

# FY 2007 Conference call. Deutsche Telekom.

February 28, 2008



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# FY 2007. Highlights.

René Obermann, CEO

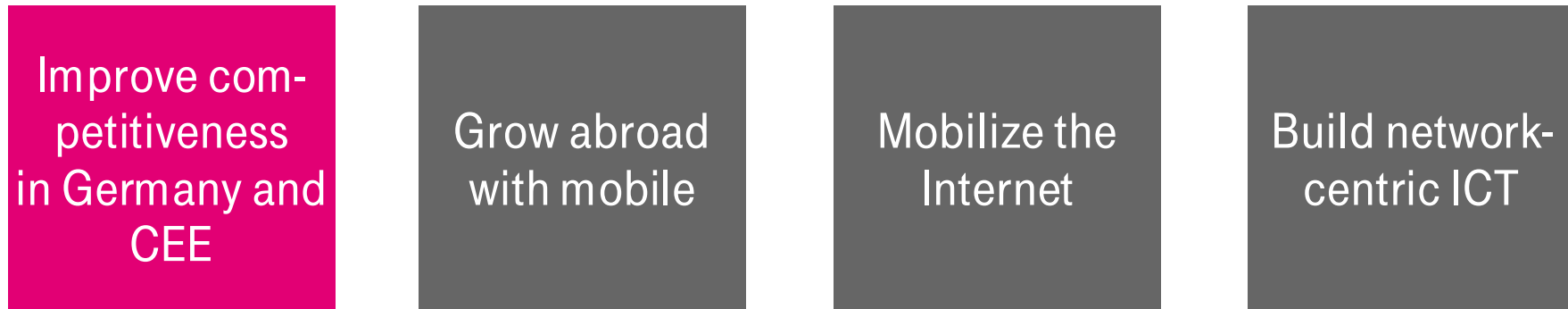


# 2007 Highlights: Delivering on what we promised.

	Target		Achieved
Adj. Group EBITDA	Around €19 billion	▶	€19.3 billion ✓
Free cash flow	Around €6.5 billion (raised from €6 bn)	▶	€6.6 billion ✓
„Save for Service“	€2 billion gross savings	▶	€2.3 billion gross savings ✓
Net cost reduction at BBFN domestic	€0.9 billion	▶	€0.9 billion ✓
Dividend policy	Maintain attractive dividend policy	▶	€0.78 dividend proposed ✓
Broadband net adds market share Germany	40-45%	▶	44% ✓
Second brand	Launch of “Congstar”	▶	200k customers as of Jan. 08 ✓
Mobile	Grow abroad with mobile	▶	Strong organic growth Acquisitions: Orange NL, SunCom ✓
Business Customers	Build the network centric ICT business with a partner	▶	In advanced negotiations



# Management update: Focus, fix and grow.



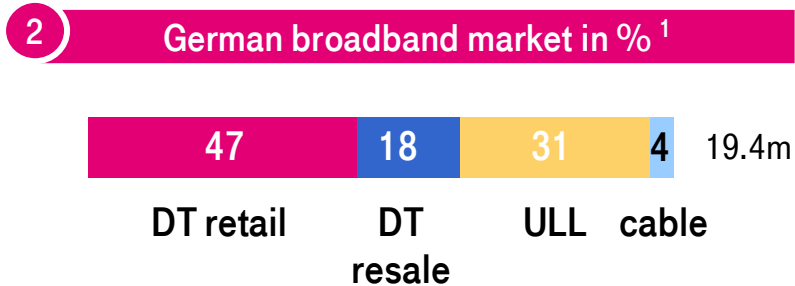
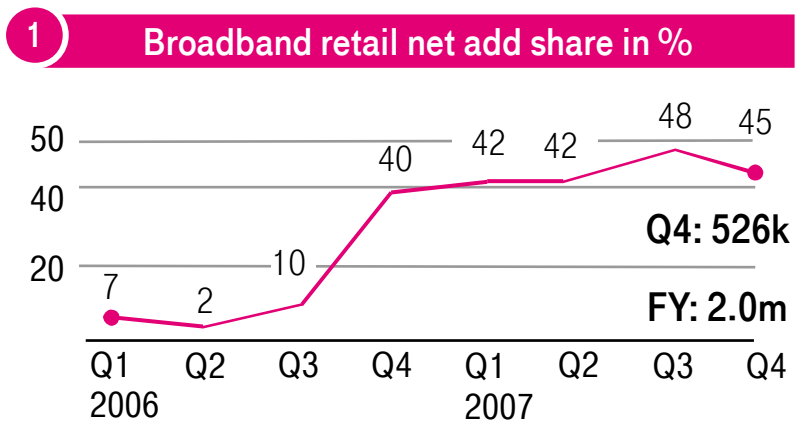
## Achievements 2007:

- DSL retail market share of net adds at 44% – target ratio of 40-45% achieved (FY 2006 18%)
- Successful retention: 85% of DSL retail base under contract with up to 24 months duration
- Good start for Triple Play products – 150k customers signed up as of Q4
- Quality measures significantly improved
- BBFN Germany improved quarterly adj. EBITDA margins sequentially in 2007 – Q4 margin of 36.0%
- Second brand “Congstar” successfully launched
- Exclusive launch of iPhone in Germany
- Robust contract customer growth (+962k) at T-Mobile Germany in 2007
- Appr. 8% reduction in adj. domestic personnel expenses from €10.24 billion to €9.45 billion in 2007

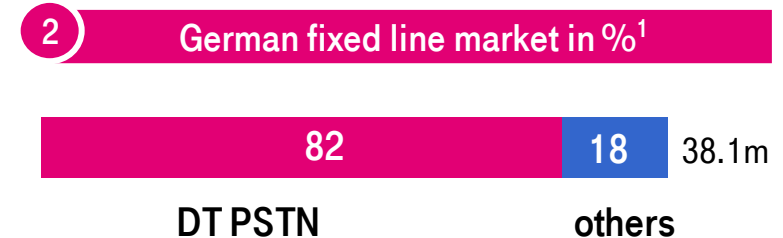
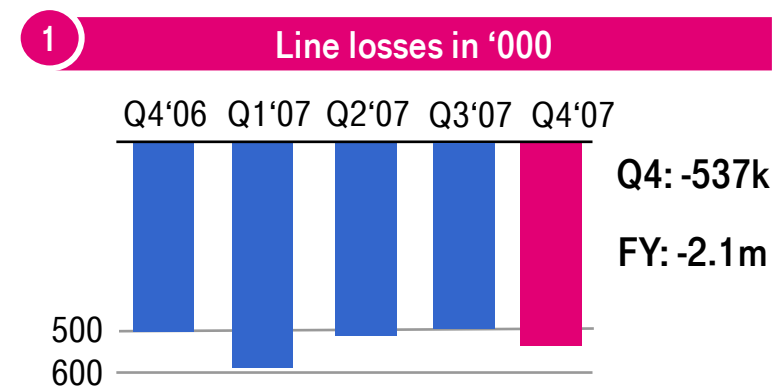


# Deutsche Telekom more than doubles share of DSL new customer business.

## DSL broadband



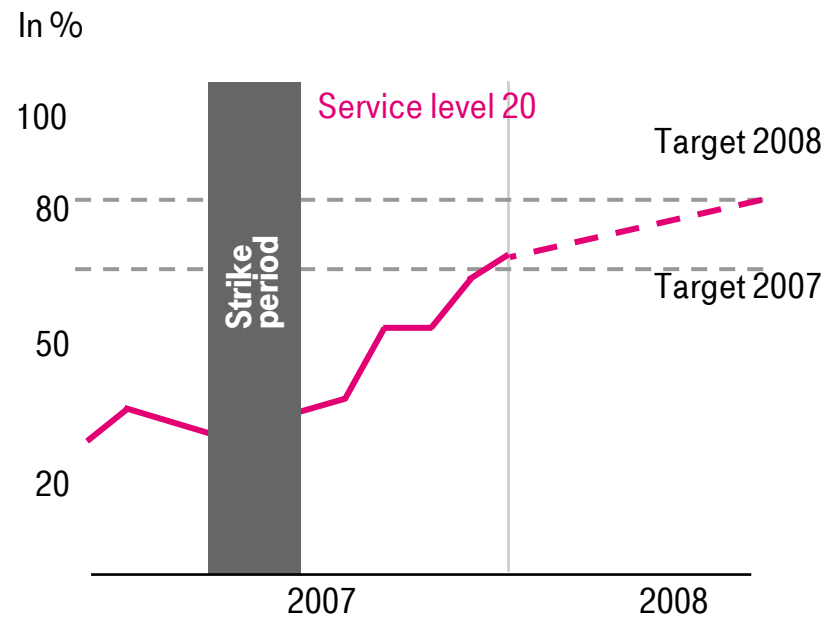
## PSTN lines



<sup>1</sup> Estimates.



# We have significantly improved customer service.



## Achievements 2007:

- E20 availability up to 69%, target >65%
- Deadline compliance up to 82%, target 80%
- IT stability up to 104 hours, target >100
- Order handling time 1.4 days, target 1-2
- 804 Telekom shops, target 786
- 1,011 Telekom partners, target >1,000

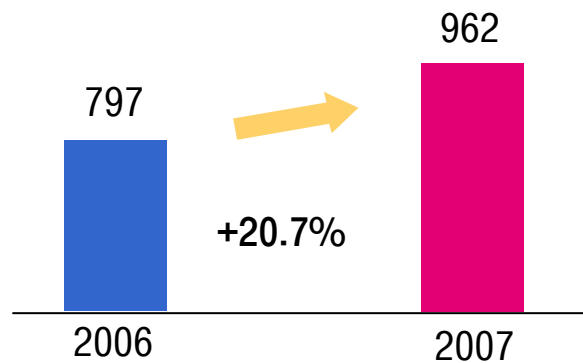
## Targets 2008:

- E20 availability >80%

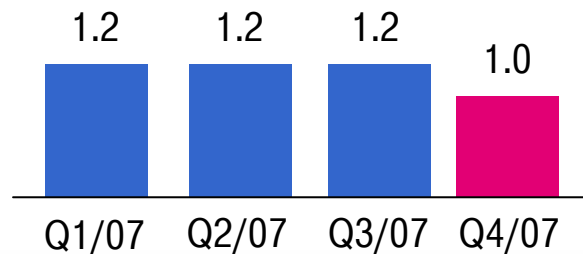


# Continued growth in contract customers in Germany.

Contract net adds T-Mobile Germany (in 000)



Contract churn (in %)



## Achievements 2007:

- Contract net adds up more than 20% in 2007 – 385k in Q4
- Contract churn stable at 1.2% in 2007 – Q4 churn of 1.0%
- Exclusive launch of iPhone in Germany on November 9
- Max flat rate customers now 939k: more than 722k added in 2007
- Close to 100k myFaves customers in Germany
- Contract MOU per customer up about 10% yoy in 2007 – total contract MOU up 17% yoy





# Personnel: Restructuring ahead of plan and showing significant cost savings in 2007.

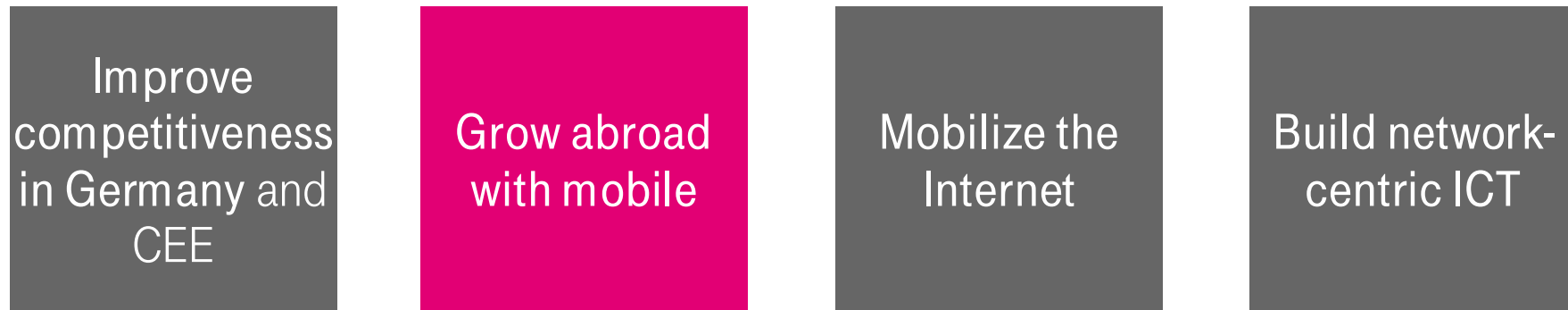
- 14,400 domestic headcount gross reduction – 11,100 headcount net reduction (-6.9%) in 2007
- 5,000 FTE reduction in temp work and external contracting (primarily T-Home) in 2007, full impact only to be seen from 2008 onwards
- Approximately 8% reduction in adj. domestic personnel expenses from €10.24 billion to €9.45 billion in 2007

## **Recent developments:**

- 1,600 employees of VTS transferred to Nokia Siemens Networks in January 2008
- Sale of Media & Broadcast, deconsolidation in Q1 2008: approx. 1,200 employees
- Deconsolidation of 5 call center locations in March 2008: approx. 640 VCS employees
- €1.4 billion provisions for staff restructuring taken in Q4 2007 predominantly for early retirement for civil servants



# Management update: Focus, fix and grow.



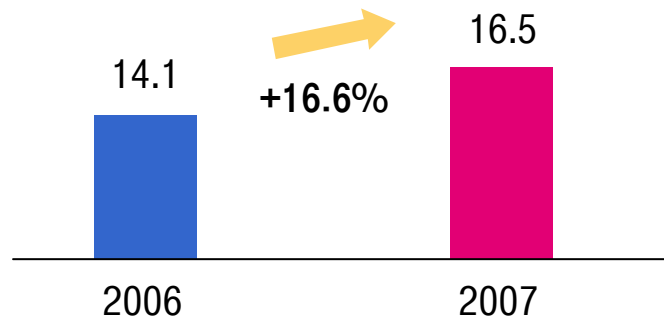
## Achievements:

- T-Mobile continues double-digit international revenue growth (12.2% yoy in 2007) and improves international adj. EBITDA (+17.8% yoy in 2007), supported by first consolidation of PTC and tele.ring
- Strong international contract net adds: 5.1 million in 2007
- Acquisition of Orange NL (consolidated as of Oct. 1, 2007) significantly improves position in NL
- Acquisition of SunCom will strengthen T-Mobile USA's footprint (closed on February 22)
- Adj. EBITDA margin at T-Mobile UK up 2.8pp to 24.6% yoy in 2007
- Network sharing agreement with "3" UK announced in December

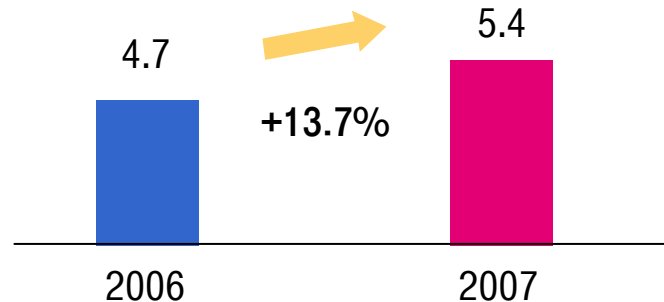


# Grow abroad with mobile: T-Mobile USA: Delivering growth and profitability.

Service revenues (US\$ billion)



Adj. EBITDA (US\$ billion)

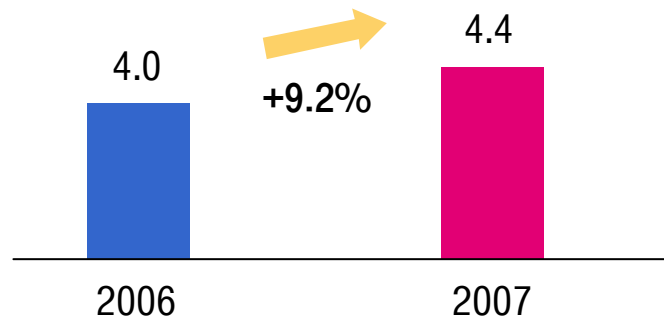


- Total revenues (US\$) up 12.6% in 2007
- Service revenues (US\$) up 16.6% in 2007
- Adj. EBITDA margin: 27.8% in 2007, up from 27.5% in 2006
- Strong ARPU in 2007:
  - Blended: \$51, up from \$50 in 2006
  - Contract: \$57, up from \$56 in 2006
- Contract churn: 1.9% in 2007 (down from 2.2%)
- 3.6 million net adds in 2007 – 74% contract
- Q4 net adds of 951k, of which 733k contract
- Unique differentiated products:
  - myFaves
  - FlexPay
  - HotSpot @ Home

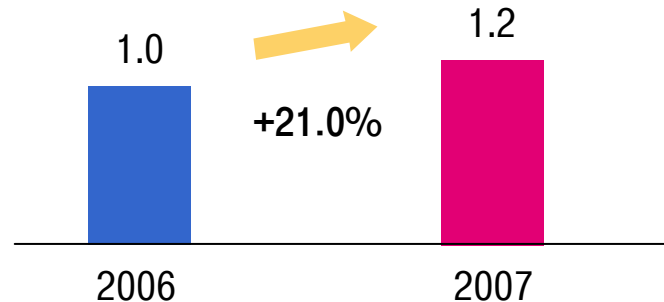


# Grow abroad with mobile: T-Mobile UK: Strong margin improvement.

Service revenues (€ billion)



Adj. EBITDA (€ billion)

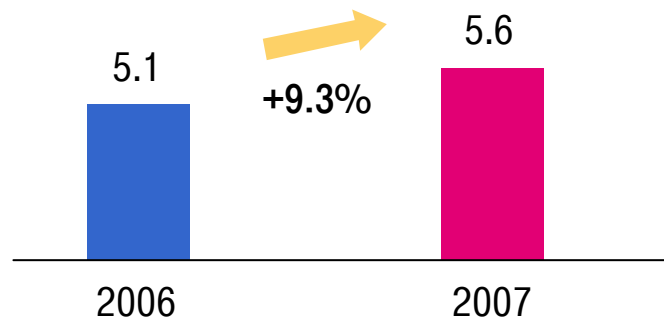


- Total revenues up 7.1% in 2007
- Service revenues up 9.2% in 2007
- Adj. EBITDA margin at T-Mobile UK up 2.8pp to 24.6% yoy in 2007, Q4 margin at 26.1%
- Strong ARPU in 2007:
  - Blended: €31, up from €29 in 2006
  - Contract: €66, unchanged from 2006
- Contract net adds: 165k in 2007
- Flex: 2.1 million customers, up from 1.3 million customers in 2006
- Network sharing with “3” UK
  - Savings of more than GBP1 billion over 10 years for each party
  - Increase 3G coverage to 98% within 2 years

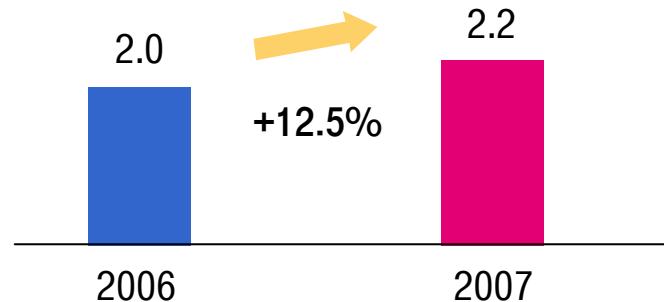


# Grow abroad with mobile: CEE<sup>1</sup> countries: Delivering growth.

## Revenues (€ billion)



## Adj. EBITDA (€ billion)

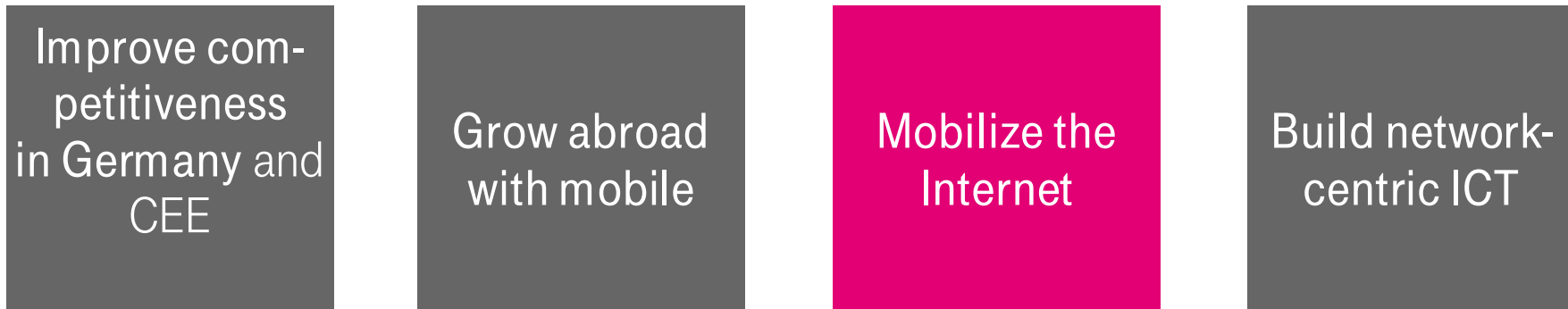


- Total revenues up 9.3% in 2007
- Service revenues up 9.8% in 2007
- Adj. EBITDA margin in CEE countries up 1.1 pp to 39.4% yoy in 2007
- Contract net adds: 2.0 million in 2007
- Strong non-voice % of ARPU in 2007:
  - PTC up 3 pp to 19% in 2007
  - T-Mobile Croatia up 5 pp to 20%
- Contract churn in all CEE countries below 1.1%
  - PTC at 0.7% in 2007
  - T-Mobile CZ at 0.6%, down 0.1%pp from 2006
- Cash contribution of €1.5 billion, up 13.8%

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



# Management update: Focus, fix and grow.



## Achievements:

- Non-messaging data revenue growth 40.0% to €1.9 billion in 2007
- UMTS data volume in Q4 2007 up 61% up from Q3 2007 – 2007 total almost 8x the volume in 2006
- 3.2 million web'n'walk customers: +1.3 million in 2007
- 5.0 million myFaves customers in the US: +4.2 million in 2007
- Exclusive launch of iPhone in Germany on November 9
- Open Handset Alliance with Google and others – first Android handset to be launched in H2/08
- Strategic partnership agreed between T-Mobile and Yahoo! including mobile search

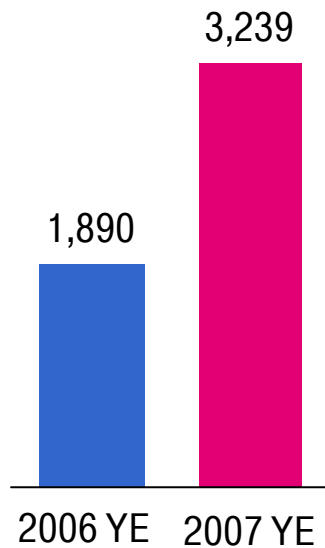


# Mobilize the Internet.

## Europe

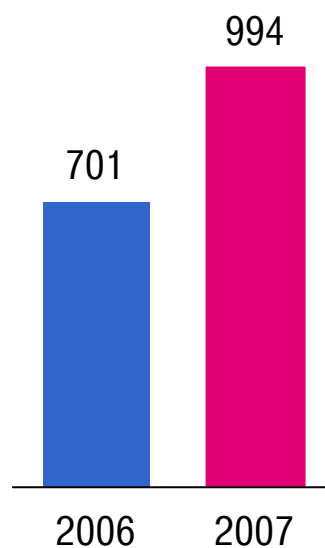
web'n'walk users<sup>1</sup> (in 000)

+71%



Non-voice revenue excluding messaging (in € million)

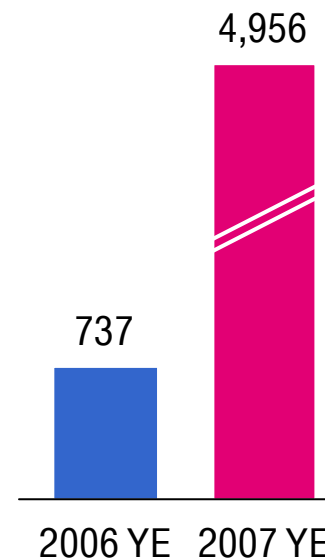
+42%



## USA

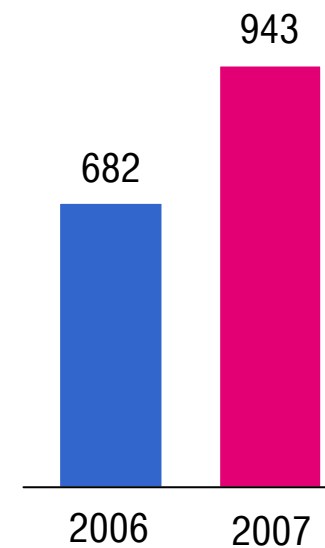
myFaves users (in 000)

+572%



Non-voice revenue excluding messaging (in € million)

+38%



<sup>1</sup> incl. D, UK, CZ, A and NL.



# Management update: Focus, fix and grow.

Improve competitiveness  
in Germany and  
CEE

Grow abroad  
with mobile

Mobilize the  
Internet

Build network-  
centric ICT

## Achievements:

- Partnering talks regarding Systems Integration in advanced stage, solution expected over next weeks
- Major double digit million € contracts won with Bosch (MPLS corporate network for Europe, Africa, and Middle East), MTU (Seamless Responsibility contract on computing + desktop services, network and application management) and the state of Saxony (build-out of an all-IP network) in Q4 and Airbus (mainframe management), Lidl (IP-based wide area network), and Old Mutual (ICT outsourcing) in 2008
- First worldwide company to receive the new certificate as a global SAP application management services provider (AMS) in December





# 6 Targets for 2008.

	Target
Adj. Group EBITDA	around €19.3 billion
Free cash flow	around €6.6 billion
Dividend policy	maintain attractive dividend policy
Broadband retail net adds market share Germany	minimum 45%
Grow abroad with Mobile	3 million organic net adds for TMUS
Mobilize the internet	increase data revenue excluding messaging by c. 40%



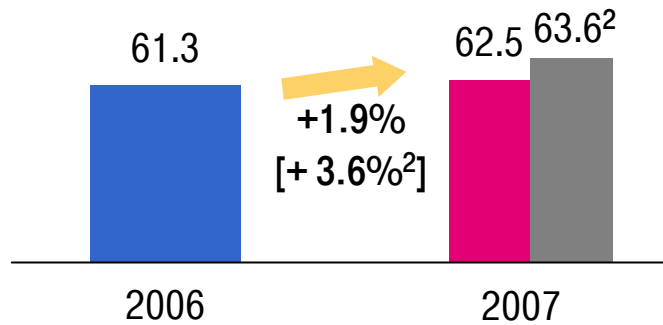
# FY 2007. Financials.

Dr. Karl-Gerhard Eick, CFO and Deputy CEO

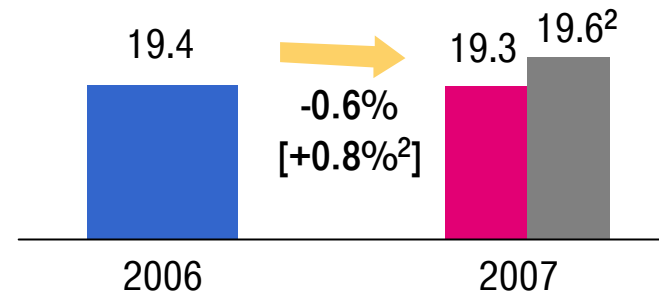


# Overview Group financials.

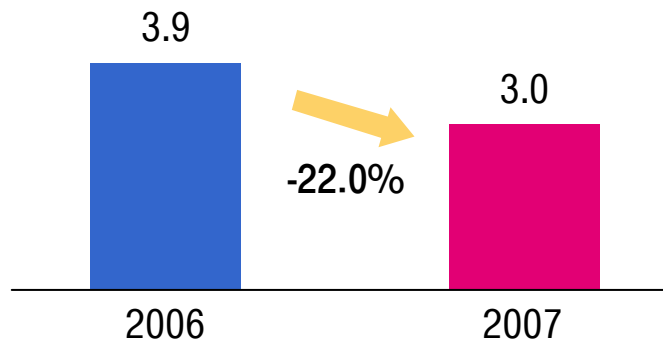
Revenue (€ billion)



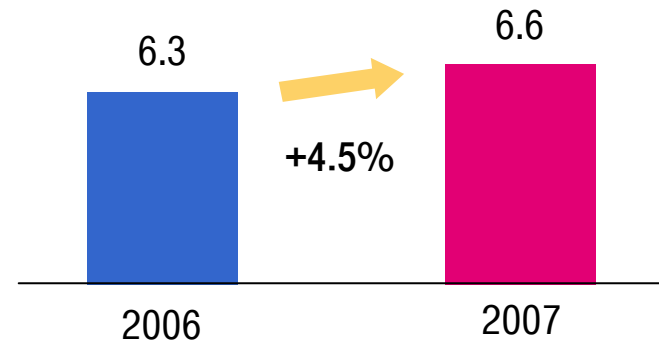
Adj. EBITDA (€ billion)



Adj. net Income (€ billion)



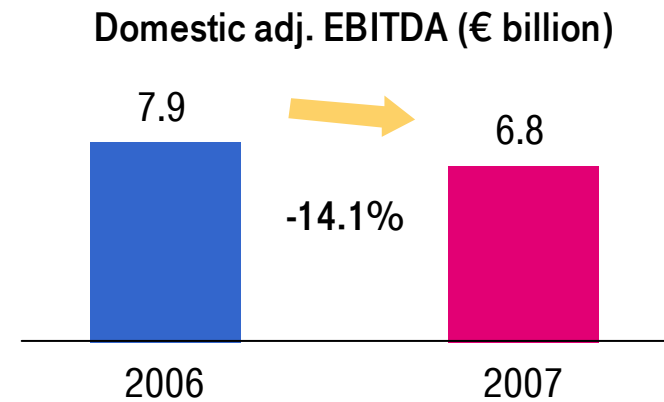
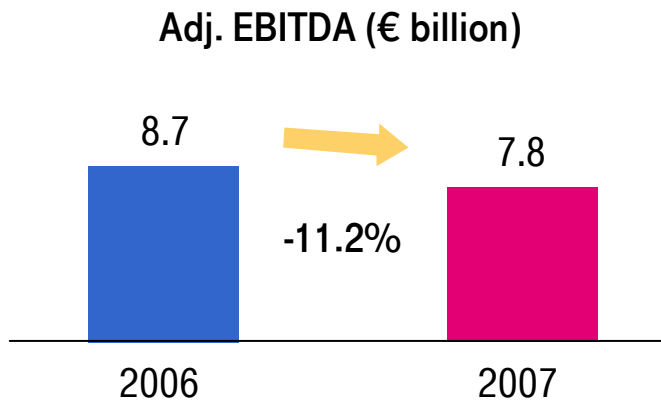
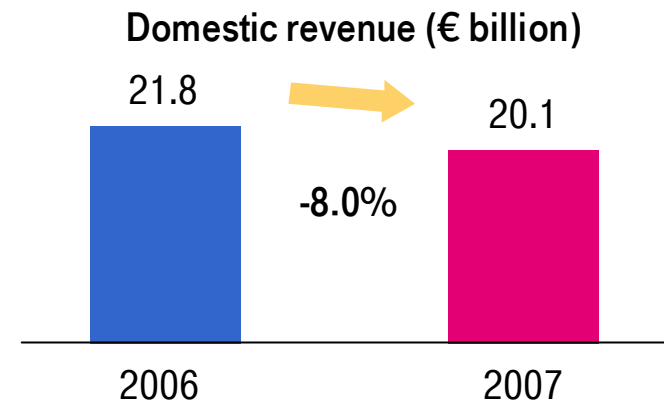
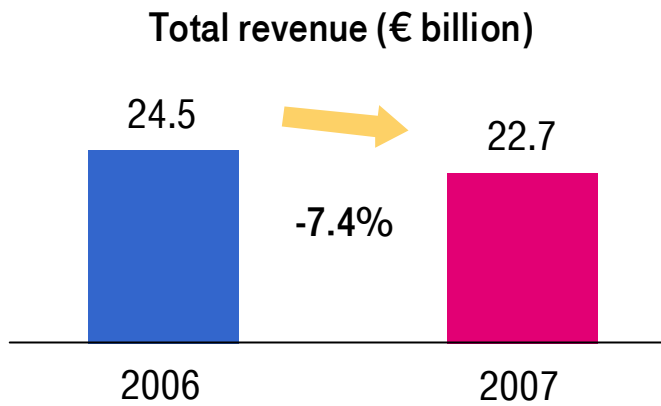
FCF adj.<sup>1</sup> (€ billion)



<sup>1</sup> 2006 excl. € 3.3 billion for spectrum capex in the US. <sup>2</sup> Assuming constant F/X.

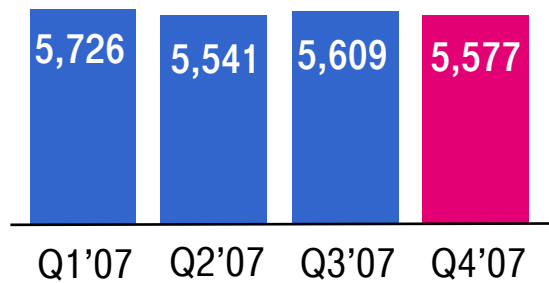


# BBFN Summary.

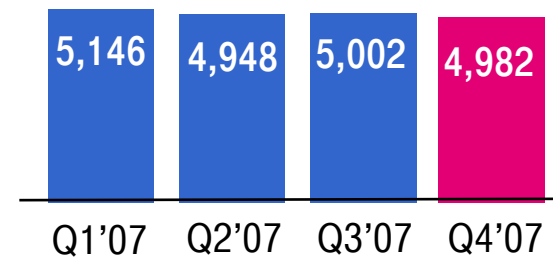


# BBFN Summary – Improved adj. EBITDA in Q4/07.

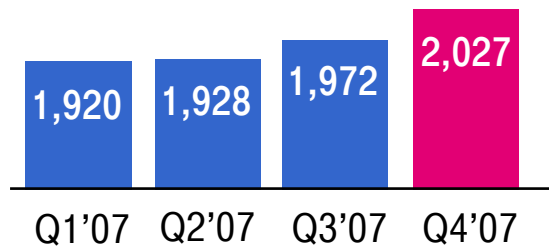
**Total revenue (€ million)<sup>1</sup>**  
(Excl. Club Internet and Ya.Com)



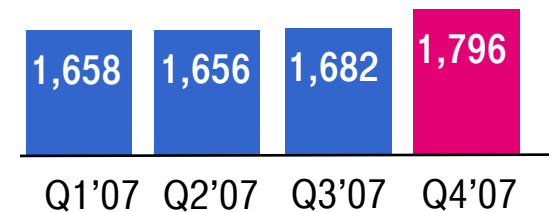
**Domestic revenue (€ billion)**



**Adj. EBITDA (€ million)<sup>1</sup>**  
(Excl. Club Internet and Ya.Com)



**Domestic adj. EBITDA (€ billion)**

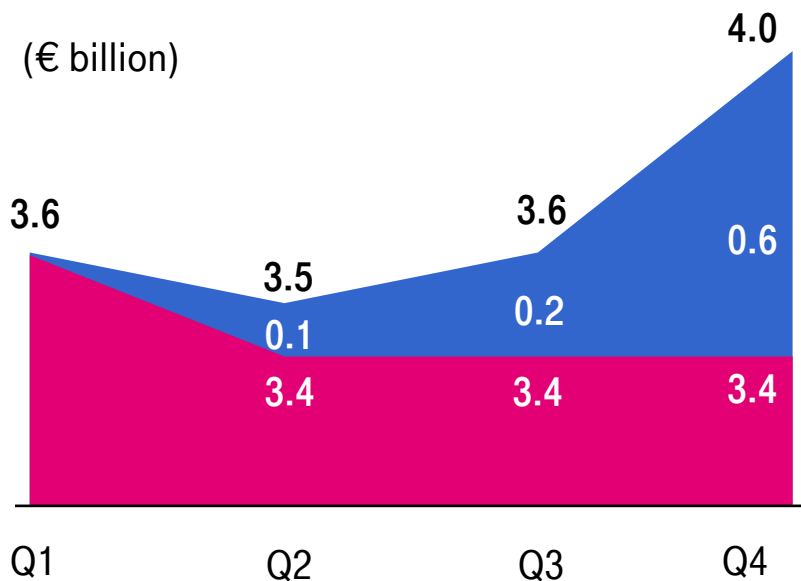


<sup>1</sup> Calculated on the basis of BBFN total minus BBFN Western Europe.



# Net Opex savings of €0.9 billion at BBFN Domestic.

Net Opex<sup>1</sup> savings of €0.9 billion



■ Opex in 2006  
 ■ Opex in 2007

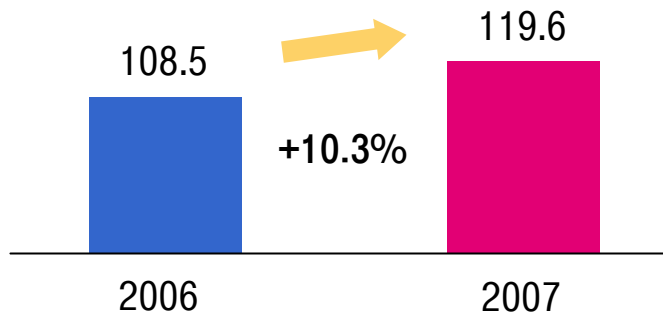
- Gross cost savings 2007 of €1.2 billion:
  - € 0.4 billion personnel costs
  - € 0.4 billion IT/Billing
  - € 0.4 billion rent, consulting and other
- Termination costs reduced by €0.2 billion
- Domestic net cost savings of €0.9 billion
- €0.5 billion of savings invested in customer base and better service e.g.:
  - higher DSL retail net adds
  - higher number of shops
  - better customer service

<sup>1</sup> Based on revenue minus adj. EBITDA plus other income (excl. SF).

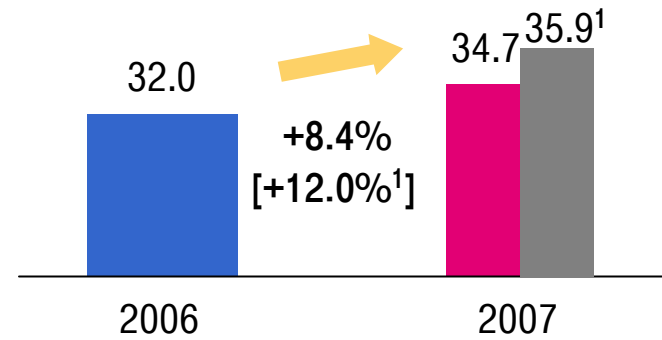


# Mobile summary.

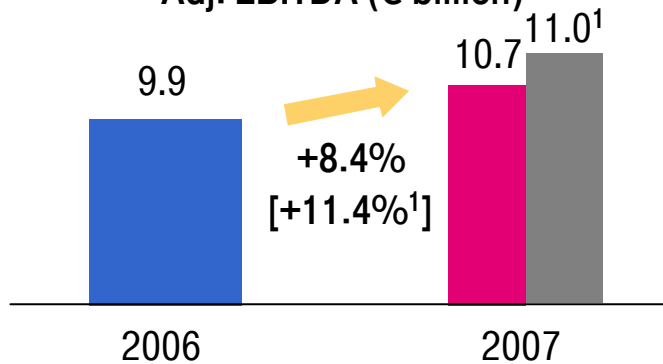
Customers (million)



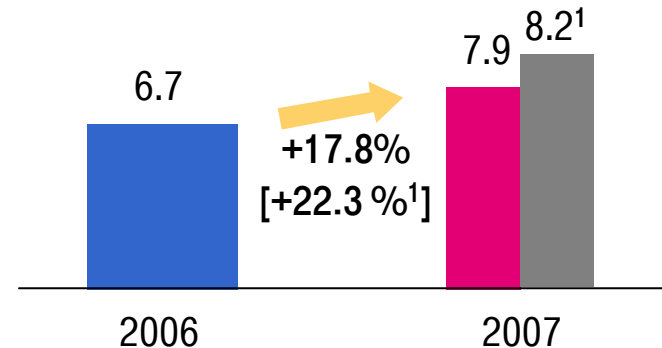
Total revenue (€ billion)



Adj. EBITDA (€ billion)



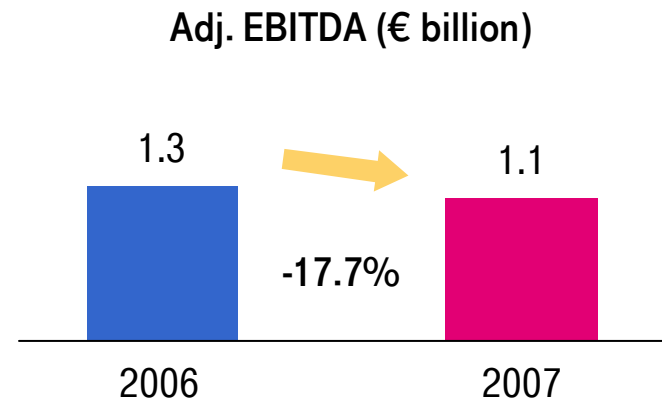
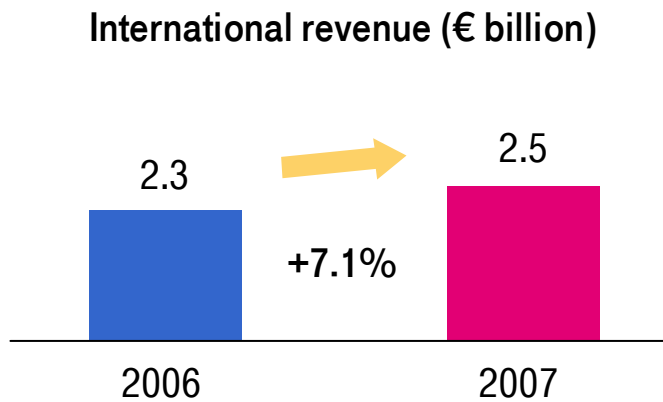
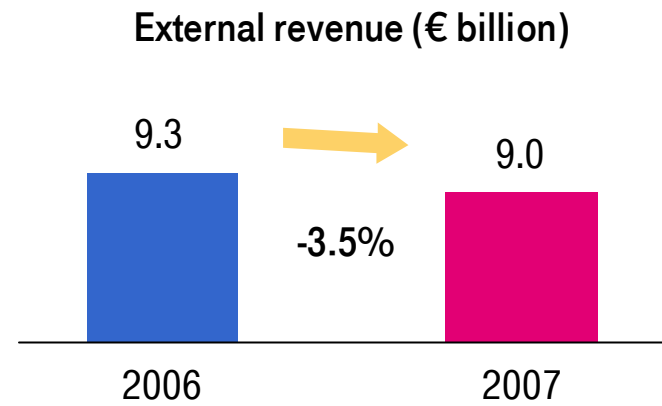
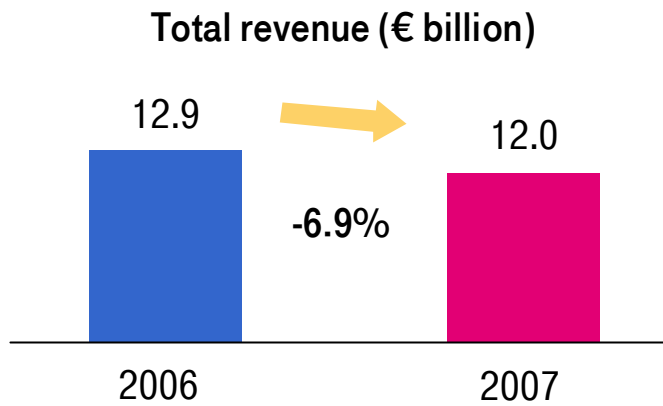
International adj. EBITDA (€ billion)



¹ Assuming constant F/X.



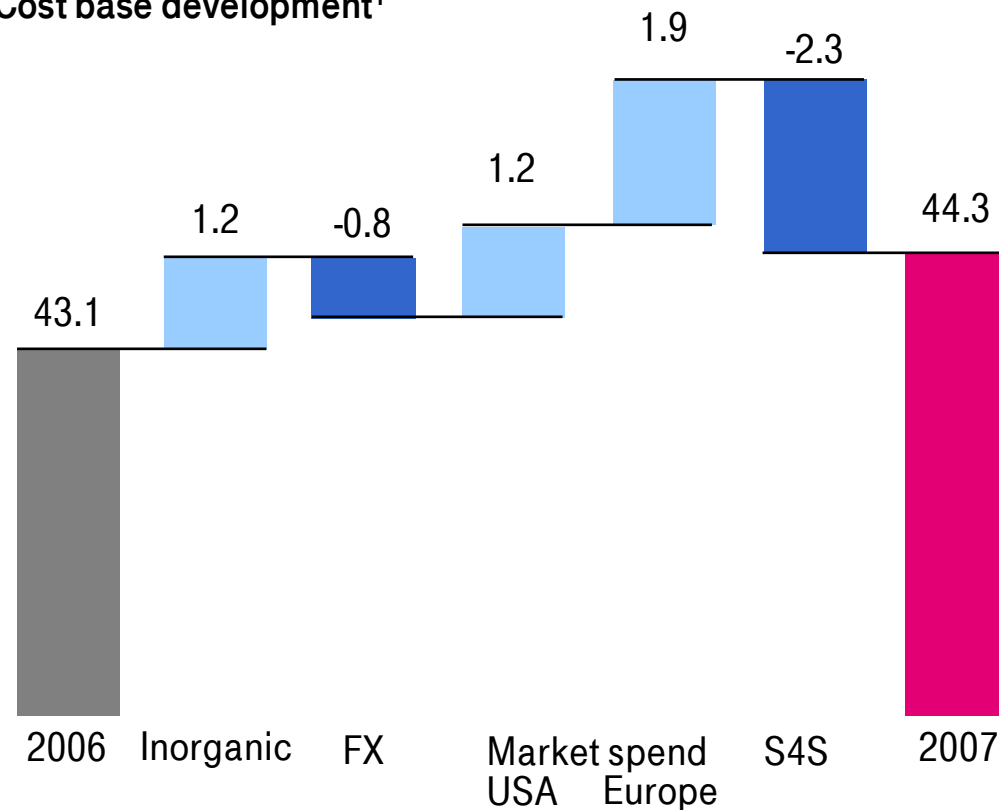
# Business Customers summary.





# Save for Service – gross savings and opex development.

## Cost base development<sup>1</sup>



- 2007 “Save for Service” (S4S) target with €2.3 billion overachieved
- Thereof €1.2 billion BBFN, €0.5 billion T-Mobile, €0.2 billion Business customers and €0.3 billion GHS
- 40% of cost savings personnel expenses
- Net cost base reduction of €0.9 billion at BBFN

<sup>1</sup> Defined as revenue less adj. EBITDA plus other income (excl. SF).



## 2007 – Free cash flow.

€ billion	2007	2006
EBITDA (reported)	16.9	16.3
Non cash items and others	- 0.3	0.0
Change in working capital and accruals	- 0.6	1.9
Income taxes	0.2	- 1.2
Cash generated from operations	16.2	17.0
<i>Incl. Restructuring payments</i>	- 1.7	- 0.7
Net interest payment	- 2.5	- 2.8
Net cash provided by operating activities	13.7	14.2
Investments in PP&E and intangible assets	- 8.0	- 8.5 <sup>1</sup>
Proceeds from disposition of assets	0.8	0.6
- of which proceeds from real estate sales	0.5	0.4
Free cash flow (excl. spectrum capex) <sup>1</sup>	6.5	6.3
Free cash flow adj. (excl. spectrum capex) <sup>1,2</sup>	6.6	6.3

<sup>1</sup> Excl. € 3.3 billion for spectrum capex in the US in 2006. <sup>2</sup> 2007 Excl. Centrica. Rounded figures.



## 2007 – Income taxes.

€ billion	2007	2006
Cash income taxes	0.2	- 1.2
Reported income taxes	- 1.4	1.0
- of which actual taxes	- 0.2	- 0.2
- of which deferred taxes	- 1.2	1.2
Adjusted income taxes	- 1.7	- 1.3

Taxes impacted by non-cash write-down of deferred tax assets in 2007 (€0.7 billion, due to German tax reform). 2006 benefited from a tax gain on the NOLs in the US (€1.3 billion)



## 2007 – Reported net income.

€ billion	2007	2006
EBITDA	16.9	16.3
Depreciation and amortization	- 11.6	- 11.0
Net financial expense	- 2.8	- 2.7
- of which net interest expense	- 2.5	- 2.5
EBT	2.5	2.6
Income taxes	- 1.4	1.0
Earnings after taxes	1.1	3.6
Minorities	- 0.5	- 0.4
Net income	0.6	3.2

D&A increased due to PTC & Telering (€0.6 billion)

2006 better due to gain from sale of financial assets (€0.2 billion)

Rounded figures



## 2007 – Adjusted net income.

€ billion	2007 adjusted	2006 adjusted
EBITDA	19.3	19.4
Depreciation and amortization <sup>1</sup>	- 11.2	- 11.0
Net financial expense	- 2.8	- 2.9
- of which net interest expense	- 2.5	- 2.5
EBT	5.3	5.6
Income taxes	- 1.7	- 1.3
Earnings after taxes	3.5	4.3
Minorities	- 0.5	- 0.4
Net income	3.0	3.9

<sup>1</sup> Of which PPA effects: - 0.5 billion in 2007, - 0.3 billion in 2006.

Rounded figures



## 2007 – Balance sheet ratios.

€ billion	31.12.2007	31.12.2006
Balance sheet total	120.7	130.2
Shareholders' equity	45.2	49.7
Net debt	37.2	39.6
Net debt/adjusted EBITDA	1.9x	2.0x
Equity ratio <sup>1</sup>	34.7%	35.8%

<sup>1</sup> After dividends.



Thank you for your attention!

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