

MEDIA INFORMATION

Bonn, March 2, 2017

Deutsche Telekom invests at record level in 2016 and continues growth course

- Net revenue up 5.6 percent to 73.1 billion euros
- Adjusted EBITDA up 7.6 percent to 21.4 billion euros
- Free cash flow up 8.6 percent on 2015 to 4.9 billion euros
- Financial targets for 2016 achieved, some exceeded
- Dividend to increase to 60 eurocents per share
- Net profit impacted by one-time effect from financial stake in BT
- Success story continues at T-Mobile US
- Earnings stable in Germany

2016 was a successful financial year for Deutsche Telekom. The Group increased its revenue by 5.6 percent year-on-year, driven by the strong U.S. business, to 73.1 billion euros. At the same time, adjusted EBITDA grew 7.6 percent to 21.4 billion euros.

Free cash flow reached 4.9 billion euros in 2016, 8.6 percent more than in the previous year. Thus, the Group achieved its guidance for the financial year and in some cases even exceeded it.

"Once again, we have reliably delivered on our promises," said Tim Hötting, CEO of Deutsche Telekom. "The basis of our strong growth remains the high investment in our networks."

The high level of 2015 was raised even further in the past year. Cash capex excluding expenses for mobile spectrum rose by 1.3 percent to 11.0 billion euros for the first time.

Adjusted net profit of 4.1 billion euros remained stable against the prior year. On a reported basis, i.e., including special factors, it declined by 17.8 percent to 2.7 billion euros. The main negative effect came from an impairment loss recognized in the fourth quarter on the financial stake of 12 percent of the shares in the BT Group, mainly as a result of declines in the BT share price and in the pound sterling following the Brexit referendum. Both of these factors resulted in an impairment loss of 2.2 billion euros, which had a negative impact on net profit. The impairment loss does not affect cash flow and impacts neither on the guidance KPIs nor on Deutsche Telekom's ability to pay out dividends.

Based on the results achieved, the Board of Management and Supervisory Board will propose to the shareholders' meeting on May 31 a 5-eurocent increase in the dividend to 60 eurocents per share. The proposal follows the Group's shareholder remuneration policy, which aims to increase the dividend in line with the increase in free cash flow.

Germany – Record growth in fiber-optic lines

2016 was a very special year for Deutsche Telekom's broadband business in Germany: The company achieved its highest ever sales of fiber-optic-based lines (FTTH, FTTC, vectoring), with 674,000 net additions in the fourth quarter. The number of fiber-optic lines increased by 2.4 million year-on-year – up 56 percent compared with the end of 2015.

The build-out of the network and sales initiatives like the "Test the best" offer, including a year of Entertain, had a clear positive effect on broadband sales, with growth in net adds accelerating to 87,000 in the fourth quarter.



In the German mobile business, Deutsche Telekom consolidated its position as market leader in the final quarter of 2016. Market share of service revenue remained stable over the year as a whole. The data volume used by Deutsche Telekom consumers with mobile contracts increased by 78 percent compared with the fourth quarter of the prior year. Clear proof that customers are making use of the outstanding network quality that has been confirmed by numerous independent tests.

The strong networks also had a positive impact on sales of the MagentaEINS package offers. By the end of 2016, the number of MagentaEINS customers rose to three million, thereby reaching the target level the company had actually only set for itself for 2018.

In 2016, Deutsche Telekom generated revenue of 22.0 billion euros in the Germany segment. This year-on-year decline of 1.7 percent is primarily due to lower mobile terminal equipment revenue and the ongoing decline in traditional telephone business (single play). The growth in Deutsche Telekom's broadband business was not yet quite enough to compensate for this.

Excluding the terminal equipment business, revenue in the Germany segment remained more or less stable.

Adjusted EBITDA remained on a par with the 2015 level in the reporting year at 8.8 billion euros. This puts the EBITDA margin at 39.9 percent for the full year 2016.

United States – Un-carrier outstrips the competition

For T-Mobile US, the last year was marked by unabated growth in all key figures. The star on the U.S. mobile market set the bar for growth in customer numbers as well as in revenue and earnings, leaving competitors well behind in each of these categories.



In 2016, T-Mobile US increased its total number of customers by 8.2 million to 71.5 million. Between October and December alone, the company won another 2.1 million customers, 1.2 million of them branded postpaid customers. For the full year 2016, T-Mobile US recorded 4.1 million branded postpaid net adds. And this boom is set to continue. The guidance for 2017 is for 2.4 to 3.4 million net adds in this lucrative segment. This success is clearly down to the systematic network build-out and the innovative Un-carrier initiatives for rate plans and offers.

The rising customer numbers are also reflected in revenue and earnings. Revenue increased by 16.3 percent in 2016 to 37.3 billion U.S. dollars. Adjusted EBITDA increased by 28.7 percent to 9.5 billion U.S. dollars.

Europe – Focus on networks

In 2016, network build-out and network upgrade were priorities for the European subsidiaries. Network coverage with the mobile communications standard LTE increased over the last 12 months to 109 million people, which is 84 percent of the population or 13 percentage points more than a year earlier. Around 60 percent of all lines in the fixed network have now been migrated to IP technology. Apart from a few remaining lines, Hungary completed the IP conversion on schedule in 2016, the fifth national company to do so.

The product packages of fixed-network and mobile communications are flourishing on the market. In the integrated national companies of our Europe operating segment, more than 1.4 million customers are using corresponding offers, that is 56 percent more than a year earlier. The number of broadband lines reached 5.6 million. 4.05 million customers are using the various TV offers, up 3.7 percent on the previous year.

Revenue in the Europe operating segment declined 2.1 percent year-on-year to 12.7 billion euros. Net of currency effects and changes in the composition of the Group, it declined by just 0.5 percent. Adjusted EBITDA declined by 5.4 percent to 4.1 billion euros, primarily owing to the decision in favor of higher market investments in order to use the momentum from increased network coverage and the MagentaONE offers to win customers in the fourth quarter.

Systems Solutions – Decline due to provisions for risk in the statement of financial position

In the Market Unit, i.e., in business with the Group's external business customers, T-Systems recorded order entry of 6.6 billion euros for the full year – up 17.8 percent compared with the prior year. This also included two high-volume contract extensions with the corporate customers Deutsche Post DHL and Shell in the fourth quarter. Revenue in the Market Unit totaled 6.5 billion euros in 2016, a slight decline of 2.9 percent compared with the full year 2015. A necessary provision for risk recognized in the fourth quarter had a negative impact on revenue and earnings for the full year 2016. This provision was necessary on account of a small number of legacy contracts. T-Systems has already taken measures to optimize the profitability of these outsourcing arrangements.

The Market Unit's key earnings indicators also fell as a result. Adjusted EBITDA declined by 21.4 percent to 530 million euros, whereas adjusted EBIT for 2016 decreased to 127 million euros. This also resulted in the negative development of the adjusted EBIT margin from 2.6 percent in 2015 to 2.0 percent. These developments took place against the background of declining price trends in the market and technology environment, the migration of business customer networks to all IP, and the aforementioned provision for risk in the fourth quarter.

The Deutsche Telekom Group at a glance:

	Q4 2016 millions of €	Q4 2015 millions of €	Change %	FY 2016 millions of €	FY 2015 millions of €	Change %
Revenue	19,543	17,859	9.4	73,095	69,228	5.6
Proportion generated internationally (%)	67.6	64.3	3.3p	66.3	63.8	2.5p
EBITDA	4,846	5,113	(5.2)	22,544	18,388	22.6
Adjusted EBITDA	5,265	5,143	2.4	21,420	19,908	7.6
Net profit	(2,124)	946	n.a.	2,675	3,254	(17.8)
Adjusted net profit	973	959	1.5	4,114	4,113	0.0
Free cash flow ^a	893	998	(10.5)	4,939	4,546	8.6
Cash capex ^b	3,156	3,041	3.8	13,640	14,613	(6.7)
Cash capex ^b (before spectrum)	2,724	3,015	(9.7)	10,958	10,818	1.3
Net debt	49,959	47,570	5.0	49,959	47,570	5.0
Number of employees ^c	218,341	225,243	(3.1)	218,341	225,243	(3.1)

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 2016 millions of €	Q4 2015 millions of €	Change %	FY 2016 millions of €	FY 2015 millions of €	Change %
Germany						
Total revenue	5,632	5,659	(0.5)	22,041	22,421	(1.7)
EBITDA	1,895	1,872	1.2	7,890	8,245	(4.3)
Adjusted EBITDA	2,145	2,086	2.8	8,800	8,790	0.1
Number of employees ^a	66,142	68,638	(3.6)	66,142	68,638	(3.6)
United States						
Total revenue	9,445	7,518	25.6	33,738	28,925	16.6
EBITDA	2,335	2,069	12.9	8,967	6,229	44.0
Adjusted EBITDA	2,325	2,075	12.0	8,561	6,654	28.7
Europe						
Total revenue	3,338	3,397	(1.7)	12,747	13,024	(2.1)
EBITDA	908	1,022	(11.2)	3,963	4,108	(3.5)
Adjusted EBITDA	970	1,075	(9.8)	4,094	4,329	(5.4)
Systems Solutions						
Order entry	2,458	1,924	27.8	6,605	5,608	17.8
Total revenue	1,978	2,163	(8.6)	7,907	8,194	(3.5)
Of which Market Unit	1,597	1,724	(7.4)	6,463	6,657	(2.9)
Adjusted EBIT margin (%)	(4.0)	3.7	(7.7p)	0.4	2.1	(1.7p)
Adj. EBIT margin, Market Unit (%)	(1.6)	4.5	(6.1p)	2.0	2.6	(0.6p)
EBITDA	(37)	4	n.a.	245	93	n.a.
Adjusted EBITDA	60	216	(72.2)	582	740	(21.4)

Comments on the table:

Business customer operations at Magyar Telekom in Hungary, which had previously been organizationally assigned to the Systems Solutions operating segment, have been bundled and reported under the Europe operating segment since January 1, 2016. Comparative figures have been adjusted retrospectively.

a At the reporting date.



Operating segments: development of customer numbers in the fourth quarter of 2016

	Dec. 31, 2016 thousands	Sept. 30, 2016 thousands	Change thousands	Change %
Germany				
Mobile customers	41,849	41,461	388	0.9
Of which contract customers	25,219	24,705	514	2.1
Fixed-network lines	19,786	19,873	(87)	(0.4)
Of which retail IP-based	9,042	8,435	607	7.2
Broadband lines	12,922	12,835	87	0.7
Of which optical fiber ^a	4,250	3,857	393	10.2
Television (IPTV, satellite)	2,879	2,818	61	2.2
Unbundled local loop lines (ULLs)	7,195	7,431	(236)	(3.2)
United States				
Mobile customers	71,455	69,354	2,101	3.0
Of which branded postpaid customers	34,427	33,230	1,197	3.6
Of which branded prepay customers	19,813	19,272	541	2.8
Europe				
Mobile customers	51,699	52,211	(512)	(1.0)
Of which contract customers	27,297	26,916	381	1.4
Fixed-network lines ^b	8,695	8,599	96	1.1
Of which IP-based	5,180	4,757	423	8.9
Retail broadband lines ^b	5,557	5,352	205	3.8
Television (IPTV, satellite, cable)	4,049	4,010	39	1.0

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

b In the fourth quarter of 2016, the number of fixed-network and broadband lines in the Netherlands grew as a result of the acquisition of Vodafone's fixed-network consumer business.

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

	Dec. 31, 2016 thousands	Dec. 31, 2015 thousands	Change thousands	Change %
Germany				
Mobile customers	41,849	40,373	1,476	3.7
Of which contract customers	25,219	23,709	1,510	6.4
Fixed-network lines	19,786	20,227	(441)	(2.2)
Of which retail IP-based	9,042	6,887	2,155	31.3
Broadband lines	12,922	12,644	278	2.2
Of which optical fiber ^a	4,250	2,923	1,327	45.4
Television (IPTV, satellite)	2,879	2,683	196	7.3
Unbundled local loop lines (ULLs)	7,195	8,050	(855)	(10.6)
United States				
Mobile customers	71,455	63,282	8,173	12.9
Of which branded postpaid customers	34,427	31,695	2,732	8.6
Of which branded prepay customers	19,813	17,631	2,182	12.4
Europe				
Mobile customers	51,699	52,737	(1,038)	(2.0)
Of which contract customers	27,297	26,456	841	3.2
Fixed-network lines ^b	8,695	8,763	(68)	(0.8)
Of which IP-based	5,180	4,132	1,048	25.4
Retail broadband lines ^b	5,557	5,189	368	7.1
Television (IPTV, satellite, cable)	4,049	3,905	144	3.7

Comments on the table:

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

b In the fourth quarter of 2016, the number of fixed-network and broadband lines in the Netherlands grew as a result of the acquisition of Vodafone's fixed-network consumer business.

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