

## Press release

23. July 2013

### Telefónica Deutschland with strong growth in data business

- Data revenue shows strong growth of 24.6 percent
- LTE available in all high-speed areas in Germany
- Highly dynamic market in the second quarter 2013

**MUNICH. The inherent demanding market and the changed customer behaviour affected Telefónica Deutschland's results in the second quarter of 2013 as well. While the conventional business of telephony and SMS becomes less important, data usage increases. Further determinants are the strong market dynamics and regulatory conditions. The company continues to grow in data revenues and contract customers. OIBDA margins are stable and operating result is decreasing.**

"The market environment we find ourselves in continues to be highly dynamic and this can be seen in our financial results," says René Schuster, CEO of Telefónica Deutschland. "Our strategy with a focus on our profitable data business and wireless LTE technology is the right one."

The number of customer accesses (wireless, fixed network, wholesale) reached 25.3 million, representing an increase of 0.7 percent over the second quarter of the previous year. This number was boosted by mobile contract customer, the development of secondary brands and the prepaid segment.

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Excluding mobile termination rate cuts, wireless service revenues, wireless revenues and total revenues declined. Wireless service revenues were down 1.3 percent compared to the second quarter of 2012, wireless revenues (including hardware business) decreased by 1.7 percent and total revenues had fallen by 3.8 percent. Including mobile termination rates, wireless service revenues were down 5.2 percent and wireless revenues displayed a decrease of 5.0 percent. Total revenues stood at €1.2 million, 6.2 percent lower than in the second quarter of last year.

Customers continued to exhibit an intensive use of smartphones. Smartphone penetration is now 67 percent among O<sub>2</sub> contract customers, 14 percentage points higher than in the second quarter of last year; and the new wireless LTE technology is further boosting this trend. In the second quarter of 2013, LTE-capable devices accounted for 40 percent of all devices sold.

Data business also continues to display strong growth. Non-SMS data revenues recorded double-digit growth in the second quarter, up 24.6 percent over the same period in 2012. Non-SMS data revenues as a percentage of total data revenues also increased significantly to 65.4 percent, representing a growth rate of 10.5 percentage points compared to the second quarter of 2012.

Non-SMS data ARPU (average revenue per user) is also significantly up at €4.1, 20.4 percent higher than in the second quarter of 2012.

"The trend in the first six months shows that Telefónica Deutschland is developing into a digital company with sustainable profitable growth," says Rachel Empey, CFO of Telefónica Deutschland. "The massive growth in data revenue is behind this trend."

The company achieved an operating income before depreciation and amortization (OIBDA) of €294.2 million in the second quarter of 2013. At 24.2 percent, the OIBDA margin in the second quarter of this year was on a par with the same period in 2012.

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High-speed coverage and data usage continues to be key. The advance of the new wireless communication standard LTE means high-speed connectivity is now available in all major big cities in Germany. This is also reflected in the overall investment level, which was up 9.5 percent over the second quarter of last year.

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### APPENDIX

#### SELECTED CONSOLIDATED FINANCIAL DATA

Unaudited figures (Euros in millions)

	April - June			January - June		
	2013	2012	% Chg	2013	2012	% Chg
<b>Revenues</b>	<b>1.216</b>	<b>1.295</b>	<b>(6,2%)</b>	<b>2.445</b>	<b>2.554</b>	<b>(4,2%)</b>
Wireless Service Revenues	748	789	(5,2%)	1.481	1.548	(4,3%)
<b>Operating income before Depreciation and Amortization (OIBDA)</b>	<b>294</b>	<b>317</b>	<b>(7,2%)</b>	<b>572</b>	<b>597</b>	<b>(4,1%)</b>
OIBDA Margin (%)	24,2%	24,5%	(0,3%-p)	23,4%	23,4%	0,0%-p
Operating income (OI)	8	38	(79,0)	6	49	(87,8)
Profit for the year from continuing operations	3	40	(93,4)	(10)	55	n.m.
<b>Capex</b>	<b>151</b>	<b>138</b>	<b>9,5%</b>	<b>296</b>	<b>271</b>	<b>9,4%</b>
Free Cash Flow pre dividends from continuing operations (1)	239	64	272,6%	345	152	126,5%
Net financial debt (2)	940	(4.675)	n.m.	940	(4.675)	n.m.

Notes:

- OIBDA margin is calculated as percentage of total Revenues.

(1) Free Cash Flow pre dividends defined as OpCF minus working capital minus interest payments and taxes minus other changes.

(2) Net Financial Debt includes current and non-current interest-bearing financial assets and liabilities which are immediately available for the group without any restrictions. Net Financial Debt is calculated as follows: Non-current interest-bearing debt + non-current other payables + current interest-bearing debt + other current payables - financial and other non-current assets - other current financial assets - cash and cash equivalents.

#### SELECTED OPERATIONAL DATA

Unaudited figures

	April - June			January - June		
	2013	2012	% Chg	2013	2012	% Chg
<b>ARPU (EUR)</b>	<b>12,7</b>	<b>13,9</b>	<b>(8,4%)</b>	<b>12,6</b>	<b>13,7</b>	<b>(7,7%)</b>
Prepay	5,1	5,5	(7,7%)	5,0	5,4	(7,0%)
Postpaid	19,5	21,7	(10,4%)	19,4	21,6	(10,0%)
Data ARPU (EUR)	6,2	6,1	1,0%	6,2	6,1	1,1%
<b>%non-SMS over data revenues</b>	<b>65,4%</b>	<b>54,9%</b>	<b>10,5%-p</b>	<b>64,4%</b>	<b>54,6%</b>	<b>9,9%-p</b>
Voice Traffic (m min)	7.691	7.399	3,9%	15.135	14.763	2,5%
<b>Churn (%)</b>	<b>-2,1%</b>	<b>-2,0%</b>	<b>(0,1%-p)</b>	<b>-2,2%</b>	<b>-2,2%</b>	<b>(0,1%-p)</b>
Postpaid churn (%)	-1,3%	-1,4%	0,1%-p	-1,4%	-1,5%	0,1%-p

Notes:

- ARPU is calculated as monthly quarterly average.

- Traffic is defined as minutes used by the company customers, both outbound and inbound. On-net traffic is only included once (outbound), and promotional traffic is included. Traffic not associated to the Company's mobile customers (roaming-in, MVNOs, interconnection of third parties and other business lines) is excluded. Traffic volume non rounded.

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### ACCESSES

Unaudited figures (in thousand)

	June		
	2013	2012	%Chg
Final Clients Accesses	24.216	24.070	0,6%
Fixed telephony accesses	2.176	2.353	(7,5%)
Internet and data accesses	2.583	2.811	(8,1%)
Narrowband	288	320	(9,9%)
Broadband	2.295	2.491	(7,9%)
<b>Mobile accesses</b>	<b>19.411</b>	<b>18.834</b>	<b>3,1%</b>
Prepay	9.151	9.116	0,4%
Postpaid	10.261	9.718	5,6%
Postpaid (%)	52,9%	51,6%	1,3%-p
Smartphone penetration (%) (1)	28,8%	22,7%	6,1%-p
Pay TV	46	73	(36,7%)
Wholesale Accesses (2)	1.127	1.089	3,5%
<b>Total Accesses</b>	<b>25.343</b>	<b>25.159</b>	<b>0,7%</b>

Notes:

(1) Smartphone penetration is calculated based on the number of customers with a smallscreen tariff (e.g., for smartphones) divided by the total mobile customer base, less M2M and customers with a bigscreen tariff (e.g., for Surfsticks, Dongles, Tablets).

(2) Wholesale accesses incorporate unbundled lines offered to 3rd party operators, including fixed-line telephony and high-speed Internet access.

Please find further financial figures on our Investor Relations website at [www.telefonica.de](http://www.telefonica.de).

**Telefónica Deutschland Holding AG**, listed at the Frankfurt Stock Exchange in the Prime Standard, and its wholly-owned, operationally active subsidiary Telefónica Germany GmbH & Co. OHG belong to Telefónica Europe and are part of the Spanish telecommunication group Telefónica S.A. The company offers its German private and business customers post-paid and prepaid mobile telecom products as well as innovative mobile data services based on the GPRS, UMTS and LTE technologies with its product brand O2. In addition, the integrated communications provider also offers DSL fixed network telephony and high-speed internet. Telefónica Europe has more than 103 million mobile and fixed network customers in Spain, Great Britain, Ireland, the Czech Republic, Slovakia and Germany.

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## Press release

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