

MEDIA INFORMATION

Bonn, May 8, 2014

Deutsche Telekom receives further boost in growth from United States in the first quarter

- Net revenue up 8.0 percent to EUR 14.9 billion
- Adjusted EBITDA down 3.9 percent as a result of market investments in the U.S.
- Net profit more than tripled to EUR 1.8 billion due to partial sale of Scout24
- T-Mobile US with 1.3 million new branded postpaid customers; total net additions of 2.4 million
- Record number of VDSL and FTTH fiber-optic lines in Germany
- Europe accelerates network build-out and drives forward revenue transformation

Thanks to the booming U.S. business, Deutsche Telekom upped the pace of growth in the first quarter of 2014. Revenue increased 8.0 percent year-on-year to EUR 14.9 billion in the first quarter. In organic terms, i.e., adjusted for changes in the composition of the Group, like the merger with MetroPCS in the United States, as well as currency effects, revenue still increased substantially by 4.2 percent. At the same time, adjusted EBITDA fell 3.9 percent to EUR 4.1 billion; in organic terms, it decreased by 8.3 percent. This decline was mainly attributable to higher market investments in the United States, which resulted in 2.4 million net customer adds between January and March.

"Our success story in the United States continues. The decision to invest boldly in this market was right on the mark," stated Tim Höttges, CEO of Deutsche Telekom. "We are once again delivering figures in the first quarter that confirm



we are on the right track to achieving our leadership ambition in Europe's telecommunications industry."

The positive development in the first quarter comprises more than just the continued customer rush in the United States. In Germany, the Telekom and Congstar brands attracted 204,000 new mobile contract customers. At the same time, the 222,000 new lines based on the fiber-optic products VDSL and FTTH constitute a record high. In Europe, further progress was made with the migration to the IP platform and with the revenue transformation.

At EUR 1.8 billion, net profit was more than three times higher in the first three months than in the prior-year period. This is attributable to income from the partial sale of the Scout24 group. Adjusted for this factor, net profit decreased by 23.5 percent to EUR 587 million, reflecting the decline in adjusted EBITDA. Free cash flow declined 5.3 percent to EUR 983 million. Net debt was reduced by more than EUR 1 billion compared with the end of 2013 to EUR 38.0 billion.

Deutsche Telekom confirms its guidance for the full year 2014. Adjusted EBITDA is expected to be around EUR 17.6 billion, with free cash flow of around EUR 4.2 billion.

Germany – Record demand for fiber-optic products

On its home market, Deutsche Telekom held its lead in mobile service revenues, which were up 0.2 percent year-on-year. Customer growth in the German mobile business continued successfully. In the first quarter, Telekom won 551,000 mobile contract customers. Alongside customers gained in business with service providers, 204,000 of these additions were attributable to business under the Telekom and Congstar brands.



Fiber-optic products VDSL and FTTH recorded the highest net additions since market launch. In the first three months of this year, 222,000 customers opted for a fiber-optic line, compared with 156,000 in the same period in 2013. Of these customers, 93,000 came from the wholesale sector, mainly due to the success of what is known as the contingent model. The total number of fiber-optic lines increased by 53 percent within one year to over 1.7 million.

Development in the broadband market is still under pressure. The Company lost 7,000 broadband customers overall, hence the trend improved substantially compared with the previous three quarters. The network build-out has gained further momentum: Coverage with fiber-optic lines grew from 34 percent to 38 percent year-on-year; population coverage with the mobile standard LTE reached 74 percent after just 50 percent a year earlier. The migration to the all-IP platform is also progressing at an accelerating pace, with 2.6 million lines already migrated by the end of the first quarter.

Revenue in the Germany operating segment decreased 1.5 percent year-on-year to EUR 5.5 billion in the first quarter of 2014. Adjusted EBITDA was down 1.1 percent to EUR 2.2 billion, resulting in an adjusted EBITDA margin of 40.7 percent, which is slightly up on the prior-year level.

United States – Customer forecast revised upwards

T-Mobile US has once again caused a sensation on the U.S. mobile market with a new initiative. Since January, as part of the Un-carrier phase 4.0, the company has been reimbursing new customers' early termination fees charged by previous providers.

This contributed to further very strong customer growth. In the first quarter, T-Mobile US won 1.3 million new branded postpaid customers. In this customer segment, the churn rate fell to 1.5 percent, compared with 1.9 percent a year



earlier. The total customer base increased by 2.4 million to 49.1 million. T-Mobile US revised its forecast for customer acquisition upwards, with 2.8 to 3.3 million net branded postpaid additions now expected in full year 2014. The previous forecast had been for between 2 and 3 million.

Customer growth also impacts on the financial figures. Total revenue increased by 43.3 percent to EUR 5.1 billion compared with the first quarter of 2013. In U.S. dollar terms, it increased by as much as almost 50 percent. Excluding the effect of the first-time consolidation of MetroPCS as of May 1, 2013, organic revenue growth amounted to 16.4 percent. Increased expenses for customer acquisition and marketing had a negative effect on adjusted EBITDA. In the first quarter of 2014, adjusted EBITDA decreased by 1.3 percent year-on-year in U.S. dollar terms; in euro terms, it declined by 5.0 percent to EUR 0.8 billion.

Europe – Revenue transformation advances

Transformation in business in Europe made further progress in the first quarter. The proportion of revenue generated by growth areas is now 25 percent compared with 22 percent a year earlier, thanks in particular to mobile data revenue and B2B/ICT business. LTE network coverage was substantially expanded. The number of base stations for the fourth-generation mobile communications standard increased from around 1,200 to some 6,700 within a year.

The migration to all-IP lines also progressed successfully. The proportion of IP-based lines grew by 10 percentage points to 29 percent. Following the complete migration in Macedonia, Slovak Telekom has now migrated 69 percent of lines and is on track to complete the IP conversion by the end of the year.

Revenue in the Europe operating segment declined by 2.6 percent in organic terms – i.e., adjusted for the effects of changes in the composition of the Group, such as the sale of the Bulgarian company Globul, and exchange rate effects – to EUR 3.1 billion. This was primarily due to regulatory decisions in mobile communications. The reported year-on-year revenue decline was 6.5 percent. In organic terms, adjusted EBITDA declined by 2.3 percent. On a reported basis, it declined by 6.4 percent to EUR 1.0 billion.

Systems Solutions – Realignment begins

A focus on profitability is the heart of the transformation program T-Systems 2015+. The financial figures for the first quarter of 2014 show the initial effects of this strategic realignment. In the first three months of this year, order entry in the Market Unit, which mainly comprises T-Systems' external business, declined by 28.4 percent year-on-year to EUR 1.4 billion. This reflects compliance with stricter profitability criteria for new business introduced as part of the restructuring.

It is therefore all the more pleasing that T-Systems has won one of the biggest systems integration orders in the history of the company. The contract with Daimler AG has an order volume in the three-digit million range. In the long term, T-Systems will assume sole responsibility for maintaining, developing, and integrating numerous software applications across all of the automaker's important business areas. In addition to cooperating in conventional systems integration business, the two companies will advance promising future topics such as connected cars and the cloud-based workplace together.

The abstention from less profitable activities is also having an impact on the Market Unit's revenue. Discontinued business activities, such as hardware reselling, as well as the still difficult industry climate resulted in a revenue decline of 6.7 percent to EUR 1.7 billion. Adjusted for the sales of T-Systems



Italia and the Systems Integration business unit in France, as well as exchange rate effects, revenue decreased 4.1 percent in the first quarter.

This revenue decline also impacts on earnings. The adjusted EBIT margin fell to minus 0.4 percent in the first quarter, compared with plus 0.2 percent one year ago. The reduction of the Group's IT costs is progressing according to plan. They declined by another 4.3 percent in the first quarter of 2014 compared with the prior year.

The Deutsche Telekom Group at a glance:

	Q1 2014 millions of €	Q1 2013 millions of €	Change %	FY 2013 millions of €
Revenue	14,894	13,785	8.0	60,132
Proportion generated internationally %	58.7	54.3	4.4p	57.8
EBITDA	5,638	4,079	38.2	15,834
Adjusted EBITDA	4,121	4,288	(3.9)	17,424
Net profit	1,817	564	n.a.	930
Adjusted net profit	587	767	(23.5)	2,755
Free cash flow ^a	983	1,038	(5.3)	4,606
Cash capex ^b (excl. spectrum)	2,065	2,087	(1.1)	8,861
Cash capex ^b	2,197	3,024	(27.3)	11,068
Net debt	37,964	37,119	2.3	39,093
Number of employees ^c	227,240	229,456	(1.0)	228,596

Comments on the table:

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

- a Before dividend payments, investments in spectrum, and before effects in connection with the AT&T transaction and compensation payments for MetroPCS employees.
- b Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill).
- c At reporting date.

Operating segments:

	Q1 2014 millions of €	Q1 2013 millions of €	Change %	FY 2013 millions of €
Germany				
Total revenue	5,483	5,566	(1.5)	22,435
EBITDA	2,205	2,118	4.1	8,401
Adjusted EBITDA	2,230	2,255	(1.1)	8,936
Number of employees ^a	67,318	68,636	(1.9)	66,725
United States^b				
Total revenue	5,074	3,541	43.3	18,556
EBITDA	795	854	(6.9)	3,642
Adjusted EBITDA	844	888	(5.0)	3,874
Europe				
Total revenue	3,125	3,343	(6.5)	13,704
EBITDA	1,012	1,139	(11.2)	4,371
Adjusted EBITDA	1,027	1,097	(6.4)	4,550
Systems Solutions				
Order entry	1,414	1,976	(28.4)	7,792
Total revenue	2,052	2,226	(7.8)	9,038
Of which Market Unit	1,679	1,800	(6.7)	7,244
Adjusted EBITDA margin (%)	(0.1)	0.2	(0.3p)	1.5
Adj. EBIT margin, Market Unit (%)	(0.4)	0.2	(0.6p)	2.8
EBITDA	81	108	(25.0)	358
Adjusted EBITDA	138	168	(17.9)	774

Comments on the table:

ICSS/GNF business at the local business units (LBUs), which had previously been organizationally assigned to the Systems Solutions operating segment, was brought together as of January 1, 2014, and is now reported under the Europe operating segment. In addition, as of January 1, 2014, the local business customer units of T-Systems Czech Republic, which had previously been managed under the Systems Solutions operating segment, were merged with T-Mobile Czech Republic; they are reported in the Europe operating segment. Comparative prior-year figures have been adjusted retrospectively.

a At reporting date.

b 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

	Mar. 31, 2014 thousands	Mar. 31, 2013 thousands	Change thousands	Change %
Germany				
Mobile customers	39,145	37,005	2,140	5.8
Of which contract customers	22,104	20,011	2,093	10.5
Fixed-network lines	21,202	22,113	(911)	(4.1)
Of which IP-based	2,640	1,215	1,425	n.a.
Broadband lines	12,354	12,443	(89)	(0.7)
Of which fiber (FTTC/VDSL, vectoring, and FTTH)	1,375	1,015	360	35.5
TV (IPTV, satellite)	2,255	2,036	219	10.8
Unbundled local loop lines (ULLs)	9,207	9,422	(215)	(2.3)
United States^a				
Mobile customers	49,075	33,968	15,107	44.5
Of which branded postpaid customers	23,622	20,094	3,528	17.6
Of which branded prepay customers	15,537	6,028	9,509	n.a.
Europe^b				
Mobile customers	56,615	56,949	(334)	(0.6)
Of which contract cust.	25,521	25,035	486	1.9
Fixed-network lines	9,215	9,595	(380)	(4.0)
Of which IP-based	2,680	1,803	877	48.6
Retail broadband lines	4,784	4,560	224	4.9
TV (IPTV, satellite, cable)	3,558	2,969	589	19.8

Comments on the table:

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

b The fixed-network customers of our subsidiary Euronet Communications in the Netherlands have not been included in the Europe operating segment since January 2, 2014, following the sale of the shares held in the company. They have been eliminated from all historical customer figures to improve comparability.



Operating segments: Development of customer numbers in the first quarter of 2014

	Mar. 31, 2014 thousands	Dec. 31, 2013 thousands	Change thousands	Change %
Germany				
Mobile customers	39,145	38,625	520	1.3
Of which contract customers	22,104	21,553	551	2.6
Fixed-network lines	21,202	21,417	(215)	(1.0)
Of which IP-based	2,640	2,141	499	23.3
Broadband lines	12,354	12,360	(6)	(0.0)
Of which fiber (FTTC/VDSL, vectoring, and FTTH)	1,375	1,246	129	10.4
TV (IPTV, satellite)	2,255	2,177	78	3.6
Unbundled local loop lines (ULLs)	9,207	9,257	(50)	(0.5)
United States^a				
Mobile customers	49,075	46,684	2,391	5.1
Of which branded postpaid customers	23,622	22,299	1,323	5.9
Of which branded prepay customers	15,537	15,072	465	3.1
Europe^b				
Mobile customers	56,615	56,679	(64)	(0.1)
Of which contract customers	25,521	25,509	12	0.0
Fixed-network lines	9,215	9,284	(69)	(0.7)
Of which IP-based	2,680	2,472	208	8.4
Retail broadband lines	4,784	4,744	40	0.8
TV (IPTV, satellite, cable)	3,558	3,503	55	1.6

Comments on the table:

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

b The fixed-network customers of our subsidiary Euronet Communications in the Netherlands have not been included in the Europe operating segment since January 2, 2014, following the sale of the shares held in the company. They have been eliminated from all historical customer figures to improve comparability.

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Deutsche Telekom AG

Corporate Communications

Tel.: +49 (0) 228 181-49 49

E-mail: media@telekom.de

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