



MEDIA INFORMATION

Bonn, April 29, 2018

Deutsche Telekom to strengthen its position in the U.S. mobile communications market: T-Mobile US and Sprint combine business operations

- Enterprise value (EV) of the new company is approximately 150 billion U.S. dollars
- Synergies with a present value of approximately 43 billion U.S. dollars
- All-stock transaction, with no cash payment
- Solid financial KPIs and self-financing
- Favorable exchange ratio: One share in the new T-Mobile US for 9.75 Sprint shares
- Deutsche Telekom will fully consolidate the new company
- Experienced management team for the new company
- Timotheus Höttges to be Chairman, with John Legere as CEO
- Deutsche Telekom's 2018 forecasts unchanged
- High level of investments in Germany will remain unchanged
- Deutsche Telekom to benefit from unique combination of size and growth opportunities on both sides of the Atlantic

Deutsche Telekom is reinforcing its business in the United States: T-Mobile US Inc. and Sprint Corp. will merge in an all-stock transaction. The two American companies, as well as their respective majority shareholders Deutsche Telekom (62 percent of T-Mobile US) and Softbank K.K. (83 percent of Sprint) have signed an agreement to this effect. The value of the new company (enterprise value) is around 150 billion U.S. dollars, with expected synergies with a net present value of some 43 billion U.S. dollars.



This is a unique combination for Deutsche Telekom – the Group will benefit both from the U.S. business with its opportunities for growth, and at the same time from its strong business in Europe, which is characterized first and foremost by the bundling of fixed network and mobile communications.

"This is an exceptional deal, which will strengthen Deutsche Telekom's presence in the leading markets in the Western World," said Timotheus Höttges, CEO of Deutsche Telekom. "No other company in the industry is represented as strongly in both the USA and Europe as we are. 90 percent of our revenue comes from countries with particularly strong economic conditions. Deutsche Telekom benefits from growth on both sides of the Atlantic."

The new, larger T-Mobile US will have around 127 million branded customers and revenue of some 76 billion U.S. dollars, based on expected figures for 2018. This will position the company on a level with the two national competitors, AT&T and Verizon, in future. These two companies generate a disproportionately high share of total earnings and free cash flow among all the mobile communications companies in the United States.

"This is a consistent continuation of our strategy for the successful further development of our US business. First we restructured, then invested and expanded through the merger with Metro PCS and targeted spectrum acquisitions. Now we want to take on a leading role in the market," continued Timotheus Höttges.

T-Mobile US plans to step up and pursue its customer-focused Un-carrier strategy of recent years, leveraging the increased clout of the combined company. On the one hand, this will allow customers to benefit from lower prices. On the other, the larger T-Mobile, with its greater financial wherewithal and comprehensive spectrum resources, will be able to roll out 5G technology more quickly and better than either T-Mobile US or Sprint would have been



able to do alone. To do this, the intention is to focus on convergence products combining fixed and mobile communication offerings, a portfolio with which Deutsche Telekom is already very successful in Europe.

"Together with Sprint, the new T-Mobile US will be the most powerful mobile communications company in the United States," said Timotheus Höttges, CEO of Deutsche Telekom. "Even more customers will benefit from the best value for money and the fastest LTE network in the United States in the future. Speeding up the build-out of 5G technology will benefit American economic growth, and also creates value for T-Mobile US shareholders. It's a win-win situation for all Americans, for T-Mobile US customers, employees and shareholders, and for Deutsche Telekom."

The agreement between the four companies states that T-Mobile US will take over all Sprint shares in a stock swap. For every 9.75 Sprint shares, the company's shareholders will receive one new share in T-Mobile US. The number of T-Mobile shares issued will therefore increase from around 865 million to around 1.29 billion shares (based on fully diluted shares). There are no plans for an additional cash contribution. This means the transaction is designed in such a way that there is no cash outflow for any of the companies involved.

Deutsche Telekom currently holds 62 percent of the shares in T-Mobile US. Softbank's shareholding in Sprint accounts for around 83 percent of the company's equity. The remaining shares in both of the American companies are currently in free float. On completion of the transaction, Deutsche Telekom will hold around 42 percent of T-Mobile shares. Softbank will have a 27-percent stake. The remaining approximately 31 percent of shares in T-Mobile US will be in free float.

In addition to this, Softbank and Deutsche Telekom will sign a voting rights agreement. This will provide Deutsche Telekom with extensive majority rights in



determining the voting decisions of the T-Mobile US shares held by Softbank. This gives Deutsche Telekom direct and indirect access to voting rights for a total of 69 percent of T-Mobile shares.

According to the agreement, Deutsche Telekom will be able to appoint nine of the 14 members of the Board of Directors, of whom a minimum of two must be independent, Group-external representatives. The company, which will be considerably larger when the transaction is completed, is to be headed in the future by John Legere, who will also be a member of the Board of Directors. He already heads T-Mobile US in the position of Chief Executive Officer. Timotheus Höttges is also set to be appointed Chairman of the Board of the larger company. In American companies, this post is similar to that of Chairman of the Supervisory Board in German companies.

This division of the shares in T-Mobile US and the clear regulation regarding company management mean that Deutsche Telekom will also be able to fully consolidate T-Mobile US in the future.

The high synergies with a present value of around 43 billion U.S. dollars (net of around \$15bn cost to achieve) are to result from savings in operating costs (opex) for the larger company, as well as in investments (capex). This means that these savings can be realized largely independently of market developments. Sales synergies are not included.

The main areas in which synergies are to be achieved are:

- Integration of the mobile communications networks of T-Mobile US and Sprint, resulting in the operation of a single network while simultaneously increasing the customer base
- Savings in network build-out and the build-out of a nationwide 5G network



- Savings in sales and marketing costs, store fittings, advertising, customer support, repairs, and logistics
- Increased efficiency in internal IT systems and billing

Savings from cost and investment synergies are expected to outweigh integration costs just three years after the agreement comes into force. Integration costs will amount to an estimated 15 billion U.S. dollars.

In coming years, the annual positive contribution from opex and capex synergies is expected to reach more than 6 billion U.S. dollars in 2024, resulting from successive increases. For calculative purposes, this is based on the assumption that the transaction can become effective at year-end 2018. T-Mobile US and Sprint expect the closing of the transaction in the first half of 2019.

The larger T-Mobile US intends to use the merger as an opportunity to improve performance above all in rural areas. T-Mobile US is already building out the 4G LTE network on a huge scale in rural areas based on the mobile frequencies acquired last year in the 600 MHz range. By doing this, the company is expanding into regions with additional customer potential of around 60 million inhabitants.

The overall plan is for the larger company to employ more staff than the two previous companies put together. Additional call center capacity in rural areas will contribute to this, as will network build-out and rollout with the associated demand for staff, including for long-term maintenance. Numerous new stores are also to be opened in these areas.

Customers will benefit from comprehensive, faster 5G build-out in the future. To achieve this, the larger T-Mobile will be able to access a significantly improved spectrum position and to utilize the necessary frequencies in the lower, mid and millimeter wave frequency ranges held by both companies. Taken in



conjunction with the stronger financial resources, this results in a decisive improvement in opportunities for 5G build-out.

For the customer, this means higher transmission rates, higher transmission capacities, and faster network response times in the future. 5G technology also promises greater innovation based on state-of-the-art network technology for the future, for example in Internet of Things, virtual reality and mobility services. The nationwide introduction of 5G technology will, according to consultancy firm Accenture, create around 3 million new jobs in the United States, coupled with an increase in investment of some 275 billion U.S. dollars. A larger T-Mobile US can speed up this growth impetus for the U.S. economy, which Accenture estimates to be around 500 billion U.S. dollars. This means that the merger creates additional potential for value creation for T-Mobile US shareholders.

The transaction will not affect Deutsche Telekom's forecast for the development of the Group in the current 2018 financial year. The planned high investment of over five billion annually in Germany by Deutsche Telekom will not be affected by the merger. Deutsche Telekom is sticking to its ambitious expansion plans for its fiber optic and 5G networks in Germany. Planning remains for adjusted EBITDA of around 23.2 billion euros (assuming an exchange rate of 1.13 U.S. dollar/euro) and free cash flow (before dividends and investment in spectrum) of around 6.2 billion euros.

The structuring as a stock-for-stock transaction and the strengthening of the self-financing of the new T-Mobile US mean that the transaction will not affect the Group's investments in its other operating segments.

Deutsche Telekom's statement on dividend policy for the 2018 financial year is also unchanged. The dividend proposed to the shareholders' meeting on May 17, 2018, for the 2017 financial year will be 0.65 euros per share. The implementation of this shareholder remuneration policy is dependent on the



relevant resolution by the shareholders' meeting and on fulfillment of other legal requirements.

It is anticipated that the ratio of net debt to adjusted EBITDA for Deutsche Telekom will exceed the target corridor of 2.0–2.5 as a result of the transaction. The planned strong free cash flow generation by T-Mobile US in the coming years means, however, that the ratio is expected to return to within the target corridor by 2021.

Based on current planning, the transaction is expected to have a positive effect on the earnings per share of Deutsche Telekom after just three years.

The agreement is subject to approval by the antitrust and regulatory authorities (including the US Department of Justice, the FCC and the security authorities), by T-Mobile US and Sprint shareholders, and to other customary closing conditions.

The figures are based on current accounting standards (not taking IFRS 16 into account).

Morgan Stanley advised Deutsche Telekom, Goldman Sachs and Wachtell, Lipton. Rosen & Latz advised Deutsche Telekom and T-Mobile US on this transaction.

Information on the investor conference call / webcast

Deutsche Telekom has organized a conference call for investors on April 30 at 8:00 a.m. (CET) to answer questions on the transaction. A slide-based presentation and a live audio webcast of the telephone conference are available at <http://www.telekom.com/investor-relations>.



Call-in numbers for the conference (listen only):

German participants	0800 965 6288
UK participants	0800 051 5931
U.S. participants	1866 719 2729
Other participants	+49 69 27134 0800

Access code: **69447490#**

Information on the media conference call / webcast

Deutsche Telekom has organized a conference call for media representatives on April 30 at 10:00 a.m. (CET). A live audio webcast of the conference call will be available at <http://www.telekom.com/media>.

Call-in numbers for the conference (listen only):

German participants	0800 965 6288
UK participants	0800 051 5931
U.S. participants	1866 719 2729
Other participants	+49 69 27134 0800

Access code: **25624079#**



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In addition to figures prepared in accordance with IFRS, Deutsche Telekom presents alternative performance measures, e.g., EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted EBIT margin, adjusted net profit/loss, free cash flow, gross debt, and net debt. These measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways. For further information relevant to alternative performance measures, please refer to the section "Management of the Group," page 38 et seq., of the annual report on the financial year 2017 or to Deutsche Telekom's Investor Relations website at www.telekom.com/alternative-performance-measures.

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