Deutsche Telekom

Analyst Presentation
August 28, 2001

Deutsche
Telekom

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Highlights and Strategy

Dr. Ron Sommer
CEO

Deutsche
Telekom

Strong fundamentals

Strategic direction right on track

- Improved operational earnings power
  - Mobile EBITDA margin increased from 13% in H1/00 to 23% in H1/01
  - T-Com EBITDA margin above 30% in H1/01
  - EBITDA losses at T-Online International further reduced
- Delivering on our promises
  - H1/01 revenues grew by almost 17% to € 22.5 billion
  - On track to double mobile EBITDA by year-end: from € 0.6 billion in H1/00 to € 1.4 billion in H1/01
  - 2001 Group EBITDA margin targeted at around 30% (adjusted for special influences)
- Changing Deutsche Telekom's growth profile
  - VoiceStream/Powertel acquisition closed on May 31, 2001
  - Further steps in Eastern Europe

First-half 2001: key figures

Double-digit increases in revenues and adjusted EBITDA

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

* Calculated on the basis of exact values.

** Without special effects.

Powerful presence in Europe and USA

Almost one quarter of group revenues from outside Germany

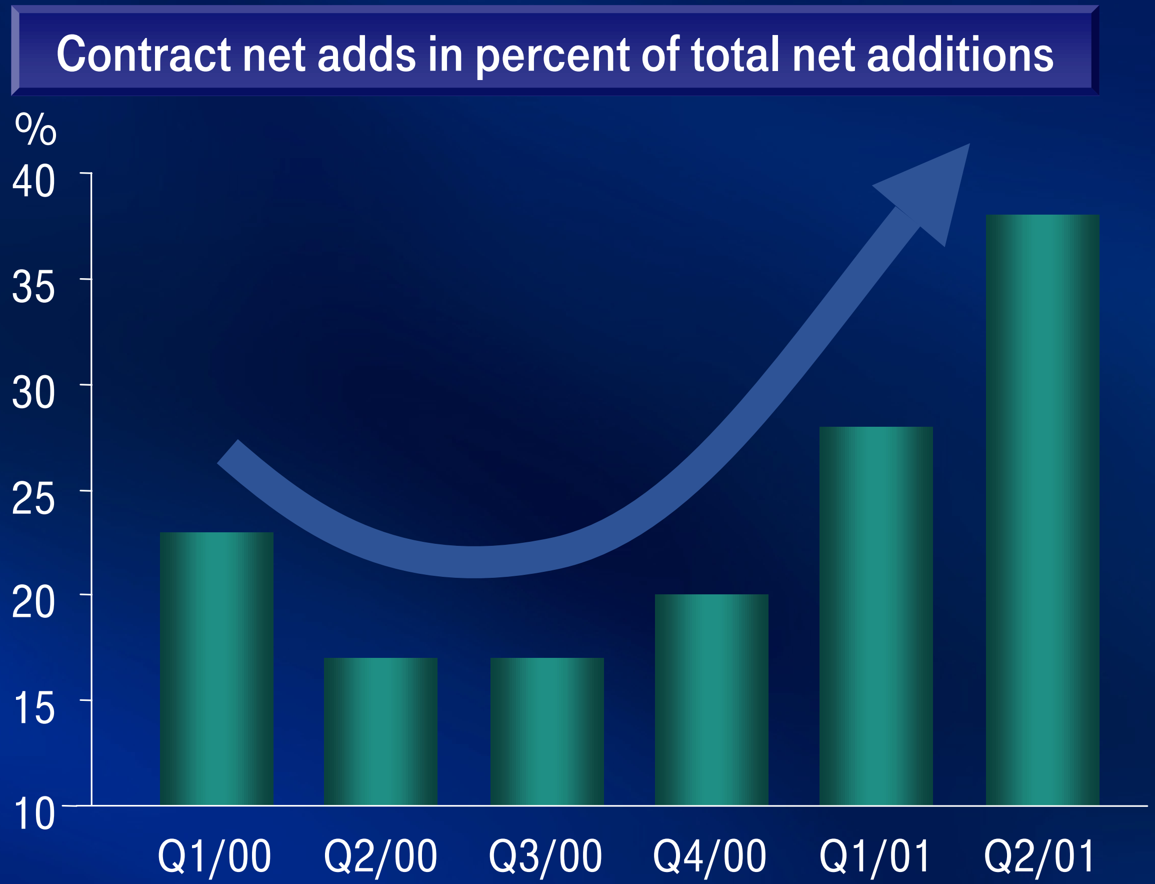
* Including one month PTEL/VSTR revenues

VoiceStream.
Changing the Group's growth profile

- Double-digit revenue CAGR (2001 - 2004)
- Group EBITDA CAGR (2001 - 2004) increases from 6.6% to 13.9%
- WorldClass tariff implemented, offering seamless roaming at an attractive price for TMO customers
- Leveraging of DT's purchasing power leads to first cost reductions
- Integration teams on branding/marketing, devices, and infrastructure procurement

T-Mobile
T-D1 No. 1 in Germany

Shift towards high-value customers

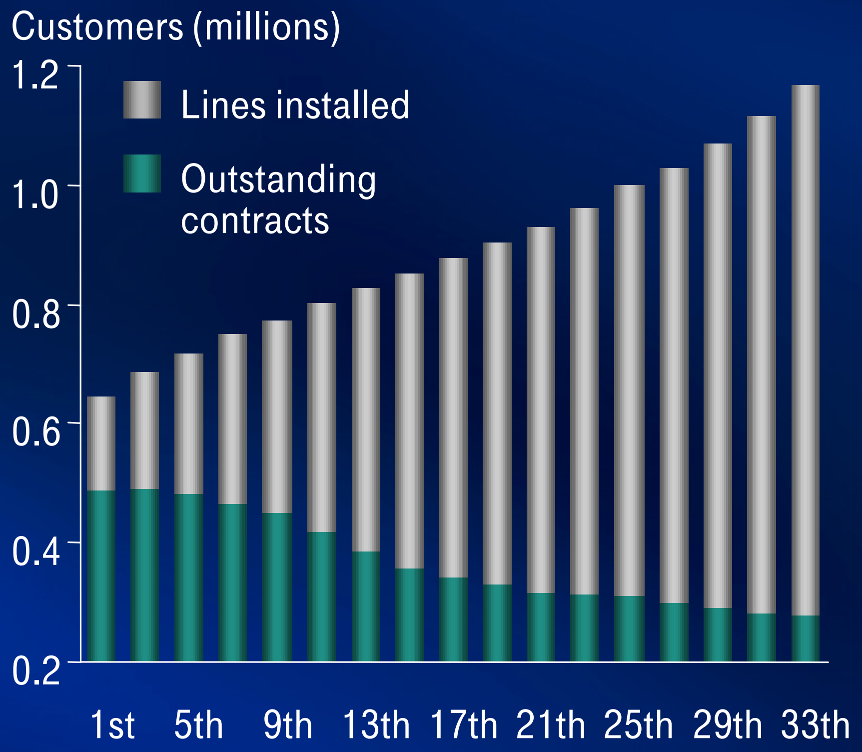


- No. 1 in Germany on total subscribers and blended ARPU
- Net adds in contract are picking up (38% of total net adds)
- Prepay SACs in Q2 reduced from € 133 to € 60 compared with last year

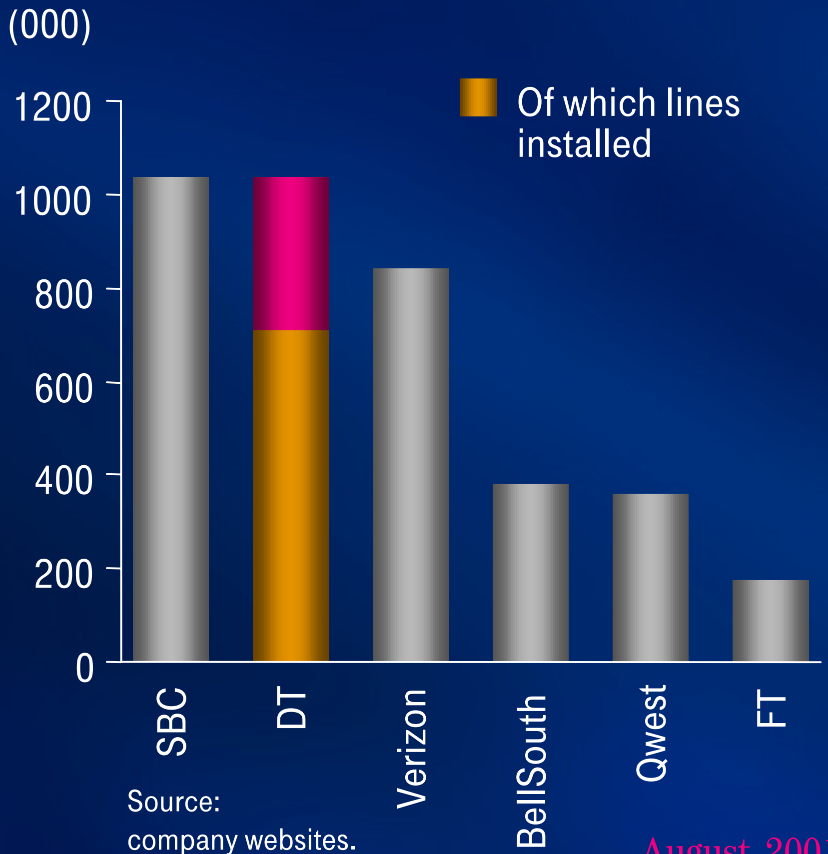
T-Com –
At the forefront of DSL technology

Well on track for 90% coverage by year end

T-DSL installations



DSL customers as of H1/01



Source:
company websites.

T-Systems –
No. 2 systems house in Europe

Strong growth after successful integration

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

* pro forma, unaudited

T-Systems – Global network infrastructure

€ 500 million capex in 2001

Responsibilities for international network infrastructure and international carrier services will shift from T-Com to T-Systems

T-Online – Focus on profitability

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

T-Online Germany

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

Club Internet

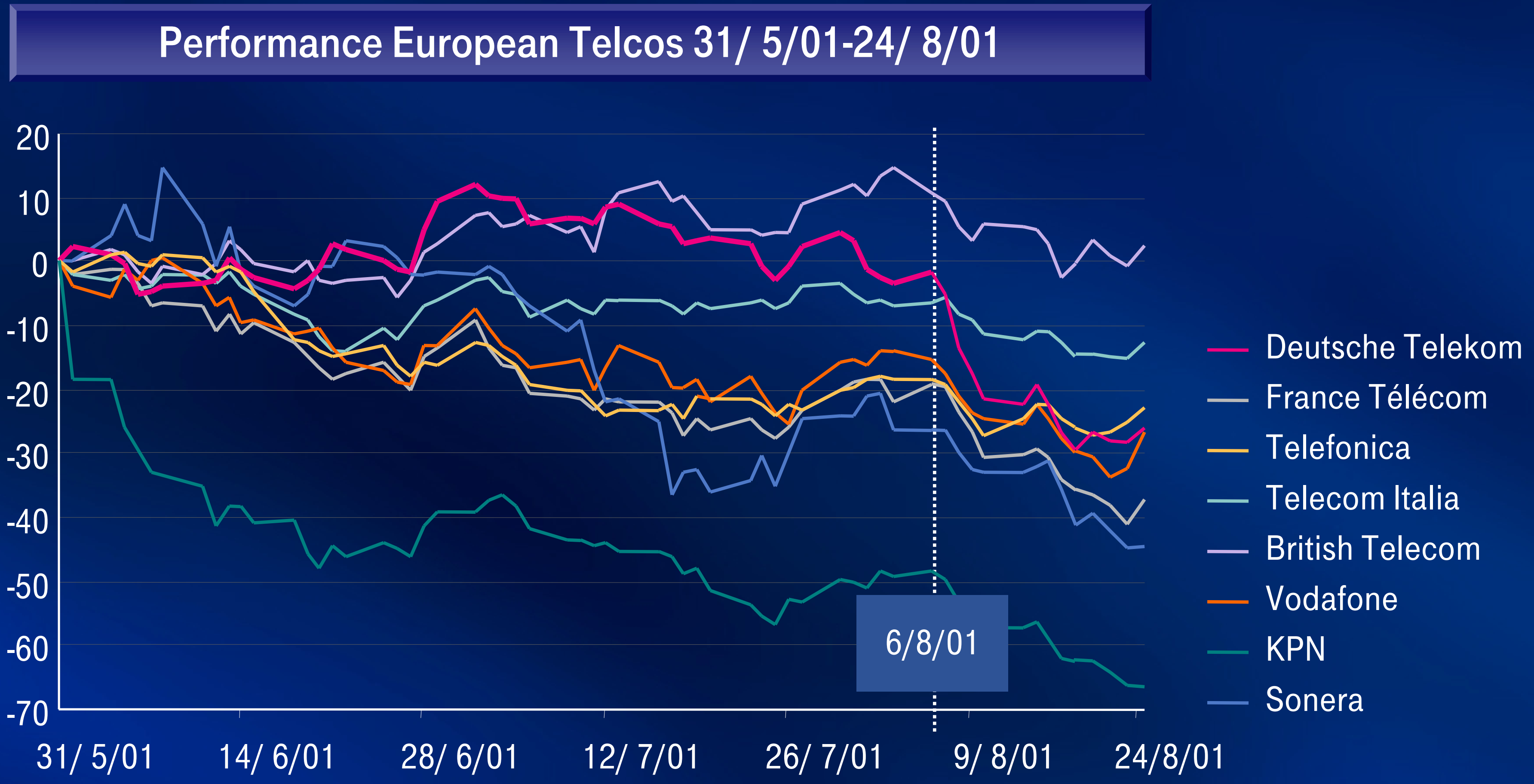
- The French market is in a strong consolidation phase
- New offerings, Premium Services, and access products are being developed and will be launched soon

Ya.com

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

Flowback management (1)

Flowback management successfully until block trade



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Flowback management (2)

57% of new shares already recycled

(in million T-shares)

1,168

- **590** Free float
  - Successfully redistributed
  - approx. 600 million shares held by US investors (28% of freefloat) as of June 30
- **578** Insider total
  - **58** Sold pre-closing
  - **22** Pre-released and sold (Sonera)
  - **498** 43% of shares issued
    - **209** As of September 1 (10x average daily trading volume*)
    - **289** As of December 1 (14x average daily trading volume*)

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

Flowback – Sonera

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

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

Flowback management

Core shareholder shares free of lock-up

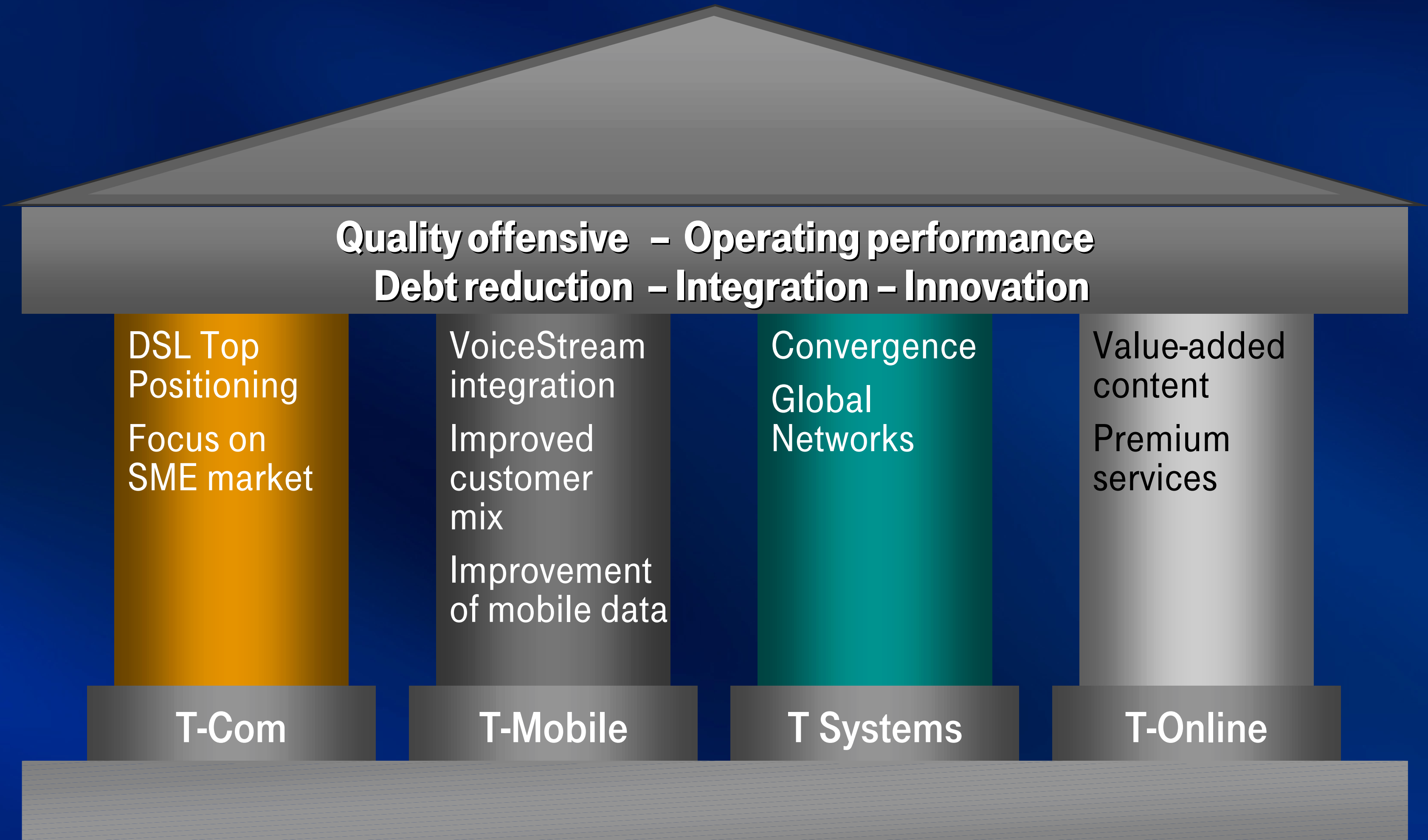
Insiders (DT shares)	from 1/9/01	(ADTV)	from 1/12/01**	(ADTV)
Hutchison Whampoa (171.2m)	82.6m	(4.1x)	88.6m	(4.4x)
Telephone and Data Systems (131.5m)	52.6m	(2.6x)	78.9m	(3.9x)
Sonera Corporation (49.1m)*	11.8m	(0.6x)	37.3m	(1.9x)
SCANA Com Holdings (39.0m)	15.6m	(0.8x)	23.4m	(1.2x)
The Goldman Sachs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

* Includes Powertel stake

** Includes shares not sold in lock-up period between VoiceStream shareholder vote and closing

Our agenda going forward

Turning potential into performance



Financials

Dr. Karl-Gerhard Eick
CFO

Deutsche
Telekom

Strong financial position

Proactive financing activities over the last 18 months

Financing activities (€ billion)	
Global Bond	15.0
Syndicated Loan	18.0
Samurai Bond	1.5
Eurobond	8.0
EMTN	8.3
Total	50.8

Asset disposal program (€ billion)	
Global One	2.9
T-Online	2.9
Cable Assets	3.2
Wind	2.7
Sprint (FON + PCS)	3.5
Total	15.2

Net debt position

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

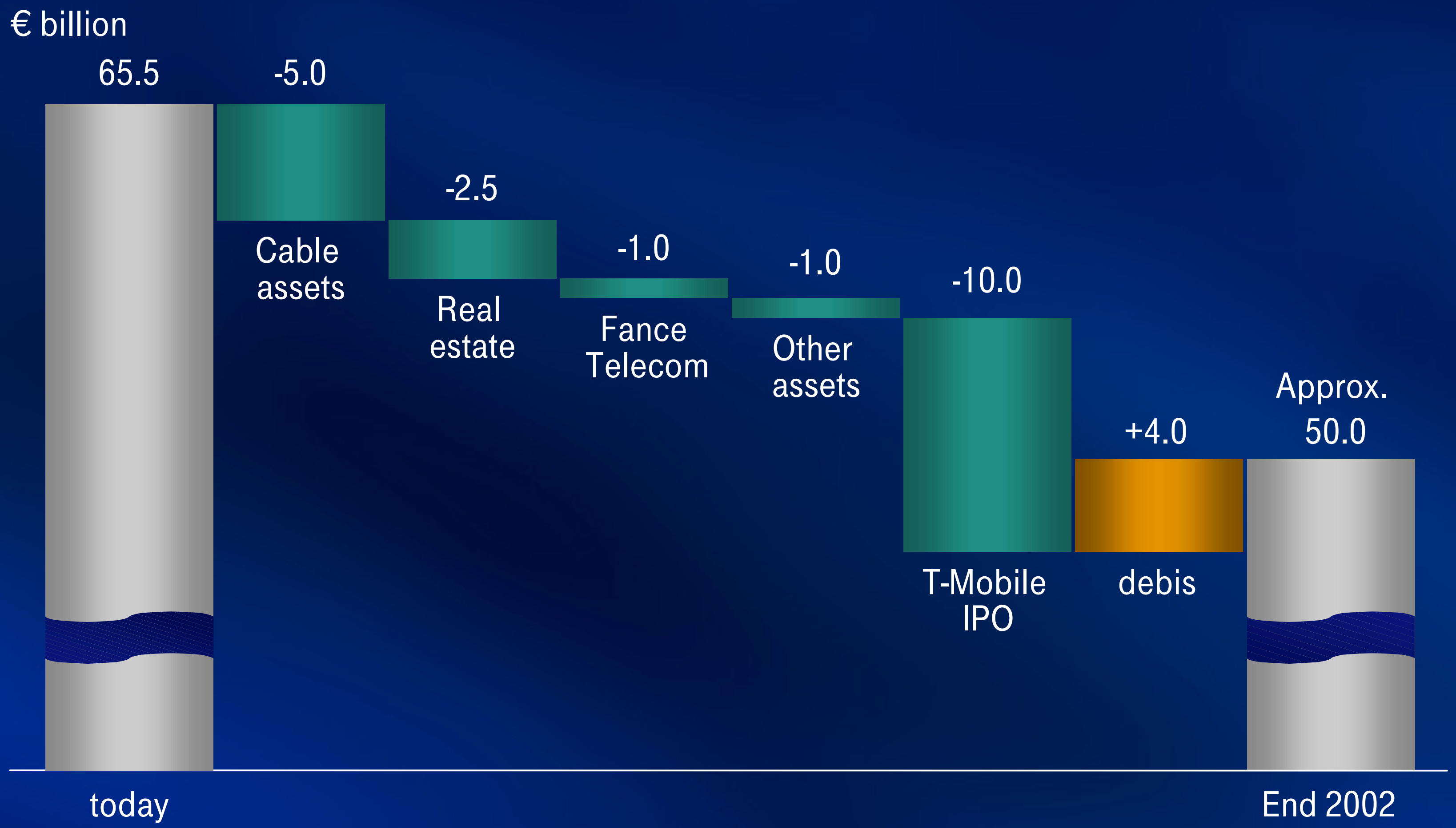
Net debt (01/01/01)	**€ 56.5 bn**
First consolidation VoiceStream	8.3
Cash component VoiceStream	4.9
Sprint	-3.5
WIND	-2.7
Dividend (net)	1.4
Radiomobil	0.6
Net debt (current)	**€ 65.5 bn**

Financing reserves*	**€ 28.3 bn**

* Committed open credit lines and cash.

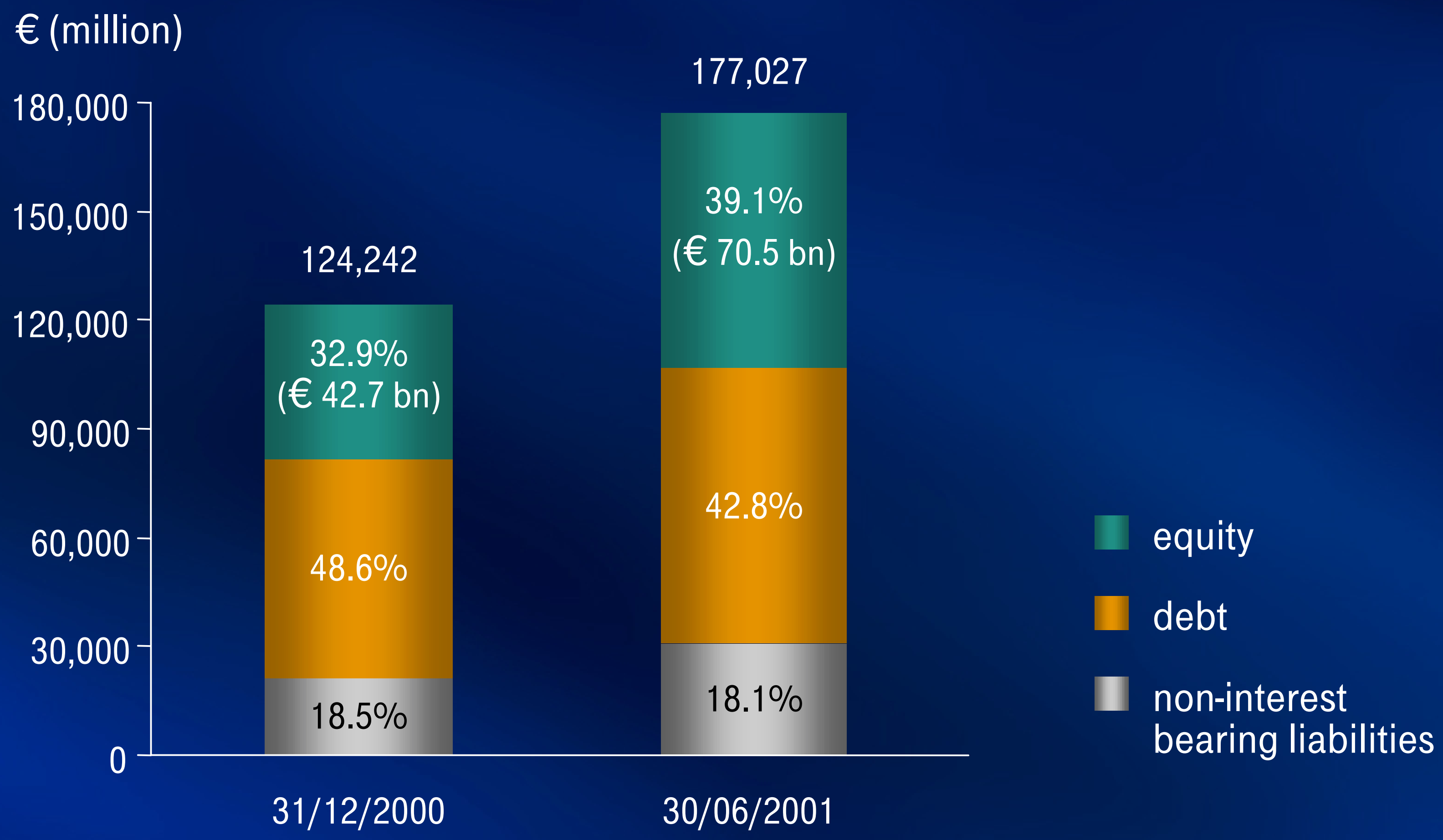
Debt reduction

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



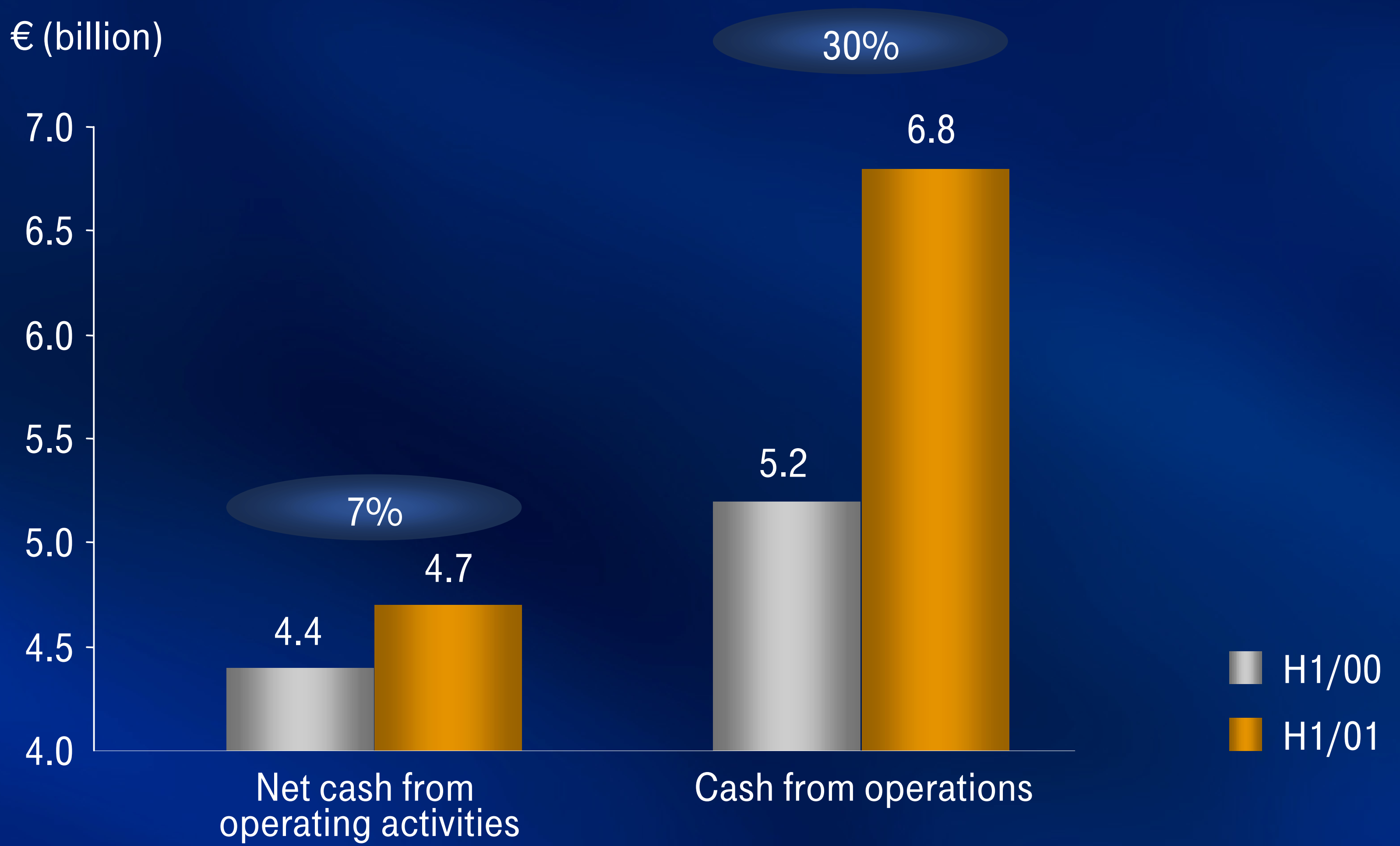
Improved equity ratio

Equity increases from € 42.7 billion to € 70.5 billion



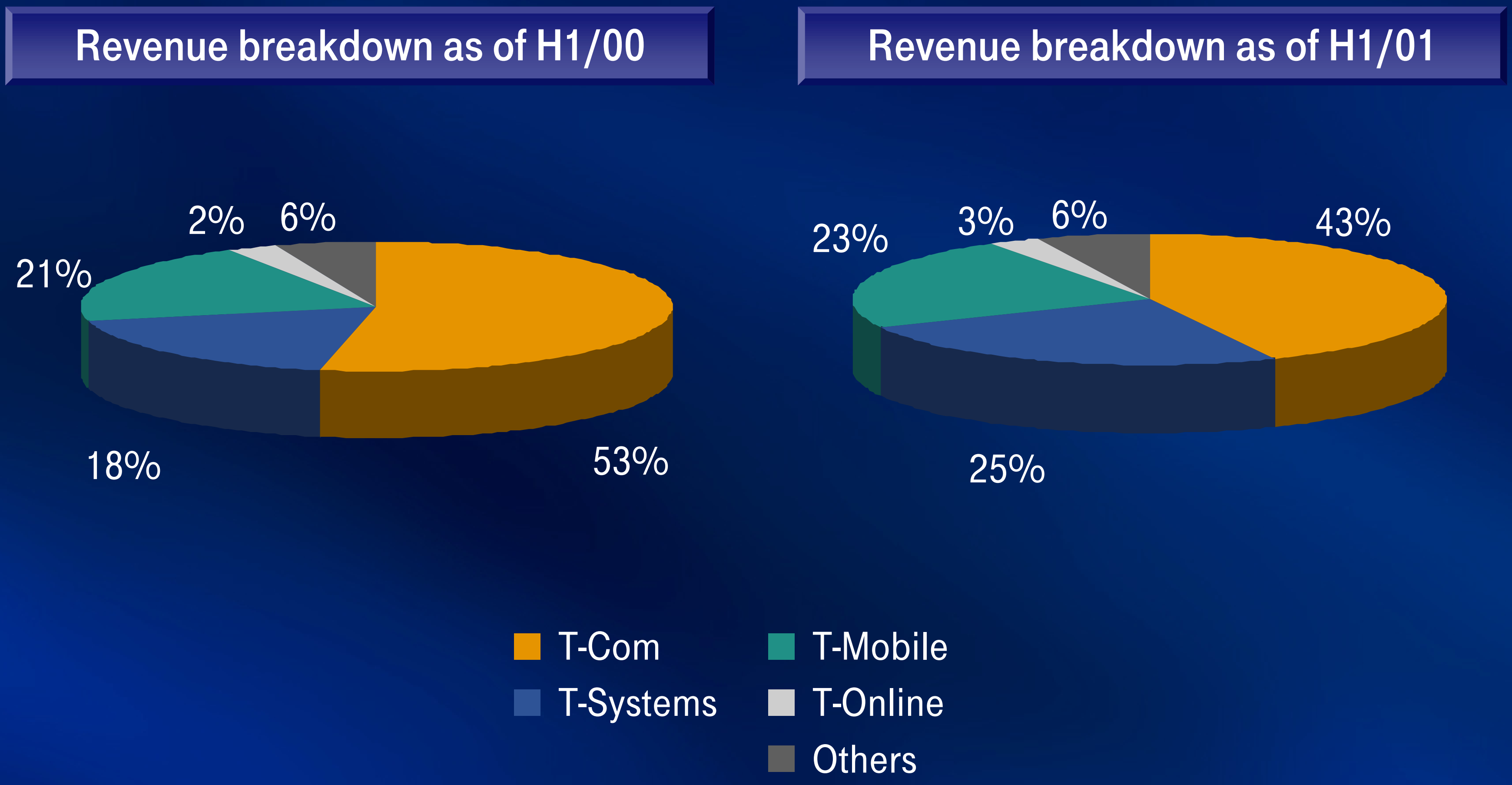
Strong Cash Flow

Capex and interest payments more than covered by cash from operations



Revenue breakdown

Changing our business mix dramatically



T-Mobile

H1/01 EBITDA already on level of entire year 2000

Euro (million)	H1/2001	H1/2000	Δ Euro	Δ%
Revenue	5,973	4,557	1,416	31.1 %
EBITDA (reported)	1,375	597	778	130.3 %
Adjusted EBITDA	1,375	597	778	130.3 %
Adj. EBITDA-Margin	23.0	13.1	n/a	n/a

VoiceStream – key figures

VoiceStream performance on track

VoiceStream incl. one month of Powertel			
	Q1/2001	Q2/2001	H1/2001
Covered POPs (million)	112	145	145
Subscribers (‘000)	4,390	5,953	5,953
ARPU (blended) $	51	51	51
Service revenues ($ million)*	638	744	1,382
Adjusted EBITDA ($ million)	-134 **	-85 ***	-219
EBITDA margin	-21%	-11%	-16%
Capex ($ million)	564	395	959

* Subscriber, prepaid, and roaming revenues.

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

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

VoiceStream and Powertel

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

Purchase price (€ billion)	VSTR	PTEL	Total US-GAAP	July 2000 US-GAAP	Total HGB
thereof share exchange	24.9	6.4	31.3	45.8	28.4
■ thereof cash component	4.9	0	4.9	8.5	4.9
■ thereof initial investment/others	6.0	0.1	6.1	6.9	6.1
Total	35.8	6.5	42.3	61.2	39.4
thereof goodwill	18.4	5.6	24.0	44.7	25.0

VoiceStream and Powertel

Expected goodwill and license amortization

€ billion		Amount	Amortization period	Income effect plan 2001	Income effect following years
Licenses	HGB	24.1	20	0.7	1.2
Goodwill	HGB	25.0	20/7/3	0.9	1.5
Total	HGB	49.1	n/a	1.6	2.7
Licenses	US-GAAP	24.1	20	0.6 *	1.0 *
Goodwill	US-GAAP	24.0	20 **	0.7	0 **
Others	US-GAAP	1.9	3/7	0.2	0.4
Total	US-GAAP	50.0	n/a	1.5	1.4

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

** As of January 1, 2002 goodwill will not be amortized over a period of time due to the introduction of „impairment tests“.

T-Com

Stable adjusted EBITDA margin

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

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

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

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

**** EBITDA margin adjusted for mentioned effects.

T-Systems

Convergence world drives future growth

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

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

** Without the sale of Global One (€ 2,864 million).

T-Online*

EBITDA improvement from Q1/01 to Q2/01

Euro (million)	Q2/2001	Q1/2001	Δ Euro	Δ%
Revenue	346	361	- 15	- 4.2 %
EBITDA (reported)	- 25	- 27	2	7.4 %
Adjusted EBITDA	- 25	- 27	2	7.4 %
EBITDA TOI**	- 57	- 66	9	13.6%

* Division including DeTeMedien.

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

Others

H1/2001 vs. H1/2000

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

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

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

Outlook

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