

DEUTSCHE TELEKOM

Q1/14 RESULTS



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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.



REVIEW Q1/14



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LEADING TELCO: STRATEGIC AND FINANCIAL KEY ACHIEVEMENTS IN Q1

STRATEGIC ACHIEVEMENTS

- All-IP migration: Voice IP migration in Macedonia accomplished, Germany with 499k migrations in Q1
- LTE and fiber roll out running at full speed in Germany
- Clear ownership structure in Czech Republic enables integration of fixed and mobile
- Approval of GTS transaction will strengthen European business footprint
- T-Systems 2015+ restructuring started with sale of IDS

Q1 HIGHLIGHTS

- Group revenue growth of 8%, organic growth of 4.2%
- Adj. EBITDA of € 4.1 billion driven by record customer growth in the US – catch up expected in upcoming quarters
- FCF of € 1 billion almost unchanged compared to previous year
- Proceeds from sale of Scout24 reduce net debt
- Guidance for FY 2014 confirmed



Q1/14: KEY FIGURES

€ mn	Q1		
	2013	2014	Change
Revenue	13,785	14,894	8.0%
Adj. EBITDA	4,288	4,121	-3.9%
Adj. net profit	767	587	-23.5%
Net profit	564	1,817	222.2%
Adj. EPS (in €)	0.18	0.13	-27.8%
EPS (in €)	0.13	0.41	215.4%
Free cash flow ¹	1,038	983	-5.3%
Cash capex ²	2,087	2,065	-1.1%
Net debt (in € bn)	37.1	38.0	2.3%

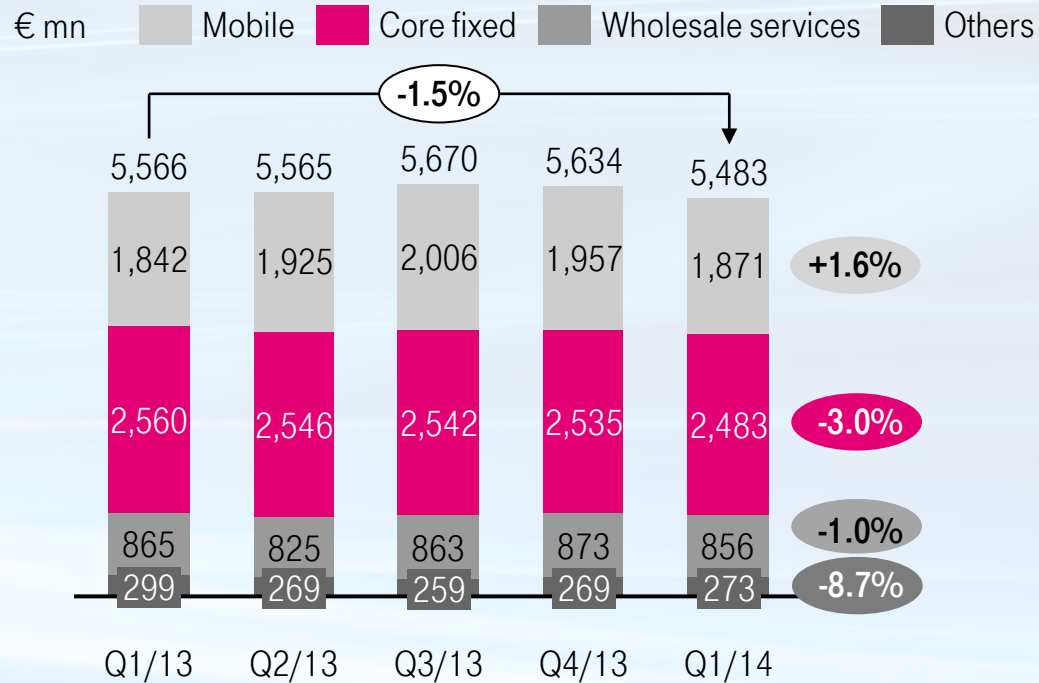
1) Free cash flow before dividend payments and spectrum investment

2) Before spectrum payments. Q1/13: 937 million €. Q1/14: 132 million €

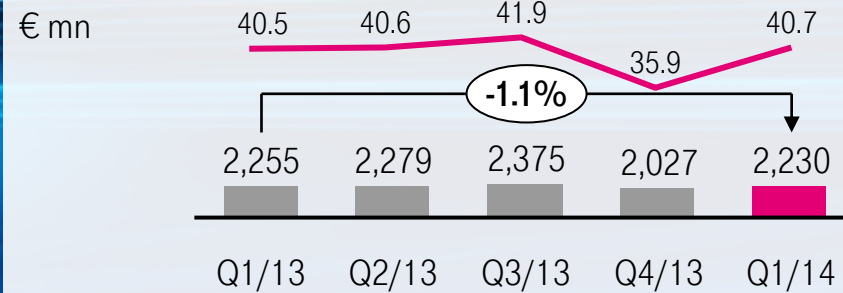


GERMANY: CONTINUED STRONG REVENUE TREND AND MARGIN

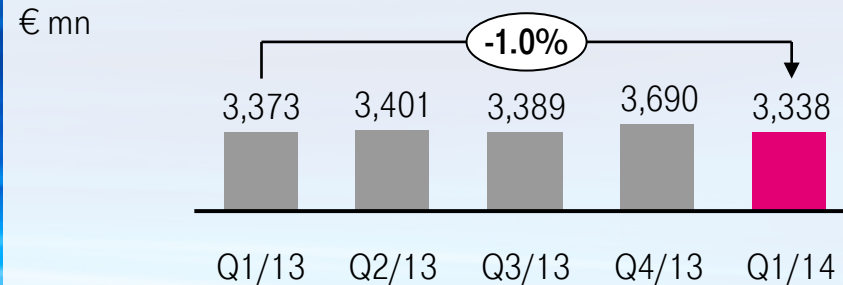
REVENUE



ADJ. EBITDA AND MARGIN (IN %)



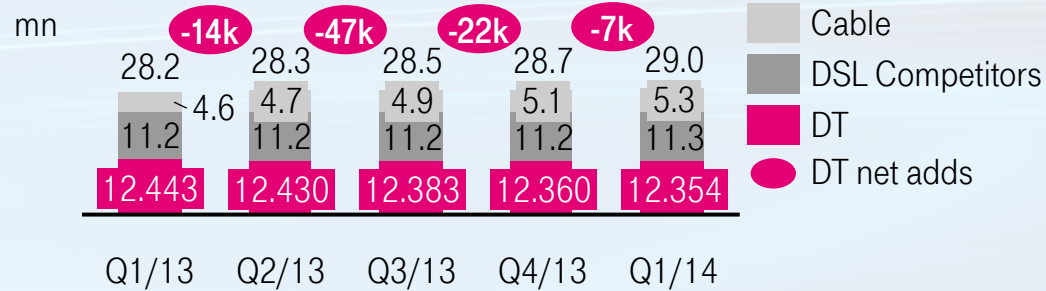
ADJ. OPEX



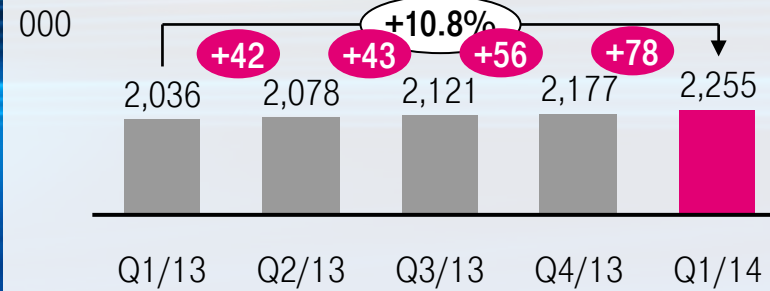
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GERMANY FIXED: STRONG PERFORMANCE IN TV AND FIBER

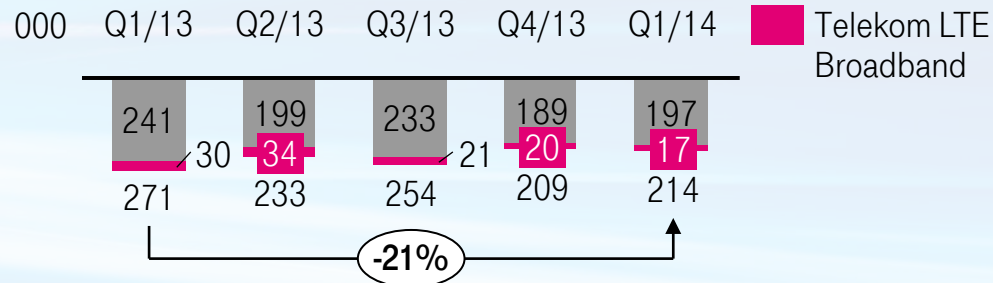
GERMAN BROADBAND MARKET¹



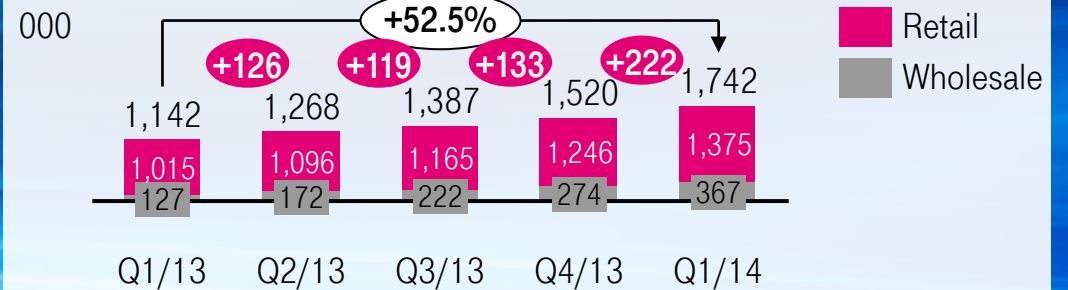
ENTERTAIN CUSTOMERS



LINE LOSSES



FIBER CUSTOMERS



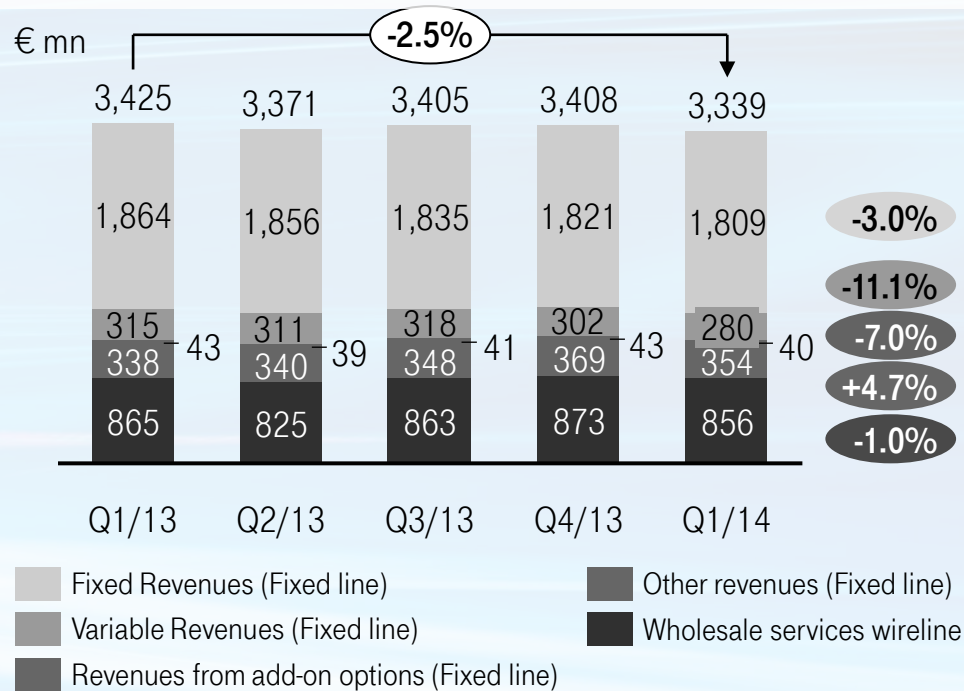
1) Based on management estimates



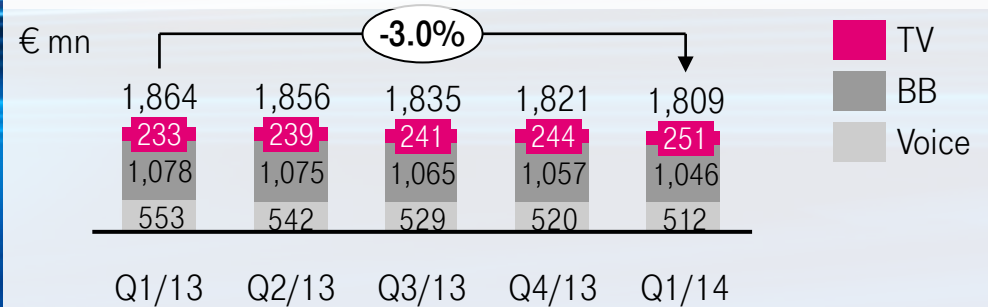
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GERMANY FIXED: REVENUE NOT YET STABILIZED DESPITE UPSELL

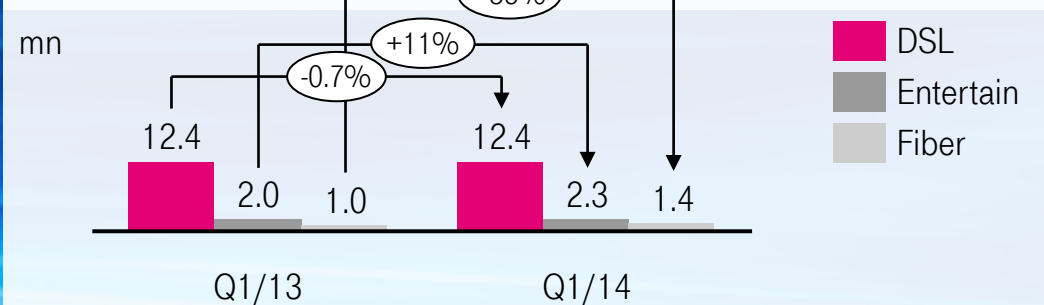
FIXED NETWORK REVENUE (CORE FIXED AND WHOLESALE)



FIXED REVENUES (FIXED LINE)



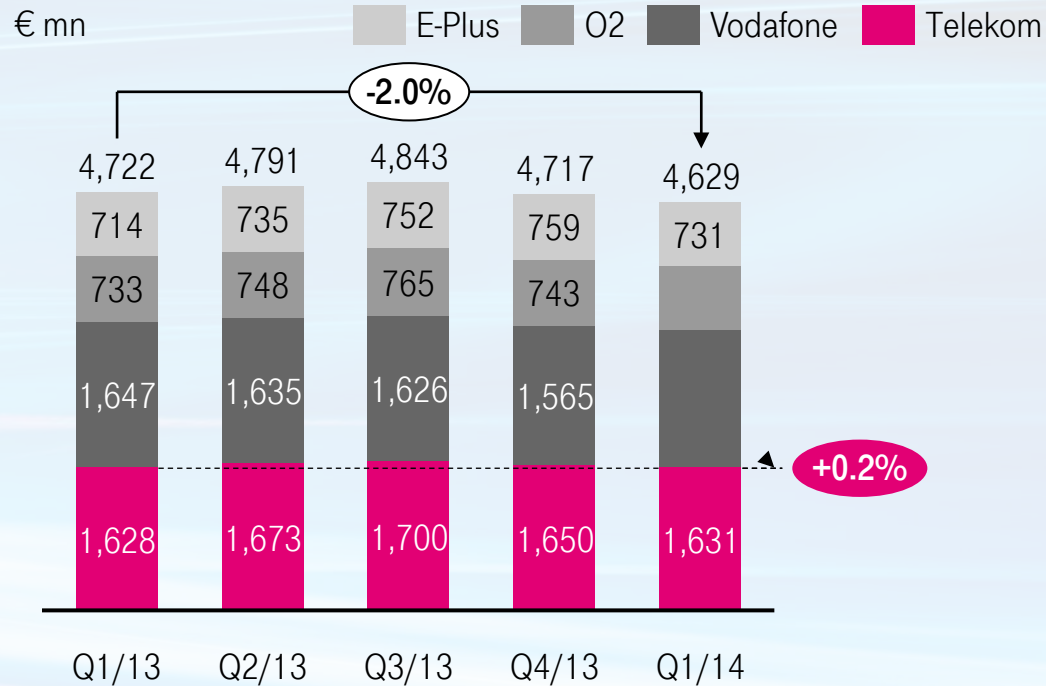
UPSELL STRATEGY ACCESS



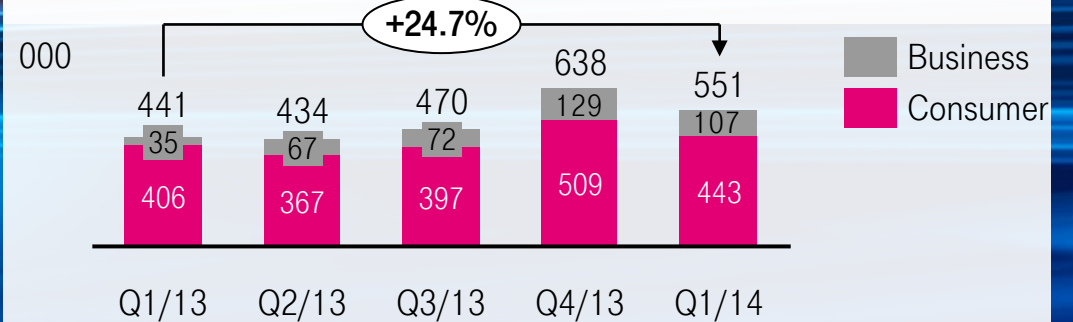
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GERMANY MOBILE: RETURNING TO SERVICE REVENUE GROWTH

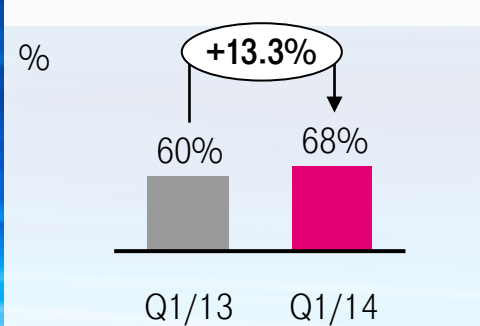
GERMAN MOBILE MARKET SERVICE REVENUE¹



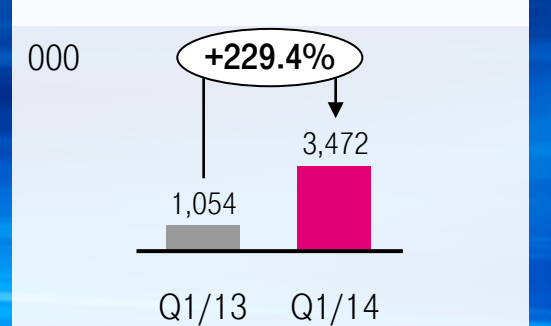
CONTRACT NET ADDS



SMARTPHONE PENETRATION²



LTE CUSTOMERS³



1) Based on management estimates

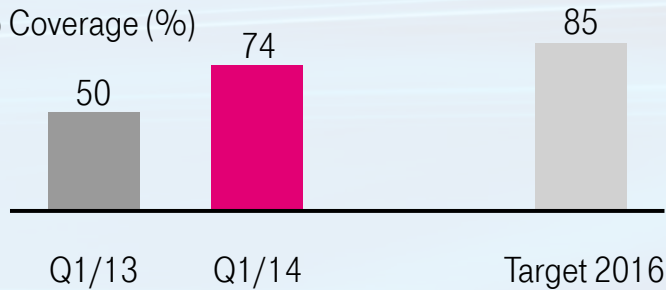
2) Of own branded retail customers

3) customers using a LTE-device and tariff plan including LTE

GERMANY: INTEGRATED NETWORK ROLLOUT AND ALL-IP MIGRATION FULLY ON TRACK

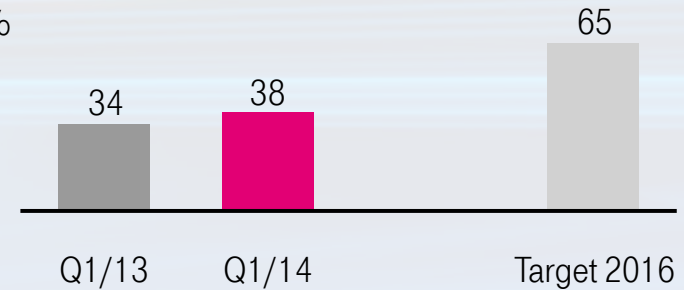
INS- STATUS LTE ROLLOUT

Outdoor Pop Coverage (%)



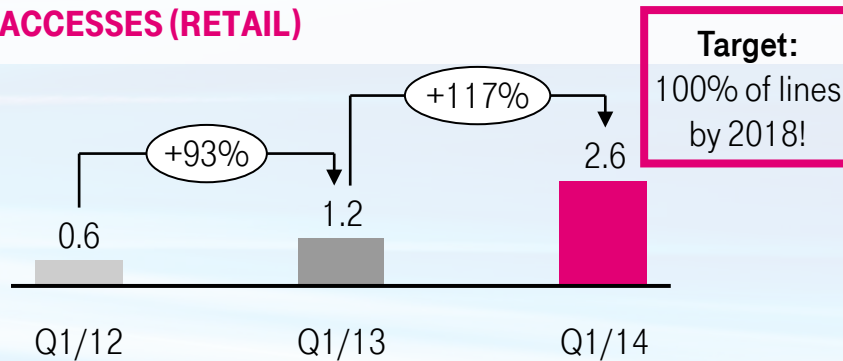
INS- STATUS FIBER ROLLOUT¹

Coverage %

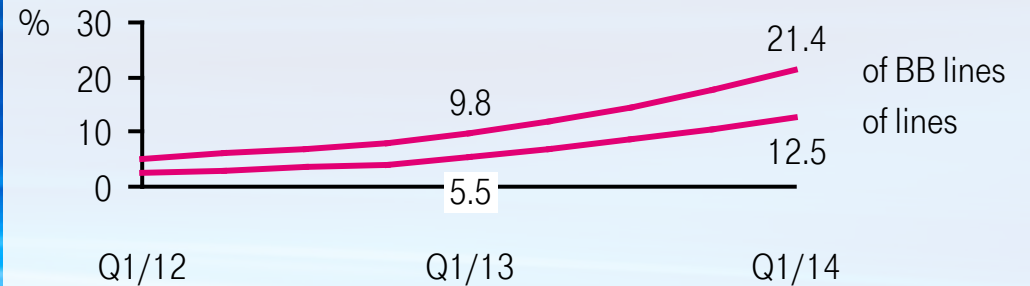


STATUS IP ACCESSES (RETAIL)

mn



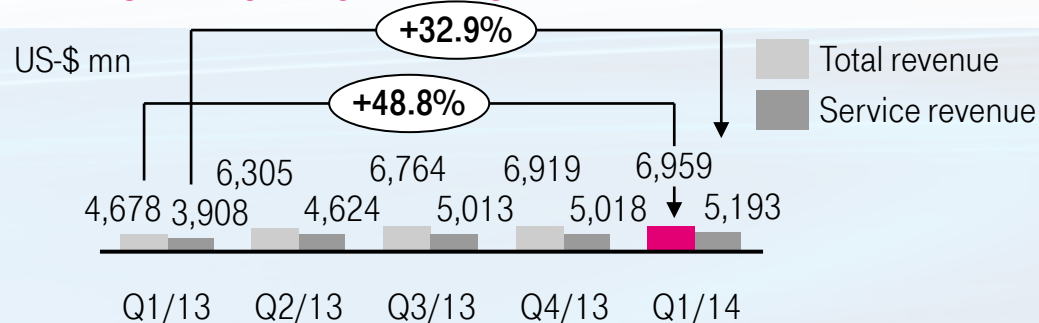
STATUS IP ACCESSES (RETAIL)



1) in % of households within fixed network coverage in Germany

TMUS: RECORD QUARTER IN CUSTOMER ADDITIONS

REVENUE AND SERVICE REVENUE

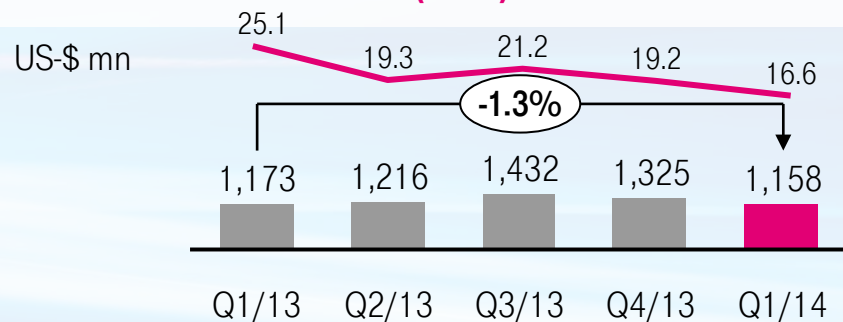


NET ADDITIONS

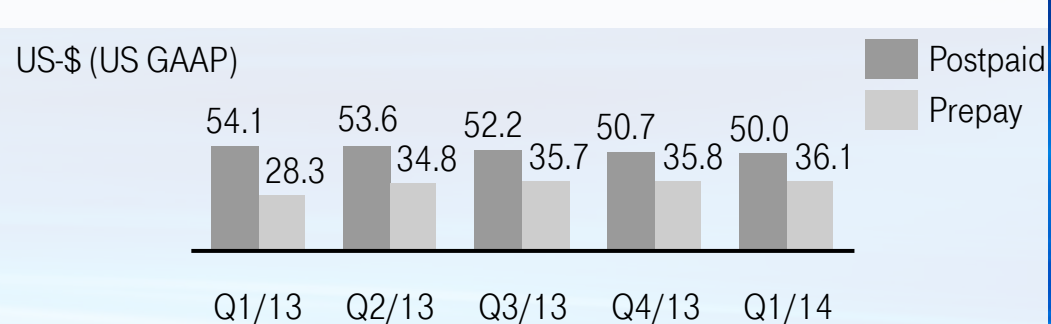
in 000

Total net adds	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14
Total net adds	579	1,130	1,023	1,645	2,391
Branded:					
▪ Postpaid	-199	688	648	869	1,323
▪ Prepay	202	-10	24	112	465
Wholesale ¹	576	452	351	664	603

ADJ. EBITDA AND MARGIN (IN %)



BRANDED CUSTOMERS: POSTPAID AND PREPAY ARPU

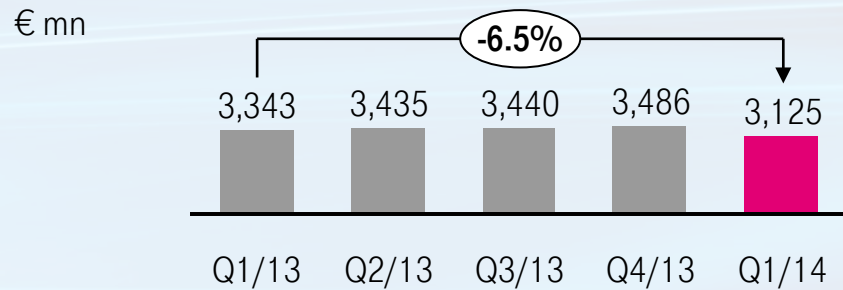


1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

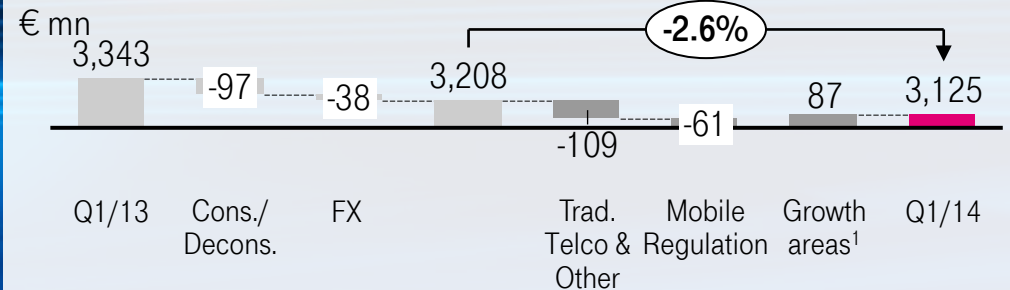


EUROPE: ORGANIC REVENUE AND ADJ. EBITDA TRENDS

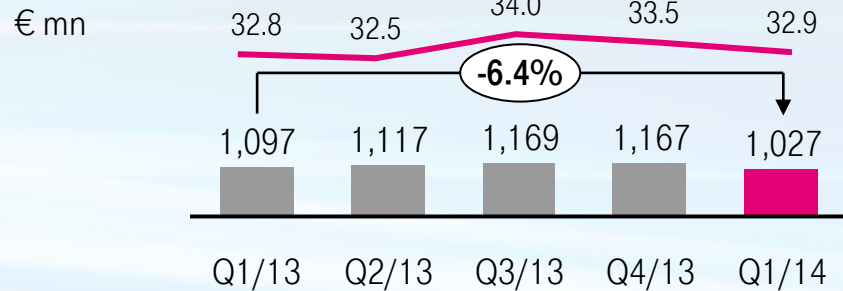
REVENUE AS REPORTED



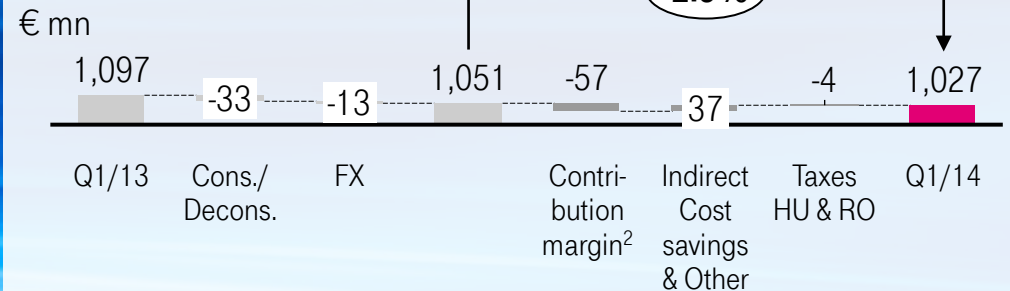
ORGANIC REVENUE DEVELOPMENT



ADJ. EBITDA AND MARGIN (IN %) AS REPORTED



ORGANIC ADJ. EBITDA DEVELOPMENT



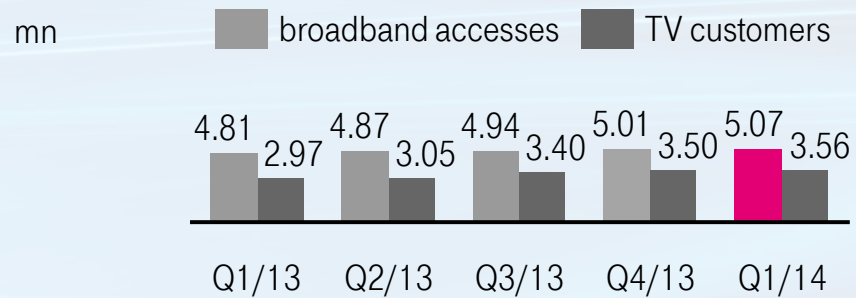
1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other) 2) Total Revenues - Direct Cost



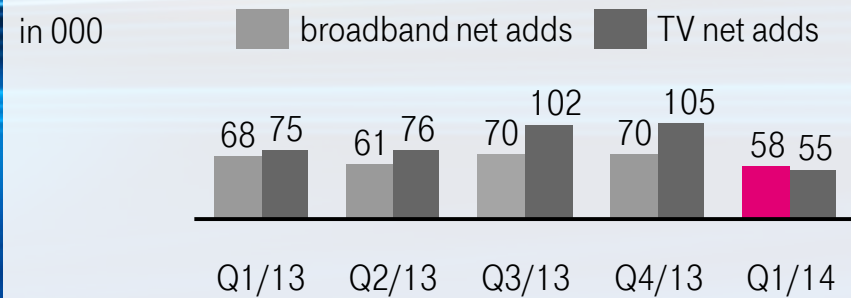
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EUROPE: CONTINUED GROWTH IN MOBILE AND FIXED KEY AREAS

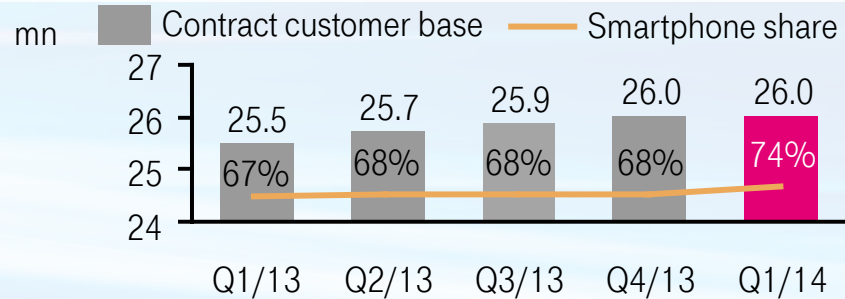
POCKETS OF GROWTH - BROADBAND AND TV¹



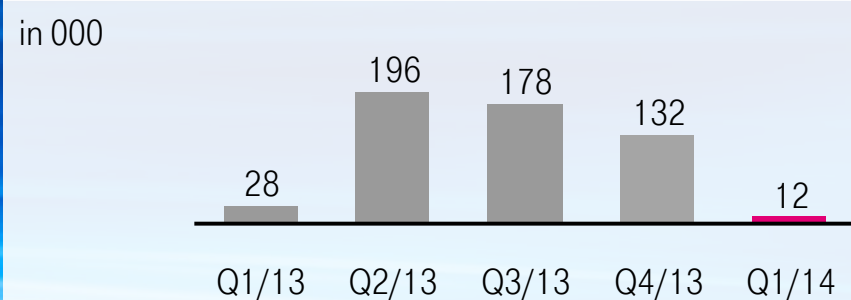
NET ADDS - BROADBAND AND TV¹



POCKETS OF GROWTH - MOB. CONTRACT AND SMARTPHONES¹



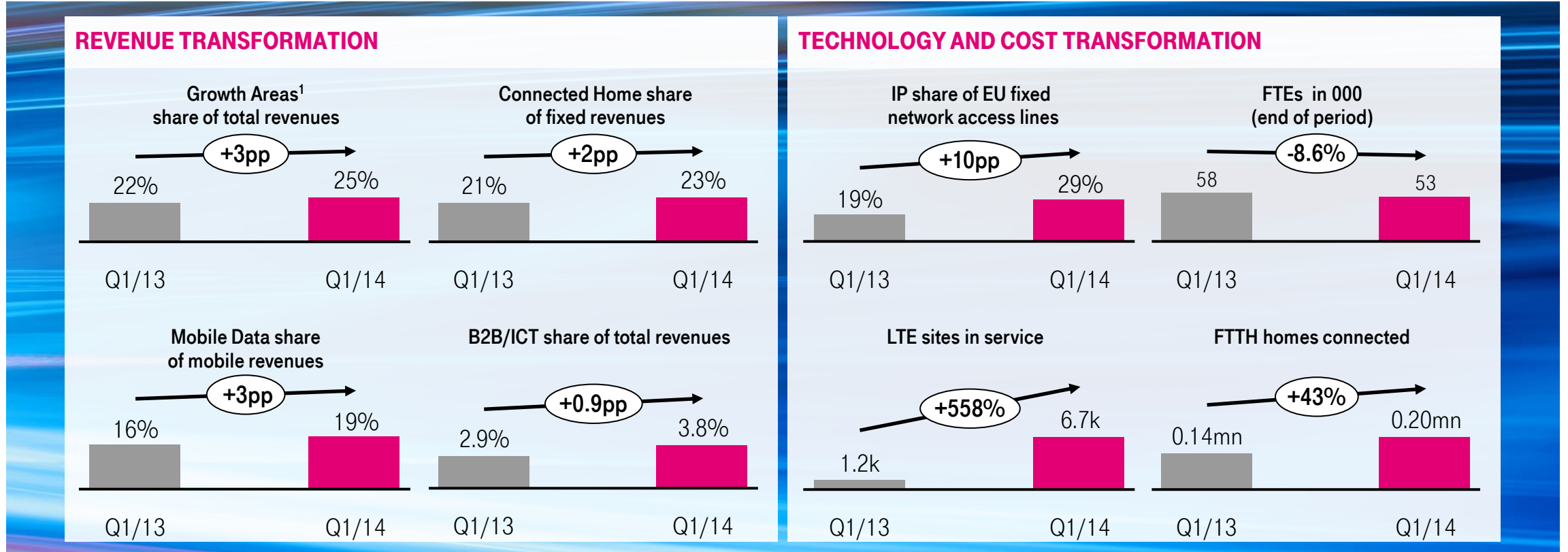
NET ADDS - MOBILE CONTRACT¹



¹) incl. business customers shifted to T-Systems in Hungary as of 1.1.2011. Smartphone share w/o AL and Bulgaria based on purchased devices. TV figures include DiGi Slovakia as of 1. September 2013 (not counted as net adds). The customers of our companies in Bulgaria and Online in the Netherlands are no longer included in the Europe operating segment since August 1, 2013 and January 2, 2014 respectively following the sale of the shares held in the companies. They have been eliminated from the historical customer figures to improve comparability.



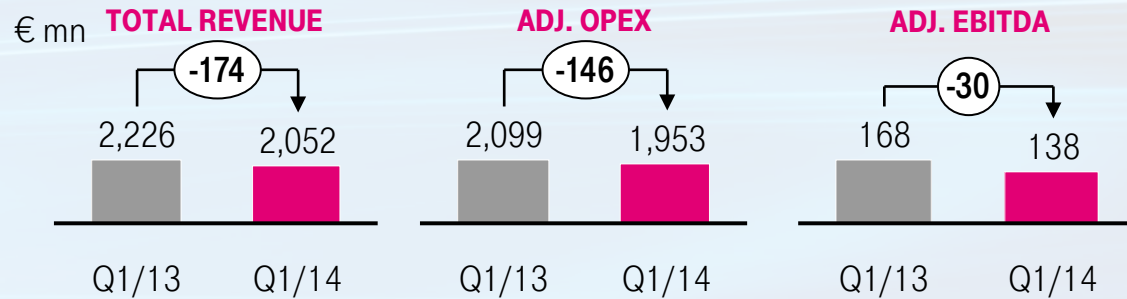
EUROPE: REVENUE AND COST TRANSFORMATION ONGOING



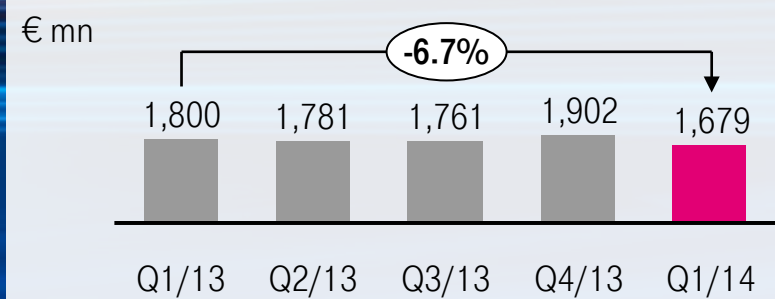
1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other)

SYSTEMS SOLUTIONS: REVENUE DEVELOPMENT IN LINE WITH OUTLOOK. ADJ. EBITDA TRENDS TO IMPROVE IN H2

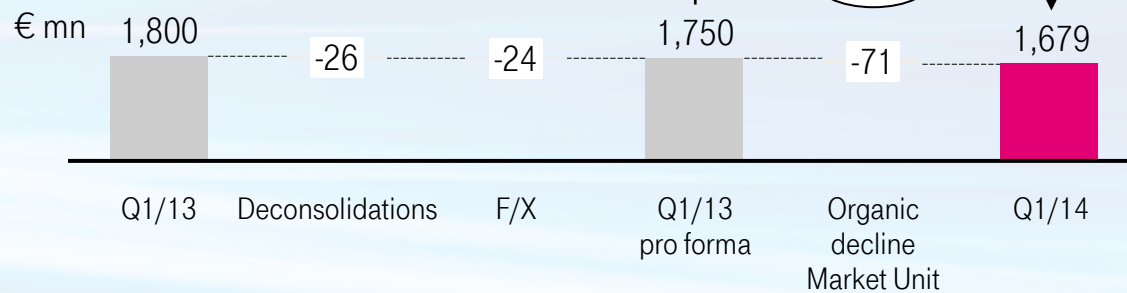
T-SYSTEMS FINANCIALS AS REPORTED



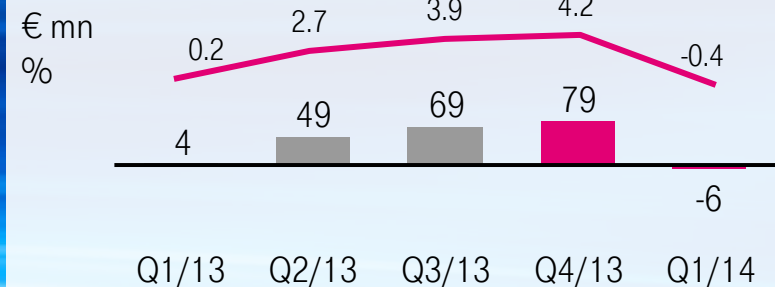
REVENUE MARKET UNIT



ORGANIC REVENUE MARKET UNIT

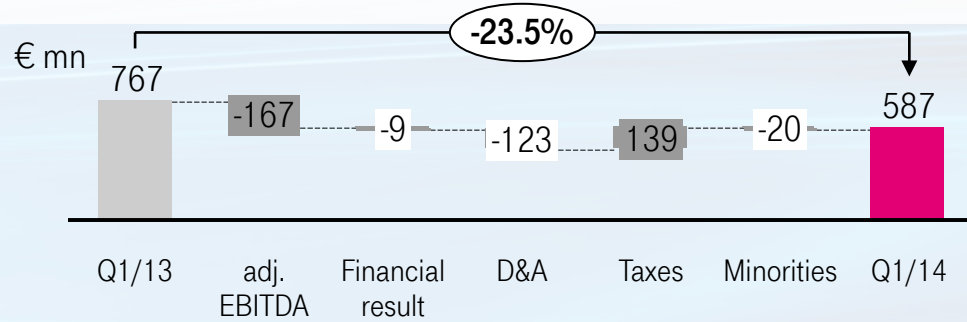


ADJ. EBIT AND MARGIN MARKET UNIT

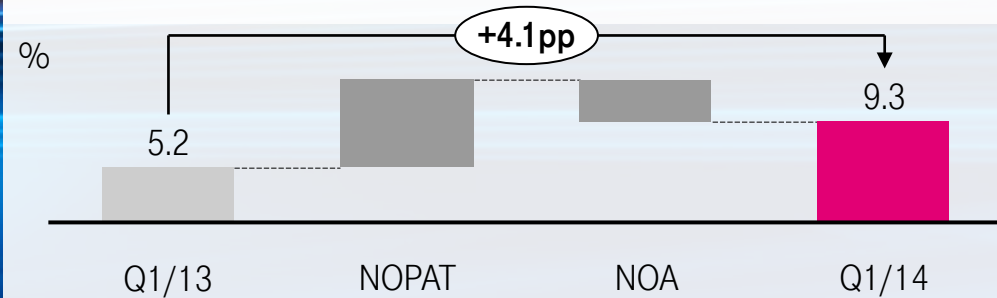


FINANCIALS: Q1/14 FCF ON TRACK FOR FY GUIDANCE

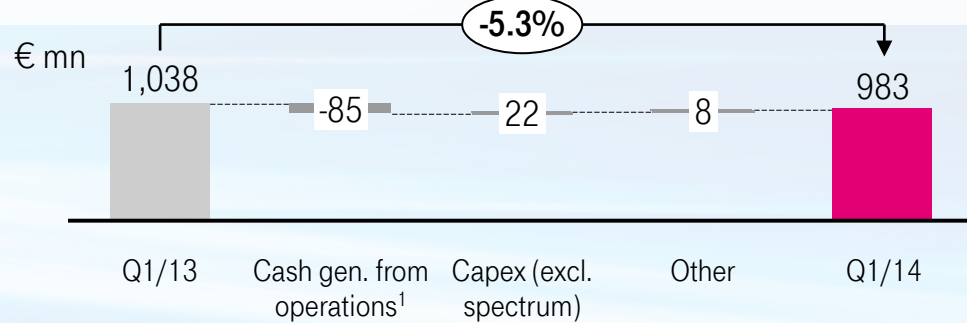
ADJ. NET INCOME



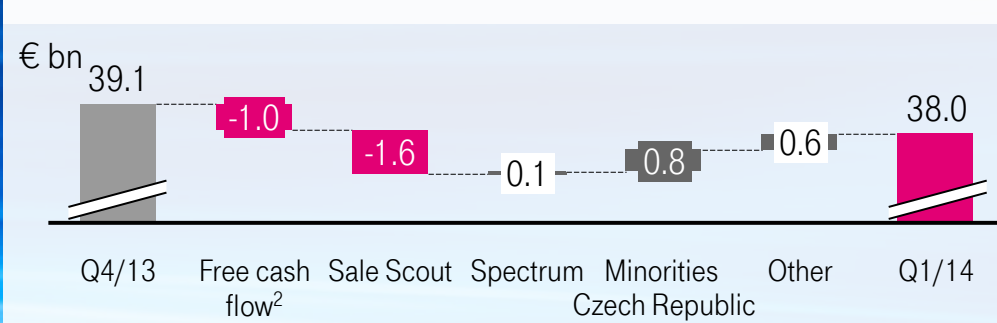
ROCE DEVELOPMENT³



FREE CASH FLOW



NET DEBT DEVELOPMENT



1) adjusted for € 95 million tax on break-up fee in Q1/13

2) Free cash flow before dividend payments, spectrum investment

3) includes book gain on sale of Scout24



FINANCIALS: BALANCE SHEET REMAINS STRONG

€ bn	31/03/2013	30/06/2013	30/09/2013	31/12/2013	31/03/2014						
Balance sheet total	108.8	116.1	115.3	118.1	117.3						
Shareholders' equity	31.0	31.3	32.0	32.1	32.8						
Net debt	37.1	41.4	39.7	39.1	38.0						
Net debt/Adj. EBITDA ¹	2.1	2.4	2.3	2.2	2.2						
Equity ratio	28.5%	26.9%	27.8%	27.1%	27.9%						
Comfort zone ratios											
Rating: A-/BBB	●										
2 – 2.5x net debt/Adj. EBITDA	●										
25 – 35% equity ratio	●										
Liquidity reserve covers redemption of the next 24 months	●										
Current rating											
Fitch:	<table border="1"> <tr> <td>BBB+</td> <td>stable outlook</td> </tr> <tr> <td>Baa1</td> <td>stable outlook</td> </tr> <tr> <td>BBB+</td> <td>stable outlook</td> </tr> </table>					BBB+	stable outlook	Baa1	stable outlook	BBB+	stable outlook
BBB+	stable outlook										
Baa1	stable outlook										
BBB+	stable outlook										
Moody's:											
S&P:											

1) Ratios for the interim quarters calculated on the basis of previous 4 quarters.

2014 KEY PRIORITIES

EXECUTE ON STRATEGY

INTEGRATED
IP NETWORKS

BEST
CUSTOMER
EXPERIENCE

WIN WITH
PARTNERS

LEAD IN
BUSINESS

2014 PRIORITIES

- Full speed INS roll-out
- Migrate around 3 million customers to All-IP in 2014
- Improve broadband net adds
- Execute on SME Initiative



- Continue LTE roll-out to 250 million POPs
- Deliver on higher net add target of 2.8 to 3.3 million
- Deliver on EBITDA target



- Drive IP migration with full speed. Slovakia to be completed YE/14
- Continue to grow in growth areas: Mobile broadband, TV/Broadband push, B2B ICT
- Start integration of GTS
- Design Pan-European network



- Implementation of “T-Systems 2015+”
- Increase run rate of EBITDA
- Deliver on IT spend reduction target of € 1 billion until 2015

T-SYSTEMS



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FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

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