



Telefónica Deutschland Kepler Chevreux 19th German Corporate Conference

20 January 2020

Markus Rolle

CFO

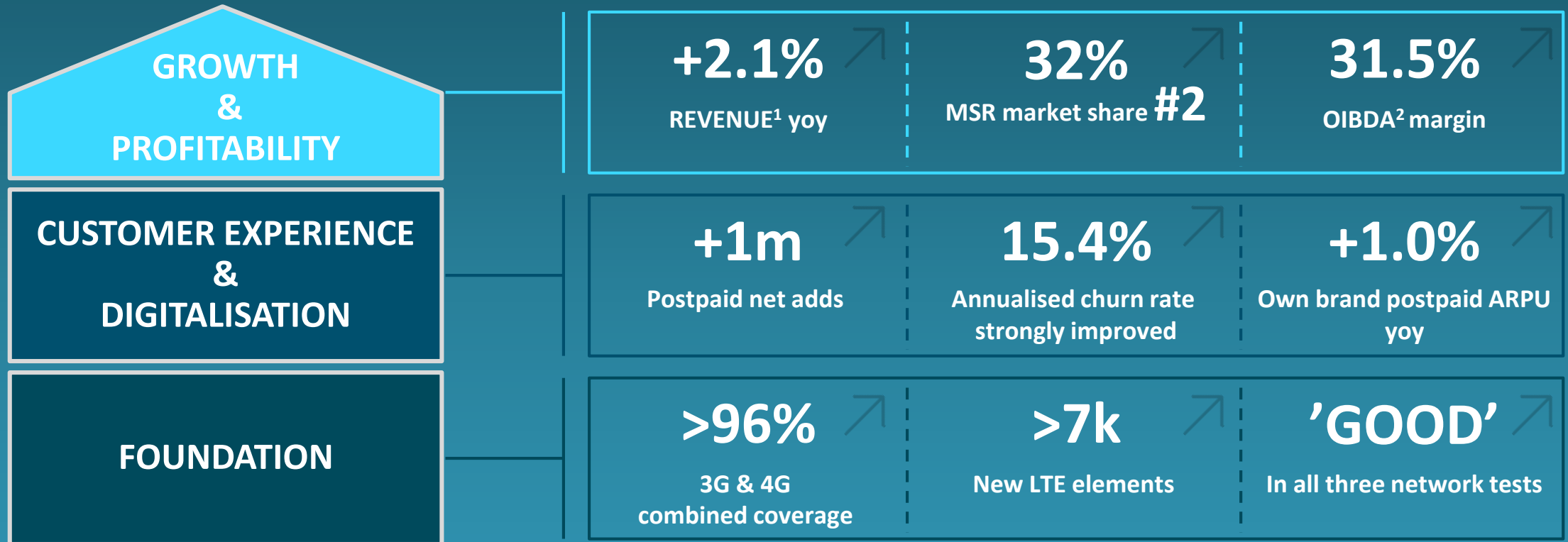
 Markus Rolle

Disclaimer

This document contains statements that constitute forward-looking statements and expectations about Telefónica Deutschland Holding AG (in the following “the Company” or “Telefónica Deutschland”) that reflect the current views and assumptions of Telefónica Deutschland's management with respect to future events, including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations which may refer, among others, to the intent, belief or current prospects of the customer base, estimates regarding, among others, future growth in the different business lines and the global business, market share, financial results and other aspects of the activity and situation relating to the Company. Forward-looking statements are based on current plans, estimates and projections. The forward-looking statements in this document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", and similar language or the negative thereof or by forward-looking nature of discussions of strategy, plans or intentions. Such forward-looking statements, by their nature, are not guarantees of future performance and are subject to risks and uncertainties, most of which are difficult to predict and generally beyond Telefónica Deutschland's control, and other important factors that could cause actual developments or results to materially differ from those expressed in or implied by the Company's forward-looking statements. These risks and uncertainties include those discussed or identified in fuller disclosure documents filed by Telefónica Deutschland with the relevant Securities Markets Regulators, and in particular, with the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin). The Company offers no assurance that its expectations or targets will be achieved. Analysts and investors, and any other person or entity that may need to take decisions, or prepare or release opinions about the shares / securities issued by the Company, are cautioned not to place undue reliance on those forward-looking statements, which speak only as of the date of this document. Past performance cannot be relied upon as a guide to future performance. Except as required by applicable law, Telefónica Deutschland undertakes no obligation to revise these forward-looking statements to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telefónica Deutschland's business or strategy or to reflect the occurrence of unanticipated events. The financial information and opinions contained in this document are unaudited and are subject to change without notice. This document contains summarised information or information that has not been audited. In this sense, this information is subject to, and must be read in conjunction with, all other publicly available information, including if it is necessary, any fuller disclosure document published by Telefónica Deutschland. None of the Company, its subsidiaries or affiliates or by any of its officers, directors, employees, advisors, representatives or agents shall be liable whatsoever for any loss however arising, directly or indirectly, from any use of this document its content or otherwise arising in connection with this document. This document or any of the information contained herein do not constitute, form part of or shall be construed as an offer or invitation to purchase, subscribe, sale or exchange, nor a request for an offer of purchase, subscription, sale or exchange of shares / securities of the Company, or any advice or recommendation with respect to such shares / securities. This document or a part of it shall not form the basis of or relied upon in connection with any contract or commitment whatsoever. These written materials are especially not an offer of securities for sale or a solicitation of an offer to purchase securities in the United States, Canada, Australia, South Africa and Japan. Securities may not be offered or sold in the United States absent registration under the US Securities Act of 1933, as amended, or an exemption there from. No money, securities or other consideration from any person inside the United States is being solicited and, if sent in response to the information contained in these written materials, will not be accepted.

Major progress towards our vision of becoming Germany's Mobile Customer & Digital Champion by 2022

9M-2019



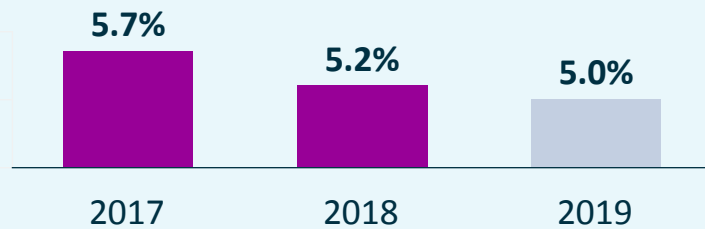
¹ Excluding regulatory effects

² Adjusted for exceptional effects such as restructuring costs or the sale of assets and excluding regulatory effects

Germany a safe harbour; 5G and exclusive cable access as game changers for Telefónica Deutschland

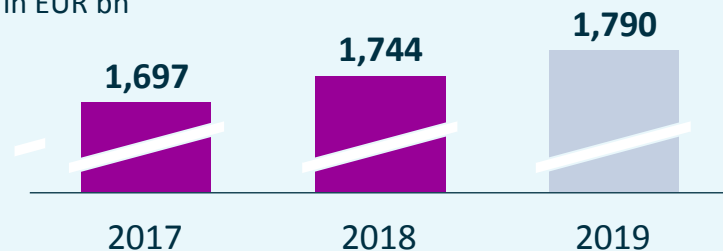
Stable macro-environment

Unemployment rate¹



Consumer spend²

in EUR bn



Current trends

Dynamic yet rational mobile market

Data growth maintains CAGR of ~50%

Soft convergent market environment

3 strong mobile networks

Future trends

5G use cases & demand to accelerate

Fixed-Mobile-Substitution (FMS) becoming increasingly **relevant**

Potential 4th urban MNO

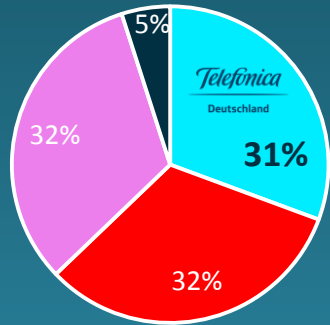
3 integrated (mobile + fixed) players

¹ Source: Federal Employment Agency

² Source: Destatis, 2019 estimate by Ifo Institute for Economic Research Sept. 2019
Please note: 2019 based on internal estimates

The right time to invest to accelerate future growth for Telefónica Deutschland

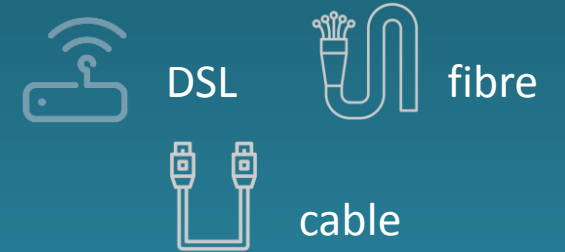
Competitive spectrum position



>300MHz

Largest infrastructure footprint with exclusive cable wholesale access

>90% with German households >30 Mbit/s



Telefónica

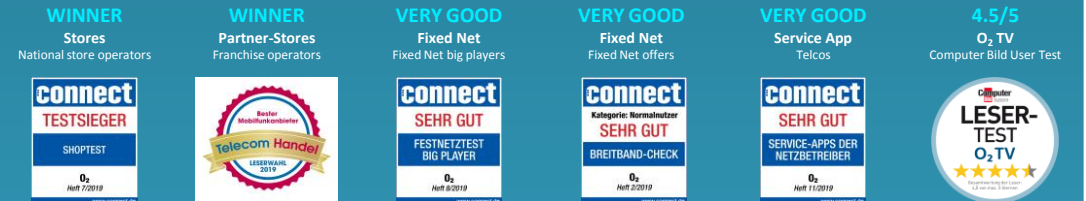
Deutschland

3x 'GOOD' in all network tests



Significantly improved network performance for ~44m mobile accesses

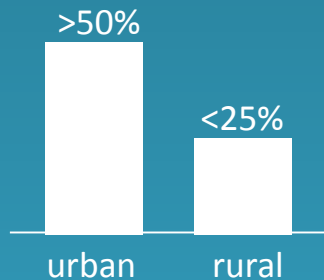
Customer experience



Premium customer service & access to all sales channels

The expansion of our mobile network allows Telefónica Deutschland to accelerate our growth trajectory

Opportunity: Mobile customer distribution



Step change in network quality from accelerated 4G/5G roll-out



Boost rural coverage via 4G

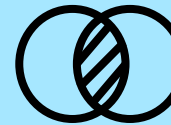


Accelerate urban capacity via 5G

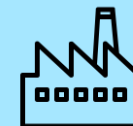
Boost revenues to outperform market



Mobile growth in rural – reinforcement in urban



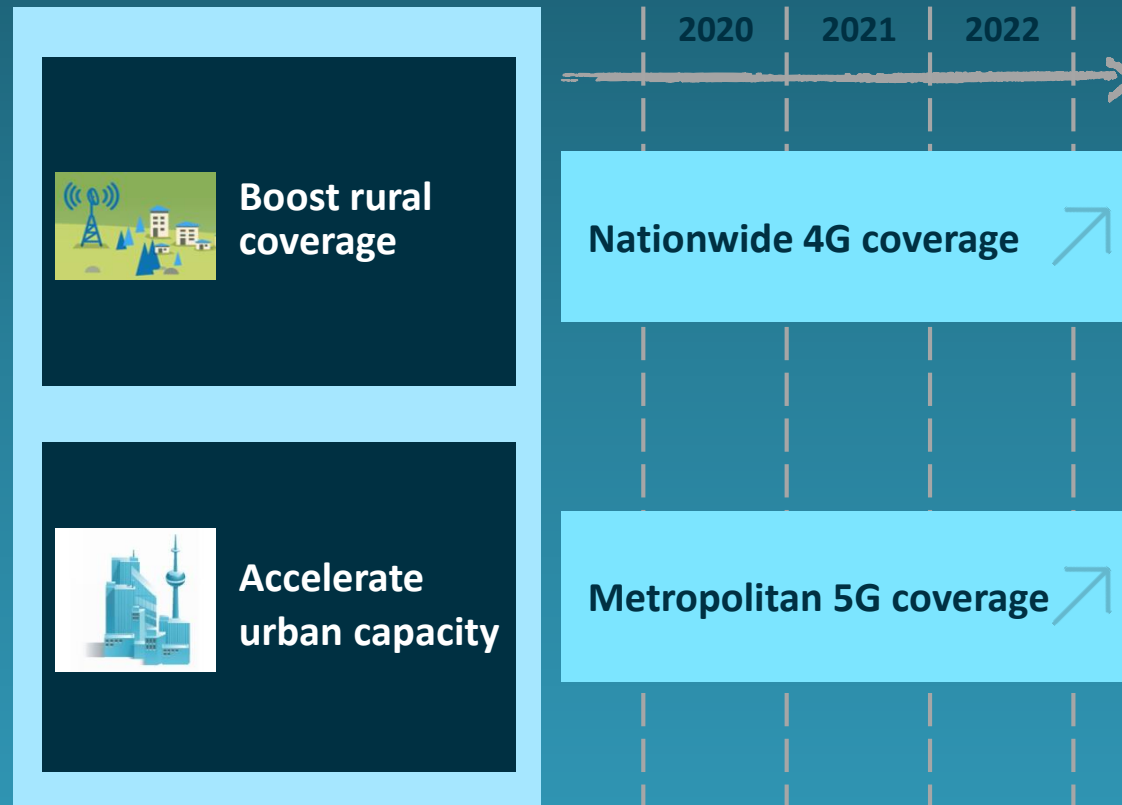
Smart bundling
to capture value and reduce churn



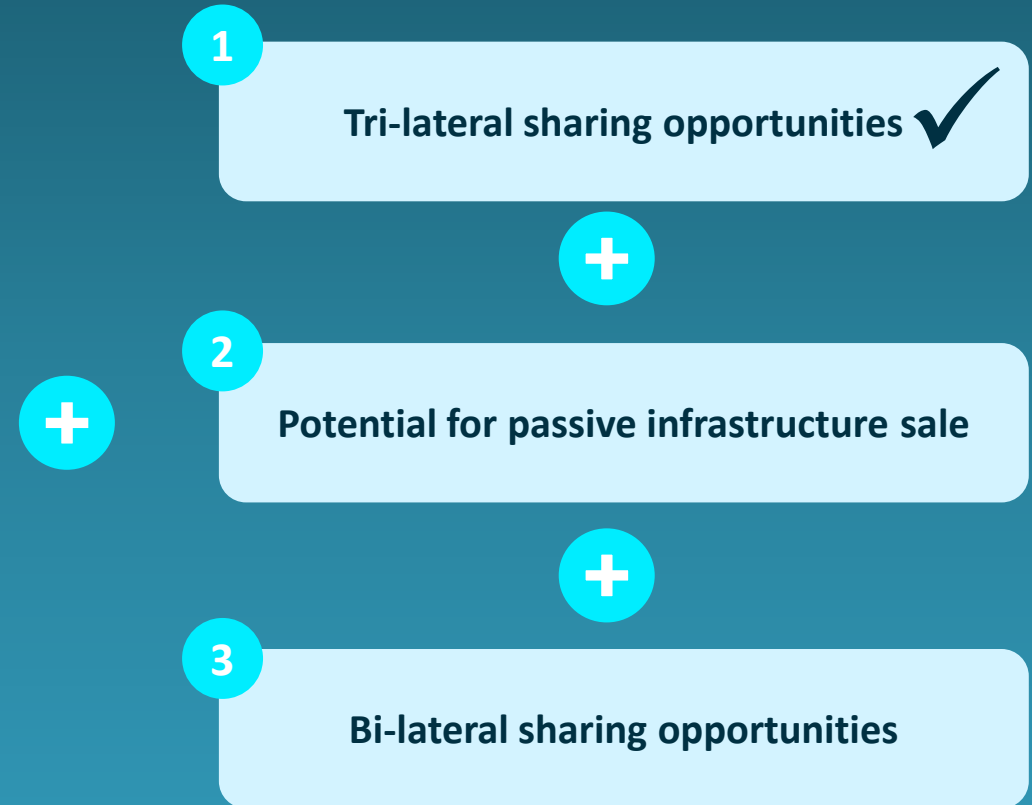
Attack in B2B
to reach fair market share in SME

Smart investment profile to further push network quality adding 4G coverage & 5G capacity; 3G network switch-off by the end of 2022

Network roll-out strategy



Infrastructure sharing strategy



Mid-term outlook

	Mid-term guidance (CMD 2018)	Updated midterm guidance 2020/22
Revenue ¹	Growth in line with the German market	TEF D with cumulated growth of min. 5%
OIBDA ²	Ongoing margin improvement	Ongoing margin improvement
C/S ³	Stable ⁴ Capex envelope	2-year investment programme to generate growth C/S incl. 5G RAN peaking in 2020/21 between 17-18%; normalising already in 2022

¹ Excluding regulatory effects

² Adjusted for exceptional effects such as restructuring costs or the sale of assets and excluding regulatory effects

³ Excluding additions from capitalised right-of-use assets (as of 1 January 2019) and excluding additions from capitalised finance leases (till 31 December 2018)

⁴ Includes front- and backhaul for 4G but 5G backhaul only

Strong confidence in mid-term FCF generation ability



FCF

- **Temporary investment programme** to drive future growth & profitability
- **Strong confidence in mid-term FCF generation ability**
- **No material cash tax** during investment period; minimum taxation of 12-13% thereafter (due to tax losses carried forward of EUR 14.7 billion for corporate income tax and EUR 14.3 billion for trade tax)



Leverage¹

- Maintaining **Fitch BBB investment grade rating**
- **Strong B/S with low indebtedness**; leverage at 0.9x (IAS 17) resp. 1.8x (IFRS 16) as of 30.09.2019
- **IFRS 16 leverage target: At or below 2.5x; solid headroom under current rating**
- Deferred spectrum payments lead to increased **financial flexibility**

<https://www.telefonica.de/investor-relations-en/share/dividend.html>

Remain committed to attractive shareholder remuneration



Dividend proposal FY 2019 & guidance

- Proposal of EUR 0.17 for FY 2019, which will be a floor during our investment programme
- ~6% dividend yield based on closing price as of 10 December 2019



Dividend policy

- Continuity since the IPO
- High pay-out ratio to FCF adjusted for leases (aL)¹

¹ Free Cash Flow is defined as net financial Free cash flow adjusted for leases, spectrum payments and exceptional items

Summary / Key priorities

Accelerating growth trajectory



Boost rural coverage, accelerate urban capacity



Smart bundling to improve loyalty



Technology-agnostic internet solutions; fixed-mobile substitution to improve profitability



Leverage B2B strategy to gain fair market share in SME



Revenue¹ with a cumulated growth of min. 5% between 2020/22

OIBDA²: Ongoing margin improvement

Capex³: 2-year investment programme to generate growth with C/S peaking at 17-18% in 2020/21 and normalising already in 2022

Dividend proposal of EUR 0.17 for FY 2019, which will be a floor during our investment programme

¹ Excluding regulatory effects

² Adjusted for exceptional effects such as restructuring costs or the sale of assets and excluding regulatory effects

³ Not considering the impact from potential network sharing opportunities



Get in touch with the Investor Relations team!



Dr. Veronika Bunk-Sanderson, CFA
Director Communications & Investor Relations

+49 176 2102 8909
veronika.bunk-sanderson@telefonica.com



+49 89 2442 1010



IR-Deutschland@telefonica.com



@TEFD_IR / \$O2DGR



Marion Polzer, CIRO
Head of Investor Relations

+49 176 7290 1221
marion.polzer@telefonica.com



Eugen Albrecht.
Senior Investor Relations Officer

+49 176 3147 5260
eugen.albrecht@telefonica.com

Telefonica

Deutschland