



## MEDIA INFORMATION

Bonn, February 23, 2023

### **Deutsche Telekom stays on track and exceeds annual guidance for 2022**

- Net revenue up 6.1 percent to 114.4 billion euros
  - Adjusted EBITDA AL up 7.7 percent to 40.2 billion euros
  - Free cash flow AL up by over 30 percent to 11.5 billion euros
  - Adjusted net profit in 2022 up 55 percent
  - Further growth in earnings and above all free cash flow planned for 2023
  - Germany: strong customer growth
  - T-Mobile US: synergies rise further
  - Europe: growth despite headwinds
- 

Deutsche Telekom stays on track despite unsteady conditions. Europe's largest telecommunications group has not only met, but exceeded its guidance for 2022, which it raised multiple times throughout the year. Total revenue increased by 6.1 percent compared with 2021 to 114.4 billion euros. Service revenue increased by 10.6 percent to 91.9 billion euros. Adjusted EBITDA AL was up by 7.7 percent to 40.2 billion euros. Deutsche Telekom posted strong growth in free cash flow AL of 30.2 percent to reach 11.5 billion euros.

Exchange rate effects, mainly from the stronger U.S. dollar year-on-year, had a positive impact on the reported figures. Adjusted for these effects and changes in the composition of the Group, total revenue remained stable on an organic basis. The service revenue relevant for the operating result increased by 3.7 percent in organic terms. Adjusted EBITDA AL was up by 1.7 percent on an organic basis.



“The upheavals in the world, and their consequences, are not without their effects on Deutsche Telekom,” said Tim Höttges, Chairman of the Board of Management. “But by continuing to execute our strategy, we were nevertheless able to meet all of our targets in 2022.”

Net profit almost doubled to 8.0 billion euros. Adjusted for special factors, net profit increased by 54.9 percent year-on-year to 9.1 billion euros. As announced in November, the dividend is expected to increase to 70 eurocents per share.

Under the guidance for 2023, adjusted EBITDA AL is set to grow by 4 percent to reach around 40.8 billion euros. The pro forma figure for 2022 on the basis of the current Group structure was 39.3 billion euros. Free cash flow AL is expected to increase from the pro forma figure of 11.2 billion euros by at least 40 percent to over 16 billion euros.

Deutsche Telekom is thus successfully continuing its growth strategy. At the Capital Markets Day in 2021, the Group set an average annual growth target for adjusted EBITDA AL in the period 2020 through 2024 of 3 to 5 percent. Adjusted for the effects of scaling back the terminal equipment lease business in the United States, the Group exceeded this growth ambition in the first two years.

### **Germany: Strong customer growth**

Growth in mobile continues. In the closing quarter of 2022 alone, Telekom posted 225,000 net branded contract customer additions. Mobile service revenues grew between October and December 2022 by 3.5 percent year-on-year.

The positive trend in the fixed network continued, with 74,000 broadband customer additions between October and December. The MagentaTV customer base grew by 51,000 in the reporting quarter. 12.1 million or 82 percent of broadband consumers are now using fiber-optic infrastructure (FTTH, VDSL/vectoring). Deutsche Telekom met its build-out target for 2022 with the addition of another 2 million FTTH households, bringing the total to 5.4 million.

Our most important financial KPIs likewise developed positively. In the Germany operating segment, adjusted EBITDA AL for the full year increased by 3.2 percent compared with 2021 to



9.8 billion euros. Revenue increased 1.9 percent to 24.5 billion euros, while service revenues grew to 21.5 billion euros.

### **United States: Synergies rise further**

T-Mobile US added 6.4 million new postpaid customers in 2022. A key driver of this trend was the lower churn rate among former Sprint customers. As of the year-end, 2.6 million customers were using the high-speed internet, i.e., wireless internet access. That is 2 million more than one year ago.

T-Mobile US is systematically scaling back the terminal equipment lease business for its customers, which was taken over as part of the business combination with Sprint. This has a reducing effect on total revenue. In the year just ended, the T-Mobile US service revenues relevant for the development of earnings grew by 7.0 percent against 2021 to 61.2 billion U.S. dollars. Adjusted core EBITDA AL – i.e., adjusted for the effects of the reduction in the lease business – grew by 8.4 percent to 25.5 billion U.S. dollars.

For 2023, T-Mobile US expects to unlock synergies from the takeover of Sprint of 7.2 to 7.5 billion U.S. dollars, at least 20 percent more than in the prior year. The decommissioning of the Sprint network after the first half of 2022 also contributes to these synergies. By contrast, the integration costs in the current year are not expected to exceed 1 billion U.S. dollars, down from 5 billion U.S. dollars in 2022. The company expects its postpaid customer base to grow by between 5.0 and 5.5 million.

### **Europe: Growth despite headwind**

Business in the national companies in Europe proved resilient in the face of negative influences in 2022. The closing quarter marked 20 successive quarters of growth in adjusted EBITDA AL on an organic basis. This was achieved despite prevailing headwinds in the form of rising energy prices and the supplementary telecommunications tax imposed in Hungary. For the full year, the increase was 3.1 percent. Revenue increased in organic terms by 3.9 percent in 2022, driven mainly by growth in mobile service revenues.

Customer numbers continued their stable upward trend. The number of mobile contract customers increased by 823,000 in 2022 to 26.5 million. The broadband customer base grew



by 308,000 to 6.7 million, while the number of TV customers increased by 112,000 to 4.1 million. The number of customers using fixed-mobile convergence products grew by 741,000 and passed the 7.0 million mark.

#### **Systems Solutions: Annual target met**

T-Systems delivered stable financial KPIs for 2022. At 4.0 billion euros, order entry was up 1.1 percent year-on-year in organic terms. Revenue increased on an organic basis by 1.0 percent to 3.8 billion euros. Likewise on an organic basis, adjusted EBITDA AL rose by 0.9 percent in the same period to 284 million euros. Systems Solutions thus met its target for the year.

#### **Group Development: Sale of majority stake in GD Towers completed**

In July 2022, Deutsche Telekom agreed to sell a 51 percent stake in GD Towers, the cell tower business in Germany and Austria, to DigitalBridge and Brookfield. The transaction was completed on February 1, 2023. From this date onward, GD Towers will no longer be included in the Group's figures as a fully consolidated entity. In future, the 49.0 percent share of net profit retained by Deutsche Telekom will be included under profit/loss from financial activities in the consolidated financial statements using the equity method.

In the year just ended, the cell tower business generated revenue of 1.2 billion euros, a 6.1 percent increase in organic terms. As of the year-end, the company was operating 41,500 sites. This includes a total of 1,200 new sites in Germany compared with the prior year.



## The Deutsche Telekom Group at a glance

	Q4 2022 millions of €	Q4 2021 millions of €	Change %	FY 2022 millions of €	FY 2021 millions of €	Change %
Net revenue	29,800	28,647	4.0	114,413	107,811	6.1
Proportion generated internationally %	78.0	77.5	0.5p	78.0	77.0	1.0p
Service revenue	23,720	21,682	9.4	91,947	83,130	10.6
Adjusted EBITDA	11,495	10,461	9.9	46,410	43,175	7.5
Adjusted EBITDA AL	9,964	9,007	10.6	40,208	37,330	7.7
Net profit (after non-controlling interests)	1,014	471	n.a.	8,001	4,176	91.6
Adjusted net profit (after non-controlling interests)	1,987	1,234	61.0	9,081	5,862	54.9
Earnings per share (€)	0.20	0.09	n.a.	1.61	0.87	85.1
Adjusted earnings per share (€)	0.40	0.25	60.0	1.83	1.22	50.0
Free cash flow AL	2,026	520	n.a.	11,470	8,810	30.2
Cash capex <sup>a</sup>	5,906	5,106	15.7	24,114	26,366	-8.5
Cash capex <sup>a</sup> (before spectrum)	5,795	5,046	14.8	21,019	17,978	16.9
Net debt (including leasing)				142,425	132,142	7.8
Number of employees <sup>b</sup>				206,759	216,528	-4.5
Of which in Germany				81,469	85,160	-4.3



## **Comments on the table**

### **Accounting change affecting the recording of revenues**

In light of the IFRS Interpretations Committee's agenda decision published in May 2022 on transactions involving the resale of software, Deutsche Telekom has implemented comprehensive changes to its accounting practices with respect to distinguishing between gross and net revenues, effective the start of the third quarter of 2022. The prior-year figures for total revenue, service revenue, and order entry were adjusted retrospectively. The change does not affect the earnings indicators: adjusted EBITDA, adjusted EBITDA AL, and net profit.

The change mainly affects the recognition of revenues from transactions relating to branded digital products (e.g., streaming services, software licenses, cloud-based software as a service) provided by and purchased from third parties and sold to customers as part of Deutsche Telekom's product portfolio.

- a) Cash outflows for investments in property, plant, and equipment, and intangible assets (excluding goodwill).
- b) At reporting date.



## Operating segments: Development of operations

	Q4 2022 millions of €	Q4 2021 millions of €	Change %	FY 2022 millions of €	FY 2021 millions of €	Change %
<b>Germany<sup>a</sup></b>						
Total revenue	6,361	6,287	1.2	24,505	24,050	1.9
Adjusted EBITDA AL	2,479	2,408	2.9	9,837	9,536	3.2
<b>United States</b>						
Total revenue	19,800	18,275	8.3	75,436	67,791	11.3
in USD	20,210	20,894	-3.3	79,348	80,135	-1.0
Adjusted EBITDA AL	6,416	5,483	17.0	25,614	22,697	12.9
in USD	6,546	6,275	4.3	26,963	26,871	0.3
<b>Europe</b>						
Total revenue	2,899	2,891	0.3	11,158	11,294	-1.2
Adjusted EBITDA AL	956	962	-0.6	3,964	4,007	-1.1
<b>Systems Solutions<sup>a</sup></b>						
Order entry	1,182	1,275	-7.3	3,952	3,876	2.0
Total revenue	1,014	955	6.2	3,811	3,759	1.4
Adjusted EBITDA AL	54	69	-21.7	284	271	4.8
<b>Group Development<sup>b</sup></b>						
Total revenue	300	816	-63.2	1,708	3,165	-46.0
Adjusted EBITDA AL	224	332	-32.5	964	1,307	-26.2



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#### **a) Intragroup reassignment of the security business**

Effective July 1, 2022, Deutsche Telekom reassigned its subsidiary Deutsche Telekom Security GmbH and the security business in Germany, Austria, Switzerland, Hungary, and Slovakia from the Systems Solutions operating segment to the Germany operating segment. As of the third quarter of 2022, the prior-year comparatives on the development of operations, headcount development, and order entry were adjusted retrospectively in both of the segments affected.

#### **b) Sale of T-Mobile Netherlands (TMNL)**

The sale of TMNL was consummated on March 31, 2022. The entity has not been part of the Group since April 1, 2022 (Group Development segment). TMNL's contributions are included in the full-year figures for the first quarter of 2022 only. Prior-year comparatives were not adjusted.

#### **New partner for the cell tower business**

On July 13, 2022, Deutsche Telekom agreed to sell a 51.0 percent stake in GD Towers, comprising its tower assets in Germany and Austria, to DigitalBridge and Brookfield. The transaction was consummated on February 1, 2023. Until this point in time, GD Towers will continue to be included as a fully consolidated entity in the figures of the Group Development operating segment and of the Deutsche Telekom Group.





**Operating segments: Development of customer numbers in the fourth quarter of 2022**

	Dec. 31, 2022	Sept. 30, 2022	Change thousands	Change %
<b>Germany</b>				
Mobile customers	54,249	52,991	1,258	2.4
Of which contract customers	23,791	23,544	247	1.0
Fixed-network lines	17,363	17,396	-33	-0.2
Broadband lines	14,715	14,641	74	0.5
Of which optical fiber <sup>a</sup>	12,112	11,740	372	3.2
Television (IPTV, satellite)	4,122	4,071	51	1.3
Unbundled local loop lines (ULLs)	3,136	3,231	-95	-2.9
<b>United States</b>				
Customers	113,598	111,755	1,843	1.6
Of which postpaid customers	92,232	90,414	1,818	2.0
Of which prepaid customers	21,366	21,341	25	0.1
<b>Europe</b>				
Mobile customers	47,336	47,301	35	0.1
Of which contract customers	26,476	26,297	179	0.7
Fixed-network lines	7,907	7,866	41	0.5
Broadband customers	6,689	6,597	92	1.4
Television (IPTV, satellite, cable)	4,131	4,099	32	0.8

**Comments on the table**

a) Sum of all FTTx access lines (e.g., FTTC/VDSL, vectoring, and FTTH/B).



### Operating segments: Development of customer numbers in year-on-year comparison

	Dec. 31, 2022	Dec. 31, 2021	Change thousands	Change %
<b>Germany</b>				
Mobile customers	54,249	53,211	1,038	2.0
Of which contract customers	23,791	23,129	662	2.9
Fixed-network lines	17,363	17,525	-162	-0.9
Broadband lines	14,715	14,478	237	1.6
Of which optical fiber <sup>a</sup>	12,112	10,379	1,733	16.7
Television (IPTV, satellite)	4,122	4,001	121	3.0
Unbundled local loop lines (ULLs)	3,136	3,622	-486	-13.4
<b>United States</b>				
Customers	113,598	108,719	4,879	4.5
Of which postpaid customers	92,232	87,663	4,569	5.2
Of which prepaid customers	21,366	21,056	310	1.5
<b>Europe</b>				
Mobile customers	47,336	45,816	1,520	3.3
Of which contract customers	26,476	26,575	-99	-0.4
Fixed-network lines	7,907	7,802	105	1.3
Broadband customers	6,689	6,381	308	4.8
Television (IPTV, satellite, cable)	4,131	4,019	112	2.8

#### Comments on the table

a) Sum of all FTTx access lines (e.g., FTTC/VDSL, vectoring, and FTTH/B).



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