

– Check against delivery –

**Conference call**  
**Report on the first quarter of 2022**  
**May 13, 2022**

**Christian P. Illek**  
**Chief Financial Officer**  
**Deutsche Telekom AG**

Thank you, Philipp.  
Ladies and gentlemen,

The global situation has not become any more straightforward in the first few months of 2022, on the contrary.

The terrible war in Ukraine continues, with all the human suffering we are seeing every day in the media. The negative consequences for the world grow ever more serious. This applies not only to the oil and gas supply. The ramifications now extend to food shortages for various aid programs all over the world. We see all this and it deeply concerns us on a personal level.

But we cannot stand still in this situation. We have a duty to offer dependability and prospects. For our employees throughout the world. For the societies in which we live and work.

As such, we at Deutsche Telekom are doing everything within our power. To ensure the secure operation of our networks. To ensure the wellbeing of our employees, including those in Russia, of course. We are supporting Ukrainian refugees, for example with free SIM cards, so they can keep in touch with friends and family.

Ladies and gentlemen,

I will now move on to the business development of Deutsche Telekom in the first quarter of 2022. My Board of Management colleague Srini Gopalan and I will share the load today. I will start with the progress the Group has made in implementing our strategy. Then we will cover the Group's economic development in the first quarter of 2022 and the outlook for the full year 2022, which we have raised from the previous guidance. Following an overview of the development of customer numbers and the network build-out worldwide, Srini Gopalan will explain the figures for the Germany segment. I will then talk about the other operating segments, United States, Europe, Systems Solutions, and Group Development, before we close with a look at the issue of inflation.

Let us turn now to the development of the Group in the first quarter of 2022.

To put the most important points in three sentences:

1. We are rigorously implementing our strategic goals.
2. In the operating business, we continued to record profitable growth on both sides of the Atlantic.
3. We confirm the guidance for the full year for the business outside of the United States. At the same time, we are following suit with the raised guidance for T-Mobile US. For that reason, we are raising the Group's guidance for earnings and free cash flow for the full year 2022 from the previous level.

First, on the progress in implementing our strategy.

In Germany, we have established the joint venture GlasfaserPlus with IFM.

GlasfaserPlus has already begun work on the accelerated FTTH build-out in Germany, especially in rural areas.

At the end of the first quarter of 2022, we completed the sale of T-Mobile Netherlands. We used around 2.2 billion euros from the proceeds of the sale of T-Mobile Netherlands in April to purchase further shares in T-Mobile US. This increased our shareholding in T-Mobile US to now 48.4 percent, taking us closer to our target of 50.1 percent.

That brings me to the development of the operating business and the financial figures in the first quarter of 2022.

We achieved further strong growth in revenue, earnings, and free cash flow. That goes for both the reported and organic figures. T-Mobile US is making faster progress in integrating Sprint than previously planned. The Group excluding the United States recorded a substantial increase in adjusted EBITDA AL, with all operating segments contributing.

Reported net revenue increased by 6.2 percent to 28.0 billion euros in the first three months of 2022. That is growth of 1.63 billion euros. The Group's reported adjusted EBITDA AL increased by 6.8 percent in the first quarter to 9.9 billion euros. That is growth of 628 million euros.

Growth in reported revenue and earnings was higher than on an organic basis, mainly due to the translation of T-Mobile US' financial figures from U.S. dollars into euros. The U.S. dollar exchange rate was around 8 dollar cents stronger in the first three months of 2022 than in the first quarter of 2021.

In organic terms, net revenue increased by 1.7 percent in the first quarter of 2022. That is growth of 461 million euros. In organic terms, revenue at T-Mobile US increased by 1.5 percent or 259 million euros in the first quarter of 2022. Excluding the United States, revenue in the Group grew by 2.0 percent on an organic basis, an increase of 200 million euros.

Service revenues in the Group increased by 4.7 percent on an organic basis, or around 1 billion euros in total. An amount of around 850 million euros of this relates to the U.S. business and around 150 million euros to the business outside of the United States.

Adjusted EBITDA AL in the Group increased by 2.4 percent in the first quarter of 2022 in organic terms. That is growth of 232 million euros. In business excluding the United States, adjusted EBITDA AL increased by 6.1 percent in organic terms. That is growth of 213 million euros.

Earnings were reduced by the shift away from the terminal equipment lease model for retail customers of the former Sprint Corp. towards agreements for purchase by installments. I have referred to this effect a number of times, most recently at the press conference on the 2021 financial figures in February.

In order to make the earnings trend comparable over time, we additionally disclose adjusted core EBITDA AL. This metric increased by around 8.5 percent in organic terms at Group level in the first quarter of 2022. In the United States, adjusted core EBITDA AL recorded organic growth of 10.2 percent in the three-month period.

That brings me to the development of free cash flow AL in the Group in the first quarter, which was up 46.3 percent year-on-year to 3.8 billion euros. The growth of around 1.2 billion euros is primarily the result of the positive business development, which is reflected in an increase in net cash from operating activities of around 1.05 billion euros.

In addition, lower lease payments of around 0.5 billion euros had a positive impact. This mainly relates to advance payments by T-Mobile US to American Tower in the third quarter of 2021 for the lease of sites.

By contrast, 376 million euros higher cash capex had a reducing effect on free cash flow AL in the first quarter of 2022.

Reported adjusted net profit increased by 86.3 percent or 1.04 billion euros to 2.2 billion euros in the first three months of 2022. The increase was largely the result of the positive trend in the operating business with a 738 million euro increase in adjusted EBITDA.

Lower depreciation and amortization had a positive impact of 366 million euros. Of this, 0.1 billion euros was attributable to the fact that T-Mobile Netherlands was accounted for as “held-for-sale” after the sales agreement was signed. Another approximately 0.2 billion euros related to the reduction of the terminal equipment lease business at T-Mobile US.

Other financial income increased by around 755 million euros in the first quarter of 2022, thanks in particular to some 468 million euros from derivatives in connection with T-Mobile US shares.

Adjusted net profit was reduced by a 414 million euros higher tax expense. This reflects the improved earnings in the operating business. The share of net profit attributable to non-controlling interests increased by 408 million euros.

Reported unadjusted net profit increased by approximately 3 billion euros in the first quarter of 2022 to 3.95 billion euros. In addition to the development of adjusted net profit, the book gains from the sale of T-Mobile Netherlands and the deconsolidation of GlasfaserPlus to IFM had a combined positive effect of around 2.6 billion euros. By contrast, expenses to integrate Sprint in T-Mobile US reduced net profit by around 1.2 billion euros.

The Group’s net debt – excluding payment obligations from lease arrangements – fell by 2.5 percent or 2.5 billion euros in the first quarter compared with the end of 2021.

Free cash flow AL had a reducing effect of 3.8 billion euros. The proceeds from the sale of T-Mobile Netherlands and the disposal of the stake in GlasfaserPlus to IFM together contributed around 4 billion euros to the reduction in net debt.

The main factors increasing net debt came from the United States business.

First, the acquisition of mobile spectrum for around 2.6 billion euros when translated into euros. Second, payment obligations in connection with the agreement concluded between T-Mobile US and cell tower operator Crown Castle amounting to 0.8 billion euros. And third, an effect of around 1.3 billion euros from the translation of liabilities in U.S. dollars at the exchange rate at the reporting date. In total, these three factors account for around 4.7 billion euros.

Net debt including leases increased by around 3.8 billion euros compared with the end of 2021. In addition to the developments described, 7.4 billion euros from the modified and extended lease agreement between T-Mobile US and Crown Castle must be taken into account.

Our rating from Moody's currently stands at Baa1 and from Fitch at BBB+, both with a stable outlook. Our rating from Standard & Poor's currently stands at BBB; S&P raised the outlook to positive in April.

That brings me to the Group's outlook for the 2022 financial year. Our financials developed well in the first quarter of 2022. We confirm our guidance for the business excluding the United States. T-Mobile US expects to realize synergies from the business combination with Sprint faster than planned and has therefore raised its guidance for the full year.

The mid-point of the guidance range for adjusted core EBITDA AL at T-Mobile US is now 150 million U.S. dollars above the original plan. T-Mobile US raised the mid-point of the guidance range for free cash flow by 50 million U.S. dollars.

At Group level, we now expect adjusted EBITDA AL of more than 36.6 billion euros in the financial year. That is up from our previous guidance of around 36.5 billion euros. The target for free cash flow is now more than 10 billion euros, up from our previous guidance of around 10 billion euros.

This brings me to the build-out of our networks in the first quarter of 2022. Srini Gopalan will shortly give you a detailed description of the development in Germany. The strong performance of our financials stands against the backdrop of our continued network build-out, as a result of which customer numbers have also increased substantially.

In the United States, the Ultra Capacity 5G network in the 2.5 GHz band has now reached population coverage of 225 million people. That is an increase of 15 million people in the first quarter of 2022 compared with the end of 2021. The target for the end of 2022 is to increase coverage further to around 260 million people.

In the Germany and Europe operating segments, the number of households that can be connected with FTTH was around 10.8 million as of the end of the first quarter of 2022. That is combined growth in the European subsidiaries and the Germany operating segment of 400,000 in the three-month period alone compared with the end of 2021. The 5G networks in the European subsidiaries now cover 31 percent of the population. That is an increase of 2 percentage points in the first quarter of 2022.

Customer numbers continued to see strong growth worldwide. In the United States, around 1.3 million new postpaid mobile net additions were recorded in the first three months of 2022. Of these, 589,000 were attributable to the postpaid phone customer segment. T-Mobile US now serves more than 1 million customers with the new home broadband product. This is offered in rural regions in particular. T-Mobile US signed up 338,000 new customers for this product in the first quarter of 2022 alone. Within just 12 months, the number of customers using this product has increased fivefold.

Excluding the United States, 390,000 mobile contract net additions were recorded in the first quarter of 2022. The number of customers opting for broadband lines increased by

141,000. In the German business, the trend includes a special factor, which Srinivasa Gopalan will now explain.

*(Speech part Srinivasa Gopalan)*

So, now I come to the development in the other operating segments, starting with the United States.

I have already talked about the network build-out and customer additions.

The integration of Sprint is progressing very rapidly. The vast majority of Sprint customers have already been migrated to the T-Mobile US network. Almost all the mobile traffic of Sprint customers now runs over the T-Mobile network. The plan is to complete the integration of all Sprint's network sites into the T-Mobile network or to decommission them by the end of the year. We expect integration costs in the second half of 2022 to be lower than in the first six months of this year.

T-Mobile US saw further growth in its financials in the first quarter of 2022.

Service revenue increased by 6.6 percent in U.S. dollar terms and under U.S. GAAP. Core adjusted EBITDA – excluding terminal equipment leases – increased by 10.2 percent year-on-year on this basis in the three-month period. T-Mobile US has reduced revenue from terminal equipment leases – calculated over the last 12 months – by 45 percent.

In the first quarter of 2022, the Europe segment again recorded strong customer growth. In mobile communications, we recorded 150,000 contract net adds. Another 196,000 new customers opted for a fixed-mobile convergence product. In broadband, we recorded 70,000 net adds. The good overall development was rounded off by 31,000 TV net adds.

In the Europe segment, the development of reported revenue and earnings was impacted by the deconsolidation of the sold Romanian fixed-network business.



The figures are therefore well below the organic development of these financial figures, with a decrease in reported revenue in the first quarter of 0.9 percent and growth in reported adjusted EBITDA AL of 3.2 percent.

In organic terms, revenue in the Europe segment increased by 4.2 percent. Mobile service revenues increased by 2.4 percent in organic terms. These figures were positively affected by the normalization of roaming/visitor revenues in Austria.

Fixed-network service revenues in the Europe segment increased by 4.6 percent in organic terms in the first quarter. This was driven by call, broadband, and TV revenues across all national companies as well as by wholesale revenues.

Adjusted EBITDA AL grew by 6.9 percent in organic terms in the Europe segment. The net increase of 63 million euros was entirely due to a 75 million euro increase in the net margin as a consequence of the growth in service revenues. The Europe segment has now recorded 17 successive quarters of organic earnings growth.

T-Systems has continued its course of restructuring in line with our planning. Order entry fell by 4.1 percent in the last 12 months compared with the preceding 12 months. Revenue in the Systems Solutions segment declined by 1.9 percent in the first quarter of 2022 compared with the prior-year period. The increase in revenue from digital solutions and cloud was not quite sufficient to offset the decline in project business. Adjusted EBITDA AL in the Systems Solutions business increased by 17.7 percent in the quarter. This was driven by the stabilization of the revenue trend and cost reductions.

The Group Development segment once again achieved strong growth in revenue and earnings.

T-Mobile Netherlands was consolidated for the final time following its sale in the first quarter of 2022. Revenue at T-Mobile Netherlands increased by 4.5 percent in this

three-month period, reported adjusted EBITDA AL at T- Mobile Netherlands increased by 13.2 percent in the three months – excluding the effect from held-for-sale accounting.

The cell tower business performed very well in the first quarter of 2022. The number of cell sites increased by 1,000 in net terms compared with the prior-year quarter.

All of this growth was attributable to Germany. It reflects the construction of around 1,300 new sites. By contrast, around 300 sites were decommissioned.

Recurring revenues in the cell tower business increased by 7 percent in organic terms in the first quarter of 2022 to 256 million euros. This growth was driven in more or less equal measure by business with Group companies and with external customers.

Adjusted EBITDA AL in the cell tower business increased by 10.2 percent in organic terms in the three-month period. This was due to the increase in revenue, on the one hand, and to lower average costs for the operation of sites, on the other.

Ladies and gentlemen,

I will close with a look at the issues of energy costs, inflation, and interest rates, which are currently of great concern to us all. As with the Covid crisis in 2020, we have focused on the main drivers and measured their impacts on our business.

First of all: We are of course not immune to effects from these areas. But we have entered into a series of agreements, which will give us very comprehensive protection for a long time to come. I will give you examples of how we are positioned for two issues.

Example of energy costs:

The business in the United States accounts for around half of all the Group's energy costs. There, two thirds of the energy costs are secured through long-term hedges. Furthermore, energy costs in the United States are not nearly as volatile as in Europe. In the Group excluding the United States, energy costs are mainly attributable to

Germany. Here, we have largely secured the energy costs through long-term hedges. A rise in the price of electricity will also be offset by the expiry of the renewable energy surcharge. Clauses for long-term price hedges are to be extended for the remaining energy costs in the rest of Europe.

Example of interest rates:

Around 85 percent of the Group's interest expense relates to the United States. Here, 100 percent of current outstanding financing carries fixed interest rates, with an average term of all contracts of around 10 years. Excluding the United States, 55 percent of current outstanding financing carries fixed interest rates, with an average term of all contracts of around 7 years. For the current year ex US, we expect the negative impact to be in the low double-digit millions.

Let me sum up:

In the United States, the integration of Sprint is progressing faster than initially expected. For this reason, T-Mobile US has raised the guidance for customer growth, earnings, and free cash flow in its business.

Excluding the United States, we posted strong organic growth in adjusted EBITDA AL of 6 percent in the first quarter of 2022.

The Germany operating segment has posted organic earnings growth for 22 consecutive quarters. In the Europe segment, earnings have increased in organic terms for 17 successive quarters.

Trends in the German fixed-network business are set to normalize again from the second quarter of 2022. Energy costs in Germany and the United States are comprehensively hedged for the long term. The consequences of potentially rising interest rates are manageable, as things currently stand.

We are raising the Group's earnings and cash flow guidance for 2022. This means we are still well on track to achieve our capital market targets by 2024. Adjusted earnings

per share are expected to increase to more than 1.75 euros in 2024. For the current financial year, we forecast more than 1.25 euros per share, up from 1.22 euros in 2021.

Free cash flow AL is to reach more than 18 billion euros by 2024. The target for 2022 is now set at more than 10 billion euros, compared with 8.8 billion euros in the prior financial year.

We would now like to answer any questions you have.