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Telefonica Deutschland is setting the pace to become the Leading Digital Telco

1. Well positioned to lead the most attractive European telco market

2. Strong network & distribution assets to provide the best digital customer experience

3. Enhanced profitability and cash flow generation from a clear integration plan

4. Strong value proposition for Telefónica Deutschland shareholders
The Leading Digital Telco: our priorities and success factors

Keep the Momentum

Integrate quickly

Transform the company

Offer Best high speed Access experience

Superior customer experience throughout their digital journey

Achieve Operational Excellence

Golden Grid for 2G/3G + LTE roll-out + access to best VDSL platform

Peace of Mind, Multi-channel & Digital first

Synergies & Lean operating model

Synergies

Optimise

Simplify

Improve

Operating model
Telefonica Deutschland is well positioned to lead the most attractive Telco market in Europe

### Rational and balanced market structure

- **Non-disruptive pricing** for tiered mobile data portfolios
- **Stable ~30% households** with converged Fixed & Mobile

### Infrastructure-based competition

- **LTE device penetration in % vs. avg. 3G/4G data usage in MB in 2015 FC**

### Steady adoption of a Digital Lifestyle

- **Mobile customers using smartphones for video streaming in %**

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1. Market share of MSR based on reported financials by MNOs for FY 2014 & TEF D pro forma
2. Source: Analysys Mason Report; countries: UK, Netherlands, Sweden & Germany
3. Source: Internal representative market study
4. VoD: Video on Demand
Successful multi-brand & mobile data-centric strategy in a highly segmented mobile market

A clear multi-brand set up
Leveraging densest mobile network

Focused commercial approach, leveraging upsell potential & value based handset model

<table>
<thead>
<tr>
<th>Plan</th>
<th>O₂ Blue All-in</th>
<th>Monthly discount¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>S</td>
<td>€0</td>
<td>€5</td>
</tr>
</tbody>
</table>

Tip

<table>
<thead>
<tr>
<th>Premium</th>
<th>XL</th>
</tr>
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<tr>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

3G national roaming enabled for the whole customer base from mid-April ‘15

Public – Nicht vertraulich
Strong progression with mobile data monetisation

**Enabling our customers’ digital life**

Total increase in content streaming traffic

- Q2 ’14 (combined)
- Q2 ’15

+40%

29k hours/day

58k hours/day

**Ongoing improvement of tariff adoption mix**

Share of Gross Adds in O₂ Consumer postpaid

- >1 GB
- <1 GB

Q4 ’14
- Q1 ’15
- Q2 ’15

35%

**National Roaming and LTE driving usage**

Average data usage for O₂ consumer LTE customers¹ (MB)

- Q2 ’15
- Q1 ’15
- Q4 ’14

774
786
959

+22%

**Encouraging progression of Data Automatic**

O₂ Blue All-in portfolio (dynamics within opted-in base)

- CB opted-in
- 1 snack
- 2 snacks
- 3 snacks

34%
64%
45%

Automatic data allocation events (% of customers)

**Public – Nicht vertraulich**

¹ O₂ consumer base with LTE enabled smartphone (all tariffs)
Enhanced network perception from 3G national roaming and LTE expansion

Best network experience in 3G and 4G ...

... with positive reviews from specialised media

- User-driven network test (June 2015)
- 3G national roaming key for improved ratings
- O₂ customers showing strongest satisfaction

- Best-in-class 3G network with national roaming
  - 90% 3G outdoor coverage
  - Up to 42 Mbps download speed (HSPA+)
  - Driving 5% to 10% increased data usage in newly covered 3G areas

- Accelerated value-driven LTE network rollout
  - Good progression to reach 2015 coverage target of 75%
  - Voice-over-LTE since April 2015
The right fixed infrastructure model to complement our mobile network for the best high speed access experience

**Access to best available fixed NGA¹ network - scalable & future-proof**

- Immediate & nationwide access to DT’s NGA rollout
- Regulated access/pricing terms
- Coordinated NGA planning and decommission of own DSL-ULL

**With a very competitive bundled offer “Kombi - Vorteil”**

- Flexible aggregation of fixed & mobile lines with progressive discounts based on value (up tp €30)
- Active cross-selling of fixed propositions to former E-Plus customer base

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¹ NGA: Next Generation Access, including VDSL, Vectoring and future FTTX deployments
Best sales & service experience through extensive multi-channel retail and digital approach

Multi-channel to maximise efficiency

- Own branded shops
- Premium partners
- Online & telesales
- Social media
- Large indirect/SP
- Other & e-retailers

"Digital first" for every customer interaction

- Web/mobile portals
- Apps
- Chats/Forums
- Social media

- Largest physical distribution reach in the market
- Our priority is to reach operational excellence in customer service
- Shop footprint reduction (own branded & partner shops) by 1/3rd
- Increasing relevance of own online channels
- O₂ portfolio distributed in BASE branded shops
Facilitating our customers’ digital journey

Our flexible approach to a Digital Lifestyle with a smartphone-centric proposition

Digital enhancement @ Home
- Strong focus on enhancing our customers’ digital experience
- Chromecast experience as a facilitator to big screen

Flexible Access
- Access choice; leveraging LTE & VDSL + Kombi

Flexible offering through Partners

- Zattoo
- Watchever
- Music
- 7TV
Successful start of integration & transformation activities

**Start of integration**

- Phase I: D1 + 7 months
  - Keep operational focus
  - Boost customer experience
  - Preparation for integration
  - Quick wins synergies
  - New operating model / organisation

**Commercial transition**

- Phase II: D1+7 months onwards
  - Brand transition & shop rationalisation
  - Network consolidation & joint roll-out
  - Digitalisation of structures / processes
  - Organisational transformation & legal integration

**Target state**

- Phase III: Year 5 onwards
  - Leading digital Telco in Germany
  - €800m run-rate OpCF\(^1\) synergies

Notes:

- OIBDA minus CapEx

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*Telefónica Deutschland*
Expected synergies to exceed €5bn (NPV\textsuperscript{1})

Run-rate of Operating Cash Flow synergies of ca. €800m in year 5

<table>
<thead>
<tr>
<th>Distribution &amp; Customer Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage and scale effects of broad distribution network and customer service organizations</td>
</tr>
<tr>
<td>Optimization of retail footprint resulting in reduction of rent and overhead</td>
</tr>
<tr>
<td>Focus on digital customer touch points for sales and service initiatives</td>
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</table>

<table>
<thead>
<tr>
<th>Network</th>
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</thead>
<tbody>
<tr>
<td>Improved quality &amp; capacity in 4G with reduced CapEx requirement</td>
</tr>
<tr>
<td>Consolidation of 2G/3G access networks, backbone and backhaul</td>
</tr>
<tr>
<td>Reduction of ∼14,000 sites to reach “golden grid”</td>
</tr>
<tr>
<td>Leverage scalable cooperation with Deutsche Telekom regarding fixed line services</td>
</tr>
<tr>
<td>Overall improved network perception</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>SG&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elimination of duplicities in organisation</td>
</tr>
<tr>
<td>Transformation towards lean and digital</td>
</tr>
<tr>
<td>Focused advertising &amp; marketing spend</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue and other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional cross- and upsell opportunities in consumer and SME</td>
</tr>
<tr>
<td>Cross selling opportunity for fixed BB</td>
</tr>
<tr>
<td>Upside potential from strong wholesale component</td>
</tr>
</tbody>
</table>

In €bn

\begin{align*}
\text{Distribution & Customer Service} & : 1.1 \\
\text{Network} & : 1.7 \\
\text{SG&A} & : 0.8 \\
\text{OpEx} & : 3.6 \\
\text{CapEx} & : 1.9 \\
\text{Integration Costs} & : 0.9 \\
\text{NPV of oper. Synergies} & : 4.6
\end{align*}

Notes:
\textsuperscript{1} Calculated as the sum of the present values of forecasted future cash flows including the so-called “terminal value” (NPV of expected future cash flows beyond the explicit forecast horizon) after tax.
\textsuperscript{2} Run-rate of opCF synergies is pre-tax

Public – Nicht vertraulich
Around 30% of total target synergy run-rate to be achieved already in the first year of integration

- 2015 synergies at ~30% of €800m run rate in year 5 of integration (~80% in year 4)
- Distribution & Customer service to represent ~60% of OpEx synergies in 2015
- CapEx synergies mainly driven by a single LTE-network rollout
- A significant proportion of expected OpEx restructuring costs already booked in 2014

Headcount restructuring\(^3\) of 1,600 FTEs by 2018 (~50% in ‘15 from Q2’15)

Shop reduction\(^3\) planned by 1/3\(^{rd}\) by year 5

Decommission\(^3\) of ~14,000 mobile sites planned by year 5

\(^1\)OpEx savings are referred to 2014 combined financials excluding restructuring costs
\(^2\)CapEx synergies net of restructuring activities and exclude investment in spectrum
\(^3\)2014 combined KPIs: 9.1K FTEs, 1.8K shops, >39K mobile sites
Early integration benefits and focus on customer base leading to progressive improvement in profitability

Integration
- Leaver program on track: 750 FTEs
- Transfer of 301 shops to Drillisch incl. 300 FTEs + decommission plan for >100
- Agreement to transfer 7,700 sites to DT

Transformation
- Harmonisation of shop branding under O₂ already started
- Increased retail presence of blau brand
- Successful start of Drillisch MBA MVNO

Simplification
- Ongoing simplification of legal corporate structure
- Inner-city consolidation of facilities and offices
We expect a gradual progression in OIBDA for 2015 driven by synergies & operational excellence

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,528</td>
<td>0.8%</td>
<td>1,461</td>
<td>9.8%</td>
<td>Broadly stable</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt;10%</td>
</tr>
<tr>
<td></td>
<td>CapEx</td>
<td>1,161</td>
<td></td>
<td>5.6%</td>
<td>High single digit pct. decline</td>
</tr>
</tbody>
</table>

~30% of total target synergy run-rate to be achieved already in 2015 (~€250m²)

- **Stronger focus on** development of own customer base; with value-for-money approach to customers
- **Drive data monetisation**, leveraging higher demand for data services & LTE
- **Lean & digital organisation** with a simplified operating model & optimised processes
- **Economies of scale** in relation to network, administration, IT, rent, procurement etc.
- **Synergies**: ~30% of €800m Operating Cash Flow synergy run-rate already in year 1
- **New investment cycle** with focus on LTE and combination of the two networks; synergies outweighing additional CapEx for accelerated LTE rollout

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1 Combined figures for 2013 and 2014 are approximate and the result of the aggregation and then consolidation of Telefónica Deutschland and E-Plus Group financials according to Telefónica Deutschland Group accounting policies. The combined figures are further adjusted by material exceptional effects, such as capital gains or restructuring costs based on estimates made by Telefónica management and resulting in combined figures we believe are more meaningful as a comparable basis. Financials also exclude material one-offs, such as capital gains or restructuring costs (€414m in 2014).

2 All expected regulatory effects (e.g. MTR cuts) are included in the outlook. Restructuring costs from the integration of E-Plus Group are excluded from OIBDA Outlook and CapEx excludes investments in spectrum.
Comfortable liquidity and conservative financing policy

Smooth, extended maturity profile and further diversified financing mix

- Inter-company loan
- Bond 1/2 (Nov '13/Feb'14)
- SSD/NSV
- Revolving Credit Facilities: €760m (fully undrawn)
- Private Placement: €300m
- Inter-company loan; €725m
- Bonds: €1.100m

Financing instrument mix (%)
- Fixed 35%
- Floating 65%

Interest payment mix (%)

Comfortable liquidity position

- Cash and cash equivalents
- Undrawn RCFs
- Total liquidity

Leverage\(^3\) ratio at 1.2x after one-off payments in Q2’15

1. Revolving credit facilities; €50m RCF volume maturing in 2015, €510m in 2017 and €200m in 2018
2. For definition of Net financial debt please refer to the published Q1 2015 materials (www.telefonica.de)
3. As measured by Net Financial Debt/OIBDA (Last 12 months)
4. Mainly consists of movement of O₂ My Handy receivables and Handset model receivables

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We aim to maintain an attractive shareholder remuneration policy

Shareholder remuneration policy - main guidelines

- Maintain high payout in relation to FCF
- Consider expected future synergy generation in dividend proposals
- Keep leverage ratio at or below 1.0x over the medium term
- Dividend of more than €714m on 2014 results approved by AGM and paid in May 2015

Notes:
1 Refer to the Telefónica Deutschland website for full dividend policy (www.telefonica.de)
Main Takeaways

1. Creation of the Leading Digital Telco in the German market
   - Market leader (48m accesses)
   - Enhanced Value-for-Money competitive position
   - Significant data monetisation opportunity
   - Simplification & Digitalisation at the core

2. Superior digital customer experience on strong foundations
   - Right infrastructure model for best high speed experience
   - Multi-brand strategy to enhance data monetisation
   - Multi-channel retail and “digital first” approach
   - Facilitating customer’s digital journey - flexible approach

3. Enhanced profitability and cash flow generation from integration synergies and focused strategy
   - Gradual capture of synergies: €800m OpCF run rate in year 5
   - Scale benefits from a mobile data-centric approach
   - Simplified and lean operational model
   - Focused investments on single LTE network rollout

4. Strong value creation for Telefónica Deutschland shareholders
   - Conservative financing policy
   - Commitment to maintain a high FCF dividend pay-out ratio
   - Consider future upside from synergies in dividend proposals
   - High financial flexibility with leverage ratio at or below 1.0x
Back-up
Strong spectrum portfolio post auction enables full realisation of our best network experience vision
<table>
<thead>
<tr>
<th>O₂ Blue All-in</th>
<th>S</th>
<th>M</th>
<th>L</th>
<th>XL</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minuten in alle dt. Netze und ins dt. Festnetz</td>
<td>FLATRATE</td>
<td>FLATRATE</td>
<td>FLATRATE</td>
<td>FLATRATE</td>
<td>FLATRATE</td>
</tr>
<tr>
<td>SMS in alle dt. Mobilfunknetze</td>
<td>FLATRATE</td>
<td>FLATRATE</td>
<td>FLATRATE</td>
<td>FLATRATE</td>
<td>FLATRATE</td>
</tr>
<tr>
<td>Surfen im Inland (Inklusiv-Volumen)</td>
<td>200 MB</td>
<td>1 GB</td>
<td>3 GB</td>
<td>5 GB</td>
<td>10 GB</td>
</tr>
<tr>
<td>Datenaufnahme (automatisch nach Datenverbrauch)</td>
<td>bis zu 3 x 100 MB für je 2 € zusätzlich</td>
<td>bis zu 3 x 100 MB für je 2 € zusätzlich</td>
<td>bis zu 3 x 100 MB für je 2 € zusätzlich</td>
<td>bis zu 3 x 100 MB für je 2 € zusätzlich</td>
<td>bis zu 3 x 100 MB für je 2 € zusätzlich</td>
</tr>
<tr>
<td>Maximale Geschwindigkeit</td>
<td>bis zu 21,1 MBit/s LTE⁴</td>
<td>bis zu 21,1 MBit/s LTE⁴</td>
<td>bis zu 50 MBit/s LTE⁴</td>
<td>bis zu 50 MBit/s LTE⁴</td>
<td>bis zu 50 MBit/s LTE⁴</td>
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<tr>
<td>Extra-Festnetznummer</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>EU Roaming Flat (Surfen und Telefonieren im EU-Ausland)⁷</td>
<td>+ 4,99 mtl.</td>
<td>+ 4,99 mtl.</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Minuten/SMS ins EU-Ausland mtl. inkl.</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Multicard⁴</td>
<td>+ 4,99 mtl.</td>
<td>+ 4,99 mtl.</td>
<td>1 Multicard inklusive</td>
<td>2 Multicards inklusive</td>
<td>2 Multicards inklusive</td>
</tr>
<tr>
<td>O₂ more Premium Status⁸</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>✓</td>
</tr>
</tbody>
</table>

Einmaliger Anschlusspreis beträgt 29,99 €.

Preise in € inkl. MwSt.
* Weitere Informationen auf Seite 4 und siehe Hinweistext 1.
Datenautomatik
Für bequemes Surfen, Streamen und mehr in allen O₂ Blue Tarifen

- Immer genug Datenvolumen für schnelles Surfen
- Nach Verbrauch Ihres monatlichen Inklusiv-Volumens erhalten Sie automatisch bis zu 3 x pro Monat 100 MB zusätzliches Datenvolumen für jeweils nur 2 €
- Automatische SMS-Benachrichtigung bei jeder Erweiterung

Nach Verbrauch des Inklusiv-Volumens werden bis zu 3 x Monat 100 MB Datenpakete zur Verfügung gestellt.

Werden in 3 aufeinanderfolgenden Monaten die mtl. zur Verfügung stehenden 3 Datenpakete genutzt, erfolgt mit Verbrauch des letzten Datenpakets ein automatisches Daten-Upgrade (Datenvolumen abhängig vom Tarif).
## O₂ DSL All-in portfolio

### O₂ DSL All-in

<table>
<thead>
<tr>
<th>Feature</th>
<th>S¹³</th>
<th>M¹³</th>
</tr>
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<tbody>
<tr>
<td><strong>Flatrate ins dt. Festnetz</strong></td>
<td>✓</td>
<td>✓</td>
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<tr>
<td><strong>Flatrate in alle dt. Mobilfunknetze</strong></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Unbegrenzt surfen (mit bis zu 2.000 KBit/s)</strong></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Maximale Surf-Geschwindigkeit</strong></td>
<td>bis zu 8.000 KBit/s (Upload: bis zu 1.000 KBit/s)</td>
<td>bis zu 16.000 KBit/s (Upload: bis zu 1.000 KBit/s)</td>
</tr>
<tr>
<td><strong>Maximale Surf-Geschwindigkeit bis</strong>*</td>
<td>100 GB¹⁵</td>
<td>300 GB¹⁵</td>
</tr>
<tr>
<td><strong>(Inklusiv-Volumen)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fair-Use-Mechanik</strong>*</td>
<td>–</td>
<td>✓</td>
</tr>
<tr>
<td><strong>WLAN-Router/HomeBox 2/AVM FRITZ!Box 7490</strong></td>
<td>0,00/19,99/49,99</td>
<td>0,00/19,99/49,99</td>
</tr>
<tr>
<td><strong>Anschlusspreis</strong>¹³</td>
<td>0,00 (anstatt 49,99)</td>
<td>0,00 (anstatt 49,99)</td>
</tr>
<tr>
<td><strong>Mtl. Grundgebühr reduziert für O₂ Kunden</strong></td>
<td>–</td>
<td>ab 4,99 (ab 4. Monat ab 19,99)</td>
</tr>
</tbody>
</table>

### TIPP

<table>
<thead>
<tr>
<th>Feature</th>
<th>L¹³</th>
<th>XL¹²**</th>
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<tr>
<td><strong>Flatrate ins dt. Festnetz</strong></td>
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<td>✓</td>
</tr>
<tr>
<td><strong>Flatrate in alle dt. Mobilfunknetze</strong></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Unbegrenzt surfen (mit bis zu 2.000 KBit/s)</strong></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Maximale Surf-Geschwindigkeit</strong></td>
<td>bis zu 50.000 KBit/s (Upload: bis zu 10.000 KBit/s)</td>
<td>bis zu 100.000 KBit/s (Upload: bis zu 40.000 KBit/s)¹⁴</td>
</tr>
<tr>
<td><strong>Maximale Surf-Geschwindigkeit bis</strong>*</td>
<td>300 GB¹⁵</td>
<td>500 GB¹⁵</td>
</tr>
<tr>
<td><strong>(Inklusiv-Volumen)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fair-Use-Mechanik</strong>*</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>WLAN-Router/HomeBox 2/AVM FRITZ!Box 7490</strong></td>
<td>0,00/19,99/49,99</td>
<td>–/19,99/49,99</td>
</tr>
<tr>
<td><strong>Anschlusspreis</strong>¹³</td>
<td>0,00 (anstatt 49,99)</td>
<td>0,00 (anstatt 49,99)</td>
</tr>
<tr>
<td><strong>Mtl. Grundgebühr reduziert für O₂ Kunden</strong></td>
<td>ab 4,99 (ab 4. Monat ab 24,99)</td>
<td>ab 4,99 (ab 4. Monat ab 29,99)</td>
</tr>
</tbody>
</table>

*Preise in € inkl. MwSt.*

* Weitere Informationen auf Seite 4 und siehe Hinweistext 1.
** In vielen regionalen Gebieten verfügbar.
Driving momentum in a rational environment with a continued focus on base management and partner trading

Balancing value with growth in mobile

Exploiting a strong fixed BB proposition

Driving further smartphone adoption

Increasing our active LTE base

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1 defined as customer with LTE enabled handset & LTE tariff

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Public – Nicht vertraulich
Our mobile-centric strategy driving top line performance

Revenue Structure (in €m)

<table>
<thead>
<tr>
<th></th>
<th>H1 '14</th>
<th>H1 '15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardware</td>
<td>3,772</td>
<td>3,849</td>
</tr>
<tr>
<td>MSR</td>
<td>475</td>
<td>521</td>
</tr>
<tr>
<td>Fixed</td>
<td>2,713</td>
<td>2,735</td>
</tr>
<tr>
<td>other</td>
<td>581</td>
<td>586</td>
</tr>
</tbody>
</table>

Increased flagship HW sales driving revenue

Handsets sold (volume)

Flagship smartphones

<table>
<thead>
<tr>
<th></th>
<th>Q4 '14</th>
<th>Q1 '15</th>
<th>Q2 '15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardware</td>
<td>73%</td>
<td>76%</td>
<td>77%</td>
</tr>
<tr>
<td>MSR</td>
<td>stable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mobile Service Revenue y-o-y (in %)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '15</th>
<th>retail</th>
<th>other</th>
<th>Q2 '15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>1.5</td>
<td>-2/3</td>
<td>0.2</td>
<td></td>
</tr>
</tbody>
</table>

Fixed Revenue y-o-y (in %)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '15</th>
<th>Q2 '15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth (y-o-y)</td>
<td>-10.9%</td>
<td>-9.5%</td>
</tr>
<tr>
<td>DSL retail</td>
<td>-6.9</td>
<td>-4.8</td>
</tr>
<tr>
<td>Other fixed</td>
<td>-4.0</td>
<td>-4.8</td>
</tr>
</tbody>
</table>
OIBDA already reflecting the benefit from integration savings

**Structure of H1 ’15 OIBDA (in €m)**

<table>
<thead>
<tr>
<th>Component</th>
<th>Value (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>3,849</td>
</tr>
<tr>
<td>other income</td>
<td>61</td>
</tr>
<tr>
<td>Supplies</td>
<td>-1,306</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>-344</td>
</tr>
<tr>
<td>other expenses</td>
<td>-1,430</td>
</tr>
<tr>
<td>OIBDA before exceptional effects</td>
<td>831</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>-3</td>
</tr>
<tr>
<td>Sale of yourfone</td>
<td>17</td>
</tr>
<tr>
<td>OIBDA</td>
<td>845</td>
</tr>
</tbody>
</table>

**Synergies already a significant driver in Q2’15**

OIBDA growth (y-o-y in €m)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>OIBDA Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 ’15</td>
<td>21</td>
</tr>
<tr>
<td>Q2 ’15</td>
<td>54</td>
</tr>
</tbody>
</table>

**Value-based handset approach**

HW margin (absolute figures)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>HW Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 ’15</td>
<td></td>
</tr>
<tr>
<td>Q2 ’15</td>
<td>54</td>
</tr>
</tbody>
</table>

1 y-o-y comparisons based on 2014 combined figures and excluding exceptional effects
2 Hardware margin defined as handset revenues less cost of sales
Keeping financial flexibility after significant one-off investments in Q2 2015

Evolution of Free Cash Flow (FCF)\(^1\) (in €m)

\[\begin{align*}
\text{OIBDA} & : 845 \\
\text{CapEx} & : 463 \\
\text{CapEx Reversal} & : 136 \\
\text{Prepayments} & : 158 \\
\text{other Working Capital movements} & : 10 \\
\text{other} & : 16 \\
\text{FCF}\(^1\) & : 94
\end{align*}\]

\(^1\) Free cash flow pre dividend, spectrum payment and pre acquisition of E-Plus is defined as the sum of cash flow from operating activities and cash flow from investing activities.

Evolution of Net Debt\(^2\) (y-o-y in €m) - leverage\(^2\) ratio at 1.2x after one-off payments in Q2’15

\[\begin{align*}
\text{Net financial debt as of 01.01.2015} & : 3 \\
\text{FCF}\(^1\) & : -94 \\
\text{Dividend} & : 714 \\
\text{Spectrum payment} & : 976 \\
\text{Other}\(^3\) & : 179 \\
\text{Net financial debt as of 30.06.2015} & : 1.778
\end{align*}\]

\(^2\) For definition of Net Debt and Leverage Ratio please refer to additional materials of H1 15 results

\(^3\) Mainly consists of movement of O2 My Handy receivables and Handset model receivables
Quarterly detail of relevant combined financial and operating data for Telefonica Deutschland from Q4 2013

<table>
<thead>
<tr>
<th>Financials (Euros in millions)</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4</td>
<td>Q1</td>
</tr>
<tr>
<td>Revenues</td>
<td>2.022</td>
<td>1.847</td>
</tr>
<tr>
<td>Mobile service revenues</td>
<td>1.391</td>
<td>1.333</td>
</tr>
<tr>
<td>OIBDA post Group fees</td>
<td>462</td>
<td>357</td>
</tr>
<tr>
<td>CapEx</td>
<td>471</td>
<td>215</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accesses (EoP) (in k)</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4</td>
<td>Q1</td>
</tr>
<tr>
<td>Total Accesses</td>
<td>46.899</td>
<td>46.897</td>
</tr>
<tr>
<td>o/w mobile</td>
<td>41.133</td>
<td>41.168</td>
</tr>
<tr>
<td>Prepay</td>
<td>22.876</td>
<td>22.680</td>
</tr>
<tr>
<td>Postpay</td>
<td>18.257</td>
<td>18.489</td>
</tr>
</tbody>
</table>

- Combined figures for 2014 and 2013 are approximate and the result of the aggregation and then consolidation of Telefónica Deutschland and E-Plus Group financials according to Telefónica Deutschland Group accounting policies. The combined figures are further adjusted by material exceptional effects if any, such as capital gains or restructuring costs based on estimates made by Telefónica Deutschland management and resulting in combined figures we believe are more meaningful as a comparable basis.

- The combined financials are not necessarily indicative of results that would have occurred if the business had been a separate standalone entity during the year presented or of future results of the business. The presentation of the combined consolidated financial information is based on certain assumptions and is intended for illustrative purposes only. The combined information describes a hypothetical situation and thus, due to its nature, the presentation does not reflect the actual results of operations. The assumed acquisition date had been the beginning of the annual period.