

MEDIA INFORMATION

Bonn, March 6, 2014

Deutsche Telekom steps up investment in further growth

- 2013 financial targets met with adjusted EBITDA of EUR 17.4 billion and slightly exceeded with free cash flow of EUR 4.6 billion
- Adjusted net profit up 8.6 percent
- Net revenue up 3.4 percent, in organic terms up 0.8 percent
- Revenue growth and EBITDA of EUR 17.6 billion forecast for 2014
- Business in Germany delivers sound figures and extends market lead in mobile communications
- Europe drives forward growth areas
- T-Mobile US with 4.4 million new customers in 2013
- IT costs in Germany down EUR 0.35 billion

Building on its successes in the 2013 financial year, Deutsche Telekom plans to invest further in growth. The Group reached its financial targets for 2013, even slightly exceeding the target for free cash flow. Adjusted EBITDA came to EUR 17.4 billion, free cash flow to EUR 4.6 billion. Reported revenue grew 3.4 percent in the full year to EUR 60.1 billion, with year-on-year growth of as much as 6.5 percent in the fourth quarter. One driver was the first-time inclusion of MetroPCS as of May 1, 2013. But even in organic terms, i.e., excluding changes in the composition of the Group and currency effects, net revenue increased by 0.8 percent in 2013, and 2.8 percent in the fourth quarter.

"The figures for 2013 underscore that Deutsche Telekom is now ideally positioned to become the leading European telecommunications provider," said Tim Hötting, CEO of Deutsche Telekom. "Our results lay the perfect



groundwork for 2014. This year, we will be able to tackle the remaining challenges with rigor."

In the past year, Deutsche Telekom invested EUR 8.9 billion, not including expenses for mobile spectrum totaling EUR 2.2 billion. That is 10.5 percent more than the previous year. In the current year, the Group will again forge ahead with its investment drive in the fixed network and mobile communications, which was announced back in 2012. Despite the newly consolidated liabilities from the business combination with MetroPCS, there was only a moderate increase in net debt by EUR 2.2 billion to EUR 39.1 billion. All relevant balance sheet ratios lie within the target corridors.

Net profit reached EUR 930 million, after a clear net loss had been reported in the prior year, as a result of significant special factors in 2012, in particular the impairment loss recognized in connection with the business combination of T-Mobile US and MetroPCS. Adjusted for special factors, net profit increased 8.6 percent to EUR 2.8 billion in the financial year.

The Supervisory Board and the Board of Management will propose to the shareholders' meeting on May 15 a dividend of EUR 0.50 per share. The option of receiving the dividend entitlement in the form of shares (dividend in kind) is to be offered again following the success last year.

The sound financial basis lays the foundation for Deutsche Telekom's plans for the years ahead. The aim is to become the leading European telecommunications company. This covers four dimensions:

- The best network
- The best service
- The best products
- The preferred provider for business customers



Deutsche Telekom is positioning itself as an integrated telecommunications provider, building on its strong standing in access business. In light of rapidly increasing data volumes, a high-quality network is a key competitive factor. With integrated all-IP networks, Deutsche Telekom will become the preferred partner for online service providers, while offering its customers seamless access to its products both on the move and at home. The Group continues to invest heavily in its networks to achieve this. In addition, the strong customer growth in the United States that last year led to an increase of 53 percent in T-Mobile US's enterprise value is to be continued.

In the years ahead, Deutsche Telekom will maintain the financial framework that has provided clear and reliable orientation for stakeholders in the past. The ratio of adjusted EBITDA to net debt, for example, is to be within a range of 2 to 2.5. The equity ratio is to range between 25 and 35 percent of total assets. For shareholders, Deutsche Telekom plans to pay a dividend of EUR 0.50 per share for the 2013 and 2014 financial years, subject to approval by the relevant bodies and the shareholders' meeting.

The guidance for the development of the Group's financial figures are based on the pro forma figures for 2013. These assume the same composition of the Group as in 2014. For example, MetroPCS is included in the pro forma calculation for the full 2013 financial year, while the Bulgarian company Globul is eliminated from the financial figures for the same period.

Compared with the reported net revenue of EUR 60.1 billion, the pro forma revenue for the 2013 financial year totals EUR 60.9 billion. It is to grow slightly in the 2014 financial year, and at a higher rate in the following year. This growth is mainly attributable to the United States, where T-Mobile US intends to increase the number of branded postpaid customers this year by a further 2 to 3 million, following 2 million net additions last year.



In the pro forma calculation, adjusted EBITDA for 2013 totals EUR 17.6 billion compared with a reported value of EUR 17.4 billion. It is expected to remain stable at EUR 17.6 billion in the current year, and to increase in 2015. Instead of aiming for potentially higher adjusted EBITDA, Deutsche Telekom is continuing to focus on investments in customer acquisition and retention in the United States in order to further improve the market position of T-Mobile US.

The guidance for free cash flow also reflects the costs for market development and higher investments in property, plant, and equipment in the United States. This relates in particular to the expansion of LTE network coverage in the United States. The previously targeted population coverage of 225 million was increased to 250 million for 2014.

Three further decisions play a role in Deutsche Telekom lowering its ambition level for free cash flow in 2015, previously set at around EUR 6 billion. One is the sale of T-Mobile US bonds totaling USD 5.6 billion to external investors last year. This step moved the Group's de-risking in terms of U.S. business forward; as a result, however, the Group's interest payments to external investors increased. Another influencing factor is Deutsche Telekom's plans for extraordinary expenses relating to the restructuring of T-Systems under the T-Systems 2015+ program, which had not been taken into account in planning at the end of 2012. Furthermore, the Group's overall capital expenditure will exceed the planned value in 2015, mainly driven by the United States.

As a result of these decisions, free cash flow for 2014 is expected to be around EUR 4.2 billion, compared with a reported value of EUR 4.6 billion in the prior year. In the following financial year, free cash flow is expected to increase slightly compared with 2014.

"We could achieve our original ambition level for 2015 of around EUR 6 billion if we were to slam the door in the face of the customer rush in the United States. That's not what we want. The market is offering us the opportunity to achieve a different ambition: value-driven customer growth in the United States that



translates into an increase in the value of the company," said Thomas Dannenfeldt, CFO at Deutsche Telekom.

Development of the individual Group segments in 2013:

Germany – Outstanding customer acquisition in mobile communications

German mobile business achieved its best result in recent years in the fourth quarter with regard to new contract customers. Deutsche Telekom gained 638,000 mobile contract customers between October and December 2013, keeping market investments at the same level. Alongside customers gained in business with service providers, 280,000 of these additions were attributable to business under the Telekom and Congstar brands. Development in the broadband fixed-network market, however, is still under pressure. At the end of the year, there were around 12.4 million lines, with the market share of existing customers decreasing to 43.0 percent, in particular, due to intense competition. In addition, over the course of the year, around 105,000 customers switched to mobile broadband. Strong demand for the fiber-optic products VDSL and FTTH continued unabated. The total number of these lines climbed by 54 percent within one year to over 1.5 million.

Revenue in the Germany operating segment decreased 1.3 percent year-on-year to EUR 22.4 billion in 2013, reflecting an upward trend compared with 2012. The decline in revenue was reduced by 0.7 percentage points. Adjusted EBITDA was down 2.5 percent to EUR 8.9 billion, resulting in an adjusted EBITDA margin of 39.7 percent, which is within the target range of around 40 percent in 2013.

Deutsche Telekom defended its lead in mobile service revenues. Adjusted for the cut in mobile termination rates (MTRs), a slight minus of 0.4 percent was recorded in the fourth quarter compared with the prior year; in unadjusted figures, the decrease was 1.8 percent. Thus, Deutsche Telekom not only



clearly outperformed the market as a whole, it was also the only one of the four network operators to increase its market share in the 2013 full year and thus to extend its market lead in mobile communications.

Mobile data revenue remains one of the driving forces in mobile communications, increasing by 30.1 percent in the fourth quarter of 2013 compared with the same period in 2012. In the fixed network, as many as 2.1 million customers had been migrated to IP-based lines by the end of 2013.

United States – Pace of customer growth increased

The business combination with MetroPCS, the launch of the Un-carrier strategy, an ever growing customer rush – 2013 marked a turning point for T-Mobile US. The encouraging trend in customer development gained strength in the fourth quarter. The total number of customers increased by 1.6 million to 46.7 million. The number of branded postpaid customers rose by 869,000, compared to a decline of 515,000 customers in the final quarter of 2012. T-Mobile US's annual figures were also impressive: In 2013, T-Mobile US recorded more than 2 million new branded postpaid customers after a decline of 2.1 million in the prior year. The churn rate in this customer segment decreased from 2.4 percent to 1.7 percent. Excluding the MetroPCS effect, the total customer base rose by around 4.4 million in 2013.

Total revenue increased by 34.0 percent year-on-year to EUR 5.1 billion in the fourth quarter. Measured in U.S. dollars, the increase was even more apparent, with an increase of 40.7 percent. In addition to the first-time inclusion of MetroPCS from May 1, 2013, this trend was mainly due to increased revenue from terminal equipment. Between October and December, adjusted EBITDA increased by 21.0 percent year-on-year on a euro basis to EUR 1.0 billion. In U.S. dollars, the increase was 27 percent. The fact that growth was

disproportionately low compared with the rise in revenue is attributable to increased equipment revenue and higher market investments.

Europe – Revenue transformation successfully continued

The financial indicators of the Europe operating segment show encouraging trends, especially in organic terms, i.e., adjusted for changes in the composition of the Group, such as the sale of Globul and Germanos in Bulgaria, and currency effects. In the fourth quarter of 2013, there was a slight revenue increase compared with the prior-year period of 0.4 percent to EUR 3.5 billion. Growth areas such as mobile data and business customers (B2B/ICT) proved to be driving factors. The share of growth areas in the revenue mix in Europe rose within one year from 21 to 25 percent. Compared with the prior year, for example, the number of TV customers increased by more than 600,000.

In organic terms, adjusted EBITDA grew by 0.4 percent compared with the fourth quarter of 2012 to EUR 1.2 billion. Developments in revenue and EBITDA were largely driven by higher revenue from terminal equipment sales and by the effects of new innovative contract models in a number of countries. Cost-cutting measures also supported the trend in EBITDA. In particular, the voluntary redundancy program for employees in Greece had a positive effect.

Macedonia became the first country in Europe to convert its entire network to the IP standard. This makes Makedonski Telekom the first company in the Group to have a fully Internet Protocol-based network (all-IP). All 290,000 lines have been migrated to the new platform since October 2011. In the segment as a whole, IP-based lines as a percentage of all fixed-network lines rose from 19 percent to 28 percent in 2013, or to 2.7 million.



Systems Solutions – Market Unit remains stable

At T-Systems, revenue generated by the Market Unit – primarily external business with Deutsche Telekom's corporate customers – grew organically by 0.7 percent in the 2013 financial year. The Market Unit's revenue reported for the full year decreased by 1.8 percent year-on-year to EUR 7.7 billion. The deconsolidation of T-Systems Italia and the sale of the Systems Integration business unit in France, along with currency effects, had a negative impact in this context. In the fourth quarter, the Market Unit recorded a slight revenue decline in organic terms of 0.6 percent, and reported a decrease of 3.8 percent.

The Market Unit recorded a 23.9-percent increase in adjusted EBIT to EUR 83 million in the fourth quarter of 2013 compared with the prior-year period. In the full year, the adjusted EBIT margin rose 1.4 percentage points compared with 2012 to 2.8 percent. Despite this increase, there is still a gap in profitability compared with the industry. This gap is to be closed in the future. To this end, T-Systems submitted extensive plans to change the business model in January.

Order entry decreased by 5.5 percent to EUR 8.3 billion in 2013 as a whole, primarily owing to the fact that the major contract with the oil company Shell in the fourth quarter of 2012 was not matched by any comparable deal in 2013.

Telekom IT – the Group's internal IT business in Germany – is continuing with its mandate of continuously cutting Deutsche Telekom's IT costs. Revenue declined accordingly by 19.4 percent in the fourth quarter to EUR 566 million. For the full year, revenue declined by EUR 334 million.

The Deutsche Telekom Group at a glance:

	Q4 2013 millions of EUR	Q4 2012 millions of EUR ^a	Change %	FY 2013 millions of EUR	FY 2012 millions of EUR ^a	Change %
Net revenue	15,665	14,707	6.5	60,132	58,169	3.4
Proportion generated internationally (%)	59.1	55.2	3.9p	57.8	55.7	2.1p
EBITDA	3,255	4,732	(31.2)	15,834	17,995	(12.0)
Adjusted EBITDA	4,060	4,008	1.3	17,424	17,973	(3.1)
Net profit (loss)	(752)	641	n.a.	930	(5,353)	n.a.
Adjusted net profit	355	200	77.5	2,755	2,537	8.6
Free cash flow ^b	1,032	1,105	(6.6)	4,606	6,239	(26.2)
Cash capex ^c (excl. spectrum)	2,446	2,357	3.8	8,861	8,021	10.5
Cash capex ^c	3,468	2,439	42.2	11,068	8,432	31.3
Net debt				39,093	36,860	6.1
Number of employees ^d				228,596	229,686	(0.5)

Comments on the table:

MetroPCS was included in Deutsche Telekom's consolidated financial statements for the first time as of May 1, 2013.

- a The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.
- b Before dividend payments, investments in spectrum, and before the effects of the AT&T transactions and the payment of compensation for MetroPCS employees.
- c Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill).
- d At reporting date.



Operating segments:

	Q4 2013 millions of EUR	Q4 2012 millions of EUR	Change %	FY 2013 millions of EUR	FY 2012 millions of EUR	Change %
Germany^a						
Total revenue	5,634	5,731	(1.7)	22,435	22,736	(1.3)
EBITDA	1,854	1,898	(2.3)	8,401	8,606	(2.4)
Adjusted EBITDA	2,027	2,074	(2.3)	8,936	9,166	(2.5)
Number of employees ^b				66,725	67,497	(1.1)
United States^c						
Total revenue	5,082	3,793	34.0	18,556	15,371	20.7
EBITDA	885	2,245	(60.6)	3,642	5,319	(31.5)
Adjusted EBITDA	974	805	21.0	3,874	3,840	0.9
Europe						
Total revenue	3,476	3,594	(3.3)	13,659	14,406	(5.2)
EBITDA	838	1,041	(19.5)	4,340	4,728	(8.2)
Adjusted EBITDA	1,160	1,204	(3.7)	4,518	4,936	(8.5)
Systems Solutions^a						
Order entry	2,377	3,622	(34.4)	8,259	8,737	(5.5)
Total revenue	2,613	2,829	(7.6)	9,491	10,016	(5.2)
Of which Market Unit	2,047	2,127	(3.8)	7,697	7,839	(1.8)
Adjusted EBITDA margin (%)	1.3	2.4	(1.1p)	1.6	1.1	0.5p
Adj. EBIT margin, Market Unit (%)	4.1	3.2	0.9p	2.8	1.4	1.4p
EBITDA	89	66	34.8	390	342	14.0
Adjusted EBITDA	207	240	(13.8)	806	747	7.9

Comments on the table:

a The operations of Regional Services and Solutions (RSS) have been managed by the Germany operating segment since January 1, 2013, and no longer by the Systems Solutions operating segment to allow a more focused market approach.

b At reporting date.

c First-time inclusion of MetroPCS as of May 1, 2013.



Development of customer numbers

Operating segments: Development of customer numbers in year-on-year comparison

	Dec. 31, 2013 thousands	Dec. 31, 2012 thousands	Change thousands	Change %
Germany				
Mobile customers	38,625	36,568	2,057	5.6
Of which contract customers	21,553	19,570	1,983	10.1
Fixed-network lines	21,417	22,384	(967)	(4.3)
Of which IP-based	2,141	937	1,204	n.a.
Broadband lines	12,360	12,427	(67)	(0.5)
TV (IPTV, satellite)	2,177	1,966	211	10.7
Unbundled local loop lines (ULLs)	9,257	9,436	(179)	(1.9)
United States^a				
Mobile customers	46,684	33,389	13,295	39.8
Of which branded postpaid customers	22,299	20,293	2,006	9.9
Of which branded prepay customers	15,072	5,826	9,246	n.a.
Europe^b				
Mobile customers	56,679	57,357	(678)	(1.2)
Of which contract customers	25,509	25,007	502	2.0
Fixed-network lines	9,539	9,974	(435)	(4.4)
Of which IP-based	2,718	1,852	866	46.8
Retail broadband lines	4,991	4,766	225	4.7
TV (IPTV, satellite, cable) ^c	3,554	2,935	619	21.1

Comments on the table:

- a First-time inclusion of MetroPCS as of May 1, 2013.
- b The customers of our companies in Bulgaria have not been included in the Europe operating segment since August 1, 2013, following the sale of the shares held in the companies. They have been eliminated from historical customer figures to improve comparability.
- c The number of TV customers increased as of September 1, 2013, in connection with the acquisition of DIGI Slovakia.



Operating segments: Development of customer numbers in the fourth quarter of 2013

	Dec. 31, 2013 thousands	Sep. 30, 2013 thousands	Change thousands	Change %
Germany				
Mobile customers	38,625	37,936	689	1.8
Of which contract customers	21,553	20,915	638	3.1
Fixed-network lines	21,417	21,625	(208)	(1.0)
Of which IP-based	2,141	1,774	367	20.7
Broadband lines	12,360	12,383	(23)	(0.2)
TV (IPTV, satellite)	2,177	2,121	56	2.6
Unbundled local loop lines (ULLs)	9,257	9,299	(42)	(0.5)
United States^a				
Mobile customers	46,684	45,039	1,645	3.7
Of which branded postpaid customers	22,299	21,430	869	4.1
Of which branded prepay customers	15,072	14,960	112	0.7
Europe^b				
Mobile customers	56,679	56,825	(146)	(0.3)
Of which contract customers	25,509	25,385	124	0.5
Fixed-network lines	9,539	9,623	(84)	(0.9)
Of which IP-based	2,718	2,511	207	8.2
Retail broadband lines	4,991	4,935	56	1.1
TV (IPTV, satellite, cable) ^c	3,554	3,447	107	3.1

Comments on the table:

- a First-time inclusion of MetroPCS as of May 1, 2013.
- b The customers of our companies in Bulgaria have not been included in the Europe operating segment since August 1, 2013, following the sale of the shares held in the companies. They have been eliminated from historical customer figures to improve comparability.
- c The number of TV customers increased as of September 1, 2013,, in connection with the acquisition of DIGI Slovakia.

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