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The Telefónica Deutschland Equity Story: Becoming the Mobile Customer & Digital Champion

Germany
An attractive and dynamic telecoms market

Excluding regulatory effects

Excellent macro
Data & device explosion
Dynamic but rational market

An established player
Leveraging economies of scale

Largest owned customer base
Multi-brand
Multi-channel
ADA & IoT as opportunities

Operational excellence
Digital transformation drives growth

Largest & most modern network
Excellent integration track record
Digital4Growth: SIMPLER FASTER BETTER

Value proposition
Attractive shareholder return on strong fundamentals

Strong FCF trajectory
High payout ratio to FCF
Conservative financial profile

Network
New Business, Business & Partnering
Consumer

Digital4Growth

1 Excluding regulatory effects
Strategic priorities of Telefónica Deutschland

We have strong foundations:
Integration success, customer base, outstanding connectivity & lean organisation

We will become Germany’s Mobile Customer and Digital Champion by focussing on CEX & digitalisation

We will generate Superior Shareholder Return including a strong dividend commitment

MOBILE CUSTOMER and DIGITAL CHAMPION
Big Data & Artificial Intelligence
Products & services

FOUNDATION
Systems Technology
Network Technology

SUPERIOR SHAREHOLDER RETURN
Growth & Value

Telefónica Deutschland
The German market thesis

Environment
Largest 4 to 3 merger in Europe, rational and dynamic market; mobile data usage increase and IoT drive market opportunity with focus on retention and fair market share

Data & sensors
Device & sensor opportunity: Consumer will mainly buy IoT from an existing relationship

Convergence
Soft convergence: Limited consumer demand for quadruple play due to large FTA offering; wholesale access to incumbent broadband network

New regulatory environment
Europe needs a common regulatory framework on spectrum, as well as deregulation and a consistent framework for OTT & net neutrality to encourage investments

1 FocusEconomics Consensus Forecast Euro Area (2017)
The data & device opportunity: Expecting explosive growth

MARKET TRENDS – German market with significant further growth potential

Mobile data usage in Europe¹

<table>
<thead>
<tr>
<th>Country</th>
<th>GB per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>10.95</td>
</tr>
<tr>
<td>Austria</td>
<td>6.28</td>
</tr>
<tr>
<td>Sweden</td>
<td>4.38</td>
</tr>
<tr>
<td>Poland</td>
<td>3.55</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2.71</td>
</tr>
<tr>
<td>Turkey</td>
<td>2.71</td>
</tr>
<tr>
<td>UK</td>
<td>1.84</td>
</tr>
<tr>
<td>France</td>
<td>1.62</td>
</tr>
<tr>
<td>Germany</td>
<td>1.21</td>
</tr>
</tbody>
</table>

Mobile data traffic in Germany²

- Annual volume of mobile data traffic in million GB
- CAGR 2016-20: +40%
- 3,580 GB by 2020

ADA and IoT growth opportunity³

- More than EUR 700 million
- Smart Media market in Germany by 2020
- More than EUR 5.5 billion
- Digital Advertising spend in Germany by 2021
- More than 500 million devices in Germany by 2022
- More than 6 devices connected per person by 2020

Competitive environment Germany

Rational and balanced market structure

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

Market development in past years

Mobile market: Service revenues
EUR bn
- 2015: 18.5
- 2016: 18.7
- 2017: 18.8

Fixed market: Service revenues
EUR bn
- 2015: 27.2
- 2016: 27.2
- 2017: 27.1

1 Market share of MSR based on reported financials by MNOs for Q2 2018
2 Mobile service revenues (external revenues) excl. hardware revenues; Source: Bundesnetzagentur (German national regulator) “Jahresbericht 2017” as of May 2018
3 Fixed service revenues (external revenues) in telecommunications and hybrid fixed coax (HFC) networks excl. hardware revenues; Source: Bundesnetzagentur (German national regulator) “Jahresbericht 2017” as of May 2018
The new Telefónica Deutschland: Largest and fastest mobile merger in the West

- 2 companies in 3 years
- >9,000 Employees

>25% OIBDA growth in 3 years

~1,600 FTE Organisation harmonised in 3 years

600 Shop reduction in 3 years

>25 Customers migrated to one IT stack in 2016

>14k Network sites to be consolidated by 2019

O₂ Free First 3G unlimited First 4G big bucket portfolio

FTE: Full-Time Equivalent
Core asset: Largest owned customer base of ~35 million

> 80% owned customers

CONSUMER

Premium

Non Premium

Reseller & Ethnic

BUSINESS

O₂

O₂

Service Provider & MVNO¹

< 20% other

¹ Not exhaustive
Future-proof portfolios across all segments

BUSINESS
- O₂ Free Business/Unite
- O₂ All-IP/VPN
- Service Provider & MVNO¹
- Reseller & Ethnic¹
- ALDI TALK

CONSUMER
- Premium
- Non-Premium

MARKET SHARE

ARPU

CHURN

¹Not exhaustive
Operational and financial trends solid

### Revenue

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18 (IFRS 15)</th>
<th>Q2 '18 (IFRS 15)</th>
<th>Q3 '18 (IFRS 15)</th>
<th>Q3 '18 (IAS 18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>-2.3%</td>
<td>-4.7%</td>
<td>-1.2%</td>
<td>-1.3%</td>
<td>+0.1%</td>
<td>+0.4%</td>
<td>+0.1%</td>
<td>-0.4%</td>
</tr>
<tr>
<td></td>
<td>-0.8%</td>
<td>-2.1%</td>
<td>-2.1%</td>
<td>-2.1%</td>
<td>-0.2%</td>
<td>-0.7%</td>
<td>-0.7%</td>
<td>-1.1%</td>
</tr>
</tbody>
</table>

1 Excluding the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018.

### MSR

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18 (IFRS 15)</th>
<th>Q2 '18 (IFRS 15)</th>
<th>Q3 '18 (IFRS 15)</th>
<th>Q3 '18 (IAS 18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSR</td>
<td>-0.6%</td>
<td>-0.4%</td>
<td>-0.1%</td>
<td>+0.8%</td>
<td>+0.4%</td>
<td>+0.6%</td>
<td>+0.6%</td>
<td>+0.6%</td>
</tr>
<tr>
<td></td>
<td>-3.3%</td>
<td>-3.0%</td>
<td>-3.6%</td>
<td>-1.2%</td>
<td>-0.4%</td>
<td>-0.5%</td>
<td>-0.4%</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>

1 Adjusted for exceptional effects, excl. the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018. For details please refer to additional materials of the Q3 2018 results release.

### OIBDA

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18 (IFRS 15)</th>
<th>Q2 '18 (IFRS 15)</th>
<th>Q3 '18 (IFRS 15)</th>
<th>Q3 '18 (IAS 18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OIBDA</td>
<td>+3.8%</td>
<td>+6.5%</td>
<td>+8.2%</td>
<td>+3.4%</td>
<td>+5.4%</td>
<td>+6.8%</td>
<td>+5.6%</td>
<td>+3.8%</td>
</tr>
<tr>
<td></td>
<td>+2.1%</td>
<td>+5.0%</td>
<td>+2.1%</td>
<td>+1.4%</td>
<td>+1.8%</td>
<td>+3.2%</td>
<td>+2.0%</td>
<td></td>
</tr>
</tbody>
</table>

1 Excluding the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018.

### Capex

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18 (IFRS 15)</th>
<th>Q2 '18 (IFRS 15)</th>
<th>Q3 '18 (IFRS 15)</th>
<th>Q3 '18 (IAS 18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capex</td>
<td>-4.5%</td>
<td>+6.9%</td>
<td>-19.2%</td>
<td>-26.7%</td>
<td>-5.6%</td>
<td>+0.7%</td>
<td>+24.5%</td>
<td></td>
</tr>
</tbody>
</table>

1 Excluding the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018.

2 Adjusted for exceptional effects, excl. the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018. For details please refer to additional materials of the Q3 2018 results release.
Building the Mobile Customer & Digital Champion; focus on customer experience

~75% O₂ Free M and above

ARPU

~25% Boost

COMEBACK OF THE YEAR
German Market

GOOD
Service Hotline
Network Operators

WINNER
Smartphone Banking
Mobile Apps

PRICE VALUE WINNER
Fixed Net
German Market

VERY GOOD
Service Apps
Network Operators

GOOD
Tariff Check
Network Operators

price-value “good”

Telefónica Deutschland

Public – Nicht vertraulich
O₂ Free, my All in One & DSL portfolio

<table>
<thead>
<tr>
<th>2018 O₂ Free</th>
<th>2018 O₂ Free connect + boost</th>
<th>2018 O₂ my All in One</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Data</strong></td>
<td><strong>Data</strong></td>
<td><strong>Data</strong></td>
</tr>
<tr>
<td>O₂ free L</td>
<td>10 GB</td>
<td>O₂ free VDSL</td>
</tr>
<tr>
<td>O₂ free M</td>
<td>20 GB</td>
<td>O₂ Free Unlimited</td>
</tr>
<tr>
<td>O₂ free L</td>
<td>30 GB</td>
<td></td>
</tr>
<tr>
<td>O₂ free L</td>
<td>60 GB</td>
<td></td>
</tr>
<tr>
<td>O₂ free M</td>
<td>60 GB</td>
<td></td>
</tr>
<tr>
<td>O₂ free L</td>
<td>1 GB</td>
<td></td>
</tr>
<tr>
<td>O₂ free M</td>
<td>2 GB</td>
<td></td>
</tr>
<tr>
<td><strong>Options</strong></td>
<td><strong>Options</strong></td>
<td><strong>Options</strong></td>
</tr>
<tr>
<td>Prepaid</td>
<td>Prepaid</td>
<td>Prepaid</td>
</tr>
<tr>
<td>Postpaid</td>
<td>Postpaid</td>
<td>Postpaid</td>
</tr>
<tr>
<td><strong>Features</strong></td>
<td><strong>Features</strong></td>
<td><strong>Features</strong></td>
</tr>
<tr>
<td>Voice &amp; SMS</td>
<td>Voice &amp; SMS</td>
<td>Voice &amp; SMS</td>
</tr>
<tr>
<td>Data &amp; Voice</td>
<td>Data &amp; Voice</td>
<td>Data &amp; Voice</td>
</tr>
<tr>
<td>Internet &amp; SMS</td>
<td>Internet &amp; SMS</td>
<td>Internet &amp; SMS</td>
</tr>
<tr>
<td><strong>Prices</strong></td>
<td><strong>Prices</strong></td>
<td><strong>Prices</strong></td>
</tr>
<tr>
<td>Standard</td>
<td>Standard</td>
<td>Standard</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td><strong>Benefits</strong></td>
<td><strong>Benefits</strong></td>
</tr>
<tr>
<td>5G Speed</td>
<td>5G Speed</td>
<td>5G Speed</td>
</tr>
<tr>
<td>Fastest</td>
<td>Fastest</td>
<td>Fastest</td>
</tr>
<tr>
<td>Reliable</td>
<td>Reliable</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

- S/M/L tariffs with connect feature
- Including up to 9 SIMs for devices

Public – Nicht vertraulich
Data KPIs remain strong; fuelled by large data buckets in the updated O₂ Free portfolio

- **Data growing steadily**
  - Traffic (TB/Q)
  - Q3’17: 111
  - Q4’17: 122
  - Q1’18: 126
  - Q2’18: 152
  - Q3’18: 165
  - +49%

- **LTE customer base still increasing**
  - LTE customers (in million)
  - Q3’17: 15.7
  - Q4’17: 15.8
  - Q1’18: 16.1
  - Q2’18: 16.6
  - Q3’18: 17.2
  - +9%

- **Large data buckets fuelling usage growth**
  - Average data usage for O₂ LTE customers (GB/month)
  - Q3’17: 2.4
  - Q4’17: 2.8
  - Q1’18: 2.8
  - Q2’18: 3.4
  - Q3’18: >6
  - +65%

- **Key highlights**
  - Music & video streaming driving steady data growth of almost 50% y-o-y
  - Continued demand for LTE; access base up 9% y-o-y to 17.2 million LTE customers
  - Average usage of O₂ LTE customers grows >15% q-o-q
  - O₂ Free customers use more than 6GB of data
We are pushing ahead with the final phase of network consolidation ...

~85% consolidated

~12k sites dismantled

~85%

20 years
network anniversary

~94%
combined mobile broadband coverage

~5k/~15k additional LTE sites/elements on air YTD
... and ensuring 5G readiness for the future

MBH fibre cooperations

Partnering with
Deutsche Telekom
Vodafone
NGN
others
to meet our 2022 targets

>90% urban
>25% rural

Fixed Wireless Access

Piloting end-to-end solution for Fixed-Wireless-Access with Samsung in Hamburg

Preliminary results of ~3Gbps show promising utilisation of 26GHz & 28GHz bands

Mobile Pact: Declaration of Intent

Investment-friendly cooperation drives nationwide coverage
Future-proof spectrum setup to enable best customer experience

<table>
<thead>
<tr>
<th>Potential future utilisation</th>
<th>Balanced coverage position</th>
<th>Leadership in capacity spectrum</th>
</tr>
</thead>
<tbody>
<tr>
<td>5G</td>
<td>4G</td>
<td>4G</td>
</tr>
<tr>
<td>4G</td>
<td>2G</td>
<td>5G</td>
</tr>
<tr>
<td>2G</td>
<td>4G</td>
<td>4G</td>
</tr>
<tr>
<td>4G</td>
<td>5G</td>
<td>4G</td>
</tr>
<tr>
<td>5G</td>
<td></td>
<td>5G</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Utilisation today</th>
<th>4G</th>
<th>2G</th>
</tr>
</thead>
<tbody>
<tr>
<td>2G</td>
<td>3G</td>
<td>4G</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Frequencies</th>
<th>Maturity</th>
<th>Frequencies</th>
<th>Maturity</th>
<th>Frequencies</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>700 MHz</td>
<td>2017-2033</td>
<td>1,800MHz</td>
<td>2010-2025</td>
<td>2,600MHz</td>
<td>2010-2025</td>
</tr>
<tr>
<td>800 MHz</td>
<td>2010-2025</td>
<td>2,100MHz</td>
<td>2000-2020</td>
<td>3,500 MHz</td>
<td>2006-2021/22</td>
</tr>
<tr>
<td>900 MHz</td>
<td>2015-2033</td>
<td>1,800MHz</td>
<td>2010-2025</td>
<td>2,600MHz</td>
<td>2010-2025</td>
</tr>
</tbody>
</table>

**Telefónica Deutschland**
- 700 MHz: 2x10
- 800 MHz: 2x10
- 900 MHz: 2x10

**Vodafone**
- 700 MHz: 2x10
- 800 MHz: 2x10
- 900 MHz: 2x10

**Deutsche Telekom**
- 700 MHz: 2x10
- 800 MHz: 2x10
- 900 MHz: 2x15

**Future-proof spectrum setup**
- 5G: 2x10
- 4G: 2x20
- 2G: 2x30
- 3G: 1x42
- 4G: 1x42

**Leadership in capacity spectrum**
- 5G: 2x21
- 4G: 2x20
- 3G: 2x15
- 2G: 2x15
Need for balanced economic framework conditions

BNetzA auction conditions

- Reserve price (all blocks)
  EUR 100 million

- No National Roaming

- No Service provider obligation

- 98% HH covered w/ 100Mbps by 2022e

- Railways, main highways and federal roads covered w/ 100Mbps by 2022e

Our demands

- Auction design
  low entry bids and low bid increments

- No access obligation to enable economically viable investments

- Fair payment conditions in line with spectrum availability

- Feasible obligations
  long wave for coverage & short wave for capacity

- No regional spectrum risk of fragmented 5G networks
Fixed infrastructure model to complement our mobile network for best high-speed experience

Access to best available fixed NGA network

NGA coverage targets (% of covered households)

- Nationwide access to DT NGA network
- DT is currently upgrading larger cities to VDSL vectoring and 100 Mbps
- In H2 2018, introduction of Super Vectoring with download speed of up to 250 Mbps. Available in >30% of households until 2018 YE

Fixed

- Access to best available fixed NGA network
- Fixed: Access to >31 million VDSL households
- Full convergence capabilities

Mobile fibre backhaul

- Fiber backhaul plan as a key enabler for 5G
- Target: >90% fibre in sub-/urban areas
- Target: >25% fibre in rural areas
- Differentiated sourcing model

1 NGA: Next Generation Access including VDSL, Vectoring and future FTTX deployments
MBA MVNO contract economics: Four levers for revenue growth

EU-approved capacity glide path

- Exponential data growth
- Capacity upgrade up to 30%
- Price tiering based on speed
- Price tiering based on technology

1 Telefónica Deutschland mobile network traffic
Market dynamic yet rational across segments; solid partner trading

- Market segmentation remains intact with dynamic yet rational competitive environment also in discount segment; maintaining our focus on fair market share
- Partner momentum solid; partner gross add share reflects focus on 4G offer and strong retail momentum in Q3
- Continue to see partner revenue growing q-o-q and y-o-y on the back of data growth; in line with expectations
Transformation programme *Digital4Growth, 2019-22*

*Digital4Growth*

**Total case:**
OIBDA benefit by 2022

- Omnichannel
- Reduced complexity
- Refreshed IT architecture

~EUR 600m

\[ \text{~25\%} \]

\[ \text{~35\%} \]

\[ \text{~40\%} \]

- Digital speed & processes
- Smart growth
- ADA & IoT
- Care of the future
- Shop strategy

**Growth-centric case:**
>60% gross margin gains

Building on the efficiency gains of the integration
Digital4Growth targets

SIMPLER

- O₂ app penetration: >80% (vs. 20% 2017)
- Tariff detox: ~40%
- Total IT spend/subscriber: ~15%
- Postpaid churn: -2% pts

FASTER

- Lead time product changes: Within hours
- Manual back-office interventions: -80%
- Sales in self-assisted channels: >25% (vs. 15% 2017)
- Gross adds market share in SME: ~30%

BETTER

- Connected devices/customer: #4 (vs. #1.5 2017)
- Share of eCare events: ~80% (vs. 65% 2017)
- Shop reduction: >10%
- IoT revenue upside: ~EUR 200-300m cumulative
Financial expectations

Updated outlook\textsuperscript{1} FY2018

- Revenue: Broadly stable yoy excluding a regulatory drag of EUR 30-50m
- OIBDA: Slightly positive yoy excluding a regulatory drag of EUR 40-60m
- Capex/Sales: Approx. 12-13%
- Dividend: Growth over 3 years (2016-2018)

Transformation case

- ~EUR 600m positive gross OIBDA effect by 2022
- Growth-centric case

Mid-term expectations\textsuperscript{1}

- Revenue growing in line with German market, capturing market share in IoT
- Ongoing margin improvement
- Keeping Capex stable
- Dividend: High payout ratio to FCF

\textsuperscript{1} Telefónica The effects from the implementation of IFRS15 as of 1 January 2018 and IFRS16 as of 1 January 2019 are not reflected in the financial outlook. More information will be provided with the quarterly reporting during the period.
### Full-year 2018 outlook

<table>
<thead>
<tr>
<th></th>
<th>Actual 2017</th>
<th>Outlook 2018</th>
<th>9M 2018</th>
<th>Updated Outlook 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>EUR 7,296 million</td>
<td>Broadly stable y-o-y (excl. negative regulatory effects of EUR 30-50 million)</td>
<td>EUR 5,376 / -0.3% y-o-y Based on IAS 18</td>
<td>Broadly stable y-o-y (excl. negative regulatory effects of EUR 30-50 million)</td>
</tr>
<tr>
<td><strong>OIBDA</strong></td>
<td>EUR 1,840 million</td>
<td>Flat to slightly positive y-o-y (excl. negative regulatory effects of EUR 40-60 million)</td>
<td>EUR 1,394 / +4.0% y-o-y Based on IAS 18</td>
<td>Slightly positive y-o-y (excl. negative regulatory effects of EUR 40-60 million)</td>
</tr>
<tr>
<td><strong>C/S</strong></td>
<td>13%</td>
<td>Approx. 12-13%</td>
<td>13.8%</td>
<td>Approx. 12-13%</td>
</tr>
<tr>
<td><strong>Dividend</strong></td>
<td>EUR 0.26 per share Proposal for FY 2017 to the AGM on 17 May 2018</td>
<td>Annual dividend growth for 3 consecutive years (2016-2018)</td>
<td>Dividend proposal of EUR 0.27/share to AGM in May 2019</td>
<td>Annual dividend growth for 3 consecutive years (2016-2018)</td>
</tr>
</tbody>
</table>

---

1. The effects from the implementation of IFRS15 as of 1 January 2018 and IFRS16 as of 1 January 2019 are not reflected in the financial outlook. For more information, please refer to the materials of the quarterly reporting during the period.
2. Exceptional effects such as restructuring costs or the sale of assets are excluded.
Comfortable liquidity position as per 09/2018

Smooth maturity profile and diversified financing mix (in EURm)

Financing and interest mix*

*excluding the matured bond Nov. 2018

Comfortable liquidity position

(in EURm)

Leverage ratio at 0.9x

(in EURm)

1 For definition of net debt & leverage ratio please refer to Q3 2018 earnings release
2 FCF pre dividend & spectrum payments is defined as the sum of cash flow from operating activities & cash flow from investing activities
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: EUR 0.25/share for 2016, EUR 0.26/share for 2017; proposal of EUR 0.27/share for 2018 to AGM

1 Refer to the Telefónica Deutschland website for full dividend policy (www.telefonica.de)
O2D Factsheet

Share price development until 31.12.2018

Telefónica Deutschland at a glance

<table>
<thead>
<tr>
<th>Market segment</th>
<th>Prime Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Telecommunications</td>
</tr>
</tbody>
</table>

- Shares outstanding: 2,974,554,993 shares
- Share capital: EUR 2,974.6 m
- Market cap (as of 31.12.2018): EUR 10,167.0 m
- Share price (as of 31.12.2018): EUR 3.42

Shareholder structure as of 01.11.2018

- Telefónica Germany Holdings Ltd: 25.79%
- Koninklijke KPN N.V.: 4.99%
- Freefloat: 69.22%

Regional split of shareholder structure

- UK & Ireland: 16.9%
- North America: 8.3%
- France: 11.0%
- Germany: 47.8%
- Continental Europe: 3.8%
- Scandinavia: 7.3%
- Rest of World: 4.9%

---

1. Status: 1 November 2018
2. Telefónica Germany Holdings Limited is an indirect wholly owned subsidiary of Telefónica S.A.; Status: According to shareholder register as of 1 November 2018
3. According to notification of voting rights by KPN as of 1 November 2018
4. Source: NASDAQ; Shareholder ID as of October 2018
The team: Telefónica Deutschland board members

Markus Haas
Chief Executive Officer

Markus Rolle
Chief Financial Officer

Wolfgang Metze
Chief Consumer Officer

Alfons Lösing
Chief Partner & Business Officer

Cayetano Carbajo Martín
Chief Technology Officer

Guido Eidmann
Chief Information Officer

Valentina Daiber
Chief Officer Legal & Corporate Affairs

Nicole Gerhardt
Chief Human Resources Officer
Quarterly detail of relevant financial and operating data for Telefónica Deutschland

### Financials

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Revenue (excl. regulatory effects)</td>
<td>1,771</td>
<td>1,771</td>
</tr>
<tr>
<td>Mobile service revenues (excl. regulatory effects)</td>
<td>1,292</td>
<td>1,318</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,771</td>
<td>1,771</td>
</tr>
<tr>
<td>OIBDA (post Group fees) adjusted for exceptional &amp; regulatory effects</td>
<td>401</td>
<td>472</td>
</tr>
<tr>
<td>OIBDA (post Group fees) adjusted for exceptional effects</td>
<td>401</td>
<td>472</td>
</tr>
<tr>
<td>CapEx excl. investments in spectrum</td>
<td>208</td>
<td>226</td>
</tr>
<tr>
<td>C/S Ratio (based on Revenue)</td>
<td>11.8%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Revenue and Opex related Synergies</td>
<td>~35</td>
<td>~40</td>
</tr>
</tbody>
</table>

### Accesses

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Total Accesses</td>
<td>49,550</td>
<td>49,907</td>
</tr>
<tr>
<td>o/w Mobile</td>
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<td>45,194</td>
</tr>
<tr>
<td>Prepay</td>
<td>23,967</td>
<td>24,289</td>
</tr>
<tr>
<td>Postpay</td>
<td>20,708</td>
<td>20,905</td>
</tr>
</tbody>
</table>
Investor Relations contact details

Dr. Veronika Bunk-Sanderson, CFA
Director Communications & Investor Relations
+49 176 2102 8909
veronika.bunk-sanderson@telefonica.com

Marion Polzer, CIRO
Head of Investor Relations
+49 176 7290 1221
marion.polzer@telefonica.com

Get in touch with us:
+49 89 2442 1010
IR-Deutschland@telefonica.com
Appendix - KPIs
Mobile KPIs

Postpay net adds ('000)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>172</td>
<td>197</td>
<td>183</td>
<td>186</td>
<td>157</td>
<td>333</td>
<td>233</td>
<td></td>
</tr>
</tbody>
</table>

Prepay net adds ('000)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>183</td>
<td>322</td>
<td>-535</td>
<td>-1,873</td>
<td>-535</td>
<td>-148</td>
<td>-145</td>
<td></td>
</tr>
</tbody>
</table>

Mobile customer base ('000)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postpay</td>
<td>44,675</td>
<td>45,194</td>
<td>44,842</td>
<td>43,155</td>
<td>42,777</td>
<td>42,962</td>
<td>43,049</td>
</tr>
<tr>
<td>Prepay</td>
<td>20,708</td>
<td>20,905</td>
<td>21,088</td>
<td>21,274</td>
<td>21,431</td>
<td>21,764</td>
<td>21,997</td>
</tr>
</tbody>
</table>

LTE customer base (in m)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.0</td>
<td>14.4</td>
<td>15.7</td>
<td>15.8</td>
<td>16.1</td>
<td>16.6</td>
<td>17.2</td>
<td></td>
</tr>
</tbody>
</table>

1 Underlying mobile prepaid net adds: technical customer base adjustment driven by IT-harmonisation post prepaid customer migration of -1.230k
Mobile KPIs

**Postpay ARPU (EUR)**

- Q1 '17: 15.5
- Q2 '17: 15.5
- Q3 '17: 15.7
- Q4 '17: 15.2
- Q1 '18: 14.8
- Q2 '18: 14.8
- Q3 '18: 15.0

**Prepay ARPU (EUR)**

- Q1 '17: 5.0
- Q2 '17: 5.2
- Q3 '17: 5.2
- Q4 '17: 5.6
- Q1 '18: 5.6
- Q2 '18: 5.8
- Q3 '18: 6.0

**Smartphone penetration (%)**

- Q1 '17: 57.0
- Q2 '17: 57.4
- Q3 '17: 58.7
- Q4 '17: 60.9
- Q1 '18: 62.0
- Q2 '18: 63.5
- Q3 '18: 64.9

**Smartphone penetration O₂ consumer (%)**

- Q1 '17: 75.2
- Q2 '17: 75.6
- Q3 '17: 76.4
- Q4 '17: 77.0
- Q1 '18: 78.6
- Q2 '18: 79.9
- Q3 '18: 79.7

1 Smartphone penetration is based on the number of customers with a small screen tariff (e.g., for smartphones) divided by the total mobile customer base less M2M, less customers with a big screen tariff.
Fixed line KPIs

Retail broadband net adds ('000)

- Therof DSL
- Therof VDSL

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>67</td>
<td>-75</td>
<td>88</td>
<td>-101</td>
<td>-113</td>
<td>-89</td>
<td>-104</td>
<td>-98</td>
</tr>
<tr>
<td>92</td>
<td>86</td>
<td>59</td>
<td>-53</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fixed accesses ('000)

- Retail DSL
- Therof VDSL

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,095</td>
<td>872</td>
<td>960</td>
<td>1,063</td>
<td>1,152</td>
<td>1,243</td>
<td>1,330</td>
<td>1,389</td>
</tr>
<tr>
<td>2,082</td>
<td>2,072</td>
<td>2,072</td>
<td>2,060</td>
<td>2,048</td>
<td>2,054</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Wholesale net adds ('000)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>-129</td>
<td>-134</td>
<td>-130</td>
<td>-110</td>
<td>-125</td>
<td>-55</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Wholesale accesses ('000)¹

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>562</td>
<td>428</td>
<td>298</td>
<td>188</td>
<td>63</td>
<td>8</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

¹ Wholesale accesses incorporate unbundled lines offered to 3rd party operators, including wirelines telephony and high-speed Internet access.
### Revenue structure (EUR m)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>1,771</td>
<td>1,771</td>
<td>1,850</td>
<td>1,904</td>
<td>1,767</td>
<td>1,758</td>
<td>1,830</td>
</tr>
<tr>
<td>Handset</td>
<td>223</td>
<td>217</td>
<td>229</td>
<td>208</td>
<td>199</td>
<td>192</td>
<td>249</td>
</tr>
<tr>
<td>MSR</td>
<td>1,292</td>
<td>1,318</td>
<td>1,344</td>
<td>1,332</td>
<td>1,287</td>
<td>1,311</td>
<td>1,339</td>
</tr>
<tr>
<td>Other</td>
<td>252</td>
<td>220</td>
<td>263</td>
<td>356</td>
<td>280</td>
<td>249</td>
<td>291</td>
</tr>
</tbody>
</table>

### OIBDA (post GF, pre exceptional effects / EUR m)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>OIBDA</td>
<td>401</td>
<td>472</td>
<td>468</td>
<td>499</td>
<td>504</td>
<td>494</td>
<td></td>
</tr>
</tbody>
</table>

### OpEx split (EUR m)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses</td>
<td>1,398</td>
<td>1,330</td>
<td>1,420</td>
<td>1,438</td>
<td>1,394</td>
<td>1,304</td>
<td>1,401</td>
</tr>
<tr>
<td>Supplies</td>
<td>208</td>
<td>226</td>
<td>254</td>
<td>262</td>
<td>197</td>
<td>228</td>
<td>316</td>
</tr>
<tr>
<td>Other</td>
<td>249</td>
<td>249</td>
<td>249</td>
<td>249</td>
<td>249</td>
<td>249</td>
<td>249</td>
</tr>
</tbody>
</table>

### CapEx (EUR m)

<table>
<thead>
<tr>
<th></th>
<th>Q1 '17</th>
<th>Q2 '17</th>
<th>Q3 '17</th>
<th>Q4 '17</th>
<th>Q1 '18</th>
<th>Q2 '18</th>
<th>Q3 '18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>1,771</td>
<td>1,771</td>
<td>1,850</td>
<td>1,904</td>
<td>1,767</td>
<td>1,758</td>
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<tr>
<td>MSR</td>
<td>1,292</td>
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<td>1,287</td>
<td>1,311</td>
<td>1,339</td>
</tr>
<tr>
<td>Other</td>
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<td>220</td>
<td>263</td>
<td>356</td>
<td>280</td>
<td>249</td>
<td>291</td>
</tr>
</tbody>
</table>

---

1. Excluding the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018
2. Adjusted for exceptional effects, excl. the negative impact from regulatory changes and y-o-y comparison based on IAS18 accounting standards for 2017 and IFRS15 for 2018. For details please refer to additional materials of the Q3 2018 results release
3. Opex split before exceptional effects
Financials

Net debt and leverage

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<th>Net Financial Debt</th>
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</tr>
<tr>
<td>Q2 '17</td>
<td>1,575</td>
</tr>
<tr>
<td>Q3 '17</td>
<td>1,514</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>1,064</td>
</tr>
<tr>
<td>Q1 '18</td>
<td>1,085</td>
</tr>
<tr>
<td>Q2 '18</td>
<td>1,797</td>
</tr>
<tr>
<td>Q3 '18</td>
<td>1,591</td>
</tr>
</tbody>
</table>

Free cash flow¹ (YTD)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Free Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 '17</td>
<td>-1</td>
</tr>
<tr>
<td>Q2 '17</td>
<td>68</td>
</tr>
<tr>
<td>Q3 '17</td>
<td>268</td>
</tr>
<tr>
<td>Q4 '17</td>
<td>680</td>
</tr>
<tr>
<td>Q1 '18</td>
<td>15</td>
</tr>
<tr>
<td>Q2 '18</td>
<td>84</td>
</tr>
<tr>
<td>Q3 '18</td>
<td>301</td>
</tr>
</tbody>
</table>

¹ Free cash flow pre dividends and payments for spectrum is defined as the sum of cash flow from operating activities and cash flow from investing activities and does not contain payments for investments in spectrum in June 2015 as well as related interest payments.