Investor presentation Telefónica Deutschland

Telefónica Deutschland, Investor Relations
Q4 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

1 Excluding regulatory effects

Telefónica
Deutschland
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

We have strong foundations: Integration success, customer base, outstanding connectivity & lean organisation
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 Arbeitsagentur (Dec 2018)
The data & device opportunity: Expecting explosive growth

MARKET TRENDS – German market with significant further growth potential

### Mobile data usage in Europe

<table>
<thead>
<tr>
<th>Country</th>
<th>Usage (GB/month per connection)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>19,8</td>
</tr>
<tr>
<td>Austria</td>
<td>9,6</td>
</tr>
<tr>
<td>Sweden</td>
<td>6,1</td>
</tr>
<tr>
<td>France</td>
<td>5,4</td>
</tr>
<tr>
<td>Switzerland</td>
<td>5,0</td>
</tr>
<tr>
<td>UK</td>
<td>2,8</td>
</tr>
<tr>
<td>Germany</td>
<td>1,9</td>
</tr>
</tbody>
</table>

- Germany still a European laggard in terms of customer data usage
- Further opportunities from growing LTE adoption

### Mobile data traffic in Germany

- **CAGR 2017-2020 +51%**
- Annual volume of mobile data traffic in m GB:
  - 2010: 2.381
  - 2012: 3.057
  - 2014: 3.940
  - 2016: 4.905
  - 2018: 5.787
  - 2020: 5.097

### ADA and IoT growth opportunity

- More than € 700 million smart retail market in Germany by 2020
- More than € 5.5 billion digital advertising spend in Germany by 2021
- More than 500 million devices in Germany by 2022
- More than 6 devices connected per person by 2020

- Music & video streaming as usage drivers
- Trend to 3 GB/month for LTE customers
- Device & sensor opportunity: Consumer will mainly buy IoT from an existing relationship

Source:
1. Analysys Mason "Western Europe telecoms market trends and forecasts 2018–2023", 29.10.2018
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

2015: 18.5  
2016: 18.7  
2017: 18.8

Fixed market: Service revenues
EUR bn

2015: 27.2  
2016: 27.2  
2017: 27.1

Notes:
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 & fastest merger now completed

- OIBDA growth in 4 years: >30%
- Organisation harmonised in 3 years: ~1,600 FTE
- Shop reduction in 3 years: 600
- Customers migrated to one IT stack in 2016: >25m
- Network sites consolidated in 4 years: ~14k
- First 3G unlimited: Free

>9,000 Employees

1 companies
4 years
Future-proof portfolios across all segments with largest owned customer base of ~35 million

>80% owned customers

O₂ Free Business/Unite
O₂ All-IP/VPN
Service Provider & MVNO
1
1 & 1 DRILLISCH
Reseller & Ethnic
ALDI TALK

Market Share
ARPU
CHURN

Premium
Non-Premium

~20% service providers & MVNO

1 Not exhaustive
Building the Mobile Customer & Digital Champion; focus on customer experience

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

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”
Double data and **connect** feature for additional EUR 5 for O₂ Free _S, M_ and _L_.

**connect** feature with up to 9 Sim cards can be activated for an additional EUR 20 for unlimited.
Data usage driven by large data buckets in the updated O₂ Free portfolio

**Mobile data with sustainable growth rates**

Traffic (TB/Q)

- Q4’17: 122
- Q1’18: 126
- Q2’18: 152
- Q3’18: 165
- Q4’18: 179

Traffic up +46% y-o-y

**LTE customer base further increasing**

LTE customers (in million)

- Q4’17: 15.8
- Q1’18: 16.1
- Q2’18: 16.6
- Q3’18: 17.2
- Q4’18: 18.4

LTE customer base up +17% y-o-y to 18.4 million

**O₂ Free tariffs driving data growth**

Average data usage for O₂ LTE customers (GB/month)

- Q4’17: 2.8 GB
- Q1’18: 2.8 GB
- Q2’18: 3.4 GB
- Q3’18: 3.9 GB
- Q4’18: 4.1 GB

O₂ Free M tariff: 6.5 GB

- Steady data growth supported by music & video streaming; data traffic up +46% y-o-y
- LTE adoption drives LTE customer base up +17% y-o-y to 18.4 million
- Average data usage of O₂ LTE customers climbs to >4GB per month
- O₂ Free customers with even higher usage of more ~6.5GB of data in the most popular tariff
We have completed our network consolidation successfully and are ensuring 5G readiness for the future.

**3G national roaming for all customers**

**Consolidation and roll-out of 4G network**

**Implementation of SON, SOC and CEM**

**1 MNC nationwide**

**75% consolidation competed**

**MBH cooperations**

**Network consolidation completed**

### Massive network quality improvement throughout Germany

- **Network consolidation completed**: a major milestone of becoming the “Mobile Customer & Digital Champion”
- **>5.5m** newly with LTE supplied citizens
- **>6.700** Additional highspeed-LTE-stations

### Major step up in the network tests in the 2nd half of 2018

- No other German network operator
  - has achieved such a **substantial improvement in its score** (+127 point y-o-y) since 2012
  - has shown an improvement **despite more stringent measurement criteria**

- Overall grade *“good”*; in Hamburg and Munich even *“very good”*
- CHIP described the O₂ network as having made a *“quantum leap”*

- **Improved network quality thanks to “strong LTE expansion”**
- Successfully shortened the gap to our competitors

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**Ongoing Network optimisation & LTE and fibre in the backhaul roll-out**

**Fibre in the backhaul (targets 2022)**

- 75% consolidation competed
- MBH cooperations
- Network consolidation completed
- Ongoing Network optimisation & LTE and fibre in the backhaul roll-out
Future-proof spectrum setup to enable best customer experience

### Balanced coverage position

<table>
<thead>
<tr>
<th>Frequency Range</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>
</tr>
</thead>
<tbody>
<tr>
<td>Utilisation</td>
<td>2x10</td>
<td>2x10</td>
<td>2x10</td>
<td>2x25</td>
<td>2x15</td>
<td>2x20</td>
</tr>
</tbody>
</table>

### Leadership in capacity spectrum

<table>
<thead>
<tr>
<th>Frequency Range</th>
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<td>2x10</td>
<td>2x25</td>
<td>2x15</td>
<td>2x20</td>
</tr>
</tbody>
</table>

- **Telefónica Deutschland**: 2x10
- **Vodafone**: 2x10
- **Deutsche Telekom**: 2x10

**Potential future utilisation**

- 5G
- 4G
- 2G

**Utilisation today**

- 4G
- 2G

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1. Spectrum included in 2019 auction
2. 12 blocks of 2x5 MHz
3. 28 blocks of 1x10 MHz
4. 1 block of 1x20 MHz
5. 2x60 MHz
6. 1x300 MHz

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Public – Nicht vertraulich
Fixed infrastructure model to complement our mobile network for best high-speed experience

**Access to best available fixed NGA\(^1\) networks and multi-sourcing**

- **NGA coverage** (% of covered households)
  - c. 80 %
  - c. 60 %
  - c. 40 %

- **Maximum speed** (Up- & Download, Mbps)
  - Download
  - Upload

- **VDSL**
  - 50
  - 10
- **Vectoring**
  - 250
  - 100
- **SuperVec**
  - 40

**Fixed**
- Access to best available fixed NGA network\(^1\)
- Fixed: Access to >34 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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\(^1\) NGA: Next Generation Access including VDSL, Vectoring and future FTTX deployments

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- Nationwide access to DT NGA network – DT is currently focussed on upgrading VDSL to Vectoring and SuperVectoring
- Cooperation with vitroconnect started in Q4 to access footprints of alternative carriers – 1\(^{st}\) partner is EWE TEL
MBA MVNO contract economics:
Four levers for revenue growth

EU-approved capacity glide path

Commitment utilised capacity

2015  2020

30%  20%

DATA
VOICE
SMS

Exponential data growth
Capacity upgrade up to 30%
Price tiering based on speed
Price tiering based on technology

>130% Data traffic since FY2015\(^1\)

\(^1\) Telefónica Deutschland mobile network traffic
Rational market environment across segments; strong partner trading

• Rational, yet dynamic market environment; maintaining our focus on fair market share
• Partner trading with strong gross adds; reflecting seasonality and migration trends
• Partner revenue continues to grow in line with expectations q-o-q and y-o-y on the back of data growth & the dynamics of the MBA MVNO contract
Digital4Growth – Key Transformation drivers in 2019

**D4G**

- Revenue-related gains
- Cost-related gains

**Transformation workstreams**

<table>
<thead>
<tr>
<th>Year</th>
<th>Portfolio adjustments &amp; ARPU-up</th>
<th>Digital/online sales and omnichannel initiatives</th>
<th>Churn analytics</th>
<th>eSIM</th>
<th>ADA/IoT</th>
<th>Customer Service efficiency initiatives</th>
<th>Channel mix &amp; shop optimisation</th>
<th>Integration fixed bb customer service system</th>
<th>Robotics: Process optimisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>EUR 40m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2020</td>
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<tr>
<td>2021</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>EUR ~600m</td>
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<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Gross OIBDA-relevant gains**

- EUR 40m
- EUR ~600m

**Revenue-related gains**

- Portfolio adjustments & ARPU-up
- Digital/online sales and omnichannel initiatives
- Churn analytics
- eSIM
- ADA/IoT

**Cost-related gains**

- Customer Service efficiency initiatives
- Channel mix & shop optimisation
- Integration fixed bb customer service system
- Robotics: Process optimisation
Digital4Growth – Key Transformation areas

### Gross margin & revenue gains
- Portfolio adjustments & ARPU-up
- Digital/online sales channel and omni-channel initiatives
- Churn analytics
- eSIM
- ADA/IoT

### Key performance indicators
- O₂ app penetration: >80% (vs. 20% 2017)
- Gross adds market share in SME: ~30%
- Tariff detox: ~40%
- Connected devices/customer: #4 (vs. #1.5 2017)
- IoT revenue upside: ~EUR 200-300m cumulative

### Cost savings
- Customer Service efficiency initiatives
- Channel mix & Shop optimisation
- Integration fixed BB customer service system
- Robotics: process optimisation

### Key performance indicators
- Share of eCare events: ~80% (vs. 65% 2017)
- Sales in self-assisted channels: >25% (vs. 15% 2017)
- Shop reduction: >10%
- Manual back-office interventions: -80%
- Total IT spend/subscriber: -15%
- Lead time product changes: Within hours
Operational and financial trends solid

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18 (IFRS 15)</th>
<th>Q2 '18 (IFRS 15)</th>
<th>Q3 '18 (IFRS 15)</th>
<th>Q4 '18 (IFRS 15)</th>
<th>FY '18 (IFRS 15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue ex. reg. y-o-y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported</td>
<td>-2.3%</td>
<td>-1.2%</td>
<td>+1.6%</td>
<td>+0.1%</td>
<td>+0.4%</td>
<td>+0.1%</td>
<td>-0.4%</td>
<td>+3.2%</td>
<td>+3.5%</td>
</tr>
<tr>
<td>MSR ex. reg. y-o-y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported</td>
<td>-3.3%</td>
<td>-3.0%</td>
<td>-3.6%</td>
<td>-1.2%</td>
<td>-0.4%</td>
<td>+0.8%</td>
<td>+0.4%</td>
<td>+0.6%</td>
<td>+0.6%</td>
</tr>
<tr>
<td>OIBDA ex. reg. y-o-y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported</td>
<td>+3.8%</td>
<td>+6.5%</td>
<td>+8.2%</td>
<td>+3.4%</td>
<td>+5.4%</td>
<td>+6.8%</td>
<td>+5.6%</td>
<td>+3.6%</td>
<td>+5.3%</td>
</tr>
<tr>
<td>Capex y-o-y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C/S in %</td>
<td>11.8</td>
<td>12.8</td>
<td>13.7</td>
<td>13.8</td>
<td>11.1</td>
<td>12.9</td>
<td>17.2</td>
<td>11.5</td>
<td>13.2%</td>
</tr>
<tr>
<td>Capex</td>
<td>-4.5%</td>
<td>+6.9%</td>
<td>-19.2%</td>
<td>-26.7%</td>
<td>-5.6%</td>
<td>+0.7%</td>
<td>+24.5%</td>
<td>-13.7%</td>
<td></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. Including base fees and fees paid by our customers for the usage of voice, sms and mobile data services. Also, access and interconnection fees as well as other charges levied on our partners for the use of our network are included.

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 Q4 2018 results release.
## 2018 results – Guidance achieved on all metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>2018 Guidance</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>Broadly stable y-o-y (excl. negative regulatory effects of EUR 30-50 million)</td>
<td><a href="#">7,296</a> to <a href="#">7,334</a></td>
</tr>
<tr>
<td><strong>OIBDA</strong></td>
<td>Slightly positive y-o-y (excl. negative regulatory effects of EUR 40-60 million)</td>
<td><a href="#">1,840</a> to <a href="#">1,903</a></td>
</tr>
<tr>
<td><strong>C/S</strong></td>
<td>Approx. 12-13%</td>
<td>13.0% to 13.2%</td>
</tr>
<tr>
<td><strong>Dividend</strong></td>
<td>Annual dividend growth for 3 consecutive years (2016-2018)</td>
<td><a href="#">0.25</a> to <a href="#">0.26</a> to <a href="#">0.27</a></td>
</tr>
</tbody>
</table>

1. The effects from the implementation of IFRS15 as of 1 January are not reflected in the financial outlook.
2. Exceptional effects such as restructuring costs or the sale of assets are excluded.

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**Notes:**
- FY 2018 results – Guidance achieved on all metrics.
- FY 2018 based on IFRS 15.
Outlook 2019: Building on 2018 achievements as we move from integration to transformation

<table>
<thead>
<tr>
<th></th>
<th>Actuals FY’18 (IFRS15)</th>
<th>Outlook2 FY’19 (IFRS15)</th>
<th>Midterm expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>7,320</td>
<td>Broadly stable</td>
<td>Revenue growth in line with German market; capturing market share in IoT</td>
</tr>
<tr>
<td></td>
<td>FY ‘18</td>
<td>(excl. regulatory impacts of ~EUR 60-70 million)</td>
<td>Ongoing margin improvement supported by growth centric transformation case (~EUR 600 million gross OIBDA 2019/22)</td>
</tr>
<tr>
<td>OIBDA1</td>
<td>1,884</td>
<td>Broadly stable to slightly positive (excl. regulatory impacts of ~EUR 40-50 million) Synergies: ~EUR 40 million</td>
<td>Keeping Capex level stable at around EUR 1 bn</td>
</tr>
<tr>
<td></td>
<td>FY ‘18</td>
<td>Transformation benefits: ~EUR 40m</td>
<td>Approx. 13-14%</td>
</tr>
<tr>
<td>C/S</td>
<td>13.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Underlying revenue reflect tailwinds from ARPU-up strategy supported by new O2 Free tariffs which help to counteract ongoing legacy base management topics, while we continue to leverage our many long-term partnership contracts
- OIBDA benefits from integration and transformation savings, partly offset by commercial and transformation invest; transformation savings to gradually ramp-up throughout 2019 and over the course of our four year D4G programme
- Re-iterating midterm expectations: Expecting to growth with the market, strong confidence in our ability to grow FCF and continue to support a high dividend pay-out ratio to FCF
- Review of leverage target in light of IFRS 16, whilst maintaining investment grade rating

---

1 Exceptional effects such as restructuring costs or the sale of assets are excluded
2 The effects from the implementation of IFRS 16 as of 1 January 2016 are not reflected in the financial outlook.
Underlying business solid; key drivers for 2019 with challenges and opportunities

Exogenous factors

- Spectrum auction\(^1\)
- Remedy MNO option expires
- VOD/LBTY merger decision

Org. business development

- **Consumer / Own brands**: Churn-down, ARPU-up → Growth in line with market
- **Long-term partnerships**: Solid revenue streams, growing smartphone penetration → Profitable growth
- **Transformation**: Revenue opportunities & efficiencies → ~EUR 600 million cumulated gross OIBDA benefits by 2022
- **Network development**: LTE rollout, fibre in the backhaul, co-invest models → Quality improvement → Upside to commercial pricing
Comfortable liquidity position as per 12/2018

Smooth maturity profile and diversified financing mix (in EURm)

Financing and interest mix

Leverage ratio at 0.6x

Comfortable liquidity position

(in EURm)

Leverage ratio1

(in EURm)

1 For definition of net financial debt & leverage ratio please refer to Q4 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 pay-out in relation to FCF

Consider expected future cash flows in dividend proposals

Review of the self-defined leverage ratio of at or below 1.0x to in 2019 in order to reflect the implementation of IFRS 16 as of 1 Jan 2019

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 FY 2018 to AGM

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

#### Share price development until 15.02.2019

<table>
<thead>
<tr>
<th>Date</th>
<th>O2D</th>
<th>DAX</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.01.19</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>28.01.19</td>
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<td></td>
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<tr>
<td>11.02.19</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Telefónica Deutschland at a glance

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market segment</td>
<td>Prime Standard</td>
</tr>
<tr>
<td>Industry</td>
<td>Telecommunications</td>
</tr>
<tr>
<td>Shares outstanding</td>
<td>2,974,554,993 shares</td>
</tr>
<tr>
<td>Share capital</td>
<td>EUR 2,974.6 m</td>
</tr>
<tr>
<td>Market cap (as of 31.12.2018)</td>
<td>EUR 10,167.0 m</td>
</tr>
<tr>
<td>Share price (as of 31.12.2018)</td>
<td>EUR 3.42</td>
</tr>
</tbody>
</table>

#### Shareholder structure as of 31.12.2018

- **Telefónica Germany Holdings Ltd**: 26.40%
- **Koninklijke KPN N.V.**: 4.40%
- **Freefloat**: 69.20%

#### Regional split of shareholder structure

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK &amp; Ireland</td>
<td>16.9%</td>
</tr>
<tr>
<td>North America</td>
<td>7.3%</td>
</tr>
<tr>
<td>France</td>
<td>3.8%</td>
</tr>
<tr>
<td>Germany</td>
<td>16.9%</td>
</tr>
<tr>
<td>Continental Europe</td>
<td>11.0%</td>
</tr>
<tr>
<td>Scandinavia</td>
<td>4.9%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>47.8%</td>
</tr>
</tbody>
</table>

---

1. Status: 31 December 2018
2. Telefónica Germany Holdings Limited is an indirect wholly owned subsidiary of Telefónica S.A.; Status: According to shareholder register as of 31 December 2018
3. Status: 31 December 2018 according to KPN press release as of 30 January 2019
4. Source: NASDAQ; Shareholder ID as of October 2018
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
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
+49 176 7290 1221
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 ('000)</th>
<th>Prepay ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '17</td>
<td>172</td>
<td></td>
</tr>
<tr>
<td>Q2 '17</td>
<td>197</td>
<td></td>
</tr>
<tr>
<td>Q3 '17</td>
<td>183</td>
<td></td>
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<tr>
<td>Q4 '17</td>
<td>186</td>
<td></td>
</tr>
<tr>
<td>Q1 '18</td>
<td>157</td>
<td></td>
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<tr>
<td>Q2 '18</td>
<td>333</td>
<td></td>
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<tr>
<td>Q3 '18</td>
<td>233</td>
<td></td>
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<tr>
<td>Q4 '18</td>
<td>279</td>
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</tr>
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#### Prepay net adds ('000)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Postpay ('000)</th>
<th>Prepay ('000)</th>
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</thead>
<tbody>
<tr>
<td>Q1 '17</td>
<td>183</td>
<td>-643¹</td>
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<td>Q2 '17</td>
<td>-535</td>
<td>-1,873</td>
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<td>Q3 '17</td>
<td>-535</td>
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<tr>
<td>Q4 '17</td>
<td>-145</td>
<td>-509</td>
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#### Mobile customer base ('000)

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</thead>
<tbody>
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<td>Q2 '17</td>
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<td>20,905</td>
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<td>Q3 '17</td>
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<td>Q4 '17</td>
<td>43,155</td>
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<td>Q1 '18</td>
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<td>Q2 '18</td>
<td>42,962</td>
<td>21,764</td>
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<td>Q3 '18</td>
<td>43,049</td>
<td>21,997</td>
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<td>Q4 '18</td>
<td>42,819</td>
<td>22,276</td>
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#### LTE customer base (in m)

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<tr>
<td>Q4 '18</td>
<td>18.4</td>
<td>8.0</td>
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</tbody>
</table>

1. Underlying mobile prepaid net adds: technical customer base adjustment driven by IT-harmonisation post prepaid customer migration of -1,230k

---

1 Public – Nicht vertraulich

30
## Mobile KPIs

### Postpay ARPU (EUR)

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

Decrease: 2.3%

### Prepay ARPU (EUR)

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

Increase: 6.4%

### Churn rate (%)

- **O2 postpaid**
  - Q1'17: -1.6%
  - Q2'17: -1.5%
  - Q3'17: -1.6%
  - Q4'17: -1.5%
  - Q1'18: -1.2%
  - Q2'18: -1.5%
  - Q3'18: -1.6%
  - Q4'18: -1.8%

- **Total postpaid (ex M2M)**
  - FY17 annualised churn rate O2: -18.0%
  - FY18 annualised churn rate O2: -17.3%

### Smartphone penetration (%)

- **O2 consumer postpay**
  - 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%
  - Q4 '18: 80.9%

- **O2 consumer prepay**
  - Q1 '17: 27.8%
  - Q2 '17: 29.1%
  - Q3 '17: 29.8%
  - Q4 '17: 30.8%
  - Q1 '18: 30.9%
  - Q2 '18: 37.7%
  - Q3 '18: 35.4%
  - Q4 '18: 35.3%

---

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.
Fixed line KPIs

Retail broadband net adds ('000)

- Therof DSL
- Therof VDSL

Wholesale net adds ('000)

Wholesale accesses ('000)

Fixed accesses ('000)

1. Wholesale accesses incorporate unbundled lines offered to 3rd party operators, including wirelines telephony and high-speed Internet access.
Revenue structure\(^1\) (EUR m)

<table>
<thead>
<tr>
<th>Quarter</th>
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<th>MSR</th>
<th>Other revenues</th>
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<tr>
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<td>1,292</td>
<td>423</td>
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<td>Q2 '17</td>
<td>1,771</td>
<td>229</td>
<td>1,318</td>
<td>220</td>
</tr>
<tr>
<td>Q3 '17</td>
<td>1,850</td>
<td>214</td>
<td>1,344</td>
<td>285</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>1,904</td>
<td>208</td>
<td>1,332</td>
<td>356</td>
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<tr>
<td>Q1 '18</td>
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<td>199</td>
<td>1,287</td>
<td>280</td>
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<tr>
<td>Q2 '18</td>
<td>1,758</td>
<td>192</td>
<td>1,311</td>
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<tr>
<td>Q3 '18</td>
<td>1,830</td>
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<td>1,339</td>
<td>299</td>
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<td>Q4 '18</td>
<td>1,965</td>
<td>185</td>
<td>1,330</td>
<td>445</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Personnel expenses</th>
<th>Supplies</th>
<th>Other</th>
</tr>
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<td>1,438</td>
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<td>1,330</td>
<td>1,394</td>
<td>1,304</td>
</tr>
<tr>
<td>Q3 '17</td>
<td>1,420</td>
<td>1,394</td>
<td>1,401</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>1,514</td>
<td>1,420</td>
<td>1,438</td>
</tr>
<tr>
<td>Q1 '18</td>
<td>1,438</td>
<td>1,394</td>
<td>1,304</td>
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<tr>
<td>Q2 '18</td>
<td>1,401</td>
<td>1,394</td>
<td>1,401</td>
</tr>
<tr>
<td>Q3 '18</td>
<td>1,514</td>
<td>1,420</td>
<td>1,438</td>
</tr>
<tr>
<td>Q4 '18</td>
<td>1,514</td>
<td>1,420</td>
<td>1,438</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>OIBDA</th>
<th>OIBDA margin</th>
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<tbody>
<tr>
<td>Q1 '17</td>
<td>401</td>
<td>22.6%</td>
</tr>
<tr>
<td>Q2 '17</td>
<td>472</td>
<td>26.7%</td>
</tr>
<tr>
<td>Q3 '17</td>
<td>468</td>
<td>25.3%</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>499</td>
<td>26.2%</td>
</tr>
<tr>
<td>Q1 '18</td>
<td>504</td>
<td>23.8%</td>
</tr>
<tr>
<td>Q2 '18</td>
<td>494</td>
<td>28.4%</td>
</tr>
<tr>
<td>Q3 '18</td>
<td>517</td>
<td>26.8%</td>
</tr>
<tr>
<td>Q4 '18</td>
<td>517</td>
<td>26.3%</td>
</tr>
</tbody>
</table>

CapEx (EUR m)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>CapEx</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '17</td>
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<tr>
<td>Q2 '17</td>
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<tr>
<td>Q3 '17</td>
<td>254</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>262</td>
</tr>
<tr>
<td>Q1 '18</td>
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<td>Q2 '18</td>
<td>228</td>
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<tr>
<td>Q3 '18</td>
<td>316</td>
</tr>
<tr>
<td>Q4 '18</td>
<td>226</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
### Financials

#### 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
  - Q4 '18: 1,129

#### Free cash flow

- **Free cash flow**
  - Q1 '17: -1
  - Q2 '17: 68
  - Q3 '17: 268
  - Q4 '17: 680
  - Q1 '18: 15
  - Q2 '18: 84
  - Q3 '18: 301
  - Q4 '18: 733

---

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.
Quarterly detail of relevant financial and operating data for Telefónica Deutschland

<table>
<thead>
<tr>
<th>Financials</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (excl. regulatory effects)</td>
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<tr>
<td></td>
<td>Q2</td>
<td>1,771</td>
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<td>Q3</td>
<td>1,850</td>
</tr>
<tr>
<td></td>
<td>Q4</td>
<td>1,904</td>
</tr>
<tr>
<td></td>
<td>FY</td>
<td>7,296</td>
</tr>
<tr>
<td>Mobile service revenues (excl. regulatory effects)</td>
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<td>1,904</td>
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<tr>
<td></td>
<td></td>
<td>7,296</td>
</tr>
<tr>
<td>OIBDA (post Group fees) adjusted for exceptional &amp; regulatory effects</td>
<td></td>
<td>401</td>
</tr>
<tr>
<td></td>
<td></td>
<td>472</td>
</tr>
<tr>
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<td>499</td>
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<td>CapEx excl. investments in spectrum</td>
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<td>208</td>
</tr>
<tr>
<td></td>
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<td>262</td>
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<td>C/S Ratio (based on Revenue)</td>
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<td>Revenue and Opex related Synergies</td>
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<table>
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