

MUNICH, 28 October 2020

Interim statement for January to September 2020

Solid financial results with OIBDA back to growth

- Core business momentum fully intact, churn remained on historic low levels supported by network quality improvements while international roaming reflects ongoing travel restrictions
- Revenues up +0.4% y-o-y in Q3 20 on sustained MSR and fixed revenue trends
- Q3 20 OIBDA¹ back to growth up +0.8% y-o-y on improved revenue mix and enhanced cost efficiencies while muted by COVID-19 related roaming drag
- C/S ratio of 13.4% in Q3 20; making steady progress with LTE roll-out and 5G network went 'live' while some Capex shift within the current investment programme
- Confirming FY20 financial outlook while continuously monitoring & analysing COVID-19 impacts

Operating performance

In a dynamic yet rational environment Telefónica Deutschland's core business momentum remained fully intact with solid trading momentum in Q3 20 driven by the strong traction of the O₂ Free portfolio, leveraging historic low churn levels and increasing NPS as a result of the steady quality improvements of the O₂ network and services. O₂ was ranked top with a 'very good'-rating in both, the connect magazine's shop test as well as the connect service app test.

Telefónica Deutschland's 5G network went live on 3 Oct-20 and is already operational in the first 15 German cities. The company is driving its 5G rollout over the coming months to reach >30% of population coverage by YE21, ~50% by YE22 and close to full coverage by YE25.

On 21 Oct 2020, Telefónica Deutschland announced its ambition to become climate neutral by 2025 by significantly increasing energy efficiency of its network on the back of the 5G rollout and network modernisation as well as using 100% of green energy in all areas of the business. Also, the company is targeting to reduce business travel by ~70% as part of the new normal in an increasingly digital working environment. With its ambitious climate strategy Telefónica Deutschland supports the Paris Climate Agreement and contributes to the action alliance "Business Ambition for 1.5°C".

Mobile business

Mobile postpaid² posted +261k net additions in Q3 20 (+608k in 9M 20) compared to +367k in Q3 19 (+1,008k in 9M 19) reflecting continued historic low churn levels in the COVID-19 environment and sustained strong customer demand for the well-performing O₂ Free portfolio as well as a robust performance of partner brands.

M2M saw +47k net additions in Q3 20 (+164k in 9M 20) versus +25k in Q3 19 (-9k net disconnections in 9M 19).

¹ Adjusted for exceptional effects. In Q3 20, exceptional effects amounted to EUR +380m (EUR +375m in 9M 20), thereof EUR +407m capital gain related with the sale of the operations of the first tranche of ~6,000 mobile sites to Telxius and EUR -26m restructuring costs. In prior year, exceptional effects were restructuring expenses of EUR -2m in Q3 and EUR -24m in 9M 19.

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

Mobile prepaid registered seasonal strong demand, posting +208k net additions in Q3 20 (-566k net disconnections in 9M 20) compared to -3k in Q3 19 (-210k in 9M 19) while the ongoing prepaid to postpaid migration trends in the market remained unchanged.

Postpaid³ churn improved +0.1 p.p. y-o-y to 1.4% both, in Q3 20 and YTD. **Churn in the O₂ brand** continued to be at even lower levels and improved +0.4 p.p. y-o-y to historic lows of 1.0% in Q3 20 and 1.1% in 9M 20, an improvement of +0.2 p.p. y-o-y. These positive churn trends are mainly driven by the Company's retention focus supported by sustained network quality improvements and some tailwinds from COVID-19 related lower churn entries. The implied annualised churn rate of the O₂ brand in 9M 20 improved to 13.5% vs. 15.7% in 9M 19, thus providing a clear proof point for sustained quality improvements and excellent customer experience on the O₂ network.

Hence, Telefónica Deutschland's **mobile customer accesses** stood at 44.0m (+1.0% y-o-y) as of 30 September 2020 driven by strong +4.8% y-o-y growth of the **mobile postpaid ex M2M base** which increased to 23.1m accesses. As a result, mobile postpaid accounted for 52.6% of the company's total mobile base, a plus of +1.9 p.p. y-o-y. **M2M accesses** came to 1.4m at the end of September, +15.0% y-o-y. The **mobile prepaid base** declined -3.9% y-o-y to 19.5m, reflecting seasonality as well as the ongoing prepaid-to-contract migration trends in the German market.

LTE customer base climbed to 26.6m⁴ accesses as of 30 September 2020, up +27.4% y-o-y, fuelled by the sustained demand for high-speed mobile data services. LTE-penetration across the base reached 62.4%, up +13.1p.p. y-o-y while LTE penetration in postpaid continues to be even significantly higher (~76%).

ARPU trends in the first 9M of 2020 are reflecting ongoing COVID-19 related roaming headwinds as well as negligible regulatory effects while trading and prepaid dynamics fully recovered in Q3 20. Mainly the COVID-19 related roaming drag continues to offset the ARPU accretive effects from the successful O₂ Free portfolio and value-added services. **Blended mobile ARPU** was EUR 9.9 in the first 9M of 2020, down -1.5% y-o-y while already showing signs of recovery in Q3 20 at EUR 10.1 with a decline of -0.6% y-o-y. **Prepaid ARPU** of EUR 6.0 was up +1.5% y-o-y in 9M 20 mainly on the back of fewer inactive SIM-cards. **Postpaid ARPU** stood at EUR 13.6 in 9M 20, a decline of -4.9% y-o-y on the back of the before mentioned factors. **Own brand postpaid ARPU** was down -1.1% y-o-y in 9M 20. Excluding the COVID-19 related loss of roaming revenues, own brand ARPU was up +0.3% y-o-y in both, Q3 20 and 9M 20.

Fixed business

The **fixed broadband customer base** stood at 2.3m accesses at the end of September 2020, up +2.7% y-o-y, driven by a +8.8% y-o-y step-up of the **VDSL base** to 1.8m - now representing 78% of the fixed broadband base. In 3Q 20, fixed broadband registered +6k net additions in a low churn environment (+45k in 9M 20), driven by continued strong demand for VDSL (+34k net additions in Q3 20 and +110k in 9M 20).

Fixed churn remained at low levels of 0.9% in Q3 20, flat y-o-y.

Fixed broadband ARPU of EUR 23.7 continued its growth path and posted +2.4% y-o-y growth in Q3 20 (also EUR 23.7 in 9M 20, +1.9% y-o-y) reflecting growth in the customer base including the steadily increasing share of VDSL customers.

³ As of 1 January 2020, M2M is separately reported from postpaid; for comparability this change has also been applied to 2019, retrospectively.

⁴ Includes a technical database adjustment of +3.2m customers in Q4 19.

Financial performance

Revenue dynamics remained intact, posting EUR 1,873m in Q3 20, up +0.4% y-o-y (+1.5% y-o-y to EUR 5,509m in 9M 20) on improving MSR and fixed revenue trends while absorbing EUR -30m of COVID-19 impacts in Q3 20 (EUR -69m in 9M 20) and robust demand for handsets. **Ex COVID-19 revenue growth would have been +1.6 p.p. higher in Q3 20** and +1.3 p.p. in 9M 20.

Mobile service revenue⁵ (MSR) were **flat y-o-y at EUR 1,361m in Q3 20** (EUR 3,948m in 9M 20, -0.3% y-o-y), improving their y-o-y performance on strong own brand performance while facing tougher comps and COVID-19 impacts of EUR -27m in the quarter (EUR -62m in 9M 20). **Ex COVID-19 MSR growth would have been +2.0 p.p. higher in Q3 20** and +1.6 p.p. in 9M 20.

Handset revenue reflected some delayed smartphone launches while demand for high value handset remained strong and registered a **-2.1% y-o-y decline to EUR 311m in Q3 20** while YTD performance was supported by the good traction of online channels (+6.4% y-o-y to EUR 972m).

Fixed revenue further maintained their upward trend and posted strong **+6.7% y-o-y at EUR 198m in Q3 20** (+5.6% y-o-y growth at EUR 583m in 9M 20) on the back of sustained retail customer base growth driven by strong VDSL demand. Thus, **fixed retail revenue** posted even stronger y-o-y growth of +7.4% and +7.2% in Q3 20 and 9M 20, respectively.

Other income totalled EUR 439m in Q3 20 (EUR 496m in 9M 20) mainly driven by a capital gain of EUR 407m related to the completed transfer of the first tranche of ~6,000 mobile sites to Telxius in September.

Operating expenses including exceptional effects of EUR -26m (mainly restructuring expenses) totalled **EUR 1,336m in Q3 20; hence, up +1.3% y-o-y** (EUR 3,950m in 9M 20, +1.9% y-o-y) while in organic terms operating expenses were -0.5% lower y-o-y in the quarter.

- **Supplies** reached EUR 591m in Q3 20, +1.2% y-o-y (EUR 1,762m in 9M 20, +5.0% y-o-y) also driven by higher fixed network traffic so that hardware cost of sales and connectivity-related cost of sales accounted for 51% and 45% of supplies, respectively. YTD September supplies are reflecting handset demand, the COVID-19 driven increase of mobile and fixed voice volumes, European roaming patterns as well as higher fixed data traffic on the network.
- **Personnel expenses** amounted to EUR 168m in Q3 20 (EUR 461m in 9M 20) and included EUR -24m of restructuring expenses (EUR +1m in Q3 19; EUR -25m and EUR -5m in 9M 20 and 9M 19, respectively). Total base salaries were lower -1.0% y-o-y in Q3 20 (-1.8% y-o-y in 9M 20) driven by a lower FTE base versus prior year.
- **Other operating expenses⁶** were EUR 577m in Q3 20 and included exceptional effects of EUR -2m (EUR 1,727m in 9M 20 including EUR -10m exceptional effects). Other operating expenses were lower by -2.2% y-o-y in Q3 20 (9M 20 and -1.4% y-o-y) reflecting efficiency gains and seasonal effects as well as commercial activities. In the January to September period, commercial and non-commercial costs accounted for 67% and 30%, respectively. Group fees totalled EUR 8m in Q3 20 and EUR 24m in 9M 20, a decline of -6.3% y-o-y.

⁵ Mobile service revenue includes base fees and fees paid by the company's customers for the usage of voice, SMS and mobile data services; it also includes access and interconnection fees as well as other charges levied on partners for the use of the company's network.

⁶ Includes other expenses and impairment losses in accordance with IFRS 9 in the amount of EUR 20m in Q3 20 and EUR 59m in 9M 20 (compared to EUR 19m and EUR 56m in the respective periods of 2019).

OIBDA⁷ amounted to EUR 595m in Q3 20, back to growth up +0.8% y-o-y in the quarter (EUR 1,680m in 9M 20, -1.0% y-o-y). The improved OIBDA margin is a result of the revenue mix and enhanced cost efficiencies while muted by the COVID-19 related roaming drag. COVID-19 impacts amounted to EUR -23m in Q3 20 and to EUR -47m in 9M 20 and are fully absorbed in the before mentioned y-o-y trends. OIBDA⁷ margin stood at 31.8% in Q3 20 (+0.1 p.p. y-o-y) and 30.5% in 9M 20 (-0.8 p.p. y-o-y) reflecting the before mentioned effects as well as the growth trends of the lower margin handset business. **Ex COVID-19 OIBDA⁷ growth would have been +3.9 p.p. higher in Q3 20** and +2.8 p.p. YTD Sep-20.

Depreciation & Amortisation totalled EUR 1,701m in the nine months period to September, a y-o-y decline of **-6.2%** (EUR 1,813m in 9M 19), mainly due to individual assets in PPE reaching the end of their useful life.

The **operating income** for the first 9M of 2020 came to EUR 354m compares with an operating loss of EUR -141m in prior year and is driven by EUR +401m capital gains⁸ related with the sale of assets.

The **net financial expenses** accounted for EUR -49m in the first 9M of 2020 compared to EUR -39m in the same period 2019.

The Company reported EUR +22m **income tax credit** in the first nine months of 2020 as a result of cash taxes and a deferred tax income related with the transfer of ~6,000 mobile sites to Telxius.

The **net profit** in 9M 20 amounted to EUR 328m compared to a net loss of EUR -180m in the same period of the prior year.

CapEx⁹ came to EUR 251m in Q3 20 with a C/S ratio of 13.4% and **EUR 726m in 9M 20** (-7.1% y-o-y) with a **C/S ratio of 13.2%**. This is the result of more back-end loaded deployment of CapEx mainly due to COVID-19 as well as a shift of some CapEx into next year within the current investment programme which is also likely to take slightly longer to execute due to COVID-19. Nonetheless, the LTE-rollout is making steady progress with the second milestone agreed with Bundesnetzagentur successfully achieved at the end of September and the Company being on track to fulfil its YE20 coverage obligations. Also, Telefónica Deutschland's 5G network already operates in the first 15 German cities with a rapid rollout over the coming months to reach >30% of pop-coverage by YE21, ~50% by YE22 and close to full coverage by YE25.

Operating cash flow (OIBDA minus CapEx⁹) amounted to EUR 1,329m in 9M 20 including the before mentioned exceptional effects of EUR 375m. Excluding exceptional effects, OpCF amounted to EUR 954m in 9M 20, up +4.3% y-o-y).

Free cash flow (FCF)¹⁰ was EUR 695m in the first 9M of 2020. Lease payments, primarily for leased lines and antenna sites, amounted to EUR -429m. As a result, FCFaL stood at EUR 267m for the reporting period compared to EUR 227m in the prior year.

⁷ Adjusted for exceptional effects. In Q3 20, exceptional effects amounted to EUR +380m (EUR +375m in 9M 20), thereof EUR +407m capital gain related with the sale of the operations of the first tranche of ~6,000 mobile sites to Telxius and EUR -26m restructuring costs. In prior year, exceptional effects were restructuring expenses of EUR -2m in Q3 and EUR -24m in 9M 19.

⁸ 9M 20 capital gains from the sales of assets totalled EUR +401m including the sale of spectrum assets (EUR -5m) as well as the sale of the operations of the first tranche of ~6,000 mobile sites to Telxius (EUR +407m).

⁹ Excluding additions from capitalised right-of-use assets.

¹⁰ Free cash flow pre dividends and payments for spectrum (FCF) is defined as the sum of cash flow from operating activities and cash flow from investing activities and does not contain payments for investments in spectrum as well as related interest payments.

Working capital movements and adjustments were negative in the amount of EUR -221m in 9M 20 (EUR -210m in the prior year period). This development was mainly driven by a decrease in capex payables (EUR -61m), decreased prepayments (EUR +13m), net restructuring impacts (EUR +10m) as well as other working capital movements in the amount of EUR -184m. The latter include the development of net receivables (including factoring) in the amount of EUR +87m which were outweighed by other working capital movements, especially a decrease in trade and other payables.

Consolidated net financial debt¹¹ amounted to EUR 3,643m as of 30 September 2020 with a leverage ratio of 1.6x¹², well below the company's self-defined target ratio of at or below 2.5x. This leaves comfortable leverage headroom with regards to the company's BBB-rating by Fitch.

Financial outlook 2020

Telefónica Deutschland achieved a solid financial performance in 9M 20 with core business operating trends fully intact. Trading momentum remains supported by historic low churn which benefits from ongoing network quality improvements while international roaming remains limited and reflects the prevailing travel restrictions due to COVID-19.

COVID-19 impacts are fully reflected in the below 9M 20 performance. The management team is continuously monitoring and analysing the latest development of the COVID-19 related restrictions and their impact on the company. In this context, Telefónica Deutschland confirms its financial outlook for FY20.

	Baseline 2019	Outlook 2020	9M 20
Revenue	EUR 7,399m	flat to slightly positive y-o-y	+1.5% y-o-y ¹³
OIBDA Adjusted for exceptional effects	EUR 2,316m	broadly stable to slightly positive y-o-y	-1.0% y-o-y ¹³
Capex to Sales Ratio	14.1%	< 17–18%	13.2%

¹¹ 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.

¹² Leverage ratio is defined as net financial debt divided by OIBDA of the last twelve months adjusted for exceptional effects.

¹³ Including COVID-19 impacts.

APPENDIX – DATA TABLES

TELEFÓNICA DEUTSCHLAND GROUP

ACCESSES

Unaudited

	2020		
(in millions)	Q1	Q2	Q3
Mobile accesses	43.6	43.5	44.0
Prepaid	19.7	19.3	19.5
Postpaid	22.7	22.9	23.1
Postpaid (%)	52.1%	52.6%	52.6%
M2M (1)	1.2	1.3	1.4
Internet and data accesses	2.3	2.3	2.3
Broadband	2.2	2.2	2.3
thereof VDSL	1.7	1.7	1.8

(1) Includes a revenue-neutral technical base correction in Q2 2019.

	2019			
	Q1	Q2	Q3	Q4
Mobile accesses	42.9	43.2	43.6	43.8
Prepaid	20.3	20.3	20.3	20.1
Postpaid	21.4	21.7	22.1	22.5
Postpaid (%)	49.8%	50.3%	50.7%	51.4%
M2M (1)	1.2	1.2	1.2	1.2
Internet and data accesses	2.2	2.3	2.3	2.3
Broadband	2.1	2.2	2.2	2.2
thereof VDSL	1.5	1.6	1.6	1.7

TELEFÓNICA DEUTSCHLAND GROUP

SELECTED OPERATIONAL DATA

Unaudited

	2020		
	Q1	Q2	Q3
Mobile ARPU (in Euros) (1)	9.8	9.6	10.1
Prepaid	5.9	5.8	6.4
Postpaid	13.7	13.3	13.9
Fixed BB ARPU (in Euros) (1)	23.7	23.8	23.7
Mobile voice traffic (million minute)	31,138	33,085	31,465
Mobile data traffic (TB) (3)	313,949	348,397	396,493
Mobile churn (%)	-2.0%	-1.9%	-1.6%
Postpaid churn (%)	-1.5%	-1.4%	-1.4%

(1) ARPU (average revenue per user) is calculated as monthly average of the quarter.

(2) Mobile voice traffic is defined as minutes used on the company's network, both outbound and inbound. Promotional traffic and traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume is not rounded.

(3) Mobile data traffic is defined as Terabytes used by the company customers for both uploads and downloads (1TByte = 10¹² bytes). Promotional traffic is included. Traffic not associated with the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is also included. Traffic volume is not rounded.

	2019			
	Q1	Q2	Q3	Q4
Mobile ARPU (in Euros) (1)	9.8	10.0	10.2	10.0
Prepaid	5.7	5.9	6.2	6.1
Postpaid	14.2	14.4	14.4	14.0
Fixed BB ARPU (in Euros) (1)	23.4	23.4	23.2	23.1
Mobile voice traffic (million minute)	26,017	26,747	26,460	27,801
Mobile data traffic (TB) (3)	193,007	226,753	252,522	283,266
Mobile churn (%)	-1.9%	-1.8%	-1.9%	-2.0%
Postpaid churn (%)	-1.6%	-1.5%	-1.5%	-1.5%

TELEFÓNICA DEUTSCHLAND GROUP

CONSOLIDATED INCOME STATEMENT & SELECTED CONSOLIDATED FINANCIAL DATA

Unaudited

(Euros in millions)	July 1 to September 30				January 1 to September 30			
	2020	2019	Change	% Change	2020	2019	Change	% Change
Revenues (1)	1,873	1,865	8	0.4	5,509	5,429	80	1.5
Mobile business (2)	1,672	1,679	(6)	(0.4)	4,920	4,874	46	0.9
Mobile service revenues (2)	1,361	1,361	0	0.0	3,948	3,960	(12)	(0.3)
Handset revenues	311	318	(7)	(2.1)	972	914	58	6.4
Fixed business	198	185	12	6.7	583	552	31	5.6
Other revenues	3	1	2	>100	6	3	3	>100
Other income	439	42	397	>100	496	120	375	>100
Operating expenses	(1,336)	(1,319)	(18)	1.3	(3,950)	(3,877)	(73)	1.9
Supplies	(591)	(584)	(7)	1.2	(1,762)	(1,679)	(84)	5.0
Personnel expenses	(168)	(145)	(23)	16.2	(461)	(447)	(13)	3.0
Impairment losses in accordance with IFRS 9	(20)	(19)	(1)	4.7	(59)	(56)	(4)	6.7
Other expenses	(557)	(571)	14	(2.4)	(1,667)	(1,696)	28	(1.7)
thereof Group fees	(8)	(8)	0	(5.7)	(24)	(25)	2	(6.3)
Operating income before depreciation and amortization (OIBDA) (3)	976	588	387	65.8	2,055	1,672	383	22.9
OIBDA margin	52.1%	31.6%	0	20.5%	37.3%	30.8%	0	6.5%
Exceptional effects (4)	380	(2)	382	(>100)	375	(24)	399	(>100)
OIBDA adjusted for exceptional effects (3) (4)	595	590	5	0.8	1,680	1,696	(16)	(1.0)
OIBDA margin adjusted for exceptional effects	31.8%	31.7%	0	0.1%	30.5%	31.2%	(0)	-0.8%
Depreciation and amortization	(591)	(599)	8	(1.3)	(1,701)	(1,813)	112	(6.2)
Operating income	385	(10)	395	(>100)	354	(141)	495	(>100)
Net financial income (expense)	(17)	(14)	(3)	24.5	(49)	(39)	(10)	24.3
Profit (loss) before tax for the period	367	(24)	391	(>100)	305	(180)	486	(>100)
Income tax	22	0	22	>100	22	0	22	>100
Total profit for the period	390	(24)	414	(>100)	328	(180)	508	(>100)
Number of shares in millions as of end of period date	2,975	2,975	-	-	2,974.6	2,974.6	-	-
Basic earnings per share (in euros) (5)	0.13	(0.01)	0	(>100)	0.11	(0.06)	0	(>100)
CapEx (6)	(251)	(286)	35	(12.1)	(726)	(782)	56	(7.1)
CapEx/Sales ratio	13.4%	15.3%	(0)	1.9%	13.2%	14.4%	(0)	1.2%
Operating cash flow (OIBDA-CapEx)	724	302	422	>100	1,329	890	438	49.2
Free cash flow	380	311	69	22.2	695	633	63	9.9

(1) Including COVID-19 impacts of ~EUR 30 million in the third quarter, respectively ~EUR 69 million YTD

(2) Including COVID-19 impacts of ~EUR 27 million in the third quarter, respectively ~EUR 62 million YTD

(3) Including COVID-19 impacts of ~EUR 23 million in the third quarter, respectively ~EUR 47 million YTD

(4) Exceptional effects as of 30 September 2020 include a capital gain related to the sale of the mobile sites passive infrastructure business to Telxius amounting to EUR 407 million, restructuring expenses amounting to EUR 26 million and losses from sale of assets related to the sale of spectrum assets in line with the agreed merger remedies amounting to EUR 5 million. Exceptional effects as of 30 September 2019 include restructuring expenses amounting to EUR 24 million.

(5) Basic earnings per share are calculated by dividing profit (loss) after taxes for the period by the weighted average number of ordinary shares of 2,975m for the years 2020 and 2019.

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

TELEFÓNICA DEUTSCHLAND GROUP

RECONCILIATION OF FREE CASH FLOW

Unaudited

(Euros in millions)	2020			2019			
	Jan - Mar	Jan - June	Jan - Sept	Jan - Mar	Jan - June	Jan - Sept	Jan - Dec
OIBDA	524	1,079	2,055	514	1,084	1,672	2,292
- CapEx (1)	(224)	(475)	(726)	(252)	(496)	(782)	(1,044)
= Operating Cashflow (OIBDA-CapEx) (1)	300	604	1,329	262	588	890	1,248
+/- Change in working capital	(54)	(264)	(221)	20	(228)	(210)	(148)
+/- (Gains) losses from sale of assets	9	5	(401)	(0)	(0)	(0)	(1)
+/- Proceeds from sale of companies	5	5	31	-	-	-	-
+/- Proceeds from sale of fixed assets and other	0	5	15	0	1	1	3
+ Net interest payments	(19)	(28)	(44)	(21)	(26)	(42)	(49)
+/- Proceeds / Payments on financial assets	1	(12)	(13)	(13)	(12)	(5)	(21)
+ Acquisition of companies net of cash acquired	(1)	(1)	(1)	(0)	(0)	(0)	(9)
= Free cash flow	241	316	695	247	322	633	1,023

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

	2020			2019			
	Jan - Mar	Jan - June	Jan - Sept	Jan - Mar	Jan - June	Jan - Sept	Jan - Dec
Free cash flow (Euros in millions)	241	316	695	247	322	633	1,023
Number of shares (in millions)	2,975	2,975	2,975	2,975	2,975	2,975	2,975
Free cash flow per share (in Euros)	0.08	0.11	0.23	0.08	0.11	0.21	0.34

TELEFÓNICA DEUTSCHLAND GROUP

DIVIDEND POLICY

Unaudited

(Euros in millions)	2020			2019			
	Jan - Mar	Jan - June	Jan - Sept	Jan - Mar	Jan - June	Jan - Sept	Jan - Dec
Free cash flow	241	316	695	247	322	633	1,023
- Lease payments	(259)	(336)	(429)	(259)	(327)	(406)	(484)
= Free cash flow after lease payments	(18)	(20)	267	(11)	(5)	227	539

TELEFÓNICA DEUTSCHLAND GROUP

CONSOLIDATED NET FINANCIAL DEBT EVOLUTION

Unaudited

(Euros in millions)	As of 30 September	As of 31 December	
	2020	2019	% Change
A Liquidity	390	781	(50.1)
B Current financial assets (1)	978	211	>100
C Current financial debt (2)	1,457	801	82.0
D=C-A-B Current net financial debt	90	(191)	(>100)
E Non-current financial assets (1)	258	129	100.0
F Non-current financial debt (2)	3,811	4,180	(8.8)
G=F-E Non-current net financial debt	3,553	4,051	(12.3)
H=D+G Net financial debt (3)	3,643	3,860	(5.6)

(1) Current and non-current financial assets include handset receivables not yet due, interest-bearing assets, net investments (IFRS 16), positive fair value hedges for fixed interest financial liabilities as well as loans to third parties.

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

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

Further information

Telefónica Deutschland Holding AG

Investor Relations

Georg-Brauchle-Ring 50

80992 München

Christian Kern, Director Investor Relations; (m) +44 7517 999208

Marion Polzer, Head of Investor Relations; (m) +49 176 7290 1221

Eugen Albrecht, Senior Investor Relations Officer; (m) +49 176 3147 5260

(t) +49 89 2442 1010

ir-deutschland@telefonica.com

www.telefonica.de/investor-relations

Disclaimer:

This document contains statements that constitute forward-looking statements and expectations about Telefónica Deutschland Holding AG (in the following “the Company” or “Telefónica Deutschland”) that reflect the current views and assumptions of Telefónica Deutschland's management with respect to future events, including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations which may refer, among others, to the intent, belief or current prospects of the customer base, estimates regarding, among others, future growth in the different business lines and the global business, market share, financial results and other aspects of the activity and situation relating to the Company. Forward-looking statements are based on current plans, estimates and projections. The forward-looking statements in this document can be identified, in some instances, by the use of words such as “expects”, “anticipates”, “intends”, “believes”, and similar language or the negative thereof or by forward-looking nature of discussions of strategy, plans or intentions. Such forward-looking statements, by their nature, are not guarantees of future performance and are subject to risks and uncertainties, most of which are difficult to predict and generally beyond Telefónica Deutschland's control and other important factors that could cause actual developments or results to materially differ from those expressed in or implied by the Company's forward-looking statements. These risks and uncertainties include those discussed or identified in fuller disclosure documents filed by Telefónica Deutschland with the relevant Securities Markets Regulators, and in particular, with the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin). The Company offers no assurance that its expectations or targets will be achieved.

Analysts and investors, and any other person or entity that may need to take decisions, or prepare or release opinions about the shares / securities issued by the Company, are cautioned not to place undue reliance on those forward-looking statements, which speak only as of the date of this document. Past performance cannot be relied upon as a guide to future performance.

Except as required by applicable law, Telefónica Deutschland undertakes no obligation to revise these forward-looking statements to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telefónica Deutschland's business or strategy or to reflect the occurrence of unanticipated events.

The financial information and opinions contained in this document are unaudited and are subject to change without notice.

This document contains summarised information or information that has not been audited. In this sense, this information is subject to, and must be read in conjunction with, all other publicly available information, including if it is necessary, any fuller disclosure document published by Telefónica Deutschland.

None of the Company, its subsidiaries or affiliates or by any of its officers, directors, employees, advisors, representatives or agents shall be liable whatsoever for any loss however arising, directly or indirectly, from any use of this document its content or otherwise arising in connection with this document.

This document or any of the information contained herein do not constitute, form part of or shall be construed as an offer or invitation to purchase, subscribe, sale or exchange, nor a request for an offer of purchase, subscription, sale or exchange of shares / securities of the Company, or any advice or recommendation with respect to such shares / securities. This document or a part of it shall not form the basis of or relied upon in connection with any contract or commitment whatsoever.

These written materials are especially not an offer of securities for sale or a solicitation of an offer to purchase securities in the United States, Canada, Australia, South Africa and Japan. Securities may not be offered or sold in the United States absent registration under the US Securities Act of 1933, as amended, or an exemption there from. No money, securities or other consideration from any person inside the United States is being solicited and, if sent in response to the information contained in these written materials, will not be accepted.