

Name: Isabell
Job : Student
Age : 21



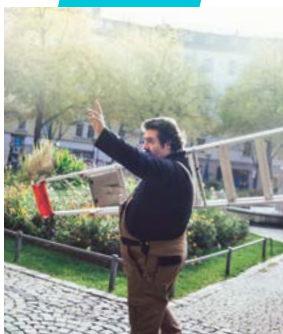
Name: Zoé
Job : Office manager
Age : 27



Name: Laura and Ben
Job : Banker and architect
Age : 27 and 31



Name: Marco
Job : Electrician
Age : 51



Name: Gregor
Job : Executive consultant
Age : 44



Name: Jasmin and Nils
Job : Educator and photographer
Age : 32 and 34



SHAPING DIGITAL LIVES

Name: Manuel
Job : Musician
Age : 35



Name: Christian
Job : Project manager in IT
Age : 42



Name: Angelika
Job : Artist
Age : 39



Name: Fritz and Leo
Job : Pensioner and scholar
Age : 65 and 12



Name: Vera
Job : Lawyer
Age : 55



Annual Financial Statements
2016

Telefonica

Deutschland

Contents_

Annual Financial Statements	4
Notes	7
Declaration of the Statutory Representatives	23
Audit opinion	24
Glossary	25
Imprint	28

The figures in the following have been rounded in accordance with established commercial practice.
Figures or additions within a table may therefore result in sums different from those shown in the same table.

Combined Management Report_

The Management Report of Telefónica Deutschland Holding AG has been combined with the Management Report of the Telefónica Group in accordance with section 315 para. 3 together with section 298 para. 2 of the German Commercial Code (Handelsgesetzbuch) and is published in the 2016 Annual Report of the Telefónica Group. The Annual Financial Statements and the Combined Management Report of Telefónica Deutschland Holding AG for the fiscal year 2016 are filed with the operator of the electronic version of the German Federal Gazette and published in the electronic version of the German Federal Gazette. The Annual Financial Statements of Telefónica Deutschland Holding AG as well as the Annual Report for the fiscal year 2016 are also available for download on the Internet at

WWW.TELEFONICA.DE/ANNUALREPORT2016

Annual Financial Statements for the financial year 2016_

Balance Sheet

	As of 31 December	
Assets (in EUR)	2016	2015
A) Fixed assets		
Financial assets		
Investments in affiliated companies	10,757,394,316.99	11,437,394,316.99
	10,757,394,316.99	11,437,394,316.99
B) Current assets		
I. Receivables and other assets		
1. Receivables from affiliates	120,749,400.66	140,744,038.55
2. Other assets	206,873.95	14,832,108.81
	120,956,274.61	155,576,147.36
II. Cash on hand and bank balances	38,765.83	38,915.83
	120,995,040.44	155,615,063.19
C) Accruals and deferrals	191,061.37	64,497.05
Total assets	10,878,580,418.80	11,593,073,877.23

	As of 31 December	
Equity and Liabilities (in EUR)	2016	2015
A) Equity		
I. Subscribed capital	2,974,554,993.00	2,974,554,993.00
II. Additional paid-in capital	4,832,539,244.82	4,832,539,244.82
III. Revenue reserves	14,083.91	14,083.91
Legal reserve	14,083.91	14,083.91
IV. Net retained earnings	3,063,121,751.43	3,778,773,351.98
	10,870,230,073.16	11,585,881,673.71
B) Provisions		
1. Post-employment benefits	1,711,974.00	1,898,446.00
2. Other provisions	5,519,231.39	4,781,661.32
	7,231,205.39	6,680,107.32
C) Liabilities		
1. Trade payables	643,113.79	5,774.58
2. Liabilities to affiliates	1,243.07	20,787.65
3. Other liabilities	474,783.39	485,533.97
– thereof from taxes EUR 433,567.06 (previous year: EUR 414,958.09) –		
	1,119,140.25	512,096.20
Total Equity and Liabilities	10,878,580,418.80	11,593,073,877.23

Income Statement_

(In EUR)	1 January to 31 December	
	2016	2015
1. Revenues	11,728,092.22	10,282,308.01
2. Other operating income	9,153.52	134,200,946.28
3. Personnel expenses	(3,936,563.60)	(5,022,925.13)
a) Salaries	(3,856,639.76)	(4,937,833.68)
b) Social security contributions	(79,923.84)	(85,091.45)
– thereof pension expenses: EUR 72,006.00 (previous year: EUR 80,000.00) –		
4. Other operating expenses	(9,552,025.20)	(10,139,174.23)
5. Other interest and similar income	1,856.00	366,178.62
– thereof from affiliated companies EUR 0.00 (previous year: EUR 421.42) –		
6. Interest and similar expenses	(22,480.00)	(25,328.05)
	(20,624.00)	340,850.57
7. Income taxes	13,564.83	0.00
8. Income after taxes	(1,758,402.23)	129,662,005.50
9. Other taxes	0.00	0.00
10. Profit/Loss for the year	(1,758,402.23)	129,662,005.50
Net retained earnings of the previous year	3,778,773,351.98	4,363,004,544.80
Dividend payments	(713,893,198.32)	(713,893,198.32)
11. Profit carryforward	3,064,880,153.66	3,649,111,346.48
12. Net retained earnings	3,063,121,751.43	3,778,773,351.98

Notes_ for the financial year 2016

1.

General Information on the Annual Financial Statements

The Annual Financial Statements of Telefónica Deutschland Holding AG, Munich, (also referred to as Telefónica Deutschland or TDH) for the financial year 2016 have been prepared in accordance with the principles of the German Commercial Code (HGB) in the version of the Accounting Directive Implementation Act (BilRUG) and the German Stock Corporation Act (AktG).

The financial year is the calendar year (1 January to 31 December).

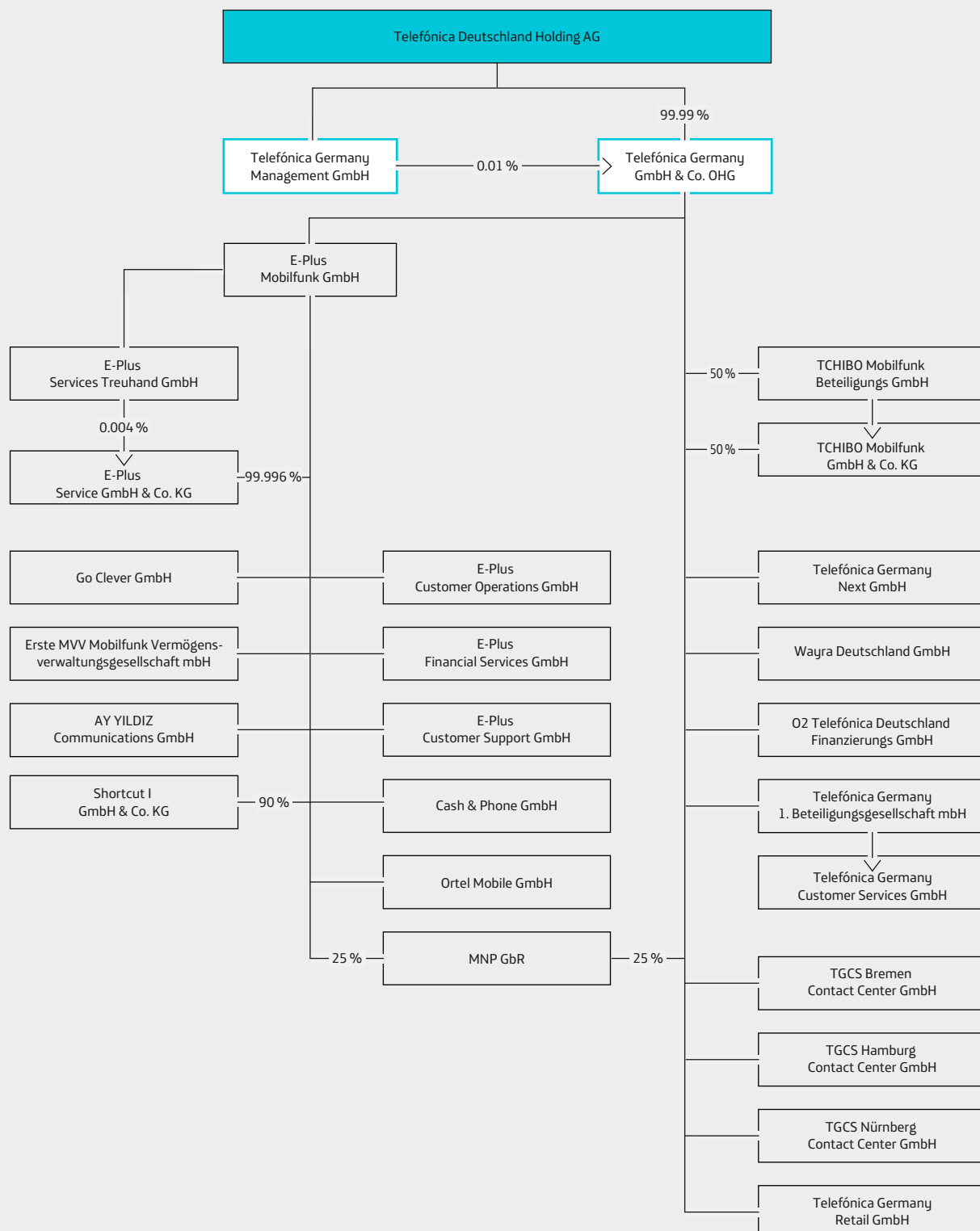
The company is registered at Munich Local Court under HRB 201055 and listed on the regulated market of the Frankfurt Stock Exchange. The German security identification number (Wertpapierkennnummer, WKN) is A1J5RX, the ISIN (International Securities Identification Number) is DE000A1J5RX9. The registered share capital of Telefónica Deutschland Holding AG as of 31 December 2016 amounted to EUR 2,974,554,993 which is unchanged with prior year. It is divided into EUR 2,974,554,993 no-par value registered shares each with a proportionate share of the share capital of EUR 1.00. Each share in general grants one vote at the Annual General Meeting.

As of 31 December 2016, 21.32 % of the shares were in free float. 63.22 % were held by Telefónica Germany Holdings Limited, Slough, United Kingdom (Telefónica Germany Holdings Limited), an indirect wholly owned subsidiary of Telefónica, S.A., Madrid, Spain (Telefónica, S.A.). The remaining 15.46 % were held by Koninklijke KPN N.V., The Hague, Netherlands (KPN).

Telefónica Deutschland Holding AG is the parent company of the Telefónica Deutschland Group. The Telefónica Deutschland Group comprises Telefónica Deutschland and its subsidiaries as well as joint operations (together referred to as the "Telefónica Deutschland Group"). The Telefónica Deutschland Group is included in the Consolidated Financial Statements of the group's ultimate holding company, Telefónica, S.A., Madrid, Spain (also referred to as "Telefónica, S.A.") as of 31 December 2016. The parent company of the Telefónica Deutschland Group is Telefónica Germany Holdings Limited, a wholly owned subsidiary of O2 (Europe) Limited, Slough, United Kingdom (also referred to as O2 (Europe) Limited), and an indirect subsidiary of Telefónica, S.A. The Telefónica Deutschland Group, which since 1 October 2014 has also contained E-Plus Mobilfunk GmbH, Düsseldorf (E-Plus) and its direct and indirect subsidiaries (the E-Plus

Group), has been one of the three leading integrated network operators in Germany since the acquisition of E-Plus.

As of 31 December 2016, the companies included in the Telefónica Deutschland Group were organised as shown in the chart below:



Unless stated otherwise, the ownership interests amount to 100%.

In the first quarter of the financial year, Fonice GmbH was merged with Telefónica Germany GmbH & Co. OHG. In the third quarter of the financial year, WiMee-Plus GmbH and WiMee-Connect GmbH were merged with Telefónica Germany GmbH & Co. OHG and Gettings GmbH was merged with E-Plus Mobilfunk GmbH, while Telefónica Germany Next GmbH was newly formed. In the fourth quarter of the financial year, E-Plus 2. Beteiligungsgesellschaft mbH was merged with Telefónica Germany GmbH & Co. OHG. E-Plus Retail GmbH changed its legal name to Telefónica Germany Retail GmbH through the registration into the German Commercial Register on 8 December 2016.

As of the reporting date, Telefónica Deutschland is classified as a large corporation in accordance with section 267 (3) sentence 2 HGB.

The income statement has been prepared using the nature of expense method in accordance with section 275 (2) HGB. The structure has been changed according to BilRUG. This change had no impact on the classification of line items itself within the income statement.

The figures in the following have been rounded in accordance with established commercial practice. Figures or additions within a table may therefore result in sums different from those shown in the same table.

Annual General Meeting and dividend distribution

The Annual General Meeting for the financial year 2015 took place on 19 May 2016. In addition to the presentation of the Annual and Consolidated Financial Statements of Telefónica Deutschland and the election of a new Supervisory Board member, resolutions included a dividend of EUR 0.24 per entitled share, totalling EUR 713,893,198. The dividend for the financial year 2015 was paid to the shareholders on 20 May 2016.

Furthermore, the Annual General Meeting resolved new authorised capital 2016/I of EUR 1,487,277,496, withdrawing the existing authorised capital 2012/I, and a new authorisation to buy back own shares of up to a total of 10 % of the share capital on the resolution date or, if lower, on the date on which the authorisation is exercised, withdrawing the previous authorisation to buy back own shares of 5 October 2012.

Dividend proposal for the financial year 2016

On 26 July 2016, the Management Board of Telefónica Deutschland resolved that it is intended to propose a cash dividend of EUR 0.25 per share to the next Annual General Meeting, which is scheduled for 9 May 2017.

Agreement for the reimbursement of management services

Telefónica Deutschland Holding AG has signed agreements with Telefónica Germany GmbH & Co. OHG, Munich, (also referred to as OHG) and Telefónica Germany Management GmbH, Munich. The agreements include the obligation to render management services for Telefónica Germany GmbH & Co. OHG and Telefónica Germany Management GmbH. Telefónica Germany GmbH & Co. OHG and Telefónica Germany Management GmbH will reimburse Telefónica Deutschland Holding AG a flat fee of EUR 30 thousand per quarter. Furthermore, Telefónica Germany GmbH & Co. OHG and Telefónica Germany Management GmbH will reimburse the cost of remuneration for the members of the Management Board and other administrative costs. The total amount of reimbursement is included in the company's revenues.

Significant events and transactions in the financial year

Changes in the Supervisory Board of Telefónica Deutschland

Antonio Manuel Ledesma Santiago left the Supervisory Board of Telefónica Deutschland as of the end of the Annual General Meeting on 19 May 2016.

The Annual General Meeting on 19 May 2016 elected Peter Erskine as his successor. His term of office began at the end of the 2016 Annual General Meeting and will end after the 2017 Annual General Meeting.

In addition, the Deputy Chairperson Imke Blumenthal left the Supervisory Board of Telefónica Deutschland as of 30 June 2016.

Christoph Braun has been a member of the Supervisory Board of Telefónica Deutschland as Imke Blumenthal's successor since 1 July 2016. At the meeting on 18 July 2016, Christoph Braun was elected as Deputy Chairperson of the Supervisory Board.

Changes in the Management Board of Telefónica Deutschland

Thorsten Dirks left – as mutually agreed – with end of 31 December 2016 the management board and as CEO.

The supervisory board had approved on 21 November 2016 as per Thorsten Dirks' request an early termination of his contract.

The supervisory board appointed with resolution on 11 December 2016 Markus Haas as CEO of Telefónica Deutschland Holding AG effective as of 1 January 2017.

Rachel Empey, in addition to her previous responsibility for Finance and Corporate Strategy, is since 1 January 2017 also responsible for the areas of Transformation & Integration, Business Intelligence, Innovation and Telefónica Next.

Loan granted to Telefónica Germany GmbH & Co. OHG

On 25 January 2016, Telefónica Deutschland Holding AG entered into a framework loan agreement with a credit limit of up to EUR 110,000 thousand. Unless cancelled earlier, the framework loan agreement will end on 24 January 2017 and will then be automatically extended by one year. EUR 110,000 thousand was drawn on the loan on 1 February 2016.

Letter of Comfort

In the financial year 2016, Telefónica Deutschland Holding AG issued letters of comfort to Telefónica Germany GmbH & Co. OHG and to Telefónica Germany Management GmbH. The letters of comfort can be cancelled with a notice period of six months to the end of the companies' financial year.

2.

Accounting Policies

The accounting policies used in the preparation of the Annual Financial Statements as of 31 December 2016 are in accordance with the provisions of sections 242 to 256a and 264 to 288 of the German Commercial Code (HGB), and the relevant provisions of the German Stock Corporation Act (AktG). The accounting policies remained unchanged compared to the prior year. The requirements of the Accounting Directive Implementation Act (BilRUG) were applied for the first time in the financial year 2016.

The financial assets are carried at historical cost, less any impairment, to account for a lower fair value at the reporting date. If the reasons for the impairment no longer exist, impairment losses are reversed according to section 253 (5) sentence 1 HGB.

Receivables and other assets are stated at their nominal value. Adequate valuation allowances were recognised for all risk positions.

Provisions for pensions are measured on the basis of actuarial calculations using the projected unit credit method, taking into account the 2005 G Heubeck mortality tables. The provisions for pensions and similar obligations are discounted at a flat rate using the average market interest rate for the past ten years published by Deutsche Bundesbank for an assumed remaining term of 15 years (section 253 (2) sentence 2 HGB). This interest rate is 4.00 % (2015: 3.89 %). In calculating provisions for pensions and similar obligations, annual pension increases of 1.75 % (2015: 2.00 %) and fluctuation of 20.00 % (2015: 20.00 %) are assumed.

The assets that serve exclusively to settle liabilities from post-employment benefit obligations and that are exempt from attachment by all other creditors (plan assets as defined by section 246 (2) sentence 2 HGB) are offset against provisions at fair value. As there is no active market with which to determine the market price, the cost is adjusted in line with the strict principle of lower of cost or market in accordance with section 253 (4) HGB (section 255 (4) sentence 3 HGB). The amortised cost of reinsurance claims and therefore the fair value as defined by section 255 (4) sentence 4 HGB is equal to the "budgeted capital reserves" of the insurance policy plus any credit from premium reimbursements ("irrevocably assigned profit participation").

Changes in profit or loss due to a change in the discount rate are recognised in the financial result.

To satisfy indirect pension obligations, funds have been invested and are managed in the ProFund Unabhngige Gruppen-Untersttzungskasse e.V. occupational pension scheme. Plan assets are measured at fair value. Telefónica Deutschland Holding AG exercises the option granted under section 28 (1) sentence 2 of the Introductory Act to the German Commercial Code (EGHGB) not to recognise indirect pension obligations.

Other provisions take into account all identifiable risks and uncertain obligations and are measured at the amounts considered necessary in accordance with prudent business judgement. Discounting in accordance with section 253 (2) HGB is not required.

Liabilities are carried at their settlement amount. Items denominated in currencies other than the euro are translated into euros at the historical exchange rate on the date of origin or the middle spot rate on the balance sheet date, whichever is the lower.

Deferred taxes resulting from temporary and quasi-permanent differences between the accounting and tax carrying amounts of assets, liabilities, deferred income and prepaid expenses, or from tax loss carry forwards, are calculated as the amounts of the resulting tax expense or income using the company's individual tax rate at the date the differences are reversed. They are not discounted. Deferred tax assets and liabilities are offset. In line with the recognition option in place, deferred tax assets are not capitalised.

3.

Notes to the Balance Sheet

Financial assets

At EUR 10,746,964 thousand (2015: EUR 11,426,964 thousand), investments in affiliated companies relate to shares in Telefónica Germany GmbH & Co. OHG, Munich, which the company is the personally liable partner of. The reduction in the carrying amount of the investment in Telefónica Germany GmbH & Co. OHG is the result of Telefónica Deutschland withdrawal totaling EUR 680,000 thousand on the basis of a partner resolution dated 2 May 2016 in accordance with section 4 (3) of the partnership agreement.

Corresponding to the previous year, EUR 10,430 thousand relates to the shares in Telefónica Germany Management GmbH, Munich.

Please see the statement of changes in fixed assets for further information.

(in EUR thousands)	Historical cost			
	1 January 2016	Additions	Disposals	31 December 2016
Financial assets				
Investments in affiliated companies	11,437,394	0,00	680,000	10,757,394
	11,437,394	0,00	680,000	10,757,394

(in EUR thousands)	Accumulated depreciation			
	1 January 2016	Additions	Disposals	31 December 2016
Financial assets				
Investments in affiliated companies	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00

(in EUR thousands)	Book value	
	1 January 2016	31 December 2016
Financial assets		
Investments in affiliated companies	11,437,394	10,757,394
	11,437,394	10,757,394

List of shareholdings in accordance with section 285 no. 11 and 11a HGB

Name and legal form	Registered Office	Share in the Capital %	Equity on 31 December 2015 Euros in thousands	Results of the 2015 Financial Year Euros in thousands
AY YILDIZ Communications GmbH, Düsseldorf ³	Germany	100	25	0*
Cash & Phone GmbH, Düsseldorf ³	Germany	100	25	0*
E-Plus Customer Operations GmbH, Düsseldorf ³	Germany	100	1,100	0*
E-Plus Customer Support GmbH, Potsdam ³	Germany	100	3,025	0*
E-Plus Financial Services GmbH, Potsdam ³	Germany	100	25	0*
E-Plus Mobilfunk GmbH, Düsseldorf ³	Germany	100	1,944	0*
E-Plus Service GmbH & Co. KG, Potsdam ^{2,5}	Germany	100	50	0*
E-Plus Services Treuhand GmbH, Düsseldorf ³	Germany	100	25	0*
Erste MVV Mobilfunk Vermögensverwaltungsgesellschaft mbH, Düsseldorf ³	Germany	100	283,670	0*
Go Clever GmbH, Düsseldorf ³	Germany	100	2,499	296
MNP GbR, Köln	Germany	50	136	27
O2 Telefónica Deutschland Finanzierungs GmbH, München	Germany	100	25	0*
Ortel Mobile GmbH, Düsseldorf ³	Germany	100	5,050	0
Shortcut I GmbH & Co. KG, Hamburg	Germany	90	16,104	(4,979)
TCHIBO Mobilfunk Beteiligungs GmbH, Hamburg	Germany	50	39	1
TCHIBO Mobilfunk GmbH & Co. KG, Hamburg	Germany	50	7,904	971
Telefónica Germany 1. Beteiligungsgesellschaft mbH, München ³	Germany	100	885,779	0*
Telefónica Germany Customer Services GmbH, München ³	Germany	100	15,342	0*
TGCS Bremen Contact Center GmbH, München ³	Germany	100	25	0*
TGCS Hamburg Contact Center GmbH, München ³	Germany	100	25	0*

Name and legal form	Registered Office	Share in the Capital %	Equity on 31 December 2015 Euros in thousands	Results of the 2015 Financial Year Euros in thousands
TGCS Nürnberg Contact Center GmbH, München ³	Germany	100	25	0*
Telefónica Germany GmbH & Co. OHG, München ^{1,2}	Germany	100	8,407,048	(877,387)
Telefónica Germany Management GmbH, München ³	Germany	100	10,661	72
Telefónica Germany Next GmbH, Berlin ^{3,4}	Germany	100	0	0**
Telefónica Germany Retail GmbH, Düsseldorf ³	Germany	100	78,202	0*
Wayra Deutschland GmbH, München ³	Germany	100	2,393	0*
Mediakraft Networks GmbH, München ⁷	Germany	29	(1,666)	(9,737)

1 99,99 % Telefónica Deutschland Holding AG, as the personally liable partner; 0,01 % Telefónica Germany Management GmbH.

2 The entities are using the exemption provisions pursuant to section 264b HGB.

3 The entities are using the exemption provisions pursuant to section 264 III HGB.

4 Incorporation of the company in financial year 2016.

5 99,996 % E-Plus Mobilfunk GmbH, as the personally liable partner; 0,004 % E-Plus Services Treuhand GmbH.

6 Information of the last financial year for which financial information are available.

7 Equity and results of the financial year 2014, subsidiaries held indirectly by Shortcut I GmbH & Co. KG, Hamburg.

* After transfer of the profit/loss.

** Transfer of profits/losses starting 2016.

For further information regarding the types of shareholdings please refer to the organisational chart in section "General Information on the Annual Financial Statements".

Receivables

The receivables from affiliates relate to a loan to Telefónica Germany GmbH & Co. OHG at EUR 110,000 thousand (2015: EUR 0 thousand). They also include receivables due to cash pooling from Telfisa Global B.V., Amsterdam, Netherlands, of EUR 7,408 thousand (2015: EUR 137,393 thousand) and receivables for management services from Telefónica Germany GmbH & Co. OHG of EUR 3,270 thousand (2015: EUR 2,144 thousand). The remaining receivables relate to receivables from affiliates from other companies within the Telefónica, S.A. Group.

Other assets of EUR 207 thousand (2015: EUR 14,832 thousand) still relate to tax receivables. In the previous period, there was a significant tax receivable from creditable capital gains tax prepayments resulting from a merger of EUR 14,671 thousand.

All receivables and other assets have a remaining term of less than one year.

Deferred taxes

Due to exercising of the recognition option, deferred tax assets are not recognised as of 31 December 2016. Circumstances leading to deferred tax assets are mainly a result of existing corporation and trade tax loss carry forwards and from temporary differences at the level of Telefónica Germany GmbH & Co. OHG. As the shareholder in Telefónica Germany GmbH & Co. OHG, Telefónica Deutschland Holding AG is the taxable entity for the purposes of corporation tax. The tax rate for deferred tax assets is 15.825 % for corporation tax and the solidarity surcharge and 17.15 % for trade tax.

Equity

Subscribed capital

The registered share capital of Telefónica Deutschland Holding AG amounts to EUR 2,974,555 thousand (2015: EUR 2,974,555 thousand). The share capital is divided into no-par value registered shares each with a proportionate interest in the share capital of EUR 1.00 ("shares"). The registered share capital is fully paid.

As of 31 December 2016, Telefónica Deutschland Holding AG did not hold any of its own shares.

In accordance with section 6 (2) of the articles of association, the shareholders have no right to securitise shares. Each non-par share in general grants one vote at the Annual General Meeting. The shares are freely transferable.

Authorised capital

By resolution of the Annual General Meeting of 19 May 2016, the previous authorised capital 2012/I was withdrawn and new authorised capital 2016/I created. As of 31 December 2016, Telefónica Deutschland Holding AG thus had authorised capital 2016/I of EUR 1,487,277,496.

Contingent capital

Telefónica Deutschland Holding AG had contingent capital 2014/I of EUR 558,473 thousand as of 31 December 2016.

Additional paid-in capital

As of 31 December 2016 additional paid-in capital was unchanged at EUR 4,832,539 thousand.

Retained earnings

Retained earnings contain a legal reserve in accordance with section 150 (2) of the German Stock Corporation Act (Aktiengesetz – AktG) of EUR 14 thousand (2015: EUR 14 thousand).

Profit distribution

The Annual General Meeting of Telefónica Deutschland Holding AG was held on 19 May 2016 and resolved to distribute from the retained earnings 2015 a dividend of EUR 0.24 per entitled share, totalling EUR 713,893 thousand. The dividend was distributed on 20 May 2016.

Pension provisions

The provision for pensions primarily relates to pension commitments for the current Management Board as of the balance sheet date of EUR 1,712 thousand (2015: EUR 1,898 thousand).

The pension obligation was transferred at cost in connection with the acquisition of E-Plus, which results in an excess value compared to a valuation according to section 253 (1) sentence 2 and (2) sentence 2 HGB (also refer to section "I General Information on the Annual Financial Statements" – "Accounting Policies"). The acquisition value will be retained until it corresponds to an obligation according to section 253 (1) sentence 2 and (2) sentence 2 HGB. The excess value amounted to EUR 393 thousand as of 31 December 2016 (2015: EUR 615 thousand). The difference according to section 253 (6) sentence 1 HGB amounts to EUR 396 thousand and is excluded from distribution.

Based on a valuation as of 31 December 2016, corresponding to section 253 (1) sentence 2 and (2) sentence 2 HGB and after offsetting with plan assets of EUR 913 thousand (2015: EUR 726 thousand) and in accordance with section 246 (2) sentence 2 HGB the pension obligation has a present value of EUR 1,318 thousand.

The plan assets consist of reinsurance policies that are exclusively intended for this purpose, pledged and protected in the event of insolvency. The fair value of the netted reinsurance claims is equal to the amortised cost (capital reserves plus profit participation) in accordance with actuarial appraisals and notifications from the insurance providers.

(in EUR thousands)	As of 31 December	
	2016	2015
Acquisition costs of the acquired pension obligations	2,625	2,625
Settlement amount of the offset obligations according to commercial law	2,232	2,010
Excess of acquisition costs over settlement amount	393	615
Fair value of the offset plan assets	913	726
Amortised cost of plan assets according to section 255 (4) sentence 4 HGB	913	726

Telefónica Deutschland Holding AG exercises the option under section 28 (1) and (2) EGHGB not to recognise indirect pension obligations of EUR 280 thousand (2015: EUR 261 thousand) covered by the ProFund Unabhängige Gruppen-Unterstützungskasse e.V. occupational pension scheme. To cover this obligation, EUR 333 thousand (2015: EUR 269 thousand) was held in trust for Telefónica Deutschland Holding AG as of 31 December 2016.

Due to the lack of interest expenses from the change in the discounting of the pension provision, there was no offsetting with interest income from plan assets.

In the financial year, impairment on plan assets resulted in interest expenses of EUR 22 thousand.

Other provisions

The other provisions of EUR 5,519 thousand (2015: EUR 4,782 thousand) essentially relate to obligations for the remuneration of the Management Board (2016: EUR 2,610 thousand; 2015: EUR 2,773 thousand). They also include provisions for outstanding invoices for consulting services of EUR 2,905 thousand (2015: EUR 2,009 thousand).

Liabilities

Trade payables amount to EUR 643 thousand (2015: EUR 6 thousand) and primarily relate to liabilities for consulting services.

Liabilities to affiliates amount to EUR 1 thousand (2015: EUR 21 thousand).

The other liabilities of EUR 475 thousand (2015: EUR 486 thousand) essentially relate to tax liabilities.

All liabilities have a remaining term of less than one year and are unsecured.

4.

Notes to the Income Statement

Revenues

Revenues amount to EUR 11,728 thousand (2015: EUR 10,282 thousand) and mainly comprise the reimbursement of costs for the remuneration of the members of the Management Board and other administrative costs (2016: EUR 11,488 thousand; 2015: EUR 10,042 thousand), which, in accordance with the agreements for the reimbursement for management services (as explained under "I. General Information on the Annual Financial Statements – Agreement for the reimbursement of management services"), are assumed by Telefónica Germany GmbH & Co. OHG.

This position also includes invoiced management services of EUR 240 thousand (2015: EUR 240 thousand) provided by Telefónica Deutschland Holding AG to Telefónica Germany GmbH & Co. OHG and Telefónica Germany Management GmbH.

Other operating income

The other operating income of EUR 9 thousand (2015: EUR 134,201 thousand) essentially results from the reversal of provisions. In the previous year, it included income from the final agreement reached with KPN in 2015 regarding the cash component of the purchase price for the acquisition of E-Plus Mobilfunk GmbH & Co. KG (EUR 134,200 thousand).

Personnel expenses

The personnel expenses of EUR 3,937 thousand (2015: EUR 5,023 thousand) include the expenses for the remuneration of the Management Board, including social security contributions.

Other operating expenses

The other operating expenses in the financial year of EUR 9,552 thousand (2015: EUR 10,139 thousand) include mostly the costs for legal and consulting fees for third-party service providers.

Other interest and similar income

Other interest and similar income amounts to EUR 2 thousand (2015: EUR 366 thousand). In the previous year, most of the other interest and similar income related to the interest on a portion of a subsequent purchase price adjustment at EUR 365 thousand.

Other interest and similar expenses

Other interest and similar expenses of EUR 22 thousand (2015: EUR 25 thousand) included expenses from the depreciation of plan assets.

Prior-period income and expenses

The financial year 2016 includes prior-period expenses of EUR 9 thousand from the reversal of provisions and prior-period expenses of EUR 518 thousand resulting from consulting fees for the prior period.

Dividend proposal for the financial year 2016 to be paid in 2017

On 26 July 2016, the Management Board of Telefónica Deutschland resolved to propose a cash dividend of EUR 743,639 thousand or EUR 0.25 per share at the next Annual General Meeting, which is scheduled for 9 May 2017.

5.

Other Information

Additional information on the Supervisory Board and the Management Board

Remuneration of the Management Board and the Supervisory Board

The total remuneration of the members of the Management Board for the financial year ended 31 December 2016 amounts to EUR 4,105 thousand (2015: EUR 5,225 thousand).

The Telefónica Deutschland Group has not granted the members of its Management Board any securities or loans and has not assumed any guarantees for them.

The total remuneration contains share options with an underlying fair value at grant date of EUR 0 thousand (2015: EUR 571 thousand) for 0 (2015: EUR 88,375 thousand) contingent rights regarding the transfer of shares without consideration.

In accordance with the resolution of the Annual General Meeting of 5 October 2012, Telefónica Deutschland Holding AG is exempt from additional disclosures for listed stock corporations, in accordance with section 286 (5) HGB in conjunction with section 285 no. 9 (a) sentences 5 to 8 HGB.

Expenses amounting to EUR 22 thousand (2015: EUR 27 thousand) were recognised in the previous year for compensation claims after a former member of the Management Board left the company.

The members of the Supervisory Board received remuneration for their activities of EUR 372 thousand in 2016 and EUR 342 thousand in 2015.

The Telefónica Deutschland Group has not granted the members of their Supervisory Board any securities or loans and has not assumed any guarantees for them.

Management Board

The members of the Management Board of Telefónica Deutschland Holding AG as of 31 December 2016 are as listed below:

Name	Function
Thorsten Dirks ¹ (until 31 December 2016)	Chief Executive Officer (CEO)
Rachel Empey ¹	Chief Financial and Strategy Officer (CFO)
Markus Haas ¹	Chief Operating Officer (COO) (from 1 January 2017 CEO/Chairman of the Management Board)

¹ See significant events and transactions in the financial year.

Supervisory Board

The members of the Supervisory Board of Telefónica Deutschland Holding AG as of 31 December 2016 are as listed below:

Name	Function
Eva Castillo Sanz	Chairperson of the Supervisory Board Occupation/current mandates: Telefónica, S.A., Member of the Board Bankia S.A., Member of the Board Telefónica Foundation, Member of the Board Visa Europe, Member of the Board Comillas – ICAI Foundation, Member of the Board Entreculturas Foundation, Member of the Board
Imke Blumenthal (until 30 June 2016)	Deputy Chairperson of the Supervisory Board Occupation/current mandates: Manager Labour Relations Telefónica Germany GmbH & Co. OHG
Christoph Braun ¹ (from 1 July 2016) ²	Deputy Chairperson of the Supervisory Board Occupation/current mandates: Full-time member of the Works Council of Telefónica Germany GmbH & Co. OHG Chairperson of the European Works Council of Telefónica Europe Chairperson of the General Works Council of Telefónica Germany GmbH & Co. OHG Chairperson of the North-East Works Council of Telefónica Germany GmbH & Co. OHG Deputy Chairperson of the Group Works Council of Telefónica Deutschland Holding AG
Laura Abasolo García de Baquedano	Member of the Supervisory Board Occupation/current mandates: Managing Director Planning, Accounting, Control and Tax, Telefónica, S.A. Telefónica Chile S.A., Member of the Board Acerinox, S.A., Member of the Board and Chairperson of the audit committee
Sally Anne Ashford	Member of the Supervisory Board Occupation: HR Director Parcels and Group Reward & Recognition Director of Royal Mail Group Ltd.
Angel Vilá Boix	Member of the Supervisory Board Occupation/current mandate: Member of the Board (Trustee), Telefónica Foundation Chief Strategy and Finance Officer (CSFO), Telefónica, S.A. Member of the Board, Telefónica, Brazil
Patricia Cobián González	Member of the Supervisory Board Occupation/current mandates: Telefónica UK Ltd., Chief Financial Officer Telefónica Europe, plc, Member of the Board of Directors Lumia Capital, Advisory Board Member
Peter Erskine (from 19 May 2016) ³	Member of the Supervisory Board Occupation/current mandates: Non-Executive Director Telefónica, S.A. Chairperson of the Innovation and Strategy Commission of Telefónica, S.A.
Antonio Manuel Ledesma Santiago (until 19 May 2016)	Member of the Supervisory Board Occupation/current mandates: Chief Financial Officer, Telxius Telecom, S.A.
Christoph Heil ¹	Member of the Supervisory Board Occupation/current mandates: Vereinte Dienstleistungsgewerkschaft ver.di, Representative Capgemini GmbH, Member of the Supervisory Board
Michael Hoffmann	Member of the Supervisory Board Chairperson of the Audit Committee of Telefónica Deutschland Holding AG Occupation/current mandates: Degree in Business Administration, self-employed

Enrique Medina Malo	Member of the Supervisory Board Occupation/current mandates: Chief Policy Officer Telefónica, S.A. Telefónica Europe, plc, Member of the Board of Directors mm02 Limited, Member of the Board of Directors 02 Holding Limited, Member of the Board of Directors 02 (Europe) Limited, Member of the Board of Directors 02 Cedar Limited, Member of the Board of Directors 02 Networks Limited, Member of the Board of Directors 02 International Holdings Limited, Member of the Board of Directors Telefónica Germany Holdings Limited, Member of the Board of Directors
Thomas Pfeil ¹	Member of the Supervisory Board Occupation: Full-Time Works Council Representative of Telefónica Germany GmbH & Co. OHG
Joachim Rieger ¹	Member of the Supervisory Board Occupation/current mandates: Full-Time Works Council Representative of Telefónica Customer Support GmbH Deputy Chairperson of the Supervisory Board of E-Plus Customer Support GmbH Chairperson of the General Works Council of E-Plus Customer Support GmbH
Jürgen Thierfelder ¹	Member of the Supervisory Board Occupation/current mandates: Full-Time Works Council Representative of Telefónica Germany Retail GmbH (previously E-Plus Retail GmbH) Supervisory Board member of Telefónica Germany Retail GmbH (previously E-Plus Retail GmbH) Chairperson of the General Works Council of Telefónica Germany Retail GmbH (previously E-Plus Retail GmbH)
Marcus Thurand ¹	Member of the Supervisory Board Occupation/current mandates: Director Network Operations of Telefónica Germany GmbH & Co. OHG
Dr. Jan-Erik Walter ¹	Member of the Supervisory Board Occupation/current mandate: Full-time member of the Works Council of Telefónica Germany GmbH & Co. OHG Deputy Chairperson of the Munich Works Council for Telefónica Germany GmbH & Co. OHG Chairperson of the Group Works Council of Telefónica Deutschland Holding AG
Claudia Weber ¹	Member of the Supervisory Board Occupation/current mandate: Deputy Managing Director, ver.di Munich Region

1 Employee representative.

2 New member after Imke Blumenthal has left the Supervisory Board, elected replacement member.

3 New member of the Supervisory Board as per resolution of 19 May 2016.

Auditor's fees

The information concerning the total auditor's fees for Telefónica Deutschland Holding AG has been omitted in accordance with section 285 no. 17 HGB as the company is part of the consolidation group of Telefónica Deutschland Holding AG (the "Telefónica Deutschland Group") and the information is contained in its Consolidated Financial Statements.

Number of employees

In financial year 2016 and in 2015 the company had no employees.

Contingent liabilities and other financial commitments

Contingent Liabilities

In its capacity as the parent company of the Telefónica Deutschland Group, Telefónica Deutschland Holding AG assumes warranty obligations for its subsidiaries. In the context of the two bonds issued by O2 Telefónica Deutschland Finanzierungs GmbH in February 2014 and November 2013, for each bearer Telefónica Deutschland assumes an amount of the two bonds issued of EUR 500 million and EUR 600 million respectively, with the unconditional and irrevocable guarantee of correct and timely payment of all amounts payable by the issuer in relation to the bond in accordance with all the terms and conditions of the bonds.

The risk of utilisation of the contingent liabilities is considered to be extremely low. This assessment is based on the fact that O2 Telefónica Deutschland Finanzierungs GmbH is an indirect subsidiary of Telefónica Deutschland Holding AG and is fully controlled by Telefónica Germany GmbH & Co. OHG. The creditworthiness of O2 Telefónica Deutschland Finanzierungs GmbH is thus determined by the business operations of the Telefónica Deutschland Group itself.

In the financial year 2016, Telefónica Deutschland Holding AG issued letters of comfort to Telefónica Germany GmbH & Co. OHG and to Telefónica Germany Management GmbH. The letters of comfort can be cancelled with a notice period of six months to the end of the companies' financial year.

This comfort letter does not have a material impact on the economic substance of the related risks and opportunities. The risk of a claim from the letter of comfort is deemed to be as unlikely.

Parent company/Consolidated Financial Statements

Telefónica Deutschland Holding AG, Munich prepares the consolidated financial statements for the smallest group of companies. The Consolidated Financial Statements of Telefónica Deutschland Holding AG, Munich, will be published in the German Federal Gazette. The Consolidated Financial Statements of Telefónica Deutschland Holding AG are included in the Consolidated Financial Statements of the Spanish parent company Telefónica, S.A. (Madrid, Spain). The latter is the company that prepares the Consolidated Financial Statements for the largest group of companies. These Consolidated Financial Statements are available from Telefónica, S.A. (Madrid, Spain), and are published on the Internet at WWW.TELEFONICA.COM

Voting rights notifications pursuant to section 26 (1) WpHG

On 18 October 2016, T. Rowe Price Group, Inc., Baltimore, Maryland, USA, informed us according to section 21 (1) of the German Securities Trading Act (WpHG) that its share in the voting rights of Telefónica Deutschland Holding AG, Munich, Germany, exceeded the threshold of 3 % of the voting rights on 13 October 2016 and amounted to 3.02 % on that date.

On 16 November 2015, KONINKLIJKE KPN N.V., The Hague, Netherlands, informed us according to section 21 (1) WpHG that its share in the voting rights of Telefónica Deutschland Holding AG, Munich, Germany, fell below the threshold of 20 % of the voting rights on 12 November 2015 and amounted to 15.46 % on that date (this corresponds to 459,783,774 voting rights).

On 8 October 2014, Telefónica, S.A., Madrid, Spain, informed us according to section 21 (1) WpHG that its share in the voting rights of Telefónica Deutschland Holding AG, Munich, Germany, fell below the threshold of 75 % of the voting rights on 7 October 2014 and amounted to 62.10 % on that date (this corresponds to 1,847,271,219 voting rights). 57.70 % of the voting rights (this corresponds to 1,716,390,800 voting rights) are attributable to the company in accordance with section 22 (1) sentence 1 no. 1 WpHG. Attributed voting rights are held by the following companies under its control, whose share in the voting rights of Telefónica Deutschland Holding AG amounts to 3 % or more: O2 (Europe) Limited, Telefónica Germany

Holdings Limited. 4.40 % of voting rights (this corresponds to 130,880,419 voting rights) are attributable to the company in accordance with section 22 (1) sentence 1 no. 2 in conjunction with sentence 2 WpHG. Attributed voting rights are held by the following shareholders, whose share in the voting rights of Telefónica Deutschland Holding AG amounts to 3 % or more: KPN Mobile Germany GmbH & Co. KG.

On 7 October 2014, Telefónica Germany Holdings Limited, Slough, United Kingdom, informed us according to section 21 (1) WpHG that its share in the voting rights of Telefónica Deutschland Holding AG, Munich, Germany, fell below the threshold of 75 % of the voting rights on 7 October 2014 and amounted to 62.10 % on that date (this corresponds to 1,847,271,219 voting rights). 4.40 % of the voting rights (this corresponds to 130,880,419 voting rights) are attributable to the company in accordance with section 22 (1) sentence 1 no. 2 WpHG. Attributed voting rights are held by the following shareholders, whose share in the voting rights of Telefónica Deutschland Holding AG amounts to 3 % or more: KPN Mobile Germany GmbH & Co. KG.

On 7 October 2014, O2 (Europe) Limited, Slough, United Kingdom, informed us according to section 21 (1) WpHG that its share in the voting rights of Telefónica Deutschland Holding AG, Munich, Germany, fell below the threshold of 75 % of the voting rights on 7 October 2014 and amounted to 62.10 % on that date (this corresponds to 1,847,271,219 voting rights). 57.70 % of the voting rights (this corresponds to 1,716,390,800 voting rights) are attributable to the company in accordance with section 22 (1) sentence 1 no. 1 WpHG. Attributed voting rights are held by the following companies under its control, whose share in the voting rights of Telefónica Deutschland Holding AG amounts to 3 % or more: Telefónica Germany Holdings Limited. 4.40 % of voting rights (this corresponds to 130,880,419 voting rights) are attributable to the company in accordance with section 22 (1) sentence 1 no. 2 in conjunction with sentence 2 WpHG. Attributed voting rights are held by the following shareholders, whose share in the voting rights of Telefónica Deutschland Holding AG amounts to 3 % or more: KPN Mobile Germany GmbH & Co. KG.

On 8 October 2014, E-Plus Mobilfunk Geschäftsführungs GmbH (in future E-PCPM Geschäftsführungs GmbH), Düsseldorf, Germany, informed us according to section 21 (1) WpHG that its share in the voting rights of Telefónica Deutschland Holding AG, Munich, Germany, exceeded the thresholds of 3 %, 5 %, 10 %, 15 % and 20 % of the voting rights on 7 October 2014 and amounted to 24.90 % on that date (this corresponds to 740,664,193 voting rights). 24.90 % of the voting rights (this corresponds to 740,664,193 voting rights) are attributable to the company in accordance with section 22 (1) sentence 1 no. 1 WpHG. Attributed voting rights are held by the following companies under its control, whose share in the voting rights of Telefónica Deutschland Holding AG amounts to 3 % or more: KPN Mobile Germany GmbH & Co. KG.

On 23 September 2014, Merrill Lynch UK Holdings, London, United Kingdom, informed us according to section 21 (1) WpHG that its share in the voting rights of Telefónica Deutschland Holding AG, Munich, Germany, exceeded the threshold of 3 % of the voting rights on 18 September 2014 and amounted to 4.59 % on that date (this corresponds to 102,642,689 voting rights). 4.59 % of the voting rights (this corresponds to 102,642,689 voting rights) are attributable to the company in accordance with section 22 (1) sentence 1 no. 1 WpHG. Attributed voting rights are held by the following companies under its control, whose share in the voting rights of Telefónica Deutschland Holding AG amounts to 3 % or more: Merrill Lynch International, ML UK Capital Holdings, MLEIH Funding and Merrill Lynch Europe Limited.

On 17 January 2014, BlackRock, Inc., New York, NY, USA, informed us according to section 21 (1) WpHG that its share in the voting rights of Telefónica Deutschland Holding AG, Munich, Germany, fell below the threshold of 3 % of the voting rights on 15 January 2014 and amounted to 2.89 % on that date (this corresponds to 32,330,698 voting rights). 2.89 % of voting rights (this corresponds to 32,330,698 voting rights) are attributable to the company in accordance with section 22 (1) sentence 1 no. 6 in conjunction with section 22 (1) sentence 2 WpHG.

On 16 January 2014, BlackRock Financial Management, Inc., New York, NY, USA, informed us according to section 21 (1) WpHG that its share in the voting rights of Telefónica Deutschland Holding AG, Munich, Germany, fell below the threshold of 3 % of the voting rights on 14 January 2014 and amounted to 2.98 % on that date (this corresponds to 33,232,797 voting rights). 2.98 % of voting rights (this corresponds to

33,232,797 voting rights) are attributable to the company in accordance with section 22 (1) sentence 1 no. 6 in conjunction with section 22 (1) sentence 2 WpHG.

On 16 January 2014, BlackRock Holdco 2, Inc., Wilmington, DE, USA, informed us according to section 21 (1) WpHG that its share in the voting rights of Telefónica Deutschland Holding AG, Munich, Germany, fell below the threshold of 3 % of the voting rights on 14 January 2014 and amounted to 2.98 % on that date (this corresponds to 33,232,797 voting rights). 2.98 % of voting rights (this corresponds to 33,232,797 voting rights) are attributable to the company in accordance with section 22 (1) sentence 1 no. 6 in conjunction with section 22 (1) sentence 2 WpHG.

Declaration of Compliance with the German Corporate Governance Code in accordance with section 161 AktG

The Management Board and Supervisory Board of Telefónica Deutschland Holding AG previously issued the declaration of compliance in accordance with section 161 (1) of the German Stock Corporation Act (AktG) on 13/14/17 October 2016. This declaration of compliance was renewed on 11/12 December 2016. The complete wording of the declaration of compliance and the related renewal is available Telefónica Deutschland's website:

WWW.TELEFONICA.DE/INVESTOR-RELATIONS-EN/CORPORATE-GOVERNANCE/DECLARATION-OF-COMPLIANCE.HTML

Report on events after the reporting period

No significant events that would be reportable here occurred after the end of the financial year on 31 December 2016.

Combined Management Report

The Management Report of Telefónica Deutschland Holding AG has been combined with the Group Management Report in accordance with section 315 (3) in conjunction with section 298 (2) of the German Commercial Code (HGB) and is published in the 2016 Annual Report of the Telefónica Deutschland Group.

The Annual Financial Statements as well as the Annual Report including the Combined Management Report of Telefónica Deutschland are made available online in the electronic version of the German Federal Gazette and on the website.

Munich, 2 February 2017

Telefónica Deutschland Holding AG

The Management Board



Markus Haas



Rachel Empey

Telefónica Deutschland Holding AG

Declaration of the Statutory Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss Company, and the Management Report for Telefónica Deutschland Holding AG, which has been combined with the Group Management Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Munich, 2 February 2017

Telefónica Deutschland Holding AG

The Management Board



Markus Haas



Rachel Empey

Audit opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the combined management report of Telefónica Deutschland Holding AG, Munich, for the fiscal year from 1 January 2016 to 31 December 2016. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handels-gesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with the legal requirements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, 15 February 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dahmen
Wirtschaftsprüfer
[German public auditor]

Vogel
Wirtschaftsprüferin
[German public auditor]

Glossary_

The glossary also contains abbreviations as used in the Group Management Report.

Advanced Data Analytics (ADA)	Data analytics for optimising day-to-day business as well as for the development of new products and services
AktG	Aktiengesetz (German Stock Corporation Act)
ARPU	Average Revenue per User
BEREC	Body of European Regulators for Electronic Communication-Gremiums
Bitkom	Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V., Berlin
BNetzA	Bundesnetzagentur
bp	Basis points
Broadband	Refers to telecommunication in which a wide band of frequencies is available to transmit information
Brexit	British Exit – act of leaving by the United Kingdom from the European Union
CapEx	Capital expenditures: additions to property, plant and equipment and intangible assets excluding investments in licences for mobile phone frequency usage rights
Carrier	Telecommunication network operator authorized by the federal network agency
CF	Cash flow
cloud services	A dynamic infrastructure, software and platform services, which are available online
CO ₂	Carbon dioxide
data upselling	Additional data volume available for purchase for customers
DSL	Digital Subscriber Line: technology to transmit data in the local loop to private end-customers
EU	European Union
Euribor	Euro Interbank Offered Rate
ExComm	Executive Committee
FCF	Free cash flow
FTR	Fixed network Termination Rates
GfK	Gesellschaft für Konsumforschung (Consumer research association)
GHG	Greenhouse Gas
GSM	Global System for Mobile Communications
GSMA	Global System for Mobile Communications Association
GWh	Gigawatt hours
HGB	Handelsgesetzbuch (German Commercial Code)

IFRS	International Financial Reporting Standards
IoT	Internet of Things
ISIN	International Securities Identification Number
IT	Informationstechnologie
Joint Venture	Two or more companies founding a new enterprise for cooperation
KPN	Koninklijke KPN N.V., The Hague, Netherlands
Leaver Programm	Severance payment program for the planned downsizing in the context of the merger of E-Pluss
LTE	Long Term Evolution: further development of the UMTS/HSPA mobile communications standard
M2M	Machine-to-Machine communication, automatic exchange of information between machines
MBA	Mobile Bitstream Access
MTR	Mobile termination rates
MVNO	Mobile Virtual Network Operator
Net Adds	New customers for the period less those customers leaving are designated as net additional customers
N2O	Nitrous Oxid
NFC	Near Field Communication: a short-range wireless connectivity standard
O2 (Europe) Limited	O2 (Europe) Limited, Slough, United Kingdom
O ₂ Free	The "O ₂ Free" data plan allows customers to remain online with speeds of up to 1 Mbit/s even after they have used all of their high-speed data
O ₂ My Handy	Monthly payment model for mobile phones and other devices
OIBDA	Operating Income before Depreciation and Amortization
Opex	Operating expenses
OTT	Over The Top
OTT services	Over-the-top- services (e.g. WhatsApp, Facebook)
PIP	Performance and Investment Plan
Prepaid/Postpaid	In contrast to postpaid contracts, prepaid communication services are services for which credit has been purchased in advance with no fixed-term contractual obligations
Pure LRIC	Pure Long Run Incremental Costs – Benchmark to regulate costs associated with interconnection fees
Retail	Sale of goods and services to end users; as opposed to resale or wholesale business
Roaming	Using a communication device or subscriber identity in a different network other than one's home network
SIM	Subscriber Identity Module: a chip card to insert into a mobile phone and identifies the user within the network

SIP	Session Initiation Protocol: an Internet Engineering Task Force (IETF) standard protocol for initiating an interactive user session that involves multimedia elements such as video, voice, chat, gaming, and virtual reality
Smartphone	Mobile handset that can be used as a wireless phone, a web browser, and an e-mail reader simultaneously
SME	Small- and Medium-sized Enterprises
SMS	Short Message Service
SoHos	Small offices/Home offices
Tablet	A wireless, portable personal computer with a touch screen interface
Telefónica Deutschland	Telefónica Deutschland Holding AG, Munich
Telefónica, S.A.	Telefónica, S.A., Madrid/Spain
Telefónica Deutschland Group	The companies included in the Consolidated Financial Statements of Telefónica Deutschland
Telefónica NEXT	Telefónica Germany Next GmbH, Munich
Telxius S.A.	Telxius Telecom S.A., the infrastructure entity of Telefónica
TKG	Telekommunikationsgesetz (German Telecommunication Act)
TSM-VO	Telecom single market regulation
ULL	Unbundled Local Loop: bridges the distance between the local exchange and the termination point on the customer's premises or in their home, so it is also known as the "last mile"
UMTS	Universal Mobile Telecommunications Service: international mobile communications standard of the third generation which unites mobile multimedia and telematics service under the frequency spectrum of 2 GHz.
VDSL	Very High Data Rate Digital Subscriber Line (see DSL)
VoLTE	Voice over LTE
WLAN	Wireless Local Area Network
Wholesale	Selling services to third parties who sell them to their own end customers either directly or after further processing

Imprint_

Published by

Telefónica Deutschland Holding AG
Georg-Brauchle-Ring 23–25
80992 Munich, Germany
Phone: +49 89 2442 0
www.telefonica.de

Investor Relations

Telefónica Deutschland Holding AG
Investor Relations
Georg-Brauchle-Ring 23–25
80992 München
Phone: +49 89 2442 1010
E-mail private investors: shareholder-deutschland@telefonica.com
E-mail institutional investors: ir-deutschland@telefonica.com
www.telefonica.de/investor-relations

This report was published in German and English.
In case of doubt please refer to the German edition which is mandatory.

The Annual Report is available for download under
www.telefonica.de/annualreport2016

Concept and design

Telefónica Deutschland Corporate Communications, Munich
Strichpunkt, Stuttgart/Berlin

These written materials are not an offer of securities for sale or a solicitation of an offer to purchase securities in the United States. 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 therefrom. The issuer has not and does not intend to register any securities under the US Securities Act of 1933, as amended, and does not intend to conduct a public offering of any securities in the United States.

Not for release, publication or distribution in the United States, Canada, Australia, South Africa or Japan.

#ShapingDigitalLives

Telefónica Deutschland Holding AG
Georg-Brauchle-Ring 23–25
80992 Munich, Germany
Tel. +49 89 2442 0
www.telefonica.de