

## **Update of the Compliance Declaration**

Management Board and Supervisory Board of Telefónica Deutschland Holding AG (the "Company") have last issued a Compliance Declaration according to § 161 (1) of the German Stock Corporation Act on 13/14 October 2014. Subsequent to a change made to the Management Board pensions, Management Board and Supervisory Board of the Company update No. 4 and No. 6 of this Compliance Declaration as follows:

4. The GCGC recommends in 4.2.3, 2<sup>nd</sup> paragraph, sentence 6 that the amount of compensation shall be capped, both overall and for individual compensation components. This recommendation has been and will be partially deviated from as neither for the stock option program nor for the Deferred Bonus caps have been determined. By doing so, the Supervisory Board shall be granted the necessary room for manoeuvre to ensure the balance between short-term and long-term variable remuneration elements at any time. Furthermore, two of the board member service agreements do not provide for the exact amount of the Company's pension expenses. The Company has assumed the corresponding pension commitments from the respective Management Board member's former employer and continues them unchanged.
  
6. The GCGC recommends in 4.2.3, 3<sup>rd</sup> paragraph that, for pension schemes, the Supervisory Board shall establish the level of provision aimed for in each case - also considering the length of time for which the individual has been a Management Board member - and take into account the resulting annual and long-term expense for the company. This recommendation is deviated from. There are defined contribution commitments in place for two Management Board members of the Company which do not aim at a specific pension level, or the Company pays fixed amounts in order to build up private pension benefits. Therefore, with regard to the form of the pension commitments, the Supervisory Board does not refer to an aimed level of provision. For another Management Board member a pension commitment has been assumed from the Management Board member's former employer so that the Supervisory Board did not newly establish the level of provision aimed for.

Apart from the above, the Compliance Declaration dated 13/14 October 2014 remains unchanged.

19 December 2014

Management Board

Supervisory Board