

## MEDIA INFORMATION

Bonn, November 5, 2015

### **Deutsche Telekom records jump in profit in the third quarter**

- Net profit up by almost 60 percent to more than 800 million euros, adjusted net profit up by 30 percent
- Revenue up 9.3 percent to 17.1 billion euros
- Adjusted EBITDA up 12.9 percent to 5.2 billion euros
- Free cash flow increased 16.3 percent on prior-year figure to 1.3 billion euros
- Strong growth in number of fiber-optic customers in Germany and mobile customers in the United States

---

Deutsche Telekom's performance in the third quarter of 2015 was dominated by double-digit growth rates in the most important financial indicators. Net profit increased by 59.9 percent to 809 million euros compared with the same period in the prior year. Adjusted for special factors, net profit increased by 30 percent to 1.0 billion euros.

Adjusted EBITDA also recorded substantial growth, increasing by 12.9 percent to 5.2 billion euros. At the same time, net revenue increased by 9.3 percent to 17.1 billion euros. Revenue growth was somewhat lower than in the previous quarters due to the effects of the new terminal equipment lease model in the United States. On an organic basis, i.e., adjusted for exchange rate effects and changes in the composition of the Group, revenue increased by 2.2 percent and adjusted EBITDA by 8.1 percent in the third quarter.



"We are resolutely forging ahead with our strategy," explained Tim Höttges, CEO of Deutsche Telekom. "High investments in broadband roll-out and connectivity remain the basis for growth."

The Group invested 2.7 billion euros in the third quarter of 2015, which in terms of cash capex excluding mobile spectrum expenses is 8.2 percent more than the previous year. Despite the high capital expenditure, free cash flow also increased substantially, by 16.3 percent to 1.3 billion euros. This made a significant contribution to reducing net debt from 48.8 billion euros to 47.8 billion euros in just three months.

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

### **Germany – Continued strong growth in fiber-optic lines**

Deutsche Telekom once again recorded significant growth in a key innovation market in Germany in the third quarter: The number of customers using fiber-optic broadband lines (VDSL and FTTH) increased by another 425,000 (retail and wholesale).

The continuous growth in this forward-looking market segment is the result of a systematic network build-out. In the third quarter of 2015, fiber-optic broadband went on sale for another 600,000 households. As of the end of the reporting quarter, the number of fiber-optic lines stood at 3.84 million – up 75 percent in just one year.

The number of branded broadband customers climbed by 78,000 in the third quarter. Deutsche Telekom's revenue from broadband business is gradually



gaining momentum, growing by 0.9 percent in the third quarter. Another component of the growth trend in broadband business is hybrid lines, in which Deutsche Telekom bundles the potential offered by the fixed network technology DSL and the mobile technology LTE. In the third quarter of 2015, the net number of these lines increased by 51,000 to a total of 109,000. In the traditional fixed-network business, Deutsche Telekom lost a net total of 83,000 lines, the lowest value since recording of the trend began eleven years ago.

In the mobile business, Deutsche Telekom remains the clear market leader in terms of service revenues in Germany, with a decrease of 0.4 percent.

Deutsche Telekom promoted the trend in mobile broadband communication among other initiatives by further rolling out its LTE network. The network now covers 87 percent of the population in Germany. In the same quarter of 2014, network coverage stood at just 79 percent.

Total revenue in the Germany segment increased by 0.1 percent year-on-year to 5.6 billion euros in the third quarter of 2015 compared with the prior-year quarter. Adjusted EBITDA fell by 2.4 percent to 2.3 billion euros, giving an EBITDA margin of 40.8 percent.

### **United States – Customer forecast raised again**

T-Mobile US increased its forecast for the number of new branded postpaid customers in 2015 for the third time this year. The company now expects between 3.8 million and 4.2 million new customers in this segment. 1.1 million net additions were recorded in the third quarter. The total number of customers increased by 2.3 million to 61.2 million between July and September.

This clear customer growth is increasingly reflected in the key financial figures. Adjusted EBITDA increased by more than 40 percent year-on-year in the third quarter of 2015 to 1.9 billion U.S. dollars. Total revenue increased by



6.7 percent to 7.8 billion U.S. dollars. This growth was weaker due to the effect of terminal equipment being leased under the new JUMP! On Demand business model. As part of this model, revenue is spread over the term of the contract instead of being recognized in full on its conclusion, as under the previous contract model.

T-Mobile US continues to engage very successfully in new initiatives of the Un-carrier strategy while at the same time rapidly building out the network. The company achieved its annual target of population coverage of 300 million people with LTE technology in the third quarter, months earlier than planned.

### **Europe – Network modernization continued**

The importance of the growth areas in the European national companies continues to rise. The share of revenue from this business, which includes, among other areas, mobile Internet and television, reached 29 percent in the third quarter, up 4 percentage points year-on-year. The number of TV customers in the Europe segment increased to more than 3.8 million. More than 400,000 of them are in Greece, where the broadcasting rights to the UEFA Champions League makes the offering particularly attractive.

The modernization of the networks is in full swing. In the fixed network, 45 percent of lines are now IP-based, 10 percentage points more than at the same point in 2014. In mobile communications, network coverage with the LTE standard continues to grow, up from 42 percent a year ago to now 65 percent.

The financial indicators of the Europe operating segment decreased slightly. Revenue in the third quarter stood at 3.2 billion euros. That is 3.6 percent less than a year earlier. At the same time, adjusted EBITDA declined by 3.0 percent to 1.1 billion euros.



## **Systems Solutions – Growth in revenue**

In persistently intense competition, T-Systems succeeded in increasing revenue from corporate customers in the third quarter of 2015. In the Market Unit, which mainly comprises business with external customers, revenue increased by 4.6 percent year-on-year to 1.8 billion euros. Adjusted for exchange rate effects, the growth rate was 3.3 percent. In the growth area of the cloud, revenues increased by 27 percent in the third quarter to around 260 million euros.

Earnings declined moderately. Adjusted EBIT in the Market Unit fell by 8 million euros compared with the third quarter of 2014 to 48 million euros. This resulted in an adjusted EBIT margin of 2.7 percent, compared with 3.4 percent in the previous year. For the first nine months of the year, the adjusted EBIT margin was 2.3 percent, after 0.9 percent in the prior-year period.



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

	Q 3 2015 millions of €	Q 3 2014 millions of €	Change %	Q1-Q3 2015 millions of €	Q1-Q3 2014 millions of €	Change %	FY 2014 millions of €
Revenue	17,099	15,648	9.3	51,369	45,656	12.5	62,658
Proportion generated internationally (%)	63.6	60.3	3.3p	63.6	59.5	4.1p	60.1
EBITDA	4,581	4,007	14.3	13,275	14,062	(5.6)	17,821
Adjusted EBITDA	5,165	4,575	12.9	14,765	13,125	12.5	17,569
Net profit	809	506	59.9	2,308	3,034	(23.9)	2,924
Adjusted net profit	1,040	800	30.0	3,154	2,023	55.9	2,422
Free cash flow <sup>a</sup>	1,308	1,125	16.3	3,548	3,157	12.4	4,140
Cash capex <sup>b</sup>	2,813	2,584	8.9	11,572	8,727	32.6	11,844
Cash capex <sup>b</sup> (before spectrum)	2,698	2,493	8.2	7,803	6,755	15.5	9,534
Net debt	47,868	41,809	14.5	47,868	41,809	14.5	42,500
Number of employees <sup>c</sup>	226,325	228,588	(1.0)	226,325	228,588	(1.0)	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:**

	Q 3 2015 millions of €	Q 3 2014 millions of €	Change %	Q1-Q3 2015 millions of €	Q1-Q3 2014 millions of €	Change %	FY 2014 millions of €
<b>Germany</b>							
Total revenue	5,593	5,587	0.1	16,762	16,534	1.4	22,257
EBITDA	2,146	2,236	(4.0)	6,373	6,658	(4.3)	8,556
Adjusted EBITDA	2,269	2,324	(2.4)	6,704	6,810	(1.6)	8,810
Number of employees <sup>a</sup>	69,663	68,788	1.3	69,663	68,788	1.3	68,754
<b>United States</b>							
Total revenue	7,059	5,554	27.1	21,407	15,898	34.7	22,408
EBITDA	1,468	869	68.9	4,160	3,074	35.3	4,244
Adjusted EBITDA	1,702	1,014	67.9	4,579	2,941	55.7	4,296
<b>Europe<sup>b</sup></b>							
Total revenue	3,198	3,317	(3.6)	9,440	9,605	(1.7)	12,972
EBITDA	1,097	1,142	(3.9)	3,057	3,228	(5.3)	4,301
Adjusted EBITDA	1,148	1,184	(3.0)	3,225	3,309	(2.5)	4,432
<b>Systems Solutions</b>							
Order entry	1,276	2,351	(45.7)	3,934	5,076	(22.5)	7,456
Total revenue	2,115	2,068	2.3	6,282	6,307	(0.4)	8,601
Of which Market Unit	1,755	1,678	4.6	5,184	5,031	3.0	6,874
Adjusted EBIT margin (%)	2.6	2.7	(0.1p)	1.8	1.0	0.8p	1.5
Adj. EBIT margin, Market Unit (%)	2.7	3.4	(0.7p)	2.3	0.9	1.4p	2.4
EBITDA	43	44	(2.3)	118	280	(57.9)	295
Adj. EBITDA	185	197	(6.1)	553	623	(11.2)	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 third quarter of 2015**

	Sept. 30, 2015 thousands	June 30, 2015 thousands	Change thousands	Change %
<b>Germany</b>				
Mobile customers	39,892	39,465	427	1.1
Of which contract customers	23,347	22,984	363	1.6
Fixed-network lines	20,354	20,437	(83)	(0.4)
Of which retail IP-based	6,354	5,763	591	10.3
Broadband lines	12,596	12,518	78	0.6
Of which optical fiber <sup>a</sup>	2,613	2,365	248	10.5
Television (IPTV, satellite)	2,632	2,578	54	2.1
Unbundled local loop lines (ULLs)	8,231	8,432	(201)	(2.4)
<b>United States</b>				
Mobile customers	61,220	58,908	2,312	3.9
Of which branded postpaid customers	30,403	29,318	1,085	3.7
Of which branded prepay customers	17,162	16,567	595	3.6
<b>Europe</b>				
Mobile customers	55,699	55,807	(108)	(0.2)
Of which contract customers	25,438	25,380	58	0.2
Fixed-network lines	8,735	8,810	(75)	(0.9)
Of which IP-based	3,944	3,779	165	4.4
Retail broadband lines	5,114	5,075	39	0.8
Television (IPTV, satellite, cable)	3,832	3,768	64	1.7

**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**

	Sept. 30, 2015 thousands	Sept. 30, 2014 thousands	Change thousands	Change %
<b>Germany</b>				
Mobile customers	39,892	39,653	239	0.6
Of which contract customers	23,347	22,812	535	2.3
Fixed-network lines	20,354	20,841	(487)	(2.3)
Of which retail IP-based	6,354	3,744	2,610	69.7
Broadband lines	12,596	12,340	256	2.1
Of which optical fiber <sup>a</sup>	2,613	1,608	1,005	62.5
Television (IPTV, satellite)	2,632	2,377	255	10.7
Unbundled local loop lines (ULLs)	8,231	8,954	(723)	(8.1)
<b>United States</b>				
Mobile customers	61,220	52,890	8,330	15.7
Of which branded postpaid customers	30,403	25,909	4,494	17.3
Of which branded prepay customers	17,162	16,050	1,112	6.9
<b>Europe</b>				
Mobile customers	55,699	56,087	(388)	(0.7)
Of which contract customers	25,438	25,323	115	0.5
Fixed-network lines	8,735	9,073	(338)	(3.7)
Of which IP-based	3,944	3,169	775	24.5
Retail broadband lines	5,114	4,880	234	4.8
Television (IPTV, satellite, cable)	3,832	3,670	162	4.4

**Comment on the table:**

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

This media information contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. These forward-looking statements include statements with regard to the expected development of revenue, earnings, profits from operations, depreciation and amortization, cash flows, and personnel-related measures. They should therefore be considered with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. Among the factors that might influence our ability to achieve our objectives are the progress of our staff restructuring initiatives and other cost-saving measures, and the impact of other significant strategic, labor, or business initiatives, including acquisitions, dispositions, business combinations, and our network upgrade and build-out initiatives. In addition, stronger than expected competition, technological change, legal proceedings, and regulatory developments, among other factors, may have a material adverse effect on our costs and revenue development. Further, the economic downturn in our markets, and changes in interest and currency exchange rates, may also have an impact on our business development and the availability of financing on favorable conditions. Changes to our expectations concerning future cash flows may lead to impairment write downs of assets carried at historical cost, which may materially affect our results at the Group and operating segment levels. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

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 profit, 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.



LIFE IS FOR SHARING.

## Deutsche Telekom AG

Corporate Communications

**Phone:** +49 (0) 228 181 49 49

**E-mail:** [media@telekom.de](mailto:media@telekom.de)

Further information for the media at:

[www.telekom.com/media](http://www.telekom.com/media) and [www.telekom.com/photos](http://www.telekom.com/photos)

[http://twitter.com/telekom\\_group](http://twitter.com/telekom_group)

For smartphone and tablet users:

Simply scan  
the QR code and  
download  
the presentation.

