



MEDIA INFORMATION

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Deutsche Telekom raises EBITDA and cash flow guidance after customer growth in the third quarter of 2018

- Full-year adjusted EBITDA expected to be around 23.6 billion euros and full-year free cash flow around 6.3 billion euros
- Revenue grows 4.7 percent in the third quarter to 19.1 billion euros
- Adjusted EBITDA 8.5 percent higher at 6.2 billion euros
- All operating segments contributing to growth
- Deutsche Telekom clear market leader in the German mobile business
- T-Mobile US once again delivers strongest growth in the U.S. mobile communications market
- Growth in Europe gains momentum
- Slight improvements at T-Systems

After a strong third quarter, with substantial customer growth and higher earnings across all operating segments, Deutsche Telekom is raising its full-year EBITDA guidance for the third time this year and, for the first time, its expectation for free cash flow. Adjusted EBITDA is now expected to reach around 23.6 billion euros, after a forecast figure of around 23.2 billion euros at the start of the financial year. Deutsche Telekom expects to post free cash flow of around 6.3 billion euros, up from the previous forecast of around 6.2 billion euros.

“Things are looking up in all areas of the Group,” said Tim Hötting, CEO of Deutsche Telekom, “and that enables us to set the bar a fraction higher. It sends a very optimistic signal.”



Net revenue of the Group increased by 4.7 percent year-on-year to 19.1 billion euros in the third quarter of 2018. Adjusted EBITDA rose by 8.5 percent to 6.2 billion euros. At 1.9 billion euros, free cash flow increased by 0.5 percent against the third quarter of 2017. In the first nine months of the year, there was a clear increase in free cash flow of 8.5 percent.

There was a positive trend in adjusted net profit, which rose 6.2 percent to 1.3 billion euros in the third quarter. At 1.1 billion euros, reported net profit was up 118.9 percent and thus more than twice as high year-on-year. This increase was due to major special factors – which were negative on balance – that impacted the third-quarter figure in 2017 and did not occur in the same magnitude in the third quarter of 2018.

Germany – network build-out remains the key to success

Deutsche Telekom's ongoing efforts to build out its network in Germany are paying off, and the company is already able to offer fiber-optic products (FTTH, FTTC/vectoring) at 75 percent of its fixed-network lines, up from 67 percent a year ago. In the mobile communications segment, 98 percent of the population is now covered by the LTE mobile communications standard.

More powerful networks like these are a magnet for customers. As of the end of September, the number of fiber-optic customers had risen by 30 percent year-on-year to 11.6 million. In the third quarter alone, 67,000 new customers opted for broadband products from Deutsche Telekom. Convergent fixed-network and mobile products are playing a key role in this trend, too. More than 4 million customers already use products of this kind from the MagentaEINS portfolio, up 14.1 percent on the previous year. MagentaEINS users now account for 47 percent of branded mobile contract customers, up from 40 percent as of the end of September 2017.



Customer growth and a broader product portfolio are also increasing revenue. Mobile service revenues again grew markedly. With growth of 3.1 percent year-on-year on a comparable basis, Deutsche Telekom reaffirmed its leadership role in mobile communications in the German market. Due to changes in accounting standards, revenue in the Germany operating segment declined by a slight 0.9 percent to 5.4 billion euros in the third quarter. At the same time, adjusted EBITDA rose by 2.1 percent to 2.2 billion euros.

United States – record figures in the third quarter

The Un-carrier continues to go from strength to strength. Announcement of the planned merger with its competitor Sprint (regulatory approval of which is still outstanding) did not slow T-Mobile US' business performance. In fact, the company continues to post record figures. Total revenue increased 8.0 percent year-on-year to 10.7 billion U.S. dollars in the third quarter. Service revenues grew 5.9 percent to 7.9 billion U.S. dollars. At the same time, adjusted EBITDA increased 15.7 percent to 3.1 billion U.S. dollars.

T-Mobile US added more than 1.6 million customers in the third quarter – its 22nd consecutive quarter of million-plus growth – reaching a total customer base of 77.2 million as of the end of September. T-Mobile US leads the industry in many key indicators, one of the most notable being the number of branded postpaid telephony customers, which grew by 774,000 in the third quarter. For many customers, network quality remains a strong argument for switching to T-Mobile US: Coverage was further enhanced in the third quarter, while tests confirmed the company's superior LTE upload and download speeds compared with its competitors.

Europe remains on a growth trajectory

The European subsidiaries continue to deliver sustained growth, posting the third increase in their key quarterly figures this year. In organic terms – i.e., adjusted for changes in the composition of the Group and exchange rate effects – revenue rose 2.2 percent to 3.0 billion euros in the third quarter. Adjusted EBITDA grew 3.6 percent in organic terms to 1.1 billion euros. Due to the inclusion of UPC Austria in the consolidated financial statements as of July 31, 2018, reported revenue (3.4 percent) and reported adjusted EBITDA (5.5 percent) were even higher.

Growth in convergent fixed-network and mobile products remains unbroken. As of the end of September 2018, 2.9 million customers used products of this kind, up 46 percent year-on-year. In the third quarter alone, 229,000 new customers signed up. The number of mobile contract customers – adjusted for the effects of the consolidation of UPC – continued to rise as well: It increased by 297,000 in the third quarter, while 61,000 broadband customers and 35,000 TV customers were added.

Systems Solutions – slight increase in revenue and earnings

T-Systems' financial indicators were better in the third quarter of 2018 than a year earlier. Revenue increased 2.8 percent to 1.8 billion euros. At 139 million euros, adjusted EBITDA was 6.1 percent higher year-on-year, while adjusted EBIT grew by 2 million euros or 5.3 percent to 40 million euros. One of the factors in this increase was the positive trend in growth areas like cloud computing, SAP services, and the Internet of Things (IoT).

Order entry fell 3.1 percent to 1.3 billion euros in the third quarter, but rose 18.7 percent to 4.7 billion euros over the first nine months. One of the key events in the reporting period was the expansion of the data center in Biere: The



construction project was completed after only 18 months, increasing cloud capacity at the site by 150 percent.

The Deutsche Telekom Group at a glance:

	Q3 2018 millions of €	Q3 2017 millions of €	Change %	Q1-Q3 2018 millions of €	Q1-Q3 2017 millions of €	Change %	FY 2017 millions of €
Revenue	19,104	18,251	4.7	55,395	55,787	-0.7	74,947
Proportion generated internationally in %	68.1	66.4	1.7p	67.5	67.3	0.2p	67.2
EBITDA	5,874	7,318	-19.7	16,699	19,267	-13.3	23,969
Adjusted EBITDA	6,207	5,720	8.5	17,684	17,215	2.7	22,230
Net profit	1,110	507	n.a.	2,597	2,129	22.0	3,461
Adjusted net profit	1,321	1,244	6.2	3,749	3,382	10.9	6,039
Free cash flow ^a	1,883	1,873	0.5	4,779	4,403	8.5	5,497
Cash capex ^b	3,117	3,021	3.2	9,351	16,541	-43.5	19,494
Cash capex ^b (before spectrum)	3,047	3,002	1.5	9,143	9,240	-1.0	12,100
Net debt				55,473	52,635	5.4	50,791
Number of employees ^c				216,606	216,343	0.1	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:

	Q3 2018 millions of €	Q3 2017 millions of €	Change %	Q1-Q3 2018 millions of €	Q1-Q3 2017 millions of €	Change %	FY 2017 millions of €
Germany							
Total revenue	5,441	5,488	-0.9	16,088	16,256	-1.0	21,931
EBITDA	2,093	2,102	-0.4	5,949	6,089	-2.3	8,104
Adjusted EBITDA	2,222	2,177	2.1	6,430	6,318	1.8	8,412
Number of employees ^a				63,433	65,274	-2.8	64,798
United States							
Total revenue	9,227	8,466	9.0	26,504	26,684	-0.7	35,736
US-\$	10,730	9,939	8.0	31,634	29,653	6.7	40,316
EBITDA	2,610	3,934	-33.7	7,492	8,960	-16.4	10,949
Adjusted EBITDA	2,665	2,288	16.5	7,551	7,313	3.3	9,316
US-\$	3,100	2,680	15.7	9,012	8,119	11.0	10,479
Europe^b							
Total revenue	3,045	2,945	3.4	8,752	8,587	1.9	11,589
EBITDA	1,041	959	8.6	2,853	2,749	3.8	3,619
Adjusted EBITDA	1,062	1,007	5.5	2,926	2,843	2.9	3,749
Systems Solutions							
Order entry	1,324	1,366	-3.1	4,672	3,936	18.7	5,241
Total revenue	1,754	1,707	2.8	5,094	5,099	-0.1	6,918
Adjusted EBIT margin (%)	2.3	2.2	0	0.5	1.5	-1.0	1.7
EBITDA	85	56	51.8	175	214	-18.2	280
Adjusted EBITDA	139	131	6.1	318	362	-12.2	509

Comments on the table:

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a At the reporting date.

b Inclusion of UPC Austria as of July 31, 2018. Prior-year comparatives have not been adjusted.

Development of customer numbers

Operating segments: Development of customer numbers in the third quarter of 2018

	Sept. 30, 2018 thousands	June 30, 2018 thousands	Change thousands	Change %
Germany				
Mobile customers	43,646	43,023	623	1.4
Of which contract customers	25,179	24,965	214	0.9
Fixed-network lines	18,809	18,989	-180	-0.9
Of which retail IP-based	14,493	13,629	864	6.3
Broadband lines	13,504	13,437	67	0.5
Of which optical fiber ^a	6,896	6,559	337	5.1
Television (IPTV, satellite)	3,291	3,240	51	1.6
Unbundled local loop lines (ULLs)	5,402	5,587	-185	-3.3
United States				
Mobile customers	77,249	75,619	1,630	2.2
Of which branded postpaid customers	41,161	40,082	1,079	2.7
Of which branded prepay customers	21,002	20,967	35	0.2
Europe^b				
Mobile customers	50,429	49,886	543	1.1
Of which contract customers	26,402	26,022	380	1.5
Fixed-network lines	9,034	8,414	620	7.4
Of which IP-based	7,114	6,235	879	14.1
Broadband customers ^c	6,293	5,671	622	11.0
Television (IPTV, satellite, cable)	4,782	4,293	489	11.4

Comments on the table:

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

b Inclusion of UPC Austria as of July 31, 2018. Prior-year comparatives have not been adjusted.



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c 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

	Sept. 30, 2018 thousands	Sept. 30, 2017 thousands	Change thousands	Change %
Germany				
Mobile customers	43,646	42,534	1,112	2.6
Of which contract customers	25,179	25,452	-273	-1.1
Fixed-network lines	18,809	19,352	-543	-2.8
Of which retail IP-based	14,493	11,177	3,316	29.7
Broadband lines	13,504	13,105	399	3.0
Of which optical fiber ^a	6,896	5,417	1,479	27.3
Television (IPTV, satellite)	3,291	3,089	202	6.5
Unbundled local loop lines (ULLs)	5,402	6,417	-1,015	-15.8
United States				
Mobile customers	77,249	70,731	6,518	9.2
Of which branded postpaid customers	41,161	36,975	4,186	11.3
Of which branded prepay customers	21,002	20,519	483	2.4
Europe^b				
Mobile customers	50,429	48,205	2,224	4.6
Of which contract customers	26,402	25,119	1,283	5.1
Fixed-network lines	9,034	8,422	612	7.3
Of which IP-based	7,114	5,555	1,559	28.1
Broadband customers ^c	6,293	5,457	836	15.3
Television (IPTV, satellite, cable)	4,782	4,200	582	13.9

Comments on the table:

- a Sum of all FTTx access lines (e.g., FTTC/VDSL, vectoring, and FTTH).
- b Inclusion of UPC Austria as of July 31, 2018. Prior-year comparatives have not been adjusted.
- c 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.

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