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DEUTSCHE TELEKOM

BOND INVESTOR
INFORMATION
FEBRUARY 2019



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2018 FINANCIALS: GUIDANCE BEAT

€ bn

	Revenue	Adj. EBITDA	FCF
2014 – 2018 CAGR ¹	+1 – 2%	+2 – 4%	≈+10%
Initial 2018 Guidance (\$/€: 1.13) Group	Slight Increase	Around 23.2 bn	Around 6.2 bn
Final 2018 Guidance (\$/€: 1.13) Group	Slight Increase	Around 23.6 bn	Around 6.3 bn
Results 2018 Group (at \$/€ 1.13 and adjusted for consolidation changes)	77.1 (+3.1%) ✓	23.7 (+7.2%) ✓	6.3 (+18.9%) ✓
Results 2018 Group actual at \$/€ 1.18	75.7 (+0.9%)	23.3 (+5.0%)	6.2 (+13.7%)
Guidance 2018 DT excl. US		13.2	
Results 2018 DT ex US (adjusted for consolidation changes and f/x)		13.2 (+2.4%) ✓	
Results 2018 DT ex US actual		13.2 (+2.6%)	

1) 14 – 18 CAGRs as per CMD 2015 guidance

GUIDANCE 2019: WE WILL CONTINUE TO EXECUTE

€ bn

	<u>Revenue</u>	<u>Adj. EBITDA AL²</u>	<u>FCF AL²</u>	<u>Cash Capex</u>
2017 – 2021 CAGR (CMD 2018)	+1 – 2%	+2 – 4%	≈+10%	Stable ex. US
2018 Result (pro forma)	76.4	23.2	6.0	12.4
2019 Guidance (\$/€: 1.18)	Slight increase	Around 23.9	Around 6.7	Around 12.7
thereof Group excl. US				
2018 Result (pro forma)		13.1		8.0
2019 Guidance		Around 13.4		Around 7.9
thereof TM US (US\$ bn)				
2018 Result	43.1	11.9		5.2
2019 Guidance	Increase	Around 12.4¹		Around 5.7

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

FINANCIALS: NET INCOME IMPACTED BY TAX GAIN IN Q4/17

€ mn

	Q4			FY		
	2017	2018	Change	2017	2018	Change
Revenue	19,160	20,261	+5.7%	74,947	75,656	+0.9%
Adj. EBITDA	5,015	5,649	+12.6%	22,230	23,333	+5.0%
Adj. EBITDA (excl. US)	3,011	3,112	+3.3%	12,914	13,245	+2.6%
Adj. Net profit	2,657	796	-70.0%	6,039	4,545	-24.7%
Net profit	1,332	-431	n.m.	3,461	2,166	-37.4%
Adj. EPS (in €)	0.56	0.17	-69.6%	1.28	0.96	-25.0%
Free cash flow ¹	1,094	1,471	+34.5%	5,497	6,250	+13.7%
Cash capex ²	2,860	3,079	+7.7%	12,099	12,223	+2.5%
Net debt	50,791	55,425	+9.1%	50,791	55,425	+9.1%

1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q4/17: €94 mn; Q4/18: €62 mn. FY/17: €7,395 mn; FY/18: €269 mn



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FINANCIALS: BALANCE SHEET RATIOS IN TARGET CORRIDOR

€ bn

	31/12/2017	31/03/2018	30/06/2018	30/09/2018	31/12/2018
Balance sheet total	141.3	138.0	139.7	142.3	145.4
Shareholders' equity	42.5	43.7	41.4	43.5	43.4
Net debt	50.8	50.5	54.8	55.5	55.4
Net debt/adj. EBITDA ¹	2.3	2.3	2.5	2.4	2.4
Equity ratio	30.0%	31.7%	29.6%	30.6%	29.9%

Comfort zone ratios

Rating: A-/BBB	●
2 – 2.5x net debt/Adj. EBITDA	●
25 – 35% equity ratio	●
Liquidity reserve covers redemption of the next 24 months	●

Current rating

Fitch:	BBB+	stable outlook
Moody's: ²	Baa1	negative outlook
S&P: ²	BBB+	CreditWatch negative

1) Ratios for the interim quarters calculated on the basis of previous 4 quarters. 2) 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

- DIVIDEND¹
 - €70ct in 2018 (paid in 2019)
 - Thereafter, dividend will reflect growth in adjusted EPS
 - Floor at €50ct per share
- BUY BACKS²
 - To be considered
 - DTAG shares or TMUS stake increase

Leading European Telco - ROCE > WACC



Debt

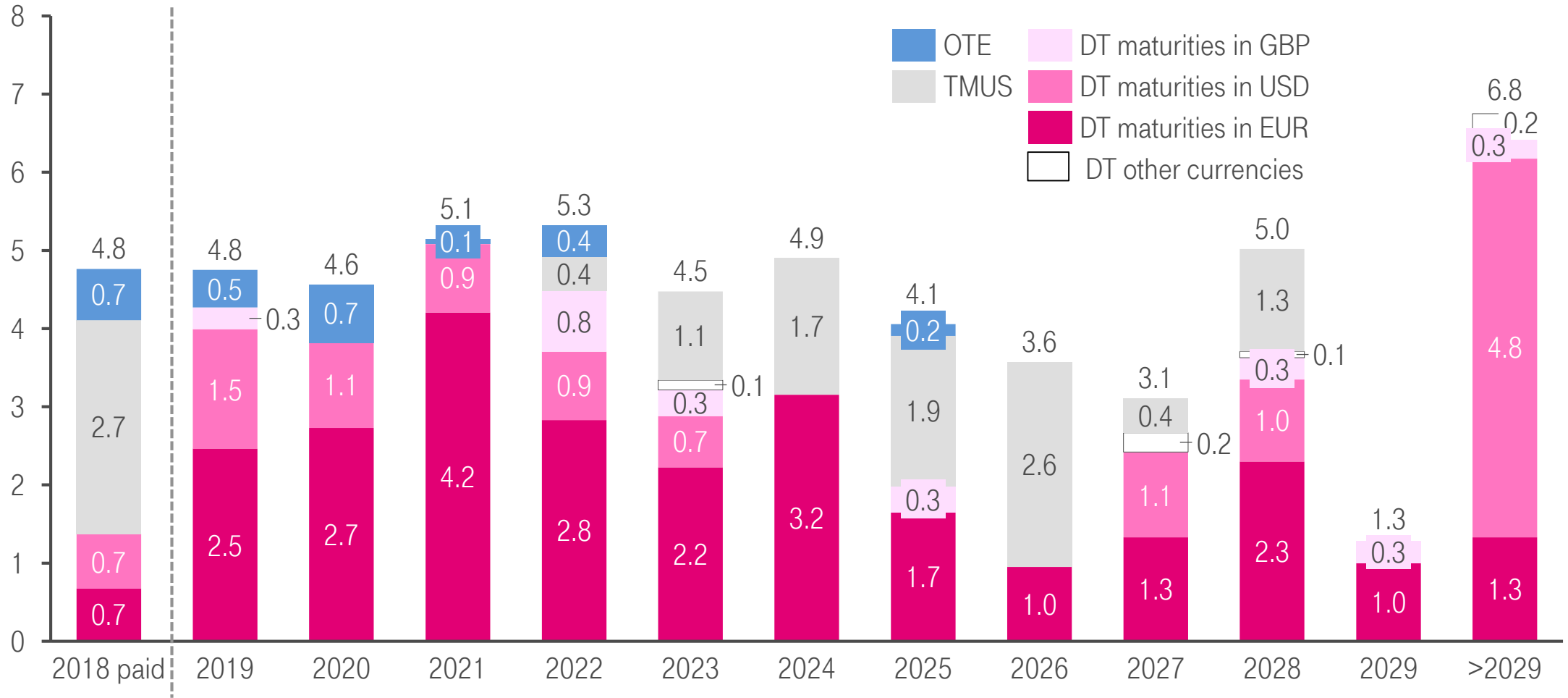
Undisputed access to debt capital markets

- RATING A-/BBB
- NET DEBT/ADJ. EBITDA³ 2-2.5x
- EQUITY RATIO 25-35%
- LIQUIDITY RESERVE covers maturities of coming 24 months

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

WELL-BALANCED MATURITY PROFILE AS OF DECEMBER 31, 2018

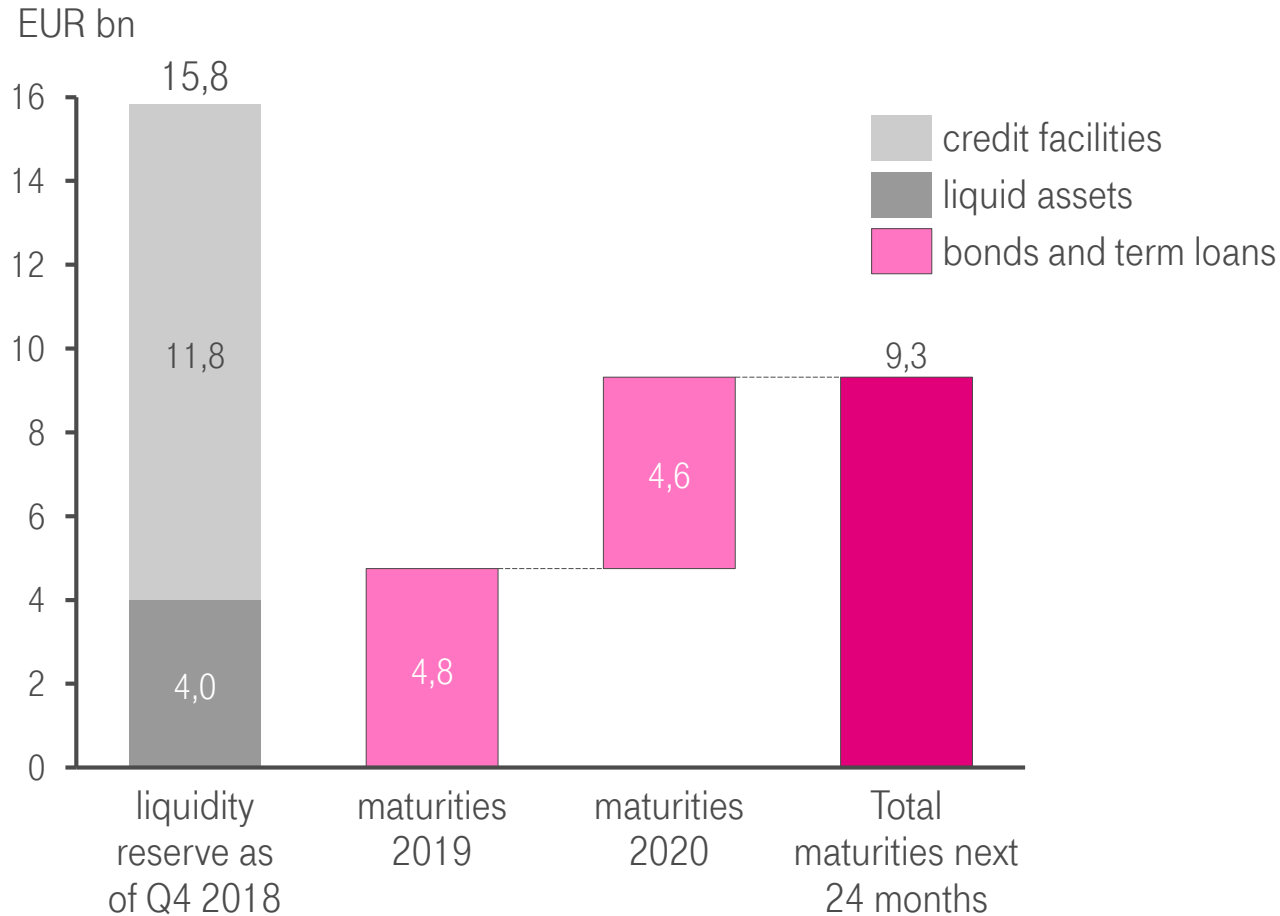
EUR bn



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

STRONG LIQUIDITY POSITION AS OF DECEMBER 31, 2018



- EUR 12.9 bn firm bilateral lines available
 - unconditionally committed
 - no MAC clauses
 - diversified: 22 banks
 - 3 year tenor, staggered maturities
- EUR 0.6 bn bilateral lines drawn
- CPs outstanding EUR 0.5 bn
- Residual undrawn amount EUR 11.8 bn
- Maturities of next 24 months covered

DT/TMUS FUNDING – CREDIT POSITIVE FOR DT

DT's funding support as of December 31st 2018

- USD 10.6bn unsecured HY bonds (disbursed)
- USD 2.5bn Revolving Credit Facility, thereof 1.5bn secured (undrawn)
- USD 4.0bn secured term loan (disbursed)

USD 17.1bn total inter-company financing, thereof 5.5bn secured

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

Positive credit implications

- 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



RATINGS IN THE TELECOM SECTOR

		Moody's	S&P	Fitch
DT	Long-term rating	Baa1	BBB+	BBB+
	Outlook	Negative	CreditWatch negative	Stable
	Short-term rating	P-2	A-2	F2
Rating trends (S&P)		2004	Change	Dec. 2018
EU Peers	Deutsche Telekom	<i>BBB+</i>	➡	<i>BBB+</i>
	BT Group	A-	⬇️	BBB
	KPN	A-	⬇️	BBB-
	Orange	BBB+	➡	BBB+
	Telecom Italia	BBB+	⬇️	BB+
	Telefonica	A	⬇️	BBB
	Telekom Austria	BBB	➡	BBB
	Vodafone	A	⬇️	BBB+
	<i>Average</i>	<i>A-</i>	⬇️	<i>BBB</i>
Non-European Peers	Verizon	A+	⬇️	BBB+
	AT&T	A+	⬇️	BBB
	<i>Average</i>	<i>A+</i>	⬇️	<i>BBB+</i>

Deutsche Telekom's rating has been stable over the last few years, whereas most of our competitors were downgraded



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