

MEDIA INFORMATION

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Deutsche Telekom benefits from record investments and raises its forecast for the 2017 financial year

- Cash capex up 13.5 percent in the first half of 2017 to 6.2 billion euros
- Strong customer growth in the United States, Germany, and Europe
- Telekom Deutschland extends market leadership in mobile service revenues and continues fiber-optic boom
- T-Mobile US again on top of the business
- Net revenue up 6 percent in the second quarter to 18.9 billion euros
- Adjusted EBITDA up 8.9 percent to 5.9 billion euros
- Net profit up more than 40 percent
- Adjusted EBITDA forecast for 2017 full year increased to around 22.3 billion euros

Deutsche Telekom increases the pace, both in terms of record investments and subsequently also with regard to customer numbers and financial results. Following a successful first quarter, the Group has once again posted higher growth rates across its key financial figures in the second quarter of 2017. Year-on-year, net revenue grew by 6.0 percent between April and June to reach 18.9 billion euros. Adjusted EBITDA rose by 8.9 percent to 5.9 billion euros. Net profit recorded strong growth of 40.7 percent to 874 million euros and, adjusted for special factors, it increased by 13.8 percent to 1.2 billion euros.

"Our record investments are paying off: Growing numbers of customers are choosing our networks and products. And revenue and earnings are lifting



substantially on the back of this strong customer growth," says CFO Thomas Dannenfeldt. "That is especially true of our booming U.S. business, but the trend is also positive in Germany and our European companies."

With the results for the first six months now in, the Group is raising its full-year guidance. Adjusted EBITDA is now expected to reach some 22.3 billion euros, up from the 22.2 billion euros originally forecast, driven mainly by strong growth in the United States. The free cash flow forecast remains unchanged at 5.5 billion euros. Free cash flow increased 18.1 percent in the first half of the year to 2.53 billion euros. This figure takes into account the usual fluctuations over the quarters – an increase of 49.4 percent in the first three months to 1.2 billion euros and a decline of 1.4 percent in the second quarter to 1.3 billion euros.

The Group invested 3.0 billion euros between April and June, once again more than in the same period of last year – a substantial increase of 12.4 percent. Including expenses for mobile spectrum, this figure rises to 10.2 billion, of which 7.2 billion euros were used by T-Mobile US to acquire valuable spectrum at the extremely successful auction in the United States. In the first six months, Deutsche Telekom invested a record amount of 6.2 billion euros (before spectrum) worldwide, 13.5 percent more than in the same period of last year.

Net debt increased by a good five billion euros compared with the end of 2016 to 55.2 billion euros. This was driven mainly by the U.S. spectrum investments, partially offset by high free cash flow, the high acceptance rate of the dividend in kind, the disposal of Strato, the sale of the remaining shares in Scout24, and positive exchange rate effects. The balance sheet ratios are still within the target ranges and the Group's rating remains unchanged.



Germany – Growth in customer base and service revenues

In the first six months of 2017, Deutsche Telekom underscored its position in Germany as the driving force of the network build-out. Telekom Deutschland's capital expenditure grew by 17 percent to more than 2 billion euros. Deutsche Telekom thus remains by far the biggest investor in building out the telecommunications network for the future across Germany.

Customers appreciate the company's efforts. The number of customer households that are connected directly via high-speed fiber-optic lines (FTTH and FTTC/vectoring) grew by 622,000 in the reporting quarter to 8.2 million. For comparison: In the second quarter of 2016, this figure had been just under 580,000.

The number of customers choosing one of the MagentaEINS fixed-mobile bundles increased to almost 3.4 million in the second quarter. Year-on-year, this corresponds to an increase of more than 900,000 customers. Entertain remained the only Internet-based television platform (IPTV) in Germany that is posting growth. At the end of the second quarter, the number of Entertain customers passed the three-million mark – growth of almost 9 percent in just one year.

On the domestic mobile market, Telekom was the only provider to record a positive trend in service revenues in the second quarter, thus extending its position as market leader. Service revenues increased by 0.8 percent despite significant regulatory effects. 228,000 new branded contract customers also bolstered the customer base substantially.

And mobile customers are increasingly accessing the Internet on their mobile devices. Mobile data volumes grew again by more than 10 percent compared with the first quarter of 2017. Year-on-year, the increase amounts to 61 percent. Telekom continued to promote mobile use of the high-speed Internet with its



ongoing LTE network build-out. At the end of June 2017, coverage stood at over 93 percent.

In the second quarter of 2017, Telekom posted revenue of 5.4 billion euros in Germany, up 0.6 percent year-on-year. Adjusted EBITDA increased by 1.1 percent to 2.1 billion euros. As a result, the EBITDA margin stood at 39.1 percent.

United States – Momentum continues unabated

Despite continued intense competition, T-Mobile US remained the undisputed growth superstar on the U.S. mobile market. Although all national providers now follow the trend for unlimited rate plans, the Un-carrier continues to set the tone. T-Mobile US added more than 1.3 million new customers in the second quarter of 2017, bringing the total number of straight quarters of more than one million customer additions to 17. The number of branded postpaid customers grew by 817,000. Churn rate continued to decrease and reached a record low of 1.10 percent.

T-Mobile US once again posted industry-leading growth rates in revenue and earnings. In the second quarter of 2017, service revenues increased by 8.5 percent year-on-year to 7.3 billion U.S. dollars. Total revenue increased by 9.7 percent to 10.2 billion U.S. dollars. Adjusted EBITDA was up by 18.0 percent in the same period to 2.9 billion U.S. dollars.

Europe – Customer growth accelerates

The national companies in Europe successfully and substantially increased customer numbers and accelerated the pace of growth with higher market investments, thus establishing a basis for future revenue growth. In mobile

communications, the number of contract customers went up by 372,000 in the second quarter of 2017 to 24.9 million. 65,000 new broadband lines (retail) and 56,000 new TV customers were added in the same period. The marketing of fixed-mobile bundles remained particularly successful, with growth of 175,000 customers in the second quarter.

Network build-out and modernization activities also continue unabated. The number of households with access to fixed-network bandwidths of at least 100 megabits/second was up by more than one million year-on-year to around 5.3 million. The LTE mobile standard now covers 102 million people, an increase of 21 million year-on-year.

The financial indicators continued on a stable trajectory. Revenue in the second quarter reached 2.9 billion euros, up 2.4 percent compared with the same period of last year. In organic terms, i.e., excluding changes in the exchange rates and the composition of the Group, revenue was up by 1.5 percent. At the same time, adjusted EBITDA declined by 2.2 percent to 0.9 billion euros. In organic terms, adjusted EBITDA remained virtually stable year-on-year, down by just 0.2 percent.

Systems Solutions – Pricing pressure affects business

Order entry at T-Systems in the second quarter of 2017 decreased by 13.4 percent year-on-year to 1.3 billion euros. Some major contracts concluded in the prior year were not matched by comparable deals in the second quarter of the reporting year. Revenue decreased by 1.8 percent to 1.7 billion euros. Growth in telecommunications business and the Digital Division was not sufficient to fully offset the decline in the IT Division, mainly due to sustained price pressure in the industry.



T-Systems posted a substantial rise in earnings, with adjusted EBITDA up 22.5 percent year-on-year to 136 million euros. However, this figure largely reflects the usual quarterly fluctuations seen in this segment. Year-on-year, a stable full-year result is expected. Innovative digital projects in new business – primarily relating to the Internet of Things (IoT) – by contrast are showing positive developments. The Group recorded 11-percent growth in cloud business in the first half of the year.



The Deutsche Telekom Group at a glance:

	Q2 2017 millions of €	Q2 2016 millions of €	Change %	H1 2017 millions of €	H1 2016 millions of €	Change %	FY 2016 millions of €
Revenue	18,890	17,817	6.0	37,537	35,447	5.9	73,095
Proportion generated internationally (%)	68.1	66.0	2.1p	67.7	65.7	2.0p	66.3
EBITDA	5,986	4,697	27.4	11,949	12,364	(3.4)	22,544
Adjusted EBITDA	5,944	5,457	8.9	11,495	10,620	8.2	21,420
Net profit	874	621	40.7	1,621	3,746	(56.7)	2,675
Adjusted net profit	1,199	1,054	13.8	2,138	2,101	1.8	4,114
Free cash flow ^a	1,301	1,320	(1.4)	2,530	2,142	18.1	4,939
Cash capex ^b	10,240	2,703	n.a.	13,520	6,599	n.a.	13,640
Cash capex ^b (before spectrum)	2,994	2,664	12.4	6,238	5,495	13.5	10,958
Net debt	55,249	48,692	13.5	55,249	48,692	13.5	49,959
Number of employees ^c	216,135	220,821	(2.1)	216,135	220,821	(2.1)	218,341

Comment 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:

	Q2 2017 millions of €	Q2 2016 millions of €	Change %	H1 2017 millions of €	H1 2016 millions of €	Change %	FY 2016 millions of €
Germany							
Total revenue	5,371	5,338	0.6	10,768	10,723	0.4	21,774
EBITDA	1,995	1,699	17.4	4,016	3,592	11.8	7,327
Adjusted EBITDA	2,100	2,078	1.1	4,170	4,129	1.0	8,237
Number of employees ^a	64,560	67,594	(4.5)	64,560	67,594	(4.5)	65,452
United States							
Total revenue	9,236	8,196	12.7	18,218	16,012	13.8	33,738
EBITDA	2,635	2,123	24.1	5,025	4,391	14.4	8,967
Adjusted EBITDA	2,640	2,172	21.5	5,025	4,080	23.2	8,561
Europe							
Total revenue	2,860	2,794	2.4	5,641	5,558	1.5	11,454
EBITDA	913	955	(4.4)	1,791	1,864	(3.9)	3,773
Adjusted EBITDA	947	968	(2.2)	1,836	1,899	(3.3)	3,866
Systems Solutions							
Order entry	1,295	1,496	(13.4)	2,569	3,053	(15.9)	6,851
Total revenue	1,688	1,719	(1.8)	3,392	3,578	(5.2)	6,993
Adjusted EBIT margin (%)	2.4	0.9	1.5p	1.1	3.2	(2.1p)	1.8
EBITDA	97	33	n.a.	158	180	(12.2)	278
Adjusted EBITDA	136	111	22.5	232	307	(24.4)	530

Comment on the table:

a At the reporting date.



Development of customer numbers

Operating segments: Development of customer numbers in the second quarter of 2017

	June 30, 2017 thousands	Mar. 31, 2017 thousands	Change thousands	Change %
Germany				
Mobile customers	42,011	42,114	(103)	(0.2)
Of which contract customers	25,084	25,270	(186)	(0.7)
Fixed-network lines	19,477	19,648	(171)	(0.9)
Of which retail IP-based	10,351	9,801	550	5.6
Broadband lines	13,035	12,989	46	0.4
Of which optical fiber ^a	5,033	4,693	340	7.2
Television (IPTV, satellite)	3,024	2,955	69	2.3
Unbundled local loop lines (ULLs)	6,723	6,952	(229)	(3.3)
United States				
Mobile customers ^b	69,562	72,597	(3,035)	(4.2)
Of which branded postpaid customers	36,158	35,341	817	2.3
Of which branded prepay customers	20,293	20,199	94	0.5
Europe				
Mobile customers	47,688	47,348	340	0.7
Of which contract customers	24,854	24,482	372	1.5
Fixed-network lines	8,464	8,486	(22)	(0.3)
Of which IP-based	5,416	5,190	226	4.4
Retail broadband lines	5,509	5,444	65	1.2
Television (IPTV, satellite, cable)	4,156	4,100	56	1.4

Comment on the table:

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

b 4.368 million wholesale customers (Lifeline program) no longer reported since Q2/17.



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

	June 30, 2017 thousands	June 30, 2016 thousands	Change thousands	Change %
Germany				
Mobile customers	42,011	41,138	873	2.1
Of which contract customers	25,084	24,096	988	4.1
Fixed-network lines	19,477	19,971	(494)	(2.5)
Of which retail IP-based	10,351	7,958	2,393	30.1
Broadband lines	13,035	12,770	265	2.1
Of which optical fiber ^a	5,033	3,577	1,456	40.7
Television (IPTV, satellite)	3,024	2,777	247	8.9
Unbundled local loop lines (ULLs)	6,723	7,648	(925)	(12.1)
United States				
Mobile customers ^b	69,562	67,384	2,178	3.2
Of which branded postpaid customers	36,158	33,626	2,532	7.5
Of which branded prepay customers	20,293	18,914	1,379	7.3
Europe				
Mobile customers	47,688	48,541	(853)	(1.8)
Of which contract customers	24,854	23,840	1,014	4.3
Fixed-network lines	8,464	8,639	(175)	(2.0)
Of which IP-based	5,416	4,514	902	20.0
Retail broadband lines	5,509	5,307	202	3.8
Television (IPTV, satellite, cable)	4,156	3,961	195	4.9

Comment on the table:

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

b 4.368 million wholesale customers (Lifeline program) no longer reported since Q2/17



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