

The slide features a dark blue background with a complex network of white and light blue lines and dots, resembling a data network or fiber optic layout. A central, semi-transparent image of a tall skyscraper is visible, with the 'O2' logo on its facade. The main title is in white, and the subtitle is in a light green color.

Telefónica Deutschland

Investor presentation

February 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

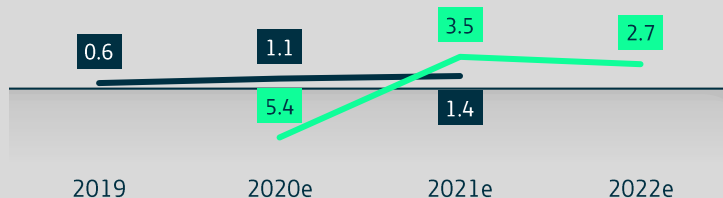
High pay-out ratio to
FCFaL

Strong financial profile

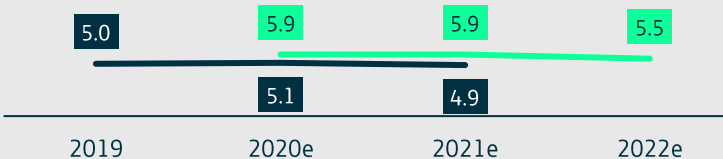
2021 economic recovery expected in Germany

Hard lockdown while positive vaccination outlook

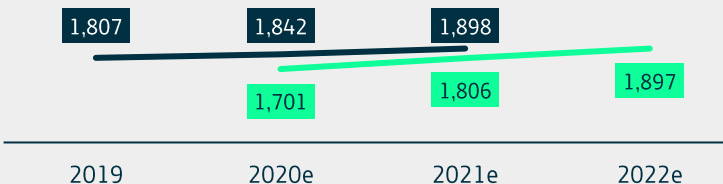
GDP Growth¹ [%]



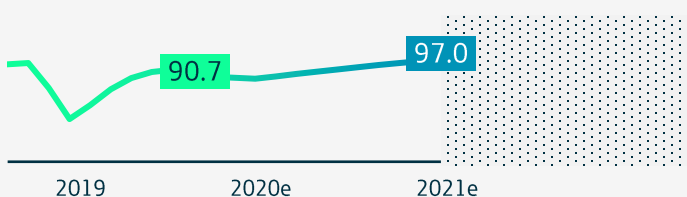
Unemployment Rate¹ [%]



Consumer Spend¹ [EUR bn]



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



● Before Covid-19 ● After Covid-19

Current Trends

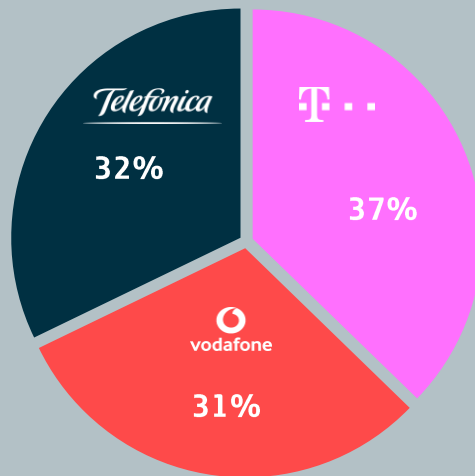
- Dynamic yet rational mobile market
- Data growth with continued CAGR of >50%
- Soft convergent market environment
- 3 strong mobile networks

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

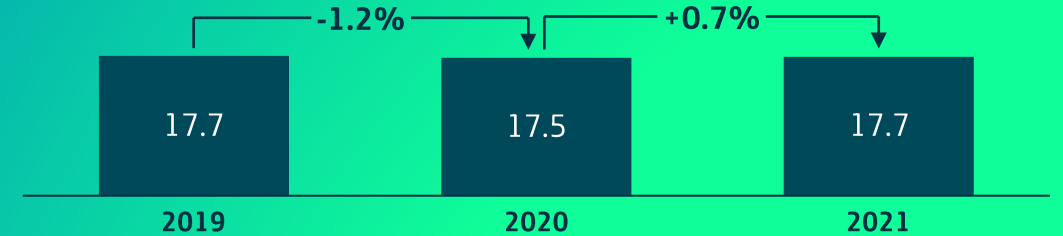
Rational & Balanced Market¹



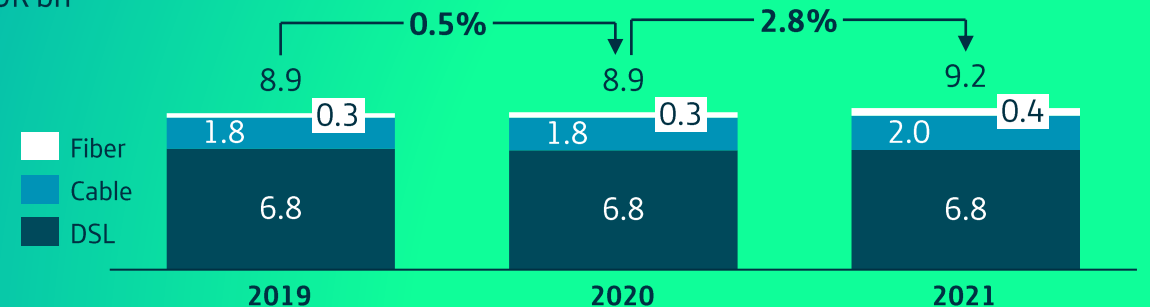
- Rational market following 4 to 3 consolidation
- Tiered mobile portfolios enabling data monetisation

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 strategy fully integrated in business strategy

Investment programme also supports accelerated carbon neutral target



Renewable Energy

100% green electricity



5G Energy-efficiency

5G is using 90% less energy per byte compared to 4G



Data Centres

Improved power efficiency



Smart Meters

Optimized energy consumption with help of digital meters



Workplace

Workplace sharing and virtual work to improve energy efficiency and reduce CO² emissions

Ambitious ESG targets

1.5°C aligned climate target

according to Science-Based-Target initiative for scope 1-3

Carbon neutral by 2025

including our scope-1&2 and travel emissions

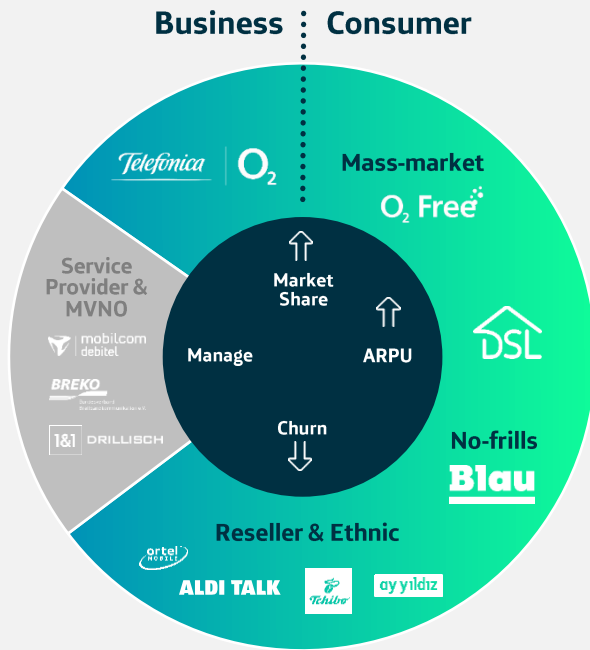
Reduction of unavoidable emissions by more than 90% by 2030

emitted from our network, facilities and vehicle fleet,
relative to 2019



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

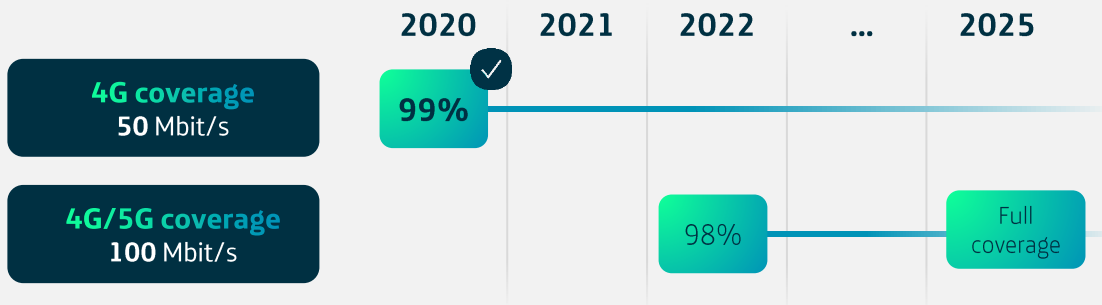
FY21 – key operational activities

- 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

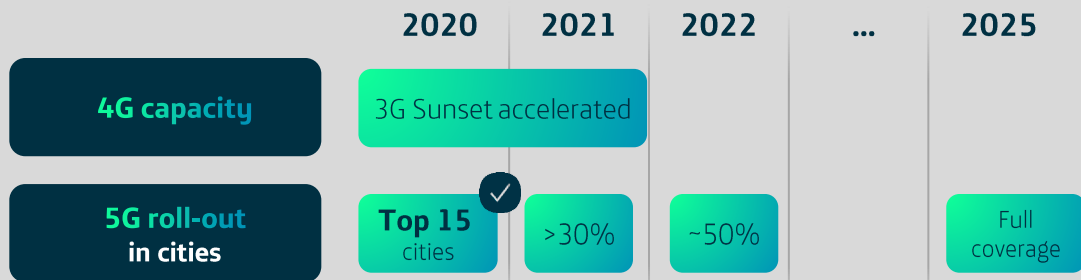
Enhance network CEX & expand 5G footprint

Network quality equalisation achieved

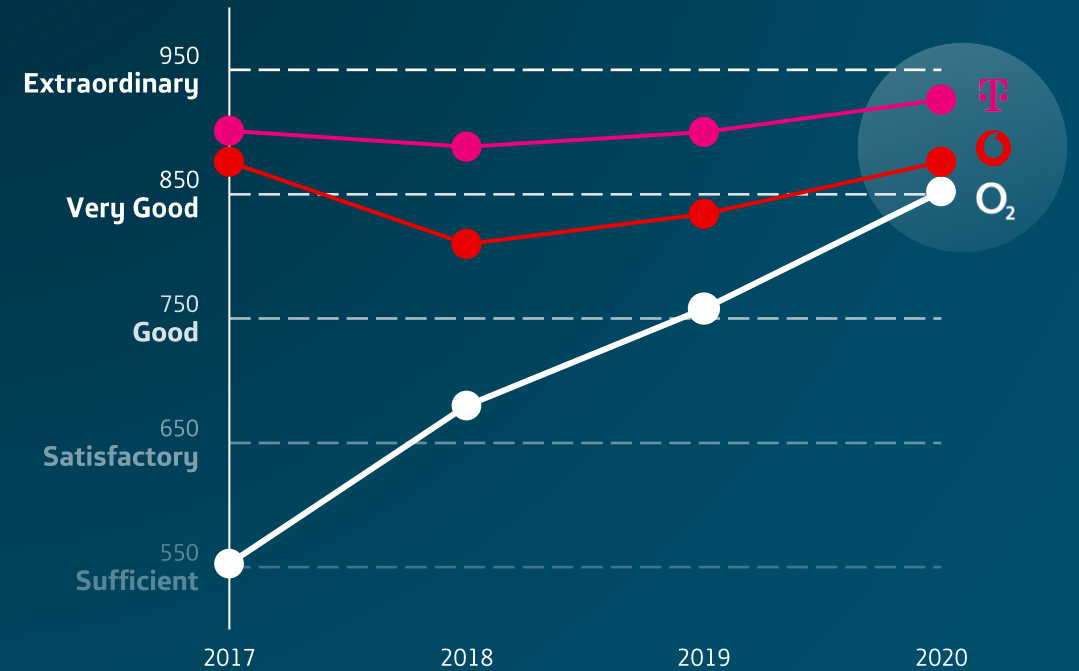
Boost Rural Coverage



Accelerate Urban Capacity



Equalisation of Network Quality Evolution of 'connect' Test Results



Leveraging network sharing opportunities and co-operations

White spot sharing

Trilateral agreement



Grey spot sharing

Bilateral agreements



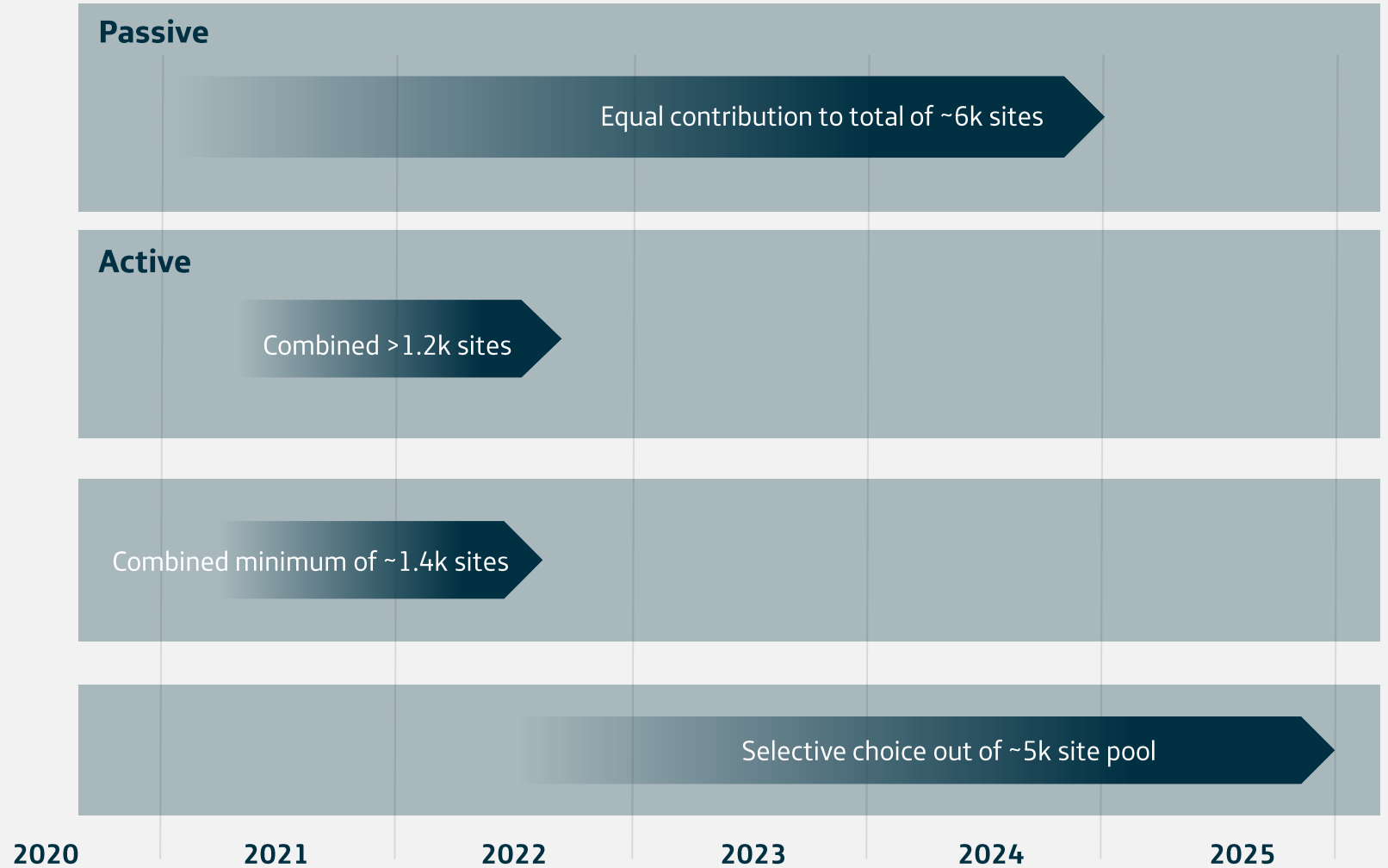
Mobile pact

German digital transformation agenda



MIG

Government fund for mobile infrastructure



Achieved FY20 outlook on back of strong operational & financial performance

Fully absorbing C-19 impacts



Mobile Growth

Gaining rural share & reinforcement in urban



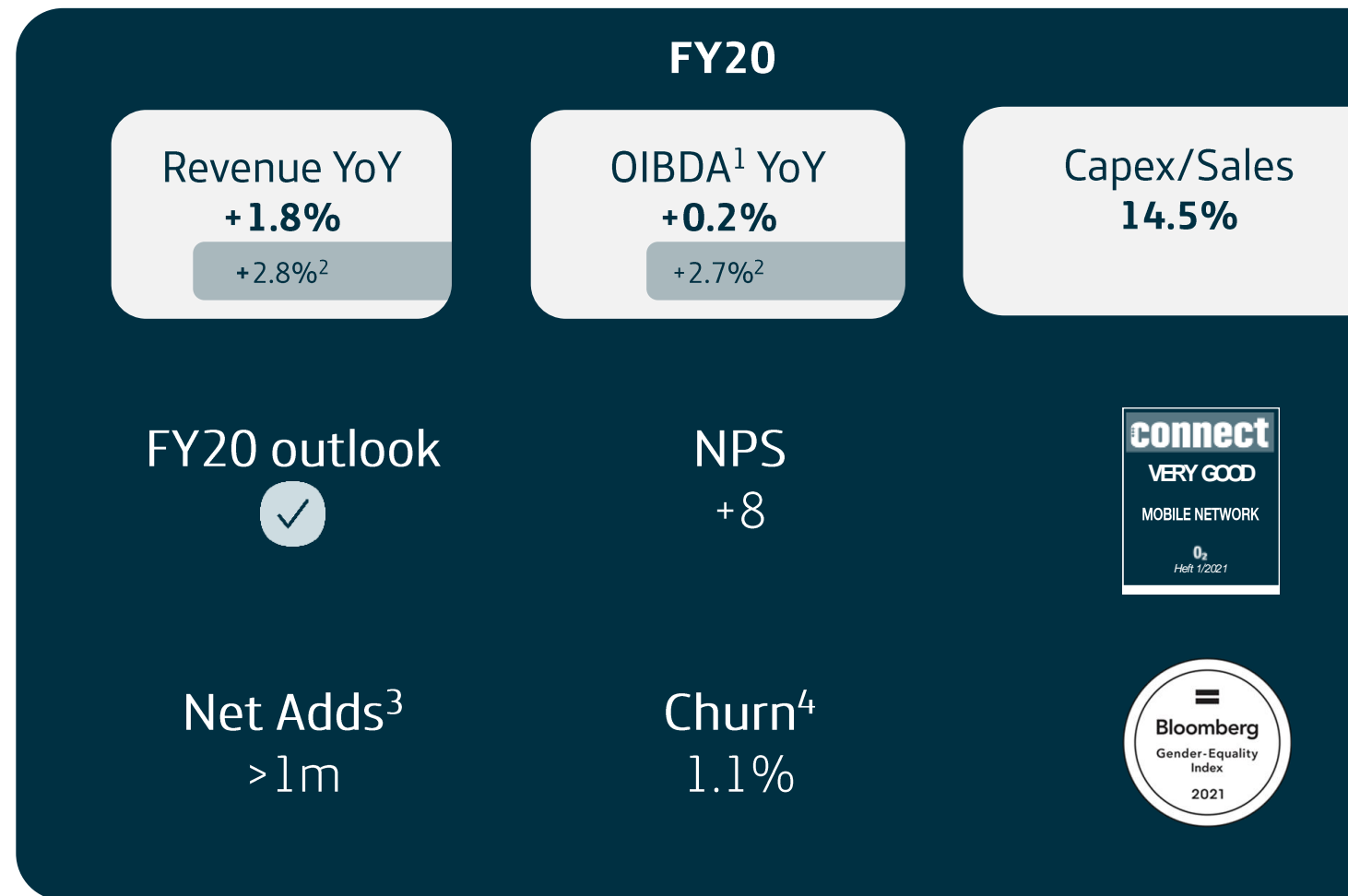
Smart Bundling (incl. FMS)

Capturing value & reducing churn



Attack in B2B

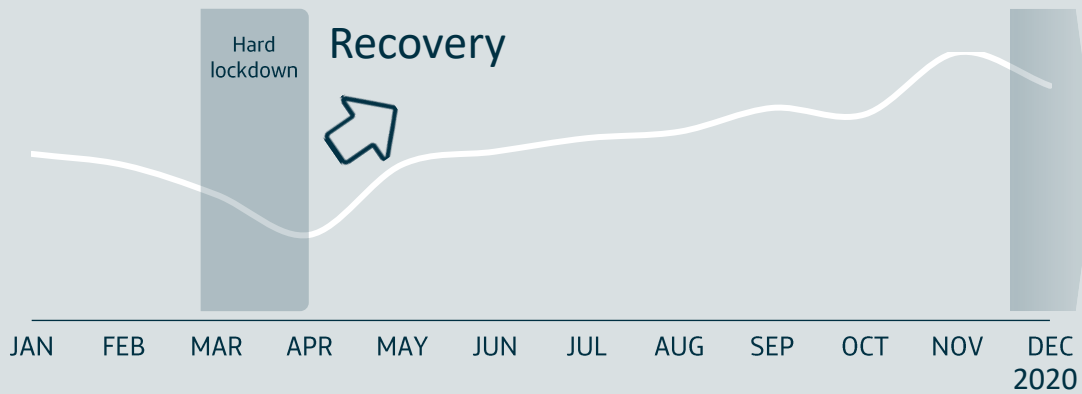
Targeting fair SME share



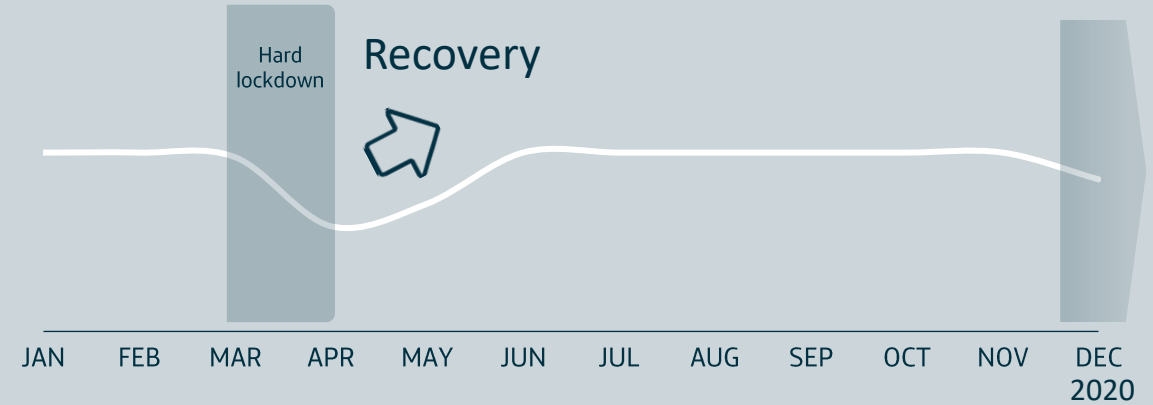
Rapid recovery of most KPIs post 1st lockdown

Ongoing hard lockdown since mid-December

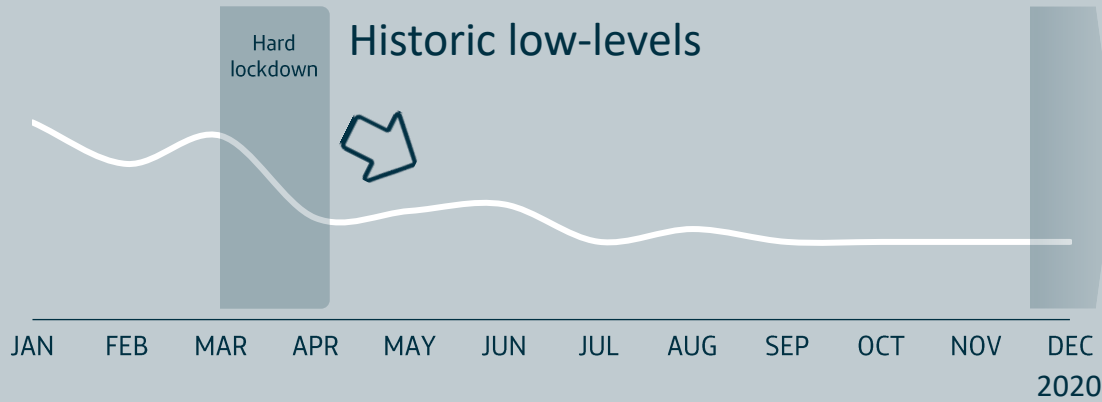
O₂ GROSS ADDS



PREPAID TOP UP BOOKINGS



O₂ CHURN

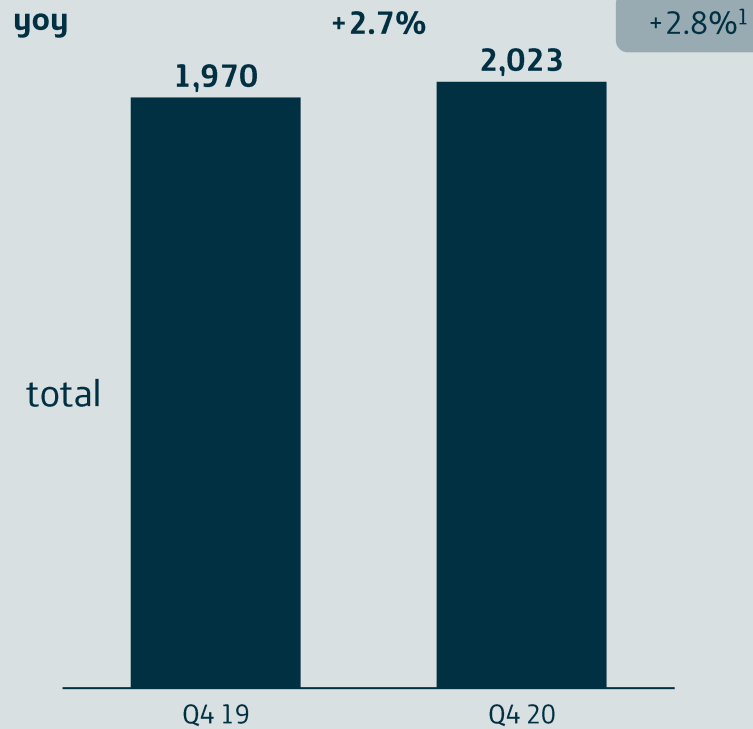


INT'L ROAMING REVENUE (OUTBOUND)



Growth momentum across all revenue lines

Revenue growth

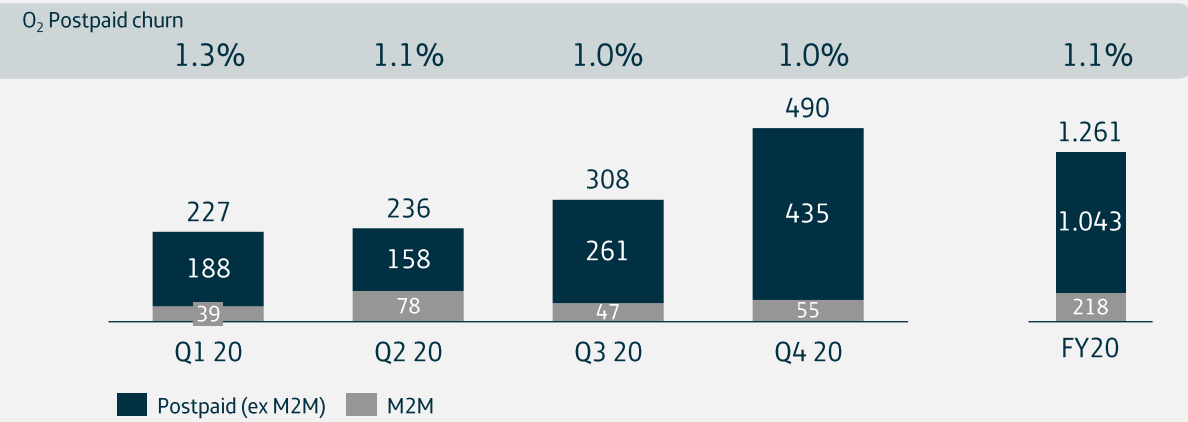


Accelerating revenue trends

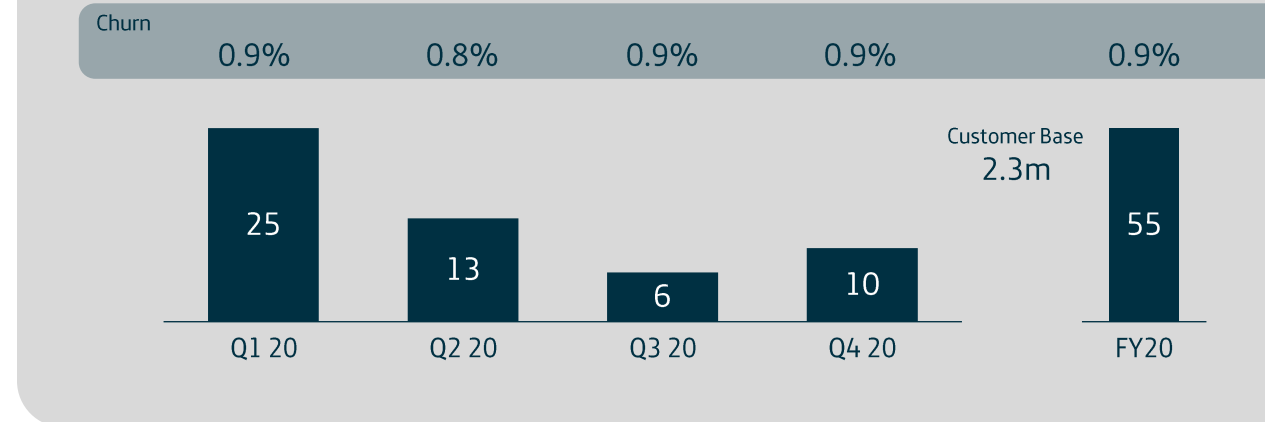


Strong own brand momentum

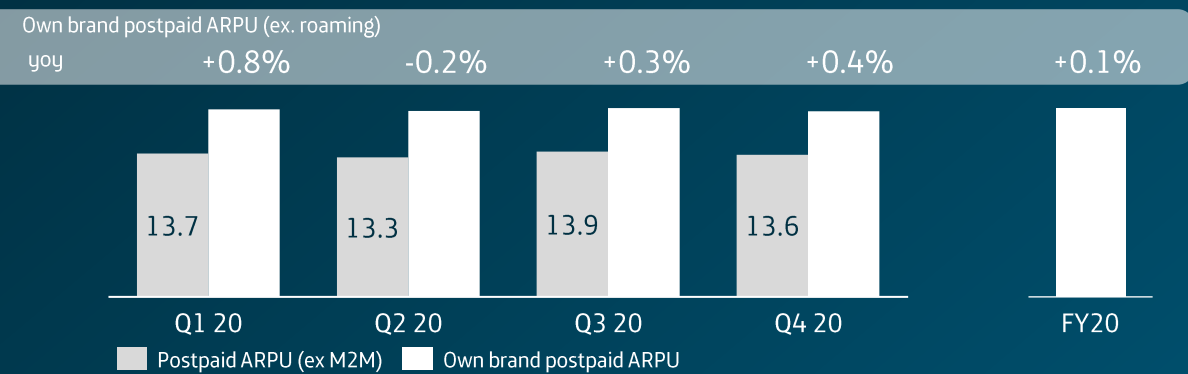
Mobile Net Adds (k)



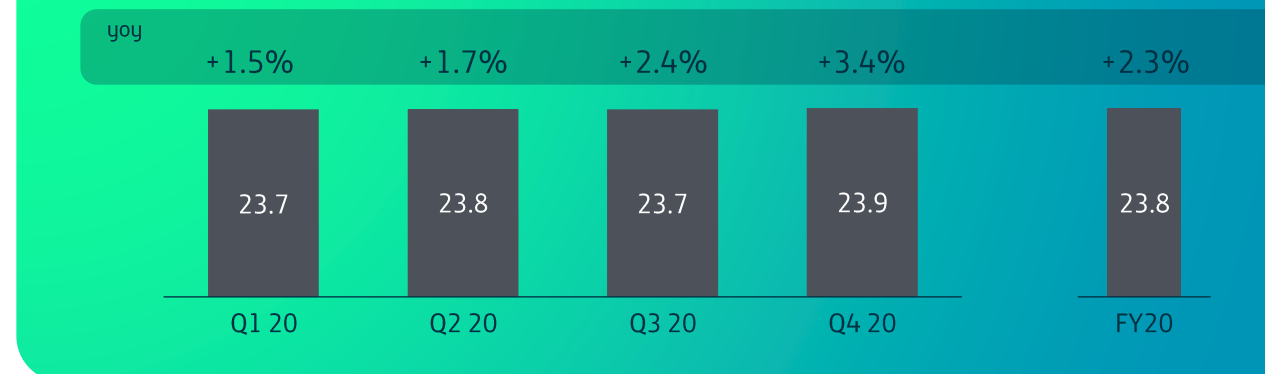
Fixed Net Adds (k)



Mobile Postpaid ARPU (EUR)

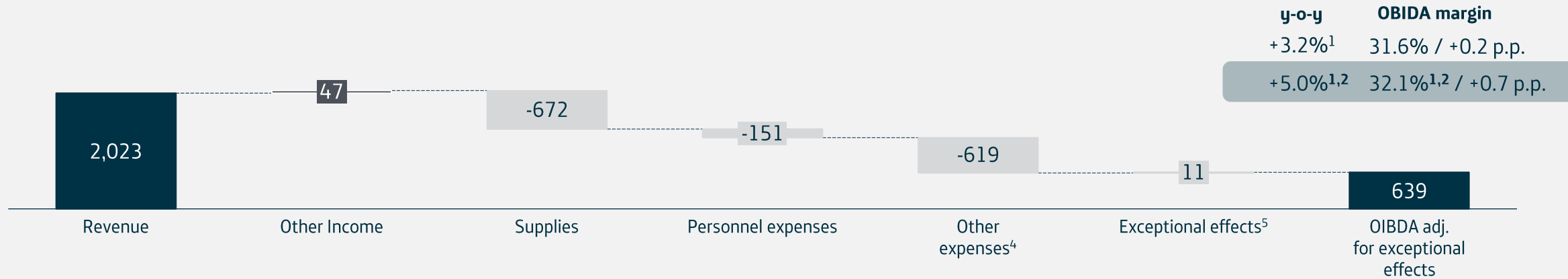


Fixed ARPU (EUR)



Continued OIBDA growth momentum

Q4



FY20



¹ Adjusted for exceptional effects

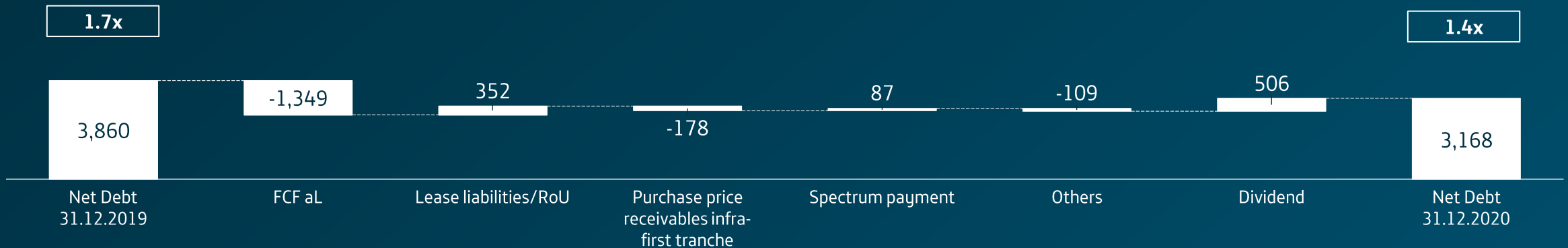
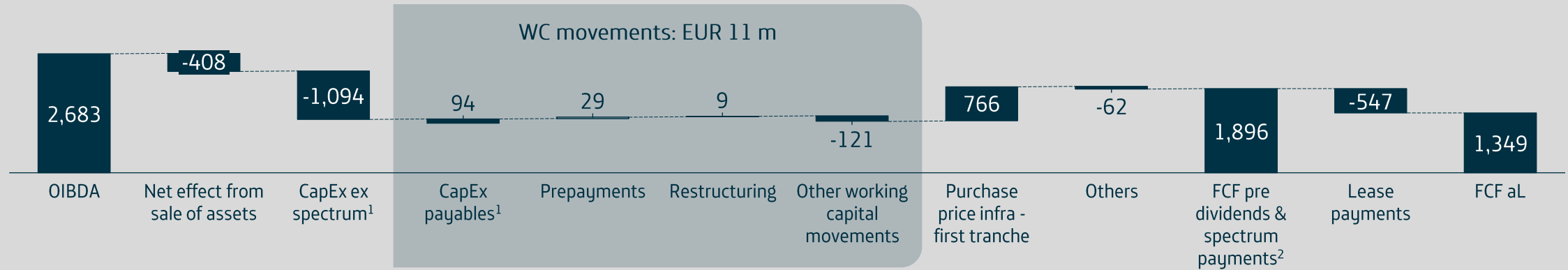
² Excl. Covid-19 impacts

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

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

⁵ Mainly restructuring expenses

Solid financial position



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

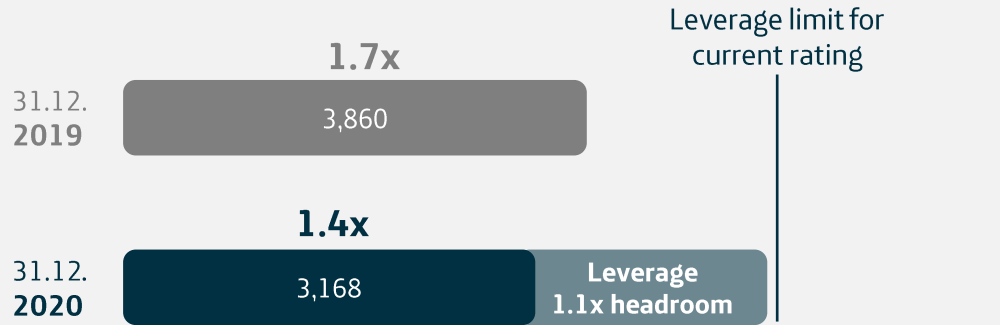
³ Net financial debt includes current and non-current interest-bearing financial assets and interest-bearing liabilities as well as cash and cash equivalents and excludes payables for spectrum

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

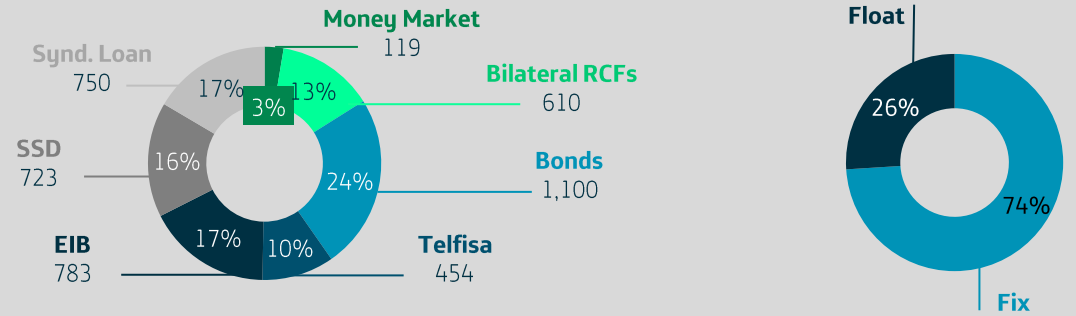
Benefitting from **strong financial position**

Net Financial Debt

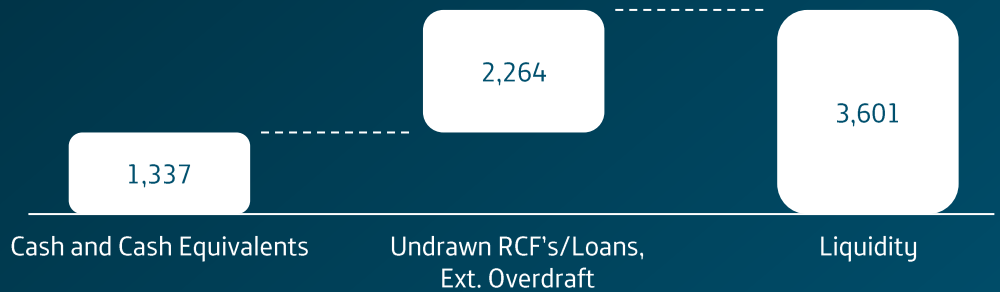
Committed to maintain **Fitch BBB** investment grade rating



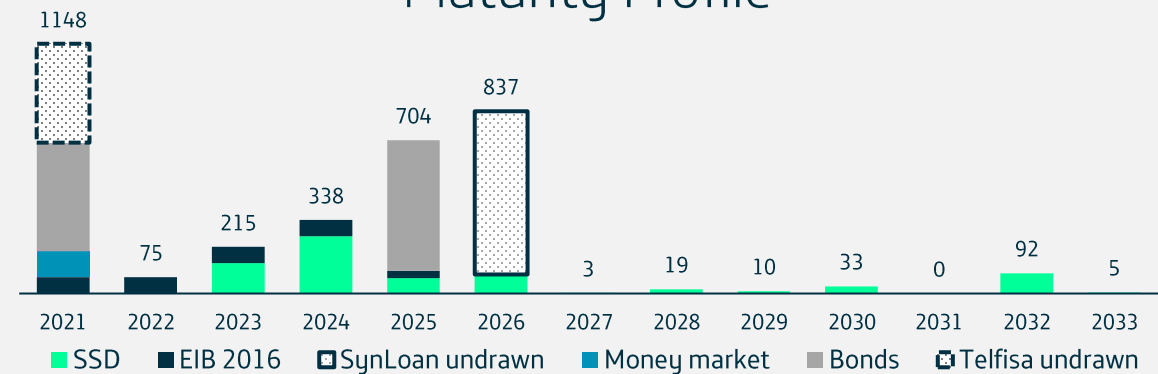
Financing and Interest Mix²



Liquidity Position



Maturity Profile³



Summary

Confident FY21 outlook on back of strong operational & financial FY20 performance

Achieved FY20 outlook fully absorbing C-19 impacts

Strong operational & financial performance as well as mobile network equalisation

Core business momentum fully intact - growth across all revenue lines

International roaming reflects ongoing travel restrictions

Continued OIBDA growth momentum

OIBDA margin a blend of revenue mix, cost efficiencies and international roaming drag

FCFaL dynamics benefit from infra-deal

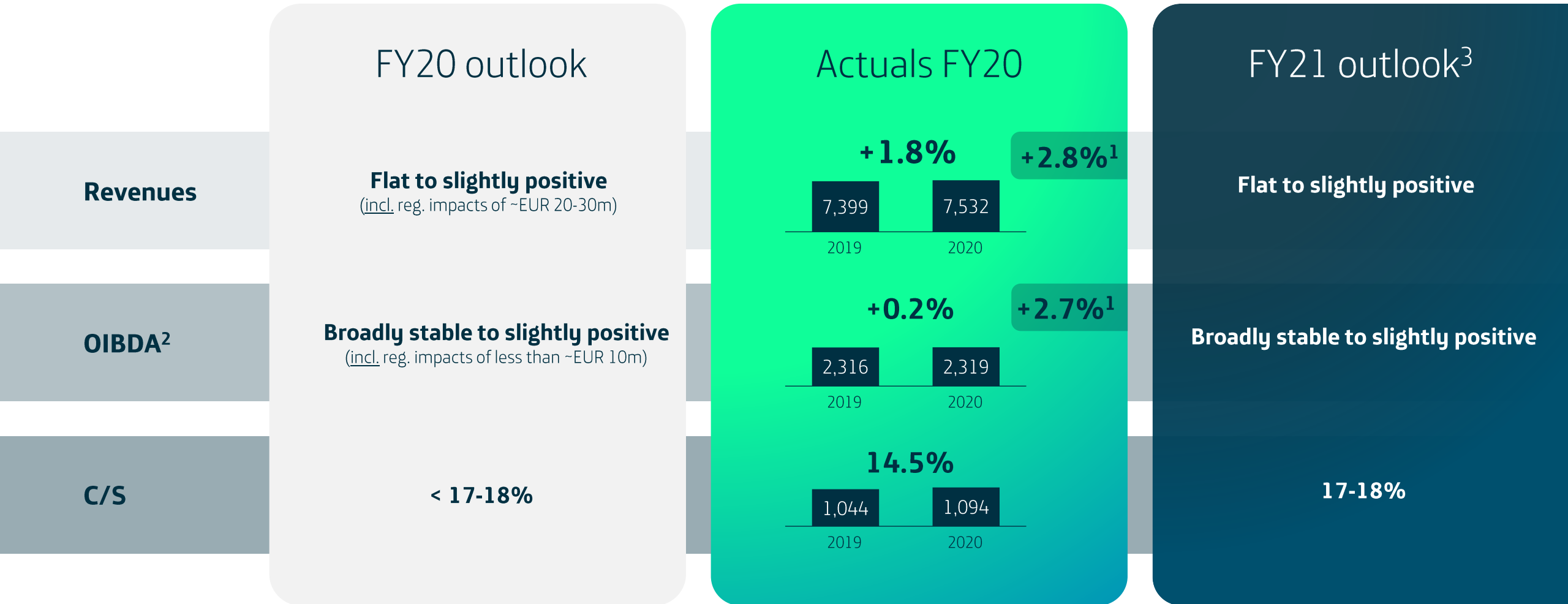
Leverage with comfortable headroom to BBB-rating

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

Intend to propose an increased dividend of EURc 18 per share for FY20 to AGM in May 2021



FY21 – building on operational momentum and network equalisation



¹ Excl. Covid-19 impacts

² Adjusted for exceptional effects

³ Including regulatory impacts & C-19 impacts assuming hard lock-down until 7 Mar-21 and only gradual recovery of roaming over the course of the year

Any questions?

We look forward to hearing from you!



+49 89 2442 1010



ir-deutschland@telefonica.com

Christian Kern

Director Investor Relations



+49 179 900 0208
christian.kern@telefonica.com

Marion Polzer, CIRO

Head of Investor Relations



+49 176 7290 1221
marion.polzer@telefonica.com

Eugen Albrecht

Senior Investor Relations Officer



+49 176 3147 5260
eugen.albrecht@telefonica.com



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



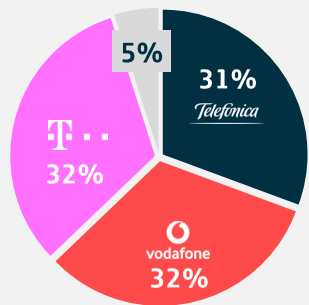
Successfully listed (**65%**)



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

Utilisation today	4G/5G	4G	2G/4G	2G/4G	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

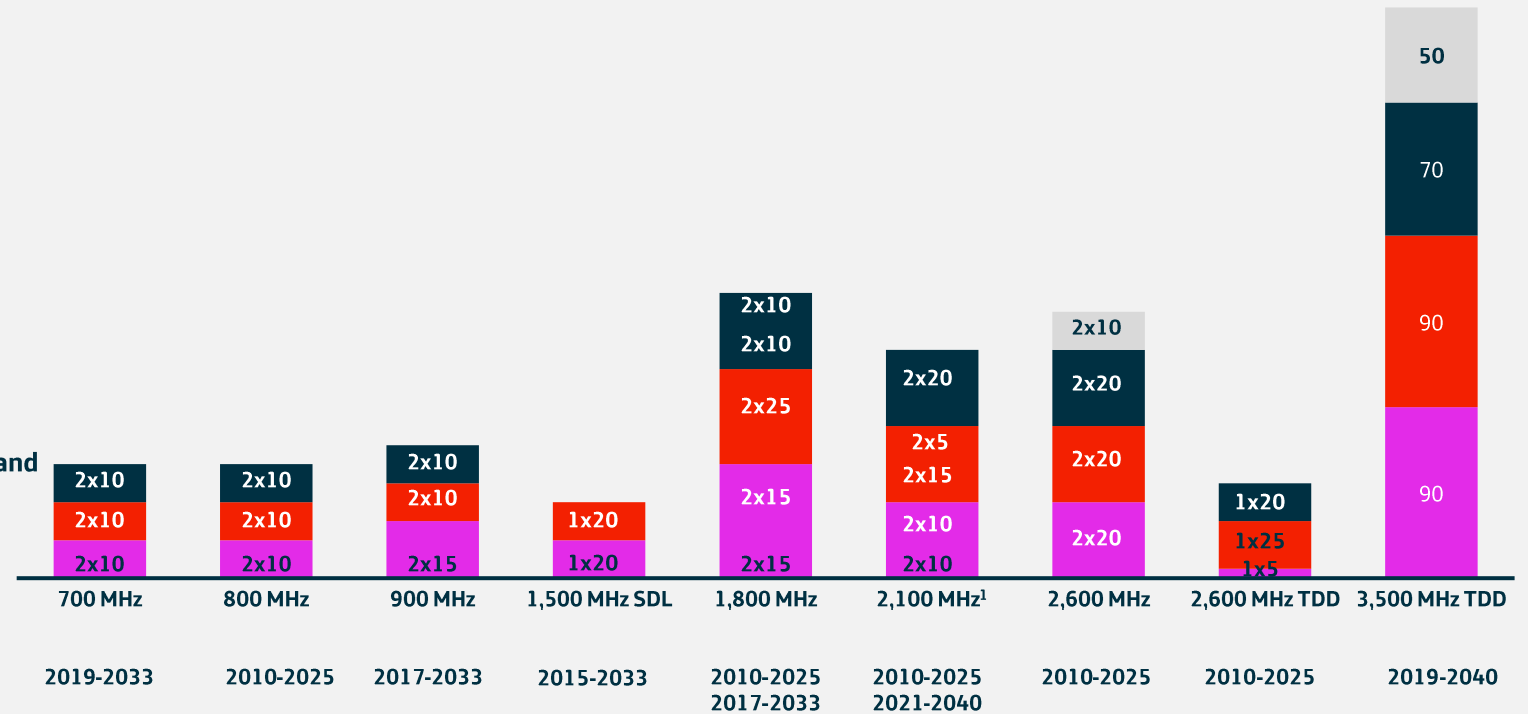
Telefónica Deutschland

Vodafone

Deutsche Telekom

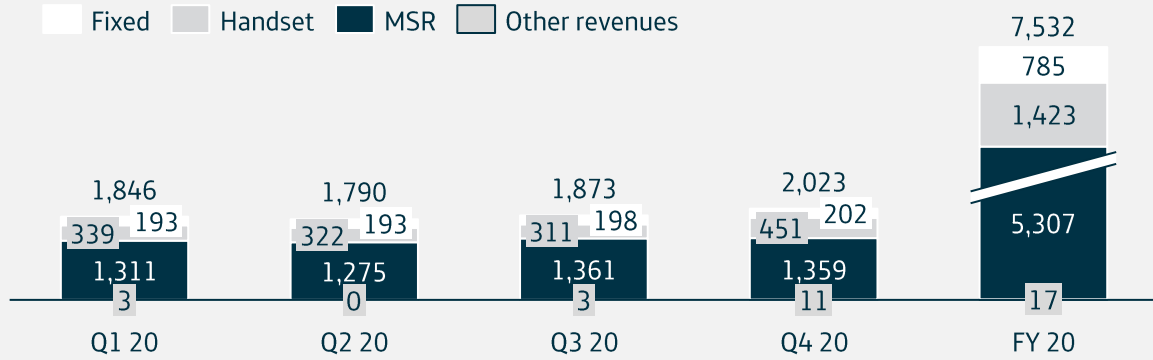
Frequencies

Maturity

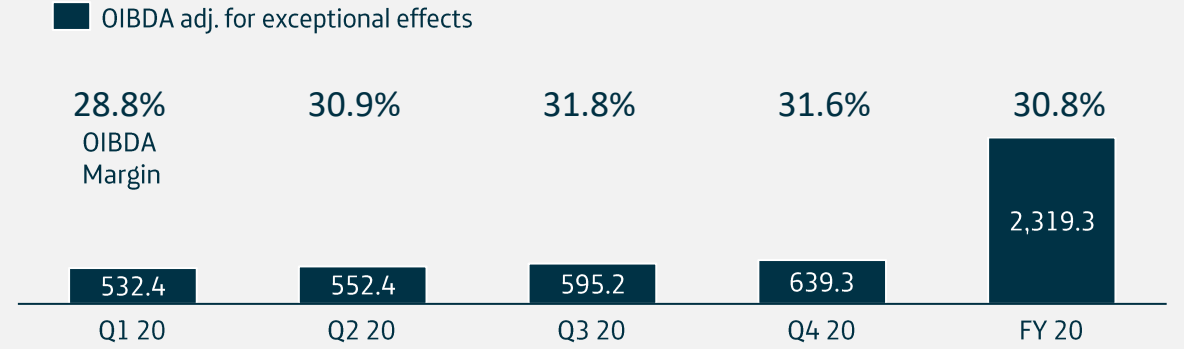


P&L

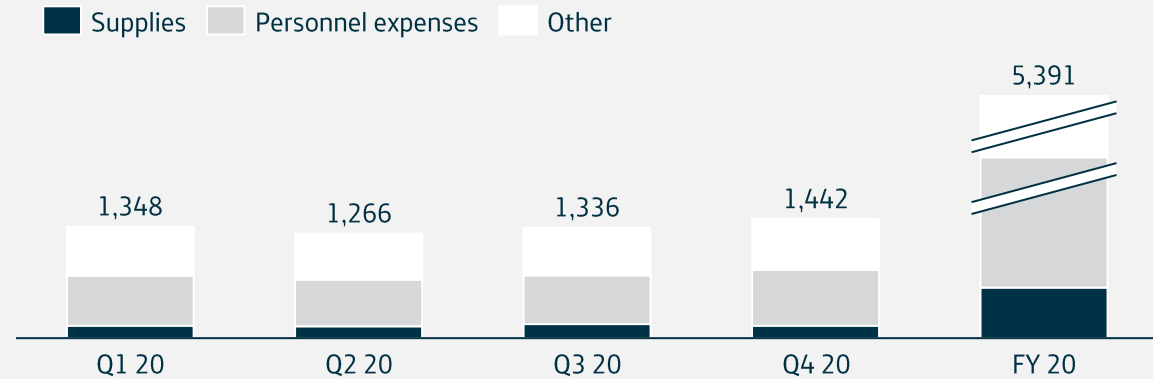
Revenue structure [EUR]



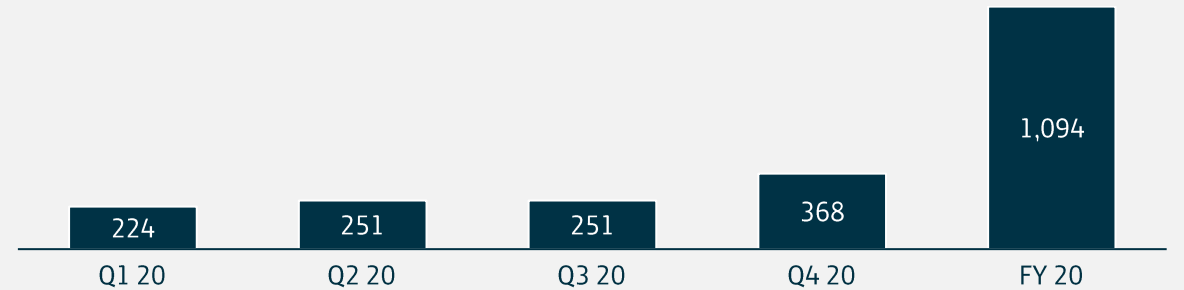
OIBDA¹ [EUR]



OpEx split² [EUR]

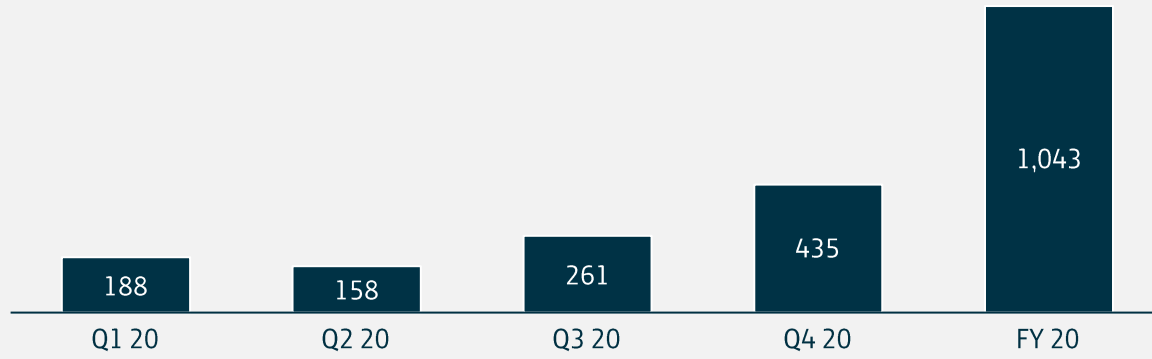


CapEx³ [EUR]



Mobile KPIs

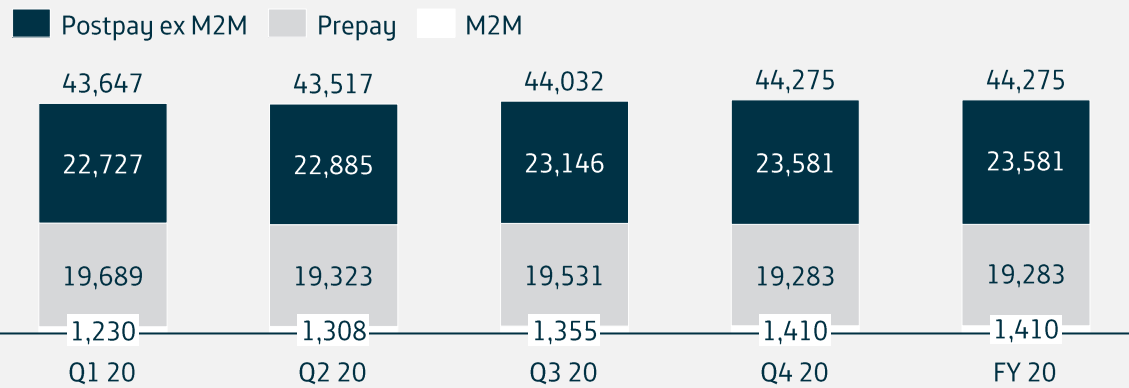
Postpaid net adds¹ [k]



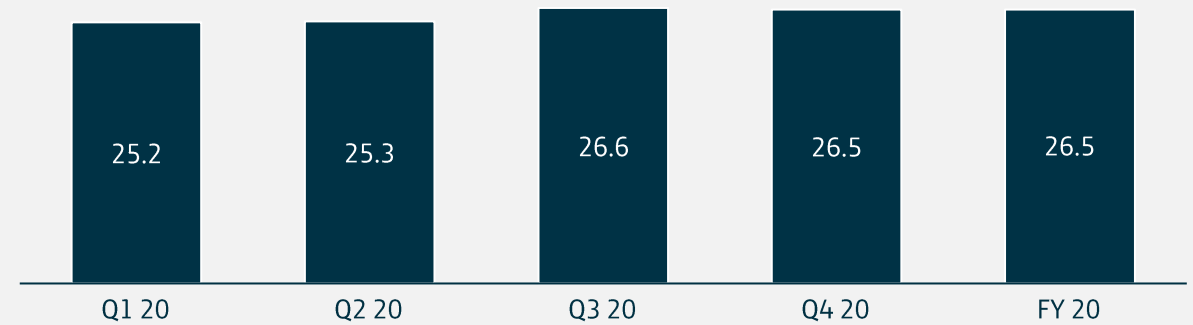
Prepaid net adds [k]



Mobile customer base [k]

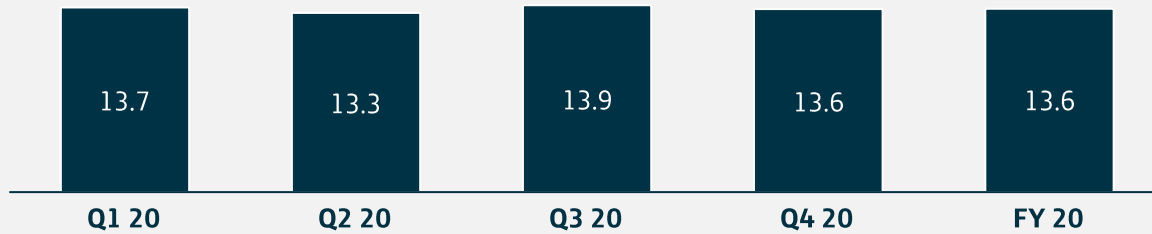


LTE customer base [m]

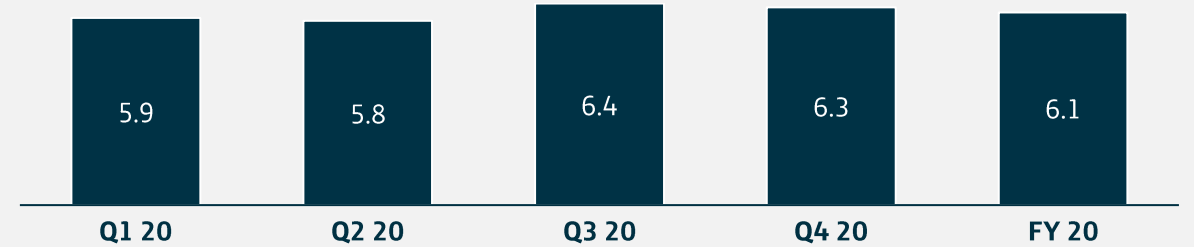


Mobile KPIs

Postpaid ARPU ex M2M [EUR]

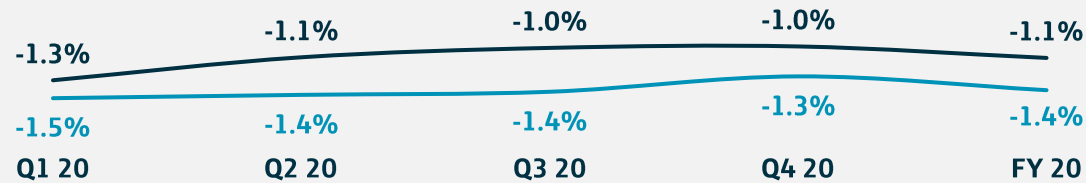


Prepaid ARPU [EUR]



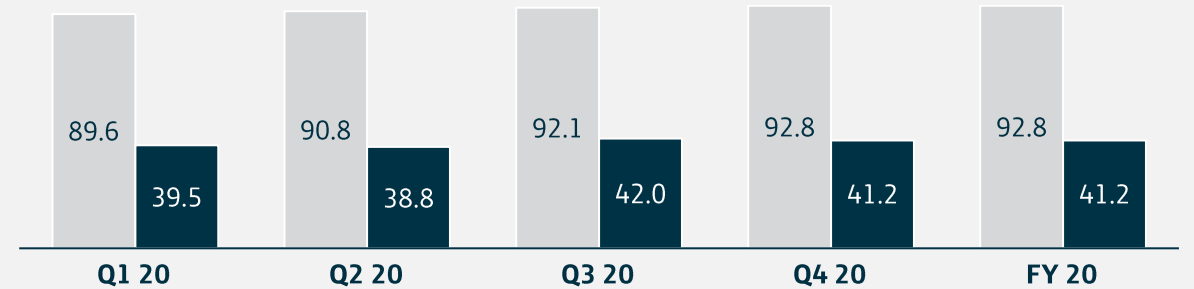
Churn rate [%]

— O₂ postpaid — Total postpaid (ex M2M)



Smartphone penetration [%]¹

■ O₂ consumer postpaid ■ O₂ consumer prepaid



¹ Smartphone penetration is based on the number of customers with a smallscreen tariff (e.g., for smartphones) divided by the total mobile customer base less M2M, less customers with a big screen tariff

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**

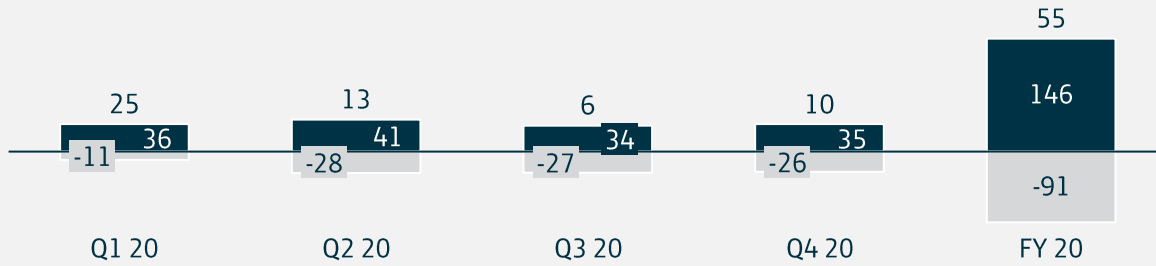


Future ready with **5G**

Fixed KPIs

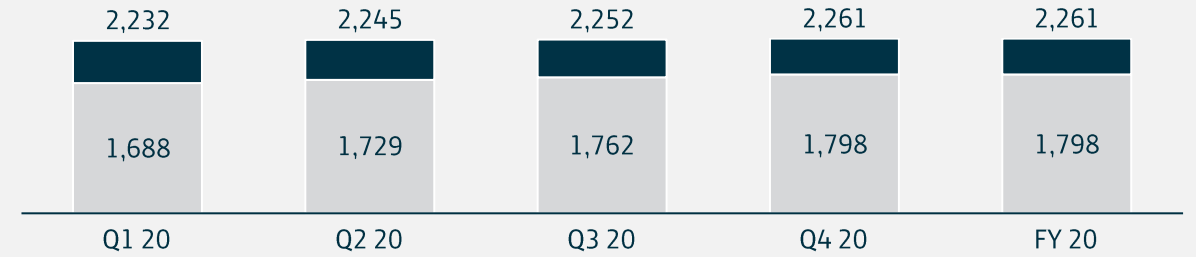
Retail broadband net adds [k]

■ DSL ■ VDSL

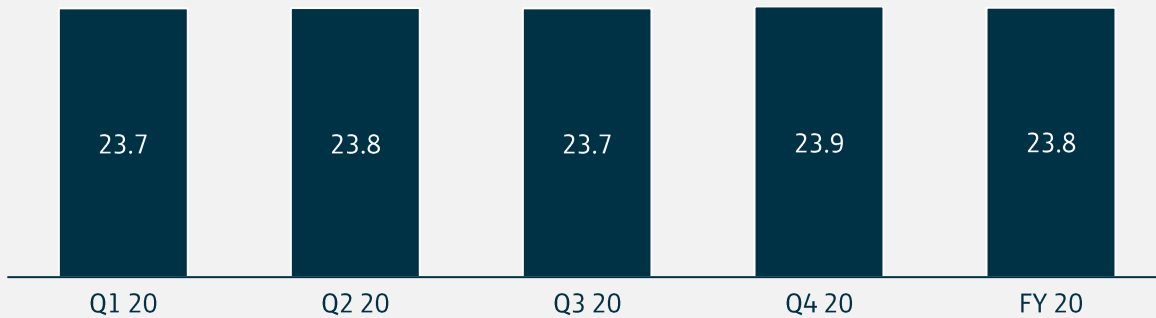


Fixed accesses [k]

■ VDSL



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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