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Shaping the leading digital ‘onlife’ telco in Germany

1. Drive momentum in an attractive & dynamic telecoms market

2. Shaping the digital transformation for an exceptional customer experience

3. Lean & efficient operations to drive growth in profitability and FCF

4. Attractive shareholder return & financial flexibility on strong fundamentals
2016: Moving the focus from integration to transformation

Keep the Momentum
Integrate quickly
Transform the company

Best high speed access experience
Superior customer experience
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
Telefonica Deutschland is well positioned to lead the most attractive telco market in Europe

### Rational and balanced market structure
- Rational market following 4to3 consolidation
- Non-disruptive pricing for tiered mobile data portfolios

### Data monetisation opportunity intact
- LTE device penetration in % vs. avg.
- 3G/4G data usage in MB in 2015

### Steady adoption of a digital lifestyle
- 3G/4G avg. data usage in Germany

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1. Market share of MSR based on reported financials by MNOs for Q4 2015
2. Source: Analysys Mason Report; Western Europe LTE device penetration/data traffic per user: UK, Austria, Sweden Q3 2015
3. Source: VATM, Dialog Consult

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2012 | 2013 | 2014 | 2015
---|---|---|---
33% | 41% | >2x | +49%

WE CHOOSE IT ALL
Successful multi-brand & mobile data-centric strategy in a highly segmented mobile market

A clear multi-brand set up

<table>
<thead>
<tr>
<th>Own brands</th>
<th>Non-Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>O₂</td>
</tr>
<tr>
<td>Non-Premium</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Blau</td>
</tr>
<tr>
<td></td>
<td>BASE</td>
</tr>
<tr>
<td></td>
<td>simyo</td>
</tr>
<tr>
<td></td>
<td>FONIC</td>
</tr>
<tr>
<td></td>
<td>netzclub</td>
</tr>
<tr>
<td></td>
<td>ay yıldız</td>
</tr>
<tr>
<td></td>
<td>ortel MOBILE</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Partner brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>mobilcom debietel</td>
</tr>
<tr>
<td>DRIIUSCH</td>
</tr>
<tr>
<td>NettoKOM</td>
</tr>
<tr>
<td>Media Markt Super Select</td>
</tr>
<tr>
<td>1&amp;1</td>
</tr>
<tr>
<td>Talker</td>
</tr>
<tr>
<td>unitymedia</td>
</tr>
<tr>
<td>ZOLCK</td>
</tr>
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</table>

Focused commercial approach

Promotion 2 May-30 June:
+1GB data for M/L/XL
EU roaming flat for all

<table>
<thead>
<tr>
<th>Premium</th>
<th>XL</th>
<th>L</th>
<th>M</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50 Mbps</td>
<td>10 GB</td>
<td>50 Mbps</td>
<td>50 Mbps</td>
</tr>
<tr>
<td></td>
<td>€79.99</td>
<td></td>
<td>€49.99</td>
<td>€39.99</td>
</tr>
<tr>
<td></td>
<td>50 Mbps</td>
<td>10 GB</td>
<td>50 Mbps</td>
<td>21.1 Mbps</td>
</tr>
<tr>
<td></td>
<td>€79.99</td>
<td></td>
<td>€49.99</td>
<td>€39.99</td>
</tr>
<tr>
<td></td>
<td>50 Mbps</td>
<td>10 GB</td>
<td>50 Mbps</td>
<td>21.1 Mbps</td>
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<tr>
<td></td>
<td>€79.99</td>
<td></td>
<td>€49.99</td>
<td>€39.99</td>
</tr>
</tbody>
</table>

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* Promotional
Customer base focus drives momentum

Telefónica Deutschland brands

Premium

O₂

Non-Premium

Own brands and partner brands

Recognition for network & service quality

Digital lifestyle

O₂ brand development and new shop concept

Cross & up-sell opportunities

Network integration

Higher speeds in more places

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LTE customer base development reflects successful data monetisation strategy

**Data traffic continues to rise**

Traffic (TB/quarter)

![Traffic graph]

**Significant growth in LTE customer base**

LTE customers (million)

![LTE customer base graph]

**Network improvement supports usage**

Average data usage for O₂ consumer LTE customers\(^1\) (GB)

![Data usage graph]

- LTE customer base up 10% qoq and almost 70% yoy to 8.7 million, as more customers rotate into high-end
- Data traffic up 2% qoq and 28% yoy driven by music and video streaming
- Average data usage for LTE customers up 50% yoy in Q1

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\(^1\) O₂ consumer base with LTE enabled smartphone (all tariffs)
The path to a leading network in Germany

Outstanding connectivity & high-speed access in urban & sub-urban areas

Targets 2016

- TEF D to reach eye level with competition
- Accelerated LTE 1,800 roll-out for high-speed
- LTE 800 for coverage

Achievements 2015
- Best-in-class 3G network
- Customer network perception improved
- LTE coverage reaches 75%

3G National Roaming & mVoLTE launched

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Progressing well with the future network set-up

**Network structure**
- Passive infrastructure
  - >90% **rooftop sites**
  - Long-term **operating lease agreements** with landlords
- Active infrastructure
  - Strong **supplier relationships**
  - Implementation of **Single RAN** as part of network roll-out
  - **Carrier aggregation** in focus
- Backbone
  - **Dark fibre and wholesale agreements**

**Network strategy**
- ’**Golden grid**’ 2G/3G: Network consolidation progressing acc. to plan
- **One network** approach from H2-2016
- **Accelerated LTE roll-out** with LTE 800 for coverage and LTE 1,800 for high-speed

**Tower sale to Telxius**
- Sale of **approx. 2,350 towers** to Telefónica SA’s Telxius for purchase price of **EUR 587m**
- Passive infrastructure only
  - Taking advantage of **favourable market conditions** to increase **financial flexibility**
  - Maximising **shareholder value**
Right fixed infrastructure model to complement our mobile network for best high speed experience

Access to best available fixed NGA\(^1\) network

**NGA coverage targets** (% of covered households, YE)

<table>
<thead>
<tr>
<th>Year</th>
<th>50 Mbit/s</th>
<th>100 Mbit/s</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>2018 ambition</td>
<td>80%</td>
<td>+35pp</td>
</tr>
</tbody>
</table>

**Maximum speed**

(Up- & Download, Mbps.)

- **Download**
- **Upload**

![Graph showing VDSL and VDSL Vectoring speeds](image)

- **VDSL**
  - Download: 50 Mbps
  - Upload: 10 Mbps
- **VDSL Vectoring**
  - Download: 250 Mbps
  - Upload: 100 Mbps

- **Super Vectoring**

**With a competitive bundled offer**

- **O₂ DSL all-in**
  (Download speed, Mbps)

- **S**
  - 8 Mbps: €24.99
- **M**
  - 16 Mbps: €29.99
- **L**
  - 50 Mbps: €34.99
- **XL**
  - 100 Mbps: €39.99

### Key Points

- Immediate & nationwide access to DT’s NGA network
- In 2016 top 50 cities will be upgraded to VDSL vectoring and 100 Mbit/s
- O₂ Blue One offers flexible combination of fixed & mobile offers with progressive value-based discounts
- Active cross-selling of fixed & mobile propositions

\(^1\) NGA: Next Generation Access, including VDSL, Vectoring and future FTTX deployments
Advanced Data Analytics & Internet of Things will complement our core business

**Advanced Data Analytics**
- Customer data pool as a key resource
- Best in class analytics to help us build better customer relationships
- Data protection key: Our approach sets new standard in market

**Internet of Things**
- IoT trends are changing traditional business economics
- Building portfolio in the areas of connectivity and software solutions
- Opportunities include SME & Industrie 4.0

Development of ADA and IoT opportunities will shape our digital future
Clear focus on digitalisation initiatives as core element of innovation

‘Digital first’ as framework for transformation strategy

- Increasing relevance of own **online channels**
- **Operational excellence** in customer service
- **Innovation** through added-value services and future business areas: ADA and IoT

**Your smartphone is your future bank**

- **O₂ Banking** – Germany’s first mobile-only bank account
  - Easy & convenient **24/7 mobile banking**
  - **Best-in-class** customer experience
  - **Physical debit card**
  - Variety of **credit products**
- **Attractive banking services** to lock-in customers and **reduce churn**
- Cooperation with **FIDOR Bank**, a German direct bank
Cumulated synergies expected to reach >50% of total savings target by year-end 2016

Synergy case 2015-2019 (EUR m)

- Total OpEx & rev. synergies
  - CapEx synergies
  - 2015 cumulated synergies
  - 2016 incremental synergies
  - 2016 cumulated synergies
  - Year 5

- Opex & Other
- CapEx

100%

Synergy phasing 2016: Integration to transformation

- 2015 rollover: ~EUR 100m
- Add. savings: ~EUR 50m
- Larger initiatives 2016: Network integration, IT transformation, brand migration plus 2015 workstreams
- Integration costs
  - OPEX
  - CAPEX

Large initiatives in 2016

- Network integration
- Brand migration / IT transformation
- Ongoing workstreams from 2015

- Leaver programme
- Shop footprint
- Facilities consolidation
- CS reorg/digitalisation
- Simplification

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1. OpEx savings are referring 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
Shifting the focus to transformation in 2016

2015: Success
Early capture of synergies

- 800 leavers (50% of target)
- 400 shops (2/3 of target)
- Facilities: 15% reduction
- 7,700 sites to DT (14,000 target)
- External staff optimisation
- Simplification/ Elimination of duplications

2016: Transformation
Shifting the focus

- Leaver programme
- Shop footprint optimisation
- Facility consolidation
- Brand/customer migration
- Network integration
- Customer service reorganisation & digitalisation
- Simplification

2017/8: Final Straight
Bringing home savings

- All integration initiatives running in parallel
- High-level of investment OPEX in H1
- Savings in latter years
- Target: EUR 800 m OpCF savings
2016 outlook confirmed with Q1 preliminary results

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MSR</td>
<td>5,528</td>
<td>Broadly stable</td>
<td>5,532 / +0.1%</td>
<td>Slightly negative to broadly stable</td>
</tr>
<tr>
<td>OIBDA</td>
<td>1,461</td>
<td>+15-20%</td>
<td>1,760 / +20.5%</td>
<td>Low to mid single-digit % growth</td>
</tr>
<tr>
<td>CapEx</td>
<td>1,161</td>
<td>Low double-digit pct. decline</td>
<td>1,032 / -11.1%</td>
<td>% growth in the low tens</td>
</tr>
</tbody>
</table>

• 2016 MSR expected to be slightly negative to broadly stable as result of customer acquisition trends and base mix effect
• 2016 OIBDA growth driven primarily by synergies; transformation projects require upfront cost-phasing
• Majority of 2016 synergies stem from 2015 roll-over effects; additional in-year savings from leaver programme and site restructuring
• Capex growth as a result of investment in LTE roll-out & IT consolidation; no further Capex synergies in 2016

>50% of total target of EUR 800m to be achieved in 2016 (~EUR 430m²)

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* Baseline figures for 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. Figures are further adjusted by 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. For details refer to additional materials published on our website [https://www.telefonica.de/investor-relations-en.html](https://www.telefonica.de/investor-relations-en.html)

** 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 and CapEx excludes investments in spectrum.
Comfortable liquidity position and conservative financing policy

Smooth, extended maturity profile and further diversified financing mix

<table>
<thead>
<tr>
<th>Issue date</th>
<th>Currency</th>
<th>Volume</th>
<th>Tenor</th>
<th>Coupon</th>
<th>Instrument rating</th>
<th>Listing</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.11.2013</td>
<td>EUR</td>
<td>600,000,000</td>
<td>5 years</td>
<td>1.875%</td>
<td>BBB, stable outlook</td>
<td>Regulated market of the Luxembourg Stock Exchange</td>
</tr>
<tr>
<td>10.02.2014</td>
<td>EUR</td>
<td>500,000,000</td>
<td>7 years</td>
<td>2.375%</td>
<td>BBB, stable outlook</td>
<td>Regulated market of the Luxembourg Stock Exchange</td>
</tr>
</tbody>
</table>

Average cost of debt: <2%

Financing instrument mix:
- Bonds
- Syndicated loan facility EUR 750m
- Bilateral RCFs EUR 710m
- Intercompany Loan EUR 400m
- Other Short Term Overdraft EUR 65m
- Private placement EUR 300m

Interest mix (%):
- Fixed: 52%
- Variable: 48%

Comfortable liquidity position

<table>
<thead>
<tr>
<th>(EURm)</th>
<th>Cash and cash equivalents</th>
<th>Undrawn RCFs</th>
<th>Total liquidity</th>
</tr>
</thead>
<tbody>
<tr>
<td>486</td>
<td></td>
<td>1.210</td>
<td>1.696</td>
</tr>
</tbody>
</table>

Leverage\(^1\) ratio at 0.7x

\(^1\) As measured by Net Financial Debt/OIBDA (Last 12 months)

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Public – Nicht vertraulich
We will maintain an attractive shareholder remuneration policy

Shareholder remuneration policy - Main guidelines

1. Maintain high payout in relation to FCF

2. Consider expected future synergy generation in dividend proposals

3. Keep leverage ratio at or below 1.0x over the medium term; target will be continually reviewed

4. Dividend proposal of EUR 0.24 for financial year 2015 to be approved by AGM 2016

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

1. Drive momentum in an attractive and dynamic telecoms market
   - Attractive and dynamic telco market
   - Significant data monetisation opportunity
   - Excellent competitive position

2. Shaping the digital transformation for an exceptional customer experience
   - Multi-brand, multi-channel go-to-market strategy
   - Successful up- and cross-selling mechanisms
   - Digitalisation of customer relationships: Offering choice and value

3. Lean & efficient operations to drive growth in profitability and FCF
   - Simplified and lean operating model
   - Best 3G network & ongoing LTE roll-out
   - Ambitious synergy target: EUR 800m OpCF savings in year 5

4. Attractive shareholder return & financial flexibility on strong fundamentals
   - Commitment to attractive dividend policy
   - Conservative financing policy
   - High financial flexibility
Back-up
Strong spectrum post auction enables realisation of best network experience.

Coverage - Level playing field

TEF D retains spectrum leadership for capacity

Telefónica
Vodafone
T

WE CHOOSE IT ALL
### O₂ Blue All-in portfolio

<table>
<thead>
<tr>
<th>Tariffs</th>
<th>O₂ Blue Basic</th>
<th>O₂ Blue All-in S</th>
<th>O₂ Blue All-in M</th>
<th>O₂ Blue All-in L</th>
<th>O₂ Blue All-in XL</th>
<th>O₂ Blue All-in Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice Onnet (O₂ + E-Plus)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Voice Offnet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voice Fixnet</td>
<td>50</td>
<td>100</td>
<td></td>
<td></td>
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<tr>
<td>SMS Allnet</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Data MB</td>
<td>200 MB</td>
<td>500 MB</td>
<td>200 MB</td>
<td>1 GB</td>
<td>3 GB</td>
<td>5 GB</td>
</tr>
<tr>
<td>Data Speed</td>
<td>3,6 Mbit/s</td>
<td>21,1 Mbit/s</td>
<td>21,1 Mbit/s</td>
<td>21,1 Mbit/s</td>
<td>50 Mbit/s</td>
<td>50 Mbit/s</td>
</tr>
<tr>
<td>Fixnet Number</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU-Roaming Flat</td>
<td></td>
<td>+4,99 €</td>
<td>+4,99 €</td>
<td>incl.</td>
<td>incl.</td>
<td>incl.</td>
</tr>
<tr>
<td>Multicard Option</td>
<td>+4,99 €</td>
<td>+4,99 €</td>
<td>+4,99 €</td>
<td>1 incl.</td>
<td>2 incl.</td>
<td>2 incl.</td>
</tr>
<tr>
<td>Flex Option</td>
<td>+4,99 €</td>
<td>+4,99 €</td>
<td>+4,99 €</td>
<td>+4,99 €</td>
<td>+4,99 €</td>
<td>+4,99 €</td>
</tr>
<tr>
<td>Combi DSL/2nd SIM</td>
<td>-2,50 €</td>
<td>-5,00 €</td>
<td>-5,00 €</td>
<td>-10,00 €</td>
<td>-10,00 €</td>
<td>-10,00 €</td>
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</table>

### Data Automatic

<table>
<thead>
<tr>
<th>Additional Domestic Data</th>
<th>3 x 100MB</th>
<th>3 x 100MB</th>
<th>3 x 100MB</th>
<th>3 x 250MB</th>
<th>3 x 250MB</th>
<th>3 x 750MB</th>
<th>3 x 750MB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>3 x 2 €</td>
<td>3 x 2 €</td>
<td>3 x 2 €</td>
<td>3 x 3 €</td>
<td>3 x 3 €</td>
<td>3 x 5 €</td>
<td>3 x 5 €</td>
</tr>
</tbody>
</table>

*promotional changes since since 2 May 2016

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### O₂ DSL All-in portfolio

<table>
<thead>
<tr>
<th>Allnet-Flat</th>
<th>M¹⁷</th>
<th>Young¹⁷</th>
<th>L¹⁷</th>
<th>XL¹⁷⁺⁺</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flatrate ins dt. Festnetz</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Flatrate in alle dt. Mobilfunknetze</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Unbegrenzt surfen (mit bis zu 2.000 KBit/s)</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Maximale Surf-Geschwindigkeit</td>
<td>bis zu 16.000 KBit/s (Upload: bis zu 1.000 KBit/s)¹⁹</td>
<td>bis zu 50.000 KBit/s (Upload: bis zu 10.000 KBit/s)¹⁹</td>
<td>bis zu 50.000 KBit/s (Upload: bis zu 10.000 KBit/s)¹⁹</td>
<td>bis zu 100.000 KBit/s (Upload: bis zu 40.000 KBit/s)¹⁹</td>
</tr>
<tr>
<td>Maximale Surf-Geschwindigkeit bis *** (exklusiv-Volumentr.)</td>
<td>300 GB²⁰</td>
<td>300 GB²⁰</td>
<td>300 GB²⁰</td>
<td>500 GB²⁰</td>
</tr>
<tr>
<td>Fair-Use-Mechanik****</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anschlusspreis¹⁷</td>
<td>0,00 (anstatt 49,99)</td>
<td>0,00 (anstatt 49,99)</td>
<td>0,00 (anstatt 49,99)</td>
<td>0,00 (anstatt 49,99)</td>
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<tr>
<td>Willkommensbonus</td>
<td>100,00</td>
<td>50,00</td>
<td>100,00</td>
<td>100,00</td>
</tr>
</tbody>
</table>

*Preise in € inkl. MwSt.
*Weitere Informationen auf Seite 4 und siehe Hinweistext 1. **In immer mehr Gebieten verfügbar.
Continued momentum in mobile while VDSL drives positive retail net adds in fixed-line

**Partner trading still strong**

<table>
<thead>
<tr>
<th>PO gross adds (abs)</th>
<th>GA partner brands</th>
<th>GA retail brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '15</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>Q2 '15</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Q3 '15</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Q4 '15</td>
<td>43%</td>
<td></td>
</tr>
<tr>
<td>Q1 '16</td>
<td>45%</td>
<td></td>
</tr>
</tbody>
</table>

**Continued focus on retention**

<table>
<thead>
<tr>
<th>PO churn</th>
<th>Churn retail brands</th>
<th>O₂ PO churn (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '15</td>
<td>1.4%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Q2 '15</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Q3 '15</td>
<td>1.3%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Q4 '15</td>
<td>1.4%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Q1 '16</td>
<td>1.4%</td>
<td>-9.5%</td>
</tr>
</tbody>
</table>

**VDSL drives fixed trading**

<table>
<thead>
<tr>
<th>Net adds (in thousand)</th>
<th>DSL wholesale</th>
<th>DSL retail</th>
<th>VDSL share of gross adds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '15</td>
<td>-28</td>
<td>-16</td>
<td>~100%</td>
</tr>
<tr>
<td>Q2 '15</td>
<td>-26</td>
<td>-13</td>
<td></td>
</tr>
<tr>
<td>Q3 '15</td>
<td>-42</td>
<td>-13</td>
<td></td>
</tr>
<tr>
<td>Q4 '15</td>
<td>-46</td>
<td>-5</td>
<td></td>
</tr>
<tr>
<td>Q1 '16</td>
<td>-61</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Partner share of PO gross adds stable over 4 quarters at around 45%
- Migration progressing well
- Retention activities support consumer churn
- Positive DSL retail net adds for first time in 5 years
Share of partner business over MSR stabilising; fixed revenue trajectory improving

**Revenue structure (in EUR m)**

<table>
<thead>
<tr>
<th></th>
<th>Q1 '15</th>
<th>Q1 '16</th>
<th>Change (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>1,901</td>
<td>1,858</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Hardware</td>
<td>261</td>
<td>253</td>
<td>-3.1%</td>
</tr>
<tr>
<td>MSR</td>
<td>282</td>
<td>267</td>
<td>-5.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,354</td>
<td>1,336</td>
<td>-2.3%</td>
</tr>
</tbody>
</table>

**Partner share of postpaid MSR stabilising**

MSR from partner business\(^1\) (in EUR m)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '15</th>
<th>Q2 '15</th>
<th>Q3 '15</th>
<th>Q4 '15</th>
<th>Q1 '16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of postpaid revenue</td>
<td>~14%</td>
<td>~15%</td>
<td>~16%</td>
<td>~17%</td>
<td>~17%</td>
</tr>
</tbody>
</table>

**Fixed revenue y-o-y (in %)**

<table>
<thead>
<tr>
<th></th>
<th>Growth (y-o-y)</th>
<th>DSL retail</th>
<th>Other fixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '15</td>
<td>-10.9%</td>
<td>-6.9</td>
<td>-4.0</td>
</tr>
<tr>
<td>Q2 '15</td>
<td>-9.5%</td>
<td>-4.8</td>
<td>-4.8</td>
</tr>
<tr>
<td>Q3 '15</td>
<td>-9.5%</td>
<td>-3.6</td>
<td>-5.8</td>
</tr>
<tr>
<td>Q4 '15</td>
<td>-3.2%</td>
<td>-3.1</td>
<td>-0.1</td>
</tr>
<tr>
<td>Q1 '16</td>
<td>-3.1%</td>
<td>-3.9</td>
<td>-3.9</td>
</tr>
</tbody>
</table>

- MSR partner share stable at around 17% qoq
- Fixed revenue trajectory improving driven by successful VDSL net additions of 76k and spot trading opportunities in voice
- Handset revenue decline reflects seasonality as well as lower handset growth in the market

\(^1\) Wholesale & partner business
Solid OIBDA growth driven by synergy execution

Structure of OIBDA for January to March 2016 (in EUR m)

- Revenue: 1,858
- Other income: 31
- Supplies: -629
- Personnel expenses: -155
- Other expenses: -703
- OIBDA excl. exceptional effects: 401
- Restructuring costs: -23
- OIBDA: 379

Synergies driving OIBDA growth

- OIBDA growth entirely driven by roll-over and locking in of synergies from 2015
- Opex effects from transformation activities
- Restructuring costs mainly related to leaver programme

OIBDA growth (y-o-y in EUR m)

- Share of synergies:
  - >40%
  - ~45%
  - >50%
  - >100%

Synergies
- Commercial & other costs
- Q1 ’15: 20
- Q2 ’15: 54
- Q3 ’15: 104
- Q4 ’15: 121
- Q1 ’16: 24

OIBDA growth (y-o-y)
- Q1 ’15: -2.3%
- Q2 ’15: +6.2%
- Q3 ’15: +21.6%
- Q4 ’15: +6.2%
- Q1 ’16: +4.2%

Margin
- Commercial & other costs: 20.4%
Expected synergies to exceed EUR 5bn (NPV\(^1\))
OpCash Flow synergies of ca. EUR 800m in year 5

**Distribution & customer service**
- Leverage and scale effects of broad distribution network and customer service organisations
- Optimisation of retail footprint resulting in reduction of rent and overhead
- Focus on digital customer touch points for sales and service initiatives

**Network**
- Improved quality & capacity in 4G with reduced CapEx requirement
- Consolidation of 2G/3G access networks, backbone and backhaul
- Reduction of ~14,000 sites to reach “golden grid”
- Leverage scalable cooperation with Deutsche Telekom regarding fixed line services
- Overall improved network perception

**SG&A**
- Elimination of duplications in organisation
- Transformation towards lean and digital
- Focused advertising & marketing spend

**Revenue and other**
- Additional cross and upselling opportunities in consumer and SME
- Cross-selling opportunity for fixed BB
- Upside potential from strong wholesale component

---

### In EUR bn

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>% of operating synergies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution &amp; Customer Service</td>
<td>1.1</td>
<td>77%</td>
</tr>
<tr>
<td>Network</td>
<td>1.7</td>
<td>42%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>0.8</td>
<td>(19%)</td>
</tr>
<tr>
<td>OpEx</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>CapEx</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>Integration Costs</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>NPV of oper. Synergies</td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>Revenue &amp; Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPV of revenue &amp; Oper. synergies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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
2 Run-rate of OpCF synergies is pre-tax

---

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Public – Nicht vertraulich
FCF affected by seasonality of rental payments

Evolution of Free Cash Flow (FCF)¹ YTD March 2016 (in EUR m)

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount (EUR m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OIBDA</td>
<td>379</td>
</tr>
<tr>
<td>CapEx²</td>
<td>(218)</td>
</tr>
<tr>
<td></td>
<td>(186)</td>
</tr>
<tr>
<td>Prepayments</td>
<td>(50)</td>
</tr>
<tr>
<td>Restructuring</td>
<td>77</td>
</tr>
<tr>
<td>Other working capital movements</td>
<td>(22)</td>
</tr>
<tr>
<td>Other</td>
<td>(20)</td>
</tr>
<tr>
<td>FCF pre dividends and spectrum payments</td>
<td></td>
</tr>
</tbody>
</table>

¹ Free cash flow pre dividend and spectrum payment is defined as the sum of cash flow from operating activities and cash flow from investing activities.
² Excluding capitalised costs on borrowed capital in the first three months of 2016 for investments in spectrum in June 2015

Evolution of Net Debt² (y-o-y in EUR m) – Leverage ratio³ remains at 0.7x

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount (EUR m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net financial debt 31.12.2015</td>
<td>+1.225</td>
</tr>
<tr>
<td>Cash</td>
<td>+47</td>
</tr>
<tr>
<td>RCF</td>
<td>+248</td>
</tr>
<tr>
<td>Reduction short-term debt</td>
<td>-276</td>
</tr>
<tr>
<td>Other</td>
<td>+23</td>
</tr>
<tr>
<td>Net financial debt 31.03.2016</td>
<td>+1.266</td>
</tr>
</tbody>
</table>

³ For definition of Net debt & leverage ratio please refer to additional materials of Q1 16 results.
O2D - Factsheet

Share price development until 31.03.2016

Telefónica Deutschland at a glance

<table>
<thead>
<tr>
<th>WKN</th>
<th>A1J5RX</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISIN</td>
<td>DE000A1J5RX9</td>
</tr>
<tr>
<td>Ticker</td>
<td>O2D</td>
</tr>
<tr>
<td>Bloomberg</td>
<td>O2D GY</td>
</tr>
<tr>
<td>Reuters</td>
<td>O2DN.DE</td>
</tr>
<tr>
<td>Market segment</td>
<td>Prime Standard</td>
</tr>
<tr>
<td>Industry</td>
<td>Telecommunications</td>
</tr>
<tr>
<td>Shares outstanding</td>
<td>2,974,554,993 shares</td>
</tr>
<tr>
<td>Share capital</td>
<td>EUR 2,974.6m</td>
</tr>
<tr>
<td>Market cap (as of 31.03.)</td>
<td>EUR 14,161.9 m</td>
</tr>
<tr>
<td>Share price (as of 31.03.)</td>
<td>EUR 4.761</td>
</tr>
</tbody>
</table>

Shareholder structure as of 31.03.2016

- Telefónica Germany Holdings Ltd: 63.2%
- Koninklijke KPN N.V.: 21.3%
- Freefloat: 15.5%

According to shareholders register as of 31 March 2016
Telefónica Germany Holdings Limited is an indirect wholly owned subsidiary of Telefónica S.A.

WE CHOOSE IT ALL
Quarterly detail of relevant financial and operating data for Telefónica Deutschland

### Financials (Euros in millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>7,793</td>
<td>1,901</td>
<td>1,949</td>
<td>1,979</td>
<td>2,059</td>
<td>7,888</td>
<td>1,858</td>
<td></td>
</tr>
<tr>
<td>Mobile service revenues</td>
<td>5,528</td>
<td>1,354</td>
<td>1,382</td>
<td>1,419</td>
<td>1,378</td>
<td>5,532</td>
<td>1,336</td>
<td></td>
</tr>
<tr>
<td>OIBDA post Group fees, pre exceptionals</td>
<td>1,461</td>
<td>378</td>
<td>453</td>
<td>454</td>
<td>476</td>
<td>1,760</td>
<td>401</td>
<td></td>
</tr>
<tr>
<td>CapEx</td>
<td>1,161</td>
<td>221</td>
<td>242</td>
<td>241</td>
<td>328</td>
<td>1,032</td>
<td>218</td>
<td></td>
</tr>
</tbody>
</table>

### Accesses (EoP) (in k)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Accesses</td>
<td>47,662</td>
<td>47,658</td>
<td>48,041</td>
<td>48,645</td>
<td>48,363</td>
<td>48,363</td>
<td>48,252</td>
<td></td>
</tr>
<tr>
<td>o/w mobile</td>
<td>42,125</td>
<td>42,179</td>
<td>42,617</td>
<td>43,289</td>
<td>43,063</td>
<td>43,063</td>
<td>43,008</td>
<td></td>
</tr>
<tr>
<td>Prepay</td>
<td>23,351</td>
<td>23,264</td>
<td>23,501</td>
<td>24,004</td>
<td>23,979</td>
<td>23,979</td>
<td>23,744</td>
<td></td>
</tr>
<tr>
<td>Postpay</td>
<td>18,774</td>
<td>18,915</td>
<td>19,116</td>
<td>19,285</td>
<td>19,083</td>
<td>19,083</td>
<td>19,264</td>
<td></td>
</tr>
</tbody>
</table>

- Combined figures for 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 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.