

– Check against delivery –

Conference call
Report on the second quarter of 2021
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Ladies and Gentlemen,

From me too, a warm welcome to our conference call on Deutsche Telekom's results for the second quarter of 2021.

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

First, I would like to explain the development of the Group's financial results in the second quarter of 2021. We had positive developments on both sides of the Atlantic. But the reported figures also reflect the substantial currency translation effects arising from the weakness of the U.S. dollar compared with the second quarter of 2020.

Then, I will explain the development in the operating segments.

Finally, I will go into the development of the Group's liabilities and net profit.

Let us begin with the second quarter:

Deutsche Telekom's growth story remains intact.

We achieved excellent customer numbers and financial figures again in the second quarter. On both sides of the Atlantic. The Group's net revenue increased by 6.8 percent or around 1.7 billion euros in organic terms.

I am giving the organic trend first, because reported net revenue in the second quarter of 2021 was heavily impacted by the exchange rate performance of the U.S. dollar and a consolidation effect.

Revenue at T-Mobile US grew by around 1.5 billion euros in organic terms compared with the second quarter of 2020, an increase of 9.7 percent.

The business outside of the United States recorded organic growth, as I said, of around 0.2 billion euros, or 2.2 percent.

First, regarding the exchange rate.

In the second quarter of 2021, the dollar exchange rate stood at 1 euro to 1.205 U.S. dollars, around 10 cents lower than in the second quarter of the prior year. The translation of revenues in the U.S. business from U.S. dollars into euros alone reduced T-Mobile US' contribution to reported net revenue by around 1.45 billion euros. This is a purely arithmetical effect with no impact on the development of operations.

That brings us to the change in the composition of the Group.

In accordance with agreements concluded in connection with the merger in the United States, T-Mobile US sold Sprint's postpaid business under the Boost brand to DISH on July 1, 2020. Hence, the second quarter of 2020 included a revenue contribution from this transaction of 0.7 billion euros, which was not included in the reporting quarter.

As a result of these two factors, reported net revenue was 1.7 percent or around 0.4 billion euros lower than in the prior-year quarter, despite an increase in revenue in the business outside of the United States of a good 0.2 billion euros.

In organic terms, however, revenue was higher on both sides of the Atlantic.

Let me now turn to the development of adjusted EBITDA AL.

Here too, as with revenue, we see a substantial effect from the weakness of the dollar exchange rate.

The Group's reported adjusted EBITDA AL decreased in the second quarter by 4.2 percent to 9.4 billion euros. That is a decline of around 0.4 billion euros. At T-Mobile US, adjusted EBITDA AL was down by around 0.57 billion euros against the prior-year quarter. This was mainly due to the translation of earnings into euros and thus to the weakness of the U.S. dollar. In addition, T-Mobile US is gradually reducing the leasing of mobile devices to retail customers in the previous Sprint business model.

Instead, installment contracts are being agreed with customers. Under otherwise identical circumstances, this leads to the ongoing expense increasing by the cost of the devices, which the customers purchase. This reduces the amount of adjusted EBITDA AL reported. Conversely, the capitalization of leased devices associated with the previous business model is

reduced. Below the line, these two opposing effects ultimately cancel each other out in the net profit over time.

In the Group outside of the U.S. business, we recorded growth in adjusted EBITDA AL of around 150 million euros or 4.4 percent in the second quarter of 2021.

Taking into account the effect of the translation of T-Mobile US' earnings into euros, adjusted EBITDA AL in the Group increased by around 0.1 billion euros in the second quarter, which corresponds to organic growth of 1.1 percent.

In the Germany segment, we have now seen organic earnings growth for 19 quarters in succession, in the Europe segment it is now 14 consecutive quarters.

Free cash flow in the Group increased by 14.1 percent to 2.8 billion euros in the second quarter. This was the result of the positive business performance on both sides of the Atlantic.

In the first half of the year, free cash flow increased by 44 percent. The reduction of factoring in the German business by around 0.7 billion euros in the first quarter of 2020, which at the time resulted in a corresponding reduction in free cash flow, is also reflected here.

Let me show you the progress we have made in our operating segments in the second quarter.

First let us look at the Germany segment.

We recorded further strong growth in branded customers. This was especially encouraging in the broadband business, where the number of customers increased by 93,000 in the three-month period. We have seen more than 80,000 broadband net adds in every quarter since the start of 2020.

The number of fiber-optic-based lines increased by 291,000 in the second quarter. That is an increase of 1.4 million lines year-on-year. Branded net additions remained at the same level as in the second quarter of 2020 at 213,000.

By contrast, the wholesale segment recorded a decline compared with the same quarter of the prior year because competitors are migrating customers to their own platforms and demand from local exchange carriers has fallen. We recorded year-on-year growth in the number of supervectoring lines of around 460,000 to just under one million.

MagentaTV net adds remained at the prior-year level in the second quarter at around 37,000. The shop closures in the second quarter of 2021 had a dampening effect on new customer business. The line losses in the fixed network continued to decline substantially to 7,000 in the second quarter of 2021.

In mobile communications, the number of branded customers increased by 161,000. Around 62 percent of our mobile contract customers have now subscribed to a MagentaEINS convergence product. The mobile contract consumer churn rate in the second quarter was at a low level of 0.8 percent.

Service revenues in the German mobile business increased by 2 percent in the second quarter. Around 0.6 percentage points of the year-on-year increase is attributable to a recovery in roaming and visitor revenues, with a contrasting effect from the change in mobile termination rates. As such, Deutsche Telekom

remains the clear market leader in terms of mobile service revenues in Germany.

Fixed-network service revenues increased by 1.7 percent in organic terms, primarily driven by the broadband business. Total revenue in the segment increased by 0.9 percent to 5.9 billion euros in the second quarter.

Adjusted EBITDA AL in the Germany segment increased in the three-month period by 3.7 percent to 2.4 billion euros. The increase in earnings was mainly the result of high-value revenue growth.

Thus, the Germany segment has now managed to improve its earnings for 19 quarters in succession.

At T-Mobile US, we are making great strides in the integration of Sprint and the build-out of the 5G network. Around 33 percent of Sprint customers have now been migrated to the T-Mobile network compared with 20 percent at the end of the first quarter of 2021. Around 80 percent of the mobile traffic of Sprint customers is carried on the T-Mobile network. A clear increase against the level of around 50 percent at the end of March 2021.

T-Mobile US has raised its synergy target for the current year to 2.9 to 3.2 billion U.S. dollars. The mean value of this range is around 0.1 billion U.S. dollars above the previous plans.

We once again led the U.S. market in terms of new customer acquisition in the second quarter of 2021. 1.3 million branded postpaid customers were added in the three-month period. At the same time, the churn rate for branded phone customers remained very low at 0.9 percent.

Total revenue at T-Mobile US increased by 5.4 percent to 20.1 billion U.S. dollars. Service revenues (under U.S. GAAP) increased by 9.5 percent in the three-month period.

Reported adjusted EBITDA AL decreased by 0.4 percent in the quarter to 6.9 billion U.S. dollars (under IFRS). This includes the effect from reducing the business of leasing terminal equipment to customers and to a limited extent, the earnings contribution of Boost in the second quarter of 2020. Taking account of the reduction in the lease business, core adjusted EBITDA at T-Mobile US (under U.S. GAAP) increased by 7.1 percent in organic terms.

The Europe segment saw further strong organic growth in the customer base.

177,000 mobile contract net additions were recorded in the second quarter. And we recorded 58,000 broadband customer net additions in the three months. 6,000 new TV customers were added.

We further expanded the business with convergence products, recording 128,000 FMC net adds. This trend is bolstered by our network build-out: We have driven forward the fiber-optic rollout, adding access for around another 700,000 households in the first half of the year.

Segment revenue rose by 4.3 percent in the second quarter, with fixed-network service revenues increasing by around 20 million euros. In mobile communications, service revenues increased by 4.5 percent or around 50 million euros. Around one percentage point of this reflects the recovery of roaming and visitor revenues compared with the second quarter of 2020.

In organic terms, segment revenue increased by 4.0 percent in the three-month period. Adjusted EBITDA AL increased 4.4 percent, thanks to high-value

revenue growth. Adjusting for exchange rate effects and changes in the composition of the Group, organic growth amounted to 5.3 percent.

In Systems Solutions, we increased the order entry by 14.2 percent over the last 12 months. In the second quarter of 2021, this trend was bolstered by a major mainframe contract for around 350 million euros and growth in Digital Solutions.

Revenue in the Systems Solutions segment fell by 5.5 percent in the three-month period to 1.0 billion euros, primarily as a result of declines in traditional infrastructure business. By contrast, revenue from Digital Solutions increased. Adjusted EBITDA AL stabilized year-on-year in the second quarter of 2021.

In the Group Development segment, T-Mobile NL continued its strong customer growth in the second quarter of 2021. 70,000 new mobile contract customers were added. The fact that all shops have reopened since the end of April was a help here. In broadband, we recorded 15,000 net adds.

Revenue at T-Mobile NL grew by 5.4 percent in the second quarter, an increase of 2.7 percent in organic terms. Mobile service revenues increased by 3.5 percent year-on-year on an organic basis, with the recovery in roaming and visitor revenues contributing around 0.7 percentage points. Adjusted EBITDA AL grew 3.6 percent in organic terms.

In the cell tower business, the number of sites increased to 39,800. The deconsolidation of cell towers in the Netherlands following the sale to Cellnex as of June 1, 2021, had a decreasing effect of around 3,100 sites. The consolidation of the cell towers in Austria in the segment since the start of 2021 increased the number of sites by around 7,000. Moreover, the number of sites in Germany increased by around 1,200 to 32,800.

Recurring lease revenues in the cell tower business increased by 3.3 percent in organic terms in the second quarter. Adjusted EBITDA AL increased by 9.0 percent in organic terms in the three-month period, primarily due to the higher number of cell sites at Deutsche Funkturm in addition to cost reductions.

Revenue in the Group Development segment increased by 8.9 percent in the second quarter. In organic terms, revenue increased by 3.8 percent. Adjusted EBITDA AL rose by 12.4 percent in this period, an increase of 6.5 percent in organic terms. Both entities contributed to this increase.

Let me now turn to our adjusted net profit.

It increased by 65.3 percent compared with the second quarter of the prior year. That is growth of around 835 million euros.

It was reduced by the decline in reported adjusted EBITDA of around 0.4 billion euros, which was mainly attributable to the currency translation effect on earnings at T-Mobile US as a result of the weak U.S. dollar and the conversion of Sprint's business model. In addition, income tax expenses increased by around 0.1 billion euros.

Lower depreciation and amortization had a positive effect on the development of earnings of around 0.4 billion euros. This was the result of the weakness of the U.S. dollar compared with the second quarter of the prior year.

Loss from financial activities decreased by around 770 million euros compared with the prior-year quarter. The main factor here was around 640 million euros from the measurement of the call option on T-Mobile US shares held by Softbank. In addition, the share of profit attributable to non-controlling interests decreased by around 160 million euros compared with the prior-year quarter.

Now we come to the development of financial liabilities and the financial ratios in the second quarter. Interest-bearing net debt decreased by around 1.6 billion euros compared with the first quarter of 2021. Dividend payments had an increasing effect of around 2.9 billion euros, whereas free cash flow AL had a reducing effect of around 2.8 billion euros.

Other positive effects on net debt totaling around 1.7 billion euros mainly resulted from the measurement of the call options on T-Mobile US shares held by Softbank and from exchange rate effects. Compared with the last reporting date, the value of the U.S. dollar was down by about 2 cents against the euro.

The ratio of net debt AL to adjusted EBITDA AL improved slightly at the end of the second quarter to 2.59 compared with 2.66 in the middle of 2020. Including the lease liabilities, which were unchanged compared with the first quarter of 2021, the ratio of net debt to adjusted EBITDA stood at 2.97 at the end of June. Our goal is still to bring this ratio back into the comfort zone of 2.25x to 2.75x by the end of 2024 at the latest.

All other guidance figures remain within the target ranges.

A word on our ratings: In June, Moody's raised the outlook rating of "negative", which it had assigned following the announcement of the T-Mobile US/Sprint transaction, to "stable". What is more, all three major rating agencies have recently raised their ratings of T-Mobile US by one notch. This reflects the success of the ongoing integration of Sprint.

Since the start of 2021, the total shareholder return of the T-Share has developed positively and outperformed the DAX and Eurostoxx Telcos indices. The average share price target set by analysts actively following the T-Share increased.

At the start of 2021, it stood at 19.50 euros. Now it stands at 21.80 euros. The Group's operating performance and the outlook given at the 2021 Capital Markets Day are being well received on the market.

And now we look forward to your questions!