Telefónica announces public acquisition offer for Telefónica Deutschland

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BY TELEFÓNICA

Today, Telefónica, S.A. (“Telefónica”), through Telefónica Local Services GmbH (the “Bidder”), a wholly-owned subsidiary of Telefónica, has decided to make a voluntary public acquisition offer in the form of a partial offer to the shareholders of Telefónica Deutschland Holding AG (“Telefónica Deutschland”), to acquire up to 28.19% of Telefónica Deutschland shares, which are not already held (directly or indirectly) by Telefónica (the “Offer”).

Public acquisition offer with attractive premium

The Offer price of EUR 2.35 per Telefónica Deutschland share, represents a premium of approximately 37.6% over the closing price of the shares on the Frankfurt Stock Exchange on 6 November 2023 and a premium of 36.3% over the preceding 3-months volume-weighted average price of the shares.

Telefónica currently (directly and indirectly) holds approximately 71.81% of the shares in Telefónica Deutschland. In addition, Telefónica holds instruments that give the right to acquire approximately 1.32% of shares in Telefónica Deutschland.

Commitment to the German market

The Offer reinforces Telefónica’s strategy to focus on its core geographies (Spain, Brazil, Germany and the UK) and its strong commitment to the German market, representing one of the most attractive and stable telecom markets in Europe.

The Offer also supports Telefónica’s efforts to simplify the group’s structure.

Intention to promote a revision of the current Telefónica Deutschland dividend policy

In the context of the Offer, Telefónica intends to promote a revision of the current Telefónica Deutschland dividend policy beyond the already-confirmed EUR 0.18 dividend per share for financial year 2023 and expected to be paid in 2024. Telefónica Deutschland's future dividend policy will be reflective of the needs resulting from the implementation of its current business plan, and accordingly be subject among other things to Telefónica Deutschland's future spending and investment plans, as well as to other existing or potential risks and contingencies. The Bidder and Telefónica intend to evaluate Telefónica Deutschland's dividend policy over time jointly with Telefónica Deutschland's management team. Consequently, Telefónica believes the Offer provides an attractive opportunity to access liquidity at a significant premium for all shareholders, in particular for those focused on the current dividend policy.

Details of the public acquisition offer

The Bidder has no intention to implement a domination agreement and/or profit and loss transfer agreement.

The Offer will be made in accordance with the terms and conditions set forth in the offer document to be approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin). The offer document and other information relating to the Offer will following such approval be available at https://www.td-offer.com.

The acceptance period for the Offer will commence upon the publication of the offer document. The Offer will be subject to a customary market MAC (Material Adverse Change) condition and may be subject to regulatory approval, to the extent required. The Offer will not be subject to a minimum acceptance threshold.

Bank of America and J.P. Morgan are acting as financial advisors, and Gleiss Lutz, Davis Polk & Wardwell LLP and Uría Menéndez as legal advisors to Telefónica.

Telefónica is a listed company and one the largest telecommunications service providers in the world. The company offers fixed and mobile connectivity as well as a wide range of digital services for residential and business customers. With close to 384 million customers, Telefónica operates in Europe and Latin America.

About Telefónica Deutschland Holding AG

Telefónica Deutschland is one of the leading integrated telecommunications providers in Germany, serving more than 44 million mobile accesses (including 1.7 million M2M accesses) and 2.3 million broadband accesses.

This press release is for information purposes and neither represents an offer to purchase or sell nor a solicitation of an offer to purchase, sell or tender shares of Telefónica Deutschland. The complete terms and conditions of the Offer will be published in the offer document after the approval of the offer document by the German Federal Financial Supervisory Authority. The Bidder reserves the right, to the extent legally permissible, to change the terms referred to herein in the final terms and conditions of the Offer.

Investors and shareholders of Telefónica Deutschland are strongly advised to read the offer document and any relevant documents in connection with the Offer as soon as such documents are published as they will contain important information. Any decision to accept the Offer should be made solely on the basis of the information contained in the offer document. Where appropriate, it is furthermore recommended that investors and shareholders seek independent advice in order to receive individual assessment regarding the Offer.

The Offer will be conducted exclusively under the laws of the Federal Republic of Germany and certain applicable provisions of the U.S. securities laws. Any contract concluded on the basis of the Offer will be exclusively governed by the laws of the Federal Republic of Germany and is to be interpreted in accordance with such laws.

The Bidder and/or persons acting jointly with the Bidder within the meaning of section 2 para. 5 sentences 1 and 3 WpÜG may acquire, or make arrangements to acquire, shares in Telefónica Deutschland other than in the course of the Offer on or off the stock exchange prior to publication of the offer document and/or during the period in which the Offer remains open for acceptance, provided that such acquisitions or arrangements to acquire comply with the applicable German statutory provisions, in particular the WpÜG, and the applicable provisions under the U.S. Securities Exchange Act of 1934, as amended. If any such acquisitions are made prior to the publication of the offer document, the number of shares in Telefónica Deutschland

subject to the Offer may be less than 838,452,647 and the definitive number of shares in Telefónica Deutschland subject to the Offer will be set forth in the offer document. Information about such acquisitions or arrangements to acquire will be disclosed (i) if consummated prior to the publication of the offer document, in the offer document; and (ii) if consummated during the period in which the Offer remains open for acceptance, in the form prescribed by section 23 para. 2 WpÜG, with a non-binding English translation being made available on the Bidder's website at https:///www.td-offer.com. Any information about such acquisitions or arrangements that is made public in Germany will be made publicly available in the United States.

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