

H1/08 Conference call. Deutsche Telekom.

August 7, 2008



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Agenda.

Deutsche Telekom H1/08 results conference call .

- Introduction
Stephan Eger
Head of Investor Relations
- H1/08 Highlights
René Obermann
CEO
- H1/08 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



H1/08. Highlights.

René Obermann, CEO



H1/08 Highlights.

- Revenue up 0.3% on an organic basis¹ and up 0.8% assuming constant currencies; reported revenue decreased 3% from €31.0 billion to €30.1 billion
- Adj. EBITDA up 0.5% on an organic basis¹ and up 2.4% assuming constant currencies; reported adj. EBITDA decreased 0.5% from €9.6 billion to €9.5 billion
- Free cash flow up 58.2% to €3.6 billion from €2.3 billion in H1/07
- Net income improved 23.8% to €1.3 billion; adj. net income improved 21.9% to €1.4 billion

¹ Assuming constant currencies and no changes in the scope of consolidation.



Management update: Focus, fix and grow.



Achievements Q2/08:

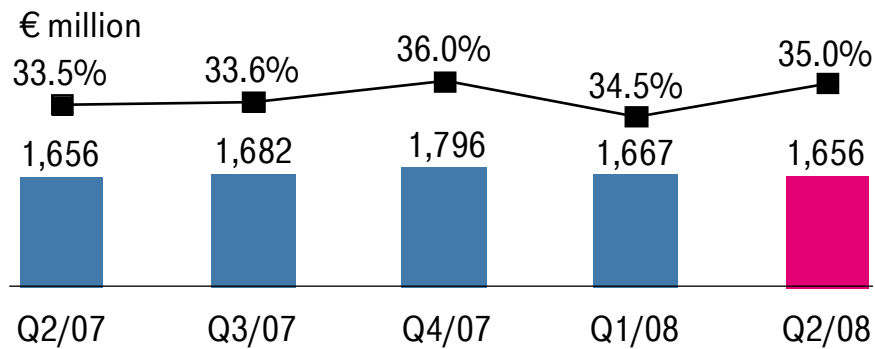
- BBFN domestic revenue decrease in Q2 with -4.4% at the upper end of -4 to -6% guidance range
- Adj. EBITDA margin of BBFN domestic in Q2 increased from 33.5% to 35% yoy
- Adj. opex of BBFN domestic reduced by 7.1% yoy or €0.2 billion
- Ongoing domestic headcount reduction -11,500 net yoy as of 30/06/2008
- Retail broadband net add market share 40%, net adds 340k due to seasonally lower market growth
- CEE fixed network adj. EBITDA margin improved to 43.1% in Q2
- T-Mobile Germany adj. EBITDA margin of 39.6% in Q2/08, up from 36.9% in Q2/07



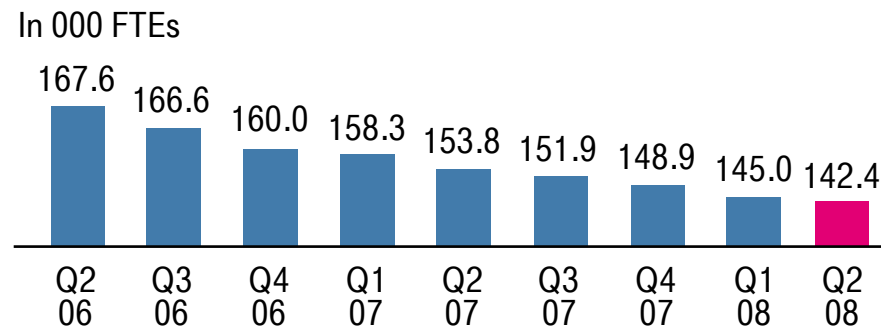
Improve competitiveness in Germany and CEE.

BBFN domestic – adj. EBITDA stabilization.

BBFN domestic adj. EBITDA and margin



Headcount in Germany

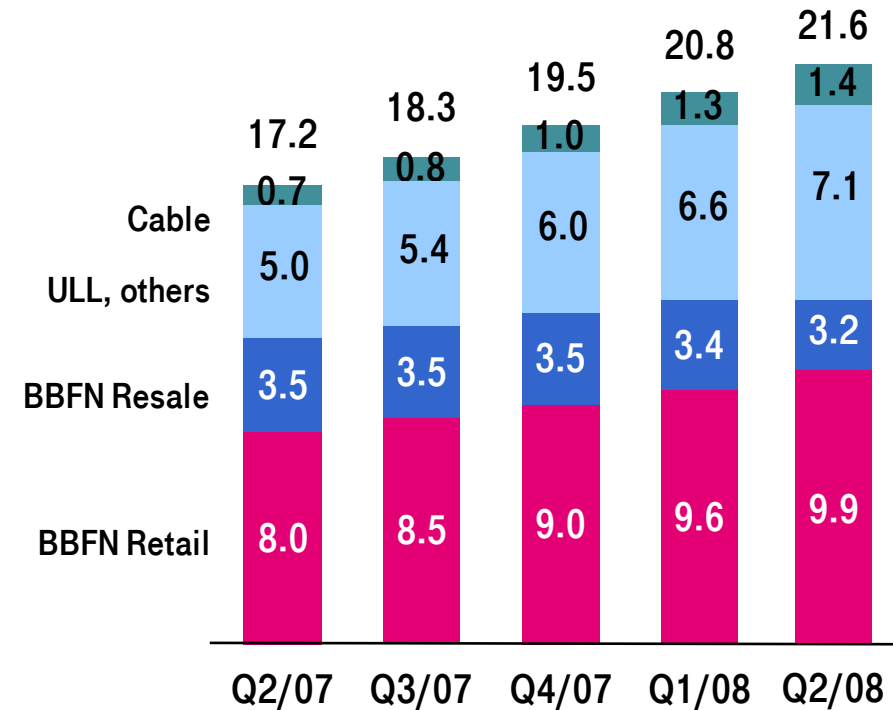


- BBFN domestic stabilizes absolute adj. EBITDA in Q2/08 yoy and improves adj. EBITDA margin
- Successful group cost cutting initiative “Save for Service”: total run rate of program at €3.0 billion annually as of 30/06/08
- 32,000 gross headcount reduction program completed two quarters ahead of schedule: 33,900 gross and 25,700 net reduction. Approx. €0.6 billion reduction in adj. personnel expenses H1/08 over H1/06
- Vivento: since start 39,800 transfers; 31,600 have left, thereof 20,300 outside the group; remaining Vivento employees as of June 30: 8,200



Improve competitiveness in Germany and CEE. Domestic broadband market share above 40%.

Broadband lines in million



DTAG retail net add market share*	Q2/07	Q3/07	Q4/07	Q1/08	Q2/08
	41%	46%	42%	43%	40%

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

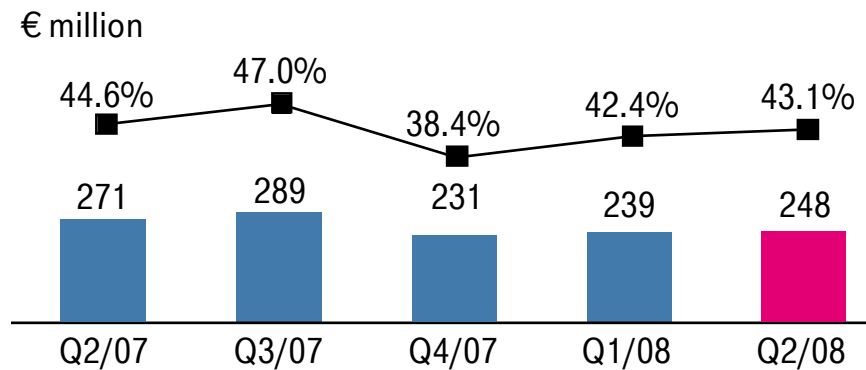
Development Q2/08:

- Stabilized retail broadband market share of 46% since 4 quarters
- DSL customer base has grown from 8.0 to 9.9 million since Q2/07
- 340k retail DSL net adds
- 547k ULL net adds
- 653k line losses reflecting higher All-IP migration of resellers (resale DSL -232k)



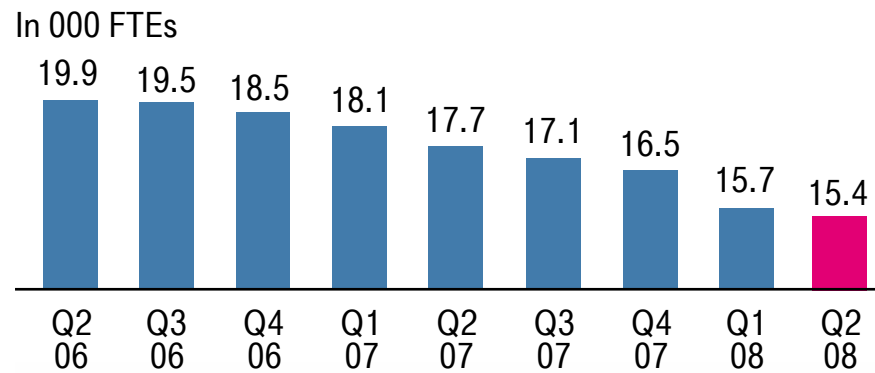
Improve competitiveness in Germany and CEE. CEE fixed line – continued high profitability.

CEE fixed line adj. EBITDA and margin



- Fixed network CEE continues to deliver high profitability. Q2/08 adj. EBITDA margin at 43.1%
- Q2/08 revenue €0.6 billion
- Q2/08 adj. EBITDA €0.25 billion
- Headcount reduced by 2,300 or 13% over last year

Headcount in CEE fixed line

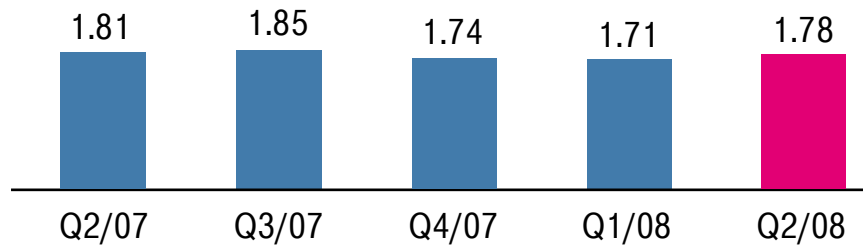


Improve competitiveness in Germany and CEE.

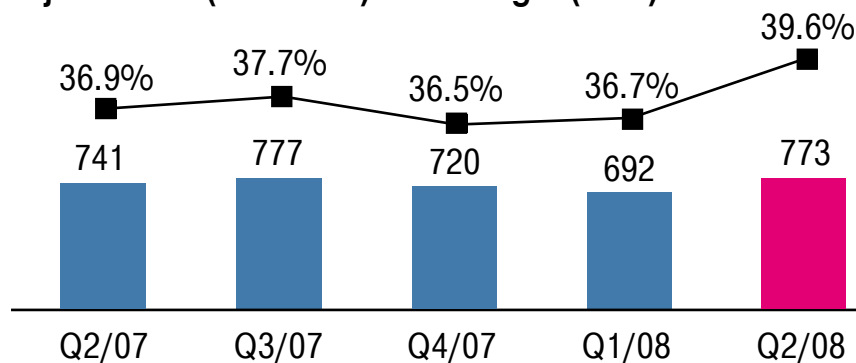
T-Mobile Germany – strong adj. EBITDA performance.

Service revenues

€ billion



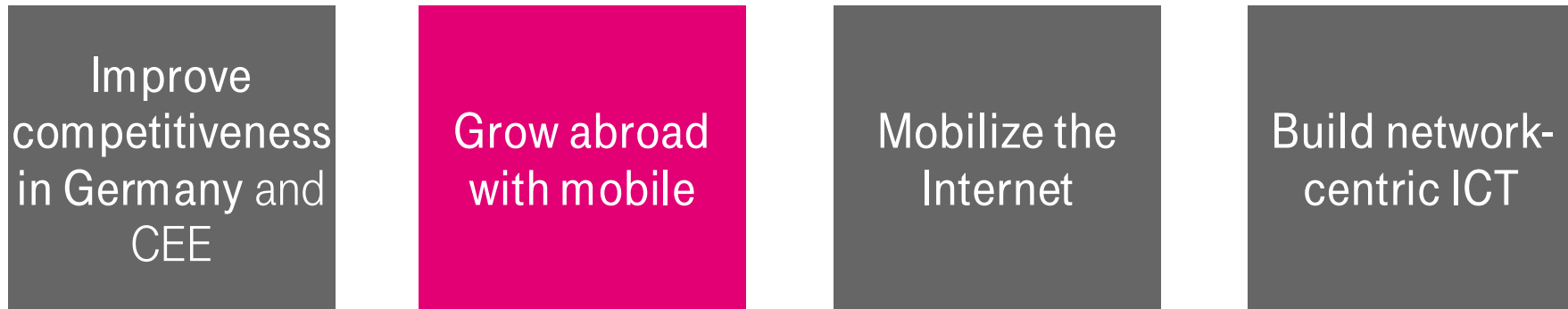
Adj. EBITDA (€ million) and margin (in%)



- Improved financial trends:
 - Service revenues: -1.9% yoy vs. -3.1% yoy in Q2/07
 - Adj. EBITDA: +4.3% yoy vs. -8.5% yoy in Q2/07
 - Adj. EBITDA margin: 39.6% vs. 36.9% in Q2/07
- Contract net adds of 204k in Q2/08
- Contract churn: 1.1% in Q2/08 vs. 1.2% in Q2/07
- MOU per contract customer up about 9% yoy in Q2/08 – total contract MOU up 15% yoy



Management update: Focus, fix and grow.



Achievements Q2/08:

- 1.1 million contract customers added internationally. Total international sub base now at 86.6 million
- T-Mobile improves international revenues¹ (5.9% organic growth, 1.2% reported yoy in Q2/08)
- T-Mobile improves international adj. EBITDA¹ (5.5% organic growth, 3.1% reported yoy in Q2/08)
- T-Mobile USA continues double-digit revenue and adj. EBITDA growth (in US\$)
- CEE Mobile² with double-digit revenue and adj. EBITDA growth
- OTE: agreement with Greek government approved by Greek parliament

¹ Mobile Communications excl. T-Mobile Germany.

² Poland, Czech Republic, Hungary, Croatia, Slovakia, Macedonia, and Montenegro.

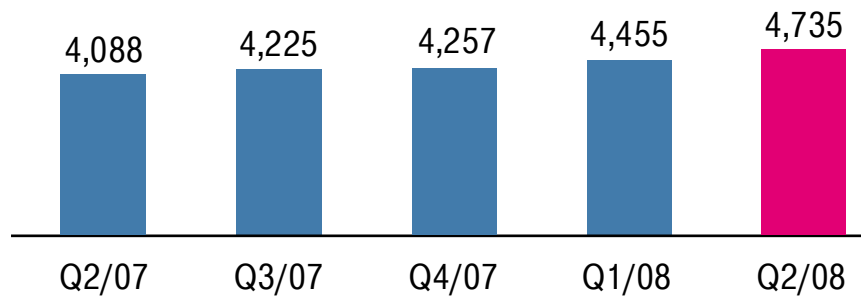


Grow abroad with mobile.

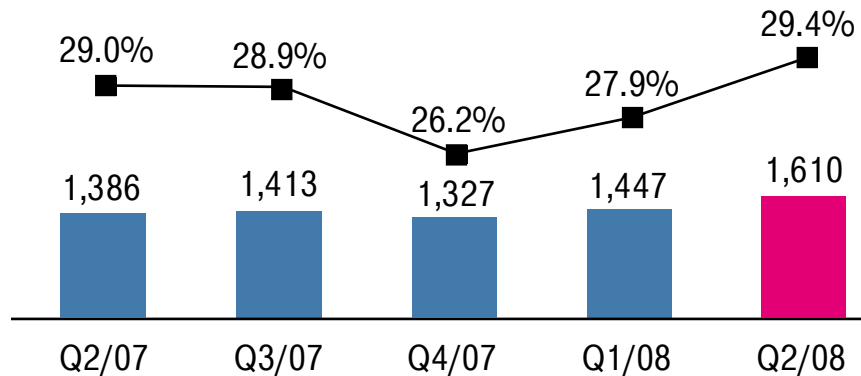
T-Mobile USA – strong financials.

Service revenues

US\$ million



Adj. EBITDA (US\$ million) and margin (in%)



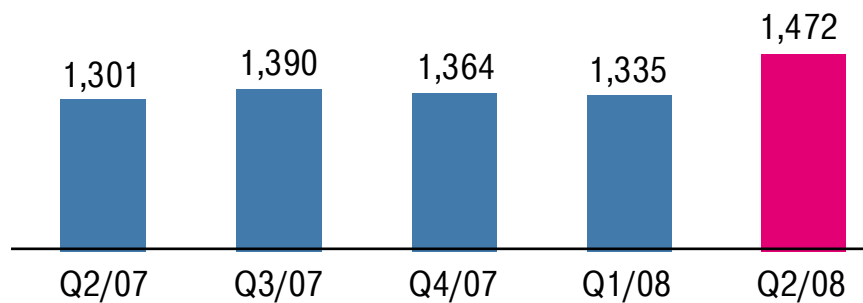
- Total revenues (US\$) up 14.4% in Q2/08
- Service revenues (US\$) up 15.8% in Q2/08
- Adj. EBITDA margin: 29.4% in Q2/08, up from 29.0% in Q2/07
- Q2 net increase in customer base: 0.7 million
 - Q2/08 contract gross adds up 6% from Q2/07 and unchanged from Q1/08
 - Net adds: 668k (versus 857k in Q2/07), of which 525k contract
 - Slowdown in Q2/08 mainly due to sequentially higher contract churn
- 31.5 million customer base
- T-Mobile @Home launch on July 2: unlimited nationwide calling from home for US\$10/month



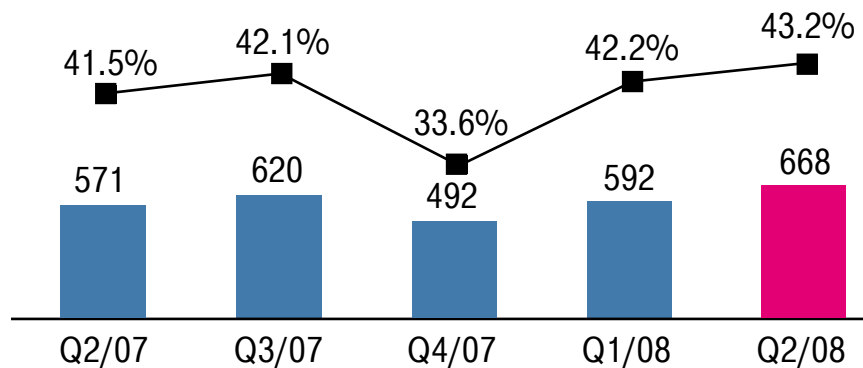
Grow abroad with mobile. CEE¹ countries – delivering double-digit growth.

Service revenues

€ million



Adj. EBITDA (€ million) and margin (in%)



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

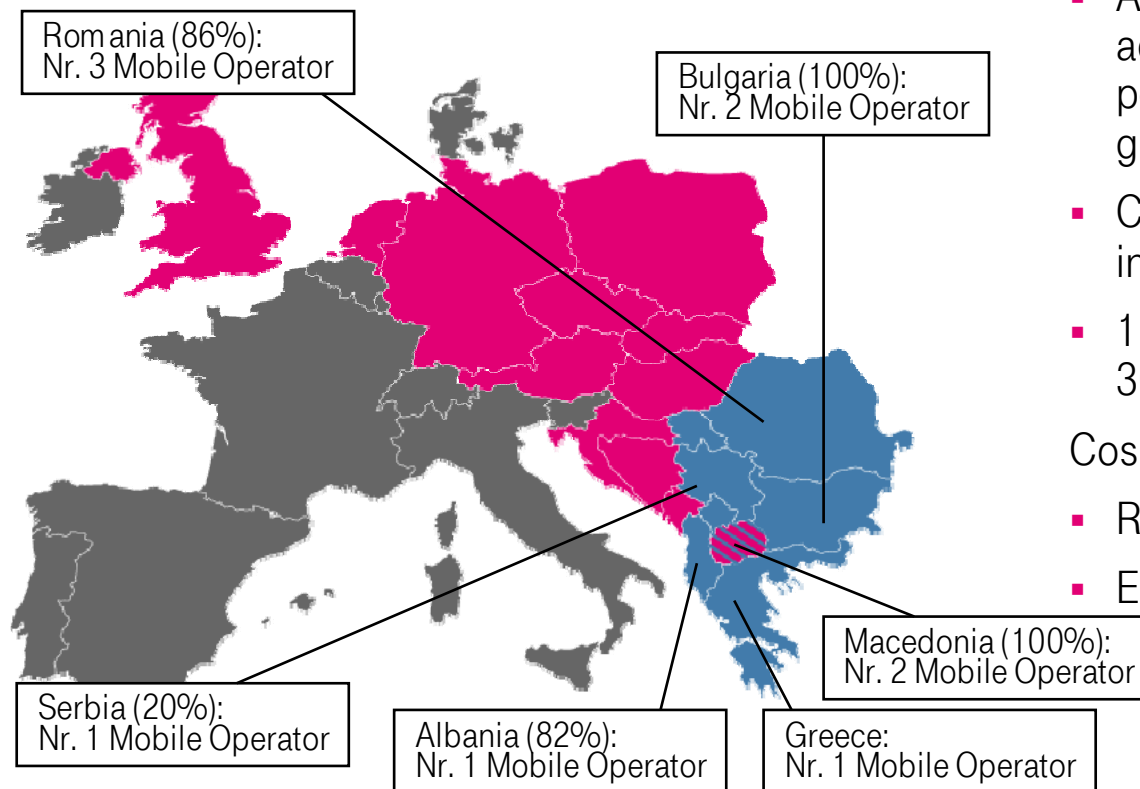
- Total revenues up 12.3% in Q2/08
- Service revenues up 13.1% in Q2/08
- Adj. EBITDA up 17.0% in Q2/08
- Adj. EBITDA margin in CEE countries up 1.7pp to 43.2% in Q2/08
- Contract net adds: 432k in Q2/08
- Strong yoy non-voice revenue growth Q2/08:
 - Total up 17.8% to €267 million
 - Without messaging up 79.3% to €88 million
- Low contract churn in key markets in Q2/08:
 - PTC: 0.5%, T-Mobile CZ: 0.4%, T-Mobile Hungary: 0.9%, T-Mobile HR: 0.8%
- Strong growth in cash contribution up 30.7% yoy to €532 million



Grow abroad with mobile.

Stake in OTE/Cosmote adds further growth potential.

Footprint DT / Cosmote



Overview Cosmote

- Acquisition of stake in OTE enables access to growing markets with a total population of 56 million and sharpens growth profile of DT
- Complementary, fast growing portfolio in Southeast Europe
- 16.5 million mobile customers as of 30/03/08, +35% yoy

Cosmote group:

- Revenue 2007 €3.1 billion, +28% yoy
- EBITDA 2007 €1 billion, + 12% yoy



Management update: Focus, fix and grow.



Achievements Q2/08:

- Non-voice revenues w/o messaging up 23.6% yoy to €588 million. Europe up 46.2% yoy to €350 million. US up 16.6% yoy in local currency to US\$371 million (total incl. messaging up 31.5% to US\$ 792 million)
- Femtocell trial in Cologne/Bonn area started in June 2008
- In Germany entire UMTS network equipped with HSUPA allowing uplink speeds of up to 1.4 Mbps
- Breakthrough mobile handsets, e.g. 3G capable devices: 2.3 million devices sold in Europe in H1/08
- US: 3G UMTS/HSDPA network launched in New York, up to 25 additional markets to be launched by YE 2008, incl. Las Vegas, Austin, and San Antonio (launch this week)

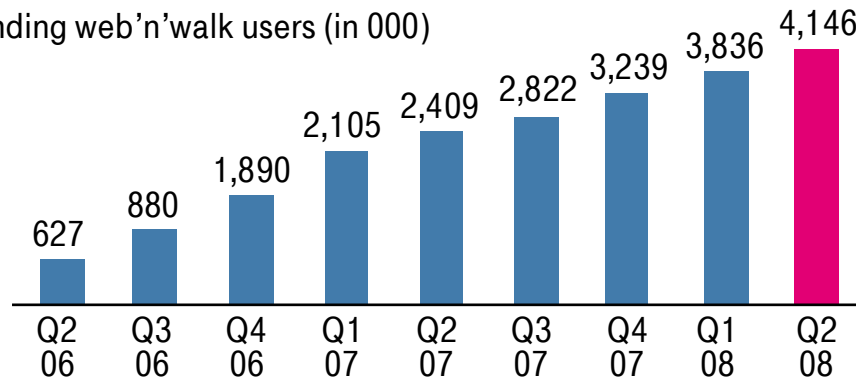


Mobilize the Internet.

Growth driver non-voice excl. messaging.

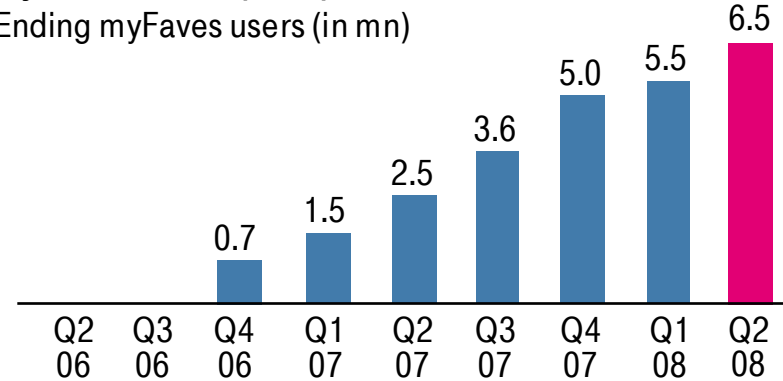
Web'n'walk users (Europe¹)

Ending web'n'walk users (in 000)



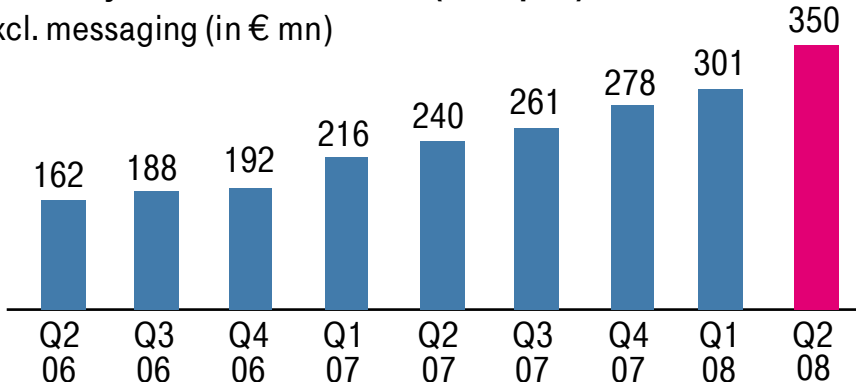
myFaves users (USA)

Ending myFaves users (in mn)



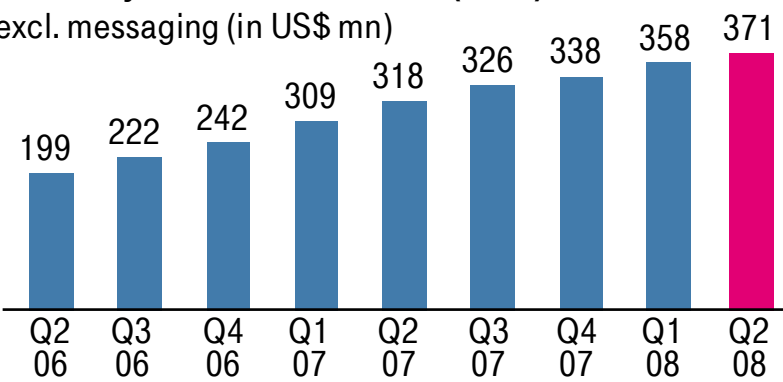
Quarterly non-voice revenue (Europe¹)²

excl. messaging (in € mn)



Quarterly non-voice revenue (USA)²

excl. messaging (in US\$ mn)



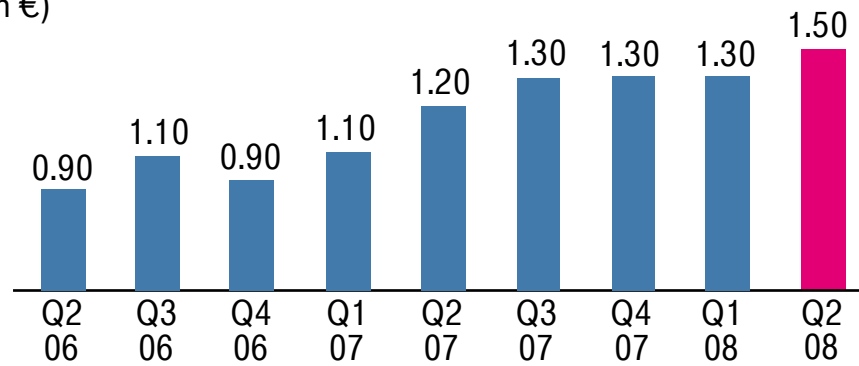
¹ Germany, UK, Netherlands, Austria, Czech Republic. ²Incl. reallocation of access revenue (mainly WiFi in USA) between Q1/07 and Q2/07.



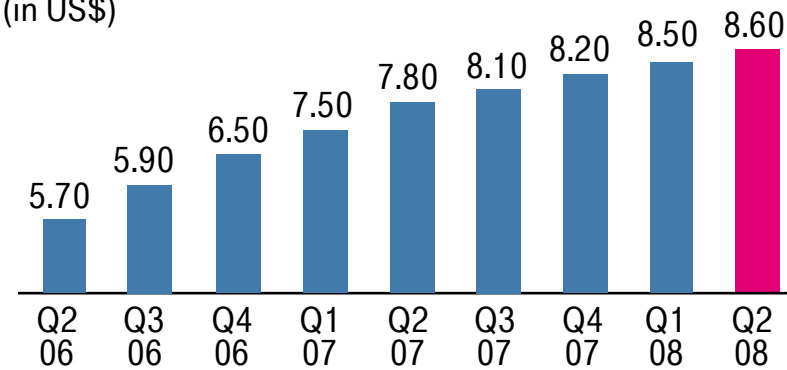
Mobilize the Internet.

Dynamic growth in data ARPU.

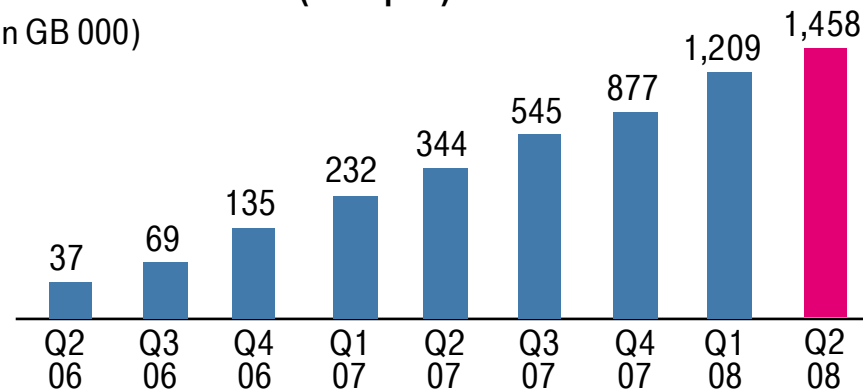
Data ARPU excl. messaging (Europe¹)
(in €)



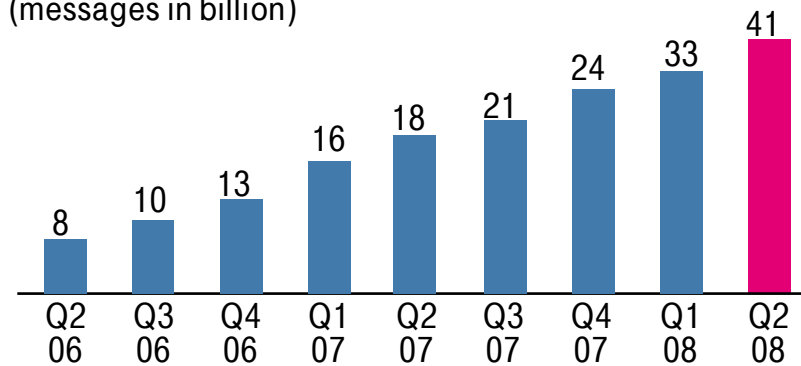
Data ARPU incl. messaging (USA)
(in US\$)



UMTS Data volume (Europe²)
(in GB 000)



SMS/MMS (USA)
(messages in billion)



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

² Germany, UK, Netherlands, Austria



Management update: Focus, fix and grow.



Achievements Q2/08:

- Joint sales force and production unit with Cognizant established
- Set-up of new go to market model
- Restructuring of domestic business well underway (multi-channel sales approach for SME)
- Headcount in Germany reduced by 5,900 FTEs as of June 30 yoy
- International sales strategy delivers – revenue up 3.4% in Q2/08 yoy
- Adjusted order entry up 9.7% in H1/08 to €6.4 billion
- Important deals like Royal Dutch Shell and Sparkasse closed



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



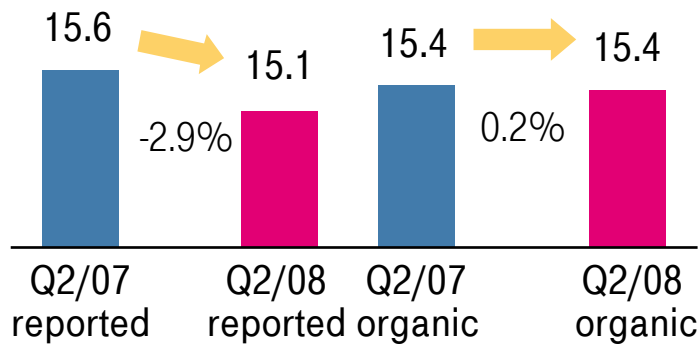
H1/08. Financials.

Dr. Karl-Gerhard Eick, CFO and Deputy CEO

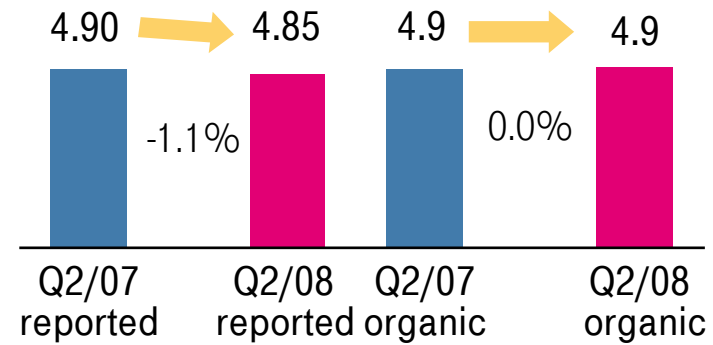


Overview Group financials.

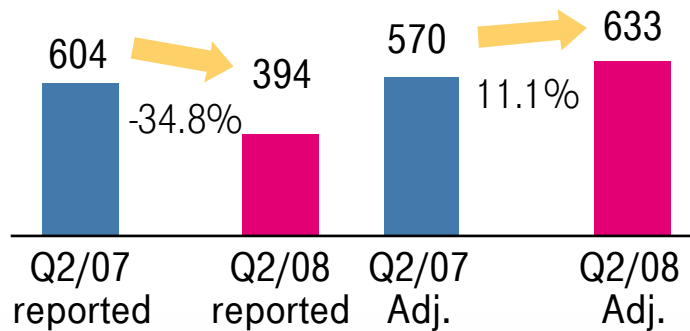
Revenue (€ billion)



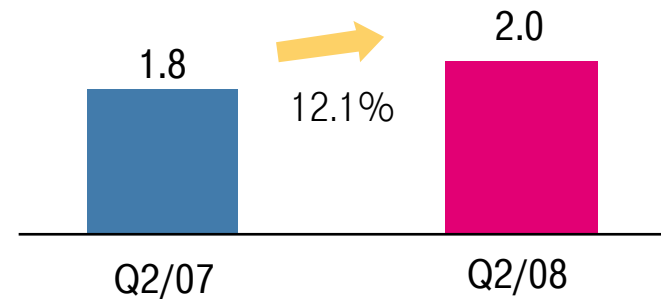
Adj. EBITDA (€ billion)



Net income (€ million)



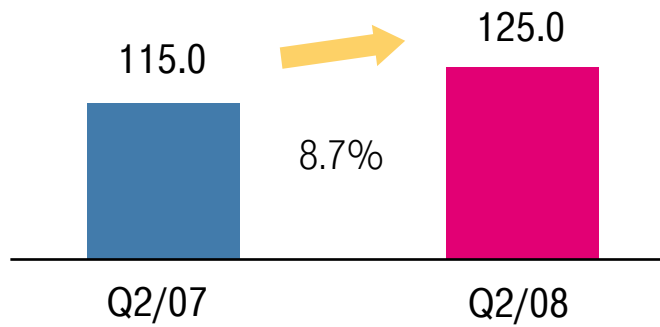
FCF (€ billion)



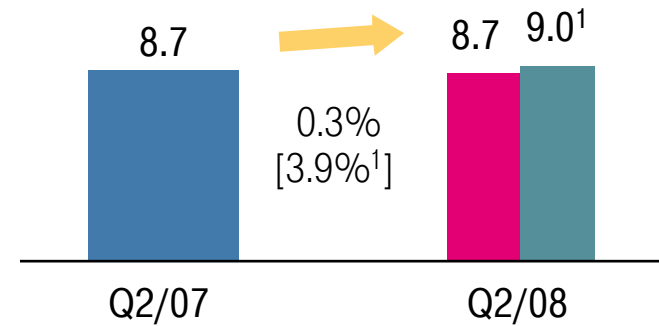
Mobile summary.

125 million customers worldwide.

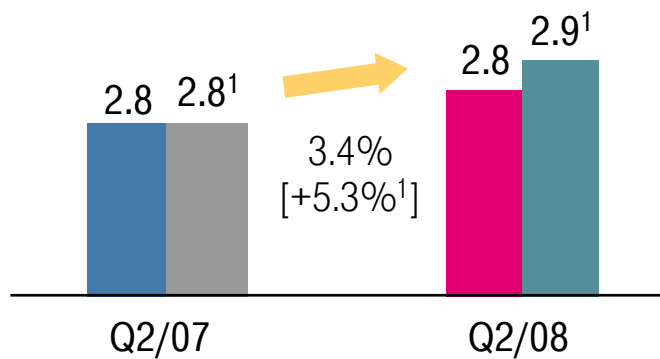
Customers (million)¹



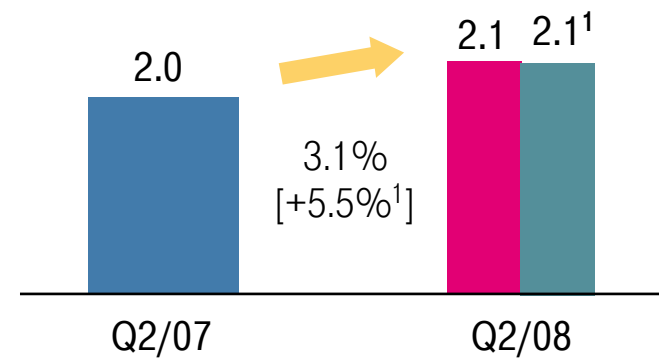
Total revenue (€ billion)



Adj. EBITDA (€ billion)



International adj. EBITDA (€ billion)



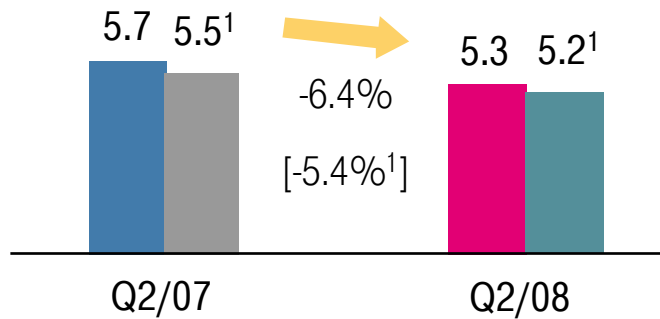
¹ Organic growth.



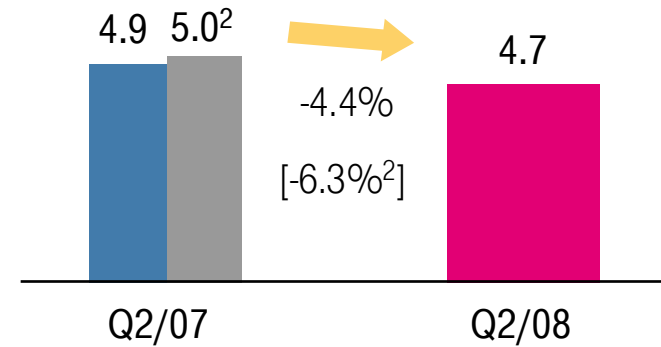
BBFN summary.

Stable domestic adj. EBITDA.

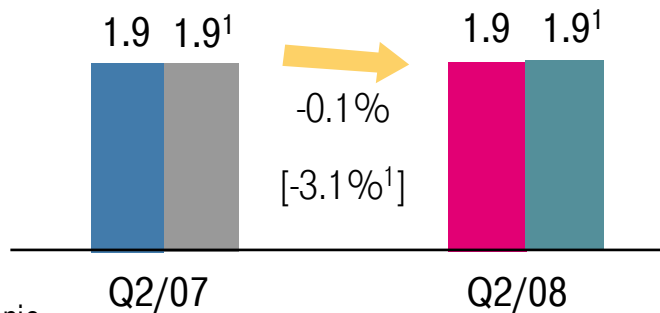
Total revenue (€ billion)



Domestic revenue (€ billion)

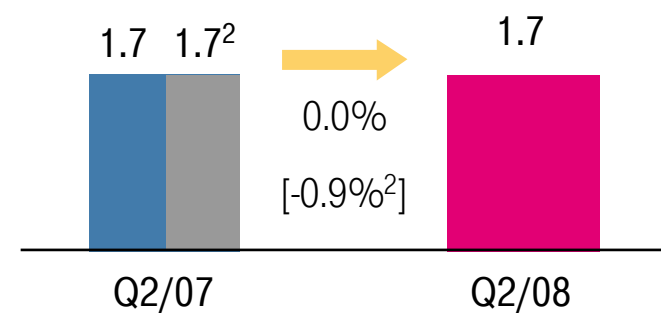


Adj. EBITDA (€ billion)



¹ Organic.

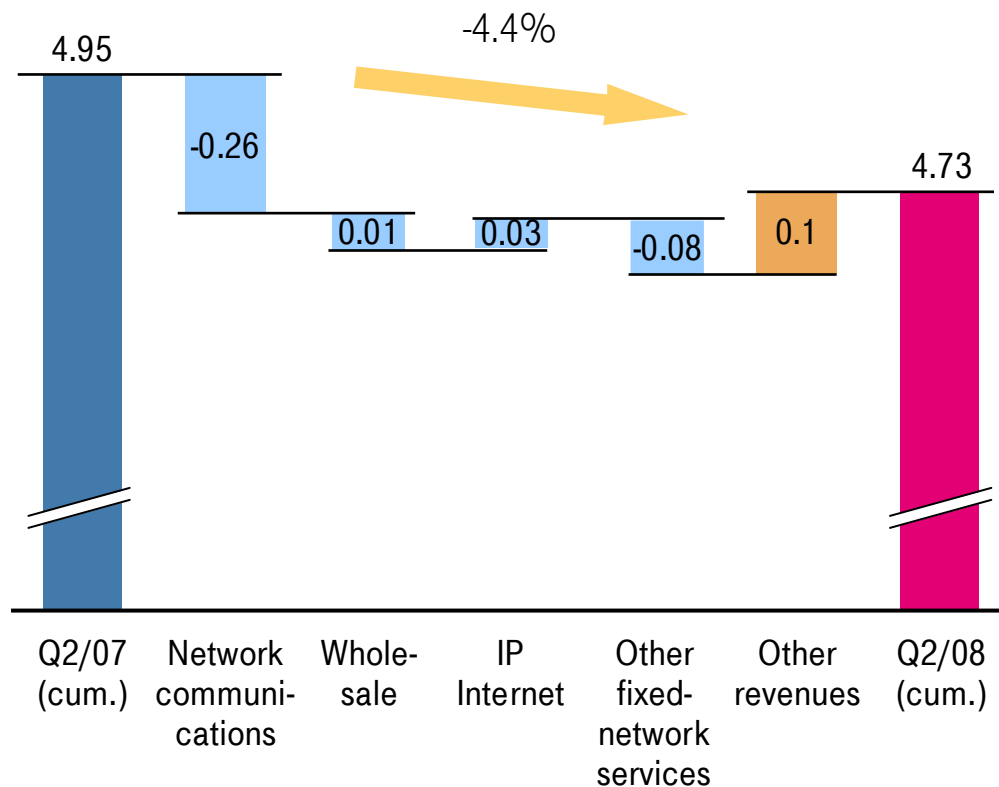
Domestic adj. EBITDA (€ billion)



² Prior year figures adjusted for Active Billing and DTKS.



BBFN domestic revenue development in Q2 2008.

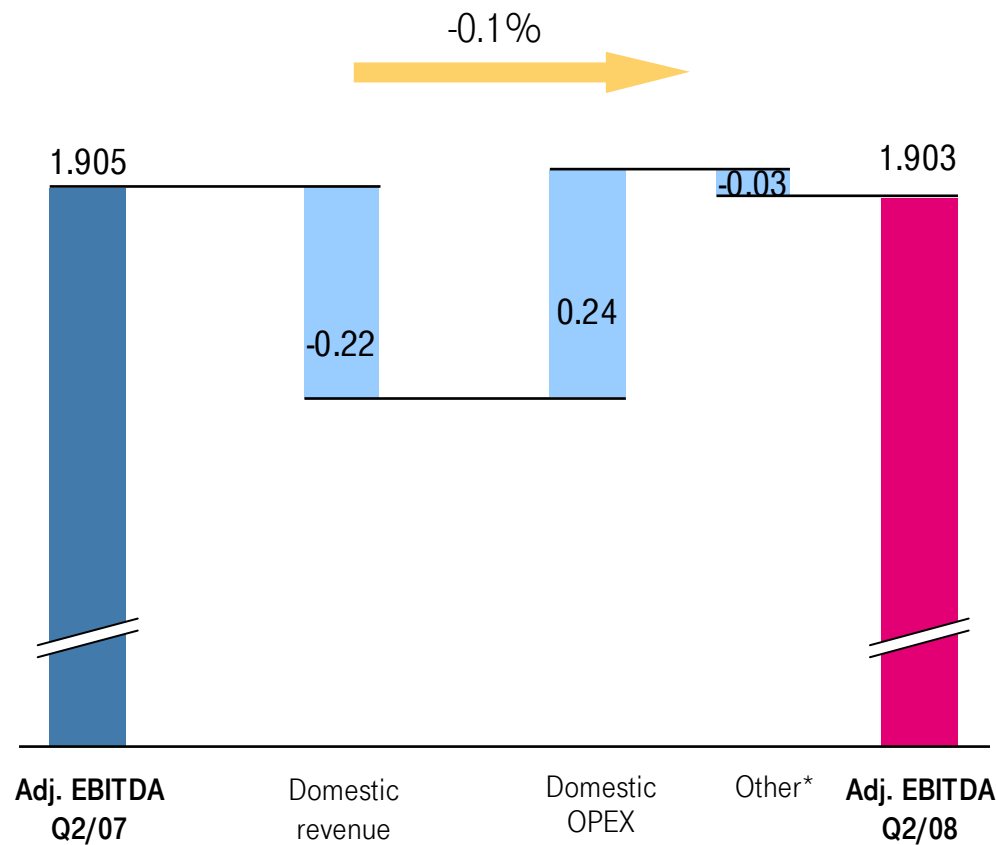


- Reduction in network communications from access (€0.17bn) and calling revenues (€0.1bn) due to line losses and price effects from Max 06/Max 07
- Wholesale almost stable, growth in ULL offset by voice interconnection and resale DSL
- IP Internet slight increase due to growth in DSL lines and new consolidation 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 Q2 08.

Revenue decrease compensated by opex cuts.



- Revenue decrease could be compensated by corresponding OPEX reduction
- €0.2 billion domestic net cost reduction
- €0.4 billion Save for Service

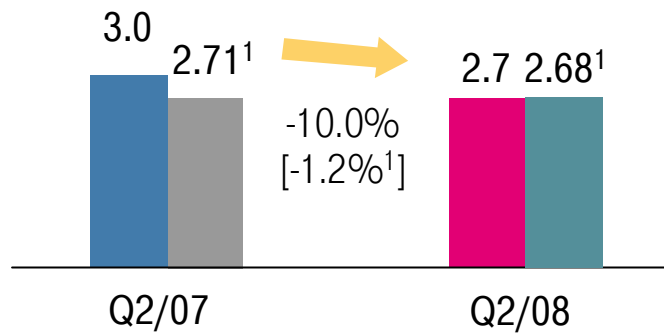
*Change in other income and international adj. EBITDA.



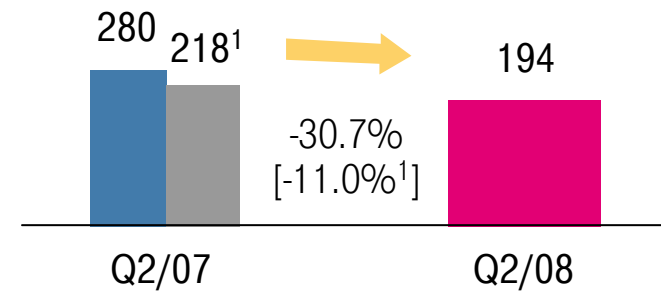
Business Customers summary.

Results impacted by sale of Media & Broadcast.

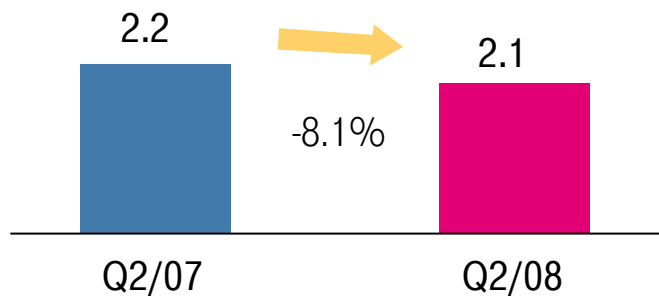
Total revenue (€ billion)



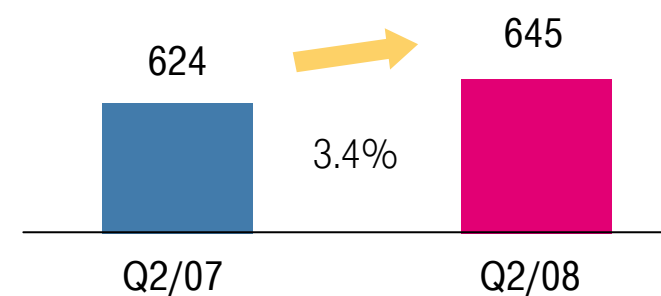
Adj. EBITDA (€ million)



External revenue (€ billion)



International revenue (€ million)

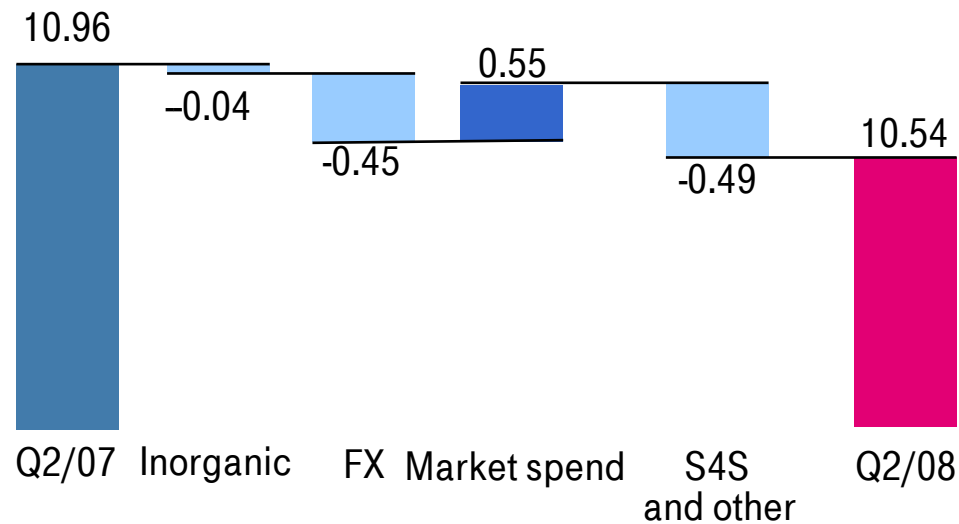


¹ Organic (adjusted for sale of Media & Broadcast and transfer of Active Billing to BBFN and assuming constant currencies).



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

Cost base development¹



- Total run rate of “Save for Service” (S4S) program at €3.0 billion annually
- Q2/08 contribution of “Save for Service” €0.5 billion
- Net cost base reduction in the Group of €0.4 billion
- 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: H1/07 to H1/08. Continued reduction in adj. personnel expenses.

- Group headcount net reduction – 6,900 FTEs (-2.8%) at the end of the period yoy
- Employees decrease in Germany: net –11,500 FTEs (-7.5%)
- Employees increase International: net + 4,600 FTEs (+5.1%)
 - Increase in headcount at T-Mobile USA
 - Workforce reduction in CEE
 - Business Customers: continuation of the internationalization strategy
- Adj. personnel expenses in H1/08:
 - Approx. **4% reduction** for the Group to €6.6 billion
 - Approx. **6% reduction** domestically to €4.5 billion
- Adj. personnel cost ratio in H1/08:
 - Group cost ratio improved to **21.8%** from 22.0% in H1/07
 - Domestic cost ratio improved to **30.5%** from 30.7% in H1/07



Q2 2008 – Free cash flow.

On track to achieve 2008 full-year guidance.

€ billion	Q2/08	Q2/07
EBITDA (reported)	4.9	4.9
Non cash items and others	-0.4	-0.3
Change in working capital and accruals	-0.0	-0.3
Income taxes	-0.1	-0.2
Cash generated from operations	4.4	4.1
Incl. restructuring payments	-0.3	-0.3
Net interest payment	-0.7	-0.9
Net cash provided by operating activities	3.7	3.2
Investments in PP&E and intangible assets	-1.8	-1.6
Proceeds from disposal of assets	0.1	0.2
- of which proceeds from real estate sales	0.0	0.1
Free cash flow	2.0	1.8

Rounded figures.



Q2 2008 – Reported net income.

Impacted by special factors and “step up” charge.

€ billion	Q2/08	Q2/07
EBITDA	4.6	4.8
Depreciation and amortization	- 2.7	- 2.8
Net financial expense	- 1.0	- 0.8
- of which net interest expense	- 0.8	- 0.7
EBT	0.9	1.3
Income taxes	- 0.3	- 0.5
Earnings after taxes	0.5	0.7
Minorities	- 0.2	- 0.1
Net income	0.4	0.6

Rounded figures.



Q2 2008 – Adjusted net income.

Improved from €570 million to €633 million.

€ billion	Q2/08 adjusted	Q2/07 adjusted
EBITDA	4.9	4.9
Depreciation and amortization	- 2.7	- 2.8
Net financial expense	- 1.0	- 0.8
- of which net interest expense	- 0.8	- 0.7
EBT	1.2	1.3
Income taxes	- 0.4	- 0.6
Earnings after taxes	0.8	0.7
Minorities	- 0.2	- 0.1
Net income	0.6	0.6

Rounded figures.



H1 2008 – Balance sheet ratios.

Increased net debt due to acquisitions & dividends.

€ billion	30/06/2008	31/03/2008
Balance sheet total	120.1	118.4
Shareholders' equity	42.1	44.5
Net debt	40.6	35.9
Gearing	1.0x	0.8x
Equity ratio	35.1%	34.8% ¹

Net debt 31/03/2008 (€ billion)	35.9
Free cash flow	-2.0
Dividends	3.7
OTE stake (20%)	2.6
Revaluation of bonds with step-up clauses	0.2
Others	0.2
Net debt 30/06/2008 (€ billion)	40.6

¹ After dividends.



Thank you for your attention!

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