DISCLAIMER

This presentation contains forward-looking statements that reflect the current views of Deutsche Telekom management with respect to future events. These forward-looking statements include statements with regard to the expected development of revenue, earnings, profits from operations, depreciation and amortization, cash flows and personnel-related measures. You should consider them with caution. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond Deutsche Telekom’s control. Among the factors that might influence our ability to achieve our objectives are the progress of our workforce reduction initiative and other cost-saving measures, and the impact of other significant strategic, labor or business initiatives, including acquisitions, dispositions and business combinations, and our network upgrade and expansion initiatives. In addition, stronger than expected competition, technological change, legal proceedings and regulatory developments, among other factors, may have a material adverse effect on our costs and revenue development. Further, the economic downturn in our markets, and changes in interest and currency exchange rates, may also have an impact on our business development and the availability of financing on favorable conditions. Changes to our expectations concerning future cash flows may lead to impairment write downs of assets carried at historical cost, which may materially affect our results at the group and operating segment levels. If these or other risks and uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, our actual performance may materially differ from the performance expressed or implied by forward-looking statements. We can offer no assurance that our estimates or expectations will be achieved. Without prejudice to existing obligations under capital market law, we do not assume any obligation to update forward-looking statements to take new information or future events into account or otherwise.

In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, free cash flow, gross debt and net debt. These non-GAAP measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with IFRS. Non-GAAP financial performance measures are not subject to IFRS or any other generally accepted accounting principles. Other companies may define these terms in different ways.
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

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

1 Pro forma EBITDA 2013, adjusted for changes in the scope of consolidation
2 ROCE 2014 incl. effects from 70% Scout disposal and Verizon spectrum (excl. = 4.0%)
3 Subject to resolutions of the relevant bodies and the fulfillment of other legal requirements
Note: Figures as reported
STRENGTH 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 rollout & 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+
- MU: Management team changes
- Tel IT: 1bn spend reduction in internal IT (2012–15)

PORTFOLIO 2013–2015

- MERGER
- ACQUISITION
- 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

<table>
<thead>
<tr>
<th>STOXX 50</th>
<th>DAX Telcos</th>
<th>kpn</th>
<th>Telecom</th>
<th>vodafone</th>
<th>BT</th>
<th>orange</th>
</tr>
</thead>
<tbody>
<tr>
<td>46</td>
<td>41</td>
<td>70</td>
<td>12</td>
<td>40</td>
<td>43</td>
<td>56</td>
</tr>
<tr>
<td>99</td>
<td>119</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

+108%

CMD 2012 DIVIDEND POLICY DELIVERED

FY 2012: €0.70
FY 2013: €0.50
FY 2014: €0.50¹

¹ 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% (+1pp).
- 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
- internet of things
- convergence
- digitalization
- self-service
- sharing
- mix and match
- individualization
- apps
- convenience
- synchrony

TECHNOLOGY
- virtualization
- bandwidth
- modularization
- All-IP
- softwarization
- coverage
- reliability
- hybrid networks
- stability
- LTE

BUSINESS MODELS
- open platforms
- interoperability
- Industry 4.0
- data is the resource
- two-sided business model
- OTT
- data analytics
- network effects
- connected data platforms
- ecosystem
- freemium
CUSTOMER TRENDS: SHARING IN A CONNECTED WORLD

Exemplary device and apps

- Phone by Apple
- Contract by Telekom
- 25 different apps

Individual mix & match

Seamless connectivity

- LTE
- WLAN
- FIBRE
- HYBRID

Sharing is the new having

Appification: one use case, one app

Intuitive and simple interfaces – mobile first

Digital enabling of all aspects of life

Get Active  Eat Better  Manage Weight  Sleep Better

1 Average number of downloaded apps on smart phones (2014)
2 Telekom Service Apps: Magenta Service and Telekom Hilft
TECHNOLOGY TRENDS: CONVERGENCE & VIRTUALIZATION

**SOFTWAREIZATION**
- Software defined networks
  - Service Programming
  - Control & Automation
  - Common IP Layer
- Replacing consumer hardware
  - eSIM
  - virtual set-top box

**VIRTUALIZATION**
- Network function virtualization
  - Service A
  - Service B
  - Control & Automation
  - Cloud Infrastructure
  - Commodity Hardware
- 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
  - micro cell
  - macro cell
  - pico cell

**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

- SAP HANA
  - Instant Results
- HADOOP
  - Infinite Storage
BUSINESS MODEL TRENDS: OTT DISRUPTION

TELCO BUSINESS MODEL

1. Open platforms
   - Interoperable standards
   - Regulated market

2. Scale for utilization

3. Transport and protection of user data

4. Usage-based monetization

5. Asset-heavy network invest

OTT BUSINESS MODEL

1. Closed platforms
   - De-facto standards
   - Unregulated market

2. Scale for reach

3. Exploitation of user data

4. Ad-based monetization

5. Asset-light portfolio extension

DISRUPTION

PREMIUM SERVICE

FREEMIUM SERVICE
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

Examples

Integrated and simple offers
Seamless connectivity in fixed and mobile
State-of-the-art devices
Strategic terminal management
Reliable and secure service
Digital and omni-channel service

Hybrid

Examples

Examples
STRAEGY 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\(^1\) in 2018 with up to 300Mbps
- Fiber household footprint of \(\approx 80\%\) 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%\(^2\) LTE pop-coverage in 2018 with up to 300 Mbps
- \(\approx 50\%\) of households\(^3\) with at least 100Mbps in 2018
- \(\approx 12\%\) of households\(^3\) with up to 500Mbps\(^4\) in 2018
- 1.6mn hotspots in 2018\(^5\)

---

\(^1\) Outdoor coverage \(^2\) Depending on country \(^3\) In integrated footprint \(^4\) FTTH, FTTB, FTTC, cable/ED3 (cable, esp. in Hungary with Euro-DOCSIS) \(^5\) Including FON
OUR SUPERIOR PRODUCTION MODEL

DIGITAL TRANSFORMATION OF CUSTOMER FACING PROCESSES

COST EFFICIENCY & SIMPLICITY

ALL-IP TRANSFORMATION

PSTN migration in all NatCos

PLUG & PLAY

PAN-EUROPEAN NETWORK

Centralized, virtualized architecture and production platforms

TIME TO MARKET

INTEGRATED NETWORK STRATEGY

1. LTE roll-out
2. Optical fiber
3. Vectoring
4. Hybrid access

BEST CONNECTIVITY

Annual run rate adj. Opex savings:

\[ \approx €-1.2 \text{ bn}^1 \]

(steady state in early 2020ies)

---

1 Gross Opex savings D/EU before any counter effects (e.g. personnel cost increases)
OUR INTEGRATED CUSTOMER PROPOSITION

FROM SEPARATE, COMPLEX TARIFFS...

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

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

Customers
- One-stop shopping
- Integrated proposition
- Best digital products

Partner
- Product reach
- Technical enablement
- Additional revenues

DT
- Platform scale
- Loyalty boost
- Additional revenues
- Partner vs. make

ACHIEVEMENTS AND AMBITION OF PARTNERING

Subscriber (mn.)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2.3</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Revenue (€ mn.)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>100</td>
<td>300</td>
</tr>
</tbody>
</table>

Subscriber (mn.)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1.7</td>
<td>6.0</td>
</tr>
</tbody>
</table>
## B2B: UNIFYING THE STRENGTHS OF EUROPE, TSI AND GERMANY

<table>
<thead>
<tr>
<th>Europe</th>
<th>TSI</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen B2B in EU</td>
<td>TSI 2015+ program</td>
<td>German SME initiative</td>
</tr>
<tr>
<td>- Focus on Fixed + Mobile + Cloud service offers &amp; bundles</td>
<td>- Transformation program incl. new setup with 3 divisions: IT, TC, Digital</td>
<td>- Nationwide sales and service presence</td>
</tr>
<tr>
<td>- International product launches: Cloud, VPN, M2M best-coverage</td>
<td>- Group wide initiative to strengthen the Int’l TC Business</td>
<td>- One-stop-shop product portfolio including customized bundle offers</td>
</tr>
<tr>
<td>- Establish innovative G2M and partnership programs</td>
<td>- Growth focus on digital innovation areas like Cloud, Big Data, M2M</td>
<td>- Focus business initiatives: IT Cloud, M2M, DeutschlandLAN</td>
</tr>
</tbody>
</table>

### Collaborative coverage of B2B clients EU and D

---

## PARTNERS

**Examples**

<table>
<thead>
<tr>
<th>Strengthen B2B in Europe:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target:</strong> B2B/ICT revenue growth &gt;12% in EU (CAGR until 2018)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>T-Systems 2015+:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target:</strong> ≈3% revenue CAGR in TSI MU until 2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>German Mid Market initiative:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target:</strong> + €0.4 bn IT revenue in SME (until 2018)</td>
</tr>
</tbody>
</table>
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

- Pure Connect.
- Data Mgmt.
- Platform Services
- Car Industry Solutions
- Secure Autocloud

OUR CUSTOMERS (SELECTION)

DAIMLER  Continental  CHINA MOBILE  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

WIN WITH PARTNERS
- “Steckerleiste” Strategic Partners

LEAD IN BUSINESS
- M2M
- Cloud
- Verticals
- Advanced Data Analytics
- Open and interoperable platforms

Accenteduated: Innovation in adjacent businesses

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

300Mbit/s

...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
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

**SCALE**
Enable scale economies to unlock dynamic efficiencies
- Enable market consolidation
- Allow co-operations to promote open platforms and interoperability

**COMPETITIVENESS**
Ensure a level playing field with same rules for all players in the value chain
- Data protection & data security
- Interoperability
- Consumer protection

**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

ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT
WE FOLLOW A CLEAR PORTFOLIO STRATEGY

CMD 2012: EE AND SCOUT UNDER STRATEGIC REVIEW

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

---

GROUP STRATEGY  COST AND PORTFOLIO TRANSFORMATION  LEAD IN BUSINESS  SUPERIOR PRODUCTION MODEL  EUROPE  GERMANY  T-MOBILE USA  FINANCE
WE REDUCE OUR INDIRECT COST EX TMUS

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

Share of direct and indirect¹ cost (ex US)

<table>
<thead>
<tr>
<th>Year</th>
<th>Adj. direct cost (ex US)</th>
<th>Adj. indirect cost¹ (ex US)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>2014</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>2018</td>
<td>61%</td>
<td>39%</td>
</tr>
<tr>
<td>Early 2020ies</td>
<td>57%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Early 2020ies ambition: ≈ 50%–55%

... DRIVEN BY REVENUE GROWTH AND INDIRECT COST REDUCTION

€ bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Total cost (ex US)</th>
<th>CAGR ≈ 1-2% driven by revenue growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>10.4</td>
<td></td>
</tr>
<tr>
<td>2014 - 2018</td>
<td>19.3</td>
<td>€1.8 bn indirect cost¹ reduction across all segments (excl US)</td>
</tr>
</tbody>
</table>

Segment contribution

-€0.8 bn
-€0.4 bn
-€0.5 bn
-€0.1 bn

1 Before capitalization of labor
## The Best Team Puts Our Strategy in Action

### LEADING EUROPEAN TELCO

**More...**

<table>
<thead>
<tr>
<th>Leadership</th>
<th>...collaborate, innovate and empower to perform.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversity</td>
<td>...international mindset.</td>
</tr>
<tr>
<td>Responsibility</td>
<td>...clear leadership and ownership.</td>
</tr>
<tr>
<td>Incentivation</td>
<td>...raising the bar for overall success.</td>
</tr>
<tr>
<td>Talent management</td>
<td>...international leaders &amp; experts.</td>
</tr>
<tr>
<td>Qualification</td>
<td>...skill development for future business.</td>
</tr>
</tbody>
</table>

- **HOW**
  - Live new leadership culture
  - Foster international job rotation
  - Ensure clear end-to-end responsibility
  - Link our incentive schemes to performance & share price
  - Push for cross functional, cross segment careers
  - Invest in training, up-skilling on all levels

---

**Legend**

- **Orange Circle** Indicates Live new leadership culture
- **Yellow Circle** Indicates Foster international job rotation
- **Green Circle** Indicates Ensure clear end-to-end responsibility
- **Blue Circle** Indicates Link our incentive schemes to performance & share price
- **Blue Circle** Indicates Push for cross functional, cross segment careers
- **Blue Circle** Indicates Invest in training, up-skilling on all levels
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)
- Digital participation: foster media competencies
- Sustainable products e.g. enable to save emissions
- Binding ESG requirements; development for suppliers
- Best-in-class in compliance, data security, data privacy

...WHICH IS WIDELY RECOGNIZED AND AWARDED
MOST VALUABLE AND TRUSTED EUROPEAN TELCO BRAND

MOST TRUSTED INTERNET AND MOBILE BRAND

Source: Institut für Demoskopie Allensbach, 2014

1 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%¹

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%¹
- 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 rates²:
  - 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%¹
- Positive TSI adj. cash contribution after 2016!

¹ All CAGR’s 2014–2018  ² 2012 – 2017 Financial Growth
FINANCIAL OUTLOOK
LEADING EUROPEAN TELCO WITH FOCUS ON ROCE

**EQUITY**

**RELIABLE SHAREHOLDER REMUNERATION POLICY**

- **DIVIDEND**
  - 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

---

1 Subject to necessary AGM approval and board resolution
### OUR GUIDANCE

**2014 RESULTS Reported**

<table>
<thead>
<tr>
<th>€ BN</th>
<th>REVENUE</th>
<th>62.7</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ADJ. EBITDA</td>
<td>17.6</td>
</tr>
<tr>
<td></td>
<td>FCF</td>
<td>4.1</td>
</tr>
</tbody>
</table>

**GUIDANCE 2015 ON A CONSTANT CURRENCY BASIS**

| €/$: 1.33 | Growth | around 18.3 | around 4.3 |

**GUIDANCE 2015 ON CURRENT €/$ EXCHANGE RATE**

| €/$: 1.13 | Growth | around 19.3 | around 4.3 |

---

1. Guidance based on constant exchange rates (Average €/$ exchange rate 2014 of 1.33) and no further changes in the scope of consolidation.
2. 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

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

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