Telefónica Deutschland Holding AG

Interim Group Report

for the period 1 January to 30 June 2022

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Interim Group Management Report

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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.

Telefónica Deutschland Group at a Glance

T 01 - FINANCIAL OVERVIEW

1 January to 30 June

(in EUR million)	2022	2021	% change
Revenues	**3,949**	**3,743**	**5.5**
Mobile service revenues	2,753	2,678	2.8
Operating income before depreciation and amortisation (OIBDA), adjusted for exceptional effects	**1,231**	**1,173**	**4.9**
OIBDA margin, adjusted for exceptional effects	*31.2 %*	*31.3 %*	*(0.2 %-p.)*
Operating income before depreciation and amortisation (OIBDA)	**1,229**	**1,157**	**6.3**
OIBDA margin	*31.1 %*	*30.9 %*	*0.2 %-p.*
CapEx	**(556)**	**(508)**	**9.5**
Investment ratio (CapEx/Sales ratio) in %	**14.1**	**13.6**	**0.5 %-p.**
Free cash flow (FCF)	**373**	**382**	**(2.4)**
Mobile accesses (in thousands)	46,696	44,974	3.8
Net adds in mobile prepaid business (in thousands)	271	(18)	>100
Net adds in mobile postpaid business excl. M2M (in thousands)	661	594	11.3
Total Mobile ARPU (in EUR)	**9.8**	**9.9**	**(0.5)**

	As of 30 June 2022	As of 31 December 2021	% change
Net leverage ratio	**1.5x**	**1.3x**	**19.9**
Net financial debt	3,739	3,045	22.8

Economic Report of the Group

Overall Economic and Industry Conditions

Stable economic development, although characterised by uncertainties[1]

According to the German Federal Ministry for Economic Affairs and Climate Action (BMWK), the German economy is expected to stabilise in 2022, but there remains a high level of uncertainty. Restrictions due to COVID-19 had slowed down the recovery at the start of the year. Since the end of February 2022, economic trends have been increasingly influenced by the economic impact of the war in Ukraine. As the year progresses, the removal of the COVID-19-related restrictions has stimulated development, but on the other hand the war in Ukraine, supply bottlenecks and price increases continue to weigh on economic growth. To this are added uncertainties regarding reduced gas supplies from Russia.

According to calculations by the German Federal Statistical Office, economic output (gross domestic product) grew by 0.8% in the first quarter of 2022 compared to the previous quarter (adjusted for price as well as seasonal and calendar effects) and by 3.6% compared to the same quarter of the previous year (adjusted for price and calendar effects). This was mainly due to higher investments. In the second quarter of 2022, gross domestic product remained unchanged (0.0%) compared to the previous quarter and recorded an increase of 1.4% year-on-year. Private and public consumer spending supported the economy in particular, while the above-mentioned global economic conditions continued to slow down economic development.

According to the German Federal Statistical Office, the inflation rate in June 2022 was 7.6%. This corresponded to a rate which was slightly weaker by 0.3 percentage points compared to the previous month, but inflation remains at a high level.

The German Federal Employment Agency reports a stable labour market in the first half of 2022. The demand for labour remains high. In June, the unemployment rate was 5.2%, 0.5 percentage points below the same month last year. Although unemployment and underemployment increased by 0.3 percentage points in June compared to May, this was mainly due to refugees arriving from Ukraine.

The ifo Institute described a gloomy economic sentiment. The companies surveyed as part of the ifo Business Climate are less satisfied with the current business situation and are particularly concerned about rising energy prices and the threat of natural gas shortages.

Consumer sentiment is also clouded by high inflation and uncertainties surrounding the Ukraine war. In June, the consumer climate reached a new all-time low, as GfK announced. Above all, the rise in the cost of living is weighing on consumer confidence, as they also see the risk of a recession. Supply chain bottlenecks and the war in Ukraine are holding up production, and high inflation threatens to lead to a loss of consumer demand as a driver of economic growth. Income expectations have also fallen to their lowest level in 20 years. Accordingly, the propensity to buy also decreased.

[1] Sources: German Federal Ministry for Economic Affairs and Climate Action "The economic situation in Germany in June 2022" (13 June 2022); Federal Statistical Office: Press release № 322 "Gross domestic product stagnates in the 2nd quarter of 2022" (29 July 2022) and Press release № 296 "Inflation rate slightly slowed to +7.6% in June 2022" (13 July 2022); ifo Business Climate Germany (24 June 2022); GfK: Press release "Consumer climate drops to new record low" (28 June 2022); Federal Employment Agency: Press release № 31 Labour Market June 2022 (30 June 2022)

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 Bundesnetzagentur (BNetzA – German Federal Network Agency).

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 2021.

Frequencies

BNetzA continues to provide mobile radio frequencies with points of orientation

Following the "Principles and Scenarios for the Provision of the 800 MHz, 1.8 GHz and 2.6 GHz Spectrum" (scenarios paper), which was submitted for consultation in June 2021, BNetzA developed points of orientation on the basis of the opinions put forward and submitted them for consultation by 21 March 2022. In conjunction with this, an initial demand survey was conducted to examine signs of a possible spectrum scarcity. The points of orientation speak essentially only of an extension and/or an auction as the most probable provision mechanisms at present. The Telefónica Deutschland Group gave its opinion on the points of orientation within the prescribed time limit. Further steps in the frequency provision process are expected at the end of the third quarter of 2022. The BNetzA intends to make a decision about frequency provision in 2023.

Telecommunications market

BNetzA sets out the minimum requirements for internet access services within the framework of the right to be supplied with telecommunications services

The amended Telecommunications Act (TKG), which entered into force on 1 December 2021, grants a right to be supplied with a minimum offering of telecommunications services. This minimum offering includes voice communications services and a fast internet access service for appropriate participation in social and economic life. The BNetzA has defined the minimum requirements for internet access services in the Telecommunications Minimum Supply Ordinance (TKMV) with effect from 1 June 2022. The download speed must be at least 10 megabits per second, the upload rate must be at least 1.7 megabits per second, and the latency, i.e. the response time, should not exceed 150 milliseconds. The BNetzA will review these figures annually.

Regulation on accessibility requirements is announced

On 22 June 2022, the Federal Ministry of Labour and Social Affairs announced a regulation on accessibility requirements for products and services under the Accessibility Reinforcement Act. This law stipulates that certain products and services must in future be manufactured and sold or offered and provided in a barrier-free manner. The law and the regulation implement the European Accessibility Act (known as the EAA). The law and the regulation enter into force on 28 June 2025. From this point on, the products and services listed in the Accessibility Reinforcement Act must be accessible. This also applies to telecommunication services and smartphones.

Access and price regulation

New version of the EU Roaming Regulation published

The new version of the EU Roaming Regulation was published in the Official Journal of the European Union on 13 April 2022 and entered into force for the most part on 1 July 2022. It provides for the extension of the current principle of "roam-like-at-home" until the end of June 2032 and introduces additional benefits and protections for consumers. The key innovations are the introduction of Quality of Service (QoS), improved, free access to emergency call services, the obligation to provide information about and protections against additional charges abroad, such as for service numbers or in aeroplanes. The regulation also includes a gradual reduction in wholesale charges, according to which data from 1 July 2022 will be subject to a charge of EUR 2.00 per gigabyte, which will be reduced to EUR 1.80 from 1 January 2023, EUR 1.55 from 1 January 2024, EUR 1.30 from 1 January 2025, EUR 1.10 from 1 January 2026 and EUR 1.00 from 1 January 2027 to 30 June 2032. From 1 July 2022, a wholesale fee of EUR cents 0.40 per SMS will apply; this will be reduced to EUR cents 0.30 from 1 January 2025 to 30 June 2032. A wholesale charge of EUR cents 2.20 per minute will apply to outgoing voice calls from 1 July 2022; this will be reduced to EUR cents 1.90 from 1 January 2025 to 30 June 2032. The EU Commission will also be asked to look into measures on intra-EU calls, i.e. calls from the home country to another EU member state. BEREC (the Body of European Regulators for Electronic Communications) has launched the consultation on the wholesale and retail guidelines required by the EU Roaming Regulation, which must be completed by 5 October 2022 and 1 January 2023 respectively; the Telefónica Deutschland Group is participating in commenting on the guidelines.

BNetzA continues regulatory procedures on fibre-optic infrastructures

The BNetzA had identified the existence of significant market power of Telekom Deutschland GmbH on markets 3a (= market for wholesale access provided locally at a fixed location) and 3b (= market for wholesale mass market products provided centrally at a fixed location) and still deems both wholesale markets to be in need of regulation. This applies to both the copper network of Telekom Deutschland GmbH and the newly constructed fibre optic network for the implementation of FTTH.

For market 3a, the BNetzA has determined that Telekom Deutschland GmbH has nationwide market dominance for ADSL, VDSL and FTTH. On 17 June 2022, the BNetzA notified the EU Commission of its draft decision on the framework conditions under which charges and other access conditions will be controlled by the BNetzA in future. This relates both to access to the local loop in the copper network, the "last mile", and also to virtual unbundled local access (VULA) to the copper and fibre connections of Telekom Deutschland GmbH. In essence, BNetzA continues to maintain its first draft of October 2021. BNetzA is maintaining its course of promoting flexibility, particularly with regard to access to fibre optic networks; the commitment contracts agreed until the end of 2031 have also passed the reproducibility test after an extended examination.

Conclusion of an agreement with Telekom Deutschland GmbH for long-term access to xDSL and FTTH accesses

On 1 October 2020, the Telefónica Deutschland Group concluded binding long-term preliminary agreements with Telekom Deutschland GmbH, defining future access entitlements and corresponding conditions for access to xDSL and FTTH accesses. Most of the agreed conditions are subject to the BNetzA not prohibiting the fee agreements. No prohibition has been issued with regard to the agreed xDSL conditions. The conditions for FTTH were not contested after review by BNetzA and were notified to the EU Commission on 17 June 2022.

Results of Operations

T 02 - CONSOLIDATED INCOME STATEMENT

1 January to 30 June

(in EUR million)	2022	2021	Change	% change
Revenues	**3,949**	**3,743**	**206**	**5.5**
Other income	72	57	14	25.1
Operating expenses	(2,792)	(2,644)	(148)	5.6
Supplies	(1,221)	(1,147)	(74)	6.5
Personnel expenses	(302)	(285)	(17)	6.0
Impairment losses in accordance with IFRS 9	(44)	(33)	(12)	35.5
Other expenses	(1,224)	(1,179)	(45)	3.8
Operating income before depreciation and amortisation (OIBDA)	**1,229**	**1,157**	**73**	**6.3**
OIBDA margin	***31.1%***	***30.9%***	**-**	***0.2%-p.***
Depreciation and amortisation	(1,124)	(1,186)	62	(5.2)
Operating income	**105**	**(29)**	**135**	**>100**
Financial result	(11)	(33)	22	(67.1)
Result from investments accounted for using the equity method	(5)	(1)	(4)	>100
Profit/(loss) before tax	**89**	**(64)**	**152**	**>100**
Income tax	(22)	(21)	(1)	4,7
Profit/(loss) for the period	**67**	**(84)**	**151**	**>100**

T 03 - REVENUE BREAKDOWN

1 January to 30 June

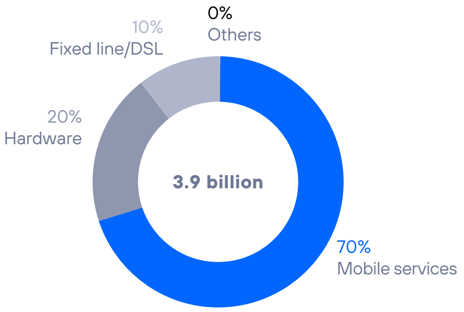
(in EUR million)	2022	2021	Change	% change
Mobile business revenues	**3,540**	**3,342**	**198**	**5.9**
Mobile service revenues	2,753	2,678	75	2.8
Hardware revenues	787	665	122	18.4
Fixed line/DSL business revenues	**399**	**400**	**(1)**	**(0.4)**
Other revenues	**10**	**1**	**10**	**>100**
Revenues	**3,949**	**3,743**	**206**	**5.5**

Revenues increased

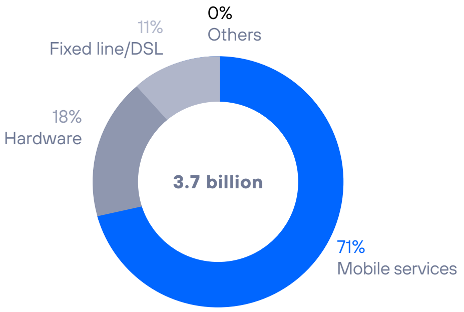
Revenues increased in the first half of 2022, mainly due to the positive contribution of hardware revenues and growth in mobile services revenues.

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

1st HY 2022



1st HY 2021



Increase in mobile service revenues

In the first half of 2022, the Telefónica Deutschland Group operated in a dynamic and still rational competitive environment. During the same period, mobile service revenues improved due to the continued high momentum and commercial attractiveness of the O_2 brand and the support provided by the recovery in international roaming revenues, while the early reduction in mobile termination rates had a negative impact. Another driver was the increase in the customer base compared to 30 June 2021, a result of the good development of our O_2 Free portfolio and the partner brands. Accordingly, our postpaid mobile customer base excluding M2M increased in the first half of 2022 by 661 thousand net additions to 25.8 million (increase in the first half of 2021: 594 thousand). This led to a 1.4 percentage point increase in the postpaid share of total mobile customers excluding M2M to 55.2% compared to 30 June 2021. Mobile average revenue per user (ARPU) reached EUR 9.8 compared to EUR 9.9 in the first half of 2021.

Increase in hardware revenues

Hardware revenues are generally subject to general fluctuation, as they depend on the launch cycles of new mobile devices. The increase in hardware revenues was supported by the good availability of mobile devices in the first half of 2022.

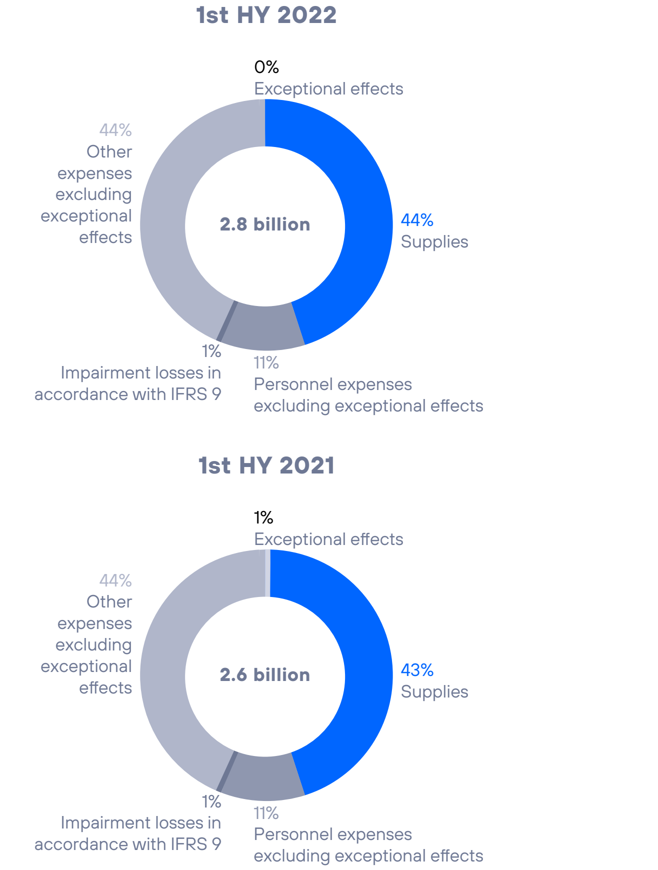
Fixed line/DSL business revenues virtually unchanged

Revenues from fixed line business remained virtually at the same level as in the first half of 2022. In retail business, fixed line broadband revenues continued to grow, driven by the increasing share of higher-end contracts in the customer base. Conversely, there was a decline in the low-margin termination business with international voice minutes, a consequence of the reduction in termination rates.

Operating expenses increased

Operating expenses increased in the first half of 2022 compared to the previous year, mainly due to higher cost of materials and the increase in other expenses and, to a lesser extent, higher personnel expenses, despite lower overall restructuring expenses of EUR 1 million (previous year: EUR 17 million). One significant driver was the normalisation of the costs situation in the current phase of the COVID-19 pandemic.

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



Increase in cost of supplies

The cost of supplies increased year-on-year in the first half of 2022, mainly due to a volume-related rise in the cost of goods for hardware as well as higher cost of materials for connectivity from outbound roaming due to another increase in the share of roaming. This was offset by the reduction in mobile termination rates as of 1 July 2021 and a decline in the cost of materials in the termination business with international voice minutes.

Personnel expenses up year-on-year

In the first half of 2022, personnel expenses increased year-on-year. This is mainly due to the social security benefits received in the first half of 2021 for the employees of the O_2 shops which were temporarily closed due to the lockdown imposed by the government. In addition, personnel expenses increased as a result of a general salary increase of 1.75% as of 1 December 2021. The restructuring expenses amounting to EUR 1 million (previous year: EUR 3 million) were lower year-on-year.

Other expenses increased

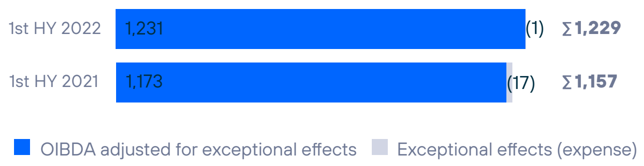
Other expenses increased in the first half of 2022. This is especially due to higher expenses in the technology area for transformation and expanding 5G, as well as an increase in costs for selling, marketing and customer service. This was offset by the absence of restructuring expenses of EUR 14 million, which were incurred in the previous year mainly in connection with the sale of customer service sites.

Increase in OIBDA adjusted for exceptional effects

OIBDA adjusted for exceptional effects increased by 4.9% to EUR 1,231 million in the first half of 2022 year-on-year (previous year: EUR 1,173 million). This development is mainly due to the increase in mobile service revenues and its margin contribution to OIBDA. In contrast, higher operating expenses were incurred in the first half of 2022 as described above.

Exceptional effects in the first half of 2022 totalled EUR 1 million (previous year: EUR 17 million) and included only restructuring expenses. As a result, OIBDA increased to EUR 1,229 million (previous year: EUR 1,157 million).

G 03 - OIBDA (IN EUR MILLION)



Decrease in depreciation and amortisation

The decrease in depreciation and amortisation is mainly due to the elimination of depreciation as a result of the early shutdown of the 3G network at the end of 2021. Furthermore, decisions in the previous year to shorten the useful lives of assets as part of the optimisation and modernisation of the network and IT architecture led to higher depreciation and amortisation in the same period of the previous year. Within the reporting period, higher depreciation for right-of-use assets as well as for increased investments in the area of IT architecture had, in part, a compensating effect.

Operating income improved

Operating income improved in the first half of 2022 to EUR 105 million (prior-year period: EUR -29 million). While the increase in revenues and the year-on-year decrease in depreciation and amortisation had a positive effect, this was partly offset by the cost of materials in connection with higher hardware revenues and an increase in other expenses.

Positive development in the financial result

The financial result saw a positive development in the reporting period at EUR -11 million, compared to a level of EUR -33 million in the same period of the previous year. The improvement resulted both from reduced interest expenses and higher interest income, partly due to non-recurring effects and changes in the interest rate environment.

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, newly formed in 2020 to expand fibre-optic accesses (FTTH) for households in Germany, the pro rata result related to the at-equity investments in UGG TopCo GmbH & Co. KG and in UGG TopCo/HoldCo General Partner GmbH is accounted for. This amounted to EUR -5 million in the reporting period (previous year: EUR -1 million).

Income taxes nearly at previous year's level

Tax expense of EUR 22 million was incurred in the first half of 2022 (prior-year period: EUR 21 million). This includes current tax expense of EUR 21 million for income taxes (previous year: EUR 39 million) and deferred tax expense of EUR 1 million (previous year: deferred tax income in the amount of EUR 18 million).

After proportionate offsetting against tax losses carried forward, the Telefónica Deutschland Group posted positive taxable income in the first half of 2022, forming income tax liabilities on the basis of an expected tax rate.

Result for the period positive

The result for the period was, as already in the entire financial year 2021, positive in the first half of 2022 at EUR 67 million (first half of 2021: EUR -84 million). The year-on-year improvement resulted, in particular, from the increase in revenues, reduced depreciation and amortisation and, to a lesser extent, the reduced burden on earnings from the financial result, which more than compensated for the increase in operating expenses.

Financial Position

Financial analysis

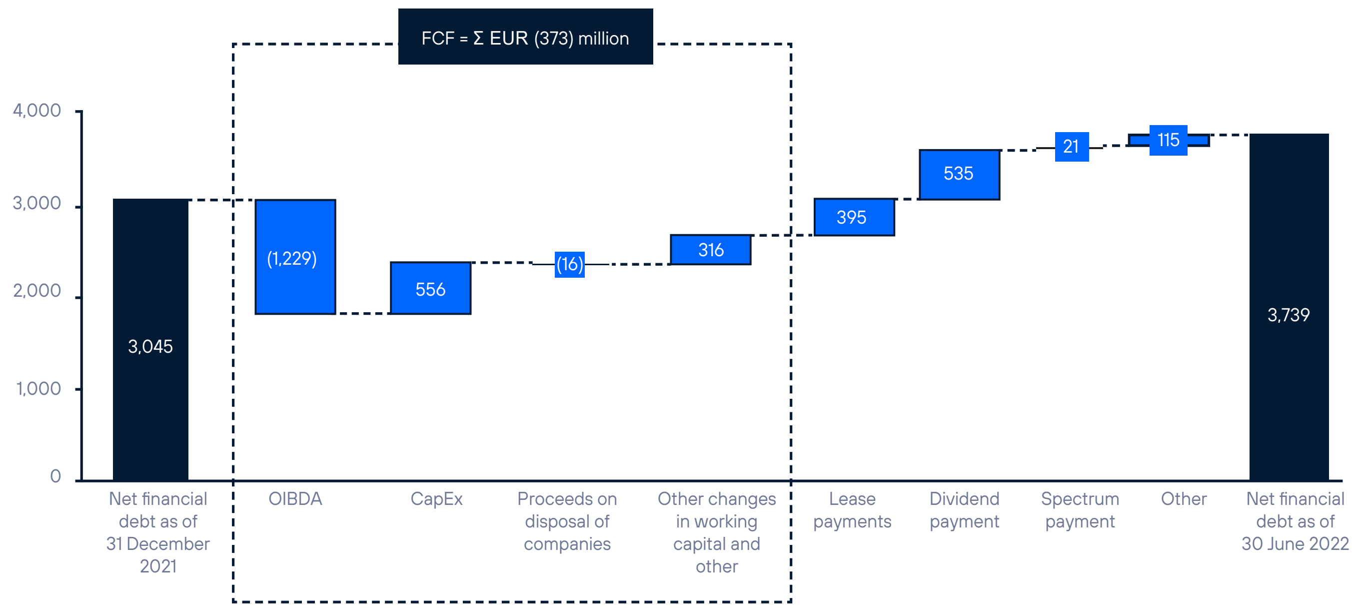
Net financial debt

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 2022 rose compared to 31 December 2021 by 22.8% to EUR 3,739 million. The increase was above all attributable to the dividend payout of EUR 535 million made in the reporting period for financial year 2021 and payments for lease liabilities totalling EUR 395 million. Free cash flow in the amount of EUR 373 million moved in the opposite direction.

The graphic below illustrates the development of net financial debt in the first half of 2022:

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



T 04 -COMPOSITION OF NET FINANCIAL DEBT

(in EUR million)	As of 30 June 2022	As of 31 December 2021	Change	% change
A Liquidity	427	1,020	(594)	(58.2)
B Current financial assets [1]	314	450	(136)	(30.3)
C Current financial debt [2]	697	637	59	9.3
D=C-A-B Current net financial debt	(44)	(833)	789	(94.7)
E Non-current financial assets [1]	472	531	(58)	(11.0)
F Non-current financial debt [2]	4,255	4,408	(154)	(3.5)
G=F-E Non-current net financial debt	3,783	3,878	(95)	(2.4)
H=D+G Net financial debt [3]	**3,739**	**3,045**	**694**	**22.8**

[1] Current and non-current financial assets include handset receivables not yet due, other interest-bearing assets, net investment (in accordance with IFRS 16), the positive performance of the fair value hedge for fixed interest financial debt and loans issued to third parties
[2] Current and non-current financial debt mainly includes lease liabilities, issued bonds, promissory notes 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:
Handset receivables are presented in trade receivables in the Statement of Financial Position.

Liquidity analysis

T 05 - CONSOLIDATED STATEMENT OF CASH FLOWS

1 January to 30 June

(in EUR million)	2022	2021
Cash flow from operating activities	1,176	1,030
Cash flow from investing activities	(803)	(647)
Free cash flow (cash flow from operating activities + cash flow from investing activities)	**373**	**382**
Cash flow from financing activities	(967)	(1,071)
Less cash and cash equivalents of assets and liabilities held for sale	**–**	**(8)**
Net increase (decrease) in cash and cash equivalents	**(594)**	**(697)**
Cash and cash equivalents at the beginning of the period	**1,020**	**1,337**
Cash and cash equivalents at the end of the period	**427**	**640**

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 the financial years 2022 and 2021.

Increase in cash flow from operating activities

Cash flow from operating activities totalled EUR 1,176 million in the first half of 2022, and was EUR 146 million or 14.2% above the previous year's figure of EUR 1,030 million. This development is primarily due to the positive change in OIBDA and in working capital when compared to the previous year.

Cash flow from investing activities impacted by higher investment

The cash flow from investing activities in the first half of 2022 amounted to EUR -803 million (first half of 2021: EUR -647 million). Cash outflows chiefly comprised investments in plant and software. They increased from EUR 683 million in the prior year period to EUR 822 million in the reporting period. Cash inflows dropped by EUR 16 million compared with the same period of the previous year, largely as a result of lower cash inflows from the disposal of companies.

Free cash flow nearly at previous year's level

Free cash flow amounted to EUR 373 million in the first half of 2022, remaining virtually unchanged compared with the same period of the previous year (EUR 382 million).

Cash flow from financing activities shows decrease in cash outflows

Cash flow from financing activities amounted to EUR -967 million in the first half of 2022 (first half of 2021: EUR -1,071 million).

Cash outflows decreased in the first half of 2022, totalling EUR 1,074 million (prior year period: EUR 1,676 million) and mainly include the payment of a dividend of 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 a European Investment Bank (EIB) loan of EUR 33 million and the payment for spectrum licences of EUR 21 million. In contrast, the first half of 2021 included the payment of a dividend of EUR 535 million, the scheduled repayment of a bond in the amount of EUR 500 million, the payments of lease liabilities of EUR 368 million, the repayment of short-term credit lines to two credit institutions totalling EUR 219 million, the partial repayment of an EIB loan of EUR 33 million and the payment for spectrum licences of EUR 21 million.

Cash inflows decreased by EUR 498 million compared to the same period of the previous year (EUR 605 million) to EUR 107 million. The change is due to reduced financial needs and primarily involves the utilisation of a short-term overdraft facility from Telfisa Global B.V. totalling EUR 88 million. The first half of 2021, on the other hand, included almost exclusively the drawing of a loan from the EIB in the amount of EUR 300 million and the raising of short-term credit lines with two credit institutions totalling EUR 300 million, of which EUR 100 million had already been repaid within the same period of the previous year.

Decrease in cash and cash equivalents

Based on the above-mentioned cash inflows/outflows, cash and cash equivalents decreased by EUR 593 million compared to the reporting date 31 December 2021 (EUR 1,020 million) and, on 30 June 2022, amounted to EUR 427 million.

Net Assets

In the following analysis of the asset and capital structure, the assets and liabilities existing as of 30 June 2022 are compared with the values as of 31 December 2021.

T 06 - CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EUR million)	As of 30 June 2022	As of 31 December 2021	Change	% change
Goodwill and other intangible assets	5,224	5,497	(273)	(5.0)
Property, plant and equipment	3,408	3,491	(83)	(2.4)
Right-of-use assets	3,360	3,349	12	0.3
Investments accounted for using the equity method	5	3	2	80.9
Trade and other receivables	1,629	1,766	(137)	(7.8)
Deferred tax assets	415	433	(18)	(4.2)
Other financial assets	478	466	12	2.6
Other non-financial assets	737	657	80	12.2
Inventories	153	138	15	10.8
Cash and cash equivalents	427	1,020	(594)	(58.2)
Total assets = Total equity and liabilities	**15,835**	**16,819**	**(984)**	**(5.9)**
Interest-bearing debt	1,685	1,716	(31)	(1.8)
Lease liabilities	3,266	3,330	(63)	(1.9)
Trade and other payables	2,475	2,787	(312)	(11.2)
Payables - Spectrum	1,081	1,097	(17)	(1.5)
Provisions	449	713	(264)	(37.0)
Other non-financial liabilities	56	53	3	4.9
Income tax liabilities	114	93	21	22.1
Deferred income	753	739	14	1.9
Deferred tax liabilities	238	255	(17)	(6.7)
Equity	**5,719**	**6,036**	**(317)**	**(5.3)**

Decrease in goodwill and other intangible assets

The decrease compared to 31 December 2021 was mainly due to the scheduled amortisation of other intangible assets amounting to EUR 440 million in the first six months of the financial year 2022. This was partially offset by the additions to other intangible assets of EUR 167 million. These are related to investments in software for the most part.

Decrease in property, plant and equipment

The decrease in property, plant and equipment of EUR 83 million in the reporting period is mainly due to scheduled depreciation and amortisation of EUR 365 million as well as lower asset retirement obligations with a total amount of EUR 101 million, mainly as a result of higher discount rates. In contrast, additions of EUR 389 million were recorded in the first six months of the 2022 financial year relating primarily to investments in technical equipment and machinery in the network.

Right-of-use assets as defined in IFRS 16 virtually stable

Overall, the right-of-use assets remained virtually stable. In the reporting period, on the one hand, additions of EUR 340 million, which relate in particular to technical equipment and machinery, had an increasing effect. On the other hand, the right-of-use assets decreased in the amount of EUR 319 million due to scheduled depreciation.

Increased investment ratio (CapEx/Sales ratio)

Investments (CapEx) rose in the first half of 2022 to EUR 556 million, compared to EUR 508 million in the comparison period 2021, mainly due to increased investment in expanding 5G and in optimising the network, as well as modernising the IT architecture. The investment ratio amounted to 14.1% in the reporting period (first half of 2021: 13.6%), as the Telefónica Deutschland Group continues its “Investment for Growth” programme as planned in the final year.

Investments accounted for using the equity method

The investments accounted for using the equity method amounting to EUR 5 million (previous year: EUR 3 million) comprise the investments made by the Telefónica Deutschland Group in the fibre-optic companies of the Telefónica Deutschland Group, newly formed in financial year 2020 along with Telefónica Infra, S.L.U. and the Allianz Group.

Decrease in trade and other receivables

The decrease was mainly due to higher factoring transactions in the first half of 2022, partially offset by normal fluctuations in operating activities.

Decrease in deferred tax assets

Deferred tax assets decreased in the first half of 2022, from EUR 433 million to EUR 415 million. The deferred tax income comprises the proportionate use of the tax losses carried forward on the basis of the expected tax rate.

Other non-financial assets post an increase

The increase in other non-financial assets to EUR 737 million (previous year: EUR 657 million) in the first half of 2022 resulted, in particular, from increased prepayments and, to a lesser extent, from higher capitalised costs of obtaining contracts.

Inventories of mobile devices increased

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

Decrease in cash and cash equivalents

The decrease of EUR 594 million or 58.2% is attributable to several factors that are presented in more detail in the >Management Report FINANCIAL POSITION.

Interest-bearing debt down on previous year

The decrease of EUR 31 million in the first half of 2022 resulted in particular from the 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 63 million resulted mainly from payments for the repayment of lease liabilities totalling EUR 395 million. This was only partially offset by the change in present values of EUR 331 million, mainly related to additions from new network sites.

Decrease in trade and other payables

This development is due, in particular, to a decrease in trade payables as a result of fluctuations in normal operating business.

Payables – Spectrum

The payables are attributable to the outstanding payment obligations resulting from the mobile frequency auction in 2019. They were reduced compared to 31 December 2021, largely due to the instalment payment made in the first half of the year.

Provisions down year-on-year

Provisions decreased by EUR 264 million to EUR 449 million in the first half of 2022, mainly due to higher discount rates as a result of interest rate developments. As a result, pension provisions in particular decreased by EUR 145 million and asset retirement obligations by EUR 111 million.

Increase in income tax liabilities

This item comprises recognition of tax positions for income tax totalling EUR 114 million (previous year: EUR 93 million). The rise of EUR 21 million compared to 31 December 2021 is the result of applying the tax rate to IFRS pre-tax income, while at the same time reversing taxable temporary differences in intangible fixed assets.

Decrease in deferred tax liabilities

The EUR 17 million decrease in deferred tax liabilities in the first half of 2022 to EUR 238 million (previous year: EUR 255 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.

Equity impacted by dividend payment

The change in equity is mainly attributable to the dividend payment of EUR 535 million completed after the Annual General Meeting in May 2022, respectively, and to positive changes in other comprehensive income/(loss) due to the interest rate development on pension obligations in the amount of EUR 151 million and the profit for the period in the amount of EUR 67 million.

Report on Risks and Opportunities

In the Combined Management Report for the financial year 2021, we have presented certain risks that could have significant adverse effects on our business, net assets, financial position, results of operations and reputation. In addition, we describe our most important opportunities and the structure of our risk management system there.

Risk Management

In the period under review, we identified macroeconomic factors as a new risk, which has been listed above the threshold for the first time and is described in more detail below. Otherwise, we have not identified any other significant risks beyond those described in the Combined Management Report for the financial year 2021.

For three further risks, there have been changes in their assessments compared with the financial year 2021. In the first six months of 2022, however, the Telefónica Deutschland Group's business model has proven to be very robust.

Macroeconomic factors

As a result of the Russian attack on Ukraine and the associated sanctions, but also of the continuing impact of the COVID-19 pandemic, the inflation rate has increased significantly. In the short term, there is no prospect of a sustained decrease in inflation. The likelihood of the macroeconomic factors risk occurring has therefore increased and the risk is now assessed as high overall. It thus exceeds the threshold and is being reported on for the first time.

Geopolitical risks

The medium and long-term effects of the Russian war against Ukraine are not yet fully foreseeable. Nevertheless, we can already observe strong effects on energy prices and on deliveries, including network components. The situation is still very volatile and therefore we no longer rate geopolitical risks as moderate, but as high, due to a higher likelihood of occurrence.

Damages caused by cyber attacks

Due to the Russian war against Ukraine and the resulting increased emergence of state actors with extensive resources or political motivated hacker groups, we see an increased likelihood of cyber attacks on our company's systems. The rating of the risk as critical remains unchanged.

Data privacy regulations

Even though the European Court of Justice (ECJ) decision on the invalidity of the EU-US Privacy Shield agreement was taken in 2020, new findings and interpretations of this decision will become known over time. The consequences for us are not yet definitively foreseeable, but we expect a higher likelihood of occurrence and therefore estimate the risk no longer as moderate but as high.

T 07 - OVERVIEW OF THE REVISED ASSESSMENTS OF REPORTED RISKS

Risk	Potential level of impact	Likelihood of occurrence	Assessment
Macroeconomic factors	Low	Very probable	High
Geopolitical risks	High	Very possible	High
Damages caused by cyber attacks	Very high	Probable	Critical
Data privacy regulations	High	Very possible	High

Opportunity Management

The opportunities for focusing on our business activities and growth strategy improved further in the first half of 2022.

The quality of the O_2 mobile network is now sustainably on a par with the competition.[2] The Telefónica Deutschland Group is pursuing a consistent network expansion strategy with a focus on a fast 5G network. By June 2022, for example, around 14,000 5G mobile sites were put into operation, which provide the mobile high-speed standard to about one half of the population.[3] If the expansion of the 5G network proceeds faster than planned, or if the market reacts more positively to the network expansion than previously anticipated, this could have a positive impact on our business results.

The fixed-line cooperation with the Vodafone Group has already given the Telefónica Deutschland Group access to 24 million cable households in Germany.[4] Since May 2022, the Telefónica Deutschland Group has been marketing tariffs with a download speed of up to 1 gigabit per second to over 22 million households, thereby significantly expanding its gigabit fixed-line coverage.[5]

Furthermore, additional potential could arise from the development of new mobile-phone-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, in the future, will enable users to use a virtual network that is precisely tailored to their individual needs.

In addition to the risks mentioned in the Combined Management Report for the financial year 2021, the COVID-19 pandemic also presents opportunities due to accelerated digitalisation among consumer and business customers. This could result in increasing demand for our constantly adapted digital products and services, leading also to greater demand for higher-value data tariffs.

[2] Source: Connect mobile communications network test, issue 1/2022: „very good" (874 points); in total, three „very good" ratings (944, 913 and 874 points) were awarded
[3] Source: Telefónica Deutschland Holding AG press release: "O_2 Telefónica reaches 5G rollout target for 2022 more quickly" (14 July 2022)
[4] Source: Telefónica Deutschland Holding AG press release: "O_2 launches nationwide roll-out of cable connections" (26 January 2021)
[5] Source: Telefónica Deutschland Holding AG press release: "Gigabit speed for over 22 million cable households" (26 April 2022)

Report on Expected Developments

Economic Outlook

According to estimates by the Deutsche Bundesbank, the economic recovery is likely to continue despite headwinds, albeit at a much more subdued pace than previously assumed. In their forecast, the experts expect an interplay of contradictory trends. In the second half of 2022, they see, on the one hand, lifting forces from elimination of protective measures in the pandemic, diminishing supply bottlenecks, stronger foreign demand and slightly falling energy commodity prices. This contrasts with the weakened purchasing power and the uncertainty among consumers due to exceptionally high inflation.

The Bundesbank's experts stress that uncertainty about future economic development is particularly high, especially due to Russia's war on Ukraine. In the baseline scenario, it is assumed that the war and its consequences will not intensify any further. In this scenario, they expect real gross domestic product to grow by 1.9% in 2022 and by 2.4% in 2023. However, in an additional risk scenario, they expect a significant decline in economic activity in 2023, assuming energy supplies from Russia are interrupted.

The rate of inflation, as measured by the Harmonised Index of Consumer Prices (HICP), is estimated at 7.1% this year, higher than at the beginning of the 1980s. This is mainly driven by the increase in the cost of energy and food raw materials. The core rate – excluding energy and food – is also estimated at an above-average 3.6%, due to the inflation of raw materials and supply bottlenecks. Although these effects should diminish over the forecast period according to the basic scenario, high labour costs and the requirements of converting to a climate-neutral economy will lead to further costs. As a result, inflation is expected to decline but will remain at a high level of 4.5% in 2023. The core rate is estimated to be 3.2% for 2023.[6]

[6] Source: Deutsche Bundesbank Monthly Report June 2022: "Outlook for the German economy in the period 2022 to 2024" (20 June 2022)

T 08 - REAL GDP GROWTH 2021 – 2023 (GERMANY, CALENDAR-ADJUSTED, BASIC SCENARIO)

In % compared to previous year	2021[7]	2022	2023
Germany	2.6	1.9	2.4

Market Expectations

Digitalisation is now an integral part of our everyday lives and will continue to gain importance for consumers and commercial enterprises. A large majority (87%) of the population sees digitalisation as an opportunity. 71% of people over the age of 75 also agree. This is a key finding of a representative study commissioned by the "Digital for Everyone" initiative. There is also a large openness to digital technologies in general: nine out of ten people (88%) have a positive opinion of digital technologies. For 89% of the population, digital technologies have become an integral part of their own lives; for 80%, they make their lives easier. 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. One in four companies (26%) say that they will be of rather great importance in five years, 38% expect them to be very important and 31% expect that digitalisation will even be crucial for their business success. 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. The market research specialists at Analysys Mason predict that the number of 5G connections will increase from 7.2 million at the end of 2021 to around 17.1 million at the end of 2022. They also expect data traffic to continue to grow, which is reflected in increased average data consumption per customer. Analysys Mason estimates that a mobile customer's data consumption will increase by around 57% from 2021 to 2022 to 7.1 GB per month. According to the German Entertainment and Media Outlook (GEMO) study, the main drivers will include streaming, the use of especially video-intensive social networks, as well as the increase in gaming services. The demand for fast internet access will increase as more high-quality games are developed in conjunction with virtual or augmented reality. Another trend is the metaverse, which could soon lead to a stronger fusion of the real and digital worlds, in which people have immersive experiences via a VR headset, for example. The increased use of networks for new applications with an increasing demand for data requires seamless processes to an even greater degree and shifts the demands to network operators.[8]

Financial Outlook 2022

In a dynamic yet rational market environment, Telefónica Deutschland Group delivered sustained profitable growth in the first half of 2022, supported by network parity and its ESG leadership. The company thus built on previous financial year's momentum in the final year of its three-year 'Investment for Growth' programme.

Telefónica Deutschland Group posted good business momentum in the first half of the year. This was driven by the ongoing strength of the core business and high customer demand for the O_2 Free portfolio and was supported in the second quarter by the offers in context of the O_2 brand's 20th anniversary in Germany. Overall, this compensated for the anticipated, temporarily slightly higher churn due to the implementation of the European Electronic Communication Code (EECC) into the German Telecommunications Act (TKG), which already showed the anticipated signs of normalisation in the second quarter of 2022.

The further recovery of international roaming revenues compared to previous year, which especially in the first half was characterised by COVID-19 related restrictions, compensated for the expected drag from the regulatory reduction of mobile termination rates for mobile call minutes to EUR 0.55 cents as of 1 January 2022.

Telefónica Deutschland Group continued to see improved profitability mainly in mobile services on the back of continued own brand momentum, with further efficiency gains from transformation as well as regaining market share. As expected, the more volatile handset business was largely OIBDA-neutral.

At the same time, Telefónica Deutschland Group assumes social responsibility and supports people who have fled the war in Ukraine through personal commitment of its employees as well as with special tariff offers and immediate aid measures to stay in contact with their friends and relatives in Ukraine.

[7] Source: Federal Statistical Office: Press release № 322 "Gross domestic product stagnates in the 2nd quarter of 2022" (29 July 2022)
[8] Sources: DFA Digital für alle: Press release "Majority of Germans see digitalisation as an opportunity" (21 June 2022); Digital Association Bitkom: Press release "Dampers for digitalisation: Global situation slows down the digital transformation of the economy" (20 June 2022); 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) 2021-2025 (14 September 2021) and Global Entertainment and Media Outlook 2022 (29 June 2022); Analysys Mason: "Western European telecoms market: trends and forecasts 2021–2026" (25 February 2022)

The Telefónica Deutschland Group's business model as a whole is proving resilient, despite a further significant inflation increase due to the war.

In this context, Telefónica Deutschland Group expands its outlook for OIBDA adjusted for exceptional effects upwards to 'low to low mid single-digit percentage year-on-year growth' in financial year 2022 and reiterates its outlook for revenues of 'low single-digit percentage year-on-year growth'. The assumptions for regulatory headwinds remain unchanged at EUR 70 to 80 million at revenue level and EUR 15 to 20 million at OIBDA level. The CapEx/Sales ratio is also expected to remain unchanged at 14 - 15%.

Telefónica Deutschland Group's assumptions are based on broadly unchanged overall economic conditions, current competitive dynamics and existing wholesale relationships. At the same time, management is continuously monitoring and analysing the impact on the company from the further developments of the COVID-19 environment as well as macro-economic and geopolitical changes related with the war in Ukraine.

T 09 - FINANCIAL OUTLOOK 2022

	Actual 2021	Outlook 2022[1]	H1 2022 (development year-on-year)	Updated Outlook 2022
Revenues	EUR 7,765 million	Low single-digit percentage year-on-year growth[2]	EUR 3,949 million (+5.5%)	Low single-digit percentage year-on-year growth[2]
OIBDA adjusted for exceptional effects	EUR 2,411 million	Low single-digit percentage year-on-year growth[2]	EUR 1,231 million (+4.9%)	Low to low mid single-digit percentage year-on-year growth[2]
CapEx/Sales ratio	16.5%	14% – 15%	14.1%	14% – 15%

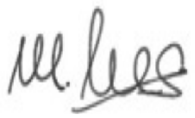
[1] Financial Outlook 2022 as published in the Annual Report 2021 on 2 March 2022

[2] Including regulatory headwinds of EUR 70 to 80 million at revenue level respective EUR 15 to 20 million at OIBDA level

Munich, 10 August 2022

Telefónica Deutschland Holding AG

The Management Board



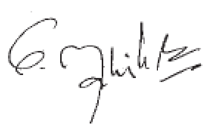
Markus Haas

Markus Rolle

Valentina Daiber

Nicole Gerhardt

Alfons Lösing



Mallik Rao

Interim Condensed Consolidated Financial Statements

for the period 1 January to 30 June 2022

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Consolidated Statement of Financial Position

Assets (in EUR million)	Notes	As of 30 June 2022	As of 31 December 2021
A) Non-current assets		**13,272**	**13,657**
Goodwill	[5.1]	1,360	1,360
Other intangible assets	[5.2]	3,864	4,137
Property, plant and equipment	[5.3]	3,408	3,491
Right-of-use assets	[5.4]	3,360	3,349
Investments accounted for using the equity method		5	3
Trade and other receivables	[5.5]	199	269
Other financial assets		425	396
Other non-financial assets	[5.6]	236	221
Deferred tax assets		415	433
B) Current assets		**2,563**	**3,162**
Inventories		153	138
Trade and other receivables	[5.5]	1,429	1,498
Other financial assets		53	70
Other non-financial assets	[5.6]	501	436
Cash and cash equivalents		427	1,020
Total assets (A+B)		**15,835**	**16,819**

Equity and Liabilities (in EUR million)	Notes	As of 30 June 2022	As of 31 December 2021
A) Equity		**5,719**	**6,036**
Subscribed capital		2,975	2,975
Additional paid-in capital		3,929	3,929
Retained earnings		(1,185)	(868)
Total equity attributable to owners of the parent company		5,719	6,036
B) Non-current liabilities		**6,053**	**6,495**
Interest-bearing debt	[5.7]	1,552	1,627
Lease liabilities	[5.8]	2,703	2,781
Trade and other payables	[5.9]	9	8
Payables – Spectrum	[5.10]	973	990
Provisions	[5.11]	401	647
Deferred income	[5.9]	178	187
Deferred tax liabilities	1	238	255
C) Current liabilities		**4,063**	**4,289**
Interest-bearing debt	[5.7]	133	89
Lease liabilities	[5.8]	563	548
Trade and other payables	[5.9]	2,466	2,779
Payables – Spectrum	[5.10]	108	107
Provisions	[5.11]	48	66
Other non-financial liabilities		56	53
Income tax liabilities		114	93
Deferred income	[5.9]	575	552
Total assets (A+B+C)		**15,835**	**16,819**

Consolidated Income Statement

1 January to 30 June

(in EUR million)	**Notes**	**2022**	**2021**
Revenues	[6.1]	3,949	3,743
Other income		72	57
Supplies		(1,221)	(1,147)
Personnel expenses		(302)	(285)
Impairment losses in accordance with IFRS 9		(44)	(33)
Other expenses	[6.2]	(1,224)	(1,179)
Operating income before depreciation and amortisation (OIBDA)		**1,229**	**1,157**
Depreciation and amortisation	[6.3]	(1,124)	(1,186)
Operating income		**105**	**(29)**
Finance income		15	4
Exchange gains		1	0
Finance costs		(24)	(37)
Exchange losses		(1)	(0)
Financial result		**(11)**	**(33)**
Result from investments accounted for using the equity method		(5)	(1)
Profit/(loss) before tax		**89**	**(64)**
Income tax		(22)	(21)
Profit/(loss) for the period		**67**	**(84)**
Profit/(loss) for the period attributable to owners of the parent		**67**	**(84)**
Profit/(loss) for the period		**67**	**(84)**
Earnings per share			
Basic earnings per share in EUR		**0.02**	**(0.03)**
Diluted earnings per share in EUR		**0.02**	**(0.03)**

Consolidated Statement of Comprehensive Income

1 January to 30 June

(in EUR million)	**2022**	**2021**
Profit/(loss) for the period	**67**	**(84)**
Items that will not be reclassified to profit/(loss)		
Remeasurement of benefits after termination of employment	151	30
Other comprehensive income/(loss)	**151**	**30**
Total comprehensive income/(loss)	**218**	**(54)**
Total comprehensive income/(loss) attributable to owners of the parent company	218	(54)
Total comprehensive income/(loss)	**218**	**(54)**

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 2021	**2,975**	**4,512**	**(1,156)**	**6,330**	**6,330**
Profit/(loss) for the period	–	–	(84)	(84)	(84)
Other comprehensive income/(loss)	–	–	30	30	30
Total comprehensive income/(loss)	**–**	**–**	**(54)**	**(54)**	**(54)**
Dividends	–	–	(535)	(535)	(535)
Financial position as of 30 June 2021	**2,975**	**4,512**	**(1,746)**	**5,741**	**5,741**
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)
Financial position as of 30 June 2022	**2,975**	**3,929**	**(1,185)**	**5,719**	**5,719**

Consolidated Statement of Cash Flows

1 January to 30 June

(in EUR million)	Notes	2022	2021
Cash flow from operating activities			
Profit/(loss) for the period		**67**	**(84)**
Adjustments to profit/(loss)			
Financial result		11	33
Gains/(losses) from the disposal of assets		4	3
Income taxes		22	21
Depreciation and amortisation	[6.3]	1,124	1,186
Other non-cash expenses/income		(0)	–
Gains/(losses) from companies accounted for using the equity method		5	1
Change in working capital and others			
Other non-current assets	[5.5], [5.6]	59	31
Other current assets	[5.5], [5.6]	37	33
Other non-current liabilities and provisions	[5.9], [5.11]	(4)	(11)
Other current liabilities and provisions	[5.9], [5.11]	(134)	(148)
Others			
Interest received		2	3
Interest paid		(17)	(38)
Cash flow from operating activities		**1,176**	**1,030**
Cash flow from investing activities			
Proceeds from disposals of property, plant and equipment and intangible assets		4	2
Payments on investments in property, plant and equipment and intangible assets	[5.2], [5.3]	(795)	(666)
Proceeds from disposal of companies		16	33
Payments on investments in associated companies		(8)	(7)
Proceeds from financial assets		0	0
Payments for financial assets		(19)	(10)
Cash flow from investing activities		**(803)**	**(647)**

1 January to 30 June

(in EUR million)	Notes	2022	2021
Cash flow from financing activities			
Repayments of lease liabilities	[5.8]	(395)	(368)
Payments made relating to frequency auctions	[5.10]	(21)	(21)
Proceeds from interest-bearing debt	[5.7]	88	600
Repayments of interest-bearing debt	[5.7]	(122)	(752)
Dividends paid		(535)	(535)
Other proceeds/payments relating to financing activities		19	5
Cash flow from financing activities		**(967)**	**(1,071)**
Less cash and cash equivalents of assets and liabilities held for sale		**–**	**(8)**
Net increase/(decrease) in cash and cash equivalents		**(594)**	**(697)**
Cash and cash equivalents at the beginning of the period		**1,020**	**1,337**
Cash and cash equivalents at the end of the period		**427**	**640**

Condensed Notes to the Interim Consolidated Financial Statements

for the period 1 January to 30 June 2022

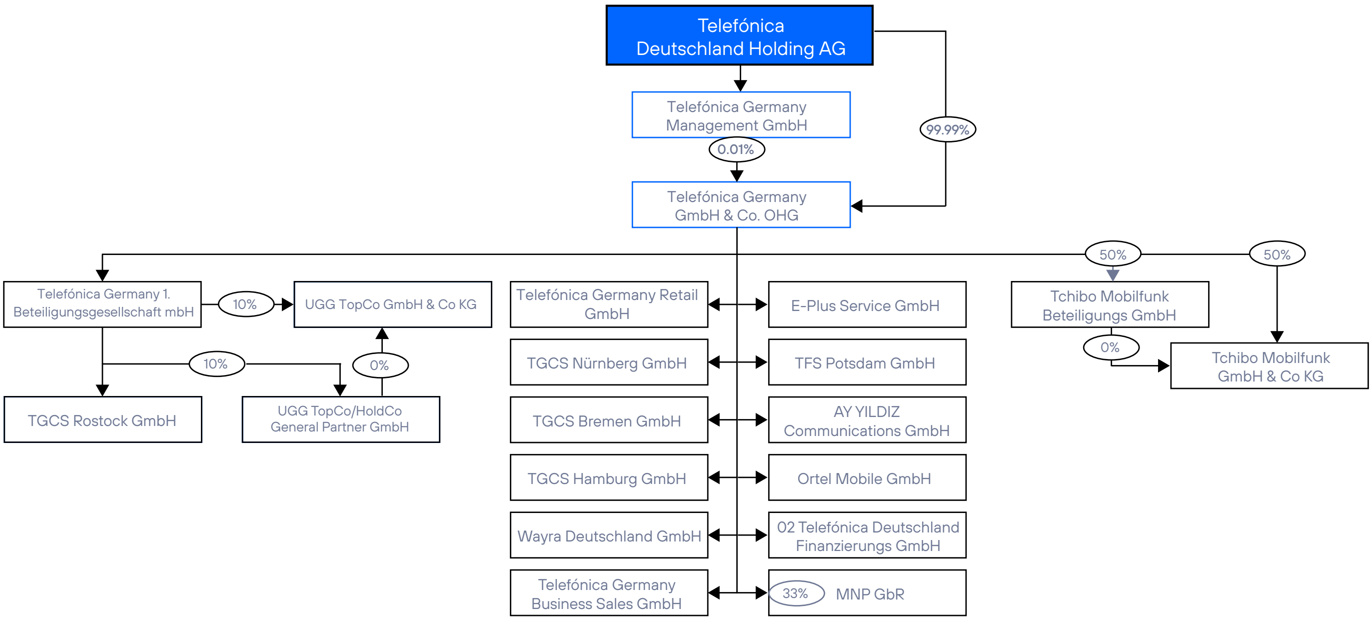
1. Reporting Entity

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 2022 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, the International Securities Identification Number (ISIN) is DE000A1J5RX9.

As of 30 June 2022, approx. 30% of the shares were in free float. Approx. 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 approx. 0.8% were held by Telefónica, S.A.

As of 30 June 2022, 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, election of Supervisory Board members, remuneration of Supervisory Board members and treasury shares

The virtual Annual General Meeting for the 2021 financial year was held on 19 May 2022. 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 the 2021 financial year was paid to shareholders in May 2022.

Mr Peter Löscher, Mr Pablo de Carvajal González, Ms María García-Legaz Ponce, Mr Ernesto Gardelliano, Mr Michael Hoffmann, Mr Julio Linares López, Ms Stefanie Oeschger and Mr Jaime Smith Basterra were elected to the Supervisory Board as shareholder representatives by resolution of the Annual General Meeting on 19 May 2022.

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

The Annual General Meeting also approved the authorisation to acquire and use treasury shares with the possibility of excluding shareholders' subscription rights.Contract extension with CEO

Contract extension with CEO Markus Haas

The Supervisory Board of Telefónica Deutschland Holding AG has extended the contract with CEO Markus Haas, which originally expires on 31 December 2022, until 31 December 2025.

Contract extension with Management Board member Mallik Rao

The Supervisory Board of Telefónica Deutschland Holding AG has extended the contract with Management Board member Mallik Rao (Chief Technology & Information Officer (CTIO)), which originally expires on 31 December 2022, until 31 December 2025.

Resignation of Management Board member Wolfgang Metze

The Supervisory Board of Telefónica Deutschland Holding AG accepted the early resignation of Management Board member Wolfgang Metze (Chief Consumer Officer (CCO)) effective at the end of 1 June 2022. Markus Haas (CEO) has assumed his duties on an interim basis.

War in Ukraine

In the first half of 2022, the war in Ukraine had a considerably negative impact on the global economy. The Telefónica Deutschland Group was not spared from these effects.

In particular, the additional increase in the inflation rate and energy prices as well as the recognisable influences on supply chains, including for network components, led to a change in risk assessment.

Since the beginning of the war, the management team has continuously been analysing and assessing its development as it relates to restrictions and their impact on the Telefónica Deutschland Group.

In the reporting period, effects arising from the support aid provided in the form of free telecommunication services as well as from the increase in inflation on the Telefónica Deutschland Group's OIBDA were low.

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 year ended 31 December 2021 (>Note 2, BASIS OF PREPARATION).

These Interim Consolidated Financial Statements as of 30 June 2022 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 judgements, 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 2021 (>Note 3, ACCOUNTING POLICIES).

Comparative information

The Consolidated Statement of Financial Position presented in these Interim Consolidated Financial Statements relates to information as of 30 June 2022, which is compared with information as of 31 December 2021.

The Consolidated Income Statement and the Consolidated Statement of Comprehensive Income compare the completed six-month periods as of 30 June 2022 and 30 June 2021. The Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity compare the completed six-month periods in 2022 and 2021.

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 2021 (>Note 5, SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION, 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 STATEMENT OF FINANCIAL POSITION, 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 and interpretations were published, but their application was not yet mandatory.

Standards, interpretations and amendments	Nominal amount	Mandatory application for financial years beginning on or aftert
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023[1]
Amendments to IFRS 17	First-time application of IFRS 17 and IFRS 9 – Comparative information	1 January 2023[1]
IFRS 17 (incl. amendments to IFRS 17)	Recognition of revenue from sales during the production/construction phase of an item of property, plant and equipment	1 January 2023
Amendments to IAS 1 and to the IFRS guideline document 2	Information on accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred taxes relating to assets and liabilities resulting from a single transaction	1 January 2023[1]

[1]Endorsement 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 2021 (>Note 3.2 PUBLISHED AMENDMENTS NOT YET MANDATORY and Note 4.2 MATERIAL 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 2022.

5. Selected Notes to the Consolidated Statement of Financial Position

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 at 31 December 2021	1,360
Carrying amount of goodwill as of 30 June 2022	**1,360**

5.2. Other intangible assets

Other intangible assets comprise the following:

(in EUR million)	Service concession arrangements and licences	Customer bases	Software	Brand namess	Others	Construction in progress/ prepayments on intangible assets	**Other intangible assets**
Net book value							
As of 31 December 2021	2,690	676	484	36	0	249	**4,137**
As of 30 June 2022	**2,544**	**535**	**502**	**35**	**-**	**248**	**3,864**

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 chiefly 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

Property, plant and equipment comprise the following:

(in EUR million)	Land and buildings	Plant and machinery	Furniture, office equipment, tools and other items	PP&E in progress	**Property, plant and equipment**
Net book value					
As of 31 December 2021	49	3,164	66	212	3,491
As of 30 June 2022	**38**	**3,078**	**66**	**227**	**3,408**

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
Net book value				
As of 31 December 2021	493	2,745	110	3,349
As of 30 June 2022	**511**	**2,742**	**107**	**3,360**

5.5. Trade and other receivables

The breakdown of this item included in the Consolidated Statement of Financial Position is as follows:

	As of 30 June 2022		As of 31 December 2021	
(in EUR million)	**Non-current**	**Current**	Non-current	Current
Trade receivables	199	1,197	269	1,307
Continuing involvement from the sale of receivables		181		132
Receivables from related parties	–	30	–	25
Other receivables	–	70	–	78
Loss allowance	–	(48)	–	(44)
Trade and other receivables	**199**	**1,429**	**269**	**1,498**

5.6. Other financial assets

The breakdown of this item included in the Consolidated Statement of Financial Position is as follows:

	As of 30 June 2022		As of 31 December 2021	
(in EUR million)	**Non-current**	**Current**	Non-current	Current
Prepayments	104	99	92	54
Prepayments to related parties	–	5	–	1
Capitalised costs of obtaining contracts	130	387	127	364
Contract asset	2	9	1	18
Other tax receivables	–	0	–	0
Other financial assets	**236**	**501**	**221**	**436**

Other non-financial assets primarily relate to the capitalised costs of obtaining contracts, prepayments of incidental rental costs for lines, antenna sites, service and IT support agreements.

5.7. Interest-bearing debt

The breakdown of this item included in the Consolidated Statement of Financial Position is as follows:

	As of 30 June 2022		As of 31 December 2021	
(in EUR million)	**Non-current**	**Current**	Non-current	Current
Bonds	598	10	598	5
Promissory notes and registered bonds	354	44	396	5
Loans payable	600	79	633	79
Interest-bearing debt	**1,552**	**133**	**1,627**	**89**

Loans payable

On 13 June 2016, a financing agreement was signed with the European Investment Bank (EIB) for EUR 450 million. On 30 June 2022, the amortising loan with fixed interest was drawn down in full 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 2022. The outstanding balance drawn down is EUR 225 million.

5.8. Lease liabilities

	As of 30 June 2022		As of 31 December 2021	
(in EUR million)	**Non-current**	**Current**	Non-current	Current
Lease liabilities to third parties	2,703	563	2,781	548
Lease liabilities to related parties	0	(0)	0	(0)
Lease liabilities	**2,703**	**563**	**2,781**	**548**

5.9. Trade and other payables and deferred income

Trade and other payables and deferred income comprise the following:

	As of 30 June 2022		As of 31 December 2021	
(in EUR million)	**Non-current**	**Current**	Non-current	Current
Trade payables to third parties	–	1,239	–	1,642
Accruals	7	813	7	795
Payables to related parties	–	21	–	11
Trade payables	**7**	**2,073**	**7**	**2,448**
Other non-trade payables	–	308	–	245
Other payables to related parties	2	46	1	49
Miscellaneous payables	–	39	–	38
Other payables	**2**	**393**	**1**	**331**
Trade and other payables	**9**	**2,466**	**8**	**2,779**
Deferred income	**178**	**575**	**187**	**552**

Accruals relate mainly to outstanding invoices for goods and services and for non-current assets.

The other, non-trade payables mainly comprise liabilities from silent factoring and liabilities to personnel.

Miscellaneous payables mainly comprise debtors with credit balances.

Deferred income primarily contains contract liabilities from customer payments already made on prepaid credit and other advance payments received for future services. Deferred income also includes payments that were made by customers before the contractual services have been fully performed.

Furthermore, deferred income includes the obligation arising from customer payments received in connection with the agreement with a Mobile Virtual Network Operator (MVNO). This obligation also constitutes a contract liability.

Contract liabilities are broken down by maturity according to their expected utilisation. Contract liabilities arising from advance payments received for prepaid credits are classified exclusively as current.

5.10. Payables - Spectrum

	As of 30 June 2022		As of 31 December 2021	
(in EUR million)	**Non-current**	**Current**	Non-current	Current
Payables - Spectrum	973	108	990	107

5.11. Provisions

Provisions comprise the following:

	As of 30 June 2022		As of 31 December 2021	
(in EUR million)	**Non-current**	**Current**	Non-current	Current
Pension obligations	85	–	230	–
Restructuring	9	18	10	23
Asset retirement obligations	279	5	379	17
Other provisions	28	24	28	26
Provisions	**401**	**48**	**647**	**66**

6. Selected Explanatory 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)	**2022**	2021
Mobile business revenues	3,540	3,342
Mobile service revenues	2,753	2,678
Hardware revenues	787	665
Fixed line/DSL business revenues	399	400
Other revenues	10	1
Revenues	**3,949**	**3,743**

Revenues from the rendering of services include mobile service revenues as well as revenues from fixed line/DSL business. Other revenues include hardware revenues and miscellaneous other revenues.

6.2. Other expenses

1 January to 30 June **(in EUR million)**	**2022**	2021
Other third-party services	1,047	996
Other operating expenses	28	55
Allowance for current assets	2	1
Advertising	147	127
Other expenses	**1,224**	**1,179**

Other third-party services mainly include commissions, expenses for external services to maintain ongoing business operations, repair and maintenance expenses, expenditure for operating equipment and fees for consulting services.

6.3. Depreciation and amortisation

Depreciation and amortisation are as follows:

1 January to 30 June **(in EUR million)**	**2022**	2021
Property, plant and equipment	365	478
Intangible assets	440	422
Right-of-use assets	319	286
Depreciation and amortisation	**1,124**	**1,186**

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 2021 (>Note 9, FURTHER INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES).

As of 30 June 2022, 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 at 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 2022
Financial assets
Measurement hierarchy

(in EUR million)	Hedging relationships (no measurement category according to the meaning of IFRS 9)	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)	–	–	199	–	–	199	–	199	–	199
Other non-current financial assets	–	3	–	315	107	425	–	313	3	316
thereof: investments in start-ups	–	*3*	–	–	–	*3*	–	–	*3*	*3*
thereof: net investment in the lease	–	–	–	–	*12*	*12*	–	*12*	–	*12*
thereof: other	–	–	–	*315*	*95*	*409*	–	*301*	–	*301*
Current trade and other receivables (Note 5.5)	–	–	641	607	182	1,429	–	641	–	N/A (*)
Other current financial assets	–	0	–	48	6	53	0	–	–	N/A (*)
thereof: investments in start-ups	–	*0*	–	–	–	*0*	*0*	–	–	*0*
thereof: net investment in the lease	–	–	–	–	*6*	*6*	–	–	–	-
thereof: other	–	–	–	*48*	–	*48*	–	–	–	N/A (*)
Cash and cash equivalents	–	–	–	427	–	427	–	–	–	N/A (*)
Total	**–**	**3**	**840**	**1,396**	**295**	**2,534**	**0**	**1,153**	**3**	**515**

As of 31 December 2021
Financial assets

Measurement hierarchy

(in EUR million)	Hedging relationships (no measurement category according to the meaning of IFRS 9)	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)	–	–	269	–	–	269	–	269	–	269
Other non-current financial assets	–	3	–	286	108	396	–	304	3	306
thereof: investments in start-ups	–	*3*	–	–	–	*3*	–	–	*3*	*3*
thereof: net investment in the lease	–	–	–	–	*14*	*14*	–	*14*	–	*14*
thereof: other	–	–	–	*286*	*94*	*380*	–	*290*	–	*290*
Current trade and other receivables (Note 5.5)	–	–	785	579	133	1,498	–	785	–	N/A (*)
Other current financial assets	–	0	–	63	6	70	0	–	–	N/A (*)
thereof: investments in start-ups	–	–	–	–	–	–	–	–	–	–
thereof: net investment in the lease	–	–	–	–	*6*	*6*	–	–	–	–
thereof: other	–	–	–	*63*	–	*63*	–	–	–	*N/A (*)*
Cash and cash equivalents	–	–	–	1,020	–	1,020	–	–	–	N/A (*)
Total	**–**	**3**	**1,054**	**1,948**	**247**	**3,253**	**0**	**1,358**	**3**	**575**

(*) 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 2022, none of the current financial assets are included in a hedging 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 2021: EUR 3 million) of other non-current financial assets and EUR 0 million (31 December 2021: 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 non-current other financial assets and Level 1 for the investments reported in current other financial assets. The fair value measurement according to Level 3 is based on existing business plans with numerous 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. The main portion of the receivables is current so that the carrying amount approximates fair value. For non-current and current receivables, the fair value is essentially determined by a risk discount based on the credit risk.

All other financial assets as of 30 June 2022 were categorised as financial assets measured at amortised cost.

As of 30 June 2022
Financial liabilities

Measurement hierarchy

(in EUR million)	Financial liabilities 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 interest-bearing debt (Note 5.7)	1,552	–	1,552	590	885	–	1,475
Non-current trade and other payables (Note 5.9)	7	2	9	–	7	–	7
Non-current payables - Spectrum (Note 5.10)	973	–	973	–	859	–	859
Current interest-bearing debt (Note 5.7)	133	–	133	–1	–	–	N/A (*)
Current trade and other payables (Note 5.9)	2,181	285	2,466	–	–	–	N/A (*)
Current payables - Spectrum (Note 5.10)	108	–	108	–	–	–	N/A (*)
Total	**4,953**	**287**	**5,240**	**590**	**1,750**	**–**	**2,341**

As of 31 December 2021
Financial liabilities

Measurement hierarchy

(in EUR million)	Financial liabilities 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 interest-bearing debt (Note 5.7)	1,627	–	1,627	630	1,061	–	1,691
Non-current trade and other payables (Note 5.9)	7	1	8	–	7	–	7
Non-current payables - Spectrum (Note 5.10)	990	–	990	–	997	–	997
Current interest-bearing debt (Note 5.7)	89	–	89	–	–	–	N/A (*)
Current trade and other payables (Note 5.9)	2,554	225	2,779	–	–	–	N/A (*)
Current payables - Spectrum (Note 5.10)	107	–	107	–	–	–	N/A (*)
Total	**5,374**	**227**	**5,601**	**630**	**2,064**	**–**	**2,694**

(*) 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 2022, no short-term interest-bearing debt was included in a hedging 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 2022 includes promissory note loans and registered bonds with a total nominal value of EUR 397 million (31 December 2021: EUR 397 million), a loan from the European Investment Bank (EIB) of EUR 675 million (31 December 2021: EUR 708 million) and no short-term utilisation of credit lines (31 December 2021: 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 2021 (>Note 18, CONTINGENT ASSETS AND LIABILITIES). The first half of 2022 saw no material changes compared to the disclosures provided in the Consolidated Financial Statements as of 31 December 2021.

9. Subsequent Events

In August 2022, Telefónica Deutschland Group extended the overdraft facility with Telfisa Global B.V. amounting to EUR 400 million for another year until 31 July 2023.

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

Munich, 10 August 2022

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, 10 August 2022

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, 2022 to June 30, 2022, 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 10, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Holger Lutz	sgd. ppa. Birgit Wicke
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Glossary

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

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)
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
DSL	Digital Subscriber Line: technology to transmit data in the local loop to private end-customers
EIB	European Investment Bank
ESG	Environmental, Social and Governance
EU	European Union
FCF	Free Cash flow
FTTH	Fibre to the home – the fibre-optic cable is terminated right in the user's home or apartment
GDP	Gross domestic product
GfK	Growth for Knowledge (formerly: Gesellschaft für Konsumforschung) – Germany's largest market research institute
GHz	Gigahertz
Handset	Mobile phone
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
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
M2M	Machine-to-Machine communication: automatic exchange of information between machines
MHz	Megahertz
MVNO	Mobile Virtual Network Operator (virtual network operator)
O_2 Free	O_2 Free designates the mobile tariffs of the O_2 Telefónica core brand O_2 with postpaid payment methods. Our customers are able to choose between different contract terms and data volumes from several gigabyte per month up to real data flatrates
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
Roaming	Using a communication device or subscriber identity in a different network other than one's home network
SMS	Short Message Service
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

VATM	Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e.V., Berlin (Association of Telecommunications and Value-Added Service Providers, Berlin)
VDSL	Very High Data Rate Digital Subscriber Line (see DSL)
Wholesale	Selling services to third parties who sell them to their own end-customers either directly or after further processing
xDSL	Collective term for the different kinds of DSL technologies such as e.g. ADSL and VDSL (see also DSL)

Imprint

Publisher
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This report was published in German and English.
In case of doubt please refer to the German version which is the binding version.

Concept and Design
Telefónica Deutschland Corporate Communications, Munich
RWS Group