

## MEDIA INFORMATION

Bonn, May 11, 2017

### U.S. operations pay off for Deutsche Telekom

- Group performance in first quarter of 2017 follows on seamlessly from success of the previous year
- CEO Tim Hötting: "Our investments in the United States have paid off."
- Net revenue of the Group up 5.8 percent to 18.6 billion euros
- Adjusted EBITDA up 7.5 percent to 5.6 billion euros
- Free cash flow up 50 percent to 1.2 billion euros
- Positive revenue and earnings trends in Europe
- As expected, substantial decline in net profit to 0.7 billion euros after impact of book gain from EE transaction in the prior-year quarter
- Group reconfirms full-year forecast

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Deutsche Telekom remains on a growth trajectory – particularly due to its operations in the United States, but also because of its success in the German market. The Group's first-quarter figures are a continuation of the recent positive trend, with substantial growth in customer numbers and increases in all key financial performance indicators. Net revenue grew by 5.8 percent compared with the prior-year quarter to reach 18.6 billion euros. At the same time, adjusted EBITDA rose 7.5 percent to 5.6 billion euros.

"The positive trends remain unbroken: We are growing in the United States and have recently returned to growth in Germany," said Tim Hötting, CEO of Deutsche Telekom. "We got off to a good start in 2017. And, after a glance across the Atlantic, I can only say that our investments in the United States have paid off."



In line with its plans, the Group once again increased its capital spending, particularly on networks on both sides of the Atlantic. Cash capex (excluding expenses for mobile spectrum) reached 3.2 billion euros in the first three months of the year, up 14.6 percent year-on-year. Free cash flow was extremely positive, rising 49.4 percent to 1.2 billion euros.

In the first quarter of 2016, the book gain of 2.5 billion euros from the sale of shares in EE, a UK-based mobile communications company, to BT Group had had a positive impact on the Group's net profit. As there was no comparable positive impact in the reporting period, net profit declined, as expected, by a substantial amount – coming in at 0.7 billion euros.

Adjusted net profit decreased by 10.3 percent to 0.9 billion euros, mainly due to expenses incurred to restructure the financing of T-Mobile US in the first quarter of 2017. The dividend from EE, which was paid for the last time a year ago, and income from the remeasurement of derivatives had had a positive impact on net profit in the corresponding prior-year quarter. In operational terms, net profit developed very positively in the first quarter of 2017.

The Group reconfirmed its full-year forecast. Assuming constant exchange rates, Deutsche Telekom expects to report adjusted EBITDA of around 22.2 billion euros and free cash flow of 5.5 billion euros for the 2017 full year.

### **Germany – Telekom continues to set records for fiber-optic roll-out**

In the first quarter of 2017, Telekom continued to actively expand broadband business in its home market. The number of fiber-optic lines (FTTH/FTTC/vectoring) used by customers increased by 775,000 in the first three months of the financial year, the strongest quarterly increase in fiber-optic sales to date. Telekom's retail sales channels were instrumental in achieving this growth, accounting for 433,000 fiber-optic lines or well over half of the



overall volume. That represents a new record for this sales channel. Compared with the first quarter of 2016, the number of fiber-optic lines rose by 2.6 million or 51 percent.

At the end of the first quarter of 2017, Telekom had some 3.2 million customers in Germany using one of the MagentaEINS rate plans, which allow them to combine fixed-network and mobile services as they choose. Entertain remains the only Internet-based television platform (IPTV) in Germany that is posting growth. At the end of the first quarter of 2017, just under three million Telekom customers made use of this product. During the reporting period, the number of Entertain customers grew by 76,000, a substantially stronger increase than in the preceding quarters.

Telekom continued to consolidate its leadership position in the German mobile communications market. Although overall market volume declined by around 1.2 percent, Telekom's mobile revenue decreased by only 0.8 percent. Adjusted for the effects of the new regulations on roaming and termination rates, revenue would actually have increased by 1.4 percent. The company recorded significant growth in data volumes in Germany, which increased by 63 percent compared with the first quarter of 2016.

In the first quarter of 2017, Telekom recorded revenue of 5.4 billion euros in Germany, up 0.2 percent year-on-year. Adjusted EBITDA came to 2.1 billion euros, 0.9 percent higher than in the prior-year quarter.

### **USA – High-value growth continues**

The T-Mobile US success story continues in 2017. Its first-quarter figures demonstrate that not even new products launched by competitors could slow the company's pace of growth. T-Mobile US added 1.1 million new customers in the first quarter of 2017. In fact, the company gained more than a million new



customers in each of the last 16 quarters to reach a customer base of 72.6 million at the end of the reporting quarter. The increase in branded postpaid customers amounted to 0.9 million, while some of the company's competitors had to post – in some cases substantial – declines in customer numbers.

The high value of T-Mobile US' customer additions is underscored by the growth in monthly average revenue per user (ARPU), which reached 47.53 U.S. dollars for branded postpaid telephony customers in the first quarter of 2017. That was a rise of 2.9 percent on the previous year. The ARPU trend for the company's branded prepay customers was also remarkable, with the corresponding figure of 38.52 U.S. dollars up 2.5 percent year-on-year.

Logically, this customer growth is having an increasingly positive impact on the company's financial KPIs: Last year, T-Mobile US was the only company among the four nationwide mobile network operators to increase its service revenues. In the first quarter of 2017, T-Mobile US posted a further year-on-year increase (11.6 percent) to reach 7.2 billion U.S. dollars in service revenues. At the same time, adjusted EBITDA increased by 20.7 percent to 2.5 billion U.S. dollars.

### **Europe – Growth in customer numbers**

At Deutsche Telekom's European subsidiaries, the trend in rising customer numbers that began last year continued in the first quarter of 2017. The national companies added 130,000 new customers thanks to products bundling fixed-network and mobile communications. The number of broadband lines rose by 51,000, while the number of mobile contract customers grew by 167,000. In this context, it should not be forgotten that business in the Netherlands, which recently recorded substantial growth, has been reassigned to the Group Development segment. That means that the Europe operating

segment's aggregate customer-growth figure was achieved by a smaller number of national companies.

Revenue and earnings trends in the Europe operating segment, which Srinivasa Gopalan has been responsible for at Board level since the start of the year, have improved. In organic terms – i.e., excluding the effects of changes in exchange rates and in the composition of the Group – revenues rose by a slight 0.2 percent to reach 2.8 billion euros. The positive trend in key growth areas such as mobile data and smart home could not fully compensate for the decline in traditional telecommunications business. Key growth areas already account for 32 percent of total revenue in the Europe operating segment.

In organic terms, adjusted EBITDA declined by 1.8 percent to 0.9 billion euros, a considerably smaller decrease than in the preceding quarters. Lower indirect costs were one factor in this positive trend.

### **Systems Solutions – Stable performance after adjustment for toll-collection effect in 2016**

Order entry at T-Systems totaled 1.3 billion euros in the first quarter of 2017, down 18.1 percent year-on-year. The main reason for the lower volume was the fact that no big deals were closed in the reporting quarter of a comparable size to the two contract renewals signed in the prior-year quarter.

The successful conclusion of the pilot phase of the Belgian toll collection project had a significant impact on last year's revenue and earnings, as explained in the first quarter of 2016. Year-on-year, this has produced a negative effect of 167 million euros in revenue and 105 million euros in adjusted EBITDA. Revenue in the first quarter of 2017 declined to 1.7 billion euros and adjusted EBITDA to 96 million. Adjusted for the effects of the toll collection contract in Belgium, both indicators developed stably.

## Changes in the Group structure

A new Board of Management department entitled Technology and Innovation was created, which pools Deutsche Telekom's overarching network, innovation, and IT activities. This resulted in the following organizational changes: The Innovations, Telekom IT and Technology units of the Germany, Europe, and Systems Solutions operating segments have been transferred to a separate Board department. Technology and Innovation is not a separate reporting segment; instead, since January 1, 2017, it has been reported on as part of the Group Headquarters & Group Services segment. Comparative figures have been adjusted retrospectively.

In addition, the Company has reported on the Group Development operating segment since January 1, 2017. Group Development actively manages and increases the value of selected subsidiaries and equity investments of the Group. The following units and subsidiaries have been included: T-Mobile Netherlands (previously in the Europe operating segment), Deutsche Funkturm GmbH (DFMG, previously in the Germany operating segment), as well as Deutsche Telekom Capital Partners (DTCP) and the stakes in BT plc, Scout24 AG, Ströer SE & Co. KGaA, and Strato, which was sold as of March 31, 2017, (previously in the Group Headquarters & Group Services segment). Here, too, the comparative figures have been adjusted retrospectively.

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

	Q1 2017 millions of €	Q1 2016 millions of €	Change %	FY 2016 millions of €
Revenue	18,646	17,630	5.8	73,095
Proportion generated internationally (%)	67.3	65.5	1.8p	66.3
EBITDA	5,963	7,667	(22.2)	22,544
Adjusted EBITDA	5,550	5,163	7.5	21,420
Net profit	747	3,125	(76.1)	2,675
Adjusted net profit	939	1,047	(10.3)	4,114
Free cash flow <sup>a</sup>	1,228	822	49.4	4,939
Cash capex <sup>b</sup>	3,280	3,896	(15.8)	13,640
Cash capex <sup>b</sup> (before spectrum)	3,245	2,831	14.6	10,958
Net debt	49,963	47,603	5.0	49,959
Number of employees <sup>c</sup>	216,548	223,320	(3.0)	218,341

**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:**

	Q1 2017 millions of €	Q1 2016 millions of €	Change %	FY 2016 millions of €
<b>Germany</b>				
Total revenue	5,397	5,385	0.2	21,774
EBITDA	2,021	1,894	6.7	7,327
Adjusted EBITDA	2,070	2,052	0.9	8,237
Number of employees <sup>a</sup>	64,973	68,506	(5.2)	65,452
<b>United States</b>				
Total revenue	8,982	7,816	14.9	33,738
EBITDA	2,390	2,268	5.4	8,967
Adjusted EBITDA	2,386	1,908	25.1	8,561
<b>Europe</b>				
Total revenue	2,781	2,763	0.7	11,454
EBITDA	877	909	(3.5)	3,773
Adjusted EBITDA	889	931	(4.5)	3,866
<b>Systems Solutions</b>				
Order entry	1,274	1,556	(18.1)	6,851
Total revenue	1,704	1,859	(8.3)	6,993
Adjusted EBIT margin (%)	(0.1)	5.4	(5.5p)	1.8
EBITDA	61	147	(58.5)	278
Adjusted EBITDA	96	196	(51.0)	530

**Comments on the table:**

a At the reporting date.





## Development of customer numbers

### Operating segments: development of customer numbers in the first quarter of 2017

	Mar. 31, 2017	Dec. 31, 2016	Change	Change
	thousands	thousands	thousands	%
<b>Germany</b>				
Mobile customers	42,114	41,849	265	0.6
Of which contract customers	25,270	25,219	51	0.2
Fixed-network lines	19,648	19,786	(138)	(0.7)
Of which retail IP-based	9,801	9,042	759	8.4
Broadband lines	12,989	12,922	67	0.5
Of which optical fiber <sup>a</sup>	4,693	4,250	443	10.4
Television (IPTV, satellite)	2,955	2,879	76	2.6
Unbundled local loop lines (ULLs)	6,952	7,195	(243)	(3.4)
<b>United States</b>				
Mobile customers	72,597	71,455	1,142	1.6
Of which branded postpaid customers	35,341	34,427	914	2.7
Of which branded prepay customers	20,199	19,813	386	1.9
<b>Europe</b>				
Mobile customers	47,348	47,952	(604)	(1.3)
Of which contract customers	24,482	24,315	167	0.7
Fixed-network lines	8,486	8,531	(45)	(0.5)
Of which IP-based	5,190	5,016	174	3.5
Retail broadband lines	5,444	5,393	51	0.9
Television (IPTV, satellite, cable)	4,100	4,049	51	1.3

**Comments 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**

	Mar. 31, 2017 thousands	Mar. 31, 2016 thousands	Change thousands	Change %
<b>Germany</b>				
Mobile customers	42,114	40,643	1,471	3.6
Of which contract customers	25,270	23,940	1,330	5.6
Fixed-network lines	19,648	20,093	(445)	(2.2)
Of which retail IP-based	9,801	7,470	2,331	31.2
Broadband lines	12,989	12,706	283	2.2
Of which optical fiber <sup>a</sup>	4,693	3,286	1,407	42.8
Television (IPTV, satellite)	2,955	2,736	219	8.0
Unbundled local loop lines (ULLs)	6,952	7,867	(915)	(11.6)
<b>United States</b>				
Mobile customers	72,597	65,503	7,094	10.8
Of which branded postpaid customers	35,341	32,736	2,605	8.0
Of which branded prepay customers	20,199	18,438	1,761	9.6
<b>Europe</b>				
Mobile customers	47,348	48,540	(1,192)	(2.5)
Of which contract customers	24,482	23,719	763	3.2
Fixed-network lines	8,486	8,687	(201)	(2.3)
Of which IP-based	5,190	4,261	929	21.8
Retail broadband lines	5,444	5,254	190	3.6
Television (IPTV, satellite, cable)	4,100	3,922	178	4.5

**Comments on the table:**

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



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