Report of the management board to the annual general meeting on item 9 of the agenda pursuant to sections 203 para. 2, 186 para. 4 sentence 2 AktG

With regard to item 9 of the agenda, the management board has submitted a written report on the reasons for the exclusion of subscription rights pursuant to sections 203 para. 2 sentence 2, 186 para. 4 sentence 2 German Stock Corporation Act (AktG). The report has the following content:

The Authorized Capital 2021/I shall replace the Authorized Capital 2016/I, which expires prior to the annual general meeting on 20 May 2021.

The German market for providers of mobile network and fixed-line services for private and business customers is competitive and the Company is on a sustainably profitable growth trajectory. In order to maintain the Company's required room for action to react flexibly at short notice – within the scope of the authorization – to future financing requirements and to be able to strengthen equity at short notice if necessary, the resolution of the annual general meeting is requested.

In principle, shareholders are entitled to subscription rights when Authorized Capital 2021/I is utilized. To enable the management to make optimum and flexible use of this possibility in the interests of the Company, the resolution is to provide authorization to exclude subscription rights for various purposes specified in the proposed resolution:

The proposed authorization firstly provides that the management is to be authorized to exclude shareholders' subscription rights if fractions arise as a result of the subscription ratio. The exclusion of subscription rights with regard to any fractional amounts serves only to enable the authorization to be utilized by round amounts. The new shares excluded from shareholders' subscription rights as fractional shares will be utilized in the best possible way for the Company. As any exclusion of subscription rights is limited to fractional amounts, any potential dilution effect is low.

Secondly, the management is to be authorized to exclude subscription rights if the capital is to be increased against contributions in kind. This option to exclude subscription rights is intended to enable the management board, with the approval of the supervisory board, to acquire companies or interests in companies or other assets in return for shares in the Company in appropriate cases or to merge with other companies, in particular by way of a merger. This is intended to enable the Company to respond quickly and flexibly on national and international markets to advantageous offers or other opportunities to acquire companies or interests in companies operating in related business areas. Not infrequently, the need arises to provide shares rather than money as consideration. The management will only use the option of a capital increase against contributions in kind excluding subscription rights from Authorized Capital 2021/I for acquisitions if the value of the newly issued shares and the value of the consideration, i.e. the company or shareholding to be acquired or other assets, are in reasonable proportion.

Thirdly, the management board shall be able, with the approval of the supervisory board, to exclude subscription rights in the case of cash capital increases if the shares are issued at an amount which is not significantly lower than the stock market price. This possibility provided for by section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) is intended to enable the Company to take advantage of market opportunities quickly and flexibly and to cover a capital requirement at short notice. The exclusion of subscription rights enables a placement close to the stock market price, so that the usual discount for subscription issues is not applicable. In the case of such exclusion of subscription rights close to the stock market price, the cash capital increase may not exceed 10 %

of the existing share capital at the time of its exercise. This takes account of shareholders' needs for protection against dilution of their shareholdings. Each shareholder may purchase shares on the market at approximately the same conditions in order to maintain his shareholding quota.

Fourthly, it should be possible to exclude subscription rights to the extent necessary to grant holders of conversion and option rights subscription rights to new shares, provided the terms and conditions of the respective conversion and option rights so provide. To facilitate placement on the capital market, such conversion and option rights have anti-dilution protection which provides that the holders may be granted subscription rights to new shares in subsequent share issues, as is the case for shareholders. They are thus placed in the same position as if they were already shareholders. In order to provide the conversion and option rights with such protection against dilution, the subscription rights of shareholders to these shares must be excluded. This serves to facilitate the placement of the conversion and option rights and thus the interests of the shareholders in an optimum financial structure for the Company.

The other companies referred to in section 186 para. 5 sentence 1 of the German Stock Corporation Act (AktG) are companies operating pursuant to section 53 para. 1 sentence 1 or section 53b para. 1 sentence 1 or para. 7 of the German Banking Act (KWG).

There are currently no specific acquisition projects for which the possibility of excluding subscription rights under Authorized Capital 2021/I is to be used.

The management board will carefully examine in each individual case whether it will make use of the authorization to increase capital excluding shareholders' subscription rights. It will only do so if, in the opinion of the management board and the supervisory board, it is in the interests of the Company and thus of its shareholders. The management board will report to the annual general meeting on each utilization of the authorization.

By its very nature, the issue amount cannot be fixed at present as there is no specific intention to use the shares. The determination of the respective issue amount is therefore by law incumbent on the management board with the approval of the supervisory board.

When considering all of the aforementioned circumstances, the management board - as well as the supervisory board of Telefónica Deutschland Holding AG - considers the exclusion of subscription rights in the aforementioned cases to be objectively justified and appropriate, also taking into account the dilution effect to the detriment of the shareholders.