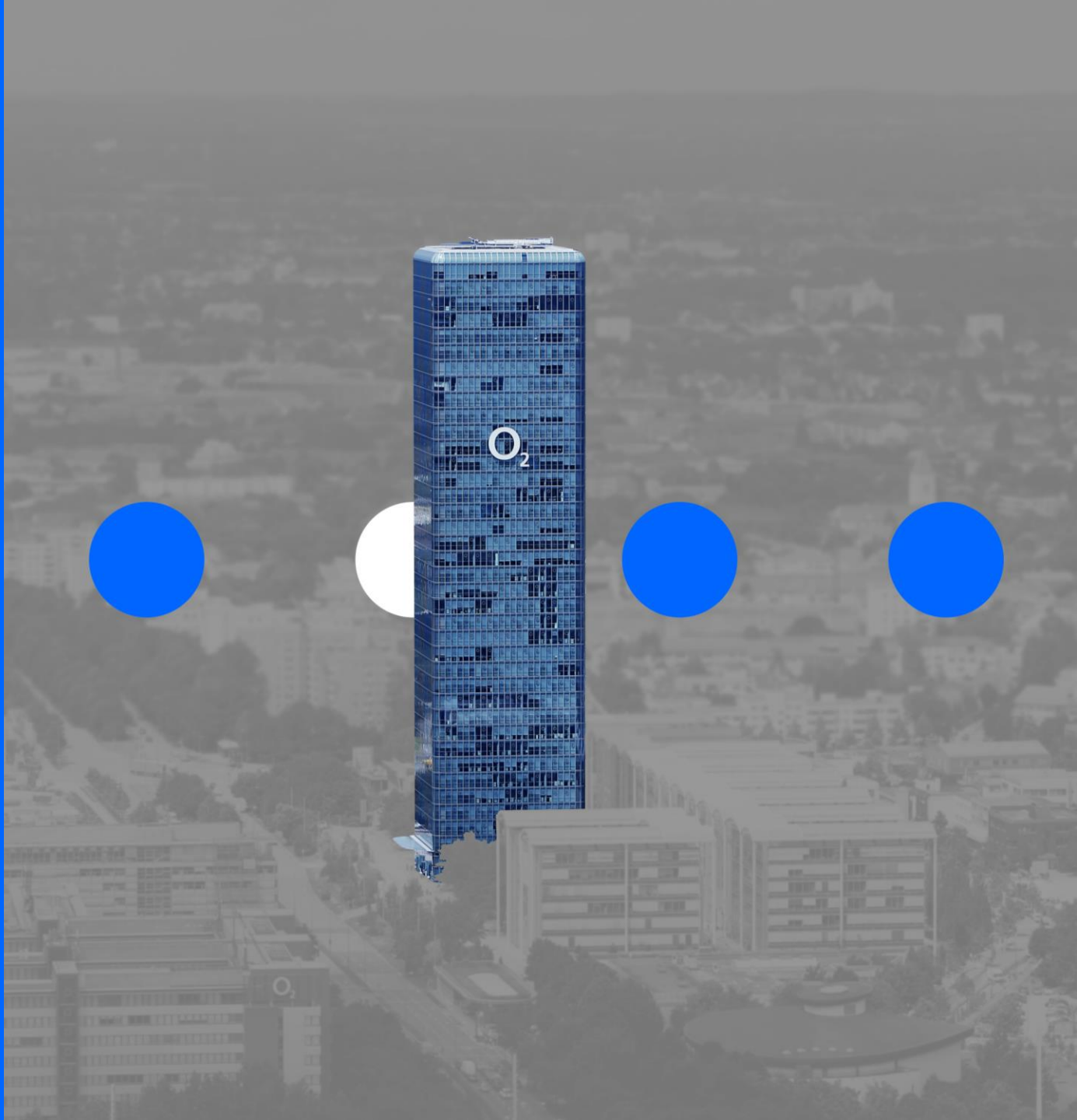
Telefónica Deutschland

Telefónica Deutschland

Investor presentation

November 2022



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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

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

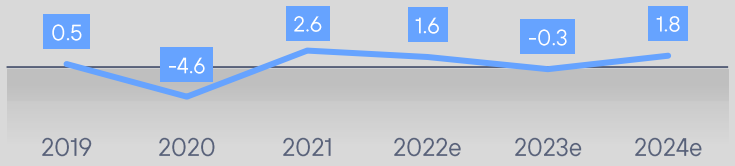
Strong FCF trajectory

High pay-out ratio of FCFaL

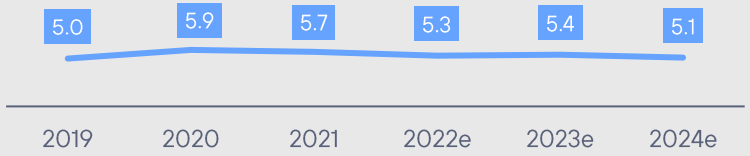
ESG leadership

Robust German economy despite some inflationary pressures

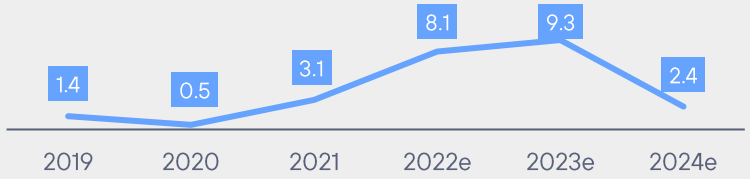
GDP Growth[1] [%]



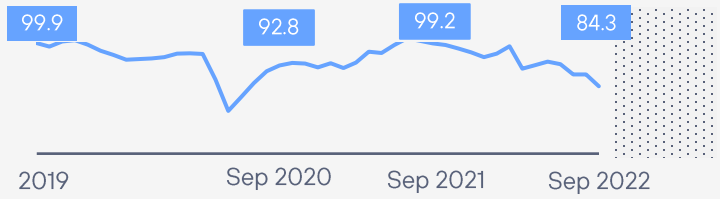
Unemployment Rate[1] [%]



Inflation Rate[1] [%]



Business Climate Index[1]



Current Trends

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

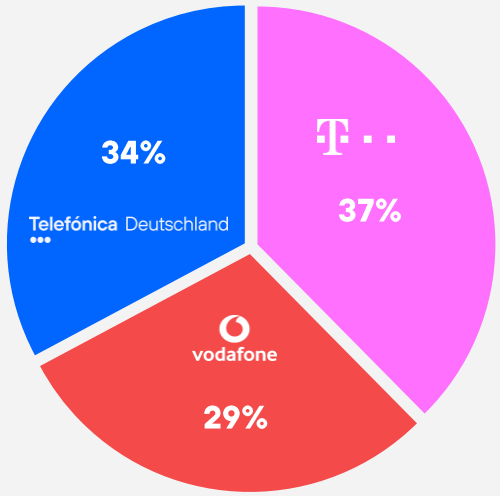
Future Trends

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

[1] ifo (Sep 2022)

Competitive Environment

Rational & balanced market[1]

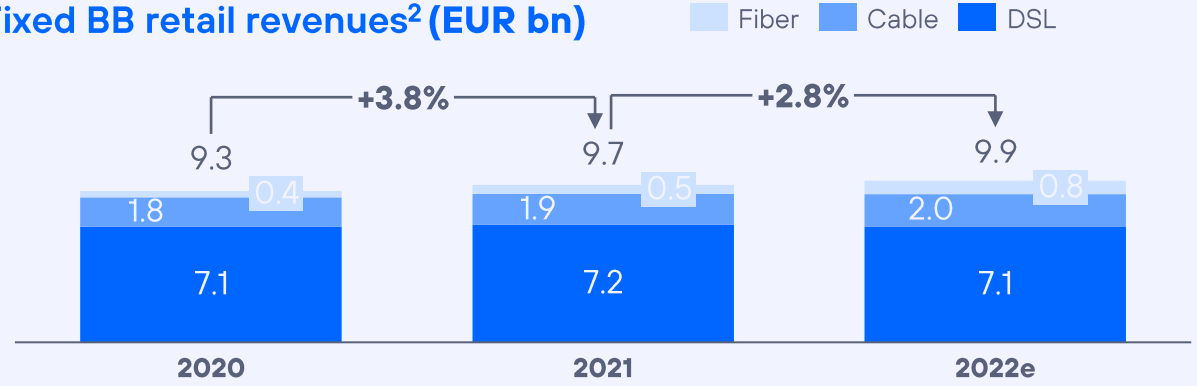


- Rational market following 4 to 3 consolidation
- Tiered mobile portfolios enabling data monetisation

Market development[2]

Mobile service revenues[2] (EUR bn)

Fixed BB retail revenues[2] (EUR bn)



[1] Market share of MSR based on published MNO financials for Q3 2022

[2] Analysis Mason DataHub, 14 October 2022

Focused strategy execution results in FY22 outlook upgrade
Increasing MSR market share to >32%

Strategy Execution

Mobile Growth
Gaining MSR market share

B2B Attack
Driving client momentum in SME

Smart Bundling
Increasing household penetration & convergence

ESG leadership
Executing ambitious Responsible Business Plan 2025

Achieved strong 9M 22 results – continued profitable growth

Sustained commercial traction & financial performance

Customers

+965k
Postpaid Net Adds

1.1%
O_2 Postpaid Churn

Strong NPS
O_2 Brand

Financials

+5.7%
Revenues

+4.8%
OIBDA[1]

14.9%
C/S

[1] Adjusted for exceptional effects

Leveraging leading ESG position for a sustainable future
Focused execution of Responsible Business Plan 2025

Responsible Business Plan 2025

Shaping sustainable digitalisation and transformation of future economy and society

Achievements

Signing of long-term PPA
Direct sourcing of green energy

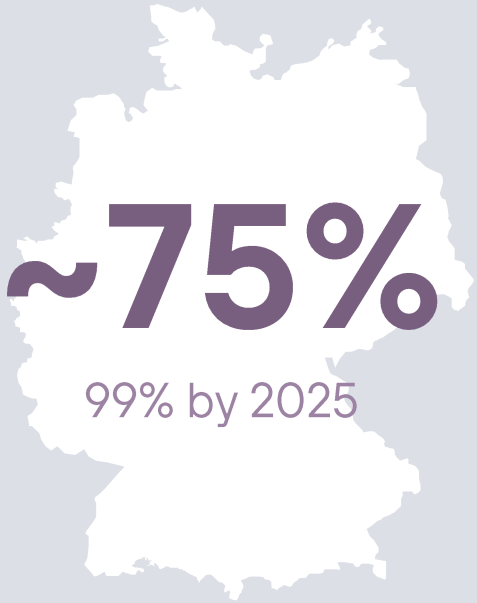
Support for Ukraine
Donation of network equipment

Social programmes
Digital guide for kids

‘Outstanding’ network rating on the back of excellent network expansion

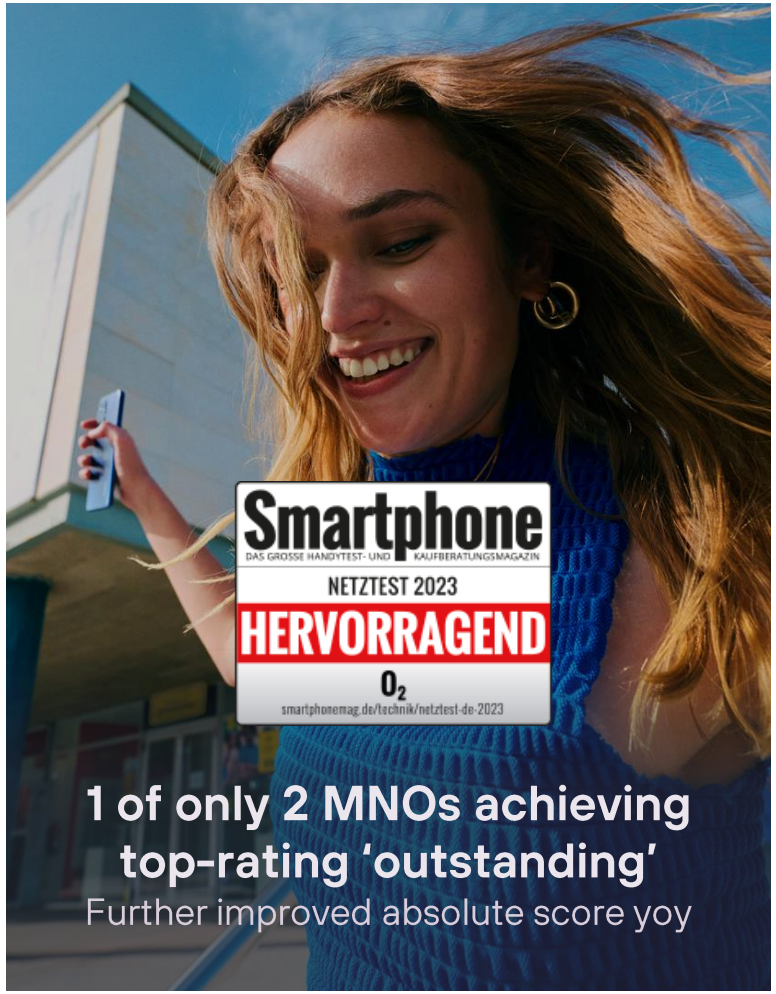
5G pop coverage of ~75% achieved within unchanged Capex envelope

5G coverage



~75%

99% by 2025



1 of only 2 MNOs achieving top-rating ‘outstanding’

Further improved absolute score yoy

3-year energy savings programme

~20%

gross energy savings[1] by FY26

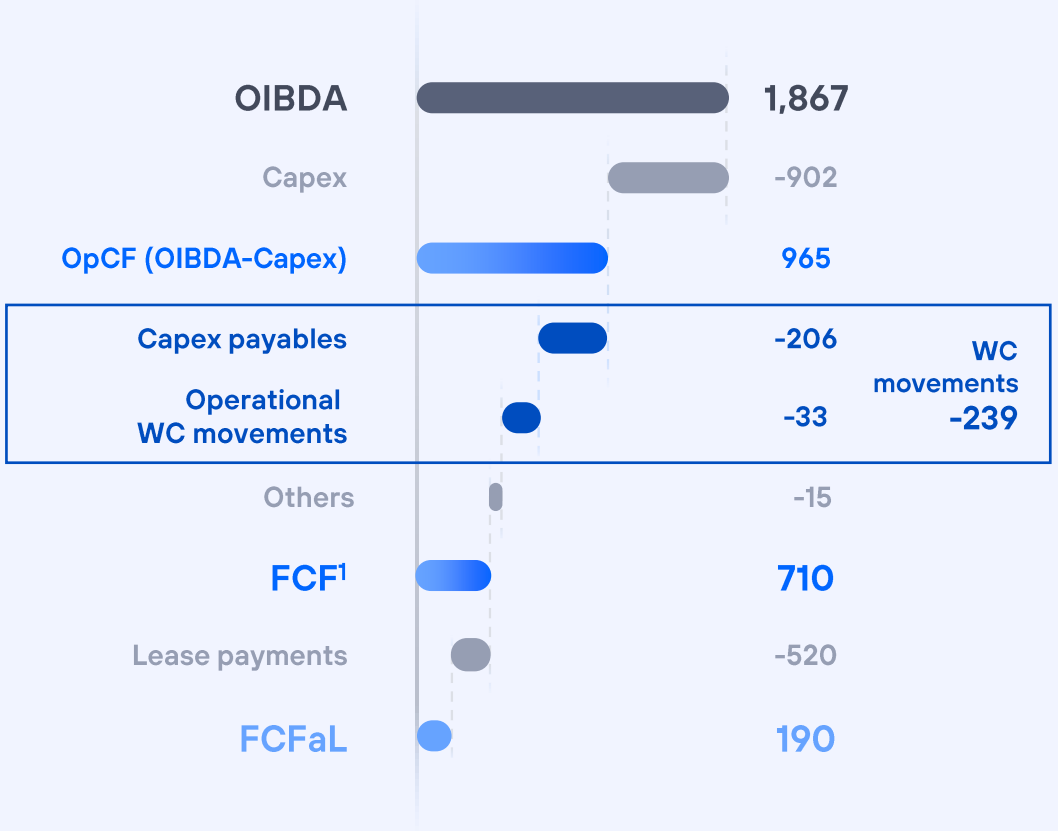
AI-supported network standby
Network modernisation
Cloudification

[1] compared to FY21

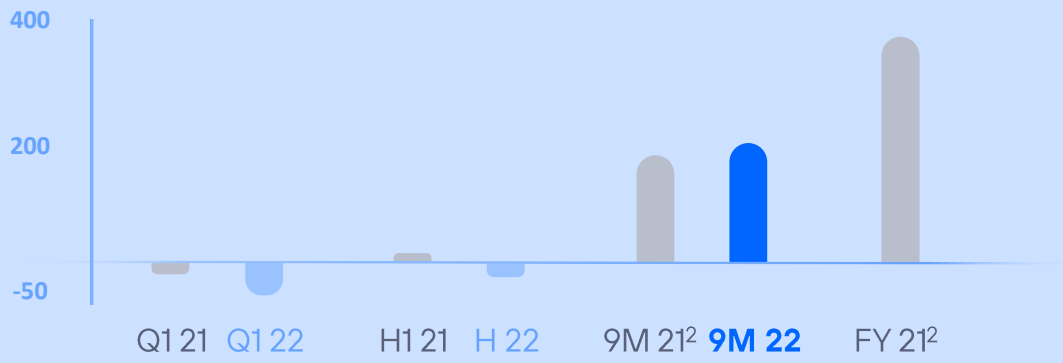
Healthy FCF generation during investment phase w/ strong balance sheet

FCFaL positive with back-end loaded profile

FCF 9M 22 (EURm)



Back-end loaded FCFaL profile (EURm)



Net Debt (EURm)

3,410

Leverage: 1.4x

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, mainly the spin-off & sale of the final tranche of ~4k mobile sites passive infrastructure

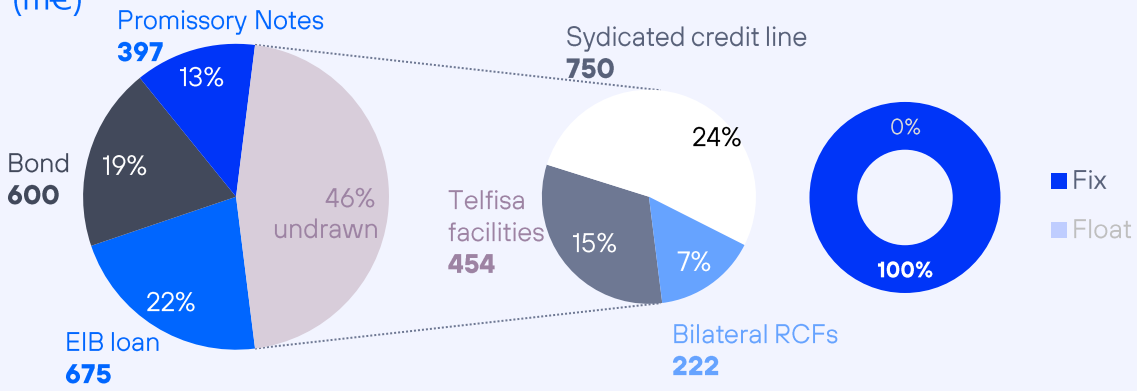
Continuing strong financing profile

Net Financial Debt

Committed to maintain Fitch BBB investment grade rating

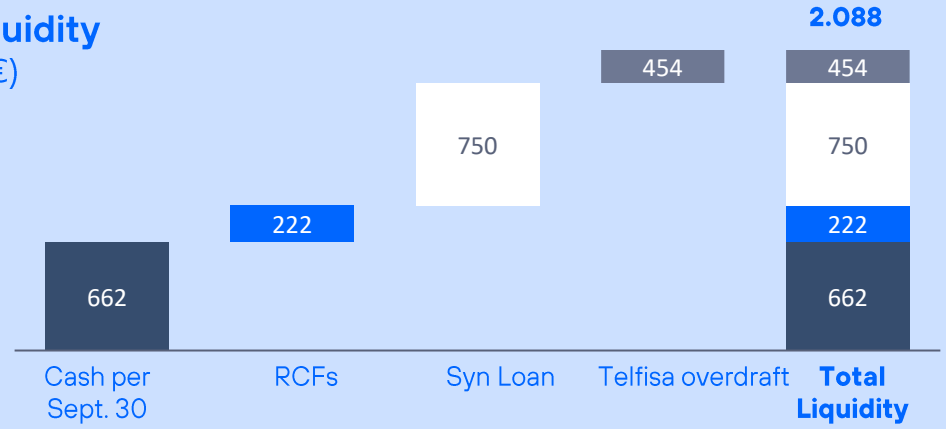
Financing & Interest mix

(m€)



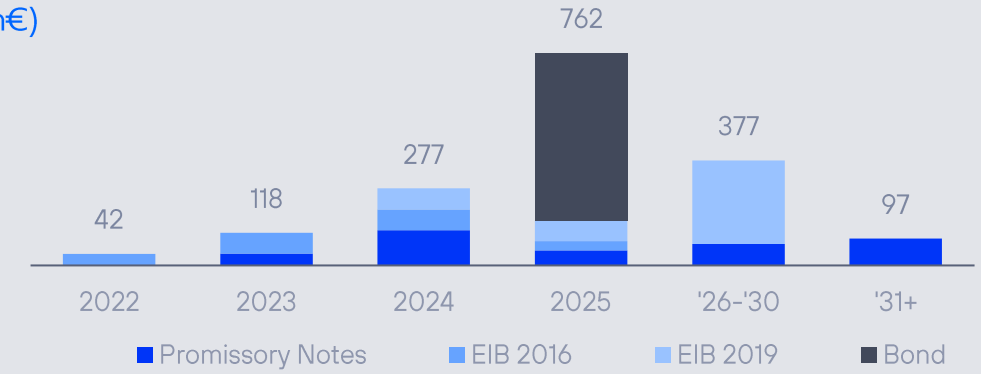
Liquidity

(m€)



Maturities[1]

(m€)



[1] Excludes undrawn facilities

Upgrading FY22 Outlook
Supported by strong 9M 22 results

	H1 updated FY22 Outlook	Upgraded FY22 Outlook
Revenues	**Low single digit % growth** incl. regulatory headwinds of 70-80 EURm	**Low mid-single digit % growth** incl. regulatory headwinds of 70-80 EURm
OIBDA[1]	**Low to low mid-single digit % growth w/ margin expansion** incl. regulatory headwinds of 15-20 EURm	**Low mid-single digit % growth w/ margin expansion** incl. regulatory headwinds of 15-20 EURm
C/S	**14 – 15%**	**14 – 15%**

[1] Adjusted for exceptional effects

Thank You

We look forward to your feedback

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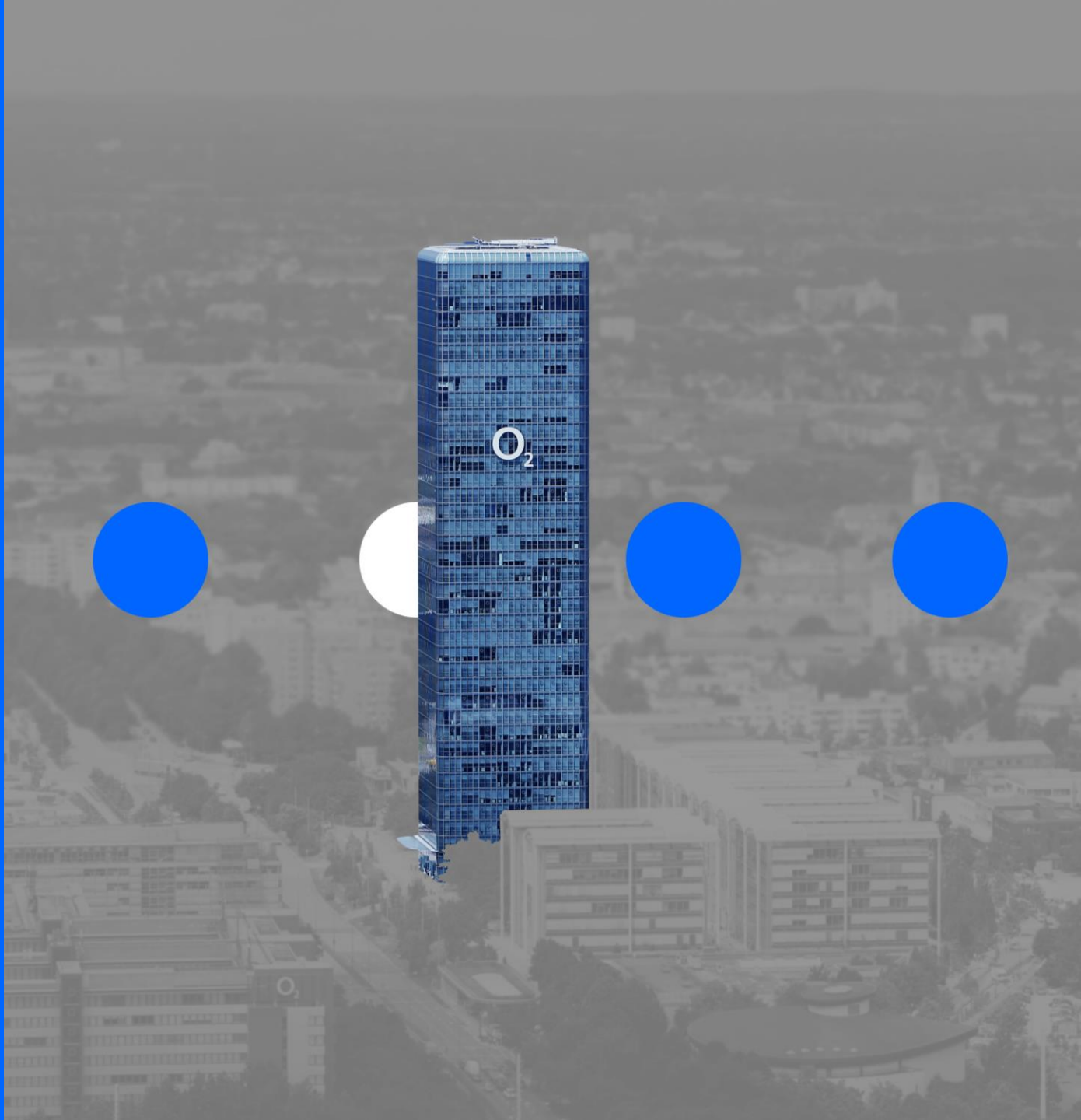
Appendix

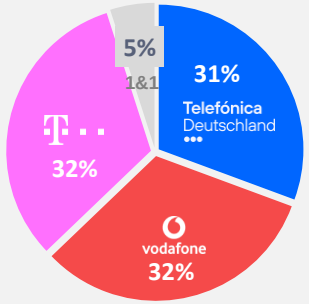


Well ranked & continuous improvement in relevant ESG ratings/indices

SUSTAINALYTICS	Risk Low: 12.4 (Low) | Exposure Score: 39.4 (Medium) | Management Score: 76 (Strong)	ESG Industry Top Rated
MSCI	Rating: AA	
S&P Global	Rating: Percentile 75 (57 of 100 pts)	First participation
ISS ESG	Grade: Prime B- (Good)	
FTSE Russel	Successfully listed (4.1 of 5 pts)	
V.E	Successfully listed (66 of 100 scores – advanced)	
Bloomberg	Successfully listed (70.5%)	
ecovadis Business Sustainability Ratings	Successfully listed (76/100 – Platin, top 1%)	Top 1%

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

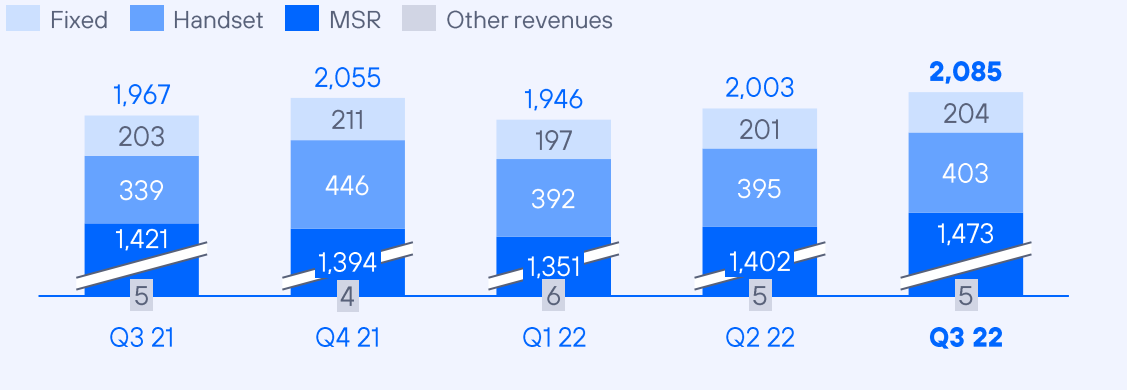
	700 MHz	800 MHz	900 MHz	1,500 MHz SDL	1,800 MHz	2,100 MHz[1]	2,600 MHz	2,600 MHz TDD	3,500 MHz TDD
Utilisation today	4G/5G	4G	2G/4G		2G/4G	3G/4G	4G	private 4G	5G
Total availability	2x30 MHz	2x30 MHz	2x35 MHz	1x40 MHz	2x75 MHz	2x60 MHz	2x70 MHz	1x50 MHz	1x300 MHz
Total spectrum holding									
1&1							2x10		50
Telefónica Deutschland	2x10	2x10	2x10		2x10	2x20	2x20	1x20	70
Vodafone	2x10	2x10	2x10	1x20	2x10 / 2x25	2x5 / 2x15	2x20	1x25	90
Deutsche Telekom	2x10	2x10	2x15	1x20	2x15	2x10	2x20	1x5	90
Frequencies									
Maturity	2019-2033	2010-2025	2017-2033	2015-2033	2010-2025 2017-2033	2010-2025 2021-2040	2010-2025	2010-2025	2019-2040



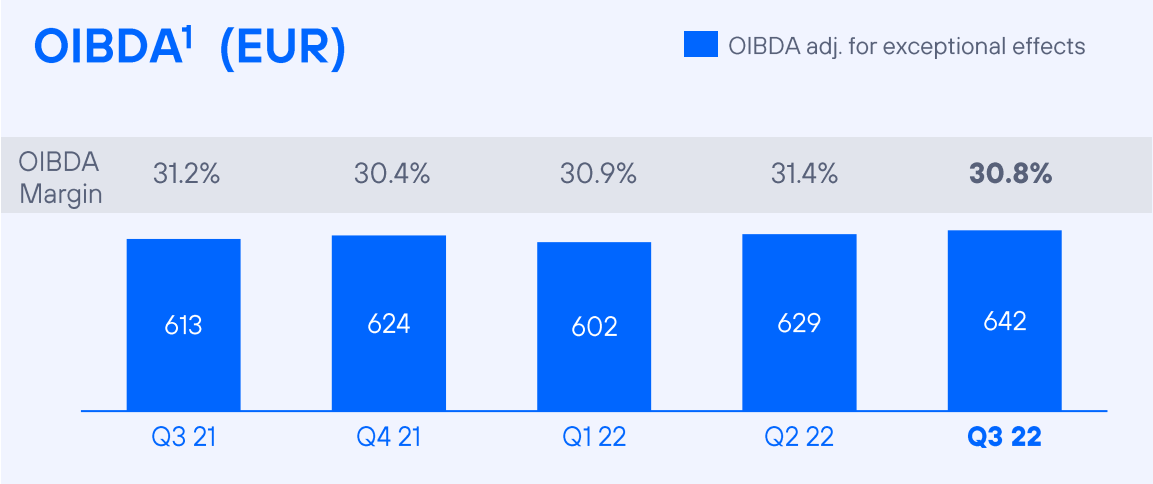
[1] From 2021, additional 19.2 MHz TDD
From 1 January 2026: 1&1: 2x10 MHz; Telefónica Deutschland Group: 2x10 MHz; Vodafone: 2x20 MHz; Deutsche Telekom: 2x20 MHz

P&L

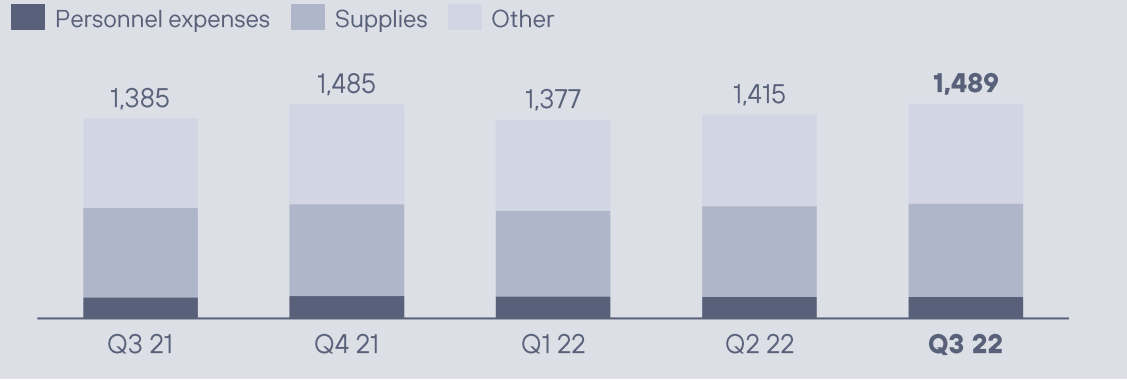
Revenue structure (EUR)



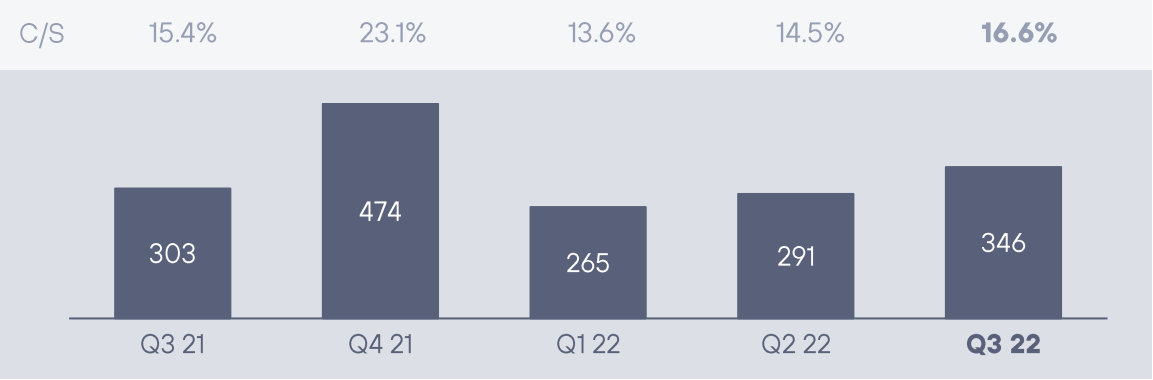
OIBDA[1] (EUR)



OpEx split[2] (EUR)



CapEx[3] (EUR)



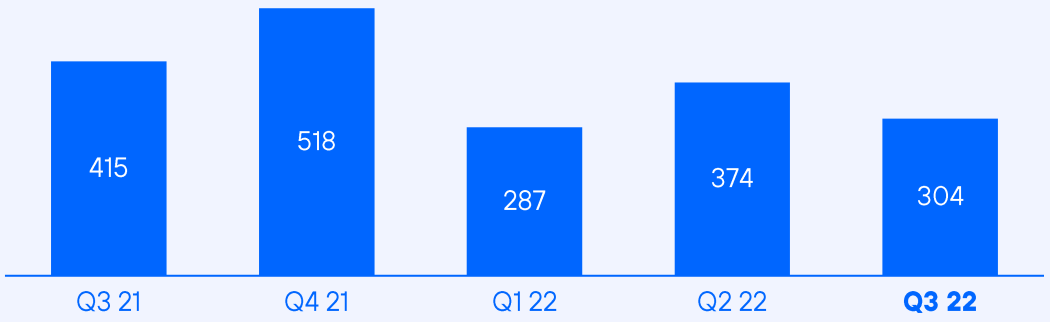
[1] Adjusted for exceptional effects

[2] Includes impairment losses in accordance with IFRS 9

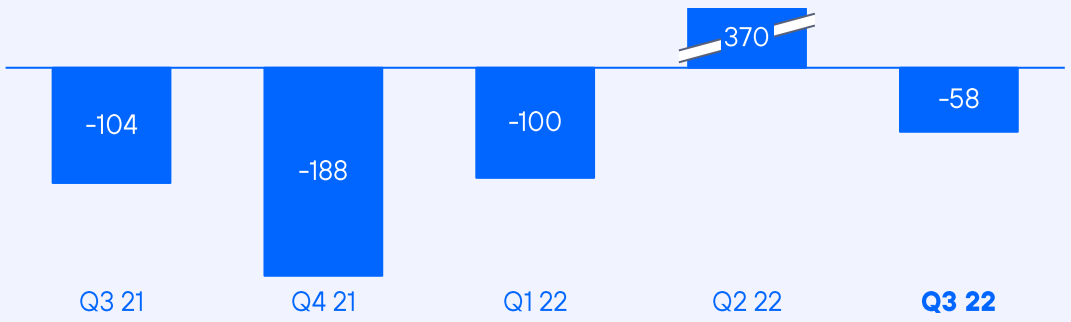
[3] Excluding additions from capitalised right-of-use assets

Mobile KPIs

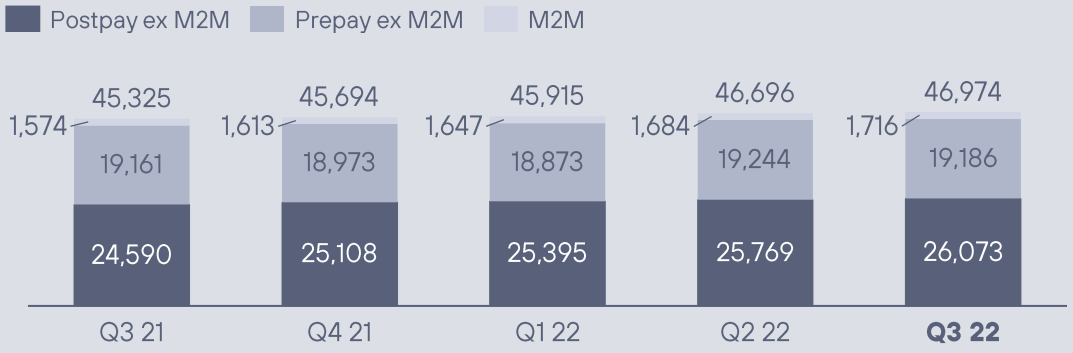
Postpaid net adds[1] (k)



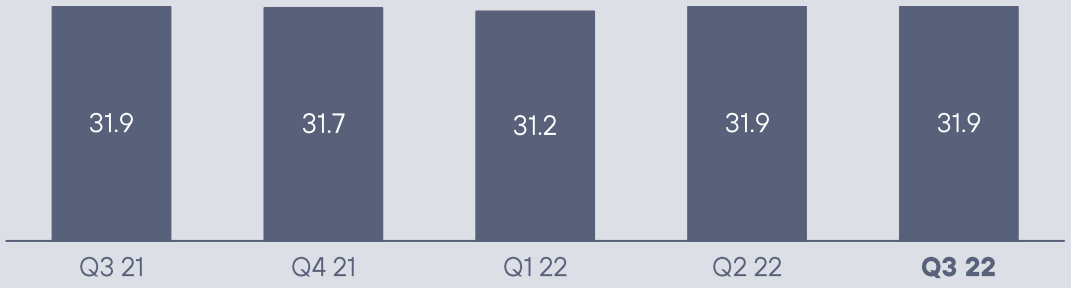
Prepaid net adds (k)



Mobile customer base (k)



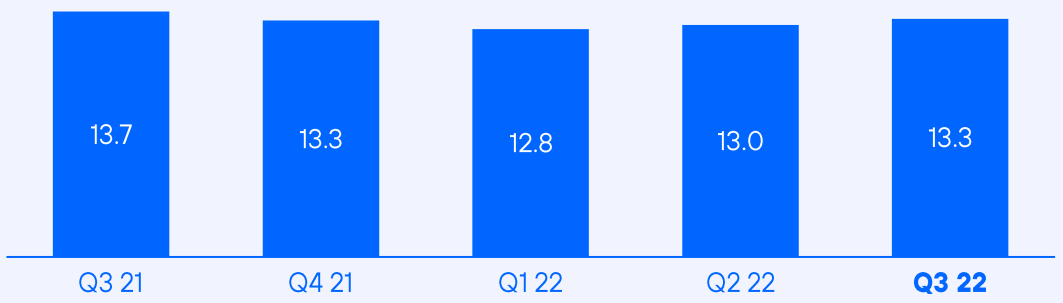
LTE customer base (m)



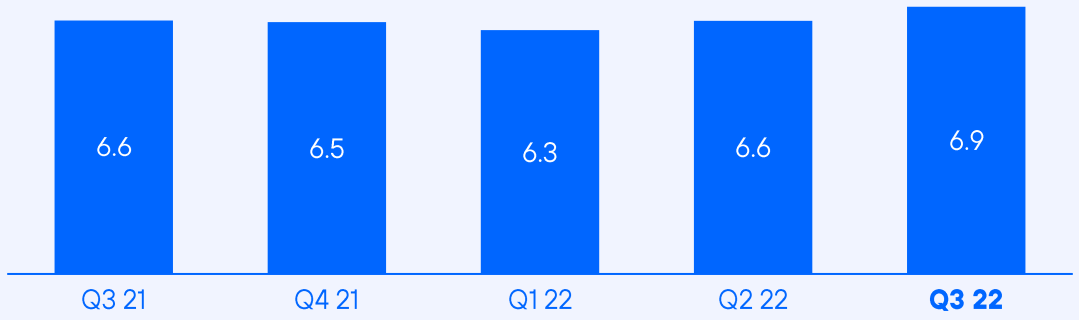
[1] excluding M2M

Mobile KPIs

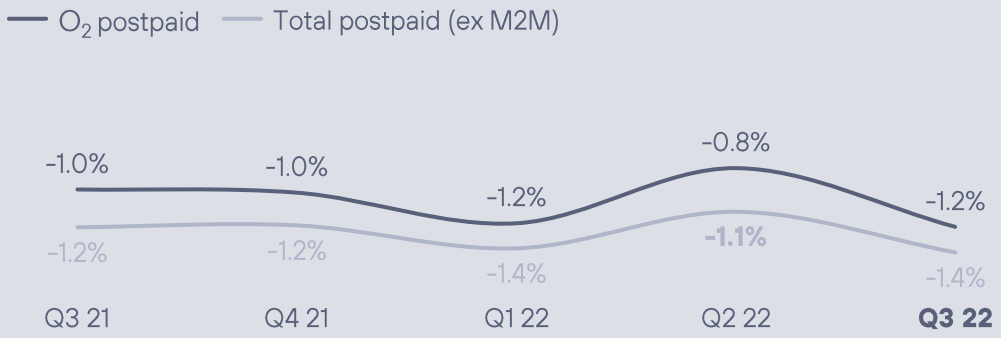
Postpaid ARPU ex M2M (EUR)



Prepaid ARPU (EUR)

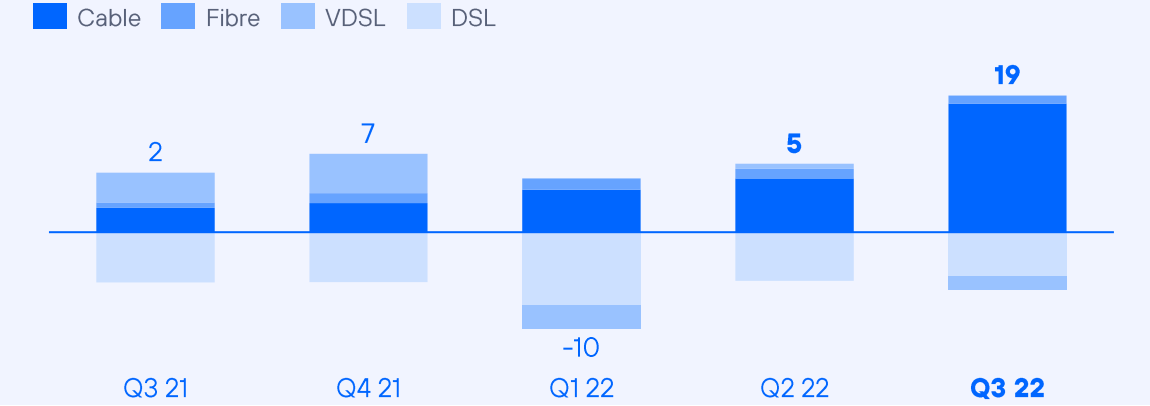


Churn rate (%)

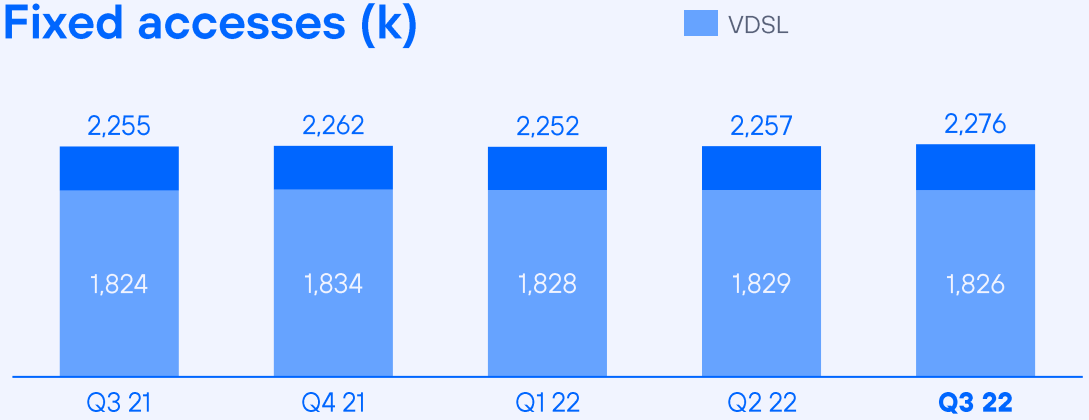


Fixed KPIs

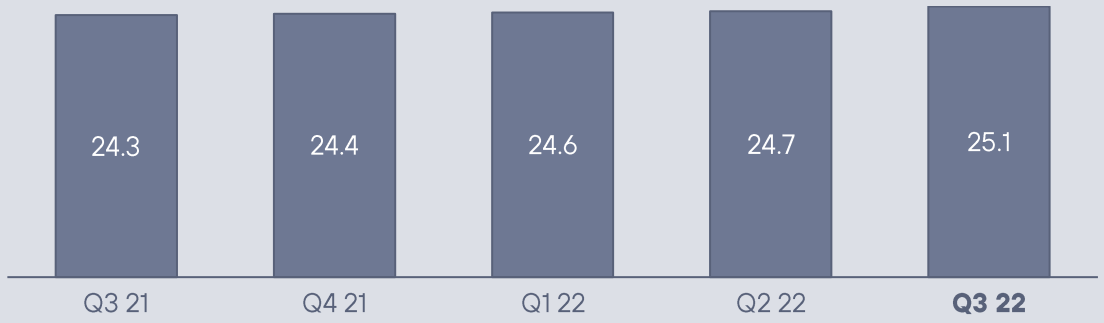
Retail broadband net adds (k)



Fixed accesses (k)



Fixed retail ARPU (EUR)



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

Flexible contract duration: **monthly contract termination**

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

Future ready with **5G**

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**	**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** 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	**1000 MBit/s** Upload 50 MBits/s
Technology	LTE 5G, DSL	LTE 5G, DSL, KABEL	LTE 5G, DSL, KABEL	DSL, KABEL	DSL, KABEL
Voice flat to German fixed networks	✓	✓	✓	✓	✓
Optional **HomeBox 3** **AVM7590** **Homespot**	3.99 mthl 5.99 mthl 4.99 mthl	3.99 mthl 5.99 mthl 4.99 mthl	3.99 mthl 5.99 mthl	3.99 mthl 5.99 mthl	3.99 mthl 5.99 mthl
Monthly fee 24m contract	**24.99**	**29.99**	**34.99**	**39.99**	**69.99**

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