

DEUTSCHE TELEKOM

Q2/14 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 Q2/14



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LEADING TELCO: KEY ACHIEVEMENTS IN Q2

KEY ACHIEVEMENTS

- LTE (77% POP coverage) and fiber roll out (39% Household coverage) continuing in Germany. Further progress in Europe: Poland launched LTE in June
- All-IP migration: Germany accelerates to 527k migrations in Q2. Europe achieves IP-Share of 32%
- Germany: Broadband net adds turn positive (+7k), ongoing good momentum in TV (+63k) and Fiber (+227k). Adj. EBITDA margin of 41.3%.
- US: Delivers on EBITDA growth (+22.1% in US\$) and margin improvement (20.5%) as promised. FY branded contract net add forecast increased to 3.0 to 3.5 million
- Europe: Significant cost savings result in organic EBITDA growth (+1.7%)

Q2 FINANCIAL HIGHLIGHTS

- Organic group revenue growth of 0.6%
- Slight adj. EBITDA growth (+0.3%) - on track to deliver on guidance
- FCF of € 1 billion slightly below previous year as expected and in line with guidance
- Financial guidance for FY 2014 confirmed



H1/14: KEY FIGURES

€ mn	Q2			H1		
	2013	2014	Change	2013	2014	Change
Revenue	15,157	15,114	-0.3%	28,942	30,008	3.7%
Adj. EBITDA	4,417	4,429	0.3%	8,705	8,550	-1.8%
Adj. net profit	810	636	-21.5%	1,577	1,223	-22.4%
Net profit	530	711	34.2%	1,094	2,528	131.1%
Adj. EPS (in €)	0.19	0.15	-21.1%	0.37	0.28	-24.3%
EPS (in €)	0.12	0.16	33.3%	0.25	0.57	128.0%
Free cash flow ¹	1,109	1,049	-5.4%	2,147	2,032	-5.4%
Cash capex ²	2,068	2,197	+6.2%	4,155	4,262	+2,6%
Net debt (in € bn)	41.4	41.4	0.0%	41.4	41.4	0.0%

1) Free cash flow before dividend payments and spectrum investment and before effects in connection with the AT&T transaction and compensation payments for MetroPCS employees

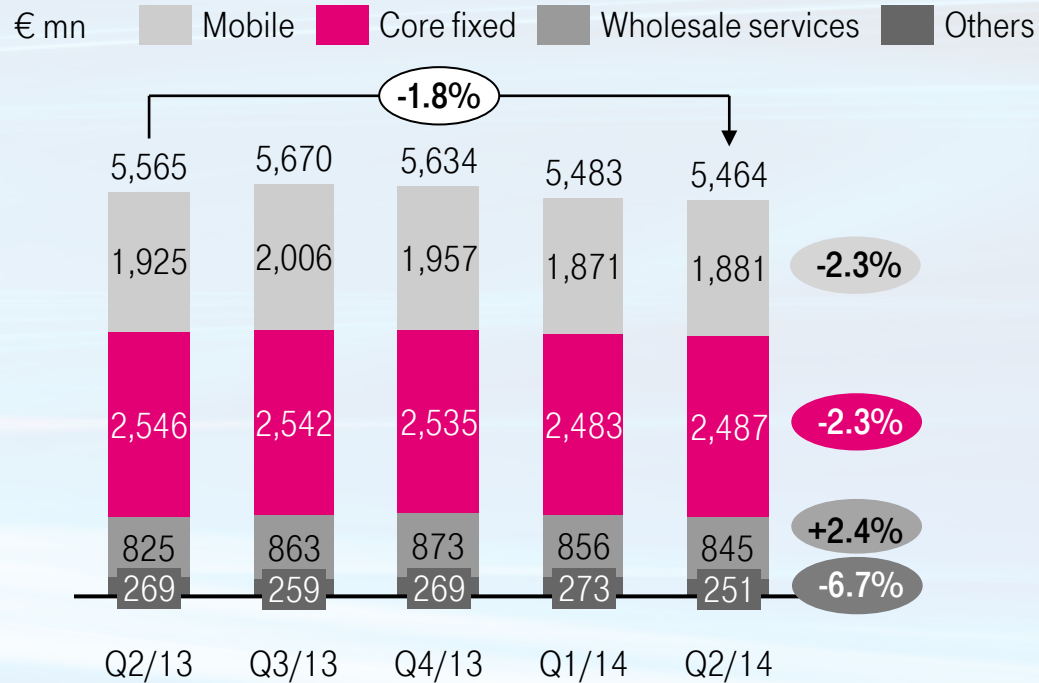
2) Before spectrum payments. Q2/13: 130 million €; Q2/14: 1,749 million €; H1/13: 1,067 million €; H1/14: 1,881 million €



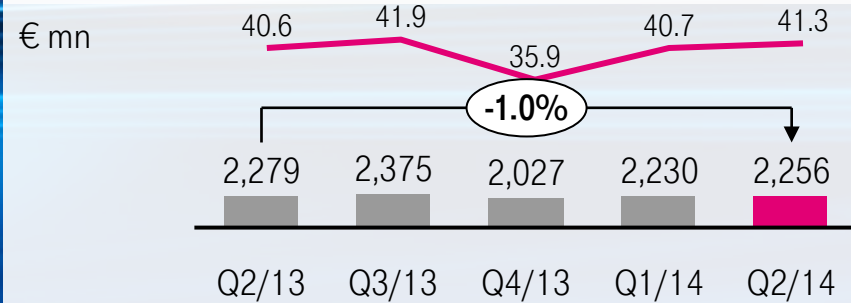
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GERMANY: SOLID REVENUE TREND AND STRONG MARGIN

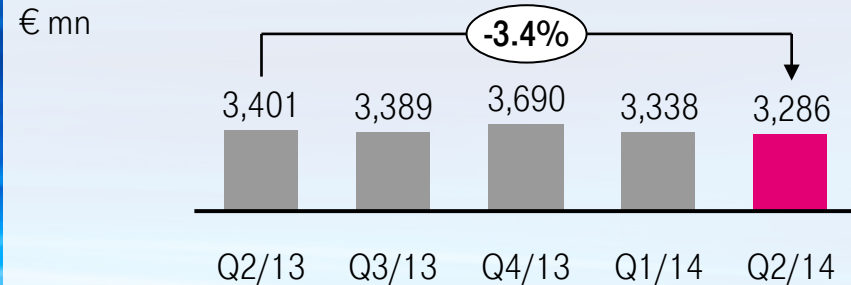
REVENUE



ADJ. EBITDA AND MARGIN (IN %)



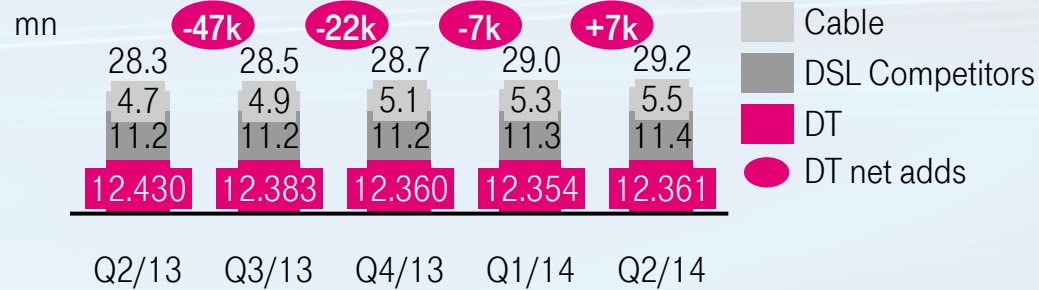
ADJ. OPEX



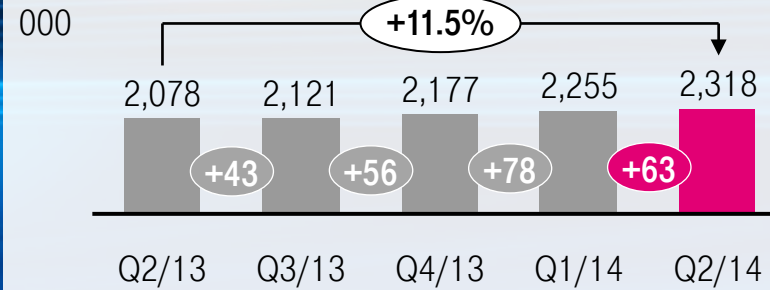
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GERMANY FIXED: SOLID GROWTH IN TV AND FIBER – LINE LOSSES ON TEN YEAR LOW

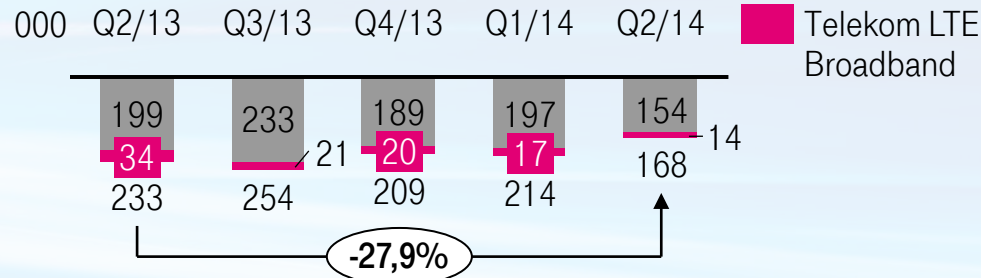
GERMAN BROADBAND MARKET¹



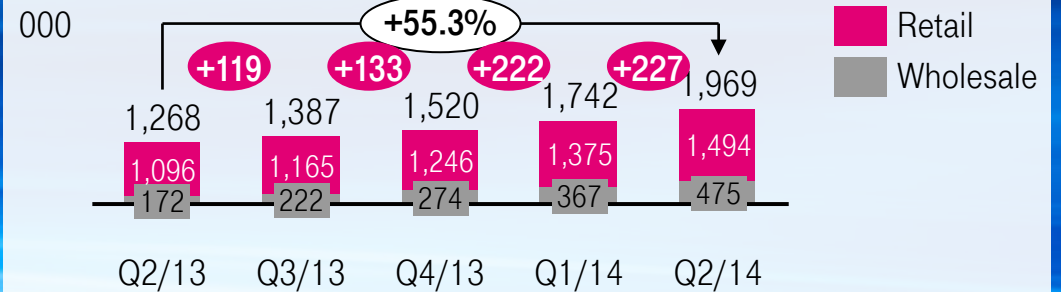
ENTERTAIN CUSTOMERS



LINE LOSSES



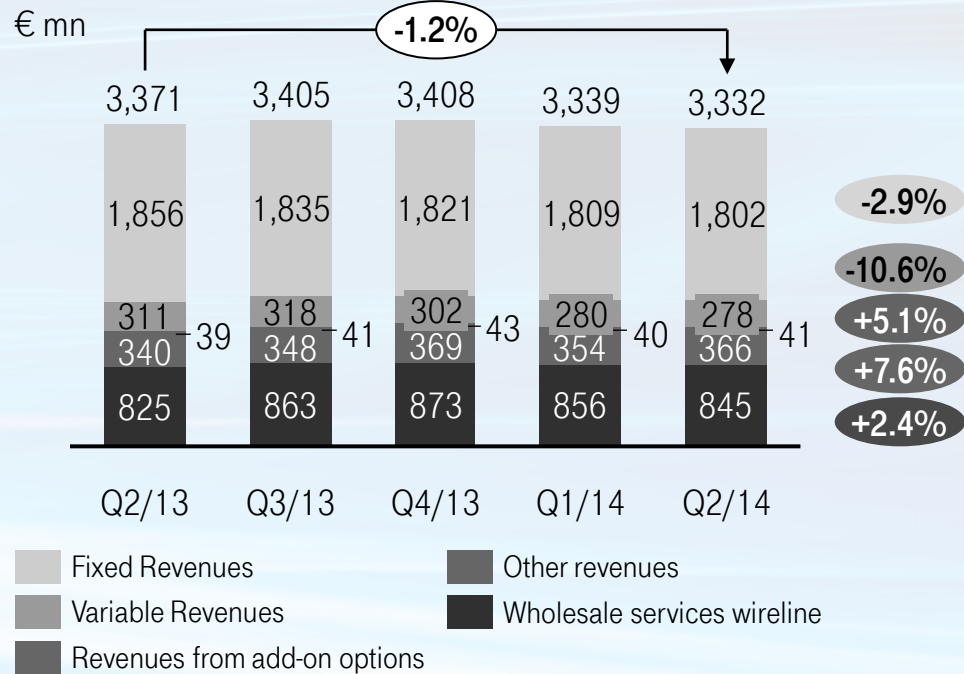
FIBER CUSTOMERS



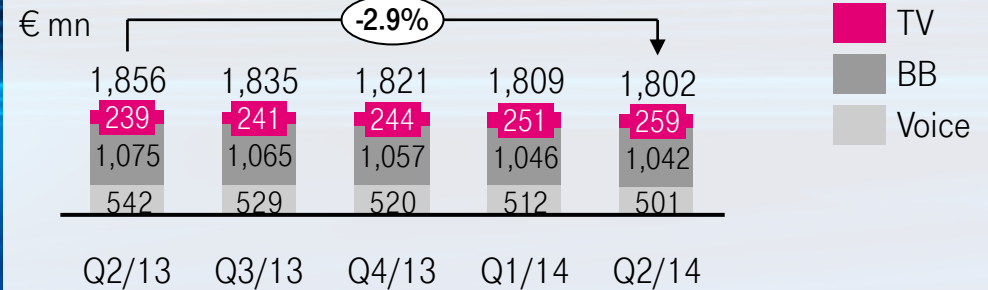
1) Based on management estimates

GERMANY FIXED: SLIGHT IMPROVEMENT IN RETAIL MAINLY DUE TO REDUCED LINE LOSSES

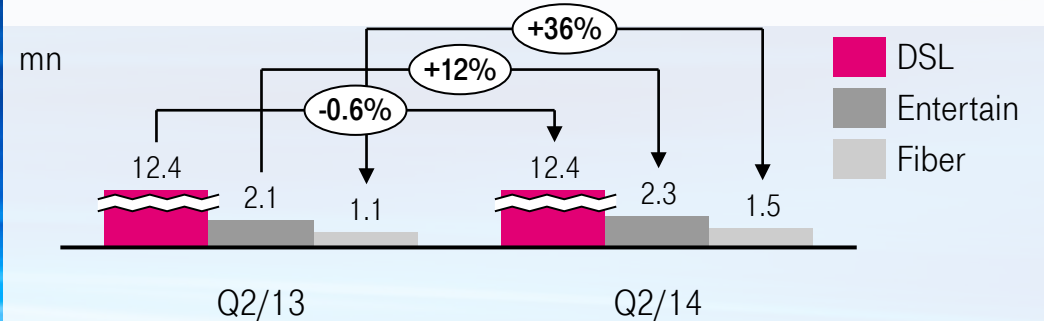
FIXED NETWORK REVENUE (CORE FIXED AND WHOLESALE)



FIXED REVENUES (FIXED LINE)



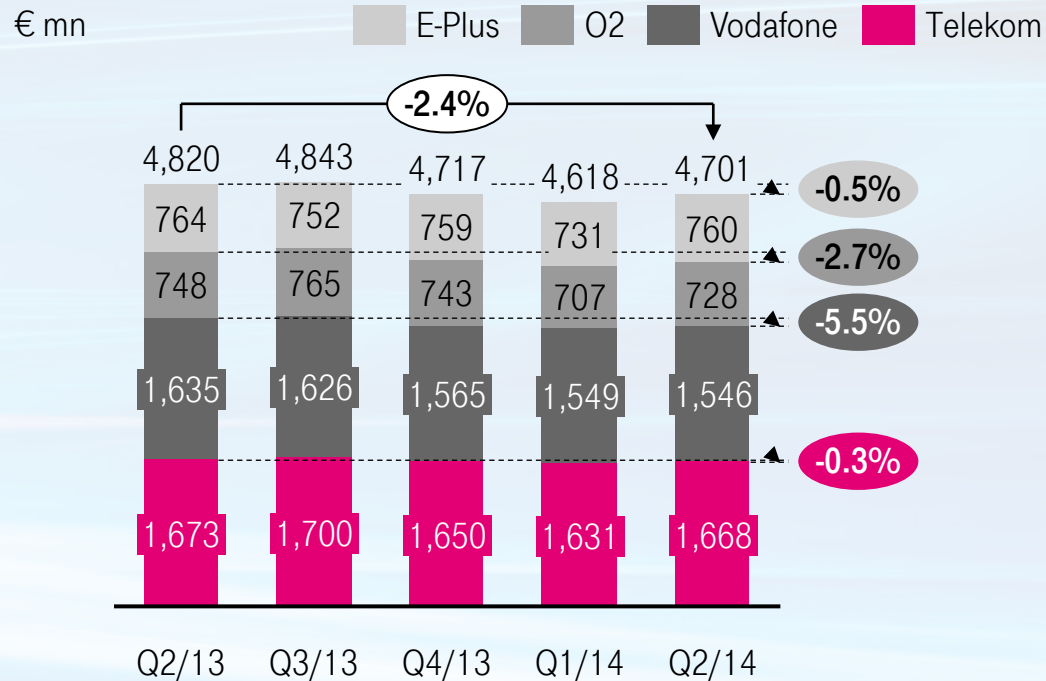
RETAIL UPSELL STRATEGY ACCESS



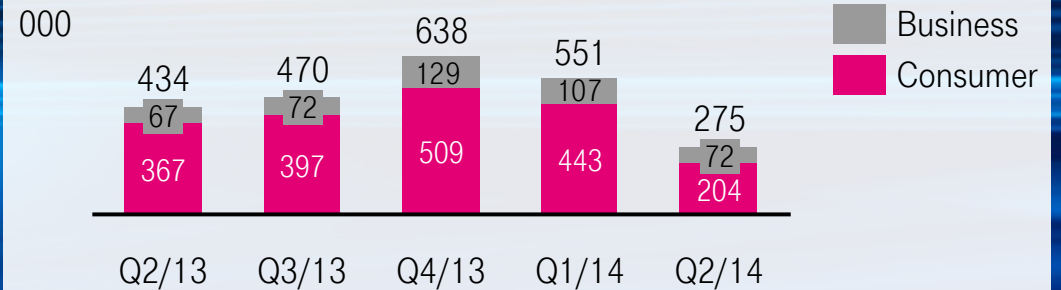
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GERMANY MOBILE: DT CONTINUES TO GROW SERVICE REVENUE MARKET SHARE

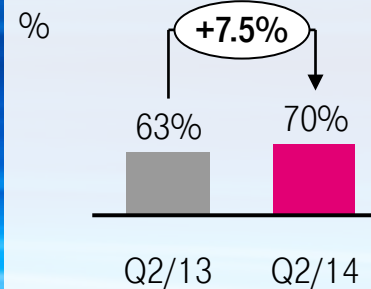
GERMAN MOBILE MARKET SERVICE REVENUE¹



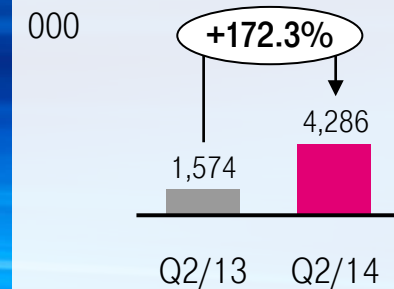
CONTRACT NET ADDS



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

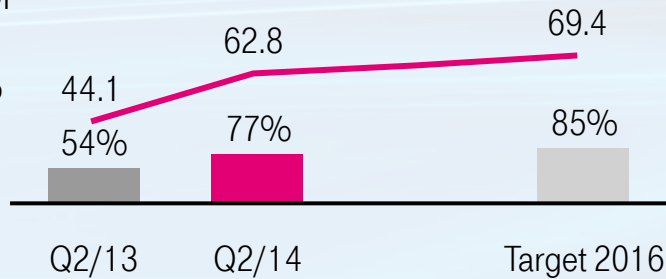


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GERMANY: INTEGRATED NETWORK ROLLOUT AND ALL-IP MIGRATION FULLY ON TRACK

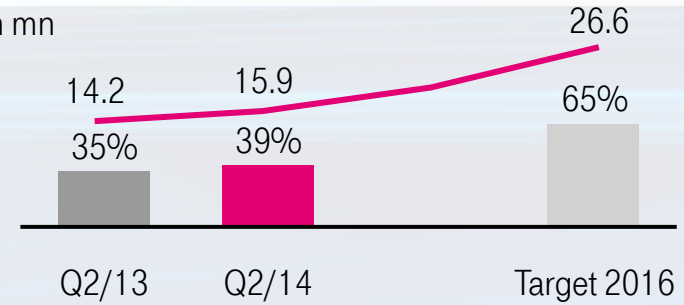
INS- STATUS LTE ROLLOUT

Outdoor¹ POP Coverage in mn and %



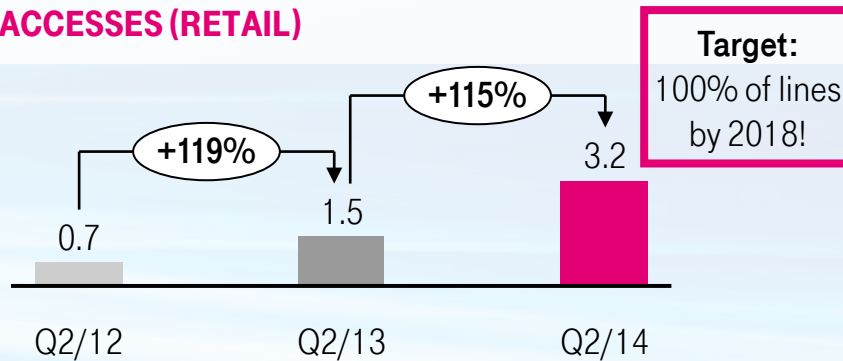
INS- STATUS FIBER ROLLOUT²

Coverage in mn households and %

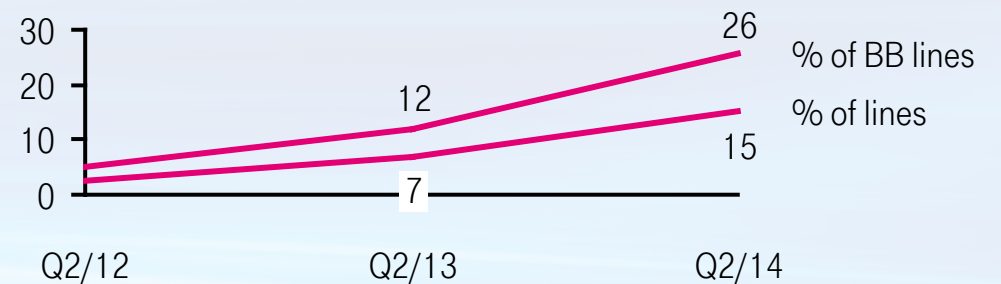


STATUS IP ACCESSES (RETAIL)

mn



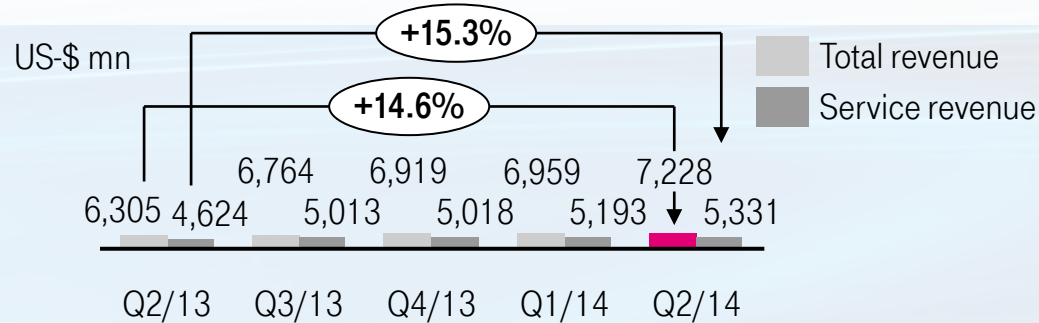
STATUS IP ACCESSES (RETAIL)



1) near window 2) in % of households within fixed network coverage in Germany

TMUS: EBITDA AND MARGIN RECOVERY AS PROMISED – ONGOING STRONG CUSTOMER GROWTH

REVENUE AND SERVICE REVENUE

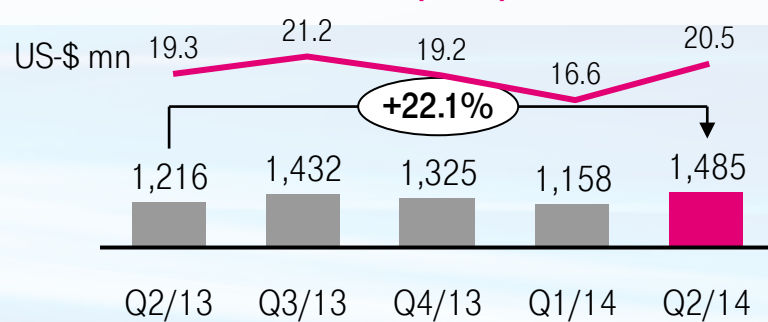


NET ADDITIONS

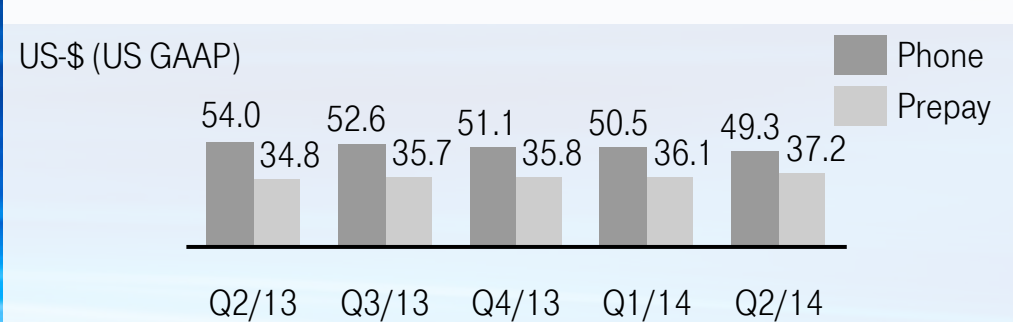
in 000

Total net adds	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14
Total net adds	1,130	1,023	1,645	2,391	1,470
Branded:	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14
▪ Postpaid	688	648	869	1,323	908
▪ Prepay	-10	24	112	465	102
Wholesale ¹	452	351	664	603	460

ADJ. EBITDA AND MARGIN (IN %)



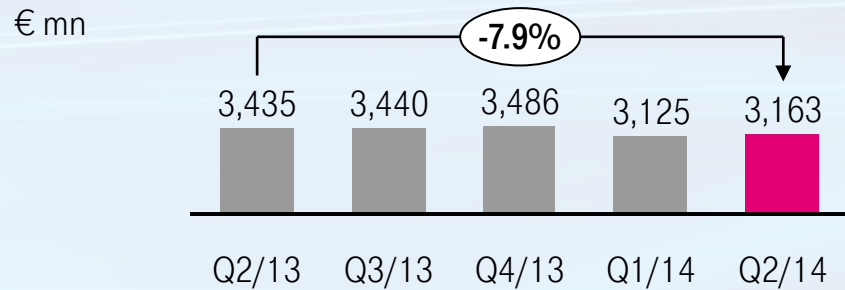
BRANDED CUSTOMERS: POSTPAID PHONE AND PREPAY ARPU



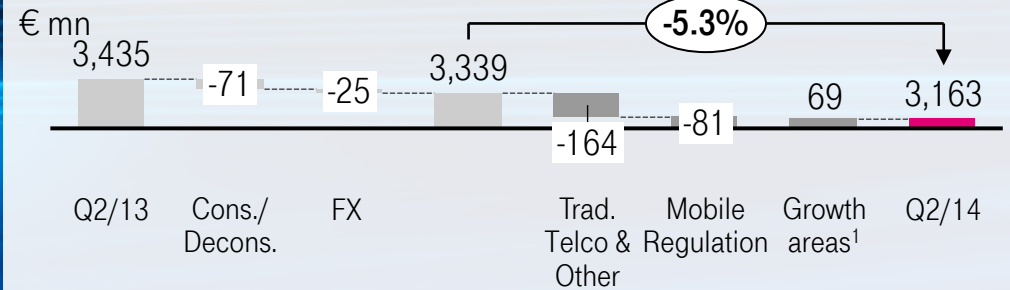
1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

EUROPE: ADJ. EBITDA MARGIN DRIVEN BY COST SAVINGS

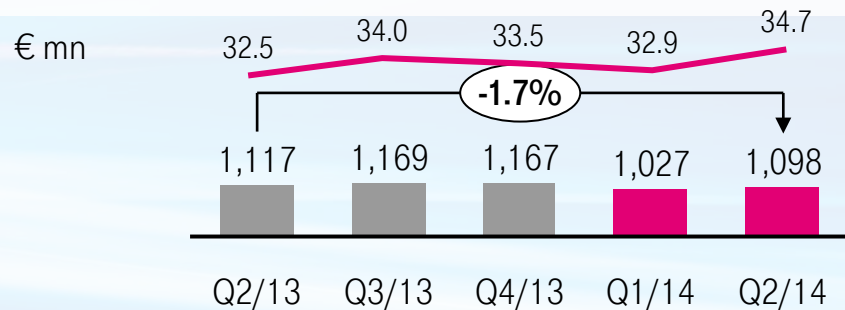
REVENUE AS REPORTED



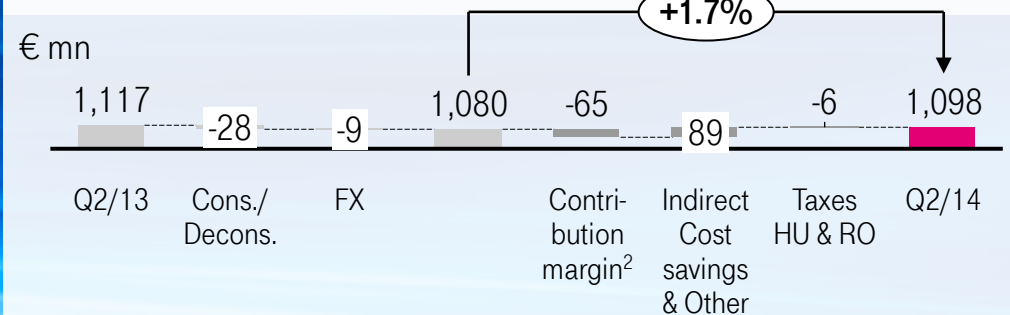
ORGANIC REVENUE DEVELOPMENT



ADJ. EBITDA AND MARGIN (IN %) AS REPORTED



ORGANIC ADJ. EBITDA DEVELOPMENT



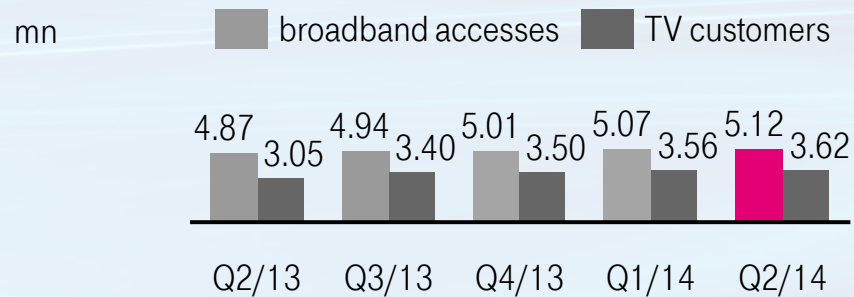
1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other) 2) Total Revenues - Direct Cost



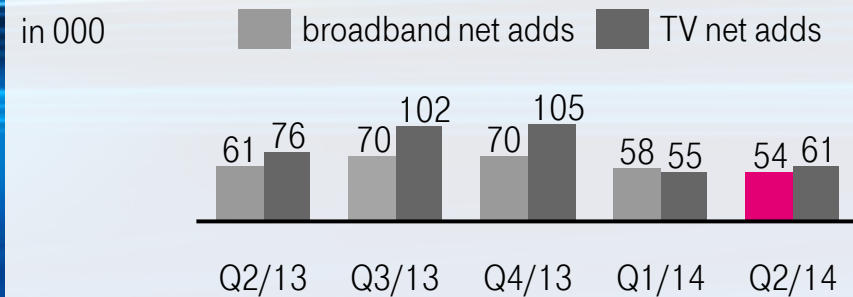
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EUROPE: GROWTH IN MOBILE AND FIXED KEY AREAS

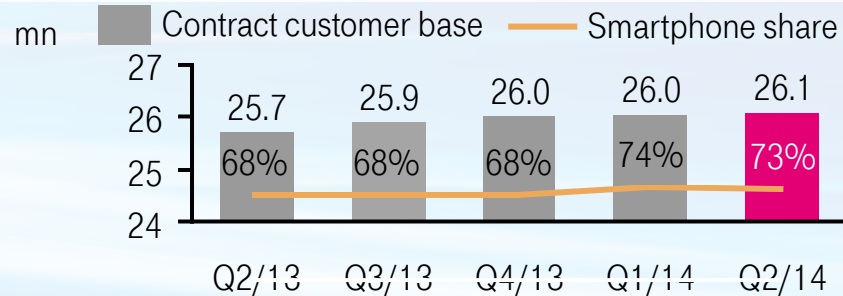
POCKETS OF GROWTH - BROADBAND AND TV¹



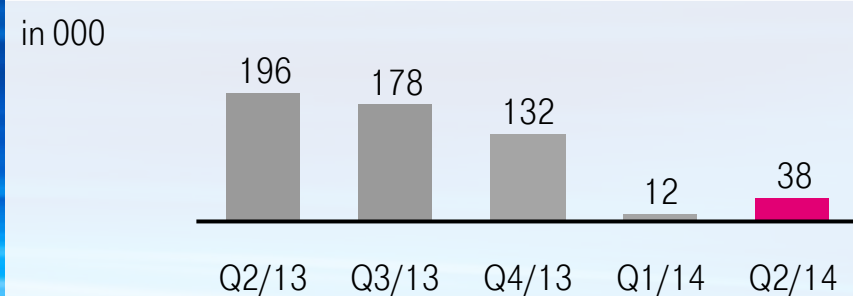
NET ADDS - BROADBAND AND TV¹



POCKETS OF GROWTH - MOB. CONTRACT AND SMARTPHONES¹



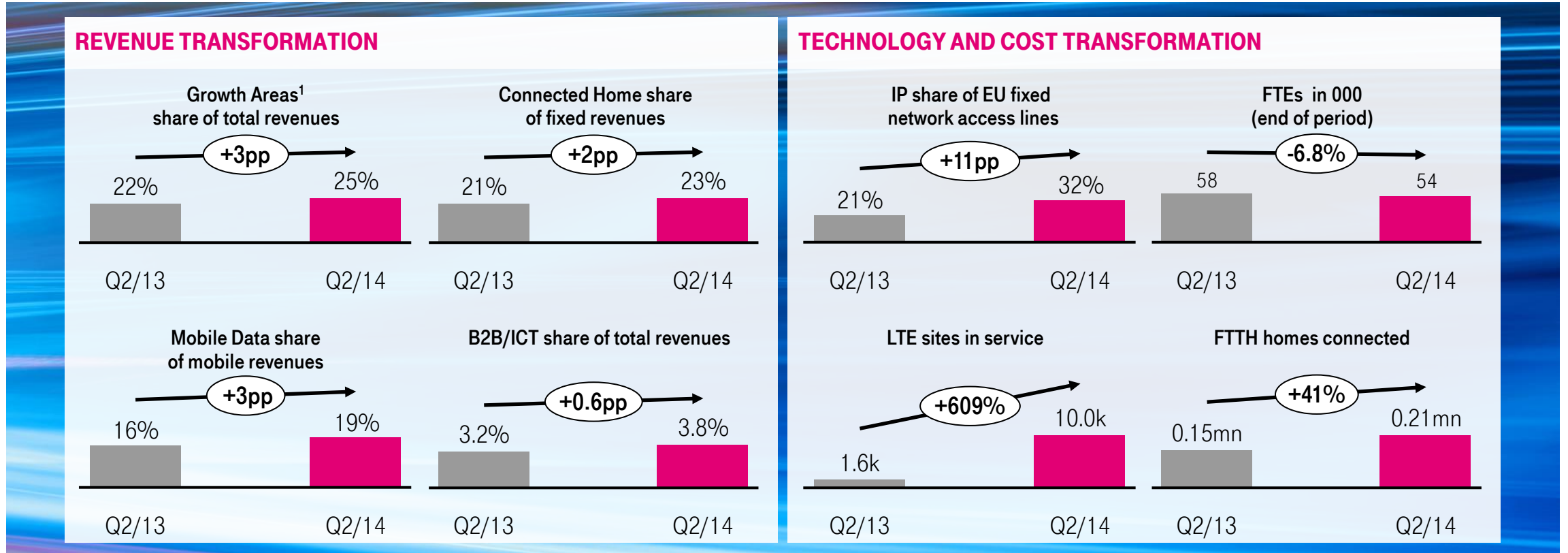
NET ADDS - MOBILE CONTRACT¹



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.



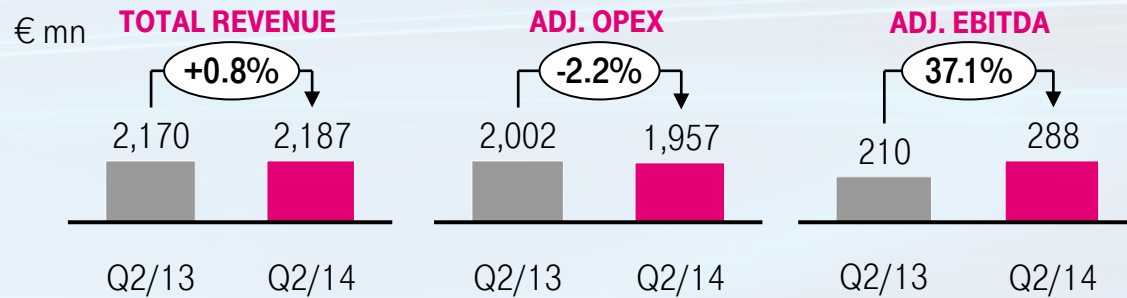
EUROPE: REVENUE AND COST TRANSFORMATION ONGOING



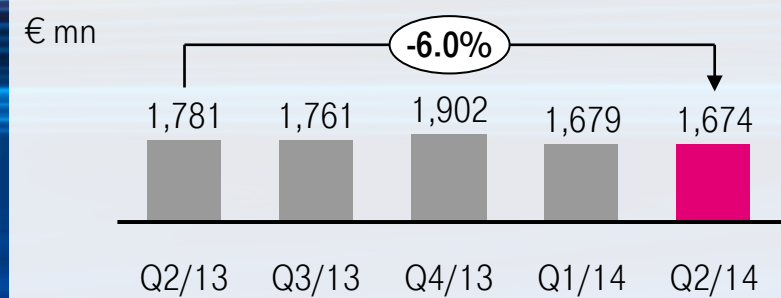
1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other)

SYSTEMS SOLUTIONS: REVENUE AND EBITDA IN Q2 DRIVEN BY TEL-IT

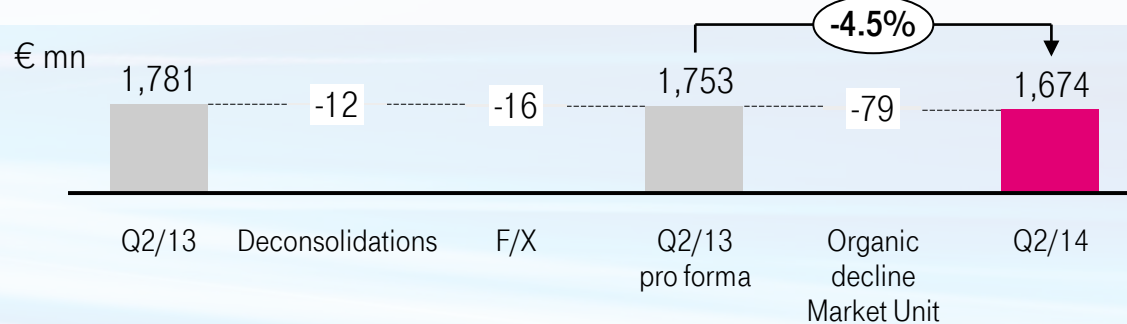
T-SYSTEMS FINANCIALS AS REPORTED



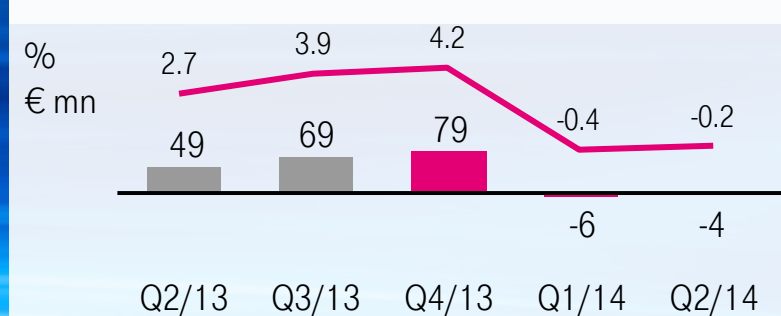
REVENUE MARKET UNIT



ORGANIC REVENUE MARKET UNIT

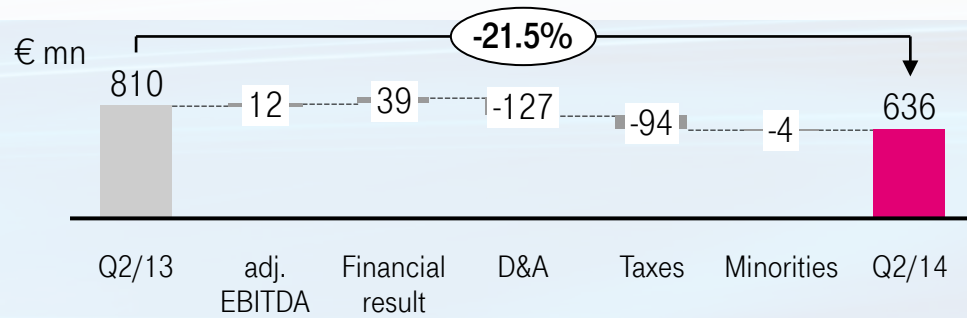


ADJ. EBIT AND MARGIN MARKET UNIT

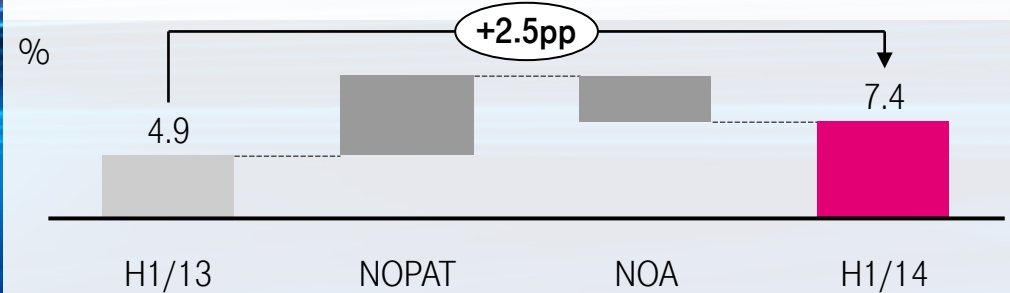


FINANCIALS: FCF ON TRACK FOR GUIDANCE - NET DEBT REACHES PEAK FOR 2014 REDUCTION EXPECTED IN NEXT QUARTERS

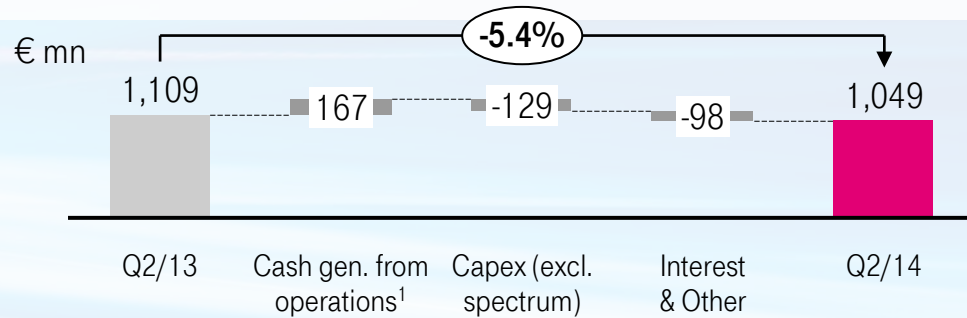
ADJ. NET INCOME



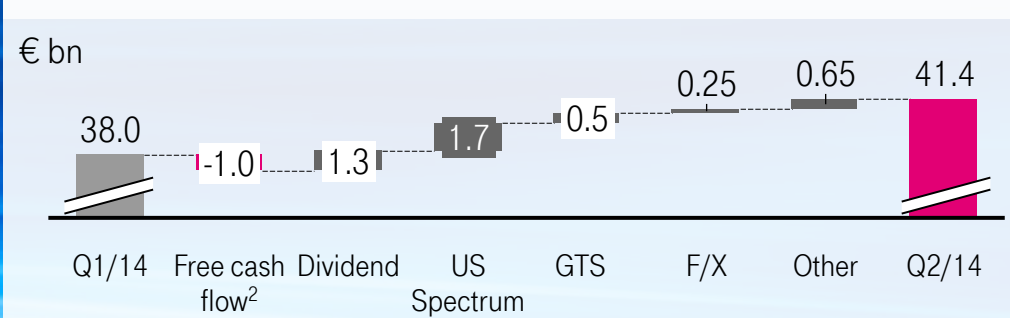
ROCE DEVELOPMENT³



FREE CASH FLOW²



NET DEBT DEVELOPMENT



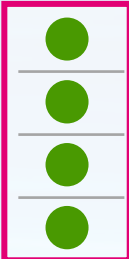
1) adjusted for € 93 million AT&T break-up fee and MetroPCS effects in Q2/13

2) Free cash flow before dividend payments, spectrum investment

3) includes book gain on sale of Scout24



FINANCIALS: BALANCE SHEET RATIOS REMAIN IN GUARDRAILS

€ bn	30/06/2013	30/09/2013	31/12/2013	31/03/2014	30/06/2014						
Balance sheet total	116.2	115.3	118.1	117.3	118.0						
Shareholders' equity	31.3	32.0	32.1	32.8	32.5						
Net debt	41.4	39.7	39.1	38.0	41.4						
Net debt/Adj. EBITDA ¹	2.4	2.3	2.2	2.2	2.4						
Equity ratio	26.9%	27.8%	27.1%	27.9%	27.5%						
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.

FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

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