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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.
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

<table>
<thead>
<tr>
<th>FINANCIAL STABILITY IN EUROPE</th>
<th>AMBITION LEVEL 2015 (FROM CMD 2012)</th>
<th>ACHIEVEMENTS 2014</th>
<th>DELIVERED / ON TRACK</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFCF ADJ.</td>
<td>Stable (€3.1 bn)</td>
<td>€2.9 bn</td>
<td></td>
</tr>
<tr>
<td>TOTAL REVENUE(^1)</td>
<td>€14 bn</td>
<td>€13 bn(^5)</td>
<td></td>
</tr>
<tr>
<td>CUM. INDIRECT OPEX REDUCTION BY 2015(^2)</td>
<td>€0.6 bn</td>
<td>€0.5 bn</td>
<td></td>
</tr>
<tr>
<td>OP. ROCE</td>
<td>further improving</td>
<td>11.1%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TECHNOLOGY LEADERSHIP</th>
<th>ALL-IP TRANSFORMATION</th>
<th>ACHIEVEMENTS 2014</th>
<th>DELIVERED / ON TRACK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All-IP migration in HR and MK</td>
<td>MK 100%, SK 100%, HR 78% IP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>In other countries All-IP migration launched</td>
<td>All-IP migration in all integrated NatCos on track</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TeraStream trial in HR by end 2012</td>
<td>Successful TeraStream trial in HR</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BNG introduction in GR ongoing until 2015</td>
<td>BNG implemented, customer migration as planned</td>
<td></td>
</tr>
</tbody>
</table>

|                       | HYBRID ACCESS/INS\(^4\) | Successful Hybrid Access pilot in ME in April 2014, others in preparation |                      |
|                       | Maximum bandwidth experience by bundling fixed & mobile data streams, launch in at least one country 2014 | Leading in LTE rollout in several NatCos |                      |

|                       | mWALLET | mWallet launched in PL and in SK as mass market product |                      |
|                       | Mass market product by 2015 |                      |                      |

\(^1\) Adjusted, organic revenue development only, based on assumptions regarding regulation (esp. MTR cuts), new entrants/spectrum auction, etc.; revenue transformation achieved

\(^2\) Baseline 2012

\(^3\) Broadband network gateway

\(^4\) Integrated network strategy

\(^5\) includes negative deconsolidation/acquisition net-effect of ≈-0.1bn€ (mainly Bulgaria and GTS) and negative FX effect of ≈0.1bn€, negative regulatory effects were broadly in line with expectations.
SUPERIOR CASH AND EBITDA PERFORMANCE COMPARED TO PEERS

**DT EUROPE PERFORMANCE VS. MARKET**

<table>
<thead>
<tr>
<th>YoY development</th>
<th>REVENUES(^1)</th>
<th>EBITDA(^1) adj.</th>
<th>CASH CONTRIBUTION(^{1,2})</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013/ FY2012</td>
<td>-3.5% -12.8%</td>
<td>-6.4% -8.2%</td>
<td>-7.1%</td>
</tr>
<tr>
<td>Q3 2014 YTD/ Q3 2013 YTD</td>
<td>-4.4% -13.6%</td>
<td>0.8% +3.0%</td>
<td>+3.0%</td>
</tr>
</tbody>
</table>

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

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

**CASH CONTRIBUTION\(^2\) MARKET SHARE**

Groups’ Cash contribution\(^2\) in DT Europe footprint, as share of total sum\(^4\)

- **DT EU**
  - 2012: 39.1%  
  - 2013: 39.5%  
  - 2014 Q3 LTM: 42.7%

- Competitors (group operators)
  - 2012: 47.2%  
  - 2013: 44.6%  
  - 2014: 39.6%

- Others (mostly standalone operators)
  - 2012: 13.7%  
  - 2013: 15.9%  
  - 2014: 17.7%

\(^1\) 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

REGULATORY INTERVENTIONS

YoY market decline of interconnection revenues in € mn

COMPETITIVE PRESSURE

Competition intensity increased:
- Number of inhabitants per operator:
  From 3.3 mn to 3.1 mn (2012 vs. 2015)\(^2\)
- 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

1 HU utility, usage taxes; RO infrastructure tax; SK levy on regulated industries; GR mobile taxation; HR increased annual spectrum fee
2 Calculation based on 40 mobile operators in 2012 vs. estimated 42 operators in 2015, population 130mn in footprint

Source: Oxford Economics (January 2015)
Source: DT EU
### Expected Spectrum Investment Decreasing

<table>
<thead>
<tr>
<th>Country</th>
<th>Spectrum Bandwidth (MHz)</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>NL</td>
<td>800/900, 1800/2100</td>
<td>2012</td>
</tr>
<tr>
<td>CZ</td>
<td>800/1800, 2600</td>
<td>2013</td>
</tr>
<tr>
<td>HU</td>
<td>900/1800</td>
<td>2014</td>
</tr>
<tr>
<td>PL</td>
<td>1800</td>
<td>2015</td>
</tr>
<tr>
<td>HU</td>
<td>3500</td>
<td>2016</td>
</tr>
<tr>
<td>PL</td>
<td>800/2600</td>
<td>2017</td>
</tr>
<tr>
<td>NL</td>
<td>2100</td>
<td>2018</td>
</tr>
</tbody>
</table>

1. Auction in Hungary was nullified later on.  
2. Auctioned bandwidth weighted with GDP and population per country.

### Auctioned Spectrum

<table>
<thead>
<tr>
<th>Country</th>
<th>Spectrum Bandwidth (MHz)</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT</td>
<td>700/2100</td>
<td>2012</td>
</tr>
<tr>
<td>NL</td>
<td>700/2100</td>
<td>2013</td>
</tr>
<tr>
<td>RO</td>
<td>700/800, 2600/3500</td>
<td>2014</td>
</tr>
<tr>
<td>HR</td>
<td>2600</td>
<td>2015</td>
</tr>
<tr>
<td>ME</td>
<td>900/1800</td>
<td>2016</td>
</tr>
<tr>
<td>MK</td>
<td>2600</td>
<td>2017</td>
</tr>
<tr>
<td>RO</td>
<td>700/800, 2600/3500</td>
<td>2018</td>
</tr>
</tbody>
</table>

---

1. Auction in Hungary was nullified later on.  
2. 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\(^1\)
- 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

Note: Each bullet reflects one program initiative. \(^1\) Digital transformation of customer facing processes

TRANSFORM PORTFOLIO

EVOLVE FINANCIAL TARGETS & EFFICIENCY
- Value Oriented Pricing
- Save to Invest (Indirect Cost containment)

ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT
SUPERIOR PRODUCTION MODEL WITH 4 PROGRAMS

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

Holistic approach
INTTEGRATED NETWORK STRATEGY EUROPE

1 LTE ROLLOUT

Ambitions 2018:
- 75 – 95% LTE pop coverage\(^1\) with up to 300 Mbit/s

\[\begin{array}{c}
\text{2012} & \text{2014} & \text{2016} & \text{2018} & \text{2020} \\
79\% & 75\% & 95\% & & \\
30\% & & & & \\
\end{array}\]

2 FIBER\(^2\) ROLLOUT

Ambitions 2018:
- \(\approx 50\%\) of households\(^3\) with at least 100 Mbit/s
- \(\approx 12\%\) of households\(^3\) with up to 500 Mbit/s
  (FTTH, FTTB, FTTC, cable/ED\(^4\))

\[\begin{array}{c}
\text{2012} & \text{2014} & \text{2016} & \text{2018} & \text{2020} \\
15\% & & & 50\% & \\
\end{array}\]

\(^1\) outdoor coverage \(^2\) FTTx \(^3\) In integrated footprint \(^4\) Cable with Euro-DOCSIS 3
## Production Model and Leadership Paradigm Evolution

### 2012
**Production Model**
- All-IP transformation
- PanNet
- INS
- Digital transformation

**Leadership Paradigm**
- International diversity
- Disciplined collaboration

### Today
**Production Model**
- 39% IP accesses
- Completed
- PanNet successfully piloted
- LTE leadership
- TMNL & TMA frontrunners

**Leadership Paradigm**
- International management teams in HQ and countries
- Dual citizenship established

### 2018
**Production Model**
- 100% IP accesses
- Services on PanNet
- INS across footprint
- Target ambition

**Leadership Paradigm**
- Dual citizenship established
- Throughout all organizational levels

---

1 Without TMNL & TMA
CUSTOMER EXPERIENCE DIFFERENTIATORS EVOLUTION

<table>
<thead>
<tr>
<th>2012</th>
<th>CREATE FACTS</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSTOMER EXPERIENCE DIFFERENTIATORS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Trusted brand</td>
<td>▪ T-shops</td>
<td>▪ T-brand rollout</td>
</tr>
<tr>
<td>▪ T-brand outside OTE group</td>
<td>▪ T-brand</td>
<td></td>
</tr>
<tr>
<td>▪ Best seamless...</td>
<td>▪ Cloud VPN</td>
<td></td>
</tr>
<tr>
<td>▪ Connectivity,</td>
<td>▪ Hybrid router piloted</td>
<td>▪ INS rollout</td>
</tr>
<tr>
<td>▪ Products/services</td>
<td>▪ TeraStream piloted</td>
<td></td>
</tr>
<tr>
<td>▪ Interactive TV in several NatCos</td>
<td>▪ TV to go&lt;sup&gt;1&lt;/sup&gt;</td>
<td>▪ FMC rollout</td>
</tr>
<tr>
<td>▪ Simple &amp; personal</td>
<td>▪ Cloud TV</td>
<td></td>
</tr>
<tr>
<td>▪ Ultimate App</td>
<td>▪ FMC tariff bundles&lt;sup&gt;2&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>▪ Fixed broadband on demand</td>
<td>▪ E-service rollout</td>
<td></td>
</tr>
</tbody>
</table>

<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

Note: Averages un-weighted across 12 NatCos

STEERING KPIs

E-SALES share
- 2014: best integr. NatCo 14%, best mobile NatCo 18%, Ø 6%

SELF-SERVICE share
- 2014: best integr. NatCo 77%, best mobile NatCo 96%, Ø 48%
- 2018: best integr. NatCo 89%, best mobile NatCo 97%, Ø 65%

E-BILL share
- 2014: best integr. NatCo 50%, best mobile NatCo 90%, Ø 31%
- 2018: best integr. NatCo 70%, best mobile NatCo 93%, Ø 61%
# SELECTED PRODUCT EXAMPLES

<table>
<thead>
<tr>
<th>Country</th>
<th>Product Example</th>
<th>Features</th>
</tr>
</thead>
</table>
| Macedonia | FIXED BROADBAND ON DEMAND | - Instant broadband activation  
- Seamless self-service  |
| Croatia | TERASTREAM | - Secure and high-speed transfer of data  
- Best connectivity, 1GB data transmitted in 7 sec.  |
| Hungary | TV EXPERIENCE (TV to go/Cloud TV) | - Seamless TV experience across all screens  
- Recommendation engine, developed in TV shared service center Hungary  |
| Romania | ULTIMATE APP | - Management of all fixed and mobile services in one single App  |

- Simple & personal
- Trust
- Best seamless...
  - Connectivity
- Best seamless...
  - Products/services

**DIFFERENTIATION: CUSTOMER EXPERIENCE AT DT**
TV: KEY DIFFERENTIATOR FOR FMC IN DT EUROPE

OUR DIFFERENTIATED PROPOSITION...

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

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

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

1 Integrated NatCos, GR, HU, HR, RO, SK, ME, MK

... RESULTING IN GROWTH ABOVE MARKET

Pay-TV revenues, in € bn, stable FX

19
EASY-2-PARTNER: ENHANCING CUSTOMER EXPERIENCE

“EASY-TO-PARTNER” SUBSCRIBERS DEVELOPMENT

Subscribers on partner products, in mn

<table>
<thead>
<tr>
<th>Year</th>
<th>Subscribers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 YE</td>
<td>0.7</td>
</tr>
<tr>
<td>2014 YE</td>
<td>1.7</td>
</tr>
<tr>
<td>2014 YE</td>
<td>1.7</td>
</tr>
<tr>
<td>2018 YE</td>
<td>≈6.0</td>
</tr>
</tbody>
</table>

CAGR: +37%

+143%

LEADING PARTNERS TO DIFFERENTIATE CORE PRODUCTS

- Norton
- Cyan
- Lookout
- fon
- Netflix
- Deezer
- Spotify
- Evernote
- magisto

- Trust
- Best seamless...
  - Connectivity &
    - Products/services
- Simple & personal
- Exclusive/innovative services
- ARPU uplift potential

1 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

1 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 revenues in € bn
- 2012: 3.2
- 2014: 3.0
- 2018: 3.2

**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)

---

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

**SYNERGIES IMPACT OF GTS**

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

**GOING FORWARD:**

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

---

**MAGNITUDE OF SYNERGIES SO FAR AS EXPECTED**

($=15\% \text{ REALIZED IN 2014}$)

- 2014
- 2018

$=\text{yearly run-rate in 2018}$
<table>
<thead>
<tr>
<th>STRATEGIC PRIORITIES</th>
<th>ACHIEVEMENTS BY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FAST TRANSFORMATION TOWARDS E-COMPANY</strong></td>
<td>20% Opex reduction 2014 vs. 2013 (TMNL)</td>
</tr>
<tr>
<td>- Rigorous cost containment</td>
<td>18% e-sales, 96% self-service, 90% e-bill share (TMNL)</td>
</tr>
<tr>
<td>- High degree of online experience</td>
<td>Example “T-Mobile Forum” (social media platform; TMNL): &gt;210k members, plus 5k per week; 65% of all questions answered by other members, preventing over 500,000 calls per year</td>
</tr>
<tr>
<td>- “Simple” customer experience</td>
<td>Various new partnerships launched in last 15 months, e.g., Evernote, Magisto, Wunderlist, Booking, Dropbox, Lookout, Twitter (TMNL)</td>
</tr>
<tr>
<td><strong>EMPHASIS ON PARTNERING</strong></td>
<td>“How-I-Want” principle introduced with “JUHU” proposition (TMA)</td>
</tr>
<tr>
<td><strong>BRAND REPOSITIONING WITH FOCUS ON CARE-IER¹ PLUS INNOVATIONS</strong></td>
<td>70% of customer base with LTE coverage, 50% higher 4G speed than competition in key urban areas, e.g. in Amsterdam, Randstad (TMNL)</td>
</tr>
<tr>
<td><strong>MOBILE BROADBAND ON PAR WITH MARKET LEADERS</strong></td>
<td></td>
</tr>
</tbody>
</table>

¹ CARE-iER vs. Un-CARRIER approach as of TMUS
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**

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

---

1 Impact illustration based on real case assessment of one of our NatCos, 1st 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 like¹

<table>
<thead>
<tr>
<th>Year</th>
<th>ADJ. EBITDA</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4.5</td>
<td>34%</td>
</tr>
<tr>
<td>2015</td>
<td>4.3</td>
<td>34%</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>35%</td>
</tr>
</tbody>
</table>

CASH CAPEX
€ bn, like for like¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Basic CAPEX</th>
<th>Transformation CAPEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>1.6</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1.6</td>
<td></td>
</tr>
</tbody>
</table>

ADJ. CASH CONTRIBUTION
€ bn, like for like¹

<table>
<thead>
<tr>
<th>Year</th>
<th>ADJ. CASH CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2.9</td>
</tr>
<tr>
<td>2015</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
</tr>
</tbody>
</table>

¹ stable FX, for comparability 2014 figures assumed with 12 months GTS
CONTINUATION OF COST TRANSFORMATION

### STABLE ADJ. DIRECT COST

€ bn, like for like²

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>4.6</td>
<td>4.5</td>
</tr>
</tbody>
</table>

CAGR -0.3%

### RADICAL REDUCTION OF ADJ. INDIRECT COST¹

€ bn, like for like²

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>4.5</td>
<td>4.1</td>
</tr>
</tbody>
</table>

CAGR -2.5%

- **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
- **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

¹ before capitalization of labor ² 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**

**CUSTOMER AND TECHNICAL SERVICE**
- €0.3 bn
- 2013 vs Early 2020’s

**OPERATING PLATFORM COST**
- €0.2 bn
- 2013 vs Early 2020’s

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

€0.5 bn without savings in other areas (e.g. G&A)

---

1 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*¹

<table>
<thead>
<tr>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.1</td>
<td></td>
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</tbody>
</table>

CAGR ≈ -0.5%

*ADJ. EBITDA*¹

<table>
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<tr>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.5</td>
<td></td>
</tr>
</tbody>
</table>

CAGR ≈ +0.5%

*OPERATING ROCE*¹

<table>
<thead>
<tr>
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<tbody>
<tr>
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</table>

CAGR ≈ +2%

* (CASH) CAPEX*¹

<table>
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<th>2014</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>1.6</td>
<td></td>
</tr>
</tbody>
</table>

CAGR ≈ 0%

*SPECIAL FACTORS (EBITDA)*¹

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>0.13</td>
<td>0.15</td>
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</tbody>
</table>

CAGR ≈ +4%

¹ like for like (stable FX, for comparability 2014 figures assumed with 12 months GTS)
MID TERM AMBITION LEVEL
## MID TERM AMBITION LEVEL

### TECHNOLOGY LEADERSHIP
- Start of PANNET implementation, migration of first platform
- All-IP Transformation: All integrated NatCos 100% IP-based
- Next generation accesses: 75-95% LTE pop coverage and FTTx for ≈50% of households\(^1\) with at least 100Mbit/s

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
</table>

### BEST CUSTOMER EXPERIENCE
- Realization of customer experience initiative "eTransformation": between 30% and 99% eService share in our NatCos
- Implementation of innovative FMC & TV experiences; €0.6 bn pay-TV revenues
- Continuation of revenue transformation: 38% of revenues with pockets of growth

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2018</th>
<th>2018</th>
<th>2018</th>
</tr>
</thead>
</table>

### SUPERIOR CASH PERFORMANCE
- Stable Adj. Cash Contribution ≈+0.5% CAGR
- Reduction of indirect cost by €0.4 bn
- Op. ROCE improvement by almost +2%-pts

|------|--------------|----------------|----------------|

\(^1\) In integrated footprint