– Check against delivery –

Conference call
Report on the third quarter of 2022
November 10, 2022

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Thanks, Tim!

I will break down my comments today into three sections:

1. First, I will explain the development of the Group's financials in the third quarter of 2022.

2. Then we will take a look at the development in the operating segments.

3. Finally, I will go into the development of net profit and net debt.

So, first to the Group's financials in the third quarter of 2022.

They developed well, that goes for revenue and earnings as well as free cash flow. Based on this positive development, we are raising the Group's guidance for the full year for the third time this year.

You saw the raised guidance for T-Mobile US two weeks ago. As a result, we are also raising our expectations for the Group figures.

Reported net revenue increased by 8.8 percent to 29.0 billion euros in the three months from July to September 2022. That is headline growth of around 2.3 billion euros, with reported service revenues increasing by 2.6 billion euros. The Group's reported adjusted EBITDA AL increased by 8.5 percent in this period to 9.9 billion euros. That is growth of 820 million euros.

It is important to look at the organic development of net revenue and earnings, because the reported figures were substantially affected by changes in the U.S. dollar exchange rate in particular, and by changes in the composition of the Group.

Growth in reported net revenue of the Group was positively affected by the U.S. dollar, which was much stronger than at the end of 2021 by around 16 cents. This also increased reported adjusted EBITDA AL.

By contrast, the deconsolidation of T-Mobile Netherlands and the fixed-network business in Romania reduced reported net revenue and reported adjusted EBITDA AL in this quarter.

Taking these different factors into account, net revenue remained virtually unchanged against the prior-year level in organic terms in the third quarter. Service revenues, by contrast, grew substantially again by 3.4 percent in the three months. Adjusted EBITDA AL increased by 0.7 percent in organic terms in the third quarter compared with the same period in the prior year.

In addition, the reduction of the terminal equipment lease business of the former Sprint as planned in connection with its integration in T-Mobile US also had a decreasing effect on revenue.

Furthermore, the effect from the reduction of terminal equipment lease business has been eliminated in adjusted core EBITDA AL.

For the Group, this results in an organic increase in adjusted core EBITDA AL of 4.8 percent in the third quarter of 2022. The business on both sides of the Atlantic delivered higher contributions to this.

On the back of this positive development of the business in the first nine months of 2022, we have raised our guidance for the full year again.

Tim gave the key figures:

Adjusted EBITDA AL for the Group is now expected to increase to more than 37 billion euros. That is up from our previous guidance of around 37 billion euros.

For adjusted earnings per share, we now expect a value of more than 1.50 euros. The previous guidance was for more than 1.25 euros per share. After nine months, adjusted earnings per share stood at 1.43 euros.

We should bear in mind that the financial figures for T-Mobile Netherlands for the first quarter of 2022 are not included in these forecast statements. Also, the guidance is based on the assumption of constant exchange rates. That means that the expectations are calculated using in particular the 2021 U.S. dollar exchange rate of 1.18 U.S. dollars per euro.

By contrast, the analyst consensus compiled by us and published on Deutsche Telekom’s website, is based on an average U.S. dollar exchange rate of 1.05 U.S. dollars per euro. This means that this exchange rate effect alone gives rise to a higher assumed earnings contribution from T-Mobile US than in Deutsche Telekom’s guidance.

That in turn means that the capital market expectation largely corresponds to our annual guidance, if you translate the earnings contribution of T-Mobile US expected by the analysts at the constant U.S. dollar exchange rate set by us of 1.18 U.S. dollars per euro, and takes into account the deconsolidation of T-Mobile Netherlands.

Let me now show you the progress we have made in our operating segments in the third quarter of 2022.

First, T-Mobile US:

The integration of Sprint is ahead of plan.

T-Mobile US raised the synergy target for the business combination with Sprint yet again in the current year, at mid-point by another 250 million U.S. dollars compared with the guidance of the second quarter of 2022 (U.S. GAAP). T-Mobile US now expects to generate synergies for the full year with a mid-point value of around 5.75 billion U.S. dollars.

New customer development is bolstered by T-Mobile US' network build-out and by its reputation in terms of network leadership.

The 5G network in the 2.5 GHz band (Ultra Capacity) now covers some 250 million people in total.

The result is ongoing strong customer additions.

In mobile communications, T-Mobile US continues to lead the market in net customer acquisition. 1.6 million branded mobile postpaid customers were added in the three-month period.

Of these, around 0.9 million additions were attributable to the postpaid phone customer segment.

For its new home internet offering, T-Mobile US won 578,000 new customers in the three months, with more than 50 percent of the new customers switching to T-Mobile US from cable operators.

T-Mobile US increased service revenue by 4.3 percent in the three months ended on September 30, 2022.

One contributing factor was the increase in average monthly revenue per postpaid phone customer, which was up by 1.7 percent year-on-year. T-Mobile US increased adjusted core EBITDA (under U.S. GAAP) by 11.4 percent in the third quarter.

Now on to our business in Germany:

We recorded further strong growth in new customer acquisition here.

The number of broadband lines increased by 63,000 in the third quarter of 2022, with the total market for new customers in broadband business being weaker overall than in the same quarter of the prior year.

This is also a consequence of the amendment to the German Telecommunications Act adopted at the end of last year. We mentioned this factor in the first quarter.

But the number of new customers increased in the months July to September compared with the second quarter of 2022, so the effect of the amendment to the German Telecommunications Act is abating, as expected. In this environment, Deutsche Telekom remained the strongest provider in terms of net customer additions, winning a proportion of new customers that exceeded our target of 40 percent.

We recorded 950,000 additional fiber-optic-based lines, including around 700,000 lines that were migrated from ADSL to VDSL. That means a better customer experience.

There are plans to migrate around 300,000 more lines from ADSL to VDSL in the fourth quarter.

We recorded a strong increase in the number of customers with a broadband line of 100 Mbit/s or faster, with the customer base growing by 1.3 million year-on-year to 5.7 million.

The number of super vectoring lines increased by around 566,000 compared with the end of the third quarter of 2021, to reach 1.65 million. That is an increase of 52 percent as of the reporting date September 30, 2022.

The number of branded mobile customers increased by 368,000 in the third quarter. In the prior-year period, this figure had stood at 182,000.

This increase comes on the back of much stronger growth in the business customer base than in the same period of the prior year. The growth in the consumer business was also accelerated by our new rate plan Next Magenta. Congstar continued to enjoy stable customer growth at a high level.

The contract consumer churn rate was still slightly elevated on account of the aforementioned effect of the amended German Telecommunications Act.

Service revenues in the Germany segment increased by around 1.2 percent in organic terms in the third quarter.

Mobile service revenues increased by 2.0 percent year-on-year in the three months from July to September 2022, with regulatory effects and the termination of an agreement with Lebara having a reducing effect on revenue.

In the German fixed-network business, service revenues increased by 0.8 percent in organic terms in the third quarter.

Broadband service revenues increased by 4.7 percent, mainly on the back of the strong performance of the business with branded retail customers.

Revenue in the segment increased by 2.8 percent overall to 6.1 billion euros in the third quarter.

Reported adjusted EBITDA AL in the Germany segment increased in the three-month period by 3.0 percent to 2.5 billion euros.

This increase is largely attributable to higher revenues as well as to the reduction in indirect costs. This means, we have increased earnings in the Germany segment for 24 quarters in succession.

Let us now move on to the Europe operating segment:

Here too, we saw further strong organic growth in the customer base.

In the third quarter of 2022, we recorded 251,000 contract net customer additions in the mobile business. The number of broadband customers increased by 76,000. A total of 173,000 new FMC customers opted for our convergent product packages.

In TV business, we increased the customer base by 32,000 in the three-month period.

Reported segment revenue declined by 1.1 percent in the third quarter.
The deconsolidation of the fixed-network business in Romania, which the Greek company OTE had sold in the prior year, must be taken into account here.

Bearing in mind this reduction in the consolidated group, revenue generated by the Europe segment grew by 5.5 percent year-on-year in organic terms. That is an increase of around 148 million euros. This includes an increase in service revenues of around 80 million euros, divided into roughly equal parts between mobile communications and the fixed-network business.

Adjusted EBITDA AL in the segment grew 0.5 percent in organic terms.

The increase in earnings already takes into account a special tax in Hungary to be paid by telecommunications companies. Earnings were also reduced by the increase in energy costs. These two factors combined slowed organic earnings growth by around 3.5 percentage points.

T-Systems performed in line with our expectations in the third quarter. Order entry was down in the third quarter compared with the same period of the prior year, with the basis for comparison having been substantially increased by a major deal in the second quarter of 2021.

T-Systems' revenue remained stable at the prior-year level in the third quarter at around 1.0 billion euros.

This trend follows the pattern of the preceding quarters. Revenue in traditional infrastructure business continued to decline, as expected, while we recorded growth with digital solutions.

Adjusted EBITDA AL increased by 2.3 percent in organic terms in the third quarter of 2022. The year-on-year increase was primarily due to cost reductions.

In the Group Development operating segment, T-Mobile Netherlands was deconsolidated as of the end of the first quarter of 2022.

As such, the operating business currently primarily comprises the cell tower business in Germany and Austria. This is until the closing of the transaction in which we agreed to sell a majority stake in GD Towers in July of this year. This business will be recognized as a "discontinued operation" until the transaction is closed.

The cell tower business continued to develop very positively in the third quarter. The number of sites increased to 41,000.

This was thanks to the network build-out in Germany, where a total of 1200 new cell sites have been built and 300 sites decommissioned in the last twelve months.

Recurring lease revenues in the cell tower business increased by 6.7 percent year-on-year in the third quarter.

Recurring lease revenues from business with customers outside the Group in Germany recorded particularly strong growth of 8.8 percent.

Adjusted EBITDA AL in the cell tower business grew by 9.7 percent in organic terms in the third quarter. This already includes the effect from the change in the recognition of the cell tower business.

That brings me to the explanation of the development of free cash flow and the year-on-year increase in adjusted net profit for the Group.

Free cash flow AL in the Group was at the prior-year level of 2.9 billion euros in the third quarter of 2022.

It was increased by net cash from operating activities, which was up by around 90 million euros on the back of the positive business development.

In addition, in the third quarter of 2021, T-Mobile US had made an advance lease payment to American Towers in the amount of around 0.9 billion U.S. dollars, which did not recur in the third quarter of 2022, thus increasing free cash flow compared with the prior-year quarter.

Free cash flow was reduced by an increase in cash capex of around 1.2 billion euros in the third quarter.

Adjusted net profit increased by 83.6 percent to 2.4 billion euros in the three months. That is growth of around 1.1 billion euros, helped by growth in adjusted EBITDA of around 0.86 billion euros. Net profit was also positively impacted by the fact that depreciation and amortization decreased year-on-year by around 470 million euros.

This is primarily due to the reduction of the terminal equipment lease business in the United States and the recognition of the cell tower business as a “discontinued operation,” with the consequent stop on depreciation from the date of the sales agreement.

The loss from financial activities decreased by around 450 million euros, primarily as a result of measurement effects in relation to the stock options on further shares in T-Mobile US held by Softbank.

The Group’s tax expense increased in the third quarter of 2022 by around 0.3 billion euros. The improved development of T-Mobile US’ operations also increased the share of adjusted profit after tax attributable to non-controlling interests by around 370 million euros.

In a quarter-by-quarter comparison, the costs for the integration of Sprint have already peaked, with T-Mobile US recording a decline of around 22 percent in the third quarter of 2022 compared with the second quarter of 2022 (U.S. GAAP).

That brings me to net debt and the balance sheet ratios in the third quarter of 2022.

Financial net debt – i.e., excluding payment obligations from lease agreements – increased by 3.2 billion euros quarter-on-quarter to 109.5 billion euros as of the end of the third quarter.

Around 76.7 billion euros of net debt is attributable to T-Mobile US and around 32.8 billion euros to the Group excluding the United States.

This net increase in net debt is due entirely to the translation of U.S. dollar liabilities at a dollar exchange rate that was around 6.5 cents stronger on September 30, 2022, than on June 30.

Net debt was reduced by free cash flow AL of 2.9 billion euros in the third quarter of 2022.

Three factors in particular had an increasing effect on net debt:

First, in the third quarter of 2022, T-Mobile US began its share buy-back program for up to 14 billion U.S. dollars, repurchasing shares for around 0.6 billion euros when translated into euros in the three months from July to September 2022. Another factor was spectrum acquired by T-Mobile US for around 0.4 billion euros.

The main factor increasing net debt was thus the change in the U.S. dollar exchange rate in the three-month period. The translation of these liabilities from U.S. dollars into euros alone accounts for an increase of around 4.8 billion euros.

The strength of the U.S. dollar has been resulting in a significant increase in the net debt recognized by the Group for several quarters now.

Net debt increased by around 8.9 billion euros compared with December 31, 2021 as of the end of the third quarter of 2022.

In the same period, the U.S. dollar exchange rate increased by around 16 cents. The translation of liabilities denominated in U.S. dollars alone gave rise to an exchange rate effect of around 10.8 billion euros, which increased net debt.

The ratio of net debt excluding leases to adjusted EBITDA AL stood at 2.79x at the end of the third quarter. The ratio of net debt including leases to adjusted EBITDA stood at 3.34x as of the same date.

Our goal is unchanged:

We want to bring the ratio of net debt including leases to adjusted EBITDA back into the target range by the end of 2024 at the latest.

The projected proceeds from the agreed sale of the majority stake in our cell tower business of around 10.7 billion euros will help with this.

All other guidance figures regarding rating, shareholders’ equity, and liquidity reserve remain within the target ranges.

And now I would like to hand you over to Tim Höttges.