

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



Q1 2008. Highlights.

René Obermann, CEO

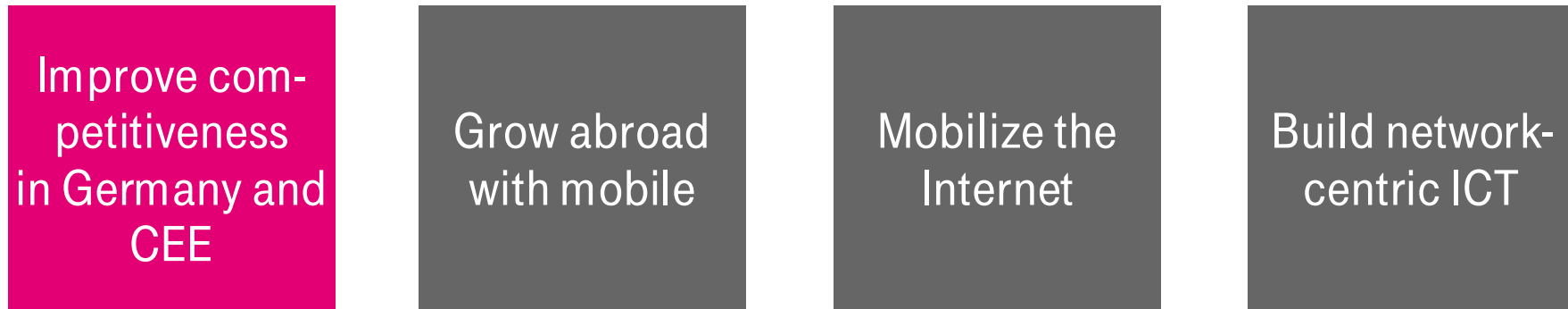


Q1 2008 Highlights.

- 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:

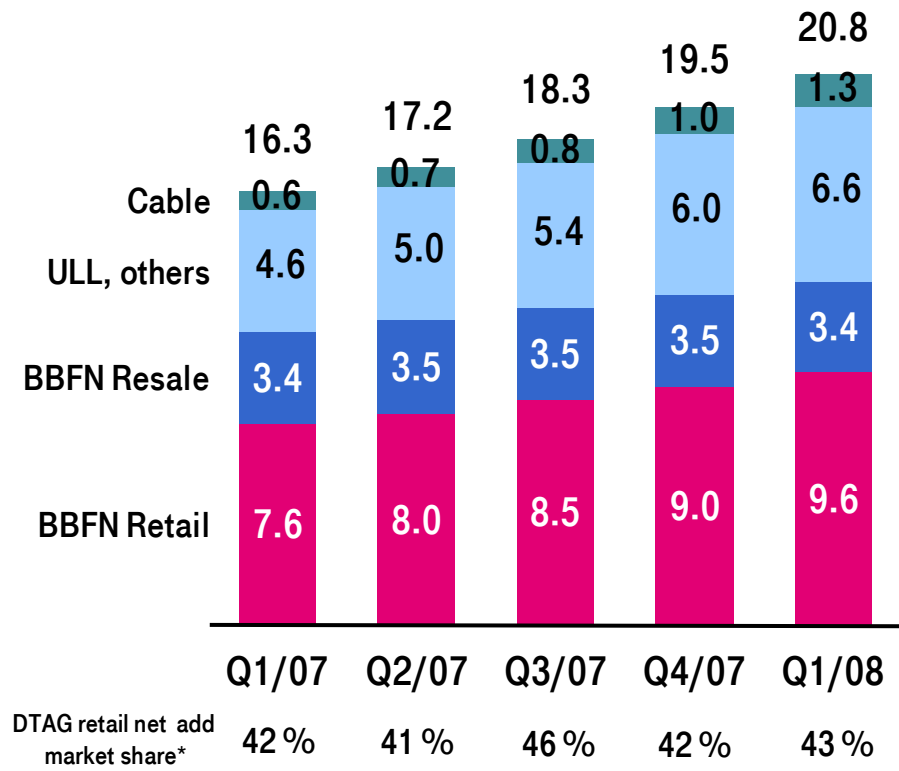
- DSL retail market share of net adds at 43% – strong DSL retail net adds of 539k
- BFFN Germany:
 - Cost savings continued in Q1: cost base reduced by €0.3 billion
 - Domestic adj. EBITDA up 0.5% yoy, margin improved to 34.5% from 32.2% in Q1/07
- Successful customer retention: Broadband churn reduced from 1.6% to 1.1% quarter on quarter¹
- 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%

¹ Monthly churn rate



Domestic broadband market. Stabilizing the broadband market share.

Broadband lines in million



Development Q1/08:

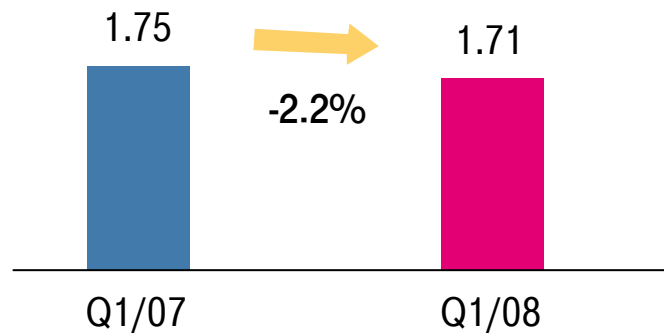
- 539k retail DSL net adds
- Stabilized retail broadband market share of 46% since 3 quarters
- Approx. 460k line losses excl. ALL-IP migration
- Est. 120k migrations to ALL-IP of resale DSL
- 590k ULL net adds

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

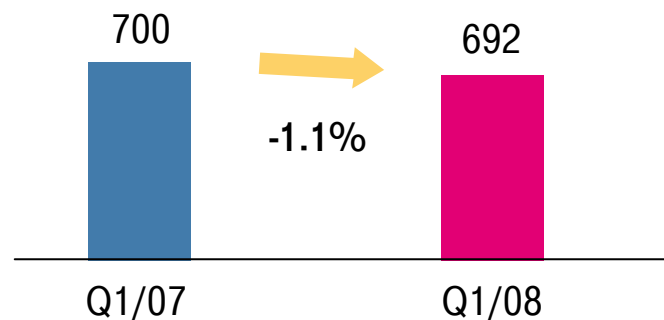


T-Mobile Germany. Improved margin.

Service revenues (€ billion)



Adj. EBITDA (€ million)

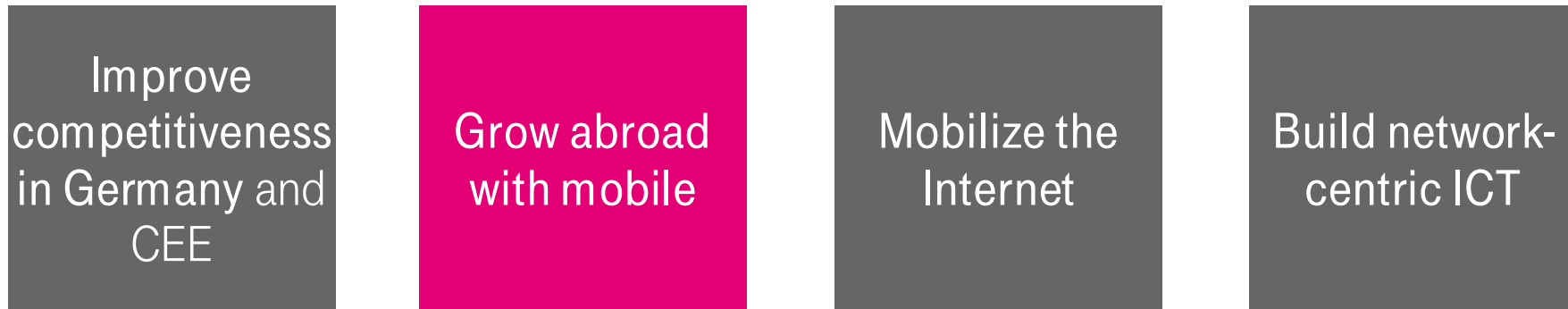


Achievements Q1/08:

- 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:

- 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 Mobile¹ with double-digit revenue and EBITDA growth

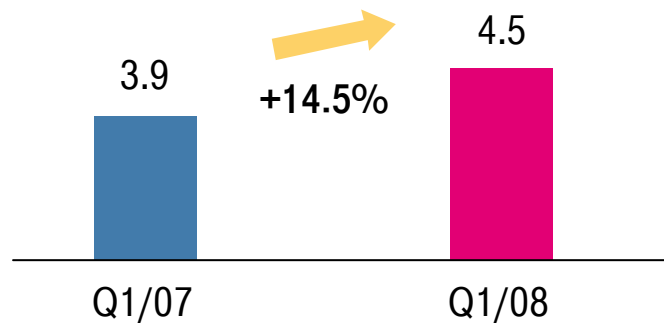
¹ Poland, Czech Republic, Hungary, Croatia, Slovakia, Macedonia, and Montenegro.



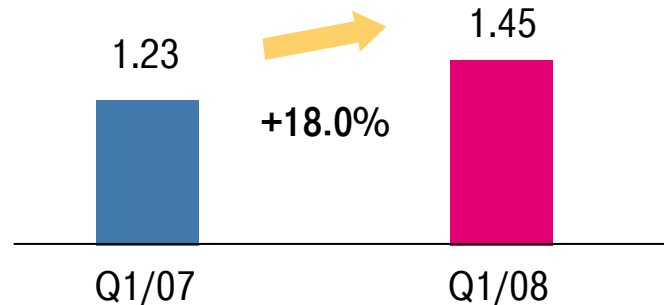
Grow abroad with mobile: T-Mobile USA.

Continued strong growth despite economic slowdown.

Service revenues (US\$ billion)



Adj. EBITDA (US\$ billion)

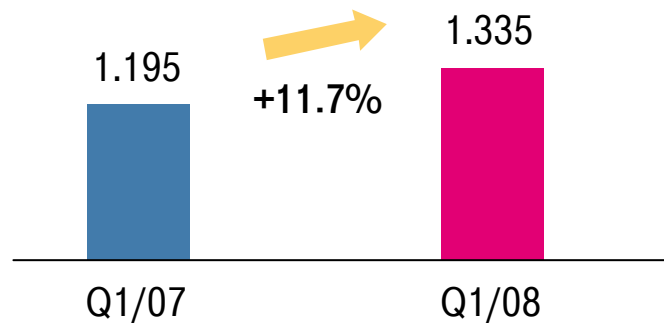


- Total revenues (US\$) up 14.1% in Q1/08 (organic 12.5%)
- Service revenues (US\$) up 14.5% in Q1/08
- Adj. EBITDA margin: 27.9% in Q1/08, up from 27.0% in Q1/07
- Contract churn: 1.7% in Q1/08 (from 1.9%)
- Q1 net increase in customer base: 2.1 million
 - Net adds: 981k (versus 980k in Q1/07 and 951k 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

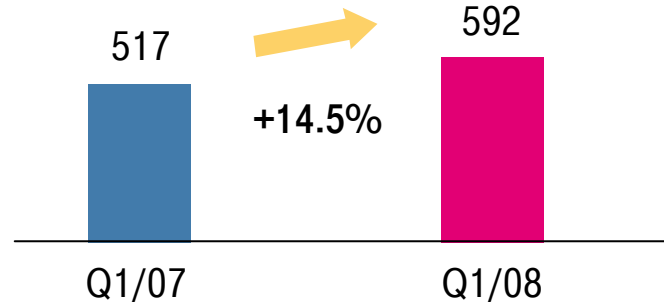


Grow abroad with mobile: CEE¹ countries. Delivering double-digit growth.

Service revenues (€ billion)



Adj. EBITDA (€ million)



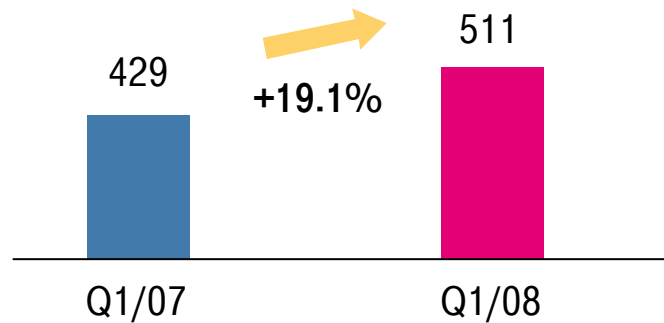
- Total revenues up 10.8% in Q1/08 (organic +5.5%)
- Service revenues up 11.7% in Q1/08
- Adj. EBITDA up 14.5% in Q1/08 (organic +9.1%)
- Adj. EBITDA margin in CEE countries up 1.4pp to 42.2% yoy in Q1/08
- Contract net adds: 407k in Q1/08
- Strong yoy non-voice revenue growth Q1/08:
 - Total up 28.3% 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

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

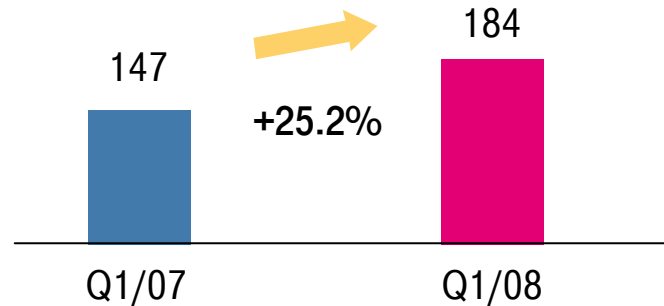


Grow abroad with mobile: PTC. Strong yoy improvement.

Service revenues (€ billion)



Adj. EBITDA (€ million)



- 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

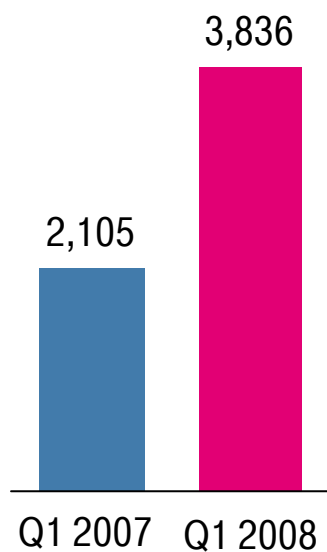


Mobilize the Internet.

Europe

web'n'walk users¹ (in 000)

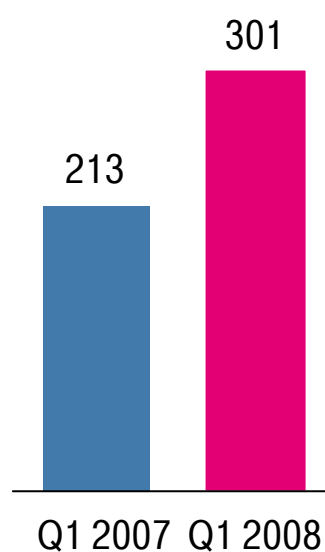
+82%



¹ incl. D, UK, CZ, A and NL.

Non-voice revenue
excluding messaging
(in € million)

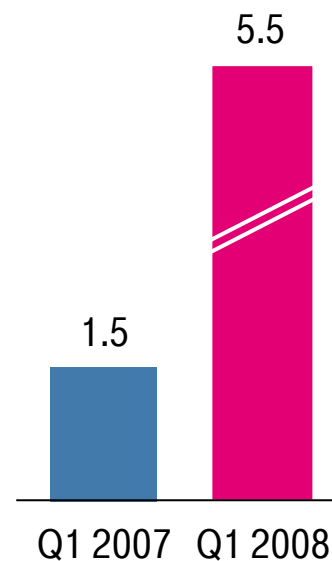
+41.5%



USA

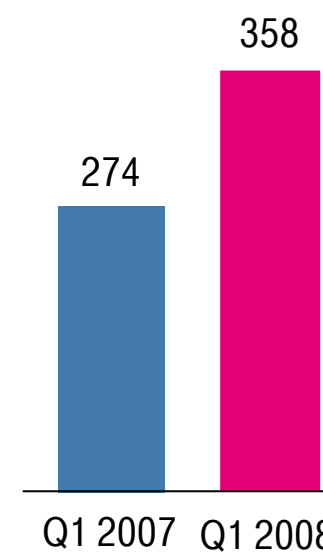
myFaves users
(in million)

+267%

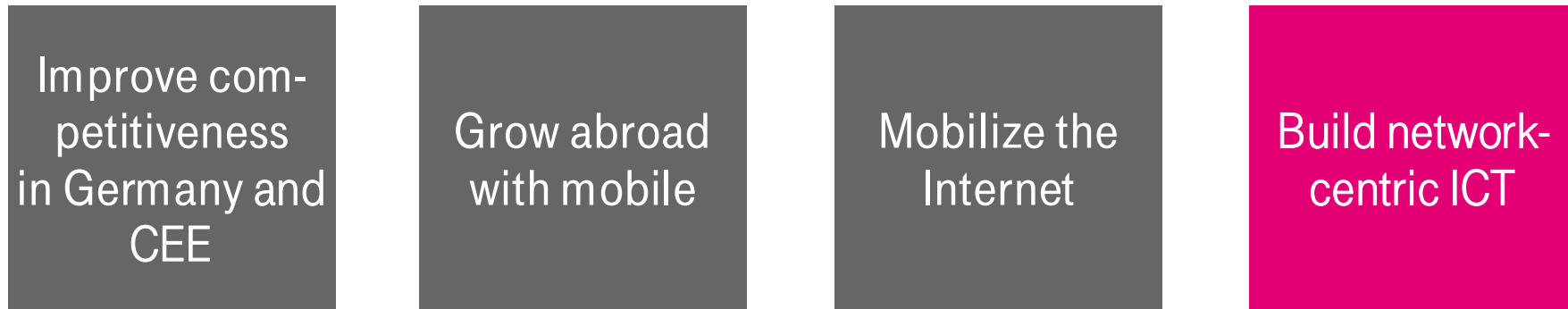


Non-voice revenue
excluding messaging
(in \$ million)

+30.7%



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



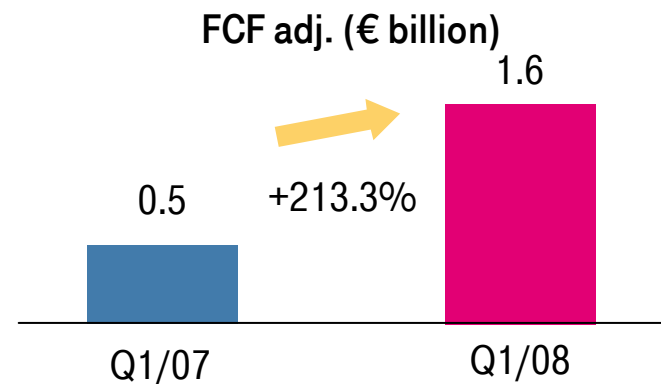
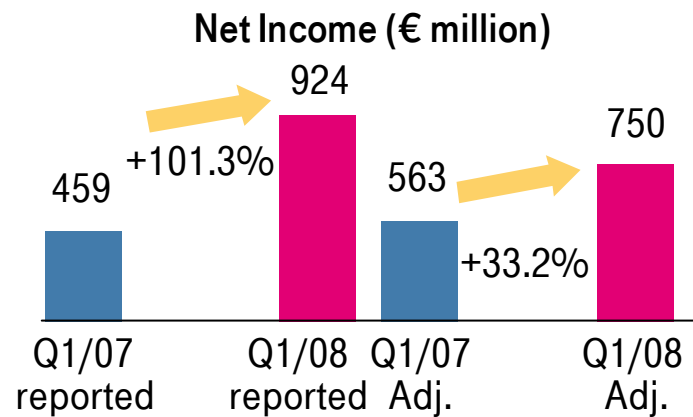
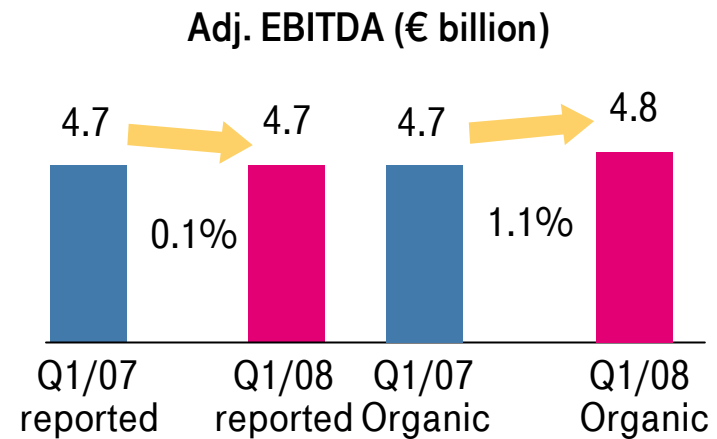
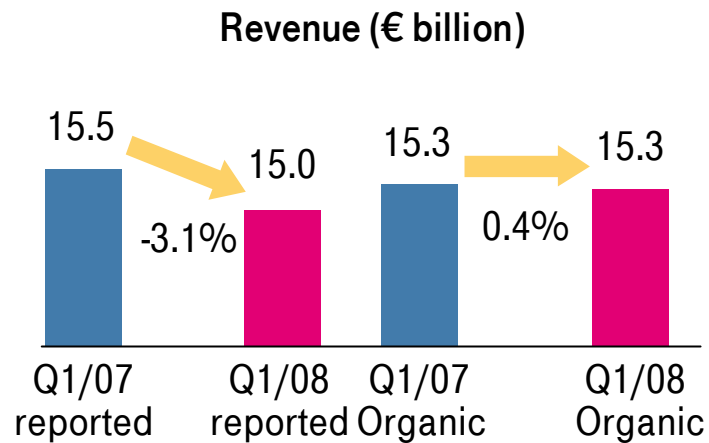
Q1 2008. Financials.

Dr. Karl-Gerhard Eick, CFO and Deputy CEO



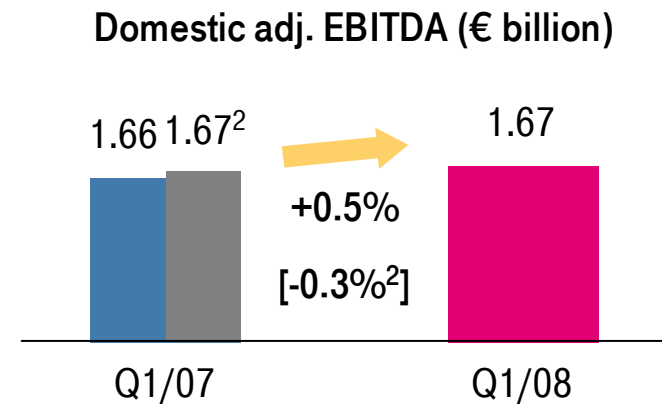
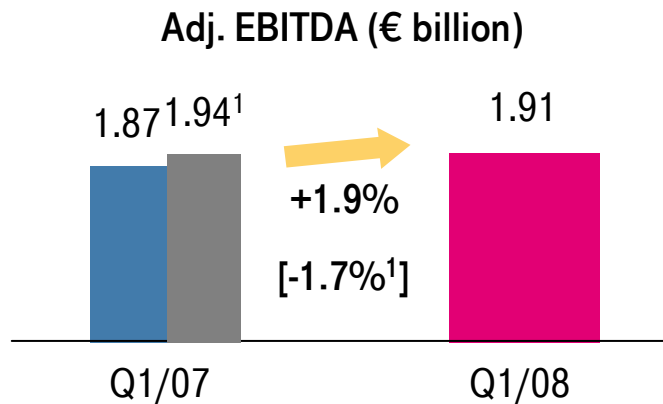
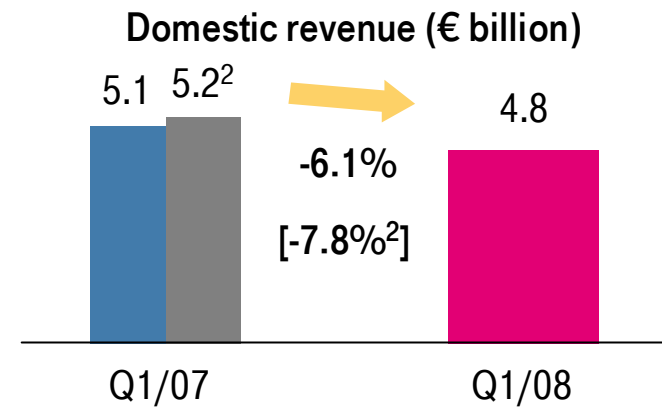
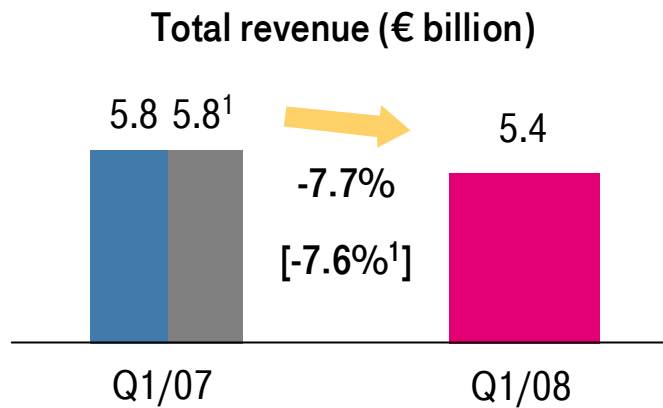
Overview Group financials.

Strong growth in adj. net income and FCF.



BBFN Summary.

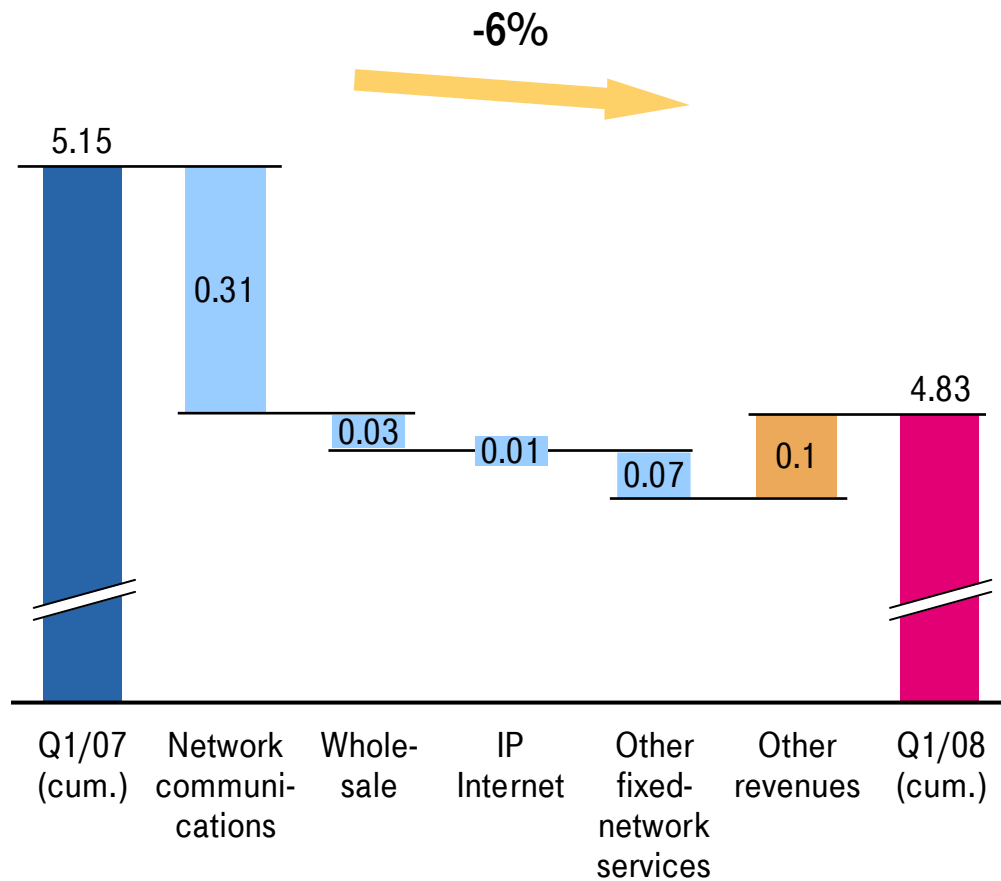
Improvement in adj. EBITDA despite revenue pressures.



¹ Prior year figures adjusted for Active Billing, DTKS and T-Online France and Spain. ² Prior year figures adjusted for Active Billing and DTKS.



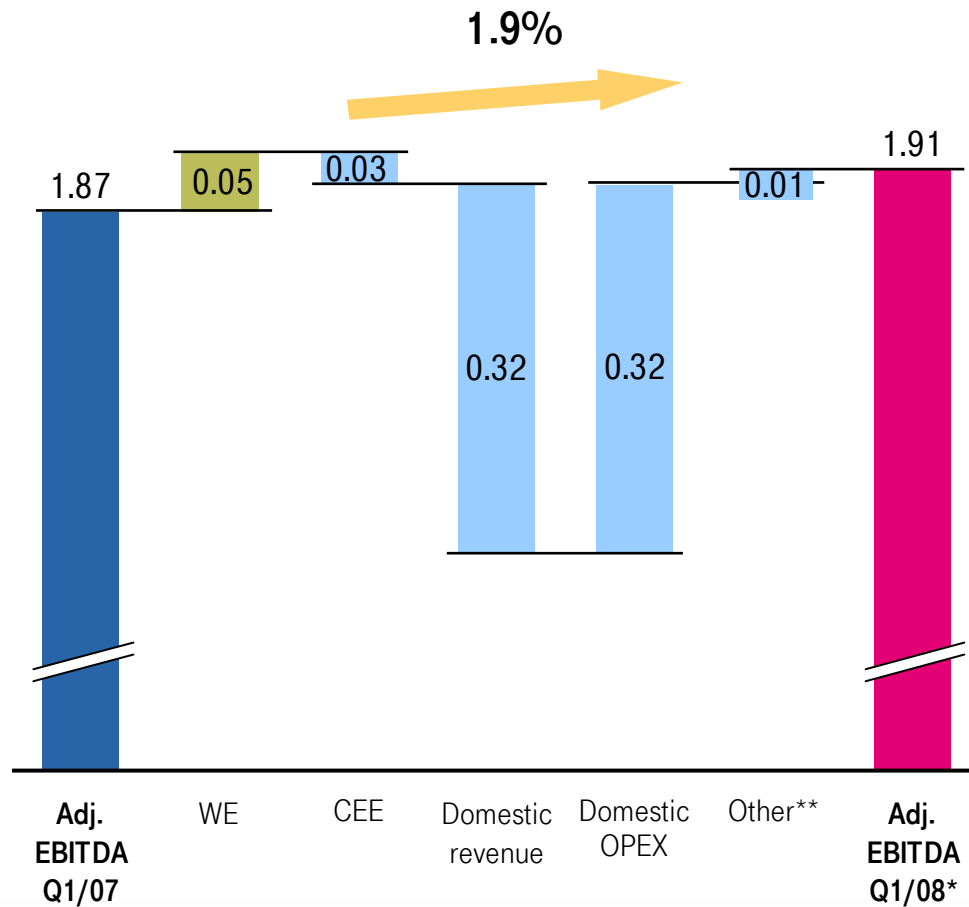
BBFN domestic revenue development in Q1 2008.



- **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
- Revenue decrease could be compensated by corresponding OPEX reduction
- €0.3 billion domestic net cost reduction:
 - €0.1 billion Save for Service
 - €0.1 billion lower market invest
 - €0.1 billion reduced outsourcing and termination costs

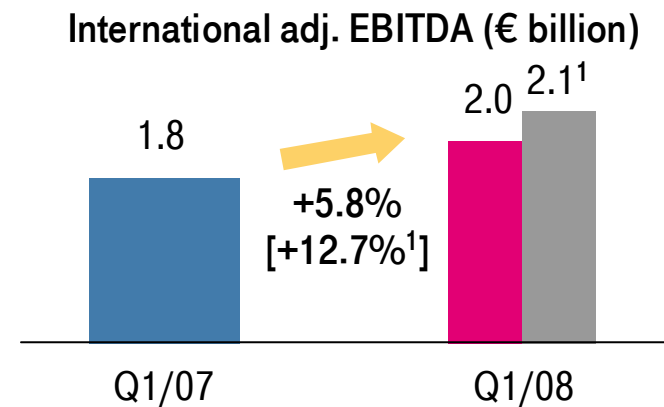
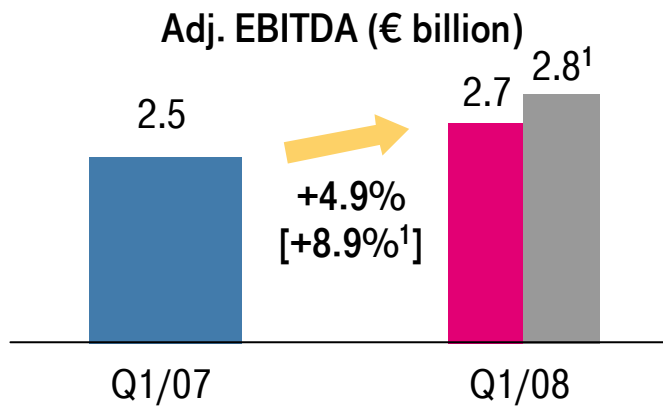
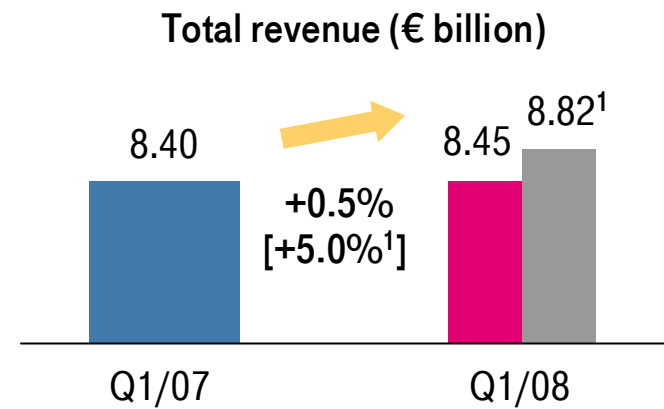
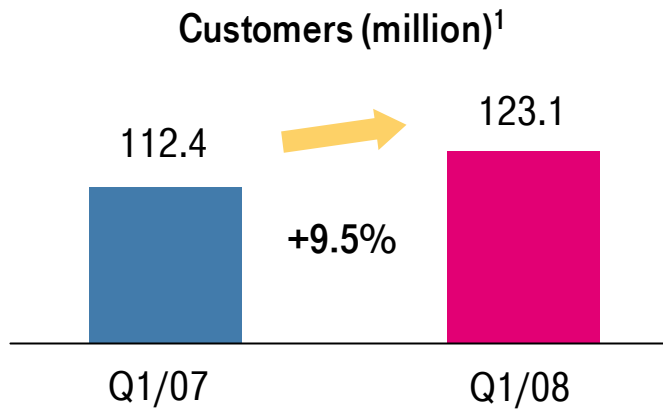
* Incl. Active Billing, DTKS. Prior year figures were not adjusted.

** Change in other income and consolidation effects.



Mobile summary.

Strong organic adj. EBITDA growth.

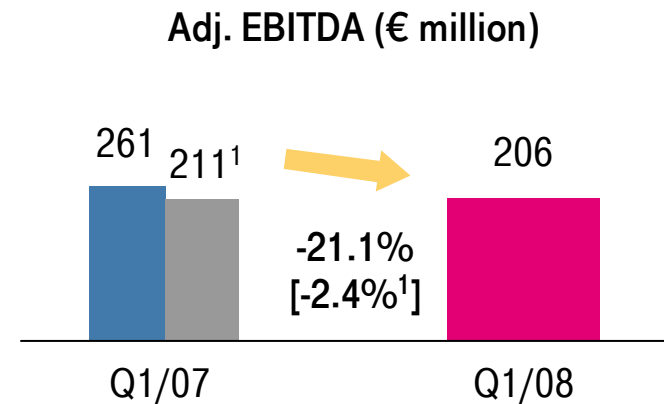
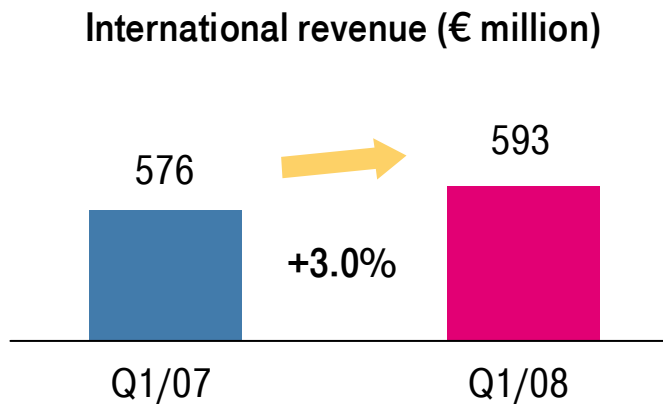
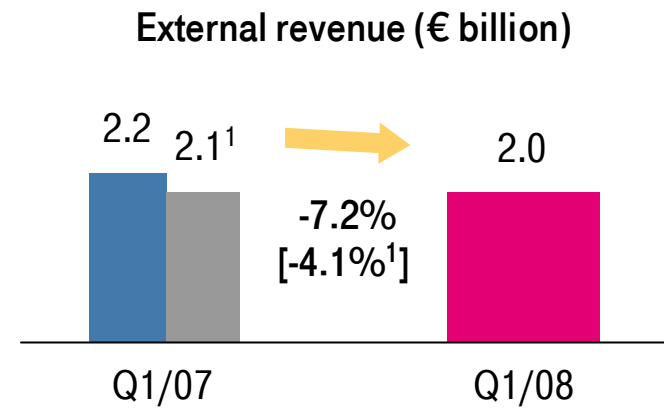
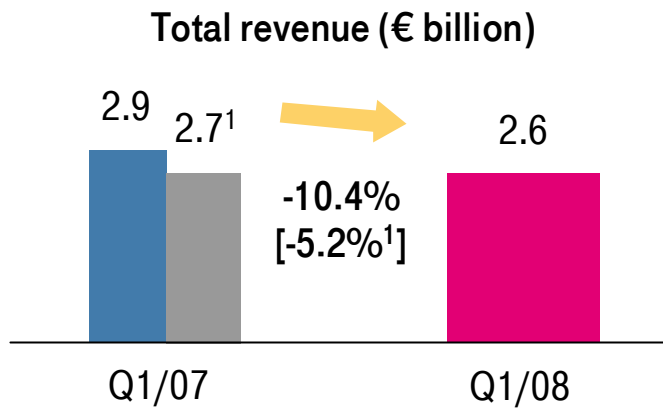


¹ Organic growth.



Business Customers summary.

Results impacted by sale of Media & Broadcast.

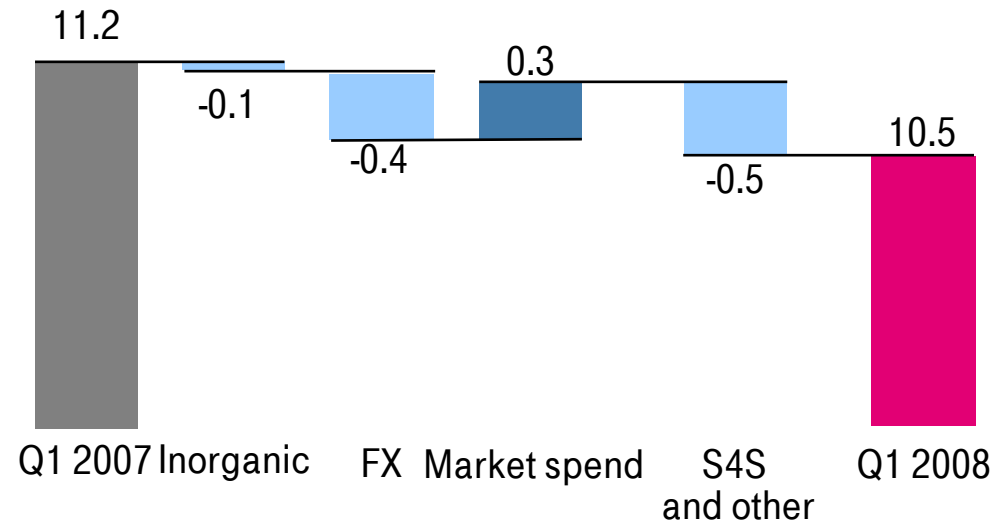


¹ Prior year figures adjusted for Active Billing and Media&Broadcast.



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

Cost base development¹



- 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

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



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.



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
Net income	0.9	0.5

Rounded figures



Q1 2008 – Adjusted net income.

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

€ billion	Q1 2008 adjusted	Q1 2007 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

Rounded figures



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 ¹	34.8%	34.7%

¹ After dividends.



Thank you for your attention!

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