

MUNICH, 5 Nov 2015

Preliminary results for January to September 2015:

Telefónica Deutschland updates 2015 OIBDA and CapEx outlook resulting from early capture of synergies; dividend proposal of EUR 0.24/share

- **Strong +16.1% year-on-year¹ OIBDA growth in the first nine months and +29.8% year-on-year in the third quarter from synergies and optimisation of commercial costs**
- **MSR -0.3% year-on-year in the third quarter and broadly stable at +0.4% in the first nine months in line with expectations amidst continued focus on customer base development and mobile data monetisation; reiterating full-year MSR outlook**
- **Financial outlook for the year 2015 updated as follows:**
 - **Increased OIBDA growth expectations to +15-20% year-on-year (from >10% year-on-year previously expected)**
 - **Increased expectations for CapEx reduction to a low double-digit percentage decline year-on-year (from high single-digit percentage decline previously expected)**
- **Expected in-year savings from synergies for the year 2015 updated to EUR 280 million (from EUR 250 million run-rate previously) as a result of bringing forward significant integration activities from 2016 into 2015; overall synergy case unchanged**
- **Continuity reflected in stable cash dividend proposal² of EUR 0.24/share**

Third quarter 2015 operational & financial highlights^{1,3}

- **Net additions in mobile postpaid** were 169 thousand with a strong contribution from partner brands and were affected by the disconnection of Kabel Deutschland customers after the Vodafone integration. Contract churn improved 0.2 percentage points year-on-year to 1.7% in the third quarter excluding M2M. **Prepaid** showed seasonally strong growth with 503 thousand net additions, driven by strong performance from partners and a high share of net additions from our ethnic brands over the summer.

¹ Unless indicated otherwise, year-on-year comparisons are based on combined figures for 2014. These 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, 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. Exceptional effects in the first nine months of 2015 include a capital gain of EUR 15 million from the sale of yourfone GmbH and restructuring costs of EUR 66 million. Comparable figures from 2014 exclude EUR 13 million restructuring costs in the third quarter.

² Intention for dividend proposal to Annual General Meeting in May 2016. For further details please refer to our dividend policy on our website: <https://www.telefonica.de/investor-relations-en/share/dividends.html>

³ Unless indicated otherwise, values include retrospective adjustments from the purchase price allocation (PPA) within the twelve-months-period following the acquisition of E-Plus group as of October 2014 (IFRS 3).

- The **LTE customer base** continued to grow to 7.0 million by the end of September 2015, reflecting the success of our data monetisation strategy.
- The development of **mobile service revenues** (-0.3% year-on-year) was mainly the result of company strategy to develop its customer base and focus on retention, as well as the growth of the partner business.
- **Revenues** reached EUR 1,979 million (-1.1% year-on-year) with revenue from handsets growing by 2.7% year-on-year, while MSR was slightly negative. Fixed revenues continued to fall driven by voice and wholesale, while retail DSL showed a slight sequential improvement.
- **OIBDA** excluding exceptional effects⁴ continued to increase to EUR 454 million (+29.8% year-on-year), driven by synergies and commercial cost savings. Due to the accelerated execution of various integration initiatives, more than 45% of the year-on-year OIBDA growth was driven by integration savings.
- **CapEx** (excluding investments in spectrum) declined 15.6% year-on-year to EUR 241 million as synergies from building one single LTE network outweighed investments for growth and network integration. The Company is on track to deliver its LTE coverage target of approximately 75% by the end of 2015.
- **Consolidated net financial debt**⁵ was EUR 1,415 million at the end of September 2015. Financial leverage returned to 0.9x, after dividend and spectrum investment payments in the second quarter of 2015.

⁴ Exceptional effects in the first nine months of 2015 include a capital gain of EUR 15 million from the sale of yourfone GmbH and restructuring costs of EUR 66 million.

⁵ Net financial debt includes current and non-current interest-bearing financial assets and interest-bearing liabilities as well as cash and cash equivalents and excludes the payables for the spectrum auction.

Progress of integration and transformation activities

During the third quarter of 2015, Telefónica Deutschland continued to make significant progress in terms of the execution of integration and transformation projects, to the extent that the Company now expects to reach EUR 280 million in-year savings from synergies for the full year 2015 (compared to the run-rate of EUR 250 million previously expected):

- By the end of September, Telefónica Deutschland came close to finalising the execution of the 2015 leaver programme of restructuring 800 full time equivalents (FTEs) out of a total of 1,600 FTEs.
- Telefónica Deutschland is progressing well with the transfer of the 301 shops to be handed over to Drillisch, 102 of which are own shops and 199 partner shops. This transfer of shops will contribute significantly to the planned consolidation of the shop footprint of Telefónica Deutschland from 1,800 to 1,200 shops. In addition to the Drillisch transfer, the Company aims to consolidate another 100 shops until year-end.
- In July 2015 Telefónica Deutschland agreed to transfer approx. 7,700 mobile sites to Deutsche Telekom as part of the planned network consolidation, helping to drive a more efficient site dismantling process.
- Telefónica Deutschland continues to push ahead with the in-city consolidation of its facilities, focussing on Munich, Düsseldorf and Hamburg as the main activity centres, with the intention to reduce office space by one third of the total target by year-end 2018 (total target is a reduction of approximately 100 thousand sqm or 50% of total office space).
- Telefónica Deutschland is also currently optimising the management of external staff, including agency workers, outsourcing and consultants, and expects to see significant benefits from these initiatives also by year-end.

Recent developments in Telefónica Deutschland's commercial offer and network

During the third quarter of 2015 Telefónica Deutschland continued to execute commercial initiatives to retain market momentum, including an enhancement of its O₂ Blue All-in portfolio and relaunch of its value brand Blau based on customer insights:

- As of 1 October O₂ Blue customers will benefit from more attractive conditions for phone calls to other countries and roaming packages. LTE roaming has been available since August in selected EU countries.
- The 'O₂ Guru' service and iPhone 6S campaigns were successfully launched in September to help drive our focus on digitalisation and value generation in the premium segment.
- The O₂ Blue data automatic was redesigned to give customers with a larger data allowances a proportionally more appropriate option if they exceed their allowance, thus facilitating data monetisation.
- As part of its strategy of digital innovation Telefónica Deutschland now offers the 'O₂ Message+Call' app as added value, enabling customers to use wifi calling via their mobile phones.
- Value brand Blau was relaunched in September through physical and online channels with a clear focus on simplicity to offer customers the best value for money in their segment.
- Independent surveys show the ongoing improvement of our network quality perception: In October Computer Bild confirmed that Telefónica Deutschland has significantly reduced the gap to its competitors as a result of national roaming and improved LTE coverage.

Update 2015 financial outlook

During the first nine months of 2015, Telefónica Deutschland successfully pursued its strategic priorities of maintaining market momentum, driving the integration and transforming the Company. Having reached a number of important milestones on our path to becoming the leading digital telco, we are now updating the outlook for the financial year 2015.

As a result of leveraging a strong network and attractive commercial offering with an emphasis on data monetisation, we continue to expect **mobile service revenue to remain broadly stable compared to the 2014 combined⁶ figure** (EUR 5,528 million).

Moreover, Telefónica Deutschland saw significant OIBDA growth (excl. exceptional effects) in the first nine months of 2015 driven by the early capture of synergies, as we were able to accelerate and bring forward significant integration activities from 2016 into 2015. The focus on the development of the customer base further helped to optimise commercial costs. As such, **we now expect OIBDA to grow 15-20% year-on-year versus the 2014 combined⁶ figure** (EUR 1,461 million), compared to previous growth expectations of more than 10% year-on-year.

With regard to synergies Telefónica Deutschland now expects to achieve around EUR 280 million of OpCF (OIBDA-CapEx) synergies in 2015, which is approximately 35% of the synergy target run-rate (EUR 800 million) after five years⁷; the overall synergy case remains unchanged.

OpEx savings and revenue synergies are expected to amount to ca. 50% of the total OpCF synergies in 2015. The Company has been able to make significant progress in terms of accelerating the execution of various initiatives. Major synergy drivers in this first year include the headcount restructuring programme, retail footprint optimisation, consolidation of facilities, reduction of external staff as well as various projects relating to the simplification of business processes and the elimination of duplications. Expectations for the total synergy case are unchanged. Revenue and other synergies are expected to come primarily from the contribution of the Mobile Bitstream Access agreement to our partner business.

CapEx⁸ synergies are expected to represent around 50% of total OpCF synergies for 2015 and largely stem from a single rather than dual network roll-out.

Moreover, in 2015 synergy effects in the latter half of the year are expected to outweigh the initial efforts required to consolidate the two networks as well as additional investments necessary to accelerate the deployment of LTE. As a result, we expect **CapEx⁸ in 2015 to show a low double-digit percentage decline** year-on-year from a combined⁶ base of EUR 1,161 million.

⁶ 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, 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.

⁷ Synergies defined in terms of Operating Cash Flow (OIBDA-CapEx) with a target run rate after year 5 from start of integration of EUR 800 million. OpEx savings (excluding restructuring costs) and revenue synergies refer to a comparison with 2014 combined financials. CapEx excludes investments in spectrum and includes specific restructuring investments.

⁸ CapEx excludes investments in spectrum and includes specific restructuring investments.

With regards to shareholder remuneration, we intend to show continuity with respect to the dividend for the year 2015 and to propose to the next ordinary Annual General Meeting a **cash dividend of EUR 0.24/per share**, amounting to EUR 714 million in total, payable in May 2016. In line with our publicly stated dividend policy, the Company intends to maintain a high pay-out ratio in relation to Free Cash Flow while keeping the leverage ratio at or below 1.0x over the medium term. With regards to the integration of the E-Plus Group, the management board may consider synergies expected to be realised in the future when making a dividend proposal.

	Base line for 2014⁹ (EUR million)	9M 2015¹⁰ (y-o-y pct. growth)	Initial Outlook 2015¹¹ (year-on-year pct. growth)	Updated Outlook 2015¹¹ (year-on-year pct. growth)
MSR	5,528	+0.4%	Broadly stable	Broadly stable
OIBDA before except. effects	1,461	+16.1%	>10%	15-20%
CapEx	1,161	-2.8%	High single digit pct. decline	Low double digit pct. decline
Dividend¹²	EUR 0.24/share	-	-	EUR 0.24/share

⁹ 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, 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.

¹⁰ Year-on-year comparisons are based on combined figures for 2014. OIBDA in the first nine months of 2015 excludes a capital gain of EUR 15 million from the sale of yourfone GmbH and restructuring costs of EUR 66 million. CapEx excludes investments in spectrum and includes specific restructuring investments.

¹¹ All expected regulatory effects (MTR cuts and others) are included in the outlook. Restructuring costs from the integration of E-Plus Group are excluded from OIBDA Outlook. CapEx excludes investments in spectrum and includes specific restructuring investments.

¹² Intention for dividend proposal to Annual General Meeting in May 2016. For further details please refer to our dividend policy on our website: <https://www.telefonica.de/investor-relations-en/share/dividends.html>

Telefónica Deutschland's operating performance in the third quarter of 2015^{13,14}

At the end of September 2015 Telefónica Deutschland reached an **access base of 48.6 million**, an increase of 1.8% year-on-year driven by strong growth in the prepaid and postpaid mobile base, which stood at 43.3 million (+2.6% year-on-year). Fixed accesses continued to fall by 4.4% year-on-year to 5.4 million driven by wholesale DSL, while retail broadband continues to improve its year-on-year trend.

Net additions in mobile postpaid in the third quarter were 169 thousand with a strong contribution from partner brands and were affected by the disconnection of Kabel Deutschland customers following the integration into Vodafone Germany. Contract churn improved 0.2 percentage points year-on-year to 1.7% in the third quarter excluding M2M. Lower year-on-year trading in the retail postpaid business is a reflection of our strategic focus on the evolution of our customer base. However, the share of partner brands over total gross adds has now stabilised at 45% compared with the previous quarter. The total postpaid mobile base reached 19.3 million accesses at the end of September 2015, i.e. 44.5% of total mobile customers.

Prepaid showed strong growth with 503 thousand net additions in the third quarter of 2015 compared to 237 thousand in the second quarter of 2015, as a result of strong growth in partner brands and seasonal good performance of ethnic brands in the summer period. The prepaid base thus increased to 24.0 million accesses.

Postpaid churn¹⁵ was 1.7% in the third quarter 2015, an improvement year-on-year and stable quarter-on-quarter as a result of Telefónica Deutschland's focus on retention. The O₂ consumer brand reported an even lower churn of 1.3% in the quarter.

Smartphone penetration¹⁶ across all brands continued to improve to 52.9% (vs. 51.3% in the second quarter of 2015), as demand for data and smartphones continues to rise among the prepaid customer base also, particularly in high-value partner brands.

The **LTE customer base** continued to grow to 7.0 million by September 2015, up 14.9% versus the previous quarter, reflecting the success of the LTE and data monetisation strategy, including the opening of the LTE network to the whole O₂ postpaid customer base.

In the third quarter of 2015 **mobile ARPU** was EUR 10.9 (-2.5% year-on-year), a slight improvement from the second quarter (EUR 10.8). Postpaid ARPU¹⁵ came to EUR 17.4 in the same period, above the EUR 17.2 of the second quarter of 2015, but a decline of 4.2% year-on-year. This largely resulted from the higher number of wholesale customers acquired via the partner business. The value of prepaid customers continued to improve with a prepaid ARPU of EUR 6.0 for the third quarter of 2015, up 3.9% from EUR 5.8 in the third quarter of 2014.

¹³ Year-on-year comparisons are based on combined figures for 2014. These are approximate and the result of the aggregation and then consolidation of Telefónica Deutschland and E-Plus Group operating data according to Telefónica Deutschland Group accounting policies and resulting in combined figures we believe are more meaningful as a comparable basis.

¹⁴ Unless indicated otherwise, values include retrospective adjustments from the purchase price allocation (PPA) within the twelve-months-period following the acquisition of E-Plus group as of October 2014 (IFRS 3).

¹⁵ Starting 1 January 2014 M2M SIM-cards are excluded from calculation for postpaid churn and ARPU.

¹⁶ Defined as the number of active mobile data tariffs of premium brand customers over total mobile premium brand customer base, excluding M2M and data-only accesses.

With a lower number of net disconnections (-12.6 thousand), the decline in the **retail fixed broadband access base** continued to improve over consecutive quarters, bringing the total base to just over 2.1 million. Strong VDSL net additions of 64 thousand (vs. 58 thousand in the second quarter) could not quite compensate for the decline in fixed wholesale accesses (-42 thousand) driven by the progressive decommissioning of the ULL broadband access infrastructure and the decline in fixed voice accesses.

Telefónica Deutschland's financial performance in the third quarter and nine months of 2015^{17,18}

Revenues for the first nine months of 2015 totalled EUR 5,828 million, an increase of 0.9% over the previous year, while in the third quarter they declined 1.1% year-on-year to EUR 1,979 million.

Mobile service revenues for January to September showed slight year-on-year growth of 0.4%, with a slight decline of -0.3% to EUR 1,419 million in the third quarter. The latter was mainly the result of company strategy to develop its customer base and focus on retention, as well as the growth of the partner business.

Mobile data revenues came to EUR 2,127 million for the nine months period (EUR 728 million in the third quarter). The share of mobile data revenues over total mobile service revenues continued to increase to 51.3% in the third quarter 2015 (plus 0.1 percentage points versus the first half of 2015), of which 71.9% (plus 0.9 percentage points versus the first half of 2015) were non-SMS data revenues.

Mobile data usage for LTE customers continued to show strong growth of +11% quarter-on-quarter to 1.1 Gb/month¹⁹), driven by the adoption of LTE-enabled handsets and the growing usage of audio and video streaming applications.

In the O₂ postpaid premium business the Company continued to see a sequential improvement in the adoption mix of tariffs, with approx. 37% of gross additions in the third quarter of 2015 taking a tariff with more than 1 Gb monthly allowance (approx. 35% in the previous quarter).

Moreover, the rate of automatic extensions of monthly data allowances has increased to 54% of the opted-in customer base, as the data automatic itself has also been refined to allow bigger 'snacks' for high-end users.

¹⁷ Unless indicated otherwise, year-on-year comparisons are based on combined figures for 2014. These are approximate and the result of the aggregation and then consolidation of Telefónica Deutschland and E-Plus Group financials according to Telefónica Deutschland Group accounting policies. The combined figures are further adjusted by material exceptional effects, such as capital gains or restructuring costs based on estimates made by Telefónica Deutschland management and resulting in combined figures we believe are more meaningful as a comparable basis.

¹⁸ Unless indicated otherwise, values include retrospective adjustments from the purchase price allocation (PPA) within the twelve-months-period following the acquisition of E-Plus group as of October 2014 (IFRS 3).

¹⁹ Average data monthly usage (in Mb) from O₂ consumer customers with a LTE-enabled smartphone (all tariffs).

Handset revenues continued to grow 15.5% year-on-year to EUR 887 million for January to September 2015, while in the third quarter they reached EUR 301 million (+2.7% year-on-year), as a result of our focus on retention and customer base development.

Fixed revenues amounted to EUR 778 million in the period until September 2015, a decline of 10.0% year-on-year, while in the third quarter they reached EUR 256 million (-9.5% year-on-year; unchanged compared to the second quarter of 2015). Improved traction of the retail DSL business helps to stem the decline in the wholesale ADSL and voice carrier business. The contribution of retail DSL revenues to the year-on-year reduction of total fixed revenues thus also improved from -4.8 percentage points in the second quarter to -3.6 percentage points in the third quarter.

Operating expenses for January to September 2015 fell 1.4% year-on-year to EUR 4,714 million including restructuring costs of EUR 66 million, while in the third quarter they amounted to EUR 1,627 million (an improvement of 4.3% year-on-year) including restructuring costs of EUR 63 million. The latter were mainly related to network integration.

- **Supplies** amounted to EUR 1,965 million in the first nine months and EUR 660 million in the third quarter of 2015, of which 45% were hardware costs of sales and 47% connectivity-related cost of sales
- **Personnel expenses** amounted to EUR 500 million in the first nine months. In the third quarter, personnel expenses came to EUR 155 million of which base salaries made up 78%
- **Other operating expenses** amounted to EUR 2,248 million in the first nine months of 2015 and EUR 812 million in the third quarter of 2015, of which commercial and non-commercial costs represented 53% and 37% respectively

Operating Income before Depreciation and Amortisation (OIBDA) improved significantly in the first nine month of 2015 to EUR 1,234 million (EUR 388 million in the third quarter). OIBDA before exceptional effects²⁰ and after group fees increased by 16.1% year-on-year in the nine months of 2015 and by 29.8% in the third quarter. The substantial OIBDA growth was driven by the early capture of integration synergies as well as a reduction in commercial costs. In-year savings from integration activities contributed 45% to the year-on-year OIBDA increase in the third quarter.

The OIBDA margin was 21.2% for the nine months period and 22.0% before exceptional effects²⁰, the latter with an improvement of 2.9 percentage points versus the same period last year. In the third quarter of 2015 the OIBDA margin before exceptional effects came to 22.9% (+5.5 percentage points year-on-year).

²⁰ Exceptional effects in the first nine months of 2015 include a capital gain of EUR 15 million from the sale of yourfone GmbH and restructuring costs of EUR 66 million.

Group fees amounted to EUR 38 million in the first nine months of 2015 and EUR 15 million in the third quarter of 2015.

Depreciation & Amortisation totalled EUR 1,545 million in the first nine months of 2015, compared to EUR 779 million reported in the same period of 2014. The strong increase over last year's reported numbers is mainly driven by the incorporation of E-Plus Group in 2014 and the first impacts from the consolidation of both networks.

With respect to the spectrum assets acquired in the frequency auction in the second quarter (book value of EUR 1,196 million at the end of September 2015 including capitalised costs on borrowed capital), the renewed licenses in the 900 and 1800 MHz bands will begin to be amortised from January 2017, while the newly acquired spectrum in the 700 MHz band will contribute to amortisation expenses after its final release by the Authorities.

Operating income was EUR -312 million for January to September 2015 (EUR -124 million in the third quarter), as depreciation & amortisation charges still exceeded OIBDA.

Net financial result for the first nine months of 2015 was negative in the amount of EUR 36 million (EUR -11 million in the third quarter). This was mainly the result of different financing activities executed in the past (the bonds issued in November 2013 and February 2014), the promissory note executed in March 2015 as well as interest expenses from finance lease obligations.

The Company did not report significant current **income taxes** for January to September 2015.

The result for the nine months period 2015 was EUR -347 million (EUR -134 million in the third quarter), mainly due to the above-mentioned performance of the operating income.

CapEx (excluding investments in spectrum) fell 2.8% year-on-year to EUR 704 million in the first nine months of 2015 and by 15.6% year-on-year to EUR 241 million in the third quarter. The steepening of the rate of decline in the third quarter was mainly due to phasing and the realisation of CapEx synergies which outweighed effects from investments in the LTE rollout as well as network integration costs.

Operating cash flow (OIBDA minus CapEx excluding investments in spectrum) for the nine month period of 2015 was EUR 530 million (EUR 147 million in the third quarter). Before exceptional effects, operating cash flow showed strong year-on-year growth of 51.9% and 231.2% respectively for the nine months and the third quarter of 2015.

Free Cash Flow (FCF)²¹ for the first nine months of 2015 reached EUR 350 million, of which EUR 58 million were proceeds from the sale of yourfone GmbH in the first quarter.

Working capital movements of EUR -201 million were mainly driven by prepayments (mainly rents) of EUR -86 million until September, a CapEx reversal of EUR -166 million from the fourth quarter of 2014, as well as regular working capital movements which include silent factoring transactions for O₂ myHandy receivables. These were partly offset by the upfront payment of EUR 150 million received in July 2015 from the MBA contract with Drillisch.

Consolidated net financial debt²² was EUR 1,415 million at the end of September 2015, reaching a leverage ratio of 0.9x after 1.2x in the first half of 2015. This was mainly due to the effect from the EUR 714 million dividend for the financial year 2014 paid in May 2015, and the payment in June for long-term investments in spectrum licenses (EUR 977 million out of a total consideration of EUR 1,198 million).

²¹ Free cash flow pre dividends and payments for spectrum as well as pre-acquisition of E-Plus (FCF) is defined as the sum of cash flow from operating activities and cash flow from investing activities.

²² Net financial debt includes current and non-current interest-bearing financial assets and interest-bearing liabilities as well as cash and cash equivalents and excludes payables for the spectrum auction.

APPENDIX – DATA TABLES

TELEFÓNICA DEUTSCHLAND GROUP SELECTED CONSOLIDATED FINANCIAL DATA

Unaudited

(Euros in millions)	1 July to 30 September			1 January to 30 September		
	2015 (5)	2014	% Chg	2015 (5)	2014	% Chg
Revenues	1,979	1,219	62.4	5,828	3,503	66.4
Operating income before depreciation and amortisation (OIBDA) and before exceptional effects (1)	454	248	83.3	1,285	733	75.2
<i>OIBDA before exceptional effects-margin</i>	22.9%	20.3%	2.6%-p.	22.0%	20.9%	1.1%-p.
Exceptional effects (1)	(66)	(8)	(>100,0)	(51)	(8)	(>100,0)
Operating income before depreciation and amortisation (OIBDA)	388	240	61.8	1,234	726	70.0
<i>OIBDA margin</i>	19.6%	19.7%	(0.1%-p.)	21.2%	20.7%	0.4%-p.
Group fees	15	15	(0.7)	38	45	(14.8)
Operating income before depreciation and amortisation (OIBDA) and before group fees	403	255	58.1	1,272	770	65.1
<i>OIBDA before group fees margin</i>	20.4%	20.9%	(0.5%-p.)	21.8%	22.0%	(0.2%-p.)
Operating income	(124)	(5)	>100,0	(312)	(53)	>100,0
Total profit (loss) for the period	(134)	(15)	>100,0	(347)	(79)	>100,0
Basic earnings per share (in euros) (2)	(0.05)	(0.01)	>100,0	(0.12)	(0.07)	64.76
CapEx (4)	(241)	(145)	66.7	(704)	(411)	71.2
Operating cash flow (OIBDA-CapEx) (4)	147	95	54.5	530	315	68.5
Free cash flow pre dividends and payments for spectrum (3) and pre-acquisition of E-Plus net of cash acquired	247	132	87.3	350	529	(33.8)
Free cash flow pre dividends and payments for spectrum (3)	247	132	87.3	372	529	(29.6)

(1) Exceptional effects as of 30 September 2015 include restructuring expenses amounting to EUR 66m as well as one-off gains from the sale of yourfone GmbH in the amount of EUR 15m (after adjustment from the final purchase price allocation (PPA)) which was closed on 2 January 2015.

(2) Basic earnings per share are calculated by dividing profit (loss) after taxes for the period by the weighted average number of ordinary shares of 2,975m for the year 2015 and 1,166m for the year 2014.

(3) 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 amounting to EUR 977m.

(4) Excluding investments in spectrum in June 2015 amounting to EUR 1,196m (including capitalised costs on borrowed capital).

(5) Unless indicated otherwise, values include retrospective adjustments from the purchase price allocation (PPA) within the twelve-months-period following the acquisition of E-Plus group as of October 2014 (IFRS 3).

Note: OIBDA margin, OIBDA before group fees margin and OIBDA before exceptional effects-margin are calculated as percentage of total revenues, respectively.

Please note that financial data published in this document represents actual consolidated figures under the relevant group perimeter at the respective time.

TELEFÓNICA DEUTSCHLAND GROUP
ACCESSES
Unaudited

(in thousands)	2015			2014			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4
Final clients accesses	46,573	46,981	47,627	23,876	23,964	24,113	46,548
Fixed telephony accesses	2,022	2,010	2,000	2,109	2,078	2,051	2,036
Internet and data accesses	2,372	2,355	2,339	2,492	2,450	2,413	2,387
Narrowband	243	240	236	266	259	253	243
Broadband	2,128	2,115	2,103	2,226	2,191	2,161	2,144
Mobile accesses	42,179	42,617	43,289	19,275	19,436	19,649	42,125
Prepaid	23,264	23,501	24,004	8,911	8,920	8,989	23,351
Postpaid	18,915	19,116	19,285	10,364	10,516	10,660	18,774
<i>thereof M2M</i>	443	506	571	95	98	106	414
Postpaid (%)	44.8%	44.9%	44.5%	53.8%	54.1%	54.3%	44.6%
Smartphone penetration (%) (1)	49.8%	51.3%	52.9%	32.8%	33.1%	33.8%	29.0%
LTE customers (2)	5,146	6,093	7,002	464	667	963	3,098
Wholesale accesses (3)	1,085	1,059	1,018	1,128	1,152	1,138	1,113
Total accesses	47,658	48,041	48,645	25,004	25,116	25,251	47,662

(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). The increase of smartphone penetration in Q1 2015 is due to the harmonisation of criteria for all segments and brands in Q1 2015.

(2) LTE customer defined customer with LTE enabled handset & LTE tariff

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

Please note that financial data published in this document represents actual consolidated figures under the relevant group perimeter at the respective time.

TELEFÓNICA DEUTSCHLAND GROUP
SELECTED OPERATIONAL DATA
Unaudited

	2015			2014			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4
ARPU (in euros) (1)	10.6	10.8	10.9	12.1	12.5	12.7	10.9
Prepaid	5.6	5.9	6.0	5.0	5.2	5.3	5.6
Postpaid excl. M2M	17.2	17.2	17.4	18.5	18.8	19.1	17.7
Data ARPU (in euros)	5.5	5.6	5.6	6.0	6.1	6.2	5.7
% non-SMS over data revenues (2)	70.5%	71.5%	71.9%	72.0%	72.5%	73.8%	68.9%
Voice Traffic (m min) (3)	15,837	15,492	15,487	7,572	7,775	7,398	18,441
Data Traffic (TB) (4)	40,172	42,255	45,898	10,569	11,247	12,894	37,159
Churn (%)	2.4%	2.1%	2.1%	2.4%	1.9%	1.9%	2.9%
Postpaid churn (%) excl. M2M	1.7%	1.7%	1.7%	1.6%	1.3%	1.5%	2.7%

Notes:

(1) ARPU (average revenue per user) is calculated as monthly average of the quarter.

(2) % non-SMS over data revenues in relation to the total data revenues.

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

(4) Data traffic is defined as Terabytes used by the company customers, both upload and download (1TByte = 10¹² bytes). 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 also included. Traffic volume non-rounded.

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TELEFÓNICA DEUTSCHLAND GROUP
CONSOLIDATED INCOME STATEMENT
Unaudited

(Euros in millions)	July 1 to September 30				January 1 to September 30			
	2015 (2)	2014	Change	% Chg	2015 (2)	2014	Change	% Chg
Revenues	1,979	1,219	760	62.4	5,828	3,503	2,326	66.4
Other income	36	24	12	48.5	119	67	51	76.3
Operating expenses	(1,627)	(1,004)	(624)	62.1	(4,714)	(2,844)	(1,869)	65.7
Supplies	(660)	(499)	(161)	32.2	(1,965)	(1,382)	(584)	42.3
Personnel expenses	(155)	(116)	(39)	34.0	(500)	(329)	(171)	51.9
Other expenses	(812)	(389)	(423)	>100.0	(2,248)	(1,134)	(1,115)	98.3
Operating income before depreciation and amortization (OIBDA)	388	240	148	61.8	1,234	726	508	70.0
OIBDA margin	19.6%	19.7%		(0.1%-p.)	21.2%	20.7%		0.4%-p.
Depreciation and amortisation	(512)	(245)	(267)	>100.0	(1,545)	(779)	(766)	98.3
Operating income	(124)	(5)	(119)	>100.0	(312)	(53)	(258)	>100.0
Net financial income (expense)	(11)	(10)	(1)	8.9	(36)	(26)	(10)	39.2
Profit (loss) before tax for the period	(134)	(15)	(119)	>100.0	(347)	(79)	(268)	>100.0
Income tax	-	-	-	50.4	-	-	-	>100.0
Total profit for the period	(134)	(15)	(119)	>100.0	(347)	(79)	(268)	>100.0
Number of shares in millions as of end of period date	2,975	2,234	741	33.2	2,975	2,234	741	33.2
Basic earnings per share (in euros) (1)	(0.05)	(0.01)	(0.03)	>100.0	(0.12)	(0.07)	(0.05)	64.8

(1) Basic earnings per share are calculated by dividing profit (loss) after taxes for the period by the weighted average number of ordinary shares of 2.975m for the year 2015 and 1.166m for the year 2014

(2) Unless indicated otherwise, values include retrospective adjustments from the purchase price allocation (PPA) within the twelve-months-period following the acquisition of E-Plus group as of October 2014 (IFRS 3).

Please note that financial data published in this document represents actual consolidated figures under the relevant group perimeter at the respective time.

TELEFÓNICA DEUTSCHLAND GROUP
REVENUE BREAKDOWN
Unaudited

(Euros in millions)	1 July to 30 September				1 January to 30 September			
	2015	2014	Change	% Change	2015	2014	Change	% Change
Revenues	1,979	1,219	760	62.4	5,828	3,503	2,326	66.4
Mobile business	1,720	934	786	84.2	5,041	2,633	2,408	91.5
Mobile service revenues	1,419	754	665	88.2	4,155	2,189	1,966	89.8
Handset revenues	301	180	121	67.1	887	444	442	99.5
Fixed business	256	283	(27)	(9.5)	778	864	(86)	(10.0)
Other revenues	3	2	1	45.2	10	6	4	71.6

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TELEFÓNICA DEUTSCHLAND GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited

(Euros in millions)	As of 30 September	As of 31 December	Change	% Change
	2015 (3)	2014 (3)		
NON-CURRENT ASSETS	14,714	14,406	308	2.1
Goodwill	1,955	1,955	–	–
Other intangible assets	7,244	6,600	644	9.8
Property, plant and equipment	4,535	4,842	(307)	(6.3)
Trade and other receivables	180	236	(57)	(23.9)
Other financial assets	54	49	5	10.2
Other non-financial assets	165	142	22	15.7
Deferred tax assets	581	581	–	–
CURRENT ASSETS	2,081	3,530	(1,449)	(41.1)
Inventories	123	104	19	18.2
Trade and other receivables	1,612	1,545	68	4.4
Other financial assets	13	19	(5)	(28.6)
Other non-financial assets	134	71	63	88.7
Cash and cash equivalents	199	1,702	(1,503)	(88.3)
Assets held for sale	0	90	(90)	(100.0)
Total assets = Total equity and liabilities	16,795	17,936	(1,141)	(6.4)
EQUITY	10,366	11,412	(1,046)	(9.2)
Common Stock	2,975	2,975	–	–
Additional paid-in capital & retained earnings	7,392	8,437	(1,046)	(12.4)
Equity attributable to owners of the company	10,366	11,412	(1,046)	(9.2)
NON-CURRENT LIABILITIES	2,784	2,919	(135)	(4.6)
Interest-bearing debt	1,703	1,808	(105)	(5.8)
Trade and other payables	127	19	107	>100,0
Provisions	524	787	(264)	(33.5)
Deferred income	431	305	126	41.5
CURRENT LIABILITIES	3,644	3,605	39	1.1
Interest-bearing debt	555	622	(67)	(10.8)
Trade and other payables	2,212	2,283	(71)	(3.1)
Provisions	386	241	146	60.6
Other non-financial liabilities	27	18	10	56.2
Deferred income	463	400	63	15.9
Liabilities held for sale	0	42	(42)	(100.0)
Financial Data				
Net financial debt (1)	1,415	18	1,396	>100,0
Leverage (2)	0.9x	0.0x	0.8	>100,0

(1) Net financial debt includes current and non-current interest-bearing financial assets and interest-bearing financial liabilities as well as cash and cash equivalents.

* Current and non-current financial assets include handset - receivables (current: EUR 446m in 2015 and EUR 454m in 2014; non-current: EUR 180m in 2015 and EUR 236m in 2014), positive Fair value Hedge for fixed interest financial liabilities (current: EUR 2m in 2015 and EUR 2m in 2014; non-current: EUR 12m in 2015 and EUR 12m in 2014) as well as loans to third parties (current: EUR 0m in 2015 and EUR 1m in 2014; non-current: EUR 1m in 2015 and EUR 1m in 2014)

* Current and non-current net financial debt include bonds, promissory notes and registered bonds issued (EUR 1,423m in 2015 and EUR 1,115m in 2014), other loans (EUR 551m in 2015 and EUR 726m in 2014) as well as finance lease payables (current: EUR 232m in 2015 and EUR 382m in 2014; non-current: EUR 50m in 2015 and EUR 204m in 2014)

Note: Handset - receivables are shown under trade and other receivables in the Consolidated Statement of Financial Position.

Pending payments for spectrum amounting to EUR 219m (including capitalised costs of borrowed capital) are shown under trade payables against third parties in the Consolidated Statement of Financial Position and are therefore not included in the net financial debt calculation.

(2) Leverage is defined as net financial debt divided by the OIBDA for the last twelve months before exceptional effects.

Please note that solely for purposes of calculating the leverage for any twelve month period which includes historical periods prior to the closing of the Transaction, a combined* OIBDA will be applied. This combined OIBDA includes the OIBDA of the E-Plus Group under Telefonica Deutschland Group accounting policies for the entire twelve month period as if the closing of the Transaction had occurred at the beginning of such twelve month period.

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

(3) Unless indicated otherwise, values include retrospective adjustments from the purchase price allocation (PPA) within the twelve-months-period following the acquisition of E-Plus group as of October 2014 (IFRS 3).

TELEFÓNICA DEUTSCHLAND GROUP
RECONCILIATION OF CASH FLOW AND OIBDA MINUS CAPEX

Unaudited

(Euros in million)	2015			2014			
	Jan - Mar (7)	Jan - June (7)	Jan - Sept (7)	Jan - Mar	Jan - June	Jan - Sept	Jan - Dec (7)
OIBDA	395	845	1,234	234	486	726	679
- CapEX ⁽¹⁾	(221)	(463)	(704)	(132)	(266)	(411)	(849)
= Operating Cash Flow (OpCF)⁽³⁾	175	383	530	102	219	315	(169)
+ Silent Factoring ⁽²⁾	314	367	301	178	153	234	203
+/- Other working capital movements	(421)	(672)	(503)	(161)	39	(8)	717
Change in working capital	(107)	(306)	(201)	17	191	226	920
+/- (Gains) losses from sale of companies	(17)	(17)	(15)	-	-	-	-
+/- Proceeds from sale of companies	68	61	58	-	-	-	-
+/- Proceeds from sale of companies, fixed assets and other effects	-	-	-	1	1	1	1
+ Net interest payments	(14)	(18)	(22)	(4)	(7)	(10)	(24)
+ Taxes paid	-	-	-	-	-	-	(6)
+/- Proceeds / Payments on financial assets	-	-	-	(8)	(7)	(3)	4
= Free cash flow pre dividends and payments for spectrum⁽³⁾ as well as pre-acquisition of E-Plus net of cash acquired	105	102	350	107	397	529	725
+ Acquisition of E-Plus net of cash acquired	-	22	22	-	-	-	(3,239)
= Free cash flow pre dividends and payments for spectrum⁽³⁾	105	125	372	107	397	529	(2,514)
- Payments for spectrum	-	(976)	(977)	-	-	-	-
- Dividends ⁽⁴⁾	-	(714)	(714)	-	(525)	(525)	(525)
= Free cash flow post dividends	105	(1,565)	(1,319)	107	(128)	4	(3,039)
= Net financial debt at the beginning of the period	18	18	18	468	468	468	468
+ Increase of net financial debt due to acquisition E-Plus net of cash acquired	-	-	-	-	-	-	212
+ Other change in net financial debt	212	195	72	120	38	39	(110)
+ capital increase (less transaction costs of the period)	5	6	6	-	-	(3,599)	(3,595)
+ Increase of net financial debt due to held for sale ⁽⁵⁾	-	-	-	-	-	-	4
= Net financial debt at the end of the period (incl. Restricted cash)	130	1,784	1,415	481	634	(3,096)	18
- Restricted cash	-	-	-	-	-	3,636	-
= Net financial debt at the end of the period (excl. Restricted cash)	130	1,784	1,415	481	634	539	18

(1) Excluding investments in spectrum in June 2015 amounting to EUR 1,196m (including capitalised costs on borrowed capital).

(2) Full Impact (YTD) of silent factoring in the nine month period in 2015 of EUR 301m and of EUR 234m in the nine month period 2014 (transactions have been executed in January, March and June 2015 respectively in March, June and September of the year 2014).

(3) 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 amounting to EUR 977m.

(4) Dividend payment of EUR 714m in May 2015. Dividend payment of EUR 525m in May 2014.

(5) Assets and Liabilities of yourfone GmbH were classified as held for sale as of 31 December 2014. The sale took place in the first quarter 2015.

	2015			2014			
	Jan - Mar (7)	Jan - June (7)	Jan - Sept (7)	Jan - Mar	Jan - June	Jan - Sept	Jan - Dec (7)
= Free cash flow pre dividends and payments for spectrum (millions)	105	125	372	107	397	529	(2,514)
Number of shares (millions)	2,975	2,975	2,975	1,117	1,117	2,234	2,975
= Free cash flow per share (in euros)⁽⁶⁾	0.04	0.04	0.13	0.10	0.36	0.24	(0.85)

(6) Free Cash flow per share as of December 2014 calculated on the basis of the free cash flow pre dividends and payments for spectrum as well as pre acquisition of E-Plus net of cash acquired (719 Mio. EUR) amounts to 0.24 EUR per share.

(7) Unless indicated otherwise, values include retrospective adjustments from the purchase price allocation (PPA) within the twelve-months-period following the acquisition of E-Plus group as of October 2014 (IFRS 3).

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TELEFÓNICA DEUTSCHLAND GROUP
 CONSOLIDATED NET FINANCIAL DEBT EVOLUTION

Unaudited

(Euros in millions)	As of 30 September	As of 31 December	Change %
	2015 (2)	2014 (2)	
A Liquidity	199	1,702	(88.3)
B Current financial assets	449	456	(1.5)
C Current financial debt	552	619	(10.8)
D=C-A-B Current net financial debt	(96)	(1,539)	(93.8)
E Non-current financial assets	193	250	(23.0)
F Non-current financial debt	1,703	1,808	(5.8)
G=F-E Non-current net financial debt	1,510	1,557	(3.0)
H=D+G Net financial debt (1)	1,415	18	>100,0

(1) Net financial debt includes current and non-current interest-bearing financial assets and interest-bearing financial liabilities as well as cash and cash equivalents.

B + E Current and non-current financial assets include handset - receivables (current: EUR 446m in 2015 and EUR 454m in 2014; non-current: EUR 180m in 2015 and EUR 236m in 2014), positive Fair value Hedge for fixed interest financial liabilities (current: EUR 2m in 2015 and EUR 2m in 2014; non-current: EUR 12m in 2015 and EUR 12m in 2014) as well as loans to third parties (current: EUR 0m in 2015 and EUR 1m in 2014; non-current: EUR 1m in 2015 and EUR 1m in 2014)

C + F Current and non-current net financial debt include bonds, promissory notes and registered bonds issued (EUR 1,423m in 2015 and EUR 1,115m in 2014), other loans (EUR 551m in 2015 and EUR 726m in 2014) as well as finance lease payables (current: EUR 232m in 2015 and EUR 382m in 2014; non-current: EUR 50m in 2015 and EUR 204m in 2014)

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(2) Unless indicated otherwise, values include retrospective adjustments from the purchase price allocation (PPA) within the twelve-months-period following the acquisition of E-Plus group as of October 2014 (IFRS 3).

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