Invitation_

Annual general meeting
Telefónica Deutschland Holding AG
19 May 2016

Telefónica
Deutschland

Telefónica Deutschland Holding AG Munich

WKN: A1J5RX
ISIN: DE000A1J5RX9

We hereby invite our shareholders to attend the
annual general meeting

on 19 May 2016, at 10:00 a.m.
(Central European Summer Time - CEST)

at Alte Kongresshalle, Theresienhöhe 15,
80339 Munich, Germany

This document is a convenience translation of the German original. In case of any discrepancy the German version is decisive.

I. Agenda

1. Submission of the adopted annual financial statements of Telefónica Deutschland Holding AG and the approved consolidated financial statements including the consolidated management report, each as of 31 December 2015, the descriptive report of the management board pursuant to section 289 para. 4, 315 para. 4 of the German Commercial Act ("HGB") and the report of the supervisory board for the financial year 2015

The above mentioned documents as well as the proposal by the management board for the distribution of net retained earnings can be found on the internet at www.telefonica.de under Investor Relations/AGM.

2. Resolution on appropriation of balance sheet profit

The management board and the supervisory board propose to resolve as follows:

"The net retained earnings for the year shown in the adopted financial statements of Telefónica Deutschland Holding AG as of 31 December 2015 in the amount of	EUR 3,778,773,351.98

will be distributed as follows:

Distribution of dividend in the amount of EUR 0.24 for each share entitled to dividends, in total	EUR	713,893,198.32
Profit carried forward	EUR	3,064,880,153.66"

3. Resolution on the discharge of the members of the management board

The management board and the supervisory board propose to resolve as follows:

"The members of the management board in the business year 2015 are discharged for this period."

4. Resolution on the discharge of the members of the supervisory board

The management board and the supervisory board propose to resolve as follows:

"The members of the supervisory board in the business year 2015 are discharged for this period."

5. Resolution on the appointment of the auditor and the group auditor as well as the auditor for a potential review of the half-year financial report

The supervisory board proposes to resolve as follows:

> "Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft with registered office in Stuttgart, Munich office, is appointed as auditor and group auditor for financial year 2016. In the event the supervisory or management board decides on an audit of the half-year financial report Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft with registered office in Stuttgart, Munich office, is appointed as auditor for the review pursuant to section 37w para. 5 German Securities Trading Act ("WpHG")."

The supervisory board has based its proposal on the recommendation of the audit committee.

6. Resolution on authorization for the acquisition and use of own shares with the option of excluding shareholders' subscription rights

The authorization resolved by the extraordinary general meeting on 5 October 2012 to acquire and use own shares, which applies with respect to acquisition of own shares until 4 October 2017, shall be replaced by a new authorization for the acquisition of own shares pursuant to section 71 para. 1 no. 8 German Stock Corporation Act (AktG) which shall be limited until 18 May 2021.

The management board and the supervisory board therefore suggest resolving as follows:

"a) The authorization resolved by the general meeting on 5 October 2012 to acquire and use own shares shall be cancelled when the following new authorization becomes effective.

b) The management board is authorized until 18 May 2021 to acquire own shares totalling up to 10 % of the share capital at the time of the resolution or, if this value is lower, the share capital at the time the authorization is exercised. At no time may more than 10 % of the share capital be allocated to the shares acquired on the basis of this authorization together with the other shares of the company which the company has already acquired and is still in the possession of or can be attributed to it pursuant to sections 71a ff. German Stock Corporation Act (AktG). The requirements of section 71 para. 2 sentences 2 and 3 German Stock Corporation Act (AktG) shall be observed as well. Acquisition for the purpose of trading own shares is excluded. In all other respects the purpose of the acquisition shall be decided at the discretion of the management board. The authorization may be used in full or for part amounts, on one or more occasions by the company, but also through independent companies or companies in which the company holds a majority share or through third parties acting on behalf of the company or dependent companies or companies in which the company has a majority holding.

c) The management board may choose whether acquisition takes place on the stock exchange, by way of a public purchase offer addressed to all shareholders or by way of a public invitation to shareholders to submit offers to sell:

(1) If the shares are acquired through the stock exchange the purchase price paid per share (without acquisition costs) may not exceed or fall short by more than 20 % of the share price determined by the opening auction in XETRA trading on the Frankfurt Stock Exchange (or a comparable subsequent system).

(2) If the shares are acquired through a public purchase offer addressed to all shareholders or by way of a public invitation to shareholders to submit

offers to sell the purchase price paid per share (without acquisition costs) may not exceed or fall short by more than 20 % of the share price determined by the final auction in XETRA trading on the Frankfurt Stock Exchange (or a comparable subsequent system) on the third day of trading on the exchange prior to publication of the decision to submit the offer or prior to publication of the invitation to submit offers to sell.

If after publication of a public purchase offer or the public invitation to shareholders to submit offers to sell there are not insignificant deviations from the definitive price, then the offer or invitation to submit offers for sale may be adjusted. The volume of the offer may be restricted. If the entire subscription for the offer or the offers for sales exceed the volume which has been determined, acceptance shall be pro rata to the respective shares offered; the right of shareholders to offer their shares in proportion to their shareholdings is hereby excluded. Provision may be made for preferential acceptance of a low number of up to 100 shares offered per shareholder. The purchase offer or invitation to submit offers to sell may contain additional conditions.

d) The management board is authorized to acquire on the basis of this authorization or an authorization previously granted to use own shares acquired pursuant to section 71 para. 1 no. 8 German Stock Corporation Act (AktG) in addition to sale via the stock exchange or via an offer to all shareholders proportionate to their shareholding for every lawful purpose, including but not limited to the following:

(1) They may be redeemed without such redemption or its implementation requiring an additional resolution by the general meeting. Redemption may also be implemented without reducing the share capital by adjusting the pro rata amount of the remaining no-par value shares in the registered share capital of the company. The management board is authorized in that event to amend the information regarding the number of no-par value shares in the Articles of Association.

(2) Subject to approval from supervisory board they may be offered and transferred to third parties in return for benefits in kind in the context of company mergers or for the purpose of (also indirectly) acquiring companies, part companies, shares in companies or other assets or claims to acquire assets.

(3) Subject to approval from the supervisory board they may be sold to third parties for cash if the price at which the shares are sold is not significantly below the

stock exchange price of the shares of the company at the time of the sale. Shares sold on the basis of this authorization analogously applying section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) excluding subscription rights of sold shares may in total not exceed the maximum limit of 10 % of the share capital at the time the resolution is passed, or if this value is lower, at the time when the authorization is exercised. The shares which (a) are issued or sold during the term of this authorization excluding the subscription rights of shareholders applying section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) directly or analogously and those (b) issued or which may be issued to service subscription rights or to satisfy conversion obligations from convertible bonds and/or warrant bonds, profit-participation rights and/or income bonds or combinations of these instruments (together "Bonds") provided that the Bonds are issued subject to the exclusion of the subscription rights in application of section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) following the date on which this authorization becomes effective.

(4) Subject to approval from the supervisory board they may be used to service subscription rights or satisfy conversion

obligations from Bonds issued by the company or a company in which the company directly or indirectly holds a majority shareholding ("Affiliated Companies").

(5) They may be used for a scrip dividend (*Aktiendividende*) by selling against full or partial transfer of the dividend claim of the shareholder.

The above authorizations to use or redeem own shares may be used in full or in part, on one or more occasions, individually or jointly by the company, but also through independent companies or companies in which the company holds a majority share or through third parties acting on behalf of the company or dependent companies or companies in which the company has a majority shareholding.

The subscription right of shareholders to own shares acquired is excluded insofar as these shares are used pursuant to the aforementioned authorizations under d) nos. (2) to (5). Moreover the management board is authorized subject to approval from the supervisory board to exclude the subscription right of shareholders in order to grant the owners or creditors of the Bonds issued by the company or one of its Affiliated Companies as compensation for dilutions a subscription right to shares in the scope to which they would have been entitled after exercising the option right or conversion right or after satisfaction of a conversion obligation. Finally the management board is authorized subject to approval from the supervisory board in the event of an offer to all shareholders to acquire own shares to exclude the subscription right for fractional amounts."

Report of the management board on item 6 pursuant to section 71 para. 1 no. 8 sentence 5 German Stock Corporation Act (AktG) in conjunction with section 186 para. 4 sentence 2 German Stock Corporation Act (AktG)

At this year's annual general meeting, Telefónica Deutschland Holding AG shall be authorized for a period of five years to acquire up to 10 % of the share capital as own shares pursuant to section 71 para. 1 no. 8 German Stock Corporation Act (AktG). Own shares may be acquired on the stock exchange, by way of a public purchase offer addressed to all shareholders or by way of a public invitation to shareholders to submit offers to sell.

If the number of shares tendered or offered exceeds the total number of shares the company intended for acquisition, acceptance must be in accordance with the relevant exclusion of the put option of the shareholders in accordance with the quota of shares tendered or offered rather than under the holding quota. The option of an entitled consideration of a lower number of shares of up to 100 tendered shares per shareholder is to simplify the allotment procedure.

The authorization also covers the use or sale of own shares, described in more detail below, in particular if it is linked to an exclusion of the shareholders' subscription right.

Under item 6 d) (2), own shares may be offered or transferred to third parties in return for benefits in kind, excluding the shareholders' subscription right. The management board is thus able, without involving the stock exchange, to have at its disposal at short notice own shares in the company for company mergers or for (also indirectly) acquiring companies, part companies, shares in companies or other assets or claims to acquire assets. Telefónica Deutschland Holding AG continues to be in fierce competition with other companies in Germany and abroad and must therefore at all times be in a position to act quickly and flexibly in the interests of its shareholders, which in particular means being able to acquire companies or shares in such to improve competitiveness. When acquiring companies or shares in such high amounts of consideration must often be paid. This consideration can often not be made in cash form without jeopardising a company's liquidity. Consideration is therefore often made in the form of shares in the acquiring company. The authorization proposed here will give the company the flexibility it needs in order to be able to quickly and flexibly exploit opportunities arising in the context of company mergers, for the acquisition of companies, part companies, shares in companies or other assets or claims to acquire assets, in particular also by granting its own no-par value shares.

Pursuant to item 6 d) (3) own shares may also be sold in return for cash, excluding the subscription right of shareholders in analogous application of section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) up to a maximum of 10 % of the share capital, whereby the 10 % limit may not be exceeded as a whole, even if shares issued or sold in any other way are set off during the term of the authorization, excluding the subscription right applying section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) directly or analogously. The option of excluding the subscription right offered with this authorization serves the company's interest of being able to sell own shares for example to institutional investors. Furthermore, additional shareholder groups may be acquired at home and abroad. The option of excluding shareholders' subscription rights puts the management in a position to be able to seize opportunities offered under the respective stock market rules without the timely and costly involvement of a subscription right, in particular to place shares on the stock market more quickly and more cost-effectively. When determining the final sales price – taking current market conditions into account – the management board shall endeavour to keep any discount on the stock market price as low as possible. This will protect shareholders from a prohibited dilution of their shareholdings. As a rule, shareholders have the option to maintain their holding quota by purchasing shares via the stock exchange at comparable conditions.

Pursuant to item 6 d) (4), own shares, excluding the shareholder' subscription rights, may also be used to service subscription rights or satisfy conversion obligations from debt securities issued by the company or an affiliated undertaking. This does not create any individual or extended authorization to issue debt securities. The proposed resolution rather serves the purpose of granting the company the opportunity to use own shares to satisfy obligations from debt securities which arose or arise due to other authorizations granted at the general meeting, thus increasing the company's flexibility. If the company makes use of this opportunity, there will be no necessity to issue new shares from the contingent or authorized capital to service debt securities.

Under item 6 d) (5), the company will be able to use acquired shares for implementing any scrip dividend (*Aktiendividende*), excluding shareholders' subscription rights. With a scrip dividend shareholders may choose to contribute their claim to payment of the dividend (in whole or in part), which arises when a resolution of the general meeting on the appropriation of profit comes into effect, as a benefit in kind to the company in return for new shares in the company. Implementing a scrip dividend using own shares could also be offered to all the shareholders while safeguarding their subscription rights. Depending on the situation on the capital market, it may be preferable in an individual case, to implement a scrip dividend by using own shares in such a way that the management board offers own shares to all the shareholders entitled to a dividend in return for surrendering their dividend claim while observing the principle of equal treatment (section 53a German Stock Corporation Act (AktG)), but however formally excluding the shareholders' subscription rights. Implementing the scrip dividend whilst formally excluding the subscription right allows more flexible conditions for the implementation of the scrip dividend. In view of the fact that all the shareholders are offered own shares and excess dividend instalments are settled by paying cash dividends, the exclusion of subscription rights in item 6 d) (5) appears to be justified and reasonable.

Moreover, the management board requests to be permitted to exclude the subscription right of shareholders in order to grant the holders or creditors of the debt securities issued by the company or one of its affiliated undertakings as compensation for dilutions a subscription right to shares in the scope to which they would have been entitled after exercising the option right or conversion right or after satisfaction of a conversion obligation. Such debt securities generally provide for an anti-dilution clause according to which the holders or creditors are granted either a reduction in the option or conversion price or, in the subsequent issuing of shares with shareholders' subscription rights, a subscription right to new shares in the scope to which they would have been entitled after exercising the option right or conversion right or after satisfaction of a conversion obligation. Unlike a reduction in the option or conversion price, granting a subscription right has the advantage that the company can aim for a higher issue amount for the shares to be issued on the conversion or exercise of the option.

Finally, the management board requests that the shareholders' subscription right may be excluded for fractional amounts for ease of handling.

In any event, the management board shall carefully consider whether exploiting the authorization to use own shares and possibly excluding the subscription right is in the interest of the company and its shareholders.

7. Resolution on cancellation of the Authorized Capital 2012/I, creation of new Authorized Capital 2016/I with the option of excluding shareholders' subscription right and respective amendment to the Articles of Association

The Authorized Capital 2012/I set out in section 4 para. 3 of the Articles of Association has been partially used up owing to a capital increase which has been carried out in the meantime and will lapse on 17 September 2017. To give the company more leeway, the previous Authorized Capital 2012/I shall be cancelled and a new Authorized Capital 2016/I shall be created.

The management board and the supervisory board therefore suggest resolving as follows:

"a) Pursuant to section 4 para. 3 of the Articles of Association, authorization to increase the company's share capital in the period until 17 September 2017 on one or more occasions by a total of up to EUR 292,808,507 (Authorized Capital 2012/I), shall be cancelled.

b) Subject to approval from the supervisory board, the management board is authorized to increase the company's share capital in the period until 18 May 2021 on one or more occasions by a total of up to

EUR 1,487,277,496 (in words: one billion four hundred and eighty-seven million two hundred and seventy-seven thousand four hundred and ninety-six euros) by issuing up to 1,487,277,496 (in words: one billion four hundred and eighty-seven million two hundred and seventy-seven thousand four hundred and ninety-six) new non-par-value registered shares against contribution in cash and/or in kind (Authorized Capital 2016/I).

As a general rule, the new shares will be offered to the shareholders for subscription; they may also be purchased by banks or institutions within the meaning of section 186 para. 5 sentence 1 German Stock Corporation Act (AktG), under the obligation to offer such shares for subscription to the shareholders (indirect subscription right).

However, the management board is authorized to exclude in total or in part the subscription right of the shareholders in the following situations:

(1) The management board is authorized, subject to the approval of the supervisory board, to exclude the statutory subscription right of the shareholders for fractional amounts resulting from subscription rights.

(2) In addition, the management board is authorized, subject to the approval of

the supervisory board, to exclude the statutory subscription right of the shareholders if the capital is increased against contribution in kind for the purpose of mergers or (even indirectly) acquiring companies, parts of companies, participations in companies, or other assets or claims to acquire assets are used by the company as consideration.

(3) Furthermore, the management board is authorized, subject to the approval of the supervisory board, to exclude the statutory subscription right of the shareholders in the event of capital increases in return for cash contributions if the issue price of the new shares is not significantly lower than the stock exchange price of the shares of the Company already listed at the time when the issue price is finally determined and the pro rata amount of the registered share capital attributable to the new shares does not exceed the 10 % threshold of the share capital of the company either at the time this authorization becomes effective or, if this value is lower, when this authorization is exercised. The shares that (a) are issued or sold subject to the exclusion of the shareholders' subscription right in direct or analogous application of section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) during the term

of this authorization and that (b) are issued or can be issued to satisfy subscription rights or conversion obligations from convertible bonds and/ or warrant bonds, profit-participation rights and/or income bonds or any combination of these instruments (together "Bonds") provided that the Bonds are issued subject to the exclusion of the subscription rights in application of section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) following the date on which this authorization becomes effective.

(4) Finally, the management board, subject to the approval of the supervisory board, is authorized to exclude the shareholders' statutory subscription right (a) to the extent necessary in order to be able to grant the new non-par value registered shares to holders or creditors of convertible and/or warrant bonds, profit participation rights and/or income bonds (or any combination of these instruments) issued by the company or any company in which the company directly or indirectly holds an equity interest ("Affiliated Companies") upon the exercise of conversion or option right or fulfilment of conversion obligation, and (b) to the extent necessary in order to grant holders of the option or convertible rights or creditors of convertible bonds

with conversion obligations that have been or will be issued by the company or Affiliated Companies a subscription right to new shares in the amount to which they would be entitled as shareholders upon exercise of the optional conversion right or fulfilment of the conversion obligations.

(5) The management board is authorized, subject to the approval of the supervisory board, to exclude the statutory shareholders' subscription right to implement a scrip dividend (*Aktiendividende*) offering shareholders the option of contributing their dividend claim in part or in whole as a contribution in kind to the company in return for the issue of new shares in the company.

(6) Finally, the management board is authorized, subject to the approval of the supervisory board to exclude the statutory subscription right of the shareholders in order to be able to issue shares to employees of the company or companies affiliated with it within the meaning of section 15 German Stock Corporation Act (AktG), excluding members of the management board and the management bodies of affiliated companies. The authorization under no. (6) is limited to a pro rata amount of the registered share capital attributable

to the new shares of no more than 3 % of the share capital of the company either at the time this authorization becomes effective or, if this value is lower, when this authorization is exercised. In as far as is permitted under law, the shares can also be issued in such a way that the contribution to be made on them is covered by the part of the net annual profit which the management board and the supervisory board are authorized to place in other profit reserves pursuant to section 58 para. 2 German Stock Corporation Act (AktG).

The management board is further authorized to set out further details regarding the capital increases from the Authorized Capital 2016/I and their implementation, subject to the approval of the supervisory board.

The supervisory board is authorized to amend the wording of the articles of association of the company following a capital increase based on total amount or part of the Authorized Capital 2016/I and following the expiry of the term of the authorization in accordance with the scope of the capital increase(s) based on the Authorized Capital 2016/I.

c) Section 4 para. 3 of the articles of association of the company shall be reworded as follows:

"Subject to approval from the supervisory board, the management board is authorized to increase the company's share capital in the period until 18 May 2021 on one or more occasions by a total of up to EUR 1,487,277,496 (in words: one billion four hundred and eighty-seven million two hundred and seventy-seven thousand four hundred and ninety-six euros) by issuing up to 1,487,277,496 (in words: one billion four hundred and eighty-seven million two hundred and seventy-seven thousand four hundred and ninety-six) new non-par-value registered shares against contribution in cash and/or in kind (Authorized Capital 2016/I).

As a general rule, the new shares will be offered to the shareholders for subscription; they may also be purchased by banks or institutions within the meaning of section 186 para. 5 sentence 1 German Stock Corporation Act (AktG), under the obligation to offer such shares for subscription to the shareholders (indirect subscription right).

However, the management board is authorized to exclude in total or in part the subscription right of the shareholders in the following situations:

a) *The management board is authorized, subject to the approval of the supervisory board, to exclude the statutory subscription right of the shareholders for fractional amounts resulting from subscription rights.*

b) *In addition, the management board is authorized, subject to the approval of the supervisory board, to exclude the statutory subscription right of the shareholders if the capital is increased against contribution in kind for the purpose of mergers or (even indirectly) acquiring companies, parts of companies, participations in companies, or other assets or claims to acquire assets are used by the company as consideration.*

c) *Furthermore, the management board is authorized, subject to the approval of the supervisory board, to exclude the statutory subscription right of the shareholders in the event of capital increases in return for cash contributions if the issue price of the new shares is not significantly lower than the stock exchange price of the shares of the Company already listed at the time when the issue price is finally determined and the pro rata amount of the registered share capital attributable to the new shares does not exceed the 10 % threshold of the share capital of the company either at the time this authorization becomes effective or, if this value is lower, when this authorization* *is exercised. The shares that (a) are issued or sold subject to the exclusion of the shareholders' subscription right in direct or analogous application of section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) during the term of this authorization and that (b) are issued or can be issued to satisfy subscription rights or conversion obligations from convertible bonds and/or warrant bonds, profit-participation rights and/or income bonds or any combination of these instruments (together "Bonds") provided that the Bonds are issued subject to the exclusion of the subscription rights in application of section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) following the date on which this authorization becomes effective.*

d) *Finally, the management board, subject to the approval of the supervisory board, is authorized to exclude the shareholders' statutory subscription right (a) to the extent necessary in order to be able to grant the new non-par value registered shares to holders or creditors of convertible and/or warrant bonds, profit participation rights and/or income bonds (or any combination of these instruments) issued by the company or any company in which the company directly or indirectly holds an equity interest ("Affiliated Companies") upon the exercise of conversion or option* *right or fulfilment of conversion obligation, and (b) to the extent necessary in order to grant holders of the option or convertible rights or creditors of convertible bonds with conversion obligations that have been or will be issued by the company or Affiliated Companies a subscription right to new shares in the amount to which they would be entitled as shareholders upon exercise of the optional conversion right or fulfilment of the conversion obligations.*

e) *The management board is authorized, subject to the approval of the supervisory board, to exclude the statutory shareholders' subscription right to implement a scrip dividend (Aktiendividende) offering shareholders the option of contributing their dividend claim in part or in whole as a contribution in kind to the company in return for the issue of new shares in the company.*

f) *Finally, the management board is authorized, subject to the approval of the supervisory board to exclude the statutory subscription right of the shareholders in order to be able to issue shares to employees of the company or companies affiliated with it within the meaning of section 15 German Stock Corporation Act (AktG), excluding members of the management board and the management bodies of affiliated companies. The* *authorization under f) is limited to a pro rata amount of the registered share capital attributable to the new shares of no more than 3 % of the share capital of the company either at the time this authorization becomes effective or, if this value is lower, when this authorization is exercised. In as far as is permitted under law, the shares can also be issued in such a way that the contribution to be made on them is covered by the part of the net annual profit which the management board and the supervisory board are authorized to place in other profit reserves pursuant to section 58 para. 2 German Stock Corporation Act (AktG).*

The management board is further authorized to set out further details regarding the capital increases from the Authorized Capital 2016/I and their implementation, subject to the approval of the supervisory board.

The supervisory board is authorized to amend the wording of the articles of association of the company following a capital increase based on total amount or part of the Authorized Capital 2016/I and following the expiry of the term of the authorization in accordance with the scope of the capital increase(s) based on the Authorized Capital 2016/I.""

Report of the management board on item 7 pursuant to section 203 para. 2 no. 2 sentence 2, 186 German Stock Corporation Act (AktG) in conjunction with section 186 para. 4 sentence 2 German Stock Corporation Act (AktG)

The management board requests under item 7 b) (1) to be allowed to exclude the shareholders' subscription right for fractional amounts. Such an exclusion of subscription rights facilitates the capital increase with a simple purchase ratio. This makes it easier to handle the shareholders' subscription right. The new shares excluded as free fractional amounts from shareholders' subscription rights are either utilised by sale on the stock exchange or otherwise in the best possible way for the company. As any exclusion of the subscription right is restricted to fractional amounts this keeps the possible dilution effect low.

The authorization requested under item 7 b) (2) regarding the exclusion of the subscription right puts the management board in the position of having at its disposal at short notice shares in the company for company mergers or for (also indirectly) acquiring companies, part companies, shares in companies or other assets or claims to acquire assets. Telefónica Deutschland Holding AG is subject to fierce competition from other companies both in Germany and abroad and must be able at all times to act quickly and flexibly in the interest of its shareholders. This includes in particular the option of being able to acquire companies or shares in such to improve the competitiveness. As a general rule, companies or shares therein are acquired in return for consideration in monetary form. However, in certain cases bidders are also interested in a consideration in the form of shares (share swap). Buyers who can offer a share swap therefore have the competitive edge when purchasing companies or shares therein. It is also possible for the consideration for such a purchase to be only provided partially in monetary form in order not to jeopardise the liquidity of a company. Therefore in comparable transactions it is not unusual for the consideration to be granted in shares of the acquiring company. The authorization proposed here will give Telefónica Deutschland Holding AG the necessary flexibility in order to be able to exploit quickly and flexibly any opportunities arising for mergers or for (also indirectly) acquiring companies, part companies, shares in companies or other assets or claims to acquire assets.

The management board requests under item 7 b) (3), the exclusion of the shareholders' subscription right in analogous application of section 186 para. 3 sentence 4 German Stock Corporation Act (AktG), for shares with a notional value of up to a maximum of 10 % of the share capital, whereby the 10 % limit may not be exceeded as a whole, even if shares issued or sold in any other way are set off during the term of the authorization, excluding the subscription right applying section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) directly or analogously. The option of excluding the subscription right offered with this authorization serves the company's interest of being able to sell own shares for example to institutional investors. Furthermore, additional shareholder groups may be acquired at home and abroad. The option of excluding shareholders' subscription rights puts the management in a position to be able to seize opportunities offered under the respective stock market rules without the timely and costly involvement of a subscription right, in particular to place shares on the stock market more quickly and more cost-effectively. When determining the final issue price – taking current market conditions into account – the management board shall endeavour to keep any discount on the stock market price as low as possible. This will protect shareholders from a prohibited dilution of their shareholdings. As a rule, shareholders have the option to maintain their holding quota by purchasing shares via the stock exchange at comparable conditions.

Moreover, the management board requests under item 7 b) (4) that it be permitted to exclude the shareholder's subscription right (a) in order to service the subscription rights or to be able to satisfy conversion obligations from bonds which have been issued or will be issued by the company or an affiliated undertaking or (b) in order to grant the holders or creditors of the bonds issued by the company or one of its affiliated undertakings as compensation for dilutions a subscription right to shares in the scope to which they would have been entitled after exercising the option right or conversion right or after satisfaction of a conversion obligation. Scenario (a) does not create any individual or extended authorization to issue bonds. The proposed resolution rather serves the purpose of granting the company the opportunity to use new shares to satisfy obligations from bonds which arose or arise due to other authorizations granted at the annual general meeting. If the company makes use of this opportunity, there will be no necessity to issue new shares from the contingent or authorized capital provided to service bonds. Moreover, such bonds generally provide for an anti-dilution clause according to which the holders or creditors are granted either a reduction in the option or conversion price or, in the subsequent issue of shares with shareholders' subscription rights, a subscription right to new shares in the scope to which they would have been entitled as shareholders after exercising the option right or conversion right or after satisfaction of a conversion obligation. Unlike a reduction in the option or conversion price, granting a subscription right has the advantage that the company can aim for a higher issue price for the shares to be issued on the conversion or exercise of the option. However this procedure is only possible if the shareholders' subscription right can be excluded, as provided under scenario (b). In as far as use is made of the exclusion of the subscription right this serves the interest of the shareholders in an optimal financing structure for the company.

Furthermore, the management board requests under item 7 b) (5) to be allowed to exclude the shareholders' subscription right in order to be able to implement a scrip dividend (*Aktiendividende*) at optimal conditions. With a scrip dividend shareholders may choose to contribute their claim to payment of the dividend (in whole or in part), which arises when a resolution of the general meeting on the appropriation of profit comes into effect, as a benefit in kind to the company in return for new shares in the company. Implementing a scrip dividend can also be offered to all the shareholders while safeguarding their subscription rights. Depending on the situation on the capital market, it may be preferable in an individual case, to implement a scrip dividend in such a way that the management board offers own shares to all the shareholders entitled to a dividend in return for surrendering their dividend claim while observing the principle of equal treatment (section 53a German Stock Corporation Act (AktG)), but however formally excluding the shareholders' subscription rights. Implementing the scrip dividend whilst formally excluding the subscription right allows more flexible conditions for the implementation of the scrip dividend. In view of the fact that all the shareholders are offered new shares and excess dividend instalments are settled by paying cash dividends, the exclusion of subscription rights appears to be justified and reasonable.

Finally, the management board requests under item 7 b) (6), subject to the approval of the supervisory board to be allowed to exclude the shareholders' subscription right in order to be able to issue shares to employees of the company or companies affiliated with it within the meaning of section 15 German Stock Corporation Act (AktG), excluding members of the management board and the management bodies of affiliated companies. The authorization is limited to a pro rata amount of the registered share capital attributable to the new shares of no more than 3 % of the share capital of the company either at the time this authorization becomes effective or, if this value is lower, when this authorization is exercised. This gives the company the option of rewarding the performance of their employees and the companies affiliated with it within the meaning of section 15 German Stock Corporation Act (AktG) by issuing discounted shares and thus involving the employees in the success of the company. This is also in the interest of the shareholders because in this way the employees are not only rewarded for their performance to date but also motivated for the future to provide an above-average performance. Only when the shareholder's subscription right is excluded can the company issue shares to employees at reduced prices. On the other hand the shareholders have the option of maintaining their share in the share capital of the company at all times by purchasing additional shares on the stock exchange.

In any event, the management board will carefully consider whether exploiting the authorization to use own shares and possibly excluding the subscription right is in the interest of the company and its shareholders. The management board will inform the general meeting of the use of the authorization in each case.

8. Election of a member of the supervisory board

With effect from the closure of the annual general meeting 2016 Mr. Antonio Manuel Ledesma Santiago resigns from the supervisory board of the company. It is therefore necessary to elect a new member.

Pursuant to sections 95, 96 para. 1 German Stock Corporation Act (AktG) with section 7 para. 1 German Co-Determination Act ("MitbestG") and section 11 para. 1 of the Articles of Association, the supervisory board comprises 16 members, of whom eight are elected by the general meeting and eight by the employees. The general meeting is not bound to follow nominations. The following nomination takes into account the objectives set by the supervisory board with respect to its composition and meets the requirements set out in section 96 para 2 German Stock Corporation Act (AktG).

The supervisory board proposes to resolve as follows:

> "In place of the departing supervisory board member, Mr. Antonio Manuel Ledesma Santiago, Mr. Peter Erskine, member of the board of directors/non-executive director of Telefónica, S.A. with its seat in Madrid, Spain, and with residence in Henley-on-Thames, Great Britain, is elected as member of supervisory board. The term of office commences at the end of the annual general meeting 2016 and ends at the end of the general meeting 2017."

Pursuant to the German law on equal participation of women and men in leading positions in the private and public sector, which entered into force on 1 May 2015, the requirements of the fixed gender quota of 30 % have to be observed in new elections to the supervisory board as of 1 January 2016 (section 96 para. 2 sentence 1 German Stock Corporation Act (AktG)). As neither the shareholder representatives nor the employee representatives on the supervisory board have objected to the overall compliance with the gender quota towards the chairperson of the supervisory board pursuant to section 96 para 2 sentence 3 German Stock Corporation Act (AktG), the minimum gender quota is to be applied to the supervisory board as a whole. Accordingly, at least five women and at least five men have to be among the 16 supervisory board members. Currently, six women and ten men serve on the supervisory board of Telefónica Deutschland Holding AG; the proportions of women and men are thus already above 30 % respectively at present. With the election of Mr. Peter Erskine instead of Mr. Antonio Manuel Ledesma

Santiago the statutory minimum gender quota would still be met.

The supervisory board has based its nomination on the recommendation of the nomination committee.

Information pursuant to section 125 para. 1 sentence 5 German Stock Corporation Act (AktG):

> Peter Erskine is at the time of this notification of convention of this general meeting not a member of a legally required supervisory board or similar German and foreign supervisory bodies of business enterprises.

As recommended in section 5.4.1 para. 5 of the German Corporate Governance Code in the version dated 5 May 2015 the information deemed relevant by the supervisory board for this election relating to the personal and business relationships of the proposed candidate to the company, the corporate bodies of the company and a significant shareholder in the company is disclosed as follows:

> Peter Erskine is member of the board of directors / non-executive director at our indirect major shareholder Telefónica, S.A., Madrid, Spain, and is chairman of its strategy committee.
>
> Peter Erskine holds shares in Telefónica, S.A., Madrid, Spain.

II. Further Information for the AGM

Total number of share and voting rights

The share capital of Telefónica Deutschland Holding AG amounts to EUR 2,974,554,993.00 and is divided into 2,974,554,993 non-par value shares. The total number of shares and voting rights amounts to 2,974,554,993. These figures relate to the date of publication of this invitation in the Federal Gazette (*Bundesanzeiger*).

Conditions for attending the General Shareholders' Meeting and for exercising voting rights

The conditions for attendance are determined in accordance with sections 121 et seq. German Stock Corporation Act (AktG) and sections 23 and 25 of the Articles of Association. Those shareholders who are registered in the shareholders' register on the date of the registration deadline, i.e. 24:00 (midnight) CEST on 12 May 2016, and who have registered for attendance in due time are entitled to attend the General Shareholders' Meeting and exercise their voting rights.

The registration must be received by Telefónica Deutschland Holding AG at the following address no later than 24:00 (midnight) CEST on 12 May 2016:

Telefónica Deutschland Holding AG
c/o HCE Haubrok AG
Landshuter Allee 10
80637 Munich
Germany
e-mail address: anmeldung@hce.de
Telefax: +49-(0)89-210 27 288

The registration must be made in text form and may also be transmitted by fax or e-mail. To facilitate registration, a registration form will be sent to shareholders together with the notifications pursuant to section 125 German Stock Corporation Act (AktG). Shareholders may also request a registration form from the address specified above.

Please note that no deletions from or registrations with the shareholders' register may be made on the day of the General Shareholders' Meeting or during the six days preceding the date of the General Shareholders' Meeting, i.e. from 00:00 CEST on 13 May 2016 until 24:00 CEST on 19 May 2016. Trading in shares is not limited, the shares are not blocked.

Please note, admission tickets will be sent to all shareholders who register in due time.

Procedure for casting votes by proxy

Shareholders are entitled to vote by proxy, e.g. by a financial institution, a shareholders' association, or by any other person of their choice. The grant and revocation of the proxy authorization as well as the evidence of proxy authorization to the Company must be provided in text form (section 126b German Civil Code (BGB)); section 135 German Stock Corporation Act (AktG) remains unaffected. Evidence of proxy authorization may also be sent to the Company by e-mail to the following e-mail address: vollmacht@hce.de.

A form which shareholders may use for granting a voting proxy will be sent to shareholders together with their admission tickets as well as upon such a request to

Telefónica Deutschland Holding AG
c/o HCE Haubrok AG
Landshuter Allee 10
80637 Munich
Germany
e-mail address: vollmacht@hce.de
Telefax: +49-(0)89-210 27 288

The form may also be downloaded from www.telefonica.de under Investor Relations/AGM.

We also offer our shareholders prior to the General Shareholders' Meeting the opportunity to authorize a proxy nominated by the Company for the General Shareholders' Meeting who will vote in accordance with the voting instructions of the shareholder. Details are provided in the documents sent to the shareholders pursuant to section 125 German Stock Corporation Act (AktG). In addition, more information on voting via the proxy nominated by the Company as well as a form for granting a proxy authorization and issuing instructions to the proxy nominated by the Company are also available to shareholders on the internet at www.telefonica.de under Investor Relations/AGM.

Motions or election proposals from shareholders

Pursuant to section 122 para. 2 German Stock Corporation Act (AktG), shareholders whose combined shares amount to at least one twentieth of the share capital or a nominal value of EUR 500,000 may request that additional items are added to the agenda and published. Such requests must be made in written form to the Management Board and must be received by the Company no later than 30 days prior to the General Shareholders' Meeting (not counting the day of the General Shareholders' Meeting and the day of receipt), this is by no later than 24:00 (midnight) CEST on 18 April 2016. Such request shall be sent to the following address:

Telefónica Deutschland Holding AG
– Management Board –
Georg-Brauchle-Ring 23-25
80992 Munich
Germany

Pursuant to section 126 para. 1 German Stock Corporation Act (AktG), any shareholder of the Company may submit a counter-proposal to a proposal made by the Management Board and/or the Supervisory Board relating to a specific item on the agenda. Counter-proposals must be made available on the website subject to the provisions of section 126 paras. 1 and 2 German Stock Corporation Act (AktG), provided they have been received by the Company at the address provided below no later than 14 days prior to the General Shareholders' Meeting (not counting the day of the General Shareholders' Meeting and the day of receipt), this is by no later than 24:00 (midnight) CEST on 4 May 2016.

Moreover, any shareholder may submit an election proposal for the election of the auditor or the election of members of the Supervisory Board subject to the provisions of section 127 German Stock Corporation Act (AktG). Election proposals must be made available on the website subject to the provisions of sections 127 and 126 para. 1 and para. 2 German Stock Corporation Act (AktG), provided they have been received by the Company at the address provided below no later than 14 days prior to the General Shareholders' Meeting (not counting the day of the General Shareholders' Meeting and the day of receipt), this is by no later than 24:00 (midnight) CEST on 4 May 2016.

Counter-proposal or election proposals from shareholders must be sent to the following address:

Telefónica Deutschland Holding AG
Investor Relations
Georg-Brauchle-Ring 23-25
80992 Munich
Germany
Telefax: +49-(0)89-2442-2000 or to the following
e-mail address: Hauptversammlung@telefonica.com

No counter-proposals or election proposals otherwise addressed will be considered.

More information on the rights pursuant to sections 122 para. 2, 126 para. 1 and 127 German Stock Corporation Act (AktG) is available to shareholders at www.telefonica.de under Investor Relations/AGM. Motions and election proposals from shareholders that are required to be made available will be made available under the aforementioned internet address.

Right to obtain information

Please note that pursuant to section 121 para. 3, sent. 3, no. 3 German Stock Corporation Act (AktG), all shareholders are to be given information on Company matters by the Management Board upon request at the General Shareholders' Meeting, provided such information is necessary in order to properly assess an agenda item. More information on the rights to obtain information pursuant to section 131 para. 1 German Stock Corporation Act (AktG) is available to shareholders at www.telefonica.de under Investor Relations/AGM.

Information on the Company's website

All information required to be published pursuant to section 124a German Stock Corporation Act (AktG) is available at www.telefonica.de under Investor Relations/AGM.

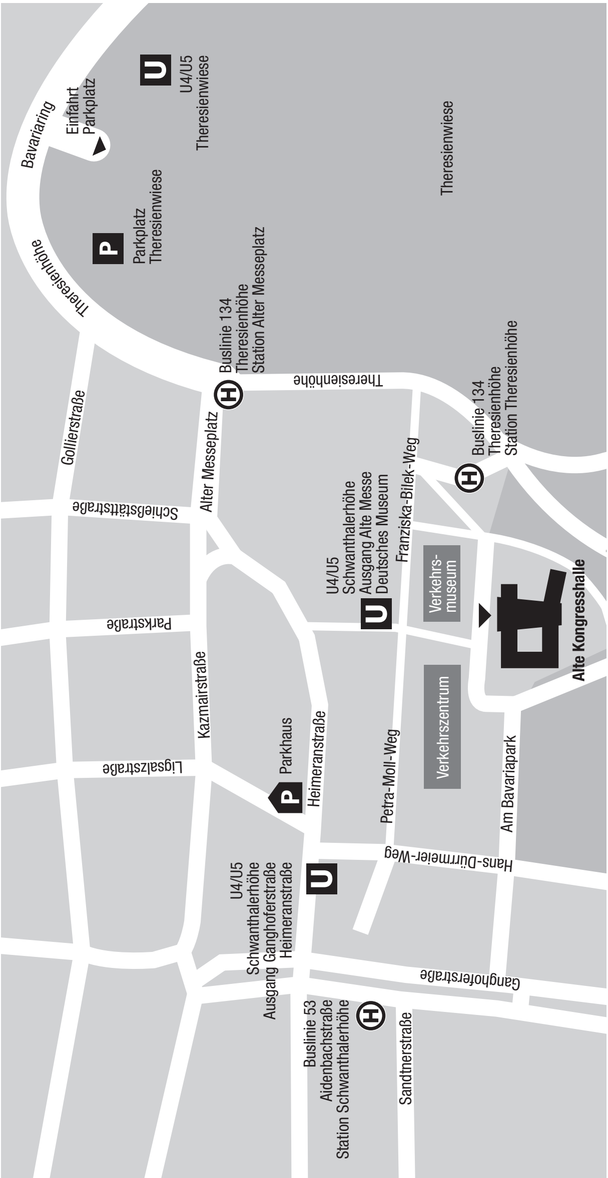
Inquiries

To facilitate preparations for the General Shareholders' Meeting and to ensure that responses by the Company to inquiries regarding the General Shareholders' Meeting are provided as quickly as possible, we ask for inquiries solely being directed to:

Telefónica Deutschland Holding AG
Investor Relations
Georg-Brauchle-Ring 23-25
80992 Munich
Germany
Telefax: +49-(0)89-2442-2000 or to the following
e-mail address: Hauptversammlung@telefonica.com

Munich, April 2016

Telefónica Deutschland Holding AG
The Management Board


Bavariaring
Einfahrt Parkplatz
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Buslinie 134 Theresienhöhe Station Alter Messeplatz
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Buslinie 134 Theresienhöhe Station Theresienhöhe
Franziska-Bilek-Weg
U4/U5 Schwanthalerhöhe Ausgang Alte Messe Deutsches Museum
Verkehrs-museum
Parkstraße
Kazmairstraße
Alte Kongresshalle
Verkehrszentrum
Heimeranstraße
Parkhaus
Petra-Moll-Weg
Ligsalzstraße
Am Bavariapark
Hans-Dürrmeier-Weg
U4/U5 Schwanthalerhöhe Ausgang Ganghoferstraße Heimeranstraße
Ganghoferstraße
Buslinie 53 Aidenbachstraße Station Schwanthalerhöhe
Sandtnerstraße

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