



Conditional Regulatory Clearance of the acquisition of E-Plus

July 2014

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Management Board Designate A powerful team to form Germany's leading digital telco



Markus Haas COO



Thorsten Dirks CEO



Rachel Empey CFO

Management Board designate of Telefónica Deutschland Holding AG after closing of acquisition of E-Plus



After completion of today's milestone, we expect Value Creation from the Transaction to remain intact



Telefónica Deutschland Customers

Top Quality Products & Services and excellent Customer Service

- A leading Digital Telco
- Superior network quality through accelerated LTE rollout and a denser 2G/3G grid
- Strong multi-brand portfolio across segments
- Outstanding customer service

Telefónica Deutschland Shareholders

NPV of synergies of more than 5 bn Euro

- Improved profitability on strong scale benefits
- Enhanced Free Cash Flow generation
- Increased financial flexibility
- Ability to maintain an attractive shareholder remuneration



Competitive concerns addressed: final clearance only subject to EC's verification of MBA contract



Upfront MBA¹ MVNO capacity access

- Up to 3 MBA contracts on commercial terms for final EC approval
 - Commitment to buy 20% Network Capacity
 - All commercial terms subject to negotiations not regulated
 - Option to purchase up to 10% additional Network Capacity
- MBA agreement signed already with Drillisch (25.06.14)







MNO

- One potential MNO entrant
 - Exclusive to MBA for 5 yr. if no new entrant signs until Dec'14
- Ability to build own urban network + rural roaming
 - Spectrum lease in 2.1 GHz (2x10 MHz) and/or 2.6 GHz (2x10 MHz) bands.
 - ✓ New MNO commits to comply with coverage/frequency obligations
 - National Roaming and Passive Network Share
 - Sale of Shops (until mid 2015) and Mobile Sites (until end 2016)



Non-MNO

- Extend existing MVNO/SP contracts until 2025
- Incremental to current MVNO/SP agreements with TEF D/E-Plus
- Facilitate seamless switching of customers to other host networks
- Access to 4G only 12 months after the launch of upfront MBA MVNO

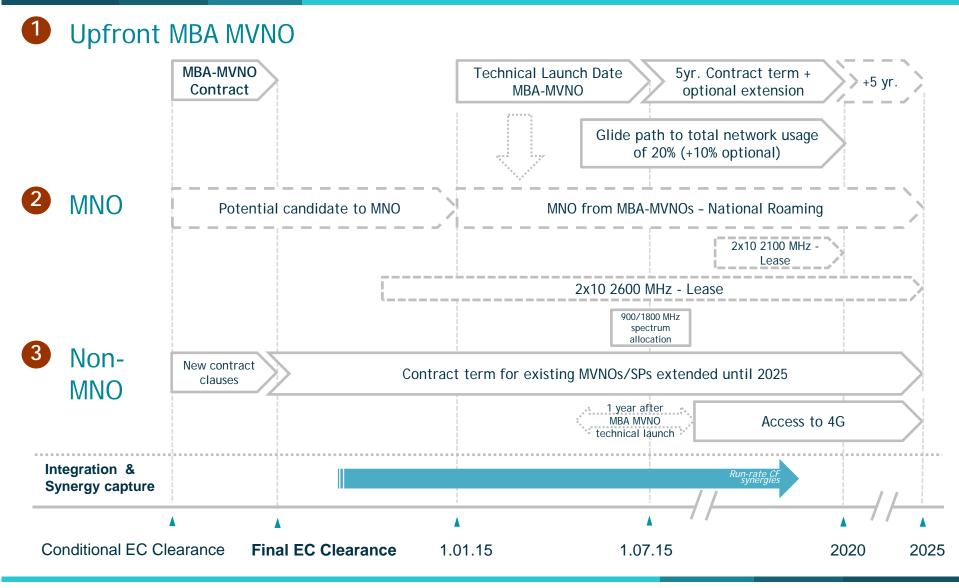


MNO consolidation is possible in Europe, while all data monetization opportunities remain open

- 1 MBA reflects a continued focus on mobile data monetization
 - Scale benefits given to new & existing players to develop mobile data propositions
 - Capacity offer variable and structured around throughput, data volume and voice/SMS
 - Specific clauses for excessive data usage to ensure network quality
 - MBA MVNO earliest launch 01.01.2015
 - Allows for technological investments and price differential (4G vs. 3G and future)
- 2 No spectrum-related commitments below 2 GHz
 - LTE-800 MHz spectrum holding is not under discussion
 - Alignment between "spectrum 2016" project and potential MNO entry schedule
- 3 Non-MNOs to continue their current business model
 - 4G access with 1 year delay after launch of MBA MVNO
 - Most representative 4:3 mobile network consolidation in Europe
- Wholesale price agreements negotiated on a pure commercial basis

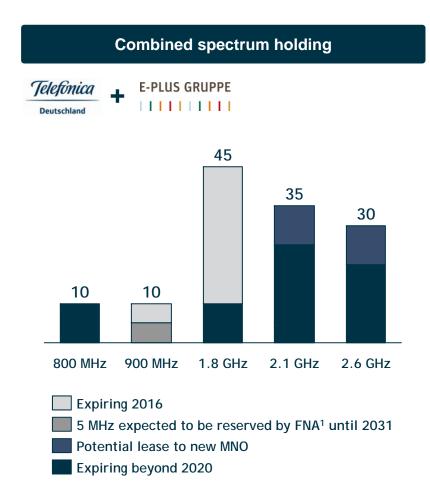


Expected time plan for the execution of commitments to EC





Strong spectrum holding for Infrastructure-based competition



- 800 MHz spectrum holding unaffected
- 2015 spectrum allocation²
 - Early return of 900/1,800 MHz spectrum expiring in 2016 (End-2015)
 - Reservation of 2 x 5 MHz of 900 MHz spectrum by FNA¹
 - Frequency allocation assessment after allocation procedure
- MNO spectrum remedy only affecting spectrum >2.0 GHz
 - Offer of 2 x 10 MHz 2,1 GHz spectrum for new MNO entrant from July 2016
 - Offer of 2x10 MHz 2,6 GHz spectrum for new entrant upon request

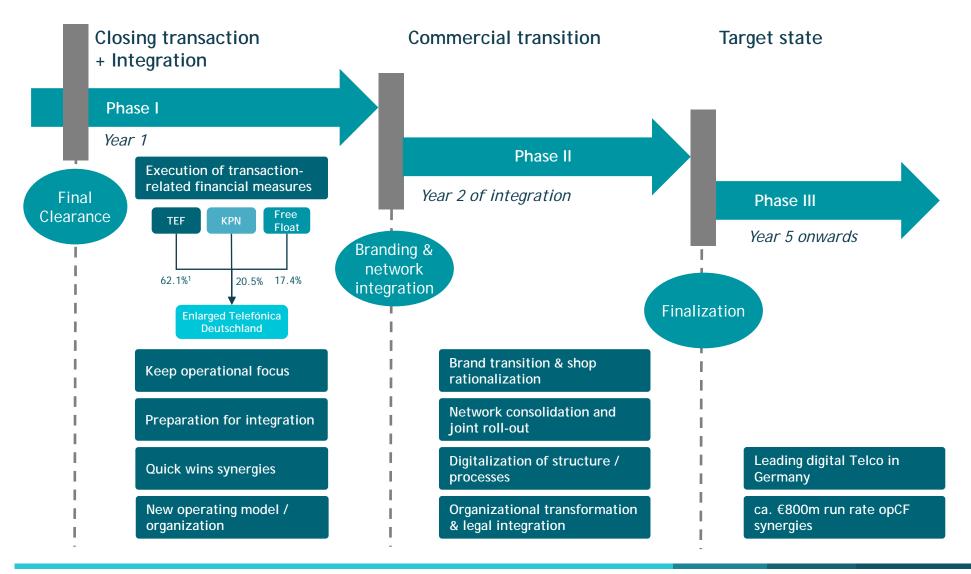




¹ Federal Network Agency (Bundesnetzagentur)

² Based on draft decision of FNA (June 13, 2014)

Transaction closure and next steps





Main take-aways

MNO consolidation is possible in Europe

Data Monetization Opportunity to remain intact

Best positioned for Infrastructure-based competition

Upfront MBA MNO contract already signed with Drillisch

Value creation of >€5bn NPV from synergies confirmed

Equity financing measures to follow & final closing in Q3'14





Telefonica

Deutschland