Interim Report

as of January 1 to March 31, 2013

Telefónica

Deutschland

Portrait of Telefónica Deutschland

With more than 25 million customer accesses and annual revenues of over EUR 5bn, Telefónica Deutschland is one of Germany's top three integrated telecommunication companies. Listed on the Frankfurt Stock Exchange since October 2012, the company is a leading provider of wireless and wireline services, including voice, data and value-added services, to private and business customers in Germany. The majority shareholder is Telefónica Germany Holdings Limited which is 100 % owned by O_2 (Europe) Limited; O_2 (Europe) Limited is a wholly owned subsidiary of Telefónica, S.A. – one of the world's largest telecommunications operators.

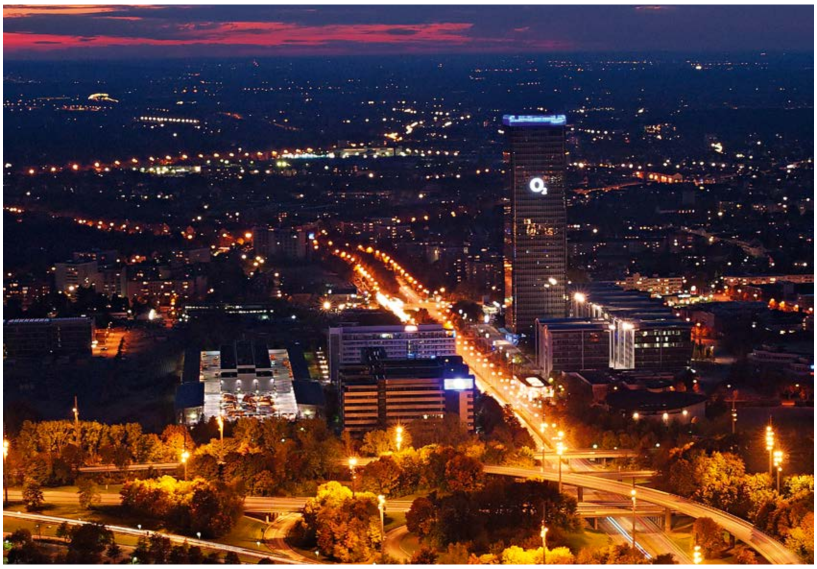
Telefónica Deutschland is especially known for its premium O_2 brand, which has successfully offered wireless and wireline products for private and business customers for many years. As part of its multi-brand strategy, Telefónica Deutschland also accesses additional customer groups through familiar secondary brands, such as Fonic, netzclub, TCHIBO mobil and Türk Telekom Mobile. Telefónica Deutschland is also a leading provider of wholesale services to customers such as 1&1, mobilcom/debitel, Drillisch and the cable operators Unitymedia KabelBW and Kabel Deutschland. The company also targets large multinational corporations through the group's "Global Solutions Multinationals" offers.

The company is a leading supplier of smartphone tariffs and products, particularly through its core O_2 brand. Nine out of ten mobile phones sold under this brand last year were smartphones. Telefónica Deutschland sets new standards in the German telecom market in this area with innovative and customer-friendly products: With its new "O_2 Blue All-in" wireless rates launched in March of this year, the company became the first German network provider to gear its entire rate portfolio towards customers' data needs.

The foundation for this is a competitive mobile network, which is among the most advanced in Europe. More than 30,000 base stations provide coverage for over 99% of the German population. Since 2010, Telefónica Deutschland has also been rolling out the next-generation mobile communication standard LTE in Germany, which enables significantly faster mobile data transmission rates. By mid-2013, customers will be able to use LTE in eleven urban high-speed areas. As an integrated operator, Telefónica Deutschland also offers wireline and DSL products, including high-speed VDSL access, which it provides through its long-term cooperation with Telekom Deutschland GmbH.

To secure its future growth, Telefónica Deutschland is also committed to active innovation management. Complementing the research conducted by the Telefónica Group's global innovation network, the company invests in a large number of projects in Germany. For example, through the Wayra Academy, which opened in Munich in 2012 and can support up to ten start-ups, Telefónica Deutschland gains access to new technologies and business models for the mobile internet.

The vision of Telefónica Deutschland and its around 6,000 employees is to improve people's quality of life and drive social progress through digital products and services. Through its Think Big initiative, the company is especially committed to helping young people, and has supported more than 1,300 projects in this field since 2010.



The company's headquarters in Munich.

Contents	Page

The following numbers were rounded according to generally accepted accounting principles. Additions to the reported figures could therefore result in different totals than those reported in the tables.

Financial Overview

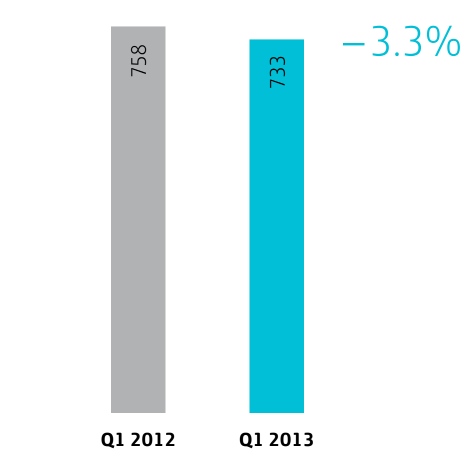
Unaudited figures | Euros in millions

	January 1 to March 31		
	2013	**2012**	**% Chg**
Revenues	**1,230**	**1,258**	**(2.3)**
Wireless service revenues	733	758	(3.3)
Operating income before depreciation and amortization (OIBDA)	**278**	**280**	**(0.7)**
OIBDA margin	22.6%	22.3%	0.4%-p,
Operating income (OI)	**(2)**	**12**	**>100**
Profit from continuing operations	**(13)**	**15**	**>100**
Profit from discontinued operations [1]	**–**	**105**	**n.m.**
Total profit/loss for the period	**(13)**	**120**	**>100**
Basic earnings per share from continuing operations (in euros) [2]	**(0.01)**	**0.01**	**>100**
CapEx	**(146)**	**(133)**	**(9.4)**
Operating cash flows (OIBDA-CapEx)	**133**	**147**	**(9.8)**
Free cash flows pre dividends from continuing operations [3]	**105**	**88**	**19.7**
Net financial debt [4]	**762**	**n.m.**	**n.m.**
Leverage [5]	0.6x	n.m.	n.m.
Total Accesses (in thousands)	**25,332**	**25,002**	**1.3**
Mobile accesses	19,325	18,595	3.9
Postpaid (%)	**52.8%**	**51.2%**	**1.5%-p.**
ARPU	**12.5**	**13.5**	**(7.3)**
Postpaid churn (%)	**(1.5%)**	**(1.6%)**	**0.2%-p.**
% non-SMS data over total data revenues	**63.4%**	**53.9%**	**9.5%-p.**
Employees	**5,994**	**6,305**	**(4.9%)**

1 No discontinued operations in 2013.
2 Basic earnings per share from continuing operations were calculated by dividing profit from continuing operations through weighted average amount of outstanding ordinary shares (exclusive purchased treasury shares) amounting to 1.117.001. For better comparability the amount of weighted average outstanding ordinary shares of the financial year 2012 (exclusive purchased treasury shares) has also been used for the financial year 2013.
3 Free cash flows pre dividends defined as OpCF minus working capital minus interest payments and taxes minus other changes.
4 Net 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 finance lease payables (EUR 4,169k in 2013 and EUR 4,985k in 2012) + current interest-bearing debt + other current finance lease payables (EUR 3,691k in 2013 and EUR 3,964k in 2012) – the non-current portion of “O2 My Handy” receivables (EUR 68,620k in 2013 and EUR 93,770k in 2012) – cash and cash equivalents.
5 Leverage defined as Net Financial debt divided by LTM OIBDA excluding non-recurring factors.

Wireless Service Revenues

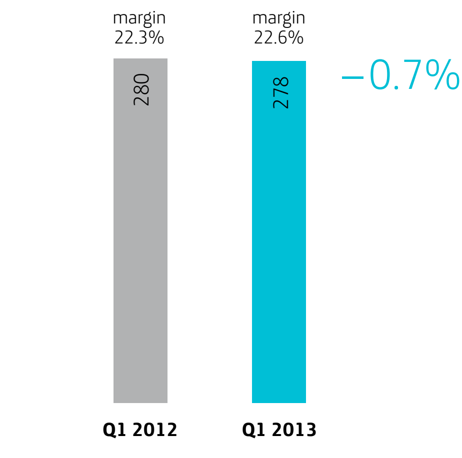
Euros in millions



· Mainly due to regulatory influences and the declining ARPU (average revenue per user) trend in the postpaid segment.

OIBDA/OIBDA margin

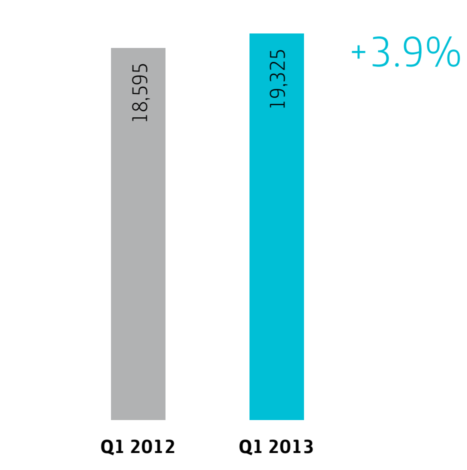
Euros in millions



· Mainly due to the revenue performance and improvements made to the cost structure.

Wireless Accesses

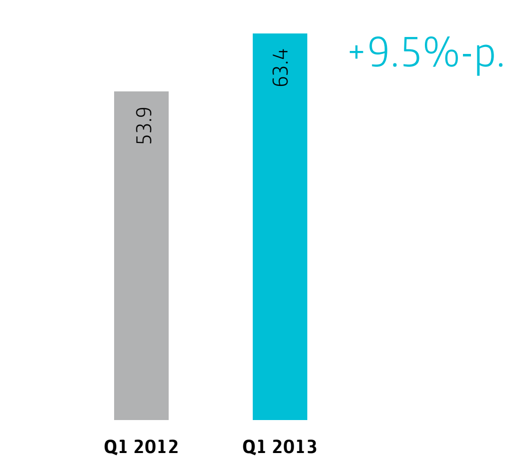
In thousands



· Mainly driven by the postpaid segment.

Non-SMS Data over Total Data Revenues

In %



· Mainly driven by increased smartphone penetration and mobile data usage.

Highlights January-March 2013

Wireless

New O_2 Blue rates unveiled at Mobile World Congress

With its new O_2 Blue rates, Telefónica Deutschland is the first German network provider to gear its entire rate portfolio towards customers' data needs. The new smartphone tariffs were presented in February at the Mobile World Congress in Barcelona, with free calls and SMS available for all rates – customers simply choose the monthly data volume they require. With the new portfolio, Telefónica Deutschland is underscoring its role as a leading provider for smartphone tariffs and mobile data services.

LTE high-speed in Munich and Berlin

Munich and Berlin became the latest LTE high-speed areas to go live on March 31. By the end of the first quarter, Telefónica Deutschland was providing next-generation mobile internet to a total of seven metropolitan regions – namely Frankfurt, Cologne, Nuremberg, Dresden and Leipzig, in addition to the two new locations. Hamburg, Dusseldorf, Duisburg and Essen will be added during the second quarter. With transmission rates of up to 50 Mbit/s, LTE provides an enhanced mobile internet experience.

New smartphones: HTC One and Sony Xperia Z

The Sony Xperia Z and the HTC One were two of the smartphone highlights this spring. O_2 customers were among the first to be able to buy the new Android devices, with O_2 being the first worldwide to stock the HTC One. The Sony Xperia Z has been available since February. O_2 customers have also been able to pre-order the new Samsung Galaxy S4 since March: In this way, Telefónica Deutschland offers the latest devices for the smartphone generation.

Live Check brings transparency to the mobile network

February marked the launch of the new Live Check service: Telefónica Deutschland is the first network provider in Germany to allow its customers to perform real-time mobile network checks. Customers can find out how well the network is working in their area currently via the www.o2.de/netz website and soon, also, via app. Live Check checks the six closest base stations and updates their status every half-hour.

Wireline

Faster internet with new VDSL option

O_2 DSL customers have been able to surf the internet up to three times faster since the start of the year, thanks to so-called VDSL technology offered by the company since late 2012 through its cooperation with Deutsche Telekom. The VDSL service, which went live for customers in February, enables download speeds of up to 50,000 Kbit/s and upload speeds of up to 10,000 Kbit/s. Telefónica Deutschland offers VDSL in 48 cities with around eleven million households.

Innovation

Launch of mobile O_2 Wallet

With its mobile O_2 Wallet and a solution for direct money transfers between smartphones, Telefónica Deutschland is expanding its leading position in the field of mobile payment. Both services were presented at the Digital Life Design (DLD) conference early in the year and launched in mid-February. "mpass Geld senden" allows customers to transfer money from one mpass account to another, while the mobile O_2 Wallet uses NFC technology to enable contactless payment via smartphone. New functions, such as additional payment cards, vouchers and loyalty schemes will be added to the wallet over the course of the year.

mpass mobile cash

World's first handover from LTE to UMTS

Telefónica Deutschland achieved a breakthrough in network technology in February, when the company became the world's first network provider to demonstrate a technology that can transfer telephone calls from the LTE to the UMTS mobile network without interruption in a multi-vendor environment. The new technology, which was demonstrated in a Munich lab under real conditions, could enable faster call set-up and longer battery life. It also offers advantages for customers using the new mobile communication standard LTE in the car.

Three new startups at Wayra Academy

Three new technology startups – selected from a round of international applications – moved into the Wayra Academy in Munich in March: The first, "Lernstift", is developing a pen that helps children learn how to spell by vibrating whenever they make a mistake; the second, "becoacht", enables sports coaches and fitness centers to win new customers using a smartphone app to manage free training slots; "tran.sl" is the name of a crowd-sourced translation engine that aims to offer global translation services via internet. With these three new startups, all ten spots at the Wayra talent factory in Munich have now been filled. The young companies will benefit from expertise and support provided by Telefónica.

Company

TecDAX listing and first rating

After its initial public offering on the Frankfurt Stock Exchange in October, Telefónica Deutschland was included in the TecDAX in March. The TecDAX index lists 30 of Germany's largest technology companies in the Prime Standard. In January, Telefónica Deutschland also received its first rating from an international rating agency. Fitch Ratings gave the company a 'BBB' rating with stable outlook, reflecting Telefónica Deutschland's strong position in the market, as well as the company's financial stability.

Personnel changes

Effective March 1, Martin Škop (photo) took over as the new CTO of Telefónica Deutschland. As managing director for network technology, the 43-year-old is responsible for all mobile and fixed network technology at the company. Škop, who was previously CTO of Telefónica Slovakia and Telefónica Czech Republic, takes over from Andrea Folgueiras, who will now serve as CTO at Telefónica in Brazil.

Think Big enters its fourth year

"Good ideas? Don't wait. Start." is the motto of the Think Big social youth program, which began its fourth year in February. The program, which is sponsored by Deutsche Kinder- und Jugendstiftung (German Children and Youth Foundation) together with O_2 and Fundación Telefónica, helps young people to realize ideas for charitable projects and to promote them using digital media. Since 2010, 27,000 young people have taken part in more than 1,300 Think Big projects in Germany.

Focus Money: fairest network provider

O_2 is Germany's fairest network provider – as confirmed by a representative survey of 1,500 mobile phone users conducted by Focus Money magazine and published in March. For the second consecutive year, the company was the only network provider to earn the top rating of "excellent". Among providers without their own network, Fonic was rated "excellent". The evaluation criteria included value for money, customer service, communication and responsibility.

Certification "berufundfamilie"

In February, Telefónica Deutschland was certified by "berufundfamilie" (work and family company) in recognition of its family-friendly personnel policy. The certificate is awarded at the initiative of the Hertie Foundation, with funding from the German Ministry of Family Affairs, and is considered a quality benchmark for family-friendly companies. The award confirms Telefónica Deutschland's vision of being one of Germany's most attractive employers.

Interim Management Report of Telefónica Deutschland Holding AG

as of January 1 to March 31, 2013

Overview of the first three months of the financial year 2013

- Total postpaid customer base of 10.2 million (up 7.0%, year-on-year), and total customer accesses increase to 25.3 million (up 1.3%, year-on-year)
- Wireless data revenues continue to be the main growth lever for the business, with non-SMS data revenues growing 24.1% year-on-year
- Wireless service revenues decline 3.3% year-on-year, driven mainly by regulatory factors
- OIBDA performance stable (down 0.7%, year-on-year); margin reaches 22.6% (up 0.4 percentage points, year-on-year)
- Free cash flow up 19.7% year-on-year to EUR 105m, resulting in net debt of EUR 762m at the end of the period (leverage ratio of 0.6x)
- Year-on-year churn down 1.5% and smartphone penetration rises (up from 6.8% to 27.9%, year-on-year)
- Ongoing disassembling of LTE network. The high-speed areas of Munich and Berlin were disclosed since end of March 2013
- Shares of Telefónica Deutschland Holding AG trading on TecDAX since March 18, 2013
- ‘BBB’ rating with stable outlook from Fitch Ratings

1. Basic information about the group

1.1. Business model

1.1.1. Structure of Telefónica Deutschland Group

Telefónica Deutschland Holding AG (hereinafter referred to as "Telefónica Deutschland", formerly: "Telefónica Germany Verwaltungs GmbH") is a German stock corporation (AG) organized and operating under German law. The company's change of legal form from a German limited liability company (GmbH) into a German stock corporation was approved by a resolution at the general shareholders' meeting of September 18, 2012 and was entered in the commercial register on September 26, 2012. Ever since, the company has been a German stock corporation.

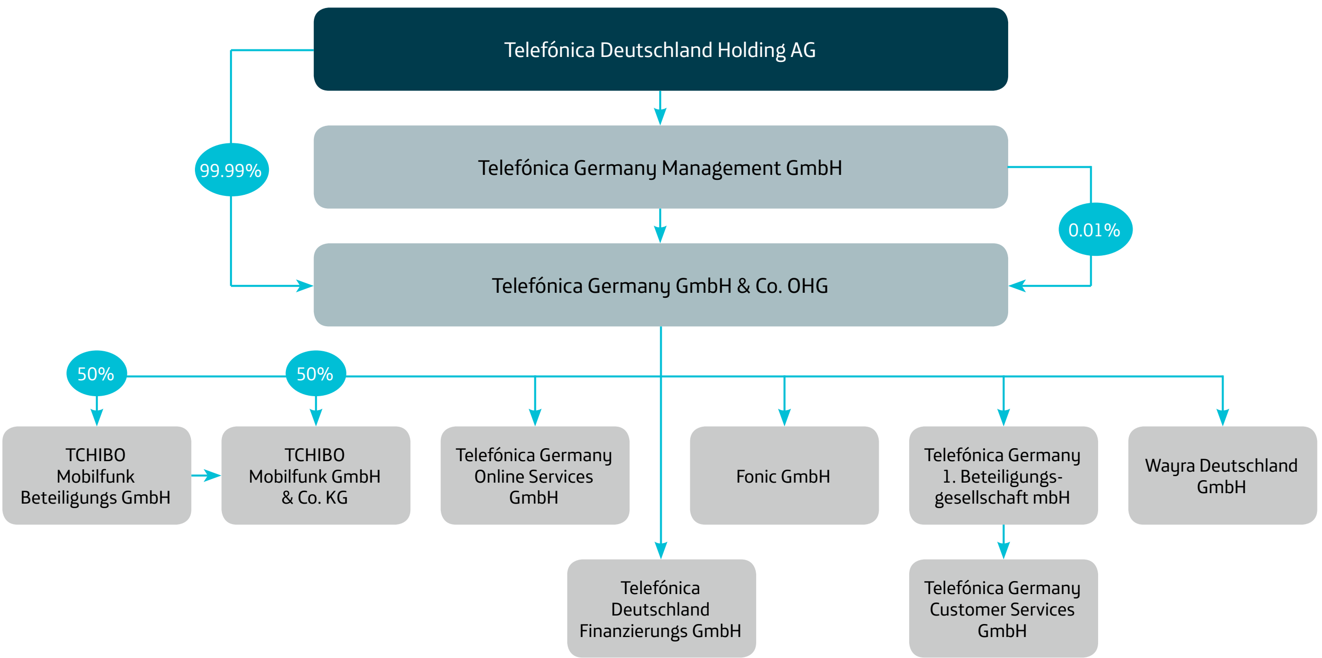
The legal and business name is "Telefónica Deutschland Holding AG." The registered office is in Munich, Germany. Telefónica Deutschland Holding AG is entered in the commercial register of the local court in Munich under registration number HRB 201055. The company has its business address at Georg-Brauchle-Ring 23-25, 80992 Munich, Germany (telephone number: +49 (0) 89 2442-0; www.telefonica.de). Its financial year is the calendar year (January 1 until December 31). Telefónica Deutschland Holding AG was established for an unlimited period of time.

The initial public offering on the regulated market of the Frankfurt Stock Exchange was successfully concluded with the first day of trading on October 30, 2012 and an initial issuing share price of EUR 5.60. The WKN (Security identification number) is A1J5RX; the ISIN (International security identification number) DE000A1J5RX9. The registered share capital of the Telefónica Deutschland Holding AG as of March 31, 2013 amounts to EUR 1,116,945,400. It is divided into 1,116,945,400 registered shares with non-par value, each representing a notional amount of EUR 1.00 in the registered share capital. While 23.17% of the shares are in free float, the remaining 76.83% are held by Telefónica Germany Holdings Limited, Slough, United Kingdom. Each share principally confers one vote at the company's general shareholders' meeting. There are basically no restrictions on voting rights. The major shareholder, Telefónica Germany Holdings Limited, does not have any alternate voting rights.

Telefónica Deutschland Holding AG has authorized capital allowing the management board of the company, subject to the approval by the supervisory board, to increase the registered share capital until September 17, 2017 by a total amount of up to EUR 558,472,700 by issuing new non-par value registered shares. Furthermore, Telefónica Deutschland Holding AG's registered share capital is authorized capital for granting stock upon the exercise of option or conversion rights or for the fulfillment of conversion obligations.

Telefónica Deutschland Group (Teléfonica Deutschland with its subsidiaries and joint ventures) is incorporated in the Consolidated Financial Statements of its ultimate parent, Telefónica, S.A, ("Telefónica, S.A.") Madrid, Spain.

The following organization chart depicts the structure of Telefónica Deutschland Group as of March 31, 2013.



Telefónica Deutschland Finanzierungs GmbH, based in Munich and registered in the commercial register of the local court in Munich on March 14, 2013, was founded during the reporting period as a subsidiary of Telefónica Germany GmbH & Co. OHG pursuant to the articles of association dated February 26, 2013.

Management and governing bodies
The company's governing bodies are the management board, the supervisory board and the general shareholders' meeting. The power of these governing bodies is determined by the German Stock Corporation Act (AktG), the company's articles of association and the by-laws of both the management board and the supervisory board.

Management board
The members of the management board are appointed by the supervisory board for a maximum term of five years and may be re-appointed an unlimited number of times, in each case for a maximum of five years. The supervisory board may revoke the appointment of a management board member prior to the expiration of his or her term for good reason, such as for gross breach of fiduciary duties or if the general shareholders' meeting adopts a no-confidence resolution in relation to the management board member in question. The supervisory board may appoint one management board member as chairperson or spokesperson and another member as deputy chairperson or spokesperson. The members of the management board of the company have been appointed until September 17, 2015.

The company's management board presently consists of three members:

René Schuster	CEO (Chief Executive Officer)
Rachel Empey	CFO (Chief Financial Officer)
Markus Haas	CSO (Chief Strategy Officer)

Supervisory board
In accordance with the company's articles of association, sections 95 and 96 of the German Stock Corporation Act and section 7 of the German Co-Determination Act (MitbestG), the supervisory board consists of twelve members of which there are six shareholder representatives and – after the already initiated election process within Telefónica Deutschland – six employee representatives. Unless the general shareholders' meeting has set a shorter term, the term of each supervisory board member, as well as the term of each substitute member, if elected, expires at the end of the general shareholders' meeting discharging the members of the supervisory board for the fourth financial year following the commencement of the member's term of office, not including the financial year in which the term commences. All shareholder representatives of the supervisory board were elected until the end of the general shareholders' meeting that votes on ratification of the members' actions for the financial year ending December 31, 2016.

1.1.2. Products and services

Telefónica Deutschland Group offers wireless and wireline services providing voice, data and value-added services to private and business customers. In addition, Telefónica Deutschland Group is one of the leading wholesale providers in Germany, offering our wholesale partners access to our infrastructure and service capabilities.

We operate a nationwide mobile network with GSM coverage reaching more than 99% of the German population, and a nationwide wireline network with DSL access covering approximately 67% of German households. Our mobile network operates on the technology standards GSM, UMTS, and, more recently, LTE.

Our product sales are consistently based on a multi-brand strategy so that our products satisfy as many client segments as possible. We offer most of our postpaid and prepaid wireless products, wireline products and bundled packages through our core premium O_2 brand. We strive to continuously improve the market position of our O_2 brand, especially targeting private and business clients in the premium segment. Over the past number of years, our strategic focus has been especially directed towards selling wireless postpaid contracts to smartphone users. These clients are typically young and technically oriented people who are heavy data services users and thus generate above-average revenues. Our aspiration is to be one of the most popular brands with the most-satisfied customers on the German telecommunications market.

For several years, we have been selling wireless communication devices and other hardware at fixed prices through our successful "O_2 My Handy" contracts. These contracts allow customers to choose whether they pay the entire price immediately or just make a down payment and comfortably pay the remaining costs over twelve or twenty-four equal installments. It gives clients transparency on the costs of their mobile phones and mobile services. Customers can choose from a wide variety of mobile phones, including the most advanced premium smartphones and enjoy attractive payment terms when buying this hardware. Our main mobile phone suppliers are Samsung, Apple, Nokia, HTC and Sony Mobile Communications. The main focus of our "O_2 My Handy" concept was and is to sell Internet-ready smartphones, which represented over 90% of the mobile phones we sold in the first quarter of 2013. We also use the "O_2 My Handy" concept for our secondary brand and wholesale partners and provide a large assortment of low-cost entry-level smartphones to satisfy the growing demand for mobile data services in these customer segments.

Our secondary and partner brands and our wholesale channels enable us to reach additional customer segments, which our core O_2 brand does not address. Our secondary brands include Fonic and netzclub, over which we have complete control, as well as brands associated with joint ventures and strategic partnerships such as TCHIBO mobil and Türk Telekom Mobile. We also market high-speed DSL internet access and wireline telephony. Our multi-brand approach enables us to target a broad range of customers and to maximize our sales scope through tailored offerings, marketing and distribution. Our wholesale business consists of wireless, wireline and value-added services, which we offer to customers such as

1&1, mobilcom/debitel, Drillisch and the two large German cable companies. We provide our wireline wholesale partners with a range of unbundled local loop services (ULL), including wireline telephony and high-speed internet access, as well as other add-on services, such as billing, management of phone numbers and SIP accounts. Our comprehensive portfolio enables our wholesale partners to independently service their end-customers, while at the same time giving us the opportunity to expand our reach and take advantage of economies of scale.

We address independent entrepreneurs (SoHo) and small and medium-size businesses (SMEs) via our O_2 brand, while servicing large multinationals through "Telefónica Multinational Solutions". We use a wide variety of sales channels to sell our products, including direct sales via our nationwide network of independently managed O_2 franchise shops and premium partner shops, online and telesales, as well as indirect sales through retail/e-retail partnerships and dealers/cooperations.

1.2. Objectives and strategies

We aim to effectively apply our existing strengths toward expanding our market share and drive growth based on the following strategic priorities:

Capitalize on multi-brand portfolio and superior customer satisfaction
Our goal is to use our core O_2 brand and our strong portfolio of secondary and partner brands to expand our share of the German telecommunications market. We continuously seek potential strategic partnerships that will enable us to address special niche markets or segments.

We want to continue offering our clients excellent services through our customer service, customer retention and customer satisfaction programs. We want to ensure transparency so that our customers consider us trustworthy. Additionally, we are confident that our high customer satisfaction statistics will reduce churn and encourage more people to recommend us. We are also striving to make better use of our direct sales channels in order to optimize the process and the cost of acquiring new customers.

Monetize data opportunities through innovative products and digital services
We intend to expand the current strength of our core O_2 brand and boost revenues based on the increasing use of data and rising number of smartphone users. Continuous expansion of our LTE network and our new "O_2 Blue" portfolio, which offers four different tariff options that are mainly differentiated by the data volume included and access to our LTE network, is a key part of this strategy.

Expand our convergence strategy to increase share of customer spending and reduce churn
We want to continue to focus on convergent offerings consisting of wireless and wireline services. The aim here is to increase revenues per client, reduce churn in the wireless business and cut customer acquisition costs. Cross-selling is another of our strategic goals. Here we want to sell additional products and services to clients who are currently using only our wireless or wireline services, again to boost revenues per customer and prevent churn. Furthermore, the customer acquisition costs for new connections generated through cross-selling are relatively low. We offer discounted prices when customers buy both wireless and wireline services from us in order to exploit cross-selling potential among our existing customer base.

Seize the opportunity in the SoHo, SME and wholesale markets
Our core O_2 brand targets small, medium and large national business customers, while "Telefónica Multinational Solutions" targets major international companies and is operated in cooperation with Telefónica, S.A. Group. We want customers to perceive our core O_2 brand as a business customer brand more than they have in the past. We aim to differentiate ourselves from our competitors and expand our market share by offering an excellent price to performance ratio, customized offerings, attractive bundled packages and excellent customer service.

In the wholesale segment, we use innovations to improve our services, profits and competitive strength in order to secure and expand our market share.

Maintain competitive 3G and LTE networks
We expect demand for LTE technology in Germany to rise significantly to the end of 2013 and in 2014. During the initial roll-out, the Federal Network Agency (FNA) required certain towns and districts with little or no broadband coverage to be prioritized. This requirement has now been met for all 16 federal states. As a result, we are now able to develop an LTE network strategy based primarily on commercial considerations.

Drive profitable growth and efficiency to generate enhanced cash flows
We intend to grow profitably by maximizing our operational efficiency. This means actively managing our customer base and ARPU levels (average revenue per user), especially with respect to data use; increasing the number of direct distribution channels; online and digital customer care; as well as efficiency initiatives. The aim of these initiatives is to optimize our processes, increase our network performance capabilities and streamline our IT systems.

2. Report on economic position for January 1 to March 31, 2013

2.1. Macroeconomic and sector-specific environment

2.1.1. Economic environment

Macroeconomic environment in Germany
Germany, Europe's largest economy, has handled the current economic crisis fairly well so far, and was able to continuously expand its gross domestic product (GDP) over the past few years. Real GDP growth in 2011 was 3.0%, compared to 1.4% across the EU. In 2012, real GDP growth slowed down to 0.7% in Germany, still significantly higher than the EU average of minus 0.5%. According to the Federal Ministry of Economics and Technology (BMWi), signs that the German economy is recovering slightly became increasingly evident during spring. After the economic momentum slowed over the course of 2012, economic output evidently stabilized at least at the beginning of the year 2013.

(Source: Federal Statistical Office, FocusEconomics Consensus Forecast Major Economies, April 2013, Deutsche Bundesbank monthly report, January 2013, BMWi, press release dated April 10, 2013)

Real GDP growth In %

	2010	2011	2012
Germany	4.2	3.0	0.7
EU average	2.0	1.4	(0.5)

General trends on the German telecommunications market
Various trends are evident on the German telecommunications market. Convergent products and services are looked upon more and more favorably. The strong demand for wireless data and the rising smartphone penetration present a number of attractive growth opportunities for mobile network operators. Smartphones are leading the way in Germany's digital evolution. Monetization of wireless data will continue to become more and more important to mobile network operators. The increasing availability of cloud services is revolutionizing the information technology sector, according to the industry association Bitkom. Cloud computing enables customers to take advantage of on-demand IT services using data networks instead of relying on local computers. One more trend is the growing market for machine-to-machine communications (M2M), which offers numerous application possibilities.

(Source: Bitkom, Yankee Group Research, Global ConnectedView Forecast, December 2012)

The German wireless market
The German wireless market, with 113.2 million wireless accesses (that is, SIM cards), was the EU's largest market at the end of 2012. The expansion of the customer base in 2012 was driven primarily by the postpaid sector. The number of postpaid customers has grown by 5.1% since the end of 2011, to 52.9 million at the end of 2012. Their share of the total number of wireless market customers was 47% at the end of 2012, up from 44% at the end of 2011.

(Source: company data)

The strong demand for smartphones and the increasing variety of smartphone tariffs available generated strong competition in the German wireless market in 2012, and continued during the first quarter of 2013. According to Yankee Group Research, smartphone penetration jumped 12 percentage points to 45.7% between the end of 2011 and the end of 2012.

Wireless service revenues from the German market continued to grow in 2012 and were up almost 2% from the same period of 2011. The growth was primarily the result of increased use of mobile data services driven by the increasing number of smartphones and tablets.

The German wireless market is well developed, with four wireless network operators. As of December 31, 2012, Telefónica Deutschland Group recorded 19.3 million accesses, which represents a market share of 17.1%. As of December 31, 2011, the company counted 18.4 million accesses, representing a market share of 16.1%.

(Source: company data)

The German wireline market
Competition in the German market for wireline broadband services continues to be intense. In 2012, the number of user accesses was up 1.8% year-on-year and the customer base had expanded to about 26.4 million by the end of December 2012. Germany's largest DSL service provider is Bonn-based Deutsche Telekom AG, the dominant telecommunications service provider. Telefónica Deutschland Group and other key players in the broadband internet market lease unbundled local loops services (ULL) from Deutsche Telekom AG.

(Source: TeleGeography GlobalComms database, Germany's broadband market 2012)

2.1.2. Regulatory influences on Telefónica Deutschland Group

The following outlines the main amendments and new decisions made since the situation reported in the Group Management Report for the financial year ended December 31, 2012.

Decisions concerning mobile and fixed termination rates (MTR/FTR)

MTR
On January 31, 2013, the FNA notified the European Commission of its November 2012 preliminary decision to fix Telefónica Deutschland Group's MTRs at 0.0185 EUR/min after December 1, 2012 and then 0.0179 EUR/min as of December 31, 2013.

On March 1, 2013, the European Commission sent a "serious doubts letter" according to Art. -7a procedures to the FNA, in which it advised that the preliminary approved rates were several times higher than the EU average. The FNA has three months after receipt to respond to the serious doubts letter. Within that timeframe it can address the concerns of the European Commission or defend its original decision. The final decision is thus expected for the third quarter of 2013.

FTR
On November 30, 2012, the FNA issued a preliminary decision regarding the fixed termination rate (FTR) for Telekom Deutschland GmbH, Bonn, in which it reduced the local FTR by 20%. The European Commission was subsequently notified of the decision. On April 8, 2013, the European Commission sent a serious doubts letter to the FNA in which it stated that the preliminary approved termination rates were three times higher than the EU average.

Due to regulatory requirements, Telekom Deutschland GmbH's FTRs will also impact the alternate network operators. The final decision is expected in the third quarter of 2013.

FNA preliminary decision on termination rates for local loops

On March 28, 2013, the FNA released its termination rate recommendation for local loops, also called the "last mile". The recommendation states that Telekom Deutschland GmbH, Bonn, can charge its competitors EUR 10.19 per month for leasing local loops on the main distribution frame (MDF), effective July 1, 2013. The present charge is EUR 10.08 per month. The main distribution frame is the central location in the network of Telekom Deutschland GmbH, Bonn, from which individual copper lines run to end users. The draft ruling also states that Telekom Deutschland GmbH can in future charge its competitors only EUR 6.79 per month for access to local loops at a cable distribution frame (CDF) instead of the EUR 7.17 charged previously.

This draft ruling resulted in the first increase in years in the termination rates for local loop on the MDF and runs counter to the trends in other EU member states. The European Commission's most recent recommendation was a local loop on the MDF range between EUR 8.00 and EUR 10.00.

The entire ruling is preliminary and will be initially notified by the European Commission.

Telefónica Deutschland Group's current wireline business is based mainly on local loops on the MDF.

2.2. Business performance

Telefónica Deutschland Group continued delivering on its strategy in a more active and competitive environment focused on smartphones. First quarter results are a reflection of the successful management of the mobile customer base in the transition to the next wave of mobile data services in order to sustain its strong challenger position in the market.

In the first three months of 2013, total revenues declined by 2.3% year-on-year, mainly reflecting the impact from regulation and seasonality impacts, and the underlying performance of the wireless and wireline businesses.

OIBDA performance was stable (down 0.7%, year-on-year), reaching 22.6% margin (up 0.4 percentage points, year-on-year), reflecting revenue performance and improvements made to the cost structure.

Investments in the network increased 9.4%, year-on-year, supporting future growth with accelerated investments in the development of the LTE network.

2.3. Results of operations

Condensed Consolidated Income Statement

Euros in millions

	January 1 to March 31			
	2013	2012	Change	% Chg
Revenues	**1,230**	**1,258**	**(29)**	**(2.3)**
Other income	16	15	1	4.5
Operating expenses	(967)	(993)	26	2.6
Supplies	(502)	(507)	5	1.0
Personnel expenses	(105)	(104)	(1)	(0.7)
Other expenses	(361)	(382)	22	5.7
Operating income before depreciation and amortization (OIBDA)	**278**	**280**	**(2)**	**(0.7)**
OIBDA margin	**22.6%**	**22.3%**	**n.m.**	**0.4%-p.**
Depreciation and amortization	(280)	(268)	(12)	(4.4)
Operating income	**(2)**	**12**	**(14)**	**>100**
Net financial income (expense)	(11)	2	(13)	>100
Profit or loss before tax from continuing operations [1]	**(13)**	**14**	**(27)**	**>100**
Income tax	0	1	(1)	(98.0)
Profit or loss for the period from continuing operations [1]	**(13)**	**15**	**(28)**	**>100**
Profit or loss after taxes from discontinued operations [1]	**–**	**105**	**n.m.**	**n.m.**
Profit or loss for the period	**(13)**	**120**	**(133)**	**>100**

[1] No discontinued operations in 2013.

Revenue breakdown

Euros in millions

	January 1 to March 31			
	2013	2012	Change	% Chg
Revenues	**1,230**	**1,258**	**(29)**	**(2.3)**
Wireless business	**914**	**904**	**9**	**1.0**
Wireless service revenues	733	758	(25)	(3.3)
Handset revenues	180	146	34	23.5
Wireline business	**315**	**353**	**(38)**	**(10.7)**
Other sales	**1**	**1**	**0**	**0.2**

2.3.1. Revenues

In the first quarter of the 2013 financial year, revenues came in at EUR 1,230m, down EUR 29m or 2.3% from the previous year's first quarter. The decline is due to the lower mobile termination rate and the associated drop in wireless service revenues, plus a smaller customer base in the wireline/DSL business. Adjusted for the reduction in mobile termination rates, revenues would have remained at almost the same level as the previous year. The mobile data business and handset revenues were reverse, positive revenue drivers.

Wireless business
Wireless business revenues, consisting of wireless service revenues and handset revenues came in at EUR 914m in the first quarter of the 2013 financial year, up EUR 9m or 1.0% from the same period last year. Adjusted for the lower mobile termination rates, the increase would have been 4.2%.

Wireless service revenues are largely generated by base fees and fees for voice (including incoming and outgoing calls), messaging (including SMS and MMS) and mobile data services, plus revenues from service contracts. Wireless service revenues include roaming revenues as well as access and interconnection fees that other providers pay for calls and text messages routed via our network.

Wireless service revenues for the first quarter of the 2013 financial year were reported at EUR 733m, which is 3.3% or EUR 25m less than during the same period last year. Adjusted for the impact of the reduced mobile termination rates, revenues would have grown 0.5% year-on-year. ARPU was down slightly year-on-year in a challenging market and fiercely competitive environment. Our growing customer base, especially the more than 92 thousand new clients signed up in the postpaid segment is offsetting this trend. Even after adjusting for the lower mobile termination rates, wireless service revenues continue to grow, due to the steady strong demand for data services (for example, mobile Internet, service applications and other data content). The continuing successful monetization of the data business is reflected in the increase in data revenues, which were up 5.5% year-on-year. Their share of wireless service revenues has grown 4.1 percentage points since end of last year to 48.3%. These developments prompted the company to renew its portfolio of integrated wireless tariffs and added "O_2 Blue All-in" in order to further drive the trend towards increasing data use.

Handset revenues were up EUR 34m or 23.5% year-on-year, reaching EUR 180m. This growth is thanks to the continuing success of the attractive smartphone packages offered under the terms of the "O_2 My Handy" concept. Handset revenues include revenues from the sale of mobile phones under the terms of the "O_2 My Handy" concepts as well as further cash sales. Furthermore, the revenues include other components of income from the wireless business (mainly postpaid) such as hardware for bundled products from prepaid SIM cards and mobile phone hardware or postpaid contracts, as well as accessories.

Wireline business
The company's wireline and DSL business generated EUR 315m in revenues in the first quarter of the 2013 financial year, down EUR 38m or 10.7% from the same period last year due to a smaller customer base and overall competitive market conditions. Revenues from the wireline and DSL business consist mainly of revenues from the DSL service business, revenues from the wireline business, activation fees from the DSL business and DSL hardware sales. Also contained are revenues from the DSL service business with major customers, from terminations with other telecommunications companies and from hosting services.

Other sales
Other revenues relate to new businesses such as advertising, financial services (for example, the mobile "mpass" payment system) communications and cloud services, M2M and security. The EUR 1m in revenue reported under this position for the first quarter of the 2013 financial year was stable compared to the previous year, increased slightly by 0.2%.

2.3.2. Profit or loss of the period

In the first quarter of the 2013 financial year, OIBDA came in at EUR 278m. This is almost the same as during the same period last year, declining only slightly by EUR 2m or 0.7%. However, the OIBDA margin was up 0.4 percentage points compared to the same period last year, rising to 22.6%. Among other things, this was driven by the higher contribution from the wireless data business and a continuous focus on efficiency improvements, which offset the higher hardware costs associated with the "O_2 My Handy" concept.

Operating expenses in the first quarter of the financial year were down by EUR 26m or 2.6% and ended at EUR 967m. The savings are reported mainly under other expenses.

Supplies mainly include interconnection costs relating to costs incurred when connecting our subscribers to other mobile networks and costs for sold devices, especially under the "O_2 My Handy" model. Furthermore, they consist of costs for leased lines and purchase of ULL as well as costs associated with housing rental for network equipment. In the first quarter of the 2013 financial year, supplies amounted to EUR 502m, down EUR 5m or 1.0% from the same period last year. Due to the lower mobile termination rates, fees payable for routing calls via third-party networks declined. This effect was partly offset by higher costs for sold terminal equipment.

Personnel expenses in the first quarter of the 2013 financial year rose only EUR 1m or 0.7% to EUR 105m.

Other expenses relate mainly to commissions paid to dealers, marketing costs, the cost of servicing customers and outsourcing of administrative work, costs of hardware and maintenance of IT infrastructure, leasing costs for systems and installation space, as well as energy costs. In the first quarter of the 2013 financial year, other expenses totaled EUR 361m, down EUR 22m or 5.7%. The drop was mainly attributable to lower marketing costs and less need to write down uncollectible receivables.

In the first three months of the 2012 financial year, Telefónica Deutschland Group's financial result was reported at EUR 2,256k. In the first three months of the current financial year, the financial result was minus EUR 11,010k. This result is primarily due to the higher financing costs associated with the loan Telefónica Germany GmbH & Co. OHG, Munich, received from Telfisa Global B.V., Amsterdam, Netherlands in September of the previous financial year.

Neither in the current nor in the previous financial year Telefónica Deutschland Group is facing any substantial tax expenses.

The loss for the period is explained by the aforementioned effects under consideration the results from discontinued operations in the previous year.

2.4. Financial position

2.4.1. Financing analysis

Net financial debt
The following table summarizes the company's net financial debt.

Consolidated net financial debt evolution

Euros in millions

	March 31, 2013	December 31, 2012	Change	% Chg
Cash and cash equivalents	428	324	104	32.2
A Liquidity	**428**	**324**	**104**	**32.2**
Current interest-bearing debt	251	251	(0)	(0.0)
Current other payables	4	4	(0)	(6.9)
B Current financial debt	**255**	**255**	**(0)**	**(0.1)**
C=B-A Current net financial debt	**(173)**	**(69)**	**(104)**	**>100**
D Non-current financial assets	**69**	**94**	**(25)**	**(26.8)**
Non-current interest-bearing debt	1,000	1,000	0	0
Non-current other payables	4	5	(1)	(16.4)
E Non-current financial debt	**1,004**	**1,005**	**(1)**	**(0.1)**
F=E-D Non-current net financial debt	**936**	**911**	**24**	**2.7**
G=C+F Net financial debt [1]	**762**	**842**	**(80)**	**(9.5)**

[1] 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 finance leasing payables (EUR 4,169k in 2013 and EUR 4,985k in 2012) + current interest-bearing debt + other current finance leasing payables (EUR 3,691k in 2013 and EUR 3,964k in 2012) – the non-current portion of "O_2 My Handy" receivables (EUR 68,620k in 2013 and EUR 93,770k in 2012) – cash and cash equivalents.

Net financial debt, that is loans minus cash and cash equivalents and current financial assets, amounted to EUR 762m as of March 31, 2013, down EUR 80m or 9.5% since December 31, 2012. The decline in net financial debt over the three-month period was mainly due to the increase in cash and cash equivalents as of March 31, 2013. This increase and the decreased non-current financial assets are mainly due to the silent factoring of the "O_2 My Handy" receivables.

The following illustration explains the change in net financial debt during the first three months of the 2013 financial year.

Net financial debt evolution

Euros in millions

2.4.2. Liquidity analysis

Condensed Consolidated Statement of Cash Flows

Euros in millions

	January 1 to March 31	
	2013	2012
Cash and cash equivalents at beginning of period	**324**	**1,351**
Cash flows from operating activities from continuing operations [1]	278	232
Cash flows from operating activities from discontinued operations [1]	–	93
Cash flows from operating activities	**278**	**325**
Cash flows from investing activities from continuing operations [1]	(172)	(144)
Cash flows from investing activities from discontinued operations [1]	–	–
Cash flows from investing activities	**(172)**	**(144)**
Cash flows from financing activities from continuing operations [1]	(1)	(1)
Cash flows from financing activities from discontinued operations [1]	–	0
Cash flows from financing activities	**(1)**	**(1)**
Net increase in cash and cash equivalents	**104**	**180**
Cash and cash equivalents at end of period	**428**	**1,531**

[1] No discontinued operations in 2013.

Consolidated Statement of Cash Flows
The following is an analysis of the group's liquidity development during the first three months of the 2013 and 2012 financial years. Total cash flows from operating, investing and financing activities for the 2012 financial year comprise cash flows from continuing and discontinued operations. Cash flows from discontinued operations include cash flows contributions from the following companies, which were sold effective as of October 1, 2012 and thus were no longer part of Telefónica Deutschland Group: Group 3G UMTS Holding GmbH, Munich, Quam GmbH, Munich, Telefónica Global Services GmbH, Munich, Telefónica Global Roaming GmbH, Munich and Telefónica Compras Electronicas, S.L., Madrid, Spain.

Cash flows from operating activities
Cash flows from operating activities for the first three months of the 2013 financial year were EUR 278m, down EUR 47m compared to the same period last year. The decline was the result of two opposing effects: First, cash flows benefited from operating activities in the first three months of the 2013 financial year as a result of the increased use of silent factoring in comparison to the first three months of the 2012 financial year. Second, the missing contributions of cash flows from operating activities of the 2012 discontinued operations had a negative impact in 2013.

Cash flows from investing activities
Cash flows from investing activities in the first three months of the 2013 financial year totaled minus EUR 172m. Cash outflows thus rose EUR 28m or 19.4% year-on-year (minus EUR 144m as of March 31, 2012). Capital expenditures (CapEx*; Additions to intangible assets and property, plant and equipment) in the first three months of the 2013 financial year totaled EUR 146m, up from EUR 133m in 2012. This is an increase of 9.4%. The purpose of the higher capital spending was to secure our future growth by expanding our LTE network and 3G capacities, the same as in the 2012 financial year.

Cash flows from financing activities
Cash flows from financing activities in the first three months of the 2013 financial year totaled minus EUR 1.1m. Cash outflows were EUR 0.2m higher than the minus EUR 0.9m posted for Q1 2012. This was mainly the result of the settlement of existing finance leasing agreements.

Cash and cash equivalents
Cash and cash equivalents were up EUR 104m from the EUR 324m posted on the record date in 2012. This increase is primarily driven by the increased application of silent factoring. Cash and cash equivalents as of March 31, 2013 totaled EUR 428m.

* Investments in tangible and intangible assets in the Consolidated Statement of Cash Flows (EUR 166m, 2012: EUR 144m) plus the changes in liabilities for investments (minus EUR 21m, 2012: EUR 24m) plus the change in CapEx accruals (liabilities for outstanding invoices for investments in the intangible assets and property, plant and equipment) (EUR 2m, 2012: minus EUR 36m) and plus the change of finance lease liabilities (minus EUR 1.1m, 2012: EUR 0.3m) amount to capital expenditures of EUR 146m (2012: EUR 133m). As a result, CapEx include the additions to intangible assets and property, plant and equipment in accordance with statement of changes in fixed assets.

Reconciliations of cash flows and OIBDA minus CapEx

Euros in millions

	January 1 to March 31			
	2013	2012	Change	% Chg
OIBDA	**278**	**280**	**(2)**	**(0.7)**
- CapEx	(146)	(133)	(13)	(9.4)
= Cash contribution (OpCF)	**133**	**147**	**(14)**	**(9.8)**
+ Silent factoring	129	74	55	73.3
-/+ Other working capital movements	(146)	(136)	(10)	(7.4)
Change in working capital	**(17)**	**(61)**	**44**	**72.6**
+/- Gains/losses from sale of fixed assets and other effects	–	(1)	1	n.m.
+ Net interest payments	(4)	3	(6)	>100
+ Payment on financial investments	(7)	0	(7)	n.m.
= Free cash flows pre dividends from continuing operations [1]	**105**	**88**	**17**	**19.7**
= Free cash flows post dividends from continuing operations [1]	**105**	**88**	**17**	**19.7**
+ Free cash flows post dividends from discontinued operations [2]	–	93	n.m.	n.m.
= Total free cash flows post dividends	**105**	**181**	**(76)**	**(41.8)**

[1] No discontinued operations in 2013.
[2] OIBDA from discontinued operations of EUR 106m minus change in working capital of discontinued operations of EUR 14m plus other changes of EUR 1m.

Free cash flows

Free cash flows before dividend payments from continuing operations after the first three months of the 2013 financial year rose to EUR 105m, up EUR 17m from EUR 88m in 2012. This was mainly the result of the increased contribution of EUR 44m from the change in working capital*. Free cash flows before dividend payments were also reduced by the increase in CapEx of EUR 13m and the change in net interest payments of minus EUR 6m, representing financing costs in connection with the group's new capital structure.

Free cash flows post dividends from discontinued operations totaling EUR 93m in the first three months of the 2012 financial year are mainly attributable to the operating business.

* Vice versa corrected for CapEx correction (see footnote on page 19)

2.5. Net assets

Condensed Statement of Financial Position

Euros in millions

	As of March 31, 2013	As of December 31, 2012	Change	% Chg
Intangible assets	3,884	3,983	(99)	(2.5)
Property, plant and equipment	2,938	2,973	(35)	(1.2)
Trade and other receivables	1,043	1,009	34	3.4
Other assets	791	781	10	1.3
Cash and cash equivalents	428	324	104	32.2
Total Assets = Total Equity and Liabilities	**9,083**	**9,070**	**13**	**0.1**
Interest-bearing debt	1,251	1,251	(0)	(0.0)
Provisions	87	89	(3)	(2.9)
Trade and other payables	1,167	1,147	20	1.7
Deferred income	163	154	9	5.7
Equity	6,416	6,429	(13)	(0.2)

Intangible assets
Intangible assets, including goodwill, totaled EUR 3,884m as of March 31, 2013, in comparison to EUR 3,983m as of December 31, 2012. The drop of EUR 99m is mainly attributable to depreciation and amortization of EUR 130m reported during the first quarter. The decline due to depreciation and amortization was partially offset by software acquired at a cost of EUR 25m.

Property, plant and equipment
Property, plant and equipment declined EUR 35m, from EUR 2,973m as of December 31, 2012 to EUR 2,938m as of March 31, 2013. The drop is attributable to depreciation on plant and machinery (EUR 123m) and buildings (EUR 18m). This change was mainly offset by additions in the amount of EUR 115m, most of which were for new plant and machinery (EUR 104m).

Trade and other receivables
Trade and other receivables rose from EUR 1,009m on December 31, 2012 to EUR 1,043m as of March 31, 2013, an increase of EUR 34m. Essentially conditional upon the factoring-transaction settled in March 2013 as well as declining revenues in the first three months of 2013 compared to the last quarter of 2012 trade receivables decreased as of March 31, 2013 compared to the previous year. The reverse reason for the increase of trade and other receivables as of March 31, 2013 are the higher current prepayments from third parties.

Cash and cash equivalents
Cash and cash equivalents after the first three months of the 2013 financial year totaled EUR 428m, in comparison to EUR 324m as of December 31, 2012. The increase of 32.2% or EUR 104m is due to several effects. (For further details, please see section 2.4.2. Liquidity analysis).

Interest-bearing debt
There were no changes in interest-bearing debt in the first three months of the 2013 financial year, which totaled EUR 1,251m as of March 31, 2013. On September 12, 2012, Telefónica Germany GmbH & Co. OHG secured a loan totaling EUR 1,250m from Telfisa Global B.V., Amsterdam, Netherlands, the financing entity of Telefónica S.A. Group.

Trade and other payables
Trade and other payables totaled EUR 1,167m as of March 31, 2013, slightly up by 1.7% or EUR 20m from the EUR 1,147m reported for the 2012 financial year.

Equity
Equity declined 0.2% or EUR 13m to EUR 6,416m as of March 31, 2013. This is mainly attributable to the lower profit after the first three months of the 2013 financial year, amounting to minus EUR 13m.

3. Events after the reporting period

Telefónica Deutschland Holding AG's first general shareholders' meeting was held on May 7, 2013. In addition to discharging the actions of supervisory and management board and appointing the Munich office of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, based in Stuttgart, as auditor of the Group and of Telefónica Deutschland Holding AG, shareholders at the general meeting resolved to pay a dividend of EUR 0.45 per share entitled to dividends, for a total distribution of EUR 502,625,430.00.

Telefónica Deutschland and Telekom Deutschland GmbH concluded on May 2, 2013 a Memorandum of Understanding to expand their cooperation in fixed line network. The cooperation involves the increased utilization by Telefónica Deutschland of Telekom Deutschland GmbH's high-speed infrastructure for fixed line network products in the future. Based on this cooperation, Telefónica Deutschland will be enabled to realize the transition from its own ADSL infrastructure to a sustainable NGA platform. Telefónica Deutschland will further use VDSL- and vectoring products of Telekom Deutschland GmbH. The completion of the transition is supposed to be finalized in 2019. The cooperation will be submitted to the competent authorities such as the Federal Network Agency as well as the Federal Cartel Office. The cooperation is subject to a final and binding agreement with Telekom Deutschland GmbH, which is currently envisaged for the end of 2013. The start of the cooperation is currently scheduled for 2014.

There were no other events subject to reporting after the reporting period.

4. Report on opportunities and risks, and expected development

4.1. Opportunities

In the opinion of our management and as of the time of preparing this report, there are no foreseeable material changes to the opportunities presented in the Group Management Report for the financial year ended December 31, 2012.

Hence, there have been no relevant changes to the internally recorded opportunities since the last Group Management Report as of December 31, 2012.

4.2. Risks

In the opinion of our management and as of the time of preparing this report, there are no foreseeable material changes to the risks presented in the Group Management Report for the financial year ended December 31, 2012.

Hence, there have been no relevant changes to the internally recorded risks since the last Group Management Report as of December 31, 2012.

4.3. Outlook for Telefónica Deutschland Group to December 31, 2013

4.3.1. Economic outlook for Germany

Germany's economic growth is expected to continue in 2013, and current forecasts predict that GDP will grow at about 0.5% for 2013 overall. According to BMWi, the German Federal Ministry of Economics and Technology, the latest economic indicators support this forecast: There are ever clearer signs of a slight upturn in the German economy in the spring. Consumer sentiment also continues to be favorable according to the German consumer research association (GfK). It remains to be seen whether the steady improvement in consumer sentiment will continue in the coming weeks, but the fundamental general conditions, such as the stable labor market, rising incomes and moderate prices indicate that it will, according to GfK.

(Source: BMWi press release dated April 10, 2013 "Economic development in April", FocusEconomics Consensus Forecast, GfK press release dated March 27, 2013)

4.3.2. Market expectations

Market development in Germany continues to be driven by strong demand for bandwidth and speed, both in the wireless and wireline segments. The wireless data business is being primarily driven by the increased use of mobile data devices such as smartphones and tablets and the clients' need to be "always on". This trend will be supported by the expansion of LTE networks in 2013. Revenues from mobile voice communications will continue to decline, among other things because of the reduction in termination rates in December 2012 and 2013. The demand for higher speed in the fixed broadband networks will continue to rise, driven by data-intensive applications such as Internet television, video services and cloud services. Growth will also be driven by consumer demand for convergent solutions.

4.3.3. Expectations for Telefónica Deutschland Group to December 31, 2013

In the opinion of our management and as of the time of preparing this report, there are no major factors that indicate a change in the outlook presented in the annual report 2012 of Telefónica Deutschland Group. Accordingly, the statements made therein are still valid.

5. Material transactions with related parties

For information on material transactions with related parties, please refer to the section "Related parties" in the Interim Condensed Notes to the Consolidated Financial Statements as of March 31, 2013.

Munich, May 14, 2013

Telefónica Deutschland Holding AG
The management board

René Schuster   Rachel Empey   Markus Haas

Interim Condensed Consolidated Financial Statements

Consolidated Statement of Financial Position

Thousands of euros

Assets		Note	As of March 31, 2013 (unaudited)	As of December 31, 2012
A)	**Non-current assets**		**7,500,561**	**7,652,337**
	Goodwill		705,576	705,576
	Intangible assets		3,178,356	3,277,456
	Property, plant and equipment		2,937,979	2,973,440
	Other non-current financial assets		97,459	114,675
	Deferred tax assets		581,191	581,191
B)	**Current assets**		**1,582,645**	**1,417,469**
	Inventories		111,662	84,671
	Trade and other receivables		1,042,863	1,009,031
	Other current financial assets		276	101
	Cash and cash equivalents		427,845	323,666
Total assets (A+B)			**9,083,206**	**9,069,807**

Equity and liabilities		Note	As of March 31, 2013 (unaudited)	As of December 31, 2012
A)	**Equity**		**6,415,957**	**6,428,793**
	Common stock		1,116,946	1,116,946
	Additional paid-in capital		430	430
	Retained earnings		5,297,100	5,309,936
	Other components of equity		1,481	1,481
	Equity attributable to owners of the parent		6,415,957	6,428,793
B)	**Non-current liabilities**		**1,088,881**	**1,091,576**
	Non-current interest-bearing debt		1,000,000	1,000,000
	Other payables		8,193	9,193
	Non-current provisions		80,689	82,382
C)	**Current liabilities**		**1,578,368**	**1,549,438**
	Current interest-bearing debt		250,862	250,878
	Trade payables	8	959,183	918,458
	Other current liabilities	8	199,474	219,130
	Current provisions		6,096	7,000
	Deferred income		162,752	153,972
Total equity and liabilities (A+B+C)			**9,083,206**	**9,069,807**

Consolidated Income Statement (unaudited)

Thousands of euros

		January 1 to March 31	
	Note	2013	2012
Revenues	8	1,229,884	1,258,442
Other income		15,559	14,888
Supplies		(501,545)	(506,530)
Personnel expenses	8	(105,074)	(104,292)
Other expenses	8	(360,582)	(382,348)
Operating income before depreciation and amortization (OIBDA)		**278,242**	**280,160**
Depreciation and amortization		(280,086)	(268,303)
Operating income		**(1,844)**	**11,858**
Finance income		2,724	4,980
Exchange gains		126	49
Finance costs		(13,669)	(2,155)
Exchange losses		(192)	(617)
Net financial income (expense)	**8**	**(11,010)**	**2,256**
Profit or loss before tax from continuing operations		**(12,854)**	**14,114**
Income tax		18	873
Profit or loss for the period from continuing operations		**(12,836)**	**14,987**
Profit or loss for the period from discontinued operations		**–**	**105,136**
Profit or loss for the period		**(12,836)**	**120,123**
Profit or loss for the period attributable to owners of the parent		**(12,836)**	**120,123**
Profit or loss for the period		**(12,836)**	**120,123**
Earnings per share			
Basic earnings per share in EUR		**(0.01)**	**0.10**
- from continuing operations		(0.01)	0.01
- from discontinued operations		–	0.09
Diluted earnings per share in EUR		**(0.01)**	**0.10**
- from continuing operations		(0.01)	0.01
- from discontinued operations		–	0.09

Consolidated Statement of Comprehensive Income (unaudited)

Thousands of euros

	January 1 to March 31	
	2013	**2012**
Profit or loss for the period	**(12,836)**	**120,123**
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Gains/(losses) on measurement of available-for-sale investments	-	-
Income tax impact	-	-
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	–	–
Income tax impact	–	–
Total other comprehensive income (loss)	**–**	**–**
Total comprehensive income recognized in the period	**(12,836)**	**120,123**
Total comprehensive income for the period attributable to owners of the parent	(12,836)	120,123
Total comprehensive income	**(12,836)**	**120,123**

Consolidated Statement of Cash Flows (unaudited)

Thousands of euros

	January 1 to March 31	
	2013	**2012**
Cash flows from operating activities		
Profit or loss for the period	**(12,836)**	**120,123**
Adjustments to profit		
Net financial result	10,944	(2,825)
Gains on disposal of assets	–	(4)
Net income tax expense	(18)	(873)
Depreciation and amortisation	280,086	269,163
Change in working capital		
Trade and other receivables	(33,831)	(204,134)
Inventories	(26,991)	(2,794)
Other current assets	(7,366)	914
Trade and other payables	41,186	97,191
Other current liabilities and provisions	7,877	30,857
Other non-current assets and liabilities	22,293	14,661
Interest received	2,402	5,025
Interest paid	(6,155)	(1,995)
Total cash flows from operating activities	**277,591**	**325,309**
Cash flows from operating activities from discontinued operations	**–**	**93,004**
Cash flows from operating activities from continuing operations	**277,591**	**232,305**
Cash flows from investing activities		
Proceeds on disposals of property, plant and equipment and intangible assets	–	4
Payments on investments in property, plant and equipment and intangible assets	(165,525)	(144,325)
Payments made on financial investments not included under cash equivalents	(6,771)	–
Total cash flows from investing activities	**(172,296)**	**(144,321)**
Cash flows from investing activities from discontinued operations	**–**	**41**
Cash flows from investing activities from continuing operations	**(172,296)**	**(144,361)**
Total cash flows from financing activities		
Proceeds from borrowing/debt	–	708
Repayment of borrowing/debt	(1,117)	(1,608)
Total cash flows from financing activities	**(1,117)**	**(900)**
Cash flows from financing activities from discontinued operations	**–**	**11**
Cash flows from financing activities from continuing operations	**(1,117)**	**(911)**
Net increase in cash and cash equivalents	**104,178**	**180,088**
Cash and cash equivalents at beginning of period	**323,666**	**1,350,651**
Cash and cash equivalents at end of period	**427,845**	**1,530,739**

Consolidated Statement of Changes in Equity (unaudited)

Financial position as of January 1, 2012
Profit or loss for the period
Total comprehensive income
Other movements
Financial position as of March 31, 2012

Financial position as of January 1, 2013
Profit or loss for the period
Total comprehensive income
Other movements
Financial position as of March 31, 2013

Thousands of euros

Common stock	Additional paid-in capital	Retained earnings	Other components of equity: Available-for-sale investments	Equity attributable to owners of the parent	Total equity
1,116,946	**–**	**11,164,353**	**1,345**	**12,282,644**	**12,282,644**
–	–	120,123	–	120,123	120,123
–	**–**	**120,123**	**–**	**120,123**	**120,123**
–	–	708	–	708	708
1,116,946	**–**	**11,285,184**	**1,345**	**12,403,475**	**12,403,475**
1,116,946	**430**	**5,309,936**	**1,481**	**6,428,793**	**6,428,793**
–	–	(12,836)	–	(12,836)	(12,836)
–	**–**	**(12,836)**	**–**	**(12,836)**	**(12,836)**
–	–	–	–	–	–
1,116,946	**430**	**5,297,100**	**1,481**	**6,415,957**	**6,415,957**

Condensed Notes

to the Interim Consolidated Financial Statements

1. General

Telefónica Deutschland Holding AG (hereafter "Telefónica Deutschland", formerly "Telefónica Germany Verwaltungs GmbH" prior to September 26, 2012) is located in Germany, Georg-Brauchle-Ring 23-25, 80992, Munich.

The majority shareholder of Telefónica Deutschland, holding 76.83% of its shares, is Telefónica Germany Holdings Limited, Slough, United Kingdom, an indirect, one-hundred-percent-owned subsidiary of Telefónica, S.A., Madrid, Spain (hereafter referred to as "Telefónica, S.A." together with the subsidiaries, associated companies and joint ventures in which it holds an interest "Telefónica, S.A. Group"). The remaining 23.17% of the shares are free-floating.

The Interim Condensed Consolidated Financial Statements (hereafter "Interim Consolidated Financial Statements") of Telefónica Deutschland were prepared for the period from January 1 to March 31, 2013 and comprise Telefónica Deutschland, with its subsidiaries and joint ventures (together referred to as "Telefónica Deutschland Group", "TDG" or "Group").

Until September 30, 2012, Telefónica Deutschland Group comprised in accordance with IFRS 8 two reportable segments:
- Telecommunications
- Global Services

The entities of the reportable segment "Global Services" (consisting of Telefónica Global Services GmbH, Munich ("TGS"), Telefónica Global Roaming GmbH, Munich ("TGR"), Telefónica Compras Electronicas, S.L., Madrid, Spain and its fourty-percent interest in Adquira España S.A., Madrid, Spain ("Adquira")) as well as Group 3G UMTS Holding GmbH, Munich ("G3G") and Quam GmbH, Munich ("Quam") have been sold effective as of October 1, 2012. Telefónica Deutschland Group thus consists of only one segment subject to reporting as of March 31, 2013 (however, both of the aforementioned segments still existed for the period being compared). For further details, please refer to the Consolidated Financial Statements for the year ended December 31, 2012 (Note 4, Segment Information).

Telefónica Deutschland Group is one of three integrated network operators in Germany that operate a wireline and a wireless network. It offers its private and business customers wireless service products, along with wireless data services using technologies such as Global Packet Radio Service ("GPRS"), Universal Mobile Telecommunications System ("UMTS") and Long Term Evolution ("LTE") as well as Digital Subscriber Line ("DSL") wireline telephony and high-speed internet services in the postpaid and prepaid segment. For further details, please refer to the Consolidated Financial Statements for the year ended December 31, 2012 (Note 1, Reporting Entity).

Telefónica Deutschland Group is a Telefónica, S.A., Madrid, Spain, company and is included in its Consolidated Financial Statements.

2. Significant events and transactions

Formation of a new company

Telefónica Germany GmbH & Co. OHG, Munich founded Telefónica Deutschland Finanzierungs GmbH, Munich on February 26, 2013 pursuant to its articles of association. The new company was entered into the commercial registry on March 14, 2013 with a share capital of EUR 25k. The company was founded in connection with a tentative capital market financing at a later date.

3. Basis of preparation of the Interim Consolidated Financial Statements

These Interim Consolidated Financial Statements were prepared in accordance with the International Accounting Standard (IAS) 34 regarding interim reporting. Accordingly, the Interim Consolidated Financial Statements do not contain all of the information required for a complete set of Consolidated Financial Statements and should thus be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2012.

These Interim Consolidated Financial Statements were released for publication by Telefónica Deutschland's management board on May 14, 2013.

These Interim Consolidated Financial Statements as of March 31, 2013 are unaudited.

Unless otherwise stated, the numbers in these Interim Consolidated Financial Statements are rounded and refer to thousands of euros. For further information, please refer to the Consolidated Financial Statements for the year ended December 31, 2012 (Note 2, Basis of Preparation).

In preparing these Interim Consolidated Financial Statements, the management board had to make certain judgments, estimates and assumptions related to both the application of accounting policies and the reported amounts of the company's assets, liabilities, income and expenses. Actual amounts may deviate from these estimates.

In preparing these Interim Consolidated Financial Statements, the material discretionary management decisions relate to the application of Telefónica Deutschland Group's accounting methods and the material causes of the estimating uncertainties in the Consolidated Financial Statements for the year ended December 31, 2012. For further information, please refer to the Consolidated Financial Statements for the year ended December 31, 2012 (Note 2, Basis of Preparation).

4. Segment reporting

Segment information

The accounting policies underlying the segment information continue to correspond to the accounting policies described in Note 3, Accounting Policies, in the Consolidated Financial Statements for the year ended December 31, 2012.

Operating income before depreciation and amortization (OIBDA) before group fees ("adjusted OIBDA")

The Group uses operating income before depreciation and amortization (OIBDA) as a performance indicator and is calculated by excluding depreciation and amortization from operating income. This eliminates the impact of capital spending on plant, property and equipment and intangible assets, over which management has no direct immediate control. For further information, please refer to the Consolidated Financial Statements for the year ended December 31, 2012 (Note 4, Segment Information).

The following tables depict the segments subject to reporting and the breakdown of Telefónica Deutschland Group's results for the first quarter of 2013 and 2012:

	January 1 to March 31, 2013 (unaudited)					January 1 to March 31, 2012 (unaudited)
Thousands of euros	Telecommuni-cations = Group	Telecommuni-cations	Global Services (discontinued)	Total	Reconci-liations	Group
Revenues	1,229,884	1,258,442	113,448	1,371,890	(113,448)	1,258,442
Thereof: Revenues from external customers	1,229,884	1,258,442	109,162	1,367,604	(109,162)	1,258,442
Thereof: Revenues from transactions with other operating segments	–	–	4,287	4,287	(4,287)	–
Adjusted OIBDA	293,629	294,650	101,849	396,499	(101,849)	294,650

Breakdown

Thousands of euros

	January 1 to March 31 (unaudited)	
	2013	2012
Adjusted OIBDA reportable segments	293,629	396,499
- Adjusted OIBDA from discontinued operations	–	101,849
- Eliminations	–	–
= Adjusted OIBDA of Group (continuing operations)	**293,629**	**294,650**
- Group fees	(15,387)	(14,490)
= OIBDA of Group (continuing operations)	**278,242**	**280,160**
- Depreciation and amortization	(280,086)	(268,303)
= Operating income (continuing operations)	**(1,844)**	**11,858**
- Net financial income (expense)	(11,010)	2,256
= Profit or loss before tax from continuing operations	**(12,854)**	**14,114**

Group fees

Group fees represent fees paid to Telefónica, S.A. Group under a range of agreements, including management and consulting services, licenses, cost sharing and other services.

5. Accounting policies

These Interim Consolidated Financial Statements as of March 31, 2013 were prepared in accordance with the same accounting policies as those used to prepare the Consolidated Financial Statements for the financial year ended December 31, 2012, with the exception of the changes outlined in the following. For further details, please refer to the Consolidated Financial Statements for the year ended December 31, 2012 (Note 3, Accounting Policies), which form the basis of these Interim Consolidated Financial Statements.

Telefónica Deutschland Group initially applied IAS 19, Employee Benefits, IAS 1, Presentation of Financial Statements - Information to be presented in the other comprehensive income section and IFRS 13, Fair Value Measurement for the first time for the quarter ending March 31, 2013. These standards shall be applied for annual periods beginning on or after January 1, 2013. Further new standards and interpretations, which shall be applied for annual periods beginning on or after January 1, 2013 had no relevance for the Telefónica Deutschland Group.

The presentation of the Consolidated Statement of Comprehensive Income has been adjusted in accordance to the changes of IAS 1R.

IAS 19R concerns various revisions of accounting and reporting of employee benefits. Of particular relevance to Telefónica Deutschland Group was the replacement of the interest expense and the expected return on plan assets by a net interest amount. It is calculated by multiplying the net pension obligations or net debt by the discount rate determined at the beginning of the period. The net pension obligation is derived by subtracting plan assets at fair value from the defined benefit obligations at present value.

The changes resulting from the application of IAS 19R have no significant impact on the Interim Consolidated Financial Statements. Accordingly, there was no retroactive adjustment in the previous year's column.

Telefónica Deutschland Group initially applied IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities for the quarter ending March 31, 2013. According to the classification criteria of IFRS 11 Telefónica Deutschland Group's two joint venture companies, TCHIBO Mobilfunk GmbH & Co. KG, Hamburg and TCHIBO Mobilfunk Beteiligungs GmbH, Hamburg, shall be classified as joint operations as defined by IFRS 11. Ultimately, the same acounting policies are applied as before when the proportional consolidation method according to IAS 31 was applied.

6. Comparative information

The shown figures in these Interim Consolidated Financial Statements refer to the three-month periods ended March 31, 2013 and March 31, 2012, with the exception of the Consolidated Statement of Financial Position, in which the figures as of March 31, 2013 are compared with those on December 31, 2012.

To date, the development of the results has not shown any indication that the business is subject to significant seasonal fluctuations.

7. Related parties

There have been no material changes in type and volumes of Telefónica Deutschland Group's transactions with related parties as of March 31, 2013 from those reported as of December 31, 2012. For further details, please refer to the Consolidated Financial Statements for the year ended December 31, 2012 (Note 11, Related Parties).

8. Selected explanatory notes

Selected explanatory notes to the Consolidated Statement of Financial Position

Trade and other payables
The breakdown of other payables is as follows:

	As of March 31, 2013 (unaudited)		As of December 31, 2012	
Thousands of euros	Non-current	Current	Non-current	Current
Trade payables	–	445,023	–	379,402
Accruals	–	326,480	–	328,254
Payables to related parties	–	187,680	–	210,802
Trade payables	**–**	**959,183**	**–**	**918,458**
Other payables	**8,193**	**199,474**	**9,193**	**219,130**
Total	**8,193**	**1,158,657**	**9,193**	**1,137,588**

The accruals relate mainly to personnel obligations and outstanding cost accounts.

The composition of other payables is as follows:

Thousands of euros	As of March 31, 2013 (unaudited)	As of December 31, 2012
Current other payables		
Other creditors non trade	52,117	63,665
Capital creditors	80,979	78,870
Other taxes and social security	41,236	41,535
Current other payables to related parties	21,451	31,096
Finance leasing	3,691	3,964
Total current	**199,474**	**219,130**
Non-current other payables		
Other creditors non trade	4,024 *	4,208
Finance leasing	4,169 *	4,985
Total non-current	**8,193**	**9,193**
Total other payables	**207,667**	**228,323**

* After publishing of Q1 interim consolidated financial statements on May 14, 2013, editorial changes have been made by adding more detailed breakdown information regarding specific items.

Selected explanatory notes to the Consolidated Income Statement

Discontinued operations

Effective as of October 1, 2012, Telefónica Deutschland Group sold the following entities within a single transaction:

- its entire Global Services segment and
- the following companies: Group 3G UMTS Holding GmbH and Quam GmbH.

The companies that were part of the transaction were reported as discontinued operations in the first quarter of 2012.

The following table shows the breakdown of the result from discontinued operations for the first quarter of 2012:

Thousands of euros	January 1 to March 31 2012 (unaudited)
Revenues	113,448
Other income	66
Finance income	6,864
Supplies	(147)
Personnel expenses	(5,630)
Other expenses	(1,601)
Depreciation and amortization	(860)
Financial charges	(6,078)
Profit or loss before tax from discontinued operations	**106,061**
Income tax	(925)
Profit or loss of the period from discontinued operations	**105,136**

Revenues

The breakdown of revenues is as follows:

	January 1 to March 31 (unaudited)	
Thousands of euros	2013	2012
Rendering of services	1,048,485	1,111,310
Net sales	181,399	147,132
Total	**1,229,884**	**1,258,442**

The breakdown of revenues from the wireless and wireline/DSL businesses is shown in the following table:

	January 1 to March 31 (unaudited)	
Thousands of euros	2013	2012
Revenues		
Wireless business	**913,504**	**904,345**
Wireless service revenues	733,164	758,269
Handset revenues	180,340	146,076
Wireline business	**315,322**	**353,041**
Other sales	**1,058**	**1,056**
Total	**1,229,884**	**1,258,442**

Personnel expenses and other expenses

In the first quarter of 2013, Telefónica Deutschland Group's personnel expenses were reported at EUR 105,074k (2012: EUR 104,292k). Since January 1, 2013 and for the period compared, the Telefónica Deutschland Group reports expenses for outsourced personnel services under other expenses. In the Consolidated Financial Statements for the financial year ended December 31, 2012 and 2011 these expenses were reported under personnel expenses. In the first quarter of 2013 expenses for outsourced personnel services in the amount of EUR 10,404k were incurred (2012: EUR 11,225k).

Net financial result

In the first three months of the 2012 financial year, Telefónica Deutschland Group's financial result was reported at EUR 2,256k. In the first three months of the current financial year, the financial result was minus EUR 11,010k. This result is primarily due to the higher financing costs associated with the loan Telefónica Germany GmbH & Co. OHG, Munich, received from Telfisa Global B.V., Amsterdam, Netherlands in September of the previous financial year.

9. Events after the reporting period

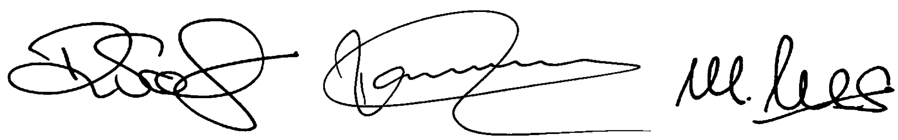
Telefónica Deutschland Holding AG's first general shareholders' meeting was held on May 7, 2013. In addition to discharging the actions of supervisory and management board and appointing the Munich office of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, based in Stuttgart, as auditor of the Group and the Telefónica Deutschland Holding AG, shareholders at the general meeting resolved to pay a dividend of EUR 0.45 per share entitled to dividends, for a total distribution of EUR 502,625,430.00.

Telefónica Deutschland and Telekom Deutschland GmbH concluded on May 2, 2013 a Memorandum of Understanding to expand their cooperation in fixed line network. The cooperation involves the increased utilization by Telefónica Deutschland of Telekom Deutschland GmbH's high-speed infrastructure for fixed line network products in the future. Based on this cooperation, Telefónica Deutschland will be enabled to realize the transition from its own ADSL infrastructure to a sustainable NGA platform. Telefónica Deutschland will further use VDSL- and vectoring products of Telekom Deutschland GmbH. The completion of the transition is supposed to be finalized in 2019. The cooperation will be submitted to the competent authorities such as the Federal Network Agency as well as the Federal Cartel Office. The cooperation is subject to a final and binding agreement with Telekom Deutschland GmbH, which agreement is currently envisaged for the end of 2013. The start of the cooperation is currently scheduled for 2014.

There were no other events subject to reporting after the reporting period.

Munich, May 14, 2013

Telefónica Deutschland Holding AG
The management board



René Schuster | Rachel Empey | Markus Haas

Glossary

3G	Third-generation mobile communications standard supporting higher transmission rates (see UMTS)
ADSL	Assymetrical Digital Subscriber Line (see DSL)
ARPU	Average Revenue per User
Broadband	Refers to telecommunication in which a wide band of frequencies is available to transmit information
CapEx	Capital Expenditure: Additions in fixed and intangible assets (excl. goodwill)
Cloud Service	Cloud services are dynamic infrastructure, software or platform services provided online
Cross-selling	Marketing term denoting the sale of related or complementary products or services
DSL	Digital Subscriber Line, technology to transmit data in the local loop to private end-customers
FNA	Federal Network Agency: Bundesnetzagentur
FTR	Fixed Termination Rates
GPRS	Wireless technology for data transfer in GSM networks
GSM	Global System for Mobile Communications: This is the global standard for digital mobile communications.
Hosting	Providing storage capacity via the Internet
Internet	Worldwide network of computers on the basis of an IP (Internet Protocol) without any central network management
Joint venture	Two or more companies founding a new enterprise for cooperation
LTE	Long Term Evolution: Further development of the UMTS/HSPA mobile communications standard
LTM	Last Twelve Months
M2M	Machine-to-machine communication, automatic exchange of information between machines
MMS	Multimedia Messaging Service
mpass	Mobile payment service

MTR	Mobile Termination Rates
NFC	Near Field Communication: a short-range wireless connectivity standard
NGA	Change of the existing wireless network to internet-platform technology
n.m.	not measured or not meaningful
OIBDA	Operating Income before Depreciation and Amortization
Prepaid/ Postpaid	In contrast to postpaid contracts, prepaid communication services are services for which credit has been purchased in advance with no fixed-term contractual obligations
Retail	Sale of goods and services to end users; as opposed to resale or wholesale business
Roaming	Using a communication device or subscriber identity in a different network other than one's home network
SIP	Session Initiation Protocol: an Internet Engineering Task Force (IETF) standard protocol for initiating an interactive user session that involves multimedia elements such as video, voice, chat, gaming and virtual reality
SIM	Subscriber Identity Module, a chipcard to insert into a mobile phone that identifies the user within the network
Smartphone	Wireless handset that can be used as a mobile phone, a web browser, and an e-mail reader simultaneously
SMS	Short Message Service
ULL	Unbundled Local Loop, bridges the distance between the local exchange and the termination point on the customer's premises or in their home, so it is also known as the 'last mile'
UMTS	Universal Mobile Telecommunications Service: International mobile communications standard of the third generation which unites mobile multimedia and telematics service under the frequency spectrum of 2 GHz
VDSL	Very High Speed Digital Subscriber Line: DSL technology with data transmission faster than ADSL over telephone lines
Wholesale	Selling services to third parties who sell them to their own end-customers either directly or after further processing

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Telefónica Deutschland Holding AG
Georg-Brauchle-Ring 23-25
80992 Munich
Germany
phone: +49 89 2442 0
www.telefonica.de