Telefónica Deutschland Holding AG

Interim Group Report

for the period 1 January to 30 June 2023

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The figures in the following have been rounded in accordance with established commercial practice. Therefore, recalculations may slightly differ from the totals shown in the tables. We also advise that absolute amounts smaller than EUR 500,000 are stated either as "0" or "(0)", depending on whether a plus or minus sign appears before it. A nil notification using "-" is indicated for items that do not have a value.

Interim Group Management Report

for the period 1 January to 30 June 2023

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Telefónica Deutschland Group at a Glance

T 01 – FINANCIAL OVERVIEW

1 January to 30 June (in EUR million)	2023	2022	% Change
Revenues	**4,192**	**3,949**	**6.2**
Mobile service revenues	2,871	2,753	4.3
Operating income before depreciation and amortisation (OIBDA), adjusted for exceptional effects	**1,258**	**1,231**	**2.2**
OIBDA margin, adjusted for exceptional effects	*30.0%*	*31.2%*	*(1.2%-p.)*
Operating income before depreciation and amortisation (OIBDA)	**1,257**	**1,229**	**2.2**
OIBDA margin	*30.0%*	*31.1%*	*(1.2%-p.)*
CapEx	**(504)**	**(556)**	**(9.4)**
CapEx/Sales ratio in %	**12.0**	**14.1**	**(2.1%-p.)**
Free cash flow (FCF)	**436**	**373**	**16.8**
Mobile accesses (in thousands)[1]	44,591	46,696	(4.5)
Net additions in mobile prepaid business excl. M2M (in thousands)	(484)	271	(>100)
Net additions in mobile postpaid business excl. M2M (in thousands)	670	661	1.4
Total mobile ARPU (in EUR)[1]	**10.6**	**9.8**	**8.2**

	As of 30 June 2023	As of 31 December 2022	% change
Net leverage ratio	**1.4x**	**1.3x**	**13.3**
Net financial debt	3,680	3,212	14.6

[1] Due to a revenue-neutral technical adjustment of the prepaid customer base, owing to the introduction of a stricter definition for active SIM cards, the number of mobile accesses as of 31 December 2022 had reduced by 2,535 thousand accesses.

Economic Report of the Group

Overall Economic and Industry Conditions

The German economy recovered rather slowly[1]

In the early summer of 2023, the German economy continues to find itself in difficult waters. According to statements of the German Federal Statistical Office, the German economic output (gross domestic product) decreased by 0.1% in the first quarter of 2023 compared to the previous quarter (adjusted for price as well as seasonal and calendar effects). As it had already seen a decrease of 0.4% in the fourth quarter of 2022, Germany was, by definition, in a "technical" recession. According to the German Federal Ministry for Economic Affairs and Climate Action (BMWK), alongside the renewed decline in real private consumption (-1.2%) and state consumption (-4.9%), the reason for this was also special developments as a result of extensive state stabilisation and support measures which dampened the growth of gross domestic product (GDP). However, according to the experts of the BMWK, an "economic" recession in the sense of a more sustained, sharp decline in economic output with underutilised capacities, decreasing investment, a decline in employment and increasing unemployment is currently not apparent. On the contrary, according to statements made by the ifo Institute, the capacity utilisation in manufacturing was above the long-standing average value in the first quarter, and employment and investing activities increased by 0.3% and 3.0% respectively in comparison to the previous quarter. According to an initial estimate by the Federal Statistical Office, GDP stopped shrinking in the second quarter of 2023 (0.0%) compared to the first quarter of 2023 (adjusted for price as well as seasonal and calendar effects). The Federal Statistical Office also reported that consumption of private households has stabilised in the second quarter 2023 after a weak half-year over the winter months.

According to statements made by the Federal Statistical Office (Destatis), the inflation rate in Germany – measured as a change in the consumer price index (CPI) compared to the same month of the previous year – was 6.4% in June 2023. The inflation rate had therefore increased slightly again after it had previously weakened three months in succession (May: 6.1%, April: +7.2%, March: +7.4%). As before, food was the strongest driver at +13.7% compared to June 2022. In addition, the relief measures of the German federal government from 2022, such as the EUR 9 ticket and the fuel discount, brought about a base effect that increased the current inflation rate. The energy prices, which rose considerably the year before due to the Russian war of aggression against Ukraine, saw a below-average growth rate in June 2023 of 3.0%. The measures introduced in the third relief package of the German federal government, which were depicted in the consumer price index, contributed to a weakening in the development of energy prices. However, the price developments in the area of services had an increasing effect on the inflation rate (+5.3% compared to the same month of the previous year). Without taking into consideration energy and food, at +5.8% the inflation rate, often also known as core inflation, was lower and showed the significant impact of food prices on the overall inflation.

For some time, the labour market has been dominated by acute shortages caused predominantly by the demographic change. According to reports of the Federal Statistical Office, the upward trend in the labour market weakened in May 2023. Based on statements of the Federal Employment Agency, the difficult economic conditions have also left their mark on the labour market: unemployment has increased and employment growth has run out of steam. Seasonally adjusted, the number of unemployed in June 2023 increased by 28,000 compared to the previous month. The unemployment rate in June 2023 was at 5.5%, the same as the previous month.

[1] Sources: German Federal Ministry for Economic Affairs and Climate Action (BMWK): "The economic situation in Germany in June 2023" (14 June 2023); Federal Statistical Office: press release № 203 "Gross domestic product: detailed results of economic output in the first quarter of 2023" (25 May 2023), press release № 224 "Inflation rate in May 2023 at +6.1%" (13 June 2023), press release № 259 "Dynamism in the labour market weakens in May 2023" (30 June 2023), press release № 270 "Inflation rate in June 2023 at +6.4%" (11 July 2023) and press release № 299 "Gross domestic product stagnates in the second quarter of 2023" (28 July 2023); Federal Employment Agency: press release № 33 Labour market June 2023 (30 June 2023); Deutsche Bundesbank: Monthly Report June 2023 "Outlook for the German economy in the period up to 2025" (16 June 2023)

Regulatory Influences on the Telefónica Deutschland Group

As a provider of telecommunications services and an operator of telecommunications networks, the Telefónica Deutschland Group is required to meet certain regulatory requirements. As such, it is subject to supervision by the German Federal Network Agency (Bundesnetzagentur – BNetzA).

Below is a presentation of the most important additions and new regulatory events relating to the disclosures made in the section "Regulatory Influences on the Telefónica Deutschland Group" in the Combined Management Report for the financial year ending 31 December 2022.

Frequencies

Provision of mobile frequencies

In the first half of 2023, the BNetzA took no further steps in the proceedings to provide the 800 MHz, 1.8 GHz and 2.6 GHz frequencies. The next steps in the frequency provision process are expected in the third quarter of 2023. In this context, the consultation of framework conditions for frequency provision is expected first, such as aspects relating to coverage and service providers. Key points of the frequency provision, combined with a formalised demand determination procedure, are expected towards the end of 2023. The BNetzA intends to make a decision about frequency provision from 2024.

Telecommunications market

Coverage requirements resulting from the 2019 spectrum auction

On 6 January 2023, the Telefónica Deutschland Group submitted to the BNetzA its final report on the fulfilment of the coverage requirements from the 2019 spectrum auction due on 31 December 2022. In this report, the Telefónica Deutschland Group informed the BNetzA that it had fully complied with the coverage requirements for households and the 1,000 5G base stations, and had complied with the requirements regarding the most important traffic routes on federal motorways, federal roads and railways, insofar as this was legally and actually possible. It was also reported that full compliance with the Telefónica Deutschland Group's 500 white spots by 31 December 2022 was not yet possible due to the short lead time since these white spots were defined and for other legal and actual reasons. The final report has since been reviewed by the BNetzA. In light of this, the BNetzA addressed a consultation letter on selected sites and white spots to the Telefónica Deutschland Group and to the other two nationwide mobile network operators, Telekom Deutschland GmbH and Vodafone GmbH. Fine proceedings have been opened against 1&1 Mobilfunk GmbH. The Telefónica Deutschland Group responded to the consultation letter in a timely and comprehensive manner. Decisions by the BNetzA on compliance with the coverage requirements are expected from the third quarter of 2023.

IT Security Act 2.0

The Second Act to Increase the Security of Information Technology Systems (Zweite Gesetz zur Erhöhung der Sicherheit informationstechnischer Systeme) came into force in May 2021. This act developed the first act from 2015 and aims to protect public structures against cyber attacks more effectively. This is especially true for critical infrastructures (KRITIS), such as telecommunications. The law stipulates that "critical components" must be identified by the mobile network operators in their networks and reported to the German Federal Ministry of the Interior (BMI) before they are put into operation. The German federal government then has a two-month review period during which it can prohibit the use of components or issue orders for their use. The Telefónica Deutschland Group reported critical components from various manufacturers to BMI for the first time at the end of 2022. After an extension of the deadline, the BMI concluded this review procedure without a prohibition in April 2023. Another review procedure for a component in the area of energy management was concluded without a prohibition in June 2023. Furthermore, the BMI may also review pre-existing components of the existing infrastructure. A review of this nature began in April 2023 and is yet to be concluded.

1&1 Group applies for immediate orders to mandate non-discriminatory national roaming

In a written statement dated 27 April 2023, 1&1 Mobilfunk GmbH (1&1 Group) submitted applications with the BNetzA against the Telefónica Deutschland Group, Telekom Deutschland GmbH and Vodafone GmbH for immediate orders to mandate non-discriminatory national roaming, including 5G. In a letter dated 7 June 2023, the 1&1 Group clarified to the BNetzA that the applications were aimed at concluding just one national roaming contract with one of the network operators. The Telefónica Deutschland Group commented on the applications and the clarification, and requested their immediate rejection. At the beginning of July, the BNetzA provided an opportunity to comment on its key considerations until mid-August, after which time it intends to reject the applications. A final decision is expected in the third quarter of 2023.

Multiconnect GmbH applies for dispute resolution

Multiconnect GmbH filed an application with the BNetzA against the Telefónica Deutschland Group for dispute resolution proceedings and a decision in accordance with Section 212 (1) of the German Telecommunications Act (Telekommunikationsgesetz – TKG) on the allegation of a violation of the negotiation requirement pursuant to Section III.4.15 of the Presidential Chamber Decision of 26 November 2018, BK1-17/001, by Telefónica Germany GmbH & Co. OHG. The public hearing took place on 4 July 2023. The BNetzA has extended the four-month procedural time limit from 18 August 2023 to 30 September 2023.

Results of Operations

T 02 – CONSOLIDATED INCOME STATEMENT

1 January to 30 June

(in EUR million)	2023	2022	Change	% Change
Revenues	**4,192**	**3,949**	**243**	**6.2**
Other income	70	72	(2)	(3.1)
Operating expenses	(3,005)	(2,792)	(214)	7.6
Supplies	(1,300)	(1,221)	(79)	6.5
Personnel expenses	(326)	(302)	(23)	7.8
Impairment losses in accordance with IFRS 9	(47)	(44)	(3)	6.0
Other expenses	(1,333)	(1,224)	(109)	8.9
Operating income before depreciation and amortisation (OIBDA)	**1,257**	**1,229**	**27**	**2.2**
OIBDA margin	***30.0%***	***31.1%***	**-**	***(1.2%-p.)***
Depreciation and amortisation	(1,147)	(1,124)	(22)	2.0
Operating income	**110**	**105**	**5**	**4.7**
Financial result	(34)	(11)	(23)	>100
Result from investments accounted for using the equity method	(4)	(5)	2	(30.1)
Profit/(loss) before tax	**72**	**89**	**(17)**	**(18.7)**
Income tax	11	(22)	33	(>100)
Profit/(loss) for the period	**83**	**67**	**16**	**24.0**

T 03 – REVENUE BREAKDOWN

1 January to 30 June

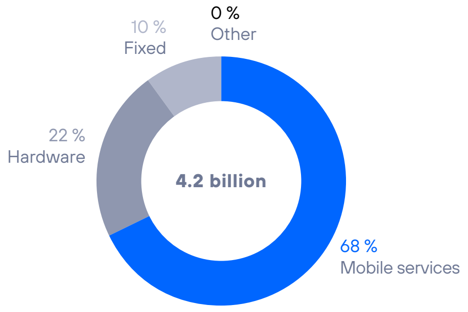
(in EUR million)	2023	2022	Change	% Change
Mobile business revenues	**3,774**	**3,540**	**234**	**6.6**
Mobile service revenues	2,871	2,753	118	4.3
Hardware revenues	903	787	116	14.8
Fixed revenues	**409**	**399**	**10**	**2.5**
Other revenues	**10**	**10**	**(1)**	**(8.3)**
Revenues	**4,192**	**3,949**	**243**	**6.2**

Revenues increased

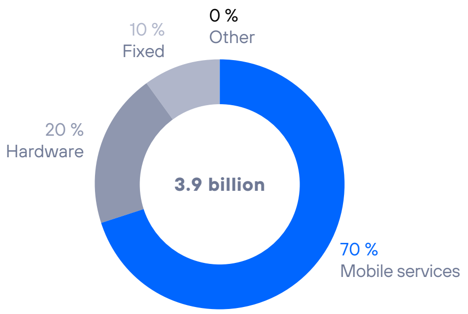
Revenues increased by 6.2% in the first half of 2023, mainly due to the growth in mobile service revenues as well as from the largely margin-neutral contribution of hardware revenues.

G 01 – REVENUES (IN % AND IN EUR BILLION)

1st HY 2023



1st HY 2022



Higher mobile service revenues

In the first half of 2023, the Telefónica Deutschland Group still operated in a rational yet dynamic market environment. Compared to the previous year, mobile service revenues increased by 4.3% in the first half of 2023, thanks to the sustained commercial success of the O_2 tariff portfolio and the solid contribution from the partner business, whereby the negative impact of the mobile termination rates (MTR) glide path could be more than offset. Another driver was the significant increase in the postpaid customer base compared to 30 June 2022, which was also a result of the good development of our O_2 tariff portfolio and the partner brands. Accordingly, our postpaid mobile customer base excluding M2M increased in the first half of 2023 by 1.2 million net additions to 27.0 million, which led to a postpaid share of total mobile customers excluding M2M of 60.6%, a 5.4 percentage point increase compared to 30 June 2022. This increase was facilitated in particular by a revenue-neutral technical adjustment of the prepaid customer base at the end of 2022, leading to limited comparability with the previous year. The average revenue per user (ARPU) for mobile customers also increased significantly by EUR 0.8 to EUR 10.6 year-on-year.

Increase in hardware revenues

Hardware revenues are normally subject to general fluctuations as they depend on different launch cycles of new devices. Due to a continuing demand for hardware in the first half of 2023, revenue from sales of increasingly high-quality devices – including to mobile service partners – saw a year-on-year increase of 14.8%.

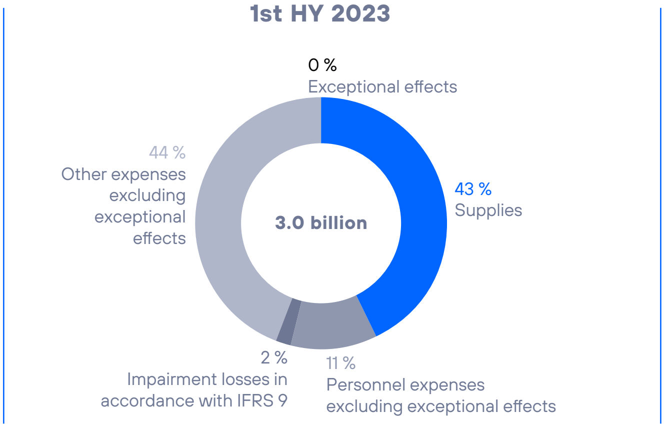
Fixed revenues improved

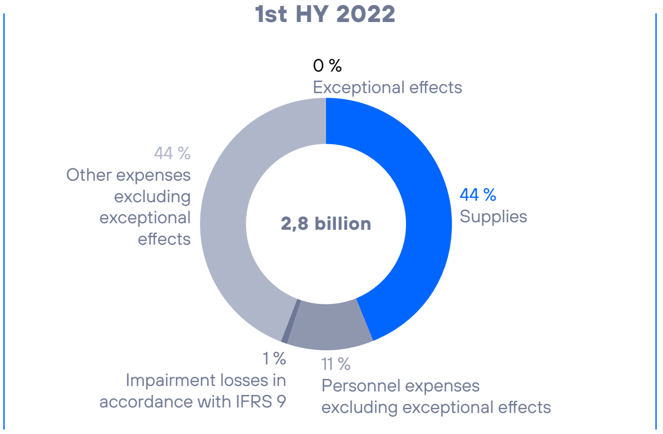
Revenues from fixed business rose by 2.5% year-on-year in the first half of 2023. Thereby, the fixed broadband revenues (FBB) in the retail business continued their growth path mainly on the back of the rising demand for cable and fibre products, which were able to more than compensate the decline in the low-margin fixed business with international voice minutes.

Operating expenses increased

Operating expenses increased in the first half of 2023 compared to the previous year, primarily due to higher other expenses and additional supplies as well as increased personnel expenses.

G 02 – OPERATING EXPENSES (IN % AND IN EUR BILLION)





Supplies higher than previous year

The cost of supplies for hardware and connectivity saw an increase year-on-year in the first half of 2023, mainly due to a higher cost of supplies for hardware in conjunction with increased hardware revenues. This was partially compensated by a decline in the cost of supplies for connectivity due to lower voice minutes combined with a reduction of mobile termination rates as of 1 January 2023, as well as lower costs for roaming connections.

Personnel expenses rose due to salary and staff increases

Personnel expenses rose in the first half of 2023 and reflected the general salary increases and rise in the statutory minimum wage during the course of financial year 2022 combined with a higher number of full-time staff, due to the insourcing of personnel with key skills. At EUR 1 million, restructuring expenses were at the same level as in the previous year.

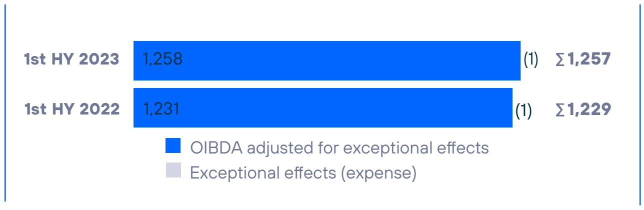
Other expenses increased

Other expenses increased in the first half of 2023. This is mainly due to higher expenses in the technology area for energy, IT, transformation and network expansion, as well as an increase in costs for selling.

Higher OIBDA adjusted for exceptional effects

OIBDA adjusted for exceptional effects increased by 2.2% to EUR 1,258 million in the first half of 2023 compared to the same period of the previous year. This development is the result of the sustained own-brand momentum and the associated improvement in the margin quality, especially in the mobile area, which was partly offset by the expected increase in operating expenses. Negative exceptional effects amounting to EUR 1 million (previous year: EUR 1 million) comprised exclusively restructuring expenses in the first half of 2023. As a result, OIBDA amounted to EUR 1,257 million (previous year: EUR 1,229 million).

G 03 - OIBDA (IN EUR MILLION)



Slight increase in depreciation and amortisation

In the first half of 2023 depreciation and amortisation rose to EUR 1,147 million, an increase of EUR 22 million compared to the previous year. This was particularly due to depreciation for property, plant and equipment based on the previous investments in the area of the network.

Operating income at a higher level

Operating income improved in the first half of 2023 to EUR 110 million (previous year period: EUR 105 million). While mainly the increase in revenues had a positive effect, the operating expenses and, to a lesser extent, depreciation and amortisation increased.

Negative development in the financial result

The financial result worsened from EUR -11 million in the previous year period to EUR -34 million in the reporting period. This was essentially determined by the effects of the changing interest environment on the interest expense.

Result from investments accounted for using the equity method

Against the backdrop of the joint venture with Telefónica Infra, S.L.U. and the Allianz Group, formed in 2020 to expand fibre-optic accesses (FTTH) for households in Germany, the pro rata result related to the at-equity 10% investments in UGG TopCo GmbH & Co. KG and in UGG TopCo/HoldCo General Partner GmbH is reported. This amounted to EUR -4 million in the reporting period (previous year: EUR -5 million).

Positive result for income taxes

For the first half of 2023 there was a tax income of EUR 11 million (previous year period: tax expense amounting to EUR 22 million). This includes current tax income of EUR 7 million for income tax (previous year expense: EUR 21 million) as well as deferred tax income amounting to EUR 4 million (previous year expense: EUR 1 million). The current tax income includes an out-of-period release of income tax provisions amounting to EUR 20 million and the expenses for current taxes of the financial year of EUR 13 million.

After proportionate offsetting against tax losses carried forward, the Telefónica Deutschland Group posted positive taxable income in the first half of 2023, forming income tax liabilities on the basis of an expected tax rate.

Positive and improved result for the period

The result for the period in the first half of 2023 at EUR 83 million was again positive (first half of 2022: EUR 67 million). The year-on-year improvement resulted in particular from the increase in revenues and the tax income, whereby the higher operating expenses could be offset.

Financial Position

Financial Analysis

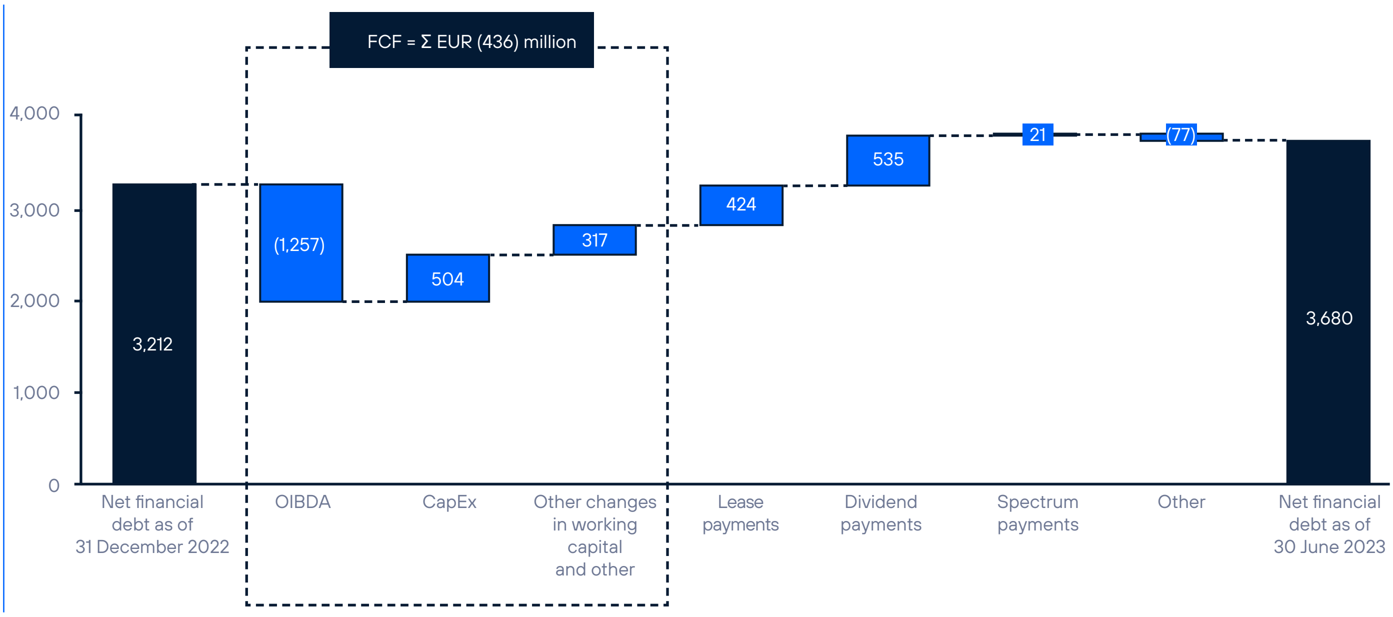
Net financial debt

Table 4 shows the composition of net financial debt, i.e. the net amount of interest-bearing financial liabilities less any cash and cash equivalents and interest-bearing financial assets.

Net financial debt as of 30 June 2023 rose by 14.6% compared to 31 December 2022 to EUR 3,680 million. In the reporting period, the increase was primarily attributable to the dividend payout of EUR 535 million for financial year 2022 and payments for lease liabilities totalling EUR 424 million. Free cash flow in the amount of EUR 436 million moved in the opposite direction.

The graphic below illustrates the development of net financial debt in the first half of 2023:

G 04 – DEVELOPMENT OF NET FINANCIAL DEBT (IN EUR MILLION)



T 04 – COMPOSITION OF NET FINANCIAL DEBT

(in EUR million)	As of 30 June 2023	As of 31 December 2022	Change	% Change
A Liquidity	308	777	(469)	(60.3)
B Current financial assets[1]	335	339	(4)	(1.1)
C Current financial debt[2]	971	725	246	34.0
D=C-A-B Current net financial debt	328	(391)	719	(>100)
E Non-current financial assets[1]	536	570	(33)	(5.9)
F Non-current financial debt[2]	3,888	4,173	(285)	(6.8)
G=F-E Non-current net financial debt	3,352	3,603	(251)	(7.0)
H=D+G Net financial debt[3]	3,680	3,212	468	14.6

[1] Current and non-current financial assets include mobile device receivables not yet due, other interest-bearing assets, net investment (in accordance with IFRS 16) as well as loans issued to third parties
[2] Current and non-current financial debt mainly includes lease liabilities, issued bonds, promissory note loans and registered bonds as well as other loans
[3] Net financial debt includes current and non-current financial debt less current and non-current financial assets and liquidity

Note:
Mobile device receivables are presented in the balance sheet as trade receivables.

Liquidity Analysis

T 05 – CONSOLIDATED STATEMENT OF CASH FLOWS

1 January to 30 June

(in EUR million)	2023	2022
Cash flow from operating activities	1,110	1,176
Cash flow from investing activities	(674)	(803)
Free cash flow (cash flow from operating activities + cash flow from investing activities)	**436**	**373**
Cash flow from financing activities	(905)	(967)
Net increase (decrease) in cash and cash equivalents	**(469)**	**(594)**
Cash and cash equivalents at the beginning of the period	**777**	**1,020**
Cash and cash equivalents at the end of the period	**308**	**427**

Consolidated Statement of Cash Flows

The following is an analysis of the cash flow development of the Telefónica Deutschland Group in the first six months of financial years 2023 and 2022.

Decrease in cash flow from operating activities

Cash flow from operating activities totalled EUR 1,110 million in the first half of 2023, and was EUR 66 million or 5.6% below the previous year's figure of EUR 1,176 million. This development is primarily due to the negative change in working capital when compared to the previous year, while the OIBDA improved.

Cash flow from investing activities impacted by lower investment

In the first half of 2023, the cash flow from investing activities amounted to EUR -674 million (first half of 2022: EUR -803 million). Cash outflows decreased from EUR 822 million in the previous year period to EUR 738 million in the reporting period and chiefly comprised investments in technical equipment and software. Cash inflows rose by EUR 45 million compared with the previous year period to EUR 64 million, particularly as a result of released capital in connection with factoring transactions.

Free cash flow improved compared to the previous year

Free cash flow therefore amounted to EUR 436 million in the first half of 2023 and improved compared with the previous year period (EUR 373 million).

Cash flow from financing activities reflects higher cash outflows and inflows

Cash flow from financing activities amounted to EUR -905 million in the first six months of financial year 2023 (first half of 2022: EUR -967 million).

Cash outflows increased in the first half of 2023 to EUR 1,577 million (previous year period: EUR 1,074 million) and mainly include the payment of a dividend of EUR 535 million, the repayment of EUR 520 million of an overdraft facility from Telfisa Global B.V. drawn down temporarily during the year, the payment of lease liabilities of EUR 424 million, the repayment of promissory note loans of EUR 43 million, the partial repayment of a European Investment Bank (EIB) loan of EUR 33 million and the payment for spectrum licences of EUR 21 million. By contrast, the first half of 2022 included the payment of a dividend amounting to EUR 535 million, the payment of lease liabilities of EUR 395 million, the repayment of an overdraft facility of EUR 88 million from Telfisa Global B.V. drawn down temporarily during the year, the partial repayment of an EIB loan of EUR 33 million and the payment for spectrum licences of EUR 21 million.

Cash inflows increased by EUR 565 million compared to the previous year period (EUR 107 million) to EUR 672 million. The change is due to a short-term increased financial need and primarily involves the utilisation of overdraft facilities from Telfisa Global B.V. totalling EUR 653 million. On the other hand, the first half of 2022 primarily involved the utilisation of a short-term overdraft facility from Telfisa Global B.V. totalling EUR 88 million.

Decrease in cash and cash equivalents
Based on the above-mentioned cash inflows/outflows, cash and cash equivalents decreased by EUR 469 million compared to the reporting date 31 December 2022 (EUR 777 million) and amounted to EUR 308 million on 30 June 2023.

Net Assets

In the following analysis of the asset and capital structure, the assets and liabilities existing as of 30 June 2023 are compared with the values as of 31 December 2022.

T 06 – CONSOLIDATED BALANCE SHEET

(in EUR million)	As of 30 June 2023	As of 31 December 2022	Change	% Change
Goodwill and other intangible assets	4,700	4,966	(266)	(5.4)
Property, plant and equipment	3,463	3,512	(49)	(1.4)
Right-of-use assets	3,276	3,277	(1)	(0.0)
Investments accounted for using the equity method	9	12	(3)	(24.7)
Trade and other receivables	1,588	1,652	(64)	(3.9)
Deferred tax assets	460	463	(3)	(0.7)
Other financial assets	472	482	(10)	(2.1)
Other non-financial assets	830	750	80	10.7
Inventories	190	140	50	35.5
Cash and cash equivalents	308	777	(469)	(60.3)
Total assets = Total equity and liabilities	**15,295**	**16,030**	**(735)**	**(4.6)**
Interest-bearing debt	1,697	1,638	59	3.6
Lease liabilities	3,162	3,260	(98)	(3.0)
Trade and other payables	2,531	2,671	(140)	(5.2)
Payables – Spectrum	981	998	(17)	(1.7)
Provisions	539	539	0	0.1
Other non-financial liabilities	48	70	(22)	(30.9)
Income tax liabilities	62	68	(6)	(8.7)
Deferred income	684	730	(46)	(6.3)
Deferred tax liabilities	239	247	(8)	(3.1)
Equity	**5,351**	**5,810**	**(459)**	**(7.9)**

Goodwill and other intangible assets decreased
The decrease compared to 31 December 2022 was mainly due to the amortisation of other intangible assets amounting to EUR 428 million in the first six months of financial year 2023. This was partially offset by the additions to other intangible assets of EUR 162 million. These are related to investments in software for the most part.

Property, plant and equipment slightly reduced
Property, plant and equipment slightly decreased to EUR 3,463 million (previous year: EUR 3,512 million). The decrease due to depreciation of EUR 392 million was partially offset by additions of EUR 342 million in the first six months of financial year 2023, relating almost exclusively to investments in technical equipment in the network.

Right-of-use assets remained virtually stable
The right-of-use assets remained virtually stable in the first half of 2023. In the reporting period, scheduled depreciation of EUR 327 million and net disposals of EUR 36 million had a reducing effect, while additions amounting to EUR 362 million, especially for technical equipment in the network, were almost able to offset this.

CapEx/Sales ratio decreased
The investments (CapEx) decreased in the first half of 2023 to EUR 504 million, compared to EUR 556 million in the comparison period 2022. This was essentially determined by the scheduled end of the “Investment for Growth” programme in the financial year 2022. The focus of the investment was the 5G expansion and the optimisation of the network as well as the modernisation of the technical architecture. The CapEx/Sales ratio in the reporting period decreased as a result to 12.0% (first half of 2022: 14.1%).

Investments accounted for using the equity method
The investments accounted for using the equity method amounting to EUR 9 million (previous year: EUR 12 million) comprise the 10% investments made by the Telefónica Deutschland Group in the fibre-optic companies of the Telefónica Deutschland Group, formed in financial year 2020 along with Telefónica Infra, S.L.U. and the Allianz Group.

Decrease in trade and other receivables
The decline mainly resulted from higher factoring transactions in the first half of 2023, partially compensated by increased O_2 My Handy receivables as a result of the sustained robust demand for higher-value devices as well as general fluctuations in the operating business activities.

Decrease in deferred tax assets
Deferred tax assets after netting decreased from EUR 463 million to EUR 460 million in the first half of 2023. This deferred tax effect results from the realisation of taxable temporary differences and the reduced recognition of tax losses carried forward.

Increase in other non-financial assets
The increase in other non-financial assets to EUR 830 million (previous year: EUR 750 million) in the first half of 2023 results mainly from higher prepayments.

Inventories of mobile devices increased
Inventories of mobile devices increased, in particular due to the planned stocking of models and the continued robust demand for high-value devices.

Decrease in cash and cash equivalents
The decline of EUR 469 million or 60.3% is attributable to several factors, which are presented in more detail in the >Management Report FINANCIAL POSITION.

Interest-bearing debt up in the reporting period
The increase in the interest-bearing debt of EUR 59 million in the first half of 2023 is particularly connected to the drawing of an overdraft facility from Telfisa Global B.V. in the amount of EUR 133 million on 30 June 2023, which had not been utilised as of 31 December 2022. This was partially offset by the scheduled repayment of promissory note loans amounting to EUR 43 million and the scheduled partial repayment of a loan from the EIB in the amount of EUR 33 million.

Lease liabilities recorded decrease
The decrease in lease liabilities in the amount of EUR 98 million resulted mainly from payments of lease liabilities totalling EUR 424 million. This was partly offset by the change in present values of EUR 326 million, mainly related to additions from network sites.

Decrease in trade and other payables
The reduction in the reporting period mainly results from fluctuations in trade payables as part of normal operating business.

Payables spectrum decreased
The payables are attributable to the outstanding payment obligations resulting from the mobile spectrum auction in 2019. They decreased compared to 31 December 2022, largely due to the instalment payment made in the first half of the year.

Provisions unchanged year-on-year
Provisions remained unchanged at EUR 539 million in the first half of 2023. While the pension provisions in particular increased by EUR 11 million year-on-year, the other provisions item reduced by EUR 8 million and the restructuring provisions by EUR 5 million.

Income tax liabilities decreased
This item comprises recognition of tax positions for income tax totalling EUR 62 million (previous year: EUR 68 million). The decrease of EUR 6 million compared to 31 December 2022 results from additions for current taxes of the first half of 2023 amounting to EUR 13 million less tax payments and tax prepayments, and an out-of-period release of income tax provisions amounting to EUR 20 million.

Deferred income declines
Deferred income posted a decline of EUR 46 million in the first half of 2023. The decline results in particular from regular releases, among other factors, in the context of the obligation from the payments received under the contract with an MVNO, which was classified as a contract liability. Voucher sales in prepaid business also saw a reduction.

Decrease in deferred tax liabilities

The EUR 8 million decrease after netting in deferred tax liabilities to EUR 239 million in the first half of 2023 (previous year: EUR 247 million) is attributable to the realisation of taxable temporary differences. These include reductions in tax amortisation on account of longer amortisation periods for tax purposes in connection with intangible assets, which were realised, as well as the development of taxable temporary differences.

Equity impacted by dividend payment and profit for the period

The changes to equity mainly result from the dividend payment of EUR 535 million made after the Annual General Meeting in May 2023 and conversely the profit for the period of EUR 83 million.

Report on Risks and Opportunities

In the Combined Management Report for financial year 2022, we have presented certain risks that could have significant adverse effects on our business, net assets, financial position, results of operations and reputation. We also describe our most important opportunities and the structure of our risk management system in the report.

Risk Management

During the reporting period, reassessment of the "COVID-19 pandemic" risk showed that the risk is now classified as minor due to a lower probability of occurrence. It is therefore below the threshold and is no longer being reported. In contrast, we identified "development of customer base" as a new risk, which has been listed above the threshold for the first time and is described in more detail below.

Development of customer base

Our sales strategy uses different sales channels for our products and services to further develop our customer base. If we fail to maintain or develop our sales channels and partnerships in different business models, or if we misinterpret our customers' channel preferences, this could affect our ability to maintain and grow our customer base. While the likelihood of occurrence remains unchanged, we assess there to be a higher potential level of impact as to the acquisition of new sales channels. This renders the risk reportable. We are addressing this low risk by continuously monitoring the sales channels and analysing market conditions to enable us to react quickly to changes.

Otherwise, we have not identified any other significant risks beyond those described in the Combined Management Report for financial year 2022. In the first six months of 2023, the Group's business model as a whole proved to be very robust.

T 07 – OVERVIEW OF THE REVISED ASSESSMENTS OF REPORTABLE RISKS

Risk	Potential level of impact	Likelihood of occurrence	Assessment
Development of customer base	High	Remote	Low

Opportunity Management

The opportunities for focusing on our business activities and growth strategy improved further in the first half of 2023.

The O_2 mobile network is of very high quality. For the third time in a row, the magazine "connect" rated the O_2 mobile network as "very good" in its renowned network test.[2] The Telefónica Deutschland Group is focusing on a consistent network expansion strategy with a focus on network densification in both urban and rural areas to further improve customer experience with 5G. From January to June 2023 alone, more than 1,700 5G sites were realised and the Telefónica Deutschland Group supplied around 90% of the population with 5G at the end of the first half of the year. Thus, the full year target has already been achieved ahead of schedule and the Telefónica Deutschland Group is on target for nationwide coverage by the end of 2025 at the latest. If the expansion of the 5G network proceeds even faster, or if the market reacts more positively to the network expansion than previously anticipated, this could have a positive impact on our business results.

Furthermore, additional potential could arise from the development of new mobile communications-based technologies that allow the Telefónica Deutschland Group to address customer needs in the best possible way. One example of this is network slicing, which, perspectively, will enable users to use a virtual network that is precisely tailored to their individual needs.

[2] Source: connect mobile network test, issue 1/2023: "very good" (894 points); in total, one "outstanding" (952 points) and two "very good" (915 and 894 points) were awarded

Report on Expected Developments

Economic Outlook[3]

According to current projections of the Deutsche Bundesbank, the economic development in Germany is recovering rather slowly from the crises of the past three years. The German economy is still having to combat high inflation and the consequences of this. According to current expert forecasts, the gross domestic product (GDP) will shrink by 0.3% this year. By contrast, the two subsequent years will start to see an upward turn. Accordingly, the Deutsche Bundesbank expects an increase in GDP of 1.2% in 2024 and 1.3% in 2025.

According to the German Federal Ministry for Economic Affairs and Climate Action (BMWK), the further course of 2023 should see a continued high but slowly slackening price dynamic as the price pressure of past cost increases and supply chain issues has been largely absorbed. The energy prices on the global markets have currently fallen to pre-crises levels and the fiscal policy streamlining of the most important central banks has had a price-dampening effect on the demand side. That said, experts are anticipating several temporary base effects in the second half of 2023, for example, as a result of the temporary reduction in the energy tax on fuel (the so-called fuel discount), the temporary introduction of the EUR 9 ticket or the lowering of the value added tax rate for gas and district heat in 2022. Overall, the inflation rate of 6.9% measured on the consumer price index in the past year will be reduced to 5.8% in the current year. According to forecasts of the ifo Institute, this will be 2.1% in the coming year.

According to ifo Institute statements, the current economic weakening will also leave its mark on the labour market. For 2023, experts are predicting moderately higher unemployment in Germany. However, in the further forecast period, the good underlying trend of the labour market will be maintained. The labour demand remains high, and we will see unemployment drop again as the economy recovers. Consequently, experts expect that the tension in the labour market will again increase and staffing will become more difficult especially due to the demographic development or the increasing lack of specialists. According to the ifo Institute, unemployment will probably increase by 132,000 people this year and then decrease again by 104,000 in the coming year. Subsequently, the forecast unemployment rate for 2023 and 2024 is 5.5% and 5.3% respectively, after 5.3% in the previous year.

According to the Bundesbank, the risks for the economic development in Germany continue to be considerably persistent core inflation as well as the prevailing geopolitical tensions, especially in connection with the war in Ukraine, but also in the Asia region. They could impact the global commodity prices or bring about sanctions, which could have a negative influence on supply chains. Such supply-side obstacles could have negative connotations for the global and German economy and lead to increased price pressure.

T 08 – REAL GDP GROWTH 2022–2024 (GERMANY, CALENDAR-ADJUSTED)

In % compared to previous year	2022	2023	2024
Germany	1.9	(0.3)	1.2

[3] Sources: Deutsche Bundesbank: Monthly Report June 2023 "Outlook for the German economy in the period up to 2025" (16 June 2023); ifo Institute: ifo Schnelldienst special edition June 2023 "ifo economic forecast summer 2023: Inflation slowly dropping – but economy is still limping" (21 June 2023); German Federal Ministry for Economic Affairs and Climate Action (BMWK): press release "The economic situation in Germany in June 2023" (14 June 2023)

Market Expectations[4]

Digitalisation is now an integral part of our everyday lives and will continue to gain in importance for consumers and commercial enterprises. A large majority (84%) of the population sees digitalisation as an opportunity. This is a key finding of a representative study commissioned by the "Digital for Everyone" initiative. According to a study by the digital association Bitkom, the majority of companies also assume that digital business models are becoming more important for their own economic success. 87% are convinced that the use of digital technologies will play a critical role in the competitiveness of the German economy. At the same time, however, according to the German Federal Ministry of Education and Research (BMBF), it is becoming increasingly clear that our way of living and doing business has negative consequences for our planet. By using digital technologies, sustainable development can be supported and accelerated in many areas – be it through data-driven efficiency increases or digital innovations. New opportunities are also opening up for education, health and social innovation.

The expansion of the fibre-optic network and the 5G mobile communications standard will be decisive for further digitalisation in Germany. According to the study "German Entertainment and Media Outlook (GEMO)", all the data traffic in 2023 is expected to increase by a further 23% to 123,392 petabytes. The main drivers for the demand for broadband services are, for example, streaming, the use of especially video-intensive social networks and the increase in gaming services. Taking 80% of data consumption, the video sector is the main user. The demand for fast internet access will increase as more high-quality games are developed in conjunction with virtual reality (VR) or augmented reality (AR). Analysys Mason estimates that a mobile customer's data consumption will increase by over 55% to an average of 11.2 GB per month from 2022 to 2023. Fibre-optics development is also forging ahead. The German federal government is using the Gigabit Strategy to triple the number of fibre-optic accesses by 2025 so that half of households will have a fibre-optic access. Deutsche Telekom itself is planning to provide ten million households with an FTTH access by the end of 2024. The Telefónica Deutschland Group aims to create up to 2.2 million fibre-optic accesses with the joint venture "Unsere Grüne Glasfaser (UGG)".

Another trend is the metaverse. The digital association Bitkom expects the metaverse and its underlying technologies to shape our everyday lives. 27% of the people surveyed could imagine doing their shopping, for example, in the metaverse in the future, and 22% would meet with friends or go to concerts together.

Artificial intelligence (AI) is already being used in many areas of life and has the potential to change life even more in the coming years. AI is capable of automating numerous repetitive tasks and processes, which could bring about higher efficiency and productivity. Even today, many companies use chatbots as their initial contact to respond to customer queries. With the aid of AI, these companies could process their customer queries even more effectively and therefore improve the customer experience.

The increased use of networks for new, increasingly data-intensive applications requires seamless processes to an even greater degree and shifts the requirements placed on network operators.

Financial Outlook 2023

Telefónica Deutschland Group continued its growth path in the first half of 2023, as expected delivering good operational and financial performance. In terms of gross additions the Group in particular benefited from the commercial traction of the O_2 brand, while O_2 postpaid churn rates returned, as expected, to the low levels achieved before the European Electronic Communications Code (EECC) was introduced in the German market. Contribution of partner brands also remained solid.

At the same time, Telefónica Deutschland Group consistently implemented its "more-for-more" strategy in new customer acquisition across all brands and portfolios, especially with the launch of the new 'O_2 Mobile' portfolio at the beginning of April, which is well received in the market.

As expected, Telefónica Deutschland Group's sustained mobile service revenue growth was a key driver of the Group's revenue and profitability development, while mobile hardware revenues remained largely margin neutral. Enhanced mobile margin quality was partly offset by the anticipated increase of operating expenses. The latter is mainly driven by volume-related increase in supply costs for the hardware business, general salary adjustments as well as higher energy costs, as the first half of 2022 still largely benefited from deliveries at favourable prices due to order cycles for energy.

Telefónica Deutschland Group made good progress in its 5G network rollout with focus on network densification in both urban and rural areas to further improve customer experience with 5G. At the end of the first half-year, Telefónica Deutschland Group achieved around 90% of 5G population coverage, an early achievement of its year-end target. The Group is well on track for nationwide 5G coverage by the end of 2025 at the latest.

On back of the good performance in the first-half of 2023 and continued momentum, Telefónica Deutschland Group narrows its outlook as follows: Both revenues and OIBDA adjusted for exceptional effects are now expected to grow at the "upper-range of low single-digit percentage year-on-year growth". Furthermore, the projections published in the combined

[4] Sources: Digital association Bitkom: Press releases "Majority of Germans see digitalisation as an opportunity" (21 June 2022), "Digital divides in society – and how to counter them" (15 June 2023) and "Digitalised companies pull away from the competition" (22 June 2023); German Federal Ministry of Education and Research (BMBF): Digitalisation and sustainability; Initiative D21: Web Congress Digital Society 2022 "#D21TALK – Rethinking Digitalisation and Sustainability" (23 February 2022); PwC: German Entertainment and Media Outlook (GEMO) 2022–2026 (1 August 2022); Analysys Mason: Hub Query of the Western European Telecoms Market: trends and forecasts 2022–2027 (7 June 2023); European Parliament: "Artificial Intelligence: Opportunities and Risks" (20 June 2023); Digital association Bitkom: Study "Future of Consumer Technology 2022" (25 August 2022); German federal government: Announcement of "Gigabit Strategy" (17 March 2022); Deutsche Telekom press release: "The Fibre-optic Development of Telekom" (14 March 2022); Telefónica Deutschland Holding AG press release: "Smart Marketing Collaboration with Unsere Grüne Glasfaser (UGG)" (2 March 2021)

management report 2022 (>ANNUAL REPORT 2022, FINANCIAL OUTLOOK 2023) remain essentially unchanged, including the anticipated regulatory headwinds as well as year-on-year broadly stable energy costs.

The table below summarises Telefónica Deutschland Group's financial year 2023 outlook:

T 09 – FINANCIAL OUTLOOK 2023

	Actual 2022[1]	Outlook for 2023[2][3]	H1 2023 (development year-on-year)	Updated Outlook for 2023[3]
Revenues	EUR 8,224 million	Low single-digit percentage year-on-year growth	EUR 4,192 million (+6.2%)	Upper-range of low single-digit percentage year-on-year growth
OIBDA adjusted for exceptional effects	EUR 2,539 million	Low single-digit percentage year-on-year growth	EUR 1,258 million (+2.2%)	Upper-range of low single-digit percentage year-on-year growth
Capex/Sales ratio	14.7%	Around 14%	12.0%	Around 14%

[1] Financial year 2022 includes non-recurrent special factors in the amount of EUR +26 million
[2] Financial outlook 2023 as published in the Annual Report 2022 on 1 March 2023
[3] Including regulatory headwinds of ca. EUR -50 to -60 million at revenue level and ca. EUR -10 to -15 million at OIBDA level

Munich, 9 August 2023

Telefónica Deutschland Holding AG

The Management Board

Markus Haas

Markus Rolle

Valentina Daiber

Nicole Gerhardt

Alfons Lösing

Mallik Rao

Interim Condensed Consolidated Financial Statements

for the period 1 January to 30 June 2023

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Interim Condensed Consolidated Financial Statements

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Consolidated Balance Sheet

Assets (in EUR million)	Notes	As of 30 June 2023	As of 31 December 2022
A) Non-current assets		**12,835**	**13,221**
Goodwill	[5.1]	1,360	1,360
Other intangible assets	[5.2]	3,339	3,605
Property, plant and equipment	[5.3]	3,463	3,512
Right-of-use assets	[5.4]	3,276	3,277
Investments accounted for using the equity method		9	12
Trade and other receivables	[5.5]	254	292
Other financial assets	[5.6]	417	448
Other non-financial assets	[5.7]	256	251
Deferred tax assets		460	463
B) Current assets		**2,460**	**2,810**
Inventories		190	140
Trade and other receivables	[5.5]	1,334	1,359
Other financial assets	[5.6]	55	34
Other non-financial assets	[5.7]	574	499
Cash and cash equivalents		308	777
Total assets (A+B)		**15,295**	**16,030**

Equity and liabilities (in EUR million)	Notes	As of 30 June 2023	As of 31 December 2022
A) Equity		**5,351**	**5,810**
Subscribed capital		2,975	2,975
Additional paid-in capital		3,373	3,373
Retained earnings		(997)	(538)
Total equity attributable to owners of the parent company		5,351	5,810
B) Non-current liabilities		**5,613**	**5,928**
Interest-bearing debt	[5.8]	1,301	1,510
Lease liabilities	[5.9]	2,587	2,663
Trade and other payables	[5.10]	12	10
Payables – Spectrum	[5.11]	873	891
Provisions	[5.12]	484	472
Deferred income	[5.10]	117	136
Deferred tax liabilities		239	247
C) Current liabilities		**4,330**	**4,292**
Interest-bearing debt	[5.8]	396	128
Lease liabilities	[5.9]	575	597
Trade and other payables	[5.10]	2,519	2,661
Payables – Spectrum	[5.11]	108	107
Provisions	[5.12]	55	67
Other non-financial liabilities	[5.7]	48	70
Income tax liabilities		62	68
Deferred income	[5.10]	567	594
Total assets (A+B+C)		**15,295**	**16,030**

Consolidated Income Statement

1 January to 30 June

(in EUR million)	**Notes**	**2023**	**2022**
Revenues	[6.1]	4,192	3,949
Other income		70	72
Supplies		(1,300)	(1,221)
Personnel expenses		(326)	(302)
Impairment losses in accordance with IFRS 9		(47)	(44)
Other expenses	[6.2]	(1,333)	(1,224)
Operating income before depreciation and amortisation (OIBDA)		**1,257**	**1,229**
Depreciation and amortisation	[6.3]	(1,147)	(1,124)
Operating income		**110**	**105**
Finance income		12	15
Exchange gains		2	1
Finance costs		(48)	(24)
Exchange losses		(0)	(1)
Financial result		**(34)**	**(11)**
Result from investments accounted for using the equity method		**(4)**	**(5)**
Profit/(loss) before tax		**72**	**89**
Income tax	[6.4]	11	(22)
Profit/(loss) for the period		**83**	**67**
Profit/(loss) for the period attributable to owners of the parent company		**83**	**67**
Earnings per share			
Basic earnings per share in EUR		**0.03**	**0.02**
Diluted earnings per share in EUR		**0.03**	**0.02**

Consolidated Statement of Comprehensive Income

1 January to 30 June

(in EUR million)	**2023**	**2022**
Profit/(loss) for the period	**83**	**67**
Items that will not be reclassified to profit/(loss)		
Remeasurement of benefits after termination of employment	(4)	151
Other comprehensive income from investments accounted for using the equity method	(2)	–
Items that will be reclassified to profit/(loss)		
Amendment of the fair value measurement of financial assets measured at fair value through other comprehensive income	(1)	–
Other comprehensive income/(loss)	**(6)**	**151**
Total comprehensive income/(loss)	**77**	**218**
Total comprehensive income/(loss) attributable to owners of the parent company	77	218

Consolidated Statement of Changes in Equity

(in EUR million)	Subscribed capital	Additional paid-in capital	Retained earnings	Total equity attributable to owners of the parent company	Equity
Financial position as of 1 January 2022	**2,975**	**3,929**	**(868)**	**6,036**	**6,036**
Profit/(loss) for the period	–	–	67	67	67
Other comprehensive income/(loss)	–	–	151	151	151
Total comprehensive income/(loss)	**–**	**–**	**218**	**218**	**218**
Dividends	–	–	(535)	(535)	(535)
Other movements	–	–	1	1	1
Financial position as of 30 June 2022	**2,975**	**3,929**	**(1,185)**	**5,719**	**5,719**
Financial position as of 1 January 2023	**2,975**	**3,373**	**(538)**	**5,810**	**5,810**
Profit/(loss) for the period	–	–	83	83	83
Other comprehensive income/(loss)	–	–	(6)	(6)	(6)
Total comprehensive income/(loss)	**–**	**–**	**77**	**77**	**77**
Dividends	–	–	(535)	(535)	(535)
Other movements	–	–	(0)	(0)	(0)
Financial position as of 30 June 2023	**2,975**	**3,373**	**(997)**	**5,351**	**5,351**

Consolidated Statement of Cash Flows

1 January to 30 June

(in EUR million)	**Notes**	**2023**	**2022**
Cash flow from operating activities			
Profit/(loss) for the period		**83**	**67**
Adjustments to profit/(loss)			
Financial result		34	11
Gains/(losses) from the disposal of assets		4	4
Income taxes	[6.4]	(11)	22
Depreciation and amortisation	[6.3]	1,147	1,124
Other non-cash expenses/income		(0)	(0)
Result from investments accounted for using the equity method		4	5
Change in working capital			
Other non-current assets	[5.5], [5.6], [5.7]	12	59
Other current assets	[5.5], [5.6], [5.7]	(73)	37
Other non-current liabilities and provisions	[5.10], [5.12]	(19)	(4)
Other current liabilities and provisions	[5.10], [5.12]	(28)	(134)
Other			
Taxes paid		(10)	–
Interest received		5	2
Interest paid		(38)	(17)
Cash flow from operating activities		**1,110**	**1,176**
Cash flow from investing activities			
Proceeds from disposals of property, plant and equipment and intangible assets		2	4
Payments for investments in property, plant and equipment and intangible assets	[5.2], [5.3]	(687)	(795)
Proceeds from disposal of companies		–	16
Payments for investments in associated companies		(3)	(8)
Proceeds from financial assets	[5.6]	62	0
Payments for financial assets	[5.6]	(47)	(19)
Cash flow from investing activities		**(674)**	**(803)**
Cash flow from financing activities			
Repayments of lease liabilities	[5.9]	(424)	(395)
Payments made for investments relating to spectrum auctions	[5.11]	(21)	(21)
Proceeds from interest-bearing debt	[5.8]	653	88
Repayments of interest-bearing debt	[5.8]	(596)	(122)
Dividends paid		(535)	(535)
Other proceeds from financing activities		19	19
Cash flow from financing activities		**(905)**	**(967)**
Net increase/(decrease) in cash and cash equivalents		**(469)**	**(594)**
Cash and cash equivalents at the beginning of the period		**777**	**1,020**
Cash and cash equivalents at the end of the period		**308**	**427**

Condensed Notes to the Interim Consolidated Financial Statements

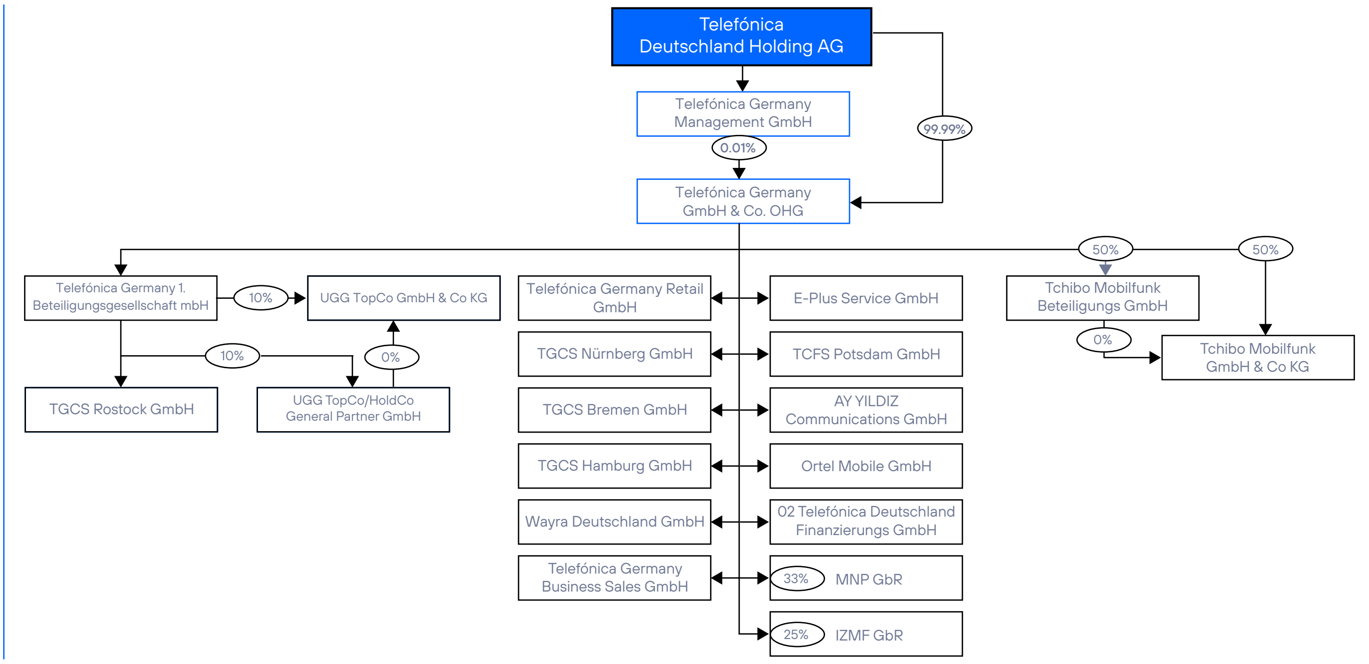
1. Reporting Entity

The Interim Condensed Consolidated Financial Statements (hereinafter "Interim Consolidated Financial Statements") of Telefónica Deutschland Holding AG have been prepared for the period from 1 January to 30 June 2023 and comprise Telefónica Deutschland Holding AG (also referred to as "Telefónica Deutschland") and its subsidiaries as well as joint operations (together referred to as the "Telefónica Deutschland Group" or the "Group") and associated companies.

Telefónica Deutschland Holding AG is a stock corporation (AG) incorporated under German law and is listed on the regulated market of the Frankfurt Stock Exchange. The German Securities Identification Number (WKN) is A1J5RX and the International Securities Identification Number (ISIN) is DE000A1J5RX9.

As of 30 June 2023, approximately 29.2% of the shares were in free float. Approximately 69.2% were held by Telefónica Germany Holdings Limited, Slough, United Kingdom (Telefónica Germany Holdings Limited), an indirect wholly owned subsidiary of Telefónica, S.A., Madrid, Spain (Telefónica, S.A.), and approximately 1.5% were held by Telefónica, S.A.

As of 30 June 2023, the companies included in the Interim Consolidated Financial Statements of the Telefónica Deutschland Group were organised as shown in the following organisation chart:



Unless stated otherwise, the ownership interests amount to 100%.

2. Significant Events and Transactions During the Reporting Period

Annual General Meeting: Dividends, remuneration of Management Board members
The Annual General Meeting for financial year 2022 was held on 17 May 2023. In addition to the presentation of the Annual Financial Statements and Consolidated Financial Statements of Telefónica Deutschland Holding AG, a dividend payment of EUR 0.18 per entitled share, totalling EUR 535,419,898.74, was approved. The dividend for financial year 2022 was paid to shareholders in May 2023.

In addition, the adjustment to the remuneration of the Management Board members was approved.

Coverage requirements resulting from the 2019 spectrum auction
On 6 January 2023, the Telefónica Deutschland Group submitted to the BNetzA its final report on the fulfilment of the coverage requirements from the 2019 spectrum auction due on 31 December 2022. The Telefónica Deutschland Group used this report to inform the BNetzA that it had fully complied with the coverage requirements for households and the 1,000 5G base stations, and had complied with the requirements regarding the most important traffic routes on federal motorways, federal roads and railways, insofar as this was legally and technically possible. It was also reported that full compliance with the Telefónica Deutschland Group's 500 white spots by 31 December 2022 was not yet possible due to the short lead time since these white spots were defined and for other legal and technical reasons. The final report has since been reviewed by the BNetzA. In light of this, the BNetzA addressed a consultation letter on selected sites and white spots to the Telefónica Deutschland Group and to the other two nationwide mobile network operators, Telekom Deutschland GmbH and Vodafone GmbH. Fine proceedings have been opened against 1&1 Mobilfunk GmbH. The Telefónica Deutschland Group responded to the consultation letter in a timely and comprehensive manner. Decisions by the BNetzA on compliance with the coverage requirements are expected from the third quarter of 2023.

War in Ukraine
The war in Ukraine also had a negative impact on the global economy in 2023. The Telefónica Deutschland Group was not entirely spared from these effects.

In particular, the high rate of inflation and the high energy prices as well as the evident influence on supply chains, including those for the network components, continued to generate a critical risk rating of the geopolitical risk and a high risk rating of the macroeconomic risk.

Since the beginning of the war, the management team has been continuously monitoring, analysing and assessing its development and impact on the Telefónica Deutschland Group.

Energy supply and new energy supply contract
The energy market remains very tense. Energy prices have been subject to considerable fluctuations due to the war in Ukraine.

In February 2023, the Telefónica Deutschland Group concluded a further power purchase agreement (PPA) with an energy supplier. For the period of 2025 to 2040, this contract will ensure long-term energy security as well as an energy supply using renewable energies from an offshore wind farm.

3. Basis of Preparation

The Interim Consolidated Financial Statements of Telefónica Deutschland Holding AG were prepared in accordance with the IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU. Accordingly, the Interim Consolidated Financial Statements do not include all the information and disclosures required in complete consolidated financial statements and should therefore be read in conjunction with the Consolidated Financial Statements for the financial year ended 31 December 2022 (>Note 2 BASIS OF PREPARATION).

These Interim Consolidated Financial Statements as of 30 June 2023 have not been audited.

Functional currency and presentation currency
These Interim Consolidated Financial Statements are presented in euros, which is the functional currency of Telefónica Deutschland Holding AG and its subsidiaries.

Unless stated otherwise, the figures in these Interim Consolidated Financial Statements are presented in millions of euros (EUR million) and rounded according to established commercial principles. Therefore, recalculations may slightly differ from the totals shown in the tables. We also advise that absolute amounts smaller than EUR 500,000 are stated either as "0" or "(0)", depending on whether a plus or minus sign appears before it. A nil notification using "-" is indicated for items that do not have a value.

Other
The preparation of the Interim Consolidated Financial Statements requires the Management Board to make evaluations, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. A significant change in the facts and circumstances on which these evaluations, estimates, assumptions and the related

judgements are based could have a material impact on the Telefónica Deutschland Group's net assets, financial position and results of operations.

For further information, please refer to the Consolidated Financial Statements for the financial year ended 31 December 2022 (>Note 3 ACCOUNTING POLICIES).

Comparative information
The Consolidated Balance Sheet presented in these Interim Consolidated Financial Statements relates to information as of 30 June 2023, which is compared with information as of 31 December 2022.

The Consolidated Income Statement and the Consolidated Statement of Comprehensive Income relate to the completed six-month periods as of 30 June 2023 and 30 June 2022. The Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity compare the completed six-month periods in 2023 and 2022.

Seasonal business
The earnings performance to date shows no indication that business activity is subject to significant fluctuations due to seasonal influences.

4. Accounting Policies

The significant estimates, assumptions and judgements made by the management in preparing the Interim Consolidated Financial Statements of the Telefónica Deutschland Group do not in principle differ in terms of potential estimation uncertainty from the assumptions included in the Consolidated Financial Statements for the financial year ended 31 December 2022 (>Note 5 SELECTED NOTES TO THE CONSOLIDATED BALANCE SHEET and Note 6 SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT). If there are material changes to estimates, assumptions and judgements, they are described in the relevant chapters (>Note 5 SELECTED NOTES TO THE CONSOLIDATED BALANCE SHEET and Note 6 SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT).

At the time of publication of the Interim Consolidated Financial Statements, the following standards, interpretations and amendments were published, but their application was not yet mandatory. The Group does not currently expect the new and revised standards to have a material impact on the net assets, financial position and results of operations as a result of the application of future standards, interpretations and amendments.

Standards, interpretations and amendments		Mandatory application for financial years beginning on or after
Amendments to IAS 12	International tax reform – Pillar 2 model rules	1 January 2023[1]
Amendments to IAS 1	Classification of debt as current or non-current and non-current liabilities with covenants	1 January 2024[1]
Amendments to IFRS 16	Lease liability in a sale and leaseback transaction	1 January 2024[1]
Amendments to IAS 7 and IFRS 7	Supplier financing agreements	1 January 2024[1]

[1] Resolution by EU still outstanding, information for mandatory application under IASB.

For a comprehensive description of the new standards, amendments to standards and interpretations relevant to the Group, please refer to the disclosures in the Consolidated Financial Statements for the year ended 31 December 2022 (>Note 3.2 PUBLISHED AMENDMENTS NOT YET APPLICABLE and Note 4.2 SIGNIFICANT ACCOUNTING POLICIES). An assessment is made there of the expected effects on the net assets, financial position and results of operations of the Group, which will continue to apply to the Interim Consolidated Financial Statements as of 30 June 2023.

5. Selected Notes to the Consolidated Balance Sheet

For an explanation of the changes in the following items, please refer to Net assets in the Management Report.

5.1. Goodwill

(in EUR million)	
Carrying amount of goodwill as of 31 December 2022	1,360
Carrying amount of goodwill as of 30 June 2023	**1,360**

5.2. Other Intangible Assets

Other intangible assets are depreciated on a straight-line basis over their useful lives, primarily within the following ranges:

	Estimated useful life (in years)
Licences	8–21
Customer bases	7–15
Software	1–5
Brand names	5–19

Determining the useful lives underlying amortised cost is essentially based on the assessment of future technological developments or the alternative use of the assets and is therefore subject to certain discretionary estimates.

Other intangible assets comprise the following:

(in EUR million)	Service concession arrangements and licences	Customer bases	Software	Brand names	Other	Construction in progress/ Prepayments on intangible assets	Other intangible assets
Carrying amount							
As of 31 December 2022	2,398	394	564	34	0	216	**3,605**
As of 30 June 2023	2,252	252	588	32	0	215	**3,339**

5.3. Property, Plant and Equipment

Accounting for investments in property, plant and equipment involves the use of estimates to determine the useful life for depreciation and amortisation purposes.

The useful lives are reviewed periodically and, where appropriate, updated based on technological progress. The following bandwidths are mainly used at present in the Telefónica Deutschland Group:

	Estimated useful life (in years)
Buildings	5–20
Plant and machinery (incl. telephone installations, networks and subscriber equipment)	1–20
Furniture, office equipment, tools and other items	2–13

The review of estimated useful lives in the first half of 2023 resulted in a shortening of the useful lives of network equipment with an increase in the depreciation of around EUR 2 million.

In addition, exceptional depreciations amounting to around EUR 42 million were reported in the first half of 2023. These were largely due to the early decommissioning of network equipment.

Property, plant and equipment comprise the following:

(in EUR million)	Land and buildings	Plant and machinery	Furniture, office equipment, tools and other items	Construction in progress	Property, plant and equipment
Carrying amount					
As of 31 December 2022	42	3,207	62	201	**3,512**
As of 30 June 2023	45	3,194	52	171	**3,463**

5.4. Right-of-Use Assets

Right-of-use assets comprise the following:

(in EUR million)	Land and buildings	Plant and machinery	Other	Right-of-use assets
Carrying amount				
As of 31 December 2022	509	2,659	109	**3,277**
As of 30 June 2023	491	2,677	108	**3,276**

5.5. Trade and Other Receivables

The breakdown of this item included in the Consolidated Balance Sheet is as follows:

	As of 30 June 2023		As of 31 December 2022	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Trade receivables	254	1,054	292	1,120
Continuing involvement from the sale of receivables	–	254	–	190
Receivables from affiliated companies and parties	–	27	–	29
Other receivables	–	56	–	73
Loss allowance	–	(58)	–	(51)
Trade and other receivables	**254**	**1,334**	**292**	**1,359**

5.6. Other Financial Assets

The breakdown of this item included in the Consolidated Balance Sheet is as follows:

	As of 30 June 2023		As of 31 December 2022	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Investments in start-ups	3	0	3	0
Reimbursement rights from insurance contracts	107	–	104	–
Silent factoring deposit	18	2	53	29
Deposits	0	–	0	–
Purchase price receivable from the sale of major parts of the business operations of the rooftop sites	269	–	263	–
Loans receivables	10	0	12	0
Term deposits	–	47	–	–
Net investment in the lease	11	5	12	5
Other financial assets	**417**	**55**	**448**	**34**

5.7. Other Non-Financial Assets and Liabilities

Other non-financial assets comprise the following:

	As of 30 June 2023		As of 31 December 2022	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Prepayments	121	110	109	57
Prepayments to affiliated companies	–	3	–	1
Capitalised costs of obtaining contracts	133	429	141	424
Contract assets	2	21	2	17
Other tax receivables	–	11	–	0
Other non-financial assets	**256**	**574**	**251**	**499**

Other non-financial liabilities comprise the following:

	As of 30 June 2023	As of 31 December 2022
(in EUR million)	**Current**	**Current**
Payroll taxes and social security	9	9
Current tax payables for indirect taxes	38	60
Other taxes	1	0
Other non-financial liabilities	**48**	**70**

5.8. Interest-Bearing Debt

The breakdown of this item included in the Consolidated Balance Sheet is as follows:

	As of 30 June 2023		As of 31 December 2022	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Bonds	599	10	598	5
Promissory note loans and registered bonds	228	128	354	47
Loans payables	475	258	558	75
Interest-bearing debt	**1,301**	**396**	**1,510**	**128**

Promissory note loans and registered bonds

At the end of the term in the first half of the year, repayments of individual tranches of the promissory note loans (issued in 2015 and 2018) amounting to EUR 43 million were made.

Loans payables

On 13 June 2016, the Group signed a financing agreement with the European Investment Bank (EIB) to the value of EUR 450 million. The amortising loan with fixed interest was drawn down in full by the Telefónica Deutschland Group in the form of two tranches. The repayment will continue in consistent instalments until December 2024 and May 2025, respectively. EUR 33 million has been repaid thus far in 2023. The outstanding balance drawn down is EUR 150 million. The Telefónica Deutschland Group also concluded additional loan agreements with the EIB on 18 December 2019 for EUR 300 million and on 14 January 2020 for EUR 150 million. These were drawn down in full on 30 June 2023.

As of 30 June 2023, in connection with the cash pooling, the figure of EUR 133 million from the overdraft facility with a term of up to 31 July 2024 concluded with Telfisa Global B.V. in 2022 was utilised. The existing overdraft facility was increased from EUR 454 million to EUR 854 million in May 2023, limited until 31 December 2023.

5.9. Lease Liabilities

Lease liabilities comprise the following:

	As of 30 June 2023		As of 31 December 2022	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Lease liabilities	**2,587**	**575**	**2,663**	**597**

5.10. Trade and Other Payables and Deferred Income

Trade and other payables and deferred income comprise the following:

	As of 30 June 2023		As of 31 December 2022	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Trade payables to third parties	–	1,234	–	1,433
Accruals	8	762	7	804
Payables to affiliated companies and parties	–	30	–	26
Trade payables	**8**	**2,026**	**7**	**2,263**
Other payables non-trade	–	389	–	315
Other payables to affiliated companies and parties	4	32	2	43
Miscellaneous payables	–	73	–	39
Other payables	**4**	**493**	**2**	**398**
Trade and other payables	**12**	**2,519**	**10**	**2,661**
Deferred income	**117**	**567**	**136**	**594**

5.11. Payables – Spectrum

The payables – Spectrum comprises the following:

	As of 30 June 2023		As of 31 December 2022	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Payables – Spectrum	**873**	**108**	**891**	**107**

5.12. Provisions

Provisions comprise the following:

	As of 30 June 2023		As of 31 December 2022	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Pension obligations	128	–	117	–
Restructuring	11	22	11	27
Asset retirement obligations	320	6	317	6
Other provisions	25	27	26	34
Provisions	**484**	**55**	**472**	**67**

6. Selected Notes to the Consolidated Income Statement

For an explanation of the changes in the following items, please refer to Results of Operations in the Management Report.

6.1. Revenues

Revenues comprise the following:

1 January to 30 June

(in EUR million)	2023	2022
Mobile business revenues	3,774	3,540
Mobile service revenues	2,871	2,753
Hardware revenues	903	787
Fixed revenues	409	399
Other revenues	10	10
Revenues	**4,192**	**3,949**

6.2. Other Expenses

Other expenses comprise the following:

1 January to 30 June

(in EUR million)	2023	2022
Other third-party services	1,166	1,047
Other operating expenses	30	28
Impairment losses of current assets	0	2
Advertising	137	147
Other expenses	**1,333**	**1,224**

6.3. Depreciation and Amortisation

Depreciation and amortisation comprise the following:

1 January to 30 June

(in EUR million)	2023	2022
Property, plant and equipment	392	365
Intangible assets	428	440
Right-of-use assets	327	319
Depreciation and amortisation	**1,147**	**1,124**

6.4. Income Tax

1 January to 30 June

(in EUR million)	2023	2022
Current tax income/(expense)	7	(21)
Deferred tax income/(expense)	4	(1)
Income tax	**11**	**(22)**

The current tax income from the first half of 2023 includes an out-of-period release of income tax provisions amounting to EUR 20 million and the expenses for current taxes of the financial year of EUR 13 million.

7. Measurement Categories of Financial Assets and Liabilities

In the following tables, the fair values of all financial assets and financial liabilities of the Telefónica Deutschland Group are disclosed in accordance with the measurement categories as determined by IFRS 9 with regard to the requirements of IFRS 13.

For further information, please refer to the Consolidated Financial Statements for the financial year ended 31 December 2022 (>Note 8 FURTHER INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES).

As of 30 June 2023, the carrying amount of current financial assets and financial liabilities represents an appropriate approximation of fair value.

In addition, the tables show the categorisation of the financial assets and financial liabilities in accordance with the importance of the input factors that were used for their respective measurement. The review is performed successively from level to level. The first stage is given priority and the subsequent stages are only used for measurement if the requirements for the input factors of the first stage could not be fulfilled. For this purpose, three levels or measurement hierarchies are defined:

Level 1: Input factors at this level are quoted (unadjusted) prices for identical assets or liabilities in active markets accessible to the entity on the measurement date.

Level 2: Second-level input factors are market prices other than those quoted at level one that are observable either directly or indirectly for the asset or liability.

Level 3: Input factors that are not observable for the asset or liability.

As of 30 June 2023

Financial assets

						Measurement hierarchy			
(in EUR million)	**Financial assets measured at fair value through profit or loss**	**Financial assets measured at fair value through other comprehensive income**	**Financial assets measured at amortised cost**	**Not in the scope of IFRS 7 (**)**	**Total carrying amount**	**Level 1 (Quoted prices)**	**Level 2 (Significant other observable input parameters)**	**Level 3 (Significant unobservable input parameters)**	**Total fair value**
Non-current trade and other receivables (Note 5.5)	-	254	-	-	254	-	254	-	254
Other non-current financial assets	3	-	297	118	417	-	297	3	300
thereof investments in start-ups	3	-	-	-	3	-	-	3	3
thereof net investment in the lease	-	-	-	11	11	-	11	-	11
thereof other	-	-	297	107	404	-	286	-	286
Current trade and other receivables (Note 5.5)	-	495	583	255	1,334	-	495	-	N/A (*)
Other current financial assets	0	-	50	5	55	0	-	-	N/A (*)
thereof investments in start-ups	0	-	-	-	0	0	-	-	N/A (*)
thereof net investment in the lease	-	-	-	5	5	-	-	-	N/A (*)
thereof other	-	-	50	-	50	-	-	-	N/A (*)
Cash and cash equivalents	-	-	308	-	308	-	-	-	N/A (*)
Total	**3**	**749**	**1,238**	**378**	**2,368**	**0**	**1,046**	**3**	**554**

As of 31 December 2022

Financial assets

(in EUR million)	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Not in the scope of IFRS 7 (**)	Total carrying amount	Measurement hierarchy: Level 1 (Quoted prices)	Measurement hierarchy: Level 2 (Significant other observable input parameters)	Measurement hierarchy: Level 3 (Significant unobservable input parameters)	Total fair value
Non-current trade and other receivables (Note 5.5)	–	292	–	–	292	–	292	–	292
Other non-current financial assets	3	–	327	117	448	–	339	3	342
thereof investments in start-ups	3	–	–	–	3	–	–	3	3
thereof net investment in the lease	–	–	–	12	12	–	12	–	12
thereof other	–	–	327	104	432	–	326	–	326
Current trade and other receivables (Note 5.5)	–	603	565	191	1,359	–	603	–	N/A (*)
Other current financial assets	0	–	29	5	34	0	–	–	N/A (*)
thereof investments in start-ups	0	–	–	–	0	0	–	–	N/A (*)
thereof net investment in the lease	–	–	–	5	5	–	–	–	N/A (*)
thereof other	–	–	29	–	29	–	–	–	N/A (*)
Cash and cash equivalents	–	–	777	–	777	–	–	–	N/A (*)
Total	**3**	**895**	**1,699**	**313**	**2,910**	**0**	**1,234**	**3**	**634**

(*) The carrying amount of current financial assets corresponds to the fair value.
(**) These instruments are not included in the calculation of fair value.

As of 30 June 2023, none of the current financial assets are included in a hedging accounting relationship.

The fair value of other non-current financial assets is determined by discounting future cash flows at current market interest rates.

In addition, EUR 3 million (31 December 2022: EUR 3 million) of other non-current financial assets and EUR 0 million (31 December 2022: EUR 0 million) of other current financial assets are classified as financial assets measured at fair value through profit or loss. These relate primarily to investments in start-ups. These assets were measured according to Level 3 for the investments reported in other non-current financial assets and Level 1 for the investments reported in other current financial assets. The measurement at fair value according to Level 3 is based on existing business plans with assumptions made regarding future business development. The measurement at fair value according to Level 1 is based on primary market values observed on equity markets.

Trade receivables were partly classified as financial assets measured at fair value through other comprehensive income. These are receivables that can be sold as part of factoring transactions. For these receivables, the fair value is determined by discounting using a risk-free yield curve less a risk discount based on the credit risk of customers.

All other financial assets as of 30 June 2023 were categorised as financial assets measured at amortised cost.

As of 30 June 2023
Financial liabilities

(in EUR million)	Financial liabilities measured at amortised cost	Not in the scope of IFRS 7 (**)	Total carrying amount	Measurement hierarchy Level 1 (Quoted prices)	Level 2 (Significant other observable input parameters)	Level 3 (Significant unobservable input parameters)	Total fair value
Non-current interest-bearing debt (Note 5.8)	1,301	–	1,301	573	627	–	1,200
Non-current trade and other payables (Note 5.10)	8	4	12	–	8	–	8
Non-current payables - Spectrum (Note 5.11)	873	–	873	–	761	–	761
Current interest-bearing debt (Note 5.8)	396	–	396	–	–	–	N/A (*)
Current trade and other payables (Note 5.10)	2,129	390	2,519	–	–	–	N/A (*)
Current payables - Spectrum (Note 5.11)	108	–	108	–	–	–	N/A (*)
Total	**4,815**	**394**	**5,209**	**573**	**1,396**	**–**	**1,968**

As of 31 December 2022
Financial liabilities

(in EUR million)	Financial liabilities measured at amortised cost	Not in the scope of IFRS 7 (**)	Total carrying amount	Measurement hierarchy Level 1 (Quoted prices)	Level 2 (Significant other observable input parameters)	Level 3 (Significant unobservable input parameters)	Total fair value
Non-current interest-bearing debt (Note 5.8)	1,510	–	1,510	569	821	–	1,390
Non-current trade and other payables (Note 5.10)	7	2	10	–	7	–	7
Non-current payables - Spectrum (Note 5.11)	891	–	891	–	764	–	764
Current interest-bearing debt (Note 5.8)	128	–	128	–	–	–	N/A (*)
Current trade and other payables (Note 5.10)	2,345	316	2,661	–	–	–	N/A (*)
Current payables - Spectrum (Note 5.11)	107	–	107	–	–	–	N/A (*)
Total	**4,989**	**318**	**5,307**	**569**	**1,593**	**–**	**2,162**

(*) The carrying amount of current financial liabilities corresponds to the fair value.
(**) These instruments are not included in the calculation of fair value.

As of 30 June 2023, no current interest-bearing debt was included in a hedging accounting relationship.

The fair value of the bonds (non-current and current interest-bearing debt) is determined based on primary market values (unadjusted quoted prices in active markets, level 1). The fair value of the other non-current interest-bearing debt is calculated by discounting the future cash flows using current market interest rates plus a credit spread. The credit spread is derived from traded bonds of the Telefónica Deutschland Group and is taken into account in discounting, matched to the duration.

In addition to bonds, non-current and current interest-bearing debt as of 30 June 2023 includes promissory note loans and registered bonds with a total nominal value of EUR 355 million (31 December 2022: EUR 397 million), loans from the European Investment Bank (EIB) of EUR 600 million (31 December 2022: EUR 633 million) and the utilisation of short-term credit lines in the amount of EUR 133 million (31 December 2022: EUR 0 million).

The non-current and current trade and other payables and the non-current and current payables – spectrum are categorised as financial liabilities measured at amortised cost.

8. Contingent Assets and Liabilities

The Telefónica Deutschland Group is subject to claims or other proceedings arising in the ordinary course of business. The possible effects are of minor significance for the Group's net assets, financial position and results of operations.

For further information, please refer to the Consolidated Financial Statements as of 31 December 2022 (>Note 18 CONTINGENT ASSETS AND LIABILITIES). The first half of 2023 saw no material changes compared to the disclosures provided in the Consolidated Financial Statements as of 31 December 2022.

9. Subsequent Events

Announcement of a national roaming partnership between the 1&1 Group and the Vodafone Group

On 2 August 2023, the 1&1 Group concluded a binding preliminary agreement with the Vodafone Group regarding a long-term, exclusive national roaming partnership for all current and future mobile technology, which should begin on 1 October 2024 at the latest.

Irrespective of the new preliminary agreement, the 1&1 Group has contractual obligations towards the Telefónica Deutschland Group arising from the MBA MVNO/National Roaming Agreement until 30 June 2025. This secures revenue streams for the Telefónica Deutschland Group. Once the migration of 1&1 Group customers is complete, the Telefónica Deutschland Group will be able to use the capacity released for its own customers and for customers in the partner business.

In this context, Telefónica Deutschland Group confirms the outlook for financial year 2023 announced on 26 July 2023, with revenue and OIBDA growth in the "upper-range of low single-digit percentage growth".

No further events subject to disclosure requirements occurred after the end of the reporting period.

Munich, 9 August 2023

Telefónica Deutschland Holding AG

The Management Board

Markus Haas

Markus Rolle

Valentina Daiber

Nicole Gerhardt

Alfons Lösing

Mallik Rao

Further Information

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Telefónica Deutschland Holding AG Declaration of the Statutory Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting and with generally accepted accounting principles, the Interim Condensed Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Interim Condensed Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, 9 August 2023

Telefónica Deutschland Holding AG

The Management Board

Markus Haas

Markus Rolle

Valentina Daiber

Nicole Gerhardt

Alfons Lösing

Mallik Rao

Review Report

(Translation – the German text is authoritative)

To Telefónica Deutschland Holding AG, Munich

We have reviewed the condensed consolidated interim financial statements comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and selected explanatory notes - and the interim group management report of Telefónica Deutschland Holding AG for the period from January 1, 2023 to June 30, 2023 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Munich, August 9, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Holger Lutz
Wirtschaftsprüfer
(German Public Auditor)

sgd. ppa. Annika Sicking
Wirtschaftsprüfer
(German Public Auditor)

Glossary

The glossary also contains abbreviations as used in the Interim Group Management Report.

AI	Artificial intelligence
ARPU	Average revenue per user
Bitkom	Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V., Berlin (German Federal Association for Information Technology, Telecommunications and New Media, Berlin)
BMBF	Bundesministerium für Bildung und Forschung (German Federal Ministry of Education and Research)
BMI	Bundesministerium des Innern und für Heimat (German Federal Ministry of the Interior)
BMWK	Bundesministerium für Wirtschaft und Klimaschutz (German Federal Ministry for Economic Affairs and Climate Action)
BNetzA	Bundesnetzagentur (German Federal Network Agency)
CapEx	Capital expenditure: investments in property, plant and equipment and intangible assets excluding investments in mobile frequency licences and business combinations
CapEx/Sales ratio	Investment ratio – reflects the percentage share of investments in revenues
EIB	European Investment Bank
EU	European Union
FCF	Free cash flow
FTTH	Fibre to the Home: In telecommunications, FTTH means that the fibre-optic cable is terminated right in the user's home or apartment
GB	Gigabyte
GDP	Gross domestic product
GHz	Gigahertz
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISIN	International Securities Identification Number
IT	Information technology
IZMF	Informationszentrum Mobilfunk (Mobile Telecommunications Information Centre)
Joint venture	A joint agreement under which the parties having joint control have rights to the net assets of the agreement
KRITIS	Kritische Infrastruktur (Critical infrastructure)
M2M	Machine-to-Machine communication: automatic exchange of information between machines
MHz	Megahertz
MVNO	Mobile virtual network operator
OIBDA	Operating income before depreciation and amortisation
Postpaid/Prepaid	In contrast to postpaid contracts, prepaid contracts purchase the credit balance in advance without a fixed contractual commitment
PPA	Power purchase agreement
Roaming	Using a communication device or subscriber identity in a different network other than one's home network
Spectrum	Frequency rights of use or mobile communications licences
Telefónica Deutschland	Telefónica Deutschland Holding AG, Munich, Germany
Telefónica Deutschland Group	The companies included in the Consolidated Financial Statements of Telefónica Deutschland
Telefónica, S.A.	Telefónica, S.A., Madrid, Spain
TKG	Telekommunikationsgesetz (Telecommunications Act)
UGG	Unsere Grüne Glasfaser

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