



MEDIA INFORMATION

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Deutsche Telekom raises earnings guidance for 2023 after good second-quarter development

- Adjusted EBITDA AL up 1.5 percent to 10.0 billion euros; adjusted core EBITDA AL increased by 7.1 percent in organic terms
- Guidance for adjusted EBITDA AL raised to around 41.0 billion euros for 2023
- Group service revenue up 1.4 percent to 23.0 billion euros
- Net revenue down 2.4 percent to 27.2 billion euros
- Reported net profit up 5.4 percent to 1.5 billion euros
- Germany: Customer satisfaction pays off
- T-Mobile US: Growth continues unabated
- Europe: Customer numbers and financial figures remain strong

Deutsche Telekom remained on track in the second quarter of 2023. In the months from April to June 2023, the Group underlined its successful start to the year and recorded strong growth in customer numbers and financial figures. Reported adjusted EBITDA AL rose by 1.5 percent to 10.0 billion euros. In organic terms, it grew by 3.8 percent. Adjusted core EBITDA AL, i.e., excluding the effect of the withdrawal from the terminal equipment lease business in the United States, increased by 7.1 percent in organic terms.

“We continued our successful course in the second quarter,” said CEO Tim Hötting. “Our businesses are developing well, despite complex market environments. This is underscored by our organic growth rates for service revenues, earnings, and free cash flow.”

With T-Mobile US already having raised its guidance in the United States, the Group is now also raising its guidance for adjusted EBITDA AL. This adjustment reflects high expectations for the business in Germany and Europe. For the full year, adjusted EBITDA AL of around 41.0 billion



euros is expected, up from the previous guidance of around 40.9 billion euros. The guidance for free cash flow AL remains unchanged at more than 16 billion euros.

Service revenue, which drives this positive performance, grew by 3.2 percent in organic terms in the second quarter of 2023. Reported service revenue increased 1.4 percent to 23.0 billion euros. Reported net revenue decreased by 2.4 percent to 27.2 billion euros in the three-month period. This was primarily attributable to the planned withdrawal from the terminal equipment business in the United States. First of all, the migration of former Sprint customers to the T-Mobile US network is largely complete, such that fewer compatible devices were issued. Second, T-Mobile US continued to wind down the terminal equipment lease business as planned, reducing revenue in this area by around 80 percent compared with the prior-year quarter.

Adjusted net profit totaled 1.9 billion euros, down 22.8 percent on the same quarter in the prior year. As in the first quarter of 2023, this decline was mainly due to interest effects regarding the measurement of liabilities and provisions in the prior year. Measurement effects in connection with the options to purchase further T-Mobile US shares also had an effect. In both cases, substantial positive measurement effects had been reported in profit/loss from financial activities in the second quarter of 2022. In the three months from April to June 2023, however, negative factors were recorded in both cases. Compared with the prior-year quarter, this gives rise to a net negative effect of around 0.8 billion euros on profit/loss from financial activities. Reported net profit increased by 5.4 percent to 1.5 billion euros.

The Group's investments – in terms of cash capex excluding spectrum investments – amounted to 4.4 billion euros in the second quarter. Investments increased, especially in Germany in connection with the FTTH build-out. In the United States, however, investments were reduced after the accelerated build-out of the 5G network over the last few years. At 3.5 billion euros, free cash flow AL increased by 27.7 percent against the prior-year quarter. Net debt (excluding leases) fell by 8.6 percent to 97.2 billion euros at the end of the second quarter. The ratio of net debt (excluding leases) to adjusted EBITDA AL improved again to 2.40 compared to 2.58 at the end of 2022.



Germany: Customer satisfaction pays off

In the German market, customer growth continued unabated in all areas, with Telekom remaining the strongest provider in the market. 67,000 broadband net additions were recorded between April and June of this year. A good 43 percent of consumers have now subscribed to a rate plan offering bandwidths of up to 100 Mbit/s or higher. At 36,000, Magenta TV net additions also exceeded the prior-year quarter. At the end of the first six months of the year, 833,000 customers used an FTTH line, which corresponds to a year-on-year increase of more than 38 percent.

The new rate plan portfolio accelerated mobile customer growth again in the second quarter. At 319,000, branded net additions more than doubled compared to the prior-year quarter. The churn rate for contract customers remained very low at 0.8 percent. Mobile service revenues were up 2.1 percent against the second quarter of the prior year.

Growth was also recorded for the financials: Revenue in the segment increased by 1.9 percent to 6.2 billion euros in the second quarter, with broadband revenues remaining a key driver. Service revenues rose by 1.6 percent overall in organic terms. Adjusted EBITDA AL rose by 4.1 percent to 2.5 billion euros.

United States: Growth continues unabated

With 1.6 million postpaid net additions in the second quarter, T-Mobile US recorded more than its two nationwide competitors, Verizon and AT&T, combined. The number of postpaid phone customers increased by 760,000, marking the strongest second-quarter growth in eight years. At the same time, T-Mobile US is losing fewer and fewer customers, as can be seen in the record-low churn rate of just 0.77 percent. For the first time, that is the best rate in the industry. There is also strong growth in high-speed internet, i.e., internet access at home through mobile communications. 3.7 million customers are already using this product, with 509,000 net additions in the second quarter alone.

Service revenues increased by 2.8 percent in the second quarter. Adjusted core EBITDA increased by 10.8 percent to 7.3 billion U.S. Dollars (under U.S. GAAP). T-Mobile US raised its guidance for customer growth in the current financial year again. Postpaid net customer



additions are now expected to be between 5.6 and 5.9 million in 2023, an increase from the prior guidance of 5.3 million to 5.7 million.

Europe: Customer numbers and financial figures remain strong

The Europe segment continued the positive development of the preceding quarters in the second quarter. Revenue increased by 6.2 percent to 2.9 billion euros. Earnings increased by 3.9 percent year-on-year. This marked 22 consecutive quarters of adjusted EBITDA AL growth, more than offsetting the negative effect of higher energy prices.

In addition to the financials, growth in customer numbers also showed no signs of slowing. The number of broadband lines increased by 72,000 in the second quarter, the number of customers using fixed-mobile convergence products by 152,000, and the number of TV customers by 34,000. Mobile contract net additions totaled 173,000.

Systems Solutions: on track for annual targets

T-Systems increased revenue in the second quarter by 4.8 percent in organic terms to 959 million euros. Digital Solutions continued to perform particularly well. Adjusted EBITDA AL grew 2.0 percent in organic terms.

Order entry totaled 746 million euros between April and June and hence on track for the full-year guidance.



The Deutsche Telekom Group at a glance

	Q2 2023 millions of €	Q2 2022 millions of €	Change %	H1 2023 millions of €	H1 2022 millions of €	Change %	FY 2022 millions of €
Net revenue	27,221	27,888	-2.4	55,060	55,634	-1.0	114,413
Proportion generated internationally %	77.0	78.6	-1.6p	77.2	77.7	-0.5p	77.9
Service revenue	22,952	22,633	1.4	45,767	44,666	2.5	91,988
Adjusted EBITDA	11,622	11,476	1.3	23,138	22,912	1.0	46,410
Adjusted EBITDA AL	10,038	9,891	1.5	20,002	19,763	1.2	40,208
Net profit (after non- controlling interests)	1,539	1,460	5.4	16,899	5,409	n.a.	8,001
Reported net profit (after non- controlling interests)	1,887	2,445	-22.8	3,846	4,683	-17.9	9,081
Earnings per share (€)	0.31	0.29	6.9	3.40	1.09	n.a.	1.61
Adjusted earnings per share (€)	0.38	0.49	-22.4	0.77	0.94	-18.1	1.83
Free cash flow AL	3,522	2,759	27.7	7,101	6,540	8.6	11,470
Cash capex ^a	4,611	5,086	-9.3	9,436	12,259	-23.0	24,114
Cash capex ^a (before spectrum)	4,422	4,984	-11.3	9,181	9,642	-4.8	21,019
Net debt (including leases)				136,893	146,104	-6.3	142,425
Number of employees ^b				205,212	210,595	-2.6	206,759
Of which in Germany				80,237	83,365	-3.8	81,469



Comments on the table

Sale of T-Mobile Netherlands

The sale of T-Mobile Netherlands was consummated on March 31, 2022. The entity has not been part of the Group since April 1, 2022.

New partners for the cell tower business

On July 13, 2022, Deutsche Telekom agreed to sell a 51.0 percent stake in in the tower business companies in Germany and Austria (GD Towers) to DigitalBridge and Brookfield. The transaction was consummated on February 1, 2023. Until this point in time, GD Towers had been included as a fully consolidated entity in the figures of the Deutsche Telekom Group. GD Towers is no longer included in the figures for the second quarter of 2023. In the prior-year comparatives (Q2 2022), however, the cell tower business is included for the full three months. The sale resulted in a gain on deconsolidation in the first quarter of 2023 of 12.9 billion euros. The stake in the cell tower business retained by Deutsche Telekom of 49.0 % has been recognized using the equity method since February 1, 2023. Accordingly, the share of net profit/loss is recognized under profit/loss from financial activities (outside of EBITDA AL).

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



Operating segments: development of operations

	Q2 2023 millions of €	Q2 2022 millions of €	Change %	H1 2023 millions of €	H1 2022 millions of €	Change %	FY 2022 millions of €
Germany							
Total revenue	6,150	6,038	1.9	12,290	12,001	2.4	24,505
Adjusted EBITDA AL	2,528	2,429	4.1	5,016	4,823	4.0	9,837
United States							
Total revenue	17,555	18,440	-4.8	35,817	36,320	-1.4	75,436
<i>in USD</i>	19,127	19,635	-2.6	38,723	39,698	-2.5	79,348
Adjusted EBITDA AL	6,554	6,337	3.4	13,090	12,509	4.6	25,614
<i>in USD</i>	7,142	6,748	5.8	14,156	13,674	3.5	26,963
Europe							
Total revenue	2,899	2,729	6.2	5,683	5,411	5.0	11,158
Adjusted EBITDA AL	1,024	986	3.9	2,007	1,961	2.3	3,964
Systems Solutions							
Order entry	746	858	-13.1	1,500	1,902	-21.1	3,952
Total revenue	959	942	1.8	1,905	1,869	1.9	3,811
Adjusted EBITDA AL	84	79	6.3	159	147	8.2	284



Operating segments: development of customer numbers in the second quarter of 2023

	June 30, 2023	Mar. 31, 2023	Change thousands	Change %
Germany				
Mobile customers	57,695	56,067	1,628	2.9
Of which contract customers	24,391	24,037	354	1.5
Fixed-network lines	17,332	17,349	-17	-0.1
Broadband lines	14,856	14,789	67	0.5
Of which optical fiber ^a	12,486	12,238	248	2.0
Television (IPTV, satellite)	4,208	4,172	36	0.9
Unbundled local loop lines (ULLs)	2,877	3,017	-140	-4.6
United States				
Customers	116,602	114,917	1,685	1.5
Of which postpaid customers	95,086	93,525	1,561	1.7
Of which prepaid customers	21,516	21,392	124	0.6
Europe				
Mobile customers	47,582	47,357	225	0.5
Of which contract customers	26,753	26,580	173	0.7
Fixed-network lines	7,970	7,935	35	0.4
Broadband customers	6,837	6,765	72	1.1
Television (IPTV, satellite, cable)	4,194	4,160	34	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

	June 30, 2023	June 30, 2022	Change thousands	Change %
Germany				
Mobile customers	57,695	54,551	3,144	5.8
Of which contract customers	24,391	23,402	989	4.2
Fixed-network lines	17,332	17,437	-105	-0.6
Broadband lines	14,856	14,578	278	1.9
Of which optical fiber ^a	12,486	10,836	1,650	15.2
Television (IPTV, satellite)	4,208	4,039	169	4.2
Unbundled local loop lines (ULLs)	2,877	3,351	-474	-14.1
United States				
Customers	116,602	110,023	6,579	6.0
Of which postpaid customers	95,086	88,787	6,299	7.1
Of which prepaid customers	21,516	21,236	280	1.3
Europe				
Mobile customers	47,582	46,459	1,123	2.4
Of which contract customers	26,753	26,046	707	2.7
Fixed-network lines	7,970	7,839	131	1.7
Broadband customers	6,837	6,514	323	5.0
Television (IPTV, satellite, cable)	4,194	4,067	127	3.1

Comments on the table

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



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