

DEUTSCHE TELEKOM

Q3/13 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 Q3 2013

Q3/13 KEY ACHIEVEMENTS: ORGANIC GROUP REVENUE GROWTH – FY GUIDANCE CONFIRMED

GROUP

- Growth in key areas: 1,296k mobile contract net adds, 153k TV net adds, 21k broadband net adds.
- Revenue grows 6.0% to 15.5 billion € driven by the US. Organic revenue growth¹ of 2.4%.
- Adj. EBITDA of €4.7 billion (-2.6%). Free Cash Flow of 1.4 billion in line with guidance.
- ROCE improved to 5.1%, EPS improved to €0.39 in first nine months.

GERMANY

- Growth in key areas: 470k mobile contract net adds, 43k TV net adds and 119k fiber net adds (incl. wholesale).
- Solid revenue trend (-1.2%) in Q3/13; strong adj. EBITDA-margin at 41.9%.
- Underlying mobile service revenue trend (-1.0%) better than market. Fixed network (-2.7%) with improved trends compared to Q2.

US

- Growth in key areas: +1,023k mobile customers, branded postpaid customers +648k.
- Full year branded postpaid net adds guidance increased: now expecting 1.6 to 1.8 million up from 1.0 to 1.2 million previously.
- Revenue in US-\$ grows 38.1% to 6.8 billion US\$ driven by MetroPCS consolidation. Organic revenue growth¹ of 12.4%.
- Despite strong customer intake adj. EBITDA grows to 1.4 billion US\$ (+15.1%). Margin of 21.2% .

EUROPE

- Growth in key areas: 178k mobile contract net adds, 110k TV net adds, 68k broadband customer net adds.
- Organic revenue¹ with improved trend in Q3 (-3.4%) compared to Q2 (-4.3%).
- Organic adj. EBITDA¹ with -10.6% in Q3. Margin at 33.8%.

SYSTEMS SOLUTIONS

- Order entry with 1.8 billion €, +11.6% versus Q3/12
- Organic revenue growth¹ (+2.7%) at Market Unit. TelHT with expected catch up effect in Q3 (+17.4%)
- Improvement in adj. EBITDA +9.1% to €203 million – margin improved to 8.9%.

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



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Q3/13: KEY FIGURES

€ million	Q3			Q1-Q3		
	2012	2013	Change	2012	2013	Change
Revenue	14,651	15,525	6.0%	43,462	44,467	2.3%
Adj. EBITDA	4,782	4,659	-2.6%	13,965	13,364	-4.3%
Adj. net profit	929	823	-11.4%	2,337	2,400	2.7%
Net profit	-7,021	588	n.a.	-5,994	1,682	n.a.
Adj. EPS (in €)	0.21	0.18	-14.3%	0.54	0.55	1.9%
EPS (in €)	-1.63	0.14	n.a.	-1.39	0.39	n.a.
Free cash flow ¹	2,344	1,427	-39.1%	5,134	3,574	-30.4%
Cash capex ²	1,910	2,260	18.3%	5,664	6,415	13.3%
Net debt (in € billion)	39.0	39.7	+1.9%	39.0	39.7	+1.9%

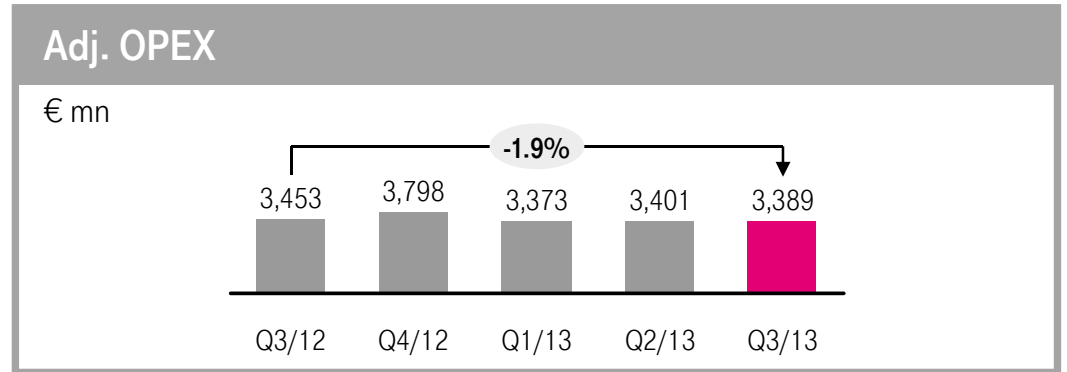
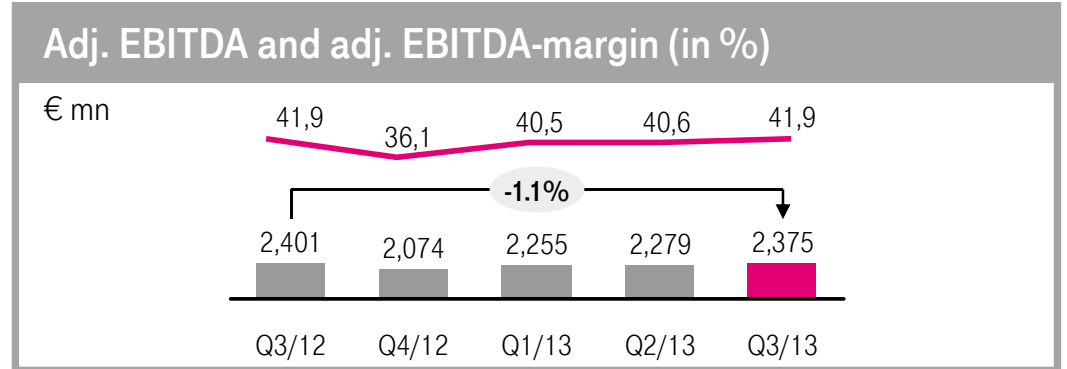
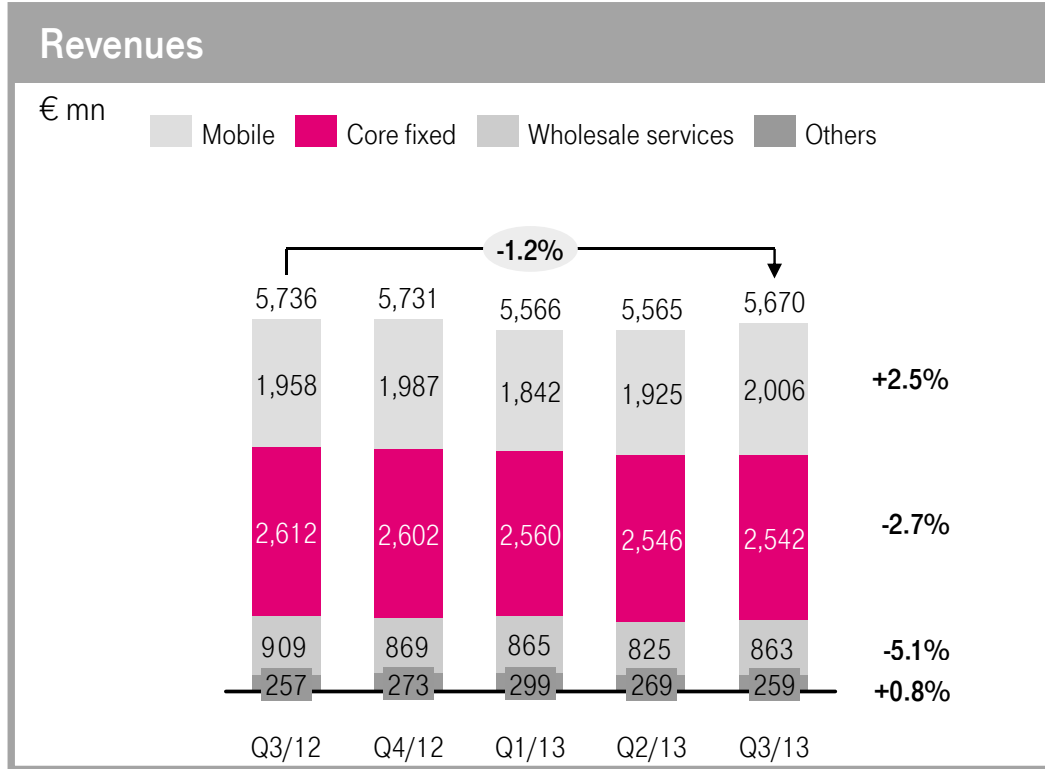
1) Free cash flow before dividend payments, spectrum investment, effects of AT&T transaction and compensation payments for MetroPCS employees

2) Before spectrum payments. Q3/13 € 118 million . € 288 million in Q3/12. 9M/13 € 1,185 million, 9M/12 €329 million.



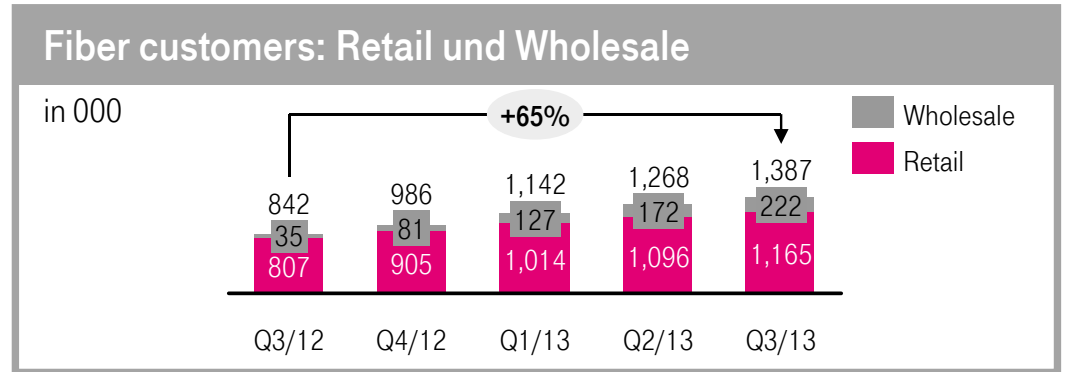
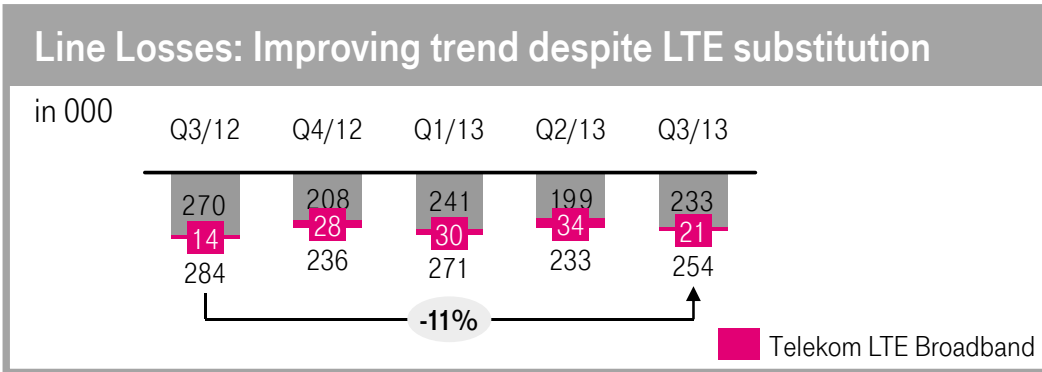
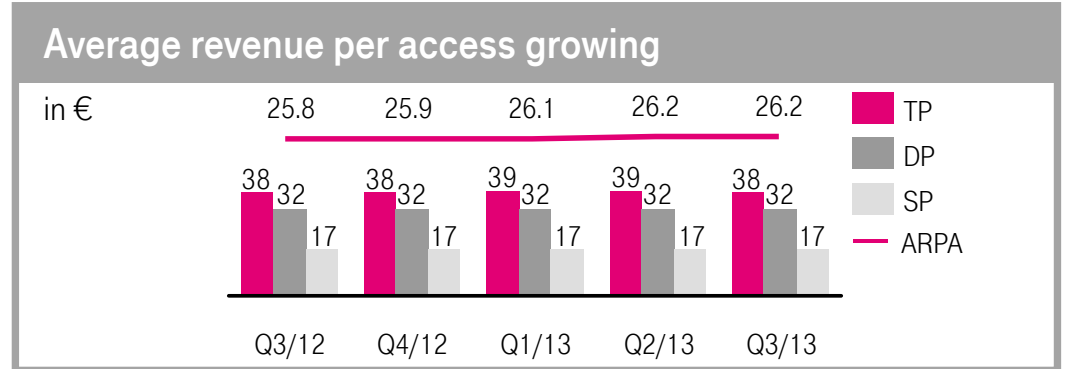
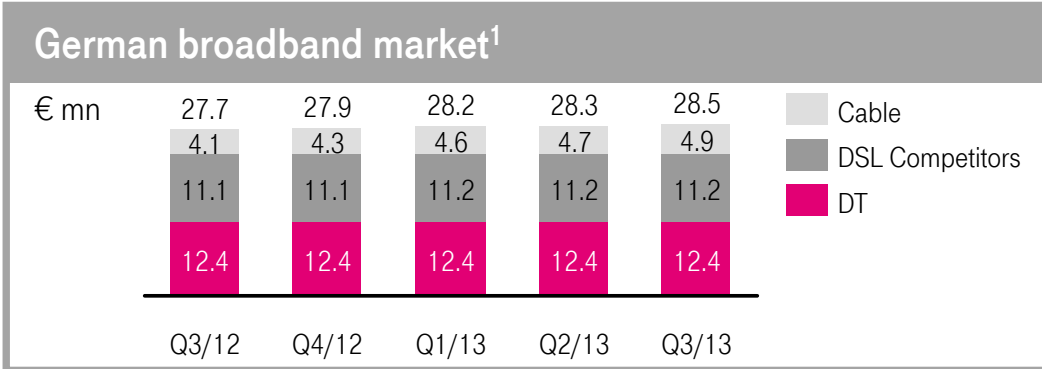
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GERMANY: SOLID REVENUE TRENDS – ADJ. EBITDA MARGIN AT 41.9%



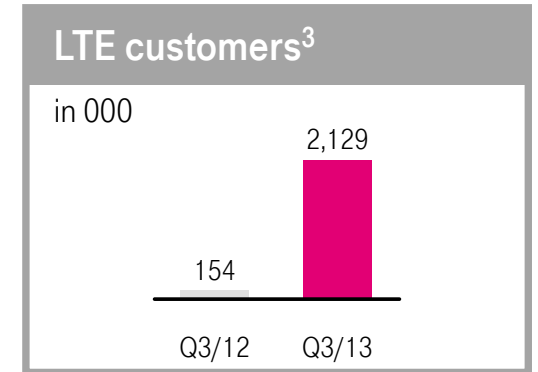
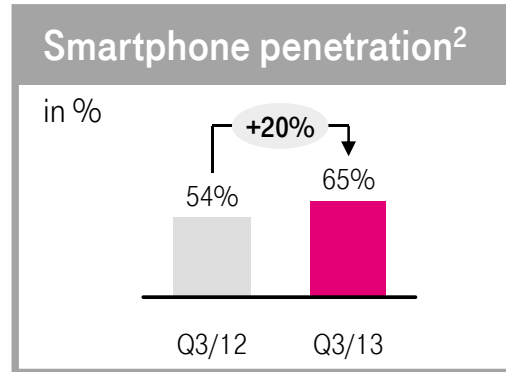
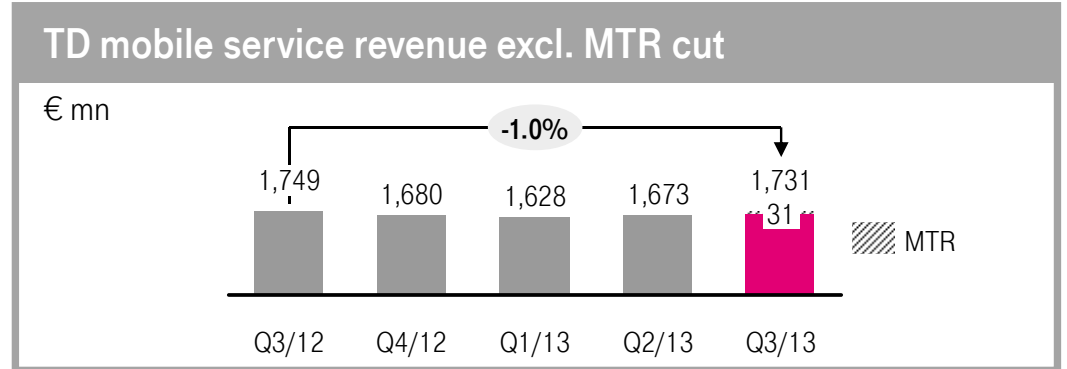
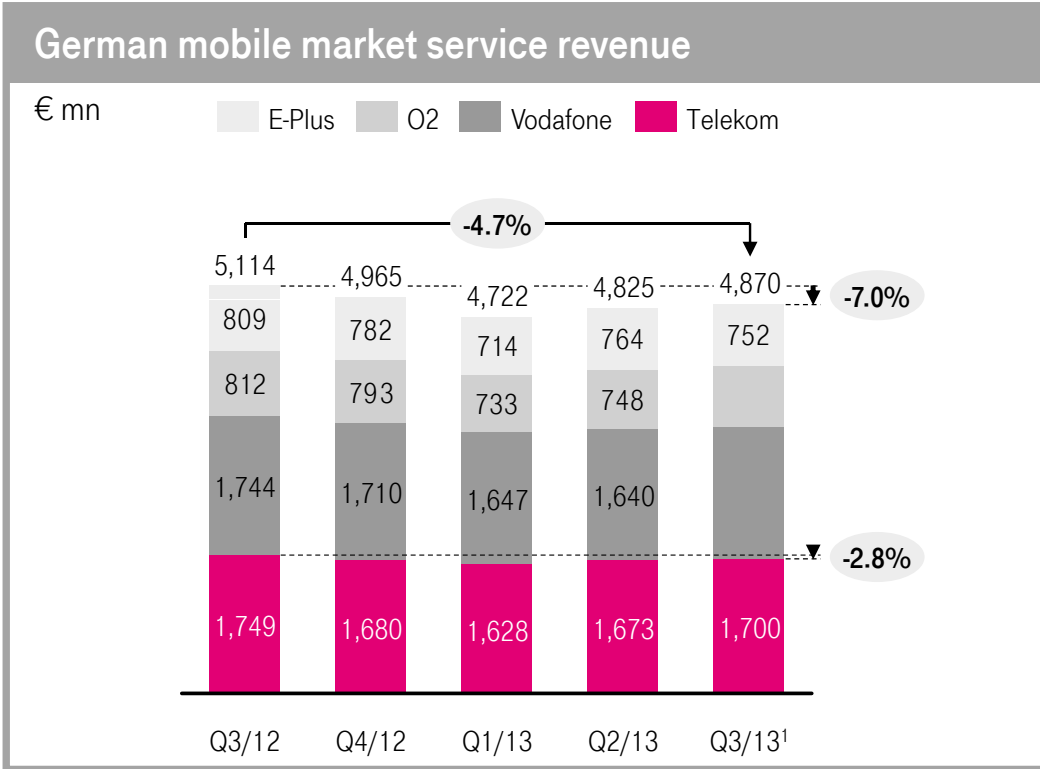
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GERMANY: FIXED – LINE LOSSES REDUCED SIGNIFICANTLY



1) Based on management estimates

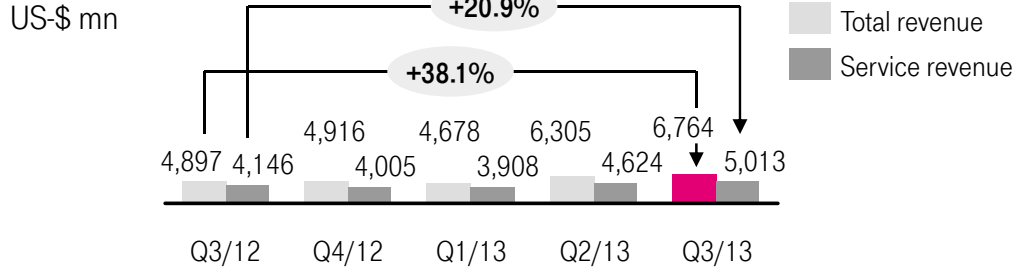
GERMANY: MOBILE – OUTPERFORMING COMPETITION IN Q3. STABLE UNDERLYING SERVICE REVENUE EXPECTED FOR FY



1) Market figure is management estimate 2) Of T-branded consumer contract customers 3) Consumers using an LTE device and tariff plan including LTE

TMUS: SIGNIFICANT IMPROVEMENT IN CUSTOMER METRICS AND POSTPAID CHURN

Revenue and service revenue

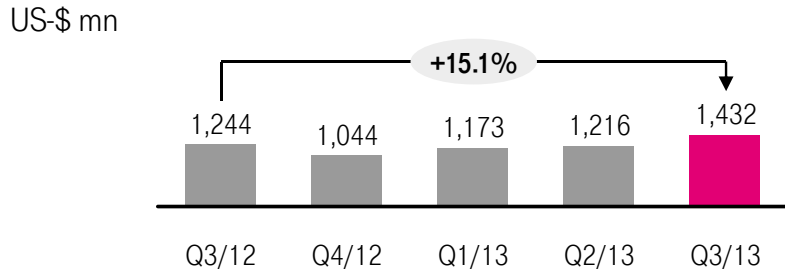


Net additions

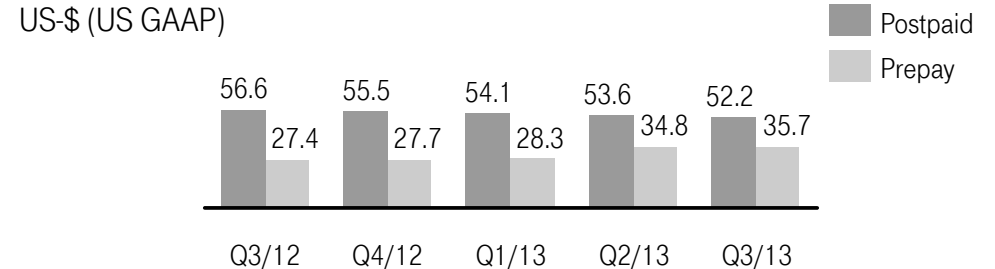
in 000

Total net adds	Q3/12	Q4/12	Q1/13	Q2/13	Q3/13
	160	61	579	1,130	1,023
Branded:					
▪ Postpaid	-492	-515	-199	688	648
▪ Prepay	365	166	202	-10	24
Wholesale ¹	287	410	576	452	351

Adj. EBITDA

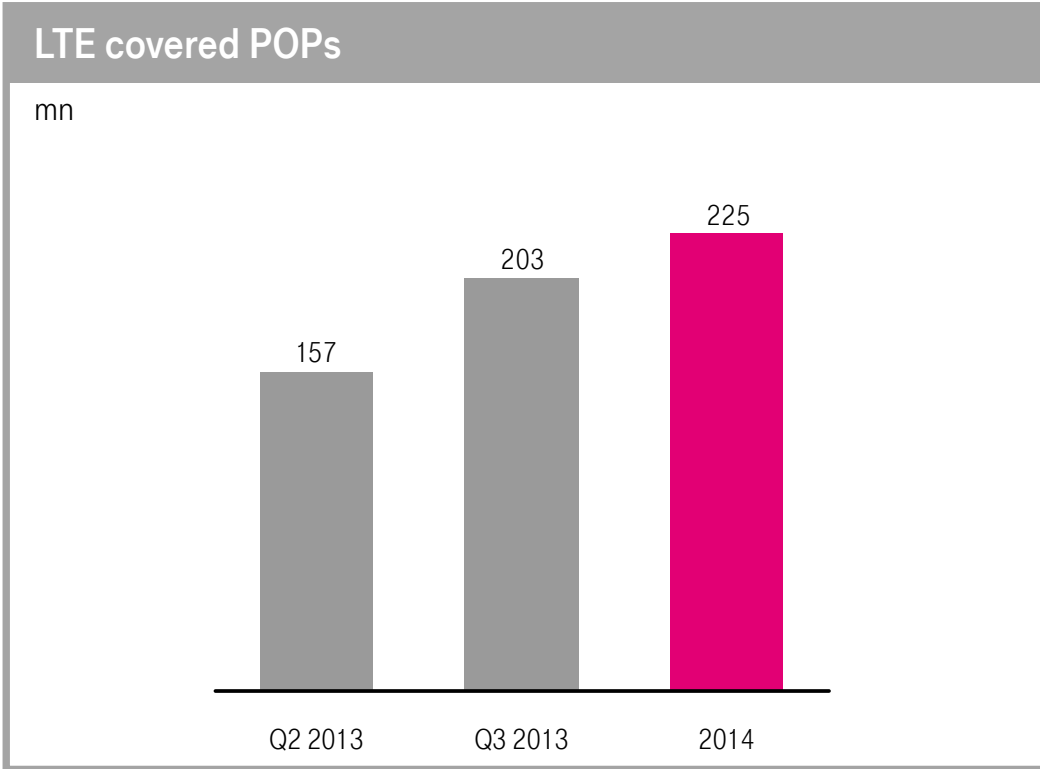


Branded customers: Postpaid and Prepay ARPU



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

TMUS: LTE NETWORK ROLL OUT AND METRO INTEGRATION AHEAD OF PLAN



▪ 4G LTE rollout and modernization

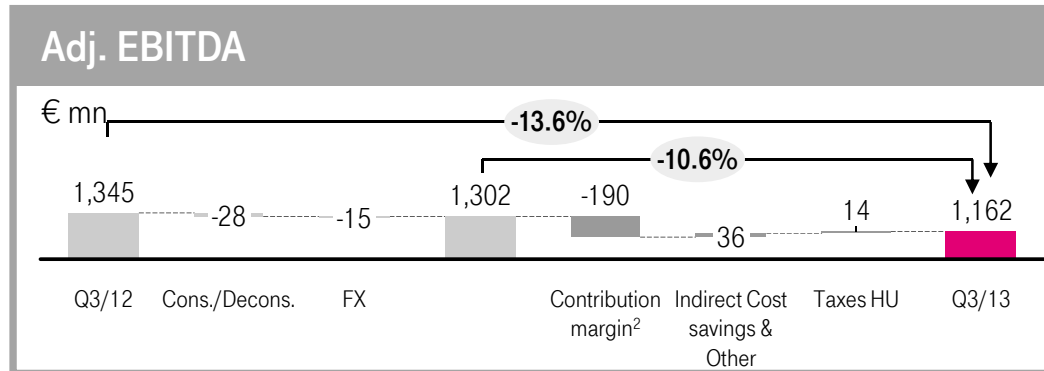
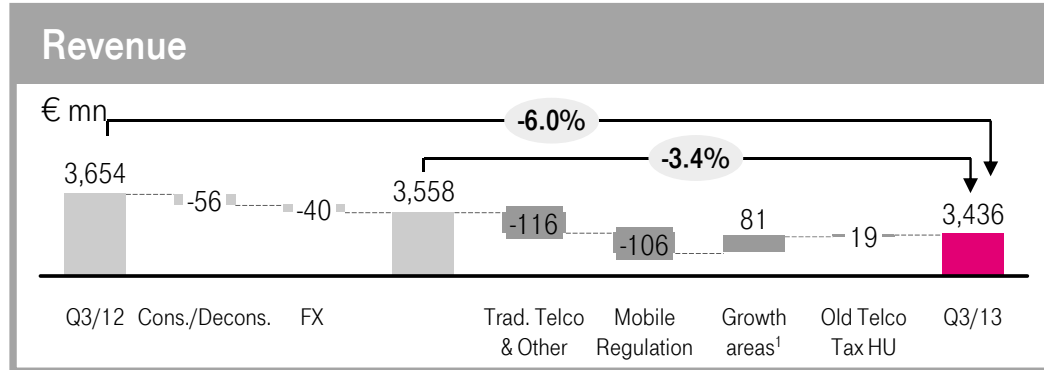
- 203 million 4G LTE POPs in 254 metro areas
- Achieved 200 million POPs goal one quarter early
- 94 of Top 100 markets covered with LTE

▪ Metro Integration

- MetroPCS spectrum repurposed: 15% by the end of Q4
- MetroPCS customers with HSPA+ handsets: >1.5 million
- 15 new markets launched with 1,300 distribution points
- Synergies, YE 2013 target
 - Capex: On track to exceed plan by US\$200-250 million
 - Opex: On track to exceed plan by US\$50-100 million
- Integration expenses
 - on track to beat plan by US\$100-125 million



EUROPE: REVENUE TREND IMPROVING IN CONTINUING TOUGH ENVIRONMENT



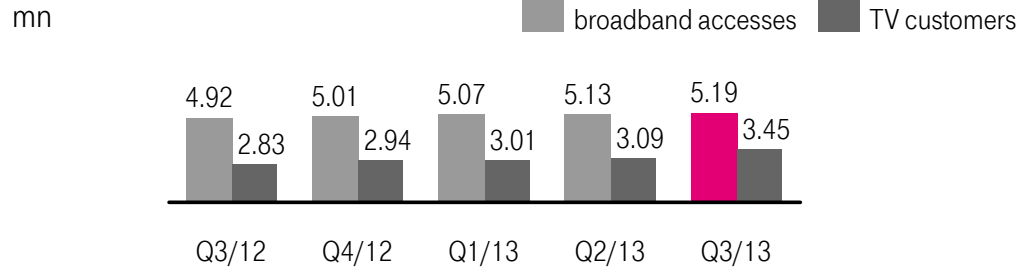
1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other)

2) Total Revenues - Direct Cost

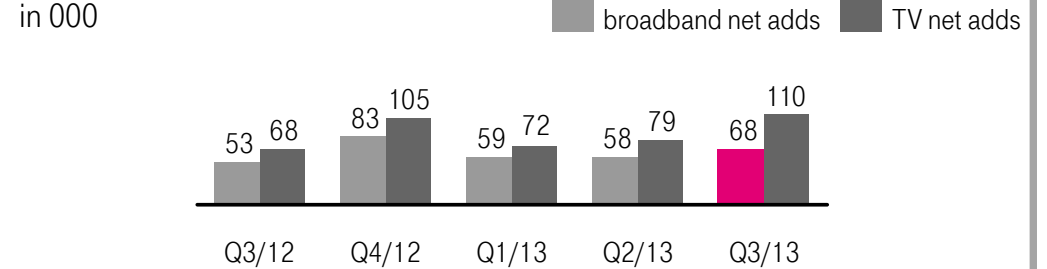
- **Total revenue** – Organic revenue decline of 3.4% better than in previous quarters
 - Negative mobile regulation effects: approx. 75% driven by PL, GR and NL
 - Decline in traditional TelCo mainly driven by mobile voice and SMS partly compensated by higher device revenues
 - Uptake of growth areas especially driven by mobile data, energy, TV and B2B/ICT
- **Adj. EBITDA** – Decline in organic adj. EBITDA driven by
 - Increased market invest in the Netherlands (adj. EBITDA -27 mn €)
 - Highly competitive market environment in the Czech Republic (-34 mn €) and Croatia (-27 mn €) where decline in revenue could not be compensated

EUROPE: STRONG PERFORMANCE IN GROWTH AREAS

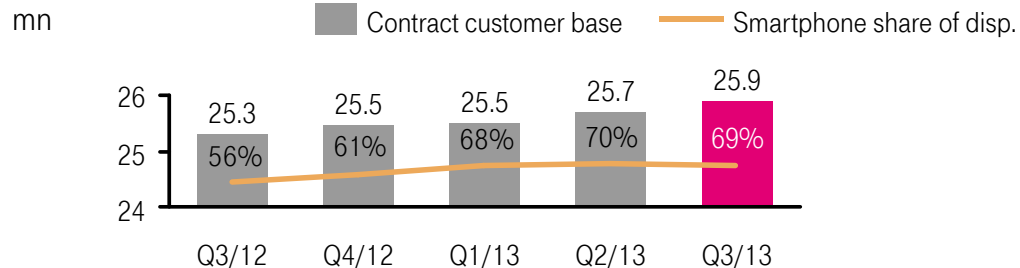
Pockets of growth – broadband and TV¹



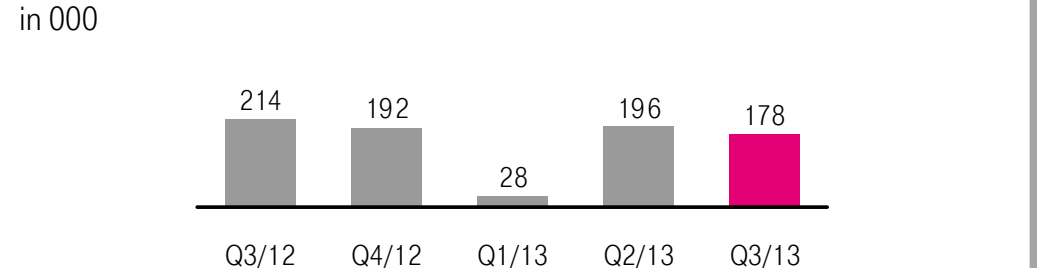
Net adds – broadband and TV¹



Pockets of growth – mob. contract and smartphones¹

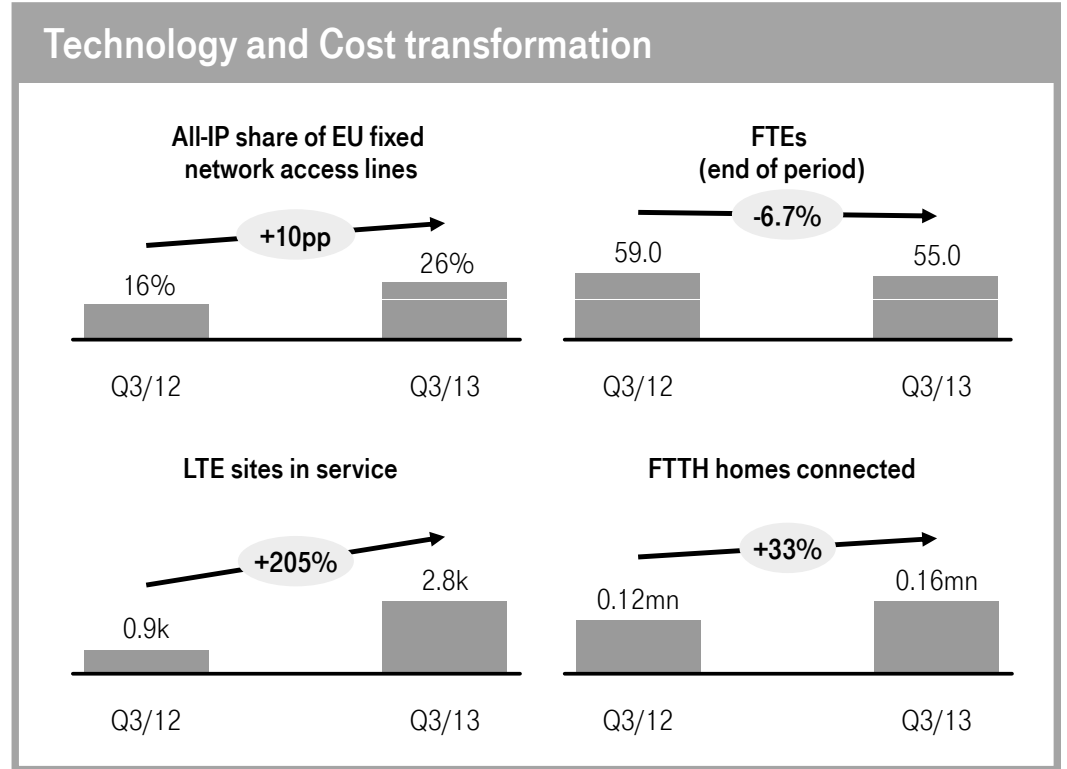
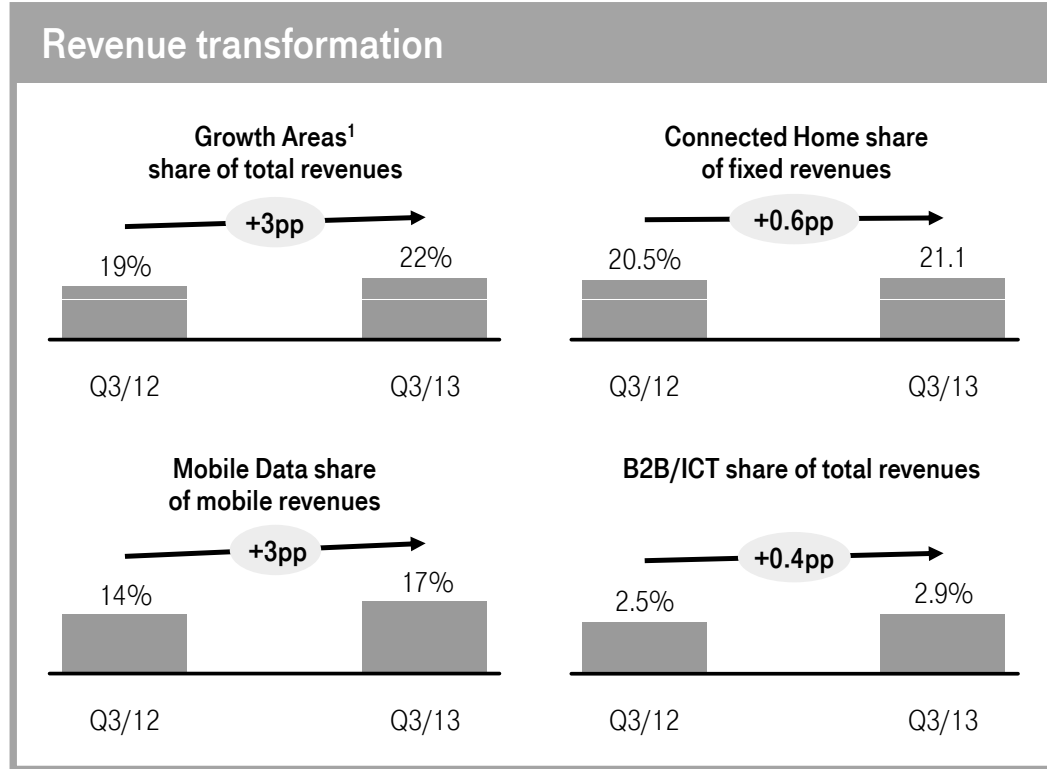


Net adds – mobile contract¹



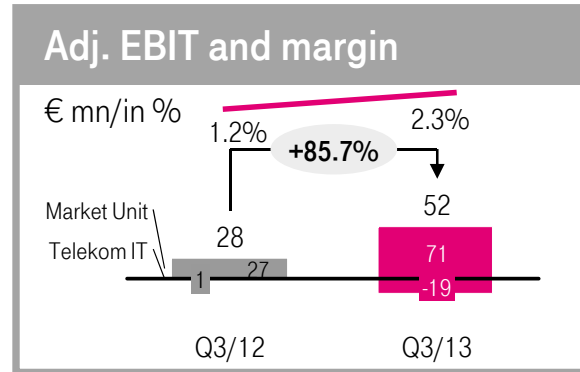
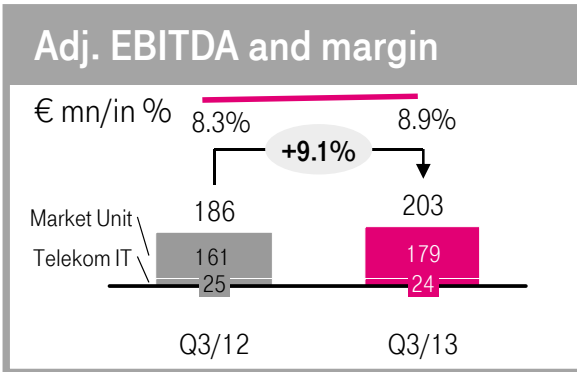
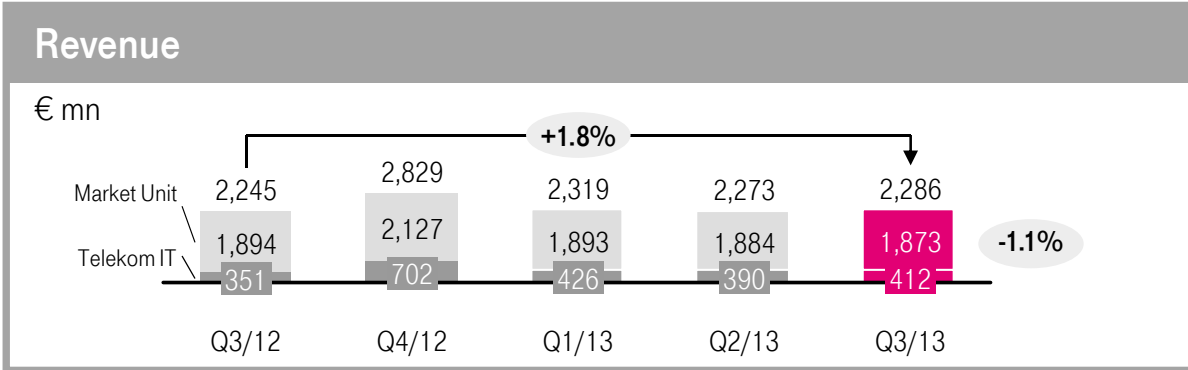
1) incl. business customers shifted to T-Systems in Hungary as of 1.1.2011. Smartphone share w/o SK, RO, MK, AL, CG and Bulgaria. TV figures include DiGi Slovakia as of 1. September 2013 (not counted as net adds). The customers of our companies in Bulgaria are no longer included in the Europe operating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

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)

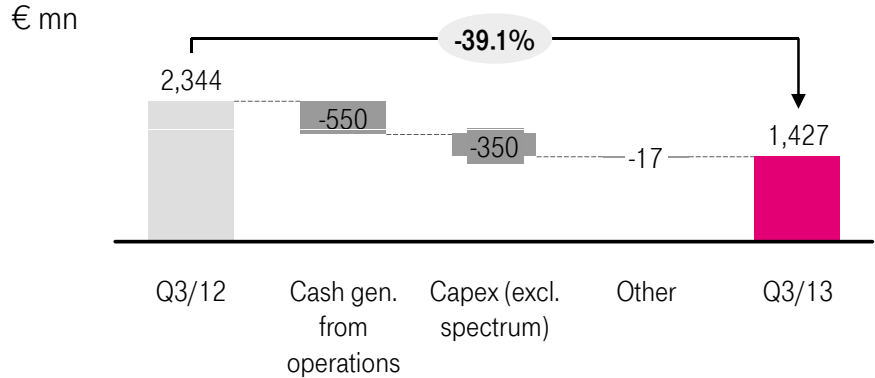
SYSTEMS SOLUTIONS: SOLID DEVELOPMENT AT MARKET UNIT



- Solid development in order entry with €1.8 billion (+11.6%)
- Reported revenues at Market Unit slightly decreasing due to
 - Currency: -45 million €
 - Sale of systems integration business in France and T-Systems Italy: -26 million €
- Organic revenue growth Market Unit +2.7%
- Total revenue driven by expected catch up effect at Telekom IT (+17.4%)
- Adj. EBITDA improved 9.1% to 203 million €
- Market Unit with adj. EBITDA growth of 11.2%, EBIT-Margin improved to 3.8%
- Tel IT delivers on reducing IT costs: IT spend reduction of 0.25 billion € in first nine months.

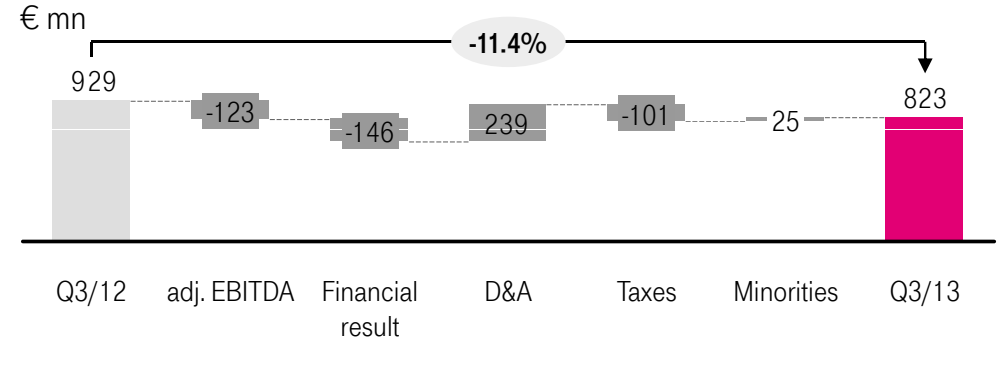
FINANCIALS: Q3/13 FCF AND NET INCOME

Free cash flow Q3/13



- Cash generated from operations decreases stronger than EBITDA due to working capital impact (-0.5 billion €) from value plans in the US
- Cash capex increase (excl. spectrum) in Q3 predominantly driven by network roll-out in the US

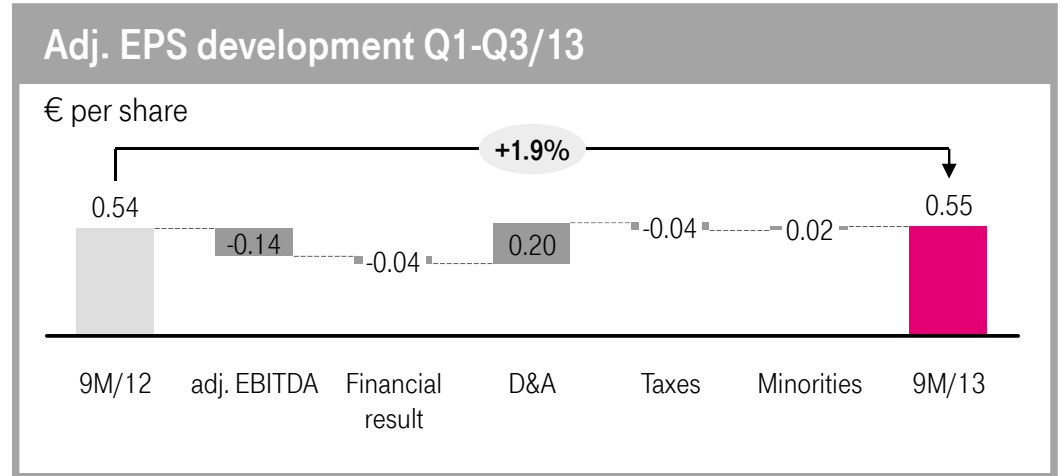
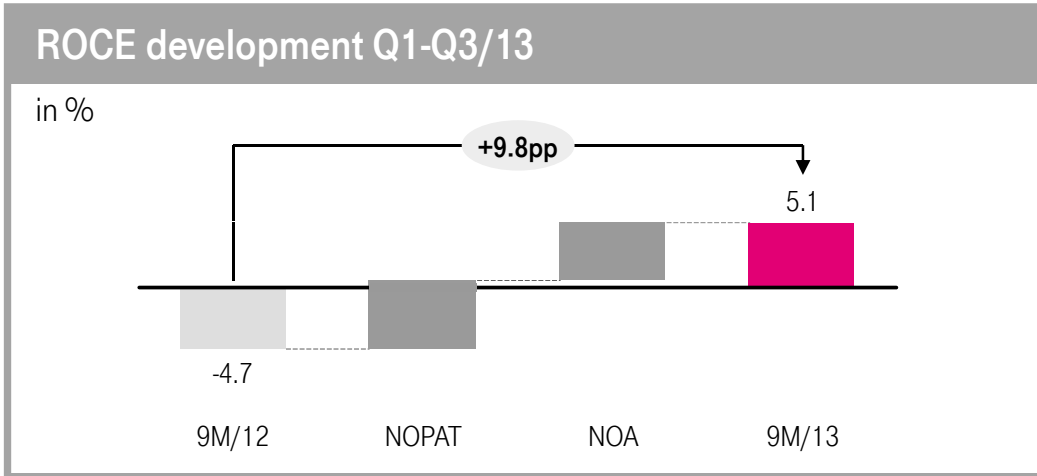
Adj. net income Q3/13



- Financial result impacted by deterioration in result from currency translation and valuation of financial instruments. Interest result impacted by high yield debt of MetroPCS.
- Tax increase results from low tax rate in Q3/12 following the unwinding of TM US as a held for sale asset



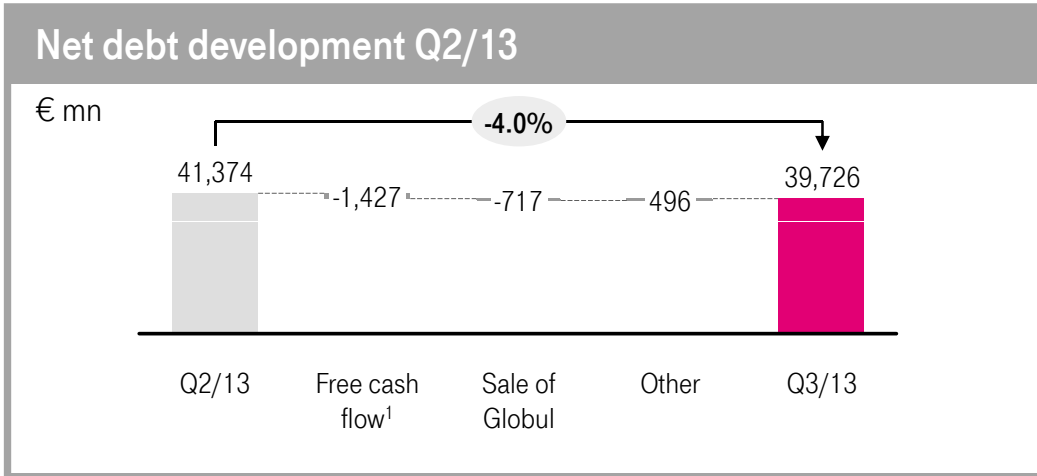
FINANCIALS: 9M/13 IMPROVEMENT IN ROCE AND ADJ. EPS



Drivers of ROCE development

- Q3 last year impacted by impairment of TM US
- Net operating profit after taxes improved by 7,679 million € to 3,885 million €
- Net operating assets (average) decreased by 6.2 billion € to 100.9 billion €

FINANCIALS: NET DEBT REDUCED DUE TO FCF AND SALE OF GLOBUL



- As expected FCF and contribution from Globul sale have reduced net debt in the 3rd quarter
- Other includes 200 million € dividend payment to minority shareholders and 107 million spectrum payment in Poland.

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

FINANCIALS: BALANCE SHEET – IMPROVED RATIOS

€ bn	30/09/2012	31/12/2012	31/03/2013	30/06/2013	30/09/2013
Balance sheet total	108.2	107.9	108.8	116.1	115.3
Shareholders' equity	30.4	30.5	31.0	31.3	32.0
Net debt	39.0	36.9	37.1	41.4	39.7
Net debt/Adj. EBITDA ¹	2.1	2.1	2.1	2.4	2.3
Equity ratio	28.1%	28.3%	28.5%	26.9%	27.8%

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 9M/13 negatively influenced by full consolidation of MetroPCS debt, without accounting for Metro's EBITDA in the previous quarters.

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Q3 2013 RESULTS CONFERENCE CALL

Q&A

Questions can be asked via the telephone conference call:

 0800 182 6766  0800 028 0471  +1 866 306 3455
 +49 69 403 59 619

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

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

FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

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