Telefónica Deutschland

Investor presentation

May 2021

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Key reasons to invest

Germany
Attractive and dynamic telecoms market

Excellent macro

Rational market

Data growth

Soft convergence

3 integrated players

Established Player
Leveraging economies of scale

Largest owned customer base

Multi-brand & -channel

Customer-centric convergence play

FMS

Operational Excellence
Digital transformation drives growth

All-infrastructure set-up

Successful integration track record

Digital transformation

Value Proposition
Attractive shareholder returns on strong fundamentals

Clear growth path

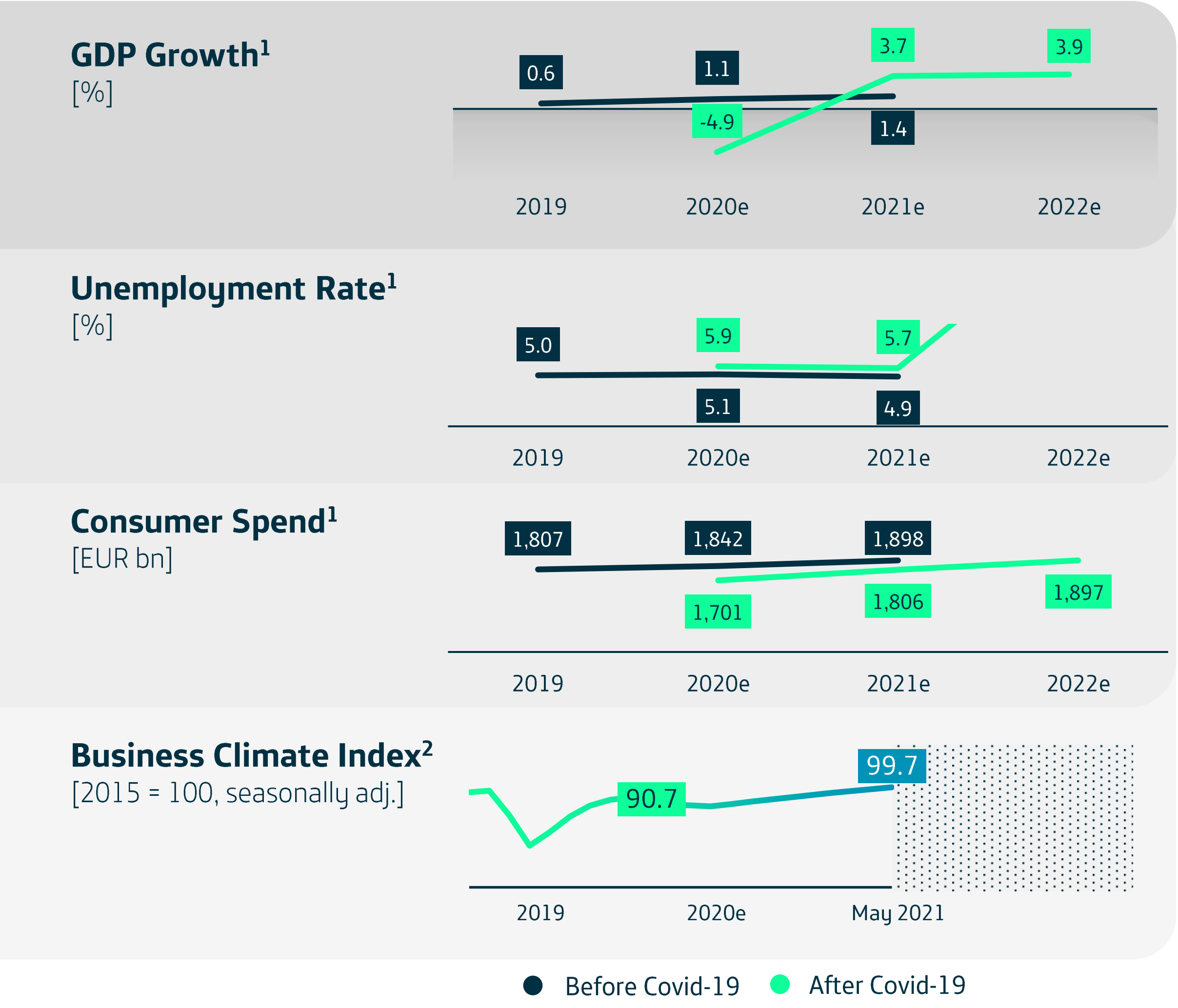
Strong FCF trajectory

High pay-out ratio to FCFaL

Strong financial profile

2021 economic recovery expected in Germany

Gradual lifting of C-19 measures since May as case numbers slowly decrease with increasing vaccination levels



Current Trends

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

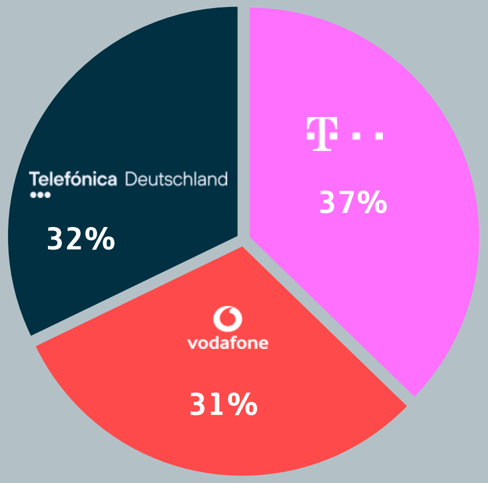
Future Trends

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

[1] Gemeinschaftsdiagnose der führenden Wirtschaftsinstitute (Apr-21)
[2] ifo (Apr-21), forecast by tradingeconomics.com

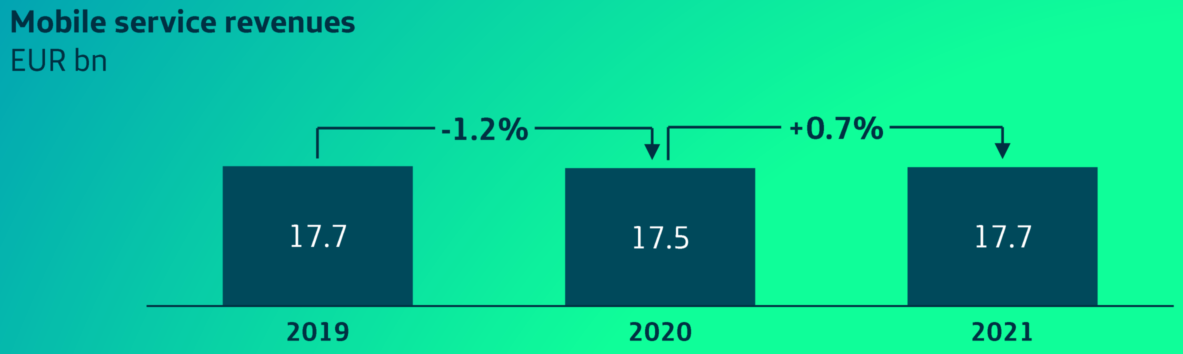
Competitive Environment

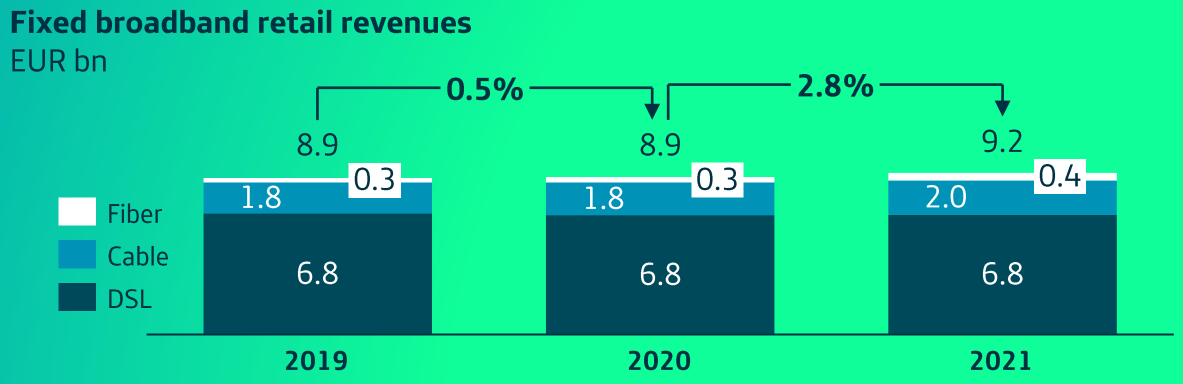
Rational & Balanced Market[1]



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

Market Development[2]





[1] Market share of FY20 MSR based on published MNO financials
[2] Analysys Mason data hub, 01.03.2021 "Western Europe telecoms market: trends and forecasts 2020–2025"

Telefónica Deutschland with a **successful start into growth era**

Build
1998 - 2008

Business Set-up
Introduction of O_2 brand
Start of 4th mobile network

Scale
2009 – 2019

20 Mio. 20 Mio. 44 Mio.

Acquisition & Integration
HanseNet & E-Plus

Established Integrated Player

Grow
2020 & beyond

Mobile Growth
gaining rural share & reinforcement in urban

Smart Bundling (incl. FMS)
capturing value & reducing churn

Attack in B2B
targeting fair SME share

Market entrance **Integration** **Benefitting from scale & transformation**

ESG at the heart of TEF D's strategy throughout the pandemic

Launch of Responsible Business Plan 2025 – Digital. Sustainable. Connected.

ESG strategy fully integrated in overall business strategy

- ✓ RBP goal: Creation of sustainable value and minimisation of risks
- ✓ RBP 2020: Achieved key targets
- ✓ RBP 2025: Ambitious future targets incl. climate protection strategy

2004 → **2021**

2004
ISO 14001 certification

2005
CR-Report

2012
Launch corporate accelerator *Wayra*

2012
Launch Eco Index

2015
ISO 50001 certification

2019
Sustainability linked loan

2020
ESG DAX50

2020
Climate protection strategy 2025

2016 - 2020
RBP

2021 - 2025
RBP

Network quality equalisation achieved

Boost Rural Coverage

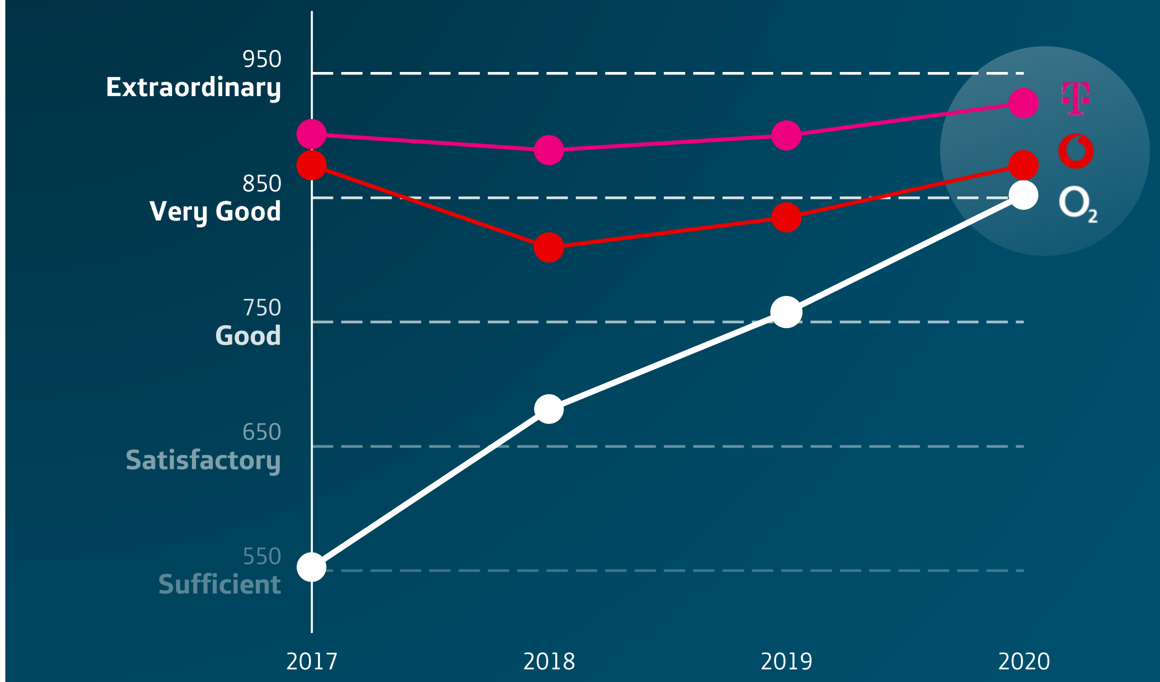
	2020	2021	2022	…	2025
4G coverage 50 Mbit/s	**99%** ✓				
4G/5G coverage 100 Mbit/s			98%		Full coverage

Accelerate Urban Capacity

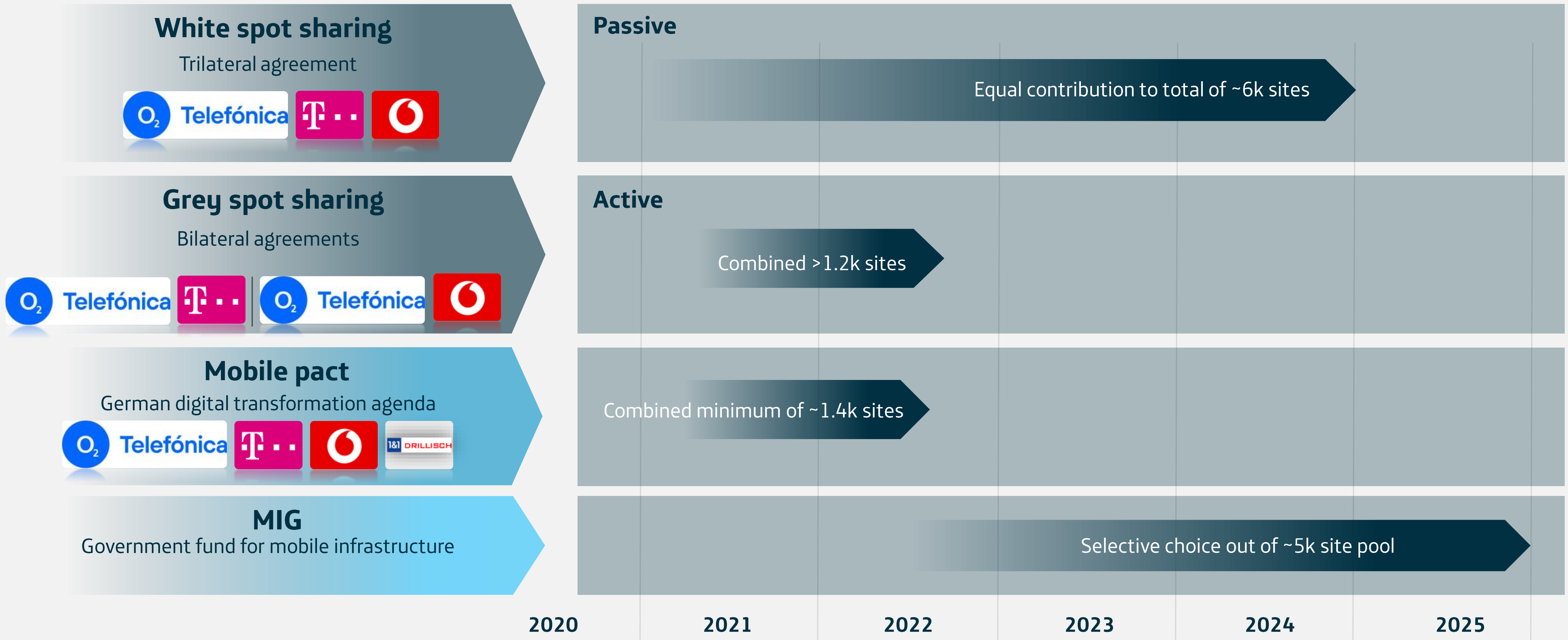
	2020	2021	2022	…	2025
4G capacity	3G Sunset accelerated	3G Sunset accelerated			
5G roll-out in cities	**Top 15** cities ✓	>30%	~50%		Full coverage

Equalisation of Network Quality

Evolution of 'connect' Test Results



Leveraging network sharing opportunities and co-operations



Rapid 5G expansion

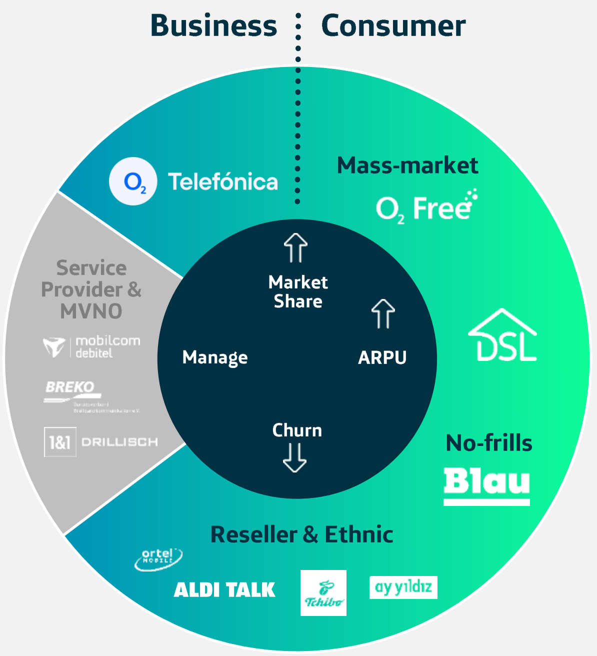
- 5G in ~60 cities
- Fast 5G on 3.6 GHz with ~1.3k sites
- 5G cloud core for campus networks

YE24: ~35k network grid

YE21: >30% coverage | YE22: 50% coverage | YE25: nationwide coverage

Driving commercial momentum to generate sustainable growth

Sustained focus on own customers base



Own customer base ~80%

Mobile Growth
Gaining rural share & reinforcement in urban

Smart Bundling (incl. FMS)
Capturing value & reducing churn

Attack in B2B
Targeting fair SME share

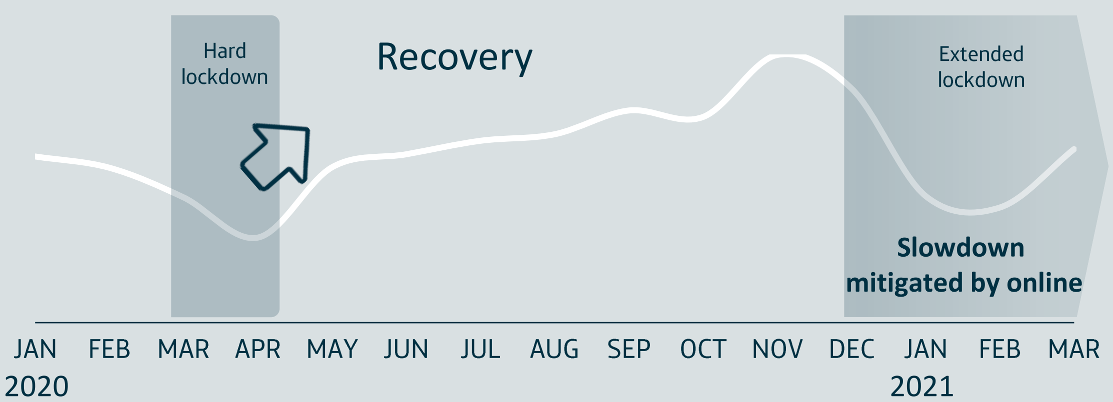
Enhance network CEX & expand 5G footprint

FY21 – key operational activities

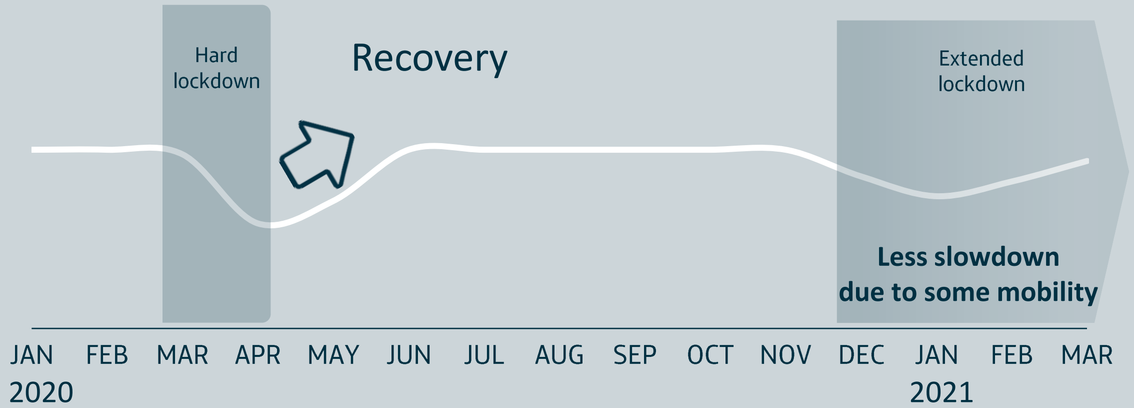
- Improve products and services along key NPS drivers
- Focus on important brand KPIs to drive future business with highest efficiency
- Leverage enriched TAA portfolio
- Encourage willingness-to-pay and enhance loyalty
- Leverage momentum to gain B2B market share

Q1 21 – resilient business model in full quarter of lockdown

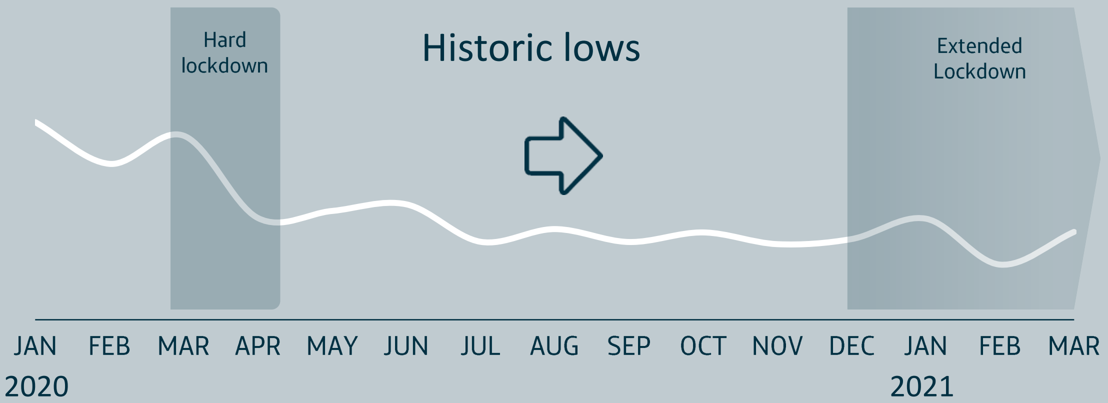
O_2 GROSS ADDS



PREPAID TOP UP BOOKINGS



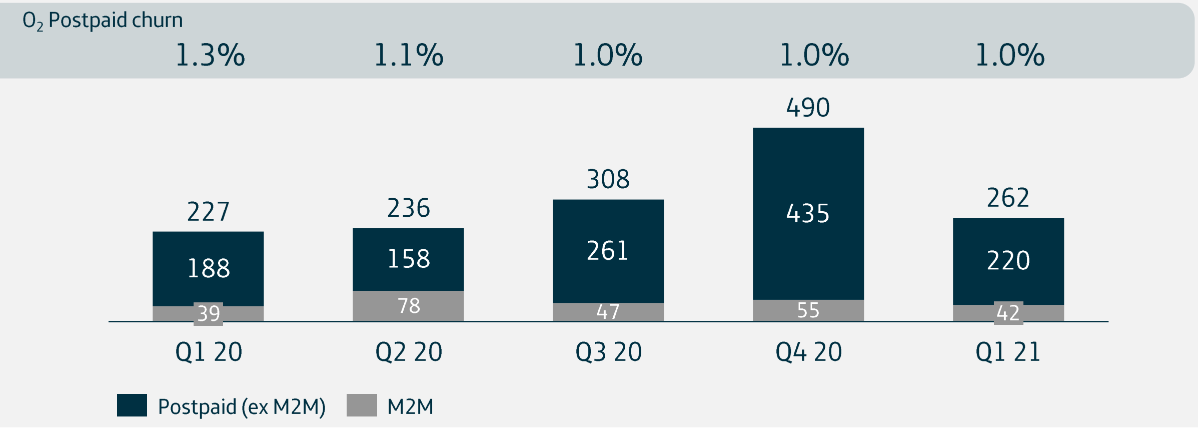
O_2 CHURN



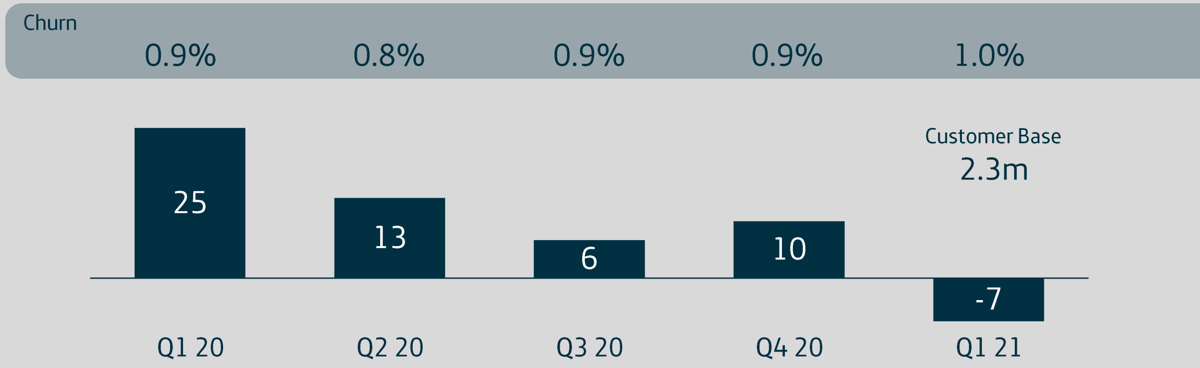
INT'L ROAMING REVENUE (OUTBOUND)

Continued own brand momentum supported by online channels

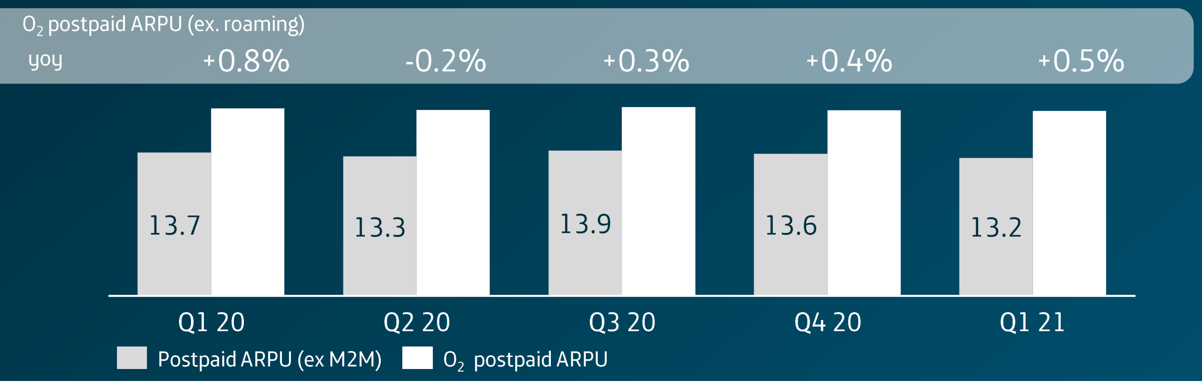
Mobile Net Adds (k)



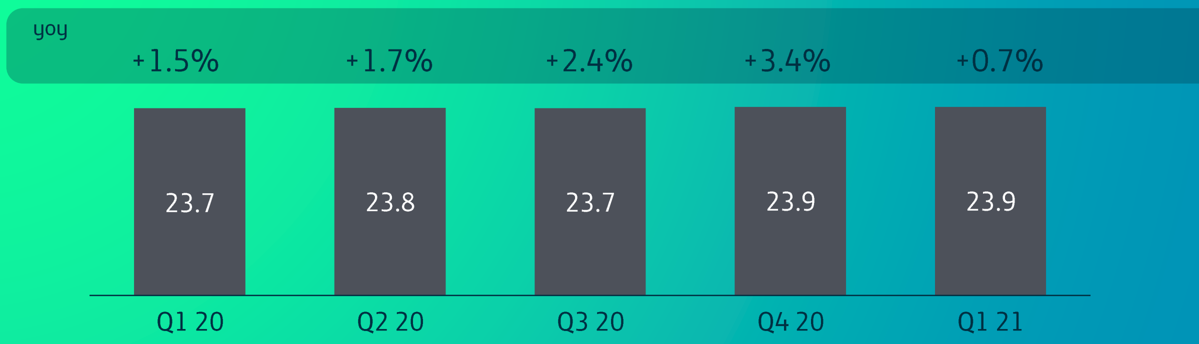
Fixed Net Adds (k)



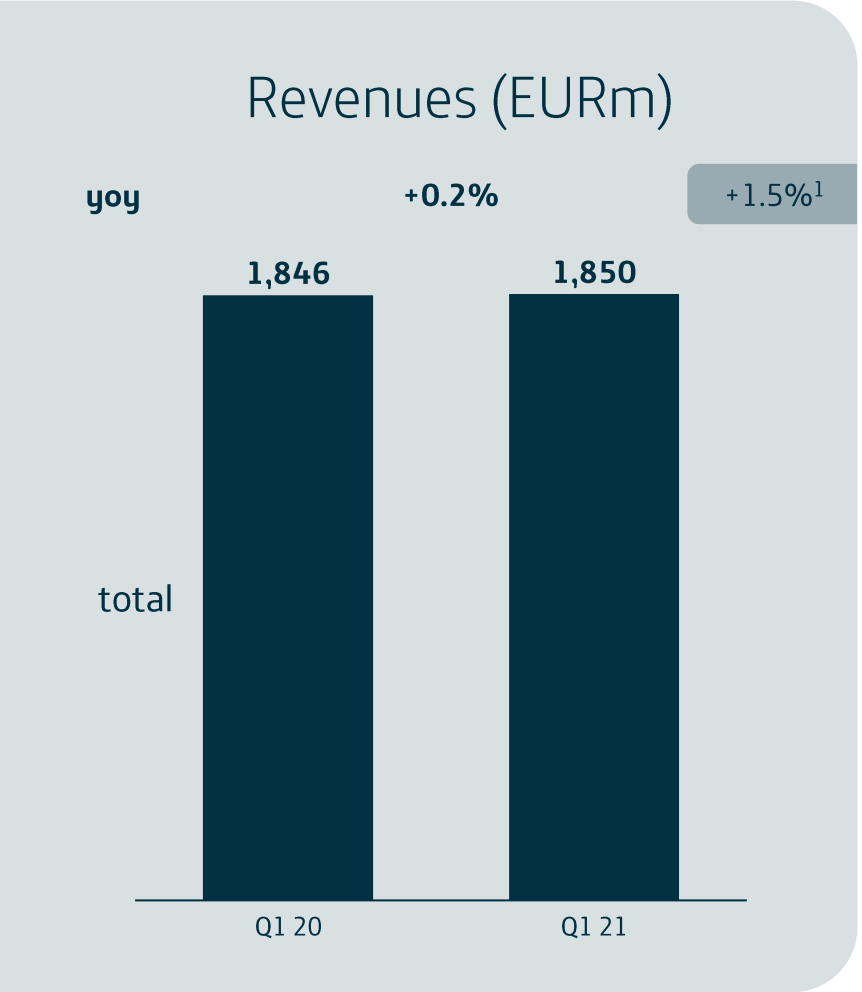
Mobile Postpaid ARPU (EUR)

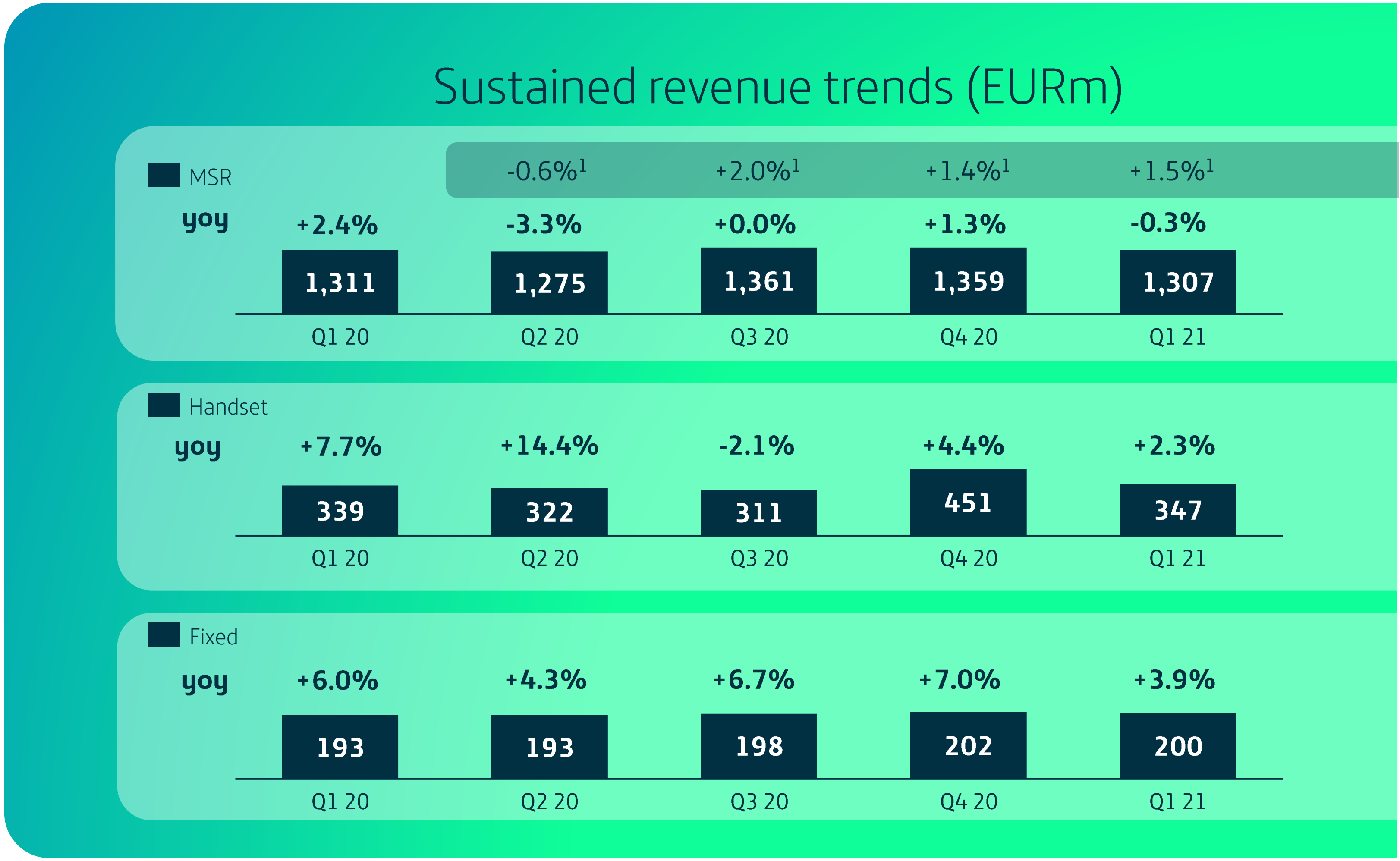


Fixed ARPU (EUR)



Operational trends in-tact across all revenue lines





[1] Excl. Covid-19 impacts

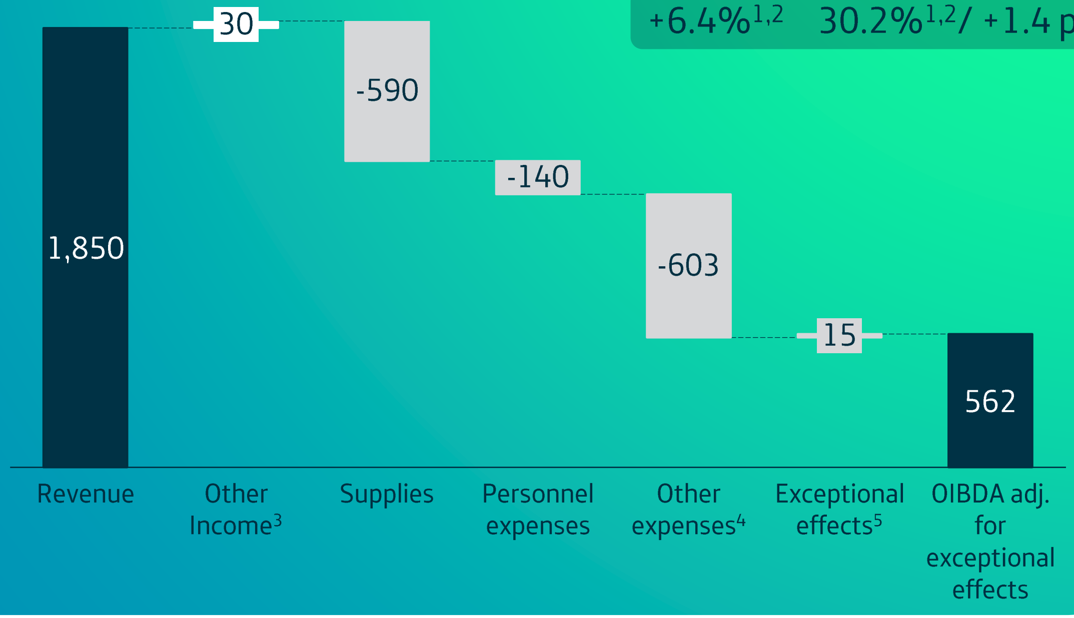
Strong OIBDA growth

Improved revenue quality & effective C-19 cost management

Q1 21

(EURm)

OIBDA yoy	OBIDA margin
+5.5%[1]	30.3%[1] / +1.5 p.p.
+6.4%[1,2]	30.2%[1,2]/ +1.4 p.p.

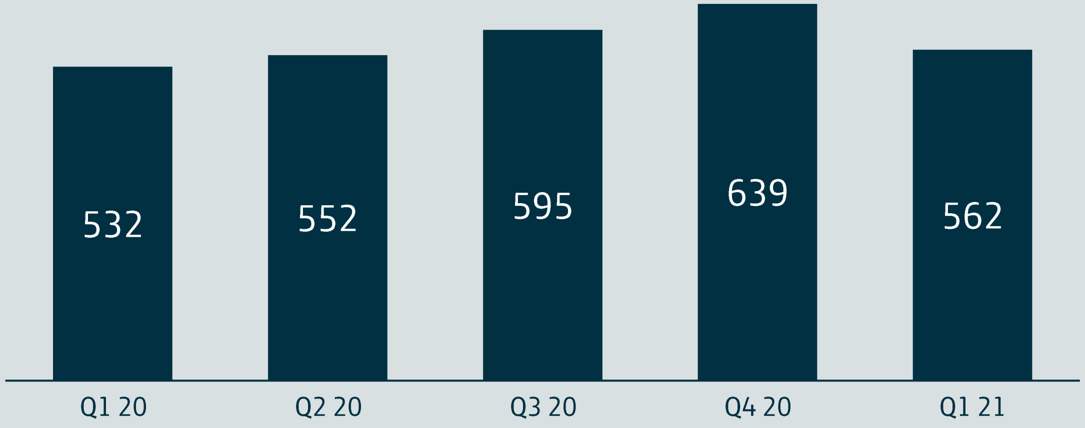


OIBDA[1]

(EURm)

OIBDA yoy

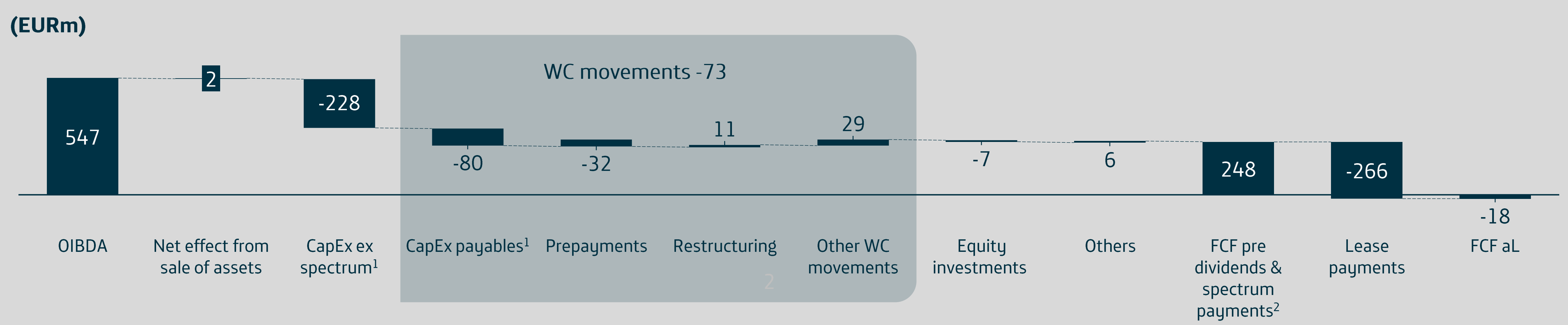
	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21
	+1.6%[1]	-5.1%[1]	+0.8%[1]	+3.2%[1]	+5.5%[1]
		+2.3%[1,2]	+4.8%[1,2]	+5.0%[1,2]	+6.4%[1,2]

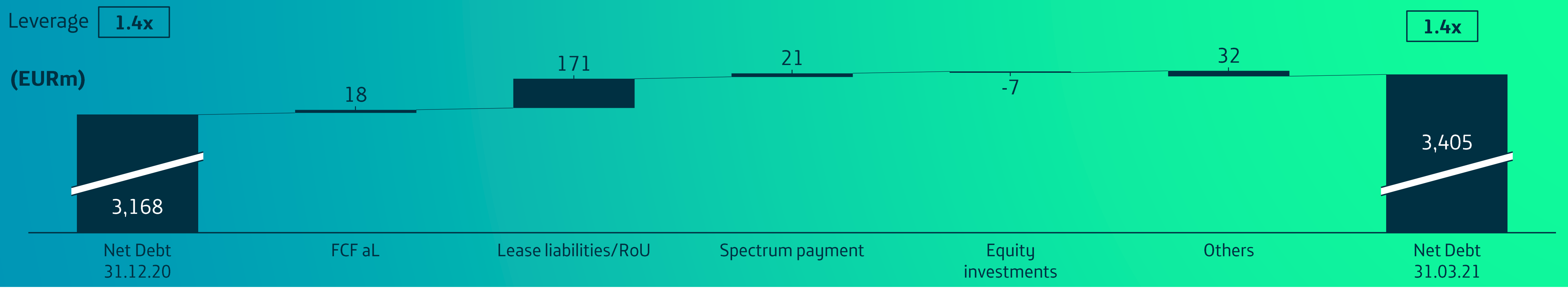


[1] Adjusted for exceptional effects [2] Excl. Covid-19 impacts
[3] Adjusted for capital gains/losses related with the sale of assets
[5] Mainly restructuring expenses
[4] Includes exceptional effects, Group fees and impairment losses in accordance with IFRS 9

Q1 Free Cash Flow dynamics reflect usual seasonality

Solid financial position



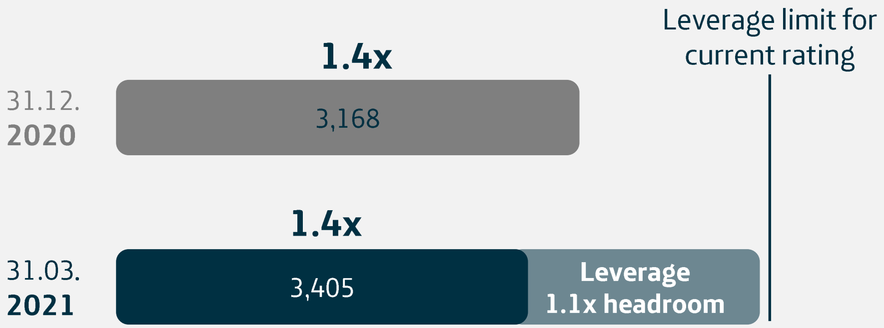


[1] Excluding additions from capitalised right-of-use assets and investments in spectrum
[2] FCF pre dividends & spectrum payments is defined as the sum of cash flow from operating activities & cash flow from investing activities
[3] Net financial debt includes current and non-current interest-bearing 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

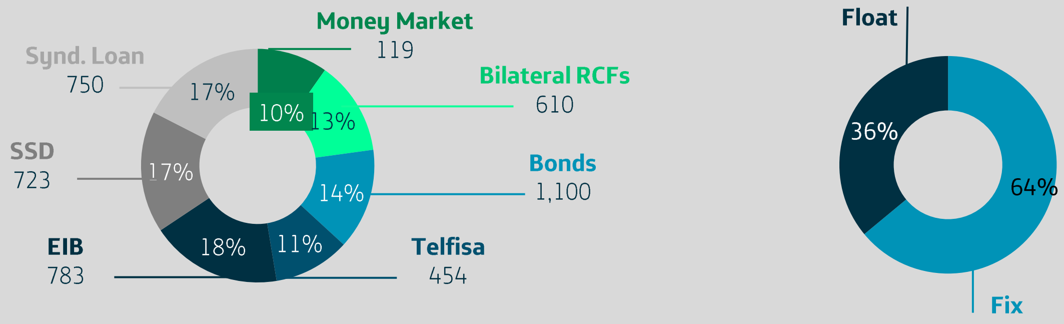
Benefitting from **strong financial position as of 31 March 2021**

Net Financial Debt

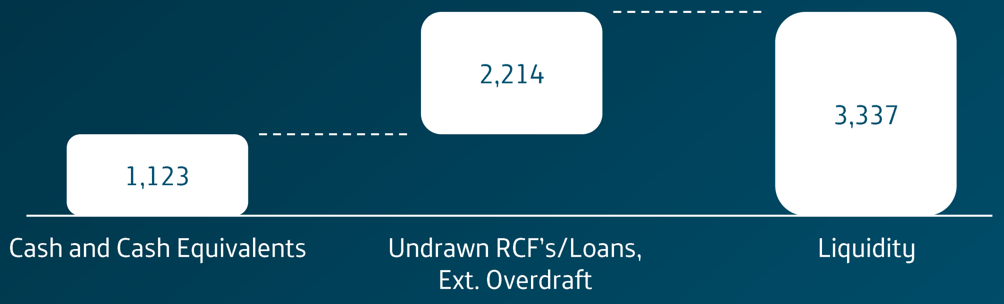
Committed to maintain Fitch BBB investment grade rating



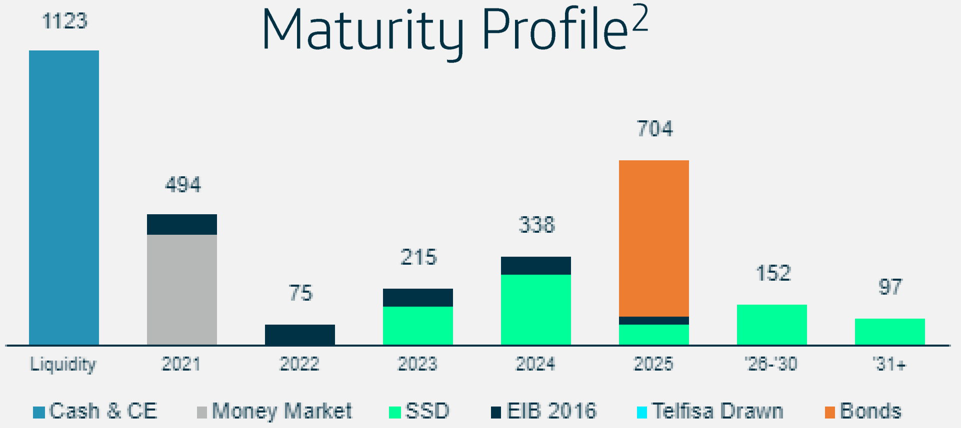
Financing and Interest Mix[1]



Liquidity Position



Maturity Profile[2]



All numbers in EURm
[1] Interest mix excludes undrawn facilities
[2] Maturity profile excludes undrawn facilities

Solid start into the year with good operational & financial performance

Confirming FY21 outlook

Good Q1 operational & financial performance
Full quarter of hard lockdown weighs on physicals & roaming with some offsetting OIBDA factors

Operational trends in-tact across all revenue lines
Continued core business momentum

Strong OIBDA growth
Supported by revenue mix & effective C-19 cost management

FCFaL dynamics with usual seasonality
Leverage with comfortable headroom to BBB-rating

Solid B/S, strong liquidity position and ability to generate FCF growth
Dividend proposal of EURc 18 per share for FY20 to AGM on 20 May

Confirming FY21 outlook – building on operational & financial momentum
Supported by network equalisation and historic low churn

	FY21 outlook[1]	Mid-term guidance	Actuals Q1 21
Revenues	**Flat to slightly positive**	**Cumulated growth of min. 5%**	y-o-y **+0.2%** (Q1 20: 1,846; Q1 21: 1,850) ✓ **+1.5%[3]**
OIBDA[2]	**Broadly stable to slightly positive**	**Ongoing margin improvement**	**+5.5%** (Q1 20: 532; Q1 21: 562) ✓ **+6.4%[3]**
C/S	**17-18%**	**Investment for growth programme** C/S >17-18% in 2020 Peaking b/w 17-18% in 2021, normalising toward YE 2022	**C/S 12.3%** (Q1 20: 224; Q1 21: 228) phasing

[1] Including regulatory & C-19 impacts assuming hard lock-down until 7 Mar-21 and only gradual recovery of roaming over the course of the year
[2] Adjusted for exceptional effects
[3] Excl. Covid-19 impacts

Any questions?

We look forward to hearing from you!

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Appendix

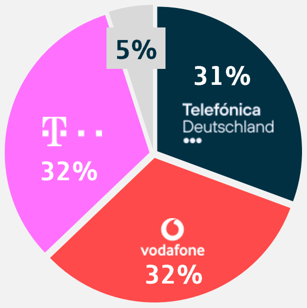
Well ranked in most important sustainability ratings as well as indices

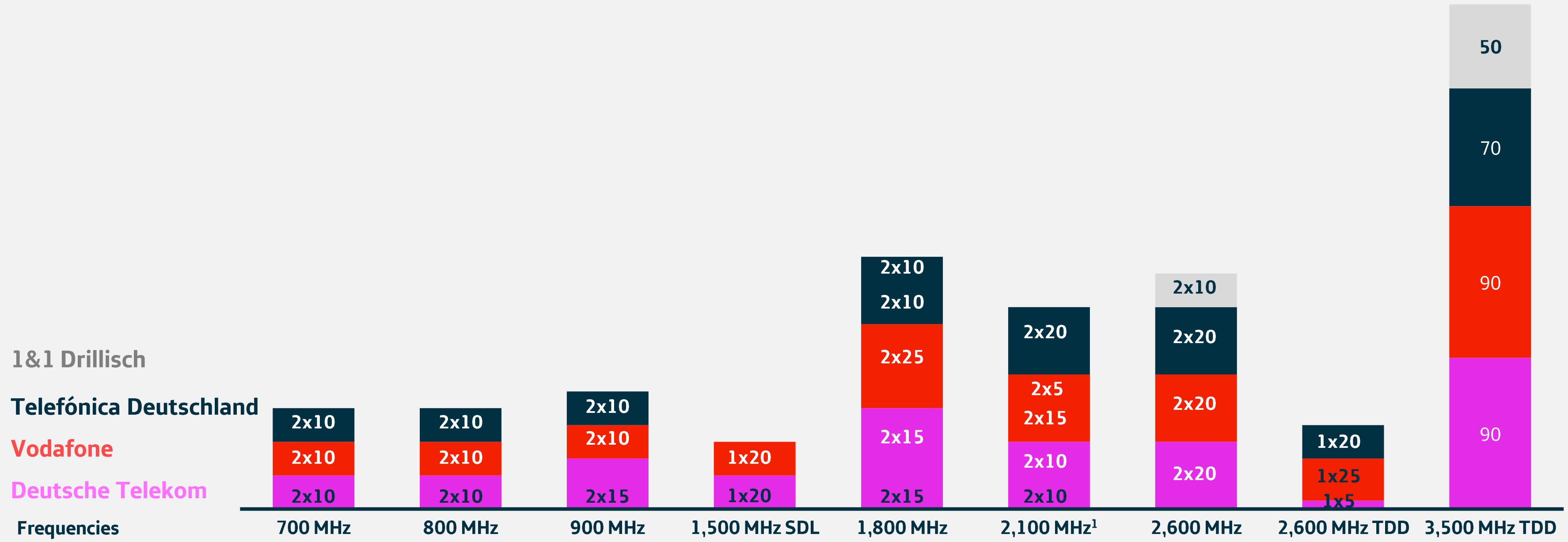
SUSTAINALYTICS	Risk Low: **16.4 (Low)** | Exposure Score: **38.2 (Medium)** | Management Score: **63.2 (Strong)**
MSCI	Rating: **AA**
ISS ESG	Grade: **Prime B- (Good)**
FTSE Russel	Successfully listed **(4.3 of 5 pts)**
V.E	Successfully listed
Bloomberg	Successfully listed **(65%)**

Future-proof spectrum set-up to enable best customer experience

	700 MHz	800 MHz	900 MHz	1,500 MHz SDL	1,800 MHz	2,100 MHz[1]	2,600 MHz	2,600 MHz TDD	3,500 MHz TDD
Utilisation today	4G/5G	4G	2G/4G		2G/4G	3G/4G	4G	private 4G	5G
Total availability	2x30 MHz	2x30 MHz	2x35 MHz	1x40 MHz	2x75 MHz	2x60 MHz	2x70 MHz	1x50 MHz	1x300 MHz
Maturity	2019-2033	2010-2025	2017-2033	2015-2033	2010-2025 2017-2033	2010-2025 2021-2040	2010-2025	2010-2025	2019-2040

Total spectrum holding

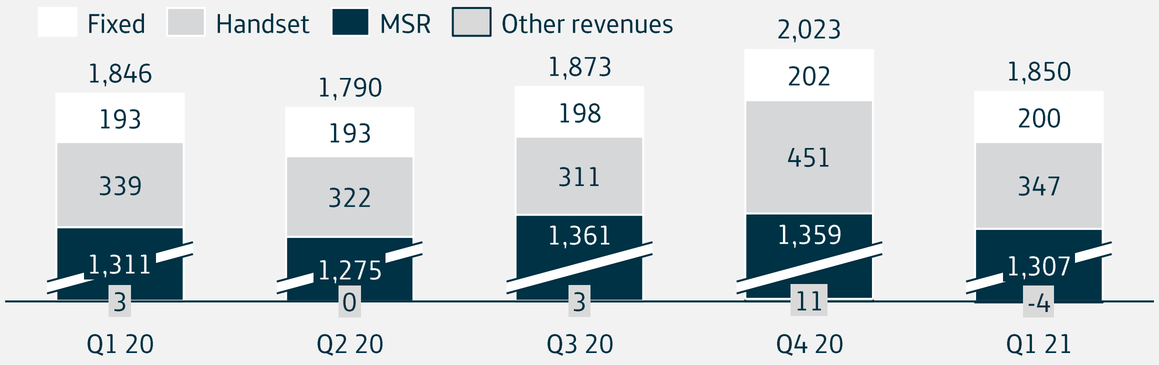




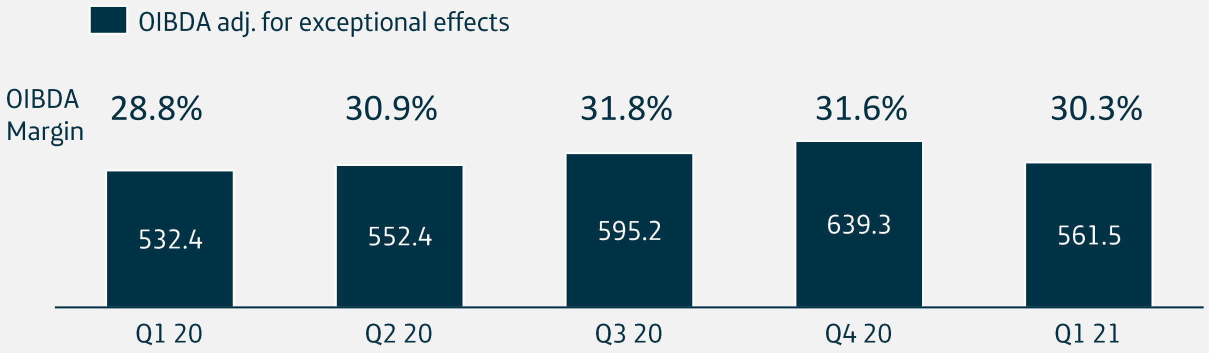
[1] From 2021, additional 19.2 MHz TDD
From 1 January 2026: 1&1 Drillisch: 2x10 MHz; Telefónica Deutschland Group: 2x10 MHz; Vodafone: 2x20 MHz; Deutsche Telekom: 2x20 MHz

P&L

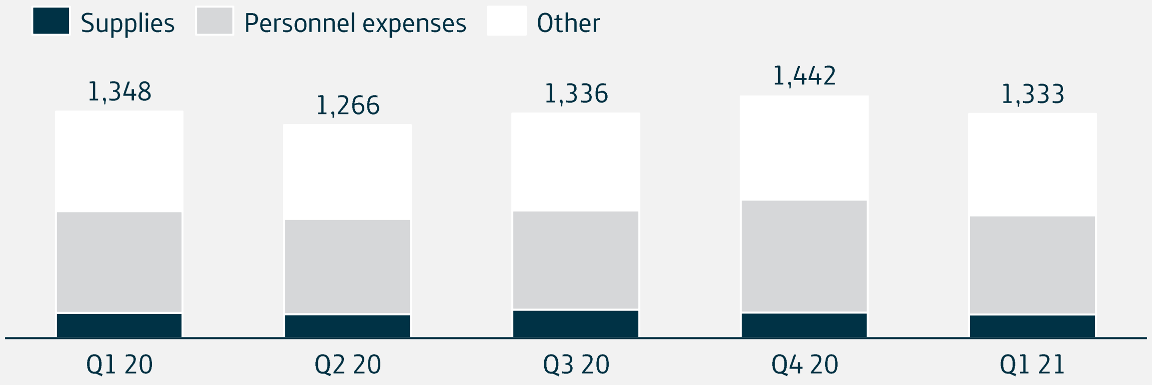
Revenue structure [EUR]



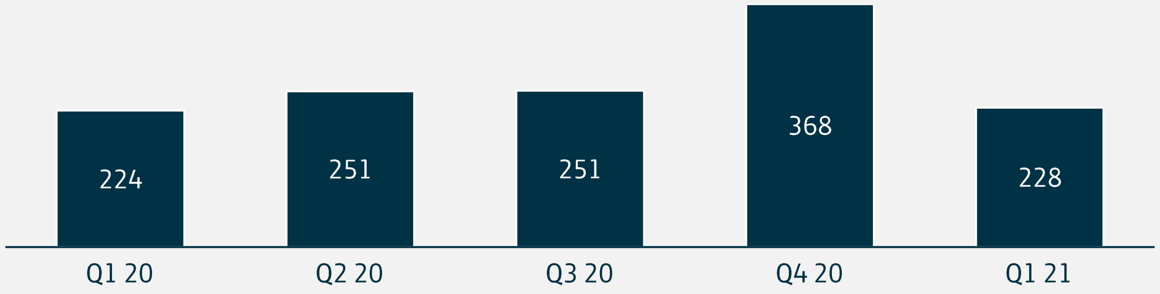
OIBDA[1] [EUR]



OpEx split[2] [EUR]



CapEx[3] [EUR]



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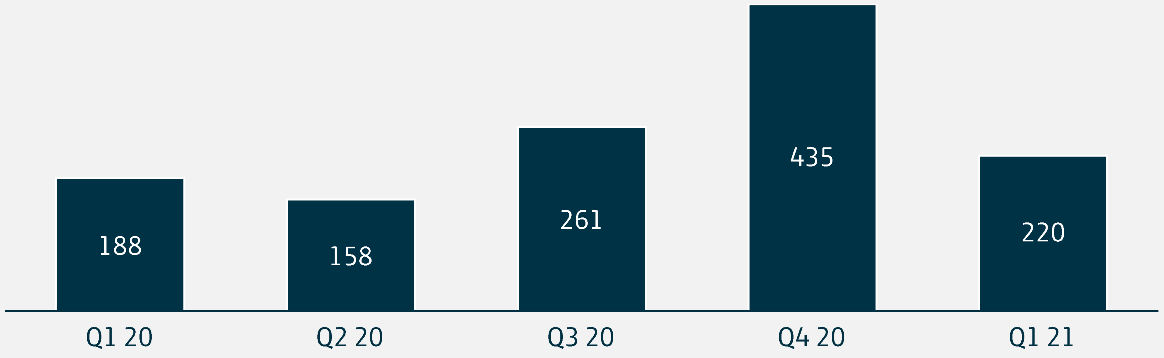
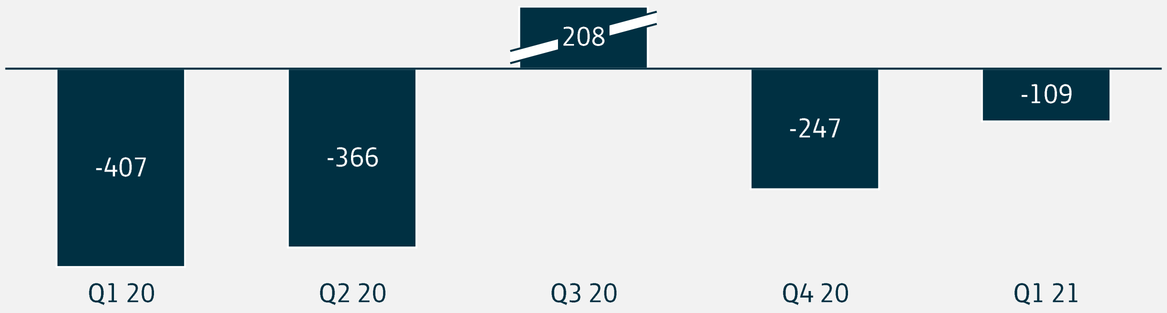
[1] Adjusted for exceptional effects
[2] Includes impairment losses in accordance with IFRS 9
[3] Excluding additions from capitalised right-of-use assets

Mobile KPIs

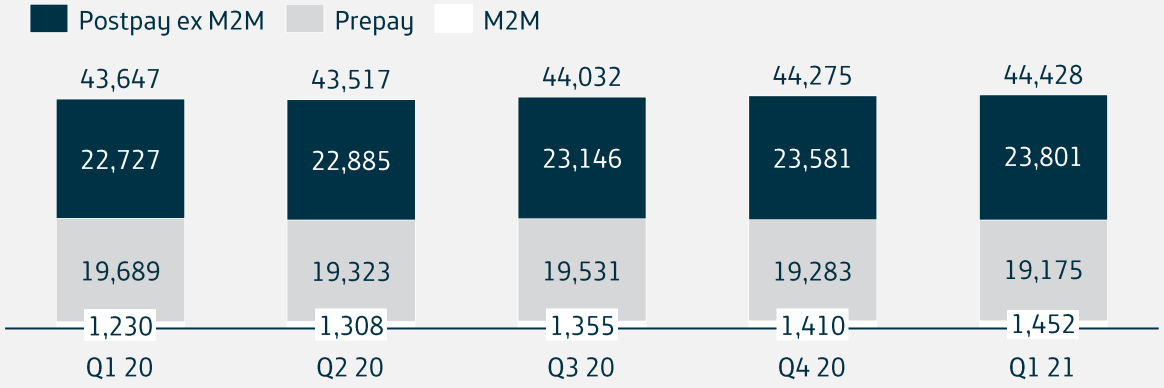
Postpaid net adds[1] [k]



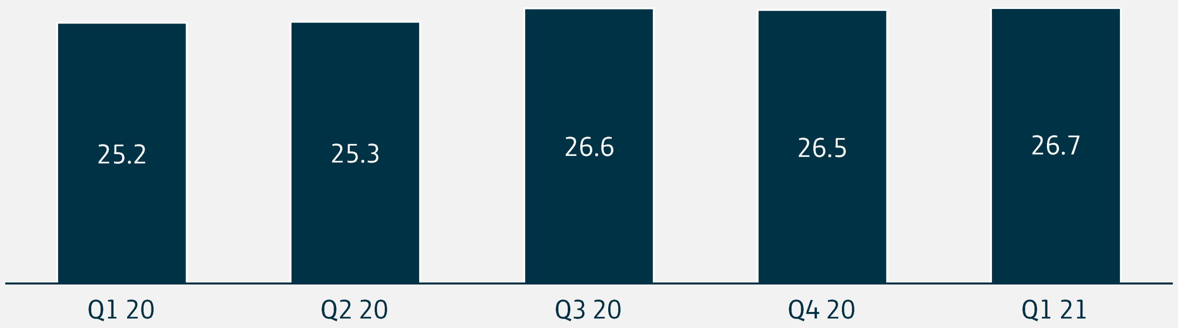
Prepaid net adds [k]



Mobile customer base [k]



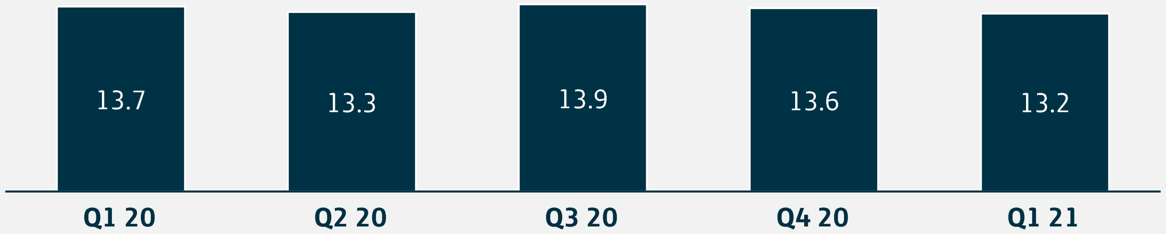
LTE customer base [m]



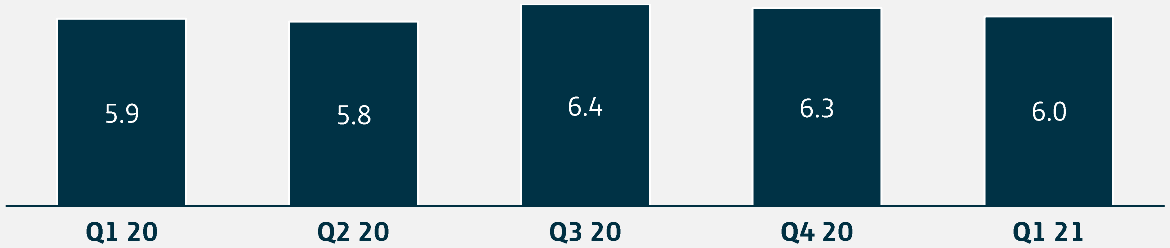
[1] excluding M2M

Mobile KPIs

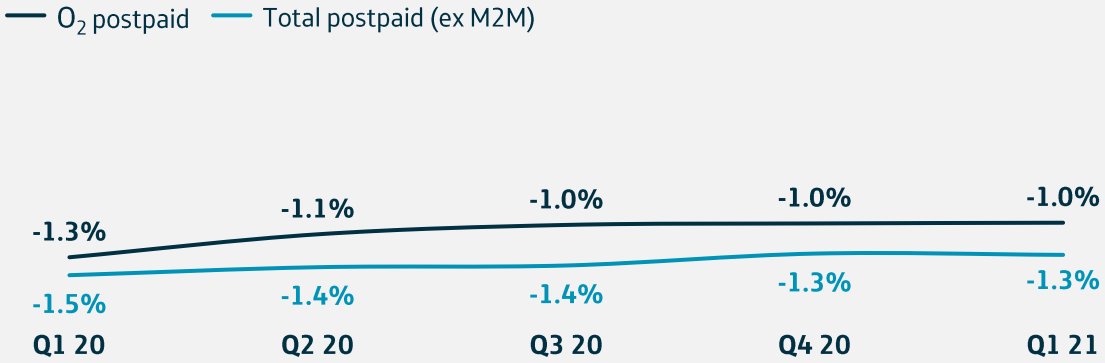
Postpaid ARPU ex M2M [EUR]



Prepaid ARPU [EUR]



Churn rate [%]



O_2 Free unlimited portfolio

	O_2 Free Unlimited **Basic**	O_2 Free Unlimited **Smart**	O_2 Free Unlimited **Max**
Max. Speed	**2 MBit/s**	**10 MBit/s**	**300 Mbit/s**
Network	4G	4G / **5G**	4G / **5G**
VOICE/SMS flat	✓	✓	✓
EU Roaming	✓	✓	✓
Monthly fee 24/m contract	**29.99**	**39.99**	**49.99**

Unlimited usage

Flexible contract duration: **monthly contract termination**

Best-fit by **speed-classes**

Future ready with **5G**

O_2 Free volume based portfolio

	O_2 Free **S**	Price – Value Tip O_2 Free **M**	O_2 Free **L**
Data volume	3 GB	20 GB	60 GB
Max. Speed	**225 Mbit/s**	**225 Mbit/s**	**300 Mbit/s**
Network	4G	4G	4G / **5G**
VOICE/SMS flat	✓	✓	✓
EU Roaming	✓	✓	✓
Monthly fee 24/m contract	**19.99**	**29.99**	**39.99**

BOOST:
Doubling data and adding multiple devices

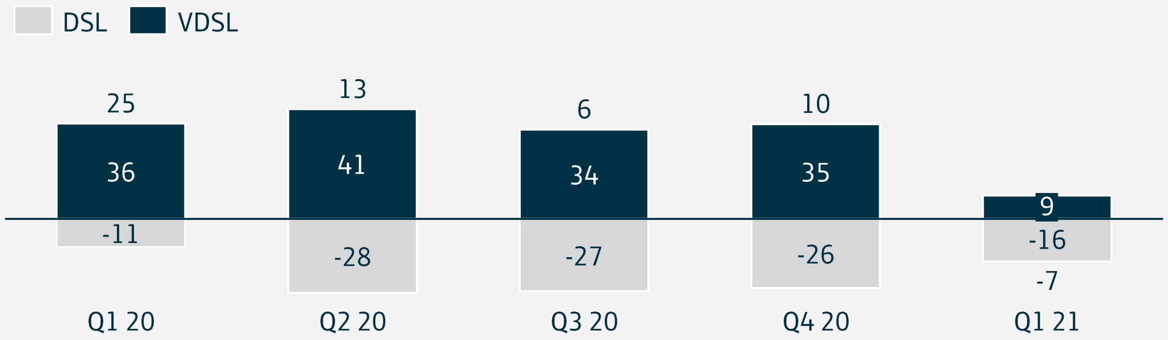
Flexible contract duration:
monthly contract termination

All customer needs supported by **max speed**

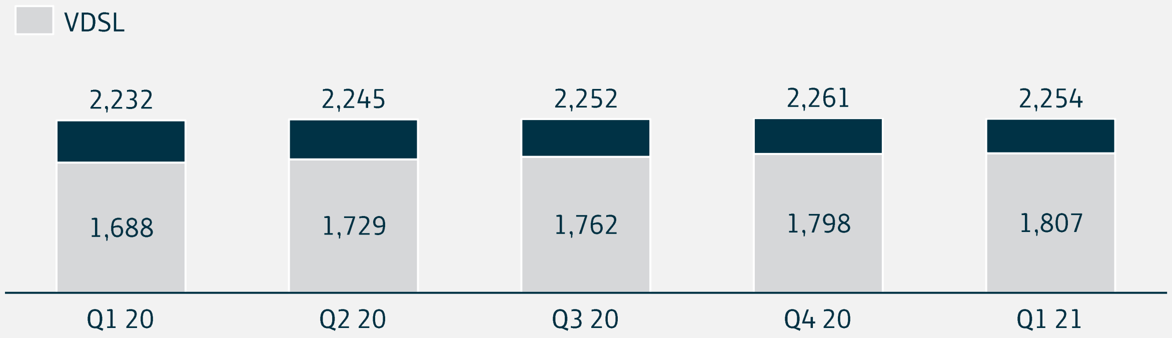
Future ready with **5G**

Fixed KPIs

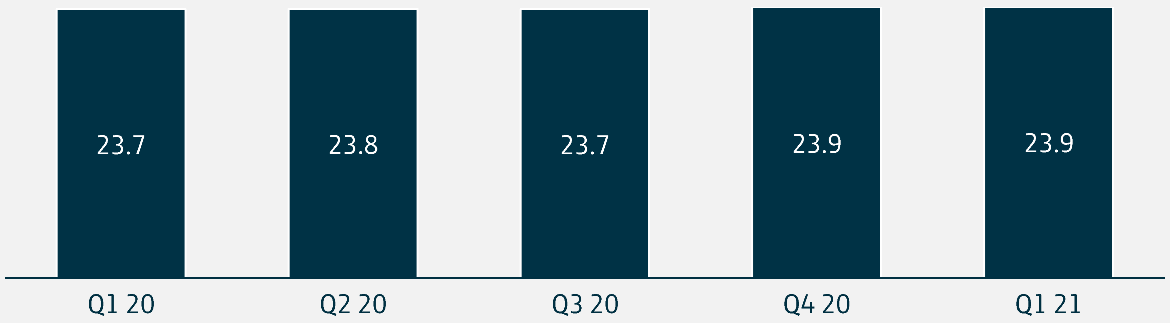
Retail broadband net adds [k]



Fixed accesses [k]



Fixed retail ARPU [EUR]



O_2 my Home portfolio

Including technologies – FMS (5G&4G); DSL; Cable

	O_2 my Home **S**	O_2 my Home **M**	O_2 my Home **L**	O_2 my Home **XL**
Max. Speed	**10 MBit/s** Upload 2 MBits/s	**50 MBit/s** Upload 10 MBits/s	**100 MBit/s** Upload 40 MBits/s	**250 MBit/s** Upload 40 MBits/s
Voice flat to German fixed networks	✓	✓	✓	✓
Optional **HomeBox 2** **FRITZ!Box 7490** **FRITZ!Box 7590**	 2.99 mthl 4.99 mthl 5.99 mthl	 2.99 mthl 4.99 mthl 5.99 mthl	 2.99 mthl 4.99 mthl 5.99 mthl	 - - 5.99 mthl
Monthly fee **24m contract**	**24.99**	**29.99**	**34.99**	**44.99**

Telefónica Deutschland