

# Telefónica Deutschland

Quarterly results  
July - September 2012

*Telefónica*

Deutschland

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# Telefónica Deutschland results presentation



**René Schuster**

**CEO**  
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**CFO**  
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Holding AG

# 01

## Highlights



# Telefónica Deutschland gaining #3 position in the German market<sup>1</sup>

## Mobile Data is driving growth

### Strong financial performance in Q3 2012

- Total revenue growth of 4.1% y-o-y driven by Wireless Service Revenue y-o-y growth of 5.6%
- Non-messaging revenues improved by 28.3% y-o-y benefitting from increased Smartphone penetration
- Significant OIBDA growth of 12.5% y-o-y resulting in Telefónica Deutschland's highest OIBDA margin post group fees of 25.7%
- Acceleration of capital expenditure in the quarter to support LTE roll-out

### Core KPIs show continued positive momentum driven by mobile data growth

- Postpaid net adds of 171k – keeping growth momentum in a competitive market
- Blended ARPU at €14 – successful data monetisation is driving solid ARPU
- Data revenue continues to grow, now contributing 44% of total Wireless Service Revenue
- Smartphone shipments of 95% o/total in the quarter

<sup>1</sup> Based on Q3 2012 Wireless Service Revenue

# The right assets to deliver sustainable growth

## Enhanced product portfolio

Enhanced mobile data components in all of our tariffs:

- Added **more value** to our existing data tariffs
- Added **LTE service options to our tariffs**
- Developed **new mobile internet offerings** which covers **surfing abroad**



O2 blue

## Mobile network of the future

- **Commercial launch of LTE** for our consumer and business customers
- Added **high-speed areas** in and around **Nuremberg** and **Dresden**
- **Cooperation with Deutsche Telekom** ensures strong technology basis for LTE network



LTE4G  
SCHNELLER. BESSER. SURFEN.

## The latest smartphones

- Apple iPhone 5
- Samsung Galaxy S3 (LTE 800-enabled)
- HTC One XL (LTE 800-enabled)



# 02

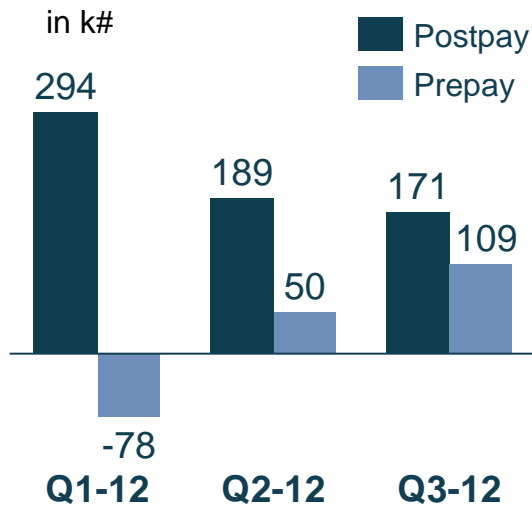
## July– September 2012 Financial Performance



# Solid customer growth in a competitive environment

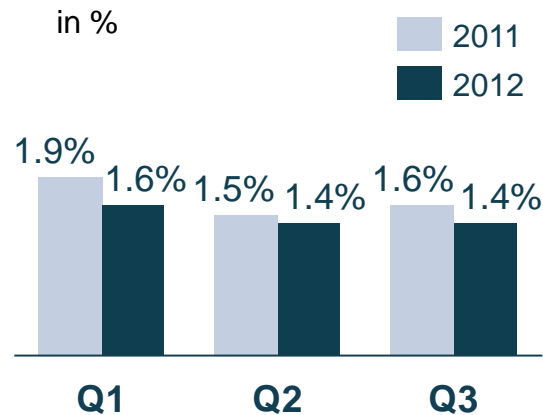
## Focus on valuable mobile postpaid customers

### Mobile net adds



- Solid growth – keeping momentum in a competitive market
- Postpaid share of net adds reaching 89% YTD
- Postpaid subscribers contribute 52% to total mobile subscriber base

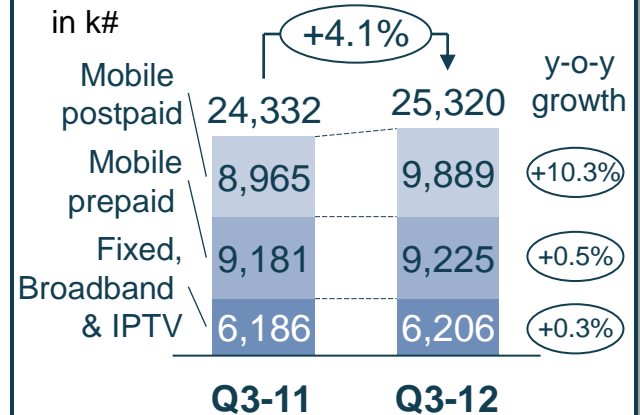
### Postpaid churn rate



- Improving churn rates in Postpaid through focus on customer satisfaction



### Total access base



- Focus on mobile Postpaid leading to strong growth of +10.3%
- Stable fixed-net base to drive convergence

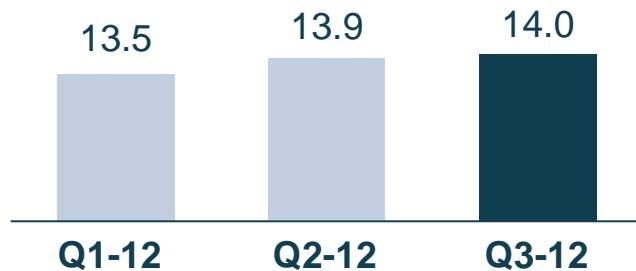


# Continuous ARPU growth over the last quarters

## Successful data monetisation drives solid ARPU

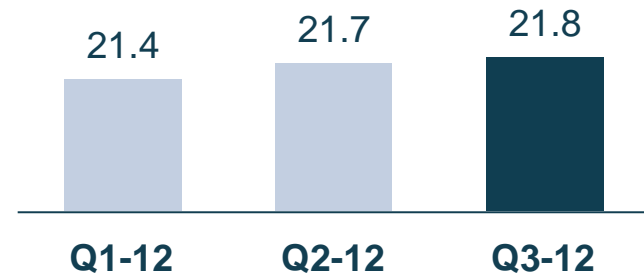
### Blended mobile ARPU

in EUR/month



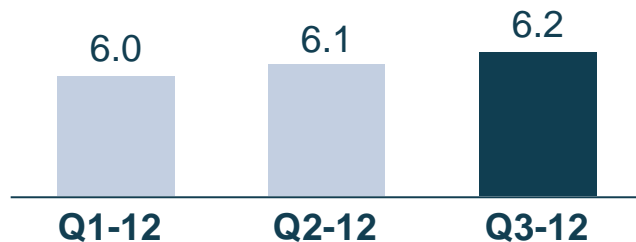
### Mobile Postpaid ARPU

in EUR/month



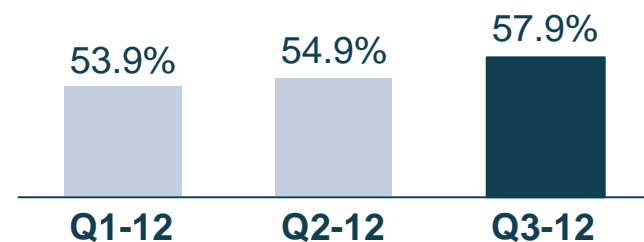
### Data ARPU

in EUR/month



### % non-SMS over data revenues

in %



# Key financials overview

## Customer growth translating into revenue and OIBDA growth

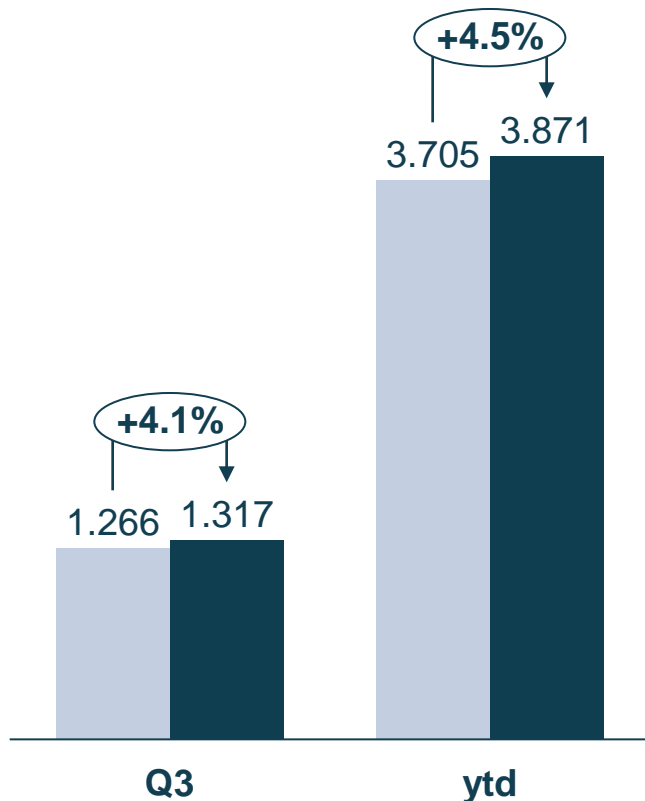
<i>In EUR million</i>	July - September			January – September		
	Q3 2012	Q3 2011	% y-o-y $\Delta$	YTD '12	YTD '11	% y-o-y $\Delta$
<b>Revenues</b>	1,317	1,266	4.1	3,871	3,705	4.5
<b>OIBDA</b> <i>OIBDA margin</i>	339 25.7%	301 23.8%	12.5 1.9p.p.	936 24.2%	833 22.5%	12.4 1.7p.p.
<b>Group fees</b>	(19)	(12)	55.6	(50)	(38)	31.6
<b>OIBDA before group fees</b> <i>OIBDA before group fees margin</i>	358 27.2%	313 24.8%	14.1 2.4p.p.	986 25.5%	871 23.5%	13.2 2.0p.p.
<b>Capex</b>	181	129	40.2	452	373	21.3
<b>OpCF (OIBDA-Capex)</b>	158	172	(8.3)	484	461	5.1

# Total revenue

## Strong, data driven revenue growth

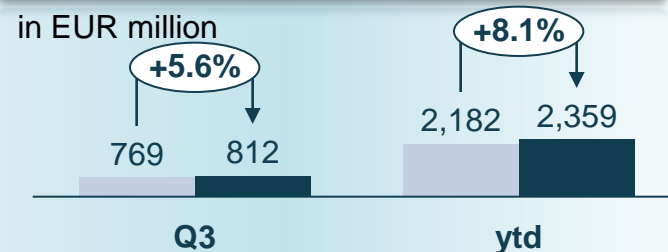
### Total revenue

in EUR million



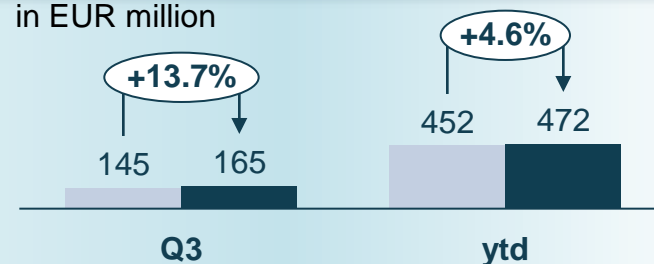
### Wireless Service Revenue

in EUR million



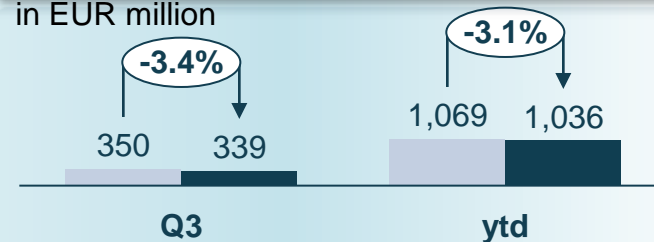
### Handset revenue

in EUR million



### Wireline revenue

in EUR million



2011  
2012

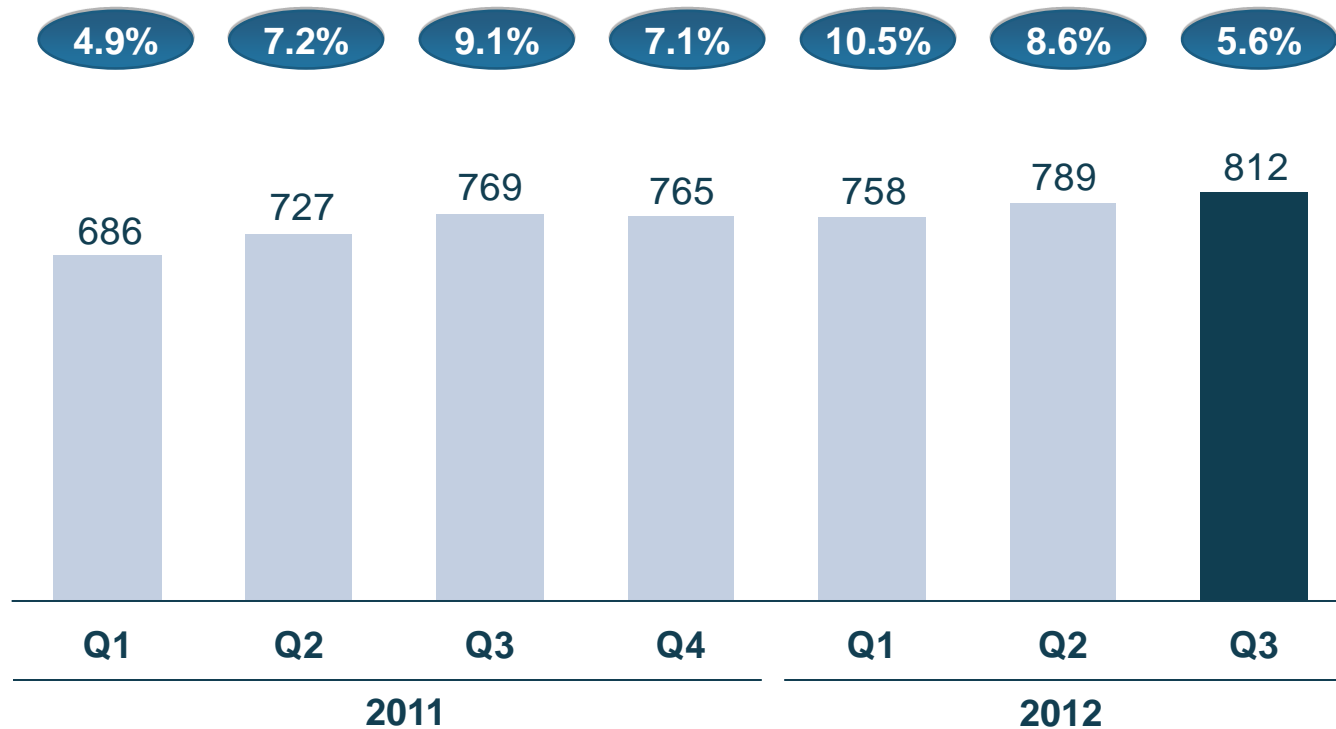
# Wireless Service Revenue

Solid growth in the third quarter, gaining #3 position in the German mobile market<sup>1</sup>

## Wireless Service Revenue

in EUR million

Y-o-y  
growth  
excl. MTR



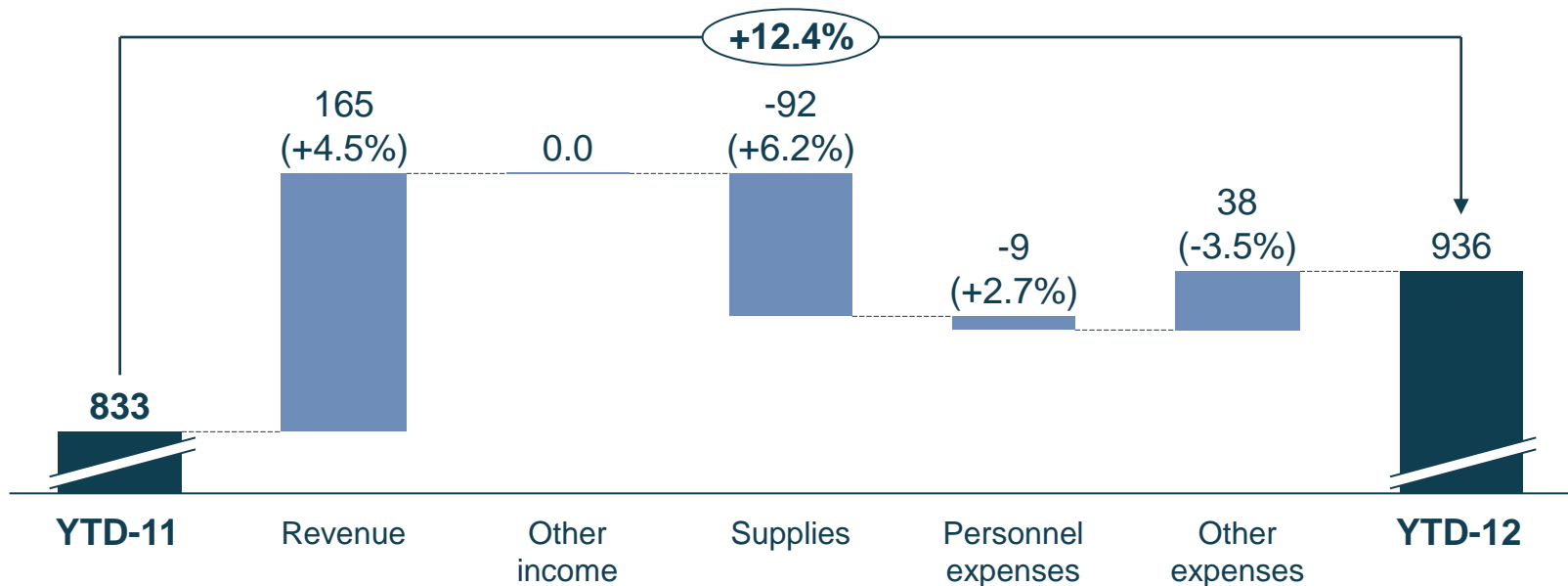
<sup>1</sup> Based on Q3 2012 Wireless Service Revenue

# OIBDA

## Revenue growth and efficiency gains driving OIBDA margin

### OIBDA (post group fees)

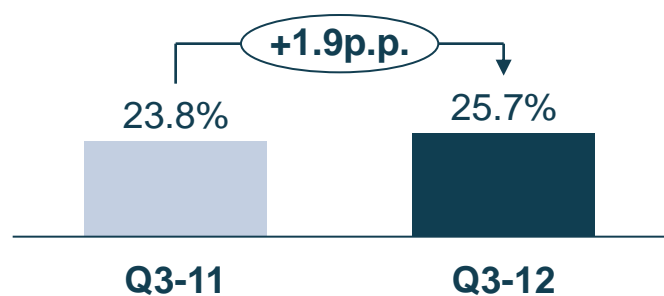
in EUR million, (% changes y-o-y)



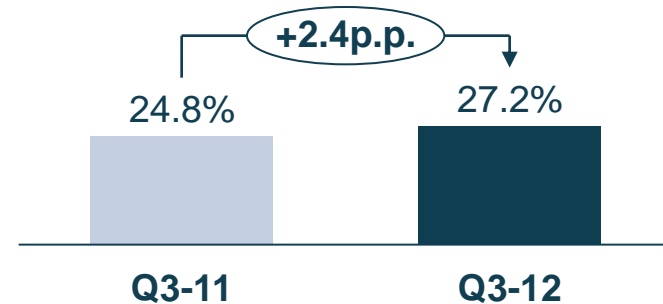
# Group fees and margin development

## Strong margin improvement

### OIBDA margin



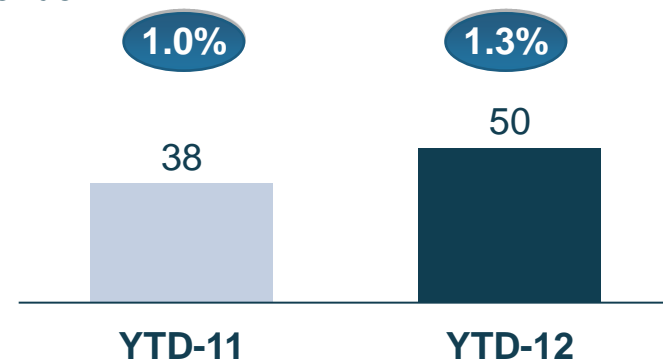
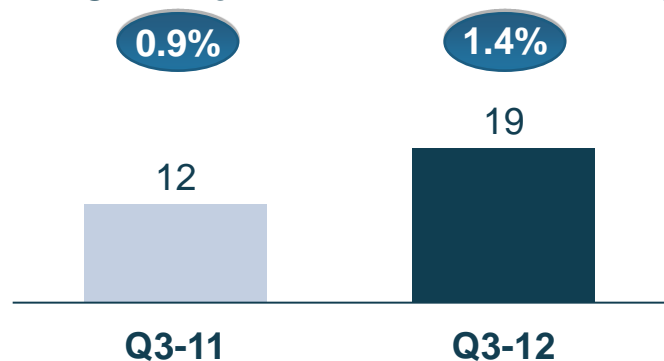
### OIBDA before group fees margin



### Group fees

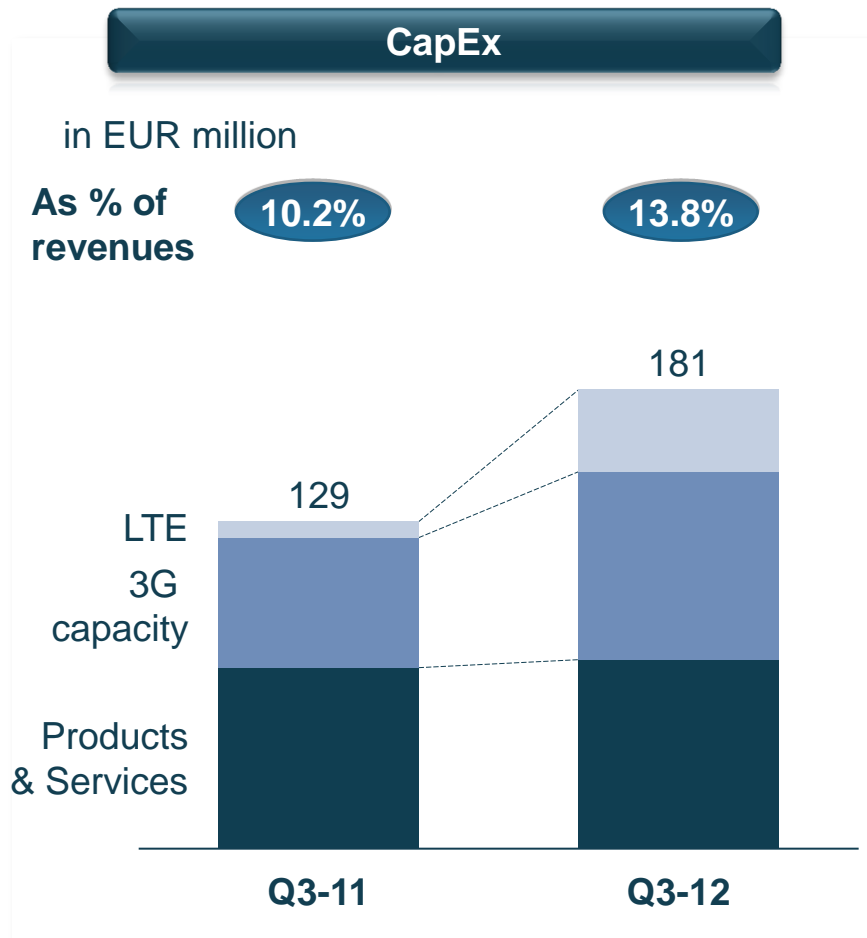
in EUR million

● as % of revenue



# Capex development

## Increasing investments in our network infrastructure



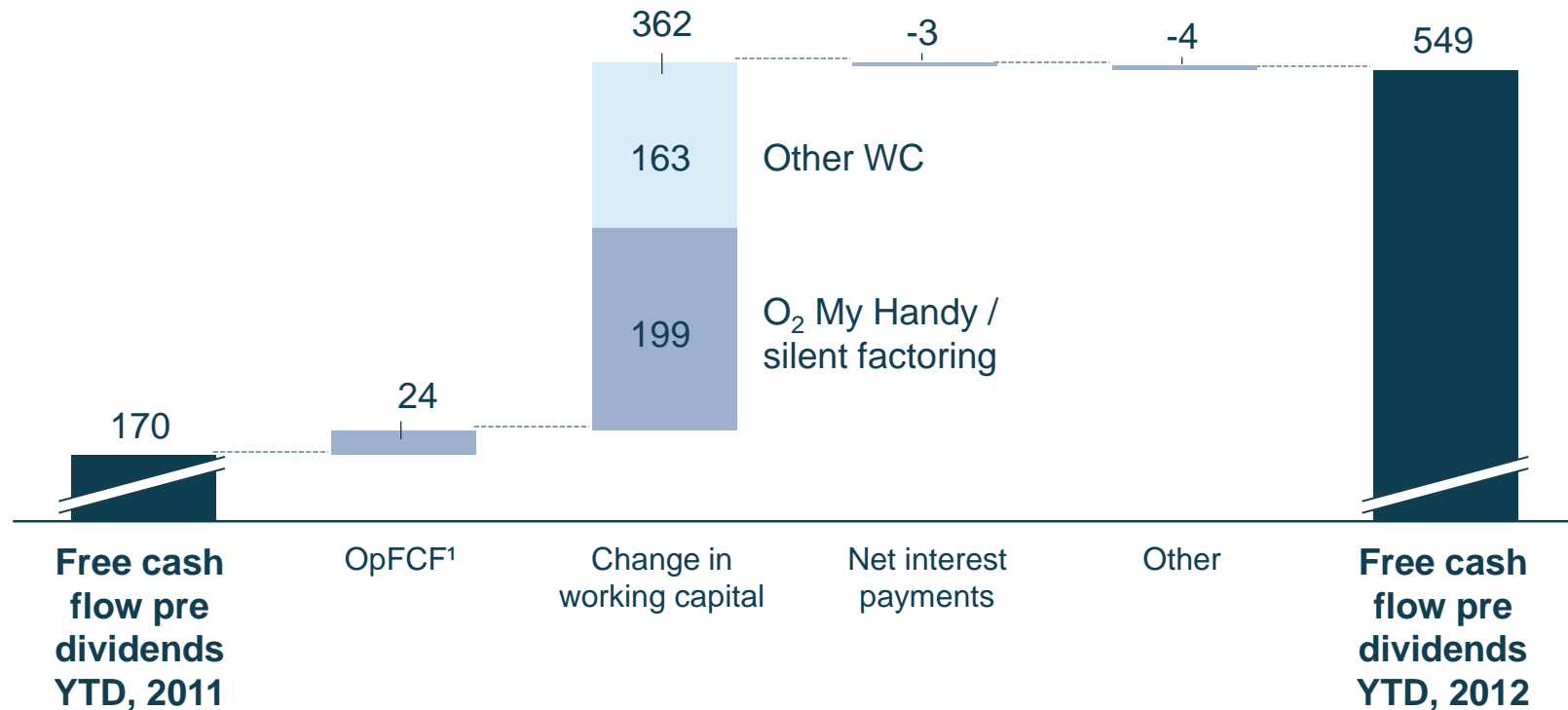
- Increasing investments in our network to support future growth
- With a different phasing of investments than in 2011 we continued to invest in 3G capacity and at the same time accelerating LTE to support future growth
- 2013 and 2014 will be key years of investment in LTE roll-out

# Free cash flow development

Significant y-o-y increase in free cash flow generation

## Free cash flow

in EUR million



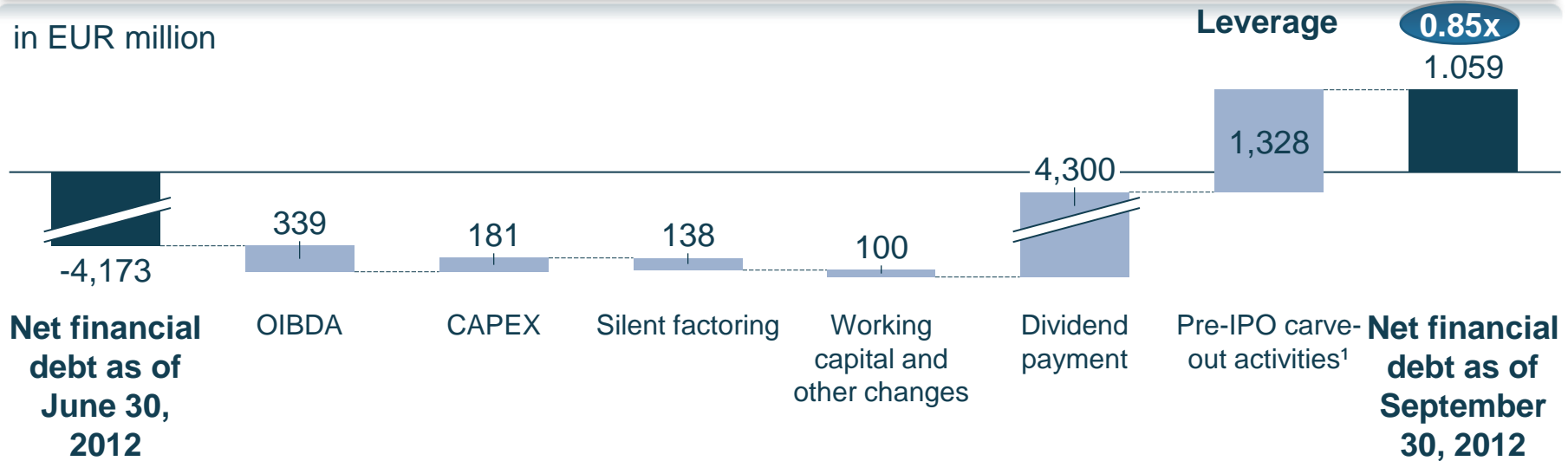
<sup>1</sup> OIBDA - CapEx



# Restructuring activities in Q3'12 to capitalize TEFD as an independent company for the IPO

## Q3'12 net debt evolution

in EUR million



## Capital structure and dividend policy

- Cash dividend for the financial year 2012 payable in 2013 targeted to be around EUR 500m
- The company intends to increase the amount of dividends to be distributed in future years
- Dividends not to be paid if leverage materially and consistently exceeds the target leverage ratio of 1.0x financial net debt/EBITDA
  - Only allow the use of new debt to pay dividends if the leverage ratio complies with the target
- Dividends will be free of German withholding tax for the foreseeable future as paid from tax contribution account

<sup>1</sup>Pre-IPO carve-out activities of €1.3bn consists of the set-off of an existing capital promise in the amount of €2.9bn and net proceeds from prepayments of €854.5m in connection with the termination of the profit and loss transfer agreements with the carve-out entities G3G, Quam, TGS and TGR and the sale of Telefónica Global Activities Holdings B.V.

# 03

Q&A



# Q&A

## Telefónica Deutschland Q3 results conference call



For further questions please contact IR department

## Investor Relations

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