MUNICH, 24 February 2021

**Preliminary results for January to December 2020**

# Telefónica Deutschland: Confident FY21 outlook on back of strong operational and financial FY20 performance

- **Achieved FY20 outlook fully absorbing C-19 impacts due to strong operational and financial performance as well as mobile network equalisation**
- **Core business momentum fully intact while international roaming reflects ongoing travel restrictions**
- **Revenues up +1.8% y-o-y in FY20 – growth across all revenue lines**
- **Continued OIBDA[1] momentum +0.2% y-o-y in FY20 driven by top-line growth and enhanced cost efficiencies despite C-19 drags**
- **C/S ratio of 14.5% in FY20 (Q4: 18.2%) – achieved network equalisation and delivered LTE coverage obligations while accelerating 5G roll-out**
- **Confident FY21 outlook – building on growth momentum and strong network quality while continuously monitoring and analysing C-19 environment**

**Fourth quarter 2020 operational & financial highlights**

Telefónica Deutschland had a successful start into the company's growth era and the company builds on this growth momentum in FY21 with a clear focus on strategy execution. The business model proves resilient while not immune to the worldwide C-19 environment. Telefónica Deutschland delivered its pre-pandemic set financial outlook for FY20, fully absorbing C-19 related drags mainly on international roaming on the back of strong operational and financial performance.

In a continued dynamic yet rational market environment Telefónica Deutschland's business momentum remained fully intact with strong operational performance in Q4 20 despite a further government imposed hard lockdown with $O_2$ shops closed from mid-December. The continued strong traction of the $O_2$ Free portfolio resulted in positive trading momentum, leveraging historic low churn levels and increasing NPS on the back of the achieved equalisation of the $O_2$ network quality and continuously improving services. As a result, revenues posted strong growth momentum across all revenue lines and OIBDA[1] growth momentum continued despite a total of ~6 weeks of C-19 related shop closures over the course of FY20 due to the government imposed hard lockdowns in March/April and since mid-December 2020.

Telefónica Deutschland accelerated its LTE roll-out and also launched 5G in the first 15 German cities while C-19 restrictions temporarily impacted network deployment. Nevertheless, Telefónica Deutschland successfully achieved the 98% coverage obligation agreed with the Bundesnetzagentur. For the first time, Telefónica Deutschland's $O_2$ network was awarded a 'very good' rating in the 'connect' magazine test. This recognition is a further confirmation of Telefónica Deutschland's strong network enhancement. In addition, Telefónica Deutschland continues to improve network coverage by engaging in further network sharing opportunities. On 19 January 2021, the company announced a MoU with Deutsche Telekom and a similar agreement with Vodafone for bilateral active network sharing in so-called 'grey spots', targeting a combined minimum of 1,200 sites. Furthermore, Telefónica Deutschland participates in the trilateral passive sharing agreement of the German MNOs for a joint fulfilment of the industry coverage obligations from the 2019 spectrum auction.

[1] Adjusted for exceptional effects. In Q4 20, exceptional effects amounted to EUR -11m of restructuring costs (EUR +364m in FY20 including EUR +401 million net gains on disposal of assets and EUR -38 million restructuring costs). In prior year, exceptional effects were restructuring gains of EUR +2m in Q4 19 (restructuring costs of EUR -22m in FY19) and other expenses of EUR -1m in both, Q4 19 and FY19.

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One year into the execution of Telefónica Deutschland's investment for growth programme, the company hosted a Strategy Update in January 2021 confirming the company's successful start into its growth era. On this occasion Telefónica Deutschland highlighted its recent investment in a 10% minority stake of Unsere Grüne Glasfaser (UGG), the previously mentioned grey spot sharing opportunities and announced an enhanced dividend proposal of EURc 18 per share for FY20. A dividend of EURc 18 per share will also be the increased floor for the years 2021 to 2023 extending the current dividend floor period by one year. Hereby, Telefónica Deutschland confirmed its strong commitment to attractive shareholder remuneration while financial flexibility is the company's foremost priority during unprecedented C-19 times.

## Operating performance

### Mobile business

**Mobile postpaid**[2] registered strong trading momentum, posting +435k net additions in Q4 20 (+1,043k in FY20) compared to +443k in Q4 19 (+1,451k in FY20) on the back of continued historic low churn levels and sustained strong customer demand for the well-performing $O_2$ Free portfolio as well as a robust performance of partner brands.

**M2M** reported +55k net additions in Q4 20 (+218k in FY20) versus +13k in Q4 19 (+4k in FY19).

**Mobile prepaid** registered -247k net disconnections in Q4 20 (-813k in FY20) compared to -236k in Q4 19 (-447k in FY19) reflecting seasonality and the unchanged prepaid to postpaid migration trend in the market.

**Postpaid churn** improved +0.2 p.p. y-o-y to 1.3% in Q4 20 and +0.1 p.p. y-o-y to 1.4% in FY20. **Churn in the $O_2$ brand** continued to be at even lower levels, improving +0.3 p.p. y-o-y to historic lows of 1.0% in Q4 20 and +0.2 p.p. y-o-y to 1.1% in FY20. These positive churn trends are providing a clear proof point for sustained quality improvements and excellent customer experience on the $O_2$ network while also reflecting some C-19 related lower churn entries. As a result, the implied annualised churn rate of the $O_2$ brand improved to 13.1% in FY20 vs. 15.5% in the prior year.

Telefónica Deutschland's **mobile customer accesses** reached 44.3m (+1.0% y-o-y) as of 31 December 2020 driven by strong +4.6% y-o-y growth of the **mobile postpaid base ex M2M** which stood at 23.6m accesses. As a result, mobile postpaid accounted for 53.3% of the company's total mobile base, up +1.8 p.p. y-o-y. **M2M accesses** totalled 1.4m at year end, +18.3% y-o-y while the **mobile prepaid base** declined -4.0% y-o-y to 19.3m, reflecting the ongoing prepaid to postpaid migration trend in the German market.

The **LTE customer base** grew to 26.5m accesses as of 31 December 2020, up +7.6% y-o-y[3], reflecting the sustained demand for high-speed mobile data services. As a result, LTE-penetration across the base reached 61.8%, up +4.0 p.p. y-o-y. In postpaid, LTE penetration continues to be even significantly higher (~75%).

**ARPU** trends in FY20 reflect C-19 related roaming headwinds as well as negligible regulatory effects while trading and prepaid dynamics quickly recovered with easing of hard lockdown restrictions earlier in the year. ARPU accretive effects from the successful $O_2$ Free portfolio and value-added services are, therefore, offset by continued C-19 related roaming drags. **Blended mobile ARPU** was EUR 9.9 in FY20, down -1.2% y-o-y, showing further early signs of recovery at EUR 10.0 in Q4 20 (-0.4% y-o-y vs. -0.6% y-o-y in Q3 20). **Prepaid ARPU** of EUR 6.1 was up +1.6% y-o-y in FY20 mainly because of fewer inactive SIM-cards. **Postpaid ARPU** stood at EUR 13.6 in FY20, with the decline of -4.4% y-o-y mainly reflecting the before mentioned factors. **Own brand postpaid ARPU** was down -1.1% y-o-y in FY20. Excluding the C-19 related loss of roaming revenues, own brand ARPU trends are intact with growth of +0.1% y-o-y in FY20 and +0.4% in Q4 20.

[2] As of 1 January 2020, M2M is separately reported from postpaid; for comparability this change has also been applied to 2019, retrospectively.
[3] Includes a technical database adjustment of +3.2m customers in Q4 19.

## Fixed business

The **fixed broadband customer base** stood at 2.3m accesses at year end 2020, up +2.5% y-o-y, driven by a strong increase of the **VDSL base** to 1.8m, +8.8% y-o-y. VDSL now represents 80% of the fixed broadband base. In a low churn environment fixed broadband registered +10k net additions in Q4 20 (+55k in FY20) on continued strong demand for VDSL (+35k net additions in Q4 20 and +146k in FY20).

**Fixed churn** improved +0.1 p.p. y-o-y to a low of 0.9% in Q4 20 (0.9% in FY20).

**Fixed broadband ARPU** continued its upward trend by posting +3.4% y-o-y growth to EUR 23.9 in Q4 20 (+2.3% y-o-y to EUR 23.8 in FY20) as a result of customer base growth, in particular the steady increase of share of VDSL customers.

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**Financial performance**

**Revenues maintained their growth momentum, totalling EUR 2,023m in Q4 20, up +2.7% y-o-y** (+1.8% y-o-y to EUR 7,532m in FY20) across all revenue lines. C-19 impacts amounted to ~EUR -3m in Q4 20 (~EUR -72m in FY20) mitigated by a retrospective positive impact from revised wholesale roaming prices of EUR +14m. **Ex C-19 revenue growth would have been +0.2 p.p. higher in Q4 20 and +1.0 p.p. in FY20.**

**Mobile service revenues[4] (MSR) grew +1.3% y-o-y to EUR 1,359m in Q4 20** (EUR 5,307m in FY20, +0.1% y-o-y), leveraging strong own brand and solid partner performance. C-19 impacts amounted to ~EUR -1m in Q4 20 (~EUR -63m in FY20) also mitigated by the above mentioned positive impact from revised wholesale roaming prices. **Ex C-19 impacts MSR[4] growth would have been +0.1 p.p. higher in Q4 20 and +1.2 p.p. higher in FY20.**

**Handset revenues** benefitted from seasonality including the iPhone 12 launch in Q4 20 and registered a **+4.4% y-o-y increase to EUR 451m in Q4 20** (+5.7% y-o-y to EUR 1,423m in FY20). Overall, demand for high value handsets remained strong with good traction of online channels supporting sales during the lockdown-related shop closures.

**Fixed revenues** continued their growth path, climbing **+7.0% y-o-y to EUR 202m in Q4 20** (+6.0% y-o-y to EUR 785m in FY20) on the back of the VDSL driven sustained retail customer base growth. Thus, **fixed retail revenue** posted strong y-o-y growth of +7.7% and +7.3% in Q4 20 and FY20, respectively.

**Other income** totalled EUR 47m in Q4 20. Other income of EUR 542m in FY20 mainly coming from EUR 407m in capital gains related to the completed transfer of mobile sites to Telxius in Q3 20.

**Operating expenses** including exceptional effects of EUR -11m (mainly restructuring expenses) were **up +2.1% y-o-y to EUR 1,442m in Q4 20** respective +1.9% y-o-y to EUR 5,391m in FY20 including exceptional effects of EUR -38m.

- **Supplies** totalled EUR 672m in Q4 20, lower -3.0% y-o-y mainly due to a mix of retrospective wholesale roaming price adjustments and the mobile termination rate reduction as of 1 Dec-20. Hardware cost of sales and connectivity-related cost of sales accounted for 62% and 38% of supplies, respectively. In FY20, supplies were up +2.6% y-o-y to EUR 2,435m reflecting handset demand, the C-19 driven increase of mobile and fixed voice volumes, European roaming patterns as well as higher fixed data traffic on the network.
- **Personnel expenses** amounted to EUR 151m in Q4 20 (EUR 611m in FY20) and included EUR -3m of restructuring expenses (EUR -28m in FY20). Total base salaries were lower -2.5% y-o-y in Q4 20 (-2.0% y-o-y in FY20) driven by a lower FTE base versus prior year.
- **Other operating expenses[5]** were EUR 619m in Q4 20 and included exceptional effects of EUR -8m (EUR 2,345m in FY20 including EUR -19m of exceptional effects). Other operating expenses were +7.8% y-o-y in Q4 20 (+0.9% y-o-y in FY20) reflecting higher commercial activities as well as seasonal effects, whereas efficiency gains continued. In FY20 commercial and non-commercial costs accounted for 67% and 30%, respectively. Group fees declined -4.0% y-o-y to EUR 9m in Q4 20 and -5.7% y-o-y to EUR 32m in FY20.

[4] Mobile service revenue includes base fees and fees paid by the company's customers for the usage of voice, SMS and mobile data services; it also includes access and interconnection fees as well as other charges levied on partners for the use of the company's network.

[5] Includes other expenses and impairment losses in accordance with IFRS 9 in the amount of EUR 10m in Q4 20 and EUR 69m in FY20 (compared to EUR 21m and EUR 77m in the respective periods of 2019).

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**OIBDA[6] reached EUR 639m in Q4 20, up +3.2% y-o-y** (EUR 2,319m in FY20, +0.2% y-o-y). The improved OIBDA[6] margin in Q4 20 is a blend of revenue mix, continued efficiency measures and the ongoing C-19 related roaming drag. C-19 impacts amounted to ~EUR -11m in Q4 20 (~EUR -58m in FY20) and included a retrospective positive impact from revised wholesale roaming prices of EUR +2m. OIBDA[6] margin stood at 31.6% in Q4 20 (+0.2 p.p. y-o-y) and 30.8% in FY20 (-0.5 p.p. y-o-y) reflecting the before mentioned effects as well as the growth of the lower margin handset business. **Ex C-19 OIBDA[6] growth would have been +1.8 p.p. higher in Q4 20 and +2.5 p.p. in FY 20.**

**Depreciation & Amortisation totalled EUR 2,369m** in FY20, a **decline of -1.9% y-o-y** (EUR 2,416m in FY19), mainly due to individual assets in PPE reaching the end of their useful life.

**Operating income** in FY20 came to EUR 314m compared with an operating loss of EUR-124m in FY19. This development is mainly supported by EUR 407m in capital gains related to the completed transfer of mobile sites to Telxius in Q3 20.

**Net financial expenses** accounted for EUR -66m in FY20 compared to EUR -55m FY19.

**Income tax credit** totalled EUR +80m in FY20 (EUR -33m in FY19) as a result of current taxes and a deferred tax income mainly related to the transfer of mobile sites to Telxius.

**Net profit** amounted to EUR 328m in FY20 compared to a net loss of EUR -212m in FY19.

**CapEx[7]** accelerated to EUR 368m in Q4 20 with a C/S ratio of 18.2%. In FY20 CapEx totalled **EUR 1,094m** (+4.8% y-o-y) corresponding to a **C/S ratio of 14.5%.** Telefónica Deutschland accelerated its LTE roll-out while C-19 restrictions temporarily impacted network deployment which resulted in some Capex shifts within the current investment programme. Nevertheless, Telefónica Deutschland successfully achieved the 98% coverage obligation agreed with Bundesnetzagentur. Telefónica Deutschland also launched 5G in the first 15 German cities with a rapid roll-out over the coming months to reach >30% of pop-coverage by YE21, ~50% by YE22 and close to full coverage by YE25.

**Operating cash flow** (OIBDA minus CapEx[8]) amounted to EUR 1,589m in FY20 including the before mentioned exceptional effects of EUR 364m. Excluding exceptional effects, OpCF amounted to EUR 1,225m in 2020, down -3.6% y-o-y.

**Free cash flow (FCF)[8]** was EUR 1,896m in FY20 including EUR 783m proceeds from the sale of assets. Lease payments, primarily for leased lines and antenna sites, amounted to EUR -547m. As a result, FCFaL stood at EUR 1,349m for the reporting period compared to EUR 539m in FY19.

6 Adjusted for exceptional effects. In Q4 20, exceptional effects amounted to EUR -11m of restructuring costs (EUR +364m in FY20 including EUR +401 million net gains on disposal of assets and EUR -38 million restructuring costs). In prior year, exceptional effects were restructuring gains of EUR +2m in Q4 19 (restructuring expenses of EUR -22m in FY19) and other expenses of EUR -1m in both, Q4 19 and FY19.

7 Excluding additions from capitalised right-of-use assets.

8 Free cash flow pre dividends and payments for spectrum (FCF) is defined as the sum of cash flow from operating activities and cash flow from investing activities and does not contain payments for investments in spectrum as well as related interest payments.

**Working capital** movements were positive in the amount of EUR +11m in FY20 (EUR -148m in FY19). This development was mainly driven by an increase in capex payables (EUR +94m), decreased prepayments (EUR +29m), net restructuring impacts (EUR +9m) as well as other working capital movements of EUR -121m. The latter include the development of net receivables of EUR +68m (including factoring), which was outweighed by other working capital movements, especially a decrease in trade and other payables.

**Consolidated net financial debt**[9] amounted to EUR 3,168m as of year-end 2020 with a leverage ratio of 1.4x[10], well below the company's self-defined target ratio of at or below 2.5x. This leaves comfortable leverage headroom with regards to the company's BBB-rating by Fitch.

[9] 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.

[10] Leverage ratio is defined as net financial debt divided by OIBDA of the last twelve months adjusted for exceptional effects.

**Financial outlook 2021**

The financial year 2021 marks the second year of Telefónica Deutschland's growth-oriented investment programme initially announced at the company's strategy update in December 2019 with three growth pillars:

- Growing mobile market share in rural areas while reinforcing a strong market position in urban
- Smart bundling of fixed & mobile products as well as fixed mobile substitution to deliver technology-agnostic products for customers
- Seizing the B2B market opportunity, particularly in the SME segment

In 2021, Telefónica Deutschland will continue to build on what has already been achieved in the first year of the investment programme, in particular its substantial 4G network expansion (+14 percentage points coverage y-o-y) and the launch of its 5G network in early October 2020. As a result, Telefónica Deutschland not only successfully complied with the coverage obligations from the 2015 spectrum auction in the challenging C-19 environment, but also successfully equalised network quality, as evidenced by the 'very good' rating for all German mobile networks in the 'connect' magazine test. This critical step-change in $O_2$'s network quality sets the base for capturing the before mentioned growth opportunities.

At the same time, Telefónica Deutschland will continue to pursue its path of digital transformation to make its business 'simpler, faster and better' and to benefit from top-line growth as well as efficiency gains. Telefónica Deutschland emphasizes sustainable growth and, as part of its ESG targets, is committed to be carbon neutral by 2025.

The multi-brand and multi-channel strategy remains the backbone of the company's go-to-market strategy and continues to focus on both, ARPU-up and churn-down. Postpaid is the strongest value-generator for the business driven mainly by own brand performance. In prepaid, the company expects the current trend of pre- to postpaid migration to continue. Telefónica Deutschland assumes pricing in the premium and discount segments to remain stable in 2021 based on current market dynamics and C-19 impacts including the hard lockdown imposed by the German government until 7 March 2021.

As a result, Telefónica Deutschland's sustained mobile service revenues (MSR) momentum continues to be the main driver of the company's revenue trajectory. Telefónica Deutschland expects roaming revenues to recover only gradually over the course of the year with anticipated easing of travel restrictions and the roaming related MSR drag annualising towards the end of the first quarter of 2021, i.e. the first anniversary of the initial hard lockdown in Germany.

Handset revenues continue to depend on market dynamics as well as the launch cycles and availability of new smartphones. As in the past, handset margins continue to be broadly neutral.

On the fixed business side, the technology-agnostic approach of Telefónica Deutschland includes all key infrastructures (i.e. VDSL, FTTx, cable, FMS) enabling the company to match individual customer needs in the best way.

Telefónica Deutschland anticipates regulatory changes to remain a headwind for its financial performance in 2021. Revenues, and to a lesser extent OIBDA, will be impacted mainly by the negative effects of the termination rate cut for mobile voice minutes from EURc 0.90 to EURc 0.78 as of 1 December 2020 and to EURc 0.70 as of 1 December 2021

Against this backdrop, Telefónica Deutschland expects financial year 2021 total revenues to be 'flat to slightly positive' and OIBDA adjusted for exceptional effects to be 'broadly stable to slightly positive' year-over-year, respectively.

To fully capture these revenue and OIBDA growth opportunities, Telefónica Deutschland will continue its network-focused investment programme to boost rural coverage primarily with 4G and add urban capacity preferably through 5G. Against the background of significantly increased 4G coverage and high data usage trends, Telefónica Deutschland has decided to bring forward its plan to switch off the 3G network to the end of 2021. Therefore, investments are increasingly shifted from 4G to 5G. Additionally, mainly due to C-19 related limitations during the first year (2020) of its growth-oriented investment programme, Telefónica Deutschland expects some CapEx shifts within the overall unchanged CapEx envelope. As a result, the company expects CapEx to Sales ratio to peak at 17 to 18% in 2021.

Telefónica Deutschland's assumptions are based on broadly unchanged overall economic conditions, current competitive dynamics, and existing wholesale relationships. At the same time, management is continuously monitoring and analysing the impact on the company from the C-19 restrictions and developments including the start of the country-wide vaccination programme.

| | **Baseline 2020** | **Outlook 2021** |
|---|---|---|
| **Revenue** | EUR 7,532m | Flat to slightly positive y-o-y |
| **OIBDA**<br>Adjusted for exceptional effects | EUR 2,319m | Broadly stable to slightly positive y-o-y |
| **Capex to Sales Ratio** | 14.5% | 17–18% |

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## APPENDIX – DATA TABLES

TELEFÓNICA DEUTSCHLAND GROUP
ACCESSES
*Unaudited*

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands) | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **Mobile accesses** | **43,647** | **43,517** | **44,032** | **44,275** | **42,913** | **43,218** | **43,607** | **43,827** |
| Prepaid | 19,689 | 19,323 | 19,531 | 19,283 | 20,332 | 20,335 | 20,332 | 20,096 |
| Postpaid | 22,727 | 22,885 | 23,146 | 23,581 | 21,371 | 21,729 | 22,096 | 22,539 |
| *Postpaid (%)* | *52.1%* | *52.6%* | *52.6%* | *53.3%* | *49.8%* | *50.3%* | *50.7%* | *51.4%* |
| M2M (1) | 1,230 | 1,308 | 1,355 | 1,410 | 1,210 | 1,154 | 1,179 | 1,192 |
| **Internet and data accesses** | **2,325** | **2,338** | **2,342** | **2,350** | **2,248** | **2,260** | **2,290** | **2,302** |
| Broadband | 2,232 | 2,245 | 2,252 | 2,261 | 2,124 | 2,162 | 2,193 | 2,207 |
| *thereof VDSL* | *1,688* | *1,729* | *1,762* | *1,798* | *1,507* | *1,566* | *1,619* | *1,652* |

(1) Includes a revenue-neutral technical base correction in Q2 2019.

TELEFÓNICA DEUTSCHLAND GROUP
SELECTED OPERATIONAL DATA
*Unaudited*

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **Mobile ARPU (in EUR) (1)** | **9.8** | **9.6** | **10.1** | **10.0** | **9.8** | **10.0** | **10.2** | **10.0** |
| Prepaid | 5.9 | 5.8 | 6.4 | 6.3 | 5.7 | 5.9 | 6.2 | 6.1 |
| Postpaid | 13.7 | 13.3 | 13.9 | 13.6 | 14.2 | 14.4 | 14.4 | 14.0 |
| **Fixed BB ARPU (in EUR) (1)** | **23.7** | **23.8** | **23.7** | **23.9** | **23.4** | **23.4** | **23.2** | **23.1** |
| Mobile voice traffic (million minute | 31,138 | 33,085 | 31,465 | 33,987 | 26,017 | 26,747 | 26,460 | 27,801 |
| Mobile data traffic (TB) (3) | 313,949 | 348,397 | 396,493 | 450,762 | 193,007 | 226,753 | 252,522 | 283,266 |
| **Mobile churn (%)** | **-2.0%** | **-1.9%** | **-1.6%** | **-1.8%** | **-1.9%** | **-1.8%** | **-1.9%** | **-2.0%** |
| Postpaid churn (%) | -1.5% | -1.4% | -1.4% | -1.3% | -1.6% | -1.5% | -1.5% | -1.5% |

(1) ARPU (average revenue per user) is calculated as monthly average of the quarter.

(2) Mobile voice traffic is defined as minutes used on the company?s network, both outbound and inbound. Promotional traffic and traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume is not rounded.

(3) Mobile data traffic is defined as Terabytes used by the company customers for both uploads and downloads (1TByte = 10^12 bytes). Promotional traffic is included. Traffic not associated with the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume is not rounded.

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TELEFÓNICA DEUTSCHLAND GROUP

CONSOLIDATED INCOME STATEMENT & SELECTED CONSOLIDATED FINANCIAL DATA

*Unaudited*

| | October 1 to December 31 | | | | January 1 to December 31 | | | |
|---|---|---|---|---|---|---|---|---|
| (in EUR million) | 2020 | 2019 | Change | % Change | 2020 | 2019 | Change | % Change |
| **Revenues (1)** | **2,023** | **1,970** | **53** | **2.7** | **7,532** | **7,399** | **133** | **1.8** |
| **Mobile business (2)** | **1,810** | **1,773** | **37** | **2.1** | **6,730** | **6,647** | **83** | **1.2** |
| Mobile service revenues (2) | 1,359 | 1,341 | 18 | **1.3** | 5,307 | 5,301 | 6 | **0.1** |
| Handset revenues | 451 | 432 | 19 | **4.4** | 1,423 | 1,346 | 77 | **5.7** |
| **Fixed business** | **202** | **189** | **13** | **6.9** | **785** | **741** | **44** | **5.9** |
| **Other revenues** | **11** | **8** | **3** | **37.5** | **17** | **11** | **6** | **54.5** |
| **Other income** | **47** | **63** | **(16)** | **(25.4)** | **542** | **183** | **359** | **>100** |
| **Operating expenses** | **(1,442)** | **(1,413)** | **(29)** | **2.1** | **(5,391)** | **(5,290)** | **(101)** | **1.9** |
| Supplies | (672) | (694) | 22 | **(3.2)** | (2,435) | (2,372) | (63) | **2.7** |
| Personnel expenses | (151) | (145) | (6) | **4.1** | (611) | (592) | (19) | **3.2** |
| Impairment losses in accordance with IFRS 9 | (10) | (21) | 11 | **(52.4)** | (69) | (77) | 8 | **(10.4)** |
| Other expenses | (609) | (553) | (56) | **10.1** | (2,276) | (2,249) | (27) | **1.2** |
| thereof Group fees | (9) | (9) | - | – | (32) | (34) | 2 | **(5.9)** |
| **Operating income before depreciation and amortization (OIBDA) (3)** | **628** | **620** | **8** | **1.3** | **2,683** | **2,292** | **391** | **17.1** |
| OIBDA margin | 31.0% | 31.5% | - | **-0.5%** | 35.6% | 31.0% | - | **4.6%** |
| Exceptional effects (4) | (11) | 1 | (12) | **(>100)** | 364 | (23) | 387 | **(>100)** |
| **OIBDA adjusted for exceptional effects (3) (4)** | **639** | **619** | **20** | **3.2** | **2,319** | **2,315** | **4** | **0.2** |
| *OIBDA margin adjusted for exceptional effects* | 31.6% | 31.4% | - | **0.2%** | 30.8% | 31.3% | - | **-0.5%** |
| Depreciation and amortization | (668) | (603) | (65) | **10.8** | (2,369) | (2,416) | 47 | **(1.9)** |
| **Operating income** | **(40)** | **17** | **(57)** | **(>100)** | **314** | **(124)** | **438** | **(>100)** |
| **Net financial income (expense)** | **(17)** | **(16)** | **(1)** | **6.3** | **(66)** | **(55)** | **(11)** | **20.0** |
| **Profit (loss) before tax for the period** | **(57)** | **2** | **(59)** | **(>100)** | **248** | **(179)** | **427** | **(>100)** |
| Income tax | 58 | (33) | 91 | **(>100)** | 80 | (33) | 113 | **(>100)** |
| **Total profit for the period** | **1** | **(32)** | **33** | **(>100)** | **328** | **(212)** | **540** | **(>100)** |
| Number of shares in millions as of end of period date | 2,974.6 | 2,974.6 | - | – | 2,974.6 | 2,974.6 | - | – |
| Basic earnings per share (in EUR) (5) | – | (0.01) | - | **(>100)** | 0.11 | (0.07) | - | **(>100)** |
| **CapEx (6)** | **(368)** | **(263)** | **(105)** | **39.9** | **(1,094)** | **(1,044)** | **(50)** | **4.8** |
| **CapEx/Sales ratio** | **18.2%** | **13.4%** | - | **4.8%** | **14.5%** | **14.1%** | - | **0.4%** |
| Operating cash flow (OIBDA-CapEx) | 260 | 357 | (97) | **(27.2)** | 1,589 | 1,248 | 341 | **27.3** |
| **Free cash flow** | **1,200** | **390** | 810 | **>100** | **1,896** | **1,023** | 873 | **85.3** |

(1) Including COVID-19 impacts of ~EUR 3 million in the fourth quarter, respectively ~EUR 72 million YTD

(2) Including COVID-19 impacts of ~EUR 1 million in the fourth quarter, respectively ~EUR 63 million YTD

(3) Including COVID-19 impacts of ~EUR 11 million in the fourth quarter, respectively ~EUR 58 million YTD

(4) In the fourth quarter 2020, exceptional effects amounted to EUR -11 million of restructuring costs. In 2020 exceptional effects totalled EUR +364 million including EUR +401 million net gains on disposal of assets and EUR -38 million restructuring costs. In prior year, exceptional effects were restructuring costs of EUR +2 million in fourth quarter (EUR -22 million in 2019) and other expenses of EUR -1 million in both, fourth quarter 2019 and 2019.

(5) Basic earnings per share are calculated by dividing profit (loss) after taxes for the period by the weighted average number of ordinary shares of 2,975m for the years 2020 and 2019.

(6) Excluding additions from business combinations and from captalised finance leases.

TELEFÓNICA DEUTSCHLAND GROUP

RECONCILIATION OF FREE CASH FLOW

*Unaudited*

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| (in EUR million) | Jan - Mar | Jan - June | Jan - Sept | Jan - Dec | Jan - Mar | Jan - June | Jan - Sept | Jan - Dec |
| **OIBDA** | **524** | **1,079** | **2,055** | **2,683** | **514** | **1,084** | **1,672** | **2,292** |
| - CapEX (1) | (224) | (475) | (726) | (1,094) | (252) | (496) | (782) | (1,044) |
| **= Operating Cashflow (OIBDA-CapEx) (1)** | **300** | **604** | **1,329** | **1,589** | **262** | **588** | **890** | **1,248** |
| **+/- Change in working capital** | **(54)** | **(264)** | **(221)** | **11** | **20** | **(228)** | **(210)** | **(148)** |
| +/- (Gains) losses from sale of assets | 9 | 5 | (401) | (408) | - | - | - | (1) |
| +/- Proceeds from sale of companies | 5 | 5 | 31 | 766 | - | - | - | - |
| +/- Proceeds from sale of fixed assets and other | - | 5 | 15 | 17 | - | 1 | 1 | 3 |
| + Net interest payments | (19) | (28) | (44) | (58) | (21) | (26) | (42) | (49) |
| +/- Proceeds / Payments on financial assets | 1 | (12) | (13) | (20) | (13) | (12) | (5) | (21) |
| + Acquisition of companies net of cash acquired | (1) | (1) | (1) | (1) | - | - | - | (9) |
| **= Free cash flow** | **241** | **316** | **695** | **1,896** | **247** | **322** | **633** | **1,023** |

(1) Excluding additions from business combinations and from captalised finance leases.

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Jan - Mar | Jan - June | Jan - Sept | Jan - Dec | Jan - Mar | Jan - June | Jan - Sept | Jan - Dec |
| Free cash flow (in EUR millions) | 241 | 316 | 695 | 1,896 | 247 | 322 | 633 | 1,023 |
| Number of shares (in millions) | 2,975 | 2,975 | 2,975 | 2,975 | 2,975 | 2,975 | 2,975 | 2,975 |
| Free cash flow per share (in EUR) | 0.08 | 0.11 | 0.23 | 0.64 | 0.08 | 0.11 | 0.21 | 0.34 |

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| (in EUR million) | Jan - Mar | Jan - June | Jan - Sept | Jan - Dec | Jan - Mar | Jan - June | Jan - Sept | Jan - Dec |
| **Free cash flow** | **241** | **316** | **695** | **1,896** | **247** | **322** | **633** | **1,023** |
| - Lease payments | (259) | (336) | (429) | (547) | (259) | (327) | (406) | (484) |
| **= Free cash flow after lease payments** | **(18)** | **(20)** | **266** | **1,349** | **(12)** | **(5)** | **227** | **539** |

TELEFÓNICA DEUTSCHLAND GROUP

CONSOLIDATED NET FINANCIAL DEBT EVOLUTION

*Unaudited*

| | As of 31 December | As of 31 December | |
|---|---|---|---|
| (in EUR million) | 2020 | 2019 | % Change |
| **A Liquidity** | **1,337** | **781** | **71.2** |
| **B Current financial assets (1)** | **304** | **211** | **44.1** |
| **C Current financial debt (2)** | **1,229** | **801** | **53.4** |
| **D=C-A-B Current net financial debt** | **(412)** | **(191)** | **>100** |
| **E Non-current financial assets (1)** | **322** | **129** | **>100** |
| **F Non-current financial debt (2)** | **3,903** | **4,180** | **(6.6)** |
| **G=F-E Non-current net financial debt** | **3,581** | **4,051** | **(11.6)** |
| **H=D+G Net financial debt (3)** | **3,168** | **3,860** | **(17.9)** |

(1) Current and non-current financial assets include handset receivables not yet due, interest-bearing assets, net investments (IFRS 16), positive fair value hedges for fixed interest financial liabilities as well as loans to third parties.

(2) Current and non-current financial debt includes lease liabilities, issued bonds, promissory notes and registered bonds as well as other loans.

(3) Net financial debt includes current and non-current interest-bearing financial assets and interest-bearing financial and lease liabilities as well as cash and cash

**Further information**

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