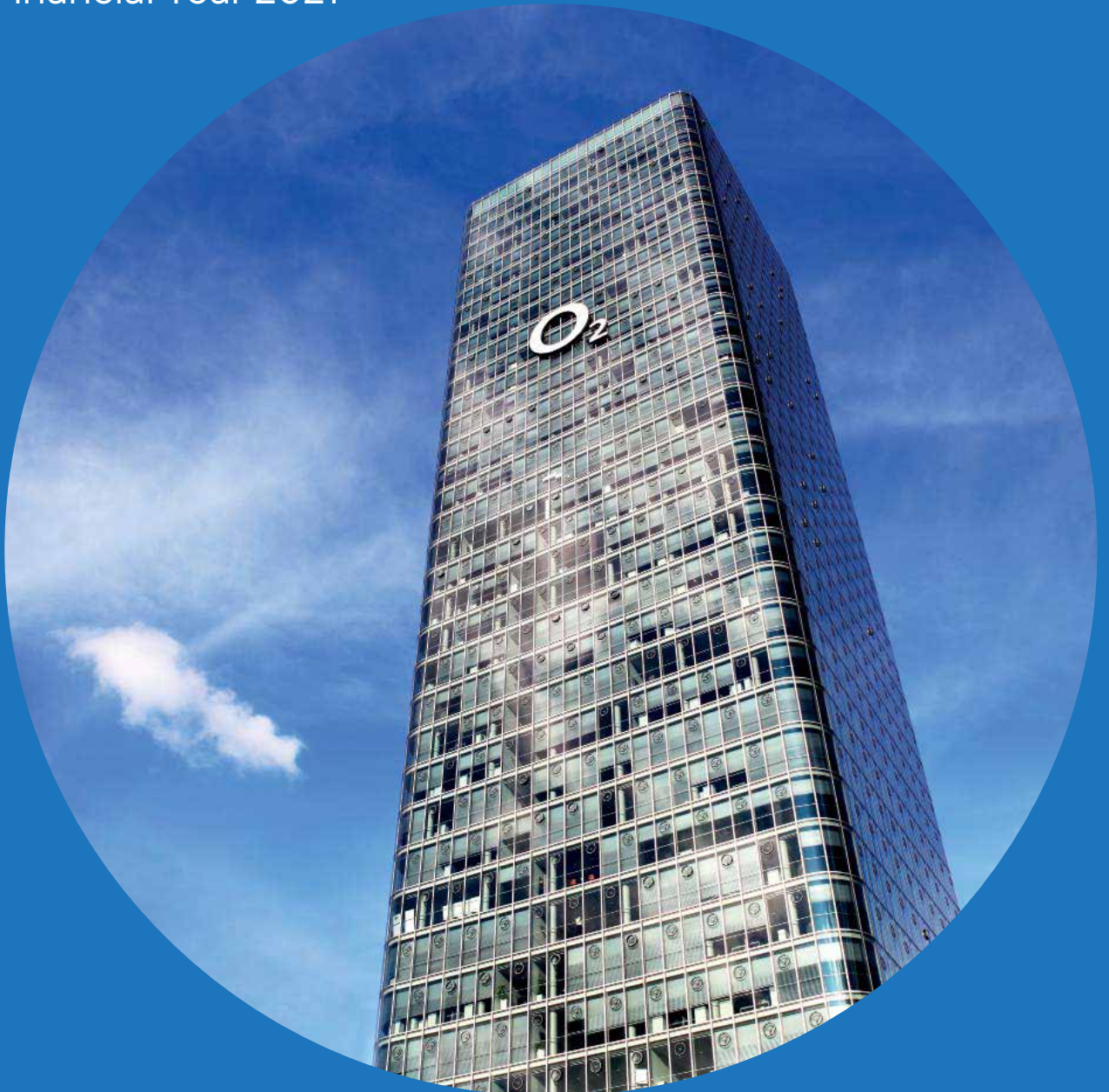


Telefónica Deutschland
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Annual Financial Statements

Telefónica Deutschland Holding AG
for Financial Year 2021



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Editorial note:

We use largely gender-neutral language in this report. We use the generic masculine in some places for reasons of readability and comprehensibility. These formulations apply without restriction to the other genders as well.

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.

Reference to the Combined Management Report of Telefónica Deutschland Holding AG

The Management Report of Telefónica Deutschland Holding AG and the Group Management Report are published in the Telefónica Deutschland Annual Financial Statements 2021 of the Group in accordance with section 315 (5) German Commercial Code (HGB). The Annual Financial Statements and the Management Report of Telefónica Deutschland Holding AG for financial year 2021, which is combined with the Group Management Report, will be submitted to the operator of the German Federal Gazette and published in the Federal Gazette. The Annual Financial Statements of Telefónica Deutschland Holding AG and the Annual Report of the Group for financial year 2021 are also available on the internet at:

<https://www.telefonica.de/investor-relations-en/annual-report.html>

Annual financial statements

for Financial Year 2021

Balance Sheet

Assets (in EUR)	As of 31 December 2021	As of 31 December 2020
A) Fixed assets		
Financial assets		
Investments in affiliated companies	7,506,147,174.90	8,041,567,073.64
	7,506,147,174.90	8,041,567,073.64
B) Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	83,038,896.04	88,707,902.96
2. Other assets	93,621.82	0.00
	83,132,517.86	88,707,902.96
C) Prepaid expenses	253,361.65	262,908.33
Total assets	7,589,533,054.41	8,130,537,884.93

Equity and Liabilities (in EUR)	As of 31 December 2021	As of 31 December 2020
A) Equity		
I. Subscribed capital	2,974,554,993.00	2,974,554,993.00
II. Additional paid-in capital	3,961,886,514.59	4,544,791,729.62
III. Retained earnings	14,083.91	14,083.91
Legal reserve	14,083.91	14,083.91
IV. Balance sheet profit	545,419,898.74	535,419,898.74
	7,481,875,490.24	8,054,780,705.27
B) Provisions		
1. Provisions for pensions and similar obligations	3,829,510.00	3,328,880.00
2. Tax provisions	41,486,367.42	5,100,000.00
3. Other provisions	5,718,608.42	5,369,416.17
	51,034,485.84	13,798,296.17
C) Liabilities		
1. Trade payables	114,576.44	28,354.93
– thereof with a remaining term of up to one year EUR 114,576.44 (previous year EUR 28,354.93)		
2. Liabilities to affiliated companies	24,792,789.83	24,405,386.03
– thereof with a remaining term of up to one year EUR 24,409,681.43 (previous year EUR 23,969,553.31)		
– thereof with a remaining term of more than one year EUR 383,108.40 (previous year EUR 435,832.72)		
3. Other liabilities	31,715,712.06	37,525,142.53
– thereof with a remaining term of up to one year EUR 31,715,712.06 (previous year EUR 37,525,142.53)		
– thereof from taxes EUR 31,715,712.06 (previous year EUR 37,393,552.19)		
	56,623,078.33	61,958,883.49
Total Equity and Liabilities	7,589,533,054.41	8,130,537,884.93

Income Statement**1 January to 31 December****(in EUR)**

	2021	2020
1. Revenues	9,560,641.60	9,888,703.77
2. Other operating income	1,728,176.24	1,371,577.88
– thereof from currency conversion EUR 70.84 (previous year EUR 196.00)		
3. Personnel expenses		
a) Salaries and wages	(7,589,709.21)	(7,448,997.94)
b) Social security contributions and expenses for pensions and other benefits	(1,144,129.50)	(515,157.90)
– thereof for retirement pensions EUR -1,017,372.85 (previous year EUR -473,477.37)		
	(8,733,838.71)	(7,964,155.84)
4. Other operating expenses	(3,101,412.16)	(4,301,761.94)
– thereof from currency conversion EUR -573.90 (previous year EUR -439.09)		
5. Income from investments	0.00	22,217,183.06
– thereof from affiliated companies EUR 0.00 (previous year EUR 22,217,183.06)		
6. Other interest and similar income	0.00	339,259.43
– thereof from affiliated companies EUR 0.00 (previous year EUR 339,259.43)		
7. Interest and similar expenses	(552,453.00)	(483,125.00)
– thereof from accumulation EUR -552,453.00 (previous year EUR -483,125.00)		
8. Income taxes	(36,386,367.42)	(5,100,000.00)
9. Profit/(loss) after tax	(37,485,253.45)	15,967,681.36
10. Other taxes	(62.84)	(63.27)
11. Profit/(loss) for the period (previous year Profit)	(37,485,316.29)	15,967,618.09
12. Profit carried forward from the previous year	0.00	231,704,765.45
13. Withdrawal from additional paid-in capital	582,905,215.03	287,747,515.20
14. Balance sheet profit	545,419,898.74	535,419,898.74

1. General Information on the Annual Financial Statements

The Annual Financial Statements of Telefónica Deutschland Holding AG, Munich (hereinafter also Telefónica Deutschland), for financial year 2021 have been prepared in accordance with the regulations of the German Stock Corporation Act (AktG) and the German Commercial Code (HGB).

The financial year is the calendar year (1 January to 31 December).

The Company is registered with the Munich Local Court under HRB 201055 and is listed on the regulated market of the Frankfurt Stock Exchange. The German Securities Identification Number (WKN) is A1J5RX, the International Securities Identification Number (ISIN) is DE000A1J5RX9. The share capital of Telefónica Deutschland Holding AG as of 31 December 2021 is unchanged from the previous year at EUR 2,974,554,993. It is divided into 2,974,554,993 no-par value registered shares, each with a proportionate interest in the share capital of EUR 1.00. Each no-par value share grants one vote at the Annual General Meeting.

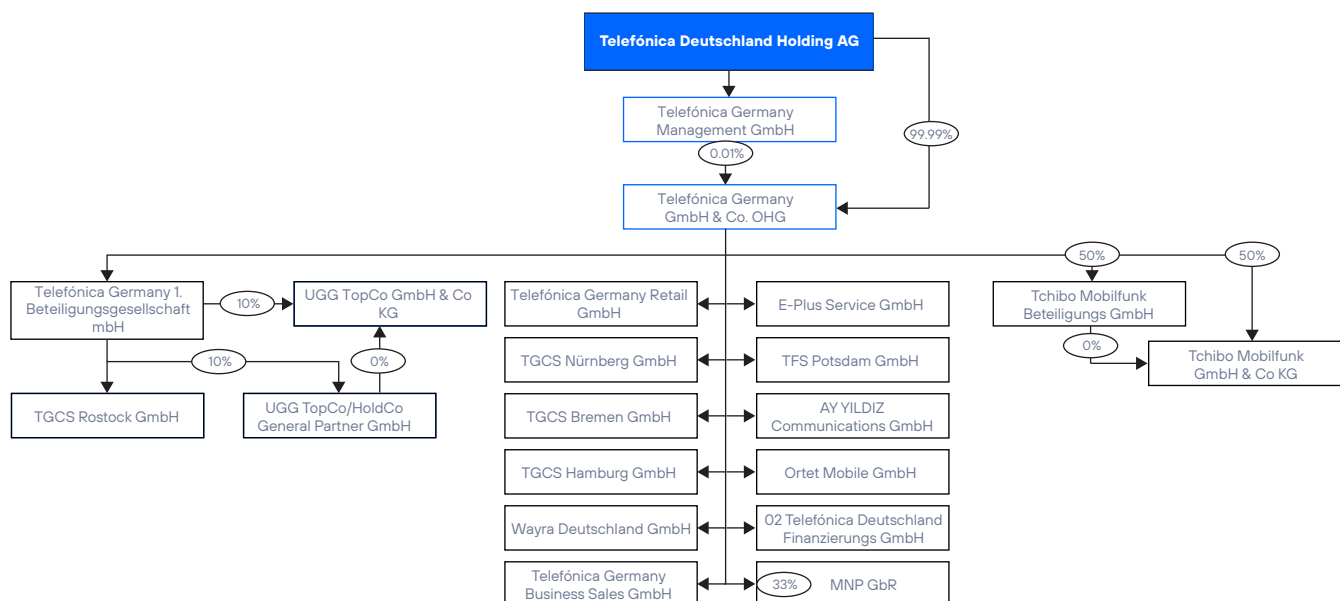
As of 31 December 2021, approximately 30% of the shares were in free float. 69.224% were held by Telefónica Germany Holdings Limited, Slough, United Kingdom (Telefónica Germany Holdings

Limited), an indirect wholly owned subsidiary of Telefónica, S.A., Madrid, Spain (Telefónica, S.A.) and 0.715% were held by Telefónica, S.A.

Telefónica Deutschland Holding AG is the parent company of the Telefónica Deutschland Group. The Telefónica Deutschland Group comprises Telefónica Deutschland and its subsidiaries as well as joint operations and associated companies (together hereinafter also referred to as the Telefónica Deutschland Group).

It is included in the Consolidated Financial Statements of the ultimate parent company, Telefónica, S.A., Madrid, Spain (Telefónica, S.A.; its group: the Telefónica, S.A. Group). The direct parent company of the Telefónica Deutschland Group is Telefónica Germany Holdings Limited, a wholly-owned subsidiary of O2 (Europe) Limited, Slough, United Kingdom (O2 (Europe) Limited), and an indirect subsidiary of Telefónica, S.A. The companies of the Telefónica, S.A. Group are related parties, as Telefónica, S.A. controls the Telefónica Deutschland Group.

As of 31 December 2021, the companies of the Telefónica Deutschland Group were organised as shown in the following organisation chart:



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

With effect from 1 July 2021, all the shares held by Telefónica Germany GmbH & Co. OHG in TGCS Berlin GmbH and TGCS Essen & Potsdam GmbH have been sold. TGCS Essen & Potsdam GmbH had one operational site in Essen and one in Potsdam. The operational site in Potsdam remains with the Telefónica Deutschland Group and has been spun off to TFS Potsdam GmbH with retroactive effect to 1 January 2021.

Telefónica Germany Zweite Mobilfunk Standortgesellschaft mbH was sold to Telxius with effect from 1 August 2021.

As of the balance sheet date, Telefónica Deutschland is classified a large corporation in accordance with section 267 (3) sentence 2 HGB.

The income statement was prepared in accordance with section 275 (2) HGB using the total cost method.

Telefónica Deutschland Holding AG has been the controlling company for an extended group of controlled companies of the

Telefónica Deutschland Holding AG fiscal unity for value-added tax (VAT) purposes.

As a shareholder of Telefónica Germany GmbH & Co. OHG, Telefónica Deutschland Holding AG is a taxable entity for corporate income tax purposes.

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.

Annual General Meeting and dividend payment

The virtual Annual General Meeting for the 2020 financial year was held on 20 May 2021. In addition to the presentation of the Annual Financial Statements and Consolidated Financial Statements of Telefónica Deutschland, a dividend payment of EUR 0.18 per entitled share, totalling EUR 535,419,898.74, was approved. The dividend for the financial year 2020 was paid to shareholders by 26 May 2021.

Stefanie Oeschger and Ernesto Gardelliano were elected as shareholder representatives by resolution of the Annual General Meeting dated 20 May 2021.

The remuneration system for Management Board and Supervisory Board members was also approved, as well as the remuneration for Supervisory Board members.

In addition, the Annual General Meeting approved cancellation of the existing authorised capital and the creation of new authorised capital (AUTHORISED CAPITAL 2021/I) in the amount of EUR 1,487,277,496.00, with the authorisation to exclude subscription rights, together with the relevant change to the articles of association.

Agreement on the remuneration of management services

Telefónica Deutschland Holding AG has an existing agreement with Telefónica Germany GmbH & Co. OHG, Munich, (hereinafter also referred to as OHG). This agreement includes the obligation to provide management services for Telefónica Germany GmbH & Co. OHG. Telefónica Germany GmbH & Co. OHG reimburses the cost of remuneration of the members of the Management Board as well as other administrative expenses. In addition, Telefónica Germany GmbH & Co. OHG reimburses Telefónica Deutschland Holding AG a flat fee of EUR 43.5 thousand (previous year EUR 43.5 thousand) per quarter.

Telefónica Deutschland Holding AG also has an existing agreement with Telefónica Germany Management GmbH, Munich. The agreement includes the obligation to provide management services for Telefónica Germany Management GmbH. Telefónica Germany Management GmbH reimburses Telefónica Deutschland Holding AG a flat fee of EUR 30 thousand (previous year EUR 30 thousand) per quarter.

The total reimbursement amount is included in the company's revenues.

Amendment of the Partnership Agreement of Telefónica Germany GmbH & Co. OHG

As a result of the amendment of the partnership agreement of Telefónica Germany GmbH & Co. OHG on 18 December 2020, the profits of Telefónica Germany GmbH & Co. OHG, since the financial year 2020, are credited to the joint reserve account and thus retained. Losses will be charged against the reserve accounts. If the losses exceed the reserve accounts of the partners, they reduce the fixed capital account of the partners. Resolutions of the partners are required for profit distributions.

2. Accounting Policies

The accounting policies applied in the preparation of the Annual Financial Statements as of 31 December 2021 are in accordance with the regulations of sections 242 to 256a and 264 to 288 of the HGB and the relevant regulations of the German Stock Corporation Act (AktG). The accounting policies are unchanged compared to the previous year.

Financial assets are measured at historical acquisition cost less the required impairment losses for anticipated permanent impairment in value in order to be recognised at the lower fair value as of the balance sheet date. If the reasons for the impairment losses no longer exist, impairment losses are reversed in accordance with section 253 (5) sentence 1 HGB. Withdrawals from reserve accounts of shareholdings in partnerships reduce the respective carrying amount of the shareholding in the same amount to the extent that the withdrawn reserves already existed at the time of the acquisition of the shareholding or can be documented as having been formed from injections of funds by the company.

Receivables, other assets and cash and cash equivalents are recognised at their nominal value. Appropriate impairments have been made for all risk positions.

Prepaid expenses are expenses prior to the balance sheet date which represent expenses for a specific period after this date.

Provisions for pensions are measured on the basis of actuarial calculations using the projected unit credit method, taking into account the 2018 G mortality tables of Prof. Dr Heubeck. Provisions for pensions and similar obligations are discounted at a flat rate using the average market interest rate of the past ten years published by the Deutsche Bundesbank, which is based on an assumed remaining term of 15 years (section 253 (2) sentence 2 HGB). This interest rate is 1.87% (2020: 2.31%). The provisions for pensions and similar obligations are calculated on the basis of annual pension increases of 1.75% (2020: 1.75%) and a fluctuation rate of 17.00% (2020: 17.00%) is assumed. Wage and salary increases did not have to be considered.

The assets serving solely to meet the pension obligations, which are excluded from access by all other creditors (plan assets within the meaning of section 246 (2) sentence 2 HGB), are offset against the provisions at their fair value. As there is no active market on the basis of which the market price can be determined, the amortised costs are amortised in accordance

with the strict lower of cost or market principle pursuant to section 253 (4) HGB (section 255 (4) sentence 3 HGB). The amortised acquisition cost from reinsurance claims and thus the fair value within the meaning of section 255 (4) sentence 4 HGB correspond to the so-called cover capital as per the business plan of the insurance contract plus any credit balance from premium refunds (so-called irrevocably granted surplus participation)

Effects on income from a change in the discount rate are recognised in the financial result.

In order to satisfy the indirect pension obligations, funds are invested and managed by the provident fund ProFund Unabhängige Gruppen-Unterstützungskasse e.V. These plan assets are measured at fair value. Telefónica Deutschland Holding AG makes use of the option granted in Art. 28 (1) sentence 2 EGHGB not to recognise indirect pension obligations.

Tax provisions are recognised at the settlement amount that is required according to reasonable commercial judgement. Discounting in accordance with section 253 (2) HGB is not necessary.

Other provisions take into account all recognisable risks and contingent obligations and are recognised in the amount required according to reasonable commercial judgement. Discounting in accordance with section 253 (2) HGB is not necessary.

Liabilities are recognised at their settlement amount. Liability items denominated in the currencies of countries outside the European Monetary Union are translated at the mean spot exchange rate as of the balance sheet date in accordance with section 256a HGB.

Deferred taxes are calculated on the basis of temporary or quasi-permanent differences between the carrying amounts of assets, liabilities and prepaid expenses under commercial law and their tax recognition, or on the basis of tax loss carry forwards, using the tax rates applicable to the individual companies at the time the differences are reduced, rather than discounting them. Deferred tax assets and liabilities are offset. Deferred tax assets are not capitalised due to the exercise of the recognition option in accordance with section 274 (1) sentence 2 HGB.

3. Notes to the Balance Sheet

Financial assets

Investments in affiliated companies in the amount of EUR 7,506,147 thousand (2020: EUR 8,041,567 thousand) relate in the amount of EUR 7,495,717 thousand (2020: EUR 8,031,137 thousand) to the shares in Telefónica Germany GmbH & Co. OHG, Munich, of which the Company is the personally liable shareholder. The decrease in the carrying amount of the investment in Telefónica Germany GmbH & Co. OHG results from the withdrawal from the reserve accounts of Telefónica Deutschland of a total of EUR 535,420 thousand on the basis of a shareholders' resolution dated 28 April 2021 in accordance with section 4 (3) of the shareholders' agreement. The withdrawal from the reserves was made from previously paid-in capital amounts.

As in the previous period, a carrying amount of EUR 10,430 thousand relates to the shares in Telefónica Germany Management GmbH, Munich.

For further information, please refer to the enclosed statement of changes in fixed assets.

(in EUR thousand)	Historical acquisition costs			
	As of 1 January 2021	Additions	Disposals	As of 31 December 2021
Financial assets				
Investments in affiliated companies	8,041,567	–	535,420	7,506,147
	8,041,567	–	535,420	7,506,147

(in EUR thousand)	Accumulated depreciation			
	As of 1 January 2021	Additions	Disposals	As of 31 December 2021
Financial assets				
Investments in affiliated companies	–	–	–	–
	–	–	–	–

(in EUR thousand)	Net book value	
	As of 1 January 2021	As of 31 December 2021
Financial assets		
Investments in affiliated companies	8,041,567	7,506,147
	8,041,567	7,506,147

List of shareholdings in accordance with section 285 No 11 or No 11a HGB

Name, legal form, registered office	Country	Share capital in %	Equity 31 December 2020 EUR thousand (*)	Net income for financial year 2020 EUR thousand (*)	
AY YILDIZ Communications GmbH, Düsseldorf ^{(3) (5)}	Germany	100	5,025	0	*
E-Plus Service GmbH, Düsseldorf ^{(3) (5)}	Germany	100	78,244	0	*
MNP GbR, Düsseldorf ⁽⁵⁾	Germany	33	355	184	-
O2 Telefónica Deutschland Finanzierungs GmbH, Munich ⁽⁵⁾	Germany	100	175	0	*
Ortel Mobile GmbH, Düsseldorf ^{(3) (5)}	Germany	100	5,441	0	*
TCHIBO Mobilfunk Beteiligungs-GmbH, Hamburg ⁽⁵⁾	Germany	50	44	1	-
TCHIBO Mobilfunk GmbH & Co. KG, Hamburg ⁽⁵⁾	Germany	50	12,400	884	-
Telefónica Germany 1. Beteiligungsgesellschaft mbH, Munich ^{(3) (5)}	Germany	100	85,778	0	*
Telefónica Germany GmbH & Co. OHG, Munich ^{(1) (2)}	Germany	100	5,996,871	778,880	-
Telefónica Germany Management GmbH, Munich ⁽³⁾	Germany	100	10,827	-11	-
Telefónica Germany Business Sales GmbH, Düsseldorf ⁽⁵⁾	Germany	100	29,348	0	*
Telefónica Germany Retail GmbH, Düsseldorf ^{(3) (5)}	Germany	100	107,386	0	*
TFS Potsdam GmbH, Potsdam ^{(3) (5)}	Germany	100	25	0	*
TGCS Bremen GmbH, Munich ^{(3) (5)}	Germany	100	1,525	0	*
TGCS Hamburg GmbH, Munich ^{(3) (5)}	Germany	100	1,775	0	*
TGCS Nürnberg GmbH, Munich ^{(3) (5)}	Germany	100	3,775	0	*
TGCS Rostock GmbH, Munich ^{(3) (5)}	Germany	100	15,342	0	*
Wayra Deutschland GmbH, Munich ^{(3) (5)}	Germany	100	2,393	0	*
UGG TopCo/HoldCoGeneral Partner GmbH, Ismaning ⁽⁵⁾	Germany	10	**	**	-
UGG TopCoGmbH & Co.KG, Ismaning ⁽⁵⁾	Germany	10	**	**	-

¹⁾ 99.99% Telefónica Deutschland Holding AG, as personally liable shareholder; 0.01% Telefónica Germany Management GmbH

²⁾ Utilisation of exemption in accordance with section 264 b HGB

³⁾ Utilisation of exemption in accordance with to section 264 (3) HGB

⁴⁾ Equity and net income of the last financial year for which annual financial statements exist

⁵⁾ Indirect shareholding of Telefónica Deutschland Holding AG

^{*} After profit/loss transfer

^{**)} No prepared annual financial statements are available at the time of preparation

For further information on the nature of the shareholdings, see the organisation chart in the section "General information on the Annual Financial Statements".

Receivables

Receivables from affiliated companies amount to EUR 83,039 thousand (2020: EUR 88,708 thousand). Receivables from affiliated companies in financial year 2021 mainly comprise receivables from affiliated companies from the VAT group amounting to EUR 76,601 thousand (2020: EUR 79,199 thousand) and receivables from cash pooling from Telfisa Global B.V., Amsterdam, Netherlands, amounting to EUR 5,210 thousand (2020: EUR 7,903 thousand).

In addition, there are receivables of EUR 1,218 thousand (2020: EUR 1,596 thousand) from Telefónica Germany GmbH & Co.

OHG for management services and of EUR 10 thousand (2020: EUR 10 thousand) from Telefónica Germany Management GmbH.

Deferred taxes

In exercising the recognition option, no deferred tax assets were recognised as of 31 December 2021. Deferred tax assets result mainly from existing corporate and trade tax loss carryforwards and from temporary differences at the level of Telefónica Germany GmbH & Co. OHG. As a shareholder of Telefónica Germany GmbH & Co. OHG, Telefónica Deutschland Holding AG, in addition to the 0.01% share held by Telefónica Germany Management GmbH, is the taxable entity for corporate income tax purposes. The tax rate for deferred tax assets for corporation tax and the solidarity surcharge is 15.825%, and 17.15% for trade tax.

Equity

Subscribed capital

On 31 December 2021, the registered share capital of Telefónica Deutschland Holding AG amounts to EUR 2,974,555 thousand (2020: EUR 2,974,555 thousand). The share capital is divided into no-par value registered shares, each with a proportionate interest in the share capital of EUR 1.00 ("shares"). The registered share capital is fully paid.

As of 31 December 2021, Telefónica Deutschland Holding AG did not hold any of its own shares.

In accordance with section 6 (2) of the articles of association, the shareholders do not have the right to securitise shares. Each no-par value share grants one vote at the Annual General Meeting. The shares are freely transferable.

Authorised capital

Telefónica Deutschland Holding AG had authorised capital 2021/I of EUR 1,487,277,496 as of 31 December 2021.

On 20 May 2021, the Annual General Meeting approved cancellation of the existing authorised capital (Authorised Capital 2016/I) and the creation of new authorised capital (Authorised Capital 2021/I) in the amount of EUR 1,487,277,496.00, with the authorisation to exclude subscription rights, together with the relevant change to the articles of association.

Conditional capital

The share capital of Telefónica Deutschland Holding AG is conditionally increased by up to EUR 558,472,700 by issuing up to 558,472,700 new non-par value registered shares (Conditional Capital 2019/I). Conditional Capital 2019/I was resolved by resolution of the Annual General Meeting on 20 May 2019 – with Conditional Capital 2014/I being cancelled.

Additional paid-in capital

The additional paid-in capital as of 31 December 2021 amounts to EUR 3,961,887 thousand (2020: EUR 4,544,792 thousand).

With entry in the commercial register on 4 June 2018, the part of the tied additional paid-in capital of EUR 4,535,097,828.00 was converted into a free additional paid-in capital (section 272 (2) no. 4 HGB).

In the financial year, a withdrawal of EUR 582,905 thousand was made from the (free) additional paid-in capital to the balance sheet profit.

Retained earnings

Retained earnings contain a legal reserve in accordance with section 150 (2) of the German Stock Corporation Act (Aktiengesetz – AktG) of EUR 14 thousand (2020: EUR 14 thousand).

Appropriation of profits

The virtual Annual General Meeting for the 2020 financial year was held on 20 May 2021. In addition to the presentation of the Annual Financial Statements and Consolidated Financial Statements of Telefónica Deutschland, a dividend payment of EUR 0.18 per entitled share, totalling EUR 535,419,898.74, was approved. For this purpose, a withdrawal of EUR 287,747,515.20 was made from the (free) additional paid-in capital to the balance sheet profit in 2020. The dividend for the financial year 2020 was paid to shareholders by 26 May 2021.

Pension provisions

The provisions for pensions relate to pension obligations in the amount of EUR 3,830 thousand (2020: EUR 3,329 thousand). These pension obligations also include EUR 2,222 thousand in pension obligations to former members of the Management Board.

Based on a valuation as of 31 December 2021 in accordance with section 253 (1) sentence 2 and (2) sentence 2 HGB and after offsetting against plan assets of EUR 1,837 thousand (2020: EUR 1,727 thousand) in accordance with section 246 (2) sentence 2 HGB, the total present value of the offset pension obligations amounts to EUR 3,830 thousand (previous year: EUR 3,329 thousand). The difference in accordance with section 253 (6) sentence 1 HGB amounts to EUR 602 thousand (2020: EUR 757 thousand) and is blocked for distribution.

The plan assets consist of exclusive, pledged and insolvency-protected reinsurance policies. The fair value of the netted reinsurance claims corresponds to the amortised cost (actuarial reserve plus profit participation) in accordance with actuarial reports or notifications from the issuer.

Telefónica Deutschland Holding AG makes use of the option granted in Art. 28 (1) and (2) EGHGB not to recognise indirect pension obligations in the amount of EUR 3,015 thousand (2020: EUR 2,347 thousand), which are secured by the "Unterstützungskasse ProFund Unabhängige Gruppen- und Unterstützungskasse e.V." provident fund. To cover this obligation, EUR 2,815 thousand was held in trust for Telefónica Deutschland Holding AG at 31 December 2021 (2020: EUR 1,807 thousand).

Interest income from cover assets in the amount of EUR 16 thousand is set off against interest expenses from the change in the discounting of pension provisions in the amount of EUR 451 thousand.

Tax provisions

The tax provisions include provisions for corporation tax including solidarity surcharge in the amount of EUR 41,486 thousand (2020: EUR 5,100 thousand), which were formed in connection with the results of Telefónica Germany GmbH & Co. OHG and its affiliated companies. As a shareholder of Telefónica Germany GmbH & Co. OHG, Telefónica Deutschland Holding

AG, in addition to the 0.01% share held by Telefónica Germany Management GmbH, is the taxable entity for corporate income tax purposes.

Other provisions

Other provisions in the amount of EUR 5,719 thousand (2020: EUR 5,369 thousand) relate in the amount of EUR 4,438 thousand (2020: EUR 4,155 thousand), primarily to obligations arising from the remuneration of the Management Board. In addition, this includes provisions for outstanding incoming invoices amounting to EUR 1,281 thousand (2020: EUR 1,214 thousand), primarily in relation to consulting services.

Liabilities

Trade payables amount to EUR 115 thousand (2020: EUR 28 thousand) and relate mainly to liabilities from consulting services.

Liabilities to affiliated companies total EUR 24,793 thousand (2020: EUR 24,405 thousand) and primarily comprise in the amount of EUR 20,000 thousand liabilities from a loan granted by Telefónica Germany GmbH & Co. OHG. In addition, there are liabilities to affiliated companies from the VAT group amounting to EUR 3,248 thousand.

Other liabilities in the amount of EUR 31,716 thousand (2020: EUR 37,525 thousand) mainly include in the amount of EUR 31,582 thousand in VAT liabilities, which the Company is required to pay to the tax authority as the controlling company of the VAT group of Telefónica Deutschland Holding AG.

4. Notes to the Income Statement

Revenues

Revenues total EUR 9,561 thousand (2020: EUR 9,889 thousand) and comprise in the amount of EUR 9,267 thousand (2020: EUR 9,595 thousand) in charging of the costs for the remuneration of Management Board members, as well as additional administration costs, which are assumed by Telefónica Germany GmbH & Co. OHG in accordance with the agreements for the reimbursement for management services (as set out under "I. General information on the Annual Financial Statements - Agreement on remuneration for management services").

Furthermore, invoiced management services are included in the amount of EUR 294 thousand (2020: EUR 294 thousand), which Telefónica Deutschland Holding AG provides for Telefónica Germany GmbH & Co. OHG and Telefónica Germany Management GmbH.

Other operating income

Other operating income in the amount of EUR 1,728 thousand (2020: EUR 1,372 thousand) mainly results from the release of provisions.

Personnel expenses

Personnel expenses in the amount of EUR 8,734 thousand (2020: EUR 7,964 thousand) include expenses for the remuneration of the Management Board, including social security contributions.

Other operating expenses

Other operating expenses in the financial year in the amount of EUR 3,101 thousand (2020: EUR 4,302 thousand) mainly include costs for legal and consulting fees from external service providers.

Interest and similar expenses

Other interest and similar expenses in the amount of EUR 552 thousand (2020: EUR 483 thousand) mainly include interest expenses from the change in the accumulation of pension provisions.

Income taxes

Tax expenses in the amount of EUR 36,386 thousand (2020: EUR 5,100 thousand) comprise current corporate income tax expense including solidarity surcharge.

Out-of-period income

In total, the financial year 2021 includes out-of-period income in the amount of EUR 1,728 thousand. This primarily relates to income from the reversal of provisions included in other operating income.

5. Supplementary Disclosures to the Notes

Additional information regarding the Supervisory Board and the Management Board

Remuneration of the Management Board pursuant to section 285 No 9 HGB

The total remuneration of the members of the Management Board for the financial year ended 31 December 2021 amounted to EUR 7,581 thousand (2020: EUR 7,122 thousand).

In financial year 2021, the total remuneration expense for the members of the former management and their surviving dependants amounted to EUR 556 thousand (2020: EUR 367 thousand).

The Telefónica Deutschland Holding AG has not currently granted the members of its Management Board any security or loans and has not assumed any guarantees for them.

In the reporting year, the total remuneration includes share-based compensation on the free transfer of shares with a fair value of EUR 1,723 thousand (2020: EUR 1,517 thousand) at the grant date, for the number of 286,610 shares (2020: 161,454).

Remuneration of the Supervisory Board pursuant to section 285 No 9 HGB

The members of the Supervisory Board received remuneration for their work on the Supervisory Board of Telefónica Deutschland Holding AG amounting to EUR 573 thousand in 2021 after EUR 554 thousand in 2020.

The Telefónica Deutschland Holding AG has not currently granted the members of its Supervisory Board any security or loans and has not assumed any guarantees for them.

Management Board

There were no changes in the composition of the Management Board in financial year 2021. Markus Haas was reappointed as a member of the Company's Management Board and as the new Chief Executive Officer (CEO) of Telefónica Deutschland Holding AG with effect from 1 January 2017 until the end of 31 December 2019. At its meeting on 18 February 2019, the

Supervisory Board resolved the further appointment of Markus Haas as CEO with effect from 1 January 2020 until the end of 31 December 2022.

Valentina Daiber, Nicole Gerhardt, Alfons Lösing, Wolfgang Metze and Markus Rolle were appointed as Management Board members of the Company with effect from 1 August 2017 until the end of 31 July 2020. At its meeting on 30 September 2019, the Supervisory Board resolved their further appointment with effect from 1 August 2020 until the end of 31 July 2023. New service contracts were concluded for the duration of their respective new appointment.

In addition, Mallik Rao (Yelamate Mallikarjuna Rao) was newly appointed as a member of the Management Board with effect from 15 October 2019 until the end of 31 December 2022.

The members of the Management Board of Telefónica Deutschland Holding AG as of 31 December 2021 are listed below:

Name	Role	Membership of Supervisory Boards
Markus Haas	Chief Executive Officer (CEO) Chairman of the Management Board	
Markus Rolle	Chief Financial Officer (CFO) Management Board member	Telefónica Germany Retail GmbH, Düsseldorf TGCS Rostock GmbH, Munich TGCS Nürnberg GmbH, Munich
Valentina Daiber	Chief Officer for Legal and Corporate Affairs Management Board member	TGCS Nürnberg GmbH Telefónica Germany Retail GmbH TGCS Essen & Potsdam GmbH (until 30 June 2021)
Nicole Gerhardt	Chief Human Resources Officer (CHRO) Management Board member	TGCS Essen & Potsdam GmbH, Potsdam (until 30 June 2021) Telefónica Germany Retail GmbH, Düsseldorf TGCS Rostock GmbH, Munich TGCS Nürnberg GmbH, Munich
Alfons Lösing	Chief Partner & Wholesale Officer Management Board member	TGCS Essen & Potsdam GmbH, Potsdam (until 30 June 2021) TGCS Rostock GmbH, Munich
Wolfgang Metze	Chief Consumer Officer (CCO) Management Board member	TGCS Essen & Potsdam GmbH, Potsdam (Chairman) (until 30 June 2021) Telefónica Germany Retail GmbH, Düsseldorf (Chairman) TGCS Rostock GmbH, Munich (Chairman) TGCS Nürnberg GmbH, Munich (Chairman) Advisory Council of UGG TopCo GmbH & Co. KG (Unsere Grüne Glasfaser)
Mallik Rao (Yelamate Mallikarjuna Rao)	Chief Technology & Information Officer (CTIO) Management Board member	

Supervisory Board

There were no changes in the composition of the Supervisory Board during financial year 2021.

Peter Erskine resigned as of the end of 31 December 2021 as a Member of the Supervisory Board.

The members of the Supervisory Board of Telefónica Deutschland Holding AG as of 31 December 2021 are listed below:

Name	Role
Peter Löscher*	Chairman of the Supervisory Board Occupation: Chairman of the Board of Directors (non-executive), Sulzer AG, Winterthur, Switzerland Mandate: - Independent, non-executive member of the Board of Directors, Telefónica, S.A., Madrid, Spain - Member of the Supervisory Board, Koninklijke Philips N.V., Amsterdam, Netherlands - Non-executive member of the Board of Directors of Thyssen-Bornemisza Group AG, Zurich, Switzerland - Non-Executive Director of Doha Venture Capital LLC, Doha, Qatar
Christoph Braun*	Deputy Chairman of the Supervisory Board Occupation: Full-time member of the Works Council of Telefónica Germany GmbH & Co. OHG Chairman of the European Works Council of Telefónica Europe Deputy Chairman of the General Works Council of Telefónica Germany GmbH & Co. OHG Deputy Chairman of the Works Council Region North-East of Telefónica Germany GmbH & Co. OHG

Name	Role
Martin Butz*	Member of the Supervisory Board Occupation: Director Carrier Management & Roaming, Telefónica Germany GmbH & Co. OHG
Pablo de Carvajal González	Member of the Supervisory Board Occupation: General Counsel & Global Head Regulatory Affairs, Telefónica, S.A.
Peter Erskine	Member of the Supervisory Board Current mandates: Non-Executive Director, Telefónica, S.A. Chairman of the Strategy and Innovation Committee of Telefónica, S.A. Member of the Board of Directors VMED O2 UK Limited (Virgin Media O2) (since 1 June 2021)
María García-Legaz Ponce	Member of the Supervisory Board Occupation: Chief of Staff, Telefónica, S.A.
Ernesto Gardelliano	Member of the Supervisory Board; Occupation: Group Controller & Planning Director, Telefónica, S.A.
Cansever Heil*	Member of the Supervisory Board Occupation: Full-Time member of the Company Wide Works Council (Unternehmenseinheitlicher Betriebsrat), Telefónica Germany Retail GmbH
Christoph Heil*	Member of the Supervisory Board Occupation: Representative, Vereinte Dienstleistungsgewerkschaft ver.di Current mandate: Member of the Supervisory Board, Capgemini Deutschland GmbH
Michael Hoffmann	Member of the Supervisory Board Chairman of the Audit Committee, Telefónica Deutschland Holding AG Occupation: Master's degree in Business Administration, self-employed Current mandate: Member of the Supervisory Board and Chairman of the Audit Committee of Westwing Group AG
Julio Linares López	Member of the Supervisory Board Current mandates: Member of the Board of Directors and Chairman of the Strategy Committee, Telefónica Brazil S.A. Non-Executive Director, Telefónica de España, S.A.U. Non-Executive Director, Telefónica Móviles España, S.A.U. Member of the Board of Directors (Trustee), Fundación Telefónica
Stefanie Oeschger	Member of the Supervisory Board; Occupation: Interim Manager, CEMBRA Money Bank, Zurich
Thomas Pfeil*	Member of the Supervisory Board Occupation: Full-Time member of the Works Council of Telefónica Germany GmbH & Co. OHG Chairman of the Works Council Munich, Telefónica Germany GmbH & Co. OHG
Joachim Rieger*	Member of the Supervisory Board Occupation: Full-Time member of the Works Council of TFS Potsdam GmbH Deputy Chairman of the General Works Council of TFS Potsdam GmbH Current mandate: Deputy Chairman of the Supervisory Board of TGCS Essen & Potsdam GmbH (until 30 June 2021)
Dr Jan-Erik Walter*	Member of the Supervisory Board Occupation: Full-time member of the Works Council of Telefónica Germany GmbH & Co. OHG Deputy Chairman of the Works Council Munich of Telefónica Germany GmbH & Co. OHG Chairman of the Group Works Council of Telefónica Deutschland Holding AG
Claudia Weber*	Member of the Supervisory Board Occupation: Deputy Managing Director, ver.di Munich district Current mandate: Member of the Supervisory Board, SWM Services GmbH

* Employee representative

Auditor's fee

Disclosure of the total fees of the auditors of Telefónica Deutschland Holding AG is omitted pursuant to section 285 no. 17 HGB, as the Company prepares the consolidated financial statements of Telefónica Deutschland Holding AG ("Telefónica Deutschland Group") and the corresponding information is contained in these consolidated financial statements.

Number of employees

As in financial year 2020, the Company had no employees in financial year 2021.

Contingent liabilities and other financial obligations

Contingent liabilities

In its capacity as the parent company of the Telefónica Deutschland Group, Telefónica Deutschland Holding AG assumes warranty obligations for its subsidiaries. As part of the issue of the bond by O2 Telefónica Deutschland Finanzierungs GmbH, Munich, Telefónica Deutschland has given an unconditional and irrevocable guarantee to each holder of the issued bond in July 2018 in the amount of EUR 600 million, for the proper and timely payment of all amounts payable by the issuer on the bond in accordance with the bond terms.

The risk of claims arising from contingent liabilities is considered to be extremely low. This assessment is based on the fact that O2 Telefónica Deutschland Finanzierungs GmbH is an indirect subsidiary of Telefónica Deutschland Holding AG and is fully controlled by Telefónica Germany GmbH & Co. OHG. The creditworthiness of O2 Telefónica Deutschland Finanzierungs GmbH is therefore determined by the operational business of the Telefónica Deutschland Group itself.

Telefónica Deutschland Holding AG issued a letter of comfort to Telefónica Germany GmbH & Co. OHG and Telefónica Germany Management GmbH in financial year 2016. The letters of comfort continue to be valid and may be terminated at the end of a financial year of the companies, subject to a notice period of six months.

On 21 January 2019, Telefónica Deutschland Holding AG also issued a letter of comfort for Telefónica Germany GmbH & Co. OHG with a term until 31 December 2040.

The letters of comfort do not significantly change the economic substance of the opportunities and risks. The risk of claims arising from contingent liabilities is considered to be low.

Parent company / consolidated financial statements

Telefónica Deutschland Holding AG, Munich, prepares consolidated financial statements for the smallest group of companies in accordance with IFRS as adopted by the EU. These consolidated financial statements are published in

the German Federal Gazette. The consolidated financial statements of Telefónica Deutschland Holding AG are included in the consolidated financial statements of the Spanish parent company Telefónica S.A. (Madrid, Spain). The latter is the company that prepares the consolidated financial statements for the largest group of companies and these are published on the internet at www.telefonica.com.

Notifications of voting rights pursuant to section 40 (1) WpHG:

On 31 May 2019, BlackRock Inc., Wilmington, Delaware, United States of America, notified us in accordance with section 33 (1) WpHG that its share of voting rights in Telefónica Deutschland Holding AG, Munich, Germany, exceeded the threshold of 3% of the voting rights on 28 May 2019 and amounted to 3.30% on this date.

On 22 May 2019, T. Rowe Price Group, Inc., Baltimore, Maryland, United States of America, notified us in accordance with section 33 (1) WpHG that its share of voting rights in Telefónica Deutschland Holding AG, Munich, Germany, fell below the threshold of 3% of the voting rights on 17 May 2019 and amounted to 2.99% on this date.

On 15 May 2019, Koninklijke KPN N.V., Den Haag, Netherlands, notified us in accordance with section 33 (1) WpHG that its share of voting rights in Telefónica Deutschland Holding AG, Munich, Germany, fell below the threshold of 3% of the voting rights on 14 May 2019 and amounted to 2.98% on this date.

On 8 October 2014, Telefónica, S.A., Madrid, Spain, notified us in accordance with section 21 (1) WpHG that its share of voting rights in Telefónica Deutschland Holding AG, Munich, Germany, fell below the threshold of 75% of the voting rights on 7 October 2014 and amounted to 62.10% (corresponding to 1,847,271,219 voting rights) on this date. 57.70% of the voting rights (corresponding to 1,716,390,800 voting rights) are attributable to the Company in accordance with section 22 (1), sentence 1, no. 1 WpHG. Attributed voting rights are held via the following company controlled by it, whose share of voting rights in Telefónica Deutschland Holding AG amounts to 3% or more, in each case: O2 (Europe) Limited, Telefónica Germany Holdings Limited. 4.40% of the voting rights (corresponding to 130,880,419 voting rights) are attributable to the Company in accordance with section 22 (1), sentence 1, no. 2 WpHG in conjunction with sentence 2 WpHG. Attributed voting rights are held by the following shareholders, whose share of voting rights in Telefónica Deutschland Holding AG amounts to 3% or more, respectively: KPN Mobile Germany GmbH & Co. KG.

On 7 October 2014, Telefónica Germany Holdings Limited, Slough, United Kingdom, notified us in accordance with section 21 (1) WpHG that its share of voting rights in Telefónica Deutschland Holding AG, Munich, Germany, fell below the threshold of 75% of the voting rights on 7 October 2014 and amounted to 62.10% (corresponding to 1,847,271,219 voting rights) on this date. 4.40% of the voting rights (corresponding to 130,880,419 voting rights) are attributable to the Company

in accordance with section 22 (1), sentence 1, no. 2 WpHG. Attributed voting rights are held by the following shareholders, whose share of voting rights in Telefónica Deutschland Holding AG amounts to 3% or more, respectively: KPN Mobile Germany GmbH & Co. KG.

On 7 October 2014, O2 (Europe) Limited, Slough, United Kingdom, notified us in accordance with section 21 (1) WpHG that its share of voting rights in Telefónica Deutschland Holding AG, Munich, Germany, fell below the threshold of 75% of the voting rights on 7 October 2014 and amounted to 62.10% (corresponding to 1,847,271,219 voting rights) on this date. 57.70% of the voting rights (corresponding to 1,716,390,800 voting rights) are attributable to the Company in accordance with section 22 (1), sentence 1, no. 1 WpHG. Attributed voting rights are held via the following company controlled by it, whose share of voting rights in Telefónica Deutschland Holding AG amounts to 3% or more, in each case: Telefónica Germany Holdings Limited. 4.40% of the voting rights (corresponding to 130,880,419 voting rights) are attributable to the Company in accordance with section 22 (1), sentence 1, no. 2 WpHG in conjunction with sentence 2 WpHG. Attributed voting rights are held by the following shareholders, whose share of voting rights in amounts to 3% or more, respectively: KPN Mobile Germany GmbH & Co. KG.

An overview of notifications of all voting rights is also available at www.telefonica.de/voting-rights-announcement

Declaration in accordance with section 161 AktG on the Corporate Governance Code

The Management Board and the Supervisory Board last submitted a declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG) on 27./25. October 2021. The full wording of the declaration of compliance can be found on the website of Telefónica Deutschland at <https://www.telefonica.de/compliance-declaration-October-2021>

Subsequent Events

The Board of Telefónica Deutschland resolved on 9 February 2022 to propose to the next Annual General Meeting, scheduled for 19 May 2022, a cash dividend totalling approximately EUR 535 million, or EUR 0.18 per share.

Jaime Smith Basterra was appointed to the Supervisory Board as a shareholder representative by court order dated 30 December 2021 with effect from 4 January 2022.

No additional events subject to disclosure requirements occurred after the end of the financial year 2021.

Munich, 17 February 2022

Telefónica Deutschland Holding AG

- The Management Board -



Markus Haas



Markus Rolle



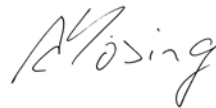
Valentina Daiber



Nicole Gerhardt



Wolfgang Metze



Alfons Lösing



Mallik Rao

Telefónica Deutschland Holding AG Declaration of the Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Financial Statements give a true and fair view of the net assets, financial position and results from operation of the Company, and the Management Report of Telefónica Deutschland Holding AG, which is combined with the Group Management Report, includes a fair review of the

development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Munich, 17 February 2022

Telefónica Deutschland Holding AG

- The Management Board -



Markus Haas



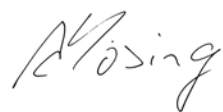
Markus Rolle



Valentina Daiber



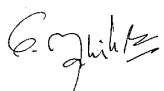
Nicole Gerhardt



Alfons Lösing



Wolfgang Metze



Mallik Rao

INDEPENDENT AUDITOR'S REPORT

To Telefónica Deutschland Holding AG, Munich

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of Telefónica Deutschland Holding AG, Munich, which comprise the balance sheet as at 31 December 2021, and the statement of profit and loss for the financial year from 1 January to 31 December 2021 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Telefónica Deutschland Holding AG, which is combined with the group management report, for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU

Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

- ❶ Recoverability of the shareholding in Telefónica Germany GmbH & Co. OHG

Our presentation of this key audit matter has been structured as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matter:

❶ **Recoverability of the shareholding in Telefónica Germany GmbH & Co. OHG**

- ① In the Company's annual financial statements shares in affiliated companies amounting to € 7.5 billion (99 % of total assets) are reported under the "Financial assets" balance sheet item. The shares in affiliated companies principally comprise the shareholding in Telefónica Germany GmbH & Co. OHG, Munich which holds further shareholdings in turn. Shares in affiliated companies are measured in accordance with German commercial law at the lower of cost and fair value. The impairment test performed in relation to the value of the shares in Telefónica Germany GmbH & Co. OHG takes into account the operations of Telefónica Germany GmbH & Co. OHG as well as the fair values of its direct and indirect shareholdings, as these may have a significant influence on the fair value of the shares in Telefónica Germany GmbH & Co. OHG. In financial year 2021, the fair value of the significant shareholdings of Telefónica Germany GmbH & Co. OHG was calculated using a discounted cash flow model as the present value of the expected future cash flows resulting from the financial projections prepared. Expectations relating to future market developments and assumptions about the development of macroeconomic factors were also taken into account. The discount rate used was the individually determined cost of capital. With respect to Telefónica Deutschland Holding AG's other indirect and direct shareholdings, testing focused on whether there were indications that result in an impairment of the shareholding in Telefónica Germany GmbH & Co. OHG that could be expected to be permanent. Based on the values calculated and other documentation, there was no need to recognize impairment losses in the financial year. The result of the impairment test depends particularly on the assessments of the Company's executive directors regarding the future cash flows, growth rates, the discount rate used as well as the future development of the operations of Telefónica Germany GmbH & Co. OHG and its direct and indirect shareholdings. Due to the assessment relating to the numerous

valuation parameters, the impairment test is subject to considerable uncertainty. Against this background and in view of its material significance for the net assets and results of operations of the Company, this matter was of particular importance for our audit.

- ② As part of our audit, we evaluated the recoverability of the shareholding of Telefónica Deutschland Holding AG in Telefónica Germany GmbH & Co. OHG also under consideration of the recoverability of the significant shareholdings of Telefónica Germany GmbH & Co. OHG. In this context, we assessed the methodology employed for the purposes of the valuations, among other things. We assessed whether the fair value of this material shareholdings had been properly determined using a discounted cash flow model in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors' detailed explanations regarding the key planning value drivers underlying the expected cash flows. In the knowledge that even relatively small changes in the discount rates applied and the growth rates can have a material impact on the values of the entities calculated in this way, we focused our testing in particular on the parameters used to determine the discount rates applied, and evaluated the measurement models. Furthermore, on the basis of financial information and other documentation we evaluated the executive directors' conclusion that there were no indications that the shareholding in Telefónica Germany GmbH & Co. OHG was impaired, also taking into account the market capitalization of Telefónica Deutschland Holding AG for this purpose. In this context, we assessed the expected future income from the operating business activities in the light of the business plan of Telefónica Germany GmbH & Co. OHG prepared by the executive directors. For this purpose, we assessed the appropriateness of the assumptions and expectations underlying the business plan, including with respect to the further implementation of planned measures and the anticipated growth rate, and considered whether the business plan was drawn up properly on this basis. In our view, the assumptions and expectations underlying the executive directors' impairment testing of the shareholding in Telefónica Germany GmbH & Co. OHG have been properly derived and are within reasonable ranges.
- ③ The Company's disclosures relating to the shareholdings are contained in the "Notes to the balance sheet / Financial assets" section of the notes to the financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB as an unaudited part of the management report.

The other information comprises further the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file Telefonica Deutschland Holding_AG_JAP+LB_ESEF-2021-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF-documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the annual financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 20 May 2021. We were engaged by the supervisory board on 25 October 2021. We have been the auditor of the Telefónica Deutschland Holding AG, Munich, without interruption since the financial year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited annual

financial statements and the audited management report and do not take their place. In particular, the “Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB” and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Stefano Mulas.

Munich, February 17, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Stefano Mulas)
Wirtschaftsprüfer
(German Public Auditor)

(sgd. ppa. Birgit Wicke)
Wirtschaftsprüferin
(German Public Auditor)

Glossary

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

ADA	Advanced Data Analytics
AktG	Aktengesetz (German Stock Corporation Act)
ARPU	Average Revenue per User
Art.	Article
Augmented Reality:	Computer-aided augmentation of reality
GDP	Gross domestic product
Bitkom	German Federal Association for Information Technology, Telecommunications and New Media, Berlin
BMWi	German Federal Ministry for Economic Affairs and Energy
BNetzA	Bundesnetzagentur (German federal network agency)
BOLO	Contribution-based benefit regulations of the Essen Association
bp	Basis points
Broadband	Refers to telecommunication in which a wide band of frequencies is available to transmit information
Brexit	British Exit – the act of the United Kingdom leaving the European Union
CAP	Capping limit
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
Carrier	Telecommunication network operator authorised by the German federal network agency
Churn	Loss of customers
Cloud services	Dynamic infrastructures, software and platform services, which are available online
CSI	Customer Satisfaction Index
DAX	German Stock Index
DBO	Defined Benefit Obligation
GCGC	German Corporate Governance Code
DRS	German Accounting Standard
DSL	Digital Subscriber Line: technology to transmit data in the local loop to private end-customers
EIB	European Investment Bank
EV	Essen Association
EU	European Union
Euribor	Euro Interbank Offered Rate
ExComm	Executive Committee
FCF	Free cash flow
FDD	Frequency division duplex
FMS	Fixed-Mobile Substitution: replacing fixed network services with mobile telephony services
FTE	Full-time equivalent
FTR	Fixed network termination rates
FttB	Fibre To The Building or Fibre To The Basement. In telecommunications FttB means that the fibre-optic cable is terminated in the user's house (basement).
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
GfK	Gesellschaft für Konsumforschung (consumer research association)
GHz	Gigahertz
Handset	Mobile phone
HGB	Handelsgesetzbuch (German Commercial Code)

IAS	International Accounting Standards,
IASB	International Accounting Standards Board
IDW	Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Auditors in Germany), Düsseldorf
IFRS	International Financial Reporting Standards
ICS	Internal control system
IoT	Internet of Things
ISIN	International Securities Identification Number
IT	Information Technology
Joint Venture	A joint agreement under which the parties having joint control have rights to the net assets of the agreement
SME	Small- and medium-sized enterprises
KPI	Key Performance Indicator
KPN	Koninklijke KPN N.V., The Hague, Netherlands
LGD	Loss Given Default
LTE	Long Term Evolution: further development of the UMTS/HSPA mobile communications standard
M2M	Machine-to-Machine communication: automatic exchange of information between machines
MBA	Mobile Bitstream Access
Mbit	Megabit
MHz	Megahertz
ms	Milliseconds
MSR	Mobile service revenue
MTR	Mobile network termination rates
MVNO	Mobile Virtual Network Operator: Virtual network operator
Net Adds	Net new customers: New customers for the period less those customers leaving are designated as net additional customers
NPS	Net Promoter Score
O2 (Europe) Limited	O2 (Europe) Limited, Slough, United Kingdom
O₂ My Handy	Monthly payment model for mobile phones and other devices
O₂ Free	The O ₂ Free data plan allows customers to remain online with speeds of up to 1 Mbit/s even after they have used all of their high-speed data
OIBDA	Operating Income before Depreciation and Amortisation
OpCF	Operating Cash Flow
OTT	Over-the-top – IP-based and platform-independent services and application (WhatsApp, Facebook etc.)
PIP	Performance and Investment Plan
Prepaid/Postpaid	In contrast to postpaid contracts, prepaid contracts purchase the credit balance in advance without a fixed contractual commitment
PSP	Performance Share Plan
RCF	Revolving Credit Facility
Roaming	Using a communication device or subscriber identity in a different network other than one's home network
SIM	Subscriber Identity Module: a chip card to insert into a mobile phone which identifies the user within the network
Smart watch	A mobile device which consists of an electronic watch with additional computer functions, attached to a bracelet.
Smartphone	Mobile phone with extensive computer and internet functionalities
SMS	Short Message Service
SoHo	Small office/Home office
SOX	Sarbanes-Oxley Act: US law on improving the reliability of reporting
Spectrum	Frequency rights of use / Mobile communications licences
Tablet	A wireless, portable personal computer with a touch screen
TDD	Time division duplex operation
Telefónica Deutschland	Telefónica Deutschland Holding AG, Munich, Germany
Telefónica, S.A.	Telefónica S.A., Madrid, Spain
Telefónica Deutschland Group	The companies included in the Consolidated Financial Statements of Telefónica Deutschland
TKG	Telekommunikationsgesetz (Telecommunications Act)
Translation risk	The risk arising from the translation of accounting items at a later reporting date
TSR	Total shareholder return (return on shares)

ULL	Unbundled Local Loop: bridges the distance between the local exchange and the termination point on the customer's premises or in their home so it is also known as the "last mile"
UMTS	Universal Mobile Telecommunications Service: international mobile communications standard of the third generation which unites mobile multimedia and telematics service under the frequency spectrum of 2GHz
VATM	Association of Telecommunications and Value-Added Service Providers, Berlin
VDSL	Very High Data Rate Digital Subscriber Line (see DSL)
Vectoring	Vectoring is a noise-cancelling technology that removes the electro-magnetic interference between lines, enabling higher bit rates.
Virtual reality	Computer-generated representation of a world (in real time)
VZBV	Federation of German Consumer Organisations, Berlin
Wearables	Wearable computers or wearables are miniature electronic devices that are worn under, with, or on top of clothing
Wholesale	Selling services to third parties who sell them to their own end customers either directly or after further processing

Imprint

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Concept and Design

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