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Deutsche Telekom delivers first-quarter earnings growth across all areas of the Group

- Revenue up by 3.5 percent in organic terms to 19.5 billion euros
- In organic terms, adjusted EBITDA AL is up by 3.9 percent to 5.9 billion euros in the first quarter
- Free cash flow AL up by 9.6 percent in organic terms to 1.6 billion euros
- Capital expenditures up by almost 20 percent year-on-year
- Customer growth in Germany continues
- Momentum in the United States remains unbroken
- European business on course for sustainable growth
- Positive signs at T-Systems
- Group reconfirms full-year guidance

Deutsche Telekom recorded earnings growth in all areas in the first quarter of 2019, thereby seamlessly continuing the Group's success from its record year of 2018. In organic terms, i.e., adjusted for exchange rate effects and changes in the composition of the Group, net revenue increased by 3.5 percent to 19.5 billion euros.

To provide better comparability with the prior year, Deutsche Telekom is reporting additional, adjusted KPIs as of this quarter. Adjusted EBITDA AL (after leases) and free cash flow AL eliminate the effect of the new accounting standard IFRS 16 on the reporting of leases. This approach is in line with the major European competitors and was explained in detail at the end of February with the presentation of the 2018 figures. It ensures the comparability of key financial figures with the medium-term forecast from the Capital Markets Day 2018.



Adjusted EBITDA AL rose 3.9 percent year-on-year to 5.9 billion euros in organic terms. Free cash flow AL totaled 1.6 billion euros. In organic terms, it increased by 9.6 percent. The increases in the reported figures, i.e., non-organic performance indicators, were even more pronounced, primarily due to the stronger U.S. dollar compared with the prior-year period and acquisitions in Austria and the Netherlands: On this basis, revenue increased by 8.7 percent, adjusted EBITDA AL by 8.3 percent, and free cash flow AL by 18.1 percent.

“We got off to a successful start to the year,” said Tim Höttges, CEO of Deutsche Telekom. “Deutsche Telekom has much more to offer than just our sensational success in the United States. We are seeing positive trends throughout the Group.”

Cash capex excluding expenses for mobile spectrum stood at 3.7 billion euros, up 19.7 percent against the first quarter of 2018. This increase was attributable to the accelerated network build-out in the United States and further extensive investments to build out and modernize the network in Germany. At 1.2 billion euros and down just 0.6 percent, adjusted net profit remained more or less stable year-on-year. Unadjusted net profit declined 9.3 percent to 0.9 billion euros.

The Group reconfirmed its guidance for the current financial year. Deutsche Telekom expects to report adjusted EBITDA AL of around 23.9 billion euros and free cash flow AL of around 6.7 billion euros for the 2019 full year.

Germany – MagentaTV gains ground

In Germany, the positive business trends of the prior year in terms of customer numbers and financial figures continued in the first quarter of 2019.



4.4 million customers now use MagentaEINS, a convergence product package of fixed-network and mobile communications. That is 17.1 percent more than a year ago. 53 percent of branded mobile contract customers now use MagentaEINS packages, an increase of 9 percentage points in a year.

The number of customers with fiber-optic-based products (FTTH, FTTC/vectoring) increased by 688,000 in the quarter, reaching 12.9 million at the end of March, up 24 percent year-on-year. Interest in these products rose tangibly with the launch of MagentaTV, the next development level in Deutsche Telekom's IP TV offering. 66,000 new MagentaTV customers were recorded in the quarter just ended, taking the total number to 3.4 million, an increase of 7.1 percent compared with March 2018.

Deutsche Telekom retained its leading position on the German mobile market. Service revenues increased again substantially by 2.8 percent compared with the first quarter of 2018. The trend in adjusted EBITDA AL in the Germany operating segment was also very positive in the reporting period, with an increase of 2.4 percent to 2.1 billion euros. Revenue increased 0.6 percent to 5.4 billion euros.

United States – record setting continues

For the last six years now, T-Mobile US has recorded more than one million customer additions in every single quarter. Between January and March 2019, 1.65 million net additions were recorded, including one million branded postpaid customers. Not only is the company constantly winning over new customers, at the same time, customer loyalty is also increasing. Churn fell yet again to a historic low. For branded postpaid customers, it stood at 0.88 percent in the first quarter, down from 1.07 percent in the prior year.

T-Mobile US' financial performance indicators also reached unprecedented levels in the first quarter. Total revenue increased by 7.0 percent to 11.1 billion



U.S. dollars. Adjusted EBITDA AL reached 3.0 billion U.S. dollars, an increase of 6.2 percent year-on-year.

Europe – boom in convergent product bundles

European national companies remain on course for growth in 2019. While revenue increased by 2.8 percent to 2.9 billion euros compared with the first quarter of 2018, adjusted EBITDA AL increased by as much as 5.2 percent to 0.9 billion euros. The first-time consolidation of UPC Austria had a positive effect. In organic terms, revenue increased by 0.4 percent, adjusted EBITDA AL by 1.5 percent.

The business with convergence products bundling fixed-network and mobile communications once again recorded fast growth. Within the space of one year, the number of users of such convergent offers rose 54 percent to 3.8 million. More than 42 percent of broadband households now use convergence products, up more than 10 percentage points within a year. Greece in particular recorded a strong performance.

Systems Solutions – strong development in growth areas

The positive trend in T-Systems' business from the end of last year continued through the first three months of 2019. At 1.6 billion euros, order entry was up 6.8 percent against the first quarter of 2018, primarily driven by new deals in growth areas such as SAP, public cloud, and health.

Revenue declined 2.1 percent to 1.6 billion euros. There was a general decline in the volume of traditional IT and telecommunications business in Western Europe. T-Systems also terminated contracts in unprofitable business areas. The increase in growth areas was not yet sufficient to fully offset this decline. The results were improved by efficiency enhancements from the ongoing transformation of T-Systems. Adjusted EBITDA AL recovered compared with the prior-year quarter, which had been impacted by start-up costs for new business areas. It increased by 53 percent to 92 million euros.

The Deutsche Telekom Group at a glance:

	Q1 2019 millions of €	Q1 2018 millions of €	Change %	FY 2018 millions of €
Revenue	19,488	17,924	8.7	75,656
Proportion generated internationally in %	69.0	66.6	2.4p	67.8
EBITDA	6,461	5,269	22.6	21,836
Adjusted EBITDA	6,901	5,549	24.4	23,333
Adjusted EBITDA AL	5,940	5,487	8.3	23,074
Net profit	900	992	(9.3)	2,166
Adjusted net profit	1,183	1,190	(0.6)	4,545
Free cash flow ^a	2,370	1,382	71.5	6,250
Free cash flow AL ^a	1,557	1,318	18.1	6,051
Cash capex ^b	3,827	3,139	21.9	12,492
Cash capex ^b (before spectrum)	3,682	3,076	19.7	12,223
Net debt ^c	71,876	50,455	42.5	55,425
Number of employees ^d	214,609	216,926	(1.1)	215,675

Comments on the table:

The new IFRS 16 “Leases” accounting standard has been applied since January 1, 2019. This led to a change in the definition of some of our financial performance indicators. The published prior-year figures were not adjusted; however, we show prior-year comparatives calculated on a pro-forma basis for the redefined key performance indicators “adjusted EBITDA after leases (adjusted EBITDA AL)” and “free cash flow after leases (free cash flow AL)”.

a Before dividend payments and spectrum investment.

b Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill).

c First-time application of IFRS 16 “Leases” as of January 1, 2019: The new standard results in a mathematical increase in net debt of 15.6 billion euros. The Company’s financial position remains unchanged by this.

d At the reporting date.



Operating segments:

	Q1 2019 millions of €	Q1 2018 millions of €	Change %	FY 2018 millions of €
Germany				
Total revenue	5,357	5,325	0.6	21,700
EBITDA	1,946	1,915	1.6	8,012
Adjusted EBITDA	2,114	2,082	1.5	8,610
Adjusted EBITDA AL	2,108	2,058	2.4	8,516
Number of employees ^a	62,358	64,695	(3.6)	62,621
United States				
Total revenue	9,796	8,455	15.9	36,522
US-\$	11,124	10,394	7.0	43,063
EBITDA	3,210	2,360	36.0	9,928
Adjusted EBITDA	3,309	2,332	41.9	10,088
Adjusted EBITDA AL	2,679	2,331	14.9	10,084
US-\$	3,042	2,865	6.2	11,901
Europe^b				
Total revenue	2,891	2,811	2.8	11,885
EBITDA	1,035	905	14.4	3,757
Adjusted EBITDA	1,059	911	16.2	3,880
Adjusted EBITDA AL	945	898	5.2	3,813
Systems Solutions				
Order entry	1,609	1,506	6.8	6,776
Total revenue	1,630	1,665	(2.1)	6,936
Adj. EBIT margin (%)	(0.2)	(2.3)	2.1p	0.5
EBITDA	79	19	n.a.	163
Adjusted EBITDA	125	57	n.a.	429
Adjusted EBITDA AL	92	60	53.3	442

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a At the reporting date.

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

Development of customer numbers

Operating segments: development of customer numbers in the first quarter of 2019

	Mar. 31, 2019 thousands	Dec. 31, 2018 thousands	Change thousands	Change %
Germany				
Mobile customers	44,657	44,202	455	1.0
Of which contract customers	25,195	25,435	(240)	(0.9)
Fixed-network lines	18,414	18,625	(211)	(1.1)
Of which retail IP-based	16,065	15,356	709	4.6
Broadband lines	13,608	13,561	47	0.3
Of which optical fiber ^a	7,609	7,236	373	5.2
Television (IPTV, satellite)	3,419	3,353	66	2.0
Unbundled local loop lines (ULLs)	5,050	5,236	(186)	(3.6)
United States				
Mobile customers	81,301	79,651	1,650	2.1
Of which branded postpaid customers	43,538	42,519	1,019	2.4
Of which branded prepay customers	21,206	21,137	69	0.3
Europe^b				
Mobile customers ^d	47,800	50,542	(2,742)	(5.4)
Of which contract customers	26,844	26,665	179	0.7
Fixed-network lines	8,977	9,020	(43)	(0.5)
Of which IP-based	7,663	7,371	292	4.0
Broadband customers ^c	6,478	6,405	73	1.1
Television (IPTV, satellite, cable)	4,904	4,835	69	1.4

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 were not 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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d As of January 1, 2019, the portfolio of M2M SIM cards in Austria was streamlined. 2.4 million customers were deactivated. Prior-year comparatives were not adjusted.

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

	Mar. 31, 2019 thousands	Mar. 31, 2018 thousands	Change thousands	Change %
Germany				
Mobile customers	44,657	42,730	1,927	4.5
Of which contract customers	25,195	25,102	93	0.4
Fixed-network lines	18,414	19,149	(735)	(3.8)
Of which retail IP-based	16,065	12,843	3,222	25.1
Broadband lines	13,608	13,357	251	1.9
Of which optical fiber ^a	7,609	6,232	1,377	22.1
Television (IPTV, satellite)	3,419	3,193	226	7.1
Unbundled local loop lines (ULLs)	5,050	5,846	(796)	(13.6)
United States				
Mobile customers	81,301	74,040	7,261	9.8
Of which branded postpaid customers	43,538	39,065	4,473	11.5
Of which branded prepay customers	21,206	20,876	330	1.6
Europe^b				
Mobile customers ^d	47,800	49,254	(1,454)	(3.0)
Of which contract customers	26,844	25,686	1,158	4.5
Fixed-network lines	8,977	8,409	568	6.8
Of which IP-based	7,663	5,947	1,716	28.9
Broadband customers ^c	6,478	5,598	880	15.7
Television (IPTV, satellite, cable)	4,904	4,271	633	14.8

Comments on the table:

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