



MEDIA INFORMATION

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Deutsche Telekom invests for customers and in broadband in Germany

- Five million fiber-optic lines (VDSL/vectoring and FTTH) installed for branded customers and competitors in Germany
- Capital expenditure (excluding spectrum) up 11.9 percent to 2.8 billion euros in the first quarter
- Revenue up 4.7 percent to 17.6 billion euros
- Adjusted EBITDA up 12.9 percent to 5.2 billion euros
- Net profit quadrupled to 3.1 billion euros
- Positive effect on earnings of 2.5 billion euros from sale of stake in EE joint venture

The gigabit society needs a high-performance, integrated network. Deutsche Telekom is gradually laying the foundation for this. In the first quarter of 2016, for example, the Group passed the mark of five million fiber-optic lines (VDSL/vectoring and FTTH) in Germany. "We are rapidly bringing Germany into the high-speed age," said CEO Timotheus Höttges, pointing to record growth of 660,000 new fiber-optic lines in the first quarter of 2016 alone. "Our integrated 5G network of tomorrow with low latencies and high bandwidths is opening up the digital future to Europe. We have a clear timetable on our way toward the gigabit society. Our next goal is the federal government's broadband target for 2018. We are also taking our competitors along with us on this road," stressed Höttges. Of the five million lines, more than 1.7 million are leased by competitors and marketed under their own brands. With its role at the forefront



of the next-generation 5G mobile communications standard, Deutsche Telekom is on track to maintain its network leadership into the future as well.

This means that Deutsche Telekom is continuing on its path to becoming Europe's leading telecommunications company in this area too. The Group invested 2.8 billion euros (excluding mobile spectrum expenses) worldwide in the core elements of integrated networks on the basis of IP and best customer experience in the first quarter, 11.9 percent more than in the same period of the prior year. This paid off with positive trends in customer numbers and consequently in revenue and earnings growth. Net revenue increased by 4.7 percent to 17.6 billion euros. Adjusted EBITDA climbed by 12.9 percent to 5.2 billion euros. As a result of the higher cash capex, depreciation of property, plant, and equipment also increased substantially such that, below the line, adjusted net profit rose by 1.1 percent to 1.0 billion euros.

By contrast, reported net profit quadrupled to 3.1 billion euros. This increase was mainly driven by the sale of Deutsche Telekom's stake in the EE joint venture to the British company BT, which contributed earnings of 2.5 billion euros. The increase in cash capex resulted in a moderate decline in free cash flow by 5 percent to 0.8 billion euros.

The Group confirmed both its guidance for the financial targets for 2016 and its medium-term outlook for 2014 to 2018.

Record growth in fiber-optic lines in Germany

Cash capex in the Germany segment stood at 0.9 billion euros in the first quarter, down 4.3 percent year-on-year due to a decrease in construction activity compared to the prior-year quarter, caused by higher levels of precipitation. For the full year 2016, Telekom Deutschland plans to further increase cash capex against the 4.0 billion euros of the previous year. Under



the integrated network strategy, fiber-optic coverage increased by another 4 million households year-on-year as of the end of the first quarter of 2016, to a total of 23.7 million. The LTE network reached population coverage of 91 percent compared with 82 percent a year earlier. Another 3.5 million lines of branded customers and leased by competitors were converted to IP technology.

In the Germany business, the growth in fiber-optic lines in the first quarter was outstanding at 660,000. Of these new lines, 363,000 related to branded customers and 297,000 to wholesale business, the vast majority under the contingent model. Thus, competitors increased their demand for Deutsche Telekom's fiber-optic lines by more than three quarters compared with the first three months of 2015.

Due to the strong demand for fiber-optic lines, the number of branded broadband customers grew considerably by a net 62,000 in the quarter. Combined with another 53,000 new customers for Entertain, this contributed to increasing overall broadband revenue in the Germany segment by 1.8 percent. Thus, the positive revenue trend of the last few quarters continued to accelerate in this area. The high demand from competitors for fiber-optic lines increased wholesale revenue by 2.9 percent in the first quarter.

In mobile communications, Deutsche Telekom maintained its market lead in service revenues. 231,000 new contract customers is a decline against the prior-year quarter, which however was positively affected by reclassifications in connection with the new Multibrand unit. Of the 1.7 percent decline in mobile service revenues, discounts in connection with MagentaEINS accounted for a good percentage point. Increased competitive pressure in the business customer market is depressing revenues across the entire sector. Nevertheless, taking this factor into account, the service revenues performed somewhat better than the overall market.



Segment revenue fell by 2.5 percent overall, to 5.5 billion euros. Half of this decrease is attributable to the reduction in the low-margin distribution business with mobile devices. Adjusted EBITDA decreased by 1.4 percent to 2.2 billion euros.

T-Mobile US leading in U.S. mobile communications

T-Mobile US continued its success story of the last three years for another quarter. With 2.2 million new customers, more than half of them branded postpaid customers, the company further consolidated its position as number three in the U.S. market. After four quarters in succession with more than two million new customers, T-Mobile US now has around 65.5 million subscribers.

This strong trend means that T-Mobile US remains at the forefront of the industry in terms of financial growth. Total revenue increased by 10.9 percent to 8.6 billion U.S. dollars, with service revenues rising by 14.2 percent to 6.5 billion U.S. dollars.

T-Mobile US' contribution to the Group's adjusted EBITDA rose to 2.1 billion U.S. dollars, up 53.5 percent compared with the same period in 2015. This contribution includes a positive net amount of around 0.2 billion U.S. dollars from the terminal equipment leasing offer, as well as from Data Stash, the offer of carrying over unused data volumes to the next month.

For the full year 2016, a further contribution to the Group's adjusted EBITDA of around 9.1 billion U.S. dollars is expected. As a special factor, the effect of 0.6 billion U.S. dollars recognized in the accounting of T-Mobile US from a spectrum transaction in the first quarter of 2016 was not taken into account in the adjusted EBITDA guidance at Group level.



After a strong start to the year, T-Mobile US revised upwards its expectations for customer growth. Building on an increase in the number of branded postpaid customers of 1.04 million in the first quarter, the guidance for 2016 is now for growth of 3.2 to 3.6 million customers. Previously, the target corridor was between 2.4 and 3.4 million.

Europe continues trend of stabilization

The Europe segment also continued the advance of its network roll-out, focusing on the transformation of networks to a consistent IP standard. 50 percent of the lines in Deutsche Telekom's footprint countries have now been converted. In 2016, Hungary is to become the fifth country to complete the transformation.

The product packages in the MagentaONE portfolio have now been introduced in all countries that offer consumers integrated products. The success of these offers can be seen from a further increase of 14 percent to more than one million customers with convergence products. The overall positive trend in customer numbers is down to attractive rate plans as well as the continued network roll-out to an additional 850,000 households in fiber-optic coverage and some 25 million inhabitants in the LTE networks compared with the prior-year period. As a result, the number of mobile contract customers increased by 2.3 percent and the number of broadband and TV customers increased by 4.1 percent and 4.8 percent respectively, year-on-year.

The revenue trend of the Europe operating segment improved further on a like-for-like basis. The decrease in reported income by 77 million euros or 2.4 percent to 3.1 billion euros related to a deconsolidation effect of 66 million euros and exchange rate effects. Adjusted EBITDA declined by 3.0 percent, and in organic terms by 2.4 percent.



T-Systems profits from cloud and toll deal

Business for the T-Systems Market Unit in the first quarter was dominated by two main factors: A 24-percent increase in revenue from cloud services, and the contract to set up a toll collection system in Belgium. Together with new orders in cloud business, among others, this contract contributed 6.6 percent of the Market Unit's revenue growth.

Due to the Belgian contract, contributing earnings of some 0.1 billion euros, the adjusted segment EBITDA grew considerably by 42.1 percent.

Business at the new Telekom Security unit, which is currently being set up, also showed encouraging development. Telekom's ambition with this unit is to make the solutions for digitization and Industry 4.0 not only as simple, but also as secure as possible.

The Deutsche Telekom Group at a glance:

| | Q 1 2016 millions of € | Q 1 2015 millions of € | Change % | FY 2015 millions of € |
|--|---------------------------------|---------------------------------|-------------|--------------------------------|
| Revenue | 17,630 | 16,842 | 4.7 | 69,228 |
| Proportion generated internationally in % | 65.5 | 63.0 | 2.5p | 63.8 |
| EBITDA | 7,667 | 4,160 | 84.3 | 18,388 |
| Adjusted EBITDA | 5,163 | 4,574 | 12.9 | 19,908 |
| Net profit | 3,125 | 787 | n.a. | 3,254 |
| Adjusted net profit | 1,047 | 1,036 | 1.1 | 4,113 |
| Free cash flow ^a | 822 | 865 | (5.0) | 4,546 |
| Cash capex ^b | 3,896 | 4,429 | (12.0) | 14,613 |
| Cash capex ^b (before spectrum) | 2,831 | 2,530 | 11.9 | 10,818 |
| Net debt | 47,603 | 46,310 | 2.8 | 47,570 |
| Number of employees ^c | 223,320 | 227,184 | (1.7) | 225,243 |

Comments on the table:

- a Before dividend payments and spectrum investment.
- b Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill).
- c At reporting date.

Operating segments:

| | Q 1 2016 millions of € | Q 1 2015 millions of € | Change % | FY 2015 millions of € |
|--------------------------------------|---------------------------------|---------------------------------|-------------|--------------------------------|
| Germany | | | | |
| Total revenue | 5,452 | 5,589 | (2.5) | 22,421 |
| EBITDA | 2,022 | 2,125 | (4.8) | 8,245 |
| Adjusted EBITDA | 2,180 | 2,211 | (1.4) | 8,790 |
| Number of employees ^a | 69,217 | 69,404 | (0.3) | 68,638 |
| United States | | | | |
| Total revenue | 7,816 | 6,905 | 13.2 | 28,925 |
| EBITDA | 2,268 | 1,111 | n.a. | 6,229 |
| Adjusted EBITDA | 1,908 | 1,225 | 55.8 | 6,654 |
| Europe | | | | |
| Total revenue | 3,080 | 3,157 | (2.4) | 13,024 |
| EBITDA | 962 | 962 | 0.0 | 4,108 |
| Adjusted EBITDA | 986 | 1,016 | (3.0) | 4,329 |
| Systems Solutions | | | | |
| Order entry | 1,522 | 1,212 | 25.6 | 5,608 |
| Total revenue | 2,045 | 1,927 | 6.1 | 8,194 |
| Of which Market Unit | 1,728 | 1,621 | 6.6 | 6,657 |
| Adjusted EBIT margin (%) | 4.4 | 0.7 | 3.7p | 2.1 |
| Adj. EBIT margin, Market Unit (%) | 5.8 | 1.8 | 4.0p | 2.6 |
| EBITDA | 146 | 71 | n.a. | 93 |
| Adjusted EBITDA | 206 | 145 | 42.1 | 740 |

Comments on the table:

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively.

a At reporting date.



Development of customer numbers

Operating segments: Development of customer numbers in the first quarter of 2016

| | Mar. 31, 2016 thousands | Dec. 31, 2015 thousands | Change thousands | Change % |
|-------------------------------------|----------------------------|----------------------------|---------------------|-------------|
| Germany | | | | |
| Mobile customers | 40,643 | 40,373 | 270 | 0.7 |
| Of which contract customers | 23,940 | 23,709 | 231 | 1.0 |
| Fixed-network lines | 20,093 | 20,227 | (134) | (0.7) |
| Of which retail IP-based | 7,470 | 6,887 | 583 | 8.5 |
| Broadband lines | 12,706 | 12,644 | 62 | 0.5 |
| Of which optical fiber ^a | 3,286 | 2,923 | 363 | 12.4 |
| Television (IPTV, satellite) | 2,736 | 2,683 | 53 | 2.0 |
| Unbundled local loop lines (ULLs) | 7,867 | 8,050 | (183) | (2.3) |
| United States | | | | |
| Mobile customers | 65,503 | 63,282 | 2,221 | 3.5 |
| Of which branded postpaid customers | 32,736 | 31,695 | 1,041 | 3.3 |
| Of which branded prepay customers | 18,438 | 17,631 | 807 | 4.6 |
| Europe | | | | |
| Mobile customers | 52,208 | 52,737 | (529) | (1.0) |
| Of which contract customers | 26,544 | 26,456 | 88 | 0.3 |
| Fixed-network lines | 8,687 | 8,763 | (76) | (0.9) |
| Of which IP-based | 4,261 | 4,132 | 129 | 3.1 |
| Retail broadband lines | 5,254 | 5,189 | 65 | 1.3 |
| Television (IPTV, satellite, cable) | 3,922 | 3,905 | 17 | 0.4 |

Comments on the table:

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively.

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



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

| | Mar. 31, 2016 thousands | Mar. 31, 2015 thousands | Change thousands | Change % |
|-------------------------------------|----------------------------|----------------------------|---------------------|-------------|
| Germany | | | | |
| Mobile customers | 40,643 | 39,200 | 1,443 | 3.7 |
| Of which contract customers | 23,940 | 22,576 | 1,364 | 6.0 |
| Fixed-network lines | 20,093 | 20,555 | (462) | (2.2) |
| Of which retail IP-based | 7,470 | 5,120 | 2,350 | 45.9 |
| Broadband lines | 12,706 | 12,437 | 269 | 2.2 |
| Of which optical fiber ^a | 3,286 | 2,094 | 1,192 | 56.9 |
| Television (IPTV, satellite) | 2,736 | 2,516 | 220 | 8.7 |
| Unbundled local loop lines (ULLs) | 7,867 | 8,619 | (752) | (8.7) |
| United States | | | | |
| Mobile customers | 65,503 | 56,836 | 8,667 | 15.2 |
| Of which branded postpaid customers | 32,736 | 28,310 | 4,426 | 15.6 |
| Of which branded prepay customers | 18,438 | 16,389 | 2,049 | 12.5 |
| Europe | | | | |
| Mobile customers | 52,208 | 56,365 | (4,157) | (7.4) |
| Of which contract customers | 26,544 | 25,937 | 607 | 2.3 |
| Fixed-network lines | 8,687 | 8,987 | (300) | (3.3) |
| Of which IP-based | 4,261 | 3,626 | 635 | 17.5 |
| Retail broadband lines | 5,254 | 5,046 | 208 | 4.1 |
| Television (IPTV, satellite, cable) | 3,922 | 3,741 | 181 | 4.8 |

Comments on the table:

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively.

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

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