

## **Update of the Compliance Declaration**

The Management Board and Supervisory Board of Telefónica Deutschland Holding AG (“the Company”) have last issued a Compliance Declaration according to section 161 paragraph 1 German Stock Corporation Act on 13/14 and 17 October 2016. As with the new management board service agreements the recommendation of no. 4.2.2, 2nd paragraph, sentence 3 of the German Corporate Governance Code (“GCGC”) is complied with, a new sentence is added at the end of no. 1 of the Compliance Declaration.

The wording of no 1 of the Compliance Declaration is updated as follows:

1. While determining the total compensation, the Supervisory Board shall, according to 4.2.2, 2nd paragraph, sentence 3 GCGC, consider the relationship between the compensation of the Management Board and that of the senior management and the staff over-all, particularly in terms of its development over time whereupon the Supervisory Board shall determine how senior managers and the relevant staff are to be differentiated. With regard to the Management Board member service agreements which have been signed in July 2014 and have become effective in October following closing of the acquisition of E-Plus, the Supervisory Board has deviated from this recommendation. Since the Company did not have, prior to closing of the acquisition of E-Plus, sufficient information regarding the remuneration structure at E-Plus, it could not consider the relationship between the compensation of the Management Board and that of the senior management and the relevant staff because this also would have required information on the remuneration structure at E-Plus. With regard to the Management Board member service agreements that will become effective on 1 January 2017 the above mentioned recommendation of the GCGC will be complied with.

Apart from the above, the Compliance Declaration dated 13/14 and 17 October 2016 remains unchanged.

11 / 12 December 2016

Management Board

Supervisory Board