Telefónica Deutschland

Capital Market Day

CMD

23 February 2018

Agenda

Time	Topic	Speaker	Duration
10:00-10:30	Meet & Greet / Coffee & Croissants	Board & IR	30 min
10:30-11:00	Welcome, Vision Tef D 2022	Markus Haas	30 min
11:00-11:30	Transformation: Simpler, faster, better	Markus Rolle	30 min
11:30-12:00	Q&A session	Markus Haas & Markus Rolle	30 min
12:00-13:00	Lunch	All	60 min
13:00-13:20	Network	Cayetano Carbajo Martin	20 min
13:20-13:40	New Business, Business & Partnering	Alfons Lösing	20 min
13:40-14:00	Consumer Business	Wolfgang Metze	20 min
14:00-14:30	Wrap-up and Q&A session	Markus Haas & Markus Rolle	30 min
14:30-15:00	Coffee & Small-talk opportunity	Board & IR	30 min

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Telefonica
Deutschland

WELCOME

Capital Market Day

The next chapter - Vision 2022

Telefónica Deutschland is unique: Becoming the German mobile market leader

CMD

Start-up mentality

1998
Incorporation VIAG Interkom
0 mobile customers

Telefónica Deutschland
E-PLUS GRUPPE

2018
Largest German telco
43m mobile customers

2012
TEF D IPO (placement vol. >EUR 1.4bn)

2014
TEF D & E-Plus merger

2014-2018
Successful execution of merger workstreams

Best macro → Consolidated market → Data growth opportunity

Introduce Telefónica Deutschland board members

Markus Haas
Chief Executive Officer

Markus Rolle
Chief Financial Officer

Wolfgang Metze
Chief Consumer Officer

Alfons Lösing
Chief Partner & Business Officer

Cayetano Carbajo Martín
Chief Technology Officer

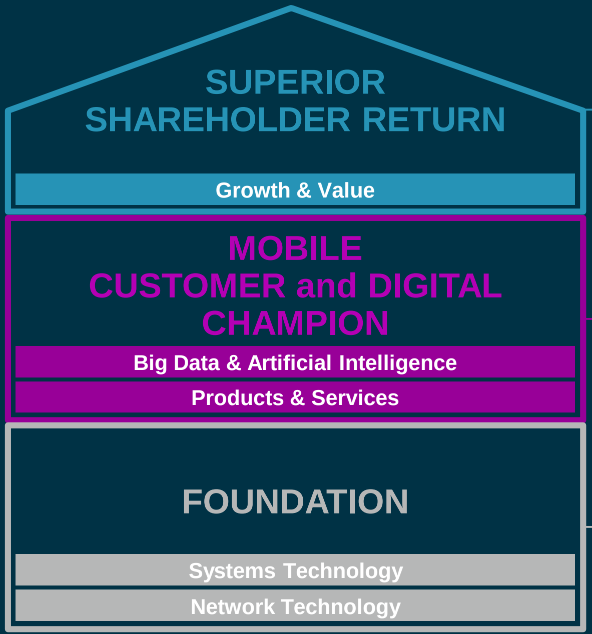
Guido Eidmann
Chief Information Officer

Valentina Daiber
Chief Officer Legal & Corporate Affairs

Nicole Gerhardt
Chief Human Resources Officer

Mobile Customer Champion
Digital Champion

MOBILE CUSTOMER & DIGITAL CHAMPION



We will generate **Superior Shareholder Return** including a strong dividend commitment

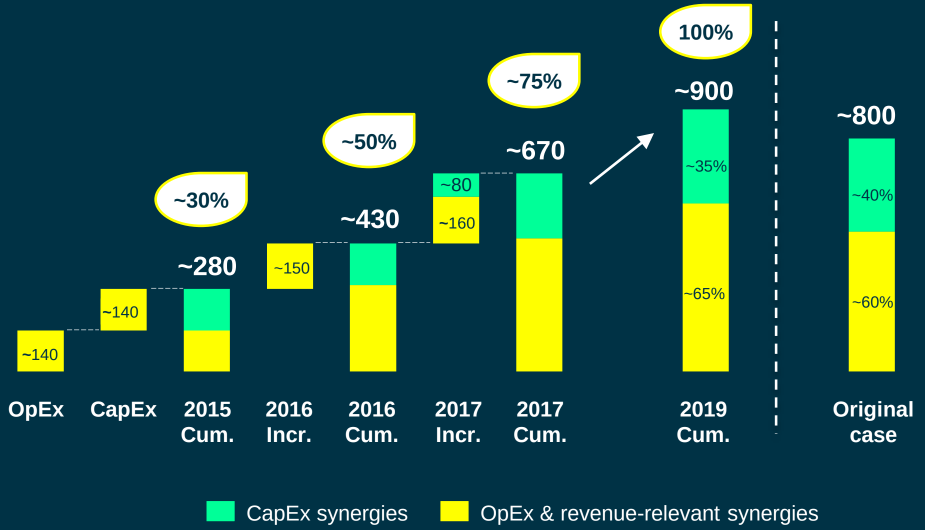
We will become Germany's **Mobile Customer and Digital Champion** by focussing on **CEX & digitalisation**

We have **strong foundations**: Integration success, customer base, outstanding connectivity & lean organisation

Synergies: We delivered more than we promised

2015 2016 2017 2018

- Leaver programme
- Shop footprint optimisation
- Facility consolidation
- Customer migration
- Network integration
- Simplification



Largest and fastest mobile merger

2 companies
3 years

>9,000 Employees

>25%	~1,600 FTE	600	>25m	>14k	O_2 Free
OIBDA growth in 3 years	Organisation harmonised in 3 years	Shop reduction in 3 years	Customers migrated to one IT stack in 2016	Network sites to be consolidated by 2019	First 3G unlimited First 4G big bucket portfolio

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Core asset: Largest owned customer base of ~35 million

BUSINESS

O_2 Free Business/ Unite

O_2 All-IP/VPN

Owned Customers > 80%

CONSUMER

Premium

Non-Premium

Reseller & Ethnic[1]

ALDI TALK

Other < 20%

Service Provider & MVNO[1]

[1] Not exhaustive

Serving over half of German customers with One Network

Ambition: Building the best network for customer experience by 2020

May 15

3G National Roaming

July 15

Transfer 7,700 sites to DTE

April 16

Sale of towers to Telxius

July 16

Consolidation & roll-out **4G network**

April 17

Implementation of **SON** & **SOC**

May 17

Implementation of **CEM**

August 17

Nationwide **1 MNC**

December 2017

>50% Consolidated

Decommissioning of 14k sites | Roll-out of 45k LTE cells | Utilisation of new licenses | Pilot network for 5G

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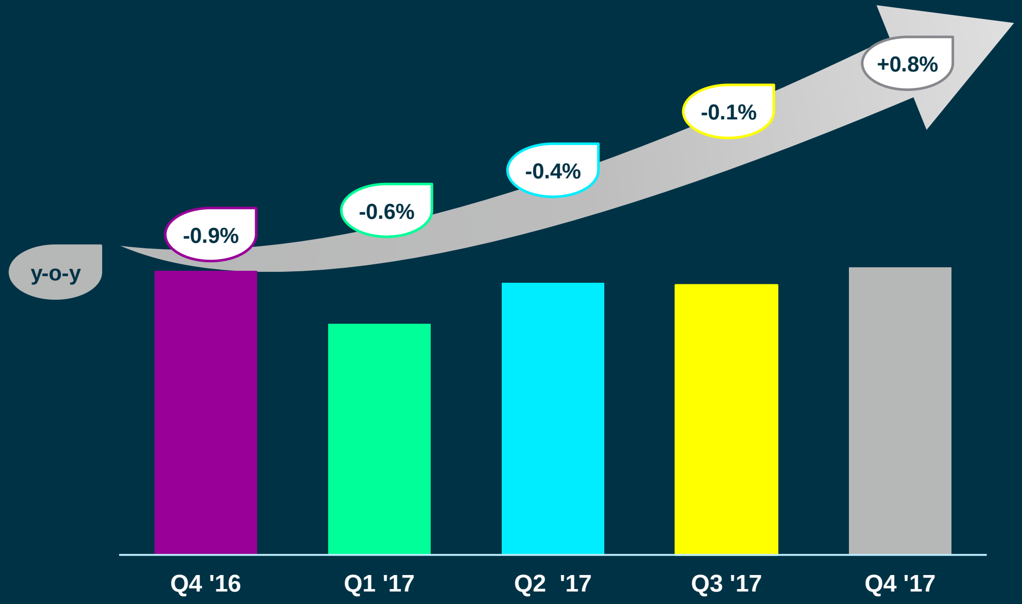
MSR turnaround achieved in 2017

Underlying MSR[1] back to growth in Q4'17



[1] Excluding the impact from regulatory changes; for details please refer to the results release of Q4'17

Our German market thesis

+1.7% GDP[1]

83m Population[1]

6% Unemployment[1]

Environment

Largest 4 to 3 merger in Europe, rational and dynamic market; mobile data usage increase and IoT drive market opportunity with focus on retention and fair market share

Data & sensors

Device & sensor opportunity: Consumer will mainly buy IoT from an existing relationship

Convergence

Soft convergence: Limited consumer demand for quadruple play due to large FTA offering; wholesale access to incumbent broadband network

New regulatory environment

Europe needs a common regulatory framework on spectrum, as well as deregulation and a consistent framework for OTT & net neutrality to encourage investments

[1] FocusEconomics Consensus Forecast Euro Area (2017)

The data & device opportunity: expecting explosive growth

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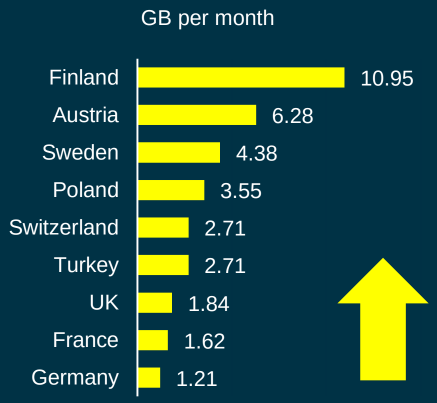
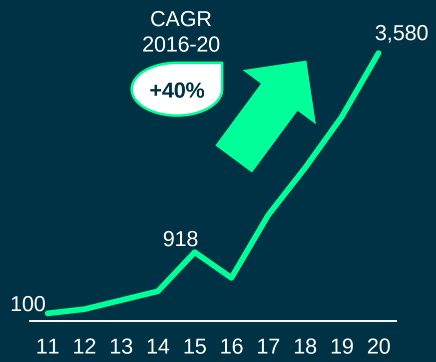
MARKET TRENDS – German market with significant further growth potential

Mobile data usage in Europe[1]



Mobile data traffic in Germany[2]



ADA and IoT growth opportunity[3]

More than EUR
700 million
Smart Media market in Germany by 2020

More than EUR
5.5 billion
Digital Advertising spend in Germany by 2021

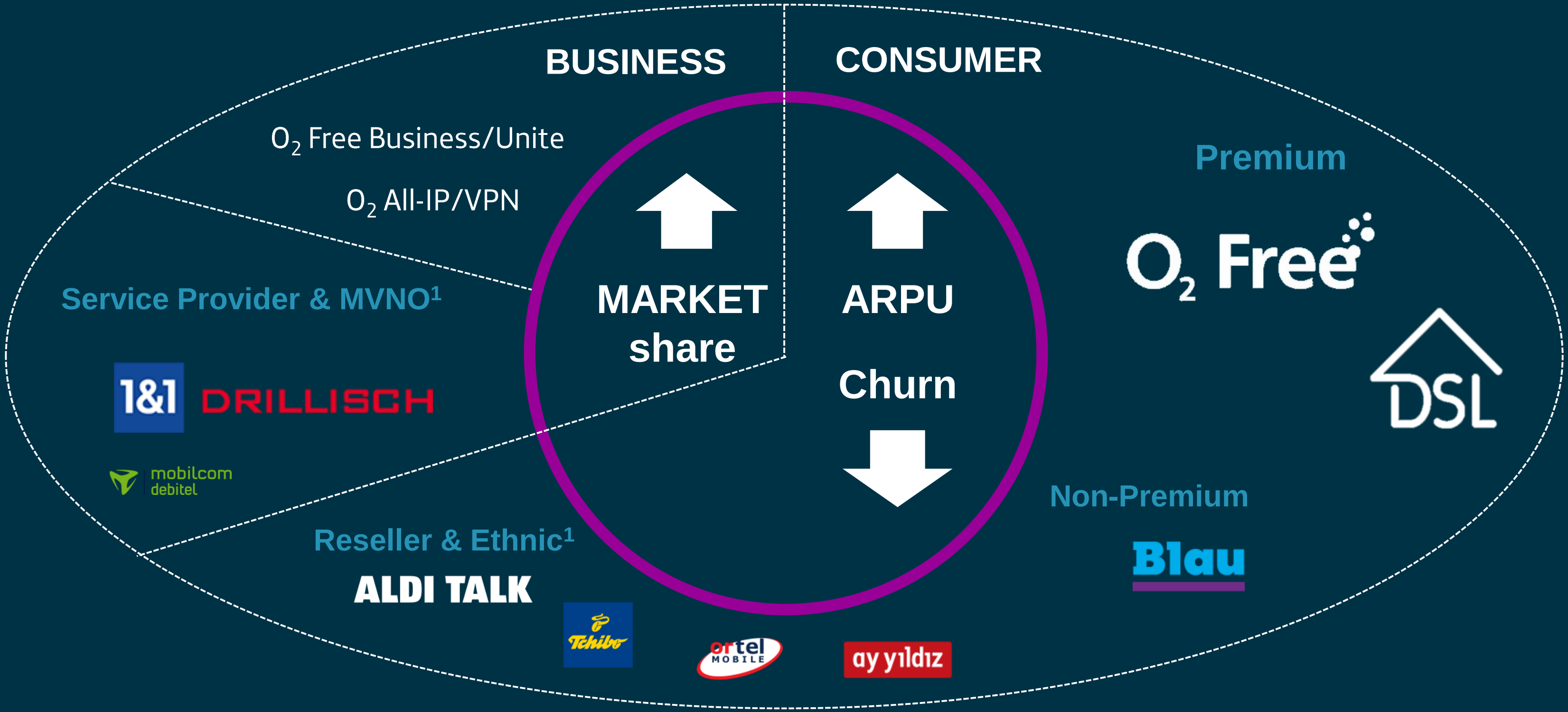
Explosive growth of data and connected things

More than
500 million
devices in Germany by 2022

More than
6 devices
connected per person by 2020

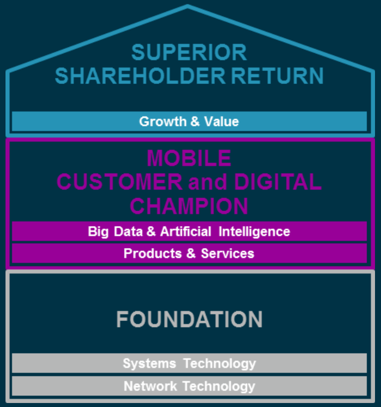
[1] Forbes/OECD (2017): 'Mobile Data Subscriptions: Which Countries Use The Most Gigabytes?'
[2] Bundesnetzagentur (2017): 'Jahresbericht 2016'; Analysis Mason (2017): 'Western Europe telecoms market: interim forecast update 2016-2021'
[3] Company Research / Simon-Kucher & Partners analysis (2017) / Cisco VNI Global forecast (2017) / Please note: Devices including cellular, wifi & bluetooth

We generate growth with a portfolio of future-proof products, services and solutions for all segments



[1] Not exhaustive

Full steam ahead for our transformation programme Digital4Growth



How to become the MOBILE CUSTOMER and DIGITAL CHAMPION?

We want to be …

SIMPLER

FASTER

BETTER

… and transform our business

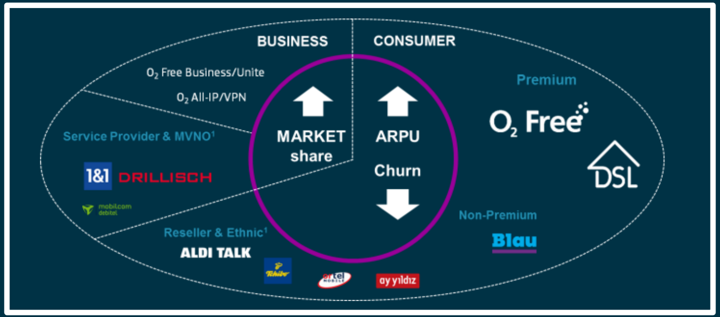
Digital4 Growth

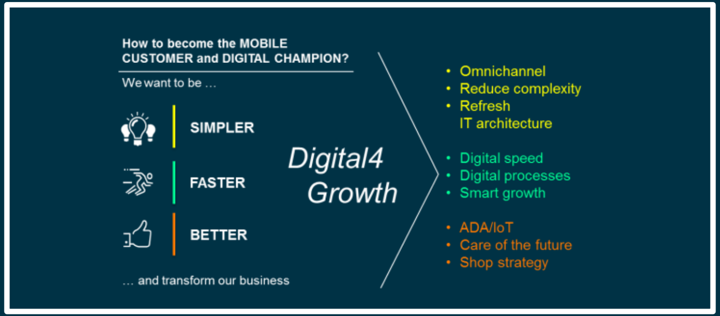
- Omnichannel
- Reduce complexity
- Refresh IT architecture

- Digital speed
- Digital processes
- Smart growth

- ADA/IoT
- Care of the future
- Shop strategy

How do we measure the success of Digital4Growth?





Key KPIs
Ambition 2022

IoT revenue upside: ~EUR 200-300m cumulative	Postpaid churn -2% ppts
Share eCare events: ~80% (vs. 65% 2017)	Total IT spend/subscriber: -15% NT virtualisation: 100%
Connected devices per customer: #4 (vs. #1.5 in 2017)	Gross adds market share in SME: ~30%

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Financial expectations

2018 2019 2020 2021 2022

FY 2018 outlook

- Revenue: Broadly stable yoy excluding a regulatory drag of EUR 30-50m
- OIBDA: Flat to slightly positive yoy excluding a regulatory drag of EUR 40-60m
- Capex/Sales: Approx. 12-13%
- Dividend: Growth over 3 years (2016-2018)

Transformation case

- ~EUR 600m positive gross OIBDA effect by 2022
- Growth-centric case

Mid-term expectations

- Revenue growing in line with German market, capturing market share in IoT
- Ongoing margin improvement
- Keeping Capex stable
- Dividend: High payout ratio to FCF

Evolution of equity story: Becoming the Mobile Customer & Digital Champion

Germany
An attractive and dynamic telecoms market

- Excellent macro
- Data & device explosion
- Dynamic but rational market

An established player
Leveraging economies of scale

- Largest owned customer base
- Multi-brand
- Multi-channel
- ADA & IoT as opportunities

Consumer

New, Business & Partnering

Operational excellence
Digital transformation drives growth

- Largest & most modern network
- Excellent integration track record
- Digital4Growth: SIMPLER FASTER BETTER

Digital4Growth

Network

Value proposition
Attractive shareholder return on strong fundamentals

- Strong FCF trajectory
- High payout ratio to FCF
- Conservative financial profile

Digital4Growth

Integration success has made us leaner & more agile

	2015 – 2018
✔ 1,600 FTEs restructured	Leaver programme
✔ 600 shops reduced	Shop footprint optimisation
✔ 100k sqm consolidated	Facility consolidation
✔ Customer migration completed	Customer migration
~8,000 sites consolidated	Network integration
✔ Internalisation CS completed	Simplification

~EUR 670m
synergies captured
in 3 years

>25%
OIBDA growth
in 3 years

>6%
Dividend yield

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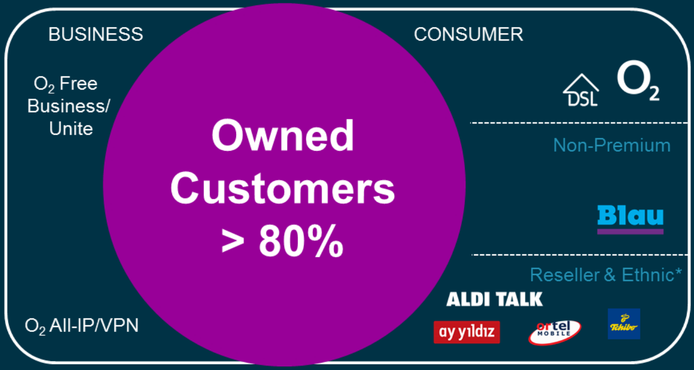
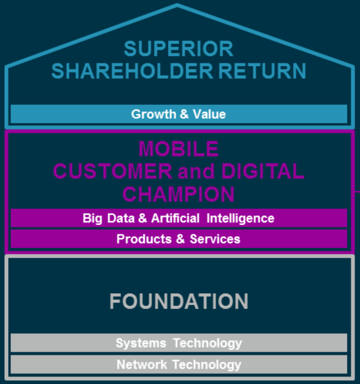
Introducing our transformation ambition: We are going Digital4Growth





We will become Germany's
Mobile Customer and Digital Champion
by focussing on
CEX & digitalisation

How to become a Digital Champion?

SIMPLER	Making **customer interaction** simpler and more intuitive
FASTER	Fulfilling **customer requests** in real-time
BETTER	Offering excellent **customer experience** across each touchpoint

Digital4Growth: Gross OIBDA benefit of ~EUR 600m

Total case:
OIBDA benefit by 2022

~EUR 600m

SIMPLER	Omnichannel	Reduced complexity	Refreshed IT architecture

Pillar	Levers	Share
SIMPLER	Omnichannel; Reduced complexity; Refreshed IT architecture	**~25%**
FASTER	Digital speed & processes; Smart growth	**~35%**
BETTER	ADA & IoT; Care of the future; Shop strategy	**~40%**

Growth-centric case:
>60% gross margin gains

Building on the efficiency gains of the integration

SIMPLER – Outstanding customer experience

Our ambition

We will have the simplest & most intuitive customer interactions in the market

What it means

	What it means	Key KPIs Ambition 2022
Omnichannel	• Build consistent interfaces for all interactions • Allow customer to manage tariffs and devices in any given channel	O_2 app penetration: >80% (vs. 20% 2017)
Reduced complexity	• Offer customer a tailored & comprehensible p/f • Reduce complexity drivers such as number of products and offerings	Tariff detox: ~40%
Refreshed IT architecture	• Increase productivity by consolidating the IT landscape further and improving the agility layer	Total IT spend/ subscriber: -15%

Growth Efficiency

FASTER – Real-time customer experience

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Our ambition

We will interact with the customer in real-time and can quickly react to changing markets

Key KPIs
Ambition 2022

What it means

	What it means	Key KPIs Ambition 2022
Digital speed	• Accelerate product and feature time-to-market • High configuration functionality • Real-time access to customer information	Lead time product changes: Within hours
Digital processes	• Automate processes and reduce process variances to a minimum • Targeting real-time customer interactions	Manual back-office interventions: -80%
Smart growth	• Leverage big data to optimise ROI • Dynamically allocate resources	Sales in self-assisted channels: >25% (vs. 15% 2017)

Growth Efficiency

BETTER – Personalised customer experience

CMD

Our ambition

We will offer excellent customer experience across each touchpoint

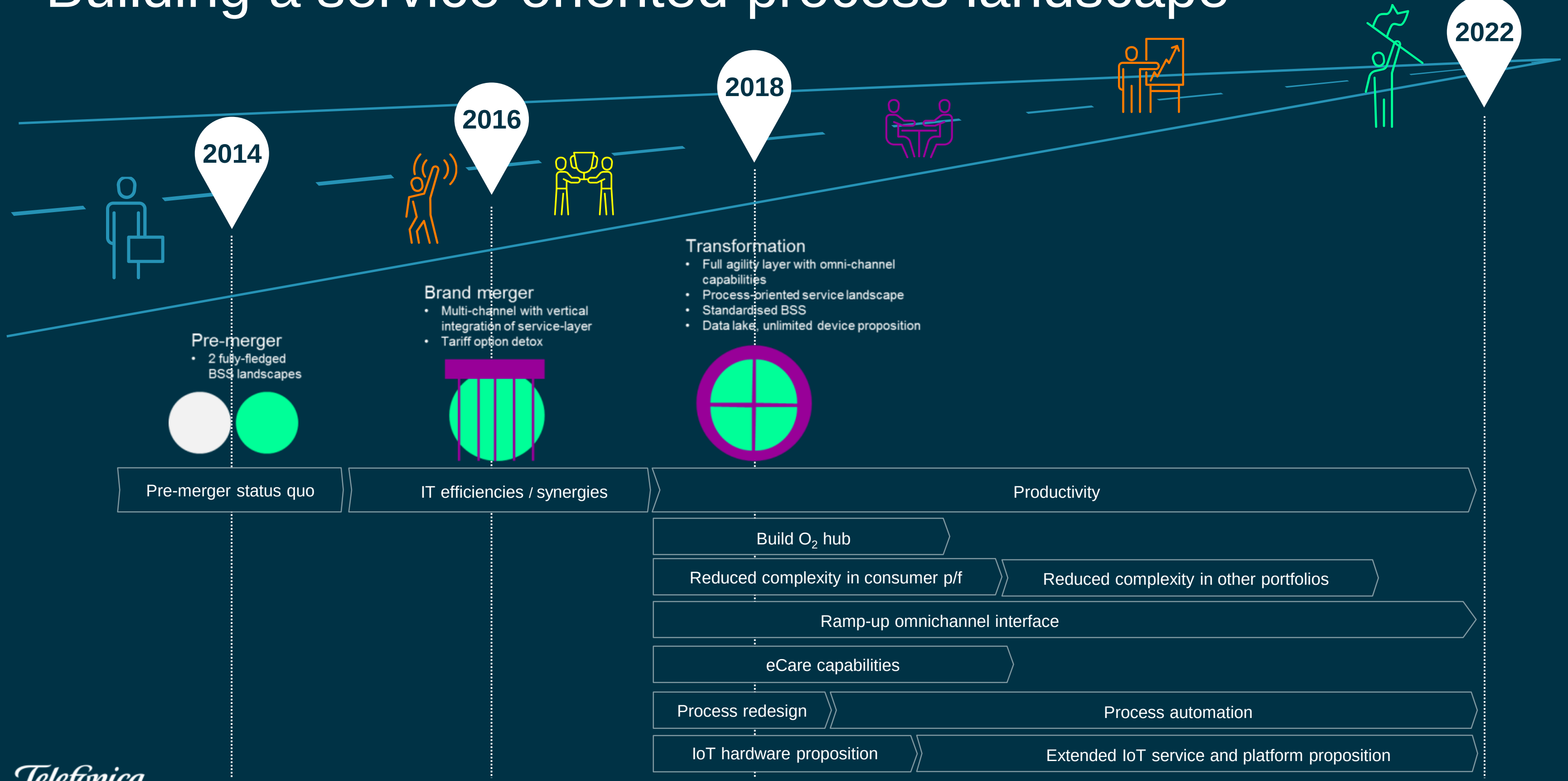
Key KPIs
Ambition 2022

What it means

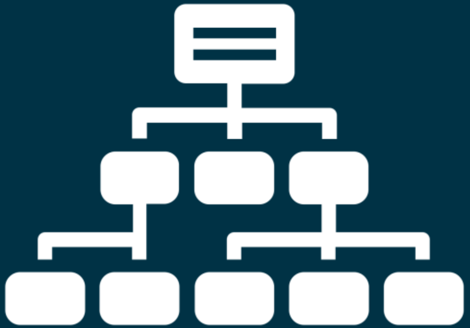
	What it means		Key KPIs Ambition 2022
ADA & IoT	• Commercialise advanced data analytics • Offer customer-friendly IoT devices • Leverage mass-market IoT ecosystem	Growth	Connected devices per customer: #4 (vs. #1.5 2017)
Care of the future	• Tailored communication to improve customer experience & increase conversion	Growth	Share of eCare events: ~80% (vs. 65% 2017)
Shop strategy	• Push digital channels to meet demand • Optimise physical footprint to increase operational efficiency	Efficiency	Shop reduction: >10%

Growth Efficiency

Building a service-oriented process landscape



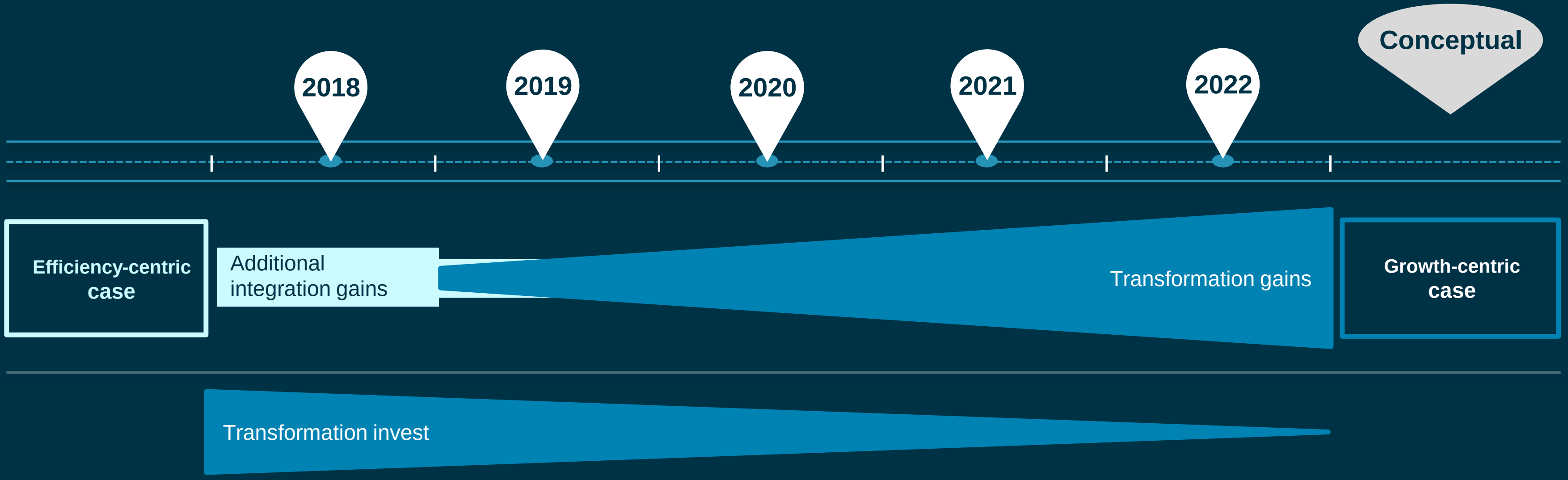
Organised with a focus on customer experience



Past: Teams organised in classical hierarchies

Future: Organised with a focus on customer experience

Upfront transformation invest balanced by integration gains



Cumulated gross OIBDA benefit over 4 years **~EUR 600m**

Solid FCF growth driven by transformation gains and stable Capex

Mid-term expectations[1]

Revenue growing in line with German market, capturing market share in IoT

Ongoing margin improvement

Keeping Capex stable

Dividend: High payout ratio to FCF

Sustained FCF growth[1]

FCF driven by transformation gains & stable Capex

Conservative financing policy with high financial flexibility; keeping leverage at or below 1.0x medium term

Commitment to attractive shareholder remuneration

[1] Before the impact of IFRS 9, IFRS 15 and IFRS 16

Going Digital4Growth: Our transformation is key to our future business success

~EUR 600m gross OIBDA benefit by 2022	• Sustained OIBDA growth supports solid FCF trajectory and dividend • Cumulated ~EUR 600m gross benefit by 2022, growth-centric case
Holistic company transformation	• Process, infrastructure and organisation redesign • Implementation of standardised, digital end-to-end processes • Fast, agile way of working
Solid FCF trajectory supports dividend	• Commitment to superior shareholder return • Targetting high pay-out ration in relation to FCF

Q&A & Lunch

Network

Building the largest and most modern network

SUPERIOR SHAREHOLDER RETURN

Growth & Value

MOBILE CUSTOMER and DIGITAL CHAMPION

Big Data & Artificial Intelligence

Products & Services

FOUNDATION

Systems Technology

Network Technology

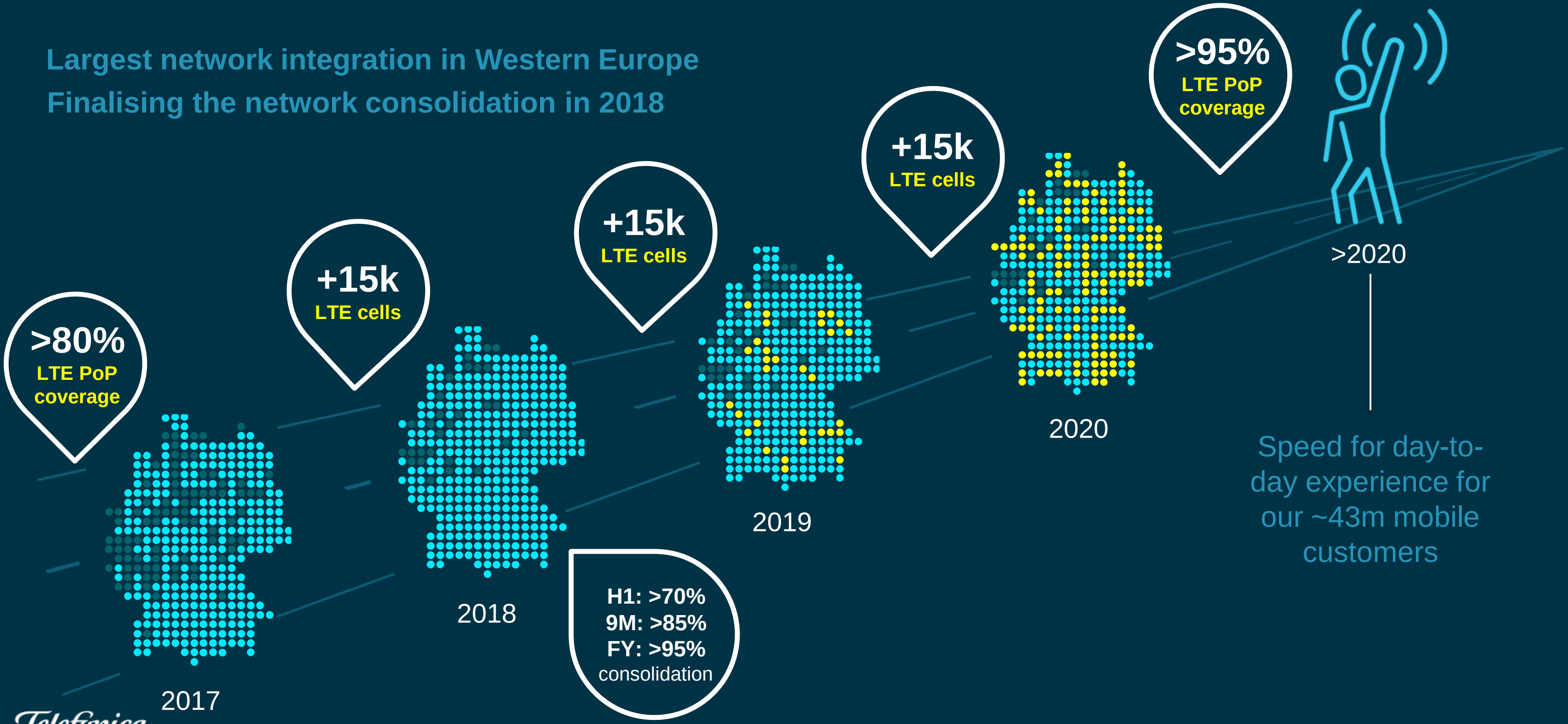
Foundation: Network

- Consolidation already >50% completed
- Most dense network in cities
- 3G coverage close to 90%, LTE coverage >80%
- Access to Germany’s most advanced broadband network

Core asset: Building the best network for mobile customer experience

Largest network integration in Western Europe

Finalising the network consolidation in 2018

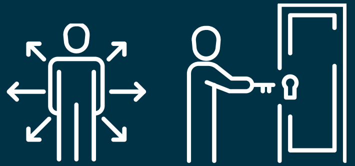


From integration to transformation

Targeting ‘Simpler, Faster, Better’ in three dimensions:

Processes	Automation	Technology
• Driving proactivity • Customer and service-centric processes	• Agile network for an agile organisation • Building a digital skillset	• Agile • Future-proof • Reliable
• Analytics / SON[1]	• Operational model / SOC[1]	• All-IP / Virtualisation • SDN / Fiber / • 5G readiness / IoT

A future-proof network which provides a competitive customer experience



Customer-centric way of working

Simple and efficient

[1] Service Operations Centre (SOC), Self Organising Network (SON)

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Concrete projects to transform the network

Service Operations Centre (SOC)

Processes

- Customer-oriented operations in addition to operating technology
- Increased customer insights through Customer Experience Management tool (CEM-tool)
- Next step in the transformation of the operational model with focus on customer centricity

<10%
Incidents detected by customers first by 2022

Enhance customer and service-oriented analysis in SOC, real-time monitoring

Detect and solve problems/service degradations before customers notice

Clear focus on E2E quality of service

Concrete projects to transform the network

Self Organising Network (SON)

Network Automation

Automation

- Automation of network optimisation as part of the agile network planning strategy
- Self Organising Network (SON) as a proof point for agility in the network

<1%
Cells with wrong neighbours in 2022

SON serves to prevent 'blind spots' in the customer connectivity experience

Shorter time to react to quality problems and deliver best customer experience especially in mobility

Features for real-time capacity and coverage changes and load balancing based on customer needs

Concrete projects to transform the network

Virtualisation

Technology

- First Virtual Network Function (VNF) in 2018; consistent strategy to introduce new functionalities/systems based on UNICA
- Increase reliability (zero-downtime operations) and speed/time-to-market
- Scalability by cloud computing to reduce constraints of network management

100%
virtualisation of new core services

Simpler allocation of resources to react of capacity needs

Faster time-to-market

Better stability to secure best service experience for our customers

Smart Capex: Keeping network CAPEX stable as part of a compelling investment strategy

Efforts to maximise customer experience

- Implementing additional capabilities in the network areas where the benefit of investments is maximised

- Providing capacity with our spectrum assets, reframing spectrum from legacy to LTE and potentially 5G

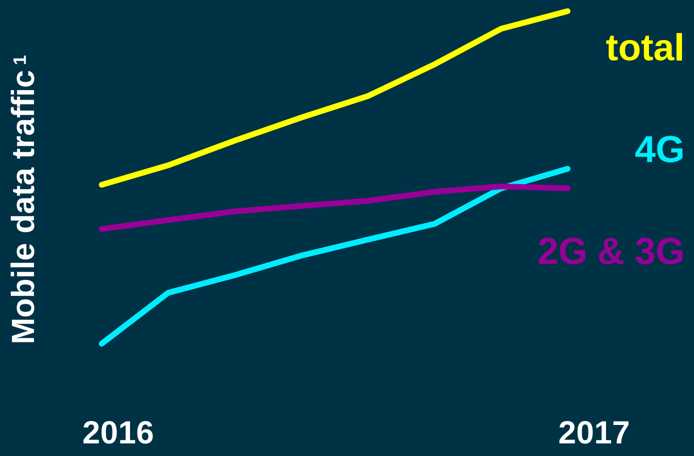
Highly focused investment approach to areas and segments with highest customer value

Customer demand prioritisation of rollout and smart, targeted rollout concept

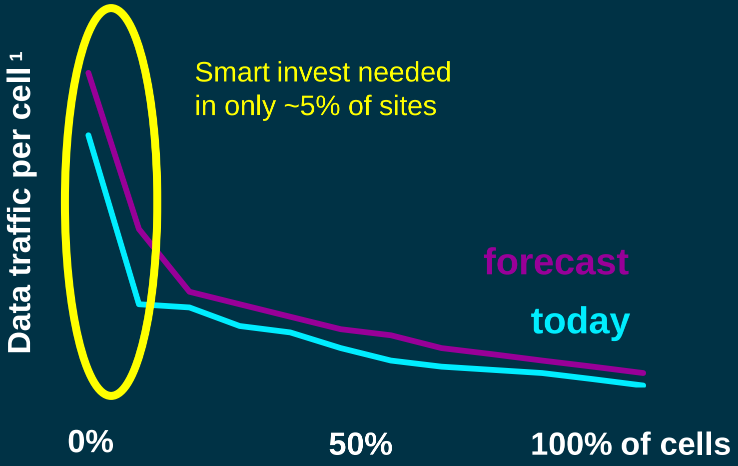
Targeted capacity enhancements where there is customer demand in addition to solid overall broadband coverage

Ready for accelerating capacity demand

Increasing data volumes,
driven by 4G big bucket propositions

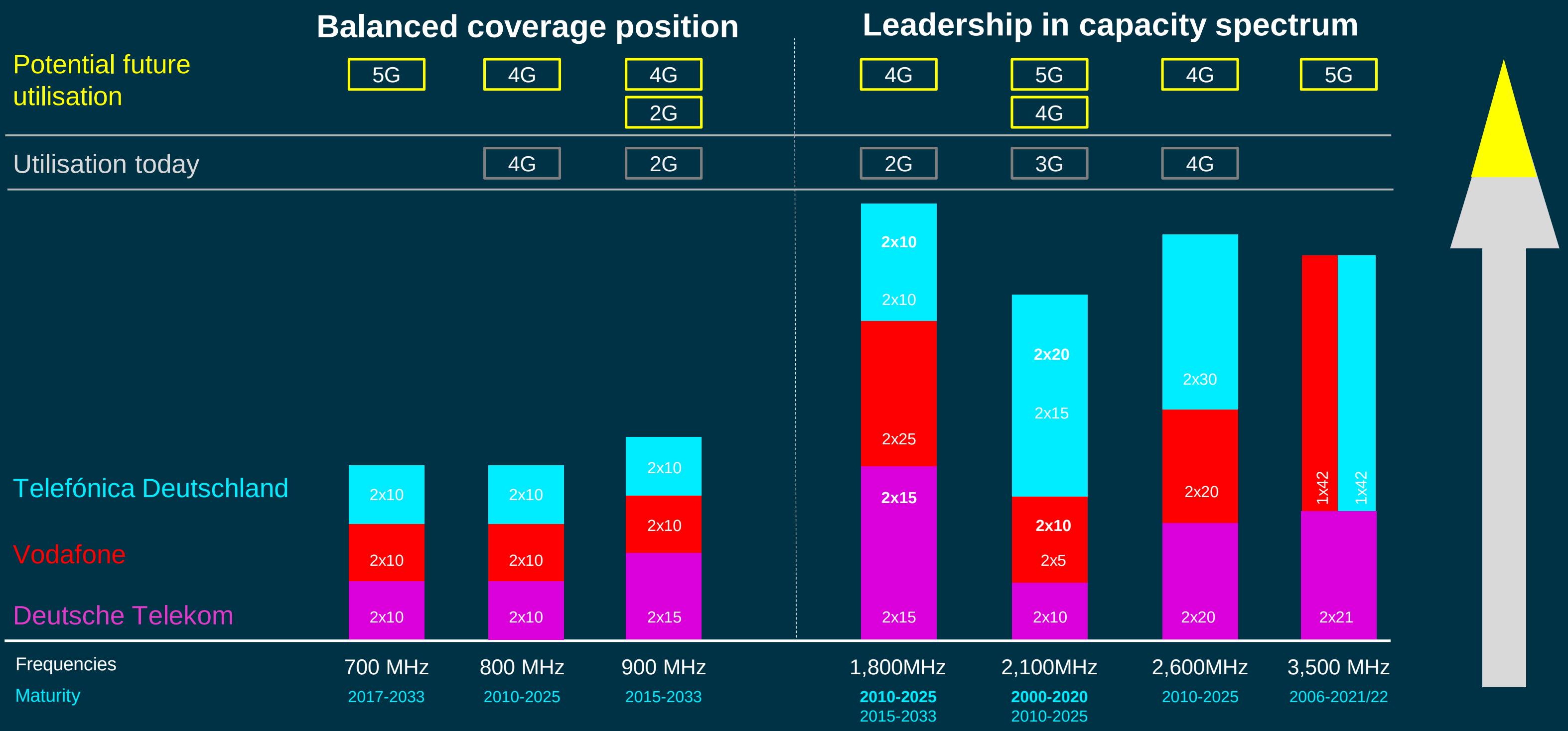


~95% of network capacity is capable of carrying even more traffic volumes, ~5% require capacity upgrades



[1] Company research: Network Analysis (2016-2017)

Future-proof spectrum setup, to enable best customer experience



Future-proof network set-up, solid fixed and fibre backhaul planning

Fixed

- Access to best available fixed NGA network[1]
- Fixed network: Access to 25 million households
- Full convergence capabilities

Mobile fibre backhaul

- Fiber backhaul plan as a key enabler for 5G
- Target: >90% fibre in sub-/urban areas
- Target: >25% fibre in rural areas
- Differentiated sourcing model

[1] NGA: Next Generation Access including VDSL, Vectoring and future FTTX deployments

Future-proof network set-up, 5G readiness for future customer demands

Fibre

Spectrum

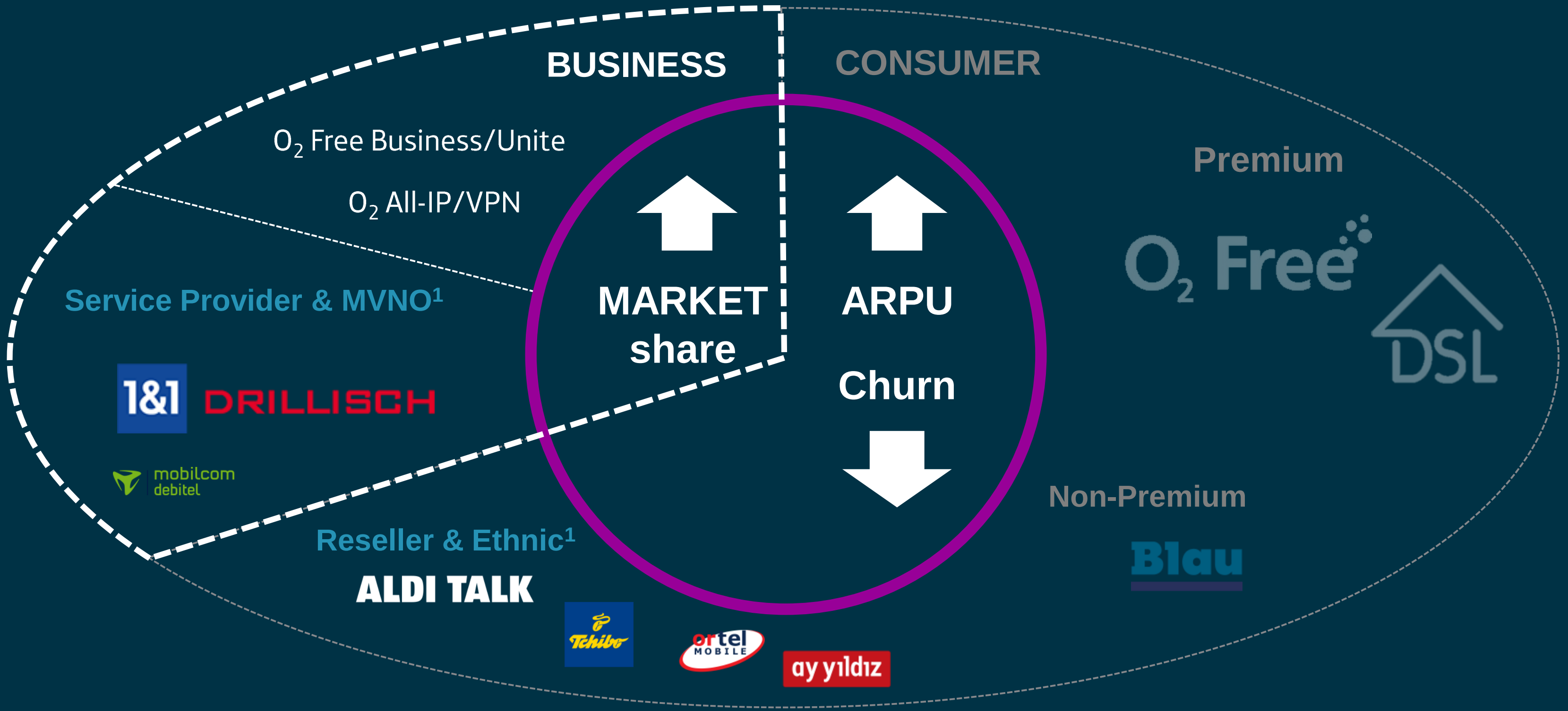
Technology

5G ready

- Prepare technologies for securing network capacity, e.g. 4x4 Multiple-Input Multiple-Output (MIMO) & carrier aggregation
- 5G readiness through technological trials, commercial negotiations & backhaul build-up

New Business, Business & Partnering

Multi-brand and multi-channel business opportunities



[1] Not exhaustive

New business

ADA & IoT

Leverage superior data analytics for enhanced go-to-market

Turn insights into value for our customers

Expected device explosion as growth opportunity

Contribute to a mass-market IoT ecosystem

Advanced data analytics to monetise big data

ADA

Transport analytics	Develop insights into human journeys to support customer decision-making (e.g. for traffic optimisation)	Transport companies, cities, out-of-home media
Retail solutions	Better understand consumer behaviour in store and out of store to improve customer journeys	Dealers, operators of branch networks
Data anonymisation	Help B2B clients make their own data-driven businesses compliant with strict legal regulations	Service providers, data economy
Smart media	Address consumers at the right place, at the right time	Advertisers, media agencies

+22%

~700m

Smart Retail market Germany by 2020[1]

+3%

~5.5bn

Digital Advertising market Germany by 2021[1]

[1] Company Research: Simon-Kucher & Partners analysis (2017) / Cisco VNI Global forecast (2017)

Monetising explosive IoT device growth

Ambition: Fair IoT market share

Attractive hardware driven offerings

Establish unique service propositions

Evolve a platform-driven IoT ecosystem

Hardware-driven value proposition

- HW w Tef connectivity

Service-driven value proposition

- Smart services linking multiple devices

Platform-driven proposition

- Connectivity/device management
- Platform services
- Data lake monetisation

+23%

~520m

Consumer IoT devices in Germany by 2022[1]

[1] Company Research: Simon-Kucher & Partners analysis (2017) / Cisco VNI Global forecast (2017) / Please note: Devices including cellular, wifi & bluetooth

Business:

Capture market share through mobile & fixed connectivity and digital services

Enhance sales channels & provide excellent customer care

Focus on connectivity & customer-centric offer design

Enhance go-to-market based on superior market intelligence

Business market potential:
Significant growth opportunity not yet captured

Market size[1]	Market segments[1]	Our strategic direction

~EUR 12bn

Fixed	7.1
Mobile	4.9

~44% SME

~36% SoHo

~20% LE

- Focus on SME as growth opportunity
- Build upon consolidated mobile network combined with future-proof fixed wholesale access
- Focus on efficient and scalable operations

~30%	Best-in-class
Gross add market share in SME	Churn level

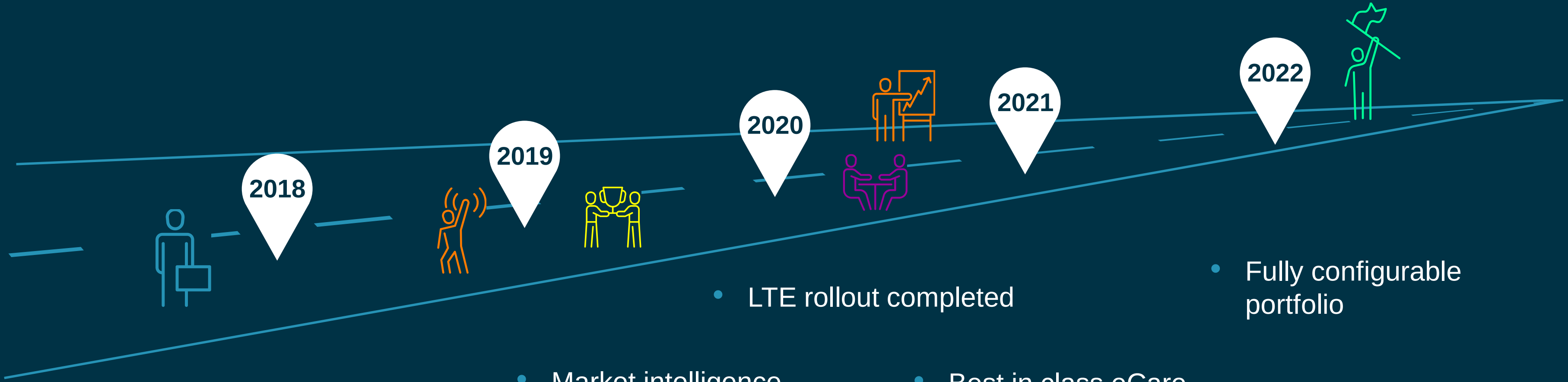
[1] Sources: IDC (2017): European Telco Database / mm customer strategy: 'Business Insights 2016/17' & 'Strategic Insights 2016/17'

Customer-centric offer design

O_2 Free Business		O_2 Unite
XDSL	Leased Lines	Fibre
All-IP		
Cloud	VPN	Security

- Fully converged offer through access to German premier fixed infrastructure
- Differentiator: Lean & agile – modular offers to fulfil specific customer needs for SME customers
- Digital services: Evolve Value-Added-Services (VAS) e.g. security and Cloud solutions
- Opportunity in IoT: Smart energy, smart mobility & other verticals

Business roadmap: Major milestones



- Farming & hunting approach in direct sales
- Attractive sales partner programme
- Enhanced market intelligence capabilities
- All-IP migration

- Market intelligence evolution
- Extend technology portfolio (e.g. eSIM)
- Expand digital & IoT portfolio

- LTE rollout completed

- Best in class eCare capabilities for Business and Partnering
- End-to-end automation of customer interactions

- Fully configurable portfolio

Partnering:

Reseller & Ethnic

Service provider & MVNO

Data usage driving growth with resellers & ethnic brands

ARPU-up and churn-down opportunities

Growing through market share opportunity within remedies

4 levers for growth in MBA MVNO

Leverage large customer base in the reseller & ethnic segment

Reseller & Ethnic[1]

ALDI TALK

Tchibo

ortel MOBILE

ay yıldız

Benefits of partnering for TEF D

- Data adoption driving growth
- Leveraging large distribution channels
- Up- and cross-selling opportunities
- Process automation driving faster go-to-market cycles

Channels

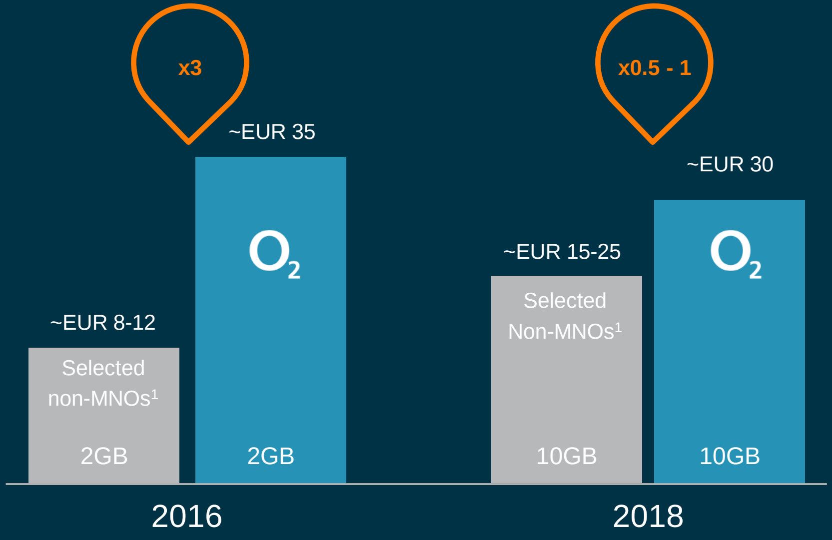
~20k PoS

Mobile Network → Customer Care → Marketing & Sales → Own / Indirect Channel → Branded Sales Partner

Mobile Network → Customer Care → Marketing & Sales → Sales Channel → Sales Partner

[1] Not exhaustive

Non-MNO postpaid market pricing recovered in 2017 driven by roam-like-home and big bundles

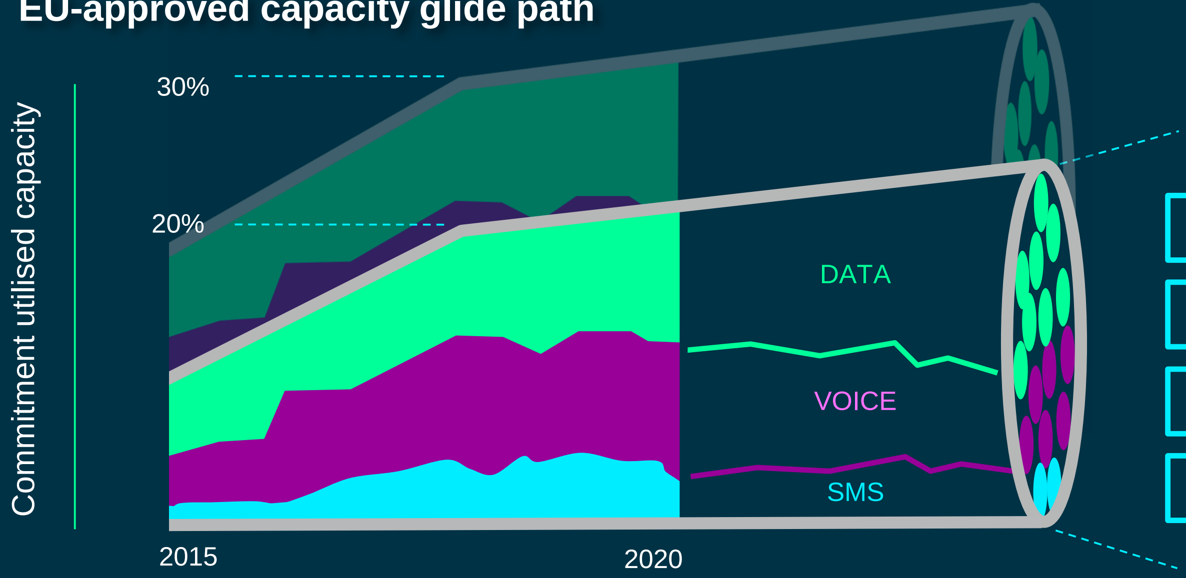


- Postpaid pricing recovered after low in summer 2016 driven by roam-like-home and big buckets
- Larger data bundles and full 4G offers support marketing between EUR 15 and EUR 30
- Migration patterns reflect market shares

[1] Selected non-MNOs = Postpaid Service Provider & MVNO; company research

MBA MVNO contract economics: Four levers for revenue growth

EU-approved capacity glide path



>130%
Data traffic since FY2015[1]

Exponential **data** growth

Capacity upgrade up to 30%

Price tiering based on **speed**

Price tiering based on **technology**

[1] Telefónica Deutschland mobile network traffic

Executive summary

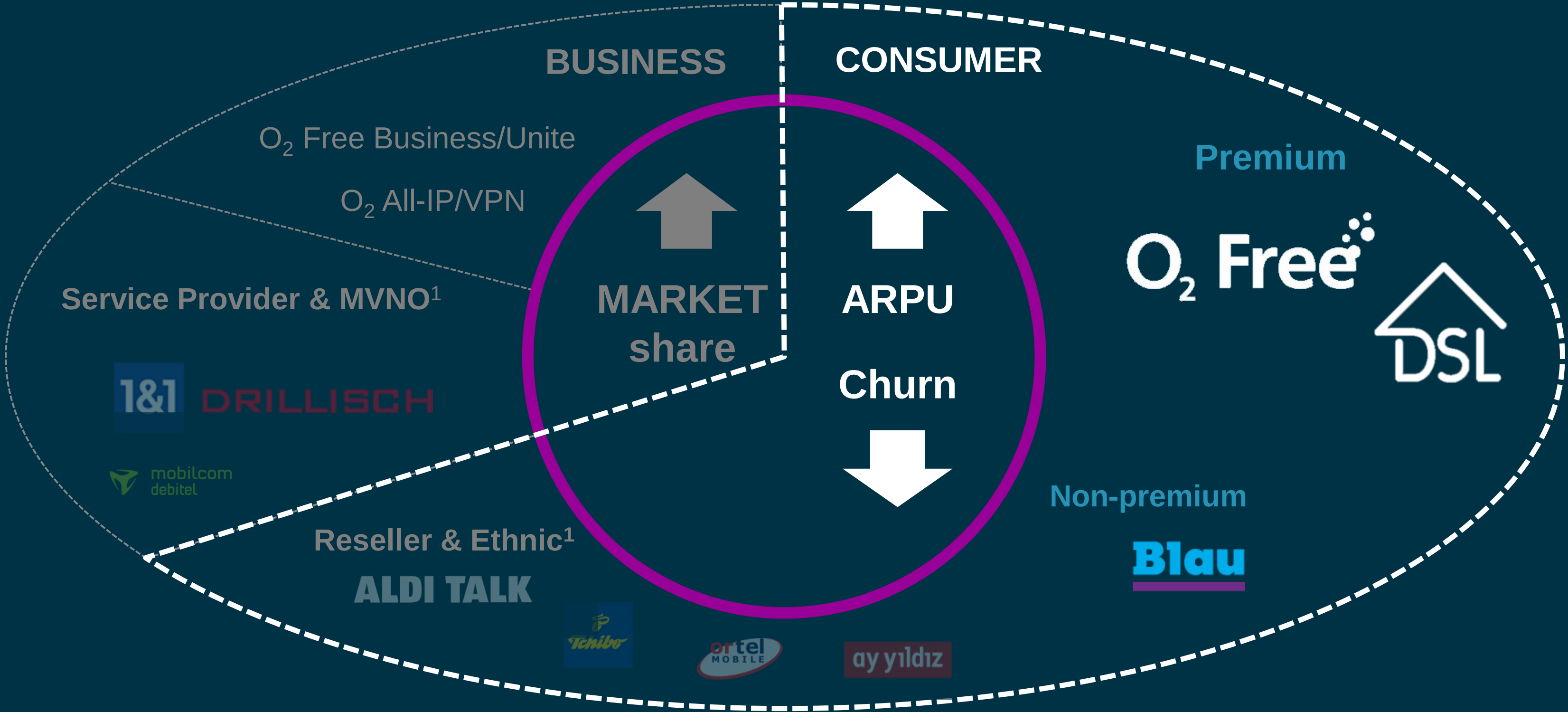
New business: Advanced Data Analytics and Consumer IoT as additional future growth opportunities

Business: Growth from customer-centric approach with converged lean offers

Partnering: ARPU-up and churn-down opportunity in reseller & market share in service provider/MVNO

Consumer Business

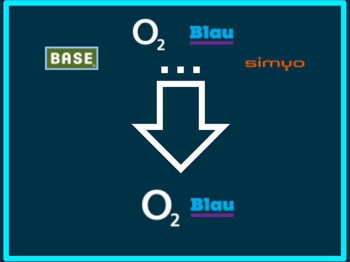
Our consumer business as key value driver



[1] Not exhaustive

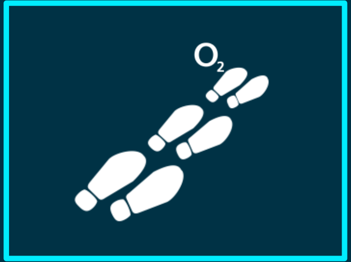
Integration success as foundation for the new consumer business

Largest mobile customer base

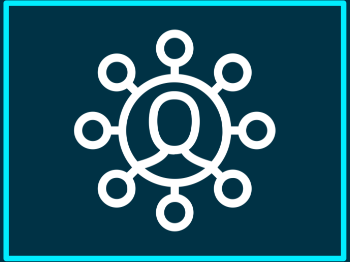


Brand consolidation

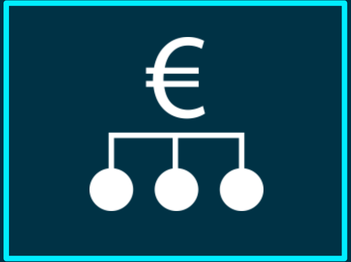
Customer service reorganisation



Footprint optimisation



Lean organisation



Tariff option detox

2017 as a turning point

ARPU-up[1]
>20%

CLV[2]
+50%

O_2 Free[3]
>7GB usage

DSL
net adds in Q4'17
flat

Customer service
market standard

Excellent mass market positioning with premium and non-premium brands

Telefonica Deutschland

[1] 2017 O_2 PO new customer
[2] 2017 O_2 PO new customer CLV/GA
[3] 2017 O_2 Free portfolio new

Three key elements of our consumer strategy

Develop existing & attract high-value new customers

Customers want attractive ***price-value*** *propositions*

Customers want ***big data*** *buckets*

Willingness to pay

Customers want ***peace of mind*** *and* ***freedom***

Customers want ***very much more and more than telco***

Enhance customer experience & digitalisation

Customers want ***ease of access*** *through different channels*

Customers want ***integrated user experience*** *for their digital lives*

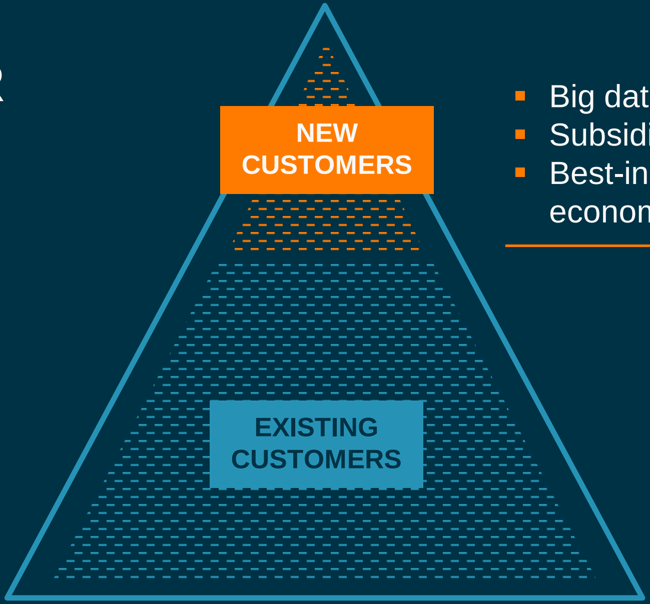
Customer first and focus on optimal price-value mix

PRICE VALUE LEADER

Provide best price-value propositions & remain a challenger for our competitors

ARPU △ **UP**
CHURN ▽ **DOWN**

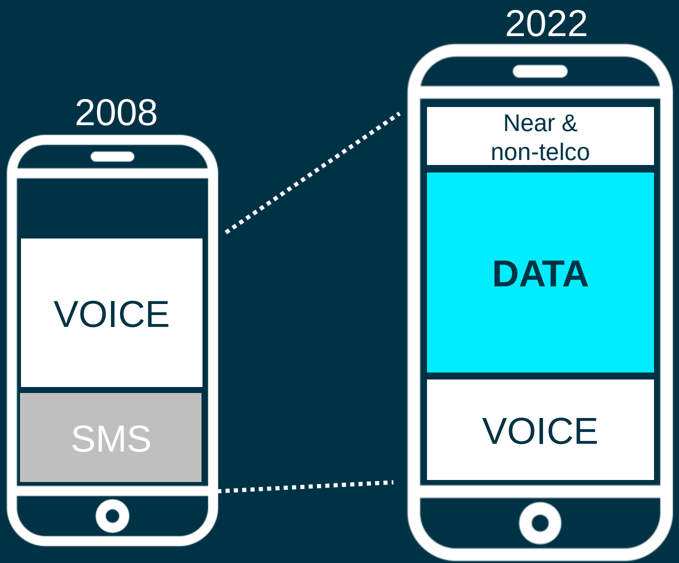
-2% pts PO churn by 2022



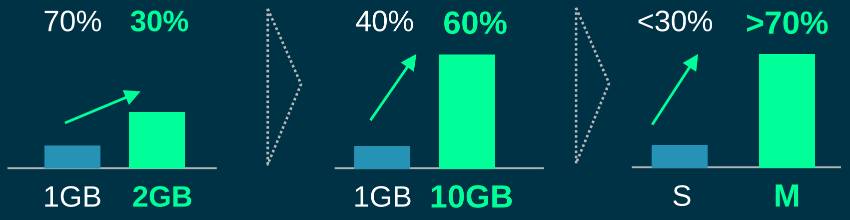
- Big data buckets to improve mix
- Subsidies in line with market
- Best-in-class application of behavioural economics

- Individual pricing
- Re-invest in customer benefits
- Improved # SIMs via U/X-Selling

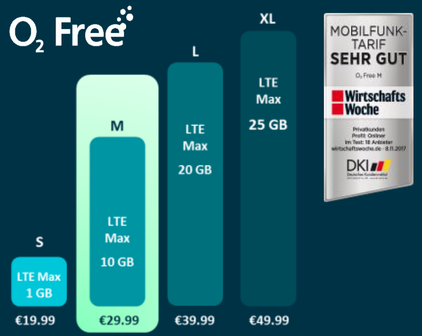
Freedom and peace of mind associated with additional willingness to pay



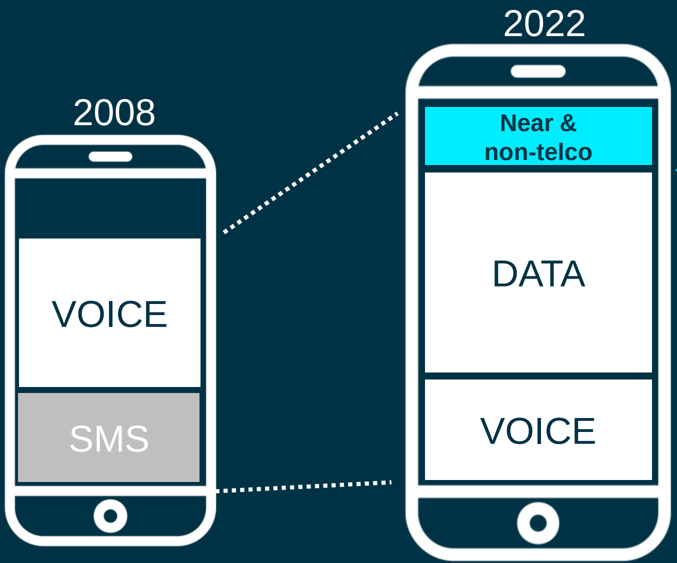
2016:1st O_2 Free | 2017: new O_2 Free | 2018-2022 New portfolio



Establishment of
~EUR 30
as key price point



Product and service extension associated with additional willingness to pay



Revenue growth
new services **in 2022**

~5m customers
new services **in 2022**

Music & video	sky TICKET
Financial services	O_2 BANKING
Fitness	GYMONDO
Gaming	
Security & Cloud	O_2 PROTECT
Consumer IoT	

- Establish Telefónica D as relevant player in defined near & non-telco segments
- Address new market segment & upcoming trends
- Increase hardware market share and take strong position in consumer IoT segment

New customer behaviour requires comprehensive digitalisation of touchpoints

O_2 app penetration in 2022:
>80% (vs. 20% 2017)

Sales in self-assisted channels
>25% (vs. 15% 2017)

Online channels	O_2 app penetration	Service digitalisation	Offline channels
2022 ↗	**2022** ↗	**2022** ↗	**2022** ↘

Share of eCare events
~80% in 2022 (vs. 65% in 2017)

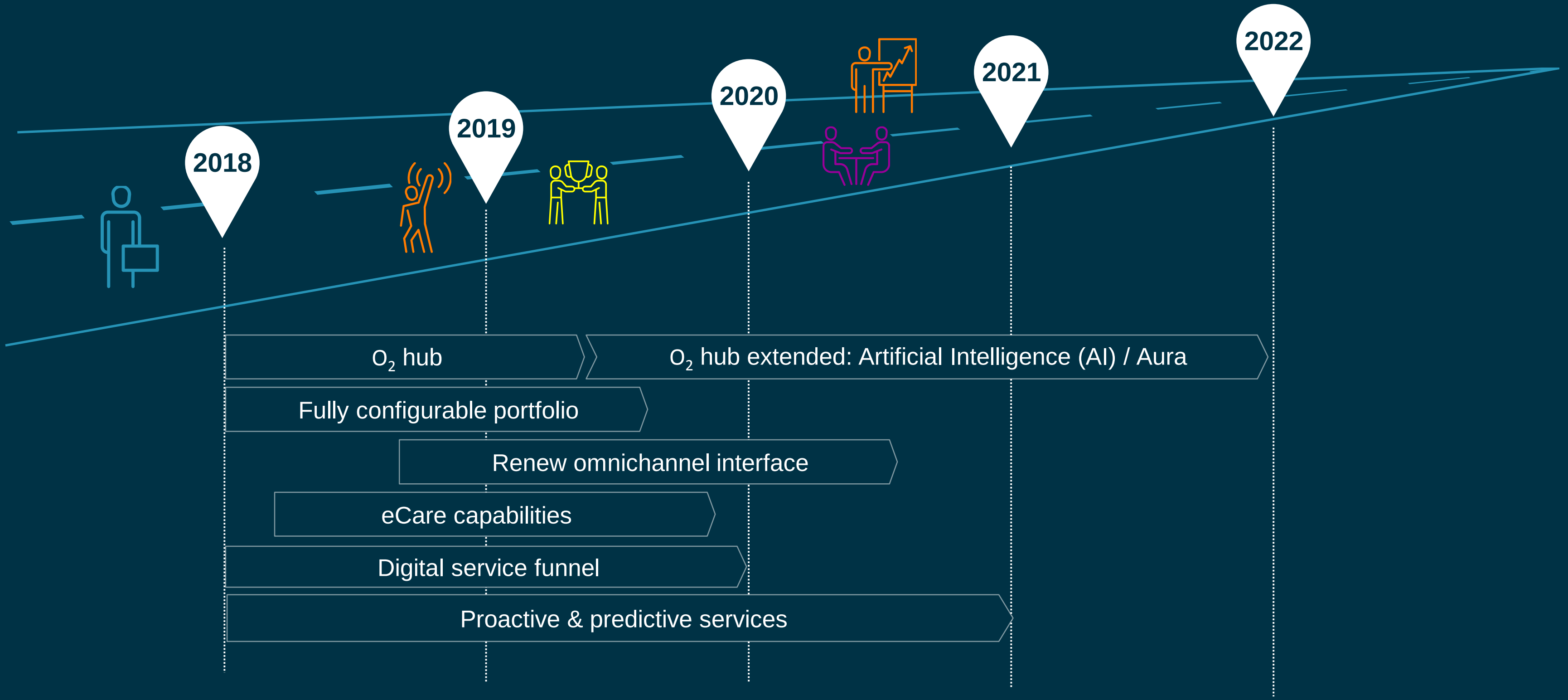
Transform touchpoints to drive growth and profitability

Integrated sales organisation established

Efficient retail footprint	>10% PoS optimisation
Consistent value steering and increased customer satisfaction	100% offers omnichannel
Development of app integration	+20% O_2 app active users/m

Telefónica Deutschland

Building a service-based process landscape with our omnichannel roadmap



Digitalisation and Artificial Intelligence will increase customer benefits and reduce costs

New digital services

Ongoing development of digital products

Full O_2 hub

We will enable customers to control their digital lives

2017	Today	2022
• LISA as digital self-service assistant • Hotline reachability and first call resolution • Focus on quality	• Free channel selection • Ease of use: Self-service and digitalisation • Optimisation of resource steering	• Real-time interaction and execution • Predictive and proactive service enhancements • Service fully aligned to customer experience

Value generation drives our success

Develop existing customers & Attract high-value new customers

- Focus on ARPU-up & churn-down
- Driving data usage via mobile freedom
- Up- and cross-selling

-2% pts
PO Churn
by 2022

~60%
new O_2 Free customers pay
≥EUR 30 today

Willingness to pay

- Data growth as monetisation opportunity
- Near & non-telco as value drivers
- Strong position in consumer IoT

Connected devices per customer:
#4 by 2022

Enhance customer experience & digitalisation

- Omnichannel experience
- Digital transformation of touchpoints
- AI to increase automation & reduce cost

~80%
Share of eCare events
by 2022

>80%
O_2 app
penetration
by 2022

Mobile Customer Champion
Digital Champion

MOBILE CUSTOMER & DIGITAL CHAMPION

SUPERIOR SHAREHOLDER RETURN

Growth & Value

We will generate **Superior Shareholder Return** including a strong dividend commitment

MOBILE CUSTOMER and DIGITAL CHAMPION

Big Data & Artificial Intelligence

Products & Services

We will become Germany’s **Mobile Customer and Digital Champion** by focussing on **CEX & digitalisation**

FOUNDATION

Systems Technology

Network Technology

We have **strong foundations**: Integration success, customer base, outstanding connectivity & lean organisation

Q&A