Presentation September 2020

What has happened *(whilst negotiations are continuing)*?

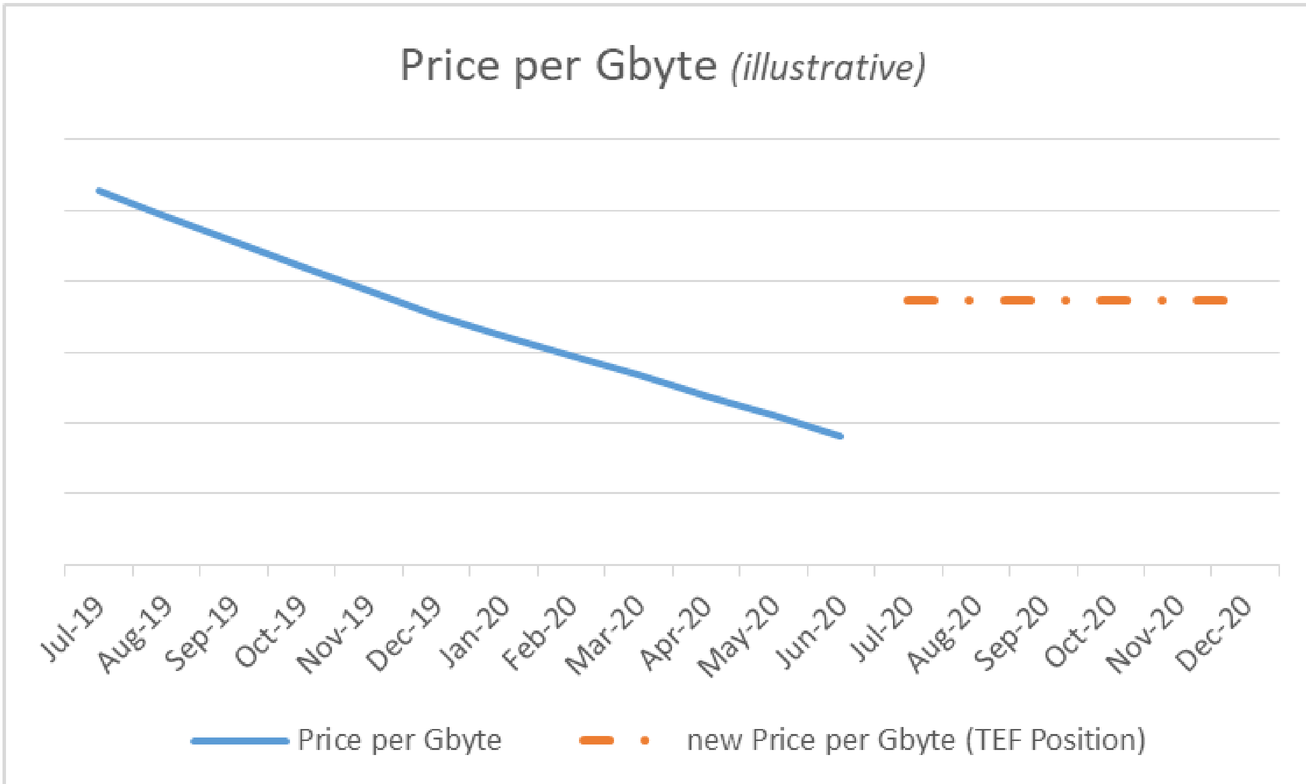
- DRI always rejected Telefónica's interpretation of a prolongation of the MBA agreement at fixed unit prices. Since end of last year, ongoing negotiations between the parties on competitive MBA MVNO-prices for the prolonged term July 2020 to June 2025. All of Telefónica`s offers included yearly declining Gbyte prices for the whole period.
- Until Friday, Telefónica did not send invoices for MBA MVNO-services for July and August 2020.
- Now, without any caveat that the prices are subject to the ongoing price negotiations, Telefónica sent us July and August invoices for MBA MVNO-services and increased prices compared to June (@ Friday, 18th September, 8:56 p.m.)
- Telefónica charges us for July and August 2020:
  - Fix prices per GByte and per minute based on average prices July 2019 till June 2020
  - Telefónica informed us that they will apply these prices for the entire prolonged term July 2020 to June 2025
  - Deviating from the initial term of the MBA Agreement, the new prices are no longer reduced each year to reflect Telefónica`s exponential data capacity growth and no additional discounts (e.g. if network growth exceeds the forecast)
  - No more safety clauses to ensure competitive prices except for existing price review mechanism
  - In contrast to the past, no more free capacity for voice and SMS

➡ Significant price increase compared to June 2020

- With this, we are not able to compete on eyes level as it is the rationale of the contract and the E-Plus remedy package
- The negotiations on national roaming and MBA MVNO-prices as from July 2020 are ongoing:
  - EBITDA reduction precautionary only if the parties do not agree on new prices in the negotiations
  - Risk for EBITDA forecast 2020 if the negotiations fail or if they are not completed by year end 2020

New prices requested by Telefónica

These charts illustrate the price per Gbyte (i) in the initial term till June 2020 (which 1&1 DRI thinks shall be continued also from July 2020) and (ii) as now charged by Telefónica



Position of Telefónica and 1&1 DRI re prices as from July 2020

1&1 DRILLISCH

- Telefónica's view: As from July 2020 fix prices per unit (per GByte, minute & SMS) based on average prices July 2019 till June 2020.
- 1&1 DRI's view: The prices per unit (per GByte, minute & SMS) applicable as from July 2020 are not specified in the MBA agreement and must be negotiated and agreed between the parties.
  - Commitments provide for maximum prices per bitstream component (to be converted into unit prices and discounts as in the initial term), setting the upper limit for the parties' price negotiations
  - Continuation of the commercial model of the initial term: Same pricing principles as before with yearly declining data prices (to reflect data capacity growth) and additional discounts if network growth exceeds forecast continue to apply:

    "…in order to ensure that the Upfront MBA MVNOs would be able to continue to operate on the market on the basis of the ***same model after the first term of five years of the MBA agreement****, the Final Commitments also grant to the Upfront MBA MVNOs a unilateral option to extend the MBA Agreements for an additional term of five years at* ***pre-set terms and conditions****". (extract of the E-Plus merger clearance decision)*
  - In connection with the prolongation of the MBA agreement DRI decided not to change to a pay-as-you-go-model (which would have been possible as from July 2020) but decided to continue the capacity model, purchasing up to 30% of Telefónica´s future network-capacity.
  - 1&1 DRI rejects that the parties have confirmed the prices now charged by Telefónica in May 2017.

➡ Fix data price per GByte deviates from the market standard in the MVNO-business.

Next steps

- Continuation of the negotiations on national roaming and MBA MVNO-prices as from July 2020
- Close alignment with European Commission to ensure competitive prices and avoid anti-competitive margin squeeze
- Continuation of price review proceedings to ensure 1&1 DRI's competiveness: Prices requested by Telefónica are subject to price review proceedings
- Continuation of preparation of rollout of 1&1 DRI's own 5G network

Disclaimer and Contact

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