# Telefónica Deutschland

## Quarterly results
## July - September 2012

Telefónica Deutschland

Telefónica Deutschland Holding AG
6th November 2012

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# Telefónica Deutschland results presentation

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# 01

# Highlights

# Telefónica Deutschland gaining #3 position in the German market[1]

## Mobile Data is driving growth

**Strong financial performance in Q3 2012**

- Total revenue growth of 4.1% y-o-y driven by Wireless Service Revenue y-o-y growth of 5.6%
- Non-messaging revenues improved by 28.3% y-o-y benefitting from increased Smartphone penetration
- Significant OIBDA growth of 12.5% y-o-y resulting in Telefónica Deutschland's highest OIBDA margin post group fees of 25.7%
- Acceleration of capital expenditure in the quarter to support LTE roll-out

**Core KPIs show continued positive momentum driven by mobile data growth**

- Postpaid net adds of 171k – keeping growth momentum in a competitive market
- Blended ARPU at €14 – successful data monetisation is driving solid ARPU
- Data revenue continues to grow, now contributing 44% of total Wireless Service Revenue
- Smartphone shipments of 95% o/total in the quarter

[1] Based on Q3 2012 Wireless Service Revenue

# The right assets to deliver sustainable growth

**Enhanced product portfolio**

Enhanced mobile data components in all of our tariffs:

- Added **more value** to our existing data tariffs
- Added **LTE service options to our tariffs**
- Developed **new mobile internet offerings** which covers **surfing abroad**

**Mobile network of the future**

- **Commercial launch of LTE** for our consumer and business customers
- Added **high-speed areas** in and around **Nuremberg** and **Dresden**
- **Cooperation with Deutsche Telekom** ensures strong technology basis for LTE network

**The latest smartphones**

- Apple iPhone 5
- Samsung Galaxy S3 (LTE 800-enabled)
- HTC One XL (LTE 800-enabled)

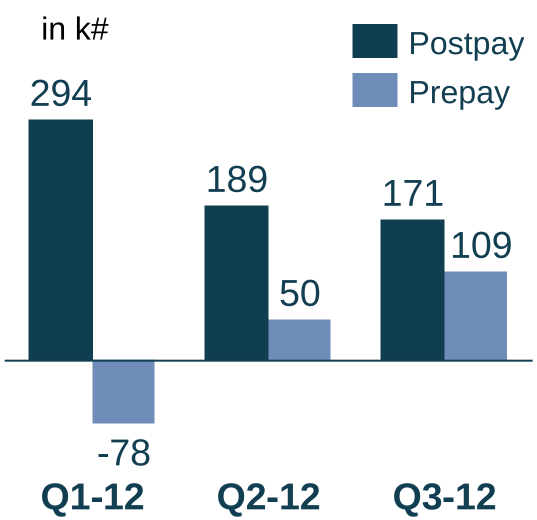
# 02

# July– September 2012 Financial Performance

# Solid customer growth in a competitive environment

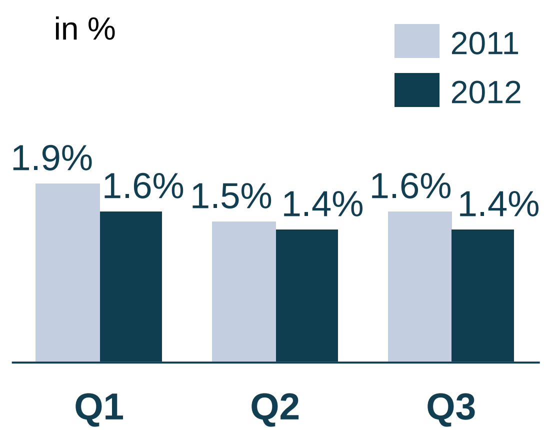
## Focus on valuable mobile postpaid customers

### Mobile net adds



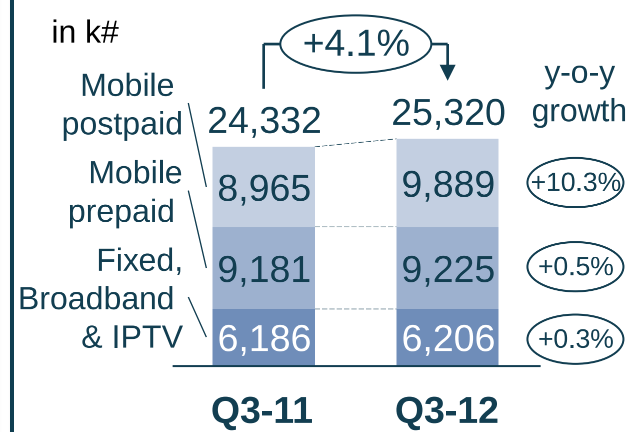

- Solid growth – keeping momentum in a competitive market
- Postpaid share of net adds reaching 89% YTD
- Postpaid subscribers contribute 52% to total mobile subscriber base

### Postpaid churn rate




- Improving churn rates in Postpaid through focus on customer satisfaction


### Total access base



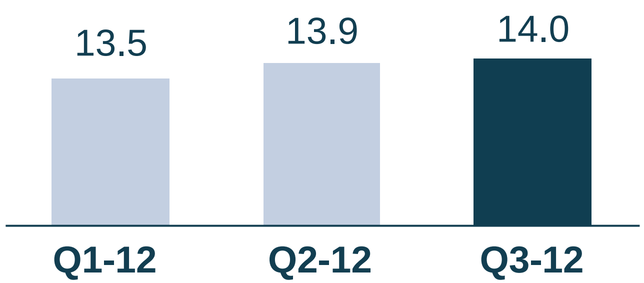

- Focus on mobile Postpaid leading to strong growth of +10.3%
- Stable fixed-net base to drive convergence

# Continuous ARPU growth over the last quarters

## Successful data monetisation drives solid ARPU

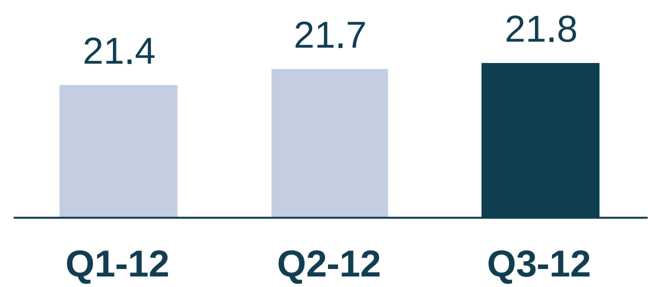
**Blended mobile ARPU**

in EUR/month



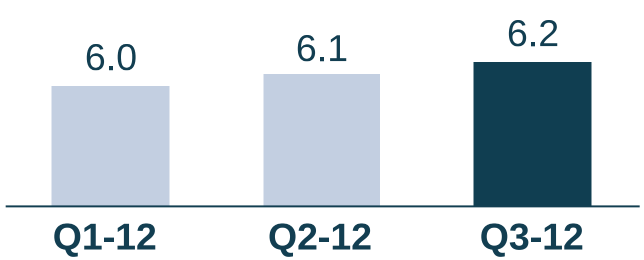

**Mobile Postpaid ARPU**

in EUR/month



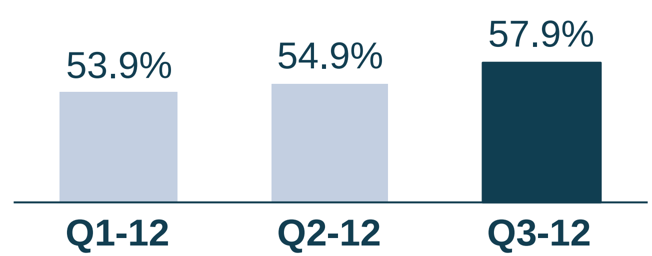

**Data ARPU**

in EUR/month




**% non-SMS over data revenues**

in %



# Key financials overview

## Customer growth translating into revenue and OIBDA growth

| In EUR million | July - September | | | January – September | | |
|---|---|---|---|---|---|---|
| | Q3 2012 | Q3 2011 | % y-o-y ∆ | YTD '12 | YTD '11 | % y-o-y ∆ |
| **Revenues** | 1,317 | 1,266 | 4.1 | 3,871 | 3,705 | 4.5 |
| **OIBDA** | 339 | 301 | 12.5 | 936 | 833 | 12.4 |
| ***OIBDA margin*** | *25.7%* | *23.8%* | *1.9p.p.* | *24.2%* | *22.5%* | *1.7p.p.* |
| **Group fees** | (19) | (12) | 55.6 | (50) | (38) | 31.6 |
| **OIBDA before group fees** | 358 | 313 | 14.1 | 986 | 871 | 13.2 |
| ***OIBDA before group fees margin*** | *27.2%* | *24.8%* | *2.4p.p.* | *25.5%* | *23.5%* | *2.0p.p.* |
| **Capex** | 181 | 129 | 40.2 | 452 | 373 | 21.3 |
| **OpCF (OIBDA-Capex)** | 158 | 172 | (8.3) | 484 | 461 | 5.1 |



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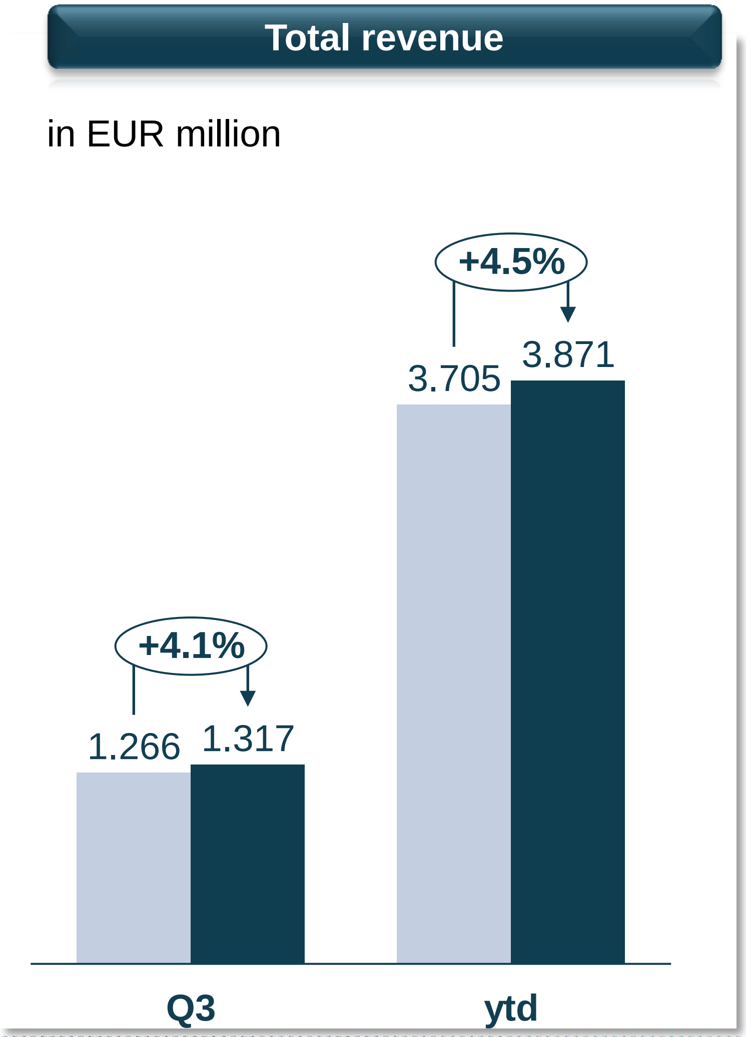
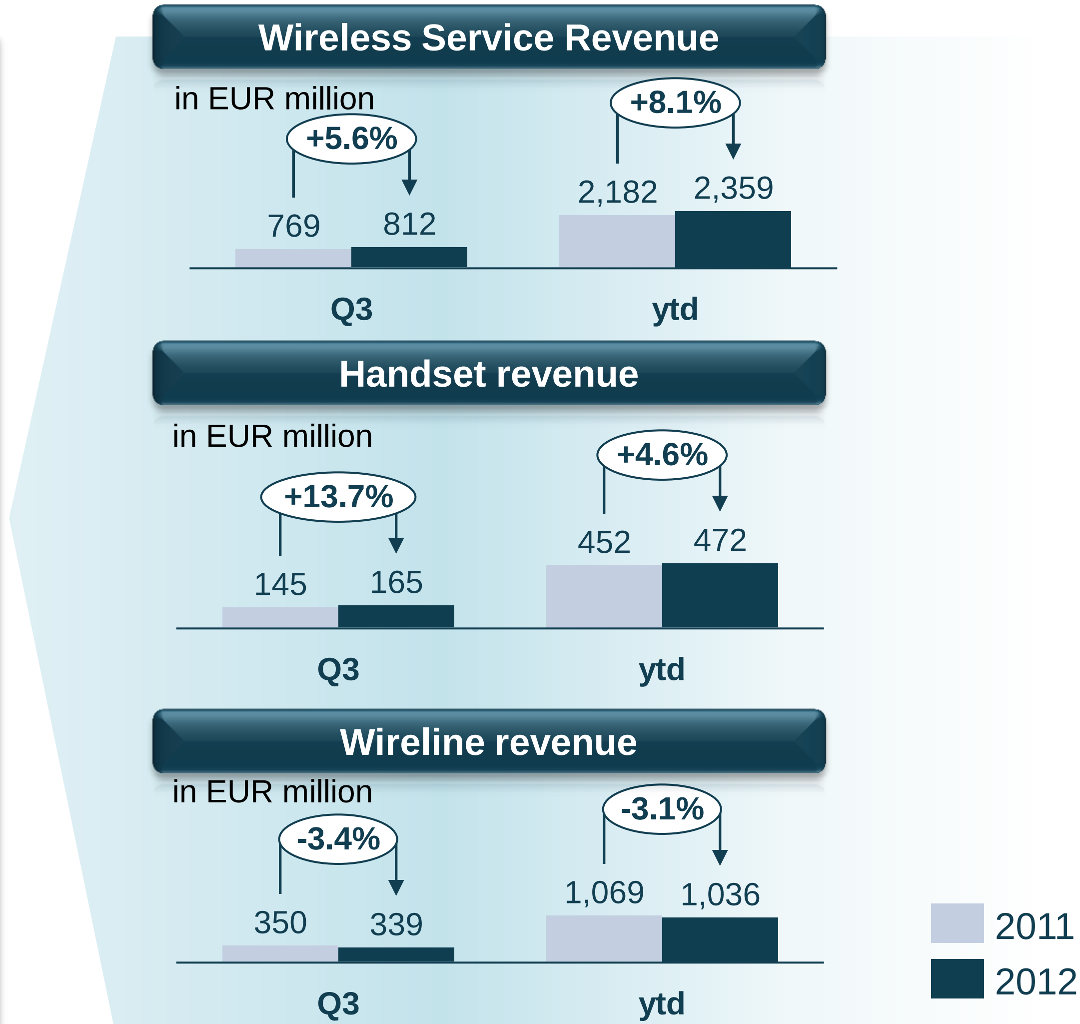
# Total revenue

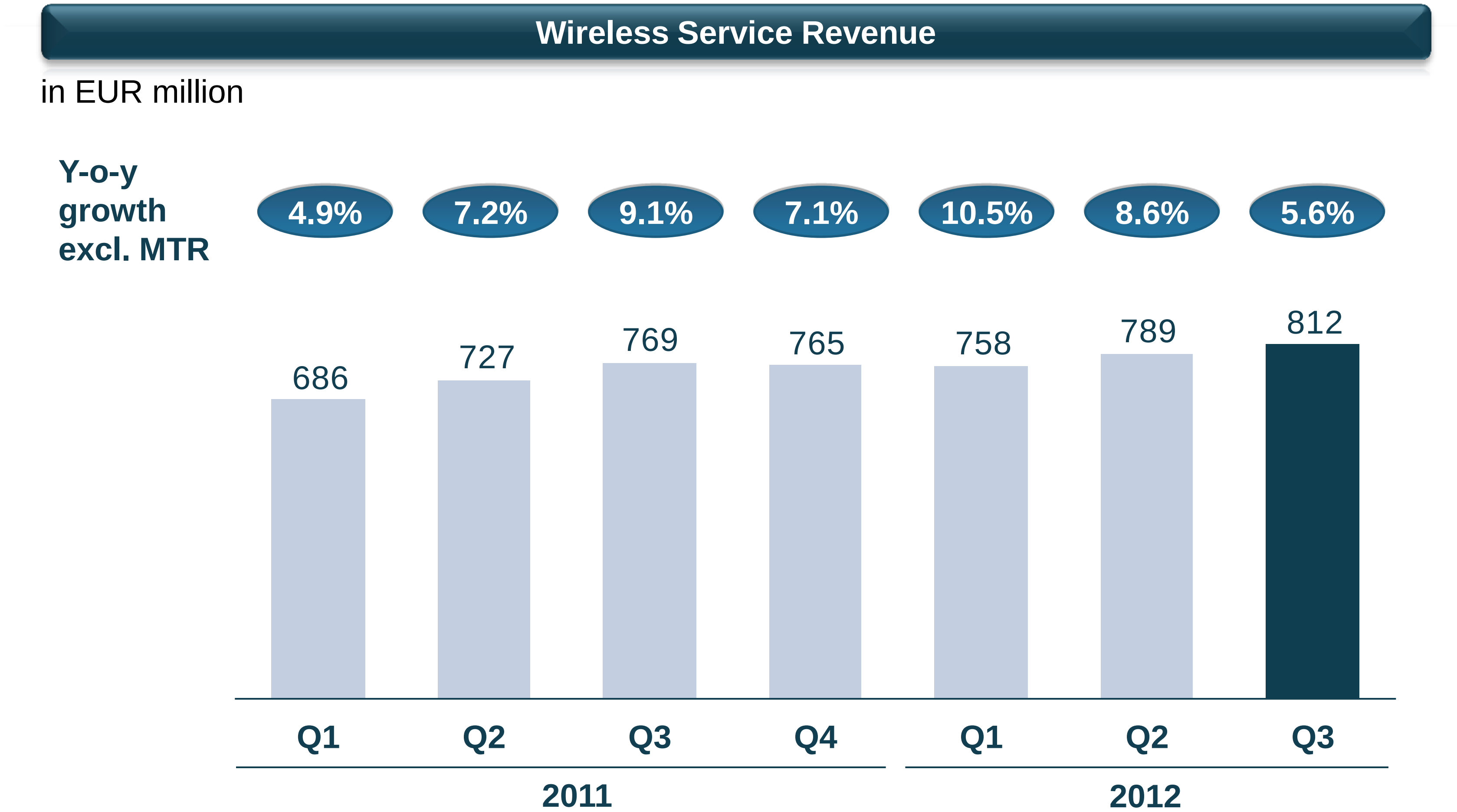
## Strong, data driven revenue growth



# Wireless Service Revenue

## Solid growth in the third quarter, gaining #3 position in the German mobile market[1]




[1] Based on Q3 2012 Wireless Service Revenue



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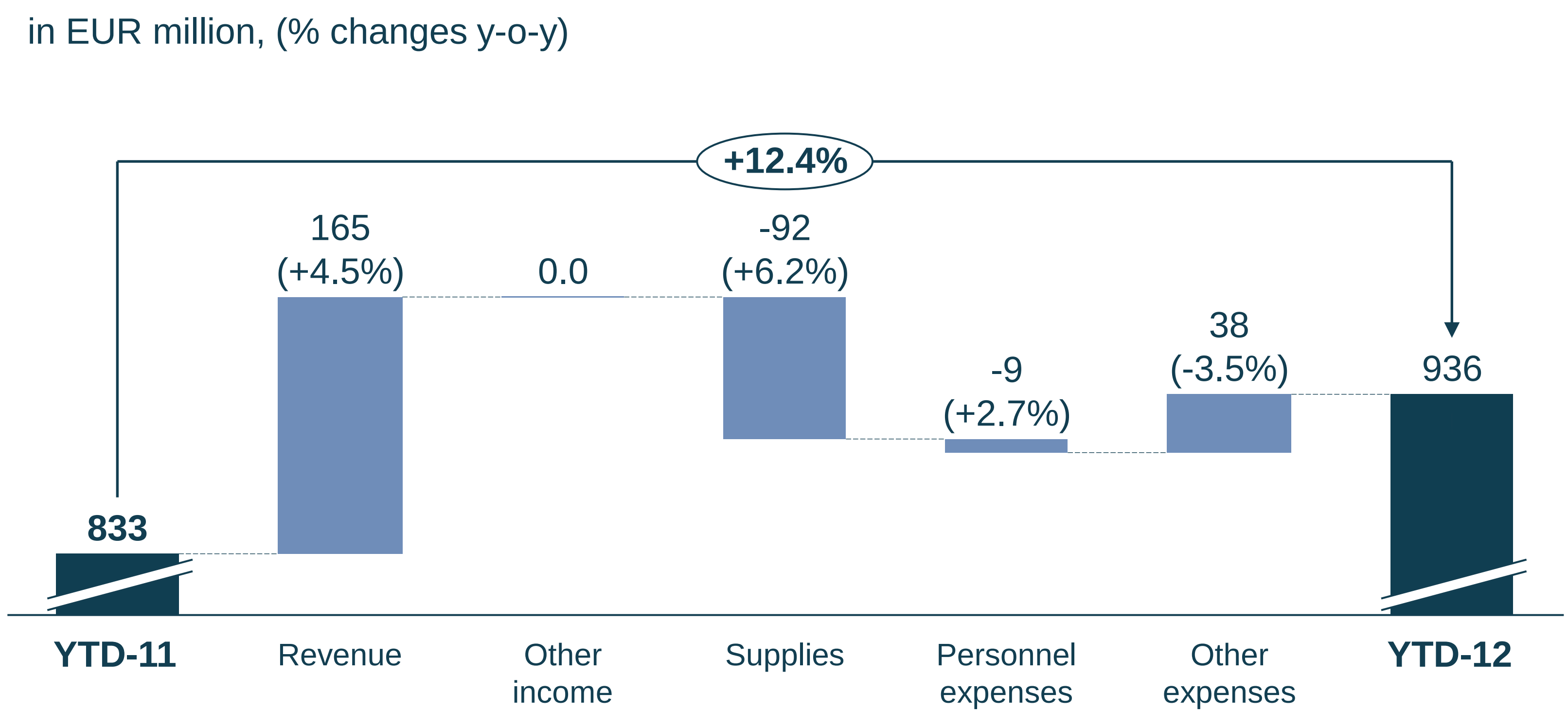
# OIBDA

## Revenue growth and efficiency gains driving OIBDA margin

**OIBDA (post group fees)**



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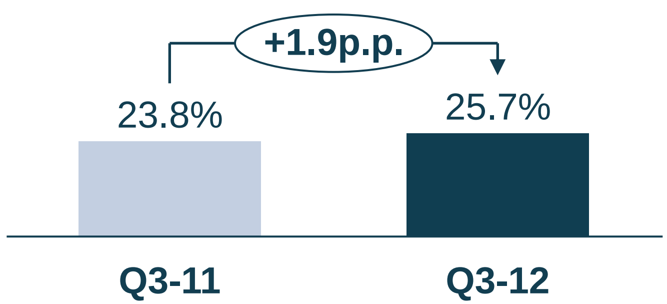
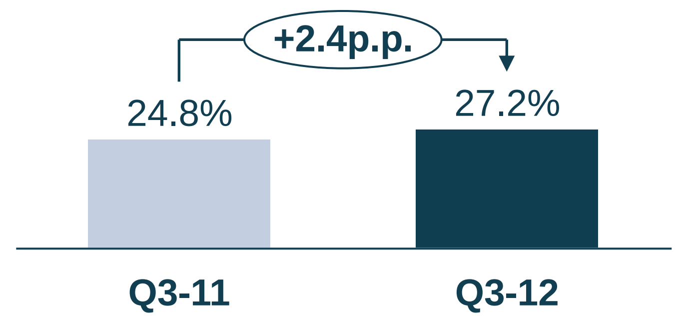
# Group fees and margin development

## Strong margin improvement

### OIBDA margin

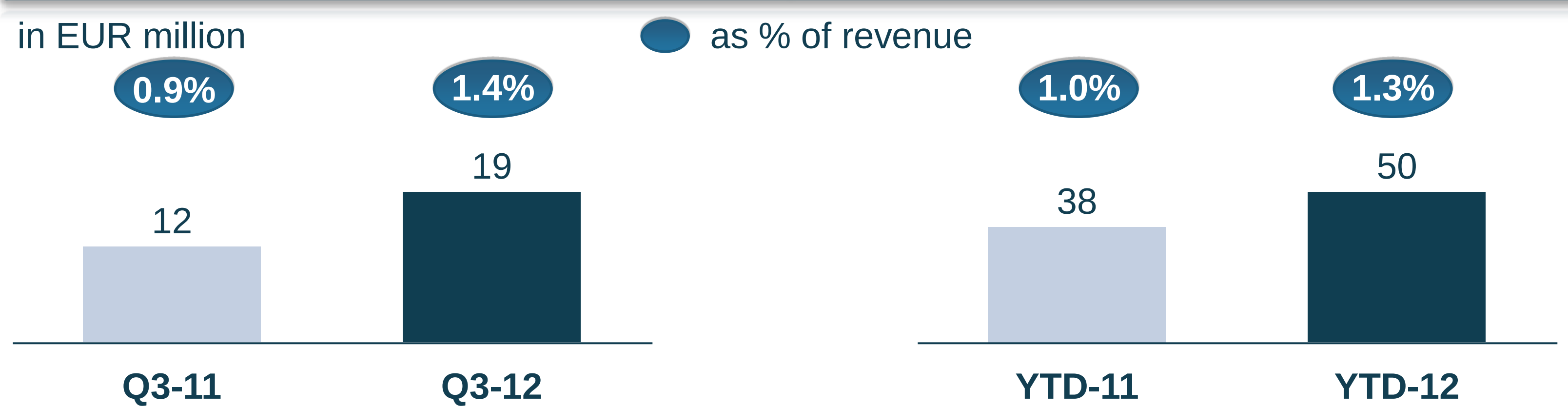



### OIBDA before group fees margin




### Group fees

in EUR million



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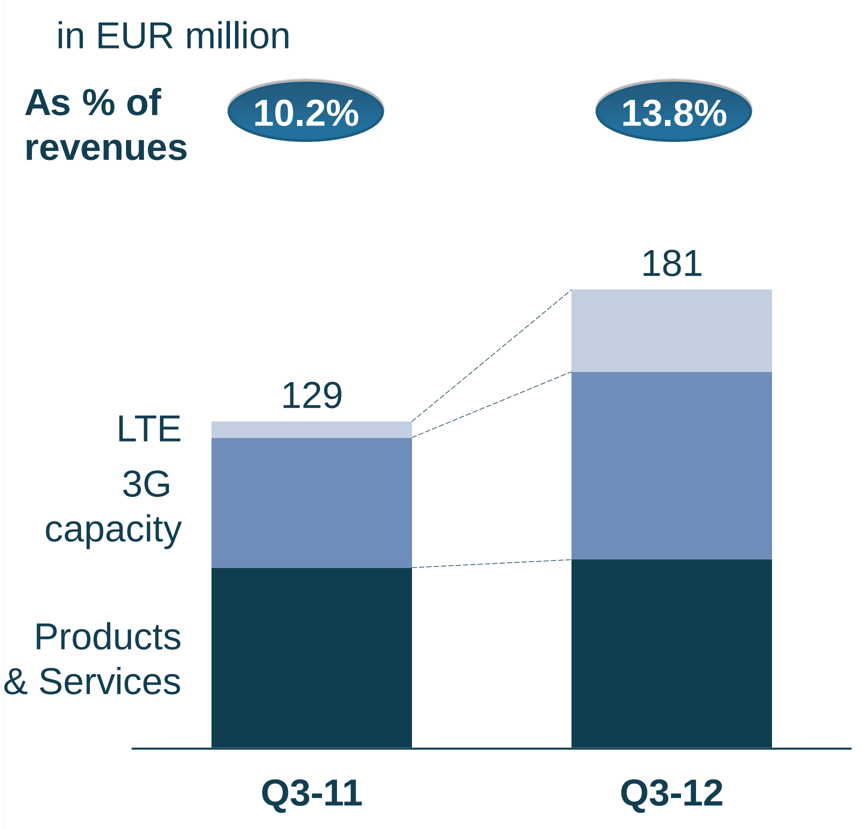
# Capex development

## Increasing investments in our network infrastructure

**CapEx**



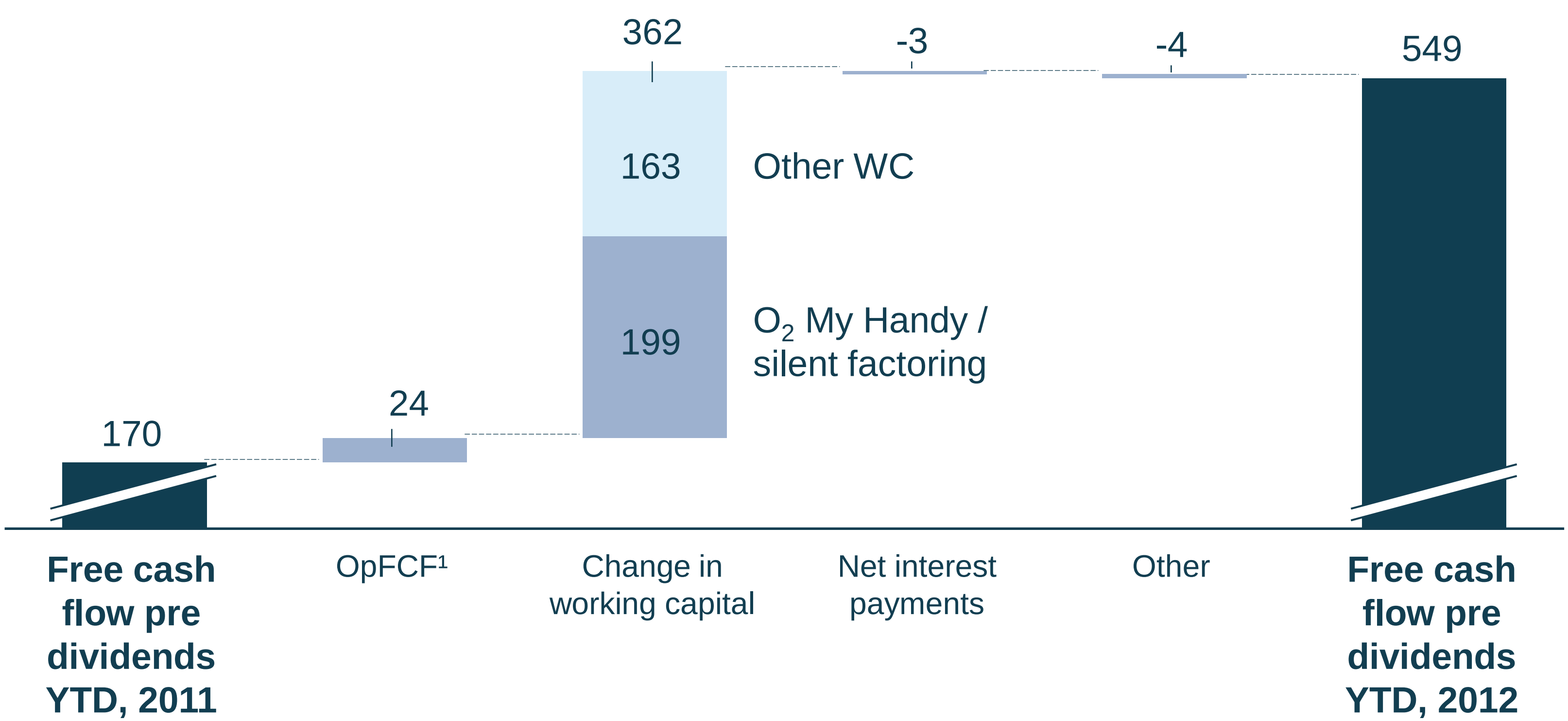

- Increasing investments in our network to support future growth
- With a different phasing of investments than in 2011 we continued to invest in 3G capacity and at the same time accelerating LTE to support future growth
- 2013 and 2014 will be key years of investment in LTE roll-out

# Free cash flow development

## Significant y-o-y increase in free cash flow generation

**Free cash flow**

in EUR million




[1] OIBDA - CapEx



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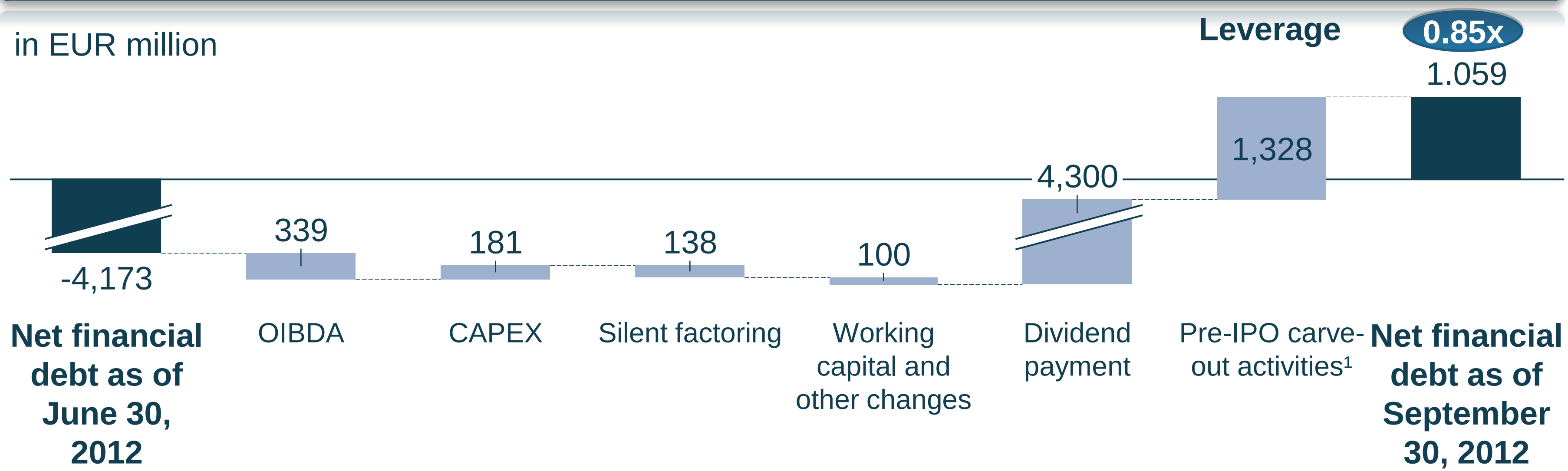
# Restructuring activities in Q3'12 to capitalize TEFD as an independent company for the IPO

## Q3'12 net debt evolution




## Capital structure and dividend policy

- Cash dividend for the financial year 2012 payable in 2013 targeted to be around EUR 500m
- The company intends to increase the amount of dividends to be distributed in future years
- Dividends not to be paid if leverage materially and consistently exceeds the target leverage ratio of 1.0x financial net debt/EBITDA
    - Only allow the use of new debt to pay dividends if the leverage ratio complies with the target
- Dividends will be free of German withholding tax for the foreseeable future as paid from tax contribution account

[1]Pre-IPO carve-out activities of €1.3bn consists of the set-off of an existing capital promise in the amount of €2.9bn and net proceeds from prepayments of €854.5m in connection with the termination of the profit and loss transfer agreements with the carve-out entities G3G, Quam, TGS and TGR and the sale of Telefónica Global Activities Holdings B.V.

# 03

## Q&A

# Q&A

## Telefónica Deutschland Q3 results conference call

# For further questions please contact IR department

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