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# The Telefónica Deutschland Equity Story: Why should you invest?

<table>
<thead>
<tr>
<th>Germany</th>
<th>An established player</th>
<th>Operational excellence</th>
<th>Value proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>An attractive and dynamic telecoms market</td>
<td>Largest owned customer base</td>
<td>All-infrastructure set-up</td>
<td>Clear growth path</td>
</tr>
<tr>
<td>Excellent macro</td>
<td>Multi-brand</td>
<td>Successful integration track record</td>
<td>Strong FCF trajectory</td>
</tr>
<tr>
<td>Rational market</td>
<td>Multi-channel</td>
<td>Transformation with Digital4Growth: SIMPLER</td>
<td>High pay-out ratio to FCF aL</td>
</tr>
<tr>
<td>Data growth</td>
<td>Customer-centric convergence play</td>
<td>FASTER BETTER</td>
<td>Conservative financial profile</td>
</tr>
<tr>
<td>Soft convergent environment</td>
<td>Fixed-mobile-substitution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 integrated players</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Germany
An attractive and dynamic telecoms market

Excellent macro
Rational market
Data growth
Soft convergent environment
3 integrated players

An established player
Leveraging economies of scale

Largest owned customer base
Multi-brand
Multi-channel
Customer-centric convergence play
Fixed-mobile-substitution

Operational excellence
Digital transformation drives growth

All-infrastructure set-up
Successful integration track record
Transformation with Digital4Growth: SIMPLER
FASTER BETTER

Value proposition
Attractive shareholder return on strong fundamentals

Clear growth path
Strong FCF trajectory
High pay-out ratio to FCF aL
Conservative financial profile
We steer our sustainability commitments with our Responsible Business Plan 2020

Managing responsibly

- Consistently good to very good results and ratings by external assessments

Strengthening digital life

- People are benefitting from our products in their digital lifestyle

Protecting environment

- Ambition to reduce direct & indirect CO₂ emissions by -11% vs 2017
Telefónica Deutschland’s way forward

1. BUILD 1998 - 2008
   - Business set-up
   - Introduction of O₂ brand
   - Start of 4th network

2. SCALE 2009 - 2019
   - Acquisition & integration of HanseNet & E-Plus
   - Consumer mobile leadership
   - Established fixed player

3. GROW 2020 and beyond
   - Mobile growth in rural & reinforcement in urban
   - Smart bundling
   - B2B push

Market entrance
Integration
Benefits from scale & transformation
On track to deliver strategic plan - key priorities for the ‘new 20s’ with one common goal

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
- Virtual AGM called for 20 May with a proposal of EUR 0.17/share
Germany a safe harbour; 5G and exclusive cable access as game changers for Telefónica Deutschland

### Stable macro-environment

<table>
<thead>
<tr>
<th>Unemployment rate¹</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.7%</td>
<td>5.2%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

### Current trends

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

### Future trends

- **5G use cases & demand** to accelerate
- **Fixed-Mobile-Substitution (FMS)** becoming increasingly **relevant**
- **Potential 4th urban MNO**
- **3 integrated (mobile + fixed) players**

### Consumer spend²

<table>
<thead>
<tr>
<th>in EUR bn</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.697</td>
<td>1.744</td>
<td>1.794</td>
</tr>
</tbody>
</table>

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¹ Source: Federal Employment Agency
² Source: Destatis

---
Competitive environment

Rational and balanced market structure\(^1\)

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

Market development in past years\(^2\)

<table>
<thead>
<tr>
<th>Mobile market: Service revenues</th>
<th>EUR bn</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>17.1</td>
<td>17.7</td>
<td>18.0</td>
</tr>
<tr>
<td></td>
<td>+3%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed broadband retail revenues</th>
<th>EUR bn</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cable</td>
<td></td>
<td>8.3</td>
<td>8.7</td>
<td>8.9</td>
</tr>
<tr>
<td></td>
<td>+3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DSL</td>
<td></td>
<td>6.7</td>
<td>6.8</td>
<td>6.8</td>
</tr>
<tr>
<td></td>
<td>+4%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Market share of MSR (IFRS 15) based on reported financials by MNOs for Q4 2019
\(^2\) Source: Analysys Mason “Western Europe telecoms market trends and forecasts 2019–2024”, 28.02.2020
The right time to invest to accelerate future growth for Telefónica Deutschland

**Competitive spectrum position**

- >300MHz

**Largest infrastructure footprint with exclusive cable wholesale access**

- >90% with >30 German households Mbit/s

**Customer experience**

- Premium customer service & access to all sales channels

**Significantly improved network performance**

- for ~44m mobile accesses

**3x ‘GOOD’ in all network tests**

**Telefónica Deutschland**

**WINNER**

- Stores
  - National store operators
- Partner-Stores
  - Franchise operators

**VERY GOOD**

- Fixed Net
  - Fixed Net big players
- Fixed Net offers

**WINNER**

- Service App
  - Telcos 4.5/5 O2 TV Computer Bild User Test

**4.5/5**

- DSL fibre cable
Future-proof spectrum set-up to enable best customer experience

### Balanced position in coverage and capacity spectrum until 2025

<table>
<thead>
<tr>
<th>Potential future utilisation</th>
<th>4G</th>
<th>5G</th>
<th>4G</th>
<th>5G</th>
<th>4G</th>
<th>5G</th>
<th>4G</th>
<th>5G</th>
<th>4G</th>
<th>5G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total availability</td>
<td>1x 40 MHz</td>
<td>1x 50 MHz</td>
<td>1x 30 MHz</td>
<td>1x 35 MHz</td>
<td>2x 30 MHz</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Total Spectrum holding

| 1&1 Drillisch | 32% | DEUTSCHE TELEKOM | 32% | Vodafone | 31% |

#### Maturity
- **2015-2033**
- **2010-2025**
- **2008-2033**
- **2019-2040**

### Frequencies
- **700 MHz**
- **800 MHz**
- **900 MHz**
- **1500 MHz SDL**
- **1,800 MHz**
- **2,100 MHz**
- **2,300 MHz**
- **2,600 MHz**
- **3,500 MHz TDD**

### In addition: 24.2 MHz @2.1 GHz TDD, ab 2021 19.2 MHz

As of 1 January 2026: DRI: 2x10 MHz; TEF D: 2x10 MHz; Vodafone: 2x20 MHz; DT: 2x20 MHz

---

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As of 1 January 2026: DRI: 2x10 MHz; TEF D: 2x10 MHz; Vodafone: 2x20 MHz; Deutsche Telekom: 2x20 MHz

10
The expansion of our mobile network allows Telefónica Deutschland to accelerate our growth trajectory.

**Opportunity: Mobile customer distribution**

- >50% urban
- <25% rural

**Step change in network quality from accelerated 4G/5G roll-out**

- **Boost rural coverage via 4G**
- **Accelerate urban capacity via 5G**

**Boost revenues to outperform market**

- **Mobile growth in rural** – reinforcement in urban
- **Smart bundling** to capture value and reduce churn
- **Attack in B2B** to reach fair market share in SME
Revenue growth driven by a step-up in 4G network quality that benefits all areas while 5G boosts O₂ exclusively.

Mobile customer share

Sustained focus on owned customer base

5G roll-out

4G acceleration

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All-infrastructure play as unique positioning

**MOBILE INFRASTRUCTURE**

- Fixed-Mobile-Substitution (FMS)

**FIXED NET INFRASTRUCTURE**

- FttX incl. VDSL
- Cable

---

**Smart bundling** to capture value and reduce churn

**Technology-agnostic Internet@Home solutions** with focus on customer experience

**Fixed-mobile-substitution** increases profitability
Improve loyalty and convergence positioning by pushing smart bundling approach

- Mobile-mobile bundling
- Fixed-mobile bundling
- Bundling with TV
- Household penetration higher

**Mobile customers with >1 O₂ product**
- 2019: ~60%
- 2022: ~70%

**Impact on churn reduction**
- ~50%
- ~30%
- ~50%

**Share of wallet increase**
- Household bill size

**Household penetration higher**
B2B strategy drives growth by positioning Telefónica Deutschland as price/value leader for SMEs

- **Go-to-Market strategy**
  - Price/value leader for SME

- **Personalised customer service**
  - Unique service proposition with dedicated contact

- **Improved sales approach**
  - Push via Tele-sales

- **Portfolio for digitalisation**
  - IoT, cloud, cyber security, private 5G network
Q1 20 - robust start to the year while closely monitoring COVID-19 impacts; on track of becoming Germany’s Mobile Customer & Digital Champion by 2022

**GROWTH & PROFITABILITY**

- **+3.8%**
  - REVENUE y-o-y

- **+1.6%**
  - OIBDA\(^1\) y-o-y

- **12.1%**
  - CAPEX/SALES

**CUSTOMER EXPERIENCE & DIGITALISATION**

- **+188k**
  - Postpaid net adds (ex 39k M2M)

- **15.7%**
  - Own brand annualised churn rate stable

- **+0.4%**
  - Own brand postpaid ARPU y-o-y

**FOUNDATION**

- Ensuring crucial connectivity for our customers
- Network resilient coping well with COVID-19 driven traffic increase
- Steady progress with LTE rollout while preparing for 5G deployment

---

\(^1\) Adjusted for exceptional effects. As of 31 March 2020, exceptional effects amounted to EUR -8 million including EUR -9 million of losses from sale of assets related with the sale of spectrum assets in line with the agreed merger remedies as well as EUR 1 million of restructuring income. Exceptional effects as of 31 March 2019, include restructuring expenses amounting to EUR -10 million.
COVID-19 pandemic – focus on supporting our people, customers & wider society

Q1: Limited COVID-19 impact – closely monitoring developments

- Ensuring critical customer connectivity: Network resilient - coping well with step-up in voice and data volumes
- O₂ shops closed in mid-March and gradually re-opened nationwide from late April
- Lower gross add volumes and reduced churn entries during lockdown

Network – voice traffic

O₂ Gross adds

O₂ Churn entries

~20-30%

>1/3

~1/3

Key COVID-19 initiatives

Providing RKI with mobility analysis for COVID-19 monitoring

Crikes management team of BRK temporarily headquartered in O₂ Tower

#WeStayConnected - removal of speed limitations until 31 May

#StayOn - free access to live concerts

O₂ TV - 3 mth free access

Germany - COVID-19 statistics

Source: sueddeutsche.de

~20-30%

>1/3

~1/3

25 Mar 29 Mar 12 Apr 26 Apr

Recovered

Confirmed

Deaths

Source: sueddeutsche.de
Resilient network – foundation for future growth

**Network roll-out strategy**

- **Boost rural coverage**
  - 4G coverage: 50 Mbit/s, 99%
  - 4G/5G coverage: 100 Mbit/s, 98%

- **Accelerate urban capacity**
  - 4G capacity: Re-farm 2.1 GHz to 4G
  - 5G roll-out: in cities (Top 5 cities, Top 30 cities)

**Recent developments**

- **Boost rural coverage & accelerate urban capacity**
  - Steady progress with LTE roll-out on track to fulfil 4G coverage obligations by YE20
  - 5G roll-out into top 5 cities in 2020

- **Resilient network** with ~63% y-o-y increase in mobile network traffic

- **Opening of 5G campus** in BASECAMP, Berlin

- **Realising the potential from infrastructure sharing**
Revenue trends driven by strong MSR performance

MSR performance driving Q1 revenue growth

- MSR with continued positive performance of own retail business and further easing of legacy base headwinds while partner business trends remained solid also as a result of the MBA MVNO dynamics
- Handset revenues registered continued strong demand
- Fixed revenues built on its positive trend supported by retail customer base growth on the back of strong VDSL demand

MSR reflects traction of O₂ Free portfolio

Continued demand for high-value devices

Fixed revenue growth driven by improved retail DSL

• MSR with continued positive performance of own retail business and further easing of legacy base headwinds while partner business trends remained solid also as a result of the MBA MVNO dynamics
• Handset revenues registered continued strong demand
• Fixed revenues built on its positive trend supported by retail customer base growth on the back of strong VDSL demand
Softer trading due to government imposed COVID-19 lockdown - ARPU continued growth path

**Focus in mobile on profitable growth**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net adds (k)</th>
<th>Postpaid (ex M2M)</th>
<th>M2M</th>
<th>O₂ PO churn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1’19</td>
<td>283</td>
<td>-1.3%</td>
<td>22</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Q2’19</td>
<td>357</td>
<td>-1.2%</td>
<td>-56</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Q3’19</td>
<td>367</td>
<td>-1.4%</td>
<td>25</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Q4’19</td>
<td>443</td>
<td>-1.2%</td>
<td>13</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Q1’20</td>
<td>188</td>
<td>-1.3%</td>
<td>39</td>
<td></td>
</tr>
</tbody>
</table>

**Sustained demand for VDSL drives growth**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net adds (k)</th>
<th>Retail</th>
<th>VDSL penetration</th>
<th>DSL base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1’19</td>
<td>44</td>
<td></td>
<td>~76%</td>
<td>2.2m</td>
</tr>
<tr>
<td>Q2’19</td>
<td>38</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3’19</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4’19</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1’20</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**O₂ Free drives own brand ARPU**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>ARPU (EUR)</th>
<th>ARPU postpaid (ex M2M)</th>
<th>Own brand ARPU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1’19</td>
<td>14.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2’19</td>
<td>14.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3’19</td>
<td>14.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4’19</td>
<td>14.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1’20</td>
<td>13.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Fixed ARPU reflects higher VDSL share**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>ARPU (EUR)</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1’19</td>
<td>23.4</td>
<td></td>
</tr>
<tr>
<td>Q2’19</td>
<td>23.4</td>
<td></td>
</tr>
<tr>
<td>Q3’19</td>
<td>23.2</td>
<td></td>
</tr>
<tr>
<td>Q4’19</td>
<td>23.1</td>
<td></td>
</tr>
<tr>
<td>Q1’20</td>
<td>23.7</td>
<td></td>
</tr>
</tbody>
</table>
Partner performance in line with expectations

**Solid partner trading**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>GA retail brands</th>
<th>GA partner brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1'19</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Q2'19</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>Q3'19</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>Q4'19</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Q1 '20</td>
<td>61%</td>
<td></td>
</tr>
</tbody>
</table>

**Stable partner MSR contribution**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Postpaid partner MSR (abs) / Share over postpaid MSR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1'19</td>
<td>~25%</td>
</tr>
<tr>
<td>Q2'19</td>
<td>~26%</td>
</tr>
<tr>
<td>Q3'19</td>
<td>~27%</td>
</tr>
<tr>
<td>Q4'19</td>
<td>~28%</td>
</tr>
<tr>
<td>Q1 '20</td>
<td>~28%</td>
</tr>
</tbody>
</table>

- Partner business remained solid with softer trading in Q1
- Solid trading performance by partners with 61% of GAs mainly driven by MBA MVNO dynamics
- Postpaid partner MSR contribution stable at ~28%
OIBDA reflects revenue flow-through and investment in growth

<table>
<thead>
<tr>
<th>(EUR m)</th>
<th>Revenue</th>
<th>Other income</th>
<th>Supplies</th>
<th>Personnel expenses</th>
<th>Other expenses¹</th>
<th>Exceptional effects</th>
<th>Underlying OIBDA²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,846</td>
<td>25</td>
<td>-604</td>
<td>-150</td>
<td>-593</td>
<td>8</td>
<td>532</td>
</tr>
</tbody>
</table>

- Underlying² OIBDA +1.6% y-o-y in Q1 20 driven by
  - Flow-through from mobile service and fixed revenues
  - Partly offset by higher costs, mainly in supplies

- Underlying² OIBDA margin of 28.8%
  - Mainly reflecting strong growth of lower margin handset revenue

¹ 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.

² Includes exceptional effects, Group fees and impairment losses in accordance with IFRS 9.
Free Cash Flow dynamics reflect usual seasonal trends

### Evolution of Q1 2023 FCF

<table>
<thead>
<tr>
<th>(EUR m)</th>
<th>OIBDA</th>
<th>CapEx ex spectrum^1</th>
<th>CapEx payables^1</th>
<th>Prepayments</th>
<th>Restructuring</th>
<th>Other working capital movements</th>
<th>Others</th>
<th>FCF pre dividends &amp; spectrum payments^2</th>
<th>Lease payments</th>
<th>FCF aL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>524</td>
<td>-224</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

WC movements & adjustments: EUR -54m

### Stable net debt^3 – leverage well in-line with target

<table>
<thead>
<tr>
<th>(EUR m)</th>
<th>Leverage ratio^4</th>
<th>Net debt</th>
<th>FCF pre dividend &amp; spectrum payments^2</th>
<th>Lease liabilities</th>
<th>Net Invest</th>
<th>Lease payments</th>
<th>Others</th>
<th>Net debt 31 Mar-20^3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.7x</td>
<td>3.860</td>
<td>-241</td>
<td>-91</td>
<td>2</td>
<td>259</td>
<td>75</td>
<td>3.863</td>
</tr>
</tbody>
</table>

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
Strong liquidity position - smooth debt maturity profile and well diversified financing mix

Maturity profile\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>SSD</th>
<th>EIB 2016</th>
<th>SynLoan</th>
<th>Money Market</th>
<th>Bonds</th>
<th>Telfisa</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>593</td>
<td>575</td>
<td>75</td>
<td>214</td>
<td>338</td>
<td>704</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>837</td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2026</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2027</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2028</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2029</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2031</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2032</td>
<td>92</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2033</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Financing and interest mix\(^2\)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Market</td>
<td>EUR 118.5m</td>
</tr>
<tr>
<td>Bonds</td>
<td>EUR 1.1bn</td>
</tr>
<tr>
<td>EIB</td>
<td>EUR 858m</td>
</tr>
<tr>
<td>Telfisa</td>
<td>EUR 450m</td>
</tr>
<tr>
<td>Synd. Loan</td>
<td>EUR 750m</td>
</tr>
<tr>
<td>Bilateral RCFs</td>
<td>EUR 660m</td>
</tr>
<tr>
<td>SSD</td>
<td>EUR 722.5m</td>
</tr>
<tr>
<td>Fix</td>
<td>28%</td>
</tr>
<tr>
<td>Float</td>
<td>72%</td>
</tr>
</tbody>
</table>

Liquidity position

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>654</td>
</tr>
<tr>
<td>Undrawn RCF’s/Loans, Ext. Overdraft</td>
<td>2,314</td>
</tr>
<tr>
<td>Liquidity</td>
<td>2,968</td>
</tr>
</tbody>
</table>

Comments

- Ample liquidity of c. EUR 3.0bn provides significant financial stamina. This includes a new EUR450m undrawn EIB Loan
- Well balanced and diversified maturity profile
- Low exposure to changes in interest rates due to a high percentage of debt at fixed rates
- EUR 118.5m Money Market Facilities outstanding

\(^1\) Maturity profile excludes bilateral facilities and undrawn EIB loan of EUR 450m
\(^2\) Interest mix excludes undrawn facilities
Strong confidence in mid-term FCF generation ability and remain committed to attractive shareholder remuneration

- **Temporary investment programme** to drive future growth & profitability
- **Strong confidence in mid-term FCF generation ability**
- **No material cash tax** during investment period; minimum taxation of 12-13% thereafter (due to tax losses carried forward of EUR 14.7 billion for corporate income tax and EUR 14.3 billion for trade tax)

**Leverage**

- **Maintaining Fitch BBB investment grade rating**
- **Strong B/S with low indebtedness**; leverage a 1.7x (IFRS 16) as of 31.03.2020
- **IFRS 16 leverage target**: At or below 2.5x; solid headroom under current rating
- **Deferred spectrum payments lead to increased financial flexibility**

**Dividend proposal FY 19**

- Virtual AGM called for 20 May with a proposal of EUR 0.17/share,
- Dividend of EUR 0.17/share, which will be a floor during our investment programme in 2020/21

**Dividend policy**

- Continuity since the IPO
- High pay-out ratio to FCF aL

---

1 Leverage ratio is defined as net financial debt divided by the OIBDA for the last twelve months adjusted for exceptional effects
Confirming FY20 outlook & midterm guidance while closely monitoring COVID-19 impacts

Outlook FY 20

- Flat to slightly positive (incl. reg. impacts of ~EUR 20-30m)

Mid-term guidance 2020/22

- TEF D with cumulated growth of min. 5%
- Ongoing margin improvement
- 2-year investment programme to generate growth with C/S incl. 5G RAN peaking in 2020/21 between 17-18%; normalising already in 2022

Revenue

- Flat to slightly positive (incl. reg. impacts of ~EUR 20-30m)

Q1 20

- Revenue
  - Q1'19: 1,779
  - Q1'20: 1,846
  - +3.8%
  - Phasing

C/S

- Broadly stable to slightly positive (incl. reg. impacts of less than ~EUR 10m)
- 17 - 18%

OIBDA¹

- Ongoing margin improvement
- Broadly stable to slightly positive (incl. reg. impacts of less than ~EUR 10m)

- Q1'19: 524
- Q1'20: 532
- +1.6%
- Phasing

¹ Adjusted for exceptional effects
O2D factsheet

Share price development as of 8 May 2020

Telefónica Deutschland at a glance

<table>
<thead>
<tr>
<th>Market segment</th>
<th>Prime Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Telecommunications</td>
</tr>
<tr>
<td>Shares outstanding</td>
<td>2,974,544,993 shares</td>
</tr>
<tr>
<td>Share capital</td>
<td>EUR 2,974.6 m</td>
</tr>
<tr>
<td>Market cap</td>
<td>EUR 8,156.2 m</td>
</tr>
<tr>
<td>Share price</td>
<td>EUR 2.742</td>
</tr>
</tbody>
</table>

Regional split of shareholder structure

- UK & Ireland: 16.3%
- North America: 8.0%
- France: 5.0%
- Germany: 8.0%
- Continental Europe: 14.1%
- Scandinavia: 8.9%
- Rest of World: 41.3%

Shareholder structure

- Telefónica Germany Holdings Ltd: 30.8%
- Freefloat: 69.2%

Notes:
1. Status: 31 March 2020
2. Telefónica Germany Holdings Limited is an indirect wholly owned subsidiary of Telefónica S.A.
3. Source: NASDAQ; Shareholder ID as of January 2020
Any further questions? Please reach out to us!

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Eugen Albrecht
Senior Investor Relations Officer
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eugen.albrecht@telefonica.com
Revenue structure (EUR m)

- **Fixed**: 1,779 (Q1 19), 1,785 (Q2 19), 1,865 (Q3 19), 1,970 (Q4 19), 1,846 (Q1 20)
- **Handset**: 315 (Q1 19), 281 (Q2 19), 318 (Q3 19), 432 (Q4 19), 339 (Q1 20)
- **MSR**: 1,281 (Q1 19), 1,319 (Q2 19), 1,361 (Q3 19), 1,341 (Q4 19), 1,311 (Q1 20)
- **Other revenues**: 182 (Q1 19), 185 (Q2 19), 185 (Q3 19), 189 (Q4 19), 193 (Q1 20)

Underlying OIBDA\(^1\) (EUR m)

- **Q1 19**: 524 (29.5%), 582 (32.6%), 590 (31.7%), 619 (31.4%), 532 (28.8%)

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

- **Supplies**: 1,286 (Q1 19), 1,250 (Q2 19), 1,317 (Q3 19), 1,413 (Q4 19), 1,348 (Q1 20)
- **Personnel expenses**: 1,319 (Q1 19), 1,361 (Q2 19), 1,341 (Q3 19), 1,311 (Q4 19), 1,311 (Q1 20)
- **Other**: 182 (Q1 19), 185 (Q2 19), 185 (Q3 19), 189 (Q4 19), 193 (Q1 20)

CapEx\(^3\) (EUR m)

- **Q1 19**: 252
- **Q2 19**: 243
- **Q3 19**: 286
- **Q4 19**: 263
- **Q1 20**: 224

---

1 Adjusted for exceptional effects
2 Includes impairment losses in accordance with IFRS 9
3 Excluding additions from capitalised right-of-use assets
Mobile KPIs

**Postpay net adds**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 19</th>
<th>Q2 19</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>283</td>
<td>357</td>
<td>367</td>
<td>443</td>
<td>188</td>
</tr>
</tbody>
</table>

**Prepay net adds**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 19</th>
<th>Q2 19</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>-211</td>
<td>3</td>
<td>-3</td>
<td>-236</td>
<td>-407</td>
</tr>
</tbody>
</table>

**Mobile customer base**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 19</th>
<th>Q2 19</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postpay ex M2M</td>
<td>42,913</td>
<td>43,218</td>
<td>43,607</td>
<td>43,827</td>
<td>43,647</td>
</tr>
<tr>
<td>Prepay</td>
<td>21,871</td>
<td>21,729</td>
<td>22,096</td>
<td>22,539</td>
<td>22,727</td>
</tr>
<tr>
<td>M2M</td>
<td>20,332</td>
<td>20,332</td>
<td>20,332</td>
<td>20,332</td>
<td>20,332</td>
</tr>
</tbody>
</table>

**LTE customer base**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 19</th>
<th>Q2 19</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>19.3</td>
<td>20.2</td>
<td>20.9</td>
<td>24.6</td>
<td>25.2</td>
</tr>
</tbody>
</table>

*excluding M2M*
**Mobile KPIs**

### Postpay ARPU (EUR)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 19</th>
<th>Q2 19</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARPU</td>
<td>14.2</td>
<td>14.4</td>
<td>14.4</td>
<td>14.0</td>
<td>13.7</td>
</tr>
</tbody>
</table>

### Prepay ARPU (EUR)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 19</th>
<th>Q2 19</th>
<th>Q3 19</th>
<th>Q4 19</th>
<th>Q1 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARPU</td>
<td>5.7</td>
<td>5.9</td>
<td>6.2</td>
<td>6.1</td>
<td>5.9</td>
</tr>
</tbody>
</table>

### Churn rate (%)

- **O₂ postpaid**
- **Total postpaid (ex M2M)**

Q1 19 annualised churn rate O₂: 15.7%

### Smartphone penetration (%)

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>O₂ consumer postpay</th>
<th>O₂ consumer prepay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 19</td>
<td>82.0</td>
<td>36.4</td>
</tr>
<tr>
<td>Q2 19</td>
<td>82.9</td>
<td>38.6</td>
</tr>
<tr>
<td>Q3 19</td>
<td>84.1</td>
<td>39.0</td>
</tr>
<tr>
<td>Q4 19</td>
<td>87.9</td>
<td>39.4</td>
</tr>
<tr>
<td>Q1 20</td>
<td>89.6</td>
<td>39.5</td>
</tr>
</tbody>
</table>
Innovative O₂ Free portfolio extension driving ARPU-up strategy

### O₂ Free - all customer needs covered

<table>
<thead>
<tr>
<th>O₂ Free - speed-tiered unlimited</th>
<th>O₂ Free - classic volume-based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlimited usage</td>
<td>Maximum speed</td>
</tr>
<tr>
<td>Best-fit speed-tiering</td>
<td>Boost option - doubling data</td>
</tr>
<tr>
<td>5G-ready in high value tariffs</td>
<td>5G-ready in high value tariffs</td>
</tr>
</tbody>
</table>

### O₂ Free - high adoption rate

- Own brand ARPU increase y-o-y: +0.4%
- Early adopters moving into speed-tiered unlimited tariffs - majority taking max. speed: ~15%
- Volume based continue be well received – 20GB most popular and increasing share in large volume bundles: ~85%
- Continued increase in average O₂ Free data usage: 7 GB
# O₂ Free mobile portfolio

### O₂ Free Unlimited

<table>
<thead>
<tr>
<th></th>
<th>O₂ Free Unlimited Basic</th>
<th>O₂ Free Unlimited Smart</th>
<th>O₂ Free Unlimited Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datenvolumen</td>
<td>Unlimited GB</td>
<td>Unlimited GB</td>
<td>Unlimited GB</td>
</tr>
<tr>
<td>Max Surfgeschwindigkeit</td>
<td>2 MBit/s</td>
<td>10 MBit/s</td>
<td>Max. MBit/s</td>
</tr>
<tr>
<td>Netztechnologie</td>
<td>4G</td>
<td>LTE</td>
<td>4G</td>
</tr>
<tr>
<td>Flatrate für Minuten/SMS</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>EU Roaming</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mindestlaufzeit</td>
<td>24 Monaten</td>
<td>24 Monaten</td>
<td>24 Monaten</td>
</tr>
</tbody>
</table>

### O₂ Free S, M, L

<table>
<thead>
<tr>
<th></th>
<th>O₂ Free S</th>
<th>O₂ Free M</th>
<th>O₂ Free L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datenvolumen</td>
<td>3 GB</td>
<td>20 GB</td>
<td>60 GB</td>
</tr>
<tr>
<td>Max Surfgeschwindigkeit</td>
<td>Max. MBit/s</td>
<td>Max. MBit/s</td>
<td>Max. MBit/s</td>
</tr>
<tr>
<td>Netztechnologie</td>
<td>4G</td>
<td>LTE</td>
<td>4G</td>
</tr>
<tr>
<td>Flatrate für Minuten/SMS</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>EU Roaming</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mindestlaufzeit</td>
<td>24 Monaten</td>
<td>24 Monaten</td>
<td>24 Monaten</td>
</tr>
</tbody>
</table>
Fixed KPIs

**Retail broadband net adds (’000)**

- **Q1 19**: Therof DSL 65, Therof VDSL -21
- **Q2 19**: Therof DSL 59, Therof VDSL -21
- **Q3 19**: Therof DSL 53, Therof VDSL -22
- **Q4 19**: Therof DSL 33, Therof VDSL -20
- **Q1 20**: Therof DSL 36, Therof VDSL -11

**Fixed accesses (’000)**

- **Q1 19**: Retail DSL 2,124, thereof VDSL 1,507
- **Q2 19**: Retail DSL 2,162, thereof VDSL 1,566
- **Q3 19**: Retail DSL 2,193, thereof VDSL 1,619
- **Q4 19**: Retail DSL 2,207, thereof VDSL 1,652
- **Q1 20**: Retail DSL 2,232, thereof VDSL 1,688

**Fixed retail ARPU (EUR)**

- **Q1 19**: 23.4
- **Q2 19**: 23.4
- **Q3 19**: 23.2
- **Q4 19**: 23.1
- **Q1 20**: 23.7

Note: Data show increases in retail broadband net adds and fixed accesses with a slight increase in ARPU.
O₂ Free fixed portfolio

<table>
<thead>
<tr>
<th>O₂ my Home XL*</th>
<th>O₂ my Home L</th>
<th>O₂ my Home M</th>
<th>O₂ my Home S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximale Surf-Geschwindigkeit</td>
<td>VDSL 250 MBit/s (Upload: 40 MBit/s)*</td>
<td>VDSL 100 MBit/s (Upload: 40 MBit/s)*</td>
<td>50 MBit/s (Upload: 10 MBit/s)</td>
</tr>
<tr>
<td>Flatsrate-Telefonieren</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ins dt. Festnetz und in alle dt. Mobilfunknetze*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Optional buchbar:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HomeBox 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AVM FRITZ!Box 7490</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AVM FRITZ!Box 7590*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anschlussgebühr einmalig*</td>
<td>0,--</td>
<td>1,99 mtl.</td>
<td>1,99 mtl.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,99 mtl.</td>
<td>5,99 mtl.</td>
</tr>
<tr>
<td>Rabattaktion*</td>
<td>1 Jahr</td>
<td>0,--</td>
<td>0,--</td>
</tr>
<tr>
<td></td>
<td>10,- mtl. sparen</td>
<td>(anstatt 49,99)</td>
<td>(anstatt 49,99)</td>
</tr>
<tr>
<td>Mtl. Grundgebühr reduziert für O₂ Kunden*</td>
<td>ab 24,99</td>
<td>ab 14,99</td>
<td>ab 9,99</td>
</tr>
<tr>
<td>Mtl. Grundgebühr (bei 24 Monaten Laufzeit)</td>
<td>34,99</td>
<td>24,99</td>
<td>19,99</td>
</tr>
</tbody>
</table>

Telefonica Deutschland