Bonn, October 3, 2012

Deutsche Telekom and MetroPCS to combine their activities in the U.S.

Deutsche Telekom and the U.S. mobile communications company MetroPCS are combining their business activities in the U.S. within MetroPCS. The Board of Management and the Supervisory Board of Deutsche Telekom and the Board of Directors of MetroPCS have approved an agreement to this effect. Deutsche Telekom is contributing T-Mobile USA, including a then existing shareholder loan to T-Mobile USA in the amount of USD 15 billion, into MetroPCS, a listed company, following a recapitalization and reverse stock split of MetroPCS. In return, it will receive 74 percent of the shares in the combined company. Current MetroPCS shareholders will retain 26 percent of the shares and receive a one-time payment of USD 1.5 billion funded by MetroPCS's existing cash.

Information and elaborations of the issuer concerning this notification:

Deutsche Telekom AG has the right to withdraw the proceeds, which have not yet been received, arising from the agreement recently concluded with Crown Castle for the long-term lease and usage of 6,400 and the sale of 800 radio tower sites belonging to T-Mobile USA amounting to USD 2.4 billion, before T-Mobile USA is contributed to the new company.

The combined company offers mobile communications services for around 42.5 million customers in the U.S. (pro forma as at Jun. 30, 2012). Based on analyst consensus estimates, pro forma revenue of around USD 24.8 billion and adjusted EBITDA of around USD 6.3 billion are expected for 2012. That would correspond to an adjusted EBITDA margin based on service revenues of around 28.6 percent.

The planned cost synergies from the combination of the two companies are expected to have a net present value of USD 6 to 7 billion. Additional upside is expected from expanded sales.

The combined company is expected to deliver five-year compound annual growth rates in the range of 3 to 5 percent for revenues, 7 to 10 percent for EBITDA and 15 to 20 percent for free cash flow (defined as EBITDA less capex). Based on these planning figures, an EBITDA margin based on service revenues of between 34 and 36 percent would be achieved after five years. A cost synergy run-rate of between USD 1.2 and 1.5 billion annually is expected from 2017 onward assuming the transaction is closed in mid-2013.

The transaction is subject to review by the U.S. Department of Justice, the U.S. Federal Communications Commission and the U.S. Committee on Foreign Investment in the United States. The shareholders of MetroPCS also have to give their approval. Deutsche Telekom and MetroPCS expect to receive all necessary approvals in the first half of 2013.

The transaction has no impact on the Deutsche Telekom Group's expected adjusted EBITDA and free cash flow for the current financial year. Guidance remains for adjusted EBITDA of around EUR 18 billion (assuming constant exchange rates relative to the prior year) and free cash flow (before dividends and investment in spectrum) of around EUR 6 billion. Deutsche Telekom further expects the ratio of net debt to the Group's adjusted EBITDA to remain between 2 and 2.5 following closing of the transaction.

Deutsche Telekom's shareholder remuneration policy for financial years 2010 to 2012 also remains unchanged. This includes, et al., a minimum dividend of 70 eurocents per dividend-bearing share for each fiscal year. The implementation of the shareholder remuneration policy is subject to approval by the relevant bodies and further legal requirements.

The transaction triggers an impairment test which will lead to an impairment of goodwill and other assets in Deutsche Telekom AG's consolidated financial statements under IFRS at September 30, 2012 and therefore to a one-time non-cash negative special factor on the Group's net profit after taxes, expected to be between EUR 7 billion and EUR 8 billion. In Deutsche Telekom AG’s Annual financial statements under German GAAP as of December 31, 2012, a possible negative factor will depend on the expected long-term development of the fair market value of the shares in MetroPCS as of that date. Such special factor would have a non cash impact on income related to subsidiaries, associated and related companies in Deutsche Telekom AG's Annual financial statements under German GAAP.

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