FitchRatings

Corporates
Telecommunications
Germany

Deutsche Telekom AG

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BBB+	Stable	Affirmed 17 Aug 21
Short-Term IDR	F2		Affirmed 17 Aug 21

Click here for full list of ratings

The ratings of Deutsche Telekom AG (DT) reflect its leading position in its domestic market and a diversified portfolio of international assets, which includes T-Mobile US, Inc. (TMUS; BBB-/Stable), the third- and second-largest mobile operator in the US by revenue and subscribers, respectively.

Fitch Ratings' assessment of DT's key credit metrics focuses on the company's European operations and considers TMUS on both deconsolidated and proportionate consolidated bases, reflecting DT's minority interest in the business. On this basis, DT is comfortably positioned within its 'BBB+' rating while retaining modest leverage headroom. EBITDA growth in its domestic market and Europe is likely to reduce the impact on free cash flow (FCF) from higher capex due to fibre and 5G network deployments.

Key Rating Drivers

Leading Position in Germany: DT has a strong position in its domestic market with an estimated 33% service revenue share in the mobile market and an estimated 56% subscriber share in the broadband market. DT operates across consumer, business and wholesale segments while owning incumbent fixed and mobile networks that enable the deployment of its convergent strategy.

This optimises economies of scale and is reflected in the company's 21% operating FCF margins (EBITDA after leases less capex), which we expect will remain broadly stable over the next three to four years.

Medium-Term Domestic Risks Manageable: The German telecoms market comprises two nationwide fixed-line operators and three mobile-telecoms operators. The deployment of a fourth mobile network by Drillisch is unlikely to significantly destabilise the market structure given its existing mobile customer base. However, speed- and data-monetisation opportunities that drive average revenue per user (ARPU) improvement could be hit in the medium term by greater alternative wholesale fixed-line availability and Drillisch's need to improve network utilisation.

Fibre Strategy Trade-Offs: DT intends to roll out 10 million fibre-to-the-home (FttH) lines in Germany by 2024 or approximately 23% of total households. DT expects full national coverage by 2030, of which 60%-70% will directly be deployed by the company and the remainder through third parties or partnerships.

While this helps DT manage regulatory pressure and reduce investment risks and moderate capex, it may hit EBITDA in the medium-to-long term as the company loses wholesale margin on the product. Visibility over the extent to which this may happen is low, but a significant reduction in EBITDA could weaken the company's operating profile.

US Merger on Track, FCF Growth: TMUS is making strong progress on extracting synergies from its merger with Sprint. The company is also gaining market share and building scale that supports EBITDA growth. Merger integration costs and capex levels are likely to remain high over the next three years, restraining FCF generation. As these expenses wind down, FCF generation should grow strongly.

TMUS has indicated that it may buy back USD60 billion of its own shares in 2023-2025. The share buyback will help DT lift its ownership in TMUS from its current 43%. If required, DT has in place call options to take its holding to 50.1% by 2024 to retain voting control.

Applicable Criteria

Corporate Rating Criteria (December 2020)

Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)

Sector Navigators - Addendum to the Corporate Rating Criteria (April 2021)

Related Research

Mergers Could Accelerate European Tower Sector Evolution (February 2021)

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Deconsolidated and Proportionate Rating Profile: DT currently retains control of TMUS as a result of its agreement with fellow shareholder Softbank. This allows DT to consolidate TMUS on an accounting basis.

Fitch believes the best way to quantitatively assess the company's ability to meet its debt obligations is to consider the cash-generation capacity of its European operations excluding TMUS or on a proportionate basis. This reflects a combination of factors, which include DT's minority holding in TMUS, weak legal ties, limited operational ties with parent DT, an intended standalone funding structure for TMUS and voting control that will not provide DT with sufficient cash fungibility between itself and TMUS.

Strong Remaining European Profile: Following the deconsolidation of DT's US operations, the credit profile of DT would be anchored around its domestic operations, which would account for about 61% of total EBITDA (excluding TMUS or 36% on proportionate basis of its economic holding in TMUS). DT's other European operations and group functions account for the remaining proportion.

The company retains strong geographic diversification and well-positioned, convergent operators in other European markets that allow DT to respect its leverage thresholds on both deconsolidated and proportionate bases.

Small Leverage Headroom: We estimate DT's funds from operations (FFO) net leverage at end-2020 at 3.0x, assuming the deconsolidation of TMUS. We expect this will remain broadly stable over the next three to four years, reflecting a low organic deleveraging capacity.

We expect growth in deconsolidated EBITDA as growing service revenues, cost reductions and reducing impact from special factors are partly offset by increasing capex for FttH and 5G network deployment. Potential assets sales, e.g. T-Mobile Netherlands, are not part of our base case, but could provide options in managing financial flexibility, if needed.

Financial Summary

Deutsche Telekom AG (Consolidated)

(EURm)	Dec 19	Dec 20	Dec 21F	Dec 22F
Gross revenue	79,996	99,542	106,344	108,406
Operating EBITDA margin (%)	28.2	31.2	29.1	30.2
FFO margin (%)	25.3	24.2	24.8	25.9
FFO interest coverage (x)	7.1	5.9	6.4	6.7
FFO net leverage (x) consolidated	2.6	3.1	3.2	2.9

F – Forecast
Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

DT has a strong operating profile that is driven by a combination of a leading domestic position in Germany and the growing scale and FCF of TMUS following its merger with Sprint. The company is rated in line with that of other western European diversified telecoms operators with similar strong domestic operations and geographically diversified portfolios of international businesses, such as Orange S.A. (BBB+/Stable), Vodafone Group Plc (BBB/Stable) and Telefonica SA (BBB/Stable).

The combination of a strong domestic position and diversified businesses portfolio enables slightly higher leverage capacity for the ratings compared with operators with limited scale such as BT Group plc (BBB/Stable) and Royal KPN N.V. (BBB/Stable). No Country Ceiling, parent/subsidiary or operating environment aspects affect the ratings.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- FFO net leverage on a deconsolidated or a proportionate basis for TMUS sustained below 2.3x (2020: deconsolidated 3.0x and proportionate 3.1x)
- Improved visibility on the impact on EBITDA from the partial deployment of DT's FttH network in Germany.
- Strong operating profile at TMUS with continued self-financing capability.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- An increase in FFO net leverage on a deconsolidated and/or a proportionate basis for TMUS to above 3.3x on a sustained basis. Spikes in leverage may be consistent with the current ratings if the company has a credible plan to reduce leverage within 18-24 months.
- Pressure on FCF driven by EBITDA-margin erosion, consistently higher capex and shareholder distributions, or significant under-performance in the core domestic market and at other key subsidiaries.

Liquidity and Debt Structure

Robust Liquidity, Well-Spread Maturities: DT's policy is to maintain a liquidity buffer sufficient to cover 24 months of debt maturities. At end-2020, DT had liquidity reserves of EUR17 billion, excluding TMUS, comprising EUR4.5 billion cash and cash equivalents and EUR12.6 billion of undrawn committed credit facilities versus EUR7.9 billion maturities to end-2022.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturities

Deutsche Telekom AG –Liquidity Analysis (Consolidated)

(EURm)	2021F	2022F	2023F
Available liquidity			
Beginning cash balance	12,939	138	-2,119
Rating-case FCF after acquisitions and divestitures	-9,101	1,944	3,975
Total available liquidity (A)	**3,838**	**2,081**	**1,857**
Liquidity uses			
Debt maturities (excl. TMUS)	-3,700	-4,200	-3,200
Total liquidity uses (B)	**-3,700**	**-4,200**	**-3,200**
Liquidity calculation			
Ending cash balance (A+B)	138	-2,119	-1,343
Revolver availability	12,600	12,600	12,600
Ending liquidity	**12,738**	**10,481**	**11,257**
Liquidity score (x)	4.4	3.5	4.5

F – Forecast
Source: Fitch Ratings, Fitch Solutions, Deutsche Telekom AG

Scheduled debt maturities (excluding TMUS) (EURm)	Original 31 December 2020
2021	3,700
2022	4,200
2023	3,200
2024	3,200
2025	2,100
Thereafter	23,500
Total	**39,900**

Source: Fitch Ratings, Fitch Solutions, Deutsche Telekom AG

Key Assumptions

- Revenue growth, excluding TMUS, of 0% to 1% a year in 2021-2024
- For TMUS, revenue growth of 8.5% in 2021, 2.4% in 2022 and 2% a year in 2023-2024
- EBITDA margin, excluding TMUS (after operating leases and special factors), of 32% in 2021 and gradually increasing to above 33% by 2024
- For TMUS, an EBITDA margin (after operating and capital leases and special factors excluding proceeds from handset lease revenues) of 27% in 2021, gradually increasing to 35% by 2024
- Total cash tax of EUR960 million in 2021, growing to EUR1.2 billion by 2024 (about 25%-27% is related to TMUS)
- Capex, excluding TMUS, of EUR7.8 billion in 2021, gradually increasing to EUR8.2 billion by 2024
- Capex at TMUS of EUR10.2 billion in 2021, gradually decreasing to EUR8.5 billion by 2024
- Share buyback at TMUS of EUR12.5 billion in 2023 and 2024
- TMUS's repayment of EUR2 billion of inter-company debt in 2022 to DT
- Constant USD/EUR exchange rate of 0.84 to 2024

Financial Data (Consolidated)

Deutsche Telekom AG

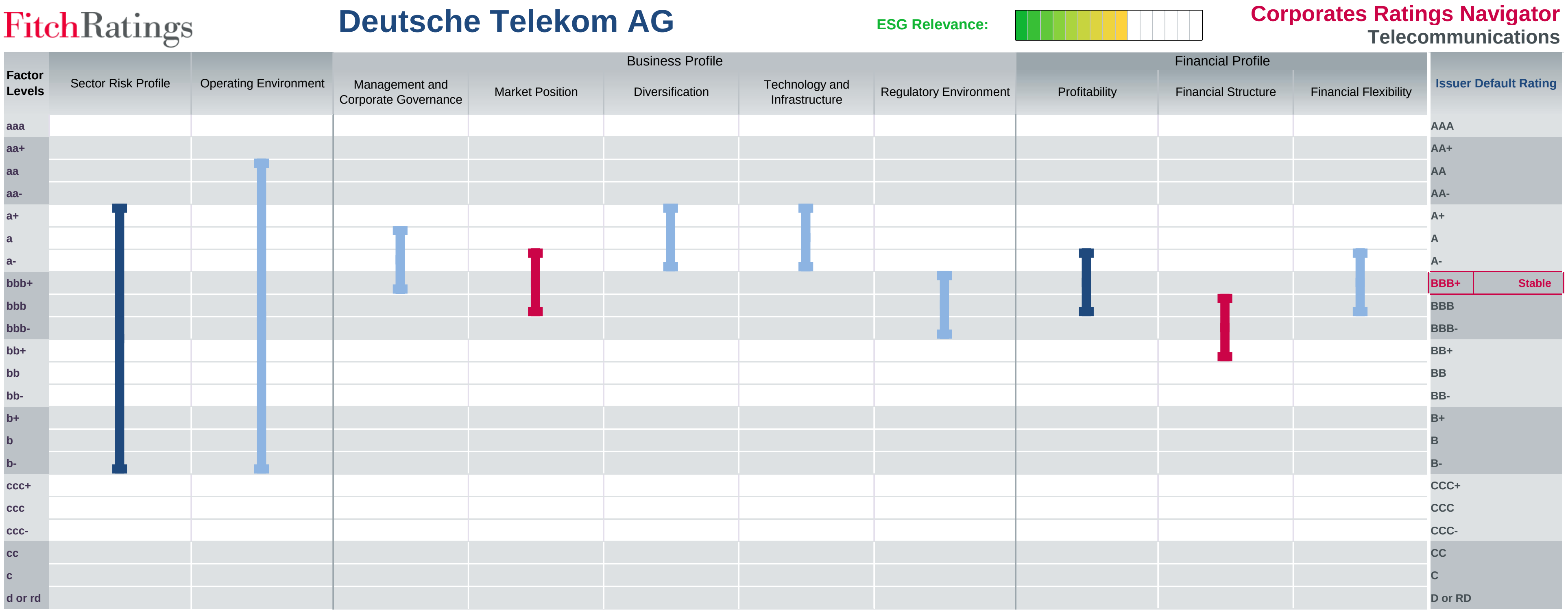
	Historical			Forecast		
(EURm)	Dec 18	Dec 19	Dec 20	Dec 21	Dec 22	Dec 23
Summary income statement						
Gross revenue	75,070	79,996	99,542	106,344	108,406	109,977
Revenue growth (%)	1.2	6.6	24.4	6.8	1.9	1.4
Operating EBITDA (before income from associates)	21,473	22,527	31,055	30,920	32,777	34,568
Operating EBITDA margin (%)	28.6	28.2	31.2	29.1	30.2	31.4
Operating EBITDAR	24,886	27,046	37,177	37,366	39,348	41,234
Operating EBITDAR margin (%)	33.2	33.8	37.3	35.1	36.3	37.5
Operating EBIT	7,637	9,383	11,348	10,307	12,273	14,204
Operating EBIT margin (%)	10.2	11.7	11.4	9.7	11.3	12.9
Gross interest expense	-2,094	-1,842	-3,642	-4,673	-4,711	-4,771
Pretax income (including associate income/loss)	5,153	8,130	9,673	6,924	8,851	10,723
Summary balance sheet						
Readily available cash and equivalents	3,679	5,393	12,939	10,196	10,046	10,219
Total debt with equity credit	58,907	62,453	98,703	105,061	102,968	111,665
Total adjusted debt with equity credit	86,207	98,605	147,679	156,627	155,534	164,993
Net debt	55,228	57,060	85,764	94,865	92,922	101,447
Summary cash flow statement						
Operating EBITDA	21,473	22,527	31,055	30,920	32,777	34,568
Cash interest paid	-3,307	-3,054	-4,656	-4,673	-4,711	-4,771
Cash tax	-697	-758	-690	-959	-1,016	-1,072
Dividends received less dividends paid to minorities (inflow/(out)flow)	9	-221	-209	-204	-215	-226
Other items before FFO	81	83	-2,706	0	0	0
Funds flow from operations	19,151	20,278	24,083	26,374	28,124	29,789
FFO margin (%)	25.5	25.3	24.2	24.8	25.9	27.1
Change in working capital	-1,961	-1,924	-6,338	-4,786	-3,252	-3,024
Cash flow from operations (Fitch defined)	17,190	18,354	17,745	21,588	24,872	26,765
Total non-operating/nonrecurring cash flow	0	0	0			
Capex	-12,492	-14,357	-18,694			
Capital intensity (capex/revenue) (%)	16.6	17.9	18.8			
Common dividends	-3,082	-3,325	-2,852			
Free cash flow	1,616	672	-3,801			
Net acquisitions and divestitures	-1,622	-23	-3,698			
Other investing and financing cash flow items	-1,149	5,267	6,501	0	0	0
Net debt proceeds	1,522	-3,333	9,540	6,358	-2,093	8,697
Net equity proceeds	0	0	0	0	0	-12,500
Total change in cash	367	2,583	8,542	-2,743	-149	172
Leverage ratios						
Total net debt with equity credit/operating EBITDA (x)	2.6	2.6	2.8	3.1	2.9	3.0
Total adjusted debt/operating EBITDAR (x)	3.5	3.7	4.0	4.2	4.0	4.0
Total adjusted net debt/operating EBITDAR (x)	3.3	3.5	3.6	3.9	3.7	3.8
Total debt with equity credit/operating EBITDA (x)	2.7	2.8	3.2	3.4	3.2	3.3
FFO adjusted leverage (x)	3.6	3.8	4.4	4.3	4.1	4.1
FFO adjusted net leverage (x)	3.4	3.6	4.0	4.0	3.8	3.9
FFO leverage (x)	2.8	2.9	3.6	3.5	3.3	3.4
FFO net leverage (x) consolidated	2.6	2.6	3.1	3.2	2.9	3.0
FFO net leverage (x) deconsolidated				3.1	3.0	3.0
FFO net leverage (x) proportionate				3.3	3.1	3.2
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-17,196	-17,705	-25,244	-30,690	-22,928	-22,790
Free cash flow after acquisitions and divestitures	-6	649	-7,499	-9,101	1,944	3,975
Free cash flow margin (after net acquisitions) (%)	0.0	0.8	-7.5	-8.6	1.8	3.6
Coverage ratios						
FFO interest coverage (x)	6.3	7.1	5.9	6.4	6.7	7.0
FFO fixed-charge coverage (x)	3.6	3.5	3.1	3.3	3.4	3.5
Operating EBITDAR/interest paid + rents (x)	3.7	3.5	3.4	3.3	3.5	3.6
Operating EBITDA/interest paid (x)	6.5	7.3	6.6	6.6	6.9	7.2
Additional metrics						
CFO-capex/total debt with equity credit (%)	8.0	6.4	-1.0	-6.0	4.7	6.3
CFO-capex/total net debt with equity credit (%)	8.5	7.0	-1.1	-6.7	5.2	6.9

Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		⇧	Positive
■	Higher Importance	⇩	Negative
■	Average Importance	⇳	Evolving
■	Lower Importance	□	Stable

FitchRatings

Deutsche Telekom AG

Corporates Ratings Navigator
Telecommunications

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

a+	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bbb			

Market Position

a	Market Position	a	Very strong and sustainable market share in primary markets (> 30%).
a-	Competition	bbb	Primary markets characterized by medium competitive intensity and/or moderate barriers to entry.
bbb+	Scale - EBITDAR	a	>$5 billion
bbb			
bbb-			

Diversification

aa-	Service Platform Diversification	a	Operates several service platforms in primary markets.
a+	Geographic Diversification	a	Very good geographic diversification.
a			
a-			
bbb+			

Technology and Infrastructure

aa-	Ownership of Network	a	Owns almost all of its infrastructure.
a+	Network and Service Quality	a	Market leading network in terms of coverage and technology deployment, with good quality of service.
a			
a-			
bbb+			

Regulatory Environment

a-	Regulatory Risk	bbb	Moderate.
bbb+			
bbb			
bbb-			
bb+			

Profitability

a	Volatility of Cash Flow	a	Lower volatility and better visibility of cash flow than industry average.
a-	EBITDAR Margin	a	35%
bbb+	FFO Margin	a	30%
bbb			
bbb-			

Financial Structure

bbb+	FFO Leverage	bbb	3.0x
bbb	FFO Net Leverage	bbb	2.8x
bbb-	(CFO-Capex)/Total Debt With Equity Credit	bb	7.5%
bb+	Total Debt With Equity Credit/Op. EBITDA	bbb	2.8x
bb			

Financial Flexibility

a	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a-	Liquidity	a	Very comfortable liquidity. No need to use external funding in the next 12 months even under a severe stress scenario. Well-spread debt maturity schedule. Diversified sources of funding.
bbb+	FFO Interest Coverage	bbb	6.0x
bbb	FX Exposure	a	Profitability potentially exposed to FX but efficient hedging in place. Debt and cash flows well-matched.
bbb-			

Credit-Relevant ESG Derivation

Deutsche Telekom AG has 8 ESG potential rating drivers

- Energy and fuel use in networks and data centers
- Networks exposed to extreme weather events (e.g. hurricanes)
- Data security; service disruptions
- Impact of labor negotiations and employee (dis)satisfaction
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	8	issues	3
not a rating driver	1	issues	2
	5	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

FitchRatings

Deutsche Telekom AG

Corporates Ratings Navigator
Telecommunications

Credit-Relevant ESG Derivation

Deutsche Telekom AG has 8 ESG potential rating drivers

- Deutsche Telekom AG has exposure to energy productivity risk but this has very low impact on the rating.
- Deutsche Telekom AG has exposure to extreme weather events but this has very low impact on the rating.
- Deutsche Telekom AG has exposure to customer accountability risk but this has very low impact on the rating.
- Deutsche Telekom AG has exposure to labor relations & practices risk but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	8	issues	3
not a rating driver	1	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	3	Energy and fuel use in networks and data centers	Profitability	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	3	Networks exposed to extreme weather events (e.g. hurricanes)	Profitability	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Data security; service disruptions	Competitive Position; Profitability	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Competitive Position; Profitability	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Social attitudes toward network infrastructure	Diversification; Technology and Infrastructure; Profitability	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Free float — 68.1%
Germany (German state) — 14.5%
KfW Bankengruppe (German state) — 17.4%

Deutsche Telekom AG
(BBB+/Stable)
FY20 Fitch-adjusted EBITDA: EUR31.1bn

EUR98.726bn total debt (Fitch-calculated), of which:
- EUR87.702bn bonds and other securities
- EUR10bn other
- EUR85.787bn net debt (Fitch-calculated)
- EUR12.6n undrawn bilateral credit facilities

Germany:
100%: Deutsche Telekom International Finance B.V.
100%: Telekom Deutschland GmbH
100%: T-Systems International GmbH

DT guarantees bonds. Bonds are co-issued between DT and financing company

US:
63.34%: T-Mobile US, Inc.
FY20 adj. EBITDA USD24.557bn (reported)

USD71.125bn total debt, of which:
- USD4.579bn short-term third-party debt, USD61.830bn LT
- USD4.716bn debt to affiliates (Deutsche Telekom AG)
- USD10.385bn cash and cash equivalents

Other European subsidiaries:
100%: T-Mobile Netherlands Holding B.V. (Netherlands)
100%: T-Mobile Polska S.A. (Poland)
100%: T-Mobile Czech Republic a.s. (Czech Republic)
100%: T-Mobile Austria Holding GmbH (Austria)
100%: Slovak Telekom a.s. (Slovakia)
60.49%: Magyar Telekom Telecommunications Plc (Hungary)
51.71%: Hrvatski Telekom d.d. (Croatia)
46.91%: Hellenic Telecommunications Organizations S.A. (OTE) (Greece)

EUR1.1bn total debt (OTE and MT)

FY20 EBITDA AL adj. for special factors EUR1.199bn Greece, EUR337m Croatia, EUR520m Hungary

Note: KfW = Kreditanstalt für Wiederaufbau.
Source: Fitch Ratings, Fitch Solutions, Deutsche Telekom AG, as of December 2020.

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	Operating EBITDA margin (%)	FFO margin (%)	FFO net leverage (x)	CFO-capex/total debt with equity credit (%)
Deutsche Telekom AG	BBB+						
	BBB+	2020	99,542	31.2	24.2	3.1	-1.0
	BBB+	2019	79,996	28.2	25.3	2.6	6.4
	BBB+	2018	75,070	28.6	25.5	2.6	8.0
BT Group plc	BBB						
	BBB	2021	23,950	30.8	19.4	2.5	-1.2
	BBB	2020	26,095	31.0	20.3	2.2	6.1
	BBB	2019	26,595	31.5	20.0	2.1	6.4
Royal KPN N.V.	BBB						
	BBB	2020	5,302	43.1	36.6	2.4	5.6
	BBB	2019	5,701	38.6	32.9	2.4	12.2
	BBB	2018	5,639	38.8	33.7	2.6	12.0
Telefonica SA	BBB						
	BBB	2019	48,422	30.2	22.6	3.4	5.4
	BBB	2018	48,693	31.6	24.0	3.4	5.8
	BBB	2017	52,008	31.5	23.9	3.4	6.9
Orange S.A.	BBB+						
	BBB+	2020	42,277	30.4	22.0	2.5	4.3
	BBB+	2019	42,242	30.8	22.0	2.6	3.9
	BBB+	2018	41,384	31.8	22.6	2.6	4.1
Vodafone Group Plc	BBB						
	BBB	2021	43,809	32.8	27.3	2.9	6.3
	BBB	2020	44,974	33.0	27.7	3.2	8.0
	BBB	2019	43,666	31.9	27.2	2.4	8.3

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

Fitch Adjustments and Reconciliation Table for Deutsche Telekom AG

(EURm)	Notes and Formulas	Reported Values	Sum of Adjustments	Lease Adjustment	Preferred Dividends, Associates and Minorities Cash Adjustments	Other Adjustments	Adjusted Values
31 December 2020							
Income Statement Summary							
Revenue		100,999	-1,457			-1,457	99,542
Operating EBITDAR		44,756	-7,579			-7,579	37,177
Operating EBITDAR After Associates and Minorities	(a)	44,762	-7,794		-215	-7,579	36,968
Operating Lease Expense	(b)	6,122					6,122
Operating EBITDA	(c)	38,634	-7,579			-7,579	31,055
Operating EBITDA After Associates and Minorities	(d) = (a-b)	38,640	-7,794		-215	-7,579	30,846
Operating EBIT	(e)	12,805	-1,457			-1,457	11,348
Debt and Cash Summary							
Total Debt with Equity Credit	(f)	138,788	-40,085			-40,085	98,703
Lease-Equivalent Debt	(g)	0	48,976	48,976			48,976
Other Off-Balance-Sheet Debt	(h)	0					0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	138,788	8,891	48,976		-40,085	147,679
Readily Available Cash and Equivalents	(j)	12,939					12,939
Not Readily Available Cash and Equivalents		0					0
Cash Flow Summary							
Operating EBITDA After Associates and Minorities	(d) = (a-b)	38,640	-7,794			-7,794	30,846
Preferred Dividends (Paid)	(k)	0					0
Interest Received	(l)	1,289					1,289
Interest (Paid)	(m)	-7,252	2,596			2,596	-4,656
Cash Tax (Paid)		-690					-690
Other Items Before FFO		-2,706					-2,706
Funds from Operations (FFO)	(n)	29,281	-5,198		-215	-4,983	24,083
Change in Working Capital (Fitch-Defined)		-5,538	-800			-800	-6,338
Cash Flow from Operations (CFO)	(o)	23,743	-5,998		-215	-5,783	17,745
Non-Operating/Nonrecurring Cash Flow		0					0
Capital (Expenditures)	(p)	-18,694					-18,694
Common Dividends (Paid)		-3,067	215			215	-2,852
Free Cash Flow (FCF)		1,982	-5,783		-215	-5,568	-3,801
Gross Leverage (x)							
Total Adjusted Debt/Operating EBITDAR[a]	(i/a)	3.1					4.0
FFO Adjusted Leverage	(i/(n-m-l-k+b))	3.4					4.4
FFO Leverage	(i-g)/(n-m-l-k)	3.9					3.6
Total Debt with Equity Credit/Operating EBITDA[a]	(i-g)/d	3.6					3.2
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	3.6%					-1.0%
Net Leverage (x)							
Total Adjusted Net Debt/Operating EBITDAR[a]	(i-j)/a	2.8					3.6
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	3.0					4.0
FFO Net Leverage	(i-g-j)/(n-m-l-k)	3.6					3.1
Total Net Debt with Equity Credit/Operating EBITDA[a]	(i-g-j)/d	3.3					2.8
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	4.0%					-1.1%
Coverage (x)							
Operating EBITDA/(Interest Paid + Lease Expense)[a]	a/(-m+b)	3.3					3.4
Operating EBITDA/Interest Paid[a]	d/(-m)	5.3					6.6
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	3.1					3.1
FFO Interest Coverage	(n-l-m-k)/(-m-k)	4.9					5.9

[a] EBITDA/R after dividends to associates and minorities.

Source: Fitch Ratings, Fitch Solutions, Deutsche Telekom AG

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

DISCLAIMER & DISCLOSURES

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