Telefónica Deutschland

Telefónica Deutschland Holding AG

Reporting Year 2024

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The figures in the following have been rounded in accordance with established commercial practice. Therefore, recalculations may differ slightly 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.

Combined Management Report

for Financial Year 2024

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Telefónica Deutschland Group at a Glance

T 01 – FINANCIAL OVERVIEW

1 January to 31 December (in EUR million)	2024	2023	% change
Revenues	**8,492**	**8,614**	**(1.4)**
Mobile service revenues	5,812	5,895	(1.4)
Operating income before depreciation and amortisation (EBITDA), adjusted for exceptional effects[1,2]	**2,717**	**2,617**	**3.8**
EBITDA margin, adjusted for exceptional effects[1,2]	*32.0%*	*30.4%*	*1.6%-p.*
Operating income before depreciation and amortisation (EBITDA)[1]	**2,719**	**2,601**	**4.5**
EBITDA margin	*32.0%*	*30.2%*	*1.8%-p.*
CapEx	**(1,141)**	**(1,133)**	**0.7**
CapEx/Sales ratio in %	**13.4**	**13.2**	**2.1**
Free cash flow (FCF)	**1,396**	**1,304**	**7.1**
Free cash flow after lease (FCF aL)	**736**	**557**	**32.2**
Operating cash flow after lease (OpCF aL)	**822**	**775**	**6.1**
Mobile accesses (in thousands)	44,990	45,072	(0.2)
Mobile accesses excluding third-party network operator accesses (in thousands)[3]	34,345	n/a	n/a
Third-party network operator accesses held for transition (in thousands)[3]	10,645	n/a	n/a
Net additions in mobile prepaid business excl. M2M and excl. third-party network operator accesses (in thousands)	(641)	(748)	14.3
Net additions in mobile postpaid business excl. M2M and excl. third-party network operator accesses (in thousands)	824	1,350	(39.0)
Total mobile ARPU (in EUR)[2]	**10.5**	**10.8**	**(3.0)**

As of 31 December	2024	2023	% change
Net leverage ratio	**1.2x**	**1.2x**	**(3.0)**
Net financial debt	3,200	3,177	(0.7)

[1] For better comparability, Telefónica Deutschland Group has adjusted its reporting to general market standards from 1 January 2024 and renamed "OIBDA" to "EBITDA". By definition this remains the operating income before depreciation and amortisation.
[2] Exceptional effects in financial year 2024 included restructuring income of EUR 2 million (previous year: EUR 11 million in restructuring expenses) and expenses in connection with other non-operational transactions amounting to EUR 0 million (previous year: EUR 5 million).
[3] Following the launch of the fourth German mobile network in December 2023, Telefónica Deutschland Group is committed to taking the principle of competitive independence into account in its external reporting. According to the German Federal Network Agency (BNetzA) regulation, no mobile network operator may simultaneously be a service provider in the network of another mobile network operator, except for a limited period of time. The BNetzA has decided that 1&1's customer migration must be completed by the end of 2025. Against this backdrop, Telefónica Deutschland Group has differentiated between "mobile accesses excluding third-party network operator accesses" and "third-party network operator accesses held for transition" since the beginning of financial year 2024 in order to emphasise its own operating performance.

Basic Information on the Group

This report combines the Group Management Report of Telefónica Deutschland Group, consisting of Telefónica Deutschland Holding AG (also referred to as Telefónica Deutschland or Company) and its consolidated subsidiaries and joint ventures (together referred to as Telefónica Deutschland Group or the Group) and associated companies, and the Management Report of Telefónica Deutschland Holding AG.

Telefónica Deutschland Holding AG is a stock corporation (AG) under German law with its registered office in Munich, Germany.

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

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

Business Activity

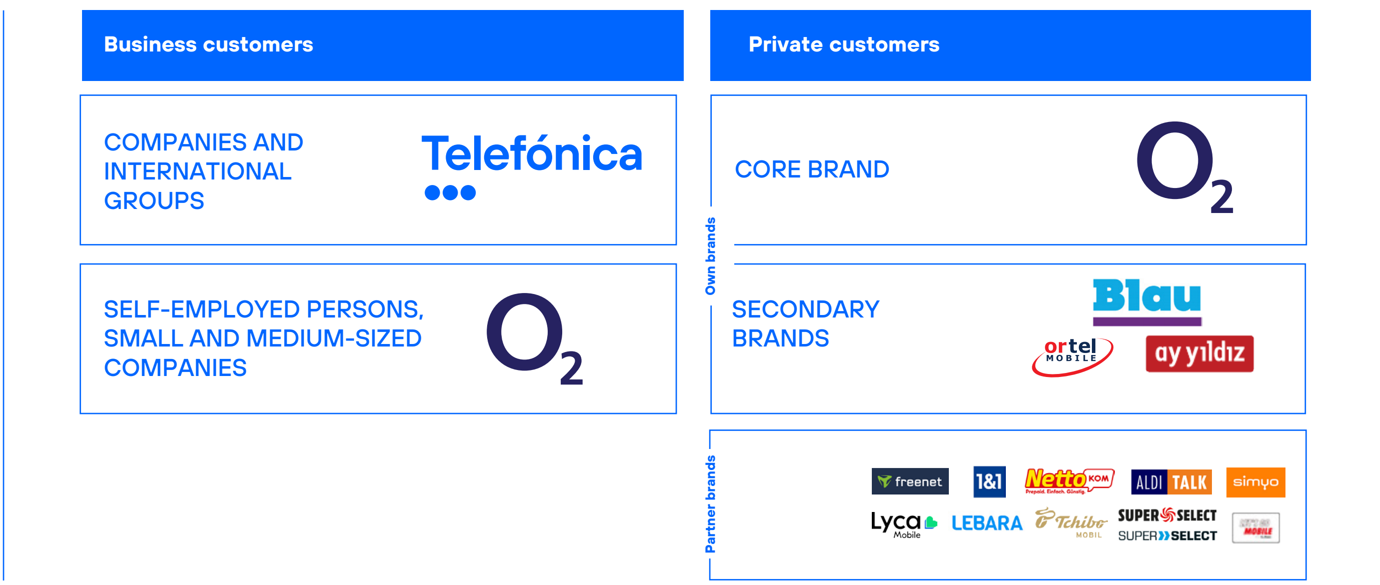
Telefónica Deutschland Group is one of four network operators in Germany. We offer mobile and fixed-network services for private and business customers as well as innovative digital products and services. In addition, our numerous wholesale partners purchase extensive services from us particularly in mobile communications.

Our brands

A key success factor of our marketing and sales approach is our multi-brand strategy. We offer private and business customers a wide range of high-quality mobile and fixed-network products with our core brand O_2. We address large international businesses with Telefónica brand products and services.

We rely on complementary sales channels in order to serve the various customer needs to the best of our ability. Our sales landscape includes both direct sales channels including our own shops, a countrywide network of independently operated franchise and premium partner shops, online and telesales, as well as indirect sales channels such as partnerships and cooperations with retailers via physical and online channels.

G 01 – OUR BRANDS[1]



[1] Example illustrations of secondary and partner brands

With our secondary and partner brands and through our wholesale channels, we reach further customer groups, for example ethnic groups in Germany. In addition, by means of joint activities and strategic partnerships, we offer further mobile services brands. These include, for example, Tchibo MOBIL or ALDI TALK, in cooperation with MEDIONmobile. Our multi-brand approach enables us to address the full range of customer needs with tailored product offerings, sales and marketing.

Mobile services

Telefónica Deutschland Group is a leading provider in the German market with a total of 45.0 million mobile lines, of which 34.3 million excluding third-party network operator lines as of 31 December 2024. In 2024, at EUR 5,812 million, mobile services were the most important revenue stream for Telefónica Deutschland Group (68.4% of total volume). In this area, we offer private and business customers mobile voice and data services, both on a contractual basis (postpaid) and in the prepaid segment.

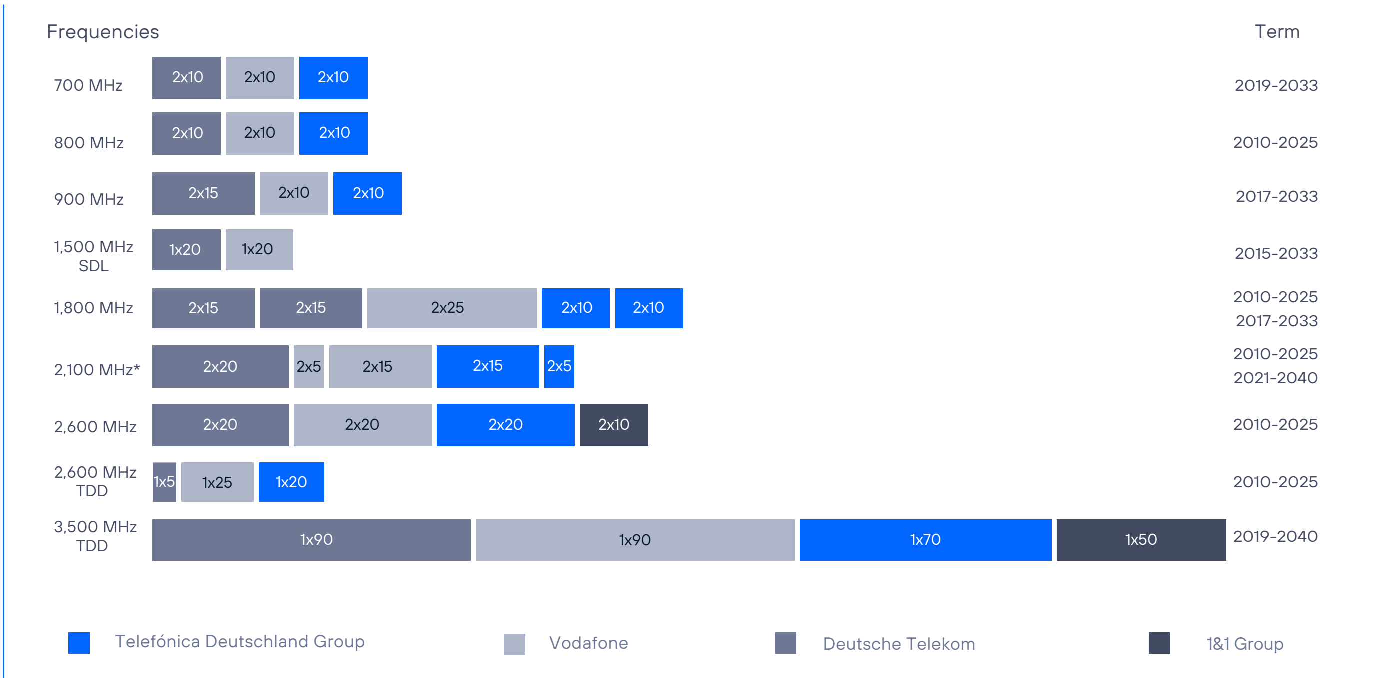
The basis for this is our mobile communications network. In 2024, we continued to make great progress in densifying and further expanding our 5G network, which is already available to over 97% of the German population.[2] This means we have rolled out 5G faster than any previous mobile communications standard. O_2 customers have also been able to experience "5G Plus" (i.e. 5G stand-alone) on the O_2 network since October 2023. With "5G Plus" Telefónica Deutschland Group provides its customers with the possibility to access the most modern mobile communications standard, thus benefiting in latency, speed and sustainability.[3]

Our investments in the network are also reflected in the results of the current mobile network and 5G network test by the trade magazine connect.[4] The O_2 network was once again rated "very good" because of the strength of its stable data connections, very good call quality and significantly improved network coverage with 5G.

Telefónica Deutschland Group will continue to drive forward the rollout of 5G in 2025, with the aim of reaching nationwide coverage of 5G by the end of 2025 at the latest.

Telefónica Deutschland Group secured nationwide spectrum totalling 90 MHz, focusing on the high-performance mobile communications standard 5G in the mobile communications auction in 2019. The auctioned spectrum has a term from 2021 to 2040 and from 2026 to 2040, and includes frequencies that provide both coverage (low frequencies) and capacity (high frequencies).

G 02 – FREQUENCY BANDS FOR MOBILE NETWORK OPERATORS IN GERMANY 2021 – 2025[5,6]



* Until 2025, additionally 19.2 MHz TDD; as of 1 January 2026: 1&1 Group: 2x10 MHz; Telefónica Deutschland Group: 2x10 MHz; Vodafone: 2x20 MHz; Deutsche Telekom: 2x20 MHz

[2] The selected population-based evaluation includes not only the household-based coverage calculation with a fixed location reference as reported to the German Federal Network Agency. It also includes commuter flows within the population, with the result that some of the population are counted both in their residences and in their workplaces (maximum population). In doing this, Telefónica Deutschland Group takes into account that the services are not only in demand at home but also when travelling. This value is the value for the end of 2024, which indicates the availability of mobile telecommunications services outside of buildings (outdoors).
[3] Source: Telefónica Deutschland Holding AG: press release "O_2 Telefónica activates the newest network technologies for the digitalisation of Germany" (2 October 2023)
[4] Source: connect mobile network and 5G network test, issue 01/2025: Overall rating "very good" (909 points) for O_2; overall, "very good" was awarded twice (924 and 909 points) and "outstanding" was awarded once (970 points).
[5] Source: German Federal Network Agency (https://www.bundesnetzagentur.de/DE/Sachgebiete/Telekommunikation/Unternehmen_Institutionen/Breitband/MobilesBreitband/Frequenzauktion/2019/Auktion2019.html)
[6] The German Federal Network Agency formally allocated the spectrum to the company in the 2.1 GHz band with one block effective 1 January 2021, and will allocate another block effective 1 January 2026. Telefónica Deutschland Group surrendered 2x10 MHz in the 2.6 GHz band to 1&1 Group for the period from 1 March 2020 to 31 December 2025. These frequencies are allocated to 1&1 Group in this presentation.

Fixed business
We offer nationwide fixed-network services to complement our mobile services. Our fixed-network customer base amounted to around 2.4 million at the end of 2024.

In the fixed business, we are focussing on cooperation agreements and thus reaching a large proportion of German households – increasingly also with high-speed Internet access. Our strategic partnership with Telekom Deutschland GmbH ("Telekom") grants us access to future-proof, next-generation high-speed internet. Since November 2022, we have been marketing fibre-optic house connection lines (FTTH: "Fibre to the Home") to our customers in addition to the existing VDSL and vectoring wholesale products from Telekom.[7] We will also benefit from all of Telekom's future improvements in the fixed network sector.

The access agreements with Vodafone Group and Tele Columbus Group also enable us to offer our customers a broader range of fixed-network services throughout Germany. As part of the cooperation with Vodafone, we are able to supply cable households in Germany with fixed-network products, largely with download speeds of up to 1 Gbps. [8]

We also connect more households with advanced FTTH connectivity through a partnership with Unsere Grüne Glasfaser (UGG), which was established in 2020 as an independent wholesale group by Telefónica, S.A. Group/ Telefónica Deutschland Group and Allianz Group, with Telefónica Deutschland Group holding a 10% stake. UGG installs fibre-optic connections in previously underserved rural areas (>Chapter OPPORTUNITIES).

This is complemented by the coverage O_2 provides through cooperations with regional providers, such as in Hamburg and Schleswig-Holstein with Wilhelm.tel. Via the network operator-independent platform vitroconnect, through which we already had, for example, access to the VDSL network of EWE TEL GmbH in Lower Saxony, since January 2022, we have been able to serve additional households that are connected to the Westenergie Breitband VDSL network in Rhineland-Palatinate, North Rhine-Westphalia and Lower Saxony.[9]

Through our different cooperations, we are able to offer our customers a technology-agnostic solution based on a broadband mix of VDSL, cable, fibre and FMS (Fixed Mobile Substitution) marketed via the O_2 HomeSpot. Together with our fixed network tariffs, the mobile-based WLAN router constitutes a fully fledged fixed network replacement solution. In marketing, this approach ensures that our broadband offer is perceived by customers as comprehensive.

Hardware business
We use many channels to distribute a wide variety of mobile devices to our customers. Via our O_2 My Handy programme, customers have the option to buy any device in O_2's portfolio immediately or pay it off in flexible monthly instalments, either in combination with or independently of a mobile communications contract. We also supply our partners with hardware to some extent and support them as needed in the sales and marketing of the hardware to their customers.

Our most important suppliers for mobile phones are the manufacturers Apple and Samsung. We also cover the demand for more mobile data services from our secondary brand customers with a wide range of smartphones.

Digital services
In order to make our offerings even more attractive for our customers and to increase our revenues outside our core business, we offer a variety of additional products and services. These include, for example, our products and services in connection with the Internet of Things (IoT) as well as our additional digital services such as our new own TV product, O_2 TV, based on Telefónica, S.A. Group's global TV platform, "O_2 Onlineschutz" (O_2 Online Protection), a digital shield that automatically blocks dangerous websites, and O_2 Cloud.

Our market areas

We are strengthening the market position of our core brand O_2. We aim to continue gaining customers in the private and business customer segments and increase the sales revenue per customer and per household. Furthermore, we offer our partners access to our infrastructure and to our services.

Private customers
We address the needs of our private customers in the digital world with data-centric mobile and fixed-network contracts. With our core brand, we consistently focus on our "can do" attitude in the mobile communications sector, which is the guiding principle for everything we do. In the fixed network, we market products via a technology mix of DSL, cable, fibre, and 4G or 5G mobile. The O_2 Home offering applies equally to DSL, cable, fibre and FMS, and as such is technology-agnostic. Customers who use more than an O_2 fixed network or a mobile contract at the same time also benefit from monthly service and price advantages.

The Blau brand is our secondary brand defined for price-conscious private customers, clearly differentiated from O_2, offering this customer segment a mobile communications network portfolio reduced to the essentials. We also address ethnic target groups with brands such as AY YILDIZ or Ortel Mobile.

Partners and wholesale
Our partner business is an important pillar of our multi-brand approach. We offer our partners a broad portfolio of opportunities. This is based on a scalable business model with varying levels of value creation, which we can offer to potential partners in the private and business customer segment.

[7] Source: Telefónica Deutschland Holding AG: press release "O_2 set to begin marketing fixed-network products to 10 million additional FTTH households" (16 November 2022)
[8] Source: Telefónica Deutschland Holding AG: press release "Gigabit speed for over 22 million cable households" (26 April 2022)
[9] Source: Telefónica Deutschland Holding AG: press release "O_2 markets fast fixed-network products via the network of Westenergie Breitband" (10 January 2022)

Our largest partners from the reseller and service provider area include ALDI TALK in cooperation with MEDIONmobile, 1&1 and freenet.

Telefónica Deutschland Group and 1&1 Group converted the Mobile Bitstream Access contract (MBA MVNO contract) 2021 into a National Roaming Agreement (NRA). The switch to the NRA took place with the launch of the fourth German mobile network in December 2023 and will run until at least mid-2025. 1&1 Group has concluded another NRA with another German network operator, which went live on 29 August 2024. Until the end of the NRA with Telefónica Deutschland Group, 1&1 Group has continuing contractual obligations to Telefónica Deutschland Group. This secures revenue streams for Telefónica Deutschland Group until the expiry of the agreement.[10] Existing 1&1 customers who currently use the O_2 network will be gradually migrated by the end of 2025 in accordance with BNetzA guidelines. We have fully reallocated the freed-up network capacities to our own customers and customers in the partner business.

In the second quarter of 2024, Telefónica Deutschland Group expanded its long-term partnership with the Freenet Group. With the extension, Freenet gains access to Telefónica Deutschland Group's high-performance 5G network and sells Telefónica Deutschland Group's mobile communications products to its end customers under various own brands. This will enable us to utilise the freed-up network capacities and strengthen our growth trajectory.

Telefónica Deutschland Group has also entered into a partnership with Lyca Mobile Germany. Since September 2024, Lyca Mobile, an international virtual mobile network operator (MVNO), has been providing its customers in Germany with mobile services via the high-performance network infrastructure of Telefónica Deutschland Group. This has further solidified our positioning as one of the leading network operators and wholesale providers in the German market. [11] We work with other partners under different business models as well.

Business customers

Telefónica Deutschland Group also offers mobile and fixed-network products to business customers. Our focus is on addressing small and medium-sized enterprises (SME) as well as small offices/home offices (SoHo) via our core brand O_2 with a product portfolio that is tailored towards customer needs. For example, the Group's O_2 Business Smart Network provides a digital networking solution based on SD-WAN technology that is specifically geared to the needs of medium-sized companies.[12]

We also offer services in the field of the Internet of Things (IoT), machine-to-machine communication (M2M) and managed connectivity, tapping into new business areas which are close to our core business. With IoT Connect, for example, we support business customers in the smart networking of their M2M and IoT applications and provide the appropriate connectivity.

Management System

The Management Board runs the business of Telefónica Deutschland Group and reports to the Supervisory Board. The Supervisory Board monitors and advises the Management Board, including within the scope of the transactions requiring consent (e.g. for the adoption of the annual budget, for changes to the corporate structure or the principles of the corporate strategy). Together with the Supervisory Board, the Management Board issues the invitation to the Annual General Meeting.

In the Management Board, operational and strategic decisions for successfully managing the Company in the individual business divisions are taken in weekly meetings. This includes, for example, the specification and adoption of the strategy across all operational divisions, the consistent and uniform operationalisation of the strategy, the management of operational performance, the assurance of cross-functional coordination and cooperation, assurance that budget targets are achieved, the definition and implementation of measures for performance improvement and the functional risk management for the respective area of responsibility.

Our aim is to increase the value of our Company for the benefit of our shareholders. We are also firmly convinced that the satisfaction of customers and employees makes a major contribution to achieving this value growth.

The management of Telefónica Deutschland Group has introduced a comprehensive internal management system for the control of the Group, which primarily comprises the following components:

- Process for strategic goal setting
- Integrated budgeting and planning system
- Financial and non-financial performance indicators
- Monthly reporting to the Management Board and Supervisory Board
- Ongoing opportunity and risk management
- Target-oriented leadership at all levels of the organisation
- Compliance with legal and regulatory requirements.

Strategic objectives are reviewed and redefined annually

As part of the annual planning process, the Management Board of Telefónica Deutschland reviews the corporate strategy with the support of the Strategy department and agrees it with the Supervisory Board. We develop long-term strategic goals for the positioning of the Company on the German market as well as a strategy plan, including in-depth financial planning for the next two to three years as part of this process. Detailed budget

[10] Sources: Telefónica Deutschland Holding AG: press release "Telefónica Deutschland establishes long-term partnership with 1&1 Drillisch" (15 February 2021); Telefónica Deutschland Holding AG: press release "Telefónica Deutschland Confirms Outlook for Financial Year 2023 and Dividend Commitment" (2 August 2023)
[11] Source: Telefónica Deutschland Holding AG: press release "O_2 Telefónica expands partner business in Germany with Lyca Mobile" (25 September 2024)
[12] Source: Telefónica Deutschland Holding AG: press release "The digital networking solution for medium-sized businesses" (27 July 2021)

planning for the next financial year is then prepared on the basis of the agreed multi-annual goals. The short-term priorities are defined at the same time. Decisions are based on current market and competitor analyses as well as market forecasts, which are compared with the long-term strategic goals.

This systematic approach serves as the basis for identifying both growth opportunities and risks and as the source of our corporate strategy and investment decisions. The corporate strategy is then translated into concrete strategies for the different organisational units. At this level, the opportunities relevant to the respective organisational unit are prioritised in the operational implementation of the strategy.

Management system of Telefónica Deutschland Group

We have established key performance indicators (KPIs) for the management of our strategic and operating goals. Financial performance indicators are a component of the management system of Telefónica Deutschland Group and reflect the interests of our various stakeholders.

The following monitoring parameters were of particular significance for our Company's value-oriented management and evaluation in the financial year.

G 03 – PERFORMANCE INDICATORS

Most important and control-relevant key performance indicators	Revenues	EBITDA adjusted for exceptional effects	Investment ratio (CapEx/Sales ratio)
Other important performance indicators	Free cash flow after lease	Operating cash flow after lease	Net leverage ratio

Compared to 2023, there have been various changes in Telefónica Deutschland Group's management system.

In 2023, management was based on OIBDA adjusted for special effects. For the sake of better comparability, we adjusted our reporting to the general market standard and renamed "OIBDA" to "EBITDA" as of 2024. By definition this remains the operating income before depreciation and amortisation.

Free cash flow (FCF) was used as another important performance indicator until 2023. However, lease payments that are essentially incurred from the connections for our antenna sites and leased lines have increasingly gained significance in recent years. Therefore, we consider it appropriate to expand the performance indicator FCF to include these lease payments, thus presented as free cash flow after lease (FCF aL).

In 2024, we introduced operating cash flow after lease (OpCF aL) as a further important performance indicator, as depreciation and amortisation and interest expenses for leases have become increasingly important in addition to the lease payments described in FCF aL. They play an increasingly important role in the informative value of our performance indicators.

Revenues
The development of revenues is a key indicator of the success of our Company. Revenues depict the total value of our operational activity and are therefore a key indicator of the success of our products' and services' sales on the market. We reserve the right to consider the performance indicator adjusted for regulatory effects for better comparability with the previous year if these have a material influence on the development of the performance indicator in the reporting year.

EBITDA adjusted for exceptional effects (previously OIBDA adjusted for exceptional effects)
EBITDA is the operational key figure that describes the profitability of our operating activities and thus represents one of our most important and control-relevant performance indicators. By definition this is the operating income minus depreciation and amortisation. As exceptional effects make comparability with previous years difficult, we use the EBITDA adjusted for exceptional effects for a transparent presentation. These exceptional effects have a direct impact on the result of operations and follow from a changed composition of the Group, from sales of businesses, acquisition-related consultancy fees, restructuring expenses or other non-operational transactions. We reserve the right to consider the performance indicator adjusted for the regulatory effects of the reporting year, insofar as these have a material influence on the development of the performance indicator. The effects on earnings are adjusted if the comparability of the performance indicator with prior-year periods is not appropriate due to a transaction carried out during the year. As of financial year 2025, acquisition-related consultancy costs and non-personnel-related restructuring expenses are no longer adjusted as exceptional effects. However, as other companies may use a different basis of calculation for EBITDA, it is possible that our representation is not comparable with other companies.

Investment ratio (CapEx/Sales ratio)
For Telefónica Deutschland Group, the investment ratio (CapEx/Sales ratio) essentially serves to secure the future business activities and reflects the percentage share of investments in revenue. Capital expenditure (CapEx) consists of the additions to property, plant and equipment and other intangible assets. The investments in property, plant and equipment are primarily carried out to expand the coverage and capacity of our network

as well as for product development. Investments in mobile frequency licences and mergers are not included in CapEx.

Free cash flow after lease (FCF aL)

The free cash flow after lease (FCF aL) performance indicator is defined as the sum of the cash flows from operating activities and investing activities, minus the lease payments. The change in working capital and the lease payments affect the free cash flow in the respective reporting period. Working capital management thus contributes to free cash flow management in the relevant reporting period.

As a performance indicator, FCF aL describes the change in financial liquidity from operational inflows and outflows of funds as well as all investment-related inflows and outflows that were made for the maintenance or expansion of the business, minus the lease payments. The figure provides information about the change in the Company's available financial funds, which enable us to make investments in growth or to pay dividends or service debt, for example.

Operating cash flow after lease (OpCF aL)

Operating cash flow after lease (OpCF aL) provides information about earnings generated from the operating activities taking into account the effect on earnings of the leases and the capital expenditures made. Thus it allows for conclusions about the profitability and stability of our core business, our ability to make investments and our ability to repay debt. The OpCF aL is defined as EBITDA adjusted for exceptional effects after lease less CapEx.

Net leverage ratio

The net leverage ratio is defined as the quotient of the net financial debt and the EBITDA adjusted for exceptional effects for the last twelve months. Net financial debt includes short and long-term interest-bearing assets and interest-bearing financial liabilities and cash and cash equivalents. Liabilities from the acquisition of mobile communications frequencies are not included in net financial debt.

The net leverage ratio compares the net financial debt level with an operational success parameter (EBITDA adjusted for exceptional effects) and provides management with information about the Company's debt reduction ability. The maximum leverage ratio defined within the framework of our financing policy and applicable since 1 January 2019 is 2.5x.

Budgeting and planning system defines specific targets

The integrated planning system is based on strategic and operating goals. With respect to the most important and control-relevant key performance indicators, the Management Board of Telefónica Deutschland sets internal objectives for the Group. To define a detailed plan for the next two to three years, the anticipated market development as well as internal expectations with regard to progress in the areas of growth and efficiency evolution are discussed once a year. The first year of planning is depicted on a monthly basis in order to make a detailed budget possible. For controlling reasons, the budget is updated twice a year by a forecast. Alongside the results that have already been achieved and which are analysed as part of monthly reporting, current market developments and the additional opportunities or risks that are known at the relevant point in time are taken into account in the update. This forecast is then used to introduce operational improvements and take advantage of new opportunities presenting themselves to the Group.

Economic Report of the Group

Overall Economic and Industry Conditions

The German economy continues to stagnate[13]

In 2024, the German economy shrank slightly for the second year in a row. According to initial calculations by the Federal Statistical Office (Destatis), the price-adjusted gross domestic product (GDP) was down by -0.2% in 2024 compared to the previous year. 2023 had already seen a decline of -0.3%. According to Destatis, economic and structural pressures stood in the way of better economic development in 2024. These included increasing competition for the German export industry in key markets, high energy costs, persistently high interest rates, as well as an uncertain economic outlook. This was reflected in weak exports and a sharp decline in corporate investment in 2024. Private households were likewise unable to make up for this negative development. Consumer spending rose by 0.3% in real terms. According to the experts at Destatis, the weakening of inflation and wage increases for many employees were only able to boost purchases to a limited extent.

According to the Federal Statistical Office, the labour market reached a peak in employment in 2024. The average number of people in employment in Germany in 2024 was 46.1 million. This means that the previous year's figure was exceeded again by 72,000 (+0.2%), resulting in a new employment high. However, the economic weakness was increasingly reflected in the German labour market. The increase in employment lost momentum over the course of the year and came to a halt towards the end of 2024. According to the Federal Employment Agency, the unemployment rate rose from 5.7% in 2023 to 6.0% in 2024.

According to data from the Federal Statistical Office, inflation in Germany as measured by the national consumer price index (CPI) fell significantly year-on-year, from 5.9% in 2023 to 2.2% in 2024. The decline in headline inflation was mainly driven by energy prices, which were 3.2% lower than in 2023. By contrast, services became significantly more expensive on average in 2024, with a price increase of 3.8%. By contrast, food prices have risen only slightly (+1.4%) year-on-year since the beginning of the year. Inflation in other goods categories remained high, as reflected in the higher core inflation rate of 3.0%.

The sentiment among companies deteriorated. The ifo Institute reported that the business climate index of sentiment among companies fell to 84.7 points in December 2024, down from 85.7 points in November. This was the lowest level since May 2020. The decline was due in particular to the more pessimistic expectations. Consumer sentiment in Germany, as measured by the GfK consumer climate index powered by NIM, stabilised towards the end of the year after falling for four consecutive months. In addition to positive development in income expectations and a propensity to buy, a declining propensity to save also contributed to a slight recovery in consumer sentiment. Nevertheless, consumer uncertainty remained high. Concerns about job security also grew in many areas.

Technology trends bring growth potential for the telecommunications market[14]

With its broadband transmission networks and ultra-fast internet access, the telecommunications industry played a key role as an enabler of digitalisation. According to a VATM study, around 80% of households and small and medium-sized enterprises (SMEs) had access to a gigabit network by the end of 2024. According to Analysys Mason, almost 5 million households were actively using fibre-optic connections at the end of 2024. 98% of Germany is now covered by at least one

[13] Sources: German Council of Economic Experts: "Annual expert reports 2024/25: Resolute modernisation: Addressing investment shortfalls, driving digital innovation in the financial system" (13 November 2024); ifo Institute: press releases Business Climate Germany: "Ifo Business Climate Index down" (17 December 2024); GfK Consumer Climate (powered by NIM): press releases "Consumer Confidence: Bleak outlook for December again this year" (27 November 2024) and "Consumer climate: Slight recovery at the end of the year, modest prospects for 2025" (19 December 2024); Federal Employment Agency: press release no. 2 "Annual Review 2024" (3 January 2025); Federal Statistical Office: press release no. 19 "Gross domestic product down 0.2% in 2024" (15 January 2025) and press release no. 20 "Inflation rate at +2.2% in 2024" (16 January 2025)

[14] Sources: VATM: "6. Market analysis gigabit connections 2024" (15 May 2024); Deloitte study: "Smartphone Use 2024" (16 July 2024); German Federal Network Agency: press release - German Federal Network Agency expands mobile network map to include the most powerful 5G standalone" (13 June 2024) and press release "German Federal Network Agency publishes new data on fixed and mobile network coverage" (5 December 2024); Analysys Mason: Data Hub query "Telco Forecast" (22 November 2024); PwC: German Entertainment and Media Outlook (GEMO) 2024-2028 (11 September 2024); The media organisations: Press article "Video Trends 2024" (23 October 2024); Deutsche Telekom: press release "More modern, faster, stronger: How Telekom is building more network for everyone" (27 November 2024); Vodafone Germany: press release "Mobile network put to the test:How the Vodafone 5G network performs in practice" (21 November 2024)

network operator with 5G. According to the German Federal Network Agency (BNetzA), the proportion of the area with 5G standalone (5G SA) was already 90%. 5G standalone means that the 5G infrastructure is operated independently of the existing 4G technology, resulting in higher data rates and lower latency times. The telecommunications industry is driving the digital catch-up race in Germany with the expansion of 5G and fibre optics. 5G technology offers a wide range of applications for both private and business customers. It is regarded as a key technology for the digitalisation of industry because it promotes efficiency, transparency, automation and flexibility in logistics, according to the Digital Association Bitkom. The growing range of 5G capable smartphones and attractive tariffs is also driving the adoption of the new mobile communications standard. Fibre-optic connections are becoming increasingly important for fixed broadband connections.

Increased data usage, both in mobile and fixed networks, showed that people are increasingly on the move while online: According to market research institute Analysys Mason, the average monthly data consumption per mobile phone customer increased from 7.5 GB in 2023 to 10.1 GB in 2024, corresponding to an increase of 34%. The average volume of data per fixed broadband connection per month was 365 GB in 2024, which is an increase of 19% compared to 2023.

In 2024, 92% of Germans owned a smartphone. According to a study by Deloitte, even in the segment of consumers over 65, the proportion of users was 89%. No other electronic device is nearly as popular. The importance of the smartphone is reflected not only in its prevalence, but also in its intensive use. A wide range of services were used very regularly, i.e. on a daily basis, via smartphone. The focus was on messaging, social media and short-form videos. The television market in Germany also underwent a transformation. The consumption of films, series and video clips via the internet became an integral part of everyday media use and is also an essential driver of data usage in 2024. According to a video trend study by the media organisations, more than nine out of ten people aged 14 and over in Germany use moving images every day – 57% do so via linear, traditional television and 64% via social media offerings. Although traditional, linear television is still being used, it is becoming less important. Streaming services such as Netflix, Amazon Prime Video and Disney+ gained more and more viewers in 2024. One major change in the German TV market from July 2024 was the abolition of the incidental cost privilege. Up to now, this made it possible to bill the TV cable fees via the incidental costs. As a result of this change, tenants are now free to choose their TV provider and switch to alternative offerings such as the exclusive use of streaming services or IPTV. According to a study by PwC, this change would likely have an impact on the entire media market.

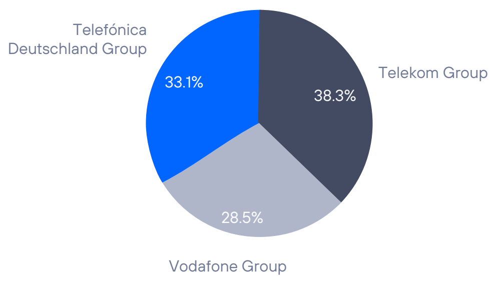
Telefónica Deutschland Group is number 2 in terms of mobile service revenue in the German mobile network operator market[15]

The German mobile communications market currently consists mainly of four network operators and several service providers and mobile virtual network operators (MVNOs). In December 2023, 1&1 Group became the fourth network operator in the German mobile communications market. Telefónica Deutschland Group and 1&1 Group have converted the Mobile Bitstream Access contract (MBA MVNO contract) 2021 into a National Roaming Agreement (NRA). The switch to the NRA was completed in December 2023 with the launch of 1&1 Group's own mobile network. The term is until at least mid-2025. 1&1 Group concluded another NRA with another German network operator, which went live on 29 August 2024. Until the end of the NRA with Telefónica Deutschland Group, 1&1 Group has continuing contractual obligations to Telefónica Deutschland Group. This secures revenue streams for Telefónica Deutschland Group until the expiry of the agreement. Existing 1&1 customers who currently use the O_2 network will be gradually migrated by the end of 2025 in accordance with BNetzA guidelines.

According to Analysys Mason data, the number of SIM cards on the market at the end of 2024, including M2M or IoT cards, was 168.3 million (end of 2023: 160.7 million). The strong SIM card growth is due to M2M and IoT cards: According to Analysys Mason, at the end of 2024, around 53.6 million SIM cards were in use for M2M and IoT applications, compared to 45.7 million at the end of 2023. These M2M or IoT cards now accounted for around 32% of all SIM cards on the market in 2024. Mobile service revenue in the German mobile communications market grew by 0.8% year-on-year in the nine-month period from January to September 2024. With a mobile service revenue market share of 33.1%, Telefónica Deutschland Group is number 2 in the German market.

[15] Sources: Analysys Mason: Data Hub query "Telco Forecast" (22 November 2024); company data and own calculations: Deutsche Telekom AG Investor Relations: Publication of the Q3 2024 results "Back Up" (9 November 2023) and publication of Q3 2024 results "Back Up" (14 November 2024); Vodafone Group Investor Relations: July-September 2024/1 HY 24/25 Results "Excel Spreadsheet and Analyst Presentation" (12 November 2024); 1&1 AG: press release "1&1 AG: 1&1 sets course for nationwide 5G" (2 August 2023), press release "1&1 O-RAN: Launch of mobile services on Europe's most modern 5G network" (8 December 2023) and press release "Vodafone and 1&1 launch national roaming partnership" (23 August 2024); Telefónica Deutschland Holding AG: press release "National Roaming: Telefónica Deutschland confirms outlook for financial year 2023" (2 August 2023)

G 05 – MARKET SHARE IN THE MOBILE COMMUNICATIONS MARKET BASED ON SERVICE REVENUE OF NETWORK OPERATORS (IN %) Q1 TO Q3 2024[16]



Growth in German fixed broadband market continues[17]

The number of fixed broadband connections continued to rise in 2024. Analysys Mason estimates that the number of connections at the end of 2024 increased by around 1.8% year-on-year to approximately 37.6 million. DSL continues to be the dominant technology, with a share of approximately 65% of fixed broadband connections. With 8.1 million active broadband connections at the end of 2024, cable now accounts for a share of around 22% of the total market. "Real" fibre-optic connections (FTTH/FTTB) continue to gain importance: According to Analysys Mason, they increased by around 75% to 4.9 million in 2024 compared to the previous year and now account for almost 13% of active broadband connections. Telefónica Deutschland Group relies on cooperations in the fixed business and thus reaches a large proportion of German households. Our strategic partnership with Telekom Deutschland GmbH ("Telekom") grants Telefónica Deutschland Group access to future-proof, next-generation high-speed internet. Since November 2022, the provider has been marketing fibre-optic house connection lines (FTTH: "Fibre to the Home") to customers in addition to the existing VDSL and vectoring wholesale products from Telekom. Telefónica Deutschland Group also benefits from all future improvements made by Telekom in the fixed-network area. As part of the cooperation with Vodafone, cable households in Germany can be supplied with fixed products, mostly with download speeds of up to 1 Gbps. In addition, further households will be served via the cooperation with Tele Columbus. Telefónica Group also reaches households with advanced FTTH connectivity through a partnership with Unsere Grüne Glasfaser (UGG), which was established in 2020 as an independent wholesale company by Telefónica, S.A. Group/Telefónica Deutschland Group and Allianz Group, with Telefónica Deutschland Group holding a 10% stake. The trend towards higher-speed connections continued in Germany.

Regulatory Influences on Telefónica Deutschland Group

As a provider of telecommunications services and an operator of telecommunications networks, 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).

The key regulatory events affecting Telefónica Deutschland Group in the reporting year are discussed below.

Frequencies

<u>The BNetzA continues the provision of mobile frequencies with the consultation of a draft decision for a transitional extension of five years</u>

In May 2024, the BNetzA continued the procedures for the provision of frequencies in the 800 MHz, 1,800 MHz and 2,600 MHz ranges by publishing the consultation draft of a presidential chamber decision (draft decision) and put it out for consultation until 8 July 2024. The draft decision ties in with the BNetzA's framework conditions of September 2023 and the comments received on them. The draft decision calls for an extension of the existing frequency usage rights in the above-mentioned frequency ranges, which expire at the end of 2025, by five years on a transitional basis in an initial action programme. In a second set of actions, a larger procedural framework is to be established for utilisation from 2031 onwards, including rights of use and new frequency ranges that expire in 2033 or that will become available for mobile communications in the coming years; a decision on this set of actions is planned for 2028. In the context of the second action programme, the BNetzA is considering imposing further-reaching conditions and thereby taking greater account of the user perspective overall in the future. With this in mind, parameters for coverage requirements and their review are to be further developed.

In the first action programme, the BNetzA intends to provide the extension of the rights of use with regulations to promote competition. To further promote service competition, every allocation holder should be obliged to negotiate with suitable service providers and MVNOs on the shared use of radio capacities. The negotiations should be non-discriminatory and the capacities to be provided should not be limited to certain services, radio technologies or applications. In addition, every frequency allocation holder is to be obliged to negotiate the shared use of existing nationwide networks (roaming) at the request of 1&1 Mobilfunk GmbH. The negotiations should be fair. As long as an allocation holder grants 1&1 Mobilfunk GmbH national roaming, this obligation shall be deemed to have been fulfilled. Furthermore, every allocation holder of frequencies in the 800 MHz range will be obliged from 1 January 2026 to implement a cooperative, joint use of equivalent radio frequencies below 1 GHz for

[16] In December 2023, 1&1 Group launched its own network, making it the fourth network operator on the market. Due to missing data, 1&1 Group is not included in the following chart.

[17] Sources: Analysys Mason: Telco Forecast - DataHub query (22 November 2024); Telefónica Deutschland Holding AG: press release "Fibre-to-the-home (FTTH)/fibre optics: O_2 Telefónica and Deutsche Telekom intensify their cooperation on fibre-optic connections" (25 July 2024)

1&1 Mobilfunk GmbH corresponding to a scope of at least 2 x 5 MHz (paired) on fair terms in order to improve the existing coverage of 1&1 Mobilfunk GmbH. Cooperation by one allocation holder should be credited to the other allocation holders. Finally, Telefónica Deutschland Group is to be obliged from 1 January 2026 to continue to provide frequencies in the 2,600 MHz range for use by 1&1 Mobilfunk GmbH in the scope of 2 x 10 MHz (paired) for the term of the extension upon request.

In addition, the extension of usage rights is to be accompanied by conditions for the further expansion of mobile networks in rural areas and along transport routes and railway lines. By 1 January 2030 at the latest, each allocation holder is to provide at least 99.5% of the area nationwide with a transmission rate of at least 50 Mbps in the downlink. Each allocation holder is also to provide at least 99% of households in sparsely populated areas in each federal state with a transmission rate of at least 100 Mbps in downlink mode from 1 January 2029 at the latest. In addition, from 1 January 2029 at the latest, each allocation holder is to supply all federal roads with a transmission rate of at least 100 Mbps in downlink mode and all federal state and national roads as well as the inland waterways of the federal core network with a transmission rate of at least 50 Mbps. District roads are to be supplied with a transmission rate of at least 50 Mbps in downlink mode from 1 January 2030. Supply by the other allocation holders should not be offset. Finally, for gigabit coverage along railway lines, each allocation holder should be obliged to cooperate in the joint construction of a mobile radio and FRMCS infrastructure, a modern communication system for railway transport systems (“Future Railway Mobile Communication System”), along the railway lines; this should only apply if an identical obligation to cooperate is imposed on the allocation holders for railway radio.

Telefónica Deutschland Group submitted its comments on the draft decision by the deadline.

In December 2024, the BNetzA invited a market participant to a public hearing on 9 January 2025. In preparation for this, on 7 January 2025, the BNetzA published an overview of the provisions under consideration for a decision on the provision of frequencies in the 800 MHz, 1,800 MHz and 2,600 MHz ranges and then discussed them at public oral proceedings. Accordingly, the provisions under consideration are essentially based on the draft decision published in May 2024. The BNetzA now intends to set a standard for the negotiation obligation vis-à-vis service providers and MVNO in the form of more specific provisions (guidelines) that are intended to promote effective negotiations between allocation holders and service providers and MVNO.

The BNetzA intends to make the final decision on the procedure for frequency provision as soon as possible after the public hearing.

<u>Cologne Administrative Court rules on the 2019 spectrum auction</u>

On 26 August 2024, the Administrative Court of Cologne decided in the proceedings concerning the decision of the Presidential Chamber of the BNetzA on 26 November 2018 on the award and auction rules for the auction of frequencies in the 2 GHz and 3.6 GHz ranges that are particularly suitable for 5G mobile communications, which was held in 2019, that the award rules of the Presidential Chamber decision are unlawful due to concerns about the conflict of interest and influence of a federal ministry. The BNetzA was obliged to make a new decision. The reasons for the judgement, published in December 2024, would enable the BNetzA to reissue the previous decision with new reasoning. The BNetzA filed a non-admission appeal against the ruling in January 2025; the ruling is not yet legally binding as a result.

<u>Coverage requirements resulting from the 2019 spectrum auction/cooperation</u>

On 6 January 2023, Telefónica Deutschland Group submitted its final report to the BNetzA on the fulfilment of the coverage obligations under the 2019 spectrum auction due on 31 December 2022.

Specifically, coverage of at least 98% of households in each federal state was to be achieved by 31 December 2022 – in each case with a transmission rate of at least 100 Mbps in the downlink in the antenna sector – as well as – in each case as far as legally and actually possible – complete coverage of the federal motorways, the federal highways with connection function levels 0 and 1, and railways with more than 2,000 passengers per day. For the federal motorways and federal highways, the latency was required not to exceed 10 milliseconds between an end device and the associated base station. In the case of federal highways and railways, coverage by other network operators affected by the coverage requirement is taken into account. In addition, 1,000 base stations distributed across the federal states were required to be commissioned and made available for 5G applications in accordance with their respective proportion of the territory of the Federal Republic. Finally, 500 base stations with a transmission rate of at least 100 Mbps were required to be commissioned in previously defined white spots, distributed across the federal states in accordance with their respective proportion of the territory of the Federal Republic. When verifying the fulfilment of this requirement, the BNetzA also takes into account that the construction of new base stations requires an appropriate lead time and the participation of local districts and municipalities. In its final report, Telefónica Deutschland Group informed the BNetzA that it had fully complied with the household coverage requirements as well as the 1,000 5G base stations, and had complied with the requirements for the most important transport routes on federal motorways, federal highways and railways, to the extent that this was legally and actually possible. It was also reported that full compliance with Telefónica Deutschland Group’s 500 white spots by 31 December 2022 was not yet possible due to the short lead time since these white spots were defined and for other legal and technical reasons. The final report has been reviewed by the BNetzA. In this connection, in April 2023 the BNetzA sent a consultation letter regarding selected sites and white spots to Telefónica Deutschland Group. Telefónica Deutschland Group responded to the consultation letter in a timely and comprehensive manner. In September 2023, the BNetzA determined that Telefónica Deutschland Group had met the obligation to supply households and 1,000 5G base stations on time. With regard to the locations along the most important transport routes and in white spots that were not fulfilled on time, the BNetzA sent a further consultation letter to the Group on their non-fulfilment and subsequent fulfilment. In regard to a few sites, for which the BNetzA assumes that Telefónica Deutschland Group is responsible for the delay, the BNetzA opened an additional consultation in the context of a fine proceeding in September 2023. Both consultation proceedings are still ongoing. Telefónica Deutschland Group has commented on both consultations and rejected the accusation of responsibility for the delay in the fine proceeding in particular. According to press reports, corresponding consultations are also being held with the other three mobile network operators.

The remaining supply coverage obligations from the 2019 spectrum auction had to be fulfilled by 31 December 2024. Specifically, by 31 December 2024 all other federal highways had to be provided with a transmission rate of at least 100 Mbps in the downlink in the antenna sector and – in each case with a transmission rate of at least 50 Mbps in the downlink in the antenna sector – all federal state and national roads, all seaports and inland waterways of the federal core network as well as all other railways had to be covered. The supply by other allocation holders is taken into account in each case. In January 2025, Telefónica Deutschland Group presented the final report on the fulfilment of the supply obligations from the 2019 spectrum auction due on 31 December 2024 to the BNetzA. In its final report, Telefónica Deutschland Group informed the BNetzA that the supply conditions due on 31 December 2024 had been fully met. The only exceptions for all allocation holders are a few tunnels where the provision of supply depends on the tunnel operators and is not in the hands of the allocation holders. The final report is currently being reviewed by the BNetzA.

Frequency holders are allowed to enter into cooperation agreements to fulfil individual obligations. For this purpose, in July 2021, Telefónica Deutschland Group, Deutsche Telekom Group and Vodafone Group concluded a cooperation for the joint construction of additional radio towers and masts, as well as their technical support and use. The plan is for the participating companies to construct an equal number of new sites, which can then be used by the cooperation partners as needed on equal terms and equipped with their own antennas and network technology.

In November 2021, Telefónica Deutschland Group concluded an agreement with Deutsche Telekom Group on active shared network usage at "grey spots", which are areas in which previously only one mobile network operator offers mobile network access to its customers. A similar agreement with Vodafone Group was concluded on 25 January 2022. In both cooperation agreements, live operations were launched in the third quarter of 2022 with reciprocal access to the first mobile network sites.

1&1 Group concludes a final contract on national roaming services with another network operator

On 2 August 2023, 1&1 Mobilfunk GmbH (1&1 Group) publicly disclosed it had concluded a binding preliminary contract for a long-term, exclusive national roaming partnership with Vodafone Group, in which the parties were obligated to conclude a final national roaming cooperation as quickly as possible. This cooperation includes the non-discriminatory provision of national roaming services in areas not yet covered by the new 1&1 mobile network and in particular includes access to the 5G network of Vodafone Group, including mobile communication standards 2G and 4G and future mobile communication standards and technologies. On 23 August 2024, 1&1 Group published the final signing of the national roaming cooperation with Vodafone Group and announced the launch of national roaming for new 1&1 customers on Vodafone Group network in areas not yet covered by 1&1 Group itself on 29 August 2024. Existing 1&1 customers are to be gradually migrated by autumn 2025.

Multiconnect GmbH applies for dispute resolution

Multiconnect GmbH filed an application with the BNetzA against Telefónica Deutschland Group for dispute resolution proceedings and a decision in accordance with Section 212 (1) of the German Telecommunications Act (Telekommunikationsgesetz – TKG) on the allegation of a violation of the negotiation requirement pursuant to Section III.4.15 of the Presidential Chamber Decision of 26 November 2018, BK1-17/001, by Telefónica Germany GmbH & Co. OHG. The public hearing took place on 4 July 2023. The BNetzA extended the four-month procedural deadline from 18 August 2023, initially to 30 September 2023 and again to 30 November 2023. On 15 December 2023, a public hearing took place as part of the dispute resolution proceeding regarding two intended requests for information by the BNetzA against Telekom Deutschland GmbH and Vodafone GmbH. A decision in the dispute resolution procedure is not possible until the proceedings relating to the requests for information have been concluded. A decision has not yet been made. In December 2024, Multiconnect GmbH filed an action against the BNetzA for failure to act due to the long duration of the proceedings.

Telecommunications market

BNetzA specifies regulations on special right of termination and a right to a reduction in price in the new Telecommunications Act

On 1 December 2021, the amended German Telecommunications Act ("TKG") on the implementation of the EU Electronic Communications Code came into force. Among other provisions, both mobile and fixed-network customers will have a special right of termination and a right to a reduction in price if the service provided deviates from the agreed service. The BNetzA has published a General Administrative Order for fixed-network internet access with effect from 13 December 2021 to specify the vague legal terms "significant, continuous or regularly recurring deviation in speed" and guidelines on a monitoring mechanism for furnishing proof of such deviations. On 12 June 2024, the BNetzA submitted the draft of a general ruling on the planned reduction regulations for mobile internet access as well as the draft of a handout with specific requirements for demonstrating reduced performance for consultation until 31 July 2024. Among other things, the BNetzA plans to base discounts on the respective household density. In order to take into account the special features of mobile telephony as a shared medium, significantly more measurements are planned over several days compared to the fixed network. At the same time, the BNetzA has started to develop a mobile phone measurement tool for the verification of reduced performance. Telefónica Deutschland Group submitted its response to the hearing within the specified time limit. Further steps are expected in the first quarter of 2025.

BNetzA sets out the minimum requirements for internet access services within the framework of the right to be supplied with telecommunications services and puts regulations on the affordability of end-user prices up for consultation

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 German Telecommunications Minimum Supply Ordinance (Telekommunikationsmindestversorgungsverordnung, TKMV) with effect from 1 June 2022. According to this ordinance, 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 reviews these values annually. If necessary, the minimum requirements from the TKMV would be adjusted on the basis of the audit report. In December 2024 as part of an initial review and with the approval of the German Federal Assembly, the BNetzA has increased the download speed to at least 15 megabits per second and the upload rate to at least 5 megabits per second; the latency has remained unchanged and must not exceed 150 milliseconds. Telefónica Deutschland Group had participated in an association statement on this. Furthermore, on 17 August 2022, the BNetzA published specifications on the affordability of end-user prices. No specific price ceilings were set, but these prices were oriented towards other regional end-user prices. In October 2022, the telecommunications industry presented its comments to the BNetzA in a comprehensive statement by the associations. The BNetzA began reviewing the level of the affordability threshold in 2024. The BNetzA has announced a cap of around EUR 35 on the monthly price for using the service; the review of the price for connecting to a public telecommunications network is still ongoing.

IT Security Act 2.0

In May 2021, the "Second Act to Increase the Security of Information Technology Systems" came into force, which builds on the first act from 2015 and aims to better protect public structures from cyber attacks. This is especially true for critical infrastructures (KRITIS), such as telecommunications. The law stipulates that "critical components" must be identified by the mobile network operators in their networks and reported to the German Federal Ministry of the Interior (BMI) before they are put into operation. The German federal government then has a two-month review period during which it can prohibit the use of components or issue orders for their use. Telefónica Deutschland Group reported critical components from various manufacturers to BMI for the first time at the end of 2022 and again in 2023. The BMI has so far concluded all review procedures without issuing a prohibition. Furthermore, the BMI may also review pre-existing critical components of the existing infrastructure. Such a review was launched in April 2023. In July 2024, the Federal Ministry of the Interior (BMI) signed public law contracts with Telefónica Deutschland Group, Deutsche Telekom Group and Vodafone Group for the further deployment of critical components in the 5G mobile networks. The contracts oblige the mobile network operators to stop using critical components from the manufacturers Huawei and ZTE in their 5G core networks by the end of 2026 at the latest. In addition, the mobile network operators are obliged to replace the critical functions of the 5G network management systems from Huawei and ZTE in their access and transport networks of the 5G mobile network with technical solutions from other manufacturers by the end of 2029. The review procedures conducted by the BMI were concluded at the same time as the contracts. Telefónica Deutschland Group already uses almost exclusively components from the European Ericsson Group in its 5G core network; necessary conversions in the access and transport network of the 5G mobile network can be carried out as part of the regular network expansion.

Act to accelerate the expansion of telecommunications networks

On 24 July 2024, the German government passed a draft bill to accelerate the expansion of telecommunications networks (TK-NABEG). As part of the German government's gigabit strategy, the conditions for rapid network expansion are to be improved, particularly in areas that have not yet been covered. To this end, the gigabit land register is to be established as a standardised information portal and central data hub and the data required for the expansion is to be made available in a clear and structured manner via this portal. The draft bill also provides for an overriding public interest to be established for the expansion of telecommunications networks, which should give greater weight to the importance of network expansion in official decisions and thus shorten approval procedures. Finally, the draft also contains a provision on the right to a reduction in price: Accordingly, the price reduction should in future be a flat rate of at least 10% of the monthly fee in relation to the entire telecommunications service and not just the part of the service considered poor. The legislative process is still ongoing.

Data retention

On 20 September 2022, the European Court of Justice ruled that the German law on data retention in force at the time violated EU law. Due to similar decisions by the Administrative Court of Cologne, the BNetzA had already suspended the implementation of these rules since 2017. The German government is currently preparing a coalition draft for a succession plan. On 10 April 2024, the Federal Ministry of Justice announced that the Federal Government had agreed on a "quick freeze" procedure for data retention on an event-related basis only. The German government has not yet drafted a corresponding bill. In contrast, various federal states and the Federal Council are calling for data to be retained without cause.

Access and price regulation

EU Roaming Regulation

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. Accordingly, the currently valid principle of "roam-like-at-home", among other things, was extended until the end of June 2032. For wholesale charges, the charge for data was initially lowered on 1 January 2023 from its previous level of EUR 2.00 to EUR 1.80 per gigabyte and was then lowered again on 1 January 2024 to EUR 1.55; additional reductions are envisaged from 1 January 2025 to EUR 1.30, from 1 January 2026 to EUR 1.10 and from 1 January 2027 to 30 June 2032 to EUR 1.00. From 1 July 2022, a wholesale charge of 0.40 euro cents per text message applies; this will be reduced to 0.30 euro cents from 1 January 2025 to 30 June 2032. A wholesale charge of 2.20 euro cents per minute applies to outgoing voice calls from 1 July 2022; this will be reduced to 1.90 euro cents 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. The current maximum end-user prices for regulated intra-EU communications of 19 euro cents per minute for calls and 6 euro cents per text message (both excluding VAT), which were initially limited to 14 May 2024, have been extended to the end of 2028.

Termination rates for mobile and fixed network

Due to the delegated act of the EU Commission that came into force on 1 July 2021, the MTR (Mobile Termination Rate) may not exceed 0.20 euro cents per minute and the FTR (Fixed Termination Rate) may not exceed 0.07 euro cents per minute since the beginning of 2024. These maximum rates will apply to all German providers of these services. The EU Commission has appointed Axon Partners Group Consulting to analyse the costs underlying the MTR and FTR as well as the roaming charges in order to determine new charge caps if necessary. As part of this, Telefónica Deutschland Group then received a consultation document on the revised Axon model via the BNetzA, on which it submitted its comments within the deadline. The EU Commission's examination is still ongoing. A decision on any new caps on termination rates in the future is expected in the second half of 2025.

Overview of Financial Year 2024

Operational performance

Since the beginning of financial year 2024, Telefónica Deutschland Group has been driving forward its three-year (2024-2026) strategic plan "Accelerated Growth & Efficiency Plan" in order to make its business model even more resilient and to generate further profitable growth with its own customers and partners. The Group achieved a consistently good operating and financial performance in a dynamic and still rational environment, which is attributable in particular to the robust growth path of its core brand O_2.

In financial year 2024, Telefónica Deutschland Group recorded a total of 824 thousand[18] postpaid net additions (1,350 thousand in 2023) and 368 thousand M2M net additions (164 thousand in 2023), while the development in prepaid (-641 thousand in 2024 compared to -748 thousand in 2023) remained characterised by an unchanged "prepaid to postpaid" migration trend in the German market.

As a result, the number of mobile accesses at the end of 2024 remained stable at 45.0 million (-0.2% year-on-year), of which 34.3 million were mobile accesses excluding third-party network operator accesses. Postpaid (excluding M2M) was once again the growth driver with an increase to 27.9 million accesses (+0.7% year-on-year) or 62.0% (+0.6 percentage points year-on-year) of the total mobile customer base, including 17.3 million without third-party network operator accesses. As expected, customer churn in postpaid remained at a low level in financial year 2024 with an implied annualised churn rate for the O_2 brand of 12.2% (after 11.6% in 2023 and 13.1% in 2022), providing proof of ongoing quality and service improvements as well as successful customer loyalty.

O_2 postpaid ARPU fell by 1.9% year-on-year in financial year 2024. This is due in particular to the further reduction in mobile termination rates (MTR) in combination with a higher proportion of second and third SIM cards in the customer base.

In financial year 2024, fixed business within Telefónica Deutschland Group's technology-agnostic "O_2 Home" portfolio benefited in particular from high demand for cable and fibre-optic connections, which, however, could not fully compensate for the decline due to technically obsolete DSL connections. In total, net losses therefore amounted to 9 thousand (90 thousand net additions in 2023) and the fixed network customer base was 2.4 million at year-end (-0.4% compared to the previous year). The ARPU increased by 4.1% to EUR 26.6.

[18] From financial year 2024 without third-party network operator accesses to better reflect own performance

Financial performance

Telefónica Deutschland Group's continued focus on profitable growth resulted in robust financial performance.

Revenues in financial year 2024 fell by 1.4% compared to the previous year to EUR 8,492 million. The fixed business recorded year-on-year growth of 3.6% due to the further increase in the proportion of high-quality tariffs in the customer base in combination with successfully implemented price increase measures. By contrast, revenue from mobile services (-1.4% year-on-year) reflects the expected negative effects from the reduction in mobile termination rates (MTR) in combination with the change in the business model with 1&1 Group following the switch to national roaming in December 2023, with corresponding gradual effects on revenue streams from the offsetting of MTRs and roaming charges. The robust performance of the core brand O_2 in particular was able to offset these negative effects for the most part. Business with mobile devices could not match the previous year's record (+13.3% compared to 2022) and recorded a decline of 4.7% compared to the previous year.

Operating income before depreciation and amortisation (EBITDA) adjusted for exceptional effects rose by 3.8% in the reporting year compared to the previous year to EUR 2,717 million. The adjusted EBITDA margin amounted to 32.0%, an increase of 1.6 percentage points compared to the previous year. In addition to the robust operating performance, this growth was primarily driven by efficiency measures that Telefónica Deutschland Group is realising as part of its "Accelerated Growth & Efficiency Plan".

Capital expenditure

Capital expenditure (CapEx) increased by 0.7% to EUR 1,141 million in financial year 2024 (previous year: EUR 1,133 million) with a CapEx/Sales ratio of 13.4% (previous year: 13.2%). The focal point of capital expenditure remained on network densification and the continued rollout of the 5G network within the expected capital expenditure framework. By the end of 2024, Telefónica Deutschland Group had achieved a population coverage[19] for 5G of more than 97% and is on schedule to reach nationwide 5G coverage at the latest by the end of 2025.

T 02 – OVERVIEW OF FINANCIAL YEAR 2024

	Actual 2023	**Outlook for 2024**[1]	**Financial year 2024** (development year-on-year in %)	**Assessment** (compared to the original outlook)
Revenues	EUR 8,614 million	Slightly positive year-on-year	EUR 8,492 million (-1.4%)	Slightly worse than expected
EBITDA adjusted for exceptional effects	EUR 2,617 million	Low to lower mid-single-digit percentage year-on-year growth	EUR 2,717 million (+3.8%)	As expected
CapEx/Sales ratio	13.2%	13–14%	13.4%	As expected

[1] Including regulatory headwinds of ca. EUR -70 to -80 million at revenue level and ca. EUR -20 to -25 million at EBITDA level

Business development is further detailed in the following sections.

[19] The selected population-based evaluation includes not only the household-based coverage calculation with a fixed location reference as reported to the German Federal Network Agency. It also includes commuter flows within the population, with the result that some of the population are counted both in their residences and in their workplaces (maximum population). In doing this, Telefónica Deutschland Group takes into account that the services are not only in demand at home but also when travelling. This value is the value for the end of 2024, which indicates the availability of mobile telecommunications services outside of buildings (outdoors).

Results of Operations

T 03 – CONSOLIDATED INCOME STATEMENT

1 January to 31 December

(in EUR million)	2024	2023	Change	% change
Revenues	**8,492**	**8,614**	**(122)**	**(1.4)**
Other income	192	160	32	20.2
Operating expenses	(5,964)	(6,173)	208	(3.4)
Supplies	(2,588)	(2,677)	88	(3.3)
Personnel expenses	(700)	(669)	(31)	4.7
Impairment losses in accordance with IFRS 9	(93)	(101)	8	(8.0)
Other expenses	(2,582)	(2,725)	143	(5.2)
Operating income before depreciation and amortisation (EBITDA)	**2,719**	**2,601**	**118**	**4.5**
EBITDA margin	***32.0%***	***30.2%***	**–**	***1.8%-p.***
Depreciation and amortisation	(2,214)	(2,310)	96	(4.2)
Operating income	**505**	**291**	**214**	**73.7**
Financial result	(159)	(90)	(70)	77.8
Result from investments accounted for using the equity method	(16)	(10)	(5)	52.4
Profit/(loss) before tax	**330**	**191**	**139**	**72.9**
Income taxes	6	82	(76)	(92.6)
Profit/(loss) for the period	**336**	**273**	**64**	**23.3**

T 04 – REVENUE BREAKDOWN

1 January to 31 December

(in EUR million)	2024	2023	Change	% change
Mobile business revenues	**7,596**	**7,767**	**(171)**	**(2.2)**
Mobile service revenues	5,812	5,895	(83)	(1.4)
Hardware revenues	1,785	1,872	(87)	(4.7)
Fixed business revenues	**857**	**827**	**30**	**3.6**
Other revenues	**38**	**20**	**19**	**94.8**
Revenues	**8,492**	**8,614**	**(122)**	**(1.4)**

T 05 – RECONCILIATION OF PERFORMANCE INDICATORS ALSO USED FOR THE INTERNAL MANAGEMENT

1 January to 31 December

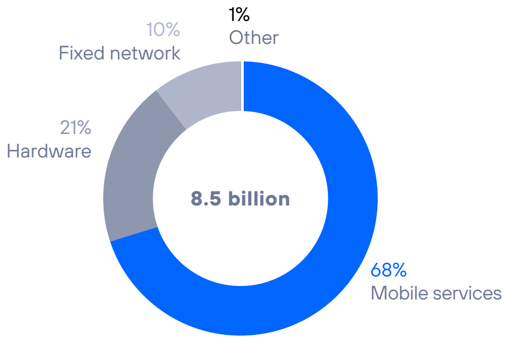
(in EUR million)	Consolidated Income Statement 2024	Exceptional effects from restructuring 2024	Other exceptional effects 2024	2024 adjusted	2023 adjusted	Change	% change
Revenues	**8,492**	**–**	**–**	**8,492**	**8,614**	**(122)**	**(1.4)**
Other income	192	–	–	**192**	160	32	20.2
Operating expenses	(5,964)	(2)	(0)	**(5,966)**	(6,157)	190	(3.1)
Supplies	(2,588)	–	–	**(2,588)**	(2,677)	88	(3.3)
Personnel expenses	(700)	(1)	–	**(701)**	(667)	(34)	5.1
Impairment losses in accordance with IFRS 9	(93)	–	–	**(93)**	(101)	8	(8.0)
Other expenses	(2,582)	(1)	(0)	**(2,584)**	(2,711)	127	(4.7)
Operating income before depreciation and amortisation (EBITDA)	**2,719**	**(2)**	**(0)**	**2,717**	**2,617**	**100**	**3.8**

Slight drop in revenue

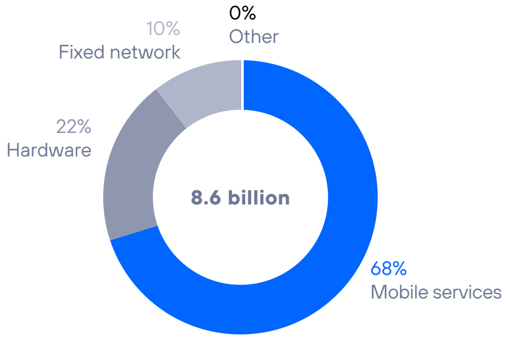
Revenue fell slightly by 1.4% in financial year 2024. This was due to the decline in revenue from mobile services and the largely margin-neutral contribution from hardware revenue, which was partially offset by higher revenue from fixed (broadband, FBB) business.

G 06 – REVENUES (IN % AND IN EUR BILLION)

FY 2024



FY 2023



Mobile service revenues slightly declining

In a rational and highly competitive German market, revenues from mobile services declined slightly. In financial year 2024, Telefónica Deutschland Group recorded a year-on-year decline in revenue from mobile services of 1.4%. The continued success of the O_2 Mobile portfolio and the associated positive contribution compared to the previous year was reduced by the halving of mobile termination rates (MTR) in combination with declining revenues from the partner business. This is mainly due to the changed business model with 1&1 Group based on the National Roaming Agreement (NRA) from December 2023, with a corresponding gradual impact on revenue streams from the billing of MTRs and roaming charges. The development of mobile service revenues was also reflected in the average mobile revenue per user (ARPU), which fell by EUR 0.3 year-on-year to EUR 10.5.

The launch of the National Roaming Agreement is also reflected in the mobile customer base. In order to present its own operating performance transparently, Telefónica Deutschland Group has differentiated between "mobile accesses excluding third-party network operator accesses" and "third-party network operator accesses held for transition" since the beginning of financial year 2024. In financial year 2024, Telefónica Deutschland Group gained a total of 824 thousand net new postpaid customers (excluding third-party network operator accesses and excluding M2M), increasing "mobile accesses excluding third-party network operator accesses" to 17.3 million as of 31 December 2024.

Reduction in hardware revenues

Hardware revenues are subject to general fluctuation, as they depend on the launch cycles of new mobile devices. After a record previous year, revenues from the sale of hardware fell by 4.7% year-on-year in financial year 2024, mainly due to lower demand for devices in a hardware market suffering slight decline overall.

Increase in fixed business revenues

Revenues from fixed business rose by 3.6% year-on-year in financial year 2024. Fixed broadband revenues in the end customer business continued their growth path and were able to more than compensate for the decline in the low margin fixed business with international voice minutes, mainly due to the higher-value customer base, particularly in cable and fibre optics, and a portfolio price increase in the base.

Other revenues increased significantly

Other revenues includes income from sublicensing Inlife tools to business partners for the first time, which is largely responsible for the increase of EUR 19 million compared to the previous year.

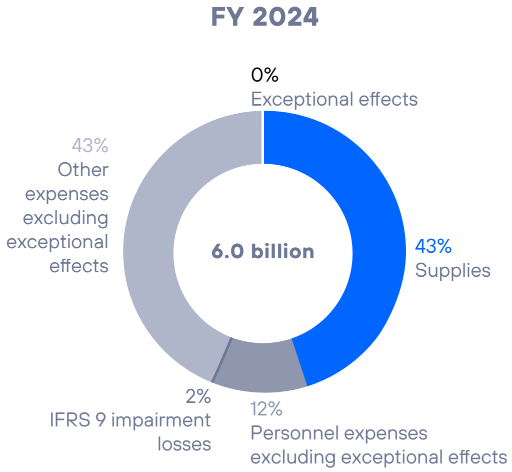
Other income increased

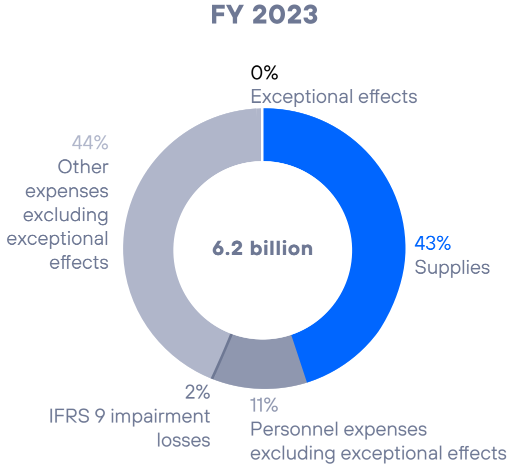
Other income in financial year 2024 increased to EUR 192 million (previous year: EUR 160 million). The increase is mainly due to higher own work capitalised.

Lower operating expenses

Operating expenses fell by 3.4% in financial year 2024 compared to the previous year, mainly due to lower other expenses and the decline in the cost of materials. Personnel expenses, on the other hand, moved in the opposite direction. Operating expenses included positive exceptional effects of EUR 2 million (previous year: EUR -16 million), which was mainly due to restructuring.

G 07 – OPERATING EXPENSES (IN % AND IN EUR BILLION)





Decrease in supplies

The item Supplies fell by 3.3% year-on-year in the financial year 2024, which is mainly due to lower cost of sales for hardware in connection with declining revenues from hardware. In addition, the cost of materials for connectivity decreased due to declining voice minutes in combination with the reduction in mobile termination rates as of 1 January 2024. In contrast, the cost of materials in fixed business rose due to the new technology mix in the customer base and price increases for connections purchased from third-party providers.

Personnel expenses increased compared to previous year

In financial year 2024, personnel expenses increased by 4.7%, reflecting in particular the general salary adjustments in the financial years 2023 and 2024. In addition, the increase was fuelled by a higher number of full-time employees due to the integration of staff with key skills. In financial year 2024, there were exceptional effects from restructuring that reduced expenses by EUR 1 million (previous year: EUR -2 million).

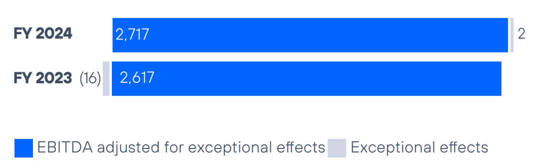
Other expenses down

Other expenses decreased by 5.2% in financial year 2024 compared to the previous year. This is mainly due to successful cost management, particularly in energy and maintenance costs in the technology area, as well as in sales and marketing expenses. There were also exceptional effects from restructuring that reduced expenses by EUR 1 million (previous year: EUR -9 million).

Increase in EBITDA adjusted for exceptional effects

In financial year 2024, EBITDA adjusted for exceptional effects rose by 3.8% year-on-year to EUR 2,717 million (previous year: EUR 2,617 million). This development was due to the robust momentum of the own brand and the decline in operating expenses in connection with successful cost management. As a result, EBITDA amounted to EUR 2,719 million (previous year: EUR 2,601 million) and the EBITDA margin rose by 1.8 percentage points (adjusted figure rose by 1.6 percentage points) to 32.0% in financial year 2024.

G 08 – EBITDA (IN EUR MILLION)



Decline in depreciation and amortisation

The decrease in depreciation and amortisation to EUR 2,214 million (previous year: EUR 2,310 million) in financial year 2024 is mainly due to lower amortisation and depreciation of intangible assets and technical equipment in the network. The elimination of amortisation of certain customer lists due to the scheduled expiry of their useful lives at the end of the third quarter of 2023 and 2024 also had a positive impact. This was offset by depreciation of rights of use, which increased slightly due to new contracts and price adjustments.

Operating result improved despite lower revenues

Operating income increased in financial year 2024 by 74% to EUR 505 million (previous year: EUR 291 million). This was due in particular to the decline in operating expenses and depreciation and amortisation, which more than compensated for lower revenues.

Financial result negatively impacted by the development of interest rates

The negative trend in the financial result from EUR -90 million in the previous year to EUR -159 million in the reporting period was mainly due to higher interest expenses, in particular caused by higher average interest rates, with corresponding negative effects on interest expenses for factoring transactions and lease liabilities, and to the higher utilisation of overdraft facilities. Overall, interest income remained virtually stable.

Result from investments accounted for using the equity method

Against the backdrop of the joint venture with Telefónica Infra, S.L.U. and Allianz Group, formed in 2020 to expand fibre-optic accesses (FTTH) for households in Germany, the pro rata result related to the at-equity 10% investments in UGG TopCo GmbH & Co. KG and in UGG TopCo/HoldCo General Partner GmbH is reported. This amounted to EUR -16 million in financial year 2024 (previous year: EUR -10 million).

Income taxes with reduced tax income

After proportionate offsetting against tax losses carried forward, Telefónica Deutschland Group again posted positive taxable income in financial year 2024. Tax income of EUR 6 million in financial year 2024 (previous year: EUR 82 million) includes tax income of EUR 36 million from changes in deferred taxes. In contrast, current tax expenses of EUR 30 million were recognised after proportionate offsetting against tax losses carried forward. This includes current tax expense of EUR 36 million for financial year 2024 and, offsetting this, out-of-period tax income from tax prepayments, which exceed tax expenses by EUR 7 million. The income from deferred taxes is attributable to the changes in taxable temporary differences and the additional capitalisation of deferred taxes on losses carried forward. In financial year 2023, there was a current tax expense of EUR 6 million and income from deferred taxes of EUR 87 million.

Increased profit for the period

Profit for the period rose in financial year 2024 to EUR 336 million (previous year: EUR 273 million), mainly due to lower operating expenses and depreciation and amortisation. This more than offset the decline in revenues, the higher expenses from the financial result and the lower income from income taxes.

Financial Position

Principles and goals of financial management

Risk control and a central management are the fundamental principles of financial management at Telefónica Deutschland Group. The goal of financial management is to continually ensure sufficient financial liquidity and stability. Risk controls are used in order to anticipate potential risks and counteract those using corresponding measures. At present, there are no circumstances which would indicate that Telefónica Deutschland Group would not be able to meet its financial obligations.

One key performance indicator is the net leverage ratio (>Chapter MANAGEMENT SYSTEM).

Financing

Borrowed capital is obtained through credit facilities and capital market instruments.

Refinancing of the syndicated loan

On 22 March 2016, Telefónica Deutschland Group signed a syndicated revolving credit facility in the amount of EUR 750 million, which on 17 December 2019 was replaced by a new syndicated revolving credit facility in the same amount with a term until 17 December 2024. In 2020, the term of this credit facility was extended by one year to 17 December 2025. The term of this credit facility was again extended by another year to 17 December 2026 in 2021. The credit line serves general corporate purposes and has not been drawn as of 31 December 2024.

Financing agreements with the European Investment Bank (EIB)

On 13 June 2016, Telefónica Deutschland Group signed its first financial agreement with the EIB, which originally amounted to EUR 450 million. The facility is intended to finance the consolidation, modernisation and expansion of Telefónica Deutschland Group's mobile network after the acquisition of E-Plus Group. The funds provided by the EIB have terms of up to eight years. The amortising loan had a value of EUR 33 million as of 31 December 2024.

Additional financing agreements with the EIB were signed on 18 December 2019 for EUR 300 million and on 14 January 2020 for EUR 150 million. As of 31 December 2024, these loans had been utilised in the amount of EUR 375 million. The EIB loans also have a maturity of eight years as of drawdown and will be repaid in equal instalments.

Promissory notes and registered bonds

On 13 March 2015, Telefónica Deutschland Group completed an initial placement of promissory notes and registered bonds with different maturities up to 2032 and a total volume of EUR 300 million. In February 2018, further promissory notes in various tranches and a registered bond with a total volume of EUR 250 million with various maturities up to 2033 were issued. In financial year 2019, further promissory notes in various tranches with a total volume of EUR 360 million with maturities up to 2029 were placed on 25 April. In financial year 2021, variable-interest tranches totalling EUR 326 million were terminated and repaid in advance as part of active financial management. Taking into account further scheduled repayments in previous years totalling EUR 230 million and repayments of EUR 127 million in financial year 2024, a promissory note volume of EUR 228 million is still outstanding as of 31 December 2024.

Bond liabilities

In July 2018, O2 Telefónica Deutschland Finanzierungs GmbH placed a bond with a nominal amount of EUR 600 million and a term of seven years. The issuer transferred the net proceeds on the issue of the bonds to its shareholder Telefónica Germany GmbH & Co. OHG as a loan. The bonds are guaranteed by Telefónica Deutschland. The details are as follows:

T 06 – NOMINAL AMOUNT

Nominal amount (in EUR million)	Term from	until	Coupon p.a.
600	5 July 2018	5 July 2025	1.75%

Telefónica Deutschland Group continues to benefit from Telefónica, S.A. Group cash pooling

Telefónica Deutschland Group will continue to participate in the liquidity management system of Telefónica, S.A. Group. Agreements have been made with Telfisa Global B.V. for deposits and liquidity management. The liquidity of the entire Telefónica, S.A. Group is centralised by means of these agreements. This allows us to benefit from the economies of scale of the entire Telefónica, S.A. Group. In connection with the cash pooling, the Group continues to have access to overdraft facilities up to a maximum of EUR 854 million with term up to one year. Telefónica, S.A. has guaranteed the performance of Telfisa Global B.V.'s obligations arising from the cash pooling agreements.

Unused credit facilities provide financial flexibility

The Group's financial flexibility remains secure reasoned to the availability of unused credit facilities totalling EUR 1,804 million. These comprise bilateral revolving credit facilities at various banks in the amount of EUR 200 million, the unutilised syndicated credit line of EUR 750 million and overdraft facilities of EUR 854 million available from Telfisa Global B.V. In December 2024, the available overdraft facility for Telefónica Germany GmbH & Co. OHG at Telfisa Global B.V. was increased to EUR 1,504 million for the period from 1 January 2025 to 31 December 2026. Furthermore, the syndicated revolving credit facility (RCF) was terminated ahead of schedule on 10 January 2025 after the end of financial year 2024 (see >Chapter 21. SUBSEQUENT EVENTS).

Factoring as a tool to manage working capital

We have entered into factoring agreements with various credit and factoring institutions regarding the sale of receivables, with the aim, among other things, of managing our working capital. In financial year 2024, factoring transactions were concluded for instalment receivables and other trade receivables with a total net cash inflow of EUR 1,752 million (previous year: EUR 1,690 million). The sold receivables were fully derecognised at the time of sale, with the exception of continuing involvement for sold instalment receivables. Further information on silent factoring can be found in the Notes to the Consolidated Financial Statements for the year ended 31 December 2024 (>Chapter 5.5. TRADE AND OTHER RECEIVABLES).

Financial efficiency and payment flexibility due to extension of payment periods

In order to obtain greater financial efficiency and cash flexibility, Telefónica Deutschland Group has entered into agreements with certain commercial suppliers to extend payment periods. The industry-standard payment terms were not exceeded, so that a reclassification is not required, and the payments are shown within trade payables (see also >Chapter 5.13. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES).

Financial Analysis

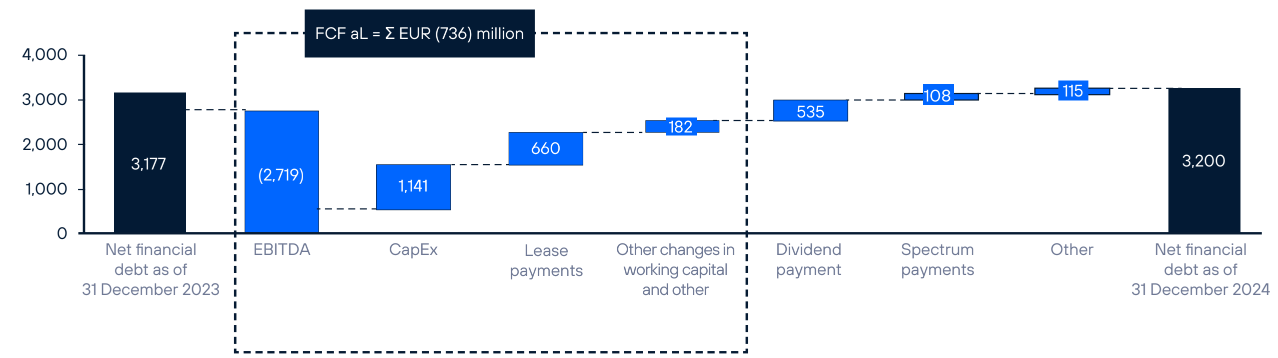
Net financial debt increased

Net financial debt, which is an integral part of the net leverage ratio and amounted to 1.2x at the end of the reporting year (previous year: 1.2x), increased as of 31 December 2024 compared to the previous year by EUR 23 million to EUR 3,200 million.

The main drivers were the dividend payments for the financial year totalling EUR 535 million and, conversely, the free cash flow after lease payments of EUR 736 million.

The graphic below illustrates the development of net financial debt in financial year 2024.

G 09 – DEVELOPMENT OF NET FINANCIAL DEBT (IN EUR MILLION)



The following table 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.

T 07 – COMPOSITION OF NET FINANCIAL DEBT

As of 31 December

(in EUR million)	2024	2023	Change	% change
A Liquidity	402	584	(182)	(31.2)
B Current financial assets[1]	351	313	38	12.0
C Current financial debt[2]	1,378	842	536	63.7
D=C-A-B Current net financial debt	624	(56)	680	–
E Non-current financial assets[1]	299	561	(262)	(46.6)
F Non-current financial debt[2]	2,875	3,794	(919)	(24.2)
G=F-E Non-current net financial debt	2,575	3,232	(657)	(20.3)
H=D+G Net financial debt[3]	3,200	3,177	23	0.7

[1] Current and non-current financial assets include mobile device receivables not yet due, other interest-bearing assets, net investment (in accordance with IFRS 16) 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:
Mobile device receivables are presented in trade receivables in the Balance Sheet.

Off-balance sheet obligations

Purchase obligations and other contractual obligations decreased by EUR 217 million to EUR 3,700 million in financial year 2024 (previous year: EUR 3,917 million). The decline is due in particular to a decrease in purchase obligations as part of agreements in the fixed-network area and in the course of the digital transformation. In contrast, further obligations were entered into from supply contracts for mobile devices. (>Chapter 18. PURCHASE AND OTHER CONTRACTUAL OBLIGATIONS).

Liquidity Analysis

T 08 – CONSOLIDATED STATEMENT OF CASH FLOWS

1 January to 31 December

(in EUR million)	**2024**	**2023**
Cash flow from operating activities	2,513	2,426
Cash flow from investing activities	(1,117)	(1,122)
Free cash flow (cash flow from operating activities + cash flow from investing activities)	**1,396**	**1,304**
Cash flow from financing activities	(1,578)	(1,496)
thereof lease payments	(660)	(747)
Free cash flow after lease (after lease payments)	**736**	**557**
Net increase (decrease) in cash and cash equivalents	**(182)**	**(193)**
Cash and cash equivalents at the beginning of the period	**584**	**777**
Cash and cash equivalents at the end of the period	**402**	**584**

Consolidated Statement of Cash Flows
The following is an analysis of the cash flow development of Telefónica Deutschland Group in the financial years 2024 and 2023.

Increase in cash flow from operating activities
Cash flow from operating activities amounted to EUR 2,513 million in financial year 2024 and thus increased compared with the previous year's figure of EUR 2,426 million. The key factor for this was the positive earnings contribution from the increased EBITDA. This was slightly reduced by the negative change in working capital, which totalled EUR -72 million (financial year 2023: EUR -12 million) as well as increased interest payments as a result of the generally higher market interest rates.

Cash flow from investing activities almost unchanged
Cash flow from investing activities remained relatively constant in financial year 2024 compared to 2023 at EUR -1,117 million (previous year: EUR -1,122 million). Cash outflows decreased from EUR 1,239 million to EUR 1,172 million in 2024. They included slightly reduced payments for investments in technical equipment and software. Cash inflows decreased by a similar amount to EUR 56 million (previous year period: EUR 117 million).

Free cash flow and free cash flow after lease increased
Free cash flow (FCF) totalled EUR 1,396 million in the financial year 2024 and was EUR 92 million higher than in the same period of the previous year (EUR 1,304 million). This development is due in particular to the positive change in cash flow from operating activities with the effects described therein. Free cash flow after lease rose due to the higher FCF and lower lease payments, which were reduced by EUR 87 million, from EUR 557 million in 2023 to EUR 736 million in the financial year.

Cash flow from financing activities includes higher cash outflows and inflows
The cash flow from financing activities in financial year 2024 amounted to EUR -1,578 million (previous year: EUR -1,496 million). Cash outflows increased to EUR 3,824 million (previous year: EUR 2,614 million) and mainly included payments for the repayment of overdraft facilities of Telfisa Global B.V. utilised temporarily during the year in the amount of EUR 2,244 million, the payment of lease liabilities of EUR 660 million, the payment of the dividend in the amount of EUR 535 million, payments for spectrum licences in the amount of EUR 108 million, the partial repayment of EIB loans in the amount of EUR 150 million and the repayment of promissory notes in the amount of EUR 127 million. By contrast, financial year 2023 included the payment of lease liabilities of EUR 747 million, the dividend payment of EUR 535 million, payments for spectrum licences of EUR 108 million, the repayment of an overdraft facility of Telfisa Global B.V. of EUR 1,106 million, which was drawn down temporarily during the year, and partial repayment of an EIB loan of EUR 75 million and the repayment of promissory notes totalling EUR 43 million.

Cash inflows increased by EUR 1,128 million to EUR 2,246 million (previous year: EUR 1,118 million). The change is due to a short-term increased financial need and primarily involved the utilisation of overdraft facilities from Telfisa Global B.V. totalling EUR 2,244 million during the year (previous year: EUR 1,106 million).

Cash and cash equivalents below the level of the previous year
Based on the above-mentioned cash inflows or outflows, cash and cash equivalents decreased by EUR 182 million compared to the previous year's reporting date and on 31 December 2024 amounted to EUR 402 million (31 December 2023: EUR 584 million).

T 09 – OPERATING CASH FLOW AFTER LEASE

1 January to 31 December (in EUR million)	2024	2023	Change	% change
Operating income before depreciation and amortisation (EBITDA), adjusted for exceptional effects	2,717	2,617	100	3.8
Depreciation of right-of-use assets	(688)	(673)	(15)	2.2
Interest expenses on lease liabilities	(66)	(36)	(31)	86.4
CapEx	(1,141)	(1,133)	(8)	0.7
Operating cash flow aL (after lease)	**822**	**775**	**47**	**6.1**

Increased operating cash flow after lease
The operating cash flow after lease increased by EUR 47 million to EUR 822 million because operating income, adjusted for exceptional effects, increased more sharply in absolute terms than the lease interest expenses and the payments for capital expenditure.

Net Assets

T 10 – CONSOLIDATED BALANCE SHEET

As of 31 December (in EUR million)	2024	2023	Change	% change
Goodwill and other intangible assets	4,187	4,519	(332)	(7.3)
Property, plant and equipment	3,424	3,484	(59)	(1.7)
Right-of-use assets	3,064	3,203	(139)	(4.3)
Investments accounted for using the equity method	11	11	1	5.9
Trade and other receivables	1,662	1,733	(71)	(4.1)
Deferred tax assets	604	538	67	12.4
Other financial assets	338	424	(86)	(20.3)
Other non-financial assets	867	806	61	7.6
Inventories	147	148	(1)	(0.5)
Cash and cash equivalents	402	584	(182)	(31.2)
Total assets = Total equity and liabilities	**14,705**	**15,447**	**(742)**	**(4.8)**
Interest-bearing debt	1,245	1,521	(277)	(18.2)
Lease liabilities	3,008	3,114	(107)	(3.4)
Trade and other payables	2,821	2,874	(53)	(1.9)
Payables – Spectrum	797	898	(101)	(11.2)
Provisions	548	577	(30)	(5.2)
Other non-financial liabilities	35	77	(42)	(54.2)
Income tax liabilities	9	8	1	19.8
Contract liabilities	621	613	7	1.2
Deferred tax liabilities	269	229	40	17.3
Equity	**5,354**	**5,535**	**(181)**	**(3.3)**

Decrease in goodwill and other intangible assets
The decrease in financial year 2024 was mainly due to the amortisation of other intangible assets amounting to EUR 767 million. This was offset by the additions to other intangible assets of EUR 435 million, which related primarily to investments in software.

Property, plant and equipment reduced
The reduction in property, plant and equipment is due in particular to depreciation of EUR 759 million, as the additions in financial year 2024 of EUR 706 million, which almost exclusively relate to investments in the network for technical equipment, were lower. In addition, the increase in asset retirement obligations of EUR 22 million, which was mainly caused by an adjustment in interest rates, had a partial offsetting effect.

Decrease in right-of-use assets
The reduction in right-of-use assets is due to scheduled depreciation of EUR 688 million as well as disposals that have not yet been fully depreciated with a residual carrying amount of EUR 29 million. This was offset by additions of right-of-use assets amounting to EUR 578 million relating in particular to right-of-use assets for technical equipment.

Slight increase in investment ratio (CapEx/sales ratio)
Capital expenditure increased in financial year 2024 to EUR 1,141 million compared to EUR 1,133 million in the comparison period 2023; at the same time revenues fell slightly in the financial year, increasing the CapEx/Sales ratio to 13.4% (2023: 13.2%). This is due in particular to significant progress in the network densification and further rollout of the 5G network and in the modernisation of the technological architecture within the normalised investment framework.

Investments accounted for using the equity method
The investments accounted for using the equity method amounting to EUR 11 million (previous year: EUR 11 million) comprise the investments made in Unsere Grüne Glasfaser (UGG), the fibre-optic companies formed in financial year 2020 by Telefónica Deutschland Group along with Telefónica Infra, S.L.U. and Allianz Group (>Chapter BUSINESS ACTIVITY).

Trade and other receivables decreased
The decline of EUR 71 million in trade and other receivables to EUR 1,662 million resulted primarily from lower O_2 My Handy receivables due to the decline in demand for high-quality devices as well as normal fluctuations in operating activities. The increase in factoring transactions by EUR 63 million in financial year 2024 also contributed to the decline.

Decrease in other financial assets
The decline of EUR 86 million resulted primarily from the payment of the portion of the purchase price claim due in 2024 for the sale of significant parts of the operations of the rooftop sites to Telxius in the amount of EUR 89 million. By contrast, reinsurance claims under insurance contracts, among other things, increased slightly during the financial year.

Other non-financial assets increased
The increase of EUR 61 million compared to the previous year is mainly due to higher advance payments in connection with the expansion of the 5G network. In addition, advance payments for taxes increased.

Decrease in cash and cash equivalents
This development is attributable to several factors that are presented in more detail in the >Chapter FINANCIAL POSITION.

Interest-bearing debt down on previous year
Interest-bearing debt decreased by EUR 277 million year-on-year due, almost entirely, to the scheduled partial repayment of EUR 150 million of EIB loans and the scheduled partial repayment of promissory notes amounting to EUR 127 million.

Decline in lease liabilities
The EUR 107 million year-on-year decrease in lease liabilities was mainly influenced by changes in present value totalling EUR 550 million, which were lower than the payments of lease liabilities in the amount of EUR 660 million.

Decrease in trade and other payables
The decline of EUR 53 million to EUR 2,821 million compared to the previous year is mainly due to fluctuations in the course of ordinary operating activities.

Payables – Spectrum
The payables are attributable to the outstanding payment obligations resulting from the mobile spectrum auction in 2019. They decreased largely due to the instalment payments made in the financial year.

Provisions down year-on-year
Provisions decreased by EUR 30 million to EUR 548 million, mainly due to lower pension obligations, particularly as a result of higher discount rates due to interest rate developments, as well as lower provisions for restructuring and other provisions. By contrast, the asset retirement obligations increased slightly.

Other non-financial liabilities fell sharply
Other non-financial liabilities decreased by EUR 42 million to EUR 35 million in the course of ordinary business activities in financial year 2024.

Increase in income tax liabilities
This item comprises tax positions for income tax totalling EUR 9 million (previous year: EUR 8 million). The increase of EUR 1 million compared to 31 December 2023 is mainly due to additions for uncertain income tax items in accordance with IFRIC 23.

Contract liabilities increased
Contract liabilities rose to EUR 621 million in financial year 2024 (previous year: EUR 613 million). The increase is mainly due to a EUR 56 million rise in voucher sales in the prepaid business. This was offset by scheduled reversals, among other factors, in the context of the obligation from the payments received under the contract with an MVNO, which was classified as a contract liability.

Increase in deferred tax liabilities
The increase in deferred tax liabilities remaining after netting in financial year 2024 to EUR 269 million (previous year: EUR 229 million) is attributable to the update of taxable temporary differences. Among other things, these relate to additional tax amortisation due to tax goodwill and the development of temporary differences, and were realised.

Equity impacted by dividend payment and profit for the period
The change in equity is mainly attributable to the dividend payment of EUR 535 million made after the Annual General Meeting in June 2024 and, offsetting this, to the profit for the period of EUR 336 million and other comprehensive income/(loss) in the amount of EUR 18 million.

Report on Risks and Opportunities

Telefónica Deutschland Group anticipates opportunities that are important for achieving its strategic goals. To take advantage of these opportunities, however, the Company also has to take certain risks. Our risk management is designed to recognise these risks at an early stage and actively mitigate them.

Risk Management and Risk Reporting

Fundamental risk management principles

Every business activity involves risks that can prejudice the process of goal-setting and goal fulfilment. These risks arise from the uncertainty of future events – often due to insufficient information – and can result in objectives being missed. If risks are not recognised and dealt with, they can endanger the successful development of the Company. In order to respond appropriately to this fact, the Company's management has introduced a risk management process. This is intended to guarantee timely and complete transparency with regard to new risks or changes to existing risks.

Risk management is an integral part of the decision-making processes within Telefónica Deutschland Group. The procedure ensures that risk evaluations are taken into account in decision-making and measures to minimise and deal with risks are taken at an early stage. This is based on the evaluation, communication and management of risks by the Company's managers. A lower limit for the recognition of risks is generally not set. The risk management department compiles the Company's Risk Register, which also covers the subsidiaries. As part of the creation of the Risk Register, it is ensured that risks of a similar type or of cumulative effect are aggregated and thus provided for overall consideration. In addition, this bottom-up approach, i.e. the identification of risks by the operating units, is complemented by a top-down approach in order to ensure a cross-business risk perspective. The purpose of the top-down approach is to identify risks at the highest management level or on the basis of a group-wide consideration, and to discuss with the operationally responsible units. This is intended to enable full classification and integrated management as well as the evaluation of relevance for future reporting. Risk management is in continuous contact with all areas of the Company and our risk coordinators in order to continuously pursue and evaluate risks and their management and development. Responsible employees are trained individually in order to ensure a uniform, structured process of risk identification and evaluation. In addition, fundamental training is available to all employees in order to raise their general awareness of risk management.

Risks are evaluated with regard to their impact on our business goals from an operational and financial point of view. The Risk Register is supported by a database that contains all identified risks, their status, the measures already taken and defined action plans.

An overall risk profile is aggregated from identified risks to assess the extent to which the net assets, financial position and results of operations of the Company are at risk, which is then compared with the capacity to bear risk in a regular analysis.

In a formal forward-looking process, the Risk Register of Telefónica Deutschland Group is the subject of regular reporting to the Management Board. The Supervisory Board and the Audit Committee are regularly informed about risks and their development.

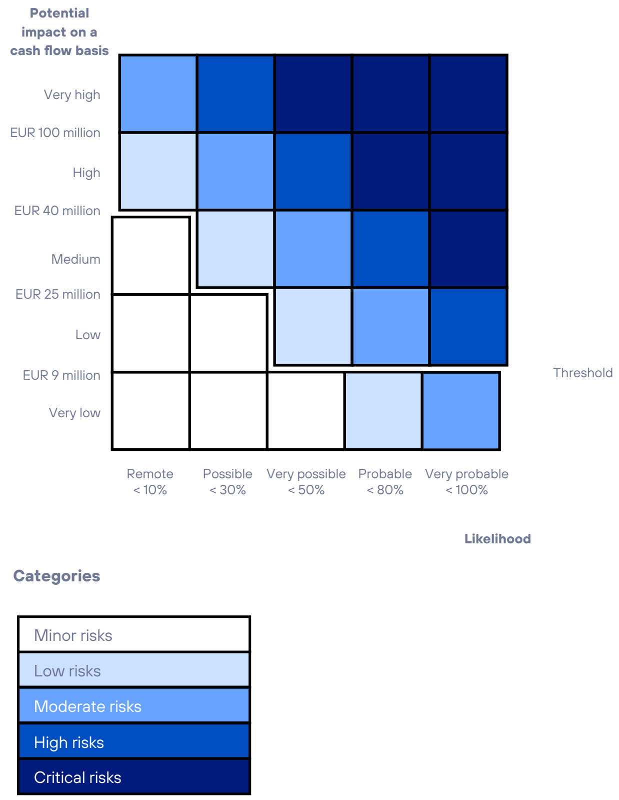
Opportunities are not recorded in the risk management system.

Risk evaluation

The following section illustrates the identified risks that can substantially impact our financial situation, our competitiveness or our ability to realise our objectives. They are presented in line with the net principle, i.e. risks are described and evaluated net of the risk mitigation measures performed.

To identify the risks illustrated in the following with material influence on business development, we use a 5×5 matrix as a starting point, within which the potential level of impact and the relevant likelihood of occurrence are each divided into five categories:

G 10 – RISK PROFILE



Based on the combination of the potential level of impact and the estimated likelihood of occurrence, the individual risks are divided into five categories (critical, high, moderate, low and minor risks).

Risks that have a very high potential level of impact of more than EUR 100 million and whose likelihood of occurrence is rated as at least "very possible" are considered critical. With a growing likelihood of occurrence, risks with a high or medium potential level of impact also fall into this category. As the likelihood of occurrence and level of impact decrease, the risks fall into the corresponding categories below.

Minor risks and all risks whose potential level of impact is estimated at less than EUR 9 million are not reported to the Management Board and therefore are not included in the risk summary in the following chapter. Such risks are identified, documented and administered by the relevant management levels as part of the risk management process. The threshold value for reporting risks is represented by the space in the matrix.

Our Group can be influenced by other or additional risks of which we are presently unaware or that we do not consider material based on the current state of knowledge. Moreover, the possibility cannot be precluded that risks currently evaluated as minor will change within the forecast period in such a way as to have a potentially greater effect than the risks currently evaluated as more material.

Risks

For internal use and reporting within the Group, risks are divided into business risks, operational risks and financial risks. This division also forms the basis of this section of the report. The risks are presented in the relevant category in the order of their rating.

Business risks

Competitive markets and changing customer demands

We operate in markets characterised by a high level of competition and continuous technological developments. Our Company faces increasing competition from alternative telecommunications service providers – among them cable operators, new network operators, MVNOs and consumer electronics companies – and also competes with alternative telecommunications services like OTT. There is the risk that our growth targets and planned revenues will not be reached. In order to prevail against these companies and developments, we must also continue to provide competitive services and successfully market our products in the future. In doing so, we systematically observe new customers' needs, our competitors' business activities, technological changes, and the general economic, political and social conditions and take them into account in our planning. We classify this risk as critical.

Geopolitical risks

Political conflict can influence our international trade relations and directly or indirectly impact both our supply chain and the economic environment. The current political tension between the various countries could also impact our relations with suppliers as a result of existing or future trade barriers.

The greatest impact from current conflicts on our business is the fluctuating or higher energy prices and the influences on the supply chain for network technology and network towers. If certain network technologies or hardware were no longer to be available or permitted, the resulting follow-on costs could be enormous. Against the background of international conflicts, the ongoing projects on the use of critical components could also pose the risk that German authorities do not approve the usage of these components and we may not be able to carry out our network rollout as planned or face higher costs.

To counter this risk, we strive to avoid possible dependencies on individual suppliers and to hold appropriate inventories. We continue to observe and analyse the possible impact of international conflicts on our business activity. We classify this risk as critical.

Market acceptance and technological transformation

In an environment characterised by major technological transformation, there is the risk that we will not be able to anticipate and implement technical requirements and customers' requirements in time. False interpretations or incorrect decisions could harbour the risk of negatively influencing the acceptance of our products by customers and could lead to us not reaching our growth and earnings targets. We counter this low risk by monitoring our gross margin, churn rates and through extensive market research activities.

Brand and reputation

Unforeseeable, sustained and far-reaching negative reporting, particularly through media amplification in social networks, could have a negative impact on our reputation and brand image and thus lead to losses in sales and brand value. A lack of visibility for the brand and our products could also result in a loss of sales. The risk was re-evaluated on the basis of external benchmarking and references from Telefónica, S.A. Group. We classify this risk as low. We counter this risk with a reputation management system and the establishment of a reputation committee.

Regulatory environment

We operate in a strongly regulated market environment. Decisions made by the regulatory authorities can directly and critically influence services, products and prices.

General regulatory influences

Our business activity is subject to significant influences and requirements by regulatory authorities. Any deviations in the interpretation of these requirements may result in fines and therefore have a negative effect on our financial position or reputation.

The regulatory authorities could take additional measures at any time in order to curtail tariffs and fixed network or mobile termination rates even more. They could similarly oblige us to grant third parties access to our networks at reduced prices. A result of new roaming requirements could be that measures by regulatory authorities could negatively affect our business activity as well as our financial and earnings position. We classify this risk as high.

Licences and frequencies

Our licences and the licence usage rights granted to us are time-limited and depend on prior allocation. If we cannot extend or cannot newly obtain the licences and frequency usage rights necessary for our business or if the financial conditions for the use of these licences and rights change significantly, this will lead to higher investment costs than planned. A potential change to the network expansion resulting from this could also have a negative impact on expected revenues. We classify this risk as low overall.

Regulatory requirements in connection with the acquisition of E-Plus Group

In approving the acquisition of E-Plus Group, the European Commission obligated Telefónica Deutschland Group to meet various requirements. This includes an obligation to provide frequencies, infrastructure and network capacities to a potential new mobile network operator in exchange for payment. In fulfilment of the frequency part of this condition, Telefónica Deutschland Group agreed with 1&1 Group to transfer 2 x 10 MHz in the frequency range at 2.6 GHz to 1&1 Group until the end of the term at the end of 2025; in return, Telefónica Deutschland Group will receive an annual usage fee. The contract was approved by the EU Commission. To meet another requirement of the European Commission, we entered into extensive agreements with 1&1 Group in 2014 on the provision of network capacities and services. A corresponding national roaming agreement was concluded in May 2021. 1&1 Group has set the national roaming start date for 8 December 2023. An extensive project was launched by Telefónica Deutschland Group to ensure strict compliance with the contracts concluded and hence prevent the possibility of significant fines. We classify this risk as low.

Regulatory influences on our transmission power

The electromagnetic compatibility of transmitters could be subject to new regulations due to potential, as yet unproven, health risks. In this case, if the requirements regarding maximum permitted transmission power were changed this would negatively affect the performance and expansion of our mobile network. We classify this risk as low.

In order to guard against the stated regulatory risks, Telefónica Deutschland Group maintains close communications with the decision makers on a national and international level. This allows us to introduce our interests and views to the decision-making process in good time. Moreover, we review and use legal protective mechanisms against decisions of the regulatory authorities in order to actively foster positive changes for us.

Operational risks

Reliability of our services

Attracting and retaining customers

The success of our business depends on our ability to retain existing customers and attract new ones. In an environment characterised by continuous further development of products, services and tariffs, but also by more consumer-friendly regulatory measures, we must also keep an eye on the performance of our network and that of our competitors. If our offers are not accepted on the market, we would lose out to our competitors in acquiring new customers. We counter this critical risk by intensively monitoring and evaluating customer satisfaction and the churn rates and by extensively monitoring our network elements.

Damage caused by cyber attacks

Cyber attacks on our network or our IT systems that are not detected or averted in good time could lead to disruptions or damage that could also affect our services and thus result in lost revenue and customer dissatisfaction. Against the backdrop of the war in Ukraine, the German Federal Office for Information Security has already issued a warning about the increase in cyber attacks on critical infrastructure operators. This is why we see an increased likelihood of cyber attacks. The availability and confidentiality of data that we process may be impacted by these attacks. In addition to reputational losses, legal consequences would also be possible, and we could be fined. We counter this risk by analysing and reducing vulnerabilities and focusing on an early warning system, which is ensured through the use of modern technologies for detecting anomalies and a 24/7 Cyber Fusion Centre. In addition, we are also constantly improving our systems for rectifying faults and establishing greater risk awareness among our employees with regard to cyberattacks. By establishing an Information Security Management System (ISMS), a corresponding security organisation and binding security controls, further measures have been implemented to deal with the risk. We classify this risk as critical.

Technical faults
Lasting or repeated disturbances or damages to our mobile telecommunications or fixed networks and in our technical facilities and systems could have a negative influence on customer satisfaction and result in a loss of customers or revenue losses. We implement extensive monitoring of our network elements and IT systems here, too. In addition, insurable risks are covered by our insurance programme. Comprehensive crisis and emergency management should enable the Company to continue its core business in the event of a disruption and then ensure the resumption of all business operations in order to achieve its corporate goals. Despite the continuous adjustment of the planned measures, the resumption of business operations could be delayed in the event of disruptions or failures. We consider this risk to be high because even minor faults can result in substantial losses in sales.

Supply chain disruptions
As a provider of mobile and fixed-network telecommunications services and products, we are dependent on a few main suppliers in the same way as other companies in the industry. These suppliers provide us with important products and services that are primarily related to the IT and network infrastructure and mobile devices. If these suppliers do not provide or are unable to provide their products and services as expected, this could jeopardise the operation and expansion of the network and the sale of telecommunications products, which in turn could adversely affect our Company and earnings. The same applies if service providers to whom we award projects for reasons of efficiency do not perform the services in time or with the required quality. As part of our supplier management, we assess the quality of the services provided and any potential risks in this regard on a continuous basis. This allows us to identify weak points at an early stage and to counter them. We classify this risk as moderate.

Adjustments to increased ESG requirements
The reporting requirements from regulatory authorities, analysts, investors, customers and other stakeholders of Telefónica Deutschland Group regarding the responsibility for environmental protection, social responsibility and corporate governance (ESG – Environmental, Social, Governance) are increasing. At the same time we have examined our processes in regard to possible human rights violations that have arisen from activities of our suppliers or other business relationships. We classify this risk as low. To counter this risk, we have established an ESG risk management process and corresponding controls. We are also monitoring potential climate risks and do not currently expect any direct damage from climate change.

Development of customer base
Our sales strategy uses different sales channels for our products and services to further develop our customer base. If we fail to maintain or develop our sales channels and partnerships in different business models, or if we misinterpret our customers' channel preferences, this could affect our ability to maintain and grow our customer base. Even if we take measures and develop further alternative plans, these activities are subject to uncertainties regarding the timetable and successful implementation. We are addressing this low risk by continuously monitoring the sales channels and analysing market conditions to enable us to react quickly to changes.

Legal risks
As part of its business activity, Telefónica Deutschland Group is required to comply with a large number of laws. An infringement of legal provisions poses an intrinsic risk to the business activities, success and reputation of the Company.

Data privacy regulations
In the course of our business activities, we also collect and handle customer data and other personal data. There is the risk of misuse or loss of this data. This could represent a breach of the relevant laws and provisions and result in fines, loss of reputation and the migration of customers, and hence the loss of revenues. Against the backdrop of the "Schrems II" ruling by the European Court of Justice (ECJ) in particular, there are still uncertainties regarding data transfers to countries outside the EU or the European Economic Area (EEA). An adequacy decision for data transfers to the US was published by the EU Commission in 2023 for companies certified under the EU-US Data Privacy Framework. However, this decision does not solve the problem for other countries outside the EU or the EEA. Furthermore, we do not know whether this decision will stand up to judicial review. We classify this risk as high.

Contractual relationships
Contractual penalties or claims could result from contracts with sales partners, suppliers and customers if we do not comply with our contractual or legal obligations or fail to meet agreed purchasing quantities, for example. We classify this risk as moderate.

Violation of customers' rights
Our customer relationships and the contractual terms arising from these relationships are monitored by consumer protection agencies on a continuous basis. Interpretations differing from the Company's viewpoint may result in these agencies regarding them as a violation of customers' rights and taking legal actions against us. This could negatively affect our business result or our reputation. We classify this risk as moderate.

In order to avoid legal risks, particularly from competition and data protection law, Telefónica Deutschland Group has established a compliance management system. Components of this management system include the applicable business principles, a number of guidelines and ongoing employee training with regard to the main legal provisions and standards, in particular also the General Data Protection Regulation and the topic of information security. In supplement, legal risks are covered by insurance to the extent permitted. Telefónica Deutschland Group also maintains an internal compliance and legal department, and enters into continuous contact with external law firms, authorities, associations and official groups.

Financial risks

Higher market interest rates

As a result of the overall high market interest rates, we expect higher interest expenses compared to previous years in the case of utilisation of financing lines with variable interest rates and when new financing is concluded, and also particularly in the event of measures within the framework of our working capital management. Our bank and capital market financing operations that had been utilised as of 31 December 2024 were concluded solely with a fixed interest rate. With inflationary pressures having eased and central banks having started to cut interest rates, we expect rates to continue to fall. Due to the lower likelihood of occurrence, we now only classify the risk as low. We counter this risk through close monitoring and, if necessary, through financial hedging measures.

Overview of assessments of reported risks

T 11 – RISK OVERVIEW

Risk	Potential level of impact	Likelihood of occurrence	Assessment
Business risks			
Competitive markets and changing customer demands	Very high	Probable	Critical
Geopolitical risks	Very high	Very possible	Critical
Market acceptance and technological transformation	Medium	Possible	Low
Brand and reputation	Medium	Possible	Low
Regulatory environment			
General regulatory influences	High	Very possible	High
Licences and frequencies	High	Remote	Low
Regulatory requirements in connection with the acquisition of E-Plus Group	High	Remote	Low
Regulatory influences on our transmission power	High	Remote	Low
Operational risks			
Reliability of our services			
Attracting and retaining customers	High	Probable	Critical
Damage caused by cyber attacks	Very high	Probable	Critical
Technical faults	High	Very possible	High
Supply chain disruptions	High	Possible	Moderate
Adjustments to increased ESG requirements	Low	Very possible	Low
Development of customer base	High	Remote	Low
Legal risks			
Data privacy regulations	High	Very possible	High
Contractual relationships	Low	Probable	Moderate
Violation of customers' rights	Medium	Very possible	Moderate
Financial risks			
Higher market interest rates	Medium	Possible	Low

Risks from Financial Instruments

Telefónica Deutschland Group is exposed to various financial market risks as part of its business activity. In the context of the above-mentioned risk management process, these risks are regarded as low risks. Should these financial market risks occur, they could have a negative effect on the net assets, financial position and results of operations of the Group and are therefore presented individually below.

Telefónica Deutschland Group has developed guidelines for risk management processes and for the use of financial instruments including a clear separation of tasks with respect to financial activities, invoicing, financial reporting and associated controlling. Derivative financial instruments are used solely to manage interest rate and currency risks. Telefónica Deutschland Group has developed guidelines derived from established standards for the evaluation of risks and monitoring with regard to the use of financial derivatives.

Market risk
Market risk is the risk that changes in market prices such as changes in exchange rates, interest rates and other price changes will affect the value of financial instruments or the earnings of Telefónica Deutschland Group.

Currency risk
The underlying currency of the financial reports of Telefónica Deutschland Group is the euro. All financial statements of all subsidiaries of Telefónica Deutschland Group are also prepared in euro; thus Telefónica Deutschland Group is not subject to any translation risk.

The regional focus of Telefónica Deutschland Group's activities means that the translation risk arising from the Group's business relationships with its suppliers or business partners in countries with a different national currency than the euro is not material. Because Telefónica Deutschland Group finances itself exclusively through internally generated cash in euro as well as euro-denominated equity and debt, there is also no exchange rate risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flow of a financial instrument could fluctuate as a result of changes in market interest rates. The Group manages its interest rate risk by basically seeking to ensure it has a balanced portfolio of fixed-interest and variable-interest financing instruments. The Group reserves the right to deviate from this principle in exceptional market situations. Where necessary, interest rate swaps are used in achieving this aim. Interest rate risks are managed as part of interest rate management.

Telefónica Deutschland Group is exposed to interest rate risks arising in particular from the variable-rate cash pooling accounts with Telfisa Global B.V. as well as in the form of opportunity costs in connection with the conclusion of fixed-rate debts, the interest rate of which may exceed market interest rates during the term. Due to the easing of inflationary pressure and the interest rate cuts initiated by the ECB, we expect interest rates to fall and now only consider the risk to be low. We counter this risk through close monitoring and, if necessary, through financial hedging measures.

Inflation risk
The inflation risk consists of the risk of a negative effect on the financial result as a result of an adverse change in the inflation rate for Telefónica Deutschland Group. This risk is subject to contractual receivables from the sale of significant parts of the business operations of the rooftop sites in the amount of EUR 179 million.

Credit risk
Credit risk describes the risk of financial losses due to the inability of contractual partners to repay or service debts in accordance with the contract. The maximum default risk of Telefónica Deutschland Group corresponds to the carrying amount of the financial assets.

Telefónica Deutschland Group considers the management of the commercial credit risk to be critical in order to achieve its goals for sustainable growth of the business and the customer base in harmony with its risk management guidelines. Suitable processes have been established for the management and the monitoring of the credit risk. These include the ongoing monitoring of the expected risks and the level of default. Particular attention is paid here to the customers, which could have significant effects on the Consolidated Financial Statements of Telefónica Deutschland Group. For these customers, credit management instruments such as credit insurance or collateral for limiting the default risk are used, depending on the business area and type of business relationship. To control credit risk, Telefónica Deutschland Group regularly conducts an analysis of the maturity structure of trade receivables and recognises adjustments for expected credit defaults on receivables.

Liquidity risk
Liquidity risk encompasses the risk that Telefónica Deutschland Group may be unable to sufficiently comply with its financial obligations. To safeguard liquidity, cash inflows and outflows are permanently monitored and centrally controlled on the basis of detailed financial planning. Telefónica Deutschland Group works on its liquidity management with Telefónica, S.A. Group and, in accordance with corporate policy, has concluded cash pooling and deposit agreements with Telfisa Global B.V., Netherlands. In addition to operating liquidity, the opportunities arising on the financial markets are continuously examined with a view to ensuring the financial flexibility of Telefónica Deutschland Group.

Opportunity Management

The consistent use of entrepreneurial opportunities with respect to future revenue and EBITDA potential, as well as their early and continuous identification, analysis and management, are significant tasks of the management of Telefónica Deutschland Group.

The opportunities and growth potential identified in the strategic goal-setting process are prioritised as part of an annual planning process in close cooperation with the individual business areas, and relevant strategic goals are derived from this. To measure the implementation, concrete objectives in the form of financial and non-financial key performance indicators (KPIs) are defined at the level of the organisation units.

Opportunity management is a significant component of the entire process for strategic goal setting. It takes place both as part of budget creation for the following financial year as well as within long-term planning.

Opportunities are neither recognised in the risk register nor quantified.

Opportunities

Increase in mobile data usage

A further increase in mobile data usage by customers could accelerate the demand for high-quality O_2 tariffs. A significant increase in demand for mobile data may result from several developments. Significant improvements in the availability of 5G through growing network coverage and the rising number of compatible mobile devices enable more customers to use high data transfer rates. The increased use of streaming and TV services may also further increase demand for data. These effects can lead to an increase in the average monthly data consumption per customer and thus further increase the demand for tariffs with larger data volumes. If these effects are more positive than expected, they could have a more positive impact on our revenues.

Moreover, a stronger increase in demand for convergent offerings and mobile bundled products, e.g. for families, could have a positive effect on average revenue per customer as well as on customer loyalty, thus increasing revenues.

Expansion of our 5G coverage

The O_2 mobile network is of very high quality. For the fifth time in a row, the magazine "connect" rated the O_2 mobile network as "very good" in its renowned network test.[20] Telefónica Deutschland Group is focusing on a consistent network expansion strategy with a focus on network densification in both urban and rural areas to further improve customer experience with 5G. More than 2,600 5G sites were rolled out in 2024 and Telefónica Deutschland Group covered over 97% of the population with 5G by the end of the year.[21] Telefónica Deutschland Group is therefore on course to achieve nationwide coverage with 5G by the end of 2025 at the latest.

Within the business customer segment, 5G also lays the foundation for numerous new business models in areas such as campus networks, autonomous driving, virtual reality and the Internet of Things.

If the rollout of the 5G network proceeds faster than planned, or if the market reacts more positively to the network rollout than previously anticipated, this could have a positive impact on our revenues and EBITDA.

Fixed-network cooperation agreements via various technologies

As an integrated telecommunications provider, Telefónica Deutschland Group provides not only comprehensive mobile telephony services but also fixed-network services, which are made possible by various cooperation agreements. Since 2013, we have been focusing on a nationwide strategic partnership with Telekom Deutschland GmbH ("Telekom"), through which we can offer our customers DSL products and, since November 2022, fibre-optic connections. In addition, cooperation agreements expand our presence in the fixed-network market and also open up further growth opportunities (>Chapter BUSINESS ACTIVITY).

The cooperation with Vodafone Group gives us access to cable households in Germany and allows us to offer these O_2 fixed-network products, the majority with download speeds of up to 1 Gbps[22]. Through the cooperation agreement with Tele Columbus, Telefónica Deutschland Group also has long-term access to further households supplied with IP products by Tele Columbus via cable and fibre-optic networks. This agreement allows data speeds of up to 1 Gbps to be provided to customers.[23]

As part of the joint venture of Telefónica Deutschland Group with Telefónica Infra, S.L.U. and Allianz Group, Telefónica Deutschland Group can offer more O_2 residential and business customers high-performance fibre-to-the-home connections. Through Unsere Grüne Glasfaser GmbH & Co. KG, in which Telefónica Deutschland Group holds a 10% stake, we are further expanding the fibre-optic share of our fixed-network coverage.

If the availability of high-speed connections via our cooperation partners or via Unsere Grüne Glasfaser increases more significantly than planned, this could lead to stronger than expected demand for our fixed-network products and have a positive effect on our revenue.

In addition, Telefónica Deutschland Group's fixed-network cooperation agreements open up additional growth opportunities for us in the area of convergent offerings. Furthermore, the remuneration for our transport services for UGG could develop more positively than expected in the long term, depending on the progress of the expansion. To this end, a Transport Use Agreement with a minimum term of 15 years was concluded in January 2021 to enable synergies between the companies in the wholesale sector.

Digital innovation

In order to fully exploit our position in the German market for mobile telecommunications services and to monetise additional opportunities for growth, we have introduced innovative digital products and value added services. Examples of this include our Device-as-a-Service model, which offers business customers company smartphones as an all-round carefree package, our new cloud-based B2B billing platform, which offers business customers fast billing, additional configurability and a high level of security, "O_2 Onlineschutz" (O_2 Online Protection), a digital shield that automatically blocks dangerous websites, and our new own TV product, O_2 TV, based on Telefónica, S.A. Group's global TV platform.[24] Telefónica Deutschland Group is also tapping into new digital market segments such as IoT for all its customer groups.

[20] Source: connect mobile network and 5G network test, issue 01/2025: Overall rating "very good" (909 points) for O_2: overall, "very good" was awarded twice (924 and 909 points) and "outstanding" was awarded once (970 points).
[21] The selected population-based evaluation includes not only the household-based coverage calculation with a fixed location reference as reported to the German Federal Network Agency. It also includes commuter flows within the population, with the result that some of the population are counted both in their residences and in their workplaces (maximum population). In doing this, Telefónica Deutschland Group takes into account that the services are not only in demand at home but also when travelling. This value is the value for the end of 2024, which indicates the availability of mobile telecommunications services outside of buildings (outdoors).
[22] Source: Telefónica Deutschland Holding AG: press release "Gigabit speed for over 22 million cable households" (26 April 2022)
[23] The number of households that can be reached as part of the cooperations should not be considered cumulatively due to overlaps
[24] Sources: Telefónica Deutschland Holding AG: press release "Rent company smartphones from O_2 Business as an all-round carefree package" (30 September 2024), Telefónica Deutschland Holding AG: press release "O_2 Telefónica launches new B2B billing platform with MATRIXX and Google Cloud" (2 March 2022), Telefónica Deutschland Holding AG: press release "O_2 launches its own TV product as an alternative to cable and satellite TV" (17 September 2024)

Furthermore, we are developing new technologies based on mobile communications that allow 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 customers to use a virtual network that is precisely tailored to their individual needs.

In 2024, we further expanded the potential of artificial intelligence (AI) in numerous areas of the company to boost our efficiency and improve customer satisfaction. Building on previous successes, where we have already been able to optimise the electricity consumption of our network, we are now increasingly relying on AI-supported network planning to expand this process sustainably. We are using AI-based software to optimise both network capacity planning and maintenance in order to manage network expansion in a targeted manner and rectify any disruptions more quickly. This leads to more efficient capital expenditure, more stable network quality and an improved customer experience. AI applications also support our corporate strategy in key areas: With regard to cyber defence, AI helps us to recognise different attack patterns and continuously improve our security architecture. In terms of fraud management, it enables fraudulent activities to be identified at an early stage. We also utilise AI strategically for customer management: Our chatbots answer a large proportion of straightforward and recurring enquiries immediately and to the satisfaction of our customers, allowing our service employees more time to focus on providing individual advice. Furthermore, the use of AI in cross-selling and upselling enables us to personalise offers more accurately, as we have a better understanding of what is truly important to our customers. These four application scenarios help us to prevent fraud, continuously optimise our network and increase revenue. Without the use of AI, these goals would not be achievable with the same speed, consistency and quality.

If demand for our digital products and services or the use of AI applications exceeds current expectations, this could lead to higher revenue and cost savings.

Digitalisation of processes
We are moving ahead strongly with the digital transformation of our Company and the associated process optimisation. This makes interaction with customers simpler and more intuitive, since customers can, for example, use intuitive self-care offers or identify and buy the desired product more quickly. We are also using digital transformation to reduce, simplify and automate our processes. Our overall goal is to create a consistent customer experience across all contact points.

If the digital transformation of our Company can take place faster than expected and the customer response is even more positive than expected, this could lead to higher customer satisfaction, higher revenues and cost savings and thus increase our EBITDA.

Potential in the SME segment of the business customer market
Our planning focuses on the expansion of our still relatively small market share in the segment of SMEs. The size of this market segment makes it attractive for us, so that we expect to be able to win corresponding SME customers with lean, tailor-made mobile communications and fixed-network products and tap the resulting growth potential.

If our renewed and constantly growing product portfolio for business customers, with products such as O_2 Business Unlimited or O_2 Business Blue including 5G, meets the customer needs of small and medium-sized companies even better than expected, demand could be higher than anticipated.

Membership of Telefónica, S.A. Group
As part of one of the largest telecommunications corporations in the world, Telefónica Deutschland Group benefits from economies of scale in the areas of purchasing, cooperation and the development of digital products. Should these economies of scale develop better than currently expected, this could positively affect our EBITDA and our earnings position and lead to us exceeding our forecast.

Summary of the Risks and Opportunities

Based on our assessment, the risks with the greatest potential impact result from the intensive competition on the German telecommunications market and the related customer acquisition and retention, and from damage and disruptions that can arise from cyber attacks on our network or IT systems as well as from geopolitical conflicts.

Compared to the previous year, we have newly recognised the risk “Brand and reputation”.

Reassessments have shown that the effects of the risks “Macroeconomic factors” and “Loss of advantages in the case of reduced integration in Telefónica, S.A. Group” are now classified as low, thus falling below the threshold and are no longer reported.

The risk of “Higher market interest rates” is also only considered low due to a revaluation.

In our estimation, the situation regarding the significant risks and opportunities for Telefónica Deutschland Group has not changed substantially compared to the previous year, except for the items described above. We have not identified any risks at this time that could threaten the ability of the Group to continue as a going concern, either individually or in the aggregate.

In the coming financial year, we are confident that we will again be able to identify relevant risks at an early stage and take appropriate measures to counter them by continuing to implement the risk management approach applied to date.

We are also confident that our corporate strategy will enable us to exploit the market opportunities that present themselves to us and to deploy the necessary resources.

Accounting-Related Internal Control and Risk Management System

The following statements contain information in accordance with Section 289 (4) HGB and Section 315 (4) HGB.

The primary goal of our accounting-related internal control and risk management system (ICS) is to ensure proper financial reporting in the sense of ensuring that the Consolidated Financial Statements comply with all relevant provisions.

The risk management system described in >Chapter RISK MANAGEMENT AND RISK REPORTING also includes an accounting-related perspective with the aim of ensuring the reliability of financial reporting. In addition to the legal requirements of, for example, the German Stock Corporation Act (AktG) and the German Commercial Code (HGB), the ICS introduced by us also has to comply with the provisions of the US Sarbanes-Oxley Act (SOX). The obligation for Telefónica Deutschland Group to fulfil these SOX requirements results from the registration of its majority shareholder, Telefónica, S.A., with the US SEC (Securities and Exchange Commission). In addition, Telefónica Deutschland Group's ICS reflects the global ICS control setup of Telefónica, S.A..

Establishing and effectively maintaining appropriate internal controls for financial reporting is the responsibility of the Management Board of Telefónica Deutschland and is performed taking company-specific requirements into account.

The conceptual framework for preparing the Consolidated Financial Statements primarily comprises the Group-wide uniform accounting guidelines and the chart of accounts. Both of these must be consistently applied by all the companies of Telefónica Deutschland Group. New laws, accounting standards and other official pronouncements are analysed on an ongoing basis with regard to their relevance and effects on the proper preparation of the Consolidated Financial Statements. The changes resulting from this are taken into consideration by the Finance & Accounting department in our accounting policies and the chart of accounts.

The data basis for the preparation of the Consolidated Financial Statements consists of the financial statement information reported by Telefónica Deutschland, its subsidiaries and joint ventures and associated companies, which in turn is based on the accounting entries recorded within the companies. The financial reporting of the individual companies is performed either by the Finance & Accounting department or in close cooperation with it. For certain topics requiring specialist knowledge, such as the valuation of pension obligations, we draw upon the support of external service providers. The Consolidated Financial Statements are prepared within our consolidation system on the basis of the reported financial statement information. The steps to be taken when preparing the Consolidated Financial Statements are subject to both manual and system-based controls at all levels. The Supervisory Board reviews the financial statements itself, taking into account the recommendations of the Audit Committee and the auditor's report, and approves them after its own review.

Employees involved in the financial reporting process are already examined in terms of their professional suitability before they are hired, and are provided with regular training. The financial statement information must go through certain approval processes at every level. Critical task areas in the financial reporting process are divided appropriately in order to ensure the effective separation of duties, and the dual control principle generally applies. Further control mechanisms include target/performance comparisons and analyses of the composition of content and changes in individual items, both in the financial statement information reported by individual group companies and in the Consolidated Financial Statements. The accounting-related IT systems are used to control IT security, change management and IT operations in particular. For example, access authorisations are defined and established in order to ensure that accounting-related data is protected from unauthorised access, use and change.

The appropriateness and effectiveness of the ICS are assessed annually by the Management Board of Telefónica Deutschland. Our Internal Audit department continuously reviews compliance with guidelines, the reliability and functionality of our ICS and the appropriateness and effectiveness of our risk management system and reports on this to the Management Board of Telefónica Deutschland.

The Supervisory Board of Telefónica Deutschland is informed about the effectiveness of the ICS in part via the Audit Committee in accordance with Section 171 (1) AktG in conjunction with Section 107 (3) AktG and therefore also monitors the appropriateness of the system that has been established. In particular, the Audit Committee is responsible for monitoring the accounting process, the effectiveness of the ICS, the risk management and internal audit systems, and the audit of the financial statements. It also reviews the documents for the Annual Financial Statements of Telefónica Deutschland and the Consolidated Financial Statements and discusses the financial statements with the Management Board and the external auditor.

As part of its risk-oriented audit approach, the external auditor expresses an opinion on the effectiveness of the parts of the ICS that are relevant for financial accounting and reports to the Supervisory Board in the course of the discussion of the financial statements.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). If required, e.g. for the purposes of the HGB Annual Financial Statements or for tax purposes, a reconciliation based on the relevant provisions is performed at account level. Accordingly, the correct preparation of the IFRS financial statement information also serves as an important basis for the Annual Financial Statements of Telefónica Deutschland Holding AG. For Telefónica Deutschland Holding AG and other Group companies reporting in accordance with HGB, the conceptual framework described above is supplemented by an HGB chart of accounts.

As the parent company of Telefónica Deutschland Group, Telefónica Deutschland Holding AG is included in the aforementioned Group-wide accounting-related internal control system. As a matter of principle, the information presented above also applies to the HGB Annual Financial Statements of Telefónica Deutschland Holding AG and the other Group companies reporting in accordance with HGB.

Group Sustainability Report[25]

General Information
ESRS 2

About the Group Sustainability Report
ESRS 2 BP-1, ESRS 2 BP-2

Telefónica Deutschland Holding AG has voluntarily prepared a Group Sustainability Report (hereinafter referred to as the "Sustainability Report") for financial year 2024 on a consolidated basis. The report covers Telefónica Deutschland Holding AG and all its consolidated subsidiaries, joint operations and associated undertakings (hereinafter collectively referred to as "Telefónica Deutschland Group"). The scope of consolidation corresponds to that of the consolidated financial statements.

The Sustainability Report has been prepared in accordance with the requirements of the Corporate Sustainability Reporting Directive (CSRD), applying the European Sustainability Reporting Standards (ESRS). This includes conducting a double materiality assessment to identify significant impacts, risks and opportunities related to sustainability matters and structuring the presentation of topics accordingly. In addition to Telefónica Deutschland Group's own operations, the upstream and downstream value chain is also considered in all sustainability matters. A description of the value chain can be found in the >Chapter BUSINESS MODEL AND VALUE CHAIN. No relevant information relating to intellectual property, know-how or the results of innovations has been omitted in the preparation of the report. The material Disclosure Requirements, which are subject to a phased implementation according to Appendix C of ESRS 1, will be incorporated into future sustainability reports at the end of the implementation period.

This Sustainability Report fulfils Telefónica Deutschland Group's reporting obligations under:

- REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter referred to as the EU Taxonomy Regulation)

The following information required by the ESRS is included in the Sustainability Report by referencing another section of the Group Management Report:

T 12 – REFERENCES TO THE GROUP MANAGEMENT REPORT

Disclosure requirement/datapoint	Source see
ESRS 2 SBM-1 paragraph 40 a i-ii	BUSINESS ACTIVITY
ESRS 2 SMB-3 paragraph 48 f	REPORT ON RISKS AND OPPORTUNITIES
ESRS 2 GOV-2 paragraph 26 a	RISK MANAGEMENT AND RISK REPORTING
ESRS 2 GOV-5 paragraph 36 a-c	REPORT ON RISKS AND OPPORTUNITIES

References to information outside the Group Management Report are for further information only and are not part of the Sustainability Report. The Sustainability Report has been reviewed by the external audit firm PricewaterhouseCoopers GmbH in accordance with ISAE 3000 (Revised) (International Standard of Assurance Engagement) with "limited assurance". Energy and CO_2 data and calculations have also been verified by the standardisation and certification organisation AENOR INTERNACIONAL, S.A.U. Apart from the audit of the Sustainability Report by the aforementioned external audit firm, there has been no further validation of key figures.

[25] The Group Sustainability Report was audited with limited assurance and a separate assurance report was issued. Disclosures in this section are not part of the annual and consolidated financial statements.

Business Model and Value Chain
ESRS 2 SBM-1

Telefónica Deutschland Group operates as one of four network operators in Germany, offering mobile- and fixed-network services for both private and business customers. It also markets innovative digital products and services as well as hardware products. Numerous wholesale partners also benefit from the undertaking's extensive services. In financial year 2024, we employed 7,894 employees. A detailed description of our own business operations can be found in the >Chapter BUSINESS ACTIVITY. The corporate strategy of Telefónica Deutschland Group is described in the >Chapter CORPORATE STRATEGY.

The upstream value chain of Telefónica Deutschland Group primarily includes the procurement of goods and services across five main areas: electricity, hardware, IT services, marketing services and other services. Figure G11 below provides a detailed representation of the value chain.

G 11 – DESCRIPTION OF VALUE CHAIN ACTIVITIES – TELEFÓNICA DEUTSCHLAND GROUP

A value chain encompasses the activities, resources and relationships that the company uses and relies on to create its products or services, from conception to delivery, consumption and end-of-life.

UPSTREAM	OWN OPERATIONS	DOWNSTREAM
• **Network:** Raw Material Extraction & Processing, Component Manufacturing, Logistics, Integration & Maintenance • **Electricity:** Generation and transmission of electricity • **Mobility (Devices):** Mining of rare earth, Production of Hardware, Transport & Logistics services • **IT-Systems:** Solution Design, Development, Testing, Integration & Activation • **Services & Works:** Contracting of service providers, e.g. consulting services • **Marketing:** Market Research, Content Production, Promotion	• **Administration activities** • **Research and development:** Development of new technologies and improvement of existing products • **Operations** - **Installation of network and data centers:** Planning and design, Deployment and operation, Equipment installation, Network decommissioning - **Network, systems and cloud management:** Monitoring and supervision, Network operations and maintenance, Security services • **Products & Services** - **Digital services:** Providing digital solutions, Cybersecurity and consulting - **Communication Services:** Managing mobile networks, fixed networks - **Sale and installation of devices:** cellphones, laptops, routers; In-store or via digital platforms - **Customer Service:** Providing telephone customer service and sales force network	• **Logistics and distribution** • **Assisted channels:** Partner-Shops, call center and sales force network • **Use of Products and services:** Marketing, Communication and audio-visual services, Digital and cloud services • **Customer service (After Sales):** Support via complaint management and consultation service • **Technical support and repair of devices** • **Customer waste management:** End-of-life management of devices

Hardware procurement is a central element of the upstream value chain, encompassing both the supply of end-user devices (e.g. mobile phones and routers) for customers and equipment for the Group's IT infrastructure and network. The value chain therefore includes the extraction, processing and combination of raw materials into individual components. The production of hardware is a global process requiring transport and logistics services across more than 30 countries, including suppliers beyond the first tier of Telefónica Deutschland Group's supply chain. Other components of the upstream value chain include the use of electricity, IT services, marketing services and other operational services.

The downstream value chain encompasses logistics, sales and the use of products and services by private and business customers, primarily in Germany. Telefónica Deutschland Group expands its sales channels by granting wholesale partners access to its infrastructure and services. The target audience for marketing activities is primarily end consumers. Further information about our business with private and business customers, as well as partnerships, can be found in our >Chapter BUSINESS ACTIVITY.

Used devices are disposed of by end consumers, but we offer various circular economy initiatives and programmes to refurbish and reuse as many devices as possible. Hardware rented to customers (e.g. routers) is checked for reusability and, wherever possible, reused or recycled.

Interests and views of Stakeholders
ESRS 2 SBM-2, S1 SBM-2, S2 SBM-2, S4 SBM-2

Telefónica Deutschland Group's stakeholder management is based on five pillars:

1. **Collaboration:** Telefónica Deutschland Group collaborates with stakeholders within the framework of projects, working together to develop sustainable solutions for the future.

2. **Dialogue:** The undertaking maintains close exchanges with stakeholders through various formats, fostering open dialogue both digitally and in person.
3. **Consultation:** Telefónica Deutschland Group actively involves Stakeholders, for example, through surveys that assess the relevance of current topics and their opinions of the undertaking.
4. **Information:** Stakeholders are kept informed via numerous channels about current developments, news, services and products of the undertaking.
5. **Empowerment and engagement:** Telefónica Deutschland Group drives programmes and initiatives involving various organisations in order to empower stakeholder groups in the digital world.

The key stakeholder groups consist of internal and external stakeholders, divided into affected stakeholders and users of sustainability information. These include the Group's workforce, consumers, end-users, regulatory authorities, suppliers, financial partners and rating agencies, all of whom belong to both categories. In contrast, workers in the value chain are exclusively considered affected stakeholders. The integration of these stakeholders is managed through a decentralised stakeholder management system. Various departments are responsible for stakeholder engagement within their respective areas of expertise and regularly, as well as on an ad hoc basis, update management bodies on their activities, e.g. through the monthly Net Promoter Score, employee survey results and the annual Human Rights Report. The aim of our stakeholder management is to better understand the impacts of our actions, enabling us to refine our business model and strategy with a focus on societal benefit. Stakeholders' interests and perspectives were therefore incorporated into the materiality assessment (>Chapter DOUBLE MATERIALITY ASSESSMENT METHODOLOGY).

This approach is further supported by Telefónica Deutschland Group's human rights due diligence process (>Chapter STATEMENT ON DUE DILIGENCE). The perspectives of potentially affected and vulnerable groups are central to this process, ensuring that their views and expectations are integrated into risk assessments, the development of preventive and remedial actions, and the handling of complaints (>Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO OWN WORKFORCE).

The requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, LkSG) and the conventions and recommendations of the International Labour Organization (ILO) are also taken into account. This process helps us identify human rights and environmental risks and implement actions to prevent or remedy them. The process specifically aims to incorporate the perspectives of potentially affected and vulnerable groups. The implementation status of human rights due diligence obligations is presented annually to the Management Board as part of the Human Rights Committee's Board Report.

Our own employees are engaged through continuous dialogue and regular employee surveys (>Chapter INCLUSION OF OWN WORKFORCE AND WORKERS' REPRESENTATIVES IN RELATION TO IMPACTS). For workers in the value chain, direct interaction is possible when concerns or complaints are raised with us (>Chapter INCLUSION OF WORKERS IN THE VALUE CHAIN).

Telefónica Deutschland Group uses the Medallia tool to collect feedback at customer touchpoints and throughout each customer journey, identifying opportunities for improvement (>Chapter INCLUSION OF CONSUMERS AND END-USERS). This enables us to make informed decisions based on customer insights. The analysis helps to pinpoint drivers of the Net Promoter Score (NPS), link NPS data with other information sources and investigate root causes. We aim to improve the NPS (>Chapter ACTIONS RELATED TO CONSUMERS AND END-USERS) by implementing targeted actions and continuously monitoring progress. This is achieved by implementing targeted actions and continuously monitoring progress. Additional feedback tools are employed to actively gather customer feedback, including reviews from platforms like Facebook, Twitter, forums and other social media channels. This data is centrally collected, monitored, analysed and addressed by various teams and departments. A systematic evaluation of these interactions provides critical insights into customer pain points, enabling us to implement targeted optimisation actions.

To meet the expectations of our stakeholders, external regulations and internal requirements, we continuously refine our sustainability strategy. The insights gained from the processes described above allow for a targeted response to changes affecting people, the environment, stakeholders and business operations, which are directly incorporated into the corporate strategy process.

Double Materiality Assessment Methodology

ESRS 2 IRO-1, E1 IRO-1, E2 IRO-1, E3 IRO-1, E4 IRO-1, E5 IRO-1, G1 IRO-1

In 2023, Telefónica Deutschland Group conducted its first double materiality assessment, aligned with the Corporate Sustainability Reporting Directive (CSRD). This analysis was updated in 2024 in accordance with the European Sustainability Reporting Standards (ESRS) for sustainability reporting. The analysis identified and assessed all positive and negative impacts on people and the environment (inside-out perspective). It also captured sustainability-related opportunities and risks that could have financial impacts on the undertaking (outside-in perspective). A matter is disclosed in the Sustainability Report if it is deemed material in at least one of the two perspectives (inside-out or outside-in).

Process

Our approach to identifying, evaluating, prioritising and monitoring impacts, risks and opportunities was conducted in a multi-step process:

Preparation of the double materiality assessment: Initially, the scope of the Group's consolidation and the value chain to be considered in the materiality assessment were defined and relevant stakeholders were identified and categorised into two main groups: affected stakeholders and users of sustainability information.

1. **Identification of sustainability matters:** The identification of relevant sustainability matters and the determination of the level of detail to be considered were led by the Corporate Responsibility & Sustainability (CR&S) Directorate. This process took into account the requirements of the CSRD, ESRS and other relevant frameworks such as SASB and GRI. Additionally, the sustainability matters outlined in the Responsible Business Plan 2025 (RBP) (>Chapter CORPORATE STRATEGY) were integrated into the process.

2. **Identification of impacts, risks and opportunities:** For each sustainability matter, internal subject-matter experts were designated to ensure a well-founded assessment of materiality based on their expertise in the respective areas. The experts developed extensive lists of impacts, risks and opportunities for each sustainability matter to serve as a foundation for further evaluation, which were subsequently validated by the Corporate Responsibility & Sustainability (CR&S) Directorate. Telefónica Deutschland Group accounted for the dependencies that may exist between impacts and risks or opportunities by systematically including various perspectives for the identification of impacts, risks and opportunities. Internal risk reports and external sources such as industry reports, sustainability ratings and frameworks such as SASB and GRI were used to identify impacts, risks and opportunities.

3. **Materiality assessment of impacts, risks and opportunities:** Before assessing materiality, impacts, risks and opportunities were prioritised for each sustainability matter. Internal subject-matter experts actively participated in this process through dialogues and workshops, identifying which impacts, risks and opportunities were particularly relevant for materiality and directly contributed to the process. Their assessment in particular considered the significance of impacts, risks and opportunities for both Telefónica Deutschland Group and its stakeholders. Based on this selection and the assessment of the corresponding impacts, risks and opportunities, the internal experts determined the materiality of one or more sustainability matters. This assessment was also supported by both internal and external sources. The materiality of sustainability matters, impacts, risks and opportunities was evaluated in accordance with the prescribed assessment process of the ESRS.

4. **Validation of material impacts and risks:** In a second evaluation phase, cross-functional internal experts reviewed the preliminary results. Due to their specific roles and positions within the undertaking, these experts were able to adequately understand and represent the specific interests and expectations of external stakeholders regarding sustainability matters. Telefónica Deutschland Group has implemented an indirect stakeholder participation approach by involving these cross-functional experts and subject-matter specialists and by leveraging both internal and external sources. The completeness of the analysis was verified, among other methods, through our internal due diligence process, particularly by cross-checking with internal risk reporting and risk assessments conducted under the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). The completeness of identified impacts, risks and opportunities, as well as their evaluation, was further validated through additional analyses conducted by the parent company, Telefónica, S.A. Group, particularly concerning biodiversity and climate change.

5. **Stakeholder and management review:** After consolidating the results, the material topics were identified, as shown in Figure >G 12 – PRESENTATION OF MATERIAL TOPICS OF TELEFÓNICA DEUTSCHLAND GROUP. These identified material sustainability matters were internally analysed, validated, approved by the Management Board and presented to the Supervisory Board.

Evaluation of impacts, risks and opportunities

The evaluation of impacts, risks and opportunities identified by Telefónica Deutschland, Group followed a structured process aligned with the ESRS and the Materiality Assessment Implementation Guidance issued by the European Financial Reporting Advisory Group.

Impacts: The evaluation of impacts was based on categorising them as either potential or actual, followed by an assessment of their relative severity and, for potential impacts, their likelihood. Severity of negative impacts is determined by the scale, scope and irremediable character of the impact, using an ordinal rating scale from 0 (minimal impact) to -5 (maximum impact). The overall severity is calculated as the sum of these ordinal ratings. Likelihood is assessed using a four-point ordinal scale, ranging from 1 (unlikely) to 4 (very likely), corresponding to percentage probability values. The materiality assessment for a negative impact is performed by multiplying its severity by its likelihood, resulting in a materiality value between 0 and -15. For positive impacts, materiality depends on the scale and scope, rated on an ordinal scale from 0 to 5 and likelihood, assessed using the same four-point ordinal scale. A threshold of ≥ 8 for positive impacts and ≤ -8 for negative impacts was used to determine materiality.

Risks and opportunities: The assessment of financial risks and opportunities considered both the potential financial magnitude and the likelihood of occurrence, using an ordinal scale of 0 to 5 for potential financial magnitude and an ordinal scale of 1 to 4 for likelihood. The materiality score for a financial risk or opportunity is calculated by multiplying the financial magnitude by the likelihood factor. The following thresholds were applied to determine materiality: ≥ 3 for financial opportunities and ≤ -3 for financial risks. The value limits of the ordinal scale for potential financial magnitude are aligned with the monetary thresholds defined in the company's risk management process.

The identification, evaluation and management of material impacts, risks and opportunities are integrated into the undertaking's core processes, particularly risk management and strategy development. As part of these core processes, the responsible departments, in collaboration with the Corporate Responsibility & Sustainability (CR&S) Directorate, conduct an annual review to assess and ensure the completeness of material topics. In financial year 2024, the processes within risk management and strategy development were analysed to identify opportunities for harmonisation and corresponding improvements were initiated, which will continue into financial year 2025. Sustainability-related opportunities are already being factored into the ongoing development of the corporate strategy. Opportunities identified through the double materiality assessment in financial year 2024 were aligned with the company's strategic priorities and integrated into the broader management process.

The general risk management process of Telefónica Deutschland Group already accounts for financial risks arising from sustainability matters. Material risks identified in financial year 2024 were compared and integrated with the undertaking's existing risk register. These risks are now considered within the evaluation and prioritisation methodology of the risk management process and are addressed in the ongoing management process (>Chapter REPORT ON RISKS AND OPPORTUNITIES). By 2025, the complete integration of processes for identifying, evaluating and managing negative impacts and risks in accordance with ESRS is planned as part of the undertaking's general risk management procedures.

This integration ensures that routine processes are in place to review the results of the double materiality assessment at least annually. In the event of significant changes in our business activities, relationships, or due to external factors, the double materiality assessment will be updated accordingly.

Identification of impacts, risks and opportunities related to environmental topics

Due to the outlined process, particularly with regard to expert discussions and the use of external written sources, no specific consultations with affected communities were conducted for the identification of impacts, risks and opportunities regarding pollution, water and marine resources, biodiversity and ecosystems and resource use and circular economy.

The subject-matter experts considered Telefónica Deutschland Group's business activities, as well as upstream and downstream value chain in workshops, to identify impacts, risks and opportunities. In doing so, we identified impacts, risks and opportunities within the undertaking's own operations and sites, as well as throughout the entire value chain. A detailed representation of our value chain, business activities and relationships can be found in >Chapter BUSINESS MODEL AND VALUE CHAIN. No additional site-specific or activity-specific analyses were carried out regarding pollution, water and marine resources or resource use.

Identification of impacts, risks and opportunities related to biodiversity

The biodiversity experts assessed the impacts, risks and opportunities by including Telefónica Deutschland Group's sites. We have sites, particularly mobile network antennas, which are situated in or near biodiversity sensitive areas. To assess the impact of the undertaking's infrastructure and sites on biodiversity, our parent company, Telefónica, S.A. Group, conducted an analysis in 2019 for all of the Group's global locations, including our sites. The analysis considered factors such as habitat quality and its biodiversity value and type, and conservation status of the habitat. To determine the ecological value of habitats, a methodology based on the Biological Diversity Protocol (BD Protocol) by the Natural Capital Coalition and the biodiversity metrics developed by DEFRA (UK Government Department for Environment, Food and Rural Affairs) was applied. This methodology incorporates criteria such as the conservation status of natural areas and further criteria such as land use, vegetation cover and the presence of endangered species. The most important conclusion of the analysis was that 98% of sites are located in habitats with low or very low biodiversity value, for example in urban environments, and that there are no sites in habitats with very high value. This means that Telefónica Deutschland Group has no significant direct impact on the biodiversity and natural habitats, or on the species native to those areas.

In 2023, Telefónica, S.A. Group also analysed the dependencies of the Group's direct business activities and value chain on natural ecosystem services using the ENCORE tool developed by the UNEP-WCMC (United Nations Environment Programme World Conservation Monitoring Centre). The analysis highlighted that business activities related to networks and wireless or other telecommunications have the strongest dependency on ecosystem services. In particular, these include regulating ecosystem services that protect the undertaking's infrastructure from environmental disruptions, including protection against physical risks such as flooding, storms, erosion and climate regulation. With support from WWF tools, including the Biodiversity Risk Filter and the WWF Water Risk Filter, Telefónica, S.A. Group identified additional transition risks, physical risks, systematic risks and opportunities related to its activities. A transition risk arises with regard to potential sanctions for non-compliance with environmental legislation, particularly in relation to activities in protected areas. In summary, the identified risks were assessed as non-material for Telefónica, S.A. Group, especially since the effects of the mentioned risks are expected to occur in a regionally and temporally limited manner.

The results of these analyses were evaluated for Telefónica Deutschland Group and the impacts, risks and opportunities applicable to the specific characteristics of Telefónica Deutschland Group, particularly the geographical and climatic conditions in Germany, were identified. The analysis by Telefónica, S.A. Group also included an assessment of the environmental aspects of pollution and water and marine resources using the WWF Biodiversity Risk Filter and WWF Water Risk Filter tools. A verification of the findings from Telefónica Deutschland Group's double materiality assessment was carried out on the basis of this subset of results. Overall, no material impacts, risks or opportunities related to biodiversity were identified for Telefónica, S.A. Group or Telefónica Deutschland Group. In financial year 2024, Telefónica Deutschland Group did not need to implement any remedial actions concerning biodiversity.

Climate scenario analysis

In financial year 2024, our parent company Telefónica, S.A. Group conducted a climate scenario analysis to systematically identify and evaluate physical risks and transition risks associated with climate change for the Group. This analysis covered the main markets and subsidiaries of Telefónica, S.A. Group in Germany, Brazil and Spain, taking into account the geographical characteristics of the analysed markets and entities. The results of this analysis were used to verify the material impacts, risks and opportunities identified as part of the double materiality assessment for Telefónica Deutschland Group. Additionally, the findings from the climate scenario analysis contribute to the assessment of the resilience of Telefónica Deutschland Group's corporate strategy and business model in the context of climate change (>Chapter RESILIENCE OF STRATEGY AND BUSINESS MODEL WITH REGARD TO CLIMATE CHANGE).

The impacts of Telefónica, S.A. Group's business activities regarding climate change were assessed based on the quantification of greenhouse gas emissions arising from its own operations (Scope 1 and 2 emissions) as well as its value chain (Scope 3 emissions). These emissions are calculated for all entities within Telefónica, S.A. Group and are annually verified by the independent standardisation and certification body AENOR INTERNACIONAL, S.A.U. (>Chapter METRICS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION).

The climate risk analysis was conducted over three time horizons in alignment with the shared strategic goals of Telefónica, S.A. Group and Telefónica Deutschland Group. The time horizons are defined as:

- **Short-term (2025-2030):** This period encompasses interim targets for reducing Scope 1, 2 and 3 emissions (>Chapter TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION). In this time period, strategic priorities include compliance with stricter climate regulations, increased use of renewable energy and enhanced energy efficiency across all business areas. Actions to reduce Scope 3 emissions will also be implemented.
- **Medium-term (2030-2040):** This period is critical, as physical risks, particularly extreme weather events such as storms and floods, are expected to intensify, while transition risks, including technological and regulatory changes, are anticipated to increase. Focus during this time frame will be on reducing residual Scope 3 emissions to achieve the net-zero target by 2040. Ensuring the resilience of infrastructure and operations will also be a key priority.
- **Long-term (2040-2050):** In this period, the focus shifts primarily to physical risks, aiming to ensure operational resilience and maintain the undertaking's competitive edge in an evolving climatic environment. Given the estimated 20–30 year lifespan of Telefónica, S.A. Group's critical infrastructure, this time horizon is vital for planning adaptations to projected risks beyond current commitments and strengthening the undertaking's resilience.

The following potential physical risks and transition risks were taken into account in the climate scenario analysis for Telefónica, S.A. Group:

T 13 – PHYSICAL RISKS AND TRANSITION RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

Physical risks

Risk category	Sub-category	Acute/chronic	Risk category	Sub-category	Acute/chronic
Temperature	Temperature fluctuations (air, freshwater, marine water)	Chronic	Water	Sea level rise	Chronic
	Extreme heat	Acute		Drought	Acute
	Extreme cold	Acute		Flooding (coasts, rivers, storms, underground)	Acute
	Wildfires	Acute	Solid mass	Landslides	Acute

Transition risks

Regulation	Increased operating expenditure due to CO_2 taxes on energy providers
Market	Vulnerability to price changes for emission certificates
	Energy cost volatility

Transition opportunities

Ressource efficiency	Cost savings thanks to energy efficiency
Energy sources	Consumption of renewable energy via long-term power purchase agreements (PPAs)
Products and services	Business growth combined with the development of digital products and services to decarbonise other economic sectors
Market	Ability to access sustainable sources of financing thanks to low-emission production

Physical risks

As part of the climate scenario analysis, the physical risks to our own facilities, assets and associated business activities of Telefónica, S.A. Group in its key markets (Germany, Brazil, Spain) as well as in Argentina and Colombia were assessed. No analysis was carried out of the physical risks on assets and business activities in the upstream and downstream value chain. This analysis focused exclusively on physical risks deemed relevant to Telefónica, S.A. Group's operations. These were selected on the basis of evaluations by external experts and the internal expertise of various departments.

Geolocation and economic data for physical assets, such as data centres, base stations and warehouses, were utilised.

This data was supplemented with climate projection models from the Copernicus Climate Change Service programme. The programme provides detailed information on climate variables such as temperature, precipitation, heat waves and cold spells, enabling an analysis of the specific risks to which the assets are exposed.

Combined projections of the Shared Socio-economic Pathways (SSP) and the Representative Concentration Pathway (RCP) from the current IPCC Assessment Report (AR6) were used in the scenarios. SSP projections focus on socio-economic developments, such as population, economy and technology and their influence on future emissions. RCP projections focus on greenhouse gas concentrations and their impact on the climate, independent of socio-economic causes. These models were chosen as they provide a robust and current framework for climate risk analysis.

To analyse a wide range of impacts of physical risks on assets, two contrasting scenarios were selected:

- **SSP1-2.6:** This scenario, encompassing the conditions of SSP1 and RCP2.6, represents a situation where society and governments prioritise sustainability to limit global temperature rise to between 1.5°C and 2°C by the year 2100. In this respect, this scenario is based on a series of assumptions, such as a significant increase in the use of renewable energy and a substantial reduction in the use of fossil fuels. It also assumes that actions to improve energy efficiency will lead to a reduction in energy consumption. A stronger presence of environmental regulations and an increase in international cooperation are also expected. In terms of economic development, growth is anticipated within a context of higher energy efficiency and more conscious consumption.

- **SSP5-8.5:** This scenario is based on the conditions of the SSP5 and RCP8.5 scenarios and includes assumptions that politics will concentrate on the free market and society will continue to use fossil fuels. This will result in greenhouse gas emissions continuing to rise, which will lead to a temperature increase of 4°C by the year 2100 and will amplify the economic and physical impacts of climate change. The expected economic impacts under this scenario have been estimated using historical data and country-specific projections. Additionally, there are inherent uncertainties and limitations. For example, the actual rate of change in climate impacts and ecosystem services may deviate from projections, which could affect the reliability of long-term forecasts.

Two main categories of potential consequences were analysed based on the relevant physical risks. These include the consequences of increased energy consumption and fluctuations in electricity prices. The analysis of these consequences considered the assets and their economic valuations, internal energy consumption data and the corresponding projected and actual climate variables (e.g. electricity prices). The consequences of the failure, destruction and depreciation of assets and the resulting income losses due to service interruptions were also analysed. To estimate these consequences, assets and relevant climate variables were assessed using damage curves from the CLIMADA modelling programme. For Telefónica Deutschland Group, the failure or destruction of assets and the potential disruption of network services are particularly relevant. These risks are primarily associated with damage caused by extreme weather events, such as flooding resulting from heavy rainfall events. As network infrastructure failures are expected to be localised and temporary, no material financial risks were identified for Telefónica Deutschland Group. However, negative impacts on affected customers due to the disruption of network services are to be expected (>Chapter IMPACTS, RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE).

Transition risks and opportunities

The assessment of transition risks and opportunities related to climate change focused on the core activities and assets of Telefónica, S.A. Group, particularly fixed network and mobile connectivity services, as well as the upstream and downstream value chain. The analysis utilised projections of socio-economic variables from two transition scenarios. These included the Net Zero 2050 (IEA NZE 50) scenario by the International Energy Agency and the corresponding scenario by the Network for Greening the Financial System (NGFS), both of which align with the Paris Agreement and a limitation of global temperature rise to 1.5°C. The scenarios incorporate various assumptions about transition events, describing how the shift to a low-emission and resilient economy impacts macroeconomic trends, energy consumption and the use of technology:

- **Macroeconomic trends:** Increased investments in renewable energy and a reduced reliance on fossil fuels and higher economic performance driven by improved energy efficiency and lower inflation rates have been assumed. Business opportunities are also expected to emerge in more sustainable sectors or through products and services that reduce the carbon footprint of undertakings or private customers and foster innovation. The creation of jobs in connection with this transition is also expected.

- **Energy:** Higher energy efficiency will lead to reduced energy intensity. A greater share of renewable energy will also reduce dependence on fossil fuels.

- **Technology:** Technological innovations are anticipated, driven by the necessity to adapt to climate change and the associated business opportunities.

The analysis considered the probabilities and time horizons of each transition event identified as relevant. This data was combined with internal company data, such as forecasts for emission reductions and the costs of CO_2 offsets. This approach made it possible to quantify the potential economic impacts of transition risks. A specific methodology was developed and applied for each risk or opportunity to calculate the financial effects associated with the transition risks and opportunities. This ensured that the unique characteristics of the assumptions and their specific features were taken into account.

The scenario analysis concluded that Telefónica, S.A. Group and Telefónica Deutschland Group, as part of the telecommunications sector, do not possess any assets or activities that are considered incompatible with the transition to a CO_2-neutral economy. The European telecommunications sector plays a central role in combating climate change by establishing more efficient networks and developing smart solutions that can reduce environmental impacts in other sectors. Efforts across the entire value chain are necessary to drive the transition to a CO_2-neutral economy. Taking into account the transition scenarios, a material transition risk was identified for Telefónica Deutschland Group. This risk consists of increasing operating costs, which are the result of rising costs in the upstream value chain and are passed on to Telefónica Deutschland Group, for example the production costs of more sustainable products (>Chapter IMPACTS, RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE).

G 12 – PRESENTATION OF MATERIAL TOPICS OF TELEFÓNICA DEUTSCHLAND GROUP

ESRS E1 CLIMATE CHANGE

- **Climate change adaptation**
- **Climate change mitigation**
- **Energy**

ESRS E5 CIRCULAR ECONOMY

- **Resources inflows, including resource use**
- **Resources outflows, related to products and services**

ESRS S1 OWN WORKFORCE

- **Working conditions**
  - Secure employment
  - Working time
  - Adequate wages
  - Social dialogue
  - Freedom of association, the existence of works councils and the information, consultation and participation rights of workers
  - Collective bargaining, including rate of workers covered by collective agreements
  - Work-life balance
  - Health and safety
- **Equal treatment and opportunities for all**
  - Gender equality and equal pay for work of equal value
  - Training and skills development
  - Measures against violence and harassment in the workplace
  - Diversity

ESRS S2 WORKERS IN THE VALUE CHAIN

- **Working conditions**
  - Secure employment
  - Working time
  - Adequate wages
  - Freedom of association, including the existence of work councils
  - Collective bargaining
  - Work-life balance
  - Health and safety
- **Equal treatment and opportunities for all**
  - Gender equality and equal pay for work of equal value

ESRS S4 CONSUMERS AND END-USERS

- **Information-related impacts for consumers and/or end-users**
  - Privacy
- **Social inclusion of consumers and/or end-users**
  - Access to products and services
  - Responsible marketing practices

ESRS G1 BUSINESS CONDUCT

- **Corporate culture**
- **Protection of whistle-blowers**
- **Political engagement and lobbying activities**
- **Management of relationships with suppliers including payment practices**
- **Corruption and bribery**
  - Prevention and detection including training
  - Incidents
- **Data Protection and Information security**

Scope of reporting on material sustainability matters
ESRS 2 IRO-2

The material sustainability matters and the corresponding material impacts, risks and opportunities are key to determining the scope of this Sustainability Report and the application of the ESRS reporting requirements. Based on this, the following ESRS were identified as material for the Sustainability Report of Telefónica Deutschland Group: ESRS 2, ESRS E1, ESRS E5, ESRS S1, ESRS S2, ESRS S4 and ESRS G1.

The disclosures required by these standards concerning the strategy and impact, risk and opportunity management relate to the material impacts, risks and opportunities outlined in >Chapter ENVIRONMENTAL TOPICS, chapter SOCIAL TOPICS and chapter BUSINESS CONDUCT. Information on financial resources and effects is disclosed if the amounts are of significance for Telefónica Deutschland Group.

In the table >T 55 – DISCLOSURE REQUIREMENTS FOLLOWED WHEN PREPARING THE SUSTAINABILITY REPORT, an overview is provided of where the disclosure requirements of the material ESRS are addressed in this Sustainability Report.

Corporate Strategy
ESRS 2 SBM-1, ESRS 2 SBM-3

Telefónica Deutschland Group implements its strategy through the three-year "Accelerated Growth & Efficiency Plan". This is an integral part of Telefónica, S.A. Group's GPS Plan. GPS stands for Growth, Profitability and Sustainability, reflecting the Group's commitment to democratising access to a sustainable digital future to create a better everyday life for all. The strategy is based on the following pillars: customers, partners, business, technology and capital, resilient industry and ESG and employees, and incorporates all material sustainability matters. Of particular significance concerning the identified material impacts, risks and opportunities (see "Material Impacts and Material Risks and Opportunities" in >Chapter ENVIRONMENTAL TOPICS, >Chapter SOCIAL TOPICS and >Chapter BUSINESS CONDUCT) are the following pillars:

Customers: Telefónica Deutschland Group places particular emphasis on continuously improving its offerings and democratising access to digital services. By promoting digital skills and leveraging innovative technologies, the Group aims to enhance customer satisfaction while supporting social and economic development in the areas it serves. This underscores the goal of being a market leader in terms of value for money and the most customer-friendly telecommunications provider in Germany, as well as ensuring access to digital services for everyone. Specific targets for network coverage and various social programmes are detailed in the >Chapter TARGETS RELATED TO CONSUMERS AND END-USERS.

Technology and capital: As part of its goal to provide customers with a high-performance network, the undertaking focuses on expanding its 5G network and continuously improving the O_2 network, which has been rated "very good"[26], including in rural areas. Innovative technologies play a key role in further enhancing network coverage and increasing operational efficiency. They also contribute to reducing energy consumption and lowering CO_2 emissions, bringing the undertaking closer to its long-term goal of achieving net-zero emissions by 2040. For more details on energy efficiency and CO_2 emission reduction targets, see >Chapter TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION. For more information about network coverage targets, see >Chapter TARGETS RELATED TO CONSUMERS AND END-USERS.

Resilient industry and ESG: In the value chain for network technology and hardware products for customers, Telefónica Deutschland Group focuses on circular economy concepts, such as recycling and sustainable resource optimisation, to minimise material consumption and reduce negative environmental impacts. For more details on targets, see >Chapter TARGETS RELATED TO RESOURCE USE AND CIRCULAR ECONOMY. At the same time, sustainable supplier management ensures that ethical and environmental standards are upheld, aiming to minimise social risks throughout the value chain. For more details on targets, see >Chapter TARGETS RELATED TO WORKERS IN THE VALUE CHAIN.

Employees: Through flexible working conditions, comprehensive training programmes and targeted health promotion, we aim to create a working environment that supports both the individual development of employees and the achievement of the company's strategic goals. This approach is intended to enhance employee satisfaction and position the undertaking as an attractive employer. For more details on targets, see >Chapter TARGETS RELATED TO OWN WORKFORCE.

Resilience analyses are conducted to review and further develop our strategy annually to ensure the robustness of our strategy and business model. These analyses are driven by our strategy divisions and consolidated with assessments from other departments. The starting point for these analyses is a combination of current industry and market developments, societal trends and scenario analyses, with a focus on a medium-term time horizon. Short- and long-term time horizons are also considered, depending on the trends and developments analysed. The results of these analyses are incorporated into the development of the strategic three-year plan (>Chapter REPORT ON RISKS AND OPPORTUNITIES).

In the current financial year, no significant financial effects were identified from the risks and opportunities determined in the double materiality assessment. No further significant risk of material adjustments to the carrying amounts of assets and liabilities due to risks and opportunities from material sustainability matters was identified.

The increasing importance of sustainability matters is reflected in the integration of the "resilient industry and ESG" pillar into the undertaking's overall strategy. This pillar aims to advance the Responsible Business Plan 2025 (RBP) as a central management tool for the sustainability strategy, incorporating key elements from the resilience analysis such as diversity, equity and inclusion, and energy efficiency.

[26] Source: connect mobile network and 5G network test, issue 01/2025: Overall rating "very good" (909 points) for O_2; overall, "very good" was awarded twice (924 and 909 points) and "outstanding" was awarded once (970 points).

Responsible Business Plan 2025

The RBP 2025 "Digital.Sustainable.Connected." was developed in 2020 as a five-year plan, closely aligned with the core business. The RBP consolidates elements of the corporate strategy related to sustainability into a central management tool and is structured into four focus areas: "Principles of Responsible Business Conduct", "Employees", "Customers and Society" and "Environment and Climate". It provides the framework for sustainability management, including the objectives and activities of the various departments and company locations. With our RBP 2025, we aim to continue shaping sustainable digitalisation and the transformation of the economy and society responsibly in the future. This objective is pursued with clearly defined commitments within the four focus areas.

Progress is measured using established non-financial performance indicators, which are also integrated into the remuneration system for the management of Telefónica Deutschland Group (>Chapter REMUNERATION SYSTEM OF THE MANAGEMENT AND SUPERVISORY BODIES). The targets, commitments, performance indicators and ambitions are outlined in the Chapters addressing the sustainability matters: >Chapter ENVIRONMENTAL TOPICS, chapter SOCIAL TOPICS and chapter BUSINESS CONDUCT.

Sustainability Governance

Business conduct and organisation
ESRS 2 GOV-1, ESRS 2 GOV-2, G1 GOV-1

Telefónica Deutschland Group and its governing bodies are committed to sustainable, efficient and transparent business conduct. Its values form the foundation for uniform business principles, as outlined in the Code of Conduct "Our Principles for Responsible Business Conduct". These principles are aligned with the OECD Guidelines for Multinational Enterprises and the UN Convention Against Corruption. Telefónica Deutschland Group is also committed to the Ten Principles of the UN Global Compact and their implementation as part of responsible business conduct. Compliance with the business principles is monitored through close collaboration between the Compliance, Organisational Development & People (OD&P), Internal Audit, CR&S and Legal departments.

Telefónica Deutschland Group operates under a dual management system, with business conduct entrusted to the Management Board and corporate oversight to the Supervisory Board. The responsibilities and duties are clearly divided between the Management Board and the Supervisory Board. The Chair of the Supervisory Board engages in monthly discussions with the Management Board. These discussions focus on the current status and future development of the company, progress of major ongoing projects, such as the digital transformation of the IT architecture, strategy, business policy, corporate planning, risks and opportunities and their management, as well as compliance and governance and sustainability/ESG topics. Furthermore, there is a lively exchange between the Chair of the Supervisory Board and the Chair of the Management Board outside of regular meetings. The Chair of the Supervisory Board informs the other members of the Supervisory Board about important topics discussed. The principles governing the work of the Supervisory Board and the Management Board are defined in their respective by-laws and the company's Articles of Association. The Management Board is responsible for ensuring that material impacts, risks and opportunities related to sustainability matters are systematically identified, assessed and appropriately integrated into the corporate strategy and risk management. The Management Board receives quarterly reports on the risks recorded in Telefónica Deutschland Group's risk register (>Chapter RISK MANAGEMENT AND RISK REPORTING). The results of the materiality assessment with the key sustainability matters and the associated impacts, risks and opportunities are approved by the Management Board and communicated to the Supervisory Board (>Chapter DOUBLE MATERIALITY ASSESSMENT METHODOLOGY and >Chapter CORPORATE STRATEGY).

The CR&S Directorate is responsible for the overarching management of sustainability activities across all departments and company locations. As part of this role, the CR&S Directorate carries out the double materiality assessment, develops the sustainability strategy, reviews the achievement of sustainability targets and plans actions in collaboration with the departments. The CR&S Directorate reports directly to the Management Board area for Legal & Corporate Affairs. The CR&S Directorate is also responsible for preparing the sustainability reporting in close coordination with the finance department. Each year, specific targets for the ambitions of the sustainability strategy are jointly set with the departments and approved by the Management Board of Telefónica Deutschland Group, the highest management level. These targets are integrated into management processes and made measurable through performance indicators. The achievement of targets is regularly reviewed in collaboration with the senior management of the relevant departments. Progress towards targets is also reported to the Management Board on a semi-annual basis. The CR&S Directorate maintains regular contact with individual departments and engages in discussions through internal steering committees, such as the CR&S Committee, Energy Committee, Privacy Forum, Health Forum and Human Rights Committee. In this context, targeted strategies are discussed, impacts, risks and opportunities relating to sustainability matters are evaluated and taken into account in management decisions, progress is reviewed and projects and actions are assessed. Responsibilities and reporting lines to the Management Board within the due diligence process for human rights are detailed in the >Chapter STATEMENT ON DUE DILIGENCE.

A further fundamental management element for Telefónica Deutschland Group and its business conduct is the internal control and risk management system, which includes risks related to sustainability matters and sustainability reporting. Detailed information is provided in the >Chapter RISK MANAGEMENT AND RISK REPORTING and in the >Chapter RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING.

Telefónica Deutschland Group has established clear governance structures and processes to translate sustainability-related guiding principles and requirements into daily practice. The undertaking's internal policies, standards and procedural guidelines play a central role in sustainability management. They incorporate fundamental ecological, social and compliance-related standards into the undertaking's processes, define requirements for stakeholders and create mechanisms for self-commitment and control. The Management Board approves the policies applicable to all Telefónica Deutschland Group undertakings, such as the Code of Conduct (>Chapter CORPORATE CULTURE AND POLITICS). If members of the Group's governing bodies (e.g. Management Board members) identify a potential conflict of interest, they disclose it to the Supervisory Board or the Chair of the Supervisory Board, among others. The chapters on environment, social and governance provide further details on the policies related to material sustainability matters and their implementation.

The Supervisory Board, through its Audit Committee, is involved in the preparation of the Sustainability Report. It discusses the results of the external audit of the Sustainability Report, including the associated performance indicators, with the auditors and decides on the approval of the report after its own review.

Composition of the Management Board

As of 31 December 2024, the Management Board of Telefónica Deutschland Group consisted of seven executive members. The Management Board comprised two female and five male members, resulting in an average ratio of female to male members of 0.4 and a female representation of 29%. Additionally, the Management Board contracts include an age limit of 62 years for board members, which was not exceeded by any member during financial year 2024.

The Supervisory Board prepares a requirement profile for each role on the Management Board, considering the Supervisory Board's adopted diversity concept for the Management Board and specific criteria regarding skills, experience and knowledge. According to the requirement profile, the members of the Management Board possess extensive leadership experience across various areas relevant to the company. The Management Board collectively has international professional or educational experience and extensive expertise in areas such as telecommunications, technology, finance, marketing and sales, human resources management and sustainability. The Board's sustainability expertise spans all material topics for Telefónica Deutschland Group and includes specialised knowledge in energy and environmental management, product lifecycle management, sustainable supply chains, privacy and information security, compliance, government relations and regulatory affairs, diversity and business conduct and governance. The Management Board also has direct access to additional expertise through the CR&S Directorate and its steering committees, such as the Corporate Responsibility Committee, Energy Committee, Privacy Forum, Health Forum and Human Rights Committee.

The composition of the Management Board's competencies is reviewed annually, as well as on an ad hoc basis and when new members are appointed, in order to ensure and continuously improve the knowledge and skills of its members.

The Supervisory Board and the Management Board also have access to internal training sessions, including those on sustainability matters. If necessary, the Supervisory Board and the Management Board may also seek external expertise.

Composition of the Supervisory Board

As of 31 December 2024, the Supervisory Board consisted of 16 non-executive members, of whom eight represent shareholders and eight represent workers' representatives. The Supervisory Board comprised five female and 11 male members, resulting in an average ratio of female to male members of 0.45 and a female representation of 31%. 25% of the 16 members of the Supervisory Board are independent. As of 31 December 2024, 100% of the shareholder representatives on the Supervisory Board were independent of Telefónica Deutschland Holding AG and 50% of the shareholder representatives were also independent of the majority shareholder. The Supervisory Board holds at least two meetings in a calendar half-year.

According to the defined competency profile of the Supervisory Board, its members collectively possess familiarity with the sector in which the company operates and the necessary expertise in areas such as Finance, Mergers & Acquisitions, Marketing & Sales, Law and Regulation, Human Resources, Network & Technology and Sustainability. The Supervisory Board's knowledge in sustainability extends across all material topics for Telefónica Deutschland Group, including climate change, resource use and circular economy, employees, workers in the value chain, consumers and end-users and governance. During their tenure, the training and development needs of the Supervisory Board are assessed annually and as required. In the reporting year, general information was provided, particularly on corporate governance topics and new legal frameworks, as well as specific relevant legal issues.

Remuneration system of the management and supervisory bodies

ESRS 2 GOV-3, E1 GOV-3

The remuneration structure should be oriented towards the promotion of the sustainable and long-term development of the company. The appropriateness of the remuneration for Management Board members is reviewed by the Supervisory Board upon the appointment of new members, taking into account the recommendations of the Remuneration Committee.

The remuneration of Management Board members is composed of fixed and variable components. Fixed remuneration comprises base salary, fringe benefits and pension commitments. The regular variable remuneration components comprise the one-year variable remuneration (Bonus I) and the components with long-term incentive effects. These include in particular the Performance Cash Plan (Bonus II) of Telefónica Deutschland Group and the Telefónica, S.A. Performance Share Plan (Bonus III). The Company's sustainability targets are included in both the one-year variable remuneration (Bonus I) as well as the Performance Cash Plan (Bonus II) of the Telefónica Deutschland Group.

Bonus I is an annually granted cash bonus that incentivises business success in the respective financial year. The payout amount is calculated at the end of the financial year as the product of the target amount and a target achievement factor depending on the annual performance. The target achievement factor consists of two components: The first component is based on the annual success of Telefónica Deutschland Group (Telefónica Deutschland component) and has a weighting of 70%. The second component is based on the annual success of Telefónica, S.A. Group (Telefónica, S.A. Group component) and has a weighting of 30%.

The key performance indicators relevant for measuring the Telefónica Deutschland component, their weighting, target values and target achievement curves are determined annually by the Supervisory Board. The target values are derived from the strategic planning. Three financial and three non-financial performance criteria have been established for financial year 2024. The financial performance criteria are collectively weighted at 80%, while the three non-financial performance criteria are weighted at 20%:

- The Net Promoter Score (NPS) (>Chapter TARGETS RELATED TO CONSUMERS AND END-USERS) actions the likelihood of customers recommending a service or product. Its weighting is 10%.
- The reduction of CO_2 emissions comprises direct emissions (Scope 1) and indirect emissions from energy consumption (Scope 2). Its weighting is 5%.
- The proportion of women in leadership positions (>Chapter TARGETS RELATED TO OWN WORKFORCE) is used as a metric for gender equality. This proportion is determined based on appointments to the senior management of Telefónica Deutschland Group. Its weighting is 5%.

If the actual value of a performance criterion falls below a minimum threshold, the target achievement factor for that performance criterion is 0%. If the minimum threshold is met, the factor is 50%. If the target value is reached 100%, the factor is 100%. If the target value is exceeded, the factor increases up to a maximum limit, which is generally set at 125% for financial year 2024. Intermediate values of target achievement are calculated according to a target achievement curve set by the Supervisory Board.

The undertaking's sustainability goals are also integrated into the Telefónica Deutschland Performance Cash Plan (Bonus II) as a component with long-term incentive effects. On 1 January 2024, the 2024–2026 tranche was allocated to Management Board members. The payout at the end of the three-year performance period is calculated as the product of the respective allocation value and a target achievement factor.

The achievement level of performance criteria determines the target achievement factor. For the 2024–2026 tranche of Bonus II, the Supervisory Board selected, in addition to the free cash flow (FCF) of Telefónica Deutschland Group (90% weighting), two ESG performance criteria. These include the complete neutralisation of CO_2 emissions (Scope 1 and 2) of Telefónica Deutschland Group in 2026 by purchasing CO_2 certificates (5% weighting), and the proportion of women in leadership positions (5% weighting). If the relevant target value for the ESG performance criteria is achieved at less than 90%, the target achievement factor will be 0%. If 90% is met, the target achievement factor is 50%. The target achievement factor will increase to up to 100% using linear interpolation if the target value has been met 100% or exceeded. As an additional condition, the Supervisory Board has stipulated that gross emissions must be reduced by a certain percentage in 2026 compared to 2015.

The stated targets for reducing and compensating CO_2 emissions in Bonus I and Bonus II support our emission targets (>Chapter TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION).

In contrast, the members of the Supervisory Board of Telefónica Deutschland Group receive a fixed annual remuneration. This purely fixed remuneration strengthens the independence of the Supervisory Board and provides a counterweight to the structure of the Management Board remuneration.

Statement on due diligence
ESRS 2 GOV-4

The following table provides an overview explaining the key aspects and steps of the procedures for fulfilling due diligence obligations related to sustainability matters.

T 14 – FULFILMENT OF DUE DILIGENCE OBLIGATIONS RELATING TO SUSTAINABILITY MATTERS

Core elements of due diligence	Reference to sections of the Sustainability Report	Page numbers
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	• Corporate strategy	51
b) Engaging with affected stakeholders in all key steps of the due diligence	• Business conduct and organisation	52
	• Interests and views of stakeholders	44
	• Double materiality assessment methodology	45
	• Climate change	67
	• Resource use and circular economy	77
	• Own workforce	82
	• Workers in the value chain	96
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c) Identifying and assessing adverse impacts	• Double materiality assessment methodology	45
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d) Taking actions to address those adverse impacts	• Transition plan for climate change mitigation	67
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e) Tracking the effectiveness of these efforts and communicating	• Metrics related to climate change mitigation and adaptation	72
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	• Targets related to resource use and circular economy	79
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	• Targets related to workers in the value chain	101
	• Targets related to consumers and end-users	111
	• Targets related to business conduct	120

Due diligence process for human rights

The following section provides a detailed description of the processes for fulfilling due diligence obligations related to human rights.

Telefónica Deutschland Group's human rights due diligence process focuses on respecting and protecting human rights and is aligned with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The resulting policy of the human rights due diligence process outlines that undertakings must establish procedures to identify their potential and actual negative impacts on people, take actions to prevent, mitigate and avoid such impacts and address and remediate harm where it has already occurred.

The human rights due diligence process of Telefónica Deutschland Group consists of the following six phases:

1. Risk management and responsibilities

The Management Board of Telefónica Deutschland Group is responsible for ensuring compliance with and the implementation of human rights and environmental due diligence obligations. The Human Rights Officer is the Director of the CR&S department. The Human Rights Officer maintains continuous communication with the Management Board and oversees the implementation of due diligence processes. The Human Rights Officer also leads the investigation of complaints and reports submitted through the whistleblowing procedure (>Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO OWN WORKFORCE and >Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO CONSUMERS AND END-USERS). As a transversal issue, human rights matters are addressed across disciplines within Telefónica Deutschland Group. Our Human Rights Committee is composed of representatives from various departments and consolidates area-specific and technical expertise. The committee advises the Human Rights Officer, supports exchange and collaboration between departments, and assists in investigating complaints and reports submitted through our whistleblowing procedure. Experts in the CR&S Directorate coordinate the implementation of due diligence processes, develop methodological approaches (e.g. for risk analysis or effectiveness measurement) and carry out quality assurance actions.

We have implemented a Three Lines of Defence Model to strengthen the human rights risk management system. This model ensures independent and regular review. The first line comprises the operational departments responsible for implementing the due diligence processes. The second line is the human rights management team, which monitors and supports implementation. The third line is an independent entity that reviews the effectiveness of the risk management system at least every three years.

2. Risk and impact analyses

Regular risk and impact analyses help Telefónica Deutschland Group understand how its activities, business relationships, products and services affect human rights and how internal strategies and processes can be adjusted to prevent, avoid or remedy identified (potential) impacts. Telefónica Deutschland Group conducts at least an annual analysis of human rights risks as part of the company-wide risk management process, which covers its own operations and direct suppliers. Where necessary, the undertaking also conducts ad hoc analyses.

In the first step, risks are identified through an abstract evaluation. This involves using data such as country, site, product and service information to create a comprehensive risk profile. In the second step, risks are assessed on the basis of internal information and metrics, supplier-specific data and dialogue with relevant departments, suppliers and business partners. We assess the severity (degree of impairment, number of affected individuals or size of affected environmental areas, irreversibility) and the likelihood of risks occurring. We also evaluate our contribution to causing risks and our ability to influence their remediation or avoidance.

We view the execution of risk analyses as a continuous process that must be consistently adjusted and further developed.

3. Preventive actions and process integration

The results of the risk analysis have been integrated into the undertaking's internal processes in order to prevent risks and avoid violations. The undertaking also implements appropriate preventive actions within its own operations and in collaboration with suppliers and business partners. This involves both adapting and improving existing actions and developing new approaches.

4. Monitoring

Telefónica Deutschland Group evaluates the effectiveness of its risk management and due diligence processes at least once a year and on an ad hoc basis. Particular emphasis is placed on assessing the effectiveness of preventive and remedial actions and the grievance procedure. Regular controls are conducted to verify whether the implementation is effective. The progress of due diligence processes is measured using appropriate metrics.

5. Reporting

The Human Rights Committee provides updates on the implementation and monitoring of human rights and environmental risk management and the associated due diligence obligations in an annual report to the Management Board and the Group Works Council of Telefónica Deutschland Group. The report also includes current developments and trends in human rights within politics and society. Further information on human rights topics is available on the company's website.

6. Complaints and remedial actions

We provide a grievance procedure to enable our employees, suppliers, business partners, stakeholders, customers and other potentially affected individuals to directly report (potential) grievances (>Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO OWN WORKFORCE and >Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO CONSUMERS AND END-USERS).

The Group has developed a remediation policy to promptly implement appropriate and targeted actions in the event of human rights or environmental violations. We distinguish between violations occurring within our own operations and those in the supply chain.

For violations within our own operations, the undertaking takes immediate actions to rectify the issues. For violations occurring in the supply chain, the undertaking collaborates with its suppliers and business partners to address and remedy the violations. The undertaking reserves the right to terminate the business relationship as a last resort.

Risk management and internal controls over sustainability reporting

ESRS 2 GOV-5

The internal control and risk management system of Telefónica Deutschland Group is of fundamental importance for addressing risks associated with sustainability matters. Telefónica Deutschland Group has implemented an internal control system (ICS) to ensure the effectiveness and efficiency of operations, proper financial and sustainability reporting and compliance with relevant legal regulations. The risk management system of Telefónica Deutschland Group is designed to identify, assess, manage, mitigate and monitor risks. The internal control system and risk management system are overseen by the Management Board.

The core elements of the risk management system are described in the >Chapter REPORT ON RISKS AND OPPORTUNITIES. Adapting to increasing ESG requirements is considered a material risk in sustainability reporting and is classified as part of operational risks. These include ensuring the completeness, accuracy and timely provision of required sustainability-related information in compliance with the applicable reporting regulations.

Reporting processes, including internal controls, were implemented during the financial year to guarantee the reliability of sustainability reporting. The foundation for the reporting process is provided by ESG Accounting Guidelines, which define responsibilities, processes and Group-wide definitions for the required sustainability-related information. The collection of sustainability-related data involves various departments within Telefónica Deutschland Group. The professional competence of the employees responsible for this task is ensured through regular communications and training formats. Quantitative information is collected using a Group-wide ESG data collection and reporting tool, which ensures the fundamental control mechanisms of the reporting process. This includes the implementation of a four-eyes principle and the provision of appropriate documentation. Further internal controls are also defined on the basis of a risk-oriented approach and are monitored in collaboration with Internal Audit. Additional qualitative information not captured through the ESG data collection and reporting tool is gathered via a structured process and undergoes approval procedures at various levels. Information about CO_2 emissions is reviewed by an independent standards and certification body.

The Internal Audit department continuously reviews compliance with policies, the reliability and functionality of the internal control system (ICS), as well as the adequacy and effectiveness of the risk management system and reports these findings to the Management Board and the Audit Committee of the Group's Supervisory Board. The annual audit planning process is risk-based and is conducted in consultation with the senior management of various business areas. If weak points or areas for improvement are identified in an audit, action plans are agreed with the relevant departments to address these within a specified time frame. The Internal Audit department promptly follows up on the implementation of the agreed actions by the responsible parties. The monitoring of the ICS also incorporates the findings from the external audit of the Sustainability Report conducted by an auditor.

In relation to sustainability reporting, the risk management system and ICS are subject to continuous development with regard to the growing relevance of sustainability reporting and alignment with the audit standards of financial reporting.

Environmental Topics

European Taxonomy of Sustainable Activities – Telefónica Deutschland Group

Within the framework of the EU Action Plan on Sustainable Finance, the redirection of capital flows towards sustainable investments is a key objective to achieve a more competitive, circular, and climate-neutral economy by 2050. To support this objective, Regulation (EU) 2020/852 (hereinafter the Taxonomy Regulation) establish a standardized and legally binding classification system to determine which economic activities within the EU are considered as "environmentally sustainable". The results of this classification must be disclosed annually on a company-specific basis.

Article 9 of the Taxonomy Regulation lists the following six environmental objectives:

1. Climate change mitigation;
2. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control;
6. Protection and restoration of biodiversity and ecosystems.

To determine if an economic activity qualifies as "environmentally sustainable" under the EU Taxonomy, two key steps must be followed.

1. **Taxonomy Eligibility:** Verify if the activity is described in the Delegated Regulations. Only taxonomy-eligible activities can be further evaluated.
2. **Taxonomy Alignment:** Evaluate if the activity:
   - Makes a substantial contribution to at least one environmental objective;
   - Does not cause significant harm to any other environmental objective (DNSH);
   - Complies with minimum safeguards (the Art. 18 of the Taxonomy Regulation references to the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO Core Labor Standards, and the International Bill of Human Rights as relevant frameworks).

If these criteria are met individually and cumulatively, the activity is classified as taxonomy-aligned. The Telefónica Deutschland Group discloses the proportions of taxonomy-eligible and non-taxonomy-eligible, as well as taxonomy-aligned and non-taxonomy-aligned, economic activities in terms of turnover, capital expenditures (CapEx), and operating expenditures (OpEx). Telefónica's activities are mainly covered under the two environmental objectives climate change mitigation and circular economy.

Based on the descriptions of the economic activities in the Climate Delegated Act and Environmental Delegated Act of the Taxonomy Regulation, the activities of Telefónica Deutschland Group were analysed to determine whether and to what extent the economic activities are taxonomy-eligible. As in previous years, we identified activities 8.1 "Data processing, hosting and related activities" and 8.2 "Data-driven solutions for GHG emissions reductions" as taxonomy-eligible in the environmental objective of climate change mitigation. Under transition to a circular economy, activities 5.4 "Sale of second-hand goods" and 5.5 "Product-as-a-service and other circular use- and result-oriented service models" were identified as taxonomy-eligible. For the remaining environmental objectives (Annex I, III, and IV), no taxonomy-eligible activities were identified.

The following table provides a more detailed overview of the allocation of our business activities (not exclusive: apart from business activities, other secondary or individual measures were identified):

T 15 – TELEFÓNICA DEUTSCHLAND GROUP'S TAXONOMY ACTIVITIES

Taxonomy activities		Telefónica Deutschland Group's activities
Main activities that contribute significantly to climate change mitigation	Activity 8.1. data processing, hosting and related activities	Cloud services for the storage, management, control or processing of data via the Internet
	Activity 8.2: Data-driven solutions for GHG emissions reductions	Information and communication technology (ICT) solutions such as M2M and private networks that collect, transmit, and store data that enable reductions in greenhouse gas emissions from other activities
Main activities that contribute significantly to transition to a circular economy	Activity 5.4 Sale of second-hand goods	Sale of second-hand equipment
	Activity 5.5 Product-as-a-service and other circular use- and result-oriented service models	Renting of connectivity equipment to customers

Application of technical screening criteria:
The in financial year 2024 identified economic activities have been assessed regarding their substantial contribution to the environmental objective to "climate change mitigation" and "transition to circular economy".

The methodology used to demonstrate the alignment for activity 5.4 and activity 8.1 is currently under development. This will enable a more detailed evaluation in the future. Regarding activities 6.5 and 7.7, alignment could not be reached due to the dependency on supplier data, as the responsibility for meeting the criteria lies with the supplier. For financial year 2024, the respective substantial contribution criteria were not demonstrated, and therefore these activities are reported as taxonomy-eligible.

For activity 5.5, we consider the proportion of connectivity equipment rentals that fulfill the technical screening criteria requirements for transitioning to a circular economy: The activity allows the customer to use the products, while ensuring that ownership remains with the company providing the service. Consequently, the customer pays for access to and use of the product.

- The contractual terms and conditions stipulate that the service provider is obligated to reclaim the used product upon termination of the agreement, and the customer is required to return the product at that time.
- Another technical aspect for assessing compliance with the criteria involves the composition and design of the primary and secondary packaging for the devices. To this end, we analyze the packaging's technical specifications to evaluate factors such as the use of recycled materials, the sustainable management of raw materials, and the design's potential for reuse.

Our product-as-a-service model aims to extend the useful life of products by leasing devices and ensuring their return at the end of the contractual relationship. Through this model, we guarantee the examination, maintenance, repair, refurbishment of equipment, and reintroduction into the production cycle.

To evaluate whether the identified products do not significantly harm any other environmental objectives, we examined the DNSH criteria 2) Climate Change Adaptation and 5) Pollution Prevention and Control. Regarding criteria 3, we do not interpret the requirement of water to be relevant to the economic activity due to the nature of the activity.

Climate Change Adaptation (DNSH Criterion 2): We analyzed the physical risks of climate change of our assets using the most up-to-date climate projections (AR6) and covering the scenarios RCP 2.6 (temperature increase at the end of the century not exceeding 2°C) and RCP 8.5 (temperature increase at the end of the century of around 4°C) and considering time horizons of 2030, 2040 and 2050.

Pollution prevention and control (DNSH criterion 5): We conducted a process in which we evaluated the following aspects through confirmation of the company's environmental statements by our electrical and electronic equipment suppliers:

- In accordance with the provisions of the Regulation on the Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH), the supplier declares that the products it supplies to Telefónica do not exceed 0.1% by weight of any substance included in the list of substances of very high concern, as listed by the "European Chemicals Agency".
- In accordance with the provisions of the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) directive, the supplier declares that the products it supplies to Telefónica do not exceed the limits established in Annex II of the directive.

For activity 8.2 "Data-driven solutions for GHG emissions reductions": To qualify as taxonomy-eligible, the ICT solution must enable data and analysis that reduce GHG emissions. If alternative technologies are available in the market, the ICT solution must demonstrably achieve significant lifecycle GHG emission savings compared to the best-performing alternatives.

Telefónica Deutschland Group's digital solutions help to ensure connectivity and networking to provide data and analytics that reduce GHG emissions. Various sector studies, such as "The Enablement Effect"[27] by GSMA and "GeSI Mobile Carbon Impact"[28] , underline that ICT solutions enable the reduction of GHG emissions. For example, M2M solutions enable behavioral changes to reduce emissions by providing simple control systems for energy and water consumption, such as through

[27] Source: GSMA_Enablement_Effect
[28] Source: GeSI Mobile Carbon Impact

smart metering. Additionally, the development of dedicated local networks (e.g. private networks) enables emission savings in the area of smart manufacturing, as production machines can be optimally coordinated and efficiently controlled.

The classification of the specific solutions offered by Telefónica Deutschland Group was based on a market analysis. No alternative technologies available on the market were identified, which is why a lifecycle analysis is not performed.

To ensure the identified products do not significantly harm any other environmental objectives, we evaluated compliance with the DNSH criteria 2 and 4:

Climate Change Adaptation (DNSH Criterion 2): see activity 5.5

Circular Economy (DNSH Criterion 4): We comply with EU circular economy objectives and applicable directives, including waste management requirements. Key practices include:

- Network Infrastructure Maintenance: The primary source of waste is from maintaining network infrastructure, supplemented by administrative and customer-related activities.
- Waste Management Compliance: Compliance with waste management laws is regularly verified through internal and external ISO 14001 audits.
- End-of-Life Equipment Disposal: We have contractual agreements with suppliers and waste disposal companies to ensure proper collection and recycling of electrical and electronic equipment waste. These agreements involve verifying the waste management company's authority and ensuring adequate controls are in place.

Additionally, network components, such as repeaters and radio links, adhere to environmental directives, including:

- RoHS Directive (2011/65/EU): Restriction of hazardous substances.
- CE Marking (2009/125/EC): Compliance with ecological design requirements.
- WEEE Directive (2012/19/EU): Waste electrical and electronic equipment management.

Hereby, we demonstrate alignment with the DNSH principles by ensuring that our products and operations actively support environmental sustainability while minimizing adverse impacts. The Telefónica Deutschland Group complies with the minimum safeguards outlined in the EU Taxonomy Regulation by respecting and supporting human rights including labor and consumer rights, as well as anti-corruption and bribery throughout its supply chain. The Group has established a human rights due diligence process that includes policies and commitments, risk analyses, the derivation and implementation measures, monitoring the implementation and results of these measures, communicating about them, and a grievance mechanism. Furthermore, guidelines, processes and management systems for the topics anti-corruption and bribery, fair competition and taxation are implemented. Telefónica Deutschland Group's systems and processes help to ensure compliance with the frameworks set out in Art. 18 of the Taxonomy Regulation. These systems and processes are regularly reviewed for appropriateness and effectiveness and are continuously developed.

Concerning the reporting forms in accordance with Annex XII of Delegated Regulation 2021/2178, the Telefónica Deutschland Group has no activities either in the area of electricity generation, combined heat, power and cooling generation and heat/cooling generation from fossil gas or in the area of nuclear energy.

Throughout the process, the necessary considerations have been taken into account to avoid double counting:

- Reconciliation with the accounting information, which guarantees the proper consideration of eliminations and adjustments made during the consolidation process.
- Use of consistent sources of information, which avoids considering the same item in two different indicators or twice within the same indicator.
- Verification of data completeness and accuracy.

The KPIs for turnover, CapEx and OpEx KPIs are calculated based on the data reported in the consolidated financial statements. Both fully consolidated and proportionately consolidated Group companies are included.

Turnover key performance indicator

The turnover KPI is the ratio of the turnover from taxonomy-eligible/-aligned economic activities in a financial year to the total turnover of that financial year. The basis of turnover is net turnover from the sale of goods or the rendering of services, including intangible assets in accordance with IAS 1.82(a).

The total revenue of EUR 8,491.6 million for the financial year 2024 forms the denominator of the revenue indicator and can be taken from the consolidated income statement.

The revenues of the Telefónica Deutschland Group reported in the consolidated income statement are analyzed to determine whether they were generated from the identified taxonomy-eligible economic activities in accordance with Annex I substantial contribution to climate change mitigation of the Climate Delegated Act and Annex II (substantial contribution to a transition to a circular econom) of the Environmental Delegated Act. A detailed analysis of the items included in the revenues is used to allocate the respective revenues to the taxonomy-eligible economic activities. The sum of the revenues in the amount of EUR 92.7 million[29] of the taxonomy-eligible economic activities for the financial year 2024 constitutes the numerator. This contains revenues from economic activity 8.1 in the amount of EU 19.7 million, economic activity 8.2 in the amount of EU 21.6 million, economic activity 5.4 in the amount of EUR 12.6 million, and activity 5.5 in the amount of EUR 38.7 million. This results in a taxonomy-eligible turnover KPI of 1.1%. An analysis of the taxonomy-eligible revenues with

[29] Due to mathematical rounding differences, there are minor discrepancies

regard to the substantial contribution criteria has shown that corresponding criteria regarding activity 5.5 (EUR 22.3 million) and activity 8.2 (EUR 21.6 million) are met. Consequently, the taxonomy-aligned revenue is 0.5%. Due to their marginality, a further breakdown of the mentioned figures has been omitted.

CapEx key performance indicator
For Telefónica Deutschland, the basis for capital expenditure in terms of the EU Taxonomy is the additions to property, plant and equipment and intangible assets and rights of use in accordance with IFRS 16 before depreciation, amortization and any revaluations for the financial year in question and without changes in fair value. The total capital expenditure according to Taxonomy Regulation Art. 8 Annex I 1.1.2.1 is EUR 1,719.2 million (see respective disclosures in >Chapters 5.2. OTHER INTANGIBLE ASSETS, 5.3. PROPERTY, PLANT AND EQUIPMENT, 5.4. RIGHT-OF-USE ASSETS of the Consolidate Financial Statement).

Based on project descriptions, the total additions related to economic activity 8.2 “Data-driven solutions for GHG emissions reductions” amounting to EUR 0.2 million and related to economic activity 5.5 “Product-as-a-service and other circular use- and result-oriented service models” amounting to EUR 32.0 million were identified.

This is supplemented by the acquisition of taxonomy-eligible services and products in the areas of fleet management (economic activity 6.5 Transport by motorbikes, passenger cars and light commercial vehicles), buildings (7.7 Acquisition and ownership of buildings). The sum of these additions, which reflect a taxonomy-eligible investment, forms the numerator of the CapEx figure of EUR 69.7 million. This results in a taxonomy-eligible CapEx KPI of 5.9%. An analysis of the taxonomy-eligible investments with regard to the taxonomy alignment has shown that the relevant criteria are met for activity 5.5 (EUR 32.0 million) and 8.2. (EUR 0.2 million). For all other taxonomy-eligible investments the relevant criteria are not met. Consequently, the taxonomy-aligned CapEx is 1.9%.

Changes in the taxonomy CapEx compared to the previous year are explained by the alignment of activity 5.5 and the absence of 7.3 and 7.4. as these activities are not related to the core business and correspond to individual measures that are not representative in the overall context of the company and its potential alignment from the perspective of substantial contribution. Due to their marginality, a further breakdown of the mentioned figures has been omitted.

OpEx key performance indicator
According to EU Taxonomy Regulation, the basis for determining the OpEx KPI is the sum of expenses on the corresponding accounts for building renovation, measures, short-term leasing, maintenance and repair, research and development and other direct expenses related to the day-to-day services of property, plant and equipment assets. The total operating expenses according to subsection 1.1.3.1 of Annex I to Delegated Regulation (EU) 2021/2178 are EUR 235.6 million.

As per subsection 1.1.3.2 of Annex I of Delegated Regulation (EU) 2021/2178 the numerator of the OpEx KPI is derived from an analysis of the assets related to the expenses recorded in the aforementioned accounts with regard to their taxonomy eligibility. Thereby, operating expenses related to economic activity 8.2 in the amount of EUR 0.2 million, could be identified. This results in a total of EUR 0.1 million in taxonomy-eligible operating expenses which corresponds to a taxonomy-eligible OpEx KPI of 0.1%. An analysis of the taxonomy-eligible operating expenses with regard to the taxonomy alignment has shown that the relevant criteria are met for activity 8.2 (EUR 0.2 million). Consequently, the taxonomy-aligned OpEx is 0.1%. Due to their marginality, a further breakdown of the mentioned figures has been omitted.

T 16 – TURNOVER

		2024		Substantial contribution criteria						DNSH Criteria ('Does Not Significantly Harm')									
Economic Activities	**Code**	**Turnover**	**Proportion of Turnover 2024**	**Climate Change Mitigation**	**Climate Change Adaptation**	**Water**	**Pollution**	**Circular Economy**	**Biodiversity**	**Climate Change Mitigation**	**Climate Change Adaptation**	**Water**	**Pollution**	**Circular Economy**	**Biodiversity**	**Minimum Safeguards**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2023**	**Category enabling activity**	**Category transitional activity**
		in Mio. EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Product-as-a-service and other circular use- and result-oriented service models	CE 5.5.	22.3	0.3%	N/EL	N/EL	N/EL	N/EL	Y	N/EL	Y	Y	Y	Y	Y	Y	Y	-		
Data-driven solutions for GHG emissions reductions	CCM 8.2.	21.6	0.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.2%	E	
Turnover of environmentally sustainable activities (not Taxonomy-aligned activities)		**43.9**	**0.5%**	**0.3%**	**0%**	**0%**	**0%**	**0.3%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0.2%**		
Of which enabling		43.9	0.5%	0.3%	0%	0%	0%	0.3%	0%	Y	Y	Y	Y	Y	Y	Y	0.2%	E	
Of which transitional			0%	0%				0%		-	-	-	-	-	-	-	0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Sale of second-hand goods	CE 5.4.	12.6	0.1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0.1%		
Product-as-a-service and other circular use- and result-oriented service models	CE 5.5.	16.5	0.2%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0.4%		
Data processing, hosting and related activities	CCM 8.1.	19.7	0.2%	EL	EL	N/EL	N/EL	N/EL	N/EL								0.2%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**48.7**	**0.6%**	**0.2%**	**0%**	**0%**	**0%**	**0.3%**	**0%**								**0.7%**		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		**92.7**	**1.1%**	**0.5%**	**0%**	**0%**	**0%**	**0.6%**	**0%**								**0.9%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		**8,398.9**	**98.9%**																
Total		**8,491.6**	**100%**																

Codes in columns 5 to 10:
- Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
- N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
- N/EL – not eligible, Taxonomy non-eligible activity for the relevant environmental objective
- EL - Taxonomy eligible activity for the relevant objective

T 17 – TABLE ACCORDING TO DISCLOSURE DELEGATED ACT ANNEX II

Material impacts	Proportion of turnover/Total turnover	
	aligned per objective	eligible per objective
CCM	0.3%	0.5%
CCA	0%	0%
WTR	0%	0%
CE	0.3%	0.6%
PPC	0%	0%
BIO	0%	0%

T 18 – CAPEX

Economic Activities	Code	2024 CapEx	Proportion of CapEx 2024	Substantial contribution criteria: Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	DNSH Criteria ('Does Not Significantly Harm'): Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx 2023	Category enabling activity	Category transitional activity
		in Mio. EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Product-as-a-service and other circular use- and result-oriented service models	CE 5.5.	32.0	1.9%	N/EL	N/EL	N/EL	N/EL	Y	N/EL	Y	Y	Y	Y	Y	Y	Y	-		
Data-driven solutions for GHG emissions reductions	CCM 8.2.	0.2	0.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.0%	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**32.3**	**1.9%**	**0.0%**	**0%**	**0%**	**0%**	**1.9%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0.0%**		
Of which enabling		0.2	0.0%	0.0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0.0%	E	
Of which transitional		0.0	0%	0%						-	-	-	-	-	-	-	0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Product-as-a-service and other circular use- and result-oriented service models	CE 5.5.	0.0	0.0%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								2.6%		
Transport by motorbikes, passenger cars and light commercial vehicles	CE 6.5.	6.6	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.3%		
Acquisition and ownership of buildings	CCM 7.7.	63.1	3.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3.5%		
Data processing, hosting and related activities	CCM 8.1.	0.0	0.0%	EL	EL	N/EL	N/EL	N/EL	N/EL								0%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**69.7**	**4.1%**	**4.1%**	**0%**	**0%**	**0%**	**0%**	**0%**								**6.4%**		
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		**102.0**	**5.9%**	**4.1%**	**0%**	**0%**	**0%**	**1.9%**	**0%**								**6.4%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		**1,617.3**	**94.1%**																
Total		**1,719.2**	**100%**																

Codes in columns 5 to 10:

- Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
- N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
- N/EL – not eligible, Taxonomy non-eligible activity for the relevant environmental objective
- EL - Taxonomy eligible activity for the relevant objective

T 19 – TABLE ACCORDING TO DISCLOSURE DELEGATED ACT ANNEX II

Material impacts	Proportion of CapEx/Total CapEx	
	aligned per objective	eligible per objective
CCM	0.0%	4.1%
CCA	0%	0%
WTR	0%	0%
CE	1.9%	1.9%
PPC	0%	0%
BIO	0%	0%

T 20 – OPEX

		2024		Substantial contribution criteria						DNSH Criteria ('Does Not Significantly Harm')									
Economic Activities	**Code**	**OpEx**	**Proportion of OpEx 2024**	**Climate Change Mitigation**	**Climate Change Adaptation**	**Water**	**Pollution**	**Circular Economy**	**Biodiversity**	**Climate Change Mitigation**	**Climate Change Adaptation**	**Water**	**Pollution**	**Circular Economy**	**Biodiversity**	**Minimum Safeguards**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx 2023**	**Category enabling activity**	**Category transitional activity**
		in Mio. EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Data-driven solutions for GHG emissions reductions	CCM 8.2.	0.2	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1%	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0.2**	**0.1%**	**0.1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0.1%**		
Of which enabling		0.2	0.1%	0.1%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0.1%	E	
Of which transitional		0	0%	0%						-	-	-	-	-	-	-	0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**0**	**0%**	**-**	**-**	**-**	**-**	**-**	**-**								**0%**		
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		**0.2**	**0.1%**	**0.1%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0.1%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**235.4**	**99.9%**																
Total		**235.6**	**100%**																

Codes in columns 5 to 10:

- Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
- N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
- N/EL – not eligible, Taxonomy non-eligible activity for the relevant environmental objective
- EL - Taxonomy eligible activity for the relevant objective

T 21 – TABLE ACCORDING TO DISCLOSURE DELEGATED ACT ANNEX II

Material impacts	Proportion of CapEx/Total CapEx	
	aligned per objective	eligible per objective
CCM	0.1%	0.1%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

T 22 – INFORMATION ON ACTIVITIES RELATED TO NUCLEAR ENERGY AND FOSSIL GAS

Row	Nuclear-energy-related activities	Result
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
	Fossil-gas-related activities	**Result**
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heating/cooling and power generation facilities using fossil gaseous fuels.	No
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

Climate Change
ESRS E1

Transition plan for climate change mitigation
E1-1

Telefónica Deutschland Group fundamentally understands the importance of taking responsibility for climate and environmental protection. This responsibility forms the core of our climate strategy. In this context, Telefónica Deutschland Group has committed Group-wide to achieving net-zero emissions by 2040. Through this commitment, we aim to contribute to the transition to a sustainable economy and the limitation of global warming to 1.5°C.

To achieve this goal, we have set interim targets for reducing greenhouse gas emissions within our operations (Scope 1 and 2 emissions) and across the value chain (Scope 3 emissions) (>Chapter TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION). Our efforts have focused on energy efficiency and CO_2 reduction, particularly through the use of renewable energy in our operations and the provision of sustainable products and services for our customers (>Chapter ACTIONS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION).

Together with our parent group, Telefónica, S.A. Group, we are working on further developing our climate strategy. In order to achieve the goal of net-zero emissions by 2040, in 2025 Telefónica Deutschland Group, together with Telefónica, S.A Group is developing a transition plan and additional decarbonisation levers to reduce greenhouse gas emissions in its operations and across the value chain. Additional interim targets and priorities for actions will be defined for periods of three to five years within the scope of a continuous review and development process.

Impacts, risks and opportunities related to climate change

T 23 – MATERIAL IMPACTS RELATED TO CLIMATE CHANGE

Material impacts			Position in the value chain				
	Sub-topic	Description	Upstream	Own operations	Downstream	Time horizon	Associated policy/policies
ESRS E1 Climate change							
Positive impact	Climate change adaptation	Adaptation to climate change impacts and accelerating the decarbonisation of our customers through digital solutions, such as IoT and smart meters	X	X	X	Short-, medium- and long-term	• Environmental Policy • Sustainable Energy Management Policy
Positive impact	Climate change mitigation	Avoidance of greenhouse gas emissions, promotion of a more environmentally friendly industry and support for the decarbonisation of our customers through 5G-enabled smart factories and mobility concepts		X	X	Short-, medium- and long-term	• Environmental Policy • Sustainable Energy Management Policy
Positive impact	Energy	Reduction of CO_2 emissions and savings in resources and energy through the installation of smart meters in buildings and mobile network base stations, as well as the efficient use of modern technologies such as cloud servers		X	X	Short-, medium- and long-term	• Environmental Policy • Sustainable Energy Management Policy • Low-carbon procurement guidelines
Negative impact	Climate change adaptation	Lack of climate adaptation could result in service disruptions for customers due to extreme weather events		X	X	Short-, medium- and long-term	• Environmental Policy • IT Service Continuity Management (ITSCM) Policy
Negative impact	Climate change mitigation	Increased greenhouse gas emissions due to insufficient decarbonisation across the entire value chain and the lack of decoupling material consumption from business growth	X	X	X	Short- to medium-term	• Environmental Policy • Sustainable Energy Management Policy • Low-carbon procurement guidelines • Supply Chain Sustainability Policy
Negative impact	Energy	Release of greenhouse gas emissions due to high energy consumption and the use of non-renewable energy sources		X	X	Short- to medium-term	• Environmental Policy • Sustainable Energy Management Policy

T 24 – MATERIAL RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

Material risks and opportunities			Position in the value chain				
	Sub-topic	Description	Upstream	Own operations	Downstream	Time horizon	Associated policy/policies
ESRS E1 Climate change							
Opportunity	Energy	Independence from rising electricity and CO_2 certificate prices through the purchase of green electricity via Power Purchase Agreements (PPAs)		X		Medium- to long-term	• Environmental Policy • Sustainable Energy Management Policy
Opportunity	Energy	Reduced maintenance costs and increased transparency by monitoring energy consumption through the implementation of new technologies and actions such as smart meters		X		Medium- to long-term	• Environmental Policy • Sustainable Energy Management Policy
Opportunity	Energy	Cost optimisation through the use of renewable energy and planning self-generation projects	X	X	X	Medium- to long-term	• Environmental Policy • Sustainable Energy Management Policy
Risk	Climate change mitigation	Increased operating costs due to decarbonisation in supplier management, which is passed along the value chain (transition risk).	X	X	X	short-term	• Environmental Policy • Low-carbon procurement guidelines • Supply Chain Sustainability Policy

Resilience of strategy and business model with regard to climate change
E1 SBM-3

In financial year 2024, the parent group, Telefónica, S.A. Group, conducted a resilience analysis to assess the ability of the corporate strategy and business model to adapt to climate change in the short-, medium- and long-term. This analysis was based on a scenario analysis evaluating physical risks associated with climate change and transition risks arising from the transformation of the economy and society in a low-emission scenario (>Chapter DOUBLE MATERIALITY ASSESSMENT METHODOLOGY).

The resilience analysis considered the Group's key markets: Spain, Germany and Brazil. The focus was on the undertaking's main activities, particularly telecommunication services (fixed network and mobile network), as well as critical assets and facilities that are especially affected by climate change impacts, such as base stations, data centres and warehouses. Climate change mitigation and adaptation actions that are already being implemented by the various Group companies were taken into account, for example, the procurement of renewable energy and improving energy efficiency. With regard to the transition risks and opportunities, the analysis also incorporated influences from the upstream and downstream value chain. For upstream activities, it was assumed that energy providers would have to bear additional financial burdens due to various factors, such as costs associated with CO_2 emissions, the occurrence of extreme weather events and the implementation of new regulations, which would likely be passed on to consumers. In terms of the downstream value chain, an increasing demand for products and services that contribute to the decarbonisation of the economy and improve the ecological footprint of our customers was anticipated.

The ESRS frameworks and the TCFD standards were considered for identifying risks and opportunities related to physical and transition risks. The risks and opportunities outlined in these frameworks were applied to the activities, sites and specific characteristics of Telefónica, S.A. Group and were qualitatively assessed by internal experts. A detailed evaluation of potential risks and opportunities for the undertaking was conducted using various climate scenarios as part of the climate scenario analysis (>Chapter DOUBLE MATERIALITY ASSESSMENT METHODOLOGY).

The resilience analysis did not identify any activities of Telefónica, S.A. Group that are incompatible with the transition to a CO_2-neutral economy. However, the impacts of climate change and increased efforts to decarbonise the economy across the entire value chain may lead to rising costs for Telefónica Deutschland Group. In contrast, Telefónica Deutschland Group's digital services can drive the decarbonisation of the economy, presenting additional business opportunities. Telefónica, S.A. Group and Telefónica Deutschland Group take climate change into account in their strategy and financial planning through the diversification of products and services as well as actions relating to climate change mitigation and adaptation, such as the procurement of renewable energy or improving energy efficiency. The resilience analysis enabled the entire Group to gain a deeper understanding of the undertaking's exposure to challenges and opportunities associated with climate change. The results of the analysis provided a solid foundation for prioritising future actions and supporting strategic decisions.

It should be noted, however, that the climate scenarios used are subject to uncertainties arising from political, technological and social factors, such as the achievement of international and national climate targets. The assumptions made in the scenarios could lead to an underestimation or overestimation of the assessed risks and opportunities. Moreover, the evaluation was conducted at the organisational level and for the general typology of infrastructure rather than individual installations. The analysis therefore primarily allows for the derivation of strategic implications.

Policies related to climate change mitigation and adaptation

E1-2, ESRS 2 MDR-P

The company-wide **Environmental Policy** forms the basis for all activities of Telefónica Deutschland Group in the area of climate and environmental protection. The policy was developed in accordance with the international standard DIN EN ISO 14001:2015, under which the Management Board of Telefónica Deutschland Group defines the Environmental Policy and ensures its implementation. The CR&S Directorate is responsible for the implementation and updating of this policy. The Environmental Policy pursues three main objectives: Supporting the management of environmental risks and compliance with obligations, minimising environmental impacts and leveraging technological opportunities to address ecological challenges. We are particularly committed to environmental protection, reducing our ecological footprint and continuously improving environmental performance. This commitment is fulfilled by setting and achieving ambitious goals, which are embedded in the Responsible Business Plan 2025 (>Chapter TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION). A key component of the Environmental Policy is promoting a low-carbon economy by reducing greenhouse gas emissions across the entire value chain and adapting business operations to potential physical risks associated with climate change. With regard to risks associated with critical information and communication services, Telefónica Deutschland Group has also established the IT Service Continuity Management-Policy (>Chapter CORPORATE CULTURE AND POLITICS) to ensure availability even during exceptional events such as extreme weather conditions. Furthermore, we are committed to fostering innovation in digital services and products that contribute to addressing local and global environmental challenges while offering business opportunities for our undertaking. The **climate strategy with the goal of achieving "net-zero CO_2 emissions by 2040"** (>Chapter TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION) and the RBP 2025 are key components for implementing and monitoring the achievement of the Environmental Policy's objectives. The strategic orientation of the policy is reviewed at least annually and on an ad hoc basis, for example, in the event of regulatory changes.

The commitments outlined in the Environmental Policy are supported by various policies and additional internal procedural instructions that address critical levers for improving environmental performance and achieving corporate objectives. Policies and climate and environmental strategies are developed within the relevant Management Board areas of Technology, Finance and Legal & Corporate Affairs, and are collectively approved by the Management Board. The implementation of the Environmental Policy into business processes and the development of specific procedural instructions are carried out by the respective departments.

The **Sustainable Energy Management Policy** in line with ISO 50001, defines the principles of environmental management in the area of energy for Telefónica Deutschland Group. The policy commits us to implementing energy efficiency actions and transitioning to the exclusive use of electricity from renewable energy sources. It underscores the importance of energy management in combating climate change and managing the associated financial risks. Additional regulations for operational processes are defined in internal procedural instructions for relevant departments. As part of an annual management review, the achievement of set targets and adherence to energy management principles are assessed by the CR&S Directorate using various criteria, such as energy performance indicators and evaluations of operational and strategic objectives.

The internal **Low-carbon procurement guidelines** and the **Supply Chain Sustainability Policy** (>Chapter POLICIES RELATED TO WORKERS IN THE VALUE CHAIN) regulate, among other things, climate-related requirements in the upstream value chain. In the selection of energy- and greenhouse-gas-intensive acquisitions, such as network technology, heating and cooling systems or data centre equipment, the Low-carbon procurement guidelines mandate that, in addition to purchase costs, energy and CO_2 costs over the life cycle must also be considered (>Chapter TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION). The Internal Audit department reviews the application of this policy through appropriate analyses of the procurement process. The Supply Chain Sustainability Policy establishes minimum standards for Telefónica Deutschland Group's suppliers across various criteria, including social, environmental, ethical and privacy aspects. It contributes to responsible and sustainable management within the supply chain. Suppliers commit to adhering to these minimum standards by agreeing to the Supplier Code of Conduct in product- and service-related contracts. They also pledge to inform their employees and direct suppliers about the minimum standards outlined in the Code of Conduct to ensure compliance with these principles.

All policies and principles are accessible to employees via Telefónica Deutschland Group's internal regulations portal. The Environmental Policy, Sustainable Energy Management Policy and Supply Chain Sustainability Policy are also available to external stakeholders on Telefónica Deutschland Group's website. We offer training on the topics covered in this section, including online-based energy and environmental training for employees, a training programme on low-carbon procurement and a training course on the German Act on Corporate Due Diligence Obligations in Supply Chains for employees and workers in the value chain.

Actions related to climate change mitigation and adaptation

E1-3, ESRS 2 MDR-A

Decarbonisation levers for business operations and the value chain

The key decarbonisation levers to achieve the set reduction targets are:

- The use of renewable energy;
- Energy efficiency;
- Collaboration with suppliers;
- Circular economy for hardware products.

The use of renewable energy and improvement of energy efficiency in our own operations primarily aim to reduce Scope 1 and 2 emissions. These decarbonisation levers were the focus of the actions implemented and continued during financial year 2024, which are described in more detail below. For Scope 3 emissions, the manufacturing and procurement of hardware products in the upstream value chain and their use by our customers in the downstream value chain are particularly relevant. These indirect emissions are expected to be reduced in the future through close collaboration with our suppliers and by advancing a circular economy for hardware products. The actions already implemented and initiated in the area of the circular economy are described in the >Chapter ACTIONS RELATED TO RESOURCE USE AND CIRCULAR ECONOMY. Additional actions to reduce Scope 3 emissions are currently being identified and developed in collaboration with our parent group, Telefónica, S.A. Group. As part of this effort, the expected contribution of the above-mentioned levers to achieving Telefónica Deutschland Group's greenhouse gas reduction targets is analysed and quantified (>Chapter TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION).

In financial year 2024, Telefónica Deutschland Group continued, implemented or initiated various actions to enforce its policies on climate change mitigation and adaptation, and to achieve its corporate objectives. The figures for future investments (CapEx) and operating expenditure (OpEx) are based on estimates derived from corporate planning, existing contracts or historical trends in prices and costs. These estimates are therefore subject to uncertainties. The execution of the actions is not dependent on any preconditions, such as external funding.

Reduction of CO_2 emissions through fleet electrification

A significant portion of our Scope 1 emissions is caused by emissions from company vehicles. In 2024, we revised and updated company agreements and policies for service vehicles, aiming to promote e-mobility and reduce CO_2 emissions. The gradual electrification of our vehicle fleet will contribute to a reduced CO_2 footprint during vehicle use, thereby decreasing pollution of air in the medium term. These policies apply to all employees eligible for company vehicles within Telefónica Deutschland Group.

Reduction of CO_2 emissions through the use of renewable energy

To reduce Scope 2 emissions, Telefónica Deutschland Group has been exclusively using electricity from renewable energy sources at its own sites since 2016. For this reason, Telefónica Deutschland Group entered into two Power Purchase Agreements (PPAs) for energy procurement from offshore wind farms in Germany. The agreements were signed in 2022 and 2023 and include an annual delivery of a total of 550 GWh for the period 2025 to 2040. The planned financial resources for implementing this action amount to operating expenditure (OpEx) of EUR 700 million over the entire contract duration.[30] The long-term commitments arising from these agreements are accounted for in the off-balance-sheet obligations in the >Chapter RESULTS OF OPERATIONS. This action aims to both strengthen our resilience to volatile energy prices and promote the expansion of renewable energy in Germany. Since 2016, we have fully reduced our market-based Scope 2 emissions to zero through the purchase of Guarantees of Origin for electricity used. For this reason, no further reduction in market-based Scope 2 emissions has been reported.

To further optimise the quality of total electricity consumption, Telefónica Deutschland Group is increasingly relying on electricity from its own renewable energy generation. In 2024, a pilot project was successfully completed, which involved the installation of four on-grid and two off-grid photovoltaic systems. By the end of financial year 2025, an additional 50 photovoltaic systems are planned to be installed nationwide at our own antenna sites.

The agreed delivery capacity of the PPAs and our own renewable energy generation covers a significant portion of Telefónica Deutschland Group's electricity needs. To meet remaining demand, electricity is procured from the energy exchange and is 100% certified as green electricity through the purchase of additional Guarantees of Origin. The financial resources allocated to this action amounted to operating expenditure (OpEx) of EUR 3.8 million in the financial year. These expenses are recorded under operating expenditure in the consolidated income statement, specifically under materials and purchased services. The purchase of guarantees of origin will remain a key component for achieving our climate goals in the future. The future financial resources required to continue this action will depend on the amount of electricity needed and the future price of the certificates. The operating expenditure for energy procurement as part of PPAs and the purchase of Guarantees of Origin does not correspond to the permitted expenditure categories for reporting on Taxonomy alignment in accordance with sub-section 1.1.3.1 of Annex 1 of the Delegated Regulation (EU) 2021/2178 and therefore was not included in the OpEx figures in the >Chapter EUROPEAN TAXONOMY OF SUSTAINABLE ACTIVITIES – TELEFÓNICA DEUTSCHLAND GROUP.

Offsetting unavoidable Scope 1 and Scope 2 emissions

To achieve the target of fully offsetting the remaining and largely unavoidable Scope 1 and Scope 2 emissions, such as emissions from refrigerants in air conditioning systems, by 2025, we purchase a corresponding quantity of CO_2 certificates (>Chapter METRICS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION).

Improving energy efficiency

In addition to the use of renewable energy, improving energy efficiency is a critical lever for promoting the decarbonisation of our own operations and value chain.

One key action is the continuous installation of smart meters for digital monitoring of energy consumption. This helps to further increase the CO_2 efficiency of the O_2 network. Energy consumption is analysed across all sites using artificial intelligence (AI), enabling predictive maintenance at a site before significant damage occurs to a mobile network component. This digitalisation action facilitates the early identification of anomalies in energy consumption and the implementation of appropriate actions to optimise energy use,

[30] The figures for future investments (CapEx) and operational expenditure (OpEx) are based on estimates derived from corporate planning, existing contracts or historical trends in prices and costs. These estimates are therefore subject to uncertainties.

thereby avoiding emissions. By the end of the financial year, we successfully installed smart meters at all locations where installation was technically feasible. The installation of smart meters will continue at new sites on an ongoing basis.

Another measure to optimize energy consumption is the continuous replacement of air conditioning systems in stations with free cooling systems. In 2024, EUR 5.45 million of capital expenditure were spent on this, which is recorded in property, plant and equipment in the Consolidated Balance Sheet. In addition to reducing electricity consumption, the share of climate-damaging gases in operations was also reduced.

Another important lever to improve energy and resource efficiency is the continuous identification and implementation of optimisation potential for the cloud resources used by Telefónica Deutschland Group from its cloud providers. This includes actions such as rightsizing (e.g. reducing active computing capacity by resizing virtual machines), shutting down resources during periods of inactivity at night and/or on weekends (primarily for development and testing environments) and the use of more efficient services such as the Graviton processor.

Since the Low-carbon procurement guidelines of Telefónica Deutschland Group came into effect in 2023, the costs for CO_2 emissions and energy consumption have been considered in the product selection process for certain product categories with high energy consumption and direct CO_2 emissions, such as heating technology (>Chapter POLICIES RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION and >Chapter METRICS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION). This approach promotes the acquisition of more energy-efficient and lower-emission installations.

Adaptation of critical infrastructure to climate change

In financial year 2024, we implemented an IT Service Continuity Management (ITSCM) system to strengthen the resilience of our IT and network infrastructure and support the continuous provision of network services for our customers. This system accounts for extraordinary events, such as extreme weather events caused or intensified by climate change. It ensures that critical information and communication technology (ICT) services can be provided at a predefined level and within the required time frame despite extraordinary events. This is achieved through actions such as deploying mobile base stations or backup power generators. The system also ensures the restart or recovery of necessary ICT resources. The ITSCM is monitored by employees and managers in the Technology business area and was introduced in 2024 for high-priority systems. Starting in 2025, a standardised process will be established to ensure transparency regarding relevant systems and their disaster recovery plans, maintaining the required quality. For more information on Business Continuity Management (BCM), see >Chapter CORPORATE CULTURE AND POLITICS and >Chapter ACTIONS RELATED TO BUSINESS CONDUCT.

Promotion of digitalisation solutions for managing energy consumption and CO_2 emissions

Telefónica Deutschland Group offers Internet of Things (IoT) solutions that support digital tools, providing customers with greater transparency regarding energy consumption and CO_2 emissions, enabling them to manage these effectively. Our product portfolio includes telematics solutions such as smart mobility and smart meters. Smart mobility is a plug-and-play solution for fleet management for business customers, enabling the analysis and evaluation of vehicle data, including fuel consumption and CO_2 emissions. This IoT solution is offered in collaboration with our partner Geotab and undergoes continuous development. We also offer specialised tariffs for connectivity products, which can be used in devices such as smart meters. Smart meters enable continuous monitoring and management of electricity, water or gas consumption through data transmission over our network.

Targets related to climate change mitigation and adaptation

E1-4, E1-7, ESRS 2 MDR-T

Telefónica Deutschland Group places energy efficiency and CO_2 reduction at the core of its climate strategy. By setting measurable and scientifically grounded targets, it adheres to the principles of its Environmental Policy and Sustainable Energy Management Policy, aiming to promote sustainable digitalisation in the economy and society while contributing to a low-carbon economy. An overview of the key decarbonisation levers can be found in the >Chapter ACTIONS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION.

Net-zero emissions by 2040

Telefónica Deutschland Group is part of Telefónica, S.A. Group, which has committed, alongside the United Nations, to combat climate change by formulating climate and energy goals for 2025 and 2040. The Group is also a member of the Business Ambition for 1.5°C coalition. These targets are science-based, aligned with the 1.5-degree scenario of the Paris Climate Agreement, and follow the recommendations of the Intergovernmental Panel on Climate Change (IPCC), encompassing emissions under Scopes 1, 2 and 3. Telefónica, S.A. Group is the first telecommunications undertaking to have its targets validated[31] by the Science Based Targets Initiative (SBTi). Telefónica Deutschland Group's reduction targets were set taking into account the targets of our parent group. By 2040, all greenhouse gas emissions[32] – including those across its value chain – are to be reduced to net zero. To achieve **net-zero emissions by 2040**, emissions across Scopes 1, 2 and 3 will be reduced, and unavoidable emissions will be neutralised through the purchase of CO_2 certificates. Our target is for this share to account for less than 10% of the baseline value, as defined by the methodology of the Science Based Targets Initiative (SBTi). The climate protection projects eligible for the emission certificates must meet high ecological and social

[31] The SBTi-certified targets align with cross-sectoral reduction targets to limit global warming to 1.5°C, following a reduction trajectory of –42% by 2030 and –90% by 2050.

[32] The following greenhouse gases are relevant for Telefónica Deutschland Group and are recorded in the greenhouse gas inventory: CO_2, CH_4, N_2O, HFCs and HCFCs. See >Chapter AENOR Certificate.

standards and be certified under the Verified Carbon Standard. The reduction targets of Telefónica Deutschland are based on 2015 as the baseline year for Scope 1 and 2 emissions (market-based baseline: 397,798 t CO_2e) and 2016 as the baseline year for Scope 3 emissions (baseline: 343,157 t CO_2e). The selection of these baseline years considered the available methodologies, as well as the availability, traceability and accuracy of the underlying data. Additionally, there were no internal operational changes or external circumstances, such as extreme weather events, that could have caused anomalies in the emission profiles during the years 2015 and 2016. The selected baseline years are therefore representative of the emission profile and current activities of Telefónica, S.A. Group.

In line with our commitment to achieving net-zero emissions by 2040, we have established interim targets for reducing Scope 1, Scope 2 and Scope 3 emissions by 2025, aligned with our parent group, Telefónica, S.A. Group. Based on the targets set to date, not all ESRS reporting requirements can be met. In financial year 2025, we will set new targets for Scope 1, 2 and 3 emissions for 2030, taking into account the reporting requirements. The following targets apply for financial year 2024:

Reduction of Scope 1 and Scope 2 emissions
The total **Scope 1 and Scope 2 emissions are targeted to be reduced by 96% by the end of 2025**, compared to 2015 levels.[33] Progress toward achieving this target is reviewed quarterly. As an additional interim goal, a 95% reduction is planned by 2024. Compared to the 2015 baseline, reductions of 96.7% in 2022 and 97% in 2023 have been achieved. With a 97% reduction compared to the baseline year, we have successfully met the 95% target for 2024.

Offsetting unavoidable Scope 1 and Scope 2 emissions
In addition to the goal of reducing Scope 1 and Scope 2 emissions, Telefónica Deutschland Group has set a target to **fully offset all remaining and largely unavoidable Scope 1 and Scope 2 emissions (market-based)** through the use of CO_2 certificates starting in 2025. In 2022, Telefónica Deutschland Group offset 40% of the remaining emissions (5,781 t CO_2) and in 2023, 60% of the remaining emissions (6,190 t CO_2) through CO_2 certificates. The remaining Scope 1 and Scope 2 emissions (market-based) for 2024 amount to 6,126 t CO_2, of which 80% has been offset using CO_2 certificates (>Chapter METRICS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION).

Reduction of Scope 3 emissions
The target for Scope 3 emissions is a **39% reduction by 2025 compared to 2016**. All significant Scope 3 categories, which account for over 95% of total Scope 3 emissions[34], have been included in the reduction targets. In 2023, emissions were 14% higher compared to the baseline year. The annual review of emissions trends shows that emissions in 2024 are 9% lower than the baseline level. To date, no comprehensive actions have been implemented to reduce Scope 3 emissions. Together with our parent group, Telefónica, S.A. Group, we will formulate long-term targets and strategies that establish a foundation for future reductions at the global level across the entire Group. A key lever for achieving reductions is collaboration with our suppliers to collectively lower the carbon footprint of products and services.

Improving energy efficiency
In its efforts to reduce greenhouse gases, Telefónica Deutschland Group has also accounted for future developments, such as an increase in data volume. Since 2015, we have been striving to improve energy efficiency. Our target is to manage electricity consumption as efficiently as possible. To offset the rising energy consumption driven by increasing data usage, the **energy intensity (GWh/PB) is targeted to be reduced by 87% by 2025 compared to the baseline value of 0.43 GWh/PB in 2015.** Compared to the baseline year 2015, energy consumption per data volume was reduced by 81.4% in 2022 and by 83.4% in 2023. The reduction target of 84% for 2024 has been exceeded, achieving a value of 85.2%. After the end of 2025, a new target will be set, or adjustments will be made in the event of target shortfalls. To define the target, we reviewed energy consumption based on the usage figures audited by AENOR INTERNACIONAL, S.A.U., supported by documentation. The data traffic is recorded by our specialist department. The target is also monitored annually using the same metrics. The achievement of the target is supported by the continually increasing coverage of the German population with 5G network technology, which offers higher energy efficiency (>Chapter TTARGETS RELATED TO CONSUMERS AND END-USERS).

Metrics related to climate change mitigation and adaptation
E1-3, E1-5, E1-6, E1-7, E1-8

Greenhouse gas emission reduction by action
E1-3

As a key action to mitigate climate change, Telefónica Deutschland Group has defined actions that support the implementation of the Responsible Business Plan (RBP) and significantly contribute to achieving the stated targets.

In particular, estimates regarding future emission reductions are based on historical emissions, internal analyses and, where applicable, manufacturers' data on the products used. These figures inherently involve some level of uncertainty.

[33] This target pertains to the combined total of Scope 1 and Scope 2 emissions, as defined within the boundaries of the greenhouse gas inventory in >Chapter METRICS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION.
[34] Relevant scope 3 categories: purchased goods and services (3.1), capital goods (3.2), fuel- and energy-related emissions (3.4), business travel (3.6), use of sold products (3.11).

T 25 – KEY ACTIONS TO REDUCE GREENHOUSE GAS EMISSIONS

Key actions related to climate change mitigation and adaptation	Achieved reduction 2024 t CO_2e	Expected reduction in the future t CO_2e
Reduction of CO_2 emissions through the use of renewable energy[35]	317,727	317,727
Offsetting unavoidable Scope 1 and Scope 2 emissions	4,901	4,901
Improving energy efficiency	4,696	4,696

In the context of improving energy efficiency, projects that were started in the previous year and had an impact in the reporting year were taken into account.

Energy consumption and mix

E1-5

T 26 – ENERGY CONSUMPTION AND MIX

	Energy consumption 2024 MWh	Energy consumption 2024 %
Total energy consumption from non-renewable energy sources	25,412	2.9
• of which total energy consumption from crude oil and petroleum products[36]	17,066	2.0
• of which total energy consumption from natural gas	3,046	0.4
• of which from coal and coal products	0	0
• of which from district heating[37]	5,301	0.6
Total energy consumption from nuclear energy	0	0
Total energy consumption from renewable energy sources[38] [39]	836,124	97.1
Own production of renewable energy	76	
Own generation of non-renewable energy (MWh)	n/a	n/a
Total energy consumption related to own operations	861,537	100
Energy intensity per activity in sectors with high climate impact:	n/a	n/a
• Revenue from the retail of information and communication technology equipment	EUR 1,784,611,022.00	
• Energy consumption per EUR revenue in the retail of information and communication technology equipment	0.000026 MWh/EUR	
• Energy consumption per data volume	60.8 MWh per petabyte	

In the context of Telefónica Group's business operations, "Retail of Information and Communication Technology Equipment" is considered a "sector with high climate impact"[40] This includes only the energy consumption of office locations , call centres and owned retail shops, which currently account for approximately 5% of total energy consumption.

Therefore, in addition to the mandatory disclosure and in line with previous years, we also report energy intensity calculated as energy consumption divided by data volume[41] in petabytes.

Greenhouse gas emissions

E1-6

The calculation of the carbon footprint for Telefónica Deutschland Group is conducted annually by its Spanish parent group, Telefónica, S.A. Group, taking into account the specific characteristics of Telefónica Deutschland Group. The company's business operations (Scope 1 and 2) and its value chain (Scope 3) are assessed in accordance with the methodology of the Greenhouse Gas Protocol (GHG Protocol). The emissions identified cover the entire reporting period for non-financial indicators and pertain to all activities and facilities under the operational control of Telefónica Deutschland Group. We calculate and report emissions in the form of CO_2 equivalents (CO_2e), including not only carbon dioxide (CO_2) but also the four other relevant greenhouse gases: methane (CH_4), nitrous oxide (N_2O) and hydrofluorocarbons (HFKW). Other greenhouse gases are not relevant to the activities of Telefónica Deutschland Group. The calculation of CO_2 emissions is audited annually by the independent external certification provider AENOR INTERNACIONAL, S.A.U. The percentage of Scope 3 emissions calculated using primary data amounts to 78% in the reporting year.

[35] Telefónica Deutschland Group sources its electricity via the electricity market. The acquired electricity mix is qualified as 100% green electricity using Guarantee of Origin certificates. There are also sites already powered by self-generated solar electricity. The remaining emissions mainly relate to fleet consumption, backup power generators and district heating or natural gas purchases.
[36] Fuel consumption (in the form of diesel, natural gas and district heating) includes units supplied directly to Telefónica Deutschland Group facilities under direct contracts with energy providers. The consumption is derived from the actual billed and partially forecasted quantities per delivery point. The calculation of fuel consumption is conducted in accordance with Telefónica, S.A., using international conversion factors and verified by the Spanish standards and certification body AENOR INTERNACIONAL, S.A.U.
[37] Consumption from purchased or acquired electricity, heat, steam or cooling from fossil sources only includes district heating in Telefónica Deutschland Group.
[38] Telefónica Deutschland Group sources its electricity through the energy exchange. The acquired electricity mix is qualified as 100% green electricity using Guarantee of Origin certificates. There are also sites already powered by self-generated solar electricity.
[39] Electricity consumption is derived from the actual billed and partially forecasted quantities per electricity delivery point.
[40] As per Annex I of Regulation (EC) № 1893/2006 of the European Parliament and of the Council — SECTION G — WHOLESALE AND RETAIL TRADE –> 47.4
[41] The data volume includes both mobile and fixed network data traffic.

T 27 – TOTAL GHG EMISSIONS BROKEN DOWN BY SCOPE 1, 2 AND SIGNIFICANT SCOPE 3 EMISSIONS

			Retrospective			Interim targets and target years		
	Baseline year	Comparison	2024	% 2024 / 2023	2025	2030	(2050)	Annual % target/ Baseline year
Scope 1 GHG emissions								
Gross Scope 1 GHG emissions (t CO_2e)	n/a	n/a	5,774	n/a	n/a	n/a	n/a	n/a
Percentage of Scope 1 GHG emissions from regulated emissions trading schemes (in %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Scope 2 GHG emissions								
Gross location-based Scope 2 GHG emissions (t CO_2e)	n/a	n/a	318,051	n/a	n/a	n/a	n/a	n/a
Gross market-based Scope 2 GHG emissions (t CO_2e)	n/a	n/a	352	n/a	n/a	n/a	n/a	n/a
Significant scope 3 GHG emissions								
Total Gross indirect (Scope 3) GHG emissions (t CO_2e)	n/a	n/a	313,696	n/a	n/a	n/a	n/a	n/a
1 Purchased goods and services	n/a	n/a	164,181	n/a	n/a	n/a	n/a	n/a
2 Capital goods	n/a	n/a	27,972	n/a	n/a	n/a	n/a	n/a
3 Fuel and energy-related activities (not included in Scope 1 or Scope 2)	n/a	n/a	1,390	n/a	n/a	n/a	n/a	n/a
4 Upstream transportation and distribution	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5 Waste generated in operations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6 Business travel	n/a	n/a	1,693	n/a	n/a	n/a	n/a	n/a
7 Employee commuting	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8 Upstream leased assets	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
9 Downstream transportations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10 Processing of sold products	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
11 Use of sold products	n/a	n/a	118,460	n/a	n/a	n/a	n/a	n/a
12 End-of-life treatment of sold products	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
13 Downstream leased assets	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
14 Franchises	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
15 Investments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total GHG emissions								
Total GHG emissions (location-based) (t CO_2e)	n/a	n/a	637,521	n/a	n/a	n/a	n/a	n/a
Total GHG emissions (market-based) (t CO_2e)	n/a	n/a	319,822	n/a	n/a	n/a	n/a	n/a

The calculation of emissions is carried out by multiplying collected activity data with documented and regularly updated greenhouse gas emission factors.

In accordance with the requirements of the GHG Protocol and SBTi standards, any methodological change or significant change in activities within the greenhouse gas inventories triggers a recalculation of historical years, including the baseline year. This applies if the changes result in a 5% variation in total emissions across Scopes 1, 2 and 3. This should ensure that the baseline years remain representative and allows for effective monitoring of progress in reducing GHG emissions.

Approach and calculation of Scope 1 and Scope 2 emissions

Scope 1 (direct GHG emissions): These emissions originate from two main sources: fuel consumption (fleet and equipment) and fugitive emissions. The emission factors used are based on common sources such as the GHG Protocol Cross-Sector Tools (2024), the IPCC Fifth Assessment Report (2021) and the German Federal Environment Agency.

Scope 2 (indirect GHG emissions): The emission factors are based on sources that specify country-specific factors for Germany. These include the most recent publications from the German Federal Environment Agency for the location-based method and the European Residual Mixes 2022, published by the Association of Issuing Bodies (AIB), for the market-based method. Telefónica Deutschland Group does not consider biogenic emissions in Scope 2, as they are deemed irrelevant.

Approach and calculation of Scope 3 emissions

Scope 3 emissions are indirect GHG emissions arising along Telefónica Deutschland's upstream and downstream value chain. In 2021, we conducted an analysis to identify the most significant Scope 3 categories for Telefónica Deutschland Group. These categories offer the greatest potential for emission reductions and are therefore prioritised in our emissions reporting and management processes. We also report on other Scope 3 emissions that constitute less than 5% but are strategically important or relevant for sector comparability, such as "Business Travel".

For calculating emissions from the procurement of goods and services as well as capital goods (Categories 1 and 2), we apply the hybrid method defined by the GHG Protocol. This method multiplies the emission intensity of each supplier with activity data associated with them, such as the quantity of ordered goods. We use the supplier-specific method for purchasing mobile devices. In this case, the units of purchased devices are multiplied by the specific emissions from the production and transport phases derived from the lifecycle analysis of each model.

Emissions related to fuel- and energy-related activities (Category 3) include emissions associated with the extraction, production and transportation of the energy we consume. The calculation method relies on activity data, such as the volume of fuels, electricity and district heating consumed by various business areas during the reporting year. Upstream emission factors and distribution losses are also taken into account. The sources for these factors are country-specific data from the Statistics-Emissions Factors (2023) report by the International Energy Agency and the 2023 UK Government GHG Conversion Factors for Company Reporting published by the UK Department for Environment, Food and Rural Affairs (DEFRA).

We use two methods for the calculation of emissions from business travel (category 6): the distance-based method for air, rail, bus, rental car and ship travel, and the expenditure-based method for modes of transport where the kilometres travelled are unknown. The emission factors used come from the "2023 UK Government GHG Conversion Factors for Company Reporting by DEFRA and the Air Emission Accounts by Industry and Aggregates by Industry" by the Spanish Statistical Office (Instituto Nacional de Estadística).

Two approaches are employed for the calculation of emissions from the use of sold products (Category 11):

1. For mobile devices (smartphones and tablets), emissions are calculated by multiplying the number of devices sold by the life-cycle-specific emissions. The emissions data are sourced from publicly available Life Cycle Assessment studies provided by manufacturers or from the Eco Rating Initiative.
2. For customer devices, such as routers and set-top boxes, emissions are determined by multiplying the number of installed devices by the annual energy consumption and a country-specific electricity emissions factor for Germany. These electricity emissions factors align with those used for Scope 2 emissions (location-based method).

The remaining Scope 3 categories are excluded from the greenhouse gas inventory of Telefónica Deutschland Group because they are either not applicable, reported under other Scopes, or account for less than 5% of the value chain emissions. These categories are therefore of lower strategic significance when it comes to identifying levers for emissions reductions to achieve our net-zero emissions target. In total, the excluded categories account for no more than 10% of total Scope 3 emissions. This means that the Scope 3 emissions considered align with the SBTi standard for net-zero emissions targets, which requires that long-term targets include at least 90% of an organisation's Scope 3 emissions.

Greenhouse gas intensity

T 28 – GREENHOUSE GAS INTENSITY

	2024
Total GHG emissions (location-based) per net revenues (t CO_2e/EUR million)	0.000075
Total GHG emissions (market-based) per net revenues (t CO_2e/EUR million)	0.000038

To calculate the greenhouse gas intensity, expressed as a ratio of the total CO_2 emissions (Scope 1, 2 and 3 emissions) to net revenue of Telefónica Deutschland Group, the revenues from the Consolidated Financial Statements are used (>Chapter CONSOLIDATED INCOME STATEMENT).

Greenhouse gas removal and GHG mitigation projects financed through CO_2 certificates

E1-7

For information on the net-zero emission target see >Chapter TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION.

Telefónica Deutschland Group offsets the remaining Scope 1 and market-based Scope 2 emissions with the help of CO_2 certificates. The total in the unit "tCO_2e" is specified in the respective contract and guaranteed by the service provider. The required compensation amount is calculated each year and the corresponding retirement of certificates is initiated through our service provider.

Emission credits were purchased based on a global purchase agreement between Telefónica S.A. Group and Southpole for the reporting periods 2023 to 2026. For Telefónica Deutschland Group, this amounts to a total of 24,023 certificates from the project "Restoration of Degraded Areas and Reforestation in Cáceres and Cravo Norte, Colombia" (Project ID 576 in the Verra registry). The certificates are certified under the Verified Carbon Standard (VCS). Beyond this, there is no additional participation in the emissions credit market (neither mandatory nor voluntary).

T 29 – GREENHOUSE GAS REMOVAL AND GHG MITIGATION PROJECTS

2024	Removal projects
CO_2 credits outside the undertaking's value chain that were cancelled in the reporting period (t CO_2e)	4,901
• Share from removal projects based on biogenic sinks (%)	100
• Share from reduction projects (%)	0
• Share from VCS-certified projects (%)	100
• Share from projects within the EU (%)	0
• Share of CO_2 certificates that qualify as a corresponding adjustment under Article 6 of the Paris Agreement (%)	0
Planned future cancellations of CO_2 credits outside the undertaking's value chain	n/a[42]

Internal CO_2 pricing

E1-8

With the Low-carbon procurement guidelines (>Chapter POLICIES RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION), Telefónica Deutschland Group introduced an internal shadow price for CO_2 emissions in the context of investment decisions in 2023. In the procurement process for certain product categories with high energy consumption and direct CO_2 emissions, such as network technology, heating and cooling systems or data centre equipment, and with an annual purchase value of more than EUR 3 million, the costs for energy consumption as well as an internal shadow price for CO_2 emissions are included in the product selection. For each bid, the CO_2 emissions and energy consumption of the product are requested from suppliers, and a cost analysis over the entire lifecycle is performed. Direct CO_2 emissions as well as indirect emissions from energy consumption are included in the cost analysis using the internal shadow price. The internal price for CO_2 emissions serves as a decision-making tool that considers future Scope 1 and Scope 2 emissions.

The price is set by the parent group Telefónica, S.A. Group for all Group companies and is based on an analysis of various sources. Forecasts by the International Energy Agency on CO_2 pricing, the prices for emission certificates in the European Union (EU) and trends reported by the Carbon Pricing Leadership Coalition were considered in this process. The reviewed sources indicated price ranges between USD 50/tCO_2 and USD 100/t CO_2. As the telecommunications sector is not subject to mandatory CO_2 pricing mechanisms such as the European Carbon Border Adjustment Mechanism or the EU Emissions Trading System, a lower value is considered appropriate for the activities of Telefónica, S.A. Group. An analysis of CDP climate change questionnaires revealed that the average shadow price published there was USD 28/t CO_2. The average prices of CO_2 certificates that Telefónica, S.A. Group purchased in the voluntary carbon market for CO_2 offsets between 2020 and 2022 ranged from EUR 16/t CO_2 to EUR 20/t CO_2. Taking these sources into account, the internal shadow price for financial year 2024 was set at EUR 30/t CO_2.

[42] The amount of planned future cancellations depends on the future emissions that are to be offset in the coming reporting periods in order to achieve the company's goals.

Resource Use and Circular Economy

ESRS E5

Impacts, risks and opportunities related to resource use and circular economy

T 30 – MATERIAL IMPACTS RELATED TO RESOURCE USE AND CIRCULAR ECONOMY

Material impacts			Position in the value chain				
	Sub-topic	Description	Upstream	Own operations	Downstream	Time horizon	Associated policy/policies
ESRS E5 Resource use and circular economy							
Positive impact	Resource outflows related to products and services	Promotion of environmentally conscious consumer behaviour through the provision of information aimed at educating and raising awareness among customers to support and advance the circular economy.			X	Short-, medium- and long-term	• Environmental Policy
Positive impact	Resource outflows related to products and services	Reduction of electronic waste through the offering of leasing and subscription business models, such as for routers			X	Short-, medium- and long-term	• Environmental Policy
Negative impact	Resource outflows related to products and services	Environmental pollution, resource and raw material consumption, as well as increased waste generation due to insufficient circular and waste management processes		X	X	Short- and medium-term	• Environmental Policy • Supply Chain Sustainability Policy • Internal guideline on waste management

T 31 – MATERIAL IMPACTS AND OPPORTUNITIES RELATED TO RESOURCE USE AND CIRCULAR ECONOMY

Material risks and opportunities			Position in the value chain				
	Sub-topic	Description	Upstream	Own operations	Downstream	Time horizon	Associated policy/policies
ESRS E5 Resource use and circular economy							
Opportunity	Resource inflows, including resource use	Reducing costs and enhancing resilience to external challenges (e.g. supply chain disruptions, material shortages) through the integration of the upstream supply chain into the circular economy		X		Medium-term, long-term	• Environmental Policy • Supply Chain Sustainability Policy

Policies related to resource use and circular economy

E5-1, ESRS 2 MDR-P

Resource use and circular economy are addressed through various policies of Telefónica Deutschland Group. The foundation is the **Environmental Policy** (>Chapter POLICIES RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION), which emphasises the relevance of efficient resource use and the circular economy to protect the environment and reduce the ecological footprint. This policy outlines our ambition to contribute to solving local and global environmental challenges, such as resource scarcity, through innovations in digital services and products, both within our own operations and across the upstream and downstream value chain, and to promote the development of a circular economy. This includes the increased use of secondary raw materials, such as recyclates[43] in plastics (>Chapter ACTIONS RELATED TO RESOURCE USE AND CIRCULAR ECONOMY). The Environmental Policy also aims to encourage leasing and subscription business models to support environmentally conscious consumer behaviour, reduce electronic waste and advance the circular economy. The mandated integration of the upstream supply chain into the circular economy is also intended to enhance Telefónica Deutschland Group's resilience to external challenges. Within our own operations, we focus on the use of electricity exclusively from renewable energy sources. Promoting a more

[43] Recyclates are reused materials derived from waste and reintroduced into the production cycle to create new products.

sustainable economy also offers the potential to generate new business opportunities for us, such as leasing offers for hardware. Furthermore, we aim to raise awareness among our employees and customers about environmental topics.

A key lever for transitioning to a more resource-efficient economy lies in the upstream and downstream value chain of Telefónica Deutschland Group. As part of procurement, our **Supply Chain Sustainability Policy** (>Chapter POLICIES RELATED TO WORKERS IN THE VALUE CHAIN) requires our suppliers to establish environmental management systems and implement circular economy actions for efficient resource use, focusing on renewable or sustainable resources. This commitment also includes a waste management approach that prioritises waste avoidance in accordance with the waste hierarchy outlined in Section 6 of the German Circular Economy Act (Kreislaufwirtschaftsgesetz) and proactive design for circularity. Additionally, our mobile phone suppliers are obligated to provide information about the production of devices, enabling us to evaluate and label the ecological footprint of the offered mobile phones. Further details on sustainable procurement and supplier management are explained in the >Chapter MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS.

In our own operations, our certified environmental management system, aligned with ISO 14001, focuses on protecting natural resources, improving environmental performance, achieving financial and operational benefits and communicating environmental information. This approach aims to prevent environmental pollution, reduce the consumption of resources and raw materials and improve insufficient circular economy and waste management processes. The environmental management officer, located within the CR&S Directorate, is responsible for maintaining and continuously developing the environmental management system and reports directly to the Chief Legal & Corporate Affairs Officer as necessary. Annual management reviews on environmental aspects under the ISO 14001 standard are discussed directly with the CEO and the Chief Legal & Corporate Affairs Officer.

The **Internal guideline on waste management** sets the principles for proactive waste handling across Telefónica Deutschland Group and is accessible to all employees via the company intranet (policy portal). The policy is guided by the waste hierarchy outlined in Section 6 of the German Circular Economy Act, prioritising waste prevention over recycling and waste treatment. It describes proper handling procedures for various waste categories and defines documentation obligations within the waste management system "GReTel" (Gestión de Residuos de Telefónica), which must be adhered to in collaboration with external waste disposal service providers. The environmental management officer is responsible for regularly updating the policy. Compliance with the policy is monitored as part of the internal control system (ICS) and through audits conducted by Internal Audit.

Actions related to resource use and circular economy

E5-2, ESRS 2 MDR-A

Based on the defined targets and guidelines of the Environmental Policy, the Supply Chain Sustainability Policy and supporting procedural instructions, Telefónica Deutschland Group has implemented a range of actions to specifically contribute to promoting the circular economy and resource conservation. Many of these actions have been in place for an extended period and are continuously updated.

Sustainable product development and transparency in the product offering

Telefónica Deutschland Group is planning to introduce an energy-efficient router for end-customers in Germany which is designed according to circular economy principles. The proportion of recycled material in the newly developed router is to be significantly increased relative to the device's mass and made easier to repair through eco-design principles. Additionally, the energy consumption of the customer router is to be significantly reduced. This approach aims to decrease resource use during production in the upstream value chain and reduce energy consumption for our customers in the downstream value chain. This initiative began with the pilot project "HomeBox 4" in 2024, targeting a planned market launch in 2026.

Another important approach is to provide our customers with transparent information about the features and sustainability aspects of hardware products. Through the Eco-Rating, displayed on the product pages of "O_2 My Handy", evaluations of mobile phone models from participating manufacturers are provided based on an internal assessment system. This allows our customers to learn about the longevity, reusability, reparability, resource efficiency and climate efficiency of mobile devices.

Waste avoidance

Telefónica Deutschland Group continuously optimises its starter kits for internet access and mobile communications in collaboration with the brand teams to reduce the use of paper, e.g. for packaging materials. We also standardise the use of half-SIM cards to minimise plastic consumption. Compared to the traditional credit card-sized format, this SIM card holder is now only half the size and half the weight. In 2023, Eco-SIM cards made from recycled plastic were also introduced into our product range. The transport packaging for shipping smartphones and other goods was optimised to largely eliminate the need for filler material and minimise the use of packaging materials. The "O_2 HomeBox" router packaging was designed to enable direct delivery to our customers without additional outer packaging. These optimisations aim to reduce both the resource consumption in production and the waste generated by our customers.

Our customers have the option of using leasing and subscription models for routers. Defective devices and those affected by a change in connection technology are replaced to ensure that customers always receive functional and technically updated devices during the leasing period. By taking back devices that are no longer in use, these can be reliably refurbished, reused or properly recycled and disposed of. We established this service prior to 2024 and will continue it in the future. The capital expenditure (CapEx) for the provision of routers amounted to EUR 32 million in 2024 and is recorded under right-of-use assets in the Consolidated Balance Sheet. The capital expenditure corresponds to the CapEx figures for the Taxonomy-eligible economic activity CE 5.5 "Product-as-a-service and other circular use- and result-oriented service models" in relation to the environmental objective of transition to a circular economy (see >Chapter EUROPEAN TAXONOMY OF SUSTAINABLE ACTIVITIES – TELEFÓNICA DEUTSCHLAND GROUP). In 2024, Telefónica Deutschland Group also launched the "O_2 Business Device-as-a-Service" service for business customers based in Germany. This service enables smaller undertakings to rent pre-configured smartphones and other devices through O_2 Business. Through this offering, we promote the circular economy by allowing our customers to return devices at the end of the rental period, ensuring they are reliably directed to the secondary market. This not only spares our business customers the time-consuming processes of setting up, managing and disposing of devices, but also supports the reuse and recycling of electronic devices. The reuse and recycling of electronic devices also contribute to reducing the consumption of primary raw materials in the production of new devices and decreasing the amount of electronic waste generated by our customers.

In 2024, our "Shop of the Future Evolution" concept also received the Basic Certificate in the Interiors/Shopping category from the German Sustainable Building Council (DGNB). The certification of the "Shop of the Future Evolution" shop concept provides guidelines for a holistic assessment methodology, ensuring sustainability is transparent and measurable throughout the entire life cycle (planning, rollout, usage and deconstruction). With the interior design of our shop and the selection of building materials and furniture, we have created a demonstrably sustainable and healthy interior space where both our customers and employees feel comfortable. The certification also included optimising energy efficiency during operations and ensuring that interior furnishings can be dismantled, with a focus on reusability and waste reduction, aiming to minimise the resource use required for setting up our shops and improve our circular economy and waste management processes. The experiences gained during the certification process will be analysed further and future steps in this area will be defined accordingly.

Reuse and recycling
To promote the reuse of resources, Telefónica Deutschland Group collects unneeded home routers as well as returned smartphones, mobile accessories and PC tablets from customers through logistics partners. These devices are then refurbished, technically updated and reused. This action was implemented prior to 2024 and supports our goal of refurbishing and reusing 80% of the stationary customer-end devices we collect, such as routers.

For network provision, we have also relied on reusing and refurbishing network technology for several years, for example, following the decommissioning of antenna sites. The components are centrally stored after decommissioning, checked for reusability, refurbished if necessary, and deployed at new sites if suitable.

Since 2021, we have offered our existing and new customers the opportunity to sell used devices through the O_2 Handyankauf programme, with the goal of refurbishing and reintroducing these devices into circulation to conserve resources through reuse. Under the slogan "Let's keep the planet blue", we inform our customers about the O_2 buyback programme via our website and through inserts included in product shipments. Devices that cannot be resold are professionally recycled by a specialised service provider.

Optimisation of the environmental management system
The existing environmental management system of Telefónica Deutschland Group is certified according to the ISO 14001 standard. As part of this certification, annual reviews are conducted to assess processes, compliance with binding obligations and the required documentation across the entire disposal chain, in alignment with the waste hierarchy. The environmental management system is designed to prevent and minimise potential negative environmental impacts from activities and infrastructure, while continuously improving our overall environmental performance. Audits are conducted annually at various sites with the involvement of external service providers responsible for waste management. By adhering to standard requirements, continuous improvement practices, emergency preparedness and hazard prevention, environmental impacts are consistently reduced and incidents are avoided.

Targets related to resource use and circular economy
E5-3, ESRS 2 MDR-T

In coordination with its parent group, Telefónica, S.A. Group, Telefónica Deutschland Group has established targets in accordance with legal requirements to promote the circular economy and resource conservation. These targets are aligned with the directives of the Environmental Policy, Supply Chain Sustainability Policy, guideline on waste management and internal product management experience. In addition, there are no general criteria, standards or methodologies that can be used as the basis for the target definition on key scientific findings.

Zero ICT[44] waste company by 2030
Telefónica Deutschland Group, as part of Telefónica, S.A. Group, aims to achieve **"Zero ICT waste company"** status by 2030. This means that, starting in 2030, 100% of the waste generated by Telefónica Deutschland Group's business operations through information and communications technology (ICT) in the area of network technology will be reused or recycled. The recovered raw materials will be reintegrated into the value chain

[44] ICT = Information and Communications Technology

to reduce the consumption of primary raw materials in the value chain. We adhere to the principles of the waste hierarchy by promoting the reuse and recycling of resources. The target was defined in alignment with the standards of the Global Reporting Initiative (GRI 306) on waste disclosure and is consistent with the zero-waste definitions of the GSMA industry association. In financial year 2024, Telefónica Deutschland Group achieved a share of 99.7%.

Promotion of reuse and recycling
In 2024, Telefónica Deutschland Group aimed to refurbish and reuse **80% of the stationary end devices returned** such as routers. The achieved percentage for 2024 stands at 80.5%. Additionally, in coordination with our parent group, Telefónica, S.A. Group, we aim to increase the **recycling rate for waste from network technology equipment** from our own business operations to over 98% by 2025. This target is monitored by determining annual values based on data recorded in the waste management system. As part of this process, we compare the total amount of recorded waste with the volume of materials designated for recycling and recovery. The recycling rate for 2024 is 99.7%.

Greater transparency with the Eco Smart label
Telefónica Deutschland Group promotes the development of a circular economy and supports its business customers in achieving their own sustainability goals by offering more environmentally friendly digital B2B products and solutions. To this end, Telefónica, S.A. Group introduced the **"Eco Smart" label** to highlight products and services that significantly contribute to reductions in energy, CO_2 and water consumption, as well as to the promotion of the circular economy. In 2022, 57% of B2B solutions carried the "Eco Smart" label, increasing to 63% in 2023 and standing at 63% in 2024 also. The target set by Telefónica Deutschland Group of achieving 55% of digital B2B products with the "Eco Smart" label in 2024 was thereby exceeded. This target is measured as a percentage of the total digital B2B product portfolio and is collected and compared across all Telefónica, S.A. Group entities. The initial assessment of product groups according to the "Eco Smart" criteria was conducted by the Spanish certification body AENOR INTERNACIONAL, S.A.U. in 2022, following the requirements of EN ISO/IEC 17029:2019. The target is based on a thorough evaluation by product management teams, aligned with Telefónica, S.A. Group's policies and includes input from relevant stakeholders. The achievement of the target is reviewed annually and tracked through an internal semi-annual progress measurement.

Metrics related to resource use and circular economy
E5-4, E5-5

Resource inflows
E5-4

Telefónica Deutschland Group is a service provider that does not use materials for the manufacture of products. The necessary resources are primarily procured through the acquisition of products that are already manufactured, in particular electronic devices. Among other things, these may also include conflict minerals. This includes, in particular:

- Customer devices for the fixed-network area, such as routers and decoders
- Mobile devices
- Operating equipment, such as antennas and other devices for telecommunication network infrastructure, including cables
- Electronic office equipment

The resource-efficient use of raw materials and recycling programmes are detailed in the >Chapter ACTIONS RELATED TO RESOURCE USE AND CIRCULAR ECONOMY. Our water consumption is mainly limited to our operational office activities and the operation of data centers. These amounts are minimal compared to industrial usage.

Resource outflows

E5-5

T 32 – RESOURCE OUTFLOWS

2024	Hazardous waste	Non-hazardous waste	Total
Recovery procedures Weight (t)…			
• of waste "prepared for reuse"	0	106.3	106.3
• of waste recovered through "recycling"	94.2	1,101.5	1,195.7
• of waste recovered through "other recovery procedures" [45]	0.0	311.1	311.1
Total weight (t) of waste recovered through all recovery procedures	94.2	1,518.8	1,613.1
Disposal procedures Weight (t)…			
• of waste disposed of through "incineration"	0	2.0	2.0
• of waste disposed of through "landfilling"	0	1.5	1.5
• of waste disposed of through "other disposal processes"	0	0	0
Total weight (t) of waste disposed of through all disposal processes	0	3.5	3.5
Total amount of radioactive waste generated	0	0	0
Total amount of waste generated	94.2	1,522.3	1,616.6
Total amount of non-recycled waste (t)			314.7
Percentage of non-recycled waste (%)			19

Key assumptions for determining data for E5-5 resource outflows

The maintenance of the network infrastructure is the largest waste-generating activity and encompasses the waste that accumulates at our sites and the electronic waste returned by customers.

Most of the waste we produce consists of cables and electronic devices that arise during the conversion of our network from copper to fibre-optic cables. For this reason, our waste mainly comprises metals such as steel, aluminium, iron and copper, and, to a lesser extent, electronic materials such as ceramics, polymers, glass fibres and materials that make up printed circuit boards.

In the context of ESRS E5-5, it should be noted that Telefónica Deutschland Group does not produce goods and therefore does not have a traditional production process. The manufacturing of goods occurs at the level of the respective manufacturers. Hazardous waste in the business operations are primarily linked to battery disposal. The calculation of the data for the undertaking's waste management took into account the methods defined in the GRI Standard 306 for the disclosure of waste and the criteria taken into account in the GSMA strategy documents for the circular economy for network equipment and mobile devices.

Various reuse processes are included in the metric of "prepared for reuse" as part of business operations. The value of reused mobile phones is based on collected and partly estimated data. Additionally, network components and routers are prepared for reuse.

Telefónica Deutschland Group exclusively transfers waste to certified disposal companies. Disposal is largely determined on the basis of proof of disposal and is recorded in a central waste management system of Telefónica Deutschland Group. For the disclosure of final disposal methods, Telefónica Deutschland Group depends on the information provided by the respective disposers and their service providers. In the absence of detailed information on recovery rates, estimates are used in accordance with legal requirements.

Waste volumes are mostly calculated based on proof of disposal. In addition, in some cases annual average values of the disposal operator for each disposal method are used. Recycling includes component recovery as well as pre- and intermediate treatment before recycling.

[45] Other recovery actions include e.g. thermal recovery and chemical/physical/biological recovery.

Social Topics

Own Workforce
ESRS S1

Telefónica Deutschland Group aims to provide a working environment where its approximately 7,900 employees can best leverage their diverse skills and harness the opportunities of digitalisation. The company promotes hybrid collaboration, flexibility and productivity. The term "employees" encompasses both active and inactive employees, as well as full-time and part-time employees, as members of our own undertaking.

Impacts, risks and opportunities related to own workforce
S1 SBM-3

T 33 – MATERIAL IMPACTS RELATED TO OWN WORKFORCE

Material impacts			Position in the value chain				
	Sub-topic	Description	Upstream	Own operations	Downstream	Time horizon	Associated policy/policies
ESRS S1 Own workforce							
Positive impact	Working conditions	Promotion of productivity, teamwork, employee health and workplace satisfaction through hybrid work models, good work-life balance and fair remuneration		X		Short-, medium- and long-term	• Diversity & Inclusion Policy • Equality Policy • Health Policy • Group standard occupational health and safety management
Positive impact	Working conditions	Encouragement of fair treatment, eco-friendly practices and social dialogue, alongside improved working conditions via engagement with workers' representatives and the works council		X		Short-, medium- and long-term	• Business Principles • Declaration of Principles on Respecting Human Rights • Human Rights Policy • Diversity & Inclusion Policy • Supply Chain Sustainability Policy
Positive impact	Equal treatment and opportunities for all	Promotion of equal treatment, diversity and inclusion to enhance employee satisfaction, talent retention, corporate growth and have a positive impact on diversity and inclusion within the company		X		Short-, medium- and long-term	• Declaration of Principles on Respecting Human Rights • Human Rights Policy • Diversity & Inclusion Policy • Equality Policy

T 34 – MATERIAL RISKS AND OPPORTUNITIES RELATED TO OWN WORKFORCE

Material risks and opportunities			Position in the value chain				
	Sub-topic	Description	Upstream	Own operations	Downstream	Time horizon	Associated policy/policies
ESRS S1 Own workforce							
Opportunity	Equal treatment and opportunities for all	Increased performance and revenue by improving access to the labour market due to the company's image as a diverse employer		X		Medium- to long-term	• Diversity & Inclusion Policy • Equality Policy • Declaration of Principles on Respecting Human Rights • Human Rights Policy • Business Principles
Risk	Working conditions	Loss of revenue and increased costs due to technician illness or accidents during network expansion work (e.g. at heights or underground) or generally under poor working conditions		X		Medium-term	• Declaration of Principles on Respecting Human Rights • Human Rights Policy • Health Policy • Group standard occupational health and safety management • Risk assessment guidelines • Guidelines for occupational health and safety officers

Material risks and opportunities			Position in the value chain				
	Sub-topic	**Description**	**Upstream**	**Own operations**	**Downstream**	**Time horizon**	**Associated policy/policies**
Risk	Equal treatment and opportunities for all	Threat to competitiveness and increased hiring costs, alongside declining revenue, due to reputational damage from unequal treatment, lack of prospects or insufficient talent		X		Medium-term	• Human Rights Policy • Declaration of Principles on Respecting Human Rights • Diversity & Inclusion Policy • Equality Policy

Telefónica Deutschland Group is committed to shaping the digital workplace as a forward-thinking employer. Well-trained and motivated employees are the foundation for successful business operations and the achievement of strategic company goals aimed at increasing efficiency while maintaining high employee satisfaction.

We emphasise flexibility in daily work, diverse opportunities that take individual needs and strengths into account, digital expertise and the promotion of physical and mental health. The "Principles of Hybrid Work" and initiatives like the Feel-Good-Programme provide flexibility and support the balance between professional and private life. Additional initiatives are designed to secure access to knowledge and career development while enhancing the company's attractiveness as an employer.

Our "Five Principles of Hybrid Work" form the foundation for successful collaboration in a hybrid and digital work environment. A key objective of these principles is to increase employee productivity and satisfaction through flexible work options, enabling them to fully realise their potential across generations and regardless of sex or background. At the same time, we aim to support the compatibility of various life models with professional careers and strengthen culture, collaboration and personal networks through in-person interactions at our offices.

The five principles are as follows:

- Flex and Connect – Combining remote work with in-person interactions on-site
- Working Anytime – Maximising time flexibility
- Outcome-Based Leadership – A consistent focus on results
- Digital Excellence – Openness to digital work methods and tools
- Responsible Travel – Encouraging responsible and mindful travel

Telefónica Deutschland Group's principles enable the reconciliation of diverse life models with professional requirements, strengthen collaboration and foster inclusion, particularly for women in leadership roles. This approach positively impacts diversity and integration within society. The hybrid work model, established as a standard following the Covid-19 pandemic, is continuously evaluated and has shown positive impacts not only for internal employees but also for external service providers by increasing productivity, satisfaction and flexibility. Promoting work-life balance and offering fair compensation are key priorities that contribute to employee satisfaction. These initiatives are available to both employees and temporary workers. Annual employee surveys assess the effectiveness of hybrid collaboration. The undertaking also provides a wide range of training and development programmes, comprehensive health initiatives feedback and learning culture, digital expertise, dialogue-oriented employee representation, fair pay and extensive benefits. These benefits include contributions to pension plans and local transportation, discounts through corporate benefits, meal subsidies, family support services and employee credit for company products and services.

Telefónica Deutschland Group also actively promotes employee health. Resources and programmes available through the company intranet are accessible to employees, temporary workers and, in some cases, other non-employees. Additionally, company-wide policies on occupational safety and health protection (>Chapter POLICIES RELATED TO OWN WORKFORCE) aim to reduce potential accidents, particularly for our technicians, and to enhance job satisfaction through targeted actions). This helps prevent financial losses and increased costs, especially those caused by absences. Our positioning as a diverse employer improves access to the labour market, leading to increased productivity with corresponding positive financial impacts. It also mitigates the risk of reputational damage that could arise from unequal treatment. Telefónica Deutschland Group ensures continuous engagement with workers' representatives and the works council to improve working conditions, promote ecological practices within the company and strengthen social dialogue.

Inclusion of own workforce and workers' representatives in relation to impacts
S1-2

The undertaking values fairness, collaborative partnerships and an inspiring and motivating work environment.

We conduct regular employee surveys to assess the attractiveness of the workplace and progress on key aspects of the undertaking's digital transformation. These include an interim pulse survey conducted mid-year and an annual employee satisfaction survey. Both surveys are conducted online, anonymously and on a voluntary basis among all internal employees, temporary staff, apprentices, dual students and working students. Metrics such as the Employee Net Promoter Score (eNPS) are calculated (>Chapter TARGETS RELATED TO OWN WORKFORCE). We also collect data on agility, leadership and mobility. During the reporting year, the questionnaire was fundamentally revised to incorporate feedback from employees and managers.

Telefónica Deutschland Group communicates directly with its workforce through various channels and dedicated programmes (see > T 35 – STAKEHOLDER ENGAGEMENT FORMATS RELATED TO OWN WORKFORCE), including events, internal communication, surveys, newsletters, Teams channels, the Feel-Good-Programme and the corporate volunteering programme. The operational responsibility for these communication actions lies with various departments and individuals, such as Communications & Public Relations and OD&P.

To better understand the perspectives of vulnerable and potentially disadvantaged employees, Telefónica Deutschland Group leverages internal diversity employee networks. These networks are enriched through monthly meetings and intranet articles on diversity topics under the motto "One company, many faces". The Employee Experience Survey and dedicated channels of the Pride Network also continuously provide information on diversity and equal opportunities. Volunteer activities under the corporate volunteering programme focus particularly on vulnerable and disadvantaged groups, such as refugees, migrants, children, the elderly and individuals with mobility impairments.

The stakeholder engagement formats of Telefónica Deutschland Group aim to create positive impacts and mitigate risks. Regular employee surveys identify needs and enable targeted actions to improve job satisfaction. This approach is intended to enhance employer attractiveness and reduce employee turnover. Employee events and internal communication foster transparency, teamwork and a sense of belonging, effectively promoting diversity and inclusion. Various communication actions on diversity and the undertaking's clear positioning help mitigate the risk of inequality and minimise the risk of potential reputational damage. The Feel-Good-Programme and corporate volunteering initiatives actively support employee engagement and physical as well as mental health.

The following table outlines the formats, including their frequency and nature, along with how their effectiveness is measured and the due diligence phase they are associated with. The phases refer to those of the due diligence process for respecting human rights (>Chapter STATEMENT ON DUE DILIGENCE).

T 35 – STAKEHOLDER ENGAGEMENT FORMATS RELATED TO OWN WORKFORCE

Format	Frequency	Type	Phase(s)	Effectiveness
Employee events, e.g. live online events (30 Minutes@ Work), hybrid events, Tower Talk, on-site events (e.g. road shows with the board)	Regularly and ad hoc (e.g. to share key business updates)	Information	Not applicable due to varied topics	Participation rate
Internal communication, e.g. intranet articles with comment functionality	Regularly, with daily updates/ new content, e.g. "One company, many faces": every two weeks	Information	Not applicable due to varied topics	Impressions (e.g. likes) from employees on the intranet
Employee Experience Survey, including year-end and mid-year surveys	Conducted twice a year. The mid-year review takes place during the year, the year-end survey in October/November.	Consultation, team-level participation	Phase 2: Risk and impact analysis Phase 4: Monitoring	1) Participation rate (%) 2) Employee Net Promoter Score (eNPS)
Newsletter/Teams channels, e.g. CEO newsletter, Feel-Good Teams channel	Regularly, plus ad hoc emails, e.g. to communicate key business updates. Teams channels are ongoing	Information	Phase 5: Reporting	1) Number of followers (for Teams channels) 2) Number of employees reached via newsletters
Feel-Good-Programme, including surveys, webinars, newsletters, team activities via app etc.	Regularly due to the ongoing programme	Information, consultation, participation (Health Forum)	Phase 2: Risk and impact analysis regarding mental health risks and workplace issues Phase 3: Preventive actions and integration of health and safety actions	1) Participation rate 2) Employee satisfaction feedback 3) Number of followers on the Feel-Good Teams channel
Corporate volunteering, e.g. donation campaigns, Day of Volunteering, charity runs O_2 Telefónica Run etc.	Regularly due to the ongoing programme	Consultation	Phase 3: Preventive actions and process integration	1) Participation rate 2) Results, such as the number of beneficiaries reached or funds raised

Employee involvement through workers' representatives

Workers' representatives advocate for the interests of employees at all Telefónica Deutschland locations. The German Works Constitution Act (Betriebsverfassungsgesetz) strengthens co-determination rights, such as in cases of workforce reductions or terminations. Severely disabled employees are afforded special protections under Book IX of the Social Code (Sozialgesetzbuch Neuntes Buch), with their interests represented by disability representatives and the Inclusion Officer. Employees in Germany have the option to join trade unions, which are represented within Telefónica Deutschland Group undertakings and on the Supervisory Board of Telefónica Deutschland Holding AG.

Remediation mechanisms and grievance procedures related to own workforce
S1-3

Telefónica Deutschland Group has implemented a process to take appropriate actions against actual or potential negative impacts on human rights, the environment or violations of applicable laws or internal policies (>Chapter STATEMENT ON DUE DILIGENCE).

This whistleblower system allows reporting of misconduct and unethical behaviour, including risks or violations related to human rights, environmental issues and compliance with the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and other laws or internal policies. It also accepts reports concerning issues under Section 2 of the German Whistleblower Protection Act (HinSchG), such as conflicts of interest, corruption, fraud, breach of trust and antitrust violations.

There are various channels for reporting within the whistleblower system. This includes a channel ("Confidential Helpline") managed by an external lawyer as an ombudsperson managed in 21 languages for both anonymous and non-anonymous reports. For non-anonymous information, there is also a human rights mailbox for human rights and environmental-related information and a functional mailbox for compliance information. Employees can also contact the Human Rights Officer, the Head of Compliance or the General Counsel directly, depending on the nature of the issue.

The CR&S Directorate manages the Human Rights mailbox and coordinates with the Human Rights Officer and the Human Rights Committee (>Chapter STATEMENT ON DUE DILIGENCE) to handle reports. The Compliance mailbox is managed by the Compliance Department. Upon receipt of a report, the whistleblower is sent a confirmation with information on the next steps and their rights, particularly regarding protection against retaliation. Within 14 days, the CR&S Directorate or the ombudsperson follows up with the whistleblower to discuss the details of the case, identify relevant regulations and outline expectations for preventive and remedial actions.

In the event of risks or violations of human rights or environmental protection, an assessment is conducted to determine the severity and likelihood of the impacts, as well as the level of influence and causal contribution by Telefónica Deutschland Group. Internal staff handling the reports are appropriately trained. The CR&S Directorate, working together with the Human Rights Committee, defines the scope, necessary resources and timeline for actions and appoints responsible persons. The expectations of affected individuals are taken into account during the process.

Reports sent to the compliance mailbox are acknowledged by the Compliance Department within seven days and the reporters are contacted again to further discuss the matter. Depending on the case, relevant members of the Human Rights Committee, the Compliance Department or other internal departments are involved in subsequent steps.

In cases of serious, imminent threats to human rights or the environment, the Human Rights Officer is immediately informed to initiate remedial actions. The Human Rights Committee or the Compliance Department analyses the matter and, upon completion of the investigation, prepares a written assessment on whether a human rights or environmental protection violation or a compliance incident has occurred. Within three months of confirming receipt of the report, the reporting person receives a notification regarding the conclusion or status of the procedure, including planned and implemented actions. For extensive external reports, this period may be extended to six months. If a risk or violation is identified, remedial and preventive actions are implemented. Otherwise, the procedure is closed and the whistleblower is informed. For human rights and environmental issues, the CR&S Directorate contacts the whistleblower approximately one month after the case is closed, upon request, to review the effectiveness of the actions taken and to ensure that no disadvantage or punishment has occurred. Whistleblowers are provided with a questionnaire to evaluate their experience with the entire process. Ad hoc risk analyses may also be conducted and the results are documented. The effectiveness of this procedure and the actions is reviewed at least annually by the CR&S Directorate. The appropriateness and effectiveness of the procedure are assessed using control questions and various indicators to ensure compliance with the UN Guiding Principles on Business and Human Rights.

For reporting data protection incidents, a web form has been made available for employees to report potential incidents immediately. Data protection breaches are reported in accordance with legal requirements and within the prescribed deadlines to the data protection authorities.

The public provision of information on the company website regarding the whistleblowing procedure ensures the accessibility and understandability of the whistleblower system. Users can find all relevant information, including channels such as the ombudsperson channel and the procedural rules. These rules explain the channels, processes, responsibilities and rights of users and are available in five languages. A read-aloud function and a simplified graphic summarising the key information and steps of the whistleblowing process are also integrated. A direct link to the subpage is also provided on the websites of the subsidiaries.

The procedure is also communicated to specific target groups: Employees are informed via the in-house intranet, the internal whistleblowing policy and the mandatory business principles training. The procedure for human rights and environmental-related reports is integrated into various policies and the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) training. Suppliers and their employees can find relevant information in the Supply Chain Sustainability Policy and the public LkSG training. Whistleblowers are also informed about their rights within the framework of the procedure. This includes involving whistleblowers in clarifying the facts of the case and providing regular updates on the status of the procedure.

Through the dialogue-oriented design of the process, Telefónica Deutschland Group aims to raise awareness and build trust in the whistleblower system by providing detailed information about the procedural steps, timelines, responsibilities, confidentiality and transparent communication. All individuals involved in the process are contractually bound to confidentiality, discretion and impartiality. Reports can be submitted anonymously and personal data is handled confidentially.

Whistleblowers are protected from disadvantage, discrimination and retaliation. Disadvantages or retaliation are prohibited and Telefónica Deutschland Group reserves the right to take action in cases of violations by employees or suppliers. The company's commitment to protecting potential users is reflected in the whistleblowing policy (>Chapter CORPORATE CULTURE AND POLITICS) and the procedural rules. Should a disadvantage or retaliation occur, protective actions are promptly implemented and further steps are taken if necessary. All (potential) users are informed of their rights and protection provisions through the aforementioned communication channels.

Policies related to own workforce

S1-1, S1 SBM-3, S2-1, ESRS 2 MDR-P

Telefónica Deutschland Group employs a comprehensive due diligence process (>Chapter STATEMENT ON DUE DILIGENCE) to assess and monitor the impacts of its activities on human rights. Identifying and monitoring sustainability risks at its own sites is of particular importance to prevent harm at the outset. To this end, Group-wide policies related to the own workforce are established.

Working conditions

The following policies formalise the general commitment to respect human rights towards employees. Through a series of regulations, we have established the safeguarding and implementation of internationally recognised human rights. At the same time, they form the framework for human rights and environmental expectations and requirements towards our stakeholders.

The basis for these policies are the following internationally recognised human rights frameworks and standards:

- International Bill of Human Rights, including the following conventions: the Universal Declaration of Human Rights of the United Nations, the International Covenant on Civil and Political Rights of the United Nations, the International Covenant on Economic, Social and Cultural Rights of the United Nations
- United Nations Guiding Principles on Business and Human Rights (UNGP)
- Conventions and recommendations of the ILO on labour and social standards, particularly the ILO core labour standards
- ILO Declaration on Multinational Enterprises and Social Policy (MNE Declaration)
- OECD Guidelines for Multinational Enterprises
- Ten Principles of the United Nations Global Compact (UNGC)
- Charter of Fundamental Rights of the European Union
- UN Convention on the Rights of the Child

We also support the United Nations 2030 Agenda for Sustainable Development and aim to contribute to achieving the Sustainable Development Goals (SDGs).

Telefónica Deutschland Group adopts a zero-tolerance approach to forced labour, child labour and human trafficking within its own workforce and across its entire value chain. This approach is outlined in our **Declaration of Principles on Respecting Human Rights** and in our **Human Rights Policy**.

Telefónica Deutschland Group is committed to complying with the legal requirements for protecting employees. The business offices and facilities of Telefónica Deutschland Group are located in Germany. The protection of employees from forced labour and child labour is clearly regulated by law.

The baseline risk at our locations is low. We have also implemented additional preventive actions aimed at preventing such incidents.

In the Declaration of Principles, Telefónica Deutschland Group commits to respecting human rights across its entire value chain and explains the associated human rights and environmental action areas. The Declaration of Principles, signed by all members of the Executive Board, commits Telefónica Deutschland Group to internationally recognised human rights frameworks and standards. The Declaration of Principles was communicated internally through an Executive Board announcement, which also introduced training sessions on human rights. Externally, it is communicated via our corporate website and the annual Group Sustainability Report.

The **Business Principles** of Telefónica Deutschland Group apply as the overarching internal code of conduct. These principles are directed at our employees, suppliers, business partners and the company as a whole, setting ethical, ecological and social standards for participation in business activities. A description of the policy can be found in the >Chapter CORPORATE CULTURE AND POLITICS.

Telefónica Deutschland Group has also implemented a Human Rights Policy that clearly defines the undertaking's commitments to safeguarding human rights. This policy establishes general principles and policies for engagement with key stakeholder groups, including customers, employees, society and business partners.

The Declaration of Principles on Respecting Human Rights and the Human Rights Policy apply to all subsidiaries of Telefónica Deutschland Group and are reviewed annually and updated as necessary. These policies support the involvement of workers' representatives and outline the due diligence process in the area of human rights, which serves as an additional monitoring mechanism for compliance with the policies (>Chapter STATEMENT ON DUE DILIGENCE) The Human Rights Policy and the Declaration of

Principles on the Respect for Human Rights were developed and reviewed in collaboration with the cross-departmental Human Rights Committee, taking into account the interests of potentially affected groups. The Human Rights Officer monitors the implementation status of the policies and reports directly to the Management Board, which is responsible for the policies. They are integrated into the in-house intranet and accessible to all employees. These policies are also available on our corporate website. The Group Works Council was also informed about the creation of the policies and has access to all relevant documents and communications.

The **Supply Chain Sustainability Policy** is also applicable within our own operations for external contractors and workers in the supply chain. Individuals who are not directly employed by Telefónica Deutschland Group but work for the Group include contractors with employment contracts ("suppliers") and individuals provided by temporary employment agencies ("external workers" or "temporary agency workers"). The same policies apply to temporary agency workers as to our own employees. Our direct suppliers are informed of the requirement to comply with human rights standards through the policies, with high-risk suppliers specifically requested to accept these policies. Further information about the policies is provided in the >Chapter POLICIES RELATED TO WORKERS IN THE VALUE CHAIN.

Through the internal **Human Rights Handbook LkSG**, we enable relevant departments to implement due diligence obligations within our own operations, thereby preventing human rights and environmental risks and violations for our employees (>Chapter POLICIES RELATED TO WORKERS IN THE VALUE CHAIN).

Occupational safety and health

Telefónica Deutschland Group operates a comprehensive management system for occupational safety and health at work based on its own **health policy**. In addition, regular occupational safety and health audits are carried out, such as the review of management systems as part of re-certifications under ISO 9001, 14001 and 50001 standards. To further enhance employees' safety awareness, regular training sessions and briefings are conducted. Risk assessments are carried out to identify hazards early and implement preventive actions.

Telefónica Deutschland Group's Health Policy aims to prevent workplace accidents and work-related illnesses while promoting employees' health through targeted actions and increasing job satisfaction. This policy applies to all companies within the Group, as well as to the interactions of employees with customers, suppliers and temporary workers. The Health Policy refers to the ILO and OECD guidelines and is integrated into the due diligence process for human rights (>Chapter STATEMENT ON DUE DILIGENCE). Implementation of the policy is the responsibility of the board of directors. In its formulation, the interests of key stakeholders were taken into account, particularly through compliance with co-determination rights and legal provisions for employee representation. Mechanisms for dialogue and the protection of employee rights, such as adherence to the Works Constitution Act, are also included.

The **Group standard occupational health and safety management** aims to promote and maintain the safety and health of all employees, as well as our customers and suppliers. Clear responsibilities and the management system are defined in the standard. Health-promoting and preventive actions are addressed, as well as training and awareness actions. The policy also includes the implementation of emergency plans and the execution of drills to prepare for unforeseen events. Actions, incidents and training are carefully documented and regular audits ensure compliance with the policy. The corresponding policy applies to all companies within Telefónica Deutschland Group and their employees, including temporary workers. The implementation of the content is part of the entrepreneurial responsibility according to Section 3 Arbeitsschutzgesetz (Occupational Safety and Health Act).

The Group standard occupational health and safety management refers to external standards such as the UN Guiding Principles on Business and Human Rights and the UN Sustainable Development Goals (SDGs). These standards are integrated into the occupational safety and health management system. The Corporate Health Management (CHM) department ensures that these requirements are incorporated into the policy and actions while also considering the interests of key stakeholders. The targets of the health policy are regularly communicated and evaluated.

Telefónica Deutschland Group's **Risk assessment guidelines** establish the foundation and procedure for conducting risk assessments and apply to the entire Group. It includes explanations of the legal foundations, the various types of risk assessments and descriptions of Telefónica-specific processes. The implementation of the policy is carried out primarily by occupational safety specialists and company physicians

The content is based on the applicable legal regulations in Germany and the guidelines of professional associations for occupational safety and health, with further specifications regarding their application in conducting risk assessments. The application methodology described in the policies is also regulated within existing workplace agreements. When finalising these workplace agreements, the interests of both employers and employees are considered, ensuring that the concerns of key stakeholders are incorporated into the development of the policy.

The **Guidelines for occupational health and safety officers** outline both the legally required and the voluntary actors and representatives in occupational health and safety and apply nationwide across the Telefónica Deutschland Group. The guidelines explain the legal foundations, qualifications, as well as the duties, rights and responsibilities of these representatives. The representatives include, among others, safety officers as well as first responders and fire safety assistants. The content is based on the occupational health and safety regulations applicable in Germany and the professional association's guidelines, with further specification on the practical implementation of the delegation system. The implementation of these guidelines is addressed in the legally mandated Occupational Safety Committee (ASA) meetings held at the respective Telefónica Deutschland Group sites. These ASA meetings include representatives from both the employer and employee sides, as well as key representatives from relevant departments. The guidelines are revised as necessary, with the CHM department responsible for its content, maintenance, updates and monitoring of implementation.

The policies on occupational safety and health mentioned in this section are communicated via the in-house intranet and the CHM intranet site. The current versions of the documents, including all appendices, are also electronically available in the Corporate Document Centre. The creation and modification of these policies fall under the responsibility of the OD&P department. Announcements are made on a case-by-case basis or as required, specifically tailored to the relevant parties or individuals involved.

Equal treatment and equal opportunities

Telefónica Deutschland Group actively promotes diversity, equal opportunities and an inclusive work environment. Employees should have equal development opportunities regardless of sex, ethnic origin or other identity characteristics. We also equally support the career development of all genders and strengthen emerging talents and leaders through actions such as training to ensure sustainable corporate development.

Our **Diversity & Inclusion Policy** stipulates that no one in our undertaking shall be disadvantaged or favoured based on their gender, sexual orientation or gender identity, age, disability, ancestry, skin colour, language, place of origin and social background, faith, religion or political opinions. Telefónica Deutschland Group employs strategic diversity management to implement effective actions for improving and holistically including under-represented groups.

The Diversity & Inclusion Policy ensures a binding commitment to our stance as an undertaking that values diversity and fosters a respectful culture, safeguarding and promoting vulnerable groups. The Policy underscores the undertaking's commitment to diversity and inclusion and equal opportunities and is binding for all units of Telefónica Deutschland Group, including temporary employees. This policy aims to ensure that our undertaking operates free from any prejudices. This includes prejudices based on one or more dimensions of diversity, such as sexual orientation, age, social background, as well as religion and ideology (>Chapter ACTIONS RELATED TO OWN WORKFORCE). It is accessible to our employees and temporary workers via our in-house intranet and is also available to everyone on our company website. It covers all aspects of the employment relationship, such as hiring, remuneration, working conditions, training, evaluation, promotion, disciplinary actions and termination of employment. The policy is monitored through the reporting channels of the whistleblower procedure and the whistleblower channel. Additionally, the content of the policy is reviewed through employee surveys. Leaders bear a particular responsibility for compliance and ensure a fair work environment that values diversity.

As part of the Diversity & Inclusion Policy, we commit to the fundamental ILO standards on employment, including freedom of association and co-determination rights under the "Law on Employee Co-Determination". As part of the policy, we have also signed the UN Principles against LGBTQIA+ Discrimination and the Diversity Charter. The interests of stakeholders, such as workers' representatives, managers, employees and external organisations, have been integrated into the policy through dialogue, agreements and consideration of the rights and needs of these groups.

Additionally, all entities of Telefónica Deutschland Group, as well as their employees and temporary workers, are committed under the **Equality Policy** to ensuring equal treatment and equal opportunities in all areas of the company, regardless of sex or gender identity. The aim of the policy is to eliminate gender-based discrimination and promote equal opportunities by creating fair working conditions, removing gender-specific wage differences and ensure that selection and appointment procedures are based only on merit and skills. In addition, it promotes the prevention and punishment of sexual and gender-specific harassment at the workplace, non-discriminating language, actions to ensure balanced gender distribution as well as equality in the supply chain and at business partners.

Besides local laws, the Equality Policy refers to external standards and initiatives, respects collective bargaining and integrates due diligence obligations under human rights law of the due diligence process (>Chapter STATEMENT ON DUE DILIGENCE). We also actively participate in international forums and working groups to promote the equal treatment of all employees. The findings and work outcomes are taken into account in the policy, such as by means of discussion rounds with the Diversity Council on the target of increasing the number of women in senior leadership positions (>Chapter TARGETS RELATED TO OWN WORKFORCE).

By communicating closely with all the undertaking's partners in various committees and surveying our employees twice a year by means of an employee survey, stakeholders' interests are taken into account when determining the policy. These can be viewed on our website by both internal and external stakeholders. The reporting channels and surveys are used in monitoring the policy.

The Diversity & Inclusion Policy and the Equality Policy apply to all areas of the Company and commit Telefónica Deutschland Group to continuously promote equal treatment, diversity and holistic inclusion. They not only strengthen the protection of vulnerable groups but also foster a climate of openness and acceptance in the undertaking. Preparing, amending and implementing the policies is the responsibility of the OD&P department in the Corporate Innovation, Diversity, Equal Treatment & Inclusion and Culture Directorate.

Actions related to own workforce

S1-4, ESRS 2 MDR-A

Extensive actions are newly developed or continued in order to implement the policies and targets at Telefónica Deutschland Group in relation to its own workforce.

Working conditions

In the area of working conditions, actual positive impacts are created through various employee offerings, programmes and training on health promotion, workers' representative bodies implemented and flexible and digital working procedures. The effectiveness of the actions can be followed up on using employee surveys and the monitoring of participant numbers. Appropriateness is examined through the use of employee surveys and information from external sources such as governmental agencies and interest groups.

Employee survey
Our employees' well-being is regularly determined by means of an employee survey. This enables us to identify trends early on and to react to any deteriorations, such as in the work-life balance, to take relevant preventive actions and examine the effectiveness of the policies. The survey that, among other things, evaluates the work-life balance by means of participants' self-evaluations, was carried out in the middle of the year and at the end of the year in 2024. It was aimed at all internal permanent employees of Telefónica Deutschland Group and its subsidiaries. Interns, temporary workers and employees with inactive or suspended contracts as well as those in passive partial retirement are excluded from the survey.

Workers' representatives
Telefónica Deutschland Group works actively with all works council committees and regularly informs, advises and agrees collective bargaining agreements, applicable for Telefónica Deutschland Group as a whole, with them. These agreements enable preventive control and influencing options for workers' representative bodies in favour of employees.

Our employees' concerns and the results of the workers' representatives are, in addition, raised and discussed in regular staff meetings between the works councils and all employees of Telefónica Deutschland Group. The Management Board is also represented in many staff meetings. This comprehensive and active works council activity contributes to the taking into account of workers' interests in working conditions, work procedures and the corporate culture.

The works council activity is continued in the long-term and implemented to meet the legal requirements, in particular the German Works Constitutions Act; the number of new company agreements and staff meetings is adjusted annually as needed.

Occupational safety and health
In addition, Telefónica Deutschland Group has set out the following actions that successfully implement the targets for its health policy for the organisation as a whole, including all subsidiaries and temporary employment arrangements.

The actions mentioned below on occupational safety and health reduce potential material risks. These actions include the recording and assessment of workplace accidents and special requirements for working at heights that are followed up on a continuous basis centrally by CHM.

Company health-promoting actions
Since 2020, Telefónica Deutschland Group offers all its employees company health-promoting actions in the form of Group-wide courses, talks, topic-specific health initiatives, newsletters and similar formats. In addition, an app was developed for all employees on CHM's offers and information and a Group-wide competition "Fit@Work" was established to promote resilience and mindfulness.

Family service
Since 2015, Telefónica Deutschland Group offers all its employees the Family Service. In addition to support and advisory services on the topics of family, children, care and counselling, the Family Service also offers psychosocial counselling to support employees in the event of acute stress.

The Family Service provides information and training courses for the development and promotion of behaviour-related actions. Regular surveys, interviews and needs analyses are carried out in order to determine the necessity, appropriateness and effectiveness of the Family Service. In this process, information from insurance providers, trade associations, government bodies and interest groups is also evaluated.

Recording and assessment of workplace accidents
Telefónica Deutschland Group, including the employees of all subsidiaries and temporary employees, records and assesses workplace accidents annually as a fixed component of the legally prescribed performance content of occupational safety and health. This systematic analysis makes it possible to identify and eliminate accident hotspots, which results in the reduction of downtimes due to workplace accidents. Where workplace accidents occur, employees are insured by the insurance cover of the trade associations.

Compliance with policies for working at heights
Employees of the Technology business area at Telefónica Deutschland Group who work at heights must comply with specific policies. These include regular occupational health examinations, participating in "Securing & Rescuing" training, a first aid course and regular checks of personal protective equipment. The purpose of these actions is to avoid workplace accidents and protect the health of our employees. In addition, the operating instructions of the respective contractual and cooperation partners must be observed.

The occupational health examination and the trainings are mandatory and must be carried out regularly. The "Securing & Rescuing" training must be repeated annually and the first aid course every two years. The required trainings are recorded and documented centrally at CHM and primarily in the "Success Factor" tool. The training content is continuously adapted to the standards and specifications of the trade associations.

Employees are personally responsible for regularly attending training sessions, whilst line managers monitor attendance and point out the consequences of not attending. In addition, the relevant regulations of the competent trade associations are regularly pointed out. If employees do not complete the required trainings in good time, they are not permitted to work at heights.

Equal treatment and equal opportunities
Equal treatment and equal opportunities are important topics for Telefónica Deutschland Group, which are supported by continuous actions.

Opportunities are created for Telefónica Deutschland Group when taking into account diversity and equal treatment in promotion processes, trainings and holistic diversity management. The review and analysis of fair and equitable remuneration as well as the establishment of diversity management lead to actual positive impacts for employees. Potential risks are reduced by a variety of training measures and monitored in the course of promoting training in the area of Digital & Data. The effectiveness of the actions is reviewed by means of employee surveys. In addition, we have set ourselves a target in the range of +/- 1% for the adjusted gender pay gap by 2024 (>Chapter TARGETS RELATED TO OWN WORKFORCE).

Diversity management

Telefónica Deutschland Group continuously advocates for strategic diversity management that applies to all employees for a long-term inclusive corporate culture that values and promotes diversity. As part of an Ambassador Programme, the entire Management Board takes long-term responsibility for all material aspects of diversity. Every Management Board member is a patron for an aspect such as social origin, intercultural skills or disability in order to entrench diversity in the undertaking. The programme emphasises the role of managers in ensuring an inclusive culture.

The Pride community is an important component and is also supported at Management Board level. Targeted measures such as trainings, communication actions and diversity networks support each aspect of diversity. Employee Resource Groups on topics such as LGBTQIA+, multiculturals and youngsters promote vulnerable groups. The network offers all employees the opportunity to network and hold discussions beyond hierarchies, roles and business units and to stand up for openness and the rights of the LGBTQIA+ community. Telefónica Deutschland Group is a signatory of the Diversity Charter and has been a member company of PROUT AT WORK, which is dedicated to ensuring greater inclusion of LGBTQIA+ at the workplace, since 2024.

In addition, we have cooperated with 2 hearts, an initiative for tech talents with a migration background, since 2023. In the context of the internal communication format “One company, many faces”, regular intranet articles on diversity topics augmented with employees’ personal stories are published regularly to make the topics more accessible and increase the visibility of diversity in the undertaking.

Training for managers

The topic of diversity will continue to be a component of the training of all managers at Telefónica Deutschland Group. In the Young Talents Interview Training, the focus is on the German General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz, AGG) and raising awareness of unconscious bias. In particular among junior employees, great value is placed on equal opportunities, for example, in relation to the quality of job application documents in connection with privileges and the educational status of parents. The trainings will continue to be offered every quarter.

Training measures and job rotations

Also in 2024, Telefónica Deutschland Group emphasises the continuation and development of central digital training measures that are accessible to all employees. By centralising the learning offerings and the corresponding infrastructure, we ensure a uniform standard for topics that affect all business units and which are key for the future of the organisation. This year, the focus is on the topics of management and artificial intelligence (AI). With the central learning offering, we give all employees the opportunity to increase their knowledge in the field of AI and to use the potential of technologies such as generative AI themselves. Our aim is to ensure that many employees can benefit from the opportunities of digital transformation and that no-one is left behind. We also empower managers to establish a culture of openness and appreciation in which diverse perspectives and talents are not only welcome but can grow together to become a high-performance team.

As part of this process, our talent management processes are targeted and we deliberately focus on skills. We therefore aim to offer employees the right learning and development opportunities, based on their current skills profiles and relevant areas. These include, for example, important cross-cutting topics such as DevOps, Python programming or problem-solving skills. Through specific training offerings that target these focus skills, employees receive clear orientation for their further development. At the same time, Telefónica Deutschland Group wants to ensure that important skills of the future are promoted in line with the strategy. Telefónica Deutschland Group also promotes the internal mobility of its employees through part-time and full-time job rotations as well as internal appointments. Together with skills-driven talent management, internal mobility also contributes to employees’ on-the-job further development.

Furthermore, we offer regular trainings that are mandatory for all employees of Telefónica Deutschland Group every three years. This includes web-based training on the AGG (German General Equal Treatment Act) with a focus on anti-discrimination as well as the promotion of diversity and inclusion. A detailed description of these offerings can be found in the >Chapter ACTIONS RELATED TO BUSINESS CONDUCT.

Salary reviews

Telefónica Deutschland Group reviews all the salaries of its employees, including all subsidiaries and temporary workers, annually to ensure fair and equitable remuneration. As part of this review, the undertaking analyses the remuneration practices by means of a gender pay gap analysis (>Chapter TARGETS RELATED TO OWN WORKFORCE). As a component of the Diversity & Inclusion Policy, equitable remuneration is a key aspect to ensure the performance of all employees and thus support diversity in the organisation.

In addition to the regular salary review, the fringe benefits (e.g. contributions to the company pension scheme, benefits and contributions, for example, for public local transport, Family Service etc.) are continuously reviewed and adapted to ensure that they meet the current standards and needs of employees.

With the actions mentioned in this section "Equal treatment and equal opportunities", the targets of the Diversity & Inclusion Policy and the Equality Policy are pursued (>Chapter POLICIES RELATED TO OWN WORKFORCE). These are binding for Telefónica Deutschland Group in its entirety.

Targets related to own workforce
S1-5, ESRS 2 MDR-T

The sustainability strategy and the associated targets of Telefónica Deutschland Group are the starting point for deriving the actions. The following targets were formulated for the own workforce.

Working conditions
Employee Net Promoter Score (eNPS)
In the context of the employee **satisfaction survey**, the **eNPS** is determined annually and in an interim survey in the middle of the year. This score is a measure of the likelihood that employees would recommend Telefónica Deutschland Group as an attractive employer. Employees who give high scores here are generally more satisfied, committed and motivated. A variety of topics that impact employees' satisfaction are included in the evaluation, such as the comprehensive offer relating to health topics as well as the promotion of diversity, inclusion and equal treatment (>Chapter POLICIES RELATED TO OWN WORKFORCE). The eNPS is measured on a scale of 1 to 10 (1 = very unlikely to 10 = very likely). It is calculated by deducting the percentage of promoters from the percentage of detractors. All employees of Telefónica Deutschland Group are surveyed and a value of >40 is aimed for. External expert knowledge and reference values are consulted to determine the target value. According to scientific studies, the value determined corresponds to a categorisation of "good" to "excellent".

In the 2022 year-end survey, the eNPS reached a value of 66, which represents an increase of 6 points compared to the previous best value from the 2021 year-end survey. The continuous improvement of the eNPS also continued in the year-end result of 2023 with a high of 78. In 2024, the eNPS stabilised at 76 points, both in the interim survey and the year-end survey.

State of equilibrium between an individual's work and personal life
Another target that is measured twice a year as part of the employee survey and an interim survey is to achieve a perceived state of equilibrium between **an individual's work and personal life in over 80% of employees**. When developing the target, an own ambition level was defined, which expresses that the agreed hybrid ways of working in over 80% of the workforce should have a positive impact with respect to the perceived balance between an individual's work and personal life. The definition of the target value was also based on the starting value (76%) in the employee satisfaction survey at the end of 2019 before the introduction of hybrid working principles. Agreement was at 85% in 2022 and 86% in 2023. The value dropped in 2024, reaching 83%. This target level is based on various studies on the topics of work-life balance and their relevance for business, society and the individual.

The measurement was relative, measured as a percentage of positive responses to the statement "I have a healthy work-life balance at Telefónica Deutschland". The perceived state of equilibrium between an individual's work and personal life is, in addition, a measure of the work-life balance stated in the Diversity & Inclusion Policy. Further relevant policies in relation to the target are the Health Policy and the Group standard occupational safety and health management (>Chapter POLICIES RELATED TO OWN WORKFORCE). The option of hybrid working is generally reported as a key driver for the high values in the perceived state of equilibrium between an individual's work and personal life in the survey.

The named targets were adopted in financial year 2021 in the RBP 2025, which determines target attainment by 2025.

Occupational safety and health
Low absentee rate and avoidance of workplace accidents
The target of the **lowest possible absentee rate of our employees** at Telefónica Deutschland Group is supported by the implementation of and adherence to the Health Policy and the Group standard occupational safety and health management and also applies to our employees who work at heights such as antenna installations. The target formulation and the handling of the available information are based on legal requirements, trade association regulations and accepted practices from academia and research. Even if the target is not directly measurable, the results of the target consideration are regularly included in reports and technical agreements with important stakeholders and interested parties. Measurement is ongoing. The reporting period of the target starts on 1 January and is generally for one year until 31 December. Interim targets are determined on a quarterly basis. This takes place in the Occupational Safety Committee (OSC) meetings that are legally required to take place at least four times a year, meaning once every quarter. The absentee rate remained constant at around 5% in recent years. The absentee rate is also always analysed with respect to possible causes in order to identify avoidable risks and derive suitable preventive actions.

This target and the actions derived from it are additionally set out in the following policies: Risk assessment guidelines, Guidelines for occupational health and safety officers, Declaration of Principles on Respecting Human Rights and the Human Rights Policy (>Chapter POLICIES RELATED TO OWN WORKFORCE). In addition, employees' feedback from the regular survey on mental health at the workplace is drawn on in order to evaluate adaptation and optimisation requirements and to implement them, if necessary.

Equal treatment and equal opportunities
Training in the area of Digital & Data
Telefónica Deutschland Group has developed training courses focusing on digital and data-related topics. Equal opportunity is particularly important here in order to give all employees the opportunity of developing their potential. This promotes diversity, equal opportunities, inclusion and equal treatment (>Chapter POLICIES RELATED TO OWN WORKFORCE) and supports the UN's SDG 4 for inclusive, equitable and quality education as well as lifelong learning.

In doing so, we have set ourselves the target of having **90% of our employees participate in the area of Digital & Data** by the end of 2025. This target will be measured relative to the number of employees at Telefónica Deutschland Group and is part of the RBP 2025. In addition, 100% of our employees should have access to further training and education measures that are available to all the specialist departments and undertakings of our Group. The scope of the actions includes all employees of Telefónica Deutschland Group. The share of employees participating in training actions in the area of Digital & Data is steadily increasing. This development is in line with the original planning.

At the end of 2022, the starting figure was at 66.8%, cumulatively from 2020 to the end of 2022. This figure is determined annually. In 2023, it was at 74.5% and, in 2024, 81.2% of our employees took part in training actions in the area of Digital & Data. The period for target attainment is from 2020 to 2025, with the target value having been proposed by internal experts. It is based on empirical values.

Employee mobility: Job rotations

With the aim of this target to strengthen the mobility of Telefónica Deutschland Group employees, the undertaking promotes the implementation of the actions entrenched in the Diversity & Inclusion Policy (>Chapter POLICIES RELATED TO OWN WORKFORCE).

Our target is to carry out at **least 50 job rotations in the year**. This absolute target was determined when the job rotations were introduced in 2020. The target is based on empirical values of internal experts. Scientific evidence for the target definition shows that 70% of skills developed in the workplace are due to experience.[46] This finding is reflected in the promotion of mobility as it supports the development and consolidation of skills in new jobs or other roles. The number of job rotations in 2022 was 54, in 2023 it was 92 and in 2024 it stood at 86. The number of job rotations is calculated at the end of each year and an interim figure is determined at the middle of each year.

Adjusted gender pay gap

Furthermore, Telefónica Deutschland Group has defined a target for **minimising the gender-based pay gap**. This target is based on the Equality Policy and promotes the targets of the Diversity & Inclusion Policy (>Chapter POLICIES RELATED TO OWN WORKFORCE). By continuously monitoring the gender pay gap using intensive analyses, we actively contribute to addressing and counteracting any potential wage differences. Gender equality is a target of the EU, the UN and the Federal government of Germany. Telefónica Deutschland Group actively contributes to this target with the annual gender pay gap analysis.

The adjusted gender pay gap should be in the range of +/- 1% by 2024. This relative target relates to all permanent employees Group-wide and is calculated annually. The target value is based on regression-based statistical methods that take conventional determinants for remuneration levels into account. In addition, local characteristics such as sites are included when analysing the results. The reference value is based on the salary level of the male workforce for the corresponding calendar year. In 2022, the adjusted gender pay gap was 1.8%; in 2023 it was 1.5% and in 2024 it was reduced to 1.2%. We continuously work on keeping these wage differences as low as possible in the future. The target value was presented to the Supervisory Board and the works council committees. In addition, the works councils are consulted when there are new appointments or internal changes in order to ensure fair pay irrespective of gender.

Proportion of women in senior management

Increasing the **proportion of women in senior management**[47] is a key target based on the Equality Policy of Telefónica Deutschland Group to promote professional equal treatment of women and men (>Chapter POLICIES RELATED TO OWN WORKFORCE). Gender equality is also a target of the EU, the UN and the Federal government of Germany. With the voluntary proportion of women in senior management, which has been continuously increased, we contribute to the positive development of gender parity and thus contribute to the UN development goal.

In principle, the long-term target is to achieve gender parity in senior management. To this end, a new target value is determined annually for the following year. To define this target attainment, the share of previous years is taken into account in order to determine an ambitious but achievable target value. For 2024, the target is to achieve a 33.7% proportion of women in senior management, including the Management Board of Telefónica Deutschland Group. To monitor target attainment, the proportion of women in senior management is determined monthly. In financial year 2021, the RBP 2025 was adopted. The first target attainment was thus in 2021 with a value of 27.8%. The proportion of women in senior management has continuously increased over the last few years: in 2022, the share was 32.1%, in 2023 it was 32.2% and in 2024 it was 34.0%.

Inclusion of employees and workers' representatives when setting the target

Management of the targets mentioned and the interaction with employees is ensured via actions (>Chapter ACTIONS RELATED TO OWN WORKFORCE). These actions are subject to co-determination or were developed in partnership with the workers' representative committees. These include the principles of hybrid work (>Chapter IMPACTS, RISKS AND OPPORTUNITIES RELATED TO OWN WORKFORCE) and the company agreements, which contribute materially to the perceived state of equilibrium between an individual's work and personal life as well as actions to promote employees' mobility and training. The regular exchange with workers' representative committees and the analysis of the results of employee surveys make it possible to receive direct feedback from the workforce on the targets and continuously evaluate and implement improvement options.

The results of the employee satisfaction survey, which measures the overall satisfaction of the workforce and the satisfaction with individual actions, are regularly discussed with the workers' representative committees. This ensures that the actions are continuously adapted and optimised to promote the satisfaction and engagement of employees.

[46] https://hr.princeton.edu/learning-philosophy
[47] Managers at director level and up

Metrics related to own workforce
S1-6, S1-8, S1-9, S1-10, S1-14, S1-16, S1-17

Characteritics of own workforce
S1-6

T 36 – CHARACTERISTICS OF OWN WORKFORCE

Head count numbers of employees as of 31.12.2024

	Female	Male	Other[48]	Not disclosed	total
Number of employees[49]	3,045	4,836	-	13	7,894
Average number of employees[50]					7,848
Number of permanent employees	2,820	4,608	-	-	7,428
Average number of permanent employees					7,381
Number of temporary employees	225	228	-	-	453
Number of non-guaranteed working hours employees	80	81	-	-	161

The total number of employees (head count; PIP) is based on active and inactive permanent employees and assistants (incl. working students) irrespective of the term. The holding company, trainees, interns, temporary workers and undergraduates are excluded, and employees in the "Other" category (<10) are not included in the calculation for reasons of data protection law. Unless explicitly stated, the data is always provided excl. 50% of the employees from the Tchibo joint venture. A regional breakdown of employee metrics is not necessary as the employees of Telefónica Deutschland Group are employed only in Germany.

T 37 – TURNOVER RATE OF OWN WORKFORCE

	2024
Total number of employees who left the undertaking during the reporting period	709
Staff turnover rate in the reporting period (%)	9.06

The respective basis is the number of new appointments in the period from 1 January to 31 December of the respective financial year. The basis is the number of employees leaving in the period 31 December 2023 to 30 December 2024/PIP average of the five reporting dates 31 December 2023, 31 March 2024, 30 June 2024, 30 August 2024 and 31 December 2024.

Since financial year 2020, voluntary departures have included, for example, the end of fixed-term contracts, (early) retirement and the death of employees, in addition to employee termination.

Collective bargaining coverage and social dialogue
S1-8

The right to freedom of association and collective bargaining is also part of the Declaration of Principles on Respecting Human Rights of Telefónica Deutschland Group. In addition, a confidential whistleblower system is available to employees in order to report violations of policies or laws.

Telefónica Deutschland Group has no collective bargaining agreements in the European Economic Area.

T 38 – COLLECTIVE BARGAINING COVERAGE AND SOCIAL DIALOGUE

	2024
Rate of total employees covered by collective bargaining agreements or company agreements (%)	98
Rate of total employees represented by workers' representatives (%)	98

[48] Gender as specified by the employees themselves
[49] incl. Tchibo MOBIL
[50] incl. Tchibo MOBIL

Telefónica Deutschland Group understands collective bargaining agreements as collective bargaining based on negotiations “that take place between one or more employers or employers’ organisations, on the one hand, and one or more workers’ organisations (e.g. trade unions), on the other, for determining working conditions and terms of employment or for regulating relations between employers and workers”.[51] The coverage of these – customary in Germany – company agreements at Telefónica Deutschland Group in the reporting year is 98% (PIP employee basis 2024: 7,894).

The calculation is performed by counting the employees (PIP) who were reported as falling under the company agreements in that they were identified as “collectively” reported agreements. Managing employees are not covered by these company agreements, which is also customary in Germany. In addition, employees of Telefónica Deutschland Group do not support the trade unions in concluding additional collective bargaining agreements. For this reason, agreements with trade unions are at 0%.

Diversity metrics
S1-9

T 39 – DIVERSITY METRICS

	2024	
Gender breakdown in numbers at top management	**Number of employees**	**%**
Men	35	66
Women	18	34
Breakdown of employees by age group		
Under 30	840	
30-50	4,836	
Over 50	2,205	

For reasons of data protection law, employees in the “Other” category (<10) are not included in the calculation.

Adequate wages
S-10

Adequate wages are part of the human right to fair working conditions. The remuneration paid by Telefónica Deutschland Group is competitive and is supplemented by further additional benefits. The remuneration level in the German market for comparable positions is used as a reference. Our employees receive information on wage payments in a written and easy-to-understand form at the beginning of the employment relationship. Wage reductions as a form of disciplinary measure is prohibited.

T 40 – ADEQUATE WAGES

	2024
Share of employees paid below the adequate wage (%)	0

Adequate wage is defined as the minimum wage in Germany (2024: EUR 12.41 (gross) per hour).

Health and safety metrics
S1-14

T 41 – HEALTH AND SAFETY METRICS

	2024
Share of employees covered by the health and safety management system of the undertaking (%)	100
Number of deaths due to work-related injuries and work-related illnesses	0
Number of reportable workplace accidents	47
Share of reportable workplace accidents (per one million working hours)	3.49

The responsibility under the German Act on Temporary Agency Work (Arbeitnehmerüberlassungsgesetz) also applies to temporary workers. Independent service providers (consultants, freelancers etc.), in contrast, are not yet included in this metric in this respect.

[51] Source: GRI-407; the definition is based on convention 154 of the International Labour Organization (ILO), “Collective Bargaining Convention”, 1981

Remuneration metrics (pay gap and total remuneration)
S1-16

T 42 – REMUNERATION METRICS

	2024
Gender pay gap - Wage differences between men and women[52] (%)	17.49
Adjusted gender pay gap[53] (%)	1.2
Annual total remuneration ratio (CEO-Ratio)[54]	24.2

The gender pay gap (adjusted) is calculated based on the employees of Telefónica Deutschland Group that are on either active or paid sabbatical or leave (2024: 7,457).

Incidents, complaints and severe human rights impacts
S1-17

T 43 – INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHTS IMPACTS

	2024
Number of incidents of discrimination reported, including harassment	1
Number of complaints in connection with social and human rights issues that do not relate to discrimination or harassment	0
Total amount of material monetary fines, penalties and damage compensation due to violations of social and human rights factors	0
Number of severe human rights violations and incidents	0
Total amount of material fines, penalties and damage compensation in connection with severe human rights violations and incidents	0

Data sources are the various internal and external grievance channels.

In the reporting year, there was one confirmed incident of discrimination and harassment in the Company's own workforce, which resulted in remedial action. There were no incidents or complaints in relation to social and human rights issues that resulted in fines, penalties or damage compensation. No severe incidents and negative impacts on human rights or other human rights-related complaints as defined by the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises were recorded in the reporting year in the undertaking's own workforce. The share of complaints received from our own business operations are taken into account when achieving our objective of resolving 100% of human rights-related reports and complaints (>Chapter TARGETS RELATED TO WORKERS IN THE VALUE CHAIN).

[52] Average gross hourly wage of female employees in relation to the average gross hourly wage of male employees
[53] Average gross hourly wage of female employees per average gross hourly wage of male employees, adjusted by other factors not impacting remuneration (%)
[54] Annual total remuneration of the highest paid person in relation to the average annual total remuneration of all employees (excluding CEO).

Workers in the Value Chain

ESRS S2, SBM-3

The strategic alignment of Telefónica Deutschland Group includes improving network coverage and quality as well as offering a wide range of mobile devices to increase customer loyalty. However, this growth leads to a greater consumption of resources and has environmental and social impacts along the entire value chain, including the workforce. These can be categorised in the following stages of the value chain:

Upstream supply chain: Employees who provide products or services required for the undertaking's activity. These include workers of goods suppliers (e.g. in factories who assemble devices such as routers and mobile phones) and service providers who offer consulting services, for example. In other countries, these workers are often subject to lower labour and social protection.

Own business activities: Employees who perform work required by the undertaking to develop its products and services. This includes own employees (>Chapter TARGETS RELATED TO OWN WORKFORCE) and contract workers, e.g. in the context of providing and maintaining the network. Here, workers are identified who could be exposed to potential material negative impacts, for example, employees who are seconded to Telefónica Deutschland Group sites by suppliers or business partners.

Downstream supply chain: Employees who deal with the marketing, use and life cycle end of products and services of the undertaking. These include, for example, employees in customer service, logistics and in franchise shops.

Impacts, risks and opportunities related to workers in the value chain

S2 SBM-3

T 44 – MATERIAL IMPACTS RELATED TO WORKERS IN THE VALUE CHAIN

Material impacts			Position in the value chain				
	Sub-topic	Description	Upstream	Own operations	Downstream	Time horizon	Associated policy/policies
ESRS S2 Workers in the value chain							
Negative impact	Working conditions	Negative impacts on the health and livelihood of employees at direct suppliers in countries with weak working and wage standards due to increased overtime as a result of shorter delivery times	X		X	Short-, medium- and long-term	• Declaration of Principles on Respecting Human Rights • Health Policy • Supply Chain Sustainability Policy • Annex: Health & Safety for Suppliers • Human Rights Handbook LkSG
Negative impact	Working conditions	Negative impacts on the health and safety of employees in the value chain due to non-compliance with international occupational safety standards and regulations by suppliers and franchisees	X		X	Short-, medium- and long-term	• Declaration of Principles on Respecting Human Rights • Commitment to Children's Rights • Health Policy • Supply Chain Sustainability Policy • Annex: Health & Safety for Suppliers • Human Rights Handbook LkSG
Negative impact	Working conditions	Negative impacts on employees at direct suppliers in countries with limited freedom of association and collective bargaining laws	X		X	Short-, medium- and long-term	• Declaration of Principles on Respecting Human Rights • Supply Chain Sustainability Policy • Human Rights Handbook LkSG
Negative impact	Equal treatment and opportunities for all	Negative impacts on the health and quality of life of employees at direct suppliers in countries with inequitable treatment of workers	X		X	Short-, medium- and long-term	• Declaration of Principles on Respecting Human Rights • Health Policy • Supply Chain Sustainability Policy • Annex: Health & Safety for Suppliers • Human Rights Handbook LkSG

T 45 – MATERIAL RISKS AND OPPORTUNITIES RELATED TO WORKERS IN THE VALUE CHAIN

Material Risks and Opportunities			Position in the value chain				
	Sub-topic	Description	Upstream	Own operations	Downstream	Time horizon	Associated policy/policies
ESRS S2 Workers in the value chain							
Risk	Working conditions	Monetary fines, penalties and loss of contracts, reputation and business opportunities may arise if appropriate preventive actions are not taken to protect human rights and rights at work	X		X	Medium-term	• Declaration of Principles on Respecting Human Rights • Health Policy • Supply Chain Sustainability Policy • Annex: Health & Safety for Suppliers • Human Rights Handbook LkSG

Our products are manufactured across 30 countries, which can harbour risks for unfair working conditions and pollution. In the deeper supply chain, there is a higher risk that workers may be systemically impacted by inadequate working conditions in countries and sectors with weak labour and social protection. In addition, the annual human rights risk analysis found, among other things, that there is a risk of employees at our suppliers increasingly working overtime in certain areas. Negative impacts on health, livelihood and equal treatment could arise here. The risk of fines, penalties and the loss of contracts, reputation and business opportunities can arise for Telefónica Deutschland Group due to a lack of preventive actions to protect human rights and rights at work.

Through the materiality assessment and the German Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, LkSG) risk analysis, we have developed a deeper understanding of which workers in the value chain are exposed to a higher risk potential and negative impacts. Children, women, LGBTQIA+ persons, ethnic minorities, people with disabilities, local communities, migrant workers and older employees are particularly affected.

Telefónica Deutschland Group is committed to counteracting negative impacts on workers in the value chain by adapting risk management processes such as improved identification and addressing of risks and violations. Our code of conduct (>Chapter POLICIES RELATED TO WORKERS IN THE VALUE CHAIN) as a mandatory contractual annex with our suppliers, additionally creates a contractual basis for minimum requirements of our suppliers as well as for remedial actions if violations are determined. These include expanded risk management processes, improved grievance procedures and social criteria for supplier assessments. The aim of the introduction of the SCSP is to reduce negative impacts and risks for workers in the supply chain. The adaptation of this code of conduct in 2024 was in response to new legislation.

Policies related to workers in the value chain

S2-1, S2-2, ESRS 2 MDR-P

Telefónica Deutschland Group is committed to respecting human rights along the entire value chain and in all business relationships (>Chapter POLICIES RELATED TO WORKERS IN THE VALUE CHAIN). We are committed to complying with the ethical and sustainability standards of the business principles and the SCSP together with suppliers, contractors and business partners. Via the parent group Telefónica, S.A. Group, Telefónica Deutschland Group will continue to engage in initiatives such as the JAC (Joint Alliance for CSR), which aims to address sustainability in global supply chains of undertakings in the ICT sector.

We identify, prevent and minimise the negative impacts on human rights in our supply chains via the due diligence process. The process also integrates the requirements of the LkSG. We support the target associated with the Act of responsible business conduct and fair supply chains that take a high level of human rights and environmental standards into account. In addition, we maintain regular communication with internal and external stakeholders in the implementation of the LkSG. Should there be any human rights or environmental violations, the due diligence process of Telefónica Deutschland Group provides for remedial actions (>Chapter STATEMENT ON DUE DILIGENCE) (>Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO OWN WORKFORCE).

In the context of the **Declaration of Principles on Respecting Human Rights** (>Chapter POLICIES RELATED TO OWN WORKFORCE) Telefónica Deutschland Group is committed to respecting and promoting human rights in the undertaking and along the value chain. In addition, Telefónica Deutschland Group, in its **Commitment to Children's Rights** (>Chapter POLICIES RELATED TO CONSUMERS AND END-USERS), is committed to the particular protection of children and young people in all business activities, which also includes a prohibition of child labour.

Likewise, Telefónica Deutschland Group pursues the target of preventing workplace accidents and work-related illnesses as well as promoting the health and work satisfaction of workers in the value chain through targeted actions with the **Health Policy** (>Chapter POLICIES RELATED TO OWN WORKFORCE).

The **Supply Chain Sustainability Policy** (SCSP) is a code of conduct. It contains the environmental, social and ethical expectations and requirements of Telefónica Deutschland Group of its suppliers and applies to the purchase of products and services along the entire value chain of the undertaking. The code of conduct addresses, for example, topics such as child and forced labour as well as human trafficking, freedom of association and collective bargaining, equal treatment and privacy, safety and health conditions and commits direct suppliers to comply with set minimum standards in the sense of sustainable corporate governance. Our suppliers are required to implement these or comparable standards and regulations within their own supply chains. The aims is to jointly establish the above-mentioned expectations and requirements in the global supply chains.

This policy is based on the principle of equality and excludes every form of discrimination. Furthermore, the SCSP contains the specification that no-one may be disadvantaged or preferred on the basis of race or their gender, sexual orientation or gender identity, age, disability, origin, colour, language, home country and social origin, faith, religious or political opinions or other circumstances to the extent these are not mandatorily justified as required by the activity. The personal dignity, privacy and personal rights of each individual are respected. In addition, the SCSP commits our suppliers to inform their own employees and suppliers of our whistleblower system.

This code of conduct is the responsibility of the CR&S Directorate. The effectiveness of the policy is reviewed regularly and adaptations are made, if necessary. In doing so, internal experts continuously follow regulatory developments and potential changes in the supply chains and the results of the risk analysis. Compliance with the policy is reviewed in the context of our due diligence process (>Chapter STATEMENT ON DUE DILIGENCE) for human rights. The interests of relevant stakeholders were ensured in the preparation of the policy through close coordination with the relevant internal specialist departments.

The SCSP can be accessed from the in-house intranet and via the company website as well as the purchasing platform of Telefónica Deutschland Group. It is an integral part of the tender process and suppliers are contractually bound to it.

The **Human Rights Handbook LkSG** defines the processes and responsibilities that we have determined in order to meet the due diligence obligations under human rights law in accordance with the LkSG. The specialist departments and the responsible officers set out in the Human Rights Handbook are responsible for the implementation. It is aimed at all employees of Telefónica Deutschland Group and is intended to make a material contribution to protecting the human rights of workers in the value chain in that it instructs employees to perform relevant due diligence obligations such as risk analyses and preventive actions to thereby identify and avoid risks under human rights law. The aim of the Handbook is to support all employees to understand the processes relevant to meeting the requirements of the LkSG and to know their own rights and duties in the context of the law. The Handbook can be downloaded by all from the company's own intranet.

The Handbook was developed and reviewed in coordination with the cross-departmental Human Rights Committee. The CR&S Directorate is responsible for the content. To ensure that it is correct and up to date, the Handbook is reviewed annually. Any changes or expansions of due diligence obligations, processes, actions or results of the risk analyses are updated regularly.

The interests of groups of persons potentially affected were taken into account in the context of the human rights and environmental areas of action with reference to the relevant international human rights frameworks and standards.

The requirements and processes described in the SCSP, the Declaration of Principles on Respecting Human Rights and in the Human Rights Handbook are reviewed annually to ensure that they are up to date and in line with the following internationally recognised human rights frameworks:

- International Human Rights Charter
- UN Guiding Principles on Business and Human Rights (UNGP)
- Conventions and recommendations adopted by the International Labour Organization (ILO) on work and social standards, in particular the ILO core labour standards
- Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration)
- OECD Guidelines for Multinational Enterprises
- Ten Principles of the United Nations Global Compact (UNGC)
- Charter of Fundamental Rights of the European Union
- UN Convention on the Rights of the Child

We also support the United Nations Agenda 2030 for sustainable development and achievement of the Sustainable Development Goals (SDGs).

The **Annex "Health & Safety for Suppliers"** sets out the occupational safety and health requirements for suppliers of Telefónica Deutschland Group. The aim is to consolidate the legal and company-specific requirements and use them as a contractual component for external services. The bases are German laws, specifications by the trade associations and, if applicable, the EU requirements.

In addition, the material interests of stakeholders are taken into account by coordinating with Purchasing and the CR&S, Legal and CHM specialist departments. With the exception of Purchasing, these specialist departments of Telefónica Deutschland Group also act as the highest instance for the implementation of the policy. Purchasing is responsible for ensuring that the contractual annex is implemented.

The annex is revised on an ad hoc basis. The supplier is responsible for compliance with the specifications described. The supplier's internal contractual partner, who signs the document, is responsible for checking compliance with the specifications.

This document is communicated on the internal regulatory portal on the pages of CHM. The respective latest version of this document, including all annexes, is electronically available in the Corporate Document Centre and can be downloaded there by Purchasing and the specialist departments affected by the purchasing process.

Inclusion of workers in the value chain
S2-1, S2-2

Telefónica Deutschland Group promotes dialogue with the workers in its value chain.

The inclusion of stakeholders takes place directly with the supplier's representatives as well as via the contracting parties within Telefónica Deutschland Group. These discussions serve to understand concerns and expectations, build trust and develop solutions together. The aim is to improve potential impacts as well as living and working conditions in the value chain and to minimise potential risks such as inadequate working standards and poor safety precautions. Clear standards for suppliers should ensure freedom of association and the right to collective bargaining so that workers in the value chain are not prevented from voicing their concerns. The reporting channels for complaints (>Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO OWN WORKFORCE) make it possible for workers in the value chain to directly point out their concerns, which ensures that risks are detected early on and can be addressed.

In addition, reviews of social standards take place in the context of annual JAC audits in order to identify risks, for example, in relation to inadequate wages or non-compliance with international occupational safety standards and to take improvement measures. The following table shows the formats, including their frequency and type. In addition, how the effectiveness of formats is measured is shown as well as which phase of the due diligence process for respecting human rights they are assigned to (>Chapter STATEMENT ON DUE DILIGENCE).

T 46 – STAKEHOLDER ENGAGEMENT FORMATS RELATED TO WORKERS IN THE VALUE CHAIN

Format	Frequency	Type	Phase	Impact
Supply Chain Sustainability Policy (SCSP)	When concluding contracts and for orders in accordance with the Telefónica purchasing model (MCT)	Information	Phase 2: Risk and impact analyses Phase 3: Preventive actions and process integration	Policy acceptance rate 100% of MCT suppliers should accept the SCSP and comply with it.
Human rights mailbox for human rights and environment-related complaints or whistleblower notifications	On an ad hoc basis, if risks or violations in connection with human rights or the environment are suspected	Consultation	Phase 6: Complaints and remedial actions	Number of complaints from the entire value chain relating to the legal positions of the LkSG and the percentage share of these complaints that are resolved; processing time of individual complaints
Ombudsperson (independent lawyers)	For certain incidents or risks relating to human rights or environmental aspects	Consultation	Phase 6: Complaints and remedial actions	
JAC audits (incl. surveys) as part of the JAC initiative (Joint Alliance for CSR)	Occur continuously throughout the entire reporting year	Consultation	Phase 2: Risk and impact analyses Phase 3: Preventive actions and process integration	Number of improvement actions to remedy the risks determined by the JAC audits locally in areas such as workers' housing, wages and salaries, safety and health protection at the workplace and environment
Coordination discussions with suppliers and contracting parties	Annually after LkSG risk analysis; ad hoc if immediate action required	Information, consultation	Phase 3: Preventive actions and process integration; Phase 6: Complaints and remedial actions	Review by the specialist department as to whether agreed actions have been implemented

Operational responsibility and competences vary depending on which area is responsible for dealing with the respective supplier. Insight into the perspectives of workers in the value chain who may be particularly at risk and/or disadvantaged is achieved through websites for the reporting channels, which can be read aloud, and the availability of codes of practice in five languages.

Remediation mechanisms and grievance procedures related to workers in the value chain
S2-3

For workers in the value chain, remediation mechanisms and grievance procedures are set up similarly to the process for the own business area. Employees can report whistleblower notifications and/or complaints via the channels we have established (>Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO OWN WORKFORCE).

Actions related to workers in the value chain
S2-4, ESRS 2 MDR-A

The actions described below are aimed at preventing or minimising material negative impacts on workers in the value chain, in particular on their health and safety, and were developed on the basis of the annual risk analysis. This includes regular audits, risk assessments and the introduction of actions to prevent and remedy any risks and violations identified. In addition, Telefónica Deutschland Group has expanded its offerings on occupational safety and health, including information, trainings, on-site inspections, for example in call centres, specification documents and instructions to also include external workers. The implemented actions also ensure that the due diligence obligations in accordance with the LkSG are complied with.

Telefónica Deutschland Group actively participates in industry-wide initiatives and networks that advocate improvements in working conditions in global supply chains. This includes collaboration on policies, certifications and joint action plans. Globally, we work with the Group's regional companies and are in close contact with Telefónica Global Service GmbH and Telefónica, S.A. Group. Telefónica Global Service GmbH coordinates closely on sustainability in the supply chain with our CR&S, Compliance, Legal and Privacy departments and is also represented on the Human Rights Committee as well as, if needed, on the Energy Committee.

The due diligence process includes reviewing the appropriateness and effectiveness of remedial actions (>Chapter STATEMENT ON DUE DILIGENCE). This is also established in the sustainable supply chain management process (>Chapter MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS). In addition, performing workplace inspections and risk assessments is one of the basic employer obligations in accordance with Section 5 of the German Occupational Safety and Health Act and a special reason is therefore not required.

Policy reviews and training measures

All suppliers must contractually commit to complying with the minimum requirements set out in the SCSP for responsible and sustainable conduct (>Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO WORKERS IN THE VALUE CHAIN).

Trainings

Telefónica Deutschland Group introduced a continuous online training offering in 2023 with the adaptation of its SCSP. This sets out the basic principles of protecting human rights in the value chain and explains our due diligence process (>Chapter STATEMENT

ON DUE DILIGENCE). This communicates in a practical way the SCSP, Human Rights Handbook (>Chapter POLICIES RELATED TO WORKERS IN THE VALUE CHAIN) and the Declaration of Principles on Respecting Human Rights (>Chapter POLICIES RELATED TO OWN WORKFORCE). The online training is made accessible via the Internet and an information pack for new registered suppliers of Telefónica Deutschland Group.

Review of the specification documents for occupational safety and health

In addition, Telefónica Deutschland Group regularly and on an ad hoc basis performs a review and revises the specification documents on the minimum standards to be adhered to in occupational safety and health for suppliers. This action is carried out as follows. We take into account possible changes in legal and trade association requirements to ensure that the minimum requirements for the responsible and sustainable conduct of our suppliers are always up to date and in compliance with the law. The implementation of this action is part of the contract for the provision of external services in the area of occupational safety and health. These services could vary depending on requirements.

Audits and safety inspections

Performance of JAC audits

To ensure that social minimum standards are complied with in occupational safety and health as well as further rights of suppliers' employees, Telefónica, S.A. Group conducts annual JAC audits at strategic suppliers. This action has been implemented throughout the Group's supply chain and is being carried out on an ongoing basis.

Execution of workplace inspections and hazard assessments as well as safety reviews

In addition, Telefónica Deutschland Group continuously executes workplace inspections and hazard assessments as well as random safety reviews in order to monitor and optimise the working conditions along the value chain. These actions primarily affect our operations. These actions can also be applied to workplaces at heights (e.g. network sites), which are not part of Telefónica Deutschland Group but at which our own employees work. These actions are based on the Health Policy and the occupational safety guidelines (>Chapter POLICIES RELATED TO OWN WORKFORCE).

Inspections of shops and call centres in Germany and abroad

To reduce risks within the value chain, Telefónica Deutschland Group performs continuous regular inspections of call centres abroad as well as inspections in own shops and partner shops in Germany. A right of control included in the SCSP (>Chapter POLICIES RELATED TO WORKERS IN THE VALUE CHAIN) supports the execution of the action. In addition, some of the inspections include on-site training by specialists. In this way, risks relating to inadequate standards and precautions that could have potential negative impacts on the employees concerned can be recognised and prevented at an early stage or existing shortcomings can be remedied. In addition, our own human rights and environment-related expectations, which we have entrenched in the policies, can also be reviewed.

Preventive action catalogue

In order to be able to implement appropriate risk-based actions when identifying human rights and environment-related risks, we have developed a catalogue of preventive actions that is used on an ongoing basis, particularly for high-risk suppliers in our supply chain. This catalogue supports the specialist departments in choosing effective actions. Sources on implementation approaches and helpful resources can guide both the supplier and the specialist departments in the implementation. By developing and implementing preventive actions in a targeted way, we can actively counteract potential negative impacts on employees in the supply chain.

Targets related to workers in the value chain

S2-4, S2-5, ESRS 2 MDR-T

Identification of high-risk suppliers

Telefónica Deutschland Group is committed to reviewing the **sustainability matters of 100% of identified high-risk suppliers** that have a direct contractual relationship with us. In this way, we want to make a significant contribution to transparency and the promotion of sustainable development along the entire value chain.

The social, ethical and environment-related standards in the policies mentioned form the basis for the requirements we have of our suppliers. They are crucial for achieving our targets and support the purpose of our policies. The systematic review of high-risk suppliers is intended to reduce negative impacts and promote positive effects in the supply chain. Differences in legal framework conditions, environmental challenges and social conditions in the sourcing countries and labour contexts can lead to certain suppliers being classified as high-risk suppliers. For this reason, the region- and sector-specific sustainability risks are also analysed. This approach ensures that Telefónica Deutschland Group complies with the regulatory requirements.

The classification and assessment of the risk categories is based on the underlying procurement and risk strategy of Telefónica, S.A. Group. A distinction is made here between low-, medium- and high-risk suppliers. Telefónica, S.A. Group performs a three-step risk analysis of all suppliers at the beginning of each year. This allows us to identify potentially risky suppliers from the point of view of sustainability aspects. The focus here is on suppliers who are the most significant in terms of order volume due to their potential risk level and impacts on the business. In 2024, 37 of 722 suppliers were identified as potentially high-risk suppliers. Currently, 78% of the high-risk suppliers have completed a self-assessment on the Integrity Next risk platform that is used for the annual monitoring. The value was at 80% in 2022 and at 91% in 2023. Our progress measurement is based on the total number of high-risk suppliers in the previous year and comprises the period from January to December 2024.

Resolution of human rights-related complaints

Telefónica Deutschland Group has, in addition, set a target of **resolving 100% of human rights-related whistleblower notifications and complaints**. The target was presented in coordination with the Human Rights Officer of Telefónica Deutschland Group and supports the higher order target of respecting human rights in its own business area and in the value chain through the due diligence process for human rights (>Chapter STATEMENT ON DUE DILIGENCE). This target contributes to all relevant policies related to human rights. The newly formulated target for 2024 exceeds the previous specifications (>Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO OWN WORKFORCE).

The target was set in order to reduce negative impacts and promote positive effects in our own business area and in the value chain. By recognising risks or violations and implementing preventive and remedial actions, existing human rights violations can be reduced or ended and future ones prevented. This improves the human rights situation of potentially affected persons.

The share of complaints received in the current financial year that could be concluded in three months (in six months for complex cases) is calculated for the target. No complaints or indications of serious incidents or negative impacts on human rights were received from the upstream value chain. Information on reported incidents in the downstream value chain can be found in the >Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO CONSUMERS AND END-USERS. We keep the perspective of those potentially affected and vulnerable groups continuously in sight in the formulation, implementation and effectiveness measurement of our targets. We ensure that the perspectives and expectations of those affected are appropriately taken into account when developing preventive and remedial actions and when handling complaints.

Consumers and End-Users

ESRS S4

As a telecommunications provider, the customer is at the heart of Telefónica Deutschland Group. Its objective is to enable all people to participate in digital life so that they can shape their future sustainably. Telefónica Deutschland Group distinguishes between two main types of consumer and end-user:

- **B2B customers:** This category consists of business customers. It refers to a legal entity that acquires the right to use and benefit from the services and products offered by the company through a contractual relationship.
- **B2C customers:** They are also referred to as private customers. This includes people who acquire the right to use the services and products offered by the company through a contractual relationship with Telefónica Deutschland Group.

Within these two main types, three further sub-categories can be identified that may be affected by material impacts:

- **Consumers and end-users in rural and remote areas:** This group may have difficulties accessing high-quality communication services due to their geographic location.
- **Consumers and end-users with limited economic resources:** This group may have difficulties affording the costs of the communication products and services offered.
- **Consumers and end-users with restrictions:** This group may have restrictions on access to or use of digital products.

Impacts, risks and opportunities related to consumers and end-users
S4 SBM-3

T 47 – MATERIAL IMPACTS RELATED TO CONSUMERS AND END-USERS

Material impacts	Sub-topic	Description	Position in the value chain: Upstream	Own operations	Downstream	Time horizon	Associated policy/policies
ESRS S4 Consumers and end-users							
Positive impact	Information-related impacts for consumers and/or end-users	Compliance with privacy and security regulations engenders trust among customers and business partners that their personal data is in safe hands	X		X	Short-, medium- and long-term	• Group data protection standard • Information security policy
Positive impact	Information-related impacts for consumers and/or end-users	Ensuring a secure, digital environment and uninterrupted services for customers and the right to information and communication by prioritising privacy and information security			X	Short-, medium- and long-term	• Information security policy • Minimum Security Controls
Positive impact	Social inclusion of consumers and/or end-users	Promotion of the economic and social development of society through access to a reliable, robust and efficient mobile network			X	Short-, medium- and long-term	• Business Principles
Positive impact	Social inclusion of consumers and/or end-users	Strengthening democracy, freedom of expression and social cohesion by promoting digital resilience and providing technologies and affordable, accessible digital connectivity and services			X	Short-, medium- and long-term	• Business Principles • Human Rights Policy • Guidelines on ethically responsible communication
Positive impact	Social inclusion of consumers and/or end-users	Increasing customer satisfaction and the customer experience through customised offers and services based on customer feedback			X	Short-, medium- and long-term	• Business Principles • Guidelines on ethically responsible communication • TEF QM – Technical Manual (NPS) Telefónica Germany 2024
Positive impact	Social inclusion of consumers and/or end-users	Promotion of the entrepreneurial ecosystem through investment, development of innovative products and services and the growth of undertakings and startups	X		X	Short-, medium- and long-term	• Business Principles
Positive impact	Social inclusion of consumers and/or end-users	Increased customer satisfaction, productivity and efficiency through the use of AI, e.g. in customer service			X	Short-, medium- and long-term	• Business Principles • AI Code of Conduct for Telefónica (Artificial Intelligence Principles)
Positive impact	Social inclusion of consumers and/or end-users	Promotion of the digital inclusion of vulnerable groups and minimisation of risks (such as disinformation and cyberbullying) through digital accessibility and the reduction of digital skills gaps			X	Short-, medium- and long-term	• Business Principles • Guidelines on ethically responsible communication
Negative impact	Information-related impacts for consumers and/or end-users	Negative impacts on customers through privacy violations			X	Medium-term	• Business Principles • Declaration of Principles on Respecting Human Rights • Human Rights Policy • Group data protection standard
Negative impact	Social inclusion of consumers and/or end-users	Increasing digital divide of potentially affected and vulnerable groups due to lack of access to or knowledge of digital services			X	Short- to medium-term	• Business Principles • Declaration of Principles on Respecting Human Rights • Human Rights Policy
Negative impact	Social inclusion of consumers and/or end-users	Social tension resulting from the dissemination of hate speech and illegal content through the technologies provided			X	Short- to medium-term	• Business Principles • AI Code of Conduct for Telefónica (Artificial Intelligence Principles) • Guidelines on ethically responsible communication
Negative impact	Social inclusion of consumers and/or end-users	Discrimination and/or inequitable treatment of certain groups due to potential incidents in AI systems			X	Short- to medium-term	• Guidelines on ethically responsible communication • AI Code of Conduct for Telefónica (Artificial Intelligence Principles)
Negative impact	Social inclusion of consumers and/or end-users	Negative impacts on customers due to discrimination in shops, on the telephone or via advertising			X	Short- to medium-term	• Guidelines on ethically responsible communication
Negative impact	Social inclusion of consumers and/or end-users	Customer dissatisfaction and negative effects due to misleading or incomplete information/advertising and lack of transparency			X	Short- to medium-term	• Guidelines on ethically responsible communication

T 48 – MATERIAL RISKS AND OPPORTUNITIES RELATED TO CONSUMERS AND END USERS

Material risks and opportunities	Sub-topic	Description	Position in the value chain: Upstream	Own operations	Downstream	Time horizon	Associated policy/policies
ESRS S4 Consumers and end-users							
Opportunity	Social inclusion of consumers and/or end-users	Increased customer satisfaction and revenue by improving network quality, simplifying processes and customer-centred implementations		X	X	Medium- to long-term	• Business Principles
Opportunity	Social inclusion of consumers and/or end-users	Increased sales, profits and customer numbers by promoting digital access and more attractive services for all customer groups		X	X	Medium- to long-term	• Guidelines on ethically responsible communication
Opportunity	Social inclusion of consumers and/or end-users	Customer acquisition and retention by protecting vulnerable groups from potential misuse of technology and improving reputation through responsible advertising			X	Medium- to long-term	• Information security policy • AI Code of Conduct for Telefónica (Artificial Intelligence Principles) • Guidelines on ethically responsible communication
Risk	Information-related impacts for consumers and/or end-users	Reputational damage and loss of sales due to lawsuits by consumer protection organisations		X		Medium-term	• Information security policy • Guidelines on ethically responsible communication
Risk	Information-related impacts for consumers and/or end-users	Revenue losses, customer losses and damage to image due to network outages, data protection incidents and security breaches, such as cyberattacks on the network or IT systems		X	X	Short-term	• Business Principles • Information security policy • Minimum Security Controls
Risk	Social inclusion of consumers and/or end-users	Monetary fines and reputational damage due to non-compliance with legal regulations		X		Medium-term	• AI Code of Conduct for Telefónica (Artificial Intelligence Principles)
Risk	Social inclusion of consumers and/or end-users	Loss of reputation due to lack of accessibility of the product portfolio for potentially affected and vulnerable groups		X	X	Medium-term	• Business Principles • Human Rights Policy • Guidelines on ethically responsible communication
Risk	Social inclusion of consumers and/or end-users	Loss of reputation and sales due to discrimination against customers or misleading advertising		X	X	Medium-term	• Declaration of Principles on Respecting Human Rights • Human Rights Policy • Diversity & Inclusion Policy • Commitment to Children's Rights • Guidelines on ethically responsible communication

We regard the satisfaction of our consumers and end-users as a high priority. Feedback is actively obtained and used in the further development of our products and services. Improving the network coverage and quality in urban and rural areas is at the centre of our strategic pillars "Customers" and "Technology & Capital" (>Chapter CORPORATE STRATEGY). A reliable, robust and efficient mobile network promotes the economic and social development of society, but can lead to higher energy consumption per user in the city and in rural areas. This is why we invest in 5G and cloud servers in order to improve network quality and at the same time save energy.

In order to prevent the potential systemic exclusion of individual customers, avoid digital inequality and promote democracy and freedom of expression, barrier-free and affordable access is of great importance. We are also working on improving digital accessibility and resilience, which offers us the opportunity to gain additional market volume among disadvantaged target groups in line with our growth strategy.

Telefónica Deutschland Group pays particular attention to consumers and end-users who require additional support when dealing with the digital world, such as children, young people, seniors, persons with disabilities and people with a migration background. These groups are increasingly exposed to negative impacts, such as misleading information, hate speech and illegal content or discrimination in shops, customer consultations or through advertising due to a lack of transparency. In order to better understand their needs, we carry out an annual risk analysis that takes into account human rights aspects as defined in the minimum safeguards under the EU Taxonomy Regulation. It is important to us to protect these customer groups and promote their digital skills and this contributes to customer acquisition and retention. In addition, business partners, in particular startups, are supported with collaborations and investments through the Open Innovations Hub Wayra Germany.

Furthermore, Telefónica Deutschland Group wants to strengthen the trust of its retail and business customers in the protection of their personal data through the consistent prioritisation of privacy and security regulations. This counteracts potential reputational and customer losses, revenue losses and fines as a result of network outages, data breaches and the resulting negative impact on customers.

Policies related to consumers and end-users

S4-1, ESRS MDR-P

Customer satisfaction

Telefónica Deutschland Group has set a target of understanding and anticipating the needs and opinions of its consumers and end-users. The **Quality Management – Technical Manual for the Net Promoter Score (NPS)** defines precise specifications for the execution of its top-down NPS survey. This handbook contains, among other things, the definitions for determining the products/segments, brands, number of cases, frequency of the survey, weighting, presentation of results and controls. This is intended to ensure that the NPS is calculated in a standardised and neutral manner. The QM – Technical Manual (NPS) Telefónica Germany is approved by the Global Sustainability Team of Telefónica, S.A. Group. Checks are carried out monthly by the commissioned market research institute and the employees of the in-house market research department. Compliance with the policy is reviewed once a year by an internal and an external audit. The policy is aimed at commissioned market research institutes, employees of Telefónica Deutschland Group in the entire value chain as well as the internal and external audit. The policy is made available to all participants either via an internal SharePoint or by e-mail.

Access to products and services

The policies listed in this section, i.e. the **Business Principles**, **Declaration of Principles on Respecting Human Rights** and **Commitment to Children's Rights**, contain principles of the due diligence process for respecting and protecting human rights (>Chapter STATEMENT ON DUE DILIGENCE). Where human rights topics are included, consumers and end-users are also taken into account.

The self-concept of responsible business conduct as well as the ethical principles, company standards and behaviour are clearly defined in the Business Principles of Telefónica Deutschland Group. Our employees are required to comply with these principles in their daily work with consumers and end-users (>Chapter CORPORATE CULTURE AND POLITICS).

In addition, both the **Diversity & Inclusion Policy** and the Declaration of Principles on Respecting Human Rights as well as the **Human Rights Policy** relate to consumers and end-users (>Chapter POLICIES RELATED TO OWN WORKFORCE).

Telefónica Deutschland Group is also committed to particularly protect children and young people in all business activities. For this reason, Telefónica Deutschland Group has adopted the Commitment to Children's Rights. This informs our employees and other stakeholders about our position on children's rights and supports the goal of strengthening children's rights and protecting children and young people as consumers of our products and services from negative impacts. This also includes making our own products and services safe and thereby promoting children's rights, paying attention to children's rights in marketing and advertising and promoting digital skills. The commitment is based on UNICEF's Children's Rights and Business Principles (United Nations Children's Fund). The ten principles define actions that undertakings can take to respect and promote children's rights in their activities. The interests of potentially affected groups of people were taken into account and integrated in the development of the policy with reference to the UNICEF Children's Rights and Business Principles. This applies to all undertakings and their employees along the value chain of Telefónica Deutschland Group. The Commitment is available to all stakeholders of Telefónica Deutschland Group, including its own employees, business partners, customers and the general public in the "Sustainability/human rights" section on the company's website. Each business unit is responsible for implementing the policy itself. Compliance is monitored through the due diligence process (>Chapter STATEMENT ON DUE DILIGENCE).

Furthermore, Telefónica Deutschland Group has implemented the **AI Code of Conduct**. It defines a human-centred, transparent and explainable artificial intelligence. The use of artificial intelligence is intended to promote fairness and inclusion while protecting people's privacy and security. With our AI Code of Conduct, we also strive for the responsible use of artificial intelligence. The AI Code of Conduct was established in our undertaking in August 2024. It was developed in coordination with Telefónica, S.A. Group for the entire Group and acts as the update to the Artificial Intelligence Principles already established in 2018. The most important stakeholders are our employees and customers, which is why the focus when preparing the AI Code of Conduct was placed on protecting employees and customers both when dealing with artificial intelligence and when designing it. The AI Code of Conduct was approved by the Management Board of Telefónica Deutschland Group. Each individual business unit itself is responsible for the project implementation. The Data Protection Office acts as a central point of contact for questions, with a dedicated mailbox for AI-related legal issues being set up in the future, which our employees can use as a point of contact. The AI Code of Conduct has been published in the undertaking's own regulatory portal and is aimed at all employees, including their outsourcing partners. The AI Code of Conduct was also communicated externally and can be viewed by the public in the "Digital responsibility" section on the sustainability website.

Responsible communication

The **Guidelines on ethically responsible communication** deal with the general communication principles and their application in the preparation and use of communication content. It is thus a guideline for internal and external communication. The principles include lawfulness, integrity and transparency, truthfulness and accuracy, neutrality, respect and inclusion. The purpose of the policy is to define principles of action for our company and our employees with regard to communication content and communication channels. The policy covers communication with employees, customers, consumers, partners, the media, politicians and society as a whole. It is based on laws concerning the protection of intellectual property and privacy as well as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs). In terms of the protection of minors, the policy is based on UNICEF's Children's Rights and Business Principles as well as the current legal situation in Germany, in particular the Interstate Treaty on the Protection of Minors in the Media (Jugendmedienschutz-Staatsvertrag). Each department affected by the content of the guidelines on ethically responsible communication must ensure proper implementation and establish approval processes. In addition, the communications and their results are also evaluated and reviewed through daily monitoring and media response analyses.

The guidelines on ethically responsible communication represent a company policy and accordingly apply to all companies of Telefónica Deutschland Holding AG. It is published in our regulatory portal and is thus accessible to all employees.

Privacy
In order to ensure the protection and confidentiality of customer data, Telefónica Deutschland Group has introduced policies on privacy and information security. To ensure data protection compliance, the **Group data protection standard and Information security policy** have therefore been established in the company. Likewise, **Minimum Security Controls** have been set out in the form of a policy. Detailed information can be found in the (>Chapter CORPORATE CULTURE AND POLITICS).

Inclusion of consumers and end-users

S4-2, S4-1

Collaboration with B2C customers and in the B2B sector takes place directly and indirectly using a variety of formats. These formats relate to actual and potential impacts.

The network coverage map and live check for local network problems create transparency and improve access to network services. This has the potential impact of reducing social inequalities due to reliable connectivity and strengthening the digital inclusion of disadvantaged groups. Assisted contact options, e.g. hotline and self-service offerings, contribute to comprehensively addressing our customers' concerns, advising them and thus ensuring actual customer satisfaction. The customer satisfaction surveys and strategic insights studies foster a greater understanding of the customer experience and make potential actions to increase satisfaction possible in a targeted manner, thereby reducing the risk of dissatisfaction due to a lack of transparency. Digital channels such as the O_2 Community and social media promote transparent dialogue, whilst formats such as brand tracking and migration studies identify trends that contribute to increasing customer satisfaction and actual economic growth.

The following tables show the formats of B2B and B2C stakeholder engagement, including the frequency and type of these formats. They also show how the effectiveness of the formats is measured and which phase they are assigned to. The phases relate to those of the due diligence process for respecting human rights (>Chapter STATEMENT ON DUE DILIGENCE).

T 49 – STAKEHOLDER ENGAGEMENT FORMATS RELATED TO CONSUMERS AND END-USERS

Business-to-Business (B2B)

Format	Frequency	Type	Phase	Impact
(B2C, B2B) Network coverage map on the website	Always available, updated twice a month	Information	Phase 2: Risk and impact analyses	Effectiveness is calculated according to defined rules using a tool from an external provider
(B2C, B2B) Live check, self-service for local network problems	Always available and up to date	Information	Phase 3: Preventive actions and process integration	No current measurement of effectiveness
Hotline for end-to-end quality support	On an ad hoc basis if customers have questions and need help	Consultation	Phase 2: Risk and impact analyses	Number of calls (inbound calls), customer satisfaction
E-mail, chat	On an ad hoc basis if customers have questions and need help	Consultation	Phase 2: Risk and impact analyses	Number of e-mails and chat messages, customer satisfaction
B2B sales partner kick-off, consisting of workshops with key topics, e.g. sales channels, collaborations, commissions	Once a year	Information, consultation	Phase 3: Preventive actions and process integration	Participation rate
Blue Circle event with opinion leaders of partners and distributors	Once a year	Information, consultation	Phase 3: Preventive actions and process integration	Participation rate
Insight study incl. brand and market share measurement	Twice a year, one full study (Q4) and one small study (Q2)	Consultation	N/A	Participation rate
Customer satisfaction survey/ Net Promoter Score (NPS)	Twice a year (Q1 and Q3)	Consultation	Phase 2: Risk and impact analyses	1) Number of surveys carried out 2) Participation rate per survey 3) Satisfaction/ NPS values

Business to Customers (B2C)

Format	Frequency	Type	Phase(s)	Impact
Customer satisfaction survey	Occurs after every contact point	Consultation, participation	Phase 2: Risk and impact analyses	Response rate in e-mail/SMS surveys. Tracking with Medallia tool (see customer satisfaction actions)
Digital contact via channels incl. O_2/Blau app, O_2 My Service app, O_2 Community, social media and Google rating	On an ad hoc basis if customers have questions and need help. The digital channels are always available.	Information, consultation and/or participation	Phase 3: Preventive actions and process integration	1) Number of contacts 2) Customer satisfaction 3) Social media: Number of followers/subscribers on Instagram, YouTube (O_2 My Service), YouTube (Telefónica Deutschland) 4) eCare Share: Share of digital contacts in total contacts
Telefónica Deutschland Group top-down NPS survey	Monthly, ten times per year (no survey in January and August)	Consultation	Phase 2: Risk and impact analyses	1) Number of surveys carried out 2) Participation rate
Equivalent contact through voice messages, chat, WhatsApp, return call etc.	On an ad hoc basis if customers have questions and need help. The digital channels are always available. Service hotline, return call and chat are available during opening hours.	Consultation, participation	Phase 3: Preventive actions and process integration	1) Number of contacts 2) Customer satisfaction
Strategic insight study	Annually from September to February	Consultation	Phase 2: Risk and impact analyses	The results are used for strategic planning and commercial use, e.g. fixed network, mobile network, convergence or fibre optic strategy, customer satisfaction with the network quality
Brand tracking	Monthly	Consultation	Phase 2: Risk and impact analyses	Participation rate, interviews/ month
Migration studies, mobile network and fixed network/ broadband	Mobile network on a quarterly basis; fixed broadband on an annual basis	Consultation	Phase 2:Risk and impact analyses	Participation rate by mobile network/quarter and fixed network
Workshop days for young people, parents and older people	At least twice a year for the respective target groups, campaign days (e.g. Safer Internet Day, Girls Day, Digital Day, Day for Older Persons) or as required for specific events, e.g. elections, wars, new laws	Information, consultation, participation	Phase 3: Preventive actions and process integration	Number of actions implemented; number of stakeholders reached; participation rate
Virtual rounds, games, experience courses for older people	At least twice a year	Information, consultation, participation	Phase 3: Preventive actions and process integration	Number of actions implemented; number of stakeholders reached
Communication on websites and on social media, including podcasts and explanatory videos	At least once a month on campaign days or as required for specific events, e.g. elections, new laws, crises, wars, natural disasters, publication of new studies etc.	Information, consultation	Phase 4: Monitoring Phase 5: Reporting	Websites (YouTube, news, press reports): Number of clicks; number of views Social media: Interaction rate Use of online materials: Download frequency
Panels and meetings of experts	At least twice a year or as required for specific events, e.g. elections, wars, new laws, natural disasters, publication of new studies	Information, consultation	Phase 2: Risk and impact analysis Phase 3: Preventive actions and process integration Phase 6: Complaints and remedial actions	Number of participants (in attendance and live streaming of “Digital mobil im Alter” (Digitally mobile as a senior))
Digital offerings for use in schools and for use at home	Updated at least once a year	Information, consultation	Phase 3: Preventive actions and process integration	Number of participants who started, clicked on or downloaded the offering
Tablet and device rental	Tablets and devices change facilities every eight weeks	Information, consultation	Phase 3: Preventive actions and process integration	Number of devices rented out

Various departments and people have operational responsibility for the communication measures with B2B and B2C customers. This includes, amongst others, the team leaders of CX Insights & Strategy and Customer-Care as well as the directors for Customer Service and Sales, for Controlling & Finances, CR&S, for Omnichannel and the Chief Consumer Officer. Insights into the perspectives of consumers and end-users who may be particularly vulnerable and/or disadvantaged are obtained by consulting scientific studies and experts and by working with representatives of these groups - directly or indirectly, for example via schools, retirement homes, teachers, parents, NGOs and associations. Easily accessible and multilingual platforms, a hotline for the deaf, an English-language hotline and clearly structured and user-friendly design in the web/app area also contribute to this.

Remediation mechanisms and grievance procedures related to consumers and end-users

S4-1, S4-3

Telefónica Deutschland Group has implemented a process to take appropriate actions where potential or actual negative impacts have arisen or could arise for consumers and end-users.

For consumers and end-users, remediation mechanisms and grievance procedures are set up similarly to the process for the own business area. Detailed information and the reporting channels can be found in the (>Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO OWN WORKFORCE).

We have also implemented a grievance process that enables our consumers and end-users to report information or grievances relating to human rights and environmental risks or violations or breaches of applicable law or policies via various contact channels such as telephone, e-mail, chat, messaging, letter and online portal. In some of our O_2 shops and our call centre sites, additional "help boxes" were set up for our consumers and end-users. These give them the opportunity of talking to agents via video chat who can address individual concerns.

Furthermore, we have provided targeted contact options for certain groups of people.

The deaf community can use the O_2 service number 089 666630074 by the "Tess Relay" sign language interpreter service to contact Telefónica Deutschland Group and receive speedy assistance on topics relating to the mobile network, Internet and fixed network. In doing so, we ensure that calls from the deaf community are prioritised and that specially trained agents are reached. Hearing-impaired people receive a flat-rate messaging package from our undertakings so that they can send unlimited SMS messages. According to the legal regulations, deaf consumers and end-users can also send an SMS with the prefix 329 and the fax number of their emergency control centre to the undertaking via the SMS emergency service. A specialised service provider will then transmit the message via fax. Visually impaired users can have certain website content read out to them.

Also for seniors, Telefónica Deutschland Group provides a dedicated WhatsApp channel in addition to a website and a newsletter on the "Digital mobil im Alter" (Digitally mobile as a senior) programme. This should make the offering for seniors even more easily accessible.

For enquiries about data protection, we provide our consumers and end-users with a form on our website that enables them to assert their right to information in accordance with the EU General Data Protection Regulation (GDPR). This means that consumers and end-users can obtain information as to whether their personal details are processed by Telefónica Deutschland Group and, if so, which data. In addition, further information, for example, for processing purposes, is provided. As a further option, consumers and end-users can contact the data privacy staff directly in emergencies via a data privacy emergency number published on the website. Finally, consumers and end-users can send questions directly to the data protection officer by post or contact the data protection supervisory authority (BNetzA) and the Federal Commissioner for Data Protection and Freedom of Information (BfDI).

In the reporting year, Telefónica Deutschland Group received four complaints from the downstream value chain, which indicated non-compliance with the UN Guiding Principles on Business and Human Rights as well as the OECD Guidelines for Multinational Enterprises. The complaints were submitted via the whistleblower system of Telefónica Deutschland Group. The underlying matters related to alleged cases of discrimination against customers in our shops as well as noise pollution from neighbours. After a careful review by the Human Rights Committee, no concrete human rights violations could be identified. Nevertheless, preventive actions, such as anti-discrimination trainings, are always implemented to actively prevent risks (>Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO OWN WORKFORCE). Complaints received from the downstream value chain are taken into account in our target of resolving 100% of human-rights related whistleblower notifications and complaints (>Chapter TARGETS RELATED TO WORKERS IN THE VALUE CHAIN).

Actions related to consumers and end-users

S4-4, ESRS 2 MDR-A

Extensive actions are newly developed or continued in order to implement the policies and targets at Telefónica Deutschland Group in relation to its own customers and end-users.

Customer satisfaction

Measuring and increasing customer satisfaction transparently

In order to continuously improve customer satisfaction, Telefónica Deutschland Group conducts customer surveys, which are analysed and evaluated. Our customer service team processes incoming enquiries and then uses them to optimise processes in a continuous improvement process.

The Customer Experience management software system Medallia is used to collect feedback from customers on the O_2 brand as well as the secondary and partner brands. For customers of the O_2 and Blau brands, a top-down customer satisfaction survey is additionally conducted. Details of the process are set out in the Quality Management – Technical Manual for the Net Promoter Score (NPS) of Telefónica Deutschland Group (>Chapter POLICIES RELATED TO CONSUMERS AND END-USERS). The actions for measuring customer satisfaction apply to the internal employees of the Customer Service and Sales department of Telefónica Germany GmbH & Co. OHG and to Telefónica Germany Customer Service undertakings as well as to external service providers that provide corresponding customer services. Customer surveys are carried out on a continuous basis

In addition, customer satisfaction of the offers for existing customers has been measured since 2023. If necessary, relevant improvement actions are derived in collaboration with the Retention Management department. Currently, the intention is to complete this action by 2025.

Trainings for employees
Telefónica Deutschland Group holds regular trainings for Customer Service and Sales employees as well as their partners in on-, near- and offshore. These comprise initial trainings, discussion topics and a standardised coaching process, including an internal audit score. In addition, our employees receive continuous training on products, new services and possible restrictions in several languages. This action is part of the core initiatives for customer service and is carried out on an ongoing basis. It ensures that the content of the Business Principles is applied to ensure that our employees behave with integrity towards our customers.

Promotion of accessibility through individual tariff offers
Telefónica Deutschland Group offers target group-specific tariff offers on an ongoing basis for people with a migration background and tourists through the AY YILDIZ and Ortel Mobile ethnic brands. These brands enable easy access to mobile communications in Germany for migrants and offer hotlines and websites in several languages for discrimination-free access to information and services. The individual tariff offers contribute to the target attainment of the Business Principles (>Chapter CORPORATE CULTURE AND POLITICS) and promote holistic inclusion of people with a migration background and tourists.

Cooperation with Wayra Germany: partnerships with startups
In a collaboration with Wayra Germany, Telefónica Deutschland Group promotes innovative startups on an ongoing basis in order to create technological synergies and support the growth of the entrepreneurial ecosystem. New software-based solutions are required throughout the value chain, from data analysis to customer service and usage experience, both in shops as well as online. By cooperating with Telefónica Deutschland Group, startups can benefit from direct access to resources and market expertise. Via our sales channels, they have the opportunity to make their products and services accessible to a broad customer base. In return, our undertaking continuously receives impulses for its transformation. This action relates to both the Environmental Policy (>Chapter POLICIES RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION) and the Business Principles (>Chapter CORPORATE CULTURE AND POLITICS).

Implementation and training of the AI assistance function Aura
Telefónica Deutschland Group introduced the AI assistance function Aura as far back as 2018 and has optimised and expanded it continuously since then. Aura facilitates access to information and contract provisions by using large language models, rule-based dialogues as well as generative AI (for generic information and FAQs) to improve customer service. It is offered via the O_2 online web portal, WhatsApp and the Hotline channel. It has been trained continuously since its introduction. The fundamental building blocks of the action will be completed by 2026 by Telefónica Germany GmbH & Co. OHG and made available to all customers. This action will be implemented throughout Telefónica Deutschland Group.

Use of AI models in customer service
Telefónica Deutschland Group uses AI models in customer service in order to better assess the relevance of offers for customers. These actions were implemented in 2024 and are being developed further on an ongoing basis. The AI models, created by the Digital & Data Competence Centre, will be made available to customer service agents. Implementation depends on the positioning of the data protection authorities on the data protection-compliant use of AI models, the specification of the AI Regulation by the EU Commission and its interpretation by the competent authorities yet to be defined, and a high-performance cloud infrastructure.

AI adaptation to avoid inequality and discrimination
Telefónica Deutschland Group uses representative and current data records that represent scientific standards in the context of the modelling process in order to avoid inequality and discrimination in its AI models. In addition, bias analyses prevent certain groups of persons being disadvantaged through the use of AI. Using explainable AI, Telefónica Deutschland Group can provide AI-based decisions to customers transparently. These actions have been implemented since 2022 and integrated in the Digital & Data Competence Centre department on an ongoing basis. The continuous adaptation of the AI models supports the realisation of the targets of the Artificial Intelligence Principles (>Chapter POLICIES RELATED TO CONSUMERS AND END-USERS) and the Business Principles (>Chapter CORPORATE CULTURE AND POLITICS).

The above-mentioned actions address material risks and opportunities as well as impacts in relation to customer satisfaction. Material risks are reduced by targeted employee training and by means of regular customer surveys and are monitored through internal as well as external audits. Opportunities for Telefónica Deutschland Group arise through target group-specific tariff offers on multilingual websites and multilingual customer service as well as through continuous customer surveys that are analysed and assessed. Actions for training employees in customer service as well as the use of artificial intelligence can reduce potential negative impacts. The use of artificial intelligence is driven forward in particular to counteract negative impacts on consumers and end-users in relation to product design and marketing. Actual impacts are intended to be mitigated by means of regular customer surveys, target group-specific tariff offers as well as the use of artificial intelligence. In order to track the effectiveness and necessity of the above-mentioned actions, we make use of various tracking methods. These include customer surveys, audits and quality controls as well as data analyses.

Access to products and services
Installation and integration of new network elements as well as collaborations to cover grey and white spots
Telefónica Deutschland Group carries out the installation and integration work relating to new elements (base stations and expansions), thereby improving coverage and capacity.

In addition, Telefónica Deutschland Group improves access to mobile data services in rural areas via collaborations with Vodafone and Telekom in order to better cover grey[55] and white[56] spots. These partnerships make it possible to jointly use infrastructure to optimise coverage in Germany. By promoting the digital participation of consumers and end-users in underserved rural areas, it is intended to make a positive contribution to achieving the targets described in the guidelines relating to ethically responsible communication (>Chapter POLICIES RELATED TO CONSUMERS AND END-USERS), Diversity & Inclusion (>Chapter POLICIES RELATED TO OWN WORKFORCE), Business Principles (>Chapter CORPORATE CULTURE AND POLITICS), Declaration of Principles on Respecting Human Rights and Human Rights Policy (>Chapter POLICIES RELATED TO OWN WORKFORCE). In addition, these actions contribute to achieving the target of "Improving the network infrastructure" (>Chapter TARGETS RELATED TO CONSUMERS AND END-USERS). The actions relate to all employees in the Network department, their suppliers and service partners, on an ongoing basis. Besides the material actions mentioned, Telefónica Deutschland Group is also continuously modernising the network infrastructure and technology, such as further developing 4G to 5G through to 6G.

The actions depend on financing, market developments (in particular inflation), political developments and the competitive situation (mobile communications market, suppliers). The operating and capital expenditure for the installation and integration of new network elements as well as the modernisation work amounted to EUR 577.6 million in financial year 2024. The majority of the expenditures was attributed to the capital expenditure in network technology to the sum of EUR 570.3 million, which is recorded in property, plant and equipment in the Consolidated Balance Sheet. The operating expenditure for these actions amounted to EUR 7.3 million and is recorded in the other operating expenses of the Consolidated Income Statement.

"Digital mobil im Alter" (Digitally mobile as a senior)

In order to address the needs of people over 60 years of age in a targeted way and to promote their participation in social life, Telefónica Deutschland Group initiated the "Digital mobil im Alter" (Digitally mobile as a senior) programme in 2012. This programme gives seniors the opportunities offered by digitalisation and actively supports them in dealing with topics such as digital communication with family and friends, privacy settings or online banking. In addition, it raises awareness of potential risks such as disinformation. Furthermore, as part of our social commitment, we provide SIM cards and tablets free of charge to make it easier for senior citizens to access digital technology and give them the opportunity to try out new technology.

The programme is being continuously developed and provides access to a wide range of information materials, events and digital learning offers to promote digital participation and media skills among older people. Telefónica Deutschland Group supports comprehensive education in the digital world, as entrenched in the "Digital skills and promotion of educational offers" target (>Chapter TARGETS RELATED TO CONSUMERS AND END-USERS). We have therefore developed specific information packages and podcasts on the topic of artificial intelligence that are adapted to the needs of older users. These initiatives on digital inclusion and equal opportunities are firmly anchored in our policies on responsible communication, respecting human rights and the general business principles (>Chapter CORPORATE CULTURE AND POLITICS).

Strengthening the media and democratic competence of young people

Telefónica Deutschland Group is continuously involved in the protection of children and young people, which is entrenched in the guidelines on ethically responsible communication and in our commitment to children's rights (>Chapter POLICIES RELATED TO CONSUMERS AND END-USERS) and applies to Telefónica Deutschland Group as a whole. Through contractual provisions, we want to ensure that the protection of minors is integrated into our business partners' offerings and take care not to disseminate any content that is harmful to children and young adults.

In our long-term programme WAKE UP, we strengthen the media and democratic competence of young people. Through a combination of hybrid events, digital information and learning offers, young adults are made aware of the challenges of the digital world such as cyberbullying, hate speech and disinformation. WAKE UP Edustories offers interactive learning content such as videos and quizzes.

Since its inception in 2019, our initiative is not only aimed at young adults but also at parents, teachers and our employees. In order to raise awareness of the topic among other undertakings and motivate them to participate, the programme was presented at the Alliance for Digital Competence network meeting at the Bavarian State Ministry for Digital Affairs during the reporting period.

In addition, we promote digital competence for holistic education and sustainable action, including privacy and digital ethics. Our offer is aimed at children, young adults and seniors. These topics are entrenched in the Human Rights Policy and in the Diversity & Inclusion Policy (>Chapter POLICIES RELATED TO OWN WORKFORCE).

The actions described in this sub-section cover material risks, opportunities and impacts relating to access to products and services of Telefónica Deutschland Group. Social programmes are intended to reduce risks and regularly tracked by means of customer surveys and discussion rounds in working groups.

Material opportunities and actual material impacts are created by initiating social programmes and actions for network coverage. Actions to protect children and young adults, for network coverage, in particular in relation to product design and marketing as well as the introduction of social programmes are also aimed at reducing potential negative impacts.

[55] Areas in which not all providers can offer mobile network access via 4G to its customers
[56] Areas not served at all

In order to review the effectiveness and necessity of the actions, network improvements are tracked through continuous monitoring of network quality and monthly tracking of the mobile network coverage (chapter> TARGETS RELATED TO CONSUMERS AND END-USERS). In addition, customer surveys, discussion rounds in working groups and various studies are carried out. We also determine the necessity of the actions monthly by using tool-based forecasts.

Privacy

Privacy and information security actions

In order for customer data to be treated in a protected and confidential way, Telefónica Deutschland Group takes actions to ensure privacy and information security.

The actions mentioned in the >Chapter ACTIONS RELATED TO BUSINESS CONDUCT address both material risks as well as potential negative impacts in the area of privacy. These are counteracted by the introduction of the Privacy by Design and Default tool. Actions for training on data privacy law as well as for the introduction of a central data protection management system make a positive contribution to the actual impacts. Compliance with the data protection requirements under the GDPR is reviewed regularly in accordance with the Group data protection standard (>Chapter CORPORATE CULTURE AND POLITICS) both internally and externally.

Targets related to consumers and end-users

S4-5, ESRS 2 MDR-T

Telefónica Deutschland Group has set a range of targets in order to achieve the targets specified in the policies relating to consumers and end-users, to review the effectiveness of the actions established and to measure the progress of material sustainability matters.

Customer satisfaction

Net Promoter Score (NPS)

The internationally recognised **Net Promoter Score (NPS)** reflects the holistic satisfaction of customers with the O_2, Blau, ALDI TALK and Tchibo MOBIL brands and thus represents a performance key figure and important parameter in the area of customer satisfaction. A stable NPS was achieved in 2022, 2023 and 2024. If the internal threshold values of the target value are exceeded or undercut, downstream targets, which have also previously been defined, apply. The target was defined on the basis of analyses and then coordinated with Telefónica, S.A. Group; stakeholders were included in the determination of the targets. The assumptions were made using previous year figures and expected internal and external influences.

In principle, we determine the NPS at two levels: the top-down NPS and the bottom-up NPS. The top-down NPS is determined annually using an externally carried out online survey of our own retail customers for the O_2, Blau, ALDI TALK and Tchibo MOBIL brands as well as competitors. It is based on cross-industry standards and thus enables a comparison with our competition.

With the bottom-up NPS, we measure customer satisfaction with the O_2 brand at all contact points with our customers. In addition, the O_2 NPS and the B2P NPS is determined. These likewise reached a stable level in 2022, 2023 and 2024.

Based on the direct feedback, we derive specific actions to further improve our customers' experience and check whether the improvement actions introduced meet customer requirements. In the NPS policy (>Chapter POLICIES RELATED TO CONSUMERS AND END-USERS) precise specifications are provided as to how the top-down NPS survey must be carried out. The NPS is determined and tracked ten times a year. The documentation on the results contains additional detailed information on trends and satisfaction or dissatisfaction drivers.

Access to products and services

Improving the network infrastructure

Telefónica Deutschland Group has set a target of continuously improving its network infrastructure in the next few years. The target was to **achieve 95% mobile network coverage for the entire German population with 5G technology** by the end of 2024. In 2022, the value was 80% and in 2023 it was 94.5%. In 2024, the target was exceeded with a coverage of over 97% [57]. Countrywide coverage should be achieved by 2025. The total population here refers to the whole day-night population of Germany, including commuters. In our expansion programme, we not only focus on large and small cities, but also on more rural regions where the **mobile coverage with a transmission rate of 100 Mbps was increased from 97% of the rural population in 2023 and from 98.9% to 99.5% in 2024**. In this context, the transmission rate of 100 Mbps describes the network capacity available to customers in a mobile phone sector (transmission direction). Improving mobile coverage will result in a higher quality of mobile services.

Providing the German population with high-performance mobile communications services that, among other things, enable access to digital networks and technologies and thus digital participation for all people, makes a positive contribution to implementing the targets entrenched in the Business Principles (>Chapter CORPORATE CULTURE AND POLITICS), Guidelines on ethically responsible communication (>Chapter POLICIES RELATED TO CONSUMERS AND END-USERS), Declaration of Principles on Respecting Human Rights and Human Rights Policy (>Chapter POLICIES RELATED TO OWN WORKFORCE). The targets are based on forecasts of roll-out volumes for the next few years and the resulting supply levels, which are calculated using complex forecasts similar to those in the current supply reports. Future data requirements and thus the required network roll-out were determined on the basis of customers' current and historical data requirements when using mobile data services. In this way, customers were indirectly included as important stakeholders when setting the targets.

The target and the measurement of target attainment are based on the current methods and tools of mobile network coverage

[57] The selected population-based evaluation includes not only the household-based coverage calculation with a fixed location reference as reported to the BNetzA. It also includes commuter flows within the population, with the result that some of the population are counted both in their residences and in their workplaces (maximum population). In doing this, Telefónica Deutschland Group takes into account that the services are in demand not only at home but also when travelling. This value is the value for the end of 2024, which indicates the availability of mobile telecommunications services outside buildings (outdoors).

prediction. Mobile network coverage and its progress are determined monthly and currently meet the expectations with regard to the target. The development of the 5G network by Telefónica Deutschland Group is progressing faster than the expansion of previous mobile network generations. As a result, the share of data volume transferred over the 5G network is continuously increasing. The network coverage is published both by us and by the Federal Network Agency and can be viewed and commented on by customers. Feedback can also be provided via the customer portal.

Digital competence and promotion of educational offers

Telefónica Deutschland Group has a target of sustainably **promoting digital participation through programmes to strength digital competence** and to achieve a broad social impact. Together with various civil society partners, we are committed to promoting media competence, equal opportunities and social cohesion in addition to promoting technical access. This takes place, for example, as part of Corporate Digital Responsibility (CDR), an initiative of the German government, as well as the Bavarian Alliance for Digital Expertise and against Disinformation. This is achieved through free educational offers for various population and customer groups such as parents, teachers, pupils, children and young adults, senior citizens and employees. By promoting digital competence, we aim to provide holistic and equitable education in the digital world that contributes to sustainable action in the long-term. This includes the responsible handling of data, privacy and digital ethics. Removing barriers to digital participation and creating a fair, well-informed society strengthens social cohesion as well as our democracy. These topics are addressed in policies such as the Human Rights Policy and the Diversity & Inclusion policy (>Chapter POLICIES RELATED TO OWN WORKFORCE) and reflect our endeavours towards digital inclusion, equal opportunities, media competence and democratic competence. In order to continuously improve the programmes and to align them precisely with the needs of customers and social groups requiring particular protection, the target is regularly reviewed, taking into account feedback from participants. Although the target is not directly quantifiable, progress in achieving the target is assessed biannually e.g. by evaluating feedback, the number of participants in workshops and visits to websites and digital offers.

Privacy

Targets for privacy and information security

In order to ensure the protection and confidentiality of customer data, Telefónica Deutschland Group has introduced targets in the area of privacy and information security. For more detailed information, see >Chapter TARGETS RELATED TO BUSINESS CONDUCT).

Business Conduct

ESRS G1

The undertaking's internal policies, standards and procedural guidelines play a central role in sustainability management. In this way, Telefónica Deutschland Group ensures fundamental environmental, social and compliance-related standards in its management processes, formulates concrete requirements of its employees and creates instruments of self-regulation and control.

Impacts, risks and opportunities related to business conduct

T 50 – MATERIAL IMPACTS RELATED TO BUSINESS CONDUCT

Material impacts			Position in the value chain				
	Sub-topic	Description	Upstream	Own operations	Downstream	Time horizon	Associated policy/policies
ESRS G1 Business Conduct							
Positive impact	Corporate culture	Maintenance of service quality through active Business Continuity Management (BCM), IT Service Continuity Management (ITSCM) and crisis management		X		Short-, medium- and long-term	• Business continuity management guidelines • IT Service Continuity Management (ITSCM) Policy
Positive impact	Political engagement and lobbying activities	Promotion of access to the digital world through responsible lobbying work and political engagement		X	X	Short-, medium- and long-term	• Business Principles • Corruption prevention guidelines • Guidelines on handling conflicts of interest, invitations, gifts and incentives
Positive impact	Management of relationships with suppliers incl. payment practices	Promotion of sustainability and fairness in society through business relationships with suppliers who share the same ideas on sustainability, equal treatment and fair business practices	X	X	X	Short-, medium- and long-term	• Business Principles • Corruption prevention guidelines
Negative impact	Corruption and bribery	Ensuring fair competition and trust between all parties involved can be put at risk by non-compliance with business principles.		X		Short-, medium- and long-term	• Business Principles • Group policy on Anti-Trust law • Corruption prevention guidelines • Policy compliance organisation • Guidelines on handling conflicts of interest, invitations, gifts and incentives • Whistle-blower policy
Negative impact	Corporate culture	Loss of trust of stakeholders and society in the undertaking due to an unethical corporate culture, e.g. by circumventing or ignoring existing governance processes		X	X	Short-, medium- and long-term	• Business Principles • Corruption prevention guidelines • Guidelines on handling conflicts of interest, invitations, gifts and incentives
Negative impact	Privacy and information security	Deterioration in the quality of services provided, including emergency services, after disasters due to weak points in restoration processes after disasters			X	Short-, medium- and long-term	• IT Service Continuity Management (ITSCM) Policy
Negative impact	Privacy and information security	Risk of privacy and information security as well as the restriction of the right to communication as a result of security incidents		X	X	Short-, medium- and long-term	• Group data protection standard • Information security policy • Minimum Security Controls

T 51 – MATERIAL RISKS AND OPPORTUNITIES RELATED TO BUSINESS CONDUCT

Material risks and opportunities			Position in the value chain				
	Sub-topic	Description	Upstream	Own operations	Downstream	Time horizon	Associated policy/policies
ESRS G1 Business Conduct							
Opportunity	Corporate culture	Improved corporate financial performance due to good corporate governance and reputation		X		Short-, medium- and long-term	• Governance Policy • Guideline Contract Management
Opportunity	Protection of whistleblowers	Reduction of business risks, enabling compensation and promoting sales growth through whistleblowers who disclose harmful behaviour		X		Short-, medium- and long-term	• Whistle-blower policy
Opportunity	Political engagement and lobbying activities	Substantial savings and strategic advantages through legally compliant lobbying, especially in respect of administrative authorities		X		Short-, medium- and long-term	• Business Principles
Risk	Corporate culture	Penalties, loss of profits and sales declines due to violations of consumer rights and loss of top employees due to non-compliance with corporate culture		X		Medium-term	• Business Principles • Group policy on Anti-Trust law • Corruption prevention guidelines • Guidelines on handling conflicts of interest, invitations, gifts and incentives
Risk	Privacy and information security	Increased financial losses, reputational damage and regulatory actions due to inadequate contingency plans and the resulting inability to ensure business continuity		X		Medium-term	• Business continuity management guidelines • IT Service Continuity Management (ITSCM) Policy
Risk	Privacy and information security	High costs for investigations, penalties and reputation management due to non-compliance with privacy and security regulations		X		Short-term	• Business Principles • Corruption prevention guidelines • Group data protection standard • Information security policy
Risk	Privacy and information security	Legal consequences, fines and reputational damage due to cyberattacks on the network or IT systems		X		Short-term	• Business Principles • Group data protection standard • Information security policy
Risk	Political engagement and lobbying activities	Monetary penalties imposed on the company and personal financial liability of individual employees due to anti-competitive behaviour		X		Medium-term	• Group policy on Anti-Trust law
Risk	Management of relationships with suppliers incl. payment practices	Revenue losses due to unreliable supply chains that do not take ESG criteria into account and risks due to high dependence on certain suppliers		X		Medium-term	• Supply Chain Sustainability Policy
Risk	Corruption and bribery	Monetary fines, loss of revenue and exclusion from public tenders due to confirmed cases of corruption		X		Short-term	• Business Principles • Group policy on Anti-Trust law • Corruption prevention guidelines • Guidelines on handling conflicts of interest, invitations, gifts and incentives • Policy compliance organisation

The following Chapters detail the policies and actions.

Corporate culture and politics

G1-1, ESRS 2 MDR-P

Policies related to business conduct

To ensure that Telefónica Deutschland Group and its employees act ethically, with integrity and responsibly, relevant **business principles** have been adopted. They define the self-concept of responsible corporate governance, ethical principles, corporate standards and conduct. They are derived from the three core values of integrity, reliability and transparency and set standards for participation in business life as a binding code of conduct. This applies not only to the design and implementation of management processes, but also to the way in which we deal with our customers, employees, suppliers and other stakeholders. The due diligence process (>Chapter STATEMENT ON DUE DILIGENCE) forms the framework for the implementation and monitoring of due diligence obligations in respecting and promoting human rights and digital rights, which are part of the business principles. The business principles are based on numerous internationally recognised standards (>Chapter BUSINESS CONDUCT AND ORGANISATION). Our business principles are aimed at all employees, suppliers, business partners and shareholders. The business principles (link to website) are available to all interest groups on the website and on the internal regulatory portal. The Management Board of Telefónica Deutschland Holding AG is responsible for the preparation, amendment and implementation of the business principles. Violations of the business principles can be reported anonymously via an ombudsperson's office or alternatively via reporting channels that meet the requirements of the German Whistleblower Protection Act (Hinweisgeberschutzgesetz, HinSchG) and the German Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, LkSG) (>Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO OWN WORKFORCE). The business principles are reviewed annually for appropriateness, currency and correctness and adapted if necessary.

The **Governance Policy** sets out the principles of effective corporate governance, in particular with respect to internal approval processes and the regulations for externally representing of the company in business transactions. The aim of the policy is to ensure that internal corporate signature and approval authorisations within Telefónica Deutschland Group are adhered to. The policy also applies to all companies of Telefónica Deutschland Group and its governing bodies, managers and employees.

In addition, the **Guideline Contract Management** describes the management processes in relation to the approval and administration of contracts. These are aimed at all our employees and can be viewed in the regulatory portal of our intranet. The policy and guideline are the responsibility of the General Counsel and have been approved by the Management Board. Compliance with the policies, in particular in relation to governance when contracts are signed is monitored, e.g. by checking the eCAF data (Electronic Contract Approval Form) by, among others, the Finance & Accounting department and through quarterly monitoring by the Related Party Transaction Committee. The policies are reviewed and adapted, if necessary, in annual review rounds and at the suggestion of the Management Board and the relevant specialist departments. When drawing up the policies, legal requirements, e.g. regarding the responsibilities of the Supervisory Board, and internal stakeholders were taken into account in order to ensure that the regulations are legally compliant and are in the interests of the company.

The **Policy compliance organisation** defines the content and scope of the Compliance Management System of Telefónica Deutschland Group and describes the internal compliance organisation, including roles and responsibilities. Our aim here is to avoid violations of the law, claims for damages and a negative reputation. The policy therefore contributes to risk prevention and averting damage within the undertaking.

The Policy compliance organisation also applies to all companies of Telefónica Deutschland Group and its governing bodies, managers and employees.

The important framework policies include the **Group data protection standard** as a basis for the Data Protection Management System with the Privacy Guidelines. This provides that personal data is to be processed only in accordance with the applicable data protection guidelines (GDPR, German Federal Data Protection Act, German Telecommunications and Telemedia Data Protection Act etc.) and to be protected accordingly in accordance with the current state of technology. It applies to all areas of Telefónica Deutschland Group. The directors of the individual companies of Telefónica Deutschland Group are responsible for the preparation and amendment of Group Standards. The specialist departments are responsible for implementing the Group-wide standards, supported by the Data Protection Office.

Another key policy is the **Information security policy**, which is the responsibility of the Management Board. With this policy, we acknowledge our responsibility for information security and pursue the target of appropriate protection of information. The Information security policy is regularly reviewed and updated as required, taking into account the key stakeholders. The aim is to provide partners and customers, for example, with secure access to the digital world. The policy is aimed at all employees who are required to comply with the security targets in their own work.

In addition, the **Minimum Security Controls** policy sets out the minimum requirements for the security controls to be implemented, which are further specified in the Security Protection Profiles by application-specific control specifications. The policy is therefore aimed at all application users. Further detail is provided in downstream standards, procedural instructions, templates and process descriptions. The Business Resilience department is responsible for the Minimum Security Controls. The respective specialist departments are responsible for the underlying specification documents. Requirements and controls are defined in the specification documents, which are reviewed once a year and when the framework conditions change. Information security actions are reviewed in the context of internal and external audits, such as the ISO 27001 certification audit, the auditor and internal control assessments. The policy is discussed and coordinated with the most important internal stakeholders before it is adopted.

Telefónica Deutschland Group maintains a Business Continuity Management System certified under ISO 22301 with the aim of being prepared for any adverse events in accordance with risk scenarios defined Group-wide in order to be able to continue all important business processes at an acceptable, predefined level and restore normal operations as quickly as possible in the event of any disruptions. **The Business continuity management guidelines (BCM)** of Telefónica Deutschland Group states that BCM is implemented, controlled and validated within the undertaking. The Management Board of Telefónica Deutschland Group is responsible for the policy. It is applicable to all employees and managers of Telefónica Deutschland and must be applied in all the company's processes. In addition, it is authoritative for the BCM requirements of all service providers and their subsidiaries. When preparing the BCM Group policy, the interests of internal and external stakeholders were comprehensively analysed in addition the legal regulations, ISO standard 22301 and the specifications of Telefónica, S.A. Group. Particularly relevant areas of the company, such as risk and process management, were also comprehensively involved when designing the regulations and procedures. A central BCM office was set up in the Business Resilience Directorate and Business Continuity Coordinators as well as BCC managers were established in all divisions to implement and monitor the policy. All BCM-related actions and documents, in particular the emergency plans, are reviewed annually as part of the BCM lifecycle. In addition, reviews are carried out by Internal Audit and external certification audits and monitoring by the Global Business Continuity Office take place at Telefónica, S.A. Group. The contents of the Group policy are reviewed every three to four years and amended if necessary.

In addition, Telefónica Deutschland Group has established the **IT Service Continuity Management (ITSCM) Policy**. It aims to provide critical information and communication technology services (ICT services) in the event of exceptional events at a level predefined by the BCM (emergency operating level) and within the required time (maximum tolerable restart time) and, if necessary, to ensure that the necessary ICT resources are restarted or restored. The Chief Technology & Information Officer bears the overall responsibility for the ITSCM. The IT Service Continuity Management is based on the ITSCM lifecycle of the ISO 27031 standard and is, in addition, aligned to best practice. The policy also applies to our employees and managers in the Technology division.

The "Information security policy", "Minimum Security Controls", "Business continuity management guidelines", "Group data protection standard" and "ITSCM Policy" can be viewed in the undertaking's own regulatory portal of Telefónica Deutschland Group.

The **Group policy on Anti-Trust law** provides an overview of the legal regulations and prohibited conduct and obligates all employees to act in accordance with antitrust law. It relates here to the German Act against Restraints of Competition (Gesetz gegen Wettbewerbsbeschränkungen). The policy is aimed at all our governing bodies, managers and employees.

To manage and combat corruption and bribery internally, **Corruption prevention guidelines** are in place, which are intended to contribute to all relevant statutory anti-corruption provisions, including the US Foreign Corrupt Practices Act, being complied with and violations being consistently punished. This is intended to avoid financial disadvantages and reputational damage for the undertaking, its governing bodies, managers and employees. They refer to the German Criminal Code (Strafgesetzbuch) and thus also to the United Nations Convention against Corruption and the Foreign Corrupt Practices Act. The Corruption prevention guidelines are aimed at all our employees.

In addition, there are the **Guidelines on handling conflicts of interest, invitations, gifts and incentives**. The aim of these guidelines is to ensure that the relevant legal provisions for combating corruption are observed throughout the undertaking. They should protect Telefónica Deutschland Group and its employees against potential violations of laws and their consequences. In addition, they should ensure the independence and objectivity of decisions made on behalf of the undertaking. They refer to the German Criminal Code (Strafgesetzbuch) and thus also to the United Nations Convention against Corruption. The Guidelines on handling conflicts of interest, invitations, gifts and incentives are aimed at all our employees.

Whistleblower system
G1-1, ESRS 2 MDR-P

In order to ensure that the corporate culture is lived and promoted throughout the undertaking, Telefónica Deutschland Group set up a whistleblower channel many years ago. Detailed information on this channel can be found in the >Chapter REMEDIATION MECHANISMS AND GRIEVANCE PROCEDURES RELATED TO OWN WORKFORCE. The process for reporting violations is the same for internal and external stakeholders. The channel is available to all our employees, external workers, suppliers, business partners and other stakeholders and is managed by an external ombudsperson.

Telefónica Deutschland Group has set out the whistleblower channel reporting procedure and the associated responsibilities in a corresponding internal policy for all employees. The aim of the **Whistleblower policy** is to ensure compliance with both the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) and the German Whistleblower Protection Act (HinSchG). The policy expressly states that whistleblowers must not suffer any disadvantages and thus implements the requirements of the law for better protection of whistleblowers. This is achieved through the far-reaching protection of confidentiality and the protection of the identity of the person making the report. The policy applies to Telefónica Deutschland Group and is aimed at all our employees.

The Management Board of Telefónica Deutschland Holding AG is responsible for the preparation and amendment of the Whistleblower policy as well as the Policy compliance organisation, Group policy on Anti-Trust law, Corruption prevention guidelines and Guidelines on handling conflicts of interest, invitations, gifts and incentives. The Compliance department is responsible for implementing the policy. Violations of the policies can be reported anonymously via an ombudsperson office, via an internal HinSchG-compliant reporting channel or directly to the Compliance department. The regulations in the policy are reviewed annually to ensure that they are appropriate, up to date and correct and are adapted if necessary. The policies can be viewed in the internal regulatory portal. In addition, all our employees have been able to access the Compliance e-book to obtain further information since 2024.

Compliance

Combating corruption and bribery
G1-1, G1-3

Telefónica Deutschland Group is committed to complying with the anti-corruption laws and policies. As a preventive action, the Management Board and senior management employees are sensitised to the issue of corruption on an annual basis and undertake to comply with the business principles and the anti-corruption policy. In doing so, the managers at the uppermost management level have to confirm they have read the Business Principles and Corruption prevention guidelines (>Chapter CORPORATE CULTURE AND POLITICS), and submit a declaration that no violations of the regulations in the two policies occurred and/or became known to them in the past financial year in their respective area of responsibility. Human rights topics are also dealt with here. In addition, employees receive training on the business principles and human rights. Information on the training can be found under the action "Training to raise awareness among employees" (>Chapter ACTIONS RELATED TO BUSINESS CONDUCT) and under the target "Training rate for business principles" (>Chapter TARGETS RELATED TO BUSINESS CONDUCT).

Communication on corruption-related topics also takes place on an ad hoc basis, e.g. via mailings or the company intranet. If necessary, the Compliance department advises employees or committees, such as workers' representatives, on all issues relating to ethical conduct. In addition, further precautions are firmly anchored in the daily actions of all employees to prevent and cover any form of abuse of their professional position. These include the dual control principle, fixed authorisation hierarchies, checks by the Intervention department, the annual anti-corruption certificate for senior management employees and an anti-corruption certification process for our suppliers.

Due to the zero-tolerance policy regarding corruption and the procedures implemented to prevent, detect and combat corruption and bribery, the Compliance department advises and monitors those areas and activities that are considered higher risk despite the generally low net risk.

For Telefónica Deutschland Group we regularly perform risk assessments for the areas of corruption and conflicts of interest. This is also done in particular on a project-related basis. All cases of corruption, bribery and corruptibility are carefully and independently investigated, and proven allegations are prosecuted and sanctioned accordingly.

We define cases of corruption as any form of abuse of a professional position to obtain unauthorised material or immaterial benefits. The actual investigation takes place independently of any management functions involved. However, they become involved at a later stage for processing.

In order to prevent financial and reputation-related risks through compliance violations, since 2004 Telefónica Deutschland Group has relied on a comprehensive Compliance Management System (CMS) that ensures that all requirements are adhered to. The CMS focuses on combating corruption as well as avoiding unfair competition and conflicts of interest. Overall responsibility for this lies with the General Counsel, who reports to the Chief Officer Legal & Corporate Affairs. The Management Board and Supervisory Board of Telefónica Deutschland Group are kept regularly informed of the compliance activities and the further development of the CMS.

In addition to the annual comprehensive information provided to the Supervisory Board on compliance topics, the Audit Committee and the Management Board receive quarterly reports. The Management Board and Supervisory Board are also informed of relevant topics and incidents as and when they arise. The Internal Audit department and external auditors monitor the CMS and measures to prevent corruption on an ad hoc basis. In 2021, an audit firm audited and certified the CMS in the sub-section of anti-corruption for appropriateness in accordance with the IDW PS 980 standard.

Political influence and lobbying activities
G1-5

Through our political lobbying activities and regular dialogue with the relevant authorities – in particular the Federal Network Agency – we are pursuing the target of promoting access to the digital world for everyone. For example, we advocate for existing frequency usage rights to be extended and not auctioned so that we and other network operators can use the money saved to drive forward the rapid expansion of networks that are viable for the future. No substantial donations are made to political parties or authorities. The monitoring of legislative processes and political debates should ensure that Telefónica Deutschland Group is aware of important changes in legal requirements at an early stage and can implement these in time. Possible risks are mitigated by holding early discussions with the legislator in an objective dialogue. Adverse effects on democratically legitimised political decision-making are effectively ruled out by the implementation of the business principles and the anti-corruption policies. No member of the Management Board or Supervisory Board of Telefónica Deutschland Group has held an equivalent position in the public administration within the last two years. The responsible Government Relations and Regulatory Affairs Directorates fall within the sphere of responsibility of the Chief Officer Legal & Corporate Affairs. Telefónica Deutschland Group openly reports on the positions it holds in the lobby register at the German Parliament (Register number R002277), on its Telefónica blog, on the online platform of Telefónica BASECAMP, at the O_2 Telefónica TecTalk and on its social media channels.

Management of relationships with suppliers
G1-2

We want to promote cooperation with suppliers who have the same ideas about sustainability, equal treatment and fair business practices and build trusting partnerships. This is why we promote economic development and the creation of direct employment (our own employees) and indirect employment (workers in the entire value chain). In this way, we want to promote the creation of jobs that are characterised by fair, secure and stable working and economic conditions.

The aim of the SCSP is to ensure that social and environmental standards are upheld in the supply chain. Contracts with suppliers contain specific clauses and the Code of Conduct, which govern compliance with risk management and sustainability standards. This enables us to respond appropriately in the event of non-compliance by the supplier (>Chapter POLICIES RELATED TO WORKERS IN THE VALUE CHAIN).

Telefónica Deutschland Group's sustainable supply chain management is based on a 4-step process. It is designed to identify risks and potential negative impacts on value creation. The intention is to effectively limit these together with our suppliers and improve their performance in the area of corporate responsibility. The process is explained in detail below:

Step 1: Implementation of minimum requirements
All suppliers must contractually commit to complying with the minimum requirements set out in the SCSP for responsible and sustainable conduct.

Respecting human rights and environmental aspects play a key role in the Purchasing guidelines of Telefónica Deutschland Group. The revised policy was implemented in 2024. It integrates purchasing more closely into the sustainability management of suppliers. As of the end of reporting year 2024, 99.7% of suppliers managed by Purchasing accepted the Anti-Corruption Declaration. Almost 100% of the suppliers commissioned in 2024 that were processed via the purchasing system of Telefónica Deutschland Group committed to compliance with the SCSP. A distinction is made here between MCT procurement processes ("Modelo de Compras de Telefónica" global purchasing model), which are managed by Purchasing, and non-MCT procurement processes as well as low-value purchasing processes that are carried out without the participation of Purchasing.

Around one third of the entire purchasing volume relates to the group of non-MCT suppliers, which we manage using a risk-based approach. Non-MCT procurement are internally defined exceptions for product categories that are processed without the involvement of the Procurement department. These suppliers are analysed annually for product and service-specific risks as well as country risks. In particular, suppliers with a high purchasing volume are analysed. The identified potential non-MCT high-risk suppliers must also sign the SCSP as a component of the contract.

Step 2: Abstract risk analysis of the supply chain
Telefónica, S.A. Group performs a three-step risk analysis for all suppliers. This allows Telefónica Deutschland Group to identify existing potentially risky suppliers in terms of sustainability aspects. The focus is on suppliers who are the most significant due to their potential risk level in terms of order volume and impacts on the business. The risk analysis was based on three criteria.

1. The potential risk level of the products and services supplied is assessed, taking into account the defined minimum requirements for sustainability matters in the supply chain. These include, in particular, working conditions, health and safety, the environment, human rights, minerals from conflict zones, respect for privacy and data protection, and customer promises.
2. The risk is weighted according to the origin of the services or product and its components. This analysis also takes into account the impacts of potential risks in the individual manufacturing countries.
3. The risk of a potential impact on the Group's reputation is weighted here. it is assumed that the impacts are greater the closer the relationship is between the service or product and Telefónica, S.A. Group.

A distinction is made between low-, medium- and high-risk suppliers. In addition, Telefónica Deutschland Group performs an abstract analysis of its suppliers using an external supplier management tool.

The potential risk level of a supplier is determined on the basis of two criteria:

Quantitative data from internationally recognised indices is used to determine the risk level of individual human rights and environmental risk areas for the countries in which the suppliers are based.

An additional analysis of industry risks complements the country risk analysis. Various qualitative sources and databases make it possible to perform an evaluation.

The results of the country risk analysis are combined with the results of the industry risk analysis to form an assessment.

Step 3: Specific risk analysis and evaluation of the supply chain
Suppliers who have received a medium or high risk rating in the abstract risk analysis are analysed individually in the next step. Internal and representative external sources are used to analyse whether the abstractly identified risk level indeed corresponds to the supplier's actual risk situation.

Based on this information, we assess and prioritise risks using the appropriateness criteria prescribed in the LkSG. The results of the analysis provide a substantiated information basis for purchasers and the starting point for preventive measures to minimise human rights risks in the undertaking's value chain.

Telefónica Deutschland Group uses several monitoring tools that make it possible to continuously observe sustainability risks in the supply chain beyond the concrete risk analysis. A check is also carried out in the supplier database using the compliance tool Factiva, the database created by Dow Jones Risk & Compliance. This screening takes place daily.

Step 4: Audits and other actions in the supply chain
Based on the results of the risk analysis and the continuous supplier monitoring, Telefónica Deutschland Group is developing a catalogue of actions that illustrates potential preventive actions and improvement plans for the various risks.

The performance assessment of high-risk suppliers is reviewed annually by the Telefónica, S.A. Group audit plan in order to evaluate compliance with critical aspects. The audits contain improvement plans that, for example, take social or environmental criteria into account and are bindingly agreed with suppliers. Telefónica, S.A. Group relies on the cooperation of other ICT companies here that form part of the JAC initiative (>Chapter ACTIONS RELATED TO WORKERS IN THE VALUE CHAIN). The audits performed by JAC relate to production sites mainly in risky countries in Asia, Latin America and Eastern Europe.

Payment process

Payments to our suppliers are made after systemic approval of the invoice on the basis of agreed payment terms and due dates. The payment terms are generally based on the specifications of the Group's standardised Purchasing guidelines and differ only with regard to the various product and service categories. As an exception, payment terms deviating from this specification may be agreed with individual suppliers. However, the payment terms are always within the industry-standard payment terms for the respective product category.

Actions related to business conduct

G1-4, ESRS 2 MDR-A

Extensive actions are newly developed or continued to implement the policies and targets at Telefónica Deutschland Group in relation to ethical and responsible business conduct.

Training to raise awareness among employees

Telefónica Deutschland Group also implements continuous compliance training in 2024. In addition, our new employees receive comprehensive training on relevant compliance topics as part of their onboarding to make it easier for them to understand and adhere to these regulations and policies. As part of the onboarding training, we deal with topics such as the handling of gifts and invitations, whistleblowing and corporate governance (>Chapter CORPORATE CULTURE AND POLITICS). This communicates to employees the expectations placed on the company's management and provides an environment in which they can openly address sensitive issues. In addition to the compliance onboarding and mandatory trainings, we also offer intranet articles and, since 2024, an interactive compliance e-manual with explanatory videos.

In addition, existing and new employees are obligated to complete trainings on the AGG (German Equal Treatment Act) as well as the business principles and human rights (>Chapter POLICIES RELATED TO OWN WORKFORCE). The latter deals with topics such as the prevention of corruption and anti-trust law. This contributes in a preventive manner to the avoidance of compliance incidents. The training also covers ESG topics such as sustainable supply chain management and human rights, responsibility for the climate, the circular economy and the responsible use of digital technologies.

Furthermore, our employees have the opportunity to improve their knowledge on the topic of anti-corruption through intensive training on a voluntary basis. This also includes the correct handling of gifts and invitations. Based on the associated revised policy, the voluntary intensive training on corruption and bribery was appropriately updated. In addition to the legal bases, the training imparts which forms of corruption and conflicts of interest our employees could encounter in their day-to-day work and how to recognise and respond appropriately to attempts at bribery.

In addition, employees receive mandatory annual training on data privacy and biennial training on information security to ensure that all data protection regulations and information security policies are complied with. In addition, an update of the procedural instructions for the review of digital services under data protection law was created for our employees in 2024. The actions that were carried out in 2024 are continuous actions and anchored in the Business Principles as well as in the Group data protection standard (>Chapter CORPORATE CULTURE AND POLITICS).

Participation in the training is managed using the Success Factor training tool. All employees receive automatic reminders when the training is due. After completion, an electronic certificate is stored in the system.

Data protection through Privacy by Design and Default & OneTrust

As part of the business activity of Telefónica Deutschland Group, the undertaking collects and processes customer data and other personal data. To ensure compliance with data privacy and security regulations and reduce the attack vector, several actions have been introduced. The online platform OneTrust, which acts as a data protection management system and contributes to reducing the risk of privacy incidents, plays an elementary role here. The tool Privacy by Design and Default was introduced as a key building block that is entrenched in the Group data protection standard (>Chapter CORPORATE CULTURE AND POLITICS) and is intended to contribute to personal data being effectively protected already in the design and configuration of a process or an application. Both actions contribute to achieving the targets anchored in the Business Principles (>Chapter CORPORATE CULTURE AND POLITICS). In 2024, data privacy impact assessments, self-audit questionnaires for Telefónica Deutschland shops and questionnaires for the data protection review of digital services were integrated. These actions will be continued on an ongoing basis and are aimed at all our employees.

Information security through the Cyber Fusion and Network Operation Centre

Telefónica Deutschland Group also operates a central security centre, the Cyber Fusion Centre, in order to reduce the cyber risks for the undertaking. It analyses network and application events in order to detect potential attacks at an early stage and respond to them quickly. The main activities include proactively analysing threat scenarios, monitoring security-relevant events, handling security incidents and reporting threats. There is also a Network Operation Centre. It permanently monitors the network components in order to detect information security incidents at an early stage. The Cyber Fusion Centre and the Network Operation Centre are responsible for the entire Telefónica Deutschland Group. They relate to the Information security policy, Minimum Security Controls and Business Principles (>Chapter CORPORATE CULTURE AND POLITICS).

Strengthening and audit of the crisis and business continuity management

Telefónica Deutschland Group has established a target to minimise impacts in the event of disruption and adverse events by means of various actions. To this end, the BCM is continuously further developed, the BCM lifecycle implemented and monitored and the BCM System (BCMS) is externally audited and certified according to ISO 22301. The first certification was successfully carried out in the first half of 2024. Monitoring audits are scheduled for 2025 and 2026, while recertification is planned for 2027. Successful operation of the BCMS is ensured with its continuous further development and entrenchment in the BCM Group Policy. The BCMS applies to all employees and managers of Telefónica Deutschland Group. In addition, actions were introduced to strengthen crisis management and ensure that disaster recovery plans (DRP) are up to date. This includes the development of a Group Policy on Crisis Management, which is due to come into force in 2025, as well as training and exercises with the company crisis team. These measures, which will be implemented from 2024 to 2026, are aimed at all employees and managers in order to improve their ability to act in the event of a crisis.

In a parallel process, a governance process to update the DRP, based on the ITSCM Policy was established. It assesses the maturity level of the DRP and reports to those responsible in order to enable transparency and follow-up. The annual action in the Technology division is intended to minimise system failures and ensure the provision of products and services. The process was established in 2024 for prioritised systems, with further expansion planned for 2025 and the subsequent years. In the event of any deficits, a reporting system enables targeted follow-ups and supports target attainment of the ITSCM and BCM policies (>Chapter CORPORATE CULTURE AND POLITICS).

Operationalisation of the Governance Policy with the implementation of an approval process

IIn order to operationalise the Governance Policy for the companies of Telefónica Deutschland Holding AG, specific approval processes for business transactions and limits on values have been defined and integrated. Purchasing-related processes may only be carried out in consultation with the Purchasing department. It also defines which business transactions do not require the involvement of the Purchasing department. If a purchasing-related business transaction is mistakenly initiated without the involvement of the Purchasing department, the Compliance department carries out a separate process to check whether this poses an integrity risk for the undertaking. Only after a compliance assessment that confirms there is no integrity risk are these transactions processed further in order to prevent unauthorised legal transactions. This process supports, among other things, compliance with the corruption prevention guidelines and Business Principles (>Chapter CORPORATE CULTURE AND POLITICS). This preventive action continues to be applied on an ongoing basis in 2024 and applies to all our employees.

Targets related to business conduct
ESRS 2 MDR-T

Telefónica Deutschland Group has set targets for reviewing the actions related to corporate governance. These were developed without the further inclusion of stakeholders.

Total number of cases of corruption

Telefónica Deutschland Group has set itself the absolute target of recording **no confirmed cases of corruption that result in actions or sanctions under labour law**. This target relates to the respective calendar year and is reviewed every six months. It measures the effectiveness of the CMS and the Compliance & Intervention department becomes involved at an early stage. This target is based on the Corruption prevention guidelines and Guidelines on handling conflicts of interest, invitations, gifts and incentives (>Chapter CORPORATE CULTURE AND POLITICS). IIt promotes transparency, strengthens public trust and complies with the legal framework. In the last three years this value has been 0 and thus also in 2024.

Training rate for business principles

An **annual training rate of 90%** is aimed for so that all employees of Telefónica Deutschland Group adhere to and act in accordance with the content of the Business Principles (>Chapter CORPORATE CULTURE AND POLITICS). This share is based on the number of employees of Telefónica Deutschland Group, excluding employees on sabbatical or leave and external consultants as well as temporary workers (employee basis in 2024: 7,894). The calculation includes the trainings completed in the last three years. In total, this comprised 7,200 hours of training. The target is assessed on a quarterly basis and presented to the Management Board and the Audit Committee. In 2022, the training rate was 84.3%, in 2023 it was 95.1% and in 2024 it was 94.7%.

No penalties in the form of fines due to data protection incidents

Telefónica Deutschland Group has set itself the absolute target of **paying no fines due to privacy violations in the current financial year**. The target relates to the Group data protection standard (>Chapter CORPORATE CULTURE AND POLITICS) and is thus monitored in a monthly survey. In the last three years, including in 2024, no penalties have been imposed in the form of legally binding fines for violations of statutory data protection regulations. Furthermore, in the past financial year no proceedings were initiated due to potential violations of data protection pursuant to section 169 of the Telecommunications Act (TKG) or potential violations of statutory regulations in this area[58].

No penalties in the form of security violations

Telefónica Deutschland Group has set itself the absolute target of paying **no penalties in the form of fines in connection with security breaches or other incidents in the context of network security**. This target ensures that the specifications of the Information security policy and Minimum Security Controls (>Chapter CORPORATE CULTURE AND POLITICS)

[58] Proceedings initiated during the reporting period relate only to those that are ongoing and not those that are completed. In the current reporting year no new proceedings were initiated. Completed proceedings usually result in a fine or penalty, or to the proceedings being discontinued because an authority's suspicion has proven to be unjustified. Penalties are reported in the indicator "Penalties in the form of fines due to data protection violations in the current year".

are adhered to. The target is reviewed annually and monitored by audits. The ISO-certified information management system also makes it possible to recognise security breaches at an early stage and thus prevent penalties and comply with legal requirements. In the last three years the value has been 0, and in 2024 as well no penalties were imposed in the form of fines due to security breaches or other information security incidents. Forty-three notifiable security incidents according to section 168 of the Telecommunications Act (TKG) were identified and communicated to the responsible supervisory authorities in 2024. The events that occurred relate exclusively to the availability protection target and can be attributed to various things including carrier disruption and disruption of network elements.

Training rate on information security
In order to sensitise Telefónica Deutschland Group employees on the topic of information security and impart the content of the Information security policy (>Chapter CORPORATE CULTURE AND POLITICS), more than **90% of the workforce should have successfully completed the online training on information security** (>Chapter ACTIONS RELATED TO BUSINESS CONDUCT) in 2024. To this end, there is extensive communication with all departments and on the intranet. The number of trainings carried out is determined on a quarterly basis, with a rate of more than 90% being consistently achieved. When developing the target, the Management Board and Telefónica, S.A Group were included, who were also informed quarterly of the current status of the target. in 2022, the training rate was 92.7%, in 2023 it was 91.7% and in 2024 it was 89.6%.

Metrics related to business conduct
G1-4, G1-5

T 52 – METRICS RELATED TO CORRUPTION AND BRIBERY

	2024
Percentage of risk functions covered by training programmes (%)	100
Number of convictions for violations of anti-corruption and anti-bribery laws	0
Amount of fines for violations of anti-corruption and anti-bribery laws	0
Number and type of confirmed cases of bribery/corruption[59]	0

Training in the business principles is mandatory for all active employees and is repeated every three years. Share is based on the number of employees of Telefónica Deutschland Group, excluding employees on sabbatical or leave and external consultants as well as temporary workers (employee basis 7,894). The calculation includes the trainings completed in the last three years.

Political influence and lobbying activities
G1-5

T 53 – POLITICAL CONTRIBUTIONS

EUR thousand	2024
Amount of financial donations and in-kind contributions for political purposes made directly and indirectly by the company[60]	60
Amount of financial donations and in-kind contributions for political purposes, broken down by type of recipient/beneficiary	
• Party	0
• Party-affiliated organisations	60
• Panels/committees/ Individual public officials	0

There are no significant contributions to political parties. The contributions made to party-affiliated organizations are membership fees to independent associations registered with the respective local courts, fostering economic and social dialogue.

[59] Confirmed suspicions that led to actions under labour law or sanctions.
[60] Breakdown by country or geographical area is not necessary, as business operations are exclusively in Germany.

Notes to the Sustainability Report

Data points from other EU legislation and disclosure requirements followed in preparing the sustainability report
ESRS 2 Annex B

T 54 – DATAPOINTS IN ESRS 2 AND IN SUBJECT-SPECIFIC ESRS RESULTING FROM OTHER EU LEGISLATION

Disclosure obligations	Data-point	Sustainability statement	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Act reference	Chapter	Page
ESRS 2								
GOV-1	21 (d)	Gender diversity in the management and governing bodies	X		X		Business conduct and organisation	52
GOV-1	21 (e)	Percentage of board members who are independent			X		Business conduct and organisation	52
GOV-4	30	Statement on due diligence	X				Statement on due diligence	55
SBM-1	40 (d) i	Involvement in activities relating to fossil fuels	X	X	X		N/A	
SBM-1	40 (d) ii	Involvement in activities relating to the manufacture of chemicals	X		X		N/A	
SBM-1	40 (d) iii	Involvement in activities relating to controversial weapons	X		X		N/A	
SBM-1	40 (d) iv	Involvement in activities related to cultivation and production of tobacco			X		N/A	
ESRS E1								
E1-1	14	Transition plan to realise climate neutrality by 2050				X	Transition plan for climate change mitigation	67
E1-1	16 (g)	Undertakings excluded from Paris-agreed reference values		X	X		Transition plan for climate change mitigation	67
E1-4	34	GHG emission reduction targets	X	X	X		Targets related to climate change mitigation and adaptation; metrics related to climate change mitigation and adaptation	71/72
E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	X				Metrics related to climate change mitigation and adaptation	72
E1-5	37	Energy consumption and mix	X				Metrics related to climate change mitigation and adaptation	72
E1-5	40-43	Energy intensity associated with activities in high climate impact sectors	X				Metrics related to climate change mitigation and adaptation	72
E1-6	44	Gross Scopes 1, 2, 3 and Total GHG emissions	X	X	X		Metrics related to climate change mitigation and adaptation	72
E1-6	53-55	Gross GHG emissions intensity	X	X	X		Metrics related to climate change mitigation and adaptation	72
E1-7	56	GHG removals and carbon credits				X	Targets related to climate change mitigation and adaptation; metrics related to climate change mitigation and adaptation	71/72
E1-9	66	Exposure of the benchmark portfolio to climate-related physical risks			X		Option for the step-by-step introduction of E1-9 in accordance with ESRS 1 Annex C	

Disclosure obligations	Data-point	Sustainability statement	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Act reference	Chapter	Page
E1-9	66 (a); 66 (c)	Disaggregation of monetary amounts by acute and chronic physical risk; place where significant assets with material physical risks are located		X			Option for the step-by-step introduction of E1-9 in accordance with ESRS 1 Annex C	
E1-9	67 (c)	Breakdown of the carrying value of its real estate assets by energy-efficiency classes		X			Option for the step-by-step introduction of E1-9 in accordance with ESRS 1 Annex C	
E1-9	69	Degree of exposure of the portfolio to climate-related opportunities			X		Option for the step-by-step introduction of E1-9 in accordance with ESRS 1 Annex C	
ESRS E2								
E2-4	28	Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil	X				Immaterial	
ESRS E3								
E3-1	9	Water and marine resources	X				Immaterial	
E3-1	13	Special policy	X				Immaterial	
E3-1	14	Sustainable oceans and seas	X				Immaterial	
E3-4	28 (c)	Total water recycled and reused	X				Immaterial	
E3-4	29	Total water consumption in m3 per net revenue on own operations	X				Immaterial	
ESRS E4								
SBM 3 - E4	16 (a) i		X				Immaterial	
SBM 3 - E4	16 (b)		X				Immaterial	
SBM 3 - E4	16 (c)		X				Immaterial	
E4-2	24 (b)	Sustainable land / agriculture practices or policies	X				Immaterial	
E4-2	24 (c)	Sustainable oceans / seas practices or policies	X				Immaterial	
E4-2	24 (d)	Policies to address deforestation	X				Immaterial	
ESRS E5								
E5-5	37 (d)	Non-recycled waste	X				Metrics related to resource use and circular economy	80
E5-5	39	Hazardous waste and radioactive waste	X				Metrics related to resource use and circular economy	80
ESRS S1								
SBM3 - S1	14 (f)	Risk of forced labour	X				Policies related to own workforce	86
SBM3 - S1	14 (g)	Risk of child labour	X				Policies related to own workforce	86
S1-1	20	Human rights policy commitments	X				Policies related to own workforce	86
S1-1	21	Due diligence policies on issues addressed by the fundamental International Labour Organization Conventions 1 to 8			X		Policies related to own workforce	86
S1-1	22	Processes and actions for preventing human trafficking	X				Policies related to own workforce	86
S1-1	23	Workplace accident prevention policy or management system	X				Policies related to own workforce	86
S1-3	32 (c)	Processing of complaints	X				Remediation mechanisms and grievance procedures related to own workforce	85
S1-14	88 (b) and (c)	Number of fatalities and number and rate of work-related accidents	X		X		Metrics related to own workforce	93

Disclosure obligations	Data-point	Sustainability statement	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Act reference	Chapter	Page
S1-14	88 (e)	Number of days lost to injuries, accidents, fatalities or illness	X				Option for the step-by-step introduction of S1-14 in accordance with ESRS 1 Annex C	
S1-16	97 (a)	Unadjusted gender pay gap	X		X		Metrics related to own workforce	93
S1-16	97 (b)	Excessive CEO pay ratio	X				Metrics related to own workforce	93
S1-17	103 (a)	Incidents of discrimination	X				Metrics related to own workforce	93
S1-17	104 (a)	Non-respect of UNGPs on Business and Human Rights and OECD guideline	X		X		Metrics related to own workforce	93
ESRS S2								
SBM3 – S2	11 (b)	Significant risk of child labour or forced labour in the value chain	X				Impacts, risks and opportunities related to workers in the value chain	96
S2-1	17	Human rights policy commitments	X				Policies related to workers in the value chain; Inclusion of workers in the value chain	97/99
S2-1	18	Policies related to workers in the value chain	X				Policies related to workers in the value chain	97
S2-1	19	Non-respect of UNGPs on Business and Human Rights and OECD guidelines	X		X		Actions related to workers in the value chain	100
S2-1	19	Due diligence policies on issues addressed by the fundamental International Labour Organization Conventions 1 to 8			X		Policies related to workers in the value chain	97
S2-4	36	Problems and incidents related to human rights within the upstream and downstream value chain	X				Targets related to workers in the value chain	101
ESRS S3								
S3-1	16	Human rights commitments	X				Immaterial	
S3-1	17	Non-respect of UN Guiding Principles on Business and Human Rights, IAO principles or OECD guidelines	X	X			Immaterial	
S3-4	36	Problems and incidents related to human rights	X				Immaterial	
ESRS S4								
S4-1	16	Policies related to consumers and end-users	X				Policies related to consumers and end-users	105
S4-1	17	Non-respect of UN Guiding Principles on Business and Human Rights and OECD guidelines	X		X		Policies related to consumers and end-users; Remediation mechanisms and grievance procedures related to consumers and end-users	105/108
S4-4	35	Problems and incidents related to human rights	X				Remediation mechanisms and grievance procedures related to consumers and end-users	108
ESRS G1								
G1-1	10 (b)	United Nations Convention against Corruption	X				N/A	
G1-1	10 (d)	Protection of whistleblowers	X				Corporate culture and politics	114
G1-4	24 (a)	Fines for violations of anti-corruption and anti-bribery laws	X		X		Metrics related to business conduct	121
G1-4	24 (b)	Standards of anti-corruption and anti-bribery	X				Actions related to business conduct	119

T 55 – DISCLOSURE REQUIREMENTS FOLLOWED WHEN PREPARING THE SUSTAINABILITY REPORT

ESRS disclosure requirements		Chapter	Explanation	Page
ESRS 2				
BP-1	General basis for preparation of sustainability statements	About the group sustainability report		43
BP-2	Disclosures in relation to specific circumstances	About the group sustainability report		43
GOV-1	The role of the administrative, management and supervisory bodies	Business conduct and organisation		52
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	Business conduct and organisation		52
GOV-3	Integration of sustainability-related performance in incentive schemes	Remuneration system of the management and supervisory bodies		53
GOV-4	Statement on due diligence	Statement on due diligence		55
GOV-5	Risk management and internal controls over sustainability reporting	Risk management and internal controls over sustainability reporting		56
SBM-1	Strategy, business model and value chain	Business model and value chain, corporate strategy		44/51
SBM-2	Interests and views of stakeholders	Interests and views of stakeholders		44
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Corporate strategy		51
IRO-1	Description of the process to identify and assess material impacts, risks and opportunities	Double materiality assessment methodology		45
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	Scope of reporting on material sustainability matters		51
ESRS E1				
GOV-3	Integration of sustainability-related performance in incentive schemes	Remuneration system of the management and supervisory bodies		53
E1-1	Transition plan for climate change mitigation	Transition plan for climate change mitigation		67
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Resilience of strategy and business model with regard to climate change		68
IRO-1	Description of the processes to identify and assess climate-related material impacts, risks and opportunities	Double materiality assessment methodology		45
E1-2, ESRS 2 MDR-P	Policies related to climate change mitigation and adaptation as well as policies on the handling of material sustainability matters	Policies related to climate change mitigation and adaptation		69
E1-3, ESRS 2 MDR-A	Actions and resources related to climate change policies as well as actions and resources in relation to material sustainability matters	Actions related to climate change mitigation and adaptation		69
E1-4, ESRS 2 MDR-T	Targets related to climate change mitigation and adaptation as well as tracking effectiveness of policies and actions through targets	Targets related to climate change mitigation and adaptation		71
E1-5	Energy consumption and mix	Metrics related to climate change mitigation and adaptation		72
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	Metrics related to climate change mitigation and adaptation		72
E1-7	Reduction of greenhouse gases and GHG mitigation projects, financed via carbon credits	Targets related to climate change mitigation and adaptation, metrics related to climate change mitigation and adaptation		71/72
E1-8	Internal CO_2 pricing	Metrics related to climate change mitigation and adaptation		72
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	-	Option for the step-by-step introduction of E1-9 in accordance with ESRS 1 Annex C	
ESRS E2				
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities in relation to pollution	Double materiality assessment methodology		45

ESRS disclosure requirements		Chapter	Explanation	Page
ESRS E3				
IRO-1	Description of the processes to identify and assess water and marine resources impacts, risks and opportunities	Double materiality assessment methodology		45
ESRS E4				
IRO-1	Description of the processes to identify and assess biodiversity and ecosystems impacts, risks and opportunities	Double materiality assessment methodology		45
ESRS E5				
IRO-1	Description of the processes to identify and assess material resource use and circular economy impacts, risks and opportunities	Double materiality assessment methodology		45
E5-1, ESRS 2 MDR-P	Policies related to resource use and circular economy as well as policies on the handling of material sustainability matters	Policies related to resource use and circular economy		77
E5-2, ESRS 2 MDR-A	Actions and resources related to resource use and circular economy as well as actions and resources in relation to material sustainability matters	Actions related to resource use and circular economy		78
E5-3, ESRS 2 MDR-T	Targets related to resource use and circular economy as well as tracking effectiveness of policies and actions through targets	Targets related to resource use and circular economy		79
E5-4	Resource inflows	Metrics related to resource use and circular economy		80
E5-5	Resource outflows	Metrics related to resource use and circular economy		80
E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	-	Option for the step-by-step introduction of E5-6 in accordance with ESRS 1 Annex C	
ESRS S1				
SBM-2	Interests and views of stakeholders	Interests and views of stakeholders		44
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Impacts, risks and opportunities related to own workforce, policies related to own workforce		82/86
S1-1, ESRS 2 MDR-P	Policies related to own workforce as well as policies on the handling of material sustainability matters	Policies related to own workforce		86
S1-2	Procedure for including own workforce and workers' representatives in relation to impacts	Inclusion of own workforce and workers' representatives in relation to impacts		83
S1-3	Processes to remediate negative impacts and channels for workers of the undertaking to be able to raise concerns	Remediation mechanisms and grievance procedures related to own workforce		85
S1-4, ESRS 2 MDR-A	Taking action in relation to material impacts and approaches for the management of material risks and utilisation of material opportunities relating to the own workforce and the effectiveness of these actions and approaches as well as actions and resources in relation to material sustainability matters	Actions related to own workforce		88
S 1-5, ESRS 2 MDR-T	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities as well as tracking effectiveness of policies and actions through targets	Targets related to own workforce		91
S1-6	Characteristics of the undertaking's employees	Metrics related to own workforce		93
S1-7	Characteristics of the undertaking's non-employees	-	Option for the step-by-step introduction of S1-7 in accordance with ESRS 1 Annex C	
S1-8	Collective bargaining coverage and social dialogue	Metrics related to own workforce		93
S1-9	Diversity metrics	Metrics related to own workforce		93
S1-11	Social protection	-	Option for the step-by-step introduction of S1-11 in accordance with ESRS 1 Annex C	
S1-10	Adequate wages	Metrics related to own workforce		93

ESRS disclosure requirements		Chapter	Explanation	Page
S1-12	Persons with disabilities	–	Option for the step-by-step introduction of S1-12 in accordance with ESRS 1 Annex C	
S1-13	Parameters for trainings and competence development	–	Option for the step-by-step introduction of S1-13 in accordance with ESRS 1 Annex C	
S1-14	Health and safety metrics	Metrics related to own workforce		93
S1-15	Work-life balance metrics	–	Option for the step-by-step introduction of S1-15 in accordance with ESRS 1 Annex C	
S1-16	Remuneration metrics (pay gap and total remuneration)	Metrics related to own workforce		93
S1-17	Incidents, complaints and severe human rights impacts	Metrics related to own workforce		93
ESRS S2				
SBM-2	Interests and views of stakeholders	Interests and views of stakeholders		44
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Workers in the value chain (introduction), impacts, risks and opportunities related to workers in the value chain of Telefónica Deutschland		96
S2-1, ESRS 2 MDR-P	Policies related to workers in the value chain as well as policies on the handling of material sustainability matters	Policies related to workers in the value chain; Policies related to own workforce; Inclusion of workers in the value chain		97/86/99
S2-2	Procedure for including workers in the value chain in relation to impacts	Inclusion of workers in the value chain, policies related to workers in the value chain		99/97
S2-3	Processes to remediate negative impacts and channels for workers in the value chain to be able to raise concerns	Remediation mechanisms and grievance procedures with respect to own workforce		85
S2-4, ESRS 2 MDR-A	Taking action in relation to material impacts on workers in the value chain and approaches to managing material risks and exploiting material opportunities related to workers in the value chain, as well as the effectiveness of these actions as well as actions and resources in relation to material sustainability matters	Actions related to workers in the value chain, targets related to workers in the value chain		100/101
S2-5, ESRS 2 MDR-T	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities as well as tracking effectiveness of policies and actions through targets	Targets related to workers in the value chain		101
ESRS S4				
SBM-2	Interests and views of stakeholders	Interests and views of stakeholders		44
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Impacts, risks and opportunities related to consumers and end-users		103
S4-1, ESRS 2 MDR-P	Policies related to consumers and end-users as well as policies on the handling of material sustainability matters	Policies related to consumers and end-users, inclusion of consumers and end-users, remediation mechanisms and grievance procedures related to consumers and end-users		105/106/108
S4-2	Procedure for including consumers and end-users in relation to impacts	Inclusion of consumers and end-users		106
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	Remediation mechanisms and grievance procedures related to consumers and end-users		108
S4-4, ESRS 2 MDR-A	Taking action in relation to material impacts on consumers and end-users and approaches to managing material risks and exploiting material opportunities related to consumers and end-users, as well as the effectiveness of these actions as well as actions and resources in relation to material sustainability matters	Actions related to consumers and end-users		108

ESRS disclosure requirements		Chapter	Explanation	Page
S4-5, ESRS 2 MDR-T	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities as well as tracking effectiveness of policies and actions through targets	Targets related to consumers and end-users		111
ESRS G1				
GOV-1	The role of the administrative, management and supervisory bodies	Business conduct and organisation		52
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	Double materiality assessment methodology		45
G1-1, ESRS 2 MDR-P	Business conduct policies and corporate culture as well as policies for the handling of material sustainability matters	Corporate culture and politics, Compliance		114/117
G1-2	Management of relationships with suppliers	Management of relationships with suppliers		117
G1-3	Prevention and detection of corruption and bribery	Compliance		117
G1-4	Incidents of corruption or bribery	Metrics related to business conduct, actions related to business conduct		121/119
G1-5	Political influence and lobbying activities	Compliance, metrics related to business conduct		117/121
ESRS 2 MDR-A	Actions and resources in relation to material sustainability matters	Actions related to business conduct		119
ESRS 2 MDR-T	Tracking effectiveness of policies and actions through targets	Targets related to business conduct		120

Report on Expected Developments

Economic Outlook[61]

The German Council of Economic Experts expects gross domestic product (GDP) to grow slightly by around 0.4% in 2025 compared to the previous year. Several factors are contributing to the subdued growth forecast. Firstly, structural problems in key industries such as automotive and mechanical engineering are weighing on the economy. Secondly, weak global demand is having a negative impact on exports, which traditionally play an important role in German economic growth. Thirdly, geopolitical uncertainties and trade conflicts are leading to a reluctance to invest.

Private purchasing power is likely to increase at a slower rate in 2025 than in 2024 due to a slowdown in wage growth. This means that private consumption remains one of the most important drivers of the economy, but with less traction than previously assumed.

Low capacity utilisation in the industry, pessimistic business expectations and the deterioration in location conditions lamented by many companies are weighing on companies' investment activity. The political and economic uncertainties in the United States, particularly the repeatedly announced introduction of new import tariffs, could weigh on the German economy.

Inflation in Germany in 2024 as measured by the national consumer price index (CPI) fell from 5.9% in 2023 to 2.2% in 2024. The German Council of Economic Experts expect inflation to remain more or less stable in 2025. For 2025, they are forecasting an average inflation rate of 2.1%. They expect core inflation to fall from 3.0% in 2024 to 2.6% in 2025.

According to the German Council of Economic Experts, the economic weakness will also have a slight impact on the labour market. They expect an unemployment rate of 6.1% in 2025. This represents a slight increase from 2024, when the unemployment rate was 6.0% according to the German Federal Employment Agency.

T 56 – GDP GROWTH 2023 – 2025 GERMANY (PRICE-ADJUSTED)[62]

In % compared to previous year	2023	2024	2025
Germany	-0.3	-0.2	0.4

Market Expectations[63]

Digitalisation is now an integral part of our everyday lives and will continue to gain in importance for consumers and commercial enterprises. In addition, the digital transformation is giving rise to new business models that are often dependent on telecommunications networks. These networks are crucial for the introduction of autonomous vehicles and virtual healthcare, for example. However, due to their resource-intensive nature, they require dedicated bandwidth, security and network reliability.

The expansion of the fibre-optic network and the 5G mobile communications standard will be decisive for further digitalisation in Germany. According to the German Entertainment and Media Outlook (GEMO) study, total data traffic is expected to increase by an additional 20% to 185 billion GB in 2025. The main drivers for the demand for broadband services include streaming, the use of especially video-intensive social networks and the increase in gaming. The video segment, with a share of around 80% of data consumption, accounts for the majority of this. The demand for fast internet access will increase as more high-quality games are developed

[61] Sources: German Council of Economic Experts: Annual Report 2024/25 "Addressing failures, resolute modernisation" (13 November 2024); Federal Statistical Office: press release "Annual Review 2024" (3 January 2025); Federal Statistical Office: press release № 19 "Gross domestic product down 0.2% in 2024" (15 January 2025)
[62] Sources: German Council of Economic Experts: Annual Report 2024/25 "Addressing failures, resolute modernisation" (13 November 2024); Federal Statistical Office: press release №19 "Gross domestic product down 0.2% in 2024" (15 January 2025)
[63] Sources: Digital association Bitkom: press release "Industry wants artificial intelligence from Germany" (21 October 2024); Federal Statistical Office: press release № 444 "Approximately One in Five Companies Uses Artificial Intelligence" (25 November 2024); PwC: German Entertainment and Media Outlook (GEMO) 2024-2028 (11 September 2024); Analysys Mason: Telco Forecasts Data Hub Query (22 November 2024); Forbes article: "9 Critical Telecom Trends In 2025: What Industry Leaders Need To Know" (26 November 2024)

in conjunction with virtual reality (VR) or augmented reality (AR). Analysys Mason estimates that a mobile customer's data consumption will increase by nearly 30% from 2024 to 2025 to 13.1 GB per month. The rollout of fibre optics is also progressing. The German government's gigabit strategy aims to triple the number of fibre-optic connections by 2025, so that half of all households will have a fibre-optic connection. According to Analysys Mason, the growth in the number of active fibre-optic connections will accelerate in 2025 and increase by 84% to 9.0 million.
The Internet of Things (IoT) and the intelligent networking of objects are now part of consumers' everyday lives and play an important role, especially in the transformation of companies and infrastructures. Analysys Mason expects IoT connections to increase by 16% to 62.3 million in 2025. This growth requires a robust telecommunications infrastructure to handle the increased data traffic and ensure seamless connectivity.

Artificial Intelligence (AI) is also fundamentally changing our economy and society. Telecommunications companies are increasingly using AI to improve network management and customer service. AI-driven analyses enable predictive maintenance and reduced downtimes, and optimise the customer experience. According to a survey by the digital association Bitkom, 73% of companies and 63% of the population consider AI to be the most important technology of the future. According to the Federal Statistical Office, one in five companies (20%) in Germany used AI technologies in 2024. Compared to the previous year, the use of AI has increased by 8 percentage points. AI applications require enormous computing capacities and significantly increase the demands on networks and digital infrastructures.

The developments described above show that our need for data will continue to grow. Technologies that simplify our lives and make them safer also increase our need for more powerful networks and smarter data processing solutions. The digital infrastructure is thus becoming a critical resource of the 21st century.

Financial Outlook 2025

Following the successful start of its three-year (2024-26) Accelerated Growth & Efficiency Plan, Telefónica Deutschland Group plans to continue its growth path in financial year 2025 and is focusing on further strengthening the resilience of its business model.

Building on the good momentum of recent years, Telefónica Deutschland Group's go-to-market strategy continues to build on the O_2 network[64], which has been rated "very good" for the fifth year in a row, and its multi-brand and multi-channel strategy. Postpaid remains the Group's strongest value generator with the brand appeal of O_2 as a growth driver, while in the prepaid market, the prepaid to postpaid migration trend continues. Within the technology-agnostic O_2 Home portfolio, high-speed cable and fibre-optic accesses are increasingly gaining traction.

Telefónica Deutschland Group continues to expect a dynamic but rational market for financial year 2025, with a robust pricing environment in the premium and discount segments.

Telefónica Deutschland Group's revenues and profitability development remain based on the ongoing market success of its core brand O_2 as the main growth driver of both mobile service revenues, which continue to account for around two thirds of total revenues, and fixed network revenues. The development of mobile service revenues in 2025 will also reflect the expected expiry of the national roaming agreement on 30 June 2025. Telefónica Deutschland Group has already fully reallocated the freed-up network capacities in the future and filled them with new profitable business involving its own customers and partnerships.

Hardware revenues will remain volatile and in particular dependent on market dynamics, device launch cycles and the availability of new smartphones. The expectation of largely EBITDA-neutral margins in the handset business also remains unchanged.

Fixed broadband offers complement Telefónica Deutschland Group's tariff portfolio and promote customer retention and loyalty. Based on its technology-agnostic approach, Telefónica Deutschland Group is enabled to optimally meet customer needs and it expects further growth in financial year 2025.

Telefónica Deutschland Group will continue to pursue its chosen path of digital transformation in order to generate revenue growth and efficiency gains. In doing so, the Group is focusing on sustainable growth and is driving forward its ESG strategy. Digitalisation plays a key role in tackling climate change and achieving the CO_2 neutrality targets.

In summary, Telefónica Deutschland Group expects the following for financial year 2025:

- Revenues and EBITDA adjusted for exceptional effects to remain broadly stable year-on-year.
- Capex Sales ratio of 12 % – 13 %.

Telefónica Deutschland Group's assumptions are based on current economic conditions and current competitive dynamics as well as existing wholesale relationships, including the expected expiry of the national roaming agreement on 30 June 2025.

At the same time, management continuously monitors and analyses business impacts on the Group related to macroeconomic developments and geopolitical changes.

[64] Source: connect mobile network and 5G network test, issue 01/2025: Overall rating "very good" (909 points) for O_2; overall, "very good" was awarded twice (924 and 909 points) and "outstanding" was awarded once (970 points)

T 57 – FINANCIAL OUTLOOK 2025

	Actual 2024	Outlook 2025
Revenues	EUR 8,492 million	Broadly stable year-on-year
EBITDA adjusted for exceptional effects [1]	EUR 2,717 million	Broadly stable year-on-year
CapEx/Sales ratio	13.4%	12 – 13%

(1 From financial year 2025 onwards, only personnel-related restructuring expenses and gains/losses from the sale of assets will be reported and adjusted as exceptional effects. Acquisition-related consultancy costs and non-personnel related restructuring expenses will no longer be adjusted.

Other Disclosures

Report on Relations with Affiliated Companies

In the period from 1 January to 31 December 2024, Telefónica Deutschland Holding AG was a directly dependent company of Telefónica Germany Holdings Limited, Slough, United Kingdom, within the meaning of Section 312 AktG. In addition, Telefónica Deutschland Holding AG was an indirectly dependent company of O2 (Europe) Limited, Slough, United Kingdom, and directly dependent on Telefónica Local Services GmbH, Ismaning, Germany, a direct wholly owned subsidiary of Telefónica, S.A., Madrid, Spain, within the meaning of Section 312 AktG. There is neither a domination agreement nor a profit and loss transfer agreement between Telefónica Deutschland Group and the aforementioned companies.

Accordingly, the Management Board of Telefónica Deutschland Holding AG has prepared a report on relations with affiliated companies in accordance with Section 312 (1) AktG. This report includes the following final declaration:

"Our company has, regarding the legal transactions and measures listed in the dependency report and based on the circumstances which were known to us at the time at which the legal transactions were carried out or the measures were taken, received adequate compensation for each legal transaction and has not been disadvantaged because of measures being taken. No measures were refrained from during the reporting period."

Disclosures in accordance with Section 289a and Section 315a HGB

The application of Telefónica Deutschland Holding AG for revocation of the admission of Telefónica Deutschland shares to trading on the regulated market of the Frankfurt Stock Exchange and in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) was granted in April 2024. The delisting took effect at the end of 18 April 2024. The disclosures pursuant to Section 289a and Section 315a HGB therefore no longer apply as of 31 December 2024. The shareholder structure as of 31 December 2024 can be found in >Chapter 1. REPORTING ENTITY.

Business Development of Telefónica Deutschland Holding AG

The Annual Financial Statements of Telefónica Deutschland Holding AG were prepared in accordance with the provisions of the German Stock Corporation Act (AktG) and the German Commercial Code (HGB).

Telefónica Deutschland Holding AG acts as a holding company and as a service provider; it is responsible for the management and strategic approach of Telefónica Deutschland Group. As the parent company of Telefónica Deutschland Group, Telefónica Deutschland Holding AG has no relevant financial key performance indicators on its own. Telefónica Deutschland Holding AG is integrated into the management system of Telefónica Deutschland Group and does not have any key performance indicators of its own.

Telefónica Deutschland Holding AG has been the controlling company for an extended group of controlled companies of the Telefónica Deutschland Holding AG fiscal unity for value-added tax (VAT) purposes.

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

As of 31 December 2024, Telefónica Deutschland Holding AG did not have any employees.

Results of Operations

T 58 – CONSOLIDATED INCOME STATEMENT

1 January to 31 December

(in EUR million)	**2024**	**2023**	**Change**	**% change**
Revenues	**10**	**11**	**(1)**	**(13.1)**
Other income	2	0	2	>100
Operating expenses	(13)	(19)	6	(29.9)
Personnel expenses	(8)	(10)	1	(12.5)
Other operating expenses*	(5)	(9)	4	(48.4)
Operating income	**(1)**	**(7)**	**6**	**(80.8)**
Financial result	(0)	(0)	(0)	34.6
Profit/(loss) before tax	**(2)**	**(8)**	**6**	**(77.9)**
Income taxes	(10)	(1)	(9)	>100
Profit/(loss) after tax	**(12)**	**(8)**	**(3)**	**39.0**
Other taxes*	–	0	(0)	(100.0)
Profit/(loss) for the period	**(12)**	**(8)**	**(3)**	**39.1**

* In a change from the previous year, other taxes will be reported under other operating expenses from financial year 2024 onwards. These amounted to EUR 0 million in 2024.

Telefónica Deutschland generates its revenues from compensation for services which it provides for its subsidiaries. In financial year 2024, the reimbursement costs resulted in revenues in the amount EUR 10 million.

In financial year 2024, revenues were 13.1% below the previous year's level, as fewer costs were passed on. Other income rose by EUR 2 million in the financial year, while operating expenses fell by EUR 4 million. As a consequence, operating income improved by EUR 6 million to EUR -1 million. Expenses from income taxes, which were EUR 9 million higher than in the previous year, led to a higher net loss of EUR 12 million for the financial year (previous year: EUR 8 million).

Revenues reduced

In the financial year, revenues in the amount of EUR 10 million (2023: EUR 11 million) were generated. The revenues, at EUR 10 million, essentially comprised charging on the costs for the remuneration of Management Board members and additional administration costs that are assumed by Telefónica Germany GmbH & Co. OHG in accordance with agreements. Furthermore, invoiced management services are included in the amount of EUR 294 thousand, which Telefónica Deutschland Holding AG provided for Telefónica Germany GmbH & Co. OHG and Telefónica Germany Management GmbH.

Personnel expenses down

Personnel expenses comprise the remuneration of the Management Board including social security contributions and amounted to EUR -8 million in financial year 2024 (2023: EUR -10 million).

Other operating expenses below previous year's level

At EUR -5 million, other operating expenses were significantly below the previous year's level (2023: EUR -9 million). The decrease resulted mainly from consultancy expenses related to the acquisition offer to the shareholders of Telefónica Deutschland Holding AG published by Telefónica, S.A. on 7 November 2023, which were thus only incurred in 2023.

Income taxes significantly above previous year's level

Income tax expenses of EUR 10 million (2023: EUR 1 million) consist of current corporate income tax expense including solidarity surcharge of EUR 13 million (2023: EUR 11 million) as well as offsetting income from tax refund claims of EUR 3 million (2023: EUR 7 million). The previous year also includes income from the reversal of tax provisions for previous years in the amount of EUR 3 million.

Result for the period deteriorated

The company's loss for the period deteriorated from around EUR 8 million in the previous year to around EUR 12 million in the reporting year. The development is mainly due to the increase in income tax expenses described above.

Financial Position and Net Assets

T 59 – BALANCE SHEET

As of 31 December

(in EUR million)	2024	2023	Change	% change
Fixed assets				
Financial assets				
Investments in affiliated companies	5,775	6,360	(585)	(9.2)
Current assets				
Receivables from affiliated companies	113	145	(32)	(22.1)
Other assets and miscellaneous assets	19	11	8	66.9
Total assets	**5,907**	**6,517**	**(610)**	**(9.4)**
Equity	5,841	6,388	(547)	(8.6)
Provisions	15	20	(5)	(25.9)
Liabilities	51	108	(58)	(53.2)
Total equity and liabilities	**5,907**	**6,517**	**(610)**	**(9.4)**

Principles and goals of financial management

As a service provider, Telefónica Deutschland Holding AG is responsible for the management of Telefónica Deutschland Group. It mainly finances itself with equity and generates an operating cash flow from charging on these management services to Telefónica Germany GmbH & Co. OHG and Telefónica Germany Management GmbH. Furthermore, Telefónica Deutschland Holding AG is integrated into the Group-wide financial management of Telefónica Deutschland Group and is therefore able to fulfil its payment obligations at all times. In this respect, the further information provided in the >Chapter FINANCIAL POSITION of the Group applies.

Bond for corporate financing

In July 2018, O2 Telefónica Deutschland Finanzierungs GmbH placed a bond with a nominal value of EUR 600 million and a term of seven years.

The bond of O2 Telefónica Deutschland Finanzierungs GmbH was transferred to Telefónica Germany GmbH & Co. OHG as a loan.

Within the scope of the Group-wide financial management of Telefónica Deutschland Group, Telefónica Deutschland Holding AG guarantees the punctual payment of interest, principal and any other additional amounts which are payable under the bond terms.

Investment projects

There are currently no extensive investments planned at the level of Telefónica Deutschland Holding AG.

Decrease in financial assets

Investments in affiliated companies in the amount of EUR 5,775 million (2023: EUR 6,360 million) relate in the amount of EUR 5,759 million (2023: EUR 6,345 million) to the shares in Telefónica Germany GmbH & Co. OHG, Munich, of which the Company is the personally liable shareholder. The decrease in the carrying amount of the investment in Telefónica Germany GmbH & Co. OHG results from the withdrawal by Telefónica Deutschland of a total of EUR 585 million on the basis of a shareholders' resolution dated 8 May 2024 in accordance with section 4 (3) of the shareholders' agreement.

In addition, a carrying amount of EUR 15 million (2023: EUR 15 million) relates to the shares in Telefónica Germany Management GmbH, Munich.

Decline of receivables from affiliated companies

The decrease of EUR 32 million was primarily due to the decrease in receivables from affiliated companies from the fiscal unity for value-added tax purposes from EUR 130 million in 2023 to EUR 97 million in the reporting year. This was partially offset by the increase in cash pooling receivables from Telfisa Global B.V., Amsterdam from EUR 13 million in 2023 to EUR 15 million in the reporting year.

Increase in other assets

Other assets in the amount of EUR 19 million (2023: EUR 11 million) are almost entirely attributable (EUR 19 million; 2023: EUR 11 million) to tax refund claims in connection with advance tax payments made.

Decrease in provisions

The decrease in provisions from EUR 20 million in 2023 to EUR 15 million in the reporting year is mainly due to the EUR 5 million decrease in other provisions in the financial year. The decline in other provisions is due to the EUR 5 million decrease in outstanding invoices (2024: EUR 1 million; 2023: EUR 6 million) as of the balance sheet date.

At EUR 4 million, pension provisions were at the previous year's level (2023: EUR 4 million). Tax provisions increased by EUR 1 million to EUR 5 million (2023: EUR 4 million).

Decline in liabilities

The decline in liabilities by EUR 58 million from EUR 108 million in the previous year to EUR 51 million in the reporting year resulted primarily from the decrease in other liabilities by EUR 38 million to EUR 46 million (2023: EUR 84 million). The other liabilities of around EUR 46 million (2023: EUR 84 million) relate almost exclusively to VAT liabilities, which the Company is required to pay to the tax authority as the controlling company of the VAT group.

Liabilities to affiliated companies decreased to EUR 5 million (2023: EUR 24 million). The decline is mainly due to the loan being repaid in full during the financial year.

Equity reduced

Equity decreased in financial year 2024 by EUR 547 million or 8.6% to EUR 5,841 million (2023: EUR 6,388 million). The change in equity resulted from the dividend payment of EUR 535 million resolved on 18 June 2024 and paid in the financial year and from the result for the period of EUR -12 million.

Telefónica Deutschland Holding AG had authorised capital 2021/I of EUR 1,487,277,496 as of 31 December 2024.

The share capital of Telefónica Deutschland Holding AG is conditionally increased by up to EUR 558,472,700 by issuing up to 558,472,700 new non-par value registered shares (Conditional Capital 2019/I). Conditional Capital 2019/I was approved by the Annual General Meeting on 21 May 2019 – with Conditional Capital 2014/I being cancelled.

Employees

As in 2023, Telefónica Deutschland Holding AG had no employees in financial year 2024.

Risks and Opportunities

The business development of Telefónica Deutschland Holding AG is basically subject to the same risks and opportunities as that of Telefónica Deutschland Group. Telefónica Deutschland Holding AG in principle participates in the risks and opportunities of its subsidiaries and holdings corresponding to its respective ownership share.

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

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

Telefónica Deutschland Holding AG issued a letter of comfort, respectively, to Telefónica Germany GmbH & Co. OHG and Telefónica Germany Management GmbH in financial year 2016. In the event that a beneficiary company of the letter of comfort is unable to meet its liabilities falling due and other obligations towards creditors by the prescribed deadline, Telefónica Deutschland Holding AG will provide the beneficiary company with the financial means necessary to meet its liabilities that are due. The letters of comfort continue to be valid and may be terminated at the end of a financial year of the companies, subject to a notice period of six months.

On 21 January 2019, Telefónica Deutschland Holding AG also issued a letter of comfort for Telefónica Germany GmbH & Co. OHG with a term until 31 December 2040. As part of this agreement, Telefónica Deutschland Holding AG undertakes to ensure, without restriction and until 31 December 2040, that Telefónica Germany GmbH & Co. OHG has access to all funds required to fulfil a bid submitted for the acquisition of a frequency in the auction procedure.

The letters of comfort do not significantly change the economic substance of the opportunities and risks. The Management Board considers the risk of claims arising from contingent liabilities as low on the basis of the good creditworthiness of Telefónica Deutschland Group, including Telefónica Germany GmbH & Co. OHG, which is also confirmed by external rating agencies.

For further information, please see >Chapter REPORT ON RISKS AND OPPORTUNITIES

Telefónica Deutschland Holding AG, as the parent company of Telefónica Deutschland Group, is integrated in the Group-wide risk management system. For further information, please see >Chapter RISK MANAGEMENT AND RISK REPORTING.

The required description of the internal control system in accordance with section 289 (4) HGB with reference to the financial reporting process for Telefónica Deutschland Holding AG is given in the >Chapter ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.

Outlook for 2025

Telefónica Deutschland Holding AG functions as a management and holding company. The long-term future business development is therefore crucially based on the development of the operating companies of Telefónica Deutschland Group, particularly Telefónica Germany GmbH & Co. OHG. With regard to the financial and market development, as well as the expected development of important key figures at Telefónica Deutschland Group level, we refer to the >Chapter REPORT ON EXPECTED DEVELOPMENTS.

Management declaration in accordance with the corporate governance declaration pursuant to Section 289f HGB

This management declaration of Telefónica Deutschland Holding AG is based on Section 289f of the German Commercial Code (HGB) in the version applicable at the time the declaration was issued. Following the revocation of the stock exchange listing at the end of 18 April 2024, the management declaration now only covers the mandatory content in accordance with Section 289f (4), (2) no. 4 HGB.

The Management Board consisted of seven members in the reporting period. Following the discontinuation of the applicability of Section 76 (3a) AktG, the Supervisory Board set a target figure for the proportion of women on the Management Board in accordance with Section 111 (5) AktG of two out of seven, to be achieved by 31 July 2026. This quota was met by the female members Valentina Daiber and Nicole Gerhardt throughout the entire financial year.

The Supervisory Board consisted of 16 members in the reporting period. Following the discontinuation of the applicability of Section 96 (2) AktG, the Supervisory Board has set a minimum gender quota of five women and five men for its composition, to be achieved by 2028 at the latest. This quota was met throughout the entire financial year by the five female members Yasmin Fahimi, María García-Legaz, Cansever Heil, Stefanie Oeschger and Barbara Rothfuß.

Munich, 18 February 2025

Telefónica Deutschland Holding AG

The Management Board

Markus Haas

Markus Rolle

Valentina Daiber

Nicole Gerhardt

Andreas Laukenmann

Alfons Lösing

Mallik Rao

Consolidated Financial Statements

for Financial Year 2024

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Consolidated Balance Sheet

Assets (in EUR million)	Notes	As of 31 December 2024	As of 31 December 2023
A) Non-current assets		**12,018**	**12,714**
Goodwill	[5.1]	1,360	1,360
Other intangible assets	[5.2]	2,826	3,158
Property, plant and equipment	[5.3]	3,424	3,484
Right-of-use assets	[5.4]	3,064	3,203
Investments accounted for using the equity method	[10]	11	11
Trade and other receivables	[5.5]	200	280
Other financial assets	[5.6]	230	414
Other non-financial assets	[5.7]	298	267
Deferred tax assets	[6.7]	604	538
B) Current assets		**2,687**	**2,733**
Inventories	[5.8]	147	148
Trade and other receivables	[5.5]	1,463	1,452
Other financial assets	[5.6]	107	10
Other non-financial assets	[5.7]	568	539
Cash and cash equivalents	[5.9]	402	584
Total assets (A+B)		**14,705**	**15,447**

Equity and liabilities (in EUR million)	Notes	As of 31 December 2024	As of 31 December 2023
A) Equity		**5,354**	**5,535**
Subscribed capital	[5.10]	2,975	2,975
Additional paid-in capital	[5.10]	2,836	2,836
Retained earnings		(456)	(275)
Total equity attributable to owners of the parent company		5,354	5,535
B) Non-current liabilities		**4,428**	**5,445**
Interest-bearing debt	[5.11]	474	1,235
Lease liabilities	[5.12]	2,401	2,559
Trade and other payables	[5.13]	20	17
Payables – Spectrum	[5.14]	690	791
Provisions	[5.15]	509	523
Contract liabilities	[5.13]	66	92
Deferred tax liabilities	[6.7]	269	229
C) Current liabilities		**4,924**	**4,467**
Interest-bearing debt	[5.11]	771	286
Lease liabilities	[5.12]	606	555
Trade and other payables	[5.13]	2,801	2,857
Payables – Spectrum	[5.14]	107	107
Provisions	[5.15]	39	55
Other non-financial liabilities	[5.7]	35	77
Income tax liabilities	[6.7]	9	8
Contract liabilities	[5.13]	555	522
Total equity and liabilities (A+B+C)		**14,705**	**15,447**

Consolidated Income Statement

1 January to 31 December

(in EUR million)	**Notes**	**2024**	**2023**
Revenues	[6.1]	8,492	8,614
Other income	[6.2]	192	160
Supplies		(2,588)	(2,677)
Personnel expenses	[6.3]	(700)	(669)
Impairment losses in accordance with IFRS 9	[5.5]	(93)	(101)
Other expenses	[6.4]	(2,582)	(2,725)
Operating income before depreciation and amortisation (EBITDA)		**2,719**	**2,601**
Depreciation and amortisation	[6.5]	(2,214)	(2,310)
Operating income		**505**	**291**
Finance income		23	22
Exchange gains		1	2
Finance costs		(181)	(113)
Exchange losses		(1)	(1)
Financial result	[6.6]	**(159)**	**(90)**
Result from investments accounted for using the equity method	[10]	(16)	(10)
Profit/(loss) before tax		**330**	**191**
Income taxes	[6.7]	6	82
Profit/(loss) for the period		**336**	**273**
Profit/(loss) for the period attributable to owners of the parent company		**336**	**273**
Earnings per share	[7]		
Basic earnings per share in EUR		**0.11**	**0.09**
Diluted earnings per share in EUR		**0.11**	**0.09**

Consolidated Statement of Comprehensive Income

1 January to 31 December

(in EUR million)	Notes	2024	2023
Profit/(loss) for the period		**336**	**273**
Items that will not be reclassified to profit/(loss)			
Remeasurement of benefits after termination of employment	[5.15]	19	(16)
Income tax impact	[6.7]	(6)	5
Share in other comprehensive income of investments accounted for using the equity method	[10]	(2)	(5)
Income tax impact	[6.7]	1	2
Items that will be reclassified to profit/(loss)			
Change in the fair value of financial instruments measured at fair value through other comprehensive income	[5.5]	9	6
Income tax impact	[6.7]	(3)	(2)
Other comprehensive income/(loss)		**18**	**(10)**
Total comprehensive income/(loss)		**354**	**263**
Total comprehensive income/(loss) attributable to owners of the parent company		**354**	**263**

Consolidated Statement of Changes in Equity

(in EUR million)	Notes	Subscribed capital	Additional paid-in capital	Retained earnings	Total equity attributable to owners of the parent company	Equity
Financial position as of 1 January 2023		**2,975**	**3,373**	**(538)**	**5,810**	**5,810**
Profit/(loss) for the period		–	–	273	273	273
Other comprehensive income/(loss)		–	–	(10)	(10)	(10)
Total comprehensive income/(loss)		**–**	**–**	**263**	**263**	**263**
Dividends	[5.10]	–	–	(535)	(535)	(535)
Withdrawal	[5.10]	–	(538)	538	–	–
Other movements		–	–	(2)	(2)	(2)
Financial position as of 31 December 2023		**2,975**	**2,836**	**(275)**	**5,535**	**5,535**
Financial position as of 1 January 2024		**2,975**	**2,836**	**(275)**	**5,535**	**5,535**
Profit/(loss) for the period		–	–	336	336	336
Other comprehensive income/(loss)		–	–	18	18	18
Total comprehensive income/(loss)		**–**	**–**	**354**	**354**	**354**
Dividends	[5.10]	–	–	(535)	(535)	(535)
Financial position as of 31 December 2024		**2,975**	**2,836**	**(456)**	**5,354**	**5,354**

Consolidated Statement of Cash Flows

1 January to 31 December

(in EUR million)	**Notes**	**2024**	**2023**
Cash flow from operating activities			
Profit/(loss) for the period		**336**	**273**
Adjustments to profit/(loss)			
Financial result	[6.6]	159	90
Loss from the disposal of assets		3	7
Income taxes	[6.7]	(6)	(82)
Depreciation and amortisation	[6.5]	2,214	2,310
Result from investments accounted for using the equity method		16	10
Other non-cash expenses/income		0	1
Change in working capital and others			
Other non-current assets	[5.5], [5.6], [5.7]	228	(20)
Other current assets	[5.5], [5.6], [5.7], [5.8]	(121)	29
Other non-current liabilities and provisions	[5.13], [5.15]	(31)	(50)
Other current liabilities and provisions	[5.13], [5.15]	(148)	29
Other			
Taxes paid		(38)	(89)
Interest received		56	13
Interest paid		(155)	(95)
Cash flow from operating activities		**2,513**	**2,426**
Cash flow from investing activities			
Proceeds from disposals of property, plant and equipment and intangible assets		5	4
Payments on investments in property, plant and equipment and intangible assets	[5.2], [5.3]	(1,155)	(1,176)
Proceeds from disposal of companies		48	–
Payments on investments in associated companies		(18)	(15)
Proceeds from financial assets		3	113
Payments for financial assets		–	(48)
Cash flow from investing activities		**(1,117)**	**(1,122)**
Cash flow from financing activities			
Repayments of lease liabilities	[5.11]	(660)	(747)
Payments made relating to spectrum auctions	[5.14]	(108)	(108)
Proceeds from interest-bearing debt	[5.11]	2,244	1,106
Repayments of interest-bearing debt	[5.11]	(2,520)	(1,223)
Dividends paid		(535)	(535)
Proceeds relating to financing activities		2	12
Cash flow from financing activities		**(1,578)**	**(1,496)**
Net increase/(decrease) in cash and cash equivalents		**(182)**	**(193)**
Cash and cash equivalents at the beginning of the period	[5.9]	**584**	**777**
Cash and cash equivalents at the end of the period	[5.9]	**402**	**584**

Notes to the Consolidated Financial Statements

1. Reporting Entity

The Consolidated Financial Statements of Telefónica Deutschland Holding AG have been prepared as of and for the year ending 31 December 2024 and comprise Telefónica Deutschland Holding AG (also referred to as "Telefónica Deutschland" or the "Company") 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) under German law. The listing on the regulated market of the Frankfurt Stock Exchange ended at midnight on 18 April 2024.

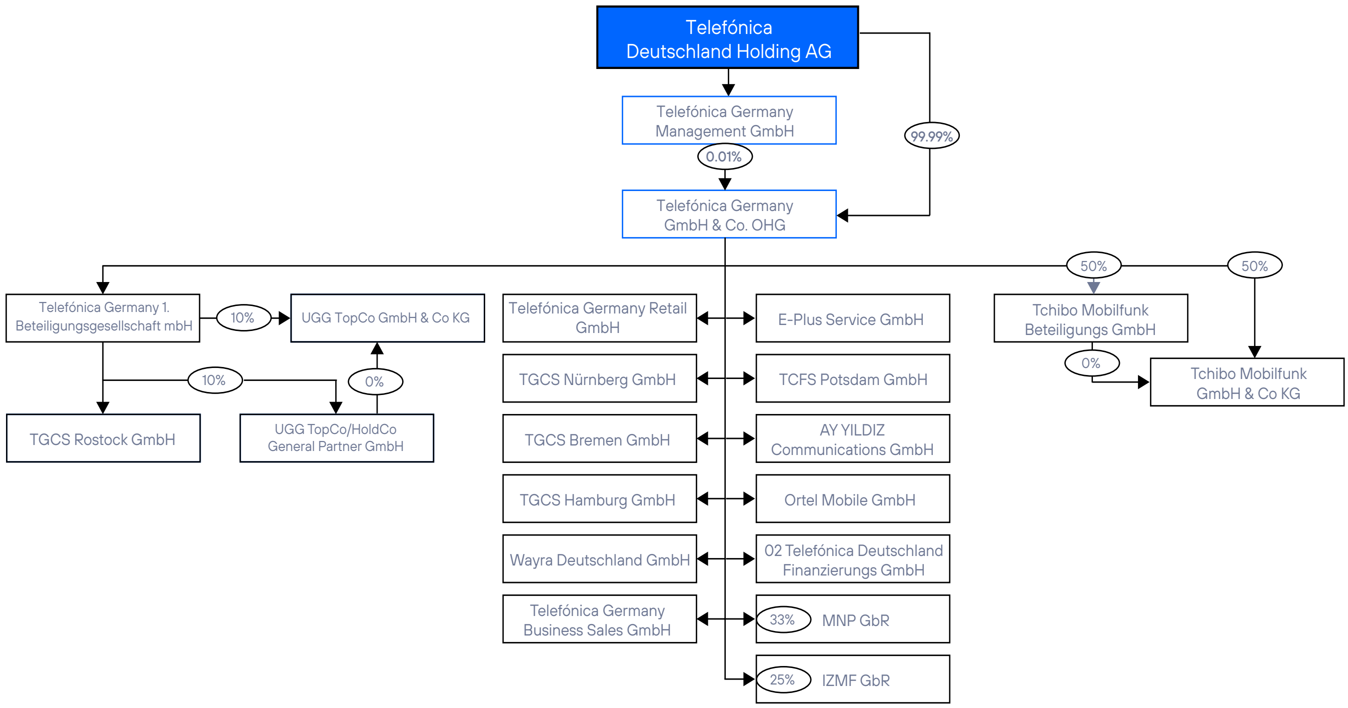
As of 31 December 2024, approximately 3.15% of the shares were in free float. 69.22% were held by Telefónica Germany Holdings Limited, Slough, United Kingdom (Telefónica Germany Holdings Limited), an indirect wholly owned subsidiary of Telefónica, S.A., Madrid, Spain (Telefónica, S.A.). In addition, approximately 27.63% was held by Telefónica Local Services GmbH, Ismaning, Germany, a direct wholly owned subsidiary of Telefónica, S.A.

The company's name is "Telefónica Deutschland Holding AG". The company's registered office is located in Munich, Germany. Telefónica Deutschland Holding AG is registered in the commercial register of the local court in Munich under registration number HRB 201055. The company's business address is Georg-Brauchle-Ring 50, 80992 Munich, Germany (telephone number: +49 (0)89 2442-0; www.telefonica.de). Telefónica Deutschland Holding AG was established for an indefinite period.

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

Telefónica Deutschland Group is one of four network operators in Germany. Telefónica Deutschland Group offers mobile and fixed-network services for business and private customers as well as innovative digital products and services. Furthermore, numerous wholesale partners purchase extensive mobile services from Telefónica Deutschland Group. Wholesale partners are offered access to the Group's infrastructure and services. Telefónica Deutschland Group is part of Telefónica, S.A. Group, one of the biggest telecommunications corporations in the world. The Consolidated Financial Statements of Telefónica, S.A. have been published on the Group's website.

As of 31 December 2024, the companies included in the Consolidated Financial Statements of Telefónica Deutschland Group were organised as shown in the following organisation chart:



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

For changes in the Group structure, please refer to >Chapter 9. LIST OF SHAREHOLDINGS AND CHANGES IN THE GROUP STRUCTURE.

2. Basis of Preparation

The consolidated financial statements were voluntarily prepared in full compliance with the IFRS adopted by the European Union (EU), whereby the supplementary provisions of commercial law pursuant to Section 315e (1) in conjunction with para. 3 sentence 2 HGB were applied.

The accounting policies applied in the published Consolidated Financial Statements for the previous year have also been applied to these Consolidated Financial Statements as of 31 December 2024. Exceptions to this are amendments to the IFRS and valuation changes as presented in >Chapter 3.1. PUBLISHED AND MANDATORY AMENDMENTS.

The Management Board approved the Consolidated Financial Statements of Telefónica Deutschland Holding AG for publication and submission to the Supervisory Board on 18 February 2025.

Unless stated otherwise, the figures in these Consolidated Financial Statements are presented in millions of euro (in 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.

When preparing the Consolidated Financial Statements of Telefónica Deutschland Holding AG in accordance with IFRS, assumptions must also be made in some cases that may have an effect on the valuation of the assets and liabilities recognised in the Balance Sheet as well as on the amount of expenses and income.

Key assumptions concerning the future and other relevant sources of uncertainty in estimates at the reporting date that could have a material impact on the Consolidated Financial Statements within the next financial years are disclosed in the Notes to the respective items of the Balance Sheet or Income Statement (see >Chapter 5. SELECTED NOTES TO THE BALANCE SHEET, and >Chapter 6. SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT). The estimates and underlying assumptions are based on the knowledge currently available to management and are accordingly derived from factors that are considered relevant, such as historical experience.

Unforeseeable developments outside management’s control may cause actual amounts to differ from the original estimates. In this case, the assumptions made and, if necessary, the carrying amounts of the pertinent assets and liabilities will be adjusted accordingly.

3. Changes in Accounting Standards

3.1. Published and mandatory amendments

The standards that are mandatory for the first time in the EU as of 1 January 2024 are listed below. They had no material impact on the consolidated financial statements.

Standards, interpretations and amendments	Description	Mandatory application for financial years beginning on or after
Amendments to IAS 1	Classification of liabilities as current or non current payables with covenants	1 January 2024
Amendments to IFRS 16	Requirements for subsequent measurement in the case of sale and leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Transparency of supplier finance arrangements and their impact on liabilities, cashflows and liquidity risk	1 January 2024

3.2. Published amendments not yet applicable

The standards and interpretations presented below have been adopted by the IASB, but their application is not yet mandatory at the date of publication of the 2024 Consolidated Financial Statements.

Telefónica Deutschland Group expects to adopt all required amendments. The Group does not currently expect the new and revised standards to have a material impact on the net assets, financial position and results of operations, as a result of the application of future standards, interpretations and amendments.

Standards, interpretations and amendments	Description	Mandatory application for financial years beginning on or after
Amendments to IFRS 9 and IFRS 7	Classification and measurement of financial instruments	1 January 2026[1]
Annual Improvements Volume 11	Improvements to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	1 January 2026[1]
IFRS 18	Presentation and disclosure in financial reports	1 January 2027[1]
IFRS 19	Reduced disclosure requirements for subsidiaries without public accountability obligations	1 January 2027[1]
IAS 21	Lack of exchangeability	1 January 2025

[1] Endorsement by EU still outstanding, information for first-time application under IASB.

4. General Accounting Policies

4.1. Consolidation methods

Consolidation principles

The consolidation methods applied are as follows:

Full consolidation method for companies where Telefónica Deutschland Group has control. Control is assumed if Telefónica Deutschland Group has power over an investee and is exposed to variable returns or has rights to these returns. In addition, the ability must exist to use its power over the investee to affect the returns.

Proportionate consolidation of the attributable assets, liabilities, expenses and income for joint operations, so that the corresponding share of total assets, liabilities, expenses, income and cash flows of these companies is integrated in the corresponding items in the Consolidated Financial Statements.

Consolidation using the equity method for companies over which Telefónica Deutschland Group can exercise significant influence and which are neither subsidiaries nor joint ventures.

All material receivables and liabilities and transactions between the consolidated companies are eliminated in consolidation. The returns generated in transactions involving goods that may be capitalised or services by subsidiaries with other Telefónica Deutschland Group companies are also eliminated in consolidation.

The financial statements of the consolidated companies are prepared using the same accounting policies and have the same financial year-end as the parent company's individual financial statements. In the case of Group companies whose accounting and valuation methods differ from those of Telefónica Deutschland Group, adjustments are made in consolidation in order to present the Consolidated Financial Statements.

The Consolidated Income Statement and Consolidated Statement of Cash Flows include the income and expenses as well as the cash flows of companies that are no longer in Telefónica Deutschland Group up to the date on which the related investment was sold or the company was liquidated.

Income and expenses as well as the cash flows of new Group companies are included from the date on which the investment was acquired or the company was established until the end of the year.

Subsidiaries

Subsidiaries are companies where Telefónica Deutschland Group has control. Control is assumed if Telefónica Deutschland Group has power over an investee and is exposed to variable returns or has rights to these returns. In addition, the ability must exist to use its power over the investee to affect the returns. The existence and effect of substantial potential voting rights that may be currently exercised or converted, including potential voting rights held by other Group entities, are considered in assessing whether an entity is controlled.

All subsidiaries are included in the Consolidated Financial Statements (see >Chapter 1. REPORTING ENTITY) unless they are considered immaterial individually and cumulatively.

Company acquisitions

Business combinations are accounted for in accordance with the acquisition method. The costs of an acquisition are measured according to the fair values of the assets transferred and the liabilities incurred or assumed on the acquisition date.

Transaction costs are recognised in other expenses at the date they are incurred. Telefónica Deutschland Group recognises identifiable assets acquired in a business combination and the liabilities assumed, including contingent liabilities, at fair value at the acquisition date.

Joint operations

TCHIBO Mobilfunk Beteiligungs-GmbH and TCHIBO Mobilfunk GmbH & Co. KG were classified as joint operations in accordance with IFRS 11.17, taking into account the specific facts and circumstances. In particular, the fact that the contractual partners have rights to the entire production output generated by both companies supports our assessment that the arrangement constitutes a joint operation.

Associated companies

Investments in UGG TopCo GmbH & Co. KG and UGG TopCo/HoldCo General Partner GmbH were classified as associated companies in accordance with IAS 28.6, taking into account the specific facts and circumstances. We have based our assessment that Telefónica Deutschland Group exercises significant influence on the operational and financial policies on the fact that Telefónica Deutschland Group enters into material business transactions with the companies and is involved in the relevant decision-making processes.

Currency translation

The Consolidated Financial Statements are presented in euro, which is the functional currency of Telefónica Deutschland Holding AG and its subsidiaries.

4.2. Significant accounting policies

Goodwill

For business combinations, goodwill represents the excess of acquisition costs over the fair values of identifiable assets acquired and liabilities assumed at the acquisition date. Cost of acquisition is the sum of the fair value of consideration transferred and the value attributed to existing non-controlling interests. For each business combination, Telefónica Deutschland Group determines the value of non-controlling interests at either their fair value or their proportional part of the net identifiable assets acquired.

Subsequent expenditures on internally generated goodwill are recognised in the Consolidated Income Statement as incurred.

After initial measurement, goodwill is carried less any accumulated impairment losses.

Goodwill is not amortised on a scheduled basis but must be reviewed for impairment annually. In addition, an impairment test is carried out if events or circumstances indicate that the carrying amount is higher than the recoverable amount (see >Chapter 5.1. GOODWILL).

Other intangible assets

Other intangible assets are carried at cost, less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only for existing other intangible assets if it increases the future economic benefit embodied in the asset to which it relates. Expenditures on brands are recognised in the Consolidated Income Statement as incurred.

Costs include external and internal costs which are composed of acquired assets and services as well as own work capitalised. This is recognised in other income.

Borrowing costs within the scope of IAS 23 that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a component of the cost of the respective asset.

The useful lives of other intangible assets either finite or indefinite are determined individually. Telefónica Deutschland Group has not recognised other intangible assets with indefinite useful lives. Other intangible assets with finite useful lives are amortised on a scheduled basis over the economic useful life and are assessed for impairment if events or circumstances indicate that their carrying amount may not be recoverable. Other intangible assets that are not yet available for use are also tested for impairment annually. Residual values of assets, useful lives and amortisation methods are reviewed annually at year-end and, when appropriate, adjusted.

Licences

This asset primarily includes acquisition costs for mobile frequency licences for the provision of telecommunications services. Capitalisation takes place either in connection with a grant by a public authority or in the context of an acquisition of a company. The mobile phone licences represent a qualifying asset within the meaning of IAS 23. These mobile frequency licences and the corresponding network are reported under intangible assets not yet in use until the network is completed and the frequencies are therefore fully usable.

These frequency licences are amortised on a straight-line basis over the life of the respective frequency blocks once commercial exploitation begins.

Customer bases

This category is for customer relationships which were acquired through company transactions, and therefore capitalised. They are amortised on a straight-line basis over the estimated duration of the customer relationship.

Software

Software is recognised at cost and is amortised on a straight-line basis over its useful life.

Brand names

This category is for brand names which were acquired through company transactions, and hence were capitalised. Brand names are amortised on a straight-line basis over the period of their expected economic use.

Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses. Land is not depreciated.

Costs include external and internal costs which are composed of acquired capital goods and services as well as own work capitalised. This is recognised in other income.

Costs include also, where appropriate, the estimate of the costs at initial recognition for dismantling and removing the item and restoring the site on which it is located to the extent that the entity incurs the obligation either when the item is acquired or as a consequence of having used it. Any corresponding valuation changes in subsequent years are allocated to the respective asset.

The costs of expansion, modernisation or improvement leading to increased productivity, capacity and efficiency or to an extension of the useful lives of assets are capitalised if the recognition criteria are met.

Investment grants in the form of government assistance as defined by IAS 20 are recognised as soon as there is reasonable assurance that Telefónica will comply with the conditions attached to the assistance and the assistance will be received in full. In accordance with IAS 20, grants relating to property, plant and equipment are recognised as a reduction in cost, while grants relating to income are recognised as a reduction in expenses.

Repair and maintenance costs are expensed as incurred.

Telefónica Deutschland Group depreciates its property, plant and equipment once they are in full working condition using the straight-line method based on the estimated useful lives of the assets. The estimated residual values of assets and depreciation methods are also regularly reviewed and, where appropriate, adjusted at each financial year-end.

Leases

Accounting as lessee

According to the regulations of IFRS 16, all contracts identified as leases must be accounted for by the lessee in such a way that a right-of-use asset and a lease liability are to be recognised.

A lease is defined as a contract whereby an identified asset is made available to the lessee in exchange for consideration for a specified period of time and the lessee has the right during this period to obtain substantially all the benefits of its use and to determine the nature and purpose of its use. When determining the lease term besides the fixed contract term, termination and extension options are taken into account if reasonably certain. This assessment includes all relevant facts and circumstances as well as information on the asset classes customary in the industry that create an economic incentive to exercise or not exercise a cancellation and extension option. In particular, Telefónica Deutschland Group assesses this information in the context of the strategic planning period.

Using the interest rate implicit in the lease, the present value of the lease payments that are not paid is to be recognised as a lease liability. If the implicit interest rate cannot be readily determined from a contract, the risk- and maturity-equivalent incremental borrowing rate is applied. The present value of the liabilities is determined using the effective interest method. In addition to fixed payments, lease liabilities also include variable index-linked or interest-linked payments, residual value guarantees issued by the lessee.

The initial value of the liability determines the acquisition cost of the right-of-use asset. The right-of-use asset also includes costs directly attributable to the acquisition. The acquired right-of-use asset must be capitalised as an asset. This is shown as a separate item in the Balance Sheet. The lease liability and the right-of-use asset are reduced by lease payments or depreciation over the lease term. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the expected useful life of the right-of-use asset.

If a lease contains various contractual components, the services are generally divided into lease and non-lease components. Leases that are not allocated to the asset classes of cellsites, land, rooftops, towers, real estate or carrier means (cables, fibre-optic cable etc.) are treated in accordance with the simplification rule in IFRS 16.15.

If the lease liability is revalued due to a contract modification or a change in the estimates, the corresponding adjustment is recorded in the right-of-use asset. If the right-of-use asset has already been fully depreciated, it is recognised in the income statement.

If there are indications of impairment of the right-of-use asset, an impairment test is carried out in accordance with IAS 36.

Telefónica Deutschland Group does not apply the regulations of IFRS 16 to contracts with intangible assets.

In accordance with IFRS 16.5, it is possible to deviate from the accounting treatment described above for leased assets of low value or for contracts with a short term (of 12 months or less). Telefónica Deutschland Group makes use of this recognition exemption whereby the recognition exemption for leased assets of low value is only applied to operating and office equipment. Neither a lease liability nor a right-of-use asset is recognised for these leases. The resulting expenses are therefore recognised directly in the income statement.

Accounting as lessor

As a lessor, Telefónica Deutschland Group classifies its leasing agreements as either operating leases or finance leases in accordance with IFRS 16.

A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership. If this is not the case, the lease is classified as an operating lease.

If the sublease is classified as a finance lease as defined by IFRS 16.61 et seqq., the right of use of the leased asset is derecognised and a receivable is recognised in the amount of the net investment in the lease. The corresponding payments by the lessee are divided into interest and principal payments using the effective interest method. The interest rate of the head lease is used for discounting lease payments from subleases that have not yet been received.

If a sublease is classified as an operating lease, the right-of-use asset of the head lease continues to be recognised in the Balance Sheet and the lease payments received of the sublease agreement are recorded in profit or loss over the term of the agreement.

Investments accounted for using the equity method

Investments in associates that are accounted for using the equity method are recognised in the Consolidated Balance Sheet from the date on which Telefónica Deutschland Group obtains significant influence over the investment. Initial measurement is at cost; initial acquisition costs directly attributable to the transaction increase the carrying amount. The carrying amount of the investment is adjusted in subsequent periods by the proportionate change in equity of the associate. Dividends received reduce the carrying amount. The pro rata total comprehensive income/loss of the investment attributable to Telefónica Deutschland Group is presented as "Result from shares accounted for using the equity method" in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income.

Impairment of goodwill and other intangible assets, property, plant and equipment, right-of-use assets from leases and carrying amount of investments accounted for using the equity method

Goodwill and intangible assets which have not yet been placed in service are tested for impairment annually at the reporting date or if there are any indications. Property, plant and equipment, intangible assets with a finite useful life and right-of-use assets are tested for impairment only if any indications of impairment exist at the reporting date. The same applies to carrying amounts of associates accounted for using the equity method. Assets and goodwill are tested for impairment at the level of the cash-generating unit to which the asset belongs. As of 31 December 2024, Telefónica Deutschland Group comprises one single cash-generating unit, the reportable segment Telecommunications. Within Telefónica Deutschland Group, there are no further identifiable groups of assets below Group level that generate cash inflows that are largely independent of the cash inflows from other assets. An impairment is required if the carrying amount of an asset, the carrying amount of the investment accounted for using the equity method or a cash-generating unit exceeds its recoverable amount.

According to IAS 36, the recoverable amount corresponds to the higher of the fair value less costs to sell or the value in use. Telefónica Deutschland Group determines the recoverable amount of its cash-generating unit on the basis of the value in use, as this often allows a more reliable estimate or results in a higher value. The cash-generating unit is measured on the basis of a value in use, which is based on a five-year forecast horizon. This comprises a two-year detailed planning phase, which is based on the management's approved financial plans and also serves internal control purposes, and a subsequent three-year extrapolation phase. A constant growth rate is used for the extrapolation, based on long-term market developments. The value in use is calculated by discounting the forecast after-tax cash flows using a tax-weighted discount rate. This discount rate reflects current market assessments of the time value of money and the specific risks of Telefónica Deutschland Group.

If the recoverable amount of a cash-generating unit to which goodwill is allocated is less than the carrying amount of the unit, an impairment loss shall be recognised corresponding to the difference. If the impairment loss exceeds the carrying amount of the goodwill, the remainder shall be allocated to the other assets of the unit pro rata on the basis of the carrying amount of each asset.

If the carrying amount of an asset exceeds its recoverable amount, the carrying amount is written down to its recoverable amount and the resulting loss is recognised in the Consolidated Income Statement. Future depreciation or amortisation charges are adjusted for the asset's new carrying amount over its remaining useful life.

If the investment carrying amount of an associated company exceeds its recoverable amount, the carrying amount is written down to its recoverable amount. The resulting loss is recognised in the Consolidated Income Statement.

If the conditions for impairments recorded in earlier periods no longer apply, the relevant assets (with the exception of goodwill) are written up through profit and loss.

Inventories

Inventories are stated at the lower of cost and net realisable value and are written down, if necessary. The costs are determined on the basis of the weighted average costs. Estimates of the net realisable value are based on the most reliable evidence available and are based on the amount for which the inventories are expected to be sold. These estimates take into consideration the fluctuations of sales prices or costs, as well as the purpose for which the inventory is held.

If the circumstances that previously caused inventories to be written down to an amount below cost no longer exist, the amount of the write-down is reversed, so that the new carrying amount is the lower of acquisition cost and revised net realisable value.

The Group's inventory mainly consists of merchandise intended for sale to customers. At the time of the sale when risk is transferred, the respective inventory is recognised as expense.

Cash and cash equivalents

Cash and cash equivalents are defined as short-term, highly liquid financial investments with a maximum term of three months, which can be converted into cash at any time and are not materially impacted by the risk of a change in values.

Financial instruments

Non-derivative financial instruments are recognised on the settlement date, except for derivatives, which are recognised on the trade date. Upon initial recognition, financial instruments are measured at fair value, which generally corresponds to the transaction price. Transaction costs directly attributable to the acquisition or issuance are considered in determining the initial value if the financial instruments are not measured at fair value through profit or loss.

For the purpose of subsequent measurement, financial instruments are subdivided into the following categories:

- Financial assets measured at fair value through profit or loss
- Financial liabilities at fair value through profit or loss
- Financial assets and liabilities measured at amortised cost
- Financial assets measured at fair value through other comprehensive income (debt instruments)

Telefónica Deutschland Group does not make use of the option to classify financial assets at fair value through profit or loss upon initial recognition ("fair value option"). Likewise, the option to classify equity instruments at fair value through other comprehensive income upon initial recognition is currently not used.

Commodity price risks resulting from fluctuating energy market prices are hedged by concluding long-term power purchase agreements. The terms of the power purchase agreements differ; the maximum term is 2040. All power purchase agreements concluded are structured as physical power purchase agreements. The contractual delivery quantities are structured as continuously constant quantities (baseload) and dependent on the generation of the specified plant (as produced). The own-use exemption of IFRS 9 is utilised for these contracts. These contracts, which are concluded for the purpose of receiving or delivering non-financial goods in accordance with the company's own requirements, are recognised as pending transactions in accordance with IAS 37 and not as derivatives in accordance with IFRS 9.

In accordance with IFRS 9, financial assets are classified depending on the business model and cash flow characteristics. Reclassification of financial assets is only permitted if the business model has changed; financial liabilities may not be reclassified.

Financial assets: Assessment of the cash flow criterion

The cash flow criterion involves assessing whether the contractually agreed cash flows are solely interest and principal payments on the outstanding principal amount. Principal payments imply the outstanding principal repayments and interest represents remuneration for the time value of money, credit and liquidity risk and other costs and profit margins incurred during the life of the financial instrument in the course of "holding" it. In the assessment, the contractual terms of the individual instruments are analysed in detail. This also includes an analysis of possible agreements that may affect the amount or timing of contractual cash flows and jeopardise non-compliance with the criterion.

Financial assets: Assessment of the business model

If the cash flow criterion is met, Telefónica Deutschland Group uses the business model criterion to assess how the financial assets are managed at portfolio level. This assessment is made by persons in key positions. In particular, the objectives for the portfolio, the guidelines and practical and concrete instructions for action are taken into account. In principle, three types of business models are possible: "Hold", "Hold and Sell" and "Other". Decisive for the classification into these business models are, in particular, the frequency, volume, reasons and timing of sales of financial assets from previous periods as well as expectations regarding future sales. If the business model of financial assets is "hold" in order to collect contractual cash flows, these are measured at amortised cost. All financial assets whose main purpose is to be collected and sold are measured at fair value through other comprehensive income. If the conditions for the aforementioned business models are not met, for example if the intention to trade exists, the financial assets are allocated to the measurement category "at fair value through profit or loss".

Financial assets

Financial assets mainly include trade and other receivables, other financial assets as well as cash and cash equivalents.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss are primarily investments in start-ups. Initial and subsequent measurement is at fair value through profit or loss. Derivatives with a positive fair value that are not included in hedging relationships are also reported in this category.

Financial assets measured at amortised cost

These mainly relate to trade receivables and other receivables as well as loans. After initial recognition, these financial assets are carried at amortised cost using the effective interest method less any impairment losses. Gains and losses are recognised in the Consolidated Income Statement when the financial assets are sold, amortised or impaired. Interest effects from the application of the effective interest method are also recognised in profit or loss.

Effective interest method: The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the interest rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount on initial recognition. The interest income or expense is recognised on an effective interest basis.

Financial assets measured at fair value through other comprehensive income

These assets are primarily trade receivables for which the "hold and sell" business model applies. These receivables are subject to the factoring programme and are resold depending on the capital requirements. These are subsequently measured at fair value. Changes in fair value are recognised in other comprehensive income. However, interest income, foreign currency gains and losses, impairment losses and reversals of impairment losses are recognised in the income statement. Upon derecognition, the accumulated gains and losses in other comprehensive income are reclassified to the income statement.

Impairment of financial assets

Telefónica Deutschland Group recognises impairment losses on contract assets, net investments and all financial assets that are debt instruments and that are measured at amortised cost or at fair value through other comprehensive income in the amount of the expected credit loss, unless the loss is considered to be immaterial.

Impairment losses on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

In the case of financial assets in the measurement category through other comprehensive income, the impairment is recognised in profit or loss and derecognised from the other comprehensive income.

In determining the impairment, a distinction must be made between the expected loss within the next 12 months and the lifetime. Upon initial recognition, the expected loss within the next 12 months is initially recognised as an impairment loss. This does not apply to trade receivables, contract assets and receivables from leases. If a significant increase in credit risk becomes apparent, the recognition of impairment losses is extended to the lifetime.

Telefónica Deutschland Group believes that a debt instrument has a low credit risk if its credit risk rating meets the global definition of investment grade. Accordingly, a decrease in the rating below investment grade is considered a significant increase in credit risk. In addition, Telefónica Deutschland Group assumes that the credit risk for a financial asset has increased significantly if it is more than 30 days past due.

Telefónica Deutschland Group continuously assesses whether financial assets carried at amortised cost or at fair value through other comprehensive income are specifically at risk of default and whether the receivables are transferred to external collection partners. The Group generally assumes this is the case if an internal collection measure has been unsuccessful.

At each reporting date, Telefónica Deutschland Group assesses whether financial assets carried at amortised cost or at fair value through other comprehensive income are at risk of default. Telefónica Deutschland Group generally assumes that a financial asset is at risk of default if:

- It is unlikely that the borrower will settle its loan obligations to Telefónica Deutschland Group in full without Telefónica Deutschland Group resorting to measures such as the realisation of collateral (if any).
- The financial asset is 90 days or more past due.
- A debtor is in severe financial difficulty or is unwilling to pay.

The gross carrying amount of a financial asset is derecognised in full or in part unless there is a realistic prospect of recovery. This is generally the case if Telefónica Deutschland Group determines that the debtor does not have any assets or sources of income that could generate sufficient cash to repay the amounts due. Write-downs of financial assets may continue to be subject to foreclosure proceedings.

Impairment losses on trade receivables and contract assets are generally recognised at the amount of the expected credit loss over the lifetime using the simplified approach. In estimating expected credit losses, Telefónica Deutschland Group considers appropriate information that is relevant and reasonably available. This includes both quantitative and qualitative information and analyses based on Telefónica Deutschland Group's historical experience and credit ratings, as well as forward-looking information. Credit losses are measured as the present value of all defaults and late payments (i.e. the difference between the cash flows due to the entity under the contract and the expected cash flows).

Financial liabilities

Financial liabilities include primarily trade payables, other liabilities, interest-bearing debt, payables – spectrum and lease liabilities. Depending on their maturity, they are reported as current or non-current liabilities. In addition, embedded derivatives are separated from financial liabilities if they are not closely related to the host contract.

Due to their particular significance as specified in IAS 1.55, the financial liabilities from the spectrum auction in financial year 2019 are reported under a separate item called payables – spectrum.

<u>Financial liabilities measured at amortised cost</u>

After initial recognition, financial liabilities are subsequently remeasured at amortised cost using the effective interest method described above.

<u>Financial liabilities at fair value through profit or loss</u>

A financial liability is recognised at fair value through profit or loss if it does not follow the measurement category of amortised cost. In the case of Telefónica Deutschland Group, derivative liabilities are included here unless they are accounted for as hedging relationships. They are presented as current or non-current liabilities or debt depending on their maturity.

Financial instruments included in this category are measured at fair value on initial recognition and on every subsequent reporting date. In addition, financial liabilities may be measured using the fair value option of this category. However, this option is not exercised.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the assets expire or when the financial assets have been transferred and Telefónica Deutschland Group has transferred substantially all the risks and rewards incidental to ownership of the financial asset.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of consideration received including the cumulative gains or losses that had been recognised directly in equity, is recognised in the Consolidated Statement of Comprehensive Income. If Telefónica Deutschland Group does not retain or transfer substantially all risks and rewards, and retains control, it continues to recognise the transferred asset to the extent of its continuing involvement.

Financial liabilities are derecognised when the underlying obligation is settled, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. A financial instrument must also be derecognised if a substantial modification of the contractual conditions has been made.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reported in the Consolidated Balance Sheet, when Telefónica Deutschland Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative financial instruments

Derivatives are presented as assets if their fair value is positive and as liabilities if their fair value is negative. Changes in the fair value of derivative financial instruments are recognised periodically in the Consolidated Income Statement.

Provisions

Pension obligations

Telefónica Deutschland Group's obligations under defined benefit pension plans are determined using the projected unit credit method and are recognised as personnel expenses unless otherwise stated below.

Telefónica Deutschland Group determines the net interest expense recognised in the financial result (net interest income) by multiplying the net defined benefit liability (asset) at the beginning of the period with the interest rate used to discount the defined benefit obligation at the beginning of the period.

The discount rate is determined using market yields at the end of the reporting period on fixed-interest high-quality corporate bonds.

The net defined benefit liability (asset) is determined at every reporting date on the basis of an actuary report based on assumptions that are explained below. If the plan assets less the defined benefit obligation result in a surplus, then the level of the reported net defined benefit asset is limited to the present value of economic benefits associated with the plan asset surplus in the form of reimbursements from the plan or on the basis of reduced future contributions. In addition, in the event of a surplus of the plan, the remeasurement component includes the change in the net defined benefit asset from the application of the asset ceiling, to the extent not taken into account in the net interest component.

Assets incurred by Telefónica Deutschland Group to meet its pension obligations, which do not qualify as plan assets in accordance with IAS 19, are reported under other financial assets.

As part of the determination of the present value of economic benefits associated with the plan asset surplus, any existing minimum funding requirements are taken into account.

The remeasurement component includes, on the one hand, the actuarial gains and losses from the valuation of the defined benefit obligation and, on the other hand, the difference between the actual return on plan assets and the amounts contained in the net interest on net defined benefit liability (assets).

The company recognises all remeasurement effects in other comprehensive income, whereas the remaining components of the net pension expense (service cost and net interest) are recognised in the Consolidated Income Statement.

In the case of defined contribution plans, the relevant company pays contributions to special purpose pension institutions that are recognised in personnel expenses.

Other provisions including termination benefits

Provisions are recognised when Telefónica Deutschland Group has a present (legal or constructive) obligation, as a result of a past event that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the interest effect of the discounting is material, provisions are discounted and the corresponding increase in the provision due to the passage of time is recognised as interest expense. For the purpose of discounting, the Group applies non-risk market interest rates before tax which are matched to the duration. This does not apply to other long-term employee benefits (partial retirement obligations), for which the discount rate is determined on the same basis used for the measurement of pension obligations. Potential risks are fully taken into account in determining the settlement amount. If Telefónica Deutschland Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only if the reimbursement is virtually certain. The expense relating to any provision is presented, if applicable, net of any reimbursement, in the Consolidated Income Statement.

Other provisions also include partial retirement obligations, to which the block model applies. Under this model, an outstanding settlement amount is incurred on the part of the employer during the employment phase that equates to the as yet uncompensated portion of work. After the end of the employment phase and during the reporting periods of the second block of the model (time-off phase), in which the employee receives part-time consideration without performing work, the liability is amortised accordingly.

Top-up amounts are accumulated in the amount of the present value of all future payments over a certain time period. The period over which the top-ups are earned extends to the end of the employment phase for all payments. The provision for partial retirement is allocated to other long-term employee benefits.

Provisions for restructuring measures, including termination benefits, are recognised if a detailed formal plan for the measures to be taken is available, has been approved by the responsible management bodies and a justified expectation has been raised in those affected that the restructuring measures will be implemented. This is done by beginning the implementation of the measures or communicating the essential elements of the programme to those affected.

The provisions for restructuring include only those expenses necessary and directly attributable to the respective measures.

Provisions for the costs of dismantling and retirement are recognised if Telefónica Deutschland Group has a legal or constructive obligation to carry out the measures.

Asset retirement obligation

Asset retirement obligations arise from the contractual obligation to return the leased object in the original condition at contract commencement date. Since the costs for the future dismantling have not yet been determined at the time the contract is concluded, these costs are estimated. The estimated costs are recognised both as part of the asset and a provision.

The estimated costs of dismantling the network as well as shops and office locations, and interest rate movements are evaluated annually.

Revenues from contracts with customers

Telefónica Deutschland Group mainly generates revenues from service contracts and sales of mobile devices.

Revenues from service and multi-component arrangements

Telefónica Deutschland Group provides both mobile and fixed-network services that are satisfied over a specified period of time. The progress of the performance obligation is determined using output-based methods. Applying output-based methods, revenue is recognised on the basis of the value of services transferred to date relative to the remaining services promised under the contract. Accordingly, unsteady discounts on this service are recognised over the term of the contract. When the entitlement to consideration from a customer corresponds directly to the value of the services already provided, Telefónica Deutschland Group makes use of the practical expedient under IFRS 15.B16 and recognises revenue based on the amount invoiced.

In addition to standalone service contracts, Telefónica Deutschland Group offers its customers products under multi-component arrangements. In particular, discounts are granted on mobile services if a mobile device is purchased together with the mobile services. There is no discount on the mobile device.

The discounts are allocated, whereby all the contractual components which affect the transaction price of a contract are considered when calculating the allocation factor.

Connection fees to be paid by the end customer are included in the allocation of contractual components as part of the overall assessment and are recognised as revenue accordingly over the underlying contract term. Discounts granted for the simultaneous usage of a mobile contract and a fixed-network internet contract are reported as a reduction of mobile service revenue and fixed-network/DSL revenue based on the relative stand-alone selling price of the respective tariffs.

In determining the date of satisfaction of the performance obligations (e.g. in the case of mobile device sales), the transfer of control to the end customer was defined as the relevant assessment criterion.

In accordance with IFRS 15, it is generally possible to apply the accounting rules to a portfolio of similarly structured contracts if no material effects are expected compared with the accounting of the individual contract consideration. Telefónica Deutschland Group analysed the existing contracts and aggregated them into portfolios. The Group applies the revenue regulations at the level of these defined portfolios.

Capitalisation of costs of obtaining a contract

Telefónica Deutschland Group pays commissions to dealers and agents for the acquisition of customers. These costs are capitalised as costs of obtaining a contract if they are incurred in connection with the obtaining of a contract and can be directly allocated to a customer.

Amortisation will depend on how the performance obligations to which the costs relate are transferred to the customer under the relevant contract. Under this method, the costs of obtaining a contract will be recognised in other expenses on a straight-line basis over the underlying amortisation period.

Within the capitalisation of costs of obtaining a contract, Telefónica Deutschland Group makes use of the practical expedient defined in the standard and only capitalises costs of obtaining a contract with an underlying amortisation period of more than one year. With an amortisation period of up to one year, the costs are expensed as incurred.

In addition to the capitalisation of costs of obtaining a contract, the standard also regulates the capitalisation of costs to fulfil a contract. The analysis of the underlying contracts showed that there are no costs to fulfil a contract.

Accounting for contract modifications

According to IFRS 15, there are more complex requirements with regard to the reporting of contract modifications compared to the regulations contained in IAS 18. In some cases, contract modifications are accounted for prospectively, forming a separate contract. In other cases, the contract modifications result in a modification of the existing contract. As a result, cumulative catch up adjustments of revenues may occur.

Principal versus agent considerations

According to IFRS 15, the assessment whether Telefónica Deutschland Group is the principal or the agent is based on whether the Group has control of particular goods or services before they are transferred to the customer.

Income taxes

Income taxes include both current and deferred taxes. Current and deferred taxes are recognised in the Consolidated Income Statement unless they relate to business combinations or items directly recognised in equity or in other comprehensive income. To the extent that deferred taxes relate to items recognised directly in equity or in other comprehensive income in the Consolidated Statement of Comprehensive Income, these are also recognised in equity or in other comprehensive income in the Consolidated Statement of Comprehensive Income.

Current tax assets and liabilities for the current period and prior periods are measured at the amount expected to be recovered from, or paid to, the tax authorities. To calculate the amount, tax rates and tax laws applicable or enacted on the reporting date are used.

Deductible temporary differences and tax losses carried forward result in deferred tax assets in the Consolidated Balance Sheet. Taxable temporary differences give rise to deferred tax liabilities in the Consolidated Balance Sheet. Temporary differences arise due to the difference between the tax bases of the assets and debts and their respective carrying amounts.

Telefónica Deutschland Group determines deferred tax assets and liabilities by applying the tax rates that will be effective when the corresponding asset is received or the liability is settled. Tax rates and tax laws that are enacted (or substantively enacted) at the reporting date are used.

Deferred tax assets and liabilities are not discounted to present value and are classified as non-current, irrespective of the date of their reversal.

The carrying amount of deferred income tax assets is reviewed at each reporting date and recognised to the extent that it is probable that a sufficient taxable income will be available to utilise the deferred tax asset in the future. Unrecognised deferred tax assets are included in this review.

Deferred tax liabilities on investments in subsidiaries, branches, associates and joint operations are not recognised if the parent company is in a position to control the timing of the reversal and if the reversal is unlikely to take place in the foreseeable future. Cases in which no deferred tax liabilities were recognised for subsidiaries are of minor significance in terms of amount.

Deferred tax assets and liabilities arising from the initial recognition of the purchase price allocation of business combinations impact the amount of goodwill. However, subsequent changes in tax assets acquired in a business combination are recognised as an adjustment to profit or loss.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Uncertain income tax items are accounted at the estimated amount of corresponding tax payments.

5. Selected Notes to the Balance Sheet

5.1. Goodwill

(in EUR million)	2024	2023
Carrying amount of goodwill as of 1 January	**1,360**	**1,360**
Carrying amount of goodwill as of 31 December	**1,360**	**1,360**

Goodwill is allocated to the Telecommunications cash-generating unit. Telefónica Deutschland Group performs regular impairment tests to determine the recoverable amount of this cash-generating unit and to determine whether goodwill impairment is necessary. Determining the recoverable amount generally requires a number of assumptions, estimates and significant judgements. In accordance with IAS 36, the recoverable amount of the cash-generating unit is determined as the higher of the fair value less costs to sell or the value in use. Due to the delisting of Telefónica Deutschland Holding AG in April 2024, no sufficiently reliable market information was available to determine the fair value less costs to sell. The share price was no longer a suitable indicator of fair value due to the limited market activity as a result of the delisting. Consequently, the impairment test was carried out on the basis of the value in use in accordance with the requirements of IAS 36. The recoverable amount of the cash-generating unit was determined using the discounted cash flow model. The value in use is calculated by discounting the forecast future cash flows to the valuation date.

The impairment test carried out at the level of the Telecommunications cash-generating unit did not result in any need to write down goodwill at the end of financial year 2024, as the recoverable amount based on the value in use exceeded the carrying amount of the cash-generating unit.

The goodwill impairment test carried out in the previous year as of 31 December 2023 at the level of the Telecommunications cash-generating unit also did not result in any need for impairment. The recoverable amount of the cash-generating unit totalled EUR 6,917 million and exceeded the carrying amount. The recoverable amount was determined on the basis of fair value less costs to sell. The share price of EUR 2.35 valid on 31 December 2023 was used to determine the fair value.

The impairment test is described in >Chapter 4. GENERAL ACCOUNTING POLICIES.

The discount rate after tax used for the cash flow forecasts as of 31 December 2024 is 5.5% and the cash flows beyond the five-year period are extrapolated using a growth rate of 1.0%, which is based on long-term real growth and inflation expectations. To ensure the comparability of the valuation parameters, the pre-tax discount rate was derived from the post-tax discount rate using an iterative method. The resulting pre-tax discount rate is 8.1%.

Factors such as the market and competitive situation, macroeconomic conditions, technological developments and regulatory influences as well as potential growth opportunities are taken into account when preparing the business plan.

On this basis, a growth target is set that is based on the efficient allocation of operating resources and the necessary investments. In addition, operating efficiency gains are derived from the strategic transformation initiatives, which influence the forecast of operating cash flow. The Group also takes historical planning fidelity into account.

Main assumptions for determining the value in use

The key operating figures used to assess business performance and set financial targets include:

- Revenues
- Adjusted EBITDA
- Investment ratio (CapEx/Sales ratio).

The internally developed assumptions for these variables are based on historical developments and current internal forecasts, which were validated by comparing them with external market estimates. For accounting purposes, the assumptions were also interpreted more conservatively in order to apply a high degree of caution.

Other significant influencing factors include:

- the discount rate
- the growth rate in the perpetual annuity.

The discount rate used to measure the cash flows corresponds to the weighted average cost of capital (WACC), which is derived from the weighted average cost of equity and debt in accordance with the financing structure. The calculation is carried out using the Capital Asset Pricing Model (CAPM).

The segment-specific risk of the telecommunications industry is taken into account by using a suitable beta factor, which is calculated annually on the basis of publicly available market data.

From the sixth year onwards, the cash flow forecast is calculated using a constant growth rate that reflects the long-term growth potential of the industry. To determine this growth rate, analyst estimates, long-term projections of nominal and real GDP growth and other relevant, externally available forecasts and indicators are taken into account.

Sensitivities for changes in assumptions

The result of the impairment test was reviewed using a sensitivity analysis in which the main influencing factors were varied within appropriate ranges. The discount rate was adjusted by +/-0.5%, the growth rate in perpetuity by +/-0.25%, the EBITDA margin by +/-1.5% and the CapEx/Sales ratio by +/-0.75%.

Even with the changes to the key parameters that were considered possible, the sensitivity analysis showed that the recoverable amount of the cash-generating unit Telecommunications continues to exceed the book value as of 31 December 2024.

5.2. Other intangible assets

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

	Estimated useful life (in years)
Licences	8–21
Customer bases	15
Software	1–5
Brand names	20

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

In the financial year 2024, the review of the estimated useful lives resulted in a reduction in the useful life of software. As a consequence, amortisation expenses increased by approximately EUR 1 million (2023: decrease of EUR 1 million due to extended useful lives).

(in EUR million)	Licences	Customer bases	Software	Brand names	Other	Intangible assets not yet in use	Other intangible assets
Cost							
As of 1 January 2023	**4,516**	**2,720**	**2,236**	**101**	**1**	**216**	**9,791**
Additions	–	–	355	–	–	31	386
Disposals	–	(957)	(71)	–	(0)	–	(1,028)
Reclassifications	–	–	34	–	–	(34)	–
As of 31 December 2023	**4,516**	**1,764**	**2,554**	**101**	**1**	**214**	**9,149**
As of 1 January 2024	**4,516**	**1,764**	**2,554**	**101**	**1**	**214**	**9,149**
Additions	–	–	422	–	–	13	435
Disposals	–	(1,754)	(50)	–	–	–	(1,804)
Reclassifications	–	–	35	–	–	(35)	–
As of 31 December 2024	**4,516**	**9**	**2,961**	**101**	**1**	**192**	**7,780**

Accumulated amortisation							
As of 1 January 2023	**(2,118)**	**(2,327)**	**(1,672)**	**(68)**	**(1)**	**–**	**(6,186)**
Additions	(292)	(256)	(283)	(3)	(0)	–	(833)
Disposals	–	957	71	–	0	–	1,028
As of 31 December 2023	**(2,410)**	**(1,626)**	**(1,884)**	**(71)**	**(1)**	**–**	**(5,991)**
As of 1 January 2024	**(2,410)**	**(1,626)**	**(1,884)**	**(71)**	**(1)**	**–**	**(5,991)**
Additions	(292)	(131)	(341)	(3)	(0)	–	(767)
Disposals	–	1,754	50	–	–	–	1,804
As of 31 December 2024	**(2,702)**	**(3)**	**(2,175)**	**(74)**	**(1)**	**–**	**(4,954)**
Carrying amount							
As of 31 December 2023	**2,106**	**138**	**670**	**31**	**0**	**214**	**3,158**
As of 31 December 2024	**1,814**	**6**	**786**	**28**	**0**	**192**	**2,826**

Licences

As of 31 December 2024, licences consist primarily of the spectrum licences listed below:

In May 2010, Telefónica Germany GmbH & Co. OHG acquired frequency usage rights for 2x10 MHz in the 800 MHz band that will expire in December 2025. The frequencies are currently used for 4G. The carrying amount as of 31 December 2024 is EUR 84 million (2023: EUR 167 million). The remaining useful life is 1 year.

In May 2010, Telefónica Germany GmbH & Co. OHG acquired frequency usage rights for about 2x5 MHz in the 2.0 GHz band that will expire in December 2025. As part of the acquisition of E-Plus Group on 1 October 2014, further frequency usage rights were acquired in the amount of approximately 2x10 MHz in the 2.0 GHz band with terms until December 2025. The frequencies are currently used for 4G. The carrying amount as of 31 December 2024 is EUR 34 million (2023: EUR 68 million). The remaining useful lives are 1 year.

In May 2010, Telefónica Germany GmbH & Co. OHG acquired paired and unpaired frequency usage rights totalling 50 MHz in the 2.6 GHz band that will expire in December 2025. As part of the E-Plus Group acquisition on 1 October 2014, additional paired and unpaired frequency usage rights totalling 30 MHz in the 2.6 GHz band with terms until December 2025 were acquired, of which frequency usage rights totalling 2x10 MHz were transferred in financial year 2020. The frequencies that have not been leased are currently being used for 4G. The carrying amount as of 31 December 2024 is EUR 9 million (2023: EUR 17 million). The remaining useful lives are 1 year.

With the acquisition of E-Plus Group on 1 October 2014, Telefónica Germany GmbH & Co OHG acquired 2x10 MHz in the 1.8 GHz range, which are used for 5G (DSS – Dynamic Spectrum Sharing), 4G and 2G, and run until December 2025. The carrying amount of the frequency usage rights as of 31 December 2024 is EUR 29 million (2023: EUR 59 million). The remaining useful life is 1 year.

In June 2015, Telefónica Germany GmbH & Co. OHG successfully bid for frequency usage rights for 2x10 MHz in the 1.8 GHz range, which have been used since 1 January 2017 and will expire in December 2033. The carrying amount of the frequency usage rights as of 31 December 2024is EUR 255 million (2023: EUR 283 million). The remaining useful life is 9 years.

In June 2015, Telefónica Germany GmbH & Co. OHG successfully bid for frequency usage rights for 2x10 MHz in the 700 MHz range, which have been used since March 2020 and have a term until December 2033. The frequencies are currently used for 4G and 5G. The carrying amount of the frequency usage rights as of 31 December 2024 is EUR 219 million (2023: EUR 244 million). The remaining useful life is 9 years.

In June 2015, Telefónica Germany GmbH & Co. OHG successfully bid for frequency usage rights for 2x10 MHz in the 900 MHz range, which have been used since 1 January 2017 and have a term until December 2033. The frequencies are currently used for 4G and 2G. The carrying amount of the frequency usage rights as of 31 December 2024 is EUR 204 million (2023: EUR 227 million). The remaining useful life is 9 years.

In June 2019, Telefónica Germany GmbH & Co. OHG successfully bid for a total of 2x5 MHz in the 2.0 GHz range. The frequencies in the 2.0 GHz band have been used since January 2021 and have a term until December 2040. The frequencies are currently used for 4G. The carrying amount of the frequency usage rights as of 31 December 2024 is EUR 169 million (2023: EUR 180 million). The remaining useful life is 16 years.

In June 2019, Telefónica Germany GmbH & Co. OHG successfully bid for a total of 70 MHz in the 3.6 GHz range. The frequencies in the 3.6 GHz frequency range have been used since June 2020 and have a term until December 2040. The frequencies are currently used for 5G. The carrying amount of the frequency usage rights as of 31 December 2024 is EUR 811 million (2023: EUR 862 million). The remaining useful life is 16 years.

All frequency usage rights are allocated on a technology-neutral basis and are amortised on a straight-line basis over their useful lives.

Customer bases

The customer bases resulting from the acquisition of E-Plus Group by Telefónica Deutschland Group have been fully amortised and recognised as disposals. The remaining customer bases at the end of the financial year result from further acquisitions and are amortised over a remaining period of 10 years.

Software

Software mainly includes developments and licences for IT and office applications. In financial year 2024, additions mainly related to CRM and billing systems as well as portal systems. Software disposals primarily relate to software that reached the end of its useful life.

Brand names

The brand names are predominantly amortised over a remaining useful life of 10 years.

Intangible assets not yet in use

Intangible assets not yet in use mainly comprise the frequency blocks in the 2 GHz bands purchased at auction by Telefónica Deutschland Group in June 2019. The BNetzA assigned the frequency blocks in August 2019. The carrying amount of the frequencies as of 31 December 2024 is EUR 170 million (2023: EUR 170 million). 2x5 MHz capacity in the 2 GHz spectrum will be available from 2026. The use of the frequencies is limited until the end of 2040.

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 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	3–10

In financial year 2024, exceptional depreciations amounting to EUR 33 million were recorded on network equipment (previous year: EUR 109 million). These were largely due to the early decommissioning of installations.

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
Costs					
As of 1 January 2023	**143**	**9,044**	**252**	**201**	**9,640**
Additions	3	693	13	38	747
Disposals	(15)	(698)	(34)	(7)	(754)
Reclassifications	1	73	(0)	(73)	–
Other	16	22	–	–	38
As of 31 December 2023	**147**	**9,135**	**231**	**159**	**9,671**
As of 1 January 2024	**147**	**9,135**	**231**	**159**	**9,671**
Additions	4	619	11	71	706
Disposals	(7)	(790)	(17)	(9)	(824)
Reclassifications	0	25	3	(29)	–
Other	0	8	–	–	8
As of 31 December 2024	**144**	**8,997**	**228**	**193**	**9,561**
Accumulated depreciation					
As of 1 January 2023	**(101)**	**(5,837)**	**(190)**	**-**	**(6,128)**
Additions	(10)	(770)	(24)	–	(804)
Disposals	15	695	34	–	745
As of 31 December 2023	**(96)**	**(5,911)**	**(180)**	**-**	**(6,188)**
As of 1 January 2024	**(96)**	**(5,911)**	**(180)**	**-**	**(6,188)**
Additions	(12)	(726)	(21)	–	(759)
Disposals	7	785	17	–	809
As of 31 December 2024	**(101)**	**(5,853)**	**(184)**	**–**	**(6,137)**
Net book value					
As of 31 December 2023	**51**	**3,223**	**51**	**159**	**3,484**
As of 31 December 2024	**43**	**3,144**	**44**	**193**	**3,424**

As of 31 December 2024, Telefónica Deutschland Group mainly capitalised leasehold improvements under land and buildings.

Plant and machinery mainly relates to network equipment.

Furniture, office equipment, too and other items primarily consist of IT equipment.

Construction in progress resulted mainly from the expansion of the network.

Other movements in property, plant and equipment, which mainly relate to technical equipment and machinery and are connected with assets relating to dismantling or retirement obligations, amounted to EUR 8 million (2023: EUR 38 million). The change is mainly due to interest rate and volume adjustments.

5.4. Right-of-use assets

(in EUR million)	Land and buildings	Plant and machinery	Other	Right-of-use assets
Costs				
As of 1 January 2023	**932**	**4,001**	**256**	**5,189**
Additions	115	457	53	624
Disposals	(25)	(52)	(69)	(146)
As of 31 December 2023	**1,020**	**4,408**	**240**	**5,668**
As of 1 January 2024	**1,020**	**4,408**	**240**	**5,668**
Additions	126	411	42	578
Disposals	(39)	(47)	(38)	(123)
As of 31 December 2024	**1,107**	**4,772**	**245**	**6,123**
Accumulated depreciation				
As of 1 January 2023	**(423)**	**(1,342)**	**(147)**	**(1,912)**
Additions	(123)	(492)	(58)	(673)
Disposals	18	35	67	120
As of 31 December 2023	**(528)**	**(1,799)**	**(138)**	**(2,465)**
As of 1 January 2024	**(528)**	**(1,799)**	**(138)**	**(2,465)**
Additions	(125)	(517)	(46)	(688)
Disposals	23	34	37	94
As of 31 December 2024	**(630)**	**(2,282)**	**(147)**	**(3,059)**
Carrying amount				
As of 31 December 2023	**492**	**2,608**	**103**	**3,203**
As of 31 December 2024	**477**	**2,490**	**98**	**3,064**

As of 31 December 2024, Telefónica Deutschland Group capitalised right-of-use assets for land and buildings, mainly for roof areas, office and shop areas.

Plant and machinery mainly includes right-of-use assets for radio masts and rented space on passive infrastructure including antenna masts as well as dark fibre and other leased lines.

Lease agreements may contain extension and termination options and have individual terms and conditions, as these are agreed with the individual lessors, especially in the case of radio masts and rooftop sites.

The right-of-use asset is determined on the basis of the discounted lease liability. Please refer to the remarks in >Chapter 5.12. LEASE LIABILITIES for information on the assumptions made for the contract term and the incremental borrowing rate used.

5.5. Trade and other receivables

(in EUR million)	As of 31 December 2024 Non-current	As of 31 December 2024 Current	As of 31 December 2023 Non-current	As of 31 December 2023 Current
Trade receivables	200	1,055	280	1,150
Continuing involvement from the sale of receivables	–	386	–	310
Receivables from related parties (>Chapter 12. RELATED PARTIES)	–	36	–	26
Other receivables	–	52	–	31
Loss allowance	–	(67)	–	(65)
Trade and other receivables	**200**	**1,463**	**280**	**1,452**

Current trade receivables, which are measured at fair value through other comprehensive income (including O_2 My Handy receivables), have a carrying amount of EUR 464 million (2023: EUR 544 million) and the non-current trade receivables of EUR 200 million (2023: EUR 280 million).

Trade receivables, which are measured at amortised cost, have a gross carrying amount of EUR 591 million (2023: EUR 607 million).

No separate loss allowances have been recorded for the category of receivables measured at fair value through other comprehensive income, as the credit default risk of EUR 197 million (2023: EUR 183 million) is implicitly included in the fair value. The loss allowance of EUR 67 million (2023: EUR 65 million) mainly relates to the impairment of trade receivables, which are measured at amortised cost.

In order to measure the expected credit loss, trade receivables and contract assets were grouped into homogeneous customer segments. The allowance rate is calculated for each segment based on days past due and actual credit losses incurred in prior years. The value also reflects current and forward-looking information and analysis of the expected economic situation during the term of the financial assets from the point of view of the Group. Observable forward-looking information may include disposable income, gross domestic product, inflation indices and changes to payment behaviour.

The following tables provide information on exposure to credit risk and on expected credit losses for trade receivables (excluding O_2 My Handy) per days past due as of 31 December 2024. Separate consideration is applied to trade receivables measured at fair value through other comprehensive income and trade receivables measured at amortised cost.

Trade and other receivables at amortised cost

As of 31 December 2024

(in EUR million)	Gross carrying amount	Loss allowance	Average expected default rate
This presentation follows the simplified approach:			
Not due	472	3	0.7%
Overdue for 1-30 days	26	5	21.1%
Overdue for 31-60 days	13	3	24.9%
Overdue for 61-90 days	6	3	47.9%
Doubtful accounts			
Overdue for 91-180 days	14	8	61.5%
Overdue for 181-360 days	18	12	64.7%
Overdue for more than 360 days	42	31	74.7%
Total	**591**	**67**	

As of 31 December 2023

(in EUR million)	Gross carrying amount	Loss allowance	Average expected default rate
This presentation follows the simplified approach:			
Not due	493	8	1.7%
Overdue for 1-30 days	32	6	17.7%
Overdue for 31-60 days	11	3	27.7%
Overdue for 61-90 days	6	3	47.7%
Doubtful accounts			
Overdue for 91-180 days	12	7	59.8%
Overdue for 181-360 days	17	11	64.8%
Overdue for more than 360 days	35	26	74.5%
Total	**607**	**65**	

Trade and other receivables at fair value through other comprehensive income

As of 31 December 2024

(in EUR million)	Gross carrying amount	Loss allowance	Average expected default rate
This presentation follows the simplified approach:			
Not due	140	0	0.1%
Overdue for 1-30 days	1	0	0.1%
Overdue for 31-60 days	0	0	0.1%
Overdue for 61-90 days	0	0	21.0%
Doubtful accounts			
Overdue for 91-180 days	0	0	84.0%
Overdue for 181-360 days	0	0	84.0%
Overdue for more than 360 days	0	0	84.0%
Total	**142**	**0**	

As of 31 December 2023

(in EUR million)	Gross carrying amount	Loss allowance	Average expected default rate
This presentation follows the simplified approach:			
Not due	180	0	0.1%
Overdue for 1-30 days	6	0	0.1%
Overdue for 31-60 days	0	0	0.1%
Overdue for 61-90 days	0	0	21.0%
Doubtful accounts			
Overdue for 91-180 days	–	–	0.0%
Overdue for 181-360 days	0	0	84.0%
Overdue for more than 360 days	0	0	84.0%
Total	**187**	**0**	

In addition, there are gross receivables of EUR 731 million for O_2 My Handy (2023: EUR 842 million) which are measured at fair value through other comprehensive income. The discounting effect remaining in other comprehensive income is EUR 12 million (2023: EUR 21 million). A separate valuation allowance of EUR 197 million is recognised for O_2 My Handy (2023: EUR 183 million). This valuation allowance was recognised directly in equity and was not separately deducted at fair value on the Balance Sheet. The carrying amount is EUR 522 million (2023: EUR 638 million). Moreover, as of the reporting date, repurchased credit-impaired receivables amounted to EUR 16 million (2023: EUR 5 million) and are not included in the three-stage model for determining expected credit losses. These receivables are recognized at amortized cost under trade receivables. At the acquisition date, they were measured at fair value, which already accounted for expected credit losses. Due to their classification under the impairment approach for purchased or originated credit-impaired financial assets, no separate impairment was recognized at initial recognition.

As of the reporting date, no additional impairment allowances were recognized for these receivables (2023: EUR 0 million).

Since the 2023 financial year, a rating model has been applied to assess the credit risk of O_2 My Handy receivables for existing portfolios. In contrast, newly originated receivables are measured based on the historical default rate. The application of the rating model requires sufficient information on the debtor's payment history, which is generally available after an exposure has been outstanding for 12 months.

The rating model was introduced in order to standardise the assessment of the default risk of trade receivables with the risk assessment as part of the sales processes in silent factoring. Each customer receives a credit rating that uses a mixture of quantitative and qualitative indicators and is assigned to the defined risk groups depending on the indicators. The customer's payment behaviour in the past, such as late payments or debt collection, is one of the key indicators. In the determination process, each individual customer is assigned a probability of default and an expected default amount. These two components result in the default rate, which is multiplied by the outstanding receivable. Customers with similar payment behaviour are grouped together and assigned to one of three risk classes. The following table shows the gross receivables and the associated loss allowances of O_2 My Handy, broken down by risk class.

(in EUR million)	As of 31 December 2024 Gross receivables	As of 31 December 2024 Loss allowance	As of 31 December 2023 Gross receivables	As of 31 December 2023 Loss allowance
Receivables initially valued	471	65	626	69
Receivables with low credit risk	69	1	62	3
Receivables with medium credit risk	21	1	22	3
Receivables with high credit risk	170	130	132	108
Total receivables by credit risk level	**731**	**197**	**842**	**183**

Overall, this results in gross receivables of EUR 1,464 million (2023: EUR 1,635 million), for which an impairment adjustment of EUR 264 million (2023: EUR 248 million) has been recorded.

Telefónica Deutschland Group classifies receivables that are more than 90 days old as at risk of default and transfers them to collection agencies for processing as part of its receivables management. Depending on the customer segment and product portfolio, a success rate is achieved that is taken into account when calculating the impairment. The impairment of these receivables is also differentiated according to maturity.

Compared to the previous year, the loss allowances for financial year 2024 increases by 6.2%, resulting from higher past due receivables and a general deterioration in the indicators of our customers' future payment behaviour.

When calculating the expected credit losses, a collection rate of 29% is taken into account in 2024 (2023: 26%).

For trade receivables with a contractual volume of EUR 129 million (2023: EUR 112 million), which were transferred to collection agencies during financial year 2024 and have not yet been paid, collection measures are still ongoing.

The breakdown of trade receivables is as follows:

(in EUR million)	As of 31 December 2024 Non-current	As of 31 December 2024 Current	As of 31 December 2023 Non-current	As of 31 December 2023 Current
Trade receivables billed	200	566	280	675
Trade receivables unbilled	–	490	–	475
Trade receivables	**200**	**1,055**	**280**	**1,150**

The following table shows the development of the loss allowances for the years ending as of 31 December 2024 and 2023.

(in EUR million)	2024 Trade receivables measured at amortised cost	2024 Trade receivables measured at fair value through other comprehensive income
As of 1 January 2024	**(65)**	**(183)**
Addition	(31)	(77)
Release	–	16
Utilisation	30	47
As of 31 December 2024	**(67)**	**(197)**

(in EUR million)	2023 Trade receivables measured at amortised cost	2023 Trade receivables measured at fair value through other comprehensive income
As of 1 January 2023	**(51)**	**(164)**
Addition	(37)	(76)
Release	–	12
Utilisation	24	44
As of 31 December 2023	**(65)**	**(183)**

In 2024 and 2023, Telefónica Deutschland Group sold instalment receivables in order to optimise the working capital. The nominal value of transactions concluded in 2024 amounts to EUR 1,195 million (2023: EUR 1,185 million). The buyers of the receivables assume the main risks and opportunities of these receivables. The receivables sold were fully derecognised at the time of sale, with the exception of the continuing involvement of EUR 386 million (2023: EUR 310 million) for instalment receivables. The utilisation is expected to result in a loss of EUR 15 million (2023: EUR 11 million).

Telefónica Deutschland Group recognises instalment receivables sold in the amount of its continuing involvement. This corresponds to the maximum amount with which Telefónica Deutschland Group remains liable for the associated maximum risk and recognises a corresponding other liability. The maximum risk comprises the credit risk and the late payment risk. The receivables and the associated liability are subsequently derecognised in the amount in which the continuing involvement of Telefónica Deutschland Group is reduced. Telefónica Deutschland Group bears the entire late payment risk in all transactions and continues to bear a portion of the credit risk. The remaining credit risk is transferred to the purchasers of the receivables in the course of the transactions. Consequently, the opportunities and risks associated with the receivables sold have been partially transferred and partially retained.

In addition, factoring is carried out regularly for some customer segments with current receivables in order to optimise working capital. These receivables are assigned to the category of fair value through other comprehensive income. The nominal value of the transactions completed in 2024 amounts to EUR 567 million (2023: EUR 516 million). The entire risk was fully assumed by the purchasers of the receivables via a fixed purchase price reduction. The receivables sold were fully derecognised.

All other receivables measured at amortised cost are subject to the impairment requirements of IFRS 9 and are recognised as impaired using the general approach. See >Chapter 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT.

5.6. Other financial assets

	As of 31 December 2024		As of 31 December 2023	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Investments in start-ups	3	0	2	0
Reimbursement rights from insurance contracts	120	–	114	–
Silent factoring deposit	–	12	11	5
Deposits	0	–	0	–
Purchase price receivable from the sale of significant parts of the business operations of the rooftop sites	90	90	268	–
Loan receivables	10	1	8	1
Net investment in the lease	8	5	10	5
Other financial assets	**230**	**107**	**414**	**10**

For further information on the investments in start-up companies, see >Chapter 8. FURTHER INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES.

The reimbursement rights in 2024 were accrued to cover the pension and partial retirement obligations, and do not represent plan assets as defined in IAS 19. Furthermore, this item includes EUR 10 million (2023: EUR 10 million) surpluses from the offsetting of the net defined pension obligations against plan assets. The recognised fair values are based on the values received from the insurance company, which are based on the insurance company's internal calculation models.

In addition, other financial assets include current portions of a deposit that serves as collateral for silent factoring and corresponds to the maximum risk (credit and late payment risk) to be borne by Telefónica Deutschland Group in individual transactions. The collateral is paid into a Telefónica Deutschland Group bank account pledged to the purchaser of the receivables. The deposit provides security for the bank's losses on the sale of receivables.

Other financial assets include outstanding purchase price receivables of EUR 179 million (2023: EUR 268 million) to affiliated companies from the sale of significant parts of the business operations of the rooftop sites to Telxius. In the reporting year, the originally agreed one-off payment was replaced by a three-year instalment payment. The first instalment of EUR 89 million was paid to Telefónica Deutschland Group in December 2024. The remaining purchase price receivable continues to depend on the development of the inflation rate over the next several years. The receivable is valued using the effective interest method. The expected credit default within the next 12 months is recognised as an impairment loss.

As of 31 December 2024, loan receivables mainly include a loan from the sale of network equipment and spectrum licences.

The net investment in the lease results from leasing receivables from finance leases for subleases for shops and locations with cell sites. These receivables follow the simplified impairment approach. The impairment losses are not material. For further information on net investment in the lease, see >Chapter 19. LEASES.

All financial assets measured at amortised cost are subject to the impairment requirements of IFRS 9 and are recognised as impaired using the general approach. There were no material increases in credit risk in the current and previous financial year. Consequently, the expected credit loss for 12 months is determined for all instruments. With regard to other financial assets, there were no indications of material impairment as of 31 December 2024 (>Chapter 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT).

5.7. Other non-financial assets and other non-financial liabilities

Other non-financial assets were as follows as of 31 December 2024:

	As of 31 December 2024		As of 31 December 2023	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Prepayments	144	84	130	76
Prepayments to related parties	0	5	–	3
Capitalised costs of obtaining contracts	135	423	128	420
Contract asset	19	22	9	16
Other tax receivables	–	34	–	23
Other non-financial assets	**298**	**568**	**267**	**539**

The prepayments mainly relate to prepayments for incidental rental costs for lines, antenna sites, service and IT support agreements.

The capitalised costs of obtaining contracts include costs for commissions that can be directly allocated to contracts with customers. They are amortised on a straight-line basis in profit or loss over the underlying amortisation period, which is generally 24 months. In financial year 2024, amortisation of EUR 581 million (2023: EUR 575 million) was recognised.

The contract asset represents amounts related to contracts where Telefónica Deutschland Group has satisfied its performance obligations by transferring mobile devices and performing mobile services or fixed-network/DSL services before consideration was paid or became due.

For contract assets, a loss allowance of EUR 1 million (2023: EUR 1 million) is already recognised directly in the carrying amount. Contract assets exist primarily with private customers.

The tax receivables relate to receivables from the tax office from current prepayments.

Other non-financial liabilities were as follows as of 31 December 2024:

	As of 31 December 2024	As of 31 December 2023
(in EUR million)	**Current**	**Current**
Payroll taxes and social security	10	10
Payables for indirect tax obligations	25	67
Other taxes	0	0
Other non-financial liabilities	**35**	**77**

5.8. Inventories

(in EUR million)	**As of 31 December 2024**	**As of 31 December 2023**
Merchandise	148	149
Loss allowances	(1)	(2)
Inventories	**147**	**148**

Inventories comprise smartphones and accessories in particular.

The total amount of inventories recognised as an expense in financial year 2024 is EUR 1,625 million (2023: EUR 1,712 million).

Consistent with common industry practices, the suppliers of inventories retain the title until the items are paid in full.

5.9. Cash and cash equivalents

Cash and cash equivalents mainly includes deposits in connection with cash pooling agreements with Telfisa Global B.V., Amsterdam, Netherlands (Telfisa Global B.V.), receivables from banks with an original term of up to three months and cash in hand.

(in EUR million)	As of 31 December 2024	As of 31 December 2023
Cash at bank and in hand	9	11
Cash pooling	393	573
Cash and cash equivalents	**402**	**584**

Telefónica Deutschland Group has entered into cash pooling and deposit agreements with Telfisa Global B.V., a subsidiary of Telefónica, S.A. Group, and deposits its cash surpluses there. Telefónica, S.A. has guaranteed the performance of Telfisa Global B.V.'s obligations arising from the cash pooling agreements. Telefónica, S.A. is rated by international rating agencies with an investment grade rating of BBB. Therefore, no significant credit losses are expected (see also >Chapter 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT).

Telefónica Deutschland Group assumes that Telfisa Global B.V. will have sufficient financial resources to meet its obligations, in particular those towards Telefónica Deutschland Group, at all times.

5.10. Equity

Subscribed capital
As of 31 December 2024, Telefónica Deutschland Holding AG had share capital of EUR 2,975 million, which is consistent with the prior year and is divided into 2,974,554,993 no par value registered shares, unchanged as of 31 December 2023, each accounting for a pro rata amount of share capital of EUR 1.00. Each non-par value share grants one vote at the Annual General Meeting. The share capital is fully paid.

As in the previous year, as of 31 December 2024, Telefónica Deutschland Holding AG did not hold any of its own shares.

In accordance with Section 6 (2) of the Articles of Association, the shareholders do not have the right to have shares certificated. The shares are freely transferable.

Authorised capital
Telefónica Deutschland Holding AG had authorised capital 2021/I of EUR 1,487,277,496 as of 31 December 2024.

Conditional capital
The share capital of Telefónica Deutschland Holding AG is conditionally increased by up to EUR 558,472,700 by issuing up to 558,472,700 new non-par value registered shares (Conditional Capital 2019/I). Conditional Capital 2019/I was approved by the Annual General Meeting on 21 May 2019 – with Conditional Capital 2014/I being cancelled.

Authorisation of the Management Board to buy back own shares
The authorisation of the Management Board to buy back own shares is governed by Section 57 (1) sentence 2 and Sections 71 et seqq. AktG. The Annual General Meeting on 19 May 2022 resolved a new authorisation in accordance with Section 71 (1) no. 8 of the German Stock Corporation Act (Aktiengesetz – AktG) to buy back own shares of up to a total of 10% of the share capital as of the resolution date or, if lower, on the date on which the authorisation is exercised.

Additional paid-in capital
As a result of cash and non-cash capital increases in connection with the acquisition of E-Plus Group, which were entered in the commercial register on 18 September and 7 October 2014, additional paid-in capital increased in 2014 by EUR 3,929 million. With the entry in the commercial register on 4 June 2018, the part of the tied additional paid-in capital of EUR 4,535,097,828 was converted into a free additional paid-in capital (Section 272 (2) no. 4 HGB).

As of 31 December 2024, additional paid-in capital amounted to EUR 2,836 million (2023: EUR 2,836 million).

Retained earnings
In addition to the above mentioned reallocation from the additional paid-in capital, retained earnings primarily consist of accumulated results from previous years. Additionally, other income includes actuarial remeasurements of pension provisions, which lead to the remeasurement of post-employment benefits. Due to the interest rate developments, from the trade receivables measured at fair value through other comprehensive income, we saw a discounting effect in other comprehensive income. The investments accounted for using the equity method produced a share of their other comprehensive income. Income tax effects on the items in other comprehensive income are also included.

Retained earnings also contain a legal reserve in accordance with Section 150 (2) of the German Stock Corporation Act (Aktiengesetz – AktG) of EUR 0.014 million (2023: EUR 0.014 million).

Dividend distribution in the financial year
On 18 June 2024, the Annual General Meeting of Telefónica Deutschland approved the distribution of a dividend of EUR 0.18 per dividend-bearing share for financial year 2023, totalling around EUR 535 million. To cover the dividend, an amount of EUR 538 million was allocated from the (free) capital reserve to retained earnings in financial year 2023. The dividend payment to shareholders was made in June 2024.

Dividend distribution in the previous year
On 17 May 2023, the Annual General Meeting of Telefónica Deutschland approved the distribution of a dividend of EUR 0.18 per dividend-bearing share for financial year 2022, totalling around EUR 535 million. To cover the dividend, an amount of EUR 556 million was allocated from the (free) capital reserve to retained earnings in financial year 2022. The dividend payment to shareholders was made in May 2023.

5.11. Interest-bearing debt

(in EUR million)	As of 31 December 2024 Non-current	As of 31 December 2024 Current	As of 31 December 2023 Non-current	As of 31 December 2023 Current
Bonds	–	605	599	5
Promissory notes and registered bonds	174	58	228	131
Loans payable	300	109	408	150
Interest-bearing debt	**474**	**771**	**1,235**	**286**

For the maturity profile of the listed liabilities, please refer to >Chapter 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT. Long-term interest-bearing debt with a remaining term greater than five years remains in the amount of EUR 138 million (2023: EUR 226 million).

Bonds

In July 2018, O2 Telefónica Deutschland Finanzierungs GmbH, Munich, issued a bond with a nominal value of EUR 600 million. The fixed interest rate is 1.75% and the bond matures on 5 July 2025. The senior unsecured seven-year bond is guaranteed by Telefónica Deutschland Holding AG. The bond was used to refinance the bond due in November 2018, which has been meanwhile repaid, and for general business purposes. O2 Telefónica Deutschland Finanzierungs GmbH has made the net proceeds of the bond issue available to Telefónica Germany GmbH & Co. OHG in the form of a loan.

The bond is measured at amortised cost using the effective interest method.

Promissory notes/registered bonds

On 13 March 2015, Telefónica Deutschland Group completed an initial placement of promissory notes and registered bonds with a volume of EUR 300 million. The promissory notes placed with a volume of EUR 172 million have unsecured tranches with terms of five, eight and ten years, with both fixed and floating interest rates. The first tranche of EUR 113 million was repaid on schedule in March 2020, a further tranche of more than EUR 19.5 million was repaid in March 2023. The variable-rate tranches of the promissory note loan in the amount of EUR 10.5 million were repaid ahead of schedule in September 2021. The average interest rate of the tranches with fixed interest rates is 1.38% p.a. The registered bonds placed have terms of 12, 15 and 17 years and a fixed interest rate. The tranches amount to EUR 3 million, EUR 33 million and EUR 92 million, respectively, and bear interest at 2.000%, 2.250% and 2.375%. All tranches were issued at par.

Telefónica Deutschland Group also placed promissory note loans in various tranches and a registered bond with a total volume of EUR 250 million in February 2018. The promissory note loans placed have tranches with terms of 1 year with fixed interest, which have already been repaid, as well as terms of 5 and 7 years with variable and fixed interest rates and a 10 year tranche with a fixed interest rate. The respective interest rates for the fixed tranches with terms of 1, 5, 7 and 10 years are 0.03%, 1.051%, 1.468% and 1.962% p.a., respectively. The registered bond has a term of 15 years and a fixed interest rate of 2.506% p.a. All tranches were issued at par. The variable-rate tranches of the promissory note loan in the amount of EUR 103.5 million were repaid in September 2021, a further tranche with a fixed interest rate of more than EUR 23 million was repaid on schedule in March 2023.

On 25 April 2019, Telefónica Deutschland Group placed additional promissory notes in various tranches with a total volume of EUR 360 million. These promissory notes have tranches with terms of five and seven years with floating and fixed interest rates, respectively, and a 10-year fixed-interest tranche. The interest rates for the fixed tranches with five, seven and 10 years are 0.893%, 1.293% and 1.786% p.a., respectively. The variable-rate tranches of the promissory note loan in the amount of EUR 211.5 million were repaid in October 2021; further scheduled repayments of EUR 127 million will be made in financial year 2024. All tranches were issued at par.

Loans payable

The Group signed a EUR 750 million syndicated revolving credit facility (RCF) on 18 December 2019, which matures on 17 December 2024, with two extension options to the end of 2026. The first extension option was exercised in 2020 and the term of the credit facility was extended to 17 December 2025. The second extension option was exercised in 2021 and the credit facility was extended to 17 December 2026. The RCF bears a variable interest rate at Euribor money market conditions plus an agreed margin. The margin is also linked, among other factors, to the development of an ESG sustainability rating of Telefónica Germany GmbH & Co. OHG. As of 31 December 2024, the credit facility had not been used.

In addition, as of 31 December 2024, there are unused bilateral revolving credit facilities with various banks in the amount of EUR 200 million.

On 13 June 2016, the Group signed a financing agreement with the European Investment Bank (EIB) to the value of EUR 450 million. As of 31 December 2024, Telefónica Deutschland Group has fully drawn down this fixed-interest amortising loan in the form of two tranches. The funds provided by the EIB are due by May 2025 and have been being repaid in equal instalments since May 2020. As of 31 December 2024, the outstanding balance of this amortising loan is EUR 33 million.

Telefónica Germany GmbH & Co. OHG and the EIB also concluded additional loan agreements on 18 December 2019 for EUR 300 million and on 14 January 2020 for EUR 150 million. As of 31 December 2024, these loans had been utilised in the total amount of EUR 375 million.

The EIB loan will also have a maturity of 8 years as of drawdown and will be repaid in equal instalments. For these financing transactions, the benchmark interest rate for the fixed-interest tranches is determined according to the principles defined by the bodies of the EIB for loans of the same type.

Overdraft lines of EUR 854 million remain in place as part of the cash pooling agreements between Telefónica Deutschland Group and Telfisa Global B.V. As of 31 December 2024, the credit facility was not used.

Reconciliation of debt movements to cash flow from financing activities

(in EUR million)	As of 1 January 2024	Cash flow from financing activities *	Additions/ Disposals	Other cash changes	Other non-cash changes	As of 31 December 2024
Bonds	604	–		(11)	11	605
Promissory notes and registered bonds	359	(127)		(6)	5	231
Loan liabilities	558	(150)		(3)	3	409
Interest-bearing debt	**1,521**	(277)	–	(19)	20	**1,245**
Lease liabilities	**3,114**	(660)	549	(66)	71	**3,008**
Payables – Spectrum	**898**	(108)			7	**797**

(in EUR million)	As of 1 January 2023	Cash flow from financing activities *	Additions/ Disposals	Other cash changes	Other non-cash changes	As of 31 December 2023
Bonds	604	–	–	(11)	11	604
Promissory notes and registered bonds	401	(43)	–	(7)	6	359
Loan liabilities	634	(75)	–	(3)	3	558
Interest-bearing debt	**1,639**	(118)	–	(20)	21	**1,521**
Lease liabilities	**3,260**	(747)	598	(36)	39	**3,114**
Payables – Spectrum	**998**	(108)			8	**898**

* The related interest paid from interest-bearing debt and on lease liabilities is reported under Cash flow from operating activities.

5.12. Lease liabilities

	As of 31 December 2024		As of 31 December 2023	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Lease liabilities	**2,401**	**606**	**2,559**	**555**

The maturity analysis of lease liabilities according to IFRS 7 based on cash flows is as follows:

As of 31 December 2024

(in EUR million)	Present value of future minimum lease payment obligations	Unamortised interest expense	Future minimum lease payment obligations
Due within 1 year	606	60	**667**
Due between 1 and 5 years	1,715	136	**1,851**
Due in more than 5 years	686	81	**768**
Total	**3,008**	**278**	**3,286**

As of 31 December 2023

(in EUR million)	Present value of future minimum lease payment obligations	Unamortised interest expense	Future minimum lease payment obligations
Due within 1 year	555	45	**600**
Due between 1 and 5 years	1,786	96	**1,882**
Due in more than 5 years	773	32	**805**
Total	**3,114**	**173**	**3,288**

The amount of the lease liabilities is primarily influenced by the largely recurring payments during the term of the contract and the discount rate. In this respect, the assessment of if and when potential extension options will be exercised plays a significant role in the measurement of the lease liability.

When determining the incremental borrowing rate that may be used for discounting, various contributing factors such as term, subject matter of the contract and the economic environment are taken into account and are subject to certain discretionary decisions.

5.13. Trade and other payables and contract liabilities

	As of 31 December 2024		As of 31 December 2023	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Trade payables to third parties	–	1,439	–	1,542
Accrued trade payables	9	688	8	724
Payables to related parties (>Chapter 12. RELATED PARTIES)	–	22	–	19
Trade payables	**9**	**2,149**	**8**	**2,285**
Other payables non-trade	–	533	–	443
Other payables to related parties (>Chapter 12. RELATED PARTIES)	2	36	2	44
Miscellaneous payables	9	84	7	84
Other payables	**11**	**652**	**9**	**572**
Trade and other payables	**20**	**2,801**	**17**	**2,857**
Contract liabilities	**66**	**555**	**92**	**522**

Accrued trade payables relate mainly to outstanding invoices for goods and services and for non-current assets.

Other payables non-trade mainly comprise liabilities due to personnel and payables from silent factoring.

Miscellaneous payables mainly comprise debtors with credit balances and deferred income.

For the maturity profile of the listed liabilities, please refer to the disclosures in >Chapter 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT.

Contract liabilities primarily comprise contractual liabilities from customer payments already made on prepaid credit and other advance payments received for future services. Furthermore, contract liabilities include the obligation arising from 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.

5.14. Payables – Spectrum

	As of 31 December 2024		As of 31 December 2023	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Payables – Spectrum	690	107	791	107

In financial year 2019, payment obligations in the amount of EUR 1,425 million were incurred in connection with the acquisition of 5G mobile frequency licences. On the basis of the Agreement for the Implementation of the Mobile Communications Summit 2018 concluded with the representatives of the Federal Republic of Germany, it was agreed that the payment obligations from the 2019 spectrum auction would be deferred until the respective commencement of the frequency allocation periods and paid in annual instalments until 2030, beginning in 2019, instead of one-time payments.

After discounting and taking into account the instalments of EUR 606 million already paid by the end of 2024 (2023: EUR 498 million), the carrying amount of the liabilities as of 31 December 2024 is EUR 797 million (31 December 2023: EUR 898 million). Under IAS 20.24, the interest advantage was deducted from the investments already made in expansion to reduce acquisition costs.

Non-current payables with a remaining term of more than five years amount to EUR 142 million (2023: EUR 284 million).

5.15. Provisions

	As of 31 December 2024		As of 31 December 2023	
(in EUR million)	**Non-current**	**Current**	**Non-current**	**Current**
Pension obligations	130	–	143	–
Restructuring	8	17	11	28
Asset retirement obligations	348	12	344	10
Other provisions	23	10	25	17
Provisions	**509**	**39**	**523**	**55**

Pension obligations

Telefónica Deutschland Group has defined benefit plans. These primarily include defined benefit rights against an external provident fund (Gruppen-Unterstützungskasse), which is managed in accordance with its Articles of Association, and direct commitments.

The overriding investment policy and strategy for the defined benefit plans are based on the goal of generating returns from the plan assets as well as from the reimbursement rights deriving from insurance policies which, together with the contributions, are sufficient to meet the pension obligations.

The plan assets are invested in reinsurance policies that are concluded directly by Telefónica Deutschland Group or indirectly by the provident fund. The reimbursement rights from insurance policies result from those reinsurance policies, which were not pledged to the employees.

The requirements for the financing of pension obligations arise from the financing strategy of the provident fund and are anchored in its guidelines. The guidelines define that the expected defined benefit obligation will be settled by the provident fund. They are fully financed by Telefónica Deutschland Group. Telefónica Deutschland Group provides the provident fund with the necessary financial resources.

However, under its Articles of Association, the fund must cease or reduce its payments if the company does not make, or no longer makes, the necessary financial resources available to the fund. In this case, employees can assert their legal right to post-employment benefits against Telefónica Deutschland Group.

The benefits paid include old age pensions, payments for the inability to work and benefits in the event of death to surviving dependants. The amount of the pension commitments for the defined benefit pension plans is based on the respective annual financial contribution (pension component) of each individual employee depending on their length of service, gender and age on the reporting date. The amount of the monthly pension benefit is the sum of the pension components. Payment of old-age pensions begins at the age of 62. Employees who were already entitled to a pension before 1 January 2012 start receiving their pension at the age of 60 rather than 62. On each reporting date, the pension entitlement is increased in line with the profit participation of the reinsurance policy taken out by the pension fund.

In order to minimise the biometric risks of the committed benefits (such as an early benefits claim through invalidity or death of the beneficiary), the pension or promised retirement capital is covered to the full extent (congruent) or in part by reinsurance policies. In addition, the reinsurance policies are pledged to the pension beneficiary as security for the claims of the beneficiary in the event of the insolvency of the sponsoring company.

This defined benefit plan is subject to actuarial and financial risks such as life expectancy and interest rate risk as well as inflation risk. In addition, all reinsurance policies are essentially concluded with an insurance company.

With effect from financial year 2023, Telefónica Deutschland Group will no longer make any new defined benefit pension commitments. Instead, new employees receive an annual employer's contribution to their individual pension plan. The expenses for financial year 2024 in connection with the employer's contribution amount to EUR 2 million (2023: EUR 1 million).

In financial year 2024, the employer's contribution to the statutory pension insurance amounted to EUR 44 million (2023: EUR 42 million).

In addition, Telefónica Deutschland Group arranges defined contribution plans for employees. The contribution recorded for the defined contribution plan amounts to EUR 2 million (2023: EUR 2 million).

The following tables contain the key data for the defined benefit plans:

(in EUR million)	As of 31 December 2024	As of 31 December 2023
Present value of defined benefit obligation from funded plans	(104)	(111)
Present value of defined benefit obligation from unfunded plans	(121)	(125)
Present value of the defined benefit obligation	**(226)**	**(236)**
Fair value of plan assets	106	103
Surplus	**10**	10
Pension provisions	**(130)**	**(143)**
Reimbursement rights from insurance contracts	**105**	**98**

The development of the present value of the defined benefit obligations in 2024 and 2023 was as follows:

(in EUR million)	2024	2023
Present value of the defined benefit obligation as of 1 January	**(236)**	**(208)**
Current service costs (personnel expenses)	(11)	(11)
Interest expense (financial result)	(8)	(8)
Remeasurement of the present value of the pension obligation	23	(15)
thereof: actuarial gains arising from changes in financial assumptions	10	(19)
thereof: experience-based adjustments	14	4
Benefits paid	6	6
Present value of the defined benefit obligation as of 31 December	**(226)**	**(236)**

The development of the present value of plan assets in financial years 2024 and 2023 was as follows:

(in EUR million)	2024	2023
Fair value of plan assets as of 1 January	**103**	**101**
Return on plan assets excluding amounts included in net interest income/(expense)	0	0
Interest income (financial result)	4	3
Employer contributions	2	2
Benefits paid	(3)	(3)
Other	(1)	0
Fair value of plan assets as of 31 December	**106**	**103**

The fair value of the reimbursement rights from insurance contracts developed in 2024 and 2023 as follows:

(in EUR million)	2024	2023
Fair value of reimbursement rights from insurance contracts as of 1 January	**98**	**89**
Return on reimbursement rights excluding amounts included in net interest income/(expense)	(4)	(1)
Interest income (financial result)	4	4
Employer contributions	8	8
Benefits paid	(2)	(2)
Other	1	(0)
Fair value of reimbursement rights from insurance contracts as of 31 December	**105**	**98**

The amounts recognised under “Other” for plan assets and for reimbursement rights are a result of the ban on setoffs of reimbursement rights that have not been pledged against plan assets.

In 2024, as in the previous year, there was no asset ceiling. A surplus cover of EUR 10 million results (2023: EUR 10 million), which is reported under other financial assets.

The main actuarial assumptions on which the determination of the present value of the defined benefit obligation as of the reporting date is based are provided in the following table (factors represent averages).

	2024	2023
Discount rate	3.38%	3.20%
Nominal rate of pension payment increase	1.0%/2.00%	1.0%/2.20%
Fluctuation rate	5.9%	6.0%

To determine the interest rate for the defined benefit pension plans, the "bond universe" is first established on the basis of the AA corporate bonds available on the reporting date. On the basis of these bonds a yield curve is calculated. Then a uniform average interest rate is calculated using a cash flow that corresponds to the duration of Telefónica Deutschland Group's portfolio. This latter interest rate is the actuarial discount rate used.

The determination of the expected increase in pensions is aligned with the long-term inflation expectations in the euro area.

The mortality tables on which the actuarial calculation of the DBO as of the reporting dates is based for 2023 and 2024 are the Heubeck 2018G mortality tables.

(in years)	2024	2023
Life expectancy at age 65 for a retiree currently	23	23
Life expectancy of a currently aged 40 deferred member at age 65	26	26

An increase or decrease in the main actuarial assumptions would have had the following effects on the present value of the defined benefit obligations as of 31 December 2024:

(in EUR million)	Increase in parameters	Decrease in parameters
Discount rate (+0.5%/-0.5%)	(17)	19
Pension change (+0.50%/-0.50%)	8	(7)
Turnover rate (+1.00%/-1.00%)	(0)	0
Life expectancy (+1 year)	6	–

Increases and reductions in the discount rate and increases to pension payments do not have the same impact on the determination of the DBO due to the interest rate effects. If several assumptions are changed at the same time, the overall effect will not necessarily correspond to the sum of the individual effects due to the changes in the assumptions. In addition, the sensitivity of a change in the DBO only reflects each specific order of magnitude in the change of assumptions (for example 0.5%). If the assumptions change by a different order of magnitude, the effect on the DBO does not necessarily have to be linear.

The following table contains information regarding the analysis of the due date of expected payments:

(in EUR million)	1 January to 31 December 2024	1 January to 31 December 2023
Benefits expected to be paid within year 1	6	4
Benefits expected to be paid within year 2	5	5
Benefits expected to be paid within year 3	6	6
Benefits expected to be paid within year 4	7	7
Benefits expected to be paid within year 5	8	7
Benefits expected to be paid within 6 to 10 years	49	47

The average expected term of the defined benefit obligations is 16.4 years in financial year 2024 (2023: 16.2 years).

The best estimate of the contributions paid into the plans in the financial year ending 31 December 2025 is EUR 11 million (previous year: EUR 12 million).

Other provisions

(in EUR million)	Restructuring	Asset retirement obligations	Other	Total
As of 1 January 2024	**38**	**354**	**42**	**434**
Additions	1	32	10	43
Utilisation	(12)	(10)	(11)	(33)
Release	(2)	(24)	(9)	(35)
Interest effect	–	7	0	8
As of 31 December 2024	**25**	**360**	**33**	**418**
thereof: non-current	8	348	23	379
thereof: current	17	12	10	39

	Restructuring	Asset retirement obligations	Other	Total
As of 1 January 2023	**38**	**323**	**60**	**421**
Additions	7	39	6	53
Utilisation	(7)	(14)	(10)	(30)
Release	(0)	(1)	(15)	(17)
Interest effect	–	6	0	6
As of 31 December 2023	**38**	**354**	**42**	**434**
thereof: non-current	11	344	25	380
thereof: current	28	10	17	55

The provisions for restructuring as of 31 December 2024 primarily relate to obligations from severance agreements. As in the previous year, these additions are recognised in personnel expenses and other expenses (for further information see >Chapter 6.3. PERSONNEL EXPENSES and >Chapter 6.4. OTHER EXPENSES).

The provisions for asset retirement obligations include the estimated costs for the dismantling and removal of assets, including active and passive mobile equipment such as operating facilities and technology. Since both the future decommissioning costs and the payment date are uncertain at the time the contract is concluded, they are based on estimates. The estimates are based primarily on existing contracts with service providers.

Additions of EUR 32 million from dismantling are mainly attributable to volume and interest rate adjustments. The releases of EUR 24 million mainly relate to volume effects.

Decisions on the recognition and valuation of provisions generally involve a high degree of discretion. The amount of the provision is determined based on the best estimate of the outflow of resources required to settle the obligation, bearing in mind all available information at the reporting date, including the opinions of independent experts, such as legal counsel or consultants. In addition, assumptions are made about the probabilities of future outflows of resources.

In principle, this also applies to employee termination benefits. If employees are offered voluntary severance, the benefits are measured on the basis of the number of employees expected to accept the offer. These benefits are recognised at the amount of the obligation regardless of its term.

The amount for termination benefits is determined on the basis of various assumptions, which also require judgments and estimates and can therefore entail uncertainties. These primarily include the assumed salary, length of employment and gardening leave period until the date of departure.

6. Selected Explanatory Notes to the Consolidated Income Statement

International conflicts

International conflicts continued to have a negative impact on the global economy in 2024, and Telefónica Deutschland Group was unable to completely escape the effects of this. Political tensions between various countries led to fluctuating or higher energy prices and recognisable influences on supply chains, particularly for grid technology and radio towers. This led to a critical risk categorisation of the geopolitical risk.

To counter these risks, Telefónica Deutschland Group strives to avoid possible dependencies on individual suppliers and to maintain appropriate inventories. The management team continues to monitor, analyse and assess the potential impact of international conflicts on our business activities.

Climate change

There was no significant impact on Telefónica Deutschland Group's financials from climate change in financial year 2024. However, we are monitoring potential climate risks and do not currently expect any direct damage from climate change.

6.1. Revenues

1 January to 31 December

(in EUR million)	**2024**	**2023**
Rendering of services	6,669	6,722
Other revenues	1,823	1,892
Revenues	**8,492**	**8,614**

Revenues from the rendering of services include mobile service revenues and fixed-network business revenues. Other revenues include hardware revenues and miscellaneous other revenues.

The breakdown of revenues according to mobile business and fixed business is shown in the following table:

1 January to 31 December

(in EUR million)	2024	2023
Mobile business revenues	**7,596**	**7,767**
Mobile service revenues	5,812	5,895
Hardware revenues	1,785	1,872
Fixed business revenues	**857**	**827**
Other revenues	**38**	**20**
Revenues	**8,492**	**8,614**

Mobile service revenues

The mobile service revenues are largely based on basic fees and the fees charged for voice (including incoming and outgoing calls), messaging (including SMS and MMS) and mobile data services as well as service contracts. Alongside roaming revenues, mobile service revenues include access and interconnection fees that are paid for by other service providers for calls and SMS messages delivered via our network. In addition, one-time connection charges are included insofar as these have been allocated to mobile communications services.

Hardware revenues

Hardware revenues include the income from the sale of mobile phones as part of the O_2 My Handy model, and revenues from outright cash sales. Also included are revenues from the sale of mobile devices to distributors and partners and from the sale of accessories.

The O_2 My Handy model allows customers to choose whether to pay the entire price of the mobile phone up front or to make an initial payment to start with and pay the remaining purchase price in 24 or 36 monthly instalments, whereby payment in 36 monthly instalments is now only being offered in conjunction with the conclusion of a mobile phone contract with a minimum term of 24 months.

Fixed business revenues

Fixed business revenues comprise mainly revenues from services for private customers, activation fees for private customers, revenues from mobile devices and one-off items (e.g. fees for change of address, number transfers etc.), data traffic revenues from telecommunications service providers in connection with the sale and trade of minutes between telecommunications service providers to connect their customer calls via the networks of other operators.

Other revenues

Other revenues relate to income from associated companies such as UGG (Unsere Grüne Glasfaser), income from operating leases, income from sublicensing IT applications to business partners and business with mobility data.

Contract assets and contract liabilities from customer contracts

(in EUR million)	31 December 2024	31 December 2023
Contract asset	42	25
Contract liabilities	621	613

(in EUR million)	2024	2023
Amounts recognised in contract liabilities at the beginning of the period that resulted in revenue in the reporting period.	522	559

Telefónica Deutschland Group receives payments from customers on the basis of a billing schedule which is part of the individual contracts. The contract asset refers to the entitlement to consideration for the performance of the contractual services to be rendered. The contract asset represents amounts related to contracts where Telefónica Deutschland Group has satisfied its performance obligations by transferring mobile devices and performing mobile services or fixed-network/DSL services before consideration was paid or became due. Amounts already reported as receivables are not taken into account in the recognition of the contract asset.

Receivables are recognised when the right to receive the consideration becomes unconditional, as the payment due date is dependent only on the passage of time.

The contract liability relates to payments received prematurely, i.e. before the contractual services have been fully performed. Contract liabilities are recognised as revenue as soon as (or when) Telefónica Deutschland Group provides the contractual services.

The changes in the contract assets or contract liabilities mainly result from the (not yet effected) satisfaction of the respective performance obligations.

Future revenues from (partially) unsatisfied performance obligations

(in EUR million)	As of 31 December 2024		As of 31 December 2023	
	Of which expected to be fulfilled in =/< 12 months	Of which expected to be fulfilled in > 12 months	Of which expected to be fulfilled in =/< 12 months	Of which expected to be fulfilled in > 12 months
Total amount of performance obligations contracted but not yet (fully) satisfied as of 31 December	1,593	439	1,282	299

In accordance with IFRS 15.120, practical expedients were applied in accordance with IFRS 15.121. This relates to performance obligations from contracts with a maximum term of one year and those for which revenue is recognised at the same time as the invoice is issued. The transaction price allocated to these partially or not yet fulfilled obligations is therefore not included in the disclosure.

The recognition of revenues is based on assumptions and estimates that can have a significant influence on the amount and timing of revenues:

Determining the stand-alone selling price of the performance obligation mobile service tariff postpaid:
Every mobile service tariff postpaid is classified as a distinct performance obligation as part of the identification of the distinct performance obligations in the five-step model of IFRS 15. To determine the stand-alone selling price of this performance obligation, the transaction price specified on the invoice is used first. Taking into account the average discounts granted to customers of Telefónica Deutschland Group, this transaction price is then reduced by a lump sum rate in the second step. The reduced transaction price corresponds to the stand-alone selling price of the above-mentioned performance obligation.

Determination of the average term of the contract:
Telefónica Deutschland Group offers customers the option of concluding contracts with a fixed minimum term. When concluding such a term contract, both Telefónica Deutschland Group and the customer are initially bound by the respective contract term. However, Telefónica Deutschland Group grants the customer the right to extend the contract prematurely. The contract extensions regularly exercised by customers within this framework lead to an overall reduction in the enforceable minimum contract term.

In the portfolio approach, the term is calculated on the basis of historical values and is taken into account accordingly when determining the transaction price.

Potential changes in estimates could lead to changes in both the amount and timing of future recognition of revenues.

6.2. Other income

1 January to 31 December

(in EUR million)	2024	2023
Own work capitalised	149	125
Other	43	35
Other income	**192**	**160**

Own work capitalised includes the capitalisation of expenses for internal employees as part of investment projects. In the reporting year, 60% (previous year: 70%) of own work capitalised was attributable to the expansion of the network, while 40% (previous year: 30%) was allocated to IT projects.

As in the previous year, the item Others mainly includes claims for damages and contractual penalties.

6.3. Personnel expenses

In financial year 2024, personnel expenses totalled EUR -700 million (2023: EUR -669 million). Thereof, EUR -589 million (2023: EUR -566 million) relate to wages and salaries, EUR -96 million (2023: EUR -89 million) to social security and EUR -15 million (2023: EUR -14 million) to pensions. Personnel expenses from share-based payments are presented in >Chapter 13. SHARE-BASED PAYMENTS; personnel expenses relating to pension plans are presented in >Chapter 5.15. PROVISIONS.

In addition, exceptional effects from restructuring amounting to EUR 1 million are included in the income statement (previous year: EUR -2 million) (>Chapter 5.15. PROVISIONS).

6.4. Other expenses

1 January to 31 December

(in EUR million)	2024	2023
Other third-party services	(2,280)	(2,361)
Advertising	(250)	(277)
Other operating expenses	(44)	(77)
Allowance for current assets	(8)	(11)
Other expenses	**(2,582)**	**(2,725)**

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

Other expenses as of 31 December 2024 include an income effect in the amount of EUR 1 million from the reversal of restructuring provisions (2023: expense of EUR -9 million) (>Chapter 5.15. PROVISIONS).

6.5. Depreciation and amortisation

1 January to 31 December

(in EUR million)	2024	2023
Amortisation of intangible assets	(767)	(833)
Depreciation of property, plant and equipment	(759)	(804)
Depreciation of right-of-use assets	(688)	(673)
Depreciation and amortisation	**(2,214)**	**(2,310)**

6.6. Financial result

1 January to 31 December

(in EUR million)	2024	2023
Interest income from financial assets	23	22
Interest expenses from financial assets	(56)	(31)
Interest expenses on lease liabilities	(66)	(36)
Interest expenses from financial liabilities	(45)	(37)
Interest component from measurement of provisions and other liabilities	(13)	(10)
Other exchange (losses)/gains	(1)	1
Financial result	**(159)**	**(90)**

Interest income from financial assets mainly includes interest income from cash pooling and interest income from the interest effect of the outstanding purchase price receivable relating to the sale of significant parts of the business operations of the rooftop sites. Interest expenses from financial assets in financial year 2024 mainly consist of increased interest expenses for factoring transactions.

Interest expenses from financial liabilities mainly result from overdrafts that have been utilised, interest on the bond issued in 2018, interest obligations from spectrum liabilities, and the promissory notes and registered bonds issued in February 2018 and April 2019. They also include interest from financing agreements with the European Investment Bank (EIB), which were signed on 13 June 2016, 18 December 2019 and 14 January 2020.

6.7. Income Taxes

Consolidated income tax group

As of 31 December 2024, the consolidated income tax group of Telefónica Deutschland Group comprised 13 (2023: 13) companies. A full tax rate of 32% (previous year: 32%) is used as the Group tax rate in the deferred and current tax calculation, which consists of the corporate income tax rate and solidarity surcharge of 15.825% (previous year: 15.825%) and the weighted trade tax rate of 16.175% (previous year: 16.175%).

After proportionate offsetting against tax losses carried forward, Telefónica Deutschland Group posted positive taxable income in 2024.

Current and deferred taxes

1 January to 31 December

(in EUR million)	2024	2023
Current tax expense	(30)	(6)
Deferred tax income/(expense)	36	87
Income taxes	**6**	**82**

The movements in deferred taxes are as follows:

(in EUR million)	2024	2023
Total deferred tax assets as of 1 January	**309**	**217**
Deferred tax income/(expense)	36	87
Amount of deferred taxes recognised directly in equity as shown in the Consolidated Statement of Comprehensive Income or in other comprehensive income	(8)	5
Total deferred tax assets as of 31 December	**336**	**309**

Tax income reported in financial year 2024 amounting to EUR 6 million (previous year: EUR 82 million) comprises current tax expense of EUR 30 million (previous year: EUR 6 million). This includes out-of-period tax income from tax prepayments that exceed the tax expenses by EUR 7 million and, offsetting this, current tax expense of EUR 36 million for financial year 2024. The tax income also includes changes in deferred taxes in the amount of EUR 36 million (previous year: EUR 87 million). The deferred tax income reported in profit or loss includes changes to taxable temporary differences and the additional capitalisation of deferred tax assets on tax losses carried forward.

Tax losses carried forward and temporary differences

The tax losses carried forward for which no deferred tax assets are recognised as of 31 December 2024 amount to EUR 14,066 million for corporate income tax and EUR 13,239 million for trade tax (2023: EUR 14,147 million and EUR 13,189 million). Additional tax loss carry-forwards that are currently not available for utilisation within the tax consolidation, for which no deferred tax assets are recognised, amount to EUR 289 million for corporation tax and EUR 604 million for trade tax (2023: EUR 289 million and EUR 593 million). Alongside the pro rata use of tax loss in the current year, the tax losses carried forward increased partly due to adjustments made in the previous year, particularly during the conclusion of external tax audits. This retroactive increase in the tax losses carried forward from the previous year's adjustments did not affect the current tax or the deferred tax assets on the tax losses carried forward recognised in the previous periods and in the current year as this increase concerns only tax losses carried forward that cannot be recognised.

The total deferred tax assets and liabilities amount to EUR 336 million (2023: EUR 309 million).

The breakdown of deferred tax assets and deferred tax liabilities from temporary differences and tax losses carried forward is as follows:

	As of 31 December 2024		As of 31 December 2023	
(in EUR million)	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Goodwill and other intangible assets	127	(244)	190	(278)
Tangible assets	–	(72)	–	(72)
Right-of-use assets	–	(967)	–	(1,016)
Non-current amortisable costs of obtaining a contract	–	(43)	–	(41)
Other non-current financial assets	–	(32)	–	(35)
Current amortisable costs of obtaining a contract	–	(136)	–	(134)
Other current financial assets	10	(1)	1	(1)
Trade and other receivables	60	–	76	–
Financial liabilities, trade and other payables	0	(34)	4	(20)
Provisions including pension obligations	105	(2)	109	(1)
Non-current lease liabilities	768	–	819	–
Other non-current financial liabilities	–	–	–	(0)
Current lease liabilities	195	–	175	–
Other current financial liabilities	–	(3)	–	(3)
Tax losses carried forward	604	–	538	–
Deferred tax assets/(liabilities) gross	**1,870**	**(1,534)**	**1,911**	**(1,602)**
thereof: non-current	1,665	(1,394)	1,735	(1,463)
Netting	(1,265)	1,265	(1,373)	1,373
Deferred tax assets/(liabilities) after netting according to Consolidated Balance Sheet	**604**	**(269)**	**538**	**(229)**
Total deferred tax assets/(liabilities)	336	–	309	–

Telefónica Deutschland Group assesses the recoverability of deferred tax assets based on estimates of future results. The ability to recover these deferred tax assets depends ultimately on Telefónica Deutschland Group's ability to generate taxable income over the period for which the deferred tax assets remain deductible. This analysis is based on the estimated schedule for reversing deferred tax liabilities, as well as estimates of the taxable income, which are based on internal forecasts and updated to reflect the latest trends and estimates. In each case, a time horizon of seven years is used for the recoverability of deferred tax assets as well as for the tax planning.

The recognition of tax assets and liabilities depends on a series of factors, including estimates with respect to timing and the realisation of deferred tax assets and the projected tax payment schedule. Actual income tax receipts and payments of Telefónica Deutschland Group could differ from the estimates made by Telefónica Deutschland Group as a result of changes in tax legislation or unforeseen transactions that could affect the tax balance. For uncertainties over income tax treatments, around EUR 9 million was carried as a liability in financial year 2024 in accordance with IFRIC 23.

Telefónica Deutschland Group is subject to the regulations of the OECD Pillar Two model. Pillar Two legislation was enacted in Germany and has been in effect since 1 January 2024. Telefónica Deutschland Group is taking advantage of the exemption from accounting for deferred taxes related to Pillar Two income taxes, which was the subject of the amendment to IAS 12 published in May 2023.

In consultation with the ultimate Spanish parent company, Telefónica Deutschland Group has carried out a detailed assessment of the impact of the Pillar Two rules. It is not possible for Germany to make use of safe harbour regulations. Based on the full calculation, no additional tax liabilities have been identified in Germany in connection with the Pillar Two rules.

Reconciliation of earnings before tax to income tax expense recognised

1 January to 31 December

(in EUR million)	**2024**	**2023**
Profit/(loss) before tax	**330**	**191**
Tax expense at prevailing statutory rate (32%)	(106)	(61)
Use of tax losses carried forward for previously unrecognised deferred taxes	(0)	(1)
Non-deductible expenses	(15)	(19)
Change in unrecognised temporary differences and tax losses carried forward	127	115
Deferred taxes related to other periods	(10)	23
Current taxes related to other periods	7	21
Other	2	3
Income taxes	**6**	**82**
Current tax income/(expense)	(30)	(6)
Deferred tax income/(expense)	36	87
Income taxes	**6**	**82**
Effective overall tax rate	-2%	-43%

7. Earnings Per Share

Basic earnings per share are calculated by dividing the profit after tax for the reporting period attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the reporting period.

Diluted earnings per share are calculated by adjusting the profit after tax for the reporting period attributable to the ordinary shareholders of the parent company and the weighted average number of ordinary shares outstanding in the reporting period for the effects of dilutive potential ordinary shares.

Both basic as well as diluted earnings per share attributable to the ordinary shareholders of the parent company are calculated based on the following data in accordance with IAS 33. There were immaterial potential ordinary shares in the reporting period but these had no significant impact on earnings per share. Diluted earnings per share are therefore the same as basic earnings per share.

1 January to 31 December

(in EUR million)	**2024**	**2023**
Total profit/(loss) attributable to ordinary shareholders of the parent company	336	273
Weighted average number of ordinary shares outstanding (in million units)	2,975	2,975
Earnings per share in EUR (basic)	**0.11**	**0.09**

1 January to 31 December

(in EUR million)	**2024**	**2023**
Total profit/(loss) attributable to ordinary shareholders of the parent company	336	273
Weighted average number of ordinary shares outstanding plus options on shares (in million units)	2,975	2,975
Earnings per share in EUR (diluted)	**0.11**	**0.09**

In addition, the share capital of Telefónica Deutschland Holding AG is conditionally increased (see >Chapter 5.10. EQUITY). Shares from the conditional capital of a stock corporation are not part of the calculation of the earnings per share as they can be conditionally issued.

8. Further Information on Financial Assets and Financial Liabilities

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

As of 31 December 2024, the carrying amount of current financial assets and financial liabilities represents an appropriate approximation of fair value.

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

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

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

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

As of 31 December 2024

									Financial Assets
						Measurement hierarchy			
(in EUR million)	**Financial assets measured at fair value through profit or loss**	**Financial assets measured at fair value through other comprehensive income**	**Financial assets measured at amortised cost**	**Not in the scope of IFRS 7 (**)**	**Total carrying amount**	**Level 1 (Quoted prices)**	**Level 2 (Significant other observable input parameters)**	**Level 3 (Significant unobservable input parameters)**	**Total fair value**
Non-current trade and other receivables (>Chapter 5.5. TRADE AND OTHER RECEIVABLES)	–	200	–	–	200	–	200	–	200
Other non-current financial assets (>Chapter 5.6. OTHER FINANCIAL ASSETS)	3	–	100	128	230	–	106	3	109
thereof: investments in start-ups	3	–	–	–	3	–	–	3	3
thereof: net investment	–	–	–	8	8	–	8	–	8
thereof: other	–	–	100	120	220	–	98	–	98
Current trade and other receivables (>Chapter 5.5. TRADE AND OTHER RECEIVABLES)	–	464	611	387	1,463	–	464	–	n/a (*)
Other current financial assets (>Chapter 5.6. OTHER FINANCIAL ASSETS)	0	–	102	5	107	0	–	0	n/a (*)
thereof: investments in start-ups	0	–	–	–	0	0	–	0	n/a (*)
thereof: net investment	–	–	–	5	5	–	–	–	n/a (*)
thereof: other	–	–	102	–	102	–	–	–	n/a (*)
Cash and cash equivalents (>Chapter 5.9. CASH AND CASH EQUIVALENTS)	–	–	402	–	402	–	–	–	n/a (*)
Total	**3**	**664**	**1,215**	**520**	**2,402**	**0**	**770**	**3**	**308**

As of 31 December 2023

(in EUR million)	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Not in the scope of IFRS 7 (**)	Total carrying amount	Level 1 (Quoted prices)	Level 2 (Significant other observable input parameters)	Level 3 (Significant unobservable input parameters)	Total fair value
						Measurement hierarchy			Financial Assets
Non-current trade and other receivables (>Chapter 5.5. TRADE AND OTHER RECEIVABLES)	–	280	–	–	280	–	280	–	280
Other non-current financial assets (>Chapter 5.6. OTHER FINANCIAL ASSETS)	2	–	288	124	414	–	289	2	291
thereof: investments in start-ups	2	–	–	–	2	–	–	2	2
Thereof: net investment in the lease	–	–	–	10	10	–	10	–	10
thereof: other	–	–	288	114	402	–	279	–	279
Current trade and other receivables (>Chapter 5.5. TRADE AND OTHER RECEIVABLES)	–	544	597	311	1,452	–	544	–	n/a (*)
Other current financial assets (>Chapter 5.6. OTHER FINANCIAL ASSETS)	0	–	5	5	10	0	–	–	n/a (*)
thereof: investments in start-ups	0	–	–	–	0	0	–	–	n/a (*)
Thereof: net investment in the lease	–	–	–	5	5	–	–	–	n/a (*)
thereof: other	–	–	5	–	5	–	–	–	n/a (*)
Cash and cash equivalents (>Chapter 5.9. CASH AND CASH EQUIVALENTS)	–	–	584	–	584	–	–	–	n/a (*)
Total	**2**	**824**	**1,474**	**440**	**2,741**	**0**	**1,113**	**2**	**571**

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

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 (2023: EUR 2 million) of other non-current financial assets and EUR 0 million (2023: EUR 0 million) of other current financial assets are classified as financial assets measured at fair value through profit or loss. These relate primarily to investments in start-ups. These assets were measured according to Level 3 for the investments reported in other non-current financial assets and Level 1 and 3 for the investments reported in other current financial assets. The fair value measurement according to Level 3 is based on existing business plans with assumptions regarding future business development. The measurement at fair value according to Level 1 is based on primary market values observed on equity markets.

Trade receivables were partly classified as financial assets measured at fair value through other comprehensive income. These are receivables that can be sold as part of factoring transactions. For receivables, the fair value is determined by a risk discount based on the credit risk. In addition, a discount rate recognised in other comprehensive income is taken into account when determining the fair value of receivables.

All other financial assets as of 31 December 2024 were categorised as financial assets measured at amortised cost.

As of 31 December 2024

(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
				Measurement hierarchy			Financial liabilities
Non-current interest-bearing debt (>Chapter 5.11. INTEREST-BEARING DEBT)	474	–	474	–	440	–	440
Non-current trade and other payables (>Chapter 5.13. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES)	9	11	20	–	9	–	9
Non-current payables - Spectrum (>Chapter 5.14. PAYABLES – SPECTRUM)	690	–	690	–	630	–	630
Current interest-bearing debt (>Chapter 5.11. INTEREST-BEARING DEBT)	771	–	771	595	–	–	n/a (*)
Current trade and other payables (>Chapter 5.13. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES)	2,271	530	2,801	–	–	–	n/a (*)
Current payables - Spectrum (>Chapter 5.14. PAYABLES – SPECTRUM)	107	–	107	–	–	–	n/a (*)
Total	**4,321**	**541**	**4,862**	**595**	**1,079**	**–**	**1,079**

As of 31 December 2023

(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
				Measurement hierarchy			Financial liabilities
Non-current interest-bearing debt (>Chapter 5.11. INTEREST-BEARING DEBT)	1,235	–	1,235	584	591	–	1,175
Non-current trade and other payables (>Chapter 5.13. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES)	8	9	17	–	8	–	8
Non-current payables - Spectrum (>Chapter 5.14. PAYABLES – SPECTRUM)	791	–	791	–	715	–	715
Current interest-bearing debt (>Chapter 5.11. INTEREST-BEARING DEBT)	286	–	286	–	–	–	n/a (*)
Current trade and other payables (>Chapter 5.13. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES)	2,394	463	2,857	–	–	–	n/a (*)
Current payables - Spectrum (>Chapter 5.14. PAYABLES – SPECTRUM)	107	–	107	–	–	–	n/a (*)
Total	**4,821**	**472**	**5,293**	**584**	**1,314**	**–**	**1,898**

(*) 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 31 December 2024, none of the current 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 the traded bonds of 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 31 December 2024 include promissory note loans and registered bonds with a total nominal value of EUR 228 million (2023: EUR 355 million) and a loan from the European Investment Bank (EIB) of EUR 408 million (2023: EUR 558 million).

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

Please see the respective notes for further information.

The following table shows the net gains and losses per measurement category in accordance with IFRS 9:

1 January to 31 December 2024 (in EUR million)	**Amortised cost**		**At fair value through profit or loss**	**At fair value through other comprehensive income**
	Financial assets	**Financial liabilities**	**Financial assets**	**Financial assets**
Currency gains/currency losses	(0)	(1)	–	–
Result from valuations	–	–	(0)	9
Impairment/reversal of impairment losses	(31)	–	–	(61)
Effective interest income	17	–	–	–
Effective interest expense	(4)	(99)	–	–
Total	**(19)**	**(100)**	**(0)**	**(52)**

1 January to 31 December 2023 (in EUR million)	**Amortised cost**		**At fair value through profit or loss**	**At fair value through other comprehensive income**
	Financial assets	**Financial liabilities**	**Financial assets**	**Financial assets**
Currency gains/currency losses	(0)	1	–	–
Result from valuations	–	–	(1)	6
Impairment/reversal of impairment losses	(37)	–	–	(63)
Effective interest income	17	–	–	–
Effective interest expense	–	(68)	–	–
Total	**(20)**	**(67)**	**(1)**	**(57)**

Netting

Financial assets and financial liabilities are offset, and the net amount is reported in the Consolidated Balance Sheet, when the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table presents the amounts of financial assets and financial liabilities that are offset as of 31 December 2024.

As of 31 December 2024 (in EUR million)	**Trade receivables**	**Trade payables**
Gross amounts	1,266	2,147
Amounts set off in the Consolidated Balance Sheet in accordance with IAS 32.42	(12)	(12)
Net amounts presented in the Balance Sheet	**1,255**	**2,136**

As of 31 December 2023 (in EUR million)	**Trade receivables**	**Trade payables**
Gross amounts	1,439	1,997
Amounts set off in the Consolidated Balance Sheet in accordance with IAS 32.42	(9)	(9)
Net amounts presented in the Balance Sheet	**1,431**	**1,989**

Offsetting is mainly applied for roaming fees and for receivables and payables in the sales business.

9. List of Shareholdings and Changes in the Group Structure

In accordance with Sections 285 and 313 of the German Commercial Code (HGB), the following table lists the companies making up Telefónica Deutschland Group as of 31 December 2024.

For detailed information, please refer to the list of shareholdings published with the Annual Financial Statements of Telefónica Deutschland Holding AG in the company register

As of 31 December 2024 Company name, registered office	Country	Consolidation	Share in %	Equity 31 December 2023 (in EUR million)[5]	Result in FY 2023 (in EUR million)[5]
Parent company					
Telefónica Deutschland Holding AG, Munich, Germany	Germany	N/A	N/A	6,388	(8)
Subsidiaries					
Telefónica Germany Management GmbH, Munich[2]	Germany	Full financial year	100%	18	2
Telefónica Germany GmbH & Co. OHG, Munich[1,4]	Germany	Full financial year	100%	5,087	210
Telefónica Germany 1. Beteiligungsgesellschaft mbH, Munich[2,4,6]	Germany	Full financial year	100%	86	–*
TGCS Rostock GmbH, Munich[2,6]	Germany	Full financial year	100%	15	–*
Telefónica Germany Business Sales GmbH, Düsseldorf[6]	Germany	Full financial year	100%	5	0
Telefónica Germany Retail GmbH, Düsseldorf[2,6]	Germany	Full financial year	100%	107	–*
Wayra Deutschland GmbH, Munich[2,6]	Germany	Full financial year	100%	2	–*
O2 Telefónica Deutschland Finanzierungs GmbH, Munich[6]	Germany	Full financial year	100%	0	–*
TGCS Bremen GmbH, Munich[2,6]	Germany	Full financial year	100%	2	–*
TGCS Hamburg GmbH, Munich[2,6]	Germany	Full financial year	100%	2	–*
TGCS Nürnberg GmbH, Munich[2,6]	Germany	Full financial year	100%	4	–*
E-Plus Service GmbH, Düsseldorf[2,6]	Germany	Full financial year	100%	78	–*
AY YILDIZ Communications GmbH, Düsseldorf[2,6]	Germany	Full financial year	100%	5	–*
Ortel Mobile GmbH, Düsseldorf[2,6]	Germany	Full financial year	100%	5	–*
TCFS Potsdam GmbH, Potsdam2,6	Germany	Full financial year	100%	0	–*
Joint operations					
TCHIBO Mobilfunk Beteiligungs-GmbH, Hamburg[6]	Germany	Full financial year	50%	0	0
TCHIBO Mobilfunk GmbH & Co. KG, Hamburg[6]	Germany	Full financial year	50%	7	1
Associated companies					
UGG TopCo/HoldCo General Partner GmbH, Ismaning[6]	Germany	Full financial year	10%	0	(0)
UGG TopCo GmbH & Co. KG, Ismaning[6]	Germany	Full financial year	10%	306	(0)
Other investments[3]					
MNP Deutschland GbR, Düsseldorf[6]	Germany	Full financial year	33%	1	0
IZMF GbR, Bonn[6]	Germany	Full financial year	25%	–	–

[1] This entity uses the exemption provisions pursuant to Section 264b HGB.
[2] These entities use the exemption provisions pursuant to Section 264 (3) HGB.
[3] Other investments are not included in the consolidation.
[4] This entity makes use of the exemption provision under Section 291 and does not prepare (sub-) consolidated financial statements
[5] Equity capital and result of the last financial year for which annual financial statements are available according to HGB
[6] Indirect investment by Telefónica Deutschland Holding AG
* After profit and loss transfer

10. Investments in Associated Companies

Telefónica Deutschland Group holds 10% of the shares in each of UGG TopCo GmbH & Co. KG and UGG TopCo/HoldCo General Partner GmbH. The latter is the general partner of UGG TopCo GmbH & Co. KG. Both investments were classified as associated companies in accordance with IAS 28.6, taking into consideration the specific facts and circumstances. We have based our assessment that Telefónica Deutschland Group exercises significant influence on the operational and financial policies on the fact that Telefónica Deutschland Group enters into material business transactions with the companies and is involved in the relevant decision-making processes. Both associated companies are accounted for using the equity method.

UGG TopCo/HoldCo General Partner GmbH is the general partner of UGG TopCo GmbH & Co. KG and is classified as non operational. As a result, the investment is classified as immaterial. The carrying amount of the investment is EUR 2,500 and is unchanged compared to the previous year. No further disclosures will be made.

UGG TopCo GmbH & Co. KG is the holding company of a joint venture between Telefónica, S.A. Group/ Telefónica Deutschland Group and Allianz Group established in October 2020. Its purpose is to expand fibre-to-the-home (FTTH) connections for households in Germany.

The following tables present the condensed financial information of the significant shareholdings in UGG TopCo GmbH & Co. KG and its subsidiaries. The financial information is presented in consolidated form across all subsidiaries on a fully consolidated basis:

Condensed Balance Sheet

(in EUR million)	UGG TopCo GmbH & Co. KG	
Assets	**As of 31 December 2024**	**As of 31 December 2023**
A) Non-current assets	**1,529**	**671**
B) Current assets	**343**	**89**
Total assets (A+B)	**1,872**	**760**

Equity and liabilities	**As of 31 December 2024**	**As of 31 December 2023**
A) Equity	**104**	**100**
B) Non-current liabilities	**1,548**	**558**
C) Current liabilities	**221**	**101**
Total equity and liabilities (A+B+C)	**1,872**	**760**

Condensed Statement of Comprehensive Income

(in EUR million)	UGG TopCo GmbH & Co. KG	
	As of 31 December 2024	**As of 31 December 2023**
A) Revenues	**9**	**4**
B) Profit/(loss) for the period	**(160)**	**(111)**
C) Other comprehensive income/(loss)	**(19)**	**(56)**
D) Total comprehensive income/(loss)	**(179)**	**(167)**

Reconciliation to the carrying amount

(in EUR million)	UGG TopCo GmbH & Co. KG
Net assets as of 1 January 2024	**100**
Capital increases	182
Total comprehensive income/(loss)	(179)
Net assets as of 31 December 2024	**104**
Group share of net assets	**10**
Group share in %	10%
Carrying amount as of 31 December 2024	**11**

* The difference of EUR 1 million between the carrying amount and the Group share of net assets results from capitalised incidental acquisition costs

11. Joint Operations

Telefónica Germany GmbH & Co. OHG jointly controls TCHIBO Mobilfunk Beteiligungs-GmbH, Hamburg, and TCHIBO Mobilfunk GmbH & Co. KG, Hamburg, together with TCHIBO GmbH, Hamburg.

The business objective of TCHIBO Mobilfunk Beteiligungs GmbH is the holding of interests in other companies. The business objective of TCHIBO Mobilfunk GmbH & Co. KG, with TCHIBO Mobilfunk Beteiligungs GmbH as its personally liable shareholder, is the marketing and sale of mobile communications services to be rendered by third parties and the marketing and sale of mobile devices.

As part of the joint operation in TCHIBO Mobilfunk GmbH & Co. KG, Telefónica Germany GmbH & Co. OHG, on the one hand, reimburses the company for sales and marketing services provided by the latter and supplies the company with mobile communications devices, on the other.

12. Related Parties

Related parties within the meaning of IAS 24 are all companies of Telefónica, S.A. Group, as well as associated companies of Telefónica Deutschland Group and Telefónica, S.A. Group. Related parties within the meaning of IAS 24 are persons who have significant influence over Telefónica Deutschland Group as well as persons who hold a key position in the management of Telefónica Deutschland Group or the parent company of Telefónica Deutschland Group.

Transactions with related parties include transactions between Telefónica Deutschland Group and Telefónica, S.A. Group.

Telefónica Deutschland Holding AG is the parent company of Telefónica Deutschland Group. It is included in the Consolidated Financial Statements of the ultimate parent company, Telefónica, S.A., Madrid, Spain (Telefónica, S.A.; its group: Telefónica, S.A. Group). The direct parent company of Telefónica Deutschland Group is Telefónica Germany Holdings Limited, a wholly owned subsidiary of O2 (Europe) Limited, Slough, United Kingdom (O2 (Europe) Limited), and an indirect subsidiary of Telefónica, S.A. The companies of Telefónica, S.A. Group are related parties, as Telefónica, S.A. controls Telefónica Deutschland Group. Related parties include, in particular, Telefónica Local Services GmbH, which is wholly owned by Telefónica, S.A. and held approximately 27.63% of the shares in Telefónica Deutschland as of 31 December 2024.

The Notes to Telefónica Deutschland Group provide an overview of the Group companies (>Chapter 9. LIST OF SHAREHOLDINGS AND CHANGES IN THE GROUP STRUCTURE). In 2023 and 2024, the following were related parties from the perspective of Telefónica Deutschland Group:

Telefónica, S.A. and its subsidiaries, and significant investments of Telefónica, S.A. Group and associated companies (>Chapter 12.1. TRANSACTIONS WITH TELEFÓNICA, S.A. GROUP AND ASSOCIATED COMPANIES), members of the Management Board and Supervisory Board of Telefónica, S.A. Group and members of the Management Board and Supervisory Board of Telefónica Deutschland Group (>Chapter 12.2. TRANSACTIONS WITH THE MANAGEMENT BOARD AND SUPERVISORY BOARD), Telefónica, S.A. and its subsidiaries, and significant investments of Telefónica, S.A. Group and associated companies (>Chapter 12.1. TRANSACTIONS WITH TELEFÓNICA, S.A. GROUP AND ASSOCIATED COMPANIES), members of the Management Board and Supervisory Board of Telefónica, S.A. Group and members of the Management Board and Supervisory Board of Telefónica Deutschland Group (>Chapter 12.2. TRANSACTIONS WITH THE MANAGEMENT BOARD AND SUPERVISORY BOARD).

The extent of the transactions conducted with Telefónica, S.A. Group and other related parties can be seen in the overviews below. Unless separately disclosed for joint ventures or associates, the transactions relate exclusively to Telefónica, S.A. and its subsidiaries.

12.1. Transactions with Telefónica, S.A. Group and associated companies

Assets with and liabilities to Telefónica, S.A. Group

Telefónica Deutschland Group reports the following assets with and liabilities to the companies belonging to Telefónica, S.A. Group and associated companies:

(In EUR million)	As of 31 December 2024	As of 31 December 2023
Assets with Telefónica, S.A. Group	**610**	**868**
that are recognised in the following items in the Consolidated Balance Sheet:		
Inventories	–	0
Trade and other receivables	33	22
Other financial assets	179	269
Other non-financial assets	5	3
Cash and cash equivalents (cash pooling)	393	573
Assets with associated companies	**4**	**4**
that are recognised in the following items in the Consolidated Balance Sheet:		
Trade and other receivables	4	4
Liabilities to Telefónica, S.A. Group	**56**	**61**
that are recognised in the following items in the Consolidated Balance Sheet:		
Interest-bearing debt	–	0
Trade and other payables	56	61
Liabilities to associated companies	**3**	**5**
that are recognised in the following items in the Consolidated Balance Sheet:		
Trade and other payables	3	5

Inventories

There were no inventories from transactions with Telefónica, S.A. or associated companies as of the reporting date of 31 December 2024. As of the reporting date of 31 December 2024, inventories included advance payments for services but there were no advance payments to Telefónica, S.A.

Trade and other receivables

These receivables result from transactions in goods and services, such as roaming and commissions for insurance services, between Telefónica Deutschland Group and Telefónica, S.A. Group. As of 31 December 2024, these receivables from Telefónica, S.A. amounted to EUR 0 million (2023: EUR 0 million).

Other financial assets

Other financial assets include the share of the purchase price receivable that is not yet due as a result of the sale of significant parts of the business operations of the rooftop sites to Telxius. As of 31 December 2024, there are no other financial assets due to Telefónica, S.A. (2023: EUR 0 million).

Other non-financial assets

Other non-financial assets comprise advance payments made to Telefónica, S.A. Group. The item does not include any prepayments made to Telefónica, S.A. as of the reporting date of 31 December 2024 and 2023.

Cash and cash equivalents (cash pooling)

The cash pooling receivables due from Telefónica, S.A. Group result exclusively from the contractual agreement with Telfisa Global B.V. Under this agreement, a potential credit line of EUR 854 million is available, but it had not been utilised as of the reporting date of 31 December 2024. In December 2024, the available overdraft facility at Telfisa Global B.V. for the period from 1 January 2025 to 31 December 2026 was increased from EUR 854 million to EUR 1,504 million. For further details, please refer to >Chapter 5.9. CASH AND CASH EQUIVALENTS.

Trade and other payables and interest-bearing debt

Trade and other payables largely comprise liabilities from licence fees and share-based payments. As of 31 December 2024, the item includes liabilities to Telefónica, S.A. in the amount of EUR 14 million (2023: EUR 19 million). The interest-bearing debts to Telefónica, S.A. amount to EUR 0 million (2023: EUR 0 million).

Revenues, other income, expenses, depreciation, amortisation and interest expenses relating to Telefónica, S.A. Group and associated companies

	Revenues, other income and interest income		Expenses, depreciation of right-of-use assets, interest expenses	
	1 January to 31 December		1 January to 31 December	
(in EUR million)	**2024**	**2023**	**2024**	**2023**
Telefónica, S.A. Group	42	43	158	136
Associated companies	15	15	5	4

Telefónica Deutschland Group's revenues and other income result from the provision of goods and services, including roaming services and insurance for mobile devices. In financial year 2024, EUR 0 million (2023: EUR 0 million) was attributable to transactions with Telefónica, S.A.

The expenses include group fees totalling EUR 45 million in 2024 (2023: EUR 39 million), of which EUR 22 million (2023: EUR 22 million) relates to Telefónica, S.A. In addition, EUR 113 million (2023: EUR 98 million) results from expenses from the purchase of goods, services and other expenses, of which EUR 1 million (2023: EUR 0 million) relates to Telefónica, S.A.

Dividend distribution to Telefónica, S.A. Group

A dividend of EUR 0.18 per dividend-bearing share was distributed for financial year 2023. This corresponded to a total amount of around EUR 518 million in favour of Telefónica, S.A. Of this amount, EUR 148 million went to Telefónica Local Services GmbH and EUR 370 million to Telefónica Germany Holdings Limited. Telefónica Local Services GmbH is a direct subsidiary while Telefónica Germany Holdings Limited, as an indirect subsidiary, is likewise wholly owned by Telefónica, S.A.

12.2. Transactions with the Management Board and Supervisory Board

a) Management Board

In financial year 2024, key management personnel included the following members of the Management Board:

Markus Haas (CEO)

Markus Rolle (CFO)

Valentina Daiber

Nicole Gerhardt

Andreas Laukenmann

Alfons Lösing

Mallik Rao (Yelamate Mallikarjuna Rao).

The Supervisory Board of Telefónica Deutschland Holding AG has already extended the contract with Management Board member Mallik Rao (Chief Technology & Enterprise Officer [CTEO]), which originally expires on 31 December 2025, until 4 November 2028.

In the financial years to which the Consolidated Financial Statements relate, the members of the Management Board have not carried out any transactions with Telefónica Deutschland Group other than as part of the normal trading and business activities of Telefónica Deutschland Group.

The adjustment to the remuneration system for the members of the Management Board was approved at the Annual General Meeting on 17 May 2023. This remuneration system, as well as the remuneration system approved by the Annual General Meeting on 20 May 2021, was cancelled by resolution of the Supervisory Board on 6 May 2024 and 18 July 2024.

In accordance with section 314 (1) no. 6a HGB, the total remuneration granted to the Management Board of Telefónica Deutschland Holding AG for the financial year ended 31 December 2024 amounted to EUR 7,479 thousand (2023: EUR 7,596 thousand). In the reporting year, the total remuneration includes share-based compensation with a fair value of EUR 1,182 thousand (2023: EUR 1,927 thousand) for the number of 385,239 shares (2023: 333,745).

In addition to the Telefónica Deutschland Performance Cash Plan, the long-term payment programmes also include share-based programmes of Telefónica, S.A. In accordance with these programmes, the parent company Telefónica, S.A. grants treasury shares to the Management Board members of Telefónica Deutschland Holding AG. The expenses of Telefónica, S.A. are charged to Telefónica Deutschland Holding AG (see >Chapter 13. SHARE-BASED PAYMENTS).

Telefónica Deutschland Group has not currently provided any collateral or granted any loans to the members of the Management Board, nor assumed any guarantees for them.

Salaries and other benefits according to IAS 24.17 that were granted to active Management Board members are composed as follows:

	1 January to 31 December	
(in EUR thousand)	**2024**	**2023**
Total remuneration	**7,953**	**9,498**
thereof:		
Short-term employee benefits	6,297	5,669
Other long-term employee benefits	566	-
Termination benefits	(25)	290
Share-based payments	562	3,005
Service cost	553	534

Participation by Management Board members in the Telefónica Deutschland Performance Cash Plan does not confer any rights to the transfer of shares without consideration (bonus shares) of Telefónica Deutschland Holding AG. Participation in the share-based payment programmes of Telefónica, S.A. has resulted in the following changes for the Management Board members with regard to their rights to the free transfer of shares (bonus shares) of Telefónica, S.A.:

(In units)	**2024**	**2023**
Share options as of 1 January	**803,133**	**601,828**
Forfeited share options	(27,692)	(60,225)
Change in composition of Management Board	–	–
Newly issued share options	385,239	333.745
Actual share assignment	(234,794)	(72,215)
Share options as of 31 December	**925,886**	**803,133**

The provisions for the Telefónica Deutschland Performance Cash Plan for the Management Board amount to EUR 1,639 thousand in the financial year (2023 for the Telefónica Deutschland Performance Share Plan: EUR 3,071 thousand). Bonus provisions for the Management Board were formed in the amount of EUR 2,551 thousand (2023: EUR 2,266 thousand). In addition, provisions have been accrued for cost reimbursements to Telefónica, S.A. from the share-based payments for the Management Board totalling EUR 1,304 thousand (2023: EUR 1,385 thousand).

The defined benefit pension obligations for the Management Board members in financial year 2024 amounted to EUR 7,083 thousand (2023: EUR 7,012 thousand).

As of 31 December 2024, the pension obligations for members of the former management and their surviving dependants amounted to EUR 20,094 thousand (2023: EUR 20,576 thousand).

Further details of the pension obligations of Telefónica Deutschland Group can be found in >Chapter 5.15. PROVISIONS.

In financial year 2024, the total remuneration expense for the members of the former management and their surviving dependants amounted to EUR 543 thousand (2023: 1,083 thousand).

b) Supervisory Board

Name	Member of the Supervisory Board	Remuneration (in EUR) 2024	Remuneration (in EUR) 2023
Peter Löscher[1]	since 1 April 2020	125,997	119,000
Jaime Smith Basterra	since 4 January 2022	33,000	33,000
Christoph Braun	from 1 July 2016 to 17 May 2023	–	21,582
Martin Butz	since 17 May 2018	40,000	40,000
Yasmin Fahimi	since 17 May 2023	30,000	18,822
Pablo de Carvajal González	since 25 July 2018	–	–
María García-Legaz Ponce	since 7 June 2018	–	–
Ernesto Gardelliano	since 5 October 2020	–	–
Cansever Heil	since 3 April 2019	37,500	34,705
Christoph Heil	from 3 June 2013 to 17 May 2018; since 3 April 2019	37,500	34,705
Michael Hoffmann[2,3]	since 5 October 2012	88,538	95,500
Julio Linares López[2]	since 16 October 2017	30,000	30,000
Stefanie Oeschger	since 3 October 2020	40,000	40,000
Thomas Pfeil	since 3 June 2013	60,000	55,363
Joachim Rieger[4]	since 31 October 2014	30,000	30,000
Barbara Rothfuß	since 17 May 2023	37,500	23,527
Dr. Jan-Erik Walter	since 3 June 2013	47,500	47,500
Claudia Weber	from 3 June 2013 to 17 May 2023	–	14,075

(1) Chairman of the Related Party Transactions Committee, Nomination Committee. He was elected Chairman of the Remuneration Committee with effect from 18 June 2024.
(2) Michael Hoffmann and Julio Linares López were re-elected to the Supervisory Board as shareholder representatives by the Annual General Meeting from 18 June 2024 until the Annual General Meeting at which discharge is granted for financial year 2026.
(3) Chairman of the Audit Committee. He stepped down as Chairman of the Remuneration Committee with effect from 18 June 2024.
(4) In addition to the remuneration in accordance with section 20 of the Articles of Association of Telefónica Deutschland Holding AG, Joachim Rieger received remuneration of EUR 4,500 in 2024 for his activities as a member of the Supervisory Board of the subsidiary TCFS Potsdam GmbH (2023: EUR 4,500).

The members of the Supervisory Board received remuneration for their work on the Supervisory Board of Telefónica Deutschland Holding AG and its subsidiaries amounting to EUR 642 thousand in 2024 (2023: EUR 642 thousand). Three members of the Supervisory Board waived the remuneration owed in full.

Members of the Supervisory Board who are also employees of Telefónica Deutschland Group also receive remuneration from their employment relationship, including entitlements from long-term payment agreements, subject to compliance with the requirements for participation in each individual case, and acquire entitlements as part of pension schemes. This remuneration comprises the following for the period of appointment to the Supervisory Board:

1 January to 31 December

(in EUR thousand)	2024	2023
Total remuneration	**763**	**793**
thereof:		
Short-term employee benefits	718	719
Other long-term employee benefits	4	–
Share-based payments	15	45
Service cost	26	29

As of 31 December 2024, Telefónica Deutschland Group has not granted the members of its Supervisory Board any collateral or loans, and has not assumed any guarantees on their behalf.

13. Share-Based Payments

As of 31 December 2024, Telefónica Deutschland Group had concluded various agreements regarding share-based payments. The Company considers these payments to be equity-settled share-based payment transactions. The financial effects of the share-based remuneration systems are, however, of minor importance for Telefónica Deutschland Group:

As of 31 December 2024, liabilities resulting from share-based payment transactions with Telefónica, S.A. amounting to EUR 4 million (2023: EUR 9 million) were recognised. Telefónica Deutschland Group receives a service from the employees without itself providing the share-based payment agreed for this purpose. Telefónica, S.A. grants own shares to employees of Telefónica Deutschland Group. The expenses of Telefónica, S.A. are charged to Telefónica Deutschland Group.

There are three share-based remuneration programmes: the Telefónica, S.A. Performance Share Plan, the Telefónica, S.A. Restricted Share Plan, which is used as a special remuneration instrument in special individual situations, and the opportunity to participate in the employee participation programme of Telefónica, S.A. In previous years, there was also the Telefónica Deutschland Performance Share Plan as a share-based remuneration instrument. This was however converted into a Telefónica Deutschland Performance Cash Plan in 2024 and is no longer share-based.

In financial year 2024, personnel expenses of EUR 2 million (2023: EUR 8 million) will be recognised in connection with share-based payment transactions. The expense recognised in financial year 2023 includes share-based payments from the Telefónica Deutschland Performance Share Plan, which were granted at that time in accordance with the applicable plan conditions.

Telefónica, S.A. Performance Share Plan

The Telefónica, S.A. Performance Share Plan is a share-based plan for Management Board members and selected senior executives of Telefónica Deutschland Group, which is settled in own shares by Telefónica, S.A. (for nominated talents, the plan operates under the name “Talent for the Future Share Plan”). An allocation cycle begins on 1 January of each financial year and has a performance period of at least three years. The participant receives a certain number of Telefónica, S.A. virtual performance shares at the beginning of the performance period. For the calculation of the number of performance shares, the grant value is divided by the weighted average Telefónica, S.A. share price of the last 30 trading days prior to the start of the respective performance period. The number of real shares actually earned after the end of the plan term equals the product of the number of allocated performance shares and a target achievement factor, which can range between 0% and a maximum value (cap), depending on the achievement level of performance criteria of Telefónica, S.A. For employees who are also members of the Executive Committee of Telefónica, S.A., a holding period of 24 months for 100% of the shares earned is provided for.

The performance period will be three years for each of the 2022 and 2023 allocation cycles. The target achievement factor may take on a maximum value of 100% and consists of three components: The first component is based on the relative total shareholder return of Telefónica, S.A. compared to a reference group consisting of selected global telecommunications companies (TSR target achievement factor) and has a weighting of 50%. The second component is based on the achievement of free cash flow targets of Telefónica, S.A. (FCF target achievement factor) and has a weighting of 40%. The third component is based on the achievement of targets for the neutralisation and reduction of CO_2 emissions of Telefónica, S.A. (CO_2 target achievement factor) and has a weighting of 10%.

The performance period for the 2024 allocation cycle is also three years. The target achievement factor may take on a maximum value of 120% and consists of four components: The first component is based on the relative total shareholder return of Telefónica, S.A. compared to a reference group consisting of selected global telecommunications companies (TSR target achievement factor) and has a weighting of 50%. The second component is based on the achievement of free cash flow targets of Telefónica, S.A. (FCF target achievement factor) and has a weighting of 40%. The third component is based on the achievement of targets for the neutralisation and reduction of CO_2 emissions of Telefónica, S.A. (CO_2 target achievement factor) and has a weighting of 5%. The fourth component is based on the achievement of targets for the proportion of women in management positions at Telefónica, S.A. (diversity target achievement factor) and has a weighting of 5%.

The 2021–2023 tranche was settled in financial year 2024. Based on a target achievement factor of 89.45%, 910,570 real shares were earned.

Personnel expenses recognised for the Telefónica, S.A. Performance Share Plan amounted to EUR 2 million in 2024 (2023: EUR 2 million).

Tranche 2021–2023	Number of shares assigned at grant	Fair value per share (in euro) at grant	Shares outstanding as of 31 December 2024	Shares outstanding as of 31 December 2023
TSR - Target achievement factor:	589,443	2.65	–	501,996
FCF - Target achievement factor:	471,554	3.16	–	401,597
CO_2 - Target achievement factor	117,889	3.16	–	100,399

Tranche 2022–2024	Number of shares assigned at grant	Fair value per share (in euro) at grant	Shares outstanding as of 31 December 2024	Shares outstanding as of 31 December 2023
TSR - Target achievement factor:	364,917	2.43	327,747	332,156
FCF - Target achievement factor:	291,934	2.95	262,197	265,725
CO_2 - Target achievement factor	72,983	2.95	65,549	66,431

Tranche 2023–2025	Number of shares assigned at grant	Fair value per share (in euro) at grant	Shares outstanding as of 31 December 2024	Shares outstanding as of 31 December 2023
TSR - Target achievement factor:	398,519	1.78	365,690	378,480
FCF - Target achievement factor:	318,815	2.81	292,552	302,784
CO_2 - Target achievement factor	79,704	2.81	73,138	75,696

Tranche 2024–2026	Number of shares assigned at grant	Fair value per share (in euro) at grant	Shares outstanding as of 31 December 2024	Shares outstanding as of 31 December 2023
TSR - Target achievement factor:	273,037	2.85	268,419	–
FCF - Target achievement factor:	218,429	3.42	214,735	–
CO_2 - Target achievement factor	27,304	3.42	26,842	–
Diversity target achievement factor	27,304	3.42	26,842	–

Telefónica, S.A. Restricted Share Plan

In order to attract or retain qualified employees, there is an option to grant them an amount under the Restricted Share Plan on a one-time or recurring basis, for example, to compensate them for forfeited compensation claims at their previous employer. Therefore, this plan serves as a special compensation instrument.

The plan term according to the Restricted Share Plan is between one year and five years. At the beginning of the term, the participant receives a certain number of virtual shares of Telefónica, S.A. at an amount, which corresponds to a certain proportion of the participants' annual base salary. If the participants remain employed for the entire plan term, the maximum entitlement of 100% (cap) of the originally allocated virtual shares is in the form of real shares. The minimum requirement for the allocation of real shares is an active employment relationship for twelve months during the plan term and an active employment relationship at the time of settlement by Telefónica, S.A. If the participants end their employment relationship as a so-called good leaver during the plan term (e.g. in the context of retirement or invalidity), they are entitled to a percentage based on the share of the active employment relationship in the total plan term, i.e. between 0% and 100%. In this case, payment is made in cash. If the participants leave Telefónica Deutschland Group for other reasons during the plan term, the entitlement lapses.

No virtual shares were allocated in 2024. The fair value at grant of the entire allocation of 217,326 virtual shares in 2023 amounted to EUR 1 million and was determined on the basis of the average share price over 30 trading days prior to the respective grant date. The term of the allocation extends over three years.

In financial year 2024, 106,197 (2023: 49,746) real shares were earned. As of 31 December 2024, 218,932 (2023: 268,677) virtual shares were outstanding.

Personnel expenses recognised for the Telefónica, S.A. Restricted Share Plan amounted to EUR 0 million in 2024 (2023: EUR 1 million).

Telefónica, S.A. Employee Share Plan

As part of the employee participation programme of Telefónica, S.A., employees of Telefónica Deutschland Group had the opportunity to participate in the tranche launched in October 2022. This tranche had a term of 1.5 years and has now been finalised. Over a period of 12 months, the participants invested a monthly sum of between EUR 25 and EUR 150 to buy shares in Telefónica, S.A. at the relevant market price. This was followed by a holding period of 6 months, after which the shares were issued in spring 2024. Participants were allocated one additional free Telefónica, S.A. share for each share purchased. In addition, they each received 100 additional free shares to mark the centenary of Telefónica, S.A. A total of 2,893 employees decided to take part. A new tranche has not yet been decided.

Personnel expenses recognised for the Telefónica, S.A. Employee Share Plan amounted to EUR 1 million in 2024 (2023: EUR 3 million).

Transfer of the Telefónica Deutschland Performance Share Plan to the Telefónica Deutschland Performance Cash Plan

Due to the delisting of Telefónica Deutschland Holding AG on 18 April 2024, the share-based Telefónica Deutschland Performance Share Plan had to be revised, as the share-based indicators required for the calculation are no longer available. To date, the development of the Telefónica Deutschland share as a relative total shareholder return (TSR) compared to a reference group consisting of the companies of the STOXX Europe 600 Telecommunications (with the exception of Telefónica, S.A.) with a weighting of 50% has been included in the calculation of the target achievement factor as part of the Telefónica Deutschland Performance Share Plan. In addition, the percentage share price performance served as a multiplier for the target achievement factor.

With effect from 1 January 2024, the Telefónica Deutschland Performance Share Plan was therefore converted into the Telefónica Deutschland Performance Cash Plan, which is not linked to the share price performance. For the 2024-2026 allocation cycle, 90% of the target achievement for free cash flow (FCF) and 10% of the target achievement for ESG targets are included in the calculation of the payout amounts. Payments are made exclusively in cash and are limited to a maximum of 120% of the original allocation value.

For the 2022-2024 and 2023-2025 allocation cycles from the Telefónica Deutschland Performance Share Plan, which had a performance period beyond 31 December 2023, a partial settlement was carried out using the previous calculation methodology on the basis of all relevant performance criteria available as of 31 December 2023. The calculated amounts are paid out in the spring of the year following the original end of the plan. The pro rata allocation values for the remaining term of the 2022-2024 and 2023-2025 plans were issued in the new structure of the Telefónica Deutschland Performance Cash Plan.

In financial year 2024, personnel expenses totalling EUR 1 million (2023: EUR 3 million) were recognised. A provision of EUR 3 million (2023: EUR 4 million) was established as of 31 December 2024.

The new Telefónica Deutschland Performance Cash Plan no longer meets the requirements of IFRS 2, as the remuneration is no longer dependent on the performance of the company shares. Consequently, a fair value of the allotments for the members of the Management Board (2023: EUR 1.1 million) and the selected senior executives (2023: EUR 0.9 million) of Telefónica Deutschland Group is no longer determined. Instead, the plan now falls under the requirements of IAS 19 as long-term employee remuneration. The company therefore classifies these bonus payments as other long-term employee benefits in accordance with IAS 19, as the payment is made more than twelve months after the reporting date.

14. Information Regarding Employees

The following table presents the breakdown of Telefónica Deutschland Group's average headcount grouped with respect to their status under employment law:

Average headcount	**2024**	**2023**
Employees	7,606	7,255
thereof from joint operations	12	13
Temporary staff	242	402
Total	**7,848**	**7,657**

15. Financial Instruments and Risk Management

As of the reporting date, Telefónica Deutschland Group faces a variety of risks from financial instruments. In this regard, please refer to the statements regarding risk management and financial instruments in the Combined Management Report.

Further information on risks from financial instruments

Currency risk

The effects before taxes on the Consolidated Income Statement of a simultaneous, parallel increase (decrease) in the euro of 10% in the financial years 2024 and 2023 would have been as follows:

	1 January to 31 December 2024		**1 January to 31 December 2023**	
(in EUR million)	**Risk position**	**+/-10%**	**Risk position**	**+/- 10 %**
USD	(11)	1/(1)	(12)	1/(1)
GBP	1	(0)/0	0	(0)/0

There are no material direct effects from exchange rate fluctuations on the equity of Telefónica Deutschland Group.

Interest rate risk

The effects before taxes on the Consolidated Income Statement of a change in the euro interest rates of variable interest-bearing financial instruments of +/-100 basis points as of the reporting dates 31 December 2024 and 2023 are shown below. This analysis assumes that all other variables remain unchanged.

1 January to 31 December **(in EUR million)**	**2024**	**2023**
+100bp	4	6
-100bp	(4)	(6)

In addition, changes in euro interest rates affect trade receivables and other receivables recognised at fair value through other comprehensive income and therefore also affect other comprehensive income and equity. A change of +/-100 basis points at the reporting dates of 31 December 2024 and 2023, assuming all other variables remain unchanged, would have the following effect:

1 January to 31 December **(in EUR million)**	**2024**	**2023**
+100bp	(6)	(8)
-100bp	6	7

Inflation risk

The effects before taxes on the Consolidated Income Statement of a change in the inflation rate of +/-100 basis points on non-current financial receivables as of the reporting dates of 31 December 2024 and 2023 are disclosed below.

1 January to 31 December (in EUR million)	2024	2023
+100bp	2	4
-100bp	(2)	(4)

Credit risk

Determining the default rate for the following assets is based on the general approach. The following tables show the gross carrying amounts of the assets, their classification in the general impairment model and the average expected credit loss. The maximum credit risk from these instruments corresponds to the carrying amount in the Balance Sheet.

	As of 31 December 2024					
(in EUR million)	Gross book value	Impairment level 1	Impairment level 2	Impairment level 3	Credit rating	Average expected default rate
Purchase price receivable from the sale of significant parts of the business operations of the rooftop sites	90	90	–	–	High	0.23%
Loan receivables	10	10	–	–	High	0.35%
Non-current financial assets	**100**	**100**				
Silent factoring deposit	12	12	–	–	High	0.16%
Purchase price receivable from the sale of significant parts of the business operations of the rooftop sites	90	90	–	–	High	0.23%
Current financial assets	**102**	**102**				
Other receivables	**52**	**52**	**–**	**–**	High	[0.12%–0.06%]

	As of 31 December 2023					
(in EUR million)	Gross book value	Impairment level 1	Impairment level 2	Impairment level 3	Credit rating	Average expected default rate
Silent factoring deposit	11	11	–	–	High	0.15%
Purchase price receivable from the sale of significant parts of the business operations of the rooftop sites	268	268	–	–	High	0.33%
Loan receivables	8	8	–	–	High	0.33%
Non-current financial assets	**288**	**288**				
Silent factoring deposit	5	5	–	–	High	0.15%
Current financial assets	**5**	**5**				
Other receivables	**31**	**31**	**–**	**–**	High	[0.11%–0.06%]

Information from external rating agencies is used to determine the probability of default and the loss rate under the general approach, although internal ratings from receivables management may be applied in exceptional cases. In order to determine impairment rates, Telefónica Deutschland Group uses CDS rates quoted on the market, which either directly represent the credit risk of the counterparty or are derived from the credit risk of a benchmark. This data is adjusted accordingly for financial assets with a remaining term of less than twelve months. The expected loss within the next twelve months is recognised as an impairment loss. This impairment is currently considered to be immaterial, therefore no impairment will be recognised.

Trade receivables are subject to the simplified approach. For more information, please see >Chapter 5.5. TRADE AND OTHER RECEIVABLES. Receivables from leases also follow the simplified approach.

The impairment is to be determined in the amount of the credit loss expected over the total term. For individual receivables (including leases), Telefónica Deutschland Group holds certain collateral that mitigates the loss in the event of counterparty default; this collateral is taken into account in the calculation of expected credit losses in the form of the LGD (Loss Given Default). Collateral is provided for the sale of mobile devices as part of O_2 My Handy transactions. Telefónica Deutschland Group retains the title to the mobile devices until the end customer has paid the final instalment. In addition, there is commercial credit insurance against bad debts with sales partners with a deductible of 10%.

All cash holdings include a daily maturity and are therefore subject to a one-day probability of default.

As all counterparties are rated investment grade (including Telefónica, S.A. Group), this leads to only very minor impairments, which are not recorded by Telefónica Deutschland Group.

	As of 31 December 2024		As of 31 December 2023	
(in EUR million)	**Net book value**	**Ratings of cash and cash equivalents**	**Net book value**	**Ratings of cash and cash equivalents**
Cash at bank and in hand	9	[A-1 - A-2]*	11	[A-1 - A-2]*
Cash pooling	393	A-3*	573	A-3*
Cash and cash equivalents	**402**		**584**	

*Short-term ratings according to the Standard & Poor's rating system.

Liquidity risk

On the reporting date of 31 December 2024, Telefónica Deutschland Group had unused credit lines from current overdraft facilities, loans and revolving credit facilities with a total volume of EUR 1,804 million. As of 31 December 2023, the unused credit lines amounted to EUR 1,804 million.

Cash and cash equivalents amounted to EUR 402 million as of 31 December 2024 and EUR 584 million as of 31 December 2023.

The following table shows the maturity profile of the financial liabilities of Telefónica Deutschland Group on the basis of the contractual undiscounted payments (including interest):

Maturities of financial liabilities

As of 31 December 2024

			Remaining term		
(in EUR million)	**Total carrying amount**	**Gross cash outflow**	**< 1 year**	**1-5 years**	**> 5 years**
Non-current interest-bearing debt	474	498	–	360	138
Non-current lease liabilities	2,401	2,619	–	1,851	768
Non-current trade and other payables	11	11	–	11	–
Non-current payables - Spectrum	690	710	–	568	142
Current interest-bearing debt	771	779	779	–	–
Current lease liabilities	606	667	667	–	–
Current trade and other payables	2,799	2,799	2,799	–	–
Current payables - Spectrum	107	108	108	–	–
Financial liabilities	**7,859**	**8,190**	**4,352**	**2,790**	**1,048**

As of 31 December 2023

			Remaining term		
(in EUR million)	**Total carrying amount**	**Gross cash outflow**	**< 1 year**	**1-5 years**	**> 5 years**
Non-current interest-bearing debt	1,235	1,277	–	1,051	226
Non-current lease liabilities	2,559	2,687	–	1,882	805
Non-current trade and other payables	10	10	–	10	–
Non-current payables - Spectrum	791	818	–	534	284
Current interest-bearing debt	286	295	295	–	–
Current lease liabilities	555	600	600	–	–
Current trade and other payables	2,844	2,844	2,844	–	–
Current payables - Spectrum	107	108	108	–	–
Financial liabilities	**8,388**	**8,640**	**3,847**	**3,477**	**1,316**

16. Capital Management

Telefónica Deutschland Group strives to guarantee the sustainability of its business and to maximise its enterprise value by permanently monitoring its capital costs in addition to its most important management performance indicators.

Telefónica Deutschland Group uses the net leverage ratio to monitor its capital structure.

The net leverage ratio compares the net financial debt level with an operational success parameter (EBITDA adjusted for exceptional effects for the last twelve months) and provides management with information about the Company's debt reduction ability. The maximum leverage ratio defined within the framework of our financing policy applicable since 1 January 2019 remains unchanged at 2.5x (>Chapter MANAGEMENT SYSTEM).

17. Contingent Assets and Liabilities

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.

Indirect claims against the frequency allocation at 800 MHz, 1.8 GHz, 2.0 GHz and 2.6 GHz could result in the reassignment of the 800 MHz, 1.8 GHz, 2.0 GHz and 2.6 GHz frequencies purchased at the 2010 spectrum auction. The aforementioned frequencies were (indirectly) in dispute. The actions have now been dismissed in the court of last instance. This ends the legal disputes before the administrative courts. The possibility of further legal proceedings due to an as yet unresolved third-party claim against frequency allocations in 800 MHz cannot be ruled out. If the appeal is successful, this could result in the reassignment of the frequencies for 800 MHz acquired at the 2010 spectrum auction. However, in view of the remaining term of the frequencies until 31 December 2025, this is extremely unlikely.

Legal actions challenging the rules governing the award and the auction of frequencies in the 2 GHz and 3.6 GHz ranges from the 2019 auction ("PKE 3 + 4") could result in stricter regulations, in particular with regard to the service provider obligation (obligation of Telefónica Deutschland Group to negotiate with suitable service providers on the shared use of radio capacities). Three actions filed by service providers were dismissed in the court of last instance. It is not known whether a constitutional complaint has been lodged in this regard, but this cannot be ruled out. Another action by a service provider has not yet been decided in the court of first instance. The action of another service provider was dismissed. The appeal of the ruling to the Federal Administrative Court was accepted and heard by the Federal Administrative Court on 20 October 2021. The Federal Administrative Court has ruled that additional findings by the Administrative Court of Cologne are needed to clarify whether the method used by the BNetzA to decide on the 2019 award and auction rules was free of procedural and deliberation errors. Consequently, the case was referred back to the Cologne Administrative Court. On 26 August 2024, the Cologne Administrative Court subsequently annulled the decision of the BNetzA on the award and auction rules for the auction of 5G mobile frequencies held in 2019 and obliged the BNetzA to make a new decision. The outcome is not yet foreseeable. The BNetzA has lodged an appeal against the ruling of the Cologne Administrative Court dated 26 August 2024. The outcome is not yet foreseeable. If successful, an appeal would then be made to the Federal Administrative Court. Should the complaint or an appeal procedure be unsuccessful, the procedure would be legally concluded in favour of the complaining service provider. This could lead, for example, to a tightening of negotiation obligations. A cancellation of the 2019 auction is not excluded. In addition, the actions of Telekom Deutschland Group and Vodafone Group were dismissed in the court of last instance by the Federal Administrative Court. It is not known whether a constitutional complaint has been lodged in this regard, but this cannot be ruled out. 1&1 Group proceedings are still pending before the court of first instance. If 1&1 Group succeeds, the obligation to allow 1&1 Group to participate in the Telefónica Deutschland Group network (e.g. roaming) could lead to a tightening of currently existing negotiation obligations.

In relation to frequency allocations at 3.6 GHz, an objection by EWE TEL GmbH against Telefónica Deutschland Group's 3,540 MHz–3,610 MHz frequency allocation of 24 September 2020 is pending. If the appeal is successful, this could result in the reassignment of the frequencies for 3.6 GHz acquired at the 2019 spectrum auction.

As one of the four network operators in Germany, Telefónica Deutschland Group is exposed to the risk of claims concerning patent violations. In this context, patent owners could assert claims for licence payments and/or for the prohibition of the use of certain patent-violating technologies. This risk is mitigated by Telefónica Deutschland Group's exemption and compensation claims against its relevant suppliers. Besides compensation claims for legal costs, patent owners currently have potential licence claims that come under consideration on the basis of the provisional/court-assessed values in dispute. These claims are almost completely offset by the potentially mitigating exemption and compensation claims. The amount of the legal costs and licence claims is estimated in the low millions (EUR).

Estimates, assumptions and discretionary judgments are used to determine contingent assets and liabilities. These relate, inter alia, to risks from the assertion of patent infringements and participations in judicial and extra-judicial proceedings within the scope of ordinary business.

18. Purchase and Other Contractual Obligations

The following expected maturities apply to purchase and other contractual obligations:

(in EUR million)	As of 31 December 2024	As of 31 December 2023
Less than 1 year	1,559	1,524
1 to 5 years	1,372	1,384
Over 5 years	769	1,009
Purchase and other contractual obligations	**3,700**	**3,917**

The purchase and other contractual obligations also include short-term leases and leases of assets of low value.

As of 31 December 2024, EUR 320 million (2023: EUR 402 million) of property, plant and equipment and EUR 34 million (2023: EUR 40 million) of intangible assets are included in purchase and other contractual obligations.

The investment in UGG TopCo GmbH & Co. KG resulted in an investment obligation in the amount of EUR 52 million as of 31 December 2024 (2023: EUR 70 million).

Telefónica Deutschland Group provides absolute guarantees to secure rental obligations primarily for antenna sites. These guarantees are granted by external financial counterparts.

The guarantees amount to EUR 90 million as of 31 December 2024 (2023: EUR 103 million).

For contractual obligations arising from further leases, please refer to >Chapter 19. LEASES.

19. Leases

Leases

The Consolidated Income Statement presents the following income and expenses related to leases:

	1 January to 31 December	
(in EUR million)	2024	2023
Income from operating leases	3	4
Income/expenses from finance leases	0	(0)
Income/expenses relating to short-term leases	(1)	0
Expenses relating to leases of low-value assets	(3)	(3)
Depreciation of right-of-use assets	(688)	(673)
Interest expenses on lease liabilities	(66)	(36)

The total cash outflows for leases in financial year 2024 amounted to EUR 731 million (2023: EUR 786 million).

For additions to right-of-use assets in financial year 2024 and the carrying amount of the right-of-use assets as of 31 December 2024 by class of underlying assets, please refer to >Chapter 5.4. RIGHT-OF-USE ASSETS.

Telefónica Deutschland Group has a large number of leases that include cancellation options, extension options and automatic extensions. The different contractual agreements are included in the calculation of the potential future payment obligations resulting from the options which are not taken into account in the lease liability recognised as of 31 December 2024 as follows.

- Extension options that have not yet expired or have not yet been exercised are recognised at the value of the potential payment obligations for the entire period of all future extension options, which generally range between one month and five years.
- If automatic extensions have been agreed, these are taken into account in the calculation with the first period of the automatic extension not already included in the lease liability.
- For contracts whose expected expiry is less than the minimum term due to sufficiently probable unilateral termination options, the remaining period until the expiry of the minimum term is taken into account in the calculation.

This results in potential future payment obligations for Telefónica Deutschland Group of EUR 1,894 million as of 31 December 2024 (EUR 1,827 million as of 31 December 2023).

Telefónica Deutschland Group has various lease contracts that have not yet commenced. The future possible cash outflows for those lease contracts are EUR 2,606 million as of 31 December 2024 (EUR 1,117 million as of 31 December 2023).

Lessor

As lessor, Telefónica Deutschland Group has entered into several sublease agreements for shops and sites with antenna towers.

Where a sublease is classified as a finance lease, the Group recognises Other financial assets at the value of the net investment in the lease. Future cash inflows from minimum lease payments under finance leases are comprised as follows:

As of 31 December 2024

(in EUR million)	Future minimum lease payments	Unearned finance income	Present value of the minimum lease payments
Due within 1 year	5	0	5
Due between 1 and 5 years	7	0	7
Due in more than 5 years	0	–	0
Total net investment in lease	**12**	**0**	**13**

As of 31 December 2023

(in EUR million)	Future minimum lease payments	Unearned finance income	Present value of the minimum lease payments
Due within 1 year	5	0	5
Due between 1 and 5 years	10	0	10
Due in more than 5 years	0	0	0
Total net investment in lease	**15**	**0**	**15**

Where a lease is classified as an operating lease, the Group, as lessor, recognises the right-of-use asset in the Consolidated Balance Sheet. The lease payments received are recognised in profit or loss. Future income from operating leases is comprised as follows:

(in EUR million)	As of 31 December 2024	As of 31 December 2023
Due within 1 year	2	2
Due between 1 and 5 years	2	2
Due in more than 5 years	1	1
Future minimum lease payments receivables from operating leases	**4**	**5**

As lessor, Telefónica Deutschland Group has entered into several sublease agreements for cell sites with antenna towers and shops.

As a rule, only parts of the antenna towers that are also used by the company itself are leased to third parties. The shops are primarily leased spaces that are accounted for as right-of-use assets. Where a lease is classified as an operating lease, Telefónica Deutschland Group continues to recognise the leased assets in its Balance Sheet. The lease payments received are recognised in profit or loss.

The following table shows the historical cost, accumulated depreciation and residual value of the corresponding assets in the Consolidated Balance Sheet as of 31 December 2024, which are subject to sublease in the form of an operating lease agreement:

(in EUR million)	Costs	Accumulated depreciation	Residual carrying amount as of 31 December 2024
Property, plant and equipment	54	(41)	13
Right-of-use assets	41	(23)	18
Total	**95**	**(64)**	**31**

(in EUR million)	Costs	Accumulated depreciation	Residual carrying amount as of 31 December 2023
Property, plant and equipment	52	(38)	14
Right-of-use assets	37	(21)	16
Total	**89**	**(59)**	**30**

20. Total Auditor's Fees

In the financial years 2024 and 2023, the services listed below provided by the Group's auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, are recognised in the Consolidated Income Statement.

Because Telefónica Deutschland Group conducts all of its business in Germany, the entire amount is incurred in Germany.

1 January to 31 December

(in EUR million)	2024	2023
Types of fee:		
Audit services	2.8	2.7
Other certification services	0.3	0.3
Other services	0.0	0.0
Total fee	**3.1**	**3.0**

The audit fees incurred in the reporting year comprise the expenses for the audit of the annual and consolidated financial statements of Telefónica Deutschland Holding AG and the audits of the annual financial statements of the subsidiaries. They also include other assurance services, which are mainly related to sustainability reporting. Other audit-related services and other services were performed in the financial years 2024 and 2023 only to a minor extent.

21. Subsequent Events

Termination of the syndicated revolving credit facility (RCF)

On 10 January 2025, the syndicated revolving credit facility (RCF) of EUR 750 million, the term of which had been extended to 17 December 2026, was terminated ahead of schedule by Telefónica Deutschland Group. At the time of termination, the credit line was unused. The termination was in accordance with the contract and had no impact on the company's liquidity.

No additional events subject to disclosure requirements occurred after the end of financial year 2024.

Munich, 18 February 2025

Telefónica Deutschland Holding AG

The Management Board

Markus Haas

Markus Rolle

Valentina Daiber

Nicole Gerhardt

Andreas Laukenmann

Alfons Lösing

Mallik Rao

Further Information

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Independent Auditor's Report

To Telefónica Deutschland Holding AG, Munich

Audit Opinions

We have audited the consolidated financial statements of Telefónica Deutschland Holding AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Telefónica Deutschland Holding AG, which is combined with the management report of the Company for the financial year from January 1 to December 31, 2024. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS Accounting Standards (hereinafter referred to as IFRS Accounting Standards) published by the International Accounting Standards Board (IASB) as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2024, and of its financial performance for the financial year from January 1 to December 31, 2024 and

- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an audit opinion on those parts of the group management report listed in the “Other Information” section of our auditor’s report.

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

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the management declaration in accordance with the corporate governance declaration pursuant to § 289f Abs. 4 HGB (information on the women's quota) included in section „Management declaration in accordance with the corporate governance declaration pursuant to § 289f HGB"
- the "Group Sustainability Report" section of the group management report.

The other information comprises further all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

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

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

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

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

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Munich, February 18, 2025

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Holger Lutz)
Wirtschaftsprüfer
(German Public Auditor)

(sgd. Sebastian Huth)
Wirtschaftsprüfer
(German Public Auditor)

Assurance Report of the Independent German Public Auditor on a Limited Assurance Engagement in Relation to the Group Sustainability Report

To Telefónica Deutschland Holding AG, Munich

Assurance Conclusion

We have conducted a limited assurance engagement on the group sustainability report of Telefónica Deutschland Holding AG, Munich, (hereinafter the „Company“) included in section "Group Sustainability Report" of the group management report, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2024 (hereinafter the "Group Sustainability Report").

The reports of other assurance practitioners in relation to the assurance of information, from sources within the value chain, contained in the Group Sustainability Report and as referred to in the Group Sustainability Report are not subject to our assurance engagement.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the accompanying Group Sustainability Report is not prepared, in all material respects, in accordance with the requirements of the CSRD and Article 8 of Regulation (EU) 2020/852 as well as with the supplementary criteria presented by the executive directors of the Company. This assurance conclusion includes that no matters have come to our attention that cause us to believe:

- that the accompanying Group Sustainability Report does not comply, in all material respects, with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Company to identify the information to be included in the Group Sustainability Report (hereinafter the “materiality assessment”) is not, in all material respects, in accordance with the description set out in section "Double Materiality Assessment Methodology" of the Group Sustainability Report, or

- that the disclosures set out in section "European Taxonomy of Sustainable Activities – Telefónica Deutschland Group" of the Group Sustainability Report do not comply, in all material respects, with Article 8 of Regulation (EU) 2020/852.

We do not express an assurance conclusion on references in the Group Sustainability Report to assurance reports or reports of other assurance practitioners.

Basis for the Assurance Conclusion

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB).

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under ISAE 3000 (Revised) are further described in the "German Public Auditor's Responsibilities for the Assurance Engagement on the Group Sustainability Report" section.

We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Our audit firm has complied with the quality management system requirements of the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)) issued by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion.

Responsibility of the Executive Directors and the Supervisory Board for the Group Sustainability Report

The executive directors are responsible for the preparation of the Group Sustainability Report in accordance with the requirements of the CSRD and other European regulations as well as with the supplementary criteria presented by the executive directors of the Company. They are also responsible for the design, implementation and maintenance of such internal controls that they have considered necessary to enable the preparation of a Group Sustainability Report in accordance with these regulations that is free from material misstatement, whether due to fraud (i.e., manipulation of the Group Sustainability Report) or error.

This responsibility of the executive directors includes establishing and maintaining the materiality assessment process, selecting and applying appropriate reporting policies for preparing the Group Sustainability Report, as well as making assumptions and estimates and ascertaining forward-looking information for individual sustainability-related disclosures.

The supervisory board is responsible for overseeing the process for the preparation of the Group Sustainability Report.

Inherent Limitations in the Preparation of the Group Sustainability Report

The CSRD and other European regulations contain wording and terms that are still subject to considerable interpretation uncertainties and for which no authoritative, comprehensive interpretations have yet been published. As such wording and terms may be interpreted differently by regulators or courts, the legal conformity of measurements or evaluations of sustainability matters based on these interpretations is uncertain.

These inherent limitations also affect the assurance engagement on the Group Sustainability Report.

German Public Auditor's Responsibilities for the Assurance Engagement on the Group Sustainability Report

Our objective is to express a limited assurance conclusion, based on the assurance engagement we have conducted, on whether any matters have come to our attention that cause us to believe that the Group Sustainability Report has not been prepared, in all material respects, in accordance with the CSRD and other European regulations as well as with the supplementary criteria presented by the executive directors of the Company, and to issue an assurance report that includes our assurance conclusion on the Group Sustainability Report.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised), we exercise professional judgment and maintain professional skepticism. We also:

- obtain an understanding of the process to prepare the Group Sustainability Report, including the materiality assessment process carried out by the Company to identify the information to be included in the Group Sustainability Report.
- identify disclosures where a material misstatement due to fraud or error is likely to arise, design and perform procedures to address these disclosures and obtain limited assurance to support the assurance conclusion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal controls. In addition, the risk of not detecting a material misstatement within value chain information from sources not under the control of the company (value chain information) is generally higher than the risk of not detecting a material misstatement of value chain information from sources under the control of the company, as both the executive directors of the Company and we, as assurance practitioners, are ordinarily subject to limitations on direct access to the sources of value chain information.
- consider the forward-looking information, including the appropriateness of the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the forward-looking information.

Summary of the Procedures Performed by the German Public Auditor

A limited assurance engagement involves the performance of procedures to obtain evidence about the sustainability information. The nature, timing and extent of the selected procedures are subject to our professional judgement.

In conducting our limited assurance engagement, we have, amongst other things:

- evaluated the suitability of the criteria as a whole presented by the executive directors in the Group Sustainability Report.
- inquired of the executive directors and relevant employees involved in the preparation of the Group Sustainability Report about the preparation process, including the materiality assessment process carried out by the company to identify the information to be included in the Group Sustainability Report, and about the internal controls relating to this process.
- evaluated the reporting policies used by the executive directors to prepare the Group Sustainability Report.
- evaluated the reasonableness of the estimates and the related disclosures provided by the executive directors. If, in accordance with the ESRS, the executive directors estimate the value chain information to be reported for a case in which the executive directors are unable to obtain the information from the value chain despite making reasonable efforts, our assurance engagement is limited to evaluating whether the executive directors have undertaken these estimates in accordance with the ESRS and assessing the reasonableness of these estimates, but does not include identifying information in the value chain that the executive directors have been unable to obtain.
- performed analytical procedures and made inquiries in relation to selected information in the Group Sustainability Report.
- considered the presentation of the information in the Group Sustainability Report.
- considered the process for identifying taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Group Sustainability Report.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is solely towards the Company. We do not accept any responsibility, duty of care or liability towards third parties.

Munich, 18 February 2025

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Holger Lutz	sgd. ppa. Simon Josef Weyrich
Wirtschaftsprüfer	Wirtschaftsprüfer
[German public auditor]	[German public auditor]

AENOR

Verification Statement of AENOR for Telefónica Germany on the Inventory of greenhouse gas emissions corresponding to the year 2024

DOSSIER: 2009/1133/GHG/01

Introduction

Telefónica (hereinafter the company) has commissioned AENOR Confía, S.A.U. (AENOR) to make a limited revision of the inventory of Greenhouse Gases (GHG) for the verification period of its activities included in the Greenhouse Gas Inventory Report 2024, which is part of this Declaration.

AENOR is accredited by Entidad Nacional de Acreditación (ENAC), with number 3/VV026, in accordance with the ISO 17029:2019 and ISO 14065:2020 Standards for the verification of Greenhouse Gas (GHG) Emissions Reports, as well as by the Entidad Mexicana de Acreditación, with number OVVGEI 004/14, in accordance with the ISO Standard 14065:2020, for the verification of greenhouse gas emissions in accordance with the requirements established in ISO 14064-3:2019 for the energy and waste sectors.

Inventory of GHG emissions issued by the Organisation:

• Corporate: C/ Ronda de la Comunicación, Distrito Telefónica, Madrid (Spain).

• Germany: Georg-Brauchle-Ring 50, 80992 München (Germany).

Representatives of the Organisation: Maya Ormazábal Herrero/Camilo Andrés Guarín García, Climate Change and Energy Efficiency Office, and Jürgen Franke, Energy Manager NT Network Implementation/Real Estate & Energy of Telefónica Deutschland.

Telefónica was responsible for reporting its GHG emissions according to the GHG PROTOCOL standard.

Objective

The objective of the verification is to provide the interested parties with an independent and professional opinion on the information and data contained in Telefónica's GHG Inventory.

Scope of the Verification

The greenhouse gases and emission sources considered as well as the geographical scope of the activities included in the organisation’s greenhouse gas inventory are described below.

The organisation’s GHG emissions inventory includes the following GHGs CO_2, CH_4, N_2O, HFCs and HCFCs.

For the verification process, a control approach is considered, under which Telefónica accounts for emissions attributable to the operations and facilities over which it exercises operational control.

Facilities are defined as base stations, technical buildings, vehicle fleets, office buildings, call centres and shops. Under this approach, the scope of the geographical verification is established for the following countries where the Telefónica Group operates:

Organizational and geographic boundaries
Europe
Germany (mobile network)

Direct, indirect activities and exclusions from verification.

The activities subject to verification are set out in 3 scopes (following the GHG Protocol guidelines), which are:

- Scope 1- Direct GHG emissions
- Scope 2 – Energy indirect GHG emissions
- Scope 3- Other indirect emissions. It is included:
  - o Purchase of goods and services
  - o Capital goods
  - o Activities related to the consumption of energy and fuel (not included in scopes 1 and 2)
  - o Business travel
  - o Use of sold products

General Exclusions:

There are no exclusions.

Base year

Telefónica has selected 2015 as the base year for Scope 1 and 2 and 2016 for Scope 3.

Materiality

For the verification it was agreed to consider as material discrepancies those omissions, distortions or errors that could be quantified and result in a difference of more than 5% with respect to the total of emissions declared.

Criteria

In general, the verification of the Greenhouse Gas Inventory Report has been performed taking into account the requirements set out in:

a) ISO 14064-3:2019: Specification with guidance for the validation and verification of greenhouse gas assertions.

b) GHG Protocol, Corporate Accounting and Reporting Standard (Revised Edition).

c) GHG Protocol, Corporate Value Chain (scope 3) Acounting and Reporting Standard.

Finally, the emissions report drawn up by the organisation, dated 2024, was subject to verification.

AENOR waives any responsability for decisions, regarding investment or of any other type, based on this declaration.

Conclusion

As a conclusion according to the limited level of assurance agreed, AENOR states:

Based on the above, and in accordance with the limited level of assurance, there is no evidence to suggest that the information on GHG emissions reported in the Greenhouse Gas Inventory Report for the period 2024 is not a true and fair representation of the emissions from its activities.

In consequence with this Declaration below is a list of the emissions data that were finally verified.

Emissions Year: 2024	Unit	TOTAL
Gross Scope 1 greenhouse gas emissions	tCO2e	5.774
• Vehicle fleet	tCO2e	4.583
• Operations	tCO2e	607
• Fugitive emissions (refrigerant gases and fire fighting system)	tCO2e	583
Gross market-based Scope 2 greenhouse gas emissions	tCO2e	352
• District heating	tCO2e	352
• Electricity (market-based)	tCO2e	-
Gross location-based Scope 2 greenhouse gas emissions	tCO2e	318.051
• District heating	tCO2e	352
• Electricity (location-based)	tCO2e	317.698
Gross Scope 3 emissions	tCO2e	313.696
• Scope 3 Emissions - Cat. 1. Purchase of goods and services	tCO2e	164.181
• Scope 3 Emissions - Cat. 2. Capital goods	tCO2e	27.972
• Scope 3 Emissions - Fuel and energy-related Activities (not included in Scope 1 or Scope 2)	tCO2e	1.390
• Scope 3 Emissions - Cat. 6. Business travel	tCO2e	1.693
• Scope 3 Emissions - Cat. 11. Use of sold products	tCO2e	118.460
Percentage of GHG Scope 3 calculated using primary data	%	78
Scope 1 and 2 (market based)	tCO2e	6.126
Total GHG emissions (location-based) [Scope 1 + Scope 2location + Scope 3]	tCO2e	637.521
Total GHG emissions (market-based) [Scope 1 + Scope 2market + Scope 3]	tCO2e	319.822
Biogenic emissions not included in Scope 1	tCO2e	0
Emissions avoided by renewable energy consumption	tCO2e	317.727

Directed actions		TOTAL
Emissions avoided by energy efficiency projects	tCO2e	4.696
• Power Saving Features	tCO2e	4.384
• Cooling	tCO2e	311

Emission Offsets		TOTAL
Total amount of carbon credits cancelled	tCO2e	4.901
• Carbon credits of reduction projects	tCO2e	0
○ Percentage of reduction projects	%	0
• Carbon credits of removals projects	tCO2e	4.901
○ Percentage of removal projects	%	100
• Percentage for recognised quality standard		
○ Percentage for recognised quality standard Verra Registry	%	100
○ Percentage issued from projects in European Union	%	0

Energy Data Year: 2024	Unidad	TOTAL
Total energy consumption related to own operations	MWh	861.537
• Consumo total de electricidad + Autogeneración de energía renovable	MWh	836.124
○ Consumption at base stations	MWh	721.560
○ Consumption in Central Stations (Fixed Switch Sites)	MWh	21.704
○ Consumption in Mobile Telephone Switching Offices (MTSOS)	MWh	40.777
○ Consumption in Data Centers	MWh	35.828
○ Consumption in Others (Offices, Call Centers, Shops, Landing Stations, Pops and Olas)	MWh	15.776
○ Consumption in electric vehicles	MWh	403
○ Consumption of self-generated non-fuel renewable energy	MWh	76
• Fuel consumption + District heating	MWh	25.412
○ Operations fuel consumption	MWh	3.199
○ Fleet fuel consumption	MWh	16.913
○ District heating consumption	MWh	5.301
Electricity consumption from renewable sources including self-generation	MWh	836.124
% of renewable electricity consumption in own facilities	%	100

Directed actions		
Energy Saved by energy efficiency projects (MWh)	MWh	12.358
• Power Saving Features	MWh	11.538
• Cooling	MWh	820

Energy Data Year: 2024	Unidad	TOTAL
Total energy consumption related to own operations	MWh	861.537
• Total energy consumption from fossil sources	MWh	25.412
○ Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources	MWh	5.301
▪ Consumption of purchased or acquired electricity from fossil sources	MWh	-
▪ Consumption of purchased or acquired heat, steam, or cooling from fossil sources	MWh	5.301
○ Consumption of fuel (excluding feedstock) MWh from non-renewable sources	MWh	20.111
▪ Fleet	MWh	3.199
▪ Operations	MWh	16.913
• Total energy consumption from renewable sources	MWh	836.124
○ Fuel consumption from renewable sources	MWh	-
○ Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	MWh	836.049
▪ Consumption of purchased or acquired electricity MWh from renewable sources	MWh	836.049
▪ Consumption of purchased or acquired heat, steam, and cooling from renewable sources	MWh	-
○ Consumption of self-generated non-fuel renewable energy	MWh	76
Percentage of fossil sources in total energy consumption	%	3
Percentage of renewable sources in total energy consumption	%	97

Contractual instruments		
Total Contractual instruments used for purchase of bundled and unbundled energy attribute claims	**%**	**100**
• **Percentage of Contractual instruments used for purchase of energy bundled with attributes about energy generation (%) in third-party facilities**	**%**	**2,22**
○ **Percentage of renewable energy consumption covered by PPAs**	**%**	**2,21**
○ **Percentage self-generation electricity**	**%**	**0,01**
• **Percentage of Contractual instruments used for purchase of unbundled energy attribute claims (%)**	**%**	**97,78**
○ **Purchase of Renewable Guarantee of Origin Certificates**	**%**	**97,78**

In Madrid, date 2025-02-11

Rafael García Meiro

Consejero Delegado / CEO

Supervisory Board Report for the Financial Year 2024

Dear Shareholders,

We look back on a financial year 2024 in which the geopolitical situation intensified and economic development in Germany continued to deteriorate. In this challenging environment, Telefónica Deutschland had a successful financial year 2024, improving its operational and financial key figures and implementing strategically important steps. With 824,000 additional mobile contract customers, our company grew faster than the market and continued the growth momentum of previous years. This positive development was largely driven by our strong core brand O_2. In order to tap further growth potential in the future, the company substantially expanded its partner business in the financial year 2024. The company has linked the business customer segment more closely to the technology organization. The strategic development of the O_2 brand and the various customer segments are key components of the “Accelerated Growth & Efficiency Plan”. The company's strategic plan aims to make the company's business model even more resilient and to generate further profitable growth by 2026 with its own customers and partners. The quality of the mobile network is central to our success. Telefónica Deutschland further expanded its 5G network in record time and again invested more than one billion euros in networks and services in the past financial year. With more than 7,500 expansion measures, the company further improved its mobile network in Germany, making the everyday lives of millions of people better.

In the financial year 2024, the Management Board and Supervisory Board came to the conclusion that the stock exchange listing had lost its strategic significance and that a delisting was therefore advantageous for Telefónica Deutschland from an operational and financial point of view .

With effect from the end of 18 April 2024, the management of the German Stock Exchange revoked the admission of Telefónica Deutschland Holding AG's shares to trading on the Frankfurt Stock Exchange, as requested. This marked the end of the company's almost ten-year history as a publicly listed company.

Peter Löscher

Chairman of the Supervisory Board of Telefónica Deutschland Holding AG

Composition of the Supervisory Board

The company's **Supervisory Board** consists of 16 members, of which eight are shareholder representatives and eight are employee representatives.

The Supervisory Board consisted of the following members throughout the financial year 2024: Peter Löscher (Chairman), Martin Butz*, Pablo de Carvajal González, Yasmin Fahimi, María García-Legaz Ponce, Ernesto Gardelliano, Cansever Heil*, Christoph Heil*, Michael Hoffmann, Julio Linares López, Stefanie Oeschger, Thomas Pfeil* (Deputy Chairman), Joachim Rieger*, Barbara Rothfuß*, Jaime Smith Basterra and Dr Jan-Erik Walter*.

Further information, including curricula vitae of the members of the Supervisory Board, can be found on the company's website at www.telefonica.de/supervisory-board.

* Employee Representative

The member Michael Hoffmann, who is independent of the controlling shareholder as well as of the company and the Management Board, is the Chairman of the Audit Committee.

The Supervisory Board included at least one member with expertise in the field of accounting and auditing, Michael Hoffmann, and at least one further member with expertise in the field of accounting and auditing, Ernesto Gardelliano, in the reporting period. In addition, Thomas Pfeil, Stefanie Oeschger and Jaime Smith Basterra also have corresponding expertise. The members of the Supervisory Board as a whole were familiar with the sector in which the company operates.

Composition of the Management Board

In the financial year 2024, the Management Board of Telefónica Deutschland Holding AG consisted of seven members: Markus Haas, Chief Executive Officer, Markus Rolle, Chief Financial Officer, Valentina Daiber (Chief Officer Legal and Corporate Affairs), Nicole Gerhardt (Chief Organisational Development & People Officer and Labour Director ("Arbeitsdirektorin")), Andreas Laukenmann (Chief Consumer Officer), Alfons Lösing (Chief Partner & Wholesale Officer) and Mallik Rao (Chief Technology & Enterprise Officer).

Cooperation between the Management Board and Supervisory Board

The Management Board and Supervisory Board cooperate in a trusting manner in all relevant matters within and outside of Supervisory Board meetings and in the interest of the company.

In the reporting period, the Supervisory Board advised and monitored the Management Board in accordance with legal requirements.

The Management Board involved the Supervisory Board in all material decisions in a timely manner, submitted reports to the Supervisory Board in oral and written form and provided additional information when required. Where approval by the Supervisory Board was required by law, the articles of association or the by-laws, this was given after intensive consultation, evaluation and discussion in the Supervisory Board and – where relevant – in the committees set up by the Supervisory Board for this purpose.

In addition, the Management Board provided the Supervisory Board monthly with a written report, which covered in particular relevant financial key performance indicators (KPIs).

During the reporting period, the Chairman of the Supervisory Board regularly exchanged information with the Management Board, in particular with the CEO. Regular alignment meetings took place between the Chairperson of the Supervisory Board and the CEO.

The Chairman of the Supervisory Board informed the other members of the Supervisory Board about important topics discussed.

In addition to the meeting activities, pre-alignment meetings for the respective meetings and other information provided to the Supervisory Board by the Management Board during the year, an annual strategy workshop was again held. Here the strategy of the company was analysed in the light of current developments and for each Management Board department and discussed and coordinated in an informal setting. In that context, it was discussed how corporate responsibility and ESG (Environmental, Social, Governance) are included in the company's operations and strategy and the strategy and its implementation were reflected.

Meetings of the Supervisory Board

In 2024, five regular meetings were held on 19 February, 6 May, 18 July, 4 November and 17 December 2024. The Supervisory Board's regular consultations focused in particular on the presentation of Telefónica Deutschland group's current situation, including in the individual business areas, as well as key strategic topics such as regulation, digitalisation and transformation, but also the impact of current geopolitical developments on the company. In addition to regular and event-driven information on these topics, there were annual in-depth presentations of the internal audit and the risk management systems, as well as of compliance, data protection and security (business resilience) including business continuity management. Internal Supervisory Board matters and Management Board matters were regularly discussed without the participation of the Management Board. These also included governance issues and the annual effectivity survey of the Supervisory Board. The Supervisory Board also dealt intensively with succession plans for the Management Board. The first regular meeting of the Supervisory Board in the financial year 2024 was the balance sheet meeting for the financial year 2023, which took place on 19 February 2024. This meeting focussed on the review and approval of the annual and consolidated financial statements and the combined management report for the financial year 2023, as well as the dependency report and the separate non-financial Group report and the proposals for the distribution of profits.

At the Supervisory Board meeting on 4 November 2024, the early extension of the contract and appointment to the Management Board of technology Management Board member Mallik Rao was approved, along with an expansion of his role to Inter alia include the B2B area, and a corresponding adjustment of his title to Chief Technology & Enterprise Officer.

At the Supervisory Board meeting on 17 December 2024, the main focus was on the Long Term Business Plan presented during the strategy day on 17 July and on discussion of the budget 2025 and the the resolution on the budget 2025.

In addition, there were three extraordinary meetings of the Supervisory Board, two of which dealt with the so-called delisting, namely the delisting agreement and the delisting offer. Immediately after the Annual General Meeting, a Supervisory Board meeting was held on 18 June 2024, at which Michael Hoffmann was confirmed as a member and Chairman of the Audit Committee and a member of the Related Party Transactions Committee, and Julio Linares López was confirmed as a member of the Mediation Committee. Furthermore, Peter Löscher was elected as a member and Chairman of the Remuneration Committee.

There has been one regular Supervisory Board meeting so far in 2025. The balance sheet meeting for the financial year 2024 took place on 21 February 2025. In addition to financial topics, the balance sheet meeting dealt in particular with preparations for the Annual General Meeting 2025. In the internal part of the meeting, the Supervisory Board's report on the financial year 2024 was one of the topics discussed. Furthermore the extension of the Board Member service agreement and the appointment of Markus Haas as Chairman of the Management Board until 31 December 2028, in accordance with the Remuneration Committee's recommendation was approved.

Insofar as members could not attend meetings of the Supervisory Board or relevant committee meetings in isolated cases, they were excused. They participated then in the passing of resolutions by written vote. One exception to this related to the extraordinary Supervisory Board meeting regarding the delisting agreement and the public delisting acquisition offer of Telefónica Local Services GmbH, at which the members Pablo de Carvajal González, María García-Legaz Ponce, Ernesto Gardelliano and Julio Linares López declared themselves to be biased with regard to the public acquisition offer and did not participate in the meeting or the resolution.

Where necessary, the Supervisory Board also passed resolutions outside of meetings.

Committees of the Supervisory Board

As of 31 December 2024, the Supervisory Board has installed five permanent committees: an Audit Committee, a Remuneration Committee, a Nomination Committee, a Related Party Transactions Committee and a Mediation Committee. The Audit Committee, the Remuneration Committee and the Related Party Transactions Committee met regularly, the Nomination Committee met once in the reporting year. The Mediation Committee only meets when necessary and did not meet during the reporting year. In the financial year 2024, the Acquisition Offer Committee, which had been implemented in 2023 as a temporary committee, met once.

The **Audit Committee** is inter alia responsible for preparing the resolution of the Supervisory Board regarding the approval of the financial statements and the group sustainability report, discusses the quarterly information and monitors the accounting processes and the audit of the financial statements, compliance (including data protection and information security) and the effectivity of the internal control system, the risk management system and internal audit systems. It furthermore is responsible for the coordination with and selection of the auditor as well as assessing its independence and evaluation of the quality of the audit work.

During the reporting year, the Audit Committee consisted of the following members:

- Michael Hoffmann (Chairman; independent financial expert)
- Martin Butz
- Ernesto Gardelliano (financial expert)
- Stefanie Oeschger (independent financial expert) and
- Thomas Pfeil (financial expert)
- Dr Jan-Erik Walter.

In 2024, the Audit Committee met four times, on 19 February, 6 May, 18 July and 4 November 2024. The topics discussed included, among other things, financial and non-financial reporting including sustainability topics (ESG), the financial results, other finance topics, internal audit, risk management, compliance, data protection, cyber security and business continuity management, as well as the assessment of quality of the auditor's work. Furthermore, the Supervisory Board's meeting on financial statements and corresponding recommendations to the full board were prepared.

If necessary, the Audit Committee also took resolutions outside meetings by e-mail during the reporting period.

In 2025, the Audit Committee met once, on 21 February 2025.

During the reporting year, the Chairman of the Audit Committee maintained close contact with the auditors and internal (especially finance) departments as well as the Management Board also outside of meetings and informed the other members of the Audit Committee about important topics arising from this exchange. Furthermore, the Chairman of the Audit Committee regularly reports to the Supervisory Board on the activities of the Audit Committee.

During the reporting year, the **Remuneration Committee** consisted of the following members:

- Peter Löscher (since 18 June 2024) (Chairman; independent)
- María García-Legaz Ponce
- Cansever Heil and
- Dr Jan-Erik Walter.

Michael Hoffmann left the Remuneration Committee as of the end of the company´s AGM on 18 June 2024.

The **Remuneration Committee** is responsible for the preparation of topics relating to the remuneration of the Management Board and Supervisory Board. Insofar as Supervisory Board compensation is concerned, this applies only to the extent that it falls within the remit of the Supervisory Board, particularly in the context of the “say on pay” requirements. The Remuneration Committee makes recommendations to the full Supervisory Board in this regard.

The Remuneration Committee met three times in 2024. The Remuneration Committee dealt intensively, among other things, with preparations for resolutions of the Supervisory Board on Management Board remuneration issues, including the adjustment of the Management Board remuneration system.

Furthermore, the Remuneration Committee also passed resolutions by e-mail outside of meetings during the reporting period.

The Chairman of the Remuneration Committee reported regularly on the activities of the Remuneration Committee to the full Supervisory Board.

The **Nomination Committee** proposes suitable candidates to the Supervisory Board for election proposals to the Annual General Meeting.

As of 31 December 2024, the Nomination Committee consisted of the following members:

- Peter Löscher (Chairman; independent)
- Pablo de Carvajal González
- Ernesto Gardelliano and
- Jaime Smith Basterra.

The Nomination Committee met once in the reporting year 2024, and prepared the election proposal to the AGM on 18 June 2024.

The Chairman of the Nomination Committee reports on the activities of the Nomination Committee to the full Supervisory Board.

The **Related Party Transactions Committee** monitors and resolves on certain transactions with affiliated companies, until the delisting also pursuant to sections 111a, b German Stock Corporation Act (AktG). Even after the delisting on 18 April 2024, a third-party comparison will be carried out when examining relevant transactions. The majority of its members have no in principle no conflicts of interest with regard to the controlling shareholder.

The **Related Party Transactions Committee** consists of the following five members:

- Peter Löscher (Chairman)
- Pablo de Carvajal González
- Michael Hoffmann
- Christoph Heil and
- Barbara Rothfuß.

The Related Party Transactions Committee met four times in 2024. At these meetings, the Related Party Transactions Committee dealt with the quarterly monitoring of transactions with affiliated companies and dealt with transactions with affiliated companies that did not trigger any disclosure obligations under section 111c of the German Stock Corporation Act (AktG).

The Chairman of the Related Party Transactions Committee reports regularly on the activities of the Committee at the meetings of the Supervisory Board.

As of 31 December 2024, the **Mediation Committee** with the responsibilities as defined in section 31 Co-Determination Act (Mitbestimmungsgesetz) consisted of the following members:

- Peter Löscher (Chairman)
- Julio Linares López
- Thomas Pfeil and
- Barbara Rothfuß.

There was no need for the Mediation Committee to convene in the reporting year.

In order to deal with the tasks of the Supervisory Board in connection with the public delisting acquisition offer of Telefónica Local Services GmbH appropriately and without conflicts of interest, the Supervisory Board, the **Acquisition Offer Committee**, implemented in the financial year 2023, was entrusted with the discussion and resolution. In place of the Supervisory Board and within the scope of the authorisation granted, this committee performed the tasks of the Supervisory Board in connection with the public delisting acquisition offer, in particular the evaluation of the offer and the preparation of the legally required statement for resolution by the full Supervisory Board.

The members of the **Acquisition Offer Committee** are:

- Peter Löscher (Chairman, independent)
- Martin Butz
- Christoph Heil
- Michael Hoffmann (independent)
- Thomas Pfeil and
- Jaime Smith Basterra (independent).

The Acquisition Offer Committee met once in the past financial year. As part of its duties, the committee formed a well-founded and reasoned opinion on the acquisition offer and prepared a corresponding statement for resolution by the full Supervisory Board. The Acquisition Offer Committee was dissolved at the Supervisory Board meeting on 6 May 2024.

Corporate Governance

Good corporate governance is essential for corporate success and is therefore in the interest of the company's shareholders.

Five of the 16 members of the Supervisory Board in the reporting year held positions in the administrative, management or supervisory bodies of the majority shareholder or its affiliated companies or were closely related to the major shareholder. Both the Supervisory Board members and the Management Board members disclose potential conflicts of interest promptly to the Supervisory Board.

The members of the Supervisory Board Pablo de Carvajal González, Maria García-Legaz Ponce and Ernesto Gardelliano are active in executive functions of the Telefónica, S.A. Supervisory Board member Julio Linares López held executive positions at the Bidder Parent and its subsidiaries for many years until 2022 and is currently a member of the board of trustees of the Telefónica Foundation (Fundación Telefónica), which is closely linked to the Bidder Parent. These four Supervisory Board members have therefore declared themselves to be biased with regard to the offer and the submission of the legally required statement. In accordance with their own declarations of bias, these members of the Supervisory Board did not participate in any deliberations or resolutions of the Supervisory Board with regard to the Offer and the Statement adopted in this respect or in discussions with other third parties.

In the reporting period, no other conflicts of interest arose.

Diversity

As of 31 December 2024, the Supervisory Board comprised five female and eleven male members. Thus, the Supervisory Board continued to fulfil the requirements of section 96 para. 2 German Stock Corporation Act (AktG) which the Supervisory also adopted for itself (a gender diversity quota of at least 30 %), which shall be fulfilled separately by shareholder and employee representatives side following a shareholder representative resolution. This quota was fulfilled during the entire financial year with three female members on the employee representative side and two female members on the shareholder representative side. Following the delisting, the Supervisory Board set a new gender quota that provides for a minimum of five female members out of 16 and was adhered to throughout the entire financial year.

With more than one member, the requirements of Sect. 76 para 3a Stock Corporation Act (AktG) were also met. After delisting and the corresponding end of applicabilty of Sect. 76 para 3a AktG, the Supervisory Board set a target for the minimum gender diversity quota for the Management Board in accordance with Section 111 para. 5 of AktG at two out of seven, to be fulfilled by 31 July 2026.

Support of Members of the Supervisory Board

The members of the Supervisory Board are adequately supported when taking up their duties. In particular, an introduction to the activities of the Supervisory Board at Telefónica Deutschland takes place upon taking office. As part of this introduction, the Supervisory Board office with legal advisors explain the practical and legal principles and also highlight specific issues relating to stock corporation law. Training and further development requirements of the Supervisory Board are regularly assessed during the course of its work. In the reporting year, general information was presented, in particular on corporate governance issues and new legal framework but also on relevant specific legal topics. In the temporal and thematic context of the strategy workshop, training sessions were organised by the company on new topics related to the company's strategy, in particular on the capital market's view of the company and on new requirements for sustainability in the company and ESG (environmental, social, governance) reporting. The Supervisory Board was also informed about technology trends and corresponding legal regulations relevant to the company.

Review of the Financial Statements 2024

Pricewaterhouse Coopers GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements and the consolidated financial statements as well as the combined management report of Telefónica Deutschland Holding AG and the Group as of 31 December 2024 and provided each with an unqualified audit opinion. The annual financial statement of Telefónica Deutschland Holding AG and the combined management report for Telefónica Deutschland Holding AG and the Telefónica Deutschland Group were prepared in accordance with German commercial law. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as they are applied in the European Union (EU) and the additional requirements which have to be applied in accordance with section 315e para 1 German Commercial Code (HGB). The auditor carried out the audit in accordance with section 317 German Commercial Code (HGB) considering German principles of proper auditing set by the Institute of Public Auditors in Germany (IDW). Since Telefónica Deutschland Holding AG is a small corporation following the discontinuation of its stock market listing, an audit of the financial statements is no longer legally required. The audit of the annual financial statements was therefore voluntary.

The financial statement documentation of Telefónica Deutschland Holding AG and the Group, the Group sustainability report for Telefónica Deutschland Holding AG for the financial year 2024 as well as the respective auditor's reports were submitted to the Supervisory Board prior to the meeting on 21 February 2025 ("Bilanzsitzung"). The Audit

Committee and the full Supervisory Board thoroughly reviewed the Annual Financial Statement ("Jahresabschluss"), the Group financial statements, the combined management report for Telefónica Deutschland Holding AG and the Group, the Group sustainability report and the respective auditor´s reports and discussed the documents in detail together with the auditor on 21 February 2025. The auditor also reported on scope, material aspects and results of his audit. Management Board explained in this meeting besides the annual financial statements of Telefónica Deutschland Holding AG and the Group, the combined management report for Telefónica Deutschland Holding AG and the Group also the Group sustainability report. The Supervisory Board approved the auditor's findings in the audit reports and had no objections after its own assessment.

At its meeting on 21 February 2025, the Supervisory Board approved the annual financial statements of Telefónica Deutschland Holding AG and the consolidated financial statements together with the combined management report for the financial year 2024; the financial statements of Telefónica Deutschland Holding AG are thereby adopted.

Relations to affiliated companies

The report on relations to affiliated companies (dependency report) as prepared by the Management Board pursuant to section 312 of the German Stock Corporation Act was also audited by the auditor. With respect thereto, the auditor issued the following unqualified opinion ("Uneingeschränkter Bestätigungsvermerk"):

"On the basis of our statutory audit and assessment we confirm that

1. the factual disclosures provided in the report are correct,
2. the company's consideration concerning legal transactions referred to in the report was not unduly high,
3. there are no circumstances indicating a materially different assessment of the measures referred to in the report than the assessment reached by the management board."

The dependency report as prepared by the Management Board and audited by the auditor as well as the audit report on the dependency report were submitted to the Supervisory Board and discussed in detail in the meeting on 21 February 2025 also with the auditor. Having reviewed the dependency report and the corresponding audit report, the Supervisory Board agreed with the results of the audit of the dependency report and as the result of its own assessment had no objections against the dependency report and the Management Board's declaration contained therein.

The Supervisory Board would like to thank the entire Management Board for their outstanding performance in the once again challenging 2024 financial year and for their cooperation, which has always been based on trust. Furthermore, the Supervisory Board would also like to thank all Telefónica Deutschland Group employees, who once again showed outstanding commitment during this special period and made a very significant contribution to the success of the company.

Munich, 21 February 2025

On behalf of the Supervisory Board

Peter Löscher

Chairman of the Supervisory Board of

Telefónica Deutschland Holding AG

Glossary

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

2G	Designation of the second-generation mobile communications standard; introduction of digital voice transmission and SMS services
3G	Designation of the third-generation mobile communications standard, based on UMTS, including further developments such as HSPA and HSPA+
4G	Designation of the fourth-generation mobile communications standard (mainly LTE)
5G	Designation of the fifth-generation mobile communications standard; connects fixed and mobile networks, supports IoT and offers high data rates
6G	Designation of the sixth-generation mobile communications standard
AGG	Allgemeines Gleichbehandlungsgesetz (German General Equal Treatment Act)
AI	Artificial intelligence
AktG	Aktiengesetz (German Stock Corporation Act)
aL	After Lease
ARPU	A key figure that denotes the average revenue per active user in a given period
ASA	Arbeitssicherheitsausschusssitzung (Occupational Safety Committee)
Augmented Reality (AR)	Computer-aided augmentation of reality
B2B	Business-to-Business
B2C	Business-to-Consumer
BCM	Business Continuity Management
BCMS	Business Continuity Management System
Bitkom	Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V., Berlin (German Federal Association for Information Technology, Telecommunications and New Media, Berlin)
BMI	Bundesministerium des Innern und für Heimat (German Federal Ministry of the Interior)
BNetzA	Bundesnetzagentur (German Federal Network Agency)
bp	Basis point
BP	Disclosure Requirements Regarding the Basis for Preparation
Broadband	Refers to telecommunication in which a wide band of frequencies is available to transmit information
Cap	Capping limit
CapEx	Capital Expenditure: investments in property, plant and equipment and intangible assets excluding investments in mobile frequency licences and business combinations
CapEx/Sales ratio	Investment ratio: reflects the percentage share of investments in revenues
CDS	Credit Default Swap
CH_4	Methane
CHM	Corporate Health Management
Churn	Loss of customers within a certain period of time, often expressed as a percentage
Cloud services	Dynamic infrastructures, software and platform services that are available via the internet
CMS	Compliance Management System
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
CR&S	Corporate Responsibility & Sustainability Directorate for Telefónica Deutschland Group
CSRD	Corporate Sustainability Reporting Directive
DBO	Defined Benefit Obligation: present value of earned pension obligations
DEFRA	Department for Environment, Food and Rural Affairs (United Kingdom)
DIN	Deutsches Institut für Normung (German Institute for Standardisation)
DNSH	Do No Significant Harm
DRP	Disaster Recovery Plan
DSL	Digital Subscriber Line: technology for data transmission over copper wires in the local loop

EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EIB	European Investment Bank
EN	European Standard
eNPS	Employee Net Promoter Score: The eNPS is a key indicator for measuring employer attractiveness
ESG	Environmental, Social, Governance
ESRS	European Sustainability Reporting Standards
ESRS E1	European Sustainability Reporting Standard related to climate change
ESRS E2	European Sustainability Reporting Standard related to pollution
ESRS E3	European Sustainability Reporting Standard related to water and marine resources
ESRS E4	European Sustainability Reporting Standard related to biodiversity and ecosystems
ESRS E5	European Sustainability Reporting Standard related to resource use and circular economy
ESRS G1	European Sustainability Reporting Standard related to business conduct
ESRS S1	European Sustainability Reporting Standard related to own workforce
ESRS S2	European Sustainability Reporting Standard related to workers in the value chain
ESRS S3	European Sustainability Reporting Standard related to affected communities
ESRS S4	European Sustainability Reporting Standard related to consumers and end-users
EU	European Union
Euribor	Euro Interbank Offered Rate
FCF	Free cash flow
FCF aL	Free cash flow after lease
FMS	Fixed-Mobile Substitution: replacing fixed-network services with mobile telephony services
FTE	Full-time equivalent
FTTB	Fibre To The Building or Fibre To The Basement: in telecommunications, FTTB means that the fibre-optic cable is terminated in the user's building (basement)
FTTH	Fibre To The Home: a technology where the fibre-optic cable is terminated directly in the customer's home
GB	Gigabyte
Gbit	Gigabit
GCGC	German Corporate Governance Code
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GHG	Greenhouse gas
GHG emissions	Greenhouse gas emissions
GHz	Gigahertz
GloBE	Global Anti-Base Erosion: the designation for the regulatory framework governing a global minimum tax under the OECD/G20 Pillar 2 initiative
GOV	Disclosure Requirements regarding Governance
GRI	Global Reporting Initiative
GSMA	Global System for Mobile Communications Association: The GSMA is an industry organisation that represents the interests of mobile network operators worldwide
GWh	Gigawatt hour
HCFC	Hydrochlorofluorocarbons
HFC	Hydrofluorocarbons
HGB	Handelsgesetzbuch (German Commercial Code)
HinSchG	Hinweisgeberschutzgesetz (German Whistleblower Protection Act)
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information and communications technology
ICS	Internal control system
IDW	Institut der Wirtschaftsprüfer in Deutschland e. V. (Institute of Public Auditors in Germany), Düsseldorf
IEA NZE	International Energy Agency — Net Zero Emissions by 2050 Scenario
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IoT	Internet of Things
IPCC	Intergovernmental Panel on Climate Change
IRO	Disclosure Requirements Regarding Impacts, Risks and Opportunities
ISO	International Organization for Standardization

IT	Information Technology
IZMF	Informationszentrum Mobilfunk (Mobile Telecommunications Information Centre)
JAC	Joint Alliance for CSR: The JAC is an association of telecommunications operators whose objective is to verify, assess and develop the implementation of sustainability in the production centres of multinational suppliers of the ICT industry.
Joint venture	A company jointly controlled by two or more companies with shared control over net assets
KPI	Key Performance Indicator
KRITIS	Kritische Infrastruktur (Critical infrastructure)
LGBTQIA+	Lesbian, Gay, Bisexual, Transsexual/Transgender, Queer, Intersexual and Asexual
LGD	Loss Given Default
LkSG	Lieferkettensorgfaltspflichtengesetz (German Act on Corporate Due Diligence Obligations in Supply Chains)
LTE	Long-Term Evolution: further development of the UMTS/HSPA mobile communications standard
M2M	Machine-to-Machine communication: automatic exchange of information between machines
MBA	Mobile Bitstream Access
Mbit	Megabit
MCT	Modelo de Compras de Telefónica (procurement model of Telefónica, S.A.)
MDR-A	Minimum disclosure requirements – Actions
MDR-P	Minimum disclosure requirements – Policies
MDR-T	Minimum disclosure requirements – Targets
MHz	Megahertz
MitbestG	Mitbestimmungsgesetz (German Co-Determination Act)
MTR	Mobile network termination rate
MVNO	Mobile Virtual Network Operator
MWh	Megawatt hour
N_2O	Nitrous oxide is an extremely effective and therefore climate-damaging greenhouse gas with a global warming potential about 300 times greater than carbon dioxide (CO_2).
NPS	Net Promoter Score: The NPS is a key indicator for measuring customer satisfaction
NRA	National Roaming Agreement
O2 (Europe) Limited	O2 (Europe) Limited, Slough, United Kingdom
O_2 Mobile	O_2 Mobile refers to 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 gigabytes per month up to real data flat rates
O_2 My Handy	Monthly payment model for mobile phones and other hardware
OD&P	Business unit: Organizational Development & People
OECD	Organisation for Economic Co-operation and Development
OIBDA	Operating Income before Depreciation and Amortisation
OpCF aL	Operating cash flow after lease: EBITDA aL minus CapEx
OpEx	Operational expenditure
OTT	Over-the-top: IP-based and platform-independent services and applications (WhatsApp, Facebook etc.)
PB	Petabyte
PIP	People in place
Postpaid/Prepaid	In contrast to postpaid contracts, prepaid contracts purchase the credit balance in advance without a fixed contractual commitment
PPA	Power Purchase Agreement
PS	Assurance Standard
RBP	Responsible Business Plan: The RBP is Telefónica Deutschland Group's sustainability strategy
RCF	Revolving Credit Facility
RCP	Representative Concentration Pathway
Roaming	Using a communication device or subscriber identity in a different network other than one's home network
s	Second
SASB	Sustainability Accounting Standards Board
SBM	Disclosure Requirements Regarding Strategy
SBTi	Science Based Targets Initiative
SCSP	Supply Chain Sustainability Policy
SDGs	Sustainable Development Goals
SIM	Subscriber Identity Module: a chip card to insert into a mobile phone which identifies the user within the network
SME	Small and medium-sized enterprises
SoHo	Small offices/Home offices
SOX	Sarbanes-Oxley Act: US law on improving the reliability of reporting
Spectrum	Frequency rights of use or mobile frequency licences

SSP	Shared Socioeconomic Pathways
TCFD	Task Force on Climate-related Financial Disclosures
TDD/FDD	Time Division Duplex/Frequency Division Duplex
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)
TKMV	Telekommunikationsmindestversorgungsverordnung (German Telecommunications Minimum Supply Ordinance)
Translation risk	The risk arising from the translation of accounting items at a later reporting date
TSR	Total shareholder return (return on shares)
UGG	Unsere Grüne Glasfaser
UN	United Nations
UNGC	United Nations Global Compact: An initiative for sustainable and responsible corporate governance, which formulates ten principles for the social and ecological shaping of globalisation
UNGP	United Nations Guiding Principles on Business
UNICEF	United Nations Children's Fund
VATM	Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e. V. (Association of Telecommunications and Value-Added Service Providers), Berlin
VDSL	Very High Data Rate Digital Subscriber Line: DSL technology with significantly higher data transfer rates (see also DSL)
Vectoring	Vectoring is a noise-cancelling technology that removes the electro-magnetic interference between lines, enabling higher bit rates
Virtual Reality (VR)	Computer-generated representation of a world (in real time)
Wholesale	Selling services to third parties who sell them to their own end customers either directly or after further processing
WWF	World Wide Fund for Nature

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