

– Check against delivery –

Conference call
Report on the third quarter of 2023
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Thanks, Tim.

I would like to break down my comments into three sections.

First, the development of the Group's financial results for the third quarter of 2023. I will then explain the development in the operating segments in the three months from July to September 2023. Finally, I will go into the development of free cash flow, our leverage ratio, and adjusted net profit.

Let us begin with the first topic.

The Group's financials developed well in the third quarter of 2023.

Reported net revenue of the Group declined 4.9 percent to 27.6 billion euros. That's a year-on-year decrease of around 1.4 billion euros.

Tim Höttges mentioned the inorganic effects that tend to have a reducing effect on revenue.

The year-on-year change in exchange rates resulted in a reducing effect of around 1.4 billion euros in the third quarter, almost exclusively as a consequence of the weaker U.S. dollar.

This is a purely arithmetical effect arising from the translation of U.S. dollars into euros.

Changes in the composition of the Group – including the deconsolidation of the cell tower business in Germany and Austria – had a reducing effect of around 0.2 billion euros on revenue for the quarter.

In organic terms, i.e., adjusted for changes in exchange rates as well as changes in the composition of the Group, net revenue increased by 0.7 percent, which corresponds to around 0.2 billion euros.

As you will know from previous quarters, revenue includes two developments in low-margin terminal equipment business in the United States, which we are driving forward as planned:

- First, in connection with the integration of Sprint into T-Mobile US, we issued mobile devices that are compatible with the T-Mobile US network to former Sprint customers. Almost all of these customers have now been migrated to the T-Mobile US network, so these revenues are decreasing according to plan.
- Second, we are winding down the terminal equipment lease business in the United States. By around 83 percent year-on-year in the third quarter of 2023 alone.

Key to net profit is the development of service revenues. These increased by 4.1 percent in organic terms in the third quarter, representing growth of around 0.9 billion euros.

Reported adjusted EBITDA AL in the Group remained stable over the three-month period at 10.5 billion euros.

This includes an effect of around 0.5 billion euros from changes in exchange rates, resulting entirely from the translation of T-Mobile US' earnings from U.S. dollars into euros.

On an organic basis, by contrast, the Group's adjusted EBITDA AL increased by 6.2 percent, or around 0.6 billion euros, in the third quarter.

That brings me to the development in the operating segments in the third quarter of 2023.

First, T-Mobile US.

Strong growth in customer numbers continued in the third quarter, with mobile net customer acquisition leading the market by some margin.

Mobile postpaid net adds totaled 1.2 million, the best rate in the industry.

The decrease in net customer additions compared with the prior-year quarter is down to the large number of inactive SIM cards that were deactivated. These cards, which tend to generate low monthly revenues, had been issued to students for home schooling during the coronavirus pandemic. They are now no longer required and are being deactivated, reducing net growth in customer numbers.

T-Mobile US recorded 850,000 postpaid phone net customer additions in the three-month period. That is on a par with the prior year and is the highest growth in the industry.

Postpaid phone churn stood at 0.87 percent, the lowest level ever for a third quarter in the company's history. This also reflects progress in the integration of Sprint.

For its high-speed internet offering, T-Mobile US recorded 557,000 net additions. That is the best rate in the industry. This brings the total customer base to 4.2 million, 2.1 million more than a year earlier. This means T-Mobile US is on track to hit its target of between 7 and 8 million customers by 2025.

That brings me to the financials for T-Mobile US.

Segment revenue (on an IFRS and U.S. dollar basis) declined by 1.3 percent or around 0.25 billion U.S. dollars in the third quarter, due entirely to the planned reduction in terminal equipment business for the two reasons just mentioned. Here, revenue decreased by 20 percent or around 0.8 billion U.S. dollars.

By contrast, service revenue, which is important for earnings from operations, increased by 3.6 percent in the three months, or around 0.55 billion U.S. dollars (U.S. dollars, U.S. GAAP), with postpaid service revenues growing by 6.4 percent or around 740 million U.S. dollars.

This clearly more than offset a slight decrease in wholesale revenues and the decline in revenue as a result of the sale of the wireline business, which combined, amounted to around 0.2 billion dollars.

Adjusted core EBITDA (under U.S. GAAP) increased in the third quarter of 2023 by 12.2 percent or around 0.8 billion U.S. dollars. The reduction in terminal equipment lease business has been eliminated in this metric.

Allow me to elaborate:

In 2020, revenue from the terminal equipment lease business in the United States was 4.2 billion dollars (U.S. GAAP) and is expected to come in at 0.3 billion U.S. dollars this year and to decrease further to 0.1 billion U.S. dollars in 2024.

That brings me to business performance in Germany.

Strong customer growth continued in both the fixed network and in mobile communications.

The number of broadband lines increased by 96,000 in the three months compared with 63,000 in the prior-year quarter.

The development of net customer additions thus returned to normal levels as expected following the end of the temporary effect of the German Telecommunications Act. Deutsche Telekom remains the strongest provider in the market and our net adds market share is significantly above the target of 40 percent.

We also saw a big increase in the number of retail customers with lines offering bandwidths of 100 Mbit/s or faster, with growth of 1.0 million to 6.7 million. That corresponds to around 45 percent of our retail customer base.

We saw growth of 77,000 in customers with an FTTH line in the third quarter. This was a 41 percent year-on-year increase in the number of FTTH customers, taking the total to 910,000.

Furthermore, we have concluded more than 700,000 additional contracts with customers for FTTH lines as part of pre-marketing.

In mobile communications, the very strong growth in the branded mobile customer base continued in the third quarter with 350,000 net additions. In the same period of 2022, we had recorded 368,000 net adds.

Growth in the number of contract customers in the consumer segment accelerated thanks to the rate plan Next Magenta.

Churn among contract customers in the consumer segment fell to 0.9 percent in the three-month period. A year earlier, it had been 1.0 percent, with the now ended German Telecommunications Act effect still having an impact at that time.

Now on to the financials in the Germany segment.

Service revenues increased by 2.4 percent year-on-year in the third quarter in organic terms.

Mobile service revenues recorded organic growth of 2.9 percent, for the fixed network it was 2.1 percent.

Reported segment revenue increased 2.7 percent to 6.3 billion euros. In organic terms, the increase was 2.1 percent. The difference here is largely down to the first-time inclusion of MMS in the Germany segment.

In organic terms, revenue grew by around 127 million euros. This already includes a decline of around 64 million euros in low-margin revenue from mobile terminal equipment.

Reported adjusted EBITDA AL in the segment increased by 4.1 percent in the three-month period to 2.6 billion euros. In organic terms, there was an increase of 3.1 percent or around 79 million euros. The difference between reported and organic adjusted EBITDA AL growth is down to the service relationship with DFMG.

Thus, the Germany segment has increased organic earnings for 28 consecutive quarters.

This brings me to business in the Europe segment, where we continue to see very robust growth. This applies for customer numbers across all business areas, as well as for the development of revenue and earnings.

The number of new mobile contract customers increased by 223,000, after 251,000 mobile contract net adds in the same period of 2022. Broadband net adds stood at 76,000, compared with 76,000 in the third quarter of 2022. The number of TV customers increased by 52,000, which was higher than the 32,000 net adds recorded in the same three months of 2022.

This positive trend is also reflected in the financial figures. Reported segment revenue increased 5.2 percent to 3.0 billion euros in the third quarter.

The strength of the Hungarian forint, the Polish zloty, and the Czech koruna had a positive effect of around 46 million euros on revenue when translated into euros.

In organic terms, segment revenue increased by 3.7 percent or around 106 million euros.

This growth was largely attributable to an increase of 83 million euros in fixed-network and mobile service revenues, which easily offset the rise in termination rates.

Reported adjusted EBITDA AL in the Europe segment increased by 4.7 percent in the third quarter of 2023 to 1.1 billion euros.

The aforementioned exchange rate effects had a slight increasing effect here of around 14 million euros.

Adjusted EBITDA AL grew 3.3 percent in organic terms, with the increase in the net margin (revenue minus direct costs) more than offsetting higher indirect costs. Thus, the segment has generated organic earnings growth for 23 consecutive quarters.

And now to T-Systems:

Revenue and earnings in the segment were on track in the third quarter to meet the stated targets for the 2023 full year.

Order entry over the last 12 months declined by 15.4 percent year-on-year. Order entry also declined year-on-year in the third quarter of 2023, mainly due to delays in various decisions to place orders.

T-Systems' revenue increased by 3.6 percent in the three-month period to 960 million euros. In organic terms, it was up 7.1 percent. The difference is due to the transfer of MMS to the Germany segment.

T-Systems generated revenue growth with Digital Solutions, the Cloud business, and Road charging.

Adjusted EBITDA AL increased slightly in organic terms in the third quarter of 2023 by 1.2 percent to 86 million euros.

Now I would like to look at the development of free cash flow, adjusted net profit, and net debt in the Group in the third quarter of 2023.

First, free cash flow.

Free cash flow AL increased by 61.4 percent year-on-year to 4.7 billion euros in the third quarter of 2023. That is growth of around 1.8 billion euros.

The following factors in particular had an increasing effect:

- An increase of around 370 million euros in net cash from operating activities compared with the third quarter of 2022.
- A year-on-year decrease of around 1.5 billion euros in cash capex. This primarily reflects the planned reduction in investments in the United States following the accelerated build-out of the 5G network there in the last few years.

In the first nine months of 2023, free cash flow AL thus increased by 24.8 percent to 11.8 billion euros.

The ramp-up in the first three quarters is in line with our guidance: In the first quarter of 2023, we saw a year-on-year decrease of 5.3 percent which was followed by an

increase of 27.7 percent in the second quarter. We then saw the stated 61.4 percent growth in the third quarter of 2023.

We thus still have our full-year target in clear view: to meet the guidance for free cash flow AL which has just been raised again to over 16.1 billion euros. This is an increase of more than 40 percent compared to the previous year.

Reported adjusted net profit decreased by 5.9 percent year-on-year to 2.3 billion euros. That is a decline of around 143 million euros.

The following developments had an increasing effect:

- The increase in adjusted EBITDA of around 71 million euros.
- A decrease in depreciation and amortization of around 386 million euros, due among other things to lower depreciation, amortization and impairment losses at T-Mobile US as a result of the planned reduction in the terminal equipment lease business and the decommissioning of network components in the former Sprint network.

The main decreasing factors were the increase of around 442 million euros in loss from financial activities compared with the third quarter of 2022, with other financial income declining by around 460 million euros to a financial expense.

This decrease is mainly due to positive one-time effects in the prior-year quarter, which did not recur in this quarter, for example, positive effects from changes in discount rates, primarily applied to provisions for the Civil Service Health Insurance Fund, as well as positive effects in that quarter from the measurement of options on the acquisition of T-Mobile US shares. Changes in the fair value of various hedging transactions also had an impact.

In addition, the tax expense increased by around 201 million euros in the third quarter of 2023 as a result of improved earnings in the Group.

One-time factors have been eliminated from recurring adjusted earnings per share in order to show the sustainable, underlying earnings trend. These were primarily non-recurring factors in other financial income/expense.

In the first nine months of 2023, recurring adjusted earnings per share calculated in this way increased by 8 percent to 1.22 euros.

That puts us on track for the guidance of achieving recurring adjusted earnings per share of more than 1.60 euros for the full year.

Now we come to the development of net debt and the financial ratios compared with the second quarter of 2023.

Net debt (excluding leases) decreased by 0.3 billion euros compared with three months earlier to 96.9 billion euros.

Free cash flow AL generated in the third quarter of 2023 had a reducing effect of 4.7 billion euros.

The following main factors by contrast, had an increasing effect on debt:

- The acquisition of mobile spectrum for a total of 0.2 billion euros.
- The T-Mobile US share buy-back accounting for 2.5 billion euros.
- Exchange rate effects on the translation of liabilities and other factors, amounting to 1.7 billion euros.

Compared with the third quarter of 2022, net debt has been substantially reduced and the financial ratios improved. The leverage ratio, i.e., the ratio of net debt excluding leases to adjusted EBITDA AL was 2.40 in the third quarter of 2023.

Net debt excluding leases was down by 11.5 percent compared with the third quarter of 2022. That's a decline of 12.6 billion euros.

As a result, the ratio of net debt excluding leases to adjusted EBITDA AL improved substantially from 2.79x at the end of the third quarter of 2022 to 2.40x a year later.

Let me just say a few words about our net debt and how it is structured.

Around 40 billion euros of total net debt relates to lease payment obligations.

Of net debt excluding leases, around 73 billion euros is attributable to T-Mobile US. All of these financial instruments are subject to a fixed interest rate with an average interest tenor of 11 years. T-Mobile US itself covers repayments and interest expense associated with these liabilities.

Around 24 billion euros of net debt relates to the Group excluding the United States. 92 percent thereof is currently subject to a fixed interest rate. A year ago, the corresponding figure was 59 percent. The average interest tenor here is 7.2 years.

Overall, the Group's net interest expense (excl. leases) for the first nine months was only around 0.1 billion euros higher than for the prior-year period.

This means we are still on track to achieve our financial ratio targets for 2024 year-end, as announced at our Capital Markets Day in 2021.

Analysts reach the same conclusion in their expectations. At BBB+ and with a stable outlook, all ratings are within our guidance range.

I would now like to hand over to Tim Höttges.