

Convenience Translation – for information purposes only

Telefonica

Deutschland

Telefónica Deutschland Holding AG
München

WKN: A1J5RX
ISIN: DE000A1J5RX9

We hereby invite our shareholders to attend the

Extraordinary General Shareholders' Meeting

on February 11, 2014 at 10 a.m. (CET)

at the Alte Kongresshalle, Theresienhöhe 15, 80339 München.

Agenda

1. Resolution on the increase of the share capital against cash contribution with subscription rights for the shareholders as well as the related amendment of the Articles of Association

On July 23, 2013, Telefónica Deutschland Holding AG (the „Company”) entered into an agreement with Koninklijke KPN N.V. („KPN”) regarding the acquisition of the German mobile phone business of E-Plus. The approval of the relevant merger authority is required for the closing of the acquisition. The proposed cash capital increase with subscription rights for the shareholders described in agenda point 1 will serve as partial financing for the acquisition. Further detail is contained in the report of the Management Board to agenda point 2.

The Management and Supervisory Board propose to adopt the following resolution:

„The share capital of the Company will be increased from EUR 1,116,945,400.00 (in words: one billion one hundred and sixteen million nine hundred forty five thousand four hundred Euros) by an amount of 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 forty five thousand four hundred Euros) by the issuance of up to 3,700,000,000 (in words: three billion seven hundred million) new non-par value registered shares against cash contribution. The issuance price will be at least EUR 1.00 (in words: one Euro) per non-par value share.

The new shares will have the right to participate in the profits starting January 1, 2014.

The shareholders may be granted their statutory subscription rights in such a manner that the new non-par value shares are subscribed by one or more credit institutions and/or one or more companies in the meaning of § 186 para. 5 sent. 1 German Stock Corporation Act („AktG”), together with an obligation to offer such shares for subscription to the shareholders.

The Management Board is hereby authorized, with the consent of the Supervisory Board, to determine the further details of the capital increase and its implementation, in particular the issuance price in the meaning of § 182 para. 3 AktG and the subscription price (i.e. the price at which the new non-par value shares are offered to the shareholders for subscription) and the conditions for the issuance of the new shares.

The capital increase shall be implemented by the end of August 10, 2014 and shall be entered into the Commercial Register in accordance with § 188 AktG, whereby the Management Board may fully exhaust this period of time and the period of time described in the following sentence without violating § 83 para. 2 AktG. The term of the implementation and registration period will be suspended, starting from the pendency until the conclusion of a procedure governing petitions for registration of contested resolutions pursuant to § 246a AktG (*Freigabeverfahren*), to the extent that a contesting action or petition to annul has been lodged and a „Freigabeverfahren” has been promptly commenced. In such case the implementation and registration period will expire at the latest at the end of December 10, 2014.

The resolution on the increase of the share capital remains effective beyond the conclusion of the Company's Annual General Shareholders' Meeting for 2014, which will probably take place in May or June 2014.

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

2. Resolution on the authorization of the Management Board for a capital increase by contribution in kind with exclusion of subscription rights of the shareholders (Authorized Capital 2014/I) and related amendment of the Articles of Association

While maintaining the Authorized Capital 2012/I pursuant to § 4 para. 3 of the Articles of Association of the Company, which has not yet been exhausted, an additional new Authorized Capital 2014/I shall be created.

The Company entered into an agreement with Koninklijke KPN N.V. („KPN“) on July 23, 2013 concerning the acquisition of the German mobile telephone business of E-Plus from KPN. The proposed Authorized Capital 2014/I set forth in point 2 of the agenda will serve the implementation of this acquisition. Further detail is contained in the report of the Management Board to this agenda point.

The Management and Supervisory Board propose to adopt the following resolution:

- „a) The Management Board is hereby authorized, with the consent of the Supervisory Board, to increase the registered share capital of the Company by a total amount of up to EUR 475,000,000.00 (in words: fourhundredseventyfive million Euros) by issuing up to 475,000,000 (in words: fourhundredseventyfive million) new non-par value registered shares with an issuance price of EUR 1.00 (in words: one Euro) per share against contribution in kind (Authorized Capital 2014/I).

The statutory subscription rights of the shareholders are excluded.

The right to participate in the profits of the new non-par value shares can be set in derogation of § 60 para. 2 AktG.

Further details of the capital increase and its implementation, in particular the conditions for the issuance of the new non-par value registered shares, will be determined by the Management Board with the consent of the Supervisory Board.

The Supervisory Board is authorized to amend § 4 para. 1, 2 and 5 of the Articles of Association (amount and division of the share capital, Authorized Capital 2014/I) following complete or partial implementation of the capital increase and/or after expiration of the authorization period.

- b) A new paragraph 5 will be added to § 4 of the Articles of Association with the following wording:

„(5) The Management Board is hereby authorized, with the consent of the Supervisory Board, to increase the registered share capital of the Company by a total amount of up to EUR 475,000,000.00 (in words: fourhundredseventyfive million Euros) by issuing up to 475,000,000 (in words: fourhundredseventyfive million) new non-par value registered shares with an issuance price of EUR 1.00 (in words: one Euro) per share against contribution in kind (Authorized Capital 2014/I).

The statutory subscription rights of the shareholders are excluded.

The right to participate in the profits of the new non-par value shares can be set deviating from § 60 para. 2 AktG.

Further details of the capital increase and its implementation, in particular the conditions for the issuance of the new non-par value shares, will be determined by the Management Board with the consent of the Supervisory Board.

The Supervisory Board is authorized to amend § 4 para. 1, 2 and 5 of the Articles of Association (amount and division of the share capital, Authorized Capital 2014/I) following complete or partial implementation of the capital increase and/or after expiration of the authorization period. “

- c) The Management Board is directed not to register the amendment of the Articles of Association resolved in b) above with the Commercial Register until after the implementation of the proposed capital increase against cash contribution set forth in point 1 of the agenda; § 202 para. 3 sent. 1 AktG must be observed.
- d) This resolution remains effective beyond the conclusion of the Company's Annual General Shareholders' Meeting for 2014, which will probably take place in May or June 2014. “

3. Resolution on the cancellation of the authorization for the issuance of convertible bonds and other Instruments of October 5, 2012 as well as the cancellation of the Conditional Capital 2012/I and creation of a new authorization for the issuance of convertible bonds and other Instruments with authorization to exclude the subscription rights of the shareholders as well as the creation of a new Conditional Capital 2014/I along with related amendments of the Articles of Association

The Management and Supervisory Board propose to adopt the following resolution:

- „a) The authorization granted by the General Shareholders' Meeting from October 5, 2012 with respect to agenda point 1, regarding the issuance of convertible bonds, option bonds, participation rights and/or profit-participating bonds, as well as combinations of these instruments, is hereby cancelled. Furthermore the Conditional Capital stipulated in § 4 para. 4 of the Articles of Association is hereby cancelled.
- b) The Management Board is authorized, with the consent of the Supervisory Board, to issue the following in bearer or registered form on one or more occasions, by the end of February 10, 2019:

(i) convertible bonds and/or (ii) option bonds and/or (iii) convertible participation rights and/or (iv) option participation rights and/or (v) participation rights and/or (vi) profit-participating bonds (including combinations of these instruments) (hereafter (i) to (iv) together the „Financial Instruments“ and (i) to (vi) together the „Instruments“) in a total nominal amount of up to EUR 3,000,000,000.00 (in words: three billion Euros) with a term to maturity of no more than 15 years; and to grant the owners and creditors of Financial Instruments conversion or option rights on new non-par value registered shares of the Company, with a notional interest in the share capital of the Company of up to a total of EUR 558,472,700.00 (in words: five hundred and fifty eight million four hundred and seventy two thousand and seven hundred Euros), subject to the terms of the convertible and option bonds as well as the convertible and option participation rights. The following details apply to the authorization:

The Instruments may be issued, in addition to Euros, in the legal currency of an OECD country, subject to the limitation of the converted value of such currency in Euros.

The Instruments may also be issued by companies in which the Company has a direct or indirect majority ownership (hereinafter "Affiliates"), if such issuance is in the financial interest of the Telefónica Deutschland Group. In that case the Management Board is authorized, with the consent of the Supervisory Board, to issue a guarantee for the Instruments and to grant the owners or creditors of such Financial Instruments conversion rights or option rights on new non-par value registered shares of the Company.

The instruments will be divided into fractional bonds or fractional participation rights that have equal rights among each other.

Option right. In case of the issuance of option bonds or option participation rights, one or more option certificates will be attached to each fractional bond or

fractional participation right, which authorizes the owner or creditor to subscribe to new non-par value registered shares of the Company, subject to the terms of such options to be determined by the Management Board with the consent of the Supervisory Board. The terms of the options may stipulate that the exercise price of the option bonds or option participation rights issued by the Company may also be paid by transfer of fractional bonds or fractional participation rights and, if applicable, a cash payment. Moreover, subject to the terms of the options, it may be stipulated that fractional shares can be subscribed to as whole shares subject to an additional payment, or can be paid out in cash. The notional interest in the share capital of each share to be subscribed pursuant to fractional option or fractional participation rights may not exceed the nominal amount of the option bonds or option participation rights. §§ 9 para. 1 and 199 para. 2 AktG remain unaffected. The term of the option rights may not exceed 15 years.

Conversion right and exchange ratio. In case of the issuance of bearer convertible bonds or convertible participation rights, the holders of the fractional bonds or participation rights (otherwise the creditors) receive the right to exchange their fractional bonds or participation rights, subject to the conditions of the convertible bonds or convertible participation rights to be determined by the Management Board with the consent of the Supervisory Board, for non-par value registered shares of the Company. The exchange ratio is determined by dividing the nominal amount of a fractional bond or participation right by the conversion price set for a new non-par value registered share of the Company. The exchange ratio can also be determined by dividing the issue price of a fractional bond or participation right (which is below the nominal amount) by the conversion price set for a new non-par value registered share of the Company. It may be stipulated that the exchange ratio will be variable, and the conversion price will be set within a yet to be determined bandwidth which depends on the development of the share price during the term of, or during a specified period of time during the term of, such instruments. The exchange ratio may in any case be rounded up or down to a whole number; furthermore an additional payment to be made in cash or a compensation to be paid out in cash for non-convertible fractional shares may be set. Moreover it may be stipulated that fractional shares can be grouped together or compensated in cash. The notional interest in the share capital of the non-par value shares to be issued upon conversion may not exceed the nominal amount of the fractional convertible bond or fractional participation right, §§ 9 para. 1 and 199 para. 2 AktG remain unaffected.

Conversion obligation. The Management Board may, with the consent of the Supervisory Board, also issue registered convertible bonds or convertible participation rights pursuant to which the holder or creditor of the convertible

bonds or convertible participation rights, subject to the terms of the convertible bonds or convertible participation rights, are obligated during or at the end of the conversion period to exchange the convertible bonds or convertible participation rights for new non-par value registered shares of the Company. The above stipulations of conversion rights and exchange ratio also apply to these financial instruments with obligation to convert.

Satisfaction of conversion or option rights, right to substitute. Furthermore, the terms of the bond or participation rights may stipulate that in case of the conversion or exercise of options, the Company does not grant the holder of conversion rights or options new non-par value registered shares of the Company out of the Conditional Capital, but rather pays out the value of such rights in a cash payment corresponding to the average closing price of the shares of the Company in Xetra trading (or another comparable successor system in place of the Xetra system) of the Frankfurt Exchange during the last ten trading days before exercise of the conversion or option right, subject to the terms of the bond or participation rights. The bond or participation right conditions may further stipulate that (i) the convertible bonds or participation rights may be converted into existing non-par value registered shares of the Company rather than into new non-par value registered shares out of the conditional capital, or that the option rights may be satisfied by delivery of such shares or (ii) the subscription shares may be created out of authorized capital in connection with a capital increase.

Subscription price. The relevant conversion or option price for a share in the Company (subscription price) to be determined must, also in the case of a variable exchange ratio or a variable conversion or option price, equal either (a) at least 80 % of the average closing price of the shares of the Company of the same kind in Xetra trading (or another comparable successor system in place of the Xetra system) (i) on the ten trading days before the day of adoption of the resolution by the Management Board regarding the issuance of the Financial Instruments or (ii) on the five trading days immediately before the public announcement of an offer to subscribe to Financial Instruments or (iii) on the five trading days immediately before the issuance of a declaration of acceptance by the Company after a public demand for the issuance of subscription offers or (b) at least 80 % of the average closing price of the shares of the Company of the same kind in Xetra trading (or another comparable successor system in place of the Xetra system) during the days on which the subscription rights for the Financial Instruments are traded on the Frankfurt exchange, with the exception of the last five trading days of the trading of the subscription rights or (c) in case the finance instruments are issued in connection with the acquisition of companies, participations in companies or

parts of companies, at least EUR 1.00 (in words: one Euro). §§ 9 para. 1 and 199 para. 2 AktG remain unaffected.

As long as the terms of the bond or participation rights contain an obligation to convert or give the Company the right to pay cash instead of delivering shares after exercise of the conversion or option right, then the bond or participation right conditions may stipulate that the conversion or option price corresponds either to the alternatives under (a), (b) and (c) above, or (d) at least the arithmetic middle value of the closing price of the shares of the Company of same type in Xetra trading (or another comparable successor system in place of the Xetra system) on the last ten trading days before (i) the day of maturity of the Financial Instrument or (ii) the day on which the person obligated to convert must exercise his right to conversion or (iii) the day on which the conversion right is deemed to be exercised; the resulting conversion or option price may lie under the minimum price pursuant to (a) or (b). §§ 9 para. 1 and 199 para. 2 AktG also in this case remain unaffected.

Dilution protection. If, during the period of conversion or option, with granting of subscription rights for its shareholders, the Company increases the share capital or issues or guarantees further convertible or option bonds or convertible or option participation rights, or grants other option rights, and no subscription rights in that amount are granted to the holders or creditors of the conversion or option rights, which they would be entitled to following exercise of the conversion or option right or the satisfaction of the obligation to convert, then the convertible bond or option terms or convertible or option participation right terms may stipulate that the conversion or option price may be adjusted notwithstanding §§ 9 para. 1 and 199 para. 2 AktG by reason of a dilution protection clause (i) by payment of a corresponding amount of money by the Company upon exercise of the conversion or option right or satisfaction of the conversion obligation or (ii) by reduction of the additional payment to be made. Instead of the payment in cash or a reduction of the additional payment, the exchange ratio may also, to the extent possible, be adjusted by division by the reduced conversion price or option price.

The terms of the convertible or option bonds or the terms of the convertible or option participation rights may also stipulate an adjustment of the conversion or option rights in case of a capital decrease, a share split or a special dividend, or other measures that could lead to a dilution of the value of the conversion or option rights, §§ 9 para. 1 and 199 para. 2 AktG remain unaffected. Moreover, in case of a change of control in the meaning of § 29 para. 2 WpÜG, a reduction of the term of the Financial Instrument and/or the period to exercise the option or convert, and/or an adjustment of the conversion or option price, may be stipulated.

Subscription right and authorization of exclusion of subscription right. The shareholders may also be granted their statutory subscription rights in such a manner that the Instruments are subscribed by one or more credit institutions and/or one or more companies in the meaning of § 186 para. 5 sent. 1 AktG under the obligation to offer such shares for subscription to the shareholders.

The Management Board is nevertheless authorized, with the consent of the Supervisory Board, to exclude the subscription rights of the shareholders of the Company on the Instruments, in total or in part,

- * for fractional amounts;
- * if the Instruments are issued in connection with the acquisition of companies, participations in companies or parts of companies;
- * to the extent it is required in order to grant a subscription right to convertible bonds or option bonds or convertible participation rights or option participation rights or participation rights or profit participation bonds, to the holders or creditors of then outstanding option rights, convertible bonds and convertible participation rights, in the amount that they would be entitled to after exercise of their conversion or option right or after satisfaction of their conversion obligation;
- * to the extent Financial Instruments are issued against cash payment and the issue price does not, in the opinion of the Management Board formed on the basis of a duly conducted inquiry, fall significantly under the theoretical market price of the fractional bonds or fractional participation rights as determined by recognized financial mathematical methods. This authorization to exclusion of subscription rights exists, however, only with respect to partial bonds or partial participation rights with a conversion or option right or obligation to convert to shares, having a notional interest in the share capital of no more than 10 % of such share capital, neither at the time of this authorization becoming effective nor at the time of the exercise of such authorization. For the question of exhausting this 10 % limitation, the exclusion of participation or acquisition rights resulting from other authorizations must be observed, in direct or indirect application of § 186 para. 3 sentence 4 AktG.

If the instruments are issued by an Affiliate, then the Company must assure the granting of the legal subscription rights of the shareholders, whereby the subscription right can also be excluded in this case according to the above authorizations.

Further terms of the instruments. The Management Board is authorized, with the consent of the Supervisory Board, to determine the further details of the issuance and terms of the Instruments, in particular interest rate, issuance price, denomination, conversion or option price, conversion or option period, term and termination rights, or to determine such matters with the governing bodies of the Affiliates issuing the instruments.

c) Creation of conditional capital

The share capital of the Company is conditionally increased by up to EUR 558,472,700.00 (in words: five hundred and fifty eight million four hundred and seventy two thousand and seven hundred Euros) by issuance of up to 558,472,700 (in words: five hundred and fifty eight million four hundred and seventy two thousand and seven hundred) new non-par value registered shares. The conditional capital increase is made exclusively for the granting of non-par value registered shares to the holders or creditors of Finance Instruments that are issued pursuant to the above authorization under b), by no later than the end of February 10, 2019 by the Company or its Affiliates. The conditional capital increase also serves the issuance of non-par value registered shares to holders or creditors of convertible bonds or convertible participation rights that include conversion obligations, subject to the terms of the convertible bonds or convertible participation rights. The issuance of the new shares will be made at the conversion or option price set forth under b). The conditional capital increase shall only be implemented to the extent that use is made of these rights, or the holders or creditors fulfill their obligation to convert, and to the extent that no own shares or shares from authorized capital are provided to serve these rights or a cash compensation is granted. The new shares participate in the profits from the beginning of the business year in which they are issued through the exercise of conversion or option rights or through fulfillment of an obligation to convert; in derogation hereof, the Management Board may, with the consent of the Supervisory Board, determine that the new shares participate in the profits from the beginning of the business year for which, at the time of exercise of the conversion or option right or the fulfillment of the conversion obligation, no resolution of the Shareholders' Meeting regarding the use of net profits has yet been adopted. The Management Board is authorized, with the consent of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

d) Amendment of the Articles of Association

§ 4 para. 4 of the Articles of Association is amended as follows:

„(4) The share capital is conditionally increased by up to EUR 558,472,700.00 (in words: five hundred and fifty eight million four hundred and seventy two

thousand and seven hundred Euros) by issuing up to 558,472,700 (in words: five hundred and fifty eight million four hundred and seventy two thousand and seven hundred Euros) new non-par value registered shares (Conditional Capital 2014/I). The conditional capital increase will only be implemented to the extent that

- * the holders or creditors of conversion rights or option certificates which are attached to issued convertible or option bonds or convertible or option participation rights issued by the Company or its direct or indirect majority owned subsidiary, on the basis of the authorization resolution of the General Shareholders' Meeting of February 11, 2014, make use of their conversion or option rights by the end of February 10, 2019 or
- * those holders or creditors of convertible bonds or convertible participation rights issued by the Company or its direct or indirect majority owned subsidiary, on the basis of an authorization resolution of the General Shareholders' Meeting of February 11, 2014, who are obligated to convert such securities actually fulfill their obligation to convert by February 10, 2019 and
- * to the extent that no own shares or shares from authorized capital are provided to serve these option or conversion rights or if a compensation in cash is granted.

The new shares participate in the profits from the beginning of the business year in which they are issued through exercise of conversion or option rights or through fulfillment of the conversion obligation; in derogation hereof the Management Board may, with the consent of the Supervisory Board, determine that the new shares participate in the profits from the beginning of the business year for which, at the time of the exercise of the conversion or option rights or the fulfillment of the conversion obligation, no resolution of the Shareholders' Meeting about the use of the net profits has yet been adopted. The Management Board is authorized, with the consent of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.“

- e) The Supervisory Board is authorized to amend the wording of § 4 para. 1, para. 2 and para. 4 (amount and division of the share capital, Conditional Capital 2014/I) of the Articles of Association, in accordance with the relevant issuance of shares from the Conditional Capital 2014/I, as well as make all other changes in connection therewith that only concern the wording. The same applies in the case that the authorization to issue convertible or option bonds or convertible or option participation rights is not made use of after expiration of the period of authorization, as well as for the case that

the Conditional Capital 2014/I is not made use of after expiration of the period for the exercise of conversion and option rights.“

Reports of the Management Board

Report of the Management Board on agenda point 2

With respect to point 2 of the agenda, the Management Board has submitted the following report pursuant to § 203 para. 2 sent. 2 in conjunction with § 186 para. 4 sent. 2 AktG, the main content of which will be published as follows:

„The Management Board submits the following report concerning the proposed authorization for exclusion of subscription rights, pursuant to §§ 203 para. 2 sent. 2, 186 para. 4 sent. 2 AktG:

A. Background of the intended acquisition of E-Plus and description of the Transaction

I. Overview

The resolution proposed in agenda point 1 to the Extraordinary General Shareholders' Meeting on the direct cash capital increase by up to EUR 3.7 billion with the grant of the subscription right and the proposed authorization in agenda point 2 to increase the share capital by contribution in kind by up to EUR 475,000,000.00 with the exclusion of the subscription right of the shareholders will serve the purpose of financing and implementing the acquisition of the business activities of E-Plus Mobilfunk GmbH & Co. KG and the companies in which it holds an indirect or direct interest (such business activities "E-Plus" and this acquisition "Transaction").

In the course of the Transaction, Telefónica Deutschland Holding AG will acquire E-Plus from E-Plus Mobilfunk GmbH & Co. KG, an indirect subsidiary of Koninklijke KPN N.V. in exchange for (i) shares in the amount of 24.9 % of the increased share capital of Telefónica Deutschland Holding AG, after implementation of the Transaction (the "Increased Share Capital") and (ii) payment of EUR 3.7 billion (subject to any adjustments, see A.III.1.b)). E-Plus Mobilfunk GmbH & Co. KG will, immediately after the issuance of the new shares to be granted as consideration for the contribution of E-Plus, sell an equity stake amounting to 4.4 % of the Increased Share Capital of Telefónica Deutschland Holding AG to Telefónica S.A., for a purchase price of EUR 1.3 billion, and grant to Telefónica S.A. the option of acquiring from it up to a further 2.9 % of the Increased Share Capital of Telefónica Deutschland Holding AG in exchange for payment of up to EUR 510 million.

II. Background of the intended acquisition of E-Plus

1. Telefónica Deutschland Holding AG

a) Company name, share capital, shares and registered office

Telefónica Deutschland Holding AG ("**TDH AG**" or "**Company**"), having its registered office in Munich, is registered in the commercial register of the Local Court Munich under HRB 201055. The Company was created through a transformation of form of Telefónica Germany Verwaltungs GmbH. The change of legal form was registered with the commercial register on September 26, 2012. The business address of TDH AG is: Georg-Brauchle-Ring 23-25, 80992 Munich.

The share capital of the Company amounts to EUR 1,116,945,400.00 and is divided into the same number of non-par value shares. The shares issued by TDH AG are registered shares and, since October 30, 2012, have been traded on the Regulated Market of the Frankfurt Stock Exchange in the Prime Standard segment as well as on the Regulated Unofficial Market on the Berlin, Düsseldorf, Hamburg, Munich and Stuttgart Stock Exchanges. Since March 18, 2013, TDH AG has been part of the TecDax.

b) Shareholder structure

The largest shareholder of the Company is Telefónica S.A. ("**TEF SA**"), having its registered office in Madrid, Spain, which holds an (indirect) interest of 76.83% in TDH AG. TEF SA holds its interest through its 100-percent indirect subsidiary Telefónica Germany Holdings Limited, having its registered office in Slough, United Kingdom. The remaining shares are in free float.

c) Business object

The business object of the Company is as indicated in the articles of association of the Company ("**Articles of Association**"): to engage in Germany and abroad in the areas of telecommunications and information technology, multimedia, information and entertainment, mobile payment and other payment solutions, as well as the provision of distribution and brokerage services and any services connected or related with any of these areas, including the distribution of hardware and insurance solutions.

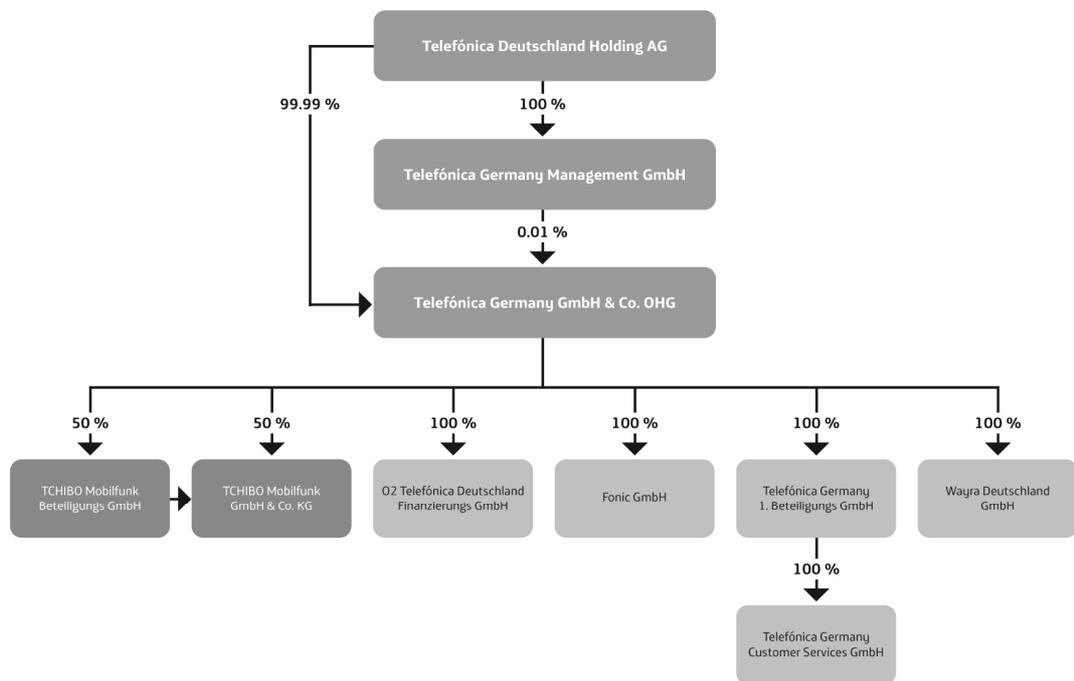
d) Group structure

TDH AG is a holding company. The operational business is conducted through its subsidiary Telefónica Germany GmbH & Co. OHG ("**O₂ OHG**") as well as the

companies in which it holds a direct or indirect interest (the latter together with TDH AG and O₂ OHG the "TDH Group").

The business object of O₂ OHG is the provision of national and cross-border telecommunications services of all types in Germany through fixed-line, mobile telecommunications and other networks, in particular the transmission of voice, data and pictures.

The following pictogram shows the main companies of the TDH Group:



e) Business activity of the TDH Group

The TDH Group offers mobile and fixed-line services, including telephony, data and value-added services to consumer and business customers. In addition, the TDH Group is one of the leading wholesale telecommunications service providers in Germany, offering access to its mobile and fixed-line infrastructure and service capabilities to its wholesale partners.

The TDH Group is the third largest integrated telecommunications provider in Germany by revenue (based on the 2012 revenue). As of September 30, 2013, TDH Group had 19.6 million mobile service customers (SIM cards).

aa) Network operator

The TDH group operates a Germany-wide mobile network under the technology standards 2G (Second Generation - Global Systems for Mobile Communications (GSM)), 3G (Third Generation - Universal Mobile Telecommunications System (UMTS)) and, most recently, 4G (Fourth Generation - Long Term Evolution (LTE)). With the 2G standard, TDH AG achieves a network coverage of 99 %, and with the 3G standard approximately 74 %, of the German population. The LTE standard currently covers large German cities such as Hamburg, Hannover, Berlin, Cologne, Düsseldorf, Leipzig, Dresden, Duisburg, Essen, Frankfurt, Nuremberg and Munich. The LTE network (Long Term Evolution Network) will be developed and expanded in the coming years in accordance with demand.

In addition, the TDH Group operates a nation-wide fixed-line network. A strategic partnership with Telekom Deutschland GmbH results in a fixed-line coverage of 95% and also allows the TDH Group to provide over 11 million households with highspeed DSL (Digital Subscriber Line) internet access and data transmission rates of up to 50 Mbit/s. It is intended to further expand the cooperation with Telekom Deutschland GmbH in fixed-line service.

bb) Distribution

The TDH Group markets its telecommunications services (telephony, SMS, MMS and innovative mobile data services) under a multi-brand strategy in order to access as many customer segments as possible. The majority of the post-paid and pre-paid mobile products, fixed-line products as well as bundled services, are marketed through the core premium brand O₂. Additional customer groups are accessed through secondary and partner brands as well as through wholesale channels. Secondary brands include the own or, respectively, fully controlled FONIC and netzclub brands, as well as brands held through joint ventures and strategic partnerships such as Tchibo Mobil. The TDH Group also markets high-speed internet access and fixed-line telephony (voice over IP) under the standards ADSL2+ (Asymmetric Digital Subscriber Line 2+) and VDSL (Very High Speed Digital Subscriber Line).

In the business customer segment, primarily home offices and small and medium-sized business customers are targeted through the O₂ brand, and large multinational corporations are targeted through the Telefónica Multinational Solutions brand.

In the wholesale business, the TDH Group offers mobile, fixed-line and value-added services to customers such as 1&1, mobilcom/debitel, Drillisch, Freenet, Versatel, Breko, M-Net, Unitymedia/KabelBW and, currently, still to Kabel Deutschland. In addition, there are cooperations with retailers such as Lidl and Kaufland. In the fixed-line business, the wholesale partners are provided with a number of ULL (unbundled local loop) services, including fixed-line telephony and high-speed internet services. In addition, value-added services such as billing services or the management of telephone numbers and SIP-Accounts (Session Initiation Protocol Accounts) are offered.

The TDH Group offers its products via a diversified distribution platform. The platform includes direct distribution channels such as self-operated and franchise shops, as well as online and telesales, and indirect sales channels via retail and e-retail businesses as well as cooperations with dealers.

In the O₂ My Handy-model, handsets can be acquired independently of a mobile phone contract, either by way of a one-time payment or a rent-to-own purchase with a down-payment and subsequent installment payments over twelve or 24 months.

cc) Employees

The TDH Group has a staff of close to 6,000, approximately 5,500 of which are permanent employees, among other locations, in Munich (main office), Berlin, Nuremberg, Bremen, Frankfurt, Hamburg, Cologne, Rostock and Teltow.

2. E-Plus Group

a) E-Plus Mobilfunk GmbH & Co. KG

aa) Name and registered office

E-Plus Mobilfunk GmbH & Co. KG ("EPM"), having its registered office in Düsseldorf, is registered with the commercial register of the Local Court Düsseldorf under HRA 19031. The business address of EPM is E-Plus-Straße 1, 40472 Düsseldorf.

bb) Shareholder structure and capital

EPM has a fixed capital of EUR 10 million. The partners of EPM are E-Plus Mobilfunk Geschäftsführungs GmbH ("E-Plus GF"), having its registered office in Düsseldorf, registered with the commercial register of the Local

Court Düsseldorf under HRB 39109, as sole general partner with a fixed capital interest of EUR 2.25 million and KPN Mobile Germany III B.V., having its registered office in The Hague, Netherlands, registered with the Kamer van Koophandel under KVK-number 27193954, as sole limited partner with a fixed capital interest of EUR 7.75 million. Both partners are indirect 100-percent subsidiaries of Koninklijke KPN N.V., The Hague, Netherlands ("**KPN**").

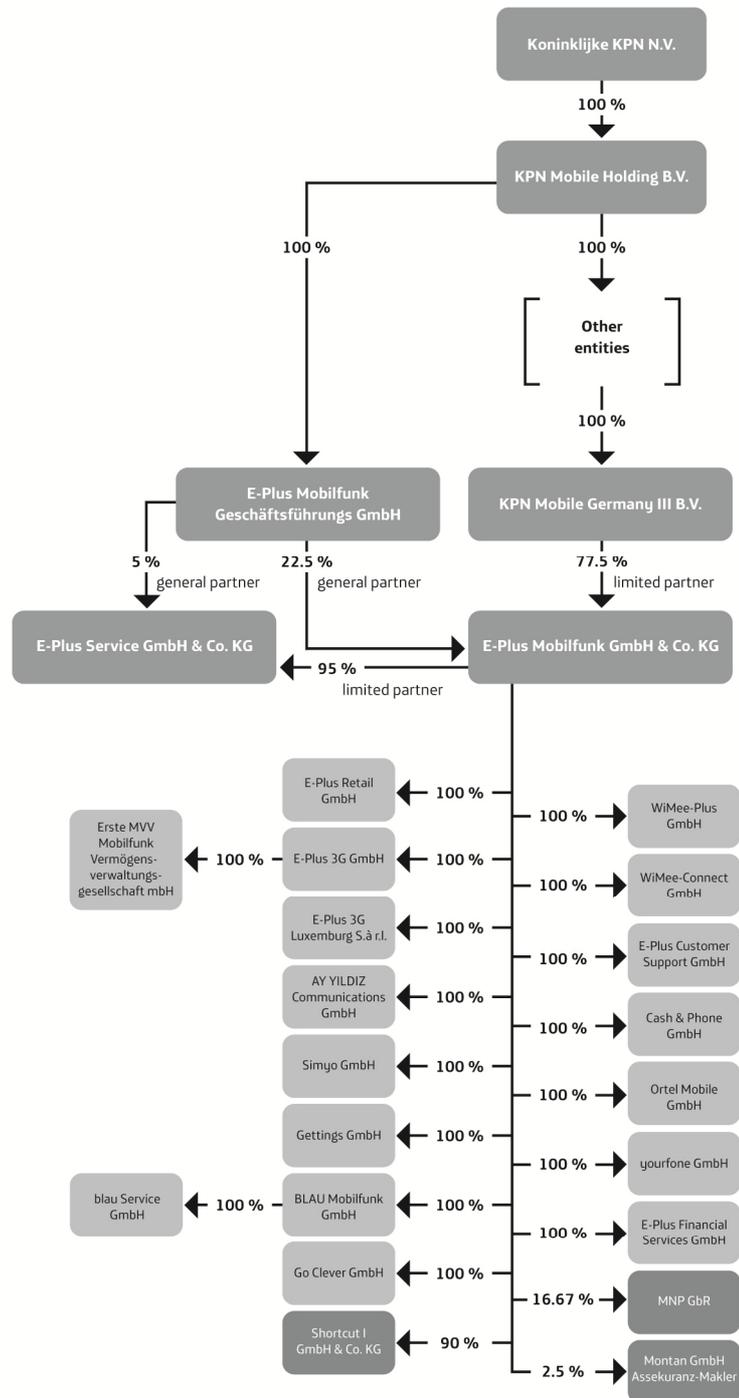
cc) Business object

The object of the business of EPM is the ownership and operation of telecommunications networks as well as the provision of services in the area of telecommunications, related consulting services and other services which support the business object, as well as the holding of interests in and management of other companies, in particular companies engaged directly or indirectly in the telecommunications sector.

dd) Group structure of the Original E-Plus Group

EPM and its general partner, E-Plus GF, at the time of conclusion of the contract on which the Transaction is based (July 23, 2013), held interests in a total of 21 further companies (EPM, E-Plus GF and the further companies together the "**Original E-Plus Group**").

The structure of the Original E-Plus Group on July 23, 2013 was as follows:



ee) Business activity and strategy of Original E-Plus Group

E-Plus, with its approximately 24.8 million mobile customers as of September 30, 2013, is the third largest mobile network operator by number of subscribers in Germany. In the 2012 business year, it had revenues of approximately EUR 3.2 billion. E-Plus offers a large spectrum of mobile telecommunication services and products in the area of voice telephony, messaging and mobile data services, in the form of pre-paid as well as post-paid services for consumer customers and business customers, and operates a nationwide mobile telecommunications network under the technology standards 2G (Second Generation - Global System for Mobile Communications (GSM)) and 3 G (Third Generation- Universal Mobile Telecommunications System (UMTS)). The mobile network consists of more than 18,000 physical sites. At the end of 2013, E-Plus will likely be able to offer its customers in Germany a network coverage of approximately 99% of the population under the GSM standard more than 80% under the UMTS standard. E-Plus has announced that it will commence commercial marketing of its Long Term Evolution (LTE) products in 2014. E-Plus does not offer any fixed-line telephony services.

E-Plus holds frequency usage rights within the 900, 1,800, 2,100, 2,600 and 3,500 MHz bands. Differing from the TDH Group, E-Plus does not have usage rights in the 800 MHz band, which is particularly suitable to cover wide areas with the Long Term Evolution (LTE) standard.

From a regulatory perspective, EPM bears responsibility for the operation of the mobile network as a network operator, and acts as the group parent of the Original E-Plus group.

E-Plus Service GmbH & Co. KG distributes and provides mobile services – and maintains the corresponding customer relationships – under the primary brand "BASE" (up to 2010 also "E-Plus"), while AY YILDIZ Communications GmbH, BLAU Mobilfunk GmbH, Ortel Mobile GmbH, simyo GmbH and yourfone GmbH distribute and provide mobile services under other brands, which are focused on specific target groups.

The mobile licences and the frequency usage rights of E-Plus are held by EPM, E-Plus 3G Luxemburg S.à r.l., Erste MVV Mobilfunk Vermögensverwaltungsgesellschaft mbH, WiMee-Connect GmbH and WiMee-Plus GmbH.

E-Plus Financial Services GmbH provides internal services for, among other areas, bookkeeping, claim collections and creditworthiness checks.

Shortcut I GmbH & Co. KG, 90% of whose capital is held by EPM, acts as an incubator investing in small and medium-sized companies in early phases, primarily in Europe, USA and Asia.

E-Plus' marketing activities concentrate on mobile telecommunication services under a multi-brand strategy. The multi-brand portfolio of E-Plus includes the brands BASE and E-Plus, as well as various other brands, including but not limited to a youth-focused brand (yourfone) and a no-frills (discount) brand (Blau). Wholesale partners of E-Plus include, in particular, MedionMobile (AldiTalk), ADAC, MTV and the Nature and Biodiversity Union of Germany (NABU). In comparison to the TDH Group, E-Plus earns a smaller part of its revenues with its primary brand and a larger part through its other brands and cooperations.

At the same time, the pre-paid segment is of a greater economic importance to E-Plus than to the TDH Group.

ff) Employees

As of June 30, 2013, the Original E-Plus Group had a staff of 4,268 employees, located in Düsseldorf (main office), Berlin, Munich, Hamburg, Frankfurt, Hannover, Ratingen, Potsdam and Essen, amongst others.

b) Restructuring of the Original E-Plus Group

In the agreement governing the Transaction (see section A.III.1 of this report), KPN agreed to restructure the Original E-Plus Group prior to the closing of the Transaction ("**Restructuring**"). It is intended to simplify the structure of the Original E-Plus Group, enabling TDH AG to acquire E-Plus unencumbered of tax liabilities attributable to previous periods and of obligations under shareholder loans. The main aspects of the Restructuring are as follows:

aa) Restructuring of E-Plus Service GmbH & Co. KG

The partners of E-Plus Service GmbH & Co. KG, having its registered office in Potsdam, registered with the commercial register of the Local Court Potsdam under HRA 2809 P ("**EPS**"), were, on July 23, 2013, E-Plus GF as general partner with a fixed capital interest of EUR 1,346.00 and EPM as limited partner with a fixed capital interest of EUR 25,564.00.

In order to make it possible for E-Plus GF to exit EPS while EPS continues to exist, EPM sold a negligible limited partner interest with a fixed capital interest of EUR 1.00 to a newly formed 100-percent subsidiary of EPM, E-Plus Services Treuhand GmbH, having its registered office in Düsseldorf, registered with the commercial register of the Local Court Düsseldorf under HRB 71346, which now holds such limited partner interest in trust for EPM. Subsequently, E-Plus GF transformed its general partner interest in EPS into a limited partner interest effective as of December 31, 2013, and EPM transformed its limited partner interest into a general partner interest effective as of December 31, 2013, respectively, without any change of the fixed capital interests. In a next step, E-Plus GF will transfer its interest in EPS to EPM by way of a spin-off under the German Transformation Act ("UmwG") (partial universal legal succession). E-Plus GF will thereby exit EPS. EPS will then continue to exist with EPM as the sole general partner with a fixed capital interest in the amount of EUR 26,909.00 and E-Plus Services Treuhand GmbH as sole limited partner with a fixed capital interest of EUR 1.00.

bb) Mergers of subsidiaries

In a further step, E-Plus Luxembourg 3G S.à r.l., a limited liability company established under the laws of Luxembourg, having its registered office in Luxembourg (City), Luxembourg, registered with Registre de Commerce et des Sociétés Luxembourg under B 75636, will be merged with its affiliate E-Plus 3G GmbH, having its registered office in Düsseldorf, registered with the commercial register of the Local Court Düsseldorf under HRB 38903, before the latter is in turn merged with its sole shareholder, EPM. As a result, an atypical silent partnership existing between E-Plus 3G Luxembourg S.à r.l. and E-Plus 3G GmbH will terminate.

cc) Formation of New E-Plus KG and spin-off

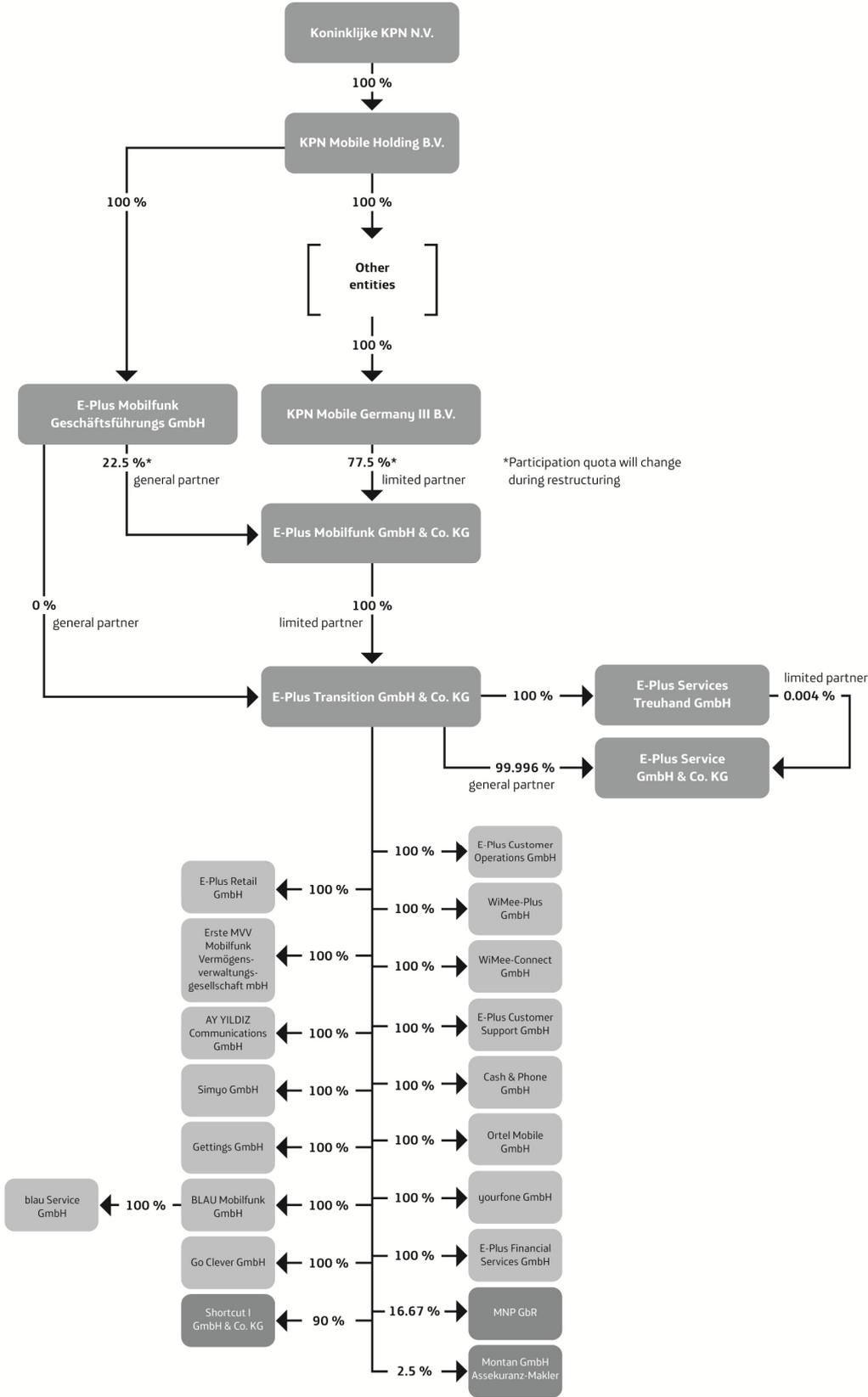
Furthermore, on November 28, 2013, EPM and E-Plus GF, adopted the partnership agreement to form a new limited partnership under the name "E-Plus Transition GmbH & Co. KG", having its registered seat in Düsseldorf ("**New E-Plus KG**"), and with E-Plus GF as sole general partner without a capital interest, as well as EPM as the sole limited partner with a fixed capital interest of EUR 25,000.00. On December 3, 2013, New E-Plus KG was registered with the commercial register of the Local Court Düsseldorf under HRA 22776.

By way of a spin-off under the German Transformation Act (partial universal legal succession), EPM will contribute all its assets, liabilities and contracts to New E-Plus KG except (i) all shareholder loans (including all accrued interest and costs) existing between EPM on one side and KPN and all companies affiliated with KPN on the other side, as well as (ii) all tax liabilities of EPM existing as of the spin-off date (regardless of whether they are due, assessed, contingent or will arise in the future).

The main purpose of the spin-off out of EPM is to leave EPM's extensive shareholder loan liabilities towards KPN and the companies in which KPN will hold a direct or indirect interest after completion of the Transaction (the "**Future KPN Group**") as well as EPM's tax risks with EPM, and thereby economically with KPN. In the event a claim is made against New E-Plus KG based on the statutory liability, pursuant to § 133 UmwG, for the obligations of the legal entity that is spinning-off, provisions have been included in the Purchase Agreement (see section A.III.1 of this report) to safeguard New E-Plus KG and TDH AG, in particular indemnities.

dd) Target structure after the Restructuring

After the completion of the Restructuring, the structure of the future E-Plus Group shall be as follows:



c) Separation of KPN and E-Plus

Prior to the contribution of New E-Plus KG into TDH AG, measures will be undertaken to separate New E-Plus KG and its affiliated companies (collectively "**Future E-Plus Group**") from the companies of the Future KPN Group: Debt existing between the two groups will be settled prior to the closing of the Transaction. Security that companies of the Future E-Plus Group have provided in favour of the companies of the Future KPN Group will be released. Further contractual relationships between the two groups will either be terminated (e.g. cash pooling agreement and the agreement on a management fee), divided up between the two groups (e.g. with respect to roaming services) or changed. For example, the companies of the Future E-Plus Group will exit from existing license, trademark and domain pooling contracts and alternative license agreements will be concluded – in part with and in part without compensation – for certain industrial property rights which the companies of the Future E-Plus Group will still require after the closing of the Transaction for their business operation. Contracts, for which the two groups have not or will not make any particular arrangement, in general will continue to apply without change with both sides being entitled to terminate these contracts on reasonable notice.

III. Description of Transaction

1. Contractual basis of the Transaction

On July 23, 2013, KPN, TDH AG, and TEF SA entered into a notarized agreement (Share Purchase Agreement), of which the subject matter is the acquisition of E-Plus by TDH AG. The *Share Purchase Agreement* was amended and supplemented on August 26, 2013, August 28, 2013 and December 5, 2013 (the *Share Purchase Agreement* in the amended and supplemented version the "**Purchase Agreement**").

a) Subject matter of purchase

The subject matter of the Purchase Agreement is the acquisition of E-Plus by TDH AG. That business shall - after the above described Restructuring (see A.II.2.b) - be operated in the Future E-Plus Group, i.e. New E-Plus KG and the companies in which it holds direct or indirect interests. For this purpose, EPM shall, as part of the closing of the Purchase Agreement, contribute its entire limited partner interest in New E-Plus KG (the "**New E-Plus KG Limited Partner Interest**") into TDH AG as a contribution in kind. At the same time, Telefónica Germany Management GmbH, having its registered office in Munich, registered with the commercial register of the Local Court Munich under HRB 109061, which is a direct 100 % subsidiary of TDH AG, will take over the

position as general partner of New E-Plus KG, while E-Plus GF will exit from New E-Plus KG without any compensation.

The transfer of the New E-Plus KG Limited Partner Interest as between the contracting parties will have economic effect as of January 1, 2014.

b) Consideration

As consideration for the contribution of the New E-Plus KG Limited Partner Interest, EPM will receive (i) a cash payment of EUR 3.7 billion, subject to an adjustment, among other things, in view of changes in the net financial liabilities, the working capital as of December 31, 2013, as well as certain payments which reduce the net worth of the Original E-Plus Group between December 31, 2013 and the date of contribution ("**Cash Consideration**"), and (ii) newly created shares in TDH AG corresponding to a 24.9 % share in the Increased Share Capital. It is stipulated in the Purchase Agreement that the Cash Consideration may not be financed through the incurrence of incremental debt from third party financing.

TEF SA and KPN have agreed that TEF SA (directly or indirectly) will acquire a part of the interest in TDH AG acquired by EPM in the course of the capital increase by contribution in kind, corresponding to 4.4 % of the Increased Share Capital, by payment of a purchase price of EUR 1.3 billion. Until their transfer, these shares shall be held by EPM in trust (directly or indirectly) for TEF SA.

TEF SA shall further receive the right to acquire from EPM, after one year, further shares in an amount of up to 2.9 % of the Increased Share Capital, for a purchase price of up to EUR 510 million (directly or indirectly).

c) Warranties and tax indemnifications

KPN makes warranties in the Purchase Agreement concerning the legal, tax and financial circumstances of E-Plus, including warranties as to the valid existence of the New E-Plus Limited Partner Interest and the corporate structure of New E-Plus KG, as well as concerning the accuracy of the consolidated financial statements of EPM as of December 31, 2012, the existence and extent of pension obligations and industrial property rights, as well as warranties relating to the IT infrastructure, compliance with data protection regulations, certain employment law circumstances, the existence of certain material contracts and the disclosure of court proceedings. The liability in connection with the abovementioned warranties is subject to restrictions, among other things maximum liability limits ranging between EUR 1.2 billion and EUR 8 billion.

KPN is further obligated to indemnify TDH AG against all taxes and tax ancillary obligations incurred by a company of the Future E-Plus Group for tax assessment and collection periods prior to January 1, 2014, as far as such taxes have not yet been paid prior to December 31, 2013. In exchange, TDH AG will indemnify the KPN Group (with the exception of the Original E-Plus Group) against all taxes owed by the Future E-Plus Group relating to periods as of January 1, 2014.

d) Non-competition clause

KPN has agreed for the entire Future KPN Group neither to engage in the mobile telecommunication sector in Germany nor to recruit employees of the Future E-Plus Group for a period of two years after the closing of the Purchase Agreement.

e) Consent of third parties and other closing conditions

The closing of the Purchase Agreement, among other things, depends on the clearance of the merger proposal by the relevant merger control authority and the consent of the General Shareholders' Meeting of KPN. The shareholders of KPN, in their Extraordinary General Shareholders' Meeting on October 2, 2013, granted the consent with the necessary majority. The merger control proceeding is currently pending before the European Commission. A final decision on the merger proposal will likely only be made after the Extraordinary General Shareholders' Meeting of the Company.

TDH AG is not obligated to close the Purchase Agreement if, prior to the July 21, 2014, material adverse changes arise with respect to E-Plus, which are defined in detail in the Purchase Agreement.

The Purchase Agreement provides for contractual penalties of EUR 50 million or EUR 100 million, to be paid by TDH AG if certain closing conditions (registration of the capital increases, merger control clearance) are not met. The Purchase Agreement in addition provides for contractual penalties to be paid by KPN, which however are no longer relevant due to lapse of time or satisfaction of the relevant closing condition.

If the closing conditions have not been met at the latest by March 1, 2015, or their satisfaction waived (as far as permissible), each party to the Purchase Agreement also has a right of rescission.

f) Acquisition restrictions imposed on KPN

In order to prevent possible tax disadvantages for the TDH Group, for a period of five years KPN is, among other things, prohibited from acquiring further shares in TDH AG directly or indirectly. Furthermore, during that period, KPN is subject to voting restrictions if the direct or indirect interest of KPN (together with the interests of affiliated parties, including shareholders of KPN whose percentage interest exceeds a certain amount) exceeds more than 22.6 % of the share capital in TDH AG.

g) Optimization

The parties to the Purchase Agreement have agreed that they will, if appropriate, adjust the Transaction structure set forth in the Purchase Agreement in order to achieve an optimization at a legal and tax level as well as with respect to Transaction costs and process reliability, as far as this is reasonable and can be expected of the parties.

2. Capital measures to implement the Purchase Agreement

As consideration for the acquisition of New E-Plus KG Limited Partner Interest, TDH AG shall pay the Cash Consideration as well as issue new shares of the Company to EPM. In the following section a), a description of how the Cash Consideration will be financed is provided. In section b), which follows thereafter, a description is provided of how the shares of the Company to be issued to EPM will be created.

a) Cash capital increase with subscription rights

TDH AG and KPN have agreed in the Purchase Agreement, that to finance the Cash Consideration, TDH AG will implement a cash capital increase with a grant of subscription rights with an emission volume (entire amount of all cash contributions) of up to EUR 3.7 billion. The Management Board and Supervisory Board will therefore propose to the Extraordinary General Shareholders' Meeting of the Company in agenda point 1 to adopt a resolution for such a cash capital increase. TEF SA has in the Purchase Agreement obligated itself to vote in favour of such a resolution proposal.

The resolution proposal in agenda point 1 provides for a minimum issuance price of EUR 1.00 per non-par value registered share in accordance with the statutory provisions. The Management Board must set the subscription price, i.e. the price at which the shareholders can subscribe for the new non-par value shares, with the consent of the Supervisory Board. Currently no information can be provided concerning the amount of the subscription price since it will primarily depend on

the price of the shares of the Company on the stock exchange and the market environment at the time of the implementation of the capital increase. The Company will ensure that there will be trading in subscription rights so that shareholders who do not wish to exercise their subscription right can sell it.

In connection with the capital increase, the shareholders will be granted the statutory subscription right. In the event that shareholders do not exercise their subscription right, arrangements have been made so that the capital increase can be placed in the capital markets in the amount necessary to finance the Cash Consideration. In the Purchase Agreement, TEF SA has agreed to ensure the full subscription of the cash capital increase either through TEF SA itself subscribing for shares not subscribed to by other shareholders in exercise of their subscription rights in excess of its own subscription rights, or by TEF SA causing third parties to subscribe for such shares. In this regard, the Company has received commitments from banks in which they agree to subscribe for up to 23.17% of the shares from the capital increase on terms usual in the market. In addition, prior to the offer of subscription for the shares to the shareholders, a precautionary private placement of shares can occur, which in the course of the subscription rights might otherwise not be placed.

The cash capital increase to be resolved by the Extraordinary General Shareholders' Meeting will only be implemented if the relevant merger control authorities have cleared the closing of the Transaction.

b) Creation of the Consideration Shares

aa) Authorized capital

It is intended that the new shares to be issued by TDH AG as consideration in connection with the closing of the Purchase Agreement ("**Consideration Shares**") will be created through a capital increase (using authorized capital) by contribution in kind. Technically a "mixed contribution in kind" is involved, where EPM also receives a consideration in cash, namely the Cash Consideration, in addition to the Consideration Shares.

The Company currently has an Authorized Capital 2012/I in the amount of EUR 558,472,700.00. Pursuant to § 4 para. 3 of the Articles of Association, the Management Board can, within the existing authorization, issue up to 558,472,700 shares in TDH AG in connection with capital increases by contribution in kind with the exclusion of subscription rights for the purpose of acquisitions (including indirect acquisitions) of companies, parts of companies, interests in other companies and other assets. The volume of the

Authorized Capital 2012/I will, however, in the opinion of the Management Board, probably not be sufficient in order to create the number of Consideration Shares to be issued. Therefore it is being proposed to the Extraordinary General Shareholders' Meeting in agenda point 2 that additional Authorized Capital 2014/I be created.

The new Authorized Capital 2014/I, upon the creation of which the Extraordinary General Shareholders' Meeting will need to resolve, authorizes the Management Board to increase the share capital of the Company by the end of February 10, 2016, with the consent of the Supervisory Board, by up to a total of EUR 475,000,000.00 by issuance of up to 475,000,000 new non-par value registered shares at an issuance price of EUR 1.00 per non-par value share in exchange for contributions in kind. The statutory subscription right of the shareholders will be excluded in the authorization resolution.

The Management Board will, in the course of the closing of the Transaction, decide with the consent of the Supervisory Board in which amount the respective Authorized Capital will be used in order to create the Consideration Shares to be issued to EPM.

Since the total amount of the Authorized Capital 2012/I and the Authorized Capital 2014/I in sum exceeds 50% of the share capital of the Company as of the date the resolution is adopted, the new Authorized Capital 2014/I can, against the background of § 202 para. 3 German Stock Corporation Act (*Aktiengesetz (AktG)*) ("**AktG**"), only be registered after the cash capital increase proposed to the Extraordinary General Shareholders' Meeting under agenda point 1 has been registered with the commercial register. The resolution proposal provides for such an instruction to the Management Board.

The Management Board currently expects that the amount of the share capital will, after implementation of the cash capital increase pursuant to agenda point 1, permit the registration of the Authorized Capital 2014/I. If, contrary to expectations, this should not be the case, the Management Board would not file for registration of the resolution in agenda point 2 of the Extraordinary General Shareholders' Meeting in accordance with the instructions contained in the resolution proposal. In this case – which in the current view of the Management Board is unlikely – the amount of the existing Authorized Capital 2012/I would, however, presumably be sufficient to create the number of Consideration Shares necessary for the closing of the Transaction.

bb) Direct resolution excluded

A resolution of the Extraordinary General Shareholders' Meeting on the direct increase of the share capital of the Company by contribution in kind (§ 183 AktG) for the purpose of acquiring E-Plus is not possible for legal reasons. The amount of the capital increase by contribution in kind, which is necessary in order that EPM acquires an interest of 24.9% in the Increased Share Capital of the Company, currently cannot be conclusively determined due to the preceding cash capital increase. It is therefore not possible to state the number of shares to be issued and the contribution in kind to be provided for them in the resolution. § 183 AktG, however, requires this stipulation in a direct resolution in the meaning of §§ 182 et seqq. AktG.

An interval in the timing of the resolutions on the cash capital increase and the capital increase by contribution in kind by way of two direct resolutions, i.e. a resolution on the capital increase by contribution in kind in connection with a further Extraordinary General Shareholders' Meeting to be called after implementation of the cash capital increase, would lead to a substantial delay of the closing of the Transaction. This would have financial disadvantages for the Company. In addition, the time interval would make the placement of the cash capital increase more difficult, since the contribution of E-Plus cannot occur directly after the implementation of the cash capital increase, since, after the implementation of the cash capital increase, a further General Shareholders' Meeting would have to be called and carried out to adopt the resolution on the direct capital increase by contribution in kind.

3. Closing of the Purchase Agreement

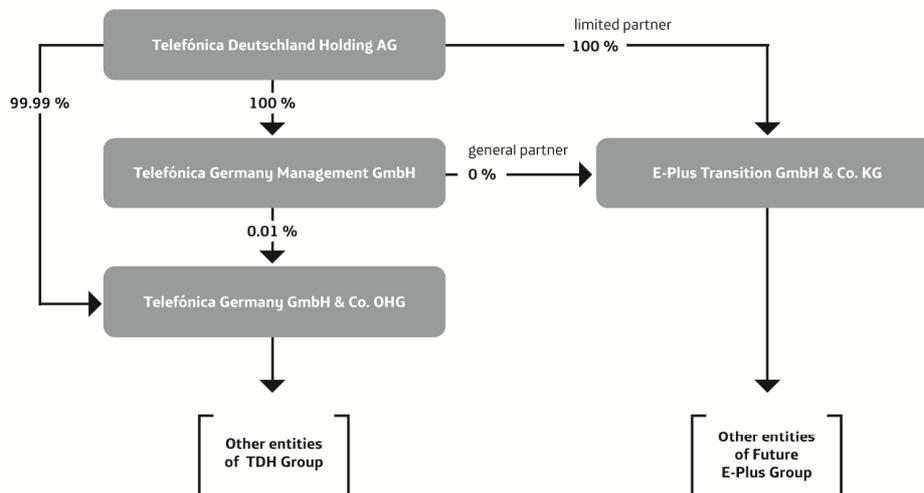
After satisfaction of all closing conditions (see above A.III.1.e)), EPM will subscribe for the Consideration Shares on the date stipulated in the Purchase Agreement ("**Closing Date**"). Then EPM will assign the New E-Plus KG Limited Partner Interest (together with all credit balances on accounts of the partners) to TDH AG to fulfill the contribution obligation for the Consideration Shares and TDH AG shall pay the Cash Consideration into a trust account. The assignment of the limited partner interest will be subject to the condition precedent of TDH AG being registered with the commercial register as a limited partner of New E-Plus KG by way of special legal succession.

Subsequently, E-Plus GF, EPM and Telefónica Germany Management GmbH will close the exit of E-Plus GF and the registration of Telefónica Germany Management GmbH as general partner of New E-Plus KG.

After the registration of TDH AG as limited partner with the commercial register, EPM can request the payment of the Cash Consideration from the trust account. The Consideration Shares are created upon the registration of the implementation of the capital increase by contribution in kind with the commercial register of TDH AG.

4. Target structure of the Transaction

After the implementation of the two capital increases, the Future E-Plus Group will be as follows:



5. Post-merger integration

Directly after the contribution of New E-Plus KG into TDH AG, New E-Plus KG (E-Plus Transition GmbH & Co. KG) will be a direct subsidiary of TDH AG. The general partner position will be exercised by Telefónica Germany Management GmbH, of which TDH AG is the shareholder. TDH AG is currently reviewing, under strategic, legal, tax and organizational aspects, whether and how this ownership structure should be changed and optimized after the closing of the Transaction. A possible target structure being discussed in this connection is that New E-Plus KG could, after completion of the post-merger integration, be a direct subsidiary of O₂ OHG in the legal form of a GmbH. A decision on the target structure and steps for its implementation has not yet been made.

6. Status and further time schedule

KPN has already begun with the Restructuring of the original E-Plus Group (see above A.II.2.b)) and will continue working on that.

After the adoption of the resolution of the Extraordinary General Shareholders' Meeting of the Company, the Management Board will initially wait for the merger control clearance for the Transaction. Thereafter, the Management Board will cause the implementation of the cash capital increase within the implementation and filing time limit. For this purpose, among other things, the publication of a securities prospectus is necessary, which will be followed by the two-week subscription period.

Together with the filing of the implementation of the cash capital increase, it is likely that the Authorized Capital 2014/I will also be filed for subsequent registration with the commercial register.

After these registrations have occurred and all other closing conditions are met, the Management Board will then, in connection with the closing of the Transaction, pass the resolution on the use of the then existing authorized capital, and implement the capital increase by contribution in kind. In particular, at the closing of the Transaction, the major steps described in A.III.3 shall be carried out.

The merger control clearance procedure is therefore crucial for the progress and timing of the Transaction. It is not yet possible to make an exact forecast when it will be granted. The current timetable for the Transaction is based on the premise that the implementation of the capital increases will be commenced in the second quarter of 2014.

IV. Financial and commercial background of the Transaction

1. Assessment of the German telecommunications market

In general, there continues to be intense competition in the German telecommunications market.

a) Mobile market

The German mobile market, with 114.3 million mobile accesses (i.e. SIM cards) at the end of September 2013, was the largest market within the European Union. In particular, the increasing range of offers of smartphones and smartphone tariffs is leading to a strong growth in mobile data transfers. In contrast, classic communications services such as telephony and SMS are on the decrease. Competition is increased through falling prices, regulation effects, and a substitution of classic communication services through other services (in

particular over-the-top (OTT)). The German mobile market is an established market with four mobile network operators. As of September 30, 2013, TDH Group, with approximately 19.6 million accesses, held a market share of approximately 17.1% in Germany. In 2012, TDH Group's market share, with approximately 19.3 million accesses, was approximately 17.0%. The German market share of E-Plus as of September 30, 2013 was approximately 21.7%, with approximately 24.8 million accesses. In 2012, such market share was about 20.7%, with approximately 23.4 million accesses.

There is strong competition from operators without their own network (service providers (SP), mobile virtual network operators (MVNOs) and branded resellers). Service providers and virtual network operators in Germany have a strong competitive position, which is different than in other countries in the European Union. Approximately 15% of the mobile retail market (based on the estimated turnover figures for 2013) is already in the hands of independent service providers and virtual network operators (MVNOs), such as the Freenet Group, Drillisch and 1&1.

b) Fixed-line broadband services

At the end of 2012, in Germany, a total of approximately 28 million broadband accesses were in operation. With a share of approximately 83%, DSL (Digital Subscriber Line) continues to be the dominant access technology, followed by broadband accesses of the cable network operators (approximately 15%). The largest DSL provider in Germany is Deutsche Telekom AG. The TDH Group and other significant players on the broadband internet market lease the unbundled loop lines (ULL) from Telekom Deutschland GmbH. In addition, the TDH Group signed a long-term agreement with Telekom Deutschland GmbH in 2012, which guarantees access to Telekom Deutschland's VDSL infrastructure (Very High Speed Digital Subscriber Line).

c) Outlook

The driving force behind the telecommunications market in Germany will continue to be a strong demand by customers for speed and quality, as well as seamless and permanent online connectivity for smartphones and other data-centric devices. The next generation of mobile data networks, based on the 4G (Long Term Evolution (LTE)) technology, is already a commercial reality in Germany. Deutsche Telekom, Vodafone and the TDH Group are currently each building their networks and are in different development phases. Since they have already made significant investments, Deutsche Telekom and Vodafone already

have a lead on the TDH Group. The Transaction should serve the purpose of reducing such lead.

2. Strategic and economic motivation for the Transaction

Through the Transaction, it will be possible for the TDH Group and the Future E-Plus Group (together the "**Extended TDH Group**") to reduce the lead that the two market leaders, Deutsche Telekom and Vodafone, have and to compete more strongly with them in particular in the high-value customer segment. The Transaction will likely lead to significant synergy effects (see in more detail below in B.II), the cash value of which has been determined in the amount of EUR 5.754 billion (see in more detail below under E.IV). These ultimately benefit the customer. The Extended TDH Group will, through the Transaction, be better positioned to cope with the investments in the network infrastructure which are necessary in view of the technological development and market conditions.

a) Expansion of the Long Term Evolution-Network

Through the Transaction, the TDH Group and E-Plus can make the necessary investments to build a comprehensive and competitive 4G (Fourth Generation – Long Term Evolution (LTE)) network more quickly and comprehensively as compared to stand-alone scenarios. The expansion is necessary in order to address the increasing use of data and remain generally competitive in the medium term. This applies in particular to the large investments that Deutsche Telekom and Vodafone have already made and are planning to make with regard to building out their respective LTE(Long Term Evolution) networks.

b) Customer benefits

Investments in the network quality are a condition for adequate service to customers who demand high speeds and quality. The total number of mobile users has, for the most part, remained stable in the past years. There is, however, a slight shift of customers from pre-paid offerings towards contract customers (post-paid customers). The share of postpaid customers among all mobile subscribers in Germany amounted to approximately 48.0% at the end of September 2013, as compared to approximately 46.74% at the end of end of 2012. At the same time, the market penetration with smartphones, as well as data volume, is growing. As a result, in sum, the high-value customer segment is growing. The Transaction creates the conditions for a better ability to serve this high-revenue customer segment.

In addition, the TDH Group can, through the Transaction, also strengthen its position in the low-price segments, since this segment will also benefit from the

improved network quality and a more target-specific differentiation within the multi-brand strategy will be possible.

Last but not least, the wholesale customers (service providers, virtual network operators (Mobile Virtual Network Operators (MVNOs)) and distribution partners with their own brand (Branded Resellers)) and their end-customers will profit from the improved network quality.

c) Fixed-line segment

Through the Transaction, new cross-selling potentials arise, since the extended customer group can access fixed-line services of the TDH Group in the future, while E-Plus at present does not serve that segment. For this purpose, a long-term cooperation with Telekom Deutschland GmbH will be used, which allows access to Telekom Deutschland GmbH's VDSL infrastructure (Very High Speed Digital Subscriber Line Infrastructure).

Furthermore, the improved network quality will make it easier to offer additional fixed-line substitutes in the form of stationary Long Term Evolution (LTE) products.

d) Competitive position and scale effects

Since the constantly increasing data volume imposes ever-growing demands on the network infrastructure and substantial investments must be made, the size and, therefore, the market share, are important for the ability to compete. Without the Transaction, the TDH Group would face size-related disadvantages. Through the Transaction, in addition to the two market leaders, a third market player is created who, with regard to the size and market share, has a better competitive position than before.

e) Synergies

Through the Transaction, the synergy potentials described under B.II. can be realized.

3. Strategic alternatives to the Transaction

The primary alternative would be the continuation of the stand-alone strategy pursued so far, whereas the scaling effects and synergies being pursued with the Transaction would not be achievable, and the targeted improvements of network quality would only be achievable to a lesser extent.

Theoretically, it would be possible to enter into network cooperations with another network operator. With respect to cooperations with the two market leaders (Deutsche Telekom and Vodafone), the TDH Group would have a worse negotiating position by sole virtue of the difference in size and the potential partners' head-start in investments. Due to this negotiating position, the TDH Group and its customers could therefore only very indirectly benefit from the further technological developments in the mobile segment. In the case of a purely contractual cooperation with E-Plus, very clear asymmetries would continue to exist, among other things through the differing frequency packages, infrastructure and strategy (in particular with respect to Long Term Evolution (LTE)), which could not be resolved by a mere cooperation. All of this makes network cooperations in the mobile area improbable.

V. Potential regulatory consequences of the Transaction for TDH AG

O₂ OHG and EPM act as telecommunications network operators and providers in Germany and are subject to regulation by the Federal Network Agency (*Bundesnetzagentur*). Furthermore, according to European and German regulations, the Transaction may only be closed after clearance by the relevant merger control authority.

1. Federal Network Agency

Certain individual steps in connection with the closing of the Transaction require the prior consent of the Federal Network Agency. Other measures must simply be notified to the Federal Network Agency. The Transaction as a whole will therefore be coordinated with the Federal Network Agency, and implemented on the agreed basis. Otherwise the Federal Network Agency could potentially revoke the telecommunications licenses or frequency use rights issued to the various companies of the Original E-Plus group. The Federal Network Agency will review, which of the frequencies issued to the TDH Group and the Original E-Plus Group, can still continue to be used after closing of the Transaction.

2. Merger Control Authority

The relevant merger control authority can subject its clearance decision to conditions or to the fulfillment of requirements, to the extent TDH AG offers such conditions or fulfillment of requirements to the relevant authority in order to obtain the clearance. Conditions precedent must be met before the Transaction can be closed. In the event of imposed requirements or conditions subsequent, the Transaction may already be closed before the fulfillment of the requirements or conditions subsequent. The imposed requirements or conditions subsequent must, in such case, be fulfilled after the closing, frequently within a time limit set by the public authority.

B. Interest of TDH AG in the exclusion of the subscription rights of the shareholders

I. Growth Strategy

Through the merger of the TDH Group with E-Plus, a forceful, integrated mobile network operator will be created in Germany, which has the potential, due to significant economies of scale, to compete in all segments with the incumbent market leaders. For customers, this means an expanded offering in high-quality products and in a higher quality network with more capacity. Furthermore, it will be possible to better serve the increasing demand for high-quality offerings, in particular in the area of data services. In addition, the creation of an extensive distribution network and an enlarged brand portfolio will be in the customers' interest.

II. Synergies

Through the Transaction, significant synergy potentials will be unlocked, which are described under the following numbers 1 through 4. These synergies will be realized in particular in the areas of distribution, customer service and network infrastructure. Additional effects will arise through the creation of additional revenue potentials as well as possibly in the areas of finance and tax. TDH AG expects to be able to realize these synergies through the following measures:

1. Synergies in the area of distribution and customer service

The combination of both distribution networks will increase efficiency in distribution and customer service, since the best practices of both companies and economies of scale can be used. Furthermore, a more efficient management of distribution channels and savings in overhead are possible. TDH AG assumes that the number of shops can be reduced, which will lead to rent and personnel cost savings, as well as to better conditions for sales commissions and bonuses. Through the strong, joint multi-brand positioning, TDH AG can increase the online distribution and thereby create further synergy potential. Furthermore, TDH AG assumes that the joint advertising and marketing budget can be reduced.

2. Network synergies

TDH AG intends, after completion of the Transaction, to pursue through the Extended TDH Group an agreed and nationally unified rollout strategy for the LTE network (Long Term Evolution Network). This will make a faster and more cost-efficient rollout of the LTE Network possible.

Moreover, it will be possible to achieve significant savings in the areas of the 2G (Second Generation - Global System for Mobile Communications (GSM)) and 3G

(Third Generation – Universal Mobile Telecommunications System (UMTS)) networks. This includes a consolidation of the backbone network, supply network and access networks, which will reduce the associated operating expenses. It is expected that the associated reduction of 14,000 base stations will lead to synergy effects, for example rentals, power, maintenance, and transport costs. Furthermore, through the business combination, it will be possible to make better use of the positively scalable transport agreement with Telekom Deutschland GmbH.

3. General and administration synergies

It is expected that the acquisition of E-Plus and its integration into the Extended TDH Group will lead to reduced general and administration expenses, due to process rationalisation and a continued focus on becoming a more lean and agile organization, among others in the areas of information technology, administration and office rent.

4. Revenue and other synergies

The Extended TDH Group intends, after completion of the Transaction, to take advantage of opportunities in the area of small and medium enterprises on the basis of a broader and higher quality platform and infrastructure and hereby generate increased revenues. Furthermore, the Extended TDH Group intends to utilise cross-selling potentials in the area of high speed fixed broadband due to an enlarged customer base.

III. Strengthening of the competitive position of TDH AG

Through the acquisition of E-Plus by TDH AG, a strong integrated provider in the German telecommunications market is created. On the basis of customer and turnover figures of the TDH Group and the Original E-Plus Group as of December 31, 2012, the Extended TDH Group would have had access to approximately 43 million mobile phone customers and aggregated revenues (prior to consolidation) of EUR 8.4 billion. This would have corresponded, as of December 31, 2012, to an aggregated share of the German mobile market (based on mobile phone customers) of approximately 37.7%.

The Transaction offers TDH AG a good starting position to compete effectively in the mid and long term, as the Transaction will create a third telecommunications services provider who is well situated – in addition to the two market leaders – to offer competitive and high-quality products and services to the large and steadily growing group of demanding and high-value customers. At the same time, the Extended TDH Group will be able to carry on the challenger role of the Original E-Plus Group in the low price segment.

In sum, the Extended TDH Group will profit from an improved competitive position, and will be perceived as an even stronger player in the German mobile market.

IV. Strengthening of the position of TDH AG in the capital markets and positive effects on the capital structure

The combination of the TDH Group with E-Plus will strengthen the position of TDH AG in the capital markets. While the free float of TDH AG will be nominally reduced from 23.2% to 17.4% in connection with the exclusion of subscription rights in connection with the capital increase by contribution in kind, the absolute number of shares in free float will increase through the cash capital increase and the capital increase by contribution in kind (in each case subject to other shifts in shareholdings). The increased market capitalization should have a positive influence on the trading volume and liquidity of the shares in TDH AG. Furthermore, the expected synergies of the Extended TDH Group could lead to an increased demand for the shares in TDH AG. Furthermore, due to its increased size as compared to the current TDH Group, the Extended TDH Group will represent an investment alternative to the current market leader in Germany, Deutsche Telekom AG.

From a debt capital market perspective, the combination of the TDH Group with E-Plus will improve relevant credit metrics for the Extended TDH Group, under otherwise identical conditions (*ceteris paribus*). The combined TDH AG will profit from increased OIBDA and cash generation capabilities. This reduces the Company's debt ratio and increases the difference vis à vis the target debt level that was communicated to the capital markets (ratio of net financial indebtedness to OIBDA < 1.0x). Through the cash capital increase and the capital increase by contribution in kind, the equity ratio will be strengthened in relation to the balance sheet amount.

Fitch Ratings positively rated TDH AG's Long-Term Issuer Default Rating (IDR) of "BBB", and confirmed the "stable outlook" of the rating, following the announcement of the Transaction, among other reasons due to the equity-financed structure of the Transaction and the expected stronger cash-flow.

TDH AG's first bond issuance from mid November 2013 also confirmed the positive view of many investors on TDH AG and its acquisition plans. The demand for the 5-year bond with a volume of EUR 600 million was significantly oversubscribed, which made it possible to reduce the credit spread in the course of the issuance process.

C. Appropriateness of the exclusion of subscription rights

The exclusion of subscription rights is appropriate, because the desired objective can be achieved by such exclusion. The financing of the acquisition by a combination of cash capital increase with subscription rights of the shareholders having an issuance volume of up to EUR 3.7 billion, as well as a capital increase by contribution in kind subject to

exclusion of subscription rights, is appropriate to achieve the goal of the Company to acquire E-Plus without the use of external debt financing.

D. Necessity of the exclusion of subscription rights

I. Alternatives to the planned capital increase by (mixed) contribution in kind

The exclusion of subscription rights is necessary if there is no alternative available or the exclusion of subscription rights is the best way to promote the goal being pursued by the Company.

The Management Board has thoroughly reviewed whether there are alternatives to the concept selected, and has determined that such alternatives are either not available or are not appropriate to achieve the company objective or have disadvantages as compared to the concept selected.

1. Acquisition exclusively for cash consideration

a) Complete financing by cash capital increase with subscription rights

The exclusion of subscription rights of the shareholders in connection with a contribution in kind could be avoided if the consideration to be paid by the Company were to be paid entirely in cash, and all means necessary to complete the Transaction were to be obtained by the cash capital increase subject to the subscription rights of the shareholders. For various reasons, this approach is, however, not feasible.

A cash consideration which is entirely in cash would have had the negative consequence for KPN that, in consideration of delivering E-Plus, it would not have indirectly obtained a minority interest in TDH AG, and therefore would not have been able to participate indirectly in the expected positive further development of E-Plus and the TDH Group in an attractive geographical market, and this circumstance was reflected in the negotiations of the Purchase Agreement. As a matter of fact, TDH AG would have had to, at least partially, pre-finance these expected further developments as part of the cash consideration.

Moreover, the entire consideration to be paid to KPN would have to have been obtained by means of a cash capital increase. This procedure would have only been beneficial to the shareholders if they were to make use of their subscription rights in order to avoid a dilution of their percentage interest in the Company. This would have required a significant contribution of capital for the shareholders.

If the shareholders had not been willing to do that, the cash capital increase would have to have been placed on the capital markets. This could have led to a placement volume that was unusually high in the current market environment and that the market might have only been willing to absorb on more difficult conditions. The cash capital increase required to raise the funds for the Cash Consideration will already be the second largest cash capital increase that a German stock company has carried out in the last five years.

TEF SA is, de facto, making an additional contribution in the agreed Transaction structure, in that it will, after issuance of the Consideration Shares, acquire a portion of these shares from EPM at a relatively high purchase price (directly or indirectly) (see above under A.III.1.b)). This contribution would not have been possible in this manner in the case of a purchase entirely for cash.

b) (Partial) external debt financing

Theoretically it would have been possible to pay in cash the portion of the consideration that is being paid in shares of TDH AG, and to obtain external debt financing in order to make such payment.

This alternative was excluded, because of the interest of KPN in having an indirect interest in TDH AG after closing of the Transaction, as already mentioned in D.I.1.

Moreover, the incurrence of external debt financing in the necessary amount would be adverse to the Company. The capital structure of the Company would be adversely changed and it would become significantly more difficult in the future to incur additional external indebtedness to finance investments necessary to maintain the competitive capacity of the Company. The ability to make such investments currently represents one of the success factors for companies in the telecommunications sector. Moreover, through the incurrence of a significant amount of third party financing, TDH AG would have possibly exceeded the target amount of indebtedness communicated to the capital markets.

2. Merger of E-Plus into TDH AG

A merger into TDH AG of the Future E-Plus Group parent company being acquired is not being considered, because this entity should continue to exist as an independent company for various operative, legal, and tax reasons. A merger would have therefore initially required further restructuring measures.

In any case, a merger would have had legal transaction risks. TDH AG would be the surviving Company in case of a merger. This would have the consequence that a

challenge of the merger resolution to be adopted by the general shareholders' meeting of TDH AG could also be supported on the basis that the exchange ratio of the shares would be too low, to the disadvantage of the shareholders of TDH AG, because the exclusion of the right to challenge contained in § 14 para. 2 UmwG would not apply in such case.

Moreover, in order to implement a merger, a much larger capital increase (with exclusion of the subscription rights of the shareholders) would be required in order to grant the shareholders of EPM an interest in the Company corresponding to the value of E-Plus. This is because, considering the value ratios of the parties (see below section E, in particular section E.IV), the merger ratio would have had to be 46 : 54. In the opinion of the Management Board, it would have also been difficult to obtain the consent of TEF SA as majority shareholder to such a reworking of the shareholder structure.

Moreover, the possibility would not have existed to pay to KPN (indirectly) the desired cash payment in the amount of EUR 3.7 billion, in addition to the interest in TDH AG, since § 68 para. 3 UmwG does not allow cash payment in that amount.

Finally, there were also tax reasons weighing against this supposed structuring alternative, due to the threat to the loss carry forwards at the level of TDH AG.

3. Spinning off of E-Plus to TDH AG

A spin-off of E-Plus to TDH AG is also not being considered. The same factors that are unfavorable to a merger apply in this case accordingly.

4. Acquisition of E-Plus by an affiliate of TDH AG

An acquisition of E-Plus by an affiliate of TDH AG, for example by O₂ OHG, rather than by TDH AG itself, was also not practicable.

a) Acquisition by an affiliate exclusively for cash consideration

An acquisition by an affiliate of TDH AG exclusively for cash consideration would have also been subject to the difficulties already described under D.I.1.a) and D.I.1.b).

b) Acquisition by an affiliate for cash consideration and grant of an equity interest

If KPN were to be granted a minority interest in the acquiring affiliate (e.g. in O₂ OHG) in addition to receiving cash consideration, this would have weakened the influence of TDH AG on future decisions on the operative level, since not only TDH AG, but also (indirectly) KPN, would hold an interest in O₂ OHG. More importantly, a (minority) interest of KPN in an affiliate of TDH AG would

not have been tradable on the capital markets. Only a contribution of E-Plus to TDH AG allows the issuance of tradeable securities as part of the consideration.

II. Effect on the shareholding structure of the capital increase against (mixed) contribution in kind

The intended capital increase against (mixed) contribution in kind by use of the existing authorized capital as well as the authorized capital to be resolved upon by the Extraordinary General Shareholders' Meeting, and the further sales of shares (regarding this see A.III.2.b) and A.III.1.b)) contemplated in the Purchase Agreement, lead to a change in the shareholder structure. The indirect interest of TEF SA initially decreases from a current 76.83% to approximately 62.1% and, in the event of a complete exercise of the purchase option (see A.III.1.b), it would again rise to approximately 65.0%. Through EPM (and indirectly KPN), the Company gains a further large shareholder, who initially holds 20.5% of the shares and, in the event of a complete exercise of the purchase option by TEF SA, would hold 17.6% of the shares in TDH AG. Due to contractual stipulations, KPN is not allowed to further increase its indirect interest. It was agreed in the Purchase Agreement that KPN may not obtain, directly or indirectly, further shares in TDH AG in the next five years.

In the interest of TDH AG and its shareholders, the Future KPN Group has been made subject to sales restrictions with respect to the Consideration Shares in the Purchase Agreement: Initially, a general prohibition on sales applies for 180 days as of the Closing Date. Thereafter, perpetual limitations on the sale of shares in TDH AG apply, pursuant to which the Future KPN Group may only sell limited volumes of such shares on the stock market, and a sale to competitors of the Company is prohibited. Transfers of the shares to the shareholders of KPN in the context of a dividend distribution are already permissible at the end of 45 days after the Closing Date.

E. Reasonableness of the issue price and reasonableness of performance and consideration

KPN will receive, through its indirect subsidiary EPM, the Cash Consideration (EUR 3.7 billion subject to a possible adjustment (see under A.III.1.b)) as well as an interest in the amount of 24.9% of the Increased Share Capital, as consideration for the contribution of the New E-Plus KG Limited Partner Interest. For the purpose of determining the reasonableness of performance and consideration, the Management Board of TDH AG appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt to determine the objectified business values of E-Plus and TDH AG, as well as the value of the synergies resulting from the Transaction, as an independent expert, and to prepare a valuation report ("Valuation

Report“). The valuation activity was carried out in compliance with Standard S 1 of the Institut der Wirtschaftsprüfer e.V. (IDW/ German Institute of Certified Public Accountants), ”Principles for the Execution of Business Valuations“, dated April 2, 2008 (**”IDW S 1“**).

The Management Board has thoroughly reviewed the Valuation Report and adopts the statements and results contained therein as its own, in particular the objectified business values of E-Plus and TDH AG, as well as the value of synergies and their allocation to E-Plus or TDH AG, as applicable. The Valuation Report is a constituent part of this report, is attached as an annex and will be published on the internet site of TDH AG as an annex to this report as of the day the Extraordinary General Shareholders’ Meeting is called.

The issue price for the Consideration Shares to be issued in connection with the use of the Authorized Capital 2014/I must correspond to the minimum issue amount of EUR 1.00 per share, as stipulated in the Purchase Agreement. This determination was an important consideration for KPN in the negotiations on the Purchase Agreement in light of the statutory compensatory liability (*Differenzhaftung*). Notwithstanding the setting of the issue price at EUR 1.00 per share, the reasonableness of the consideration (contribution in kind) must be assessed according to the economic value. This is indicated in the statements concerning the valuation of TDH AG and of E-Plus. The Management Board of TDH AG will, in addition, prior to using the authorized capital, obtain a fairness opinion which must comply with IDW Standard S 8 (”Principles for the provision of fairness opinions“). This is also stipulated in the Purchase Agreement, and supplements the valuation of the non-cash contribution required by law.

In the following, first the method of valuation (see I.) will be described and then the results of the valuations of E-Plus and TDH AG (see II. and III.), each on a stand-alone basis, as well as the results of the valuation of the synergies, and their allocation among TDH AG and E-Plus, resulting from the Transaction (see IV.), will be described.

I. Method of valuation

The value of a business can, in the framework of IDW S 1, be determined by either the discounted earnings method or the discounted cash flow method. Both methods are recognized in legal precedents and are basically equivalent. When using the same financing assumptions, they lead to identical results based on identical net income of the shareholders, since they share the same theoretical basis (capitalization of future benefits). The determination of the objectified business values of E-Plus and TDH AG was made on the basis of the discounted earnings method.

Pursuant to this valuation method, the present value of the financial surpluses generated by the operating assets of the business are determined first. Assets (including liabilities) that could be separated from the business and sold without impairing the pursuit of the business objective, are classified as non-operating assets of the business. The value of a business generally equals the sum of the present values of financial surpluses that can be derived from the operating and non-operating assets.

The forecasts of the relevant company are the starting point of any business valuation. These are first tested for plausibility on the basis of historical earnings and normalized by the elimination of exceptional effects. Subsequent to this detailed planning period (Phase I), the business planning of Phase I is carried forward with the sustainable growth rate in Phase II. The projected figures are then carried over into the expected net distributions to the shareholders, subject to taxes on earnings. The net distributions are then discounted to the valuation date, which is the day of the Extraordinary General Shareholders' Meeting (February 11, 2014). The discount rate consists in Phase I of the risk-free interest rate derived from the yield structure curve of the German Central Bank (*Deutsche Bundesbank*) for risk-free bonds, and the risk premium. The latter was calculated according to the Tax-CAPM-Model, by multiplying the beta factor of the enterprise being valued, which reflects the market risk of such enterprise, by the market risk premium. In addition, the possibility of the growth of the financial surpluses in Phase II is to be judged and to be considered from a valuation standpoint as a growth allowance in the discount rate.

II. E-Plus

In order to determine the cash value of the future surpluses, the forecasts of EPM for the financial years from 2014 to 2018 (Phase I) were tested for plausibility on the basis of an analysis of historical results of the years 2011 and 2012, as well as the forecast for 2013 ("Past Results EPM"). In this way, the forecasts and Past Results EPM were cleared of exceptional and non-recurring items (normalized). In this way the forecasted EBITs for Phase I were determined. For the subsequent Phase II (so called "perpetual annuity"), the forecasted results of the last year of Phase I were carried over, adjusted by a sustainable growth rate as well as a reinvestment rate (which corresponds to depreciation in the time period of the perpetual annuity). Interest income and expenses were determined on the basis of a separate financial planning. In connection with the determination of the business value, it has to be assumed that the planned financial surpluses according to the plans will be distributed, to the extent no prohibitions against distribution apply pursuant to commercial law. The resulting interest of the perpetual annuity was adapted to the assumed financing structure. The forecasted EBIT values were carried over, taking into account the income taxes of EPM and its shareholders, into the expected net distributions to the shareholders.

The future financial surpluses were to be discounted with the discount rate on the technical valuation date (December 31, 2013), and then capitalized to the valuation date (February 11, 2014).

On the basis of the discounted earnings method, an objectified business value of E-Plus in the amount of EUR 5.946 billion, as of the valuation date, was determined.

The business value determined by the discounted earnings method was reviewed for plausibility on the basis of multiples. Taking into account net indebtedness, a range of the business value between EUR 3.662 billion and EUR 7.895 billion was determined using EBITDA multiples (trading multiples), and a range of business values between EUR 4.146 billion and EUR 10.421 billion was determined using transaction multiples. The business value determined according to the discounted earnings method lies within this range.

III. TDH AG

In order to determine the cash value of the future surpluses, the forecasts of TDH AG for the financial years from 2014 to 2018 (Phase I) were tested for plausibility on the basis of an analysis of historical results of the years 2011 and 2012, as well as the forecast for 2013 ("**Past Results TDH AG**"). In this way, the forecasts and Past Results TDH AG were cleared of exceptional and non-recurring items (normalized). In this way the forecasted EBITs for Phase I were determined. For the subsequent Phase II (so called "perpetual annuity"), the forecasted results of the last year of Phase I were carried over, adjusted by a sustainable growth rate as well as a reinvestment rate (which corresponds to depreciation in the time period of the perpetual annuity). Interest income and expenses were determined on the basis of a separate financial planning. In connection with the determination of the business value, it has to be assumed that the planned financial surpluses according to the plans will be distributed, to the extent no prohibitions against distribution apply pursuant to commercial law. The resulting interest of the perpetual annuity was adapted to the assumed financing structure. The forecasted EBIT values were carried over, taking into account the income taxes of TDH AG and its shareholders, into the expected net distributions to the shareholders.

The future financial surpluses were to be discounted with the discount rate on the technical valuation date (December 31, 2013), and then capitalized to the valuation date (February 11, 2014).

On the basis of the discounted earnings method, a business value of TDH AG in the amount of EUR 7.059 billion, as of the valuation date, was determined.

The business value determined by the discounted earnings method was reviewed for plausibility on the basis of multiples. Taking into account net debt, a range of business

values between EUR 4.361 billion and EUR 7.756 billion was determined using EBITDA multiples (trading multiples), and taking into account net debt, a range of business values between EUR 4.978 billion and EUR 10.254 billion was determined using transaction multiples. The business value determined according to the discounted earnings method lies within this range.

For the plausibility test, the market capitalization of TDH AG in the three month period before announcement of the Transaction (April 23, 2013 to July 22, 2013) (“**Reference Period**“) was determined. On the basis of the volume-weighted average trading price (EUR 5.67) during the Reference Period, the market value of TDH AG is EUR 6.333 billion. Using the lowest and highest trading prices, the range of the market value of the Company during the Reference Period is between EUR 5.864 billion and EUR 6.936 billion.

IV. Synergies

The valuation of the synergies is based on the synergy planning of the Management Board of TDH AG, which expects synergies in the areas of distribution, customer service, network infrastructure and operations as well as further areas (see above under B.II). Only synergies that will be realized on the level of Extended TDH Group were considered. Potential synergy effects within the wider group of TEF SA were excluded. The synergy planning was tested for plausibility. In valuing the planned synergies, the discounted earnings method was used. In connection with determining the capitalized earnings value it was assumed, that the measure underlying the evaluation occasion has already occurred. That way this is a valuation of real synergies. In this context, the additional net proceeds to the shareholders resulting from the future realization of the synergies on the basis of the forecasted results after taxes, were applied. The discount rate used for the discounting consists of the weighted average of the discount rate used in the valuation of TDH AG and E-Plus, plus an additional risk premium, in order to take into account the special risks of the planned synergies.

Thereby, an earnings value of the synergies, as per February 11, 2014, was calculated to be in an amount of EUR 5.754 billion.

A definitive allocation of the individual synergies to E-Plus or TDH AG, as the case may be, was not and is not possible, since the information that would be necessary for such allocation may currently not be made available by E-Plus due to restrictions of competition laws. For that reason, the entire value of the synergies had to be divided at a flat rate among E-Plus and TDH AG.

For this procedure, the proportion of the stand-alone business values determined in the course of the valuations was used. This method of allocation of the synergies is based

on the assumption that the planned synergies can be realized in relation to the future earnings that the two businesses will contribute to the entire business. The distribution of the earnings value of the synergies was made according to a ratio of the business values of 46 : 54, determined on a stand-alone basis according to IDW S 1. Based on this, a business value on the valuation date in the amount of EUR 8.577 billion was determined for E-Plus, and a business value on the valuation date in the amount of EUR 10.182 billion was determined for TDH AG, in each case by pro rata allocation of the synergies.

In addition, the limit price that TDH AG may pay for the acquisition of E-Plus was calculated. For this purpose, the earnings value of the synergies was completely allocated to the business value of E-Plus. This results in an enterprise value of E-Plus, from the perspective of TDH AG, of EUR 11.700 billion.

The use of real synergies in connection with the valuation complies with the valuation standard IDW RS HFA 10 for the valuation of shareholdings for accounting purposes. This standard will also be applied in connection with the capital increase by contribution in kind by the court-appointed appraiser of the capital increase by contribution in kind (§ 183 para. 3 AktG).

V. Summary

The objectified business value determined according to IDW S 1 on a stand-alone basis, i.e. without consideration of the planned synergies determined by the Management Board of TDH AG, which can first be realized through the Transaction, amounts to EUR 5.946 billion for E-Plus and EUR 7.059 billion for TDH AG. The capitalized earnings value of the synergies amounts to EUR 5.754 billion. This results in a capitalized earnings value of TDH AG, after closing of the acquisition of E-Plus, of EUR 18.759 billion.

The consideration to be paid to EPM for the contribution of E-Plus has a value of EUR 8.371 billion (cash consideration in an amount of EUR 3.7 billion plus EUR 4.671 billion; the latter sum corresponds to 24.9% of the capitalized earnings value of TDH AG after completion of the acquisition and thereby represents the value of the interest of 24.9% in the Increased Share Capital).

The earnings value of E-Plus, including proportionally allocated synergies, amounts to EUR 8.577 billion, and thereby lies above the value of the consideration to be paid by TDH AG. The limit price for the acquisition of E-Plus amounts to EUR 11.700 billion and, therefore, significantly exceeds the value of the consideration to be paid by TDH AG (EUR 8.371 billion).

The Management Board is convinced, after duly conducted review, that the performance by EPM, i.e. the value of E-Plus, on the one hand, and the consideration to be paid by the Company (Cash Consideration and Consideration Shares), on the other, are in reasonable proportion to each other.

F. Proportionality of the exclusion of subscription rights

The exclusion of subscription rights of the shareholders in the resolution on the authorization of the Management Board to increase the share capital by up to EUR 475,000,000.00 by the issuance of up to 475,000,000 new non-par value shares against contribution in kind, is proportional:

I. No economic dilution

The value of the interest of the shareholders in TDH AG will not be economically diluted since the relationship between performance and consideration is reasonable. TDH AG is receiving a value through the contribution of E-Plus, which is at least as high as the value of the Consideration Shares plus the Cash Consideration to be paid and therefore represents a reasonable consideration. The economic value of the interests of the current shareholders will not be diluted in the course of the planned capital increase from the authorized capital by contribution in kind.

II. Overriding interest of TDH AG in the acquisition of New E-Plus KG Limited Partner Interest

The exclusion of subscription rights in connection with the capital increase against contribution in kind, made possible by the Authorized Capital 2014/I, will necessarily lead to a dilution of the percentage interest of the shareholders of TDH AG. This dilution of the percentage interest, however, stands in a reasonable proportion to the interest of the Company in the purpose being pursued through the acquisition of E-Plus, and is therefore justified.

G. Summary

The exclusion of subscription rights is appropriate and necessary to achieve the purpose being pursued, and reasonable, since the value of the (indirect) performance (E-Plus) to be brought by KPN amounts to at least as much as the consideration to be paid by TDH AG (Cash Consideration and 24.9% interest in the Increased Share Capital).

Taking this into consideration, the interest of TDH AG in the acquisition of E-Plus justifies the dilution of the percentage interest of the shareholders resulting from the exclusion of subscription rights.“

Report of the Management Board on agenda point 3

With respect to point 3 of the agenda, the Management Board has submitted a report pursuant to § 221 para. 4 sent. 2 in conjunction with § 186 para. 4 sent. 2 AktG, the main content of which is published as follows:

„The Management Board submits the following report concerning the proposed authorization for exclusion of subscription rights, pursuant to §§ 221 para. 4 sent. 2, 186 para. 4 sent. 2 AktG:

The authorization proposed in agenda point 3 replaces the authorization for the issuance of convertible bonds, option bonds, participation rights and/or profit-participating bonds, as well as combinations of these Instruments, granted by the General Shareholders' Meeting on October 5, 2012. From the point of view of the Company, the authorization from October 5, 2012 does not sufficiently assure the desired legal certainty. For that reason, the old, still unused authorization should be cancelled and replaced with a new authorization. The core aspects of the authorization from October 5, 2012 remain unchanged, in particular the number of the option and conversion rights, and thereby the scope of the conditional capital increase, as well as the term of the options or the participation right capital. The same applies in significant part to the guidelines for the conversion or subscription price of the shares.

The proposed authorization under agenda point 3 for the issuance of convertible and/or option bonds, convertible and/or option participation rights and/or profit-participating bonds, as well as combinations of these Instruments, puts the Company in a position to also obtain capital by the issuance of bonds, as well as participation rights, which are endowed with option or conversion rights for shares in the Company. At the same time it should also be possible to issue conversion bonds, as well as conversion option rights, which are endowed with conversion obligations for shares of the Company. Furthermore, the Company should also be enabled to issue participation rights or profit-participating bonds. Convertible bonds, option bonds, convertible participation rights and/or option participation rights are hereinafter also referred to as "Financial Instruments". Financial Instruments, participation rights and/or profit participating-bonds are also hereinafter referred to as "Instruments".

The Company should have a high level of flexibility in its financing by being able to issue Instruments. In order to be able to make optimal use of this flexibility in the interest of the Company, the Management Board should be authorized to exclude, with the consent of the Supervisory Board, the subscription rights of the shareholders with respect to the Instruments in certain cases. The proposed authorizations to exclude subscription rights are in the interest of the Company, are necessary, appropriate and reasonable. In detail:

1. Authorization to exclude subscription rights in connection with fractional amounts

First the Management Board is authorized to exclude, with the consent of the Supervisory Board, fractional amounts that result from the subscription ratio, from the subscription rights of the shareholders. The authorization to exclude subscription rights with respect to fractional amounts allows the issuance of Instruments, while maintaining a practical subscription ratio, and thereby simplifies the settlement of the subscription rights of the shareholders.

2. Authorization to exclude subscription rights in connection with the acquisition of companies, etc.

An exclusion of the subscription right should also be possible when the Instruments are issued in connection with the acquisition of companies, interests in companies, or parts of companies. The Company should thereby be put in the position to use loans granted by the seller to finance the purchase price, and also to structure such loans as Instruments. If the relevant lenders are promised convertible or option rights for shares of the Company, or the participation in future profits of the Company in connection with participation rights or profit-participating bonds, it is frequently possible to obtain a lower interest rate than in the case of loans or bonds without this additional feature. Furthermore, the authorization to exclusion of subscription rights gives the Company in these cases the possibility to grant the seller an interest in the Company that is subject to a delay. This can lead to a reduction of the purchase price in our experience, because the seller obtains the possibility of participating in the success of the Company.

Furthermore, in this manner, co-operations that are part of the purpose of the acquisition can be first financially underpinned and then underpinned on a corporate law level. Conversion and option rights linked to Financial Instruments which are issued against contributions in kind may not be satisfied out of the conditional capital, according to the prevailing opinion. If this opinion is adhered to, then either a use of treasury shares or a capital increase by contribution in kind is required for this purpose. In the latter case, the claims out of the Financial Instrument are to be contributed as a contribution in kind, in which case the impairment test should include an assessment of whether such claims have full value. If the precedent issued by the Munich High Regional Court is followed (OLG München Az. 31 Wx 312/13, decision of September 19, 2013, printed, among other places, in ZIP 2013, page 1913), the conditional capital can also be used if the Financial Instruments were issued against contributions in kind. The authorization can also be made useful if the seller reinvests a portion of the purchase price in Financial Instruments, in particular those with conversion rights. In this case the procedure will be disclosed to the Registry Court, and a review will be conducted, both of the original transaction that constituted the source of the funds used to acquire the

Financial Instruments, as well as of the value of the claims out of the Financial Instruments.

3. Authorization to exclude subscription rights in connection with option and conversion rights already issued for dilution protection purposes

Furthermore, the Management Board is authorized to also exclude, with the consent of the Supervisory Board, subscription rights to the extent it would be necessary to grant to the holders or creditors of then outstanding option rights, convertible bonds and convertible participation rights, a subscription right for Instruments in an amount that they would be entitled to after exercise of the conversion or option rights, as well as after fulfilment of the conversion obligation. This further authorization of the Management Board to exclude, with consent of the Supervisory Board, the subscription rights in order to grant a dilution protection to the holders or creditors of the Financial Instruments already issued by the Company, is based on the following considerations:

The holders or creditors of the Financial Instruments to be issued by the Company or one of its affiliates are usually granted a dilution protection when the Company raises its share capital, subject to the grant of subscription rights to its shareholders, during the conversion or option period, or increases the share capital out of the Company's own means or issues further Instruments or grants other option rights. In capital markets practice, the dilution protection is granted either through adjustment of the conversion or option conditions (payment of a compensation in cash, reduction of any additional amount, as well as adjustment of the exchange ratio), or by the granting of subscription rights on the new Instruments. The Management Board, with consent of the Supervisory Board, determines which of the two possibilities is appropriate shortly before use of the authorization to issue further Instruments.

In order not to be limited to the first alternative from the beginning (payment of a compensation in cash, reduction of any additional amount, as well as adjustment of the exchange ratio), the Management Board should be authorized to exclude the subscription rights of the shareholders on the new Instruments, with consent of the Supervisory Board, to the extent it is necessary to grant holders of already issued Financial Instruments a subscription right in the scope that they would be entitled to, if they had made use of their exchange or option rights before the issuance of the new Instruments. The new Instruments to be issued to holders of Financial Instruments subject to exclusion of subscription rights will be issued to them on the same conditions as they are offered to shareholders of the Company for subscription.

4. Authorization to exclude subscription rights under §186 para. 3 sent. 4 AktG, by analogy

The subscription right can also be excluded by the Management Board, with the consent of the Supervisory Board, as long as the relevant issuance of Financial Instruments is made at a price that is not significantly less than their theoretical market value. Through such exclusion of subscription rights, the Company is enabled to take advantage of favourable capital market situations on short notice, and to issue the Financial Instruments in a private placement or a public offering. Through this mechanism of exclusion of subscription rights, the interests of the shareholders are maintained.

The volume of shares to be issued in connection with the exercise of the conversion or option rights of Financial Instruments issued under exclusion of the subscription rights, is limited to 10 % of the share capital of the Company, whereas the lesser of the following two amounts is to be applied: the nominal amount of share capital at the time the authorization becomes effective, or the nominal amount of the share capital at the time of the exercise of the authorization. The following are offset against the total amount: (i) those shares out of the authorised capital, and subscription or conversion rights due to other authorisations, issued or disposed of during the term of this authorisation under exclusion of the subscription right in accordance with § 186 para. 3 sent. 4 AktG or with corresponding application of this rule, as well as (ii) those shares that were acquired subject to the exclusion of shareholders' disposal rights in corresponding application of § 186 para. 3 sent. 4 AktG. Thereby the shareholders are protected from a dilution of their percentage ownership interest.

The shareholders are protected from an economic dilution of their shareholding, since the Financial Instruments are issued at a price that is not significantly lower than their theoretical market value. In order to satisfy these requirements, the Management Board will determine the market value of the Financial Instruments with due care, if necessary by engaging an investment bank or auditing firm for such purpose. The Management Board will keep the discount from the market value as small as possible when setting its price, under consideration of the relevant situation in the capital markets. Because the authorization requires that the issue price determined not be significantly lower than the determined market value, the value of the (excluded) subscription right tends to be approximately zero, i.e. the shareholders do not experience any economic disadvantage through the exclusion of subscription rights, especially because they can maintain their percentage ownership interest through the additional purchase of shares on the stock exchanges. Independent of the review by the Management Board, a market appropriate determination of the conditions resulting in the avoidance of a significant dilution of value can be made through the implementation of a book-building process. In this procedure, the Instruments will not be offered at a fixed issue price; rather the issue price, or as the case may be the individual conditions of the Instruments such as interest

and conversion or option price, will be determined on the basis of the indications of interest to purchase submitted by investors. In this manner, the total value of the Instruments will be determined close to the market rate.“

Documentation

The reports of the Management Board on agenda point 2 and agenda point 3 can be accessed on the internet at www.telefonica.de under Investor Relations/EGM after the invitation to the General Shareholders' Meeting.

These documents are also available for inspection by the shareholders at the registered offices of the Company, Telefónica Deutschland Holding AG, Georg-Brauchle-Ring 23 – 25, 80992 Munich. As a special service, the Company will forward the above documents upon request to the shareholders. Such request has to be addressed to: Telefónica Deutschland Holding AG, c/o Haubrok Corporate Events GmbH, Landshuter Allee 10, 80637 München, Deutschland, E-Mail-address: unterlagen@haubrok-ce.de, Telefax: +49-(0)89-210 27 298. Please note that the statutory obligation in this regard is fulfilled by making these documents available on the Company's internet website.

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 §§ 121 et seq. AktG and §§ 23 and 25 of the Articles of Association. Those shareholders who are registered in the shareholders' register on the date of the registration 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) CET (Central European Time) on February 4, 2014:

Telefónica Deutschland Holding AG
c/o Haubrok Corporate Events GmbH

Landshuter Allee 10
80637 München
Deutschland
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 § 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 CET on February 5, 2014 until 24:00 CET on February 11, 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 (§ 126b of the German Civil Code (BGB)); § 135 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 München
Deutschland
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/EGM.

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 § 125 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/EGM.

Requests or election proposal from shareholders

Pursuant to § 122 para. 2 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) 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), i.e. by no later than 24:00 (midnight) CET on January 11, 2014.

Pursuant to § 126 para. 1 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 § 126 paras. 1 and 2 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), i.e. by no later than 24:00 (midnight) CET on January 27, 2014.

Moreover, any shareholder may propose election of members of the Supervisory Board and auditors subject to the provisions of § 127 AktG. Election proposals must be made available on the website subject to the provisions of §§ 127 and 126 para. 1 and para. 2 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), i.e. by no later than 24:00 (midnight) CET on January 27, 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 München
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 §§ 122 para. 2, 126 para. 1 and 127 AktG is available to shareholders at www.telefonica.de under Investor Relations/EGM. 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 § 121 para. 3, sent. 3, no. 3 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 point on the agenda. More information on the rights to obtain information pursuant to § 131 para. 1 AktG is available to shareholders at www.telefonica.de under Investor Relations/EGM.

Information on the Company's website

All information required to be published pursuant to § 124a AktG is available at www.telefonica.de under Investor Relations/EGM.

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:

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

Munich, December 2013

Telefónica Deutschland Holding AG

The Management Board