

# Deutsche Telekom

Analysts Meeting  
May 15, 2003

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This presentation contains a number of non-GAAP figures, such as EBITDA and EBITDA adj. for special factors, special factors, adj. net income, ARPU, free cash flow, and gross and net debt. These non-GAAP figures should not be viewed as a substitute for our GAAP figures. Our non-GAAP measures may not be comparable to non-GAAP measures used by other companies. To interpret the non-GAAP measures, please refer to the chapter “Reconciliation to pro forma figures” in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom’s Investor relations website.

# Q1 2003. Results.

Kai-Uwe Ricke  
CEO

# Deutsche Telekom Q1 2003. We deliver.



## We are ahead of target

- Net debt<sup>1</sup> down to € 56.3 billion
- Efficiency gains € 0.4 billion
- Net income positive
- Strong free cash flow

<sup>1</sup> To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

# Q1 2003 highlights. Excellent quarter.

€ billion	Q1/03	Q4/02	Δ billion
Net debt <sup>1</sup>	56.3	61.1	- 4.8

€ billion	Q1/03	Q1/02	Δ %
Revenues	13.6	12.8	+ 6.6
Adj. EBITDA <sup>1</sup>	4.5	3.8	+ 18.4
Net income	0.9	- 1.8	n/a
Free cash flow <sup>1</sup>	2.0	0.3	n/a

<sup>1</sup> To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

# Debt reduction. 6 + 6 works.

## Net debt<sup>1</sup> (€ billion)



1 To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

2 Cash effect.

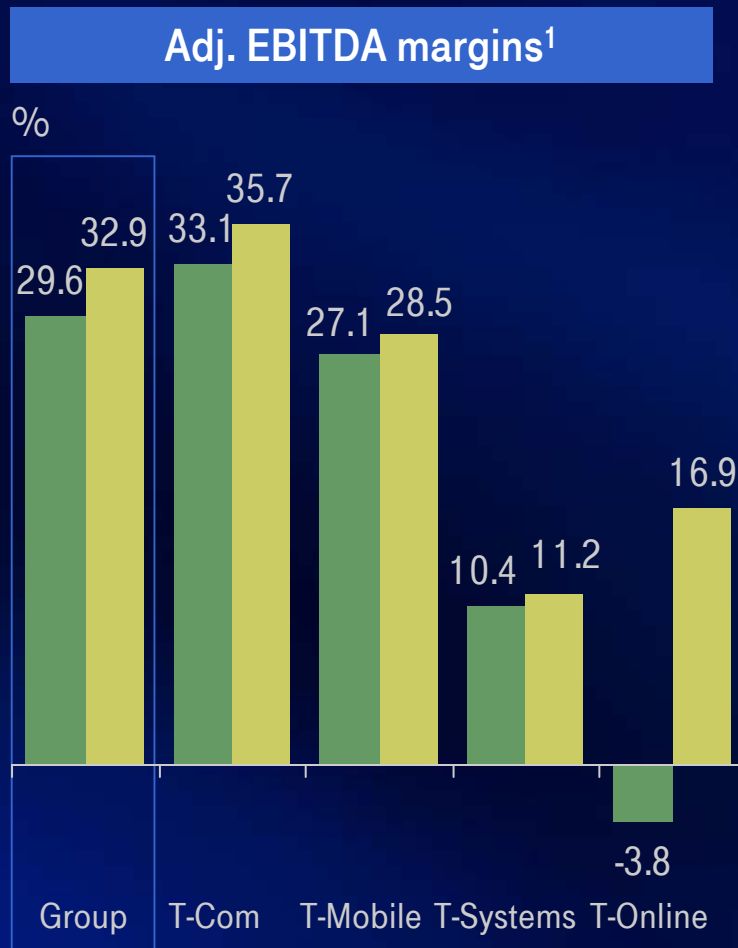
# Profitable growth and efficiency improvements. Implementing projects.

<b>T-Com</b>	<b>T-Mobile</b>	<b>T-Systems</b>	<b>T-Online</b>	<b>Headquarters</b>
<ul style="list-style-type: none"> <li>- WIN 2003</li> <li>- Product portfolio optimization</li> <li>- Distribution channel optimization</li> <li>- ...</li> </ul>	<ul style="list-style-type: none"> <li>- One Company</li> <li>- Mobile data</li> <li>- USA</li> <li>- ...</li> </ul>	<ul style="list-style-type: none"> <li>- Key accounting</li> <li>- Data center consolidation</li> <li>- International profitability</li> <li>- ...</li> </ul>	<ul style="list-style-type: none"> <li>- Platform integration</li> <li>- Marketing synergies in broadband</li> <li>- ...</li> </ul>	<ul style="list-style-type: none"> <li>- PSA</li> <li>- Decentralization</li> <li>- ...</li> </ul>

Target: adj. EBITDA<sup>1</sup> € 17.2 - 17.7 billion

<sup>1</sup> To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

# Profitable growth and efficiency improvements. Margin improvements in all divisions.



## Major cost saving results in Q1/03:

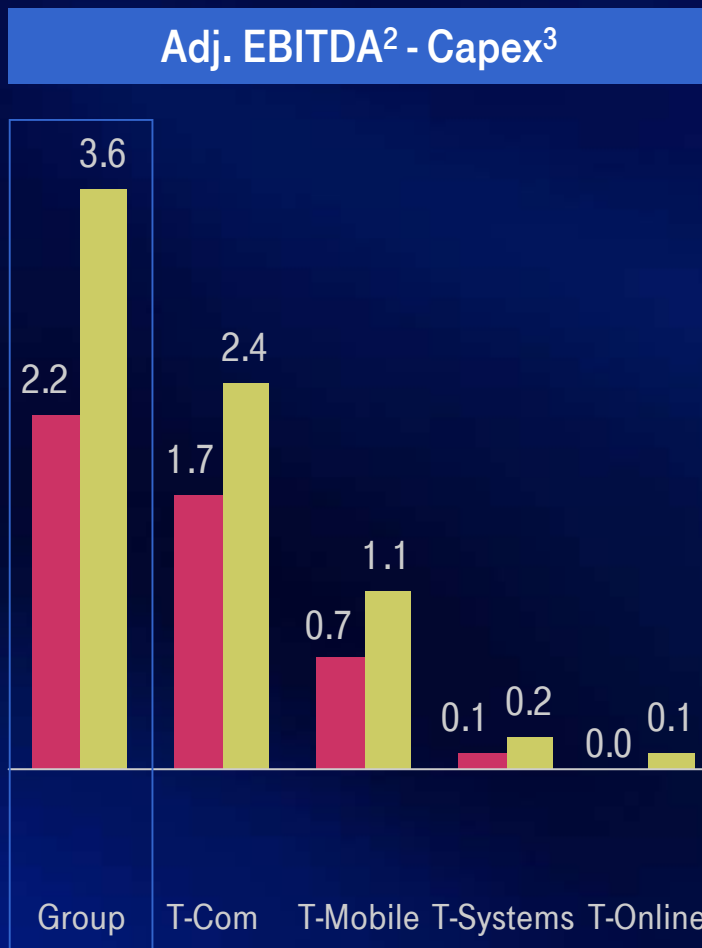
- T-Com cost savings € 0.2 billion
- T-Mobile economies of scale: € 0.1 billion
- T-Online economies of scale : € 0.1 billion

■ Q1 2002  
■ Q1 2003

<sup>1</sup> To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.



# Cash contribution<sup>1</sup>. Adj. EBITDA<sup>2</sup> - capex<sup>3</sup> strong improvement.



- Capex<sup>3</sup> reduced to € 0.9 billion from € 1.6 billion in Q1 2002
- Continue to manage capex<sup>3</sup> cautiously
- Capex<sup>3</sup> guidance unchanged € 6.7 - 7.7 billion

■ Q1 2002  
■ Q1 2003

1 Adj. EBITDA minus capex (property, plant and equipment and intangible assets (excl. goodwill))  
 2 To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.  
 3 Property, plant and equipment and intangible assets (excl. goodwill).

# T-Com. Maximizing cash flow.

## Optimization projects

Processes

IT implementation

Distribution mix

Divisional structure



## Annualized full-year effects

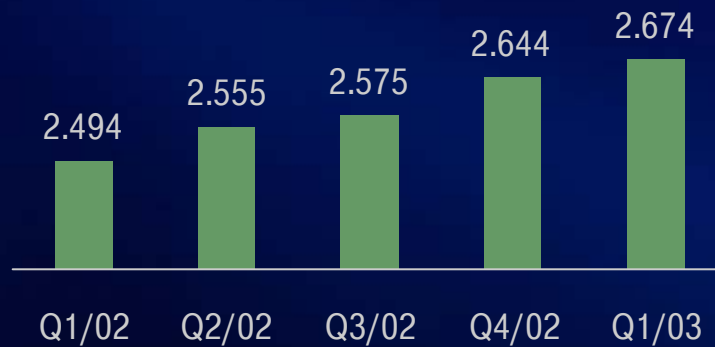
15,000 - 20,000 personnel reduction

ca. € 750 million personnel cost reductions p.a.

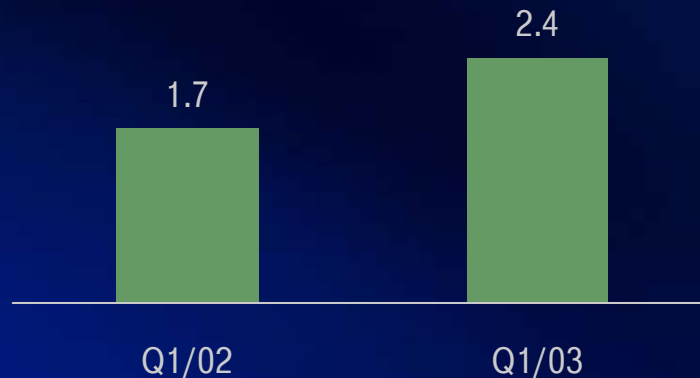
ca. € 150 million OPEX savings p.a.

# T-Com. Efficiency gains and strong cash contribution.

T-Com adj. EBITDA<sup>1</sup> (€ billion)



Cash contribution<sup>2</sup> (€ billion)



- Adj. EBITDA<sup>1</sup> in Germany: up by 8.2% despite deconsolidation of cable business
- Capex<sup>4</sup> in Germany down by 70%: investments in DSL and SDH network mostly done
- 3.4 million T-DSL subscribers
- 21.0 million ISDN-channels<sup>3</sup>

1 To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

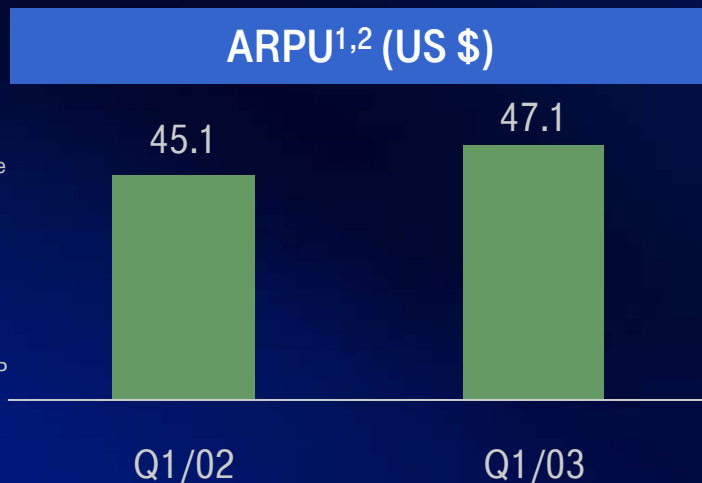
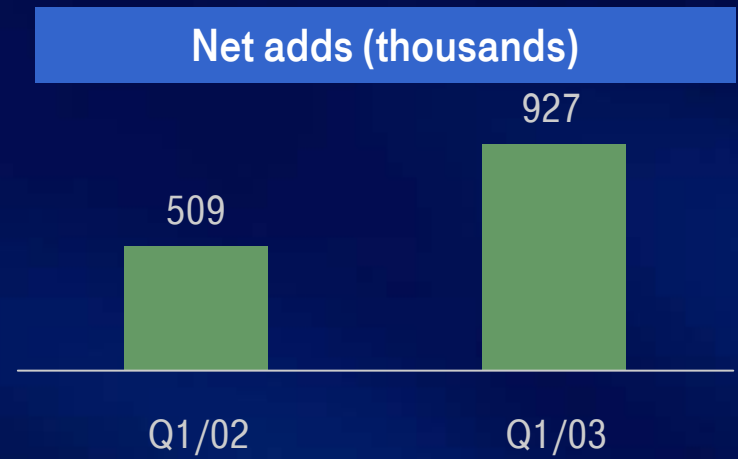
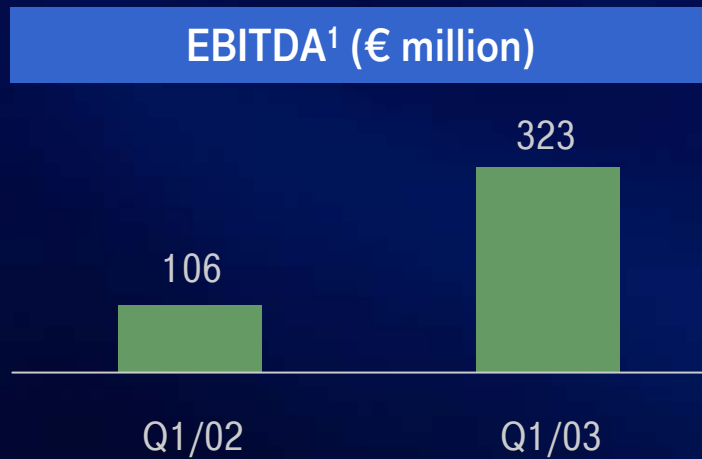
2 Adj. EBITDA minus capex (property, plant and equipment and intangible assets (excl. goodwill)).

3 T-Com channels only.

4 Property, plant and equipment and intangible assets (excl. goodwill).

# T-Mobile USA.

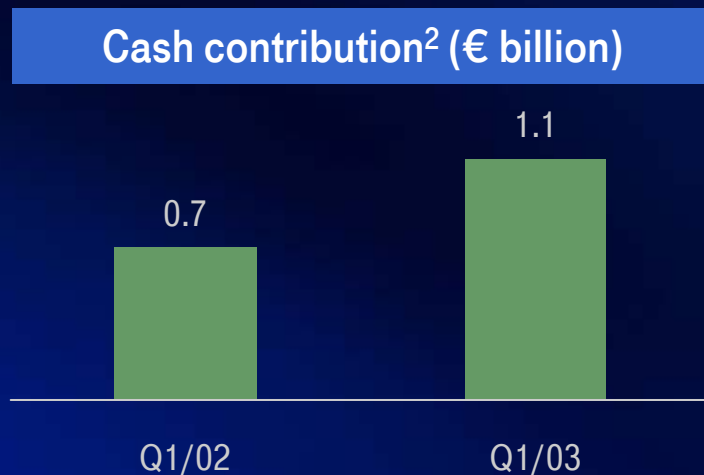
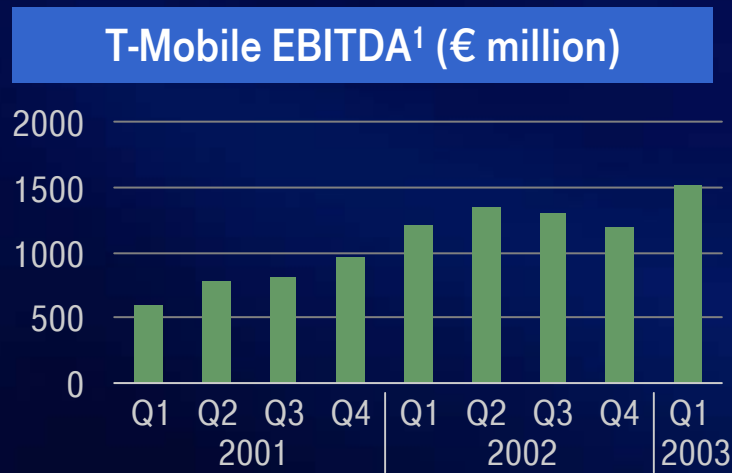
## Strong improvement in all areas.



1 To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

2 According to German GAAP excl. visitors.

# T-Mobile. Growth and improving EBITDA.



- Revenue increase of 18.9% to € 5.3 billion
- Another record quarter: EBITDA<sup>1</sup> of € 1.5 billion, up 25.0% from Q1/02
- Subscriber base<sup>3</sup> increased by 8.8 million (70% contract) to 55.1 million since Q1/02
- U.S. EBITDA<sup>1</sup> margin increased from 7.8% to 19.2%
- Capex<sup>4</sup> in Europe significantly reduced

<sup>1</sup> To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

<sup>2</sup> Adj. EBITDA minus capex ( property, plant and equipment and intangible assets (excl. goodwill)).

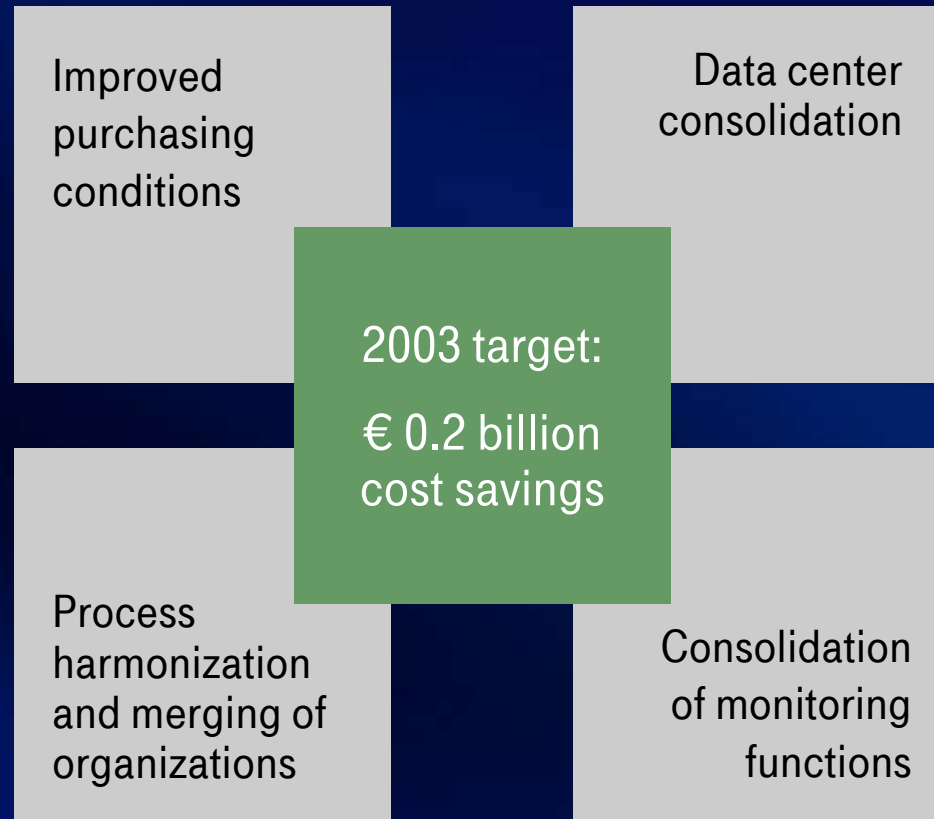
<sup>3</sup> Majority shareholdings only.

<sup>4</sup> Property, plant and equipment and intangible assets (excl. goodwill).

# T-Systems.

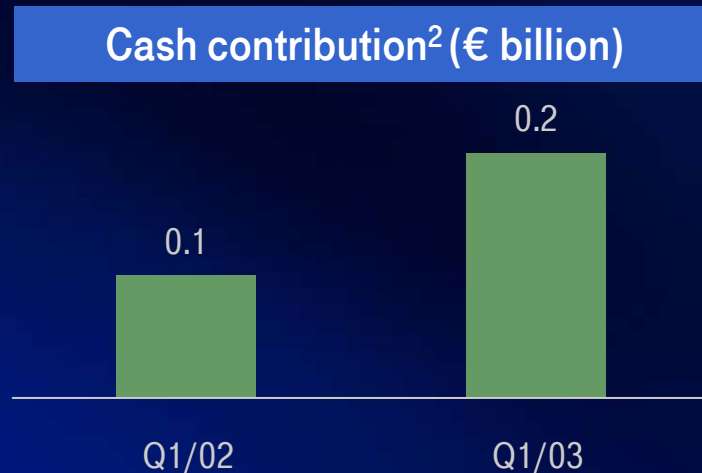
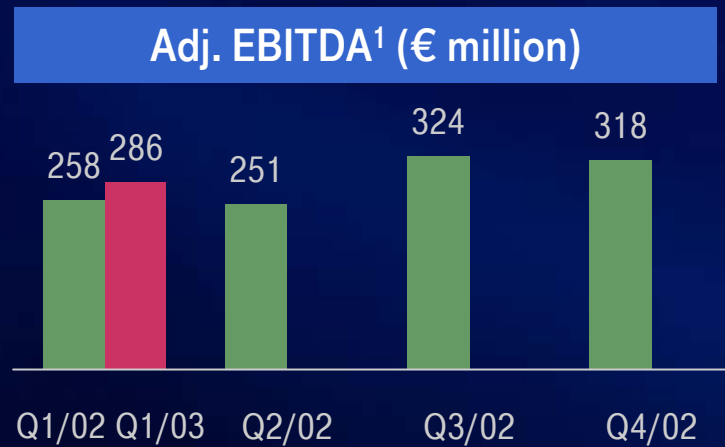
## Global computing factory - Profitability improvement.

### Implementation project



# T-Systems.

## Focus on profitability pays off.



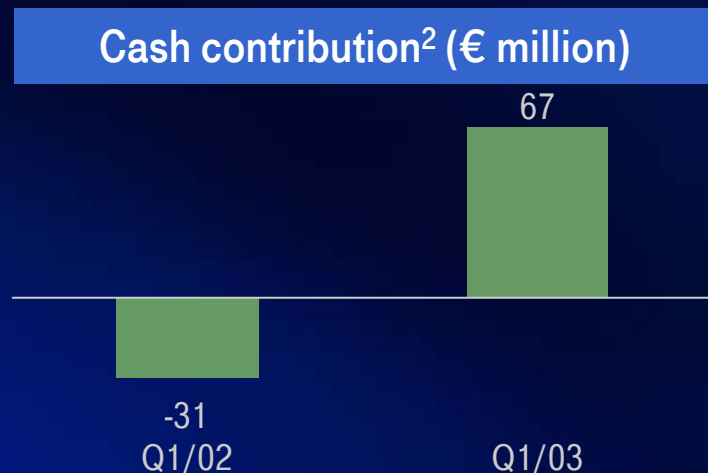
- 2.8% revenue increase<sup>1,3</sup> compared to Q1/02
- Adj. EBITDA<sup>1,3</sup> increase of 10.9%
- Adj. EBITDA margin<sup>1,3</sup> 11.2% up from 10.4 %
- Strong order book in Q1/03
- Headcount reduction of 980 out of targeted 3,500

1 To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

2 Adj. EBITDA minus capex (property, plant and equipment and intangible assets (excl. goodwill)).

3 Excluding agency business which has been reallocated to T- Com.

# T-Online. Excellent quarter.



- Revenue increased by 21.6% to € 445 million from Q1/02
- Further improvement in EBITDA<sup>1</sup> to € 75 million in Q1/03
- Gross margin improved to over 55% compared to 43% in Q1/02
- Total subscribers 12.5 million
- 3.1 million DSL users within the T-Online group as of Q1/03

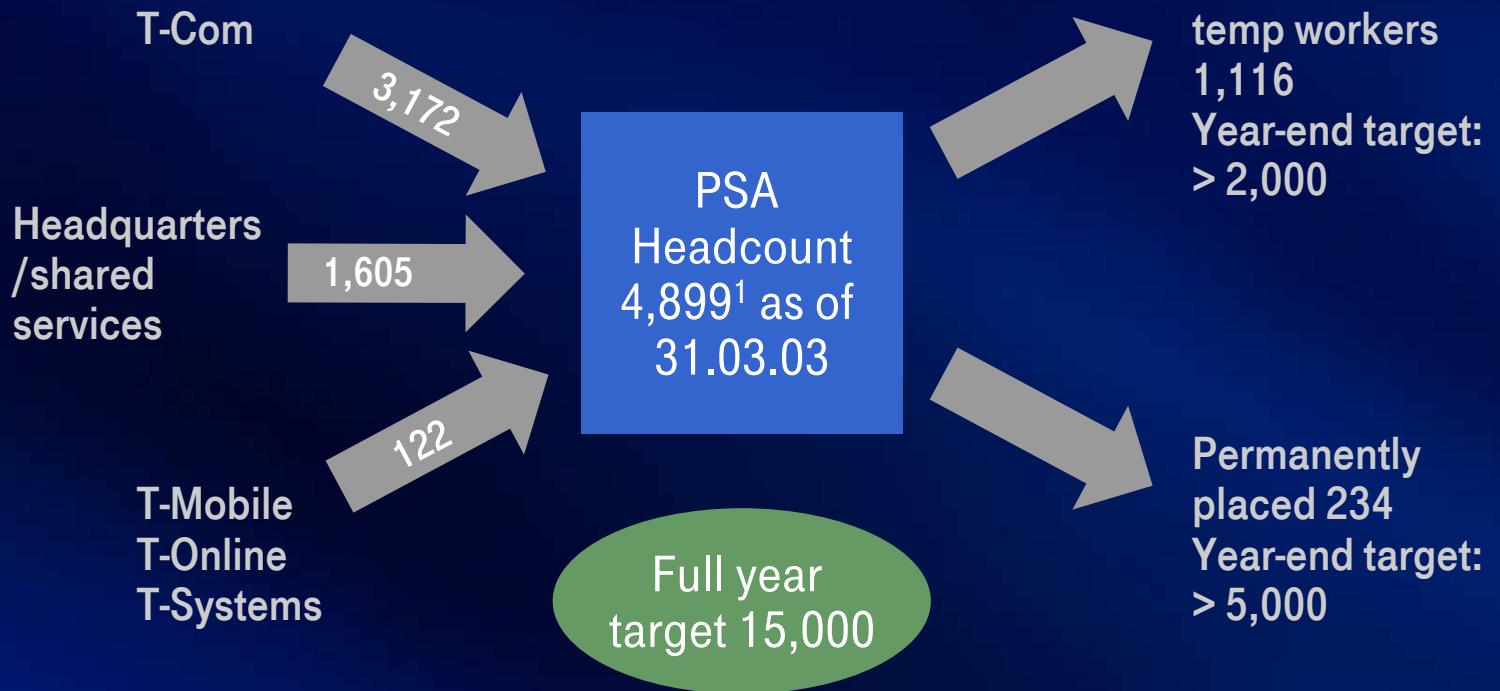
<sup>1</sup> To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

<sup>2</sup> Adj. EBITDA minus capex (property, plant and equipment and intangible assets (excl. goodwill)).



# Personnel Service Agency (PSA). 2003 transfer process well underway.

## Implementation project



<sup>1</sup> As of May 2: total 6,058 full-time employees (thereof T-Com 4,151, Headquarters/shared services 1,733, T-Mobile/T-Online/T-Systems 174)

# Outlook.

## Well positioned.

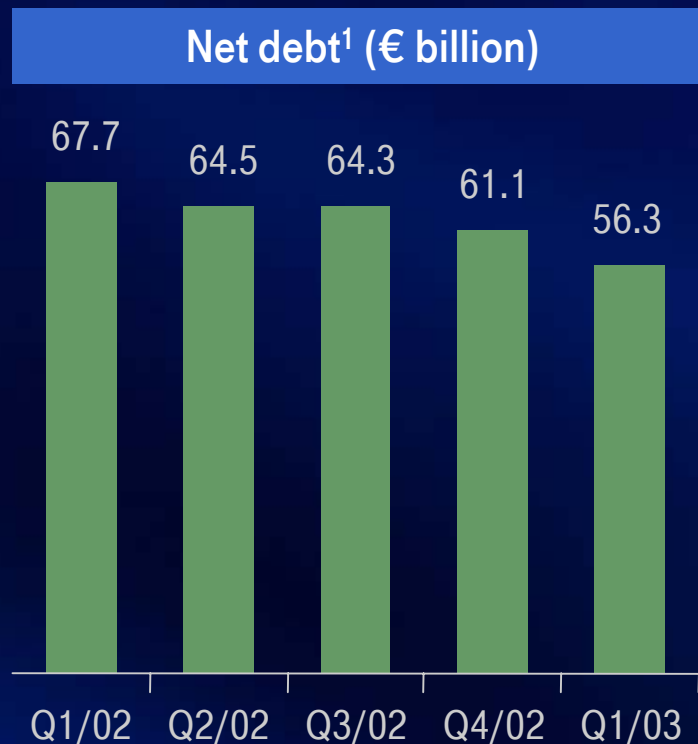
- Targeted adj. EBITDA<sup>1</sup> between € 17.2 and 17.7 billion
- Expect strong free cash flow<sup>1</sup> from
  - Implementing E<sup>3</sup> projects
  - Operational performance
- Net debt<sup>1</sup>: 3 x adj. EBITDA<sup>1</sup> by year-end
- Aim to be net income positive for 2003

<sup>1</sup> To interpret this non-GAAP measure, please refer to the chapter “Reconciliation to pro forma figures” in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom’s Investor relations website.

# Financials

Karl-Gerhard Eick, CFO

## Net debt reduction. Strong progress.



Net debt<sup>1</sup> reduced by € 4.8 billion to € 56.3 billion in Q1/03

- € 2.3 billion asset sales
- € 0.5 billion forex gains and other
- € 2.0 billion in free cash flow<sup>1</sup> (after deduction of € 0.9 billion cash-out for civil servants pension scheme)

<sup>1</sup> To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

## Debt reduction.

Sales of € 4.9 billion since November 2002.

November/ December 2002 <sup>1</sup>	
Sale of UMC/Eutelsat S.A.	€ 0.2 billion
Sale of 120 million T-Online shares	€ 0.7 billion
ABS transaction of T-Systems	€ 0.2 billion
Sale and leaseback at T-Systems	€ 0.1 billion
Proceeds from real estate	€ 1.1 billion
January - April 2003 <sup>1</sup>	
Sale of remaining cable business	€ 1.7 billion
Proceeds from real estate <sup>2</sup> /TeleCash	€ 0.4 billion
Sale of 15% stake in MTS	€ 0.5 billion
<b>Total</b>	<b>€ 4.9 billion</b>

<sup>1</sup> Dates when transactions were announced.

<sup>2</sup> Remaining cash proceeds from the € 1.7 billion real estate package announced in 2002.

# Free cash flow<sup>1</sup>.

## € 2.0 billion free cash flow in Q1/03.

€ billion <sup>2</sup>	Q1/03	Q1/02	Δ% <sup>3</sup>	2002
Cash generated from operations	3.4	2.9	19.0	16.7
Net interest payment	- 0.3	- 0.6	53.1	- 4.2
Net cash provided by operating activities	3.1	2.3	37.7	12.5
Cash outflows from investments in				
- property, plant and equipment	- 1.0	- 1.8	40.8	- 6.8
- intangible assets	- 0.1	- 0.2	57.5	- 0.8
<b>Free cash flow<sup>1</sup> before dividends</b>	<b>2.0</b>	<b>0.3</b>	<b>n/a</b>	<b>4.8</b>

1 To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

2 Figures rounded to the nearest € 100 million figure.

3 Calculated on the basis of exact million figures.

# Capex<sup>1</sup> status.

## Strong increase in cash contribution.

€ billion	Q1/03	Q1/02
T-Com	0.3	0.8
T-Mobile	0.4	0.5
T-Systems	0.1	0.2
T-Online and Others	0.1	0.1
<b>Total capex<sup>1</sup></b>	<b>0.9</b>	<b>1.6</b>

€ billion	Q1/03	Q1/02
Adj. EBITDA <sup>2</sup>	4.5	3.8
Capex <sup>1</sup>	<b>0.9</b>	1.6
<b>Cash contribution<sup>3</sup></b>	<b>3.6</b>	<b>2.2</b>

- 1 Property, plant and equipment and intangible assets (excl. goodwill).
- 2 To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.
- 3 Adj. EBITDA minus capex (property, plant and equipment and intangible assets (excl. goodwill))

## Q1 2003 – Debt reduction going forward.

- Focus on real estate and free cash flow<sup>1</sup> generation
- Further asset sales when attractive deals are available
- T-Online, Matav and towers not part of asset sale program going forward

€ billion	Target Q3/02	Achieved	To go
Free cash flow <sup>1</sup>	5.5 - 6.0	2.2	3.3 - 3.8
Asset sales	6.2 - 8.5	4.9	1.3 - 3.6

<sup>1</sup> To interpret this non-GAAP measure, please refer to the chapter “Reconciliation to pro forma figures” in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom’s Investor relations website.



# Q1 2003 - Net income. Positive.

€ million	Q1/03	Q1/02
Adj. EBITDA <sup>1</sup>	4.5 <sup>2</sup>	3.8
Depreciation and amortization	- 3.3	- 3.7
Net financial expense	- 1.1	- 1.2 <sup>4</sup>
Taxes	0.1 <sup>3</sup>	- 0.2 <sup>5</sup>
Minorities	- 0.1	- 0.1
Adj. net income <sup>1</sup>	0.1	- 1.4
Special factors <sup>1</sup>	0.8	- 0.4
Net income	0.9	- 1.8

1 To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

2 Special factors that positively effected EBITDA: € 0.2 billion net from the sale of cable (incl. additions to accruals and selling costs), € 0.2 billion income from the disposal of TeleCash, Eutelsat, and UMC.

3 Excl. tax income of € 0.3 billion resulting in particular from change in the legal status of T-Mobile International.

4 Excl. nonscheduled write-downs on the net carrying amount of the stake in France Télécom (€ 0.2 billion ) and other nonscheduled write-downs of financial assets (€ 0.3 billion).

5 Excl. positive tax effect derived from offsetting the loss from the write-down of the net carrying amount of the investment in Sprint and other tax effects (€ 0.1 billion).

## Others.

### Combining the central functions.

Revenue (€ million)	Q1/03	Q1/02	FY/02
Shared services	1,116	1,036	4,299
thereof PSA	0	0	0
thereof other shared services <sup>1</sup>	1,116	1,036	4,299
Headquarters/miscellaneous	16	48	60
Total <sup>2</sup>	1,093	957	4,411

EBITDA <sup>3</sup> (€ million)	Q1/03	Q1/02	FY/02
Shared services	394	338	1,388
thereof PSA	4 <sup>4</sup>	n/a	n/a
thereof other shared services <sup>1</sup>	390	338	1,388
Headquarters/miscellaneous	- 268	- 350	- 797
Total <sup>2</sup>	152	- 28	447
Special influences	162	0	417
Adj. EBITDA <sup>3</sup>	- 10	- 28	30

1 Incl. real estate, billing services, and fleet services.

2 Incl. consolidation.

3 To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

4 Transfer payments from T-Com (€ 43 million) - expenses for operational build-up of the PSA (€ 39 million).

## Q1 2003 - Accounting changes. Increasing the transparency of the Group.

- Change from total cost to cost of sales method
- Reallocation of agency business
- DeTeMedien now part of T-Com
- Deconsolidation effects (cable, etc.)

# Outlook.

## Targets for 2003.

- Adj. EBITDA<sup>1</sup> € 17.2 - 17.7 billion
- Capex<sup>2</sup> € 6.7 - 7.7 billion
- Net debt<sup>1</sup> 3 x adj. EBITDA<sup>1</sup> by year-end

1 To interpret this non-GAAP measure, please refer to the chapter "Reconciliation to pro forma figures" in the Q1/03 interim report or the reconciliation to pro forma figures posted on Deutsche Telekom's Investor relations website.

2 Property, plant and equipment and intangible assets (excl. goodwill).