– Check against delivery –

Conference Call
Report on the third quarter of 2021
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Ladies and Gentlemen,

And from me, too, a warm welcome to our conference call.

I hope you and your families are well and staying healthy. Like Philipp said, we want to take you through the Q3 figures today and I can already tell you that they are good – in fact, I would say they are very good. We have delivered a more than solid quarter. That is something we can all be proud of: Deutsche Telekom delivers; we keep our promises. What do I mean by that? Let us take a look at the first chart, which you will recognize from the Capital Markets Day in May. It is a round-up of the core points of our strategy.

It really comes down to a single formula: Organic growth in our operating business plus strict capital allocation and refining our portfolio of investments equals higher shareholder value.

The equation is actually quite simple. The power comes from being consistent with implementation.

In the first three quarters of 2021, we delivered. Growth in our customer numbers and financial figures is strong on both sides of the Atlantic. And we have further developed our portfolio on extremely attractive terms and with capital-preserving transactions.

But we have also kept a close eye on costs throughout, continuing to implement socially responsible staff restructuring, streamline our leadership structures, carry out outsourcing transactions, and optimize our real estate portfolio.

At the 2018 Capital Markets Day, we set ourselves a goal of permanently cutting indirect costs outside of the United States by 1.5 billion euros by 2021. We can now check this item off our list. What is more: By the year-end, our cost savings will reach around 1.7 billion euros.

On the back of this, we have increased adjusted earnings per share by 13 percent to almost 1 euro in the first nine months of the year. Our long-term target for 2024 is still to reach at least 1.75 euros per share. That has not changed.

Ladies and Gentlemen,

Buoyed up by the strong first nine months, we are once again raising our guidance for the 2021 financial year.

- We now expect adjusted EBITDA AL of around 38 billion euros.
  That is 1 billion euros more than our guidance at the outset of the year.
  For comparison, our reported adjusted EBITDA AL for full-year 2020 was 35.0 billion euros. That is growth of around 8 percent year-on-year.

- We now expect free cash flow to come in at around 8.5 billion euros.
  We started the year with a guidance of around 8 billion euros. Up from 6.3 billion euros last year. Our target now puts us around a third higher than the prior-year figure.

- We are also confirming our targets from the 2021 Capital Markets Day in May.

- We continued to record strong customer growth in the first nine months of 2021 and posted excellent financial results. Adjusted earnings per share increased in the first three quarters by 13 percent year-on-year. On the back of these positive business trends, and in line with our dividend policy, the Board of Management plans to increase the dividend for the 2021 financial year from 60 eurocents per share to 64 eurocents. Of course, it goes without saying that this will be the final proposal to the shareholders' meeting subject to the approval of the Supervisory Board.

Ladies and Gentlemen,

Let us turn now to the development of the Group in the first nine months of 2021.

I would like to begin with the topics of the portfolio and capital allocation – and here again it is about turning our promises into reality.

As you know, two main topics are at the core of our strategic considerations in Europe: To establish fully convergent fixed-mobile business models wherever possible, and to be the market leader.

- But it does not always work out that way. Like in Romania, for example. Which is why we decided to sell our fixed-network business there.

- In the Netherlands, we have spent the last few years restructuring our business and turning it into a real success story. But we cannot keep all the plates spinning. We have agreed on a very good price. The adjusted EBITDA AL of the previous 12 months at the time of signing the sales agreement, multiplied by a factor of 8.7.

- We plan to use part of the proceeds to fulfill a particularly important strategic goal of ours: securing the majority shareholding in T-Mobile US. The deal we made with SoftBank in September has helped us make considerable headway in this regard. In the first step, we acquired around 45 million T-Mobile US shares from SoftBank on excellent terms – the vast majority at a price of 101.46 U.S. dollars per share.

We were able to do this via a capital-preserving, i.e., cash-free, transaction: SoftBank received 225 million Deutsche Telekom shares valued at 20 euros per share. The deal is also indicative of the confidence SoftBank has in Deutsche Telekom's long-term prospects.

Once the sale of T-Mobile in the Netherlands has gone through, the next step will be to acquire further T-Mobile US shares from SoftBank. Based on our current planning, this would bring us up to 48.4 percent of T-Mobile US shares and thus push us very close to our target of 50 percent plus x.

- Above and beyond this, we have signed deals with SoftBank giving us collaboration options on scaling up our respective business models and on financial investments going forward. These are all clear signals for a long-term, strategic partnership.

- I would like to reiterate the strategic relevance of the partnership with SoftBank: No other company in our industry is as strongly positioned in the Western world as we are, with our networks and customer relationships on both sides of the Atlantic. SoftBank, as the largest strategic tech investor, is strong on the other side of the globe. That translates to excellent prospects for us.

Ladies and Gentlemen,

Turning to networks, our core topic, we further ramped up the build-out with investments of around 13 billion euros. That is 12 percent higher than in the same period of last year.

- Let me start with a positive message: In the last few days, we laid our one-millionth new fiber-optic line in Germany this year. That puts us right on target to achieve 1.2 million new lines built by the year-end – as I said: we promised, we delivered.

- And we are also making good progress in our European subsidiaries, as the figures on the chart for the end of September show: At the moment, the number of lines there stands at 6.9 million, up from 1.3 million this time last year.

We are set to further intensify the build-out pace in Germany. Particularly in rural areas. This is the driving force behind the GlasfaserPlus joint venture we are founding with our partner, IFM Investors. It will make a major contribution to the digitalization of our nation. We announced this move just last week.

GlasfaserPlus delivers on our promise to enable more digital participation for the people of Germany. By 2028, we plan to serve a further 4 million households nationwide with gigabit-capable lines. We are enabling connections to the FTTH network – that is fiber-optic lines right into the home. These lines are fast. They are stable. They are future-ready.

We are building out these 4 million lines in regions where digital participation is not a given. In rural areas. More specifically, in communities with populations of under 20,000. In August, we announced plans to build 8 million lines in rural regions by 2030. The additional capital for GlasfaserPlus means we can now raise our target to 12 million households.

Our joint venture is set to begin work already from next year. 100,000 households in the first year. Ramping up to more than 500,000 households as early as 2023.

These additions to our already ambitious plans are no mean feat. After all, the GlasfaserPlus activities are on top of our existing build-out plans. We are underscoring our position as Germany’s leading fiber-optic company.

And we are beefing up our own investments, too. As we already announced, we are raising our capex from next year. That means we are set to invest around 6 billion euros in Germany starting in 2022. Every year. The goal is to reach our first milestone by the end of 2024 of hitting 10 million direct fiber-optic lines installed.

Here, too, the GlasfaserPlus investments are on top of our original plans. And we are going even further: By 2030, we plan to invest more than 30 billion euros in optical fiber – that includes the investment in GlasfaserPlus.

We will open up the resulting networks to all providers in Germany. That goes for both our network and for the network that GlasfaserPlus will build. Optical fiber in Germany only works when we work as a team.

Deutsche Telekom has long been a proponent of open access. The paradigm shift is here. Once upon a time, not owning our network was unthinkable. Today, we lease networks from our competitors, lease our networks to others, and cooperate with municipal utilities and other local carriers. This benefits everyone. But first and foremost, it benefits our customers. Paradigms are all well and good. But insights are better. We are open to forging new paths. Or, rather, to digging them.

Ladies and Gentlemen,

We still stand by our overriding goal: To bring fiber-optic lines to every household and every business across Germany by 2030. Much of this work will be done by us. But it is a mammoth task, and one that we cannot and will not solve alone. Not even with GlasfaserPlus behind us. That is why competitors need to take on their share of the responsibility. The fiber-optic build-out is a duty of society as a whole.

Ladies and Gentlemen,

As GlasfaserPlus goes to show, we are pursuing new approaches in order to quickly mobilize resources for the network build-out. Our own investments have been at the upper limit of our capacities for several years already. We are building out as much as we possibly can. Our technicians and planners, our civil engineering teams, everyone is working flat out. Deutsche Telekom stands like no other for helping to bring Germany into the gigabit age.

But it tends to get overlooked that we, too, need active assistance. From the people. We need their permission to access their land, buildings, and homes. So we can connect them up to our fiber-optic network.

And we need the support of the authorities. Expedited approval processes, more flexible build-out conditions: And those who – unfairly – continue to cite supposedly superior broadband coverage in other countries, rather conveniently forget that, in Germany, we still have to rigidly comply with a prescribed laying depth for our cables. We need to be more open to alternative methods, like trenching, for example. In other countries, overground cable-laying is commonplace. It is a much faster option and dramatically reduces the build-out costs. Greater flexibility would speed up the build-out, too. Resulting in more lines for the same capital outlay. Now that would be a digital agenda to make Germany’s infrastructure future-ready.

- In mobile business, too, we deliver: Our German 5G network now covers 87 percent of the population.

- In the United States, our 5G network over the 2.5 GHz band now reaches 190 million people – more than our competitors and with better network quality. That is almost 85 million more people than at the end of 2020.

Ladies and Gentlemen,

Deutsche Telekom builds the best networks and has the best products. Customers show their appreciation by switching to us: confirmed once again by strong customer growth in the third quarter.

- In the first three quarters, we added a total of around 5 million new mobile contract customers worldwide. 3.8 million of these in the United States alone. That is extraordinary growth – yet again.

- In Germany and in Europe, we won almost 1.2 million mobile contract customers in the first nine months combined.

- Above and beyond that, in the first nine months, 488,000 customers in Germany and our European subsidiaries opted for a broadband line from Deutsche Telekom. Of which a sizable portion – 276,000 – was in Germany.

- We won 193,000 new customers Europe-wide for our TV product bundles.

And we did so in the face of enduring and extremely intense competition in our industry. Thanks to investments in leading networks, perfect service, and product innovation.

This customer growth underpins our outstanding financial results from the first nine months. We have improved across every single operating segment.

Reported net revenue of the Group increased year-on-year by 8.8 percent to 79.9 billion euros in the first nine months. The news is likewise good for adjusted EBITDA AL, which grew in the same period by 8.7 percent to 28.3 billion euros – a development to which all segments contributed. Organic growth here was 3.0 percent.

Please note that this metric is strongly affected by T-Mobile US' move away from the former Sprint business model, i.e., away from terminal equipment leases. Excluding this factor, which will become smaller as the integration continues to make headway, the resulting core EBITDA at T-Mobile US grew by 11.9 percent (under U.S. GAAP). On this basis, earnings growth for the Group was on a par with the prior year at 8.7 percent (under IFRS).

In Germany, adjusted EBITDA AL increased 3.7 percent in the first nine months, rounding out what is now 20 consecutive quarters of organic growth.

In the Europe segment, earnings grew by 5 percent in organic terms in the first three quarters. That represents 15 consecutive quarters of uninterrupted growth.

In the Group Development segment, earnings growth in the first nine months remained around the prior-year level at 10.6 percent, while T-Systems posted growth of 6.5 percent.

In addition, we continued to invest heavily in the network build-out in the first nine months. Year-on-year, we have stepped up the pace significantly: 12.9 billion euros worldwide, or an increase of 12.3 percent.

Despite this, we are more than on track with our free cash flow AL and have already reached our original target for the full year. At Group level, it grew by 55.0 percent in the first nine months to 8.3 billion euros.

Reported net profit rose by 49 percent to 3.7 billion euros in the same period.

Ladies and Gentlemen,

We want to sustain these outstanding trends through the fourth quarter, too. In doing so, we want to achieve our increased full-year targets. That goes for both sides of the Atlantic.

We now expect adjusted EBITDA AL for the Group of around 38 billion euros. For our U.S. business, at the outset of the year, we had planned a contribution of around 22.7 billion euros to adjusted EBITDA AL of the Group. We now expect a contribution of more than 23.2 billion euros on the back of T-Mobile US' announcement last week of its raised guidance. We likewise expect business outside of the United States to contribute earnings of 14.6 billion euros, or 0.3 billion euros more than at the start of the year.

Free cash flow is expected to total around 8.5 billion euros at the end of 2021. We expect business outside of the United States to contribute around 0.3 billion more than at the start of the year. T-Mobile US expects to contribute over 0.2 billion euros more free cash flow than anticipated in our initial guidance at the start of the year.

These figures show: Our strategy is working extremely well, on both sides of the Atlantic. Even given our current high investment phase, we are still able to raise our profits to plow back into these investments.

With that, I will now hand you over to Christian Illek.