



DEUTSCHE TELEKOM
Q2/15 ROADSHOW



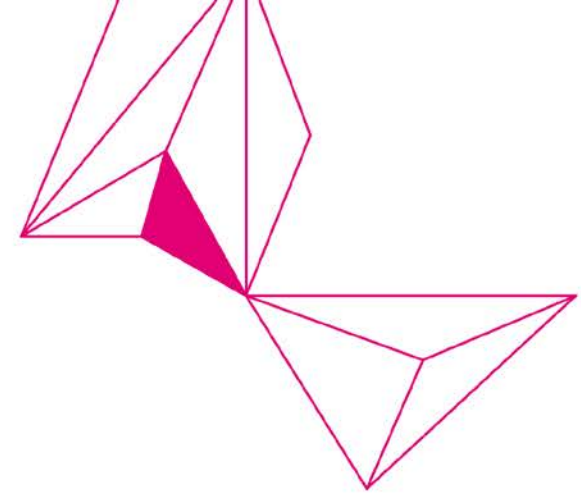
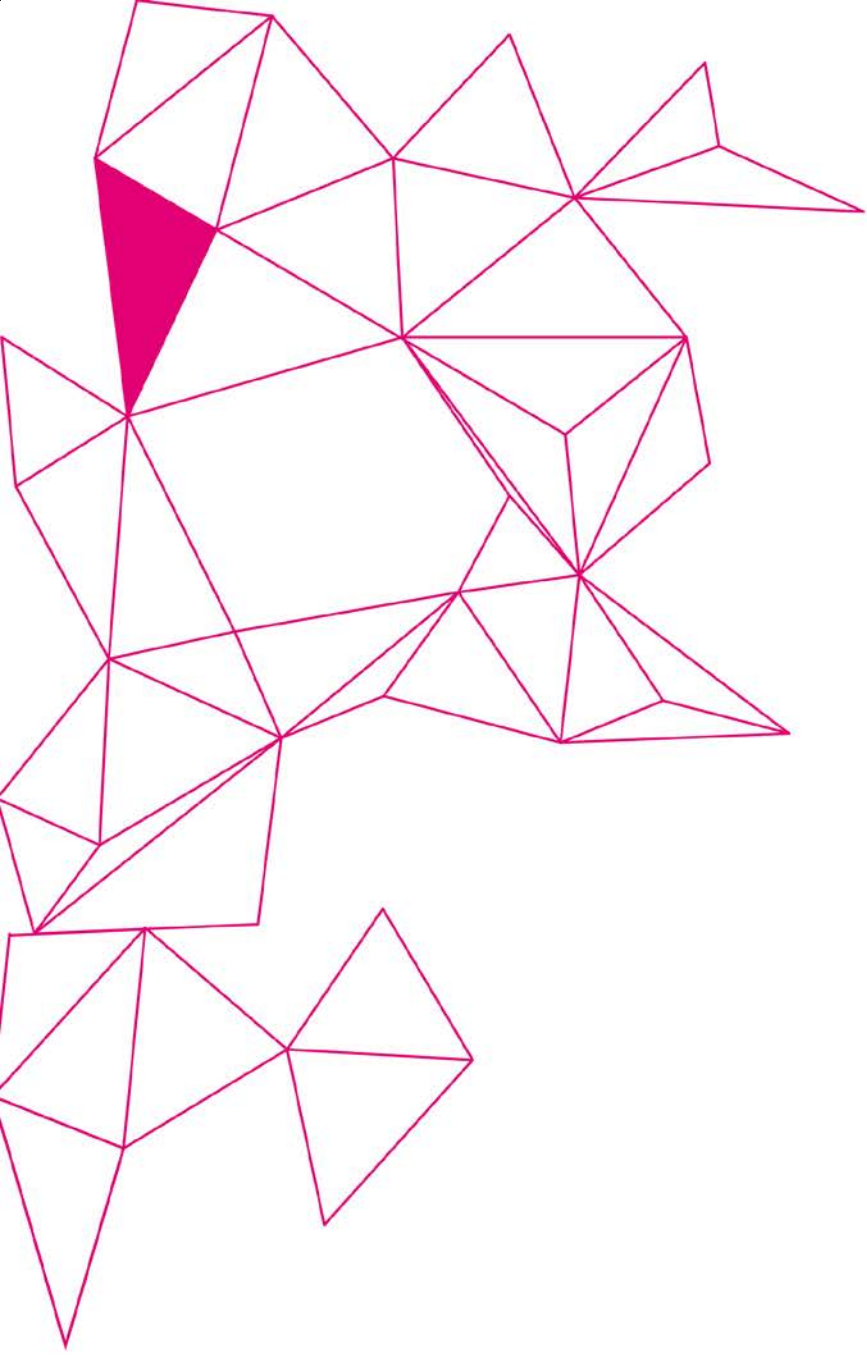
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DISCLAIMER

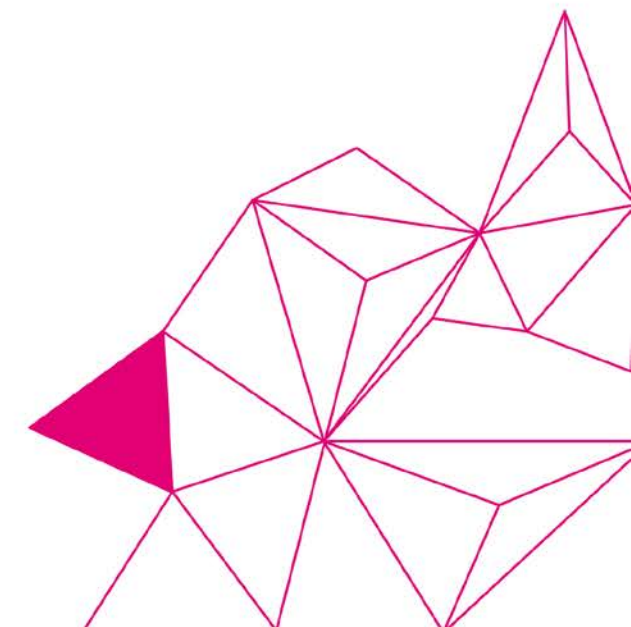
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In addition to figures prepared in accordance with IFRS, Deutsche Telekom also presents non-GAAP financial performance measures, including, among others, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT, adjusted net income, 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.





REVIEW Q2/15



LEADING EUROPEAN TELCO: KEY MESSAGES Q2

- 1** Strong growth in revenue, adj. EBITDA and FCF; well on track for our 2015 guidance and our Capital Markets Day targets. We therefore re-iterate our guidance
- 2** As in Q1, stronger than expected performance in our key KPIs (US net adds, German fiber/broadband, All-IP lines). Underlying mobile service revenues in Germany in line with expectations. In Germany, the lowest line loss in eleven years. We now expect at least 250k broadband net adds in 2015, up from 100k
- 3** We are continuing to invest heavily - € 5 billion in H1 – in network differentiation through all-IP, LTE and fiber
- 4** Strict indirect cost control to ensure adherence to financial targets, despite stronger than expected KPI growth and significant capex increase
- 5** 9th quarter in a row with more than 1 million net adds leads to second time increase in subscriber growth guidance with unchanged EBITDA growth expectations. Now 3rd largest carrier in the US!
- 6** Disciplined investments to strengthen our existing footprint (Slovak minority, German and US spectrum and cell sites)



H1/15: FINANCIAL HIGHLIGHTS

€ MN	Q2			H1		
	2014	2015	Change	2014	2015	Change
REVENUE	15,114	17,428	+15.3%	30,008	34,270	+14.2%
ADJ. EBITDA	4,429	5,026	+13.5%	8,550	9,600	+12.3%
ADJ. NET PROFIT	636	1,078	+69.5%	1,223	2,114	+72.9%
NET PROFIT	711	712	+0.1%	2,528	1,499	-40.7%
ADJ. EPS (IN €)	0.15	0.24	+60.0%	0.28	0.47	+67.9%
EPS (IN €)	0.16	0.16	0.0%	0.57	0.33	-42.1%
FREE CASH FLOW ¹	1,049	1,375	+31.1%	2,032	2,240	+10.2%
CASH CAPEX ²	2,197	2,575	+17.2%	4,262	5,105	+19.8%
NET DEBT (IN € BN)	41,385	48,835	+18.0%	41,385	48,835	+18.0%

1) Free cash flow before dividend payments and spectrum investment 2) Excl. Spectrum: Q2/14 1,749 million €; Q2/15 1,755 million €; H1/14 1,881 million €; H1/15 3,654 million €



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FOCUS ON TRANSACTIONS: STRENGTHENING OUR CORE ASSETS

SLOVAK TELEKOM MINORITIES

- Acquisition of 49% government stake for 0.9 billion €¹ or 3.8 times 2014 EBITDA
- Quality asset, consistent with DT strategy (fully integrated, 100% All-IP)

- **Strengthening our European footprint**
- **Another example of our prudent approach to M&A**

GERMAN SPECTRUM AUCTION

- DT acquired 100 of 270 MHz available spectrum
- DT acquired 50 of 130 MHz available low band spectrum²
- Average spend of € 0.22 MHz/POP (total € 1.8 bn)

- **Strengthening our German network leadership**

TRANSFER OF TEF D CELL SITES

- 7,700 cell sites transferred by TefD
- Accelerated mobile roll-out and increased network capacity

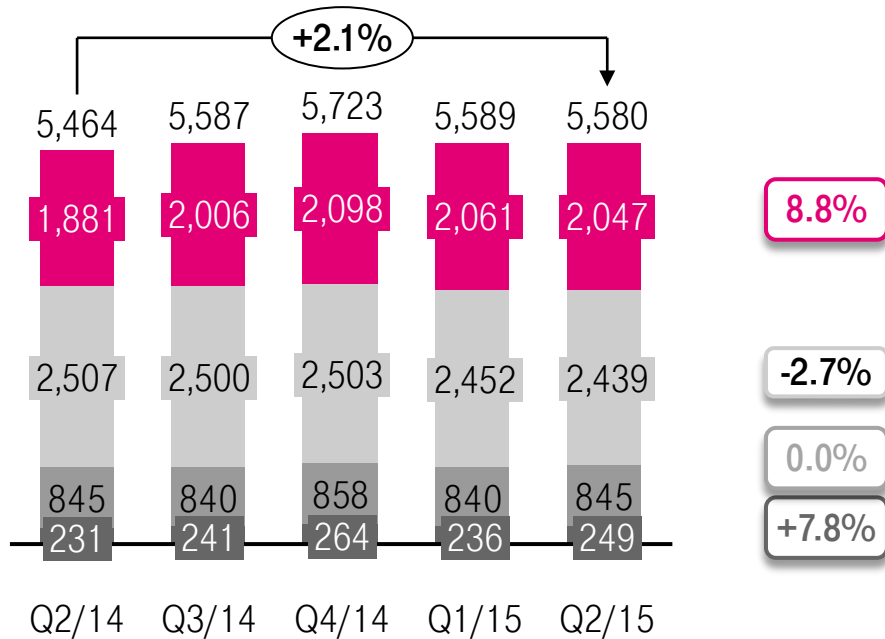
- **Strengthening our German network leadership**

1) Including € 0.1 billion in escrow for litigation risks 2) Including 20 MHz in 700 MHz spectrum band and 30 MHz in 900 MHz spectrum band

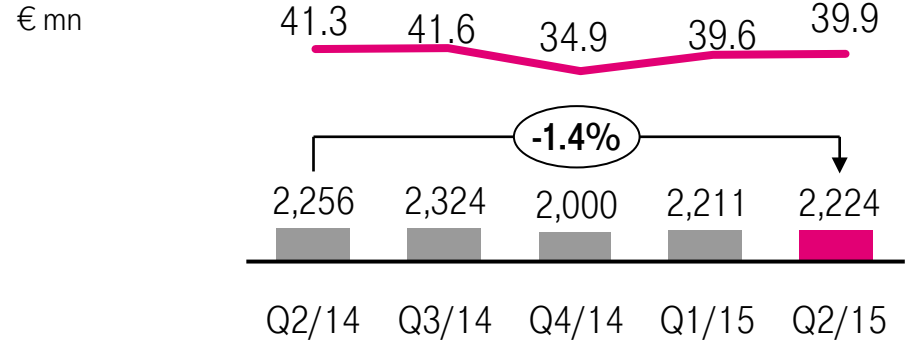
GERMANY: REVENUES CONTINUE TO GROW SUPPORTED BY STRONG MOBILE GROWTH AND STABLE WHOLESALE REVENUES

REVENUE¹

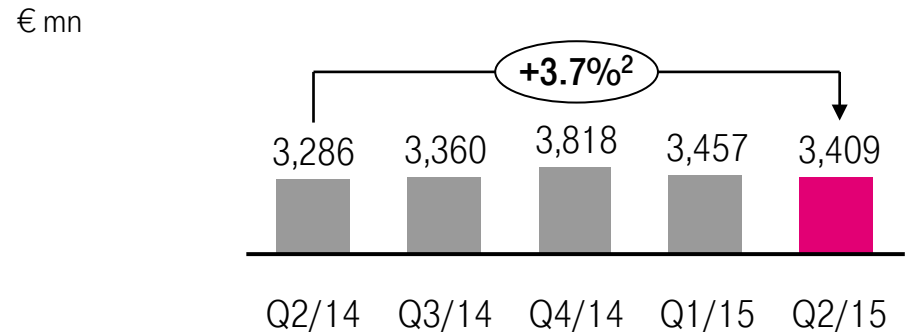
€ mn Mobile Core fixed Wholesale services Others



ADJ. EBITDA AND MARGIN (IN %)



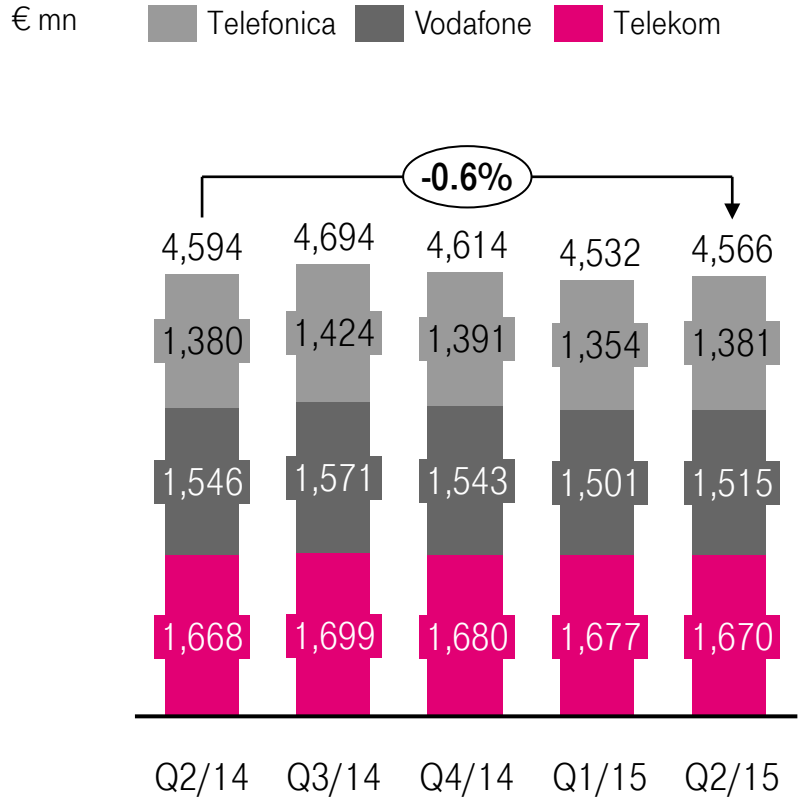
ADJ. OPEX



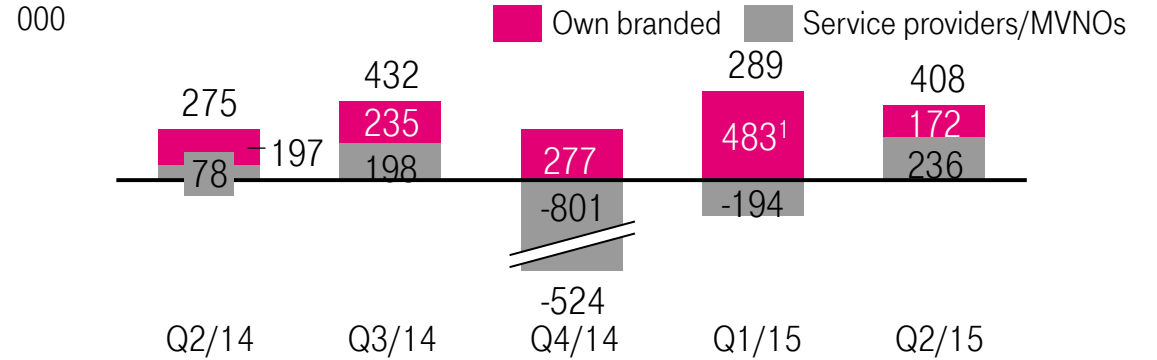
1) Online consumer service revenues in "others" have been allocated to revenues from core fixed since Jan. 1st 2015. Prior year figures have been adjusted accordingly 2) Indirect costs reduced by 0.3% yoy

GERMANY MOBILE: TELEKOM CONTINUES TO OUTPERFORM MARKET

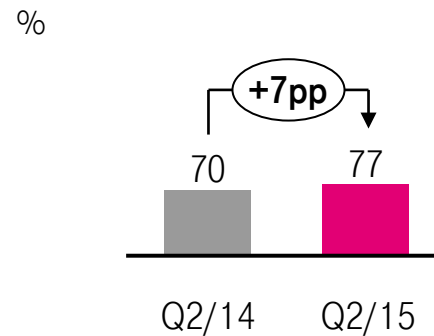
GERMAN MOBILE MARKET SERVICE REVENUE



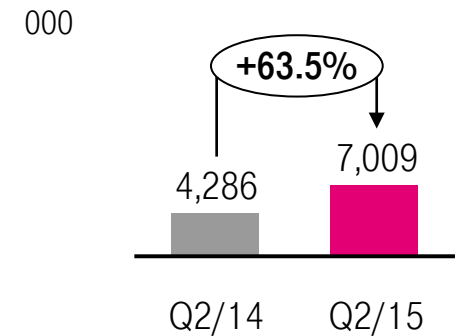
CONTRACT NET ADDS



SMARTPHONE PENETRATION²



LTE CUSTOMERS³



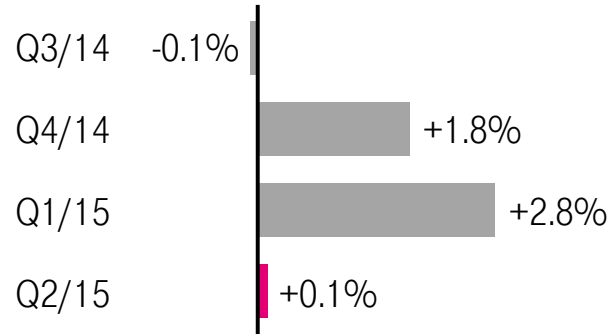
1) Q1/15 impacted by reclassification of net +288k

2) Of own branded retail customers

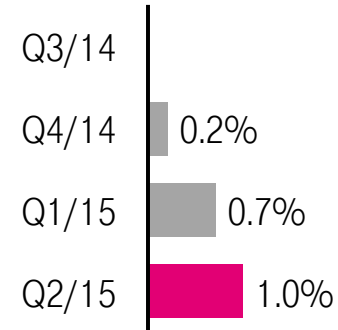
3) Customers using a LTE-device and tariff plan including LTE

FOCUS GERMAN MOBILE SERVICE REVENUES: HEALTHY TRENDS ADJUSTED FOR CONVERGENCE AND SEASONAL VOLATILITY

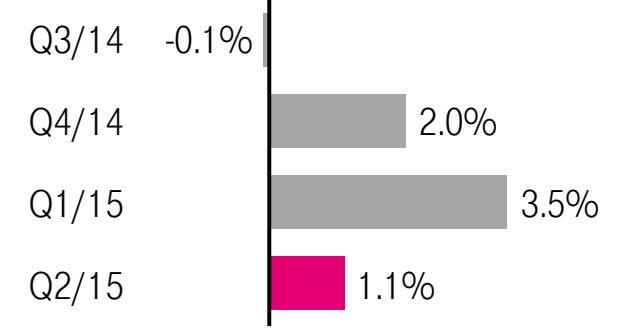
REPORTED MOBILE SERVICE REVENUES



IMPACT OF CONVERGENCE PRODUCTS¹



UNDERLYING GROWTH

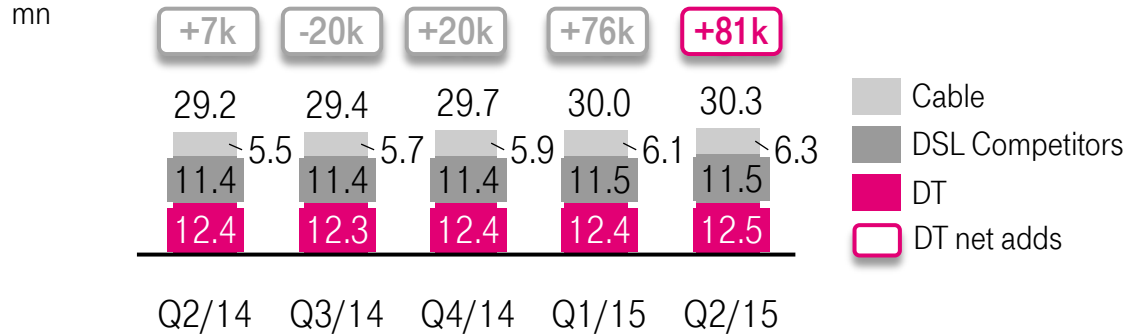


- **Headline trends impacted by 3 factors**
 - MagentaEINS discounts booked in mobile
 - DT LTE broadband (mobile) switching to hybrid (fixed)
 - Unusually high volatility in large account billing
- **No major changes in market environment or DT underlying trends**
- **Target of 1% medium term mobile service revenue CAGR reiterated**

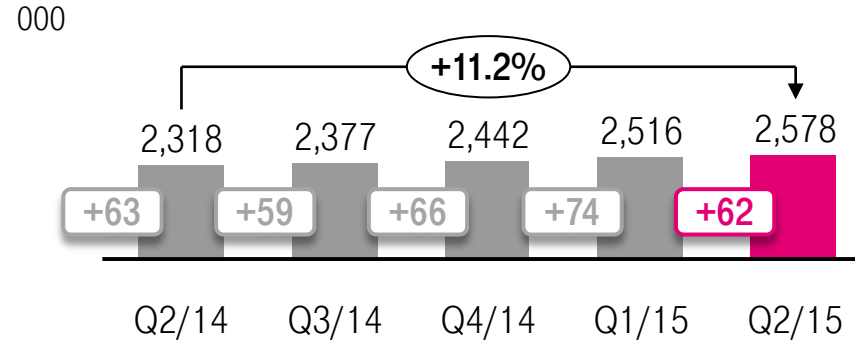
1) Impact of MagentaEINS and Telekom LTE broadband

GERMANY FIXED: HIGHEST UPTAKE IN BROADBAND SINCE Q1/2012

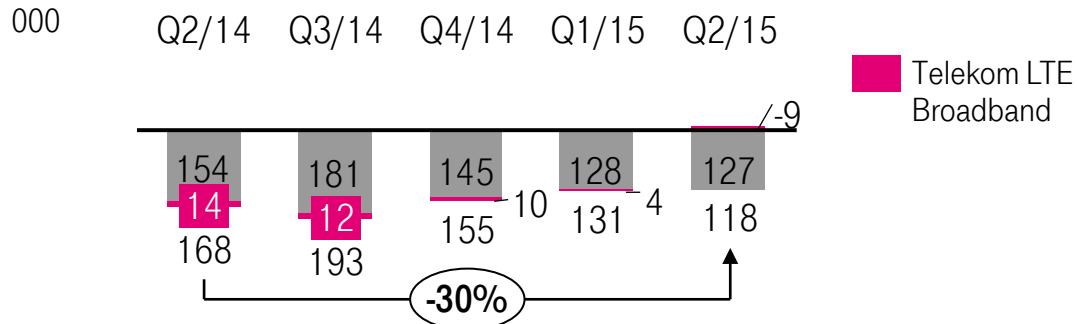
GERMAN BROADBAND MARKET¹



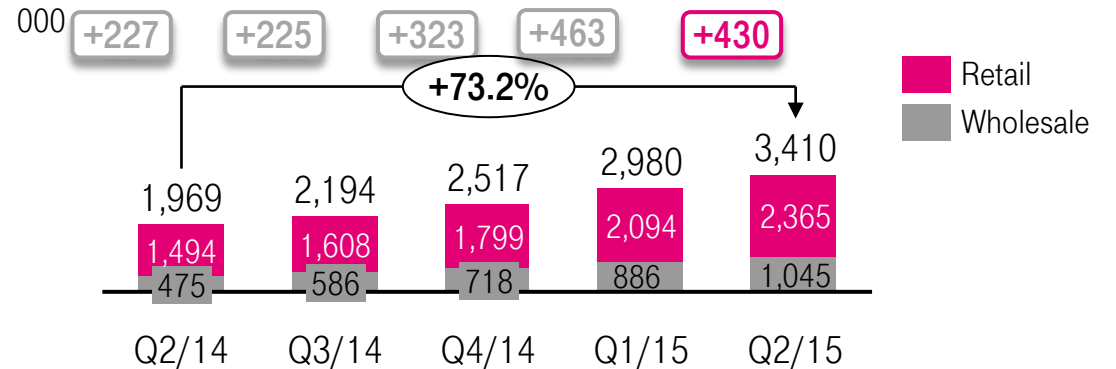
ENTERTAIN CUSTOMERS



LINE LOSSES



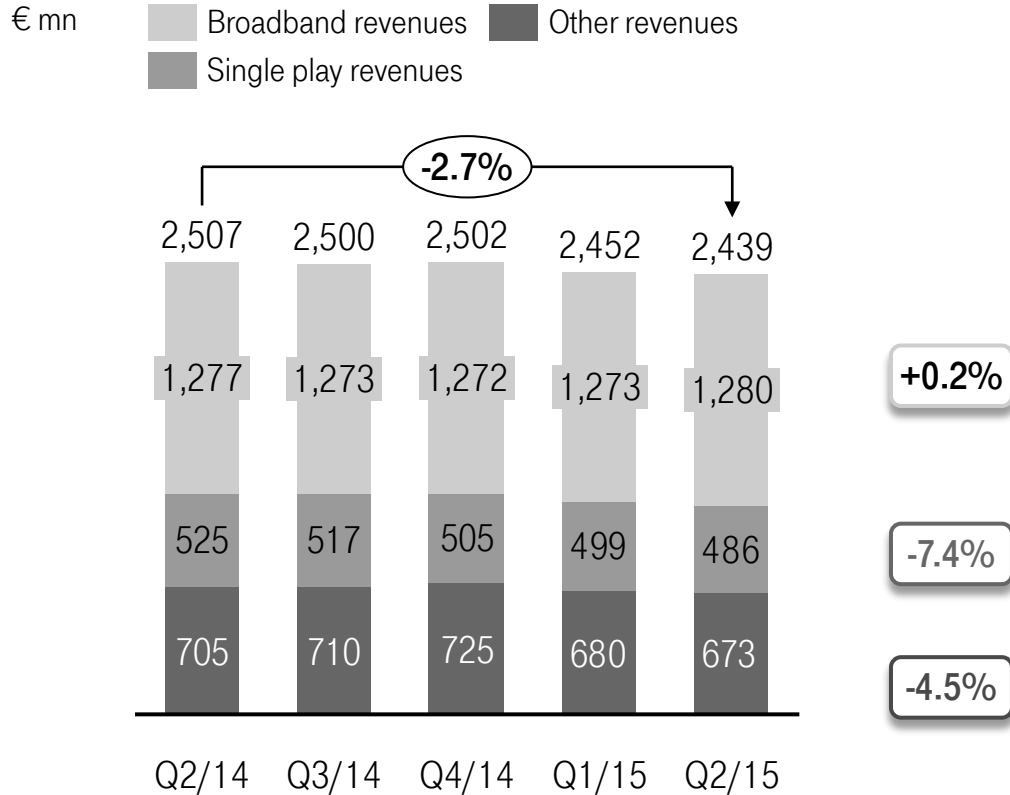
FIBER CUSTOMERS²



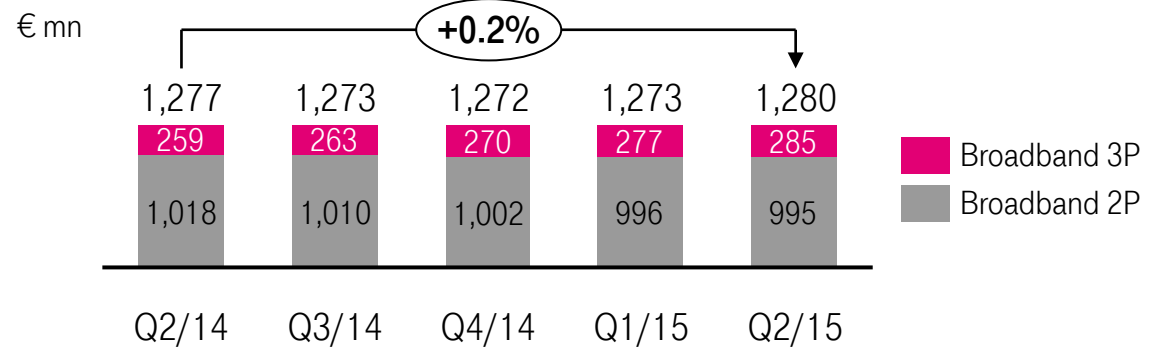
1) Based on management estimates 2) Sum of all FTTx accesses (e.g. FTTC/VDSL, Vectoring and FTTH)

GERMANY FIXED: BROADBAND REVENUES START GROWING

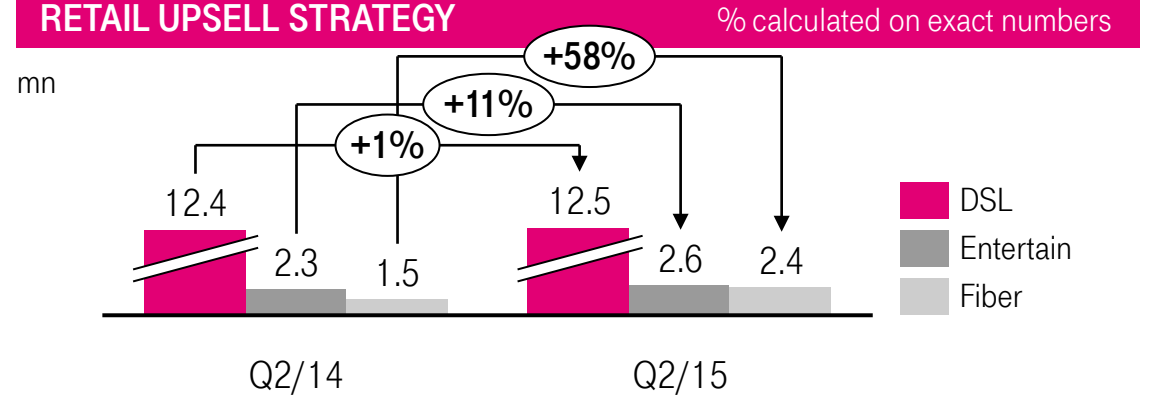
FIXED NETWORK REVENUES (CORE FIXED)¹



BROADBAND REVENUES²



RETAIL UPSELL STRATEGY



1) Online consumer service revenues have been allocated to revenues from add-on options since Jan. 1st 2015. Prior year figures have been adjusted accordingly.

2) Revenues from supplement accesses have been allocated from broadband double play revenues to voice revenues since Jan. 1st 2015. Prior year figures have been adjusted accordingly.

FOCUS GERMAN TOTAL SERVICE REVENUES: H1 DOWN LESS THAN 1% – ON TRACK FOR CMD GUIDANCE

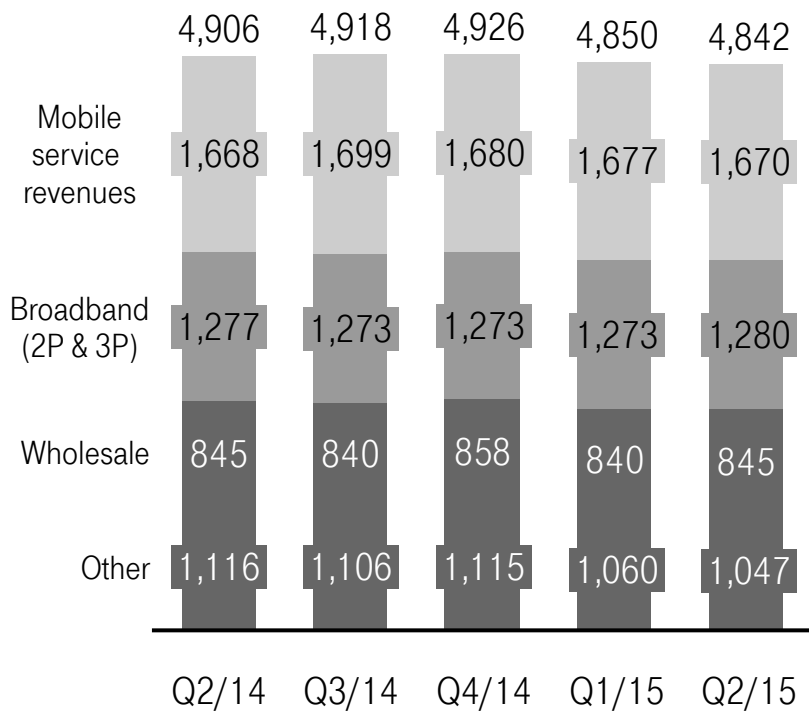
GERMAN TOTAL SERVICE REVENUES¹

H1 GROWTH RATE

DRIVERS

MEDIUM TERM GUIDANCE (2014 – 2018 CAGR)

€ mn



- + Underlying growth
- Convergence accounting

- + Volume growth
- Promotions

- + Fiber wholesale

- Legacy attrition accelerated by all-IP

+1%²

+2%

Stable



**German revenues:
+0.3% CAGR²**

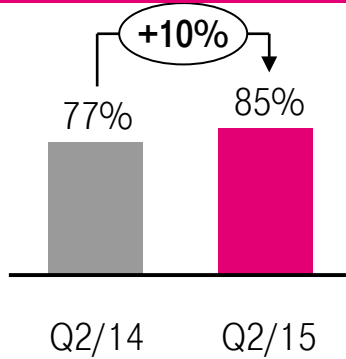


1) Core fixed excl. device revenues, plus wholesale wireline, plus mobile service revenues
2) Without EU roaming impact

GERMANY: HIGH SPEED INFRASTRUCTURE ROLL-OUT AND IP-MIGRATION

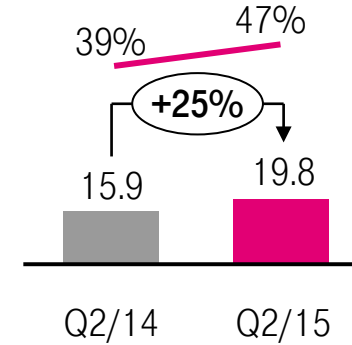
INS- STATUS LTE ROLLOUT

POP
Coverage in %¹



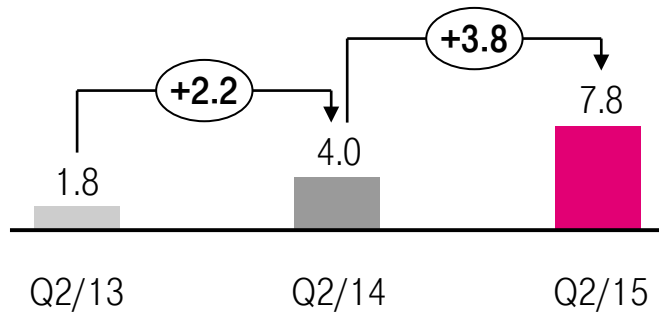
INS- STATUS FIBER ROLLOUT²

Coverage in %
and millions of
households



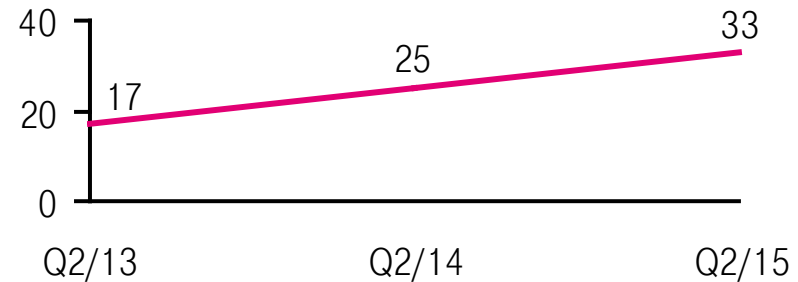
STATUS IP ACCESSES (RETAIL & WHOLESALE)

mn



STATUS IP ACCESSES (RETAIL & WHOLESALE)

in % of lines



Target:
100% of lines
by 2018!

1) Outdoor coverage 2) In % of households within fixed network coverage in Germany

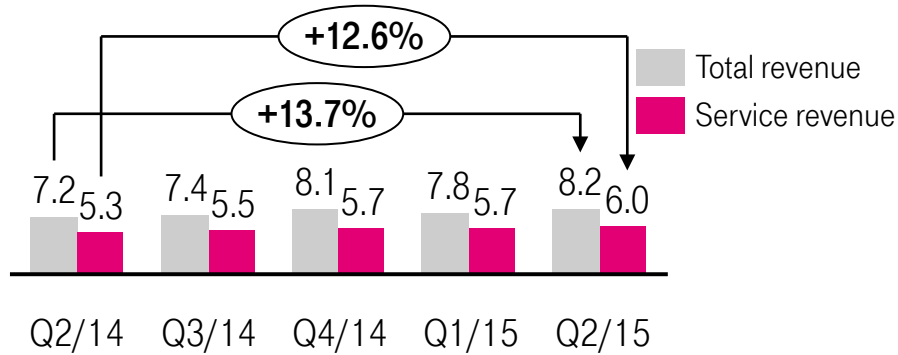


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TMUS: CUSTOMER MOMENTUM CONTINUES. NET ADD FORECAST RAISED AGAIN. INDUSTRY LEADING FINANCIAL PERFORMANCE

REVENUE AND SERVICE REVENUE

US-\$ mn



NET ADDS

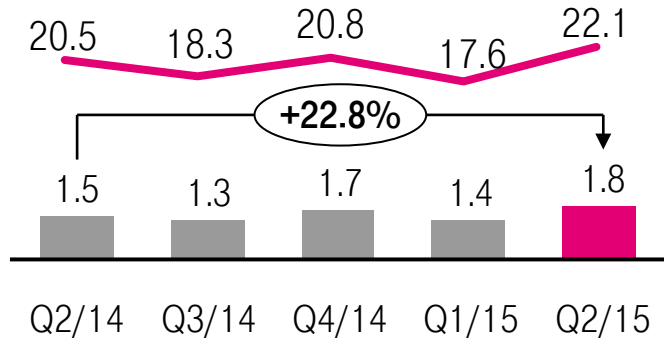
in 000

Total net adds

	Q2/14	Q3/14	Q4/14	Q1/15	Q2/15
Total net adds	1,470	2,345	2,128	1,818	2,072
Branded:					
Postpaid	908	1,379	1,276	1,125	1,008
Prepay	102	411	266	73	178
Wholesale ¹	460	555	586	620	886

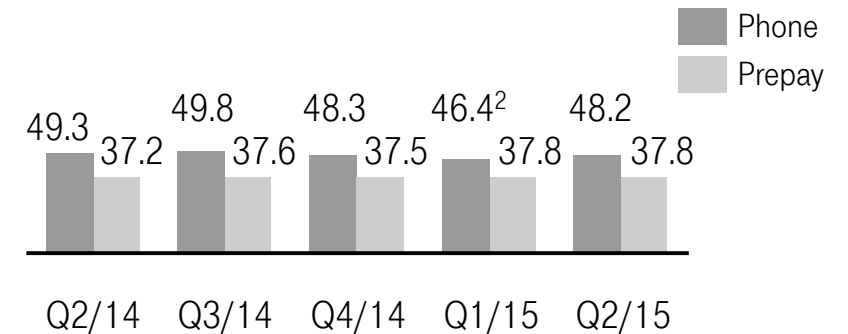
ADJ. EBITDA AND MARGIN (IN %)

US-\$ mn



BRANDED CUSTOMERS: POSTPAID PHONE AND PREPAY ARPU

US-\$ (US GAAP)



1) Wholesale includes MVNO and machine-to-machine (M2M). Amounts may not add up due to rounding.

2) Excl. data stash effect postpaid phone ARPU was US\$ 47.7

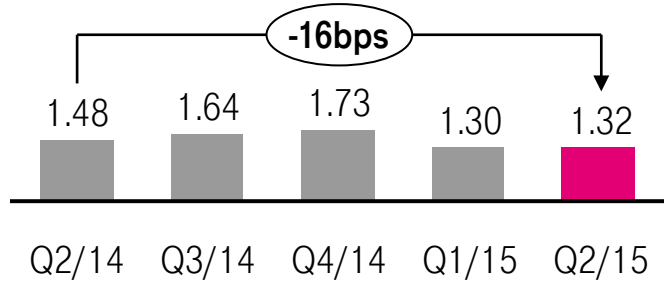


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FOCUS ON TMUS: POSITIVE DEVELOPMENT IN KEY DRIVERS

BRANDED POSTPAID PHONE CHURN

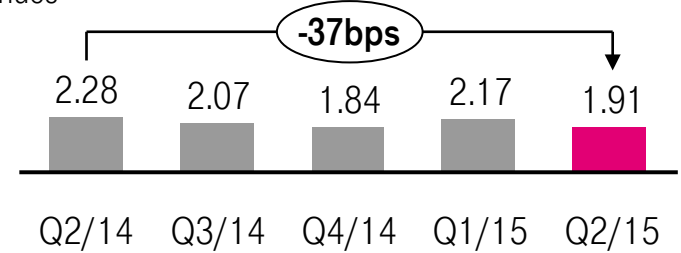
in %



- Positive porting ratios against all carriers

BAD DEBT EXPENSES & LOSSES FROM FACTORING

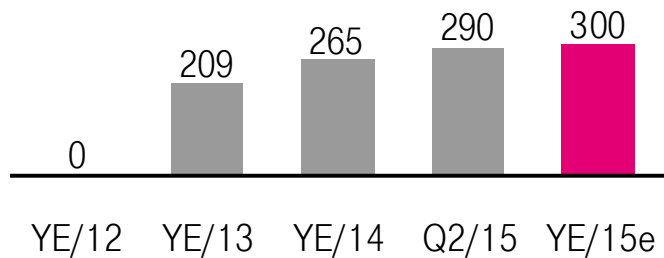
in % of total revenues



- Receivables classified as prime stable at 52%

LTE COVERED POPs

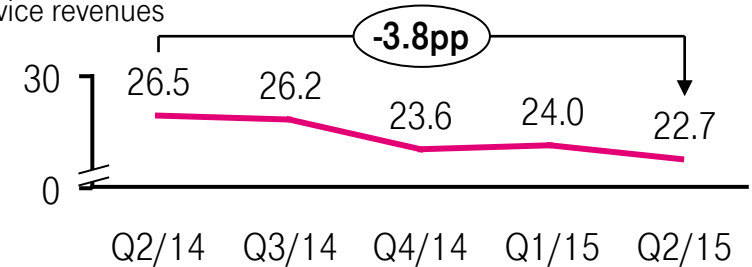
in million



- A-block spectrum now live in 141 market areas (spectrum covers 60% of US POPs)

COST OF SERVICE

in % of service revenues



- Benefitting from MetroPCS synergies (network integration completed on July 1st)

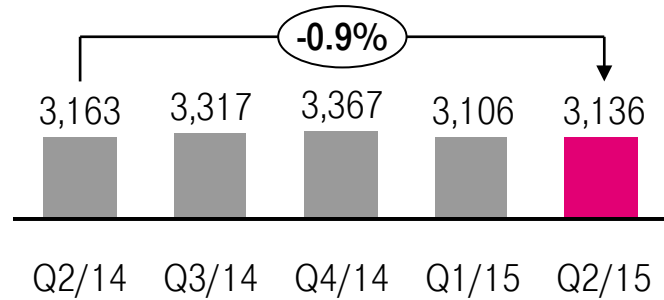


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EUROPE: REVENUE TRANSFORMATION CONTINUING AS EXPECTED

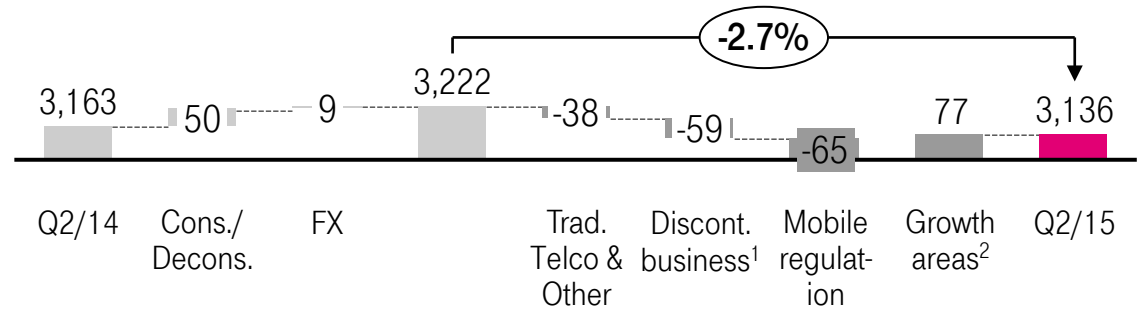
REVENUE AS REPORTED

€ mn



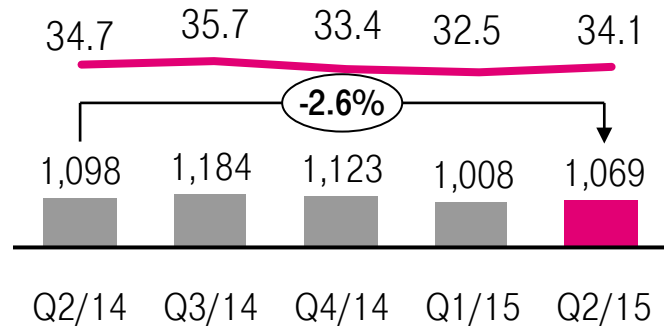
ORGANIC REVENUE DEVELOPMENT

€ mn



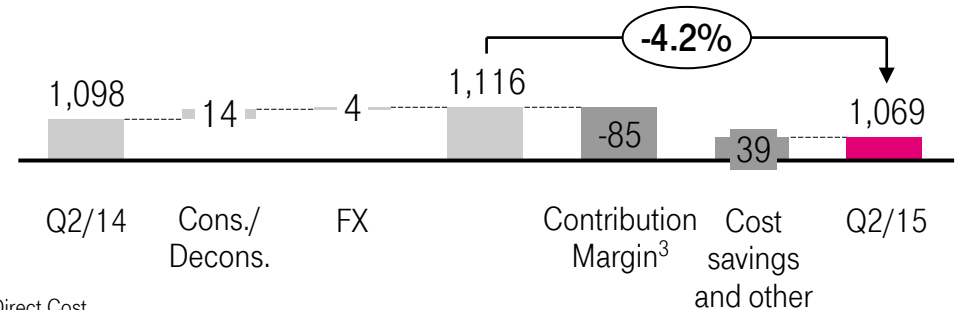
ADJ. EBITDA AND MARGIN (IN %) AS REPORTED

€ mn



ORGANIC ADJ. EBITDA DEVELOPMENT

€ mn



1) International Voice hubbing

2) Mobile Data, Pay TV & fixed broadband, B2B/ICT, adjacent industries (online consumer services, energy and other)

3) Total Revenues – Direct Cost

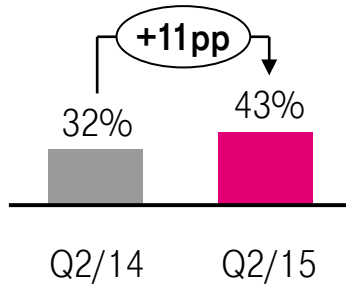


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EUROPE: AIMING FOR TECHNOLOGY LEADERSHIP AND BEST CUSTOMER EXPERIENCE

IP MIGRATION

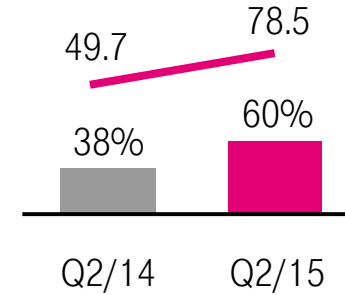
IP share of fixed network access lines



LTE ROLLOUT

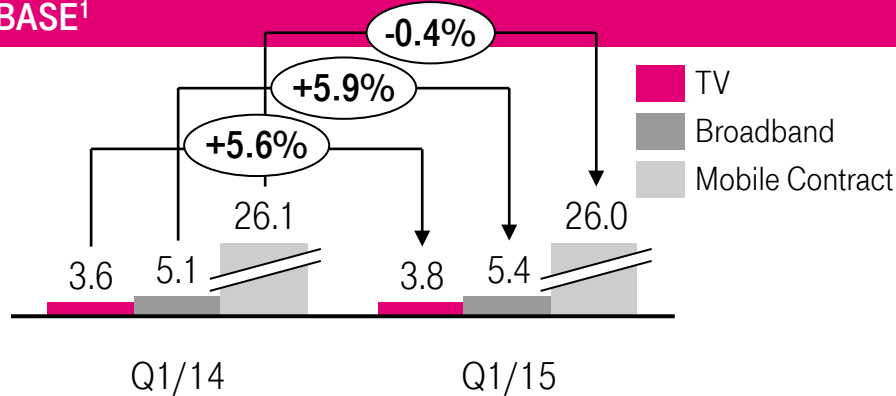
LTE outdoor pop coverage

in mn and %



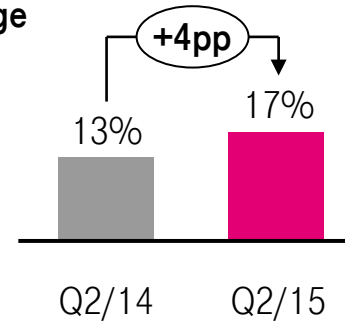
CUSTOMER BASE¹

mn



FIBER ROLLOUT

Fiber household coverage



1) incl. business customers shifted to T-Systems in Hungary as of 1.1.2011.



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SYSTEMS SOLUTIONS: MARKET UNIT WITH IMPROVED PERFORMANCE

T-SYSTEMS FINANCIALS

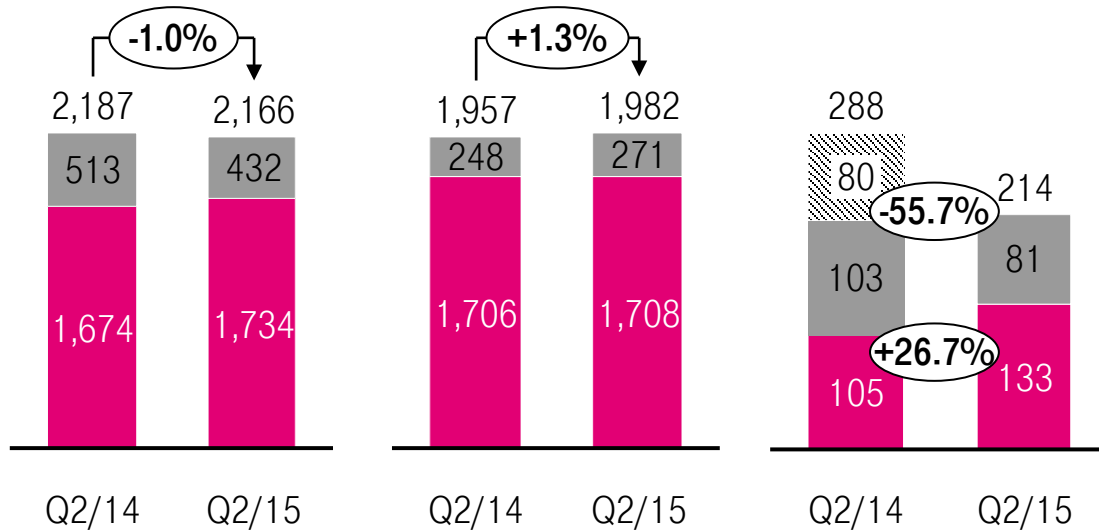
€ mn

TOTAL REVENUE

ADJ. OPEX¹

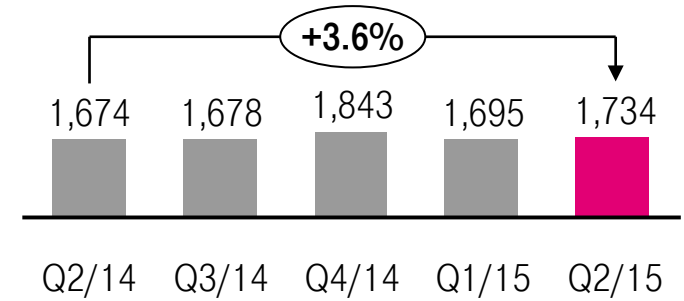
ADJ. EBITDA²

■ Tel-HT ■ OneERP impact² ■ MU



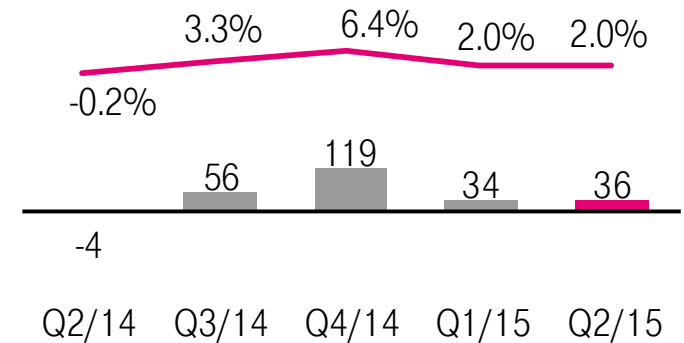
REVENUE MARKET UNIT

€ mn



ADJ. EBIT AND MARGIN MARKET UNIT

%
€ mn



1) Figures may not add up due to rounding /elimination

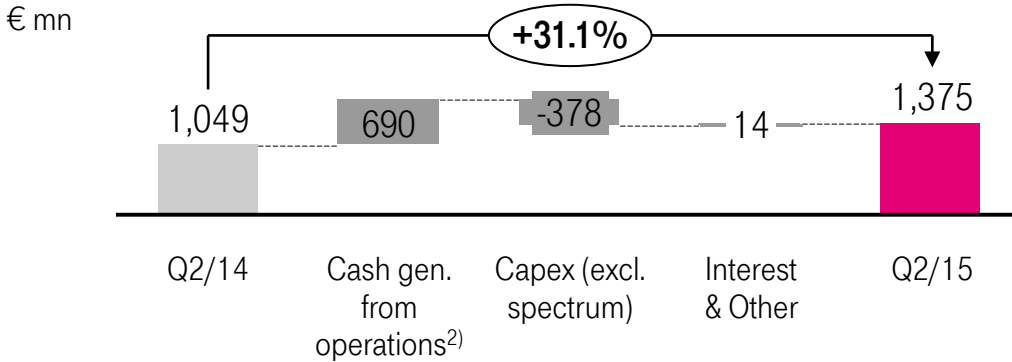
2) Q2/14 adj. EBITDA of Tel-HT benefitted from a milestone completion of a large internal IT project (OneERP), explaining € 80 million difference between Q2/14 and Q2/15. This Profit recorded in Tel-HT was eliminated at group level.



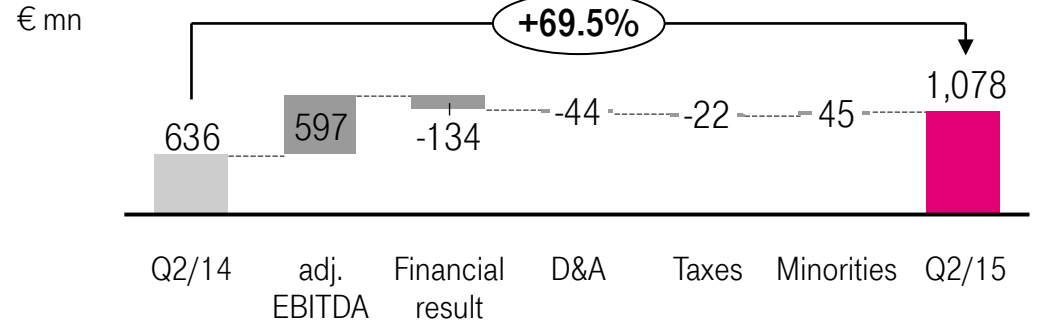
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FINANCIALS: GROWTH IN FCF AND ADJ. NET INCOME

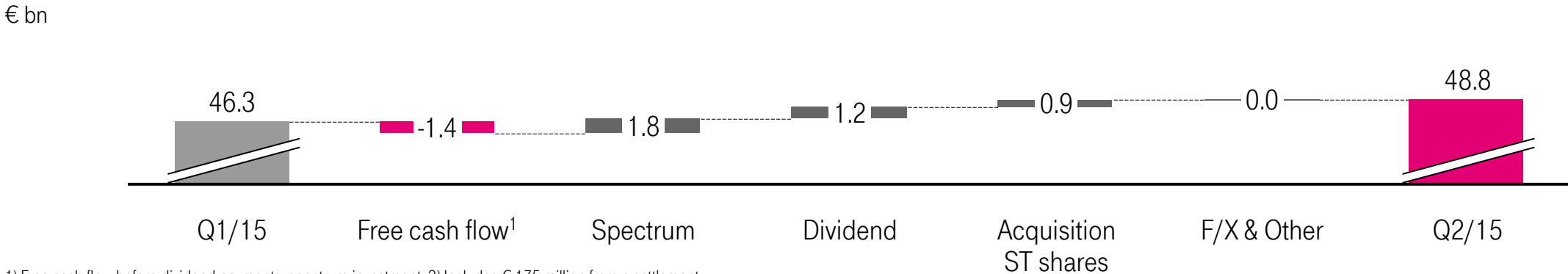
FREE CASH FLOW Q2/15¹



ADJ. NET INCOME Q2/15



NET DEBT DEVELOPMENT Q2/15

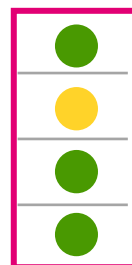


1) Free cash flow before dividend payments, spectrum investment 2) Includes € 175 million from a settlement

FINANCIALS: BALANCE SHEET RATIOS

€ BN	30/06/2014	30/09/2014	31/12/2014	31/03/2015	30/06/2015
BALANCE SHEET TOTAL	118.0	125.0	129.4	137.5	135.0
SHAREHOLDERS' EQUITY	32.5	34.0	34.1	37.0	36.0
NET DEBT	41.4	41.8	42.5	46.3	48.8
NET DEBT/ADJ. EBITDA ¹	2.4	2.4	2.4	2.6	2.6
EQUITY RATIO	27.5%	27.2%	26.3%	26.9%	26.6%

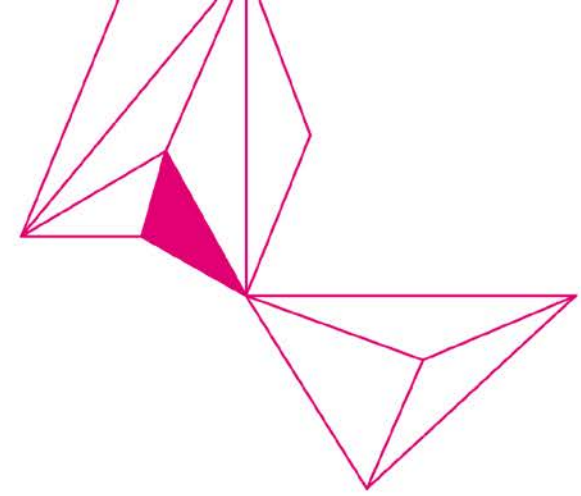
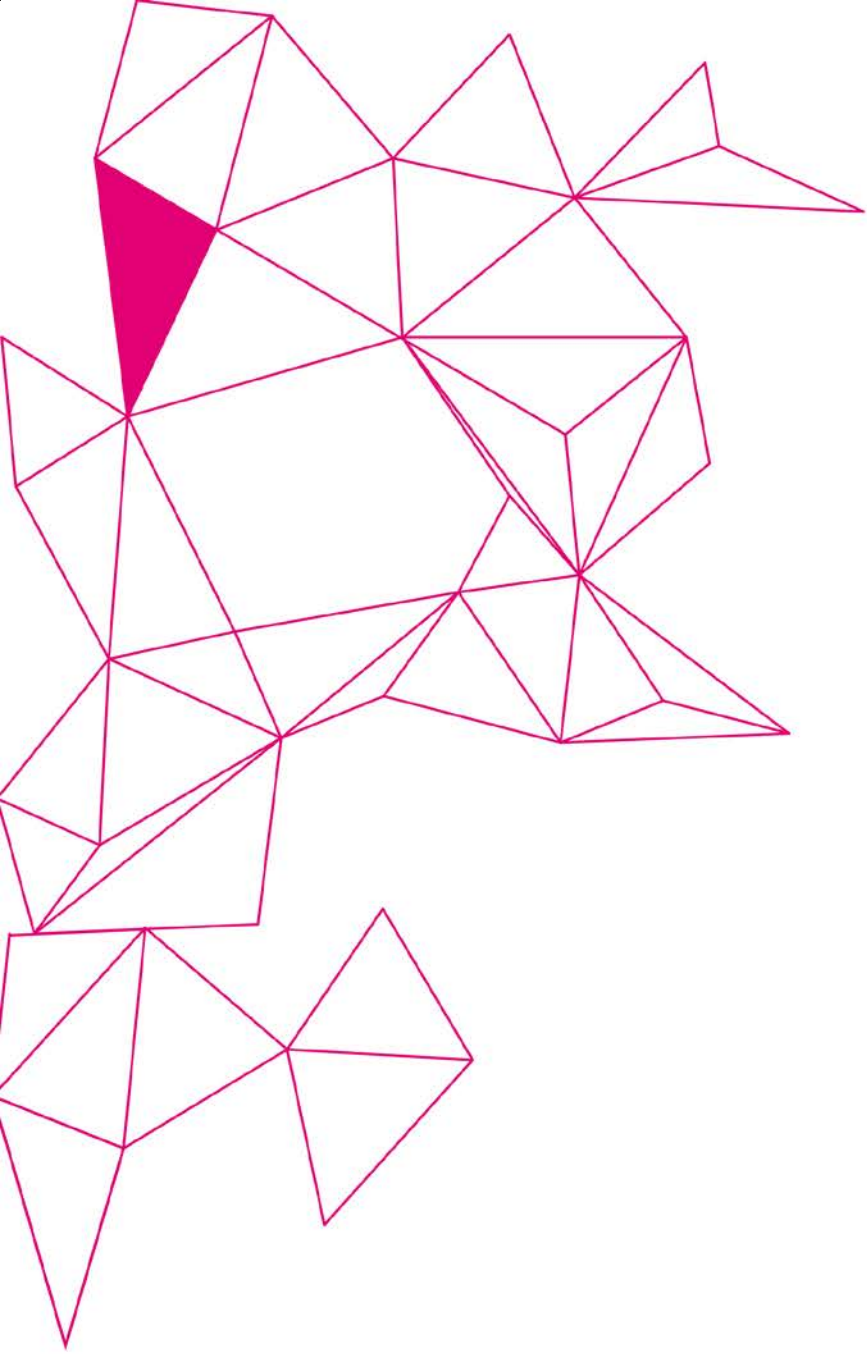
Comfort zone ratios
Rating: A-/BBB
2 – 2.5x net debt/Adj. EBITDA
25 – 35% equity ratio
Liquidity reserve covers redemption of the next 24 months



Current rating
Fitch:
Moody's:
S&P:

BBB+	stable outlook
Baa1	stable outlook
BBB+	stable outlook

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



KEY MESSAGES CMD 2015



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.



GROUP STRATEGY

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 SUPERIOR PRODUCTION MODEL



DIGITAL TRANSFORMATION OF CUSTOMER FACING PROCESSES

COST EFFICIENCY & SIMPLICITY



ALL-IP TRANSFORMATION



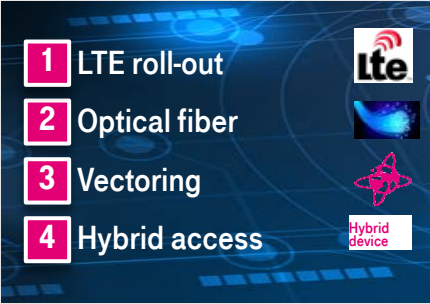
PLUG & PLAY

PAN-EUROPEAN NETWORK



TIME TO MARKET

INTEGRATED NETWORK STRATEGY



BEST CONNECTIVITY



Annual run rate adj. Opex savings:

≈ €-1.2 bn¹

(steady state in early 2020ies)

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

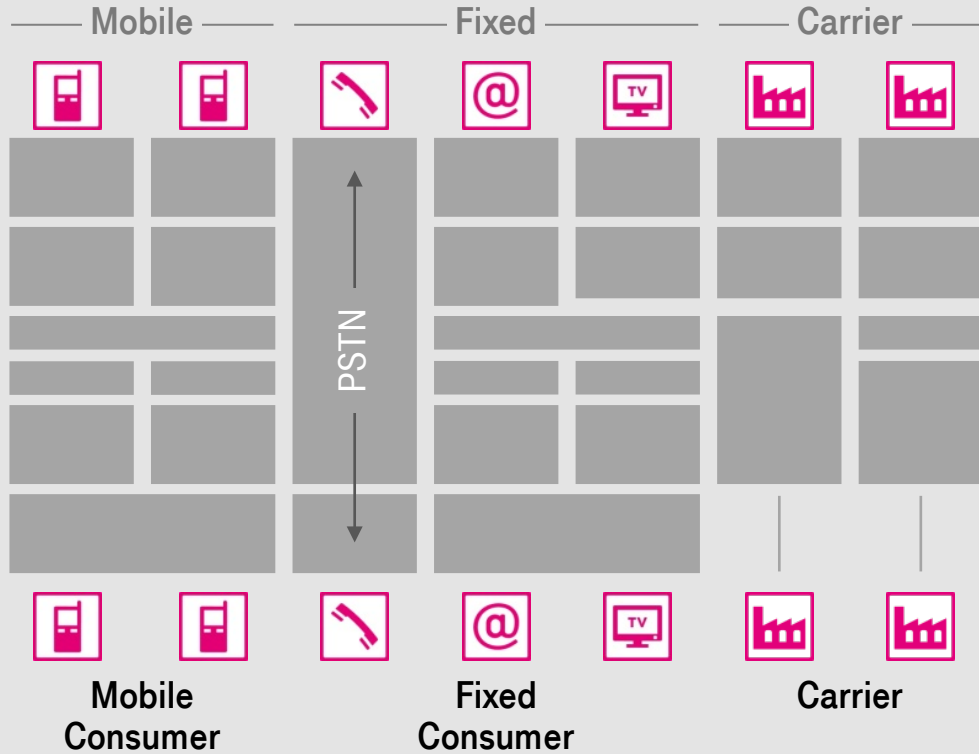
ALL IP TRANSFORMATION: THE CREATION OF A SIMPLIFIED AND STANDARDIZED NETWORK

ALL IP

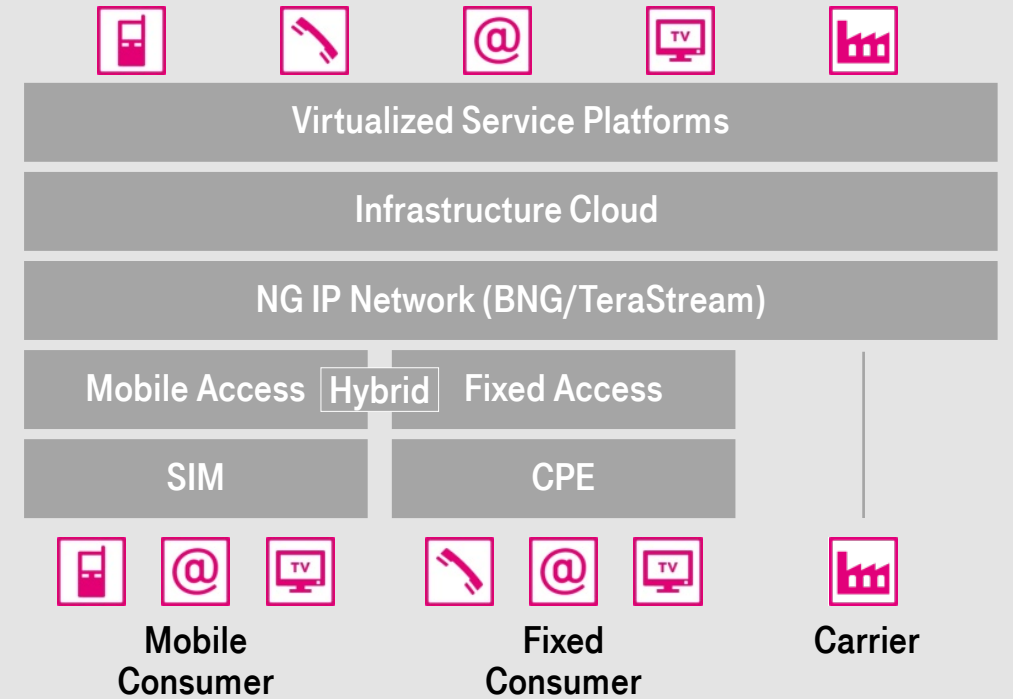
PANNET

INS

FROM THE "OLD PSTN WORLD" ...



...TO THE "NEW IP ERA"



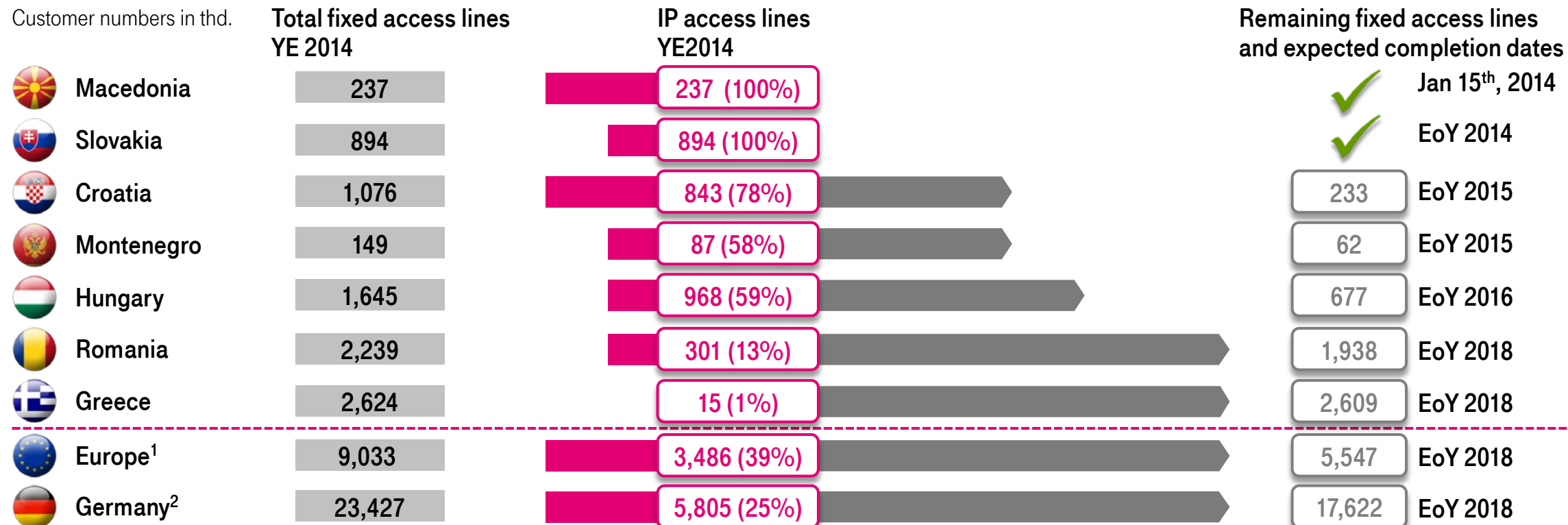
ALL-IP TRANSFORMATION ON TRACK

ALL IP

PANNET

INS

ALL-IP TRANSFORMATION BY COUNTRY



¹ Incl. Czech Republic (131 thd. fixed lines, 98% IP), and GTS (37 thd. 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

ALL IP

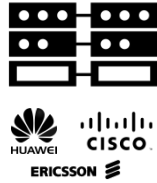
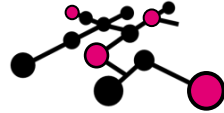
PANNET

INS

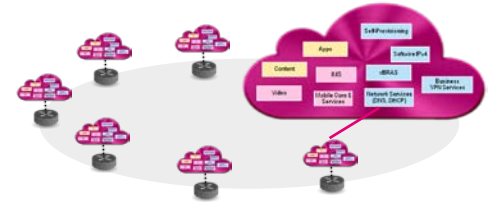
TODAY

FUTURE

Complex service production with distributed vendor-specific network elements



Highly simplified, virtualized, IP-based production architecture



Different, historically grown production in each NatCo



Integrated production, delivered to all NatCos



Each NatCo with own product development logic



One common product development logic for all countries



OUR SEAMLESS HIGH PERFORMING NETWORK

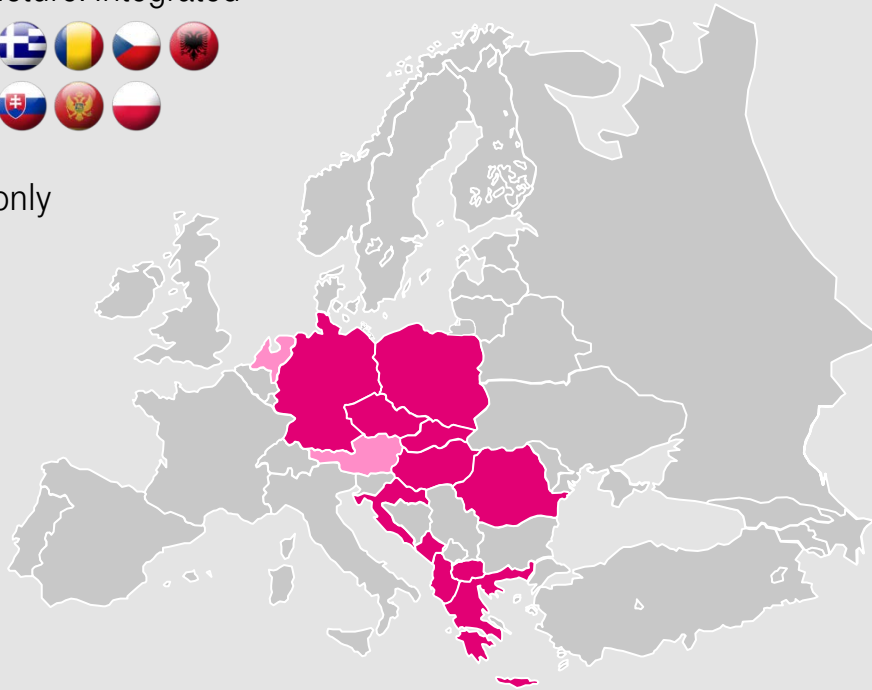


TECHNOLOGY LEADERSHIP

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-coverage¹** in 2018 with up to 300Mbps
- Fiber household footprint of **≈ 80% in 2018** with at least 50 Mbps depending on regulatory adjustments
- Introduction of **super vectoring** with **more than 250Mbps in cable footprint**
- Download speed of **up to 550Mbps** via hybrid in cable footprint
- **264.000 hotspots and 2.000 small cells** in 2018 to boost mobile capacity & indoor coverage

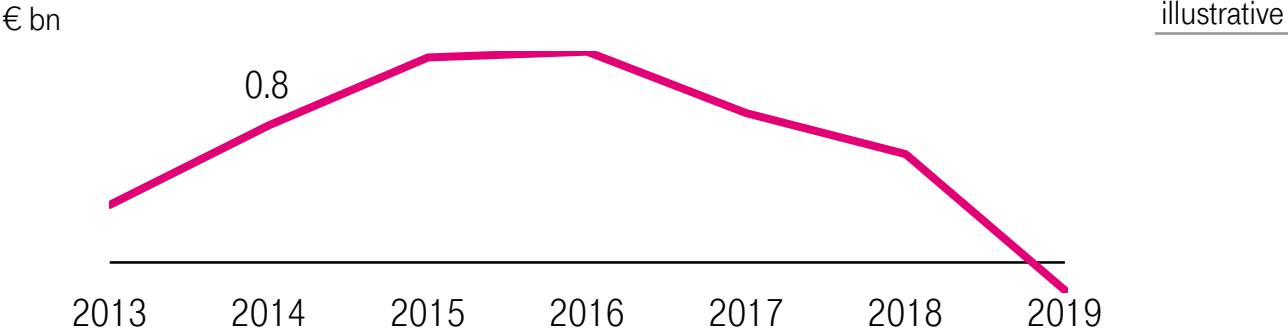


- **75-95%² LTE pop-coverage** in 2018 with up to 300 Mbps
- **≈50% of households³ with at least 100Mbps** in 2018
- **≈12% of households³ with up to 500Mbps⁴** in 2018
- **1.6mn hotspots** in 2018⁵

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

INDIRECT COST SAVINGS WILL FUND THE INVESTMENT FOR THE TRANSFORMATION

 **OPEX AND CAPEX: DIGITAL TRANSFORMATION, IP TRANSFORMATION, PAN-EUROPEAN NETWORK¹** 1 & 2 & 3



 **CAPEX: INS NETWORK** 4



BENEFITS STEADY STATE FROM EARLY 2020IES

FIN. BENEFITS: ≈ €1.2 BILLION OPEX SAVINGS²

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

COMMERCIAL BENEFITS

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

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 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



SCOUT 24

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



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



M&A POLICY GOING FORWARD

1 Europe

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

2 US

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

3 Other

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

4 General policy – No major acquisitions outside our footprint

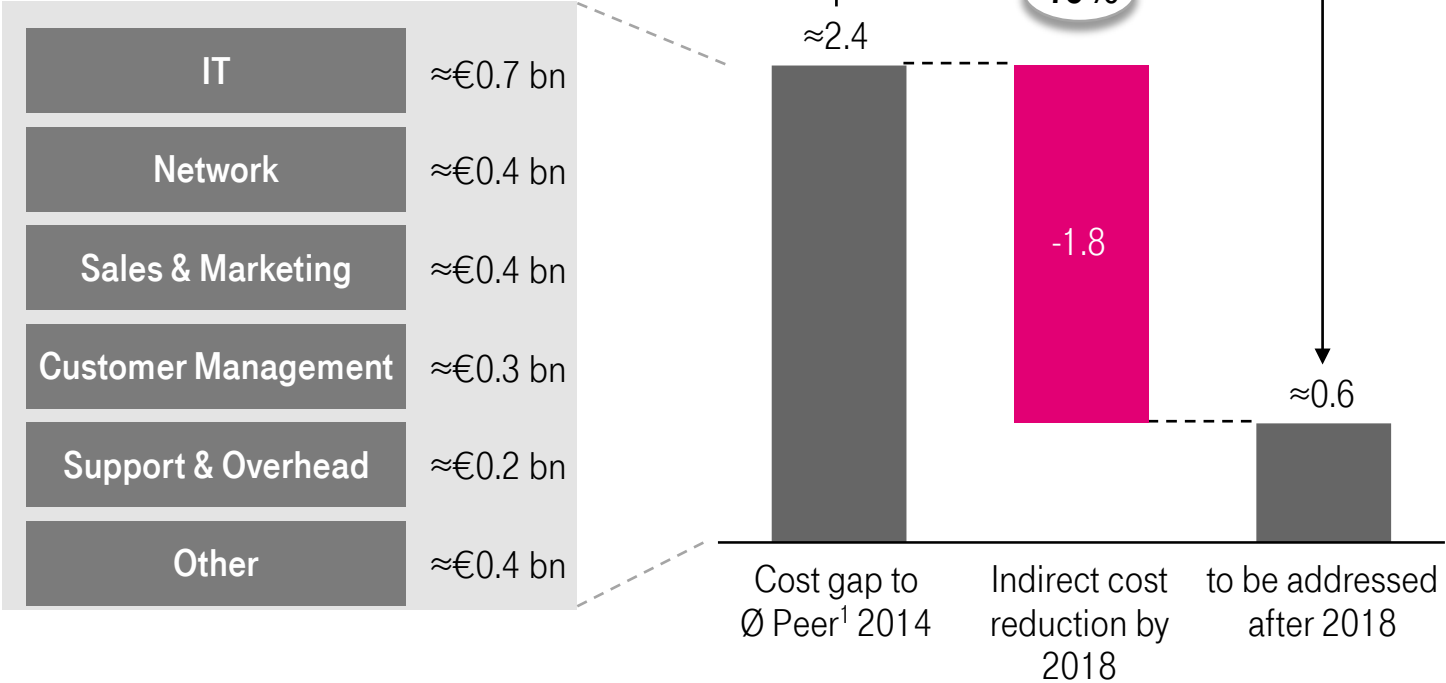


COST & PORTFOLIO TRANSFORMATION

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 GROUP¹ (EX US)

€ bn

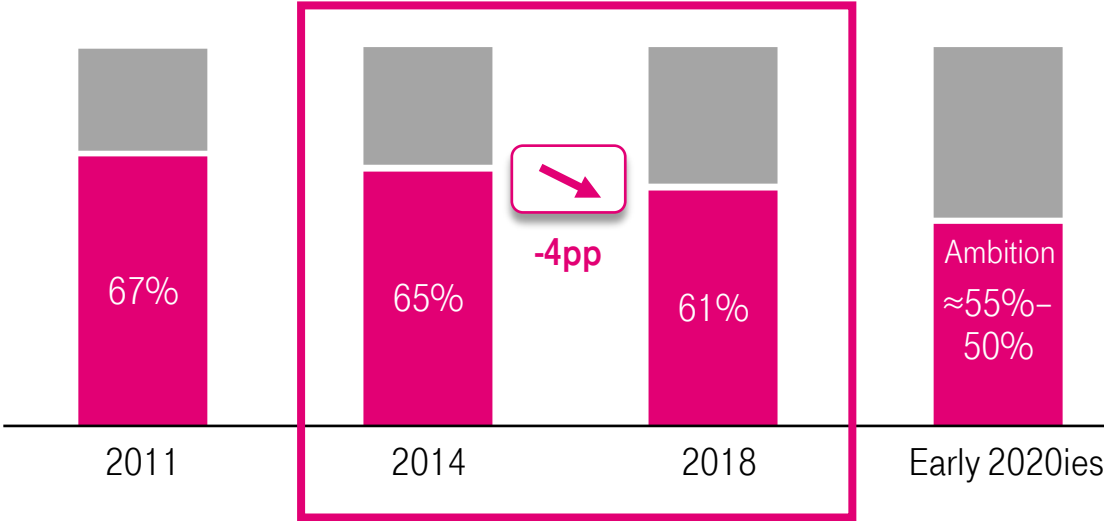


¹ Comparison of cost structures DT vs. peer group (=integrated European incumbents) based on reported information; management estimates

THEREBY WE WILL IMPROVE COST FLEXIBILITY

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

Share of direct and indirect¹ cost

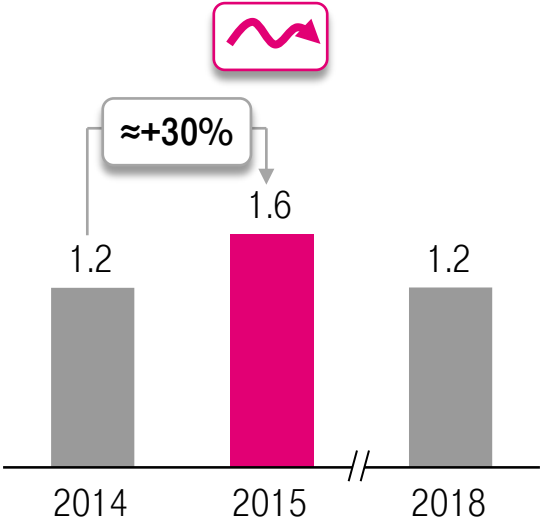


■ Adj. direct cost (ex US) ■ Adj. indirect cost (ex US)

¹ Before capitalization of labor

CASH PERSONNEL SPECIAL FACTORS (EX US)

€ bn



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

EXISTING PROGRAMS IMPACTING COSTS



TD 2018



One DT (Europe)



TSI 2015+



DBU Next



ADDITIONAL COST REDUCTION AREAS

Reduce HQ and steering functions

Optimize shared service centers

Apply strict target costing approach

ALL SEGMENTS EX US WILL CONTRIBUTE

NET INDIRECT COST¹ SAVINGS PER SEGMENT (2014–2018)



€-1.8 billion

EXAMPLES FOR COST REDUCTION UNTIL 2018

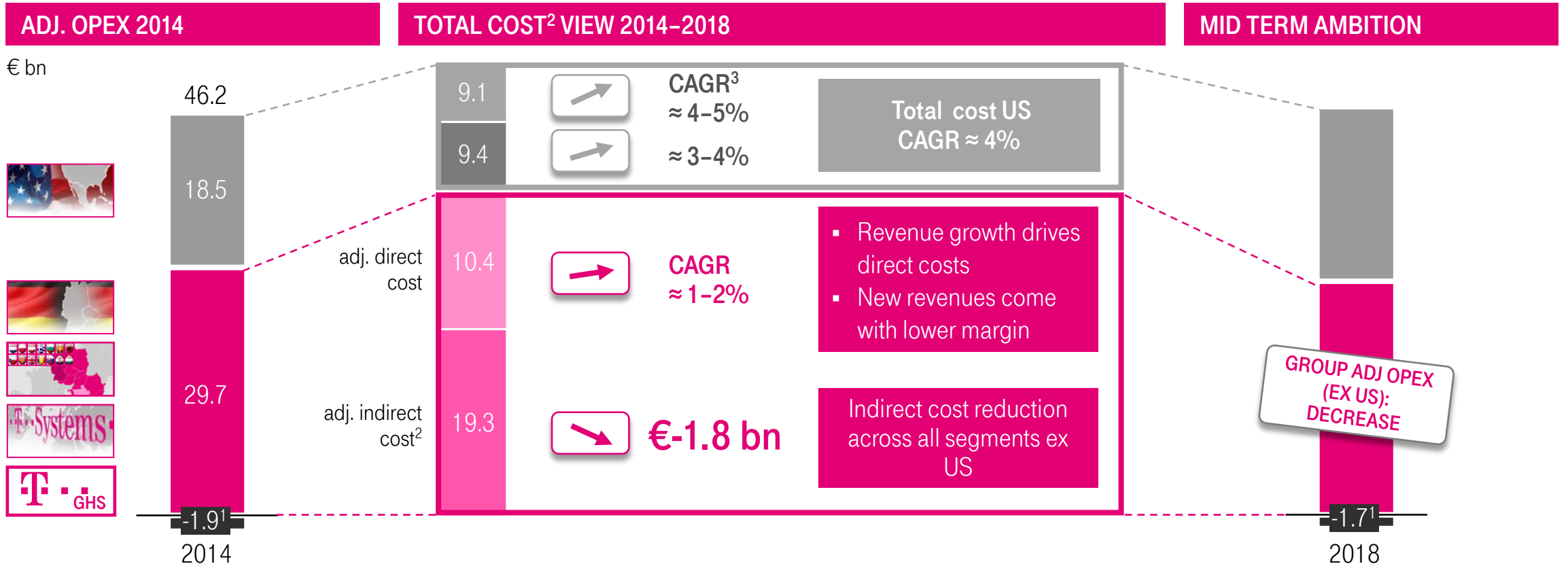
- 1 PERSONNEL EFFICIENCY €-0.5 bn
- 2 SYNERGIES: MULTI SHARED SERVICE CENTER €-0.2 bn
- 3 TEL-IT €-0.4 bn²
- 4 ...



+ APPLICATION OF SYSTEMATIC TARGET COSTING APPROACH

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

WE WILL CONTINUE TO DELIVER ON OPEX TRANSFORMATION



¹ Capitalization of labor ² Before capitalization of labor

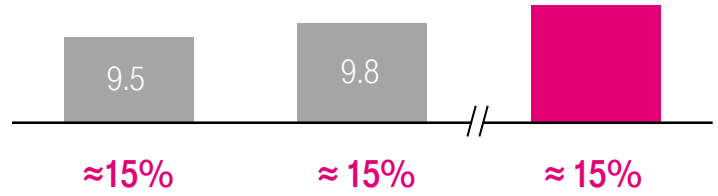
CONTINUED HIGH INVESTMENTS IN INFRASTRUCTURE & TRANSFORMATION

(CASH) CAPEX PROFILE¹

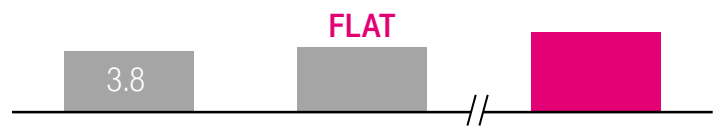
€ bn



Cash Capex/Sales:



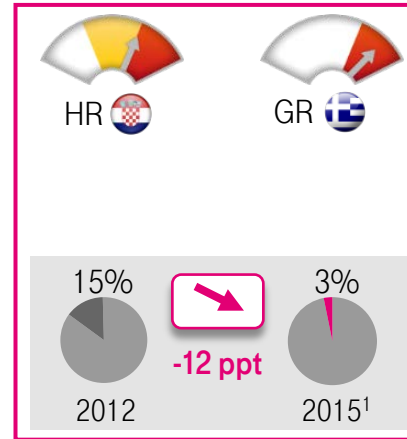
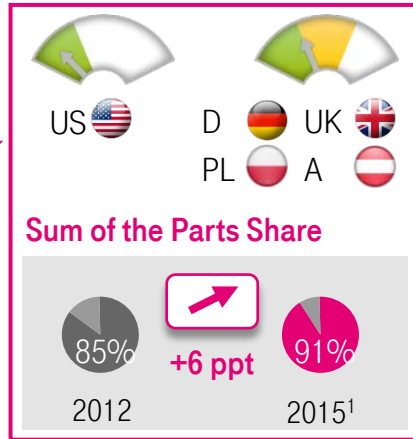
Increased network roll-out within same capex envelope (vs CMD 2012)



¹ Excl. spectrum

IMPRESSIVE DE-RISKING TRACK RECORD SINCE LAST CAPITAL MARKETS DAY

SUBSTANTIAL ECONOMIC RISK REDUCTION COMPARED TO CMD 2012



T-MOBILE US: SUCCESSFUL DE-RISKING STORY

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

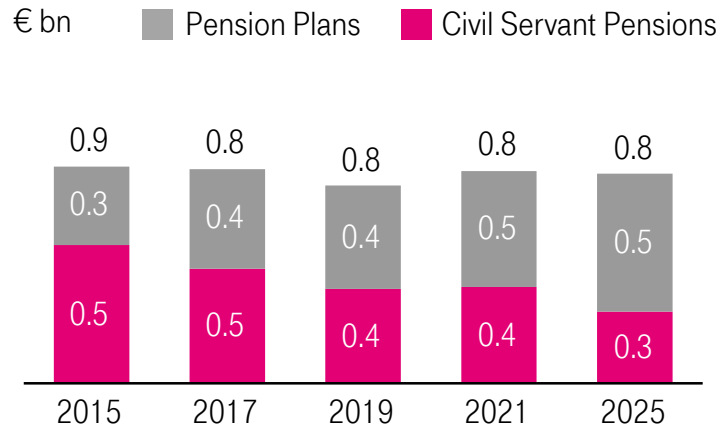
OTE: RIGOROUS DE-RISKING EFFORTS

- 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

¹ As per Feb. 2015

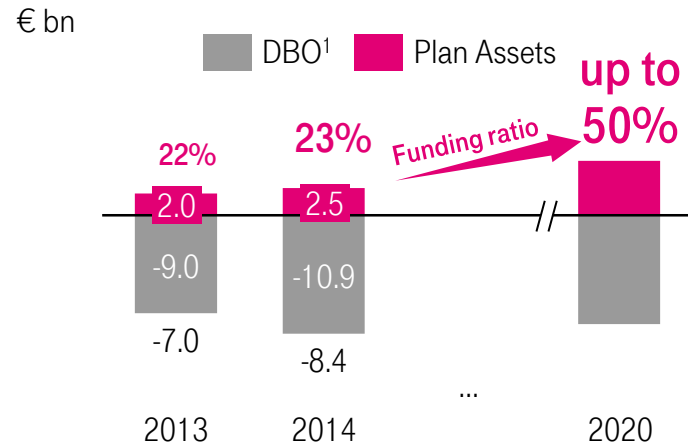
WE ARE EXPECTING SLIGHTLY DECLINING PAYOUTS FOR PENSIONS

PAYOUTS FOR PENSIONS (GER) DECREASING



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

FUNDING RATIO INCREASING (VOLUNTARY)



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

SENSITIVITY DRIVERS OF DBO²



- Highest sensitivity with discount rate
- Decrease of discount rate in 2014³ by 140 bps almost entirely driving increase in DBO

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



OPERATIONALS & SEGMENTS

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

DIFFERENTIATION IN MOBILE THROUGH SUPERIOR NETWORK AND CLEAR VALUE STRATEGY



BRAND PORTFOLIO



≈30€



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

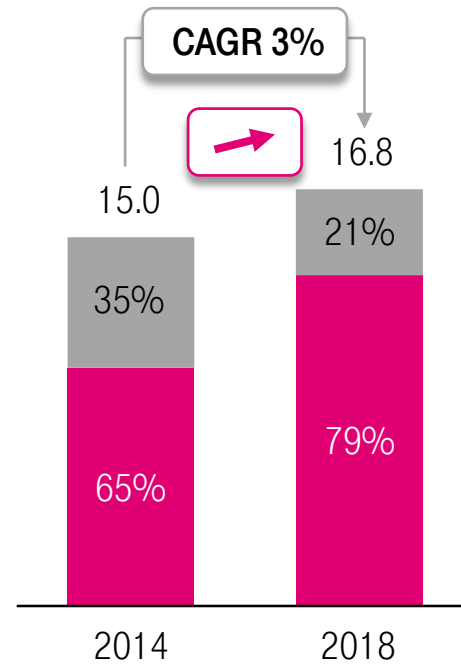
- Best Network
- High speed
- Subsidized smartphone
- Attractive options
- **MagentaEINS**

CONTRACT CUSTOMER BASE¹

mn

■ Single Play

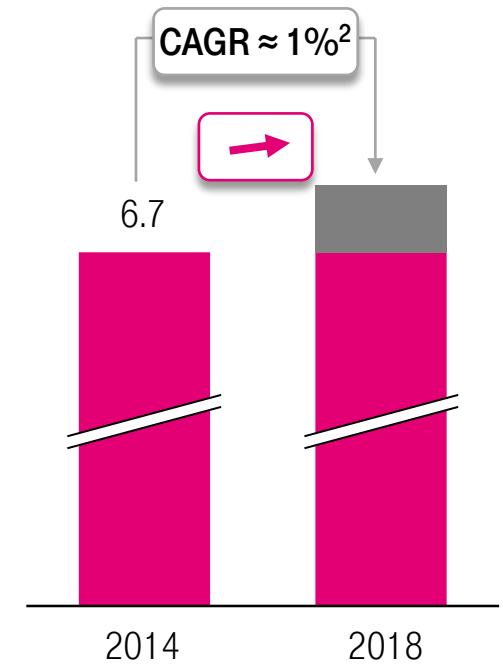
■ Double Play



SERVICE REVENUES

€ bn

■ EU Roaming



¹ Without mobile wholesale ² Without EU Roaming impact


DIFFERENTIATION IN BROADBAND VIA INNOVATIVE PRODUCTS AND INCREASED FIBER FOOTPRINT



LEVERS IN BROADBAND RETAIL


1 MagentaEINS

- Leverage the base
- Increase loyalty




2 Entertain 2.0

- Next Generation TV
- Entertain on n-screens




3 Innovations

- Supervectoring
- Hybrid



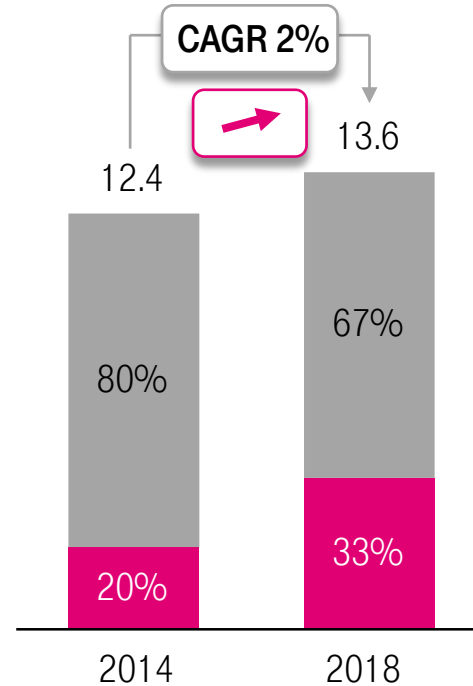
4 Regional offers

- Regional Pricing
- Special Hardware Offers



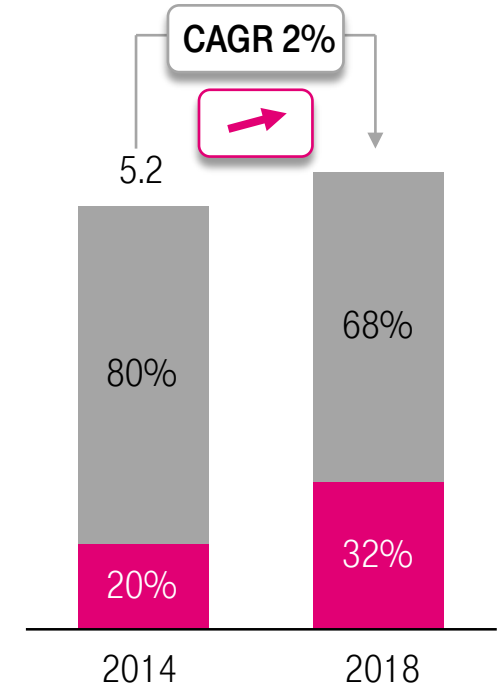
BROADBAND CUSTOMER BASE

mn ■ Double Play ■ Triple Play



BROADBAND REVENUES

€ mn ■ Double Play ■ Triple Play



GROWTH IN TV BY A MULTILAYER STRATEGY AND INCREASED FIBER FOOTPRINT



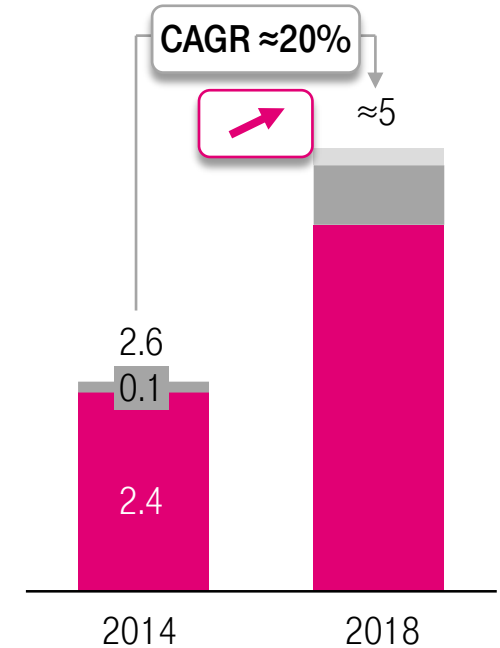
NEXT GENERATION TV WITH NEW FEATURES

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



TV CUSTOMER BASE

mn ■ Wholesale ■ Housing Associations ■ Entertain



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



INCREASE NETWORK UTILIZATION BY UPSELLING WHOLESALE PARTNERS TO FIBER SERVICE REVENUES



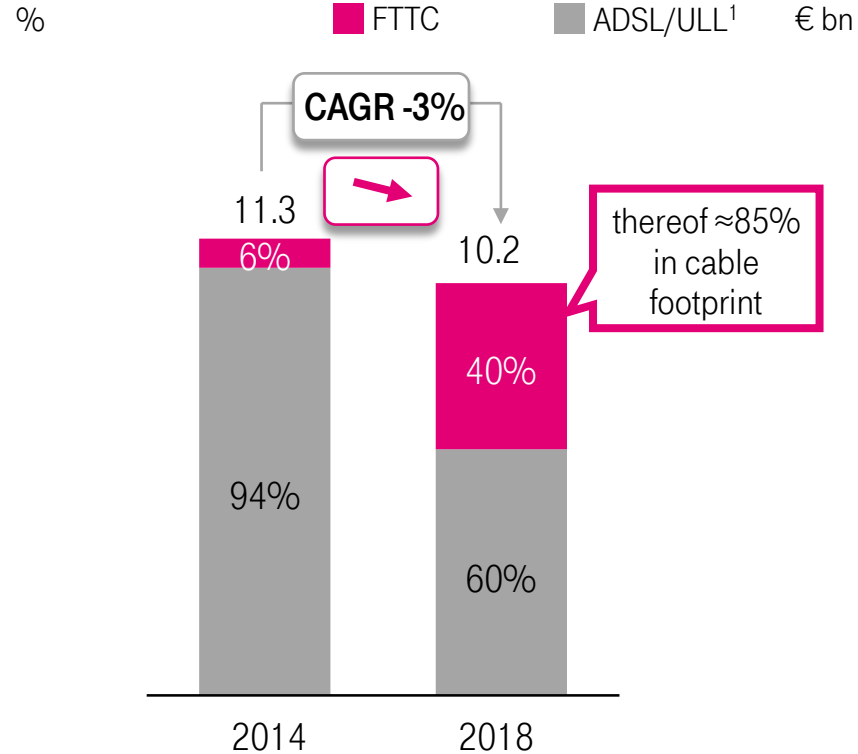
KEY GOALS

1 Utilization of Fiber Infrastructure with $\approx 35\%$ of Fiber Footprint in active service

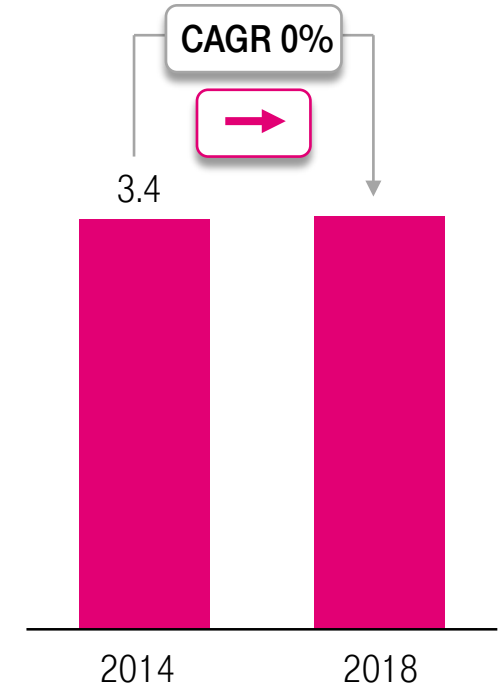
2 Invest-Sharing via upfront Payment

3 Competitive Fiber Wholesale prices for Partners (ARPA of $\approx 20\text{€}$) and innovative Products (IPTV)

WHOLESALE ACCESS BASE



WHOLESALE REVENUES



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

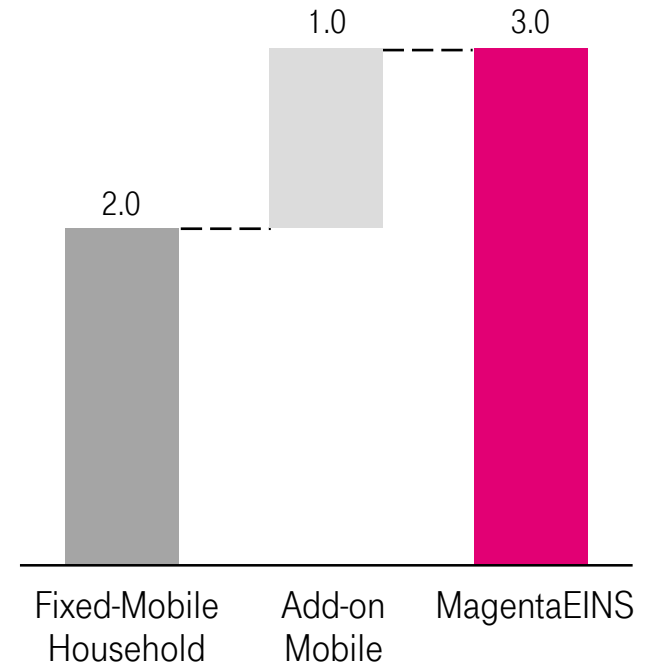


KEY GOALS

- 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

mn

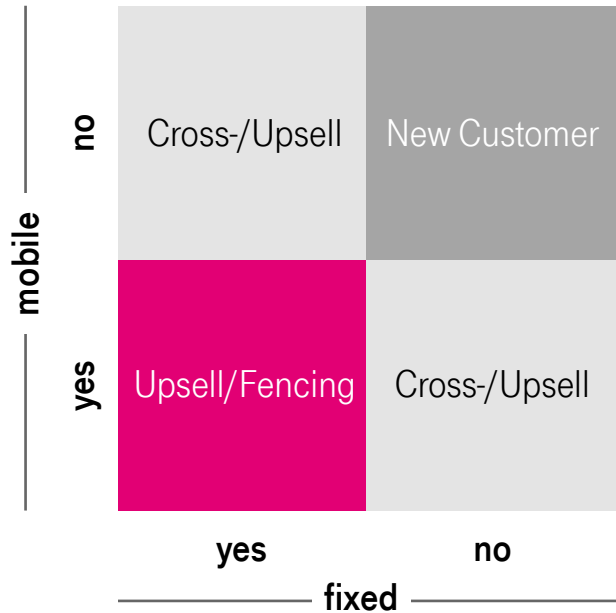


¹ Market research based on customer survey (2014)

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



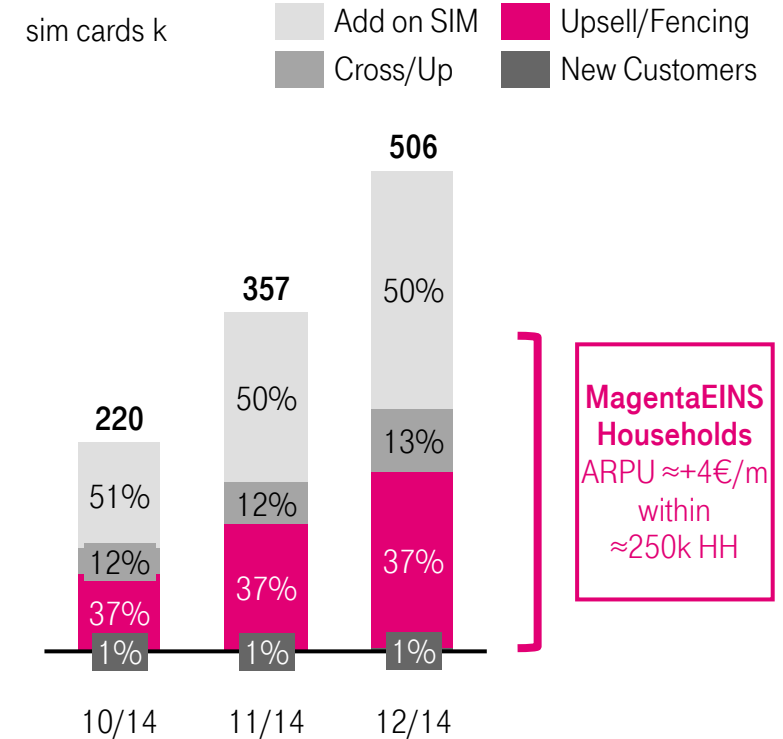
FMC CUSTOMER POTENTIAL



HIGHLIGHTS AFTER 4 MONTH

- 1 TRIPLE PLAY SHARE**
>50%
- 2 GROWING SIM CARD PENETRATION**
≈2 SIMs per HH
- 3 BOOST CUSTOMER LOYALTY¹**
75 Points TRI*M
- 4 INCREASED MAGENTAEINS REVENUES**
≈4€/m per HH

MagentaEINS CUSTOMER BASE



¹ TRI*M Index MagentaEINS customers

PATH TO GROWTH AS UN-CARRIER

55 Million Total Customers !



Path to Growth



1. Un-carrier

2. SALES & SERVICE EXPERIENCE

Superior Sales and Customer Experience

3. NETWORK FOUNDATION

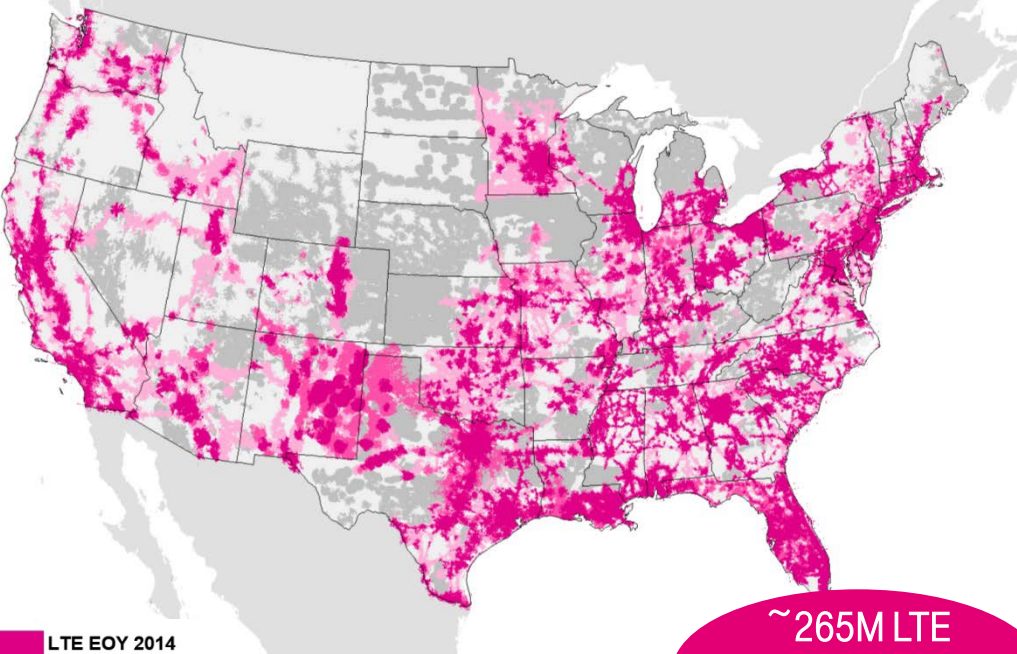
Solid Network Foundation and Spectrum Position

4. LEAN BUSINESS MODEL

Lean Cost Structure and full capture of MetroPCS Integration Synergies

LEVEL THE COMPETITIVE PLAYING FIELD FROM A COVERAGE PERSPECTIVE

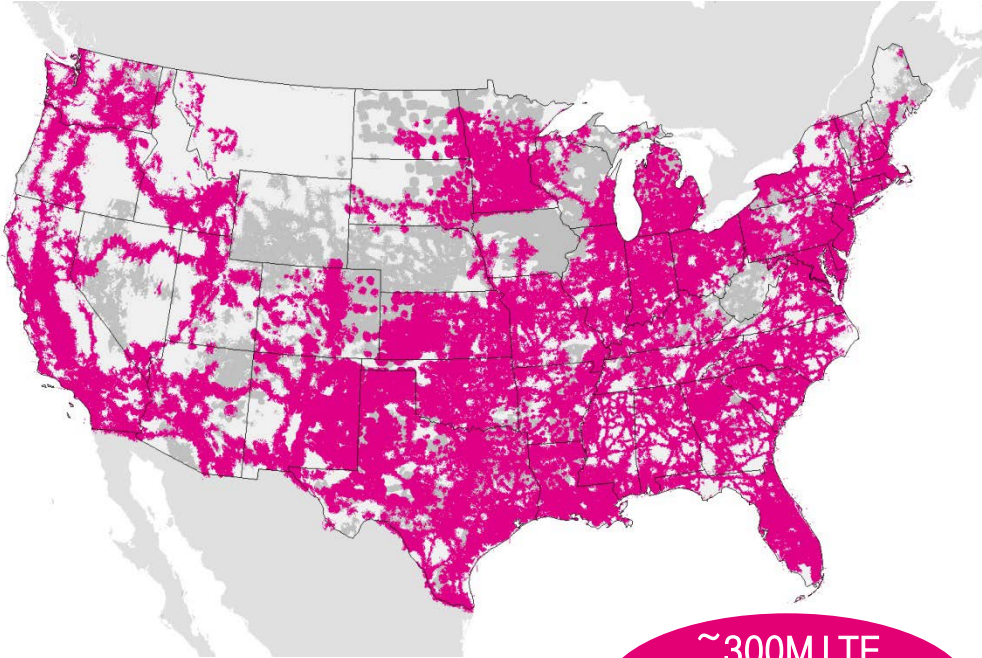
End of 2014 LTE Coverage



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

- LTE EOY 2014
- HSPA
- GSM
- Partner Coverage

End of 2015 LTE Coverage



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

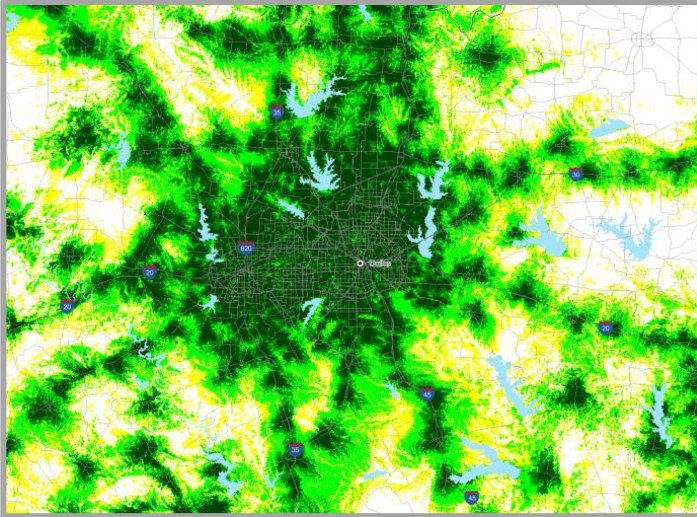
- LTE EOY 2014
- Partner Coverage

EXPAND COVERAGE EFFICIENTLY THROUGH THE DISCIPLINED PURCHASE AND DEPLOYMENT OF LOW-BAND

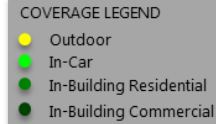
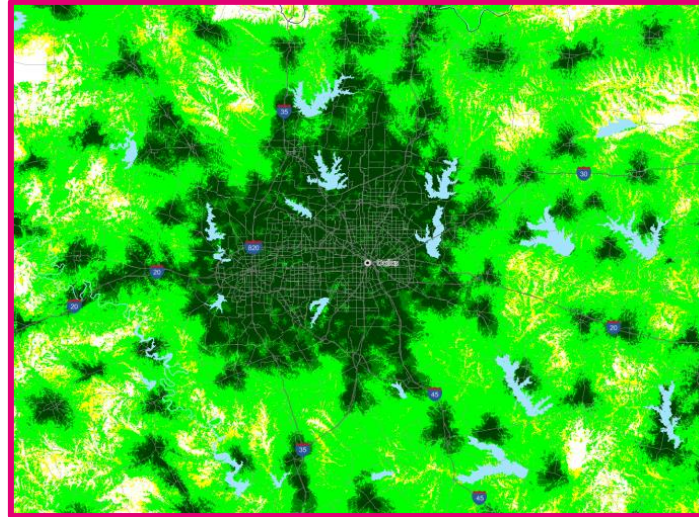
Low-band deployment provides significant in-building coverage

Dallas example

LTE on mid-band only



LTE coverage with low-band

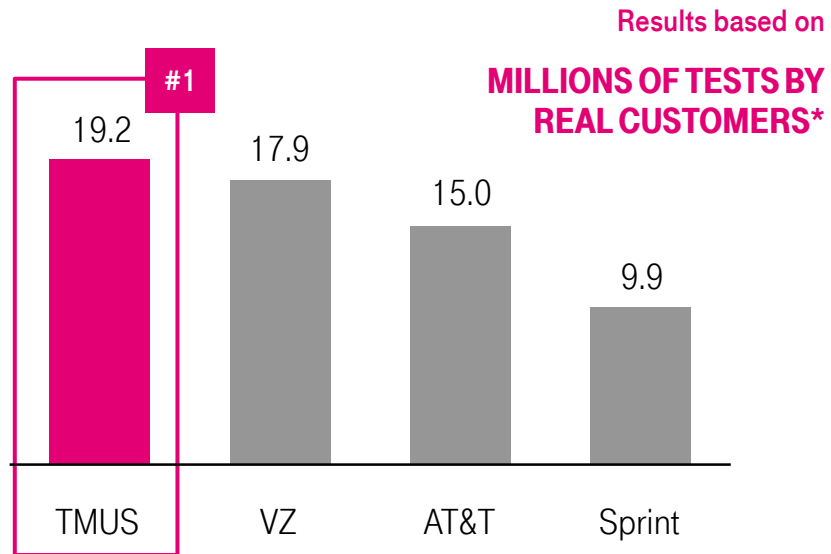


Already launched low-band in major markets such as Washington DC, Dallas, Houston, Cleveland, and Minneapolis

- Currently own or have agreements to own low-band spectrum for roughly 190 Million POPs; will opportunistically pursue more low-band spectrum
- Once deployed, over 70% of T-Mobile's existing subscribers will have increased coverage through low-band
- Low-band provides an average of 30% improvement in in-building residential covered pops
- In rural areas, low-band helps to obtain up to 2x the square miles in coverage compared to mid-band
- Intend to further complement low-band spectrum through broadcast auction in 2016

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

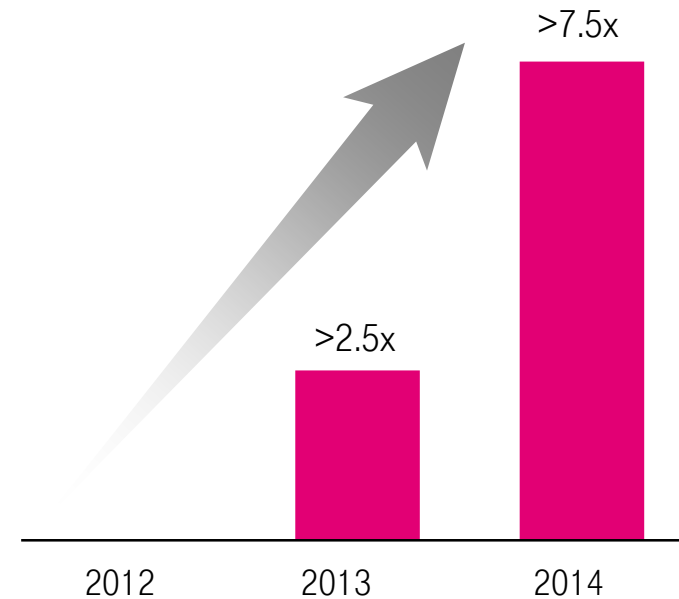
Data Fast Network supports High Speed experience



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

Data Strong network supports Data growth

Data growth (Indexed to IH 2012)

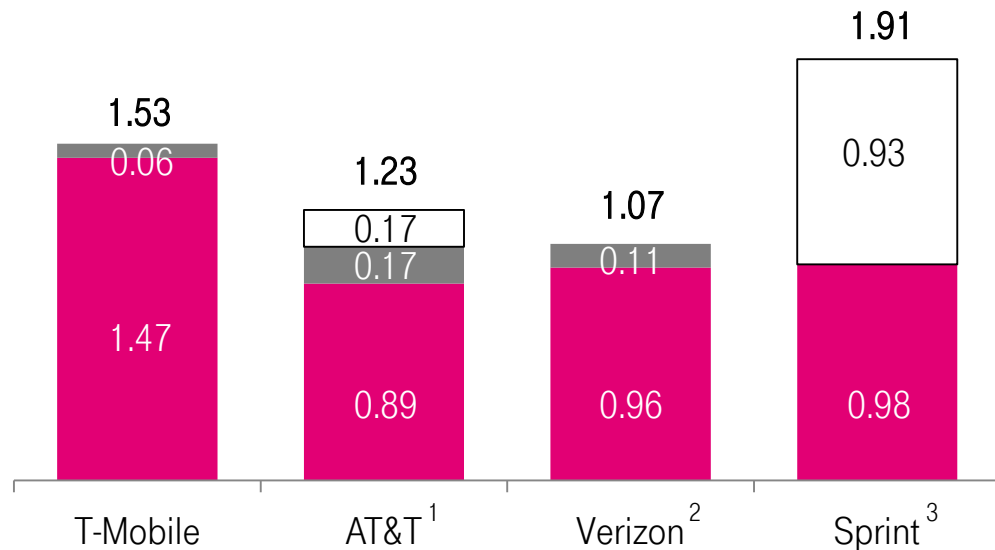
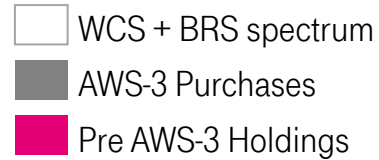


*Based on T-Mobile's analysis of crowd-sourced 4G LTE download speeds

SPECTRUM POSITION PROVIDES RUNWAY FOR CONTINUED GROWTH

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

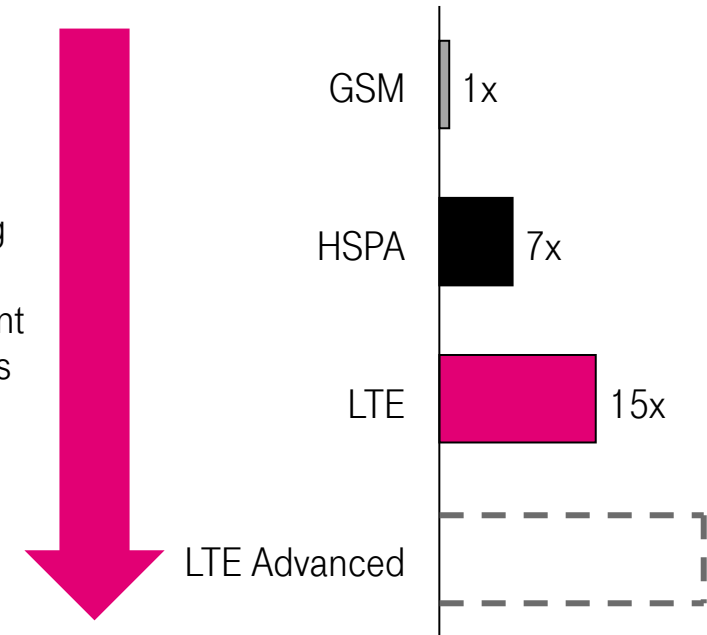
Total Spectrum Holdings /Total Subs (in Hz/Customer)



Rapidly converting technology to achieve even higher spectral efficiency

Relative efficiency by technology

Accelerating migration to more efficient technologies



Source: T-Mobile Analysis 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

METROPCS SYNERGIES \$9-10 B AFTER TAX NPV¹ VS. ORIGINAL PLAN OF \$6-7 B

Better/at original plan

One-time cost pull forward

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

1900-2100

2700-2900

(1500-1700)

1100-1300

0-100

(0-150)

Current view NPV¹ of synergies \$9-10 B vs. original plan of \$6-7 B

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

¹ After-tax NPV calculated with 9% discount rate and 38% tax rate



FINANCE STRATEGY AND OUTLOOK

LEADING EUROPEAN TELCO WITH FOCUS ON ROCE

EQUITY

RELIABLE **SHAREHOLDER** REMUNERATION POLICY

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

STRATEGY LEADING EUROPEAN TELCO

INTEGRATED
IP NETWORKS

BEST
CUSTOMER
EXPERIENCE

WIN WITH
PARTNERS

LEAD IN
BUSINESS

VALUE CREATION: ROCE > WACC

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

DEBT

UNDISPUTED **ACCESS** TO DEBT CAPITAL MARKETS

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

¹ Subject to necessary AGM approval and board resolution

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

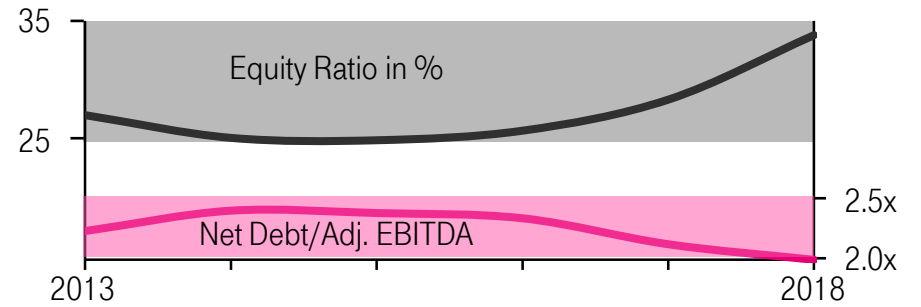
DEBT POLICY STILL VALID

Undisputed access to debt capital markets

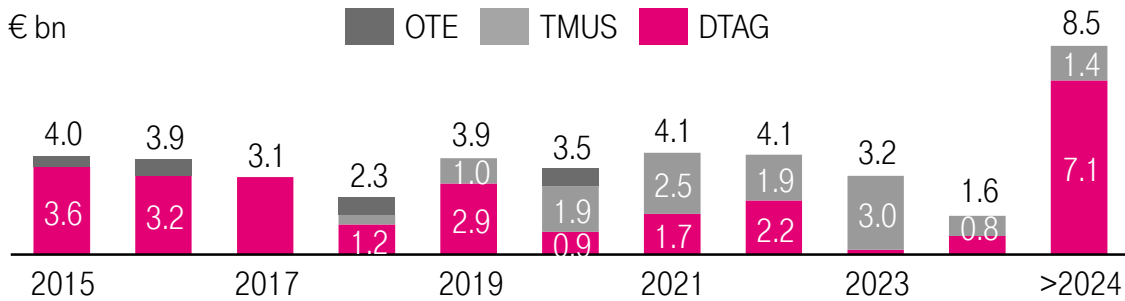


- **Rating:** A-/BBB
- **Net debt/adj. EBITDA:** 2.0–2.5x
- **Equity ratio:** 25–35%
- **Liquidity reserve:** covers maturities of coming 24 months

COMFORT ZONE DEVELOPMENT

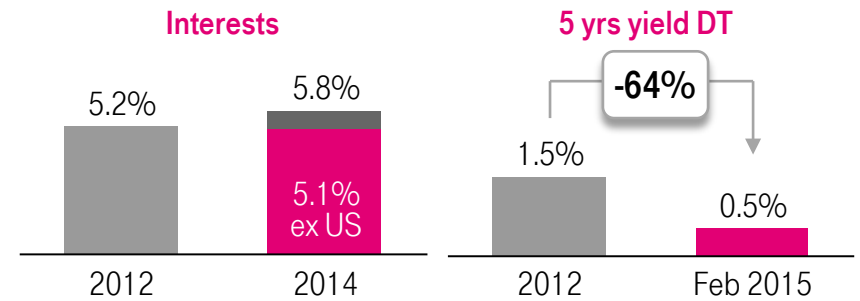


BALANCED MATURITY PROFILE¹



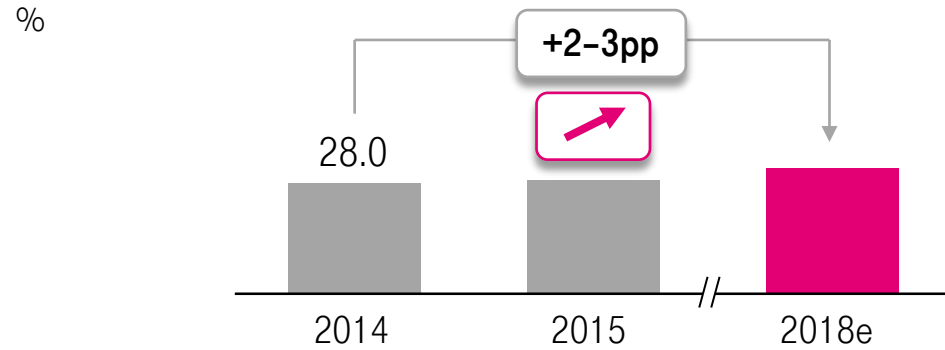
¹ As of Dec. 2014

REFINANCING COST

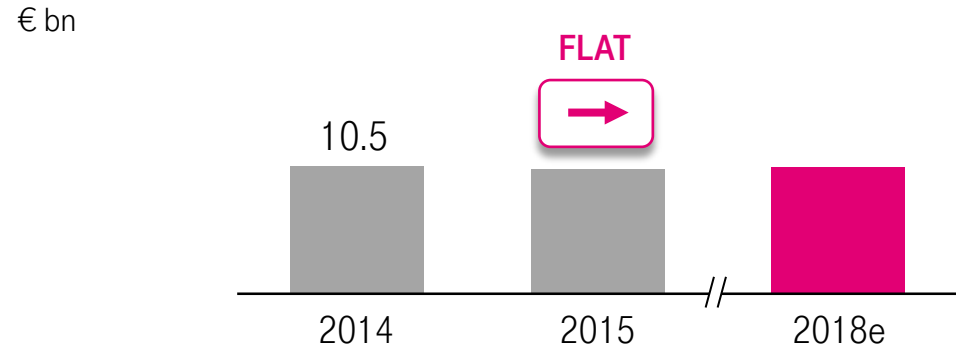


WE WILL GROW IN EBITDA, EBIT AND EPS

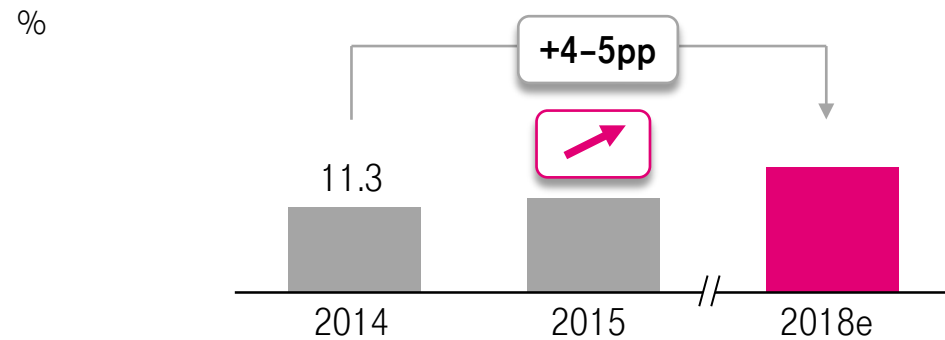
INCREASING ADJ. EBITDA MARGIN



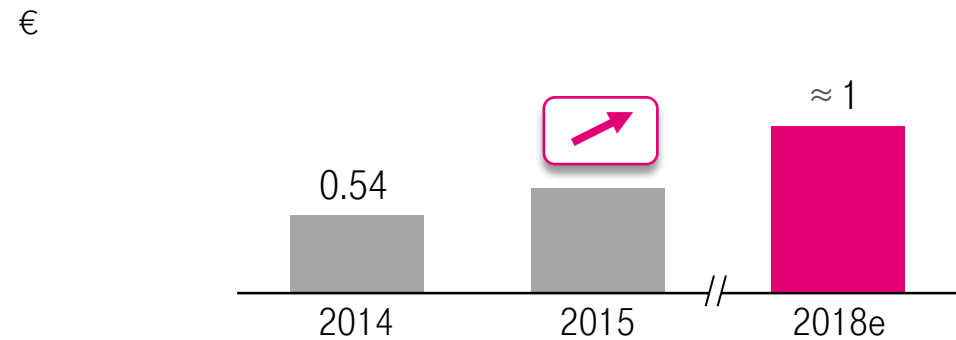
FLAT ADJ. DEPRECIATIONS



INCREASING ADJ. EBIT MARGIN

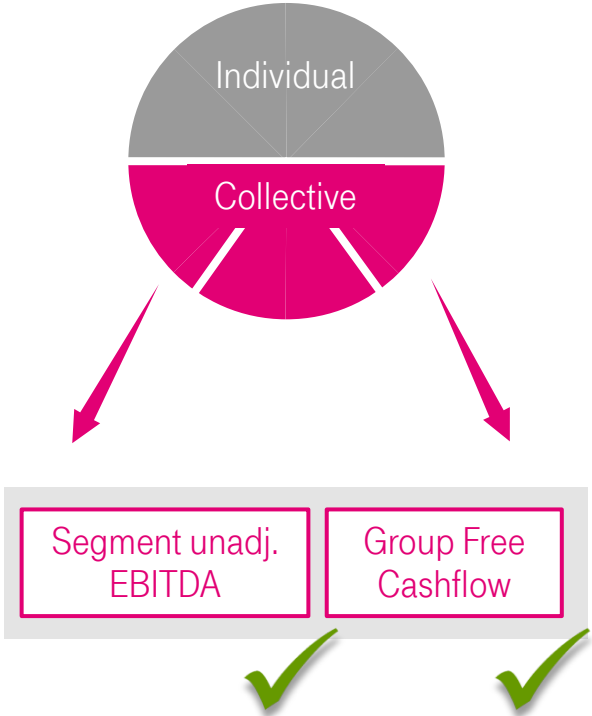


IMPROVEMENT OF ADJ. EPS

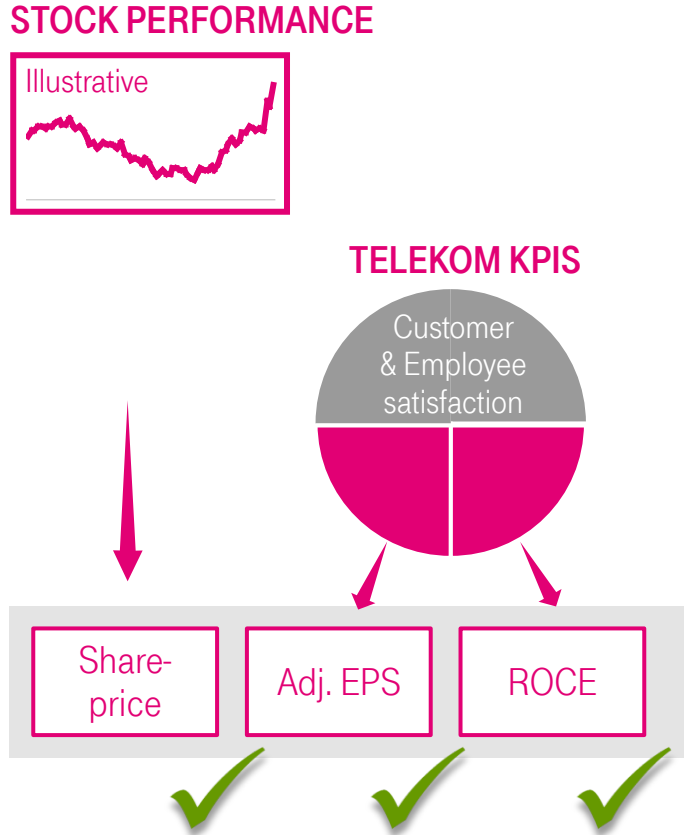


MANAGEMENT INCENTIVES ALIGNED WITH SHAREHOLDERS INTEREST

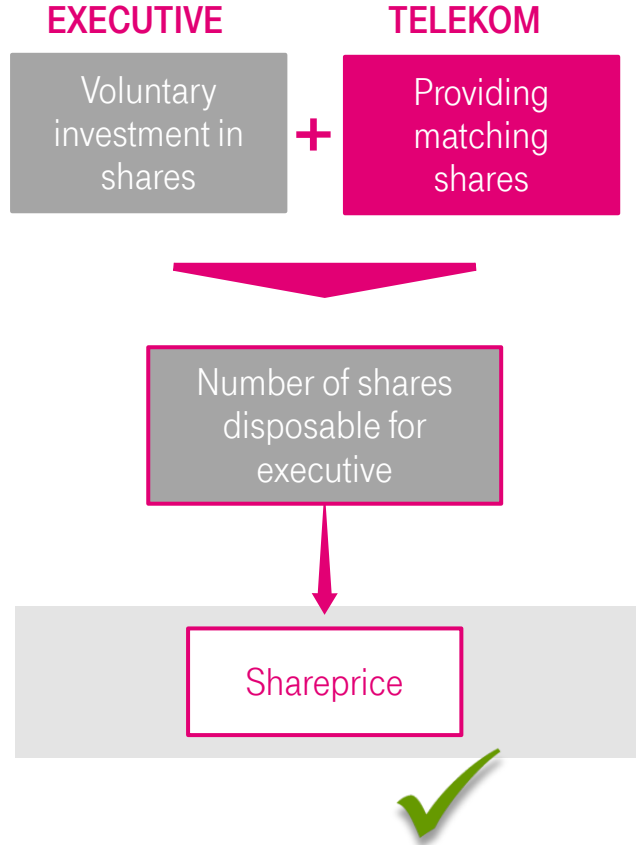
1 SHORT TERM INCENTIVE



2 LONG TERM INCENTIVE

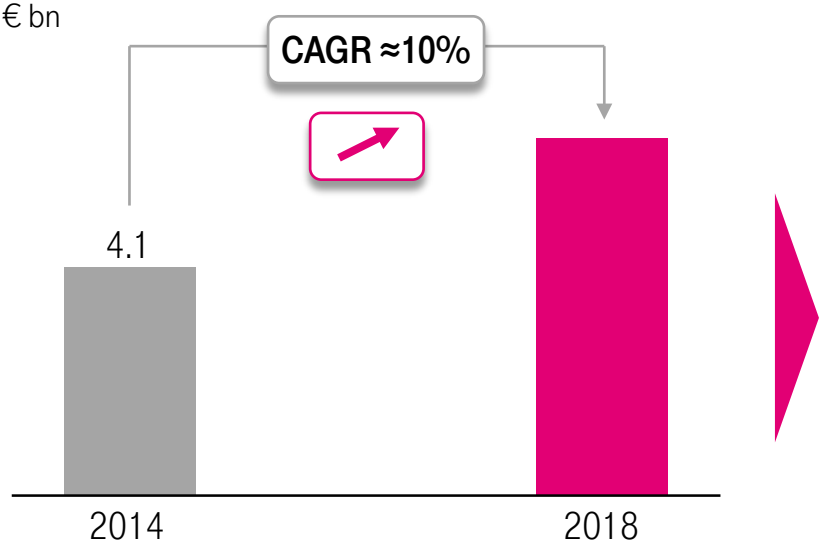


3 SHARE MATCHING PLAN

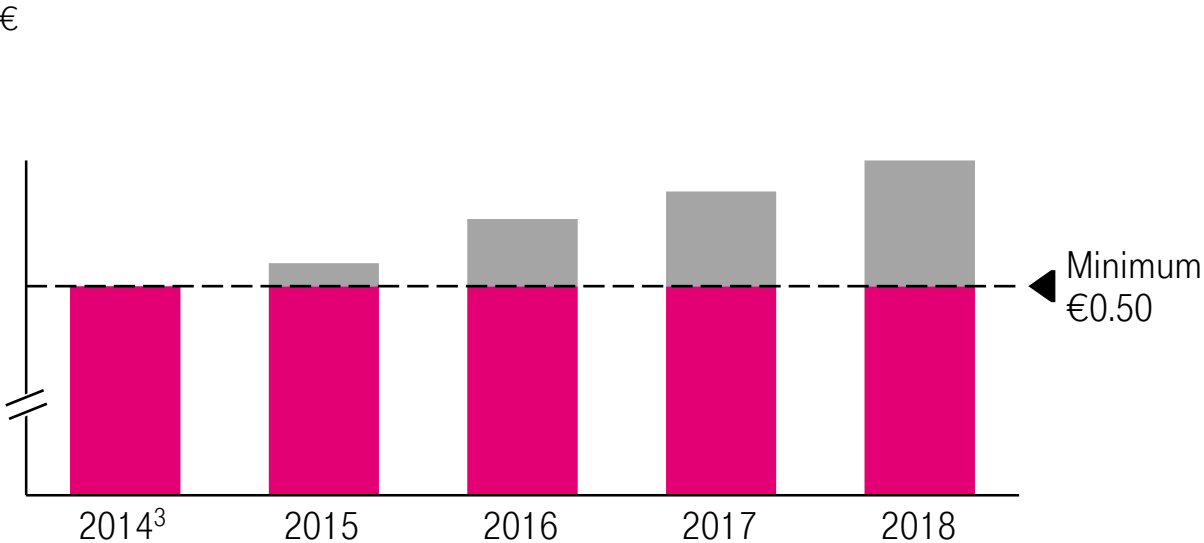


OUR SHAREHOLDERS WILL PARTICIPATE IN GROWTH

FREE CASHFLOW DT GROUP¹



DIVIDENDS FOLLOWING FCF GROWTH²



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)

OUR GUIDANCE

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

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

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

MID TERM AMBITION LEVEL

TOPIC	MID TERM AMBITION LEVEL ¹	YEAR
GROUP REVENUES	CAGR 1–2%	2014–2018
GROUP ADJ. EBITDA	CAGR 2–4%	2014–2018
GROUP FCF	CAGR ≈10%	2014–2018
GROUP ADJ. EPS	≈€1 in 2018	2018
GROUP ROCE	ROCE > WACC in 2018	2018
GROUP CASH CAPEX	CAGR 1–2%	2014–2018
GROUP ADJ. OPEX	DECREASE (ex US)	2014–2018
SHAREHOLDER REMUNERATION POLICY (2015–2018) 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

FURTHER QUESTIONS

PLEASE CONTACT THE IR DEPARTMENT

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www.twitter.com/DT_IR

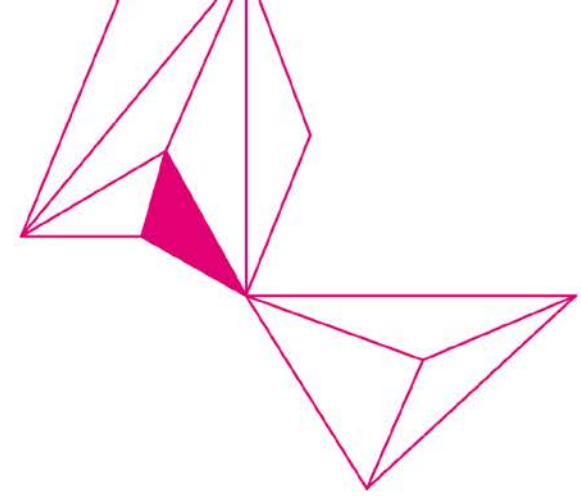
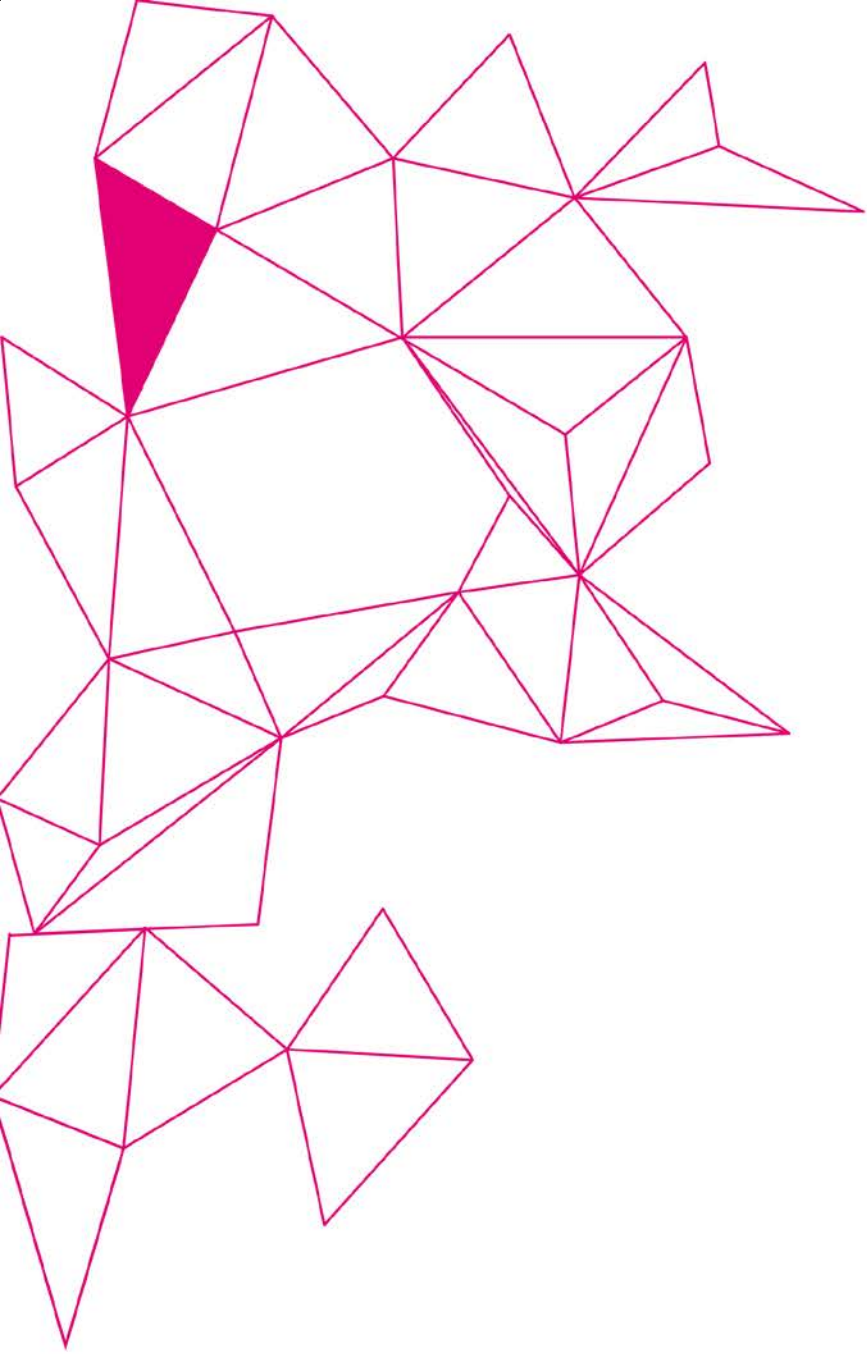


IR YOUTUBE PLAYLIST

www.youtube.com/deutschetelekom



LIFE IS FOR SHARING.



THANK YOU!

