

MEDIA INFORMATION

Bonn, May 4, 2016

Deutsche Telekom invests for customers and in broadband in Germany

- Five million fiber-optic lines (VDSL/vectoring and FTTH) installed for branded customers and competitors in Germany
- Capital expenditure (excluding spectrum) up 11.9 percent to 2.8 billion euros in the first quarter
- Revenue up 4.7 percent to 17.6 billion euros
- Adjusted EBITDA up 12.9 percent to 5.2 billion euros
- Net profit quadrupled to 3.1 billion euros
- Positive effect on earnings of 2.5 billion euros from sale of stake in EE joint venture

The gigabit society needs a high-performance, integrated network. Deutsche Telekom is gradually laying the foundation for this. In the first quarter of 2016, for example, the Group passed the mark of five million fiber-optic lines (VDSL/vectoring and FTTH) in Germany. "We are rapidly bringing Germany into the high-speed age," said CEO Timotheus Hötting, pointing to record growth of 660,000 new fiber-optic lines in the first quarter of 2016 alone. "Our integrated 5G network of tomorrow with low latencies and high bandwidths is opening up the digital future to Europe. We have a clear timetable on our way toward the gigabit society. Our next goal is the federal government's broadband target for 2018. We are also taking our competitors along with us on this road," stressed Hötting. Of the five million lines, more than 1.7 million are leased by competitors and marketed under their own brands. With its role at the forefront



of the next-generation 5G mobile communications standard, Deutsche Telekom is on track to maintain its network leadership into the future as well.

This means that Deutsche Telekom is continuing on its path to becoming Europe's leading telecommunications company in this area too. The Group invested 2.8 billion euros (excluding mobile spectrum expenses) worldwide in the core elements of integrated networks on the basis of IP and best customer experience in the first quarter, 11.9 percent more than in the same period of the prior year. This paid off with positive trends in customer numbers and consequently in revenue and earnings growth. Net revenue increased by 4.7 percent to 17.6 billion euros. Adjusted EBITDA climbed by 12.9 percent to 5.2 billion euros. As a result of the higher cash capex, depreciation of property, plant, and equipment also increased substantially such that, below the line, adjusted net profit rose by 1.1 percent to 1.0 billion euros.

By contrast, reported net profit quadrupled to 3.1 billion euros. This increase was mainly driven by the sale of Deutsche Telekom's stake in the EE joint venture to the British company BT, which contributed earnings of 2.5 billion euros. The increase in cash capex resulted in a moderate decline in free cash flow by 5 percent to 0.8 billion euros.

The Group confirmed both its guidance for the financial targets for 2016 and its medium-term outlook for 2014 to 2018.

Record growth in fiber-optic lines in Germany

Cash capex in the Germany segment stood at 0.9 billion euros in the first quarter, down 4.3 percent year-on-year due to a decrease in construction activity compared to the prior-year quarter, caused by higher levels of precipitation. For the full year 2016, Telekom Deutschland plans to further increase cash capex against the 4.0 billion euros of the previous year. Under



the integrated network strategy, fiber-optic coverage increased by another 4 million households year-on-year as of the end of the first quarter of 2016, to a total of 23.7 million. The LTE network reached population coverage of 91 percent compared with 82 percent a year earlier. Another 3.5 million lines of branded customers and leased by competitors were converted to IP technology.

In the Germany business, the growth in fiber-optic lines in the first quarter was outstanding at 660,000. Of these new lines, 363,000 related to branded customers and 297,000 to wholesale business, the vast majority under the contingent model. Thus, competitors increased their demand for Deutsche Telekom's fiber-optic lines by more than three quarters compared with the first three months of 2015.

Due to the strong demand for fiber-optic lines, the number of branded broadband customers grew considerably by a net 62,000 in the quarter. Combined with another 53,000 new customers for Entertain, this contributed to increasing overall broadband revenue in the Germany segment by 1.8 percent. Thus, the positive revenue trend of the last few quarters continued to accelerate in this area. The high demand from competitors for fiber-optic lines increased wholesale revenue by 2.9 percent in the first quarter.

In mobile communications, Deutsche Telekom maintained its market lead in service revenues. 231,000 new contract customers is a decline against the prior-year quarter, which however was positively affected by reclassifications in connection with the new Multibrand unit. Of the 1.7 percent decline in mobile service revenues, discounts in connection with MagentaEINS accounted for a good percentage point. Increased competitive pressure in the business customer market is depressing revenues across the entire sector. Nevertheless, taking this factor into account, the service revenues performed somewhat better than the overall market.



Segment revenue fell by 2.5 percent overall, to 5.5 billion euros. Half of this decrease is attributable to the reduction in the low-margin distribution business with mobile devices. Adjusted EBITDA decreased by 1.4 percent to 2.2 billion euros.

T-Mobile US leading in U.S. mobile communications

T-Mobile US continued its success story of the last three years for another quarter. With 2.2 million new customers, more than half of them branded postpaid customers, the company further consolidated its position as number three in the U.S. market. After four quarters in succession with more than two million new customers, T-Mobile US now has around 65.5 million subscribers.

This strong trend means that T-Mobile US remains at the forefront of the industry in terms of financial growth. Total revenue increased by 10.9 percent to 8.6 billion U.S. dollars, with service revenues rising by 14.2 percent to 6.5 billion U.S. dollars.

T-Mobile US' contribution to the Group's adjusted EBITDA rose to 2.1 billion U.S. dollars, up 53.5 percent compared with the same period in 2015. This contribution includes a positive net amount of around 0.2 billion U.S. dollars from the terminal equipment leasing offer, as well as from Data Stash, the offer of carrying over unused data volumes to the next month.

For the full year 2016, a further contribution to the Group's adjusted EBITDA of around 9.1 billion U.S. dollars is expected. As a special factor, the effect of 0.6 billion U.S. dollars recognized in the accounting of T-Mobile US from a spectrum transaction in the first quarter of 2016 was not taken into account in the adjusted EBITDA guidance at Group level.



After a strong start to the year, T-Mobile US revised upwards its expectations for customer growth. Building on an increase in the number of branded postpaid customers of 1.04 million in the first quarter, the guidance for 2016 is now for growth of 3.2 to 3.6 million customers. Previously, the target corridor was between 2.4 and 3.4 million.

Europe continues trend of stabilization

The Europe segment also continued the advance of its network roll-out, focusing on the transformation of networks to a consistent IP standard. 50 percent of the lines in Deutsche Telekom's footprint countries have now been converted. In 2016, Hungary is to become the fifth country to complete the transformation.

The product packages in the MagentaONE portfolio have now been introduced in all countries that offer consumers integrated products. The success of these offers can be seen from a further increase of 14 percent to more than one million customers with convergence products. The overall positive trend in customer numbers is down to attractive rate plans as well as the continued network roll-out to an additional 850,000 households in fiber-optic coverage and some 25 million inhabitants in the LTE networks compared with the prior-year period. As a result, the number of mobile contract customers increased by 2.3 percent and the number of broadband and TV customers increased by 4.1 percent and 4.8 percent respectively, year-on-year.

The revenue trend of the Europe operating segment improved further on a like-for-like basis. The decrease in reported income by 77 million euros or 2.4 percent to 3.1 billion euros related to a deconsolidation effect of 66 million euros and exchange rate effects. Adjusted EBITDA declined by 3.0 percent, and in organic terms by 2.4 percent.



T-Systems profits from cloud and toll deal

Business for the T-Systems Market Unit in the first quarter was dominated by two main factors: A 24-percent increase in revenue from cloud services, and the contract to set up a toll collection system in Belgium. Together with new orders in cloud business, among others, this contract contributed 6.6 percent of the Market Unit's revenue growth.

Due to the Belgian contract, contributing earnings of some 0.1 billion euros, the adjusted segment EBITDA grew considerably by 42.1 percent.

Business at the new Telekom Security unit, which is currently being set up, also showed encouraging development. Telekom's ambition with this unit is to make the solutions for digitization and Industry 4.0 not only as simple, but also as secure as possible.

The Deutsche Telekom Group at a glance:

	Q 1 2016 millions of €	Q 1 2015 millions of €	Change %	FY 2015 millions of €
Revenue	17,630	16,842	4.7	69,228
Proportion generated internationally in %	65.5	63.0	2.5p	63.8
EBITDA	7,667	4,160	84.3	18,388
Adjusted EBITDA	5,163	4,574	12.9	19,908
Net profit	3,125	787	n.a.	3,254
Adjusted net profit	1,047	1,036	1.1	4,113
Free cash flow ^a	822	865	(5.0)	4,546
Cash capex ^b	3,896	4,429	(12.0)	14,613
Cash capex ^b (before spectrum)	2,831	2,530	11.9	10,818
Net debt	47,603	46,310	2.8	47,570
Number of employees ^c	223,320	227,184	(1.7)	225,243

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 1 2016 millions of €	Q 1 2015 millions of €	Change %	FY 2015 millions of €
Germany				
Total revenue	5,452	5,589	(2.5)	22,421
EBITDA	2,022	2,125	(4.8)	8,245
Adjusted EBITDA	2,180	2,211	(1.4)	8,790
Number of employees ^a	69,217	69,404	(0.3)	68,638
United States				
Total revenue	7,816	6,905	13.2	28,925
EBITDA	2,268	1,111	n.a.	6,229
Adjusted EBITDA	1,908	1,225	55.8	6,654
Europe				
Total revenue	3,080	3,157	(2.4)	13,024
EBITDA	962	962	0.0	4,108
Adjusted EBITDA	986	1,016	(3.0)	4,329
Systems Solutions				
Order entry	1,522	1,212	25.6	5,608
Total revenue	2,045	1,927	6.1	8,194
Of which Market Unit	1,728	1,621	6.6	6,657
Adjusted EBIT margin (%)	4.4	0.7	3.7p	2.1
Adj. EBIT margin, Market Unit (%)	5.8	1.8	4.0p	2.6
EBITDA	146	71	n.a.	93
Adjusted EBITDA	206	145	42.1	740

Comments on the table:

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively.

a At reporting date.



Development of customer numbers

Operating segments: Development of customer numbers in the first quarter of 2016

	Mar. 31, 2016 thousands	Dec. 31, 2015 thousands	Change thousands	Change %
Germany				
Mobile customers	40,643	40,373	270	0.7
Of which contract customers	23,940	23,709	231	1.0
Fixed-network lines	20,093	20,227	(134)	(0.7)
Of which retail IP-based	7,470	6,887	583	8.5
Broadband lines	12,706	12,644	62	0.5
Of which optical fiber ^a	3,286	2,923	363	12.4
Television (IPTV, satellite)	2,736	2,683	53	2.0
Unbundled local loop lines (ULLs)	7,867	8,050	(183)	(2.3)
United States				
Mobile customers	65,503	63,282	2,221	3.5
Of which branded postpaid customers	32,736	31,695	1,041	3.3
Of which branded prepay customers	18,438	17,631	807	4.6
Europe				
Mobile customers	52,208	52,737	(529)	(1.0)
Of which contract customers	26,544	26,456	88	0.3
Fixed-network lines	8,687	8,763	(76)	(0.9)
Of which IP-based	4,261	4,132	129	3.1
Retail broadband lines	5,254	5,189	65	1.3
Television (IPTV, satellite, cable)	3,922	3,905	17	0.4

Comments on the table:

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively.

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

	Mar. 31, 2016 thousands	Mar. 31, 2015 thousands	Change thousands	Change %
Germany				
Mobile customers	40,643	39,200	1,443	3.7
Of which contract customers	23,940	22,576	1,364	6.0
Fixed-network lines	20,093	20,555	(462)	(2.2)
Of which retail IP-based	7,470	5,120	2,350	45.9
Broadband lines	12,706	12,437	269	2.2
Of which optical fiber ^a	3,286	2,094	1,192	56.9
Television (IPTV, satellite)	2,736	2,516	220	8.7
Unbundled local loop lines (ULLs)	7,867	8,619	(752)	(8.7)
United States				
Mobile customers	65,503	56,836	8,667	15.2
Of which branded postpaid customers	32,736	28,310	4,426	15.6
Of which branded prepay customers	18,438	16,389	2,049	12.5
Europe				
Mobile customers	52,208	56,365	(4,157)	(7.4)
Of which contract customers	26,544	25,937	607	2.3
Fixed-network lines	8,687	8,987	(300)	(3.3)
Of which IP-based	4,261	3,626	635	17.5
Retail broadband lines	5,254	5,046	208	4.1
Television (IPTV, satellite, cable)	3,922	3,741	181	4.8

Comments on the table:

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively.

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

Tel.: +49 228 181 – 4949

E-Mail: media@telekom.de

Further information for the media at:

www.telekom.com/media

www.telekom.com/photos

www.twitter.com/telekom_group

www.instagram.com/deutschetelekom