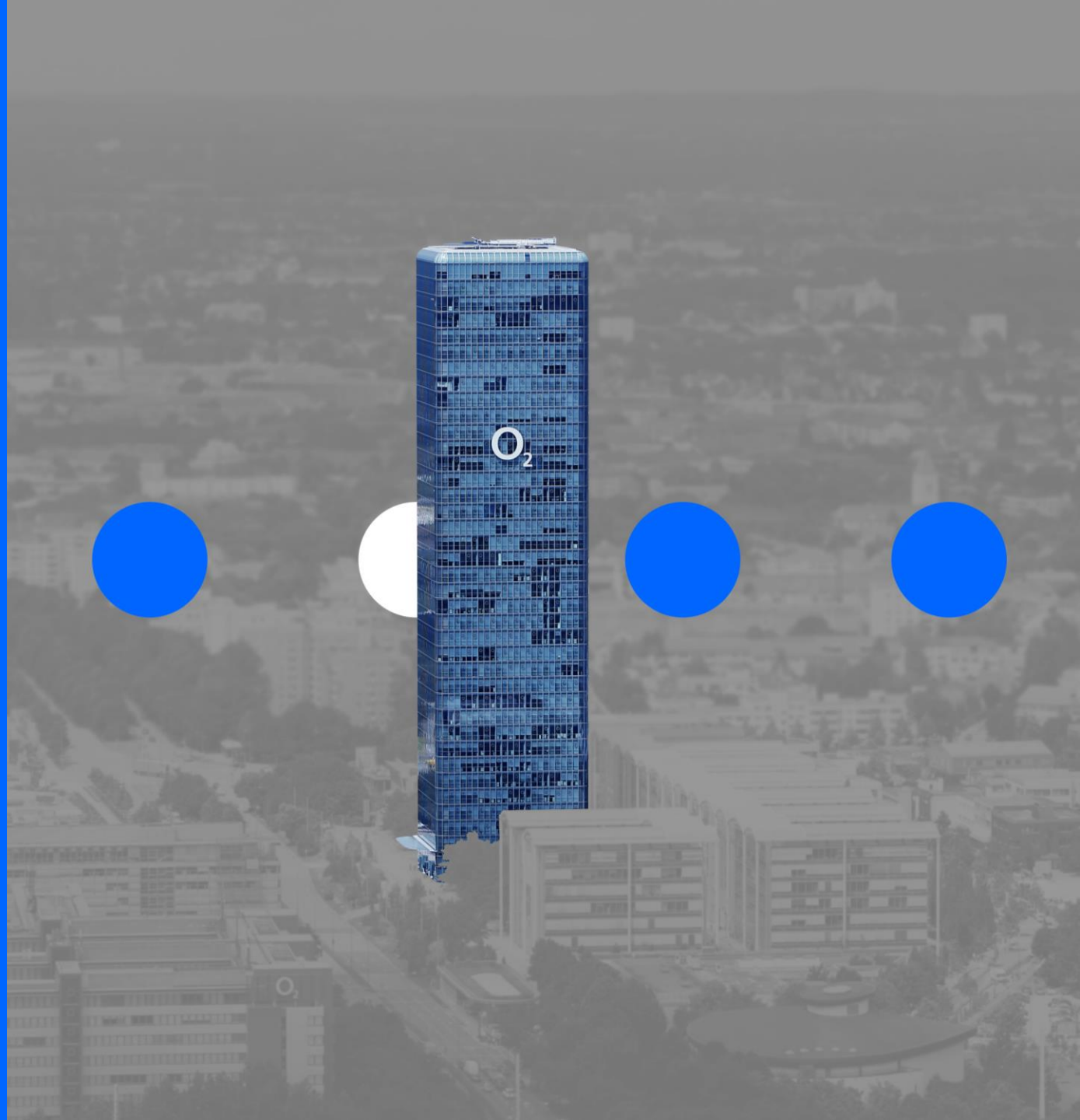


Telefónica Deutschland

Investor presentation

November 2021



Disclaimer



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Key reasons to invest

Attractive German market

Robust macro back-drop

Dynamic yet rational competitive environment

Exponential data growth

Soft convergent telco market

Leading MNO

Leveraging equalised network quality

Single country play with multi-brand & -channel strategy

Driving economies of scale with largest owned mobile customer base

Technology-agnostic internet@home approach

Operational & financial excellence

Delivering sustainable growth

Strong MSR growth momentum with gradual margin improvement

Successfully driving cost efficiencies

Already passed Capex peak within 'investment for growth'-programme, trending towards normalised C/S levels

Valuable investment proposition

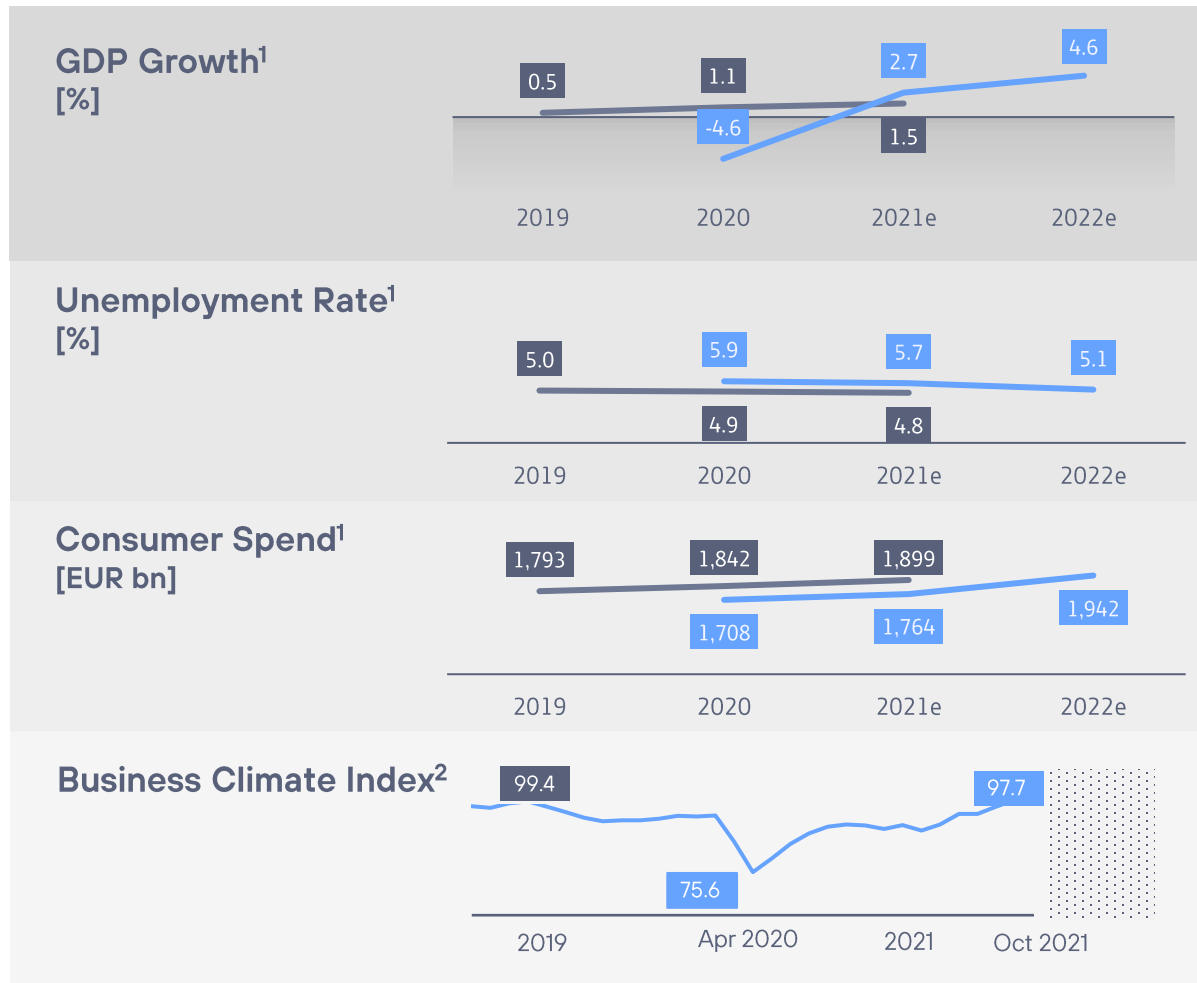
Attractive shareholder returns on back of strong fundamentals

3 core growth pillars driving FCF generation

High dividend pay-out ratio to FCFaL

Excellent financial profile

German economy started to recover w/ gradual lifting of C-19 measures while supply chain bottlenecks and increasing infections mute BCI



Current Trends

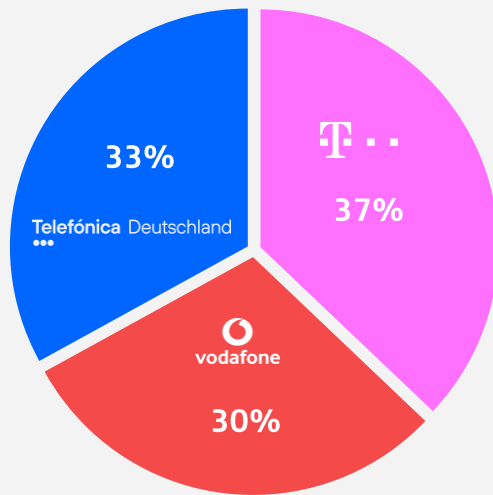
- Dynamic yet rational mobile market
- Data growth with continued CAGR of >50%
- Soft convergent market environment
- 3 strong mobile networks

Future Trends

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

Competitive Environment

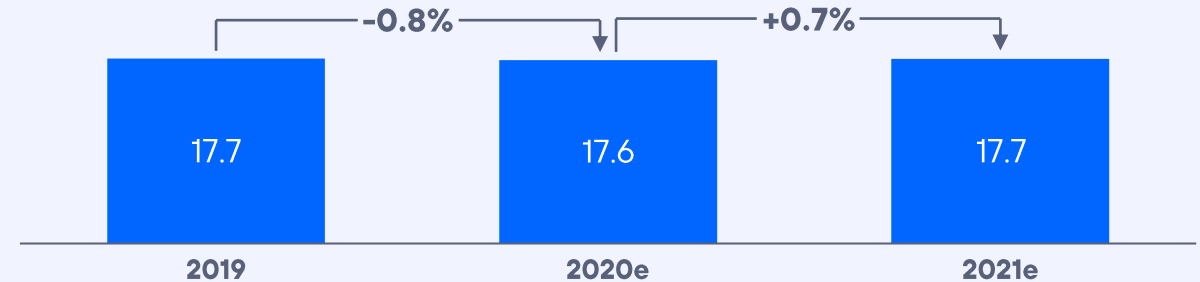
Rational & balanced market¹



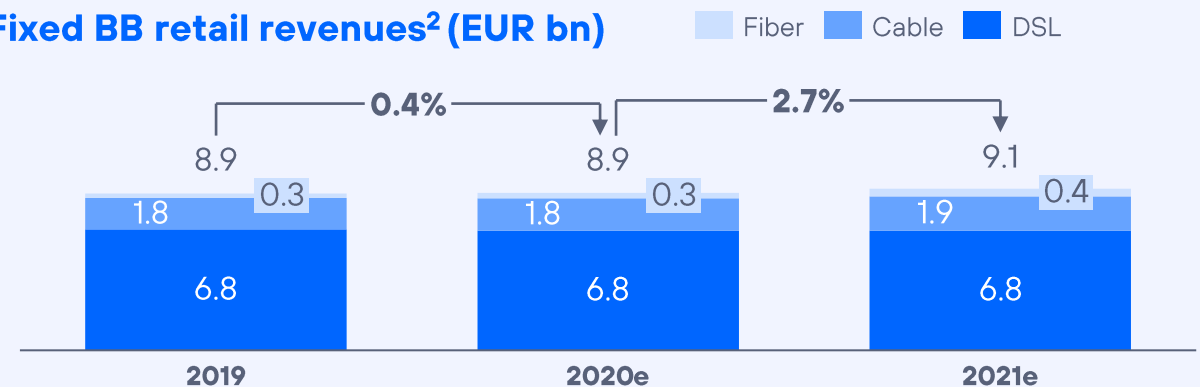
- Rational market following 4 to 3 consolidation
- Tiered mobile portfolios enabling data monetisation

Market development²

Mobile service revenues² (EUR bn)



Fixed BB retail revenues² (EUR bn)



Sustained profitable growth drives upgrade of FY21 outlook

We democratise access to the sustainable digital future to create a better everyday life for everyone

Boost Revenues

Outperform the market



Mobile Growth

Gaining rural share & reinforcement in urban



Smart Bundling (incl. FMS)

Capturing value & reducing churn



Attack in B2B

Targeting fair SME share

9M 2021

Revenue yoy

+3.7%

+2.9%²



OIBDA¹ yoy

+6.3%

+3.3%³



Capex/Sales

14.2%



Net Adds⁴

>1m

O₂ Churn⁵

0.9%



ESG

At the heart
of our strategy



5G Network

Excellent progress
in our 1st year



B2B

Strong traction

LEBARA

Wholesale

Extending portfolio

¹ Adjusted for exceptional effects

² Excl. non-recurrent special factors

³ Excl. non-recurrent special factors & received social security payments

⁴ Postpaid excl. 40k M2M

⁵ O₂ Postpaid

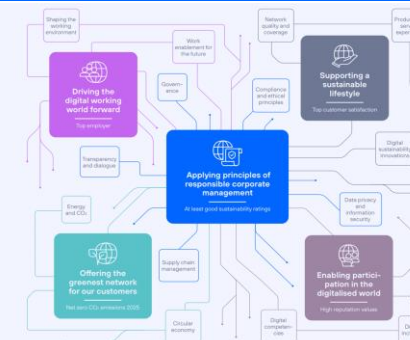
ESG at the heart of TEF D's strategy throughout the pandemic

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

Responsible Business Plan 2025



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 2020



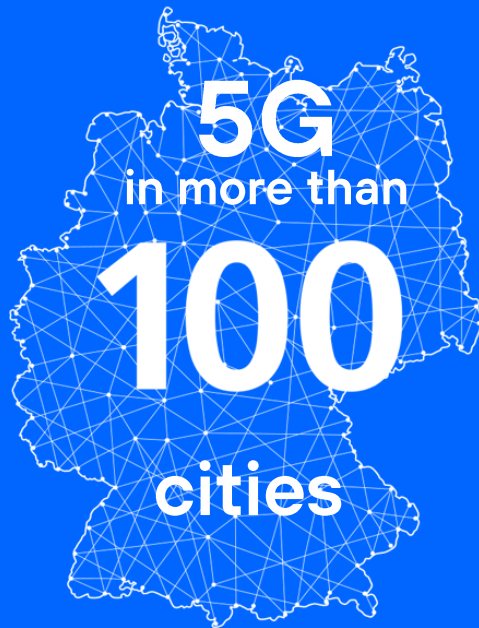
2021 – 2025

RBP 2025



Building state-of-the-art energy-efficient 5G network

O₂ 5G network rapidly expanding

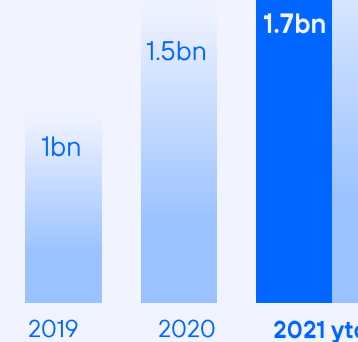


More than
3,300
5G antennas on
3.6 GHz spectrum

#1 in 5G avg download speed¹



Data traffic growth consistently >50%



¹O₂ Free Postpaid

A modern 5G network is fundamental for efficient energy management



5G is **90% more efficient** per byte produced



Key drivers of energy consumption are data growth & network densification



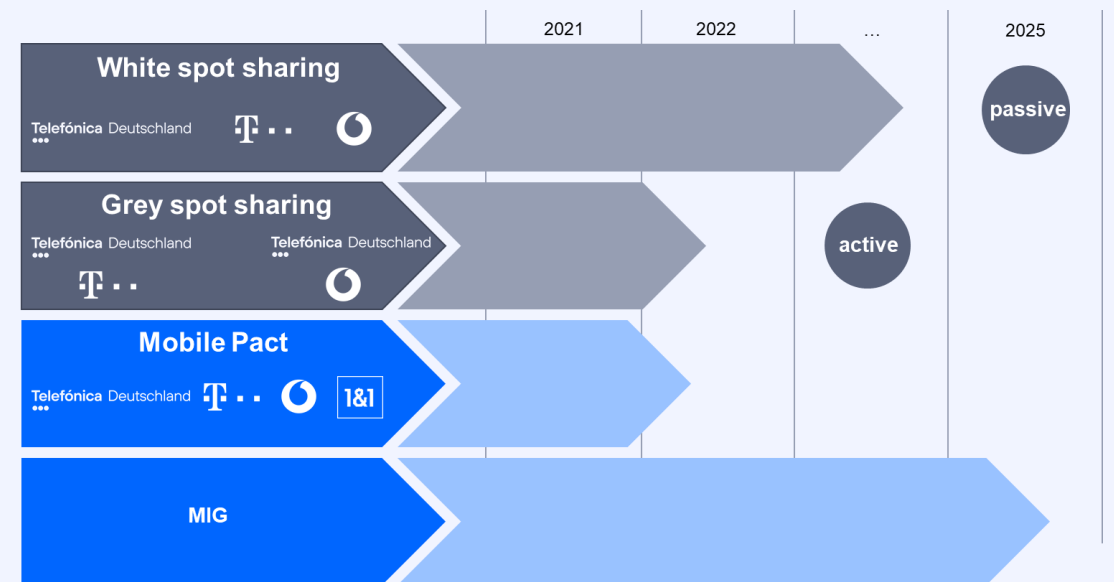
3G sunset decreases energy costs

Mobile network strategy leading to normalised Capex to Sales levels

Modernisation of RAN with ongoing densification

- Efficient rollout of 5G network supported by sharing initiatives leads to a grid of ~35k sites in 2025 ensuring equalized network quality
- Existing BTS programme with Telxius/ATC covers TEF D's contribution to white spot agreement and Mobile Pact
- Normalised C/S level from YE22 follow 3-yr 'investment for growth' programme

Network sharing for rural coverage - TEF D share covered by existing BTS deal



Upgrade of FY21 outlook

	Previous FY21 outlook ¹	Actuals 9M 21	Upgraded FY21 outlook ¹	Mid-term guidance 2020 - 2022
Revenues	Slightly positive yoy	+3.7% yoy +2.9%³ 5,509 5,711 9M 20 9M 21 	Slightly positive yoy	Cumulated growth of min. 5%
OIBDA²	Slightly positive yoy	+6.3% yoy +3.3%⁴ 1,680 1,786 9M 20 9M 21 	Low mid-single digit % growth yoy	Ongoing margin improvement
C/S	17-18%	14.2% 726 810 9M 20 9M 21 phasing	<17-18%	Investment programme C/S of <17-18% in 2020, peaking b/w 17-18% in 2021, normalising towards YE 2022

¹Including regulatory & C-19 impacts

²Adjusted for exceptional effects

³Excl. non-recurrent special factors

⁴Excl. non-recurrent special factors & received social security payments

Driving commercial momentum to generate sustainable growth

Sustained focus on own customers



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

FY21 – key operational activities

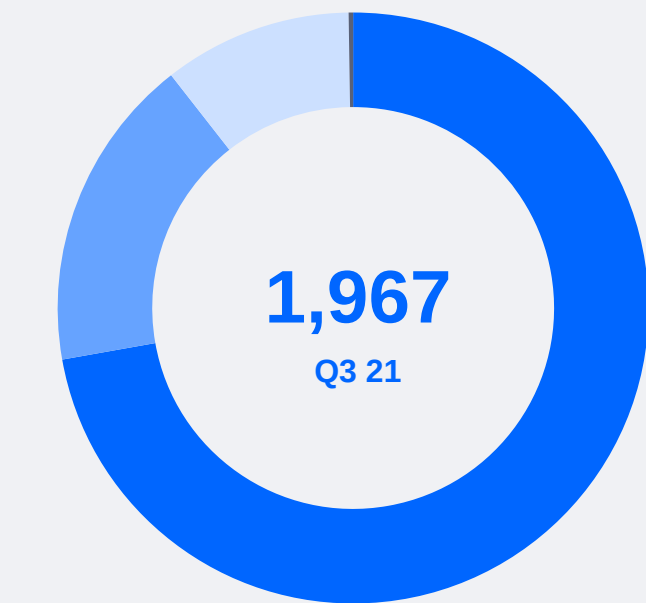
- ☐ Improve products and services along key NPS drivers
- ☐ Focus on important brand KPIs to drive future business with highest efficiency
- ☐ Leverage enriched TAA portfolio
- ☐ Encourage willingness-to-pay and enhance loyalty
- ☐ Leverage momentum to gain B2B market share

Enhance network CEX & expand 5G footprint

Sustained operational & financial momentum drives profitable growth

Revenues (EURm)

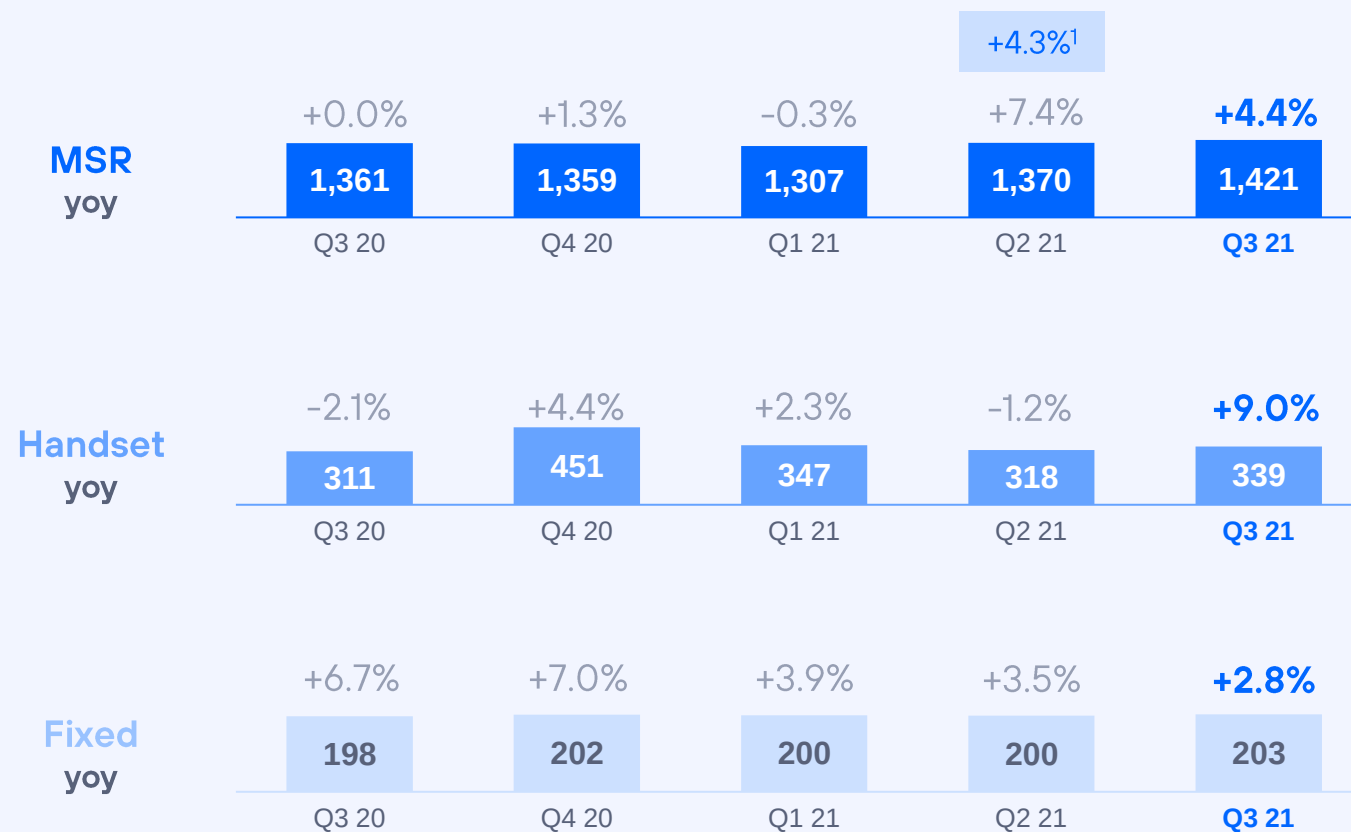
+5.1%
yoy



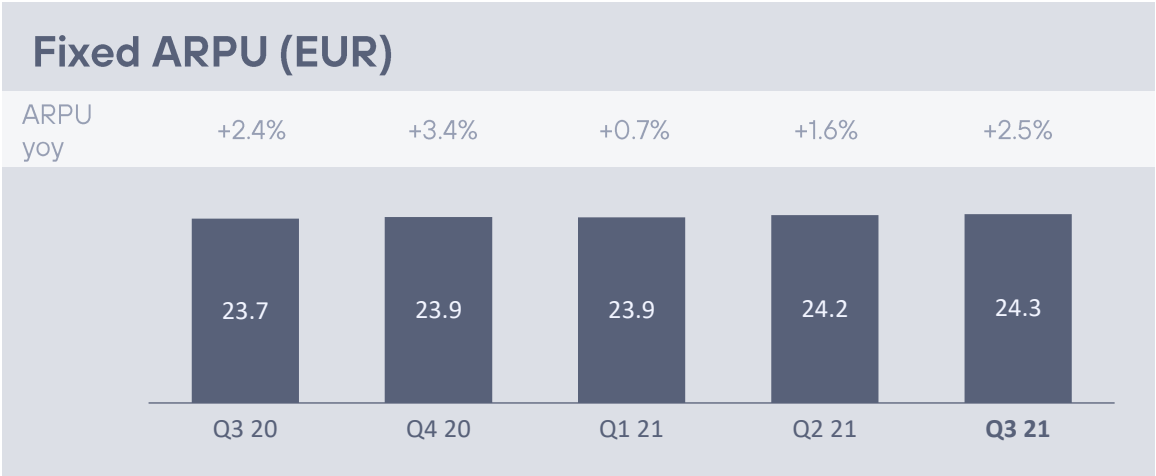
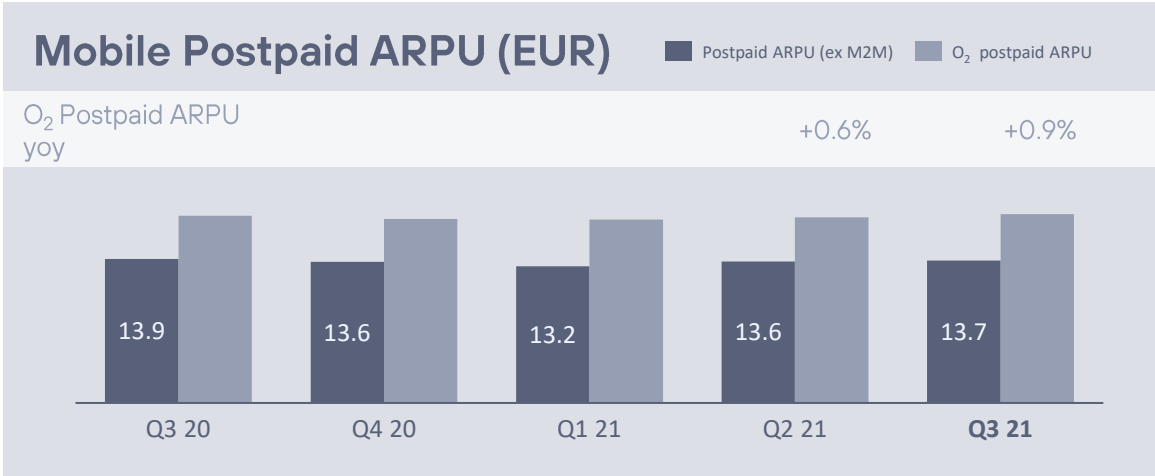
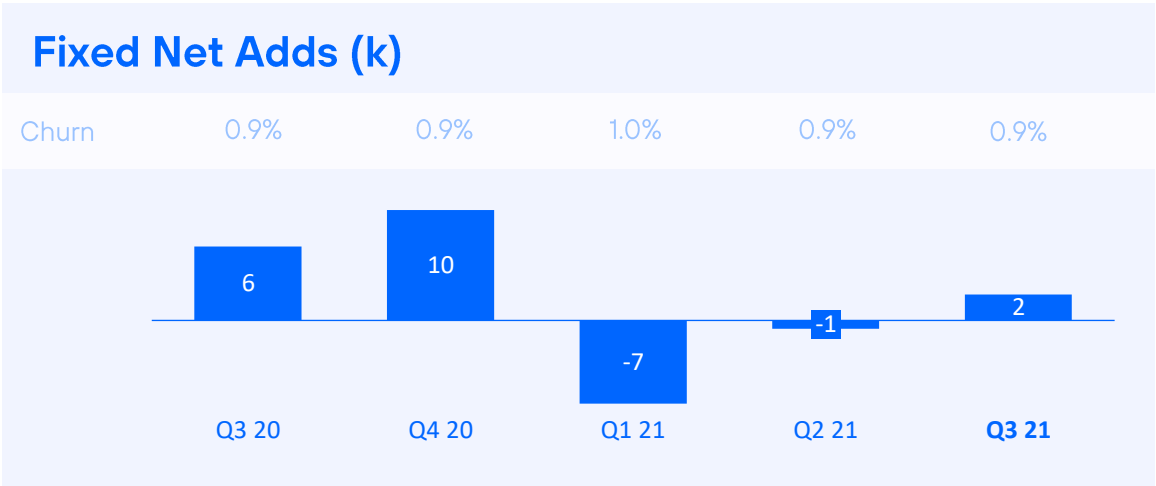
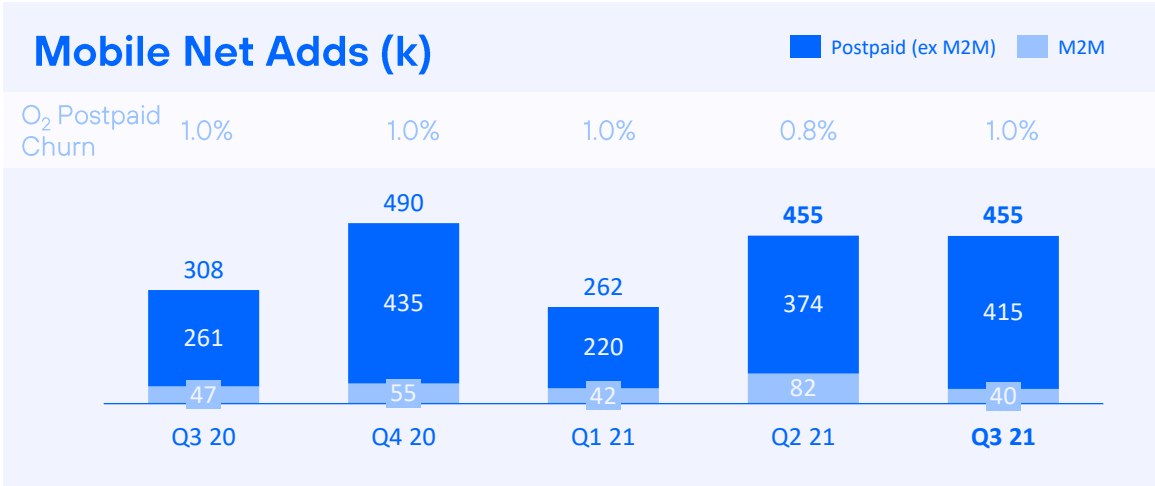
■ MSR ■ Handset ■ Fixed ■ Other

¹ Excl. non-recurrent special factors

Accelerating MSR trends (EURm)

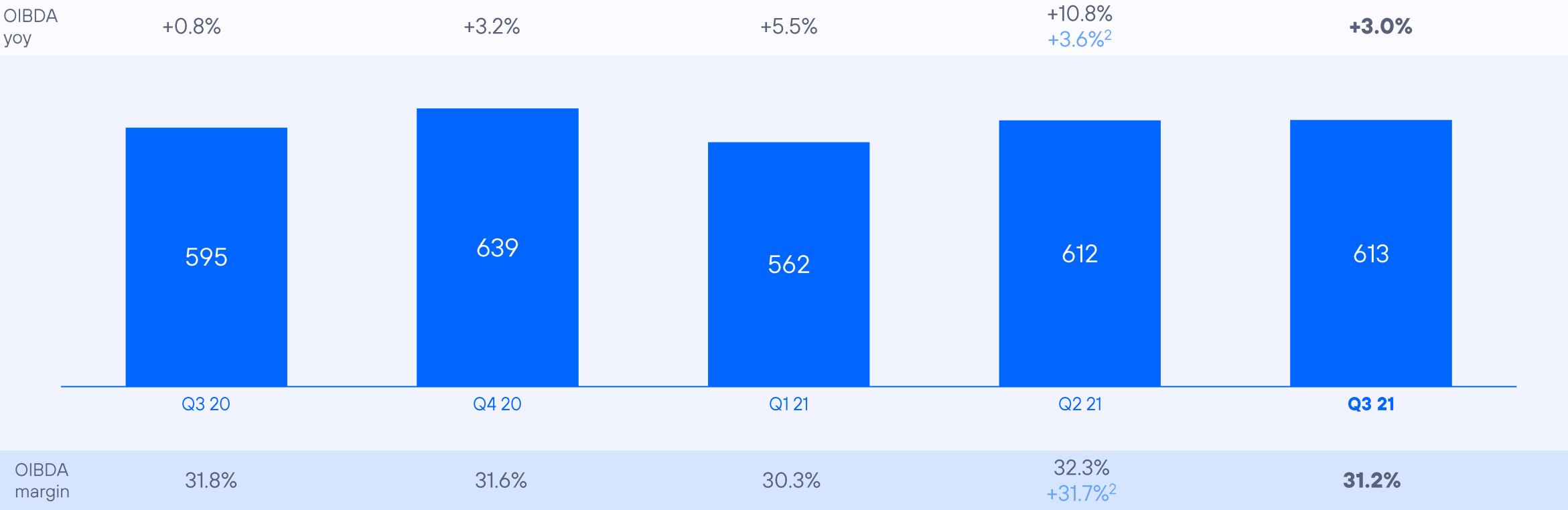


Strong traction of O2 Free portfolio & positive fixed trends



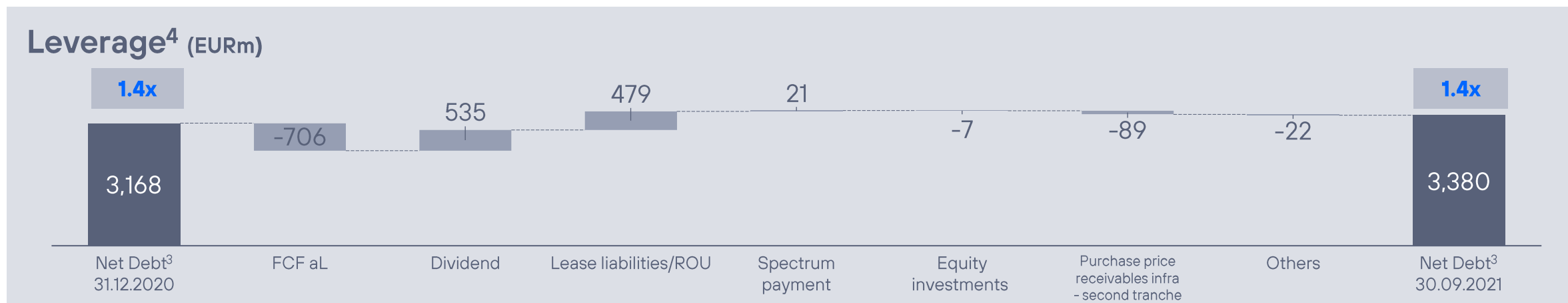
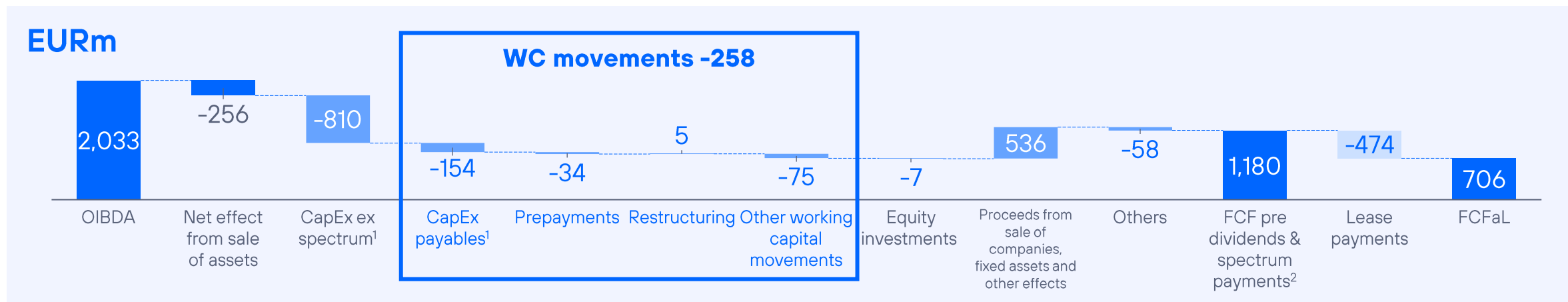
Sustained OIBDA growth

OIBDA¹ (EURm)



¹Adjusted for exceptional effects ²Excl. non-recurrent special factors & received social security payments

Strong FCFaL supported by proceeds of roof-top deal

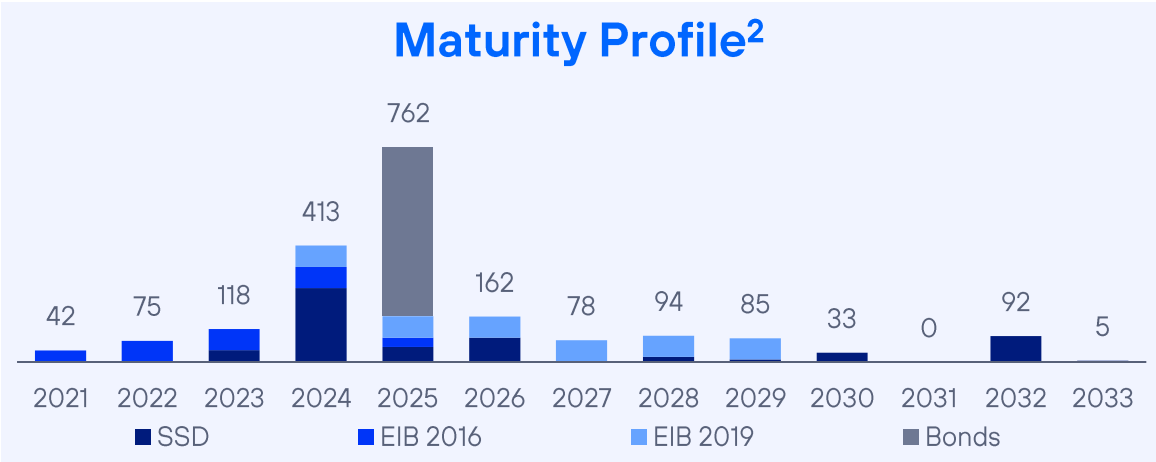
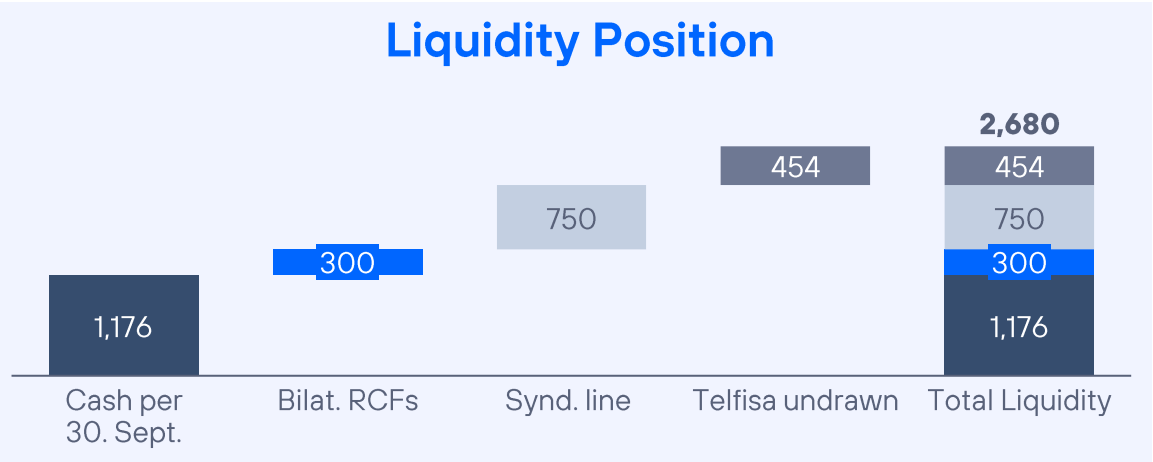
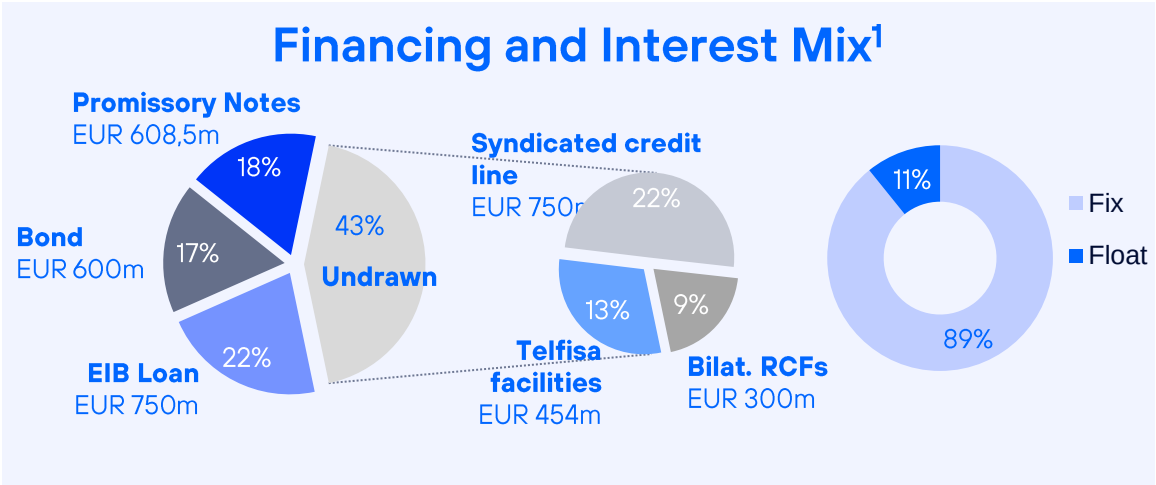
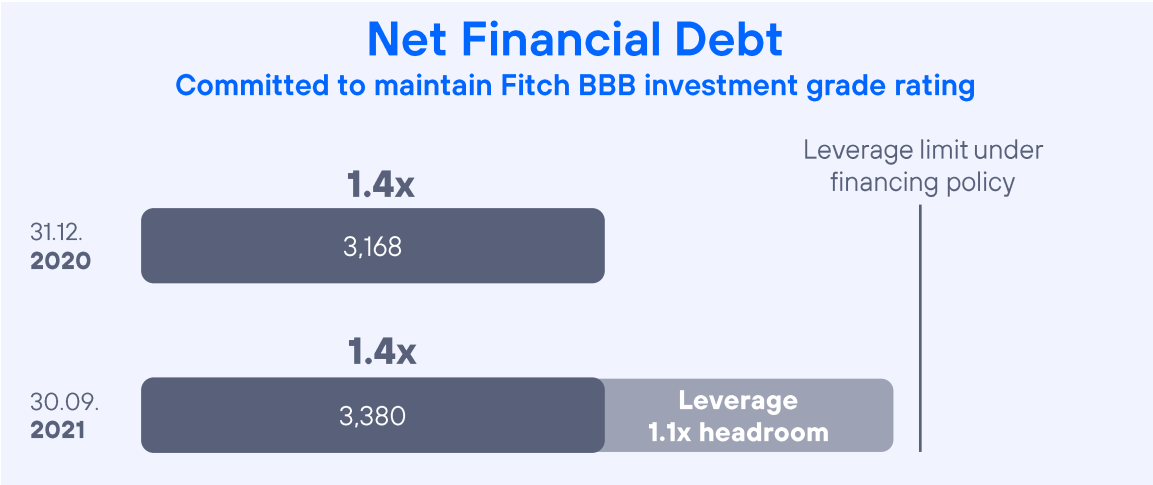


¹ Excluding additions from capitalised right-of-use assets and investments in spectrum ² FCF pre dividends & spectrum payments is defined as the sum of cash flow from operating activities & cash flow from investing activities

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

Continuing strong financing profile post dividend payment



¹ Interest mix excludes undrawn facilities
² Maturity profile excludes undrawn facilities

Profitable growth driving upgrade of FY21 outlook

Strong traction of O₂ Free Portfolio

Q3 postpaid net additions up close to 60% yoy

Continued revenue growth

Mainly driven by accelerating MSR growth

Sustained OIBDA growth

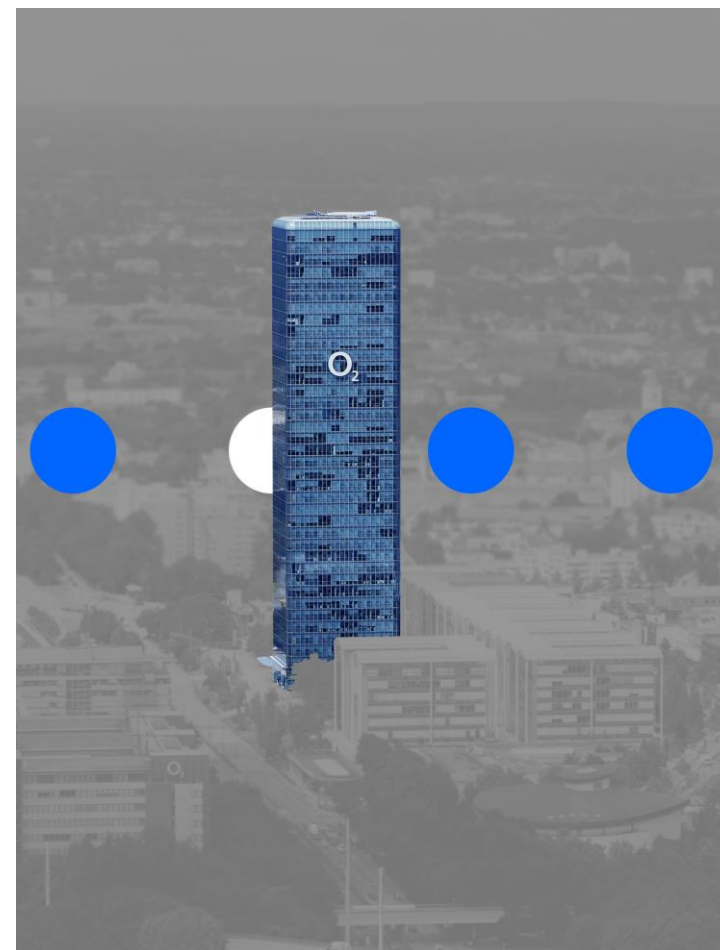
Combined effect of improved ARPU & effective cost management

FCFaL reflects proceeds of roof-top deal

Solid B/S & strong liquidity position supported by proceeds from 2nd tranche of rooftop sale

Upgrading FY21 outlook

OIBDA to 'low mid-single digit % growth yoy' and C/S '<17-18%'



Questions?

We look forward
hearing from you



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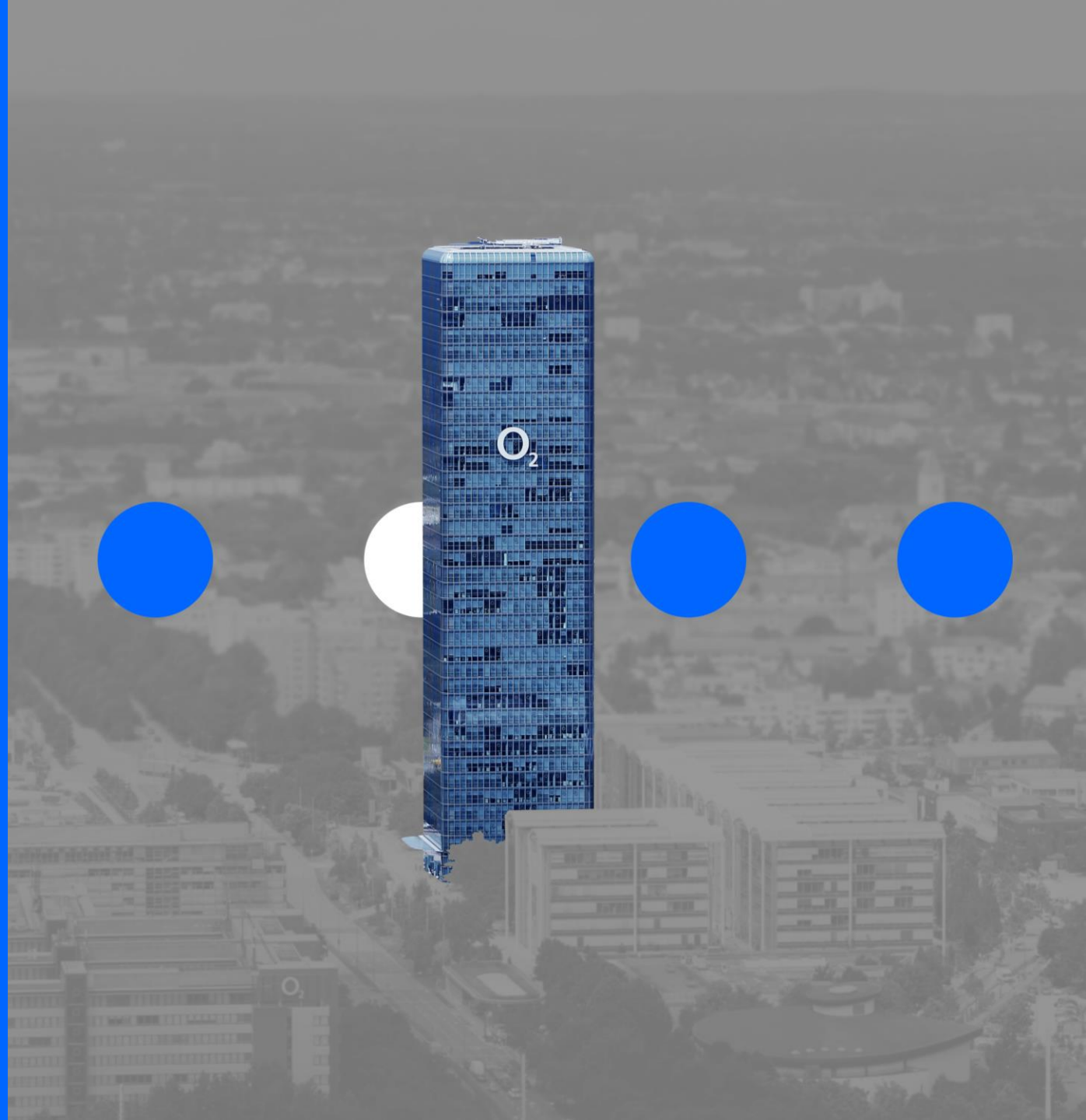
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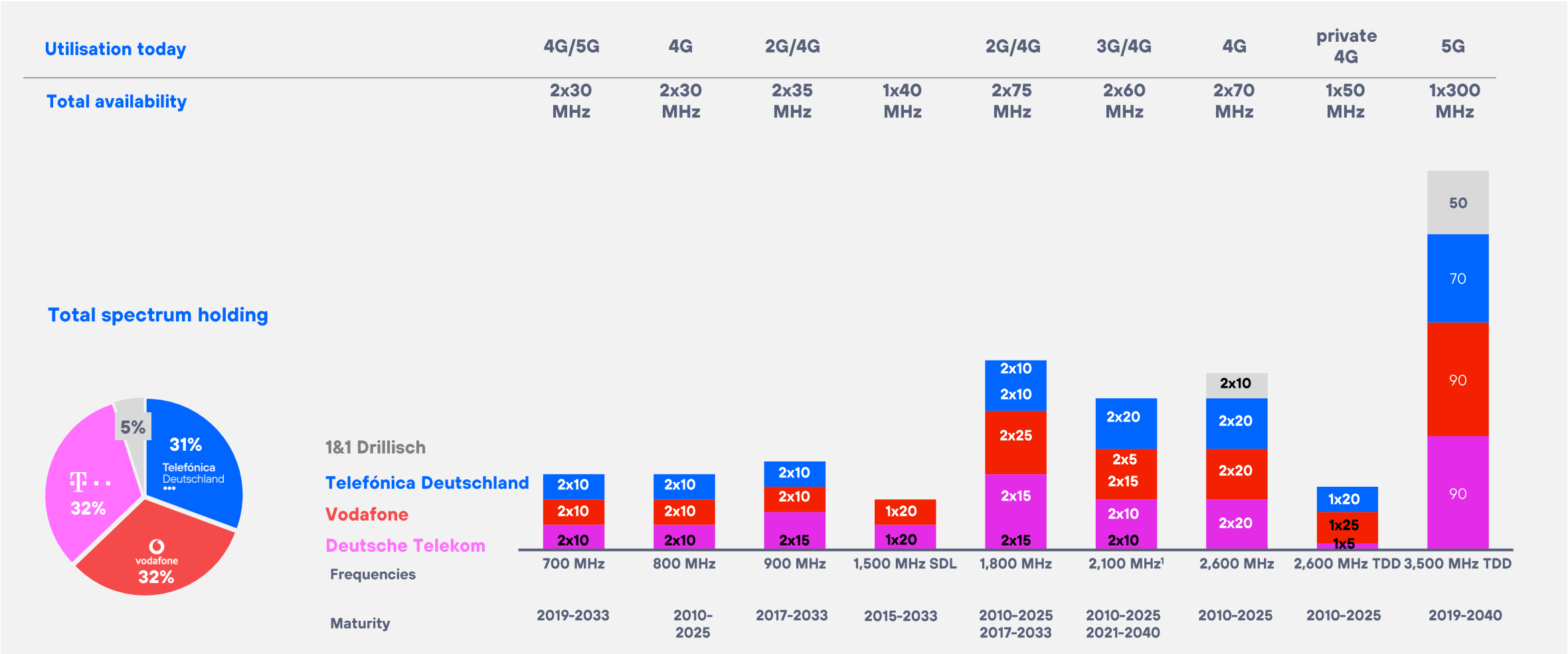
Appendix



Well ranked in most important sustainability ratings as well as indices

	Risk Low: 16.4 (Low) Exposure Score: 38.2 (Medium) Management Score: 63.2 (Strong) 
	Rating: AA 
	Grade: Prime B- (Good) 
	Successfully listed (4.3 of 5 pts) 
	Successfully listed 
	Successfully listed (65%) 

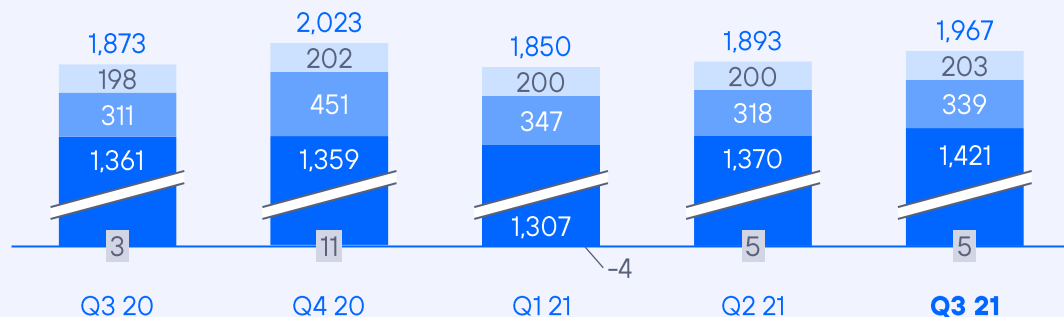
Future-proof spectrum set-up to enable best customer experience



¹From 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

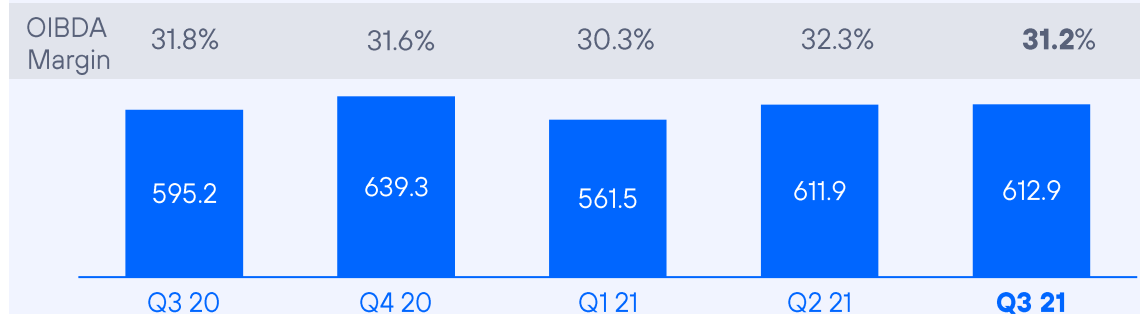
Revenue structure (EUR)

Fixed Handset MSR Other revenues



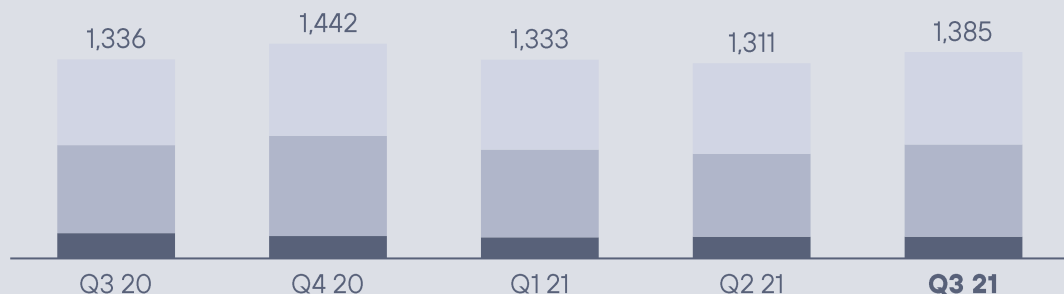
OIBDA¹ (EUR)

OIBDA adj. for exceptional effects



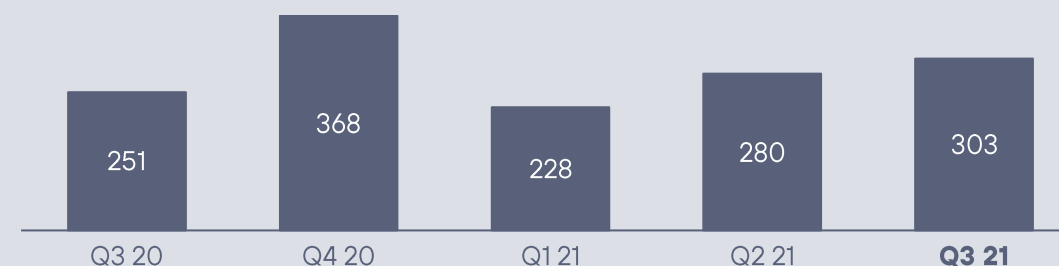
OpEx split² (EUR)

Supplies Personnel expenses Other



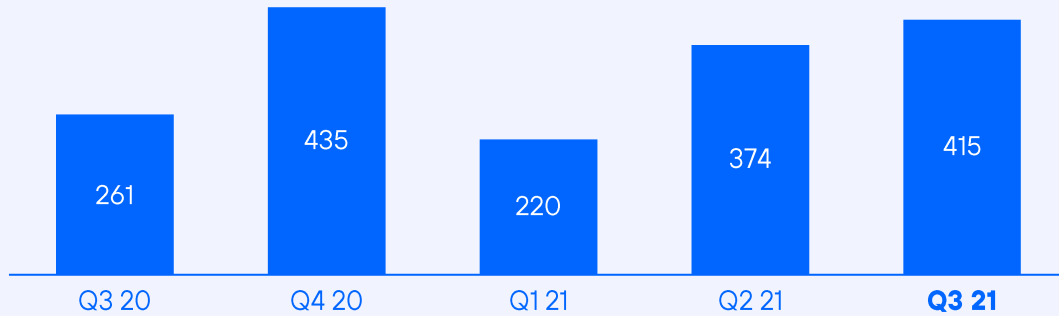
CapEx³ (EUR)

C/S 13.4% 18.2% 12.3% 14.8% 15.4%

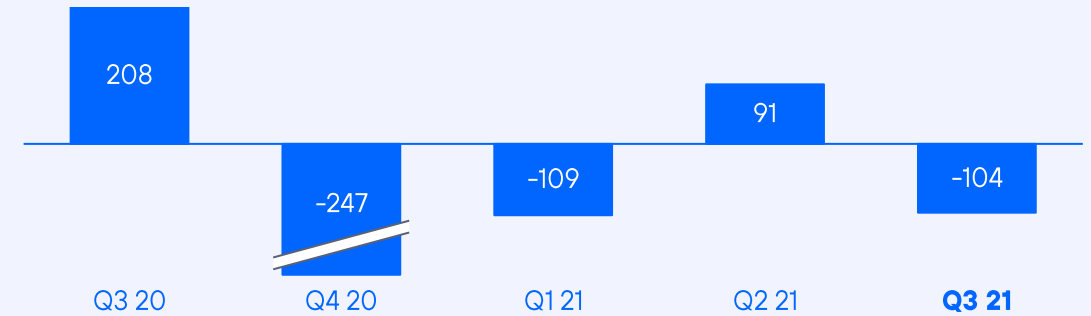


Mobile KPIs

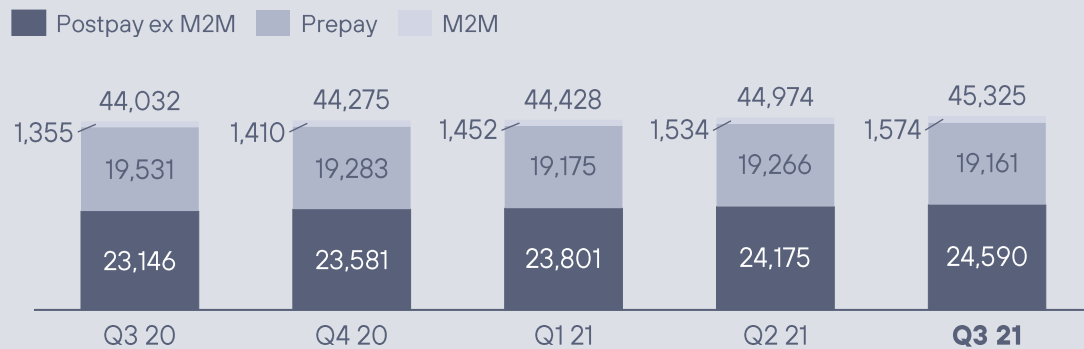
Postpaid net adds¹ (k)



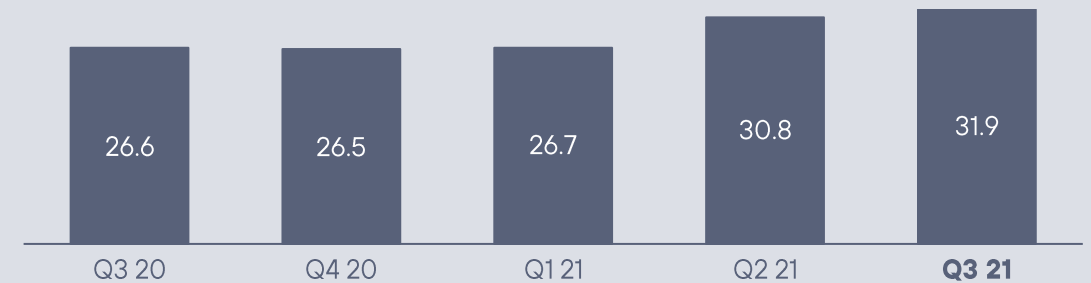
Prepaid net adds (k)



Mobile customer base (k)

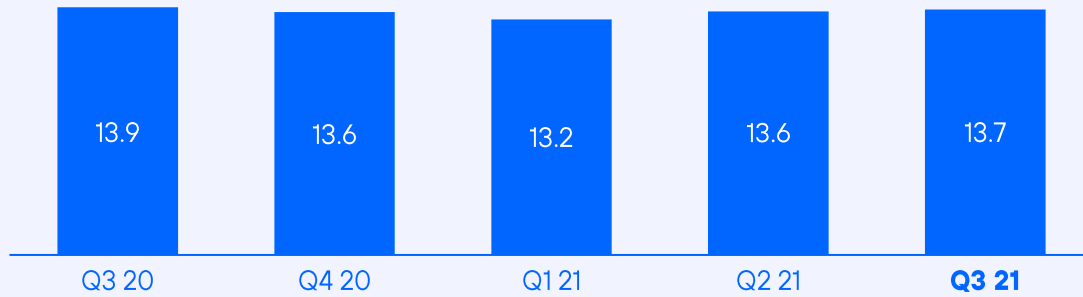


LTE customer base (m)

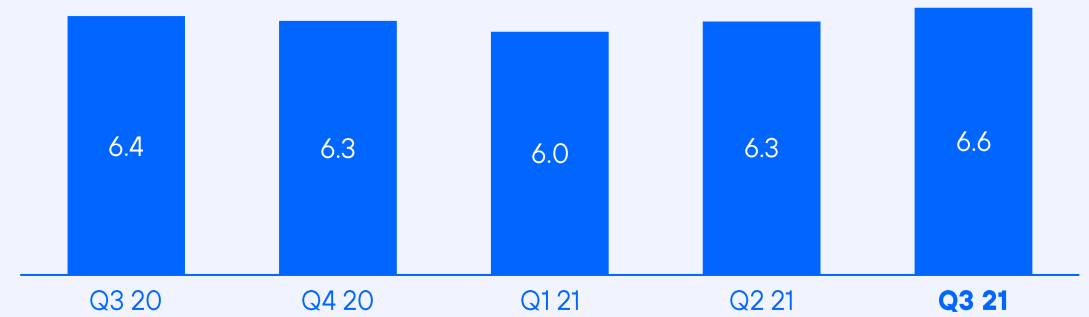


Mobile KPIs

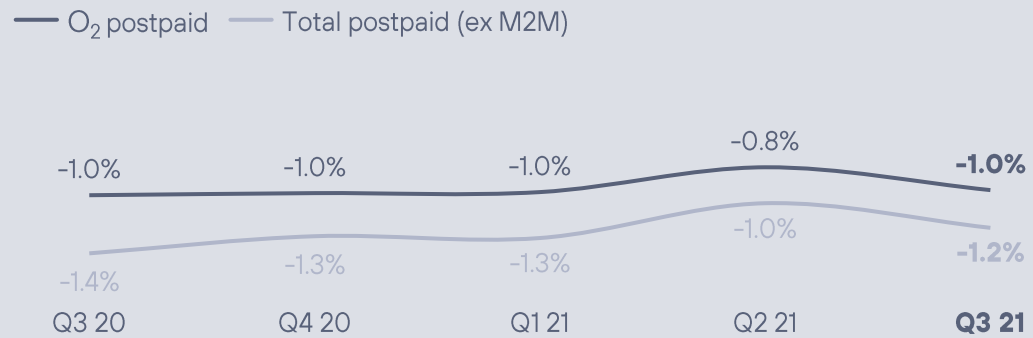
Postpaid ARPU ex M2M (EUR)



Prepaid ARPU (EUR)



Churn rate (%)



O2 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	500 Mbit/s	 Unlimited usage
Network	4G	4G / 5G	4G / 5G	 Flexible contract duration: monthly contract termination
VOICE/SMS flat	✓	✓	✓	
EU Roaming	✓	✓	✓	 Best-fit by speed-classes
Monthly fee 24/m contract	29. ⁹⁹	39. ⁹⁹	59. ⁹⁹	 Future ready with 5G

O2 Free volume-based portfolio

	O ₂ Free S	O ₂ Free M	O ₂ Free L
Data volume	3 GB	20 GB	60 GB
Max. Speed	225 Mbit/s	300 Mbit/s	300 Mbit/s
Network	4G	4G / 5G	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**

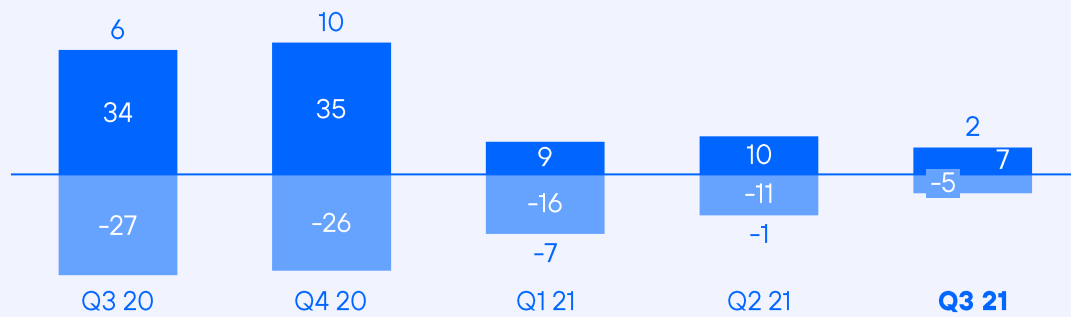


Future ready with **5G**

Fixed KPIs

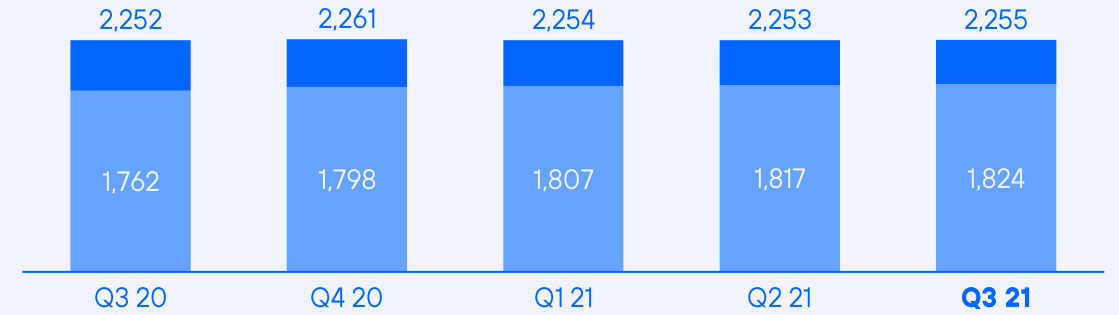
Retail broadband net adds (k)

DSL VDSL

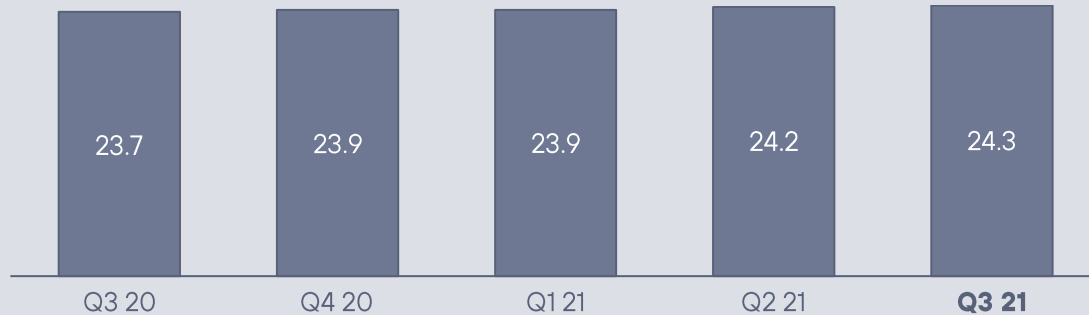


Fixed accesses (k)

VDSL



Fixed retail ARPU (EUR)



O2 my Home portfolio – technology agnostic approach

	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 MBit/s	50 MBit/s Upload 10 MBit/s	100 MBit/s Upload 40 MBit/s	250 MBit/s Upload 40 MBit/s
Technology				
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
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