



MEDIA INFORMATION

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Record investments in Germany drive growth at Deutsche Telekom

- Group meets all financial targets for 2017
- Revenue up 2.5 percent in 2017 to 74.9 billion euros; organic growth of 3.6 percent
- Adjusted EBITDA up by 3.8 percent; organic growth of 4.9 percent to 22.45 billion euros
- Free cash flow up 11.3 percent to 5.5 billion euros
- Net profit up by 29.4 percent to 3.5 billion euros; growth of 46.8 percent to 6.0 billion euros on an adjusted basis
- Record-level investments worldwide of over 12 billion euros, of which 5.4 billion euros in Germany
- Peak year for optical fiber in Germany
- Another successful year for the Un-carrier
- Growth across Europe in broadband, mobile communications, TV, and convergence products
- Dividend expected to rise for the third time in succession; proposal of 65 eurocents per share to the shareholders' meeting
- 2018 forecast: adjusted EBITDA to grow 4 percent to around 23.2 billion euros, free cash flow to increase 12 percent to around 6.2 billion euros

In 2017, Deutsche Telekom again met all of its financial targets. Assuming the same composition of the Group and constant exchange rates, adjusted EBITDA increased by 4.9 percent to 22.45 billion euros. This put it exactly at the mid-point of the 22.4- to 22.5-billion-euro target range for the full year set by the



Group in two successive upwards adjustments made over the course of 2017. Reported adjusted EBITDA rose by 3.8 percent to 22.2 billion euros. Free cash flow increased by 11.3 percent to 5.5 billion euros.

“Deutsche Telekom continues to grow in its global markets,” says CEO Tim Höttges. “In 2017, we once again kept our promises. We also want our shareholders to profit from our success, which is why we are planning to increase the dividend for the third time in succession.”

At the Capital Markets Day in 2015, the Group had announced that its dividend would track development in free cash flow. Consequently, the Supervisory Board and the Board of Management will propose to the shareholders' meeting on May 17 a dividend of 65 eurocents per share. This increases the dividend by another 5 eurocents per share following rises from 50 eurocents for the 2014 financial year to 55 eurocents for 2015 and 60 eurocents for 2016. All in all, this represents a 30-percent increase over three years.

With record-level investments of 12.1 billion euros excluding expenses for mobile spectrum, Deutsche Telekom continued to focus on building out its networks in 2017. Capital expenditure thus grew year-on-year by 10.4 percent. Including spectrum investment, this level grows to 19.5 billion euros – an increase of 42.9 percent.

Net profit rose last year by 29.4 percent to 3.5 billion euros. Several factors contributed to this growth, including a positive non-recurring effect from the tax reform in the United States totaling 1.7 billion euros in the fourth quarter. Growth on an adjusted basis was even more marked, up by 46.8 percent to 6.0 billion euros.

Deutsche Telekom plans to continue its growth course in 2018. Together with a moderate increase in revenue, adjusted EBITDA is set to rise by over 4 percent to around 23.2 billion euros in the current financial year. At the same time, free



cash flow is expected to grow by more than 12 percent to around 6.2 billion euros. As always, this forecast assumes constant exchange rates.

Taking this forecast as the basis, the Group expects to see high growth rates across all key financial performance indicators for the four years from 2015 through 2018. Adjusted EBITDA is set to grow on average by some 5 percent a year on this basis. The increase in free cash flow averages around 11 percent a year.

Germany – strong year for fiber-optic and convergence products

In Germany, 2017 was marked by efforts to build out fiber-optic infrastructure. Deutsche Telekom laid 40,000 kilometers of new fiber-optic cable in the year just ended, with plans to up this figure to 60,000 kilometers in 2018. The customer base grew sharply on the back of the improved availability of fiber-optic lines (FTTH, FTTC/vectoring). The number of lines totaled 9.6 million at the year-end, up 2.8 million or 41 percent year-on-year. Over 30 million households now have access to Deutsche Telekom's fiber-optic network. The number of new broadband customers grew by 104,000 in the fourth quarter alone, bringing the net add market share to almost 33 percent, a good 6 percentage points higher than in the prior quarter.

Deutsche Telekom once again reinforced its market leadership in service revenues, which increased by 1.7 percent in the last quarter of 2017 compared with the same period of the prior year. Adjusted for regulatory effects, the increase grew to as much as 3.6 percent. The number of consumers choosing one of the MagentaEINS fixed-mobile package products increased by almost 20 percent to 3.6 million in just one year.

Revenue in the Germany operating segment increased by 0.7 percent to 21.9 billion euros, with adjusted EBITDA rising by 2.8 percent to 8.5 billion



euros. Revenue and adjusted EBITDA saw particularly marked growth in the final quarter of 2.0 percent and 4.7 percent respectively.

United States – success continues unabated even after five years

T-Mobile US has been revolutionizing the wireless industry in the United States with its Un-carrier initiatives for five years. The latest changes, such as the abolition of fixed-term contracts and the removal of all extra taxes and fees for customers, are taking the company from strength to strength. In the full-year 2017, T-Mobile US added 5.7 million new customers. It was the fourth year in succession in which the company acquired more than 5 million new customers.

The company's financial figures also showed a clear uptrend. In 2017, revenue increased by 8.1 percent to 40.3 billion U.S. dollars. At the same time, adjusted EBITDA increased by 10.7 percent to 10.5 billion U.S. dollars. T-Mobile US also reinforced its sales channels in order to further drive customer growth, opening 2,800 new shops nationwide last year.

Europe – success with convergence

The Europe operating segment posted virtually stable revenues and earnings for 2017. Following the downtrends of previous years, this positive development was reflected in revenue growth of 1.2 percent to 11.6 billion euros. In organic terms, revenue grew slightly by 0.5 percent. At the same time, adjusted EBITDA fell 3.0 percent to 3.7 billion euros; in organic terms, it decreased by 1.0 percent.

Fixed-mobile product bundles continued to grow in popularity across Europe throughout 2017. The number of customers choosing these convergent services increased by 58.5 percent year-on-year to 2.2 million. Key decisions



made in December of last year will drive expansion into further markets for convergent products: T-Mobile Austria announced plans to acquire the cable network operator UPC Austria, while T-Mobile Polska signed a letter of intent with its competitor Orange Polska on a partnership that will open up access to Orange's fiber-optic network.

Consistent uptrends were also seen in other relevant customer numbers in the year just ended. The number of mobile contract customers increased by 4.8 percent to 25.5 million, the national companies in Europe recorded growth in (retail) broadband lines of 4.7 percent to 5.6 million, and the number of TV customers grew 4.8 percent to 4.2 million.

The network build-out across Europe also continued unabated. In just one year, coverage with fiber-optic technology increased by 1.3 million to reach 6.2 million households. The current LTE mobile standard now reaches 106 million people or 94 percent of the population, up 13 million from the end of 2016.

Systems Solutions – order entry down as expected

T-Systems closed 2017 with a slight decline in revenue of 1.1 percent to 6.9 billion euros. Although positive trends were reported in the growth areas of cloud computing and security, lower order entry and intensifying global competition for corporate customers across the industry continued to be felt clearly. In the year just ended, adjusted EBITDA declined by 4.0 percent to 509 million euros, in part due to the start-up costs associated with digitalization topics such as the Internet of Things. The adjusted EBIT margin was 1.7 percent, 0.1 percentage points below the 2016 level.

As announced in the third quarter, order entry for 2017 was substantially lower than in the prior year. Deals were closed totaling 5.2 billion euros, a minus of 23.5 percent. Major deals concluded in the fourth quarter of 2016 were not



matched in the year just ended. The decline in order entry had already triggered recognition of an impairment loss in the Systems Solutions operating segment in the third quarter of 2017.

The Deutsche Telekom Group at a glance:

	Q4 2017 millions of €	Q4 2016 millions of €	Change %	FY 2017 millions of €	FY 2016 millions of €	Change %
Revenue	19,160	19,543	(2.0)	74,947	73,095	2.5
Proportion generated internationally (%)	67.0	67.6	(0.6p)	67.2	66.3	0.9p
EBITDA	4,703	4,846	(3.0)	23,969	22,544	6.3
Adjusted EBITDA	5,015	5,265	(4.7)	22,230	21,420	3.8
Net profit (loss)	1,332	(2,124)	n.a.	3,461	2,675	29.4
Adjusted net profit	2,657	973	n.a.	6,039	4,114	46.8
Free cash flow ^a	1,094	893	22.5	5,497	4,939	11.3
Cash capex ^b	2,954	3,156	(6.4)	19,494	13,640	42.9
Cash capex ^b (before spectrum)	2,860	2,724	5.0	12,099	10,958	10.4
Net debt	50,791	49,959	1.7	50,791	49,959	1.7
Number of employees ^c	217,349	218,341	(0.5)	217,349	218,341	(0.5)

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 the reporting date.



Operating segments:

	Q4 2017 millions of €	Q4 2016 millions of €	Change %	FY 2017 millions of €	FY 2016 millions of €	Change %
Germany						
Total revenue	5,676	5,565	2.0	21,931	21,774	0.7
EBITDA	2,029	1,763	15.1	8,162	7,327	11.4
Adjusted EBITDA	2,107	2,013	4.7	8,468	8,237	2.8
Number of employees ^a	63,928	65,452	(2.3)	63,928	65,452	(2.3)
United States						
Total revenue	9,052	9,445	(4.2)	35,736	33,738	5.9
EBITDA	1,989	2,335	(14.8)	10,949	8,967	22.1
Adjusted EBITDA	2,003	2,325	(13.8)	9,316	8,561	8.8
Europe						
Total revenue	3,002	2,996	0.2	11,589	11,454	1.2
EBITDA	870	894	(2.7)	3,619	3,773	(4.1)
Adjusted EBITDA	906	930	(2.6)	3,749	3,866	(3.0)
Systems Solutions						
Order entry	1,305	2,495	(47.7)	5,241	6,851	(23.5)
Total revenue	1,819	1,741	4.5	6,918	6,993	(1.1)
Adjusted EBIT margin (%)	2.5	(1.5)	4.0p	1.7	1.8	(0.1p)
EBITDA	66	11	n.a.	280	278	0.7
Adjusted EBITDA	147	84	75.0	509	530	(4.0)

Comment on the table:

a At the reporting date.



Development of customer numbers

Operating segments: Development of customer numbers in the fourth quarter of 2017

	Dec. 31, 2017 thousands	Sept. 30, 2017 thousands	Change thousands	Change %
Germany				
Mobile customers	43,125	42,534	591	1.4
Of which contract customers	25,887	25,452	435	1.7
Fixed-network lines	19,239	19,352	(113)	(0.6)
Of which retail IP-based	11,996	11,177	819	7.3
Broadband lines	13,209	13,105	104	0.8
Of which optical fiber ^a	5,803	5,417	386	7.1
Television (IPTV, satellite)	3,139	3,089	50	1.6
Unbundled local loop lines (ULLs)	6,138	6,417	(279)	(4.3)
United States				
Mobile customers ^b	72,585	70,731	1,854	2.6
Of which branded postpaid customers	38,047	36,975	1,072	2.9
Of which branded prepay customers	20,668	20,519	149	0.7
Europe				
Mobile customers	48,842	48,205	637	1.3
Of which contract customers	25,483	25,119	364	1.4
Fixed-network lines	8,439	8,422	17	0.2
Of which IP-based	5,734	5,555	179	3.2
Retail broadband lines	5,647	5,558	89	1.6
Television (IPTV, satellite, cable)	4,244	4,200	44	1.0

Comments on the table:

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

b As of Q2/17, 4.368 million wholesale customers from the Lifeline program are no longer included in the figures.



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

	Dec. 31, 2017 thousands	Dec. 31, 2016 thousands	Change thousands	Change %
Germany				
Mobile customers	43,125	41,849	1,276	3.0
Of which contract customers	25,887	25,219	668	2.6
Fixed-network lines	19,239	19,786	(547)	(2.8)
Of which retail IP-based	11,996	9,042	2,954	32.7
Broadband lines	13,209	12,922	287	2.2
Of which optical fiber ^a	5,803	4,250	1,553	36.5
Television (IPTV, satellite)	3,139	2,879	260	9.0
Unbundled local loop lines (ULLs)	6,138	7,195	(1,057)	(14.7)
United States				
Mobile customers ^b	72,585	71,455	1,130	1.6
Of which branded postpaid customers	38,047	34,427	3,620	10.5
Of which branded prepay customers	20,668	19,813	855	4.3
Europe				
Mobile customers	48,842	47,952	890	1.9
Of which contract customers	25,483	24,315	1,168	4.8
Fixed-network lines	8,439	8,531	(92)	(1.1)
Of which IP-based	5,734	5,016	718	14.3
Retail broadband lines	5,647	5,393	254	4.7
Television (IPTV, satellite, cable)	4,244	4,049	195	4.8

Comments on the table:

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

b As of Q2/17, 4.368 million wholesale customers from the Lifeline program are no longer included in the figures.



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