

MEDIA INFORMATION

Bonn, February 21, 2019

Deutsche Telekom continues growth course in record year 2018 and exceeds financial targets

- Revenue up by 0.9 percent to 75.7 billion euros; organic growth of 3.1 percent
- Adjusted EBITDA up by 5.0 percent to 23.3 billion euros, organic growth of 7.2 percent
- Free cash flow reaches 6.2 billion euros, up 13.7 percent against 2017, organic growth of 18.9 percent
- Dividend to increase from 65 eurocents to 70 eurocents per share
- Record investments of 12.2 billion euros worldwide
- Net profit down against prior year, primarily due to U.S. tax reform
- Germany business strong in mobile communications
- Growth at T-Mobile US continues unabated
- Sustainable growth in Europe
- 2019 forecast shows undiminished growth momentum

Deutsche Telekom remained on course in the final quarter of 2018. The Group exceeded its financial guidance, which had been raised three times in the course of the year. Revenue increased by 0.9 percent in 2018 to 75.7 billion euros, adjusted EBITDA by 5.0 percent to 23.3 billion euros. At the same time, free cash flow increased by 13.7 percent in the full year to 6.2 billion euros. In organic terms – i.e., assuming constant exchange rates and the same composition of the Group – revenue grew by 3.1 percent, adjusted EBITDA by 7.2 percent, and free cash flow by 18.9 percent.



Deutsche Telekom's guidance is established on an organic basis. The target values, adjusted most recently in November, stood at around 23.6 billion euros for adjusted EBITDA and around 6.3 billion euros for free cash flow. On an organic basis, the Group clearly exceeded these forecast figures, achieving 23.8 billion euros in adjusted EBITDA and 6.3 billion euros in free cash flow.

"We kept our promises and continued to grow in 2018," said Tim Hötting, CEO of Deutsche Telekom. "With a strong presence on both sides of the Atlantic combined with our vast investment capacity, our growth profile is unique in the industry."

The Group's investments once again increased to a record level. Cash capex before expenses for mobile spectrum reached 12.2 billion euros. This takes the investments made by the Group worldwide in the last four years to more than 46 billion euros, around 21 billion euros of this in Germany. In addition, more than 14 billion euros was spent on mobile spectrum licenses. The success of these massive investments can be seen in all the network tests Deutsche Telekom has won over the last few years, and in particular in the unabated strong customer growth on both sides of the Atlantic.

The decline in adjusted net profit is primarily attributable to the positive one-time effects of the U.S. corporate tax reform in the prior year, which were not matched by any comparable effect in the reporting year. At 4.5 billion euros, adjusted net profit in 2018 was therefore 24.7 percent below the prior-year figure. Reported net profit declined 37.4 percent to 2.2 billion euros. The 2017 figure also included positive special factors from the reversal of impairment losses on U.S. mobile spectrum and proceeds from the disposal of Strato and Scout.

Based on the results achieved, the Board of Management and Supervisory Board will propose to the shareholders' meeting on March 28 a dividend of

70 eurocents per share. In the prior year, a dividend of 65 eurocents per share had been paid out.

2019 guidance – Deutsche Telekom intends to maintain growth momentum

There are no plans to let up. Deutsche Telekom intends to maintain its current rate of growth in 2019. The guidance follows the medium-term outlook given at the Capital Markets Day 2018, where the Group announced its target average annual increases through 2021: of 1 to 2 percent for revenue, 2 to 4 percent for adjusted EBITDA, and of around 10 percent for free cash flow.

The precise figures are strongly impacted by the application of the IFRS 16 accounting standard, which relates to the reporting of leases and became mandatory as of 2019. In order to ensure comparability, Deutsche Telekom is using new key performance indicators, in line with European competitors: adjusted EBITDA AL (after leases, i.e., excluding lease costs) and free cash flow AL (after leases, i.e., excluding expenditure for leases). As a starting point for the 2019 guidance, Deutsche Telekom is using pro-forma figures AL for 2018, which include the acquisitions in Austria and the Netherlands, as well as the described AL logic, so as to provide better comparability for the full year 2018.

	2018 reported	2018 pro forma AL ^a	2019 guidance AL ^{b,c}
Adj. EBITDA	23.3	23.2	Around 23.9
Free cash flow ^d	6.25	6.0	Around 6.7

All figures in billions of €

a Significant changes in the composition of the consolidated group included up to the date of preparation of the consolidated financial statements and the combined management report (e.g., the acquisition of UPC Austria in Austria or the acquisition of Tele2 Netherlands in the Netherlands).

b On a like-for-like basis.

c Possible implications from the planned transaction with Sprint in the United States are not included in the guidance figures.

d Before dividend payments and spectrum investment.

Revenue is also expected to increase again this year. According to Deutsche Telekom's plans, investments worldwide are set to increase again from the record level of 2018.

Operating segments: 2018 performance in detail

Germany – positive trends continue

In 2018, business in Germany enjoyed successes with MagentaEINS, the extension of the market lead in mobile communications, and steady growth in the customer base for fiber-optic-based products (FTTH and FTTC/vectoring). The year-end figures were impressive.

Of branded mobile contract customers, 50.7 percent now use product packages combining mobile communications and fixed network, compared with 41.7 percent a year earlier. The number of MagentaEINS customers rose to 4.3 million as of the end of the year, up 17.5 percent from the end of December 2017.

Deutsche Telekom continued to lead the industry in mobile service revenues in the final quarter of 2018, with a 2.0 percent increase in this most important performance measure for mobile communications.

The fiber-optic build-out, which has been driven forward year after year, is resulting in a steady rise in customer numbers. 12.2 million customers now use a fiber-optic line, up more than 27 percent compared with the end of 2017. About half of branded consumers in the broadband business are already benefiting from the high speeds of fiber-optic lines.

While revenue remained almost stable, falling just 1.1 percent to 21.7 billion euros, adjusted EBITDA in the Germany segment increased by 2.4 percent to 8.6 billion euros. The first-time application of the new accounting standard IFRS 15 had a negative impact on revenue and a positive effect on adjusted EBITDA.



United States – T-Mobile US still unstoppable

No signs of a slowdown at T-Mobile US. Just the opposite, in fact: The Un-carrier increased its rapid rate of growth yet again, with 1.4 million branded postpaid net additions in the fourth quarter of 2018 alone, compared with 1.1 million a year earlier. At the end of the year, T-Mobile USA had 79.7 million customers. This figure increased by more than 7 million in the last year.

The net additions are not only due to rising numbers of new customers. There is also a steady rise in the loyalty of existing customers, which can be seen in ever smaller churn rates. In the final quarter of 2018, this figure decreased to 0.99 percent for branded phone contract customers, compared with a churn rate of 1.18 percent a year earlier.

T-Mobile US' financial performance indicators also developed positively. Total revenue grew by 6.8 percent in 2018 to 43.1 billion U.S. dollars. At the same time, adjusted EBITDA rose by 13.6 percent to 11.9 billion U.S. dollars.

Europe – stable growth rates achieved

Growth in revenue and earnings in all four quarters of 2018. That is the proud achievement of the Europe business in the reporting year. On an organic basis, revenue increased by 1.5 percent in the full year, adjusted EBITDA by 1.8 percent. Due to the first-time consolidation of UPC in Austria, the increases in the reported figures were even higher. Revenue increased by 2.6 percent in 2018 to 11.9 billion euros. Adjusted EBITDA rose by 3.5 percent to 3.9 billion euros.

The success of product packages combining fixed-network and mobile communications continued in 2018. As of year-end, 3.3 million customers were using these convergent products, an increase of around 50 percent year-on-year. In the future, such offers will also be brought to the market by T-Mobile Austria, thanks to the takeover of cable network operator UPC, and T-Mobile Polska, following the agreement concerning the use of a competitor's fiber-optic



network. Hence, these companies will also contribute to the growth trend in this area.

The positive trend in mobile contract customers also continued, with an increase of 4.6 percent to 26.7 million customers. The number of broadband consumers shot up by 15.8 percent to 6.4 million, thanks to the takeover of UPC and organic growth.

Systems Solutions – new deals for T-Systems

T-Systems closed the year with strong growth in order entry. At 6.8 billion euros, the volume of deals closed was up 29.3 percent against the prior year.

Revenue remained stable year-on-year, increasing 0.3 percent to 6.9 billion euros and thus slightly exceeding expectations. Positive developments in growth areas such as cloud computing, health, and IoT were offset by declines in traditional IT business. Adjusted EBITDA decreased by 15.7 percent to 429 million euros, due in particular to the investments planned for growth areas and to the IP network migration.

The Deutsche Telekom Group at a glance:

	Q4 2018 millions of €	Q4 2017 millions of €	Change %	FY 2018 millions of €	FY 2017 millions of €	Change %
Revenue	20,261	19,160	5.7	75,656	74,947	0.9
Proportion generated internationally in %	68.7	67.0	1.7p	67.8	67.2	0.6p
EBITDA	5,138	4,703	9.2	21,836	23,969	-8.9
Adjusted EBITDA	5,649	5,015	12.6	23,333	22,230	5.0
Net profit	-431	1,332	n.a.	2,166	3,461	-37.4
Adjusted net profit	796	2,657	-70.0	4,545	6,039	-24.7
Free cash flow ^a	1,471	1,094	34.5	6,250	5,497	13.7
Cash capex ^b	3,141	2,954	6.3	12,492	19,494	-35.9
Cash capex ^b (before spectrum)	3,080	2,859	7.7	12,223	12,100	1.0
Net debt				55,425	50,791	9.1
Number of employees ^c	215,675	217,349	-0.8	215,675	217,349	-0.8

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:

	Q4 2018 millions of €	Q4 2017 millions of €	Change %	FY 2018 millions of €	FY 2017 millions of €	Change %
Germany						
Total revenue	5,612	5,676	-1.1	21,700	21,931	-1.1
EBITDA	2,062	2,015	2.3	8,012	8,104	-1.1
Adjusted EBITDA	2,179	2,094	4.1	8,610	8,412	2.4
Number of employees ^a	62,621	64,798	-3.4	62,621	64,798	-3.4
United States						
Total revenue	10,018	9,052	10.7	36,522	35,736	2.2
US-\$	11,428	10,664	7.2	43,063	40,316	6.8
EBITDA	2,436	1,989	22.5	9,928	10,949	-9.3
Adjusted EBITDA	2,537	2,003	26.7	10,088	9,316	8.3
US-\$	2,894	2,360	22.6	11,906	10,479	13.6
Europe^b						
Total revenue	3,132	3,002	4.3	11,885	11,589	2.6
EBITDA	904	870	3.9	3,757	3,619	3.8
Adjusted EBITDA	953	906	5.2	3,880	3,749	3.5
Systems Solutions						
Order entry	2,104	1,305	61.2	6,776	5,241	29.3
Total revenue	1,842	1,819	1.3	6,936	6,918	0.3
Adjusted EBIT margin (%)	0.3	2.5	-2.2	0.5	1.7	-1.2
EBITDA	-13	66	n.a.	163	280	-41.8
Adjusted EBITDA	111	147	-24.5	429	509	-15.7

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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 fourth quarter of 2018

	Dec. 31, 2018 thousands	Sept. 30, 2018 thousands	Change thousands	Change %
Germany				
Mobile customers	44,202	43,646	556	1.3
Of which contract customers	25,435	25,179	256	1.0
Fixed-network lines	18,625	18,809	-184	-1.0
Of which retail IP-based	15,356	14,493	863	6.0
Broadband lines	13,561	13,504	57	0.4
Of which optical fiber ^a	7,236	6,896	340	4.9
Television (IPTV, satellite)	3,353	3,291	62	1.9
Unbundled local loop lines (ULLs)	5,236	5,402	-166	-3.1
United States				
Mobile customers	79,651	77,249	2,402	3.1
Of which branded postpaid customers	42,519	41,161	1,358	3.3
Of which branded prepay customers	21,137	21,002	135	0.6
Europe^b				
Mobile customers	50,542	50,429	113	0.2
Of which contract customers	26,665	26,402	263	1.0
Fixed-network lines	9,068	9,034	34	0.4
Of which IP-based	7,420	7,114	306	4.3
Broadband customers ^c	6,405	6,293	112	1.8
Television (IPTV, satellite, cable)	4,835	4,782	53	1.1

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, Deutsche Telekom no longer reports the number of retail broadband lines from a technical perspective. Instead, it reports the number of broadband customers. Prior-year comparatives have been adjusted.

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

	Dec. 31, 2018 thousands	Dec. 31, 2017 thousands	Change thousands	Change %
Germany				
Mobile customers	44,202	43,125	1,077	2.5
Of which contract customers	25,435	25,887	-452	-1.7
Fixed-network lines	18,625	19,239	-614	-3.2
Of which retail IP-based	15,356	11,996	3,360	28.0
Broadband lines	13,561	13,209	352	2.7
Of which optical fiber ^a	7,236	5,803	1,433	24.7
Television (IPTV, satellite)	3,353	3,139	214	6.8
Unbundled local loop lines (ULLs)	5,236	6,138	-902	-14.7
United States				
Mobile customers	79,651	72,585	7,066	9.7
Of which branded postpaid customers	42,519	38,047	4,472	11.8
Of which branded prepay customers	21,137	20,668	469	2.3
Europe^b				
Mobile customers	50,542	48,842	1,700	3.5
Of which contract customers	26,665	25,483	1,182	4.6
Fixed-network lines	9,068	8,439	629	7.5
Of which IP-based	7,420	5,734	1,686	29.4
Broadband customers ^c	6,405	5,530	875	15.8
Television (IPTV, satellite, cable)	4,835	4,244	591	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, Deutsche Telekom no longer reports the number of retail broadband lines from a technical perspective. Instead, it reports the number of broadband customers. Prior-year comparatives have been adjusted.



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