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**DEUTSCHE TELEKOM**

BOND INVESTOR  
INFORMATION

MAY 2019



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# GUIDANCE 2019: UNCHANGED

EUR bn

	Revenue	Adj. EBITDA AL <sup>2</sup>	FCF AL <sup>2</sup>	Cash Capex
2017 – 2021 CAGR (CMD 2018)	+1 – 2%	+2 – 4%	≈+10%	Stable ex. US
<b>2019 Guidance (\$/€: 1.18)</b>	<b>Slight increase</b>	<b>Around 23.9</b>	<b>Around 6.7</b>	<b>Around 12.7</b>
Q1/19 Result (organic change yoy)	19.5 (+3.5%)	5.9 (+3.9%)	1.6 (+9.6%)	3.7 (+13.7%)
thereof Group excl. US				
<b>2019 Guidance</b>		<b>Around 13.4</b>		<b>Around 7.9</b>
Q1/19 Result (organic change yoy)		3.3 (+2.1%)		2.1 (+0.5%)
thereof TM US (US\$ bn)				
<b>2019 Guidance</b>	<b>Increase</b>	<b>Around 12.4<sup>1</sup></b>		<b>Around 5.7</b>
Q1/19 Result (organic change yoy)	11.1 (+7.0%)	3.0 (+6.2%)		1.8 (+36.9%)

1) Equals mid-Point TMUS guidance (\$12.95 bn US GAAP) and -\$0.6 bn IFRS bridge 2) AL = after lease



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# FINANCIALS: STRONG REVENUE, EBITDA AL AND FCF

EUR mn

Q1

	2018	2019	Change
Revenue	17,924	19,488	+8.7%
Adj. EBITDA AL <sup>3</sup>	5,487	5,940	+8.3%
Adj. EBITDA AL (excl. US) <sup>3</sup>	3,156	3,261	+3.3%
Adj. Net profit	1,190	1,183	-0.6%
Net profit	992	900	-9.2%
Adj. EPS (in €)	0.25	0.25	+0.0%
Free cash flow AL <sup>1,3</sup>	1,318	1,557	+18.1%
Cash capex <sup>2</sup>	3,076	3,682	+19.7%
Net debt <sup>3</sup>	n.a.	71,876	n.a.

1) Free cash flow AL before dividend payments and spectrum investment 2) Excl. Spectrum: Q1/18: €63 mn; Q1/19: €145 mn.

3) Net debt 2018 before IFRS 16. Q1/19 after IFRS 16, no corresponding figure available for Q1/18. Adj. EBITDA AL and FCF AL historic results not audited.



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# FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

EUR bn

	31/03/2018	30/06/2018	30/09/2018	31/12/2018	31/03/2019
Balance sheet total <sup>1</sup>	138.0	139.7	142.3	145.4	165.5
Shareholders' equity <sup>1</sup>	43.7	41.4	43.5	43.4	42.8
Net debt <sup>1</sup>	50.5	54.8	55.5	55.4	71.9
Net debt/adj. EBITDA <sup>2</sup>	2.3	2.5	2.4	2.4	2.65
Equity ratio	31.7%	29.6%	30.6%	29.9%	25.9%

## Comfort zone ratios

Rating: A-/BBB	●
2.25 - 2.75x net debt/Adj. EBITDA <sup>2</sup>	●
25 – 35% equity ratio <sup>3</sup>	●
Liquidity reserve covers redemption of the next 24 months	●

## Current rating

Fitch:	BBB+	stable outlook
Moody's: <sup>4</sup>	Baa1	negative outlook
S&P: <sup>4</sup>	BBB+	CreditWatch negative

1) Values for 2018 based on old accounting standard. As of Q1/19 according to IFRS 16. 2) Ratios for the interim quarters calculated on the basis of previous 4 quarters. Ratio increased from 2.0 - 2.5x previously following change to IFRS 16 in Q1/19.

3) Pre-IFRS 16 4) Outlook changed end of April 18, following the announced merger of TM US and Sprint. Previous outlook was "stable".

# FINANCIAL POLICY: A BALANCED APPROACH BETWEEN EQUITY AND BOND INVESTORS

## Equity

### Reliable shareholder remuneration policy

- DIVIDEND<sup>1</sup>
  - €70ct in 2018 (paid in 2019)
  - Thereafter, dividend will reflect growth in adjusted EPS
  - Floor at €50ct per share
- BUY BACKS<sup>2</sup>
  - To be considered
  - DTAG shares or TMUS stake increase

## Leading European Telco - ROCE > WACC



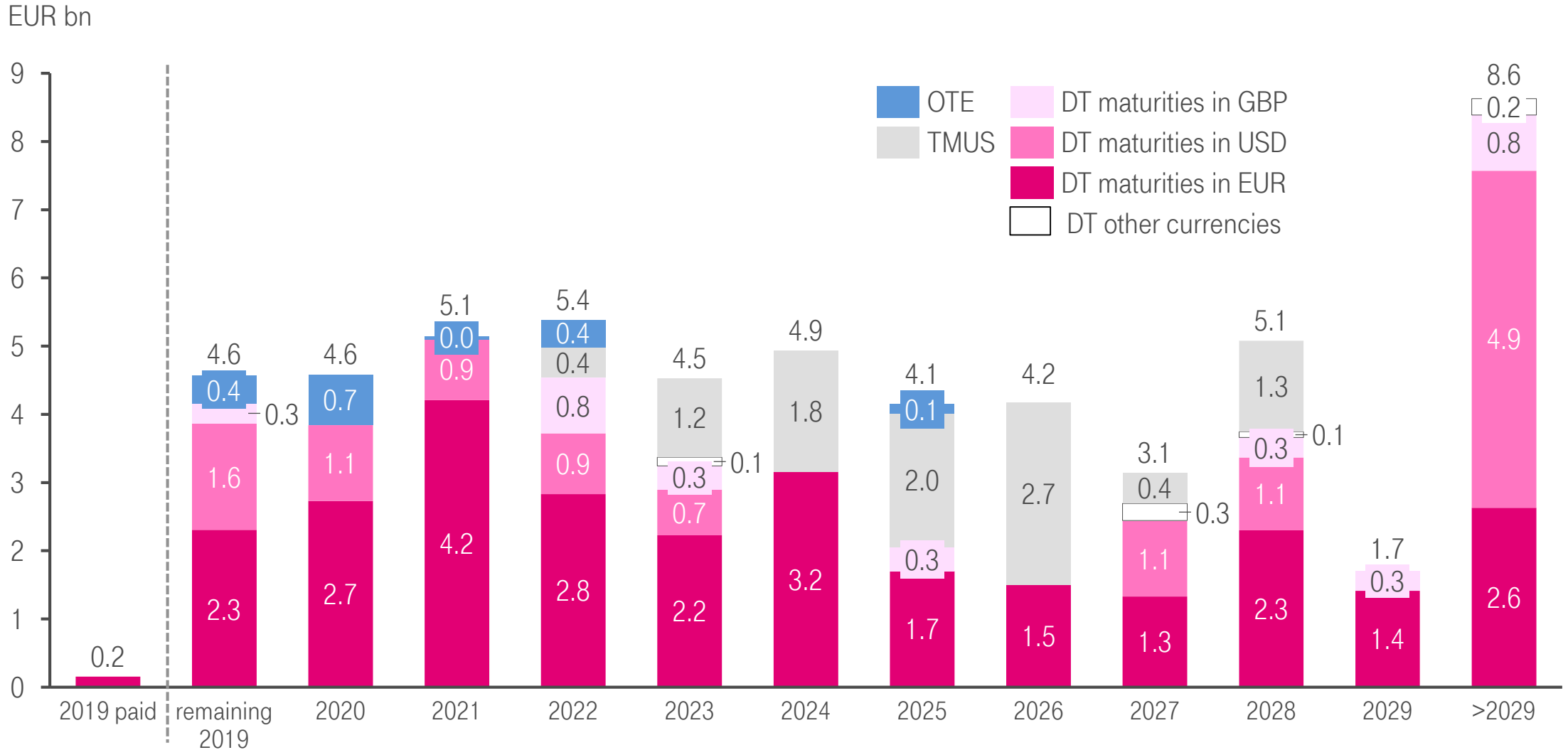
## Debt

### Undisputed access to debt capital markets

- RATING A-/BBB
- NET DEBT/ADJ. EBITDA<sup>3</sup> 2.25–2.75x
- EQUITY RATIO 25–35%
- LIQUIDITY RESERVE covers maturities of coming 24 months

<sup>1</sup> subject to necessary AGM approval and board resolution    <sup>2</sup> not relevant for first 3 years in US deal scenario    <sup>3</sup> only a short departure from comfort zone in US deal scenario

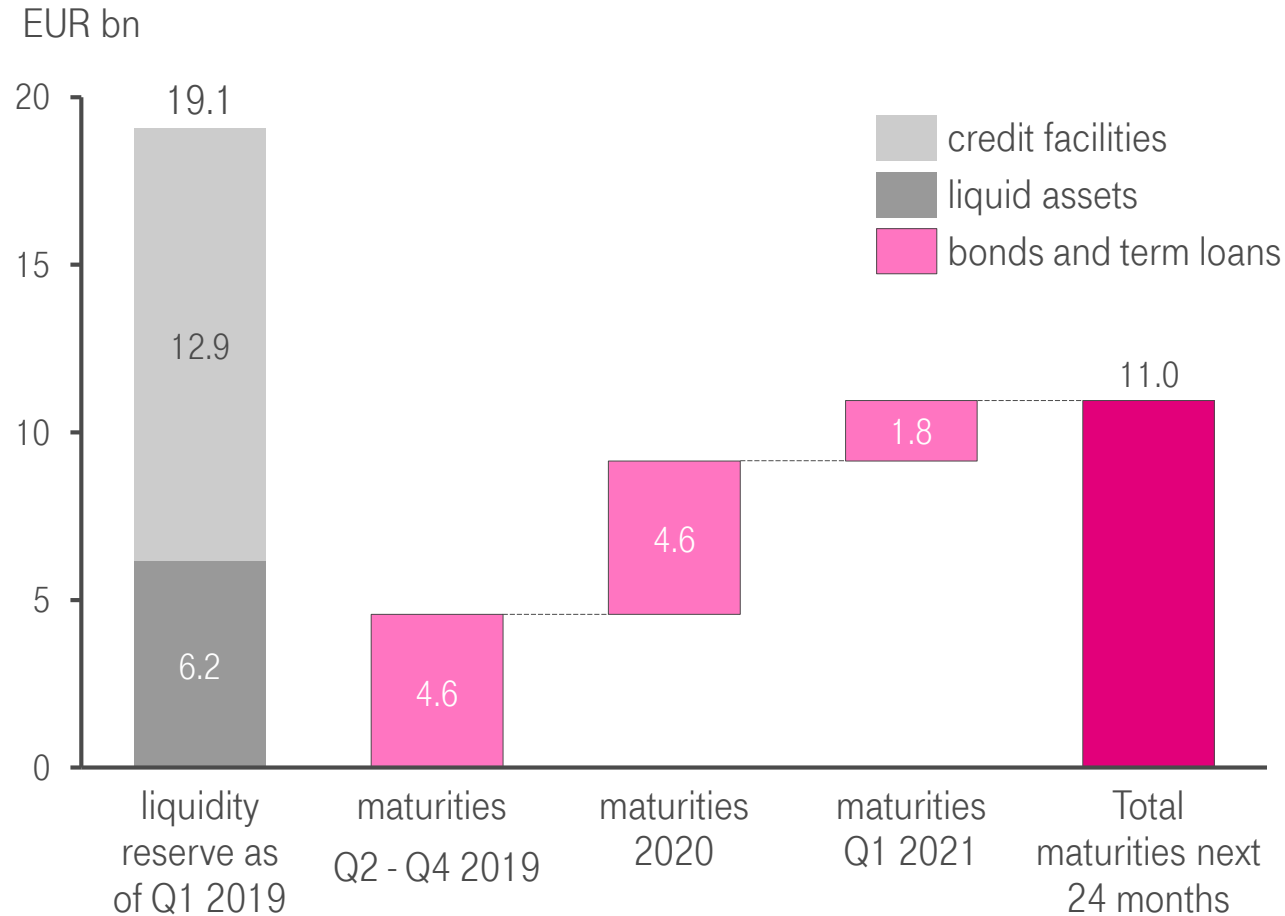
# WELL-BALANCED MATURITY PROFILE AS OF MARCH 31, 2019



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due to rounding differences: sum of single maturities per year ≠ total maturity per year

# STRONG LIQUIDITY POSITION AS OF MARCH 31, 2019



- EUR 12.9bn firm bilateral lines available
  - unconditionally committed
  - no MAC clauses
  - diversified: 22 banks
  - 3 year tenor, staggered maturities
- No bilateral lines drawn
- No Commercial Papers outstanding
- Residual undrawn amount EUR 12.9bn
- Maturities of next 24 months covered



# DT/TMUS FUNDING – CREDIT POSITIVE FOR DT

## DT's funding support as of March 31, 2019

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- USD 10.6bn unsecured HY bonds (disbursed)
  - USD 2.5bn Revolving Credit Facility, thereof USD 1.5bn secured (undrawn)
  - USD 4.0bn secured term loan (disbursed)
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USD 17.1bn total inter-company financing, thereof USD 5.5bn secured

In addition, TMUS has issued USD 11.0bn High Yield bonds to external investors

## Positive credit implications

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- Results in significant interest costs savings
- DT in preferential creditor position due to large portion of secured financing
- Eliminates structural subordination issues with rating agencies



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