



## MEDIA INFORMATION

Bonn, May 13, 2015

### **Deutsche Telekom records strong organic growth in the first quarter**

- Double-digit growth in key financial figures, organic growth of 4.7 percent in revenue and 5.6 percent in adjusted EBITDA
- Adjusted net profit up by three quarters compared with the prior year to more than EUR 1 billion
- Year-on-year fiber-optic line additions in Germany more than doubled to 463,000 in the quarter
- Line losses in Germany at ten-year low
- T-Mobile US with net adds of more than 1 million for eighth quarter in a row
- Further stabilization in Europe, and growth areas already accounting for 28 percent of revenue
- T-Systems increases earnings performance

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Deutsche Telekom started financial year 2015 with substantial growth in revenue and adjusted EBITDA. On a like-for-like basis, i.e., excluding the effects of the strong dollar exchange rate and changes in the composition of the Group, revenue increased by 4.7 percent. In this analysis, adjusted EBITDA rose by 5.6 percent. Also benefiting from the translation effect from the increased dollar exchange rate, recognized net revenue increased by 13.1 percent to EUR 16.8 billion. Adjusted EBITDA increased 11.0 percent to EUR 4.6 billion.

Exchange rate fluctuations merely have a mathematical effect on Deutsche Telekom's income statement, but no impact in substance. Hence the Group



bases its guidance for the full year on the organic trend of the operating activities, assuming constant exchange rates.

"We are the integrated European telecommunications group with a growth profile. We work hard at this and for this," said Timotheus Höttges, CEO of Deutsche Telekom. "It has been some time since we have seen positive indications for revenue and earnings in our industry. Our clear strategy with strong investment is paying off."

Adjusted for special factors, net profit increased by a good three quarters compared with the prior-year period to EUR 1.0 billion. A settlement agreement had a positive effect of EUR 175 million here. In addition, the change in the accounting treatment of Deutsche Telekom's stake in the EE joint venture in the United Kingdom as held for sale means its dividends are now recognized in profit/loss from financial activities, which also has a positive impact on adjusted net profit. In the prior year, reported net profit had been dominated by the positive special effect of some EUR 1.7 billion from the sale of 70 percent of the stake in Scout. This resulted in a year-on-year lower figure.

Deutsche Telekom continued to invest strongly in its networks on both sides of the Atlantic. Overall, cash capex excluding expenses for mobile spectrum increased by 22.5 percent compared with the first three months of 2014 to EUR 2.5 billion. Investments in Germany alone rose by a good third to around EUR 950 million. This was also the main factor behind the scheduled decline in free cash flow by 12.0 percent to EUR 0.9 billion.

Deutsche Telekom confirms its guidance for the full year. Based on a constant exchange rate compared with 2014 of USD 1.33 per euro, adjusted EBITDA is expected to reach around EUR 18.3 billion and free cash flow some EUR 4.3 billion. The one-time effect of EUR 175 million was not included in the forecast and accordingly was not taken into account for the achievement of the adjusted EBITDA target for the year.



Based on the average dollar/euro exchange rate in the first quarter of USD 1.13 per euro, expected adjusted EBITDA for the full year 2015 would stand at around EUR 19.3 billion.

### **Germany – Customer numbers increase due to network build-out**

Deutsche Telekom's sale of the fiber-optic products VDSL and FTTH accelerated further in Germany. The number of lines increased by 463,000 in the first quarter, i.e. , twice as many net adds as in the prior year. The total number of fiber-optic-based lines increased by more than 70 percent within one year to almost three million. The marketing launch for around 1.3 million households in the fourth quarter of 2014 and another 1 million households in the first three months of 2015 in the rollout areas ensured particularly fast growth in these regions. The encouraging trend in fiber-optic products as well as the successful marketing of MagentaEINS rate plans, with growth of around 400,000 customers in the first quarter alone, contributed to the increase in net broadband adds. The number of broadband lines increased by 76,000 in the first three months of 2015. The Entertain customer base passed the 2.5 million mark in the first quarter.

In German mobile communications, Deutsche Telekom is expected to have further increased its market lead in service revenues. Mobile service revenues increased by 2.8 percent year-on-year. The number of customers who use LTE increased to more than 6.4 million thanks to the successful introduction of the MagentaMobil rate plans and the launch of the iPhone 6.

In the first quarter, the Group once again increased the revenue on its home market. At EUR 5.6 billion, revenue in the Germany operating segment was up 1.9 percent against the first quarter of 2014. Adjusted EBITDA was down 0.9 percent to EUR 2.2 billion. This equates to an adjusted EBITDA margin of 39.6 percent. The decline in EBITDA also reflects increased costs incurred as a



result of the IP migration and the efforts to maintain service quality. As of the end of the first quarter, 6.9 million lines had been migrated to the IP platform, more than twice as many as a year earlier.

### **United States – Customer growth continues unabated**

T-Mobile US continued on its course of strong growth, reporting the highest figures among the national U.S. providers. Revenue increased by 11.7 percent to USD 7.7 billion, with adjusted EBITDA rising by 18.4 percent to USD 1.4 billion. With 1.8 million net adds in the first quarter, the customer base was up by almost 7.8 million compared with the prior year.

T-Mobile US was the only national provider in the first quarter to increase its branded phone postpaid customer base, recording growth of as much as 1 million. In this segment of particularly valuable customers, the three other major U.S. network operators all lost significant numbers of customers. This eighth quarter in a row of more than a million increase in postpaid customers was accompanied by a record low churn rate of 1.3 percent in branded postpaid phone customers. Building on this successful quarter, T-Mobile US revised upwards its expectations for customer growth in 2015. The company now expects an increase in branded postpaid customers of between 3 and 3.5 million, up from the previous guidance of 2.2 to 3.2 million.

The earnings guidance for the full year remains unchanged, i.e., higher customer growth with earnings expected to rise by more than 20 percent. T-Mobile US's 4G LTE network now covers 275 million people in the United States. This figure is expected to increase to 300 million by the end of the year.



## **Europe – Technology transformation on track**

Business in the European national companies stabilized further in the first quarter of this year. Revenue declined by just 0.6 percent to EUR 3.1 billion. Adjusted EBITDA decreased by 1.9 percent compared with the first quarter of 2014 to EUR 1.0 billion.

The revenue transformation continued to advance in the Europe operating segment. Growth areas now account for 28 percent of revenue, compared with 25 percent one year ago. Substantial progress was also made in the technology transformation. In Europe, the share of fixed-network lines that are IP-based increased from 29 percent a year ago to 40 percent. The targeted full migration to the IP platform by the end of 2018 is fully on track. In mobile communications, the rollout of LTE networks was intensified. Network coverage is now 53 percent of the population, after 38 percent in the previous year.

The national companies in Austria and Hungary in particular performed well in the first quarter, increasing both their revenue and their adjusted EBITDA.

## **Systems Solutions – Cost reductions start to take effect**

T-Systems' financial indicators for the first quarter of 2015 show an encouraging trend. At EUR 1.7 billion, the Market Unit's revenue increased by 1.0 percent compared with the first quarter of 2014. Earnings performance increased driven by cost reductions. The Market Unit achieved a positive adjusted EBIT margin of 2.0 percent compared with minus 0.4 percent in the prior-year period.

At EUR 1.3 billion, the Market Unit's order entry declined by 9.1 percent against the first quarter of 2014. The stricter profitability hurdles introduced under the transformation program T-Systems 2015+ lead to lower order volumes than



previously. In addition, the major deal with Daimler had a substantial impact in the first quarter of 2014. In the cloud growth area, by contrast, T-Systems increased its revenue by almost 20 percent in line with the strategy.

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

	Q1 2015 millions of €	Q1 2014 millions of €	Change %	FY 2014 millions of €
Revenue	16,842	14,894	13.1	62,658
Proportion generated internationally in %	63.0	58.7	4.3p	60.1
EBITDA	4,160	5,638	(26.2)	17,821
Adjusted EBITDA	4,574	4,121	11.0	17,569
Net profit	787	1,817	(56.7)	2,924
Adjusted net profit	1,036	587	76.5	2,422
Free cash flow <sup>a</sup>	865	983	(12.0)	4,140
Cash capex <sup>b</sup> (before spectrum)	2,530	2,065	22.5	9,534
Cash capex <sup>b</sup>	4,429	2,197	n.a.	11,844
Net debt	46,310	37,964	22.0	42,500
Number of employees <sup>c</sup>	227,184	227,240	(0.0)	227,811

**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:**

	Q1 2015 millions of €	Q1 2014 millions of €	Change %	FY 2014 millions of €
<b>Germany</b>				
Total revenue	5,589	5,483	1.9	22,257
EBITDA	2,125	2,205	(3.6)	8,556
Adjusted EBITDA	2,211	2,230	(0.9)	8,810
Number of employees <sup>a</sup>	69,404	67,318	3.1	68,754
<b>United States</b>				
Total revenue	6,905	5,074	36.1	22,408
EBITDA	1,111	795	39.7	4,244
Adjusted EBITDA	1,225	844	45.1	4,296
<b>Europe<sup>b</sup></b>				
Total revenue	3,106	3,125	(0.6)	12,972
EBITDA	953	1,012	(5.8)	4,301
Adjusted EBITDA	1,008	1,027	(1.9)	4,432
<b>Systems Solutions</b>				
Order entry	1,286	1,414	(9.1)	7,456
Total revenue	2,001	2,052	(2.5)	8,601
Of which Market Unit	1,695	1,679	1.0	6,874
Adjusted EBIT margin (%)	0.9	(0.1)	1.0p	1.5
Adj. EBIT margin, Market Unit (%)	2.0	(0.4)	2.4p	2.4
EBITDA	80	81	(1.2)	295
Adjusted EBITDA	154	138	11.6	835

**Comments on the table:**

a At reporting date.

b First-time inclusion of the GTS Central Europe group since May 30, 2014.





**Development of customer numbers**

**Operating segments: Development of customer numbers in the first quarter of 2015**

	<b>Mar. 31, 2015 thousands</b>	<b>Mar. 31, 2014 thousands</b>	<b>Change thousands</b>	<b>Change %</b>
<b>Germany</b>				
Mobile customers	39,200	38,989	211	0.5
Of which contract customers	22,576	22,287	289	1.3
Fixed-network lines	20,555	20,686	(131)	(0.6)
Of which retail IP-based	5,120	4,383	737	16.8
Broadband lines	12,437	12,361	76	0.6
Of which optical fiber <sup>a</sup>	2,094	1,799	295	16.4
Television (IPTV, satellite)	2,516	2,442	74	3.0
Unbundled local loop lines (ULLs)	8,619	8,801	(182)	(2.1)
<b>United States</b>				
Mobile customers	56,836	55,018	1,818	3.3
Of which branded postpaid customers	28,310	27,185	1,125	4.1
Of which branded prepaid customers	16,389	16,316	73	0.4
<b>Europe</b>				
Mobile customers	55,849	55,992	(143)	(0.3)
Of which contract customers	25,422	25,400	22	0.1
Fixed-network lines	8,922	9,033	(111)	(1.2)
Of which IP-based	3,606	3,486	120	3.4
Retail broadband lines	5,038	4,995	43	0.9
Television (IPTV, satellite, cable)	3,741	3,714	27	0.7

**Comments on the table:**

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, 2015 thousands	Mar. 31, 2014 thousands	Change thousands	Change %
<b>Germany</b>				
Mobile customers	39,200	39,145	55	0.1
Of which contract customers	22,576	22,104	472	2.1
Fixed-network lines	20,555	21,202	(647)	(3.1)
Of which retail IP-based	5,120	2,640	2,480	93.9
Broadband lines	12,437	12,354	83	0.7
Of which optical fiber <sup>a</sup>	2,094	1,375	719	52.3
Television (IPTV, satellite)	2,516	2,255	261	11.6
Unbundled local loop lines (ULLs)	8,619	9,207	(588)	(6.4)
<b>United States</b>				
Mobile customers	56,836	49,065	7,771	15.8
Of which branded postpaid customers	28,310	23,622	4,688	19.8
Of which branded prepay customers	16,389	15,537	852	5.5
<b>Europe</b>				
Mobile customers	55,849	56,615	(766)	(1.4)
Of which contract customers	25,422	25,521	(99)	(0.4)
Fixed-network lines	8,922	9,215	(293)	(3.2)
Of which IP-based	3,606	2,680	926	34.6
Retail broadband lines	5,038	4,784	254	5.3
Television (IPTV, satellite, cable)	3,741	3,558	183	5.1

**Comments on the table:**

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

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