



DEUTSCHE TELEKOM

Q4/FY 2013 & STRATEGY UPDATE



LIFE IS FOR SHARING.

DISCLAIMER

This presentation contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. These forward-looking statements include statements with regard to the expected development of revenue, earnings, profits from operations, depreciation and amortization, cash flows and personnel-related measures. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. Among the factors that might influence our ability to achieve our objectives are the progress of our workforce reduction initiative and other cost-saving measures, and the impact of other significant strategic, labor or business initiatives, including acquisitions, dispositions and business combinations, and our network upgrade and expansion initiatives. In addition, stronger than expected competition, technological change, legal proceedings and regulatory developments, among other factors, may have a material adverse effect on our costs and revenue development. Further, the economic downturn in our markets, and changes in interest and currency exchange rates, may also have an impact on our business development and the availability of financing on favorable conditions. Changes to our expectations concerning future cash flows may lead to impairment write downs of assets carried at historical cost, which may materially affect our results at the group and operating segment levels. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

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 Q4/FY 2013



LIFE IS FOR SHARING.

2013 KEY ACHIEVEMENTS: CREATING VALUE

Segments

- Revenue trends further improved
- Adj. Margin at 40% level
- Mobile market leadership regained
- INS roll-out started



- Organic revenue trends improved
- Revenue and cost transformation progressing well



- MetroPCS merger successfully accomplished
- Turnaround in subscriber development
- Value creation: EV improved by 53%



Group

Operational management:

- Efficiency: Tel IT delivers along plan – 0.35 billion IT spend reduction
- 0.8 billion more organic investments into the business
- FY 2013 Guidance achieved



Financial management:

- Stable Rating
- Executed on dividend policy
- EPS and ROCE improved



Portfolio management:

- Value of Scout group crystallized
- GTS: enhancement of commercial opportunities in Europe at reasonable price



Total shareholder return 2013:

+56%



LIFE IS FOR SHARING.

Q4 KEY ACHIEVEMENTS: TURNAROUND IN THE US CONTINUES, GERMANY REMAINS SOLID, EUROPE WITH SLIGHT IMPROVEMENT

GROUP	<ul style="list-style-type: none"> ▪ Growth in key areas: 1,639k mobile contract net adds, 163TV net adds, 42k broadband net adds. ▪ Revenue grows 6.5% to €15.7 billion. Organic revenue growth¹ of 2.8%. ▪ Adj. EBITDA of €4.1 billion (+1.3%) and Free Cash Flow of €1.0 billion in line to achieve full year guidance . ▪ Full year: ROCE improved to 3.8% up 6.2pp, adj. EPS improved to €0.63(+6.8%).
GERMANY	<ul style="list-style-type: none"> ▪ Growth in key areas: 638k mobile contract net adds, 56k TV net adds and 133k fiber net adds (incl. wholesale). ▪ Revenue trend (-1.7%) slightly weaker vs. Q3 due to less handset sales; adj. EBITDA-margin of 35.9% in Q4 – delivered on 40% margin target for full year. ▪ Underlying mobile service revenue (-0.4%) almost flat in Q4.
US	<ul style="list-style-type: none"> ▪ Growth in key areas: +1,645k mobile customers, branded postpaid customers +869k. ▪ Revenue in US\$ grows 40.7% to 6.9 billion US\$ driven by MetroPCS consolidation. Organic revenue growth¹ of 13.9%. ▪ Adj. EBITDA grows 26.9% to 1.3 billion US\$. Organic¹ adj. EBITDA declines 7.9% due to record subscriber growth.
EUROPE	<ul style="list-style-type: none"> ▪ Growth in key areas: 132k mobile contract net adds, 107k TV net adds, 64k broadband net adds. ▪ Organic revenue¹ trend +0.4%, improved vs. Q3 primarily due to higher handset revenues. ▪ Organic adj. EBITDA¹ up by +0.4%.
SYSTEMS SOLUTIONS	<ul style="list-style-type: none"> ▪ Order entry with 2.4 billion €, significantly below last year due to an exceptionally high order volume in Q4/12 driven by one big deal . ▪ Organic revenue growth¹ of -0.6% at Market Unit. Tel-IT with expected revenue decline (-19.4%) supports IT spend reduction of 11% in group. ▪ Adj. EBIT grows 23% in Market Unit – margin improved to 4.1%.

1) Adjusted for changes in the scope of consolidation and currency fluctuations



LIFE IS FOR SHARING.

2013: KEY FIGURES

€ mn	Q4			FY		
	2012	2013	Change	2012	2013	Change
Revenue	14,707	15,665	6.5%	58,169	60,132	3.4%
Adj. EBITDA	4,008	4,060	1.3%	17,973	17,424	-3.1%
Adj. net profit	200	355	77.5%	2,537	2,755	8.6%
Net profit	641	-752	n.a.	-5,353	930	n.a.
Adj. EPS (in €)	0.05	0.08	60.0%	0.59	0.63	6.8%
EPS (in €)	0.15	-0.18	n.a.	-1.24	0.21	n.a.
Free cash flow ¹	1,105	1,032	-6.6%	6,239	4,606	-26.2%
Cash capex ²	2,357	2,466	4.6%	8,021	8,861	10.5%
Net debt (in € bn)	36.9	39.1	6.1%	36.9	39.1	6.1%

1) Free cash flow before dividend payments, spectrum investment, effects of AT&T transaction and compensation payments for MetroPCS employees

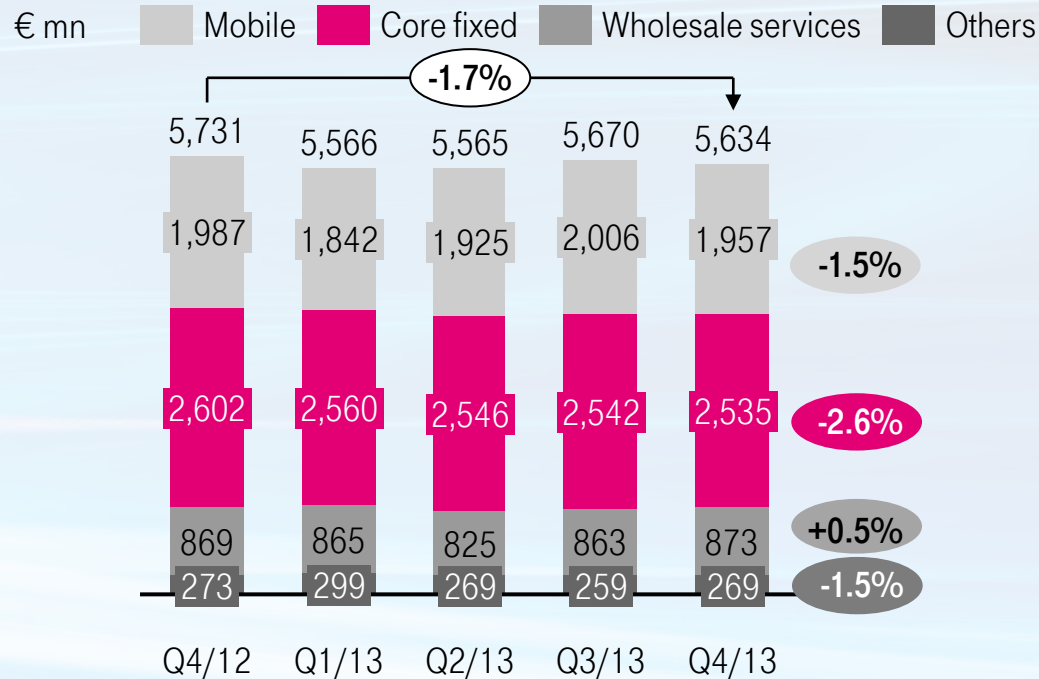
2) Before spectrum payments. Q4/13 € 1,022 million . € 82 million in Q4/12. FY/13 € 2,207 million, FY/12 € 411 million.



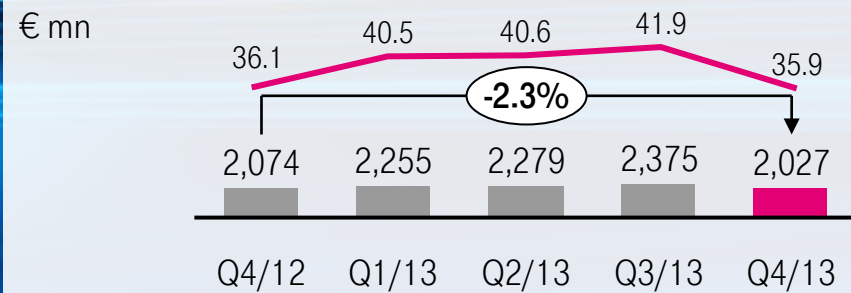
LIFE IS FOR SHARING.

GERMANY: FY ADJ. EBITDA MARGIN AT AROUND 40%

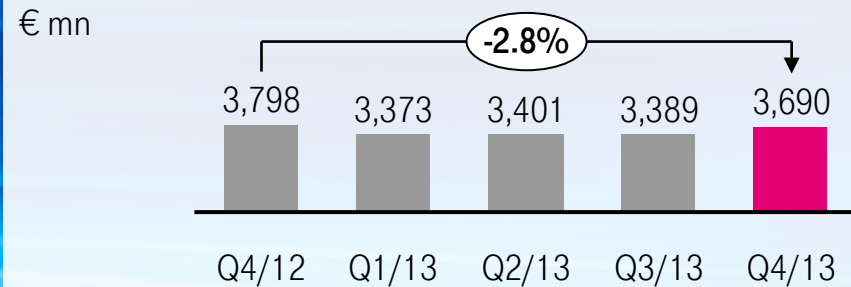
REVENUES



ADJ. EBITDA AND MARGIN (IN %)



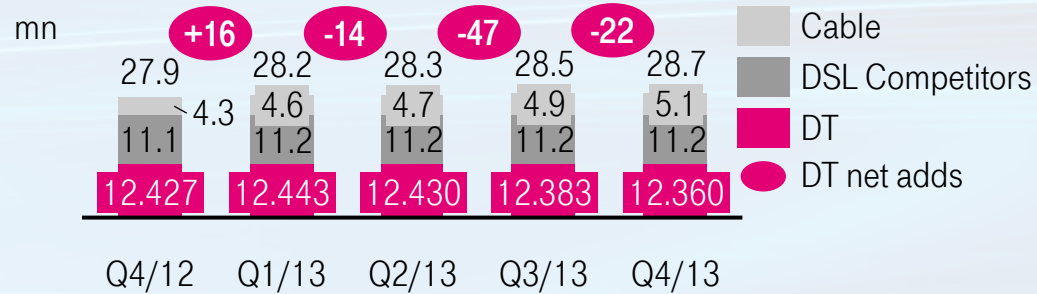
ADJ. OPEX



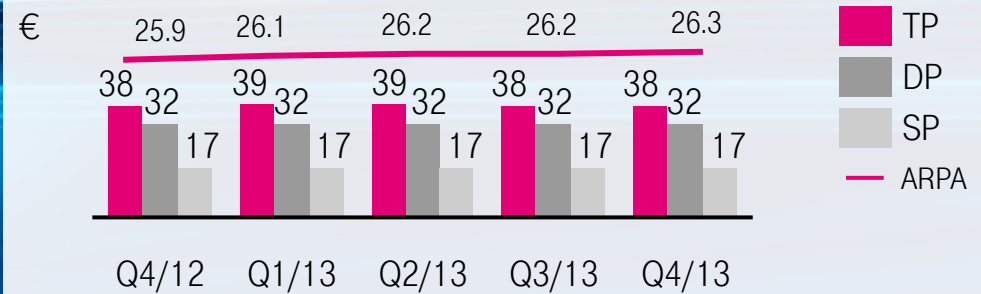
LIFE IS FOR SHARING.

GERMANY: FIXED – INCREASING ARPA, FIBER BASE GROWING, LINE LOSSES DECREASING

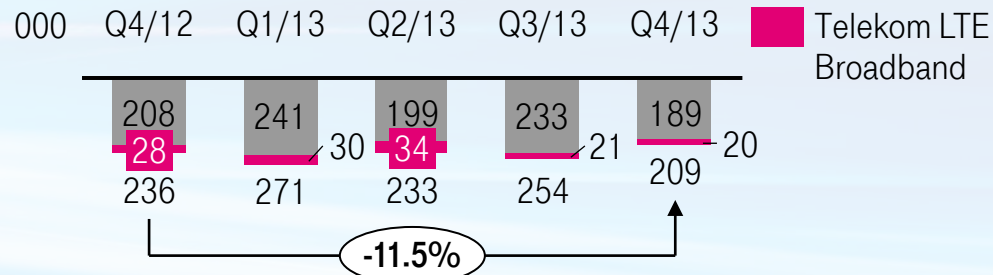
GERMAN BROADBAND MARKET¹



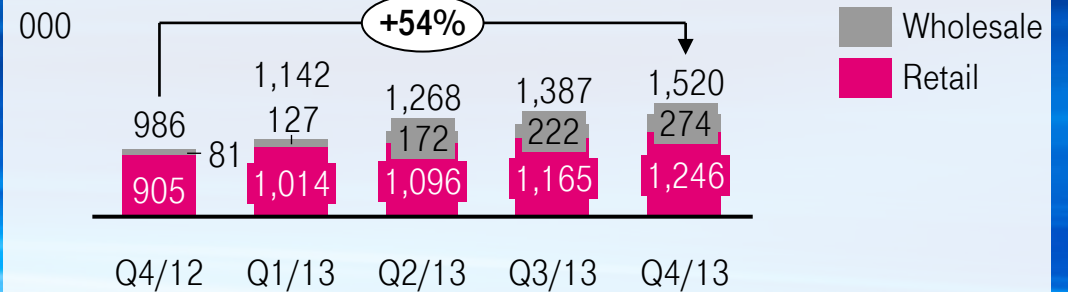
AVERAGE REVENUE PER ACCESS GROWING



LINE LOSSES: IMPROVING TREND DESPITE LTE SUBSTITUTION



FIBER CUSTOMERS: RETAIL AND WHOLESALE

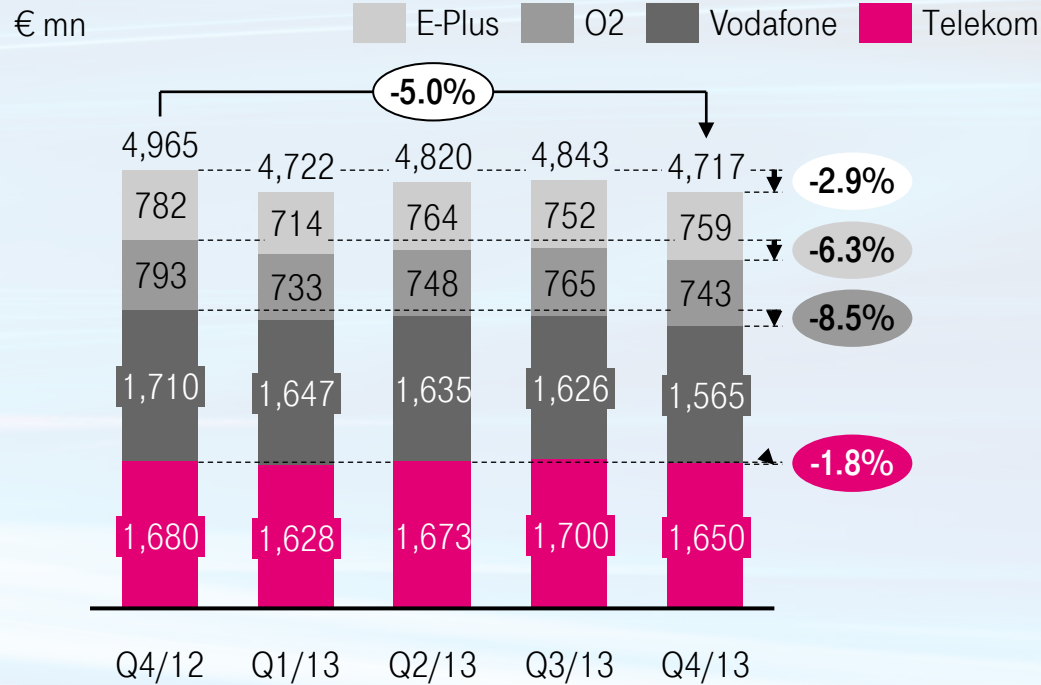


1) Based on management estimates

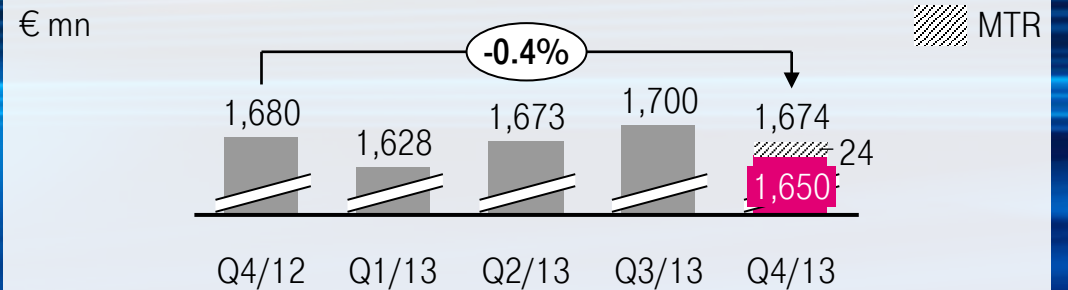


GERMANY: MOBILE – CONTINUED OUTPERFORMANCE OF COMPETITION

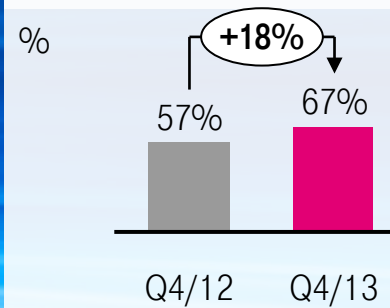
GERMAN MOBILE MARKET SERVICE REVENUE



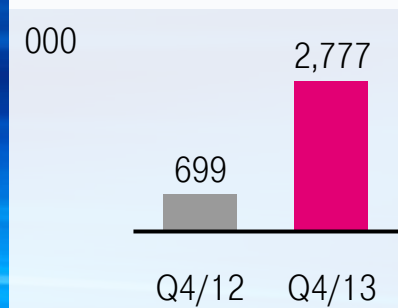
TD MOBILE SERVICE REVENUE EXCL. MTR CUT



SMARTPHONE PENETRATION¹



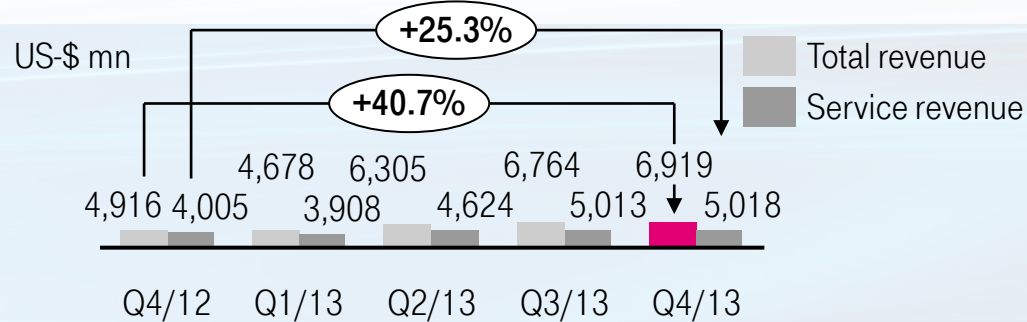
LTE CUSTOMERS²



1) Of T-branded consumer contract customers 2) Consumers using an LTE device and tariff plan including LTE

TMUS: Q4 WITH STRONGEST CUSTOMER GROWTH SINCE 2005

REVENUE AND SERVICE REVENUE

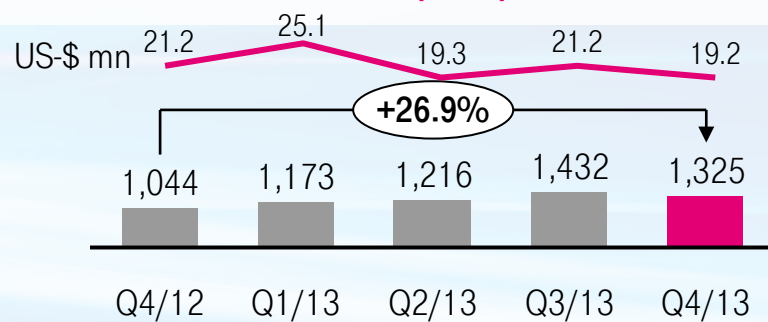


NET ADDITIONS

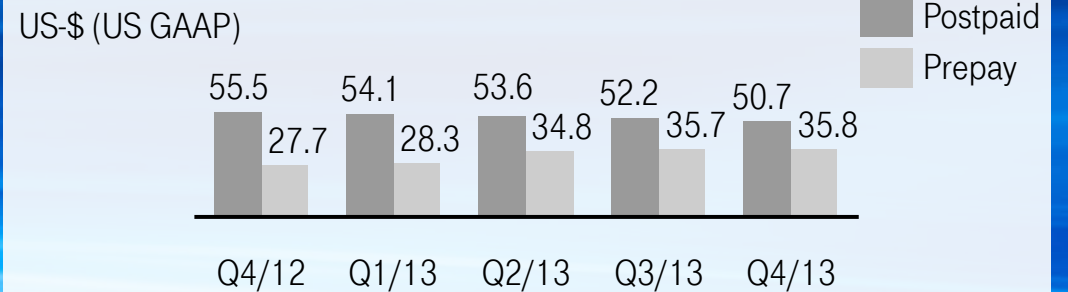
in 000

Total net adds	Q4/12	Q1/13	Q2/13	Q3/13	Q4/13
Total net adds	61	579	1,130	1,023	1,645
Branded:					
▪ Postpaid	-515	-199	688	648	869
▪ Prepay	166	202	-10	24	112
Wholesale ¹	410	576	452	351	664

ADJ. EBITDA AND MARGIN (IN %)



BRANDED CUSTOMERS: POSTPAID AND PREPAY ARPU

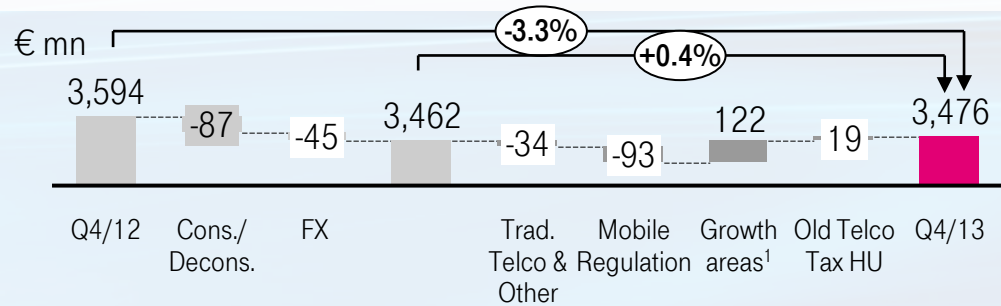


1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

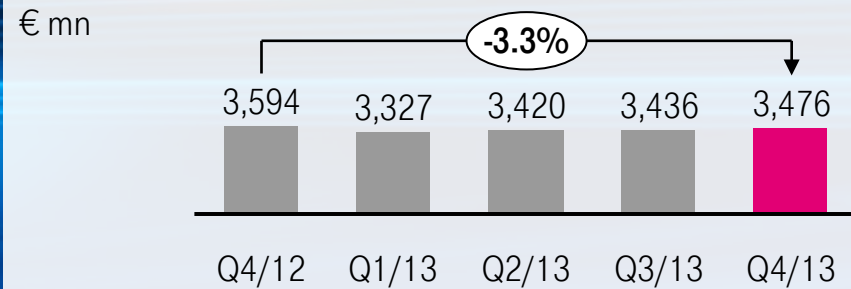


EUROPE: ORGANIC REVENUE AND ADJ. EBITDA WITH SLIGHT IMPROVEMENT

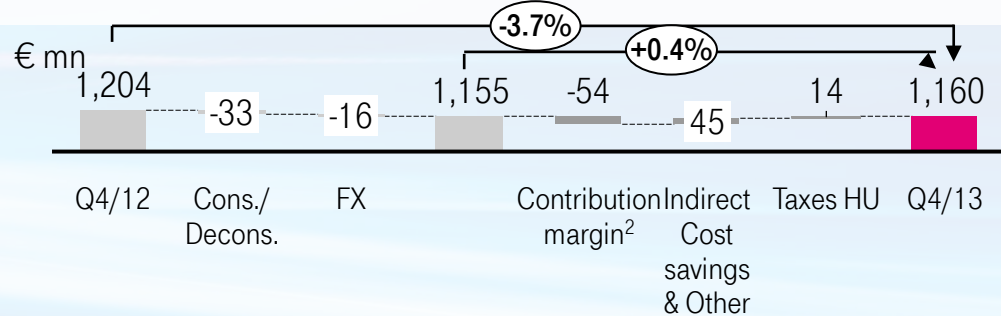
REVENUE



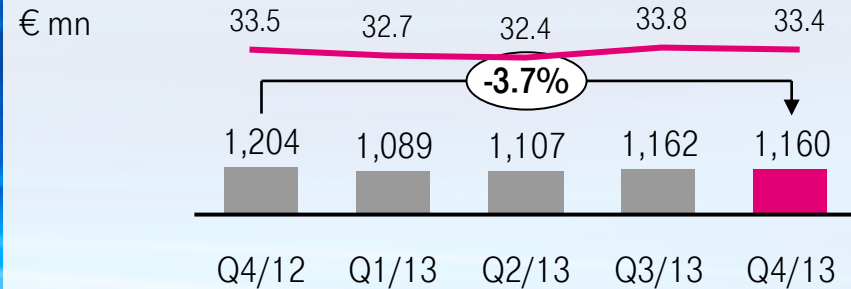
REVENUE



ADJ. EBITDA



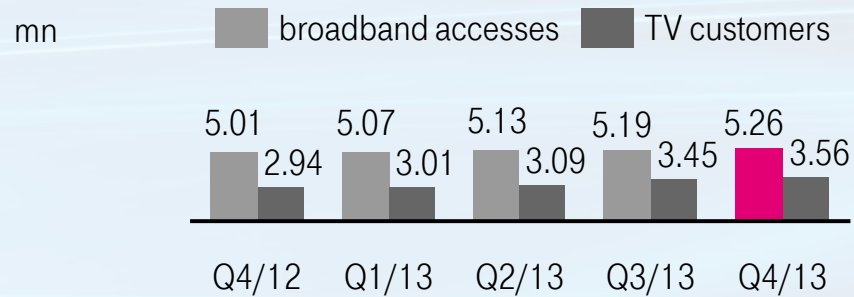
ADJ. EBITDA AND MARGIN (IN %)



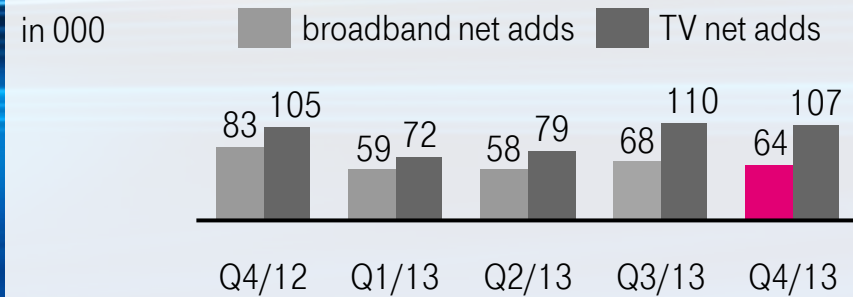
1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other) 2) Total Revenues - Direct Cost

EUROPE: CONTINUED GROWTH IN MOBILE AND FIXED KEY AREAS

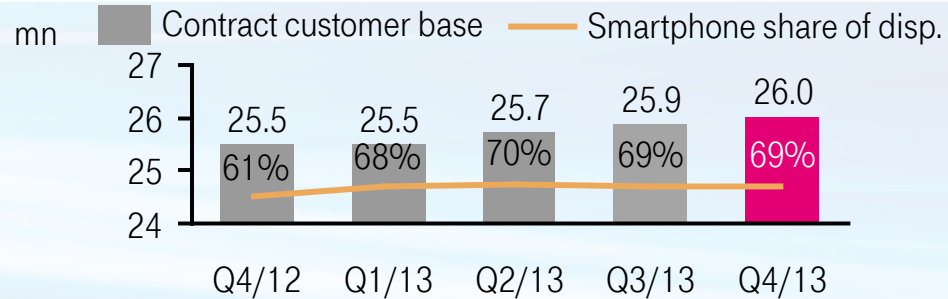
POCKETS OF GROWTH - BROADBAND AND TV¹



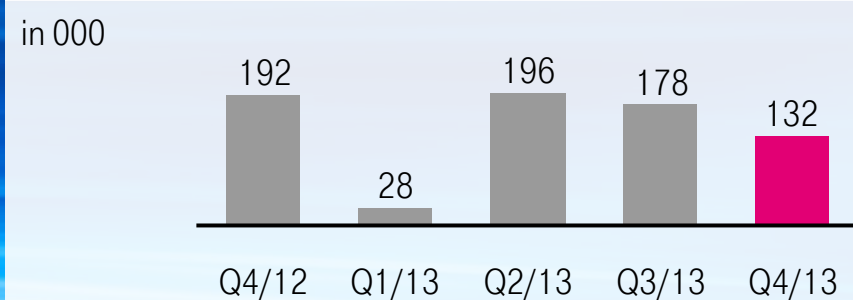
NET ADDS - BROADBAND AND TV¹



POCKETS OF GROWTH - MOB. CONTRACT AND SMARTPHONES¹



NET ADDS - MOBILE CONTRACT¹

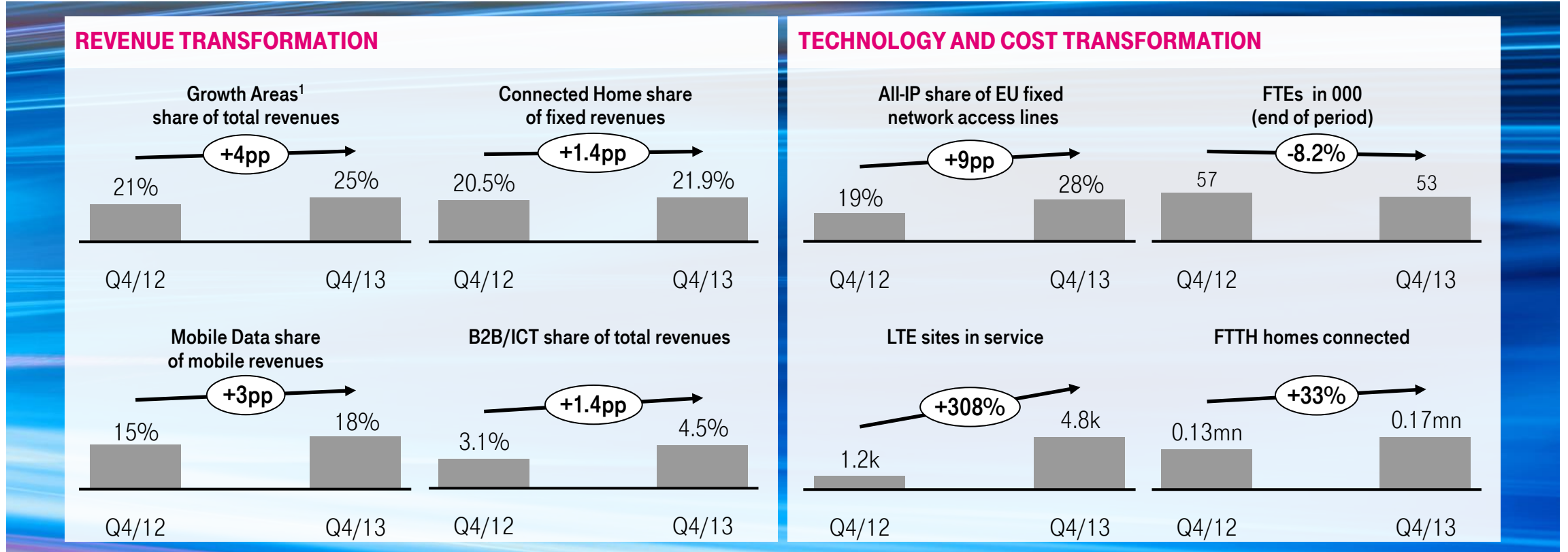


¹) incl. business customers shifted to T-Systems in Hungary as of 1.1.2011. Smartphone share w/o SK, RO, MK, AL, CG and Bulgaria. TV figures include DiGi Slovakia as of 1. September 2013 (not counted as net adds). The customers of our companies in Bulgaria are no longer included in the Europe operating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



LIFE IS FOR SHARING.

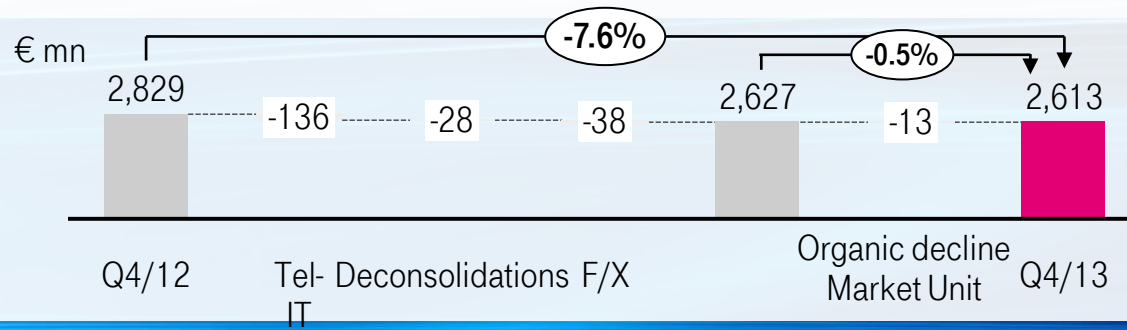
EUROPE: COMMERCIAL AND TECHNOLOGY INITIATIVES DRIVING REVENUE AND COST TRANSFORMATION



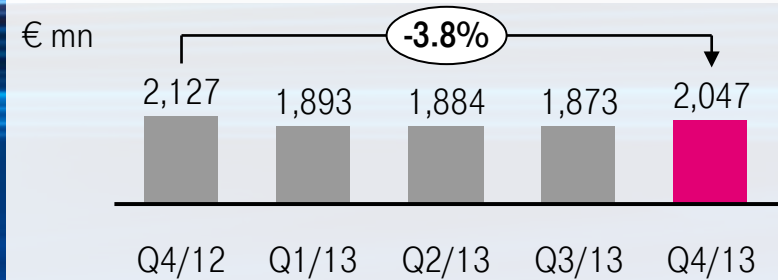
1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other)

SYSTEMS SOLUTIONS: EBIT MARGIN IMPROVED AT MARKET UNIT, TEL-IT DELIVERS ON COST SAVINGS

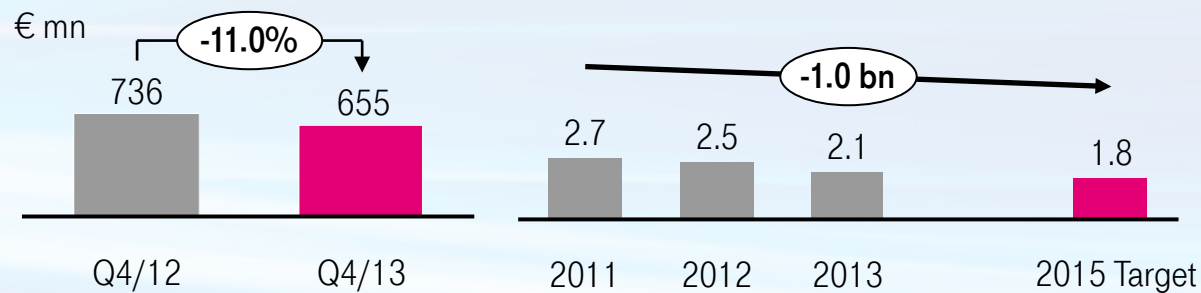
TOTAL REVENUE



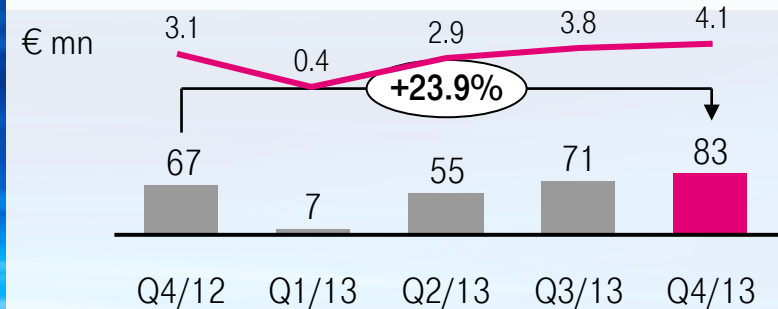
REVENUE MARKET UNIT



TEL-IT SPEND REDUCTION IN Q4 AND DELIVERY VERSUS TARGET

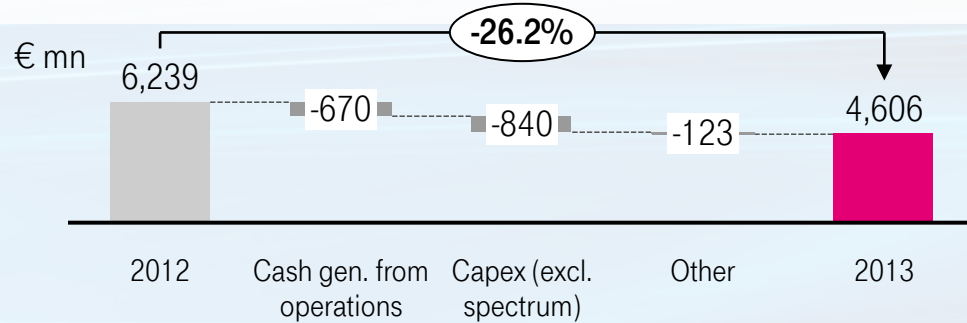


ADJ. EBIT AND MARGIN (IN %) MARKET UNIT

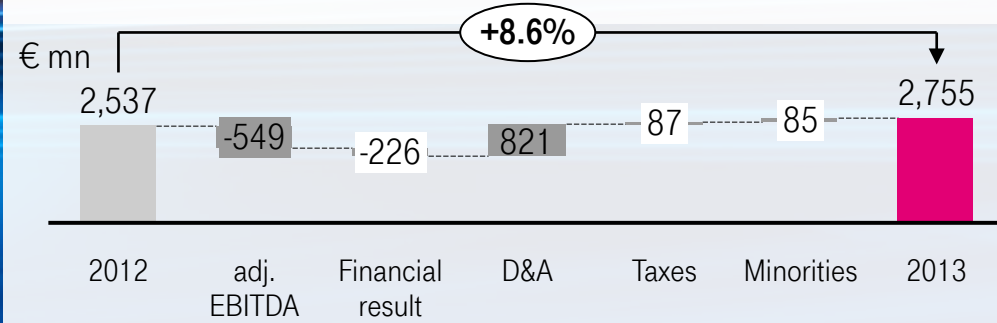


FINANCIALS: 2013 AND Q4 FCF AND ADJ. NET INCOME

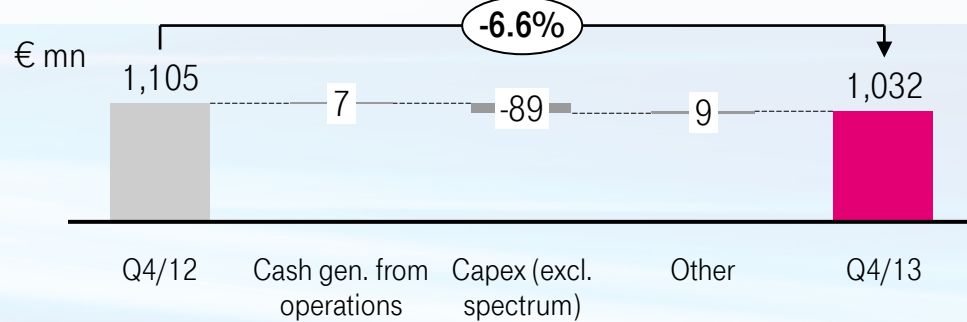
FREE CASH FLOW 2013



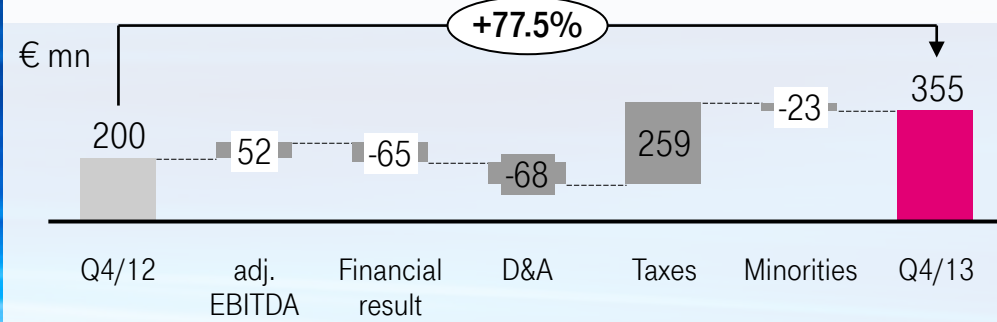
ADJ. NET INCOME 2013



FREE CASH FLOW Q4/13

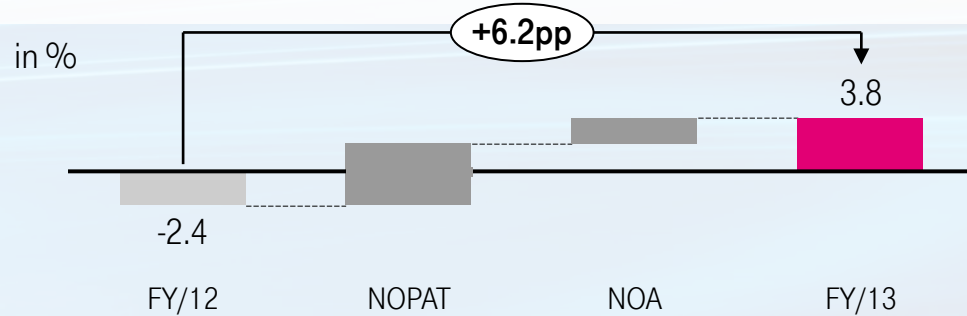


ADJ. NET INCOME Q4/13

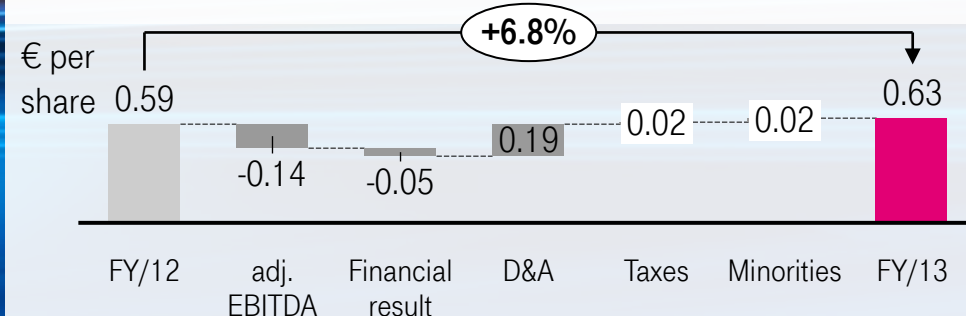


FINANCIALS: IMPROVEMENT IN ROCE AND ADJ. EPS

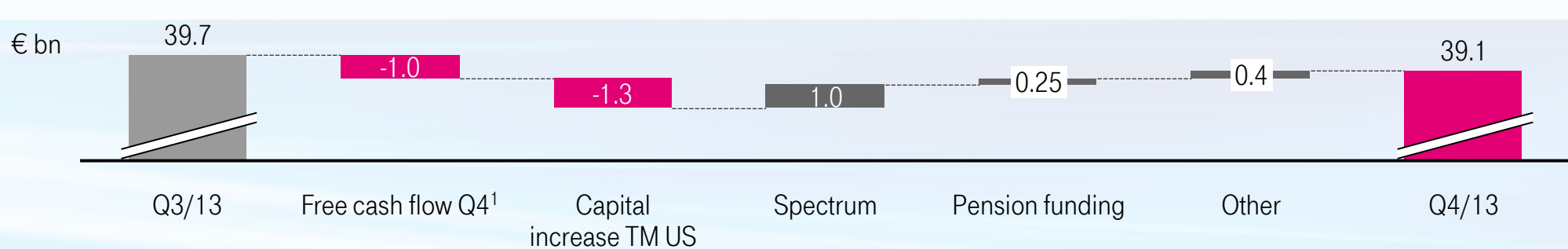
ROCE DEVELOPMENT FY/13



ADJ. EPS DEVELOPMENT FY/13



NET DEBT DEVELOPMENT Q4/13



1) Free cash flow before dividend payments, spectrum investment, effects of AT&T transaction and compensation payments for MetroPCS employees



FINANCIALS: BALANCE SHEET

€ bn	31/12/2012	31/03/2013	30/06/2013	30/09/2013	31/12/2013
Balance sheet total	107.9	108.8	116.1	115.3	118.1
Shareholders' equity	30.5	31.0	31.3	32.0	32.1
Net debt	36.9	37.1	41.4	39.7	39.1
Net debt/Adj. EBITDA ¹	2.1	2.1	2.4	2.3	2.2
Equity ratio	28.3%	28.5%	26.9%	27.8%	27.1%
Comfort zone ratios		Current rating			
Rating: A-/BBB	●	Fitch:	BBB+	stable outlook	
2 – 2.5x net debt/Adj. EBITDA	●	Moody's:	Baa1	stable outlook	
25 – 35% equity ratio	●	S&P:	BBB+	stable outlook	
Liquidity reserve covers redemption of the next 24 months	●				

1) Ratios for the interim quarters calculated on the basis of previous 4 quarters. Ratio in 2013 negatively influenced by full consolidation of MetroPCS debt, without accounting for Metro's EBITDA in the previous quarters.

STRATEGY UPDATE:

DEUTSCHE TELEKOM – LEADING TELCO



LIFE IS FOR SHARING.

DT STRATEGY

LEADING EUROPEAN TELECOMMUNICATIONS PROVIDER

LEADING TELCO

INTEGRATED
IP NETWORKS

BEST
CUSTOMER
EXPERIENCE

WIN WITH
PARTNERS

LEAD IN
BUSINESS



LIFE IS FOR SHARING.

INTEGRATED IP NETWORKS

INTEGRATED
IP NETWORKS

BEST
CUSTOMER
EXPERIENCE

WIN WITH
PARTNERS

LEAD IN
BUSINESS

ALL-IP TRANSFORMATION

- Future-proof **IP platform with focus on customer** and faster installation of services
- **More cost-effective production** (Example Macedonia: OPEX savings: EUR 10/customer/year)
- 🇩🇪 >2 million customers migrated YE13
- 🇪🇺 >2.7 million IP accesses YE13

**TARGET:
TRANSFORMATION
COMPLETED BY 2018**

PAN-EUROPEAN NETWORK

- DT as **technology front runner in Europe**: design of a common European production model
- Based on a transformed **IP network**
- Advancing **virtualization** of individual **network components**

**TARGET:
TECHNOLOGY FRONT RUNNER
START PAN-NET SET UP BY 2015**

INTEGRATED NETWORK STRATEGY

- **LTE roll-out:**
 - 🇩🇪 85% Pop Coverage YE16
 - 🇪🇺 50-85% Pop Coverage YE17
- **Fixed Broadband Rollout:**
 - 🇩🇪 >24 million households covered YE16 with FTTC/Vectoring
 - 🇪🇺 >9 million households covered YE16 with FTTH (partly comb. with Vectoring)

**TARGET:
€6.5 BN NETWORK INVEST
IN D/EU 2014-2017**



BEST CUSTOMER EXPERIENCE

INTEGRATED
IP NETWORKS

**BEST
CUSTOMER
EXPERIENCE**

WIN WITH
PARTNERS

LEAD IN
BUSINESS

BEST NETWORK

- **Best network quality** at home or on the move
- **Top speed** in all networks
- **LTE:** Speed up to **300 Mbit/s** (LTE advanced)
- **FTTC & vectoring:** up to **100 Mbit/s** download, upload **40 Mbit/s**
- **Hybrid network** (fiber + LTE): up to **250 Mbit/s** download, upload up to **90 Mbit/s**

**TARGET:
NO.1 IN NETWORK COVERAGE,
STABILITY & BANDWIDTH**

INTEGRATED PRODUCTS

- **Integrated products/services** for fixed/mobile communications **from a single source**
- **Hybrid routers** for the combination of optical fiber/LTE (up to 250 Mbit/s)
- Converged **package rates** for fixed network/mobile/TV/partner services
- Customers benefit from **simplicity and increased performance**

**TARGET:
MARKET LAUNCH
INTEGRATED PRODUCTS 2014**

BEST CUSTOMER SERVICE

- **Easy and fast** service for the **best customer experience**
- Consistent customer experience across **all channels**
- Strengthening **online channels**
- Customers can carry out **service processes flexibly** themselves
- **Integrated view** of our customer data
- **Best Telco** in TRIM-Score

**TARGET:
NO. 1/2 IN CUSTOMER
PERCEPTION**



LIFE IS FOR SHARING.

WIN WITH PARTNERS

INTEGRATED
IP NETWORKS

BEST
CUSTOMER
EXPERIENCE

WIN WITH
PARTNERS

LEAD IN
BUSINESS

“STECKERLEISTE”

- Set up **partner system for innovative services** (“power strip”): state-of-the-art services for customers by **working with partners** (e.g. Spotify)
- **EU-wide connection** of services in the DT product portfolio
- **DT “preferred telco”** for OTT partners (security, technical integration, onboarding process, marketing, etc)

**TARGET:
PARTNER INTEGRATION
WITHIN 3 MONTHS**

NEW GENERATION TV

- Best **HD-offering&Premium-Contents**
- Live (multi-cast) and on-demand-Contents **on all screens**
- delivered **via IPTV/DVB**, in addition **OTT-partner contents**
- **Social media integration** and interactivity on all devices
- **Personalized** recommendations

**TARGET:
10 M TV-CUSTOMERS
2017 (GERMANY/EU)**

PLATFORM-BASED BUSINESS

DT as a platform for third-party providers

Current examples:

- **Qivicon**/smart home
- Publishing platform/Tolino
- **Intelligent networks** (connected car, e-health, smart energy)
- **M2M/Industry4.0-solutions**
- **Payment/MyWallet**

**TARGET:
BUILD OUT PLATFORMS FOR
INNOVATIVE SOLUTIONS**



LIFE IS FOR SHARING.

LEAD IN BUSINESS

INTEGRATED
IP NETWORKS

BEST
CUSTOMER
EXPERIENCE

WIN WITH
PARTNERS

LEAD IN
BUSINESS

T-SYSTEMS 2015+

- Restructuring of IT business to focus on **scalable, platform-based IT products** (standardized IT)
- Focus on **digital innovation areas**: scalable solutions from the areas of **cloud, security, big data, M2M**, etc.

TARGET: ≈50% TSI REVENUE THROUGH STANDARDIZED IT PRODUCTS (FROM 2017)

STRENGTHENING B2B IN EUROPE

- **Focussed expansion** of mobile-centric countries to include fixed network products
- Europe: **Strengthening of market position** in B2B segment
Initial implementation successes:
 - **GTS¹** strengthening B2B in Eastern Europe
 - TSI CZ integrated in **T-Mobile CZ**

TARGET: ICT REVENUE GROWTH ≈20% IN EU (2012-2015 CAGR)

GERMAN SME INITIATIVE

- Focus on **SME growth market: Expansion of IT market share**
- **Extended product portfolio** (also through partners) with focus on cloud, security, convergent products, collaboration
- **New “go-to-market” initiatives**: central order center and partner networks for sales

TARGET: +€600 M IT-REVENUE IN SME (UNTIL 2018 IN GERMANY)



1) GTS acquisition pending EC clearance



LEAD IN BUSINESS – TSI 2015+ FASTER STRATEGY EXECUTION

INTEGRATED
IP NETWORKS

BEST
CUSTOMER
EXPERIENCE

WIN WITH
PARTNERS

LEAD IN
BUSINESS

CHANGING ENVIRONMENT



- Increased competitive intensity especially in classical ICT and commoditized cloud services leads to massively increasing price pressure in the market – e. g. Indian operators are gaining ground in Europe with aggressive pricing models



- Standardized solutions & products from the SMB sector are quickly penetrating the enterprise market – pushing for lower prices and more automation



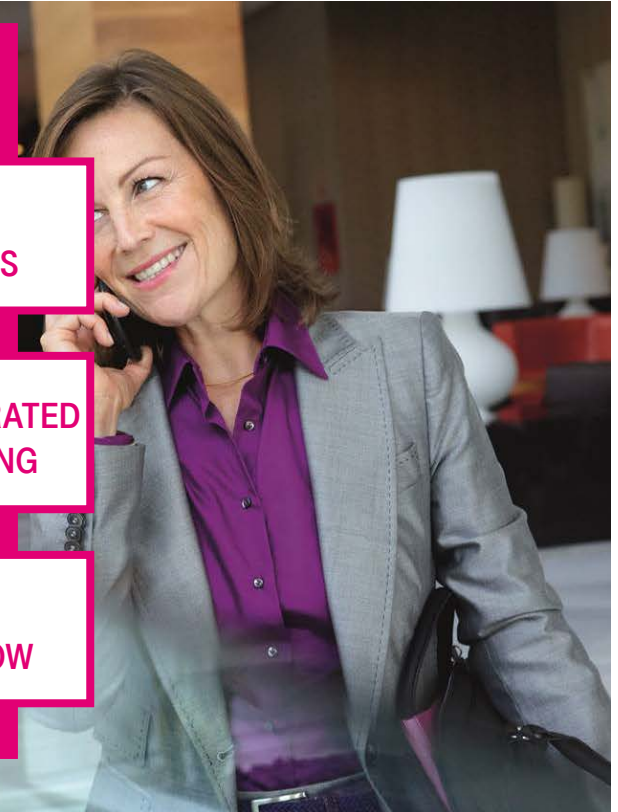
- Our customers expect more innovative solutions for their business – so the focus is not only on our customers, but increasingly also on our customers' customers

**TRANSFORM OUR
BUSINESS MODEL**

**STOP
UNPROFITABLE OFFERINGS**

**TRANSFORMATION & ACCELERATED
PERSONNEL RESTRUCTURING**

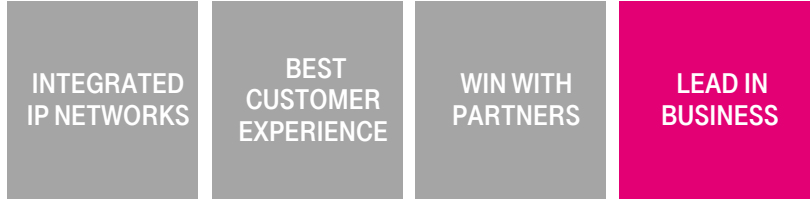
**EXPAND & SCALE OUR
BUSINESS MODEL AND GROW**



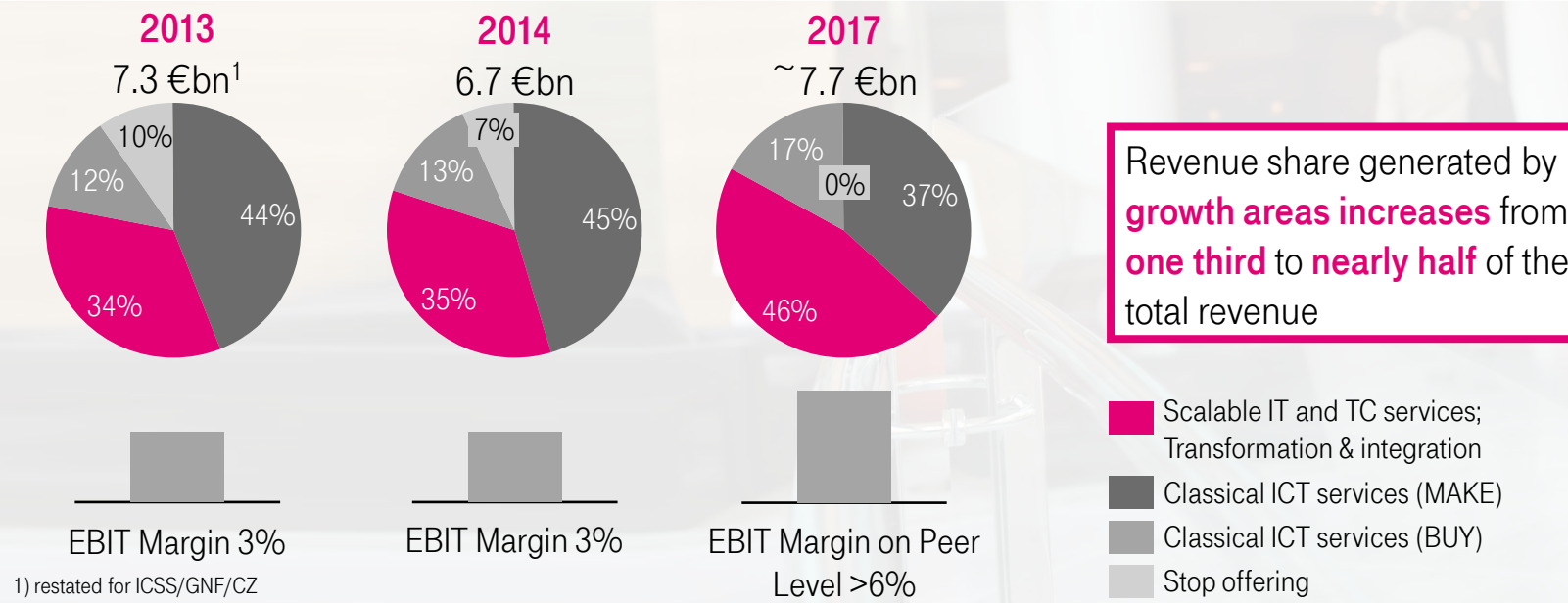
LIFE IS FOR SHARING.

LEAD IN BUSINESS – TSI 2015+

REVENUE PROFILE AND PROFITABILITY



REVENUE DISTRIBUTION TSI MARKET UNIT



OUR FINANCE STRATEGY – PROVEN AND STILL VALID

EQUITY

Reliable Shareholder Remuneration policy

Dividend¹

- FY 2013: €0.50
- FY 2014: €0.50
- FY 2015: re-visit

Attractive option:
dividend in kind

STRATEGY LEADING TELCO

**INTEGRATED
IP NETWORKS**

**BEST
CUSTOMER
EXPERIENCE**

**WIN WITH
PARTNERS**

**LEAD IN
BUSINESS**

VALUE CREATION: ROCE > WACC

- 1 EFFICIENCY MANAGEMENT** – Reduce costs by “target costing” and increase ROCE above cost of capital
- 2 PORTFOLIO MANAGEMENT** – Deliver on preferred business model (integrated + B2C/B2B) and value generation
- 3 RISK MANAGEMENT** – Maintain low risk country portfolio
- 4 FAST TRANSFORMATION** – Support fast IP migration and transform network infrastructure

DEBT

Undisputed access to debt capital markets

- **Rating:** A-/BBB
- **Net debt/adj. EBITDA:** 2 – 2.5x
- **Equity ratio:** 25 – 35%
- **Liquidity reserve:** covers maturities of coming 24 months

1) Subject to resolutions of the relevant bodies and the fulfillment of other legal requirements

PORTFOLIO TRANSFORMATION



STRENGTHEN THE STRENGTH

- Create, protect & invest for “economic FMC fortresses”
- Continue network investments



DERISKING T-MOBILE US

- Capture MetroPCS synergies
- Maintain & monetize Uncarrier momentum



PORTFOLIO DISCIPLINE

- Acquisitions to be funded by cleaning up weak spots
- Exit where structurally challenged or no ROCE > WACC path



ENABLE STRATEGIC FLEXIBILITY

- Monetize non-core assets to protect balance sheet (e.G. Scout)

GUIDANCE¹

	2013 RESULTS		GUIDANCE 2014	AMBITION 2015
€ bn	Reported	Pro forma ²		
Revenue	60.1	60.9	Slight growth³	Growing
Adj. EBITDA	17.4	17.6	flat around 17.6⁴	Growing
FCF	4.6	4.6	around 4.2	Slight growth
SHAREHOLDER REMUNERATION POLICY⁵				
Unchanged				
<ul style="list-style-type: none"> ▪ 2013/2014: 0.5 € per share ▪ 2015: re-visit 				

1) Guidance based on constant exchange rates and no further changes in the scope of consolidation 2) Adjusted for changes in the scope of consolidation 3) Versus 2013 pro forma 4) Excl. Scout, which contributed 0.1 bn of EBITDA in 2013
5) Subject to resolutions of the relevant bodies and the fulfillment of other legal requirements

UPDATE MID TERM AMBITION CMD 2012

	MID TERM AMBITION (INCL. PCS)		
GROUP REVENUES	Growing	2014	●
GROUP Adj. EBITDA	Growing	2014	●
GROUP FCF	≈€6 bn	2015	●
GROUP Adj. EPS	Improvement to ≈€0.8	2015	●
GROUP ROCE	Improvement to ≈5.5%	2015	●
SHAREHOLDER REMUNERATION POLICY	Review	2015	●

KEY MESSAGES

DEUTSCHE TELEKOM – LEADING TELCO

INTEGRATED IP NETWORKS ACROSS EUROPEAN FOOTPRINT

- DT with clear game plan to finish All-IP migration YE2018
- Clear Advantages: Market agility, efficiency, costs
- DT as strong integrated player in >70% of its European assets

BEST CUSTOMER EXPERIENCE

- DT with the best network
- DT with an integrated product portfolio
- DT with the best customer service

WIN WITH PARTNERS

- Concentrate in house innovation on areas of strength
- Set up of a partner system for innovative services – “Steckerleiste”
- DT as a platform for third-party providers

LEAD IN BUSINESS

- TSI 2015+: Restructuring/refocusing on scalable, platform based IT products
- Target to be No.1 or 2 in B2C and B2B in each market
- Strengthening B2B in Europe/German SME initiative

GENERATION OF STAKEHOLDER VALUE

- DT as frontrunner and think tank in integrated network strategy and All-IP
- Superior business model, leading to better margins and returns
- Thereby generating value for our stakeholders!



FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

Investor Relations

Phone +49 228 181 - 8 88 80

E-Mail investor.relations@telekom.de

For further information please visit

www.telekom.com/investors

IR webpage:



IR twitter account:



IR youtube playlist:



Follow us on
@DT_IR



LIFE IS FOR SHARING.

THANK YOU!



LIFE IS FOR SHARING.