Deutsche Telekom Q3/2022 results

Disclaimer

This presentation 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. You should consider them 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 and 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.

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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents alternative performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA after leases, adjusted EBITDA margin, core EBITDA, adjusted EBIT, adjusted net income, free cash flow, free cash flow after leases, gross debt, net debt after leases, and net debt. These alternative performance measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Alternative performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.

9M/2022 results
sector leading growth

Group

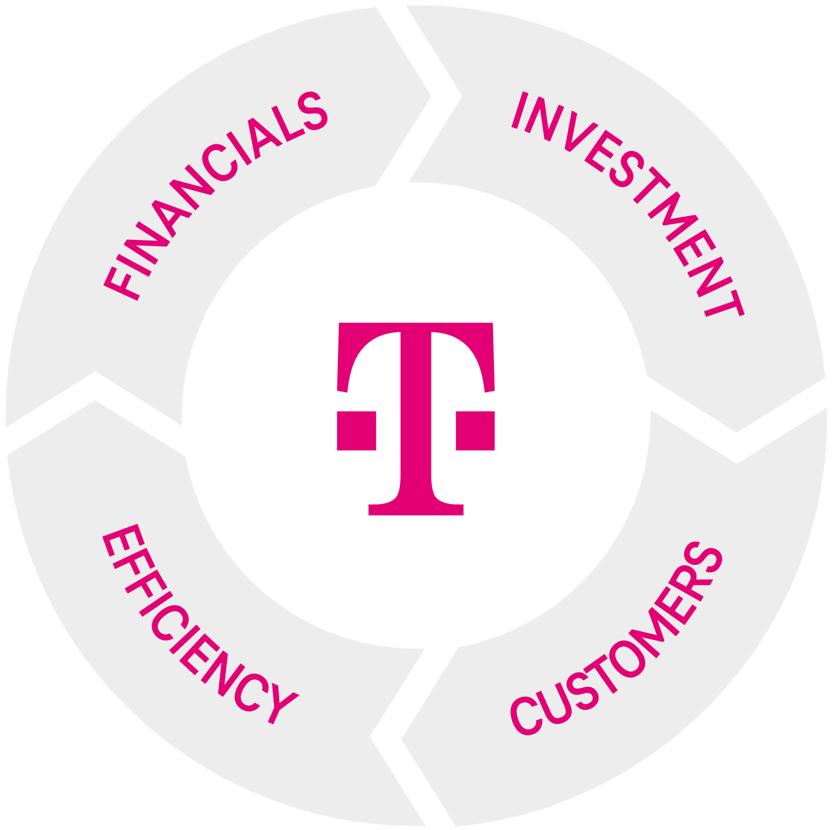
- Strong organic service revenue growth +4.0% and adj. core EBITDA AL growth of +5.9%
- FCF AL up +13.9% and adj. EPS growth of +47.4%
- Guidance raised for the 3rd time this year
- Dividend proposal of €0.70 per share[1]

T-Mobile US

- Service revenues up 5.4%, adj. core EBITDA AL +7.0%, organically
- FCF AL at €5.3 bn
- Strong customer intake: 4.6 mn postpaid net adds, 1.5 mn HSI net adds
- Share buyback program successfully launched (US$0.7 bn in Q3)

DT ex US

- Service revenues +1.8% organically
- Adj. EBITDA AL +4.3% organically
- FCF AL at €4.1 bn



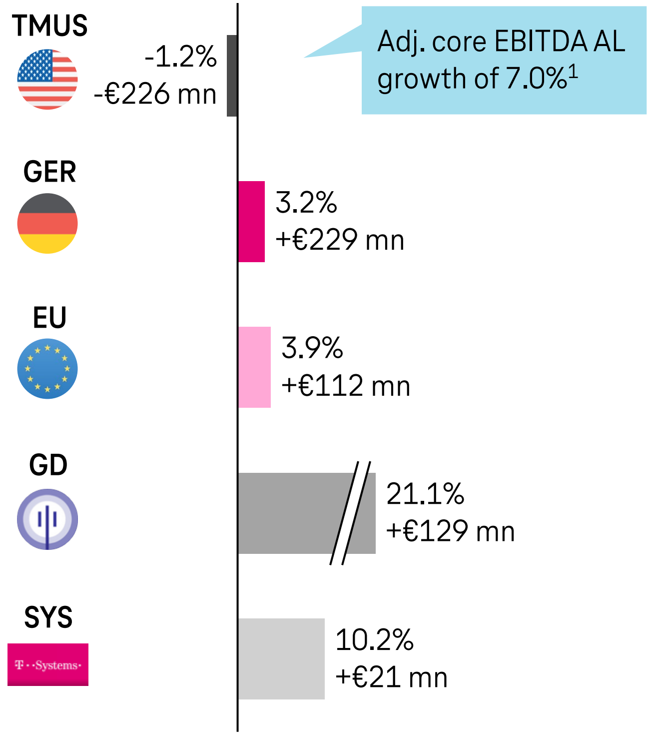
[1] Subject to board resolution and AGM approval.
In this presentation the Group is presented in accordance with the management view: Certain key performance indicators like revenue and adj. EBITDA AL are presented as if Group Development still would be fully consolidated.
This view is different to the consolidated financial statements of DT where Group Development is treated as a discontinued operation. For more details, please refer to the back-up to this presentation, respectively the interim report of DT both available at www.telekom.com/en/investor-relations.

Financials 9M/2022 organic

strong growth

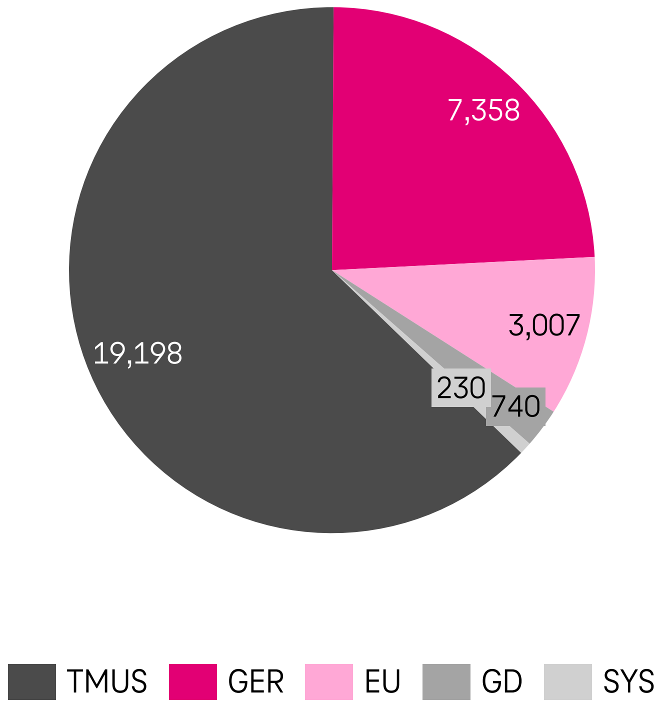
9M/22 adj. EBITDA AL

growth yoy, organic



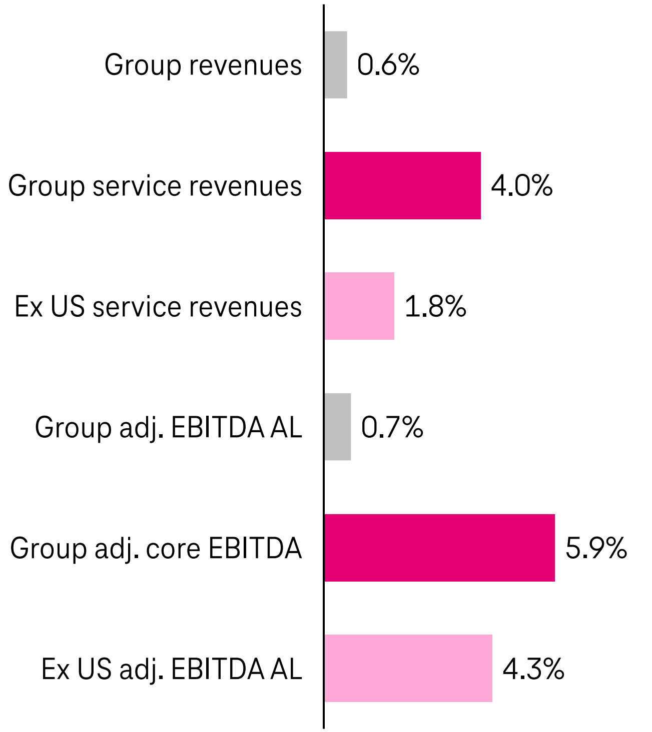
9M/22 adj. EBITDA AL[2]

€ mn



9M/22 key financials

% growth yoy, organic



[1] According to IFRS. US GAAP growth is 10.7%. Adj. core EBITDA excludes decreasing handset leasing revenues (US$ -1.5 bn yoy). [2] Excl. GHS. Group EBITDA AL €30,244 mn.

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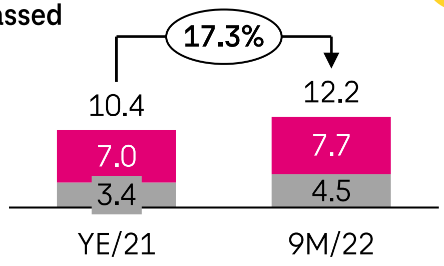
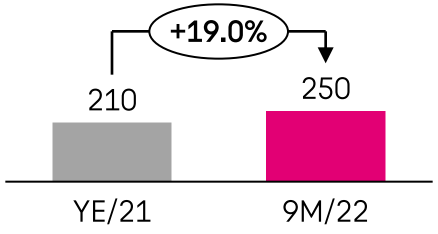
Networks
leading with 5G, FTTH well on track

FTTH (1 Gbps)
Homes passed
mn



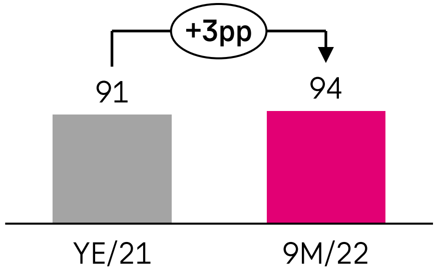
- On track for 2022 and CMD targets

5G TMUS
Ultra Capacity 5G[2]
mn POPs



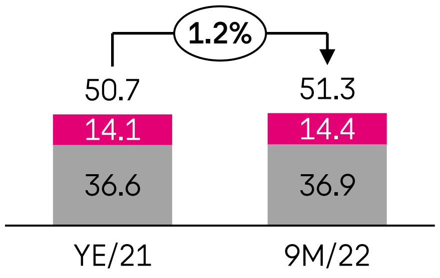
- Targeting 260m YE 2022

5G Germany
% of POPs

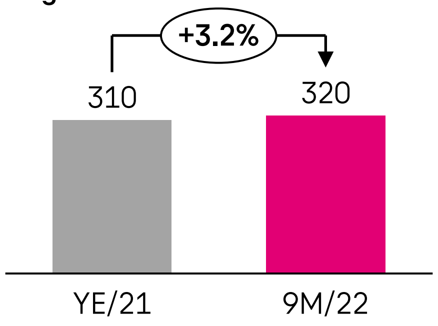


- 6,000 antennas with 3.6GHz

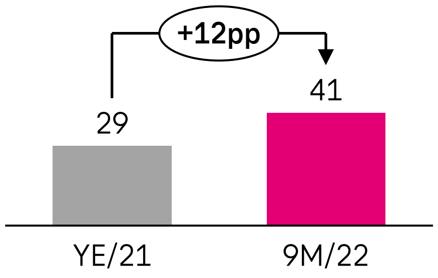
Fiber networks
Homes passed[1]
mn



5G TMUS
Extended range[2]
mn POPs



5G Europe
% of POPs



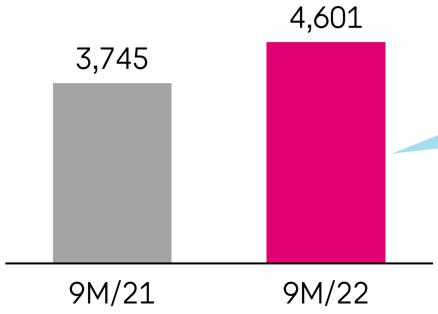
EU GER

[1] EU8: FTTC, FTTH/B lines, and cable/ED3. GER: FTTC and FTTH/B lines incl. co-operations and cable. [2] Extended range on 600 MHz, Ultra Capacity on 2.5 GHz.

Customers
growing strongly

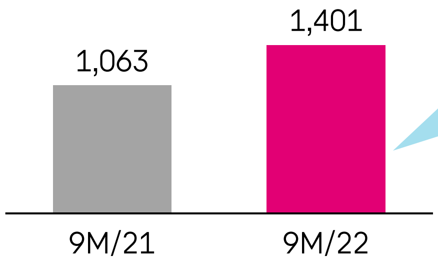
Mobile net adds
’000

US (postpaid)



Best in industry

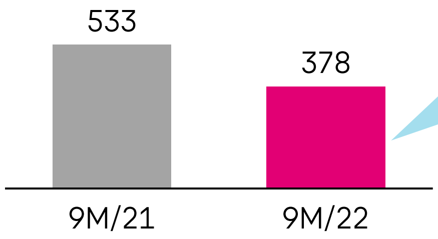
Ex US (contract)[1]



Yoy growth driven by both Europe and Germany

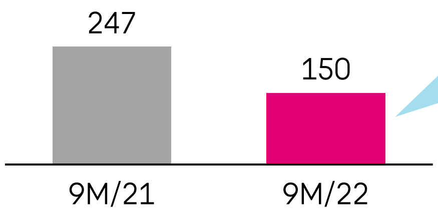
Fixed line net adds[2]
’000

Broadband



Sequential improvement in GER and EU

TV



Sequential improvement in GER and EU

[1] GER + EU. GER: own branded retail customers excl. multibrand, consumer IoT, and “Schnellstarter”. [2] GER + EU.

ESG
taking tangible steps towards ambitions

ENVIRONMENT

- **Emissions:** Net zero (Scope 1&2) until 2025, net neutrality (Scope 1-3) until 2040 latest, reduce Scope 3 per customer by 25% in 2030
- **Energy[1]:** Reduce consumption and double efficiency until 2024 (vs 2020), increase share of green PPAs to 50%[1] by 2025. 9M/22 energy consumption -11% in GER.
- **Circularity[1]:** 100% circular technology and devices by 2030, Zero ICT waste to landfill in Europe in 2022
- **Mobility ambition:** 100% electric cars for new business cars in DE from 2023 onwards

SOCIAL

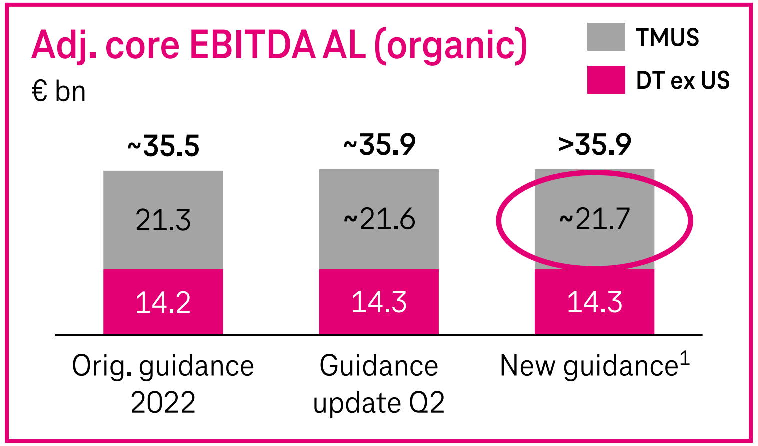
- **Diversity[1]:** Increase share of female executives to 30% by 2030 (vs 22% in 2022)
- **Employees[1]:** Maintain satisfaction level of at least 79% (2023 vs 2021). Share of digital experts at 18.6% in 2022 overachieves 2024 target of 17.2%
- **Digital inclusion:** Ambition to further increase the number of 28 mn beneficiaries[2] until 2025. TMUS has invested $3.65 bn in services to connect >4.3 mn students
- **TMUS**: Leading Disability Employer[3]

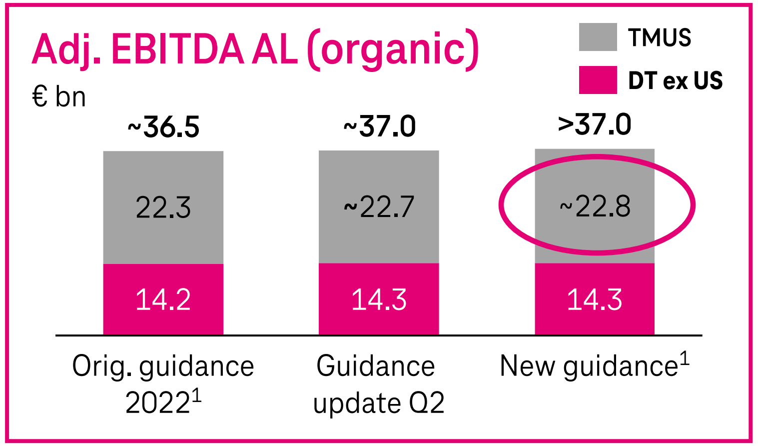
GOVERNANCE

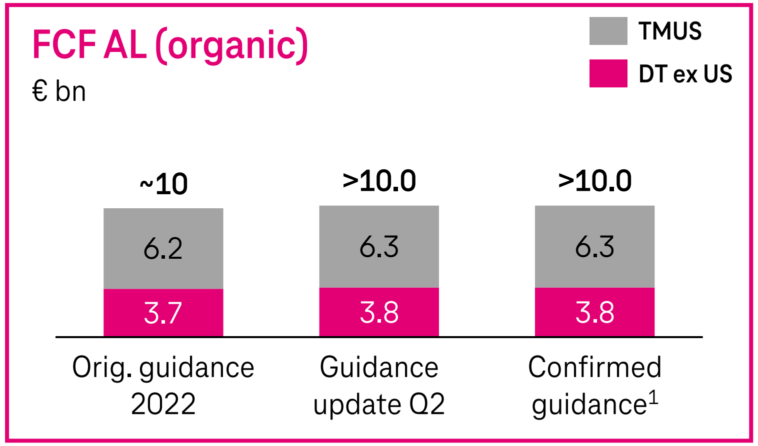
- **Move of Group Corporate Responsibility department to CEO** successfully implemented
- **New BoM remuneration system** (incl. ESG targets) extended to all DT managers
- **ESG integration[1]:** Ambition to further integrate ESG into financial steering systems and company decisions
- **Transparency**: Board of Management hosted DT's first **Sustainability Day**

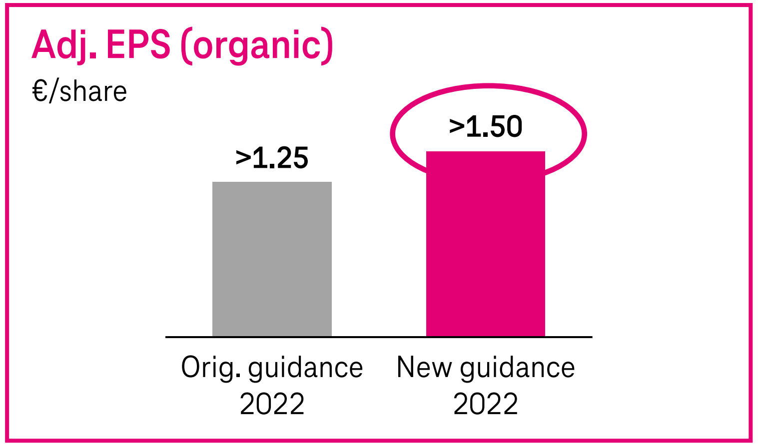
[1] Group ex US. [2] People who have benefited from our commitment to digital inclusion and to a society that protects the climate and conserves resources. [3] By The National Organization on Disability.

Guidance 2022
raised for the third time









- **Guidance raised for T-Mobile US and the group**
- Q1/22 results of T-Mobile NL not included in guidance
- Guidance based on exchange rate of US$1.18 per €1

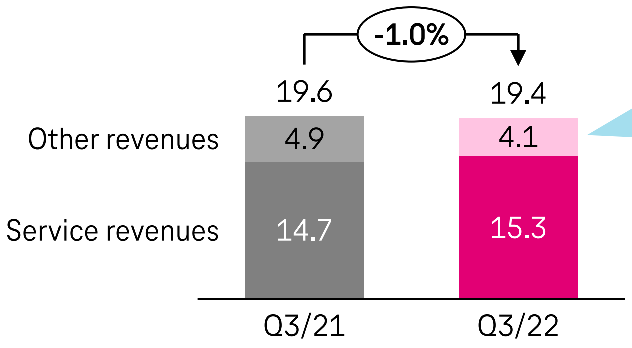
[1] TMUS adj. EBITDA and core EBITDA AL adj. included at midpoint of US GAAP guidance of US$27.65 bn and US$26.3 bn, adjusted for estimated bridge of US$-0.7 to -0.8 bn. US FCF included at midpoint of US GAAP guidance of US$7.5 bn. Based on €1 = US$1.18.

Operations

Review Q3/2022

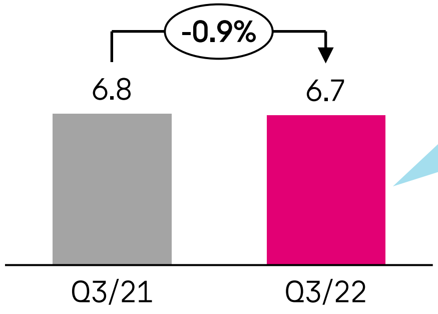
T-Mobile US
strong financial growth

Revenues (IFRS)
US$ bn



Yoy decline in handset leasing revenues US$0.5 bn[1]

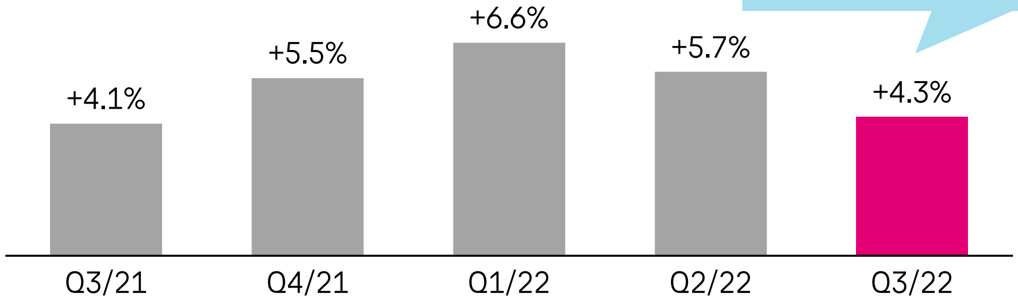
Adj. EBITDA AL (IFRS)
US$ bn



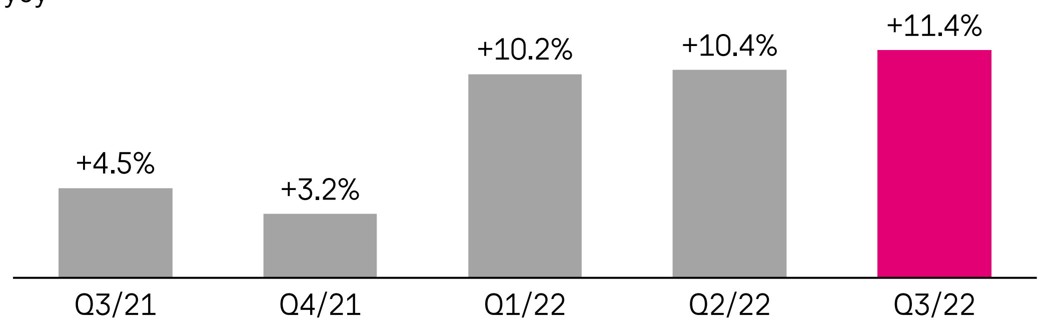
Yoy decline in handset leasing revenues US$0.5 bn[1]

Service revenue (US GAAP)
% yoy

Increase in postpaid service revenues of 7%



Core adj. EBITDA (US GAAP)
% yoy

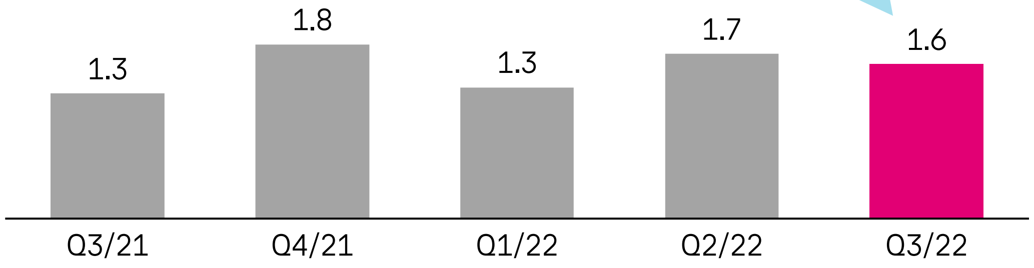


[1] TMUS has refocused its distribution policy towards Equipment Installment Plans, which results in a decrease of handset leasing revenues and a corresponding decline in revenue and EBITDA AL. Service revenues are not impacted.

T-Mobile US
highest postpaid phone growth since merger

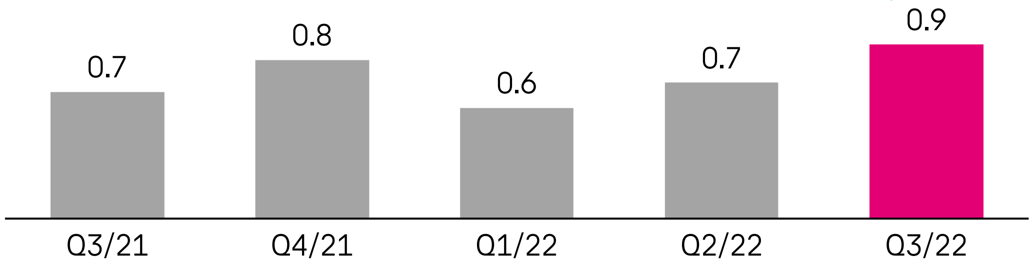
Total postpaid net additions[1]
mn

More than AT&T and Verizon combined



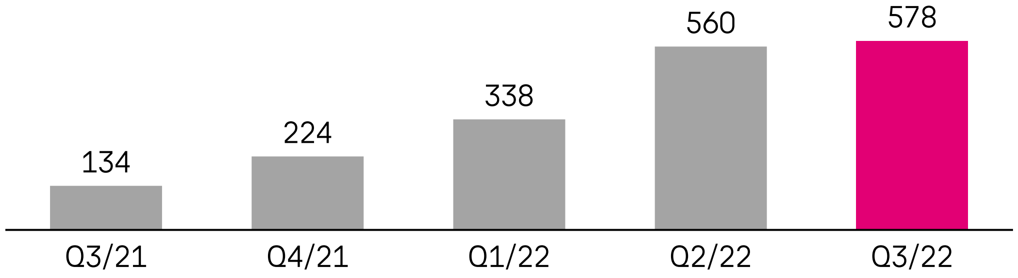
Postpaid phone net additions[1]
mn

Highest since merger



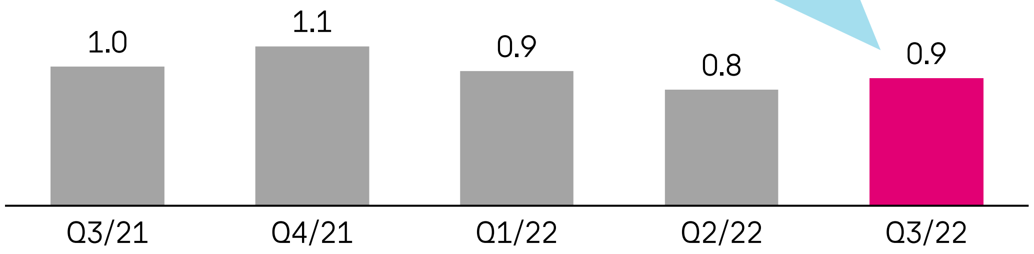
High Speed Internet net additions[2]
'000

Now at 2.1 mn subs



Postpaid phone churn
%

Yoy improvement reflects successful Sprint integration process



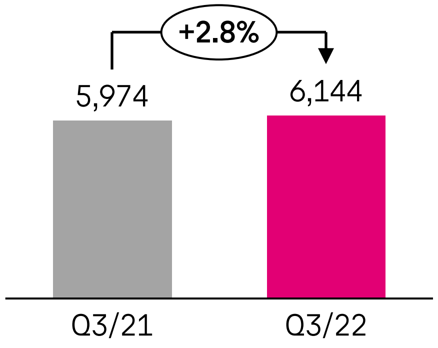
[1] Net adds are excluding the following base adjustments: Customers impacted by the decommissioning of the legacy Sprint CDMA and LTE and T-Mobile UMTS networks have been excluded from our customer base resulting in the removal of 212,000 postpaid phone customers and 349,000 postpaid other customers in the first quarter of 2022 and 284,000 postpaid phone customers, 946,000 postpaid other customers and 28,000 prepaid customers in the second quarter of 2022. In connection with our acquisition of companies, we included a base adjustment in the first quarter of 2022 to increase postpaid phone customers by 17,000 and reduce postpaid other customers by 14,000. Certain customers now serviced through reseller contracts were removed from our reported postpaid customer base resulting in the removal of 42,000 postpaid phone customers and 20,000 postpaid other customers in the second quarter of 2022.
[2] Postpaid + Prepaid.

Germany

24th consecutive quarter of EBITDA growth

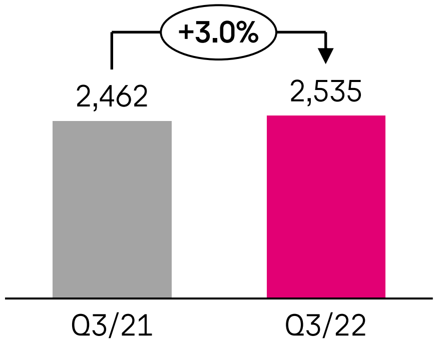
Revenues (as reported)

€ mn



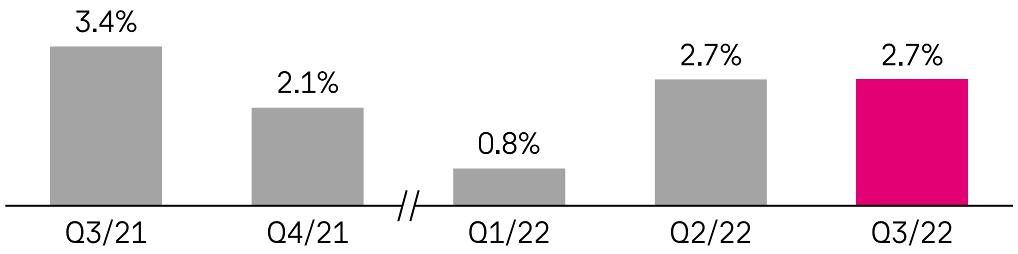
Adj. EBITDA AL (as reported)

€ mn



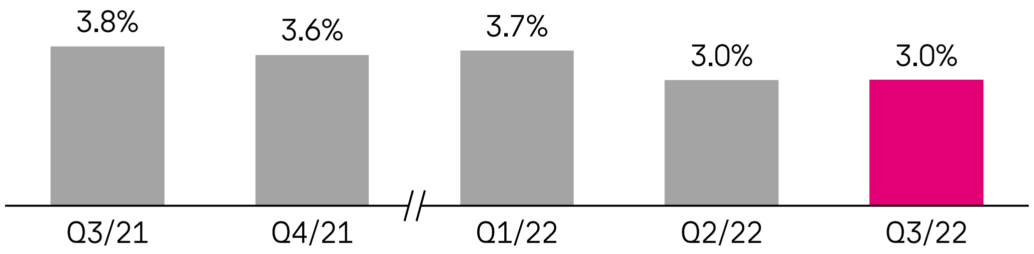
Revenue growth (organic)

% yoy



Adj. EBITDA AL (organic)

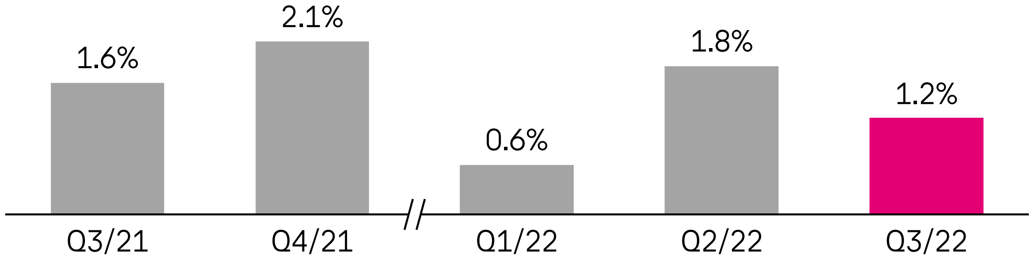
% yoy



As of Q3, the Security services were transferred from the Systems Solutions segment to the Germany segment and the revenue recognition for certain customer transactions (principal agent) was changed. Growth rates for 2022 are presented on a re-stated basis. Growth rates for 2021 were not re-stated and remain as previously disclosed.

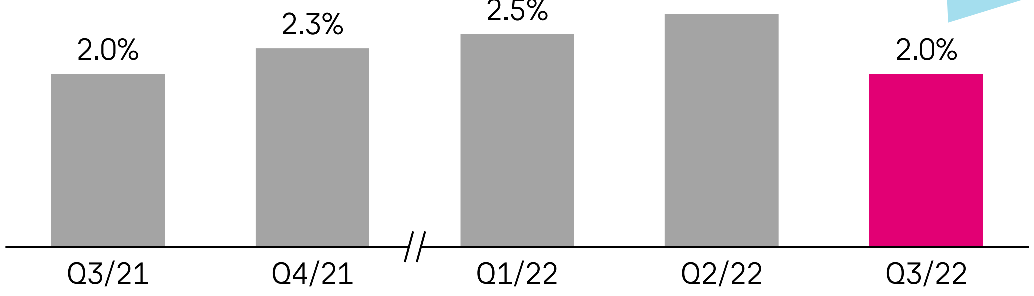
Germany
service revenues: growing across the board

Total service revenue growth (organic)[1]
% yoy



Mobile service revenue growth (organic)
% yoy

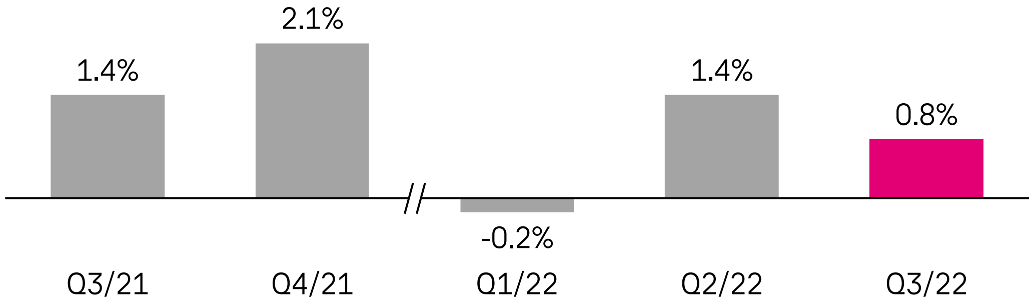
Impacted by Lebara contract termination



Revenue growth (reported)
% yoy

- Reported total service revenue growth +1.4%
- Reported fixed service revenue growth +1.1%
- Reported mobile service revenue growth +2.0%
- Growth in B2C (+2.2%) and B2B (+2.9%)

Fixed service revenue growth (organic)[1]
% yoy



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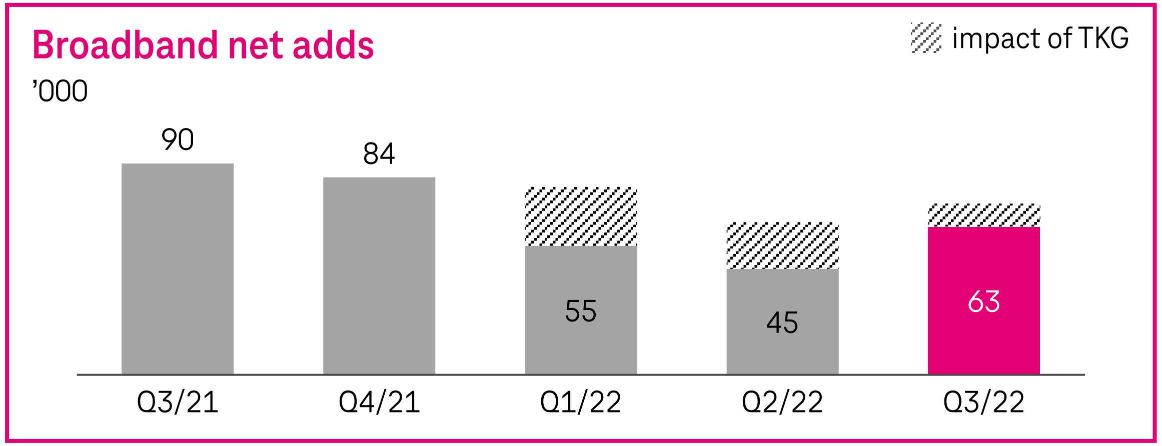
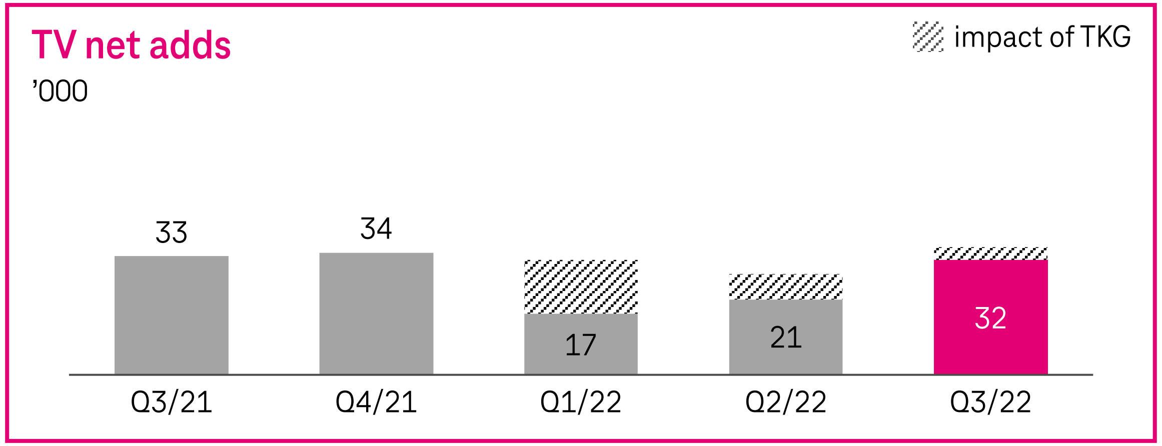
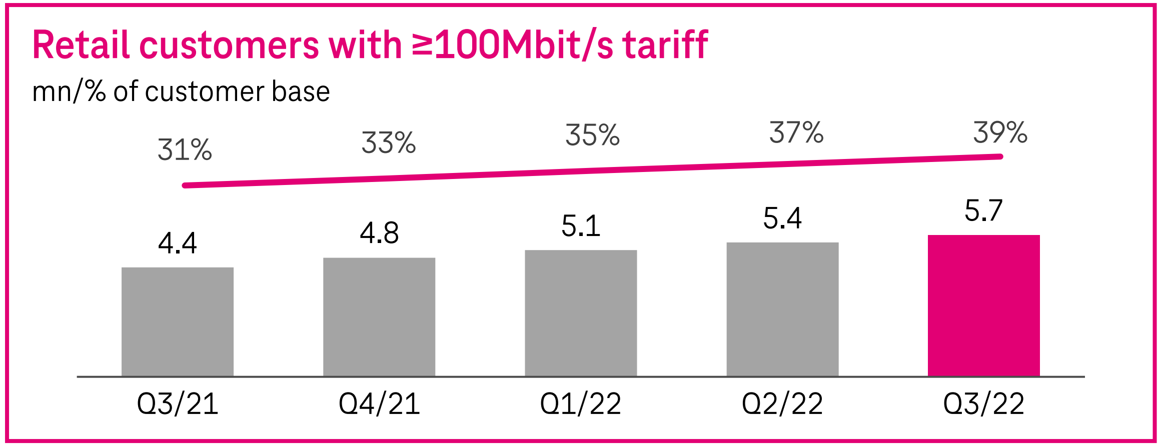
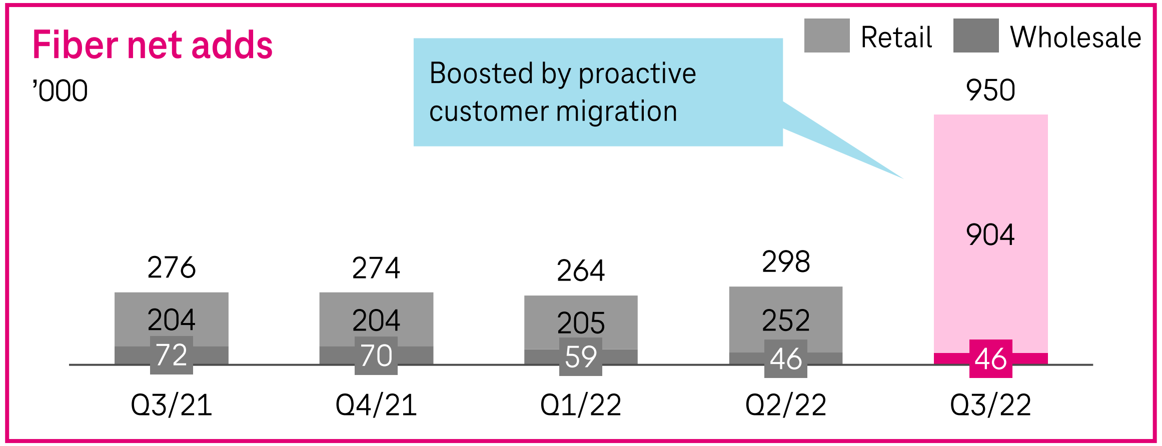
[1] As of Q1/22, removal of revenues from construction services delivered to 3rd parties from wholesale revenues (and consequently from fixed and total service revenues) to other revenues (not included in service revenues). Moreover, B2B retail revenue reclassification.

Germany
fixed: net adds improved, strong upselling continues







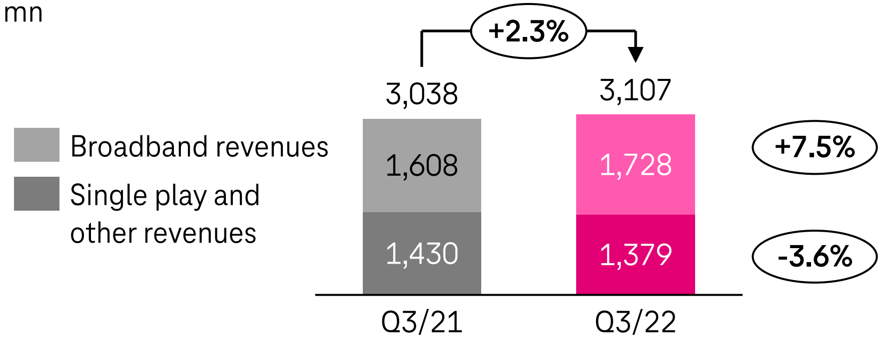


Germany

retail and wholesale fixed: steady growth

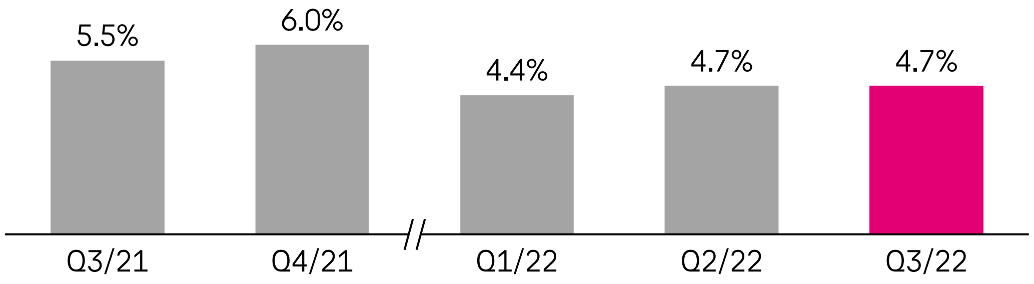
Retail fixed revenues (reported)

€ mn



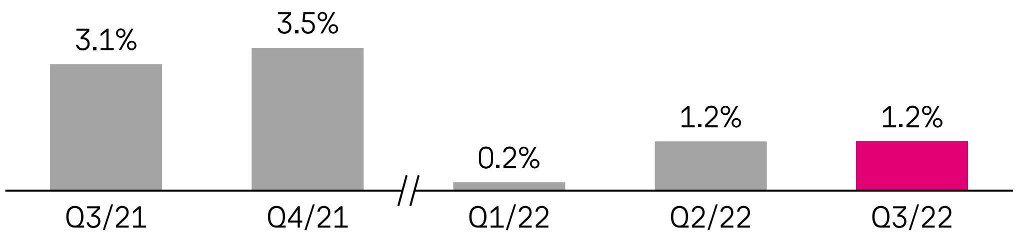
Broadband revenue growth (organic)[2]

% yoy



Retail fixed revenue growth (organic)[1,2]

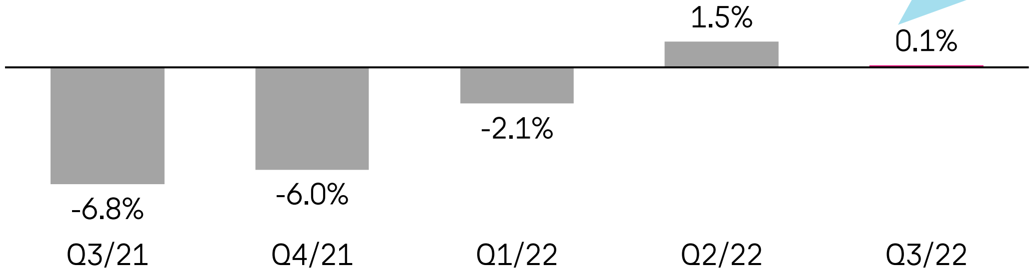
% yoy



Wholesale access revenues (organic)[3]

% growth yoy

0.6pp headwind from ULL price cut



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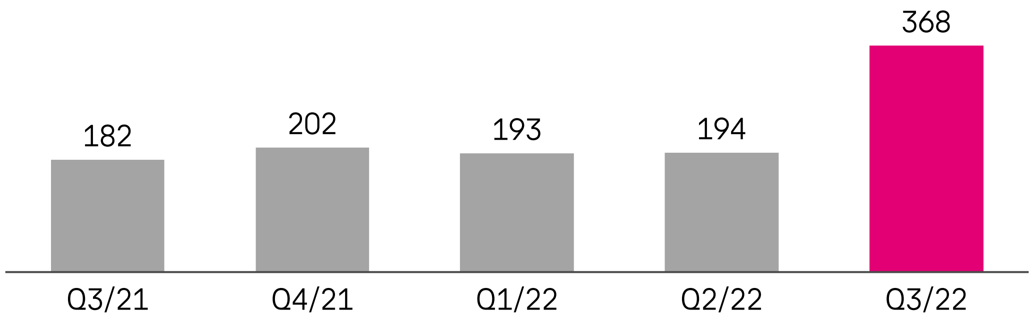
[1] As of Q1/22, removal of revenues from construction services delivered to 3rd parties from wholesale revenues (and consequently from fixed and total service revenues) to other revenues (not included in service revenues).

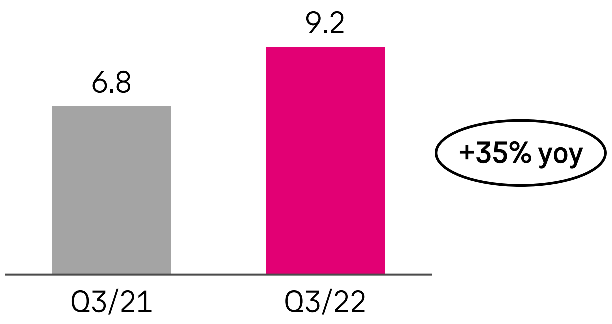
[2] As of Q1/22, B2B retail revenue reclassification. [3] Reclassified view, previous quarters adjusted for view without construction services.

Germany
mobile: record customer intake

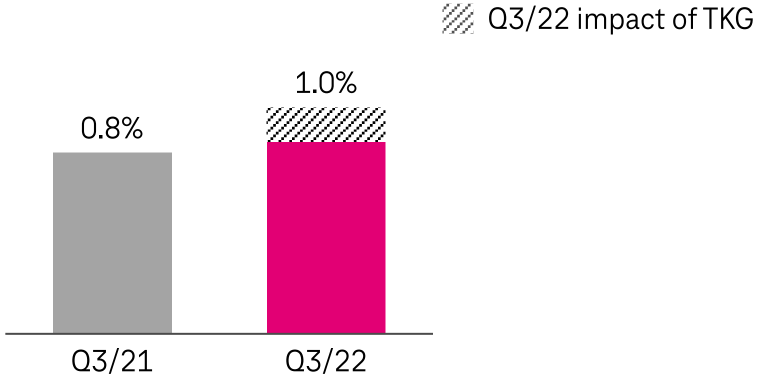
Branded contract net adds[3]
'000



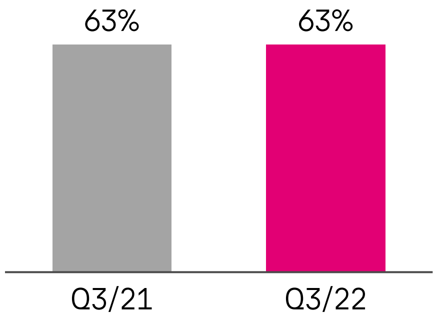
Data usage[2]
GB per month



Churn[2]
%



MagentaEINS share (mobile)[1]
%



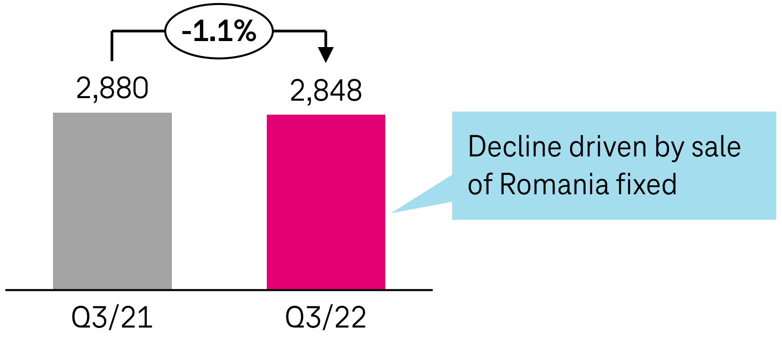
[1] B2C T-branded contract customers. [2] B2C T-branded contract customers. [3] Own branded retail customers excl. multibrand, consumer IoT, and "Schnellstarter".

Europe

19th consecutive quarter of organic EBITDA growth

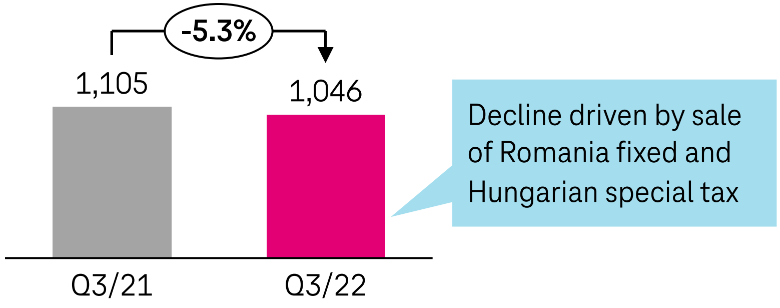
Revenues (as reported)

€ mn



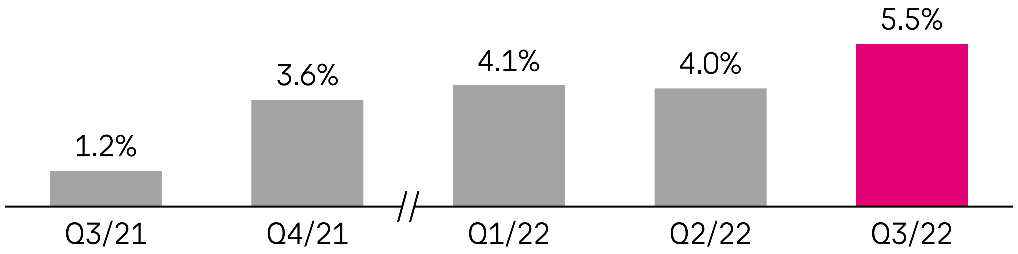
Adj. EBITDA AL (as reported)

€ mn



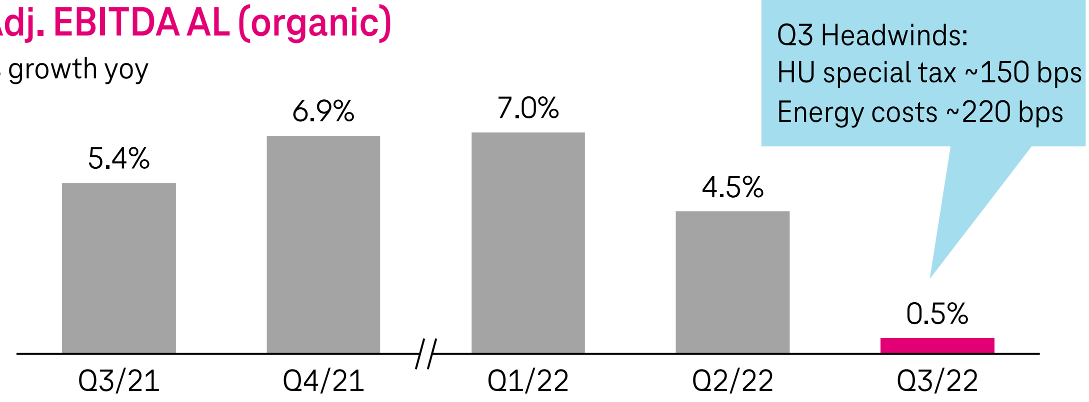
Revenues (organic)

% growth yoy



Adj. EBITDA AL (organic)

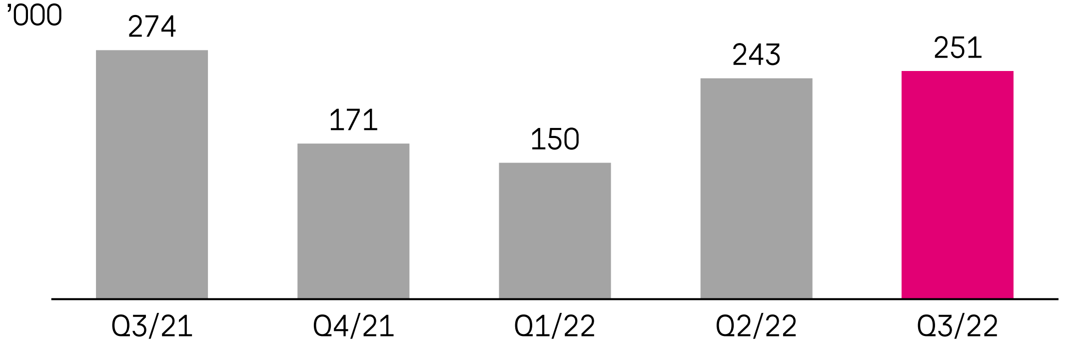
% growth yoy



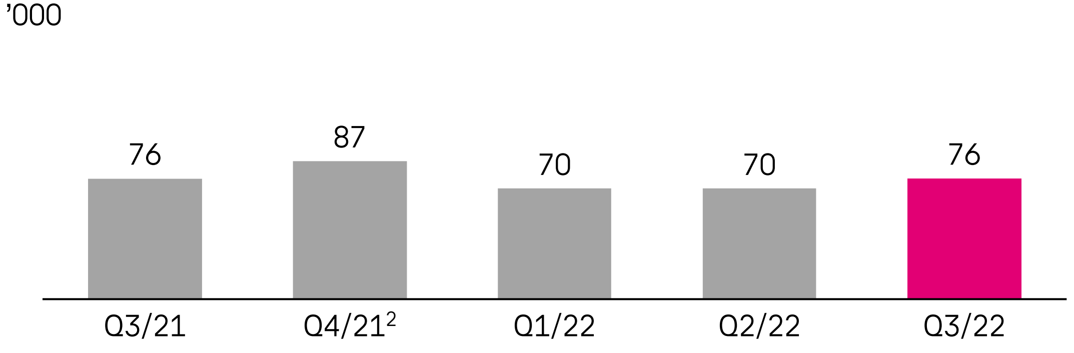
As of Q3, the revenue recognition for certain customer transactions (principal agent) was changed. Growth rates for 2022 are presented on a re-stated basis. Growth rates for 2021 were not re-stated and remain as previously disclosed.

Europe
strong commercial performance[1]

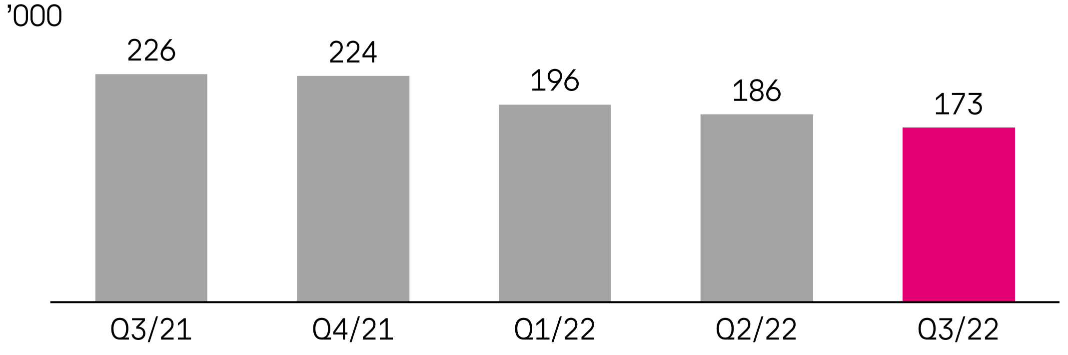
Mobile contract net adds



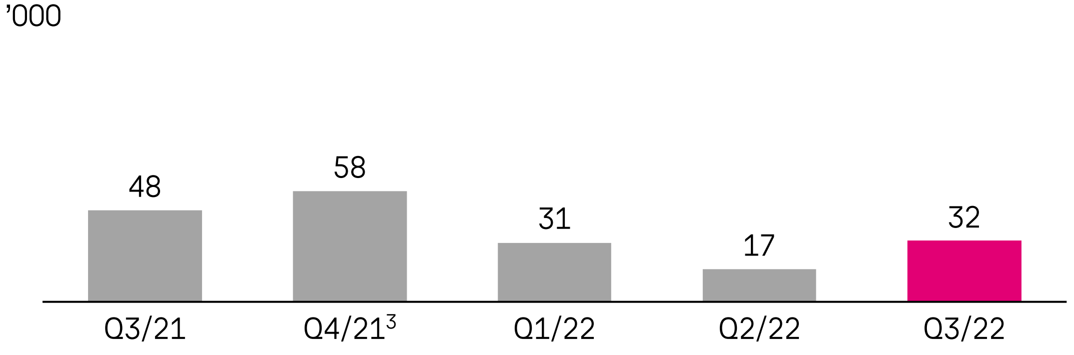
Broadband net adds



FMC net adds[3]



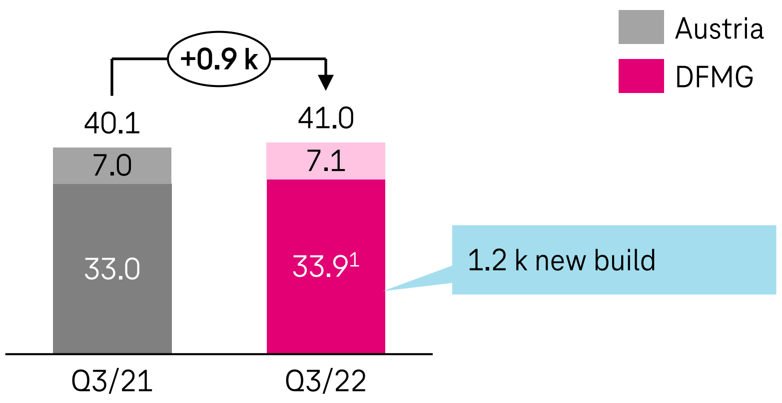
TV net adds



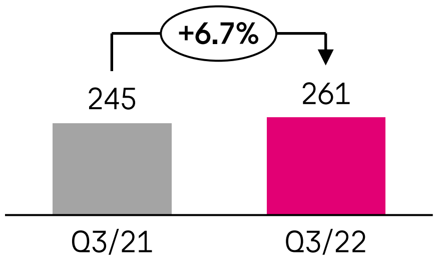
[1] Net adds retrospectively adjusted for sale of Romania fixed. [2] Q4/21 adjusted for 6k customers acquired in Hungary. [3] Alignment of definition for Poland in Q4/21. Figures are retrospectively adjusted.

GD/Towers
strong growth

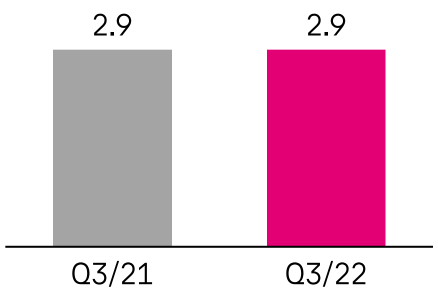
Total sites
'000



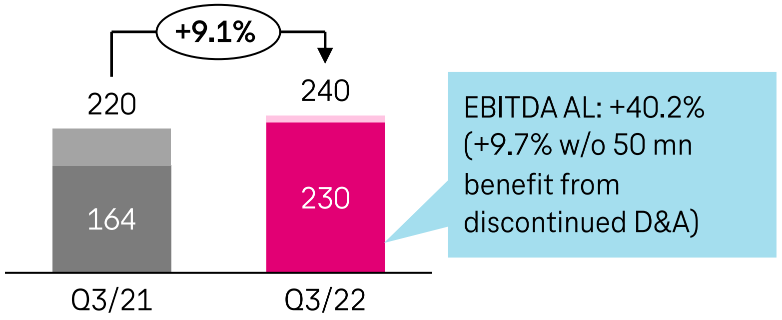
Recurring rental revenues
€ mn



Opex AL per site
€ '000



Adj. EBITDA
€ mn



[1] Change in sites of 0.9k due to 1.2 k new build and -0.4 k de-commissioning of redundant sites.

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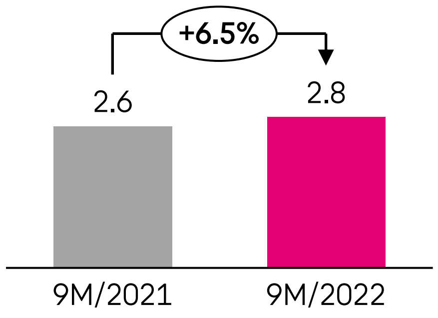
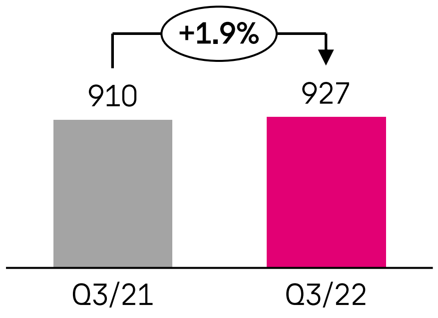
Systems Solutions
steady recovery

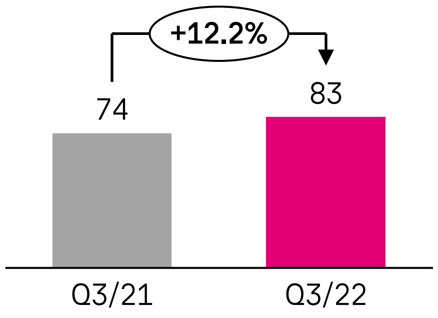
Order entry
€ bn



Revenues
€ mn

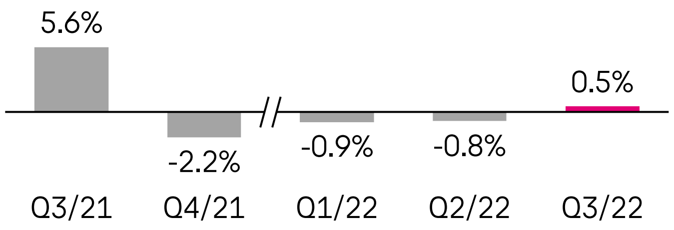


Adj. EBITDA AL
€ mn

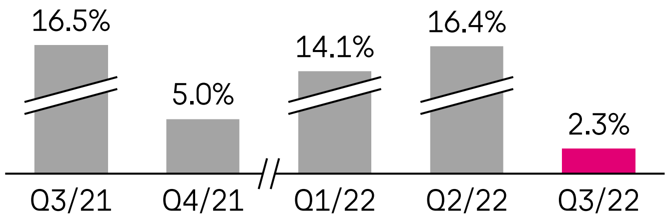


- Revenues stabilizing, helped by growth business
- EBITDA AL helped by efficiency measures

Revenues (organic)
% growth yoy



Adj. EBITDA AL (organic)
% growth yoy



As of Q3, the Security services were transferred from the Systems Solutions segment to the Germany segment and the revenue recognition for certain customer transactions (principal agent) was changed. Growth rates for 2022 are presented on a re-stated basis. Growth rates for 2021 were not re-stated and remain as previously disclosed.

Financials

Q3/2022

Financials Q3/2022 reported
strong growth

€ mn

	Q3			9M		
	2021	2022	Change	2021	2022	Change
Revenue	26,641	28,979	+8.8%	79,164	84,613	+6.9%
Adj. EBITDA AL	9,661	10,481	+8.5%	28,323	30,244	+6.8%
Adj. EBITDA AL (excl. US)[2]	3,890	3,791	-2.5%	11,108	11,046	-0.6%
Adj. net profit	1,313	2,411	+83.6%	4,627	7,094	+53.3%
Net profit	889	1,578	+77.5%	3,705	6,987	+88.6%
Adj. EPS (in €)	0.27	0.48	+77.8%	0.97	1.43	+47.4%
Free cash flow AL[1]	2,940	2,904	-1.2%	8,290	9,444	+13.9%
Cash capex[1]	4,362	5,582	+28.0%	12,932	15,224	+17.7%
Net debt excl. leases (AL)	99,285	109,501	+10.3%	99,285	109,501	+10.3%
Net debt incl. leases (IFRS 16)	130,375	151,707	+16.4%	130,375	151,707	+16.4%

[1] Free cash flow AL before dividend and before spectrum investments. Cash capex before spectrum investment. Spectrum: 9M/21: €8,328 mn; 9M/22: €2,984 mn; Q3/21: €304 mn; Q3/22: €367 mn.
[2] Decline due to de-consolidation of Romania fixed and the Dutch business. Organic growth rate of +3.9% in Q3.
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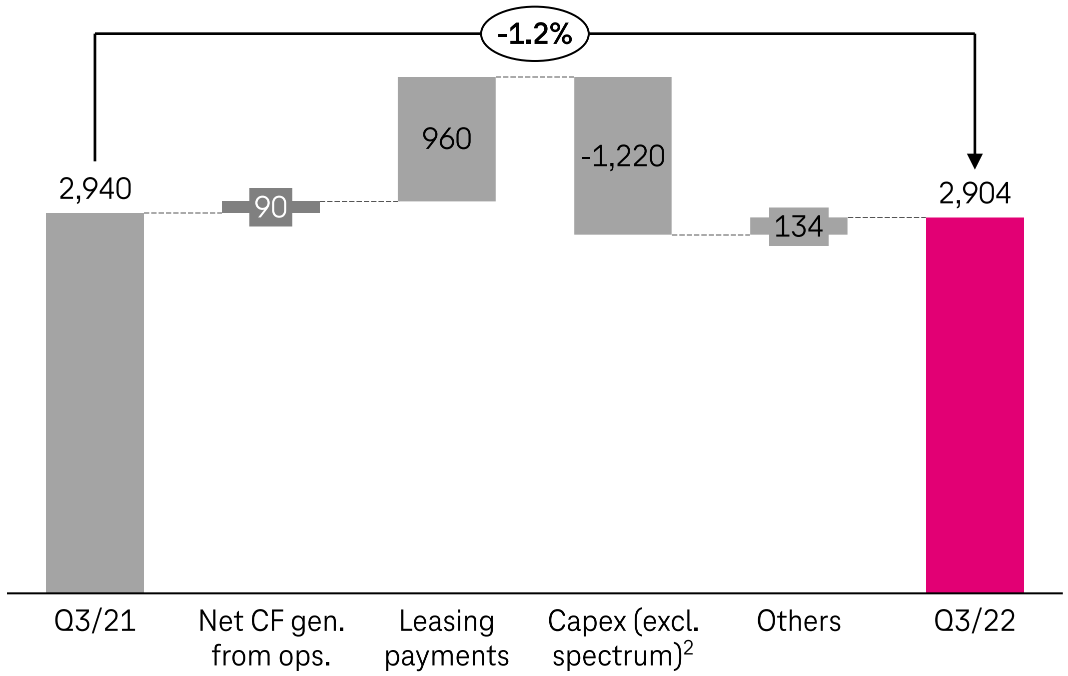
Financials Q3/2022
strong growth in net income

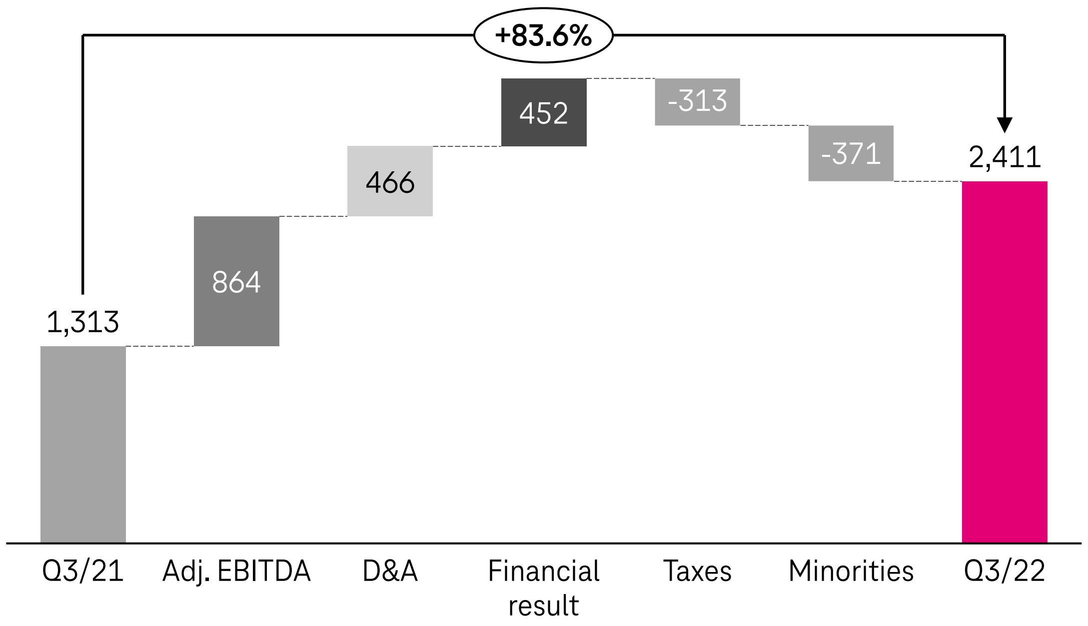
Free cash flow AL[1]
€ mn

9M/22 FCF AL of €9.4 bn



Adj. net profit
€ mn

9M/22 adj. EPS of €1.43



[1] Free cash flow and FCF AL before dividend payments and spectrum investment. [2] Spectrum: Q3/21: €304 mn; Q3/22: €367 mn.
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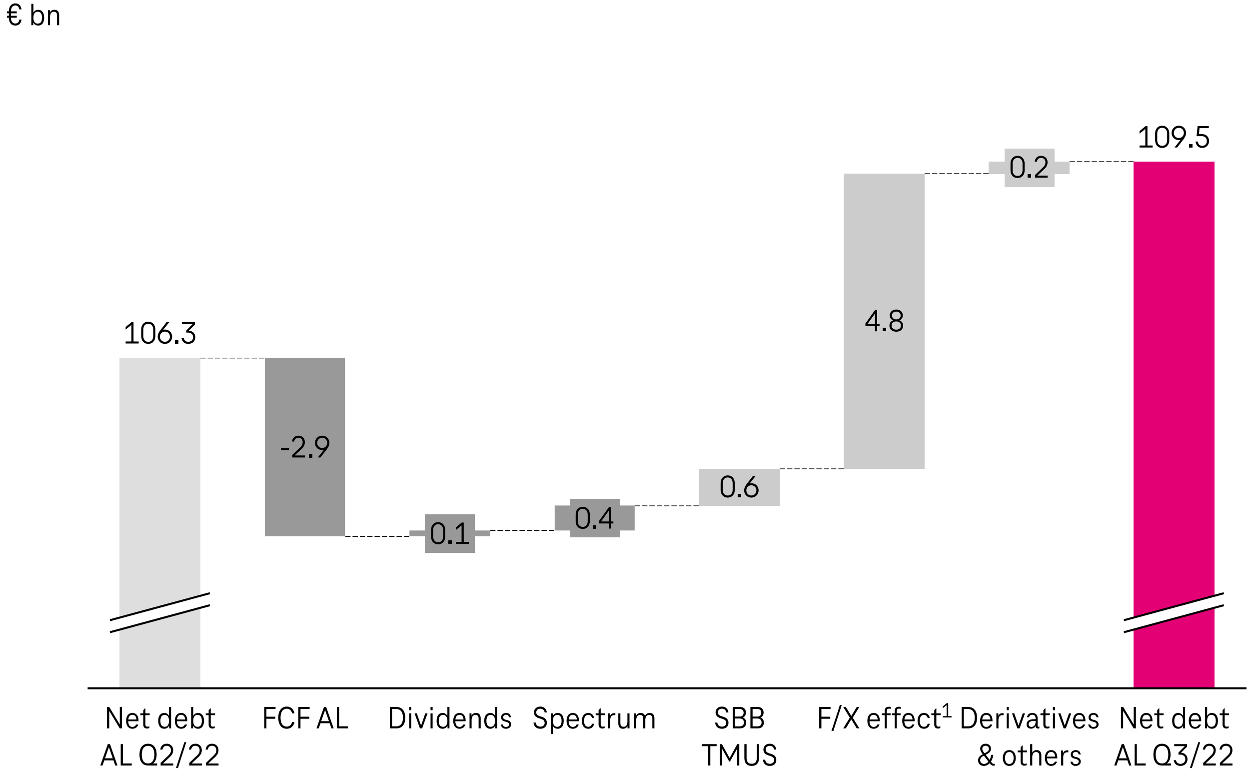
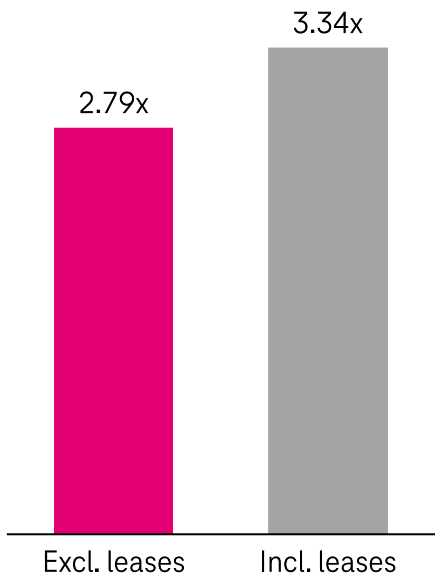
Financials Q3/2022
net debt up on share buyback TMUS, and F/X

Net debt excl. leases (AL) (Q3/22 over Q2/22)



Leverage ratios

- CMD target: back in 2.25 – 2.75x IFRS16 range YE24



[1] Foreign exchange impact calculated on €1 = US$ 0.975.

Inflation exposure
multiple safeguards in place, challenges being actively addressed

€ bn in 2021	Group	as % of rev.	Mitigations
Energy costs	1.5	1.4%	▪ US: 2/3 secured via PPAs ▪ GER: Comprehensive multi-year hedging and removal of renewable energy surcharge create stable outlook for costs ▪ Scope to reduce volumes, establish PPAs
Personnel expenses (adj.)	17.6	16.1%	▪ Scope to accelerate cost savings/digitization
Leases (expenses)	5.8	5.3%	▪ Ex US: towers still fully owned ▪ US: long duration contracts with fixed terms
Investments	18.0	16.5%	▪ GER: long duration fiber contracts ▪ US: long duration vendor contracts
Net interest payments (excl. leases)	3.9	3.6%	▪ TMUS represents 85% of net interest payments ▪ US: 100% fixed, average tenor 10y ▪ Ex US: 55% fixed, average tenor 7y

- **Multiple safeguards in place, both US and ex US**
- **Challenges being actively addressed**
- **Confirming CMD mid-term outlook**

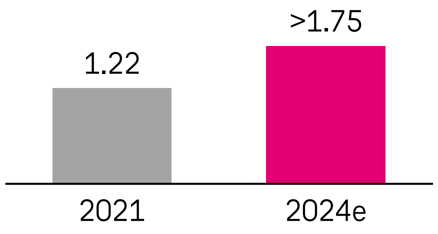
Main takeaways

9M/2022
main takeaways

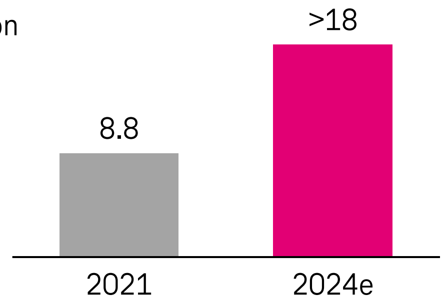
- TMUS: strong merger execution, adj. core EBITDA up 7%, industry-leading customer growth, guidance raised for the 3rd time this year
- DT ex US: 4.3% organic adj. EBITDA AL growth; Germany 24 and EU 19 successive quarters of organic EBITDA AL growth
- Flywheel keeps going: cash capex grows +18% to €15.2 bn, FCF AL grows 14% to €9.4 bn
- High visibility for key cost drivers, including energy; managing inflationary challenges
- Taking tangible steps towards ESG ambitions
- Up to US$14 bn TMUS share buy back launched
- 2022 dividend proposed at €0.70[1]
- Well on track for CMD mid-term targets, 2022 guidance raised once more

CMD targets 2024

Adj. EPS in €/share



FCF in € bn



2024e based on €1 = US$1.14

[1] Subject to board resolution and AGM approval.
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