



MEDIA INFORMATION

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Deutsche Telekom continues to grow organically and again raises its full-year guidance

- Adjusted EBITDA expected to reach around 23.4 billion euros in 2018
- Revenue grows 1.3 percent in organic terms in the second quarter to 18.4 billion euros
- Adjusted EBITDA up 3.9 percent in organic terms to 5.9 billion euros
- At 1.5 billion euros, free cash flow 16.4 percent higher than prior-year figure
- Company defends top position in German mobile communications market
- Unbroken customer growth in the United States
- Growth trends in Europe confirmed

In the second quarter of 2018, Deutsche Telekom continued its positive trend from the start of the year. In Germany, the systematic build-out of fiber-optic infrastructure continues to pay off; in the United States, T-Mobile remains on a successful trajectory after announcing its plans to merge with its competitor Sprint; and, in Europe, the company continues to post growth, especially in convergent products. In the second quarter, net revenue rose 1.3 percent year-on-year in organic terms – i.e., adjusted for exchange rate effects and changes in the composition of the Group – reaching 18.4 billion euros. Adjusted EBITDA rose 3.9 percent in organic terms to 5.9 billion euros. As the U.S. dollar was about 10 percent weaker year-on-year, reported revenue was down slightly, by 2.8 percent, while reported adjusted EBITDA was down 0.3 percent.

For the second time this financial year, Deutsche Telekom revised upward its full-year guidance for adjusted EBITDA: Due to the positive earnings trend in



the United States, the Group now expects to post a figure of around 23.4 billion euros (at constant exchange rates). At the start of the financial year, the Group had forecast around 23.2 billion euros. The guidance for free cash flow remains unchanged at around 6.2 billion euros.

“We remain firmly on track,” said Thomas Dannenfeldt, CFO of Deutsche Telekom. “The trends in Germany and the United States are positive. At our European subsidiaries, we are again posting sustained growth.”

Free cash flow in the second quarter came in at 1.5 billion euros, up around 16.4 percent year-on-year. Cash capex remained stable at a high level, amounting to 3.0 billion euros before expenses for mobile spectrum. That was a year-on-year increase of 0.9 percent.

Adjusted net profit increased 3.3 percent year-on-year to 1.2 billion euros, whereas unadjusted net profit declined 43.4 percent to 0.5 billion euros. This decline was mainly due to the accounting effects of the settlement reached in the Toll Collect arbitration proceedings, which had a negative impact of 0.6 billion euros on net profit.

Germany – strong performance in mobile and fixed-line communications

Deutsche Telekom successfully defended its leading position in the German mobile communications market with another strong quarter. Mobile service revenues – the key benchmark in this business area – rose 2.9 percent year-on-year in the second quarter, reaching 1.7 billion euros. 45 percent of mobile contract customers (consumers) under the Telekom brand name already use a product bundle from the MagentaEINS portfolio, compared with 38 percent a year earlier. At the end of the second quarter, there were 3.9 million MagentaEINS customers, about half a million more than in the second quarter of 2017.



Infrastructure build-out remained at the top of the agenda. Over the last twelve months, Telekom has put 1,000 new mobile sites into operation in order to close remaining gaps in coverage. 74 percent of households in Germany with a fixed line now have access to fiber-optic-based products (FTTH, VDSL/vectoring), compared with 67 percent a year ago.

At the same time, key steps for further infrastructure build-out were taken in recent weeks. On July 2, Telekom signed an agreement with the City of Stuttgart and five neighboring municipalities to provide 90 percent of households in this region with direct fiber-optic lines by 2030. Starting August 1, super-vectoring technology will grant 6 million households in Germany broadband access at speeds of up to 250 Mbit/s. By year-end 2019, around two-thirds of households in Germany should have access to this high-speed technology.

With 624,000 additional customers opting for fiber-optic-based products, and the overall number rising to almost 11 million, the success of this strategy was once again evident. Deutsche Telekom added another 80,000 customers overall in the broadband market.

In the second quarter of 2018, the Germany operating segment posted a year-on-year increase of 1.9 percent in adjusted EBITDA to 2.1 billion euros. One factor in this growth was a reduced cost base, which fell 2.1 percent to 3.3 billion euros. Revenue decreased slightly, declining 0.9 percent to 5.3 billion euros.

United States – business is continuing at full speed

T-Mobile US maintained its top position in the U.S. mobile communications market, especially as regards key financial indicators like growth in service revenues and net customer additions. Business continued to boom after the announcement in early May of the planned merger with competitor Sprint.



Specifically, second-quarter service revenues rose 6.1 percent year-on-year to reach 7.8 billion U.S. dollars. At the same time, adjusted EBITDA increased by 5.1 percent to 3.0 billion U.S. dollars.

The number of branded postpaid customers rose by more than one million in the second quarter. Overall, T-Mobile US reported 1.6 million new customers in the second quarter – its 21st consecutive quarter of million-plus growth. As of June 30, the customer base was 75.6 million.

Europe – unbroken positive trend in all areas

Business in Europe remained on a growth trajectory in the April-through-June quarter. All key financial indicators as well as customer figures were higher compared with the prior-year period.

Revenue in the Europe operating segment rose 1.3 percent to 2.9 billion euros. The year-on-year increase of 1.8 percent in mobile service revenues – calculated on a comparable basis – was particularly gratifying. Magyar Telekom (Hungary) delivered the strongest growth in mobile business. Adjusted EBITDA benefited from lower costs, adding 0.9 percent in organic terms despite the negative effects of roaming regulation.

Unbroken growth in customer numbers created the strong underpinnings for this increase. The upward trend in new mobile contract customers (plus 336,000) and new broadband customers (plus 73,000) continued to hold in the second quarter. In both these business areas, the customer base increased around 5 percent year-on-year.

Convergent products bundling fixed-network and mobile communications continue to be a real success story. Within the space of one year, the number of customers opting for these convergent products rose 48.3 percent to



2.7 million. Key initiatives were taken after the second quarter in two further countries to encourage the growth of convergent products in line with Deutsche Telekom's strategy. On July 9, the European Commission approved the acquisition in Austria of cable network operator UPC Austria. On July 23, T-Mobile Polska signed an agreement with its competitor Orange that will grant it access to more than 4 million households via the latter's fiber-optic network. In addition, T-Mobile Czech Republic plans to invest more in its fiber-optic network in order to enhance its business with product bundles.

Systems Solutions – strong order entry in second quarter

Along with various other deals, a major order from Sparda group had a positive impact on order entry at T-Systems. Under this contract, T-Systems will assume responsibility for the IT infrastructure and operations for the Sparda group's banks, including all network and security services, and will provide them with a future-proof digitalization platform. At 1.8 billion euros, order entry was up 42.2 percent on the prior-year quarter.

Systems Solutions' total revenue decreased 0.8 percent to 1.7 billion euros. The decline in earnings indicators was accentuated by capital expenditure in areas promising future growth, with adjusted EBITDA falling 11 percent to 121 million euros compared with the prior-year quarter. T-Systems is thus on track for the full-year guidance for 2018.

At the end of June, T-Systems launched a transformation program under the motto Investing while Saving to get the company back on the path to growth. The plan is to reduce the cost base by a gross amount of 600 million euros by 2021 and simultaneously invest a portion of these savings in growth areas. Negotiations are already underway with the employee representatives in order to implement the program.

The Deutsche Telekom Group at a glance:

	Q2 2018 millions of €	Q2 2017 millions of €	Change %	H1 2018 millions of €	H1 2017 millions of €	Change %	FY 2017 millions of €
Revenue	18,367	18,890	-2.8	36,291	37,537	-3.3	74,947
Proportion generated internationally in %	67.6	68.1	-0.5 p	67.1	67.7	-0.6 p	67.2
EBITDA	5,556	5,986	-7.2	10,825	11,949	-9.4	23,969
Adjusted EBITDA	5,928	5,944	-0.3	11,477	11,495	-0.2	22,230
Net profit	495	874	-43.4	1,487	1,621	-8.3	3,461
Adjusted net profit	1,238	1,199	3.3	2,428	2,138	13.6	6,039
Free cash flow ^a	1,514	1,301	16.4	2,896	2,530	14.5	5,497
Cash capex ^b	3,094	10,240	-69.8	6,234	13,520	-53.9	19,494
Cash capex ^b (before spectrum)	3,021	2,994	0.9	6,097	6,238	-2.3	12,099
Net debt	54,772	55,249	-0.9	54,772	55,249	-0.9	50,791
Number of employees ^c	217,207	216,135	0.5	217,207	216,135	0.5	217,349

Comments on the table:

The new accounting standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" took effect as of January 1, 2018. Prior-year comparatives were not adjusted. Application of these standards did not have any material effect on the Group's results of operations.

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 2018 millions of €	Q2 2017 millions of €	Change %	H1 2018 millions of €	H1 2017 millions of €	Change %	FY 2017 millions of €
Germany							
Total revenue	5,322	5,371	-0.9	10,648	10,768	-1.1	21,931
EBITDA	1,941	1,981	-2.0	3,857	3,987	-3.3	8,104
Adjusted EBITDA	2,126	2,086	1.9	4,209	4,141	1.6	8,412
Number of employees ^a	63,872	64,560	-1.1	63,872	64,560	-1.1	64,798
United States							
Total revenue	8,821	9,236	-4.5	17,277	18,218	-5.2	35,736
US-\$	10,510	10,152	3.5	20,904	19,714	6.0	40,316
EBITDA	2,522	2,635	-4.3	4,882	5,025	-2.8	10,949
Adjusted EBITDA	2,553	2,640	-3.3	4,885	5,025	-2.8	9,316
US-\$	3,046	2,899	5.1	5,912	5,439	8.7	10,479
Europe							
Total revenue	2,896	2,860	1.3	5,707	5,641	1.2	11,589
EBITDA	907	913	-0.7	1,812	1,791	1.2	3,619
Adjusted EBITDA	953	947	0.6	1,864	1,836	1.5	3,749
Systems Solutions							
Order entry	1,842	1,295	42.2	3,348	2,569	30.3	5,241
Total revenue	1,674	1,688	-0.8	3,339	3,392	-1.6	6,918
Adjusted EBIT margin (%)	1.4	2.4	-1.0 p	-0.4	1.1	-1.5p	1.7
EBITDA	71	97	-26.8	90	158	-43.0	280
Adjusted EBITDA	121	136	-11.0	179	232	-22.8	509

Comments on the table:

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a At the reporting date.



Development of customer numbers

Operating segments: development of customer numbers in the second quarter of 2018

	June 30, 2018 thousands	Mar. 31, 2018 thousands	Change thousands	Change %
Germany				
Mobile customers	43,023	42,730	293	0.7
Of which contract customers	24,965	25,102	-137	-0.5
Fixed-network lines	18,989	19,149	-160	-0.8
Of which retail IP-based	13,629	12,843	786	6.1
Broadband lines	13,437	13,357	80	0.6
Of which optical fiber ^a	6,559	6,232	327	5.2
Television (IPTV, satellite)	3,240	3,193	47	1.5
Unbundled local loop lines (ULLs)	5,587	5,846	-259	-4.4
United States				
Mobile customers	75,619	74,040	1,579	2.1
Of which branded postpaid customers	40,082	39,065	1,017	2.6
Of which branded prepay customers	20,967	20,876	91	0.4
Europe				
Mobile customers	49,886	49,254	632	1.3
Of which contract customers	26,022	25,686	336	1.3
Fixed-network lines	8,414	8,409	5	0.1
Of which IP-based	6,235	5,947	288	4.8
Broadband customers ^b	5,671	5,598	73	1.3
Television (IPTV, satellite, cable)	4,293	4,271	22	0.5

Comments on the table:

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

b Starting in Q2/2018, we no longer report the number of retail broadband lines from a technical perspective. Instead, we report the number of broadband customers. Prior-year comparatives have been adjusted.



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

	June 30, 2018 thousands	June 30, 2017 thousands	Change thousands	Change %
Germany				
Mobile customers	43,023	42,011	1,012	2.4
Of which contract customers	24,965	25,084	-119	-0.5
Fixed-network lines	18,989	19,477	-488	-2.5
Of which retail IP-based	13,629	10,351	3,278	31.7
Broadband lines	13,437	13,035	402	3.1
Of which optical fiber ^a	6,559	5,033	1,526	30.3
Television (IPTV, satellite)	3,240	3,024	216	7.1
Unbundled local loop lines (ULLs)	5,587	6,723	-1,136	-16.9
United States				
Mobile customers	75,619	69,562	6,057	8.7
Of which branded postpaid customers	40,082	36,158	3,924	10.9
Of which branded prepay customers	20,967	20,293	674	3.3
Europe				
Mobile customers	49,886	47,688	2,198	4.6
Of which contract customers	26,022	24,854	1,168	4.7
Fixed-network lines	8,414	8,464	-50	-0.6
Of which IP-based	6,235	5,416	819	15.1
Broadband customers ^b	5,671	5,396	275	5.1
Television (IPTV, satellite, cable)	4,293	4,156	137	3.3

Comments on the table:

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

b Starting in Q2/2018, we no longer report the number of retail broadband lines from a technical perspective. Instead, we report the number of broadband customers. Prior-year comparatives have been adjusted.



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 Deutsche Telekom's ability to achieve its objectives are the progress of its 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 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 cost and revenue development. Further, an economic downturn in the markets, and changes in interest and currency exchange rates, may also have an impact on Deutsche Telekom's business development and the availability of financing on favorable conditions. Changes to Deutsche Telekom's expectations concerning future cash flows may lead to impairment write downs of assets carried at historical cost, which may materially affect the 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, the actual performance may materially differ from the performance expressed or implied by forward-looking statements. There is no assurance that the estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, Deutsche Telekom does 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 alternative 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 performance measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.



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