

MUNICH, 06 May 2020

**Interim statement for January to March 2020**

**Telefónica Deutschland delivered a robust start to the year – confirming FY20 guidance while closely monitoring COVID-19 impacts**

- Telefónica Deutschland supported employees as well as customers and assumed social responsibility through a variety of COVID-19 initiatives; the network proofed very resilient and ensured highly reliable connectivity for customers
- Revenue grew +3.8% y-o-y in Q1 20 with sustained trends across all revenue lines; mobile service revenue (MSR) with visible ARPU accretive effects from good traction of the O<sub>2</sub> Free portfolio
- Underlying<sup>1</sup> OIBDA improved +1.6% y-o-y in Q1 20, reflecting flow-through from MSR and fixed revenue partly offset by higher costs, mainly in supplies
- C/S ratio of 12.1% in Q1 20 with annual phasing more back-end loaded and focus on improving CEX also reflected in strong network resilience; despite COVID-19 steady progress with LTE roll-out while preparing for ramp-up of 5G
- Robust start to the year with good operational and financial momentum despite softer trading trends following the government imposed COVID-19 nationwide lockdown as of mid-March; confirming FY20 guidance across all metrics while closely monitoring COVID-19 impacts

**First quarter 2020 operational & financial highlights**

- Telefónica Deutschland supported employees as well as customers and assumed social responsibility through a variety of COVID-19 initiatives such as providing the Robert Koch-Institut with mobility analysis on the basis of anonymised and aggregated data, faster unlimited surfing guarantee ('#WeStayConnected') until the end of May, offering complementary app access for a limited time period (e.g. 'O<sub>2</sub> TV', 'Kidomi'), partnering with 'Deutschland gegen Corona' ('#allefüralle') and launching a series of live-streamed O<sub>2</sub> concerts ('#StayOn'). Part of the company's 'O<sub>2</sub> Office Tower' in Munich is also used by the crisis management team of the Bavarian Red Cross as temporary headquarters.
- **The company's network proofed very resilient** coping well with the COVID-19-driven change in traffic patterns and ensured highly reliable connectivity for customers.
- **In a dynamic yet rational environment, Telefónica Deutschland kept its operational and financial momentum** during Q1 20. The company achieved this despite softer trading trends following the government imposed COVID-19 lockdown also resulting in the nationwide closure of the O<sub>2</sub> shops as of mid-March. The O<sub>2</sub> shop closure resulted in a visible reduction in both, gross additions and churn entries. O<sub>2</sub> shops have been re-opened nationwide on 20 April 2020 with the exception of Bavaria and Thuringia the following week.
- **Mobile postpaid<sup>2</sup>** registered +188k net additions (excl. +39k M2M) in Q1 20, mainly driven by the sustained traction of the O<sub>2</sub> Free tariff portfolio, including the speed-tiered unlimited tariffs launched in February. **Partner trading** was solid, delivering 61% share of gross additions in Q1 20. **Total postpaid churn** remained at low levels of 1.5% in Q1 20 while **churn in the O<sub>2</sub> brand** continued to be

<sup>1</sup> Adjusted for exceptional effects. As of 31 March 2020, exceptional effects amounted to EUR -8m including EUR -9m of losses from sale of assets related with the sale of spectrum assets in line with the agreed merger remedies as well as EUR 1m of restructuring income. Exceptional effects as of 31 March 2019, include restructuring expenses amounting to EUR -10m.

<sup>2</sup> As of 1 January 2020, M2M is separately reported from postpaid; for comparability this change has also been applied to 2019, retrospectively.

even lower at 1.3% driven by a clear retention focus helped by **sustained network quality improvements**.

- **LTE customer base** climbed +31.1% y-o-y and stood at 25.2<sup>3</sup>m at the end of March 2020. **LTE penetration** stood at 60%, up +13 p.p. y-o-y. **Mobile data usage** continued to grow with a three year CAGR of >50% as the ongoing adoption of LTE and the O<sub>2</sub> Free portfolio drove data usage through large data bundles. The average data usage by O<sub>2</sub> Free customers reached 7 GB per month.
- **Revenue** stood at **EUR 1,846m** an increase of **+3.8% y-o-y**, with sustained trends across all revenue lines.
  - **Mobile service revenue<sup>4</sup>** (MSR) rose **+2.4% y-o-y** to **EUR 1,311m** and showed visible APRU-accretive effects on sustained good performance of the own retail business including the further easing of legacy base headwinds while trends in the partner business remained solid also as a result of the MBA MVNO dynamics.
  - **Handset revenue** grew **+7.7% y-o-y** to **EUR 339m** on continued strong demand for high value handsets. However, demand started to soften from mid-March as a result of the COVID-19 related closure of O<sub>2</sub> shops.
  - **Fixed-line revenue** built on its positive trend, posting **+6.0% y-o-y** growth to **EUR 193m** supported by retail customer base growth on the back of strong VDSL demand. **Fixed retail revenue** maintained its upward trend and registered **+7.7% y-o-y** growth, reflecting the y-o-y higher customer base driven by strong demand for VDSL.
- **Underlying<sup>5</sup> OIBDA** stood at EUR 532m (before exceptional effects of EUR -8m), up **+1.6% y-o-y** in Q1 20 driven by the flow-through from MSR and fixed revenues partly offset by higher costs, mainly due to supply volumes. **Underlying OIBDA margin** stood at 28.8% in Q1 20 (-0.6 p.p. y-o-y) reflecting the before mentioned effects including the strong growth of lower margin handset revenues.
- **CapEx<sup>6</sup>** reached **EUR 224m with a C/S ratio of 12.1% with annual phasing more back-end loaded**. The company remained a clear focus on improving customer experience also reflected in strong network resilience despite major changes in traffic volumes during the COVID-19 related lockdown; mainly a strong increase in fixed & mobile voice volumes and higher fixed data traffic while mobile data traffic trends remained broadly unchanged. Even in the tough COVID-19 environment, the 4G-rollout made steady progress while also preparing for the ramp-up in 5G network rollout.
- **Consolidated net financial debt<sup>7</sup>** stood at EUR 3,863m as of 31 March 2020 with a leverage ratio of 1.7x<sup>8</sup>, and thus in line with the company's self-defined target ratio of at or below 2.5x.

<sup>3</sup> Includes a technical database adjustment of +3.2m customers in Q4 19.

<sup>4</sup> 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.

<sup>5</sup> Adjusted for exceptional effects. As of 31 March 2020, exceptional effects amounted to EUR -8m including EUR -9m of losses from sale of assets related with the sale of spectrum assets in line with the agreed merger remedies as well as EUR 1m of restructuring income. Exceptional effects as of 31 March 2019, include restructuring expenses amounting to EUR -10m.

<sup>6</sup> Excluding additions from capitalised right-of-use assets.

<sup>7</sup> Net financial debt includes current and non-current interest-bearing financial assets and interest-bearing liabilities as well as cash and cash equivalents while excluding payables for spectrum.

<sup>8</sup> Leverage ratio is defined as net financial debt divided by the OIBDA for the last twelve months adjusted for exceptional effects.

## Financial outlook 2020

Telefónica Deutschland's Q1 20 results were in-line with management expectations while affected by limited COVID-19 impacts. In Germany, we are seeing first signs of easing the COVID-19 lockdown and we are closely monitoring the situation and its further developments. On this background, we confirm the company's FY20 outlook as published in the 2019 Annual Financial Report.

|                                                     | Baseline 2019 | Outlook 2020                                 | Q1 20       |
|-----------------------------------------------------|---------------|----------------------------------------------|-------------|
| <b>Revenue</b>                                      | EUR 7,399m    | flat to slightly positive y-o-y              | +3.8% y-o-y |
| <b>OIBDA</b><br>Adjusted for<br>exceptional effects | EUR 2,316m    | broadly stable to slightly<br>positive y-o-y | +1.6% y-o-y |
| <b>Capex to Sales<br/>Ratio</b>                     | 14.1%         | 17 – 18%                                     | 12.1%       |

Following the recent temporary change in German corporate law now allowing virtual Annual General Meetings (AGMs) in 2020, Telefónica Deutschland has invited to its first virtual AGM as initially planned on 20 May 2020 to resolve upon the announced dividend proposal of EUR 0.17 per share for the financial year 2019.

## Telefónica Deutschland operating performance in the first quarter of 2020

### Operating performance in mobile

As of 31 March 2020, Telefónica Deutschland's **mobile customer accesses** reached 43.6m (+1.7% y-o-y) driven by strong +6.3% y-o-y growth of the **mobile postpaid ex M2M base** which climbed to 22.7m accesses. Thus, mobile postpaid accounted for 52.1% of the company's total mobile base, a plus of +2.3 p.p. y-o-y. **M2M accesses** came to 1.2m; +1.7% y-o-y in Q1 20. The **mobile prepaid** registered -407k net disconnections reflecting the ongoing prepaid to contract migration trends in the market as well as usual seasonality.

**Mobile postpaid**<sup>9</sup> posted +188k net additions in Q1 20 compared to +283k in Q1 19. This growth is mainly driven by sustained customer demand for the O<sub>2</sub> Free portfolio and the successful launch of speed-tiered O<sub>2</sub> Free unlimited tariffs further supporting the company's ARPU-up strategy. In addition, the contribution from partner brands remained solid and delivered 61% of gross additions in the first quarter of the year.

**M2M** saw +39k net additions in Q1 20 versus +22k a year ago.

**Mobile prepaid** registered -407k net disconnections reflecting the continued weaker demand for prepaid offerings on the back of ongoing prepaid to contract migration trends in the market as well as seasonality.

**Postpaid churn** remained stable y-o-y at low levels of 1.5% in Q1 20, while the O<sub>2</sub> consumer postpaid churn was again even lower at 1.3%, also stable y-o-y. The implied annualised churn rate in Q1 20 stood at 15.7% vs. 16.0% in Q1 19, thus providing clear evidence of an excellent customer experience on the O<sub>2</sub> network.

**LTE customer base** climbed +31.1% y-o-y, reaching 25.2<sup>10</sup>m accesses as of 31 March 2020, fuelled by the sustained demand for high-speed mobile data services. LTE-penetration across the base reached 59.5%, up +13.3 p.p. y-o-y. LTE penetration in postpaid continues to be significantly higher (~75%).

**ARPU** trends remain driven by visible ARPU accretive effects from the O<sub>2</sub> Free portfolio and new value-added services, partly offset by regulatory effects and lower ARPUs y-o-y in the partner business. The **blended mobile ARPU** was EUR 9.8 in the first three months of 2020, flat y-o-y. **Prepaid ARPU** was +3.3% higher y-o-y in the January to March period and reached EUR 5.9. **Postpaid ARPU** stood at EUR 13.7 in Q1 20 a decline of -3.7% y-o-y while **own brand postpaid ARPU** continued its growth path, up +0.4% y-o-y. The combination of the successful volume-based O<sub>2</sub> Free portfolio and the new speed-tiered O<sub>2</sub> Free unlimited tariffs launched in February 2020 further supported the company's ARPU-up strategy.

### Operating performance in fixed

The **fixed broadband customer base** reached 2.2m accesses at the end of March 2020, an increase of +5.1% y-o-y, with a **VDSL base** of 1.7m, a step-up of +12.0% y-o-y to 76% of the fixed broadband base. Fixed broadband saw +25k net additions in the January to March period, driven by continued strong demand for VDSL with +36k in Q1 20.

**Fixed churn** remained low at 0.8% in Q1 20, an improvement of +0.2 p.p y-o-y.

The **fixed broadband ARPU** improved by +1.5% y-o-y to EUR 23.7 in Q1 20 reflecting the growing proportion of VDSL customers.

<sup>9</sup> As of 1 January 2020, M2M is separately reported from postpaid; for comparability this change has also been applied to 2019, retrospectively.

<sup>10</sup> Includes a technical database adjustment of +3.2m customers in Q4 19.

**Telefónica Deutschland financial performance in the first quarter of 2020**

**Revenue** stood at **EUR 1,846m in Q1 20, posting +3.8% y-o-y growth** with sustained trends across all revenue lines; in particular further improvements in both, mobile and fixed service revenues, as well as a continued strong handset business.

**Mobile service revenue**<sup>11</sup> (MSR) grew **+2.4% y-o-y and amounted to EUR 1,311m** in Q1 20, reflecting the maintained positive performance of the own retail business including the further easing of legacy base headwinds. Trends in the partner business remained solid also as a result of the MBA MVNO dynamics.

**Handset revenue** reached **EUR 339m (+7.7% y-o-y)** in Q1 20 on sustained demand for high value smartphones, which however slowed down in the second half of March following the COVID-19 related closure of O<sub>2</sub> shops.

**Fixed revenue** built on its positive trends and was up **+6.0% y-o-y at EUR 193m** in Q1 20 supported by retail customer base growth on strong VDSL demand. Thus, **fixed retail revenue** further improved its positive trend and posted a strong growth of +7.7% y-o-y in the first quarter of 2020.

**Other income** totalled EUR 25m in Q1 20 (-17.4% y-o-y) and is mainly related to the capitalisation of network rollout costs.

**Operating expenses** stood at **EUR 1,348m** (including exceptional<sup>12</sup> effects of EUR -8m) in Q1 20, an increase of **+ 4.0% y-o-y**, mainly due to higher supply volumes.

- **Supplies** were EUR 604m, +6.4% higher y-o-y in Q1 20 mainly as a result of strong demand for handsets and related hardware cost of sale (56% of supplies). Also, connectivity-related cost of sales (40% of supplies) were slightly higher y-o-y reflecting the COVID-19 driven increase of mobile and fixed voice volumes as well as higher fixed data traffic on the network.
- **Personnel expenses** were broadly stable (+0.1% y-o-y) in Q1 20 at EUR 150m, with a lower FTE base versus prior year mostly offsetting the inflation-related pay rises as of 1 December 2019.
- **Other operating expenses**<sup>13</sup> were EUR 593m in Q1 20 including exceptional effects of EUR -9m (EUR -10m in Q1 19) related with the sale of spectrum assets in line with the agreed merger remedies. They were higher by +2.6% y-o-y mainly as a result of commercial activities. Commercial costs and non-commercial costs made up 66% and 30% in the January to March period. Group fees reached EUR 8m in the January to March period, flat y-o-y.

**Operating Income before Depreciation and Amortisation (OIBDA) adjusted for exceptional effects**<sup>11</sup> of **EUR -8m amounted to EUR 532m, up +1.6% y-o-y** in Q1 20 driven by the flow-through from MSR and fixed revenues partly offset by higher supply volumes. Underlying OIBDA margin stood at 28.8% in Q1 20 (-0.6 p.p. y-o-y) reflecting the before mentioned effects including the strong growth of the lower margin handset business.

**Depreciation & Amortisation totalled EUR 553m** in the January to March period, a decline of **-9.0% y-o-y**, mainly due to individual assets in PPE reaching the end of their useful life.

The **operating loss** for the first three month of the year improved to EUR -29m versus an operating loss of EUR -94m in the prior year.

<sup>11</sup> 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.

<sup>12</sup> As of 31 March 2020, exceptional effects amounted to EUR -8m including EUR -9m of losses from sale of assets related with the sale of spectrum assets in line with the agreed merger remedies as well as EUR 1m of restructuring income. Exceptional effects as of 31 March 2019, include restructuring expenses amounting to EUR -10m.

<sup>13</sup> Includes other expenses and impairment losses in accordance with IFRS 9 in the amount of EUR 19m in Q1 20 (EUR 18m in Q1 19).

The net financial expenses accounted for EUR -15m in Q1 20 compared to EUR -14m in the same period 2019.

The Company reported no material income tax expenses in the first three month of 2020.

The net loss stood at EUR -44m in the January to March 2020 period, compared to a net loss of EUR -107m in the same period of the prior year.

CapEx<sup>14</sup> in Q1 20 came to EUR 224m with a C/S ratio of 12.1%. The company remained a clear focus on improving customer experience also reflected in the strong network resilience despite major changes in traffic volumes during the COVID-19 related lockdown; mainly a strong increase in fixed & mobile voice volumes and higher fixed data traffic while mobile data traffic trends remained broadly unchanged. The 4G-rollout made steady progress while also preparing for the ramp-up in 5G network rollout.

Operating cash flow (OIBDA minus CapEx<sup>14</sup>) amounted to EUR 300m in Q1 20 (+14.6% y-o-y).

Free cash flow (FCF)<sup>15</sup> was EUR 241m for Q1 20. Lease payments, primarily for leased lines and antenna sites, amounted to EUR -259m. As a result, FCF aL stood at EUR -18m for the reporting period compared to EUR -11m in the prior year.

Working capital movements and adjustments were negative in the amount of EUR -54m in Q1 20. This seasonal development was mainly driven by prepayments for incidental lease costs, low value and short-term leases in connection with leased line and mobile site rental and other prepayments (EUR -33m), a reduction in capex payables (EUR -23m), a decrease in restructuring provisions (EUR -8m) as well as other working capital movements in the amount of EUR 11m. The latter include silent factoring transactions for handset receivables in the gross amount of EUR 252m, which were outweighed by other working capital movements, including a reduction in trade and other payables.

Consolidated net financial debt<sup>16</sup> came to EUR 3,863m as of 31 March 2020 with a leverage ratio of 1.7x<sup>17</sup>, benefitting from the deferral of spectrum payments. Thus, leverage was well below with the company's the 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.

<sup>14</sup> Excluding additions from capitalised right-of-use assets.

<sup>15</sup> 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.

<sup>16</sup> 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.

<sup>17</sup> Leverage ratio is defined as net financial debt divided by the OIBDA for the last twelve months adjusted for exceptional effects.

## APPENDIX – DATA TABLES

### TELEFÓNICA DEUTSCHLAND GROUP

#### ACCESSES

Unaudited

| (in thousands)                    | 2020          | 2019          |               |               |               |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
|                                   | Q1            | Q1            | Q2            | Q3            | Q4            |
| <b>Mobile accesses</b>            | <b>43,647</b> | <b>42,913</b> | <b>43,218</b> | <b>43,607</b> | <b>43,827</b> |
| Prepaid                           | 19,689        | 20,332        | 20,335        | 20,332        | 20,096        |
| Postpaid                          | 22,727        | 21,371        | 21,729        | 22,096        | 22,539        |
| Postpaid (%)                      | 52.1%         | 49.8%         | 50.3%         | 50.7%         | 51.4%         |
| M2M <sup>(1)</sup>                | 1,230         | 1,210         | 1,154         | 1,179         | 1,192         |
| <b>Internet and data accesses</b> | <b>2,325</b>  | <b>2,248</b>  | <b>2,260</b>  | <b>2,290</b>  | <b>2,302</b>  |
| Broadband                         | 2,232         | 2,124         | 2,162         | 2,193         | 2,207         |
| thereof VDSL                      | 1,688         | 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          | Q1          | Q2          | Q3          | Q4          |
| <b>Mobile ARPU (in Euros) <sup>(1)</sup></b>          | <b>9.8</b>  | <b>9.8</b>  | <b>10.0</b> | <b>10.2</b> | <b>10.0</b> |
| Prepaid                                               | 5.9         | 5.7         | 5.9         | 6.2         | 6.1         |
| Postpaid                                              | 13.7        | 14.2        | 14.4        | 14.4        | 14.0        |
| <b>Fixed BB ARPU (in Euros) <sup>(1)</sup></b>        | <b>23.7</b> | <b>23.4</b> | <b>23.4</b> | <b>23.2</b> | <b>23.1</b> |
| Mobile voice traffic (million minutes) <sup>(2)</sup> | 31,138      | 26,017      | 26,747      | 26,460      | 27,801      |
| Mobile data traffic (TB) <sup>(3)</sup>               | 313,949     | 193,007     | 226,753     | 252,522     | 283,266     |
| <b>Mobile churn (%)</b>                               | <b>2.0%</b> | <b>1.9%</b> | <b>1.8%</b> | <b>1.9%</b> | <b>2.0%</b> |
| Postpaid churn (%)                                    | 1.5%        | 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<sup>12</sup> 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.

**TELEFÓNICA DEUTSCHLAND GROUP**
**CONSOLIDATED INCOME STATEMENT & SELECTED CONSOLIDATED FINANCIAL DATA**
*Unaudited*

| (Euros in millions)                                                  | 1 January to 31 March |                |             |                  |
|----------------------------------------------------------------------|-----------------------|----------------|-------------|------------------|
|                                                                      | 2020                  | 2019           | Change      | % Chg            |
| <b>Revenues</b>                                                      | <b>1,846</b>          | <b>1,779</b>   | <b>67</b>   | <b>3.8</b>       |
| <b>Mobile business</b>                                               | <b>1,650</b>          | <b>1,596</b>   | <b>55</b>   | <b>3.4</b>       |
| Mobile service revenues                                              | 1,311                 | 1,281          | 30          | 2.4              |
| Handset revenues                                                     | 339                   | 315            | 24          | 7.7              |
| <b>Fixed business</b>                                                | <b>193</b>            | <b>182</b>     | <b>11</b>   | <b>6.0</b>       |
| <b>Other revenues</b>                                                | <b>3</b>              | <b>1</b>       | <b>2</b>    | <b>&gt;100.0</b> |
| <b>Other income</b>                                                  | <b>25</b>             | <b>31</b>      | <b>(5)</b>  | <b>(17.4)</b>    |
| <b>Operating expenses</b>                                            | <b>(1,348)</b>        | <b>(1,296)</b> | <b>(52)</b> | <b>4.0</b>       |
| Supplies                                                             | (604)                 | (568)          | (36)        | 6.4              |
| Personnel expenses                                                   | (150)                 | (150)          | –           | 0.1              |
| Impairment losses in accordance with IFRS 9                          | (19)                  | (18)           | –           | 2.6              |
| Other expenses                                                       | (574)                 | (560)          | (15)        | 2.6              |
| thereof Group fees                                                   | (8)                   | (8)            | –           | (5.2)            |
| <b>Operating income before depreciation and amortization (OIBDA)</b> | <b>524</b>            | <b>514</b>     | <b>10</b>   | <b>2.0</b>       |
| <i>OIBDA margin</i>                                                  | 28.4%                 | 28.9%          |             | (0.5%-p.)        |
| Exceptional effects <sup>(1)</sup>                                   | (8)                   | (10)           | 2           | (17.3)           |
| <b>OIBDA adjusted for exceptional effects <sup>(1)</sup></b>         | <b>532</b>            | <b>524</b>     | <b>9</b>    | <b>1.6</b>       |
| <i>OIBDA margin adjusted for exceptional effects</i>                 | 28.8%                 | 29.5%          |             | (0.6%-p.)        |
| Depreciation and amortization                                        | (553)                 | (607)          | 54          | (9.0)            |
| <b>Operating income</b>                                              | <b>(29)</b>           | <b>(94)</b>    | <b>65</b>   | <b>(69.1)</b>    |
| <b>Net financial income (expense)</b>                                | <b>(15)</b>           | <b>(14)</b>    | <b>(1)</b>  | <b>8.1</b>       |
| <b>Profit (loss) before tax for the period</b>                       | <b>(44)</b>           | <b>(107)</b>   | <b>64</b>   | <b>(59.2)</b>    |
| Income tax                                                           | –                     | –              | –           | (100.0)          |
| <b>Total profit for the period</b>                                   | <b>(44)</b>           | <b>(107)</b>   | <b>64</b>   | <b>(59.2)</b>    |
| Number of shares in millions as of end of period date                | 2,975                 | 2,975          | –           | –                |
| Basic earnings per share (in euros) <sup>(2)</sup>                   | (0.01)                | (0.04)         | –           | (59.2)           |
| <b>CapEx <sup>(3)</sup></b>                                          | <b>(224)</b>          | <b>(252)</b>   | <b>28</b>   | <b>(11.1)</b>    |
| <b>CapEx/Sales ratio</b>                                             | <b>12.1%</b>          | <b>14.2%</b>   |             | <b>(2.0%-p.)</b> |
| Operating cash flow (OIBDA-CapEx)                                    | 300                   | 262            | 38          | 14.6             |
| <b>Free cash flow</b>                                                | <b>241</b>            | <b>247</b>     | <b>(6)</b>  | <b>(2.4)</b>     |

(1) Exceptional effects as of 31 March 2020 include losses from sale of assets related with the sale of spectrum assets in line with the agreed merger remedies amounting to EUR 9 million as well as restructuring income amounting to EUR 1 million. Exceptional effects as of 31 March 2019 include restructuring expenses amounting to EUR 10 million.

(2) 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.

(3) Excluding additions from business combinations and from capitalised finance leases.

TELEFÓNICA DEUTSCHLAND GROUP  
RECONCILIATION OF FREE CASH FLOW

Unaudited

| (Euros in millions)                                      | 2020        | 2019       |              |              |              |
|----------------------------------------------------------|-------------|------------|--------------|--------------|--------------|
|                                                          | Jan - Mar   | Jan - Mar  | Jan - June   | Jan - Sept   | Jan - Dec    |
| <b>OIBDA</b>                                             | <b>524</b>  | <b>514</b> | <b>1,084</b> | <b>1,672</b> | <b>2,292</b> |
| - CapEX <sup>(1)</sup>                                   | (224)       | (252)      | (496)        | (782)        | (1,044)      |
| <b>= Operating Cashflow (OIBDA-CapEx) <sup>(1)</sup></b> | <b>300</b>  | <b>262</b> | <b>588</b>   | <b>890</b>   | <b>1,248</b> |
| +/- Other non-cash income / expenses                     | -           | -          | -            | -            | -            |
| <b>+/- Change in working capital</b>                     | <b>(54)</b> | <b>20</b>  | <b>(228)</b> | <b>(210)</b> | <b>(148)</b> |
| +/- (Gains) losses from sale of assets                   | 9           | -          | -            | -            | (1)          |
| +/- Proceeds from sale of companies                      | 5           | -          | -            | -            | -            |
| +/- Proceeds from sale of fixed assets and other effects | -           | -          | 1            | -            | 3            |
| + Net interest payments                                  | (19)        | (21)       | (26)         | (42)         | (49)         |
| + Taxes paid                                             | -           | -          | -            | -            | -            |
| +/- Proceeds / Payments on financial assets              | 1           | (13)       | (12)         | (5)          | (21)         |
| + Acquisition of companies net of cash acquired          | (1)         | -          | -            | -            | (9)          |
| <b>= Free cash flow</b>                                  | <b>241</b>  | <b>247</b> | <b>322</b>   | <b>633</b>   | <b>1,023</b> |

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

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

TELEFÓNICA DEUTSCHLAND GROUP  
DIVIDEND POLICY

Unaudited

| (Euros in millions)                          | 2020        | 2019        |            |            |              |
|----------------------------------------------|-------------|-------------|------------|------------|--------------|
|                                              | Jan - Mar   | Jan - Mar   | Jan - June | Jan - Sept | Jan - Dec    |
| <b>Free cash flow</b>                        | <b>241</b>  | <b>247</b>  | <b>322</b> | <b>633</b> | <b>1,023</b> |
| - Lease payments                             | (259)       | (259)       | (327)      | (406)      | (484)        |
| <b>= Free cash flow after lease payments</b> | <b>(18)</b> | <b>(11)</b> | <b>(5)</b> | <b>227</b> | <b>539</b>   |

TELEFÓNICA DEUTSCHLAND GROUP  
CONSOLIDATED NET FINANCIAL DEBT EVOLUTION

*Unaudited*

|                                                      | As of 31 March | As of 31 December |                    |
|------------------------------------------------------|----------------|-------------------|--------------------|
| (Euros in millions)                                  | 2020           | 2019              | Change %           |
| <b>A Liquidity</b>                                   | <b>654</b>     | <b>781</b>        | <b>(16.3)</b>      |
| <b>B Current financial assets <sup>(1)</sup></b>     | <b>158</b>     | <b>211</b>        | <b>(24.8)</b>      |
| <b>C Current financial debt <sup>(2)</sup></b>       | <b>1,202</b>   | <b>801</b>        | <b>50.2</b>        |
| <b>D=C-A-B Current net financial debt</b>            | <b>390</b>     | <b>(191)</b>      | <b>(&gt;100,0)</b> |
| <b>E Non-current financial assets <sup>(1)</sup></b> | <b>80</b>      | <b>129</b>        | <b>(37.6)</b>      |
| <b>F Non-current financial debt <sup>(2)</sup></b>   | <b>3,554</b>   | <b>4,180</b>      | <b>(15.0)</b>      |
| <b>G=F-E Non-current net financial debt</b>          | <b>3,473</b>   | <b>4,051</b>      | <b>(14.3)</b>      |
| <b>H=D+G Net financial debt <sup>(3)</sup></b>       | <b>3,863</b>   | <b>3,860</b>      | <b>0.1</b>         |

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

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

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

Note:

Handset receivables are presented in trade and other receivables on the Consolidated Statement of Financial Position.

**Further information**

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