

– Check against delivery –

Conference call

Report on the first quarter of 2024

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A warm welcome from me, too, to the presentation of our results for the first quarter of 2024.

I would like to break down my comments into two sections:

- I will start by going into the development of key financials in the first quarter of 2024, so, free cash flow, reported and adjusted net profit, and net debt.
- I will then talk about the development of the operating segments in the first three months of 2024.

First, free cash flow. Free cash flow AL in the Group increased by 3.6 percent in the first quarter of 2024 to 3.7 billion euros. That is growth of 129 million euros.

The increase in net cash from operating activities had an increasing effect of 56 million euros.

Cash capex in the Group was down 98 million euros year-on-year.

In the United States, cash capex was down, as planned, by 379 million euros, following the completion of the merger with Sprint and the accelerated 5G build-out.

In the Group excluding the United States, cash capex was 281 million euros higher than in the first quarter of 2023. This was largely driven by a year-on-year increase of around 305 million euros in the Germany segment, primarily in connection with the accelerated FTTH roll-out. There are different seasonal effects at play here on cash outflows for investment.

The slight increase in lease payments of 33 million euros had a reducing effect on free cash flow AL.

We can confirm our full-year guidance for free cash flow both in the United States and in the Group outside of the United States. Overall, we expect further growth of around 16 percent in the Group's free cash flow compared to the same period of 2023.

Adjusted net profit increased by 14.2 percent year-on-year in the first quarter of 2024 to 2.2 billion euros. That is growth of 279 million euros.

Higher adjusted EBITDA by 541 million euros and lower depreciation, amortization and impairment losses by 50 million euros both had an increasing effect on adjusted net profit.

The tax expense increased by 173 million euros as a result of the year-on-year improvement in the operating business. The share of profit attributable to non-controlling interests also increased by 100 million euros compared with the prior-year quarter as a result of the improvement in earnings. Loss from financial activities increased slightly by 39 million euros.

Recurring adjusted earnings per share stood at 0.45 euros in the first quarter of 2024. This figure is up by 15.4 percent compared with the prior-year figure of 0.39 euros.

Reported net profit – including all special factors – declined substantially year-on-year to 1.98 billion euros, down from 15.36 billion euros in the first quarter of 2023.

Just a small reminder – in the first quarter of 2023, we had recognized a book gain of around 12.9 billion euros as a result of the sale of the majority stake in the cell tower portfolio in Germany and Austria.

This decrease in reported net profit, including all special factors, can therefore be almost entirely attributed to the fact that no factor of this kind occurred over the first three months of 2024.

That brings me to net debt and financial ratios compared with the end of 2023.

Net debt (excluding leases) increased slightly by 0.8 percent or 0.7 billion euros compared with the end of the fourth quarter of 2023 to 94.5 billion euros.

Free cash flow AL had a reducing effect of 3.7 billion euros in the first quarter of 2024.

In addition, the sale of T-Mobile US shares by Deutsche Telekom for 1.7 billion euros had a positive effect on net debt. This sale is carried out without jeopardizing the majority stake in T-Mobile US.

Increasing effects on net debt of around 2.0 billion euros included changes in exchange rates – in particular for the U.S. dollar, which was around 2.5 cents stronger compared with the end of 2023 – as well as various other factors.

Just to clarify: a stronger dollar leads to higher net debt year-on-year in the Group's accounting on a euro basis. However, when converting into euros, a stronger U.S. dollar would also have an increasing effect on the Group's revenue and earnings figures.

Further increasing effects were 3.3 billion euros from the T-Mobile US share buy-back program, and around 0.5 billion euros from the Deutsche Telekom share buy-back program, and around 0.4 billion euros from the dividend payments attributable to external shareholders of T-Mobile US.

The ratio of net debt excluding leases to adjusted EBITDA AL fell to 2.30x in the first quarter of 2024, down from 2.31x at the end of 2023.

That brings me to the development in the operating segments in the first quarter of 2024.

First, T-Mobile US.

We saw strong customer growth again in the first quarter of 2024.

T-Mobile US is industry-leading by some margin in terms of net additions in mobile customer numbers.

T-Mobile US recorded mobile postpaid net adds of 1.2 million, compared with 1.3 million net adds in the first quarter of 2023.

Postpaid phone net additions stood at 532,000 in the first three months of 2024, compared with 538,000 net adds in the same period of the prior year. That was the highest growth in the industry in the first quarter of 2024.

Postpaid phone churn improved in the first quarter of 2024, falling to a record low of 0.86 percent, compared with 0.89 percent in the prior-year period. This is primarily down to the excellent value for money that T-Mobile US offers with its services, as well as its leading network quality.

Around 405,000 new customers subscribed to the High-Speed Internet service in the first quarter of 2024, compared with 523,000 net additions in the same period of the prior year. This reflects the expectations announced by T-Mobile US after the company allowed promotions to expire in favor of long-term, high-value customer

relationships. The customer base of the High-Speed Internet service stood at 5.2 million at the end of the first quarter of 2024, which is around 2 million more customers than a year earlier.

Segment revenue for the U.S. business remained at the prior-year level in organic terms in the first quarter of 2024 on a U.S. dollar basis and under IFRS accounting.

Total revenue for the operating segment was primarily affected by the following factors:

Terminal equipment revenue fell by 12.6 percent or 468 million U.S. dollars (under U.S. GAAP) compared with the first quarter of 2023. This is primarily due to the fact that customers are using their handsets for longer. What is more, the planned reduction in the terminal equipment lease business had a decreasing effect on revenue by 112 million U.S. dollars (under U.S. GAAP).

By contrast, service revenues (under U.S. GAAP), which are important for segment earnings, increased by another 3.5 percent in the first quarter of 2024 – that is the best growth rate in the industry in the United States. The growth of 550 million U.S. dollars is primarily down to the increase in service revenues from branded postpaid customers of 6.5 percent or 769 million U.S. dollars (under U.S. GAAP).

Adjusted core EBITDA (under U.S. GAAP) in the segment increased by 8.0 percent year-on-year in the first three months of 2024. The effect from the terminal equipment lease business has been eliminated here.

Adjusted EBITDA AL under IFRS increased by 7.3 percent in the first quarter of 2024. This includes an effect of around 0.1 billion U.S. dollars from the planned revenue reduction in the terminal equipment lease business.

T-Mobile US raised its guidance for the full year for several figures.

The mid-point for postpaid net customer additions was raised by 150,000. Between 5.2 and 5.6 million postpaid net adds are now expected for the full year.

The mid-points for the guidance for adjusted core EBITDA and free cash flow have been raised by 50 million dollars each.

That brings me to business in Germany.

Broadband net additions increased by 39,000 in the first quarter of 2024, compared with an increase of 74,000 in the prior-year period. Our net adds market share thus remains above our target of 40 percent. However, we are far from happy with this development and want to improve on it as quickly as possible.

We also saw a big increase in the number of retail customers with lines offering transmission speeds of 100 Mbit/s or faster, with this figure rising by 0.8 million to 7.0 million within 12 months.

Sales of FTTH lines are growing fast, as planned.

The number of our customers using an FTTH line increased by 41.9 percent in the first quarter of 2024 compared with the first three months of the prior year, to 1.1 million.

That is an increase of 322,000 FTTH customers in the last 12 months since the first quarter of 2023. To put that in perspective: In the previous 12 months, the growth amounted to around 209,000 customers.

In the 2023 financial year, the number of FTTH net adds was 294,000. For 2024, we have set ourselves the target of around 450,000 net adds.

The number of FTTH homes passed increased by 2.5 million as of the end of the first quarter of 2024 to 8.2 million.

We are still under a great deal of pressure with the fiber-optic build-out due to inflation.

New business with branded mobile customers also saw strong growth of 281,000 in the first quarter of 2024 compared with an increase of 274,000 in the prior year. Churn among branded contract customers remained low at 0.8 percent.

Service revenues in the Germany segment increased by 1.8 percent year-on-year in organic terms in the first quarter of 2024.

Mobile service revenues increased by 3.4 percent in organic terms.

Fixed-network service revenues increased by 1.2 percent year-on-year in organic terms in the first three months. This included an increase of 4.2 percent in broadband service revenues in the first quarter of 2024.

Total revenue in the Germany business increased by 2.6 percent in the first quarter of 2024 to 6.3 billion euros. Revenue also increased in organic terms by 2.6 percent. This organic revenue growth resulted from service revenues with branded fixed-network and mobile retail customers, which was primarily offset by a decrease in single play lines in the fixed network.

Reported adjusted EBITDA AL increased in the first three months of 2024 by 3.5 percent to 2.58 billion euros. In organic terms, adjusted EBITDA AL grew by 3.0 percent and was driven primarily by higher service revenues.

Pressure from costs and inflation mean we also still need to be rigid with our cost management. Thus, the Germany operating segment has increased earnings for 30 consecutive quarters.

As in previous quarters, in our Europe business we have also seen customer numbers grow across all business areas, as well as strong growth in revenue and earnings.

We won 184,000 mobile contract net additions, compared with 104,000 in the prior-year period.

Broadband net adds totaled 57,000, compared with 83,000 in the first quarter of 2023.

TV net adds amounted to around 28,000 in the first quarter of 2024, compared with 29,000 in the prior-year period.

FMC net adds amounted to 36,000 in the three-month period, compared with 184,000 in the same period of 2023. Around 100,000 SIM cards of this year-on-year change were due to adjusted authorization for access to the Magenta One portfolio in Slovakia. This was a conscious decision within the context of the new rate plan portfolio and does not affect the number of FMC households.

Reported segment revenue increased by 6.3 percent to 2.96 billion euros in the first three months of 2024. This includes exchange rate effects – in this case primarily the stronger Polish zloty – with a positive effect on revenue of around 16 million euros.

In organic terms, revenue grew by 5.7 percent in the three-month period, or around 160 million euros. The vast majority of this revenue growth was attributable to higher service revenues (around 137 million euros).

Reported adjusted EBITDA AL increased in the first quarter of 2024 by 8.7 percent to 1.07 billion euros. That is growth of 86 million euros.

In organic terms, adjusted EBITDA AL rose by 8.1 percent, an increase of 81 million euros.

That makes 25 consecutive quarters of organic adjusted EBITDA AL growth for the Europe operating segment.

T-Systems recorded ongoing revenue growth and higher order entry in the first quarter of 2024.

Over the last 12 months, order entry increased by 1.0 percent compared with the previous 12 months.

In the first quarter of 2024, order entry stood at around 823 million euros, compared with 754 million euros in the same period of 2023. This increase is primarily attributable to Digital Solutions.

Reported revenue in the Systems Solutions segment increased by 5.0 percent in the first quarter of 2024 to 993 million euros. In organic terms, it was up 4.4 percent.

While revenue in traditional infrastructure business declined, as expected, T-Systems recorded growth, especially in the Cloud business.

Reported adjusted EBITDA AL in Systems Solutions increased in the first quarter of 2024 by 2.7 percent to 77 million euros. In organic terms, it was up 1.5 percent.

Improving order entry in Systems Solutions is still the biggest challenge facing us over the rest of the year.