Deutsche Telekom Webinar on financial accounting topics

January 19, 2023
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Agenda

01  Towers transaction – impact on DT financials for FY 2022

02  US GAAP / IFRS Bridges for TMUS for 9M 2022
Towers transaction
Impact on DT financials for FY 2022

In July 2022 DT agreed to contribute GD Towers into a new JV with DigitalBridge and Brookfield

Closing is expected in Q1 2023

The following pages provide a detailed view of the pro forma impacts on DT's key financials
Impact of GD towers transaction - segment view
FY 2022e pro-forma impacts on adj. EBITDA AL (preliminary)

### Segment GER

<table>
<thead>
<tr>
<th>€ bn</th>
<th>Adj. EBITDA AL (reported)</th>
<th>Held for sale (hfs) effect</th>
<th>Adj. EBITDA AL (pre hfs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-0.8</td>
<td>0.1</td>
<td>-0.7</td>
<td></td>
</tr>
</tbody>
</table>

- Tower business deconsolidated
- In 2022 partly offset by held-for-sale effects

### Segment GER

<table>
<thead>
<tr>
<th>€ bn</th>
<th>Lease Opex</th>
<th>Adj. EBITDA</th>
<th>Lease D&amp;A and interest (pre SALB)</th>
<th>SALB</th>
<th>Adj. EBITDA AL</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.7</td>
<td>0.7</td>
<td>-0.9</td>
<td>0.3</td>
<td>0.1</td>
<td></td>
</tr>
</tbody>
</table>

- Pre transaction MLA fee treated as Opex (DT internal).
- Right-of-use (RoU) assets with D&A and interest: front-loading of interest expense leads to initially higher leasing costs than before transaction
- Sale & lease back (SALB) related book gain (accrued over 8 years) results in lower leasing costs than before transaction

### DT ex US

<table>
<thead>
<tr>
<th>€ bn</th>
<th>Adj. EBITDA AL (reported)</th>
<th>Tower decons</th>
<th>Impact GER &amp; AT</th>
<th>Adj. EBITDA AL (pro-forma)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-0.8</td>
<td>-0.7</td>
<td>+0.1</td>
<td>-0.8</td>
</tr>
</tbody>
</table>

- Excl. held-for-sale impact on FY 2022 pro-forma EBITDA AL equals -0.6bn
Impact of GD tower transaction: Free cash flow & net debt
FY 2022e pro-forma impacts (preliminary\(^1\))

**FCF AL**
€ bn

- MLA payments are higher than D&A and interest included in EBITDA AL
- **Overall neutral on FCF AL** including cash interest savings & cash distributions from 49% TowerCo stake
- JV’s cash contribution recorded in CF from investing activities in first 2 years, thereafter in CF from operations

| hfs effect (non-cash) | 0.1 | -0.7 | Capex savings | 0.3 | Delta lease expenses vs. payments | -0.1 | Taxes | 0.2 | FCF AL impact | -0.2 |

**Pro-forma Net Debt & Leverage**
€ bn

- Impact on net debt excl. leases (AL) €-10.7bn
- Impact on net debt incl. leases (IFRS 16) €-6.2bn

1 estimated effects for Tower D&A and interest as well as lease liabilities only indicative. We have used a top/down approach for assessing the effects. The final effects will change as they are dependent on the recording of around 30k individual contracts and its effects on P&L and balance sheet
2 Net debt w/o leases / adj. EBITDA AL
3 Net debt / adj. EBITDA
Impact of GD tower transaction on DT’s P&L FY 2022e pro-forma impacts (preliminary)\(^1\)

**DT external view**

€ bn

**Revenue**

-0.3 0.0 -0.2

- Decons. GD Towers Revenues with third parties  DT Group revenues with GD Towers  Total Revenues

- Continued provisioning of services to Tower JV reduces revenue loss

**Opex, EBITDA and EBITDA AL**

-0.1 0.1 0.3

- Decons. GD Towers Opex  Adj. EBITDA  Decons. D&A and interest  D&A and interest (MLA GER)  D&A and interest (MLA AT)  Adj. EBITDA AL

- Impact on adj. EBITDA much smaller than on adj. EBITDA AL: former opex is transformed into leasing opex (D&A and interest)

**D&A, Interest, Taxes and Net income**

-0.7 0.0 -0.6

- Decons. other D&A  Taxes  Adj. Net income

- Overall, only limited impact on adj. EPS, also considering expected JV net income contribution and interest savings

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1. estimated effects for Tower D&A and interest as well as lease liabilities only indicative. We have used a top/down approach for assessing the effects. The final effects will change as they are dependent on the recording of around 30k individual contracts and its effects on P&L and balance sheet.
DT’s reporting is impacted by various differences between US GAAP and IFRS.

The following pages provide detailed bridges for EBITDA AL, FCF AL, net debt, and net income.
Various differences in TMUS and DT EBITDA reporting
TMUS vs. DT EBITDA re-conciliations

Chart as shown in Q3/22 presentation appendix
Significant impact of handset lease unwind on adj. EBITDA

- FY 22 guidance for $1.3-1.4bn lease revenues, after $3.3bn in FY 21
- Handset lease revenues to further diminish in 2023, but resulting EBITDA headwind to become increasingly less material

1 Proforma LTM Adjusted EBITDA for the LTM period ended December 31, 2020 is calculated as the sum of Q4 2020, Q3 2020 and Q2 2020 actual Adjusted EBITDA of $6.7 billion, $7.1 billion and $7.0 billion, respectively, plus the pro forma Adjusted EBITDA from Q1 2020 of $6.7 billion. Pro forma LTM Core Adjusted EBITDA for the LTM period ended December 31, 2020 is calculated as the sum of Q4 2020, Q3 2020 and Q2 2020 actual Core Adjusted EBITDA of $5.5 billion, $5.8 billion and $5.6 billion plus the pro forma Core Adjusted EBITDA from Q1 2020 of $5.2 billion. These metrics are provided for illustrative purposes only and do not purport to represent what the actual consolidated results would have been had the Merger actually occurred on the date indicated.
DT US EBITDA lower under IFRS than under US GAAP

Key IFRS vs. US GAAP EBITDA bridge items

EBITDA AL Bridge items resulting from different EBITDA definition and accounting standards:

- **SBC (Stock-based compensation):** P&L effect included under IFRS but excluded in TMUS US GAAP adj. EBITDA definition
- **IFRS 16:** Due to front-loading interest expense, leasing expenses (D&A and interest) higher under IFRS than in US GAAP (OPEX)
- **Spectrum leases:** OPEX under US GAAP but D&A and interest expense (non IFRS 16) under IFRS
- **REPA (Renewable Energy Purchase Agreements):** embedded derivatives recognized under IFRS and not under US GAAP Accordingly fair value changes are included in IFRS OPEX. Difficult to forecast due to unpredictable volatility
Net income differences mainly related to timing
Key IFRS vs. US GAAP net income bridge items

DT US net income, 9M/2022
US$ bn

- Differences mainly due to timing, i.e. no material differences over multi year periods
- Net Income bridge 9M/2022 of USD -0.3 bn is driven by different accounting of embedded derivatives (mainly due to increasing interest rates)

1 excludes stock based compensation of $0.4bn (pre tax) as it is included in US GAAP unadj. Net Income as well as in IFRS adj. Net Income. Please see also TMUS Factbook Q3 page 25.
DT US free cash flow higher under IFRS than under US GAAP

Key IFRS vs. US GAAP FCF bridge items

<table>
<thead>
<tr>
<th>Item</th>
<th>US FCF (US GAAP)</th>
<th>Spectrum leases</th>
<th>Other</th>
<th>US FCF AL (IFRS)</th>
<th>FCF AL ex US</th>
<th>DT FCF AL</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5.5</td>
<td>$0.2</td>
<td>$0.1</td>
<td>€5.3</td>
<td>€4.1</td>
<td>€9.4</td>
<td></td>
</tr>
</tbody>
</table>

- Spectrum leases: OPEX under US GAAP and intangible asset (D&A, non leasing related) under IFRS. Amortization related cash out shown in financing activity under IFRS and in FCF under US GAAP

= FX - foreign exchange effect, based on average rate of €1 = US$1.05 USD
Net debt also impacted by accounting differences

Key net debt ex leases bridge items

<table>
<thead>
<tr>
<th>DT (IFRS)</th>
<th>US (US GAAP) as per leverage definition</th>
<th>implied ex US</th>
<th>but...</th>
<th>actual ex US (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td></td>
<td>38</td>
<td></td>
<td>33</td>
</tr>
</tbody>
</table>

$70 = FX - foreign exchange effect, based on period-end rate of € 1 = US$ 0.97 USD

- Ex US net debt excl. leases is not DT excl. leases minus US (US GAAP) net debt
- Ex US IFRS net debt is lower than implied by US GAAP due to
  - Differences in accounting standards
  - Different net debt definition

Key US GAAP IFRS net debt ex leases bridge items

<table>
<thead>
<tr>
<th>US (US GAAP)</th>
<th>Tower Obligation (Global Signal)</th>
<th>Spectrum leases</th>
<th>Other</th>
<th>US (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>71</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>77</td>
</tr>
</tbody>
</table>

1 Tower Obligation (Global Signal): financing transaction - liability shown as net debt (non IFRS 16) under IFRS and as other financial liability under US GAAP.
2 Spectrum leases: intangible asset and net debt (non IFRS 16) under IFRS but OPEX under US GAAP.
1 Other: e.g. factoring, embedded derivatives
The same is true for net debt incl. leases

Key net debt incl. leases bridge items

- Ex US IFRS net debt incl. leases is lower than implied by US GAAP due to differences in
  - Accounting standards
  - Net debt definition

= FX - foreign exchange effect, based on period-end rate of € 1 = US$ 0.97 USD

1 operating leases - finance leases included in US GAAP net debt

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Appendix

01

US GAAP / IFRS bridges for TMUS for FY 2021
Bridge items resulting from different Special factors and accounting standards:

- **SBC (Share based compensation):** P&L effect included under IFRS but excluded in TMUS US GAAP adj. EBITDA definition.
- **IFRS 16:** Due to front-loading interest expense, Leasing expenses (D&A and interest) higher under IFRS than in US GAAP (OPEX).
- **Spectrum leases:** OPEX under US GAAP but D&A and interest expense (non IFRS 16) under IFRS.
- **REPA (Renewable Energy Purchase Agreements):** embedded derivatives recognized under IFRS and not under US GAAP. Accordingly fair value changes are included in IFRS OPEX. Difficult to forecast due to volatility.
- **Other:** e.g. Asset retirement obligation (financial income IFRS, OPEX US GAAP), Demo display devices (D&A IFRS, OPEX US GAAP).
Net income differences mainly related to timing
Key IFRS vs. US GAAP net income bridge items

- Differences mainly due to difference in timing, i.e. no material differences over multi year periods (e.g. front loading of leasing related interest expense under IFRS 16, embedded derivatives).

\(^1\) excludes stock based compensation of \(0.5\text{bn (pre tax)}\) as it is included in US GAAP unadj. Net Income as well as in IFRS Net Income adj.
DT US free cash flow higher under IFRS than under US GAAP

Key IFRS vs. US GAAP FCF bridge items

US IFRS AL FCF slightly higher:
- Spectrum leases: executory contracts (OPEX) under US GAAP and intangible asset (D&A, non IFRS 16) under IFRS. Amortization cash out shown in financing activity under IFRS and in FCF under US GAAP.
- Other: mainly capitalized interest on spectrum

= FX - foreign exchange effect, based on average rate of € 1 = US$ 1.18 USD
Net debt also impacted by accounting differences

Key net debt ex leases bridge items

<table>
<thead>
<tr>
<th>Net debt excl. leases, FY/2021 (€bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DT (IFRS)</td>
</tr>
<tr>
<td>101</td>
</tr>
</tbody>
</table>

- Ex US net debt excl. leases is not DT excl. leases minus US (US GAAP) net debt.
- Ex US IFRS net debt is lower than implied by US GAAP due to:
  - Different accounting standards
  - Differences in net debt definition

Key US GAAP IFRS net debt ex leases bridge items (€ bn)

<table>
<thead>
<tr>
<th>US (US GAAP)</th>
<th>Tower Obligation Spectrum leases (Global Signal)</th>
<th>Other</th>
<th>US (IFRS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$70</td>
<td>1</td>
<td>2</td>
<td>64</td>
</tr>
</tbody>
</table>

2 Tower Obligation (Global Signal): financing transaction - liability shown as net debt (non IFRS 16) under IFRS and as other financial liability under US GAAP.
1 Spectrum leases: intangible asset and net debt (non IFRS 16) under IFRS but OPEX under US GAAP.
1 Other: e.g. factoring, embedded derivatives

FX = foreign exchange effect, based on period-end rate of €1 = US$1.13 USD
The same is true for net debt incl. leases
Key net debt incl. leases bridge items

- Ex US IFRS net debt is lower than implied by US GAAP due to
  - Different accounting standards
  - Differences in net debt definition

Ex US IFRS net debt is lower than implied by US GAAP due to
Different accounting standards
Differences in net debt definition

= FX - foreign exchange effect, based on period-end rate of € 1 = US$ 1.13 USD
1 operating leases - finance leases included in US GAAP net debt