Telefónica Deutschland

Preliminary results Q2/H1 2020

29 July 2020

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Driving intact business dynamics despite COVID-19

H1 20

GROWTH & PROFITABILITY

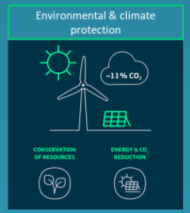
+2.0% +3.8%[1]	-1.9% +2.4%[1,2]	13.1%
REVENUE y-o-y	OIBDA[2] y-o-y	CAPEX/SALES

CUSTOMER EXPERIENCE & DIGITALISATION

+347k	14.3%	Stable
Postpaid net adds (ex 116k M2M)	Own brand annualised churn rate at historic low	Own brand postpaid ARPU (ex roaming) y-o-y

FOUNDATION

- Resilient network coping well with COVID-19 driven traffic increase
- Steady progress with LTE rollout – on track to achieve FY20 coverage target
- ESG – accelerated ambition to be 'climate neutral' latest by 2030



[1] Excl. combined COVID-19 impacts and other non-recurrent special factors.
[2] Adjusted for exceptional effects.

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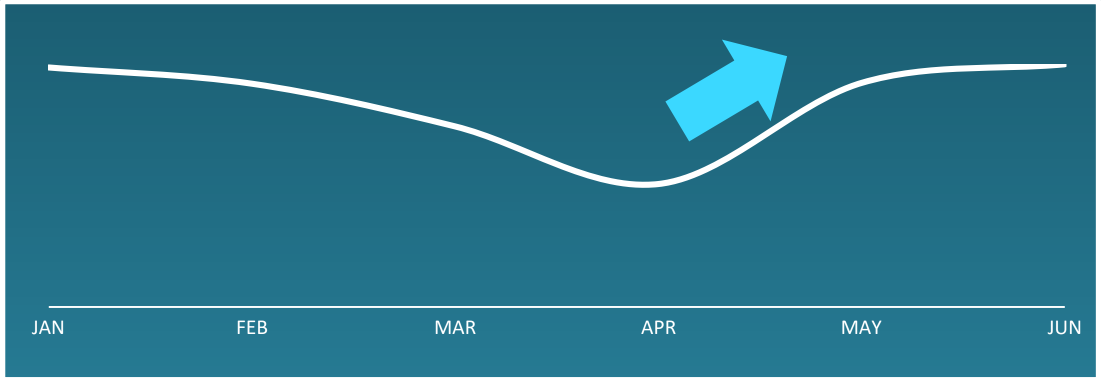
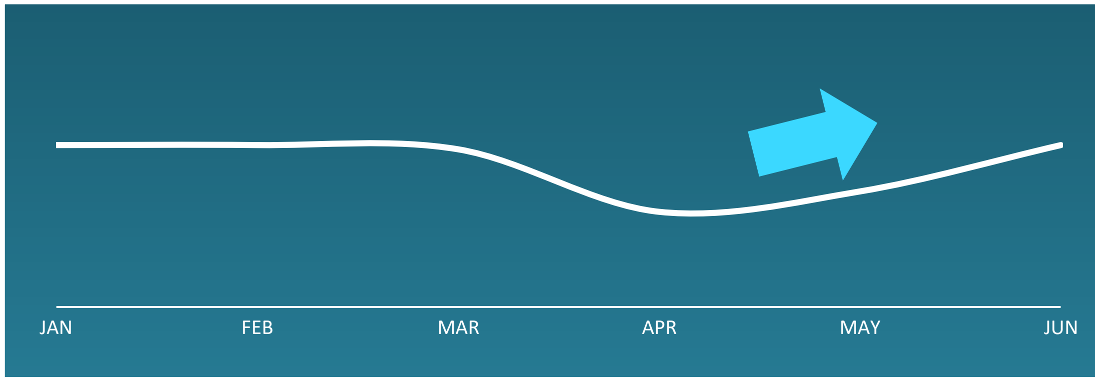
Seeing encouraging signs of operational recovery with phased easing of COVID-19 restrictions

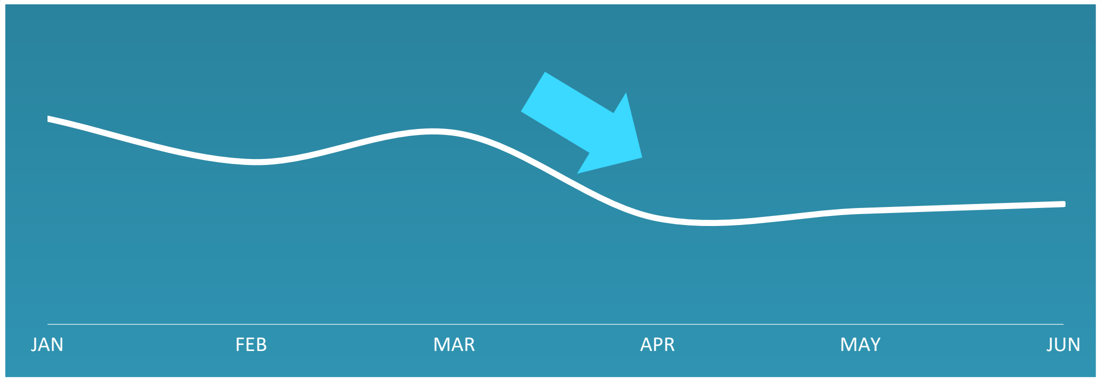
O_2 gross adds – recovery to pre COVID-19 level



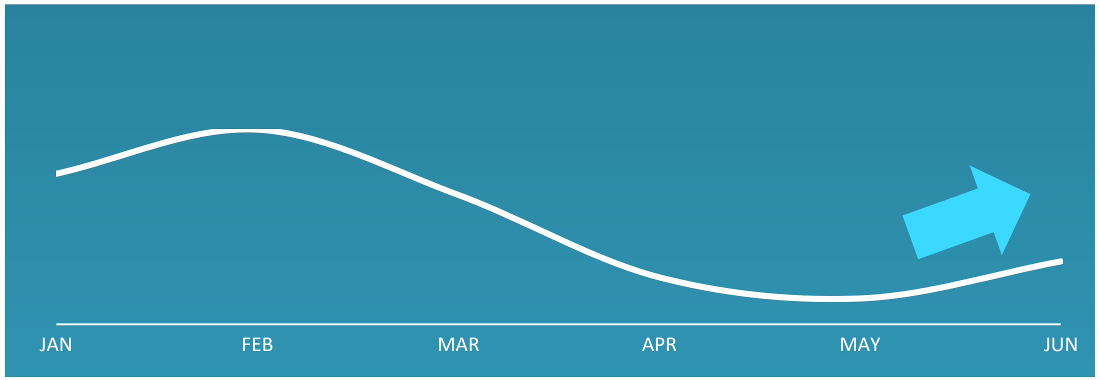
Prepaid top up bookings – fully recovered



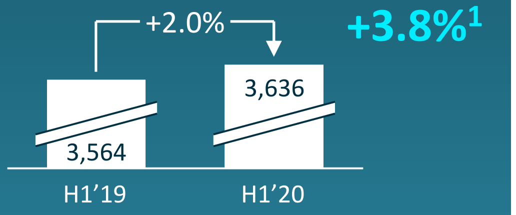
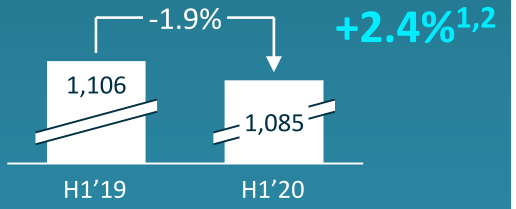
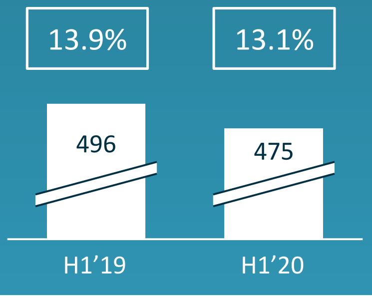
O_2 churners – reduced to lower levels



Roaming revenue – initial signs of gradual recovery



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

	Outlook FY20	Mid-term guidance 2020/22	H1 20
Revenue	**Flat to slightly positive** (incl. reg. impacts of ~EUR 20-30m)	**TEF D with cumulated growth of min. 5%**	
OIBDA[2]	**Broadly stable to slightly positive** (incl. reg. impacts of less than ~EUR 10m)	**Ongoing margin improvement**	
C/S	**< 17-18%**	**2-year investment programme to generate growth with C/S (incl. 5G RAN) of < 17-18% in 2020, peaking b/w 17-18% in 2021 & normalising in 2022**	

[1] Excl. combined COVID-19 impacts and other non-recurrent special factors.
[2] Adjusted for exceptional effects.

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Crystallising value - largest MNO-led rooftop transaction in Europe

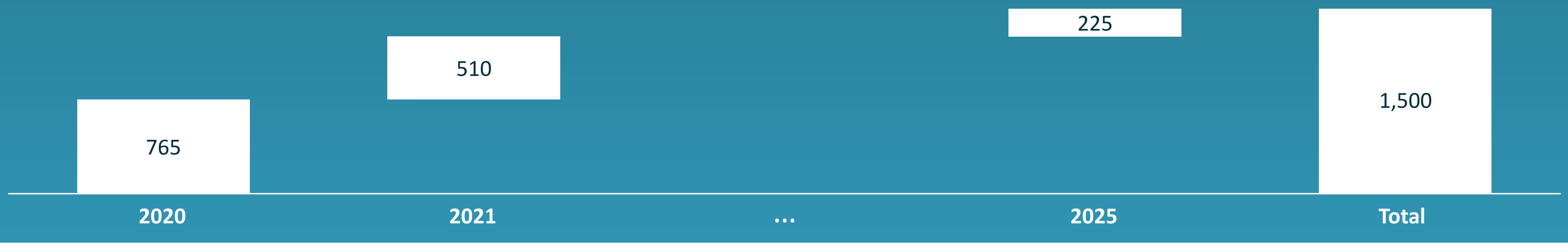
Deal rational

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

Deal structure

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

Deal proceeds in 3 tranches (EUR m)



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

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

2019

Ericsson for 5G core

>90% pop coverage

100% household coverage in Berlin, Hamburg, Bremen

97% household coverage in NRW

40% of FY20 LTE target achieved

FY20 coverage target of 7.6k LTE sites

5G in top 5 cities

2020

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Reiterating key priorities of strategic plan for the ‘new 20s’

- Accelerating growth trajectory
- Boost rural coverage, accelerate urban capacity
- Smart bundling to improve loyalty
- Technology-agnostic internet solutions;
  FMS to improve profitability
- Leverage B2B strategy to gain fair market share in SME

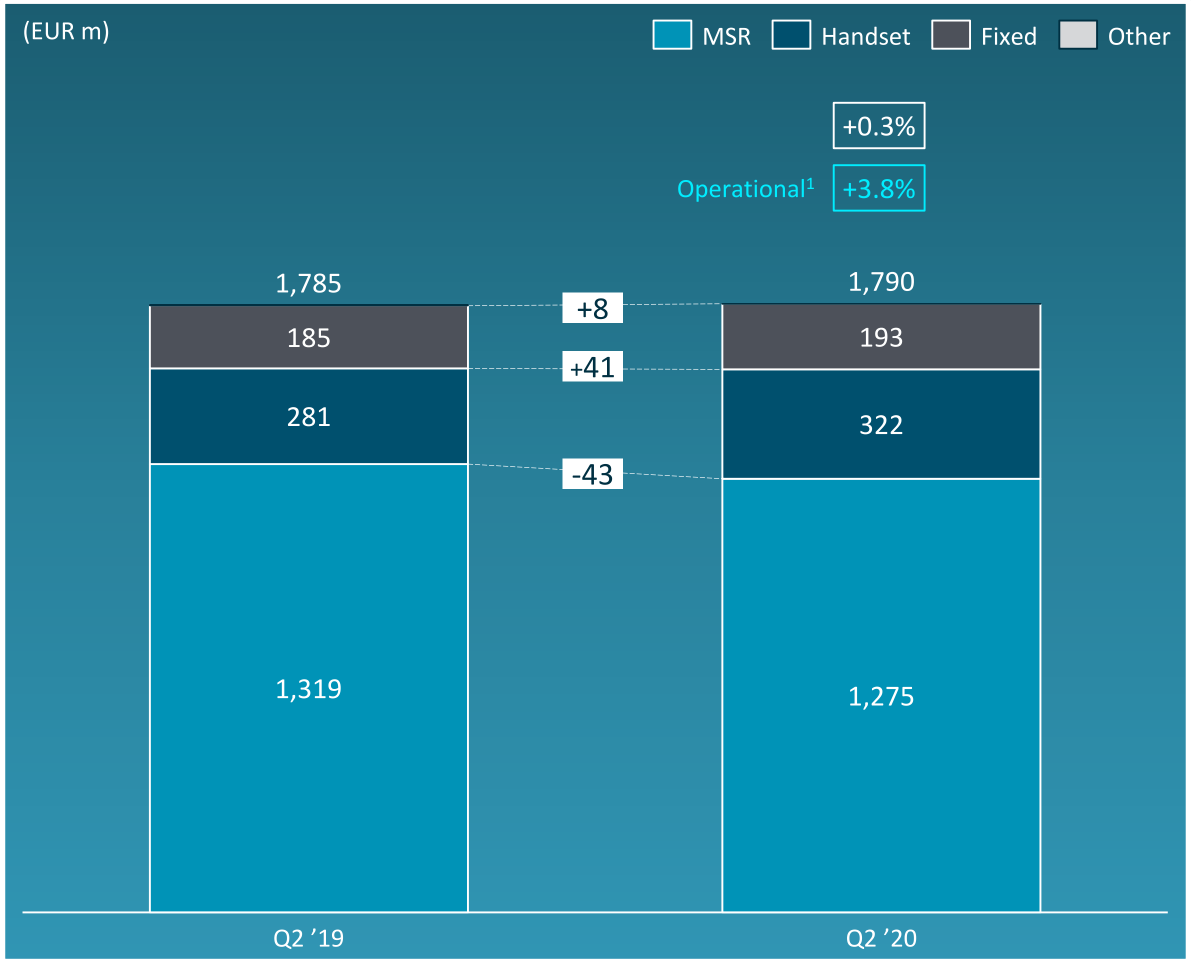
Commitment to deliver attractive shareholder remuneration

Financial update

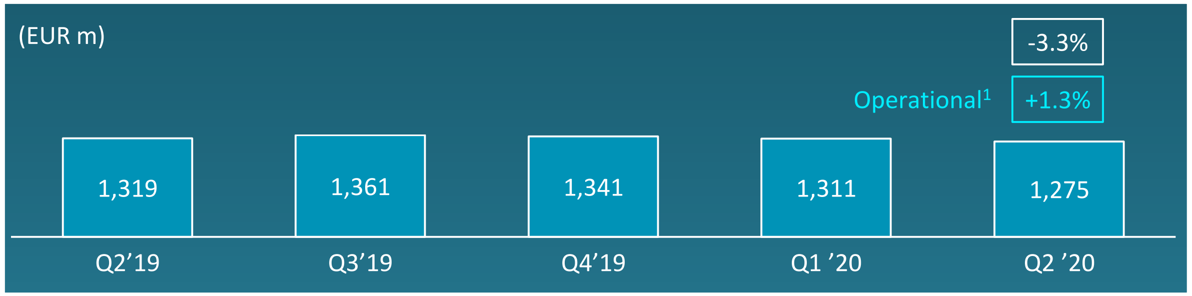
Markus Rolle
CFO
Markus Rolle

Revenue – operational trends intact

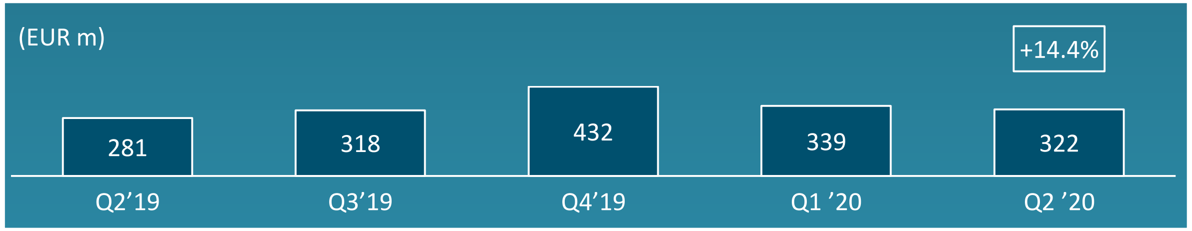
Revenue slightly up despite reduced roaming contribution



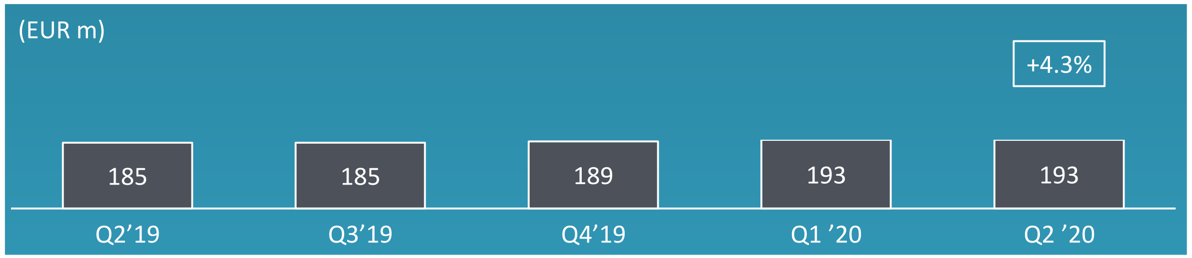
Operational MSR trend intact despite tougher comps



Continued demand for high-value devices



Fixed revenue growth driven by improved customer mix



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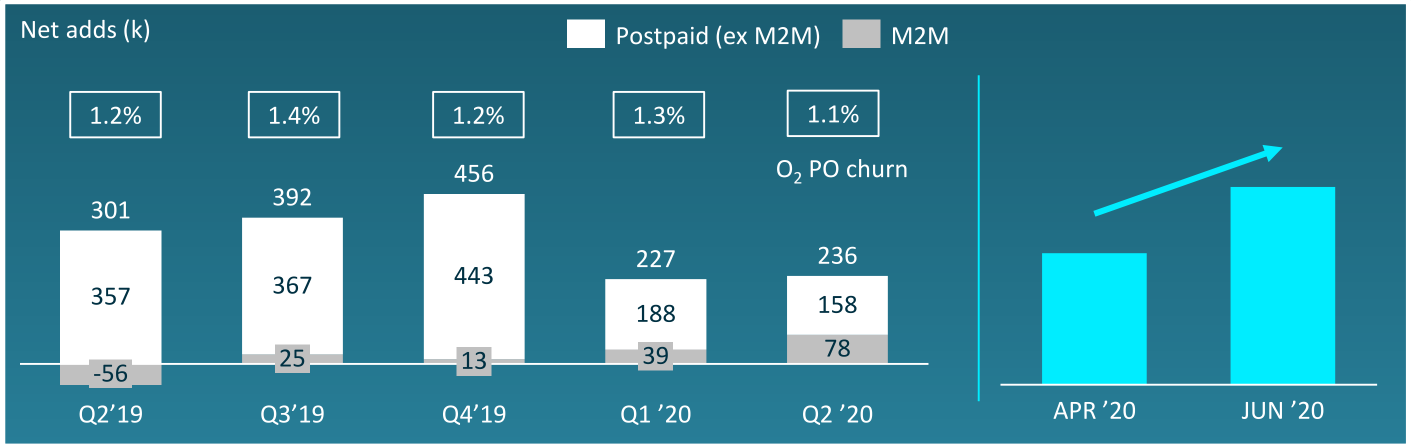
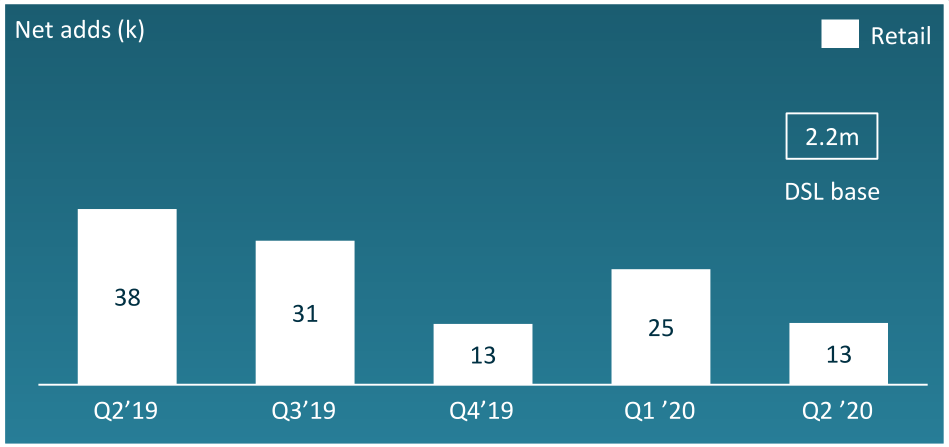
[1] Excl. combined COVID-19 impacts and other non-recurrent special factors

Gradual trading recovery & early signs of ARPU rebound post lockdown

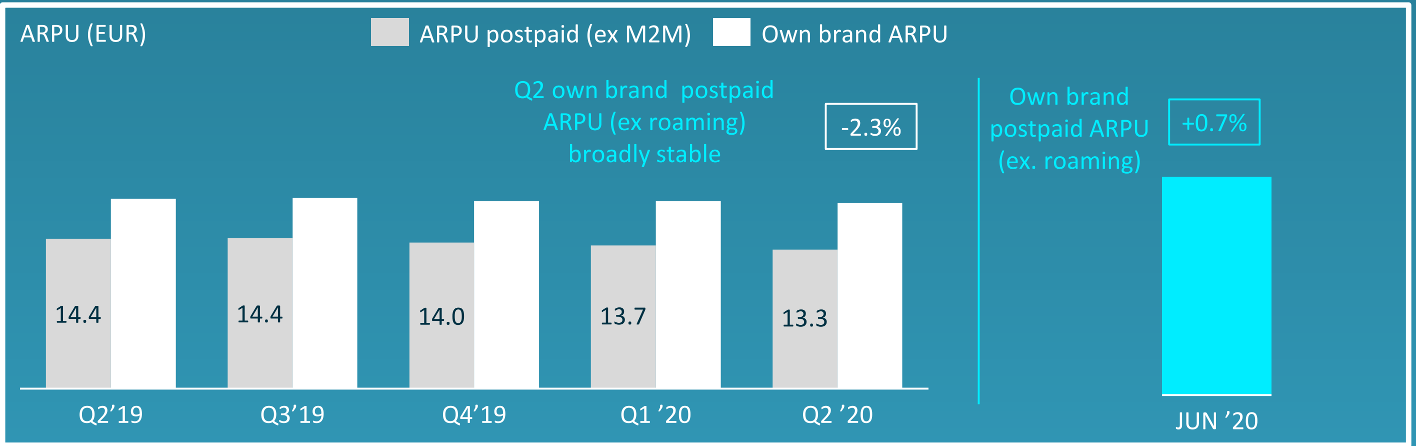
Focus in mobile on profitable growth



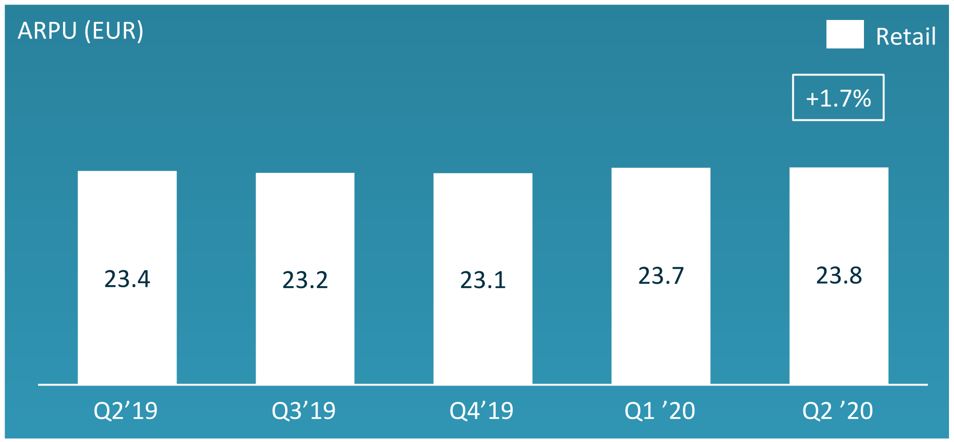
Sustained demand for VDSL drives growth



O_2 Free partly offsets reduced roaming contribution to ARPU

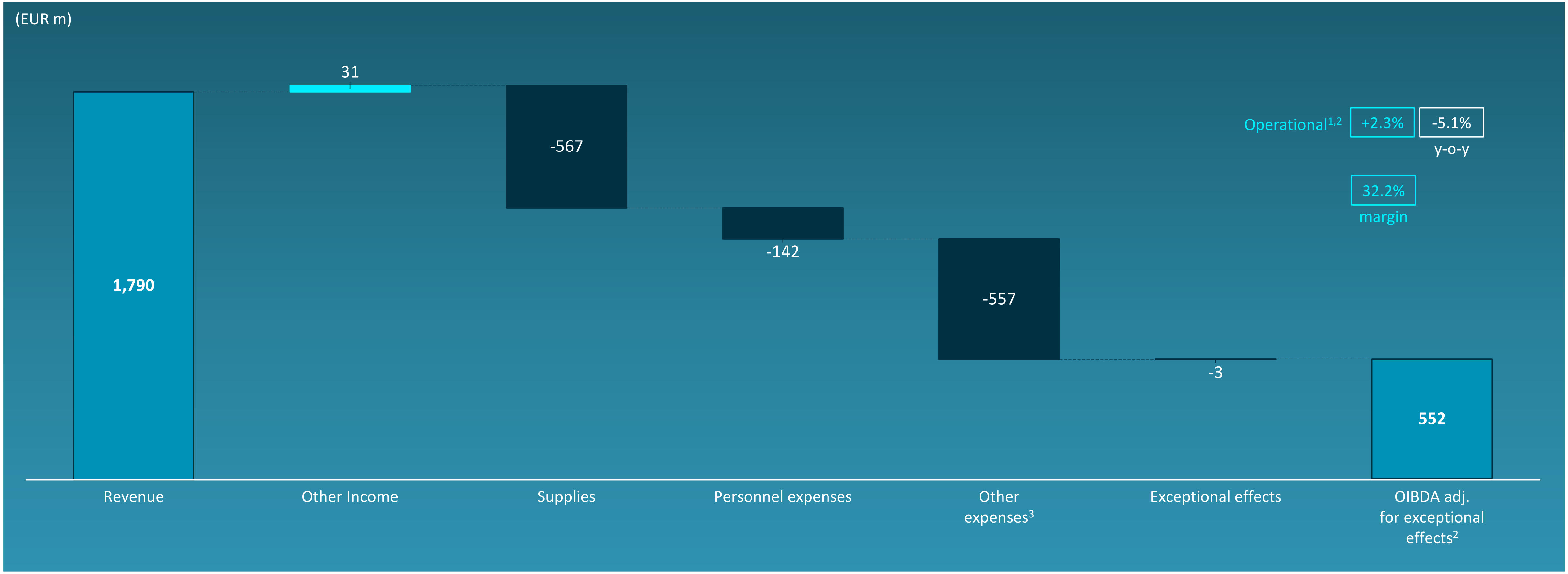


Fixed ARPU reflects higher VDSL share



Operational OIBDA[1,2] continues to grow in Q2 20

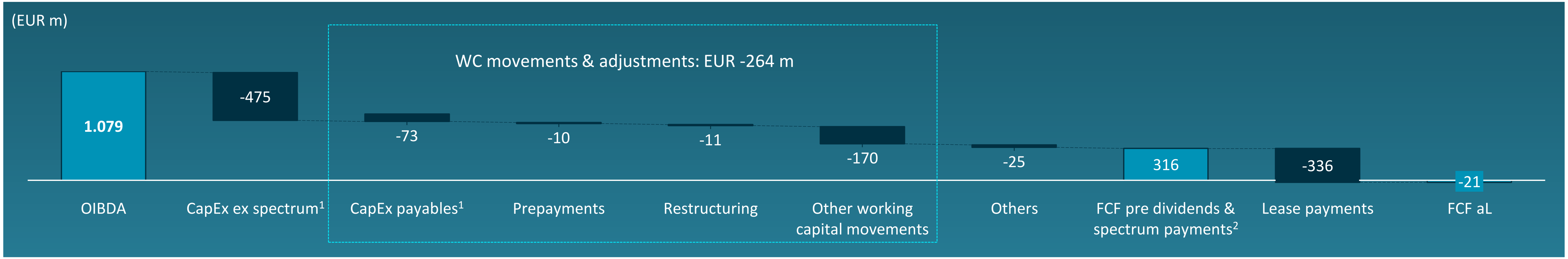
Revenue impacted by special factors with flow-through to OIBDA



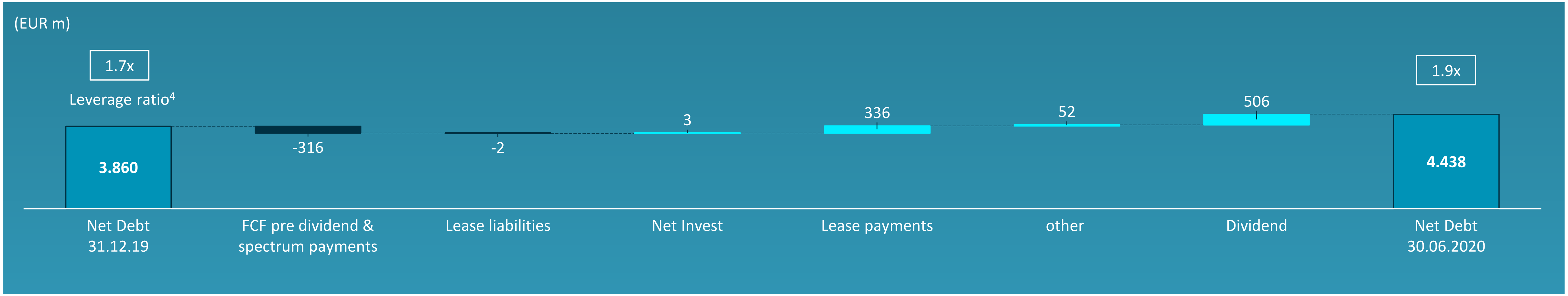
[1] Excl. combined COVID-19 impacts and other non-recurrent special factors
[2] Adjusted for exceptional effects
[3] Includes exceptional effects, Group fees and impairment losses in accordance with IFRS 9

Free Cash Flow dynamics reflect usual seasonal movements

Evolution of H1 20 FCF



Net debt[3] – leverage well in-line with target



[1] Excluding additions from capitalised right-of-use assets and investments in spectrum
[2] FCF pre dividends & spectrum payments is defined as the sum of cash flow from operating activities & cash flow from investing activities
[3] Net financial debt includes current and non-current interest-bearing financial assets and interest-bearing liabilities as well as cash and cash equivalents and excludes payables for spectrum
[4] Leverage ratio is defined as net financial debt divided by the OIBDA for the last twelve months adjusted for exceptional effects

Key take-aways

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

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

OIBDA reflects special factors – operationally intact

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

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

Telefónica Deutschland - Management Q&A

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Any further questions? Please reach out to us!

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