



Deutschland

Investor Relations im Transformationsprozess

IR Next

München, 2 November 2016



Telefónica Deutschland
Investor Relations

Public – Nicht vertraulich

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Telefónica Deutschland and IR team

- Largest mobile network operator in Germany by customer accesses
- Offers mobile and fixed services for private and business customers via own and partner channels
- Every second German has a contract with TEF D: 44.1 m mobile accesses / 49.2m total customer accesses as of 30 Sep 2016
- Listed since Oct 2012; member of TecDAX since Mar 2013
- Merger with E-Plus announced in June 2013 and completed in Oct 2014
- Vision: Creating the Leading Digital OnLife Telco in Germany
- New business areas: Digital solutions beyond connectivity



Dr. Veronika Bunk-Sanderson, CFA
Director Investor Relations

- Joined TEF D IR team in Aug 2015
- Previously Senior Manager IR at Telekom Austria, Vienna

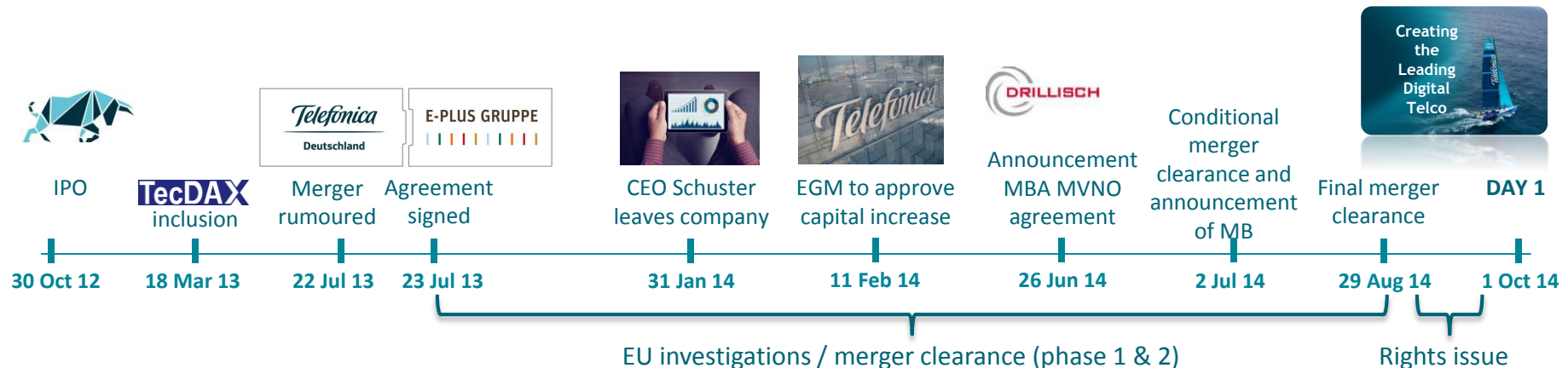


Marion Polzer, CIRO
Senior Manager Investor Relations

- Joined TEF D IR team in Jan 2013
- Previously various positions within TEF D Group

Telefónica Deutschland: From IPO to NewCo

Telefónica Deutschland during first 2 years of listing



Challenges

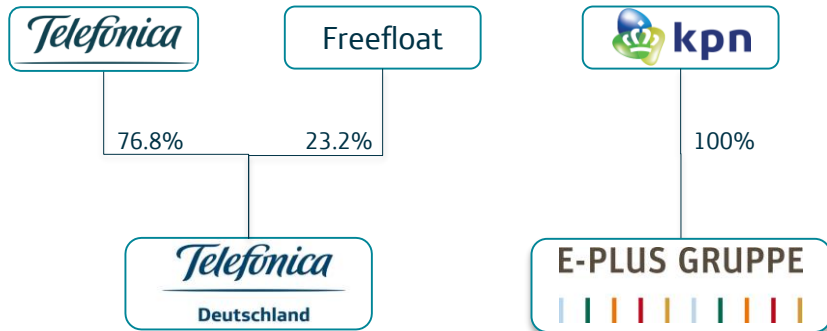
- Risk of deal failure due to uncertainties around merger approval and remedies
- Remaining competitive in the market while managing the regulatory clearance process
- Limited market communication due to confidentiality agreements before final closure
- 2-step transaction structure between 4 parties
- New ownership structure; liquidity issues

Opportunities

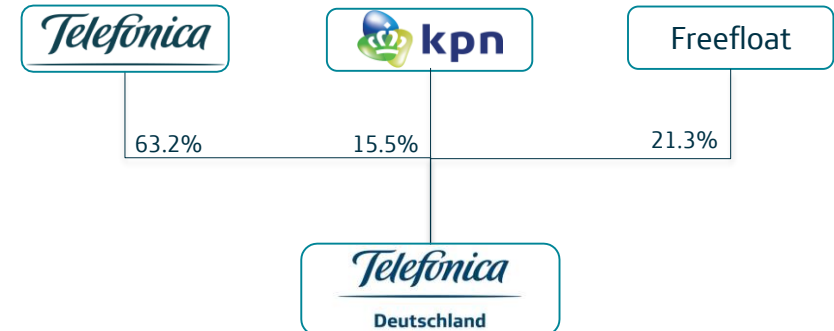
- Synergy potential of EUR >5bn in NPV, driven by network & elimination of duplications
- Tracking and reporting of EUR 800m OpCF synergies over 5 years
- New market position: From sub-scale challenger to market leader actively shaping the market
- Opportunity to digitalise and transform the business
- Attractive TSR for value and growth investors

Integration process

Shareholder structure pre transaction

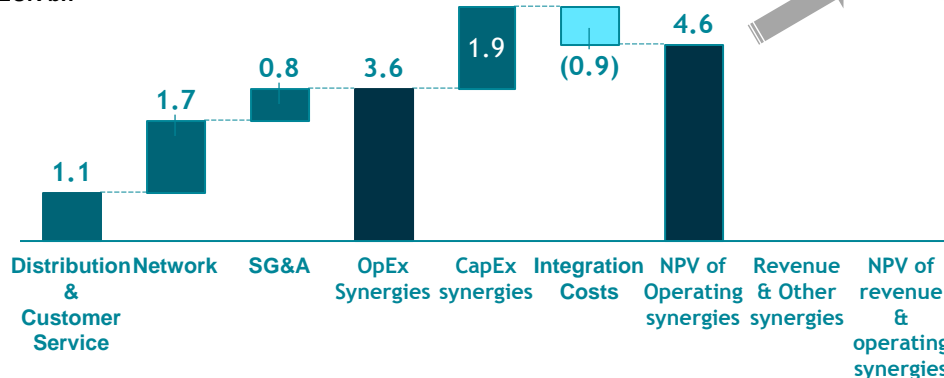


Current shareholder structure



Synergies case

In EUR bn



More than
EUR 5bn

- Runrate² of EUR 800m of OpCF synergies by year 5 of integration
- Driven by employee restructuring, site decommissioning, shop & facility reductions and other workstreams

¹ Calculated as the sum of the present values of forecasted future cash flows including the so-called "terminal value" (NPV of expected future cash flows beyond the explicit forecast horizon) after tax.

² Run-rate of opCF synergies is pre-tax and does not include potential upside from wholesale revenues and others

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Capital market communication in different stages



Pre merger clearance

- Focus on operational results
- Transaction structure; gaining AGM support for financing of transaction
- Synergy potential & expected remedies

Post merger clearance

- Focus on remedies
- Preparing for CCI & CIK; impacts from harmonisation of accounting policies
- From PMO to new company structures

Post closure

- New equity story built on 3 strategic principles of M-I-T: Momentum – Integration - Transformation
- Competitive dynamics & market impacts from remedies increasingly relevant
- Manage market expectations around market repair => Competitive and regulatory headwinds
- Focus on integration milestones & synergy execution

Equity Story of Telefónica Deutschland

1

Drive momentum in an attractive and dynamic telecoms market

- Attractive and dynamic telco market
- Significant data monetisation opportunity
- Excellent competitive position

2

Shaping the digital transformation for an exceptional customer experience

- Multi-brand, multi-channel go-to-market strategy
- Successful up- and cross-selling mechanisms
- Digitalisation of customer relationships

3

Lean & efficient operations to drive growth in profitability and FCF

- Simplified and lean operating model
- 4G network integration in full swing
- Ambitious synergy target: EUR 800m OpCF savings in year 5

4

Attractive shareholder return & financial flexibility on strong fundamentals

- Commitment to attractive dividend policy
- Conservative financing policy
- High financial flexibility



Keep the Momentum



Integrate quickly



Transform the company

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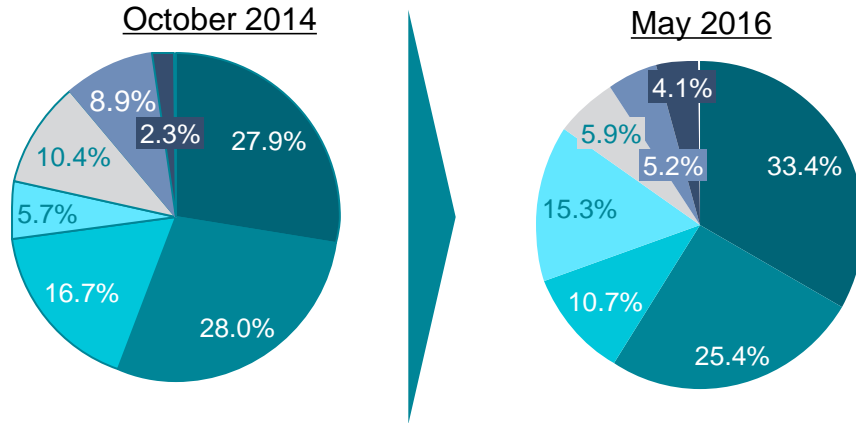
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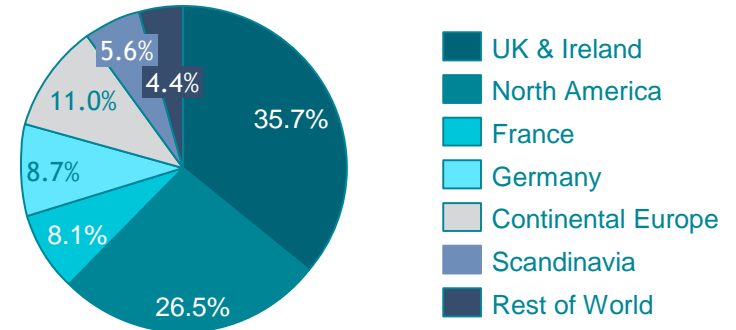
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Development of free float structure

Shareholder structure TEF D

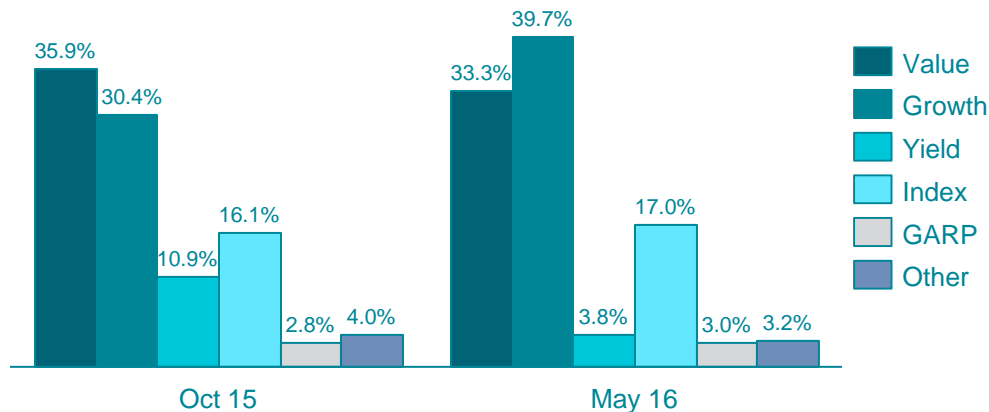


Peer* shareholder structure



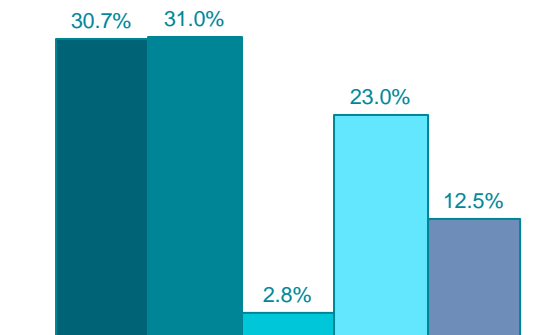
*Peers are: DTE, VOD, TEF, KPN, DRI, FNTN, UTDI

Investment style TEF D



Oct 15
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Peer investment style



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Share price development



Telefónica Deutschland – Q&A



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