



Media information

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Good start to 2012 financial year for Deutsche Telekom

- Adjusted EBITDA of EUR 4.5 billion at prior-year level
- 1.1 percent decrease in revenue in first quarter to EUR 14.4 billion
- Free cash flow almost 6 percent higher than prior-year figure at EUR 1.1 billion
- 17 percent decrease in adjusted net profit
- Net debt reduced by more than EUR 3 billion in 12 months
- Strong customer growth for Entertain
- Stabilization in Europe, slight growth in U.S.
- Guidance for the year confirmed

For Deutsche Telekom, the 2012 financial year began with a positive trend in its most important KPIs. At EUR 4.5 billion, adjusted EBITDA in the first quarter remained stable at the prior-year level. Net revenue decreased by just 1.1 percent in the same period to EUR 14.4 billion. This results in an adjusted EBITDA margin of 31.0 percent, 0.4 percentage points higher than one year before.

"This was a very satisfying quarter for us," said René Obermann, Chief Executive Officer of Deutsche Telekom. "We have made significant progress in many areas and can now confirm our guidance for the year."

At EUR 2.2 billion, the Group invested a considerable amount in cash capex once again in the first quarter. It also significantly reduced its debt at the same time. At March 31, 2012, net debt stood at EUR 38.6 billion, a year-on-year decrease of EUR 3.2 billion.

Compared with 2011, free cash flow increased by 5.7 percent in the first quarter to EUR 1.1 billion. Adjusted net profit declined 17.1 percent to EUR 581 million. Reported net profit was impacted in the first quarter by special factors affecting EBITDA of EUR 525 million compared with EUR 182 million in the same period of 2011. EUR 464 million of this was attributable to the continuation of the early retirement scheme as part of the Group's socially responsible restructuring measures. Corresponding exceptional expenses in the prior year were only incurred from the second quarter. This change in seasonal influences resulted in reported net profit of EUR 238 million in the first quarter of 2012.

Germany – accelerated customer growth for Entertain

The Germany operating segment saw a clear year-on-year improvement in its revenue. Total revenue decreased by only 2.3 percent compared with the prior-year period to EUR 5.7 billion in the first quarter of 2012. Adjusted EBITDA decreased to a lesser extent by 2.0 percent to EUR 2.3 billion. This results in an adjusted EBITDA margin of 40.7 percent, which represents a further improvement of 0.2 percentage points compared with the same period in 2011.

The decline in revenue was primarily slowed by greater stability in fixed-network business, particularly in the wholesale unit, which saw a decrease of just 3.9 percent compared with a two-digit decline at times during the prior year. In addition, the number of line losses fell further and revenue generated with broadband lines and television services increased. Service revenues in



mobile communications, on the other hand, did not perform satisfactorily, decreasing by 1.8 percent. Mobile data revenues increased by 20 percent to EUR 462 million.

Over 1.7 million customers now have Entertain, the television experience of the future. This represents year-on-year growth of 37.2 percent. There were 173,000 new customers in the first quarter of 2012, 71 percent more than from January to March 2011, with 81,000 of them receiving Entertain via satellite. There was also a significant increase of more than 100,000 new customers in the fiercely competitive broadband business. Deutsche Telekom kept its share of existing customers at over 45 percent. At 259,000, the number of line losses resulting from competition and regulation was 24 percent lower than the prior-year level. By contrast, 107,000 mobile contract customers were lost in the first quarter, resulting from the migration of a larger number of customers from one service provider to another network provider. Excluding this effect, the number of mobile contract customers also increased.

U.S. – customer growth with strong profitability

T-Mobile USA performed well, particularly in terms of its profitability. Revenue increased by 2.0 percent to EUR 3.8 billion in the past quarter, with adjusted EBITDA rising by 12.9 percent to EUR 1.0 billion. Nonetheless, the positive trend is due in part to exchange rate gains made by the U.S. dollar. In local currency, revenue decreased by 2.3 percent, while adjusted EBITDA increased by a full 8 percent.

The U.S. subsidiary recorded a strong adjusted EBITDA margin of 25.6 percent, a year-on-year increase of 2.5 percentage points, and gained new customers. Growth in prepay business saw the total number of customers up by 187,000 in the first quarter. The number of branded contract



customers (excluding machine-to-machine), on the other hand, was down by 510,000.

T-Mobile USA is well on schedule for implementing the new LTE mobile standard and the comprehensive modernization of its network thanks to the completed transfer of spectrum from AT&T and preparations for refarming existing spectrum. Relaunching the T-Mobile brand on the U.S. market and significantly enlarging the sales network in the country are important steps in implementing the strategy. In addition, initiatives for cutting costs and reducing churn are having a positive impact. There was a 0.1 percentage point improvement year-on-year in branded contract customer churn, representing a 0.5 percentage point improvement on the fourth quarter.

Europe – stabilization continues

European business also continued to stabilize in the first three months of this year. Revenue declined 2.6 percent year-on-year to EUR 3.6 billion. Adjusted EBITDA decreased by 4.3 percent to EUR 1.2 billion. When adjusted for exchange rate effects, however, particularly in Hungary and Poland, and the impact of regulation on mobile communications, revenue actually increased slightly.

As a result, business in Europe showed new strength, although a difficult economic environment continued to prevail in many countries. Once again, virtually all national companies maintained their strong profitability. Positive trends were recorded in the revenues of the mobile communications companies in Greece and Romania.

The number of mobile contract customers and broadband customers also increased by 3 percent each. The number of IPTV customers even grew by 18 percent. The trend toward increased smartphone use also continued

unabated at the European national companies. Smartphones still accounted for 40 percent of devices sold one year ago, but this figure increased to 57 percent in the first three months of the current year. This boom was a major factor in the 11 percent increase in mobile data rates in Europe, a 14 percent increase when adjusted for exchange rate effects. More than half of this growth originated in the Netherlands and Austria. Croatia performed best, with growth of over 30 percent when adjusted for exchange rate effects.

Systems Solutions – margin improved, revenue under pressure

Systems Solutions began the first quarter of 2012 with its revenue from international business increasing by 3.5 percent to EUR 758 million. Externally generated revenues also increased year-on-year, albeit only slightly by 0.6 percent, due to sustained price and competitive pressure.

Revenue generated within the Group decreased as planned. This contribution to reducing costs at Deutsche Telekom outweighed the growth in revenue with external customers. Total revenue therefore decreased by 0.7 percent year-on-year in the first three months to EUR 2.2 billion.

The adjusted EBIT margin, the most important indicator of Systems Solutions' profitability, saw a slight improvement of 1.3 percent to 2.0 percent compared with the prior-year period. Adjusted EBITDA amounted to EUR 192 million. This represents a 1.6-percent year-on-year increase.

T-Systems secured big deals from Old Mutual Group (OMG) and British American Tobacco (BAT) in the first quarter. Overall, there was a 33-percent decrease in orders compared with the first quarter of 2011. It should be noted that the high prior-year figure resulted from the big deal with Everything Everywhere.



T-Systems is offering a new telematics solution in the field of connected cars. Since February 2012, forwarding companies can use cloud-based services to plan their routes more efficiently, thereby cutting maintenance costs and saving up to 20 percent on fuel. With TelematicOne, T-Systems delivers a central control unit for all logistics activities, including accessing the position details of trucks, controlling the temperature of goods, and recording transportation routes, containers, and trailers in real time.

The Deutsche Telekom Group at a glance*:

	Q1 2012 millions of EUR	Q1 2011 millions of EUR	Change %	FY 2011 millions of EUR
Net revenue	14,432	14,597	(1.1)	58,653
Of which: domestic	6,408	6,576	(2.6)	26,361
Of which: international	8,024	8,021	0.0	32,292
Profit (loss) from operations (EBIT)	1,218	1,644	(25.9)	5,586
Adjusted EBIT	1,743	1,827	(4.6)	7,606
EBITDA	3,952	4,298	(8.1)	20,022
Adjusted EBITDA	4,477	4,480	(0.1)	18,685
Adjusted EBITDA margin	31.0%	30.6%	0.4p	31.8%
Net profit	238	480	(50.4)	557
Adjusted net profit	581	701	(17.1)	2,851
Free cash flow^a	1,122	1,061	5.7	6,421
Cash capex^b	(2,169)	(2,120)	(2.3)	(8,406)
Net debt	38,627	41,800	(7.6)	40,121
Number of employees at the reporting date	234,067	244,011	(4.1)	235,132

Comments on the table:

- a Before dividend payments and investments in spectrum, and before the effects of the PTC and AT&T transactions.
b Cash outflows for investments in property, plant, and equipment, and intangible assets (excluding goodwill).

Germany operating segment*:

	Q1 2012 millions of EUR	Q1 2011 millions of EUR	Change %	FY 2011 millions of EUR
Total revenue	5,658	5,794	(2.3)	23,201
Net revenue	5,320	5,454	(2.5)	21,783
Profit (loss) from operations (EBIT)	887	1,225	(27.6)	4,359
Adjusted EBIT	1,183	1,294	(8.6)	5,066
EBITDA	2,006	2,281	(12.1)	8,767
Adjusted EBITDA	2,302	2,350	(2.0)	9,474
Adjusted EBITDA margin	40.7%	40.5%	0.2p	40.8%
Number of employees (average)	73,043	74,285	(1.7)	73,709

Comments on the table:

The activities and functions of the Digital Services growth area and of the Internet service provider STRATO (Consumers) that were previously reported under the Germany operating segment have been consolidated under Group Headquarters & Shared Services from January 1, 2012, and reported as part of the DBU (Digital Business Unit). The prior-year figures have been adjusted for better comparability.

Europe operating segment*:

	Q1 2012 millions of EUR	Q1 2011 millions of EUR	Change %	FY 2011 millions of EUR
Total revenue	3,575	3,672	(2.6)	15,124
Greece	819	863	(5.1)	3,546
Romania	264	262	0.8	1,072
Hungary	335	352	(4.8)	1,438
Poland	413	440	(6.1)	1,740
Czech Republic	255	268	(4.9)	1,092
Croatia	239	256	(6.6)	1,084
Netherlands	421	418	0.7	1,747
Slovakia	206	202	2.0	886
Austria	227	229	(0.9)	924
Other^a	448	435	3.0	1,827
Net revenue	3,400	3,504	(3.0)	14,431
Profit (loss) from operations (EBIT)	450	365	23.3	780
Adjusted EBIT	456	426	7.0	2,066

EBITDA	1,167	1,166	0.1	4,995
Adjusted EBITDA	1,173	1,226	(4.3)	5,241
Greece	309	327	(5.5)	1,300
Romania	69	61	13.1	274
Hungary	122	145	(15.9)	542
Poland	127	144	(11.8)	629
Czech Republic	123	136	(9.6)	509
Croatia	101	104	(2.9)	508
Netherlands	115	82	40.2	505
Slovakia	86	95	(9.5)	388
Austria	60	60	0.0	253
Other^a	63	69	(8.7)	339
Adjusted EBITDA margin	32.8%	33.3%	(0.5)p	34.6%
Number of employees (average)	57,472	62,366	(7.8)	60,105

Comments on the table:

The contributions of the national companies generally correspond to their respective unconsolidated financial statements and do not take consolidation effects at operating segment level into consideration.

a Other: National companies of Bulgaria, Albania, the F.Y.R.O. Macedonia, and Montenegro, as well as ICSS and Europe Headquarters.

United States operating segment*:

	Q1 2012 millions of EUR	Q1 2011 millions of EUR	Change %	FY 2011 millions of EUR
Total revenue	3,847	3,770	2.0	14,811
Net revenue	3,845	3,767	2.1	14,801
Profit (loss) from operations (EBIT)	344	401	(14.2)	(710)
Adjusted EBIT	422	408	3.4	1,721
EBITDA	905	864	4.7	3,697
Adjusted EBITDA	983	871	12.9	3,831
Adjusted EBITDA margin	25.6%	23.1%	2.5p	25.9%
Number of employees (average)	32,029	36,237	(11.6)	34,518

Systems Solutions operating segment*:

	Q1 2012 millions of EUR	Q1 2011 millions of EUR	Change %	FY 2011 millions of EUR
Total revenue	2,245	2,260	(0.7)	9,249
Of which: Computing Services	760	799	(4.9)	3,136
Of which: Desktop Services	333	335	(0.6)	1,373
Of which: Systems Integration	416	466	(10.7)	1,871
Of which: Telecommunications	809	771	4.9	3,197
Of which: Other^a	(72)	(111)	35.1	(328)
Net revenue	1,625	1,616	0.6	6,567
Order entry	1,742	2,593	(32.8)	8,826
Profit (loss) from operations (EBIT)	(35)	(11)	n.a.	(43)
Adjusted EBIT	44	29	51.7	252
EBITDA	113	149	(24.2)	597
Adjusted EBITDA	192	189	1.6	872
Adjusted EBITDA margin	8.6%	8.4%	0.2p	9.4%
Number of employees (average)	48,505	48,191	0.7	48,224

Comments on the table:

a Non-core activities and consolidation.

Group Headquarters & Shared Services*:

	Q1 2012 millions of EUR	Q1 2011 millions of EUR	Change %	FY 2011 millions of EUR
Total revenue	717	735	(2.4)	2,977
Net revenue	242	256	(5.5)	1,071
Profit (loss) from operations (EBIT)	(414)	(324)	(27.8)	1,242
Adjusted EBIT	(348)	(318)	(9.4)	(1,456)
EBITDA	(203)	(135)	(50.4)	2,081
Adjusted EBITDA	(137)	(129)	(6.2)	(617)
Number of employees (average)	23,492	23,887	(1.7)	23,813

Comments on the table:

The activities and functions of the Digital Services growth area and of the Internet service provider STRATO (Consumers) that were previously reported under the Germany operating segment have been consolidated under Group Headquarters & Shared Services from January 1, 2012, and reported as part of the DBU (Digital Business Unit). The prior-year figures have been adjusted for better comparability.

* Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortization, and impairment losses.

Development of customer numbers in the first quarter of 2012

Germany operating segment:

	March 31, 2012 thousands	March 31, 2011 thousands	Change thousands	Change %
Fixed network				
Fixed-network lines	23,140	24,312	(1,172)	(4.8)
Retail broadband lines	12,367	12,069	298	2.5
TV	1,725	1,257	468	37.2
Unbundled local loop lines (ULLs)	9,602	9,570	32	0.3
Wholesale unbundled lines	1,253	1,108	145	13.1
Wholesale bundled lines	657	891	(234)	(26.3)
Mobile communications				
Mobile customers ^a	35,100	34,574	526	1.5

Comment on the table:

a Since April 1, 2010, Telekom Deutschland GmbH has automatically terminated prepaid cards that have not been topped up for two years and have been inactive for three months.

Europe operating segment:

	March 31, 2012 thousands	March 31, 2011 thousands	Change thousands	Change %
Europe total				
Fixed-network lines	10,339	11,101	(762)	(6.9)
Retail broadband lines	4,614	4,482	132	2.9
Unbundled local loop lines (ULLs)	1,870	1,591	279	17.5
Wholesale unbundled lines	54	46	8	17.4
Wholesale bundled lines	153	166	(13)	(7.8)
Mobile customers	60,208	59,264	944	1.6
Greece				
Fixed-network lines	3,219	3,640	(421)	(11.6)
Broadband lines	1,120	1,153	(33)	(2.9)
Mobile customers	7,862	7,600	262	3.4
Romania				
Fixed-network lines	2,428	2,578	(150)	(5.8)
Broadband lines	1,100	1,044	56	5.4
Mobile customers	6,407	6,641	(234)	(3.5)
Hungary				
Fixed-network lines	1,462	1,546	(84)	(5.4)
Broadband lines	855	814	41	5.0
Mobile customers	4,815	4,777	38	0.8
Poland				
Mobile customers	14,512	13,175	1,337	10.1
Czech Republic				
Fixed-network lines	103	82	21	25.6
Broadband lines	103	82	21	25.6
Mobile customers	5,354	5,446	(92)	(1.7)
Croatia				
Fixed-network lines	1,367	1,418	(51)	(3.6)
Broadband lines	654	642	12	1.9
Mobile customers	2,350	3,006	(656)	(21.8)
Netherlands				
Fixed-network lines	291	298	(7)	(2.3)
Broadband lines	282	288	(6)	(2.1)
Mobile customers	4,856	4,718	138	2.9
Slovakia				
Fixed-network lines	1,009	1,051	(42)	(4.0)
Broadband lines	468	449	19	4.2
Mobile customers	2,312	2,363	(51)	(2.2)

Austria				
Mobile customers	4,069	3,833	236	6.2
Bulgaria				
Mobile customers	4,359	3,934	425	10.8
Other ^a				
Fixed-network lines	461	488	(27)	(5.5)
Broadband lines	239	223	16	7.2
Mobile customers	3,311	3,771	(460)	(12.2)

Comments on the table:

a Other: National companies of Albania, the F.Y.R.O. Macedonia, and Montenegro.

United States operating segment:

	March 31, 2012 thousands	March 31, 2011 thousands	Change thousands	Change %
Mobile customers ^a	33,373	33,635	(262)	(0.8)

Comment on the table:

a One mobile communications card corresponds to one customer.

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