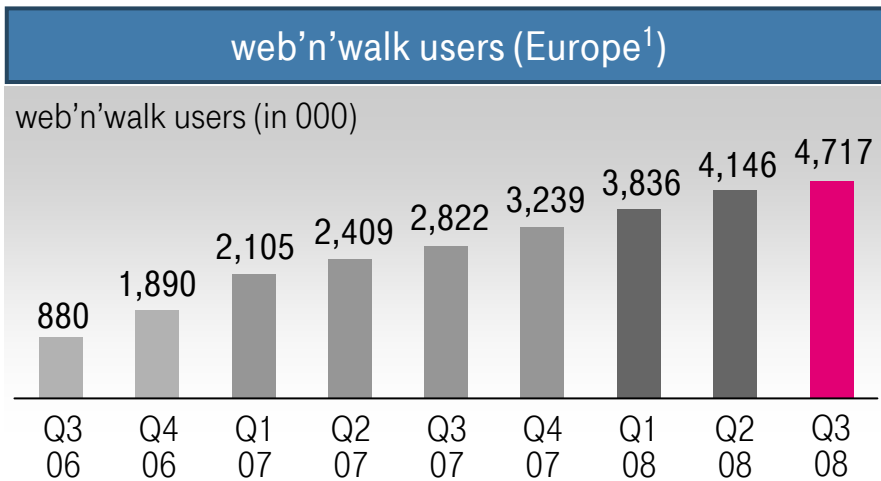
### Achievements Q3/08:

- Non-voice revenues w/o messaging up 28.3% yoy to €639 million. Europe up 45.3% yoy to €379 million. US up 19.9% yoy in local currency to US\$391 million (total incl. messaging up 27.6% to US\$ 832.8 million)
- Successful introduction of iPhone 3G in Europe
- 3G capable devices: 1.6 million devices sold in Europe in Q3/08
- G1 as first Android-based device launched on 10/22 in the US and 10/30 in the UK
- Successful demonstration of LTE technology in Germany



# Mobilize the Internet.

## Growth driver non-voice excl. messaging.



<sup>1</sup> Germany, UK, Netherlands, Austria, Czech Republic.

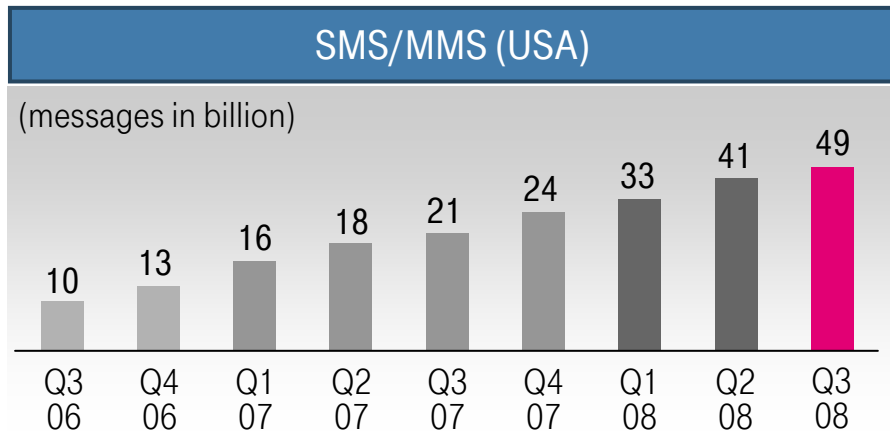
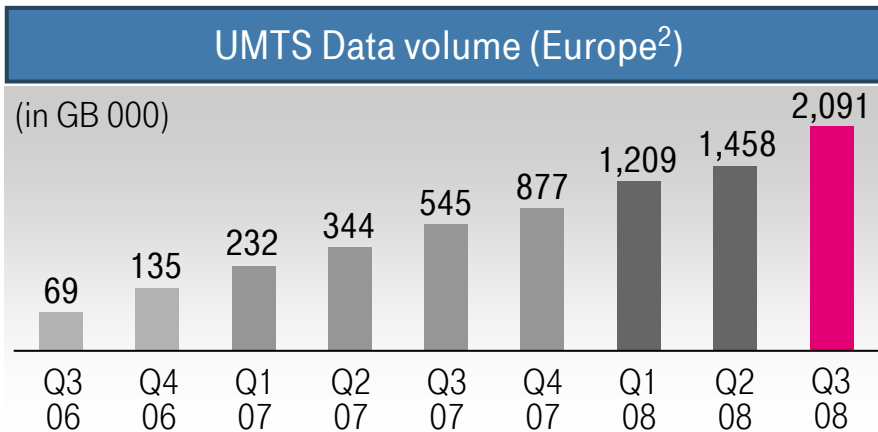
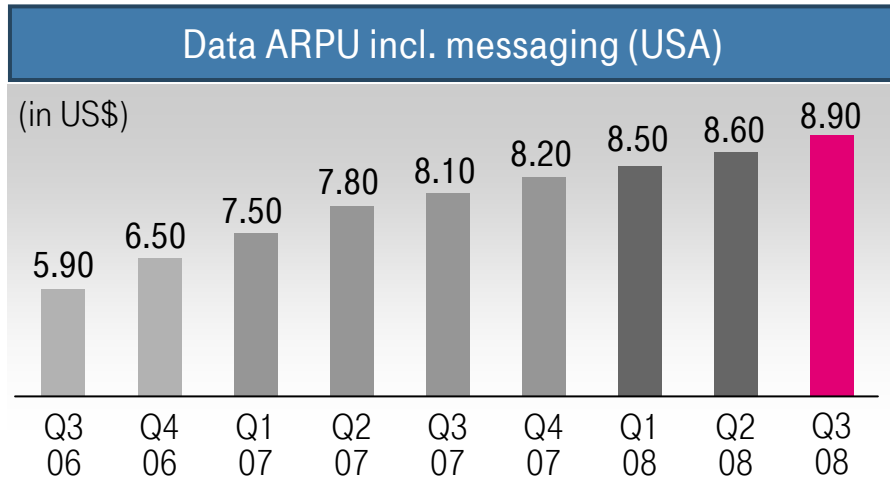
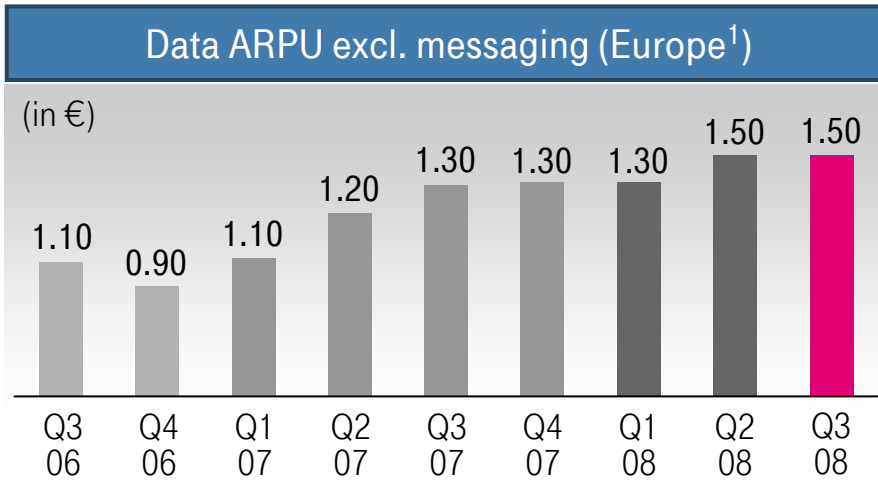
<sup>2</sup> Germany, UK, Netherlands, Austria, Czech Republic, Poland, SEE

<sup>3</sup> Incl. reallocation of access revenue (mainly WiFi in USA) between Q1/07 and Q2/07.



# Mobilize the Internet.

## Dynamic growth in data ARPU.



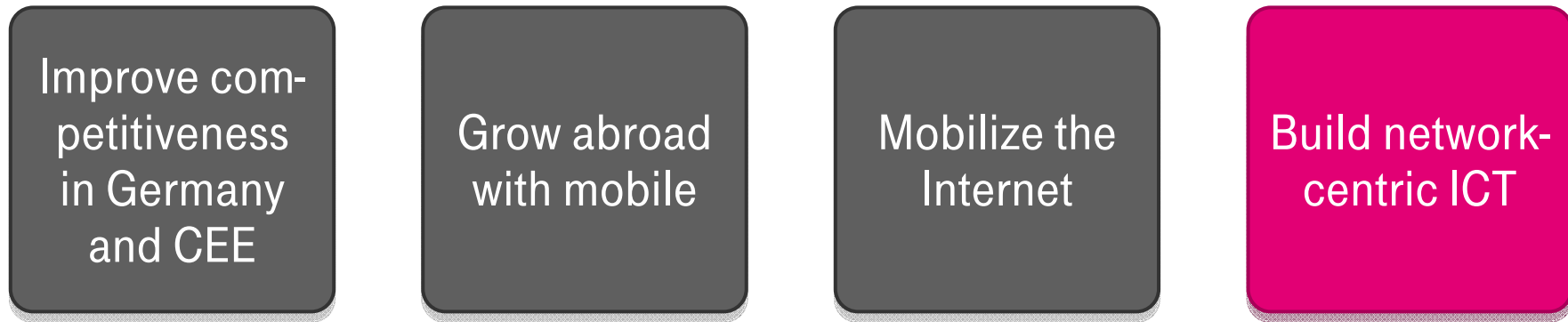
1 Germany, UK, Netherlands, Austria, Czech Republic.

2 Germany, UK, Netherlands, Austria





## Management update: Focus, fix and grow.



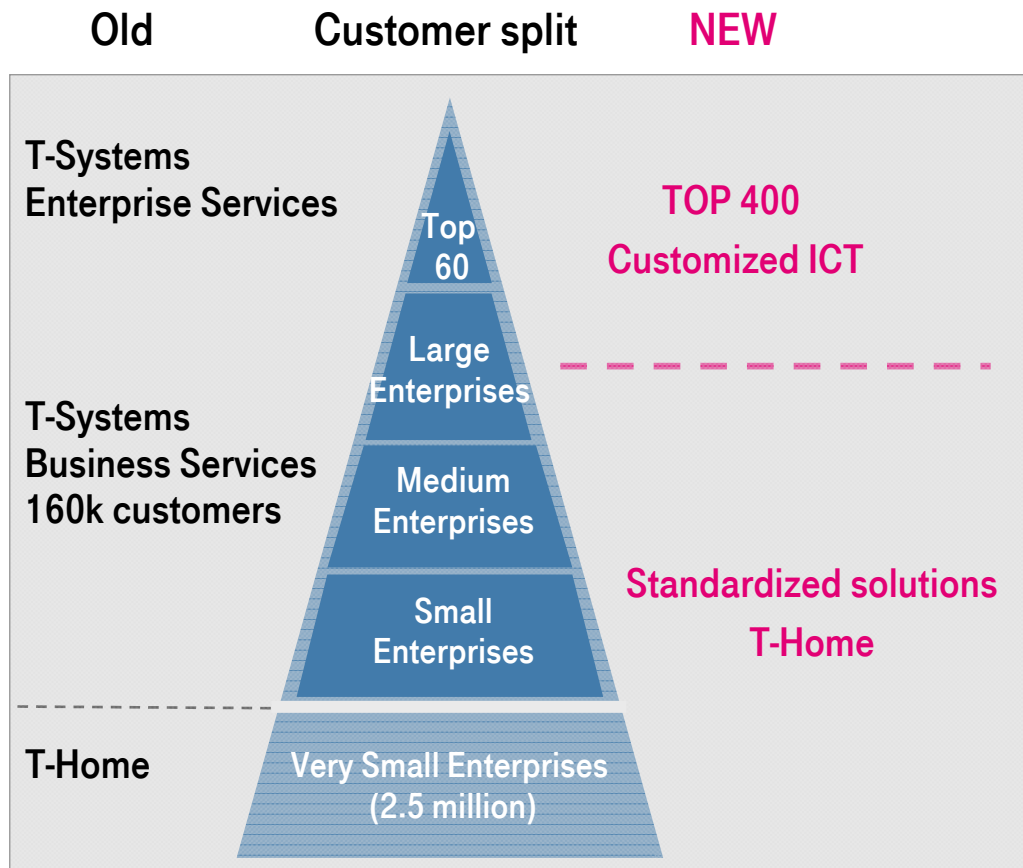
### Achievements Q3/08:

- Joint sales force and production unit with Cognizant established: weighted sales pipeline of €150 mn
- International sales strategy delivers – revenue up 9.9% in Q3/08 yoy
- Net domestic headcount reduced by 4,000 in Q3/08 yoy (incl. M&B)
- Adj. order entry up 12.9% yoy in Q3/08 to €2.4 billion
- Important deals with BMW, Stora Enso, and Alcatel-Lucent closed



# Transfer of 160k SMEs from T-Systems into T-Home.

Focus on underlying value chain.



- Affected SMEs request mainly standardized products of which 90% are already produced within T-Home
- T-Systems to focus on TOP 400 customers to deliver customized ICT
- Transfer of 6,300 employees into T-Home
- Common sales and service interface for standardized business solutions improves service and efficiency
- New structure becoming effective as of January 1, 2009
- Further operational and financial details to be provided in due course



## Targets for 2008 confirmed.

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



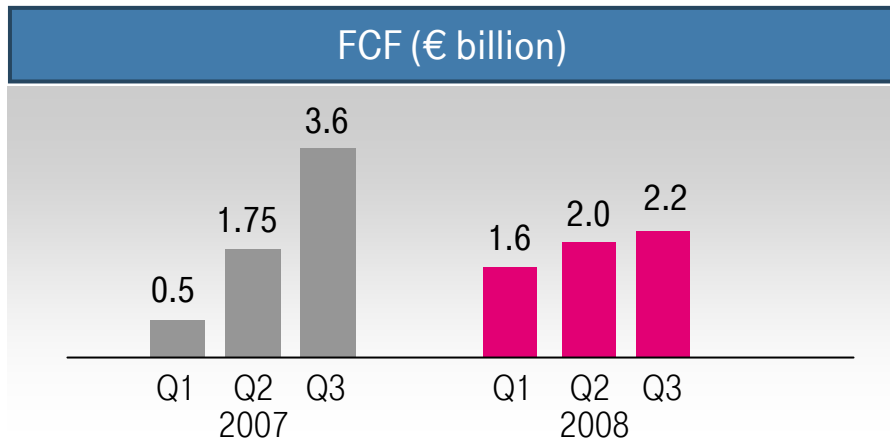
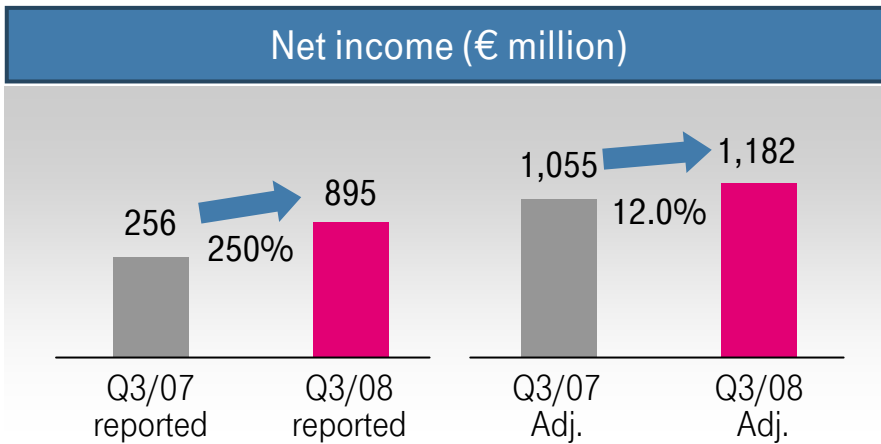
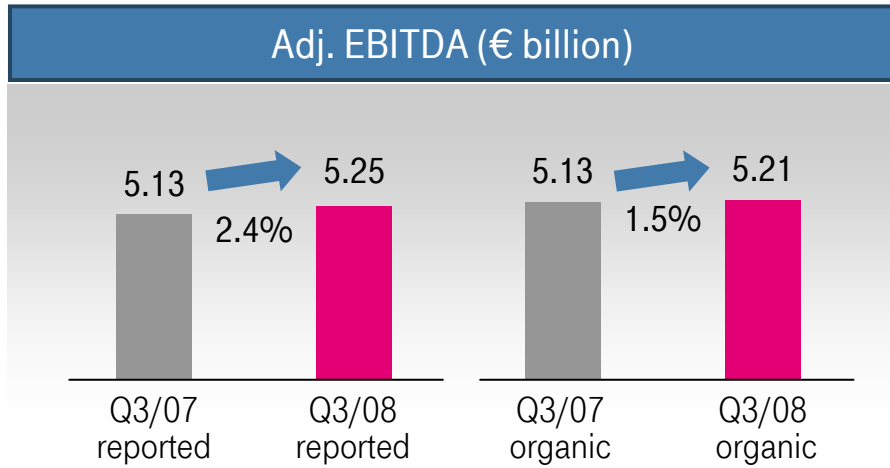
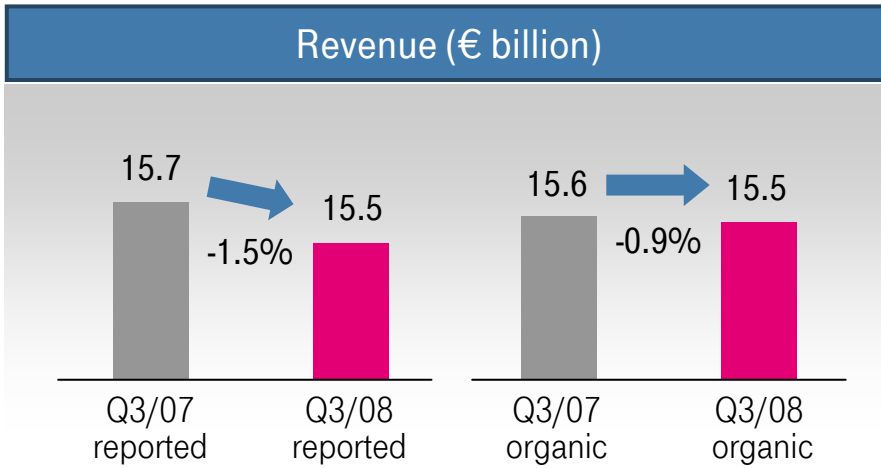
Q3/08.

Financials.

Dr. Karl-Gerhard Eick, CFO and Deputy CEO

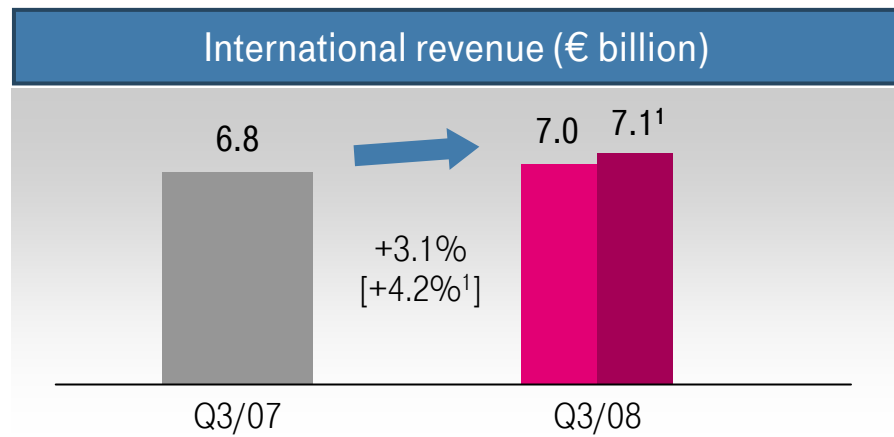
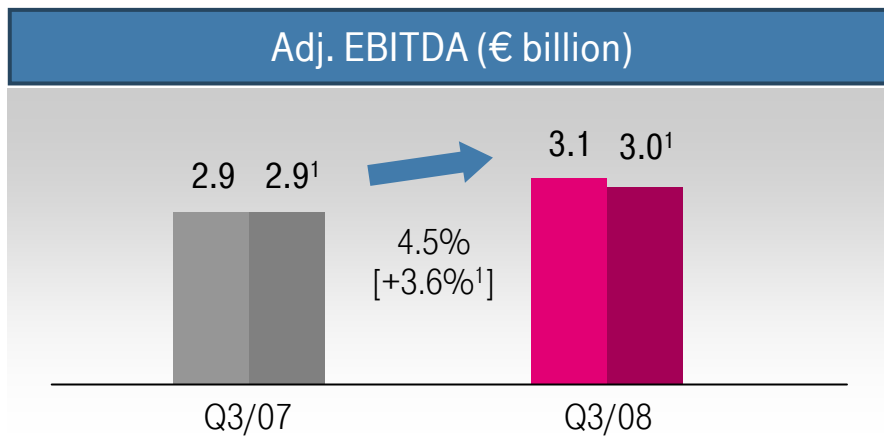
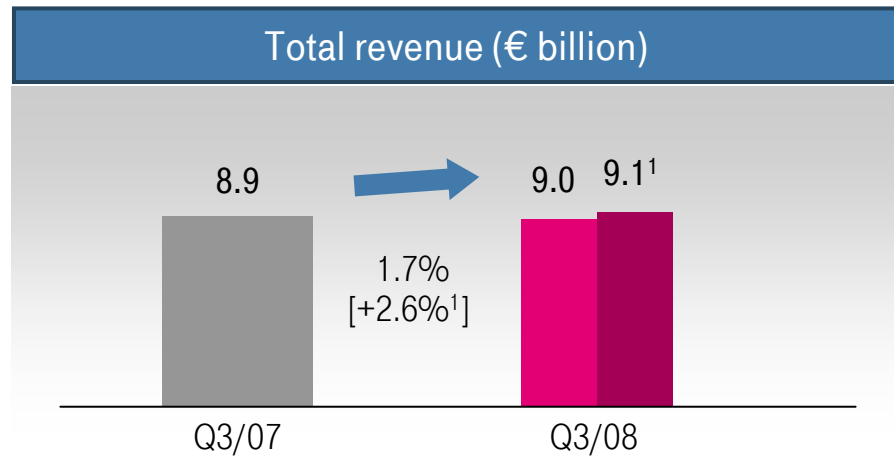
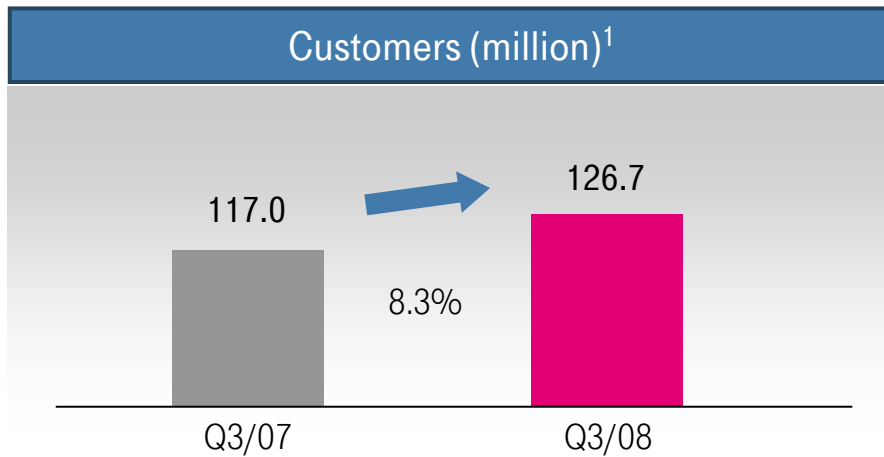


# Overview Group financials.



# Mobile summary.

127 million customers worldwide.

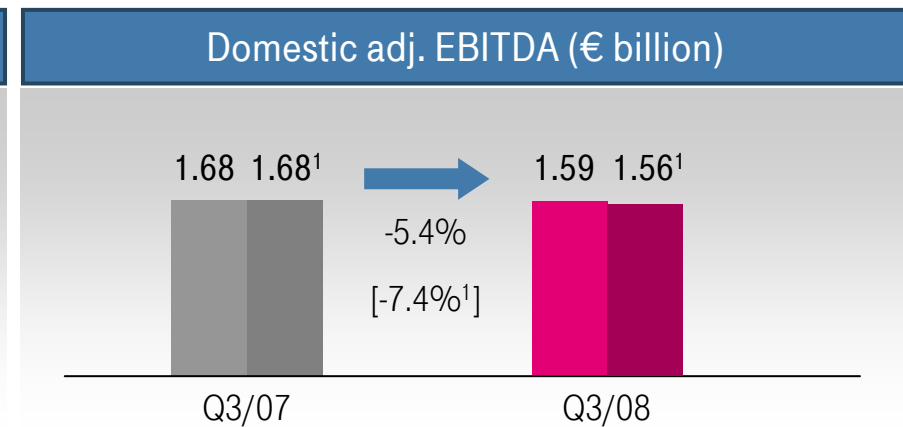
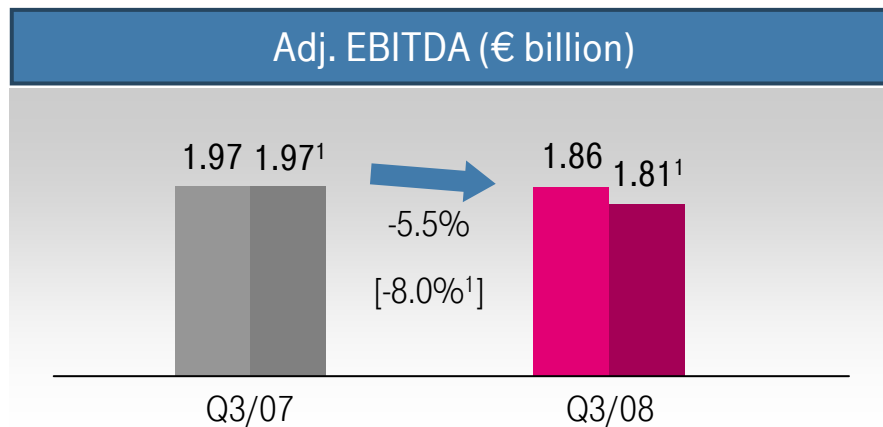
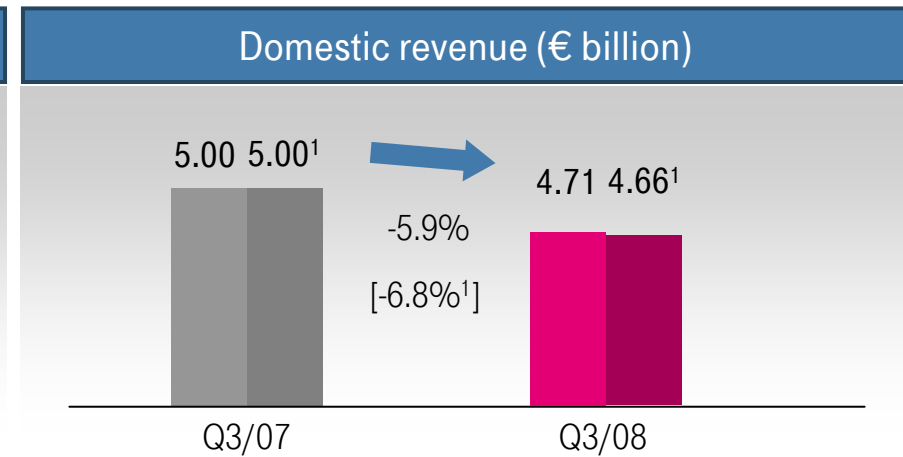
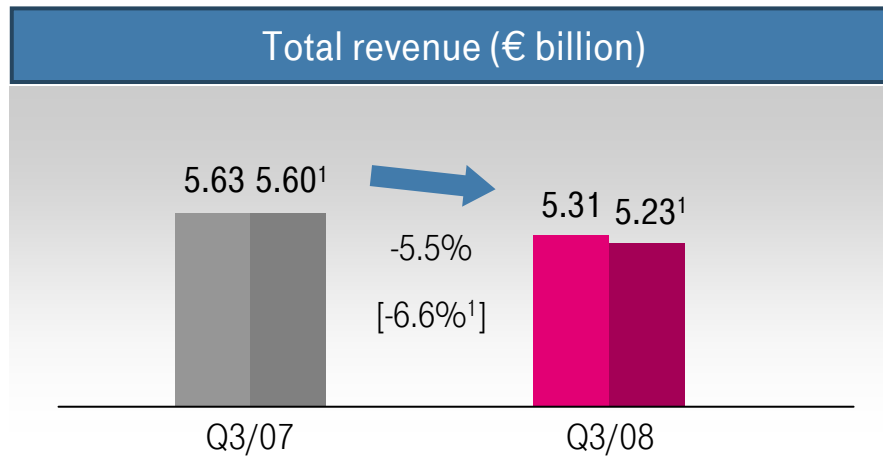


<sup>1</sup> Organic growth.



# BBFN summary.

Domestic revenue and adj. EBITDA in line with guidance.

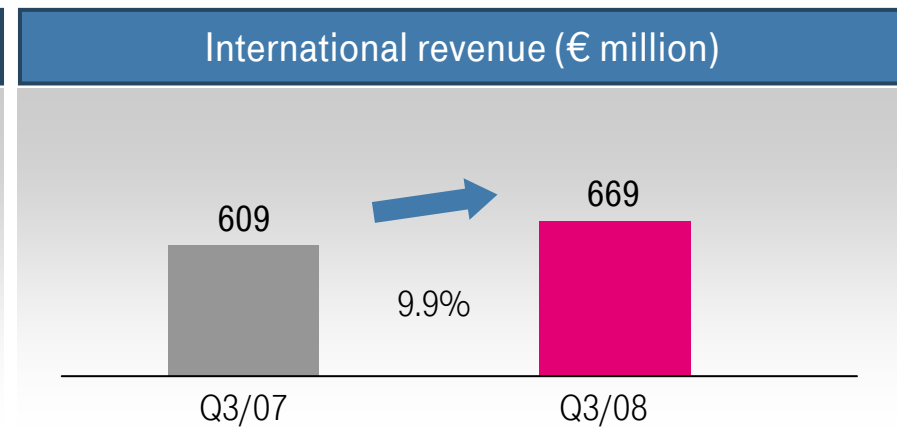
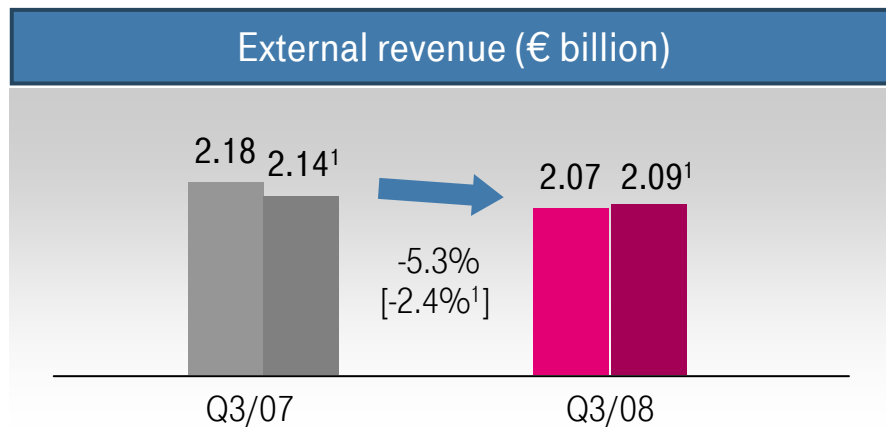
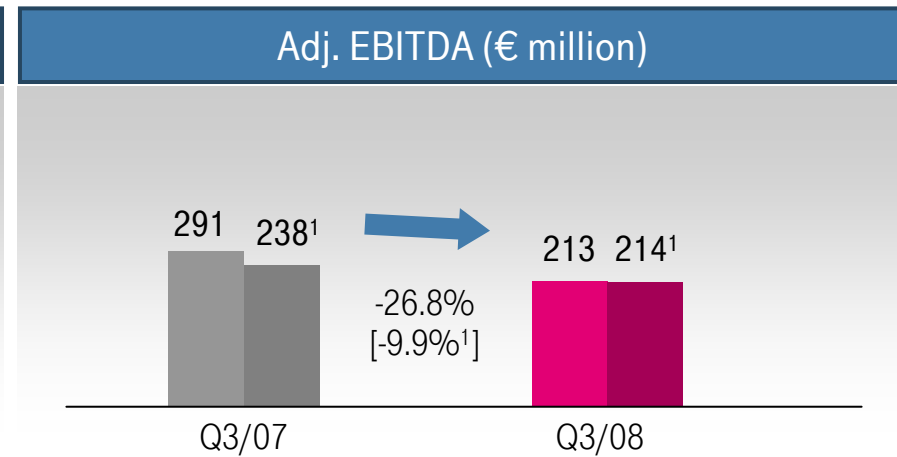
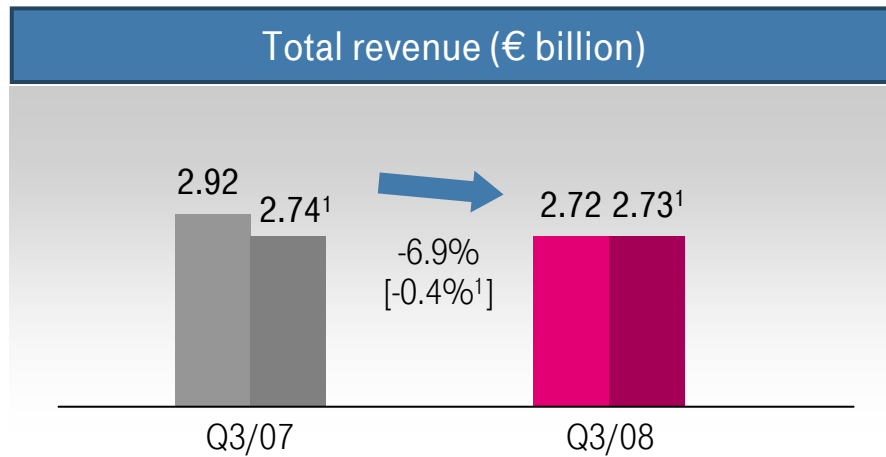


<sup>1</sup> Organic.



# Business Customers summary.

## Almost 10% growth in international revenue.

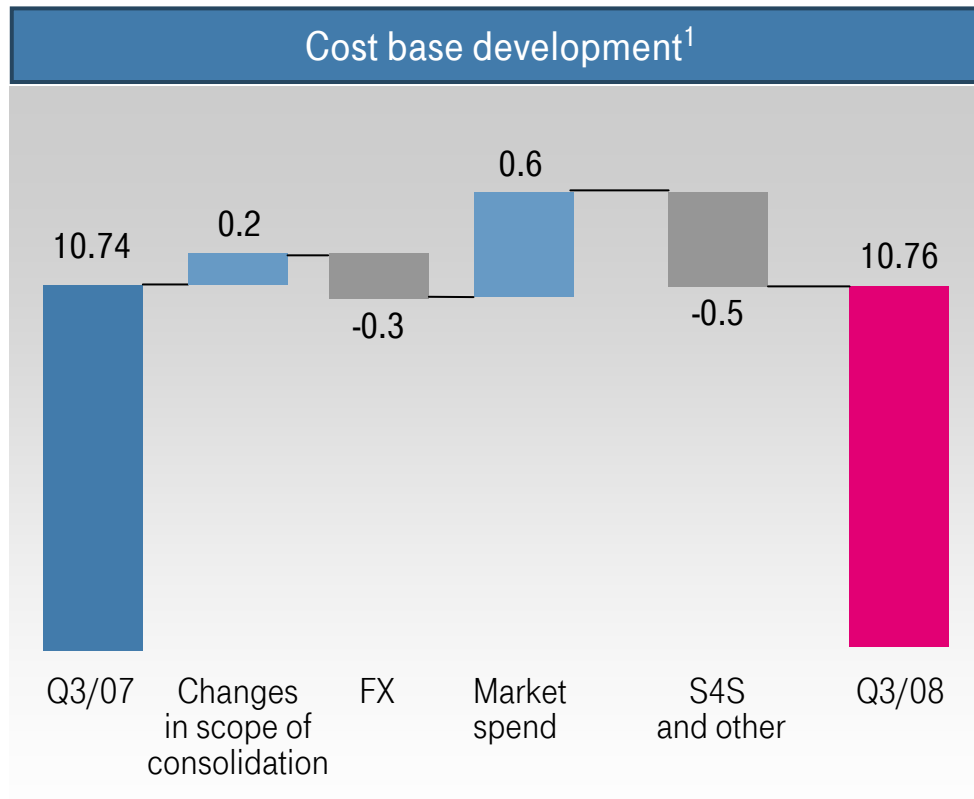


<sup>1</sup> Organic (adjusted for sale of Media & Broadcast and transfer of Active Billing to BBFN and assuming constant currencies).





# Save for Service – Gross savings and opex development.



- Total run rate of “Save for Service” (S4S) program at €3.5 billion annually
- Q3/08 contribution of “Save for Service” €0.5 billion
- €0.6 billion additional market spend – predominantly in mobile
- Net cost base reduction of €0.2 billion at BBFN domestic

¹ Defined as revenue less adj. EBITDA plus other income (excl. SF).



## Group headcount development: Q3 2007 to Q3 2008.

- **Group** headcount net reduction 11,500 FTEs (**-4.8%**) at the end of the period yoy
- Employees decrease in Germany: net 16,200 FTEs (-10,7%)
- Employees increase International: net 4,700 FTEs (+5.2%)
  - Increase in headcount at T-Mobile USA
  - Business Customers: continuation of the internationalization strategy
- Adj. personnel expenses in Q3 2008:
  - Approx. **2.5% reduction** for the Group to €3.2 billion
  - Approx. **6.5% reduction** domestically to €2.2 billion
- Adj. personnel cost ratio in Q3 2008:
  - Group cost ratio improved to **20.6%** from 20.8% in Q3 2007
  - Domestic cost ratio improved to **29.3%** from 29.4% in Q3 2007



## Q3 2008 – Free cash flow.

On track to achieve 2008 full-year guidance.

€ billion	Q3/08	Q3/07
EBITDA (reported)	4.9	4.9
Non cash items and others	0.1	0.0
Change in working capital and accruals	0.0	0.3
Income taxes	-0.1	0.4
Cash generated from operations	4.9	5.6
Incl. restructuring payments	-0.2	-0.2
Net interest payment	-0.6	-0.5
Net cash provided by operating activities	4.3	5.1
Investments in PP&E and intangible assets	-2.1	-1.7
Proceeds from disposal of assets	0.0	0.1
Free cash flow	2.2	3.6

Rounded figures.



Q3 2008 – Reported net income.  
Year-on-year increase by 250%.

€ billion	Q3/08	Q3/07
EBITDA	4.9	4.9
Depreciation and amortization	- 2.6	- 3.0
Net financial expense	- 0.7	- 0.7
- of which net interest expense	- 0.6	- 0.6
EBT	2.3	1.9
Income taxes	- 0.6	- 0.8
Earnings after taxes	1.1	0.4
Minorities	- 0.2	- 0.2
Net income	0.9	0.3

Rounded figures.



Q3 2008 – Adjusted net income.  
Adj. net income up 12.0% yoy.

€ billion	Q3/08 adjusted	Q3/07 adjusted
EBITDA	5.3	5.1
Depreciation and amortization	-2.6	-2.8
Net financial expense	-0.6	-0.7
- of which net interest expense	-0.6	-0.6
EBT	2.0	1.6
Income taxes	-0.7	-0.4
Earnings after taxes	1.4	1.2
Minorities	-0.2	-0.2
Net income	1.2	1.1

Rounded figures.



## Q3 2008 – Balance sheet ratios. Solid balance sheet.

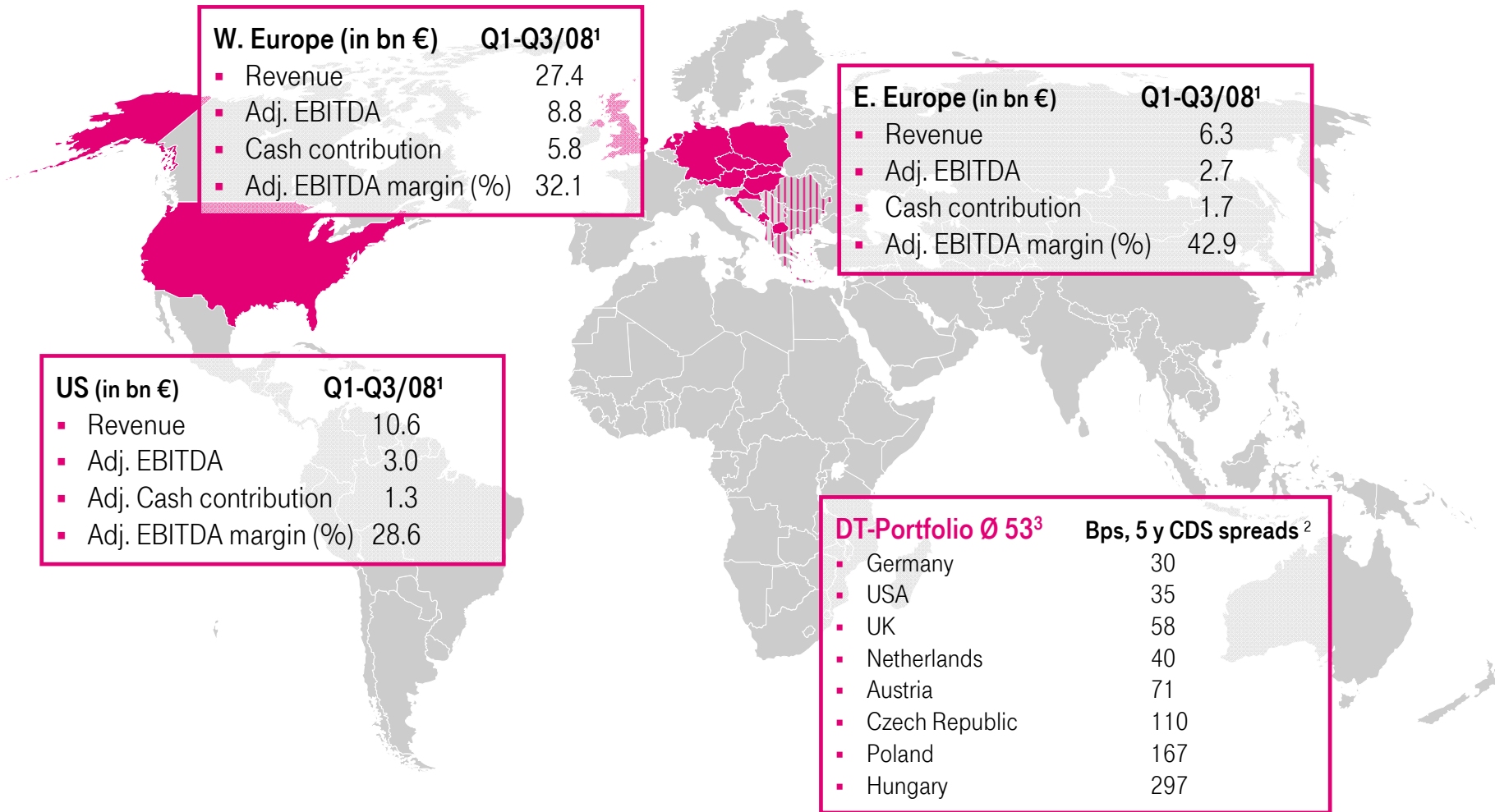
€ billion	30/9/2008	30/6/2008
Balance sheet total	123.4	120.1
Shareholders' equity	44.8	42.1
Net debt	39.4	40.6
Gearing	0.9x	1.0x
Equity ratio	36.3%	35.1%

<b>Net debt 30/6/2008 (€ billion)</b>	<b>40.6</b>
Free cash flow	-2.2
Dividends	0.2
Deconsolidation effects	0.4
F/X and other	0.4
<b>Net debt 30/9/2008 (€ billion)</b>	<b>39.4</b>



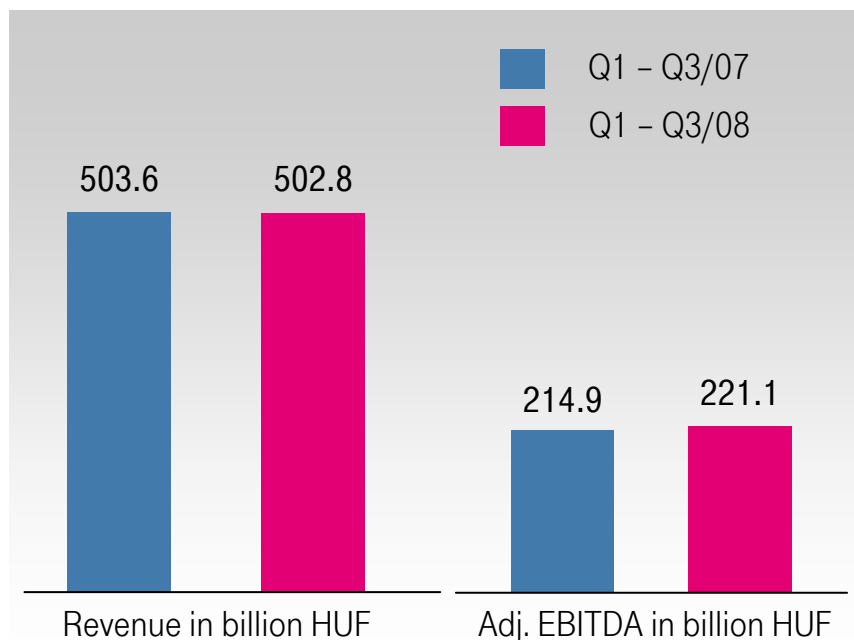
# DT's geographical reach.

Portfolio proves structural benefit in today's environment.



1 All figures are pro-forma, rounded and unaudited. 2 Source: Bloomberg as of 5<sup>th</sup> of November. 3 Average weighted by revenue.

## Q1–Q3 2008 – Magyar Telekom. No impact from economy.



- Adjusted EBITDA margin improved from 42.7% to 44.0%
- ROCE improved from 11.0% in Q1-Q3/07 to 12.4% in Q1-Q3/08
- Number of employees reduced by 11% from 11,850 as of Q3/07 to 10,560 as of Q3/08
- Number of mobile customers increased from 6.1 million as of Q3/07 to 6.9 million as of Q3/08
- Number of broadband customers increased from 715k as of Q3/07 to 864k as of Q3/08

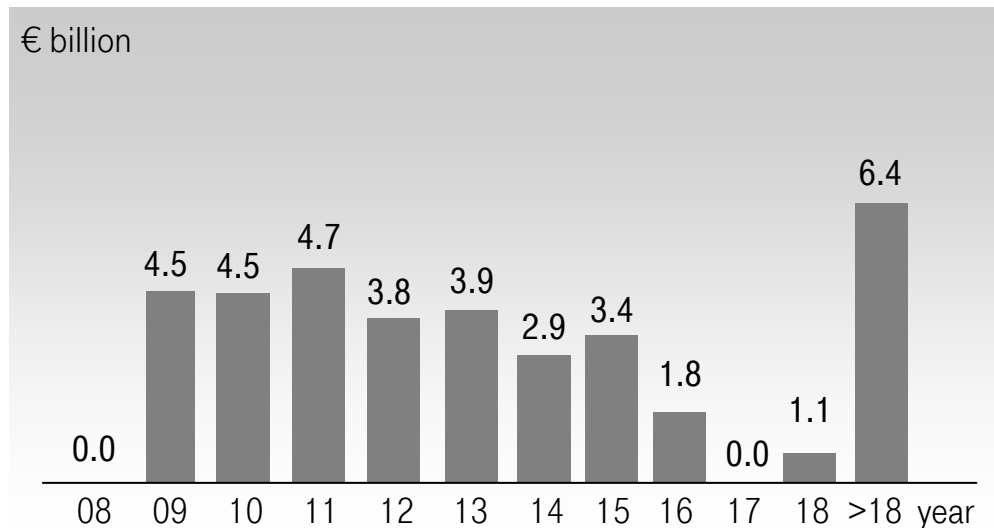
Figures based on Magyar Telekom IFRS





## Q3 2008 – Maturity profile.

€6.2bn funded across various markets with tenors of at least 5 years.



Bonds, Medium Term Notes (MTN), and Schuldscheindarlehen maturities as of September 30

- €1.5 bn Eurobond
- US\$1.5 bn US\$ bond
- €1.3 bn Schuldscheindarlehen
- €1.3 bn MTNs (retail-targeted)
- €0.5 bn loans from European Investment Bank
- Equivalent of €0.3 bn Samurai bond
- €0.2 bn MTNs (private placement)
- **€6.2 bn total**

### Current Rating

Moody's: Baa1, stable outlook (long term) and P-2 (short term)

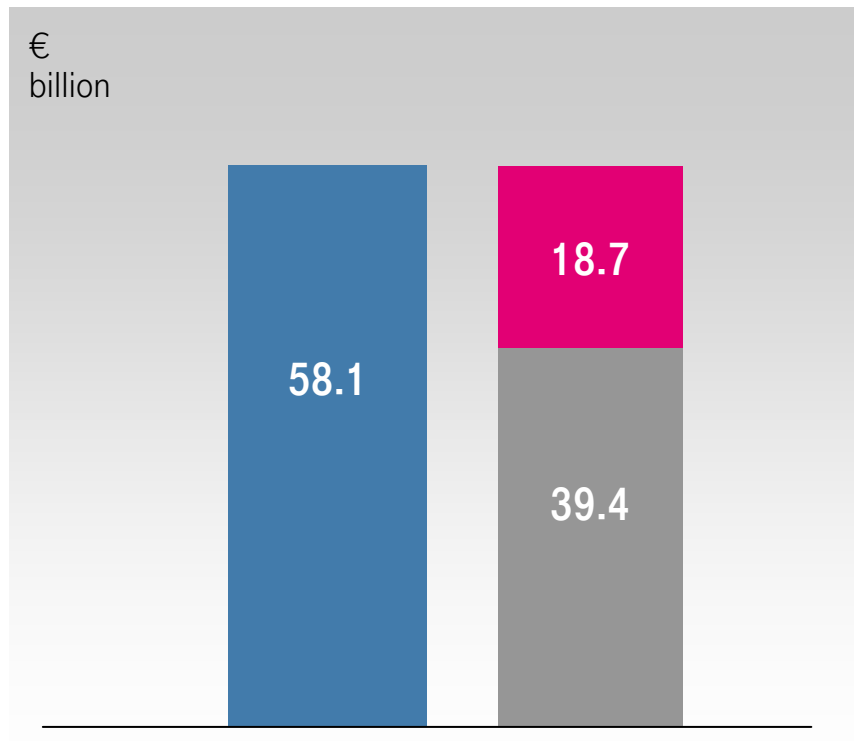
S&P: BBB+, stable outlook (long term) and A-2 (short term)

Fitch: A-, negative outlook (long term) and F2 (short term)

R&I: A, stable outlook (long term)



# Liquidity reserves as of September 30, 2008.



Liquidity reserves (€ billion)	18.7
Unused bilateral credit lines (average remaining contract duration: 2.4 yrs)	14.2
Assets	4.5

- Total line availability
- Liquidity reserves
- DT Group net debt



Thank you for your attention!

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