

– Check against delivery –

**Press conference on the financial statements
for the 2022 financial year
February 23, 2023**

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

Thanks, Tim.

I will break down my comments today into four sections:

1. First, I will explain the development of the Group's financial results in the 2022 financial year and in the fourth quarter of 2022.
2. Then, we will take a look at the development in the operating segments in the fourth quarter of 2022.
3. Following that, I will go into the development of net profit, net debt, and the leverage ratio.
4. Finally, I will make some remarks about the guidance for the 2023 financial year.

So, first to the Group's financials in the 2022 financial year and in the fourth quarter.

They developed well, that goes for revenue and earnings as well as free cash flow.

There are substantial mathematical differences between the Group's reported figures and its organic development.

This is mainly attributable to two factors:

1. The revenues and earnings of all entities that do not report in euros have to be translated at the exchange rates for the respective reporting period. I would like to emphasize that these are merely currency translations, without a material impact on the operational development of the business.

This mainly relates to the business of T-Mobile US. The financials for the 2021 financial year were translated at an exchange rate of 1.18 U.S. dollars to the euro. In the 2022 financial year, however, this exchange rate was 1.05 U.S. dollars to the euro.

Accordingly, reported service revenues of T-Mobile US increased by 20.4 percent in the financial year compared with 2021. Assuming constant exchange rates, organic growth amounted to 4.9 percent.

The difference between these two figures amounts to around 7.15 billion euros, merely from the currency translation using different exchange rates. Albeit with strong organic growth in service revenues, which are crucial for the development of earnings.

2. In 2021, revenue and reported adjusted EBITDA AL still included the fixed-network business in Romania for nine months as well as the operations of T-Mobile Netherlands for 12 months. We have since sold both of these entities. The sale of the majority stake in T-Mobile Netherlands took effect as of March 31, 2022. As such T-Mobile Netherlands was still fully consolidated in the Group in the first three months of the 2022 financial year.

Both of these transactions are taken into account in the calculation of organic development over the two years 2021 and 2022.

As such, service revenues in the Group grew by 3.7 percent year-on-year in organic terms in the 2022 financial year. In the United States, they grew by the aforementioned 4.9 percent, in the business excluding the United States by 1.8 percent.

These two factors – exchange rates and Group structure – also affected the development of adjusted EBITDA AL in the 2022 financial year.

The translation of T-Mobile US' earnings using two different U.S. dollar exchange rates alone accounted for a difference between reported and organic adjusted EBITDA AL of around 2.9 billion euros.

Overall, the Group's adjusted EBITDA for 2022 increased by 1.7 percent in organic terms compared with the prior year. The Group's business excluding the United States saw an organic increase in adjusted EBITDA AL of 4.8 percent.

The business of T-Mobile US recorded organic growth of 0.1 percent compared with the prior year.

In this context, you also have to consider the earnings-reducing impact of the terminal equipment lease business here. T-Mobile US took on this business model in connection with the business combination with Sprint in 2020 and has been gradually scaling it back since then. In 2022 alone, this business was reduced by 1.9 billion U.S. dollars to an annual volume of 1.4 billion U.S. dollars (under U.S. GAAP). Terminal equipment leases will continue to be scaled back in 2023.

In order to reflect the underlying earnings power of the operational business, the effects of terminal equipment leases on earnings are eliminated in adjusted core EBITDA AL.

This metric, adjusted core EBITDA AL, increased by 6.8 percent year-on-year at Group level in 2022.

That brings me to the development of the financial figures in the fourth quarter of 2022.

Reported net revenue of the Group increased by 4.0 percent to 29.8 billion euros in the three months from October to December 2022. That is headline growth of around 1.15 billion euros.

The Group's reported adjusted EBITDA AL increased by 10.6 percent in this period to 10 billion euros. That is growth of 960 million euros.

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 12 cents. This also increased reported adjusted EBITDA AL.

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

I will go into the organic developments in the fourth quarter when I describe the development in the operating segments.

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

First, T-Mobile US:

We continued the network build-out there. 98 percent of the population can now use 5G. The 5G network in the 2.5 GHz band (Ultra Capacity) now covers some 265 million people in total, i.e., 55 million more than in the prior year.

The result is ongoing strong customer additions.

- In mobile communications, T-Mobile US continues to lead the market in net customer acquisition. 1.8 million branded mobile postpaid customers were added in the three months to the end of 2022.

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

This exceeded the customer forecast in the year just ended, which had been raised three times.

For its new high-speed internet offering, T-Mobile US won 524,000 new customers in the fourth quarter. The customer base now totals 2.6 million, which is 2 million more than in the prior year.

T-Mobile US increased service revenue by 3.7 percent in the three months (under U.S. GAAP). One contributing factor was the increase in average monthly revenue per postpaid phone customer, which was up by 7 percent year-on-year.

T-Mobile US increased adjusted core EBITDA (under U.S. GAAP) by 15.9 percent in the fourth quarter.

Now on to our business in Germany.

We recorded further substantial net customer additions here.

Net broadband additions totaled 74,000 in the fourth quarter of 2022, with customer development in the market normalizing further after the temporary effect of the German Telecommunications Act. In this environment, we remain the strongest provider, with our market share in terms of customer additions exceeding our target of 40 percent.

We recorded 413,000 additional fiber-optic-based lines, including around 240,000 lines that were migrated from ADSL to VDSL. That means better customer experience. No further measures are planned in this context for 2023.

We recorded a strong increase in the number of customers with a broadband line of 100 Mbit/s or faster, with the customer base in this area growing by 1.1 million year-on-year to 5.9 million. That is 40 percent of our retail customer base.

The number of super vectoring lines increased by around 570,000 compared with the end of 2021, to reach 1.8 million. That is an increase of 46 percent.

The number of branded mobile customers increased by 225,000 in the fourth quarter. This positive development is based on significantly accelerated growth in the number of contract customers in the consumer segment thanks to the new rate plan Next-Magenta and continued strong customer additions at Congstar.

The higher churn rate in the fourth quarter can primarily be attributed to the amendment of the German Telecommunications Act at the beginning of December 2021, an effect that should ease off in the future.

Service revenues in the Germany segment increased by around 1.7 percent in organic terms in the fourth quarter. Mobile service revenues grew by 3.5 percent year-on-year in the three months to the end of 2022.

In the German fixed-network business, service revenues increased by 1.0 percent in organic terms in the fourth quarter, with broadband service revenues growing by 5.0 percent, mainly on the back of the strong performance of the business with branded retail customers with TV and double play.

Revenue in the segment was up by 1.2 percent overall to 6.4 billion euros in the fourth quarter.

Growth in total revenue was slowed by lower revenues from terminal equipment business. By contrast, service revenues, which are relevant for generating earnings, increased by 1.7 percent, as already mentioned.

Reported adjusted EBITDA AL in the Germany segment increased in the three-month period by 2.9 percent to 2.5 billion euros and, in organic terms, by 3.0 percent.

This increase is largely attributable to higher service revenues as well as to the reduction in indirect costs.

This means we have increased earnings in the Germany segment for 25 quarters in succession.

Let us now move on to the Europe operating segment.

Before I give you the figures, I would just like to note that our Europe business is growing in terms of both revenue and earnings. It is again important to take the right basis for comparison here, and, in particular, to use constant exchange rates.

The operational business achieved further strong organic growth in the customer base. In the fourth quarter of 2022, we recorded 179,000 mobile contract net adds.

The number of broadband customers increased by 92,000. A total of 185,000 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 was up slightly by 0.3 percent in the fourth quarter.

In organic terms, revenue generated by the Europe segment grew by 2.2 percent year-on-year. The difference was almost exclusively attributable to the weakness in the forint and zloty to the euro.

The organic revenue increase was largely attributable to growth in mobile service revenues.

Adjusted EBITDA AL in the segment increased by 0.9 percent in organic terms in the fourth quarter of 2022. Growth slowed by around 2.6 percentage points as a result of two factors:

- First, a supplementary telecommunications tax imposed in Hungary, which accounts for 1.5 percentage points.

- Second, earnings were also reduced by the increase in energy costs, with an effect of 1.1 percentage points.

That brings us to the development in Systems Solutions.

T-Systems' order entry and revenue showed an upward trend in the fourth quarter.

Order entry was up 2 percent year-on-year in the fourth quarter. T-Systems' revenue increased by 6.2 percent to EUR 1.0 billion. 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 decreased by 25.8 percent in organic terms in the fourth quarter of 2022. The year-on-year decline was due to multiple one-time effects.

And now to the Group Development segment, which includes the cell tower business in Germany and Austria. It performed very well again in the fourth quarter of 2022. In total, around 1,200 new sites were installed in Germany.

Recurring lease revenues in the cell tower business increased by 5.7 percent year-on-year in the fourth quarter.

Underlying adjusted EBITDA AL in the cell tower business grew by 6.7 percent in the fourth quarter.

With the sale of the majority stake in GD Towers, the cell tower business is no longer reported as a fully consolidated part of the Group. As such, GD Towers is no longer included in the Group guidance for 2023.

This also has impacts on capital expenditure included in the Group guidance for 2023, because investments in the 5G build-out will, of course, continue.

But, as I say, they no longer form part of our guidance because the associated company with DigitalBridge and Brookfield is not fully consolidated in the Group.

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 increased by 30.2 percent in 2022 to 11.5 billion euros.

It was increased by net cash from operating activities, which was up by around 3.6 billion euros on the back of the positive business development. Lower cash outflows for lease liabilities of 1.75 billion euros also had an increasing effect.

This reflects, among other things, the advance lease payments of around 0.9 billion euros made by T-Mobile US in the third quarter of 2021, which increased the basis for comparison accordingly.

The increase in cash capex of around 3 billion euros in 2022 had a reducing effect on free cash flow.

Adjusted net profit rose in the 2022 financial year by 54.9 percent to 9.1 billion euros. That is an increase of 3.2 billion euros.

This was helped by growth in adjusted EBITDA of around 3.2 billion euros, which reflects the earnings power of the operational business.

Net profit was also positively impacted by the fact that depreciation and amortization decreased year-on-year by around 1.3 billion 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 decrease in loss from financial activities of 1.1 billion euros also had a positive effect on adjusted net profit in 2022. This decrease reflects positive effects from the

measurement of options on the further acquisition of T-Mobile US shares. In addition, rising capital market interest rates had a positive impact on the provisions recognized for the Civil Service Health Insurance Fund.

The higher tax expense as a result of the increase in earnings decreased net profit by 1.3 billion euros. The improved development of operations also increased the amount of the adjusted profit after tax attributable to non-controlling interests by around 1.15 billion euros.

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

Net debt – i.e., excluding payment obligations from lease agreements – increased by 3.1 billion euros compared with the end of 2021 to 103.7 billion euros as of the end of the fourth quarter of 2022. Around 70.1 billion euros of net debt is attributable to T-Mobile US and around 33.6 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 dollar cents stronger on December 31, 2022 than on December 31, 2021.

The translation of U.S. dollar liabilities alone gave rise to an increase of around 4 billion euros. Excluding this effect from the translation based on a stronger U.S. dollar, net debt would have declined.

- Free cash flow AL of 11.5 billion euros had a reducing effect on net debt.
- In addition, the proceeds of around 4 billion euros in total from the sale of T-Mobile NL and the stake in GlasfaserPlus had a positive impact.

The following factors, in particular, had an increasing effect on net debt:

- First, the exchange rate effects, as described.
- Then dividend payments of 3.4 billion euros.

- Also, spectrum acquired by T-Mobile US for 3.2 billion euros.
- In the fourth quarter of 2022, T-Mobile US purchased own shares for 3.0 billion euros under its share buy-back program, which also increased net debt in the Group. The buy-back is part of T-Mobile US' plan to buy back shares worth up to 14 billion U.S. dollars through the stock exchange by the end of September 2023. Deutsche Telekom did not take part in the share buy-back in 2022. As a result, the stake in T-Mobile US increased further in line with our strategic goals.
- A share of around 2.2 billion euros of the total proceeds from the sale of the majority stake in T-Mobile Netherlands was used to acquire additional shares in T-Mobile US. This increased the stake in T-Mobile US by another 1.7 percentage points. The funds used to acquire shares also increased net debt.

The ratio of net debt excluding leases to adjusted EBITDA AL stood at 2.58x at the end of the fourth quarter. This is a decrease compared to the end of 2021 and the end of the third quarter of 2022, when this ratio was 2.79x.

The ratio of net debt including leases to adjusted EBITDA stood at 3.07x at the end of 2022, here too substantially down from 3.34x at the third quarter of 2022.

As communicated on completion of the takeover of Sprint in the United States, the ratio of net debt to adjusted EBITDA AL peaked in 2022 following the merger of T-Mobile US and Sprint in the United States in 2022 and is expected to continue falling going forwards.

This will be helped by the planned proceeds of around 10.7 billion euros from the agreed sale of the majority stake in our cell tower business and the planned substantial increase in free cash flow AL to more than 16 billion euros in 2023.

That brings me to the end of my explanation of the key financial figures for 2022.

Let me now briefly talk about the Group guidance for 2023.

We expect a substantial increase in both adjusted EBITDA AL and in free cash flow.

Key to a correct comparison is the starting point for 2022. This pro forma data can also be found in the 2022 Annual Report.

T-Mobile Netherlands and the cell tower business in Germany and Austria, the majority of which was sold at the start of February 2023, are not included in the guidance for the current financial year. The comparative figures for 2022 have been adjusted accordingly.

In addition, the prior-year U.S. dollar exchange rate of 1.05 U.S. dollars to the euro was used for the guidance for 2023.

For the T-Mobile US business, we included the mid-point of our U.S. subsidiary's guidance for 2023 in the Group guidance.

We expect the Group's adjusted EBITDA AL for 2023 to increase by 4 percent on a like-for-like basis to around 40.8 billion euros.

Adjusted core EBITDA AL – i.e., excluding the effect of terminal equipment leases in the United States – is expected to increase by 7 percent to around 40.5 billion euros.

We expect free cash flow to increase by more than 40 percent to over 16 billion euros. For the Group excluding the United States, please note that the cash flow contribution includes a reducing one-time effect of around 0.15 billion euros from a tax payment in connection with the sale of the majority stake in our cell tower portfolio in Germany and Austria.

Adjusted earnings per share is expected to increase to more than 1.60 euros, up from the comparative figure of 1.51 euros per share. Four one-time effects have been eliminated from earnings per share as specified for 2022:

1. Earnings contributions from the measurement of options on T-Mobile US shares.
2. The impact of higher capital market interest rates on the contributions to the Civil Service Health Insurance Fund.
3. The effect on earnings from the cell tower business classified as held for sale up until the completion of the sale of the majority stake.
4. The earnings contribution of T-Mobile Netherlands in the first quarter of 2022.

These four factors account for the difference between reported adjusted earnings per share in the 2022 financial year of 1.83 euros and recurring earnings per share of 1.51 euros per share.

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