

MEDIA INFORMATION

Bonn, February 26, 2015

Deutsche Telekom increases speed of growth

- Revenue increased 4.2 percent to EUR 62.7 billion in 2014 and 8.5 percent in the fourth quarter
- Adjusted EBITDA up 0.8 percent to EUR 17.6 billion in 2014; strong growth of 9.5 percent in the fourth quarter
- Adjusted net profit up 12.4 percent, unadjusted up more than 85 percent in the fourth quarter
- Proposed dividend of 50 eurocents per share
- Mobile service revenues in Germany up 1.8 percent in the fourth quarter compared with the prior-year period
- Adjusted EBITDA at T-Mobile US increased 27.5 percent in the fourth quarter

Deutsche Telekom recorded strong growth in the fourth quarter of 2014. Net revenue increased 8.5 percent year-on-year to EUR 17.0 billion. In organic terms, i.e., excluding exchange rate effects and changes in the composition of the Group, growth was also significant at 5.6 percent. In the full 2014 financial year, Deutsche Telekom recorded revenue growth of 4.2 percent to EUR 62.7 billion. Adjusted EBITDA increased 0.8 percent to EUR 17.6 billion, reaching the target for 2014. In the fourth quarter of 2014, adjusted EBITDA

rose by as much as 9.5 percent to EUR 4.4 billion. Organic growth stood at 6.9 percent.

"It was a strong quarter to close a successful year," said Tim Höttges, CEO of Deutsche Telekom. "We have put the Group back on course for growth and will continue rigorously to forge ahead with this path."

Deutsche Telekom invested in its networks even more heavily than in the prior year. In 2014, the Group spent EUR 9.5 billion in terms of cash capex before expenses for mobile spectrum. That was 7.6 percent more than in 2013. Consequently, free cash flow declined as expected by 10.1 percent to around EUR 4.1 billion, which was in line with the target for the full year.

As a result of the increase in EBITDA, adjusted net profit increased by 12.4 percent to EUR 399 million in the fourth quarter. Unadjusted, it increased year-on-year by more than 85 percent due to negative special factors in the fourth quarter of 2013. For the full year, Deutsche Telekom recorded a decrease in adjusted profit of 12.1 percent to EUR 2.4 billion due to increased depreciation and amortization as a result of higher network investments and the inclusion of MetroPCS for twelve months. Unadjusted net profit tripled year-on-year in the full year to EUR 2.9 billion, mainly due to the partial sale of the Scout group.

Based on the results, the Board of Management and Supervisory Board will be proposing to the shareholders' meeting on May 21 an unchanged dividend of EUR 0.50 per share. As in the previous two years, this dividend can be received in cash or, if desired, in the form of shares.

Germany – Revenue increase in the fourth quarter

For the first time since the Germany operating segment was established, Deutsche Telekom has generated quarterly revenue growth on its home

market. At EUR 5.7 billion in the fourth quarter, revenue was up 1.6 percent against the same quarter in 2013. Adjusted EBITDA decreased by 1.3 percent to EUR 2.0 billion due to market investments for the launch of the MagentaMobil and MagentaEINS rate plans and the high level of smartphone sales.

Deutsche Telekom recorded strong growth in the German mobile business. In the fourth quarter, mobile service revenues increased by 1.8 percent year-on-year. Deutsche Telekom therefore not only clearly outperformed the trend on the market as a whole, but also once again substantially extended its lead on the market number two. The number of mobile contract customers under the Telekom and Congstar brands grew by 277,000 between October and December. Smartphone sales boomed in the fourth quarter. The Group sold more than 1.5 million devices, thereby recording its best ever quarter in this regard. Around three quarters of the smartphones sold in the 2014 financial year were LTE-enabled devices. The number of customers who use an LTE-enabled device and have subscribed to an LTE rate plan doubled during the year to more than 5.6 million.

Demand for fiber-optic products FTTH and VDSL increased again. In the fourth quarter, 323,000 customers opted for a fiber-optic-based line, 143 percent more than in the prior year. The total number of these lines increased by 66 percent within one year to more than 2.5 million. Deutsche Telekom recorded particularly strong customer additions in the VDSL roll-out areas, triggered by the market launch of 1.3 million vectoring households in the fourth quarter. Among the positive developments in the quarter was the increase in the number of Entertain customers to more than 2.4 million, with more than 40 percent of new VDSL customers also opting for Entertain. In the VDSL roll-out areas, this value is even higher. In the broadband market, Deutsche Telekom further strengthened the positive trend, recording 20,000 net broadband additions.

United States – T-Mobile US continues success story

T-Mobile US closed 2014 with impressive figures. Between October and December, the company again recorded strong customer growth. The total number of customers increased by 2.1 million to more than 55 million. 1.3 million of these were postpaid customer additions. The customer base grew by 8.3 million in the financial year.

As expected, these successes have an increasingly positive impact on the financial figures. Revenue increased by 17.5 percent in the fourth quarter compared with the same period last year to USD 8.1 billion. The growth in adjusted EBITDA was significantly higher, up 27.5 percent to USD 1.7 billion. Translated into euros, the trends were even more pronounced thanks to the appreciation of the U.S. dollar against the euro: On this basis, revenue increased by 28 percent and adjusted EBITDA by 39 percent.

The initiatives of the Un-carrier strategy and investments in the network remain the basis for success. In the last few quarters, T-Mobile US has systematically increased population coverage and improved the quality of the mobile network. As of the end of the year, the company's 4G LTE network covered 265 million people. That is an increase of 56 million compared with 2013 and well above the target for 2014 of 250 million. In the current year, coverage with 4G LTE is to be expanded to 300 million people.

The synergies expected in connection with the merger with MetroPCS are greater than expected. Since the MetroPCS customers are switching to the modern T-Mobile US network at a faster rate than anticipated, the company will now be able to decommission the MetroPCS network earlier than expected and then use the released mobile spectrum for the T-Mobile network. While at the time of the merger in 2013, the present value of the synergies were estimated to be between USD 6 and 7 billion, T-Mobile US now expects a value of between USD 9 and 10 billion.

Europe – Network roll-out on track

Transformation continued: In the fourth quarter of the financial year, the European national companies made clear progress in many areas. In the mobile networks, almost 15,000 LTE base stations had been established by the end of 2014, more than three times as many as at the end of 2013. In the fixed network, the share of IP-based lines rose by 12 percentage points to 39 percent. Following Macedonia, Slovakia was the second country to complete the migration to IP technology.

In the final quarter, segment revenue declined by 3.4 percent year-on-year to EUR 3.4 billion. 26 percent of revenues related to growth areas like mobile Internet or television. At the same time, adjusted EBITDA decreased 3.8 percent to EUR 1.1 billion. In the full year, revenue decreased by 5.3 percent and adjusted EBITDA by 2.6 percent.

Cutting costs had a positive impact on profitability in the financial year. The adjusted EBITDA margin increased to 34.2 percent, from 33.2 percent in the previous year.

Systems Solutions – Continuous increase in earnings

At T-Systems, the deal signed with ThyssenKrupp had a positive impact on order entry in the fourth quarter. In December, Deutsche Telekom's business customer arm announced that ThyssenKrupp will in the future procure 80,000 computer workstations and 10,000 server systems worldwide from the Deutsche Telekom cloud. Order entry in the Market Unit, which mainly comprises T-Systems' external business, increased by 6.7 percent to EUR 2.4 billion.

Revenue in the Market Unit decreased 3.1 percent year-on-year to EUR 1.8 billion in the fourth quarter. The decline in net revenue was attributable to the persistent price pressure as well as the withdrawal from non-profitable business as part of the ongoing restructuring. By contrast, the growth areas recorded a marked increase. T-Systems' cloud revenues increased by around 40 percent in the full year, contributing to the fact that the growth areas accounted for a larger percentage of total revenue in 2014 than in the prior year, as planned.

The company's earnings improved continuously in the course of the year. In the fourth quarter, the Market Unit's adjusted EBIT margin reached 6.4 percent, i.e., up 2.2 percentage points against the previous year. At Telekom IT – which handles Deutsche Telekom's internal IT business in Germany – revenue decreased substantially, as projected, by 20.3 percent. Of the target of EUR 1 billion of IT cost savings in the Group by 2015, EUR 800 million had already been achieved by the end of 2014.

The Deutsche Telekom Group at a glance:

	Q4 2014 millions of €	Q4 2013 millions of €	Change %	FY 2014 millions of €	FY 2013 millions of €	Change %
Net revenue	17,002	15,665	8.5	62,658	60,132	4.2
Proportion generated internationally %	61.6	59.1	2.5p	60.1	57.8	2.3p
EBITDA	3,759	3,255	15.5	17,821	15,834	12.5
Adjusted EBITDA	4,444	4,060	9.5	17,569	17,424	0.8
Net profit	(110)	(752)	85.4	2,924	930	n.a.
Adjusted net profit	399	355	12.4	2,422	2,755	(12.1)
Free cash flow ^a	983	1,032	(4.7)	4,140	4,606	(10.1)
Cash capex ^b (before spectrum)	2,779	2,446	13.6	9,534	8,861	7.6
Cash capex ^b	3,117	3,468	(10.1)	11,844	11,068	7.0
Net debt				42,500	39,093	8.7
Number of employees ^c				227,811	228,596	(0.3)

Comments on the table:

MetroPCS was included in Deutsche Telekom's consolidated financial statements for the first time as of May 1, 2013.

a Before dividend payments, spectrum investment, and before effects in connection with the AT&T transaction and compensation payments for MetroPCS employees.

b Cash outflows for investments in property, plant and equipment, and intangible assets (excluding goodwill).

c At reporting date.

Operating segments:

	Q4 2014 millions of €	Q4 2013 millions of €	Change %	FY 2014 millions of €	FY 2013 millions of €	Change %
Germany						
Total revenue	5,723	5,634	1.6	22,257	22,435	(0.8)
EBITDA	1,898	1,854	2.4	8,556	8,401	1.8
Adjusted EBITDA	2,000	2,027	(1.3)	8,810	8,936	(1.4)
Number of employees ^a				68,754	66,725	3.0
United States^b						
Total revenue	6,510	5,082	28.1	22,408	18,556	20.8
EBITDA	1,169	885	32.1	4,244	3,642	16.5
Adjusted EBITDA	1,355	974	39.1	4,296	3,874	10.9
Europe^c						
Total revenue	3,367	3,486	(3.4)	12,972	13,704	(5.3)
EBITDA	1,073	845	27.0	4,301	4,371	(1.6)
Adjusted EBITDA	1,123	1,167	(3.8)	4,432	4,550	(2.6)
Systems Solutions						
Order entry	2,380	2,230	6.7	7,456	7,792	(4.3)
Total revenue	2,294	2,468	(7.1)	8,601	9,038	(4.8)
Of which Market Unit	1,843	1,902	(3.1)	6,874	7,244	(5.1)
Adjusted EBIT margin (%)	2.8	1.2	1.6p	1.5	1.5	n.a.
Adj. EBIT margin, Market Unit (%)	6.4	4.2	2.2p	2.4	2.8	(0.4p)
EBITDA	15	81	(81.5)	295	358	(17.6)
Adjusted EBITDA	212	199	6.5	835	774	7.9

Comments on the table:

ICSS/GNF business at the local business units (LBUs), which had previously been organizationally assigned to the Systems Solutions operating segment, was brought together as of January 1, 2014, and is now reported under the Europe operating segment. Furthermore, as of January 1, 2014, the local business customer units of T-Systems Czech Republic, which had previously been managed under the Systems Solutions operating segment, were merged with T-Mobile Czech Republic; they are reported in the Europe operating segment. Comparative figures have been adjusted retrospectively.

a At reporting date.

b First-time inclusion of MetroPCS as of May 1, 2013.

c 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 fourth quarter of 2014

	Dec. 31, 2014 thousands	Sept. 30, 2014 thousands	Change thousands	Change %
Germany				
Mobile customers	38,989	39,653	(664)	(1.7)
Of which contract customers	22,287	22,812	(525)	(2.3)
Fixed-network lines	20,686	20,841	(155)	(0.7)
Of which retail IP-based	4,383	3,744	639	17.1
Broadband lines	12,361	12,340	21	0.2
Of which optical fiber ^a	1,799	1,608	191	11.9
Television (IPTV, satellite)	2,442	2,377	65	2.7
Unbundled local loop lines (ULLs)	8,801	8,954	(153)	(1.7)
United States				
Mobile customers	55,018	52,890	2,128	4.0
Of which branded postpaid customers	27,185	25,909	1,276	4.9
Of which branded prepay customers	16,316	16,050	266	1.7
Europe^b				
Mobile customers	55,992	56,087	(95)	(0.2)
Of which contract customers	25,400	25,323	77	0.3
Fixed-network lines	9,033	9,073	(40)	(0.4)
Of which IP-based	3,486	3,169	317	10.0
Retail broadband lines	4,995	4,880	115	2.4
Television (IPTV, satellite, cable)	3,714	3,670	44	1.2

Comments on the table:

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

b The fixed-network customers of our subsidiary Euronet Communications in the Netherlands have no longer been included in the Europe operating segment since January 2, 2014, following the sale of the shares held in the company. They have been eliminated from all historical customer figures to improve comparability.

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

	Dec. 31, 2014 thousands	Dec. 31, 2013 thousands	Change thousands	Change %
Germany				
Mobile customers	38,989	38,625	364	0.9
Of which contract customers	22,287	21,553	734	3.4
Fixed-network lines	20,686	21,417	(731)	(3.4)
Of which retail IP-based	4,383	2,141	2,242	n.a.
Broadband lines	12,361	12,360	1	0.0
Of which optical fiber ^a	1,799	1,246	553	44.4
TV (IPTV, satellite)	2,442	2,177	265	12.2
Unbundled local loop lines (ULLs)	8,801	9,257	(456)	(4.9)
United States				
Mobile customers	55,018	46,684	8,334	17.9
Of which branded postpaid customers	27,185	22,299	4,886	21.9
Of which branded prepay customers	16,316	15,072	1,244	8.3
Europe^b				
Mobile customers	55,992	56,679	(687)	(1.2)
Of which contract customers	25,400	25,509	(109)	(0.4)
Fixed-network lines	9,033	9,284	(251)	(2.7)
Of which IP-based	3,486	2,472	1,014	41.0
Retail broadband lines	4,995	4,744	251	5.3
Television (IPTV, satellite, cable)	3,714	3,503	211	6.0

Comments on the table:

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

b The fixed-network customers of our subsidiary Euronet Communications in the Netherlands have no longer been included in the Europe operating segment since January 2, 2014, following the sale of the shares held in the company. They have been eliminated from all historical customer figures to improve comparability.

This media information contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. These forward-looking statements include statements with regard to the expected development of revenue, earnings, profits from operations, depreciation and amortization, cash flows, and personnel-related measures. They should therefore be considered with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom's control. Among the factors that might influence our ability to achieve our objectives are the progress of our workforce reduction initiative and other cost-saving measures, and the impact of other significant strategic, labor, or business initiatives, including acquisitions, dispositions, business combinations, and our network upgrade and expansion initiatives. In addition, stronger than expected competition, technological change, legal proceedings, and regulatory developments, among other factors, may have a material adverse effect on our costs and revenue development. Further, the economic downturn in our markets, and changes in interest and currency exchange rates, may also have an impact on our business development and the availability of financing on favorable conditions. Changes to our expectations concerning future cash flows may lead to impairment write downs of assets carried at historical cost, which may materially affect our results at the group and operating segment levels. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

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Deutsche Telekom AG
Corporate Communications

Phone: +49 (0) 228 181 -49 49

E-mail: media@telekom.de

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