Telefónica Deutschland
Investor Presentation

May 2017
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The leading digital ‘onlife’ telco in Germany
Reasons to invest in Telefónica Deutschland

<table>
<thead>
<tr>
<th>Germany</th>
<th>An attractive and dynamic telecoms market</th>
<th>An established player</th>
<th>Multi-brand offering for a unique customer experience</th>
<th>Operational excellence</th>
<th>Synergies and digital transformation drive growth</th>
<th>Value proposition</th>
<th>Attractive shareholder return on strong fundamentals</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 4-2-3 merger results in rational market</td>
<td>• Multi-brand and multi-channel distribution strategy</td>
<td>• Synergy case of EUR 900m OpCF savings by 2019</td>
<td>• Strong FCF trajectory to support dividend policy</td>
<td></td>
<td></td>
<td>• Strong FCF trajectory to support dividend policy</td>
<td></td>
</tr>
<tr>
<td>• Strong segmentation between premium and non-premium</td>
<td>• Strong premium proposition O2 Free</td>
<td>• Building a future-proof network</td>
<td>• Committed to high payout ratio in relation to FCF</td>
<td></td>
<td></td>
<td>• Committed to high payout ratio in relation to FCF</td>
<td></td>
</tr>
<tr>
<td>• Dynamic wholesale segment</td>
<td>• Mobile-centric approach with broadband/converged products for X-selling</td>
<td>• Now shifting focus to long-term strategic transformation</td>
<td>• Concrete guidance of dividend growth over 3 years (2016-18)</td>
<td></td>
<td></td>
<td>• Concrete guidance of dividend growth over 3 years (2016-18)</td>
<td></td>
</tr>
<tr>
<td>• Average data usage below European average</td>
<td>• Added-value products and services e.g. Sky coop &amp; O2 banking</td>
<td>• New growth areas Advanced Data Analytics and the Internet of Things</td>
<td>• Low leverage and conservative financial profile for flexibility</td>
<td></td>
<td></td>
<td>• Low leverage and conservative financial profile for flexibility</td>
<td></td>
</tr>
<tr>
<td>• Strong data growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data monetisation potential</td>
<td>Unique business model</td>
<td>Synergies and transformation drive profitability</td>
<td>Commitment to dividend policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
From MIT to M+T: Focus on Momentum and Transformation

Achievements 2015 & 2016

- Maintained momentum
- Relaunch of major brands
- Major integration workstreams completed, e.g. customer migration
- Restructuring in line with expectations
- Synergy case upgrade
- Operational performance in line with capital market guidance
- Strong FCF trajectory
- Conservative balance sheet and low leverage maintained
- Commitment to mid-term dividend

Focus 2017 and beyond

Keep the Momentum

Integrate quickly

Transform the company
Telefonica Deutschland is well positioned to lead the most attractive telco market in Europe

Rational and balanced market structure

- Rational market following 4 to 3 consolidation
- Tiered mobile data portfolios enabling data monetisation

Data monetisation opportunity intact

- Germany still a European laggard in terms of customer data usage
- Further opportunities from growing LTE adoption

Steady adoption of a digital lifestyle

- Music & video streaming as usage drivers
- Trend to 2 Gb/month for LTE customers

Average data usage in MB and LTE device penetration in %

- 3G/4G total cellular traffic in Germany in MB/customer (CAGR)

1 Market share of MSR based on reported financials by MNOs for Q4 2016
2 Source: Analysys Mason; Western Europe telecoms market: Interim forecast update 2016–2021; 4G connections in % of smartphone connections
3 Source: Analysys Mason; Total cellular data traffic generated by 3G&4G handset connections, Dec 2016
Commercial update: Focus on stimulating data growth in a dynamic market

**Premium**

- **O₂**

**Non-premium: Own secondary brands**

- **Blau**
  - Ethnic brands
  - ay yıldız
  - ortel
  - Cij

**Non-premium: Partner brands**

- MNVOs & Service Provider
  - Lebara
  - Drillisch
  - mobilcom
  - ALDI TALK
  - siminity
  - Media Markt Super Select
  - Branded Reseller (selection)

**Premium: O₂ celebrates 15-y anniversary**

- Continued **successful upselling of O₂ Free** into base and to new customers
- **Leveraging cross-selling opportunities** via fixed products and value-added services such as Sky
- Upcoming initiatives around **15-year anniversary** to support **brand appeal**
- New **DSL portfolio** with more speed

**Non-premium: More4more penetration**

- **More4more** strategies taking hold with further pricing adjustments by discount operators
- **Roaming economics** drive market strategies
- We continue to leverage our **multi-brand approach**
15-years of O₂: A leading consumer brand with a track record of innovative customer solutions

Celebrating O₂ 15-year anniversary

• Event-driven, targeted initiatives for new & existing customers
• Attractive offers and added-value products encourage use of mobile device
• Sharpening O₂ Free focus on developing our premium customer base and stimulating usage
• O₂ Free enables freedom of choice and mobility

WE CHOOSE IT ALL
Strong growth in LTE customer base continues

Data traffic growth continues strong

Traffic (TB/quarter)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2015Q4</th>
<th>2016Q1</th>
<th>2016Q2</th>
<th>2016Q3</th>
<th>2016Q4</th>
<th>2017Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traffic</td>
<td>50,501</td>
<td>52,002</td>
<td>62,405</td>
<td>69,006</td>
<td>86,423</td>
<td>92,045</td>
</tr>
</tbody>
</table>

LTE usage driven by music and video streaming

Average data usage for O2 consumer LTE customers (GB)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2016Q1</th>
<th>2016Q2</th>
<th>2016Q3</th>
<th>2016Q4</th>
<th>2017Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>1.2</td>
<td>1.37</td>
<td>1.5</td>
<td>1.6</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Significant growth in LTE customer base

LTE customers (million)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2016Q1</th>
<th>2016Q2</th>
<th>2016Q3</th>
<th>2016Q4</th>
<th>2017Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTE</td>
<td>8.7</td>
<td>9.4</td>
<td>10.6</td>
<td>12.1</td>
<td>14.0</td>
</tr>
</tbody>
</table>

- LTE customer base now at 14.0 million, up 61% y-o-y
- Music & video streaming key drivers of data traffic growth; up >67% y-o-y
- Average monthly data usage for O2 consumer LTE customers up >50% y-o-y to almost 1.8GB
Network update: Steady quality gains on back of consolidation and roll-out

SON – Self-Organising Network
• Software enabling automatic, flexible network capacity management
• Focus on real-time capabilities
• Testing SON in UMTS pilots since 2014

SOC – Service Operations Centre
• Real-time network data analytics to react to customer demand fluctuations
• Cooperation with Huawei
• Customer service in focus

Network integration timeline 2016 - 2019

- Decommissioning of 14k sites
- Roll-out of 30k LTE elements
- Utilisation of new licenses
- Pilot network for 5G

Top speeds of 1.65 Gbps in trials

3G National Roaming for all customers
Deal to transfer 7,700 sites to DTE
Sale of towers to Telxius
Consolidation & roll-out 4G network
Implementation of SON & SOC

April/May 15
July 15
April 16
July 16
April 17
Fixed infrastructure model to complement our mobile network for best high-speed experience

Access to best available fixed NGA network

- Nationwide access to DT NGA network
- DT is currently upgrading larger cities to VDSL vectoring and 100 Mbps

With a competitive bundled offer

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

- O₂ Blue One offers flexible combination of fixed & mobile offers with progressive value-based discounts
- Active cross-selling of fixed & mobile propositions

NGA coverage targets
(% of covered households)

- 50 Mbps
- 100 Mbps

Maximum speed
(Up- & Download, Mbps)

- VDSL
- VDSL Vectoring

O₂ DSL all-in
(Download speed, Mbps)

- XS
  (10 Mbps)
  €24.99
- S
  (25 Mbps)
  €29.99
- M
  (50 Mbps)
  €34.99
- L
  (100 Mbps)
  €39.99

1 NGA: Next Generation Access including VDSL, Vectoring and future FTTX deployments
Our vision of the ‘OnLife’ telco: Concept and customer centricity

Concept

Business model of the future

Integration

Today

Transformation

Customer at the heart of our transformation agenda

My O₂ data
My content
Explore O₂ digital world
Excellent O₂ service
Manage digital live
Connect devices

Growth
Efficiency
Customer
Investment

WE CHOOSE IT ALL_
Transformation: Deep-dive Telefónica

The concept of Telefónica NEXT

- Customer centric
- Diverse
- Flexible & agile
- Inorganic growth
- Separate
- Fast

ADA – Acquisition of Minodes

- Business model: Intelligent data analysis for offline retail via e.g. capturing of WiFi
- > 60 clients in 18 countries
  - e.g. Adidas, Audi, Escada and Marks & Spencer
- > 40 employees
Comfortable liquidity position per 31.03.2017 and conservative financing policy

Smooth maturity profile and diversified financing mix

Financing and interest mix

Comfortable liquidity position

Leverage ratio at 0.5x

1 Financial debt/OIBDA (last 12 months)

Public – Nicht vertraulich
FCF affected by seasonality of rental payments

Evolution of Free Cash Flow (FCF)¹ YTD March 2017 (in EUR m)

<table>
<thead>
<tr>
<th>Category</th>
<th>31.03.2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>OIBDA</td>
<td>390</td>
<td></td>
</tr>
<tr>
<td>CapEx²</td>
<td>(208)</td>
<td></td>
</tr>
<tr>
<td>Prepayments</td>
<td>(201)</td>
<td></td>
</tr>
<tr>
<td>Restructuring</td>
<td>(37)</td>
<td>+37</td>
</tr>
<tr>
<td>Other working capital</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>movements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(6)</td>
<td></td>
</tr>
<tr>
<td>FCF¹ pre dividend and</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>spectrum payments</td>
<td></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 for investments in spectrum in June 2015

Evolution of Net Debt³ (y-o-y in EUR m) – Leverage ratio³ remains at a stable level

<table>
<thead>
<tr>
<th>Category</th>
<th>31.12.2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>+798</td>
<td>+836</td>
</tr>
<tr>
<td>FCF¹ pre dividend and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spectrum payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net debt</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

³ For definition of net debt & leverage ratio please refer to further materials of the 2017 results release
We will 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; target will be continually reviewed
- Annual dividend growth over 3 years, starting with of EUR 0.25 per share 2016

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
   - 4G network integration in full swing
   - Ambitious synergy target: EUR 900m 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
Q1 2017: Solid operating momentum & synergy capture

**MSR -0.6% y-o-y (excl. regulatory effects)**
- MSR -3.3% year-on-year, underlying trends improving versus prior quarter
- Tailwinds from O₂ Free, headwinds mix-shift and legacy base effect
- Recovery in discount pricing supports stable postpaid churn

**Net adds**
- +172k postpaid
- +67k VDSL
- Solid operational momentum in the quarter
- Postpaid wholesale trading rebalancing on back of tariff adjustments
- Continued strong demand for VDSL; wholesale migration effects visible

**OIBDA\(^1\)**
- +2.1% y-o-y
- OIBDA growth solid with further margin improvement driven by incremental synergies
- Approx. EUR 35 million of synergies, partly roll-over and partly additional savings
- Focus on long-term strategic transformation activities

**OpCF**
- +12.9% y-o-y
- OpCF benefits from EUR 10 million of Capex synergies
- Strong cash flow trajectory supports dividend proposal of EUR 0.25/share to AGM on 9 May
- Leverage at 0.5x, in line with target

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\(^1\) Excluding exceptional effects. For details please refer to further materials of the 2017 results release
**Outlook 2017**

<table>
<thead>
<tr>
<th>Actual 2015 (EUR m)</th>
<th>Outlook 2016 (year-on-year)</th>
<th>Actual 2016 (EUR m / y-o-y pct. change)</th>
<th>Outlook 2017 (y-o-y pct. change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSR</td>
<td>Slightly negative</td>
<td>5,437 / -1.7%</td>
<td>Slightly negative to flat&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Excluding the impact from regulatory effects</td>
</tr>
<tr>
<td>OIBDA</td>
<td>Low to mid single-digit % growth</td>
<td>1,828&lt;sup&gt;1&lt;/sup&gt; / +3.8%</td>
<td>Flat to mid single-digit % growth&lt;sup&gt;4&lt;/sup&gt;</td>
</tr>
<tr>
<td>CapEx</td>
<td>Mid to high single-digit % growth</td>
<td>1,102 / +6.7%</td>
<td>Flat to mid single-digit % growth&lt;sup&gt;4&lt;/sup&gt;</td>
</tr>
<tr>
<td>Dividend</td>
<td>EUR 0.25 per share&lt;sup&gt;5&lt;/sup&gt;</td>
<td></td>
<td>Around EUR 1 billion</td>
</tr>
</tbody>
</table>

- **Underlying<sup>3</sup> MSR expectation based on a continued rational yet dynamic competitive environment**
  - Tailwinds from O₂ Free and improved market conditions
  - Headwinds e.g. from retail to wholesale shift, continued legacy base effects, OTT trends and prepaid legislation
  - *Excludes regulatory impact from termination and roaming: Approx. 3-4%*

- **OIBDA growth primarily stemming from synergies**
  - Expectations based on continued rational market structure and rational consumer response to roaming legislation
  - Incremental Opex & revenue savings of ~EUR 160m (rollover & additional savings, driven by restructuring & network)
  - *Includes regulatory impact from termination and roaming based on rational consumer response: Approx. 4-5%*

- **Capex reduction driven by incremental savings of ~EUR 80m due to network integration and focus on one LTE network**

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<sup>1</sup> Excluding exceptional and special effects; for details please refer to further materials of the 2016 results release

<sup>2</sup> We have calculated a comparable for 2016; for details please refer to further materials of the 2016 results release

<sup>3</sup> Excluding the impact from regulatory changes; for details please refer to further materials of the 2016 results release

<sup>4</sup> Excluding exceptional effects; for details please refer to further materials of the 2016 results release

<sup>5</sup> Proposal to the Annual General Meeting 2017

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**Outlook 2016**

<table>
<thead>
<tr>
<th>Actual 2015 (EUR m)</th>
<th>Actual 2016 (EUR m / y-o-y pct. change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSR</td>
<td>5,532 / Slightly negative</td>
</tr>
<tr>
<td>OIBDA</td>
<td>1,760 / Low to mid single-digit % growth</td>
</tr>
<tr>
<td>CapEx</td>
<td>1,032 / Mid to high single-digit % growth</td>
</tr>
<tr>
<td>Dividend</td>
<td>EUR 0.25 per share&lt;sup&gt;5&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

**Dividend growth over 3 years (2016-2018)**

- Dividend: EUR 0.25 per share
- Dividend growth over 3 years (2016-2018): EUR +100m
- New total target of EUR 900m OpCF synergies in 2019
Synergy case of EUR 900 million in 2019

- **New total case of ~EUR 900 million OpCF synergies in 2019**, driven by improved visibility and the realisation of further synergy opportunities during the integration process, e.g. additional OpEx savings from FTE restructuring and network
  - CapEx synergies primarily driven by rollout of a single LTE network
  - Expecting to reach ~EUR 670 million (~75% of new total target) by year-end 2017, with OIBDA relevant synergies of ~EUR 160 million (mainly network and FTE restructuring) and Capex synergies of ~EUR 80 million
Strong spectrum post auction enables realisation of best network experience

Coverage – Level playing field

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Maturity</th>
<th>TDD spectrum</th>
</tr>
</thead>
<tbody>
<tr>
<td>700MHz</td>
<td>2010-2025</td>
<td></td>
</tr>
<tr>
<td>800MHz</td>
<td>2010-2025</td>
<td></td>
</tr>
<tr>
<td>900MHz</td>
<td>2015-2033</td>
<td></td>
</tr>
<tr>
<td>1,500MHz</td>
<td>2015-2033</td>
<td></td>
</tr>
<tr>
<td>1,800MHz</td>
<td>2010-2025</td>
<td>2015-2033</td>
</tr>
<tr>
<td>2,100MHz</td>
<td>2000-2020</td>
<td>2010-2025</td>
</tr>
<tr>
<td>2,600MHz</td>
<td>2010-2025</td>
<td></td>
</tr>
<tr>
<td>3,500 MHz</td>
<td>2006-2021/22</td>
<td></td>
</tr>
</tbody>
</table>

TEF D retains spectrum leadership for capacity

- **Telefónica**
- **SFR**
- **T**
- Regional licenses

**WE CHOOSE IT ALL**
O₂ Free portfolio

<table>
<thead>
<tr>
<th></th>
<th>S</th>
<th>M</th>
<th>L</th>
<th>XL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highspeed-Datenvolumen nach Wahl</td>
<td>1 GB Turbo (LTE Max.)³</td>
<td>2 GB Turbo (LTE Max.)³</td>
<td>4 GB Turbo (LTE Max.)³</td>
<td>8 GB Turbo (LTE Max.)³</td>
</tr>
<tr>
<td>Unendlich surfen mit bis zu 1 MBit/s</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Minuten in alle dt. Netze³</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>SMS in alle dt. Netze</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Extra-Festnetznummer⁴</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>EU Roaming Flat³</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Multicard⁶</td>
<td>+ 4,99 mtl.</td>
<td>+ 4,99 mtl.</td>
<td>1 Multicard inklusive</td>
<td>2 Multicards inklusive</td>
</tr>
</tbody>
</table>

Einmaliger Anschlusspreis beträgt 29,99 €.

Preise in € inkl. MwSt.

1 Mtz: o2 Free kann nach Verbrauch des Highspeed-Datenvolumens im o2 2G/GSM- und 3G/UMTS-Netz mit bis zu 1.000 KBit/s (im Durchschnitt 994 KBit/s) weitergesucht werden (HD-Video-Streaming und Internetanwendungen mit ähnlich hohen oder höheren Bandbreitenanforderungen nicht uneingeschränkt möglich; Upload bis zu 1.000 KBit/s, im Durchschnitt 945 KBit/s). 2 Beliebiger Kunde, der 13,0 MBit/s erzielt und Upload bis zu 50 MBit/s, im Durchschnitt 8,6 MBit/s im dt. o2 Mobilfunknetz. 3 GB nur im Inland. Ausgenommen sind: Verbindungen zu Sonderfunknummern und Rufnummern, Taktung 60/60. 4 Festnetznummer für eingehende Gespräche, aus Deutschland zu Festnetzland. 5 EU Roaming Flat: 24 Mon. Mindestvertragslaufzeit. 6 Exklusive Gespräche, die innerhalb der 28 EU Mitgliedstaaten sowie Island, Monaco, Norwegen, Schweiz, Liechtenstein, Andorra, Isle of Man, Gibraltar, San Marino, Vatikanstadt, Japan, Frankreich-Guayana, Guernsey, Guadeloupe, La Réunion, Luxemburg (insgesamt „Teilnehmerländer“) geführt werden. 7 Sofern Sie einen o2 Free Tarif mit bis zu 3 SIM-Karten ( „Multicards“) gleichzeitig nutzen. 8 Zuzahlung für den zweiten SIM-Karten ( „Multicards“) steht Ihnen nicht mehr zur Verfügung. 9 Die Monatsgebühr für das o2 Free L und XL wird nicht erhöht. ▶ Kombi-Vorteil: Die o2 Free Tarife sind unter http://www.o2.de.tarifkombinationen erschließbar. 10 Rabatte einsehbar unter www.o2.de/tarifkombinationen.

WE CHOOSE IT ALL_
### O₂ DSL All-in portfolio

<table>
<thead>
<tr>
<th>O₂ DSL</th>
<th>XS</th>
<th>S</th>
<th>M</th>
<th>L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flatrate ins dt. Festnetz und in alle dt. Mobilfunknetze</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Unbegrenzt DSL-Surfen (mit bis zu 2.000 KByte/s)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Maxime Surf-Geschwindigkeit</td>
<td>bis zu 10 MBit/s (Upload: bis zu 2,4 MBit/s)</td>
<td>bis zu 25 MBit/s (Upload: bis zu 5 MBit/s)</td>
<td>bis zu 50 MBit/s (Upload: bis zu 10 MBit/s)</td>
<td>bis zu 100 MBit/s (Upload: bis zu 40 MBit/s)</td>
</tr>
<tr>
<td>Maxime Surf-Geschwindigkeit bis* (inklusiv-Volumen)</td>
<td>100 GB</td>
<td>300 GB</td>
<td>300 GB</td>
<td>500 GB</td>
</tr>
<tr>
<td>HomeBox 2</td>
<td>0,00 mtl.</td>
<td>0,00 mtl.</td>
<td>0,00 mtl.</td>
<td>0,00 mtl.</td>
</tr>
<tr>
<td>Bereitstellungspreis DSL-Router</td>
<td>0,00 (statt 49,99)</td>
<td>0,00 (statt 49,99)</td>
<td>0,00 (statt 49,99)</td>
<td>0,00 (statt 49,99)</td>
</tr>
<tr>
<td>Anschlusspreis</td>
<td>49,99</td>
<td>0,00 (statt 49,99)</td>
<td>0,00 (statt 49,99)</td>
<td>0,00 (statt 49,99)</td>
</tr>
<tr>
<td>Mittl. Grundgebühr für Neukunden</td>
<td><strong>9,99</strong></td>
<td><strong>14,99</strong></td>
<td><strong>19,99</strong></td>
<td><strong>24,99</strong></td>
</tr>
<tr>
<td>Rabatt auf mtl. Grundgebühr für O₂ Kunden</td>
<td>–</td>
<td>bis zu 10,00</td>
<td>bis zu 10,00</td>
<td>bis zu 10,00</td>
</tr>
<tr>
<td>Rabatt auf mtl. Grundgebühr für Junge Leute** (Promocode 65000970)</td>
<td>–</td>
<td>5,00 (in den ersten 3 Monaten)</td>
<td>5,00 (in den ersten 3 Monaten)</td>
<td>5,00 (in den ersten 3 Monaten)</td>
</tr>
</tbody>
</table>

Preise in € inkl. MwSt.
Retail versus wholesale trading rebalancing post price increases; churn in line

Visible effect from price increases

<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 '16</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Q2 '16</td>
<td>53%</td>
<td></td>
</tr>
<tr>
<td>Q3 '16</td>
<td>59%</td>
<td></td>
</tr>
<tr>
<td>Q4 '16</td>
<td>58%</td>
<td></td>
</tr>
<tr>
<td>Q1 '17</td>
<td>55%</td>
<td></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>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '16</td>
<td>-61</td>
<td></td>
</tr>
<tr>
<td>Q2 '16</td>
<td>-60</td>
<td></td>
</tr>
<tr>
<td>Q3 '16</td>
<td>-59</td>
<td></td>
</tr>
<tr>
<td>Q4 '16</td>
<td>-100</td>
<td></td>
</tr>
<tr>
<td>Q1 '17</td>
<td>-129</td>
<td></td>
</tr>
</tbody>
</table>

Maintaining retention focus

<table>
<thead>
<tr>
<th>Postpaid churn</th>
<th>Retail brands</th>
<th>O₂ (%)</th>
<th>Retail &amp; wholesale (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '15</td>
<td>1.7</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Q2 '15</td>
<td>1.7</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Q3 '15</td>
<td>1.7</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Q4 '15</td>
<td>1.8</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Q1 '16</td>
<td>1.6</td>
<td>1.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Q2 '16</td>
<td>1.5</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Q3 '16</td>
<td>1.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 '16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 '17</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

• Partner trading slowing sequentially after price increases in discount segment on the back of roaming
• Churn in line with expectations
• Continued strong demand for VDSL (+67k net additions), migration of wholesale customers accelerating
Underlying MSR trajectory improving sequentially

**Revenue structure (in EUR m)**

<table>
<thead>
<tr>
<th></th>
<th>Fixed</th>
<th>Hardware</th>
<th>MSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '16</td>
<td>1,858</td>
<td>253</td>
<td>1,771</td>
</tr>
<tr>
<td></td>
<td>1,336</td>
<td>267</td>
<td>1,292</td>
</tr>
</tbody>
</table>

-4.7% Excl. regulatory effects

**MSR from partner business (in EUR m)**

- Share of postpaid revenue:
  - Q1 '16: ~17%
  - Q2 '16: ~18%
  - Q3 '16: ~19%
  - Q4 '16: ~20%
  - Q1 '17: ~21%

- Growth:
  - Q1 '16: +12%
  - Q2 '16: +8%
  - Q3 '16: +1%
  - Q4 '16: +5%

**Fixed revenue y-o-y1 (in %)**

- Growth (y-o-y):
  - Retail: -3.1%
  - Wholesale: -5.9%
  - Other: -4.3%

- Q1 '16:
  - Retail: -2.5%
  - Wholesale: -3.3%
  - Other: -4.2%

- Q2 '16:
  - Retail: -1.4%
  - Wholesale: -4.8%
  - Other: -3.1%

- Q3 '16:
  - Retail: 0.7%
  - Wholesale: 3.7%
  - Other: 1.6%

- Q4 '16:
  - Retail: -3.4%
  - Wholesale: -4.4%
  - Other: -3.1%

- Q1 '17:
  - Retail: -2.1%
  - Wholesale: -5.9%
  - Other: -4.2%

**Remarks**

- MSR excl. regulatory effects sequentially improving; hardware revenue reduction slowing
- Partner share of postpaid MSR with stable trend
- Retail fixed improving; wholesale fixed revenue decline driven by dismantling of legacy infrastructure

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1 Please note a change in the definition of the fixed retail/wholesale split, which better reflects revenue allocation across segments.
OIBDA reflects successful synergy capture and investment activities

Structure of OIBDA for January to March 2017 (in EUR m)

- Successful synergy capture with approx. EUR 35 million of incremental savings from FTE restructuring and network consolidation
- Headwinds in commercial costs: Positioning of O₂ Free and customer service quality initiative
- OIBDA margin at 22.6%, up 1.5 pp y-o-y
**O2D - Factsheet**

### Share price development until 09.05.2017

- **31.12.2016**: O2D 3.4, DAX 4.0, Euro telco 4.2
- **01.02.2017**: O2D 3.4, DAX 4.0, Euro telco 4.2
- **01.03.2017**: O2D 3.4, DAX 4.0, Euro telco 4.2
- **01.04.2017**: O2D 3.4, DAX 4.0, Euro telco 4.2
- **01.05.2017**: O2D 3.4, DAX 4.0, Euro telco 4.2

YTD '17:
- O2D: +4.4%
- DAX: +11.0%
- Euro telco: +6.7%

### Telefónica Deutschland at a glance

1. **Market segment**: Prime Standard
2. **Industry**: Telecommunications
3. **Shares outstanding**: 2,974,554,993 shares
4. **Share capital**: EUR 2,974.6 m
5. **Market cap (as of 31.03.)**: EUR 13,031.5 m
6. **Share price (as of 31.03.)**: EUR 4.381

### Shareholder structure as of 31.03.2017¹

- **Telefónica Germany Holdings Ltd**: 39.3%
- **Koninklijke KPN N.V.**: 6.6%
- **Freefloat**: 6.4%
- **North America**: 6.6%
- **France**: 4.8%
- **UK & Ireland**: 4.2%
- **Germany**: 3.9%
- **Continental Europe**: 4.2%
- **Scandinavia**: 6.6%
- **Rest of World**: 6.6%

### Regional split of shareholder structure³

1. According to shareholders register as of 31 March 2017
2. Telefónica Germany Holdings Limited is an indirect wholly owned subsidiary of Telefónica S.A.
3. Source: Ipreo; Shareholder ID as of April 2017

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**Public – Nicht vertraulich**
Quarterly detail of relevant financial and operating data for Telefónica Deutschland

### Financials (Euros in millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Revenues</td>
<td>1,858</td>
<td>1,834</td>
</tr>
<tr>
<td>Mobile service revenues</td>
<td>1,336</td>
<td>1,358</td>
</tr>
<tr>
<td>OIBDA post Group fees, pre exceptionals</td>
<td>392</td>
<td>450</td>
</tr>
<tr>
<td>CapEx</td>
<td>218</td>
<td>212</td>
</tr>
</tbody>
</table>

### Accesses (EoP in k)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Total Accesses</td>
<td>48,252</td>
<td>48,605</td>
</tr>
<tr>
<td>o/w Mobile</td>
<td>43,008</td>
<td>43,417</td>
</tr>
<tr>
<td>Prepay</td>
<td>23,744</td>
<td>23,814</td>
</tr>
<tr>
<td>Postpay</td>
<td>19,264</td>
<td>19,603</td>
</tr>
</tbody>
</table>

1 Exceptional effects include restructuring costs as well as the net capital gain from the sale of Telefónica Deutschland’s passive tower infrastructure in April 2016. We have calculated a pro-forma OIBDA of EUR 1,793m for 2016, which includes the operating lease-related effects from the sale of Telefónica Deutschland’s passive tower infrastructure in April 2016, as if it had occurred on 1 January 2016.
Telefonica Deutschland

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