



# DEUTSCHE TELEKOM CAPITAL MARKETS DAY 2015

FEBRUARY 26/27

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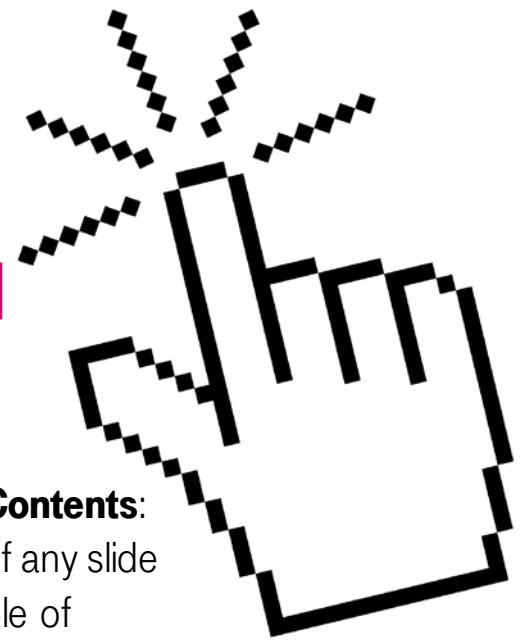
# SAFE HARBOR STATEMENT

This presentation contains “forward-looking” statements within the meaning of the U.S. federal securities laws. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Any statements made herein that are not statements of historical fact, including statements about T-Mobile US, Inc.'s plans, outlook, beliefs, opinions, projections, guidance, strategy, integration of MetroPCS, expected network modernization and other advancements, are forward-looking statements. Generally, forward-looking statements may be identified by words such as "anticipate," "expect," "suggests," "plan," "project," "believe," "intend," "estimates," "targets," "views," "may," "will," "forecast," and other similar expressions. The forward-looking statements speak only as of the date made, are based on current assumptions and expectations, and involve a number of risks and uncertainties. Important factors that could affect future results and cause those results to differ materially from those expressed in the forward-looking statements include, among others, the following: our ability to compete in the highly competitive U.S. wireless telecommunications industry; adverse conditions in the U.S. and international economies and markets; significant capital commitments and the capital expenditures required to effect our business plan; our ability to adapt to future changes in technology, enhance existing offerings, and introduce new offerings to address customers' changing demands; changes in legal and regulatory requirements, including any change or increase in restrictions on our ability to operate our network; our ability to successfully maintain and improve our network, and the possibility of incurring additional costs in doing so; major equipment failures; severe weather conditions or other force majeure events; and other risks described in our filings with the Securities and Exchange Commission, including those described in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 19, 2015. You should not place undue reliance on these forward-looking statements. We do not undertake to update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

As required by SEC rules, we have provided a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable GAAP measures in materials on our website at <http://investor.t-mobile.com>.

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**Return to Table of Contents:**  
Click in the middle of any slide to go back to the table of contents

**Quick access to all presentations:** Click here to get to the overview of every presentation

- AGENDA
- GROUP STRATEGY
- COST & PORTFOLIO
- LEAD IN BUSINESS
- SUPERIOR PRODUCT. MODEL
- EUROPE
- GERMANY
- TMUS
- FINANCE
- WRAP-UP

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Click here to return to this page

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# CAPITAL MARKETS DAY 2015






## AGENDA

### THURSDAY, FEBRUARY 26TH: LEADING EUROPEAN TELCO

13:30	<b>Registration</b> (Deutsche Telekom Headquarters, Bonn)		
14:00	<b>Group Strategy</b>	<b>T. Höttges</b> (CEO)	
15:00	<b>Cost and Portfolio Transformation</b>	<b>T. Dannenfeldt</b> (CFO)	
16:00	<b>Coffee Break</b>		
16:30	<b>Lead in Business</b> (incl. Q&As)	<b>R. Clemens</b> (Board member for T-Systems)	
17:15	<b>Superior Production Model</b> (incl. Q&As)	<b>C. Nemat</b> (Board member for Europe & Technology)	
18:00	<b>Demonstration Superior Production Model</b>	<b>B. Jacobfeuerborn</b> (Group CTO)	
18:45	<b>Evening Event @ T-Gallery</b> <b>Best Customer Experience</b>	<b>N.J. van Damme</b> (Board member for Germany)	

All dates CET (Bonn); GMT (London) -1h, ET (New York) -6h, PT (San Francisco) -9h

### FRIDAY, FEBRUARY 27TH: SEGMENTS + FINANCE

08:30	<b>Europe</b> (incl. Q&As)	<b>C. Nemat</b> (Board member for Europe & Technology)	
09:30	<b>Coffee Break</b>		
09:45	<b>Germany</b> (incl. Q&As)	<b>N.J. van Damme</b> (Board member for Germany)	
10:45	<b>T-Mobile USA</b> (incl. Q&As)	<b>J. Legere</b> (CEO TMUS) <b>B. Carter</b> (CFO TMUS) <b>N. Ray</b> (CTO TMUS) <b>M. Sievert</b> (COO TMUS)	
11:45	<b>Lunch</b>		
12:15	<b>Finance</b>	<b>T. Dannenfeldt</b> (CFO)	
13:00	<b>Wrap-Up</b> (incl. Q&As)	<b>T. Höttges</b> (CEO) <b>T. Dannenfeldt</b> (CFO)	
13:45	<b>End</b>		

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# GROUP STRATEGY

TIM HÖTTGES, CEO



## 1. Key Messages

## 2. Review 2013 – 2014

- Performance towards Ambition Level
- Strong Execution
- Value Creation
- Key Highlights 2014

## 3. Market Trends

- Industry Paradigms
- Customer Trends
- Technology Trends
- OTT Disruption
- Control over Value Points

## 4. Strategy 2015 – 2018

- Leading European Telco

- What we believe in
- Priority per Segment 2015-2018

INTEGRATED IP NETWORKS	BEST CUSTOMER EXPERIENCE	WIN WITH PARTNERS	LEAD IN BUSINESS
<ul style="list-style-type: none"> <li>▪ Seamless high Performance</li> <li>▪ Superior Production Model</li> </ul>	<ul style="list-style-type: none"> <li>▪ Integrated</li> </ul>	<ul style="list-style-type: none"> <li>▪ Win with Partners</li> </ul>	<ul style="list-style-type: none"> <li>▪ High Ambition Level</li> <li>▪ Platforms</li> </ul>

**TRANSFORM PORTFOLIO**

**EVOLVE FINANCIAL TARGETS & EFFICIENCY**

**ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT**

- Innovation
- Regulation
- Brand Value

## 5. Financial Outlook

- Finance Strategy
- Guidance

## 6. Mid Term Ambition Level

- 2018

## 7. Appendix

- CR/SRI

AGENDA

GROUP STRATEGY

COST & PORTFOLIO

LEAD IN BUSINESS

SUPERIOR PRODUCT. MODEL

EUROPE

GERMANY

TMUS

FINANCE

WRAP-UP



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# GROUP STRATEGY

Tim Höttges, CEO







# KEY MESSAGES: DT IS THE LEADING EUROPEAN TELCO!

- 1** Leading European Telco:  
Integrated market leader with superior margins and returns.
- 2** We strengthen our differentiation by best customer experience and by continuously investing into leading access networks and our transformation programs.
- 3** We are transforming towards a lean and highly agile IP production.
- 4** We are self-funding DT's transformation by disciplined cost management.
- 5** We will grow in all relevant financial KPI's (ROCE, Revenue, EBITDA, FCF).
- 6** Our shareholders will participate with growth of dividends following FCF growth and our prudent debt policy remains unchanged.



# REVIEW 2013–2014

# PERFORMANCE TOWARDS AMBITION LEVEL

	AMBITION LEVEL 2015 (FROM CMD 2012)	ACHIEVEMENTS 2014		DELIVERED/ ON TRACK
		2013	2014	
GROUP REVENUES	Growing in 2014	60.1	62.7	
GROUP ADJ. EBITDA	Growing in 2014	17.6 <sup>1</sup>	17.6	
GROUP FCF	Improvement (to reach ≈ €6 bn in 2015)	4.6	4.1	
GROUP ADJ. EPS	Improvement (to reach ≈ €0.8 in 2015)	0.63	0.54	
GROUP ROCE	Improvement (to reach ≈ 5.5% in 2015)	3.8%	5.5% <sup>2</sup>	
SHAREHOLDER REMUNERATION	€0.50 per share	€0.50 for FY 13/14 <sup>3</sup>		

<sup>1</sup> Pro forma EBITDA 2013, adjusted for changes in the scope of consolidation    <sup>2</sup> ROCE 2014 incl. effects from 70% Scout disposal and Verizon spectrum (excl. = 4.0%)

<sup>3</sup> Subject to resolutions of the relevant bodies and the fulfillment of other legal requirements    Note: Figures as reported



# STRONG EXECUTION IN BUSINESS & PORTFOLIO

## BUSINESS 2013-2015



- Return to organic revenue growth
- Group EBITDA stabilization
- Big transformation and network rollout programs on track
- Execution on financial & dividend commitments

- Market leadership in mobile expanded
- Profitable business EBITDA Margin 40%
- First and best truly converged offer launched in the market
- High investments: INS roll-out & IP migration on track

- Execution Un-carrier 1-8
- Stellar customer & revenue growth
- Increasing customer quality
- Increasing profitability
- LTE ramp-up to 265M covered pops (YE 2014)

- Ongoing revenue transformation
- Consequent cost discipline & margin improvement
- Strong execution in IP migration
- Outperforming competition on cash contribution

- MU: TSI 2015+ launched
- MU: Management team changes
- Tel IT: 1 bn spend reduction in internal IT (2012-15)

## PORTFOLIO 2013-2015



**MERGER  
PCS**



**ACQUI-  
SITION**



**SALE OF 70%  
STAKE**



**MINORITY  
BUYOUT**



2013

2014

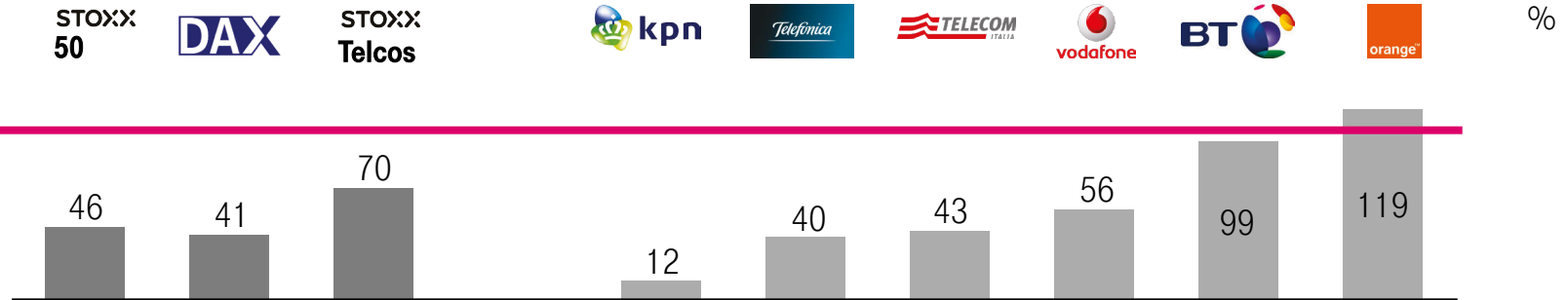
2015

# WE CREATED VALUE FOR DT SHAREHOLDERS SINCE LAST CMD

## TOTAL SHAREHOLDER RETURN SINCE CAPITAL MARKETS DAY 2012

Dec 2012–  
Feb 2015

**T** ...  
**+108%**



## CMD 2012 DIVIDEND POLICY DELIVERED



<sup>1</sup> Subject to board resolution and AGM approval

# LEADING EUROPEAN TELCO: KEY HIGHLIGHTS 2014

## 2014 HIGHLIGHTS

- Germany: Revenue trends improved (-0.8% 2014 yoy versus -1.3% 2013 yoy). Adj. EBITDA Margin stabilized at 40% level. Improvement in all relevant KPIs: line losses reduced by 25%, Broadband losses stopped. TV net adds +26% (265k), Fiber net adds (incl. wholesale) almost doubled to 1 million. Successful launch of Magenta EINS converged product with 506k customers.
- US : In US\$ revenue grows 20.3%, service revenue grows 17.1% and adj. EBITDA grows 10.3%. 8.3 million customers added.
- Europe: Ongoing revenue transformation - revenue share from growth areas improved to 25% (+2pp) , TV (+6%) and broadband (+6%) customer base continue to grow. Reduction of adj. opex (€-0.6 bn) results in improved adj. EBITDA margin of 34% (+1 pp).
- Systems Solutions: First results for “TSI 2015+” achieved. Adj. opex in market unit reduced by €0.4 billion.

## 2014 FINANCIAL HIGHLIGHTS GROUP

- Group revenue growth of 4.2% to €62.7 billion
- Adj. EBITDA growth of 0.8% to €17.6 billion in line with guidance
- FCF of €4.1 billion in line with guidance
- Net profit more than tripled to €2.9 billion

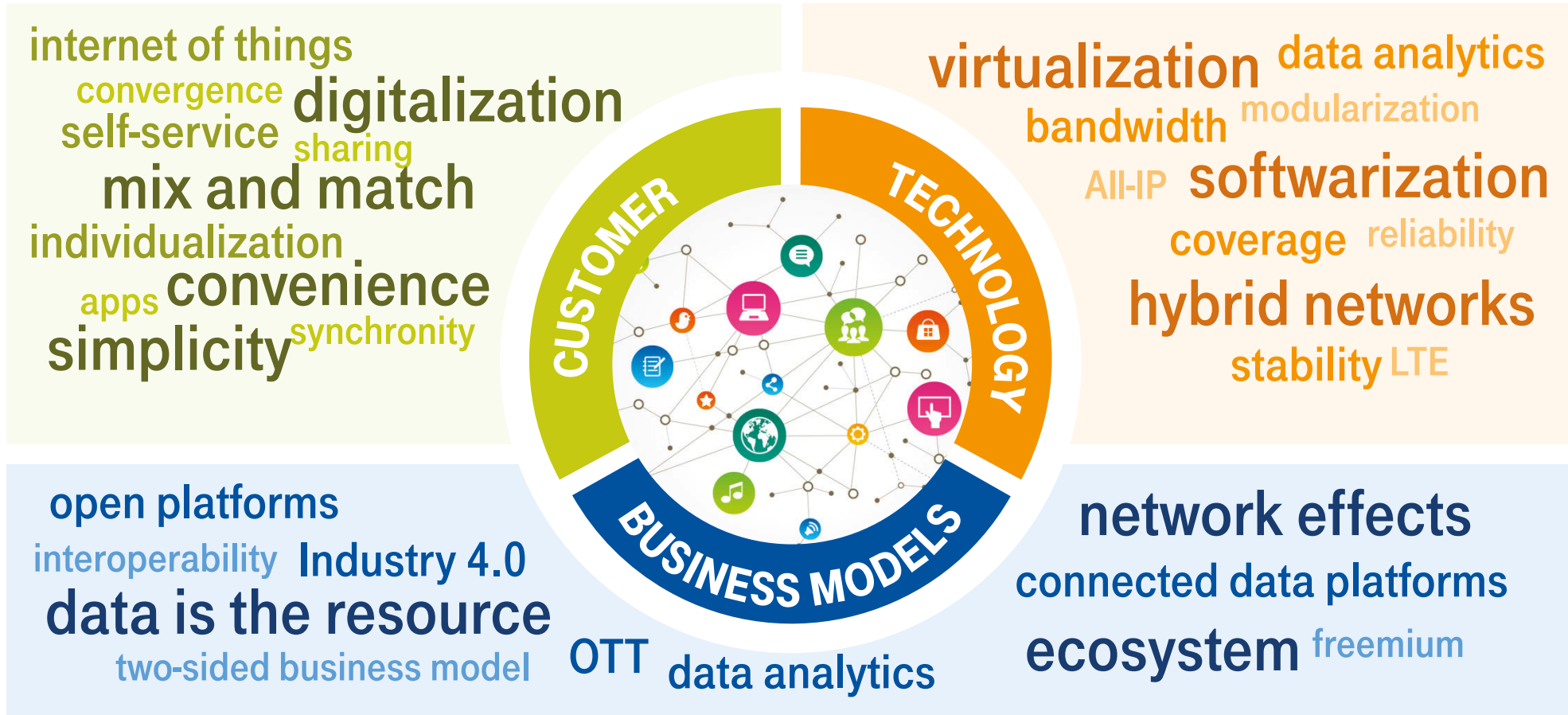
Delivering on dividend policy for 2014:  
**0.50€** per share to be proposed to AGM

2014 Shareholder return:  
Total shareholder return of **11%** achieved in 2014



# MARKET TRENDS

# CHANGING INDUSTRY'S PARADIGMS



# CUSTOMER TRENDS: SHARING IN A CONNECTED WORLD



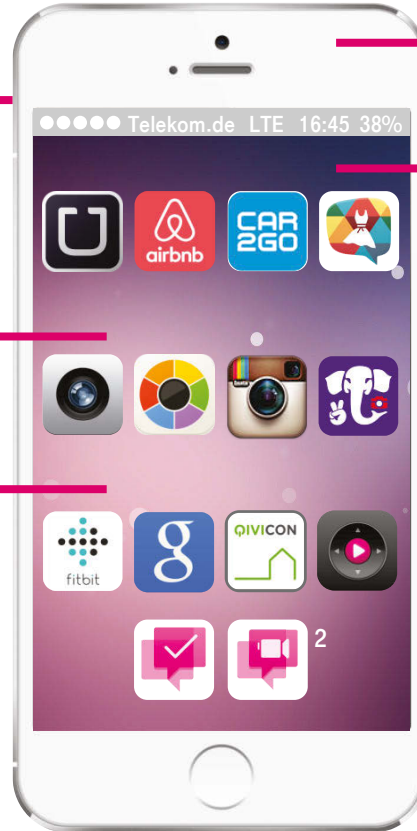
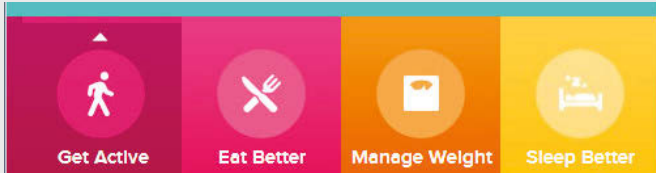
Exemplary device and apps

- ✓ Phone by Apple
- ✓ Contract by Telekom
- ✓ 25 different apps<sup>1</sup>

Individual mix & match

Appification: one use case, one app

Digital enabling of all aspects of life



Seamless connectivity

LTE	WLAN	FIBRE
HYBRID		

Sharing is the new having

Intuitive and simple interfaces – mobile first



<sup>1</sup> Average number of downloaded apps on smart phones (2014)    <sup>2</sup> Telekom Service Apps: Magenta Service and Telekom Hilft

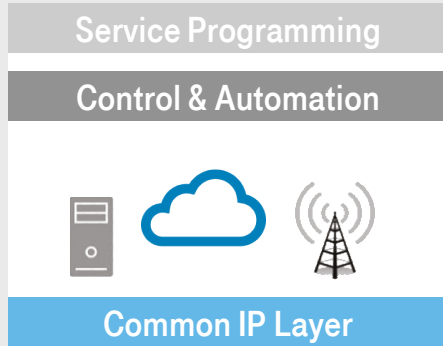


# TECHNOLOGY TRENDS: CONVERGENCE & VIRTUALIZATION



## SOFTWAREZATION

### Software defined networks

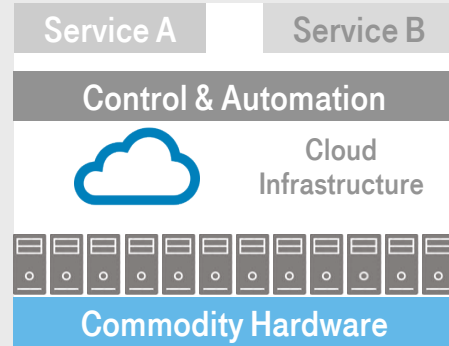


### Replacing consumer hardware



## VIRTUALIZATION

### Network function virtualization



- Faster Time-to-Market
- Higher elasticity
- Higher redundancy
- Independence from hardware

## CONVERGENCE

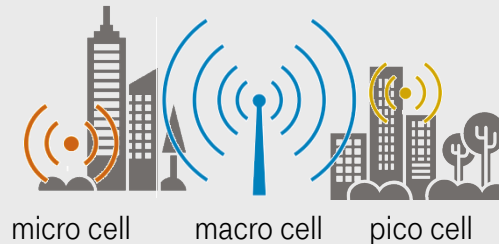
### Hybrid



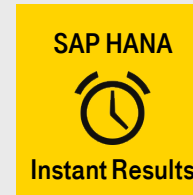
Fixed net for base load and stability

+  
mobile net for additional bandwidth

### Heterogeneous networks



## DATA ANALYTICS



- Modern in-memory platform
- Transact & analyze data in real-time



- Low-cost open source platform
- Batch process/archive infinite amounts of data



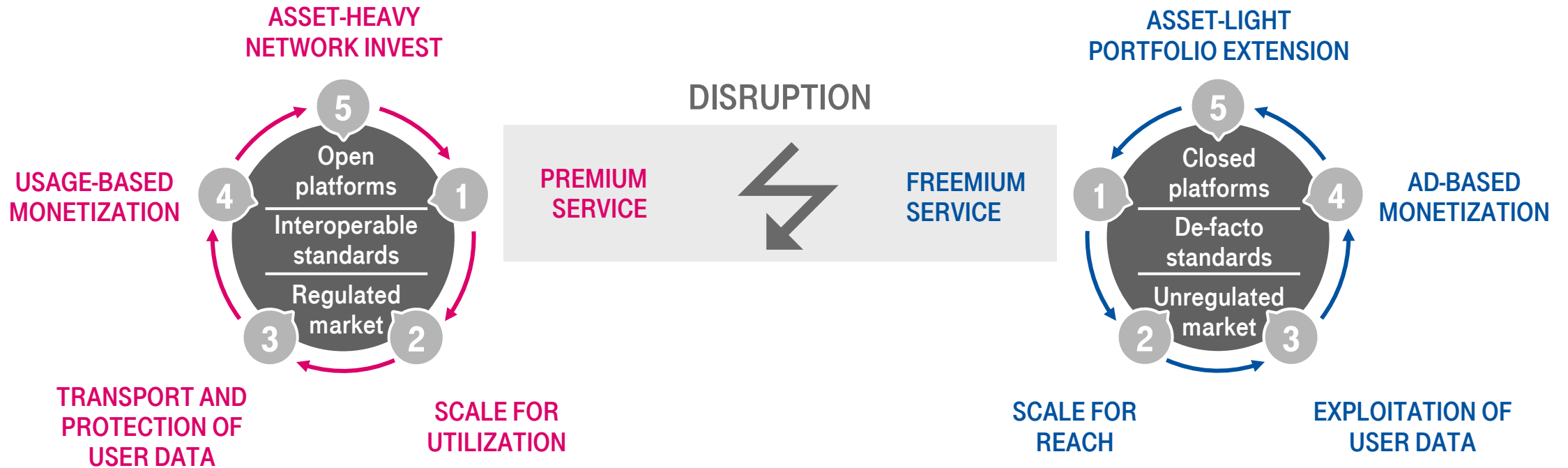
**Real time business results from big data**

# BUSINESS MODEL TRENDS: OTT DISRUPTION



## TELCO BUSINESS MODEL

## OTT BUSINESS MODEL



# WE FIGHT FOR CONTROL OVER OUR VALUE POINTS

Examples

Google fiber



Infrastructure projects

Virtualized access through eSIM

Telco service substitution

Retailization of device distribution enforced by eSIM

Customer relationships dominated through app and content stores, payment solutions and online service

OTT moves

Dumb Pipe

Owned network

Access enabling hard-ware/ SIM-card

Services (communication, TV, ...)

Device distribution

Billing & contractual relationship

Sales & service channels



Seamless connectivity in fixed and mobile

State-of-the-art devices

Integrated and simple offers

Strategic terminal management

Reliable and secure service

Digital and omni-channel service

DT moves

Hybrid



Examples



# STRATEGY 2015–2018

# OUR STRATEGY

## LEADING EUROPEAN TELCO

INTEGRATED  
IP NETWORKS

BEST  
CUSTOMER  
EXPERIENCE

WIN WITH  
PARTNERS

LEAD IN  
BUSINESS

TRANSFORM PORTFOLIO

EVOLVE FINANCIAL TARGETS & EFFICIENCY

ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT

# OUR CORE BELIEFS

## WE ARE THE TRUSTED PARTNER FOR OUR CUSTOMERS

We relentlessly strive for delivering the **best customer experience**

- Our products make “life is for sharing” **simple, reliable and secure**
- Our networks provide **best seamless connectivity**
- **Sales and service processes go digital, omni-channel** and “**24 x 365**”
- **Partner products and services** amend our core proposition
- **Advanced data analytics** improve and extend our service offering

**Technology leadership** with a **superior production model**

- **Fiber-based, integrated IP-networks deliver superior coverage, speed and quality**
- **We scale our production across footprint** for efficiency and time-to-market
- Our **open and interoperable connected data platforms** enable the industrial internet

We build the **best team in the industry**

- **Empowerment, collaboration and innovation** are imperatives of our leadership
- We **constantly raise the bar** while investing into the next, superior generation of talents
- We think **customer-centric**, are **disruptive**, take **ownership**, and act truly **international**



# OUR SEAMLESS HIGH PERFORMING NETWORK

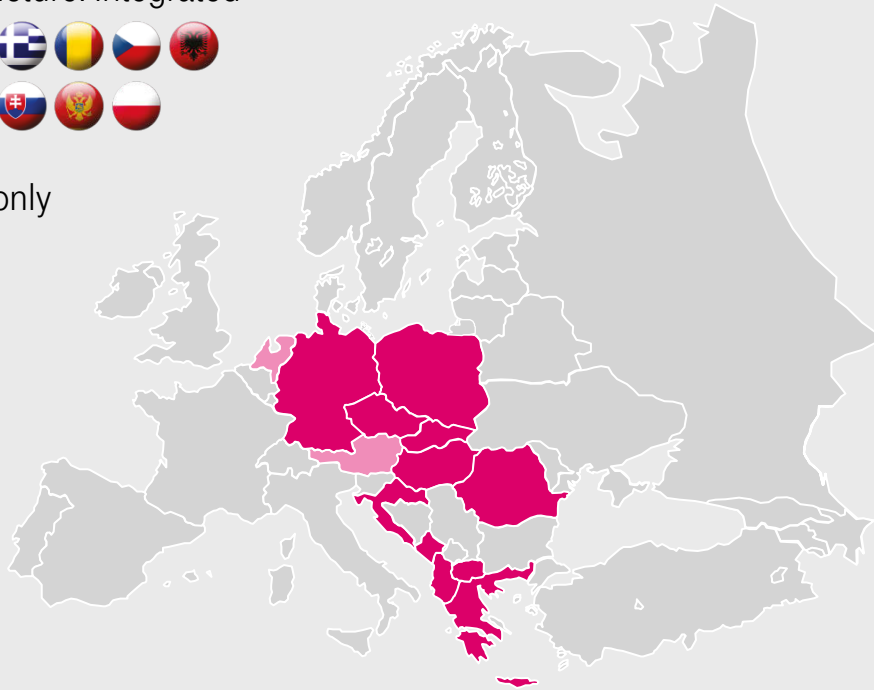


## TECHNOLOGY LEADERSHIP

Target picture: Integrated



Mobile only



## SUPERIOR SPEED AND COVERAGE - SEAMLESS ACCESS

We push a highly competitive fiber based infrastructure and at the same time stick to our capex envelope!



- **95% LTE** pop-coverage<sup>1</sup> in 2018 with up to 300Mbps
- Fiber household footprint of **≈ 80% in 2018** with at least 50 Mbps depending on regulatory adjustments
- Introduction of **super vectoring** with **more than 250Mbps in cable footprint**
- Download speed of **up to 550Mbps** via hybrid in cable footprint
- **264.000 hotspots and 2.000 small cells** in 2018 to boost mobile capacity & indoor coverage



- **75-95%**<sup>2</sup> LTE pop-coverage in 2018 with up to 300 Mbps
- **≈50%** of households<sup>3</sup> with **at least 100Mbps** in 2018
- **≈12%** of households<sup>3</sup> with **up to 500Mbps**<sup>4</sup> in 2018
- **1.6mn hotspots** in 2018<sup>5</sup>

<sup>1</sup> Outdoor coverage   <sup>2</sup> Depending on country   <sup>3</sup> In integrated footprint   <sup>4</sup> FTTH, FTTB, FTTC, cable/ED3 (cable, esp. in Hungary with Euro-DOCSIS)   <sup>5</sup> Including FON

# OUR SUPERIOR PRODUCTION MODEL



## DIGITAL TRANSFORMATION OF CUSTOMER FACING PROCESSES

COST EFFICIENCY & SIMPLICITY



### ALL-IP TRANSFORMATION



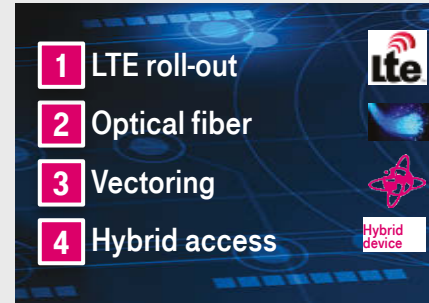
PLUG & PLAY

### PAN-EUROPEAN NETWORK



TIME TO MARKET

### INTEGRATED NETWORK STRATEGY



BEST CONNECTIVITY

Annual run rate adj.  
Opex savings:

≈ €-1.2 bn<sup>1</sup>

(steady state in early 2020ies)

<sup>1</sup> Gross Opex savings D/EU before any counter effects (e.g. personnel cost increases)

# OUR INTEGRATED CUSTOMER PROPOSITION



Mobile

Internet

DSL

Access

- Product world in silos
- Every tariff element to be booked separately

FROM SEPARATE, COMPLEX TARIFFS...

S

M

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- Simplified tariff scheme
- Data as key differentiator

...TO SIMPLIFIED WITHIN SILOS...

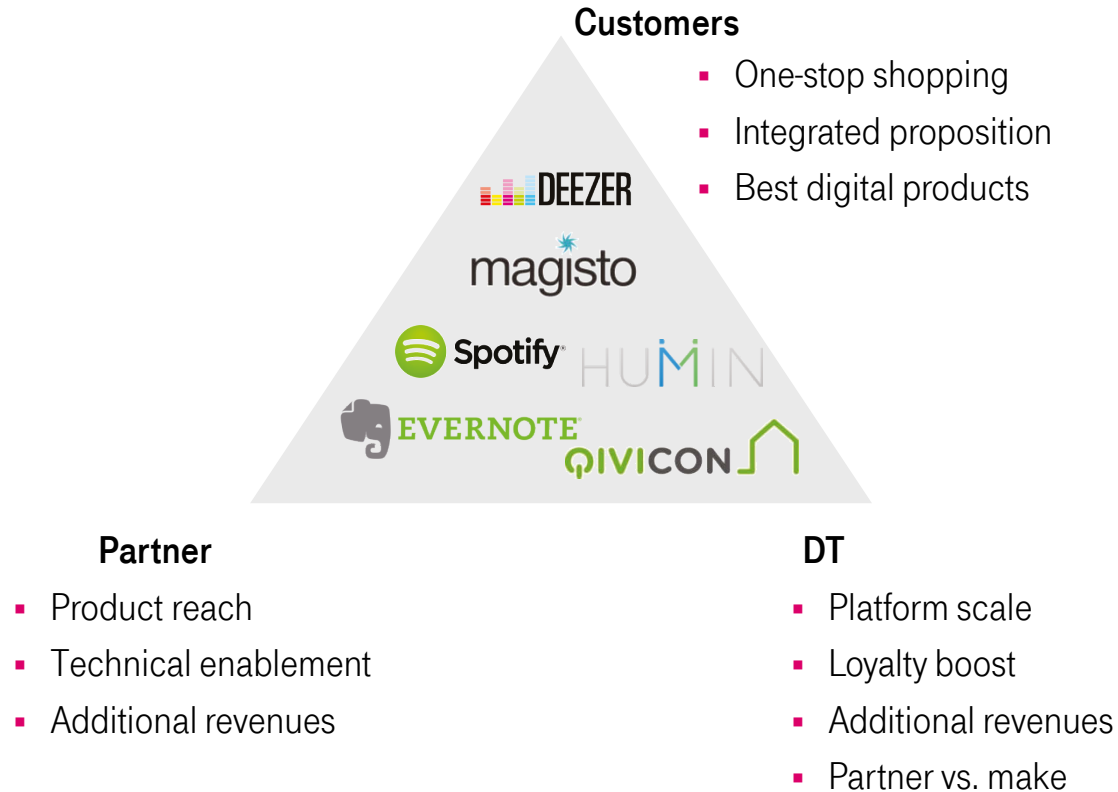
- Convergent portfolio, also beyond tariffs
- Seamless connectivity

...TO FULLY INTEGRATED TODAY.

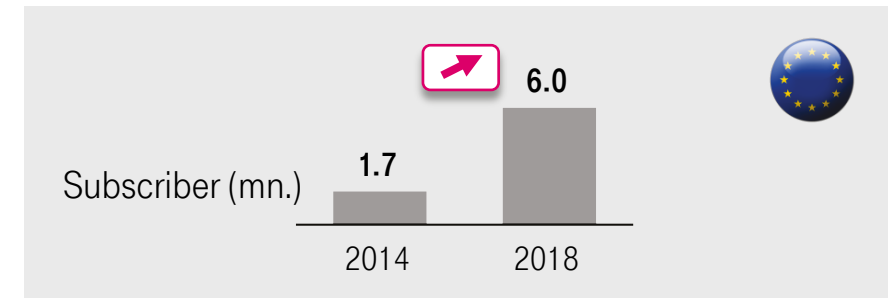
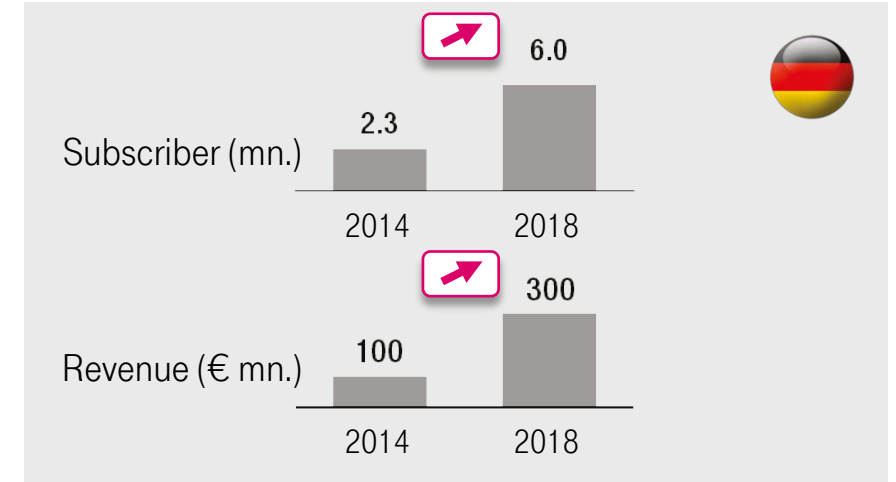
# PARTNERING STRENGTHENS OUR CUSTOMER PROPOSITION



## WIN-WIN-WIN THROUGH PARTNERING



## ACHIEVEMENTS AND AMBITION OF PARTNERING



# LEAD IN BUSINESS: NEW SETUP AND HIGH AMBITION LEVEL



## B2B: UNIFYING THE STRENGTHS OF EUROPE, TSI AND GERMANY

Europe	TSI	Germany
<p><b>Strengthen B2B in EU</b></p> <ul style="list-style-type: none"> <li>Focus on <b>Fixed + Mobile + Cloud service offers &amp; bundles</b></li> <li>International product launches: <b>Cloud, VPN, M2M best-coverage</b></li> <li>Establish <b>innovative G2M</b> and <b>partnership programs</b></li> </ul>	<p><b>TSI 2015+ program</b></p> <ul style="list-style-type: none"> <li><b>Transformation program</b> incl. <b>new setup</b> with 3 divisions: <b>IT, TC, Digital</b></li> <li>Group wide initiative to <b>strengthen the Int'l TC Business</b></li> <li>Growth focus on digital innovation areas like <b>Cloud, Big Data, M2M</b></li> </ul>	<p><b>German SME initiative</b></p> <ul style="list-style-type: none"> <li><b>Nationwide sales and service presence</b></li> <li><b>One-stop-shop product portfolio</b> including customized bundle offers</li> <li>Focus business initiatives: <b>IT Cloud, M2M, DeutschlandLAN</b></li> </ul>

Collaborative coverage of B2B clients EU and D

## PARTNERS

Examples



## REVENUE AMBITION LEVEL (€ BN)

**Strengthen B2B in Europe:**

**Target:** B2B/ICT revenue growth >12% in EU (CAGR until 2018)

**T-Systems 2015+:**

**Target:** ≈3% revenue CAGR in TSI MU until 2018

**German Mid Market initiative:**

**Target:** + €0.4 bn IT revenue in SME (until 2018)

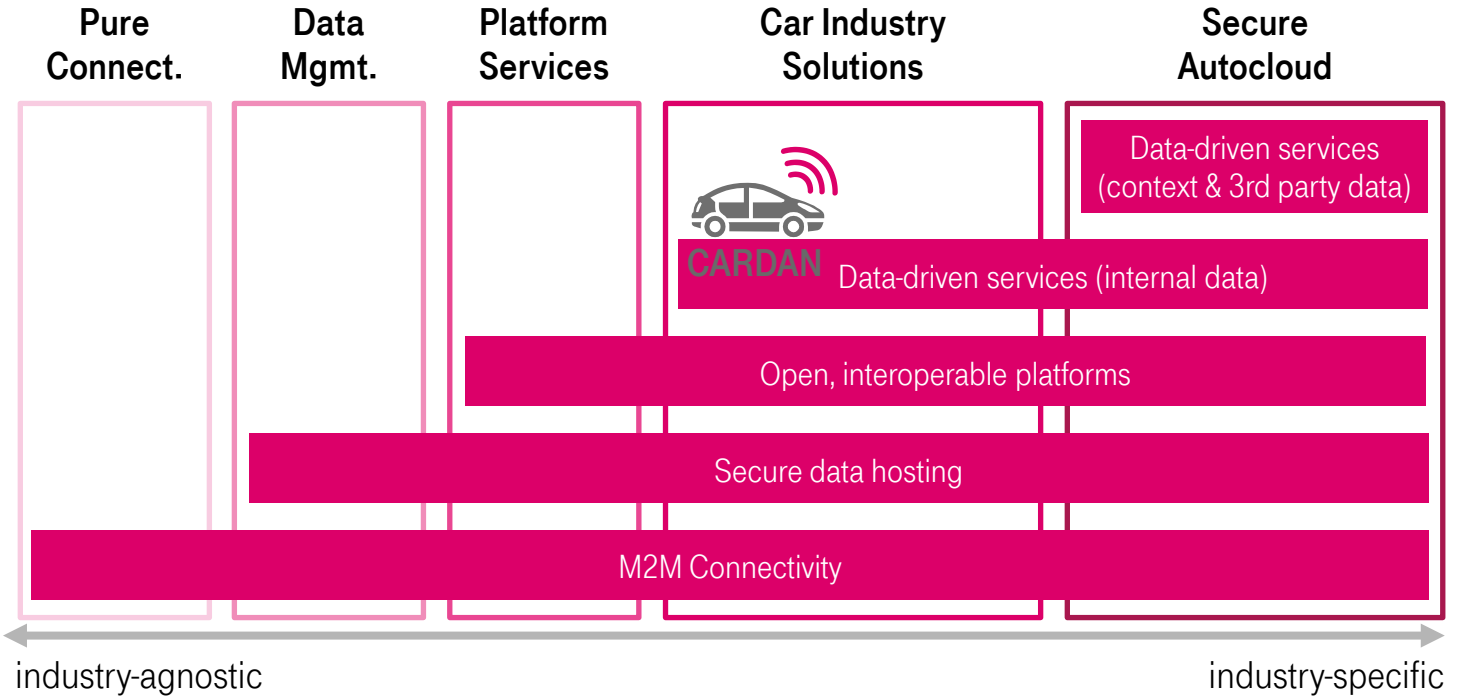
# OPEN & INTEROPERABLE PLATFORMS



## INDUSTRIAL INTERNET

- **Smart Data** fuels the next industrial revolution:
  - Lot sizes of 1
  - Autonomous robots
  - Real-time ERP
- **Open & interoperable platforms** for cross-industry data pools
- **Data security & privacy** as key differentiator
- **High performance network infrastructure & traffic prioritization** as enabler

## EXAMPLE: CONNECTED CAR



OUR CUSTOMERS  
(SELECTION)

DAIMLER

Continental

中国移动通信  
CHINA MOBILE

SAP  
Hafen Hamburg



# INNOVATION DRIVES FUTURE DIFFERENTIATION



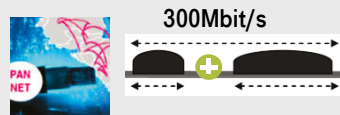
## INNOVATION @ DT...

- ...is **leading edge**: e.g. Hybrid, Super-Vectoring, Qivicon
- ...happens on **all levels**: networks, processes, platforms and products
- ...**considers** today's and **anticipates** future **customer demands**
- ...is **efficient and effective**: focused make vs. partner decisions



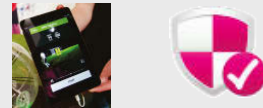
### INTEGRATED IP NETWORKS

Access Enhancement  
All-IP/PAN-Net  
QoS  
Hybrid/WiFi  
5G  
SDN/Virtualization  
Super-Vectoring  
Carrier-Aggregation/  
MIMO

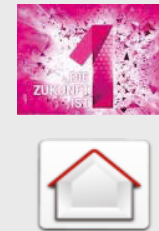


### BEST CUSTOMER EXPERIENCE

Communication  
**Security**  
Wearables  
eTransformation



MagentaEINS/FMC Plus  
**Smart Home/Qivicon**  
NGTV  
**Payment**  
Ecosystem Management  
eSIM



### WIN WITH PARTNERS

“Steckerleiste”  
Strategic Partners



### LEAD IN BUSINESS

M2M  
Cloud  
**Verticals**  
**Advanced Data Analytics**  
**Open and interoperable platforms**



**Accentuated:** Innovation in adjacent businesses

# REGULATION NEEDS TO KEEP PACE WITH MARKET REALITIES



## REVENUE

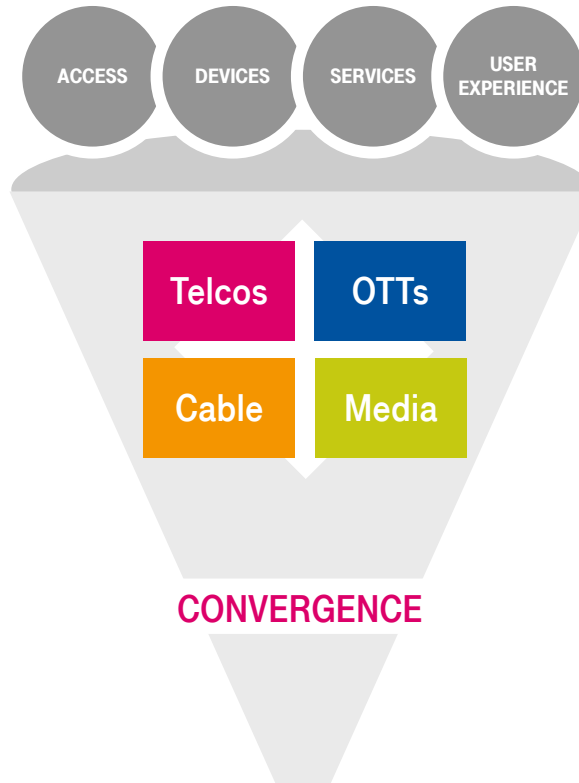
Fix regulatory framework to restore industry growth

- Revise price regulation
- Allow quality differentiation
- Develop consistent legal framework enabling digital innovation

## COMPETITIVENESS

Ensure a level playing field with same rules for all players in the value chain

- Data protection & data security
- Interoperability
- Consumer protection



## SCALE

Enable scale economies to unlock dynamic efficiencies

- Enable market consolidation
- Allow co-operations to promote open platforms and interoperability

## INVESTMENT

Create incentives for broadband infrastructure investments

- Gear regulation towards investment
- Harmonize spectrum policy
- Supply better funding, promoting cost effective technologies

**TELCO-OTT MARKETS MERGE  
COHERENT REGULATORY FRAMEWORK MANDATORY**

# STRATEGY EXECUTION IS SUPPORTED BY THREE ENABLERS



INTEGRATED  
IP NETWORKS

BEST CUSTOMER  
EXPERIENCE

WIN WITH PARTNERS

LEAD IN  
BUSINESS



TRANSFORM PORTFOLIO



EVOLVE FINANCIAL TARGETS & EFFICIENCY

**LEAD  
TO WIN**

ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT

# WE FOLLOW A CLEAR PORTFOLIO STRATEGY



## CMD 2012: EE AND SCOUT UNDER STRATEGIC REVIEW



THE UK'S BIGGEST  
AND FASTEST  
NETWORK



- **Strategic** solution: building the next **FMC market leader**
- **Premium** valuation: **£12.5 bn** EV
- Partnership potential and upside via participation in synergies



SCOUT 24

- Sale of 70% stake in Scout for **€1.6 bn**
- **Attractive valuation** of 20 times 2013 EBITDA
- 30% stake retains **significant upside potential** in value creation



- **Access to capital markets**, scale and synergies
- In combination with spectrum & AT&T breakup fee: foundation for **improved network proposition** and **turnaround**
- **Market cap almost doubled** since listing
- **Synergies NPV increased to \$9-10 bn**



## M&A POLICY GOING FORWARD

### 1 Europe

- Selective and minor FMC/ICT acquisitions in our core integrated markets, but only for attractive multiples
- TMA and TMNL: mobile attacker strategy

### 2 US

- Un-carrier strategy
- Continue de-risking, self-funding, king maker asset

### 3 Other

- Further monetization of assets if more value can be crystallized outside group
- Smaller technology M&A to strengthen business and innovation capabilities
- Minority shareholders: Opportunistic approach, only if economically attractive

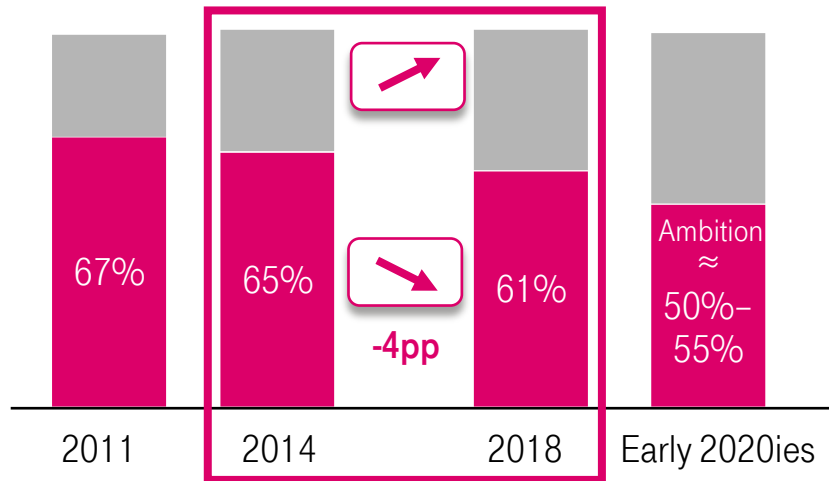
### 4 General policy – No major acquisitions outside our footprint

# WE REDUCE OUR INDIRECT COST EX TMUS



## “VARIABILIZATION OF COST” (EX. US) ...

Share of direct and indirect<sup>1</sup> cost (ex US)



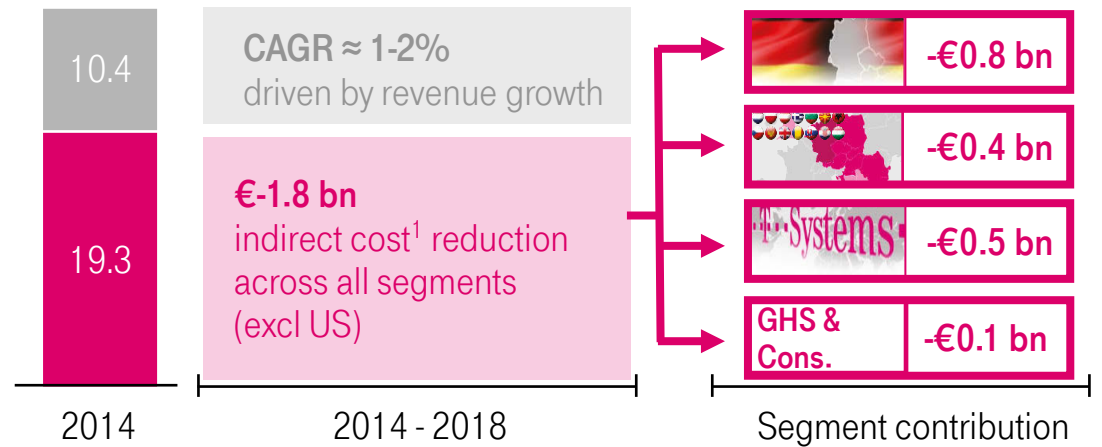
■ Adj. direct cost (ex US)    ■ Adj. indirect cost<sup>1</sup> (ex US)

<sup>1</sup> Before capitalization of labor

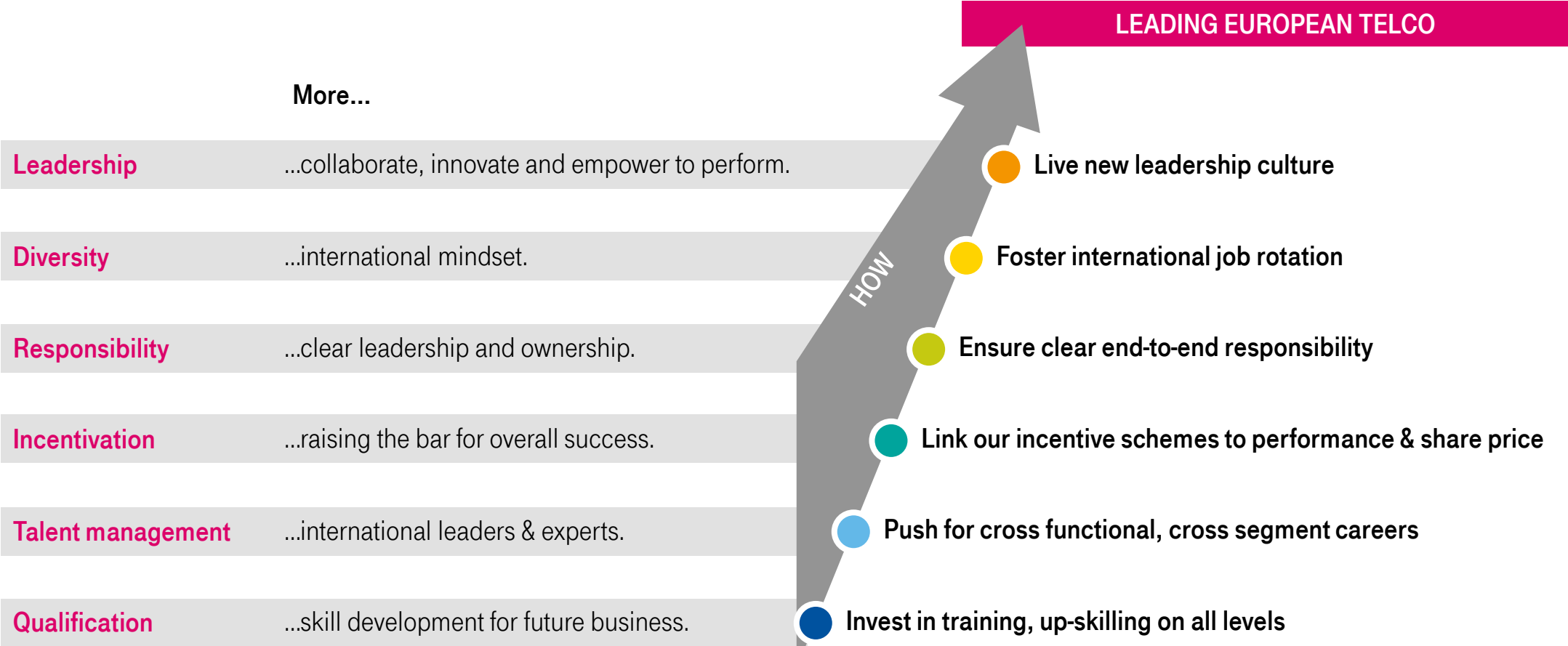
## ... DRIVEN BY REVENUE GROWTH AND INDIRECT COST REDUCTION

€ bn

Total cost (ex US)



# THE BEST TEAM PUTS OUR STRATEGY IN ACTION



# CR & SRI: WE TAKE RESPONSIBILITY

## WITHIN THE GROUP...



Living guiding principles: values for global workforce



Restructure responsibly: internal before external



Collaboration: leverage cross-functional synergies



Jobs of the future: manage workforce transformation

## ...AND IN SOCIETY...



Climate: reduce DT's emissions by 20% (vs 2008)



Binding ESG requirements; development for suppliers



Digital participation: foster media competencies

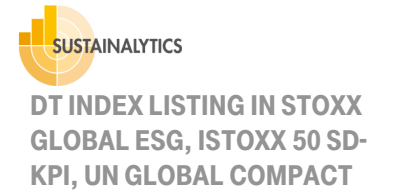


Best-in-class in compliance, data security, data privacy



Sustainable products e.g. enable to save emissions

## ...WHICH IS WIDELY RECOGNIZED AND AWARDED





# MOST VALUABLE AND TRUSTED EUROPEAN TELCO BRAND



## MOST TRUSTED INTERNET AND MOBILE BRAND<sup>1</sup>



Brand Finance  
Global 500 2015  
Most valuable European Telco brand

most by readers  
MOST TRUSTED BRAND 2014  
Readers Digest  
Most trusted internet and mobile brand

Source: Institut für Demoskopie Allensbach, 2014 <sup>1</sup> Share of people who consider these companies to be reliable



# OPERATIONAL AND FINANCIAL PRIORITIES PER SEGMENT

## GERMANY



- Superior All-IP production model and INS rollout!
- No. 1 choice for customers via differentiation:
  - superior networks
  - best customer experience
  - best in class integrated products
- Revenue stabilization in 2016
- EBITDA CAGR 1–2%<sup>1</sup>

## EUROPE



- First to move to pan-European All-IP production model
- No. 1 choice for customers via differentiation:
  - best seamless connectivity
  - trust
  - simple and personal products!
- Radical indirect cost savings
- Cash contribution CAGR 0.5%<sup>1</sup>
- 2pp op. ROCE improvement

## USA



- Un-carrier strategy:
  - 2.2–3.2mn branded postpaid net adds in 2015!
  - 300m pops LTE coverage YE15
- Increased \$9-10bn NPV of Metro PCS synergies
- Updated 5-year growth rates<sup>2</sup>:
  - Revenue CAGR 7–9%
  - EBITDA CAGR 7–10%
  - FCF CAGR 13–18%

## T-SYSTEMS MU



- TSI 2015+ Execution
- No. 1 choice for customers via differentiation:
  - best networks & scalable platforms
  - Security
  - outstanding cloud experience!
- MU Revenue CAGR 3%<sup>1</sup>
- Positive TSI adj. cash contribution after 2016!

<sup>1</sup> All CAGR's 2014–2018    <sup>2</sup> 2012 – 2017 Financial Growth



# FINANCIAL OUTLOOK

# LEADING EUROPEAN TELCO WITH FOCUS ON ROCE

## EQUITY

### RELIABLE **SHAREHOLDER REMUNERATION** POLICY

- **DIVIDEND<sup>1</sup>**
  - Following FCF growth
  - Floor at 0.50 EUR per share
  - Attractive option: Dividend in kind

## STRATEGY LEADING EUROPEAN TELCO

INTEGRATED IP NETWORKS

BEST CUSTOMER EXPERIENCE

WIN WITH PARTNERS

LEAD IN BUSINESS

### VALUE CREATION: ROCE > WACC

- 1 INFRASTRUCTURE TRANSFORMATION**  
Support fast IP migration and transform network infrastructure
- 2 COST TRANSFORMATION**  
Reduce indirect cost
- 3 PORTFOLIO MANAGEMENT**  
Deliver on preferred business model (integrated + B2C/B2B) and value generation
- 4 RISK MANAGEMENT**  
Maintain low risk country portfolio

## DEBT

### UNDISPUTED **ACCESS TO DEBT CAPITAL MARKETS**

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

<sup>1</sup> Subject to necessary AGM approval and board resolution

# OUR GUIDANCE

	2014 RESULTS Reported	GUIDANCE 2015 ON A CONSTANT CURRENCY BASIS <sup>1</sup>	GUIDANCE 2015 ON CURRENT €/€ EXCHANGE RATE <sup>2</sup>
€ BN		€/\$: 1.33	€/\$: 1.13
REVENUE	62.7	Growth	Growth
ADJ. EBITDA	17.6	around 18.3	around 19.3
FCF	4.1	around 4.3	around 4.3

<sup>1</sup> Guidance based on constant exchange rates (Average €/€ exchange rate 2014 of 1,33) and no further changes in the scope of consolidation

<sup>2</sup> Guidance based on constant exchange rates (Current €/€ exchange rate of 1,13) and no further changes in the scope of consolidation; current: exchange rate as of Feb. 13



# MID TERM AMBITION LEVEL

# MID TERM AMBITION LEVEL

TOPIC	MID TERM AMBITION LEVEL <sup>1</sup>	YEAR
GROUP REVENUES	CAGR 1–2%	2014–2018
GROUP ADJ. EBITDA	CAGR 2–4%	2014–2018
GROUP FCF	CAGR ≈10%	2014–2018
GROUP ADJ. EPS	≈€1 in 2018	2018
GROUP ROCE	ROCE > WACC in 2018	2018
GROUP CASH CAPEX	CAGR 1–2%	2014–2018
GROUP ADJ. OPEX	DECREASE (ex US)	2014–2018
SHAREHOLDER REMUNERATION POLICY (2015–2018) <sup>2</sup>	Following FCF growth; min. DPS of €0.50 p.a.	2015–2018

<sup>1</sup> Based on constant exchange rates (Average €/€ exchange rate 2014 of 1.33) and no further changes in the scope of consolidation    <sup>2</sup> Subject to necessary AGM approval and board resolution

# COST & PORTFOLIO TRANSFORMATION

Thomas Dannenfeldt, CFO



## Key Messages

### Cost Transformation

- Cost Gap vs Peer Group
- Cost Flexibility
- Existing & New Programs
- Segments
- Personnel Efficiency
- Multi-Shared-service Center
- Tel-IT
- Target Costing
- Ambition vs. Baseline
- Opex Transformation
- Benefits
- Indirect Cost Savings

### Portfolio Transformation

- Track Record
- T-Mobile US
- OTE
- EE & BT
- Future Action

- AGENDA
- GROUP STRATEGY
- COST & PORTFOLIO**
- LEAD IN BUSINESS
- SUPERIOR PRODUCT. MODEL
- EUROPE
- GERMANY
- TMUS
- FINANCE
- WRAP-UP



LIFE IS FOR SHARING.



# COST AND PORTFOLIO TRANSFORMATION

Thomas Dannenfeldt, CFO



# KEY MESSAGES: CLEAR FOCUS ON VALUE CREATION

- 1** We will increase cost flexibility and close 75% of our cost gap until 2018 by reducing indirect cost across all segments ex US by €1.8 bn
- 2** Thereby we are self-funding our investments into a superior production model which will deliver €1.2 bn of opex savings
- 3** Portfolio Management with ongoing focus on supporting strategy and value generation

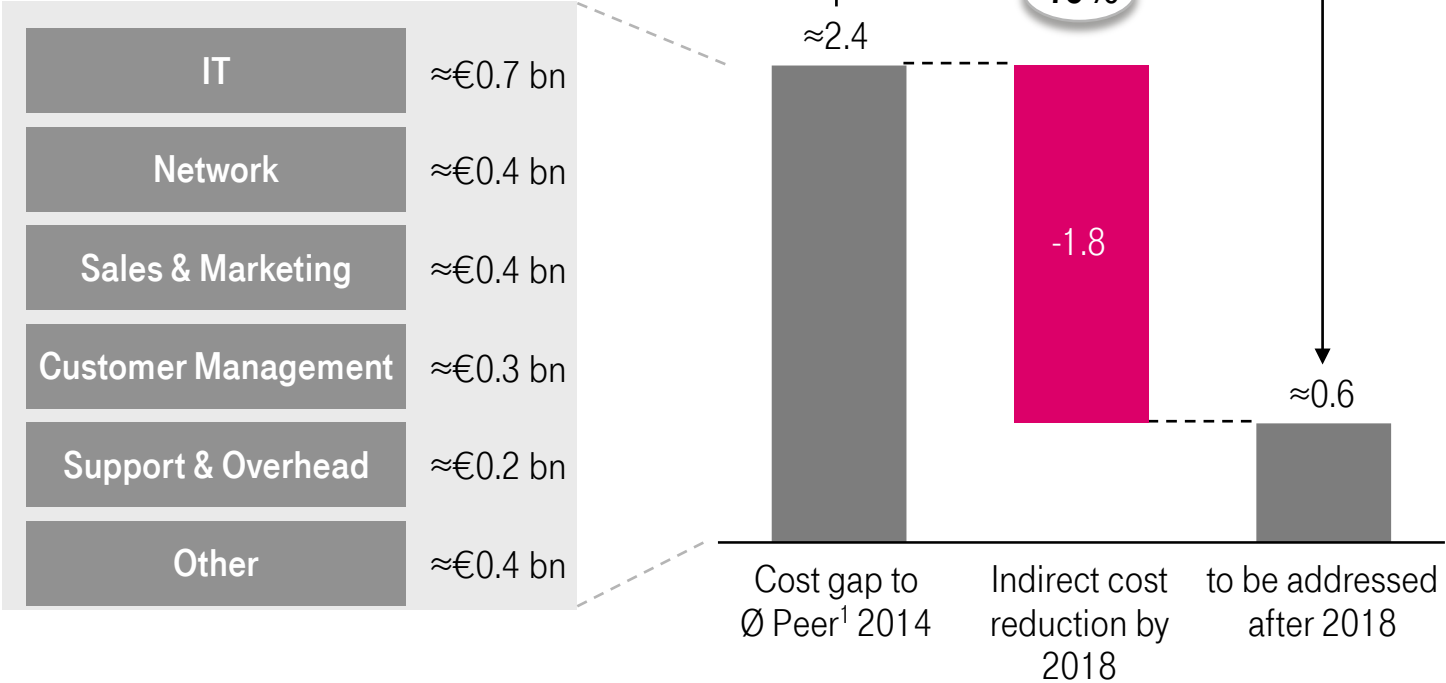


# COST TRANSFORMATION

# WE WILL CLOSE 75% OF THE CURRENT COST GAP BY 2018 BY REDUCING INDIRECT COSTS EX US BY €1.8 BILLION

## COST GAP VERSUS PEER GROUP<sup>1</sup> (EX US)

€ bn

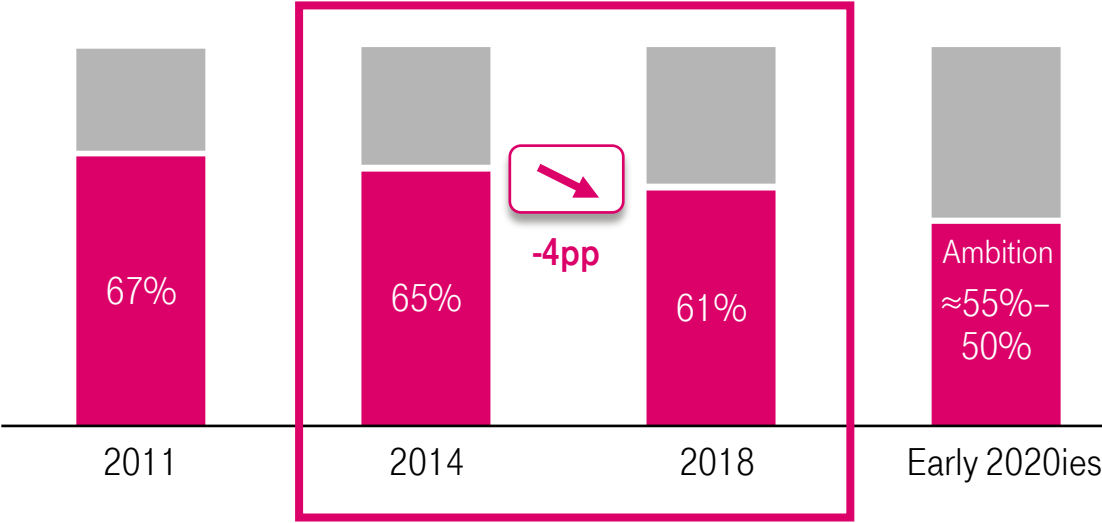


<sup>1</sup> Comparison of cost structures DT vs. peer group (=integrated European incumbents) based on reported information; management estimates

# THEREBY WE WILL IMPROVE COST FLEXIBILITY

## INCREASE OF FLEXIBILITY BY "VARIABILIZATION OF COST" (EX US)

Share of direct and indirect<sup>1</sup> cost

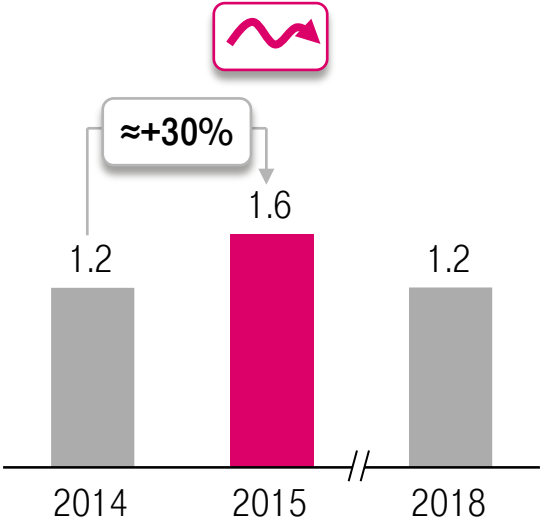


■ Adj. direct cost (ex US)    ■ Adj. indirect cost (ex US)

<sup>1</sup> Before capitalization of labor

## CASH PERSONNEL SPECIAL FACTORS (EX US)

€ bn



# WE WILL ACCELERATE EXISTING PROGRAMS AND ADDRESS NEW POTENTIALS TO CLOSE THE GAP

## EXISTING PROGRAMS IMPACTING COSTS



TD 2018



One DT (Europe)



TSI 2015+



DBU Next



## ADDITIONAL COST REDUCTION AREAS

Reduce HQ and steering functions

Optimize shared service centers

Apply strict target costing approach

# ALL SEGMENTS EX US WILL CONTRIBUTE

## NET INDIRECT COST<sup>1</sup> SAVINGS PER SEGMENT (2014–2018)



€-1.8 billion

## EXAMPLES FOR COST REDUCTION UNTIL 2018

- 1 PERSONNEL EFFICIENCY €-0.5 bn
- 2 SYNERGIES: MULTI SHARED SERVICE CENTER €-0.2 bn
- 3 TEL-IT €-0.4 bn<sup>2</sup>
- 4 ...



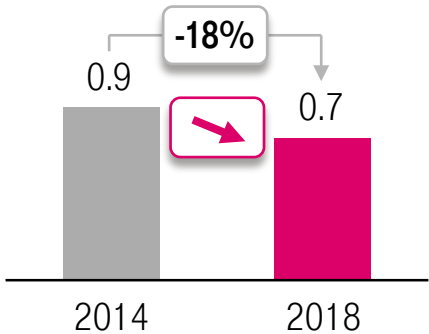
+ APPLICATION OF SYSTEMATIC TARGET COSTING APPROACH

<sup>1</sup> Before capitalization of labor    <sup>2</sup> IT spend consisting of Capex and Opex. Split approx. 50/50

# EXAMPLES FOR PERSONNEL EFFICIENCY – WE CONTINUOUSLY STRIVE FOR BETTER STRUCTURES

## GERMANY (OVERHEAD)

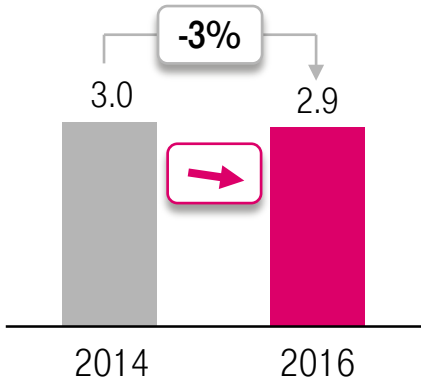
€ bn



≈€-160 mn

## T-SYSTEMS MARKET UNIT (CORE TWC<sup>1</sup>)

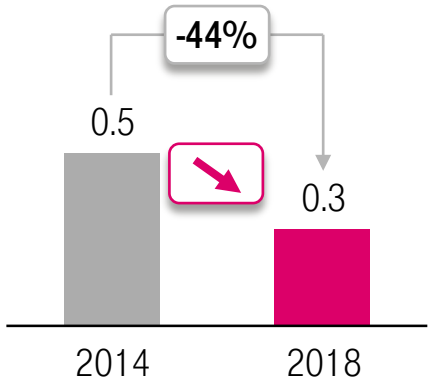
€ bn



≈€-100 mn

## VIVENTO (EXTERNAL ADJ. OPEX)

€ bn

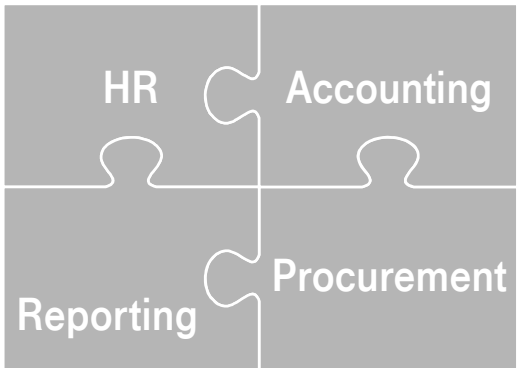


≈€-240 mn

<sup>1</sup> TWC with flat revenue assumption for MU Core

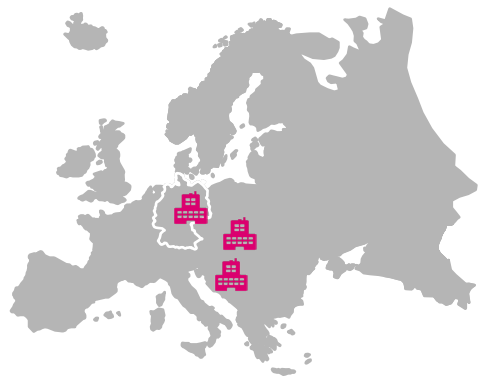
# EXAMPLE MULTI SHARED SERVICES – SERVICES ACROSS EUROPE CENTRALIZED TO REALIZE SYNERGIES

## CONSOLIDATE SERVICES



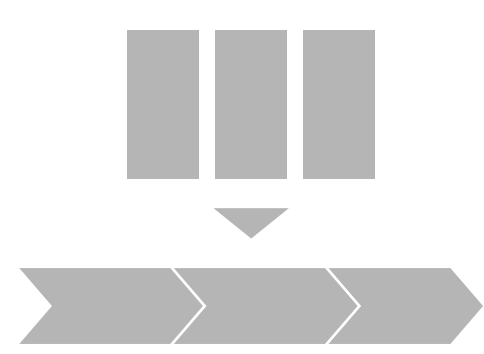
- Consolidation of existing functional services
- Establishing one multifunctional shared service unit

## STRENGTHEN EU FOOTPRINT



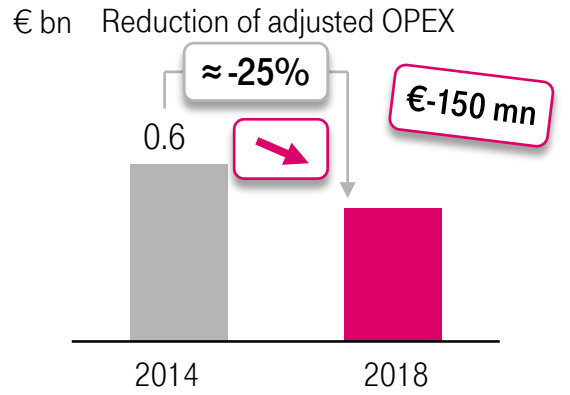
- Shift from local to European service delivery model
- Pooling of operations and expertise in service hubs

## CHANGE TO E2E PROCESSES



- Changing from a functional to a process oriented organization
- Implementing internationally standardized end-to-end processes

## INCREASE COST EFFECTIVENESS

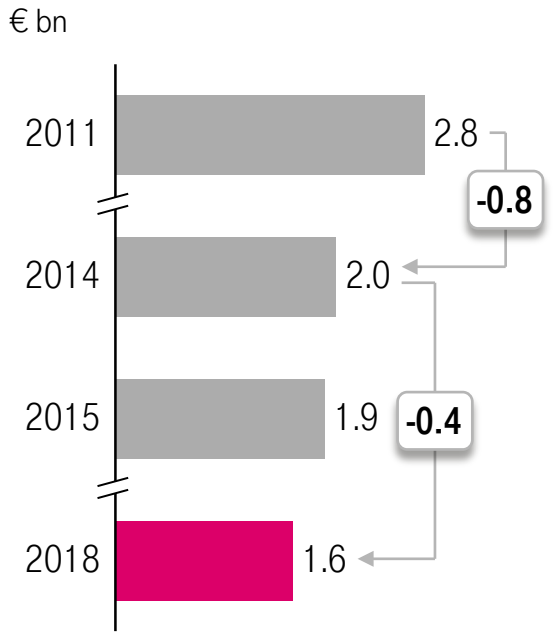


- OPEX will be reduced until 2020 by approx. 30%
- Cumulated savings 2015–2020 of €0.7 bn



# EXAMPLE TEL-IT – FURTHER €0.4 BN IT SPEND REDUCTION

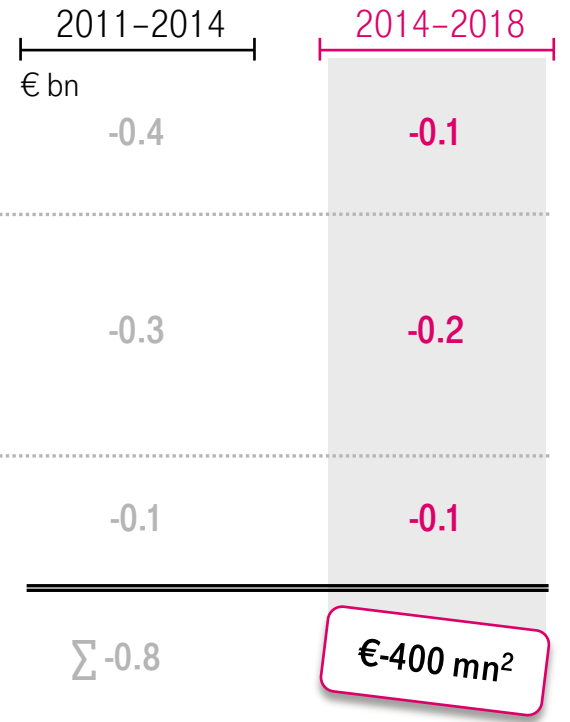
## IT SPEND<sup>1</sup>



## KEY LEVERS

- Volume**
  - IT project portfolio optimization – smart prioritization and design to cost
  - IT Retirement: shutdown of legacy applications and IT landscape simplification
- Efficiency**
  - IT process industrialization – simplification and automation of processes
  - IT data center consolidation
  - IT workplace standardization
- Price**
  - European IT factory – grow production outside Germany
  - Optimized sourcing – standardize interaction with suppliers

## IT SPEND REDUCTION



<sup>1</sup> Capex and Opex. At the CMD 2012 2.7 billion IT Spend in scope for 2011 were communicated. In the meantime additional IT units had been transferred to Tel-IT.

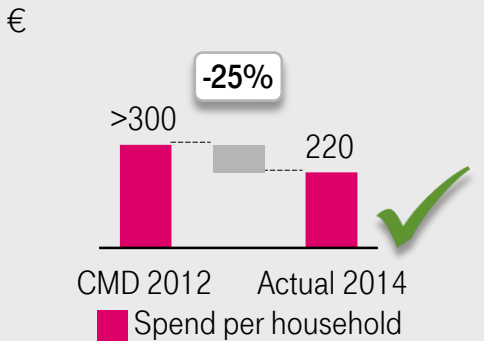
The historical/planned figures have therefore been adjusted accordingly

<sup>2</sup> Capex and Opex. Split approx. 50/50

# ON TOP WE WILL APPLY A SYSTEMATIC TARGET COSTING APPROACH

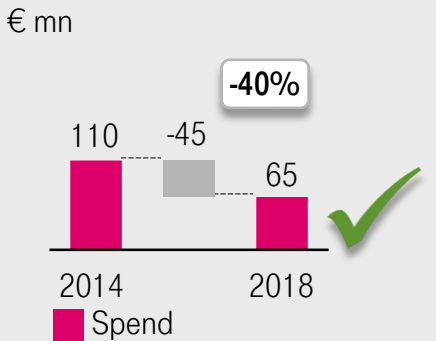
## EXAMPLES FOR SUCCESSFUL TARGET COSTING

### FTTC/VECTORING ROLLOUT GER



- Optimized usage of strategic outdoor locations and of existing fiber infrastructure
- Reduction of hardware costs

### NGTV PLATFORM



- Use standards instead of customized solution
- Utilize cloud infrastructure to reduce hardware
- Develop only features our customers value

## UPCOMING PROJECTS, E.G.:

### MOBILE GERMANY

Focus on direct cost, service and network & technology, representing €5 billion opex and D&A



- Optimize sales channels
- Moving to self service
- Increase architecture efficiency in network technology






### CUSTOMER PROCESSES IN MT&OTE

All customer facing processes across Europe reflecting opex of around €1 billion



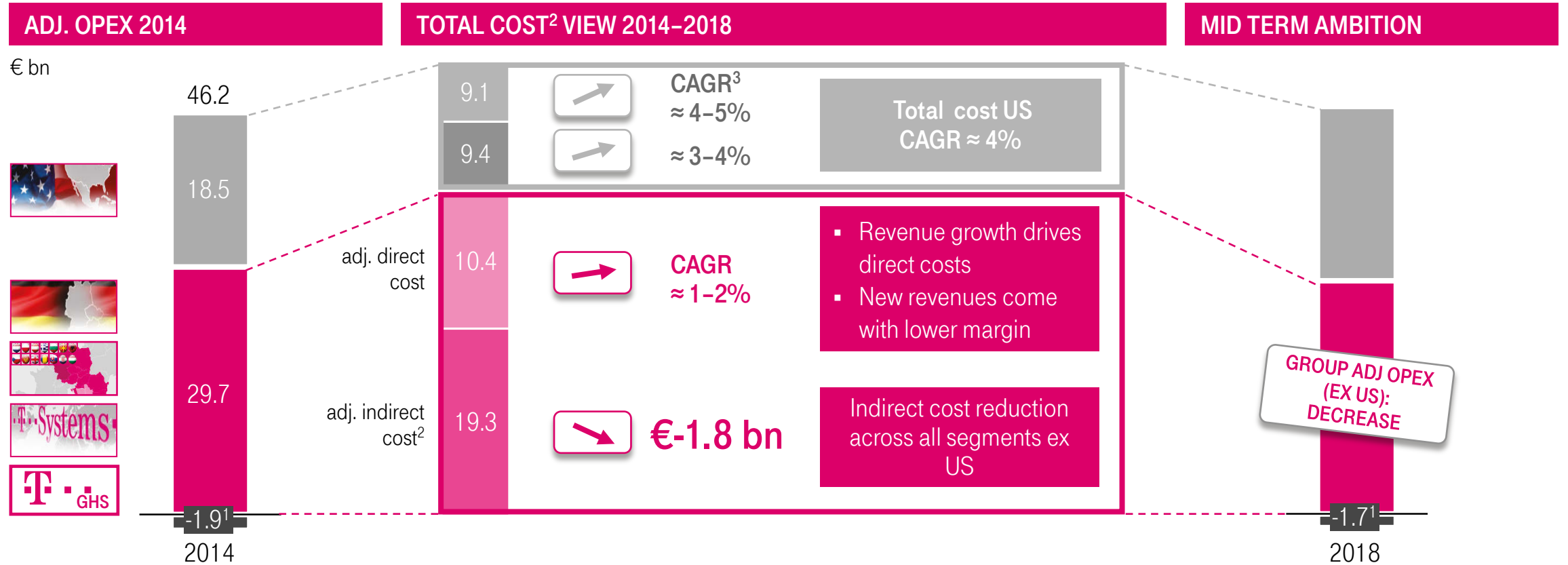
- Optimize horizontal and across Channels: Customer Service, Technical Service, Billing & Payment

# WE HAVE PROVED THAT WE CAN EXECUTE

	AMBITION LEVEL 2015 VS. BASELINE 2012	ACHIEVEMENTS 2014	DELIVERED/ ON TRACK
GROUP	<ul style="list-style-type: none"> <li>Reduce indirect costs from 44% to 42% of revenues<sup>1</sup></li> </ul>	43%	
GERMANY	<ul style="list-style-type: none"> <li>Reduce indirect costs from €9.1 to 8.7 billion<sup>1</sup></li> </ul>	€8.8 billion	
EUROPE	<ul style="list-style-type: none"> <li>Reduce indirect costs from €4.7 to 4.4 billion<sup>1</sup></li> </ul>	€4.3 billion	
TELEKOM-IT	<ul style="list-style-type: none"> <li>Approx. € 1.0 billion IT-spend reduction (Opex and Capex) from €2.8 to 1.9 billion</li> </ul>	IT spend at €2.0 billion	
GHS	<ul style="list-style-type: none"> <li>Reduce indirect costs by 4% p.a.</li> </ul>	-4% CAGR achieved	

<sup>1</sup> Netted with capitalized labor

# WE WILL CONTINUE TO DELIVER ON OPEX TRANSFORMATION

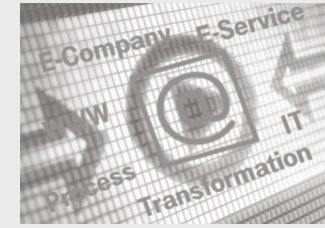


<sup>1</sup> Capitalization of labor    <sup>2</sup> Before capitalization of labor

# WE WILL BENEFIT FROM THE TRANSFORMATION TOWARDS A SUPERIOR PRODUCTION MODEL

## 1 DIGITAL TRANSFORMATION OF CUSTOMER FACING PROCESSES

COST EFFICIENCY & SIMPLICITY



## 2 ALL-IP TRANSFORMATION



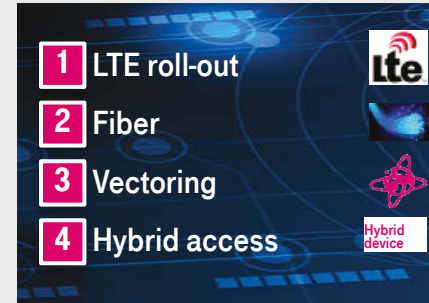
PLUG & PLAY

## 3 PAN-EUROPEAN NETWORK



TIME TO MARKET

## 4 INTEGRATED NETWORK STRATEGY



BEST CONNECTIVITY

Annual run rate adj.  
Opex savings:

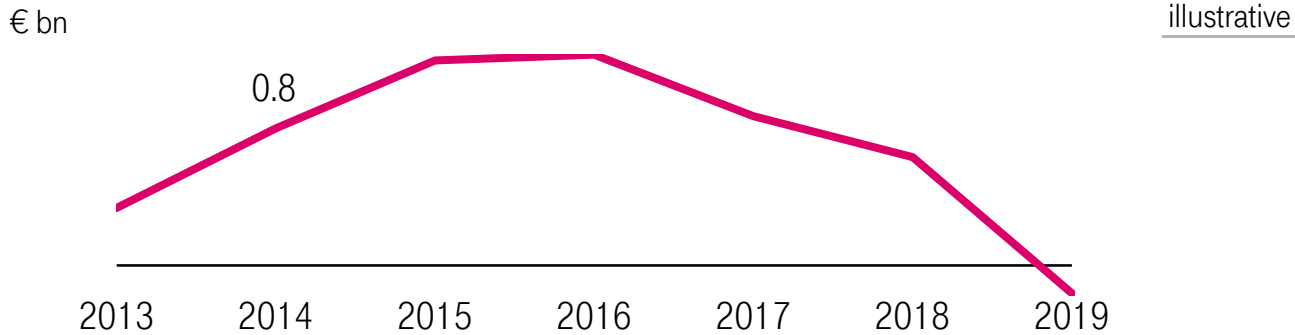
≈€-1.2 bn<sup>1</sup>

(steady state in early 2020ies)

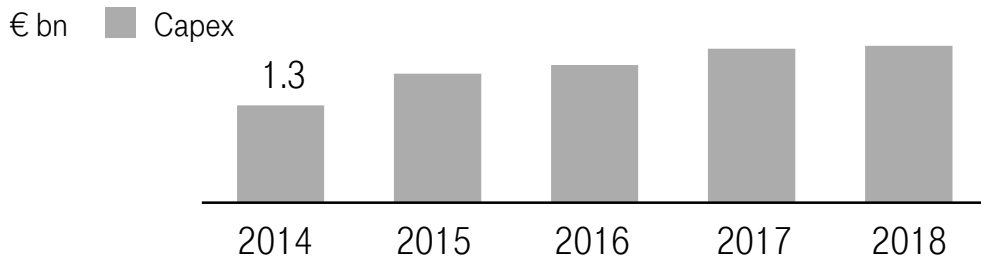
<sup>1</sup> Gross Opex savings D/EU before any counter effects (e.g. personnel cost increases)

# INDIRECT COST SAVINGS WILL FUND THE INVESTMENT FOR THE TRANSFORMATION

## OPEX AND CAPEX: DIGITAL TRANSFORMATION, IP TRANSFORMATION, PAN-EUROPEAN NETWORK<sup>1</sup> 1 & 2 & 3



## CAPEX: INS NETWORK 4



## BENEFITS STEADY STATE FROM EARLY 2020IES

FIN. BENEFITS: ≈ €1.2 BILLION OPEX SAVINGS<sup>2</sup>

- Segments
  - ≈ €0.7 bn Germany
  - ≈ €0.5 bn Europe
- Functional Areas
  - ≈ €0.4 bn Technology / Platforms
  - ≈ €0.8 bn Service

## COMMERCIAL BENEFITS

- Enlarged fiber and LTE footprint and increased bandwidth for customers
- Faster time to market
- Easy to partner

<sup>1</sup> Excl. special factors. Measure related effects incl. savings. PanNet w/o transport & access. INS Opex in German fixed network also included.

<sup>2</sup> Gross measure-related steady state Opex savings early 2020ies GER/EU vs. 2013, after accomplished IP and process-/e-transformation as well as PanNet (w/o transport & access) before any counter effects (e.g. personnel cost increases).



# PORTFOLIO TRANSFORMATION

GROUP STRATEGY

**COST AND PORTFOLIO TRANSFORMATION**

LEAD IN BUSINESS

SUPERIOR PRODUCTION MODEL

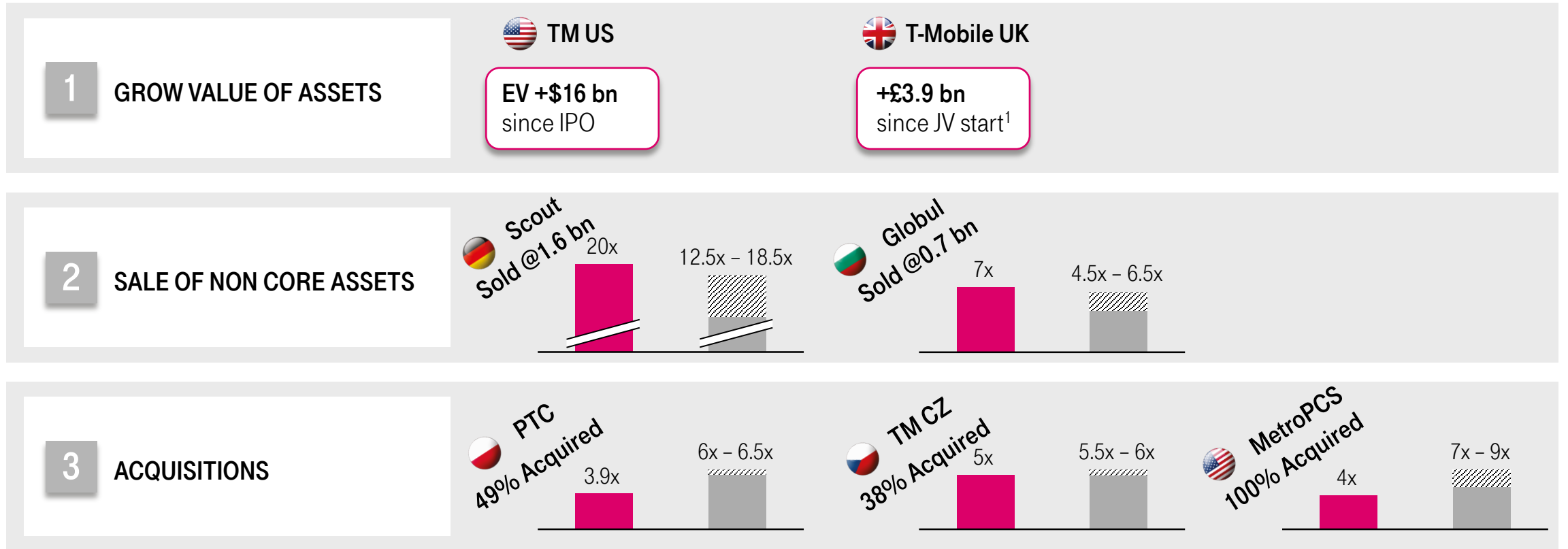
EUROPE

GERMANY

T-MOBILE USA

FINANCE

# WE HAVE A STRONG TRACK RECORD OF DELIVERING



■ EBITDA Multiple of sale/acquisition    ■ EBITDA Multiple of comparable transaction

<sup>1</sup> Reflects increase in Equity Value compared to Broker SOTP valuation prior to JV formation plus dividends received.



# STRATEGY EXECUTION AND VALUE UPLIFT T-MOBILE US

## DE-RISKING

- IPO through Metro Merger
- US\$ 5.6 billion notes sold

## SELF FUNDING

- US\$ 3.0 billion break-up fee AT&T
- US\$ 2.5 billion tower sale
- US\$ 5.5 billion bonds issued
- US\$ 1.8 billion equity issue
- US\$ 1.0 billion mandatory convertible

## KING MAKER ASSET

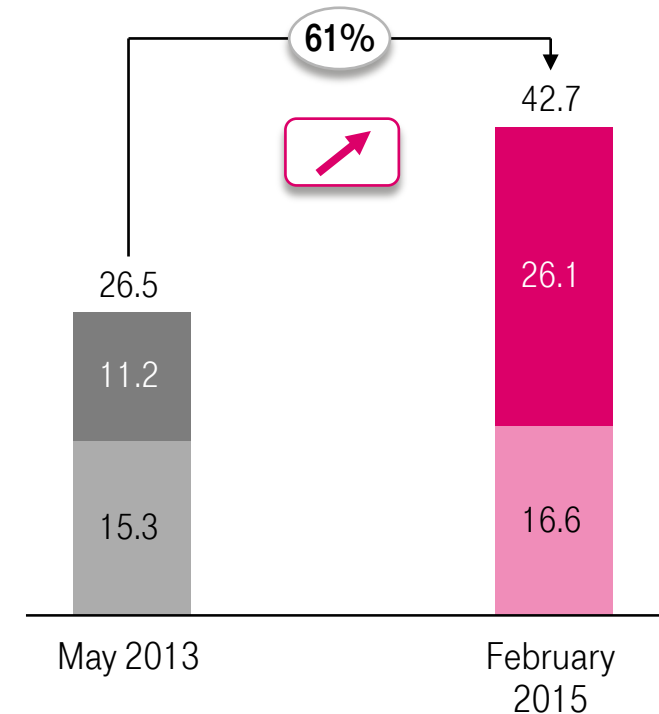
- Enhanced spectrum position (AT&T break-up, Metro merger, swaps/purchase from Verizon)
- Scale increased via Metro merger
- Fastest growing US mobile operator

## ENTERPRISE VALUE DEVELOPMENT TM US

US\$ bn

■ Market Cap

■ Net debt

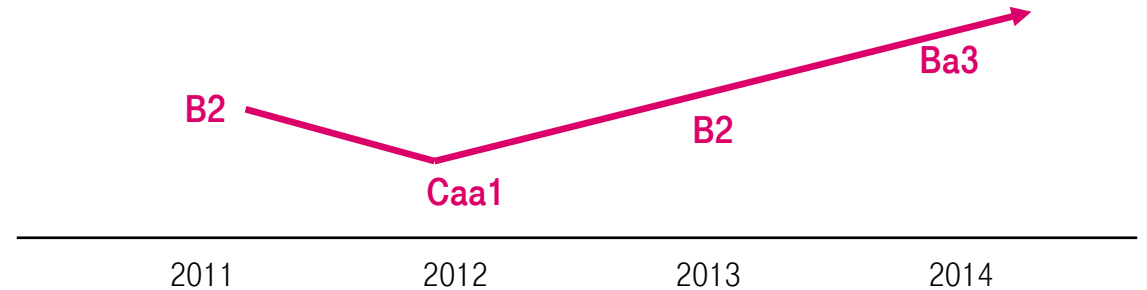


# STRONG DE-RISKING STORY AT OTE

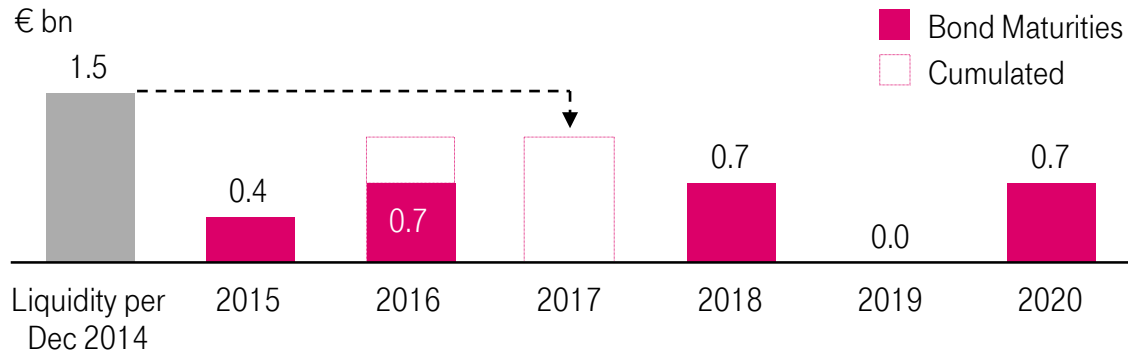
## SUSTAINABLE DELEVERAGING

- Sale of non-core assets amounting to €1.3 bn
  - Telekom Serbia €0.4 bn
  - Globul €0.7 bn
  - HellasSat €0.2 bn
- Cash flow generation

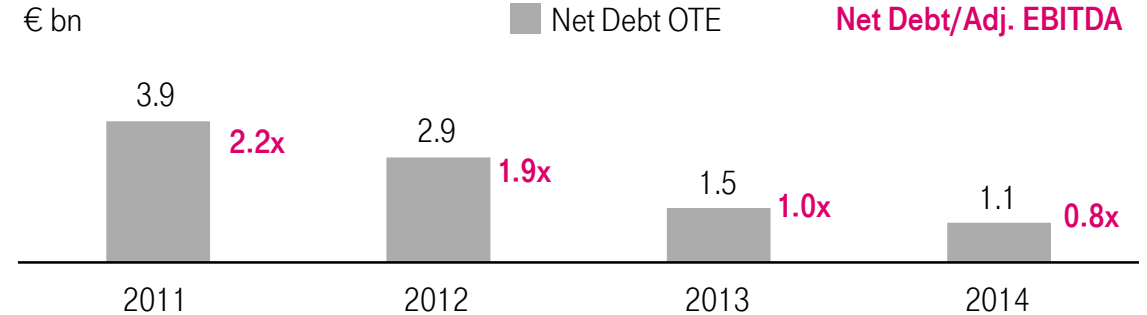
## RATING IMPROVED BY 4 NOTCHES (@ MOODY'S)<sup>1</sup>



## MATURITIES OF THE NEXT 3 YEARS COVERED



## LEVERAGE RATIO IMPROVED TO 0.8X



<sup>1</sup> Rating currently under "watch down"

# SOLUTION FOR EE COVERS DT'S STRATEGIC GOALS

## EVERYTHING EVERYWHERE JV

Merger of #3 and #4 UK MNOs

### JV STRATEGY ACHIEVED ITS FULL POTENTIAL...

- Retained mobile revenue leadership
- Exceeded £3.5 bn 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

## 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

# OUR FUTURE ACTION WILL BE DISCIPLINED AND FOCUSED ON VALUE CREATION

## M&A POLICY GOING FORWARD

1

### Europe

- Selective and minor FMC/ICT acquisitions in our core integrated markets, but only for attractive multiples
- TMA and TMNL: mobile attacker strategy

2

### US

- Un-carrier strategy
- Continue de-risking, self-funding, king maker asset

3

### Other

- Further monetization of assets if more value can be crystallized outside group
- Smaller technology M&A to strengthen business and innovation capabilities
- Minority shareholders: Opportunistic approach, only if economically attractive

4

### General policy

- No major acquisitions outside our footprint

# LEAD IN BUSINESS

Reinhard Clemens, Board Member for T-Systems



## 1. Key Messages

## 2. Market Trends

- Major Areas
- Business Customer Market

## 4. Strategy 2015 – 2018

BUSINESS CUSTOMER	T-SYSTEM MARKET UNIT
<ul style="list-style-type: none"> <li>▪ Competition</li> <li>▪ Mid-Market</li> <li>▪ Revenue</li> <li>▪ Key Differentiator</li> </ul>	<ul style="list-style-type: none"> <li>▪ Achievements 2014</li> <li>▪ TSI 2015+</li> <li>▪ Growth Initiatives</li> <li>▪ Transform</li> <li>▪ Discontinued Activities</li> <li>▪ Divisional Setup</li> </ul>

## 5. Financial Outlook

- Key Levers ROCE

## 6. Mid Term Ambition Level

- Mid Term Ambition

AGENDA

GROUP STRATEGY

COST & PORTFOLIO

LEAD IN BUSINESS

SUPERIOR PRODUCT. MODEL

EUROPE

GERMANY

TMUS

FINANCE

WRAP-UP



LIFE IS FOR SHARING.



# LEAD IN BUSINESS

Reinhard Clemens, Board member for T-Systems

# KEY MESSAGES

- 1** DT Group “Lead in Business” initiative will tap the significant growth potential of the B2B market.
- 2** Best networks, scalable platforms, security and outstanding cloud experience differentiate us in the market.
- 3** TSI 2015+ as a radical paradigm shift:
  - focus on profitable growth areas
  - massive reduction of production costs
  - discontinuation of unprofitable business
- 4** Market Unit (MU) will grow external revenues above market growth.
- 5** TSI: self funding entity after 2016; MU: adj. EBIT of ~7% by 2018.



# MARKET TRENDS



# CUSTOMERS EXPECT OUR SUPPORT IN THREE MAJOR AREAS

4 Million jobs will be generated due to big data until 2015. (Gartner)

By 2015 the world's mobile worker population will reach 1.3 bn or 37.2% of the total workforce. (IDC)

70% of financial services and manufacturing customers have already invested in SaaS. (Gartner)

Ethernet penetration in new vehicles will grow from 1% in 2014 to 40% in 2020. (ABI Research)

55% of CIOs indicated they would source all their critical apps in the cloud by 2020. (Gartner)

79% of German employees use a mobile device (Notebook, Tablet, Smartphone) for their work. (BITKOM)

## CLOUD & IT TRANSFORMATION



- Guidance for the transformation of legacy IT into the cloud environment
- SME's demand easy to use cloud products with transparent pricing models



SBB CFF FFS



## DIGITAL BUSINESS MODELS



- Interactions are increasingly based on digital exchanges – e.g. platforms, social media, eGovernment
- Customers expect solutions for digital businesses

DAIMLER



## SEAMLESS INT'L TC



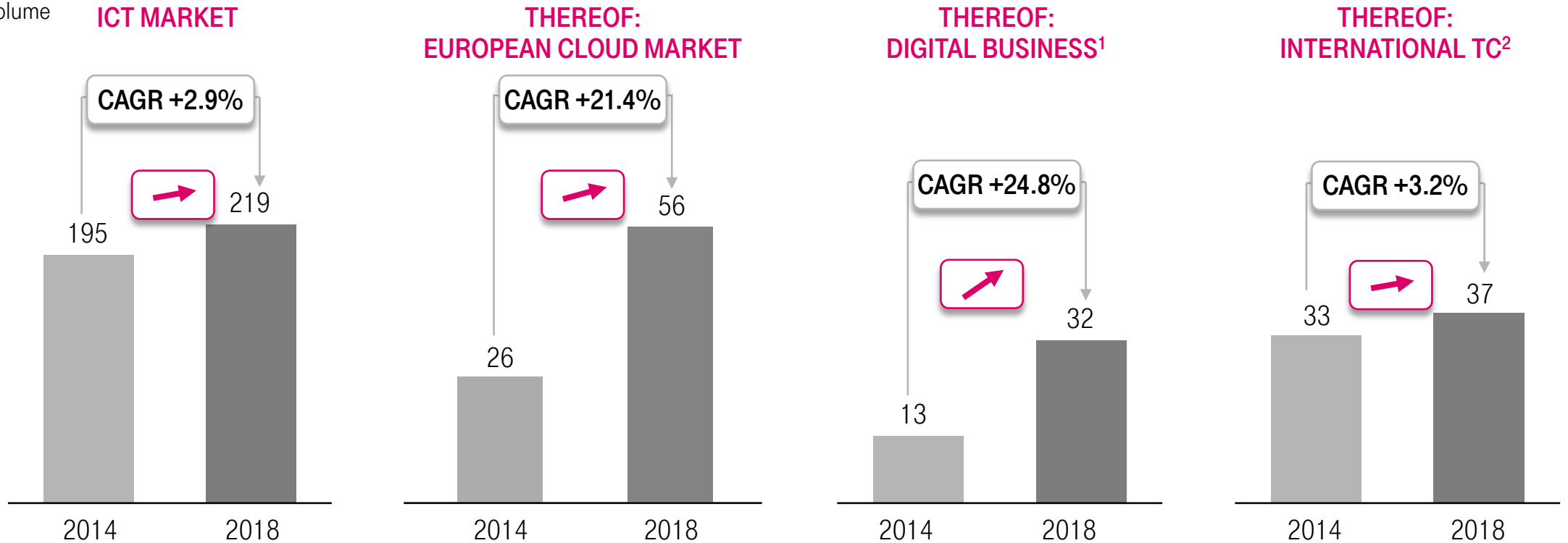
- Globalizing customers from SME to MNC expect seamless international TC offerings
- Customers expect internationally integrated fixed/mobile services



# THE BUSINESS CUSTOMER MARKET GROWS IN ALL SEGMENTS

## EUROPEAN B2B MARKETS (ADDRESSABLE)

Market volume  
€ bn



Source: Market Model 2014 based on PAC, Gartner, IDC et.al; <sup>1</sup> e.g.: M2M, eHealth, Connected Car, Big Data; <sup>2</sup> e.g.: VPN Services, Unified Communication Services, Ethernet Services



# STRATEGY LEAD IN BUSINESS

## 2015–2018

# OUR STRATEGY

## LEADING EUROPEAN TELCO

INTEGRATED  
IP NETWORKS

BEST  
CUSTOMER  
EXPERIENCE

WIN WITH  
PARTNERS

LEAD IN  
BUSINESS

TRANSFORM PORTFOLIO

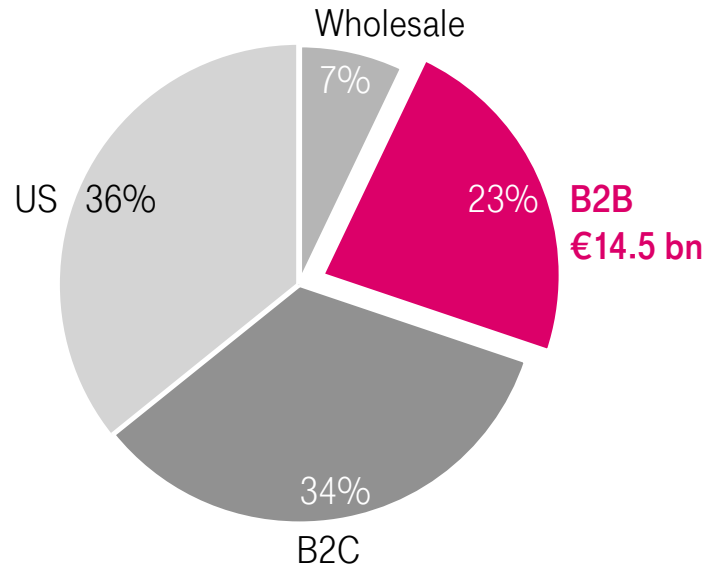
EVOLVE FINANCIAL TARGETS & EFFICIENCY

ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT

# BUSINESS CUSTOMERS REPRESENT A SIGNIFICANT SHARE OF DT'S REVENUES

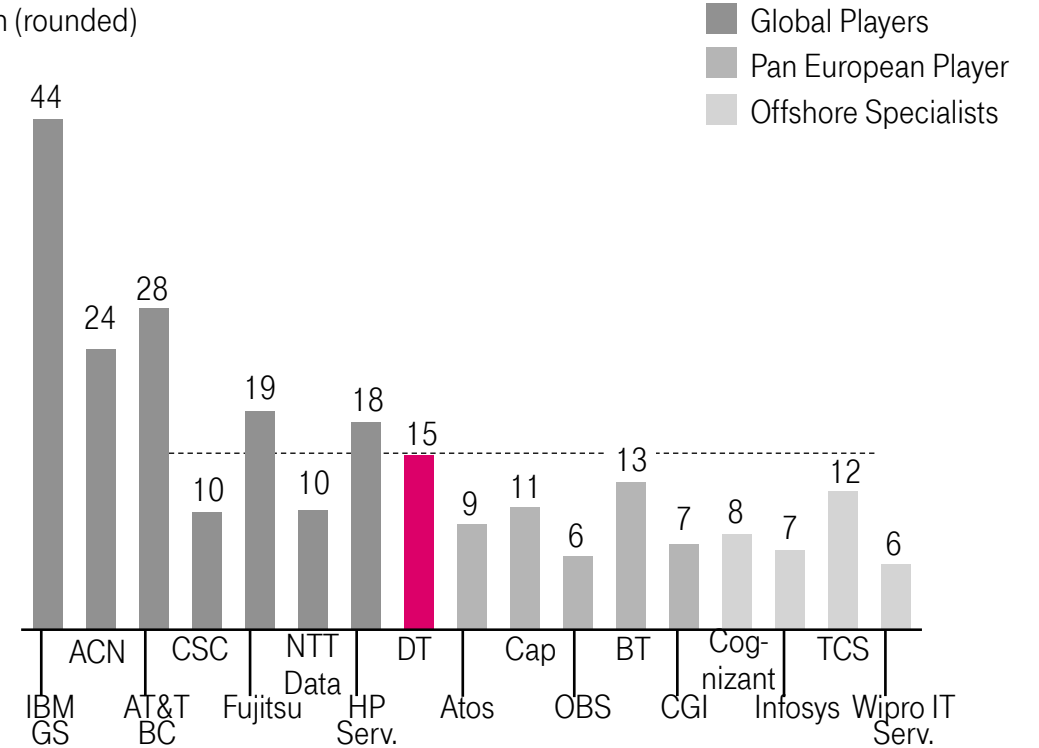
## REV. BY CUSTOMER SEGMENTS 2014

DT Group Revenue: €62.7 bn



## COMPETITIVE ENVIRONMENT (REV. 2014<sup>1</sup>)

€ bn (rounded)



<sup>1</sup> 2014 Revenues for HP Services estimates by financial analysts. Revenue for AT&T BC, BT (GS+BT Business) and OBS include only IT & wireline services for Business Customers.

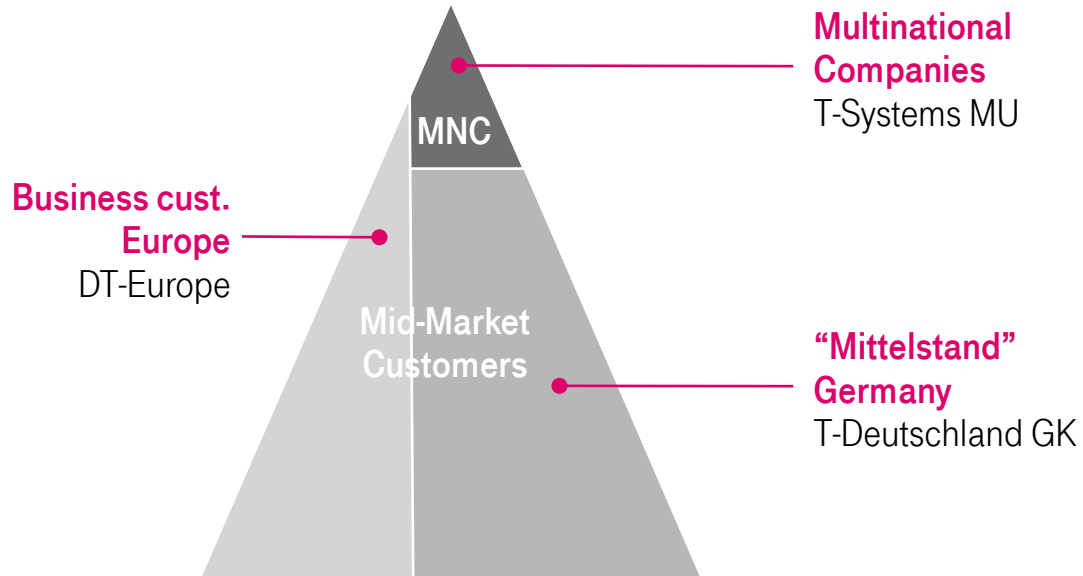
# HIGH MARKET POTENTIAL ESPECIALLY IN MID-MARKET IT

INTEGRATED  
IP NETWORKS

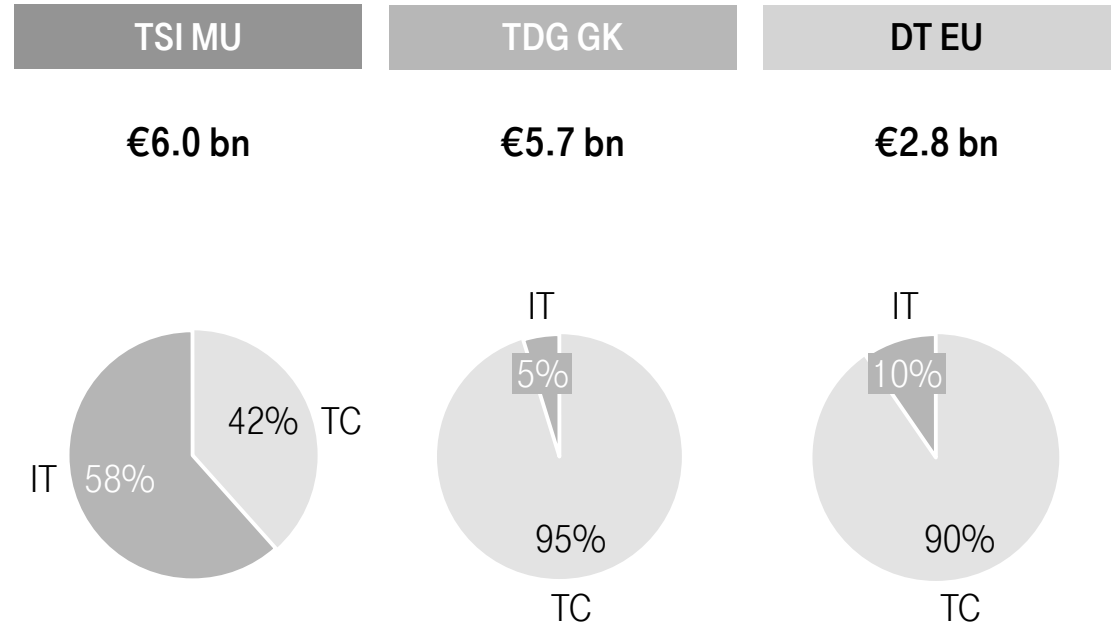
BEST  
CUSTOMER  
EXPERIENCE

WIN WITH  
PARTNERS

LEAD IN  
BUSINESS



## SPLIT OF TC AND IT REVENUES 2014 PER SEGMENT<sup>1</sup>



<sup>1</sup> External Revenues DT Group

# GROUP INITIATIVE “LEAD IN BUSINESS” TO BOOST THE B2B REVENUE IN ICT

 **DT-EU**

**Strengthen B2B in Europe:**

- Focus on **Fixed + Mobile + Cloud service offers & bundles**
- International product launches: **Cloud VPN, M2M best-coverage**
- Establish **innovative G2M** and **partnership programs**



**TARGET:**  
**ICT REVENUE GROWTH >12% IN EU (CAGR UNTIL 2018<sup>1</sup>)**


 **GERMANY**

**German Mid Market initiative:**

- **Nationwide sales and service presence**
- **One-stop-shop product portfolio** including **customized bundle offers**
- **Focus business initiatives:** IT Cloud, M2M, Deutschland LAN




**TARGET:**  
**+€0.4 BN IT REVENUE IN SME (UNTIL 2018 IN GERMANY)**

 **TSI MARKET UNIT**

**T-Systems 2015+:**

- **Transformation program** incl. new set-up with 3 divisions: IT, TC, Digital
- Group wide initiative to strengthen the **Int'l TC Business**
- Growth focus on **digital innovation areas like Cloud, Big Data, M2M**



**TARGET:**  
**≈ 3% REVENUE<sup>2</sup> CAGR IN TSI MU UNTIL 2018<sup>1</sup>**

<sup>1</sup> CAGR 2014-2018    <sup>2</sup> External + DTAG

# KEY DIFFERENTIATORS OF DEUTSCHE TELEKOM GROUP



Trust

**Most trusted brand** acc. to Allensbach Security Report 2014

Security

>1500 Security specialists  
**Cutting edge managed security services** (Experton)

Quality

**Customer satisfaction** at **84pts.** TRI\*M Index in 2014 (TSI)

Connectivity

**Best network** in GER  
**Technology leader** in CEE with PanNet and IP

Platforms

**Automotive Leader:**  
~1 mn cars on con. car platform  
**Home automation** with Qivicon

Cloud

**Public Cloud Partnership** with Salesforce, Cisco, Microsoft  
**Private & Public Cloud DC** according to **German data privacy regulation**

**TRUST, SECURITY, RELIABILITY**

**BEST SEAMLESS CONNECTIVITY**


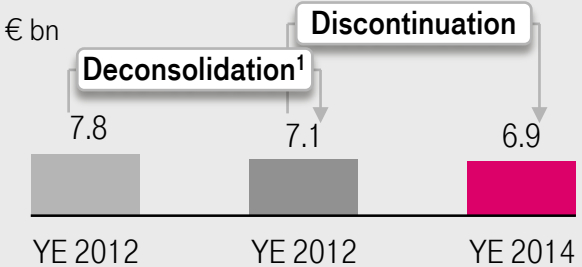



**OPEN, INTEROPERABLE PLATFORMS**





# T-SYSTEMS MARKET UNIT

# WHAT WE PROMISED IN 2012 AND WHAT WE ACHIEVED – IMPROVED EBIT & ALL TIME HIGH CUSTOMER SATISFACTION

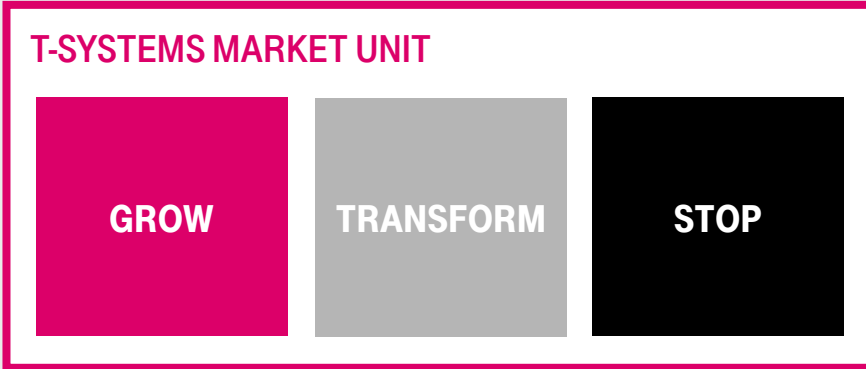
	AMBITION LEVEL 2015 (FROM CMD 2012)	ACHIEVEMENTS 2014	DELIVERED/ ON TRACK
REVENUE GROWTH MU	<ul style="list-style-type: none"> <li>Above market growth (2% CAGR expected, starting from €7.8 bn)</li> </ul>	<ul style="list-style-type: none"> <li>€6.9 bn (€-0.9 bn)</li> </ul>	
– DETAILS REVENUE GROWTH MU	<p>€ bn</p>  <p>YE 2012      YE 2012      YE 2014</p>		
ADJ. EBIT MARGIN MU	<ul style="list-style-type: none"> <li>Around 4%</li> </ul>	<ul style="list-style-type: none"> <li>2.3% (+0.9 PP)</li> </ul>	
CUSTOMER SATISFACTION	<ul style="list-style-type: none"> <li>Maintain TRI*M Index above peer average and &gt;70 points</li> </ul>	<ul style="list-style-type: none"> <li>84points (+8 P)</li> </ul>	
TEL IT	<ul style="list-style-type: none"> <li>€1 bn IT spend reduction until 2015</li> </ul>	<ul style="list-style-type: none"> <li>Reduction by €-0.8 bn</li> </ul>	

<sup>1</sup> Sale of ICSS, GNF, TS Czech, TS Italia, SI France & F/X effects

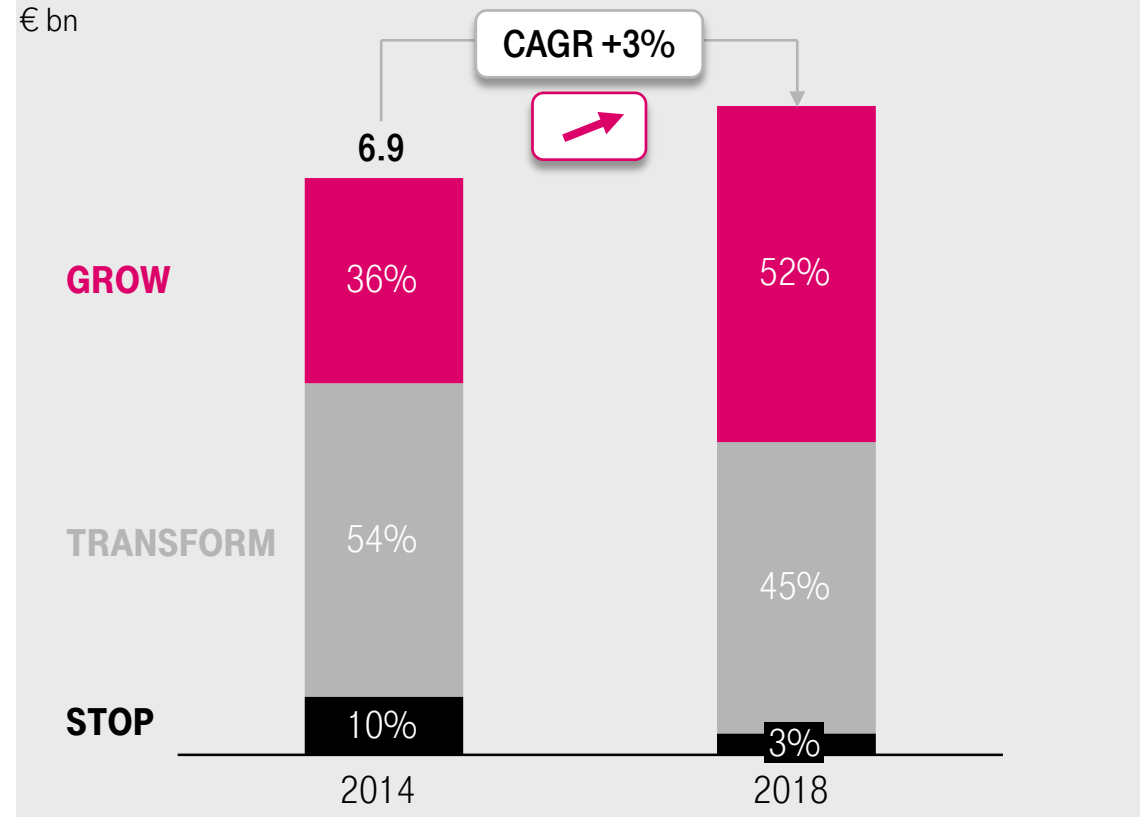
# CHANGE OF REVENUE MIX AND INCREASED PROFITABILITY ARE THE KEY ELEMENTS OF TSI 2015+

## TSI 2015+ TRANSFORMATION PROGRAM

### T-SYSTEMS MARKET UNIT







- **Grow:** Invest in non-labor intensive, virtualized services, e.g. M2M, platform business, Dyn. Workplace, Cloud
- **Transform:** Massive reduction of production costs by increasing “Buy”-share, e.g. via partnering
- **Stop:** Discontinuation of unprofitable business with focus on countries, contracts and portfolio elements



# GROW: INITIATIVES HAVE ALREADY REALIZED SIGNIFICANT GROWTH



SELECTED EXAMPLES	
 <p><b>CLOUD</b></p>	<ul style="list-style-type: none"> <li>▪ Partnering for cloud related services (e.g. Salesforce partnership)</li> <li>▪ Private cloud offering: Dynamic Services</li> </ul>
 <p><b>SECURITY SOLUTIONS</b></p>	<ul style="list-style-type: none"> <li>▪ Push new security portfolio: FireEye, CleanPipe Enterprise, DDoS Protection</li> <li>▪ Launch of new products at CeBit 2015, e.g. Cyber Defence for “Mittelstand”</li> </ul>
 <p><b>FUTURE WORKPLACE</b></p>	<ul style="list-style-type: none"> <li>▪ Cloud based workplace</li> </ul>
 <p><b>FUTURE TC</b></p>	<ul style="list-style-type: none"> <li>▪ Push program TC international started</li> <li>▪ Dynamic Services for Unified Communications</li> </ul>



GROWTH 2014
+€300 mn Revenue
+€36 mn Revenue
+€42 mn Revenue
+€30 mn Revenue

**REV. AMBITION 2014-2018**

Revenue 2014  
€2.5 bn

CAGR 13% 

Revenue 2018  
~€4.0 bn

# TRANSFORM: MEASURES IN CLASSIC ICT BUSINESS IMPROVE PROFITABILITY



SELECTED EXAMPLES	
<b>PERSONNEL RESTRUCTURING</b>	<ul style="list-style-type: none"> <li>Reduction of workforce via automation, partnering and efficiency gains</li> </ul>
<b>CONSOLIDATION</b>	<ul style="list-style-type: none"> <li>Radical reduction of data center locations</li> </ul>
<b>OPTIMIZE GLOBAL SERVICES</b>	<ul style="list-style-type: none"> <li>Concentration of global service production</li> </ul>
<b>OFFSHORE QUOTA</b>	<ul style="list-style-type: none"> <li>Deliver more services from near- or offshore locations</li> </ul>







RESULTS 2014
6% MU total workforce reduction (nat.)
18 data centers closed since 2012
€~10 mn effect on EBIT
+ 8% OS quota since 2012

REV. AMBITION 2014-2018
Revenue 2014 €3.7 bn
CAGR -2%
Revenue 2018 ~€3.4 bn

# STOP: DISCONTINUED ACTIVITIES IN 2014



SELECTED EXAMPLES		RESULTS 2014	REV. AMBITION 2014-2018
 <p><b>PORTFOLIO</b></p>	<ul style="list-style-type: none"> <li>Partnering for labor intensive services (i.e. Field Service) rather than keep own organization: Sale of IDS</li> </ul>	<p>~500 FTE reduction: Field Services</p>	<p>Revenue 2014 €0.6 bn</p> <p>CAGR -22% </p> <p>Revenue 2018 ~€0.2 bn</p>
 <p><b>CONTRACTS</b></p>	<ul style="list-style-type: none"> <li>Action plan for every inefficient customer contract: 22 contracts optimized, 26 in the process until YE 2015</li> </ul>	<p>22 contracts optimized</p>	
 <p><b>LBU'S</b></p>	<ul style="list-style-type: none"> <li>No loss making local business unit (LBU) from 2016 onwards</li> </ul>	<p>5 LBU optimized: Italy, France, Belgium, Japan, Singapore</p>	

# DIVISIONAL SET UP AS NEXT STEP OF OUR TRANSFORMATION

TSI 2015+

GROW

TRANSFORM

STOP

- **New structural set up**
- **Implementation of divisions** in order to focus on core business and specific customer requirements
- **End-to-end and P&L responsibility** for each business segment

T-SYSTEMS MARKET UNIT

TC  
DIVISION



P. Molck-Ude

Business objective:

**Grow international TC services**

- IP VPN solutions
- Infrastructure security services
- FMC bundles

IT  
DIVISION



F. Abolhassan

Business objective:

**Grow dynamic IT services**

- Dyn. Workplace
- Dyn. Hosting
- Dyn. Services for SAP

DIGITAL  
DIVISION



A. Bronder

Business objective:

**Grow platform based business**

- Health & Connected Car
- Industry 4.0
- Cloud partnering

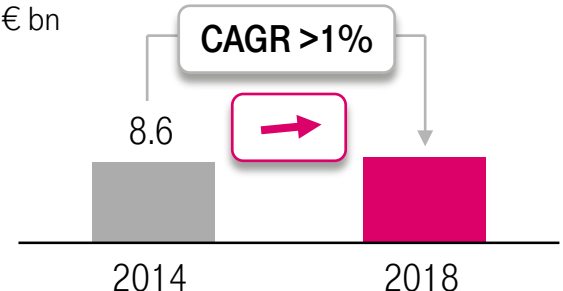


# FINANCIAL OUTLOOK



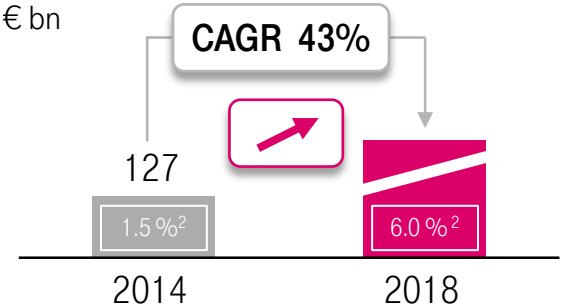
# T-SYSTEMS: KEY LEVERS FOR ROCE IMPROVEMENT ADDRESSED

## REVENUE GROWTH



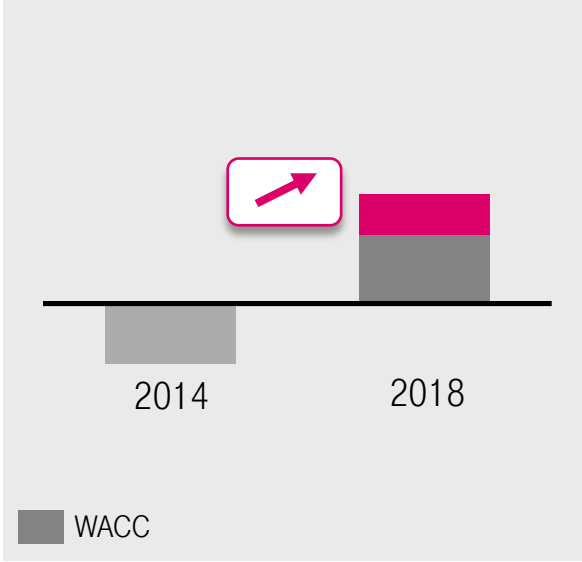
MU CAGR: ~+3%  
TEL-IT CAGR: ~-6%

## EBIT ADJ.

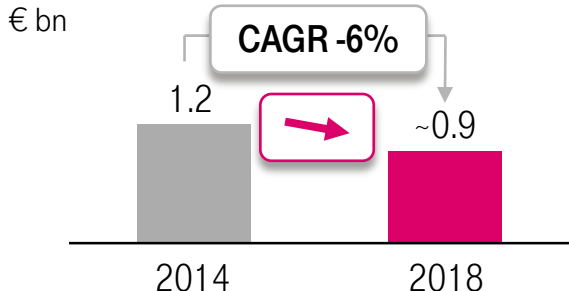


<sup>1</sup> Restructuring <sup>2</sup> Adj. EBIT margin

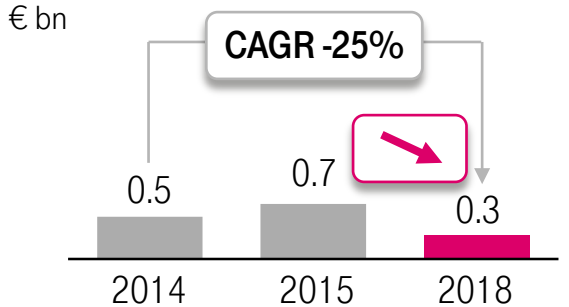
## OPERATING ROCE



## (CASH) CAPEX



## SPECIAL FACTORS (EBITDA)<sup>1</sup>





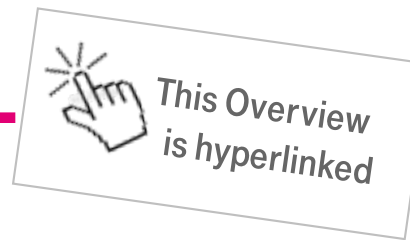
# MID TERM AMBITION LEVEL

# MID TERM AMBITION LEVEL

	MID TERM AMBITION LEVEL	YEAR
REVENUE TSI	>1% CAGR expected	2014–2018
REVENUE MU	Above market growth 3% CAGR expected	2014–2018
QUALITY MU	Maintain TRI*M index above peer average at current levels of 84 points	2018
ADJ. EBIT MARGIN TSI	Around 6%	2018
ADJ. EBIT MARGIN MU	Around 7%	2018
ADJ. CASH CONTRIBUTION TSI	Positive from 2017	2017

# SUPERIOR PRODUCTION MODEL

Claudia Nemat, BM for Europe & Technology  
Bruno Jacofeuerborn, Group CTO



AGENDA

GROUP STRATEGY

COST &amp; PORTFOLIO

LEAD IN BUSINESS

SUPERIOR PRODUCT. MODEL

EUROPE

GERMANY

TMUS

FINANCE

WRAP-UP

## ALL-IP

- Old vs New
- Country Overview

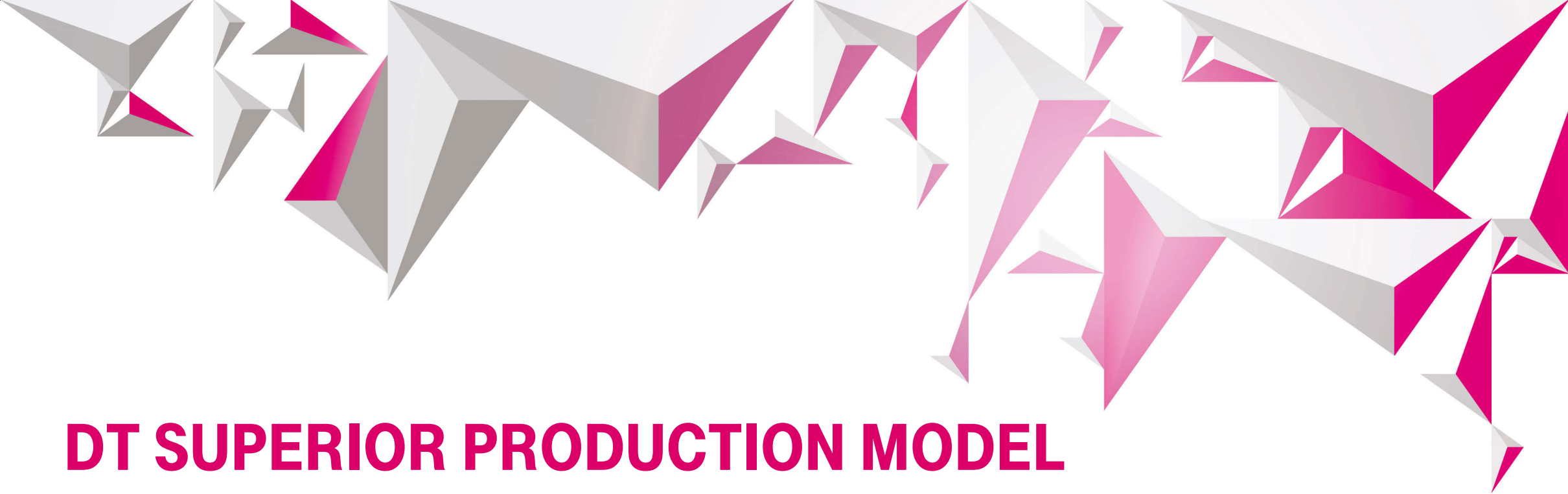
## PANNET

- Target 2020+
- Differentiation
- Pannet Architecture
- Physical Infrastructure
- Local Product Configuration
- Cloud TV, Gaming
- Next Generation VPN

## INTEGRATED NETWORK STRATEGY

- Ambition 2015-2018
- Mobile Evolution
- Fiber Evolution

- **Benefits for Customer Experience**
- **Financial Benefits**
- **Our Commitment 2018**
- **Demonstration**



# DT SUPERIOR PRODUCTION MODEL

Claudia Nemat, Board member for Europe and Technology  
Bruno Jacobfeuerborn, CTO

# OUR STRATEGY

## LEADING EUROPEAN TELCO



# SUPERIOR PRODUCTION MODEL WITH FOUR PROGRAMS BASED ON TECHNOLOGY LEADERSHIP

## DIGITAL TRANSFORMATION OF CUSTOMER FACING PROCESSES

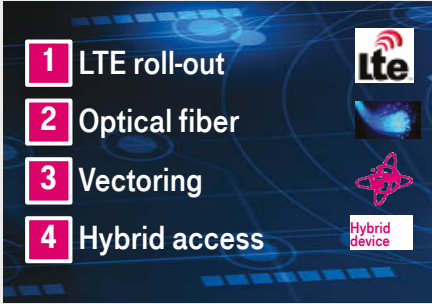
COST EFFICIENCY & SIMPLICITY



### ALL-IP TRANSFORMATION

### PAN-EUROPEAN NETWORK

### INTEGRATED NETWORK STRATEGY



PLUG & PLAY

TIME TO MARKET

BEST CONNECTIVITY



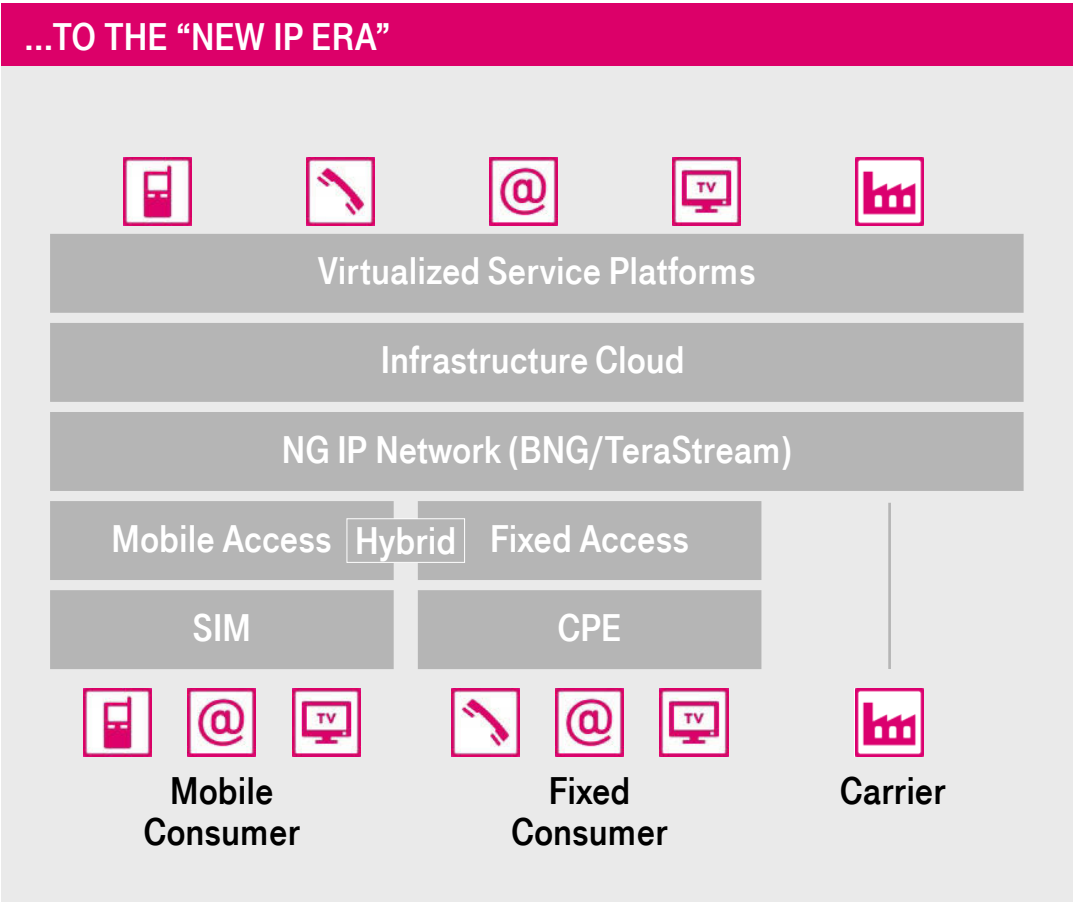
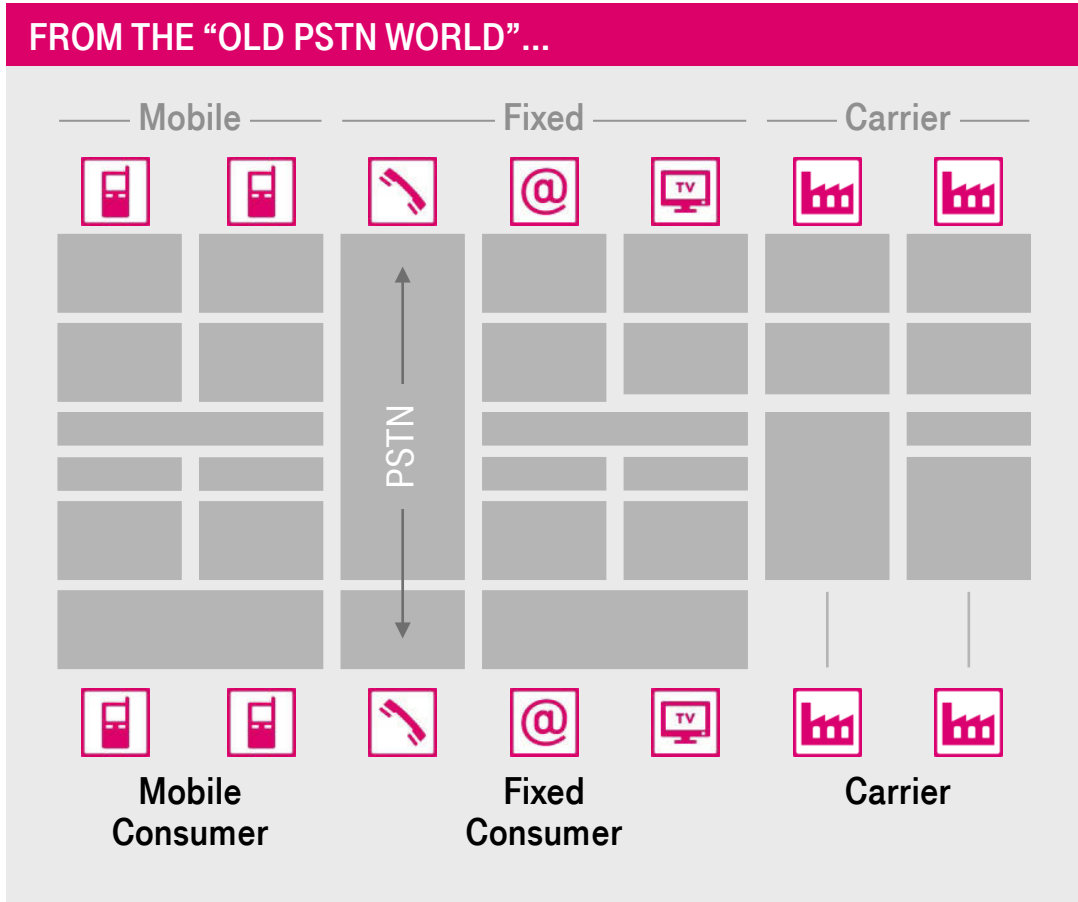
Annual run rate adj. Opex savings:

≈ €-1.2 bn<sup>1</sup>

(steady state in early 2020ies)

<sup>1</sup> Gross Opex savings D/EU before any counter effects (e.g. personnel cost increases)

# ALL IP TRANSFORMATION: THE CREATION OF A SIMPLIFIED AND STANDARDIZED NETWORK





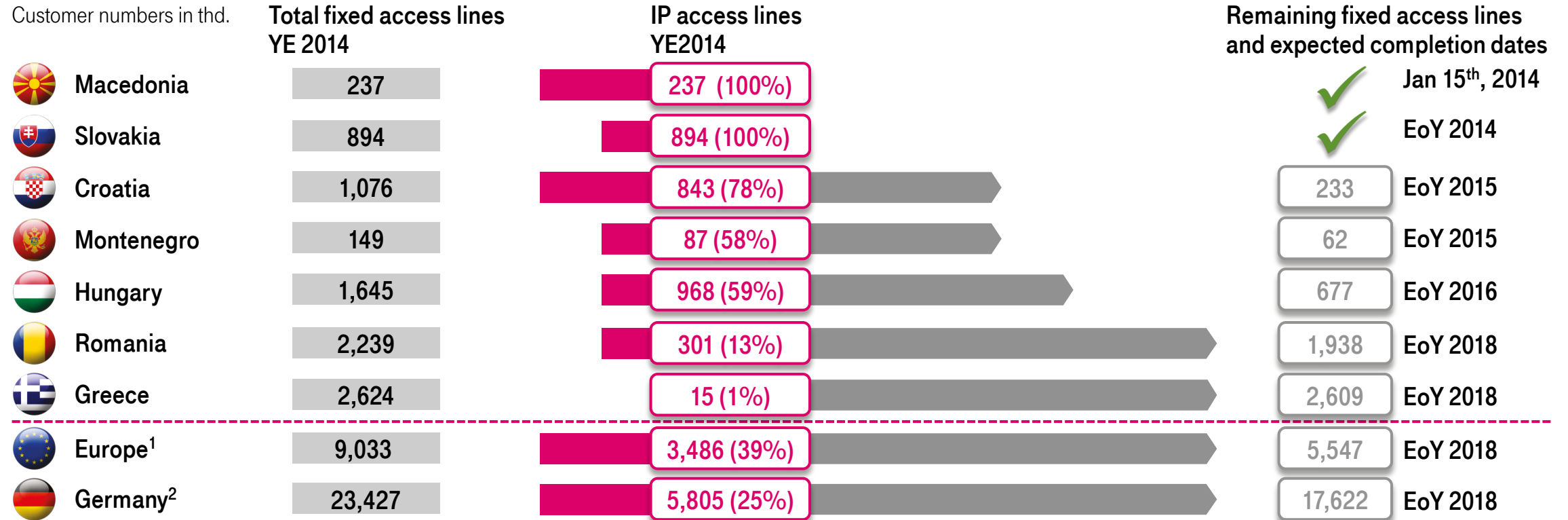
# ALL-IP TRANSFORMATION ON TRACK

ALL IP

PANNET

INS

## ALL-IP TRANSFORMATION BY COUNTRY



<sup>1</sup> Incl. Czech Republic (131 thd. fixed lines, 98% IP), and GTS (37 thd. fixed lines, 32% IP) <sup>2</sup> Incl. retail, Call&Surf via Funk, wholesale bundled and unbundled

# PANNET TARGET PICTURE 2020+: FROM NATCO-CENTRIC TO INTEGRATED PAN EUROPEAN SERVICE PRODUCTION

TODAY

FUTURE


Complex service production with distributed vendor-specific network elements




Highly simplified, virtualized, IP-based production architecture



Different, historically grown production in each NatCo




Integrated production, delivered to all NatCos



Each NatCo with own product development logic



One common product development logic for all countries



# DIFFERENTIATION: HOLISTIC AND RADICALLY LEAN APPROACH AT DT

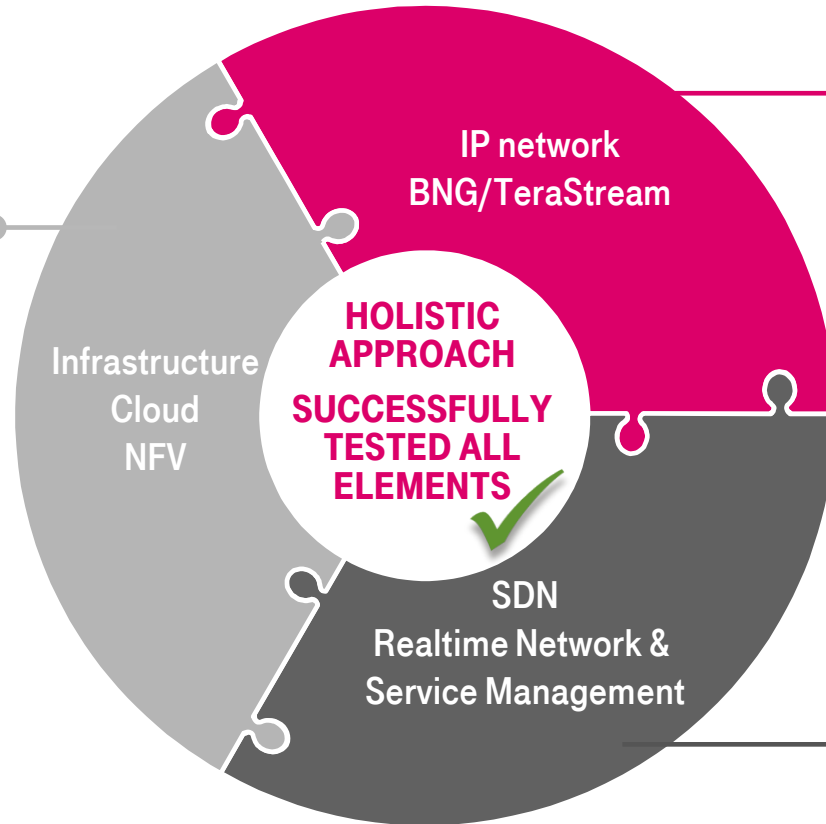
ALL IP

PANNET

INS

## INFRASTRUCTURE CLOUD

- Tight integration of data centers and IP network  
= **Infrastructure Cloud**, foundation for NFV
- Fully automated –  
= **Cloudification of network functions**
- **Minimized latency**
- **High bandwidth** apps



## DRASTICALLY SIMPLIFIED IP NETWORK (BNG/TERASTREAM)

- Executed in **radically lean way**
- **IP+ Optical Integration** to lower Capex & Opex
- Scalable up to **the highest bandwidth**

## REAL-TIME NETWORK AND SERVICE MANAGEMENT

- Based on **SDN** concept
- **Software flexibility** of previously HW dominated operator
- **Standardized open interfaces**
- **Accelerated product introduction**

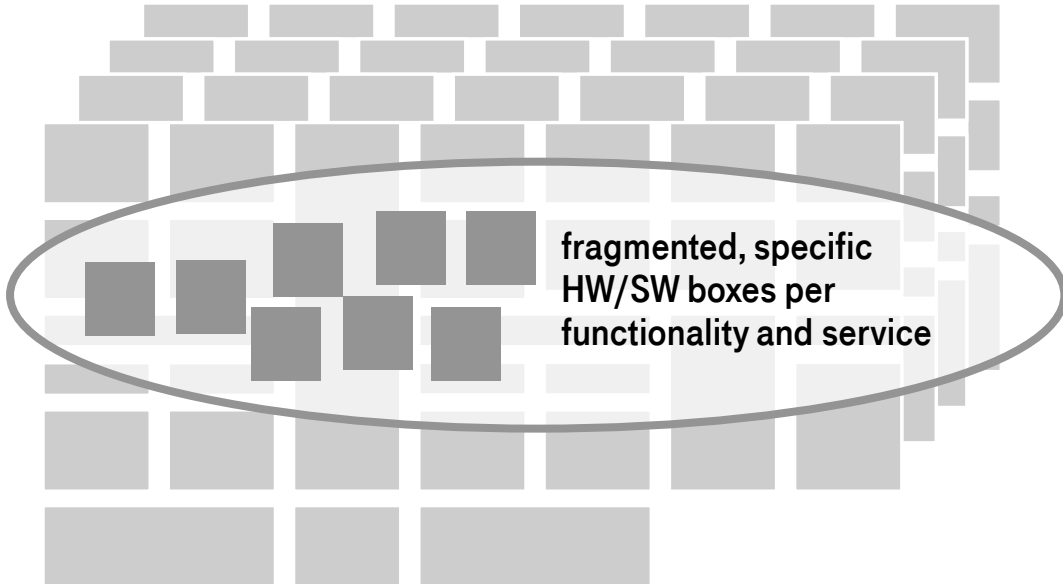
# PANNET: SIMPLIFIED, CENTRALIZED AND VIRTUALIZED

ALL IP

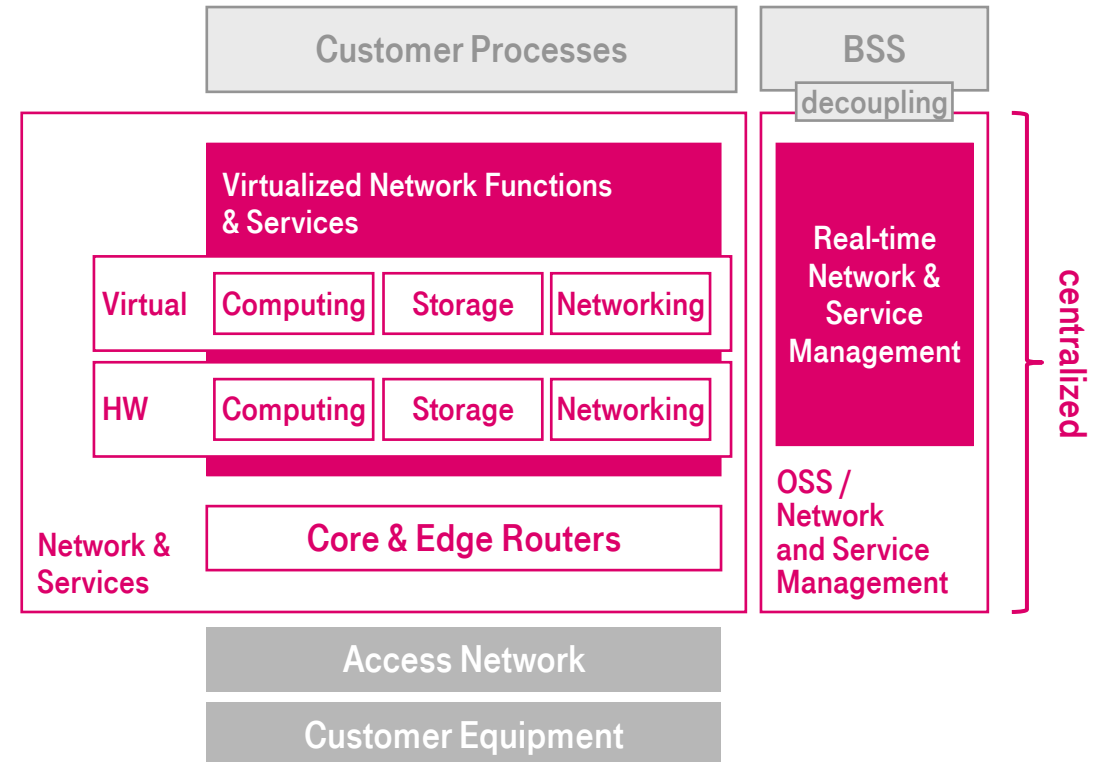
**PANNET**

INS

## LEGACY, HETEROGENEOUS, DISTRIBUTED WORLD...



## ...TOWARDS A LEAN AND CLOUDIFIED APPROACH



# PHYSICAL INFRASTRUCTURE OF PANNET

ALL IP

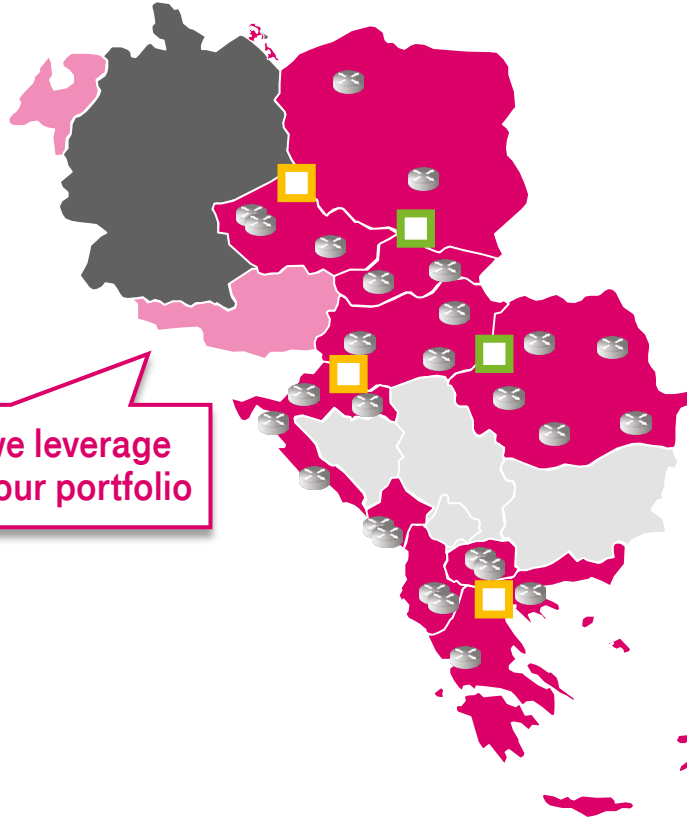
PANNET

INS




## DT EU PORTFOLIO: BROAD & ADJACENT FOOTPRINT IN EUROPE

illustrative, locations and number of backend data and network operations centers not decided yet

With PANNET we leverage the benefits of our portfolio



### PANNET characteristics:

- 3 backend data centers (  )
- 2 geo redundant network operations centers (  )
- In each country minimum 2 data centers with routers at the edge of the network (  )
- 1 distribution network, fast and highly capable

# LOCAL PRODUCT CONFIGURATION: CENTRAL PRODUCTION CATALOGUE

illustrative

Central Production Catalogue

Countries

**TV**

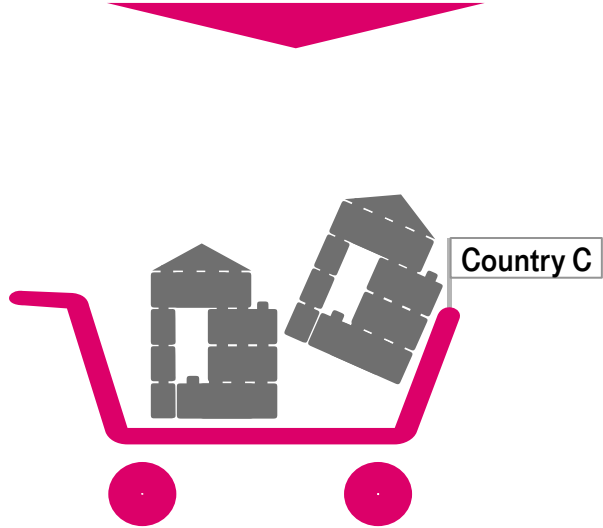
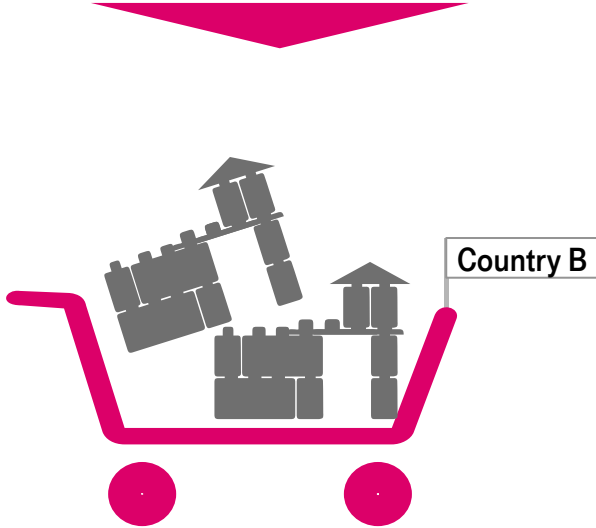
- OTT services
- Standard Def.
- High Definition

**BROADBAND**

- ADSL 16 Mbps
- Vectoring 100 Mbps
- Fiber 1 Gbps

**VOICE**

- One standard line
- HD voice
- Multiple lines



# MWC 2015: CLOUD TV & GAMING

- First time B2C products introduced at the same time in three countries
- TV, gaming and applications on all screens



- **Cross-country recommendation engine**
- Your personalized guide through media world



- **Cloud gaming** with premium catalog of casual and bestseller games
- Hundreds of games just out of cloud with no console



# MWC 2015: NEXT GENERATION VPN

ALL IP

PANNET

INS



BARCELONA 2-5 MAR 2015

- First B2B product introduced at the same time in three countries
- Next generation DATA Virtual Private Network (VPN) for secure national and international communication

**DELIVERING A VPN SOLUTION FROM THE PAN-EUROPEAN CLOUD**  
developed in less than 6 months

**AUTOMATIC PROVISIONING**  
of system components in a few clicks

**SIMPLICITY AND SELF MANAGEMENT**  
of all aspects of the network  
(speed, security, no of branches, traffic...)

**CARRIER GRADE SECURITY**  
for all your branches and remote users  
by the same strong security mechanisms



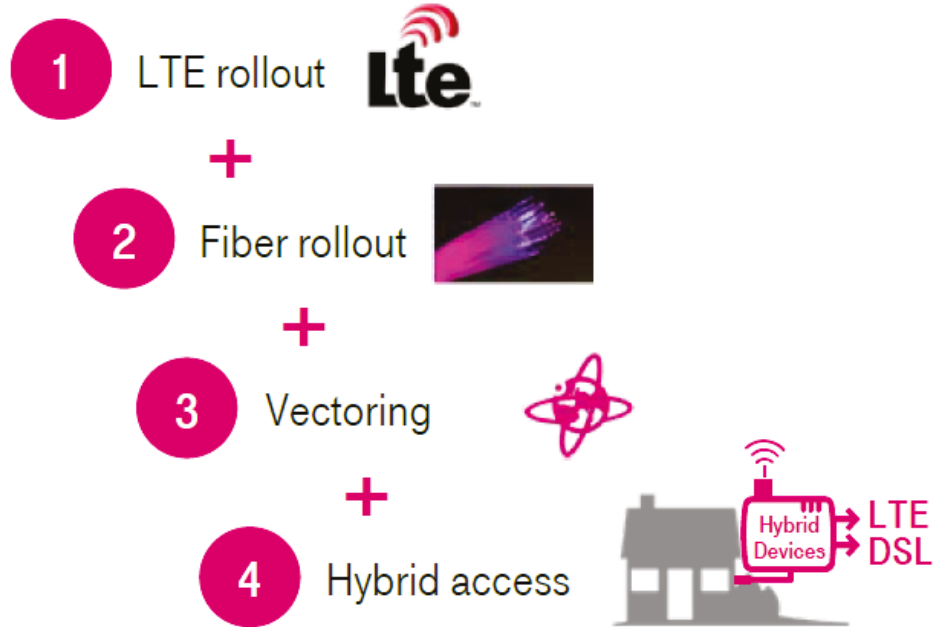
# INTEGRATED NETWORK STRATEGY

ALL IP

PANNET

INS

## RECAP CMD 2012



## OUR ENHANCED AMBITION 2015-2018

### INS OUR ROLE MODEL

INS rolled out across DT EU and DE

### COVERAGE EXPANSION 2015-2018

**Mobile LTE<sup>1</sup>:** **DE:** from 80% to 95% pop-coverage (with up to 300 Mbps)

**EU:** from 30%-79% to 75%-95% pop-coverage (with up to 300 Mbps)

**Fixed:** **DE:**  $\approx 80\%$  of households  $\geq 50$  Mbps depending on regulatory adjustments (introduction of Supervectoring with more than 250 Mbps in cable footprint)

**EU:**  $\approx 50\%$  of households<sup>2</sup>  $\geq 100$  Mbps ( $\approx 12\%$  of households<sup>2</sup> with up to 500Mbps<sup>3</sup>)

**Hybrid:** **DE:** Download speed of up to 550 Mbps in cable footprint

### TECHNOLOGY EVOLUTION

**Mobile:** Evolution via LTE-Advanced towards 5G

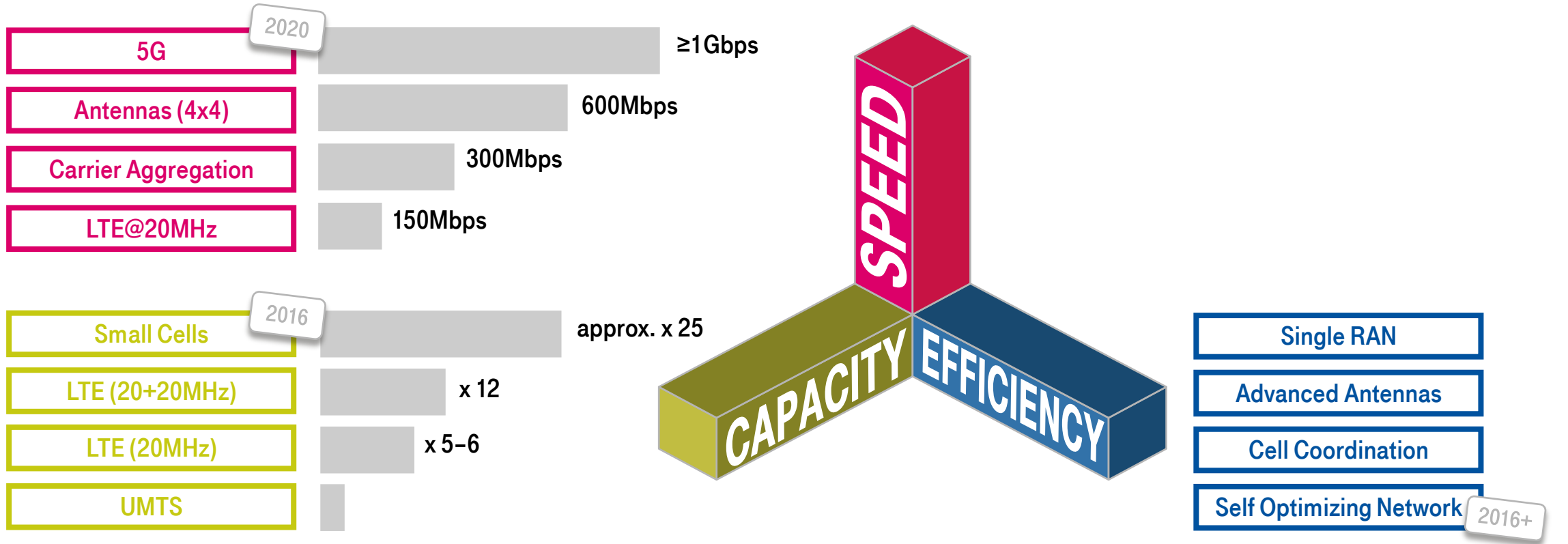
**Fixed:** Vectoring live, Supervectoring + G.fast next

*LTE leadership in DE, GR, HU, HR and SK*

<sup>1</sup> Outdoor coverage    <sup>2</sup> In integrated footprint    <sup>3</sup> FTTH, FTTB, FTTC, cable/ED3 (cable, esp. in Hungary with Euro-DOCSIS)

# MOBILE EVOLUTION CONTINUES

## MOBILE NETWORK UPGRADE OPTIONS



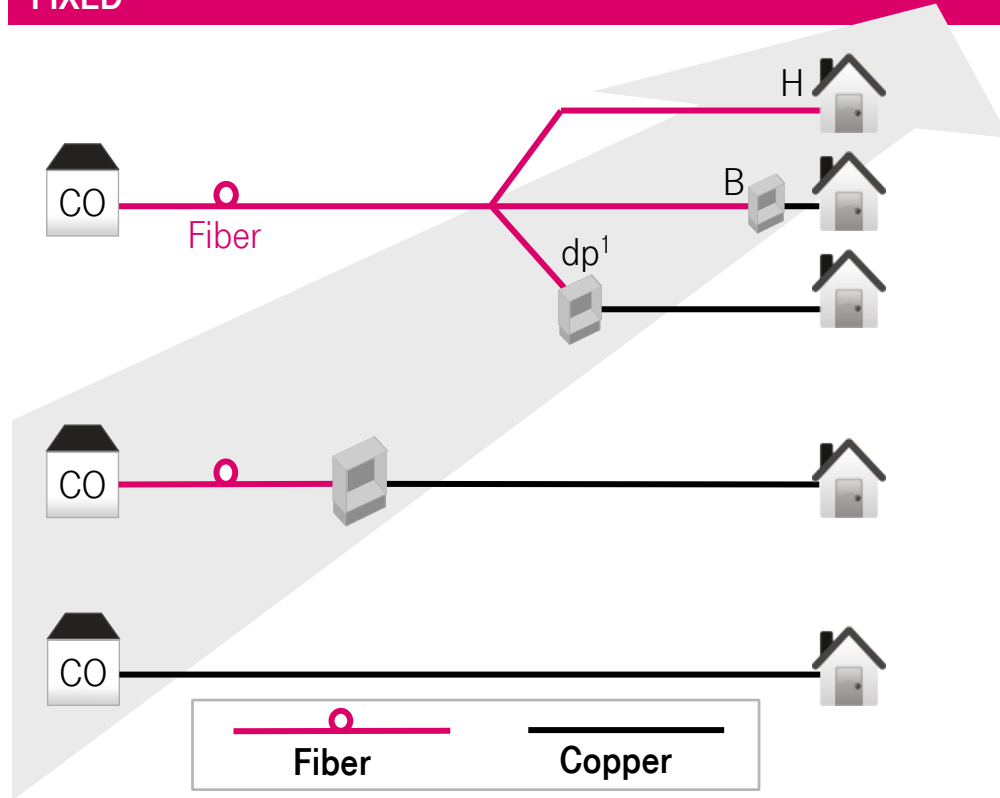
# FIBER EVOLUTION CONTINUES

ALL IP

PANNET

INS

## FIXED



FTTH

1000+ Mbps

FTTdp<sup>1</sup>/FTTB – G.fast

up to 500 Mbps

≥ 2018

FTTC – Super VDSL-Vectoring

with more than 250 Mbps

FTTC – VDSL-Vectoring

up to 100 Mbps

≥ 2017

ADSL2+

up to 16 Mbps

<sup>1</sup> "Distribution Point", so far not part of the Telekom access network

# SUPERIOR PRODUCTION MODEL DRIVING CUSTOMER EXPERIENCE

ALL IP

PANNET

INS

## Examples

### ULTIMATE APP

- All service and usage relevant information at glance
- Proactively offering data plans following customer usage patterns
- One-click payment for all fixed and mobile services



### BROADBAND ON DEMAND

- Plug & play
- Self service solutions
- Instant provisioning of new features



### CLOUD TV & GAMING CLOUD VPN

- Perceived “Zero” latency
- Products introduction in a few weeks across entire footprint



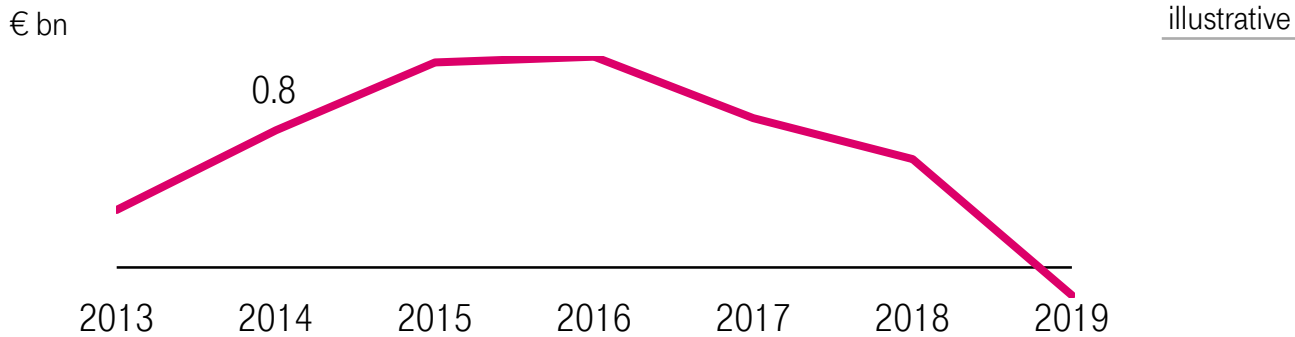
### HYBRID ROUTER

- Boost bandwidth in fixed and mobile networks for even better customer experience



# SIGNIFICANT INVESTMENTS INTO TRANSFORMATION YIELD SUPERIOR DIFFERENTIATION AND COST SAVINGS IN THE FUTURE

## OPEX AND CAPEX: DIGITAL TRANSFORMATION, IP TRANSFORMATION, PAN-EUROPEAN NETWORK<sup>1</sup>



## CAPEX: INS NETWORK



## BENEFITS STEADY STATE FROM EARLY 2020IES

FIN. BENEFITS: ≈ €1.2 BILLION OPEX SAVINGS<sup>2</sup>

- Segments
  - ≈ €0.7 bn Germany
  - ≈ €0.5 bn Europe
- Functional Areas
  - ≈ €0.4 bn Technology / Platforms
  - ≈ €0.8 bn Service

## COMMERCIAL BENEFITS

- Enlarged fiber and LTE footprint and increased bandwidth for customers
- Faster time to market
- Easy to partner

<sup>1</sup> Excl. special factors. Measure related effects incl. savings. PanNet w/o transport & access. INS Opex in German fixed network also included.

<sup>2</sup> Gross measure-related steady state Opex savings early 2020ies GER/EU vs. 2013, after accomplished IP and process-/e-transformation as well as PanNet (w/o transport & access) before any counter effects (e.g. personnel cost increases).



# MID TERM AMBITION LEVEL

# MID TERM AMBITION LEVEL

ALL IP

PANNET

INS

	MID TERM AMBITION LEVEL	YEAR
<b>ALL-IP TRANSFORMATION</b>	<ul style="list-style-type: none"> <li>All integrated countries 100% IP-based</li> </ul>	2018
<b>PAN-EUROPEAN NETWORK</b>	<ul style="list-style-type: none"> <li>Backend and frontend data center set up</li> <li>Geo-redundant Network Operations Centers established</li> <li>Services fully migrated to PanNet</li> </ul>	2018 2018 2018
<b>INTEGRATED NETWORK STRATEGY</b>	<ul style="list-style-type: none"> <li>LTE pop-coverage Germany &amp; Europe: 75%–95%</li> <li>Germany: <math>\approx 80\%</math> Fixed high speed internet HH coverage <math>\geq 50</math> Mbps<sup>1</sup></li> <li>Europe: <math>\approx 50\%</math> Fixed high speed internet HH coverage <math>\geq 100</math> Mbps</li> </ul>	2018 2018 2018

<sup>1</sup> Depending on regulatory adjustments

# DEMONSTRATION

1

ALL IP

PANNET

INS

## ALL-IP MIGRATION



- Factor of miniaturization: 2,600x
- New IMS rack vs. legacy PSTN/ISDN cabinet

Presented by:

**Claudia Nemat**, Board member for Europe and Technology

2

ALL IP

PANNET

INS

## HYBRID ROUTER



- Significant increase in down- and upload speed
- Bonding of fixed and mobile connectivity

Presented by:

**Bruno Jacobfeuerborn**, Group CTO

3

ALL IP

PANNET

INS

## UPGRADED STREET CABINET



- VDSL-Vectoring rollout
- Upgraded street cabinet with new active technology (MSAN) complementing the old passive patch board

Presented by:

**Guido Menzel**, Head of Network Engineering Germany

4

ALL IP

PANNET

INS

## BNG + INSTANT PROVISIONING



- Simplification of network architecture
- Instant provisioning enhances customer experience

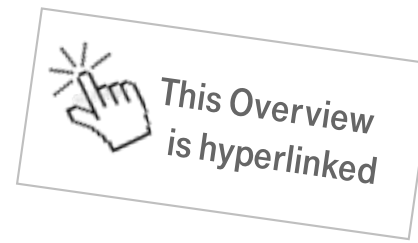
Presented by:

**Bruno Orth**, Head of Network Architecture Germany



# EUROPE

Claudia Nemat, Board Member for Europe and Technology



## 1. Key Messages

## 2. Review 2013 – 2014

- Cost Savings, Technology
- Cash/EBITDA Performance

## 3. Market Trends

- Macroeconomics, Regulation, Competition
- Spectrum Investments

## 4. Strategy 2015 – 2018

- Leading European Telco
- Overview

INTEGRATED IP NETWORKS	BEST CUSTOMER EXPERIENCE	WIN WITH PARTNERS	LEAD IN BUSINESS
<ul style="list-style-type: none"> <li>▪ LTE/Fiber Rollout</li> <li>▪ Production Model</li> </ul>	<ul style="list-style-type: none"> <li>▪ Differentiator</li> <li>▪ Digitalization</li> <li>▪ Examples</li> <li>▪ TV</li> </ul>	<ul style="list-style-type: none"> <li>▪ Partner</li> </ul>	<ul style="list-style-type: none"> <li>▪ B2B20</li> <li>▪ GTS Integration</li> </ul>

Special Topics:

TMNL & TMA

Wholesale Deals

## 5. Financial Outlook

- Value oriented
- Investments
- Cost Transformation
- Long-Term Cost Transformation
- KPI's

## 6. Mid Term Ambition Level

- Mid Term Ambition

AGENDA

GROUP STRATEGY

COST & PORTFOLIO

LEAD IN BUSINESS

SUPERIOR PRODUCT. MODEL

EUROPE

GERMANY

TMUS

FINANCE

WRAP-UP



LIFE IS FOR SHARING.



# EUROPE & TECHNOLOGY

Claudia Nemat, Board member for Europe and Technology

# KEY MESSAGES









- 1** Leading European Telco: We are the first operator to move to a superior, pan-European all-IP production model, based on our TECHNOLOGY LEADERSHIP.
- 2** Creating BEST CUSTOMER EXPERIENCE with the differentiator “trust”, “best seamless connectivity”, “simple and personal”.
- 3** Making us more agile than our competitors, and resulting in a SUPERIOR FINANCIAL PERFORMANCE:
  - a. Radical indirect cost savings
  - b. Superior cash performance compared to peers
  - c. Increasing op. ROCE



# REVIEW 2013–2014

# STRONG COST SAVINGS AND TECHNOLOGY ACHIEVEMENTS

## CASH NOT YET STABLE

		AMBITION LEVEL 2015 (FROM CMD 2012)	ACHIEVEMENTS 2014	DELIVERED / ON TRACK
FINANCIAL STABILITY IN EUROPE	OFCF ADJ.	Stable (€3.1 bn)	€2.9 bn	
	TOTAL REVENUE <sup>1</sup>	€14 bn	€13 bn <sup>5</sup>	
	CUM. INDIRECT OPEX REDUCTION BY 2015 <sup>2</sup>	€0.6 bn	€0.5 bn	
	OP. ROCE	further improving	11.1%	
TECHNOLOGY LEADERSHIP	ALL-IP TRANSFORMATION	<ul style="list-style-type: none"> <li>All-IP migration in HR and MK</li> <li>In other countries All-IP migration launched</li> </ul>	<ul style="list-style-type: none"> <li>MK 100%, SK 100%, HR 78% IP</li> <li>All-IP migration in all integrated NatCos on track</li> </ul>	
	TERASTREAM/BNG <sup>3</sup>	<ul style="list-style-type: none"> <li>TeraStream trial in HR by end 2012</li> <li>BNG introduction in GR ongoing until 2015</li> </ul>	<ul style="list-style-type: none"> <li>Successful TeraStream trial in HR</li> <li>BNG implemented, customer migration as planned</li> </ul>	
	HYBRID ACCESS/INS <sup>4</sup>	<ul style="list-style-type: none"> <li>Maximum bandwidth experience by bundling fixed &amp; mobile data streams, launch in at least one country 2014</li> </ul>	<ul style="list-style-type: none"> <li>Successful Hybrid Access pilot in ME in April 2014, others in preparation</li> <li>Leading in LTE rollout in several NatCos</li> </ul>	
	mWALLET	<ul style="list-style-type: none"> <li>Mass market product by 2015</li> </ul>	<ul style="list-style-type: none"> <li>mWallet launched in PL and in SK as mass market product</li> </ul>	

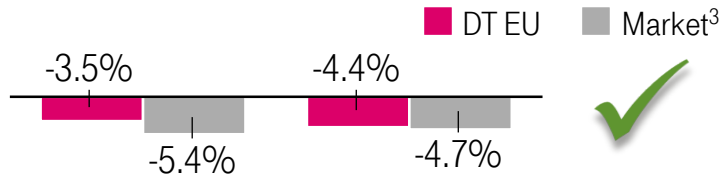
<sup>1</sup> Adjusted, organic revenue development only, based on assumptions regarding regulation (esp. MTR cuts), new entrants/spectrum auction, etc.; revenue transformation achieved <sup>2</sup> Baseline 2012 <sup>3</sup> Broadband network gateway  
<sup>4</sup> Integrated network strategy <sup>5</sup> includes negative deconsolidation/acquisition net-effect of ≈0.1 bn€ (mainly Bulgaria and GTS) and negative FX effect of ≈0.1 bn€, negative regulatory effects were broadly in line with expectations

# SUPERIOR CASH AND EBITDA PERFORMANCE COMPARED TO PEERS

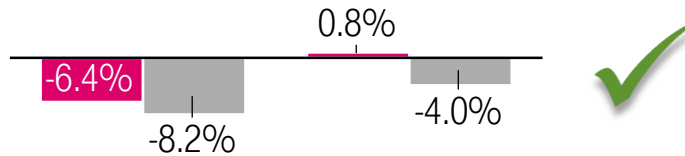
## DT EUROPE PERFORMANCE VS. MARKET

YoY development

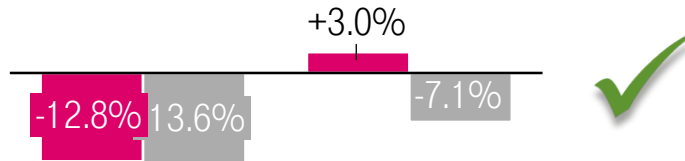
REVENUES<sup>1</sup>



EBITDA<sup>1</sup> adj.

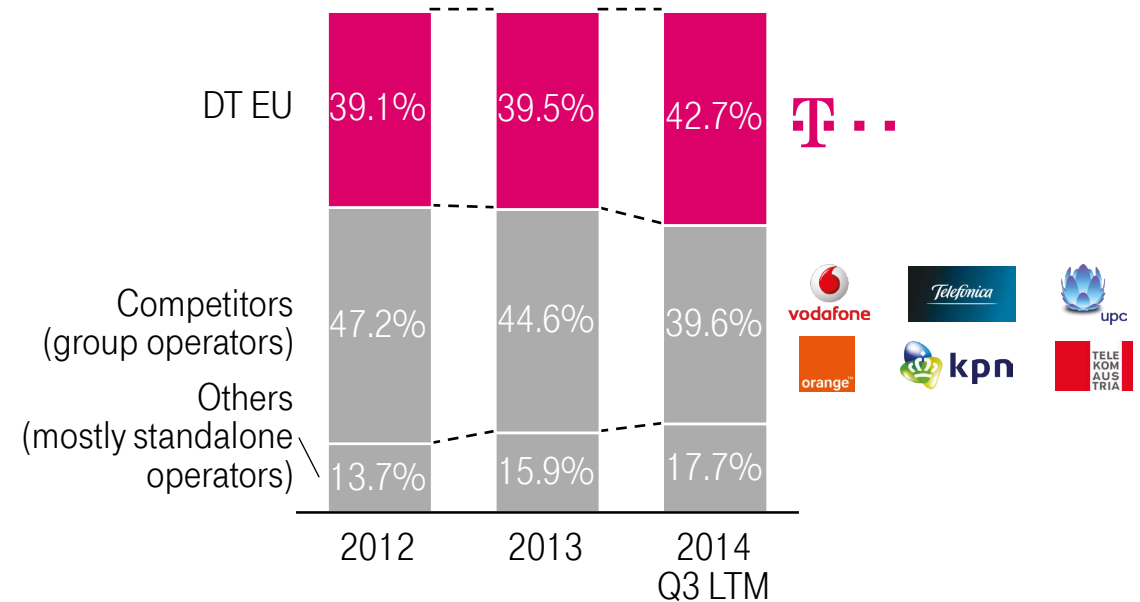


CASH CONTRIBUTION<sup>1,2</sup>



## CASH CONTRIBUTION<sup>2</sup> MARKET SHARE

Groups' Cash contribution<sup>2</sup> in DT Europe footprint, as share of total sum<sup>4</sup>



Source: DT analysis Notes: Competitor Cash Contribution not for all Companies available.

<sup>1</sup> Integrated fixed & mobile, incl. mobile only NatCos, w/o BG <sup>2</sup> EBITDA minus cash capex <sup>3</sup> Market = (integrated (fixed/mobile) markets in GR, HU, HR, MK, SK, RO, ME, CZ, PL) + (mobile only markets in AL, NL, AT)

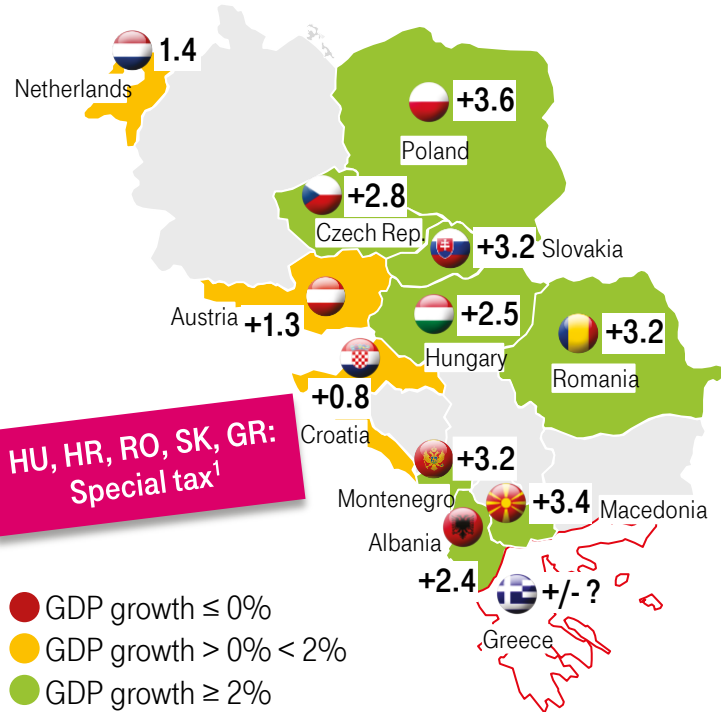
<sup>4</sup> Numbers for: DT EU w/o AL, incl. mobile-only in PL, NL, AT; KPN = NL; Orange = SK, RO, PL; Vodafone = GR, RO, NL, CZ, HU; O2 = SK, CZ; Telekom Austria = HR, MK, AT; UPC = HU, SK, RO, CZ considered.



# MARKET TRENDS

# MARKET TRENDS IMPROVING SLOWLY

## MACROECONOMIC DEVELOPMENT

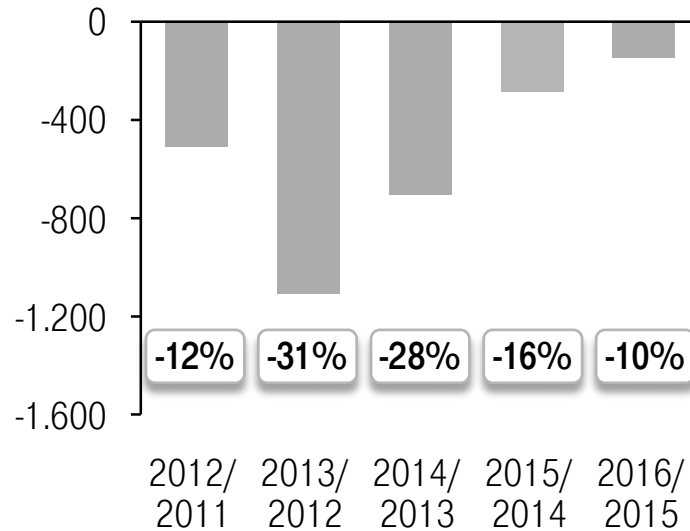


Source: Oxford Economics (January 2015)

¹ HU utility, usage taxes; RO infrastructure tax; SK levy on regulated industries; GR mobile taxation; HR increased annual spectrum fee

## REGULATORY INTERVENTIONS

YoY market decline of interconnection revenues in € mn



Source: DT EU

² Calculation based on 40 mobile operators in 2012 vs. estimated 42 operators in 2015, population 130mn in footprint

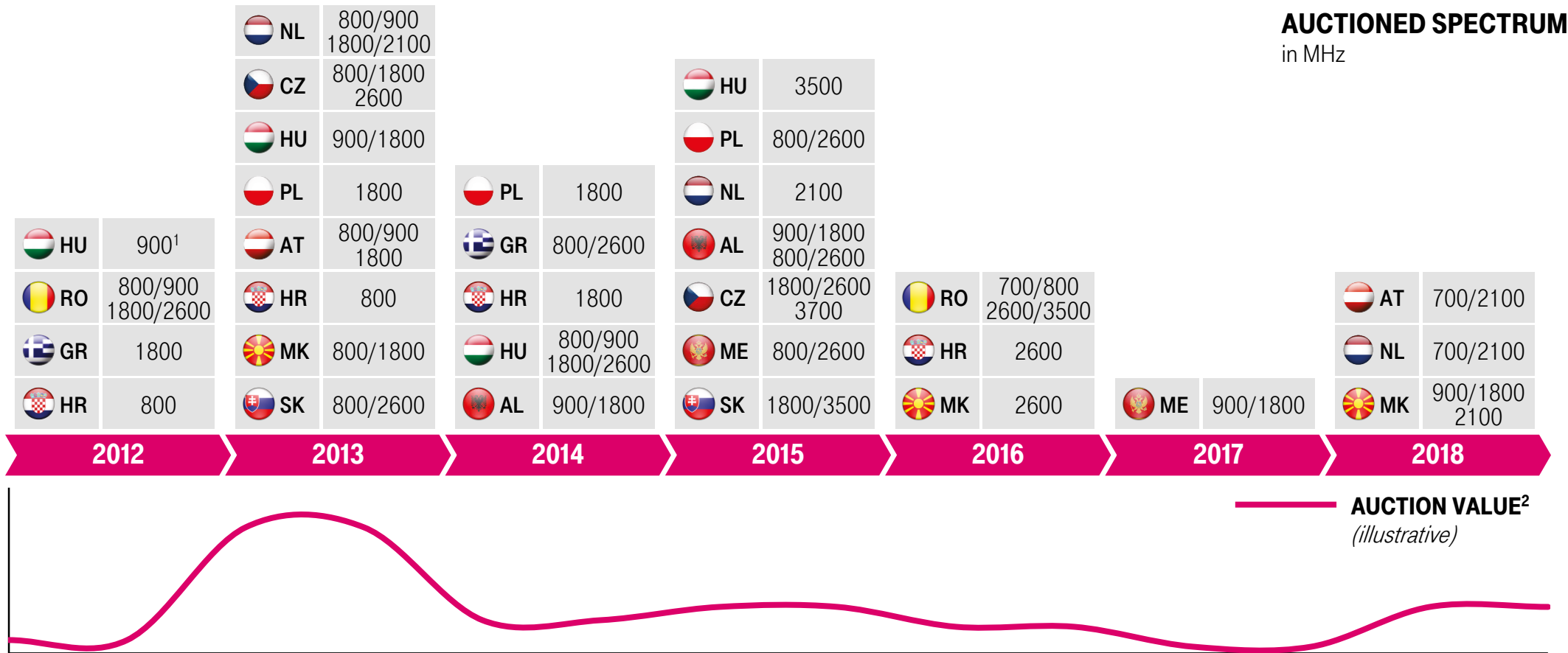
## COMPETITIVE PRESSURE

Competition intensity increased:

- **Number of inhabitants per operator:**  
From 3.3 mn to 3.1 mn (2012 vs. 2015)<sup>2</sup>
- **Still new entrants:**  
**Digi/RCS&RDS** is aggressively penetrating mobile market in **Romania**, and won 1800 spectrum in **Hungary** (launch announced); **Swan** acquired 4G license in **Slovakia**



# EXPECTED SPECTRUM INVESTMENT DECREASING



<sup>1</sup> Auction in Hungary was nullified later on    <sup>2</sup> Auctioned bandwidth weighted with GDP and population per country



# STRATEGY 2015–2018

# OUR STRATEGY: EUROPE



**LEADING EUROPEAN TELCO**

- INTEGRATED IP NETWORKS**
  - All-IP Transformation
  - Pan-European Network (PANNET)
  - Integrated Network Strategy (INS)
- BEST CUSTOMER EXPERIENCE**
  - Digitalization<sup>1</sup>
  - Differentiators rollout:
    - Trust
    - Best seamless connectivity & products/services
    - Simple & personal with TV, FMC push
- WIN WITH PARTNERS**
  - Easy-to-Partner
- LEAD IN BUSINESS**
  - Revenue transformation
  - GTS integration

**TRANSFORM PORTFOLIO**

**EVOLVE FINANCIAL TARGETS & EFFICIENCY**

- Value Oriented Pricing
- Save to Invest (Indirect Cost containment)

**ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT**

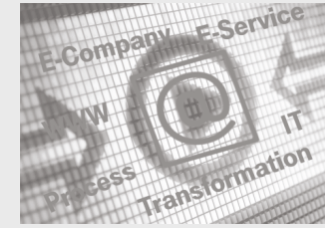
Note: Each bullet reflects one program initiative. <sup>1</sup> Digital transformation of customer facing processes

# SUPERIOR PRODUCTION MODEL WITH 4 PROGRAMS



## DIGITAL TRANSFORMATION OF CUSTOMER FACING PROCESSES

COST EFFICIENCY & SIMPLICITY



## ALL-IP TRANSFORMATION



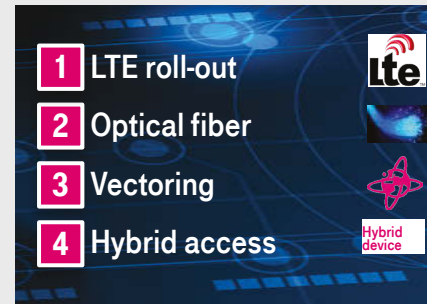
PLUG & PLAY

## PAN-EUROPEAN NETWORK



TIME TO MARKET

## INTEGRATED NETWORK STRATEGY



BEST CONNECTIVITY

Holistic approach

# INTEGRATED NETWORK STRATEGY EUROPE

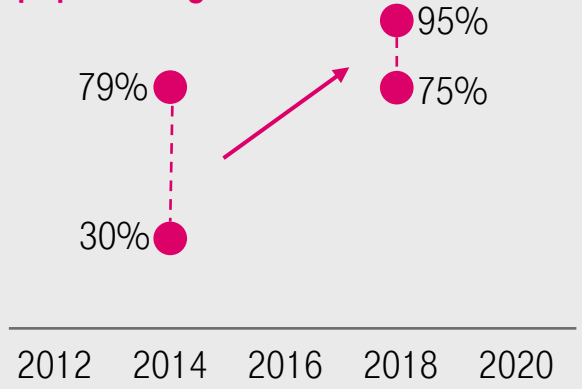


## 1 LTE ROLLOUT

Ambitions 2018:

- 75 – 95% LTE pop coverage<sup>1</sup> with up to 300 Mbit/s

LTE pop coverage<sup>1</sup>

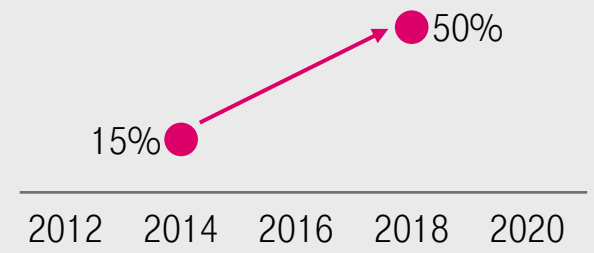


## 2 FIBER<sup>2</sup> ROLLOUT

Ambitions 2018:

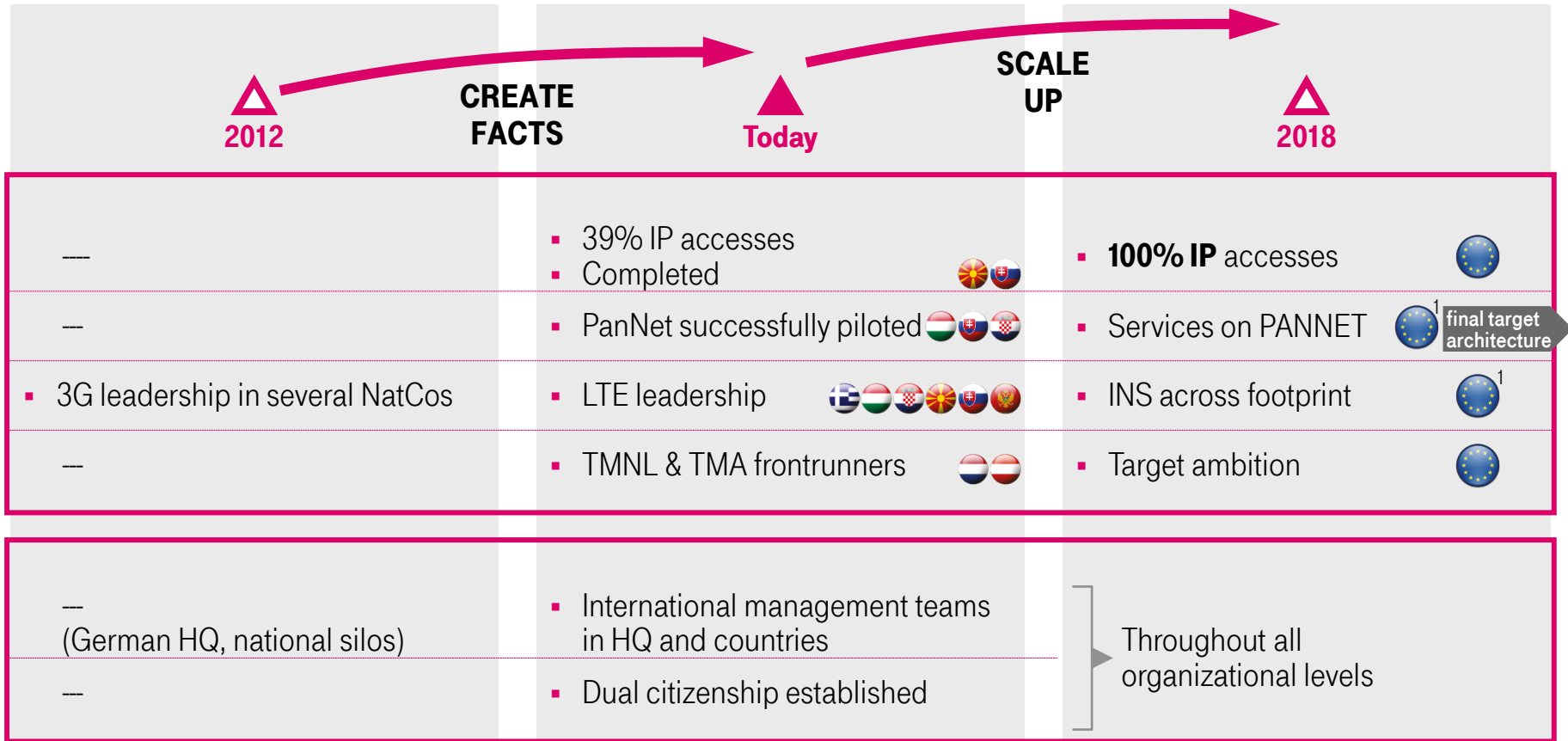
- ≈50% of households<sup>3</sup> with at least 100 Mbit/s
- ≈12% of households<sup>3</sup> with up to 500 Mbit/s (FTTH, FTTB, FTTC, cable/ED3<sup>4</sup>)

Household coverage<sup>3</sup> 100 Mbit/s



<sup>1</sup> outdoor coverage   <sup>2</sup> FTTx   <sup>3</sup> In integrated footprint   <sup>4</sup> Cable with Euro-DOCSIS 3

# PRODUCTION MODEL AND LEADERSHIP PARADIGM EVOLUTION



<sup>1</sup> Without TMNL & TMA

# CUSTOMER EXPERIENCE DIFFERENTIATORS EVOLUTION









CUSTOMER EXPERIENCE DIFFERENTIATORS	2012	Today	2018
<ul style="list-style-type: none"> <li>Trusted brand</li> </ul>	<ul style="list-style-type: none"> <li>T-shops</li> <li>T-brand outside OTE group</li> </ul>	<ul style="list-style-type: none"> <li>T-brand </li> <li>Cloud VPN </li> </ul>	<ul style="list-style-type: none"> <li>T-brand rollout </li> </ul>
<ul style="list-style-type: none"> <li>Best seamless...                             <ul style="list-style-type: none"> <li>Connectivity,</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>Hybrid router piloted </li> <li>TeraStream piloted </li> </ul>	<ul style="list-style-type: none"> <li>INS rollout  <sup>3</sup></li> </ul>
<ul style="list-style-type: none"> <li>Products/services</li> </ul>	<ul style="list-style-type: none"> <li>Interactive TV in several NatCos</li> </ul>	<ul style="list-style-type: none"> <li>TV to go<sup>1</sup> </li> <li>Cloud TV </li> <li>FMC tariff bundles<sup>2</sup> </li> </ul>	<ul style="list-style-type: none"> <li>FMC rollout  <sup>3</sup></li> </ul>
<ul style="list-style-type: none"> <li>Simple &amp; personal</li> </ul>		<ul style="list-style-type: none"> <li>Ultimate App </li> <li>Fixed broadband on demand </li> </ul>	<ul style="list-style-type: none"> <li>E-service rollout </li> </ul>

<sup>1</sup> TV to go scheduled to be launched in Greece in 2015    <sup>2</sup> Greece: Regulatory approval pending    <sup>3</sup> Without TMNL & TMA

# DIGITALIZATION OF CUSTOMER EXPERIENCE



## KEY ELEMENTS E-TRANSFORMATION

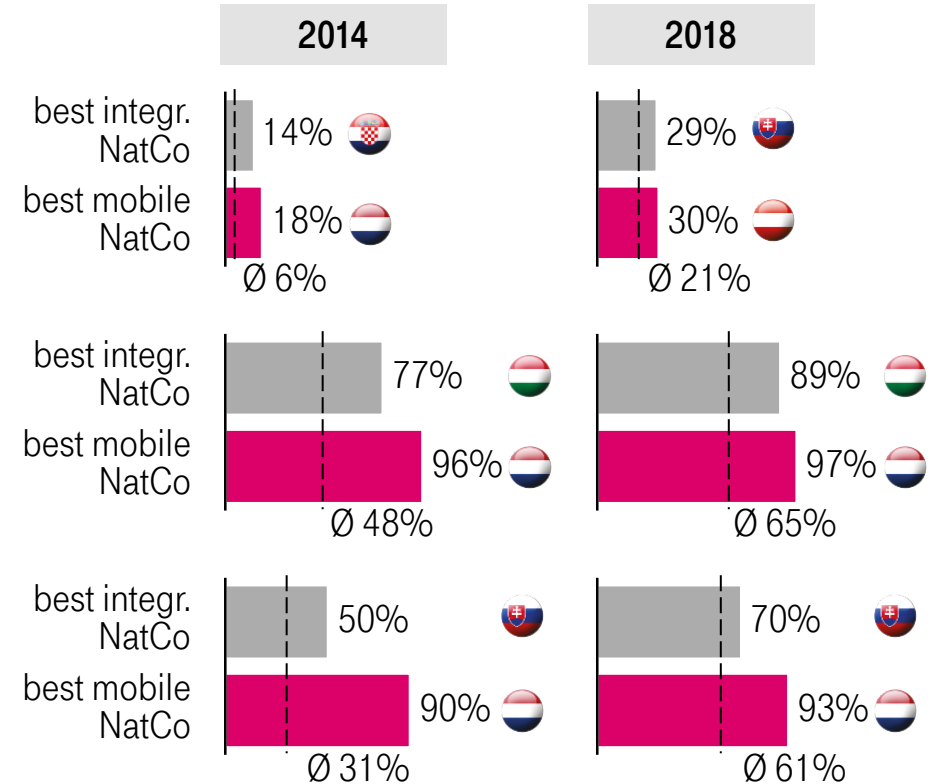
-  Customer self service capabilities
-  Social media
-  Personalized interaction
-  Selective involvement of human assistance
-  Contact steering
-  Process automation

E-SALES share

SELF-SERVICE share

E-BILL share

## STEERING KPIs



Note: Averages un-weighted across 12 NatCos



# DIFFERENTIATION : CUSTOMER EXPERIENCE AT DT



## SELECTED PRODUCT EXAMPLES

### Macedonia: FIXED BROADBAND ON DEMAND



- Instant broadband activation
- Seamless self-service

▪ **Simple & personal**

### Croatia: TERASTREAM



- Secure and high-speed transfer of data
- Best connectivity, 1GB data transmitted in 7 sec.

▪ **Trust**  
▪ **Best seamless...**  
– **Connectivity**

### Hungary: TV EXPERIENCE (TV to go/Cloud TV)



- Seamless TV experience across all screens
- Recommendation engine, developed in TV shared service center Hungary

▪ **Best seamless...**  
– **Products/services**

### Romania: ULTIMATE APP



- Management of all fixed and mobile services in one single App

▪ **Simple & personal**

# TV: KEY DIFFERENTIATOR FOR FMC IN DT EUROPE



## OUR DIFFERENTIATED PROPOSITION...

TV & video at the **core** of our marketing & sales approach...



Az első 100 megrendelőnek!

**AJÁNDÉK PÁROS MOZIJEGY**

CSAK ONLINE

Új otthoni TV, internet, vagy telefonszolgáltatás online megrendelése esetén 2015. január 28. és február 10. között.

Részletek



... with superior experience, live and on demand, across all screens...



**MAI MULTE EXPERIENȚE PE TOATE ECRANELE CU PACHETUL ALL INCLUSIVE FIX-MOBIL**

- nelimitat minute internaționale către fix
- nelimitat internet mobil și fix
- nelimitat apeluri către fix
- nelimitat acces în aplicația Telekom TV

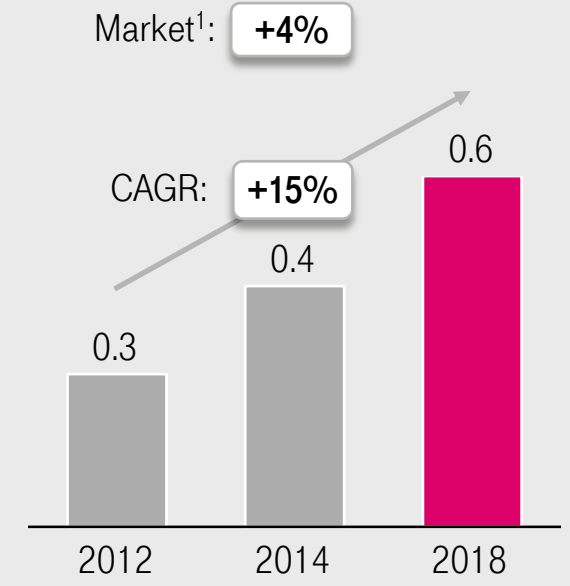
Vezi oferta

... based on unique **local & int'l** content partners & partially own channels .



## ... RESULTING IN GROWTH ABOVE MARKET

Pay-TV revenues, in € bn, stable FX



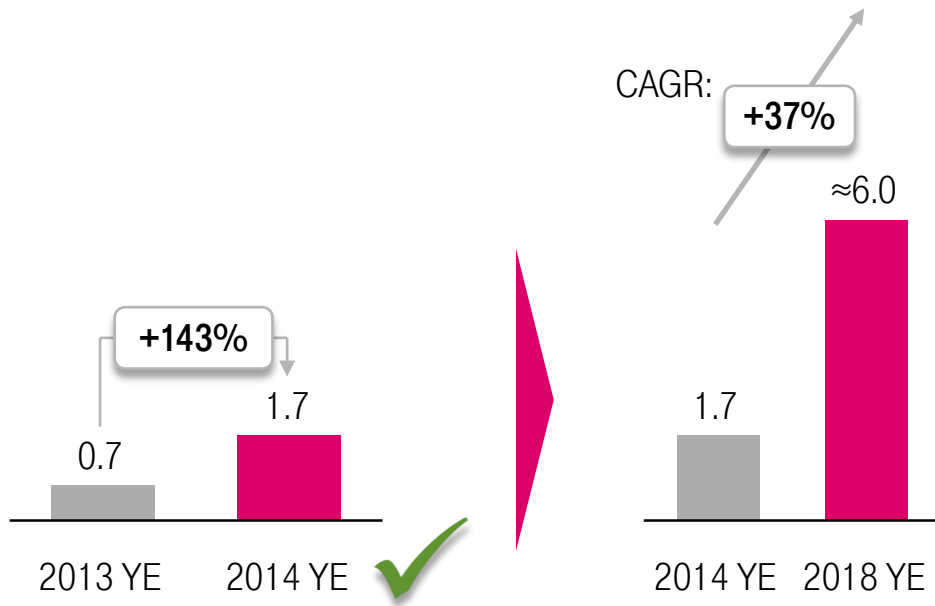
<sup>1</sup> Integrated NatCos, GR, HU, HR, RO, SK, ME, MK

# EASY-2-PARTNER: ENHANCING CUSTOMER EXPERIENCE



## “EASY-TO-PARTNER” SUBSCRIBERS DEVELOPMENT<sup>1</sup>

Subscribers on partner products,  
in mn



## LEADING PARTNERS TO DIFFERENTIATE CORE PRODUCTS

**Norton**

▪ Trust



**fon**

▪ Best seamless...  
– Connectivity &  
– Products/services



▪ Simple & personal



- Exclusive/innovative services
- ARPU uplift potential



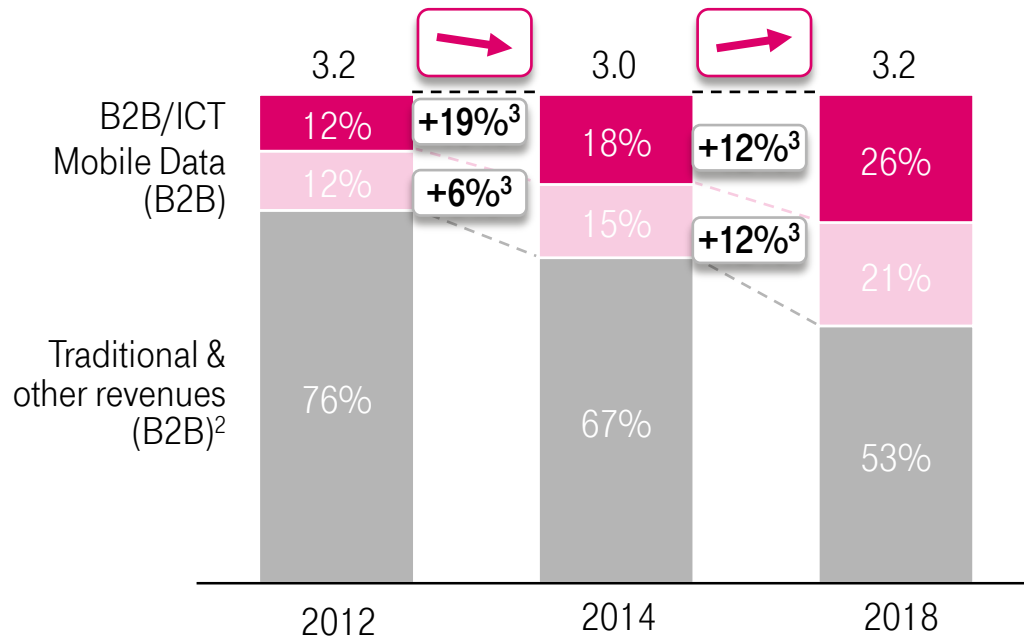
<sup>1</sup> Only partners considered that are rolled out in at least four NatCos and with significant impact (including search fields, music, security); key local partners (e.g. SKY) not included; Evernote reported from Q2/2014 onwards

# B2B REVENUE TRANSFORMATION



## B2B REVENUE TRANSFORMATION

B2B revenues<sup>1</sup>,  
in € bn



## B2B BUSINESS TRANSFORMATION & ACHIEVEMENTS

- B2B organizations everywhere (2012)
- New service portfolio (from 2014 onwards)
  - Integration of GTS
  - Cloud VPN, M2M best-coverage
- Innovative partnerships (Business Wall of Fame, cooperation CISCO)
- Selected deals won:
  - Cloud based eServices for public administration (Slovakia)
  - National Traffic Information System (Slovakia),
  - Outsourcing of TC services for RWE (Czech Republic)
  - Healthcare E-prescription solution & services (Greece)
  - Smart meter pilot (Albania)

<sup>1</sup> 2013 B2B revenues: € 3.0bn; 2012 & 2013 w/o GTS, 2014 GTS incl. for 7 month, 2018 GTS incl. 12 month    <sup>2</sup> Traditional: mobile & fixed non-data revenues    <sup>3</sup> CAGR

# GTS INTEGRATION ON TRACK



## GTS INTEGRATION ACHIEVEMENTS SO FAR

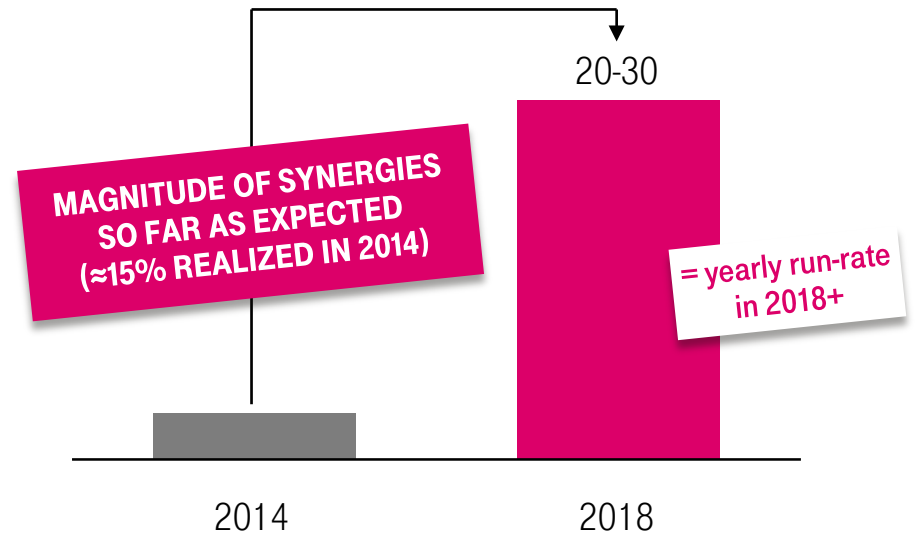
- **EC anti-trust** clearance without remedies
- Operational integration completed 4 months after closing:
  - Fully integrated teams with **single management** (40% of management roles with GTS background)
  - Key people retained (**retention** program with stable 2.4% YoY overall attrition)
  - **Business continuity** ensured, quick wins realized (e.g. procurement, network coverage)
- Joint go-to-market approach and integrated service portfolio:
  - **Customers retained** w/o any single extraordinary cancellation
  - **New customers**/cross- and upsell-deals jointly won

**GOING FORWARD:**

- Integrated offerings in B2B in Poland & Czech Republic
- Transformation program towards best customer experience

## SYNERGIES IMPACT OF GTS

Cash impact of synergies from GTS integration, Impact in Poland, Czech Republic, and on international carrier services, in € mn





# SPECIAL TOPICS



*focus on value oriented pricing*

## STRATEGIC PRIORITIES

### ▪ **FAST TRANSFORMATION TOWARDS E-COMPANY**

- Rigorous cost containment
- High degree of online experience
- “Simple” customer experience

### ▪ **EMPHASIS ON PARTNERING**

### ▪ **BRAND REPOSITIONING WITH FOCUS ON CARE-IER<sup>1</sup> PLUS INNOVATIONS**

### ▪ **MOBILE BROADBAND ON PAR WITH MARKET LEADERS**

## ACHIEVEMENTS BY 2014

- 20% Opex reduction 2014 vs. 2013 (TMNL)
- 18% e-sales, 96% self-service, 90% e-bill share (TMNL)
- Example “T-Mobile Forum” (social media platform; TMNL): >210k members, plus 5k per week; 65% of all questions answered by other members, preventing over 500.000 calls per year

Various new partnerships launched in last 15 months, e.g., Evernote, Magisto, Wunderlist, Booking, Dropbox, Lookout, Twitter (TMNL)

“How-I-Want” principle introduced with “JUHU” proposition (TMA)

70% of customer base with LTE coverage, 50% higher 4G speed than competition in key urban areas, e.g. in Amsterdam, Randstad (TMNL)

<sup>1</sup> CARE-ier vs. Un-CARRIER approach as of TMUS

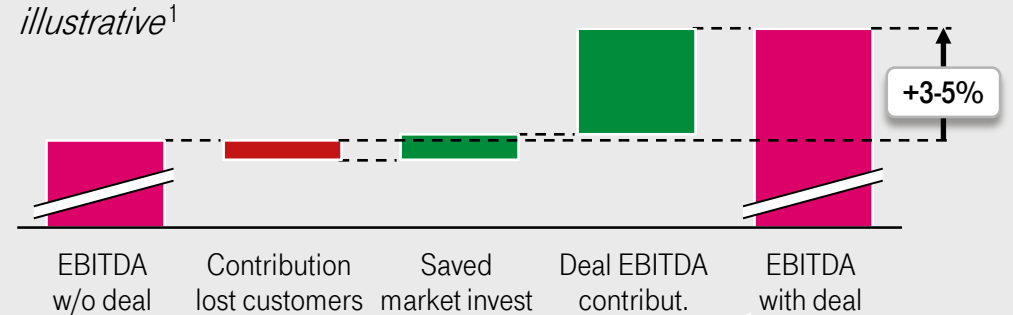


# STRICT RULES ON WHOLESALE DEALS

## EU WHOLESALE/MVNO APPROACH:

- MVNO business is done **CASE-BY-CASE & COUNTRY-BY-COUNTRY**; a **CENTRAL DECISION TEAM** ensures consistency
- We design wholesale contracts that make our **RETAIL DIFFERENTIATION** possible and ensure that **OUR DEALS DO NOT HAVE A NEGATIVE EFFECT ON MARKET VALUE**
  - Unit based-pricing, no flat rates
  - Monetize network quality
  - Distinguish between **EXISTING MVNOS & NEW ENTRANTS**
- We act within **REGULATORY BOUNDARIES** that determine some MVNO markets

## EBITDA IMPACT OF WHOLESALE/MVNO DEAL



**Plus: Upsides of further deals with partner**

- **Reach additional customers**, by targeting segments with minimum overlap
- **Leverage partners' assets**, e.g. brand, sales channel
- **Share** the burden of **network build-out**

<sup>1</sup> Impact illustration based on real case assessment of one of our NatCos, 1<sup>st</sup> year view





# FINANCIAL OUTLOOK

# MANAGE FOR VALUE NOT FOR VOLUME

## POSITIONING

### DT as first choice in the market:

- Technology leader
- Creating best customer experience
  - Trust
  - Best seamless connectivity & products/services
  - Simple & personal

### STEERING LOGIC

## VALUE ORIENTED PRICING

### IN THE PAST

- Net adds
- Revenue market shares

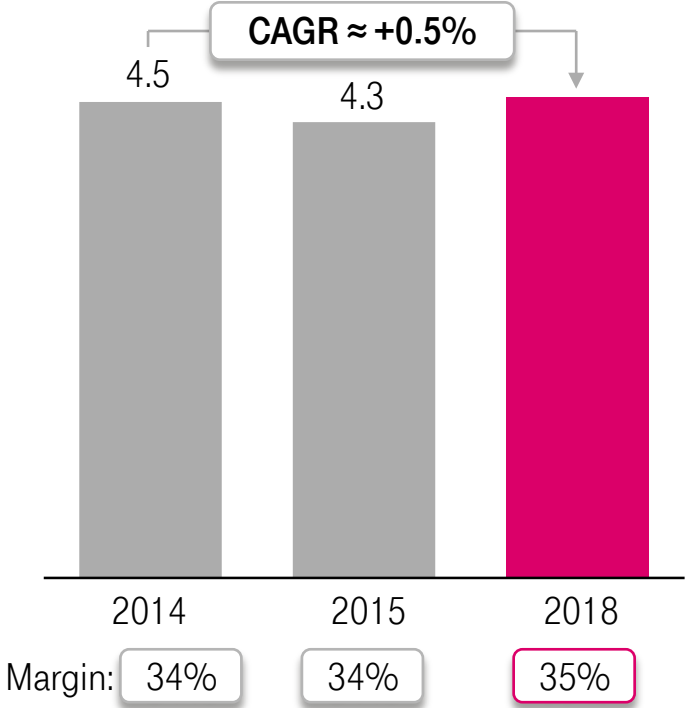
### TODAY & IN THE FUTURE

- Net margin
- Absolute (service) revenue growth
- Absolute ARPU

# TECHNOLOGY LEADERSHIP: INVESTMENTS NECESSARY

## ADJ. EBITDA & EBITDA-MARGIN

€ bn, like for like<sup>1</sup>

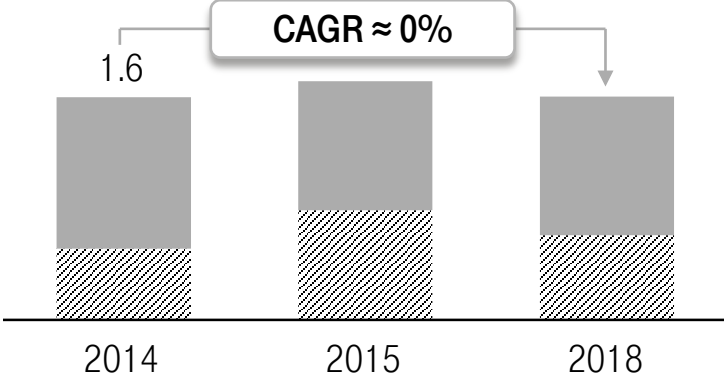


<sup>1</sup> stable FX, for comparability 2014 figures assumed with 12 months GTS

## CASH CAPEX

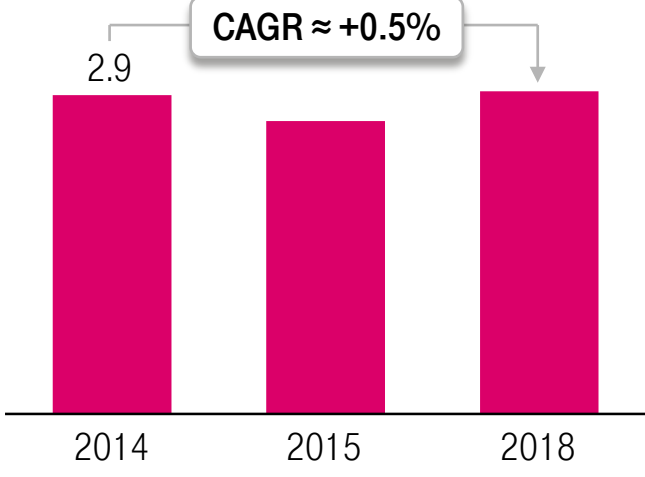
€ bn, like for like<sup>1</sup>

Basic Transformation



## ADJ. CASH CONTRIBUTION

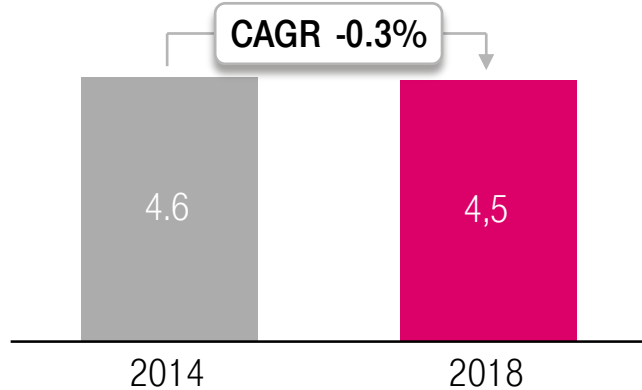
€ bn, like for like<sup>1</sup>



# CONTINUATION OF COST TRANSFORMATION

## STABLE ADJ. DIRECT COST

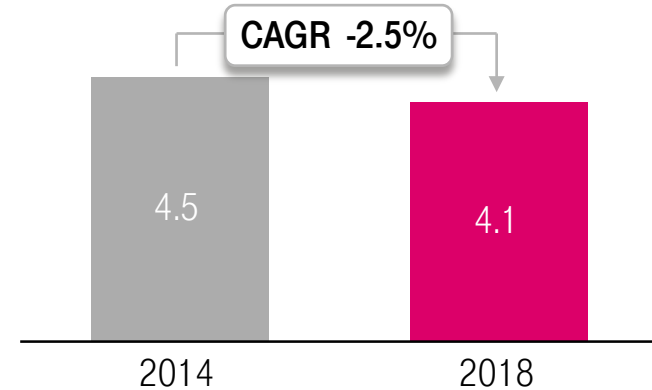
€ bn, like for like<sup>2</sup>



- **Interconnection costs** will steadily decrease in the next years, partly because of regulatory impacts but Direct costs related to growth business will compensate decline in interconnection costs
- Slight reduction in **Market Invest** due to **cash efficiency program** roll-out in most NatCo's in 2014 with focus on increasing value added through all segments and channels

## RADICAL REDUCTION OF ADJ. INDIRECT COST<sup>1</sup>

€ bn, like for like<sup>2</sup>



- **Total workforce** costs optimization e.g. via several successful Voluntary Exit Schemes and Outsourcing
- **eTransformation** by further automation of services & products .
- **G&A cost reduction**, e.g., via shared service centers (HR and TV)
- **IT transformation** (One ERP, One Billing etc.)
- **Technical service transformation** to achieve operational excellence

<sup>1</sup> before capitalization of labor    <sup>2</sup> stable FX, for comparability 2014 figures assumed with 12 months GTS

# LONG TERM TRANSFORMATION DRIVE OPEX SAVINGS OF €0.5 BN IN EARLY 2020'S

## BENEFITS OF IP & PROCESS TRANSFORMATION



### IMPROVED PROCESSES

- Disruptive digital customer experience
- End-to-end process optimization

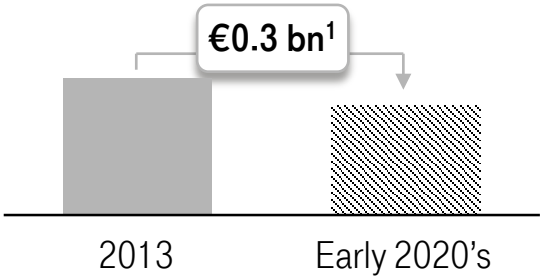


### NEW IP PRODUCT & SERVICES

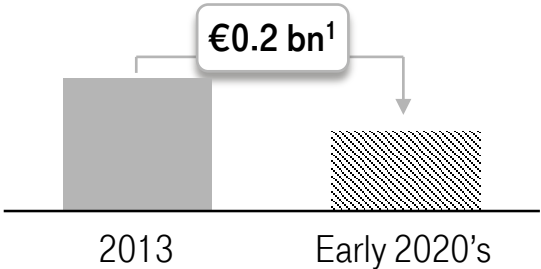
- PSTN migration finished in all NatCos by 2018
- First All-IP countries MK, SK
- Centralized architecture and production platforms

## MAIN OPEX SAVINGS<sup>1</sup>

### CUSTOMER AND TECHNICAL SERVICE



### OPERATING PLATFORM COST

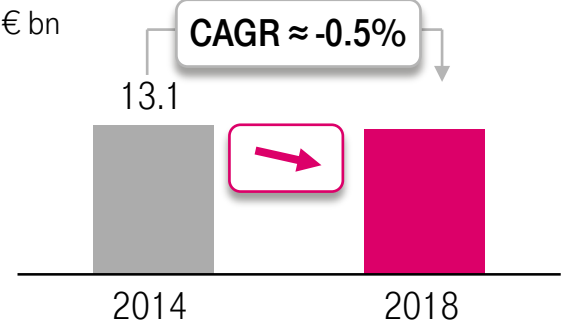


**€0.5 bn<sup>1</sup>**  
without savings  
in other areas  
(e.g. G&A)

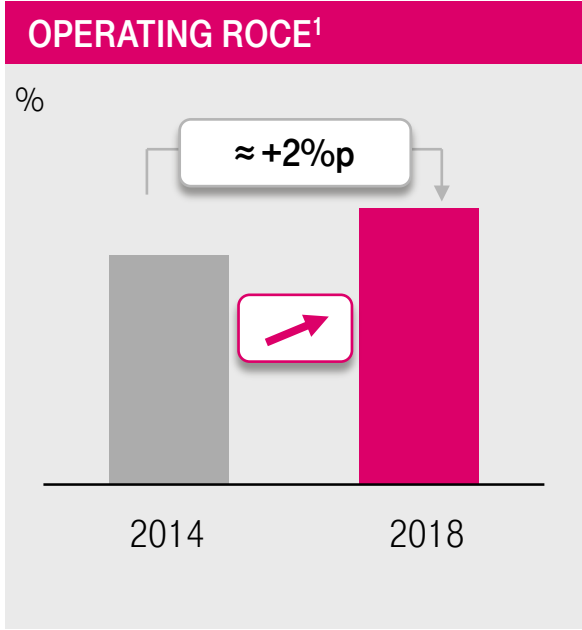
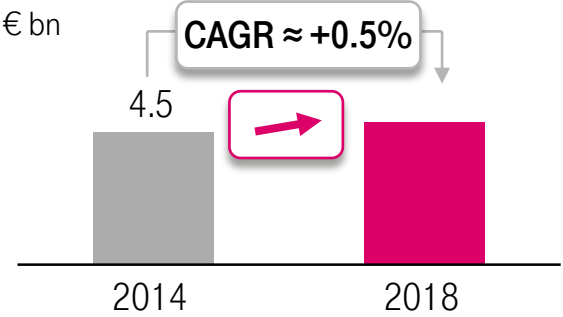
<sup>1</sup> 2013 = 100%; gross measure-related opex savings after accomplished transformation before any counter effects e.g. from personnel cost increases

# INCREASING RETURN ON CAPITAL DUE TO OPEX SAVINGS AND LOWER ASSET BASE

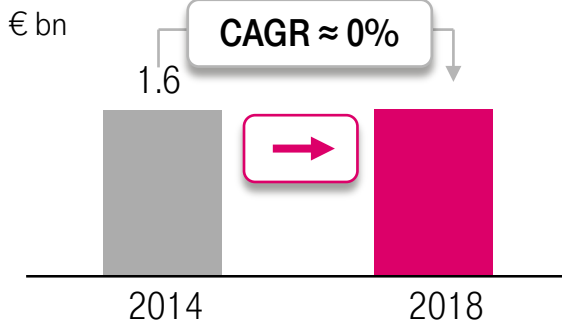
## REVENUE<sup>1</sup>



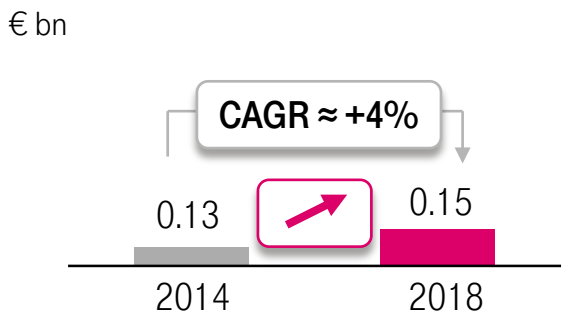
## ADJ. EBITDA<sup>1</sup>



## (CASH) CAPEX<sup>1</sup>



## SPECIAL FACTORS (EBITDA)<sup>1</sup>



<sup>1</sup> like for like (stable FX, for comparability 2014 figures assumed with 12 months GTS)



# MID TERM AMBITION LEVEL

# MID TERM AMBITION LEVEL

	MID TERM AMBITION LEVEL	YEAR
<b>TECHNOLOGY LEADERSHIP</b>	<ul style="list-style-type: none"> <li>Start of PANNET implementation, migration of first platform</li> </ul>	2015
	<ul style="list-style-type: none"> <li>All-IP Transformation: All integrated NatCos 100% IP-based</li> </ul>	2018
	<ul style="list-style-type: none"> <li>Next generation accesses: 75-95% LTE pop coverage and FTTx for ≈50% of households<sup>1</sup> with at least 100Mbit/s</li> </ul>	2018
<b>BEST CUSTOMER EXPERIENCE</b>	<ul style="list-style-type: none"> <li>Realization of customer experience initiative “eTransformation”: between 30% and 99% eService share in our NatCos</li> </ul>	2018
	<ul style="list-style-type: none"> <li>Implementation of innovative FMC &amp; TV experiences; €0.6 bn pay-TV revenues</li> </ul>	2018
	<ul style="list-style-type: none"> <li>Continuation of revenue transformation: 38% of revenues with pockets of growth</li> </ul>	2018
<b>SUPERIOR CASH PERFORMANCE</b>	<ul style="list-style-type: none"> <li>Stable Adj. Cash Contribution ≈+0.5% CAGR</li> </ul>	2014 - 2018
	<ul style="list-style-type: none"> <li>Reduction of indirect cost by €0.4 bn</li> </ul>	2018 vs. 2014
	<ul style="list-style-type: none"> <li>Op. ROCE improvement by almost +2%-pts</li> </ul>	2018 vs. 2014

<sup>1</sup> In integrated footprint



# GERMANY

NIEK JAN VAN DAMME, CEO GERMANY



## 1. Key Messages

## 2. Review 2013 – 2014

- Market, Quality, Financials

## 3. Market Trends

- Consumer Behavior
- Convergence

## 4. Strategy 2015 – 2018

- Leading European Telco

INTEGRATED IP NETWORKS	BEST CUSTOMER EXPERIENCE	WIN WITH PARTNERS	LEAD IN BUSINESS
<ul style="list-style-type: none"> <li>▪ Superior vs competition</li> <li>▪ Coverage &amp; Speed</li> <li>▪ IP-Transformation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Best Customer Experience</li> <li>▪ Mobile</li> <li>▪ Broadband</li> <li>▪ TV</li> <li>▪ Wholesale</li> <li>▪ Magenta 1</li> <li>▪ Cross-/Up-selling</li> <li>▪ E-Service/Sales</li> </ul>	<ul style="list-style-type: none"> <li>▪ Win with partners</li> </ul>	<ul style="list-style-type: none"> <li>▪ Business Market</li> <li>▪ Business Initiatives</li> <li>▪ Key Differentiators</li> </ul>

## 5. Financial Outlook

- Revenue Stabilization 2016
- Cost reduction
- Benefits from superior production model
- EBITDA, Capex, Cash Contribution
- Stable ROCE

## 6. Mid Term Ambition Level

- Financials

AGENDA

GROUP STRATEGY

COST & PORTFOLIO

LEAD IN BUSINESS

SUPERIOR PRODUCT. MODEL

EUROPE

**GERMANY**

TMUS

FINANCE

WRAP-UP



LIFE IS FOR SHARING.



# GERMANY

Niek Jan van Damme, Board member for Germany








# KEY MESSAGES

- 1** Leading European Telco: Among the first European Integrated Incumbents to return to Revenue stabilization & EBITDA growth.
- 2** Differentiation via Superior Networks, Best Customer Experience and Integrated Best in class Products.
- 3** Number One choice in Mobile, Fixed, Broadband, TV and Convergence supported by e-company and self-service.
- 4** Strong execution: Growing mobile market share, on track with INS and ALL-IP, healthy 40% EBITDA margin.
- 5** Strong Financial Performance ahead: Revenue stabilization and EBITDA growth fund our high Investments.



# REVIEW 2013–2014

# SOLID PERFORMANCE IN COMPETITIVE MARKETS

	AMBITION LEVEL 2015 (FROM CMD 2012)	ACHIEVEMENTS 2014	DELIVERED/ ON TRACK
<b>MARKET</b>	<ul style="list-style-type: none"> <li># 1 in mobile service revenue market share ≈35%</li> <li># 1 broadband market share ≈43%</li> <li># 1 in TV growth (2012-2014)<sup>1</sup></li> </ul>	36.3% 41.6% +476k	  
<b>QUALITY</b>	<ul style="list-style-type: none"> <li>Customer loyalty index ≈+10%</li> </ul>	60 points (+7%)	
<b>FINANCIALS</b>	<ul style="list-style-type: none"> <li>Stable total revenues in 2014</li> <li>Connected home revenues +2% vs. 2012</li> <li>Adj. EBITDA margin ≈40%</li> </ul>	-0.8% yoy -0.9% 40%	  

<sup>1</sup> Measured in total number of net adds




# MARKET TRENDS

# DIGITAL TRANSFORMATION DRIVES CONVERGENCE AND DATA CENTRIC MARKET GROWTH

## CHANGE IN CONSUMER BEHAVIOR

### USAGE<sup>1</sup>

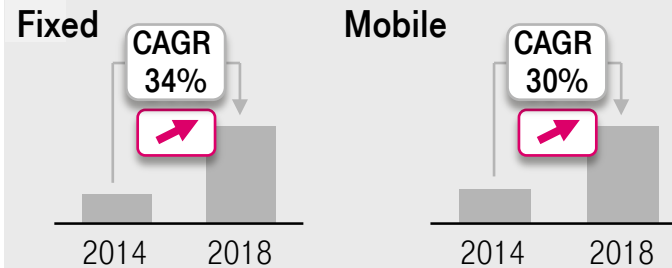
Video		▶	40% on mobile devices
Messaging		▶	35 mn user
Social Media		▶	28 mn user

### DEVICES<sup>2</sup>

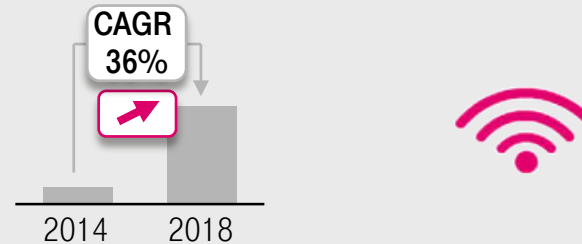
Smartphone Base		▶	41 mn user
Monthly Tablet User		▶	27 mn user

## MARKET TRENDS (2014-2018)<sup>3</sup>

### 1 | DATA TRAFFIC

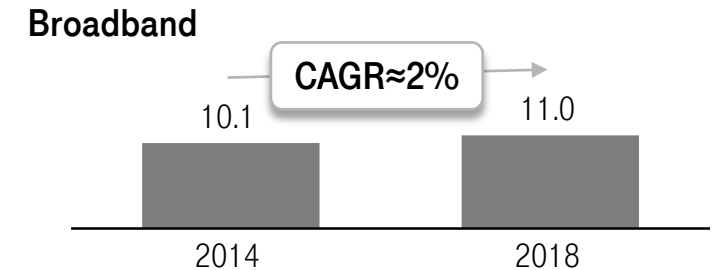
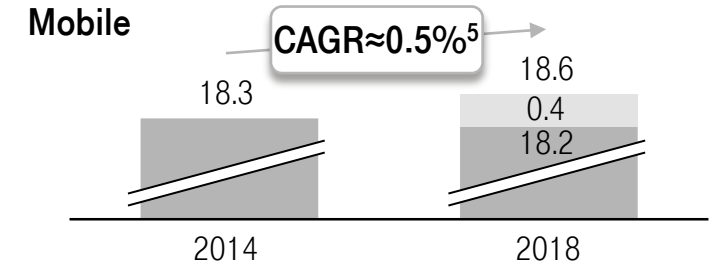


### 2 | WIFI TRAFFIC ON MOBILE DEVICES



## REVENUE MARKET DEVELOPMENT<sup>4</sup>

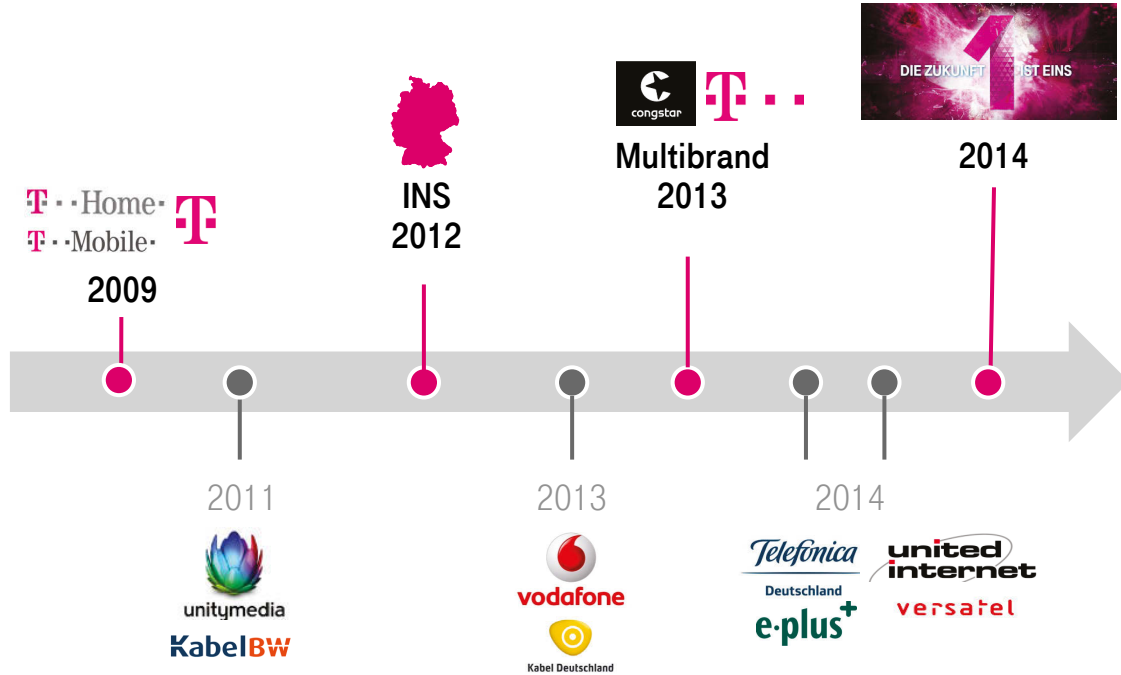
€ bn     EU Roaming     Mobile     Broadband



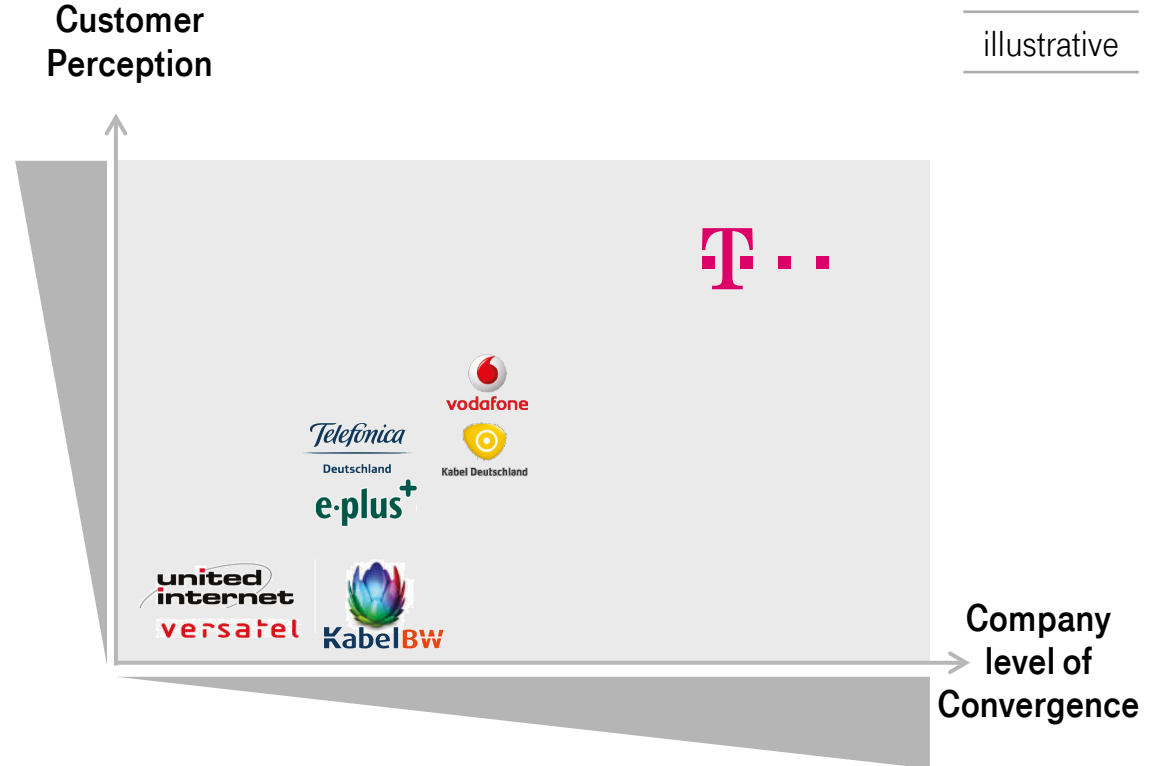
<sup>1</sup> Company reporting, 2014/15    <sup>2</sup> Statista, 2014    <sup>3</sup> Analysys Mason, March 2014 for Germany    <sup>4</sup> Telekom estimate: broadband incl. IPTV    <sup>5</sup> Without EU roaming impact of ≈€0.4 bn

# DATA DEMAND AND NEED FOR CONVERGENCE INCREASE TREND TOWARDS CONSOLIDATION

## CONVERGENCE



## LEVEL OF CONVERGENCE<sup>1</sup>



<sup>1</sup> Telekom estimate





# STRATEGY 2015–2018

# OUR STRATEGY: GERMANY

## LEADING EUROPEAN TELCO

### INTEGRATED IP NETWORKS

- Integrated Network Strategy
- Network Quality
- IP- & Process Transformation

### BEST CUSTOMER EXPERIENCE

- MagentaEINS
- Next Generation TV
- E-Company

### WIN WITH PARTNERS

- Partnering Initiatives
- Steckerleiste

### LEAD IN BUSINESS

- Mid-Market Initiative
- IT-Cloud
- DeutschlandLAN
- M2M

## TRANSFORM PORTFOLIO

### EVOLVE FINANCIAL TARGETS & EFFICIENCY

Stable revenues & EBITDA growth fund our transformation investments

## ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT

# INTEGRATED IP NETWORKS: DIFFERENTIATION AND SUPERIOR QUALITY LEAD TO TECHNOLOGY LEADERSHIP OF TODAY



## MOBILE BROADBAND

### BANDWIDTH

- Fastest Network<sup>1</sup> with 80% LTE Pop coverage



Ø download in Mbps



### BACKHAUL

- >80% Fiber to the cell site<sup>2</sup>

### TOWER COMPANY

- Full control

## FIXED BROADBAND

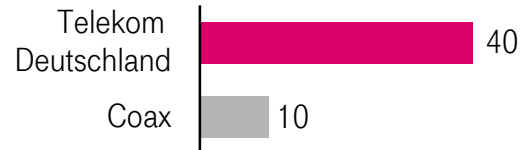
### HIGHSPEED FOOTPRINT

- Largest national fiber HH coverage with 44%
- Vectoring download speed up to 100 Mbps

### UPLOAD

- Superior Fiber Upload

Mbps



### DEDICATED ACCESS

- Nationwide for Business

## HYBRID ACCESS

### CONVERGENT TECHNOLOGY

- Market launch Q4/14



### HYBRID FOOTPRINT

- 80% Pop coverage with superior bandwidth

Mbps



<sup>1</sup> Connect 2014 – average download speed    <sup>2</sup> 3G/4G    <sup>3</sup> Technically feasible upload speed; commercially 80 Mbps

# MORE COVERAGE & SPEED WITHIN THE SAME CAPEX ENVELOPE




## INTEGRATED NETWORK STRATEGY STATUS 2014

**1 LTE rollout**



80% Pop coverage  
Download up to 150 Mbps

**2 Fiber rollout**



44% HH coverage

**3 Vectoring**

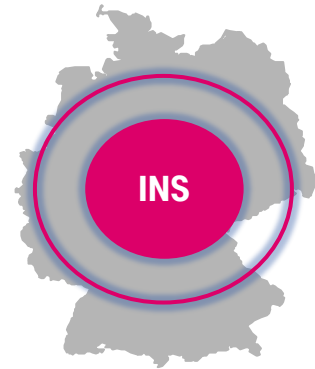


Download 100 Mbps  
Upload 40 Mbps

**4 Hybrid access**



Market launch Q4/2014



## AMBITION 2018

95% Pop coverage with up to 300 Mbps

≈80% HH coverage with at least 50 Mbps depending on regulatory adjustments

Introduction of Supervectoring with more than 250 Mbps in cable footprint

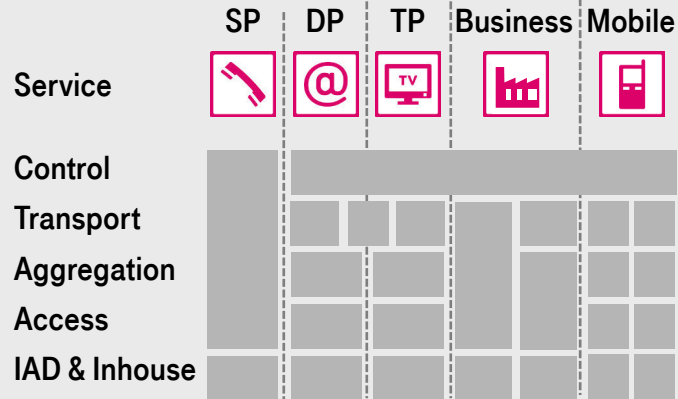
Top download-speed of up to 550 Mbps in cable footprint

→ MORE COVERAGE AND HIGHER SPEED WITHIN THE SAME CAPEX ENVELOPE VS. CMD 2012

# TRANSFORMATION ON TRACK TO ACHIEVE 100% IP-CUSTOMERS IN 2018



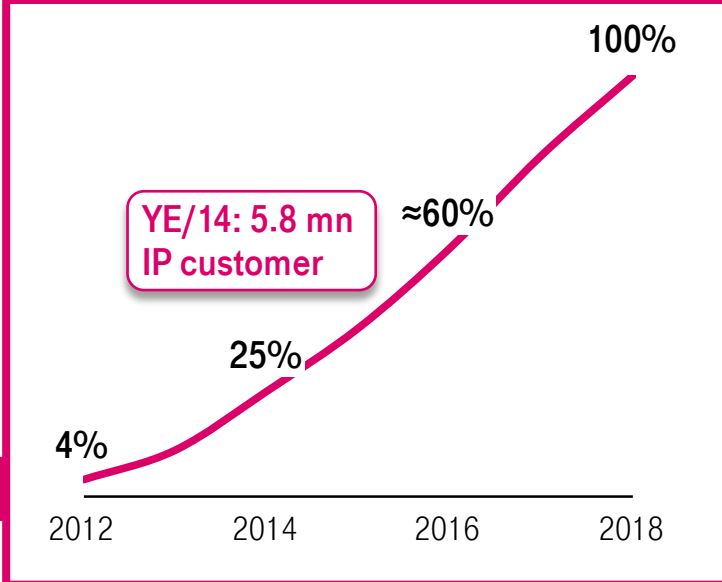
## FROM THE "OLD PSTN WORLD" ...



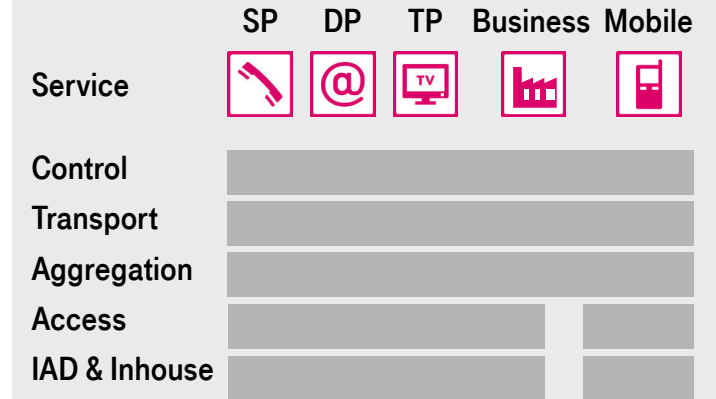
## BENEFITS FOR CONSUMER

- Higher **Speed & Network Quality**
- **Access to future Products** and **services**
- **Easy** self-provisioning and set up via **WEB & APP**
- Less wiring at customer site

## SHARE OF IP-ACCESS<sup>1</sup>



## ...TO THE "NEW IP ERA"



## BENEFITS FOR BUSINESS

- Higher **Speed & Network Quality**
- **Easy** self administration
- **Modular** fixed mobile offers
- **Seamless** Cloud integration & high scalability

<sup>1</sup> Incl. Wholesale

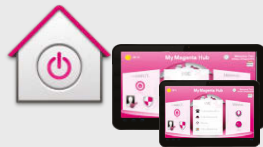
# WE STRIVE FOR THE “WOW”-EXPERIENCE



## SURPRISING & INNOVATIVE „WOW“-EXPERIENCE



### SEAMLESS CONNECTIVITY



Consistent & unlimited high-speed access everywhere at anytime

### CONVERGED COMMUNICATION



Integrated portfolio on multi devices,  
One brand,  
World class design

### OMNICHANNEL SALES & SERVICE



Self-Service and Unified processes across all customer touch points

### SIMPLE TO USE & HIGH QUALITY



Innovative products & services,  
Smart partner approach

# DIFFERENTIATION IN MOBILE THROUGH SUPERIOR NETWORK AND CLEAR VALUE STRATEGY



## BRAND PORTFOLIO

## CONTRACT CUSTOMER BASE<sup>1</sup>

## SERVICE REVENUES

# mn      ■ Single Play      ■ Double Play

€ bn      ■ EU Roaming

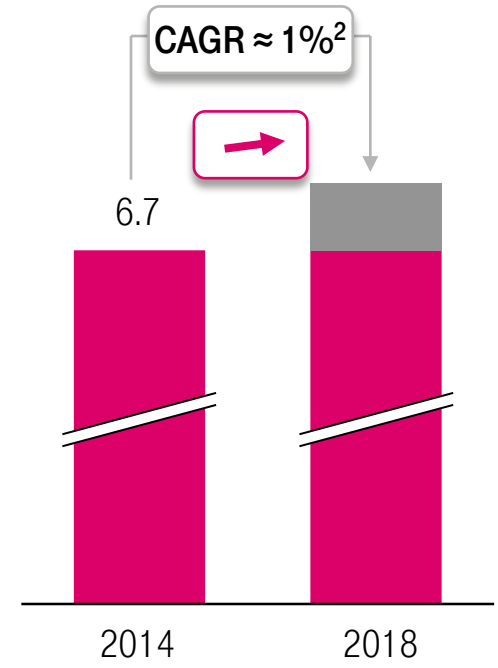
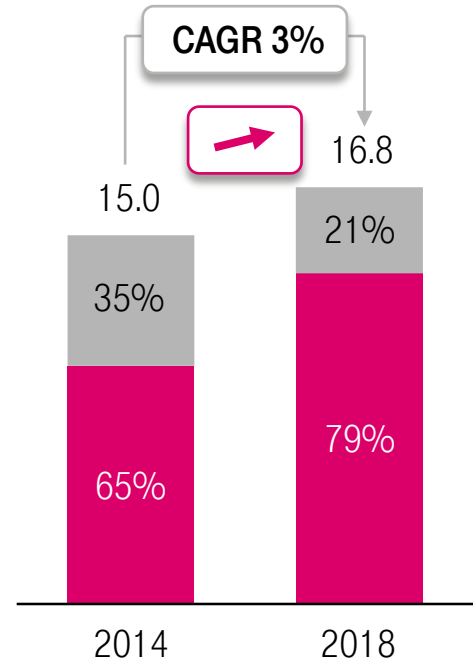


≈30€



- “D-Netz” Quality
- Medium speed
- Smartphone lease
- Basic portfolio

- Best Network
- High speed
- Subsidized smartphone
- Attractive options
- MagentaEINS



<sup>1</sup> Without mobile wholesale    <sup>2</sup> Without EU Roaming impact

# DIFFERENTIATION IN BROADBAND VIA INNOVATIVE PRODUCTS AND INCREASED FIBER FOOTPRINT



## LEVERS IN BROADBAND RETAIL

- 1** MagentaEINS
- Leverage the base
  - Increase loyalty



- 2** Entertain 2.0
- Next Generation TV
  - Entertain on n-screens



- 3** Innovations
- Supervectoring
  - Hybrid



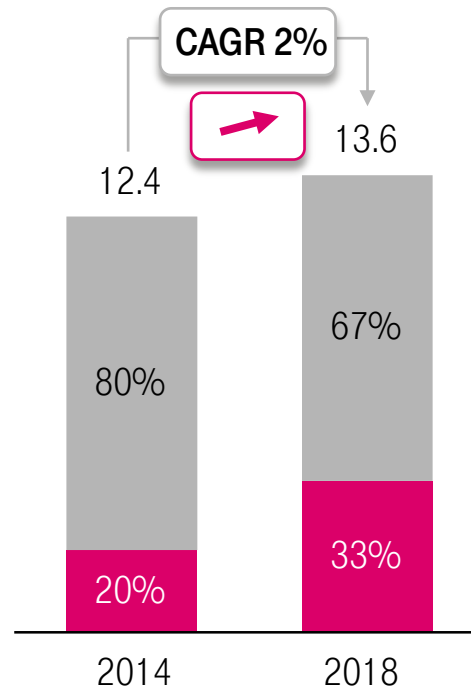
- 4** Regional offers
- Regional Pricing
  - Special Hardware Offers



## BROADBAND CUSTOMER BASE

# mn

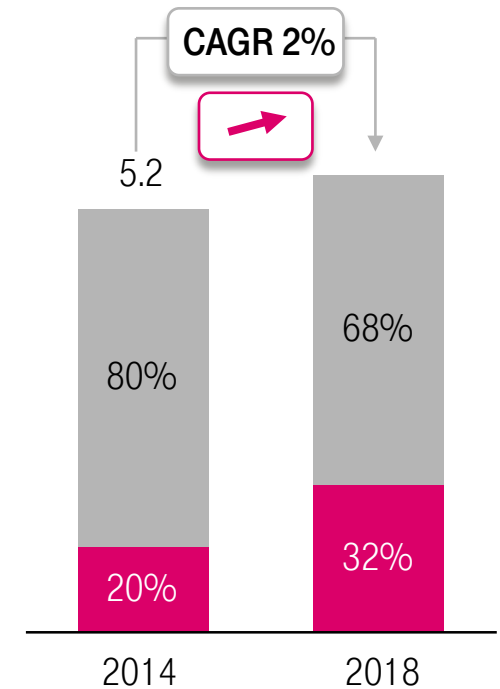
■ Double Play ■ Triple Play



## BROADBAND REVENUES

€ mn

■ Double Play ■ Triple Play





# GROWTH IN TV BY A MULTILAYER STRATEGY AND INCREASED FIBER FOOTPRINT



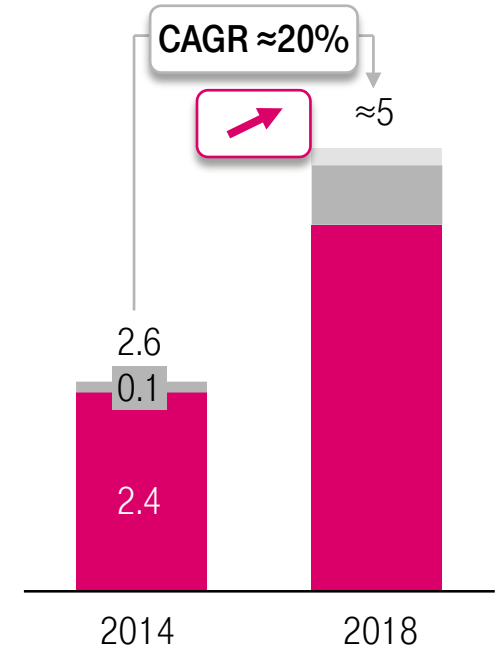
## NEXT GENERATION TV WITH NEW FEATURES

- Revised state of the art **user interface**
- Seamless multi-screen** experience
- Number 1 in HD** and becoming innovator in **4K**
- Best on-demand content** experience
- New functionalities**  
(Instant restart, backwards EPG)



## TV CUSTOMER BASE

# mn    ■ Wholesale    ■ Housing Associations    ■ Entertainment



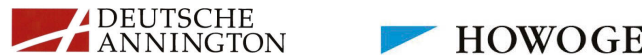
## 3<sup>RD</sup> PARTY TV OFFERS (WHOLESALE)

- Customized product offering as “Digital TV – provided by Telekom”
- Resale partnership  
Start Q1/2015



## TV FOR HOUSING ASSOCIATIONS

- Deutsche Annington deal executed
- New deals won and direct roll-out
- Enlarge regional TV footprint



# INCREASE NETWORK UTILIZATION BY UPSELLING WHOLESALE PARTNERS TO FIBER SERVICE REVENUES



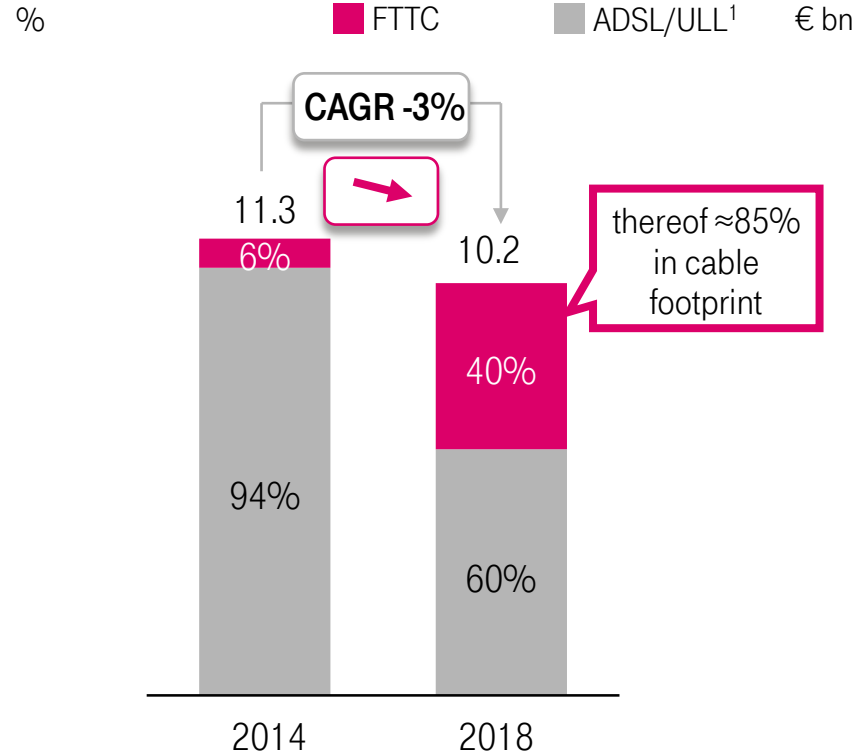
## KEY GOALS

**1** Utilization of Fiber Infrastructure with ≈35% of Fiber Footprint in active service

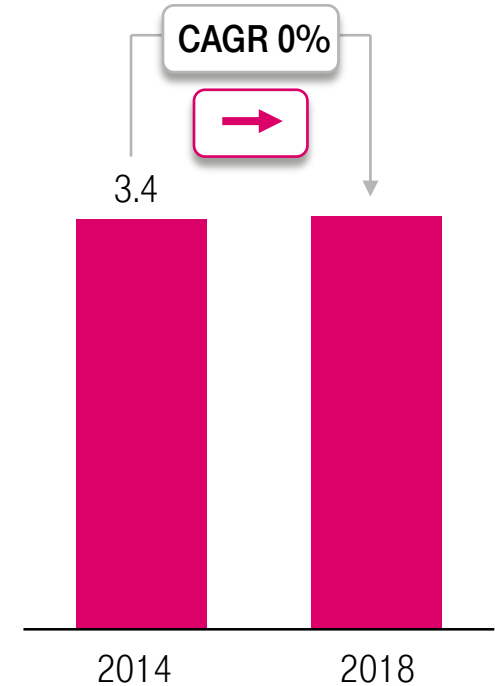
**2** Invest-Sharing via upfront Payment

**3** Competitive Fiber Wholesale prices for Partners (ARPA of ≈20€ ) and innovative Products (IPTV)

## WHOLESALE ACCESS BASE



## WHOLESALE REVENUES



<sup>1</sup> Unbundled local loops

# MAGENTA EINS: FIXED AND MOBILE ARE CONVERGING...



## OUR FIRST CONVERGED OFFER

**63%** MARKET RESEARCH<sup>1</sup>

Customers prefer bundles from a single source



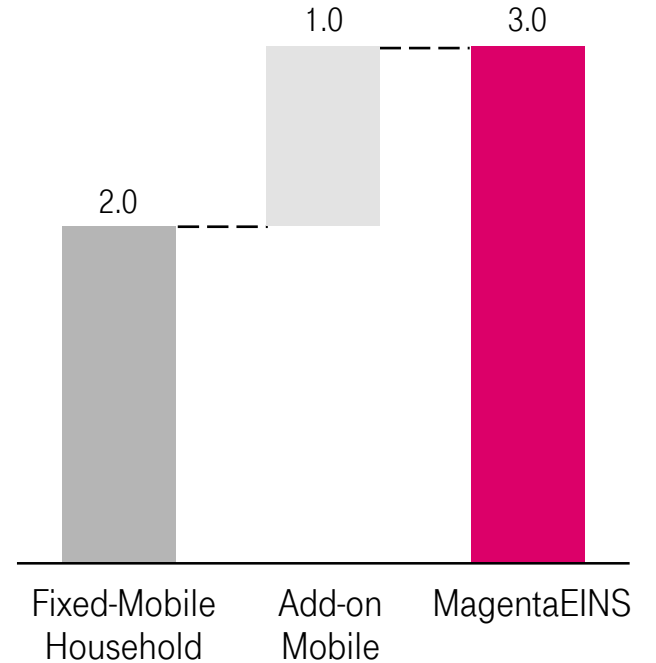
<sup>1</sup> Market research based on customer survey (2014)

## KEY GOALS

- 1 CROSS-/UPSELLING**  
Leverage customer base
- 2 ADD ON MOBILE SIM'S**  
1.5 SIM cards per household
- 3 LOYALTY INCREASE**  
Reduce churn
- 4 NEW CUSTOMERS**  
Value based customer acquisition

## 2018 (CONSUMER) CUSTOMER BASE

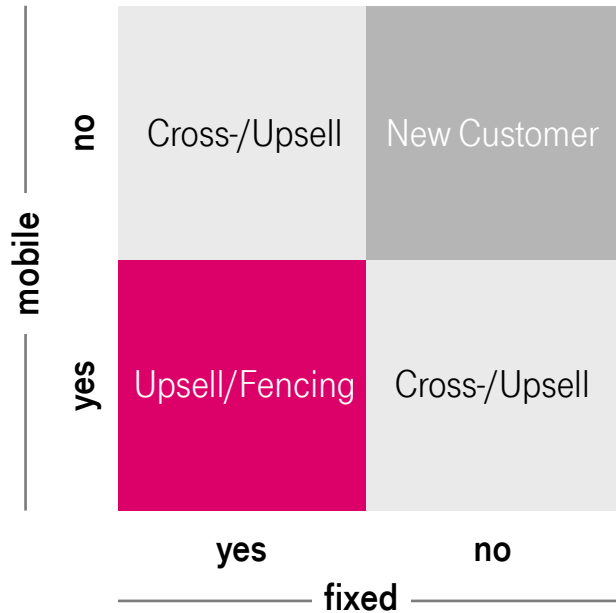
# mn



# ... AND GENERATING ADDITIONAL VALUE THROUGH CROSS-/UPSELLING



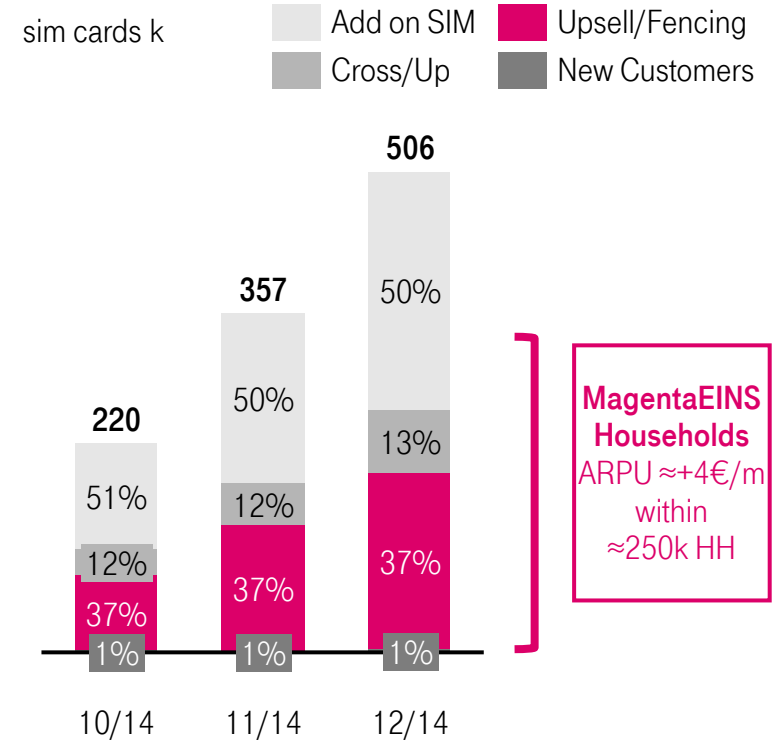
## FMC CUSTOMER POTENTIAL



## HIGHLIGHTS AFTER 4 MONTH

- 1 TRIPLE PLAY SHARE**  
>50%
- 2 GROWING SIM CARD PENETRATION**  
≈2 SIMs per HH
- 3 BOOST CUSTOMER LOYALTY<sup>1</sup>**  
75 Points TRI\*M
- 4 INCREASED MAGENTAEINS REVENUES**  
≈4€/m per HH

## MagentaEINS CUSTOMER BASE



<sup>1</sup> TRI\*M Index MagentaEINS customers

# E-COMPANY TRANSFORMATION WITH FOCUS ON E-SERVICE AND E-SALES

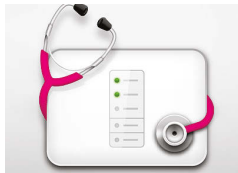
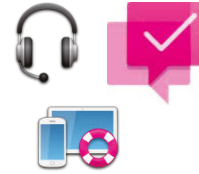


## EXCELLENT CUSTOMER EXPERIENCE “24/365”



### Digital touch points & omni-channel approach

- Products and services are e-Channel enabled
- Seamless customer experience across all touch points



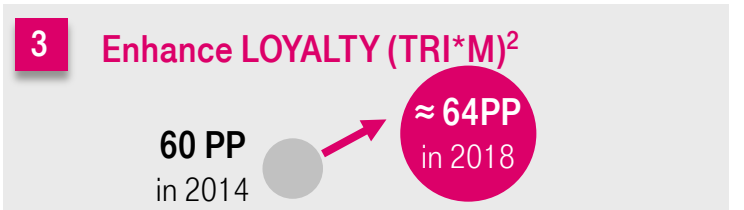
### Increase customer self service

- All sales and service processes are self-service enabled
- Customer self service via portal, app & magic button functionalities



### Optimized usability

- Plug and Play functionalities incl. optimized incident management
- One Identity Management



<sup>1</sup> Without IVM and Congstar    <sup>2</sup> TRI\*M Index for all Telekom customers

# PARTNERING ACTIVITIES CONTRIBUTE TO REVENUE GROWTH



KEY GOAL: LEADING PARTNERS TO DIFFERENTIATE CORE PRODUCTS

REVENUE & SUBSCRIBER DEVELOPMENT



SMART HOME



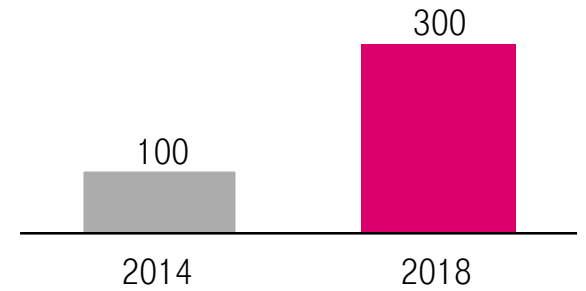
SECURITY



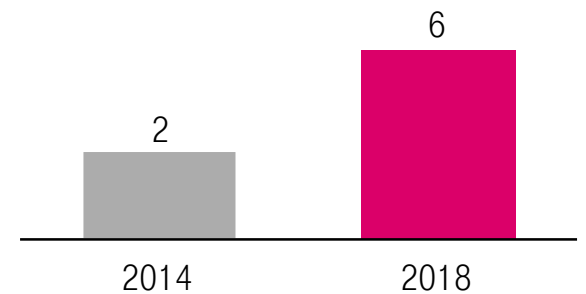
ENTERTAINMENT



€ mn



# mn



**1** Enrich portfolio with innovative services

**2** Leverage customer demand through de-risking revenue share model

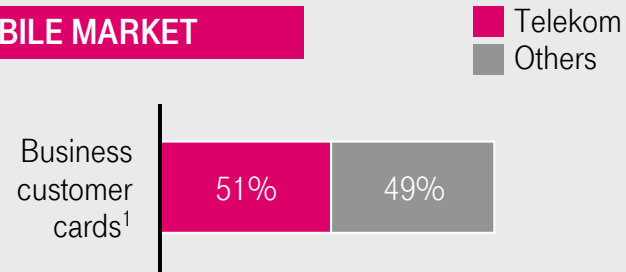
**3** Platform with standardized interface for efficient integration

# OUR STRONG NATIONWIDE DISTRIBUTION AND ICT COMPETENCE ARE THE BASIS FOR A LEADING POSITION IN THE BUSINESS MARKET

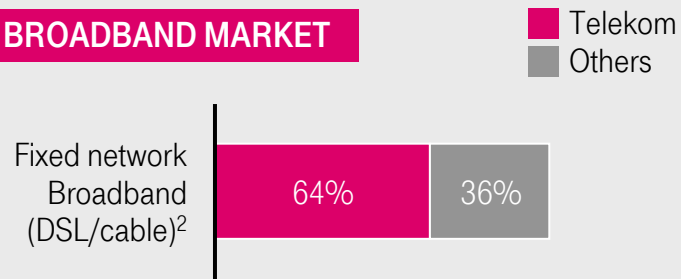


## MARKET LEADER IN BUSINESS...

### MOBILE MARKET



### BROADBAND MARKET



## ...BASED ON SUPERIOR ICT COMPETENCES

**1** Nationwide sales and service presence & comprehensive **end-to-end** responsibility

**2** One-stop-shop product portfolio including **customized bundle offers** for **any need**

**3** Cloud services with the **highest safety standards** ("made in Germany")

## MID-MARKET INITIATIVE AS A GROWTH DRIVER

**IT/CLOUD PRODUCT PORTFOLIO EXPANSION**  
 19 products in 2014 → **>30** in 2018

**IT PARTNERING NETWORK**  
 38 partner in 2014 → **≈500** in 2018

**+€0.4 bn** by 2018  
 B2B revenue in GER

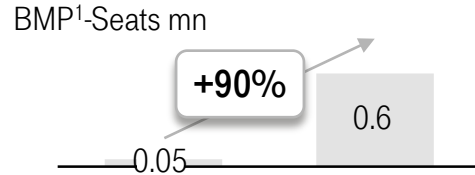
Source: GfK Tele.Basics b2b 2014 <sup>1</sup> Cards in frame contacts <sup>2</sup> Access market share in 2014

# GROWTH INITIATIVES AND MID-MARKET APPROACH DRIVE OUR HIGH AMBITION IN BUSINESS

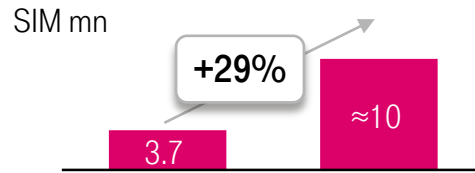


## FOCUSED BUSINESS INITIATIVES

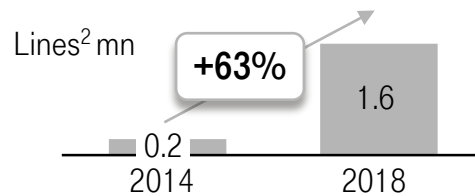
### 1 IT Cloud



### 2 M2M



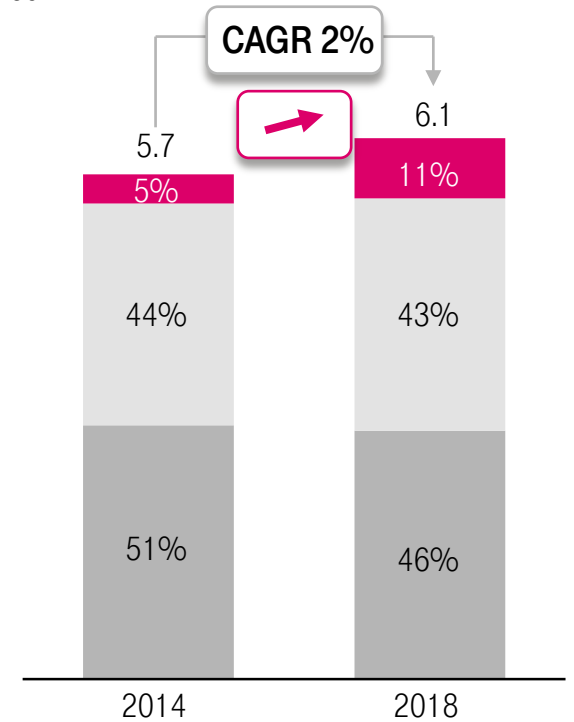
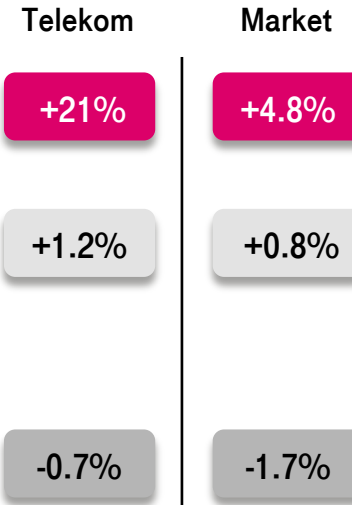
### 3 DeutschlandLAN



<sup>1</sup> Business Marketplace    <sup>2</sup> Includes expansion of DLAN brand family into other access products

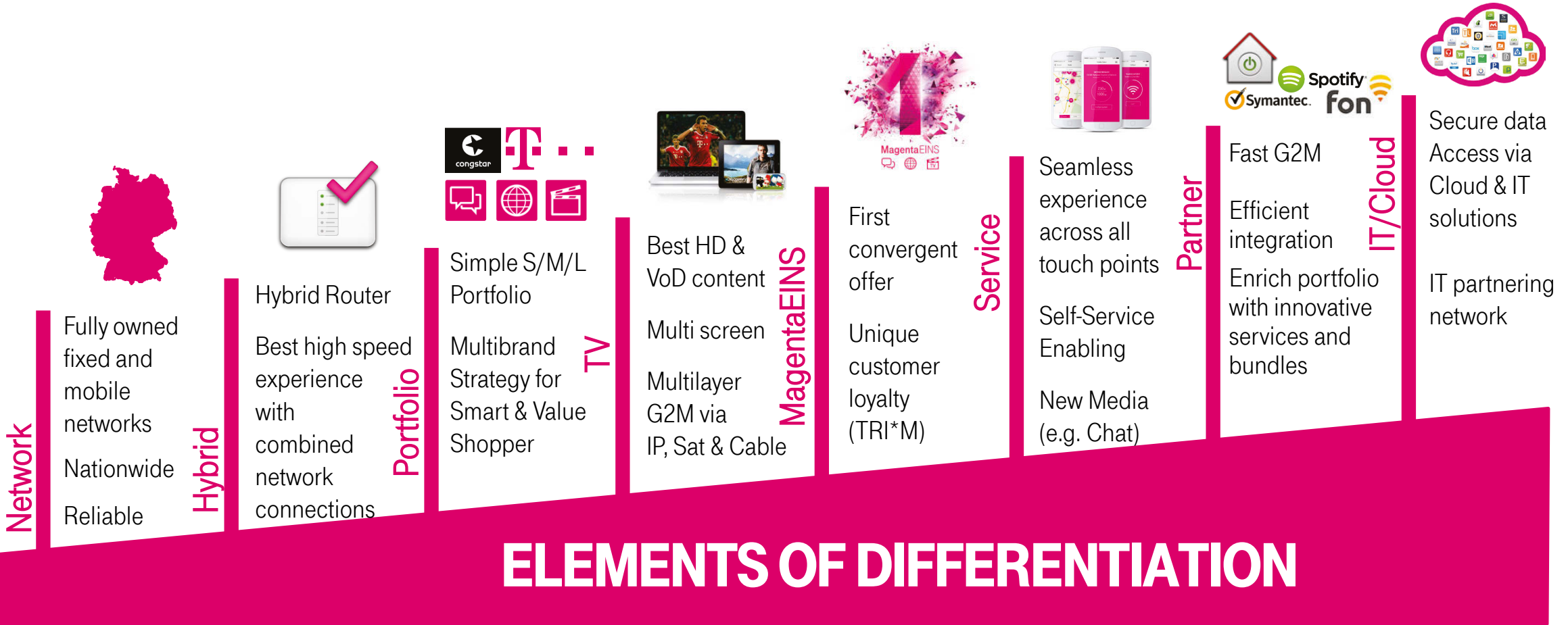
## ... LEAD TO REVENUE GROWTH

■ IT    ■ Mobile    ■ Fixed    € bn





# KEY DIFFERENTIATORS FOR OUR CUSTOMERS





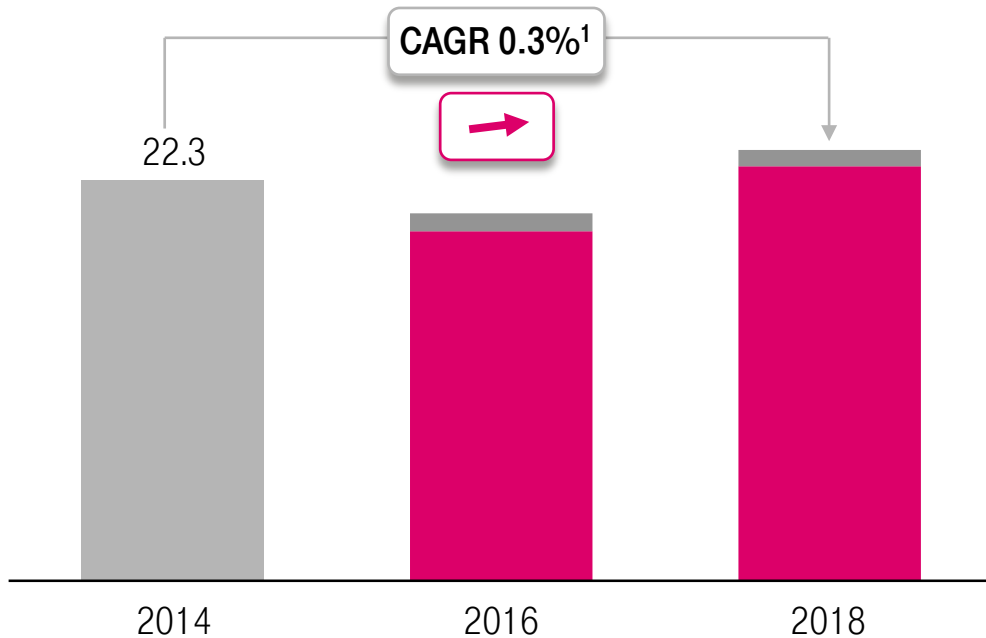
# FINANCIAL OUTLOOK

# REVENUE STABILIZATION YOY IN 2016

## REVENUE DEVELOPMENT

€ bn

■ EU Roaming



<sup>1</sup> Without EU roaming impact

## REVENUE DRIVER

### 1 Increased Mobile Service Revenues

growing contract customer base & multibrand portfolio

### 2 Stable Wholesale Wireline Revenues

driven by fiber access “Kontingentmodell” and high utilization

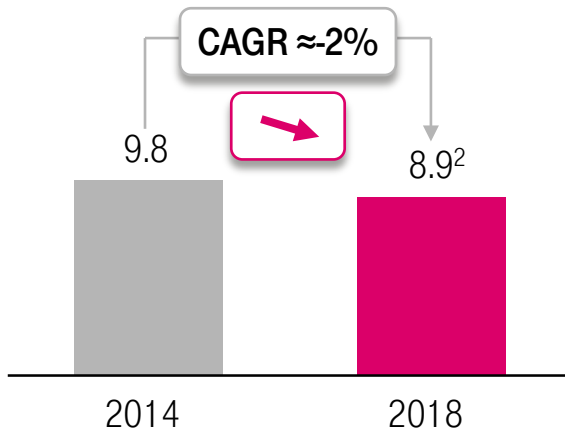
### 3 Growing IT-Revenues

driven by Mid-Market Initiative

# FURTHER FOCUS ON COST REDUCTION THROUGH SIMPLICITY, EFFICIENCY AND TRANSFORMATION

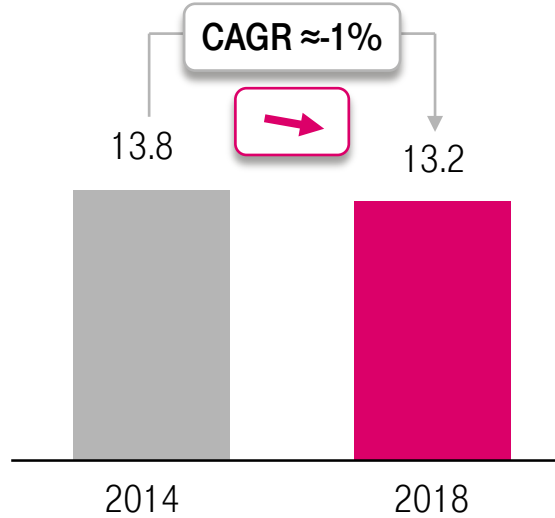
## INDIRECT COST<sup>1</sup>

€ bn



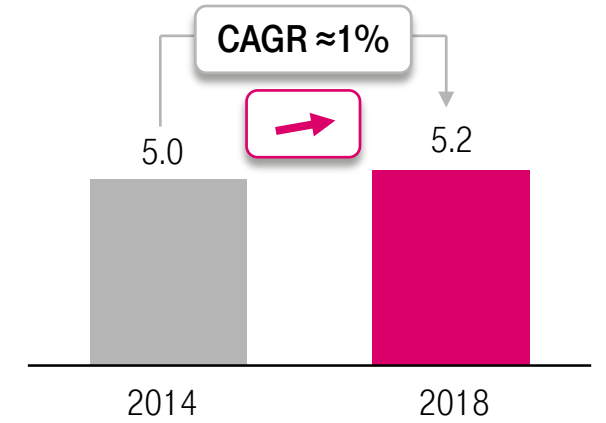
## ADJ. OPEX

€ bn



## DIRECT COST

€ bn



### Main areas:

- Continuous right-sizing of overhead functions
- Generation of further productivity gains
- Keep driving for optimization of IT-cost

<sup>1</sup> Before capitalization of labor    <sup>2</sup> Reduction of €0.8bn due to rounding

# LONG TERM IP & PROCESS TRANSFORMATION DRIVE OPEX SAVINGS OF €0.7 BN IN EARLY 2020'S

## BENEFITS OF IP & PROCESS TRANSFORMATION



### IMPROVED PROCESSES

- Zero Touch provisioning
- Plug & Play installation for customer
- Zero touch repair without assignment of technicians

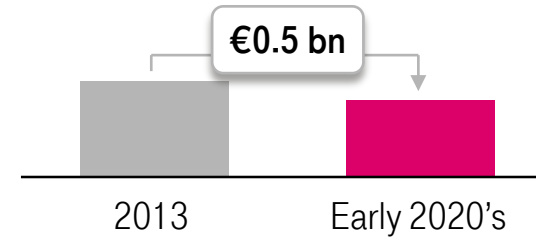


### NEW IP PRODUCT & SERVICES

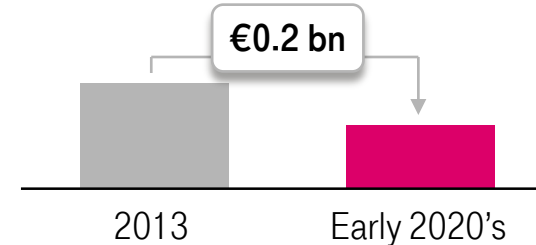
- Innovative product- & service portfolio
- Future-proof product concepts
- Accelerated time-to-market
- Lower development cost

## MAIN OPEX SAVINGS<sup>1</sup>

### CUSTOMER AND TECHNICAL SERVICE



### OPERATING PLATFORM COST<sup>2</sup>



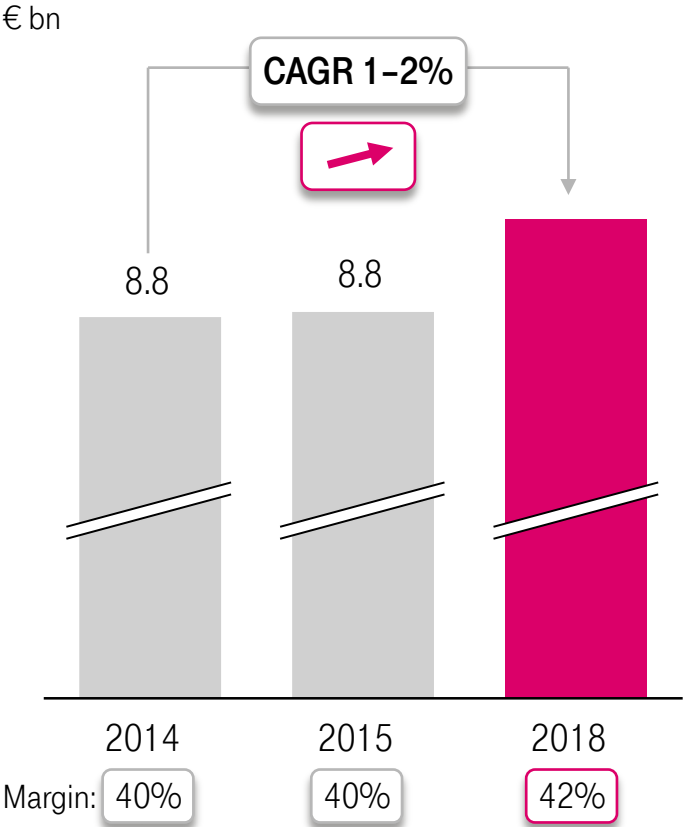
**€0.7 bn**

<sup>1</sup> 2013 = 100%; gross measure-related opex savings after accomplished transformation before any counter effects e.g. from personnel cost increases

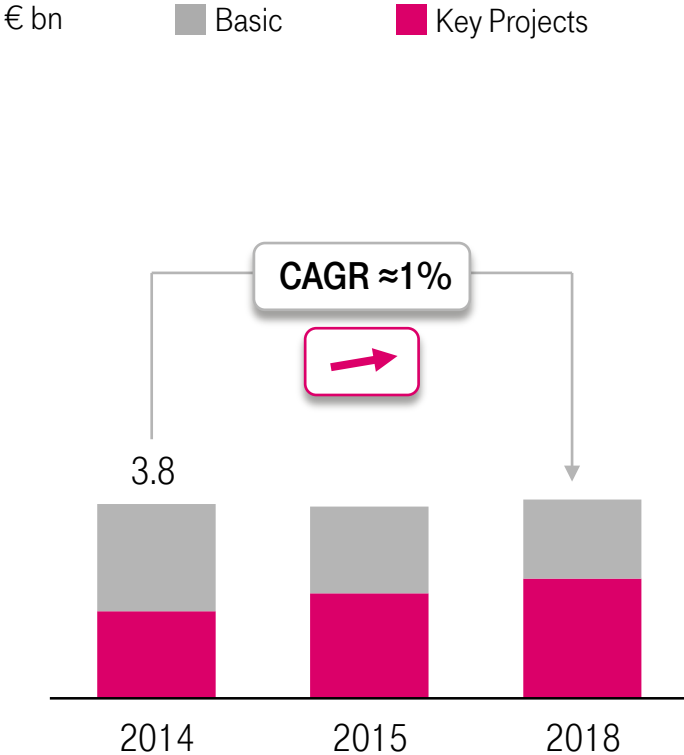
<sup>2</sup> Measure-related energy, maintenance and personnel platform cost

# WE FUND OUR INVESTMENTS THROUGH GROWING EBITDA

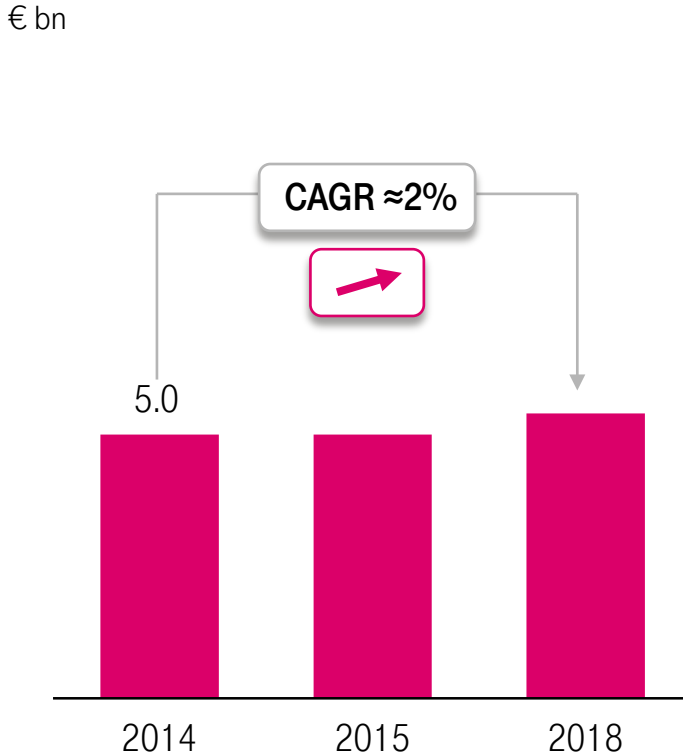
## ADJ. EBITDA & EBITDA-MARGIN



## (CASH) CAPEX

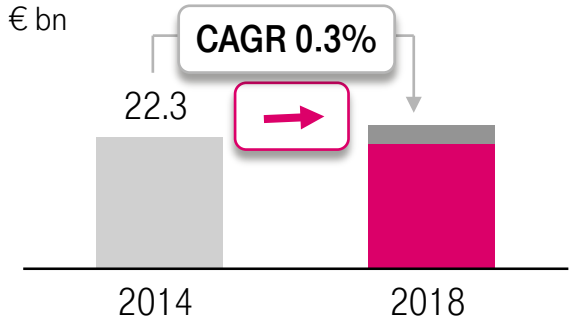


## ADJ. CASH CONTRIBUTION

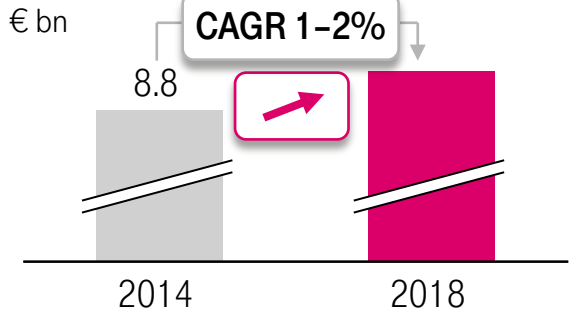


# KEY LEVERS FOR STABLE ROCE

## REVENUES<sup>1</sup>

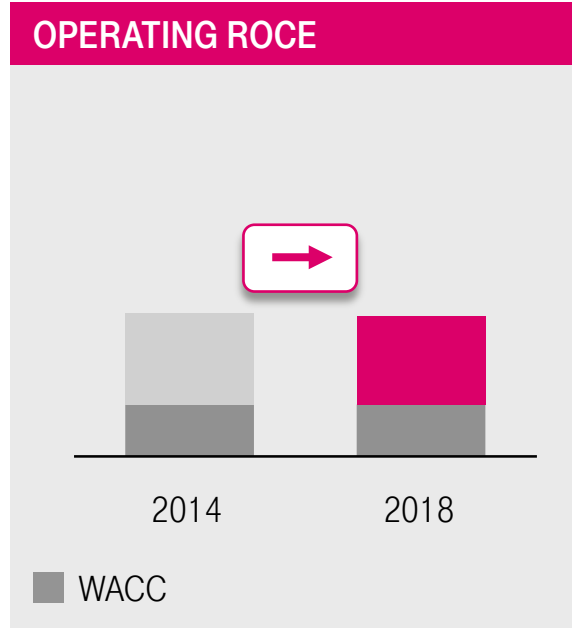


## ADJ. EBITDA

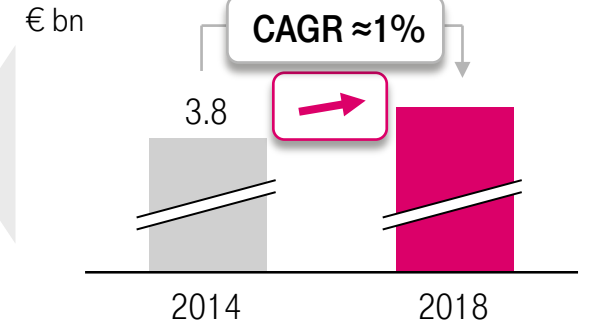


<sup>1</sup> Without EU roaming impact <sup>2</sup> Restructuring

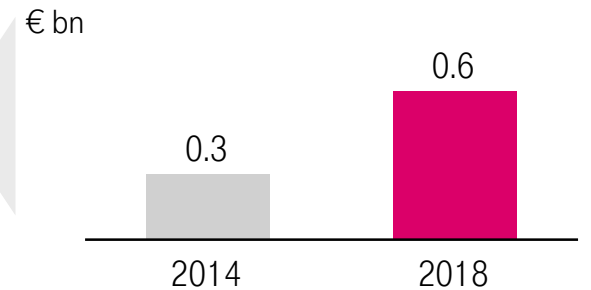
## OPERATING ROCE



## (CASH) CAPEX



## SPECIAL FACTORS (EBITDA)<sup>2</sup>





# MID TERM AMBITION LEVEL



# MID TERM AMBITION LEVEL

	MID TERM AMBITION LEVEL	YEAR
MARKET	▪ #1 in FMC with MagentaEINS: 3mn customers	2018
	▪ #1 in mobile service revenue: CAGR $\approx 1\%$ <sup>1</sup> /market share >36%	2018
	▪ #1 broadband: CAGR $\approx 2\%$ /market share >40% <sup>2</sup>	2018
QUALITY	▪ Customer loyalty index: $\approx 64$ points	2018
FINANCIALS	▪ Adj. EBITDA margin: $\approx 42\%$	2018
	▪ Growing adj. EBITDA: CAGR 1–2%	2014–2018
	▪ Growing adj. cash contribution: CAGR $\approx 2\%$	2014–2018
	▪ Revenue stabilization	2016

<sup>1</sup> Without EU roaming impact    <sup>2</sup> Access market share in 2018

# T-MOBILE US



## 1. Key Messages

## 2. Review 2013 – 2014

- Milestones Dec12 - Dec 15
- Customer growth
- EBITDA, ABPU

## 3. Market Trends

- Macro Conditions USA
- ARPU, TB/Month

## 4. Strategy 2015 – 2016

- Overview

Un-carrier		
▪ Innovation ▪ Consumer Revolution ▪ Brand ▪ Un-Carrier Revolution		
Sales & Service Experience	Network Foundation	Lean Business Model
<ul style="list-style-type: none"> <li>▪ Overview</li> <li>▪ Customer Service</li> <li>▪ Customer Experience</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overview</li> <li>▪ LTE Coverage</li> <li>▪ Coverage Efficiency</li> <li>▪ Service</li> <li>▪ Spectrum</li> <li>▪ Costs</li> <li>▪ Innovation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overview</li> <li>▪ MetroPCS Integration</li> <li>▪ MetroPCS Synergies</li> <li>▪ Organic Transformation</li> </ul>

## 5. Guidance 2015

- Outlook 2015

## 6. Mid Term Ambition Level

- Long-Term Value

AGENDA

GROUP STRATEGY

COST & PORTFOLIO

LEAD IN BUSINESS

SUPERIOR PRODUCT. MODEL

EUROPE

GERMANY

**TMUS**

FINANCE

WRAP-UP

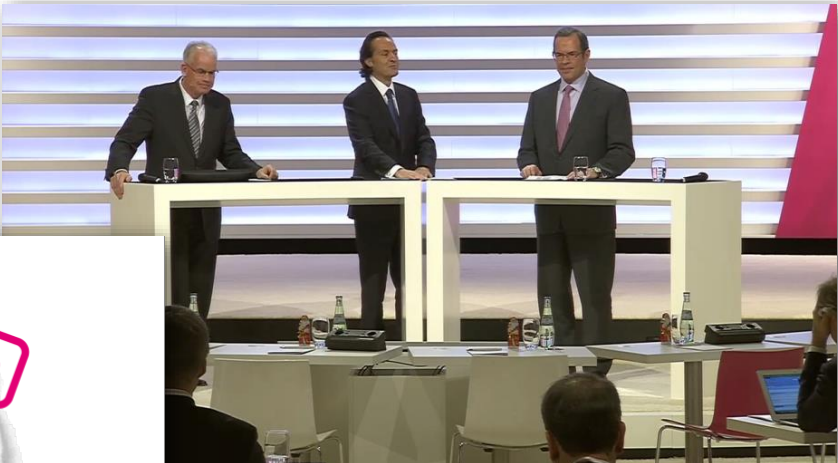


LIFE IS FOR SHARING.



# T-MOBILE US

# CAPITAL MARKETS DAY 2012



... BECOMING THE UN-CARRIER IN 2013.

REDACTED

2013 BRAND RE-LAUNCH

- DISRUPTIVE NEW [REDACTED]
- VALUE PLANS ENABLE [REDACTED]
- DEVICES PLAY A KEY ROLE, WITH [REDACTED]
- A FOUNDATION FOR PROFITABLE GROWTH, DR [REDACTED] TRY XXXX.
- BROUGHT TO LIFE WITH A NEW CAMPAIGN THAT [REDACTED].

We are going after issues that frustrate consumers in this industry, differentiating our service, and returning to profitable growth

LIFE IS FOR SHARING. 28

# KEY MESSAGES

## Un-carrier

- ▶ **The Un-carrier revolution continues! 2014 was the best customer growth year in T-Mobile US history.** 4.0 million branded postpaid phone nets – captured virtually all of industry growth; 55M total customers year-end
- ▶ **We are the leader in prepaid** with over 16.3 million customers, adding 1.2 million customers for the full year 2014, again the most in the industry. 55 MetroPCS markets, up from 15
- ▶ **Strong execution of MetroPCS integration**, expected almost 2 years ahead of original schedule – Synergies expected to be \$9–10 billion NPV, up from original \$6–7 billion
- ▶ **Our customer growth translating into strong financial performance.** Service revenue growth 9% YoY, Adj. EBITDA 6.0% YoY in 2014. Significant Step-Up in Adj EBITDA in 2015 – approx. 25% YoY increase
- ▶ **We will level the network coverage playing field in 2015** by expanding our blazing fast 4G LTE network to 300M POPs, up from 0 in Q1 2013. Plan on covering more than 150 markets with wideband LTE

# PATH TO GROWTH AS UN-CARRIER

**55 Million Total Customers !**



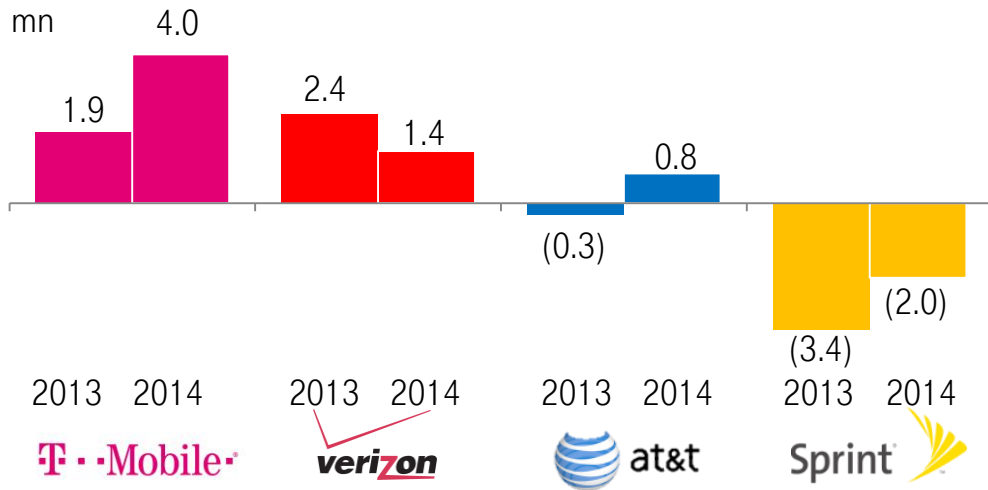
## Path to Growth



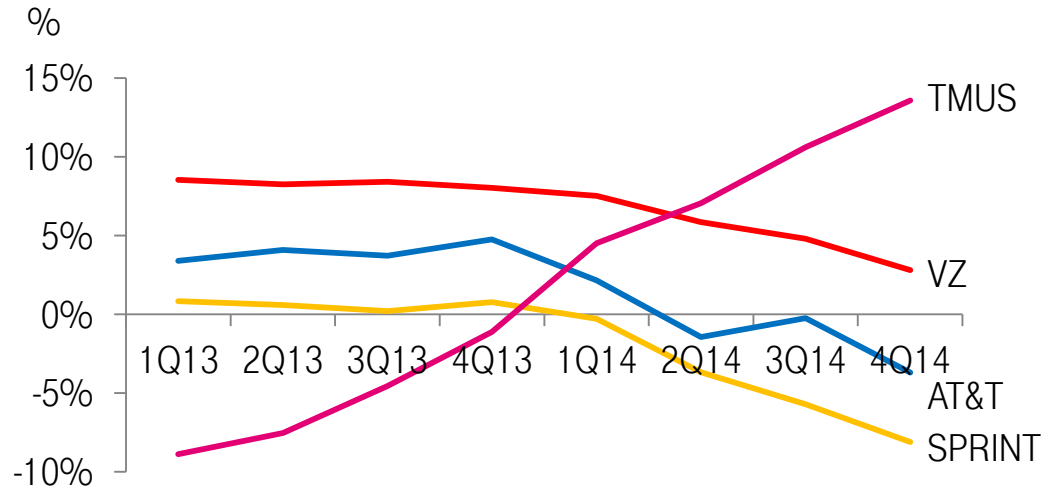
# RECORD CUSTOMER GROWTH FUELS INDUSTRY LEADING SERVICE REVENUE GROWTH...

- Over 12.7 million total net adds since the Un-carrier revolution began – 8.3 million total net adds in 2014
- Nearly 6.0 million branded postpaid phone net adds since the launch of the Un-Carrier revolution
- Over 4.0 million branded postpaid phone net adds in 2014 alone, virtually all of market growth
- Positive Porting ratio every week of the year in 2014; 2.15 postpaid porting ratio for the entire year
- Over 1.6 million branded prepaid net adds – largest facilities based prepaid wireless carrier in the US
- Industry-leading service revenue growth – 9.0% YoY in 2014 and 13.6% YoY in 4Q14

**Total Postpaid Phone Net Additions (2013 & 2014)**



**Service Revenue YoY Growth (2013 & 2014)**

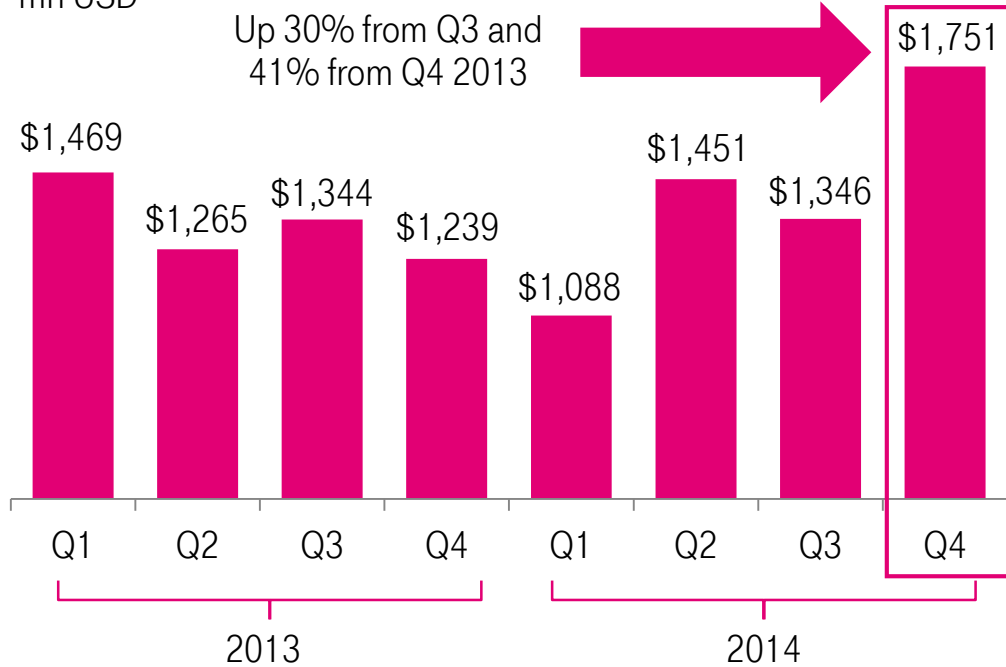


Source: Goldman Sachs Global Investment Research

# ...LEADING TO ADJUSTED EBITDA GROWTH AND STRONG ABPU TRENDS

## Adjusted EBITDA

mn USD

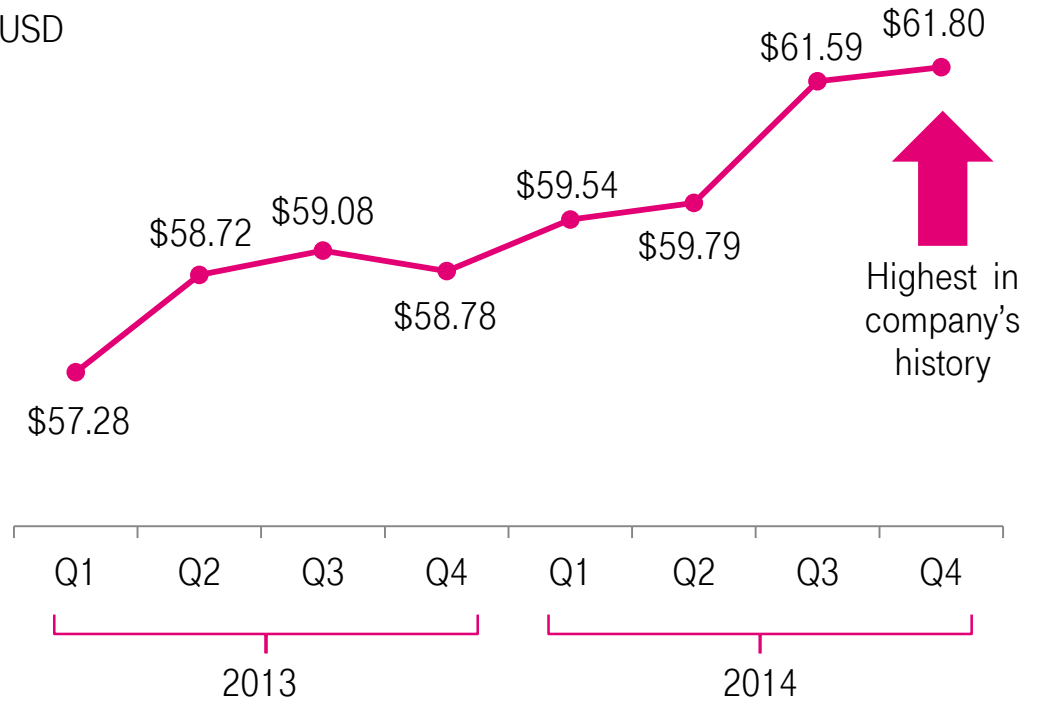


Achieved \$5.64B FY EBITDA in 2014, meeting guidance even with the higher subscriber growth

Note: Adjusted EBITDA presented as pro-forma for Q1 & Q2 2013

## Branded Postpaid Average Billings Per User (ABPU)

USD



Average revenue per account was \$108.95 in 2014, indicating a shift in business from single to multi-line acquisition





# STRATEGY 2015–2016

# 1. Un-carrier

## 2. SALES & SERVICE EXPERIENCE

Superior Sales and Customer Experience

## 3. NETWORK FOUNDATION

Solid Network Foundation and Spectrum Position

## 4. LEAN BUSINESS MODEL

Lean Cost Structure and full capture of MetroPCS Integration Synergies

# UN-CARRIER

## DRIVING INNOVATION IN THE WIRELESS INDUSTRY

- ➔ Re-write the rules on behalf of the consumer
- ➔ Provide revolutionary value
- ➔ Be simple & transparent



# UN-CARRIER: IT'S ALL ABOUT CHANGING WIRELESS FOR THE BETTER



Un-carrier 1.0

Simple Choice Service Plans W/No Contracts



Un-carrier 2.0

Easy Upgrades & No-Contract Family Plans



Un-carrier 3.0

Make The World Your Network At No Extra Charge

FREEDOM



Un-carrier 4.0

Contract Freedom  
T-Mobile Will Pay Your ETF Up To \$350



Un-carrier 5.0

Test Drive The Network  
Free iPhone Trials



Un-carrier 6.0

Music Freedom  
No Limits On Music Streaming



Un-carrier 7.0

WiFi Calling  
Now Every WiFi Connection Works Like A T-Mobile Tower



Un-carrier 8.0

Data Stash  
Free 10GB Gift of Data  
Don't Lose What You Don't Use

## CONSUMER REVOLUTION

# 1. Un-carrier

## 2. SALES & SERVICE EXPERIENCE

## 3. NETWORK FOUNDATION

## 4. LEAN BUSINESS MODEL

- Delight customers with award-winning, innovative service
- Transform the customer experience to support the Un-Carrier movement

# 1. Un-carrier

## 2. SALES & SERVICE EXPERIENCE

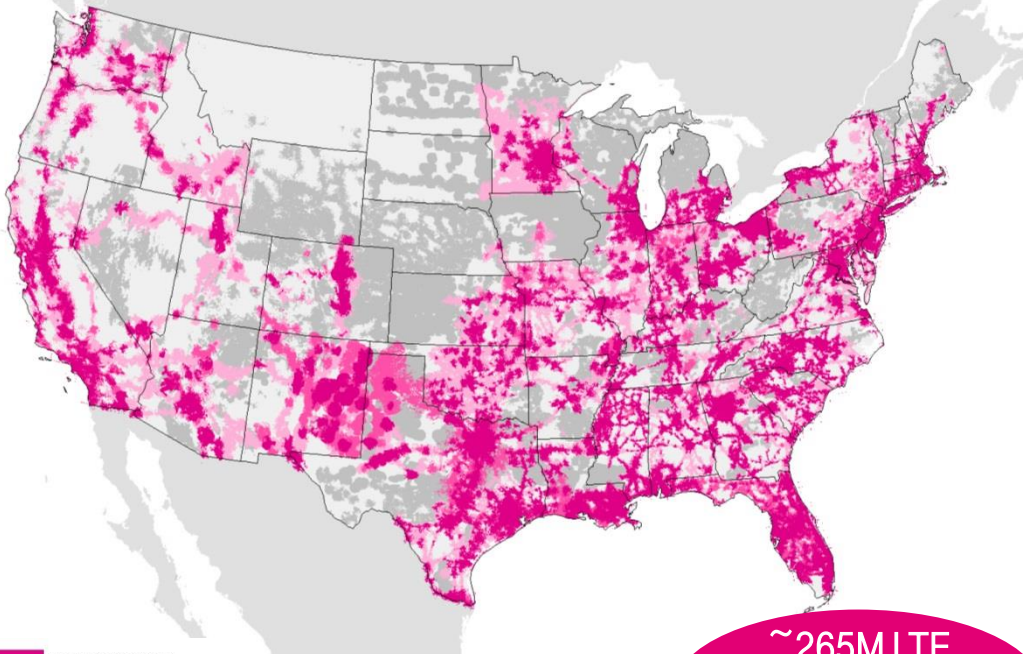
## 3. NETWORK FOUNDATION

## 4. LEAN BUSINESS MODEL

- Level the competitive playing field from a coverage perspective
- Provide fast speed despite explosive data usage growth, by leveraging robust position in mid-band
- Achieve results while keeping costs under control
- Continue leadership in network innovation (e.g. VoLTE, WiFi calling, LAA)

# LEVEL THE COMPETITIVE PLAYING FIELD FROM A COVERAGE PERSPECTIVE

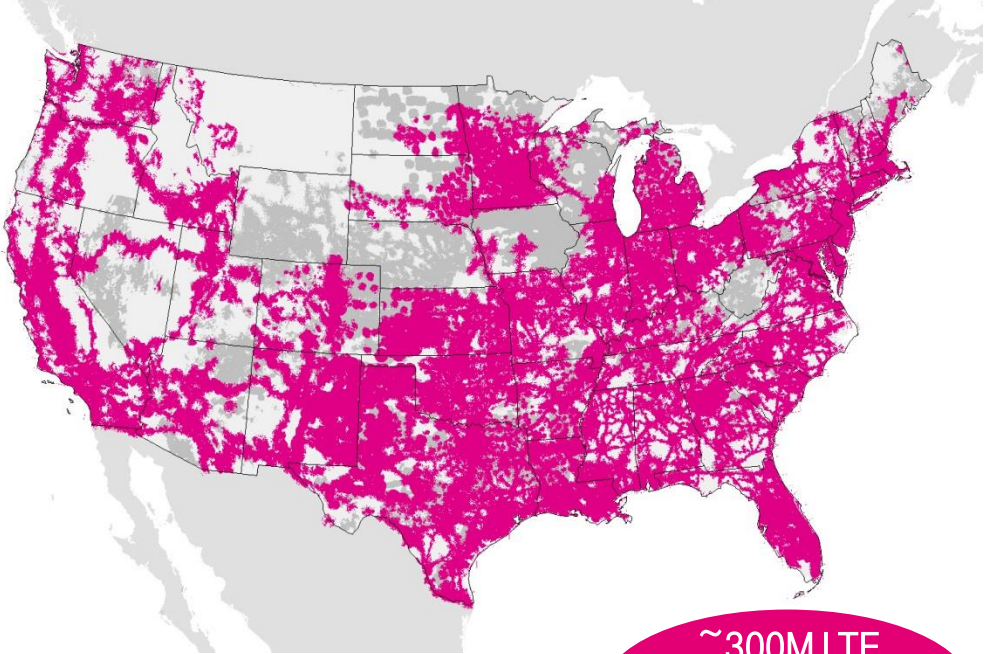
End of 2014 LTE Coverage



~265M LTE covered pops, 0.6 M sq.miles

- LTE EOY 2014
- HSPA
- GSM
- Partner Coverage

End of 2015 LTE Coverage



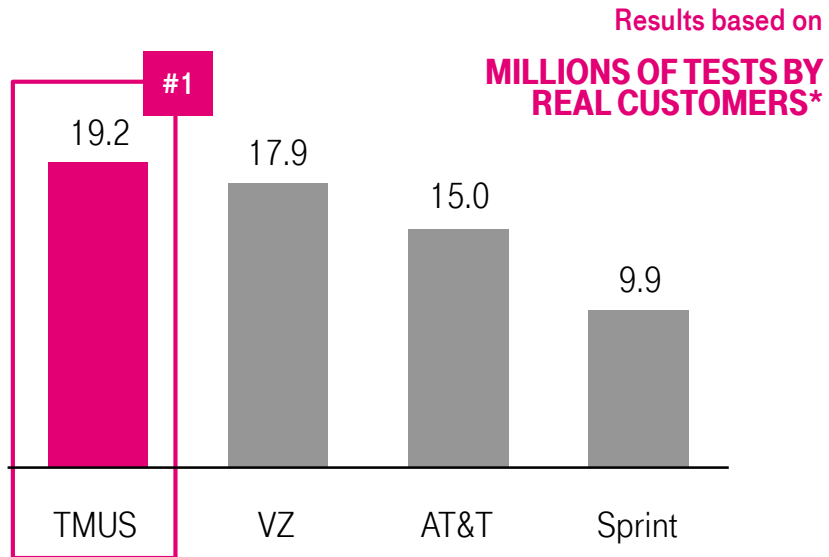
~300M LTE covered pops, 1.6 M sq. miles

- LTE EOY 2014
- Partner Coverage



# PROVIDE INDUSTRY-LEADING FAST SERVICE EVEN IN AN ENVIRONMENT OF EXPLOSIVE DATA GROWTH

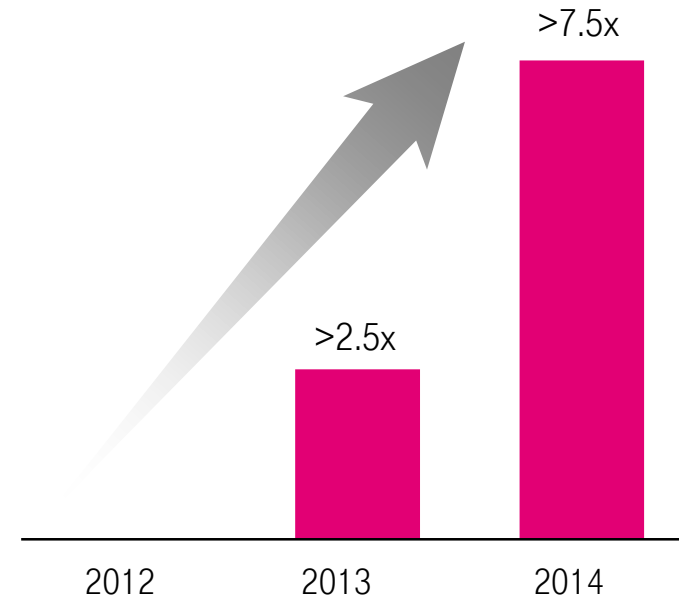
## Data Fast Network supports High Speed experience



121 market areas on wide-band LTE. Plan for over 150 markets by year-end 2015

## Data Strong network supports Data growth

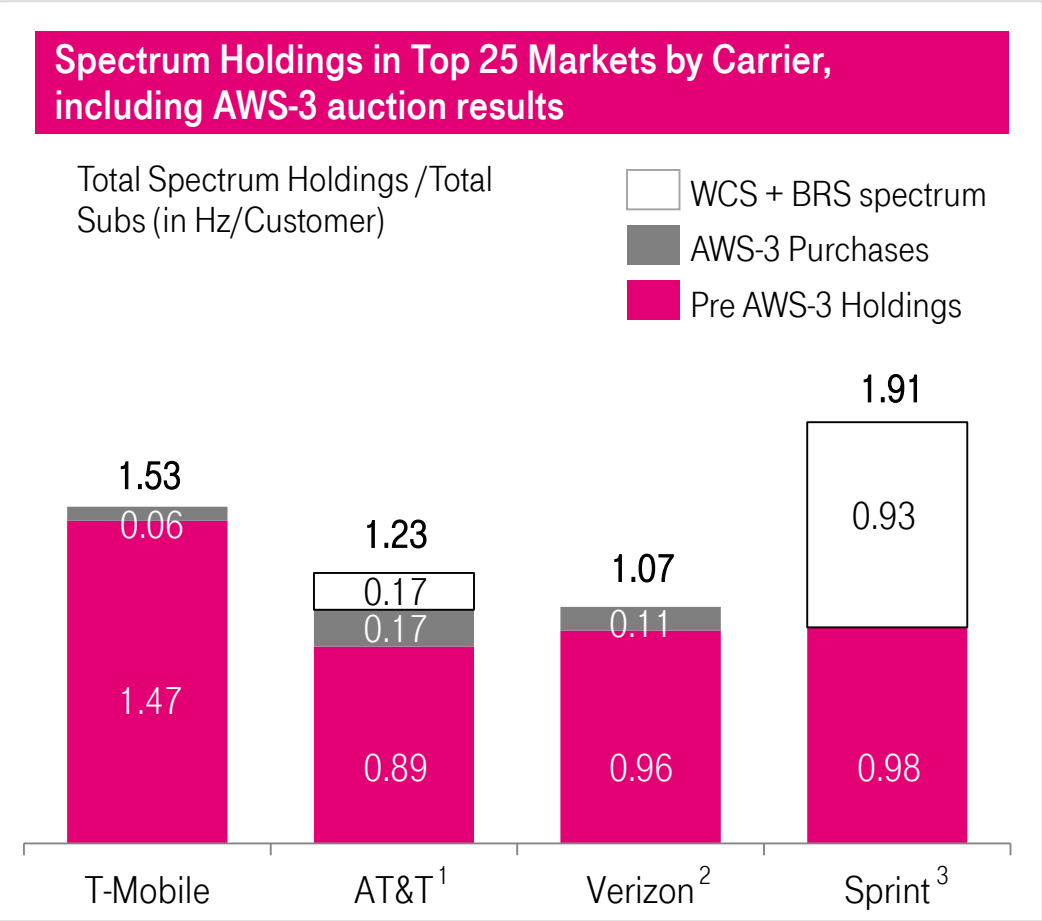
Data growth (Indexed to IH 2012)



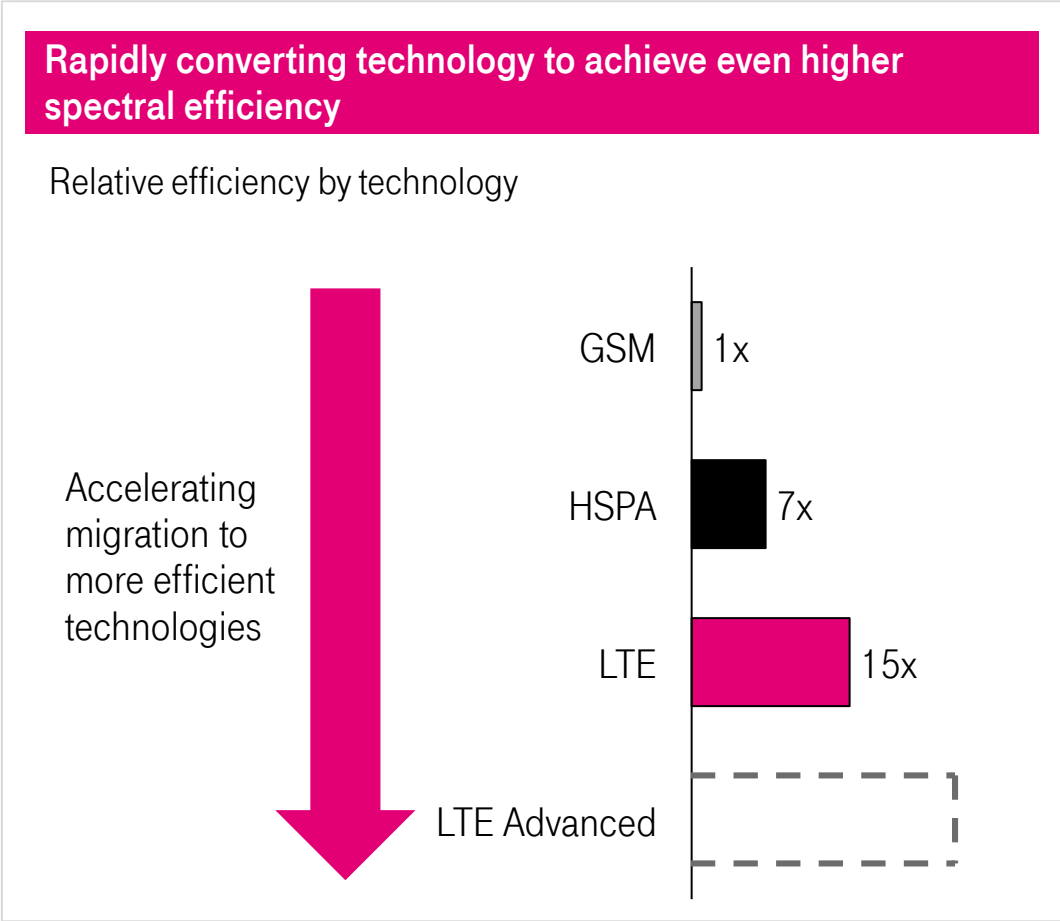
\*Based on T-Mobile's analysis of crowd-sourced 4G LTE download speeds








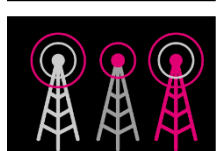
# SPECTRUM POSITION PROVIDES RUNWAY FOR CONTINUED GROWTH



Source: T-Mobile Analysis <sup>1</sup> AT&T pre AWS-3 holdings exclude WCS holdings, <sup>2</sup> Verizon customers are retail only, and <sup>3</sup> Sprint pre AWS-3 holdings exclude BRS and EBS holdings



# CONTINUING TO BE A LEADER IN NETWORK INNOVATION

 <b>VoLTE</b>	First to launch VoLTE
	First to unleash WiFi calling worldwide with Un-Carrier 7.0
 <b>iOS8</b>	First and only carrier to support WiFi calling with VoLTE handoff on iOS8
	First to HD Voice and first to launch nationwide
	First to launch free in-flight messaging
	First to trial deployment of LTE over Unlicensed Spectrum (LAA)

# 1. Un-carrier

## 2. SALES & SERVICE EXPERIENCE

## 3. NETWORK FOUNDATION

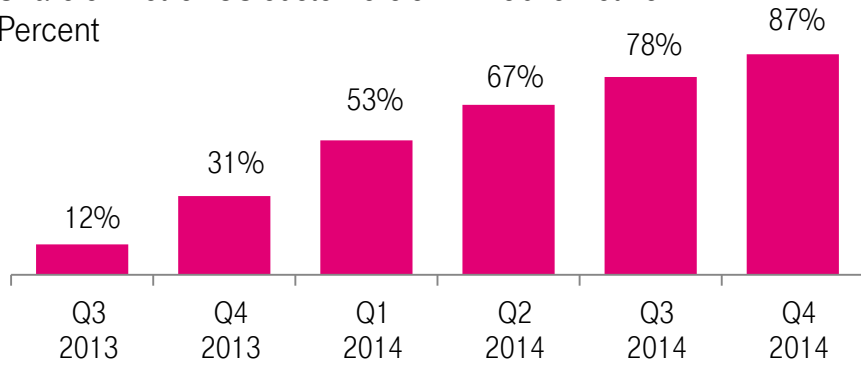
## 4. LEAN BUSINESS MODEL

- MetroPCS integration tracking well ahead of original integration plan. Run-rate cost synergies from merger being realized ahead of schedule
- Continuing organic cost transformation and re-investing in growth

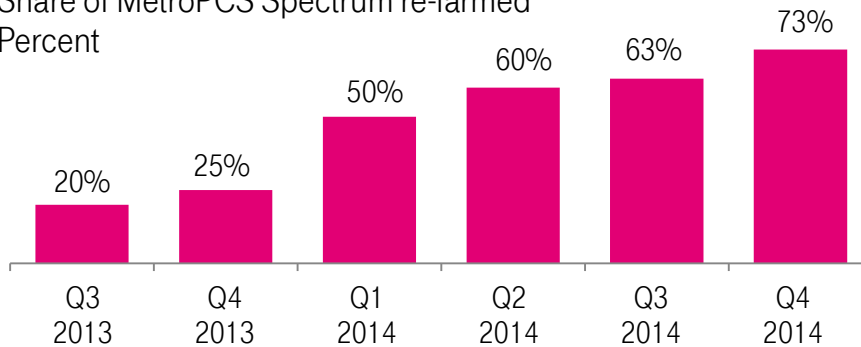
# TRACKING WELL AHEAD OF ORIGINAL METROPCS INTEGRATION PLAN

## MetroPCS Integration Ahead of Plan

Share of MetroPCS customers on T-Mobile Network  
Percent



Share of MetroPCS Spectrum re-farmed  
Percent



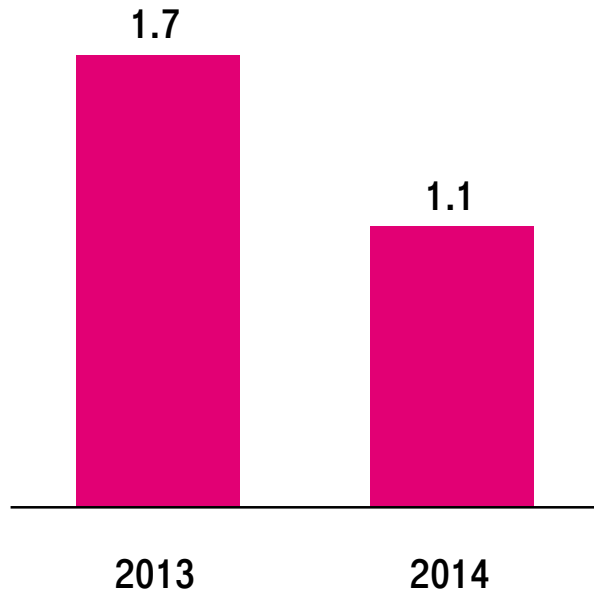
## Synergies Realized Ahead of Plan

- Expect after tax NPV of synergies \$9-\$10 billion – \$3 billion higher than original plan of \$6 - \$7 billion
- TMUS expected to hit synergy run-rate of at least \$1.5 billion one year earlier – 2016 vs. original plan of 2017
- One-time costs expected to be \$750-\$1,050 million lower – \$600-\$750 million lower for network, \$150-\$300 million lower for non-network
- Network one-time costs pulled forward to accelerate CDMA shutdown to end of 2015 – enabling earlier synergy capture

# CONTINUING ORGANIC TRANSFORMATION

## Impact of Cost Programs

\$ Billions



## Key Cost Transformation Actions in 2013/14

- ✓ Optimize handset lifecycle and remorse management
- ✓ Improve operational and back office efficiencies
- ✓ Reduce network costs
- ✓ Business optimization
- ✓ Tighten policies on discretionary spend
- ✓ Focus investment in systems and tools to reduce re-work



# 2015 GUIDANCE

# STRONG OUTLOOK FOR 2015

## BRANDED POSTPAID NET ADDS (M) 2.2-3.2

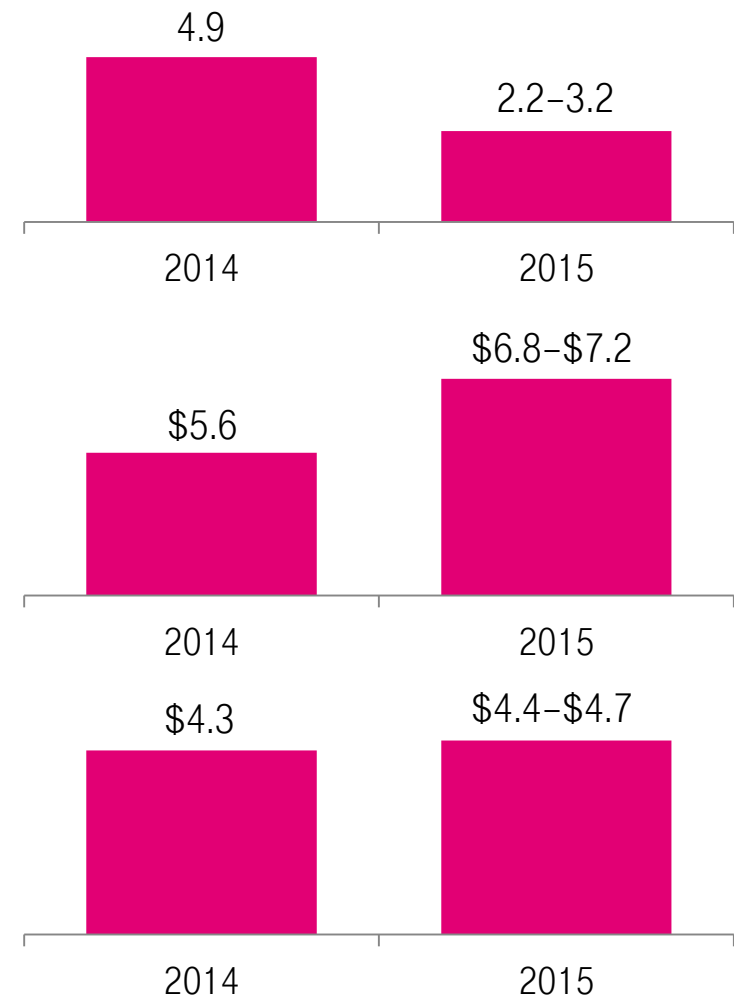
- Continue strong momentum from 2014
- Big push in 1Q15: Un-carrier 8.0 – Data Stash

## ADJUSTED EBITDA (\$ B) \$6.8-\$7.2

- Aim to grow approximately 25% at the mid-point
- Realizing the benefits of scale
- Execution of MetroPCS synergies

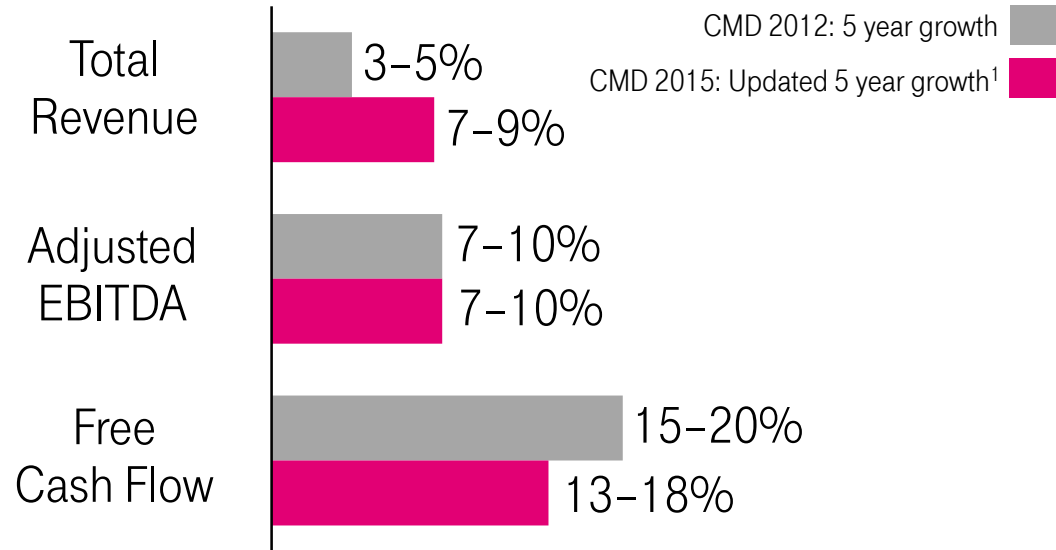
## CASH CAPEX (\$ B) \$4.4-\$4.7

- Level the playing field – 300M 4G LTE POPs by YE
- Rollout of 700 MHz A-Block spectrum
- Maintain the fastest 4G LTE network in the US



# 2X REVENUE CAGR TO CREATE SIGNIFICANT LONG-TERM VALUE

## 2012-2017 FINANCIAL GROWTH (% CAGR)



- Significant outperformance of initial postpaid customer growth expectations drives revenue upside two times the original plan
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## 2017 TARGET PROFITABILITY (% OF SERVICE REVENUE)



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<sup>1</sup> Updated view based on 2012-2014 actuals and 2015-2017 projections    <sup>2</sup> Free Cash Flow defined as Adj. EBITDA less Cash Capital Expenditures

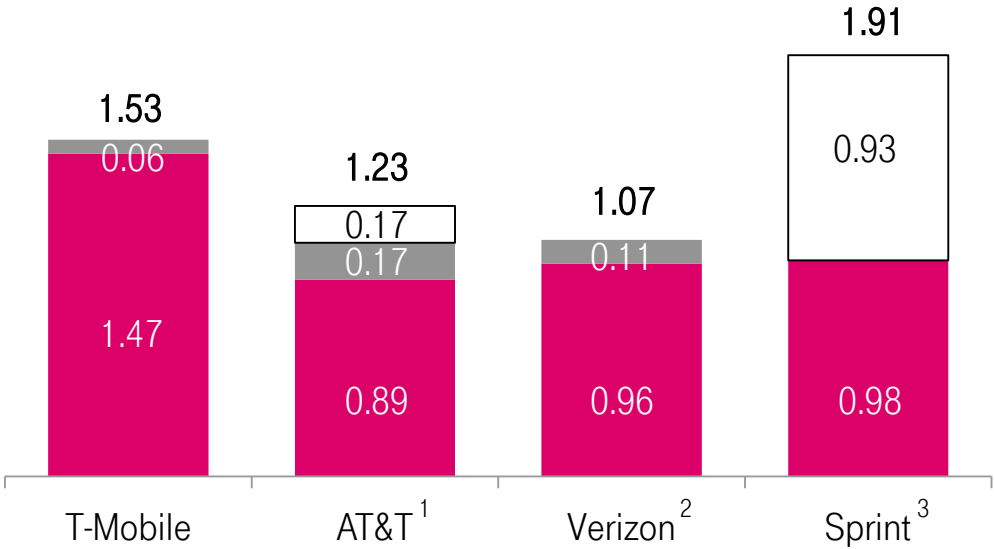


# SPECTRUM POSITION PROVIDES RUNWAY FOR CONTINUED GROWTH

## Spectrum Holdings in Top 25 Markets by Carrier, including AWS-3 auction results

Total Spectrum Holdings /Total Subs (in Hz/Customer)

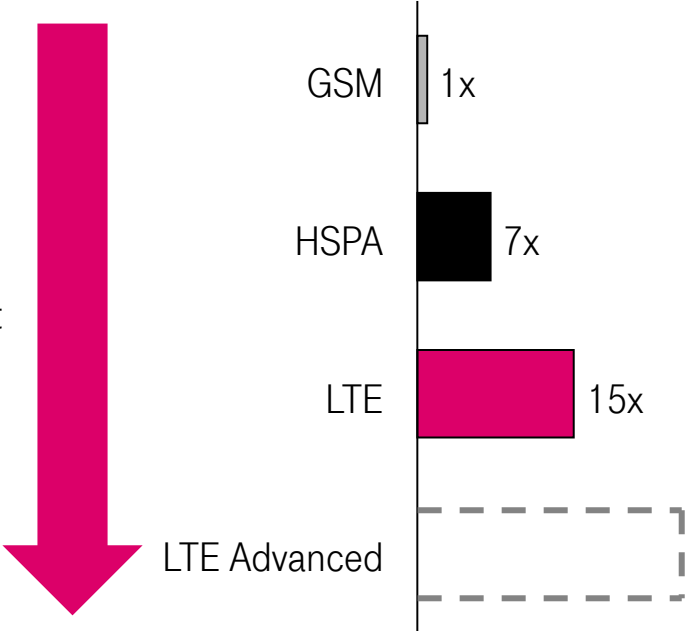
- WCS + BRS spectrum
- AWS-3 Purchases
- Pre AWS-3 Holdings



## Rapidly converting technology to achieve even higher spectral efficiency

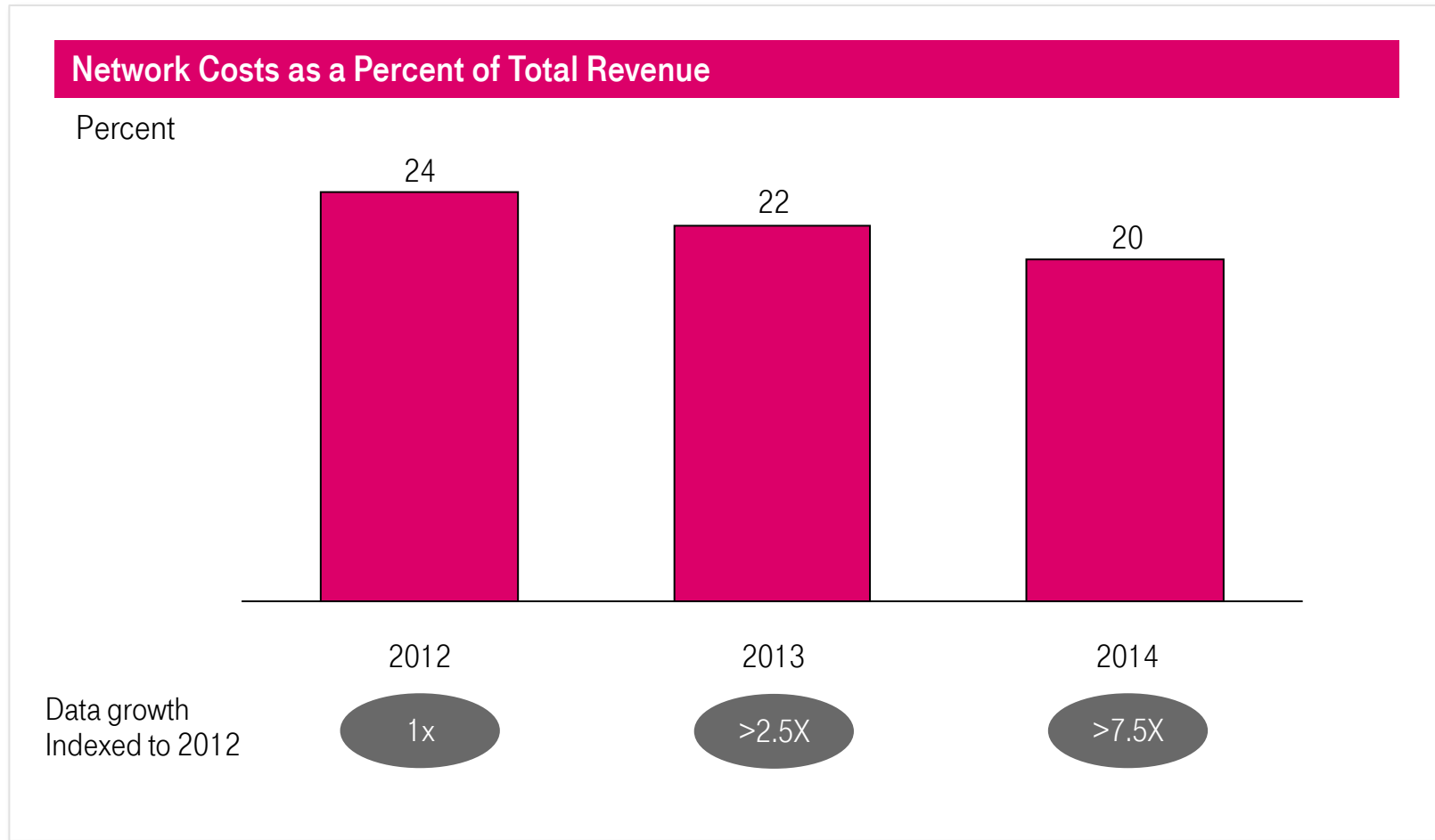
Relative efficiency by technology

Accelerating migration to more efficient technologies








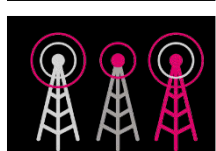
Source: T-Mobile Analysis <sup>1</sup> AT&T pre AWS-3 holdings exclude WCS holdings, <sup>2</sup> Verizon customers are retail only, and <sup>3</sup> Sprint pre AWS-3 holdings exclude BRS and EBS holdings

# ACHIEVE RESULTS WHILE KEEPING COSTS UNDER CONTROL



Network costs declining versus revenue despite sharp increases in data growth

# CONTINUING TO BE A LEADER IN NETWORK INNOVATION

 <b>VoLTE</b>	First to launch VoLTE
	First to unleash WiFi calling worldwide with Un-Carrier 7.0
 <b>iOS8</b>	First and only carrier to support WiFi calling with VoLTE handoff on iOS8
	First to HD Voice and first to launch nationwide
	First to launch free in-flight messaging
	First to trial deployment of LTE over Unlicensed Spectrum (LAA)

# 1. Un-carrier

## 2. SALES & SERVICE EXPERIENCE

## 3. NETWORK FOUNDATION

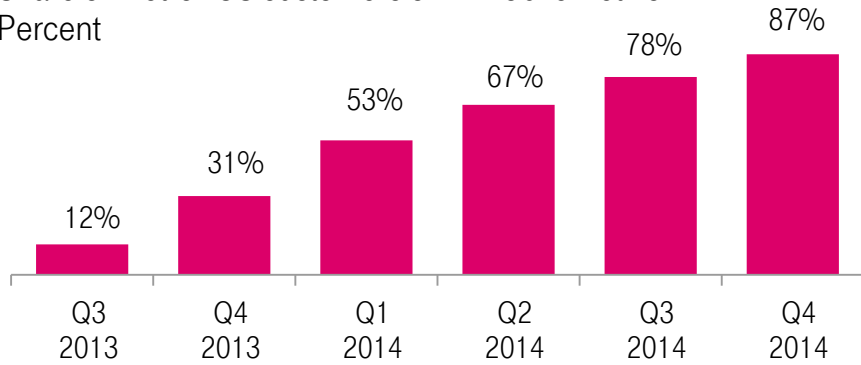
## 4. LEAN BUSINESS MODEL

- MetroPCS integration tracking well ahead of original integration plan. Run-rate cost synergies from merger being realized ahead of schedule
- Continuing organic cost transformation and re-investing in growth

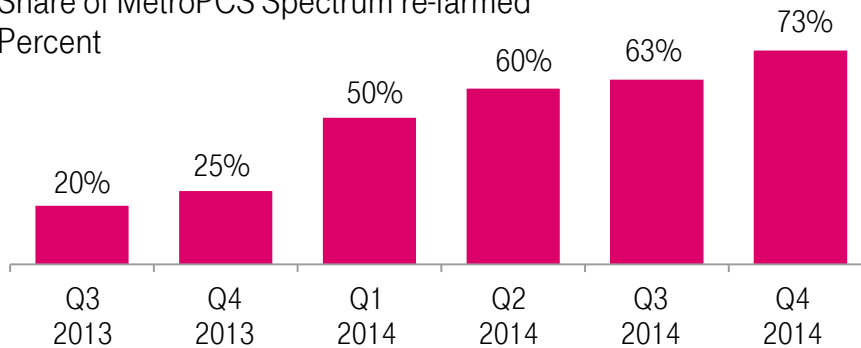
# TRACKING WELL AHEAD OF ORIGINAL METROPCS INTEGRATION PLAN

## MetroPCS Integration Ahead of Plan

Share of MetroPCS customers on T-Mobile Network  
Percent



Share of MetroPCS Spectrum re-farmed  
Percent



## Synergies Realized Ahead of Plan

- **Expect after tax NPV of synergies \$9-\$10 billion** – \$3 billion higher than original plan of \$6 - \$7 billion
- TMUS expected to **hit synergy run-rate of at least \$1.5 billion one year earlier** – 2016 vs. original plan of 2017
- **One-time costs expected to be \$750-\$1,050 million lower** – \$600-\$750 million lower for network, \$150-\$300 million lower for non-network
- **Network one-time costs pulled forward to accelerate CDMA shutdown** to end of 2015 – enabling earlier synergy capture

# METROPCS SYNERGIES \$9-10 B AFTER TAX NPV<sup>1</sup> VS. ORIGINAL PLAN OF \$6-7 B

Better/at original plan

One-time cost pull forward

Original plan						
	2013	2014	2015	2016	2017	5 Year Total
<b>Network (\$ M)</b>						
Opex savings	(0-50)	(0-50)	0-100	300-400	600-700	800-1200
Capex savings	100-200	300-400	400-500	450-550	400-450	1650-2100
One-time costs	(600-700)	(0-50)	(700-800)	(800-900)	—	(2100-2450)
<b>Non-network (\$ M)</b>						
Opex savings	0-50	100-200	150-250	150-250	200-300	600-1050
Capex savings	—	0-50	0-50	0-50	0-50	0-200
One-time costs	(150-250)	(0-100)	(0-100)	—	—	(150-450)

**Current view**  
(5 Year Total, \$ M)

1900-2100

2700-2900

(1500-1700)

1100-1300

0-100

(0-150)

**Current view NPV<sup>1</sup> of synergies \$9-10 B vs. original plan of \$6-7 B**

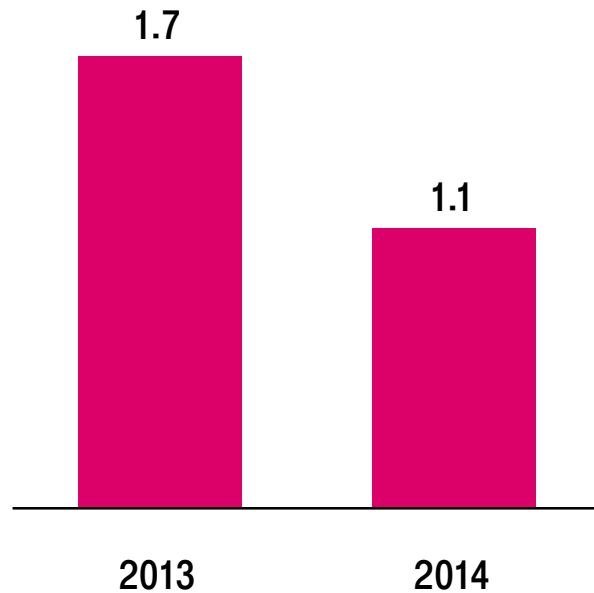
**TMUS expected to hit run-rate synergies one year earlier – 2016 vs. original plan of 2017**

<sup>1</sup> After-tax NPV calculated with 9% discount rate and 38% tax rate

# CONTINUING ORGANIC TRANSFORMATION

## Impact of Cost Programs

\$ Billions



## Key Cost Transformation Actions in 2013/14

- ✓ Optimize handset lifecycle and remorse management
- ✓ Improve operational and back office efficiencies
- ✓ Reduce network costs
- ✓ Business optimization
- ✓ Tighten policies on discretionary spend
- ✓ Focus investment in systems and tools to reduce re-work



# 2015 GUIDANCE



# STRONG OUTLOOK FOR 2015

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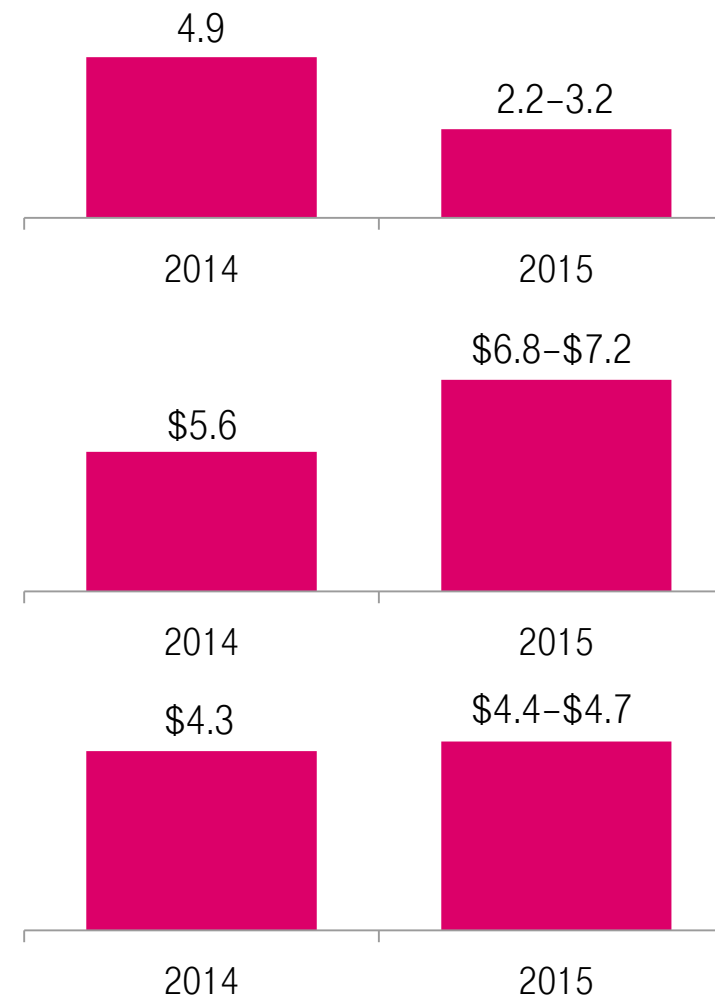
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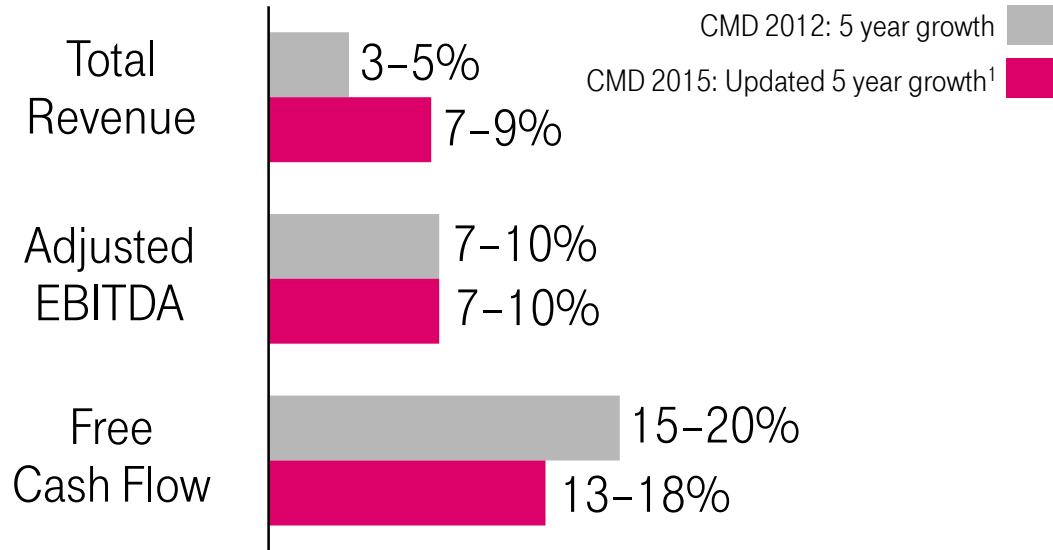




# MID TERM AMBITION LEVEL

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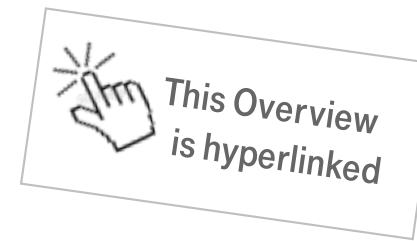


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# FINANCE

Thomas Dannenfeldt, CFO



## 1. Key Messages

### 2. Review 2013 – 2014

- Shareholdervalue
- Debt Investors

## 3. Financial Strategy 2015 – 2018

- Overview
- Summary 2014 -2018

EQUITY	VALUE CREATION	DEBT
<ul style="list-style-type: none"> <li>▪ Growth</li> </ul>	<ul style="list-style-type: none"> <li>▪ Growth</li> <li>▪ Infrastructure &amp; Transformation</li> <li>▪ Superior Production Platform</li> <li>▪ Opex Profile</li> <li>▪ Cost Reduction</li> <li>▪ EBITDA, EBIT, EPS</li> <li>▪ Risk Management</li> <li>▪ Pension</li> </ul>	<ul style="list-style-type: none"> <li>▪ Stability</li> </ul>

## 4. Guidance & Mid Term Ambition Level

- Guidance 2015
- DT Group Ambition 2018

AGENDA

GROUP STRATEGY

COST & PORTFOLIO

LEAD IN BUSINESS

SUPERIOR PRODUCT. MODEL

EUROPE

GERMANY

TMUS

FINANCE

WRAP-UP



LIFE IS FOR SHARING.



# FINANCE

Thomas Dannenfeldt, CFO

# KEY MESSAGE: DT IS THE LEADING EUROPEAN TELCO!

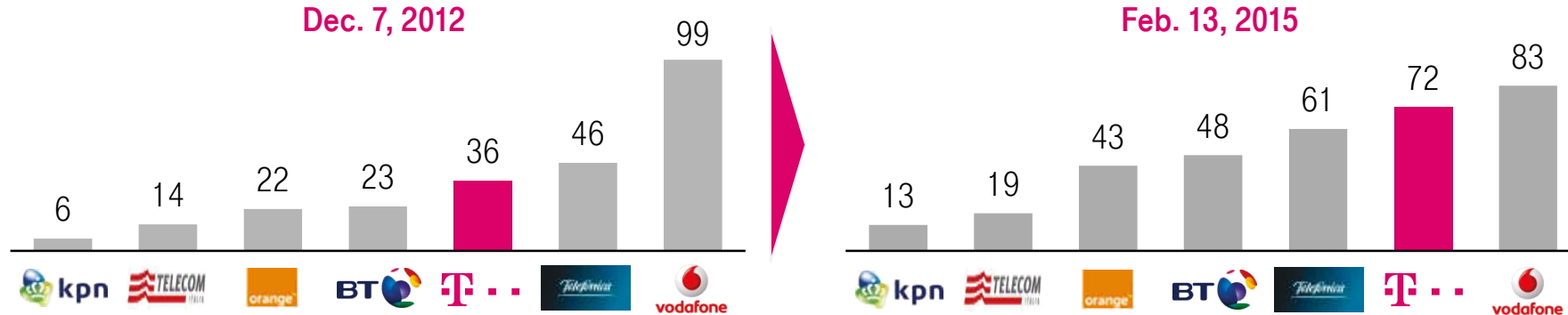
- 1** Leading European Telco:  
Integrated market leader with superior margins and returns.
- 2** We strengthen our differentiation by best customer experience and by continuously investing into leading access networks and our transformation programs.
- 3** We are transforming towards a lean and highly agile IP production.
- 4** We are self-funding DT's transformation by disciplined cost management.
- 5** We will grow in all relevant financial KPI's (ROCE, Revenue, EBITDA, FCF).
- 6** Our shareholders will participate with growth of dividends following FCF growth and our prudent debt policy remains unchanged.



# REVIEW 2013–2014

# WE CREATED VALUE FOR DT SHAREHOLDERS SINCE LAST CMD

## DEVELOPMENT OF MARKET CAP SINCE CAPITAL MARKETS DAY 2012



## CMD 2012 DIVIDEND POLICY DELIVERED



<sup>1</sup> Subject to board resolution and AGM approval



# WE ARE STILL THE “SAFE HAVEN” FOR DEBT INVESTORS

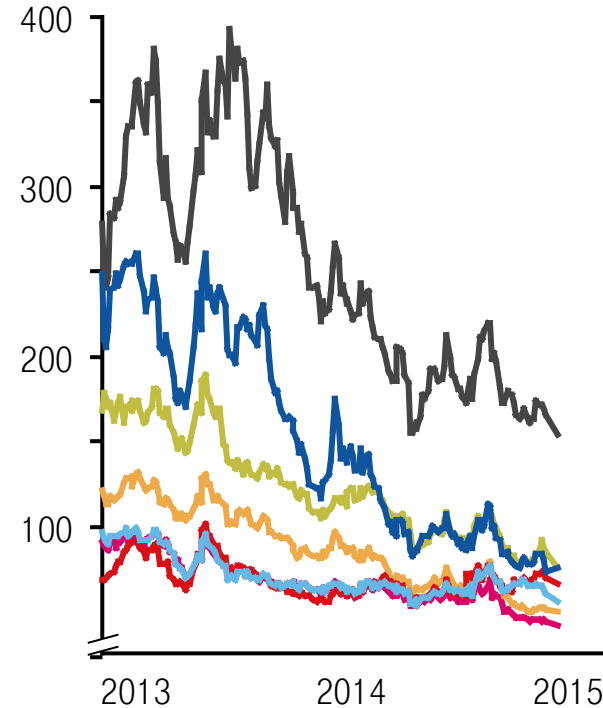
## RATING POSITION<sup>1</sup>

2004	
VOD	A
TEF	A
BT	A -
KPN	A -
Avg. A -	
<b>5. DT</b>	<b>BBB +</b>
ORA	BBB +
TI	BBB +

2012	
VOD	A -
ORA	A -
<b>3. DT</b>	<b>BBB +</b>
Avg. BBB +/BBB	
TEF	BBB
BT	BBB
KPN	BBB
TI	BBB

2014	
VOD	A -
<b>2. DT</b>	<b>BBB +</b>
ORA	BBB +
Avg. BBB	
TEF	BBB
BT	BBB
KPN	BBB -
TI	BB +

## CREDIT DEFAULT SWAPS (5 YRS)



Basispoints (Change vs. last CMD) <sup>2</sup>	
TELECOM ITALIA	152 (-45%)
kpn	74 (-56%)
Telefonica	74 (-70%)
vodafone	64 (-5%)
BT	53 (-44%)
orange	48 (-60%)
T ..	<b>39 (-56%)</b> ◀

<sup>1</sup> Based on S&P    <sup>2</sup> As of 13.02.2015



# FINANCIAL STRATEGY 2015–2018

# LEADING EUROPEAN TELCO WITH FOCUS ON ROCE

## II EQUITY

### RELIABLE SHAREHOLDER REMUNERATION POLICY

- **DIVIDEND<sup>1</sup>**
  - Following FCF growth
  - Floor at €0.50 per share
  - Attractive option: Dividend in kind

## STRATEGY LEADING EUROPEAN TELCO

INTEGRATED IP NETWORKS

BEST CUSTOMER EXPERIENCE

WIN WITH PARTNERS

LEAD IN BUSINESS

## I VALUE CREATION: ROCE > WACC

- 1 INFRASTRUCTURE TRANSFORMATION**  
Support fast IP migration and transform network infrastructure
- 2 COST TRANSFORMATION**  
Reduce indirect cost
- 3 PORTFOLIO MANAGEMENT**  
Deliver on preferred business model (integrated + B2C/B2B) and value generation
- 4 RISK MANAGEMENT**  
Maintain low risk country portfolio

## III DEBT

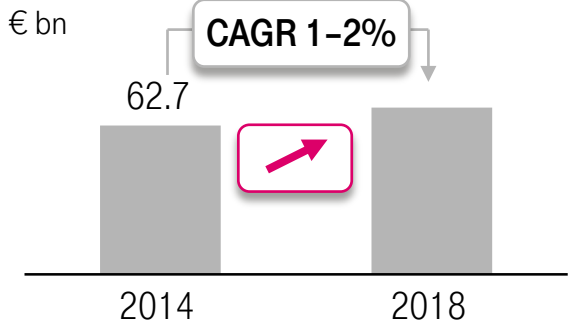
### UNDISPUTED ACCESS TO DEBT CAPITAL MARKETS

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

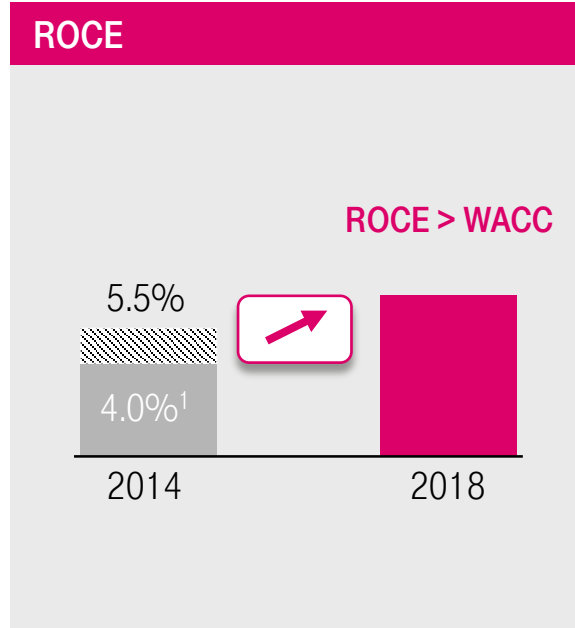
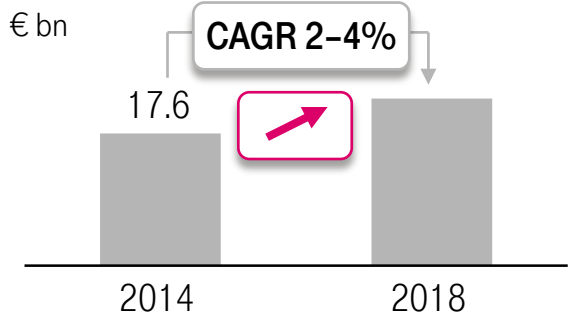
<sup>1</sup> Subject to necessary AGM approval and board resolution

# TOP LINE AND EBITDA GROWTH WILL STRENGTHEN ROCE

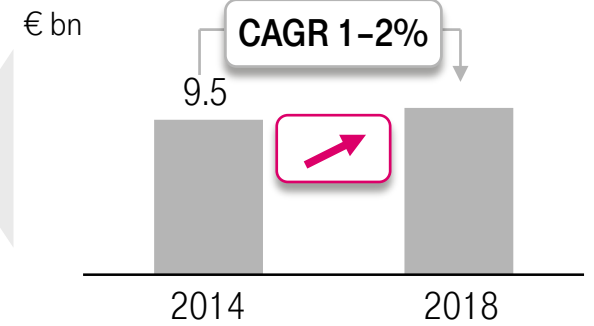
## REVENUE



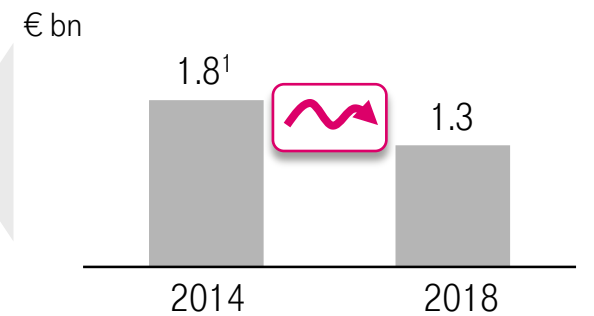
## ADJ. EBITDA



## (CASH) CAPEX



## SPECIAL FACTORS (EBITDA)



<sup>1</sup> Excl. effects from 70% Scout disposal and Verizon 4.0 spectrum

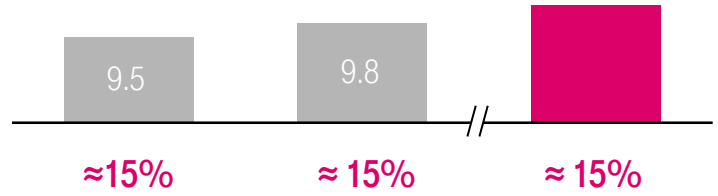
# CONTINUED HIGH INVESTMENTS IN INFRASTRUCTURE & TRANSFORMATION

## (CASH) CAPEX PROFILE<sup>1</sup>

€ bn



Cash Capex/Sales:



Increased network roll-out within same capex envelope (vs CMD 2012)



<sup>1</sup> Excl. spectrum

# WE BUILD A SUPERIOR PRODUCTION PLATFORM WITH STEADY STATE IN EARLY 2020IES

## DIGITAL TRANSFORMATION OF CUSTOMER FACING PROCESSES

COST EFFICIENCY & SIMPLICITY



### ALL-IP TRANSFORMATION

### PAN-EUROPEAN NETWORK

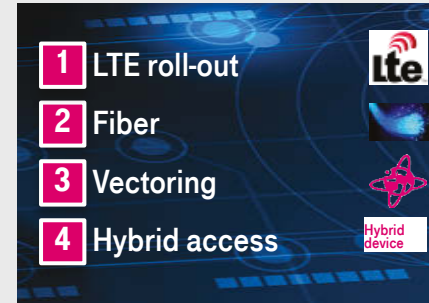
### INTEGRATED NETWORK STRATEGY



PLUG & PLAY



TIME TO MARKET



BEST CONNECTIVITY

Annual run rate adj. Opex savings:

≈ €-1.2 bn<sup>1</sup>

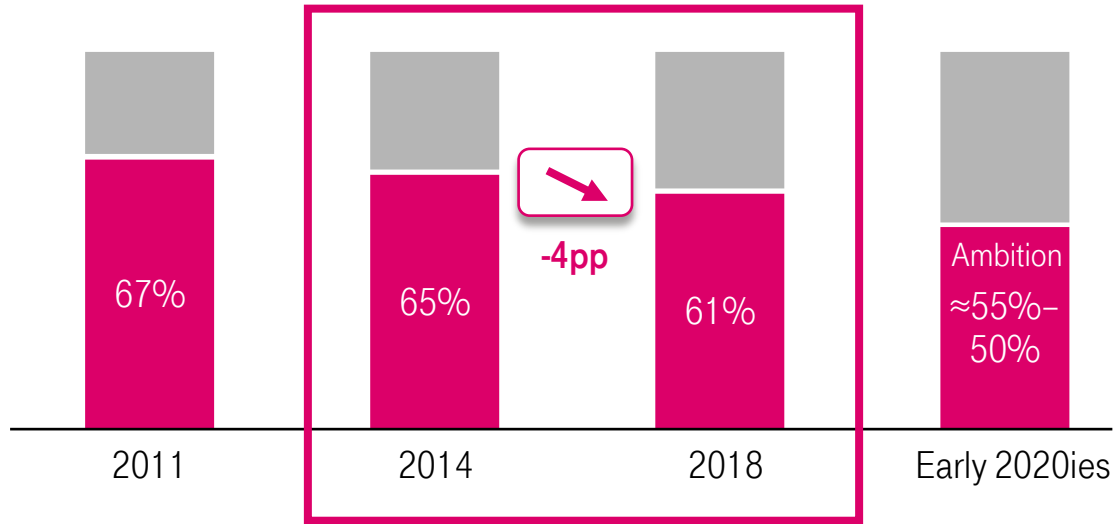
(steady state in early 2020ies)

<sup>1</sup> Gross Opex savings D/EU before any counter effects (e.g. personnel cost increases)

# WE WILL TRANSFORM OUR OPEX PROFILE TOWARDS MORE FLEXIBILITY

## INCREASE OF FLEXIBILITY BY "VARIABILIZATION OF COST" (EX US)

Share of direct and indirect<sup>1</sup> cost

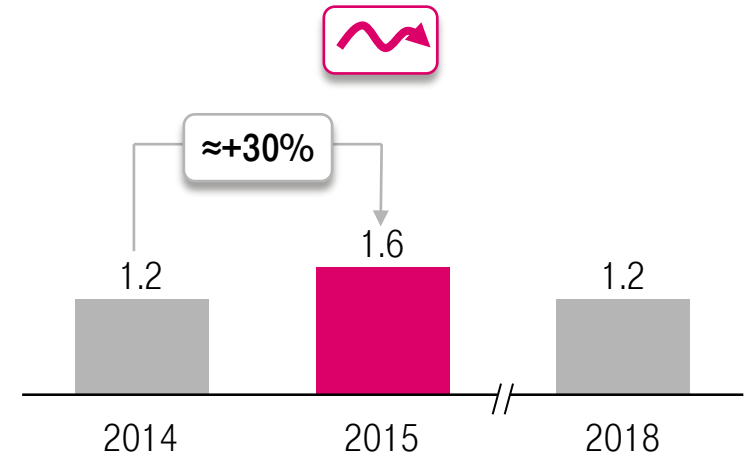


■ Adj. direct cost (ex US)    ■ Adj. indirect cost<sup>1</sup> (ex US)

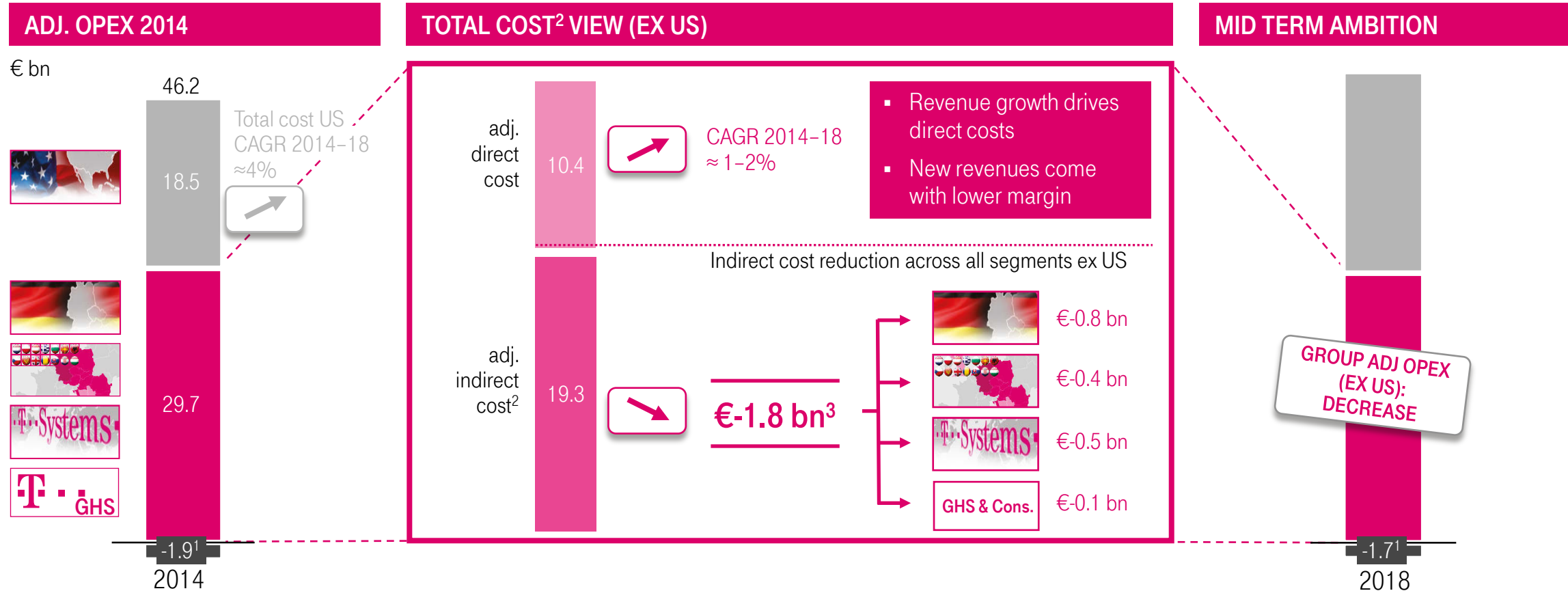
<sup>1</sup> Before capitalization of labor

## CASH PERSONNEL SPECIAL FACTORS (EX US)

€ bn



# WE REDUCE OUR INDIRECT COST EX US BY € 1.8 BN TO SELF-FUND OUR INVESTMENTS

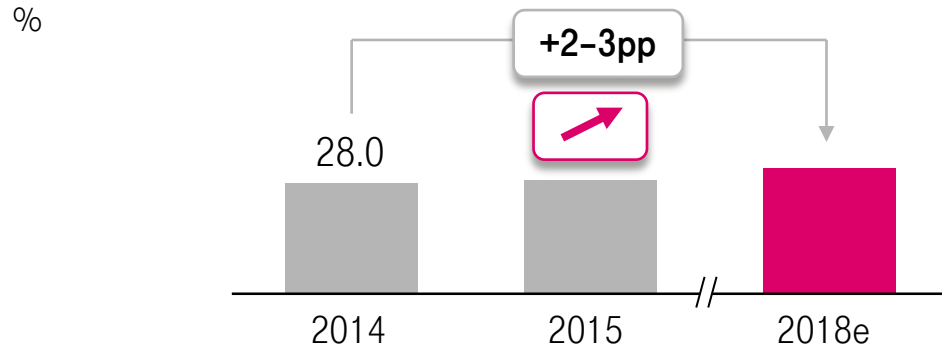


<sup>1</sup> Capitalization of labor   <sup>2</sup> Before capitalization of labor   <sup>3</sup> Before lower capitalization of labor of €0.25 bn

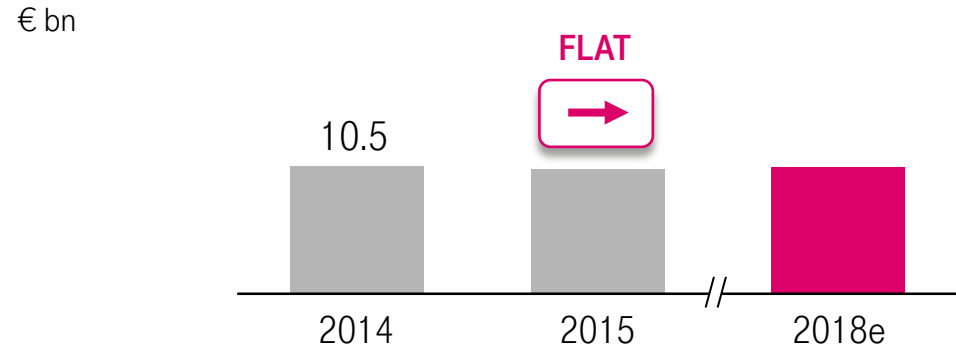


# WE WILL GROW IN EBITDA, EBIT AND EPS

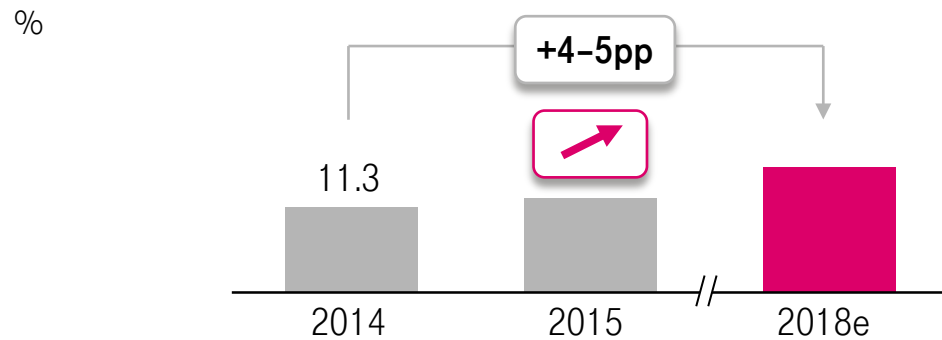
## INCREASING ADJ. EBITDA MARGIN



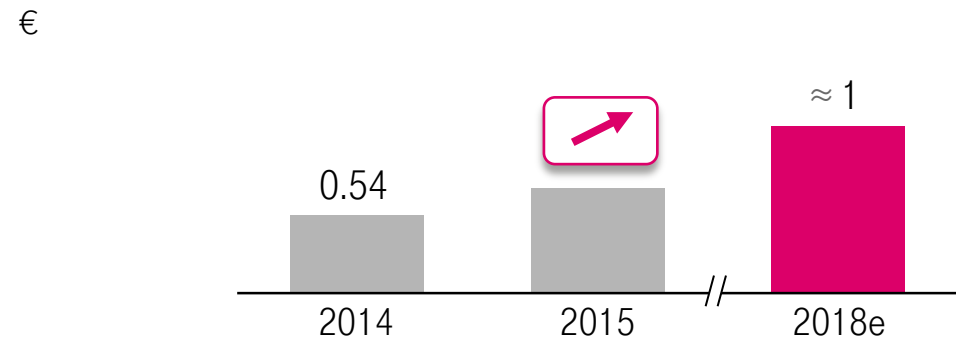
## FLAT ADJ. DEPRECIATIONS



## INCREASING ADJ. EBIT MARGIN

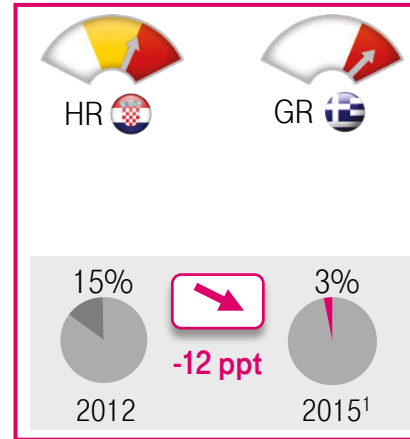
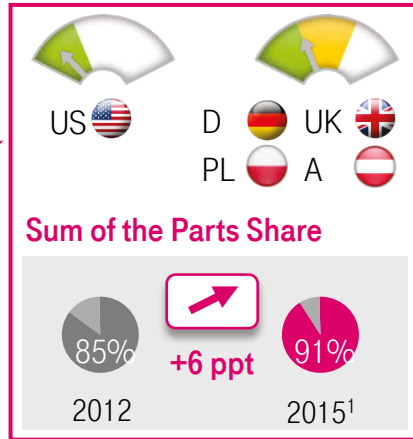


## IMPROVEMENT OF ADJ. EPS



# IMPRESSIVE DE-RISKING TRACK RECORD SINCE LAST CAPITAL MARKETS DAY

## SUBSTANTIAL ECONOMIC RISK REDUCTION COMPARED TO CMD 2012



### T-MOBILE US: SUCCESSFUL DE-RISKING STORY

- Self funding fully intact!
- Around **\$14 bn** external capital since listing (May 2013)
  - Stand alone bond issuances
  - Sale of TMUS notes
  - Equity increase
  - Mandatory preferred convertible

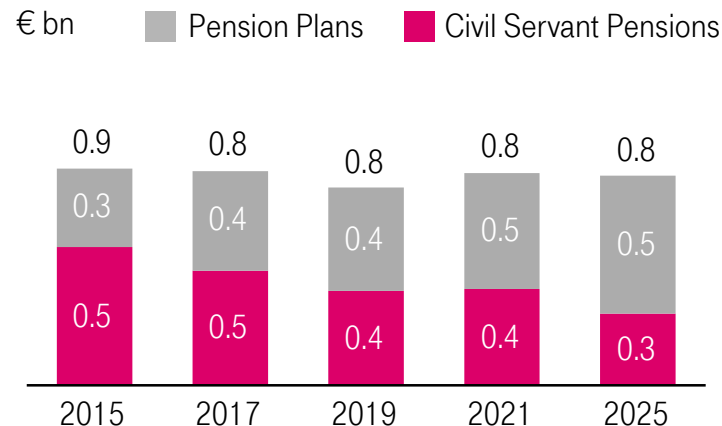
<sup>1</sup> As per Feb. 2015

### OTE: RIGOROUS DE-RISKING EFFORTS

- Strong credit story!
- Successful sales of Globul, Tel. Serbia stake, Hellas Sat
- Rating improved by **4 Notches** (@ Moody's):  
From Caa1 in 2012 to currently Ba3
- Leverage Ratio improved from 1.9x to **0.8x**
- Maturities of **next 3 years** covered

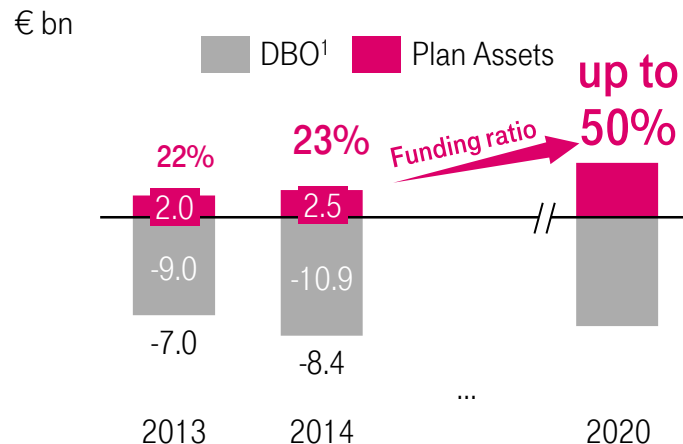
# WE ARE EXPECTING SLIGHTLY DECLINING PAYOUTS FOR PENSIONS

## PAYOUTS FOR PENSIONS (GER) DECREASING



- Payments for the civil servants pensions to decrease over time
- No volatility expected as number of civil servants is decreasing (no new hires) and contribution is fixed

## FUNDING RATIO INCREASING (VOLUNTARY)



- We plan to fund up to 50% of DBO until 2020
- **FUNDING IS ENTIRELY VOLUNTARY!**

## SENSITIVITY DRIVERS OF DBO<sup>2</sup>

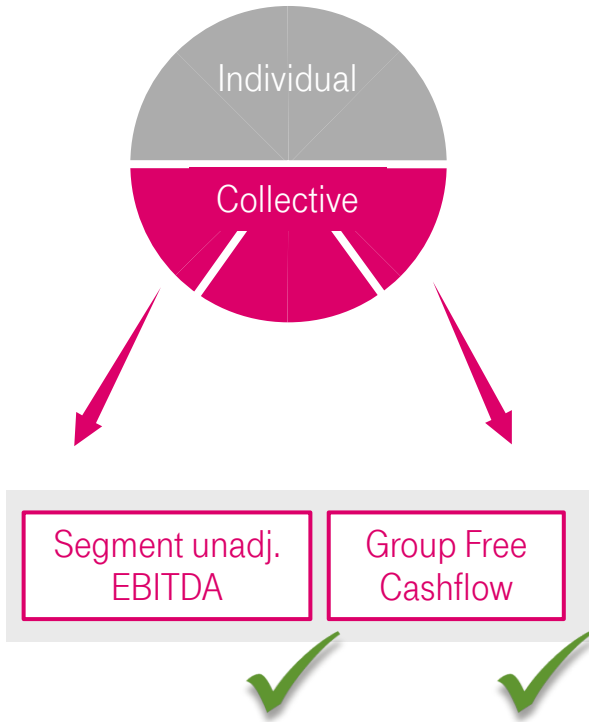


- Highest sensitivity with discount rate
- Decrease of discount rate in 2014<sup>3</sup> by 140 bps almost entirely driving increase in DBO

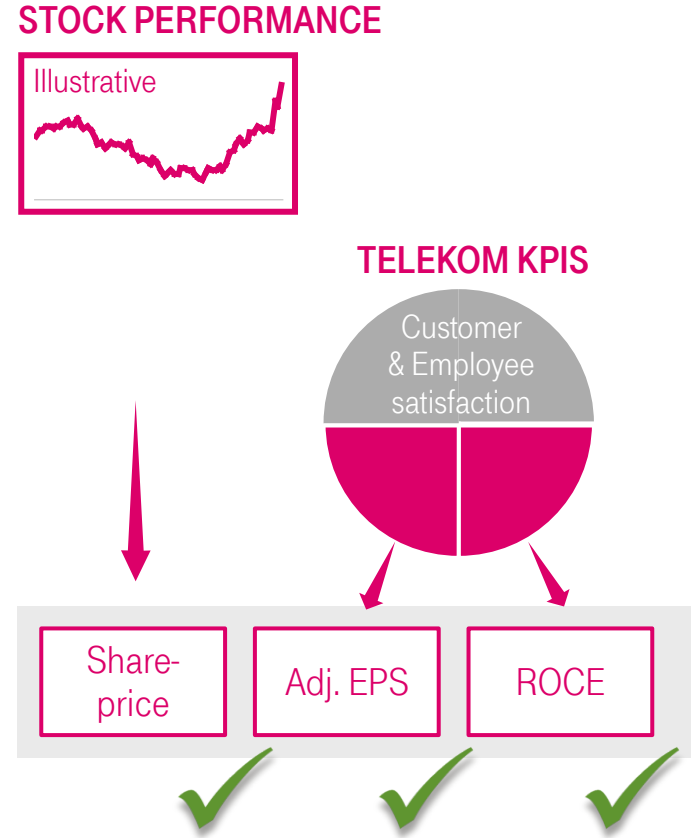
<sup>1</sup> DBO = Defined benefit obligation <sup>2</sup> Sensitivities for Germany as it covers 90% of total DBO <sup>3</sup> Discount rates: 3.3% in 2013 versus 1.9% in 2014

# MANAGEMENT INCENTIVES ALIGNED WITH SHAREHOLDERS INTEREST

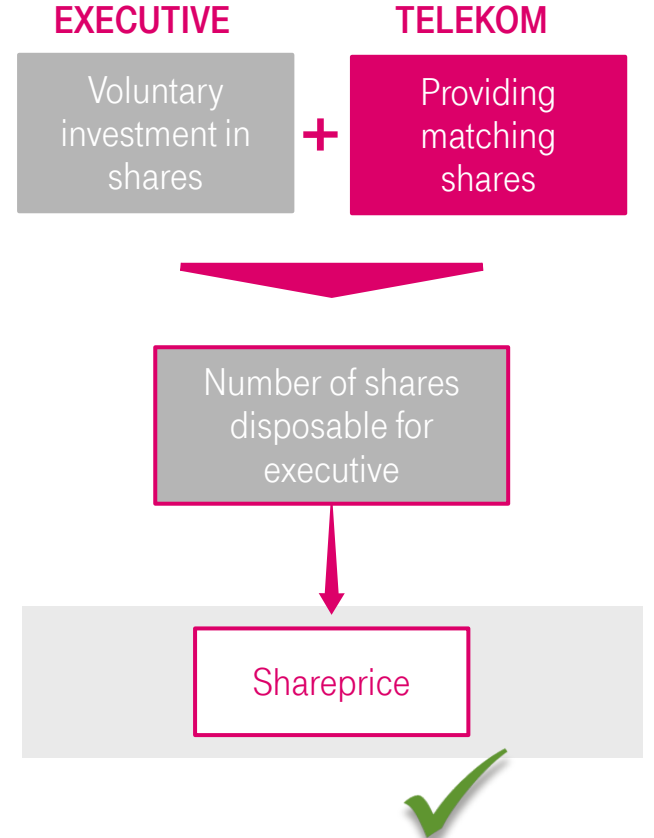
## 1 SHORT TERM INCENTIVE



## 2 LONG TERM INCENTIVE

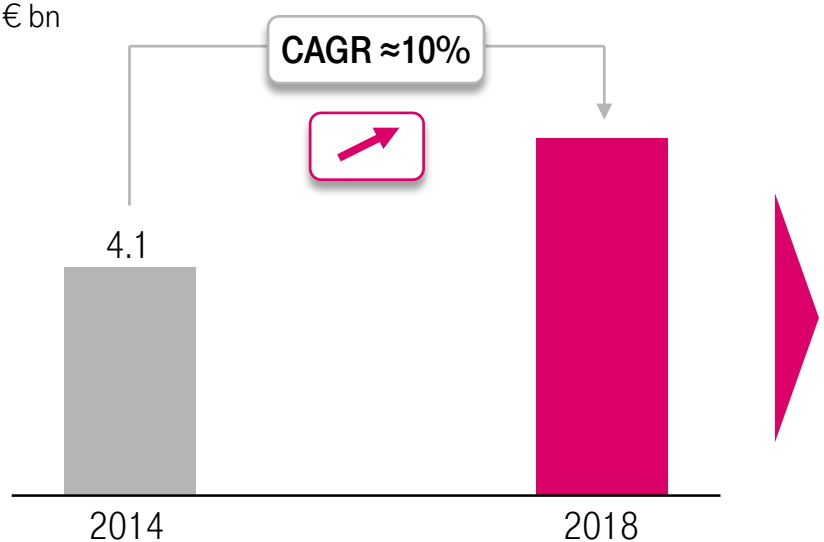


## 3 SHARE MATCHING PLAN

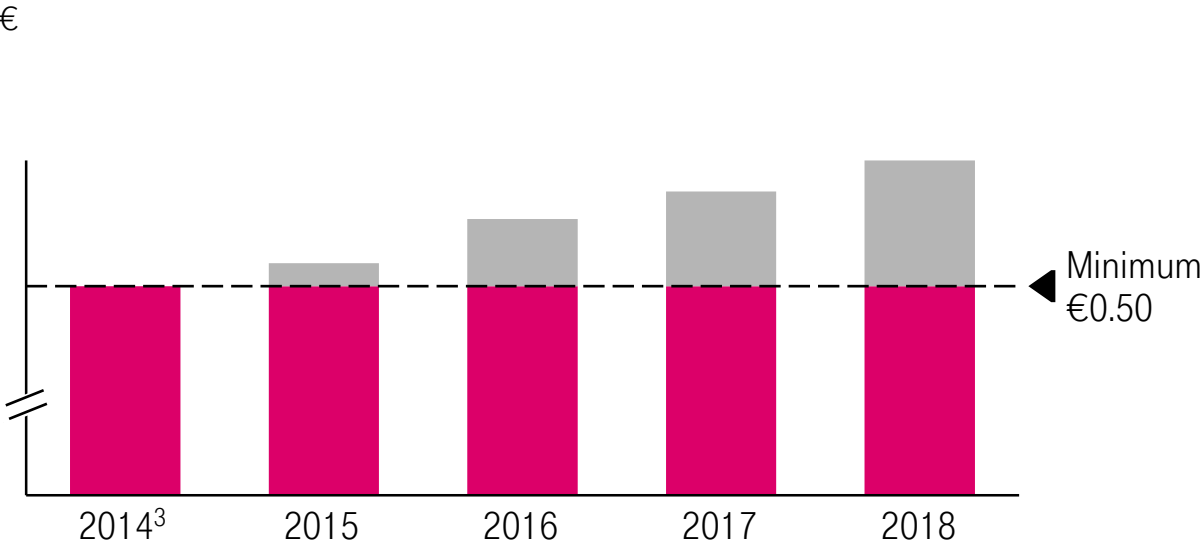


# OUR SHAREHOLDERS WILL PARTICIPATE IN GROWTH

## FREE CASHFLOW DT GROUP<sup>1</sup>



## DIVIDENDS FOLLOWING FCF GROWTH<sup>2</sup>



Note: Pension funding and spectrum investments will have no impact on our dividend policy

<sup>1</sup> Before spectrum investment    <sup>2</sup> Subject to necessary AGM approval and board resolution    <sup>3</sup> Columns are referring to the expected dividend per share for the respective financial year (with payout the year after)

# DT REMAINS ANCHOR OF STABILITY WITH NO CHANGE IN DEBT COMFORT ZONE RATIOS!

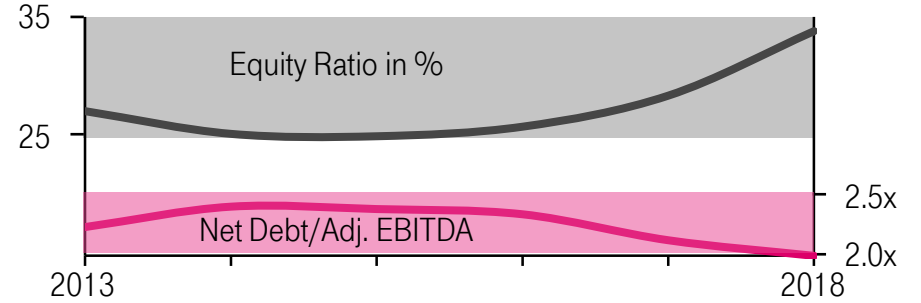
## DEBT POLICY STILL VALID

Undisputed access to debt capital markets

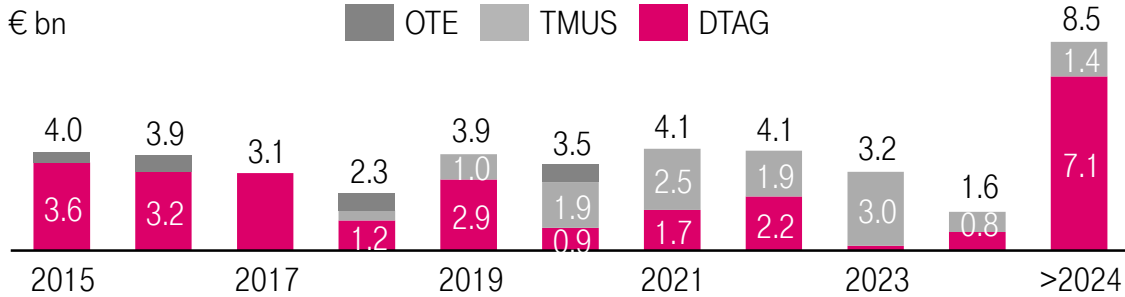


- **Rating:** A-/BBB
- **Net debt/adj. EBITDA:** 2.0–2.5x
- **Equity ratio:** 25–35%
- **Liquidity reserve:** covers maturities of coming 24 months

## COMFORT ZONE DEVELOPMENT

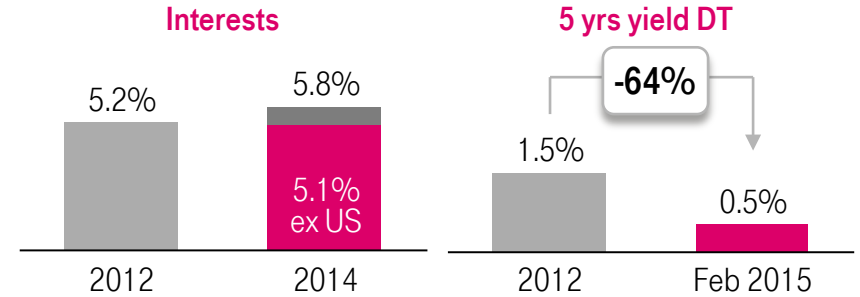


## BALANCED MATURITY PROFILE<sup>1</sup>



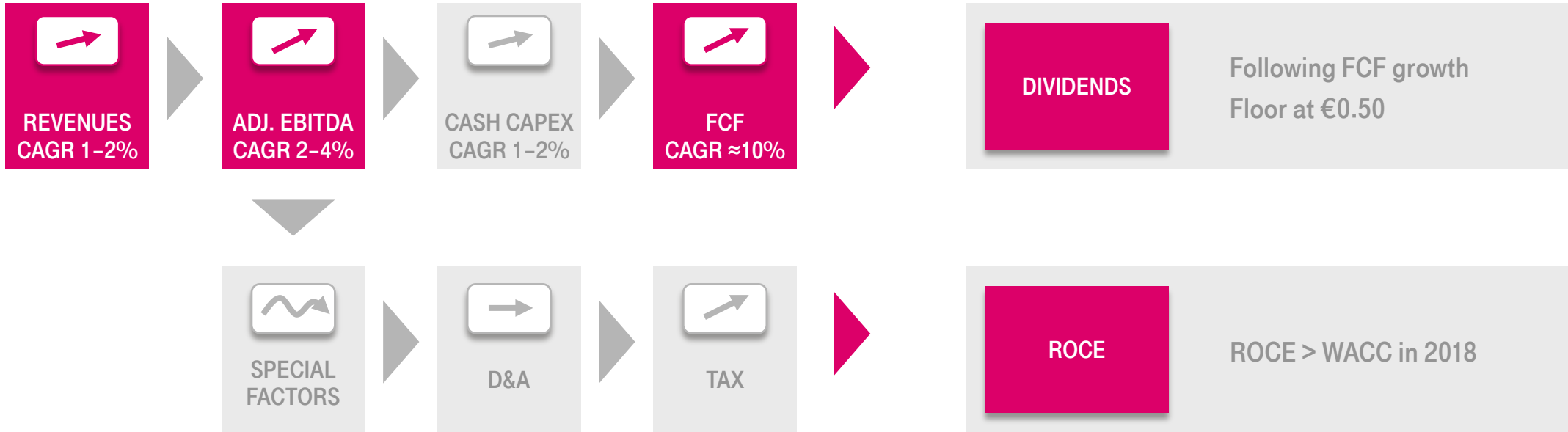
<sup>1</sup> As of Dec. 2014

## REFINANCING COST



## DT WILL GROW IN ALL RELEVANT FINANCIAL KPI'S ...

## ... OUR SHAREHOLDERS WILL PARTICIPATE !





# GUIDANCE AND MID TERM AMBITION LEVEL



# OUR GUIDANCE

	2014 RESULTS Reported	GUIDANCE 2015 ON A CONSTANT CURRENCY BASIS <sup>1</sup>	GUIDANCE 2015 ON CURRENT €/€ EXCHANGE RATE <sup>2</sup>
€ BN		€/\$: 1.33	€/\$: 1.13
REVENUE	62.7	Growth	Growth
ADJ. EBITDA	17.6	around 18.3	around 19.3
FCF	4.1	around 4.3	around 4.3

<sup>1</sup> Guidance based on constant exchange rates (Average €/€ exchange rate 2014 of 1,33) and no further changes in the scope of consolidation

<sup>2</sup> Guidance based on constant exchange rates (Current €/€ exchange rate of 1,13) and no further changes in the scope of consolidation; current: exchange rate as of Feb. 13

# MID TERM AMBITION LEVEL

TOPIC	MID TERM AMBITION LEVEL <sup>1</sup>	YEAR
GROUP REVENUES	CAGR 1–2%	2014–2018
GROUP ADJ. EBITDA	CAGR 2–4%	2014–2018
GROUP FCF	CAGR ≈10%	2014–2018
GROUP ADJ. EPS	≈€1 in 2018	2018
GROUP ROCE	ROCE > WACC in 2018	2018
GROUP CASH CAPEX	CAGR 1–2%	2014–2018
GROUP ADJ. OPEX	DECREASE (ex US)	2014–2018
SHAREHOLDER REMUNERATION POLICY (2015–2018) <sup>2</sup>	Following FCF growth; min. DPS of €0.50 p.a.	2015–2018

<sup>1</sup> Based on constant exchange rates (Average €/€ exchange rate 2014 of 1.33) and no further changes in the scope of consolidation    <sup>2</sup> Subject to necessary AGM approval and board resolution



# WRAP-UP

Tim Höttges, CEO  
Thomas Dannenfeldt, CFO

# KEY MESSAGES: DT IS THE LEADING EUROPEAN TELCO!

- 1** Leading European Telco:  
Integrated market leader with superior margins and returns.
- 2** We strengthen our differentiation by best customer experience and by continuously investing into leading access networks and our transformation programs.
- 3** We are transforming towards a lean and highly agile IP production.
- 4** We are self-funding DT's transformation by disciplined cost management.
- 5** We will grow in all relevant financial KPI's (ROCE, Revenue, EBITDA, FCF).
- 6** Our shareholders will participate with growth of dividends following FCF growth and our prudent debt policy remains unchanged.