



Telefónica Deutschland

Preliminary results Q2/H1 2020

29 July 2020

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CEO

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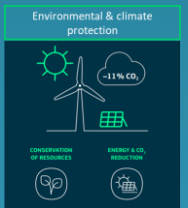
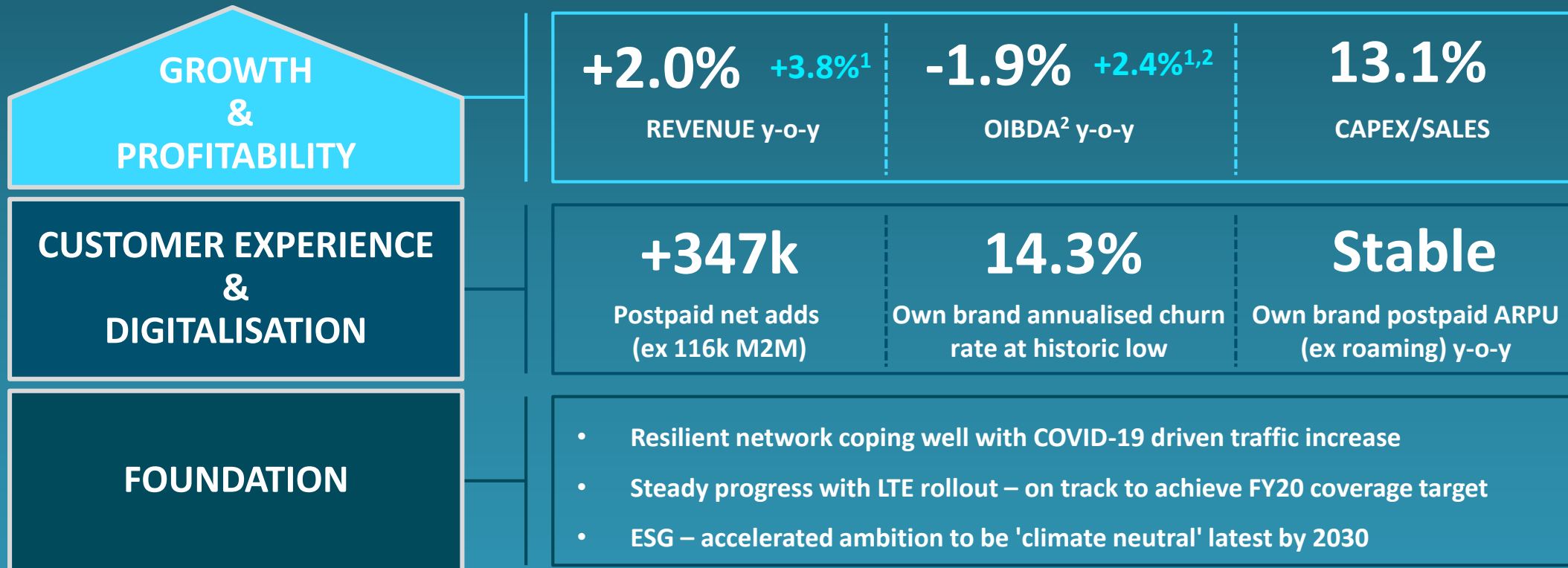
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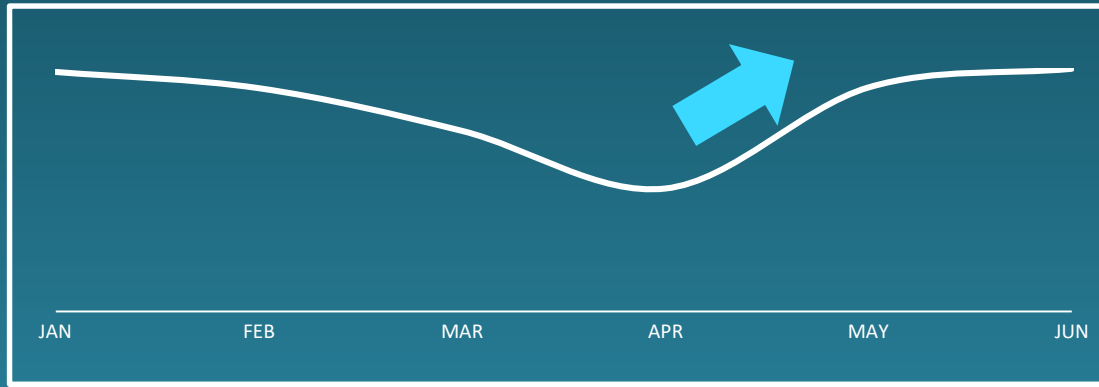
Driving intact business dynamics despite COVID-19

H1 20

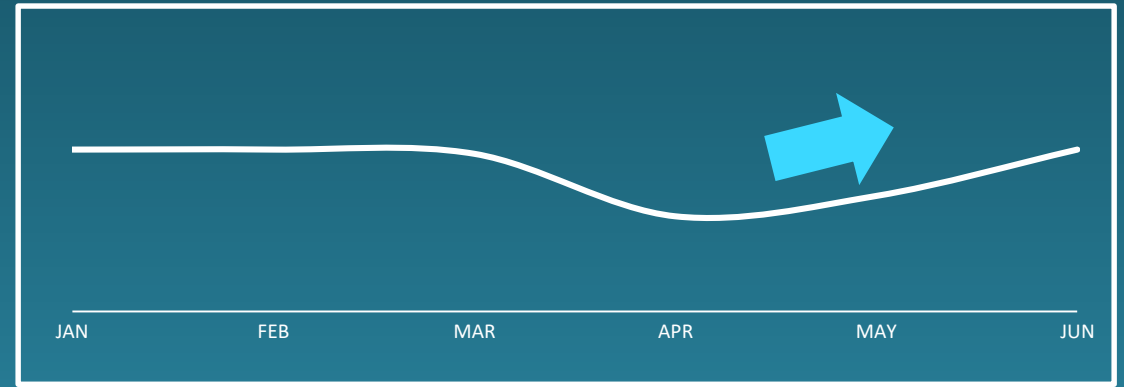


Seeing encouraging signs of operational recovery with phased easing of COVID-19 restrictions

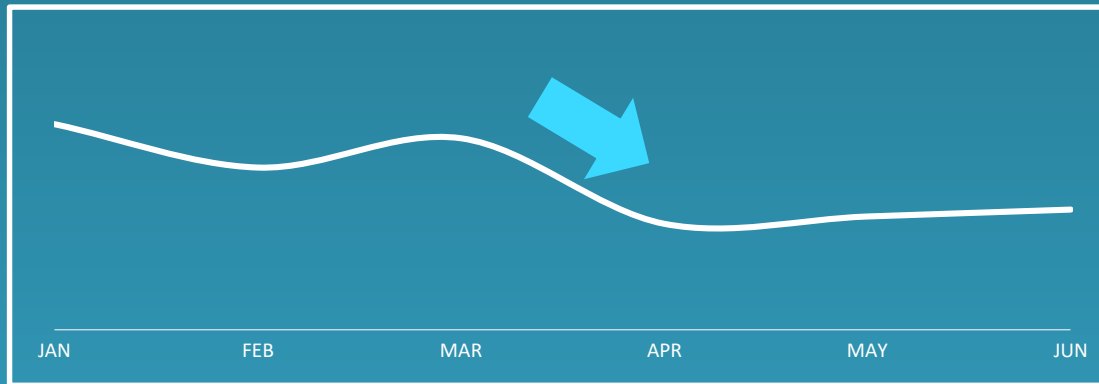
O₂ gross adds – recovery to pre COVID-19 level



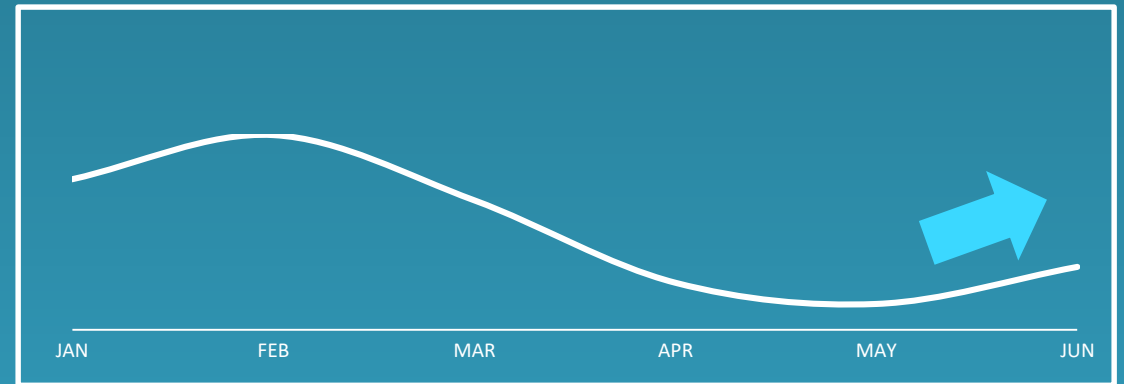
Prepaid top up bookings – fully recovered



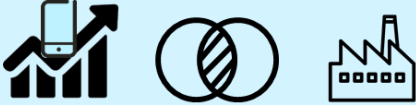
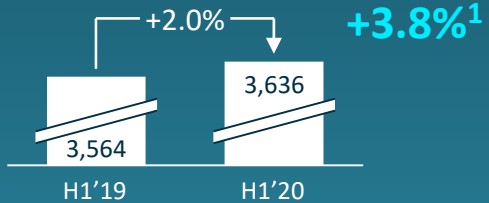
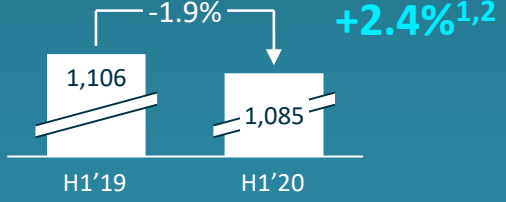
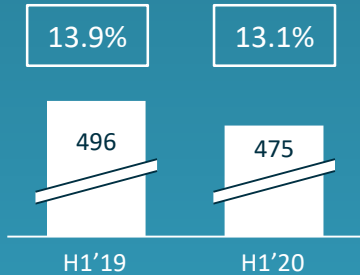
O₂ churners – reduced to lower levels



Roaming revenue – initial signs of gradual recovery



Confirming FY20 revenue & OIBDA outlook while anticipating C/S below 17-18%; continuously monitoring COVID-19 developments

	Outlook FY20	Mid-term guidance 2020/22	H1 20
Revenue	<p>Flat to slightly positive (incl. reg. impacts of ~EUR 20-30m)</p>	 <p>TEF D with cumulated growth of min. 5%</p>	 <p>+2.0% → +3.8%¹</p> <p>3,564 (H1'19) vs 3,636 (H1'20)</p>
OIBDA ²	<p>Broadly stable to slightly positive (incl. reg. impacts of less than ~EUR 10m)</p>	<p>Ongoing margin improvement</p>	 <p>-1.9% → +2.4%^{1,2}</p> <p>1,106 (H1'19) vs 1,085 (H1'20)</p>
C/S	<p>< 17-18%</p>	<p>2-year investment programme to generate growth with C/S (incl. 5G RAN) of < 17-18% in 2020, peaking b/w 17-18% in 2021 & normalising in 2022</p>	 <p>13.9% (H1'19) vs 13.1% (H1'20)</p> <p>496 (H1'19) vs 475 (H1'20)</p>

Crystallising value - largest MNO-led rooftop transaction in Europe

Deal rational

- Driving value crystallization
- Enhancing financial flexibility
- Improving capex flexibility
- Expanding successful partnership

Deal structure

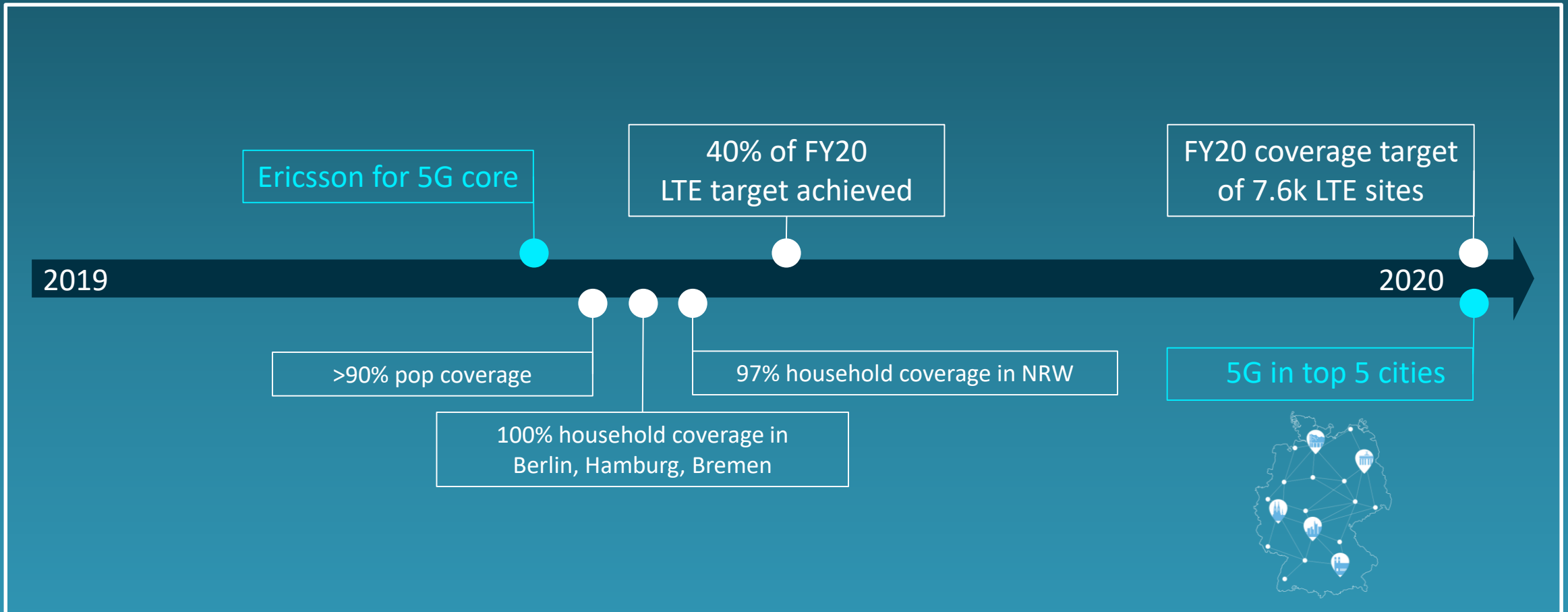
- ~10k rooftop sites & up to 80 tower sites
- ~60% of locations expected to be transferred by Aug-20, remaining ~40% in mid-21
- Construction of 2.4k built-to-suit site over next 4 years

Deal proceeds in 3 tranches (EUR m)



Providing enhanced network quality – on track to achieve FY20 coverage target

Steady progress with network roll-out strategy despite COVID-19



Reiterating key priorities of strategic plan for the 'new 20s'

Accelerating growth trajectory



Boost rural coverage, accelerate urban capacity



Smart bundling to improve loyalty



Technology-agnostic internet solutions;
FMS to improve profitability



Leverage B2B strategy to gain fair market share
in SME



**Commitment to deliver attractive
shareholder remuneration**



Financial update

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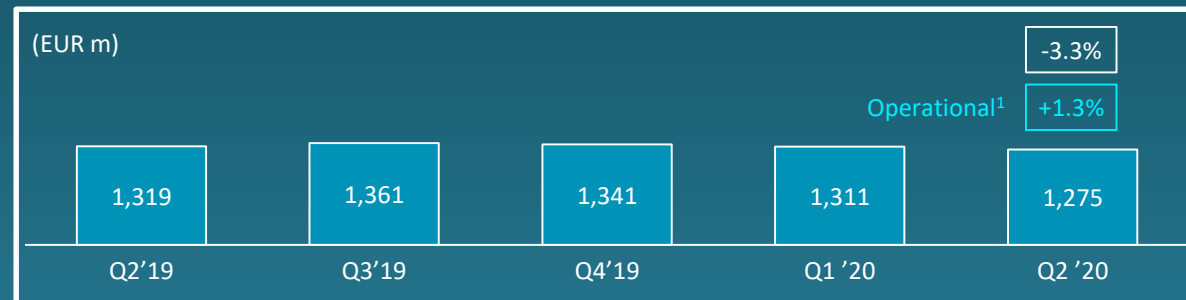
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Revenue – operational trends intact

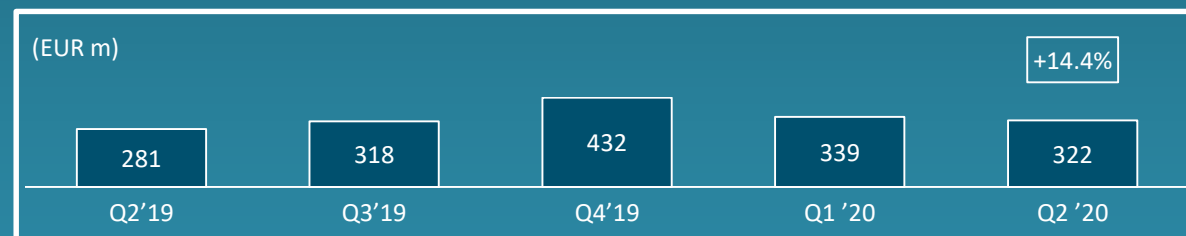
Revenue slightly up despite reduced roaming contribution



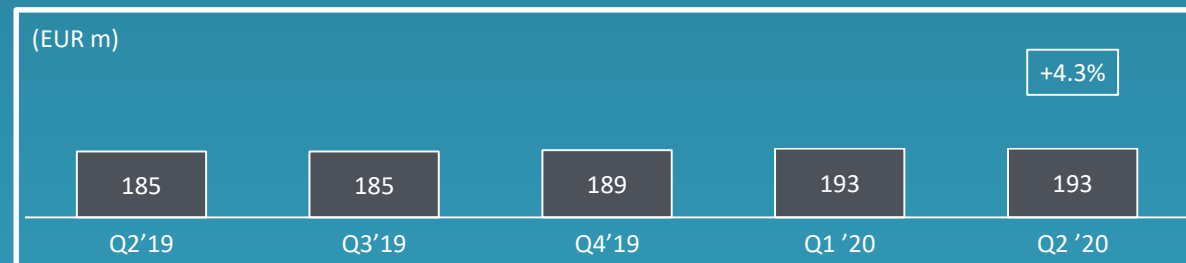
Operational MSR trend intact despite tougher comps



Continued demand for high-value devices

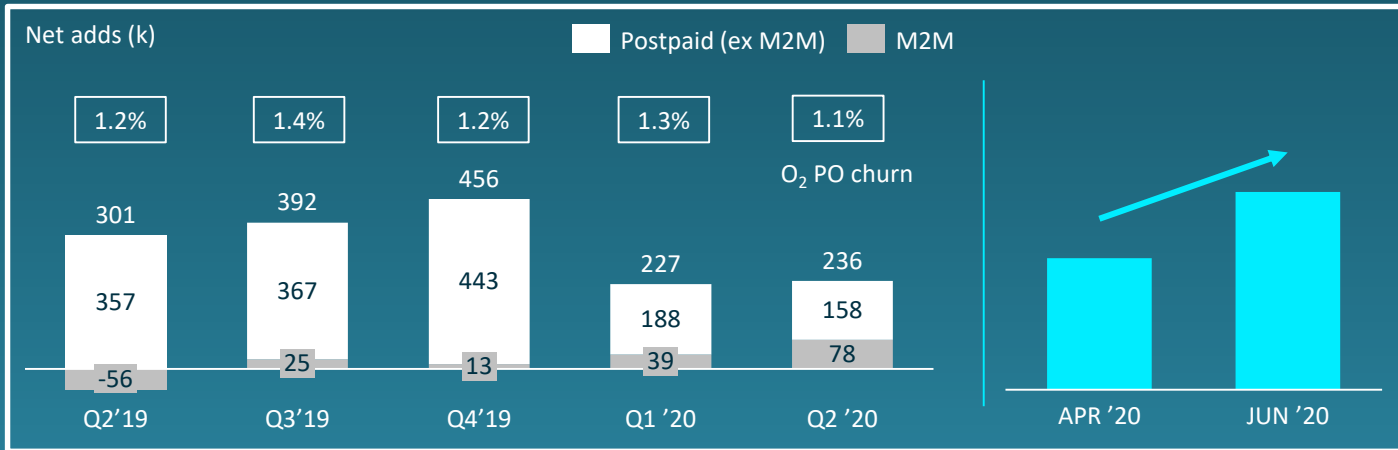


Fixed revenue growth driven by improved customer mix

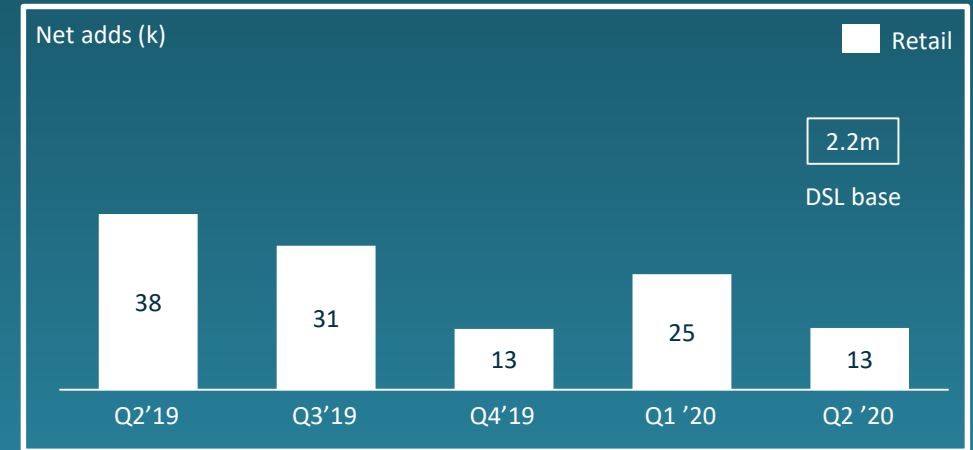


Gradual trading recovery & early signs of ARPU rebound post lockdown

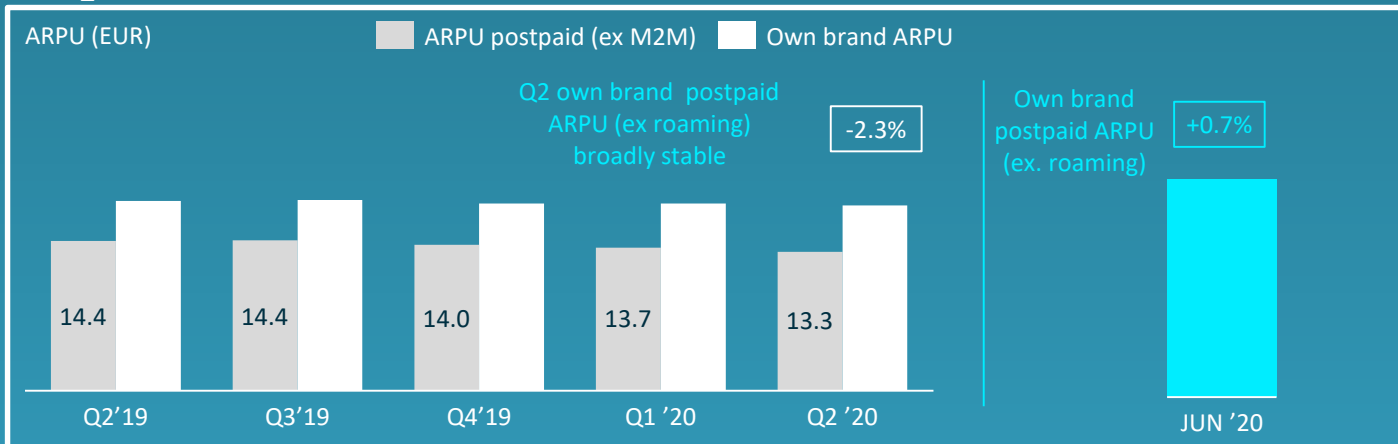
Focus in mobile on profitable growth



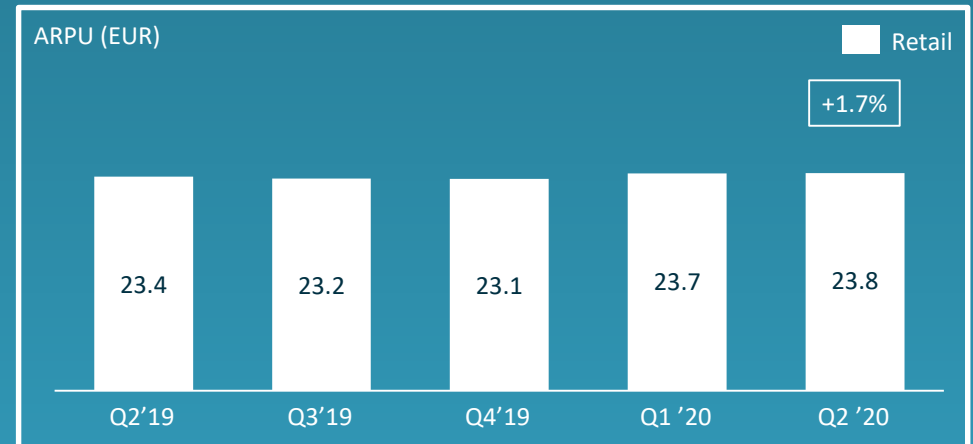
Sustained demand for VDSL drives growth



O₂ Free partly offsets reduced roaming contribution to ARPU

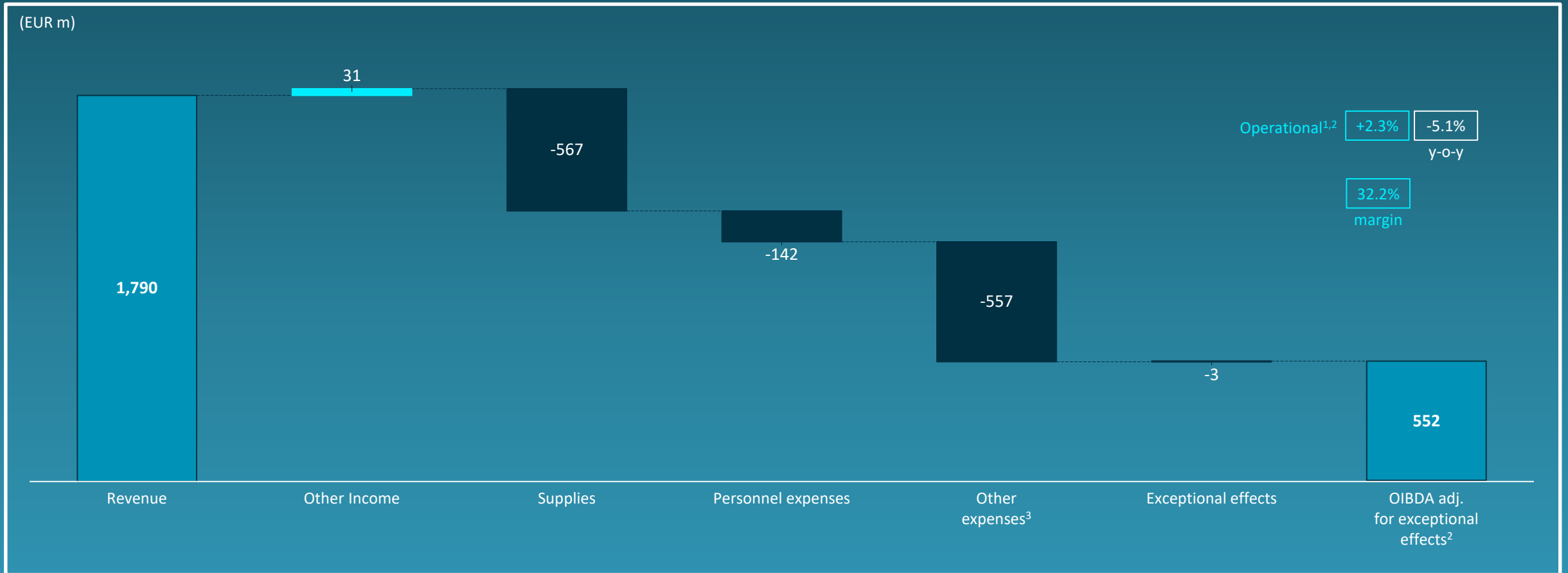


Fixed ARPU reflects higher VDSL share



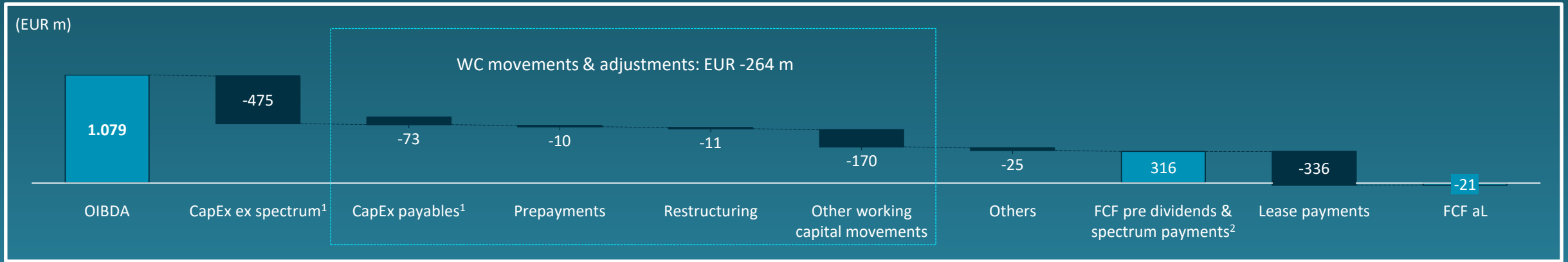
Operational OIBDA^{1,2} continues to grow in Q2 20

Revenue impacted by special factors with flow-through to OIBDA

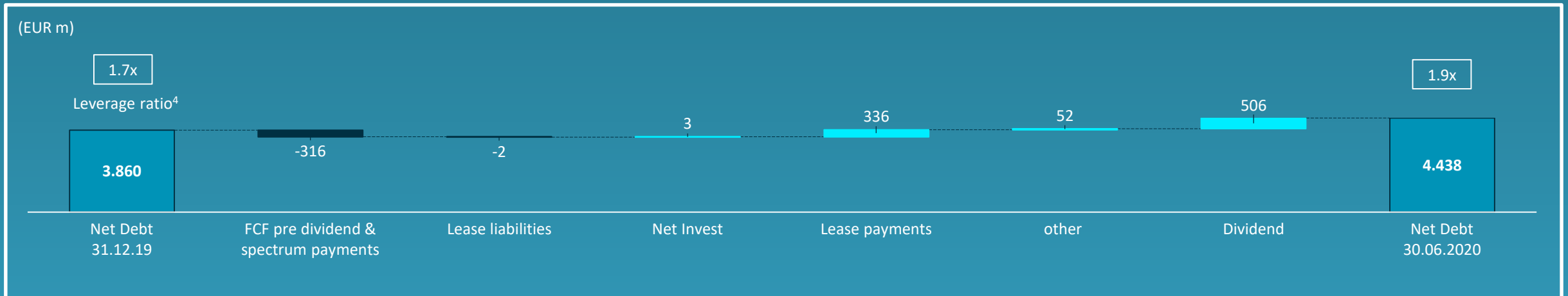


Free Cash Flow dynamics reflect usual seasonal movements

Evolution of H1 20 FCF



Net debt³ – leverage well in-line with target



¹ Excluding additions from capitalised right-of-use assets and investments in spectrum

² FCF pre dividends & spectrum payments is defined as the sum of cash flow from operating activities & cash flow from investing activities

³ Net financial debt includes current and non-current interest-bearing financial assets and interest-bearing liabilities as well as cash and cash equivalents and excludes payables for spectrum

⁴ Leverage ratio is defined as net financial debt divided by the OIBDA for the last twelve months adjusted for exceptional effects

Key take-aways

Business dynamics intact - confirming FY20 outlook and mid-term guidance for revenue & OIBDA while anticipating C/S to be below 17-18%; continuously monitoring COVID-19 developments

Revenue – operational trends confirmed with strong handset & fixed revenue contribution while MSR reflects lower roaming contribution

OIBDA reflects special factors – operationally intact

FCFaL dynamics with usual seasonality; **net debt** slightly up post FY19 dividend payment – **leverage** well in-line with target

Solid **B/S**, strong **liquidity position** and ability to generate **FCF** growth to support **total shareholder returns**

Telefónica Deutschland - Management Q&A



Markus Haas

CEO

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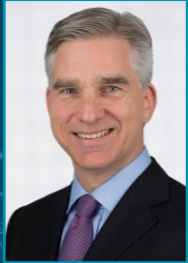


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Any further questions? Please reach out to us!



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