Telefónica Deutschland

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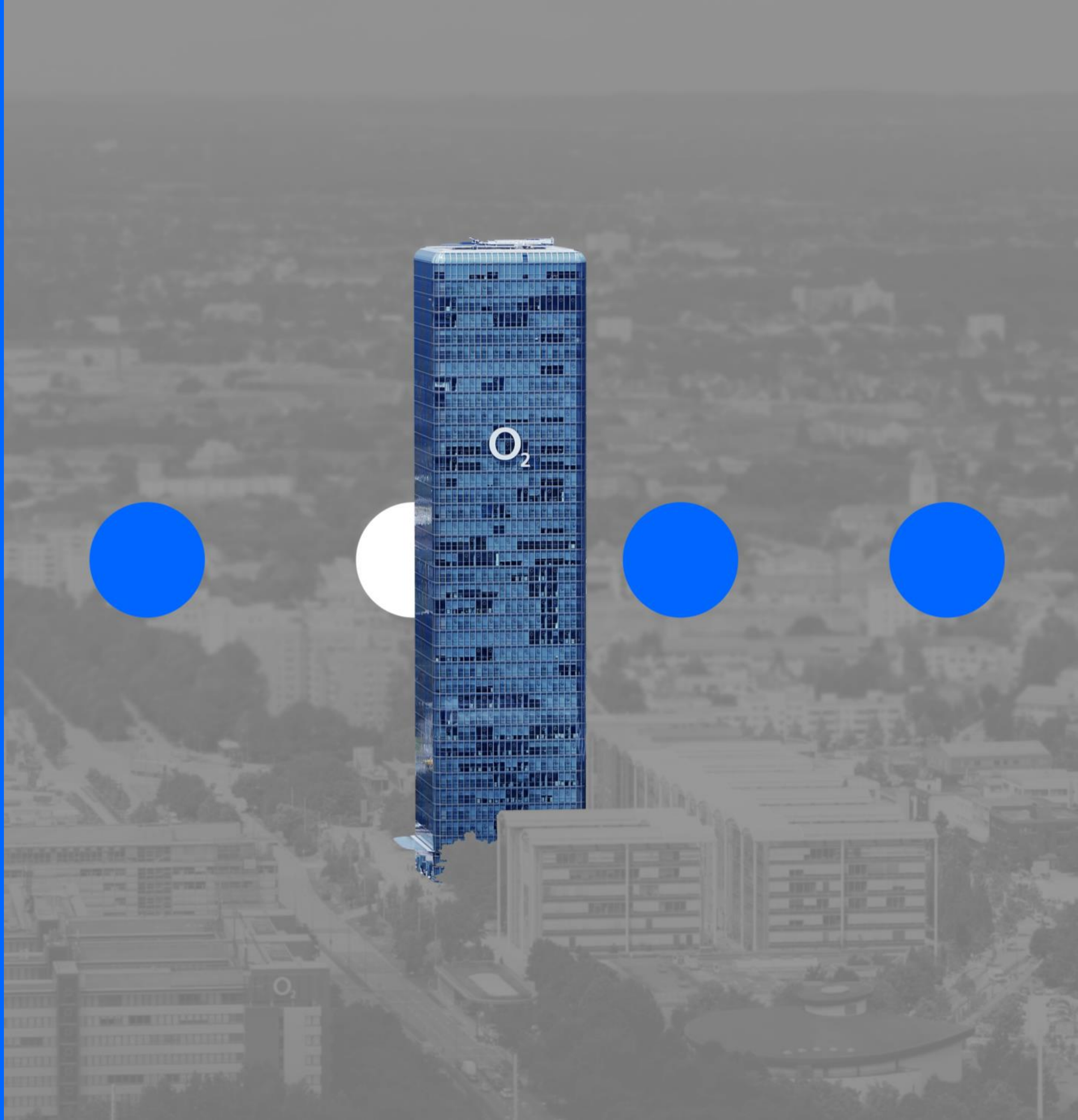
Investor presentation

August 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

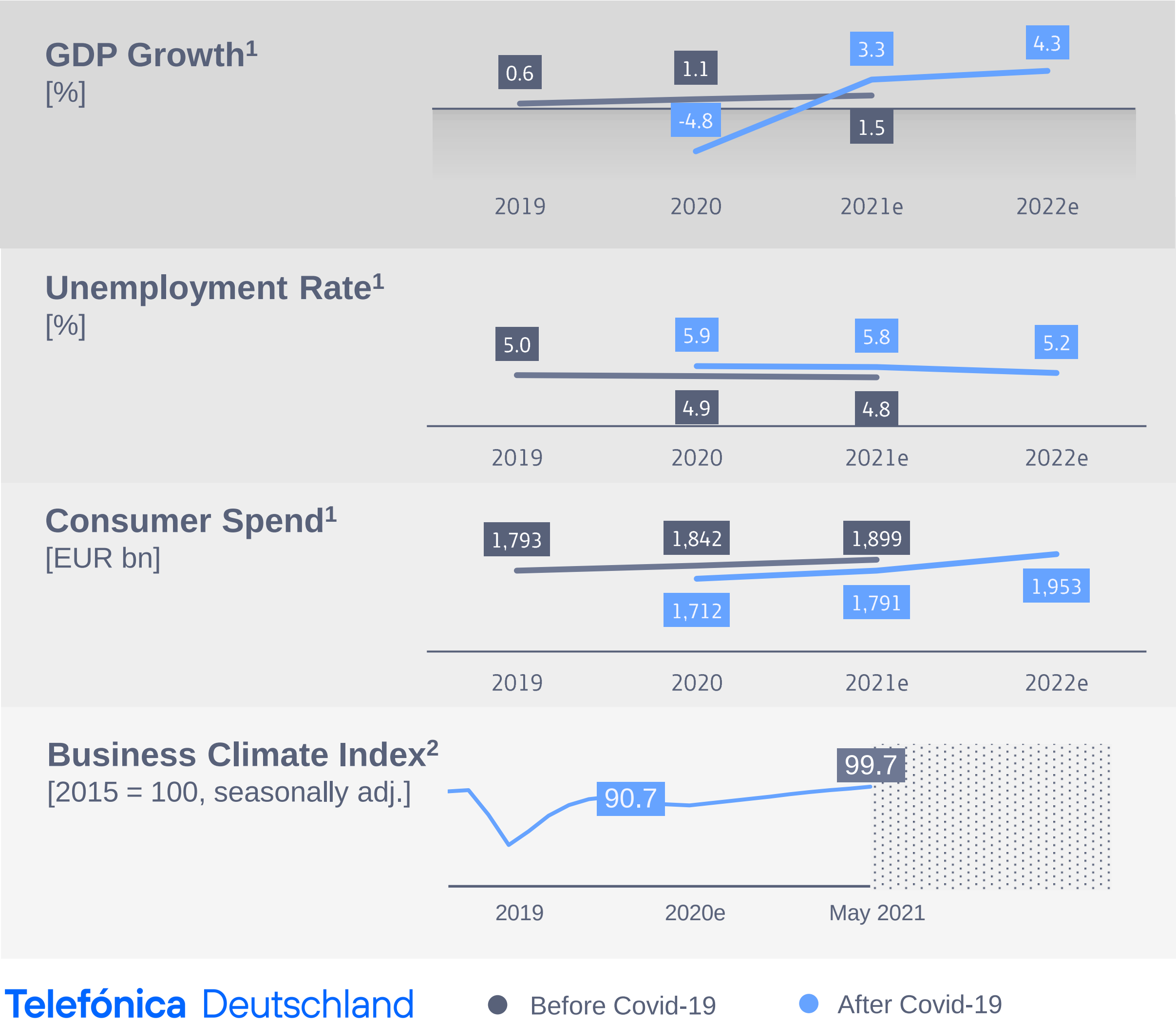
Operational Excellence
Digital transformation drives growth

- 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

Economic recovery expected in Germany w/ gradual lifting of C-19 measures since May



Current Trends

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

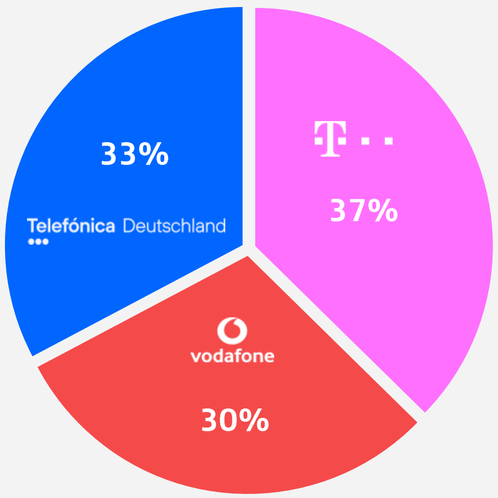
Future Trends

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

[1] ifo (Jun 21)   [2] ifo (Apr 21), forecast by tradingeconomics.com

Competitive Environment

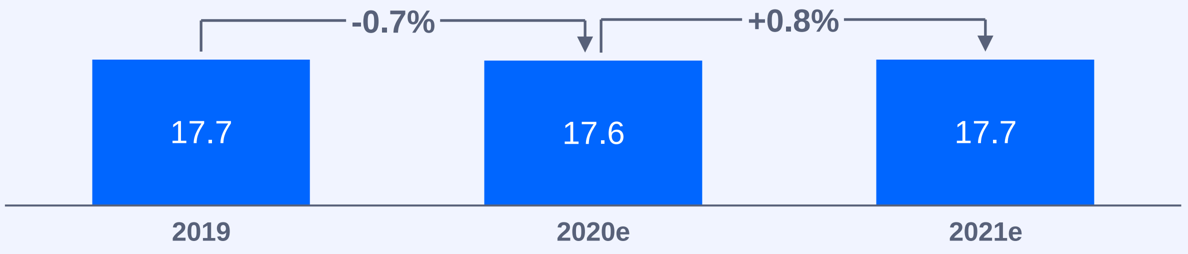
Rational & balanced market[1]



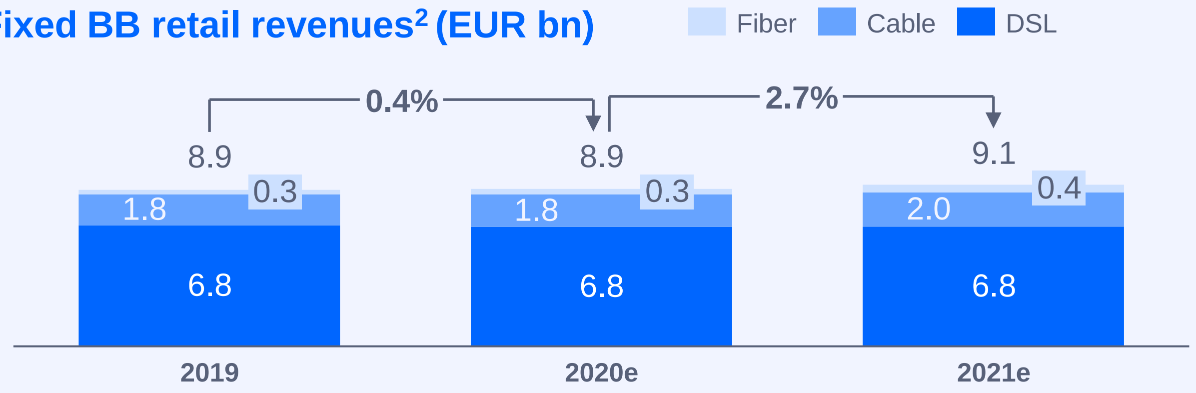
- Rational market following 4 to 3 consolidation
- Tiered mobile portfolios enabling data monetisation

Market development[2]

Mobile service revenues[2] (EUR bn)



Fixed BB retail revenues[2] (EUR bn)



[1] Market share of MSR based on published MNO financials for Q2 2021 [2] Analysys Mason DataHub, 14.07.2021

Successful first half of ‘investment for growth’ programme
Updating FY21 outlook to ‘slightly positive’ yoy growth

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

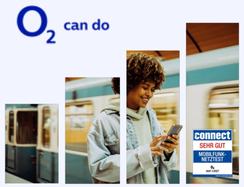
Attack in B2B
Targeting fair SME share

H1 2021

Revenue yoy	OIBDA[1] yoy	Capex/Sales
+2.9%	+8.2%	13.6%
+1.9%[2]	+3.5%[3]	

Net Adds[4]	O_2 Churn[5]
~594k	0.9%

ESG at the heart of our strategy



National Roaming Agreement

[1] Adjusted for exceptional effects [2] Excl. non-recurrent special factors [3] Excl. non-recurrent special factors & received social security payments [4] O_2 Postpaid excl. 124k M2M [5] O_2 Postpaid

Swift business recovery following re-opening of economy in Q2 21

O_2 GROSS ADDS

Channel mix

O_2 CHURN

At historic lows

PREPAID TOP-UP BOOKINGS

Recovered

Gradual recovery of int'l roaming revenues since phased re-opening

>50% of Q2 19 level
(pre-pandemic nonEU)

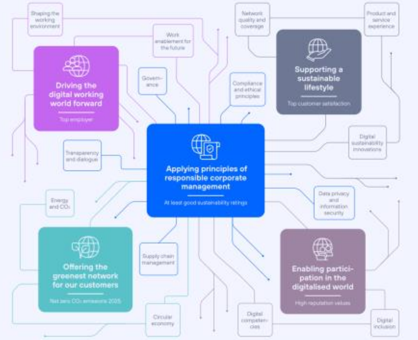
Telefónica Deutschland

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

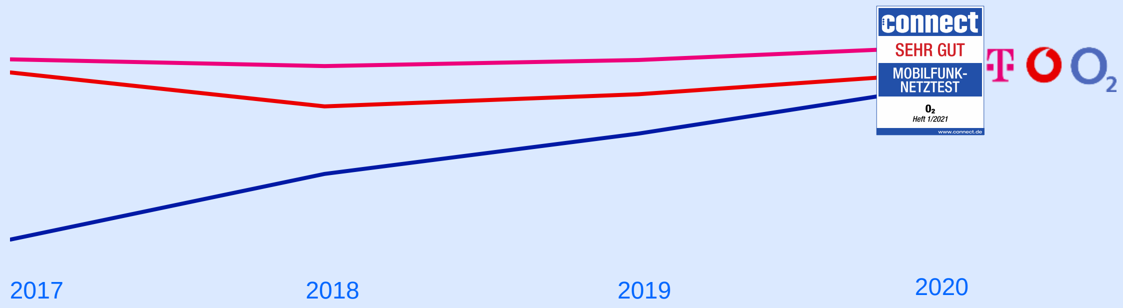
2004 ISO 14001 certification	**2005** CR-Report	**2012** Launch corporate accelerator *Wayra*	**2012** Launch Eco Index	**2015** ISO 50001 certification	**2019** Sustainability linked loan	**2020** ESG DAX50	**2020** Climate protection strategy 2025

2016 – 2020 RBP 2020

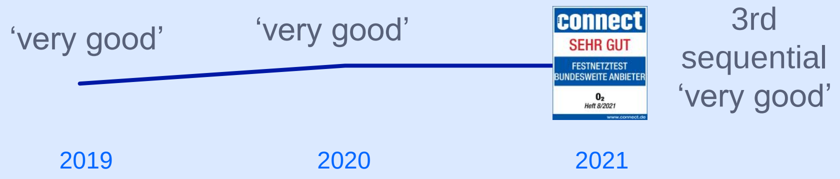
2021 – 2025 RBP 2025

Awarded ‘very good’ rating for mobile and fixed networks

Mobile network equalisation



Broadest fixed-line footprint via TAA

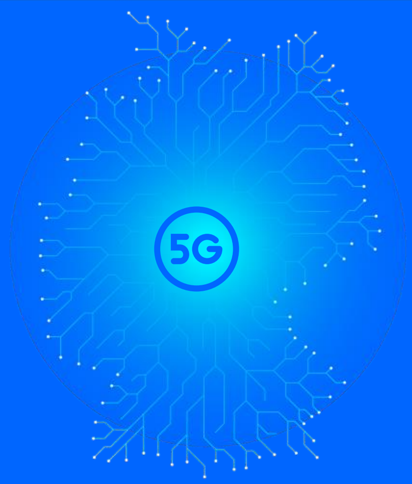


- Added Tele Columbus to TAA portfolio
- Launched first municipality on UGG fibre network

Rapid 5G rollout – data growth accelerated with highspeed mobile network

O_2 5G Network rapidly expanding

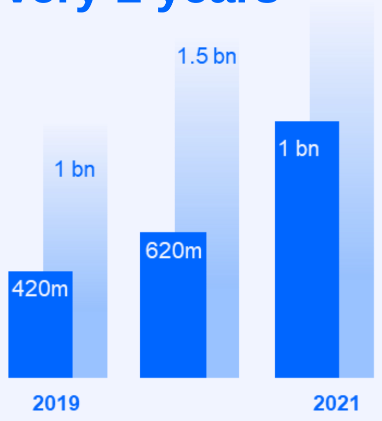
5G in more
than **80 cities**



More than 2.000
5G antennas
on 3.6 GHz spectrum

Data traffic more than doubling every 2 years

[1] O_2 Free Postpaid



Normalised C/S following completion of ’investment for growth’ programme

- Whitespot sharing
- Greyspot sharing
- Mobile pact
- MIG

Updating FY21 outlook to ‘slightly positive’ yoy growth

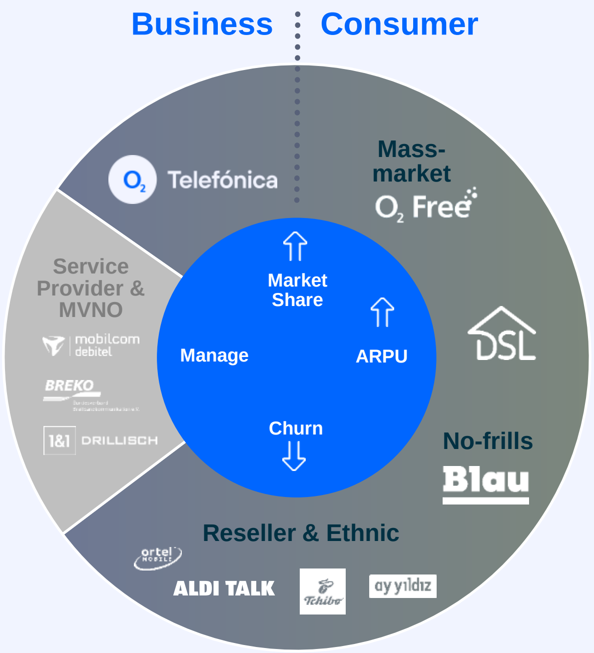
	FY21 outlook[1]	Actuals **H1** 21				Updated FY21 outlook[1]
		yoy	H1 20	H1 21		
Revenues	**Flat to slightly positive**	**+2.9%** yoy (**+1.9%[3]**)	3,636	3,743	✓	**Slightly positive**
OIBDA[2]	**Broadly stable to slightly positive**	**+8.2%** yoy (**+3.5%[4]**)	1,085	1,173	✓	**Slightly positive**
C/S	**17-18%**	**13.6%**	475	508	phasing	**17-18%**

Virtual AGM on 20 May – paid dividend of EUR 0.18/share

[1]Including regulatory & C-19 impacts [2] Adjusted for exceptional effects [3] Excl. non-recurrent special factors [4] Excl. 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

Enhance network CEX & expand 5G footprint

FY21 – key operational activities

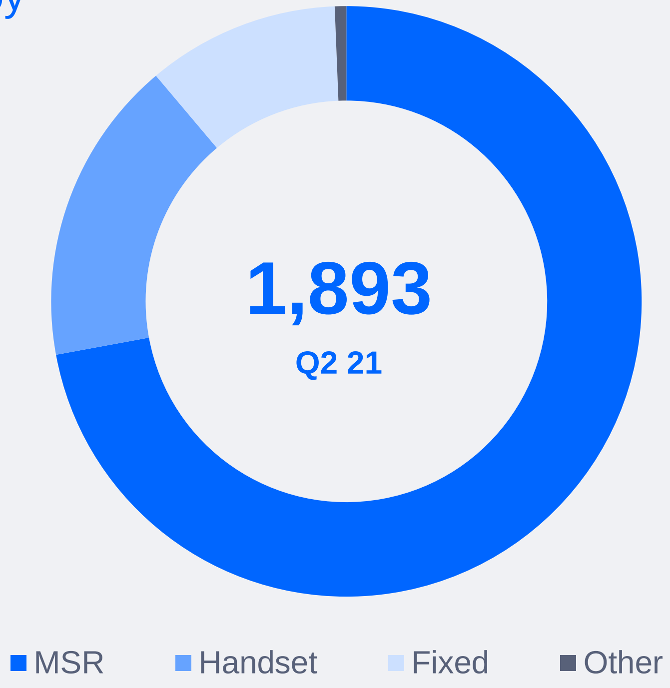
- **Improve products and services** along key NPS drivers
- **Focus on important brand KPIs** to drive future business with highest efficiency
- Leverage enriched **TAA portfolio**
- **Encourage willingness-to-pay** and enhance loyalty
- Leverage momentum to **gain B2B market share**

Strong operational and financial momentum with focus on profitable growth

Revenues (EURm)

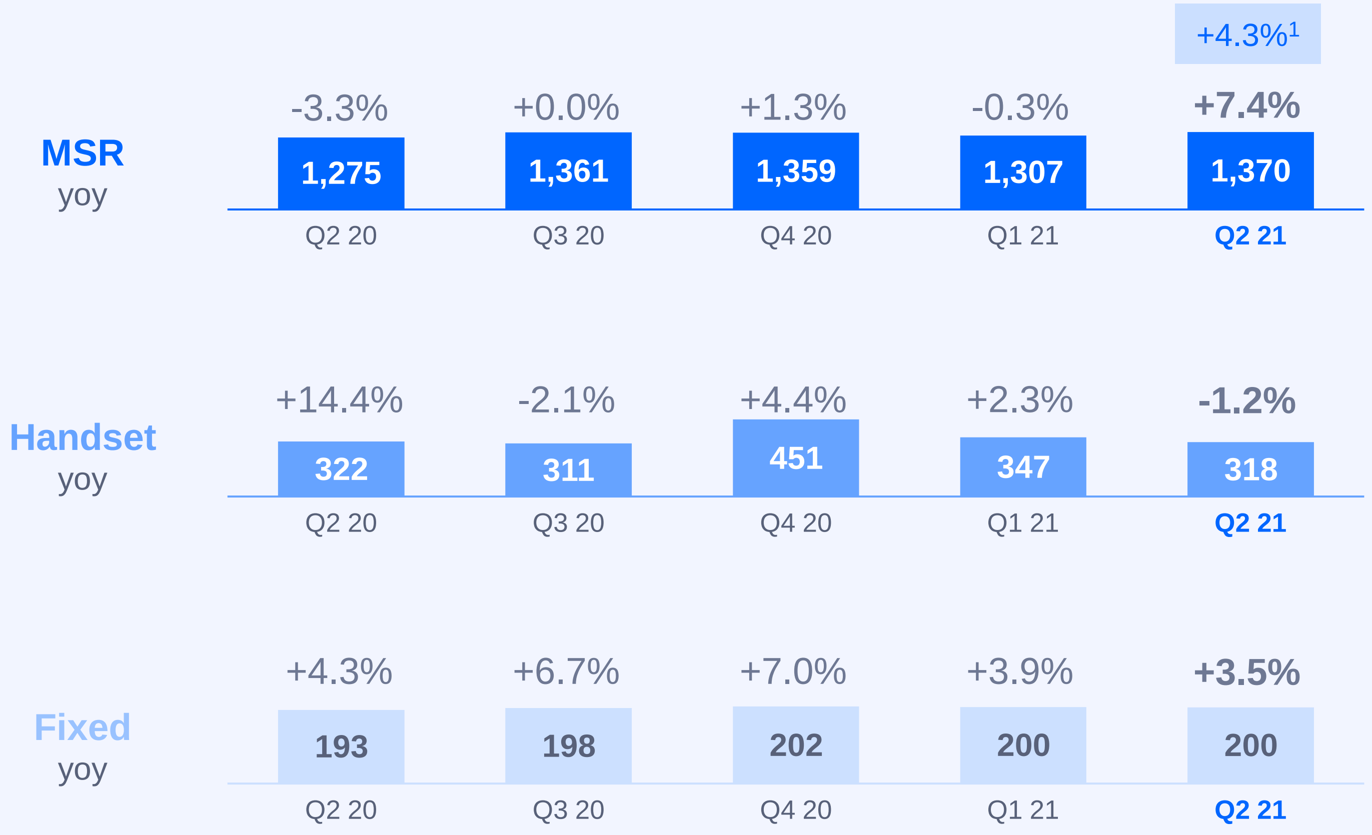
+5.7% yoy

+3.5%[1]



[1] Excl. non-recurrent special factors

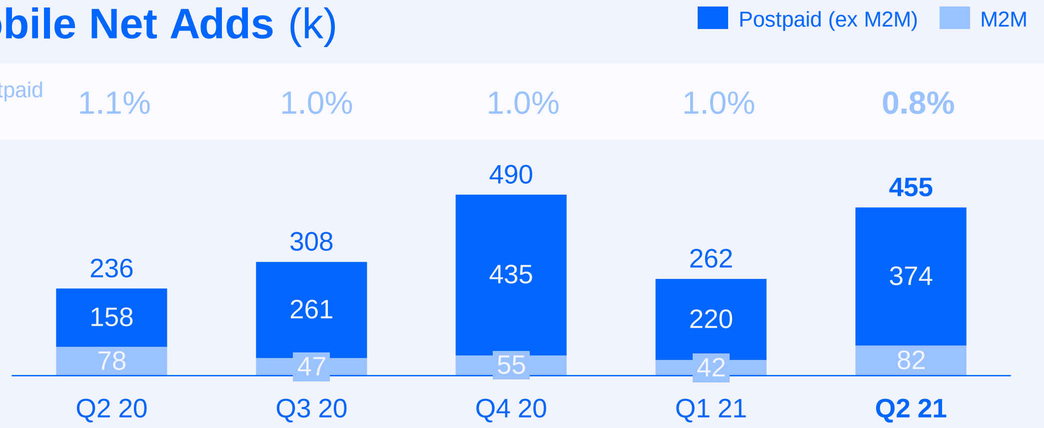
Accelerating MSR trends (EURm)



Excellent trading momentum supported by online channels

Mobile Net Adds (k)

O$_2$ Postpaid Churn	1.1%	1.0%	1.0%	1.0%	**0.8%**

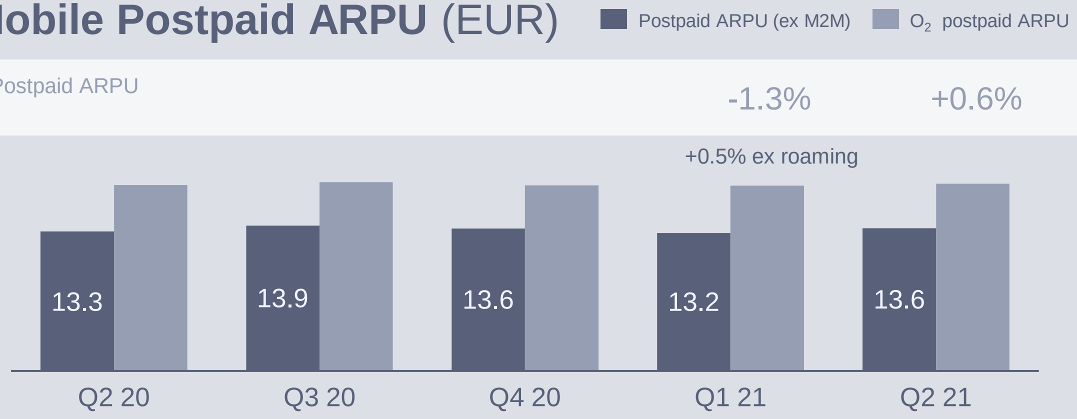


Fixed Net Adds (k)

Churn	0.8%	0.9%	0.9%	1.0%	**0.9%**

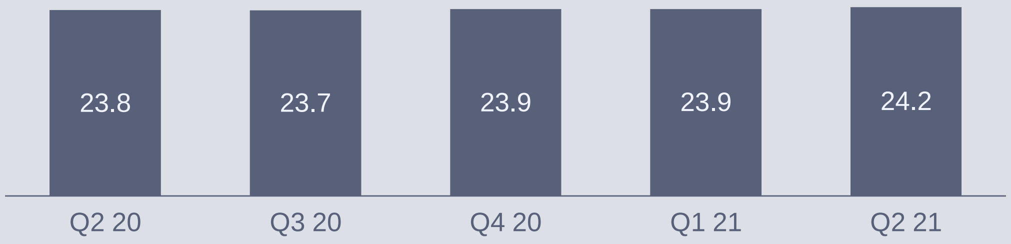
Mobile Postpaid ARPU (EUR)

O$_2$ Postpaid ARPU yoy				-1.3%	+0.6%



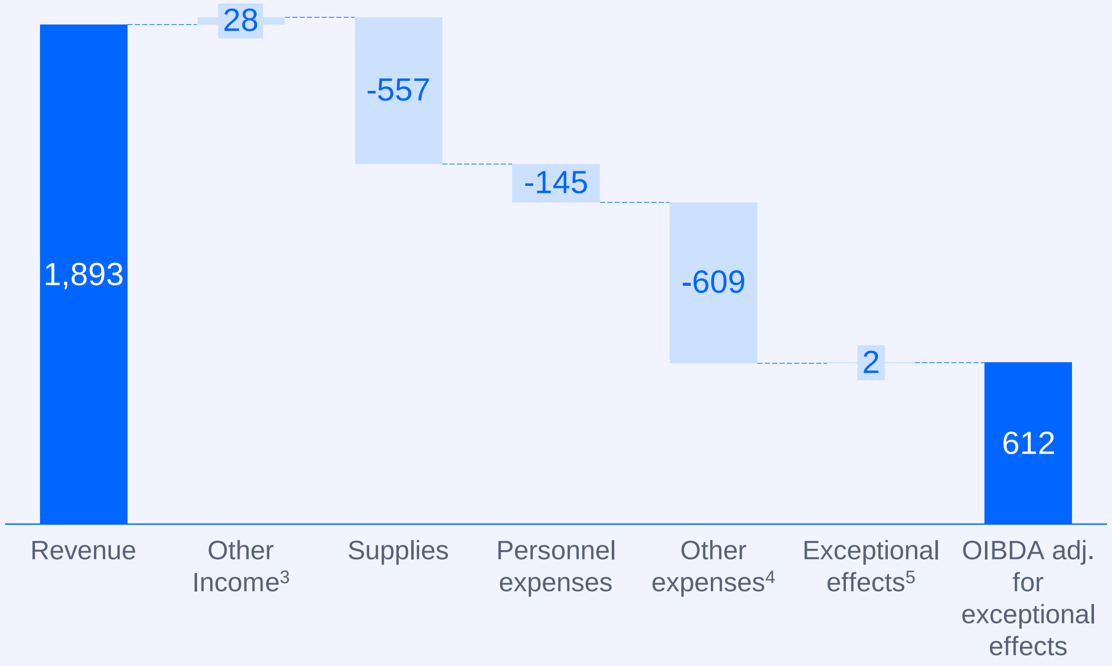
Fixed ARPU (EUR)

ARPU yoY	+1.7%	+2.4%	+3.4%	+0.7%	**+1.6%**



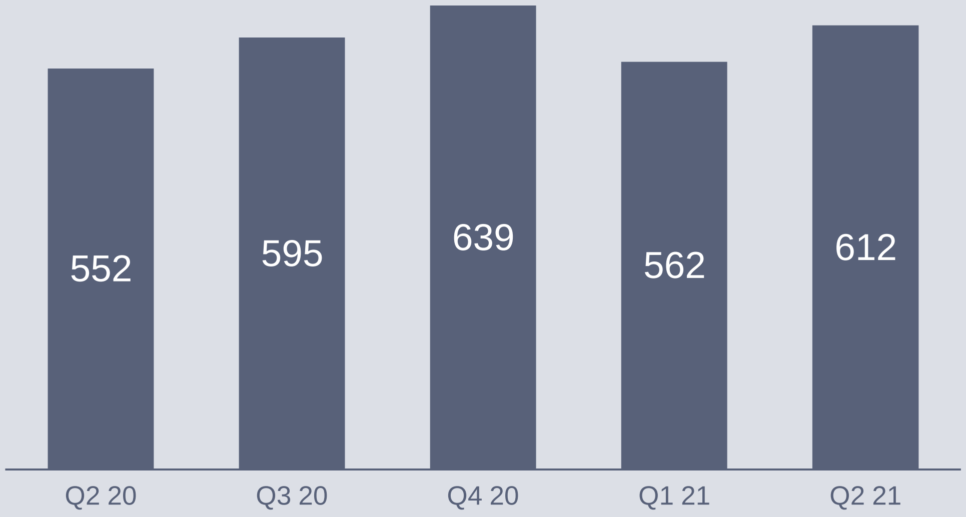
Strong OIBDA growth

Q2 2021 (EURm)



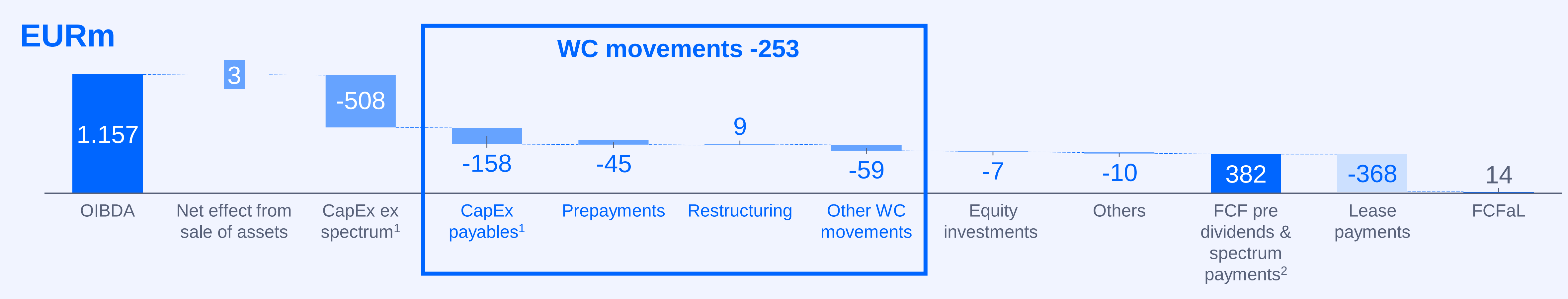
[1] Adjusted for exceptional effects
[2] Excl. non-recurrent special factors & received social security payments
[3] Adjusted for capital gains/losses related with the sale of assets
[4] Includes Group fees and impairment losses in accordance with IFRS9
[5] Mainly restructuring expenses

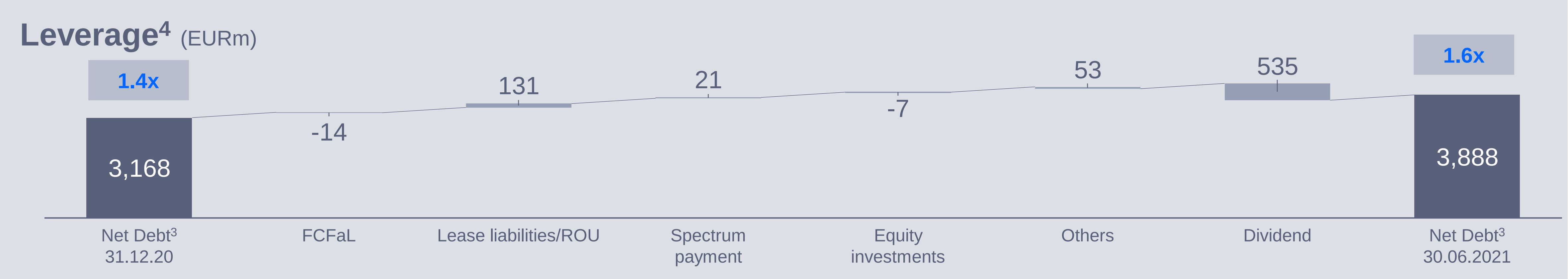
OIBDA[1] (EURm)



	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
OIBDA yoy	-5.1%	+0.8%	+3.2%	+5.5%	**+10.8%** +3.6%[2]
OIBDA margin	30.9%	31.8%	31.6%	30.3%	**32.3%**

FCF dynamics reflect usual seasonality with FCFaL already positive in H1 – underpinning solid financial position



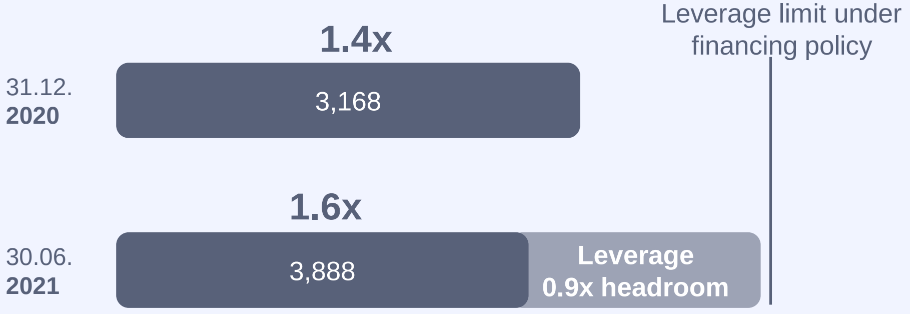


[1] Excluding additions from capitalised right-of-use assets and investments in spectrum [2] FCF pre dividends & spectrum payments is defined as the sum of cash flow from operating activities & cash flow from investing activities
[3] Net financial debt includes current and non-current interest-bearing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

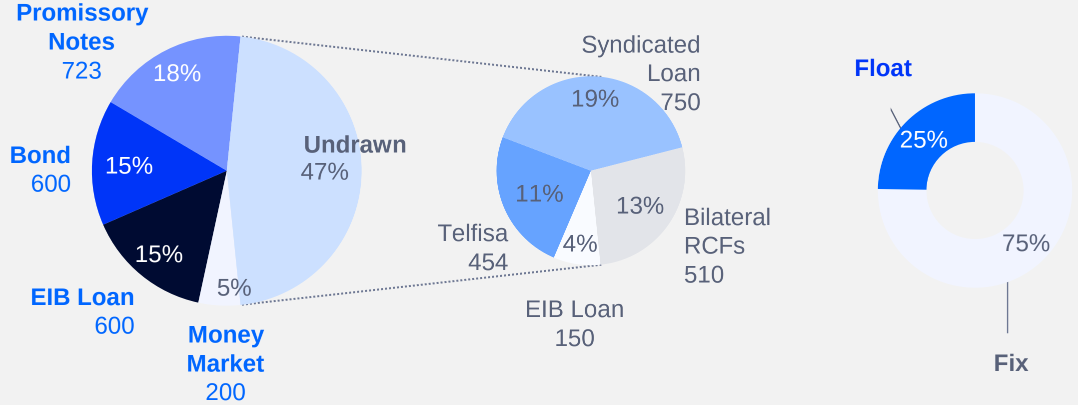
Continuing strong financing profile post dividend payment

Net Financial Debt

Committed to maintain Fitch BBB investment grade rating

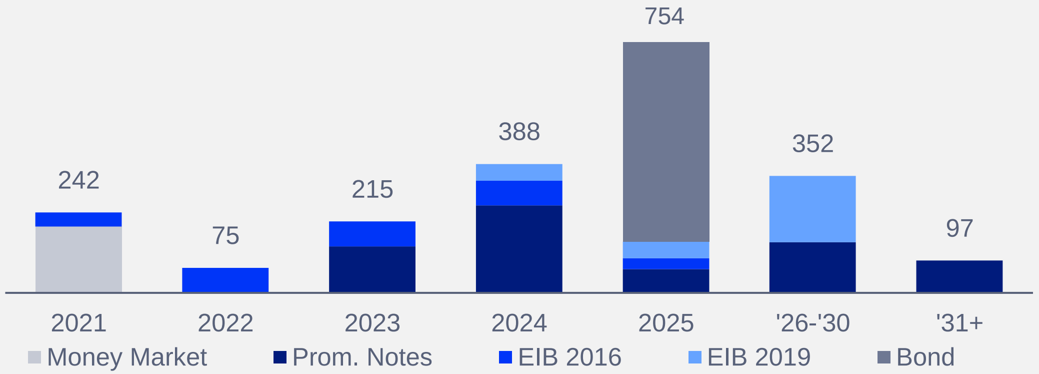


Financing and Interest Mix[1]



Liquidity Position

Maturity Profile[2]



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[1] Excludes bilateral RCFs. SynLoan maturity max including 2nd extension option [2] Interest mix excludes undrawn facilities

Strong operational and financial momentum drives profitable growth – updating FY21 outlook to ‘slightly positive’ yoy growth

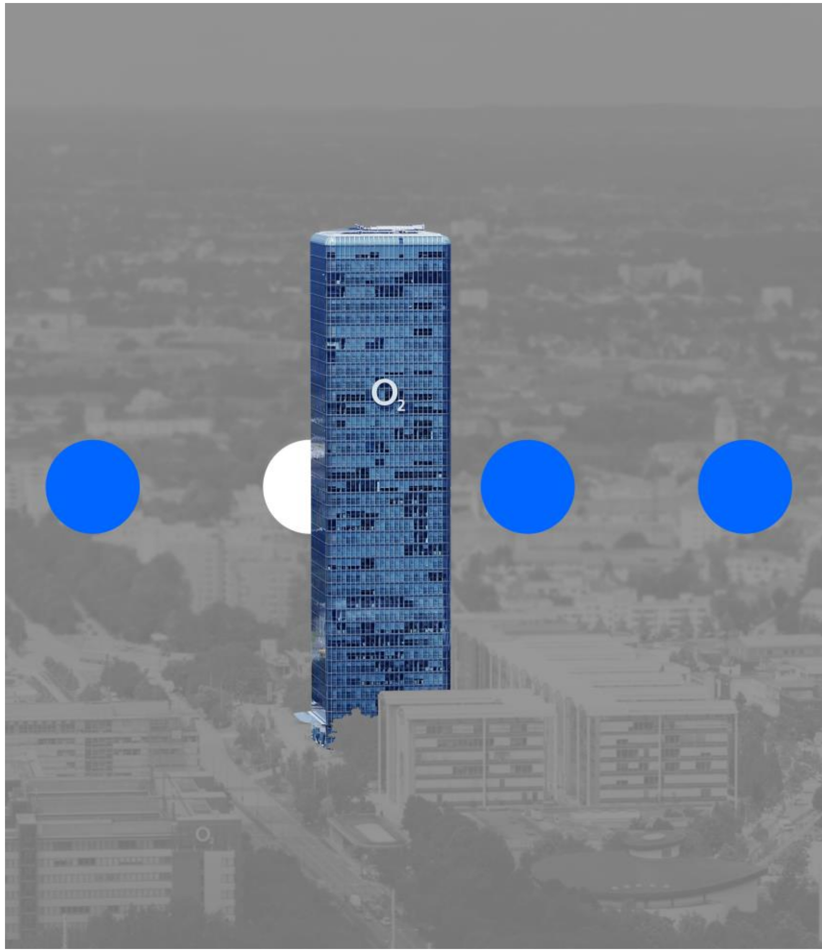
Excellent trading momentum
Q2 postpaid net additions more than doubling yoy

Accelerating revenue growth
Driven by sustained MSR and fixed revenue momentum

Strong OIBDA growth
Result of improved revenue quality and effective cost management

FCFaL with usual seasonality while already positive in H1
Solid B/S and strong liquidity position, leverage with comfortable headroom to BBB-rating

Updating FY21 revenue and OIBDA outlook to ‘slightly positive’ yoy growth



Questions?

We look forward hearing from you

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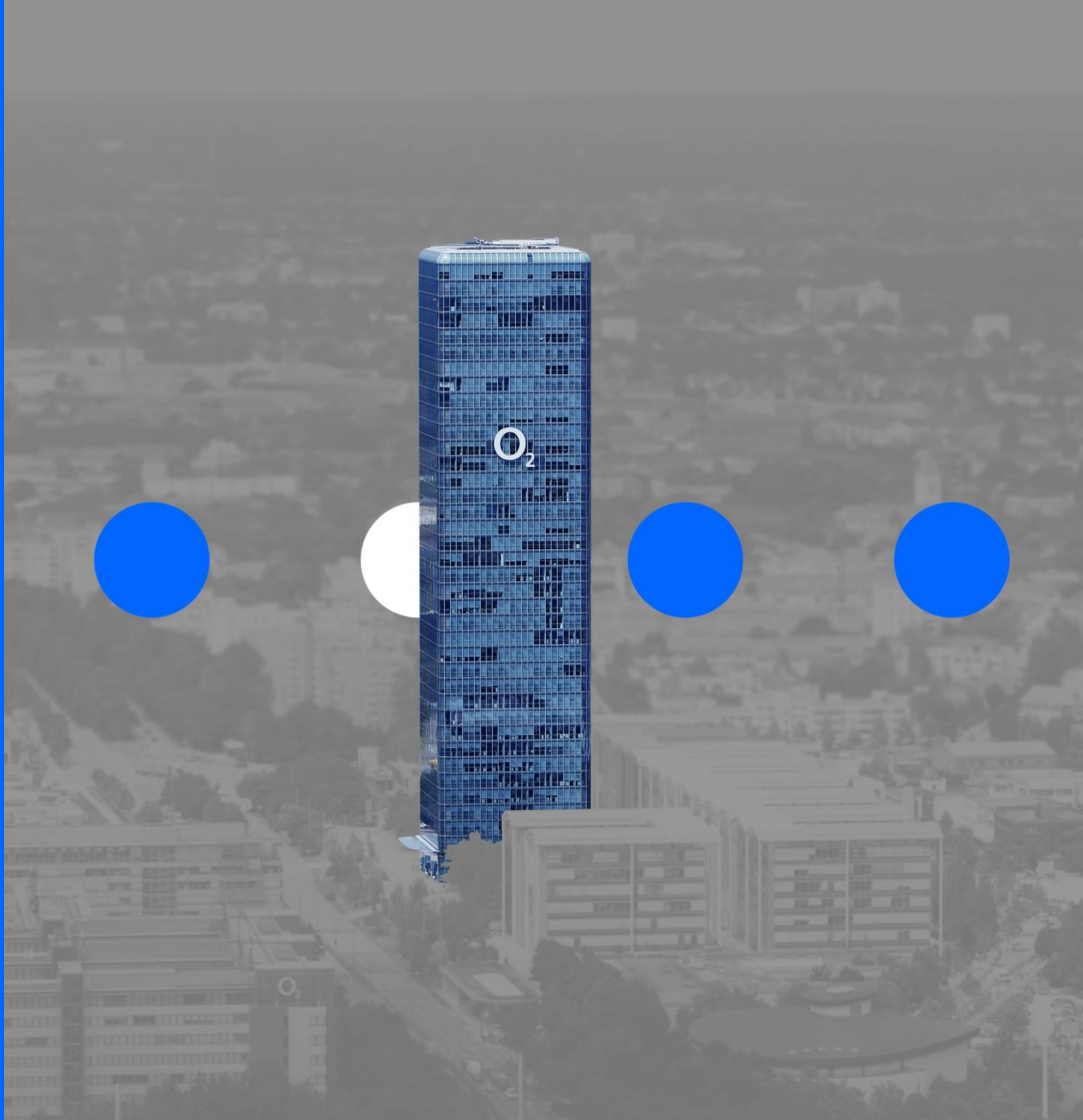
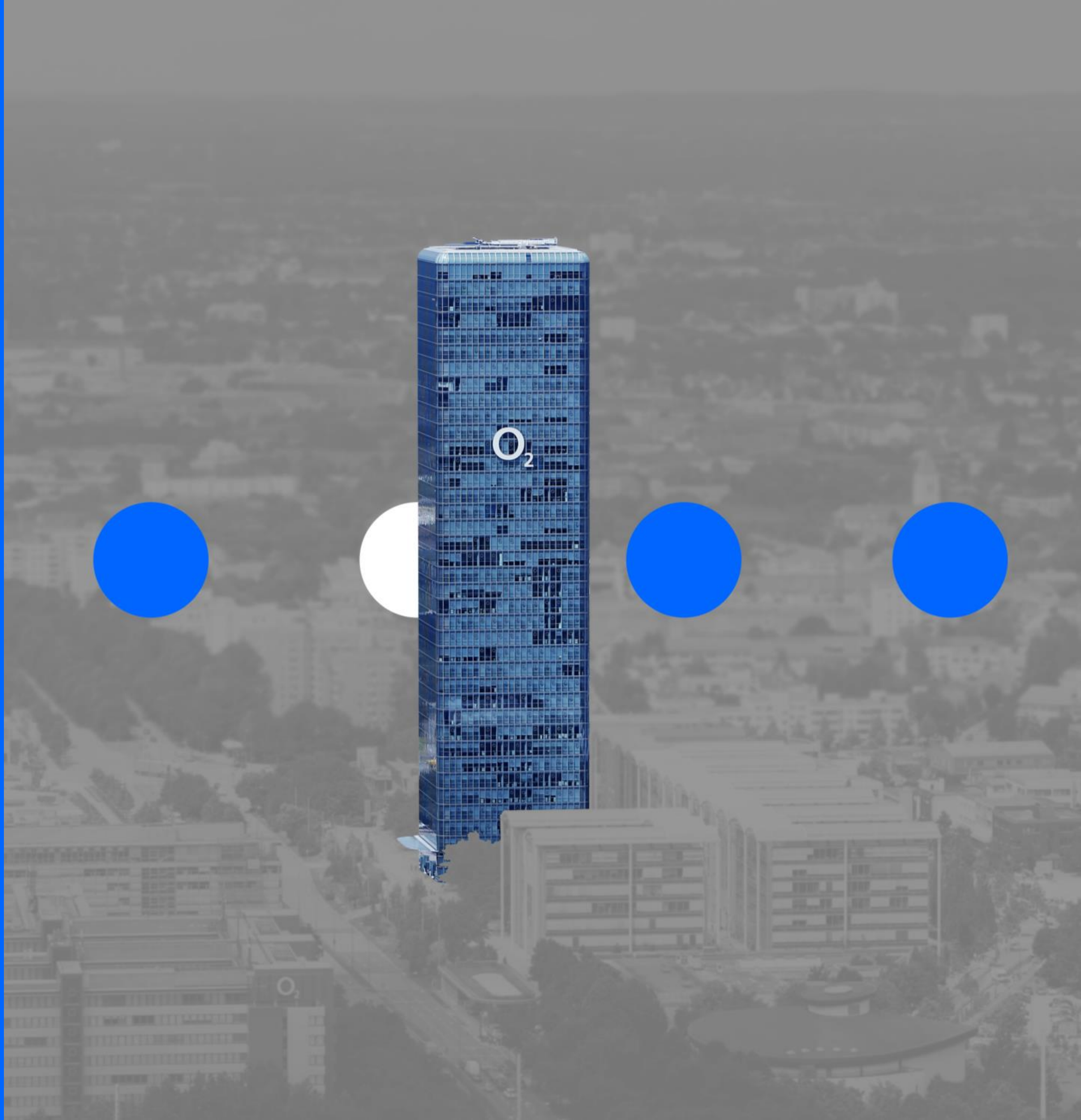


Appendix



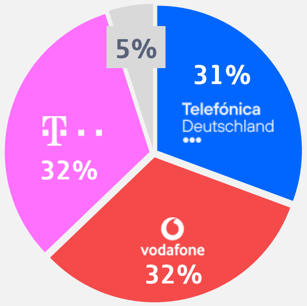
Well ranked in most important sustainability ratings as well as indices

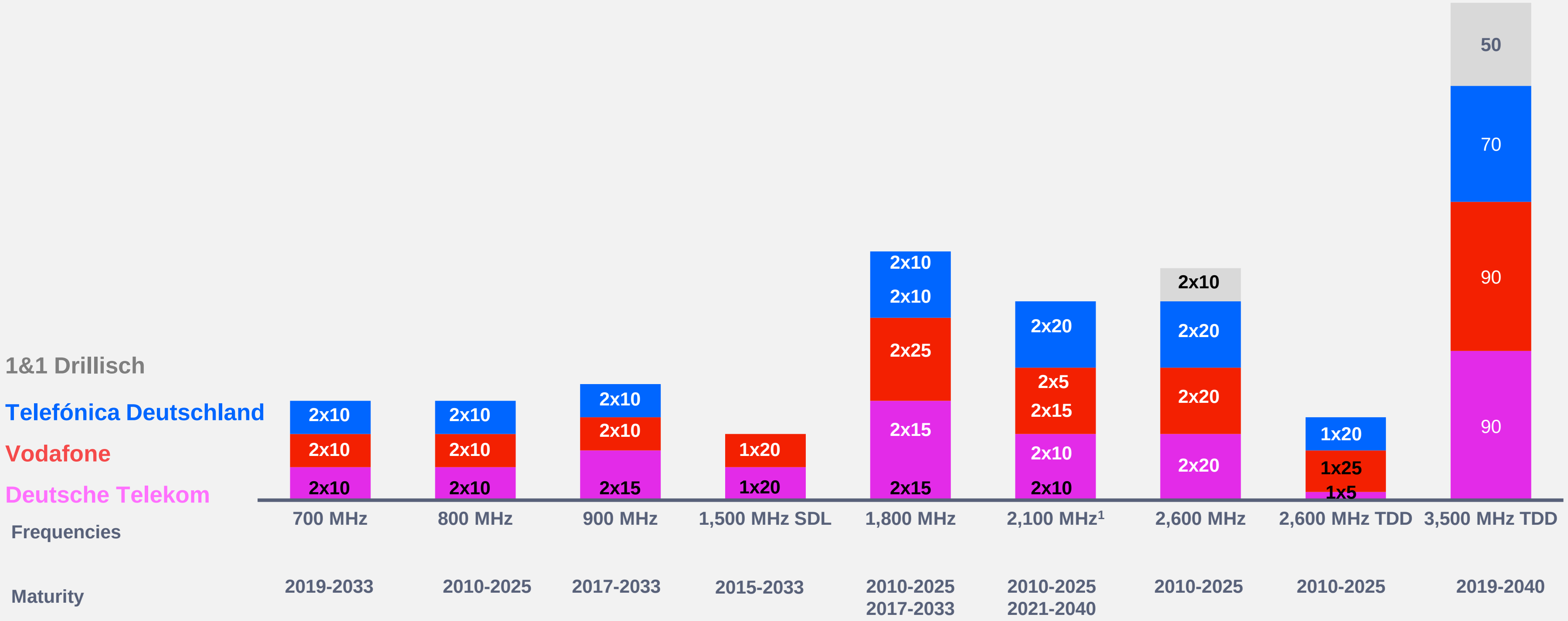
SUSTAINALYTICS	Risk Low: **16.4 (Low)** | Exposure Score: **38.2 (Medium)** | Management Score: **63.2 (Strong)**
MSCI	**Rating: AA**
ISS ESG	**Grade: Prime B- (Good)**
FTSE Russel	Successfully listed **(4.3 of 5 pts)**
V.E	Successfully listed
Bloomberg	Successfully listed **(65%)**

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

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

Total spectrum holding

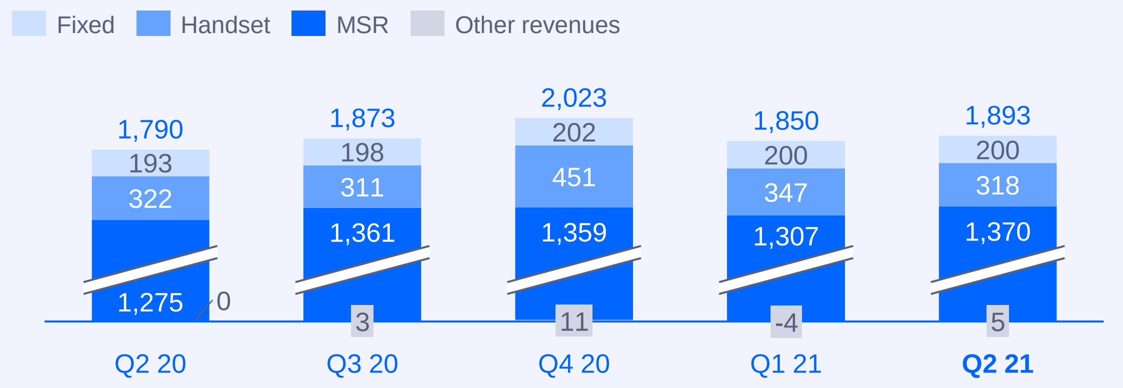




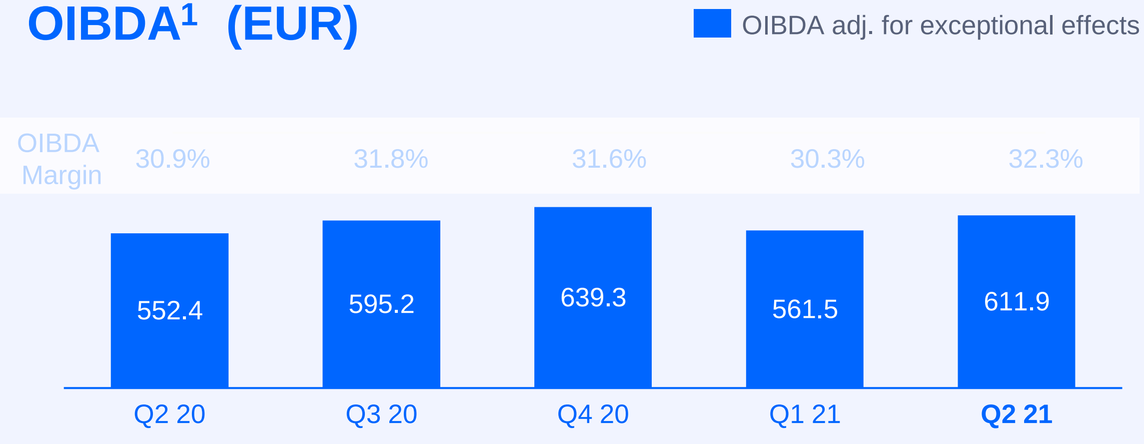
[1] From 2021, additional 19.2 MHz TDD
From 1 January 2026: 1&1 Drillisch: 2x10 MHz; Telefónica Deutschland Group: 2x10 MHz; Vodafone: 2x20 MHz; Deutsche Telekom: 2x20 MHz

P&L

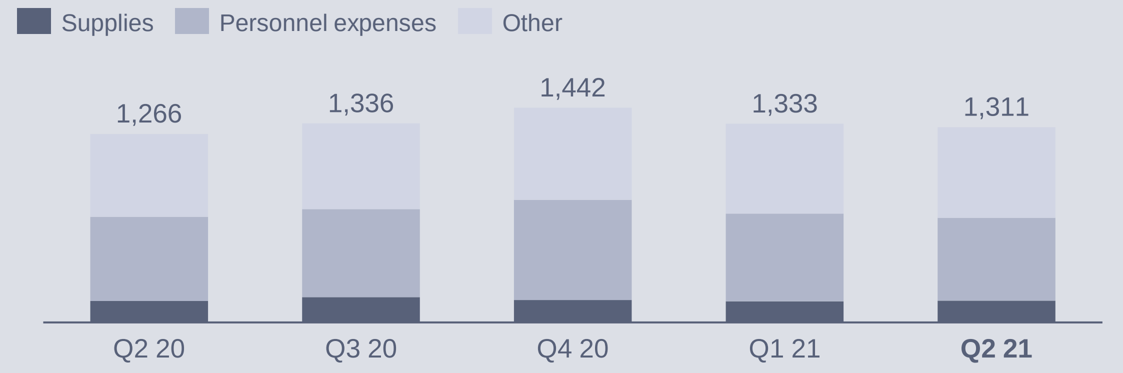
Revenue structure (EUR)



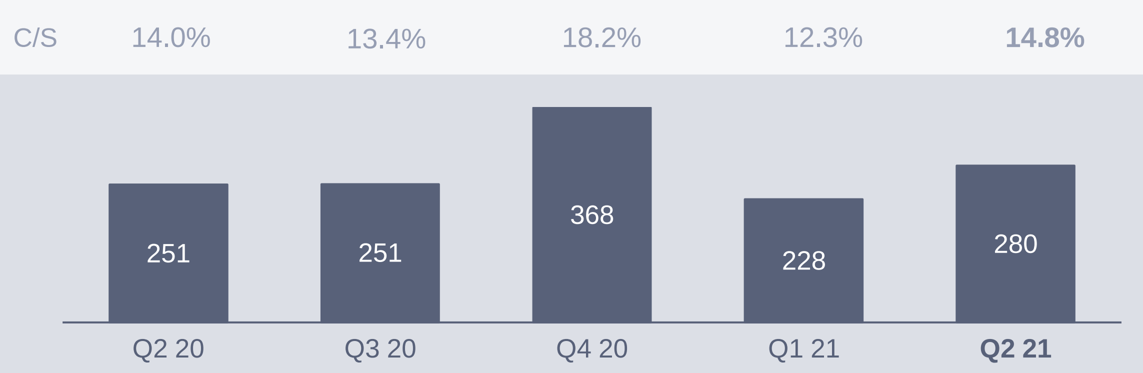
OIBDA[1] (EUR)



OpEx split[2] (EUR)



CapEx[3] (EUR)



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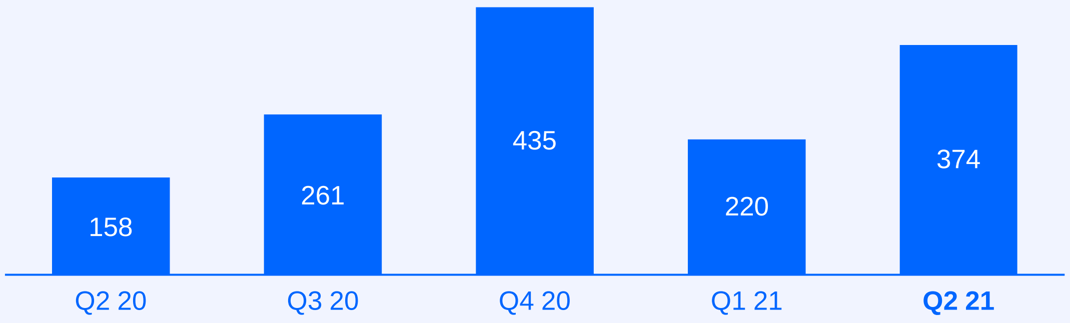
[1] Adjusted for exceptional effects

[2] Includes impairment losses in accordance with IFRS 9

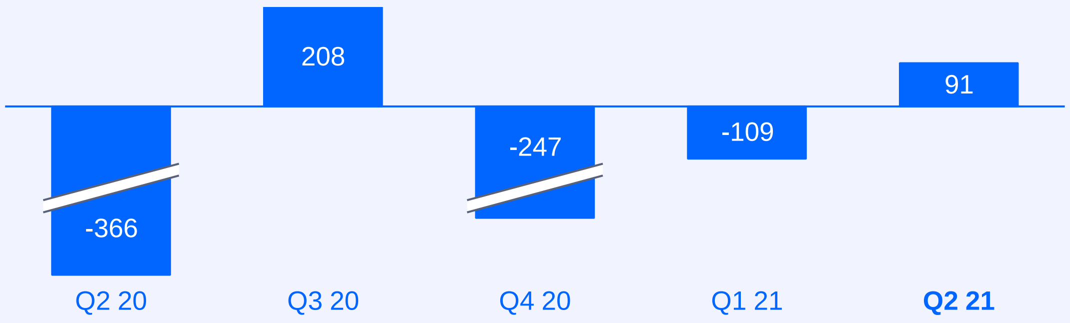
[3] Excluding additions from capitalised right-of-use assets

Mobile KPIs

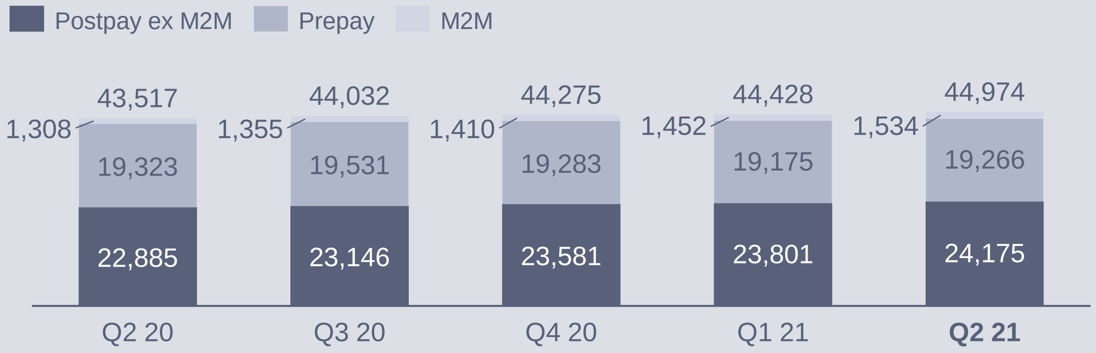
Postpaid net adds[1] (k)



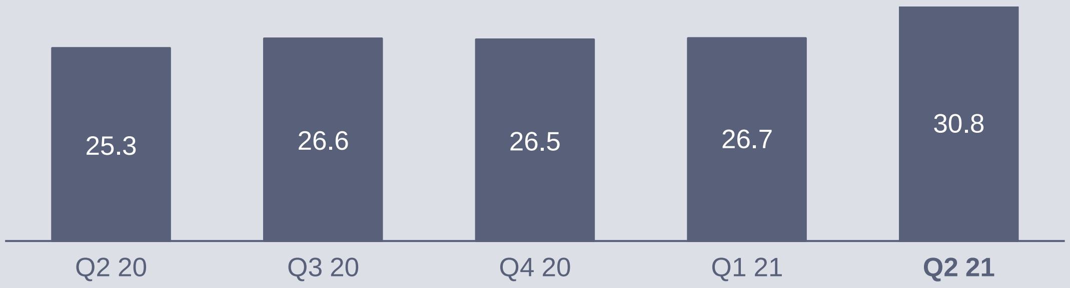
Prepaid net adds (k)



Mobile customer base (k)



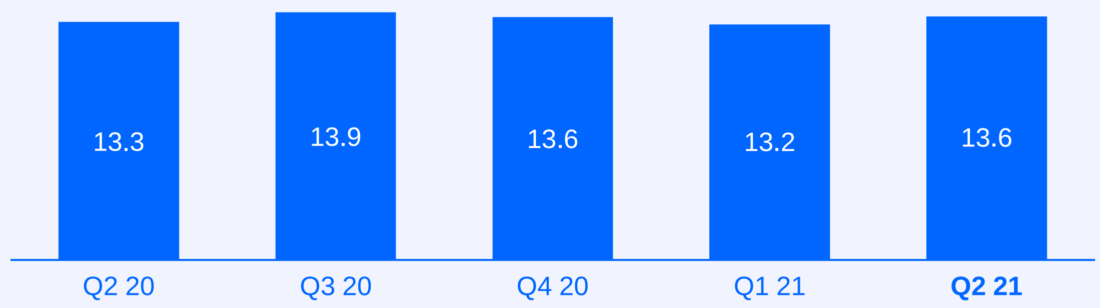
LTE customer base (m)



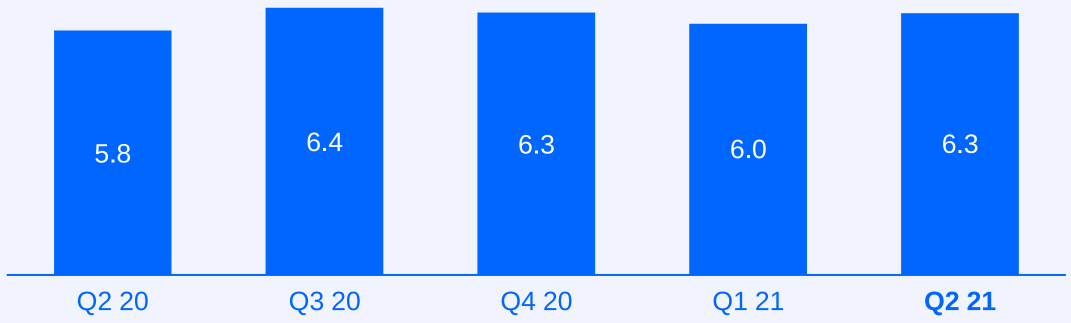
[1] excluding M2M

Mobile KPIs

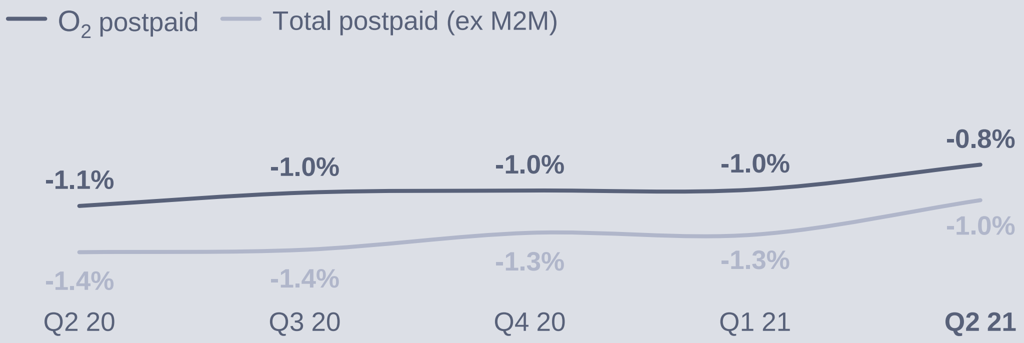
Postpaid ARPU ex M2M (EUR)



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**	**59.99**

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**

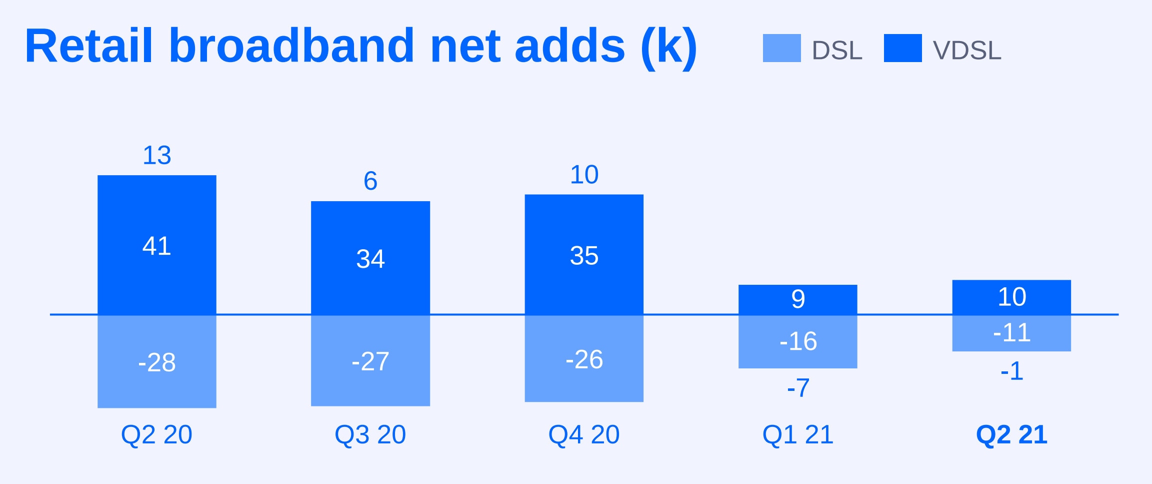
BOOST: **Doubling data and adding multiple devices**

Flexible contract duration: **monthly contract termination**

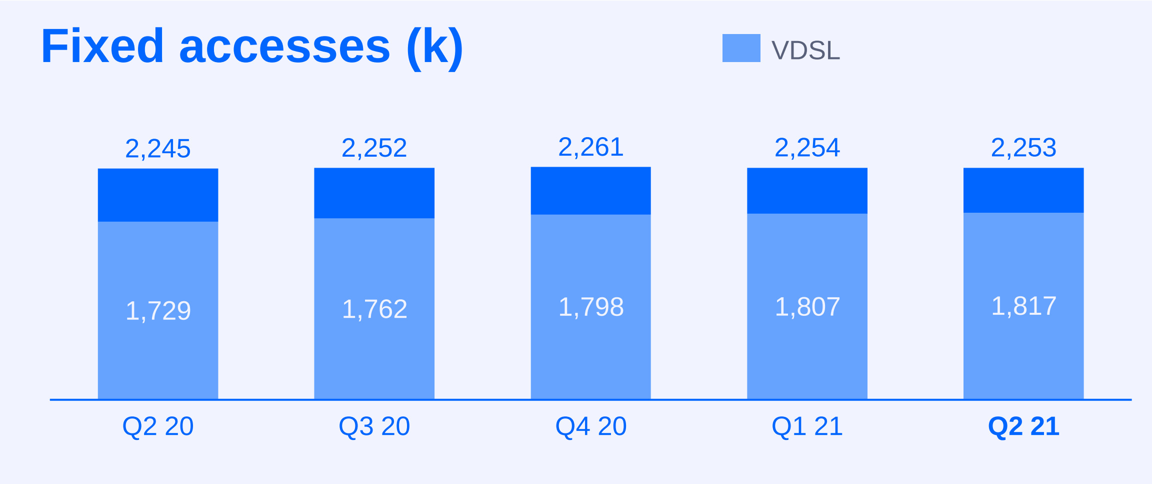
All customer needs supported by **max speed**

Future ready with **5G**

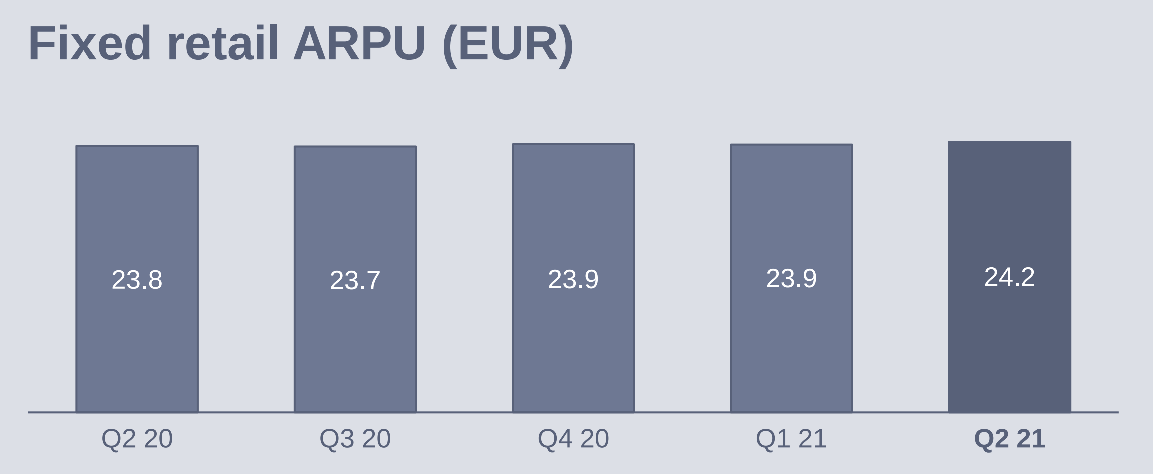
Fixed KPIs



Retail broadband net adds (k)
DSL
VDSL
13
6
10
41
34
35
9
10
-28
-27
-26
-16
-11
-7
-1
Q2 20
Q3 20
Q4 20
Q1 21
Q2 21



Fixed accesses (k)
VDSL
2,245
2,252
2,261
2,254
2,253
1,729
1,762
1,798
1,807
1,817
Q2 20
Q3 20
Q4 20
Q1 21
Q2 21



Fixed retail ARPU (EUR)
23.8
23.7
23.9
23.9
24.2
Q2 20
Q3 20
Q4 20
Q1 21
Q2 21

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**
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
Technology	LTE 5G, DSL	LTE 5G, DSL, KABEL	LTE 5G, DSL, KABEL	DSL, KABEL
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

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