DELIVERING ON DT’S UK VALUE CREATION STRATEGY

February 5th 2015
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CONTINUED FOCUS ON ACTIVE VALUE ACCRETIVE PORTFOLIO MANAGEMENT

- Strong transaction rationale in line with DT strategy:
  - Building the leading converged UK operator in the dynamic UK market
- Transaction value of £12.5bn implies £3.9bn\(^1\) value creation since formation of #1 mobile operator via merger of T-Mobile/ORA
- Further value upside through participation in £4.6bn NPV synergy potential

\(^1\) Reflects increase in Equity Value compared to Broker SOTP valuation prior to JV formation plus dividends received.
COMBINING #1 MOBILE AND #1 FIXED TO BUILD QUAD-PLAY LEADER IN THE UK

- Nationwide fixed network
- Fibre leader with 22m premises passed
- #1 fixed BB + Telephony
- #1 Fixed B2B
- Premium content

- #1 mobile revenues¹ & subscribers
- #1 spectrum position
- #1 network quality
- #1 distribution
- #1 wholesale

OUTSTANDING 4P OFFERING

<table>
<thead>
<tr>
<th>Mobile</th>
<th>Fixed BB</th>
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<tbody>
<tr>
<td>#1</td>
<td>#1</td>
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<td>#1</td>
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</table>

<table>
<thead>
<tr>
<th>Fixed Telephony</th>
<th>TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>#3</td>
</tr>
</tbody>
</table>

#1 B2B

- Integrated
- #1

ATTRACTIONAL PROPOSITION TO UK CONSUMERS

- Convergent consumer products
- Integrated business customer solutions
- Customer proximity through outstanding shop footprint
- Attractive content and TV offering
- Leading network service quality

¹. Source: Analysys Mason, total service revenue for calendar H1 2014.
### COMPELLING TRANSACTION RATIONALE

| UNDERSCORES DT STRATEGY | DT’s strategic goals covered (FMC, market leadership, best customer service and shareholder value)  
|                         | DT to provide advice on FMC integration given its experience and know-how |
| ATTRACTIVE EE VALUATION | Premium to broker valuations and comparable transactions & significant value creation since formation of JV |
| FURTHER SHAREHOLDER VALUE UPSIDE | 12% stake gives DT upside potential from:  
|                                | Participation in synergy upside  
|                                | Enhanced market position of BT  
|                                | Robust BT dividend payout reconfirmed |
| INCREASED STRATEGIC OPTIONALITY / POTENTIAL FOR PARTNERSHIP | Exchange of illiquid JV stake into larger, more liquid entity (“IPO with synergies”)  
|                                                     | Leverage-neutral transaction  
|                                                     | Both BT and DT with strong cost transformation record and common DNA  
|                                                     | Potential for further partnership with BT |
TRANSACTION TERMS

TRANSACTION VALUE
• Purchase price of £12.5bn (on a debt/cash free basis)\(^1\)
  • EV/2014A adj. EBITDA of 7.9x (pre-synergies)

CONSIDERATION MIX
• Targeted proceeds to DT
  • 12% stake in BT
• Additional cash depending on BT share price and EE net debt at closing
• Collar price protection mechanism in place

CORPORATE GOVERNANCE
• DT to appoint one member of BT’s BOD
• DT post transaction largest BT shareholder

LOCK-UP AND STANDSTILL
• Standstill: 3 years at 15\(^2\) (limited voting rights to 15% for a period of 2 years post standstill)

CONDITIONS AND CLOSING TIMELINE
• Lock-up period: 18 months for public sale\(^3\)
• Class 1 Approval by BT shareholders
• Customary anti-trust and regulatory approvals
• Expected to close by March 2016
• Break fee agreed

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1. Implied Equity value of £10.2bn based on illustrative adjusted net debt of £2.3bn.
2. For a period of three years post closing DT will be restricted from purchasing BT shares, unless it acquires these directly from Orange, in which case its holding can increase to 15%.
3. Allows market sales to financial investors (who will be subject to the same lock-up restrictions for the remainder of the 18 months).
CONSISTENT EXECUTION OF DT’S STRATEGY

April 2010

Everything Everywhere JV
Merger of #3 and #4 UK MNOs

JV STRATEGY ACHIEVED ITS FULL POTENTIAL …

- Retained mobile revenue leadership
- Exceeded £3.5bn NPV synergy target
- Reaching 25%+ adj. EBITDA margin
- Best network and spectrum position
- Strong brand awareness
- Fastest 4G roll-out, widest 4G coverage and fastest 4G speed across the UK

Feb 2015

EE and BT Combination
Building a quad-play champion in the UK

... FOLLOWED BY BT/EE TRANSACTION THAT COVERS ALL OF DT’S STRATEGIC GOALS

- Mobile-only converted to leading integrated offering
- Best customer experience and best network
- Win with partners: Option to join forces with BT
- Lead in business
- Generation of shareholder value incl. synergy upside
ATTRACTIVE VALUE CREATION

PREMIUM REALISED OVER ANALYST EXPECTATIONS ...

- **Transaction value at above 20% premium to EE SoTP valuation**
- **Further value creation through synergies over time**

Transaction Value

<table>
<thead>
<tr>
<th>EE SoTP Value¹</th>
<th>£10.1bn</th>
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</thead>
<tbody>
<tr>
<td>£12.5bn</td>
<td></td>
</tr>
</tbody>
</table>

+24%

1. SoTP value based on broker consensus estimates as of November 2014 (pre-announcement).
BT IDENTIFIED SUBSTANTIAL VALUE CREATION UPSIDE

RUN RATE EXPECTED IN FOURTH FULL YEAR¹

<table>
<thead>
<tr>
<th>Category</th>
<th>Run Rate Expectation</th>
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<tbody>
<tr>
<td>Commercial</td>
<td>c.£70mn</td>
</tr>
<tr>
<td>IT</td>
<td>c.£90mn</td>
</tr>
<tr>
<td>Network</td>
<td>c.£80mn</td>
</tr>
<tr>
<td>Operational</td>
<td>c.£120mn</td>
</tr>
</tbody>
</table>

SYNERGIES WORTH NPV OF £4.6BN AT CLOSING²

- c. £3,5bn
- c. (£0.5bn)
- c. £3,0bn
- c. £4,6bn

C.£360MN TOTAL OPEX AND CAPEX SYNERGY RUN RATE EXPECTED IN FOURTH FULL YEAR POST COMPLETION
C.£3.5BN TOTAL NPV OF OPEX AND CAPEX SYNERGIES

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¹ Post completion (Opex and Capex synergy run-rate).
² Based on synergy calculation of BT Group.
### ESTIMATED DEUTSCHE TELEKOM GROUP IMPACT FROM TRANSACTION

#### Major Financial Key Performance Indicators (KPIS) 2016

<table>
<thead>
<tr>
<th>DELTA</th>
<th>Revenue</th>
<th>EBITDA (adj.)</th>
<th>FCF</th>
<th>Net Debt</th>
<th>Rating Leverage</th>
<th>EPS (adj.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-</td>
<td>(€ 0.1bn)</td>
<td>(€0.2bn)</td>
<td>(€0.1bn)</td>
<td>+0.1x</td>
<td>+€0.01</td>
</tr>
</tbody>
</table>

- Positive one-time net income effect after closing of transaction of >€1bn\(^1\) due to an expected book gain and OCI recycling
- DT’s 50% stake in EE has been accounted for using the equity method until change to held-for-sale as of Dec 31, 2014. The future 12% stake in BT will be accounted for as financial asset measured at fair value
- No significant impact from the transaction on DT financials expected
  - EBITDA: slight dilution since no further income from brand and management fees from EE
  - FCF: slight dilution due to lower dividend from combined entity compared to EE dividend
  - Net debt and rating debt consequently also slightly diluted

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1. Based on FX rate of EUR / GBP: 0.8179. Accounting effect significantly higher (approx. €1.5bn) based on current spot rates.
THANK YOU!