

## MEDIA INFORMATION

Bonn, November 7, 2019

### **Deutsche Telekom raises full-year guidance for adjusted EBITDA AL and cash capex**

- Revenue up 4.8 percent in the third quarter to 20.0 billion euros
- Adjusted EBITDA AL up 5.4 percent to 6.5 billion euros
- Free cash flow AL up 17.5 percent to 2.1 billion euros
- Net profit increases to 1.4 billion euros
- Full-year guidance for adjusted EBITDA AL raised from around 23.9 billion euros to around 24.1 billion euros
- Group now expects cash capex of 12.9 billion euros in 2019, adjusted from previous guidance of 12.7 billion euros
- Dividend for 2019 planned to be 0.60 euros

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Deutsche Telekom continues to grow apace and has raised its guidance for the current financial year. Revenue grew by 4.8 percent in the third quarter of 2019, passing the 20.0-billion-euro mark in a single quarter for the first time in the company's history. At the same time, adjusted EBITDA AL rose 5.4 percent year-on-year to 6.5 billion euros. In organic terms, i.e., adjusted for exchange rate effects and changes in the composition of the Group, revenue increased by 1.7 percent and adjusted EBITDA AL by 3.0 percent.

Following the positive trend of the last nine months, the Group raised its full-year guidance. Deutsche Telekom now expects to report adjusted EBITDA AL of around 24.1 billion euros, up from the previous guidance of 23.9 billion euros.



Cash capex before expenses for mobile spectrum is expected to amount to around 12.9 billion euros, up from previously around 12.7 billion euros. The main factor driving this increase is the accelerated 5G build-out in the United States. The guidance for free cash flow remains unchanged at around 6.7 billion euros. All these figures are based on constant exchange rates and exclude changes in the composition of the Group. The guidance has been raised on the back of improved results from all operating segments in the first nine months of 2019, as well as the raised average value of T-Mobile US' guidance.

“Deutsche Telekom is really powering ahead,” said CEO Tim Hötting. “Earnings increased in all areas of the Group in the first nine months of this year – with some of that growth in the double digits. At the same time, we are investing record amounts.”

Between July and September 2019, Deutsche Telekom recorded growth in free cash flow AL of 17.5 percent against the prior-year period, to 2.1 billion euros. Cash capex before expenses for mobile spectrum remained stable in the third quarter at 3.0 billion euros. Compared with the first nine months of 2018, it increased by 9.8 percent to 10.0 billion euros.

Net profit increased by 23.2 percent compared with the third quarter of 2018 to 1.4 billion euros. Adjusted for special factors, it grew by 7.5 percent.

Deutsche Telekom is adjusting its dividend outlook. The company plans to pay a dividend for 2019 of 60 eurocents per dividend-bearing share. This is also set to be the minimum dividend for the coming years, and will be paid out irrespective of whether the business combination of T-Mobile US and Sprint takes place. All other aspects of the previous dividend strategy remain unchanged.

The decision to adjust the dividend is based on the following key grounds:



- The removal of dividend uncertainty in connection with the U.S. transaction
- The unexpectedly high costs for the mobile spectrum auction in Germany, partly as a result of the artificial spectrum shortage
- Greater clarity with respect to several spectrum auctions coming up in the United States

### **Germany – MagentaEINS and StreamOn in high demand**

Almost 24 percent of Deutsche Telekom's broadband customers now use MagentaEINS, up from around 21 percent one year ago. The share of mobile contract customers with MagentaEINS increased from 47 percent to 55 percent. At 4.6 million, the number of customers using these converged products was up 14.2 percent against the prior-year figure. Fixed-network business improved against the previous quarter with 47,000 broadband customer net additions in the third quarter. The positive trend in fiber-optic lines (FTTH, VDSL/vectoring) remained stable, increasing by 534,000 in the quarter just ended. The total number of these fast lines increased by 20 percent within one year to just under 14 million.

In mobile business, the StreamOn option was in strong demand. With StreamOn, customers can benefit from music, gaming, or video streaming services without using up their data allowances. At the end of the third quarter, 2.8 million customers were using this option, up by around 79 percent year-on-year. Growth of 0.7 percent in mobile service revenues was somewhat weaker than previously, due in part to regulatory effects. Revenue in the Germany operating segment as a whole increased by 0.6 percent to 5.5 billion euros, with adjusted EBITDA AL rising by 2.4 percent to 2.3 billion euros.

### **United States – uninterrupted growth**

Record figures, customer boom, and superior network quality. The impressive success enjoyed by T-Mobile US over the last few years continued uninterrupted in the third quarter of 2019. The number of customers increased



by 1.7 million to 84.2 million between July and September. 754,000 of these were branded postpaid phone net customer additions. In this most important customer category, T-Mobile US has been recording the strongest quarter-by-quarter growth in the industry for years. Average monthly revenue per customer remained stable at 46.2 U.S. dollars.

Consequently, the key financials grew as well. The company generated revenue of 11.1 billion U.S. dollars in the third quarter, up 3.6 percent year-on-year. Adjusted EBITDA AL increased 3.1 percent to 3.2 billion U.S. dollars.

### **Europe – growing momentum**

Growth in the European national companies is gathering pace. Revenue increased by 1.0 percent to 3.1 billion euros between July and September, with adjusted EBITDA AL rising by 4.0 percent to 1.1 billion euros. In organic terms, growth was somewhat slower at 0.7 percent for revenue and 3.3 percent for adjusted EBITDA AL, since these exclude the effect of the first-time consolidation of UPC in Austria. Organic growth has accelerated from quarter to quarter over the course of the year.

In the quarter just ended, the companies recorded 288,000 new mobile contract customers and 329,000 customer additions for converged mobile and fixed-network product packages. The number of customers with these converged products grew by 52.0 percent in a year to 4.4 million. 47.5 percent of broadband households use product packages, which is 11.9 percentage points more than in the prior year.

### **Systems Solutions – clear increase in order volume**

T-Systems recorded strong order entry in the quarter just ended. The figure increased by 23.6 percent against the same period of 2018 to 1.64 billion euros, thanks to a large number of deals in the growth areas of classified ICT, Internet of Things, and security, as well as in traditional business with telecommunications services and IT infrastructure.



Revenue decreased by 5.5 percent to 1.66 billion euros, with declines being recorded in traditional IT and telecommunications business, due in part to our decision to discontinue unprofitable business areas and contracts.

At 144 million euros, adjusted EBITDA AL was on a par with the prior year and thus well on target. The ongoing transformation program is proceeding successfully, the annual target for adjusted EBITDA AL of 0.5 billion euros remains unchanged.

### **Group Development – business in the Netherlands grows**

In the Group Development operating segment, the business in the Netherlands continues to grow. Revenue, earnings, and customer numbers shot up thanks to the takeover of Tele2, but even without this effect, the main performance indicators increased. On this pro forma basis excluding regulatory effects, mobile service revenues increased by 2.6 percent and adjusted EBITDA AL grew by 25 percent to 132 million euros. At the same time, T-Mobile Netherlands won 80,000 mobile contract net additions in the third quarter.

Through the cell tower business in Germany and the Netherlands, Deutsche Telekom now operates 33,300 cell sites in these countries, up 4 percent year-on-year. The tower business generated adjusted EBITDA AL of 142 million euros, up 4 percent on the third quarter of 2018 on a like-for-like basis.

## The Deutsche Telekom Group at a glance

	Q3 2019 millions of €	Q3 2018 millions of €	Change %	Q1-Q3 2019 millions of €	Q1-Q3 2018 millions of €	Change %	FY 2018 millions of €
Net revenue	20,017	19,104	4.8	59,169	55,395	6.8	75,656
Proportion generated internationally %	69.9	68.1	1.8p	69.3	67.5	1.8p	67.8
EBITDA	7,314	5,874	24.5	20,476	16,699	22.6	21,836
Adjusted EBITDA	7,490	6,207	20.7	21,654	17,684	22.4	23,333
Adjusted EBITDA AL	6,478	6,148	5.4	18,701	17,501	6.9	23,074
Net profit	1,368	1,110	23.2	3,213	2,597	23.7	2,166
Adjusted net profit	1,420	1,321	7.5	3,932	3,749	4.9	4,545
Free cash flow <sup>a</sup>	2,913	1,883	54.7	7,596	4,779	58.9	6,250
Free cash flow AL <sup>a</sup>	2,147	1,828	17.5	5,250	4,613	13.8	6,051
Cash capex <sup>b</sup>	3,180	3,117	2.0	11,206	9,351	19.8	12,492
Cash capex <sup>b</sup> (before spectrum)	3,037	3,047	(0.3)	10,043	9,143	9.8	12,223
Net debt <sup>c</sup>	78,807	55,473	42.1	78,807	55,473	42.1	55,425
Number of employees <sup>d</sup>				211,884	216,606	(2.2)	215,675

### Comments on the table:

The new IFRS 16 "Leases" accounting standard has been applied since January 1, 2019. This led to a change in the definition of some of our financial performance indicators. The published prior-year figures were not adjusted; however, we show prior-year comparatives calculated on a pro-forma basis for the redefined key performance indicators "adjusted EBITDA after leases (adjusted EBITDA AL)" and "free cash flow after leases (free cash flow AL)".

a Before dividend payments and spectrum investment.

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

c First-time application of IFRS 16 "Leases" as of January 1, 2019: The new standard results in a mathematical increase in net debt of 15.6 billion euros. The Company's financial position remains unchanged by this.

d At the reporting date.



**Operating segments: development of operations**

	Q3 2019 millions of €	Q3 2018 millions of €	Change %	Q1-Q3 2019 millions of €	Q1-Q3 2018 millions of €	Change %	FY 2018 millions of €
<b>Germany</b>							
Total revenue	5,472	5,441	0.6	16,217	16,088	0.8	21,700
EBITDA	2,199	2,093	5.1	6,181	5,949	3.9	8,012
Adjusted EBITDA	2,260	2,222	1.7	6,535	6,430	1.6	8,610
Adjusted EBITDA AL	2,254	2,200	2.4	6,515	6,361	2.4	8,516
Number of employees <sup>a</sup>				61,181	63,433	(3.6)	62,621
<b>United States</b>							
Total revenue	10,006	9,227	8.4	29,629	26,504	11.8	36,522
US-\$	11,120	10,730	3.6	33,286	31,634	5.2	43,063
EBITDA	3,421	2,610	31.1	9,965	7,492	33.0	9,928
Adjusted EBITDA	3,563	2,665	33.7	10,406	7,551	37.8	10,088
Adjusted EBITDA AL	2,874	2,664	7.9	8,424	7,547	11.6	10,084
US-\$	3,194	3,099	3.1	9,463	9,009	5.0	11,901
<b>Europe<sup>b</sup></b>							
Total revenue	3,074	3,045	1.0	8,943	8,752	2.2	11,885
EBITDA	1,172	1,041	12.6	3,244	2,853	13.7	3,757
Adjusted EBITDA	1,196	1,062	12.6	3,355	2,926	14.7	3,880
Adjusted EBITDA AL	1,086	1,044	4.0	3,022	2,878	5.0	3,813
<b>Systems Solutions</b>							
Order entry	1,638	1,324	23.6	5,132	4,672	9.8	6,776
Total revenue	1,657	1,754	(5.5)	4,961	5,094	(2.6)	6,936
Adj. EBIT margin (%)	3.0	2.3	0.7p	1.6	0.5	1.1p	0.5
EBITDA	115	85	35.3	223	175	27.4	163
Adjusted EBITDA	175	139	25.9	459	318	44.3	429
Adjusted EBITDA AL	144	143	0.7	363	327	11.0	442

	Q3 2019 millions of €	Q3 2018 millions of €	Change %	Q1-Q3 2019 millions of €	Q1-Q3 2018 millions of €	Change %	FY 2018 millions of €
<b>Group Development<sup>c</sup></b>							
Total revenue	704	544	29.4	2,068	1,607	28.7	2,185
EBITDA	479	220	n.a.	1,105	675	63.7	893
Adjusted EBITDA	345	227	52.0	996	691	44.1	921
Adjusted EBITDA AL	269	222	21.2	774	674	14.8	892

**Comments on the table:**

The new IFRS 16 “Leases” accounting standard has been applied since January 1, 2019. This led to a change in the definition of some of our financial performance indicators. The published prior-year figures were not adjusted; however, we show prior-year comparatives calculated on a pro-forma basis for the redefined key performance indicators “adjusted EBITDA after leases (adjusted EBITDA AL)” and “free cash flow after leases (free cash flow AL)”.

a At the reporting date.

b Inclusion of UPC Austria as of July 31, 2018. Prior-year comparatives were not adjusted.

c Inclusion of Tele2 Netherlands as of January 2, 2019. Prior-year comparatives were not adjusted.





**Operating segments: development of customer numbers in the third quarter of 2019**

	Sept. 30, 2019 thousands	June 30, 2019 thousands	Change thousands	Change %
<b>Germany</b>				
Mobile customers	45,598	44,827	771	1.7
Of which contract customers	25,138	24,974	164	0.7
Fixed-network lines	17,996	18,228	(232)	(1.3)
Of which retail IP-based	17,158	16,614	544	3.3
Broadband lines	13,683	13,636	47	0.3
Of which optical fiber <sup>a</sup>	8,231	7,913	318	4.0
Television (IPTV, satellite)	3,544	3,477	67	1.9
Unbundled local loop lines (ULLs)	4,770	4,913	(143)	(2.9)
<b>United States</b>				
Mobile customers	84,183	83,052	1,131	1.4
Of which branded postpaid customers	45,720	44,646	1,074	2.4
Of which branded prepay customers	20,783	21,337	(554)	(2.6)
<b>Europe<sup>b</sup></b>				
Mobile customers <sup>c</sup>	46,501	46,469	32	0.1
Of which contract customers	27,310	27,022	288	1.1
Fixed-network lines	9,001	8,986	15	0.2
Of which IP-based	8,140	7,961	179	2.2
Broadband customers <sup>d</sup>	6,587	6,540	47	0.7
Television (IPTV, satellite, cable)	4,919	4,910	9	0.2
<b>Group Development<sup>e</sup></b>				
Mobile customers	5,531	5,455	76	1.4
Fixed-network lines	601	578	23	4.0
Broadband lines	601	578	23	4.0

**Comments on the table:**

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

b Inclusion of UPC Austria as of July 31, 2018. Prior-year comparatives were not adjusted.



- c As of January 1, 2019, the portfolio of M2M SIM cards in Austria was streamlined. 2.4 million customers were deactivated. Prior-year comparatives were not adjusted.
- d Starting in Q2/2018, Deutsche Telekom no longer reports the number of retail broadband lines from a technical perspective. Instead, it reports the number of broadband customers. Prior-year comparatives have been adjusted.
- e Customer numbers at T-Mobile Netherlands. Inclusion of Tele2 Netherlands as of January 2, 2019. Prior-year comparatives were not adjusted.



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

	Sept. 30, 2019 thousands	Sept. 30, 2018 thousands	Change thousands	Change %
<b>Germany</b>				
Mobile customers	45,598	43,646	1,952	4.5
Of which contract customers	25,138	25,179	(41)	(0.2)
Fixed-network lines	17,996	18,809	(813)	(4.3)
Of which retail IP-based	17,158	14,493	2,665	18.4
Broadband lines	13,683	13,504	179	1.3
Of which optical fiber <sup>a</sup>	8,231	6,896	1,335	19.4
Television (IPTV, satellite)	3,544	3,291	253	7.7
Unbundled local loop lines (ULLs)	4,770	5,402	(632)	(11.7)
<b>United States</b>				
Mobile customers	84,183	77,249	6,934	9.0
Of which branded postpaid customers	45,720	41,161	4,559	11.1
Of which branded prepay customers	20,783	21,002	(219)	(1.0)
<b>Europe<sup>b</sup></b>				
Mobile customers <sup>c</sup>	46,501	50,429	(3,928)	(7.8)
Of which contract customers	27,310	26,402	908	3.4
Fixed-network lines	9,001	8,926	75	0.8
Of which IP-based	8,140	7,005	1,135	16.2
Broadband customers <sup>d</sup>	6,587	6,293	294	4.7
Television (IPTV, satellite, cable)	4,919	4,782	137	2.9
<b>Group Development<sup>e</sup></b>				
Mobile customers	5,531	4,004	1,527	38.1
Fixed-network lines	601	227	374	n.a.
Broadband lines	601	227	374	n.a.

**Comments on the table:**

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

b Inclusion of UPC Austria as of July 31, 2018. Prior-year comparatives were not adjusted.



- c As of January 1, 2019, the portfolio of M2M SIM cards in Austria was streamlined. 2.4 million customers were deactivated. Prior-year comparatives were not adjusted.
- d Starting in Q2/2018, Deutsche Telekom no longer reports the number of retail broadband lines from a technical perspective. Instead, it reports the number of broadband customers. Prior-year comparatives have been adjusted.
- e Customer numbers at T-Mobile Netherlands. Inclusion of Tele2 Netherlands as of January 2, 2019. Prior-year comparatives were not adjusted.

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