Telefónica Deutschland

Ad-Hoc Announcement

September 8, 2014

Telefónica Deutschland Holding AG sets the conditions for the cash capital increase for the partial financing of the acquisition of E-Plus – subscription period is expected to start on September 10, 2014

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Telefónica Deutschland Holding AG is beginning with the implementation of the cash capital increase for the partial financing of the cash consideration for the acquisition of E-Plus resolved upon by the general meeting on May 20, 2014. To this end, the management board, with the consent of the supervisory board, today set the subscription price and further details of the execution of the cash capital increase with subscription rights. It is intended to raise gross issue proceeds of approximately EUR 3.62 billion. These are intended to be used to pay the cash consideration for the acquisition of E-Plus.

In total, Telefónica Deutschland Holding AG is issuing 1,116,945,400 new shares in the rights issue, which are endowed with full dividend rights as of January 1, 2014. The subscription price of the new shares is EUR 3.24 per share, which implies a discount to TERP (the theoretical ex-rights price) of 28.32%. The new shares will be offered to the shareholders in the ratio 1 to 1. This means that one outstanding share entitles the holder to subscribe for one new share. The subscription period is expected to start on September 10, 2014 and run until (and including) September 23, 2014. From September 10, 2014 to September 19, 2014, the subscription rights will be traded on the regulated market of the Frankfurt Stock Exchange (ISIN DE000A12UKL4 / WKN A12UKL). The new shares

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are expected to be included in the stock exchange trading of the shares in the Company on the regulated market of the Frankfurt Stock Exchange (Prime Standard) on September 25, 2014.

The Company will publish a securities prospectus following the approval by the German Federal Financial Supervisory Authority expected for September 9, 2014 which will form the basis of the subscription offer. This securities prospectus will include a description of the dividend policy for the combined entity and the intention of the management board to propose a cash dividend in the amount of at least EUR 700 Mio for the financial year 2014, payable in 2015 resolved today.

Telefónica S.A. which indirectly holds 76.83% of the equity capital has undertaken to cause its subsidiary Telefónica Germany Holdings Ltd., Slough, UK, to exercise its subscription rights in full. The consortium banks underwriting the offering have undertaken to assume all shares not allotted or purchased upon closing of the offering at the issue price. The envisaged offering proceeds are guaranteed through the indirect subscription obligation of Telefónica, S.A. and the hard underwriting commitment of the bank consortium.

The bank consortium is headed by the joint global coordinators Citigroup Global Markets Limited, London, HSBC Trinkaus & Burkhardt AG, Duesseldorf, Morgan Stanley & Co. International plc., London, and UBS Limited, London. Joint Bookrunners are BofA Merrill Lynch, London, and J.P. Morgan Securities plc, London, and the joint co-leads Banco Santander, S.A., Santander, Bayerische Landesbank, Munich, Banco Bilbao Vizcaya Argentaria S.A., Bilbao, BNP Paribas, Paris, COMMERZBANK Aktiengesellschaft, Frankfurt, Mediobanca –Banca di Credito Finanziario S.p.A., Milan, Société Générale, Paris and UniCredit Bank AG, Munich.

In connection with the acquisition of E-Plus, Telefónica Deutschland Holding AG intends to issue further 740,664,193 new shares stemming from a capital increase against contribution in kind with regard to which subscription rights of existing shareholders are excluded.

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