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.
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.
# Capital Markets Day 2015 AGENDA

**Thursday, February 26th: Leading European Telco**

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Speaker(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13:30</td>
<td>Registration (Deutsche Telekom Headquarters, Bonn)</td>
<td></td>
</tr>
<tr>
<td>14:00</td>
<td>Group Strategy</td>
<td>T. Höttges (CEO)</td>
</tr>
<tr>
<td>15:00</td>
<td>Cost and Portfolio Transformation</td>
<td>T. Dannenfeldt (CFO)</td>
</tr>
<tr>
<td>16:00</td>
<td>Coffee Break</td>
<td></td>
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<tr>
<td>16:30</td>
<td>Lead in Business (incl. Q&amp;As)</td>
<td>R. Clemens (Board member for T-Systems)</td>
</tr>
<tr>
<td>17:15</td>
<td>Superior Production Model</td>
<td>C. Nemat (Board member for Europe &amp; Technology)</td>
</tr>
<tr>
<td>18:00</td>
<td>Demonstration Superior Production Model</td>
<td>B. Jacobfeuerborn (Group CTO)</td>
</tr>
<tr>
<td>18:45</td>
<td>Evening Event @ T-Gallery Best Customer Experience</td>
<td>N.J. van Damme (Board member for Germany)</td>
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**Friday, February 27th: Segments + Finance**

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<tr>
<td>08:30</td>
<td>Europe (incl. Q&amp;As)</td>
<td>C. Nemat (Board member for Europe &amp; Technology)</td>
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<tr>
<td>09:30</td>
<td>Coffee Break</td>
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<tr>
<td>09:45</td>
<td>Germany (incl. Q&amp;As)</td>
<td>N.J. van Damme (Board member for Germany)</td>
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<tr>
<td>10:45</td>
<td>T-Mobile USA (incl. Q&amp;As)</td>
<td>J. Legere (CEO TMUS)</td>
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<td>11:45</td>
<td>Lunch</td>
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<tr>
<td>12:15</td>
<td>Finance</td>
<td>T. Dannenfeldt (CFO)</td>
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<tr>
<td>13:00</td>
<td>Wrap-Up (incl. Q&amp;As)</td>
<td>T. Höttges (CEO)</td>
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<tr>
<td>13:45</td>
<td>End</td>
<td>T. Dannenfeldt (CFO)</td>
</tr>
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</table>

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

**Live webcasted** on [www.telekom.com/cmd15](http://www.telekom.com/cmd15)

Recordings uploaded to [YouTube](https://www.youtube.com) right after every presentation
1. Key Messages

   - 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

INTEGRATED IP NETWORKS
   - Seamless high Performance
   - Superior Production Model

BEST CUSTOMER EXPERIENCE
   - Integrated

WIN WITH PARTNERS
   - Win with Partners

LEAD IN BUSINESS
   - High Ambition Level
   - Platforms

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

LIFE IS FOR SHARING.
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>GROUP REVENUES</td>
<td>Growing in 2014</td>
<td>2013: 60.1 2014: 62.7</td>
</tr>
<tr>
<td>GROUP ADJ. EBITDA</td>
<td>Growing in 2014</td>
<td>2013: 17.6 2014: 17.6</td>
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<tr>
<td>GROUP FCF</td>
<td>Improvement (to reach ≈ €6 bn in 2015)</td>
<td>2013: 4.6 2014: 4.1</td>
</tr>
<tr>
<td>GROUP ADJ. EPS</td>
<td>Improvement (to reach ≈ €0.8 in 2015)</td>
<td>2013: 0.63 2014: 0.54</td>
</tr>
<tr>
<td>GROUP ROCE</td>
<td>Improvement (to reach ≈ 5.5% in 2015)</td>
<td>2013: 3.8% 2014: 5.5%²</td>
</tr>
<tr>
<td>SHAREHOLDER REMUNERATION</td>
<td>€0.50 per share</td>
<td>2014: €0.50 for FY 13/14³</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 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 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

**PORTFOLIO 2013–2015**

- **MERGER PCS**
- **ACQUISITION GTS**
- **SALE OF 70% STAKE SCOUT 24**
- **MINORITY BUYOUT**

**2013**

**2014**

**2015**

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

**GROUP STRATEGY**

**COST AND PORTFOLIO TRANSFORMATION**

**LEAD IN BUSINESS**

**SUPERIOR PRODUCTION MODEL**

**EUROPE**

**GERMANY**

**T-MOBILE USA**

**FINANCE**
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>Index</th>
<th>Start</th>
<th>End</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>STOXX 50</td>
<td>46</td>
<td>119</td>
<td>+108%</td>
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<tr>
<td>DAX</td>
<td>41</td>
<td>99</td>
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<tr>
<td>STOXX Telcos</td>
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<td>Telecom Italia</td>
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</tr>
<tr>
<td>Orange</td>
<td>119</td>
<td>119</td>
<td></td>
</tr>
</tbody>
</table>

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

internet of things
convergence
digitalization
self-service
mix and match
individualization
apps
convenience
simplicity

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

open platforms
interoperability
Industry 4.0
data is the resource
two-sided business model

network effects
connected data platforms
ecosystem
freemium

CUSTOMER

TECHNOLOGY

BUSINESS MODELS

GROUP STRATEGY
COST AND PORTFOLIO TRANSFORMATION
LEAD IN BUSINESS
SUPERIOR PRODUCTION MODEL
EUROPE
GERMANY
T-MOBILE USA
FINANCE
CUSTOMER TRENDS: SHARING IN A CONNECTED WORLD

Exemplary device and apps

- Phone by Apple
- Contract by Telekom
- 25 different apps¹

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

---

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**
- SAP HANA
  - Instant Results
- HADOOP
  - Infinite Storage
- 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

**SERVICE PROGRAMMING**
- Common IP Layer
- Control & Automation
- Cloud Infrastructure
- Commodity Hardware

**SERVICE INFRASTRUCTURE**
- Fixed net for base load and stability
- + mobile net for additional bandwidth

**SERVICE ARCHITECTURE**
- micro cell
- macro cell
- pico cell

**SERVICE OPERATIONS**
- Real time business results from big data

**SERVICE OPTIMIZATION**
- Modern in-memory platform
- Transact & analyze data in real-time
- Low-cost open source platform
- Batch process/archive infinite amounts of data

**SERVICE INNOVATION**
- Real time business results from big data
BUSINESS MODEL TRENDS: OTT DISRUPTION

TELCO BUSINESS MODEL

1. OPEN PLATFORMS
2. INTEROPERABLE STANDARDS
3. REGULATED MARKET
4. USAGE-BASED MONETIZATION
5. ASSET-HEAVY NETWORK INVEST

SCALE FOR UTILIZATION

OTT BUSINESS MODEL

1. CLOSED PLATFORMS
2. DE-FACTO STANDARDS
3. UNREGULATED MARKET
4. AD-BASED MONETIZATION
5. ASSET-LIGHT PORTFOLIO EXTENSION

SCALE FOR REACH

DISRUPTION

PREMIUM SERVICE

FREEMIUM SERVICE

TRANSPORT AND PROTECTION OF USER DATA

EXPLOITATION OF USER DATA
WE FIGHT FOR CONTROL OVER OUR VALUE POINTS

**Examples**

- **Google fiber**
- **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**

**Infrastructure projects**

- **Dumb Pipe**
- **Owned network**

- **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**

- **Hybrid**

**OTT moves**

**DT moves**
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

WE ARE THE TRUSTED PARTNER FOR OUR CUSTOMERS
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:

≈ €-1.2 bn¹

(steady state in early 2020ies)

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

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

FROM SEPARATE, COMPLEX TARIFFS...

...TO SIMPLIFIED WITHIN SILOS...

- Simplified tariff scheme
- Data as key differentiator

...TO FULLY INTEGRATED TODAY.

- Convergent portfolio, also beyond tariffs
- Seamless connectivity
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

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<th>Subscriber (mn.)</th>
<th>2014</th>
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<th>Revenue (€ mn.)</th>
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<th>Subscriber (mn.)</th>
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<td>1.7</td>
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## Lead in Business: New Setup and High Ambition Level

### 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**

- Salesforce
- SAP
- SuccessFactors
- Cisco

### 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

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

**OUR CUSTOMERS (SELECTION)**

- DAIMLER
- Continental
- SAP
- Hafen Hamburg

**M2M Connectivity**

- **Data-driven services** (context & 3rd party data)
- **Data-driven services** (internal data)
- Open, interoperable platforms
- Secure data hosting

**INDUSTRY AGNOSTIC**

**INDUSTRY SPECIFIC**
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

INNOVATION @ DT...
- 300Mbit/s

INTEGRATED IP NETWORKS

BEST CUSTOMER EXPERIENCE

WIN WITH PARTNERS

LEAD IN BUSINESS

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

**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

**CONVERGENCE**

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**
WE REDUCE OUR INDIRECT COST EX TMUS

"VARIABILIZATION OF COST" (EX. US) ...

Share of direct and indirect\(^1\) cost (ex US)

<table>
<thead>
<tr>
<th>Year</th>
<th>Adj. direct cost (ex US)</th>
<th>Adj. indirect cost(^1) (ex US)</th>
</tr>
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<tbody>
<tr>
<td>2011</td>
<td>67%</td>
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</tr>
<tr>
<td>2018</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>Early 2020ies</td>
<td>60%</td>
<td>50%–55%</td>
</tr>
</tbody>
</table>

\(^1\) Before capitalization of labor

... DRIVEN BY REVENUE GROWTH AND INDIRECT COST REDUCTION

€ bn

- Total cost (ex US)
  - 2014: 10.4
  - 2014 - 2018: 19.3

- CAGR ≈ 1-2% driven by revenue growth
- €-1.8 bn indirect cost\(^1\) reduction across all segments (excl US)
- Ambition: €0.8 bn
- €-0.4 bn
- €-0.5 bn
- €-0.1 bn
- €0.8 bn

Segment contribution

\(1\) Before capitalization of labor
THE BEST TEAM PUTS OUR STRATEGY IN ACTION

More...

Leadership  ...collaborate, innovate and empower to perform.

Diversity  ...international mindset.

Responsibility  ...clear leadership and ownership.

Incentivation  ...raising the bar for overall success.

Talent management  ...international leaders & experts.

Qualification  ...skill development for future business.

LEADING EUROPEAN TELCO

- 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
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**
- DT SECTOR LEADER
- DT „PRIME“ STATUS
- DT IN SECTOR TOP 10%
- DT LISTING IN DISCLOSURE INDEX
- DT SECTOR LEADER D-A-CH
- DT INDEX LISTING IN STOXX GLOBAL ESG, ISTOXX 50 SD-KPI, UN GLOBAL COMPACT
- DT PLATIN AWARD
- Econ Award Unternehmens-kommunikation
- 2014 effie awards
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
LEADING EUROPEAN TELCO WITH FOCUS ON ROCE

**EQUITY**

- RELIABLE SHAREHOLDER REMUNERATION POLICY

**DEBT**

- UNDISPUTED ACCESS TO DEBT CAPITAL MARKETS

**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

1 Subject to necessary AGM approval and board resolution

- DIVIDEND
  - Following FCF growth
  - Floor at 0.50 EUR per share
  - Attractive option: Dividend in kind

- RATING
  A-/BBB

- NET DEBT/ADJ. EBITDA
  2–2.5x

- EQUITY RATIO
  25–35%

- LIQUIDITY RESERVE
  Covers maturities of coming 24 months

**GROUP STRATEGY**

**COST AND PORTFOLIO TRANSFORMATION**

**LEAD IN BUSINESS**

**SUPERIOR PRODUCTION MODEL**

**EUROPE**

**GERMANY**

**T-MOBILE USA**

**FINANCE**

35
## OUR GUIDANCE

<table>
<thead>
<tr>
<th></th>
<th>2014 RESULTS Reported</th>
<th>GUIDANCE 2015 ON A CONSTANT CURRENCY BASIS&lt;sup&gt;1&lt;/sup&gt;</th>
<th>GUIDANCE 2015 ON CURRENT €/$ EXCHANGE RATE&lt;sup&gt;2&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ BN</td>
<td></td>
<td>€/$: 1.33</td>
<td>€/$: 1.13</td>
</tr>
<tr>
<td>REVENUE</td>
<td>62.7</td>
<td>Growth</td>
<td>Growth</td>
</tr>
<tr>
<td>ADJ. EBITDA</td>
<td>17.6</td>
<td>around 18.3</td>
<td>around 19.3</td>
</tr>
<tr>
<td>FCF</td>
<td>4.1</td>
<td>around 4.3</td>
<td>around 4.3</td>
</tr>
</tbody>
</table>

<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

<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>
</tbody>
</table>

| SHAREHOLDER REMUNERATION POLICY (2015–2018)² | Following FCF growth; min. DPS of €0.50 p.a. | 2015–2018 |

---

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
# 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
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\(^1\) (EX US)

\(\text{€ bn}\)

\[
\begin{align*}
\text{IT} & \approx \text{€0.7 bn} \\
\text{Network} & \approx \text{€0.4 bn} \\
\text{Sales & Marketing} & \approx \text{€0.4 bn} \\
\text{Customer Management} & \approx \text{€0.3 bn} \\
\text{Support & Overhead} & \approx \text{€0.2 bn} \\
\text{Other} & \approx \text{€0.4 bn} \\
\end{align*}
\]

- **Cost gap to Ø Peer\(^1\) 2014**: \(\approx 2.4\) \(\text{€ bn}\)
- **Indirect cost reduction by 2018**: \(-1.8\) \(\text{€ bn}\) to be addressed after 2018: \(\approx 0.6\) \(\text{€ bn}\)

\(^1\) 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\(^1\) cost

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<tr>
<td>2018</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>Early 2020ies</td>
<td>Ambition ≈55%–50%</td>
<td></td>
</tr>
</tbody>
</table>

CASH PERSONNEL SPECIAL FACTORS (EX US)

€ bn

- 2014: 1.2
- 2015: 1.6
- 2018: 1.2

\(^{\approx+30\%}\)

\(^1\) Before capitalization of labor
WE WILL ACCELERATE EXISTING PROGRAMS AND ADDRESS NEW POTENTIALS TO CLOSE THE GAP

EXISTING PROGRAMS IMPACTING COSTS

- TD 2018
- One DT (Europe)
- TSI 2015+
- GHS
- 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 COST¹ SAVINGS PER SEGMENT (2014–2018)

- €-0.8 bn
- €-0.4 bn
- €-0.5 bn
- €-0.1 bn

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 bn²
4 ...

APPLICATION OF SYSTEMATIC TARGET COSTING APPROACH

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

€-1.8 billion
EXAMPLES FOR PERSONNEL EFFICIENCY – WE CONTINUOUSLY STRIVE FOR BETTER STRUCTURES

**GERMANY (OVERHEAD)**

€ bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.9</td>
<td>-18%</td>
</tr>
<tr>
<td>2018</td>
<td>0.7</td>
<td></td>
</tr>
</tbody>
</table>

≈€-160 mn

**T-SYSTEMS MARKET UNIT (CORE TWC1)**

€ bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>3.0</td>
<td>-3%</td>
</tr>
<tr>
<td>2016</td>
<td>2.9</td>
<td></td>
</tr>
</tbody>
</table>

≈€-100 mn

**VIVENTO (EXTERNAL ADJ. OPEX)**

€ bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.5</td>
<td>-44%</td>
</tr>
<tr>
<td>2018</td>
<td>0.3</td>
<td></td>
</tr>
</tbody>
</table>

≈€-240 mn

1 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

- Consolidation of existing functional services
- Establishing one multifunctional shared service unit
- Shift from local to European service delivery model
- Pooling of operations and expertise in service hubs
- Changing from a functional to a process oriented organization
- Implementing internationally standardized end-to-end processes
- 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

<table>
<thead>
<tr>
<th>Year</th>
<th>IT Spend (€ bn)</th>
<th>Change (€ bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2.8</td>
<td>-0.8</td>
</tr>
<tr>
<td>2014</td>
<td>2.0</td>
<td>-0.4</td>
</tr>
<tr>
<td>2015</td>
<td>1.9</td>
<td>-0.4</td>
</tr>
<tr>
<td>2018</td>
<td>1.6</td>
<td>-0.4</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Period</th>
<th>IT Spend Reduction (€ bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011–2014</td>
<td>-0.4</td>
</tr>
<tr>
<td>2014–2018</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

1 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

2 Capex and Opex. Split approx. 50/50

\[\sum -0.8 \approx €-400 \text{ mn}^2\]
### ON TOP WE WILL APPLY A SYSTEMATIC TARGET COSTING APPROACH

#### EXAMPLES FOR SUCCESSFUL TARGET COSTING

<table>
<thead>
<tr>
<th>FTTC/VECTORING ROLLOUT GER</th>
<th>NGTV PLATFORM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>€</strong></td>
<td><strong>€ mn</strong></td>
</tr>
<tr>
<td>CMD 2012</td>
<td>110</td>
</tr>
<tr>
<td>Actual 2014</td>
<td>65</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th><strong>CMD 2012 Actual 2014</strong></th>
<th><strong>Spend per household</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;300</td>
<td>-25%</td>
</tr>
<tr>
<td>220</td>
<td>2014 Spend</td>
</tr>
<tr>
<td>45</td>
<td>2018 Spend</td>
</tr>
</tbody>
</table>

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

#### UPCOMING PROJECTS, E.G.:

<table>
<thead>
<tr>
<th>MOBILE GERMANY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Focus on direct cost, service and network &amp; technology, representing €5 billion opex and D&amp;A</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CUSTOMER PROCESSES IN MT&amp;OTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All customer facing processes across Europe reflecting opex of around €1 billion</td>
</tr>
</tbody>
</table>

- Optimize sales channels
- Moving to self service
- Increase architecture efficiency in network technology
WE HAVE PROVED THAT WE CAN EXECUTE

<table>
<thead>
<tr>
<th></th>
<th>AMBITION LEVEL 2015 VS. BASELINE 2012</th>
<th>ACHIEVEMENTS 2014</th>
<th>DELIVERED/ON TRACK</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROUP</td>
<td>▪ Reduce indirect costs from 44% to 42% of revenues(^1)</td>
<td>43%</td>
<td>✔</td>
</tr>
<tr>
<td>GERMANY</td>
<td>▪ Reduce indirect costs from €9.1 to 8.7 billion(^1)</td>
<td>€8.8 billion</td>
<td>✔</td>
</tr>
<tr>
<td>EUROPE</td>
<td>▪ Reduce indirect costs from €4.7 to 4.4 billion(^1)</td>
<td>€4.3 billion</td>
<td>✔</td>
</tr>
<tr>
<td>TELEKOM-IT</td>
<td>▪ Approx. € 1.0 billion IT-spend reduction (Opex and Capex) from €2.8 to 1.9 billion</td>
<td>IT spend at €2.0 billion</td>
<td>✔</td>
</tr>
<tr>
<td>GHS</td>
<td>▪ Reduce indirect costs by 4% p.a.</td>
<td>-4% CAGR achieved</td>
<td>✔</td>
</tr>
</tbody>
</table>

\(^1\) Netted with capitalized labor
WE WILL CONTINUE TO DELIVER ON OPEX TRANSFORMATION

**ADJ. OPEX 2014**

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct Cost</th>
<th>Indirect Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>€18.5 bn</td>
<td>€29.7 bn</td>
</tr>
<tr>
<td>2018</td>
<td>€11.7 bn</td>
<td>€19.3 bn</td>
</tr>
</tbody>
</table>

**TOTAL COST² VIEW 2014–2018**

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct Cost</th>
<th>Indirect Cost</th>
<th>Total Cost US</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>€10.4 bn</td>
<td>€19.3 bn</td>
<td>€38.7 bn</td>
</tr>
<tr>
<td>2018</td>
<td>€19.3 bn</td>
<td>€21.7 bn</td>
<td>€41.0 bn</td>
</tr>
</tbody>
</table>

**MID TERM AMBITION**

- Revenue growth drives direct costs
- New revenues come with lower margin
- Indirect cost reduction across all segments ex US

**CAGR**

- Direct Costs:
  - Total cost US: CAGR ≈ 4%
  - Mid Term Ambition: CAGR ≈ 4%
- Indirect Costs:
  - CAGR ≈ 4–5%
  - CAGR ≈ 3–4%
- Total Costs:
  - Adj. direct cost: CAGR ≈ 1–2%
  - Adj. indirect cost²: CAGR ≈ 1–2%

1 Capitalization of labor  
2 Before capitalization of labor  
3 CAGR: Compound Annual Growth Rate
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
   - PSTN migration in all NatCos
   - PLUG & PLAY

3. PAN-EUROPEAN NETWORK
   - Centralized, virtualized architecture and production platforms
   - TIME TO MARKET

4. INTEGRATED NETWORK STRATEGY
   - LTE roll-out
   - Fiber
   - Vectoring
   - Hybrid access
   - BEST CONNECTIVITY

Annual run rate adj. Opex savings:
≈€-1.2 bn¹
(steady state in early 2020ies)

¹ 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\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>CAPEX (€ bn)</th>
<th>OPEX (€ bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.3</td>
<td>0.8</td>
</tr>
<tr>
<td>2014</td>
<td>1.3</td>
<td>0.8</td>
</tr>
<tr>
<td>2015</td>
<td>1.3</td>
<td>0.8</td>
</tr>
<tr>
<td>2016</td>
<td>1.3</td>
<td>0.8</td>
</tr>
<tr>
<td>2017</td>
<td>1.3</td>
<td>0.8</td>
</tr>
<tr>
<td>2018</td>
<td>1.3</td>
<td>0.8</td>
</tr>
</tbody>
</table>

FIN. BENEFITS: \(\approx €1.2\) BILLION OPEX SAVINGS\(^2\)

- **Segments**
  - \(\approx €0.7\) bn Germany
  - \(\approx €0.5\) bn Europe

- **Functional Areas**
  - \(\approx €0.4\) bn Technology / Platforms
  - \(\approx €0.8\) bn Service

COMMERCIAL BENEFITS

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

---

\(^1\) Excl. special factors. Measure related effects incl. savings. PanNet w/o transport & access. INS Opex in German fixed network also included.

\(^2\) 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).
WE HAVE A STRONG TRACK RECORD OF DELIVERING

1 GROW VALUE OF ASSETS

<table>
<thead>
<tr>
<th>Country</th>
<th>Value</th>
<th>Since Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>TM US</td>
<td>EV +$16 bn</td>
<td>since IPO</td>
</tr>
<tr>
<td>T-Mobile UK</td>
<td>+£3.9 bn</td>
<td>since JV start</td>
</tr>
</tbody>
</table>

2 SALE OF NON CORE ASSETS

<table>
<thead>
<tr>
<th>Asset</th>
<th>Multiple</th>
<th>Source Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scout</td>
<td>20x</td>
<td>12.5x – 18.5x</td>
</tr>
<tr>
<td>Global</td>
<td>7x</td>
<td>4.5x – 6.5x</td>
</tr>
</tbody>
</table>

3 ACQUISITIONS

<table>
<thead>
<tr>
<th>Company</th>
<th>Multiple</th>
<th>Source Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>PTC</td>
<td>3.9x</td>
<td>6x – 6.5x</td>
</tr>
<tr>
<td>TM CZ</td>
<td>5x</td>
<td>5.5x – 6x</td>
</tr>
<tr>
<td>MetroPCS</td>
<td>4x</td>
<td>7x – 9x</td>
</tr>
</tbody>
</table>

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

EBITDA Multiple of sale/acquisition
EBITDA Multiple of comparable transaction
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

<table>
<thead>
<tr>
<th></th>
<th>May 2013</th>
<th>February 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>15.3</td>
<td>16.6</td>
</tr>
<tr>
<td>Market Cap</td>
<td>11.2</td>
<td>26.1</td>
</tr>
<tr>
<td>US$ bn</td>
<td>26.5</td>
<td>42.7</td>
</tr>
</tbody>
</table>

61%
STRONG DE-RISKING STORY AT OTE

SUSTAINABLE DELEVERAGING

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

MATURITIES OF THE NEXT 3 YEARS COVERED

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.4</td>
<td>0.7</td>
<td>0.7</td>
<td>0.0</td>
<td>0.7</td>
<td></td>
</tr>
</tbody>
</table>

Bond Maturities Cumulated

<table>
<thead>
<tr>
<th>Liquidity per Dec 2014</th>
<th>1.5</th>
</tr>
</thead>
</table>

RATING IMPROVED BY 4 NOTCHES (@ MOODY'S)

2011 B2
2012 Ba3
2013 B2
2014 Ba3

LEVERAGE RATIO IMPROVED TO 0.8X

<table>
<thead>
<tr>
<th>€ bn</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.9</td>
<td>2.2x</td>
<td>1.9x</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Net Debt/Adj. EBITDA

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.8x</td>
<td>1.0x</td>
<td>1.5</td>
<td>1.1</td>
</tr>
</tbody>
</table>

1 Rating currently under “watch down”
SOLUTION FOR EE COVERS DT’S STRATEGIC GOALS

EVERYTHING EVERYWHERE JV
Merger of #3 and #4 UK MNOs

EE AND BT COMBINATION
Building a quad-play champion in the UK

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

... 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
## M&A Policy Going Forward

<table>
<thead>
<tr>
<th>1</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selective and minor FMC/ICT acquisitions in our core integrated markets, but only for attractive multiples</td>
<td></td>
</tr>
<tr>
<td>TMA and TMNL: mobile attacker strategy</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Un-carrier strategy</td>
<td></td>
</tr>
<tr>
<td>Continue de-risking, self-funding, king maker asset</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Further monetization of assets if more value can be crystallized outside the group</td>
<td></td>
</tr>
<tr>
<td>Smaller technology M&amp;A to strengthen business and innovation capabilities</td>
<td></td>
</tr>
<tr>
<td>Minority shareholders: Opportunistic approach, only if economically attractive</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4</th>
<th>General Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>No major acquisitions outside our footprint</td>
<td></td>
</tr>
</tbody>
</table>
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
   - Competition
   - Mid-Market
   - Revenue
   - Key Differentiator

   T-SYSTEM MARKET UNIT
   - Achievements 2014
   - TSI 2015+
   - Growth Initiatives
   - Transform
   - Discontinued Activities
   - Divisional Setup

5. Financial Outlook
   - Key Levers ROCE

6. Mid Term Ambition Level
   - Mid Term Ambition
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.

CUSTOMERS EXPECT OUR SUPPORT IN THREE MAJOR AREAS

1. **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

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

3. **SEAMLESS INT’L TC**
   - Globalizing customers from SME to MNC expect seamless international TC offerings
   - Customers expect internationally integrated fixed/mobile services

- 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)
THE BUSINESS CUSTOMER MARKET GROWS IN ALL SEGMENTS

EUROPEAN B2B MARKETS (ADDRESSABLE)

<table>
<thead>
<tr>
<th>Market volume € bn</th>
<th>ICT MARKET</th>
<th>THEREOF: EUROPEAN CLOUD MARKET</th>
<th>THEREOF: DIGITAL BUSINESS¹</th>
<th>THEREOF: INTERNATIONAL TC²</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>195</td>
<td>26</td>
<td>13</td>
<td>33</td>
</tr>
<tr>
<td>2018</td>
<td>219</td>
<td>56</td>
<td>32</td>
<td>37</td>
</tr>
</tbody>
</table>

CAGR +2.9%          CAGR +21.4%        CAGR +24.8%        CAGR +3.2%

Source: Market Model 2014 based on PAC, Gartner, IDC et.al; ¹ e.g.: M2M, eHealth, Connected Car, Big Data; ² 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

GROUP STRATEGY
COST AND PORTFOLIO TRANSFORMATION
LEAD IN BUSINESS
SUPERIOR PRODUCTION MODEL
EUROPE
GERMANY
T-MOBILE USA
FINANCE

9
**BUSINESS CUSTOMERS REPRESENT A SIGNIFICANT SHARE OF DT’S REVENUES**

**REV. BY CUSTOMER SEGMENTS 2014**

DT Group Revenue: €62.7 bn

- **US**: 36%
- **B2B**: 23% (€14.5 bn)
- **B2C**: 34%
- **Wholesale**: 7%

**COMPETITIVE ENVIRONMENT (REV. 2014)**

€ bn (rounded)

- **IBM GS**: 24
- **AT&T BC**: 28
- **CSC**: 19
- **Fujitsu**: 18
- **NTT Data**: 15
- **DT Serv.**: 11
- **Cap**: 9
- **OBS**: 6
- **BT**: 13
- **CGI**: 7
- **Cognizant**: 8
- **Infosys**: 7
- **Wipro IT Serv.**: 6

---

1 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

SPLIT OF TC AND IT REVENUES 2014 PER SEGMENT

- TSI MU: €6.0 bn
- TDG GK: €5.7 bn
- DT EU: €2.8 bn

1 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 2018¹)

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% REVENUE² CAGR IN TSI MU UNTIL 2018¹

¹ CAGR 2014-2018  ² 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**
## WHAT WE PROMISED IN 2012 AND WHAT WE ACHIEVED – IMPROVED EBIT & ALL TIME HIGH CUSTOMER SATISFACTION

<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>REVENUE GROWTH MU</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Above market growth (2% CAGR expected, starting from €7.8 bn)</td>
<td>▪ €6.9 bn (€-0.9 bn)</td>
<td></td>
</tr>
<tr>
<td><strong>DETAILS REVENUE GROWTH MU</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><img src="chart.png" alt="Bar Chart" /></td>
<td>![Checkmark]</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td><img src="discontinuation.png" alt="Discontinuation" /></td>
<td>![Checkmark]</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td><img src="deconsolidation.png" alt="Deconsolidation" /></td>
<td>![Checkmark]</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td><img src="yen.png" alt="¥ bn" /></td>
<td>![Checkmark]</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td><img src="year.png" alt="YE 2012" /></td>
<td>![Checkmark]</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td><img src="year.png" alt="YE 2012" /></td>
<td>![Checkmark]</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td><img src="year.png" alt="YE 2014" /></td>
<td>![Checkmark]</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td><strong>ADJ. EBIT MARGIN MU</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Around 4%</td>
<td>▪ 2.3% (+0.9 PP)</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td><strong>CUSTOMER SATISFACTION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Maintain TRI*M Index above peer average and &gt;70 points</td>
<td>▪ 84 points (+8 P)</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td><strong>TEL IT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ €1 bn IT spend reduction until 2015</td>
<td>▪ Reduction by €-0.8 bn</td>
<td>![Checkmark]</td>
</tr>
</tbody>
</table>

1 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**

**GROW**
- **Grow**: Invest in non-labor intensive, virtualized services, e.g. M2M, platform business, Dyn. Workplace, Cloud

**TRANSFORM**
- **Transform**: Massive reduction of production costs by increasing “Buy”-share, e.g. via partnering

**STOP**
- **Stop**: Discontinuation of unprofitable business with focus on countries, contracts and portfolio elements

---

**T-SYSTEMS MARKET UNIT**

<table>
<thead>
<tr>
<th>Year</th>
<th>GROW</th>
<th>TRANSFORM</th>
<th>STOP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>36%</td>
<td>54%</td>
<td>10%</td>
</tr>
<tr>
<td>2018</td>
<td>52%</td>
<td>45%</td>
<td>3%</td>
</tr>
</tbody>
</table>

**CAGR +3%**

---

**TSI 2015+ TRANSFORMATION PROGRAM**

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

#### CLOUD
- Partnering for cloud related services (e.g. Salesforce partnership)
- Private cloud offering: Dynamic Services

#### SECURITY SOLUTIONS
- Push new security portfolio: FireEye, CleanPipe Enterprise, DDoS Protection
- Launch of new products at CeBit 2015, e.g. Cyber Defence for “Mittelstand”

#### FUTURE WORKPLACE
- Cloud based workplace

#### FUTURE TC
- Push program TC international started
- Dynamic Services for Unified Communications

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

### REV. AMBITION 2014–2018
- Revenue 2014: €2.5 bn
- Revenue 2018: ~€4.0 bn
- CAGR 13%
# TRANSFORM: MEASURES IN CLASSIC ICT BUSINESS IMPROVE PROFITABILITY

## SELECTED EXAMPLES

<table>
<thead>
<tr>
<th>Personnel Restructuring</th>
<th>Consolidation</th>
<th>Optimize Global Services</th>
<th>Offshore Quota</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Reduction of workforce via automation, partnering and efficiency gains</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Radical reduction of data center locations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Concentration of global service production</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Deliver more services from near- or offshore locations</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## 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

<table>
<thead>
<tr>
<th>PORTFOLIO</th>
<th>CONTRACTS</th>
<th>LBU’S</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Partnering for labor intensive services (i.e. Field Service) rather than keep own organization: Sale of IDS</td>
<td>- Action plan for every inefficient customer contract: 22 contracts optimized, 26 in the process until YE 2015</td>
<td>- No loss making local business unit (LBU) from 2016 onwards</td>
</tr>
</tbody>
</table>

### RESULTS 2014

- ~500 FTE reduction: Field Services
- 22 contracts optimized
- 5 LBU optimized: Italy, France, Belgium, Japan, Singapore

### REV. AMBITION 2014–2018

- Revenue 2014: €0.6 bn
- CAGR -22%
- Revenue 2018: ~€0.2 bn
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**

Business objective: Grow international TC services
- IP VPN solutions
- Infrastructure security services
- FMC bundles

**IT DIVISION**

Business objective: Grow dynamic IT services
- Dyn. Workplace
- Dyn. Hosting
- Dyn. Services for SAP

**DIGITAL DIVISION**

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
€ bn

- CAGR >1%
- 8.6
- 2014 2018
- MU CAGR: ~+3%
- TEL-IT CAGR: ~-6%

EBIT ADJ.
€ bn

- CAGR 43%
- 127
- 2014 2018
- 1.5 %
- 6.0 %

OPERATING ROCE

(CASH) CAPEX
€ bn

- CAGR -6%
- 1.2
- 2014 2018

SPECIAL FACTORS (EBITDA)¹
€ bn

- CAGR -25%
- 0.5
- 2014 2015 2018

¹ Restructuring ² Adj. EBIT margin

WACC
### MID TERM AMBITION LEVEL

<table>
<thead>
<tr>
<th>MID TERM AMBITION LEVEL</th>
<th>YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUE TSI</td>
<td>&gt;1% CAGR expected</td>
</tr>
<tr>
<td>REVENUE MU</td>
<td>Above market growth 3% CAGR expected</td>
</tr>
<tr>
<td>QUALITY MU</td>
<td>Maintain TRI*M index above peer average at current levels of 84 points</td>
</tr>
<tr>
<td>ADJ. EBIT MARGIN TSI</td>
<td>Around 6%</td>
</tr>
<tr>
<td>ADJ. EBIT MARGIN MU</td>
<td>Around 7%</td>
</tr>
<tr>
<td>ADJ. CASH CONTRIBUTION TSI</td>
<td>Positive from 2017</td>
</tr>
</tbody>
</table>
SUPERIOR PRODUCTION MODEL
Claudia Nemat, BM for Europe & Technology
Bruno Jacofeuerborn, Group CTO

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

TECHNOLOGY LEADERSHIP

INTEGRATED IP NETWORKS

BEST CUSTOMER EXPERIENCE

WIN WITH PARTNERS

LEAD IN BUSINESS

TRANSFORM PORTFOLIO

EVOLVE FINANCIAL TARGETS & EFFICIENCY

ENCOURAGE LEADERSHIP & PERFORMANCE DEVELOPMENT
SUPERIOR PRODUCTION MODEL WITH FOUR PROGRAMS BASED ON TECHNOLOGY LEADERSHIP

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
- LTE roll-out
- Optical fiber
- Vectoring
- Hybrid access

- BEST CONNECTIVITY

Annual run rate adj. Opex savings:
≈ €1.2 bn\(^1\)
(steady state in early 2020ies)

---

\(^1\) 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

FROM THE “OLD PSTN WORLD”...

...TO THE “NEW IP ERA”

- Virtualized Service Platforms
- Infrastructure Cloud
- NG IP Network (BNG/TeraStream)
- Mobile Access
- Fixed Access
- SIM
- CPE
- Mobile Consumer
- Fixed Consumer
- Carrier
- Mobile Consumer
- Fixed Consumer
- Carrier
### ALL-IP TRANSFORMATION ON TRACK

#### ALL-IP TRANSFORMATION BY COUNTRY

<table>
<thead>
<tr>
<th>Country</th>
<th>Total fixed access lines YE 2014</th>
<th>IP access lines YE2014</th>
<th>Remaining fixed access lines and expected completion dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macedonia</td>
<td>237</td>
<td>237 (100%)</td>
<td>Jan 15th, 2014</td>
</tr>
<tr>
<td>Slovakia</td>
<td>894</td>
<td>894 (100%)</td>
<td>EoY 2014</td>
</tr>
<tr>
<td>Croatia</td>
<td>1,076</td>
<td>843 (78%)</td>
<td>EoY 2015</td>
</tr>
<tr>
<td>Montenegro</td>
<td>149</td>
<td>87 (58%)</td>
<td>233 EoY 2015</td>
</tr>
<tr>
<td>Hungary</td>
<td>1,645</td>
<td>968 (59%)</td>
<td>62 EoY 2015</td>
</tr>
<tr>
<td>Romania</td>
<td>2,239</td>
<td>301 (13%)</td>
<td>677 EoY 2015</td>
</tr>
<tr>
<td>Greece</td>
<td>2,624</td>
<td>15 (1%)</td>
<td>1,938 EoY 2016</td>
</tr>
<tr>
<td>Europe¹</td>
<td>9,033</td>
<td>3,486 (39%)</td>
<td>2,609 EoY 2016</td>
</tr>
<tr>
<td>Germany²</td>
<td>23,427</td>
<td>5,805 (25%)</td>
<td>5,547 EoY 2018</td>
</tr>
</tbody>
</table>

---

¹ Incl. Czech Republic (131thd. fixed lines, 98% IP), and GTS (37thd. fixed lines, 32% IP)
² Incl. retail, Call&Surf via Funk, wholesale bundled and unbundled
PANNET TARGET PICTURE 2020+: FROM NATCO-CENTRIC TO INTEGRATED PAN EUROPEAN SERVICE PRODUCTION

**TODAY**

- Complex service production with distributed vendor-specific network elements
- Different, historically grown production in each NatCo
- Each NatCo with own product development logic

**FUTURE**

- Highly simplified, virtualized, IP-based production architecture
- Integrated production, delivered to all NatCos
- One common product development logic for all countries
DIFFERENTIATION:
HOLISTIC AND RADICALLY LEAN APPROACH AT DT

**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

LEGACY, HETEROGENEOUS, DISTRIBUTED WORLD...

fragmented, specific HW/SW boxes per functionality and service

...TOWARDS A LEAN AND CLOUDIFIED APPROACH

Virtualized Network Functions & Services

Virtual Computing Storage Networking

HW Computing Storage Networking

Network & Services Core & Edge Routers

Customer Processes

BSS decoupling

Real-time Network & Service Management

OSS / Network and Service Management

Access Network

Customer Equipment
**DT EU PORTFOLIO: BROAD & ADJACENT FOOTPRINT IN EUROPE**

**With PANNET we leverage the benefits of our portfolio**

<table>
<thead>
<tr>
<th>PANNET characteristics:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 3 backend data centers ( )</td>
</tr>
<tr>
<td>• 2 geo redundant network operations centers ( )</td>
</tr>
<tr>
<td>• In each country minimum 2 data centers with routers at the edge of the network ( )</td>
</tr>
<tr>
<td>• 1 distribution network, fast and highly capable</td>
</tr>
</tbody>
</table>

**ILLUSTRATIVE, LOCATIONS AND NUMBER OF BACKEND DATA AND NETWORK OPERATIONS CENTERS NOT DECIDED YET**

- Illustrative, locations and number of backend data and network operations centers not decided yet.
# LOCAL PRODUCT CONFIGURATION: CENTRAL PRODUCTION CATALOGUE

## 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

<table>
<thead>
<tr>
<th>Countries</th>
<th>Voice Services</th>
<th>Broadband Services</th>
<th>TV Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country A</td>
<td>HD voice</td>
<td>ADSL 16 Mbps</td>
<td>OTT services</td>
</tr>
<tr>
<td>Country B</td>
<td>Multiple lines</td>
<td>Fiber 1 Gbps</td>
<td>High Definition</td>
</tr>
<tr>
<td>Country C</td>
<td>One standard line</td>
<td>Vectoring 100 Mbps</td>
<td>Standard Def.</td>
</tr>
</tbody>
</table>
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

- 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

RECAP CMD 2012

1. LTE rollout
2. Fiber rollout
3. Vectoring
4. Hybrid access

OUR ENHANCED AMBITION 2015–2018

INS OUR ROLE MODEL
INS rolled out across DT EU and DE

COVERAGE EXPANSION 2015–2018

Mobile LTE1: 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: ≈ 80% of households ≥ 50 Mbps depending on regulatory adjustments (introduction of Supervectoring with more than 250 Mbps in cable footprint)
EU: ≈ 50% of households2 ≥ 100Mbps (≈ 12% of households2 with up to 500Mbps3)

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

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

MOBILE NETWORK UPGRADE OPTIONS

- **5G**
  - 2020
  - ≥1Gbps
- **Antennas (4x4)**
  - 600Mbps
- **Carrier Aggregation**
  - 300Mbps
- **LTE@20MHz**
  - 150Mbps
- **Small Cells**
  - 2016
  - approx. x 25
  - x 12
- **LTE (20+20MHz)**
  - x 5–6
- **LTE (20MHz)**
- **UMTS**

**Speed**

**Capacity**

**Efficiency**

- Single RAN
- Advanced Antennas
- Cell Coordination
- Self Optimizing Network

- **MOBILE NETWORK UPGRADE OPTIONS**
- **GROUP STRATEGY**
- **COST AND PORTFOLIO TRANSFORMATION**
- **LEAD IN BUSINESS**
- **SUPERIOR PRODUCTION MODEL**
- **EUROPE**
- **GERMANY**
- **T-MOBILE USA**
- **FINANCE**
**FIBER EVOLUTION CONTINUES**

**FIXED**

- **CO**
  - Fiber
  - dp\(^1\)

- **H**
- **B**

- **FTTH**
  - up to 1000 Mbps

- **FTTdp\(^1\)/FTTB – G.fast**
  - up to 500 Mbps

- **≥ 2018**

- **FTTC – Super VDSL-Vectoring**
  - with more than 250 Mbps

- **≥ 2017**

- **FTTC – VDSL-Vectoring**
  - up to 100 Mbps

- **ADSL2+**
  - up to 16 Mbps

1 “Distribution Point”, so far not part of the Telekom access network
SUPERIOR PRODUCTION MODEL DRIVING CUSTOMER EXPERIENCE

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

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

**OPEX AND CAPEX: DIGITAL TRANSFORMATION, IP TRANSFORMATION, PAN-EUROPEAN NETWORK**

<table>
<thead>
<tr>
<th>Year</th>
<th>OPEX</th>
<th>CAPEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>1.3</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**FIN. BENEFITS:** ≈ €1.2 BILLION OPEX SAVINGS

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

**COMMERCIAL BENEFITS**

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

---

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

2 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

<table>
<thead>
<tr>
<th>ALL-IP TRANSFORMATION</th>
<th>PAN-EUROPEAN NETWORK</th>
<th>INTEGRATED NETWORK STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>▪ All integrated countries 100% IP-based</td>
<td>▪ Backend and frontend data center set up</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Geo-redundant Network Operations Centers established</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Services fully migrated to PanNet</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ LTE pop-coverage Germany &amp; Europe: 75%–95%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Germany: ≈ 80% Fixed high speed internet HH coverage ≥ 50 Mbps(^1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Europe: ≈ 50% Fixed high speed internet HH coverage ≥ 100 Mbps</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>2018</td>
</tr>
</tbody>
</table>

\(^1\) Depending on regulatory adjustments
Demonstration

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

2. Hybrid Router
   - Significant increase in down- and upload speed
   - Bonding of fixed and mobile connectivity

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

4. BNG + Instant Provisioning
   - Simplification of network architecture
   - Instant provisioning enhances customer experience

Presented by:
Claudia Nemat, Board member for Europe and Technology
Bruno Jacobfeuerborn, Group CTO
Guido Menzel, Head of Network Engineering Germany
Bruno Orth, Head of Network Architecture Germany
## EUROPE
Claudia Nemat, Board Member for Europe and Technology

### 1. Key Messages

- Cost Savings, Technology
- Cash/EBITDA Performance

#### 3. Market Trends
- Macroeconomics, Regulation, Competition
- Spectrum Investments

### 4. Strategy 2015 – 2018

<table>
<thead>
<tr>
<th>INTEGRATED IP NETWORKS</th>
<th>BEST CUSTOMER EXPERIENCE</th>
<th>WIN WITH PARTNERS</th>
<th>LEAD IN BUSINESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- LTE/Fiber Rollout</td>
<td>- Differentiator</td>
<td>- Partner</td>
<td>- B2B 20</td>
</tr>
<tr>
<td>- Production Model</td>
<td>- Digitalization</td>
<td></td>
<td>- GTS Integration</td>
</tr>
<tr>
<td></td>
<td>- Examples</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- TV</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

**BEST CUSTOMER EXPERIENCE**
WIN WITH PARTNERS
LEAD IN BUSINESS

Special Topics: TMNL & TMA Wholesale Deals
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 REVENUE¹</td>
<td>€14 bn</td>
<td>€13 bn⁵</td>
<td></td>
</tr>
<tr>
<td>CUM. INDIRECT OPEX REDUCTION BY 2015²</td>
<td>€0.6 bn</td>
<td>€0.5 bn</td>
<td></td>
</tr>
<tr>
<td>OP. ROCE</td>
<td>further improving</td>
<td></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></td>
<td></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>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Maximum bandwidth experience by bundling fixed &amp; mobile data streams, launch in at least one country 2014</td>
<td>• Successful Hybrid Access pilot in ME in April 2014, others in preparation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Leading in LTE rollout in several NatCos</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Mass market product by 2015</td>
<td>• mWallet launched in PL and in SK as mass market product</td>
<td></td>
</tr>
</tbody>
</table>

---

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

YoY development

<table>
<thead>
<tr>
<th></th>
<th>DT EU</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES¹</td>
<td>-3.5%</td>
<td>-4.4%</td>
</tr>
<tr>
<td>EBITDA¹ adj.</td>
<td>-6.4%</td>
<td>0.8%</td>
</tr>
<tr>
<td>CASH CONTRIBUTION¹,²</td>
<td>-12.8%</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

Q3 2014 YTD/Q3 2013 YTD

<table>
<thead>
<tr>
<th></th>
<th>FY2013/FY2012</th>
<th>Q3 2014 YTD/Q3 2013 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES¹</td>
<td>-5.4%</td>
<td>-4.7%</td>
</tr>
<tr>
<td>EBITDA¹</td>
<td>-8.2%</td>
<td>+3.0%</td>
</tr>
<tr>
<td>CASH CONTRIBUTION¹,²</td>
<td>-7.1%</td>
<td>17.1%</td>
</tr>
</tbody>
</table>

CASH CONTRIBUTION² MARKET SHARE

Groups’ Cash contribution² in DT Europe footprint, as share of total sum⁴

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014 Q3 LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>DT EU</td>
<td>39.1%</td>
<td>39.5%</td>
<td>42.7%</td>
</tr>
<tr>
<td>Competitors (group operators)</td>
<td>47.2%</td>
<td>44.6%</td>
<td>39.6%</td>
</tr>
<tr>
<td>Others (mostly standalone operators)</td>
<td>13.7%</td>
<td>15.9%</td>
<td>17.7%</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)
⁴ 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

2012/ 2013/ 2014/ 2015/ 2016/
0 0 0 400 800 1200 1600

-12% -31% -28% -16% -10%

2011 2012 2013 2014 2015

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

Source: DT EU

1.4

Poland

Austria +1.3

Hungary

Slovakia

Romania

Czech Rep.

Croatia

Greece

GDP growth ≤ 0%

DTPRODUCT

EUROPE

GERMANY

T-MOBILE USA

FINANCE

Source: Oxford Economics (January 2015)

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

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

### Auctioned Spectrum

<table>
<thead>
<tr>
<th>Country</th>
<th>Bandwidth</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></td>
<td></td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>HU</td>
<td>3500</td>
<td></td>
</tr>
<tr>
<td>PL</td>
<td>800/2600</td>
<td></td>
</tr>
<tr>
<td>NL</td>
<td>2100</td>
<td></td>
</tr>
<tr>
<td>HR</td>
<td>800</td>
<td></td>
</tr>
<tr>
<td>HR</td>
<td>1800</td>
<td></td>
</tr>
<tr>
<td>GR</td>
<td>800/2600</td>
<td></td>
</tr>
<tr>
<td>AL</td>
<td>900/1800</td>
<td></td>
</tr>
<tr>
<td>MK</td>
<td>2600</td>
<td></td>
</tr>
<tr>
<td>RO</td>
<td>700/800 2600/3500</td>
<td></td>
</tr>
<tr>
<td>AT</td>
<td>700/2100</td>
<td></td>
</tr>
<tr>
<td>NL</td>
<td>700/2100</td>
<td></td>
</tr>
<tr>
<td>SK</td>
<td>800/2600</td>
<td></td>
</tr>
<tr>
<td>GR</td>
<td>800/900 1800/2600</td>
<td></td>
</tr>
<tr>
<td>AL</td>
<td>900/1800</td>
<td></td>
</tr>
<tr>
<td>SK</td>
<td>1800/3500</td>
<td></td>
</tr>
<tr>
<td>MK</td>
<td>900/1800 2100</td>
<td></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
- Digitalization¹
- 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. ¹ Digital transformation of customer facing processes
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

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

BEST CONNECTIVITY
INTEGRATED NETWORK STRATEGY EUROPE

1 LTE ROLLOUT

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2014</th>
<th>2016</th>
<th>2018</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTE pop coverage(^1)</td>
<td>79%</td>
<td>95%</td>
<td>75%</td>
<td>30%</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) outdoor coverage

2 FIBER\(^2\) ROLLOUT

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2014</th>
<th>2016</th>
<th>2018</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household coverage(^3) 100 Mbit/s</td>
<td>15%</td>
<td></td>
<td></td>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>

\(^2\) FTTx
\(^3\) In integrated footprint
\(^4\) Cable with Euro-DOCSIS 3

---

1 outdoor coverage  
2 FTTx  
3 In integrated footprint  
4 Cable with Euro-DOCSIS 3
# PRODUCTION MODEL AND LEADERSHIP PARADIGM EVOLUTION

<table>
<thead>
<tr>
<th>PRODUCTION MODEL</th>
<th>CREATE FACTS</th>
<th>SCALE UP</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PRODUCTION MODEL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All-IP transformation</td>
<td>--</td>
<td>39% IP accesses</td>
<td>100% IP accesses</td>
</tr>
<tr>
<td>PanNet</td>
<td>--</td>
<td>PanNet successfully piloted</td>
<td>Services on PANNET</td>
</tr>
<tr>
<td>INS</td>
<td>3G leadership in several NatCos</td>
<td>LTE leadership</td>
<td>INS across footprint</td>
</tr>
<tr>
<td>Digital transformation</td>
<td>--</td>
<td>TMNL &amp; TMA frontrunners</td>
<td>Target ambition</td>
</tr>
<tr>
<td><strong>LEADERSHIP PARADIGM</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International diversity</td>
<td>(German HQ, national silos)</td>
<td>International management teams in HQ and countries</td>
<td>Throughout all organizational levels</td>
</tr>
<tr>
<td>Disciplined collaboration</td>
<td>--</td>
<td>Dual citizenship established</td>
<td></td>
</tr>
</tbody>
</table>

1 Without TMNL & TMA
CUSTOMER EXPERIENCE DIFFERENTIATORS EVOLUTION

<table>
<thead>
<tr>
<th>CUSTOMER EXPERIENCE DIFFERENTIATORS</th>
<th>2012</th>
<th>CREATE FACTS</th>
<th>TODAY</th>
<th>SCALE UP</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trusted brand</td>
<td></td>
<td>T-shops</td>
<td></td>
<td>T-brand</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>T-brand</td>
<td></td>
<td>Cloud VPN</td>
<td></td>
</tr>
<tr>
<td>Best seamless...</td>
<td></td>
<td>Interactive TV in several NatCos</td>
<td>Hybrid router piloted</td>
<td>INS rollout</td>
<td></td>
</tr>
<tr>
<td>− Connectivity,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Products/services</td>
<td></td>
<td>Interactive TV in several NatCos</td>
<td>Hybrid router piloted</td>
<td>INS rollout</td>
<td></td>
</tr>
<tr>
<td>− Products/services</td>
<td></td>
<td>Interactive TV in several NatCos</td>
<td>Hybrid router piloted</td>
<td>INS rollout</td>
<td></td>
</tr>
<tr>
<td>Simple &amp; personal</td>
<td></td>
<td>Interactive TV in several NatCos</td>
<td>Hybrid router piloted</td>
<td>INS rollout</td>
<td></td>
</tr>
</tbody>
</table>

1 TV to go scheduled to be launched in Greece in 2015  
2 Greece: Regulatory approval pending  
3 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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-SALES share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>best integr. NatCo</td>
<td>14%</td>
<td>29%</td>
</tr>
<tr>
<td>best mobile NatCo</td>
<td>18%</td>
<td>30%</td>
</tr>
<tr>
<td>Ø 6%</td>
<td></td>
<td>Ø 21%</td>
</tr>
<tr>
<td>SELF-SERVICE share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>best integr. NatCo</td>
<td>77%</td>
<td>89%</td>
</tr>
<tr>
<td>best mobile NatCo</td>
<td>96%</td>
<td>97%</td>
</tr>
<tr>
<td>Ø 48%</td>
<td></td>
<td>Ø 65%</td>
</tr>
<tr>
<td>E-BILL share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>best integr. NatCo</td>
<td>50%</td>
<td>70%</td>
</tr>
<tr>
<td>best mobile NatCo</td>
<td>90%</td>
<td>93%</td>
</tr>
<tr>
<td>Ø 31%</td>
<td></td>
<td>Ø 61%</td>
</tr>
</tbody>
</table>

Note: Averages un-weighted across 12 NatCos
## SELECTED PRODUCT EXAMPLES

### 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
- Simple & personal
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

Market¹: +4%
CAGR: +15%

0.3
0.4
0.6

2012 2014 2018

¹ Integrated NatCos, GR, HU, HR, RO, SK, ME, MK
EASY-2-PARTNER: ENHANCING CUSTOMER EXPERIENCE

“EASY-TO-PARTNER” SUBSCRIBERS DEVELOPMENT¹

Subscribers on partner products, in mn

2013 YE 2014 YE
0.7 1.7

2014 YE 2018 YE
1.7 ≈6.0

CAGR: +37%

+143%

LEADING PARTNERS TO DIFFERENTIATE CORE PRODUCTS

- Trust

- Best seamless...
  - Connectivity & Products/services

- 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
B2B REVENUE TRANSFORMATION

B2B revenues\(^1\), in € bn

<table>
<thead>
<tr>
<th>Year</th>
<th>B2B/ICT Mobile Data (B2B)</th>
<th>Traditional &amp; other revenues (B2B)(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3.2 (12%) 67% (76%)</td>
<td>76%</td>
</tr>
<tr>
<td>2014</td>
<td>3.0 (18%) 67% (67%)</td>
<td>67%</td>
</tr>
<tr>
<td>2018</td>
<td>3.2 (26%) 53% (53%)</td>
<td>53%</td>
</tr>
</tbody>
</table>

\(^1\) 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

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)
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

2014

2018

MAGNITUDE OF SYNERGIES
SO FAR AS EXPECTED
 (=15% REALIZED IN 2014)

20-30

= yearly run-rate in 2018+
SPECIAL TOPICS
### STRATEGIC PRIORITIES

<table>
<thead>
<tr>
<th>FAST TRANSFORMATION TOWARDS E-COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Rigorous cost containment</td>
</tr>
<tr>
<td>- High degree of online experience</td>
</tr>
<tr>
<td>- “Simple” customer experience</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EMPHASIS ON PARTNERING</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BRAND REPOSITIONING WITH FOCUS ON CARE-IER(^1) PLUS INNOVATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<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>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MOBILE BROADBAND ON PAR WITH MARKET LEADERS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

---

\(^1\) CARE-ier vs. Un-CARRIER approach as of TMUS

### ACHIEVEMENTS BY 2014

<table>
<thead>
<tr>
<th>20% Opex reduction 2014 vs. 2013 (TMNL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18% e-sales, 96% self-service, 90% e-bill share (TMNL)</td>
</tr>
<tr>
<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>
</tbody>
</table>

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)
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
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 (bn)</th>
<th>EBITDA-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>

CAGR ≈ +0.5%

**CASH CAPEX**

€ bn, like for like¹

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

CAGR ≈ 0%

**ADJ. CASH CONTRIBUTION**

€ bn, like for like¹

<table>
<thead>
<tr>
<th>Year</th>
<th>ADJ. CASH CONTRIBUTION (bn)</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>

CAGR ≈ +0.5%

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>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<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>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<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\(^1\)
  - 2013
  - Early 2020’s

OPERATING PLATFORM COST
- €0.2 bn\(^1\)
  - 2013
  - 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\(^1\) without savings in other areas (e.g. G&A)
INCREASING RETURN ON CAPITAL DUE TO OPEX SAVINGS AND LOWER ASSET BASE

**Revenue**

- **CAGR ≈ -0.5%**
  - 2014: €13.1
  - 2018: €13.1

**Adjusted EBITDA**

- **CAGR ≈ +0.5%**
  - 2014: €4.5
  - 2018: €5.0

**Operating ROCE**

- **CAGR ≈ +2%p**
  - 2014: 4.5%
  - 2018: 6.5%

**Cash Capital Expenditure**

- **CAGR ≈ 0%**
  - 2014: €1.6
  - 2018: €1.6

**SPECIAL FACTORS (EBITDA)**

- **CAGR ≈ +4%**
  - 2014: €0.13
  - 2018: €0.15

---

1 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

<table>
<thead>
<tr>
<th>TECHNOLOGY LEADERSHIP</th>
<th>BEST CUSTOMER EXPERIENCE</th>
<th>SUPERIOR CASH PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Start of PANNET implementation, migration of first platform</td>
<td>▪ Realization of customer experience initiative “eTransformation”: between 30% and 99% eService share in our NatCos</td>
<td>▪ Stable Adj. Cash Contribution ≈+0.5% CAGR</td>
</tr>
<tr>
<td>▪ All-IP Transformation: All integrated NatCos 100% IP-based</td>
<td>▪ Implementation of innovative FMC &amp; TV experiences; €0.6 bn pay-TV revenues</td>
<td>▪ Reduction of indirect cost by €0.4 bn</td>
</tr>
<tr>
<td>▪ Next generation accesses: 75-95% LTE pop coverage and FTTx for ≈50% of households(^1) with at least 100Mbit/s</td>
<td>▪ Continuation of revenue transformation: 38% of revenues with pockets of growth</td>
<td>▪ Op. ROCE improvement by almost +2%-pts</td>
</tr>
<tr>
<td>2015</td>
<td>2018</td>
<td>2014 - 2018</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>2018 vs. 2014</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>2018 vs. 2014</td>
</tr>
</tbody>
</table>

\(^1\) In integrated footprint
GERMANY
NIEK JAN VAN DAMME, CEO GERMANY

1. Key Messages

- Market, Quality, Financials

3. Market Trends
- Consumer Behavior
- Convergence

4. Strategy 2015 – 2018
- Leading European Telco

INTEGRATED IP NETWORKS
- Superior vs competition
- Coverage & Speed
- IP-Transformation

BEST CUSTOMER EXPERIENCE
- Best Customer Experience
- Mobile
- Broadband
- TV
- Wholesale
- Magenta 1
- Cross-/Up-selling
- E-Service/Sales

WIN WITH PARTNERS
- Win with partners

LEAD IN BUSINESS
- Business Market
- Business Initiatives
- Key Differentiators

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
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.
## SOLID PERFORMANCE IN COMPETITIVE MARKETS

<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>MARKET</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>#1 in mobile service revenue market share ≈35%</td>
<td>36.3%</td>
<td>[Green, Red]</td>
</tr>
<tr>
<td>#1 broadband market share ≈43%</td>
<td>41.6%</td>
<td>[Green, Red]</td>
</tr>
<tr>
<td>#1 in TV growth (2012–2014)¹</td>
<td>+476k</td>
<td>[Green, Red]</td>
</tr>
<tr>
<td><strong>QUALITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer loyalty index ≈+10%</td>
<td>60 points (+7%)</td>
<td>[Green, Red]</td>
</tr>
<tr>
<td><strong>FINANCIALS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stable total revenues in 2014</td>
<td>-0.8% yoy</td>
<td>[Yellow, Red]</td>
</tr>
<tr>
<td>Connected home revenues +2% vs. 2012</td>
<td>-0.9%</td>
<td>[Yellow, Red]</td>
</tr>
<tr>
<td>Adj. EBITDA margin ≈40%</td>
<td>40%</td>
<td>[Yellow, Red]</td>
</tr>
</tbody>
</table>

¹ Measured in total number of net adds
MARKET TRENDS
DIGITAL TRANSFORMATION DRIVES CONVERGENCE AND DATA CENTRIC MARKET GROWTH

CHANGE IN CONSUMER BEHAVIOR

**USAGE**

- **Video**: YouTube
  - 40% on mobile devices
- **Messaging**: WhatsApp
  - 35 mn user
- **Social Media**: Facebook
  - 28 mn user

**DEVICES**

- **Smartphone Base**: 41 mn user
- **Monthly Tablet User**: 27 mn user

MARKET TRENDS (2014–2018)**

**DATA TRAFFIC**

1. **Fixed**
   - CAGR 34%
   - 2014: 35 mn user
   - 2018: 40 mn user

2. **Mobile**
   - CAGR 30%
   - 2014: 30 mn user
   - 2018: 36 mn user

**WIFI TRAFFIC ON MOBILE DEVICES**

- **CAGR 36%**
- 2014: 20 mn user
- 2018: 28 mn user

REVENUE MARKET DEVELOPMENT

<table>
<thead>
<tr>
<th></th>
<th>EU Roaming</th>
<th>Mobile</th>
<th>Broadband</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobile</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>18.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>18.6</td>
<td>0.4</td>
<td>18.2</td>
</tr>
<tr>
<td><strong>Broadband</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>10.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>11.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CHANGE IN CONSUMER BEHAVIOR**

1. **Company reporting, 2014/15**
2. **Statista, 2014**
3. **Analysys Mason, March 2014 for Germany**
4. **Telekom estimate: broadband incl. IPTV**
5. **Without EU roaming impact of ≈€0.4 bn**
DATA DEMAND AND NEED FOR CONVERGENCE INCREASE TREND TOWARDS CONSOLIDATION

CONVERGENCE

LEVEL OF CONVERGENCE

Customer Perception

illustrative

Company level of Convergence

1 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
- Steckerleiiste

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 Network¹ with 80% LTE Pop coverage
  - Ø download in Mbps
  - Telekom Deutschland 37¹
  - #2 20
- **BACKHAUL**
  - >80% Fiber to the cell site²

**FIXED BROADBAND**
- **HIGHSPEED FOOTPRINT**
  - Largest national fiber HH coverage with 44%
  - Vectoring download speed up to 100 Mbps
- **UPLOAD**
  - Superior Fiber Upload
  - Mbps
  - Telekom Deutschland 40
  - Coax 10

**HYBRID ACCESS**
- **CONVERGENT TECHNOLOGY**
  - Market launch Q4/14
- **HYBRID FOOTPRINT**
  - 80% Pop coverage with superior bandwidth
  - Mbps
  - upload³ up to 90
  - download up to 200

**TOWER COMPANY**
- Full control

**DEDICATED ACCESS**
- Nationwide for Business

¹ Connect 2014 – average download speed
² 3G/4G
³ Technically feasible upload speed; commercially 80 Mbps
## MORE COVERAGE & SPEED WITHIN THE SAME CAPEX ENVELOPE

### INTEGRATED NETWORK STRATEGY | STATUS 2014
---|---
1. **LTE rollout**<br>![LTE logo]<br>80% Pop coverage<br>Download up to 150 Mbps
2. **Fiber rollout**<br>![Fiber logo]<br>44% HH coverage
3. **Vectoring**<br>![Vectoring logo]<br>Download 100 Mbps<br>Upload 40 Mbps
4. **Hybrid access**<br>![Hybrid access logo]<br>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”...

<table>
<thead>
<tr>
<th>Service</th>
<th>Control</th>
<th>Transport</th>
<th>Aggregation</th>
<th>Access</th>
<th>IAD &amp; Inhouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>DP</td>
<td>✔️</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TP</td>
<td>✔️</td>
<td></td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Business Mobile</td>
<td>✔️</td>
<td></td>
<td></td>
<td>✔️</td>
<td></td>
</tr>
</tbody>
</table>

SHARE OF IP-ACCESS¹

- 4% in 2012
- ≈60% in 2018
- 100%

YE/14: 5.8 mn IP customer

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

BENEFITS FOR BUSINESS

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

¹ 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
- “D-Netz” Quality
- Medium speed
- Smartphone lease
- Basic portfolio

CONTRACT CUSTOMER BASE¹
- Best Network
- High speed
- Subsidized smartphone
- Attractive options
- MagentaEINS

SERVICE REVENUES
- € bn
- EU Roaming

1 Without mobile wholesale  2 Without EU Roaming impact
**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**

<table>
<thead>
<tr>
<th></th>
<th># mn</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Double Play</td>
<td></td>
<td>12.4</td>
<td>13.6</td>
</tr>
<tr>
<td>Triple Play</td>
<td></td>
<td>80%</td>
<td>67%</td>
</tr>
<tr>
<td>CAGR 2%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**BROADBAND REVENUES**

<table>
<thead>
<tr>
<th></th>
<th>€ mn</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Double Play</td>
<td></td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td>Triple Play</td>
<td></td>
<td>80%</td>
<td>68%</td>
</tr>
<tr>
<td>CAGR 2%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Legend:**
- CAGR: Compound Annual Growth Rate
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)

3RD 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

TV CUSTOMER BASE

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

CAGR ≈20%
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**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTTC</td>
<td>11.3</td>
<td>6%</td>
</tr>
<tr>
<td>ADSL/ULL1</td>
<td>94%</td>
<td>40%</td>
</tr>
</tbody>
</table>

CAGR -3%

thereof ≈85% in cable footprint

**WHOLESALE REVENUES**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ bn</td>
<td>3.4</td>
<td></td>
</tr>
</tbody>
</table>

CAGR 0%

---

1 Unbundled local loops
MAGENTA EINS: FIXED AND MOBILE ARE CONVERGING...

OUR FIRST CONVERGED OFFER

63% MARKET RESEARCH¹
Customers prefer bundles from a single source

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

¹ Market research based on customer survey (2014)
...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'

75 Points TRIM

4 INCREASED MAGENTAENS REVENUES

≈4€/m per HH

MagentaEINS CUSTOMER BASE

New Customers

Upsell/Fencing

Cross/Up

Add on SIM

Households

ARPU ≈+4€/m

within ≈250k HH

506

10/14

11/14

12/14

220

357

0

1%

37%

12%

51%

1%

37%

12%

50%

1%

37%

13%

50%
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

1 Increase E-SALES
10% in 2014 ∼ 17% in 2018

2 Reduce SERVICE CONTACTS
-16% in 2018

3 Enhance LOYALTY (TRI*M)
60 PP in 2014 ∼ 64PP in 2018

1 Without IVM and Congstar  2 TRI*M Index for all Telekom customers
PARTNERING ACTIVITIES CONTRIBUTE TO REVENUE GROWTH

KEY GOAL: LEADING PARTNERS TO DIFFERENTIATE CORE PRODUCTS

1. Enrich portfolio with innovative services
2. Leverage customer demand through de-risking revenue share model
3. Platform with standardized interface for efficient integration

REVENUE & SUBSCRIBER DEVELOPMENT

- **SMART HOME**
  - 2014: 100
  - 2018: 300

- **SECURITY**
  - 2014: 2
  - 2018: 6

- **ENTERTAINMENT**
  - 2014: # mn
  - 2018: # mn
OUR STRONG NATIONWIDE DISTRIBUTION AND ICT COMPETENCE ARE THE BASIS FOR A LEADING POSITION IN THE BUSINESS MARKET

**MARKET LEADER IN BUSINESS...**

**MOBILE MARKET**

<table>
<thead>
<tr>
<th>Telekom</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business customer cards</td>
<td>51%</td>
</tr>
</tbody>
</table>

**BROADBAND MARKET**

<table>
<thead>
<tr>
<th>Telekom</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed network Broadband (DSL/cable)</td>
<td>64%</td>
</tr>
</tbody>
</table>

**...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

**B2B revenue in GER**

- +€0.4 bn
- by 2018

Source: GfK Tele.Basics b2b 2014  
1 Cards in frame contacts  
2 Access market share in 2014
GROWTH INITIATIVES AND MID-MARKET APPROACH DRIVE OUR HIGH AMBITION IN BUSINESS

FOCUSED BUSINESS INITIATIVES

1. IT Cloud
   - BMP\(^1\)-Seats mn: +90% from 0.05 to 0.6

2. M2M
   - SIM mn: +29% from 3.7 to ≈10

3. DeutschlandLAN
   - Lines\(^2\) mn: +63% from 0.2 to 1.6

... LEAD TO REVENUE GROWTH

- Telekom:
  - IT: +21%
  - Mobile: +4.8%
  - Fixed: -0.7%
  - Market: -1.7%

- CAGR 2%

1 Business Marketplace  2 Includes expansion of DLAN brand family into other access products
KEY DIFFERENTIATORS FOR OUR CUSTOMERS

Network
- Fully owned fixed and mobile networks
- Nationwide
- Reliable

Hybrid
- Hybrid Router
- Best high speed experience with combined network connections

Portfolio
- Simple S/M/L Portfolio
- Multibrand Strategy for Smart & Value Shopper

TV
- Best HD & VoD content
- Multi screen
- Multilayer G2M via IP, Sat & Cable

MagentaEINS
- First convergent offer
- Unique customer loyalty (TRI*M)

Service
- Seamless experience across all touch points
- Self-Service Enabling
- New Media (e.g. Chat)

Partner
- Fast G2M
- Efficient integration
- Enrich portfolio with innovative services and bundles

IT/Cloud
- Secure data Access via Cloud & IT solutions
- IT partnering network

ELEMENTS OF DIFFERENTIATION
REVENUE STABILIZATION YOY IN 2016

**REVENUE DEVELOPMENT**

<table>
<thead>
<tr>
<th>Year</th>
<th>€ bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>22.3</td>
</tr>
</tbody>
</table>

- CAGR 0.3%¹

**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

¹ Without EU roaming impact
FURTHER FOCUS ON COST REDUCTION THROUGH SIMPLICITY, EFFICIENCY AND TRANSFORMATION

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

1 Before capitalization of labor  
2 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**

**CUSTOMER AND TECHNICAL SERVICE**
- From €0.5 bn in 2013 to €0.2 bn in Early 2020’s

**OPERATING PLATFORM COST**
- From €0.2 bn in 2013 to €0.7 bn in Early 2020’s

---

1. 2013 = 100%; gross measure-related opex savings after accomplished transformation before any counter effects e.g. from personnel cost increases
2. Measure-related energy, maintenance and personnel platform cost
WE FUND OUR INVESTMENTS THROUGH GROWING EBITDA

**ADJ. EBITDA & EBITDA-MARGIN**

€ bn

- **CAGR 1–2%**
  - 2014: 8.8
  - 2015: 8.8
  - 2018: 8.8

Margin: 40% 40% 42%

**CASH) CAPEX**

€ bn

- **CAGR ≈1%**
  - 2014: 3.8
  - 2015: 2.9
  - 2018: 2.8

**ADJ. CASH CONTRIBUTION**

€ bn

- **CAGR ≈2%**
  - 2014: 5.0
  - 2015: 4.9
  - 2018: 5.0
KEY LEVERS FOR STABLE ROCE

**REVENUES**¹

<table>
<thead>
<tr>
<th>€ bn</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.3</td>
<td>22.3</td>
<td></td>
</tr>
</tbody>
</table>

CAGR 0.3%

**ADJ. EBITDA**

<table>
<thead>
<tr>
<th>€ bn</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.8</td>
<td>8.8</td>
<td></td>
</tr>
</tbody>
</table>

CAGR 1–2%

**OPERATING ROCE**

**(CASH) CAPEX**

<table>
<thead>
<tr>
<th>€ bn</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.8</td>
<td>3.8</td>
<td></td>
</tr>
</tbody>
</table>

CAGR ≈1%

**SPECIAL FACTORS (EBITDA)**²

<table>
<thead>
<tr>
<th>€ bn</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.3</td>
<td>0.6</td>
<td></td>
</tr>
</tbody>
</table>

¹ Without EU roaming impact  
² Restructuring
MID TERM AMBITION LEVEL
## MID TERM AMBITION LEVEL

<table>
<thead>
<tr>
<th>MID TERM AMBITION LEVEL</th>
<th>YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MARKET</strong></td>
<td></td>
</tr>
<tr>
<td>#1 in FMC with MagentaEINS: 3mn customers</td>
<td>2018</td>
</tr>
<tr>
<td>#1 in mobile service revenue: CAGR ≈1%/market share &gt;36%</td>
<td>2018</td>
</tr>
<tr>
<td>#1 broadband: CAGR ≈2%/market share &gt;40%</td>
<td>2018</td>
</tr>
<tr>
<td><strong>QUALITY</strong></td>
<td></td>
</tr>
<tr>
<td>Customer loyalty index: ≈64 points</td>
<td>2018</td>
</tr>
<tr>
<td><strong>FINANCIALS</strong></td>
<td></td>
</tr>
<tr>
<td>Adj. EBITDA margin: ≈42%</td>
<td>2018</td>
</tr>
<tr>
<td>Growing adj. EBITDA: CAGR 1–2%</td>
<td>2018</td>
</tr>
<tr>
<td>Growing adj. cash contribution: CAGR ≈2%</td>
<td>2018</td>
</tr>
<tr>
<td>Revenue stabilization</td>
<td>2018</td>
</tr>
</tbody>
</table>

1 Without EU roaming impact  
2 Access market share in 2018
1. Key Messages

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

3. Market Trends
   - Macro Conditions USA
   - ARPU, TB/Month

   - Overview
   - Innovation
   - Consumer Revolution
   - Brand
   - Un-Carrier Revolution
   - Sales & Service Experience
     - Overview
     - Customer Service
     - Customer Experience
   - Network Foundation
     - Overview
     - LTE Coverage
     - Coverage Efficiency
     - Service
     - Spectrum
     - Costs
     - Innovation
   - Lean Business Model
     - Overview
     - Metro PCS Integration
     - Metro PCS Synergies
     - Organic Transformation

5. Guidance 2015
   - Outlook 2015

6. Mid Term Ambition Level
   - Long-Term Value
... BECOMING THE UN-CARRIER IN 2013.

2013 BRAND RE-LAUNCH
- DISRUPTIVE NEW...
- VALUE PLANS ENABLE...
- DEVICES PLAY A KEY ROLE, WITH...
- A FOUNDATION FOR PROFITABLE GROWTH, BY...
- Brought to life with a new campaign that...

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

T-Mobile USA
KEY MESSAGES

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!

UNCARRIER 8.0 – DATA STASH  Dec
UNCARRIER 7.0 – WiFi CALLING  Sep
UNCARRIER 5.0 & 6.0 – TEST DRIVE & MUSIC FREEDOM  Jun
THREE DAYS OF UN-CARRIER  Apr
FASTEST NATIONWIDE LTE NETWORK  Jan
UNCARRIER 4.0 – CONTRACT FREEDOM  Jan
LOW-BAND SPECTRUM: VERIZON A-BLOCK ANNOUNCED  Jan
UNCARRIER 3.0 – SIMPLE GLOBAL, TABLETS UNLEASHED  Oct
METRO MARKET EXPANSION ANNOUNCED  Jul & Nov
UN-CARRIER 2.0 DELIVERED & LAUNCHED  Jul
TMUS LISTED – NYSE ; METRO PCS DEAL CLOSED  May
UN-CARRIER 1.0 DELIVERED & LAUNCHED  Apr
BRAND RE-LAUNCHED  Mar
$1.7B MAJOR COST RESTRUCTURING UNDERTAKEN  Feb
APPLE PARTNERSHIP ESTABLISHED — iPhone LAUNCH COMPLETED  Jan & Apr
NEW MANAGEMENT TEAM FORMED  Dec

PATH TO GROWTH AS UN-CARRIER

33 Million Total Customers

Added 22 Million customers over 2 years
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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.9</td>
</tr>
<tr>
<td>2014</td>
<td>4.0</td>
</tr>
<tr>
<td>2013</td>
<td>2.4</td>
</tr>
<tr>
<td>2014</td>
<td>1.4</td>
</tr>
<tr>
<td>2013</td>
<td>0.8</td>
</tr>
<tr>
<td>2014</td>
<td>(0.3)</td>
</tr>
</tbody>
</table>

Service Revenue YoY Growth (2013 & 2014)

<table>
<thead>
<tr>
<th>Year</th>
<th>TMUS</th>
<th>VZ</th>
<th>AT&amp;T</th>
<th>SPRINT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.9</td>
<td>4.0</td>
<td>2.4</td>
<td>(0.3)</td>
</tr>
<tr>
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<td>1.4</td>
<td>1.4</td>
<td>2.0</td>
<td>(0.8)</td>
</tr>
</tbody>
</table>

Source: Goldman Sachs Global Investment Research
...LEADING TO ADJUSTED EBITDA GROWTH AND STRONG ABPU TRENDS

**Adjusted EBITDA**

- **Up 30% from Q3 and 41% from Q4 2013**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2013 (mn USD)</th>
<th>2014 (mn USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>$1,469</td>
<td>$1,265</td>
</tr>
<tr>
<td>Q2</td>
<td>$1,344</td>
<td>$1,346</td>
</tr>
<tr>
<td>Q3</td>
<td>$1,239</td>
<td>$1,451</td>
</tr>
<tr>
<td>Q4</td>
<td>$1,088</td>
<td>$1,346</td>
</tr>
</tbody>
</table>

**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)**

- **Highest in company’s history**

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<tr>
<td>Q1</td>
<td>$57.28</td>
<td>$61.59</td>
</tr>
<tr>
<td>Q2</td>
<td>$58.72</td>
<td>$61.80</td>
</tr>
<tr>
<td>Q3</td>
<td>$59.08</td>
<td>$59.54</td>
</tr>
<tr>
<td>Q4</td>
<td>$58.78</td>
<td>$59.79</td>
</tr>
</tbody>
</table>

**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

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

CONSUMER REVOLUTION

GROUP STRATEGY  COST AND PORTFOLIO TRANSFORMATION  LEAD IN BUSINESS  SUPERIOR PRODUCTION MODEL  EUROPE  GERMANY  T-MOBILE USA  FINANCE 12
1. **Un-carrier**

2. **SALES & SERVICE EXPERIENCE**
   - Delight customers with award-winning, innovative service
   - Transform the customer experience to support the Un-Carrier movement

3. **NETWORK FOUNDATION**

4. **LEAN BUSINESS MODEL**
1. Un-carrier

2. SALES & SERVICE EXPERIENCE
   - 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)

3. NETWORK FOUNDATION

4. LEAN BUSINESS MODEL
LEVEL THE COMPETITIVE PLAYING FIELD FROM A COVERAGE PERSPECTIVE

End of 2014 LTE Coverage

End of 2015 LTE Coverage

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

~300M LTE covered pops, 1.6 M sq. miles
PROVIDE INDUSTRY-LEADING FAST SERVICE EVEN IN AN ENVIRONMENT OF EXPLOSIVE DATA GROWTH

Data Fast Network supports High Speed experience

Results based on MILLIONS OF TESTS BY REAL CUSTOMERS*

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

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

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<tr>
<th>Carrier</th>
<th>Total Spectrum Holdings / Total Subs (in Hz/Customer)</th>
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<td>T-Mobile</td>
<td>1.53</td>
</tr>
<tr>
<td>AT&amp;T $^1$</td>
<td>1.23</td>
</tr>
<tr>
<td>Verizon $^2$</td>
<td>1.07</td>
</tr>
<tr>
<td>Sprint $^3$</td>
<td>1.91</td>
</tr>
</tbody>
</table>

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

Rapidly converting technology to achieve even higher spectral efficiency

Relative efficiency by technology:

- GSM: 1x
- HSPA: 7x
- LTE: 15x
- LTE Advanced

Source: T-Mobile Analysis

$^1$ AT&T pre AWS-3 holdings exclude WCS holdings.

$^2$ Verizon customers are retail only.

$^3$ Sprint pre AWS-3 holdings exclude BRS and EBS holdings.
CONTINUING TO BE A LEADER IN NETWORK INNOVATION

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   - Continuing organic cost transformation and re-investing in growth

3. **NETWORK FOUNDATION**

4. **LEAN BUSINESS MODEL**

TRACKING WELL AHEAD OF ORIGINAL METROPCS INTEGRATION PLAN

**MetroPCS Integration Ahead of Plan**

- Share of MetroPCS customers on T-Mobile Network Percent
  - Q3 2013: 12%
  - Q4 2013: 31%
  - Q1 2014: 53%
  - Q2 2014: 67%
  - Q3 2014: 78%
  - Q4 2014: 87%

- Share of MetroPCS Spectrum re-farmed Percent
  - Q3 2013: 20%
  - Q4 2013: 25%
  - Q1 2014: 50%
  - Q2 2014: 60%
  - Q3 2014: 63%
  - Q4 2014: 73%

**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

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

Impact of Cost Programs

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<th>Year</th>
<th>$ Billions</th>
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<td>2013</td>
<td>1.7</td>
</tr>
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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)

<table>
<thead>
<tr>
<th></th>
<th>Total Revenue</th>
<th>Adjusted EBITDA</th>
<th>Free Cash Flow</th>
</tr>
</thead>
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<td>CMD 2012: 5 year growth</td>
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<td></td>
<td></td>
</tr>
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<td>Adjusted EBITDA</td>
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<td>7–10%</td>
<td></td>
</tr>
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### 2017 Target Profitability (% of Service Revenue)

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<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>32–34%</td>
</tr>
<tr>
<td></td>
<td>34–36%</td>
</tr>
</tbody>
</table>

- Significant outperformance of initial postpaid customer growth expectations drives revenue upside two times the original plan
- EBITDA growth outlook maintained even with higher customer growth
- Free cash flow growth reflects higher success-based capital expenditures
- Adjusted EBITDA margin in 2017 lowered slightly due to higher customer growth profile

1. Updated view based on 2012-2014 actuals and 2015-2017 projections
2. Free Cash Flow defined as Adj. EBITDA less Cash Capital Expenditures
SPECTRUM POSITION PROVIDES RUNWAY FOR CONTINUED GROWTH

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</tr>
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</tr>
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1 AT&T pre AWS-3 holdings exclude WCS holdings, 2 Verizon customers are retail only, and 3 Sprint pre AWS-3 holdings exclude BRS and EBS holdings.
ACHIEVE RESULTS WHILE KEEPING COSTS UNDER CONTROL

Network Costs as a Percent of Total Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>24</td>
</tr>
<tr>
<td>2013</td>
<td>22</td>
</tr>
<tr>
<td>2014</td>
<td>20</td>
</tr>
</tbody>
</table>

Data growth Indexed to 2012
- 2012: 1x
- 2013: >2.5X
- 2014: >7.5X

Network costs declining versus revenue despite sharp increases in data growth.
## CONTINUING TO BE A LEADER IN NETWORK INNOVATION

<table>
<thead>
<tr>
<th>Icon</th>
<th>Description</th>
</tr>
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<tbody>
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<td>VoLTE</td>
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Network one-time costs pulled forward to accelerate CDMA shutdown to end of 2015 – enabling earlier synergy capture
### METROPOLIS SYNERGIES $9–10 B AFTER TAX NPV\(^1\) VS. ORIGINAL PLAN OF $6–7 B

<table>
<thead>
<tr>
<th>Original plan</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>5 Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Network ($M)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opex savings</td>
<td>(0–50)</td>
<td>(0–50)</td>
<td>0–100</td>
<td>300–400</td>
<td>600–700</td>
<td>800–1200</td>
</tr>
<tr>
<td>Capex savings</td>
<td>100–200</td>
<td>300–400</td>
<td>400–500</td>
<td>450–550</td>
<td>400–450</td>
<td>1650–2100</td>
</tr>
<tr>
<td>One-time costs</td>
<td>(600–700)</td>
<td>(0–50)</td>
<td>(700–800)</td>
<td>(800–900)</td>
<td>—</td>
<td>(2100–2450)</td>
</tr>
</tbody>
</table>

| Non-network ($M) |        |        |        |        |        |              |
| 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**

<table>
<thead>
<tr>
<th>Network ($M)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Year Total</td>
<td>1900–2100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-network ($M)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Year Total</td>
<td>2700–2900</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

\(^1\) After-tax NPV calculated with 9% discount rate and 38% tax rate

---

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

---

**Better/at original plan**

**One-time cost pull forward**

---

**Current view NPV\(^1\) of synergies $9–10 B vs. original plan of $6–7 B**
CONTINUING ORGANIC TRANSFORMATION

Impact of Cost Programs

$ Billions

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MID TERM AMBITION LEVEL
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#### Notes

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

#### Key Points

- Significant outperformance of initial postpaid customer growth expectations drives revenue upside two times the original plan.
- EBITDA growth outlook maintained even with higher customer growth.
- Free cash flow growth reflects higher success-based capital expenditures.
- Adjusted EBITDA margin in 2017 lowered slightly due to higher customer growth profile.
1. Key Messages

   - Shareholder value
   - Debt Investors

3. Financial Strategy 2015 – 2018
   - Overview
   - Summary 2014-2018

   EQUITY
   - Growth

   VALUE CREATION
   - Growth
   - Infrastructure & Transformation
   - Superior Production Platform
   - Opex Profile
   - Cost Reduction
   - EBITDA, EBIT, EPS
   - Risk Management
   - Pension

   DEBT
   - Stability

4. Guidance & Mid Term Ambition Level
   - Guidance 2015
   - DT Group Ambition 2018
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

Dec. 7, 2012

- 6
- 14
- 22
- 23
- 36
- 46
- 99

Feb. 13, 2015

- 13
- 19
- 43
- 48
- 61
- 72
- 83

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
WE ARE STILL THE “SAFE HAVEN” FOR DEBT INVESTORS

### Rating Position

<table>
<thead>
<tr>
<th>Year</th>
<th>VOD</th>
<th>TEF</th>
<th>BT</th>
<th>KPN</th>
<th>Avg. A-</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>A</td>
<td>A</td>
<td>A-</td>
<td>A-</td>
<td>Avg. A-</td>
</tr>
</tbody>
</table>

### Credit Default Swaps (5 Yrs)

<table>
<thead>
<tr>
<th>Basispoints (Change vs. last CMD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOD A- DT BBB + Avg. BBB +/BBB</td>
</tr>
<tr>
<td>ORA A- BB + Avg. BBB +</td>
</tr>
<tr>
<td>TEF BB</td>
</tr>
<tr>
<td>BT BB</td>
</tr>
<tr>
<td>KPN BB</td>
</tr>
<tr>
<td>TI BB</td>
</tr>
<tr>
<td>T-Mobile USA</td>
</tr>
</tbody>
</table>

---

1 Based on S&P  
2 As of 13.02.2015
LEADING EUROPEAN TELCO WITH FOCUS ON ROCE

II EQUITY

- DIVIDEND¹
  - Following FCF growth
  - Floor at €0.50 per share
  - Attractive option: Dividend in kind

III DEBT

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

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

¹ Subject to necessary AGM approval and board resolution
TOP LINE AND EBITDA GROWTH WILL STRENGTHEN ROCE

**Revenue**

€ bn
- 2014: 62.7
- 2018: \(\_\_\_\_\)  

CAGR 1–2%

**Adjusted EBITDA**

€ bn
- 2014: 17.6
- 2018: \(\_\_\_\_\)  

CAGR 2–4%

\(^1\) Excl. effects from 70% Scout disposal and Verizon 4.0 spectrum

**ROCE**

- 2014: 5.5%
- 2018: \(\_\_\_\_\)  

ROCE > WACC

**Capital Expenditure (CAPEX)**

€ bn
- 2014: 9.5
- 2018: \(\_\_\_\_\)  

CAGR 1–2%

**Special Factors (EBITDA)**

€ bn
- 2014: 1.8\(^1\)
- 2018: 1.3

\(^1\) Excl. effects from 70% Scout disposal and Verizon 4.0 spectrum

**Value Creation**

CAGR 1–2%

CAGR 2–4%

VALUE CREATION
CONTINUED HIGH INVESTMENTS IN INFRASTRUCTURE & TRANSFORMATION

(CASH) CAPEX PROFILE

€ bn

Cash Capex/Sales:

- 2014: €9.5bn, ≈15% increase
- 2015: €9.8bn, ≈15% increase
- 2018: €11.6bn, ≈15% increase

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

**CAGR 2014–18 1–2%**

**INFRASTRUCTURE TRANSFORMATION**

**€ bn**

- 2014: €3.8bn, FLAT
- 2015: $4.3bn, Slight increase
- 2018: $4.3bn, FLAT

**≈1%**

**≈4%**

1 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
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 Fiber
3 Vectoring
4 Hybrid access

BEST CONNECTIVITY

Annual run rate adj. Opex savings:
≈ €-1.2 bn\(^1\)
(steady state in early 2020ies)

1 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\(^1\) cost

<table>
<thead>
<tr>
<th>Year</th>
<th>Adj. direct cost (ex US)</th>
<th>Adj. indirect cost(^1) (ex US)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>65%</td>
<td>61%</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>61%</td>
</tr>
<tr>
<td>Early 2020ies</td>
<td></td>
<td>Ambition ≈55%–50%</td>
</tr>
</tbody>
</table>

\(^1\) Before capitalization of labor

CASH PERSONNEL SPECIAL FACTORS (EX US)

€ bn

- 2014: 1.2
- 2015: 1.6
- 2018: 1.2

≈+30%
WE REDUCE OUR INDIRECT COST EX US BY €1.8 BN TO SELF-FUND OUR INVESTMENTS

ADJ. OPEX 2014

| € bn | 46.2 | 18.5 | 29.7 | 1.9 |

Total cost US CAGR 2014–18 ≈4%

TOTAL COST² VIEW (EX US)

| adj. direct cost | 10.4 |
| adj. indirect cost² | 19.3 |

CAGR 2014–18 ≈ 1–2%

Indirect cost reduction across all segments ex US

- Revenue growth drives direct costs
- New revenues come with lower margin

MID TERM AMBITION

- Revenue growth drives direct costs
- New revenues come with lower margin

GROUP ADJ OPEX (EX US): DECREASE

- €-0.8 bn
- €-0.4 bn
- €-0.5 bn
- €-0.1 bn

1 Capitalization of labor 2 Before capitalization of labor 3 Before lower capitalization of labor of €0.25 bn

14
WE WILL GROW IN EBITDA, EBIT AND EPS

INCREASING ADJ. EBITDA MARGIN

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2018e</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>28.0</td>
<td>FLAT</td>
<td>+2–3pp</td>
</tr>
</tbody>
</table>

FLAT ADJ. DEPRECIATIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2018e</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ bn</td>
<td>10.5</td>
<td>FLAT</td>
<td></td>
</tr>
</tbody>
</table>

INCREASING ADJ. EBIT MARGIN

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2018e</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>11.3</td>
<td>FLAT</td>
<td>+4–5pp</td>
</tr>
</tbody>
</table>

IMPROVEMENT OF ADJ. EPS

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2018e</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td>0.54</td>
<td>FLAT</td>
<td>≈ 1</td>
</tr>
</tbody>
</table>
IMPRESSIVE DE-RISKING TRACK RECORD SINCE LAST CAPITAL MARKETS DAY

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

1 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

SUM OF THE PARTS SHARE

- U.S.: 85% → 91% (+6 ppt)
- D.: 15% → 9% (-6 ppt)
- UK.: 85% → 91% (+6 ppt)
- PL.: 3% → 12% (+9 ppt)
- A.: 91% → 85% (-6 ppt)
- RO.: 15% → 9% (-6 ppt)
- NL.: 3% → 12% (+9 ppt)
- SK.: 91% → 85% (-6 ppt)
- CZ.: 91% → 85% (-6 ppt)
- HR.: 15% → 9% (-6 ppt)
- GR.: 91% → 85% (-6 ppt)

SUBSTANTIAL ECONOMIC RISK REDUCTION COMPARED TO CMD 2012

As per Feb. 2015
WE ARE EXPECTING SLIGHTLY DECLINING PAYOUTS FOR PENSIONS

**PAYOUTS FOR PENSIONS (GER) DECREASING**

<table>
<thead>
<tr>
<th>€ bn</th>
<th>2015</th>
<th>2017</th>
<th>2019</th>
<th>2021</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil Servant Pensions</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Pension Plans</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>€ bn</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
<td>0.3</td>
</tr>
</tbody>
</table>

- 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!**

<table>
<thead>
<tr>
<th>€ bn</th>
<th>DBO</th>
<th>Plan Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>-9.0</td>
<td>22% Funding ratio</td>
</tr>
<tr>
<td>2014</td>
<td>-10.9</td>
<td>23% Funding ratio</td>
</tr>
<tr>
<td>2020</td>
<td>-0.3</td>
<td>50% Funding ratio</td>
</tr>
</tbody>
</table>

**SENSITIVITY DRIVERS OF DBO**

1. Discount rate (+/- 100bps)
   - Highest sensitivity with discount rate
   - Decrease of discount rate in 2014\(^3\) by 140 bps almost entirely driving increase in DBO

2. Longevity (+/- 1 year)
   - No volatility expected as number of civil servants is decreasing (no new hires) and contribution is fixed

3. Salary trend (+/- 50bps)

---

\(^1\) DBO = Defined benefit obligation

\(^2\) Sensitivities for Germany as it covers 90% of total DBO

\(^3\) Discount rates: 3.3% in 2013 versus 1.9% in 2014
**MANAGEMENT INCENTIVES ALIGNED WITH SHAREHOLDERS INTEREST**

**1 SHORT TERM INCENTIVE**
- Individual
- Collective
- Segment unadj. EBITDA
- Group Free Cashflow

**2 LONG TERM INCENTIVE**
- Illustrative
- TELEKOM KPIS
  - Customer & Employee satisfaction
- Share-price
- Adj. EPS
- ROCE

**3 SHARE MATCHING PLAN**
- EXECUTIVE
  - Voluntary investment in shares
  - Providing matching shares
- TELEKOM
  - Number of shares disposable for executive
  - Shareprice
Our Shareholders will participate in growth

Free Cashflow DT Group\(^1\)

- € bn
- CAGR ≈10%
- 2014: 4.1
- 2018: \(\text{Increase}\)

Dividends following FCF growth\(^2\)

- €
- Minimum €0.50
- 2014\(^3\): \(\text{Current}\)
- 2015: \(\text{Current}\)
- 2016: \(\text{Current}\)
- 2017: \(\text{Current}\)
- 2018: \(\text{Current}\)

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

---

\(^1\) Before spectrum investment

\(^2\) Subject to necessary AGM approval and board resolution

\(^3\) 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**

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

Undisputed access to debt capital markets

**COMFORT ZONE DEVELOPMENT**

- Equity Ratio in %
- Net Debt/Adj. EBITDA

**BALANCED MATURITY PROFILE**

<table>
<thead>
<tr>
<th>Year</th>
<th>OTE</th>
<th>TMUS</th>
<th>DTAG</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>3.6</td>
<td>3.9</td>
<td>3.1</td>
<td>10.6</td>
</tr>
<tr>
<td>2017</td>
<td>3.2</td>
<td>3.1</td>
<td>2.3</td>
<td>8.6</td>
</tr>
<tr>
<td>2019</td>
<td>2.9</td>
<td>3.9</td>
<td>1.2</td>
<td>8.0</td>
</tr>
<tr>
<td>2021</td>
<td>0.9</td>
<td>3.5</td>
<td>1.0</td>
<td>5.5</td>
</tr>
<tr>
<td>2023</td>
<td>1.7</td>
<td>4.1</td>
<td>1.9</td>
<td>7.7</td>
</tr>
<tr>
<td>&gt;2024</td>
<td>2.2</td>
<td>3.0</td>
<td>1.6</td>
<td>6.8</td>
</tr>
</tbody>
</table>

**REFINANCING COST**

- Interests: 5.2% → 5.8%
- 5 yrs yield DT: 1.5% → 0.5% (ex US: 5.1%)

**DEBT III**

- -64%

*As of Dec. 2014*
2014–2018 IN A NUTSHELL

DT WILL GROW IN ALL RELEVANT FINANCIAL KPI’S …

- REVENUES CAGR 1–2%
- ADJ. EBITDA CAGR 2–4%
- CASH CAPEX CAGR 1–2%
- FCF CAGR ≈10%
- SPECIAL FACTORS
- D&A
- TAX

… OUR SHAREHOLDERS WILL PARTICIPATE!

- DIVIDENDS: Following FCF growth Floor at €0.50
- ROCE: ROCE > WACC in 2018
GUIDANCE AND MID TERM AMBITION LEVEL
<table>
<thead>
<tr>
<th></th>
<th>2014 RESULTS Reported</th>
<th>GUIDANCE 2015 ON A CONSTANT CURRENCY BASIS&lt;sup&gt;1&lt;/sup&gt;</th>
<th>GUIDANCE 2015 ON CURRENT €/$ EXCHANGE RATE&lt;sup&gt;2&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ BN</td>
<td></td>
<td>€/$: 1.33</td>
<td>€/$: 1.13</td>
</tr>
<tr>
<td>REVENUE</td>
<td>62.7</td>
<td>Growth</td>
<td>Growth</td>
</tr>
<tr>
<td>ADJ. EBITDA</td>
<td>17.6</td>
<td>around 18.3</td>
<td>around 19.3</td>
</tr>
<tr>
<td>FCF</td>
<td>4.1</td>
<td>around 4.3</td>
<td>around 4.3</td>
</tr>
</tbody>
</table>

<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
<table>
<thead>
<tr>
<th>TOPIC</th>
<th>MID TERM AMBITION LEVEL¹</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
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.

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