



## MEDIA INFORMATION

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### **Deutsche Telekom accelerates growth in the third quarter**

- Net revenue up 6.0 percent to EUR 15.5 billion, organic revenue growth of 2.4 percent
- Adjusted EBITDA down 2.6 percent to EUR 4.7 billion, trend improved compared with the first half of the year
- Turnaround achieved in the United States, deluge of more than a million new customers
- Business in Germany stable
- Europe feeling the strain of regulation, upward trend in growth areas
- Steady increase in T-Systems' profitability

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Deutsche Telekom continues to grow. In the third quarter of 2013, the Group generated revenue of EUR 15.5 billion, 6.0 percent more than in the prior-year period. Organically, i.e., adjusted for changes in the composition of the Group such as the inclusion of the U.S. mobile company MetroPCS and for exchange rate effects, there was still a clear plus of 2.4 percent. Adjusted EBITDA fell by 2.6 percent year-on-year in the third quarter to EUR 4.7 billion due to investments in customer growth. This marked a clear improvement in the EBITDA trend: The year-on-year decrease was still 5.2 percent in the first half of 2013.

"After an excellent second quarter, these figures are further proof of our strength," said René Obermann, CEO of Deutsche Telekom. "In the United States, we have managed to achieve an impressive turnaround and in our home market we show ongoing stability, making us the envy of many companies in our industry."



The Group's growth was driven by the business in the United States. With its successful "Un-carrier" strategy, T-Mobile US gained more than a million customers net between July and September alone. Together with the inclusion of MetroPCS, this deluge of new customers resulted in a revenue increase, in euros, of more than 30 percent. Measured in U.S. dollars, the increase was as much as 38 percent.

Adjusted net profit for the first nine months was EUR 2.4 billion, 2.7 percent up year-on-year. It was down 11.4 percent year-on-year in the third quarter. In terms of cash capex, investments increased by 26.8 percent Group-wide in the first nine months of the year to EUR 7.6 billion. Excluding spectrum payments, the increase totaled 13.3 percent in the first nine months and 18.3 percent in the third quarter. The most important driver was the United States, where investments increased by more than 50 percent, primarily for the roll-out of the LTE network. Free cash flow was marked by a strong decline resulting from the strategy of investing more heavily in building out and modernizing the networks. Excluding expenses for mobile spectrum, this figure fell by 39 percent year-on-year to EUR 1.4 billion in the third quarter. In the first nine months, the decrease was 30 percent.

Deutsche Telekom confirmed its guidance for the full year 2013. Adjusted EBITDA of around EUR 17.5 billion and free cash flow of around EUR 4.5 billion are still expected.

### **Germany – Improved earnings trend**

Deutsche Telekom continues to maintain stable performance on its home market. Revenue in the Germany operating segment remained almost stable in the third quarter of 2013, down 1.2 percent compared with the same period in the prior year, and amounted to around EUR 5.7 billion. Adjusted EBITDA fell by 1.1 percent to EUR 2.4 billion, resulting in an adjusted EBITDA margin of



41.9 percent which is within the target corridor of around 40 percent in 2013. The EBITDA trend clearly improved compared with the first half of the year.

The mobile contract customer base grew by 470,000 between July and September, including 164,000 new customers under the Deutsche Telekom and Congstar brands. Deutsche Telekom topped the table once again in all network tests. Customers not only confirmed that the Company has the best network quality in fixed network and mobile communications (CHIP magazine), but also that it has the fastest network, for example in the reader awards of the trade journal Computer Bild.

More than a third of the 1.2 million smartphones sold in the third quarter were LTE-enabled devices. Mobile data revenue remains one of the driving forces in mobile communications, increasing by 30.7 percent.

In a weaker overall market, Deutsche Telekom defended its leading position in service revenue. Adjusted for the cut in mobile termination rates (MTR), a slight minus of 1.0 percent was recorded compared with the prior year; in unadjusted figures, a decrease of 2.8 percent was recorded. Thus, Deutsche Telekom clearly outperformed the market as a whole.

Fixed-network business was dominated by continued strong demand for the fiber-optic products VDSL and FTTH. The total number of these lines climbed by 119,000 to 1.4 million in the third quarter. This figure has increased by 65 percent within a year. The “Call & Surf via Funk” wireless broadband service has already attracted 210,000 customers.

### **United States – Deluge of new customers continues**

As in the second quarter, T-Mobile US had huge success with its “Un-carrier” strategy. The total number of customers increased by more than a million between July and September to over 45 million. The branded postpaid



customer base grew by 648,000 in the quarter just ended. The “Un-carrier” strategy includes not operating fixed-term contracts, offering attractive options for switching cell phone, good value roaming rates, and – introduced just at the end of October – completely new offers in relation to tablets and the launch of the Apple iPad. The initiatives have totally shaken up the pecking order on the U.S. mobile market. T-Mobile US won more new mobile prepaid customers than all its competitors.

In view of the positive trend, T-Mobile US revised its forecast upwards for the second half of 2013. The Company now expects to gain 1.6 to 1.8 million new branded contract customers, instead of the previous estimate of 1.0 to 1.2 million.

This sensational market success is also reflected in the financial figures. T-Mobile's total revenue grew by 30.5 percent year-on-year to EUR 5.1 billion in the third quarter, including MetroPCS, which was consolidated as of May 1 of this year. In U.S. dollar terms, it increased by as much as 38.1 percent. Adjusted EBITDA increased by 8.9 percent to EUR 1.1 billion, despite much higher market investments in the same period.

In addition to the specified strategic steps of the Un-carrier strategy, network roll-out is a cornerstone of this success. T-Mobile US's state-of-the-art LTE network already covered 202 million people at the end of September. Thus, the year-end target was achieved three months earlier than planned. In addition, the merger with MetroPCS is bringing greater synergies than originally announced.

## **Europe – Revenue impacted by regulatory intervention, EBITDA under pressure**

In the still strained economic environment, revenue in the Europe operating segment declined. At EUR 3.4 billion, reported revenue was down 6.0 percent year-on-year in the third quarter. This decline is attributable in part to changes in the composition of the Group, above all the deconsolidation of the Bulgarian companies as of July 31, as well as to exchange rate effects. Excluding these effects, the organic decline in revenue was 3.4 percent. If the figures are additionally adjusted for the effect of regulatory decisions in mobile communications and one-time effects, revenues remained virtually stable, falling by just 0.6 percent.

Higher market investments in the Netherlands and the intensified price war in the Czech Republic and Croatia resulted in a significant decline in adjusted EBITDA of 13.6 percent to EUR 1.2 billion. In organic terms, adjusted EBITDA decreased by 10.6 percent. The Greek company OTE performed well. Adjusted for the negative effects of regulation, OTE's adjusted EBITDA stabilized at the same level as in the third quarter of 2012. The fall in revenue was offset by cost reductions.

Progress was made in the growth areas, which now account for 22 percent of segment revenue. This translates into a plus of 3 percentage points compared with the prior-year quarter. The share of mobile data revenues in total mobile revenues grew by 3 percentage points to 17 percent. B2B/ICT revenues now account for 2.9 percent of total revenue, up 0.4 percentage points on the previous year. In terms of customers, the Europe segment recorded significant gains in the third quarter: 64,000 new broadband customers, 361,000 new TV customers, due in part to the acquisition of DIGI Slovakia, and growth of 164,000 mobile contract customers.

## **Systems Solutions – Order entry and profitability grow**

T-Systems managed to substantially increase its profits in the third quarter. In the Market Unit – which is mainly external business with Deutsche Telekom's corporate customers – adjusted EBITDA increased by 11.2 percent year-on-year to EUR 179 million. The adjusted EBIT margin – the most important profitability indicator in the industry – achieved 3.8 percent after 1.5 percent in the third quarter of the prior year. Thanks to enhanced efficiency and systematic cost management, T-Systems continuously improved this indicator over the course of 2013.

In the third quarter, new deals concluded with the energy provider RWE and the European Union, among others, increased order entry by 11.6 percent year-on-year in the third quarter to EUR 1.8 billion. For the first nine months of 2013, the year-on-year plus was as much as 15.0 percent.

In an environment characterized by tough price competition, revenue in the Market Unit fell by 1.1 percent to EUR 1.9 billion. However, adjusted for the deconsolidated business in Italy and France as well as for currency effects, organic growth of 2.7 percent was recorded. The revenue increase at the Telekom IT unit – the Group's internal IT business in Germany – is attributable to internal IT projects delayed from previous quarters.



**The Deutsche Telekom Group at a glance:**

	Q3 2013 millions of EUR	Q3 2012 millions of EUR <sup>a</sup>	Change %	Q1-Q3 2013 millions of EUR	Q1-Q3 2012 millions of EUR <sup>a</sup>	Change %	FY 2012 millions of EUR <sup>a</sup>
Revenue	15,525	14,651	6.0	44,467	43,462	2.3	58,169
Proportion generated internationally %	58.8	56.1	2.7p	57.3	55.9	1.4p	55.7
EBITDA	4,468	4,646	(3.8)	12,579	13,263	(5.2)	17,995
Adjusted EBITDA	4,659	4,782	(2.6)	13,364	13,965	(4.3)	17,973
Net profit	588	(7,021)	n.a.	1,682	(5,994)	n.a.	(5,353)
Adjusted net profit	823	929	(11.4)	2,400	2,337	2.7	2,537
Free cash flow <sup>b</sup>	1,427	2,344	(39.1)	3,574	5,134	(30.4)	6,239
Cash capex <sup>c</sup>	2,378	2,198	8.2	7,600	5,993	26.8	8,432
Net debt				39,726	39,001	1.9	36,860
Number of employees <sup>d</sup>				229,094	230,392	(0.6)	229,686

**Comments on the table:**

T-Mobile US is included in Deutsche Telekom's consolidated financial statements as a fully consolidated company for the first time effective May 1, 2013.

- a The prior-year comparatives were adjusted retrospectively due to the application of IAS 19 (amended) as of January 1, 2013.
- b Before dividend payments, investments in spectrum, and before the effects of the AT&T transaction and the payment of compensation for MetroPCS employees.
- c Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill).
- d At reporting date.



**Operating segments:**

	Q3 2013 millions of EUR	Q3 2012 millions of EUR	Change %	Q1-Q3 2013 millions of EUR	Q1-Q3 2012 millions of EUR	Change %	FY 2012 millions of EUR
<b>Germany<sup>a</sup></b>							
Total revenue	5,670	5,736	(1.2)	16,801	17,005	(1.2)	22,736
EBITDA	2,268	2,277	(0.4)	6,547	6,708	(2.4)	8,606
Adjusted EBITDA	2,375	2,401	(1.1)	6,909	7,092	(2.6)	9,166
Number of employees <sup>b</sup>				67,434	67,619	(0.3)	67,497
<b>United States<sup>c</sup></b>							
Total revenue	5,108	3,915	30.5	13,474	11,578	16.4	15,371
EBITDA	1,019	1,133	(10.1)	2,757	3,074	(10.3)	5,319
Adjusted EBITDA	1,082	994	8.9	2,900	3,035	(4.4)	3,840
<b>Europe</b>							
Total revenue	3,436	3,654	(6.0)	10,183	10,812	(5.8)	14,406
EBITDA	1,265	1,340	(5.6)	3,502	3,687	(5.0)	4,728
Adjusted EBITDA	1,162	1,345	(13.6)	3,358	3,732	(10.0)	4,936
<b>Systems Solutions<sup>a</sup></b>							
Order entry	1,801	1,614	11.6	5,882	5,115	15.0	8,737
Total revenue	2,286	2,245	1.8	6,878	7,187	(4.3)	10,016
Of which Market Unit	1,873	1,894	(1.1)	5,650	5,712	(1.1)	7,839
Adjusted EBITDA margin (%)	2.3	1.2	1.1p	1.7	0.6	1.1p	1.1
Adj. EBIT margin, Market Unit (%)	3.8	1.5	2.3p	2.4	0.7	1.7p	1.4
EBITDA	134	103	30.1	301	276	9.1	342
Adjusted EBITDA	203	186	9.1	599	507	18.1	747

**Comments on the table:**

- a The operations of Regional Services and Solutions (RSS) have been managed by the Germany operating segment since January 1, 2013, and no longer by the Systems Solutions operating segment, to allow a more focused market approach.
- b At reporting date.
- c First-time consolidation of T-Mobile US effective May 1, 2013.





**Development of customer numbers in the third quarter of 2013**

**Operating segments: Development of customer numbers in year-on-year comparison**

	Sept. 30, 2013 thousands	Sept. 30, 2012 thousands	Change thousands	Change %
<b>Germany</b>				
Mobile customers	37,936	35,994	1,942	5.4
Of which contract customers	20,915	19,133	1,782	9.3
Fixed-network lines	21,625	22,620	(995)	(4.4)
Of which IP-based	1,774	750	1,024	n.a.
Broadband lines	12,383	12,424	(41)	(0.3)
TV (IPTV, satellite)	2,121	1,906	215	11.3
Unbundled local loop lines (ULLs)	9,299	9,453	(154)	(1.6)
<b>United States<sup>a</sup></b>				
Mobile customers	45,039	33,327	11,712	35.1
Of which branded postpaid customers	21,430	20,809	621	3.0
Of which branded prepay customers	14,960	5,659	9,301	n.a.
<b>Europe<sup>b</sup></b>				
Mobile customers	56,825	57,096	(271)	(0.5)
Of which contract customers	25,385	24,824	561	2.3
Fixed-network lines	9,623	10,089	(466)	(4.6)
Of which IP-based	2,511	1,607	904	56.3
Retail broadband lines	4,935	4,688	247	5.3
TV (IPTV, satellite, cable) <sup>c</sup>	3,447	2,830	617	21.8

**Comments on the table:**

- a First-time consolidation of T-Mobile US effective May 1, 2013.
- b The customers of our companies in Bulgaria have not been 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.
- c The number of TV customers increased as of September 1, 2013, in connection with the acquisition of DIGI Slovakia.



**Operating segments: Development of customer numbers in the third quarter of 2013**

	<b>Sept. 30, 2013 thousands</b>	<b>June 30, 2013 thousands</b>	<b>Change thousands</b>	<b>Change %</b>
<b>Germany</b>				
Mobile customers	37,936	37,492	444	1.2
Of which contract customers	20,915	20,445	470	2.3
Fixed-network lines	21,625	21,880	(255)	(1.2)
Of which IP-based	1,774	1,474	300	20.4
Broadband lines	12,383	12,430	(47)	(0.4)
TV (IPTV, satellite)	2,121	2,078	43	2.1
Unbundled local loop lines (ULLs)	9,299	9,359	(60)	(0.6)
<b>United States<sup>a</sup></b>				
Mobile customers	45,039	44,016	1,023	2.3
Of which branded postpaid customers	21,430	20,783	648	3.1
Of which branded prepay customers	14,960	14,935	25	0.2
<b>Europe<sup>b</sup></b>				
Mobile customers	56,825	56,985	(160)	(0.3)
Of which contract customers	25,385	25,221	164	0.7
Fixed-network lines	9,623	9,733	(110)	(1.1)
Of which IP-based	2,511	2,223	288	13.0
Retail broadband lines	4,935	4,871	64	1.3
TV (IPTV, satellite, cable) <sup>c</sup>	3,447	3,086	361	11.7

**Comments on the table:**

- a First-time consolidation of T-Mobile US effective May 1, 2013.
- b The customers of our companies in Bulgaria have not been 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.
- c The number of TV customers increased as of September 1, 2013, in connection with the acquisition of DIGI Slovakia.

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