

Telefonica

Deutschland

**Telefónica Deutschland Holding AG
Munich**

WKN: A1J5RX
ISIN: DE000A1J5RX9

We hereby invite our shareholders to attend the **annual general meeting**

on May 20, 2014, 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 between this version the German version is decisive.

Agenda

- 1. Submission of the adopted financial statements of Telefónica Deutschland Holding AG including the management report, and the approved consolidated financial statements including the management report each as of December 31, 2013, the descriptive report of the management board pursuant to sec. 176 para. 1 s. 1 of the German Corporation Act ("AktG") and the report of the supervisory board for financial year 2013**

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

- 2. Resolution on the distribution of net profit**

Management and supervisory board propose to resolve as follows:

"The net retained earnings for the year disclosed in the adopted financial statements of Telefónica Deutschland Holding AG as of December 31, 2013 in the amount of EUR 4,140,647,078.29

will be distributed as follows:

Distribution of dividend in the amount of EUR 0.47 for each share entitled to dividends, in total EUR 524,964,338.0

Profit carried forward EUR 3,615,682,740.29"

- 3. Resolution of the discharge of the members of the management board**

Management and supervisory board propose to resolve as follows:

"The members of the management board in the business year 2013 are discharged for this period."

- 4. Resolution of the discharge of the members of the supervisory board**

Management and supervisory board propose to resolve as follows:

"The members of the supervisory board in the business year 2013 are discharged for this period."

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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 2014. 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 sec. 37w para. 5 of the German Securities Trading Act (“WpHG”).

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

6. Resolution to amend the Articles of Association in relation to the size of the Supervisory Board

On completion of the acquisition of E-Plus, Telefónica Deutschland Holding AG and its group companies will employ a total of more than 10,000 employees. Pursuant to section 7 para. 1 sent. 1 no. 2 of the Co-Determination Act (Mitbestimmungsgesetz - MitbestG), the Supervisory Board of a company which generally has more than 10,000 but fewer than 20,000 employees, must consist of 16 members. The change of Articles of Association as proposed in the following to the shareholders’ general meeting shall only be effective after the merger clearance is granted for the acquisition of E-Plus, the change to the Articles of Association as approved by the Extraordinary General Meeting on 11 February 2014 under agenda item 2 (Authorized Capital 2014/I) is registered in the Commercial Register, and when the execution of the capital increase against mixed contribution in kind (gemischte Sacheinlage) using the Authorized Capital 2014/I resolution approved by the Extraordinary General Meeting on 11 February 2014 under agenda item 2 is imminent.

Management Board and Supervisory Board suggest resolving as follows:

“a) Section 11 para. 1 of the Articles of Association shall be changed as follows:

“(1) The Supervisory Board consists of 16 members, of whom eight shall be elected by the Shareholders' Meeting and eight by the employees pursuant to the provisions of the Co-Determination Act of 4th May 1976 (MitbestG).”

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- b) The Management Board is instructed that the under a) approved change of the Articles of Association shall only be filed for registration in the Commercial Register when the change of the Articles of Association approved at the Extraordinary General Meeting on 11 February 2014 under agenda item 2 (Authorized Capital 2014/I) has been registered in the Commercial Register."

7. Election of further members of the Supervisory Board

After the change of the Articles of Association to be resolved upon under agenda item 6 becomes effective, the Supervisory Board consists pursuant to sections 95 and 96 para. 1 of the Stock Corporation Act (Aktiengesetz - AktG), in conjunction with section 7 para. 1 of the Co-Determination Act (Mitbestimmungsgesetz - MitbestG) and section 11 para. 1 of the Articles of Association, of 16 members, of whom eight are elected by the Shareholders' Meeting and eight by the employees.

Currently the Supervisory Board consists – next to six employee representatives - only of six members elected by the Shareholders' Meeting. Therefore, the additional two shareholder representatives of the Supervisory Board shall be elected at this Shareholders' Meeting. Their period of office will start when the change of the Articles of Association to be resolved upon under agenda item 6 becomes effective.

The Shareholders' Meeting is not bound to election proposals.

The Supervisory Board suggests resolving as follows:

- a) "Ms Sally Anne Ashford, HR director and member of the board of directors of Telefónica Europe plc, Slough, United Kingdom, resident in Taplow, Buckinghamshire, United Kingdom, is elected as a member of the Supervisory Board. The period of office shall start when the change of the Articles of Association to be resolved upon under agenda item 6 becomes effective, and ends following the Shareholders' Meeting which resolves upon the discharge for the second financial year following the start of the period of office; the financial year in which the period of office begins is not included in this calculation."
- b) "Mr Antonio Manuel Ledesma Santiago, employed Financial Projects Director of Telefónica, S.A., Madrid, Spain, resident in Madrid, Spain, is elected as a member of the Supervisory Board. The period of office shall start when the change of the Articles of Association to be resolved upon under agenda item 6 becomes effective, and ends following the Shareholders' Meeting which resolves upon the discharge for the second financial year following the start of the period of office;

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the financial year in which the period of office begins is not included in this calculation.”

The Supervisory Board bases its election proposals on the recommendations of the Nomination Committee.

Information as required by section 125 para. 1 sent. 5 of the Stock Corporation Act (AktG):

Ms Ashford is, at the time of publication of the invitation to this Shareholders' Meeting, no member of any legally required supervisory board or of any comparable supervisory bodies in German and foreign business enterprises.

Mr Ledesma Santiago is, at the time of publication of invitations to this Shareholders' Meeting, no member of any legally required supervisory board. He is acting in the following comparable supervisory bodies in German and foreign business enterprises: Sole Administrator, Venturini España, S.A., Sociedad Unipersonal, Madrid, Spain.

As recommended in section 5.4.1 para 3 of the German Corporate Governance Code, in the version dated 13 May 2013, the information deemed relevant by the Supervisory Board for this election decision relating to the personal and business relationships of the proposed candidates to the company, the corporate bodies of the company or a significant shareholder in the company, is published as below:

Ms Ashford is employed at O2 Holdings Limited, Slough, United Kingdom, an indirect affiliate of our indirect major shareholder Telefónica, S.A. and HR director in Telefónica Group. She is member of the board of directors of Telefónica Europe plc, Slough, United Kingdom, a direct affiliate of our indirect major shareholder Telefónica, S.A.

Ms Ashford holds shares in Telefónica, S.A., Madrid, Spain, and participates in an employee share program.

Mr Ledesma Santiago is employed at Telefónica, S.A., Madrid, Spain, indirect major shareholder of the company. Mr. Ledesma Santiago holds shares in Telefónica, S.A., Madrid, Spain, and participates in an employee share program.

8. Resolution on increasing the share capital against cash contribution with shareholders' subscription rights by up to EUR 3,700,000,000.00 and related amendment of the Articles of Association

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The Extraordinary General Shareholders' Meeting of Telefónica Deutschland Holding AG as of 11 February 2014 has - under agenda item 1 - approved to increase the share capital against cash contribution with shareholders' subscription rights by up to EUR 3.7 billion ("Cash Capital Increase"). In the resolution, it was specified that the Cash Capital Increase must be implemented by the end of 10 August 2014 and registered with the Commercial Register in accordance with section 188 of the Stock Corporation Act (Aktiengesetz - AktG). The Cash Capital Increase serves as partial financing for the acquisition of the German mobile business E-Plus from Koninklijke KPN N.V., which was agreed by an agreement dated 23 July 2013. Execution of the acquisition requires clearance by the European Commission.

At present, no conclusive assessment can be made as to whether merger clearance by the European Commission will take place in such time allowing the Cash Capital Increase to be implemented by the end of 10 August 2014 at the latest and registered with the Commercial Register.

The Management and Supervisory Boards therefore are currently of the opinion that as a precautionary measure, it shall be proposed to the AGM to resolve upon a second capital increase resolution which has the same content in terms of the key economic points but with a period for implementation beyond 10 August 2014. This capital increase resolution should only be used if it cannot be ensured that implementation of the Cash Capital Increase resolved by the Extraordinary General Shareholders' Meeting of 11 February 2014 can be filed for registration with the Commercial Register by the end of 10 August 2014.

The capital increase to be resolved by the Annual General Meeting on 20 May 2014 will therefore only be implemented if (i) the European Commission gives clearance regarding the acquisition of E-Plus and (ii) the Cash Capital Increase resolved by the Extraordinary General Shareholders' Meeting on 11 February 2014 is not realised. In connection with the creation of the Authorized Capital 2014/I, the instruction to the Management Board on filing for registration of the Authorized Capital in the Commercial Register, which was resolved by the Extraordinary General Shareholders' Meeting of 11 February 2014 under agenda item 2c, must be adapted as a consequential amendment.

Management and Supervisory Boards suggest resolving as follows:

- "a) The share capital of the Company shall be increased from currently EUR 1,116,945,400.00 (in words: one billion one hundred and sixteen million nine hundred and forty-five thousand four hundred euros) by up to EUR 3,700,000,000.00 (in words: three billion seven hundred million euros) to up to EUR 4,816,945,400.00 (in words: four billion eight hundred and sixteen million nine hundred and forty-five thousand four hundred euros) by issuing up to 3,700,000,000 (in words: three billion seven hundred million)

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new no-par value registered shares against cash contribution. The issue price will be at least EUR 1.00 (in words: one euro) per no-par value share. The new shares are eligible for dividends from 1 January 2014.

Shareholders may also be granted their statutory subscription rights in such a manner that the new no-par value shares are subscribed by one or more financial institutions and/or one or more companies within the meaning of section 186 para. 5 sentence 1 Stock Corporation Act (AktG), together with an obligation to offer such shares to shareholders for subscription.

The Management Board is hereby authorised, with the consent of the Supervisory Board, to stipulate the further details of the capital increase and its implementation, in particular the issue price within the meaning of section 182 para. 3 Stock Corporation Act (AktG), the subscription price (i.e. the price at which the new no-par value shares are offered to shareholders for subscription) and the conditions for the issue of the new shares.

The capital increase must be implemented by the end of 19 November 2014 and filed for registration in the Commercial Register in accordance with section 188 Stock Corporation Act (AktG). The Management Board may fully exhaust this period of time and the period of time referred to in the following sentence without violating section 83 para. 2 Stock Corporation Act (AktG). The term of the implementation and registration period is suspended, starting from pendency until the conclusion of an accelerated procedure (*Freigabeverfahren*) pursuant to section 246a Stock Corporation Act (AktG), providing that a rescission claim or action for annulment has been filed and an accelerated procedure initiated immediately. In this case, the implementation and registration period will expire no later than the end of 19 March 2015.

The Supervisory Board is authorised to amend sections 4 para. 1 and 2 of the Articles of Association (amount and division of the share capital) in accordance with the implementation of the capital increase.

- b) The resolution adopted by the Extraordinary General Shareholders' Meeting on 11 February 2014 under agenda item 1 to increase the share capital by up to EUR 3,700,000,000.00, which was registered with the Commercial Register of the company on 25 February 2014, shall become void if either of the conditions below arises: (i) the capital increase resolved under a) is implemented and filed for registration in the Commercial Register pursuant to section 188 Stock Corporation Act (AktG) or (ii) the implementation of the Cash Capital Increase, which was resolved by the Extraordinary General Shareholders' Meeting on 11 February 2014 under agenda item 1, is not

filed for registration in the Commercial Register by the end of 10 August 2014.

- c) The resolution adopted under a) shall become void if either of the conditions below arises: (i) the implementation of the Cash Capital Increase, which was resolved by the Extraordinary General Shareholders' Meeting on 11 February 2014 under agenda item 1, is filed for registration in the Commercial Register by the end of 10 August 2014 or (ii) the implementation of the Cash Capital Increase, which was resolved under a), is not filed for registration in the Commercial Register pursuant to section Stock Corporation Act (AktG) before the end of the implementation and registration period (extended, as the case may be, in accordance with the resolution) determined in the resolution.
- d) The instruction to the Management Board resolved by the Extraordinary General Shareholders' Meeting on 11 February 2014 under agenda item 2c is amended as follows:

“c) The Management Board is instructed to file the change of Articles of Association resolved under b) only for registration in the Commercial Register if either the cash capital increase resolved by the Extraordinary General Shareholders' Meeting of 11 February 2014 under agenda item 1 or the cash capital increase resolved by the Annual General Meeting on 20 May 2014 under agenda item 8, has been realised; section 202 para. 3 sent. 1 Stock Corporation Act (AktG) must be observed.”

Total number of shares and voting rights

The share capital of Telefónica Deutschland Holding AG amounts to EUR 1,116,945,400.00 and is divided into 1,116,945,400 non-par value shares. The total number of shares and voting rights amounts to 1,116,945,400. These figures relate to the date of publication of this invitation in the Federal Gazette (*Bundesanzeiger*).

Conditions for attendance and exercising voting rights

The conditions for attendance are determined in accordance with sections 121 et seq. 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

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deadline 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 at the following address at least six days before the General Shareholders' Meeting, i.e. no later than 24:00 (midnight) CEST on May 13, 2014:

Telefónica Deutschland Holding AG
c/o Haubrok Corporate Events GmbH
Landshuter Allee 10
80637 Munich
Germany
e-mail address: anmeldung@haubrok-ce.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 § 125 AktG. Shareholders may also request a registration form from the address specified above.

Please note that, pursuant to section 23 para. 1 and para. 2 of the Articles of Association, 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 May 14, 2014 until 24:00 CEST on May 20, 2014. Trading in shares is not limited, the shares are not blocked.

Admission tickets will be sent to all shareholders who register in due time.

Proxy voting

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 of the German Civil Code (BGB)); section 135 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@haubrok-ce.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 Haubrok Corporate Events GmbH
Landshuter Allee 10
80637 Munich
Germany

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e-mail address: vollmacht@haubrok-ce.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 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 proposal from shareholders

Pursuant to section 122 para. 2 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 points be added to the agenda and published. Such requests must be made to the Management Board (Telefónica Deutschland Holding AG, Management Board, Georg-Brauchle-Ring 23 – 25, 80992 Munich, Germany) 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 April 19, 2014.

Pursuant to section 126 para. 1 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 point on the agenda. Counter-proposals must be made available on the website subject to the provisions of section 126 paras. 1 and 2 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 May 5, 2014.

Moreover, any shareholder may propose election of members of the Supervisory Board and auditors subject to the provisions of section 127 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 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

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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 May 5, 2014.

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 Stock Corporation Act (AktG), is available to shareholders at www.telefonica.de under Investor Relations/AGM. Requests 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 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 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 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 a response from the Company to inquiries regarding the General Shareholders' Meeting that is as quick as possible, we ask that you direct your inquiries solely to:

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Investor Relations
Georg-Brauchle-Ring 23–25
80992 Munich
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Munich, April 2014

Telefónica Deutschland Holding AG
The Management Board

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