

Deutsche Telekom

Q2 2023 results

Investor and Analyst Conference Call

August 10, 2023

14:00 CEST, 13:00 BST, 8:00 EDT, 5:00 PDT, 21:00 JST



#DT23Q2

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If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

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.

H1 2023 results

Group

H1/2023 results

continued growth

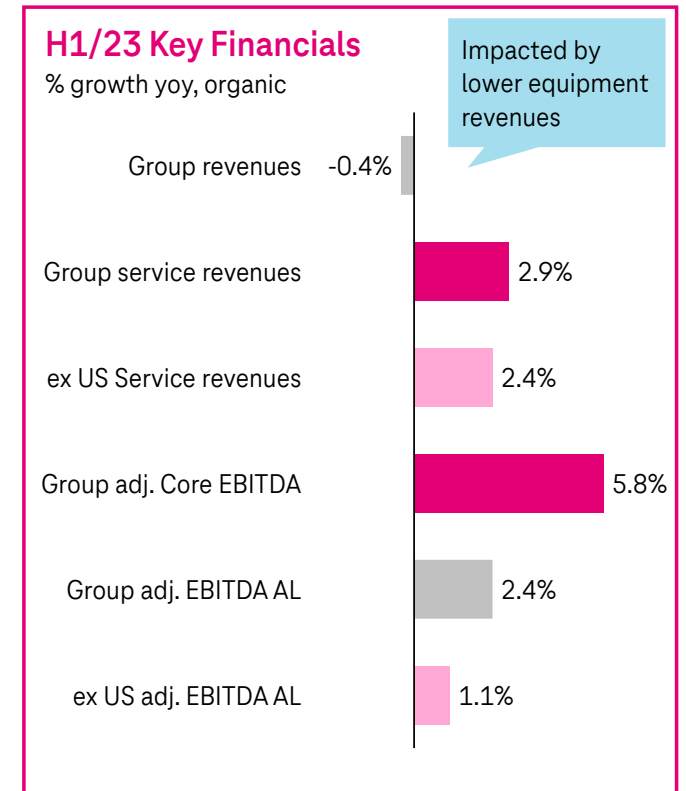
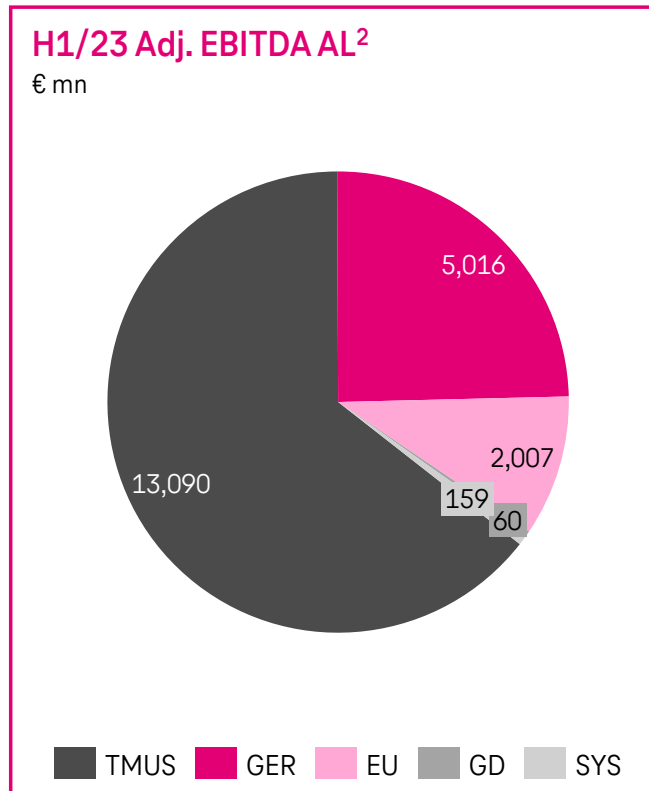
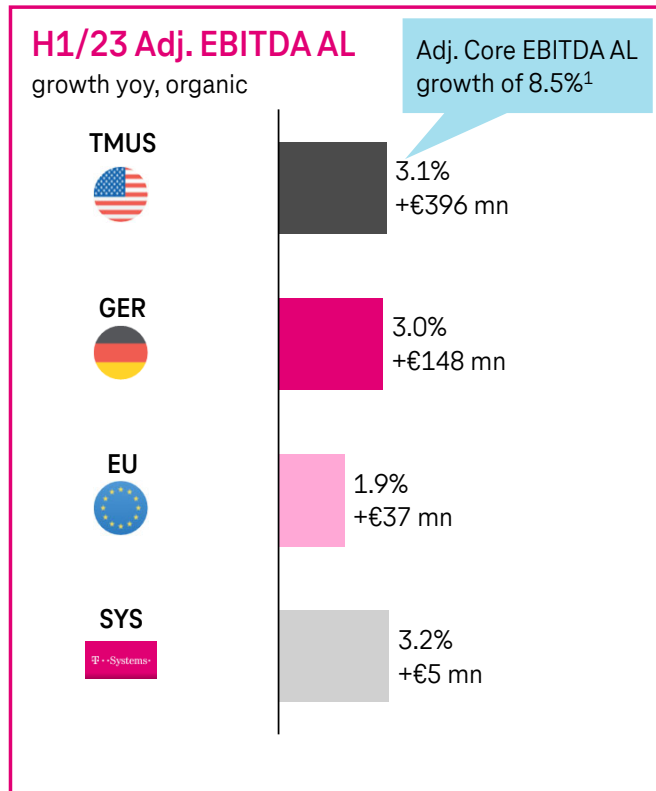
H1/2023 Highlights

- Organic growth: Group service revenues growing 2.9%, Group adj. core EBITDA +5.8%. FCF AL +10.9%
- Guidance for 2023 EBITDA AL growth raised on both sides of the Atlantic
- TM US increases outlook for 2023 customer growth
- Around 15mn European households passed with FTTH
- DT and GdW agree on FTTH roll-out blueprint for housing associations in Germany
- DT stake in TM US increased to 51.3% end of June
- S&P has raised DT's rating to "BBB+" with stable outlook



Financials H1/2023 organic

strong organic growth



¹ according to IFRS. US GAAP growth is 10.0%. Adj. Core EBITDA excludes decreasing handset leasing revenues (US\$ -0.6 bn yoy) ² Excl. GHS. Group EBITDA AL €20,002 mn

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.

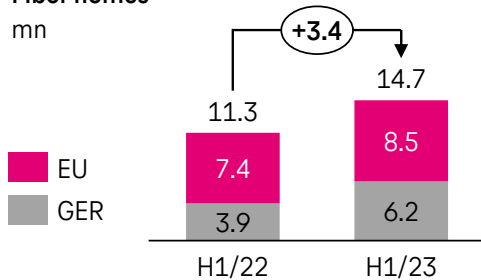
This view is different to the consolidated financial statements of DT where Group Development is treated as a discontinued operation. For more details, please refer to the back-up to this presentation, respectively the interim report of DT both available at www.telekom.com/en/investor-relations

Networks

leading with 5G, FTTH on track

FTTH (1 Gbps)

Fiber homes
mn



GER

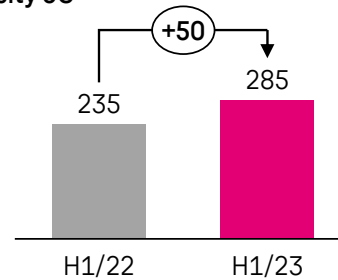
- On track for >2.5mn new HHs in 2023
- German fixed network: DT No. 1 in “connect” fixed network test

EU

- On track for 10mn HHs with 1Gbps by 2024. Coverage now at 33% of HHs

5G TM US

Ultra capacity 5G¹
mn POPs



Network Leader

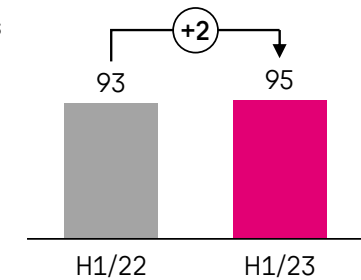
- TM US wins in every category for overall network performance from Ookla

5G

- 5G network coverage 98% of Americans

5G ex US

Germany
% of POPs



GER

- Mobile network wins “connect” best network award for the 25th consecutive year

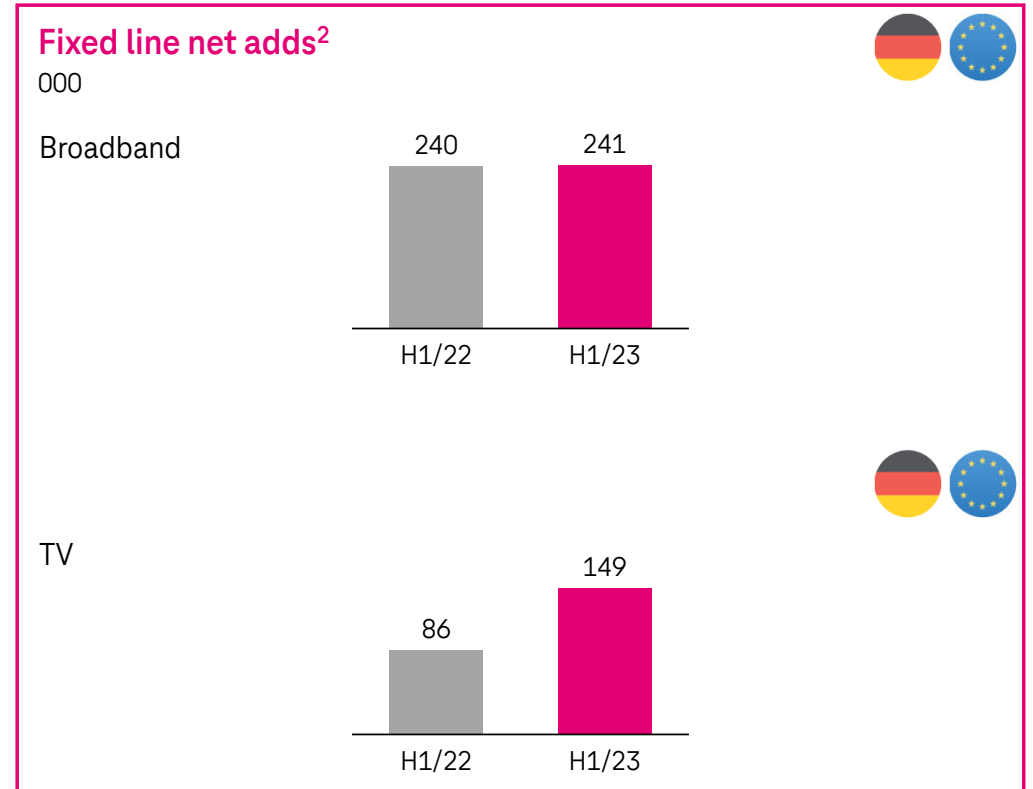
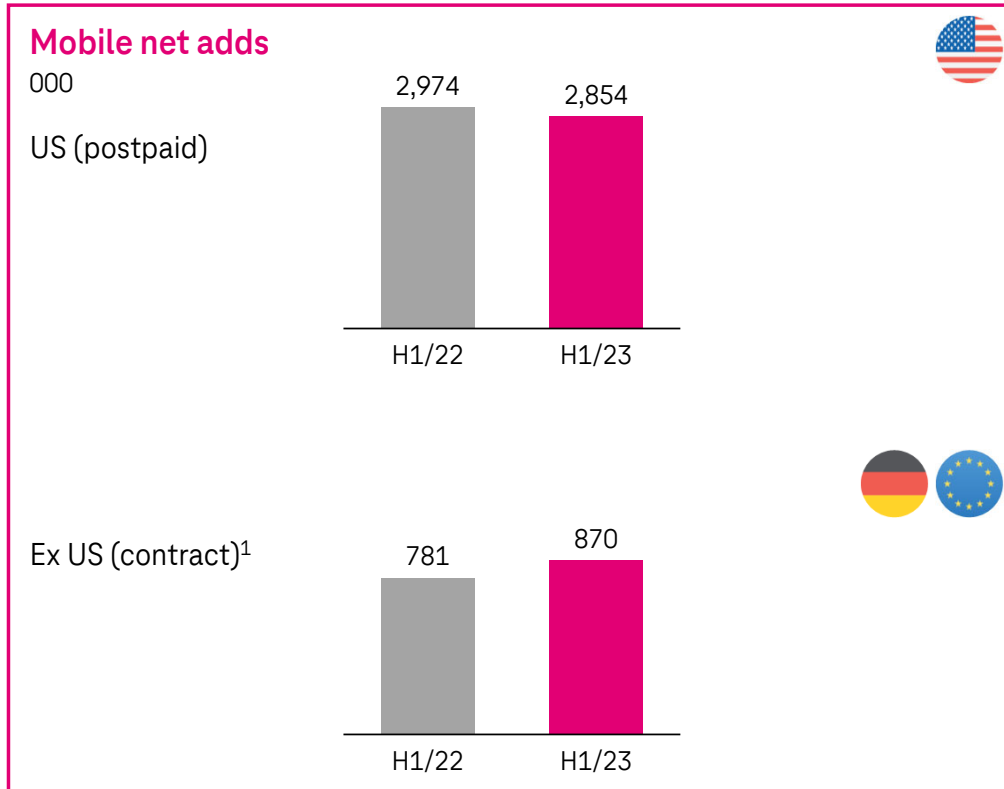
EU

- Leap in 5G coverage: 59% POP coverage end of Q2/23. Up 8pp sequentially

¹ Ultra capacity on 2.5 GHz

Customers

growing strongly



¹ GER + EU. GER: own brand only ² GER + EU

DT climate targets

sharpened ambitions

Climate ambitions

(in line with SBTi requirements)

- 2021** **Renewable electricity**
 as of 2021 ✔

- 2025** Reduce **direct and indirect emissions** from within our
 company to net-zero (Scope 1 – 2)

- 2030** Reduce **Scope 1 – 3 Emissions by 55%**
 against 2020 by 2030. NEW¹

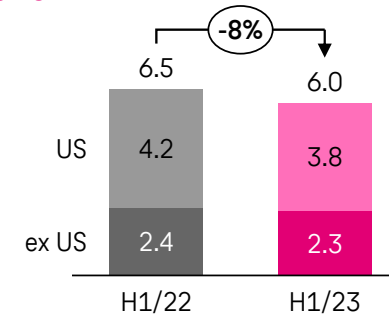
- 2040** **Climate-neutral company**
 Reduce **Scope 1 – 3 Emissions to Net Zero**
 (with at least 90% reduction) NEW¹

Drivers of CO₂ emissions (FY 2022)

Scope 1: own activities	Scope 2: purchased activities	Scope 3: value chain
212 ktons (-10% since 2020)	21 ktons (-99% since 2020)	12,287 ktons 21% downstream: customers 79% upstream: supply chain

Energy consumption

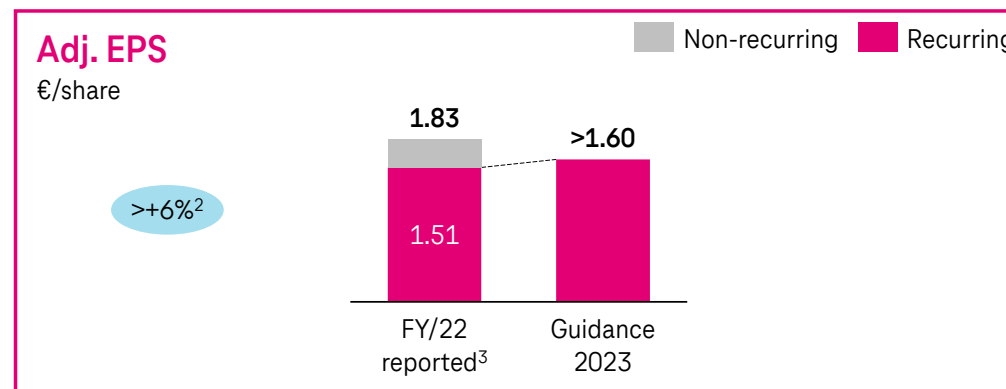
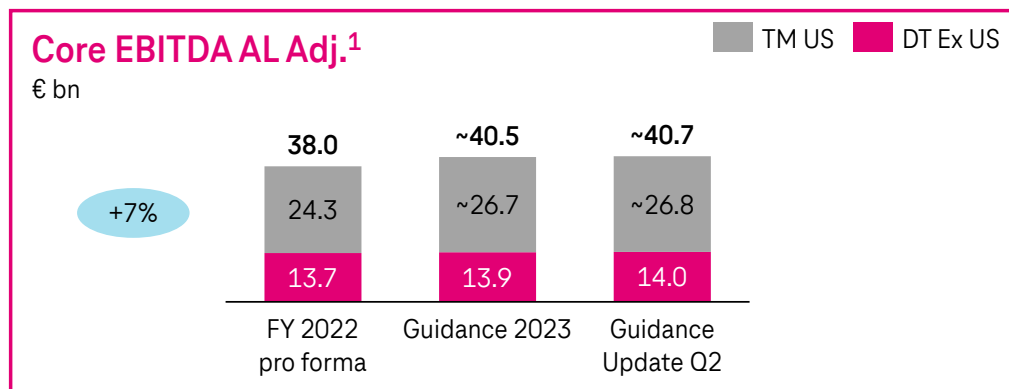
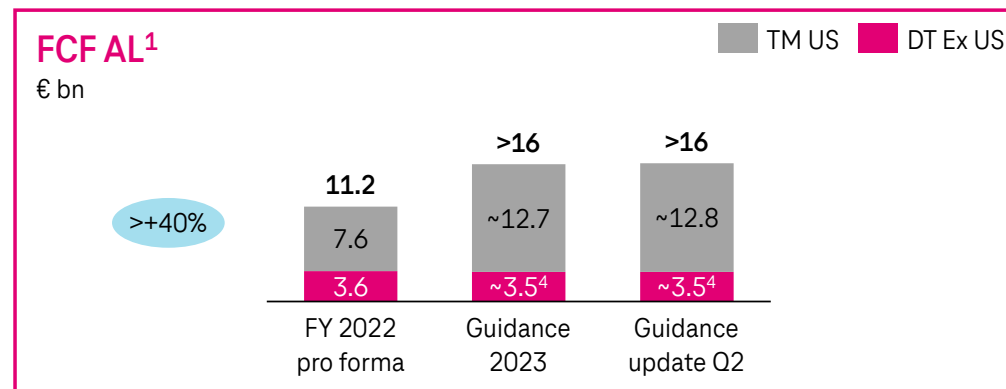
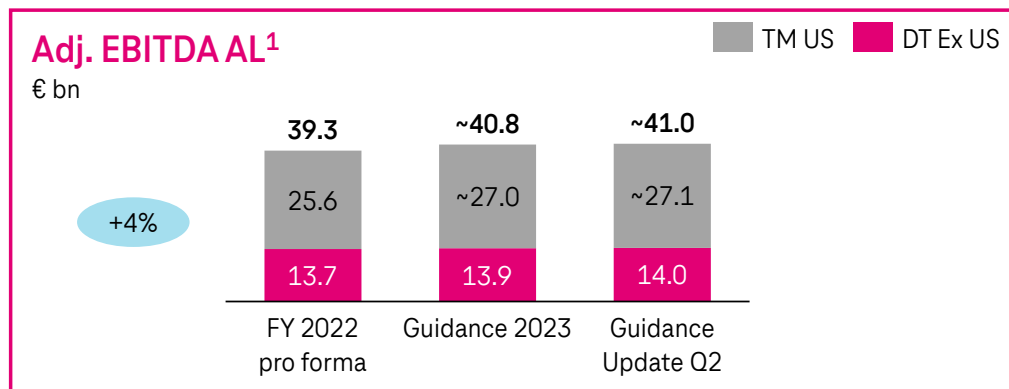
mn MWh



¹ announced in April 2023

Updated Guidance 2023

continued growth – 2nd upgrade



¹ TM US guidance is based on midpoint of US GAAP guidance of US\$ 29.2 - 29.5 bn adj. EBITDA; of US\$ 28.9 - 29.2 bn core adj. EBITDA and of US\$ 13.2 - 13.6 bn FCF. Guidance assumes a negative bridge of US\$0.8 - 0.85 bn on adj. EBITDA and core adj. EBITDA upon translation into IFRS. Based on 1€ = US\$1.05. ² On recurring basis ³ Non-recurring elements in adj. EPS include gains from financial instruments, the contribution from T-Mobile NL in Q1/22, the held-for-sale effect Towers and the interest effect on the valuation of the civil service health insurance fund. ⁴ Includes €0.2 bn of cash returns and €0.15 bn cash taxes related to tower transaction

Q2 2023 results

Review segments and financials

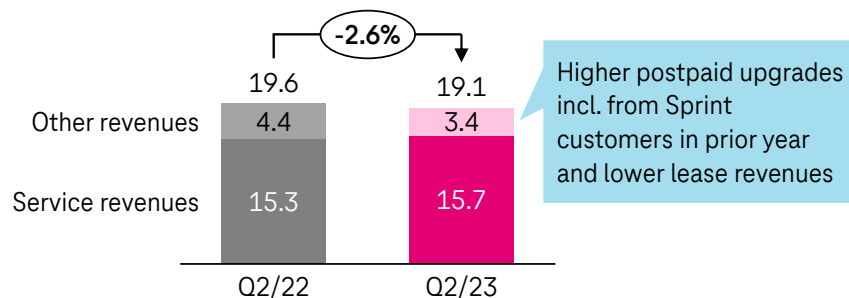
T-Mobile US

strong financial growth



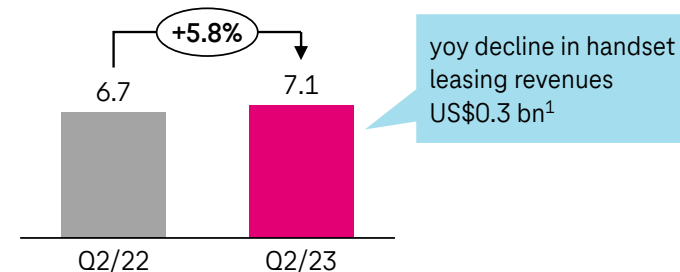
Revenues (IFRS)

US\$ bn



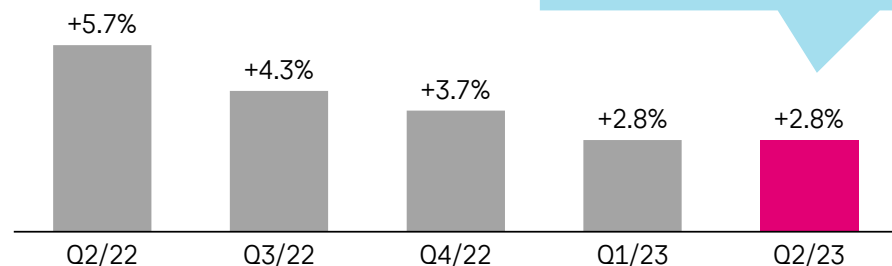
Adj. EBITDA AL (IFRS)²

US\$ bn



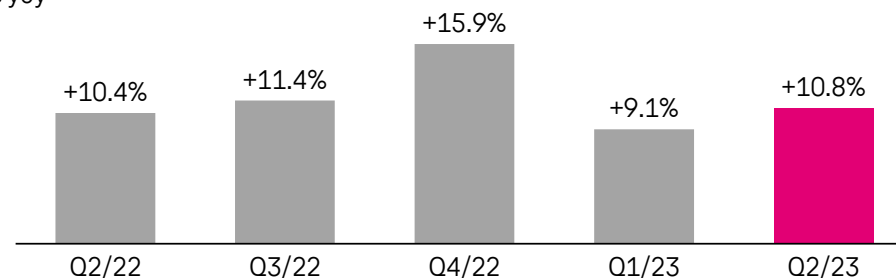
Service revenue (US GAAP)

% yoy



Core adj. EBITDA (US GAAP)

% yoy

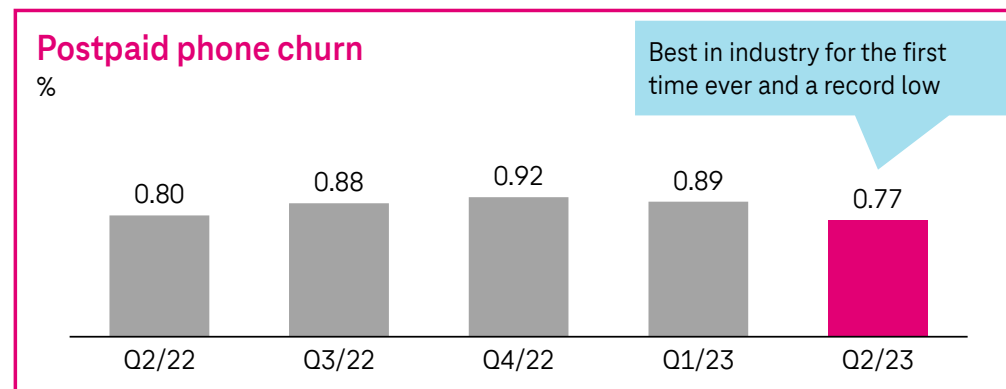
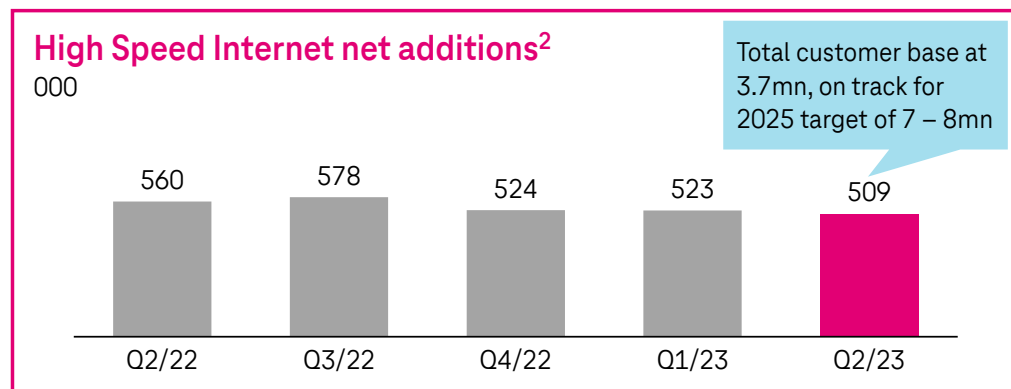
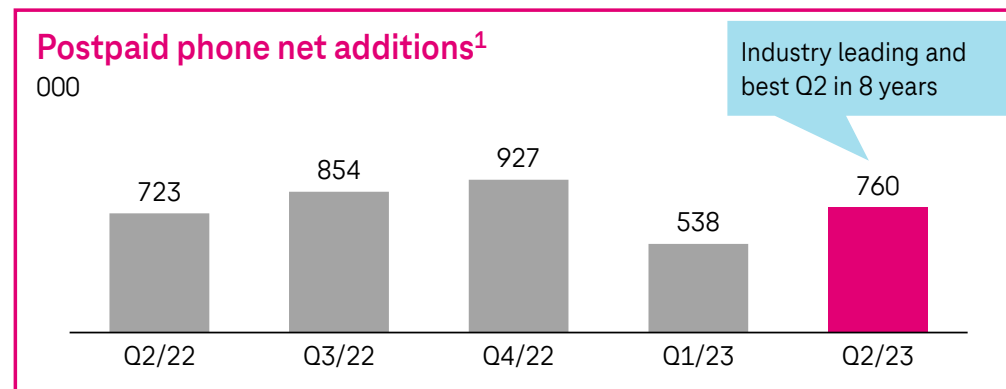
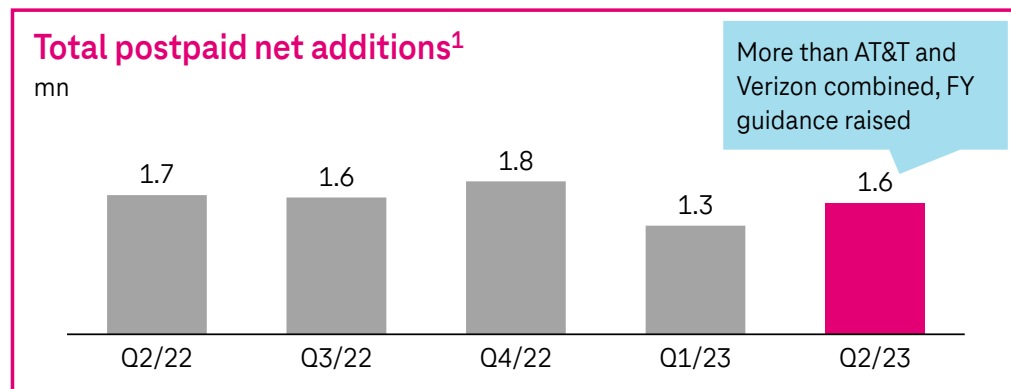


¹ TM US has refocused its distribution policy towards Equipment Installment Plans, which results in a decrease of handset leasing revenues and a corresponding decline in revenue and EBITDA AL. Service revenues are not impacted.

² For IFRS bridge please refer to appendix.

T-Mobile US

consistent growth in all customer categories



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 284,000 postpaid phone customers, 946,000 postpaid other customers and 28,000 prepaid customers in the second quarter of 2022. 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

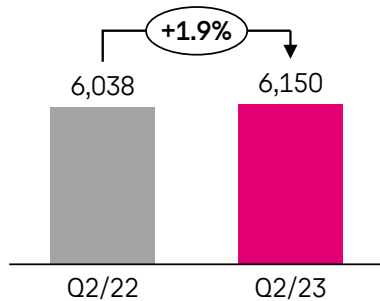
Germany

27th consecutive quarter of EBITDA growth



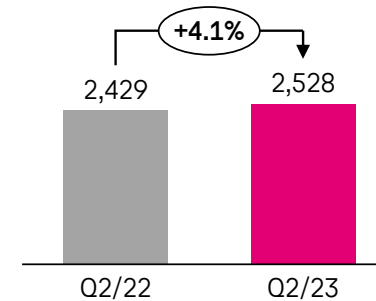
Revenues (as reported)

€ mn



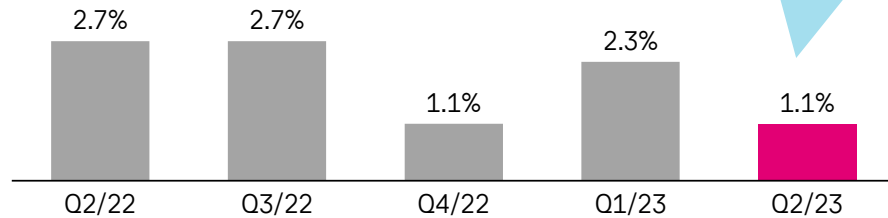
Adj. EBITDA AL (as reported)

€ mn



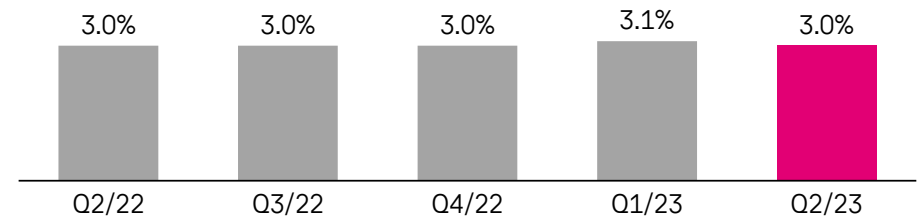
Revenue growth (organic)

% yoy



Adj. EBITDA AL (organic)

% yoy



As of Q1/23 the Multimedia Solutions unit (MMS) was transferred from the Systems Solutions segment to the Germany segment impacting revenue and EBITDA AL. In addition, the sale of the tower business impacted EBITDA AL. The organic trend is adjusted for these changes. Organic growth rates for 2022 were not re-stated and remain as previously disclosed.

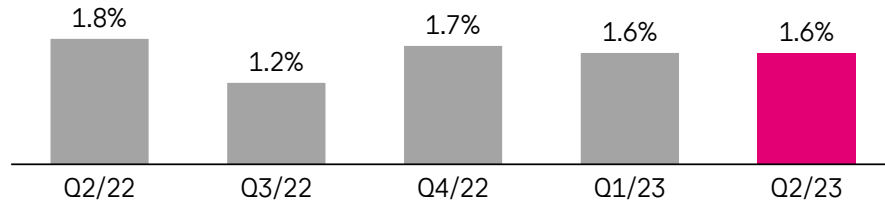
Germany

service revenues: growing across the board



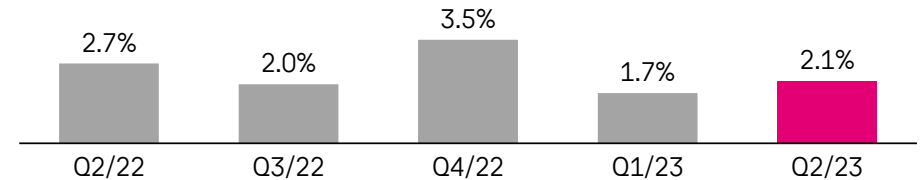
Total service revenue growth (organic)¹

% yoy



Mobile service revenue growth (organic)

% yoy



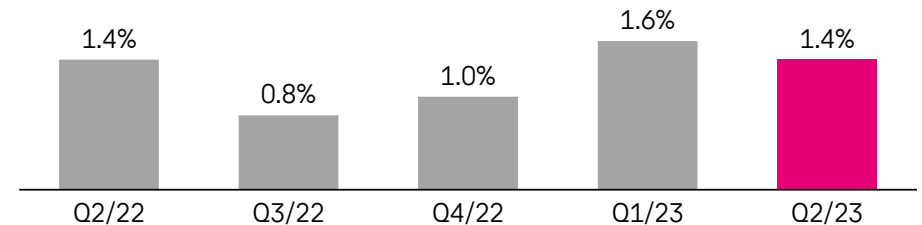
Revenue growth (reported)

% yoy

- Reported Total Service revenue growth +2.4%
- Reported Fixed Service revenue growth +2.5%
- Reported Mobile Service revenue growth +2.1%

Fixed service revenue growth (organic)¹

% yoy



1) As of Q1/23 the Multimedia Solutions unit (MMS) was transferred from the Systems Solutions segment to the Germany segment impacting revenue (Total and Fixed Service revenue). The organic trend is adjusted for these changes. Organic growth rates for 2022 were not re-stated and remain as previously disclosed.

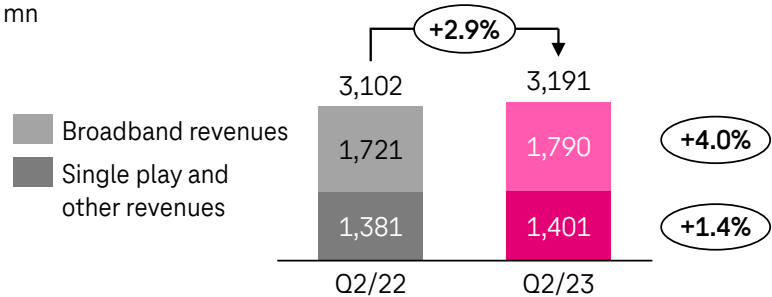
Germany

fixed revenues: strong broadband growth



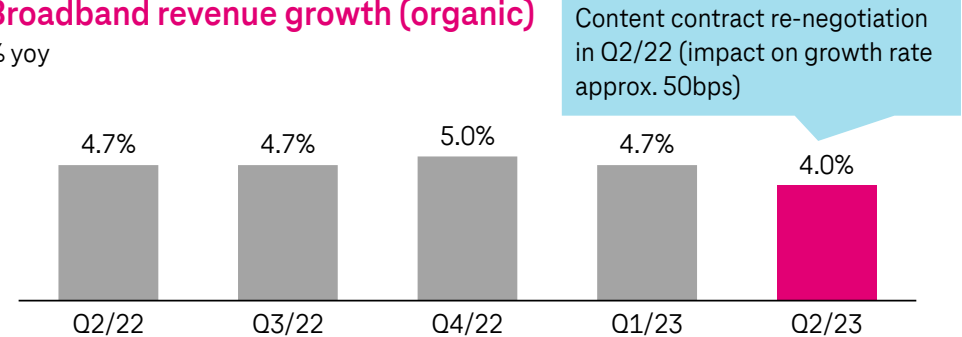
Retail fixed revenues (as reported)

€ mn



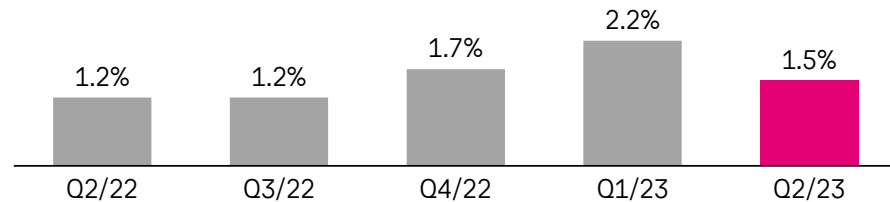
Broadband revenue growth (organic)

% yoy



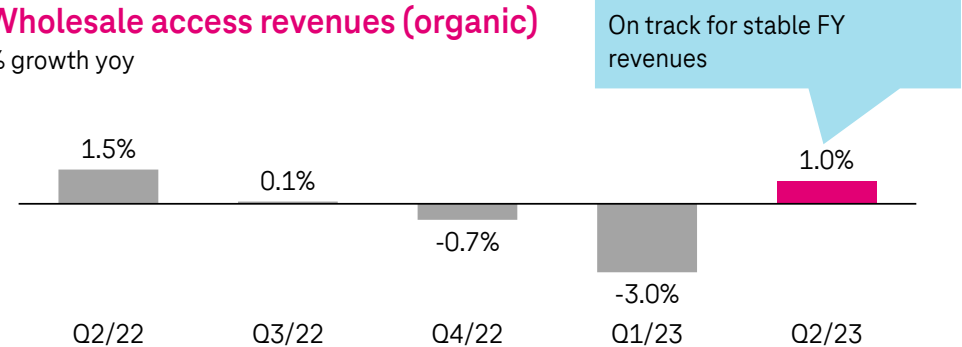
Retail fixed revenue growth (organic)

% yoy



Wholesale access revenues (organic)

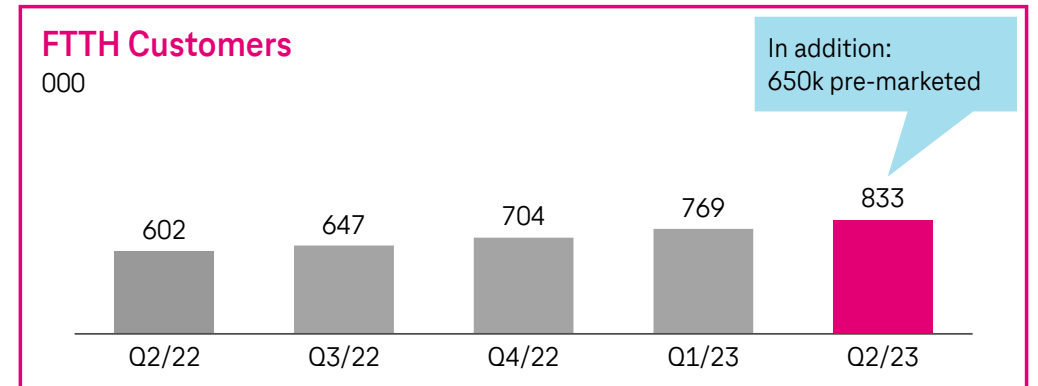
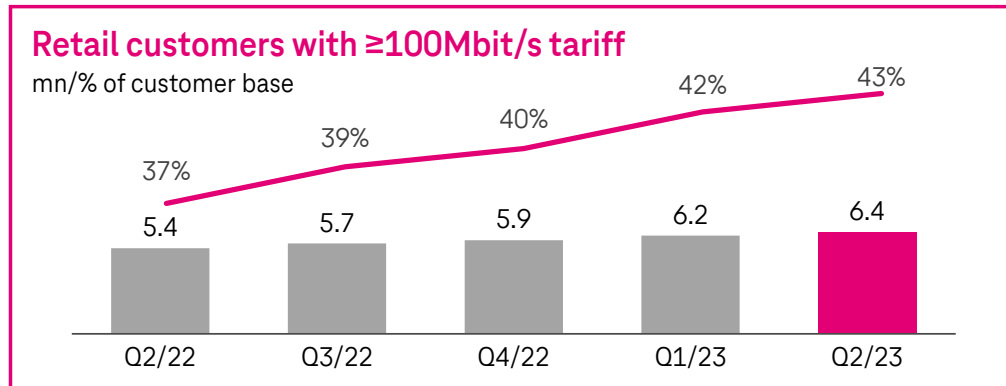
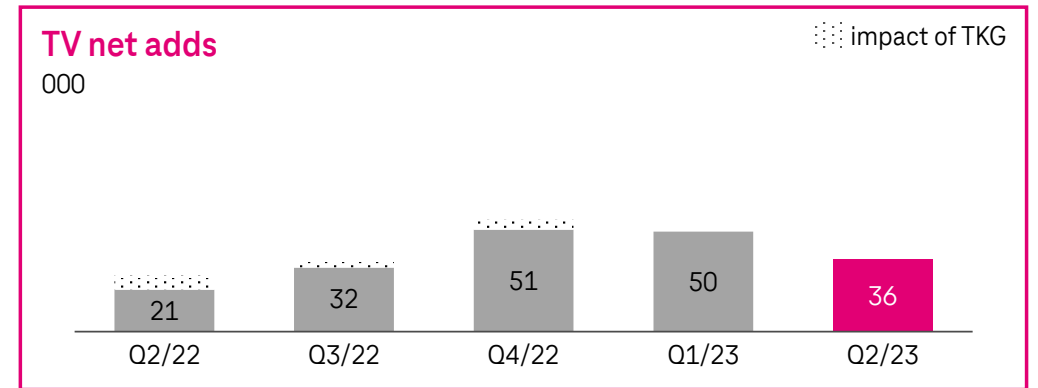
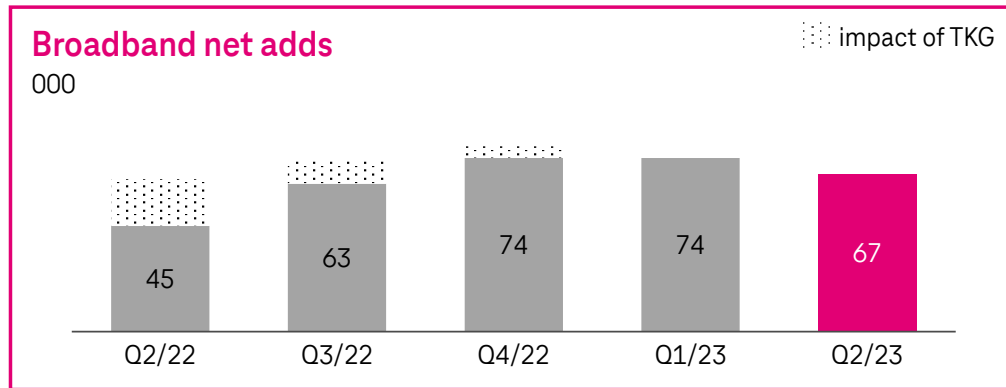
% growth yoy



As of Q1/23 the Multimedia Solutions unit (MMS) was transferred from the Systems Solutions segment to the Germany segment impacting revenue (Retail Fixed revenue). The organic trend is adjusted for these changes. Organic growth rates for 2022 were not re-stated and remain as previously disclosed.

Germany

fixed KPIs: net adds improved, strong upselling continues



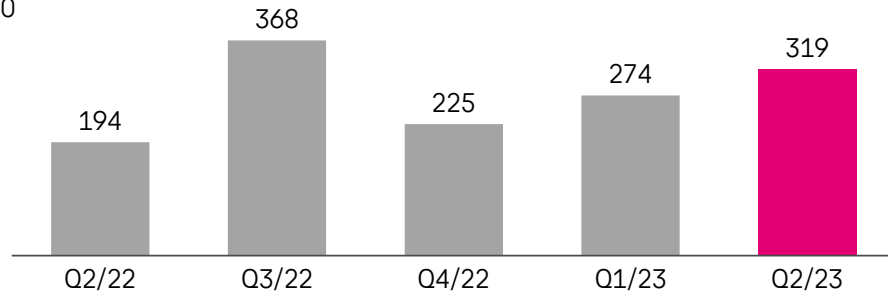
Germany

mobile KPIs: strong customer intake



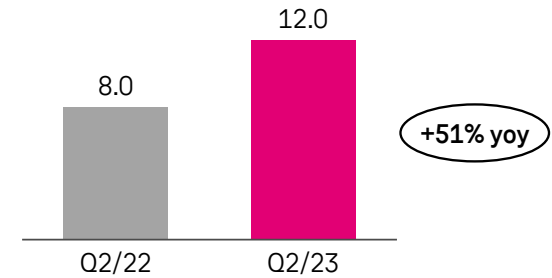
Branded contract net adds¹

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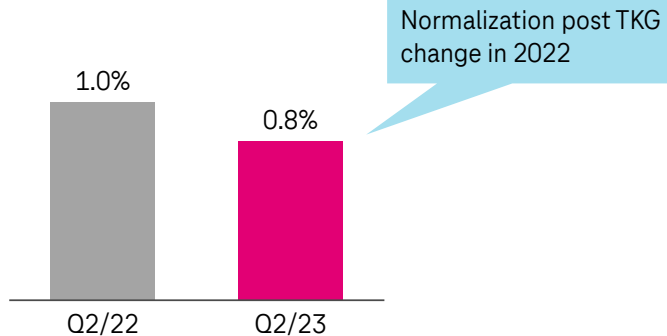
Data usage²

GB per month



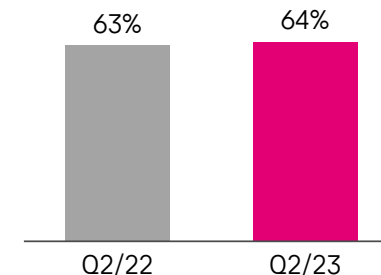
Churn²

%



Magenta EINS share (mobile)³

%



¹ Own branded retail customers excl. multibrand, consumer IoT and "Schnellstarter"

² Of B2C T-branded contract customers

³ Of B2C T-branded contract customers

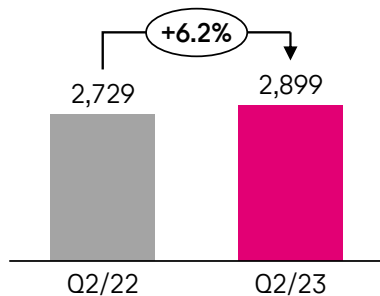
Europe

22nd consecutive quarter of organic EBITDA growth



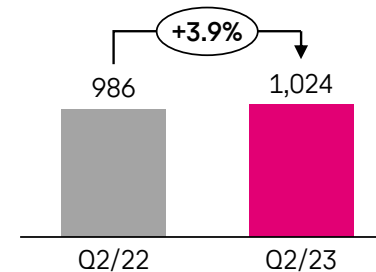
Revenues (as reported)

€ mn



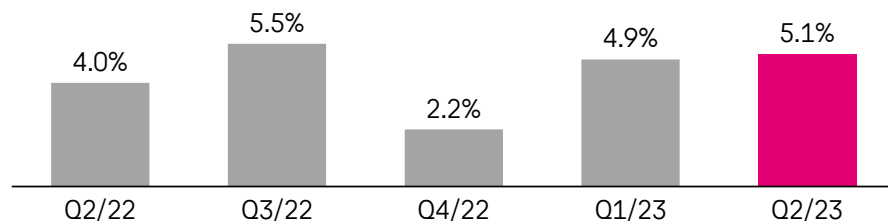
Adj. EBITDA AL (as reported)

€ mn



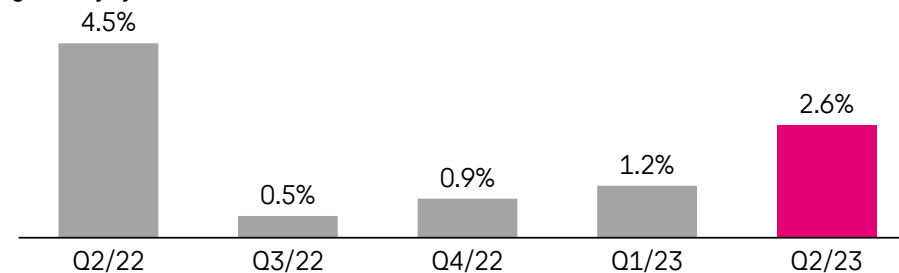
Revenues (organic)

% growth yoy



Adj. EBITDA AL (organic)

% growth yoy



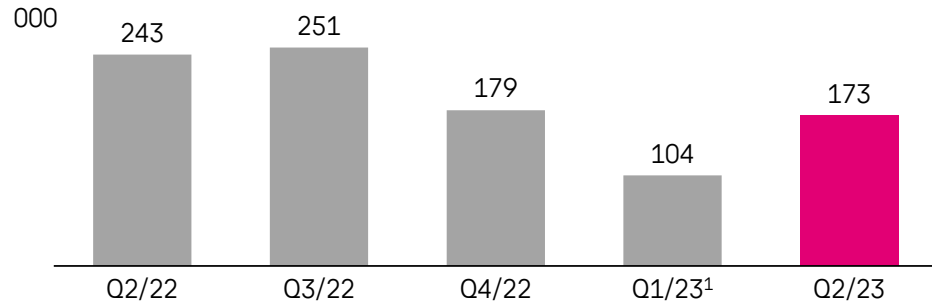
As of Q3/22 the revenue recognition for certain customer transactions (principal agent) was changed. Growth rates for 2022 are presented on a re-stated basis.

Europe

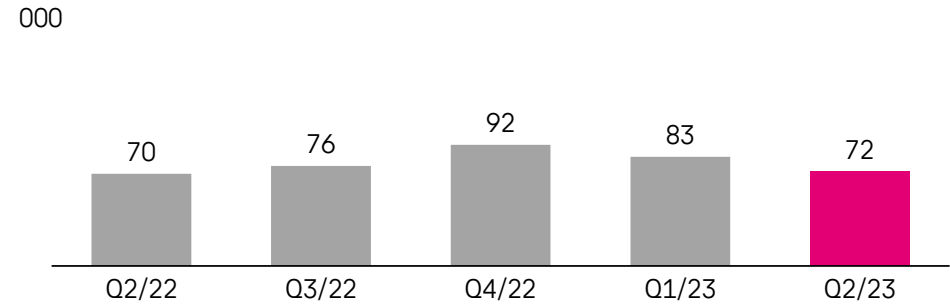
strong commercial performance



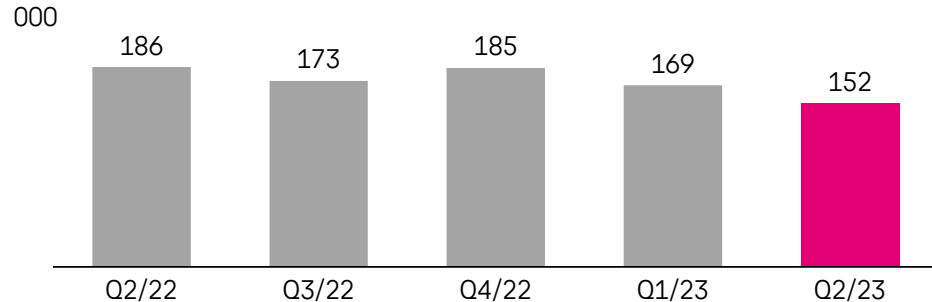
Mobile contract net adds



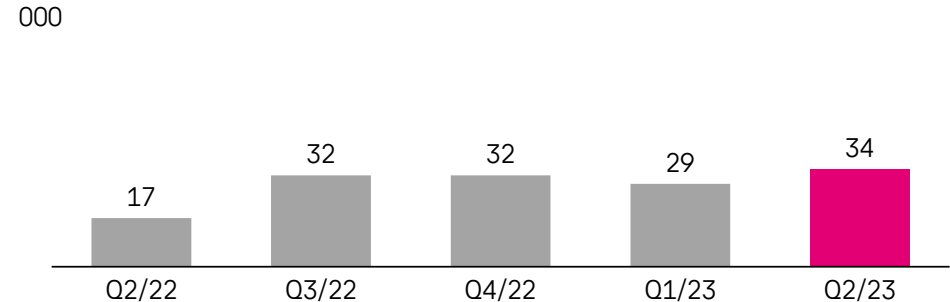
Broadband net adds



FMC net adds



TV net adds



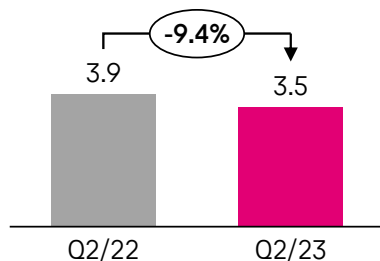
¹ Q1/23 Mobile contract net adds negatively impacted by 33k re-classifications from contract to prepay in Hungary

Systems Solutions

on track for stated targets

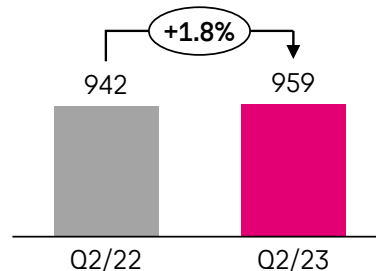
Order entry (LTM)

€ bn



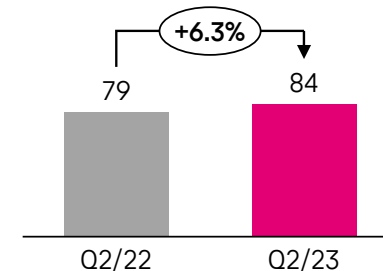
Revenues (as reported)

€ mn



Adj. EBITDA AL (as reported)

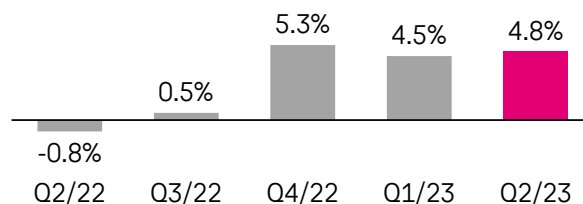
€ mn



- Order entry driven by phasing
- Revenue driven by strong momentum in digital solutions compensating classic IT business run down

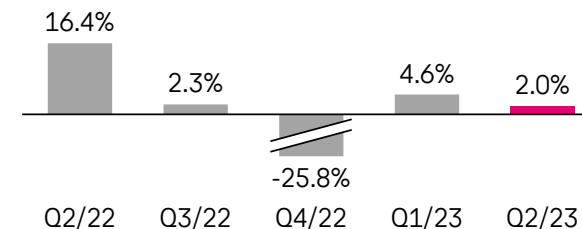
Revenues (organic)

% growth yoy



Adj. EBITDA AL (organic)

% growth yoy



As of Q3/22 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.

Financials H1/2023 reported

driven by phasing and tower sale

€ mn

Q2

H1

	2022	2023	Change	2022	2023	Change
Revenue	27,888	27,221	-2.4%	55,634	55,060	-1.0%
Adj. EBITDA AL	9,891	10,038	+1.5%	19,763	20,002	+1.2%
Adj. EBITDA AL (excl. US) ¹	3,554	3,484	-2.0%	7,255	6,911	-4.7%
Adj. Net profit	2,445	1,887	-22.8%	4,683	3,846	-17.9%
Net profit	1,460	1,539	+5.4%	5,409	16,899	+212.4%
Adj. EPS (in €)	0.49	0.38	-22.4%	0.94	0.77	-18.1%
Free cash flow AL ²	2,759	3,522	+27.7%	6,540	7,101	+8.6%
Cash capex ²	4,984	4,422	-11.3%	9,642	9,181	-4.8%
Net debt excl. leases (AL)	106,289	97,174	-8.6%	106,289	97,174	-8.6%
Net debt incl. leases (IFRS 16)	146,104	136,893	-6.3%	146,104	136,893	-6.3%

¹ Decline due to de-consolidation of Group development. Organic growth rate of +1.6% in Q2.

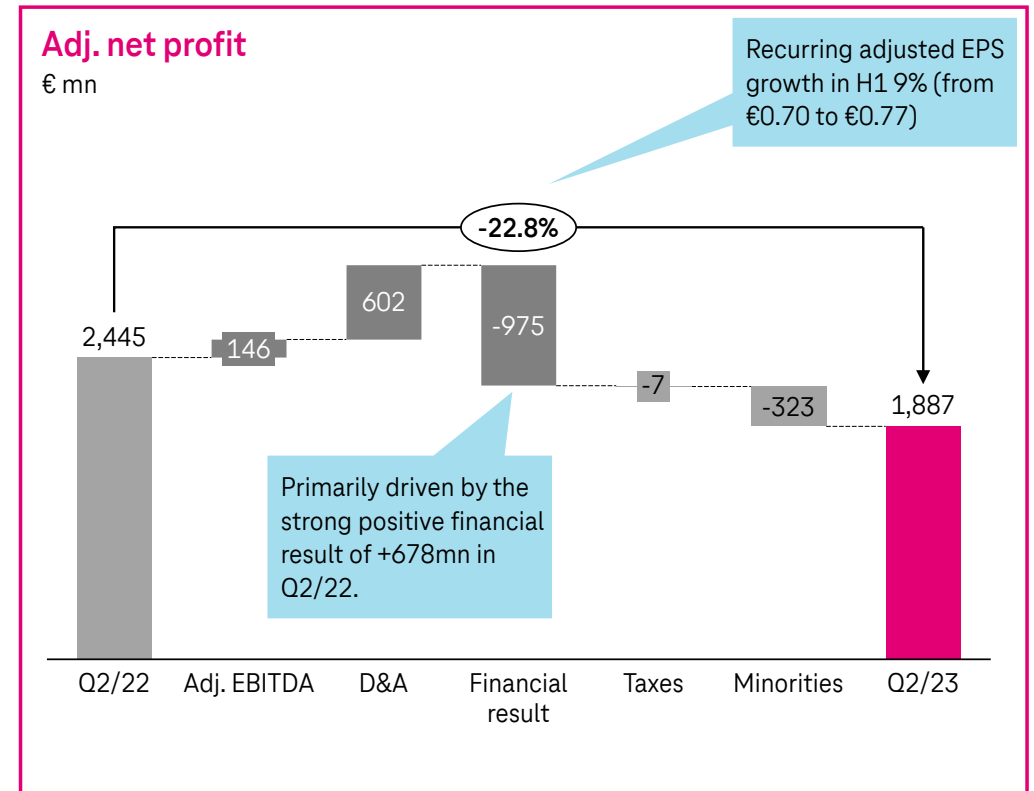
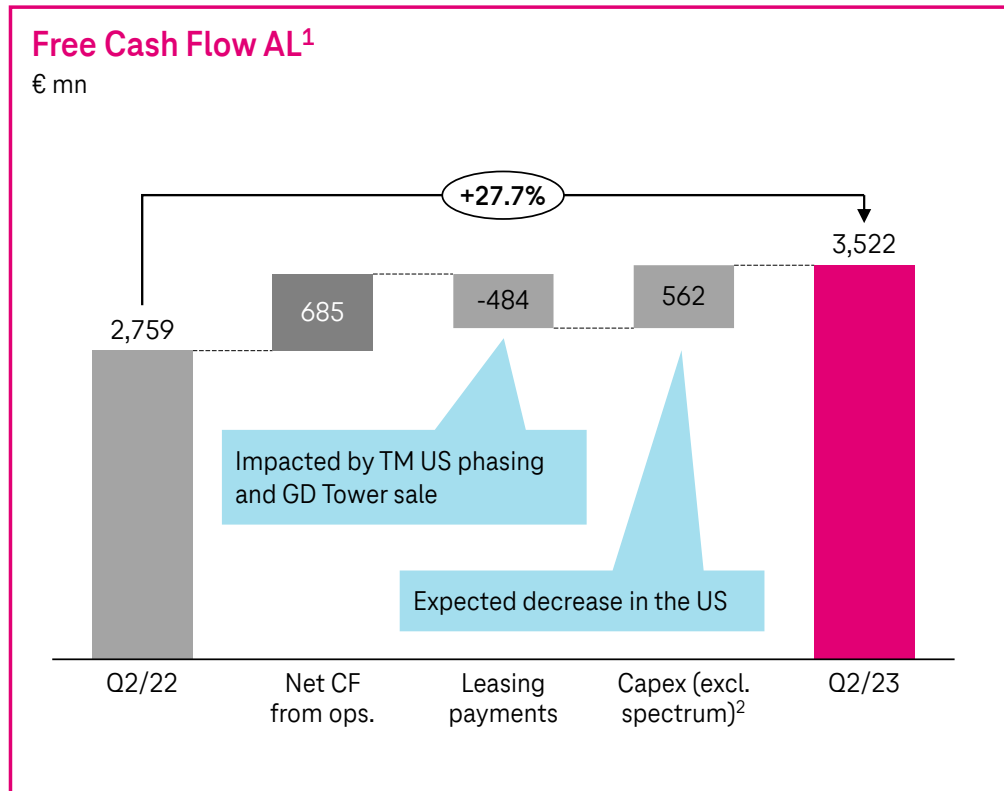
² Free cash flow AL before dividend and before spectrum investments. Cash capex before spectrum investment. Spectrum: Q2/22: €102 mn; Q2/23: €189 mn. H1/22: €2,616 mn; H1/23 €255 mn

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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

FCF AL and net profit

free cash flow driven by lower US capex and EBITDA growth



¹ Free cash flow and FCF AL before dividend payments and spectrum investment. ² Spectrum: Q2/22: €102 mn; Q2/23: €189 mn.

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.

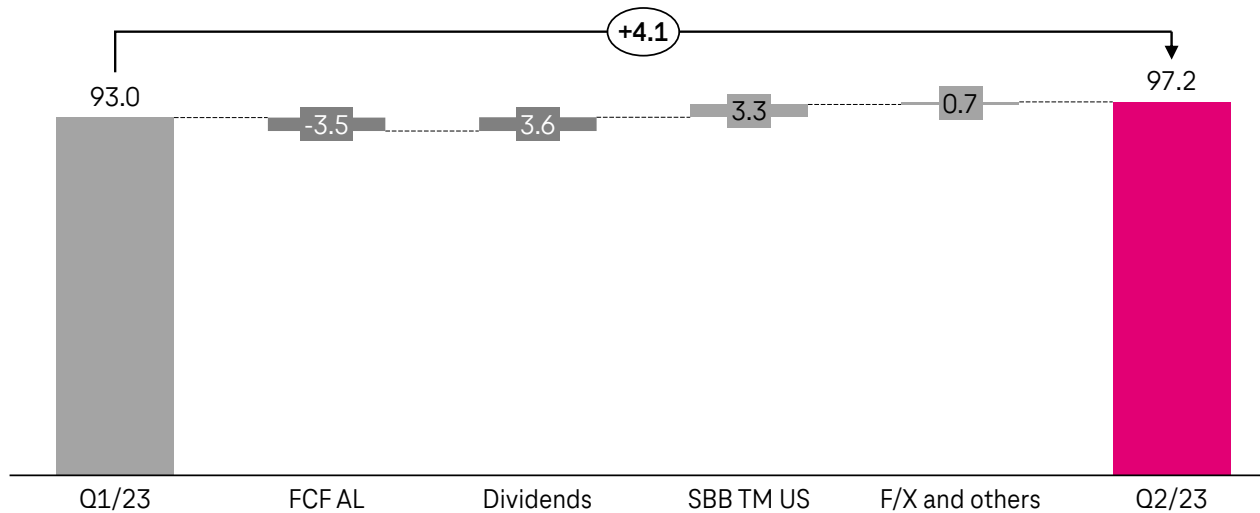
This view is different to the consolidated financial statements of DT where Group Development is treated as a discontinued operation. For more details, please refer to the back-up to this presentation, respectively the interim report of DT both available at www.telekom.com/en/investor-relations

Net debt

leverage ex leases at 2.40x

Net debt excl. leases (AL)

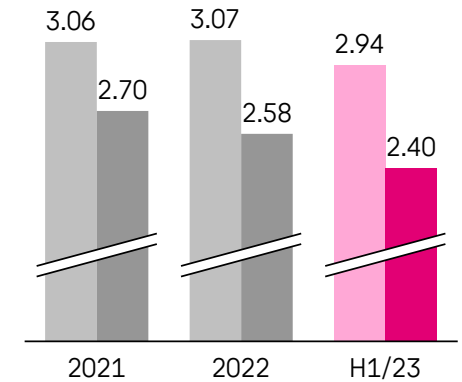
€ bn



Following upgrade by S&P all 3 rating agencies back to BBB+ and stable outlook

Leverage ratios

Incl. Leases
Excl. Leases



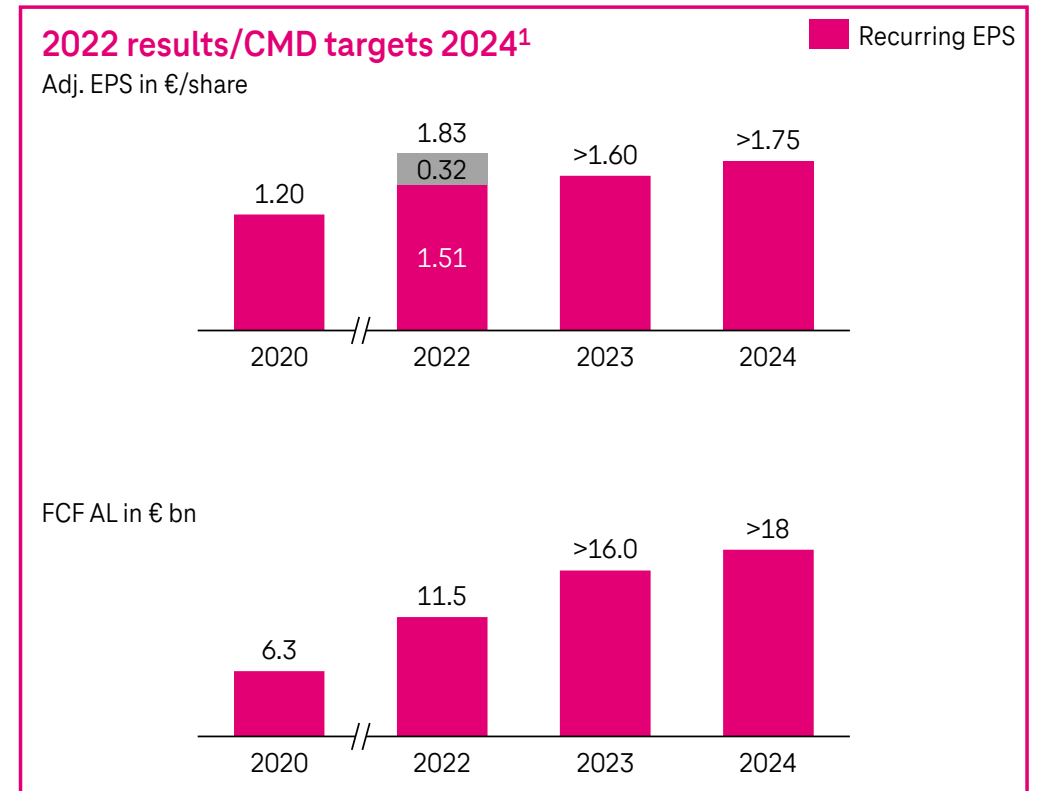
H1 2023 results

Main takeaways

H1 2023 Key messages

delivering reliable and consistent growth

- Commercial performance continues unabated in all markets
- Germany on 27, EU on 22 successive quarters of organic EBITDA AL growth despite significant headwinds in H1
- FY 2023 Guidance raised on both sides of the Atlantic
- Fiber roll-out on track for medium term targets
- Further executing on TM US buyback; DT stake >50%
- Ex lease leverage down to 2.40 by end of June. All 3 rating agencies now back to BBB+ and stable outlook
- Well on track for targets from 2021 CMD



¹ 2024e guidance based on 1€ = 1.14 US\$, 2023e based on 1€ = 1.05 US\$

Q2 2023 results

Appendix

Organic growth rates

In %

	Q2/23 over Q2/22	H1/23 over H1/22
Group revenues	-0.4	-0.4
Group service revenue	+3.2	+2.9
Service revenue excl. US	+2.6	+2.4
Group Adj. EBITDA AL	+3.8	+2.4
Adj. EBITDA AL excl. US	+1.6	+1.1
Group adj. Core EBITDA AL ¹	+7.1	+5.8

¹ adj. EBITDA AL excl. TM US handset leases

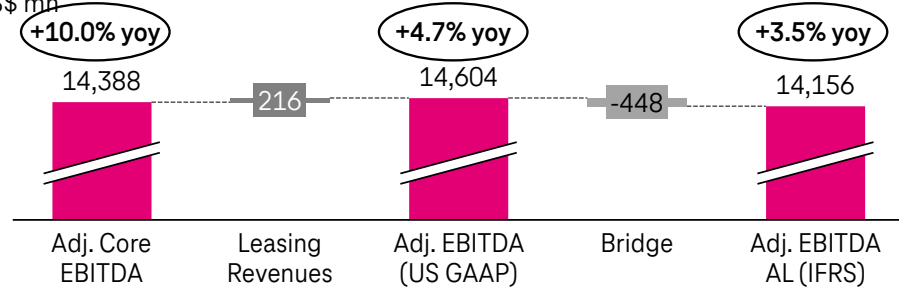
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TM US: EBITDA reconciliation

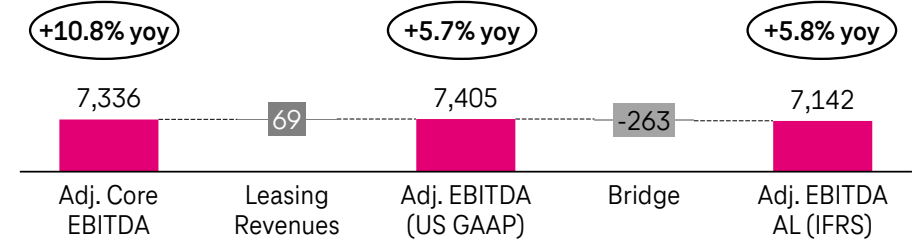
H1/23

US\$ mn



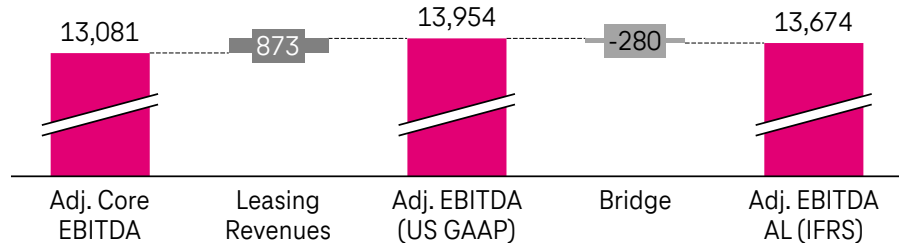
Q2/23

US\$ mn



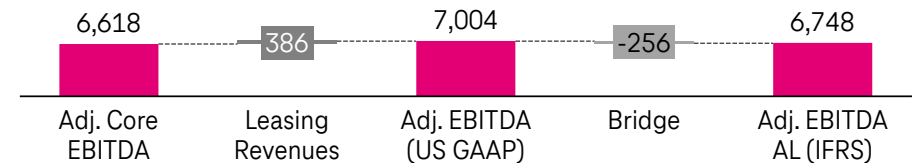
H1/22

US\$ mn



Q2/22

US\$ mn



FCF AL excl. US

€ bn

	H1 2022	H1 2023
Adj. EBITDA AL	7.3	6.9
Cash Capex	-3.2	-3.8
Proceeds from sale of fixed assets	+0.1	+0.0
Special Factors Cash	-0.6	-0.5
Interest ex leasing	-0.4	-0.5
Cash Taxes	-0.2	-0.4
Other (working capital etc.)	+0.3	+0.5
FCF AL	3.3	2.2

adj. EBITDA AL due to de-consolidation of the Dutch business and GD Towers.
Organic growth rate of +1.1%

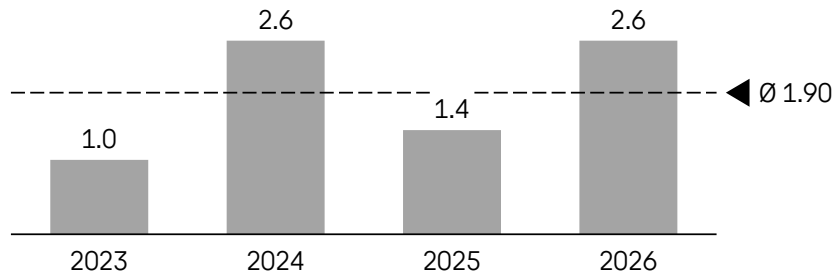
Capex front-loaded in 2023 vs. 2022

Financials

well balanced maturity profile with strong liquidity reserve

Ex US bonds maturing

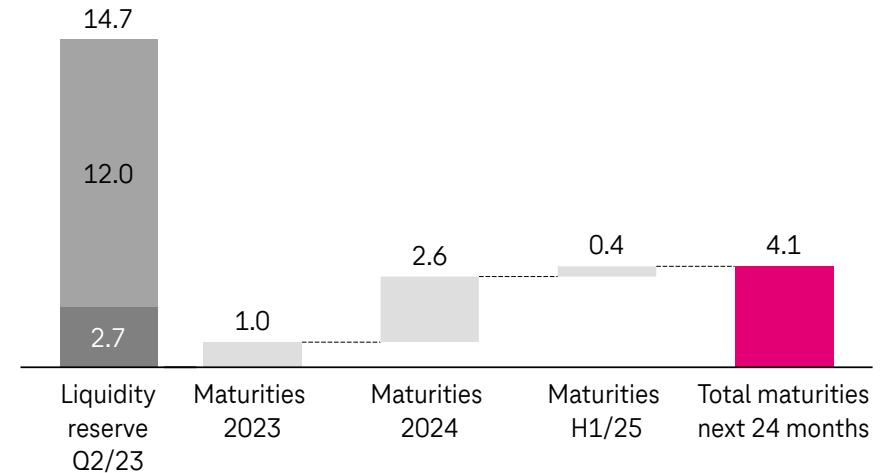
€ bn



Ex US liquidity position

€ bn

■ Credit lines
■ Liquid assets







- Additional \$1.5 bn of outstanding TM US shareholder loans (to be repaid by 2028 at the latest)

Balance sheet deleveraging as promised

€ bn	30/06/2022	30/09/2022	31/12/2022	31/03/2023	30/06/2023
Balance sheet total	301.7	321.4	298.6	303.8	299.7
Shareholders' equity	88.5	94.5	87.3	98.7	94.4
Net debt excl. leases (AL)	106.3	109.5	103.7	93.0	97.2
Net debt excl. leases (AL)/adj. EBITDA AL ¹	2.77	2.79	2.58	2.31	2.40
Net debt incl. leases (IFRS 16)	146.1	151.7	142.4	133.5	136.9
Net debt incl. leases IFRS 16/adj. EBITDA ¹	3.28	3.34	3.07	2.87	2.94
Equity ratio	29.3%	29.4%	29.2%	32.5%	31.5%

Comfort zone ratios

Rating: A-/BBB	
2.25 – 2.75 Net debt IFRS 16/Adj. EBITDA	
25 – 35% equity ratio	
Liquidity reserve covers redemptions of the next 24 months	

Current rating

Fitch:	BBB+	stable outlook
Moody's:	Baa1	stable outlook
S&P:	BBB+	stable outlook

¹ Ratios for the interim quarters calculated on the basis of previous 4 quarters.

Guidance 2023

compared to consensus

€ bn

	Guidance 2023 in € @ 1.05	Guidance 2023 in € @ 1.09	Consensus in € @ 1.09
Adj. EBITDA AL Group	~41.0	~40.0	40.4
thereof ex US	14.0	14.0	14.1
thereof TM US	~27.1	~26.1	26.3
Adj. Core EBITDA Group	~40.7	~39.7	39.8
thereof ex US	14.0	14.0	14.0
thereof TM US	~26.8	~25.8	25.9 ³
FCF AL	>16	>16	16.0
thereof ex US	~3.5 ¹	~3.5 ¹	3.5
thereof TM US	~12.8	~12.5	12.5 ²
Adj. EPS	>1.60	n.a.	1.60

ex US includes one month of GD Towers in 2023. Guidance is without GD.

Consensus uses €0.7bn bridge on TM US.
Guidance assumes US\$ 0.8 to 0.85 bn US GAAP to IFRS bridge.

¹ Includes €0.2 bn of cash returns and €0.15 bn cash taxes related to tower transaction. ² Calculated by using the DT pre-results Group consensus of €16.3bn and subtracting ex US contribution.

³ Calculated by using the DT pre-results consensus of US\$ 28,988 bn core adj. EBITDA and subtracting implied consensus bridge of €0.7bn

Outlook 2022/23 as per annual report 2022 (1/2)¹

€ bn

	2022 pro forma	2023e	2024e
Revenue Group	113.7	Slight increase	Slight Increase
Germany	24.7	Slight increase	Increase
US (in US\$)	79.3	Slight increase	Slight increase
Europe	11.2	Increase	Slight increase
Systems Solutions	3.7	Stable	Slight increase
Service Revs Group	91.6	Increase	Increase
Germany	21.7	Slight increase	Slight increase
US (in US\$)	61.2	Increase	Increase
Europe	9.3	Increase	Slight increase
Systems Solutions	3.6	Stable	Slight increase
Adj. EBITDA AL Group	39.3	Around 40.8	Strong Increase
Germany	9.9	10.2	Increase
US (in US\$)	27.0	28.4	Strong Increase
Europe	4.0	4.0	Increase
Systems Solutions	0.3	0.3	Increase

¹ See annual report 2022 for additional details

Outlook 2022/23 as per annual report 2022 (2/2)¹

€ bn

	2022 pro forma	2023e	2024e
Cash Capex Group	20.7	16.8	Stable
Germany	4.4	Slight increase	Slight increase
US (in US\$)	14.0	Strong decrease	Stable
Europe	1.8	Stable	Stable
Systems Solutions	0.2	Stable	Stable
FCF AL Group	11.2	>16	Strong increase
Adj. EPS	1.83	>1.60	Strong increase
Net debt/adj. EBITDA	3.07x	>2.75x	~2.75x

¹ See annual report 2022 for additional details. Adj. EPS and Net debt/adj. EBITDA as reported

Investor + Analyst Webcast with Q&A session

The conference call will be held on August 10 at 14:00 CEST, 13:00 BST, 08:00 EDT, 05:00 PDT, 21:00 JST
DT Participants: Tim Höttges (CEO), Christian Illek (CFO), Hannes Wittig (Head of IR)



- Live webcast
- Instant replay
- Available on all devices

- Detailed time stamps in video description for slides + Q&A:

Presentation	
👉	Tim Höttges (CEO): Group results + guidance
0:01:11	Welcome
0:01:22	Overview (p#4)
0:03:34	Financials reported: strong growth (p#5)
0:04:30	Financials organic: strong growth (p#6)



<https://dtag.webex.com/dtag/j.php?MTID=m0001201914627aa319c220172b4829bf>

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Further questions please contact the IR department

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