

Invitation_

Annual general meeting
Telefónica Deutschland Holding AG
9 May 2017

Telefonica

Deutschland

Telefónica Deutschland Holding AG Munich

WKN: A1J5RX

ISIN: DE000A1J5RX9

We hereby invite our shareholders to attend the
Annual General Meeting

on 9 May 2017, 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 2016, the descriptive report of the management board pursuant to sections 289 para. 4, 315 para. 4 of the German Commercial Act ("HGB") and the report of the supervisory board each for the financial year 2016**

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/General Meeting.

- 2. Resolution on appropriation of net retained earnings**

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

"The net retained earnings shown in the adopted financial statements of Telefónica Deutschland Holding AG as of 31 December 2016 in the amount of

	EUR 3,063,121,751.43
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will be distributed as follows:

Distribution of dividend in the amount of EUR 0.25 for each share entitled to dividends, in in total	EUR 743,638,748.25
Profit carried forward	EUR 2,319,483,003.18.

The dividend is due for payment on the third business day following the annual general meeting, i.e. on 12 May 2017.”

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 financial year 2016 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 financial year 2016 are discharged for this period.”

5. Resolution on the appointment of the auditor and the group auditor for the financial year 2017, as well as the auditor for a potential review of the half-year financial report for the first half-year of the financial year 2017 and any other interim financial information

The supervisory board proposes, at the recommendation of its Audit Committee, to resolve as follows:

- “a) PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft with its registered seat in Frankfurt am Main (Munich office), is appointed as auditor and group auditor for the financial year 2017, and as auditor for a potential review of the condensed financial statement and interim management report in the half-year financial report as of 30 June 2017 and as auditor for a potential review of additional interim financial information pursuant to section 37w para. 7 German Securities Trading Act (“WpHG”) for the financial year 2017.

- b) PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft with its registered seat in Frankfurt am Main (Munich office), is appointed as auditor for a potential review of additional interim financial information pursuant to section 37w para. 7 German Securities Trading Act (“WpHG”) for the

financial year 2018, if such review is conducted before the next general meeting.”

The Audit Committee has recommended

1. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (previously named PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft) with its registered seat in Frankfurt am Main (Munich office) and
2. Deloitte GmbH Wirtschaftsprüfungsgesellschaft (previously named Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft) with its registered seat in Munich

to the supervisory board for the above auditing services pursuant to Article 16 para. 2 of Regulation (EU) No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC and thereby expressed a preference for PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft with its registered seat in Frankfurt am Main (Munich office).

6. Election to the supervisory board

Pursuant to section 11 para. 1 of the Articles of Association the supervisory board of Telefónica Deutschland Holding AG has 16 members, and pursuant to sections 96 para. 1 and 2, 101 para. 1 German Stock Corporation Act ("AktG") in connection with section 7 para. 1 German Co-Determination Act ("MitbestG") of 4 May 1976 comprises eight members who are elected by the annual general meeting and eight members who are elected by the employees and at least 30% women and 30% men. As neither the shareholder representatives nor the employee representatives have objected to comprehensive fulfilment of the quota pursuant to section 96 para. 2 sentence 3 German Stock Corporation Act ("AktG") the minimum gender quota must be complied with by the supervisory board as a whole so that of the 16 seats on the supervisory board at least five must be taken by women and five by men.

The term of office of all eight current shareholder representatives on the supervisory board ends at the end of the annual general meeting on 9 May 2017 so that new elections are necessary.

The supervisory board proposes to reelect the current shareholder representatives on the supervisory board and therefore to pass the following resolutions:

- "a) **Ms Eva Castillo Sanz**, resident in Madrid, Spain
Non-executive Member of the Board of Directors of Telefónica, S.A., Madrid, Spain

- b) **Mr Ángel Vilá Boix**, resident in Madrid, Spain
Chief Strategy and Finance Officer (CSFO) of Telefónica, S.A., Madrid, Spain

- c) **Ms Laura Abasolo García de Baquedano**, resident in Bilbao, Spain
Managing Director of Planning, Accounting, Control and Tax of Telefónica, S.A., Madrid, Spain

- d) **Mr Peter Erskine**, resident in Henley-on-Thames, United Kingdom
Non-executive Member of the Board of Directors of Telefónica, S.A., Madrid, Spain

- e) **Ms Patricia Cobián González**, resident in London, United Kingdom
Chief Financial Officer (CFO) of Telefónica UK Limited, Slough, United Kingdom

- f) **Mr Michael Hoffmann**, resident in Cologne, Germany
Business Manager (Diploma), self-employed (*Diplom-Kaufmann, selbstständig*)

- g) **Mr Enrique Medina Malo**, resident in Madrid, Spain
Chief Policy Officer of Telefónica, S.A.,
Madrid, Spain

- h) **Ms Sally Anne Ashford**, resident in Taplow, Buckinghamshire, United Kingdom
Human Resources Director Parcels of Royal Mail Group Limited, London, United Kingdom, and Group Reward Director of Royal Mail plc, London, United Kingdom

will each be elected as shareholder representatives to the supervisory board of Telefónica Deutschland Holding AG."

Their term in office is from the end of the annual general meeting on 9 May 2017 until the end of the general meeting which passes the resolution on the discharge for the fourth financial year after the commencement of their term in office. The financial year in which such term of office commences will not be taken into account.

The above nominations are based on the recommendation of the supervisory board's Nomination Committee, take into account the objectives set by the supervisory board with respect to its composition and satisfy the statutory minimum gender quota. It is the view of the supervisory board that of the nominated candidates Mr Michael Hoffmann – amongst others – has knowledge in the areas of accounting or auditing and therefore satisfies the requirements within the meaning

of section 100 para. 5 German Stock Corporation Act ("AktG"). The candidates in their entirety are familiar with the sector in which the Company is active.

The intention is, in accordance with the recommendation in 5.4.3 sentence 1 of the German Corporate Governance Code in the version dated 5 May 2015, to elect the nominated candidates on an individual basis.

Further information on the nominated candidates is available to the shareholders from the day on which the annual general meeting is convened under www.telefonica.de at Investor Relations/General Meeting.

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

as regards a)

Ms Eva Castillo Sanz is at the time of this notification of convention of this annual general meeting not a member of any other legally required supervisory boards but a member of the following comparable German or foreign supervisory bodies of business enterprises:

- Non-executive Member of the Board of Directors of Telefónica, S.A., Madrid, Spain,
- Member of the Board of Directors of Bankia S.A., Madrid, Spain.

as regards b)

Mr Ángel Vilá Boix is at the time of this notification of convention of this annual general meeting not a member of any other legally required supervisory boards but a member of the following comparable German or foreign supervisory bodies of business enterprises:

- Non-executive Member of the Board of Directors of Telefónica Brazil S.A., São Paulo, Brazil.

as regards c)

Ms Laura Abasolo García de Baquedano is at the time of this notification of convention of this annual general meeting not a member of any other legally required supervisory boards but a member of the following comparable German or foreign supervisory bodies of business enterprises:

- Non-executive Member of the Board of Directors of Telefónica Chile S.A., Santiago, Chile,
- Member of the Board of Directors and Chairperson of the Audit Committee of Acerinox, S.A., Madrid, Spain.

as regards d)

Mr Peter Erskine is at the time of this notification of convention of this annual general meeting not a member of any other legally required supervisory boards but a member of the following comparable German or foreign supervisory bodies of business enterprises:

- Non-executive Member of the Board of Directors of Telefónica, S.A., Madrid, Spain.

as regards e)

Ms Patricia Cobián González is at the time of this notification of convention of this annual general meeting not a member of any other legally required supervisory boards but a member of the following comparable German or foreign supervisory bodies of business enterprises:

- Advisory Board Member of Lumia Capital, LLC, San Francisco (California), United States of America.

as regards f)

Mr Michael Hoffmann is at the time of this notification of convention of this annual general meeting not a member of any other legally required supervisory boards and not a member of any comparable German or foreign supervisory bodies of business enterprises.

as regards g)

Mr Enrique Medina Malo is at the time of this notification of convention of this annual general meeting not a member of any other legally required supervisory boards and not a member of any comparable German or foreign supervisory bodies of business enterprises.

as regards h)

Ms Sally Anne Ashford is at the time of this notification of convention of this annual general meeting not a member of any other legally required supervisory boards and not a member of any comparable German or foreign supervisory bodies of business enterprises.

Information pursuant to 5.4.1 paras. 4 to 7 of the German Corporate Governance Code in the version dated 5 May 2015

The supervisory board has received assurance from the candidates nominated for election that each of them can provide the amount of time expected to carry out the supervisory board mandate.

Pursuant to the recommendation in section 5.4.1 para. 5 German Corporate Governance Code the information deemed relevant by the supervisory board for this election relating to the personal and business relationships of the proposed candidates to the Company, the corporate bodies of the Company and any shareholder holding a significant interest in the Company is disclosed as follows:

as regards a)

Ms Eva Castillo Sanz is non-executive Member of the Board of Directors of our indirect majority shareholder, Telefónica, S.A.,

Madrid, Spain, and Member of the Board of Trustees of Telefónica Foundation (Fundación Telefónica), Madrid, Spain. Ms Eva Castillo Sanz holds shares in Telefónica, S.A., Madrid, Spain.

as regards b)

Mr Ángel Vilá Boix is Chief Strategy and Finance Officer (CSFO) of our indirect majority shareholder, Telefónica, S.A., Madrid, Spain, and member of its Executive Committee. He is non-executive Member of the Board of Directors of Telefónica Brazil S.A., São Paulo, Brazil, a company affiliated with our indirect majority shareholder, Telefónica, S.A., Madrid, Spain, and Member of the Board of Trustees of Telefónica Foundation (Fundación Telefónica), Madrid, Spain. Mr Ángel Vilá Boix holds shares in Telefónica, S.A., Madrid, Spain, and participates in an employee participation program.

as regards c)

Ms Laura Abasolo García de Baquedano is employed by our indirect majority shareholder, Telefónica, S.A., Madrid, Spain, and member of its Executive Committee. She is a non-executive Member of the Board of Directors of Telefónica Chile S.A., Santiago, Chile, a company affiliated with our indirect majority shareholder, Telefónica, S.A.,

Madrid, Spain. Ms Laura Abasolo García de Baquedano holds shares in Telefónica, S.A., Madrid, Spain, and participates in an employee participation program.

as regards d)

Mr Peter Erskine is non-executive Member of the Board of Directors of our indirect majority shareholder, Telefónica, S.A., Madrid, Spain, and Chairman of its Strategy and Innovation Committee. Peter Erskine holds shares in Telefónica, S.A., Madrid, Spain.

as regards e)

Ms Patricia Cobián González is Chief Financial Officer (CFO) and Statutory Director of Telefónica UK Limited, Slough, United Kingdom, and Statutory Director of Telefónica Europe, plc, Slough, United Kingdom, both companies affiliated with our indirect majority shareholder, Telefónica, S.A., Madrid, Spain. Patricia Cobián González holds shares in Telefónica, S.A., Madrid, Spain and participates in an employee participation program.

as regards f)

None.

as regards g)

Mr Enrique Medina Malo is employed by our indirect majority shareholder, Telefónica, S.A., Madrid, Spain, Member of the Board of Directors of our direct majority shareholder, Telefónica Germany Holdings Limited, Slough, United Kingdom, and in each case Member of the Board of Directors of of O2 (Europe) Limited, Slough, United Kingdom, and of O2 International Holdings Limited, Slough, United Kingdom, each companies affiliated with our indirect majority shareholder, Telefónica, S.A., Madrid, Spain. Mr Enrique Medina Malo holds shares in Telefónica, S.A., Madrid, Spain, and participates in an employee participation program.

as regards h)

Ms Sally Anne Ashford holds shares in Telefónica, S.A., Madrid, Spain.

Notification pursuant to 5.4.3 sentence 3 of the German Corporate Governance Code in the version dated 5 May 2015

The intention is that if Ms Eva Castillo Sanz is elected onto the supervisory board she will be nominated again for the office of chairperson of the supervisory board.

II. Further Information for the Annual General Meeting

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 annual general 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. Only those shareholders who are registered in the shareholders' register on the date of the registration deadline, i.e. 24:00 (midnight) CEST on 2 May 2017, and who have registered for attendance in due time are entitled to attend the annual general 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 2 May 2017:

Telefónica Deutschland Holding AG
c/o Link Market Services GmbH
Landshuter Allee 10
80637 Munich
Germany

or e-mail: namensaktien@linkmarketservices.de
or telefax: +49-(0)89-21027-288
or in digital form on the internet at
<http://www.telefonica.de> under
Investor Relations/General Meeting

The registration must be made in text form and may also be transmitted by fax, e-mail or on the internet. 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 annual general meeting and during the six days preceding the date of the annual general meeting, i.e. from 00:00 CEST on 3 May 2017 until 24:00 CEST on 9 May 2017. 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 and exercise their other rights 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: namensaktien@linkmarketservices.de.

A form which shareholders may use for granting 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 Link Market Services GmbH
Landshuter Allee 10
80637 Munich
Germany

or e-mail: namensaktien@linkmarketservices.de
or telefax: +49-(0)89-21027-288

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

We also offer our shareholders prior to the annual general meeting the opportunity to authorize a proxy nominated by the Company for the annual general

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 proxies nominated by the Company as well as a form for granting a proxy authorization and issuing instructions to the proxies nominated by the Company are also available to shareholders on the internet at www.telefonica.de under Investor Relations/General Meeting. A proxy authorization to the proxies nominated by the Company may be granted and instructions to the proxies nominated by the Company may be also issued there in digital form. Details are provided in the documents sent to the shareholders pursuant to section 125 German Stock Corporation Act ("AktG").

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. An explanation or a proposed resolution has to be enclosed with each additional agenda item. Pursuant to section 122 para. 2 Stock Corporation Act ("AktG") with section 122 para. 1 sentence 3 Stock Corporation Act ("AktG") the petitioners must prove that they have been owners of the shares at least 90 days before submitting the request and that they will remain the owners of the shares until the management board has made a decision about the motion. When

calculating this 90-day period there are certain set-off options to which reference is specifically made pursuant to section 70 German Stock Corporation Act. In calculating this period the provisions of section 121 para. 7 German Stock Corporation Act ("AktG") have to be observed.

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 annual general meeting (not counting the day of the annual general meeting and the day of receipt), this is by no later than 24:00 (midnight) CEST on 8 April 2017. Please send such requests 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. A counter-proposal must be made available on the website subject to the provisions of section 126 paras. 1 and 2 German Stock Corporation Act ("AktG"), provided it has been received by the Company at the address provided below no later than 14 days prior to the annual general meeting (not counting the day of the annual general meeting and the day of receipt), this is by no later than 24:00 (midnight) CEST on 24 April 2017.

Moreover, any shareholder may submit an election proposal for the election of the auditor and/or the election of members of the supervisory board subject to the provisions of section 127 German Stock Corporation Act ("AktG"). An election proposal 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 it has been received by the Company at the address provided below no later than 14 days prior to the annual general meeting (not counting the day of the annual general meeting and the day of receipt), this is by no later than 24:00 (midnight) CEST on 24 April 2017.

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

Telefónica Deutschland Holding AG
Investor Relations
Georg-Brauchle-Ring 23 - 25
80992 Munich
Germany

or telefax: +49-(0)89-2442-2000

or e-mail: 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/

General Meeting. 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 all shareholders are to be given information on Company matters by the management board upon request at the annual general 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/General Meeting.

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/General Meeting.

Inquiries

To facilitate preparations for the annual general meeting and to ensure that responses by the Company to inquiries regarding the annual general 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

or telefax: +49-(0)89-2442-2000
or e-mail: hauptversammlung@telefonica.com

Munich, March 2017

**Telefónica Deutschland Holding AG
The Management Board**



Telefónica Deutschland Holding AG

Georg-Brauchle-Ring 23-25

80992 Munich, Germany

Tel.: +49 89 2442 0

www.telefonica.de