

Telefónica Deutschland
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Telefónica Deutschland

Investor presentation

May 2021

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Key reasons to invest

Germany
Attractive and dynamic
telecoms market

Excellent macro

Rational market

Data growth

Soft convergence

3 integrated players

Established Player
Leveraging
economies of scale

Largest
owned customer base

Multi-brand & -channel

Customer-centric
convergence play

FMS

Operational Excellence
Digital transformation
drives growth

All-infrastructure
set-up

Successful integration
track record

Digital transformation

Value Proposition
Attractive shareholder returns
on strong fundamentals

Clear growth path

Strong FCF trajectory

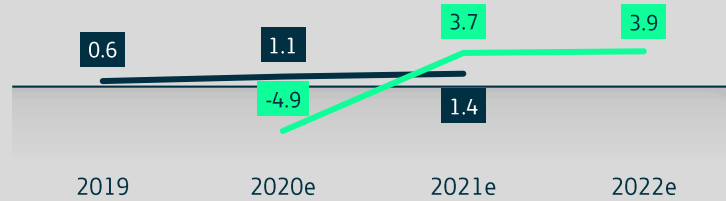
High pay-out ratio to
FCFaL

Strong financial profile

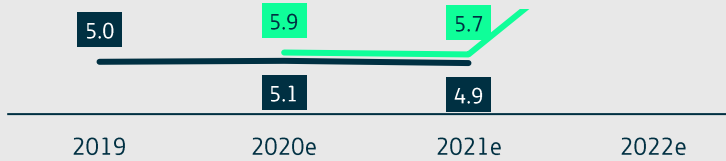
2021 economic recovery expected in Germany

Gradual lifting of C-19 measures since May as case numbers slowly decrease with increasing vaccination levels

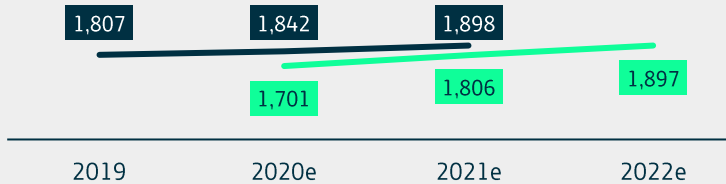
GDP Growth¹ [%]



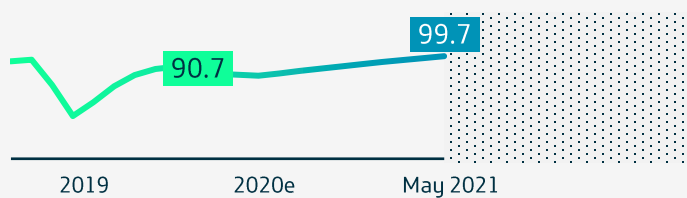
Unemployment Rate¹ [%]



Consumer Spend¹ [EUR bn]



Business Climate Index² [2015 = 100, seasonally adj.]



● Before Covid-19 ● After Covid-19

Current Trends

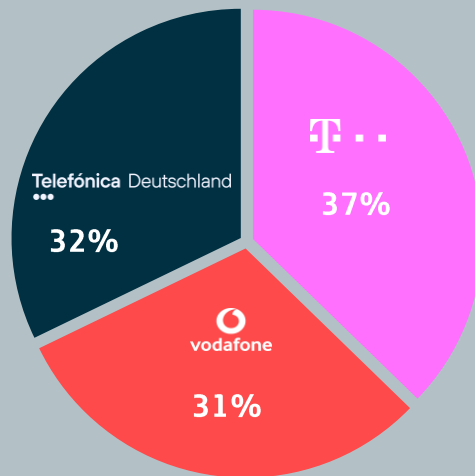
- Dynamic yet rational mobile market
- Data growth with continued CAGR of >50%
- Soft convergent market environment
- 3 strong mobile networks

Future Trends

- 5G use cases & demand to accelerate
- Fixed-Mobile-Substitution becoming increasingly relevant
- Potential 4th urban MNO
- 3 integrated (mobile + fixed) players

Competitive Environment

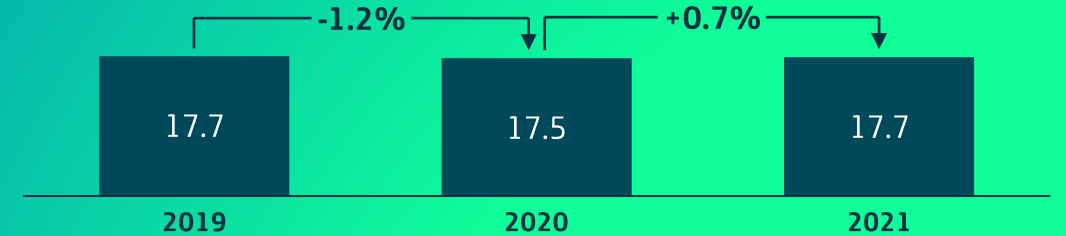
Rational & Balanced Market¹



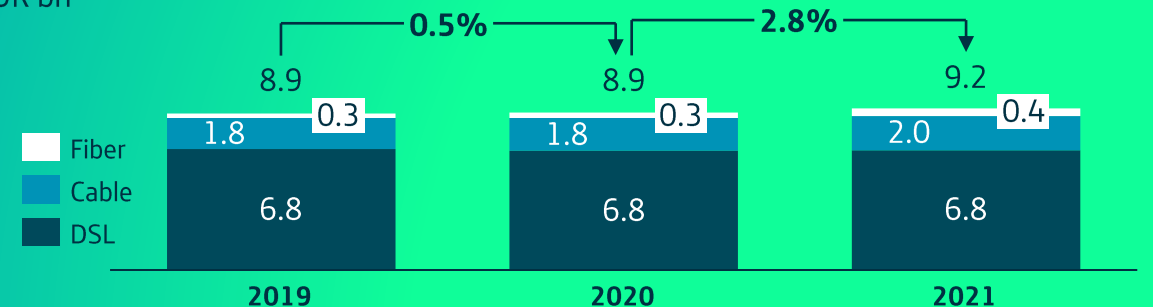
- Rational market following 4 to 3 consolidation
- Tiered mobile portfolios enabling data monetisation

Market Development²

Mobile service revenues EUR bn



Fixed broadband retail revenues EUR bn



Telefónica Deutschland with a **successful start into growth era**

Build
1998 - 2008



Business Set-up

Introduction of O₂ brand
Start of 4th mobile network

Scale
2009 – 2019



Acquisition & Integration
HanseNet & E-Plus

Established Integrated Player

Grow
2020 & beyond



Mobile Growth

gaining rural share & reinforcement in urban

Smart Bundling (incl. FMS)
capturing value & reducing churn

Attack in B2B
targeting fair SME share

Market entrance



Integration



**Benefitting from
scale & transformation**

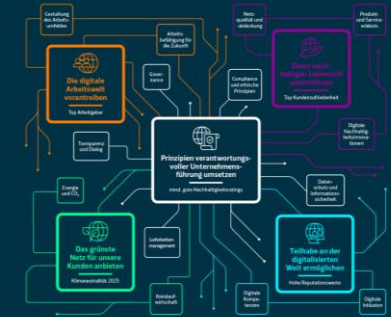
ESG at the heart of TEF D's strategy throughout the pandemic

Launch of Responsible Business Plan 2025 – Digital. Sustainable. Connected.

ESG strategy fully integrated in overall business strategy

- ✓ RBP goal: Creation of sustainable value and minimisation of risks
- ✓ RBP 2020: Achieved key targets
- ✓ RBP 2025: Ambitious future targets incl. climate protection strategy

Responsible Business Plan 2025 Digital. Nachhaltig. Vernetzt.



2004

2021

2004

ISO 14001 certification



2005

CR-Report



2012

Launch corporate accelerator
Wayra



2012

Launch Eco Index



2015

ISO 50001 certification



2019

Sustainability linked loan

2020

ESG DAX50

2020

Climate protection strategy 2025

2016 - 2020
RBP

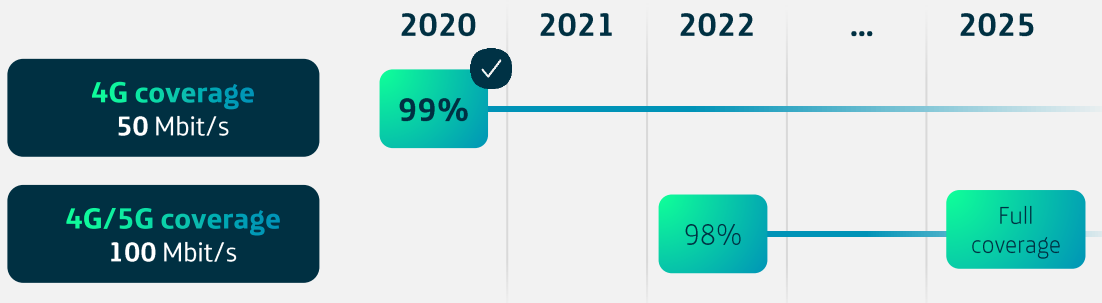


2021 - 2025
RBP

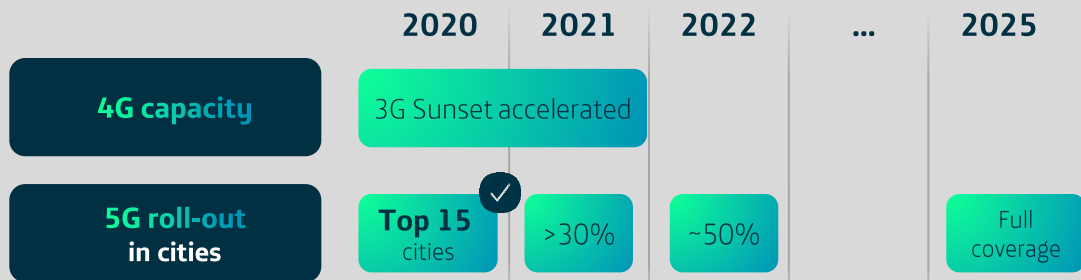


Network quality equalisation achieved

Boost Rural Coverage

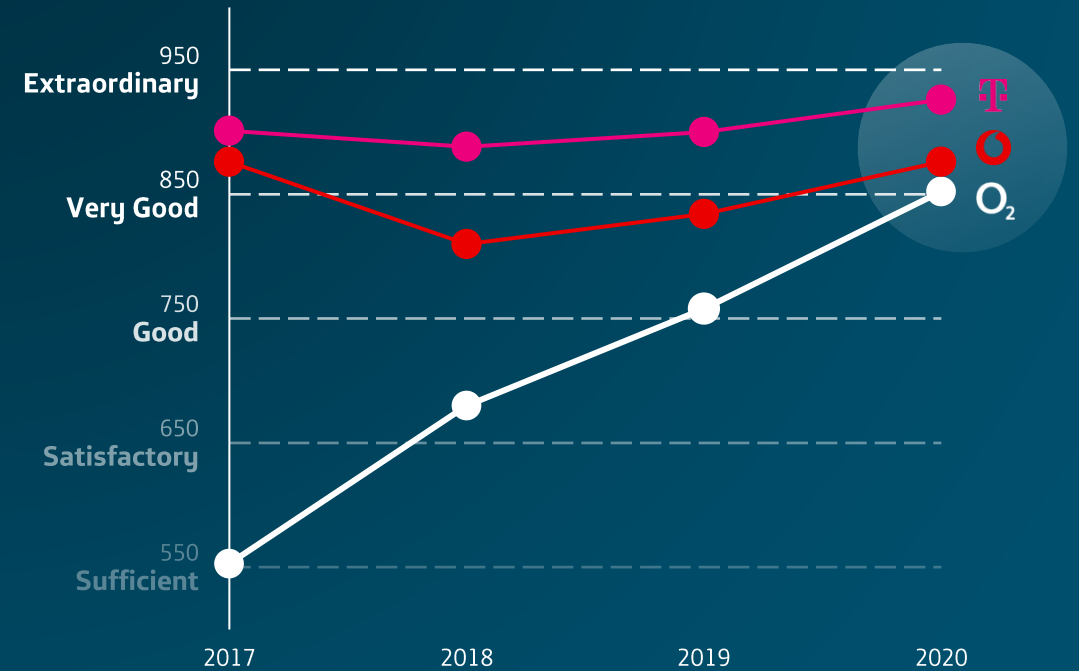


Accelerate Urban Capacity

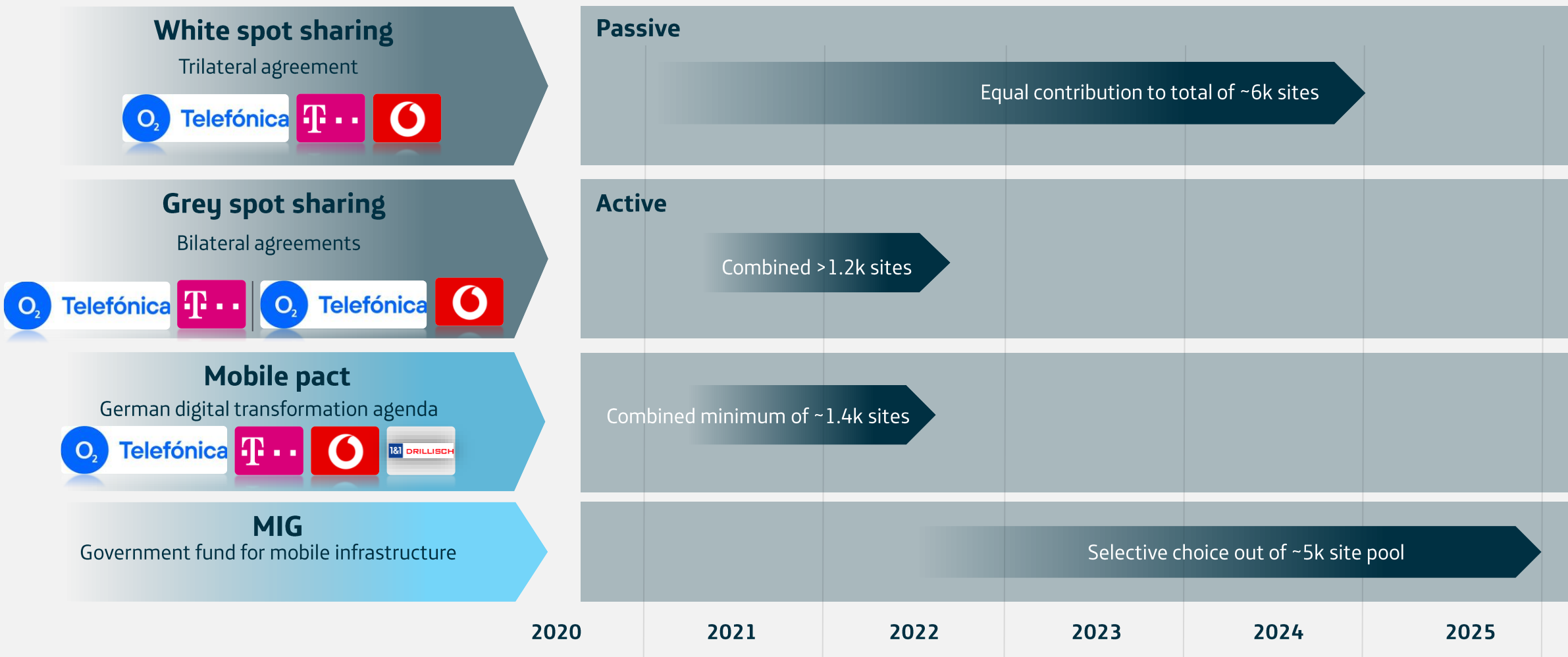


Equalisation of Network Quality

Evolution of 'connect' Test Results



Leveraging network sharing opportunities and co-operations



Rapid 5G expansion



✓ 5G in ~60 cities



✓ Fast 5G on 3.6 GHz with ~1.3k sites



✓ 5G cloud core for campus networks



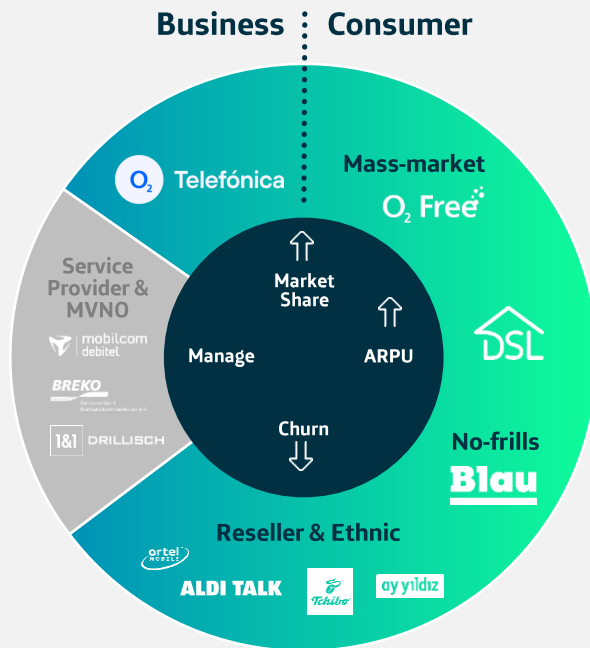
YE24: ~35k network grid



YE21: > 30% coverage YE22: 50% coverage YE25: nationwide coverage

Driving commercial momentum to generate sustainable growth

Sustained focus on own customers base



Own customer base ~80%



Mobile Growth

Gaining rural share & reinforcement in urban



Smart Bundling (incl. FMS)

Capturing value & reducing churn



Attack in B2B

Targeting fair SME share

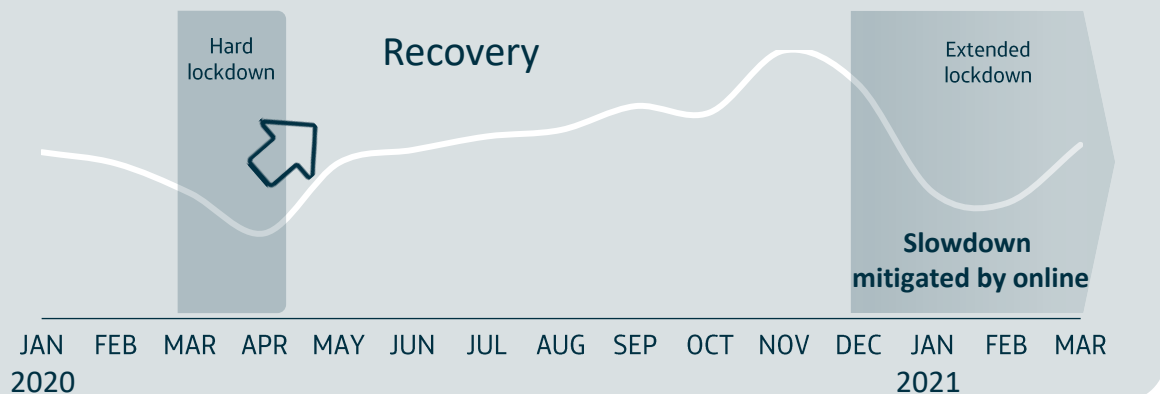
FY21 – key operational activities

- Improve products and services along key NPS drivers
- Focus on important brand KPIs to drive future business with highest efficiency
- Leverage enriched TAA portfolio
- Encourage willingness-to-pay and enhance loyalty
- Leverage momentum to gain B2B market share

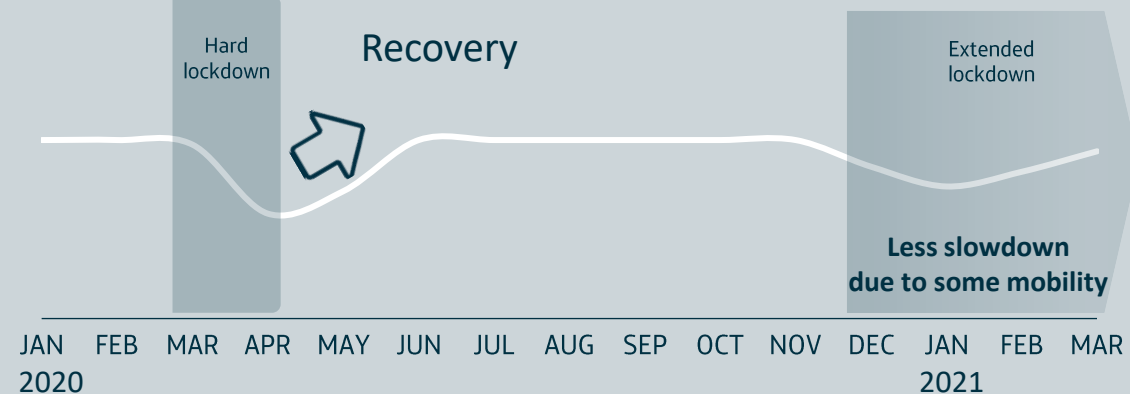
Enhance network CEX & expand 5G footprint

Q1 21 – resilient business model in full quarter of lockdown

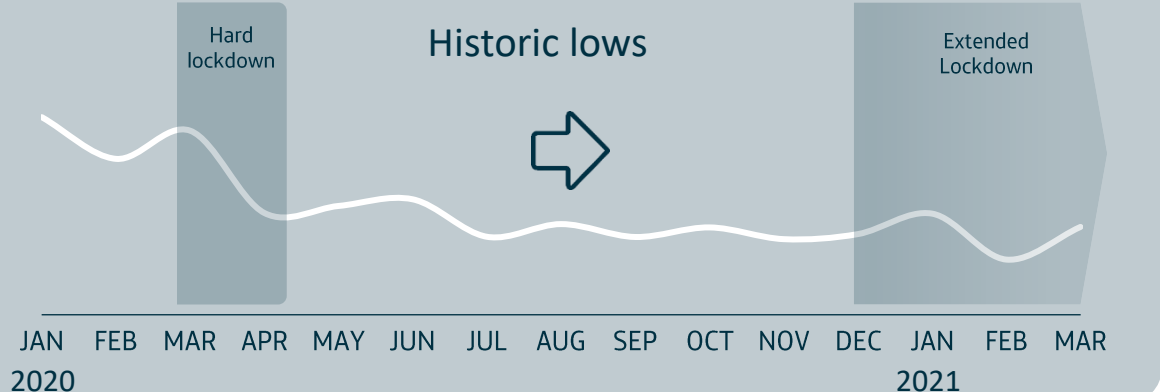
O₂ GROSS ADDS



PREPAID TOP UP BOOKINGS



O₂ CHURN

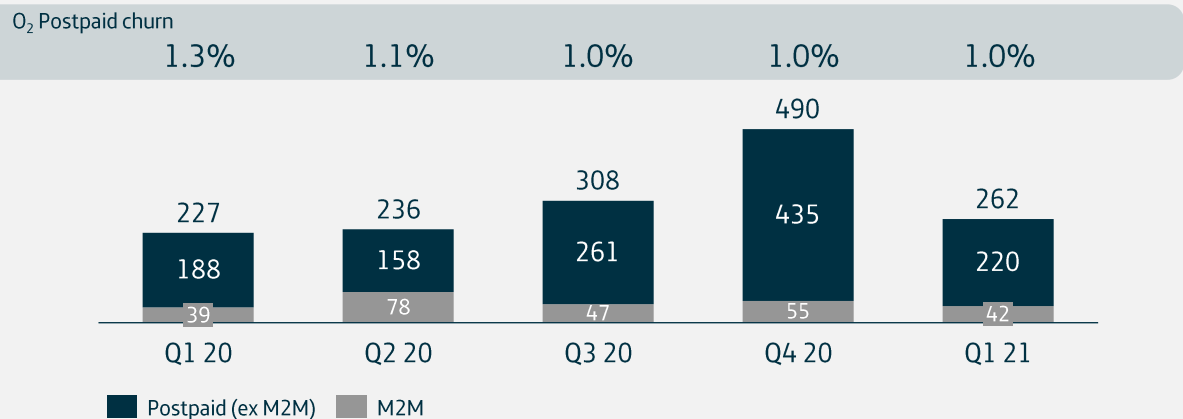


INT'L ROAMING REVENUE (OUTBOUND)

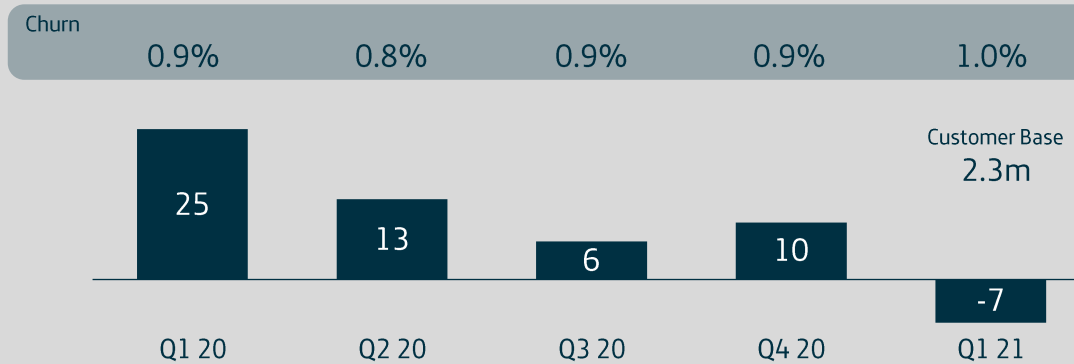


Continued own brand momentum supported by online channels

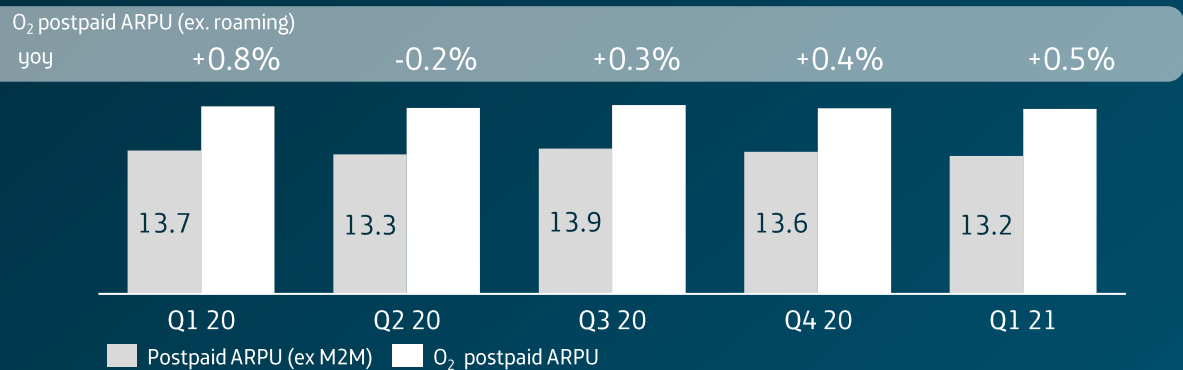
Mobile Net Adds (k)



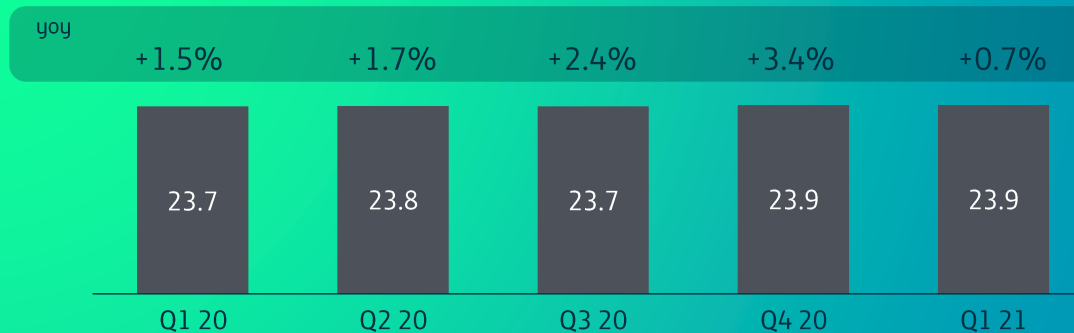
Fixed Net Adds (k)



Mobile Postpaid ARPU (EUR)

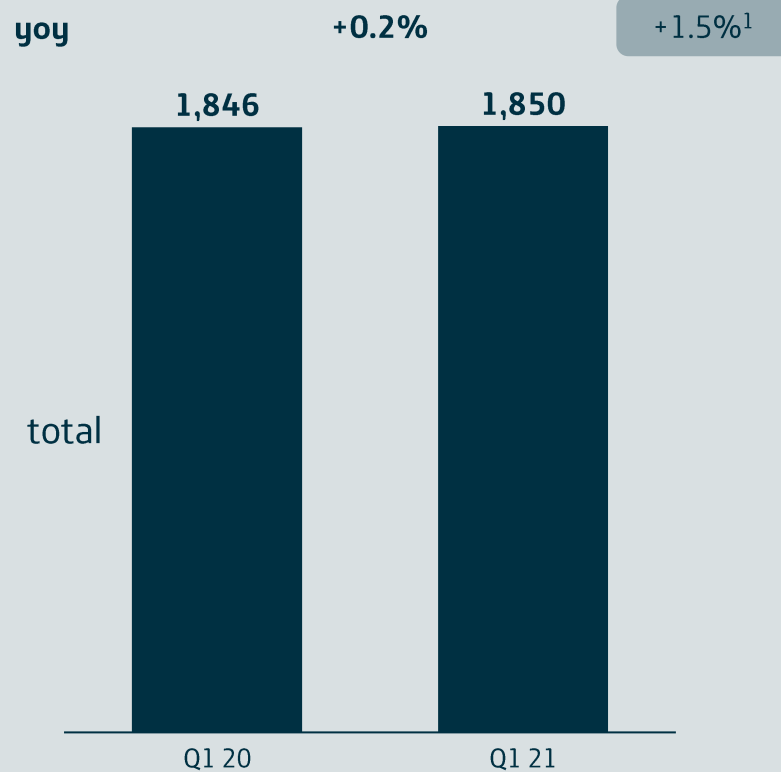


Fixed ARPU (EUR)

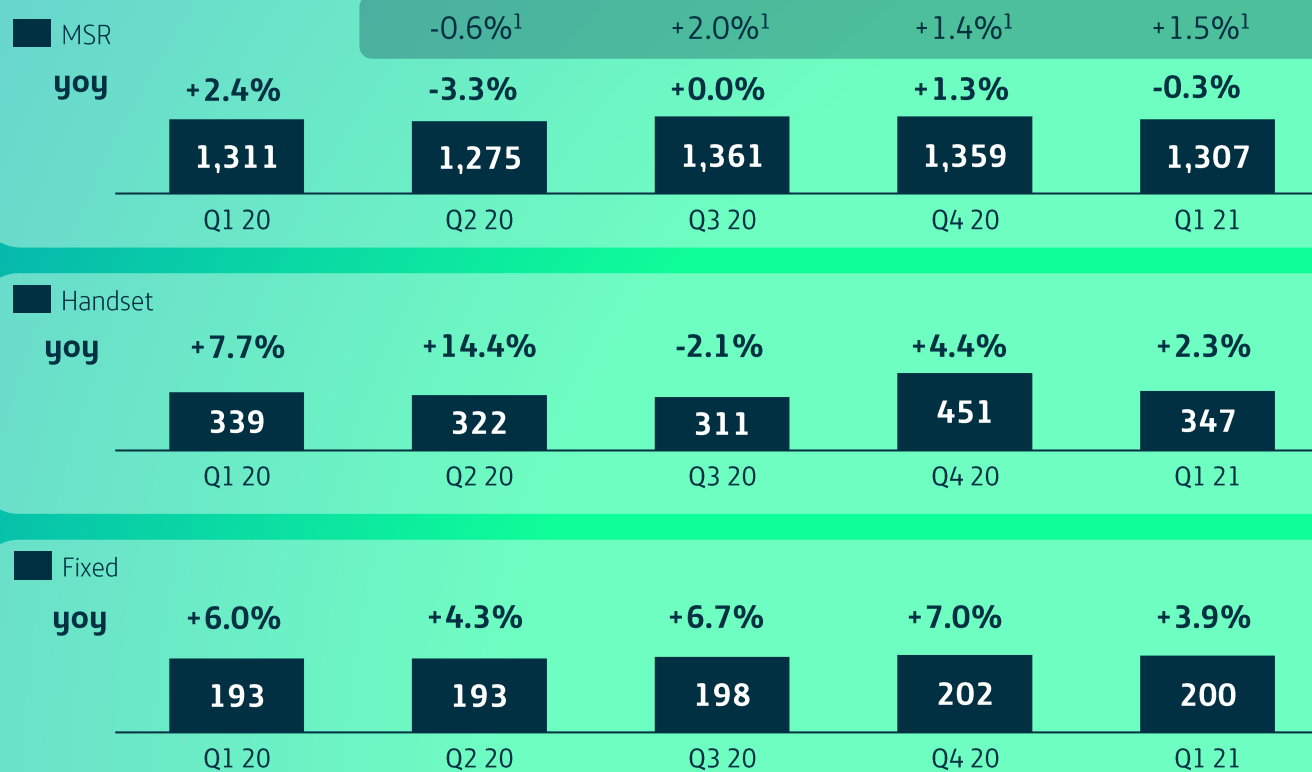


Operational trends in-tact across all revenue lines

Revenues (EURm)



Sustained revenue trends (EURm)



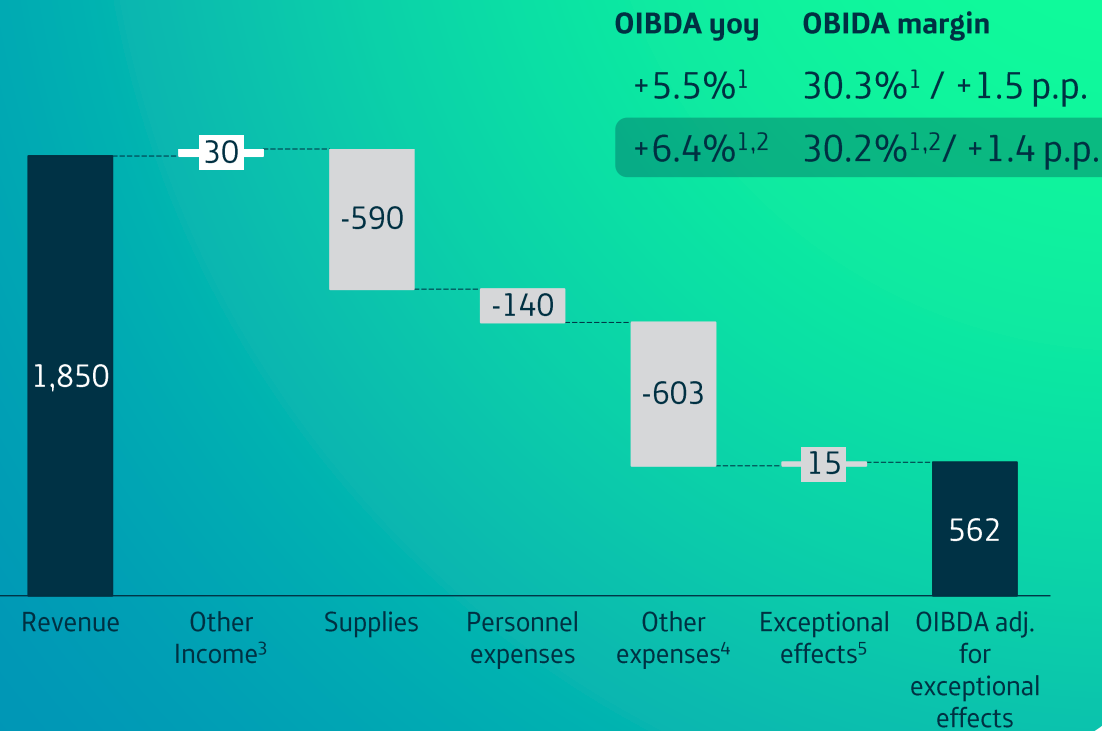
¹ Excl. Covid-19 impacts

Strong OIBDA growth

Improved revenue quality & effective C-19 cost management

Q1 21

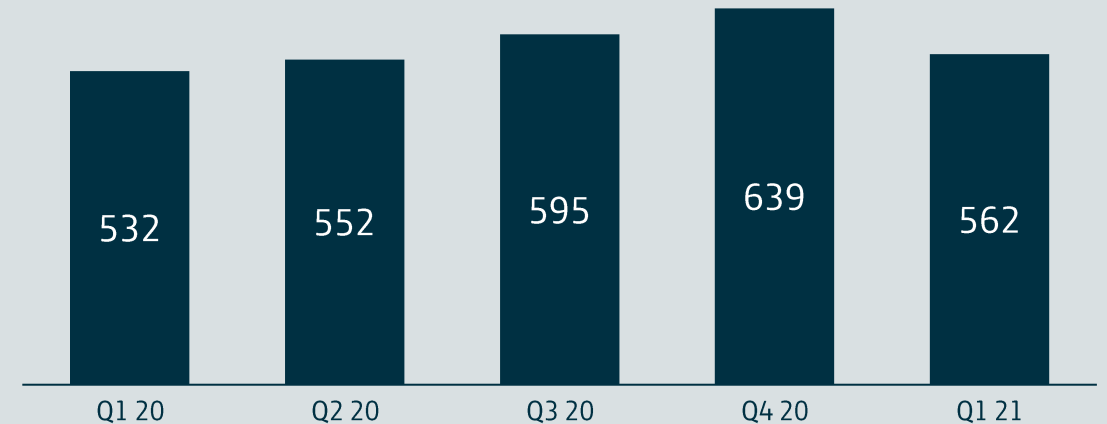
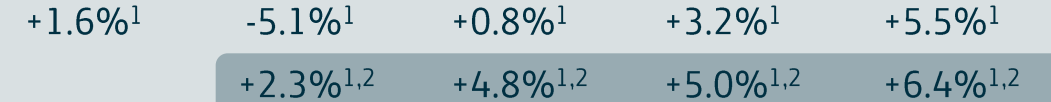
(EURm)



OIBDA¹

(EURm)

OIBDA yoy



¹ Adjusted for exceptional effects

² Excl. Covid-19 impacts

³ Adjusted for capital gains/losses related with the sale of assets

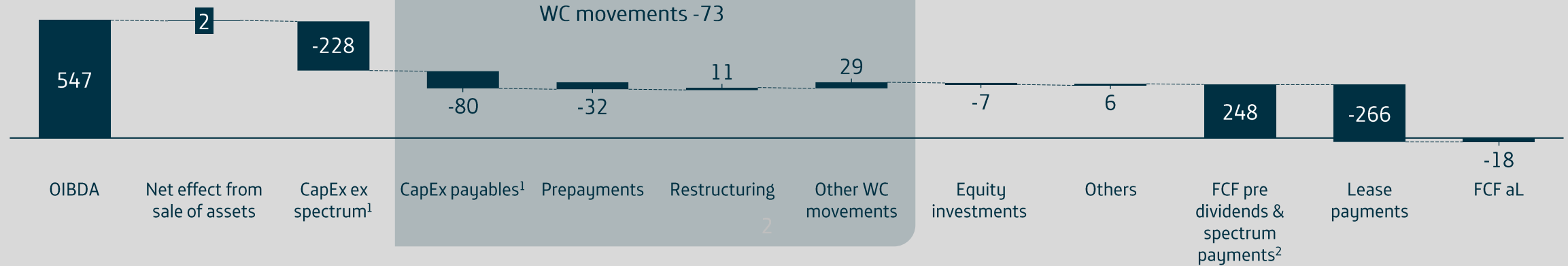
⁵ Mainly restructuring expenses

⁴ Includes exceptional effects, Group fees and impairment losses in accordance with IFRS 9

Q1 Free Cash Flow dynamics reflect usual seasonality

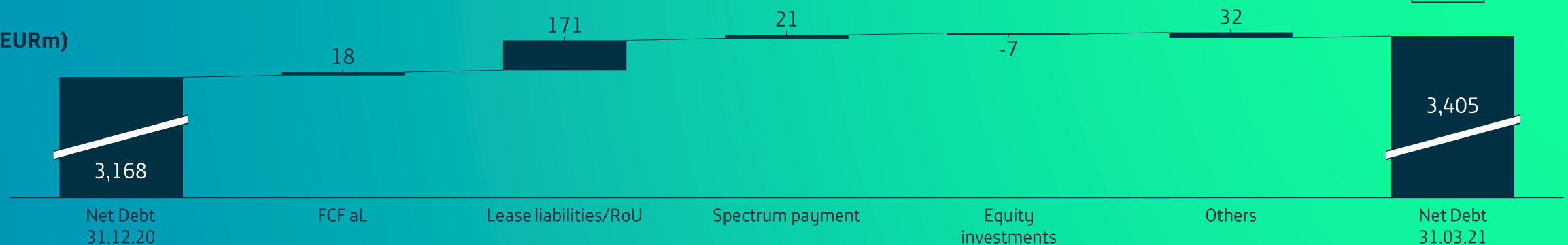
Solid financial position

(EURm)



Leverage **1.4x**

(EURm)



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

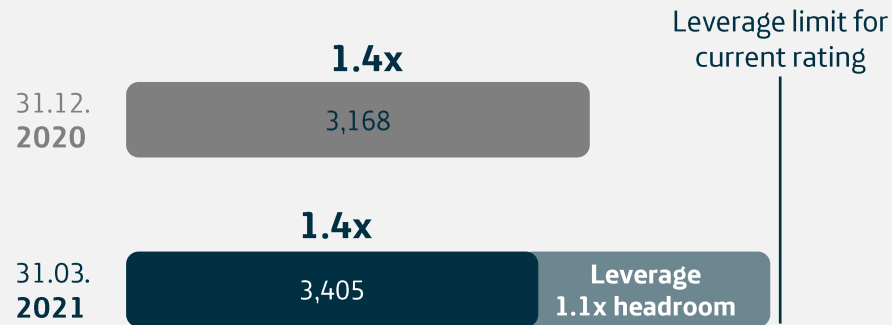
³ Net financial debt includes current and non-current interest-bearing financial assets and interest-bearing liabilities as well as cash and cash equivalents and excludes payables for spectrum

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

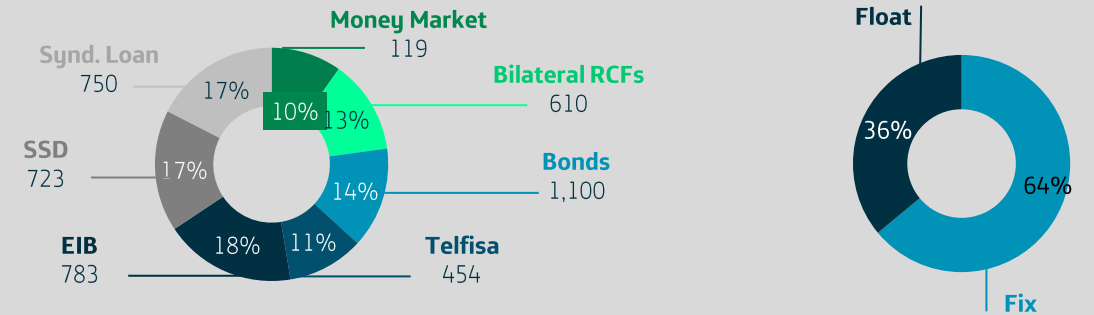
Benefitting from **strong financial position as of 31 March 2021**

Net Financial Debt

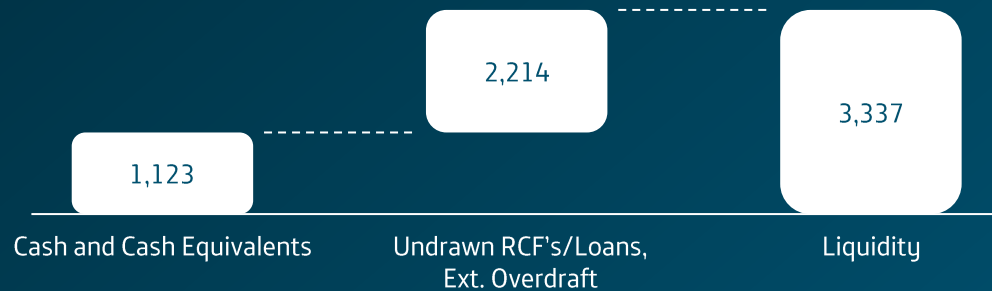
Committed to maintain **Fitch BBB** investment grade rating



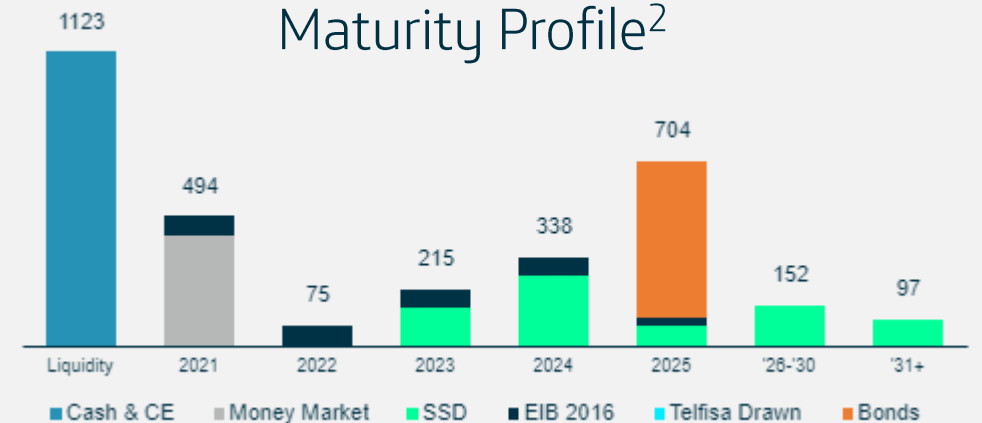
Financing and Interest Mix¹



Liquidity Position



Maturity Profile²



Solid start into the year with good operational & financial performance

Confirming FY21 outlook

Good Q1 operational & financial performance

Full quarter of hard lockdown weighs on physicals & roaming with some offsetting OIBDA factors

Operational trends in-tact across all revenue lines

Continued core business momentum

Strong OIBDA growth

Supported by revenue mix & effective C-19 cost management

FCFaL dynamics with usual seasonality

Leverage with comfortable headroom to BBB-rating

Solid B/S, strong liquidity position and ability to generate FCF growth

Dividend proposal of EURc 18 per share for FY20 to AGM on 20 May



Confirming FY21 outlook – building on operational & financial momentum

Supported by network equalisation and historic low churn



¹ Including regulatory & C-19 impacts assuming hard lock-down until 7 Mar-21 and only gradual recovery of roaming over the course of the year

² Adjusted for exceptional effects

³ Excl. Covid-19 impacts

Any questions?

We look forward to hearing from you!

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Appendix

Well ranked in most important sustainability ratings as well as indices



Risk Low: **16.4 (Low)** | Exposure Score: **38.2 (Medium)** | Management Score: **63.2 (Strong)**



Rating: **AA**



Grade: **Prime B- (Good)**



Successfully listed (**4.3 of 5 pts**)



Successfully listed



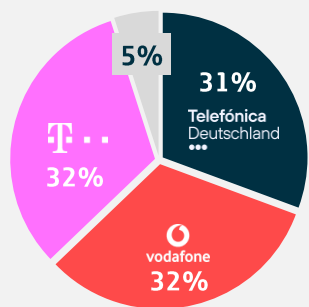
Successfully listed (**65%**)



Future-proof spectrum set-up to enable best customer experience

Utilisation today	4G/5G	4G	2G/4G	2G/4G	2G/4G	3G/4G	4G	private 4G	5G
Total availability	2x30 MHz	2x30 MHz	2x35 MHz	1x40 MHz	2x75 MHz	2x60 MHz	2x70 MHz	1x50 MHz	1x300 MHz

Total spectrum holding



1&1 Drillisch

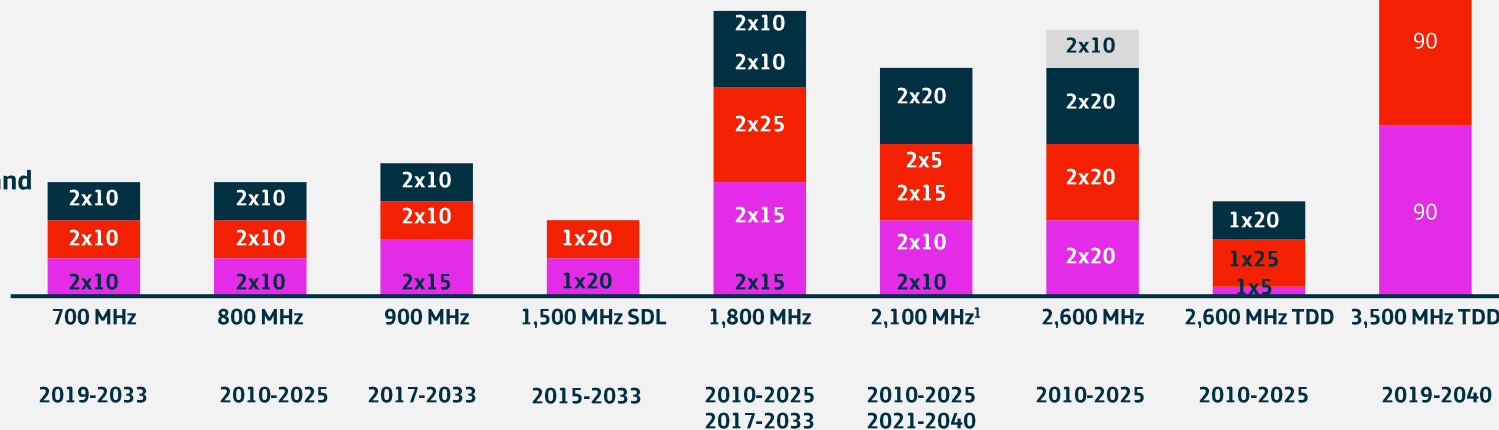
Telefónica Deutschland

Vodafone

Deutsche Telekom

Frequencies

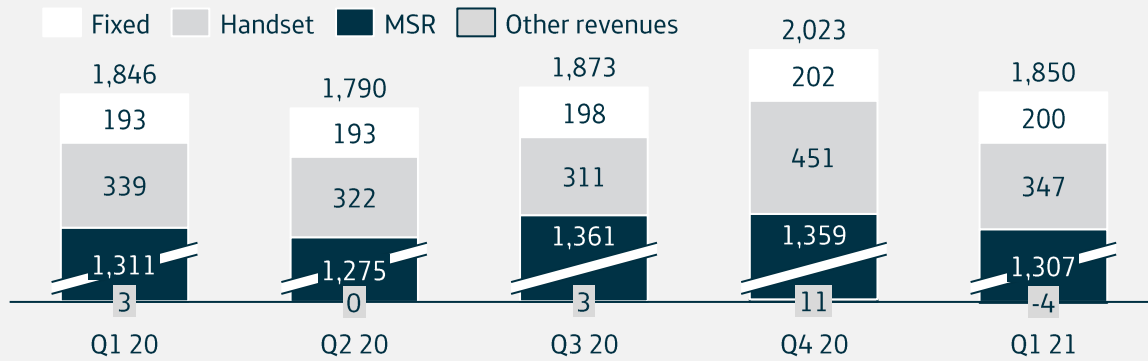
Maturity



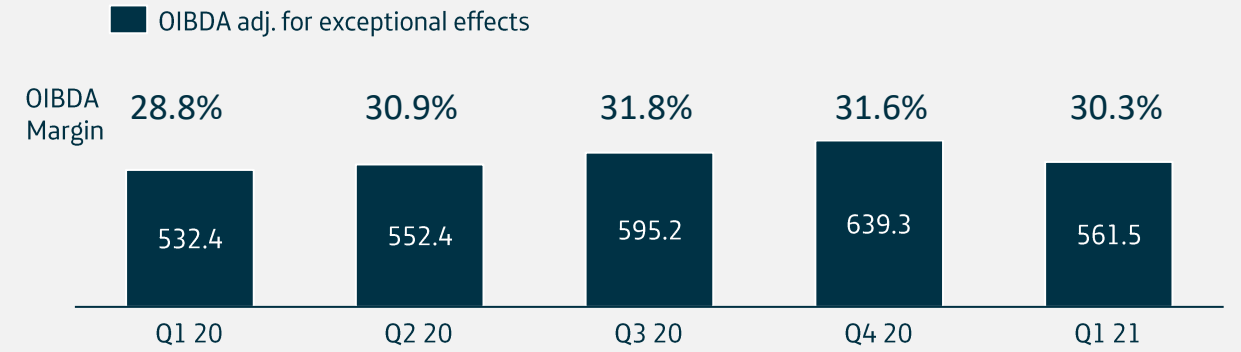
¹ From 2021, additional 19.2 MHz TDD

From 1 January 2026: 1&1 Drillisch: 2x10 MHz; Telefónica Deutschland Group: 2x10 MHz; Vodafone: 2x20 MHz; Deutsche Telekom: 2x20 MHz

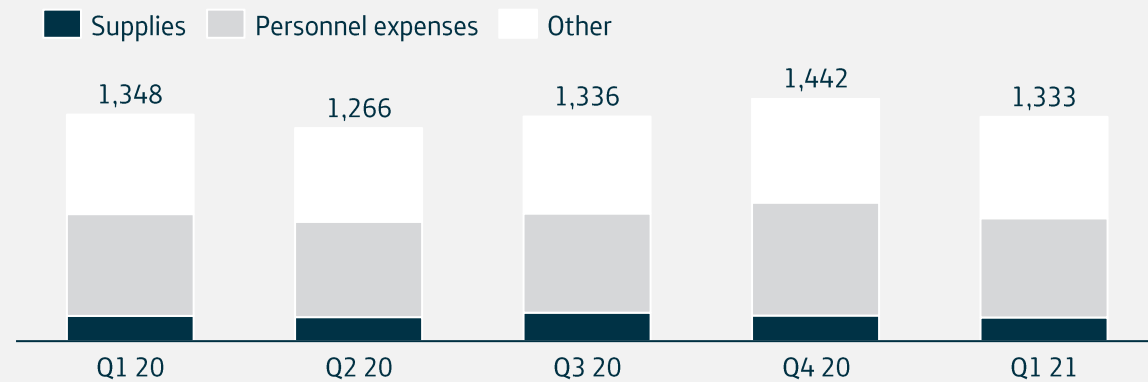
Revenue structure [EUR]



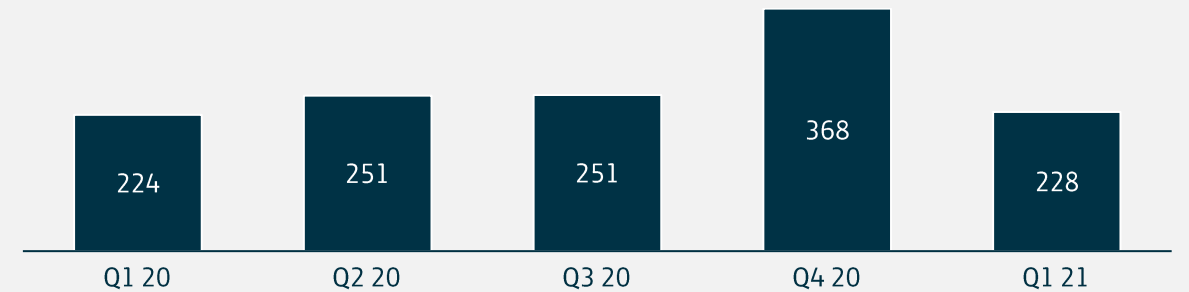
OIBDA¹ [EUR]



OpEx split² [EUR]



CapEx³ [EUR]



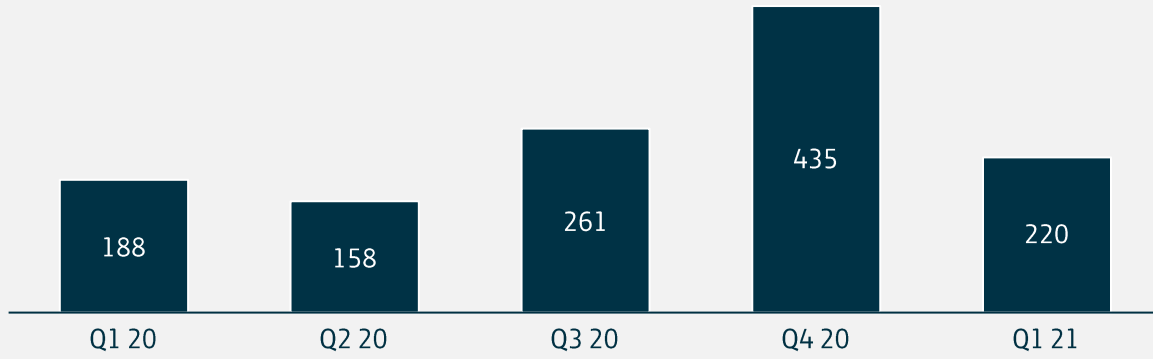
¹ Adjusted for exceptional effects

² Includes impairment losses in accordance with IFRS 9

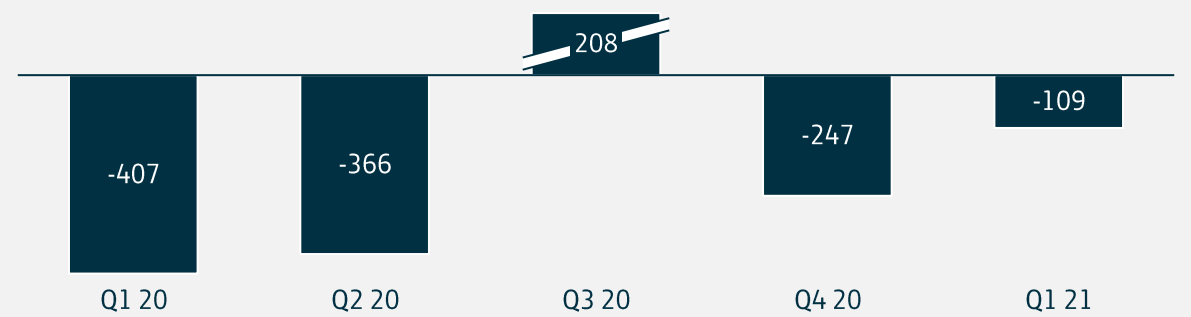
³ Excluding additions from capitalised right-of-use assets

Mobile KPIs

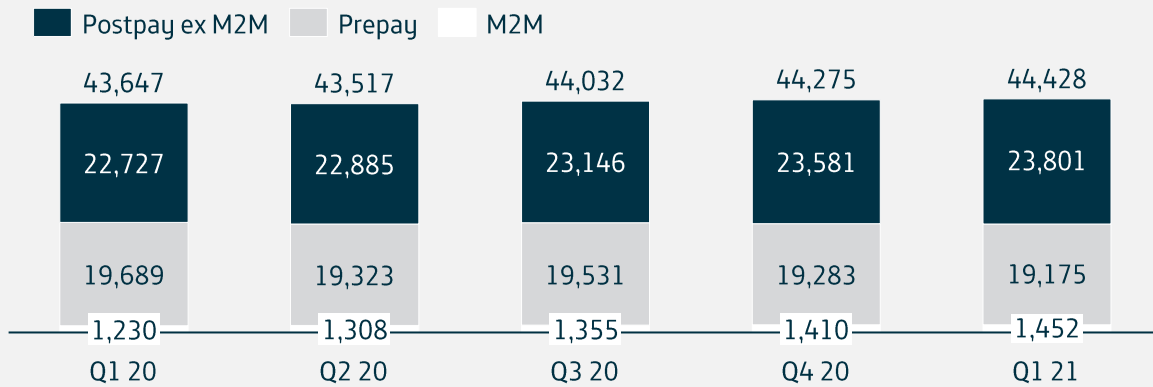
Postpaid net adds¹ [k]



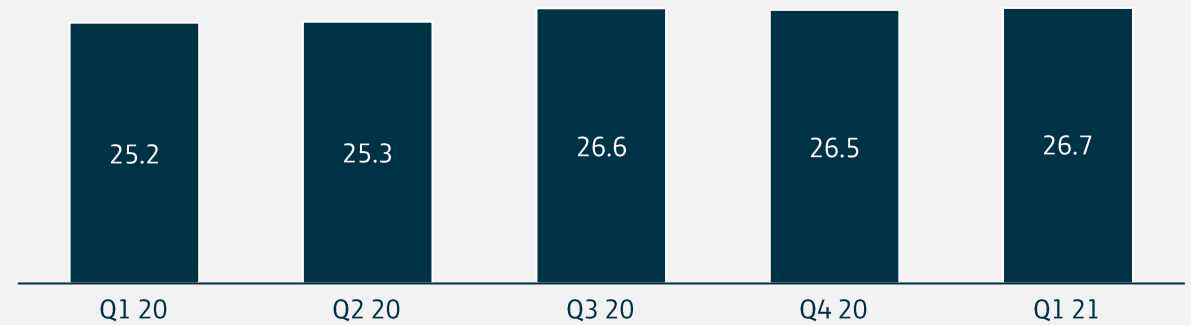
Prepaid net adds [k]



Mobile customer base [k]

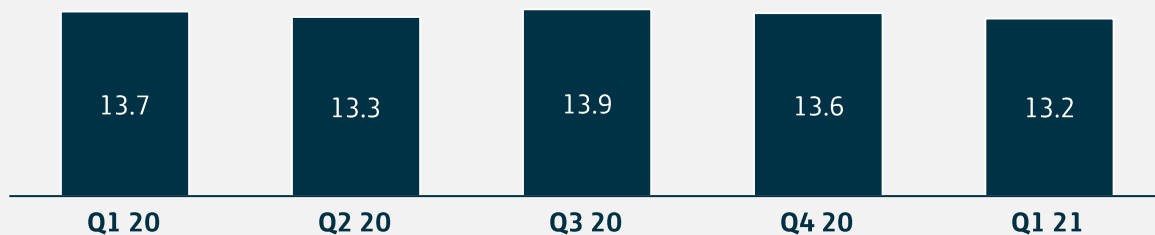


LTE customer base [m]

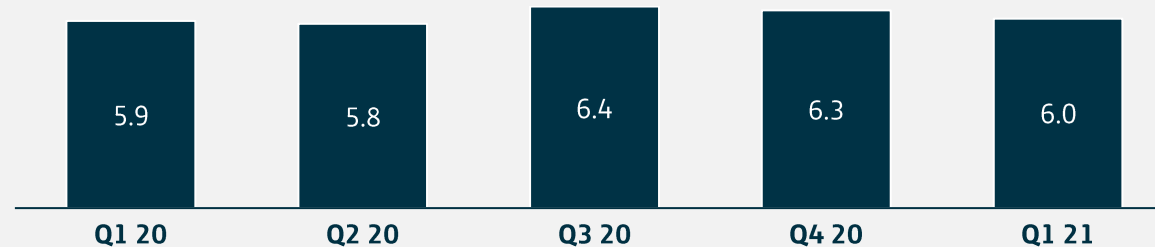


Mobile KPIs

Postpaid ARPU ex M2M [EUR]

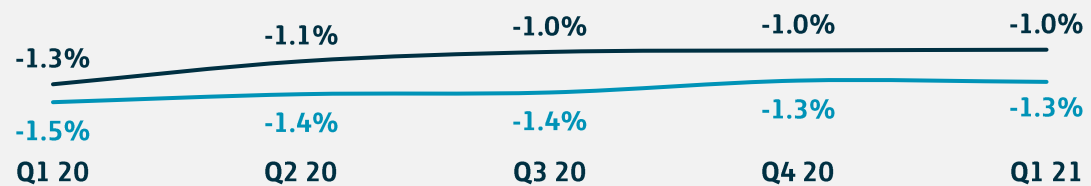


Prepaid ARPU [EUR]



Churn rate [%]

— O₂ postpaid — Total postpaid (ex M2M)



O₂ Free unlimited portfolio

	O ₂ Free Unlimited Basic	O ₂ Free Unlimited Smart	O ₂ Free Unlimited Max
Max. Speed	2 MBit/s	10 MBit/s	300 Mbit/s
Network	4G	4G / 5G	4G / 5G
VOICE/SMS flat	✓	✓	✓
EU Roaming	✓	✓	✓
Monthly fee 24/m contract	29.⁹⁹	39.⁹⁹	49.⁹⁹



Unlimited usage



Flexible contract duration:
monthly contract termination



Best-fit by **speed-classes**



Future ready with **5G**

O₂ Free volume based portfolio

	O ₂ Free S	O ₂ Free M	O ₂ Free L
		Price – Value Tip	
Data volume	3 GB	20 GB	60 GB
Max. Speed	225 Mbit/s	225 Mbit/s	300 Mbit/s
Network	4G	4G	4G / 5G
VOICE/SMS flat	✓	✓	✓
EU Roaming	✓	✓	✓
Monthly fee 24/m contract	19.⁹⁹	29.⁹⁹	39.⁹⁹



BOOST:
Doubling data and adding multiple devices



Flexible contract duration:
monthly contract termination



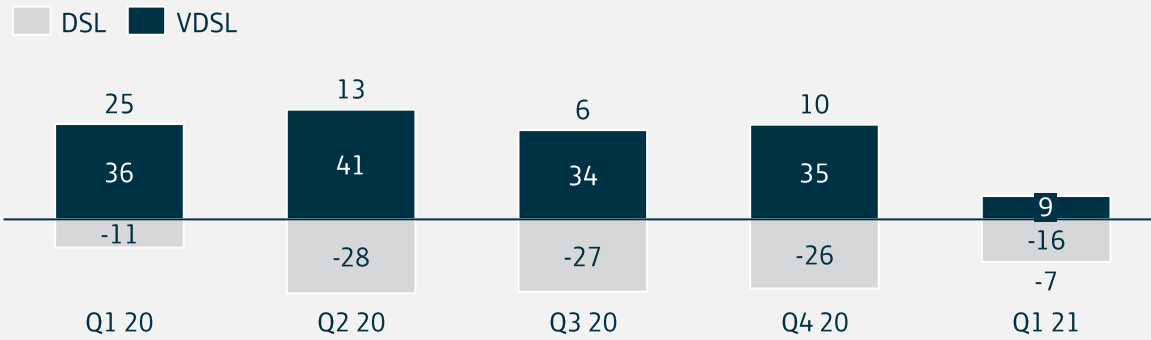
All customer needs supported by **max speed**



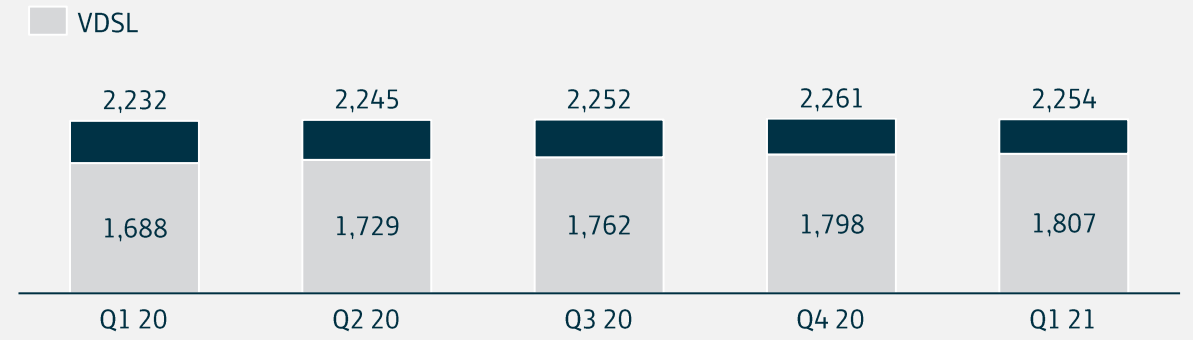
Future ready with **5G**

Fixed KPIs

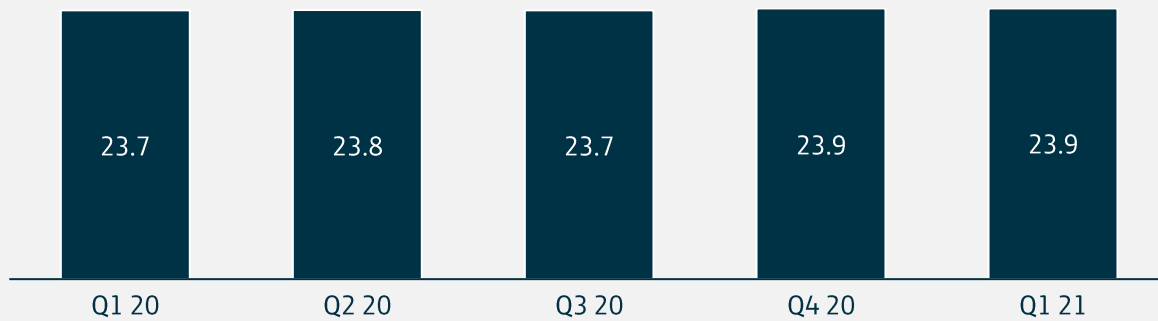
Retail broadband net adds [k]



Fixed accesses [k]



Fixed retail ARPU [EUR]



O₂ my Home portfolio

Including technologies – FMS (5G&4G); DSL; Cable

	O ₂ my Home S	O ₂ my Home M	O ₂ my Home L	O ₂ my Home XL
Max. Speed	10 MBit/s Upload 2 MBits/s	50 MBit/s Upload 10 MBits/s	100 MBit/s Upload 40 MBits/s	250 MBit/s Upload 40 MBits/s
Voice flat to German fixed networks	✓	✓	✓	✓
Optional HomeBox 2	2.99 mthl	2.99 mthl	2.99 mthl	-
FRITZ!Box 7490	4.99 mthl	4.99 mthl	4.99 mthl	-
FRITZ!Box 7590	5.99 mthl	5.99 mthl	5.99 mthl	5.99 mthl
Monthly fee 24m contract	24.⁹⁹	29.⁹⁹	34.⁹⁹	44.⁹⁹

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