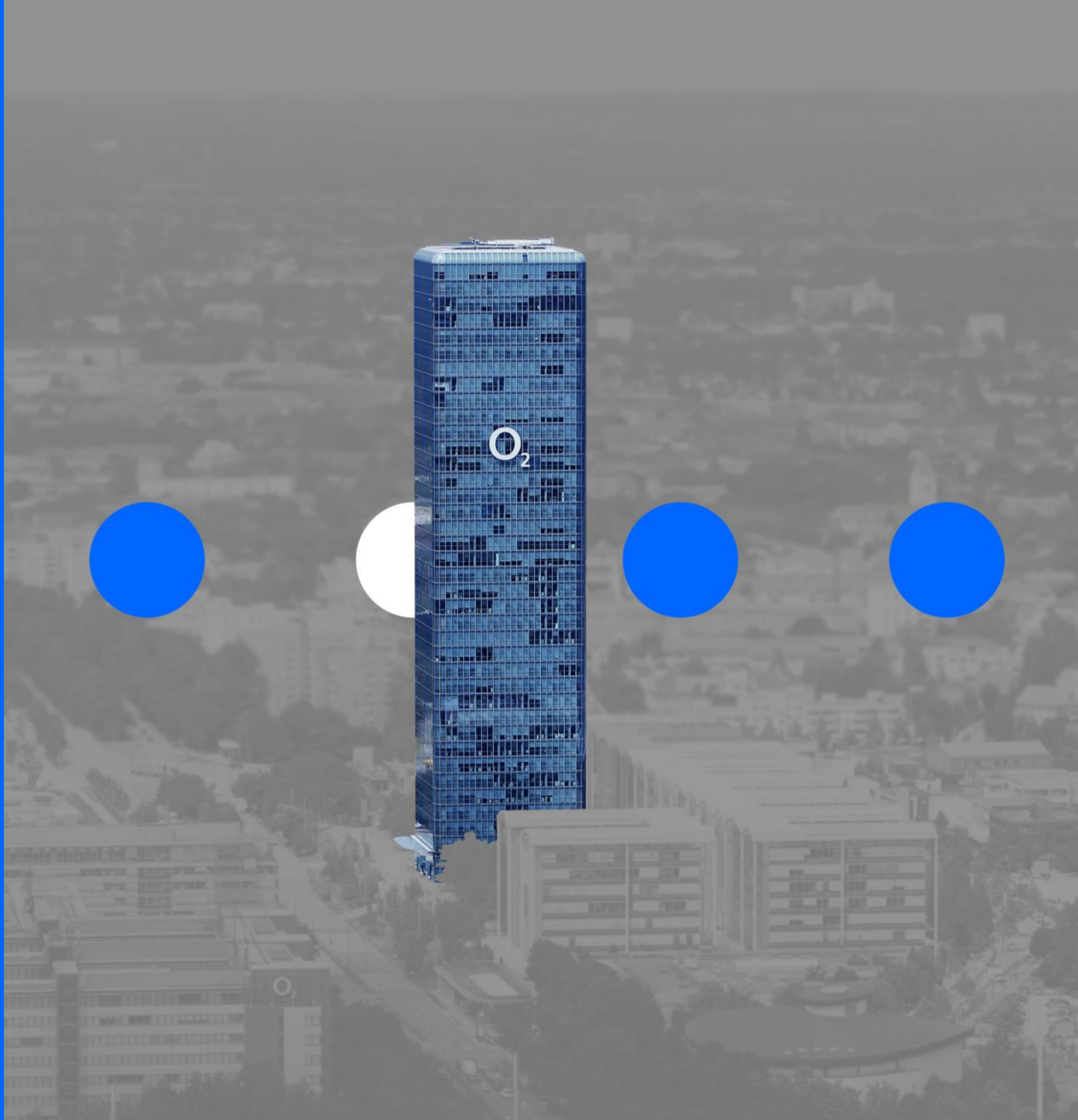
# Telefónica Deutschland

Investor presentation

February 2023



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# Key reasons to invest

## Germany
**Attractive and dynamic telecoms market**

Strong macro

Rational market

Data growth

Soft convergence

3 integrated players

Largest MVNO to become 4th MNO

## Established Player
**Leveraging economies of scale**

Largest owned customer base

Multi-brand & -channel

Customer-centric convergence play

FMS

## Operational Excellence
**Driving digitalisation**

All-infrastructure set-up

Successful integration track record

Digital transformation

## Value Proposition
**Attractive shareholder returns on back of strong fundamentals**

Clear growth path

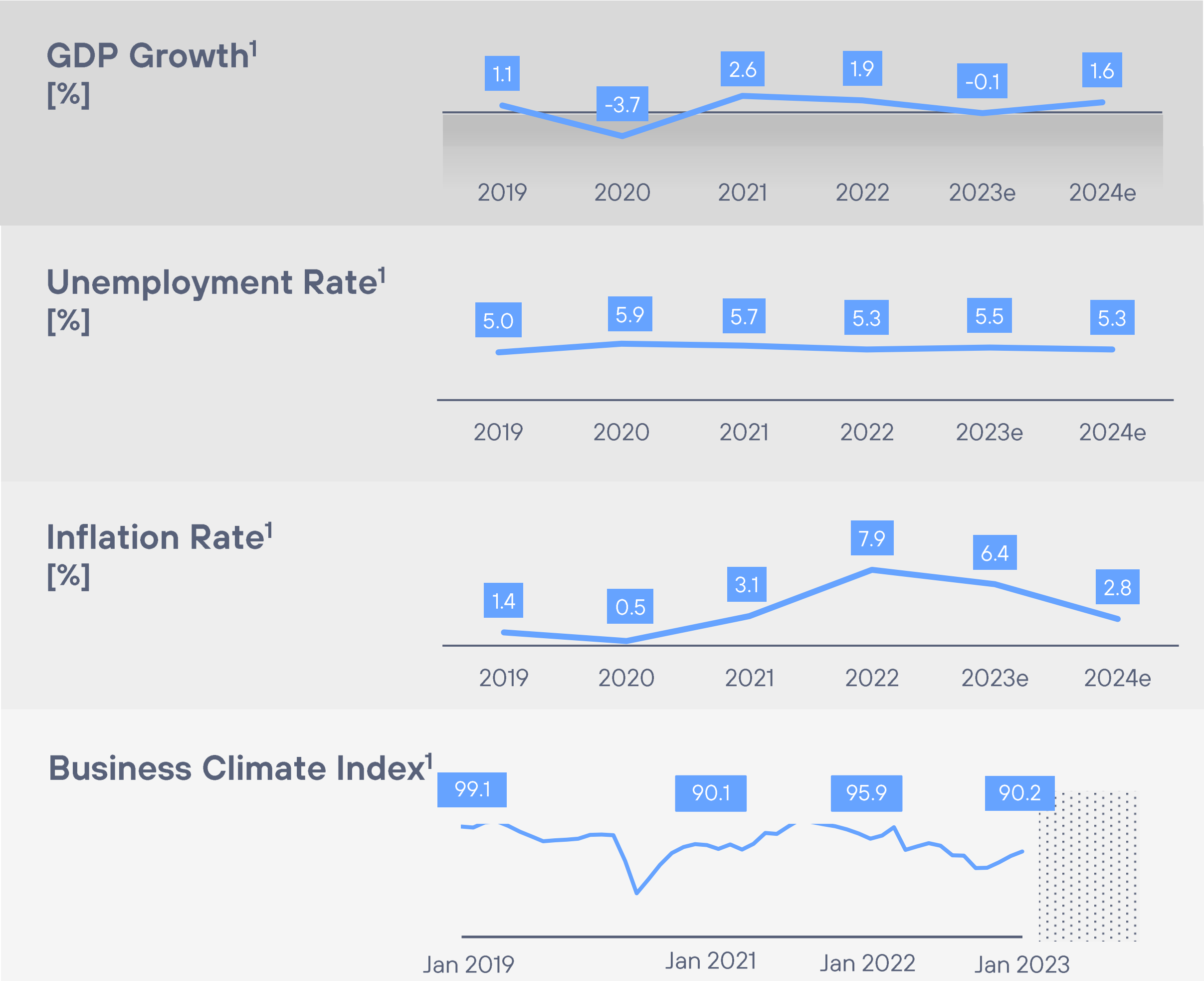
Robust financial profile

Strong FCF trajectory

High pay-out ratio of FCFaL

ESG leadership

# Robust German economy despite some inflationary pressures




## Current Trends

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

## Future Trends

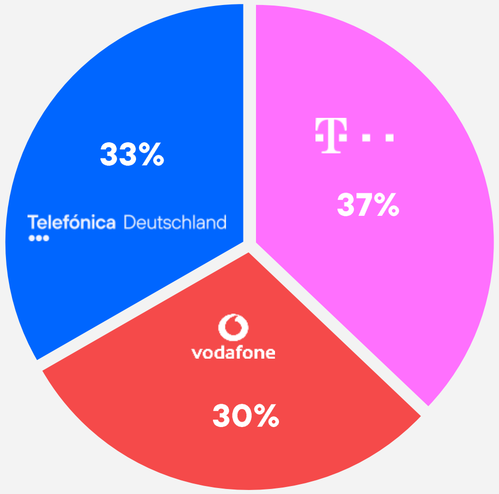
- 5G use cases & demand to accelerate
- Fixed-Mobile-Substitution becoming increasingly relevant
- Potential 4th urban MNO
- Largest MVNO to become 4th MNO



[1] ifo forecast December 2022

# Competitive Environment

## Rational & balanced market[1]



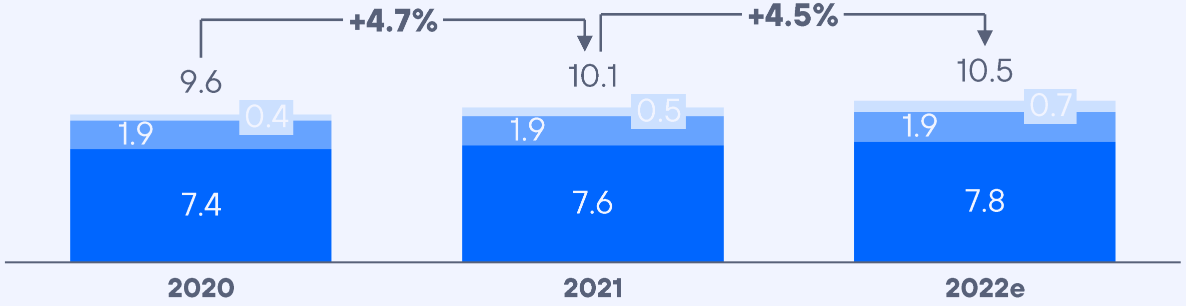

- Rational market following 4 to 3 consolidation
- Tiered mobile portfolios enabling data monetisation

## Market development[2]

### Mobile service revenues[2] (EUR bn)


### Fixed BB retail revenues[2] (EUR bn)

Fiber Cable DSL






[1] Market share of MSR based on published MNO financials for FY 2022 [2] Analysis Mason DataHub, 21 February 2023

# Strong FY22 results on back of commercial success

## Continued growth path leveraging $O_2$ brand momentum

### Investment for Growth

**Successful 3-year programme**

**>33%**
MSR market share[1]

**+3.8m**
Postpaid net adds

**>80%**
5G population coverage

**Network hattrick**


3x consecutive improvement

### Outperformed mid-term guidance

**(2020-2022)**

**>10%**
2x targeted cumulated revenue growth

**>1.5pp**
Improved mobile gross margin

**15.3%**
Achieved lower than planned C/S

### Outperformed FY22 outlook

**+5.9%**
Revenues

**+5.3%**
OIBDA
adj. for except. effects

**14.7%**
Capex/ Sales

[1] Market share of MSR based on published MNO financials for FY 2022

# Winning strategy execution based on strong company fundamentals
## Dynamic mobile market with future growth opportunities

### Macro-economics

**German economy**
Expected to grow

**Unemployment**
Continued at low level

**Digitalisation**
Focus on acceleration

### Strategy Execution

**Mobile Growth**
High network quality & award-winning services

**B2B Attack**
SME-momentum through enhanced service offerings

**Smart Bundling**
Strong customer satisfaction drives increased household penetration & convergence

**Network**
High quality

**Customers & employees**
Strong satisfaction

**More4More**
Portfolios launched

**ESG**
Extended leadership

**Digitalisation**
Accelerated transformation

**Strategic Success Factors**

# Extending ESG leadership to deliver a sustainable digital future
## Executing ambitious Responsible Business Plan 2025

### ESG Update

**Long-term PPAs**
Direct sourcing of green energy

**Well recognised**
**Top ESG rankings**

Bloomberg Gender-Equality Index 2023 · CDP A LIST 2022 CLIMATE · GOLD 2022 ecovadis Sustainability Rating · ESG INDUSTRY TOP RATED

### Extending ESG Leadership

**FY23 key focus areas of Responsible Business Plan**

Energy efficiencies

Residual emissions

EU Taxonomy

# Targeting nationwide 5G coverage latest by YE25

## Energy ambition to keep overall consumption broadly flat

### Current Network

**'Very Good'**

3rd consecutive award
by connect magazine

**>80%**

5G coverage

**Fulfilled**

Key regulatory obligations


### Network Ambition

**~90%**

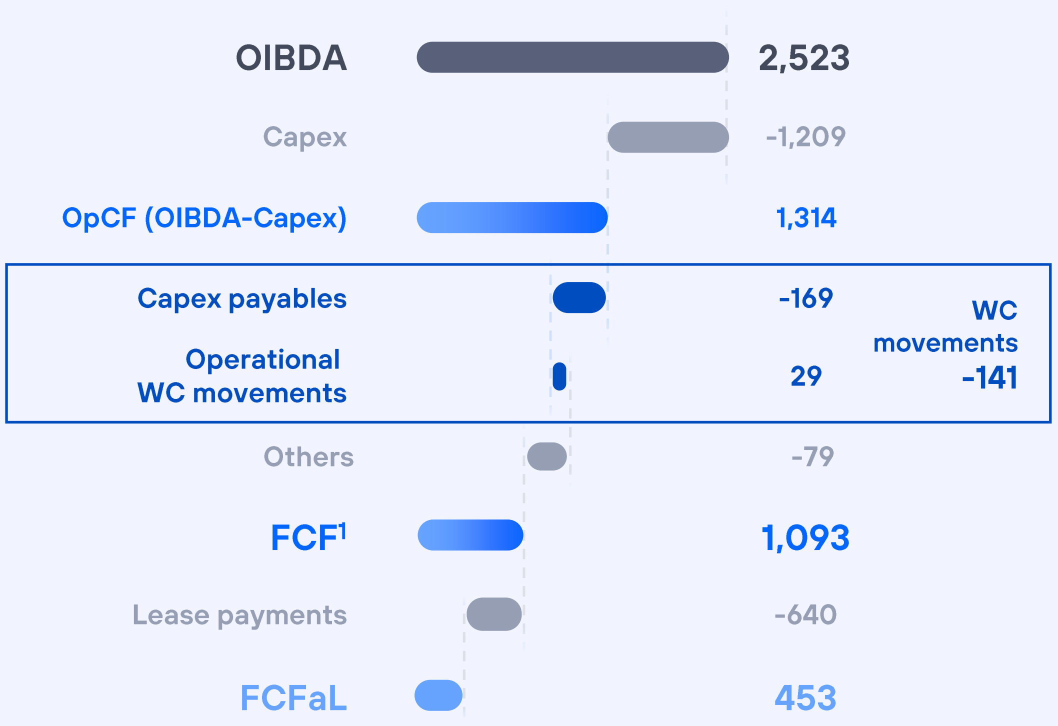
**5G coverage YE23**

Nationwide latest by YE25

Increase
**high-speed availability**
in radio & core

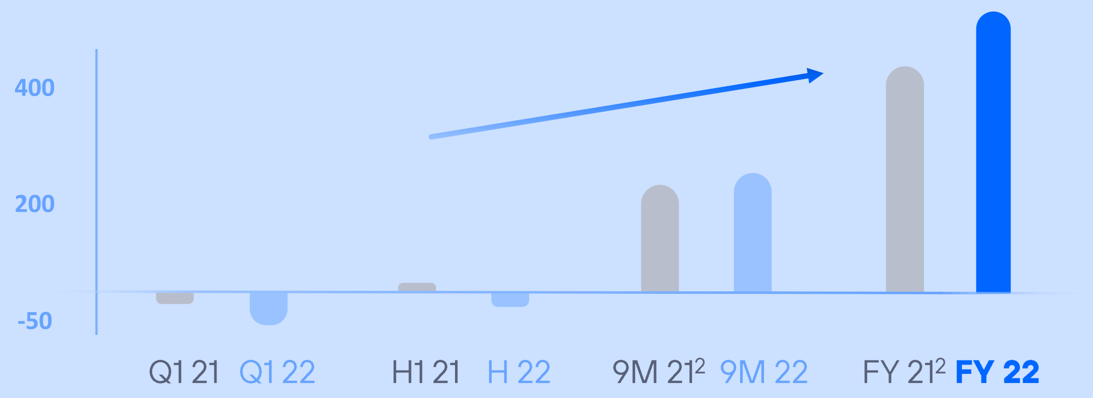
# Growing FCF generation with back-end loaded FCFaL profile
## Strong balance sheet

### FY22 FCF (EURm)




Growth momentum & normalised C/S to support FCFaL growth from FY23

### Back-end loaded FCFaL profile (EURm)




### Net Debt (EURm)

**3,212**
Leverage 1.3x

FitchRatings

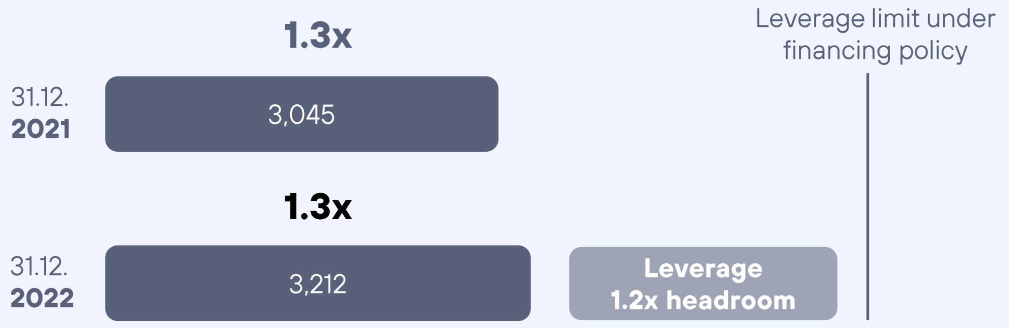
**BBB**
Stable Outlook



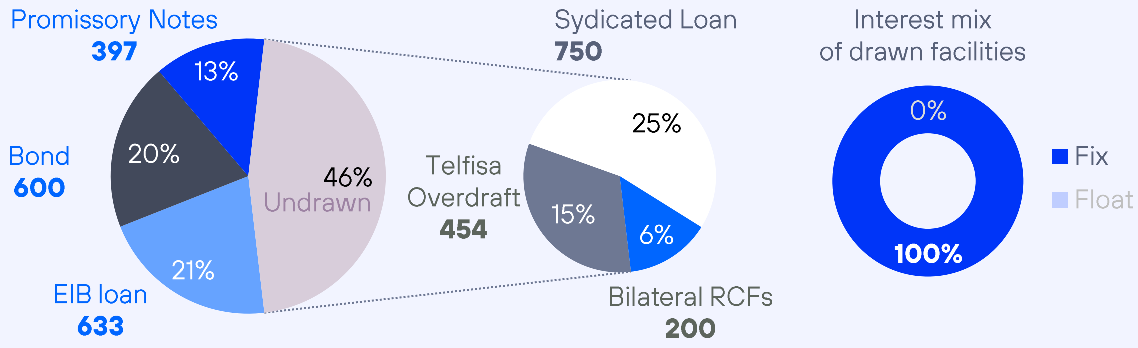
[1] FCF pre dividends & spectrum payments is defined as the sum of cash flow from operating activities & cash flow from investing activities
[2] Excluding proceeds from the sale of assets

# Continuing strong financing profile

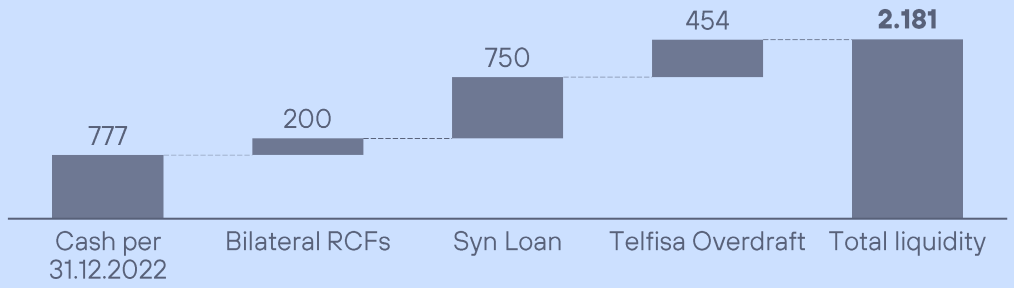
## Net Financial Debt
**Committed to maintain Fitch BBB investment grade rating**



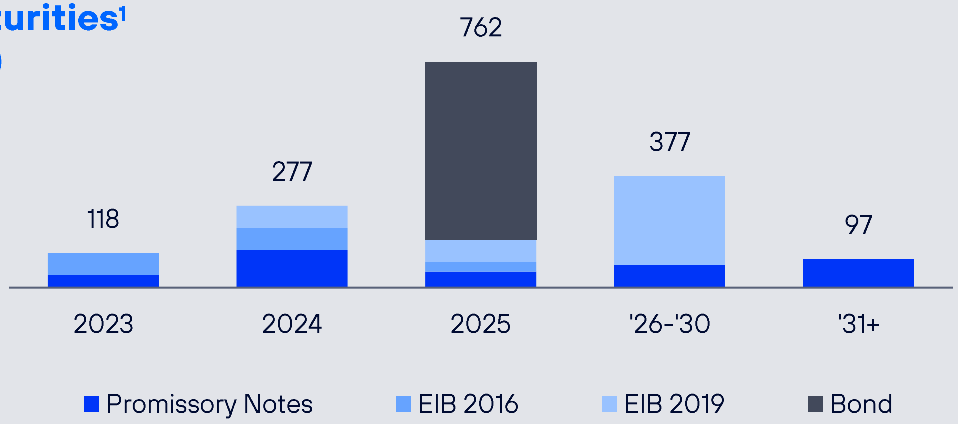

## Financing & Interest mix
(m€)




## Liquidity
(m€)




## Maturities[1]
(m€)




[1] Excludes undrawn facilities

# Confident FY23 outlook building on strong growth momentum
# Capex/Sales returning to normalised levels

| | FY22 Actuals | | | FY23 Outlook |
|---|---|---|---|---|
| 8,224 EURm[1] | +5.9% yoy | ✓ | **Revenues** | **Low single digit % growth** incl. regulatory headwinds of 50-60 EURm |
| 2,539 EURm[1] | +5.3% yoy | ✓ | **OIBDA[2]** | **Low single digit % growth** incl. regulatory headwinds of 10-15 EURm |
| | 14.7% | ✓ | **C/S** | **~14%** |

[1] Including EUR +26m non-recurrent special factors

[2] Adjusted for exceptional effects

**Dividend floor of EURc 18 for FY22 & FY23**

Thank You

# We look forward to your feedback

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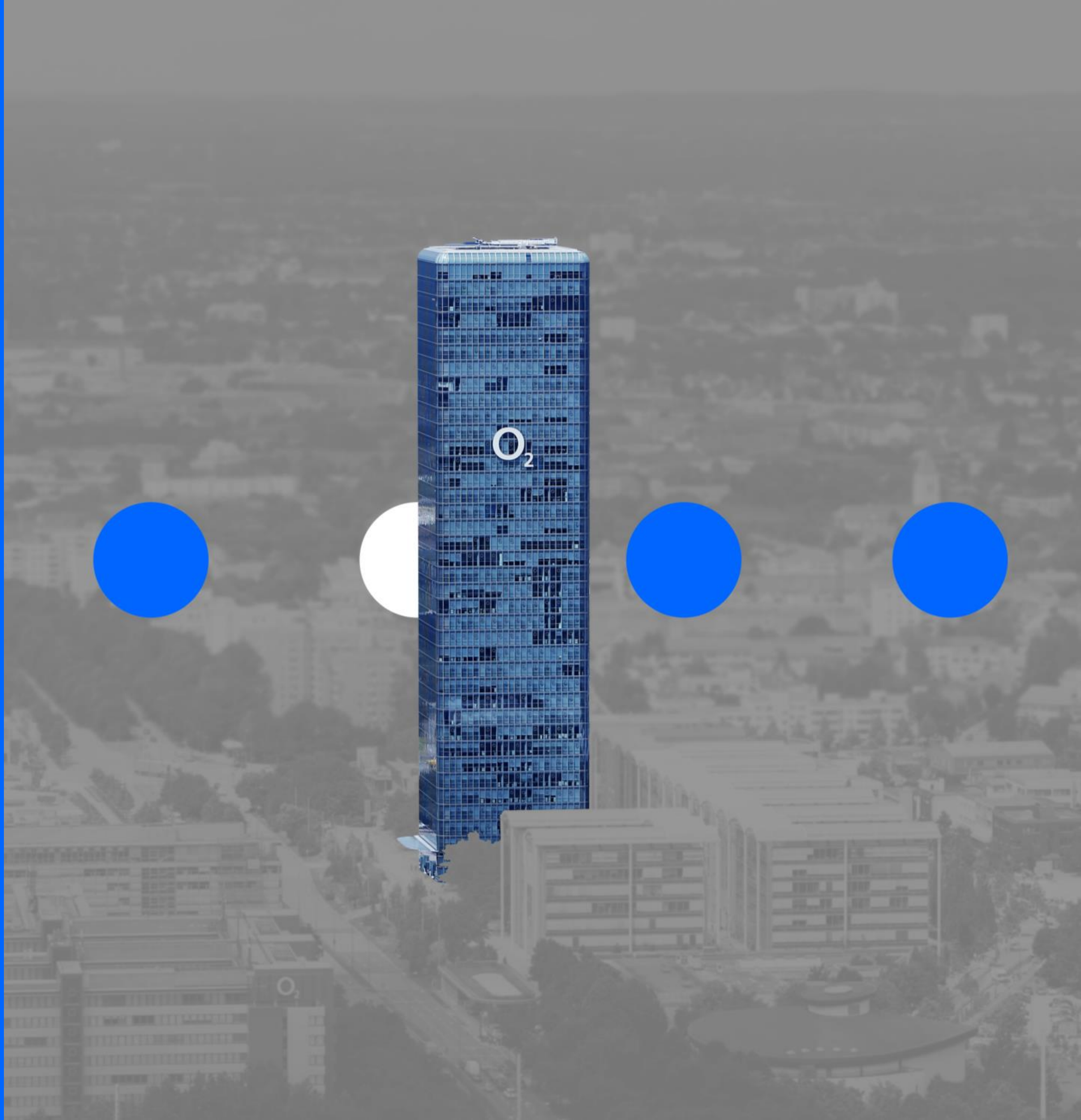
# Appendix



# Excellent results in relevant ESG ratings/indices due to active rating analysis and management in 2022

| | |
|---|---|
| SUSTAINALYTICS | Risk Low: 12.7 (Low) \| Exposure Score: 40.0 (Medium) \| Management Score: 75.9 (Strong) |
| MSCI | Rating: AA |
| S&P Global | Rating: 57 of 100 pts* |
| ISS ESG | Grade: Prime B- (Good) |
| FTSE Russel | Successfully listed (4.4 of 5 pts) |
| V.E | Successfully listed (66 of 100 scores – advanced)* |
| Bloomberg | Successfully listed (72.63%) |
| ecovadis Business Sustainability Ratings | Successfully listed 72/100 (Gold) |

3rd Place in Telco Service Sector (total 223)

1st Place in Germany



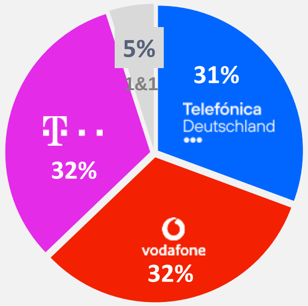
Status January 2023

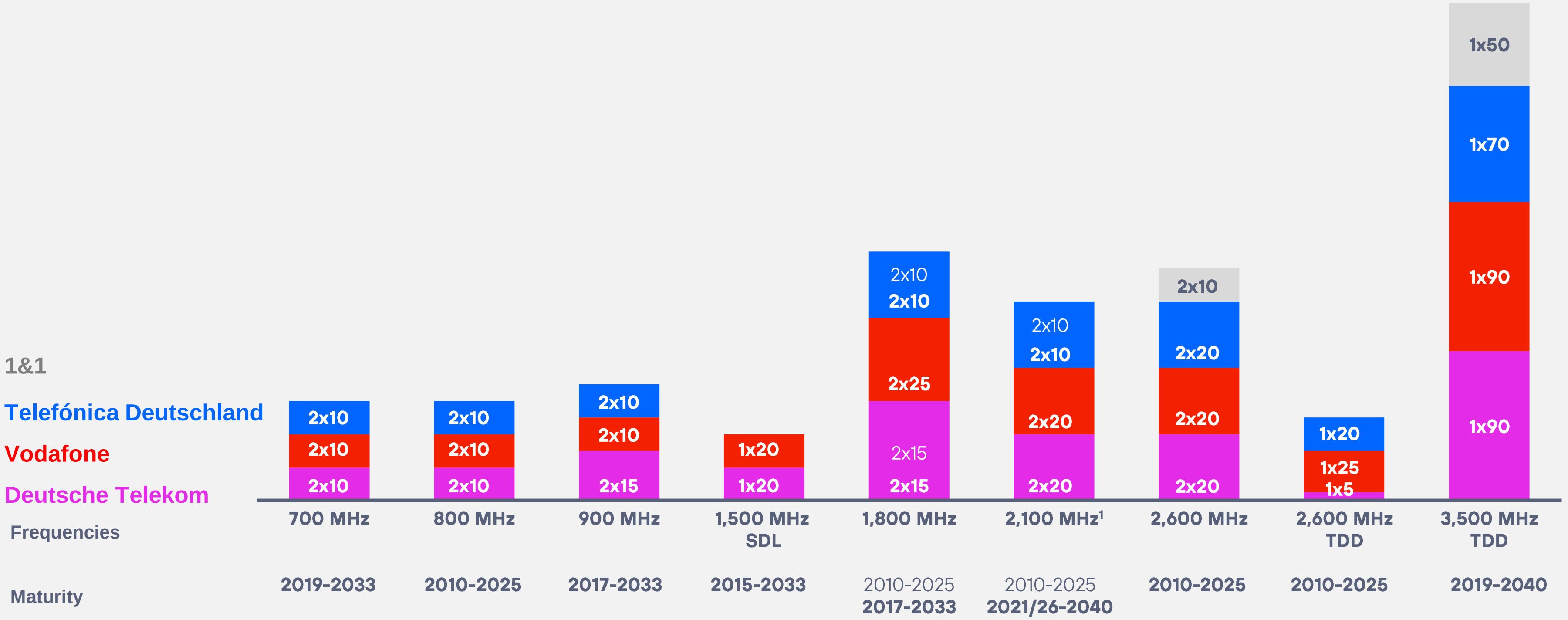
*Note: Result 2021

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

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Utilisation today | 4G/5G | 4G | 2G/4G | | 2G/4G/5G | 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 |

## Total spectrum holding

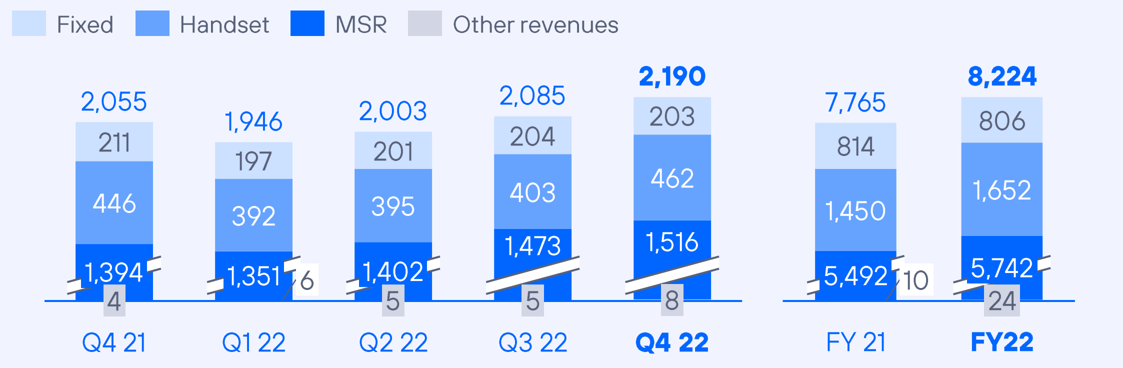


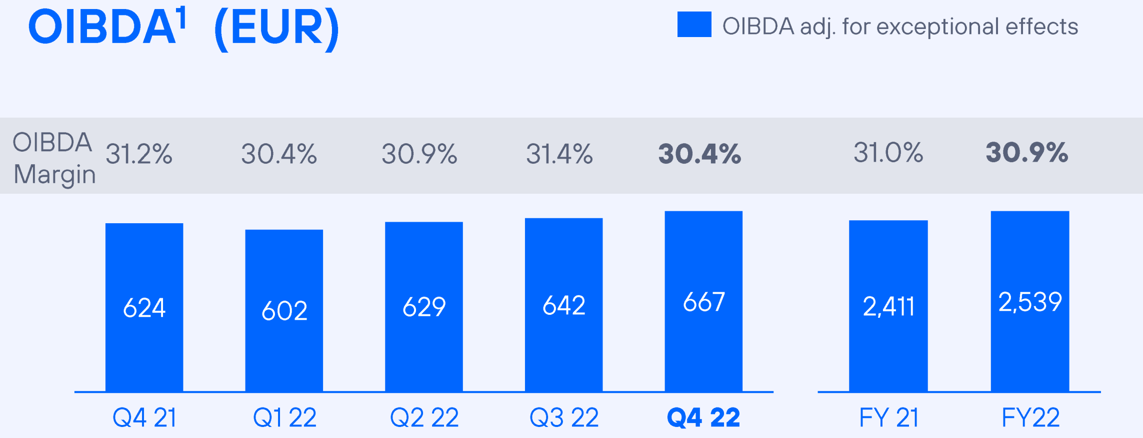

[1] From 2021, additional 19.2 MHz TDD
From 1 January 2026: 1&1: 2x10 MHz; Telefónica Deutschland: 2x10 MHz; Vodafone: 2x20 MHz; Deutsche Telekom: 2x20 MHz

# P&L

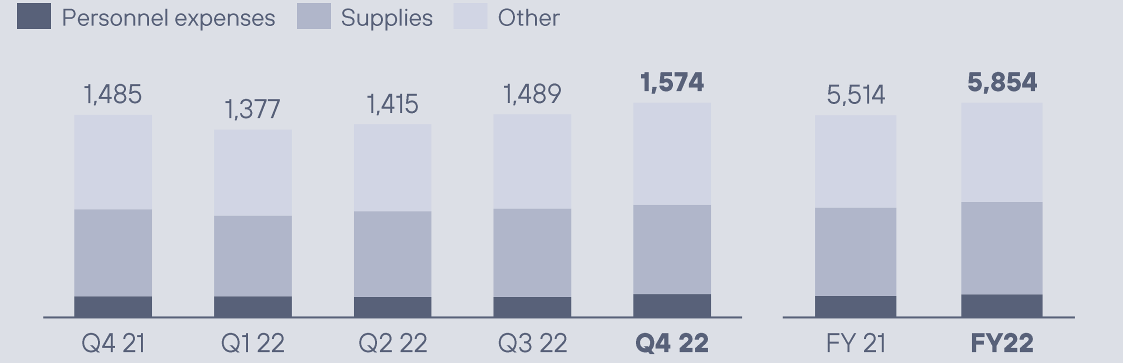
## Revenue structure (EUR)



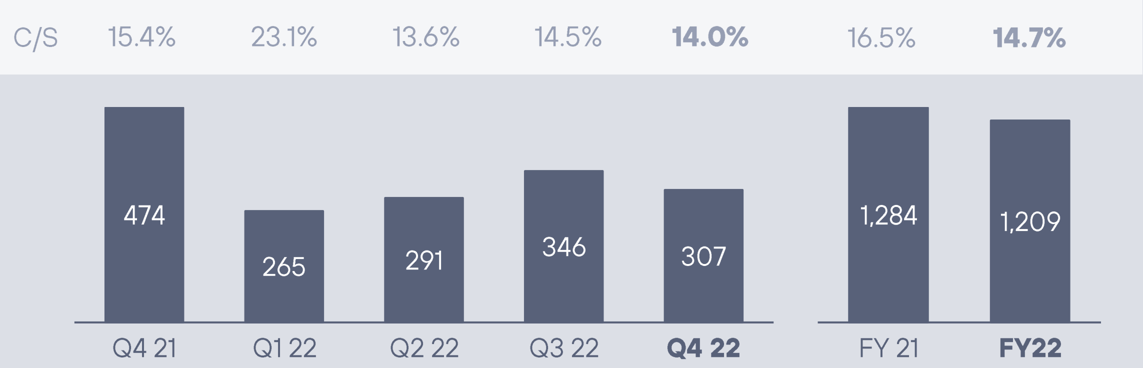

## OIBDA[1] (EUR)




## OpEx split[2] (EUR)




## CapEx[3] (EUR)

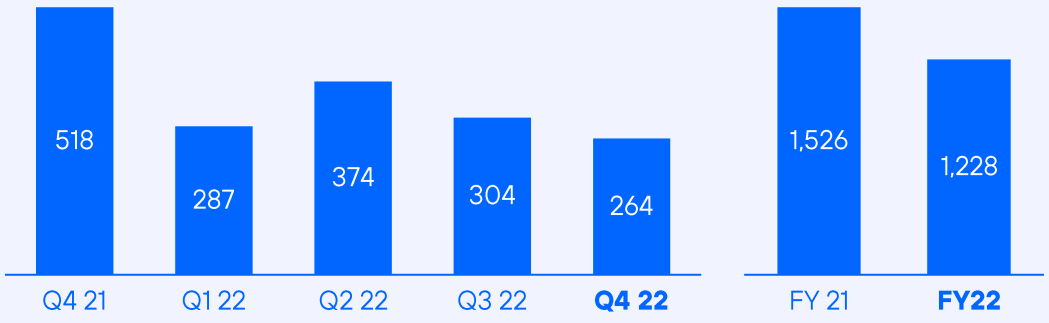




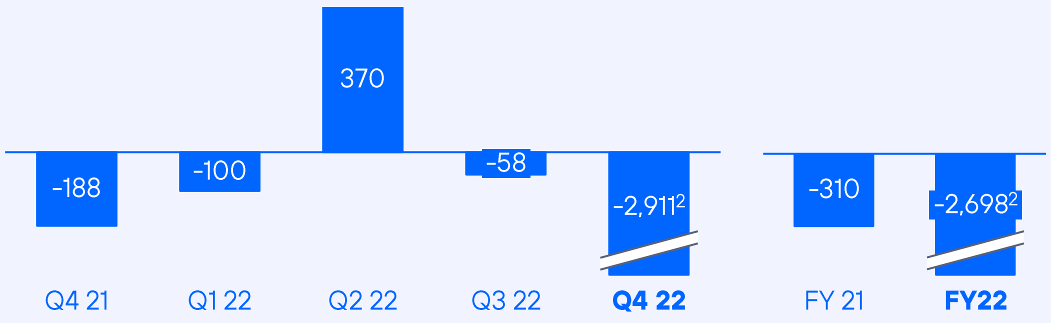

[1] Adjusted for exceptional effects [2] Includes impairment losses in accordance with IFRS 9 [3] Excluding additions from capitalised right-of-use assets

# Mobile KPIs

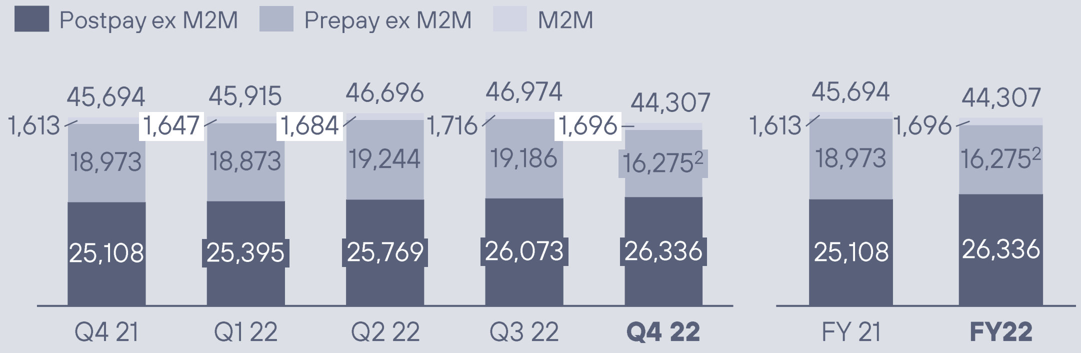
## Postpaid net adds[1] (k)




## Prepaid net adds (k)




## Mobile customer base (k)



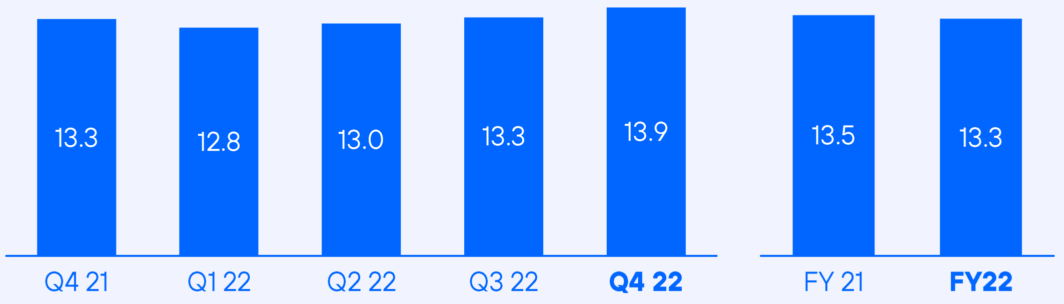



[1] Excluding M2M

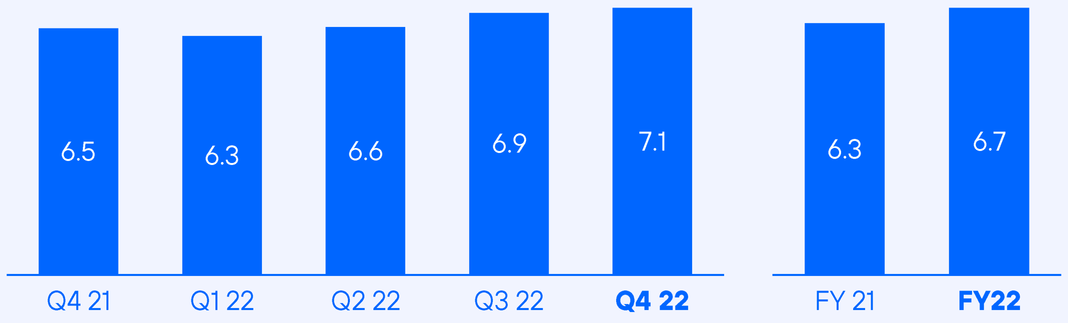
[2] Including technical base adjustment of -2,535k accesses due to introduction of stricter active SIM card definition

# Mobile KPIs

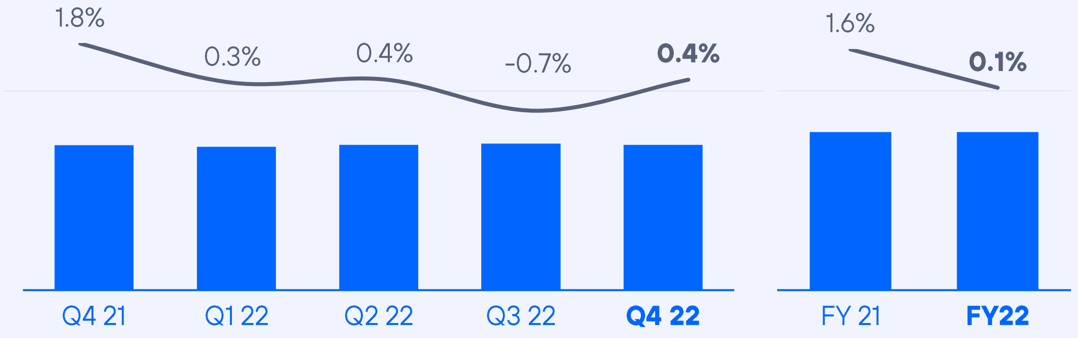
## Postpaid ARPU ex M2M (EUR)



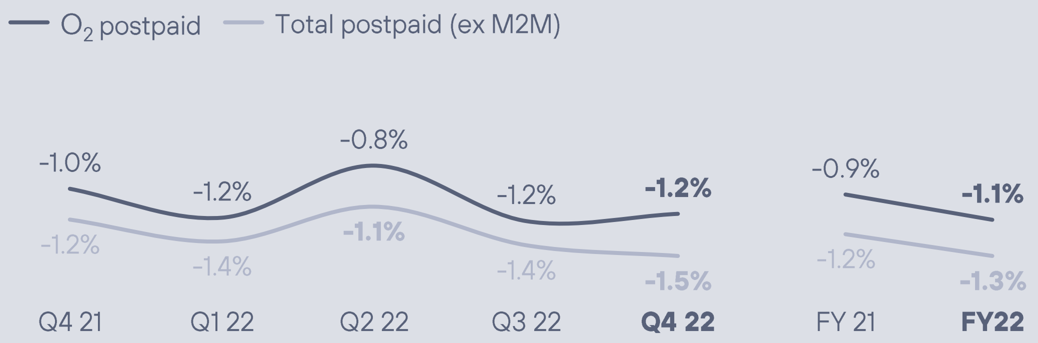

## Prepaid ARPU (EUR)




## u/L Postpaid $O_2$ ARPU (%)

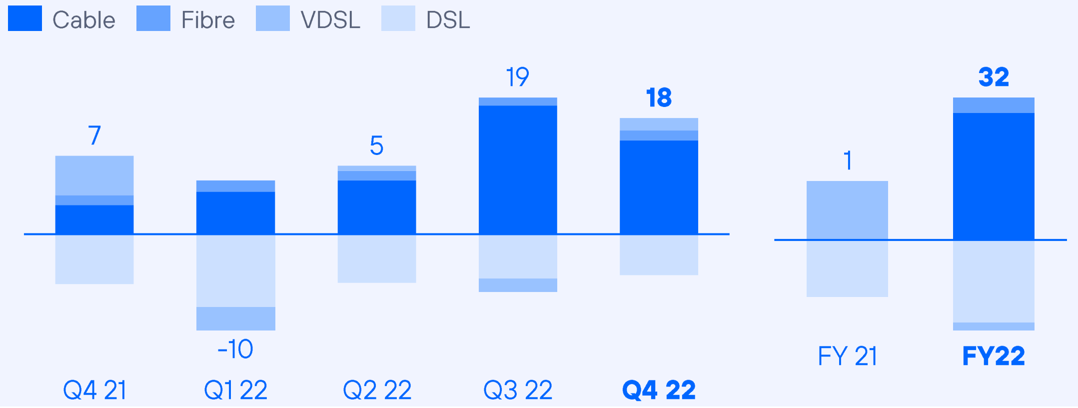



## Churn rate (%)

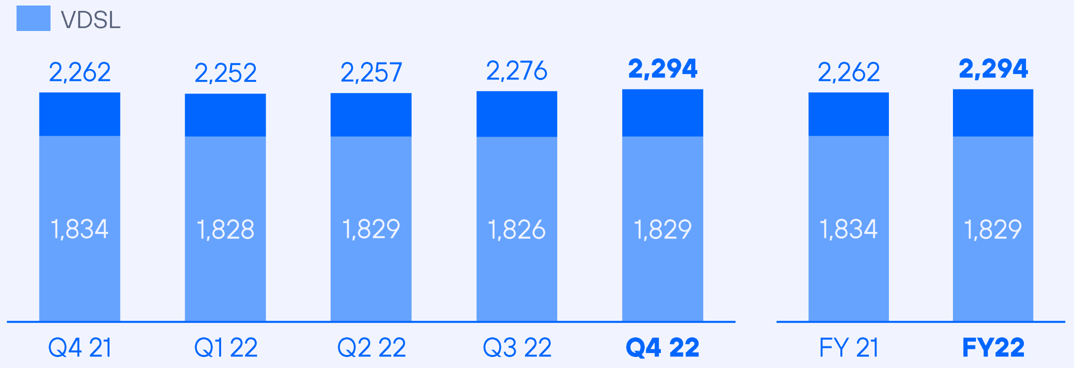


# Fixed KPIs

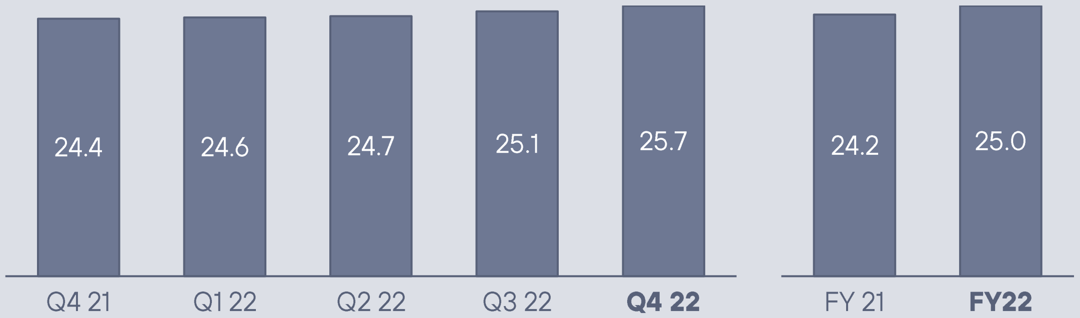
## Retail broadband net adds (k)




## Fixed accesses (k)




## Fixed retail ARPU (EUR)



# More-for-more ‘$O_2$ Mobile’ tariff portfolio launch Apr-23

| | $O_2$ Mobile **S** | $O_2$ Mobile **M** | $O_2$ Mobile **L** |
|---|---|---|---|
| **Data volume** | 4 GB | 25 GB | 140 GB |
| GROW | 1 GB yoy | 5 GB yoy | 10 GB yoy |
| **Max. Speed** | **300 Mbit/s** | **300 Mbit/s** | **300 Mbit/s** |
| **Network** | 4G / **5G** | 4G / **5G** | 4G / **5G** |
| **VOICE/SMS flat** | ✓ | ✓ | ✓ |
| **EU Roaming** | ✓ | ✓ | ✓ |
| *BOOST **(+5€)**: **Double data & adding multiple devices** | GB x2 | GB x2 | GB x2 |
| **Monthly fee** | 22.99 | 32.99 | 42.99 |

Flexible contract duration: **monthly contract termination**

All customer needs supported by **high speed** internet

Future ready with **5G**

# More-for-more ‘$O_2$ Mobile’ unlimited tariff portfolio launch Apr-23

| | $O_2$ Mobile Unlimited **Basic** | $O_2$ Mobile Unlimited **Smart** | $O_2$ Mobile Unlimited **Max** |
|---|---|---|---|
| **Max. Speed** | **3 MBit/s** | **15 MBit/s** | **500 Mbit/s** |
| **Network** | 4G / **5G** | 4G / **5G** | 4G / **5G** |
| **VOICE/SMS flat** | ✓ | ✓ | ✓ |
| **EU Roaming** | ✓ | ✓ | ✓ |
| **Monthly fee** | **32.99** | **42.99** | **62.99** |

**Unlimited usage**

Flexible contract duration:
**monthly contract termination**

Best-fit by **speed-classes**

Future ready with **5G**

# ‘$O_2$ Free’ tariff portfolio until Apr-23

| | $O_2$ 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** | ✓ | ✓ | ✓ |
| *BOOST **(+5€)**: **Double data & adding multiple devices** | GB x2 | GB x2 **+ GROW 10GB yoy** | GB x2 |
| **Monthly fee** | **19.99** | **29.99** | **39.99** |

Flexible contract duration: **monthly contract termination**

All customer needs supported by **high speed** internet

5G

Future ready with **5G**

# 'O$_2$ Free' tariff unlimited portfolio until Apr-23

| | 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** |
| **Network** | 4G / **5G** | 4G / **5G** | 4G / **5G** |
| **VOICE/SMS flat** | ✓ | ✓ | ✓ |
| **EU Roaming** | ✓ | ✓ | ✓ |
| **Monthly fee** | **29.99** | **39.99** | **59.99** |

**Unlimited usage**

Flexible contract duration: **monthly contract termination**

Best-fit by **speed-classes**

Future ready with **5G**

# $O_2$ 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 | $O_2$ my Home XXL |
|---|---|---|---|---|---|
| **Max. Speed** | **10 MBit/s**<br>Upload 2 MBits/s | **50 MBit/s**<br>Upload 10 MBits/s | **100 MBit/s**<br>Upload 40 MBits/s | **250 MBit/s**<br>Upload 40 MBits/s | **1000 MBit/s**<br>Upload 50 MBits/s |
| **Technology** | LTE 5G, DSL | LTE 5G, DSL, KABEL | LTE 5G, DSL, KABEL | DSL, KABEL | KABEL |
| **Voice flat to German fixed networks** | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Optional**<br>**HomeBox 3**<br>**AVM7590**<br>**Homespot** | <br>3.99 mthl<br>5.99 mthl<br>4.99 mthl | <br>3.99 mthl<br>5.99 mthl<br>4.99 mthl | <br>3.99 mthl<br>5.99 mthl | <br>3.99 mthl<br>5.99 mthl | <br>3.99 mthl<br>5.99 mthl |
| **Monthly fee**<br>**24m contract** | **24.99** | **29.99** | **34.99** | **39.99** | **69.99** |

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