



MEDIA INFORMATION

Bonn, November 10, 2016

Deutsche Telekom increases customer base and grows in all key metrics in the third quarter

- Net revenue up almost 6 percent to 18.1 billion euros
- Adjusted EBITDA up 7.2 percent to 5.5 billion euros
- Free cash flow up 45.6 percent to 1.9 billion euros
- Net profit up more than 30 percent compared with prior-year quarter to 1.1 billion euros
- Number of fiber-optic customers and mobile service revenues up in Germany
- T-Mobile US remains star performer on U.S. mobile market in terms of customers, revenue, and earnings
- 2016 full-year guidance confirmed

Deutsche Telekom enjoyed a successful third quarter in 2016, with strong figures from the United States and a stable trend in Germany. Net revenue grew by 5.9 percent compared with the prior-year quarter to 18.1 billion euros. At the same time, adjusted EBITDA rose 7.2 percent to 5.5 billion euros.

"These figures show once again that we are on the right track in our markets," said Tim Höttges, CEO of Deutsche Telekom. "We are working on the technologies and products of the near and more distant future – on the basis of a convincing strategy."

Free cash flow was much higher than in the prior year, up 45.6 percent to 1.9 billion euros. This was despite a still high investment volume, which in



terms of cash capex before spectrum reached 2.7 billion euros in the quarter, 1.5 percent more than in the prior-year quarter.

There was also clear growth in net profit, which stood at 1.1 billion euros, compared with 0.8 billion euros in the third quarter of 2015 – an increase of 30.2 percent. This was mainly due to higher negative special factors in connection with staff restructuring in the previous year. Adjusted net revenue remained stable at 1.0 billion euros.

Based on the financial figures for the first nine months, Deutsche Telekom confirms both its guidance for the full year and its medium-term outlook.

Germany: Leader in fiber-optic lines in Europe

Deutsche Telekom continued its clear growth in the broadband market in the third quarter of 2016. As of the end of the reporting period, the company recorded the largest number of fiber-optic lines (FTTC/vectoring and FTTH) of all European network operators, with more than 6 million lines. The number of fiber-optic broadband lines rose by 526,000 in the third quarter alone. Fiber-optic coverage reached almost 60 percent of households in Germany at the end of the reporting quarter.

Broadband revenue increased steadily in each quarter of 2016 and was up 1.7 percent year-on-year as of the end of the third quarter. Deutsche Telekom's growth on the German broadband market is expected to continue in the fourth quarter: The plan is to make it possible for another 2.7 million households to subscribe to a fiber-optic line by the end of the year.

The number of customers who opted for one of Deutsche Telekom's MagentaEINS offers also continued to rise. At the end of September, 2.6 million customers were using one of the MagentaEINS bundles, which allow a flexible



combination of fixed-network and mobile communications. That is an increase of more than a million customers compared with the third quarter of the prior year.

Deutsche Telekom consolidated its position as the market leader in mobile service revenues in the third quarter of 2016. While revenue in the mobile communications market as a whole declined slightly overall compared with the prior-year quarter, the company's mobile service revenues increased by 0.2 percent. This revenue growth was significantly dampened by the reduction in termination rates and the price discounts from the MagentaEINS bundles posted to mobile revenues.

Deutsche Telekom's mobile business – like the market segment as a whole – was characterized by a sustained change in the usage behavior of customers. The number of call minutes used by Deutsche Telekom contract customers increased by 4.6 percent compared with the third quarter of 2015, but there was a much greater increase in the data volumes received and sent via mobile devices. Year-on-year, for example, the monthly data usage of consumers with Deutsche Telekom contracts increased by around 80 percent to almost a gigabyte. This proves the good acceptance of the new rate plans, which include much higher data volumes. Deutsche Telekom facilitated this development by further building out the fast LTE mobile network. As of the end of the third quarter, this broadband infrastructure covered some 92 percent of the population, an increase of 5 percentage points compared with the prior-year quarter.

United States – Success story continues

In the United States, T-Mobile remained the star of the mobile market. The rapid growth continued again in the third quarter of 2016, with almost 2 million customer additions. 969,000 of these new customers were added in the



particularly attractive segment of branded postpaid customers. In the prepay segment, the company – supported by the successful brand Metro PCS – won 684,000 new customers.

But T-Mobile US not only won a large number of customers, it also managed to retain them. The churn rate for branded postpaid customers stood at just 1.32 percent; a year earlier, it was 1.46 percent; in the third quarter of 2014, it was 1.64 percent.

Total revenue increased by 17.8 percent year-on-year to 9.2 billion U.S. dollars in the third quarter of 2016. At the same time, adjusted EBITDA increased by 27.1 percent to 2.4 billion U.S. dollars.

Europe – Positive trend in customer numbers

In Europe, investments in networks and markets have paid off in rising numbers of customers. The mobile contract customer base in the European national companies increased by 219,000 in the third quarter. More than 1.2 million customers use the product bundles of fixed network and mobile communications, a year-on-year increase of some 51 percent. MagentaONE made a significant contribution to this increase. There are now more than 4 million TV customers.

The build-out and modernization of the networks continues. The latest mobile communications standard LTE is now available to 78 percent of the population, that is more than 101 million people, which is an increase of 16 million compared to a year earlier. More than 55 percent of lines in the fixed network have now been migrated to IP technology.

In the Europe operating segment, revenue remained stable compared with the prior-year quarter on an organic basis, i.e., excluding exchange rate effects and

effects from changes in the composition of the Group, at 3.2 billion euros. Regulatory effects and higher market investments also resulted in a decrease in adjusted EBITDA in organic terms of 4.7 percent to 1.1 billion euros.

Systems Solutions – Tough competition puts pressure on revenue

Order entry at T-Systems stood at 1.2 billion euros in the third quarter of 2016, i.e., slightly down by 2.0 percent on the prior-year level. The strong competitive pressure in the industry had a clear impact on revenue. The expiry of contracts in the prior year also reduced revenue. The Market Unit, which mainly comprises business with external customers, recorded a decline in revenue of 7.5 percent year-on-year to 1.5 billion euros.

The Market Unit's key earnings indicators also declined. Adjusted EBITDA was down 2.1 percent to 139 million euros, due to the aforementioned revenue effects as well as rising IP migration costs. At 37 million euros, adjusted EBIT decreased by 9.8 percent against the third quarter of 2015. This resulted in an adjusted EBIT margin of 2.4 percent, compared with 2.5 percent in the previous year.

The Deutsche Telekom Group at a glance:

	Q3 2016 millions of €	Q3 2015 millions of €	Change %	Q1-Q3 2016 millions of €	Q1-Q3 2015 millions of €	Change %	FY 2015 millions of €
Revenue	18,105	17,099	5.9	53,552	51,369	4.2	69,228
Proportion generated internationally (%)	65.8	63.6	2.2p	65.8	63.6	2.2p	63.8
EBITDA	5,334	4,581	16.4	17,698	13,275	33.3	18,388
Adjusted EBITDA	5,535	5,165	7.2	16,155	14,765	9.4	19,908
Net profit	1,053	809	30.2	4,799	2,308	n.a.	3,254
Adjusted net profit	1,040	1,040	0.0	3,141	3,154	(0.4)	4,113
Free cash flow ^a	1,904	1,308	45.6	4,046	3,548	14.0	4,546
Cash capex ^b	3,885	2,813	38.1	10,484	11,572	(9.4)	14,613
Cash capex ^b (before spectrum)	2,739	2,698	1.5	8,234	7,803	5.5	10,818
Net debt	48,484	47,868	1.3	48,484	47,868	1.3	47,570
Number of employees ^c	219,254	226,325	(3.1)	219,254	226,325	(3.1)	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 the reporting date.

Operating segments:

	Q3 2016 millions of €	Q3 2015 millions of €	Change %	Q1-Q3 2016 millions of €	Q1-Q3 2015 millions of €	Change %	FY 2015 millions of €
Germany							
Total revenue	5,551	5,593	(0.8)	16,409	16,762	(2.1)	22,421
EBITDA	2,127	2,146	(0.9)	5,995	6,373	(5.9)	8,245
Adjusted EBITDA	2,250	2,269	(0.8)	6,655	6,704	(0.7)	8,790
Number of employees ^a	67,368	69,663	(3.3)	67,368	69,663	(3.3)	68,638
United States							
Total revenue	8,281	7,059	17.3	24,293	21,407	13.5	28,925
EBITDA	2,241	1,468	52.7	6,632	4,160	59.4	6,229
Adjusted EBITDA	2,156	1,702	26.7	6,236	4,579	36.2	6,654
Europe							
Total revenue	3,223	3,261	(1.2)	9,409	9,627	(2.3)	13,024
EBITDA	1,077	1,107	(2.7)	3,055	3,086	(1.0)	4,108
Adjusted EBITDA	1,100	1,157	(4.9)	3,124	3,254	(4.0)	4,329
Systems Solutions							
Order entry	1,167	1,191	(2.0)	4,147	3,684	12.6	5,608
Total revenue	1,875	2,031	(7.7)	5,929	6,031	(1.7)	8,194
Of which Market Unit	1,546	1,671	(7.5)	4,866	4,933	(1.4)	6,657
Adjusted EBIT margin (%)	0.6	2.4	(1.8p)	1.9	1.5	0.4p	2.1
Adj. EBIT margin, Market Unit (%)	2.4	2.5	(0.1p)	3.1	2.0	1.1p	2.6
EBITDA	71	34	n.a.	282	89	n.a.	93
Adjusted EBITDA	141	176	(19.9)	522	524	(0.4)	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 the reporting date.

Development of customer numbers

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

	Sept. 30, 2016 thousands	June 30, 2016 thousands	Change thousands	Change %
Germany				
Mobile customers	41,461	41,138	323	0.8
Of which contract customers	24,705	24,096	609	2.5
Fixed-network lines	19,873	19,971	(98)	(0.5)
Of which retail IP-based	8,435	7,958	477	6.0
Broadband lines	12,835	12,770	65	0.5
Of which optical fiber ^a	3,857	3,577	280	7.8
Television (IPTV, satellite)	2,818	2,777	41	1.5
Unbundled local loop lines (ULLs)	7,431	7,648	(217)	(2.8)
United States				
Mobile customers	69,354	67,384	1,970	2.9
Of which branded postpaid customers	33,230	33,626	(396)	(1.2)
Of which branded prepay customers	19,272	18,914	358	1.9
Europe				
Mobile customers	52,211	52,213	(2)	(0.0)
Of which contract customers	26,916	26,697	219	0.8
Fixed-network lines	8,599	8,639	(40)	(0.5)
Of which IP-based	4,757	4,514	243	5.4
Retail broadband lines	5,352	5,307	45	0.8
Television (IPTV, satellite, cable)	4,010	3,961	49	1.2

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

	Sept. 30, 2016 thousands	Sept. 30, 2015 thousands	Change thousands	Change %
Germany				
Mobile customers	41,461	39,892	1,569	3.9
Of which contract customers	24,705	23,347	1,358	5.8
Fixed-network lines	19,873	20,354	(481)	(2.4)
Of which retail IP-based	8,435	6,354	2,081	32.8
Broadband lines	12,835	12,596	239	1.9
Of which optical fiber ^a	3,857	2,613	1,244	47.6
Television (IPTV, satellite)	2,818	2,632	186	7.1
Unbundled local loop lines (ULLs)	7,431	8,231	(800)	(9.7)
United States				
Mobile customers	69,354	61,220	8,134	13.3
Of which branded postpaid customers	33,230	30,403	2,827	9.3
Of which branded prepay customers	19,272	17,162	2,110	12.3
Europe				
Mobile customers	52,211	56,246	(4,035)	(7.2)
Of which contract customers	26,916	25,985	931	3.6
Fixed-network lines	8,599	8,798	(199)	(2.3)
Of which IP-based	4,757	3,973	784	19.7
Retail broadband lines	5,352	5,122	230	4.5
Television (IPTV, satellite, cable)	4,010	3,832	178	4.6

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).



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