Investor presentation Telefónica Deutschland

Telefónica Deutschland, Investor Relations
Q3 2018
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The Telefónica Deutschland Equity Story: Becoming the Mobile Customer & Digital Champion

Germany
An attractive and dynamic telecoms market

Excellent macro
Data & device explosion
Dynamic but rational market

An established player
Leveraging economies of scale

Largest owned customer base
Multi-brand
Multi-channel
ADA & IoT as opportunities

Operational excellence
Digital transformation drives growth

Largest & most modern network
Excellent integration track record
Digital4Growth: SIMPLER FASTER BETTER

Value proposition
Attractive shareholder return on strong fundamentals

Strong FCF trajectory
High payout ratio to FCF
Conservative financial profile

New Business, Business & Partnering

1 Excluding regulatory effects
Strategic priorities of Telefónica Deutschland

We have strong foundations:
Integration success, customer base, outstanding connectivity & lean organisation

We will become Germany’s Mobile Customer and Digital Champion by focussing on CEX & digitalisation

We will generate Superior Shareholder Return including a strong dividend commitment

Strong foundations:
Systems Technology
Network Technology

Mobile Customer and Digital Champion
Big Data & Artificial Intelligence
Products & services

 Superior Shareholder Return
Growth & Value
The German market thesis

Environment
Largest 4 to 3 merger in Europe, rational and dynamic market; mobile data usage increase and IoT drive market opportunity with focus on retention and fair market share

Data & sensors
Device & sensor opportunity: Consumer will mainly buy IoT from an existing relationship

Convergence
Soft convergence: Limited consumer demand for quadruple play due to large FTA offering; wholesale access to incumbent broadband network

New regulatory environment
Europe needs a common regulatory framework on spectrum, as well as deregulation and a consistent framework for OTT & net neutrality to encourage investments

1 FocusEconomics Consensus Forecast Euro Area (2017)
The data & device opportunity:
Expecting explosive growth

MARKET TRENDS – German market with significant further growth potential

Mobile data usage in Europe¹

<table>
<thead>
<tr>
<th>Country</th>
<th>GB per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>10.95</td>
</tr>
<tr>
<td>Austria</td>
<td>6.28</td>
</tr>
<tr>
<td>Sweden</td>
<td>4.38</td>
</tr>
<tr>
<td>Poland</td>
<td>3.55</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2.71</td>
</tr>
<tr>
<td>Turkey</td>
<td>2.71</td>
</tr>
<tr>
<td>UK</td>
<td>1.84</td>
</tr>
<tr>
<td>France</td>
<td>1.62</td>
</tr>
<tr>
<td>Germany</td>
<td>1.21</td>
</tr>
</tbody>
</table>

Mobile data traffic in Germany²

Annual volume of mobile data traffic in million GB

CAGR 2016-20

+40%

3,580

ADA and IoT growth opportunity³

More than EUR 700 million
Smart Media market in Germany by 2020

More than EUR 5.5 billion
Digital Advertising spend in Germany by 2021

Explosive growth of data and connected things

More than 500 million devices in Germany by 2022

More than 6 devices connected per person by 2020


Competitive environment Germany

Rational and balanced market structure

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

Market development in past years

Mobile market: Service revenues
EUR bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Service Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>18.5</td>
</tr>
<tr>
<td>2016</td>
<td>18.7</td>
</tr>
<tr>
<td>2017</td>
<td>18.8</td>
</tr>
</tbody>
</table>

Fixed market: Service revenues
EUR bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Service Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>27.2</td>
</tr>
<tr>
<td>2016</td>
<td>27.2</td>
</tr>
<tr>
<td>2017</td>
<td>27.1</td>
</tr>
</tbody>
</table>

1 Market share of MSR based on reported financials by MNOs for Q2 2018

2 Mobile service revenues (external revenues) excl. hardware revenues; Source: Bundesnetzagentur (German national regulator) "Jahresbericht 2017" as of May 2018

3 Fixed service revenues (external revenues) in telecommunications and hybrid fixed coax (HFC) networks excl. hardware revenues; Source: Bundesnetzagentur (German national regulator) "Jahresbericht 2017" as of May 2018
The new Telefónica Deutschland: Largest and fastest mobile merger in the West

- OIBDA growth in 3 years: >25%
- Organisation harmonised in 3 years: ~1,600 FTE
- Shop reduction in 3 years: 600
- Customers migrated to one IT stack in 2016: >25
- Network sites to be consolidated by 2019: >14k
- First 3G unlimited: O₂
- First 4G big bucket portfolio: Free

>9,000 Employees

2 companies in 3 years
Core asset: Largest owned customer base of ~35 million

> 80% owned customers

1 Not exhaustive
Future-proof portfolios across all segments

- **BUSINESS**
  - O₂ Free Business/Unite
  - O₂ All-IP/VPN
  - Service Provider & MVNO
  - Reseller & Ethnic
    - **ALDI TALK**

- **CONSUMER**
  - Premium
  - Non-Premium

**MARKET SHARE**

**ARPU**

**CHURN**

---

Not exhaustive
## Operational and financial trends solid

### REVENUE

<table>
<thead>
<tr>
<th>Period</th>
<th>Revenue ex. reg. y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '17</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Q2 '17</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Q3 '17</td>
<td>+1.6%</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>+0.1%</td>
</tr>
<tr>
<td>Q1 '18 (IFRS 15)</td>
<td>+0.4%</td>
</tr>
<tr>
<td>Q2 '18 (IFRS 15)</td>
<td>+0.1%</td>
</tr>
<tr>
<td>Q3 '18 (IFRS 15)</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Q3 '18 (IAS 18)</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

*Excluding the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018.*

### MSR

<table>
<thead>
<tr>
<th>Period</th>
<th>MSR ex. reg. y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '17</td>
<td>-0.6%</td>
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<tr>
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<td>-0.4%</td>
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<tr>
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<tr>
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</tr>
<tr>
<td>Q3 '18 (IAS 18)</td>
<td>+3.8%</td>
</tr>
</tbody>
</table>

*Adjusted for exceptional effects, excl. the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018. For details please refer to additional materials of the Q3 2018 results release.*

### OIBDA

<table>
<thead>
<tr>
<th>Period</th>
<th>OIBDA ex. reg. y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '17</td>
<td>+3.8%</td>
</tr>
<tr>
<td>Q2 '17</td>
<td>+6.5%</td>
</tr>
<tr>
<td>Q3 '17</td>
<td>+8.2%</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>+3.4%</td>
</tr>
<tr>
<td>Q1 '18 (IFRS 15)</td>
<td>+5.4%</td>
</tr>
<tr>
<td>Q2 '18 (IFRS 15)</td>
<td>+6.8%</td>
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*Excluding the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018.*

### Capex

<table>
<thead>
<tr>
<th>Period</th>
<th>Capex y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '17</td>
<td>-4.5%</td>
</tr>
<tr>
<td>Q2 '17</td>
<td>+6.9%</td>
</tr>
<tr>
<td>Q3 '17</td>
<td>-19.2%</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>-26.7%</td>
</tr>
<tr>
<td>Q1 '18 (IFRS 15)</td>
<td>-5.6%</td>
</tr>
<tr>
<td>Q2 '18 (IFRS 15)</td>
<td>+0.7%</td>
</tr>
<tr>
<td>Q3 '18 (IFRS 15)</td>
<td>+24.5%</td>
</tr>
</tbody>
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*Excluding the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018.*

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1 Excluding the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018.

2 Adjusted for exceptional effects, excl. the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018. For details please refer to additional materials of the Q3 2018 results release.
Building the Mobile Customer & Digital Champion; focus on customer experience

- ~75% O₂ Free M and above
- ARPU ~25% Boost

- COMEBACK OF THE YEAR
  - German Market

- GOOD
  - Service Hotline
  - Network Operators

- WINNER
  - Smartphone Banking
  - Mobile Apps

- PRICE VALUE WINNER
  - Fixed Net
  - German Market

- VERY GOOD
  - Service Apps
  - Network Operators

- GOOD
  - Tariff Check
  - Network Operators

- MAR
- JUN
- SEP

price-value “good”
O₂ Free, my All in One & DSL portfolio

### 2018 O₂ Free

<table>
<thead>
<tr>
<th>L</th>
<th>S</th>
<th>M</th>
<th>Unlimited</th>
<th>10 GB</th>
<th>30 GB</th>
<th>60 GB</th>
<th>20 GB</th>
<th>2 GB</th>
</tr>
</thead>
<tbody>
<tr>
<td>O₂ Unlimited</td>
<td>39€/m</td>
<td>59€/m</td>
<td>99€/m</td>
<td>249€/m</td>
<td>499€/m</td>
<td>599€/m</td>
<td>499€/m</td>
<td>299€/m</td>
</tr>
</tbody>
</table>

### 2018 O₂ Free connect + boost

<table>
<thead>
<tr>
<th>L</th>
<th>S</th>
<th>M</th>
<th>Unlimited</th>
<th>10 GB</th>
<th>30 GB</th>
<th>60 GB</th>
<th>20 GB</th>
<th>2 GB</th>
</tr>
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<td>249€/m</td>
<td>499€/m</td>
<td>599€/m</td>
<td>499€/m</td>
<td>299€/m</td>
</tr>
</tbody>
</table>

### 2018 O₂ my All in One

<table>
<thead>
<tr>
<th>L</th>
<th>S</th>
<th>M</th>
<th>Unlimited</th>
<th>10 GB</th>
<th>30 GB</th>
<th>60 GB</th>
<th>20 GB</th>
<th>2 GB</th>
</tr>
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<td>249€/m</td>
<td>499€/m</td>
<td>599€/m</td>
<td>499€/m</td>
<td>299€/m</td>
</tr>
</tbody>
</table>

- S/M/L tariffs with connect feature
- Including up to 9 SIMs for devices
Data KPIs remain strong; fuelled by large data buckets in the updated O₂ Free portfolio

- Traffic (TB/Q)
  - Data growing steadily
    - Q3'17: 111
    - Q4'17: 122
    - Q1'18: 126
    - Q2'18: 152
    - Q3'18: 165
  - +49%

- LTE customers (in million)
  - LTE customer base still increasing
    - Q3'17: 15.7
    - Q4'17: 15.8
    - Q1'18: 16.1
    - Q2'18: 16.6
    - Q3'18: 17.2
  - +9%

- Average data usage for O₂ LTE customers (GB/month)
  - Large data buckets fuelling usage growth
    - Q3'17: 2.4
    - Q4'17: 2.8
    - Q1'18: 2.8
    - Q2'18: 3.4
    - Q3'18: 3.9
  - +65%

- O₂ Free M tariff
  - ≥6

- Q4'17: 2.8
- Q1'18: 2.8
- Q2'18: 3.4
- Q3'18: 3.9
  - +59%

- • Music & video streaming driving steady data growth of almost 50% y-o-y
- • Continued demand for LTE; access base up 9% y-o-y to 17.2 million LTE customers
- • Average usage of O₂ LTE customers grows >15% q-o-q
- • O₂ Free customers use more than 6GB of data
We are pushing ahead with the final phase of network consolidation ...

- Approximately 85% consolidated
- Approximately 12,000 sites dismantled
- Approximately 5,000 to 15,000 additional LTE sites/elements on air YTD
- Approximately 94% combined mobile broadband coverage

20 years network anniversary

~85% LTE coverage

~5k/~15k additional LTE sites/elements on air YTD
... and ensuring 5G readiness for the future

**MBH fibre cooperations**

Partnering with Deutsche Telekom Vodafone NGN others to meet our 2022 targets

**Fixed Wireless Access**

Piloting end-to-end solution for Fixed-Wireless-Access with Samsung in Hamburg

**Mobile Pact: Declaration of Intent**

Investment-friendly cooperation drives nationwide coverage

Preliminary results of ~3Gbps show promising utilisation of 26GHz & 28GHz bands
Future-proof spectrum setup to enable best customer experience

**Balanced coverage position**

<table>
<thead>
<tr>
<th></th>
<th>5G</th>
<th>4G</th>
<th>4G</th>
<th>4G</th>
<th>5G</th>
<th>4G</th>
<th>5G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential future utilisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilisation today</td>
<td>4G</td>
<td>2G</td>
<td>2G</td>
<td>3G</td>
<td>4G</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Leadership in capacity spectrum**

<table>
<thead>
<tr>
<th>Frequencies</th>
<th>700 MHz</th>
<th>800 MHz</th>
<th>900 MHz</th>
<th>1,800 MHz</th>
<th>2,100 MHz</th>
<th>2,600 MHz</th>
<th>3,500 MHz</th>
</tr>
</thead>
</table>

- **Telefónica Deutschland**
  - 700 MHz: 2x10
  - 800 MHz: 2x10
  - 900 MHz: 2x10

- **Vodafone**
  - 700 MHz: 2x10
  - 800 MHz: 2x10
  - 900 MHz: 2x10

- **Deutsche Telekom**
  - 700 MHz: 2x10
  - 800 MHz: 2x10
  - 900 MHz: 2x15

Public – Nicht vertraulich
Need for balanced economic framework conditions

**BNetzA draft auction conditions**

- Reserve price (all blocks) EUR 1.1bn
- No National Roaming
- No Service provider obligation
- 98% HH covered w/ 100Mbps by 2022e
- Railways and main highways covered w/ 50Mbps by 2022e

**Our demands**

- Auction design: low entry bids and low bid increments
- No access obligation to enable economically viable investments
- Fair payment conditions in line with spectrum availability
- Feasible obligations: long wave for coverage & short wave for capacity
- No regional spectrum risk of fragmented 5G networks
Fixed infrastructure model to complement our mobile network for best high-speed experience

**Fixed**

- Access to best available fixed NGA network
- Fixed: Access to >31 million VDSL households
- Full convergence capabilities

**Mobile fibre backhaul**

- Fiber backhaul plan as a key enabler for 5G
- Target: >90% fibre in sub-/urban areas
- Target: >25% fibre in rural areas
- Differentiated sourcing model

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NGA coverage targets (% of covered households)

- Nationwide access to DT NGA network
- DT is currently upgrading larger cities to VDSL vectoring and 100 Mbps
- In H2 2018, introduction of Super Vectoring with download speed of up to 250 Mbps. Available in >30% of households until 2018 YE

NGA: Next Generation Access including VDSL, Vectoring and future FTTX deployments
MBA MVNO contract economics: Four levers for revenue growth

EU-approved capacity glide path

- Data traffic since FY2015: >130%
- Exponential data growth
- Capacity upgrade up to 30%
- Price tiering based on speed
- Price tiering based on technology

Commitment utilised capacity

<table>
<thead>
<tr>
<th>Year</th>
<th>DATA</th>
<th>VOICE</th>
<th>SMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>2020</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>

1 Telefónica Deutschland mobile network traffic
Market dynamic yet rational across segments; solid partner trading

- Market segmentation remains intact with dynamic yet rational competitive environment also in discount segment; maintaining our focus on fair market share
- Partner momentum solid; partner gross add share reflects focus on 4G offer and strong retail momentum in Q3
- Continue to see partner revenue growing q-o-q and y-o-y on the back of data growth; in line with expectations
Transformation programme *Digital4Growth, 2019-22*

**Digital4Growth**

**Total case:**
- OIBDA benefit by 2022
- ~EUR 600m

<table>
<thead>
<tr>
<th>SIMPLER</th>
<th>FASTER</th>
<th>BETTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omnichannel</td>
<td>Reduced complexity</td>
<td>ADA &amp; IoT</td>
</tr>
<tr>
<td>Refreshed IT architecture</td>
<td>Digital speed &amp; processes</td>
<td>Care of the future</td>
</tr>
<tr>
<td></td>
<td>Smart growth</td>
<td>Shop strategy</td>
</tr>
</tbody>
</table>

**~25%**

**~35%**

**~40%**

Growth-centric case:
>60% gross margin gains

Building on the efficiency gains of the integration
Digital4Growth targets

SIMPLER

- O₂ app penetration: >80% (vs. 20% 2017)
- Tariff detox: ~40%
- Total IT spend/subscriber: ~15%
- Postpaid churn: -2% pts

FASTER

- Lead time product changes: Within hours
- Manual back-office interventions: -80%
- Sales in self-assisted channels: >25% (vs. 15% 2017)
- Gross adds market share in SME: ~30%

BETTER

- Connected devices/customer: #4 (vs. #1.5 2017)
- Share of eCare events: ~80% (vs. 65% 2017)
- Shop reduction: >10%
- IoT revenue upside: ~EUR 200-300m cumulative
Financial expectations

Updated outlook¹ FY2018

- Revenue: Broadly stable yoy excluding a regulatory drag of EUR 30-50m
- OIBDA: Slightly positive yoy excluding a regulatory drag of EUR 40-60m
- Capex/Sales: Approx. 12-13%
- Dividend: Growth over 3 years (2016-2018)

Transformation case

- ~EUR 600m positive gross OIBDA effect by 2022
- Growth-centric case

Mid-term expectations¹

- Revenue growing in line with German market, capturing market share in IoT
- Ongoing margin improvement
- Keeping Capex stable
- Dividend: High payout ratio to FCF

¹ Telefónica: The effects from the implementation of IFRS15 as of 1 January 2018 and IFRS16 as of 1 January 2019 are not reflected in the financial outlook. More information will be provided with the quarterly reporting during the period.
## Full-year 2018 outlook\(^1\)

<table>
<thead>
<tr>
<th></th>
<th>Actual 2017</th>
<th>Outlook 2018</th>
<th>9M 2018</th>
<th>Updated Outlook 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>EUR 7,296 million</td>
<td>Broadly stable y-o-y</td>
<td><strong>EUR 5,376 / -0.3% y-o-y</strong></td>
<td>Broadly stable y-o-y</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(excl. negative regulatory effects of EUR 30-50 million)</td>
<td>Based on IAS 18</td>
<td>(excl. negative regulatory effects of EUR 30-50 million)</td>
</tr>
<tr>
<td><strong>OIBDA(^3)</strong></td>
<td>EUR 1,840 million</td>
<td>Flat to slightly positive y-o-y</td>
<td><strong>EUR 1,394 / +4.0% y-o-y</strong></td>
<td>Slightly positive y-o-y</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(excl. negative regulatory effects of EUR 40-60 million)</td>
<td>Based on IAS 18</td>
<td>(excl. negative regulatory effects of EUR 40-60 million)</td>
</tr>
<tr>
<td><strong>C/S</strong></td>
<td>13%</td>
<td>Approx. 12-13%</td>
<td><strong>13.8%</strong></td>
<td>Approx. 12-13%</td>
</tr>
<tr>
<td><strong>Dividend</strong></td>
<td>EUR 0.26 per share</td>
<td>Annual dividend growth for 3 consecutive years (2016-2018)</td>
<td>Dividend proposal of EUR 0.27/share to AGM in May 2019</td>
<td>Annual dividend growth for 3 consecutive years (2016-2018)</td>
</tr>
</tbody>
</table>

---

1. The effects from the implementation of IFRS15 as of 1 January 2018 and IFRS16 as of 1 January 2019 are not reflected in the financial outlook. For more information, please refer to the materials of the quarterly reporting during the period.
2. Exceptional effects such as restructuring costs or the sale of assets are excluded.
Comfortable liquidity position as per 09/2018

Smooth maturity profile and diversified financing mix (in EURm)

Financing and interest mix*

*excluding the maturing bond Nov. 2018

Comfortable liquidity position

(in EURm)

Leverage ratio at 0.9x₁

(in EURm)

Leverage ratio₁

1 For definition of net debt & leverage ratio please refer to Q3 2018 earnings release
2 FCF pre dividend & spectrum payments is defined as the sum of cash flow from operating activities & cash flow from investing activities
Attractive shareholder remuneration policy

Shareholder remuneration policy – Main guidelines

Maintain high payout in relation to FCF

Consider expected future synergy generation in dividend proposals

Keep leverage ratio at or below 1.0x over the medium term; target will be continually reviewed

Annual dividend growth over 3 years: EUR 0.25/share for 2016, EUR 0.26/share for 2017; proposal of EUR 0.27/share for 2018 to AGM

1 Refer to the Telefónica Deutschland website for full dividend policy (www.telefonica.de)
O2D Factsheet

Share price development until 30.10.2018

<table>
<thead>
<tr>
<th></th>
<th>O2D</th>
<th>DAX</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD’18</td>
<td>3.64</td>
<td>3.61</td>
<td>3.61</td>
</tr>
</tbody>
</table>

Shareholder structure as of 30.09.2018¹

- Telefónica Germany Holdings Ltd ²
- Koninklijke KPN N.V. ³
- Freefloat

Regional split of shareholder structure⁴

- UK & Ireland
- North America
- France
- Germany
- Continental Europe
- Scandinavia
- Rest of World

¹ According to shareholders register as of 30 September 2018
² Telefónica Germany Holdings Limited is an indirect wholly owned subsidiary of Telefónica S.A
³ According to press release of KPN as of 24.10.2018
⁴ Source: NASDAQ; Shareholder ID as of October 2018

Telefónica Deutschland at a glance

- Market segment: Prime Standard
- Industry: Telecommunications
- Shares outstanding: 2,974,554,993 shares
- Share capital: EUR 2,974.6 m
- Market cap (as of 30.09.2018): EUR 10,830.4 m
- Share price (as of 30.09.2018): EUR 3.64
The team: Telefónica Deutschland board members

Markus Haas
Chief Executive Officer

Markus Rolle
Chief Financial Officer

Wolfgang Metze
Chief Consumer Officer

Alfons Lösing
Chief Partner & Business Officer

Cayetano Carbajo Martín
Chief Technology Officer

Guido Eidmann
Chief Information Officer

Valentina Daiber
Chief Officer Legal & Corporate Affairs

Nicole Gerhardt
Chief Human Resources Officer
# Quarterly detail of relevant financial and operating data for Telefónica Deutschland

## Financials

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Revenue (excl. regulatory effects)</td>
<td>1,771</td>
<td>1,771</td>
</tr>
<tr>
<td>Mobile service revenues (excl. regulatory effects)</td>
<td>1,292</td>
<td>1,318</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,771</td>
<td>1,771</td>
</tr>
<tr>
<td>OIBDA (post Group fees) adjusted for exceptional &amp; regulatory effects</td>
<td>401</td>
<td>472</td>
</tr>
<tr>
<td>OIBDA (post Group fees) adjusted for exceptional effects</td>
<td>401</td>
<td>472</td>
</tr>
<tr>
<td>CapEx excl. investments in spectrum</td>
<td>208</td>
<td>226</td>
</tr>
<tr>
<td>C/S Ratio (based on Revenue)</td>
<td>11.8%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Revenue and Opex related Synergies</td>
<td>~35</td>
<td>~40</td>
</tr>
</tbody>
</table>

## Accesses

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Total Accesses</td>
<td>49,550</td>
<td>49,907</td>
</tr>
<tr>
<td>o/w w Mobile</td>
<td>44,675</td>
<td>45,194</td>
</tr>
<tr>
<td>Prepay</td>
<td>23,967</td>
<td>24,289</td>
</tr>
<tr>
<td>Postpay</td>
<td>20,708</td>
<td>20,905</td>
</tr>
</tbody>
</table>
Investor Relations contact details

Dr. Veronika Bunk-Sanderson, CFA  
Director Communications & Investor Relations
+49 176 2102 8909  
veronika.bunk-sanderson@telefonica.com

Marion Polzer, CIRO  
Head of Investor Relations
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marion.polzer@telefonica.com

Get in touch with us:  
+49 89 2442 1010  
IR-Deutschland@telefonica.com

@TEFD_IR  
$O2DGR
Appendix - KPIs
Mobile KPIs

**Postpay net adds ('000)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Postpay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '17</td>
<td>172</td>
</tr>
<tr>
<td>Q2 '17</td>
<td>197</td>
</tr>
<tr>
<td>Q3 '17</td>
<td>183</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>186</td>
</tr>
<tr>
<td>Q1 '18</td>
<td>157</td>
</tr>
<tr>
<td>Q2 '18</td>
<td>333</td>
</tr>
<tr>
<td>Q3 '18</td>
<td>233</td>
</tr>
</tbody>
</table>

**Prepay net adds ('000)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Prepay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '17</td>
<td>183</td>
</tr>
<tr>
<td>Q2 '17</td>
<td>322</td>
</tr>
<tr>
<td>Q3 '17</td>
<td>-535</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>-1,873</td>
</tr>
<tr>
<td>Q1 '18</td>
<td>-535</td>
</tr>
<tr>
<td>Q2 '18</td>
<td>-148</td>
</tr>
<tr>
<td>Q3 '18</td>
<td>-145</td>
</tr>
</tbody>
</table>

**Mobile customer base ('000)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Postpay</th>
<th>Prepay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '17</td>
<td>44,675</td>
<td>20,708</td>
</tr>
<tr>
<td>Q2 '17</td>
<td>45,194</td>
<td>20,905</td>
</tr>
<tr>
<td>Q3 '17</td>
<td>44,842</td>
<td>21,088</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>43,155</td>
<td>21,274</td>
</tr>
<tr>
<td>Q1 '18</td>
<td>42,777</td>
<td>21,431</td>
</tr>
<tr>
<td>Q2 '18</td>
<td>42,962</td>
<td>21,764</td>
</tr>
<tr>
<td>Q3 '18</td>
<td>43,049</td>
<td>21,997</td>
</tr>
</tbody>
</table>

**LTE customer base (in m)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>LTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '17</td>
<td>14.0</td>
</tr>
<tr>
<td>Q2 '17</td>
<td>14.4</td>
</tr>
<tr>
<td>Q3 '17</td>
<td>15.7</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>15.8</td>
</tr>
<tr>
<td>Q1 '18</td>
<td>16.1</td>
</tr>
<tr>
<td>Q2 '18</td>
<td>16.6</td>
</tr>
<tr>
<td>Q3 '18</td>
<td>17.2</td>
</tr>
</tbody>
</table>

1 Underlying mobile prepaid net adds: technical customer base adjustment driven by IT-harmonisation post prepay customer migration of -1.230k
Mobile KPIs

### Postpay ARPU (EUR)

- Q1 '17: 15.5
- Q2 '17: 15.5
- Q3 '17: 15.7
- Q4 '17: 15.2
- Q1 '18: 14.8
- Q2 '18: 14.8
- Q3 '18: 15.0

- Q4 '17: 14.8

### Prepay ARPU (EUR)

- Q1 '17: 5.0
- Q2 '17: 5.2
- Q3 '17: 5.2
- Q4 '17: 5.6
- Q1 '18: 5.6
- Q2 '18: 5.8
- Q3 '18: 6.0

### Smartphone penetration (%)

- Q1 '17: 57.0
- Q2 '17: 57.4
- Q3 '17: 58.7
- Q4 '17: 60.9
- Q1 '18: 62.0
- Q2 '18: 63.5
- Q3 '18: 64.9

### Smartphone penetration O₂ consumer (%)

- Q1 '17: 75.2
- Q2 '17: 75.6
- Q3 '17: 76.4
- Q4 '17: 77.0
- Q1 '18: 78.6
- Q2 '18: 79.9
- Q3 '18: 79.7

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

### Retail broadband net adds (‘000)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Therof DSL</td>
<td>67</td>
<td>-75</td>
<td>103</td>
<td>89</td>
<td>92</td>
<td>86</td>
<td>59</td>
</tr>
<tr>
<td>Therof VDSL</td>
<td>-101</td>
<td>-113</td>
<td>-89</td>
<td>-104</td>
<td>-98</td>
<td>-53</td>
<td></td>
</tr>
</tbody>
</table>

### Wholesale net adds (‘000)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Therof DSL</td>
<td>-129</td>
<td>-134</td>
<td>-130</td>
<td>-110</td>
<td>-125</td>
<td>-55</td>
<td>-8</td>
</tr>
</tbody>
</table>

### Fixed accesses (‘000)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail DSL</td>
<td>2,095</td>
<td>2,082</td>
<td>2,072</td>
<td>2,072</td>
<td>2,060</td>
<td>2,048</td>
<td>2,054</td>
</tr>
<tr>
<td>Therof VDSL</td>
<td>872</td>
<td>960</td>
<td>1,063</td>
<td>1,152</td>
<td>1,243</td>
<td>1,330</td>
<td>1,389</td>
</tr>
</tbody>
</table>

### Wholesale accesses (‘000)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail DSL</td>
<td>562</td>
<td>428</td>
<td>298</td>
<td>188</td>
<td>63</td>
<td>-8</td>
<td>0</td>
</tr>
</tbody>
</table>

1. Wholesale accesses incorporate unbundled lines offered to 3rd party operators, including wirelines telephony and high-speed Internet access.
### P&L

#### Revenue structure (EUR m)

<table>
<thead>
<tr>
<th></th>
<th>Fixed</th>
<th>Handset</th>
<th>MSR</th>
<th>Other revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 ’17</td>
<td>1,771</td>
<td>1,318</td>
<td>1,344</td>
<td>1,292</td>
</tr>
<tr>
<td>Q2 ’17</td>
<td>1,771</td>
<td>229</td>
<td>1,332</td>
<td>1,318</td>
</tr>
<tr>
<td>Q3 ’17</td>
<td>1,850</td>
<td>221</td>
<td>1,287</td>
<td>1,344</td>
</tr>
<tr>
<td>Q4 ’17</td>
<td>1,904</td>
<td>290</td>
<td>1,799</td>
<td>1,332</td>
</tr>
<tr>
<td>Q1 ’18</td>
<td>1,758</td>
<td>280</td>
<td>1,92</td>
<td>1,311</td>
</tr>
<tr>
<td>Q2 ’18</td>
<td>1,830</td>
<td>249</td>
<td>1,339</td>
<td>1,339</td>
</tr>
<tr>
<td>Q3 ’18</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### OIBDA (post GF, pre exceptional effects / EUR m)\(^1\)

<table>
<thead>
<tr>
<th></th>
<th>Q1 ’17</th>
<th>Q2 ’17</th>
<th>Q3 ’17</th>
<th>Q4 ’17</th>
<th>Q1 ’18</th>
<th>Q2 ’18</th>
<th>Q3 ’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>OIBDA</td>
<td>401</td>
<td>472</td>
<td>468</td>
<td>499</td>
<td>422</td>
<td>504</td>
<td>494</td>
</tr>
<tr>
<td>OIBDA margin</td>
<td>22.6%</td>
<td>26.7%</td>
<td>25.3%</td>
<td>26.2%</td>
<td>23.8%</td>
<td>28.4%</td>
<td>26.8%</td>
</tr>
</tbody>
</table>

#### OpEx split\(^2\) (EUR m)

<table>
<thead>
<tr>
<th></th>
<th>Personnel expenses</th>
<th>Supplies</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 ’17</td>
<td>1,398</td>
<td>1,330</td>
<td>1,420</td>
</tr>
<tr>
<td>Q2 ’17</td>
<td>1,438</td>
<td>1,394</td>
<td>1,348</td>
</tr>
<tr>
<td>Q3 ’17</td>
<td>1,394</td>
<td>1,304</td>
<td>1,438</td>
</tr>
<tr>
<td>Q4 ’17</td>
<td>1,401</td>
<td>1,401</td>
<td></td>
</tr>
<tr>
<td>Q1 ’18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2 ’18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3 ’18</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### CapEx (EUR m)

<table>
<thead>
<tr>
<th></th>
<th>Q1 ’17</th>
<th>Q2 ’17</th>
<th>Q3 ’17</th>
<th>Q4 ’17</th>
<th>Q1 ’18</th>
<th>Q2 ’18</th>
<th>Q3 ’18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>208</td>
<td>226</td>
<td>254</td>
<td>262</td>
<td>197</td>
<td>228</td>
<td>316</td>
</tr>
</tbody>
</table>

---

1. Excluding the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018
2. Adjusted for exceptional effects, excl. the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018. For details please refer to additional materials of the Q3 2018 results release
3. Opex split before exceptional effects

Public – Nicht vertraulich
Net debt and leverage

- Net financial debt
  - Q1 '17: 836
  - Q2 '17: 1,575
  - Q3 '17: 1,514
  - Q4 '17: 1,064
  - Q1 '18: 1,085
  - Q2 '18: 1,797
  - Q3 '18: 1,591

Free cash flow\(^1\) (YTD)

- Free cash flow
  - Q1 '17: -1
  - Q2 '17: 68
  - Q3 '17: 268
  - Q4 '17: 680
  - Q1 '18: 15
  - Q2 '18: 84
  - Q3 '18: 301

---

\(^1\) Free cash flow pre dividends and payments for spectrum 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 in June 2015 as well as related interest payments.