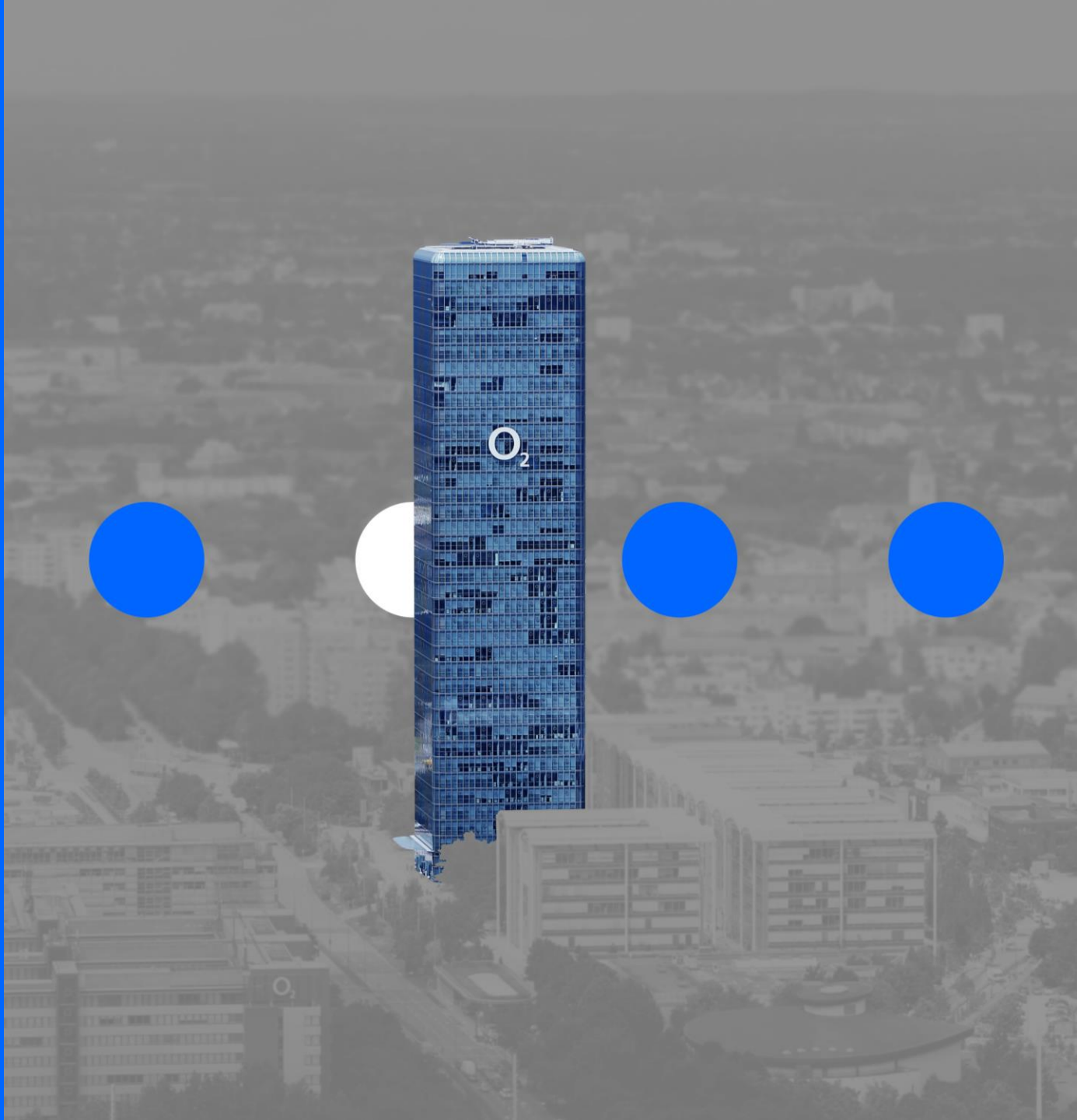
Telefónica Deutschland

Telefónica Deutschland

Investor presentation

July 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

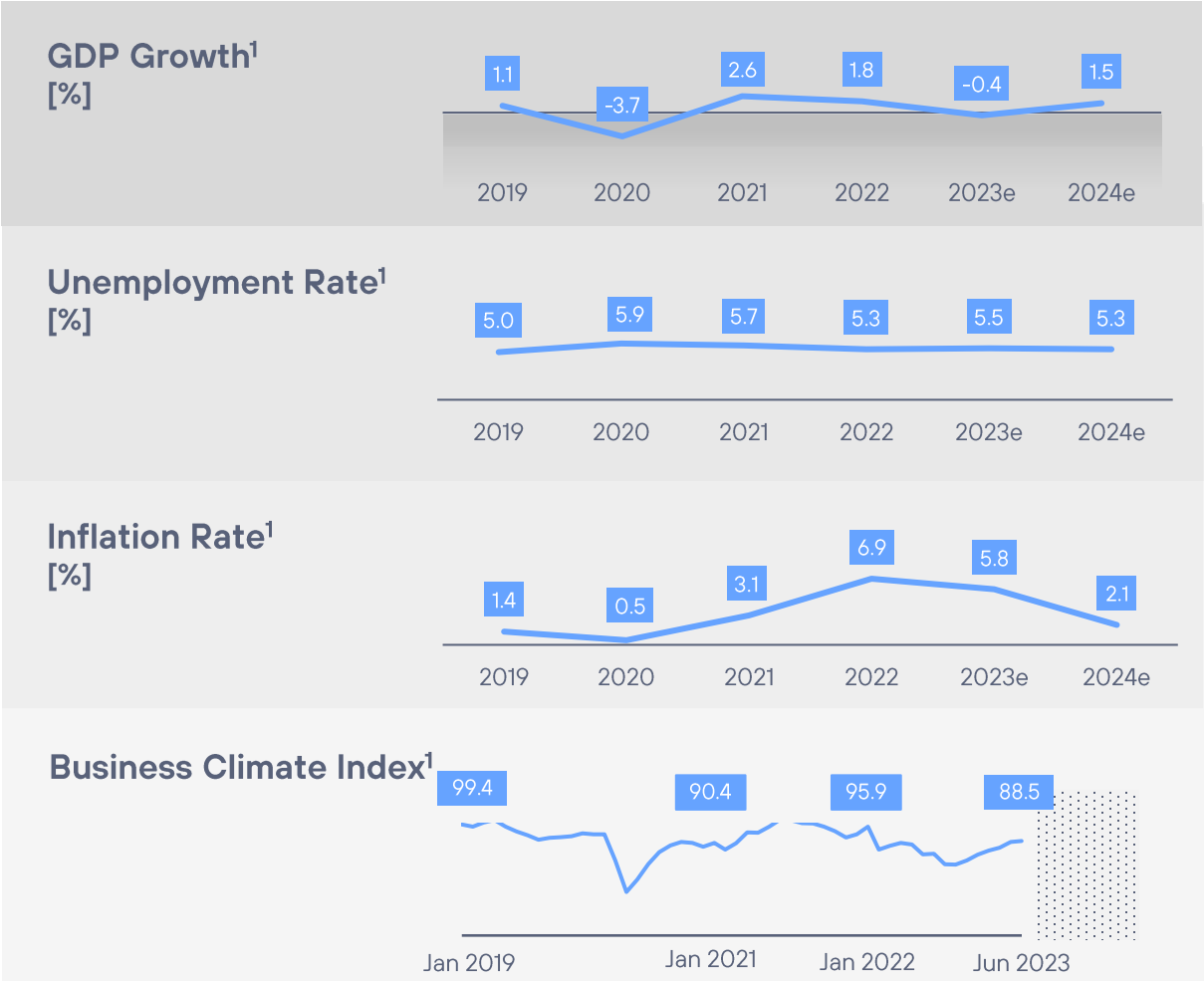
Robust financial profile

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 2021-25 of >50%
- Soft convergent market environment
- 3 strong mobile networks

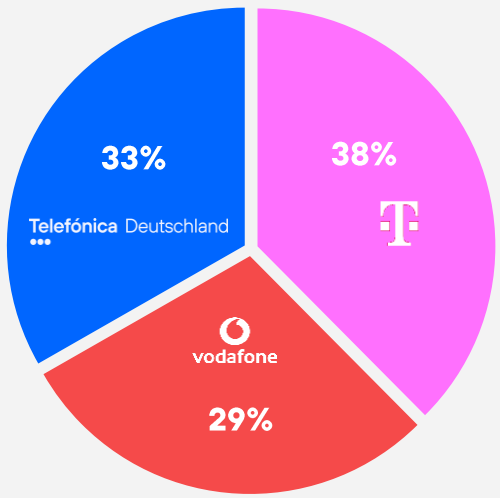
Future Trends

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

[1] ifo institute forecast June 2023

Competitive Environment

Rational & balanced market[1]

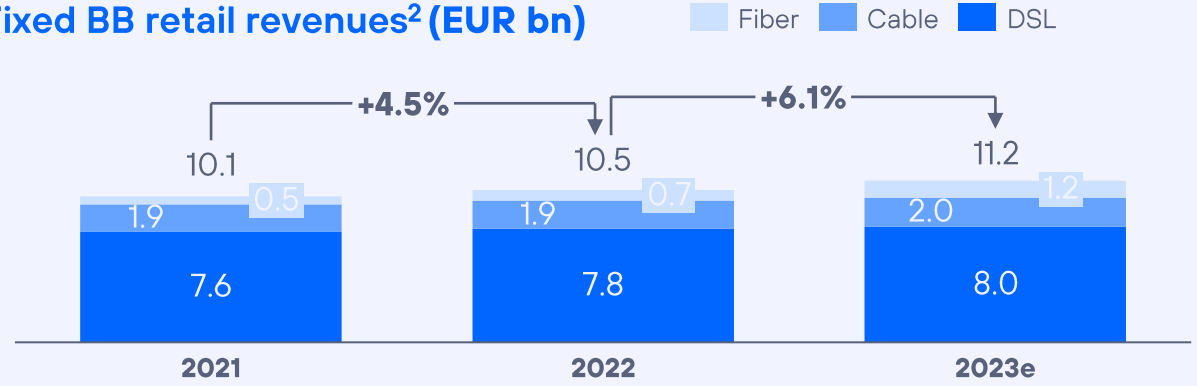


- Rational market following 4 to 3 consolidation
- Tiered mobile portfolios enabling data monetisation

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 Q1 23 [2] Analysis Mason DataHub, 20 July 2023

Leading M4M including 5G mass-market enablement
Underpinning growth ambitions

O2 can do

Key driver of *more-for-more* strategy

Positive 'M4M' momentum on back of launch in **April 2023**

Blau
Launched **February 2023**

ay yıldız
Launched **March 2023**

ortel MOBILE
Launched **March 2023**

Tchibo MOBIL
Launched **May 2023**

ALDI TALK
Launched **July 2023**

High quality green 5G network - driving digitalisation & economic growth

Achieved 5G target of ~90% already by H1 23

'Very Good' Network

3rd consecutive 'very good'

~90%

5G coverage

'Very Good' Service

Biggest incremental gain

Network Ambition

Nationwide 5G coverage latest by YE25

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

Extending ESG Leadership

FY23 key focus areas of Responsible Business Plan

Energy efficiencies

Residual emissions

EU Taxonomy

Excellent progress to build the best Telefónica Deutschland

Outperforming German telco market – leading M4M and ESG

Strategic Focus

Network

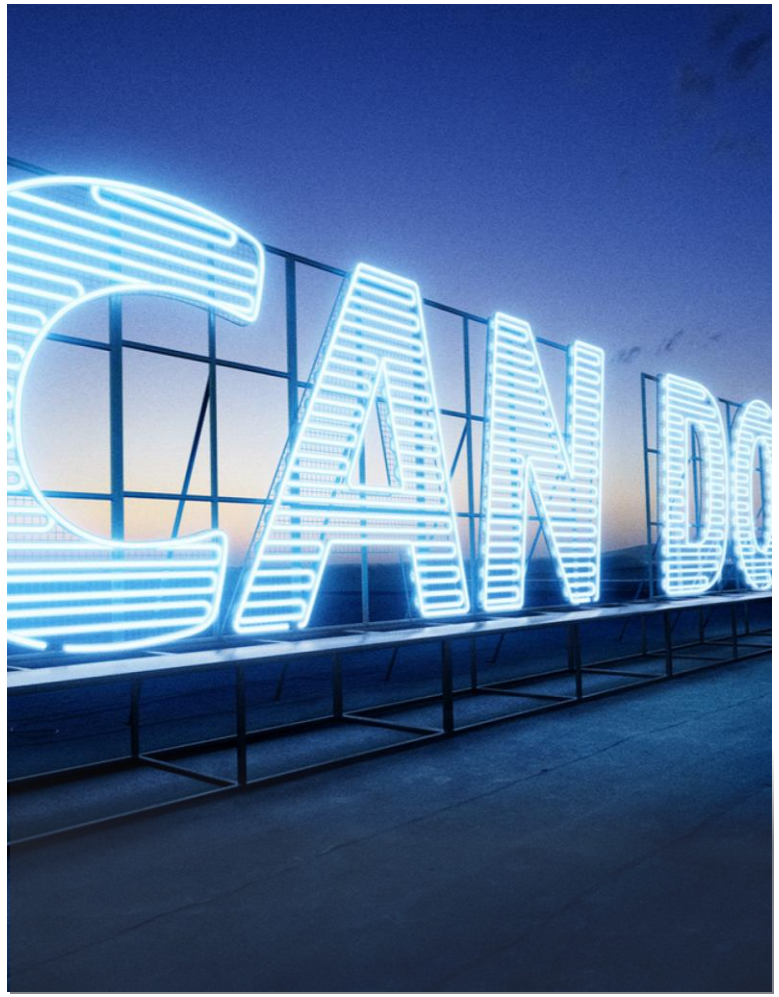
Sustain network quality powered by green energy

Growth

Increase market share across all segments

Transformation

Accelerate digitalisation



H1 23 Results

+6.2%

Revenues

+2.2%

OIBDA[1]

12.0%

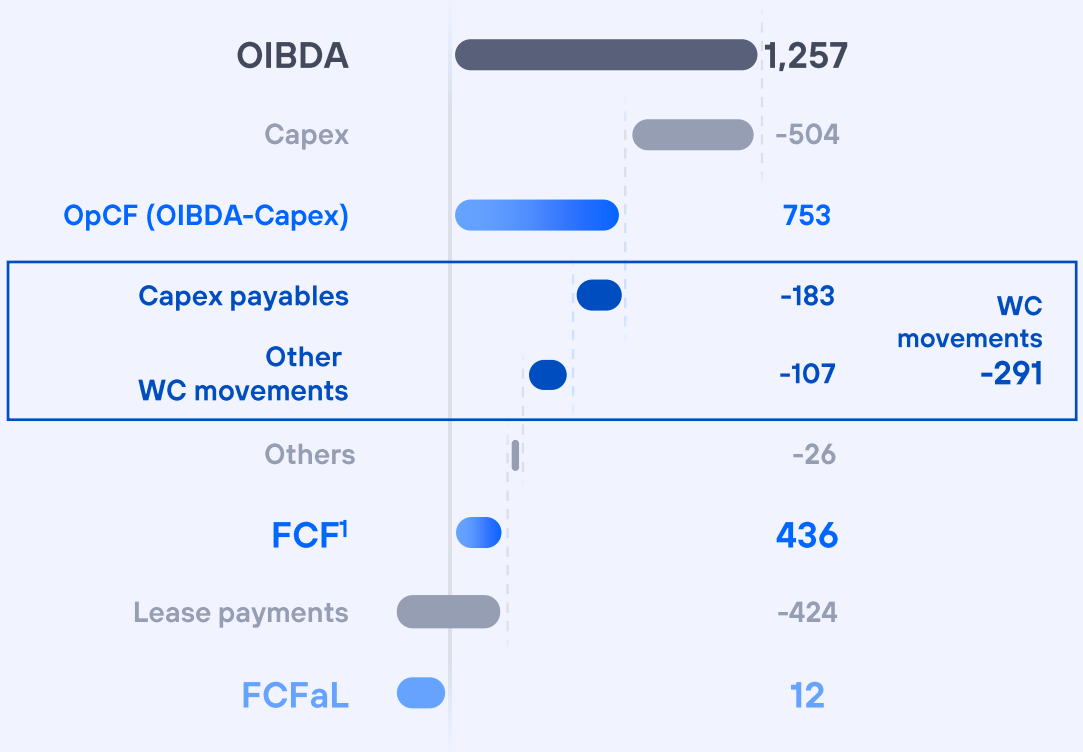
Capex/Sales

[1] Adjusted for exceptional effects

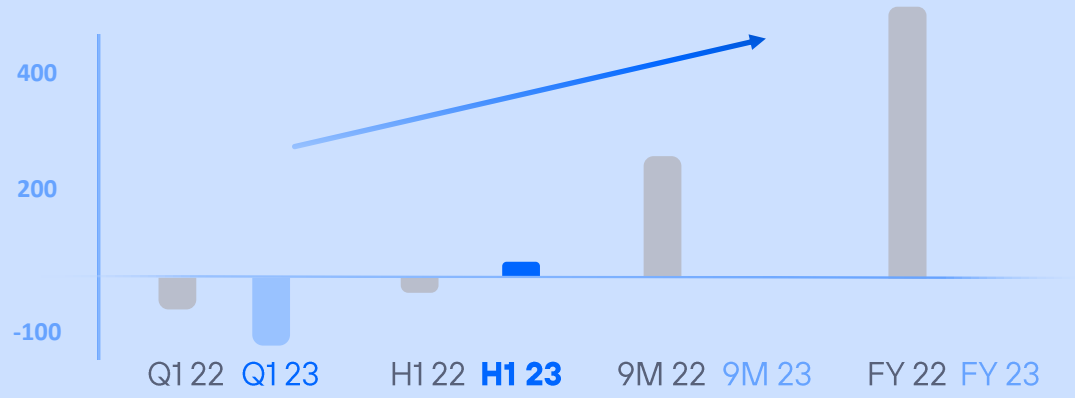
Achieved positive FCFaL already in H1 23 – enhancing strong balance sheet

Well on track to deliver more than dividend coverage

H1 23 FCF (EURm)



Back-end loaded FCFaL profile (EURm)



Net Debt (EURm)

3,680

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

Narrowing FY23 outlook to upper-range

Strong H1 23 results and continued momentum underpinning confidence

	FY23 Outlook	Actuals H1 23		Updated FY23 Outlook
Revenues	**Low single digit % growth** incl. regulatory headwinds of 50-60 EURm	4,192 EURm	+6.2% yoy	**Upper-range of low single digit % growth** incl. regulatory headwinds of 50-60 EURm
OIBDA[1]	**Low single digit % growth** incl. regulatory headwinds of 10-15 EURm	1,258 EURm	+2.2% yoy	**Upper-range of low single digit % growth** incl. regulatory headwinds of 10-15 EURm
C/S	~14%	12.0%		~14%

[1] Adjusted for exceptional effects

FY22 dividend paid in May-23 - EURc 18/share

Thank You

We look forward to your feedback

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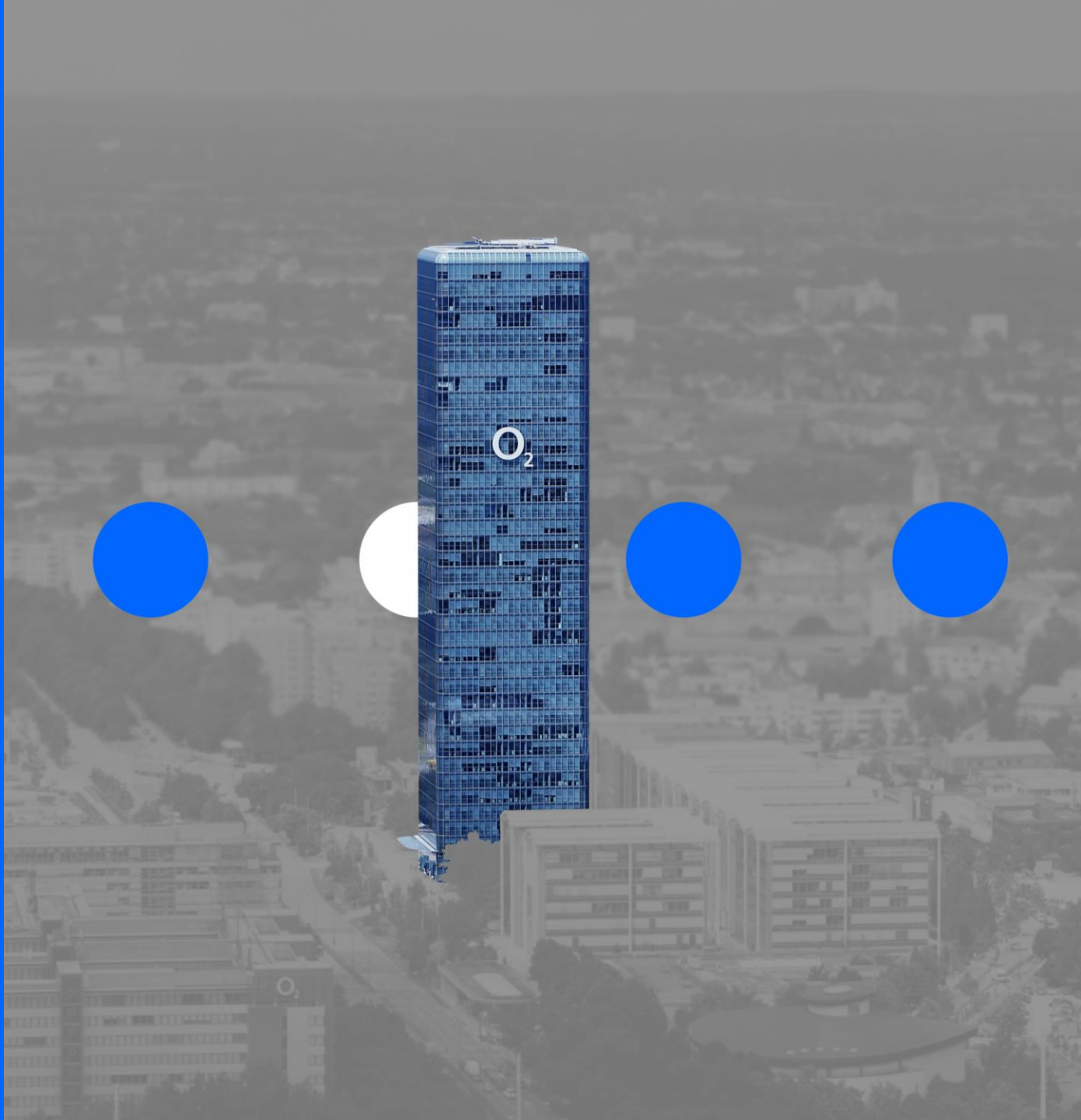
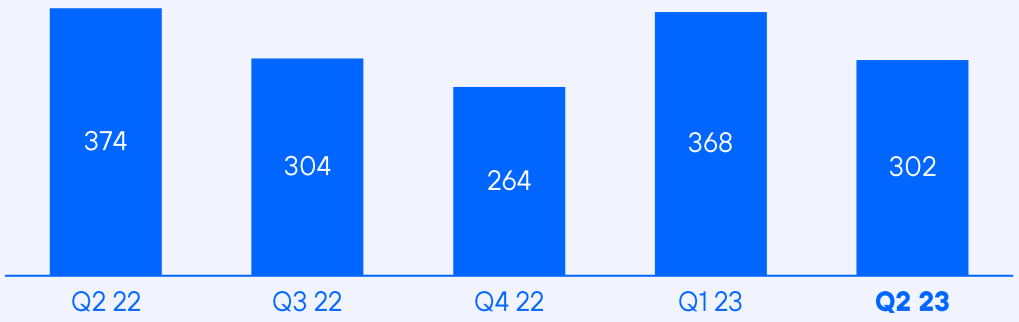
Appendix

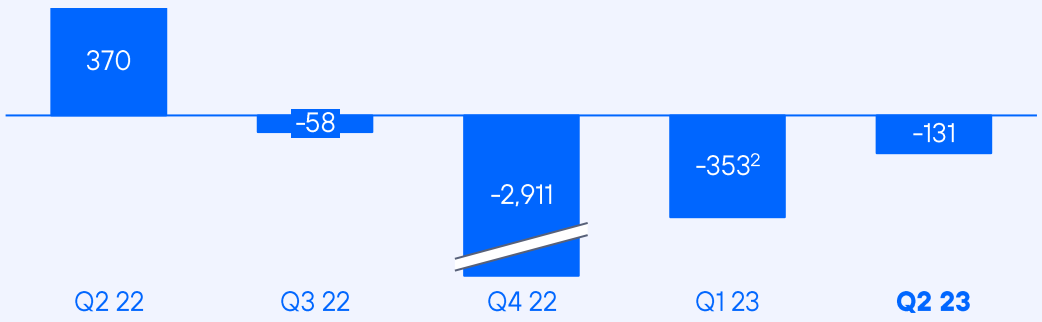


Mobile KPIs

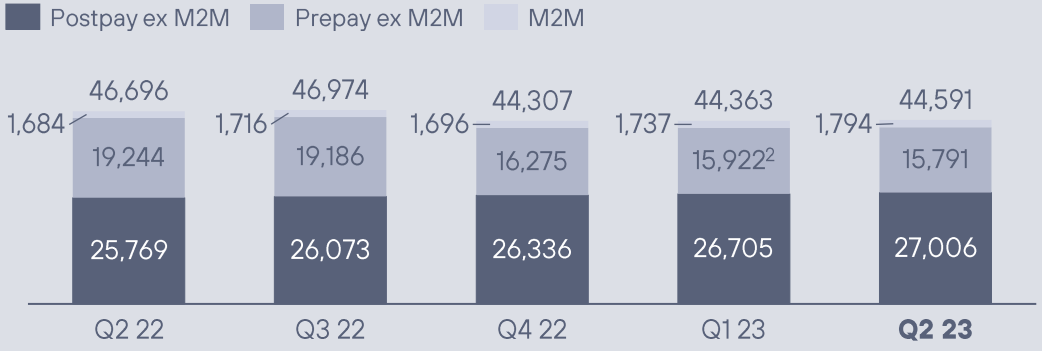
Postpaid net adds[1] (k)



Prepaid net adds (k)



Mobile customer base (k)

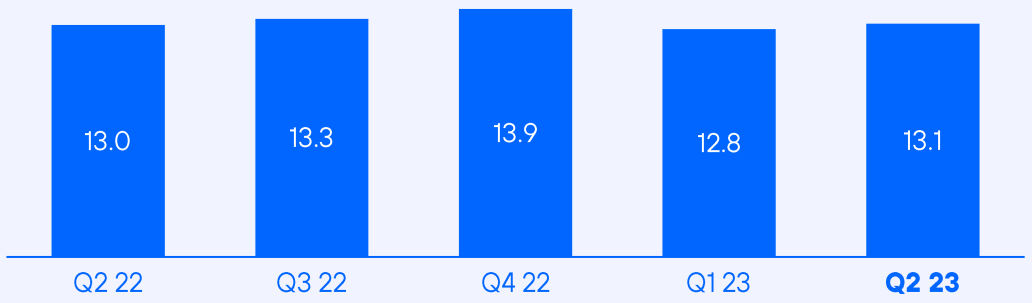


[1] Excluding M2M

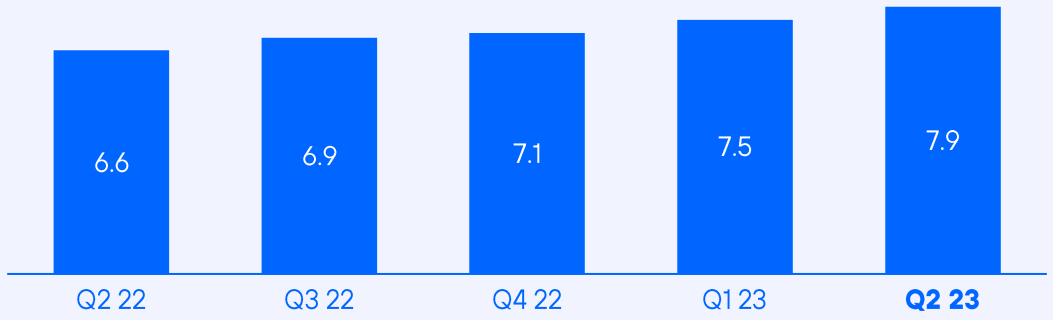
[2] Including technical base adjustment of -2,535k accesses due to introduction of stricter active SIM card definition

Mobile KPIs

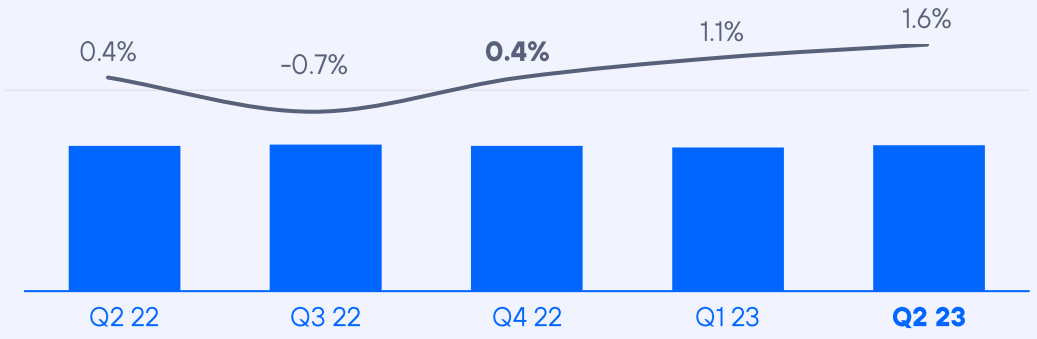
Postpaid ARPU ex M2M (EUR)



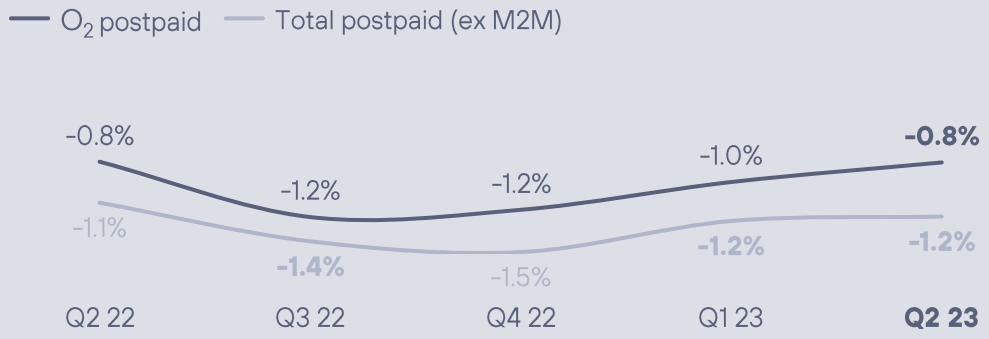
Prepaid ARPU (EUR)



u/L Postpaid O_2 ARPU (%)

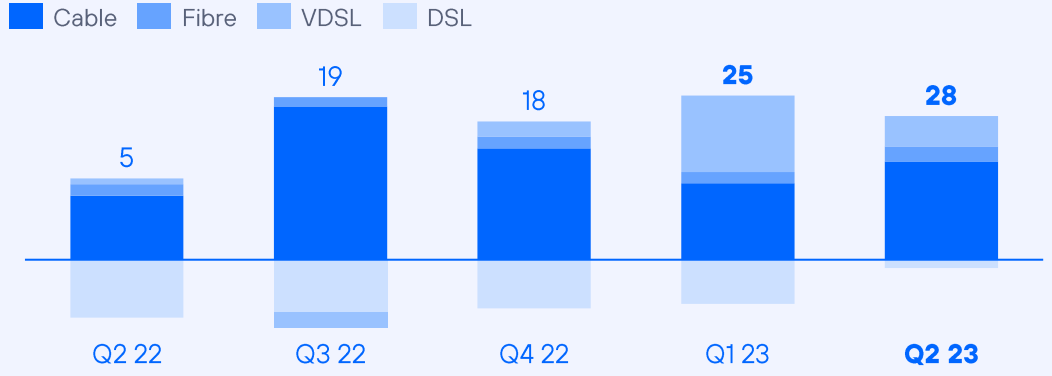


Churn rate (%)

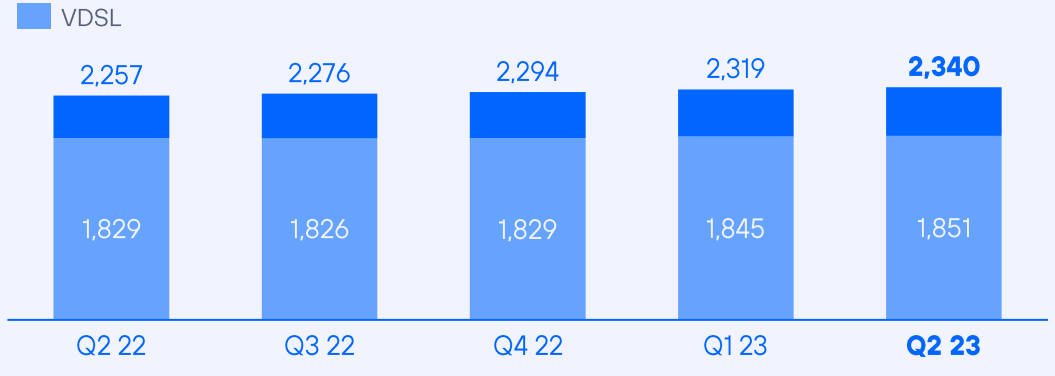


Fixed KPIs

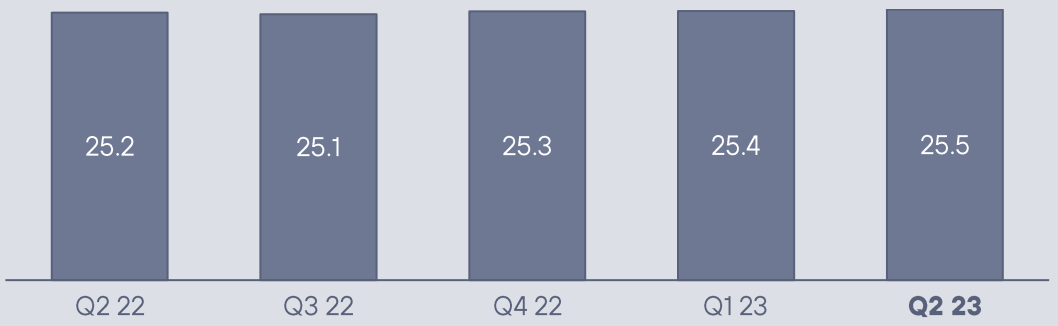
Retail broadband net adds (k)



Fixed accesses (k)



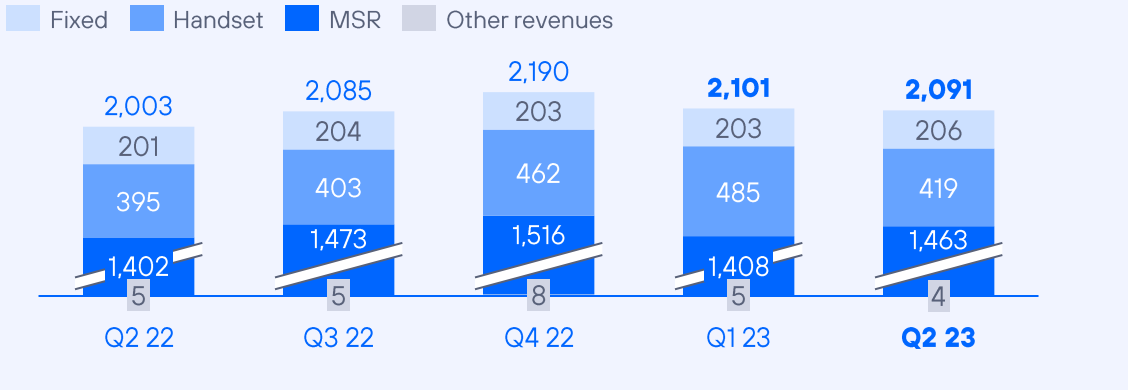
Fixed retail ARPU (EUR)[1]



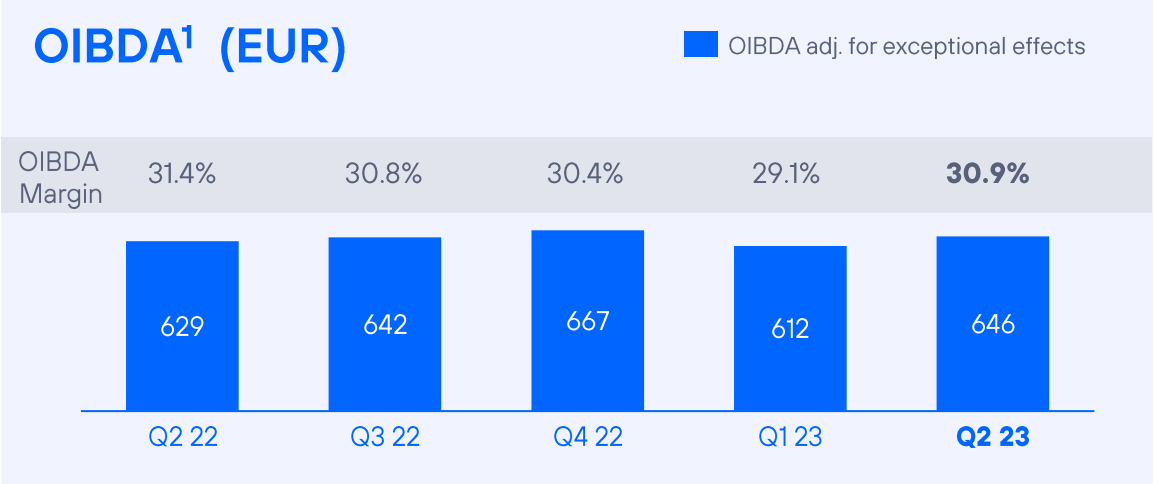
[1] Definition adjustment of fixed BB (FBB) ARPU calculation as of 1 January 2023 to fully reflect all fixed revenue streams; for comparability reasons including adjustment of previous year's values

P&L

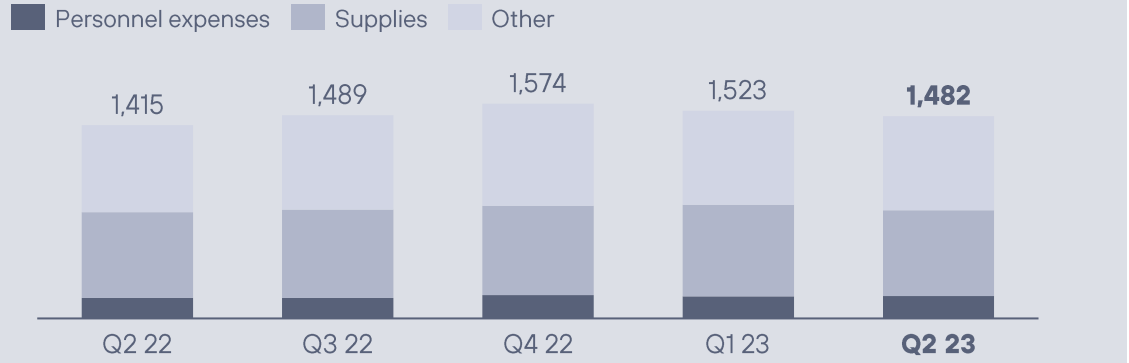
Revenue structure (EUR)



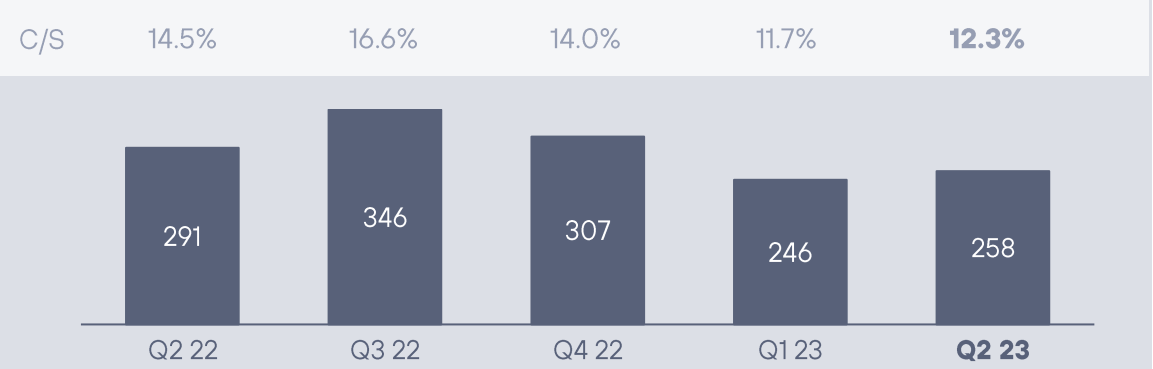
OIBDA[1] (EUR)



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

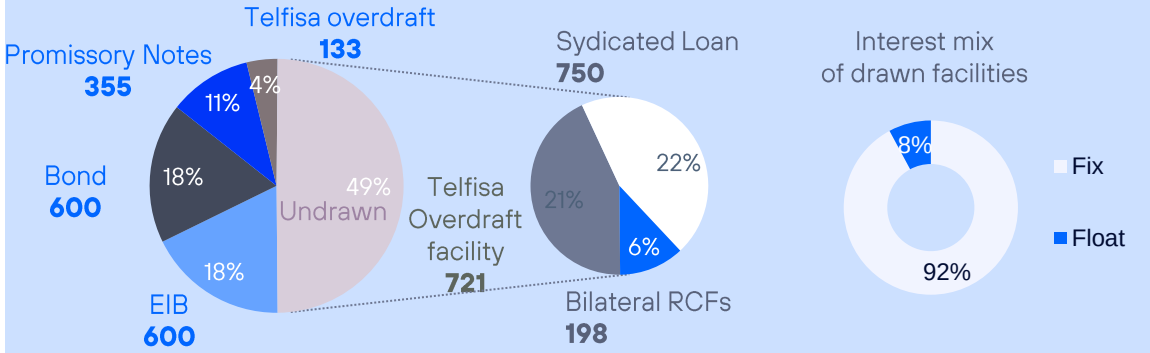
Continuing strong financing profile

Net Financial Debt

Committed to maintain Fitch BBB investment grade rating

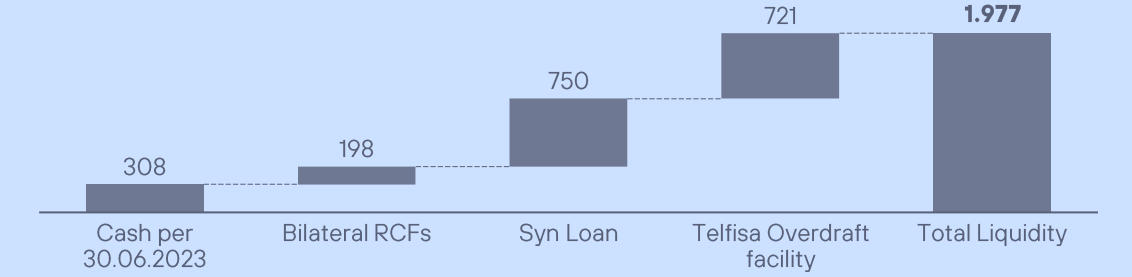
Financing & Interest mix

(m€)



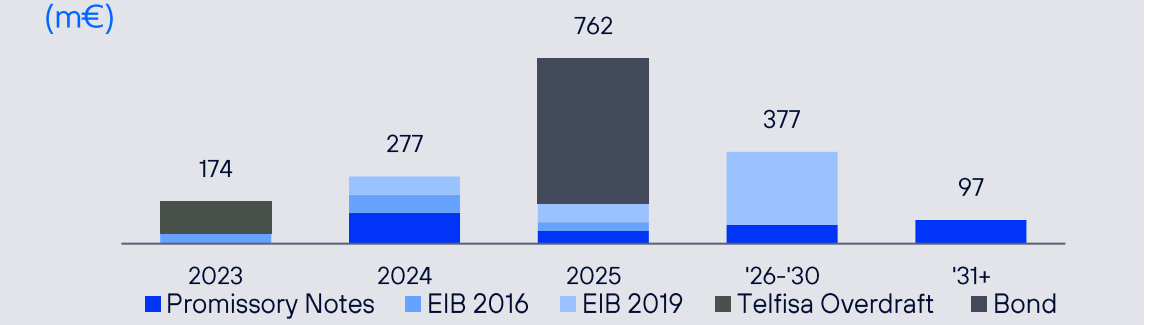
Liquidity

(m€)



Maturities[1]

(m€)



[1]excludes undrawn facilities

More-for-more ‘O_2 Mobile’ tariff portfolio launched 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**	x2 GB	x2 GB	x2 GB
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 launched 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

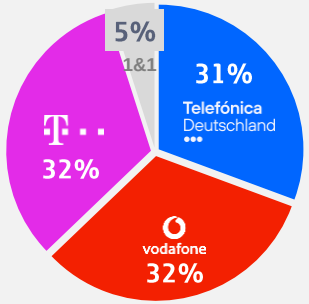
Best-fit by **speed-classes**

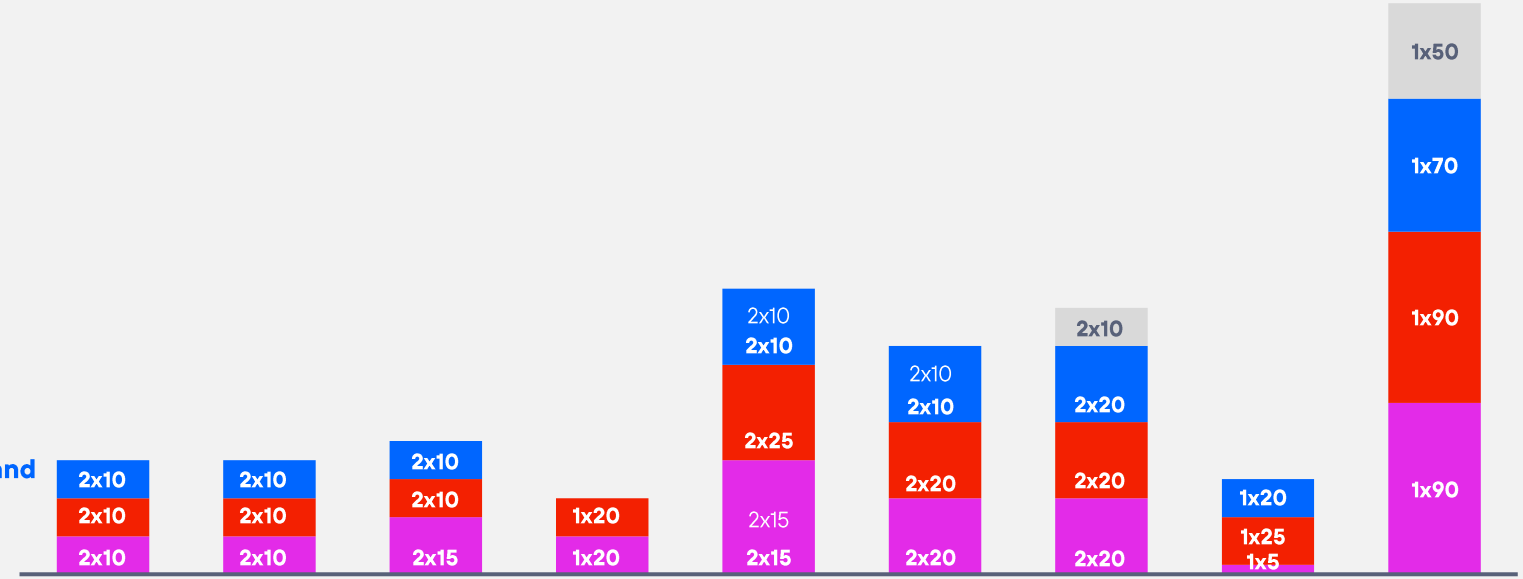
Future ready with **5G**

O_2 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	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**

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
Frequencies	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
Maturity	2019-2033	2010-2025	2017-2033	2015-2033	2010-2025 2017-2033	2010-2025 2021/26-2040	2010-2025	2010-2025	2019-2040

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

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

3rd Place in Telco Service Sector (total 223)

1st Place in Germany

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[1]
ISS ESG	Grade: Prime B- (Good)
FTSE Russel	Successfully listed (4.4 of 5 pts)
V.E	Successfully listed (66 of 100 scores – advanced)[2]
Bloomberg	Successfully listed (72.63%)
ecovadis Business Sustainability Ratings	Successfully listed 72/100 (Gold)

[1] Status: January 2023

[2] Note: Result 2021

Telefónica Deutschland