



MEDIA INFORMATION

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Deutsche Telekom remains on course for success in the second quarter with strong investments

- Revenue up by 15.3 percent to EUR 17.4 billion, organic revenue growth of 5.7 percent
- Adjusted EBITDA up by 13.5 percent to EUR 5.0 billion, organic growth of 6.7 percent
- Adjusted net profit up by almost 70 percent
- 3.4 million fiber-optic-based lines in Germany
- T-Mobile US increases adjusted EBITDA by 22.8 percent

Deutsche Telekom reports double-digit growth for the second quarter of 2015. Net revenue rose by 15.3 percent compared with the prior-year period to EUR 17.4 billion. Adjusted EBITDA rose by 13.5 percent to EUR 5.0 billion. Organic growth, i.e., excluding exchange rate fluctuations and changes in the composition of the Group, was also strong, with revenue up 5.7 percent in the second quarter and adjusted EBITDA up 6.7 percent.

"We have emphatically confirmed the strong figures from the first quarter," said Tim Höttges, CEO of Deutsche Telekom. "The transformation of the Group is continuing at full speed in all areas. We are heading in the right direction."

The Group is continuing to invest in its future. Investments in terms of cash capex before mobile spectrum expenses increased by 17.2 percent year-on-year to EUR 2.6 billion in the second quarter of 2015. At the same time, free cash flow improved by 31.1 percent to EUR 1.4 billion.



Adjusted net profit was up almost 70 percent to EUR 1.1 billion, due to higher adjusted EBITDA. Reported net profit, i.e., before adjustment for special factors, stood on a par with the prior-year level at EUR 0.7 billion. However, negative special factors in the second quarter were some EUR 0.4 billion higher than in the prior year, due in part to higher expenses for staff-related measures.

Deutsche Telekom confirms its guidance for 2015. Based on a constant exchange rate compared with 2014 of USD 1.33 per euro, adjusted EBITDA is expected to reach around EUR 18.3 billion and free cash flow around EUR 4.3 billion.

Germany – More and more customers are choosing Magenta

The high level of investments in networks is increasingly paying off for Deutsche Telekom on its home market in terms of customer growth. The number of retail broadband customers increased by 81,000 in the second quarter of 2015, the strongest rise in more than three years. Telekom is now expecting around 250,000 net retail broadband additions in the full year instead of the approximately 100,000 forecast at the start of the year.

430,000 retail and wholesale customers switched to a fiber-optic-based product (VDSL/FTTH) for the first time. At the end of the quarter, the number of these lines had increased by almost three quarters year-on-year to 3.4 million. The migration to the IP platform is making rapid progress. 7.8 million lines have now been migrated, 95 percent more than a year earlier. Thus, a third of all of Deutsche Telekom's fixed-network lines have already been migrated.

In mobile communications, network coverage with the LTE standard increased from 77 percent to 85 percent of the population within a year. While the overall market for mobile service revenues shrank slightly year-on-year, Telekom



recorded a moderate increase of 0.1 percent and maintained its market leadership.

Total revenue in the Germany segment increased by 2.1 percent year-on-year to EUR 5.6 billion in the second quarter of 2015. Revenue from mobile devices and a stabilization of the wholesale business had a positive effect. At the same time, adjusted EBITDA declined by 1.4 percent to EUR 2.2 billion, with one of the key drivers being higher personnel costs as a result of new hires and taking on junior staff after completion of training for the accelerated network build-out and IP migration.

United States – Un-carrier unstoppable

The T-Mobile US success story continues. The company reported impressive growth figures again for the second quarter of 2015. The customer base grew by 2.1 million, including more than one million branded postpaid customers. T-Mobile US has again raised its forecast for new branded postpaid customers in the full year to between 3.5 and 3.9 million – with its EBITDA guidance unchanged. The churn rate for branded postpaid customers decreased to 1.3 percent, from 1.5 percent a year earlier. With 58.9 million customers, T-Mobile US is now the number three on the U.S. mobile market.

The numerous initiatives of the Un-carrier strategy are increasingly proving their effectiveness. Just recently, T-Mobile US introduced the innovation that customers no longer incur additional roaming charges for mobile calls in the neighboring countries of Mexico and Canada. This applies to both calls from the United States to these countries and to calls made while staying in these countries to the United States as well as within Mexico or Canada.

The ongoing customer rush is increasingly reflected in the key financial figures. Total revenue grew by 13.7 percent compared with the prior-year quarter to



USD 8.2 billion. The growth in adjusted EBITDA was even more pronounced, up 22.8 percent to USD 1.8 billion.

Europe – More revenue from growth areas

The pace of network build-out and modernization in the European subsidiaries also continued unabated in the second quarter of 2015. The mobile standard LTE reached population coverage of 60 percent, compared with 38 percent a year earlier. In countries in which we offer both fixed-network and mobile communications, 43 percent of all lines were already IP-based, compared with 32 percent in the prior year. And thanks to fiber-optic products, a bandwidth of at least 100 Mbit/s was available in 17 percent of all households, compared with 13 percent one year ago.

The revenue transformation in Europe also continued to advance. At the end of the second quarter, 28 percent of revenue came from growth areas such as mobile Internet and the Connected Home, compared with 25 percent a year earlier.

Between April and June, the revenue trend in the Europe segment was decent, declining by just 0.9 percent overall. At the same time, adjusted EBITDA declined by 2.6 percent to EUR 1.1 billion, giving an adjusted EBITDA margin of 34.1 percent.

Systems Solutions – Progress in revenue and earnings

T-Systems' most important financial indicators improved in the second quarter of 2015. In the T-Systems Market Unit, which reflects Deutsche Telekom's business with corporate customers, revenue increased by 3.6 percent year-on-year to EUR 1.7 billion. This is also due to positive exchange rate effects to



some extent. The key earnings indicators rose as well. Adjusted EBIT in the Market Unit increased to a positive value of EUR 36 million from minus EUR 4 million in the second quarter of 2014. As a result, the adjusted EBIT margin was up from minus 0.2 percent to a positive 2.0 percent. This increase is attributable to efficiency enhancements.

Order entry in the Market Unit increased in the second quarter, primarily thanks to numerous cloud contracts. These contracts resulted from the refocusing of T-Systems to do more business based on scalable, platform-based, and thus per se more profitable offers in digital innovation areas. Growth stood at 4.7 percent compared with the prior-year period. At Telekom IT, which bundles the Group's internal IT business in Germany under the umbrella of T-Systems, revenue declined as planned.



The Deutsche Telekom Group at a glance:

	Q2 2015 millions of €	Q2 2014 millions of €	Change %	H1 2015 millions of €	H1 2014 millions of €	Change %	FY 2014 millions of €
Revenue	17,428	15,114	15.3	34,270	30,008	14.2	62,658
Proportion generated internationally (%)	64.2	59.6	4.6p	63.6	59.1	4.5p	60.1
EBITDA	4,534	4,417	2.6	8,694	10,055	(13.5)	17,821
Adjusted EBITDA	5,026	4,429	13.5	9,600	8,550	12.3	17,569
Net profit	712	711	0.1	1,499	2,528	(40.7)	2,924
Adjusted net profit	1,078	636	69.5	2,114	1,223	72.9	2,422
Free cash flow ^a	1,375	1,049	31.1	2,240	2,032	10.2	4,140
Cash capex ^b (before spectrum)	2,575	2,197	17.2	5,105	4,262	19.8	9,534
Cash capex ^b	4,330	3,946	9.7	8,759	6,143	42.6	11,844
Net debt	48,835	41,385	18.0	48,835	41,385	18.0	42,500
Number of employees ^c	225,596	229,897	(1.9)	225,596	229,897	(1.9)	227,811

Comments on the table:

a Before dividend payments and spectrum investment.

b Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill).

c At reporting date.



Operating segments:

	Q2 2015 millions of €	Q2 2014 millions of €	Change %	H1 2015 millions of €	H1 2014 millions of €	Change %	FY 2014 millions of €
Germany							
Total revenue	5,580	5,464	2.1	11,169	10,947	2.0	22,257
EBITDA	2,102	2,217	(5.2)	4,227	4,422	(4.4)	8,556
Adjusted EBITDA	2,224	2,256	(1.4)	4,435	4,486	(1.1)	8,810
Number of employees ^a	69,607	67,883	2.5	69,607	67,883	2.5	68,754
United States							
Total revenue	7,443	5,270	41.2	14,348	10,344	38.7	22,408
EBITDA	1,581	1,411	12.0	2,692	2,206	22.0	4,244
Adjusted EBITDA	1,652	1,083	52.5	2,877	1,927	49.3	4,296
Europe^b							
Total revenue	3,136	3,163	(0.9)	6,242	6,288	(0.7)	12,972
EBITDA	1,007	1,074	(6.2)	1,960	2,086	(6.0)	4,301
Adjusted EBITDA	1,069	1,098	(2.6)	2,077	2,125	(2.3)	4,432
Systems Solutions							
Order entry	1,372	1,311	4.7	2,658	2,725	(2.5)	7,456
Total revenue	2,166	2,187	(1.0)	4,167	4,239	(1.7)	8,601
Of which: Market Unit	1,734	1,674	3.6	3,429	3,353	2.3	6,874
Adjusted EBIT margin (%)	1.7	0.4	1.3 p	1.3	0.1	1.2 p	1.5
Adj. EBIT margin, Market Unit (%)	2.0	(0.2)	2.2 p	2.0	(0.3)	2.3 p	2.4
EBITDA	(5)	155	n.a.	75	236	(68.2)	295
Adjusted EBITDA	214	288	(25.7)	368	426	(13.6)	835

Comments on the table:

a At reporting date.

b First-time inclusion of the GTS Central Europe group since May 30, 2014.



Development of customer numbers

Operating segments: Development of customer numbers in the second quarter of 2015

	June 30, 2015 thousands	Mar. 31, 2015 thousands	Change thousands	Change %
Germany				
Mobile customers	39,465	39,200	265	0.7
Of which contract customers	22,984	22,576	408	1.8
Fixed-network lines	20,437	20,555	(118)	(0.6)
Of which retail IP-based	5,763	5,120	643	12.6
Broadband lines	12,518	12,437	81	0.7
Of which optical fiber ^a	2,365	2,094	271	12.9
Television (IPTV, satellite)	2,578	2,516	62	2.5
Unbundled local loop lines (ULLs)	8,432	8,619	(187)	(2.2)
United States				
Mobile customers	58,908	56,836	2,072	3.6
Of which branded postpaid customers	29,318	28,310	1,008	3.6
Of which branded prepay customers	16,567	16,389	178	1.1
Europe				
Mobile customers	55,807	55,849	(42)	(0.1)
Of which contract customers	25,380	25,422	(42)	(0.2)
Fixed-network lines	8,810	8,922	(112)	(1.3)
Of which IP-based	3,779	3,606	173	4.8
Retail broadband lines	5,075	5,038	37	0.7
Television (IPTV, satellite, cable)	3,768	3,741	27	0.7

Comment on the table:

a Sum of all FTTx access lines (e.g., FTTC/VDSL, vectoring, and FTTH).



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

	June 30, 2015 thousands	June 30, 2014 thousands	Change thousands	Change %
Germany				
Mobile customers	39,465	39,337	128	0.3
Of which contract customers	22,984	22,379	605	2.7
Fixed-network lines	20,437	21,034	(597)	(2.8)
Of which retail IP-based	5,763	3,167	2,596	82.0
Broadband lines	12,518	12,361	157	1.3
Of which optical fiber ^a	2,365	1,494	871	58.3
Television (IPTV, satellite)	2,578	2,318	260	11.2
Unbundled local loop lines (ULLs)	8,432	9,101	(669)	(7.4)
United States				
Mobile customers	58,908	50,545	8,363	16.5
Of which branded postpaid customers	29,318	24,530	4,788	19.5
Of which branded prepay customers	16,567	15,639	928	5.9
Europe				
Mobile customers	55,807	56,485	(678)	(1.2)
Of which contract customers	25,380	25,569	(189)	(0.7)
Fixed-network lines	8,810	9,172	(362)	(3.9)
Of which IP-based	3,779	2,934	845	28.8
Retail broadband lines	5,075	4,849	226	4.7
Television (IPTV, satellite, cable)	3,768	3,619	149	4.1

Comment on the table:

a Sum of all FTTx access lines (e.g., FTTC/VDSL, vectoring, and FTTH).



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