

## MEDIA INFORMATION

Bonn, May 9, 2018

### **Deutsche Telekom continues to grow on both sides of the Atlantic in the first quarter of 2018 and raises forecast**

- Adjusted EBITDA of 23.3 billion euros expected for full-year 2018
- Revenue in organic terms rises 3.1 percent
- EBITDA in organic terms increases 6.6 percent
- Free cash flow up 12.5 percent to 1.4 billion euros
- Increase of 32.8 percent in net profit
- Over 10 million fiber-optic customers in Germany
- T-Mobile US remains on course for success and raises target for customer growth
- Sustained uptrend in Europe

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A good start to 2018 for Deutsche Telekom on both sides of the Atlantic: In the first quarter of the year, net revenue rose by 3.1 percent year-on-year in organic terms, i.e., adjusted for exchange rate effects and changes in the composition of the Group. Adjusted EBITDA in organic terms increased by as much as 6.6 percent. The strong euro, which gained more than 15 percent against the U.S. dollar in one year, impacted on the figures reported, reducing revenue by 3.9 percent to 17.9 billion euros. Reported adjusted EBITDA remained stable at 5.5 billion euros.

“We will remain on course for success in 2018,” said Tim Höttges, Chairman of the Board of Management at Deutsche Telekom. “Our growth profile, which is unique in our industry, enables us to raise our forecast once again.”



Other key indicators are also trending upward. Free cash flow totaled 1.4 billion euros in the first quarter of 2018, an increase of 12.5 percent year-on-year. Due to a marked decrease in the loss from financial activities, net profit rose by 32.8 percent to 1.0 billion euros. Adjusted net profit increased by 26.7 percent to 1.2 billion euros.

Driven by developments in the United States, where T-Mobile US raised its forecast after a strong first quarter, Deutsche Telekom is raising its guidance for adjusted EBITDA in the full-year 2018 from around 23.2 to around 23.3 billion euros. The free cash flow forecast remains unchanged at around 6.2 billion euros.

### **Germany – milestone in fiber-optic customer number**

More than 10 million customers in Germany use Deutsche Telekom's fiber-optic lines (FFTH, VDSL/vectoring). The overall number of customers increased in the first quarter to 10.4 million, up 2.8 million or 37 percent year-on-year. A total of 781,000 customer additions in the first three months of the year alone pointed to a further record quarter as a result of the systematic rollout of the fiber-optic network in Germany. By the end of the first quarter, 72.7 percent of all fixed-network households were able to use fiber-optic products, compared with just 65.7 percent a year earlier. Telekom increased its share of the broadband market again with 95,000 customer additions. In all, 3.8 million customers enjoy the advantages of the MagentaEINS product packages, 16.1 percent more than one year earlier.

In mobile communications, the mobile service revenues key indicator is significantly influenced by a change in the accounting standard governing the determination and recognition of revenue (IFRS 15). Excluding this effect gives a substantial increase of 3.2 percent. Telekom thus continues to maintain its leading market position in Germany. Thanks to the StreamOn option launched



in April 2017, nearly 1.1 million Telekom customers are able to listen to music and watch videos online without having to use their data volume for this.

Revenue in the Germany operating segment declined slightly by 1.3 percent to 5.3 billion euros in the reporting period. However, the segment's service revenues, excluding device sales, i.e., revenues from voice and data services as well as add-on products such as Entertain, rose by around 1.2 percent. At the same time, adjusted EBITDA grew by 1.3 percent to 2.1 billion euros. This yielded an adjusted EBITDA margin of 39.1 percent, 1 percentage point higher than in the previous year.

### **United States – the Un-carrier marches on**

The United States sustained the now familiar picture in the first quarter. T-Mobile US is continuing to grow rapidly in terms of customer numbers and financial KPIs. For the 20th consecutive quarter, the company recorded more than one million net customer additions. It had gained 1.4 million new customers between January and March 2018. This trend is reinforced by the extremely low churn rate. In the first quarter, this key indicator reached a record low of 1.07 percent among branded postpaid customers. T-Mobile US had a total of 74.0 million customers at the end of the reporting period.

Revenue also remained on a growth trajectory. In the first quarter, total revenue increased by 8.7 percent year-on-year to 10.4 billion U.S. dollars. Adjusted EBITDA climbed 12.8 percent to 2.9 billion U.S. dollars. T-Mobile US has revised its forecasts for the current year upward and now expects postpaid net customer additions of 2.6 to 3.3 million instead of the 2.0 to 3.0 million net additions previously projected. Based on the U.S. GAAP accounting standards applicable to the company, adjusted EBITDA is now expected to be between 11.4 and 11.8 billion dollars instead of between 11.3 and 11.7 billion dollars as previously targeted.

### **Europe – sustained positive trend**

The encouraging trends from 2017 in the European business also continued in the new year. The number of customers who used fixed-mobile product bundles reached 2.4 million at the end of the first quarter, an increase of 51.1 percent year-on-year. The success of the convergence strategy is expected to be repeated in Austria following the announced acquisition of UPC Austria.

The financial KPIs likewise developed positively in the reporting period. Revenue in the Europe operating segment increased by 1.1 percent to 2.8 billion euros, with adjusted EBITDA rising by 2.5 percent to 0.9 billion euros. This also includes exchange rate effects. In organic terms, revenue grew by 0.2 percent and adjusted EBITDA by 1.6 percent. The earnings trend reflected in particular the reduction in indirect costs.

### **Systems Solutions – investments in new business weigh on results**

Order entry at T-Systems in the first quarter rose by 18.2 percent year-on-year to 1.5 billion euros. Revenue, on the other hand, decreased marginally by 2.3 percent to 1.7 billion euros. The IT Division continues to be affected by price pressure in the industry and falling volumes.

On the earnings side, particularly the high expenses for new business areas such as the Internet of Things, the cloud, and healthcare had an impact on the Digital Division in the first quarter. Due to these start-up costs, adjusted EBITDA decreased by 40.6 percent compared with the prior-year period to 57 million euros. Adjusted EBIT declined to minus 38 million euros. In spite of this level of earnings, T-Systems is sticking to its targets for the year as a whole.

**The Deutsche Telekom Group at a glance:**

	Q1 2018 millions of €	Q1 2017 millions of €	Change %	FY 2017 millions of €
Revenue	17,924	18,646	(3.9)	74,947
Proportion generated internationally (%)	66.6	67.3	(0.7p)	67.2
EBITDA	5,269	5,963	(11.6)	23,969
Adjusted EBITDA	5,549	5,550	(0.0)	22,230
Net profit	992	747	32.8	3,461
Adjusted net profit	1,190	939	26.7	6,039
Free cash flow <sup>a</sup>	1,382	1,228	12.5	5,497
Cash capex <sup>b</sup>	3,139	3,280	(4.3)	19,494
Cash capex <sup>b</sup> (before spectrum)	3,076	3,245	(5.2)	12,099
Net debt	50,455	49,963	1.0	50,791
Number of employees <sup>c</sup>	216,926	216,548	0.2	217,349

**Comments on the table:**

The new accounting standards IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” took effect as of January 1, 2018. Prior-year comparatives were not adjusted. Application of these standards did not have any material effect on the Group’s results of operations.

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:**

	Q1 2018 millions of €	Q1 2017 millions of €	Change %	FY 2017 millions of €
<b>Germany</b>				
Total revenue	5,325	5,397	(1.3)	21,931
EBITDA	1,915	2,006	(4.5)	8,104
Adjusted EBITDA	2,082	2,055	1.3	8,412
Number of employees <sup>a</sup>	64,695	65,917	(0.2)	64,798
<b>United States</b>				
Total revenue	8,455	8,982	(5.9)	35,736
US-\$	10,394	9,563	8.7	40,317
EBITDA	2,360	2,390	(1.3)	10,949
Adjusted EBITDA	2,332	2,386	(2.3)	9,316
US-\$	2,866	2,540	12.8	10,479
<b>Europe</b>				
Total revenue	2,811	2,781	1.1	11,589
EBITDA	905	877	3.2	3,619
Adjusted EBITDA	911	889	2.5	3,749
<b>Systems Solutions</b>				
Order entry	1,506	1,274	18.2	5,241
Total revenue	1,665	1,704	(2.3)	6,918
Adjusted EBIT margin (%)	(2.3)	(0.1)	(2.2p)	1.7
EBITDA	19	61	(68.9)	280
Adjusted EBITDA	57	96	(40.6)	509

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a At the reporting date.



## Development of customer numbers

### Operating segments: development of customer numbers in the first quarter of 2018

	Mar. 31, 2018 thousands	Dec. 31, 2017 thousands	Change thousands	Change %
<b>Germany</b>				
Mobile customers	42,730	43,125	(395)	(0.9)
Of which contract customers	25,102	25,887	(785)	(3.0)
Fixed-network lines	19,149	19,239	(90)	(0.5)
Of which retail IP-based	12,843	11,996	847	7.1
Broadband lines	13,357	13,209	148	1.1
Of which optical fiber <sup>a</sup>	6,232	5,803	429	7.4
Television (IPTV, satellite)	3,193	3,139	54	1.7
Unbundled local loop lines (ULLs)	5,846	6,138	(292)	(4.8)
<b>United States</b>				
Mobile customers	74,040	72,585	1,455	2.0
Of which branded postpaid customers	39,065	38,047	1,018	2.7
Of which branded prepay customers	20,876	20,668	208	1.0
<b>Europe</b>				
Mobile customers	49,254	48,842	412	0.8
Of which contract customers	25,686	25,483	203	0.8
Fixed-network lines	8,409	8,439	(30)	(0.4)
Of which IP-based	5,947	5,734	213	3.7
Retail broadband lines <sup>b</sup>	5,821	5,647	174	3.1
Television (IPTV, satellite, cable)	4,271	4,244	27	0.6

**Comments on the table:**

- a Sum of all FTTx access lines (e.g., FTTC/VDSL, vectoring, and FTTH).
- b Retail broadband lines were reclassified as of January 1, 2018. This means that all lines based on broadband technology are now included in the definition, irrespective of which service the customer is using. Prior-year comparatives were not adjusted.



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

	Mar. 31, 2018 thousands	Mar. 31, 2017 thousands	Change thousands	Change %
<b>Germany</b>				
Mobile customers	42,730	42,114	616	1.5
Of which contract customers	25,102	25,270	(168)	(0.7)
Fixed-network lines	19,149	19,648	(499)	(2.5)
Of which retail IP-based	12,843	9,801	3,042	31.0
Broadband lines	13,357	12,989	368	2.8
Of which optical fiber <sup>a</sup>	6,232	4,693	1,539	32.8
Television (IPTV, satellite)	3,193	2,955	238	8.1
Unbundled local loop lines (ULLs)	5,846	6,952	(1,106)	(15.9)
<b>United States</b>				
Mobile customers	74,040	72,597	1,443	2.0
Of which branded postpaid customers	39,065	35,341	3,724	10.5
Of which branded prepay customers	20,876	20,199	677	3.4
<b>Europe</b>				
Mobile customers	49,254	47,348	1,906	4.0
Of which contract customers	25,686	24,482	1,204	4.9
Fixed-network lines	8,409	8,486	(77)	(0.9)
Of which IP-based	5,947	5,190	757	14.6
Retail broadband lines <sup>b</sup>	5,821	5,444	377	6.9
Television (IPTV, satellite, cable)	4,271	4,100	171	4.2

**Comments on the table:**

- a Sum of all FTTx access lines (e.g., FTTC/VDSL, vectoring, and FTTH).
- b Retail broadband lines were reclassified as of January 1, 2018. This means that all lines based on broadband technology are now included in the definition, irrespective of which service the customer is using. Prior-year comparatives were not adjusted.



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