

DEUTSCHE TELEKOM

Q3/14 RESULTS



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REVIEW Q3/14



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LEADING EUROPEAN TELCO: KEY ACHIEVEMENTS IN Q3

KEY ACHIEVEMENTS

- LTE (79% POP coverage) and fiber roll out (40% Household coverage) continuing in Germany. Europe: 1.9k LTE-sites (+19%) added in Q3.
- All-IP migration: Europe achieves IP-Share of 35%. IP lines in Germany doubled versus year ago to 3.7 million.
- Germany: Mobile market with improved service revenue trends (-1.0%)¹. Deutsche Telekom continues to outperform mobile market (-0.1%). Broadband net adds (-20k) and line losses (-193k) seasonally impacted by higher churn but trend improvement vs. prior year continues. Fiber net adds (+225k) almost doubled vs. last year. TV: +59k. Ongoing strong adj. EBITDA margin of 41.6%.
- US: Record branded postpaid customer additions (1,379), postpaid phone ARPU stabilized, US\$ revenue with 8.8% growth
- Europe: Improved revenue trends and ongoing focus on profitability: adj. EBITDA +1.3%, margin of 35.7%

Q3 FINANCIAL HIGHLIGHTS

- Group revenue growth of 0.8% to €15.6 billion
- Adj. EBITDA of €4.6 billion (-1.8%) – on track to deliver on guidance
- FCF of €1.1 billion in line with FY guidance
- Financial guidance for FY 2014 confirmed

1) Based on management estimates



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9M/14: KEY FIGURES

€ mn	Q3			9M		
	2013	2014	Change	2013	2014	Change
Revenue	15,525	15,648	0.8%	44,467	45,656	2.7%
Adj. EBITDA	4,659	4,575	-1.8%	13,364	13,125	-1.8%
Adj. net profit	823	800	-2.8%	2,400	2,023	-15.7%
Net profit	588	506	-13.9%	1,682	3,034	80.4%
Adj. EPS (in €)	0.18	0.17	-5.6%	0.55	0.45	-18.2%
EPS (in €)	0.14	0.11	-21.4%	0.39	0.68	74.4%
Free cash flow ¹	1,427	1,125	-21.2%	3,574	3,157	-11.7%
Cash capex ²	2,260	2,493	10.3%	6,415	6,755	5.3%
Net debt (in € bn)	39.7	41.8	5.2%	39.7	41.8	5.2%

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

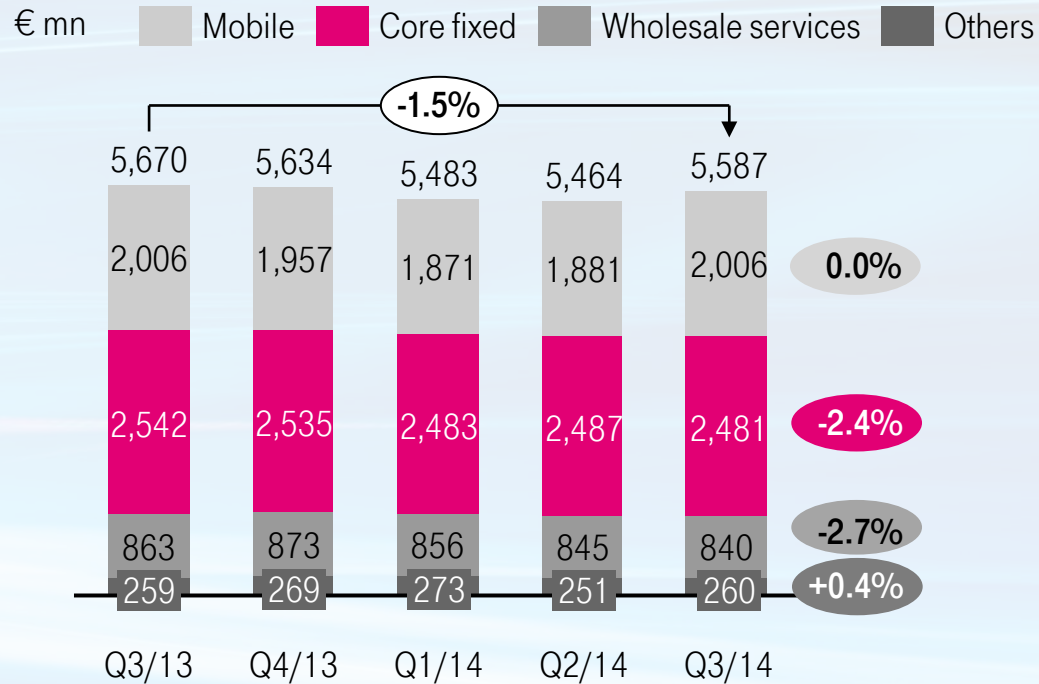
2) Before spectrum payments. Q3/13: €118 million; Q3/14: 91 million; 9M/13: €1,185 million; 9M/14: €1,972 million



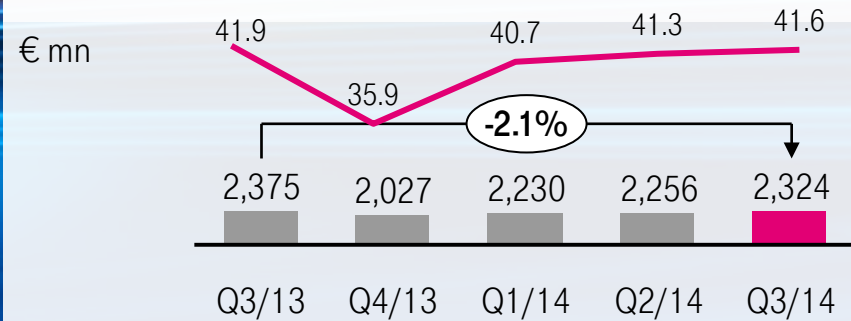
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GERMANY: CONTINUED SOLID MARGIN AND REVENUE TRENDS

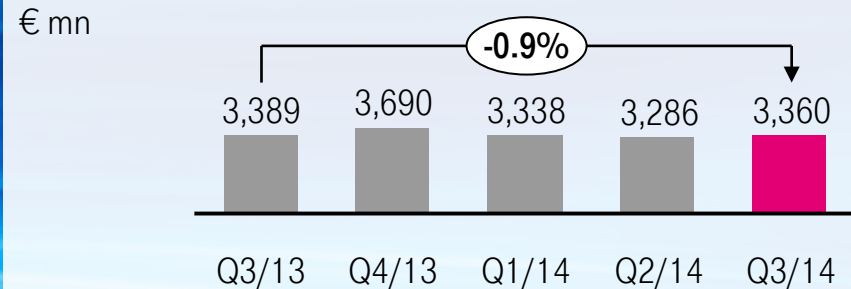
REVENUE



ADJ. EBITDA AND MARGIN (IN %)



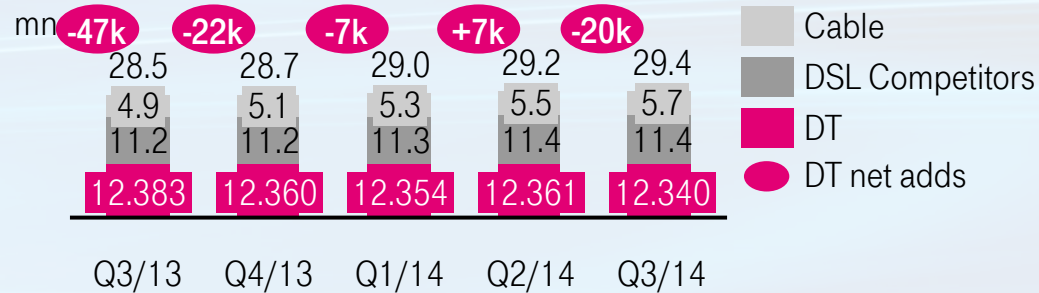
ADJ. OPEX



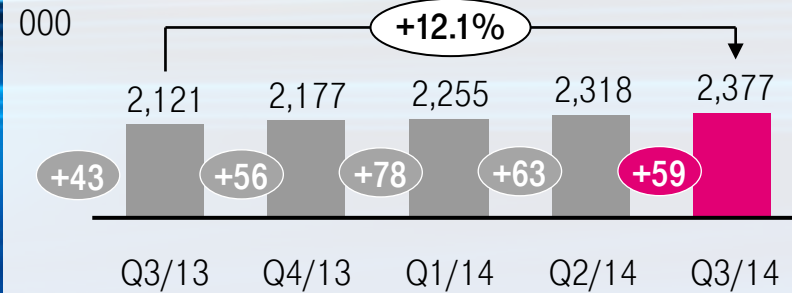
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GERMANY FIXED: LINE LOSSES -24%YOY FOR THE 2ND CONSECUTIVE QUARTER. FIBER NET ADDS ALMOST DOUBLED

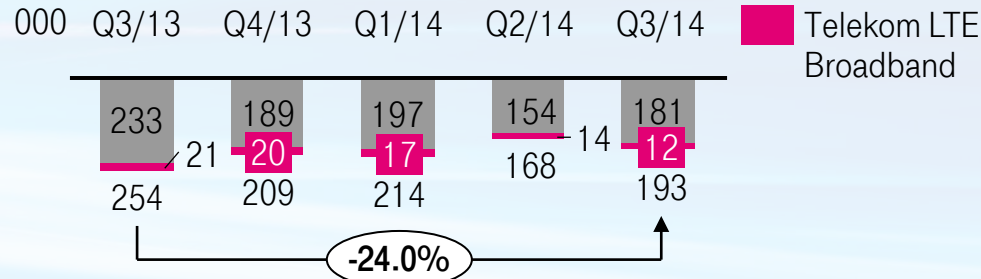
GERMAN BROADBAND MARKET¹



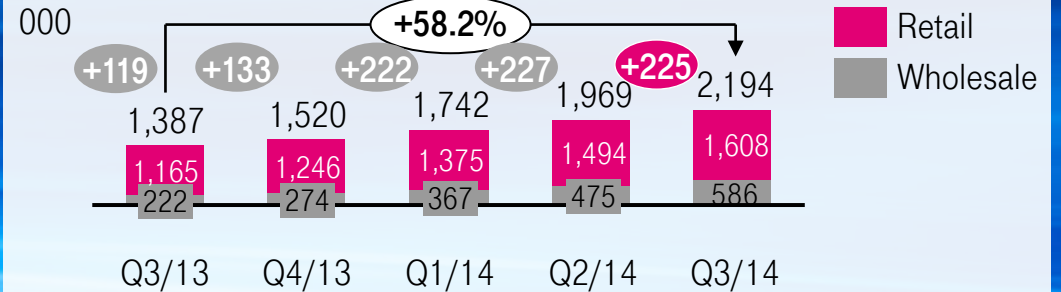
ENTERTAIN CUSTOMERS



LINE LOSSES



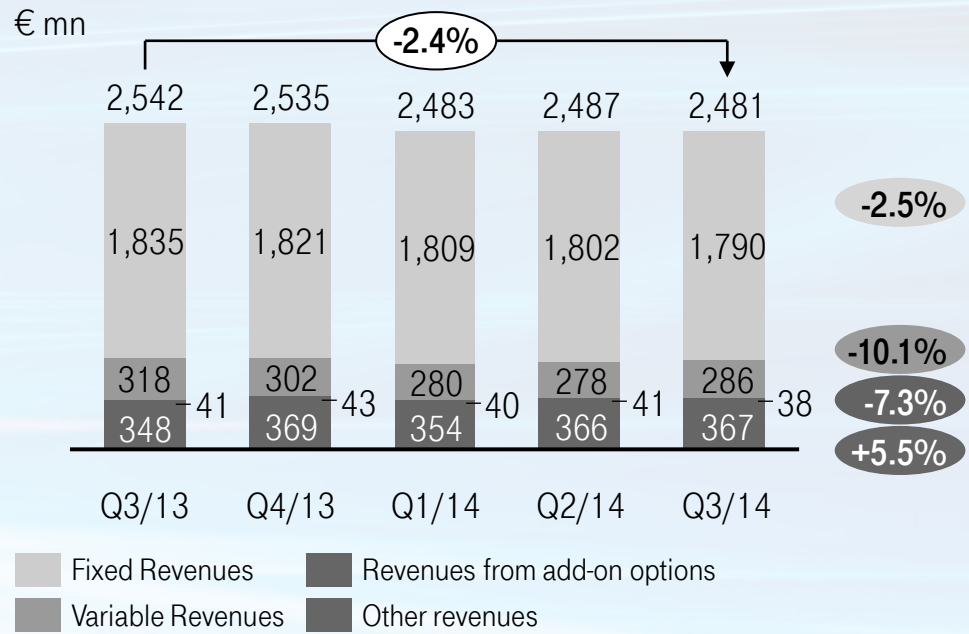
FIBER CUSTOMERS²



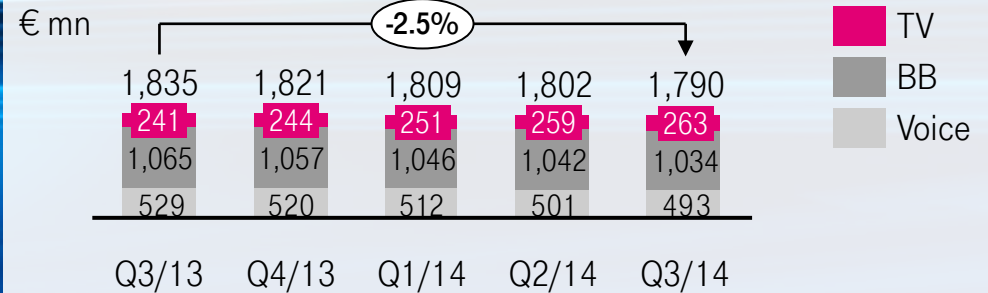
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

GERMANY FIXED: CONTINUED SOLID REVENUE TREND IN CORE FIXED NETWORK

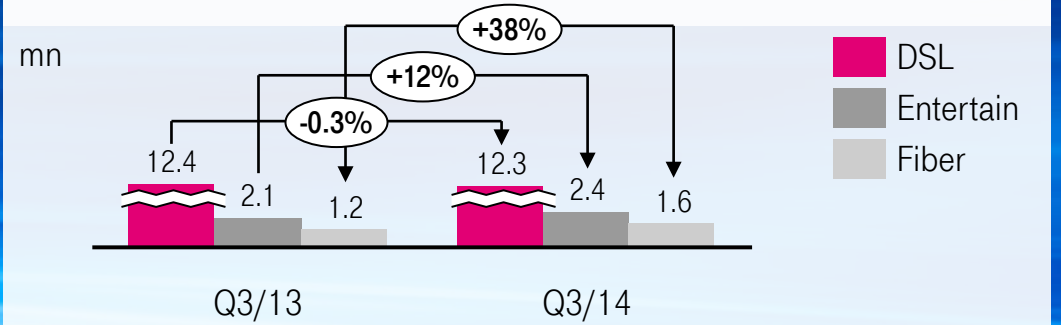
FIXED NETWORK REVENUE (CORE FIXED)



FIXED REVENUES (FIXED LINE)



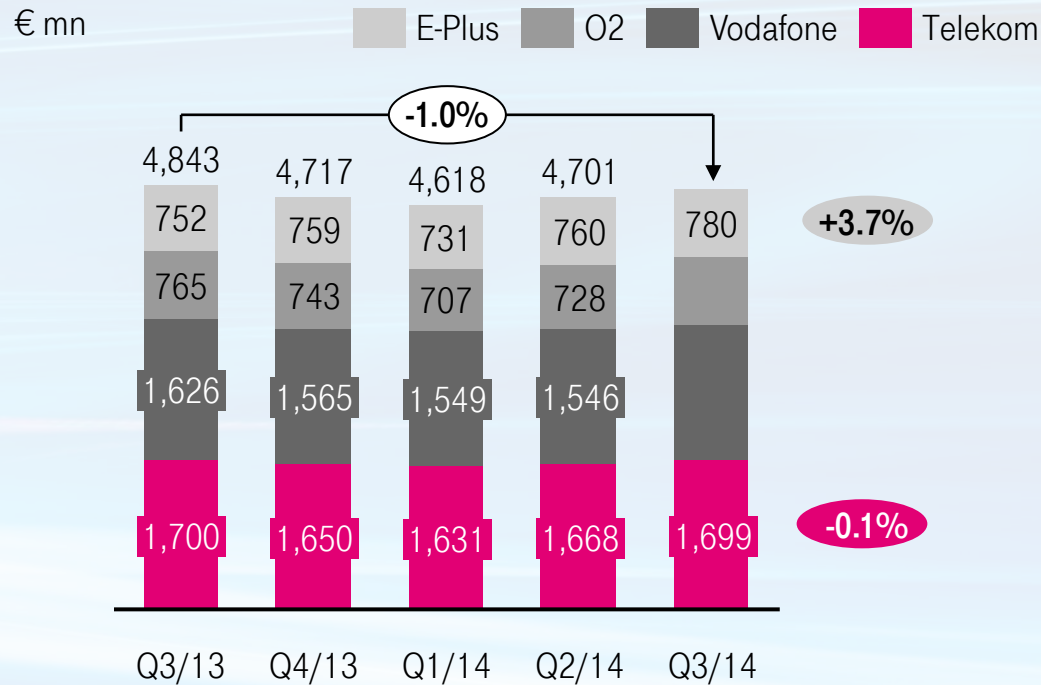
RETAIL UPSSELL STRATEGY ACCESS



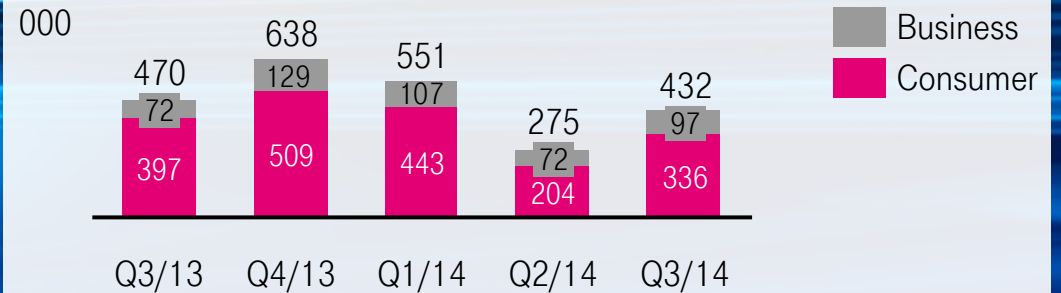
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GERMANY MOBILE: DT CONTINUES TO OUTPERFORM MARKET

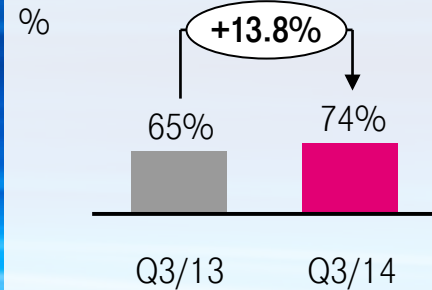
GERMAN MOBILE MARKET SERVICE REVENUE¹



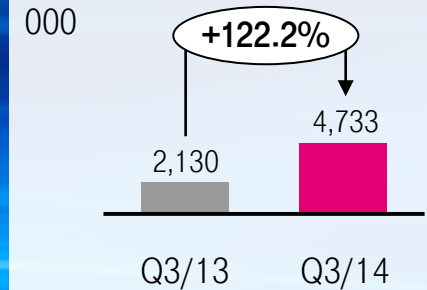
CONTRACT NET ADDS



SMARTPHONE PENETRATION²



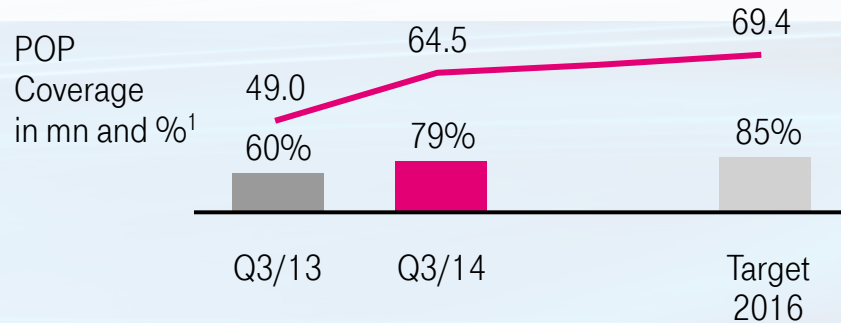
LTE CUSTOMERS³



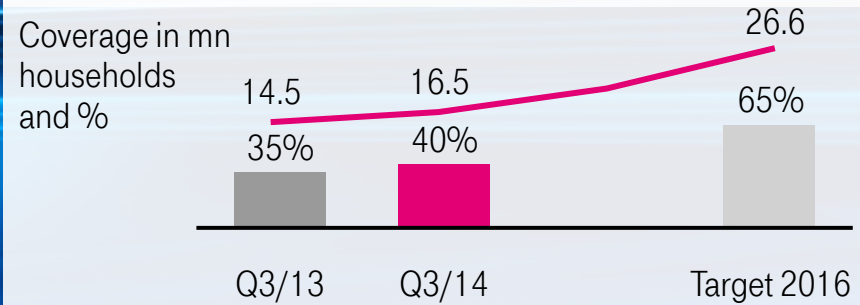
1) Based on management estimates 2) Of own branded retail customers 3) Customers using a LTE-device and tariff plan including LTE

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

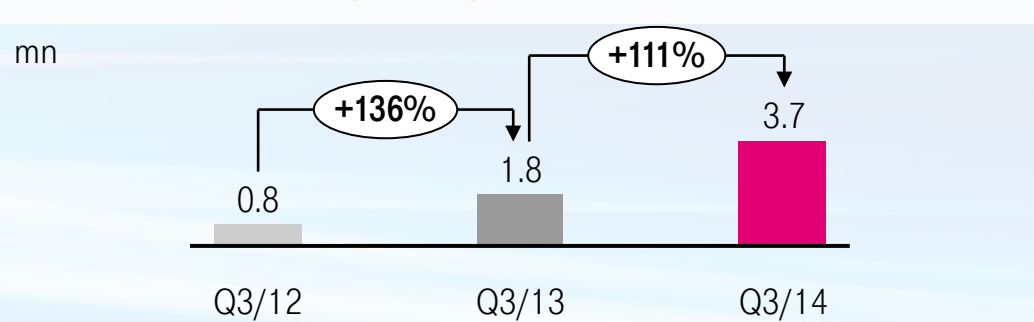
INS- STATUS LTE ROLLOUT



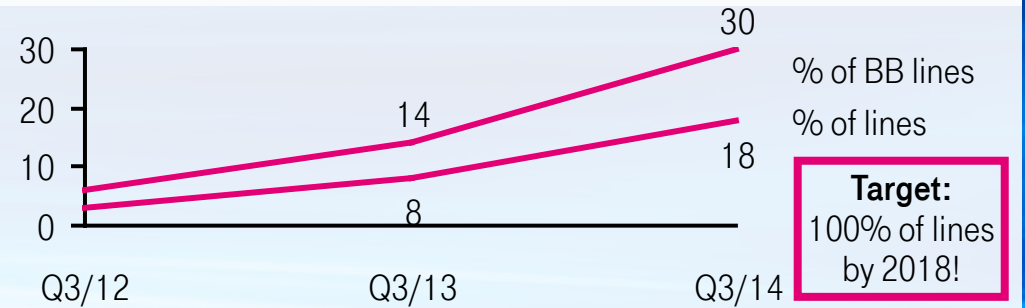
INS- STATUS FIBER ROLLOUT²



STATUS IP ACCESSES (RETAIL)



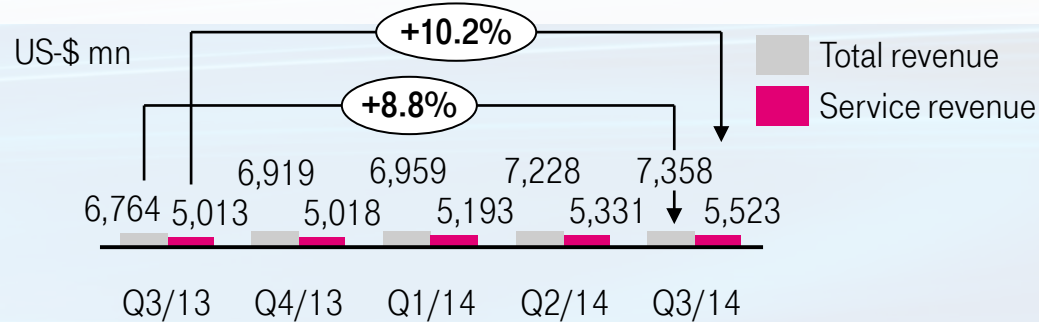
STATUS IP ACCESSES (RETAIL)



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

TMUS: RECORD BRANDED POSTPAID CUSTOMER GROWTH QUARTER

REVENUE AND SERVICE REVENUE

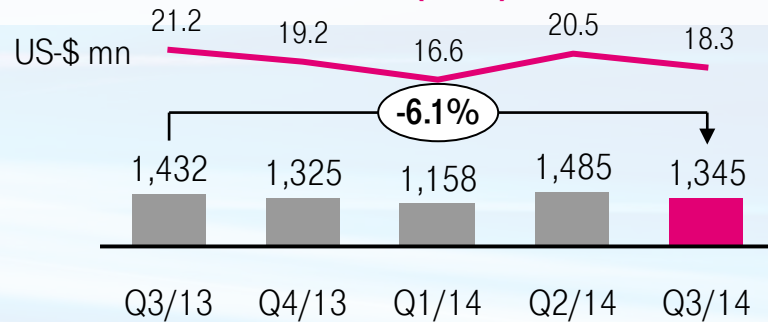


NET ADDITIONS

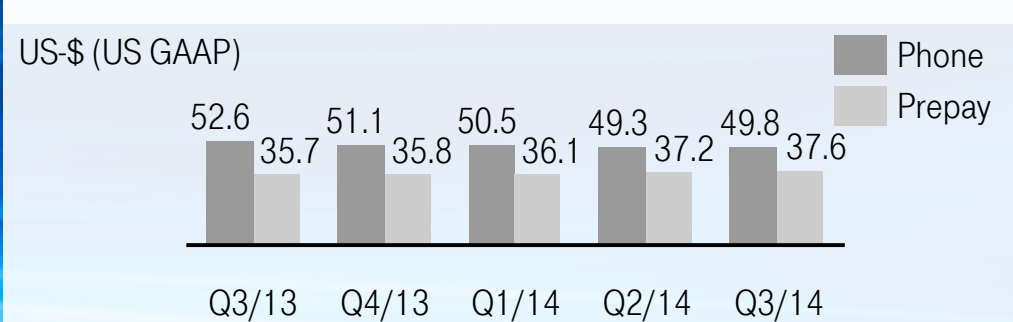
in 000

Total net adds	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14
	1,023	1,645	2,391	1,470	2,345
BranDED:					
▪ Postpaid	648	869	1,323	908	1,379
▪ Prepay	24	112	465	102	411
Wholesale ¹	351	664	603	460	555

ADJ. EBITDA AND MARGIN (IN %)



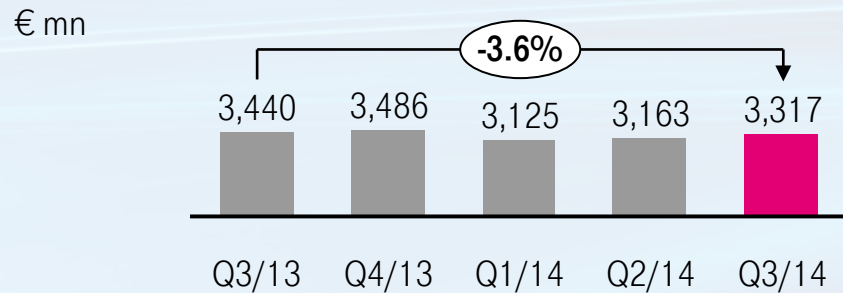
BRANDED CUSTOMERS: POSTPAID PHONE AND PREPAY ARPU



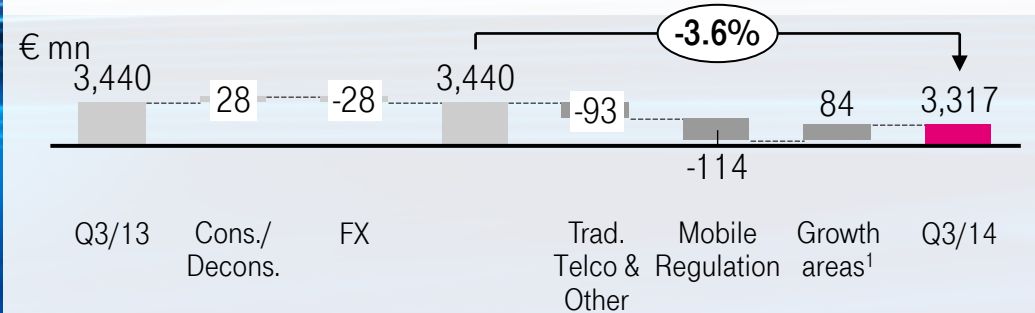
1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

EUROPE: STRONG MARGIN AS A RESULT OF RADICAL FOCUS ON COST TRANSFORMATION

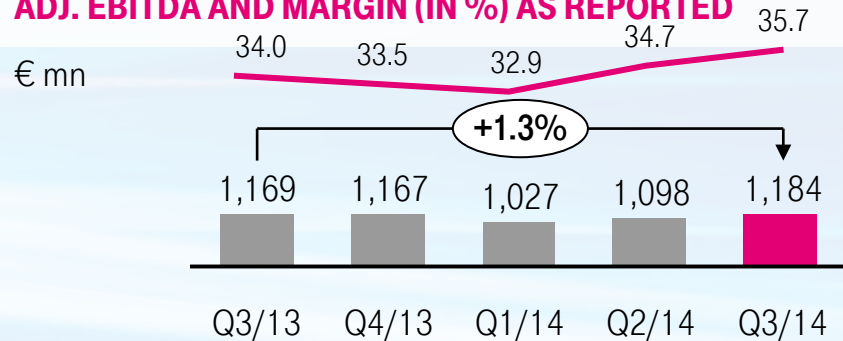
REVENUE AS REPORTED



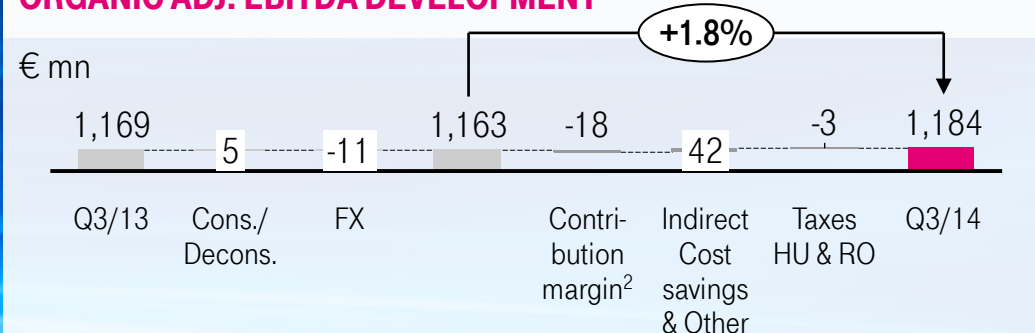
ORGANIC REVENUE DEVELOPMENT



ADJ. EBITDA AND MARGIN (IN %) AS REPORTED



ORGANIC ADJ. EBITDA DEVELOPMENT



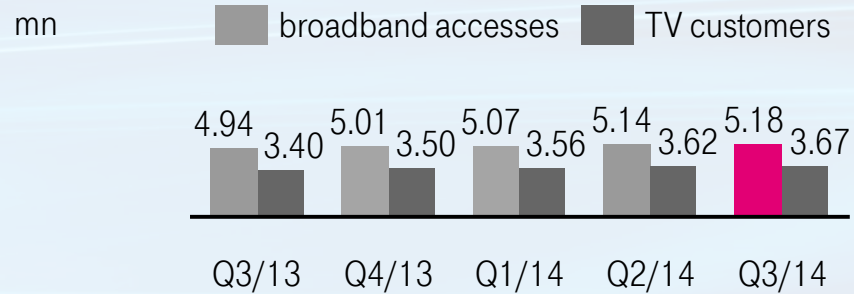
1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other) 2) Total Revenues - Direct Cost



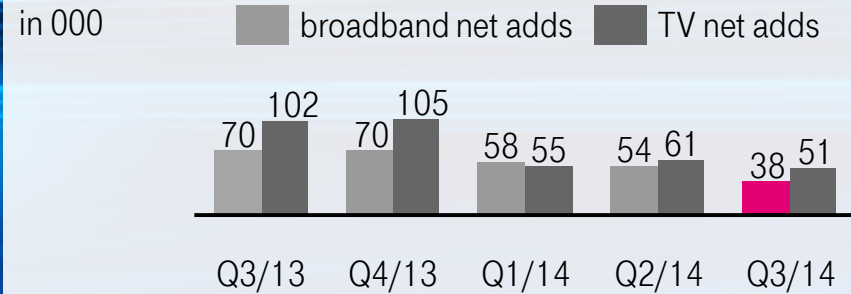
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EUROPE: CONTINUED MOMENTUM IN MOBILE AND FIXED KEY GROWTH AREAS

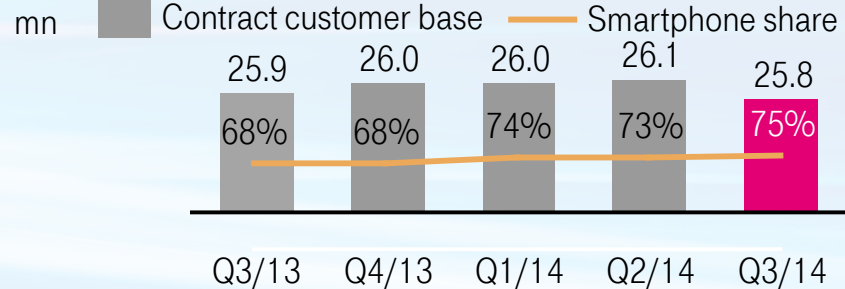
POCKETS OF GROWTH - BROADBAND AND TV¹



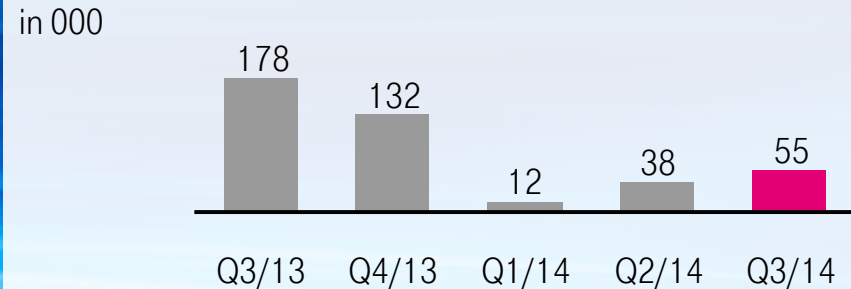
NET ADDS - BROADBAND AND TV¹



POCKETS OF GROWTH - MOB. CONTRACT AND SMARTPHONES¹



NET ADDS - MOBILE CONTRACT¹

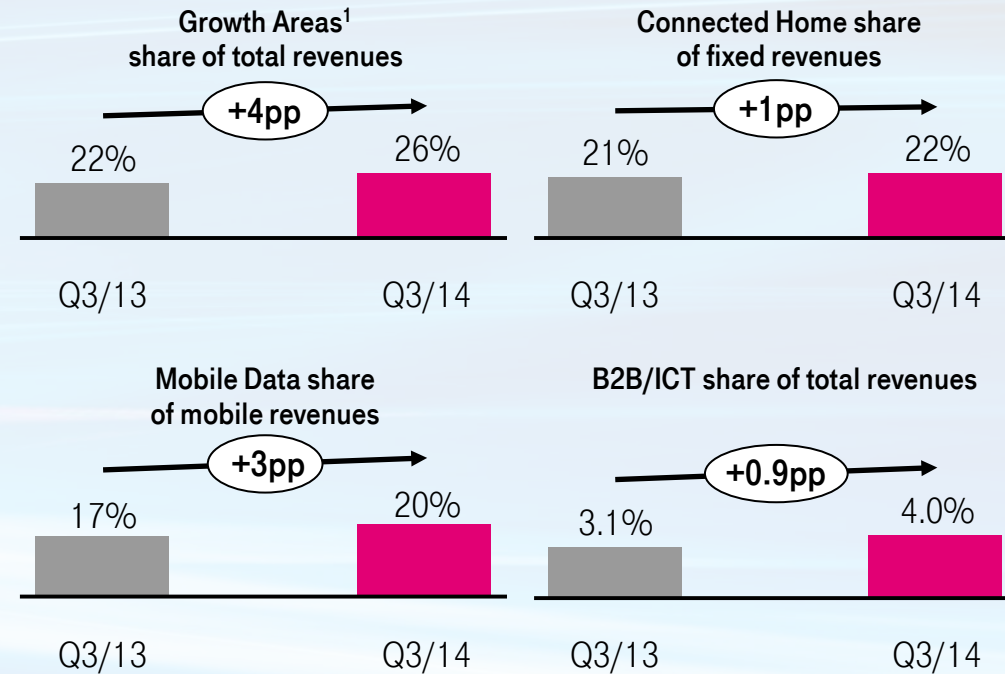


¹) incl. business customers shifted to T-Systems in Hungary as of 1.1.2011. Smartphone share w/o AL and Bulgaria based on purchased devices. TV figures include DiGi Slovakia as of 1. September 2013 (not counted as net adds). The customers of our companies in Bulgaria and Online in the Netherlands are 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. Total contract customer count in Q3 negatively impacted by sale of Simpel (NL) and the bankruptcy of a service provider in A (-282k). Net adds adjusted for these effects. GTS included in BB base as of May 30, 2014.

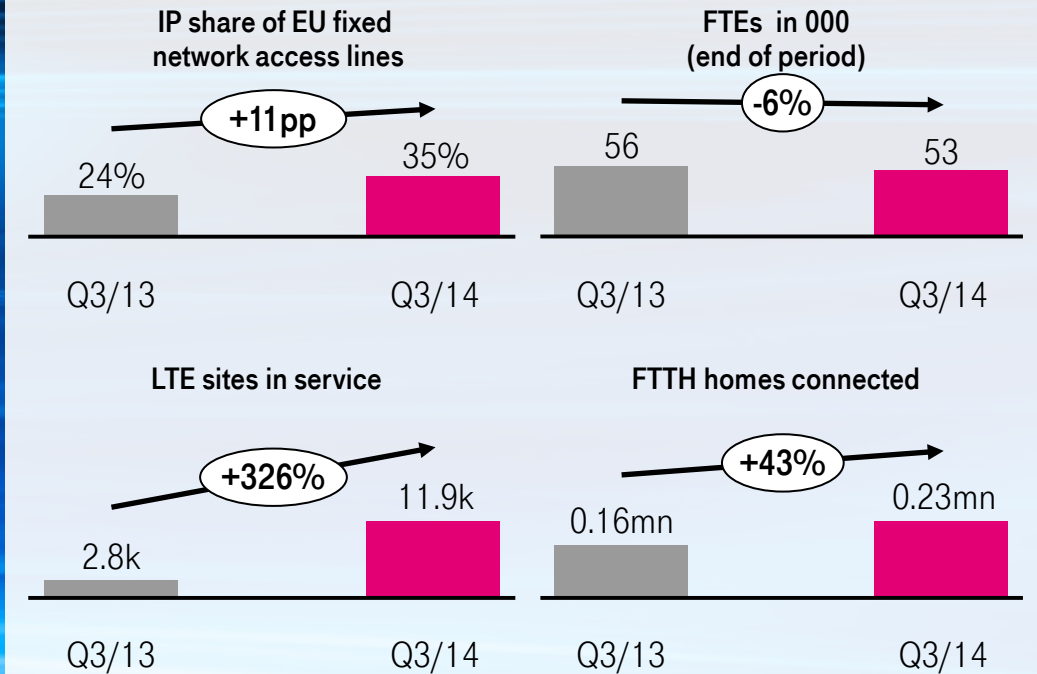


EUROPE: SUCCESSFUL REVENUE AND COST TRANSFORMATION

REVENUE TRANSFORMATION



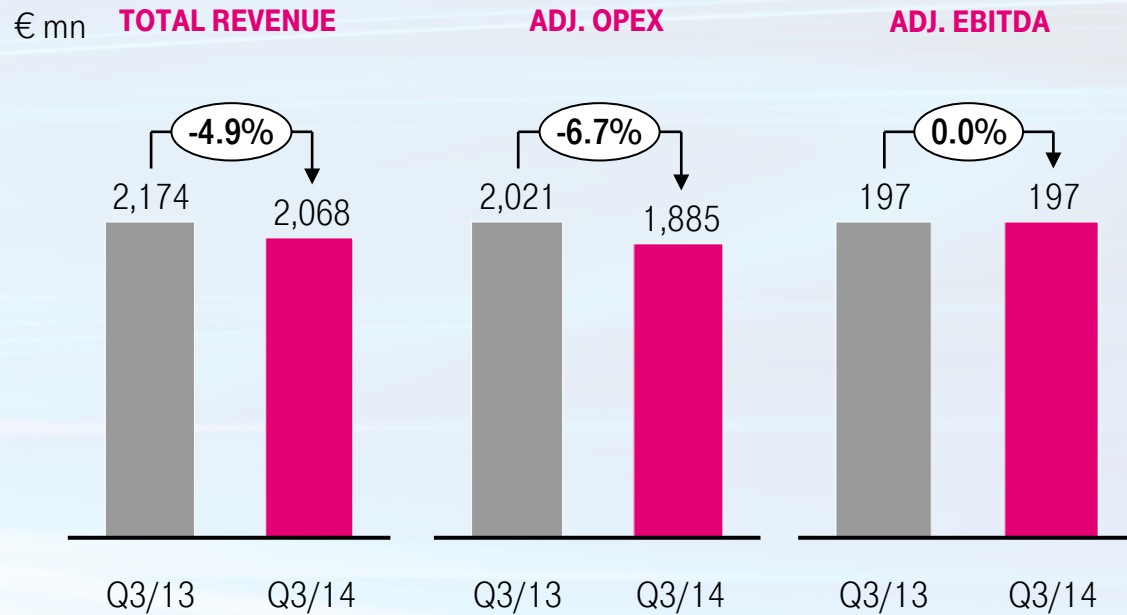
TECHNOLOGY AND COST TRANSFORMATION



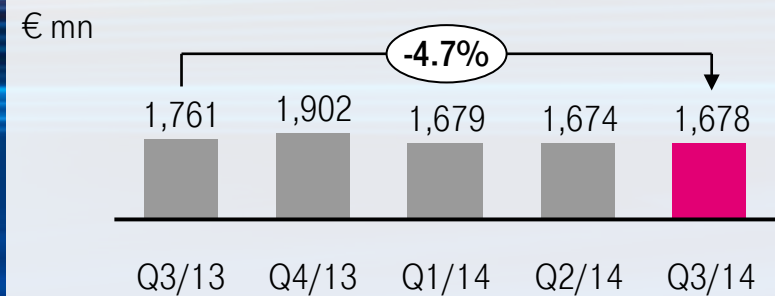
1) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other)

SYSTEMS SOLUTIONS: COST REDUCTION MEASURES BEAR FIRST FRUIT

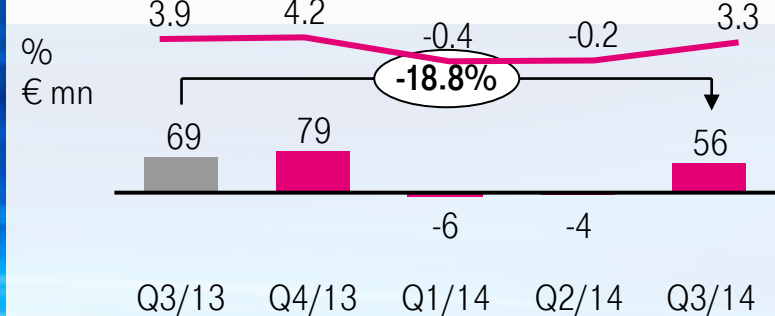
T-SYSTEMS FINANCIALS AS REPORTED



REVENUE MARKET UNIT

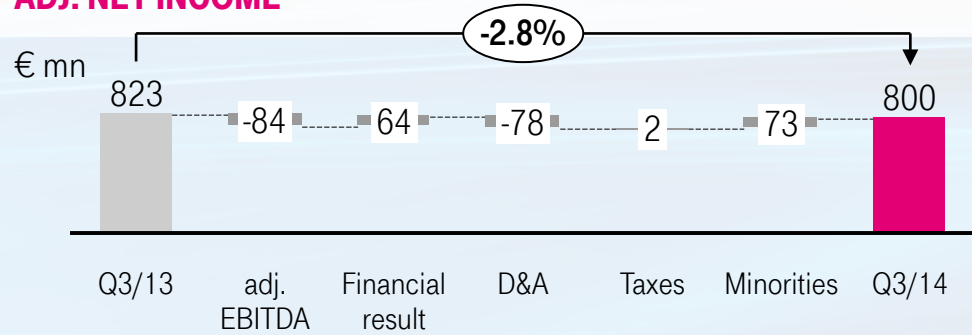


ADJ. EBIT AND MARGIN MARKET UNIT

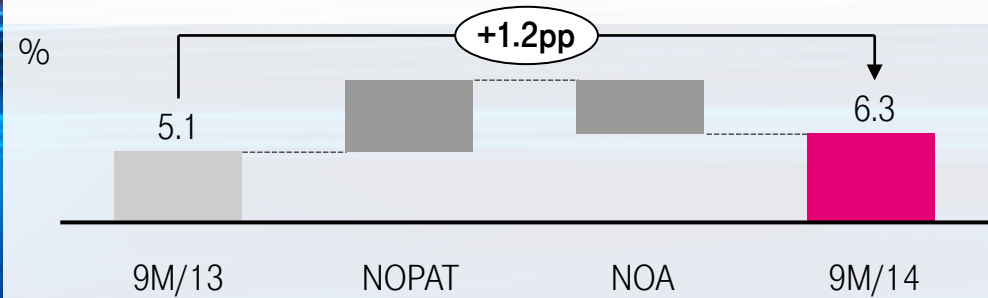


FINANCIALS: FCF IN LINE WITH FY TARGET

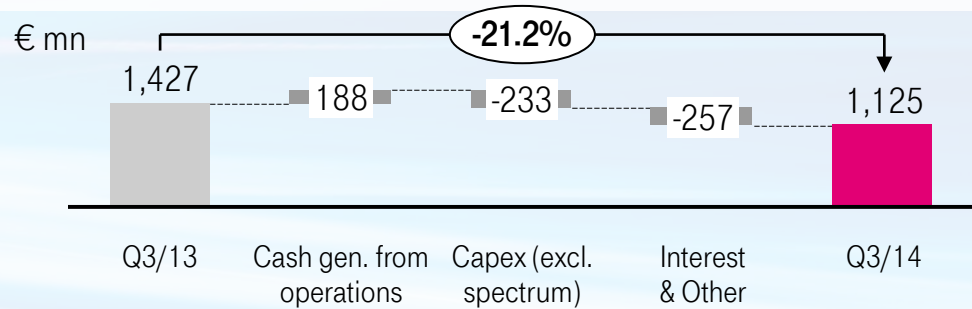
ADJ. NET INCOME



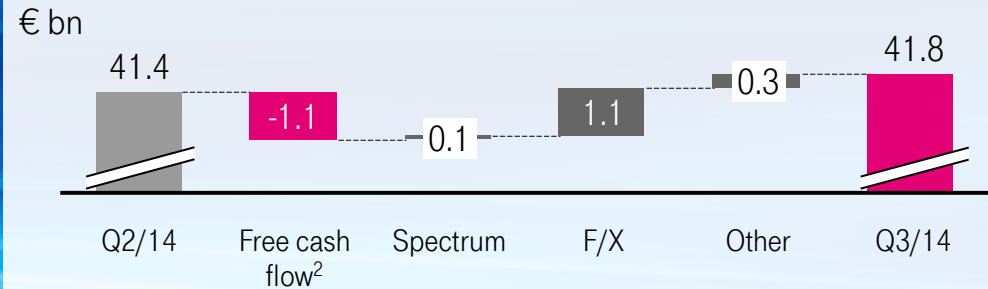
ROCE DEVELOPMENT²



FREE CASH FLOW¹



NET DEBT DEVELOPMENT



1) Free cash flow before dividend payments, spectrum investment 2) includes book gain on sale of Scout24



FINANCIALS: BALANCE SHEET RATIOS WITHIN TARGET RANGES

€ bn	30/09/2013	31/12/2013	31/03/2014	30/06/2014	30/09/2014
Balance sheet total	115.3	118.1	117.3	118.0	125.0
Shareholders' equity	32.0	32.1	32.8	32.5	34.0
Net debt	39.7	39.1	38.0	41.4	41.8
Net debt/Adj. EBITDA ¹	2.3	2.2	2.2	2.4	2.4
Equity ratio	27.8%	27.1%	27.9%	27.5%	27.2%
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.

FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

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