

DEUTSCHE TELEKOM

Q2/13 RESULTS



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REVIEW Q2 2013

Q2 2013 KEY ACHIEVEMENTS: TM US RETURNS TO GROWTH – GERMANY WITH ROCK SOLID RESULTS

GROUP

- Growth in key areas: 1,382k mobile contract net adds, 121k TV net adds, 44k broadband net adds.
- Revenue grows 5.4% to 15.2 billion € driven by first time consolidation of MetroPCS. Organic revenue growth¹⁾ of 2.1%.
- Adj. EBITDA of €4.4 billion (-6.0%) reflects high market invest in the US.

GERMANY

- Growth in key areas: 434k mobile contract net adds, 42k TV net adds and 126k fiber net adds (incl. wholesale).
- Improved revenue trend (-0.8%) in Q2/13; adj. EBITDA-margin at 40.6%.
- Return to underlying mobile service revenue growth (+1.0%) against market trend.

US

- Growth in key areas: +1,130k mobile customers, branded postpaid customers +688k, branded postpaid churn at record low level of 1.6%.
- Revenue in US-\$ +28.8% to 6.3 billion US\$ driven by MetroPCS consolidation and strong handset sales. Organic revenue growth¹⁾ of 12.5%.
- Strong customer intake weighs on adj. EBITDA (in US-\$ -10.3%). Margin of 19.3% .

EUROPE

- Growth in key areas: 258k mobile contract customers, 79k TV customers, 58k broadband customer net adds.
- Revenue with improved trend in Q2 (-4.5%) compared to Q1 (-6.9%).
- Adj. EBITDA trends also sequentially improved: -7.4% in Q2 after -8.6% Q1. Margin decreased slightly to 32.4%. Economic and regulatory situation remains difficult.

SYSTEMS SOLUTIONS

- Order entry growing +3% to €2.0 billion.
- Revenue of Market Unit slightly down (-2.3%) due to sale of business units and currency fluctuation, total revenue (-8.6%) impacted by lower internal revenues of Telekom IT.
- Improvement in adj. EBITDA +23.5% to €221 million – margin improved to 9.7%.

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



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Q2 2013: KEY FIGURES

€ bn	Q2			H1		
	2012	2013	Change	2012	2013	Change
Revenue	14,379	15,157	5.4%	28,811	28,942	0.5%
Adj. EBITDA	4,701	4,417	-6.0%	9,183	8,705	-5.2%
Adj. net profit	822	810	-1.5%	1,408	1,577	12.0%
Net profit	482	530	10.0%	1,027	1,094	6.5%
Adj. EPS (in €)	0.19	0.19	0.0%	0.33	0.37	12.1%
EPS (in €)	0.11	0.12	9.1%	0.24	0.25	4.2%
Free cash flow ¹	1,668	1,109	-33.5%	2,790	2,147	-23.0%
Cash capex ²	1,625	2,068	27.3%	3,754	4,155	10.7%
Net debt	41.0	41.4	0.8%	41.0	41.4	0.8%

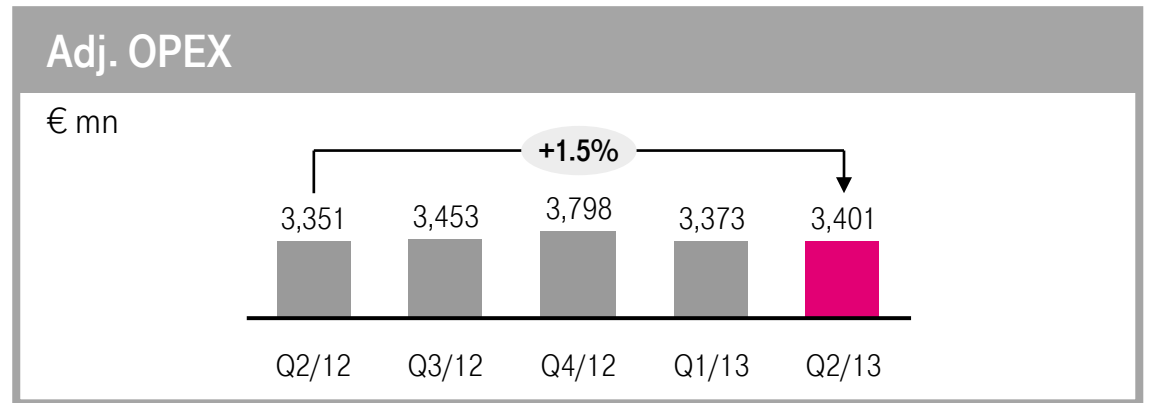
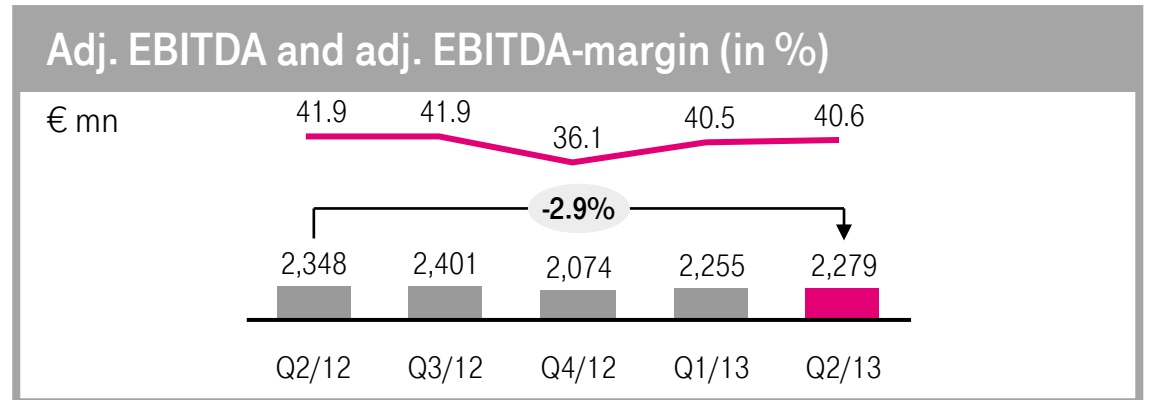
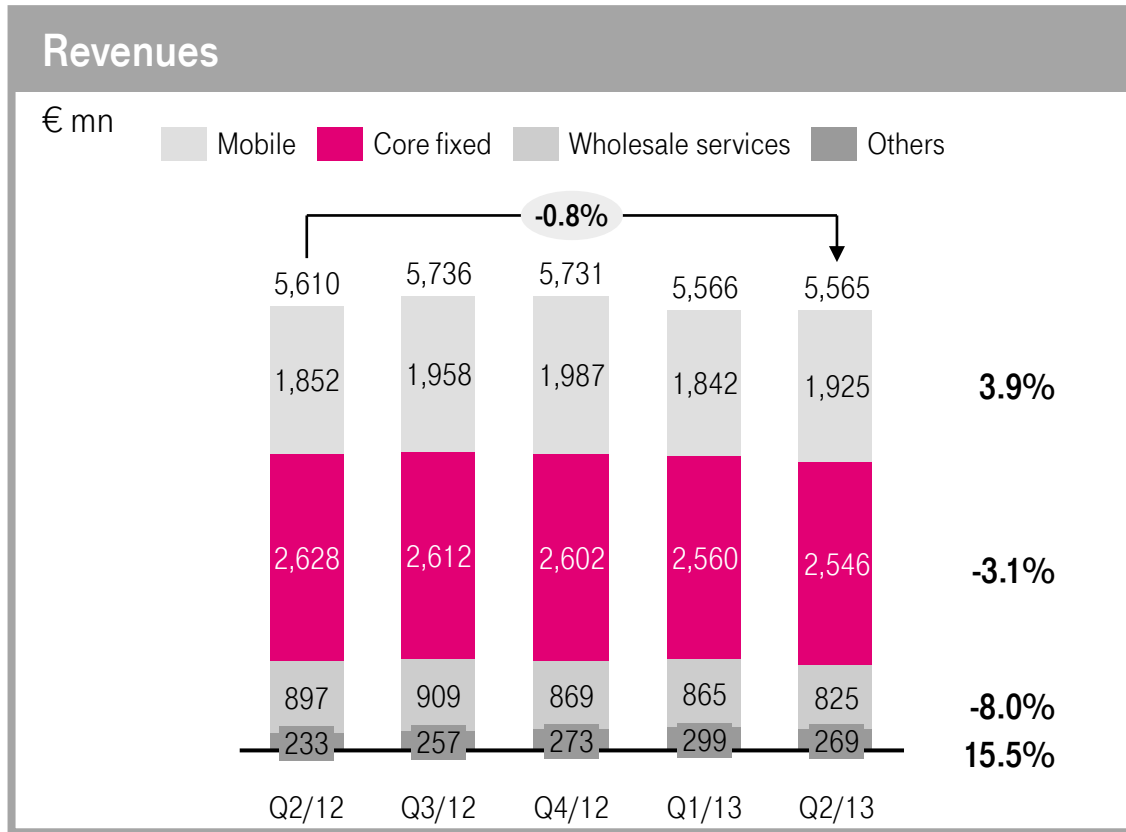
1) Free cash flow before dividend payments, spectrum investment, effects of AT&T transaction and compensation payments for MetroPCS employees

2) Before spectrum payments. Q2/13 € 130 million . € 1 million in Q2/12. H2/13 € 1,067 million, H1/12 € 41 million.



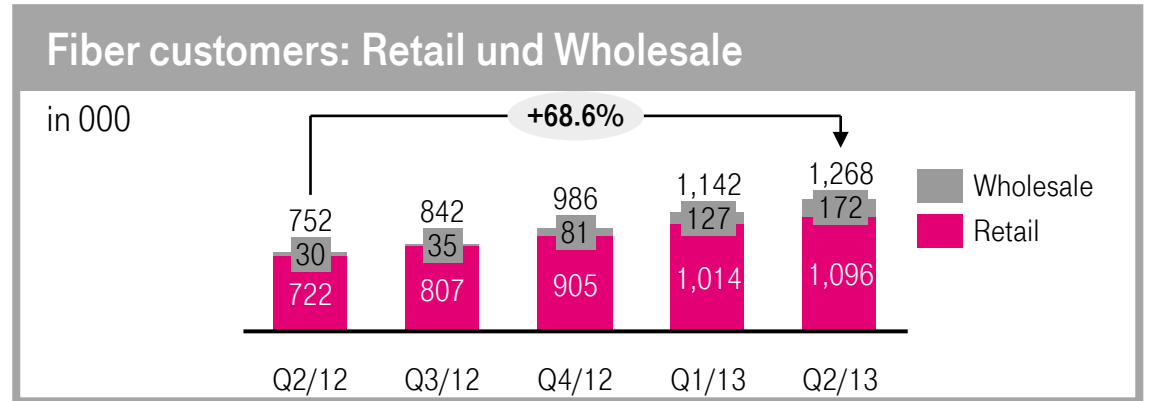
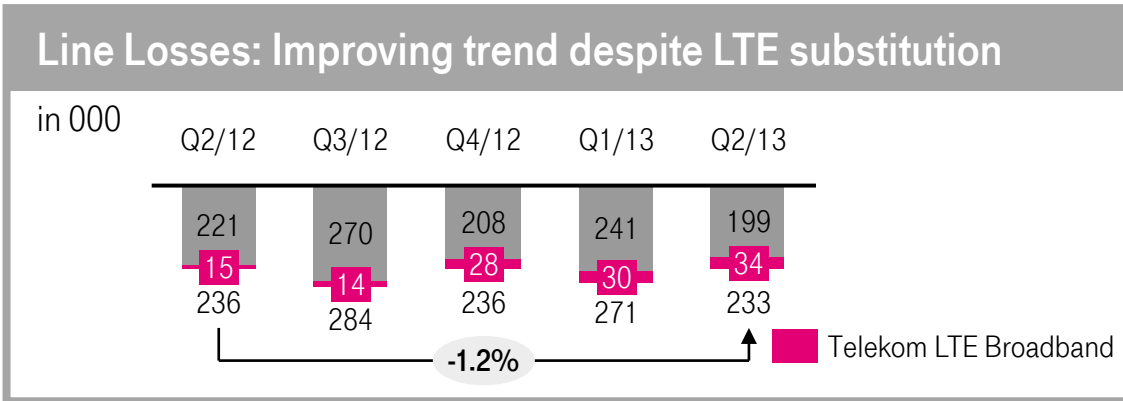
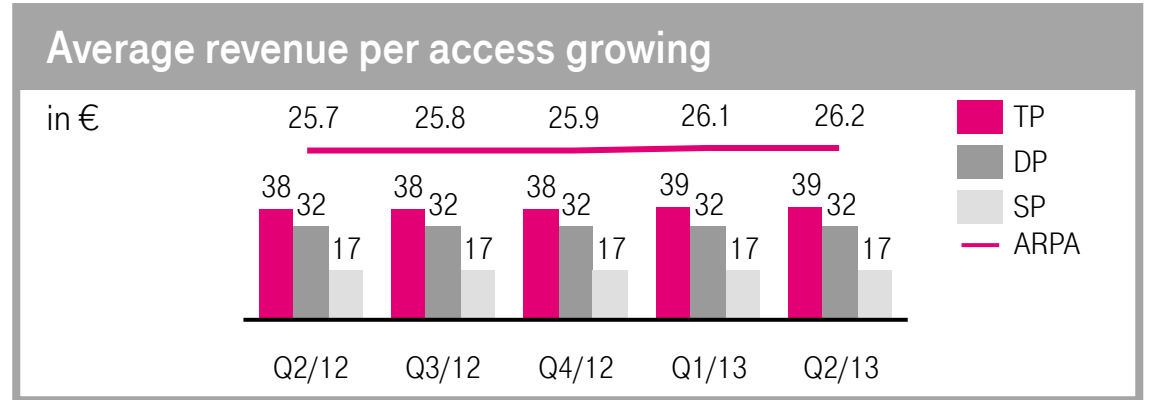
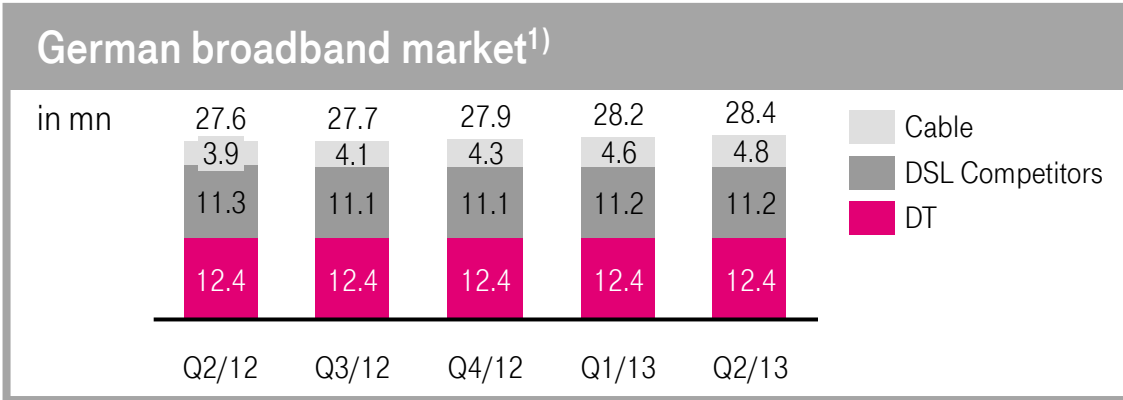
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GERMANY: REVENUE TRENDS IMPROVED – ADJ. EBITDA MARGIN AT 40.6%



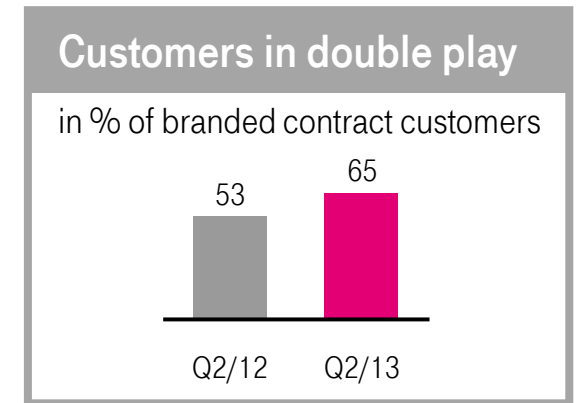
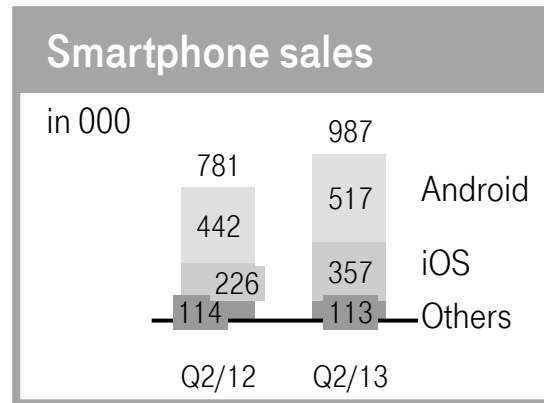
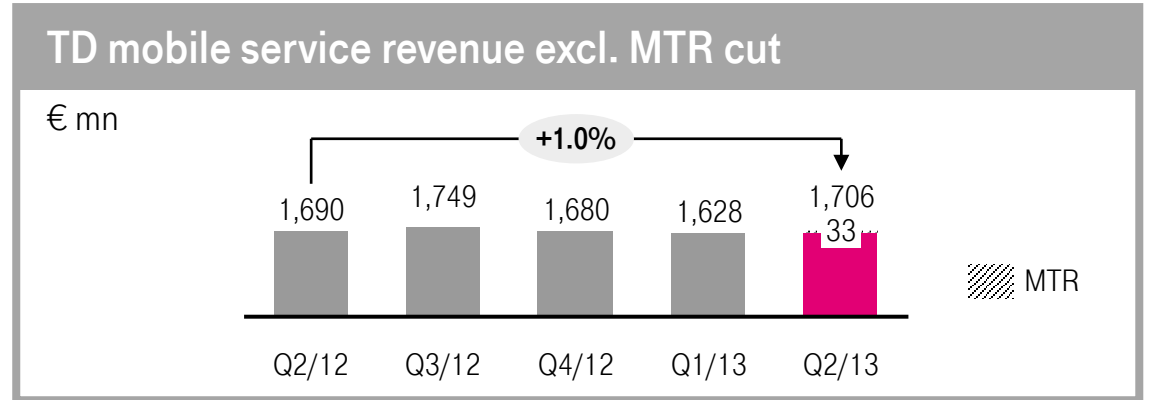
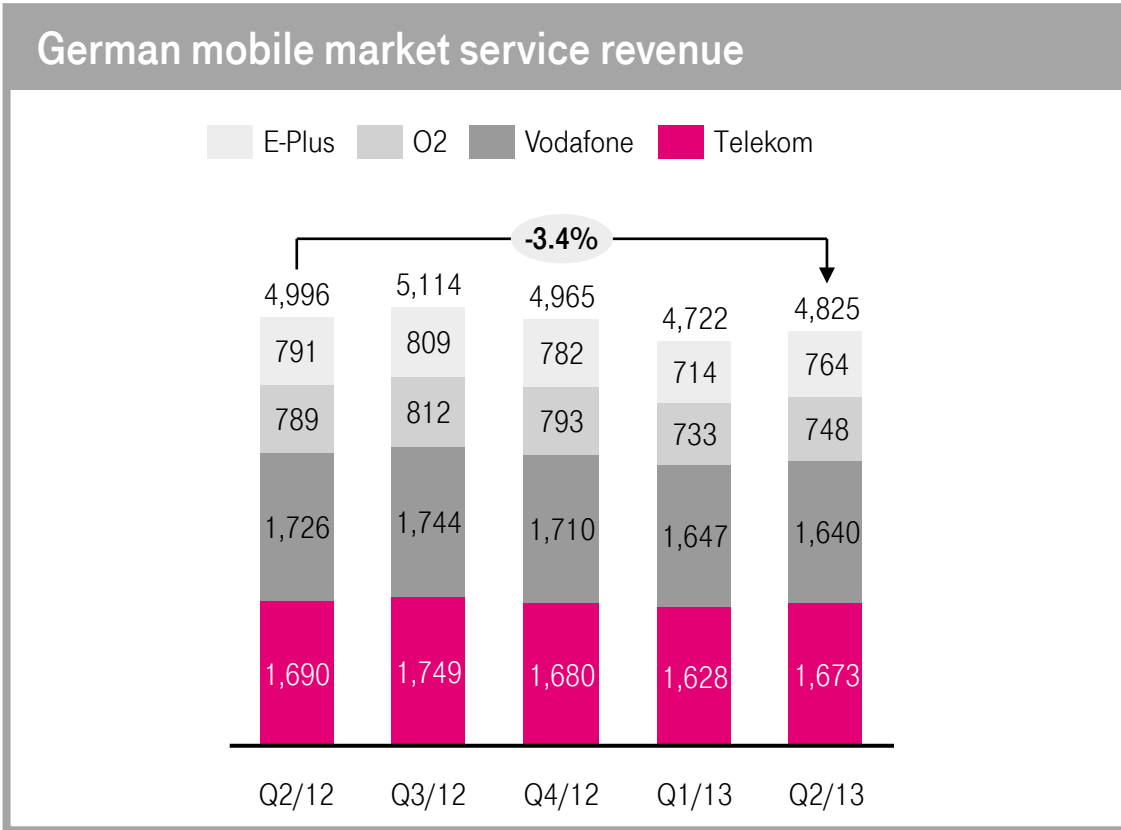
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GERMANY: FIXED – STRONG FIBER UPTAKE - LINE LOSSES REDUCED



1) Based on management estimates

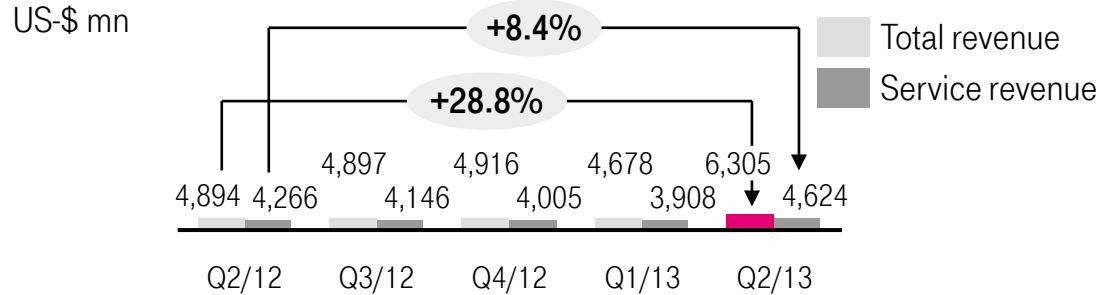
GERMANY: RETURN TO UNDERLYING MOBILE SERVICE REVENUE GROWTH OUTPERFORMING COMPETITION IN Q2/13



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TMUS: SIGNIFICANT IMPROVEMENT IN CUSTOMER METRICS AND POSTPAID CHURN

Revenue and service revenue

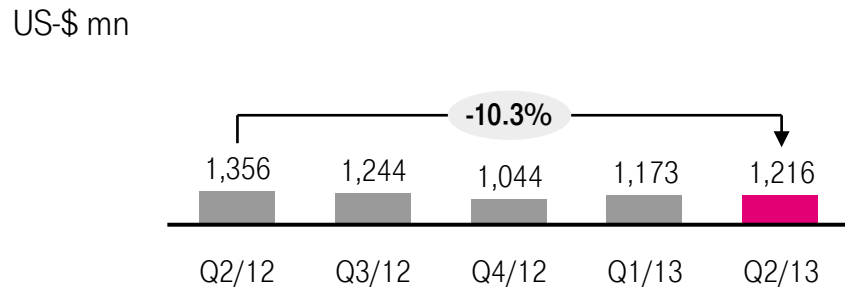


Net additions

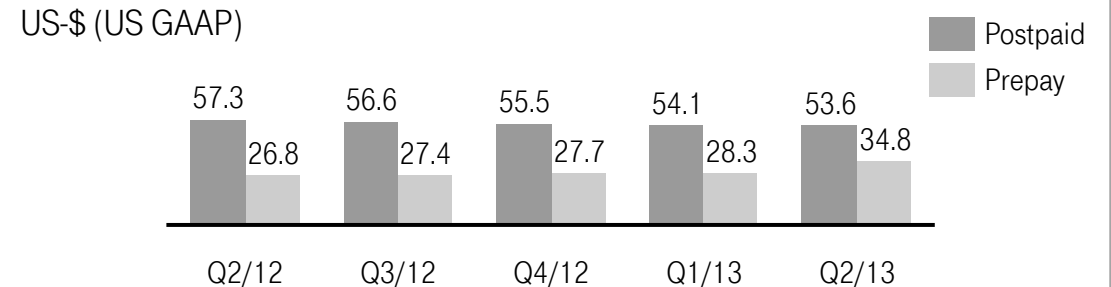
in 000

	Q2/12	Q3/12	Q4/12	Q1/13	Q2/13
Total net adds	-205	160	61	579	1,130
Branded:					
Postpaid	-557	-492	-515	-199	688
Prepay	227	365	166	202	-10
Wholesale ¹	125	287	410	576	452

Adj. EBITDA



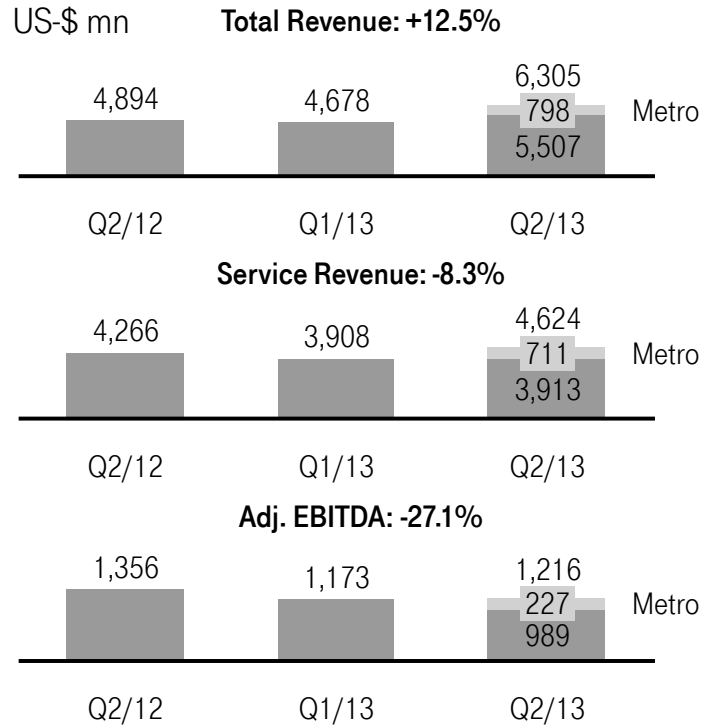
Branded customers: Postpaid and Prepay ARPU



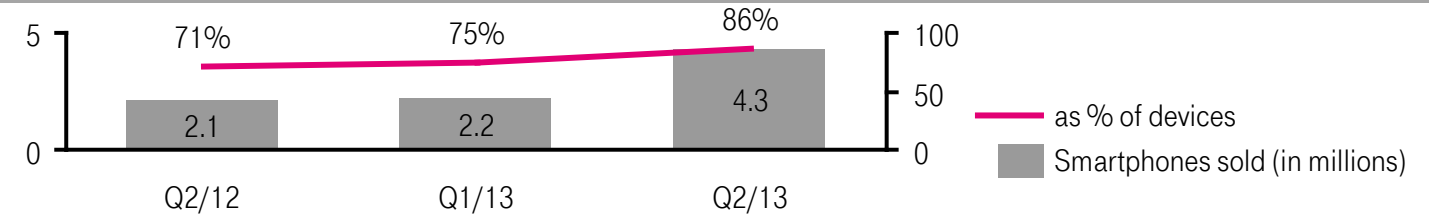
¹) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

TMUS: DRIVERS OF IMPROVED CUSTOMER AND SERVICE REVENUE TRENDS

Underlying key figures



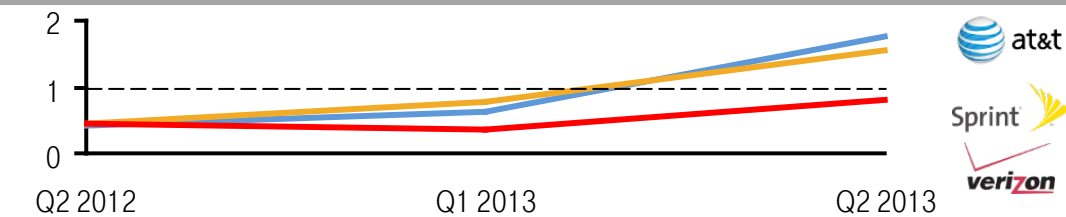
Strong growth in total revenue driven by high smartphone sales



Quality growth

- 688k branded postpaid net adds (685k phone adds)
- Number of prime applications tripled since Q2/12
- 52% of equipment installment plan receivables regarded as prime, up from 43% end of December
- Bad debt expense in Q2/13 decreased 48% versus Q2/12¹⁾

Improvement in porting ratios

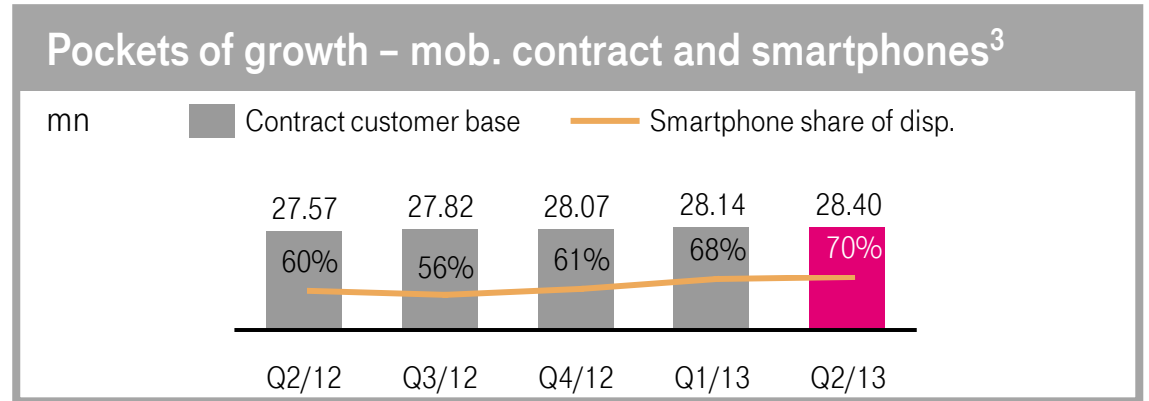
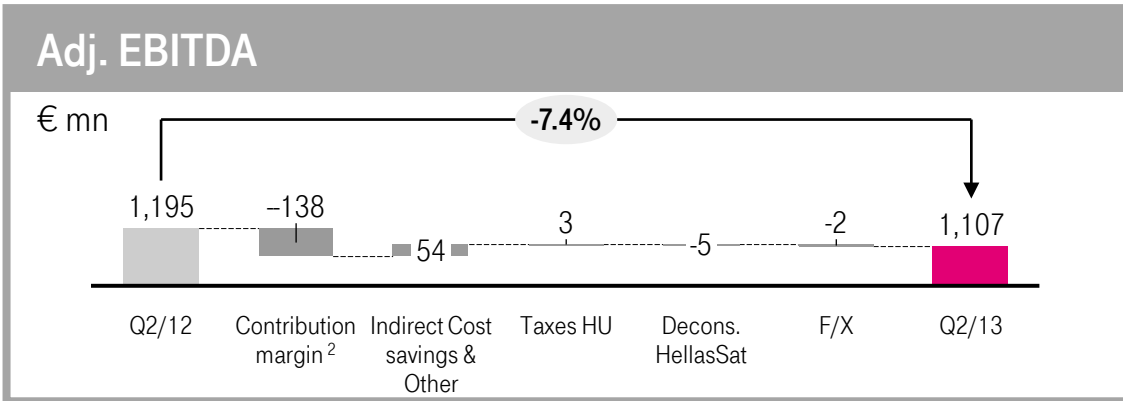
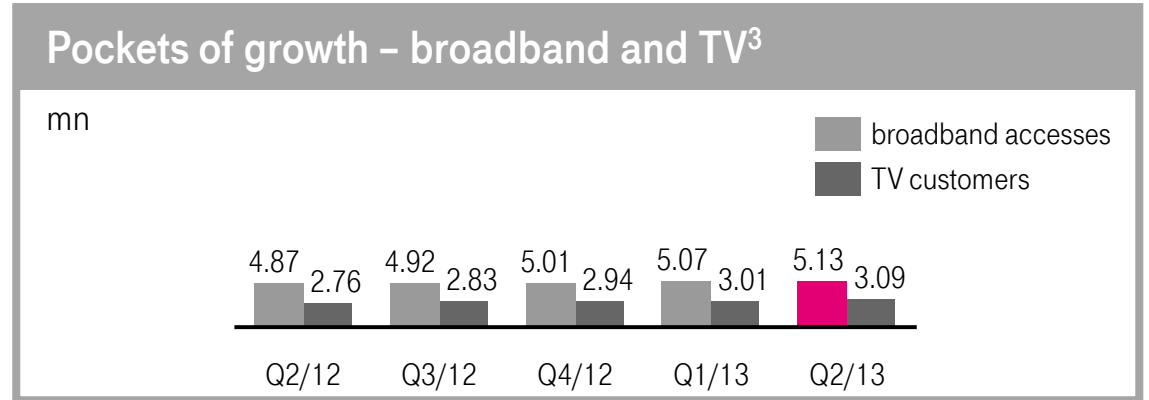
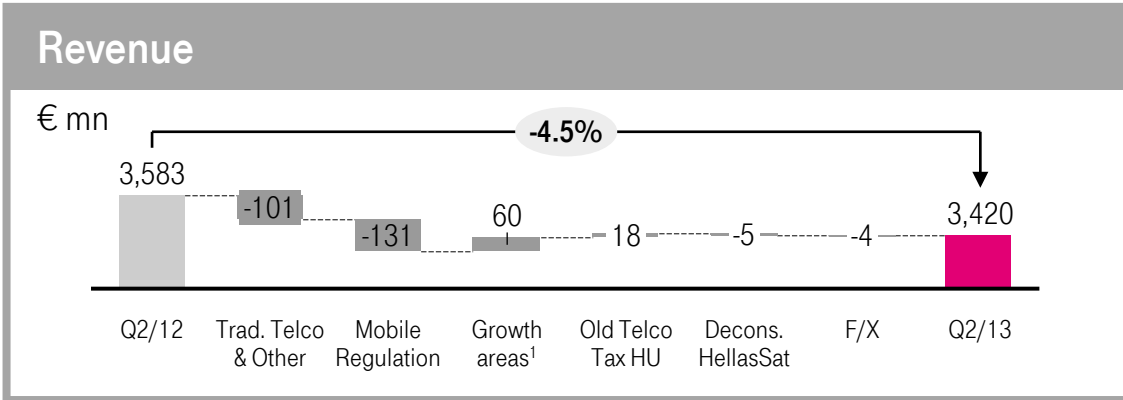


1) Bad debt expense is net of recoveries



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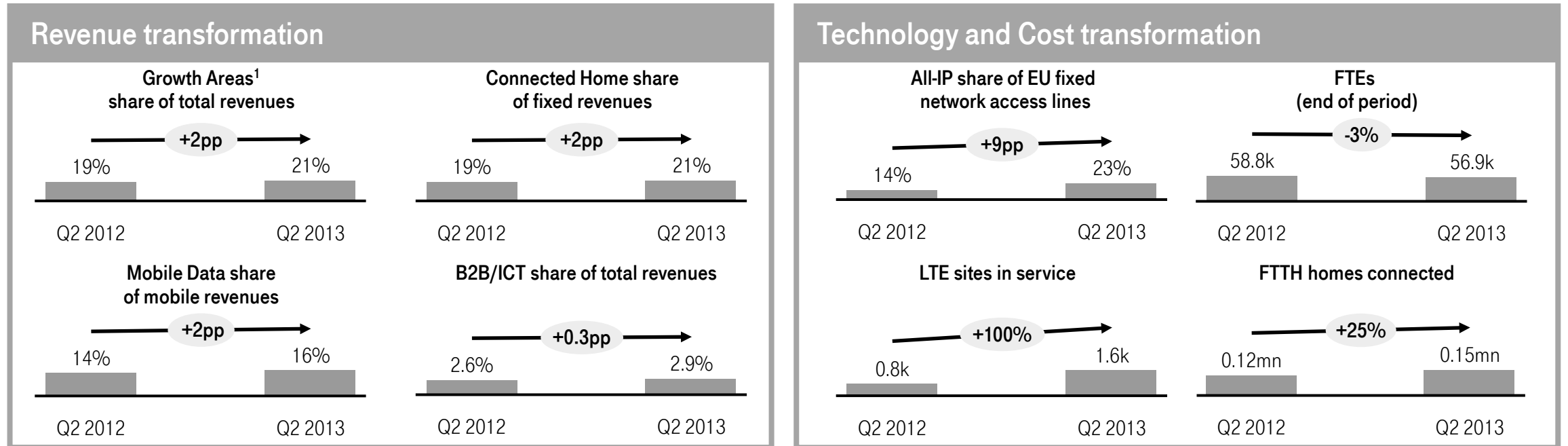
EUROPE: STRONG PERFORMANCE IN GROWTH AREAS – SLIGHTLY IMPROVED FINANCIAL TRENDS



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

3) incl. business customers shifted to T-Systems in Hungary as of 1.1.2011. Smartphone share w/o Slovakia, Bulgaria and Romania

EUROPE: COMMERCIAL AND TECHNOLOGY INITIATIVES DRIVING REVENUE AND COST TRANSFORMATION

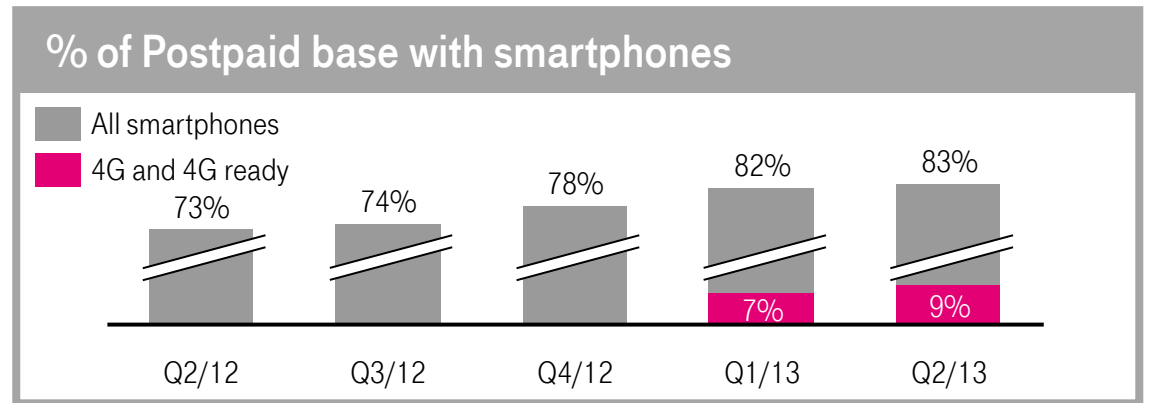
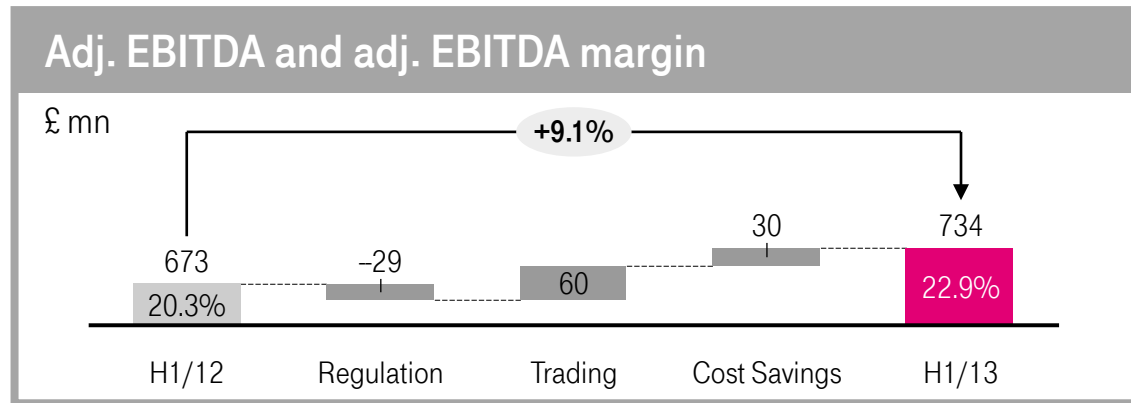
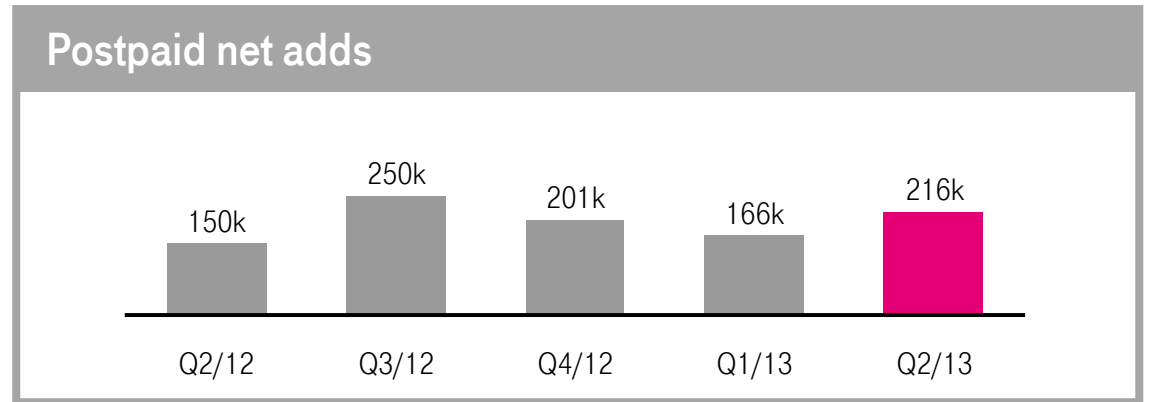
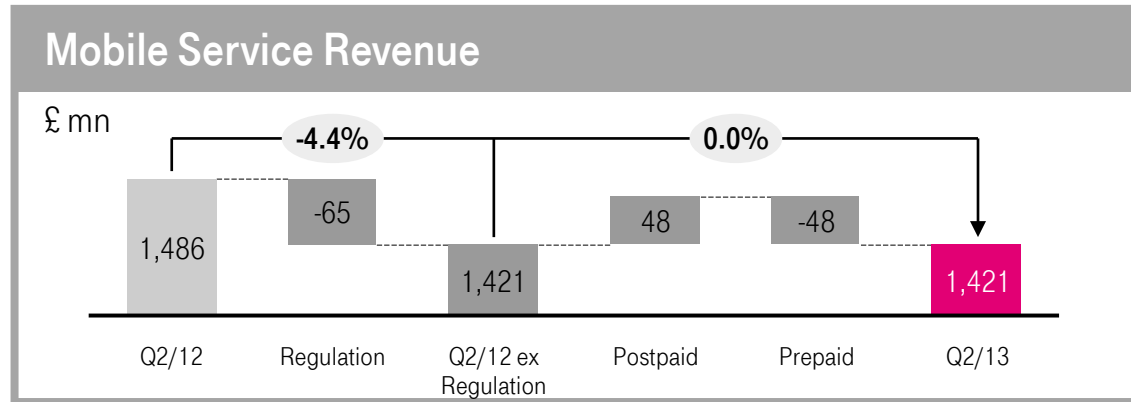


Other Developments:

- EC approves Globul disposal. Slovak Telekom to take over DiGi Slovakia and Croatia Telekom enters into strategic partnership with Optima Telecom (subject to regulatory approval)
- Hungarian government increases usage based TelCo fee for business customers from August '13.

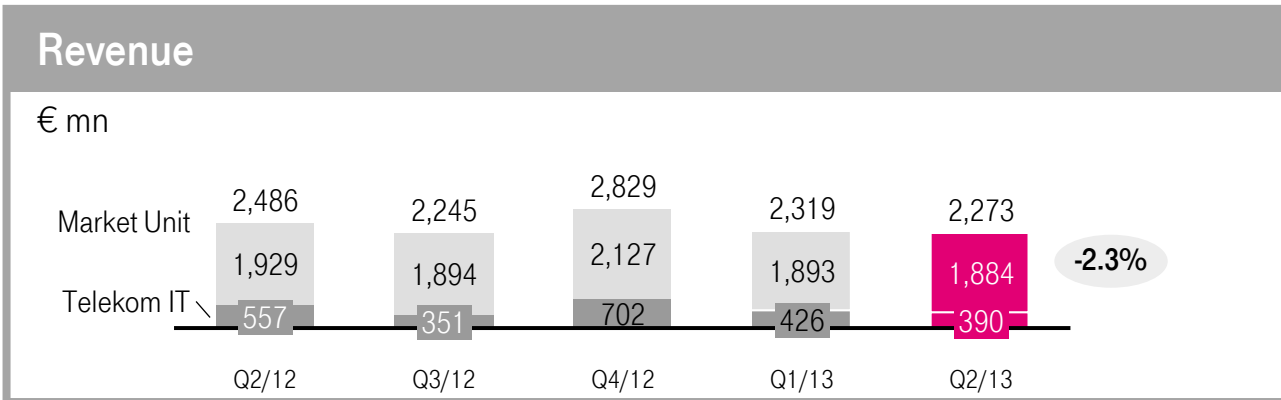
1) Mobile Data, Pay TV & fixed broadband, B2B ICT, adjacent industries (online consumer services, energy and other)

EE: ADJ. EBITDA MARGIN IMPROVEMENT AND STRONG POSTPAID NET ADDS SUPPORTED BY ACCELERATING 4G DEMAND

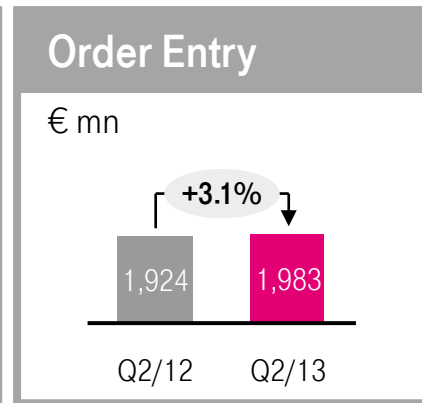
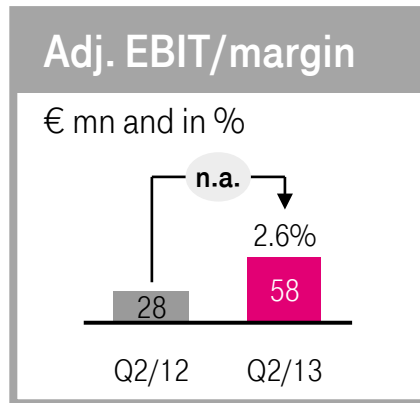
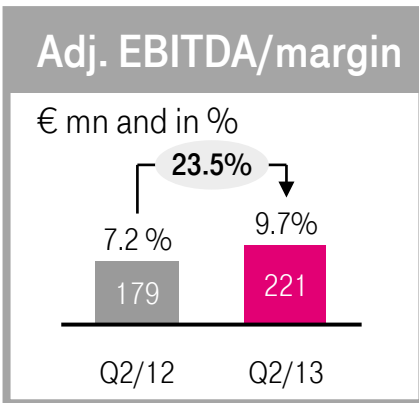


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SYSTEMS SOLUTIONS: ONGOING ADJ. EBIT MARGIN IMPROVEMENT



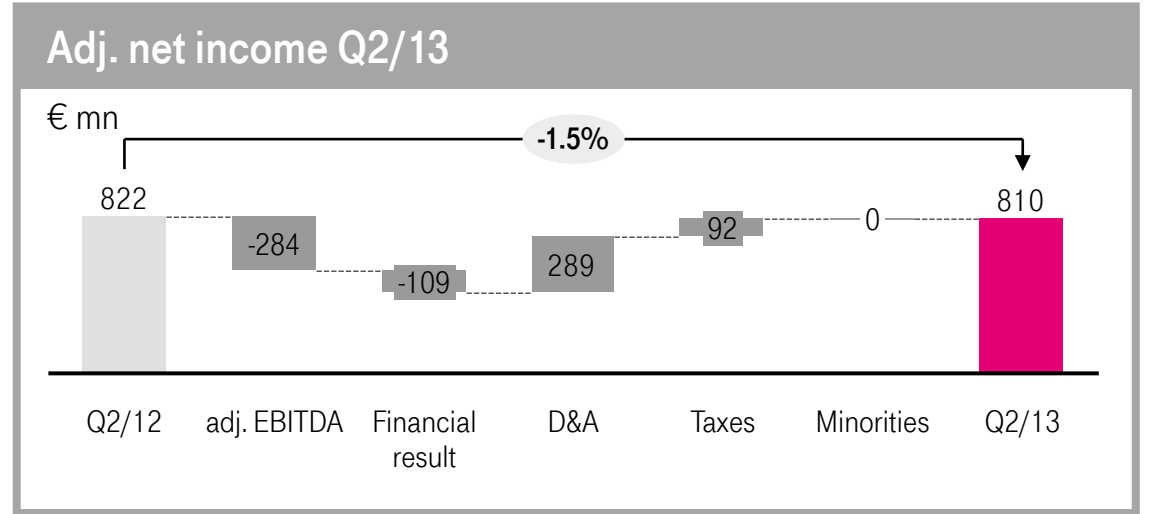
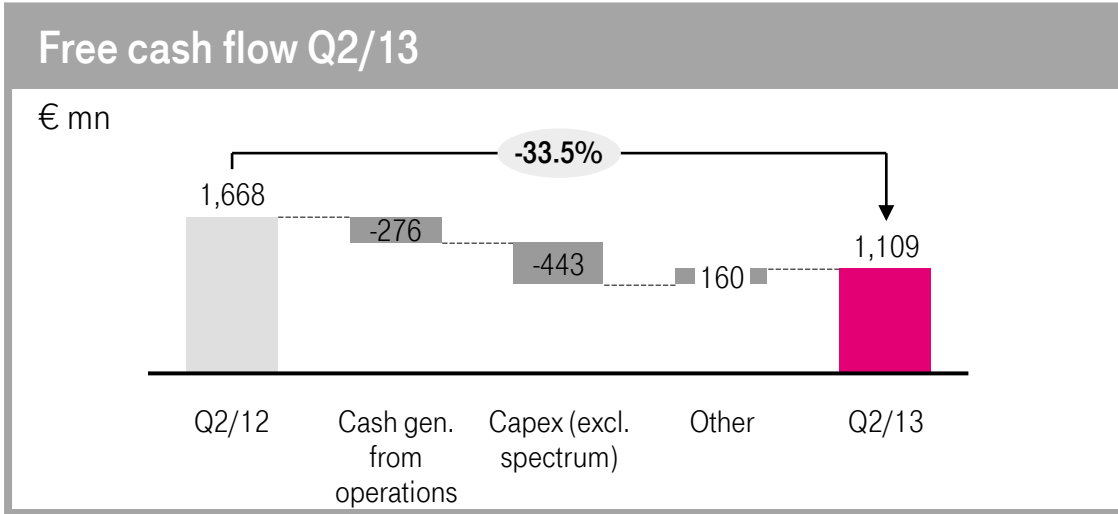
- Another strong quarter in regard to order entry with €1,983 million driven by deals such as
 - SBB, KONE
- Revenue down (-8.6%) driven by lower revenue at Telekom IT (-30.0%) partially due to postponement of an internal IT project
- Reported revenues at Market Unit slightly decreasing (-2.3%) to €1,884 million, but organic (w/o deconsolidation and F/X effects) stable yoy



- Adj. EBITDA improved by 23.5% to €221 million with a margin of 9.7% and adj. EBIT to €58 million due to efficiency improvement
- Adj. EBIT margin at Market Unit went up from 1.4% to 2.9%

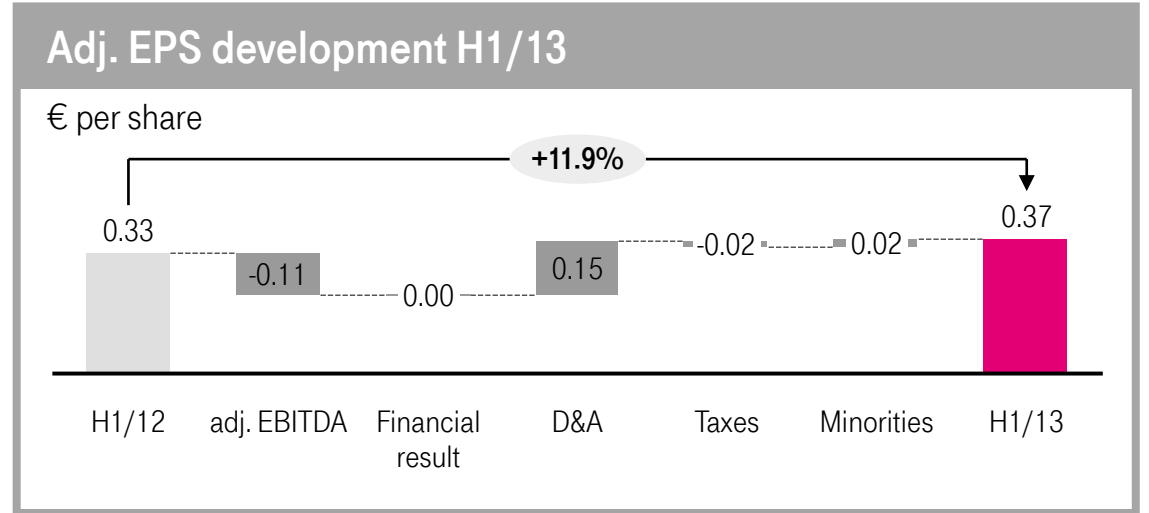
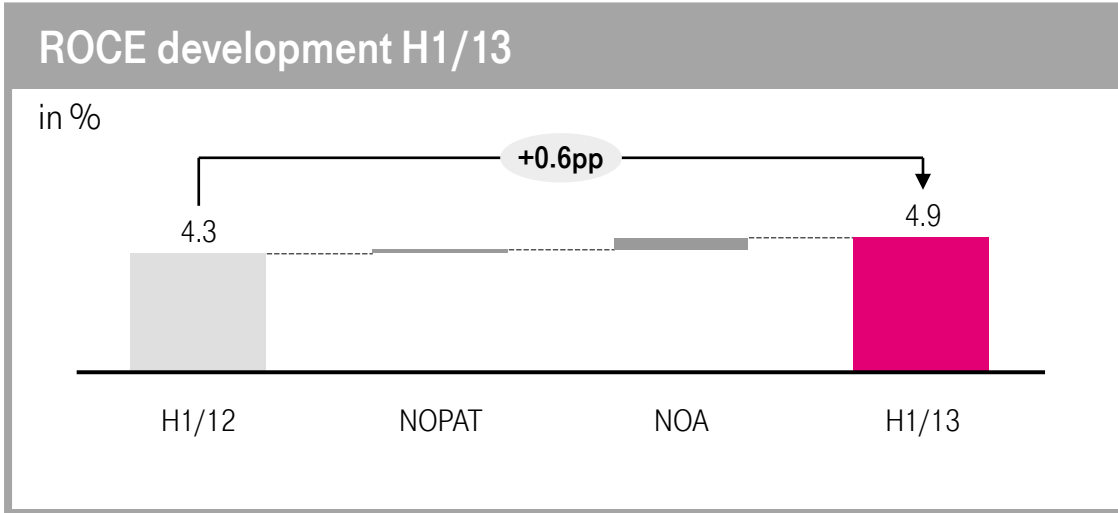


FINANCIALS: Q2 FCF AND NET INCOME



- Cash Capex (excl. spectrum) in Q2 - as expected - higher than in previous year, predominantly driven by the US
- Cash generated from operations decreases in line with EBITDA as working capital impact (-0.4 billion €) from value plans in the US is offset by other WC items
- Other driven by €116 million less interest payments

FINANCIALS: H1/13 ROCE AND ADJ. EPS IMPROVED

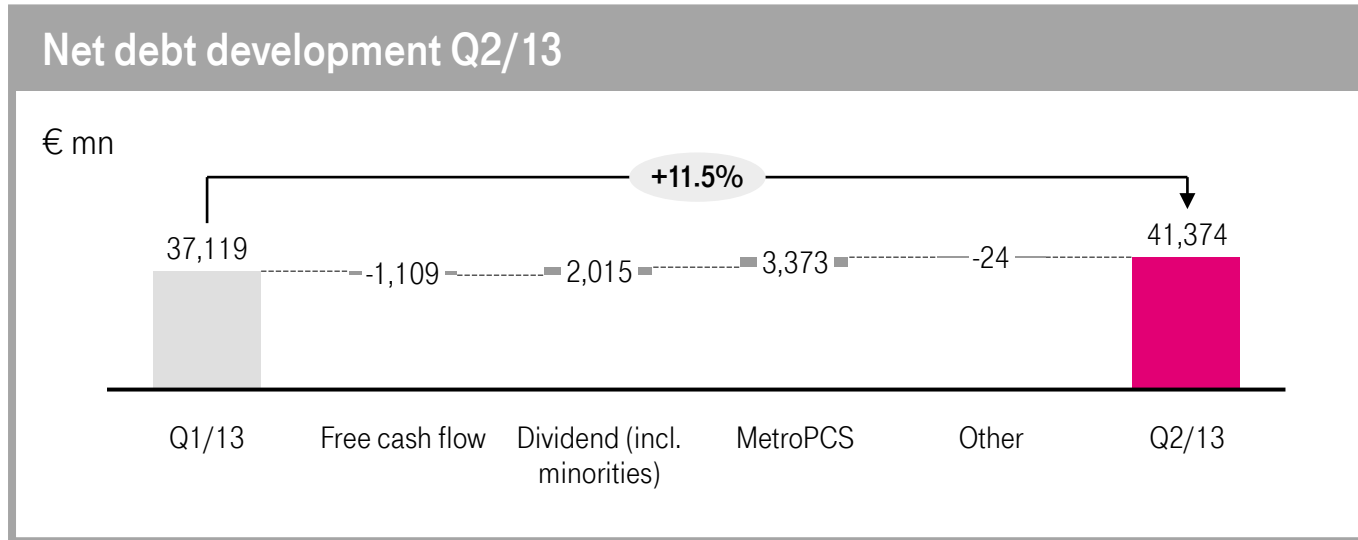


Drivers of ROCE development

- Net operating profit after taxes improved by 143 million € to 2,458 million €
- Net operating assets (average) decreased by 9.2 billion € to 99.5 billion €



FINANCIALS: NET DEBT INCREASE DUE TO METRO



- Q2 marks peak net debt for this year due to dividend payment and MetroPCS consolidation
- FCF and contribution from Globul sale (0.7 billion €) will reduce net debt in the 2nd half

FINANCIALS: BALANCE SHEET – IMPACTED BY METRO TRANSACTION

€ bn	30/06/2012	30/09/2012	31/12/2012	31/03/2013	30/06/2013
Balance sheet total	121.0	108.2	107.9	108.8	116.1
Shareholders' equity	37.9	30.4	30.5	31.0	31.3
Net debt	41.0	39.0	36.9	37.1	41.4
Net debt/Adj. EBITDA ¹⁾	2.2	2.1	2.1	2.1	2.4
Equity ratio	31.3%	28.1%	28.3%	28.5%	26.9%

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:	BBB+	stable outlook
Moody's:	Baa1	stable outlook
S&P:	BBB+	stable outlook

1) Ratios for the interim quarters calculated on the basis of previous 4 quarters. Ratio in H1/13 negatively influenced by full consolidation of MetroPCS debt, without accounting for Metro's EBITDA in the previous quarters.

DT GROUP: US GUIDANCE 2013 CHANGED TO FOSTER FURTHER GROWTH – REST OF GROUP UNCHANGED

	Guidance 2013 OLD	
	Incl. 12 months MetroPCS¹⁾	Incl. 8 months MetroPCS²⁾
Group adj. EBITDA	≈18.4 bn €	≈18 bn €
Adj. EBITDA US	5.8 to 6.0bn US\$ (4.6 to 4.7 bn €)	5.4 to 5.6bn US\$ (4.2 to 4.3 bn €)
Group FCF	≈5 bn €	≈5 bn €

	Guidance 2013 NEW
	Incl. 8 months MetroPCS²⁾
Group adj. EBITDA	≈17.5 bn €
Adj. EBITDA US	4.8 to 5.0 bn US\$ (3.7 to 3.8 bn €)
Group FCF	≈4.5 bn €

New US Guidance 2013
Incl. 8 months MetroPCS
<ul style="list-style-type: none"> Adjusted EBITDA of \$4.7 to \$4.9 billion (based on US GAAP) Cash capital expenditures of \$4.0 to \$4.2 billion Branded postpaid net additions for 2013 between 1.0 and 1.2 million Penetration of Value/Simple Choice plans in the branded postpaid base between 60% and 70% by the end of 2013




1) based on exchange rate 1€ = 1.27US\$; 2) based on exchange rate 1€ = 1.30US\$
 Adj. EBITDA for the US based on IFRS results . Guidance based on US GAAP results is 4.7 to 4.9 billion US\$


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Q2 2013 RESULTS CONFERENCE CALL

Q&A

Questions can be asked via the telephone conference call:

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 +49 69 403 59 619

If you want to **ask a question**, please **press “*1”**.

If you want to **cancel your question**, please **press “#”**.



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FURTHER QUESTIONS

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