INTERIM GROUP REPORT

for the period 1 January to 30 June 2020

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Further Information

INTERIM GROUP MANAGEMENT REPORT

for the period 1 January to 30 June 2020

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

T 01

FINANCIAL OVERVIEW

1 January to 30 June

(in EUR million)	**2020**	2019	% Change
Revenues	**3,636**	**3,564**	**2.0**
Mobile service revenues	2,587	2,599	(0.5)
Operating income before depreciation and amortisation (OIBDA), adjusted for exceptional effects	**1,085**	**1,106**	**(1.9)**
OIBDA margin, adjusted for exceptional effects	*29.8%*	*31.0%*	*(1.2%-p.)*
Operating income before depreciation and amortisation (OIBDA)	**1,079**	**1,084**	**(0.4)**
OIBDA margin	*29.7%*	*30.4%*	*(0.7%-p.)*
CapEx	**(475)**	**(496)**	**(4.2)**
Investment ratio (CapEx/sales ratio) in %	**13.1**	**13.9**	**(6.1)**
Free cash flow	**316**	**322**	**(2.0)**
Mobile accesses (in thousands)	43,517	43,218	0.7
Net adds in mobile prepaid business (in thousands)	(773)	(208)	>100
Net adds in mobile postpaid business excl. M2M (in thousands)	347	641	(45.9)
Total ARPU (in EUR)	**9.7**	**9.9**	**(1.9)**
Non-SMS data revenue over total data revenues (%)	**91.6%**	**90.4%**	**1.2%-p.**

	As of 30 June 2020	As of 31 December 2019	% Change
Debt ratio	**1.9x**	**1.7x**	**13.7**
Net financial debt	4,438	3,860	15.0

ECONOMIC REPORT OF THE GROUP

Overall Economic and Industry Conditions

Overall economic development in Germany: severely affected by the COVID-19 pandemic, but recovery in sight[1]
The corona pandemic and the steps taken to contain it have resulted in a deep recession for the German and global economy in the first half of 2020. According to the Federal Statistical Office, German gross domestic product (GDP) contracted by an estimated 11.7% in the second quarter of 2020 compared with the same quarter in the previous year, following a 1.8% fall in the first quarter.

The impact of the COVID-19 pandemic is also apparent in the German labour market. A number of firms have announced short-time working. Figures from the Federal Employment Agency indicate that the number of unemployed rose from 2.2 million (unemployment rate 4.9%) at the end of 2019 to 2.9 million (unemployment rate 6.2%) in June 2020. However, the rise in unemployment in June 2020 has slowed down compared to April and May, while the widespread use of short-time working has also had a stabilising effect.

These developments are also having an impact on consumer sentiment. GfK reports that the consumer climate index reached a historic low in April 2020, but then recovered slightly.

As the number of new infections fell in Germany, the lockdown measures have now been eased and, in some areas, they have even been lifted completely. According to the German federal government, economic activity has been rising again since May and the downwards slide in the economy has been stopped so far.

Technology trends bring growth potential for the telecommunications market[2]
The consumption of films, series and video clips via the Internet is gaining in importance in Germany across all age groups and has further increased due to the COVID-19 pandemic. A survey conducted by Statista indicates that new contracts for streaming services increased significantly during the corona lockdown.

Rise in demand on the German fixed line broadband market due to COVID-19 pandemic[3]
As a result of the restrictive measures to contain the COVID-19 pandemic, the use of (fixed line) broadband services for work (more people working from their home office), shopping and leisure (video/OTT streaming services) has increased even further within a short period of time. According to the "Interim Report on COVID-19", data traffic increased dramatically in March 2020, to about 10% above the average data volume before COVID-19. This figure has now stabilised at a high level.

Regulatory Influences on the Telefónica Deutschland Group

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

Below is a presentation of the most important additions and new regulatory events relating to the disclosures made in the section "Regulatory Influences on the Telefónica Deutschland Group" in the Combined Management Report for the financial year ending 31 December 2019.

[1] Sources: Destatis – Federal Statistical Office: Press Release 287 (30 July 2020); Federal Ministry of Economics (BMWI): Economic Situation in Germany, June 2020; Federal Employment Agency: Unemployment Statistics (July 2020); GfK Consumer Climate Index (April-June 2020)
[2] Sources: Statista: Covid Survey on Streaming Contracts (31 May 2020); PwC: German Entertainment & Media Outlook (GEMO) 2019-2023 (24 October 2019)
[3] Sources: Federal Network Agency (BNetzA): Annual Report 2019 (April 2020); Wuppertal Institute: Interim Report on COVID-19 (11 June 2020)

Frequencies

2019 auction to provide new frequencies for the further development of digital infrastructures

The action brought by the Telefónica Deutschland Group against the decisions issued on 14 May 2018 by the Presidential Chamber of the BNetzA (Presidential Chamber Decisions I and II) about the structure and choice of procedure governing the award of frequencies in the 2 GHz and 3.6 GHz ranges for wireless network access was rejected by the Cologne Administrative Court on 18 February 2019. The Telefónica Deutschland Group had lodged an appeal against this decision with the Federal Administrative Court in Leipzig. The Federal Administrative Court rejected the action on 24 June 2020.

The action brought by the Telefónica Deutschland Group against the decisions issued on 26 November 2018 by the Presidential Chamber of the BNetzA (Presidential Chamber Decisions III and IV) about the rules governing the award and the auction of frequencies in the 2 GHz and 3.6 GHz ranges was rejected by the Cologne Administrative Court in a ruling handed down on 17 February 2020. As an appeal against this ruling was not allowed, the Telefónica Deutschland Group lodged an appeal against denial of leave to appeal with the Federal Administrative Court in Leipzig. A ruling on this appeal is still pending.

The BNetzA is preparing an application procedure for the frequency range above 24 GHz, initially for 26 GHz. Local allocations are envisaged in this procedure, particularly for 5G applications. To this end, the BNetzA had submitted a draft of the basic framework conditions for consultation until 21 February 2020, on which the Telefónica Deutschland Group also issued a statement. The procedure is expected to continue in the second half of 2020.

Coverage requirements resulting from the 2015 frequency auction

In the view of the BNetzA, the Telefónica Deutschland Group was unable to meet the coverage requirement resulting from the 2015 frequency auction on schedule. This requirement stipulates that, from 1 January 2020, 98% of households throughout Germany and 97% of households in each federal state must be fully covered with a minimum data rate of 50 Mbit/s per antenna sector, as well as the main traffic routes, insofar as this is legally and actually possible. The BNetzA set the Telefónica Deutschland Group a grace period until 31 December 2020, adding two milestones of 30 June and 30 September. A grace period until 31 July 2020 was provided for reaching the first milestone as a result of delays caused by the COVID-19 pandemic, for example by disrupting supply chains. This grace period was met on schedule.

Second Mobile Communications Summit 2020

On 16 June 2020, a joint statement was issued at the Second Mobile Communications Summit by the German federal government, the federal states, local umbrella organisations and the mobile network operators and operators of mobile communications sites involved in the mobile network expansion, with the participation of the Telefónica Deutschland Group. This announcement included a federal support programme worth EUR 1.1 billion to close the "white spots" at up to 5,000 sites. The programme is to be coordinated by a mobile network infrastructure company set up by the federal government. In addition, the federal government, federal states and local authorities have agreed to provide suitable public-sector land and infrastructure for the mobile network expansion and to speed up approval procedures. The federal government, together with the federal states, local authorities and the academic community, wants to achieve more acceptance of mobile network expansion by the population through a communication initiative. It was also announced that the cooperation of all parties involved in mobile network expansion on railway lines is to be stepped up and that the federal government will provide EUR 150 million to support migration to the digital wireless communications system for railway services, GSM-R.

Telecommunications market

Merger of Telefónica and E-Plus

In December 2019, the Telefónica Deutschland Group agreed on a spectrum lease with the 1&1 Drillisch Group, according to which the Telefónica Deutschland Group will lease a spectrum package of 2 x 10 MHz in the range at 2.6 GHz to 1&1 Drillisch until the end of the term at the end of 2025. In return, the Telefónica Deutschland Group receives an annual usage fee. The spectrum lease agreement was approved by the BNetzA and put into effect. With this spectrum lease, the Telefónica Deutschland Group fulfils another EU requirement imposed by the EU Commission arising from the merger of the Telefónica Deutschland Group and E-Plus in 2014.

In arbitration proceedings between the Telefónica Deutschland Group and 1&1 Drillisch, the independent expert informed the parties on 27 May 2020 of his intention to reject the Telefónica Deutschland Group's demand for cost sharing by 1&1 Drillisch for the frequency usage rights resulting from the German spectrum auction in 2015. The Telefónica Deutschland Group has analysed the draft decision of the independent expert in detail and commented on it.

On 22 February 2019, the EU Commission opened formal proceedings against the Telefónica Deutschland Group by submitting its grounds for objection arising from the implementation of 4G wholesale access as a result of the merger between the Telefónica Deutschland Group and E-Plus in 2014. The Telefónica Deutschland Group responded to the complaints on 26 April 2019. The Telefónica Deutschland Group has also adjusted the conditions of the 4G access offer in the first half of 2020 and expects the proceedings to be discontinued soon.

Access and price regulation

Mobile number porting fees

In a notification issued on 17 April 2020, the BNetzA ordered a porting fee of EUR 5.73 (plus value-added tax) for the porting of a mobile number at retail customer level, in a procedure for retroactive price regulation effective 20 April 2020. The fee applies to the company's own retail customers who switch to another provider. The Telefónica Deutschland Group implemented the order within the specified time limit.

Results of Operations

T 02

CONSOLIDATED INCOME STATEMENT

1 January to 30 June

(in EUR million)	2020	2019	Change	% change
Revenues	**3,636**	**3,564**	**72**	**2.0**
Other income	56	78	(22)	(27.7)
Operating expenses	(2,614)	(2,559)	(55)	2.1
Supplies	(1,171)	(1,094)	(77)	7.0
Personnel expenses	(292)	(303)	10	(3.3)
Impairment losses in accordance with IFRS 9	(40)	(37)	(3)	7.7
Other expenses	(1,110)	(1,125)	15	(1.3)
Operating income before depreciation and amortisation (OIBDA)	**1,079**	**1,084**	**(4)**	**(0.4)**
OIBDA margin	***29.7%***	***30.4%***	**–**	***(0.7%-p.)***
Depreciation and amortisation	(1,110)	(1,215)	105	(8.6)
Operating income	**(30)**	**(131)**	**100**	**(76.8)**
Financial result	(32)	(26)	(6)	24.1
Profit/(loss) before tax	**(62)**	**(157)**	**94**	**(60.2)**
Income tax	(0)	0	(0)	(>100)
Profit/(loss) for the period	**(62)**	**(156)**	**94**	**(60.2)**

T 03

REVENUE BREAKDOWN

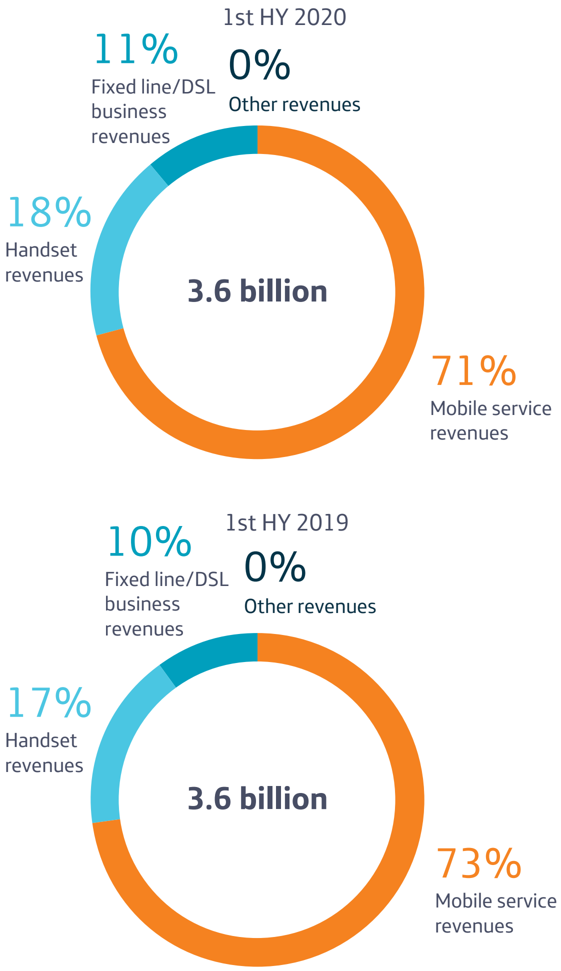
1 January to 30 June

(in EUR million)	2020	2019	Change	% change
Mobile business revenues	**3,248**	**3,195**	**52**	**1.6**
Mobile service revenues	2,587	2,599	(13)	(0.5)
Handset revenues	661	596	65	10.9
Fixed line/DSL business revenues	**386**	**367**	**19**	**5.1**
Other revenues	**3**	**2**	**1**	**68.5**
Revenues	**3,636**	**3,564**	**72**	**2.0**

Increase in revenue
In the first half of the 2020 financial year revenues increased as a result of strong growth in hardware revenues as well as increased fixed line/DSL business revenues. They more than compensated for the lower mobile service revenues compared to the previous year. Revenues were negatively affected by combined COVID-19 impacts and another non-recurrent special factor in the amount of around EUR 63 million, of which about EUR 38 million was attributable to COVID-19 impacts.

G 01

REVENUES
(IN % AND IN EUR BILLION)



Slight decrease in mobile service revenues
The development of mobile service revenues was negatively affected by combined COVID-19 impacts and another non-recurrent special factor in the first half of 2020. This was reflected in a very limited contribution from roaming in the second quarter of 2020 due to travel restrictions and lower demand for mobile voice and data packages in the prepaid segment as a result of the shift to WLAN use at home. The temporary lockdown also led to lower trading levels. The Telefónica Deutschland Group still operates in a dynamic competitive environment that is impaired by COVID-19. The above-mentioned negative revenue effects were counteracted by the continuing rise in data usage and sustained demand for the O_2 Free portfolio among new and existing customers. The larger customer base compared to 30 June 2019 is also a result of the good development of our partner brands. The more widespread availability of 4G products in this market segment is a key factor in this development. As a result, our postpaid mobile customer base excluding M2M grew by 347 thousand net additions to 22.9 million in the first half of the 2020 financial year (increase in the first half of 2019: 641 thousand). This led to a 2.3 percentage point increase in the postpaid share of total mobile customers excluding M2M to 52.6% compared to 30 June 2019. Due to the factors described above, the average revenue per user (ARPU) was slightly below the previous year's level at EUR 9.7 (first half of 2019: EUR 9.9).

Significant increase in handset revenues
Handset revenues are generally subject to fluctuation, as they depend on the launch of new mobile devices. Due to continued strong demand for handsets in the first half of 2020, revenue from sales of increasingly high-end devices – including to mobile service partners – significantly increased year on year.

Rise in fixed line/DSL business revenues
Revenues from fixed line business rose in the first half of 2020, due mainly to the growing DSL customer base and the sustained demand for VDSL products.

Increase in operating expenses
Operating expenses increased in the first half of 2020 compared to the previous year, chiefly due to higher hardware cost of sales and, to a lesser extent, a rise in selling expenses. This was partially offset by lower restructuring expenses, which amounted to EUR 0 million in the first half of 2020 (first half of 2019: EUR 22 million).

Increase in supplies

The cost of supplies in the first half of the 2020 financial year was higher than in the same period of the previous year. This is mainly due to the increased hardware cost of sales for handsets. The cost of connectivity was also slightly higher year-on-year. This was due particularly to the increase in voice volume for mobile and fixed-line communications resulting from the COVID-19 pandemic and higher data usage in the fixed-line network.

Personnel expenses down year-on-year

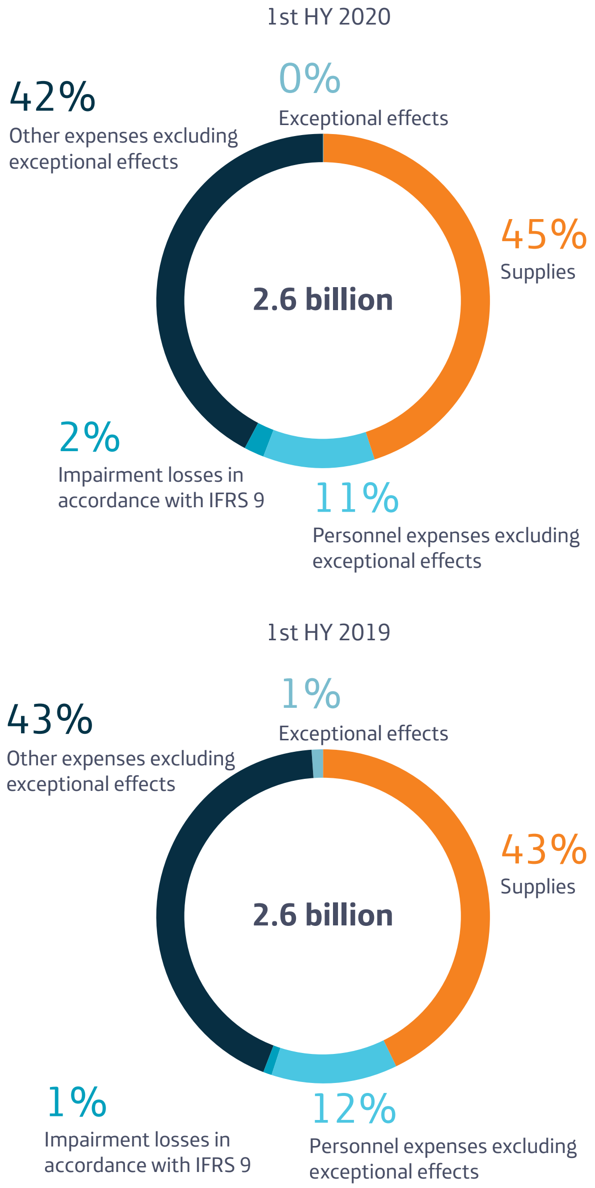
Personnel expenses decreased in the first half of 2020, primarily due to lower restructuring expenses, which amounted to EUR 1 million in the reporting period (first half of 2019: EUR 6 million). Personnel expenses were also reduced due to a lower number of employees compared to the previous year.

Slight decrease in other expenses

Other expenses decreased slightly in the first half of 2020. This is principally due to restructuring expenses that are EUR 17 million lower compared to the previous year as a result of the network consolidation completed in the previous year (first half of 2019: EUR 16 million). Income of around EUR 1 million resulting from the release of restructuring provisions was recognized in the reporting period. Selling expenses moved in the opposite direction. These were higher year-on-year.

G 02

OPERATING EXPENSES
(IN % AND IN EUR BILLION)



Decline in OIBDA adjusted for exceptional effects

OIBDA adjusted for exceptional effects decreased by 1.9% to EUR 1,085 million in the first half of 2020 compared to the same period of the previous year. This development is due to combined COVID-19 impacts and another non-recurrent special factor in the amount of around EUR 48 million, of which about EUR 23 million was attributable to COVID-19 impacts. The exceptional effects in the first half of 2020 also amounted to only EUR 6 million (first half of 2019: EUR 22 million).

G 03

OIBDA
(IN EUR MILLION)

Decline in depreciation and amortisation

The decline was largely due to reduced depreciation and amortisation as a result of the completed network consolidation.

Operating income improved

The improvement in operating income is chiefly the result of reduced depreciation and amortisation compared with the first half of the previous year.

Financial result affected by the interest effect of spectrum payables

The change in the financial result from EUR -26 million to EUR -32 million in the reporting period is primarily due to the interest effect of spectrum payables, which were recognised for the first time in the second half of 2019.

Financial Position

Financial Analysis

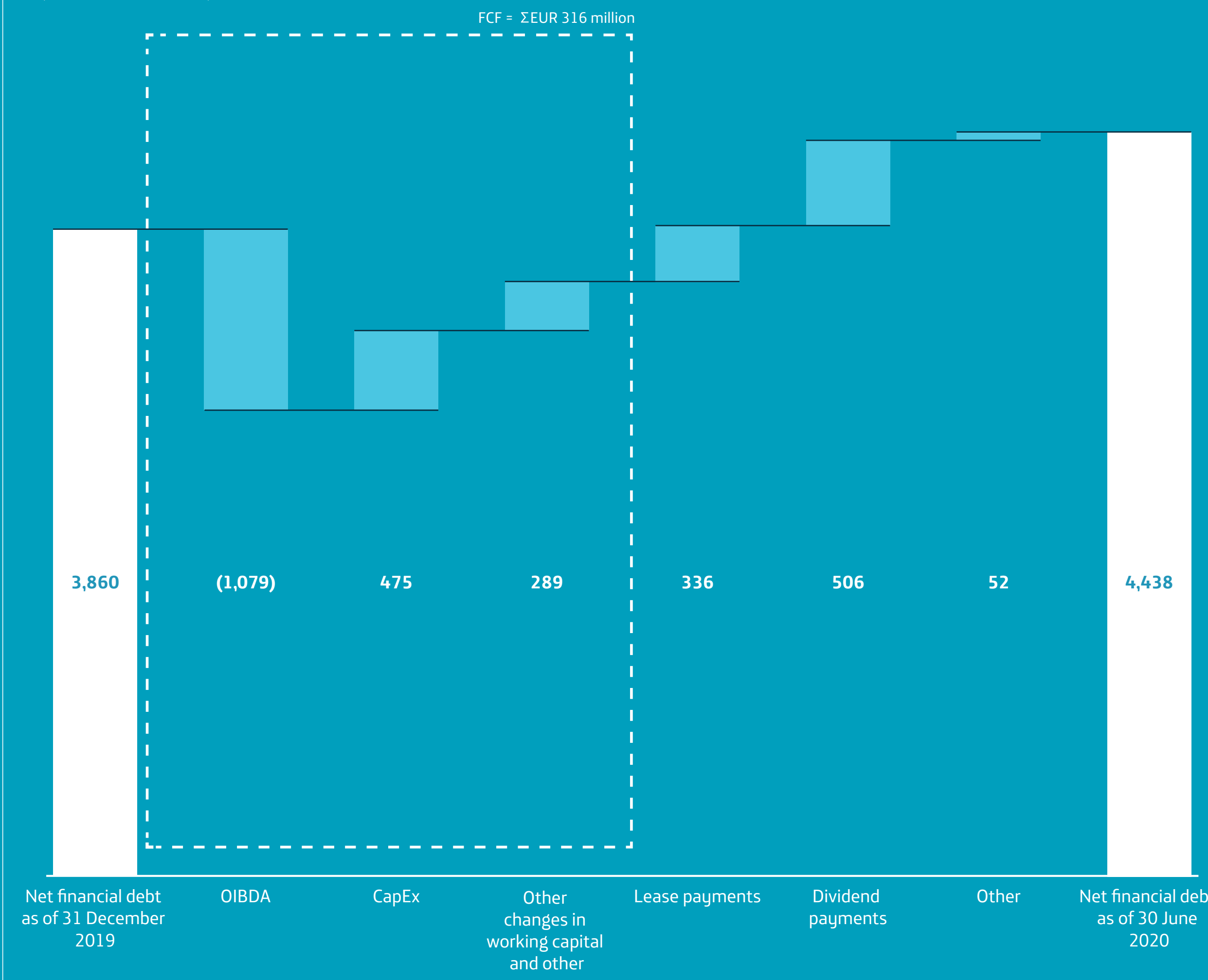
Net financial debt

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

Net financial debt as of 30 June 2020 rose compared to 31 December 2019 by EUR 578 million to EUR 4,438 million. The increase was above all attributable to the dividend payout of EUR 506 million for financial year 2019 and payments for lease liabilities totalling EUR 336 million. Free cash flow in the amount of EUR 316 million moved in the opposite direction.

G 04

DEVELOPMENT OF NET FINANCIAL DEBT
(IN EUR MILLION)



T 04

COMPOSITION OF NET FINANCIAL DEBT

(in EUR million)	As of 30 June 2020	As of 31 December 2019	Change	% change
A Liquidity	224	781	(557)	(71.4)
B Current financial assets[1]	180	211	(31)	(14.8)
C Current financial debt[2]	1,407	801	606	75.7
D=C-A-B Current net financial debt	1,004	(191)	1,195	(>100)
E Non-current financial assets[1]	94	129	(35)	(27.2)
F Non-current financial debt[2]	3,528	4,180	(652)	(15.6)
G=F-E Non-current net financial debt	3,434	4,051	(617)	(15.2)
H=D+G Net financial debt[3]	4,438	3,860	578	15.0

(1) Current and non-current financial assets include handset receivables not yet due, net investment (in accordance with IFRS 16), the positive performance of the fair value hedge for fixed interest financial debt and loans issued to third parties.
(2) Current and non-current financial debt includes lease liabilities or lease debts, issued bonds, promissory notes and registered bonds as well as other loans. Financial debt includes EUR 184 million in lease liabilities recognised as “liabilities held for sale” and related to the contractually agreed sale of major parts of the business activities of rooftop sites to Telxius Telecom, S.A. (“Telxius”) (>Note 2 SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE REPORTING PERIOD).
(3) Net financial debt includes current and non-current interest-bearing financial assets and interest-bearing financial and lease liabilities as well as cash and cash equivalents. Net financial debt includes EUR 184 million in lease liabilities recognised as “liabilities held for sale” and related to the contractually agreed sale of major parts of the business activities of rooftop sites to Telxius (>Note 2 SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE REPORTING PERIOD).

Notes:
Handset receivables are presented in trade receivables in the Statement of Financial Position.

Liquidity Analysis

T 05

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January to 30 June

(in EUR million)	2020	2019
Cash flow from operating activities	866	839
Cash flow from investing activities	(550)	(517)
Free cash flow (cash flow from operating activities + cash flow from investing activities)	**316**	**322**
Cash flow from financing activities	(873)	(603)
Net increase (decrease) in cash and cash equivalents	**(557)**	**(281)**
Cash and cash equivalents at the beginning of the period	**781**	**751**
Less Cash and cash equivalents of assets and liabilities held for sale	**(0)**	**–**
Cash and cash equivalents at the end of the period	**224**	**470**

Consolidated Statement of Cash Flows
The following is an analysis of the cash flow development of the Telefónica Deutschland Group in the first six months of the financial years 2020 and 2019.

Slight improvement in cash flow from operating activities
Cash flow from operating activities totalled EUR 866 million in the first half of 2020, and was EUR 27 million or 3.3% slightly above the previous year's figure of EUR 839 million. This development is primarily due to the positive change in working capital.

Cash flow from investing activities
The cash flow from investing activities in the first half of 2020 amounted to EUR -550 million (first half of 2019: EUR -517 million). Cash outflows chiefly comprised investments in plant and software. They increased from EUR 517 million to EUR 560 million in the reporting period. Cash inflows rose slightly by EUR 9 million compared with the same period of the previous year.

Free cash flow almost unchanged
Free cash flow amounted to EUR 316 million in the first half of 2020, remaining virtually unchanged compared with the same period of the previous year (EUR 322 million).

Cash flow from financing activities affected by lower cash inflow
Cash flow from financing activities in the first half of 2020 amounted to EUR -873 million (first half of 2019: EUR -603 million).

Cash outflows increased to EUR 1,385 million (same period of the previous year: EUR 1,355 million). They mainly comprise the dividend payment of EUR 506 million, repayment of the short-term overdraft facility provided by Telfisa Global B.V. in the amount of EUR 386 million, payments of EUR 336 million to redeem lease liabilities and the repayment of EUR 113 million for promissory notes. The first half of 2019 included the dividend payment of EUR 803 million, payments of EUR 327 million to redeem lease liabilities, and repayment of the EUR 150 million loan provided by Telfisa Global B.V. and of a EUR 75 million promissory note.

Cash inflows decreased by EUR 235 million year-on-year to EUR 512 million. The change is due to reduced financial needs and primarily involves the utilisation of a short-term overdraft facility from Telfisa Global B.V. totalling EUR 504 million. In comparison, the first half of 2019 saw the issue of a promissory note for EUR 360 million, the short-term utilisation of the loan from Telfisa Global B.V. in the amount of EUR 250 million and a further short-term credit facility of EUR 130 million.

Decrease in cash and cash equivalents
As a result of the cash inflows/outflows described above, cash and cash equivalents decreased EUR 557 million year-on-year and amounted to EUR 224 million as of 30 June 2020 (31 December 2019: EUR 781 million).

Net Assets

In the following analysis of the asset and capital structure, the assets and liabilities existing as of 30 June 2020 are compared with the values as of 31 December 2019.

The net assets as of 30 June 2020 were materially affected by the comprehensive set of agreements with Telxius Telecom, S.A. ("Telxius"), an affiliated company of the Telefónica, S.A. Group, on the sale of major parts of the business activities of rooftop sites, as signed by the Telefónica Deutschland Group on 8 June 2020.

This includes the spin-off and sale of a large part of its passive infrastructure on approximately 10,080 mobile communications sites, consisting of around 10,000 rooftop sites and up to 80 tower sites, in particular including the related lease agreements, associated assets and liabilities, know-how and other legal arrangements, at a purchase price of EUR 1.5 billion.

The Telefónica Deutschland Group will, in future, lease areas of the transferred passive infrastructure from Telxius for the installation and operation of its active radio technology.

The active radio technology at the transferred stations remains the property of the Telefónica Deutschland Group and will continue to be used by the company, unchanged, for operation of the mobile communications network.

The transaction consists of two steps: in the second half of 2020, around 60% of the sites in question will be spun off to Telefónica Germany Mobilfunk Standortgesellschaft mbH, a company newly formed in the first half of 2020. The shares in this company will be transferred to Telxius in the second half of 2020, following spin-off. A further portion of the sites, approximately 40%, is expected to be spun off to Telefónica Germany Zweite Mobilfunk Standortgesellschaft mbH in the second half of 2021. This company was also newly formed in the reporting period. Its shares will then be transferred to Telxius (>Note 8 NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS).

The entire transaction was approved by the competent authorities by 27 July 2020.

T 06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In EUR million)	**As of 30 June 2020**	As of 31 December 2019	Change	% change
Goodwill and other intangible assets	6,585	7,348	(762)	(10.4)
Property, plant and equipment	3,722	3,750	(28)	(0.7)
Right-of-use assets	2,376	2,499	(123)	(4.9)
Trade and other receivables	1,327	1,469	(142)	(9.7)
Deferred tax assets	314	314	–	–
Other financial assets	159	150	9	6.0
Other non-financial assets	667	675	(8)	(1.2)
Inventories	197	165	32	19.6
Cash and cash equivalents	224	781	(557)	(71.4)
Assets held for sale	749	–	749	>100
Total assets = Total equity and liabilities	**16,319**	**17,151**	**(831)**	**(4.8)**
Interest-bearing debt	2,449	2,492	(43)	(1.7)
Lease liabilities	2,303	2,489	(186)	(7.5)
Trade and other payables	2,205	2,508	(303)	(12.1)
Payables - Spectrum	1,278	1,272	5	0.4
Provisions	799	729	70	9.6
Other non-financial liabilities	86	103	(17)	(16.5)
Deferred income	660	710	(50)	(7.0)
Deferred tax liabilities	314	314	–	–
Liabilities held for sale	262	–	262	>100
Equity	**5,965**	**6,534**	**(570)**	**(8.7)**

Decrease in goodwill and other intangible assets
The decrease compared with the previous year was chiefly due to scheduled amortisation of other intangible assets in the amount of EUR 494 million in the first six months of the 2020 financial year and the reclassification of the part of goodwill of EUR 347 million, based on the overall transaction, into "assets held for sale" due to the contractually agreed sale of major parts of the business activities of rooftop sites to Telxius. The reclassification of the part of goodwill is related in full to both transaction steps, as the associated future business opportunity is already being economically transferred for the entire scope of the transaction (>Note 2 SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE REPORTING PERIOD). This was partially offset by the additions to other intangible assets of EUR 109 million. These are related to investments in software for the most part.

Property, plant and equipment slightly reduced
The decrease in property, plant and equipment was largely due to scheduled depreciation of EUR 348 million and to reclassification of the property, plant and equipment assets in the amount of EUR 206 million into "assets held for sale" due to the contractually agreed sale of major parts of the business activities of rooftop sites to Telxius (>Note 2 SIGNIFICANT EVENTS AND TRANSAC-TIONS DURING THE REPORTING PERIOD). This was partially offset by additions of EUR 366 million in the first six months of the 2020 financial year relating primarily to network investments.

Right-of-use assets according to IFRS 16
The decline in right-of-use assets was largely due to scheduled depreciation of EUR 268 million and to reclassification of the right-of-use assets in the amount of EUR 189 million into "assets held for sale" due to the contractually agreed sale of major parts of the business activities of rooftop sites and related lease agreements to Telxius (>Note 2 SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE REPORTING PERIOD). This was partially offset by additions in the reporting period.

Investment ratio (CapEx/sales ratio) down
Investments (CapEx) fell in the first half of 2020 to EUR 475 million in comparison with EUR 496 million in the comparable period in 2019. The reason for this is the investment focus in the second half of 2020. It is also due to temporary disruption in the supply chain for LTE elements as a consequence of COVID-19. The increase in revenues also slowed down due to COVID-19. As a result, the investment ratio amounted to 13.1% in the reporting period (first half of 2019: 13.9%).

Trade and other receivables decreased
The decline was mainly due to an increase in factoring transactions in the first half of 2020.

Inventories of mobile devices increase
The reason for the increase was the build-up of stocks due to the market launch of new mobile devices and those for sale in the subsequent months in the normal course of business.

Decrease in cash and cash equivalents
The decrease of EUR 557 million or 71.4% is due to several factors, which are described in more detail in the >FINANCIAL POSITION chapter.

Assets and liabilities held for sale
Apart from goodwill, the assets and liabilities held for sale are related in full to the first of two transaction steps agreed in the signed set of agreements on the sale of major parts of the business activities of rooftop sites to Telxius (>Note 2 SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE REPORTING PERIOD and Note 8 NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS).

Interest-bearing debt slightly down on previous year
The decrease resulted in particular from repayment of a promissory note of EUR 113 million, the partial repayment of a loan from the European Investment Bank of EUR 33 million and a short-term loan of EUR 12 million. The partial utilisation of the short-term overdraft facility from Telfisa Global B.V. in the amount of EUR 119 million had a counteracting effect.

Lease liabilities
The EUR 186 million decline in lease liabilities was primarily the result of reclassification of lease liabilities in the amount of EUR 184 million into "liabilities held for sale" due to the contractually agreed sale of major parts of the business activities of rooftop sites and related lease agreements to Telxius (>Note 2 SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE REPORTING PERIOD).

Decrease in trade and other payables
This development is mainly due to a decrease in liabilities as a result of fluctuations in normal operating business.

Payables – Spectrum
The payables are attributable to the outstanding payment obligations resulting from the mobile frequency auction in 2019 and remained almost unchanged compared to 31 December 2019.

Provisions up year on year
Provisions increased primarily due to higher recognition of asset retirement obligations as a result of a change in interest rates and cost increases based on updated offers. This was countered largely by reclassification of asset retirement obligations in the amount of EUR 78 million into "liabilities held for sale" due to the contractually agreed sale of major parts of the business activities of rooftop sites to Telxius (>Note 2 SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE REPORTING PERIOD). Restructuring provisions also decreased by EUR 11 million in the reporting period.

Other non-financial liabilities
The decline is largely due to the development in sales tax liabilities.

Decrease in deferred income
The deferred income item fell by 7.0% or EUR 50 million. The decrease is attributable to declining voucher sales in prepaid business and to regular releases.

Equity declines
The changes to equity mainly result from the dividend payment of EUR 506 million on 26 May 2020 and the result for the period of EUR -62 million.

REPORT ON RISKS AND OPPORTUNITIES

In the Combined Management Report for the 2019 financial year, we have presented certain risks that could have significant adverse effects on our business, net assets, financial position, results of operations and reputation. In addition, we describe our most important opportunities and the structure of our risk management system.

Risk Management

During the reporting period, we identified potential negative influences arising from the COVID-19 pandemic as a new reportable risk. We have not identified any other significant risks beyond those described in the Combined Management Report for the 2019 financial year.

COVID-19 pandemic

COVID-19, a lung disease caused by the novel coronavirus, has been classified as a pandemic by the WHO and has already had an appreciable impact on our business operations. We will continue to face restrictions that could affect our business activities, especially as another wave of infection may occur.

Deliveries, for example from regions that are particularly hard hit, could be delayed or even cancelled. It is also possible that we may not be able to use our distribution channels to the usual extent, due to fresh restrictions. Our employees could also be absent due to illness, which could affect our operations.

In general, an economic downturn can be expected for 2020 as a whole. This may result in companies being unable to make up for the consequences of the pandemic. Any resulting payment difficulties or changes in demand on the part of our customers could impair our business activities. Our future business activities are also dependent on overall economic recovery and normalisation of public life. As a result, any prolonged or re-imposed travel restrictions could have a negative impact on roaming revenues.

We are countering this risk with a number of measures. In particular, we have drawn up a comprehensive, top-level pandemic plan as part of our emergency and crisis management. It is constantly being adapted to possible changes in the situation. The plan also defines the steps for a gradual return to normal business operations.

In order to prevent the virus from spreading, employees are working mostly from home, in those areas where this is possible. Business trips are also suspended until further notice. We have increased our inventories to avoid bottlenecks in network components. In addition, our Controlling department ensures extensive monitoring. This makes it possible to take appropriate steps in good time to avoid any divergence from the defined targets. We classify this risk as moderate.

Opportunity Management

The opportunities for focusing on our business activities and growth strategy improved in the first half of 2020.

The contractually agreed sale of major parts of the business activities of rooftop sites to Telxius has significantly increased the Telefónica Deutschland Group's financial flexibility, giving it much greater freedom in its business activities. Going forward, the Telefónica Deutschland Group will lease areas of the transferred passive infrastructure from Telxius for the installation and operation of its active radio technology. As part of this arrangement, it was also agreed that Telxius will develop 2,400 further sites within the next four years and lease space there to the Telefónica Deutschland Group for the installation of active radio technology. The overall transaction was approved by the competent authorities by 27 July 2020 (>Note 2 SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE REPORTING PERIOD).

In addition to the risks mentioned above, the COVID-19 pandemic also presents opportunities due to accelerated digitalisation among residential and business customers, and the increased use of streaming and TV services. This could result in increasing demand for our constantly adapted digital products and services, leading also to greater demand for higher-value data tariffs.

REPORT ON EXPECTED DEVELOPMENTS

Economic Outlook

Leading German economic experts expect economic output to increase again in the second half of 2020. The first positive signs from the various leading indicators point to a cautious recovery. This is being supported by the wide-ranging (economic) measures taken by the German government.[4]

These positive signals are also resulting in an improvement in consumer sentiment – it picked up again in June, for the second time in a row. The indicator has gained a total of more than 13 points since its low in April of this year, although the figure remains at a low level.[5]

Nevertheless, the Federal Ministry of Economics (BMWI) believes that the stimulus from foreign trade will remain low for some time to come. In addition, the economic recovery phase will take time. This is because epidemiological risks persist, so citizens and business need to adapt their behaviour accordingly. According to the Ifo Institute's Summer Report 2020, quarter-on-quarter economic growth of 6.9% and 3.8% is expected in the third and fourth quarters of 2020, respectively. Nonetheless, average economic output in Germany is expected to be 6.7% lower in 2020 than in the previous year. The experts at the Ifo Institute expect growth of 6.4% in 2021. The institute forecasts that the number of unemployed will be 2.7 million (unemployment rate: 5.9%) as an average for 2020, compared to 2.3 million in 2019 (unemployment rate: 5.0%).[6]

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GDP GROWTH 2018 – 2020[7]

In % compared to previous year	2018	2019	2020
Germany	1.5	0.6	(6.7)

[4] Source: Federal Ministry of Economics (BMWI): Economic Situation in Germany, June 2020
[5] Source: GfK Consumer Climate Index (April-June 2020)
[6] Source: Ifo Institute: Ifo Economic Forecast Summer 2020 (July 2020)
[7] Sources: German Federal Statistical Office: National Accounts 2019; Ifo Economic Forecast 2020

Market Expectations

The COVID-19 pandemic has changed everyday life and the world of work. The acceptance of digital solutions and their use for work, leisure and shopping have increased further. The importance of digitalisation for consumers and businesses has received a boost as a result, with this trend likely to accelerate. Experts continue to expect that data usage and demand for new technologies and powerful broadband infrastructure will increase.[8]

Outlook 2020

In the COVID-19 driven environment in the first half of 2020, Telefónica Deutschland Group supported employees, customers as well as the wider society through a number of COVID-19 initiatives. The Company nearly achieved the expected business development despite the ongoing COVID-19 pandemic.

The operational core business of the Telefónica Deutschland Group is intact. Nevertheless, the Company was not immune to COVID-19 impacts due to restrictions imposed by the German government. In particular, the nationwide closure of O_2 shops between mid-March and the end of April resulted in weaker trading and muted prepaid demand. In addition, the worldwide travel restrictions led to reduced roaming revenues.

COVID-19 restrictions also impacted the 4G roll-out of the Company in the first half of 2020 (i.e. access to sites and logistics centres as well as temporary disruption in the supply chain for key LTE elements). These topics have been largely resolved by now and the first milestone of the coverage obligation to be met from the 2015 frequency auction by the end of 2020 was successfully achieved within the grace period granted until the end of July 2020. The CapEx/Sales-Ratio in the first half of 2020 reflects the back-end loaded annual network roll-out. However, the COVID-19 environment is expected to have an impact on the overall financial year 2020

[8] Sources: Bitkom: Press Release on Digitalisation (15 June 2020); Wuppertal Institute: Interim report on COVID-19 (11 June 2020)

Capex deployment. Telefónica Deutschland Group is on track to achieve its above mentioned coverage obligation until year end 2020 while preparing 5G network roll-out in Germany's top 5 cities.

Since the beginning of the pandemic, the management team has continuously been monitoring and analysing the development of the COVID-19 related restrictions and their impact on the company. In this context, Telefónica Deutschland Group confirms its financial outlook for 2020 for revenue and OIBDA adjusted for exceptional effects while anticipating CapEx/Sales-Ratio to be below the initially envisaged 17 to 18 %.

The following table provides a summary of the financial outlook for 2020:

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FINANCIAL OUTLOOK 2020

	Baseline 2019	Outlook 2020 (development y-o-y)	H1 2020 (development y-o-y)
Revenue	EUR 7,399 million	flat to slightly positive y-o-y	EUR 3,636 million (+2.0% y-o-y)[9]
OIBDA Adjusted for exceptional effects	EUR 2,316 million	broadly stable to slightly positive y-o-y	EUR 1,085 million (-1.9% y-o-y)[9]
CapEx/Sales-Ratio	14.1%	< 17–18%	13.1%

[9] Including combined COVID-19 impacts and another non-recurrent special factor.

Munich, 13 August 2020

Telefónica Deutschland Holding AG

The Management Board

Markus Haas

Markus Rolle

Valentina Daiber

Nicole Gerhardt

Alfons Lösing

Wolfgang Metze

Mallik Rao

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the period 1 January to 30 June 2020

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (in EUR million)	Notes	**As of 30 June 2020**	As of 31 December 2019
A) Non-current assets		**13,397**	**14,367**
Goodwill	[5a]	1,616	1,964
Other intangible assets	[5b]	4,969	5,384
Property, plant and equipment	[5c]	3,722	3,750
Right-of-use assets	[5d]	2,376	2,499
Trade and other receivables	[5e]	79	104
Other financial assets		130	133
Other non-financial assets	[5f]	191	220
Deferred tax assets		314	314
B) Current assets		**2,923**	**2,783**
Inventories		197	165
Trade and other receivables	[5e]	1,248	1,366
Other financial assets		29	17
Other non-financial assets	[5f]	476	455
Cash and cash equivalents		224	781
Assets held for sale	[8]	749	–
Total assets (A+B)		**16,319**	**17,151**

Equity and liabilities (in EUR million)	Notes	**As of 30 June 2020**	As of 31 December 2019
A) Equity		**5,965**	**6,534**
Subscribed capital		2,975	2,975
Additional paid-in capital		4,800	4,800
Retained earnings		(1,809)	(1,240)
Total equity attributable to owners of the parent company		5,965	6,534
B) Non-current liabilities		**5,815**	**6,532**
Interest-bearing debt	[5g]	1,618	2,153
Lease liabilities	[5h]	1,760	2,027
Trade and other payables	[5i]	12	15
Payables – Spectrum	[5j]	1,170	1,186
Provisions	[5k]	747	624
Deferred income	[5i]	194	213
Deferred tax liabilities		314	314
C) Current liabilities		**4,540**	**4,084**
Interest-bearing debt	[5g]	831	339
Lease liabilities	[5h]	543	462
Trade and other payables	[5i]	2,193	2,493
Payables – Spectrum	[5j]	108	86
Provisions	[5k]	51	104
Other non-financial liabilities		86	103
Deferred income	[5i]	466	497
Liabilities held for sale	[8]	262	–
Total equity and liabilities (A+B+C)		**16,319**	**17,151**

CONSOLIDATED INCOME STATEMENT

1 January to 30 June

(In EUR million)	Notes	2020	2019
Revenues	[6a]	3,636	3,564
Other income		56	78
Supplies		(1,171)	(1,094)
Personnel expenses		(292)	(303)
Impairment losses in accordance with IFRS 9		(40)	(37)
Other expenses	[6b]	(1,110)	(1,125)
Operating income before depreciation and amortisation (OIBDA)		**1,079**	**1,084**
Depreciation and amortisation	[6c]	(1,110)	(1,215)
Operating income		**(30)**	**(131)**
Finance income		1	1
Exchange gains		0	0
Finance costs		(33)	(27)
Exchange losses		(0)	(0)
Financial result		**(32)**	**(26)**
Profit/(loss) before tax		**(62)**	**(157)**
Income tax		(0)	0
Profit/(loss) for the period		**(62)**	**(156)**
Profit/(loss) for the period attributable to owners of the parent		**(62)**	**(156)**
Profit/(loss) for the period		**(62)**	**(156)**
Earnings per share			
Basic earnings per share in EUR		**(0.02)**	**(0.05)**
Diluted earnings per share in EUR		**(0.02)**	**(0.05)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January to 30 June

(In EUR million)	**2020**	2019
Profit/(loss) for the period	**(62)**	**(156)**
Items that will not be reclassified to profit/(loss)		
Remeasurement of benefits after termination of employment	(2)	(51)
Other comprehensive income/(loss)	**(2)**	**(51)**
Total comprehensive income/(loss)	**(64)**	**(208)**
Total comprehensive income/(loss) attributable to owners of the parent	(64)	(208)
Total comprehensive income/(loss)	**(64)**	**(208)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In EUR million)	Subscribed capital	Additional paid-in capital	Retained earnings	Total equity attributable to owners of the parent company	Equity
Financial position as of 1 January 2019	**2,975**	**4,800**	**(205)**	**7,569**	**7,569**
Adjustment due to first-time application of IFRS 16 (after taxes)	–	–	17	17	17
Financial position as of 1 January 2019, adjusted	**2,975**	**4,800**	**(189)**	**7,586**	**7,586**
Profit/(loss) for the period	–	–	(156)	(156)	(156)
Other comprehensive income/(loss)	–	–	(51)	(51)	(51)
Total comprehensive income/(loss)	**–**	**–**	**(208)**	**(208)**	**(208)**
Dividends	–	–	(803)	(803)	(803)
Financial position as of 30 June 2019	**2,975**	**4,800**	**(1,199)**	**6,575**	**6,575**
Financial position as of 1 January 2020	**2,975**	**4,800**	**(1,240)**	**6,534**	**6,534**
Profit/(loss) for the period	–	–	(62)	(62)	(62)
Other comprehensive income/(loss)	–	–	(2)	(2)	(2)
Total comprehensive income/(loss)	**–**	**–**	**(64)**	**(64)**	**(64)**
Dividends	–	–	(506)	(506)	(506)
Other movements	–	–	0	0	0
Financial position as of 30 June 2020	**2,975**	**4,800**	**(1,809)**	**5,965**	**5,965**

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January to 30 June

(In EUR million)	Notes	2020	2019
Cash flow from operating activities			
Profit/(loss) for the period		**(62)**	**(156)**
Adjustments to profit/(loss)			
Financial result		32	26
Gains/(losses) from the disposal of assets		5	(0)
Income taxes		0	(0)
Depreciation and amortisation	[6c]	1,110	1,215
Change in working capital and others			
Other non-current assets	[5e], [5f]	58	(12)
Other current assets	[5e], [5f]	92	168
Other non-current liabilities and provisions	[5i], [5k]	13	(32)
Other current liabilities and provisions	[5i], [5k]	(354)	(343)
Others			
Interest received		4	3
Interest paid		(32)	(29)
Cash flow from operating activities		**866**	**839**
Cash flow from investing activities			
Proceeds from disposals of property, plant and equipment and intangible assets		5	1
Payments on investments in property, plant and equipment and intangible assets	[5b], [5c]	(548)	(505)
Acquisition of companies, net of cash acquired		(1)	(0)
Proceeds from financial assets		5	0
Payments for financial assets		(12)	(12)
Cash flow from investing activities		**(550)**	**(517)**

1 January to 30 June

(in EUR million)	Notes	2020	2019
Cash flow from financing activities			
Repayments of lease liabilities	[5h]	(336)	(327)
Proceeds from interest-bearing debt	[5g]	504	739
Repayments of interest-bearing debt	[5g]	(543)	(225)
Dividends paid		(506)	(803)
Other proceeds/(payments) relating to financing activities		7	12
Cash flow from financing activities		**(873)**	**(603)**
Net increase/(decrease) in cash and cash equivalents		**(557)**	**(281)**
Cash and cash equivalents at the beginning of the period		**781**	**751**
Less cash and cash equivalents of assets and liabilities held for sale		**(0)**	**–**
Cash and cash equivalents at the end of the period		**224**	**470**

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the period 1 January to 30 June 2020

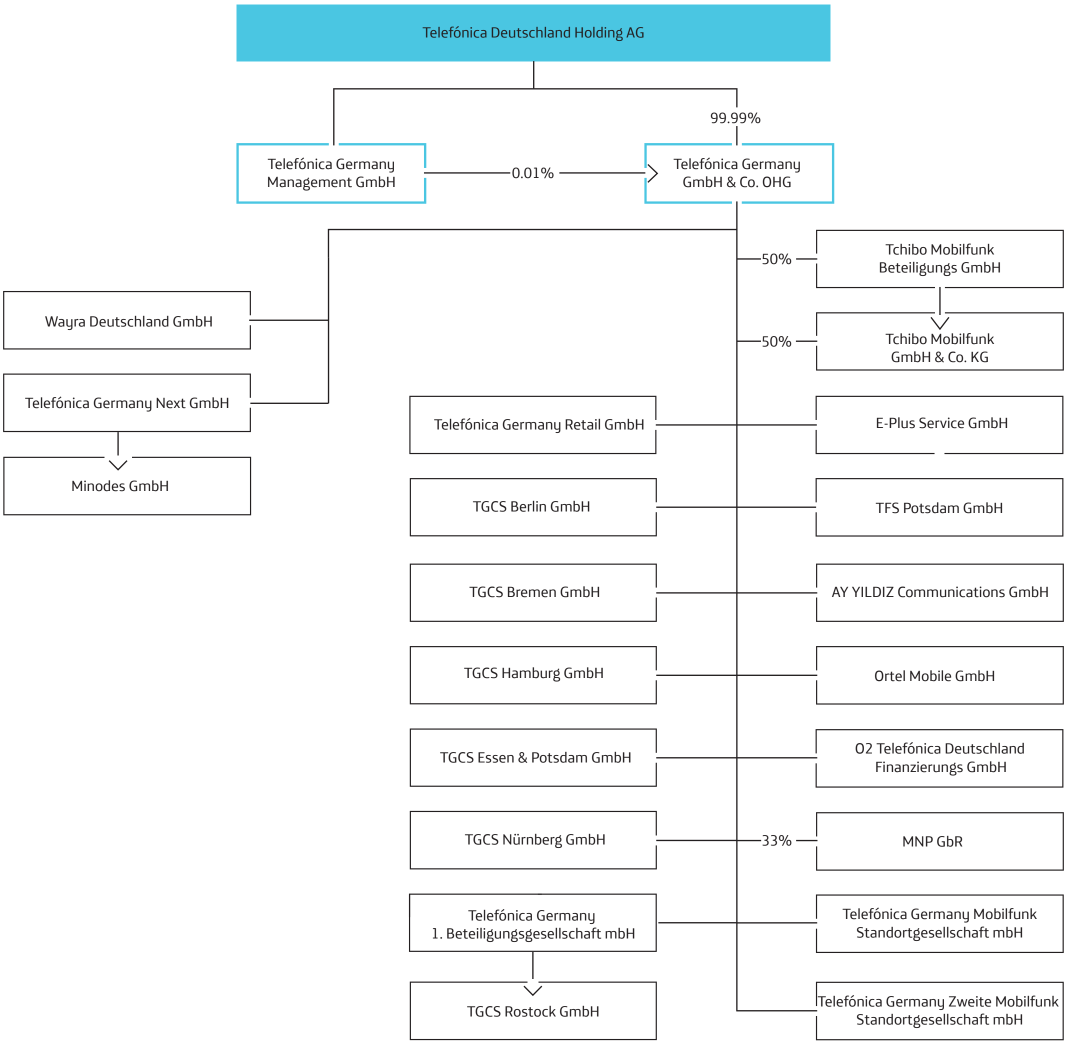
1. Reporting Entity

The Interim Condensed Consolidated Financial Statements (hereinafter "Interim Consolidated Financial Statements") of Telefónica Deutschland Holding AG have been prepared for the period from 1 January to 30 June 2020 and comprise Telefónica Deutschland Holding AG (also referred to as "Telefónica Deutschland") and its subsidiaries as well as joint operations (together referred to as the "Telefónica Deutschland Group" or the "Group").

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

As of 30 June 2020, 30.8% of the shares were in free float. 69.2% were held by Telefónica Germany Holdings Limited, Slough, United Kingdom (Telefónica Germany Holdings Limited), an indirect wholly owned subsidiary of Telefónica, S.A., Madrid, Spain (Telefónica, S.A.).

As of 30 June 2020, the companies included in the Interim Consolidated Financial Statements of the Telefónica Deutschland Group were organised as shown in the following organisation chart:



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

2. Significant Events and Transactions during the Reporting Period

Loan
On 14 January 2020, Telefónica Germany GmbH & Co. OHG and the European Investment Bank (EIB) concluded a further EUR 150 million loan agreement.

General Meeting and Dividends
The Annual General Meeting for the 2019 financial year was held online on 20 May 2020. In addition to the presentation of the Annual Financial Statements and Consolidated Financial Statements of Telefónica Deutschland Holding AG, a dividend payment of EUR 0.17 per entitled share, totalling EUR 505,674,348, was approved. The dividend for the financial year 2019 was paid to shareholders on 26 May 2020.

Amendments to the articles of association (including section 20 on Supervisory Board remuneration) were approved by the General Meeting on 20 May 2020 and, for the most part, entered in the commercial register on 26 June 2020. The amendment to Supervisory Board remuneration applies retroactively from 1 January 2020.

Changes in the Supervisory Board of Telefónica Deutschland Holding AG
On 3 February 2020, Laura Abasolo García de Baquedano informed the Management Board and the Supervisory Board of the company that she was resigning from her position as member and Chairperson of the Supervisory Board effective at the end of 31 March 2020.

Peter Löscher has been a member of the company's Supervisory Board since 1 April 2020 by court appointment. The Supervisory Board of Telefónica Deutschland Holding AG elected Peter Löscher as the new Chairman of the Supervisory Board on 2 April 2020.

Peter Löscher was confirmed in his office as member of the Supervisory Board at the General Meeting and subsequently confirmed by the Supervisory Board as Chairman of the Supervisory Board.

Sale of major parts of the business activities for rooftop sites
On 8 June 2020, the Telefónica Deutschland Group signed a comprehensive set of agreements with Telxius Telecom, S.A. ("Telxius"), an affiliated company of the Telefónica, S.A. Group, on the sale of major parts of the business activities for rooftop sites.

This includes the spin-off and sale of a large part of its passive infrastructure on approximately 10,080 mobile communications sites, consisting of around 10,000 rooftop sites and up to 80 tower sites, in particular including the related lease agreements, associated assets and liabilities, know-how and other legal relationships, at a purchase price of EUR 1.5 billion.

The Telefónica Deutschland Group will, in future, lease areas of the transferred passive infrastructure from Telxius for the installation and operation of its active radio technology.

The active radio technology at the transferred stations remains the property of the Telefónica Deutschland Group and will continue to be used by the Company, unchanged, for operation of the mobile communications network.

The transaction consists of two steps: in the second half of 2020, around 60% of the sites in question will be spun off into Telefónica Germany Mobilfunk Standortgesellschaft mbH, a company newly formed in the first half of 2020. The shares in this company will be transferred to Telxius in the second half of 2020, following spin-off. In the second half of 2021, a further portion of the sites, approximately 40%, is expected to be spun off to Telefónica Germany Zweite Mobilfunk Standortgesellschaft mbH, a company also newly formed in the reporting period. Its shares will then be transferred to Telxius.

The overall transaction was approved by the competent authorities by 27 July 2020.

COVID-19 pandemic
The COVID-19 pandemic had a strongly negative impact on the global economy in the first half of 2020. Due to the restrictions imposed by the German federal government, the Telefónica Deutschland Group could not entirely escape the impacts of COVID-19. In particular, the closure of O_2 shops throughout Germany between mid-March and the end of April resulted in weakened trading and lower demand for prepaid services. Global travel restrictions also led to reduced roaming revenue.

Since the beginning of the pandemic, the management team has constantly observed and analysed the development of COVID-19-related restrictions and their implications for the Telefónica Deutschland Group.

At the moment, however, the COVID-19 pandemic does not have any material effect on the financial figures for the Telefónica Deutschland Group (see Management Report "Outlook 2020").

3. Basis of Preparation

The Interim Consolidated Financial Statements of Telefónica Deutschland Holding AG were prepared in accordance with the IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU. Accordingly, the Interim Consolidated Financial Statements do not include all the information and disclosures required in complete consolidated financial statements and should therefore be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2019 (see Note 2, Basis of Preparation).

These Interim Consolidated Financial Statements as of 30 June 2020 have not been audited.

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

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

Other
The preparation of the Interim Consolidated Financial Statements requires the Management Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. A significant change in the facts and circumstances on which these evaluations, estimates and assumptions are based could have a material impact on the Telefónica Deutschland Group's net assets, financial position and results of operations.

For further information, please refer to the Consolidated Financial Statements for the financial year ended 31 December 2019 (see Note 3, Accounting Policies).

Comparative information
The Consolidated Statement of Financial Position presented in these Interim Consolidated Financial Statements relates to information as of 30 June 2020, which is compared with information as of 31 December 2019.

The Consolidated Income Statement and the Consolidated Statement of Comprehensive Income compare the completed six-month periods as of 30 June 2020 and 30 June 2019. The Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity compare the completed six-month periods 2020 and 2019.

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

4. Accounting Policies

The significant estimates, assumptions and judgements made by the management in preparing the Interim Consolidated Financial Statements of the Telefónica Deutschland Group do not substantially differ in terms of potential estimation uncertainty from the assumptions included in the Consolidated Financial Statements for the financial year ended 31 December 2019 (see Note 3, Accounting Policies).

The following should complement the above-mentioned principal accounting policies applied in preparing the Consolidated Financial Statements:

Non-current Assets Held for Sale and Disposal Groups
The Telefónica Deutschland Group classifies non-current assets or disposal groups as held for sale if the relevant carrying amount is realised mainly through the asset's sale rather than through its continuous use in the business. Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Costs to sell are the additional costs directly attributable to the sale of an asset (disposal group).

The criteria for an asset or disposal group to be classified as held for sale are only met if the sale is highly probable and the asset or disposal group is available for immediate sale in its current condition.

Property, plant and equipment and intangible assets classified as held for sale cease to be depreciated from the date of classification under IFRS 5. The same applies to capitalised right-of-use assets resulting from leases.

Assets and liabilities classified as held for sale are presented separately as current items in the Statement of Financial Position.

At the time of publication of the Interim Consolidated Financial Statements, the following standards and interpretations were published, but their application was not yet mandatory:

Standards, interpretations and amendments		Mandatory application for financial years beginning on or after
Amendments to IFRS 16	Covid 19-related lease concessions	1 June 2020[1]
Amendments to IFRS 4	Extension of the temporary exemption from the application of IFRS 9	1 June 2021[1]
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023[1]
Annual improvements, 2018-2020 cycle	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022[1]
Amendments to IFRS 3 (narrow scope amendments)	Update of cross-references, introduction of an exception to the recognition requirements, inclusion of an explicit ban on the recognition of contingent claims in the standard text	1 January 2022[1]
Amendments to IAS 16 (narrow scope amendments)	Recognition of revenue from sales during the production/ construction phase of an item of property, plant and equipment	1 January 2022[1]
Amendments to IAS 37 (narrow scope amendments)	Determining the “cost of performing a contract”	1 January 2022[1]
IFRS 17 (including amendments to IFRS 17)	Insurance Contracts	1 January 2023[1]

[1] Endorsement by EU still outstanding, information for first-time application under IASB.

For a comprehensive description of the new standards, amendments to standards and interpretations relevant to the Group, please refer to the disclosures in the Consolidated Financial Statements for the year ended 31 December 2019 (see Note 3, Accounting Policies). An assessment is made there of the expected effects on the net assets, financial position and results of operations of the Group, which will continue to apply to the Interim Consolidated Financial Statements as of 30 June 2020.

5. Selected Notes to the Consolidated Statement of Financial Position

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

a) Goodwill

(In EUR million)	**2020**	2019
Carrying amount of goodwill as of 1 January	**1,964**	**1,960**
Reclassifications (see Note 8 “Non-current assets held for sale and disposal groups”)	(347)	–
Carrying amount of goodwill as of 30 June	**1,616**	**1,960**

b) Other intangible assets

Other intangible assets comprise as follows:

(In EUR million)	Service concession arrangements and licences	Customer bases	Software	Brand names	Construction in progress/ prepayments on intangible assets	**Other intangible assets**
Net book value						
As of 31 December 2019	1,873	1,243	456	42	1,770	5,384
As of 30 June 2020	**3,008**	**1,100**	**437**	**41**	**383**	**4,969**

The 700 MHz and 3.6 GHz frequencies from the auctions in financial years 2015 and 2019, respectively, were reclassified from the “construction in progress” category into the “service concession arrangements and licences” category in the reporting period, as they have been put into a condition capable of operating.

c) Property, plant and equipment

Property, plant and equipment comprise as follows:

(In EUR million)	Land and buildings	Plant and machinery	Furniture, office equipment, tools and other items	PP&E in progress	**Property, plant and equipment**
Net book value					
As of 31 December 2019	46	3,567	64	73	3,750
As of 30 June 2020	**37**	**3,507**	**59**	**119**	**3,722**

We refer to Note 8 “Non-current assets held for sale and disposal groups” for changes related to the reclassification of assets and liabilities resulting from the contractually agreed sale of major parts of the business activities of rooftop sites.

d) Right-of-use assets

Right-of-use assets comprise as follows:

(in EUR million)	Land and buildings	Plant and machinery	Others	**Right-of-use assets**
Net book value				
As of 31 December 2019	855	1,505	139	2,499
As of 30 June 2020	**906**	**1,343**	**127**	**2,376**

We refer to Note 8 “Non-current assets held for sale and disposal groups” for changes related to the reclassification of assets and liabilities resulting from the contractually agreed sale of major parts of the business activities of rooftop sites and the related lease agreements.

e) Trade and other receivables

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

	As of 30 June 2020		As of 31 December 2019	
(In EUR million)	**Non-current**	**Current**	Non-current	Current
Trade receivables	79	1,174	104	1,316
Receivables from related parties	–	36	–	37
Other receivables	–	100	–	77
Loss allowance	–	(62)	–	(65)
Trade and other receivables	**79**	**1,248**	**104**	**1,366**

f) Other non-financial assets

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

	As of 30 June 2020		As of 31 December 2019	
(in EUR million)	**Non-current**	**Current**	Non-current	Current
Prepayments	78	97	95	73
Prepayments to related parties	–	3	–	1
Capitalised costs of obtaining contracts	110	357	122	360
Contract asset	3	19	3	21
Other tax receivables	–	0	–	0
Other non-financial assets	**191**	**476**	**220**	**455**

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

g) Interest-bearing debt

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

	As of 30 June 2020		As of 31 December 2019	
(in EUR million)	Non-current	Current	Non-current	Current
Bonds	597	516	1,098	16
Promissory notes and registered bonds	721	2	721	118
Loans	300	313	333	205
Interest-bearing debt	**1,618**	**831**	**2,153**	**339**

Bonds
In February 2014, the Telefónica Deutschland Group placed a bond with a nominal value of EUR 500 million. The bond will mature on 10 February 2021 and is recognised as current as of 30 June 2020.

Loans
On 14 January 2020, Telefónica Germany GmbH & Co. OHG and the European Investment Bank (EIB) concluded a further EUR 150 million loan agreement. As of 30 June 2020, this loan has not been drawn down.

As of 30 June 2020, the overdraft facility concluded by the Telefónica Deutschland Group with Telfisa Global B.V. in 2019 in a cash-pooling arrangement scheduled until 31 July 2020 has been utilised in the amount of EUR 119 million.

h) Lease liabilities

	As of 30 June 2020		As of 31 December 2019	
(in EUR million)	Non-current	Current	Non-current	Current
Lease liabilities to third parties	1,424	514	1,689	426
Lease liabilities to related parties	336	29	338	36
Lease liabilities	**1,760**	**543**	**2,027**	**462**

We refer to Note 8 “Non-current assets held for sale and disposal groups” for changes related to the reclassification of assets and liabilities resulting from the contractually agreed sale of major parts of the business activities of rooftop sites and the related lease agreements.

i) Trade and other payables and deferred income

Trade and other payables and deferred income consist of the following:

	As of 30 June 2020		As of 31 December 2019	
(in EUR million)	Non-current	Current	Non-current	Current
Trade payables to third parties	–	1,091	–	966
Accruals	10	714	12	705
Payables to related parties	–	76	–	517
Trade payables	**10**	**1,880**	**12**	**2,188**
Other non-trade payables	0	223	0	213
Other payables to related parties	2	42	3	47
Miscellaneous payables	–	47	–	45
Other payables	**2**	**312**	**3**	**305**
Trade and other payables	**12**	**2,193**	**15**	**2,493**
Deferred income	**194**	**466**	**213**	**497**

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

The other non-trade payables mainly consist of liabilities from silent factoring and liabilities to personnel.

Miscellaneous payables mainly comprise debtors with credit balances.

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

Deferred income includes the financing advantage resulting from the interest-free deferral and payment by instalments agreed upon with the representatives of the Federal Republic of Germany for the auction fees to be paid instead of one-time payments for the 2019 frequency auction. In return, the Telefónica Deutschland Group committed itself to the construction of 333 additional mobile sites in white spots by the end of 2021; in addition, 99% of households nationwide are to be supplied with LTE by the end of 2020 and in each federal state by the end of 2021. This government grant is reported as EUR 69 million, corresponding to the financial benefit granted.

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.

j) Payables – Spectrum

	As of 30 June 2020		As of 31 December 2019	
(in EUR million)	Non-current	Current	Non-current	Current
Payables – Spectrum	**1,170**	**108**	1,186	86

k) Provisions

Provisions consist of the following:

(in EUR million)	As of 30 June 2020 Non-current	As of 30 June 2020 Current	As of 31 December 2019 Non-current	As of 31 December 2019 Current
Net defined benefit liability	225	–	218	–
Restructuring	6	11	7	20
Asset retirement obligations	464	30	346	75
Other provisions	53	10	54	9
Provisions	**747**	**51**	**624**	**104**

We refer to Note 8 "Non-current assets held for sale and disposal groups" for changes related to the reclassification of assets and liabilities resulting from the contractually agreed sale of major parts of the business activities of rooftop sites and related lease agreements.

6. Selected Explanatory Notes to the Consolidated Income Statement

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

a) Revenues

Revenues comprise as follows:

1 January to 30 June

(in EUR million)	**2020**	2019
Rendering of services	2,972	2,966
Other revenues	664	598
Revenues	**3,636**	**3,564**

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

None of the Telefónica Deutschland Group's customers accounts for more than 10% of total revenues.

The breakdown of revenues according to mobile business and fixed line/DSL business is shown in the following table:

1 January to 30 June

(in EUR million)	**2020**	2019
Mobile business revenues	3,248	3,195
Mobile service revenues	2,587	2,599
Handset revenues	661	596
Fixed line/DSL business revenues	386	367
Other revenues	3	2
Revenues	**3,636**	**3,564**

b) Other expenses

1 January to 30 June (in EUR million)	2020	2019
Other third-party services	950	949
Other operating expenses	35	48
Allowance for current assets	2	3
Advertising	122	124
Other expenses	**1,110**	**1,125**

Other third-party services include mainly commissions, expenses for utilities, as well as charges for external services for maintenance of ongoing business operations, energy costs and fees for consulting services.

c) Depreciation and amortisation

Depreciation and amortisation are as follows:

1 January to 30 June (in EUR million)	2020	2019
Property, plant and equipment	348	442
Intangible assets	494	502
Right-of-use assets	268	270
Depreciation and amortisation	**1,110**	**1,215**

7. Measurement Categories of Financial Assets and Financial Liabilities

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

For further information, please refer to the Consolidated Financial Statements for the financial year ended 31 December 2019 (see Note 9, Further information on financial assets and financial liabilities).

As of 30 June 2020, 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 evaluation if the requirements for the input factors of the first stage could not be fulfilled. For this purpose, three levels or measurement hierarchies are defined:

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

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

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

As of 30 June 2020
Financial assets

Measurement hierarchy

(in EUR million)	Hedging relationships (no measurement category according to the meaning of IFRS 9)	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Not in the scope of IFRS 7	Total carrying amount	Level 1 (Quoted prices)	Level 2 (Significant other observable input parameters)	Level 3 (Significant unobservable input parameters)	Total fair value
Non-current trade and other receivables (Note 5 e)	–	–	79	–	–	79	–	79	–	79
Other non-current financial assets	–	1	–	47	82	130	–	54	1	55
thereof: derivatives	–	–	–	–	–	–	–	–	–	–
thereof: investments in start-ups	–	*1*	–	–	–	*1*	–	–	*1*	*1*
thereof: net investment in the lease	–	–	–	–	*7*	*7*	–	*7*	–	*7*
thereof: other	–	–	–	*47*	*75*	*122*	–	*47*	–	*47*
Current trade and other receivables (Note 5 e)	–	–	625	622	1	1,248	–	625	–	n.a.
Other current financial assets	2	–	–	22	5	29	–	2	–	n.a.
thereof: derivatives	*2*	–	–	–	–	*2*	–	*2*	–	*n.a.*
thereof: net investment in the lease	–	–	–	–	*5*	*5*	–	–	–	*n.a.*
thereof: other	–	–	–	*22*	–	*22*	–	–	–	*n.a.*
Cash and cash equivalents	–	–	–	224	–	224	–	–	–	n.a.
Total	**2**	**1**	**704**	**915**	**88**	**1,710**	**–**	**761**	**1**	**134**

As of 31 December 2019
Financial assets

(in EUR million)	Hedging relationships (no measurement category according to the meaning of IFRS 9)	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Not in the scope of IFRS 7	Total carrying amount	Measurement hierarchy: Level 1 (Quoted prices)	Level 2 (Significant other observable input parameters)	Level 3 (Significant unobservable input parameters)	Total fair value
Non-current trade and other receivables (Note 5 e)	–	–	104	–	–	104	–	104	–	104
Other non-current financial assets	3	1	–	45	84	133	–	57	1	58
thereof: derivatives	*3*	–	–	–	–	*3*	–	*3*	–	*3*
thereof: investments in start-ups	–	*1*	–	–	–	*1*	–	–	*1*	*1*
thereof: net investment in the lease	–	–	–	–	*9*	*9*	–	*9*	–	*9*
thereof: other	–	–	–	*45*	*75*	*120*	–	*45*	–	*45*
Current trade and other receivables (Note 5 e)	–	–	568	796	1	1,366	–	568	–	n.a.
Other current financial assets	2	–	–	10	5	17	–	2	–	n.a.
thereof: derivatives	*2*	–	–	–	–	*2*	–	*2*	–	*n.a.*
thereof: net investment in the lease	–	–	–	–	*5*	*5*	–	–	–	*n.a.*
thereof: other	–	–	–	*10*	–	*10*	–	–	–	*n.a.*
Cash and cash equivalents	–	–	–	781	–	781	–	–	–	n.a.
Total	**5**	**1**	**672**	**1,632**	**91**	**2,401**	**–**	**729**	**1**	**162**

As of 30 June 2020
Financial liabilities

Measurement hierarchy

(in EUR million)	**Financial liabilities measured at amortised cost**	**Not in the scope of IFRS 7 (*)**	**Total carrying amount**	**Level 1 (Quoted prices)**	**Level 2 (Significant other observable input parameters)**	**Level 3 (Significant unobservable input parameters)**	**Total fair value**
Non-current interest-bearing debt (Note 5 g)	1,618	–	1,618	629	1,050	–	1,679
Non-current trade and other payables (Note 5 i)	10	2	12	–	10	–	10
Non-current payables – Spectrum (Note 5 j)	1,170	–	1,170	–	1,176	–	1,176
Current interest-bearing debt (Note 5 g)	831	–	831	506	–	–	n.a.
Current trade and other payables (Note 5 i)	2,159	34	2,193	–	–	–	n.a.
Current payables – Spectrum (Note 5 j)	108	–	108	–	–	–	n.a.
Total	**5,896**	**35**	**5,931**	**1,135**	**2,236**	**–**	**2,865**

As of 31 December 2019
Financial liabilities*

Measurement hierarchy

(in EUR million)	Financial liabilities measured at amortised cost	Not in the scope of IFRS 7 (*)	Total carrying amount	Level 1 (Quoted prices)	Level 2 (Significant other observable input parameters)	Level 3 (Significant unobservable input parameters)	Total fair value
Non-current interest-bearing debt (Note 5 g)	2,153	–	2,153	1,142	1,095	–	2,237
Non-current trade and other payables (Note 5 i)	12	3	15	–	12	–	12
Non-current payables – Spectrum (Note 5 j)	1,186	–	1,186	–	1,202	–	1,202
Current interest-bearing debt (Note 5 g)	339	–	339	–	–	–	n.a.
Current trade and other payables (Note 5 i)	2,451	42	2,493	–	–	–	n.a.
Current payables – Spectrum (Note 5 j)	86	–	86	–	–	–	n.a.
Total	**6,227**	**45**	**6,272**	**1,142**	**2,310**	**–**	**3,452**

(*) These instruments are not included in the calculation of fair value.

As of 30 June 2020, EUR 151 million of the current interest-bearing debt (31 December 2019: EUR 152 million of the non-current interest-bearing debt) were included in a hedging accounting relationship. These relate to a portion of the bond that is accounted for with an interest rate swap as a fair value hedge.

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 determined by discounting the future cash flows using current market interest rates.

In addition to bonds, non-current and current interest-bearing debt as of 30 June 2020 included promissory notes and registered bonds with a total nominal value of EUR 723 million (31 December 2019: EUR 835 million), a loan from the European Investment Bank (EIB) of EUR 375 million (31 December 2019: EUR 408 million) and short-term utilisations of credit facilities amounting to EUR 119 million (31 December 2019: EUR 130 million).

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

8. Non-current Assets Held for Sale and Disposal Groups

As a result of the contractually agreed sale of major parts of the business activities for rooftop sites (see Note 2 Significant events and transactions during the reporting period), the assets and liabilities to be transferred were reclassified to the category "held for sale" as follows:

(In EUR million)	**As of 30 June 2020**
Goodwill	347
Property, plant and equipment	206
Right-of-use assets	189
Trade and other receivables	0
Other non-financial assets	6
Cash and cash equivalents	0
Assets held for sale	**749**
Lease liabilities	(184)
Provisions	(78)
Trade and other payables	(0)
Deferred income	(0)
Liabilities held for sale	**(262)**
Net amount of assets and liabilities held for sale	**487**

The reclassification of the part of goodwill is related in full to both transaction steps, as the associated future business opportunity is already being economically transferred for the entire scope of the transaction. All other assets and liabilities held for sale are related in full to the first transaction step.

The property, plant and equipment reported under assets held for sale relates solely to "plant and machinery". The provisions largely consist of asset retirement obligations.

9. Contingent Assets and Liabilities

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

The first half of 2020 saw completion of one of the third-party claim procedures against frequency allocations in 800 MHz, as mentioned on 31 December 2019.

For further information, please refer to the Consolidated Financial Statements as of 31 December 2019 (see Note 17, Contingent Assets and Liabilities).

10. Subsequent Events

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

Munich, 13 August 2020

Telefónica Deutschland Holding AG

The Management Board

Markus Haas

Markus Rolle

Valentina Daiber

Nicole Gerhardt

Alfons Lösing

Wolfgang Metze

Mallik Rao

FURTHER INFORMATION

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TELEFÓNICA DEUTSCHLAND HOLDING AG

Declaration of the Statutory Representatives

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

Munich, 13 August 2020

Telefónica Deutschland Holding AG

The Management Board

Markus Haas

Markus Rolle

Valentina Daiber

Nicole Gerhardt

Alfons Lösing

Wolfgang Metze

Mallik Rao

Review Report

To Telefónica Deutschland Holding AG, Munich

We have reviewed the condensed consolidated interim financial statements comprising the balance sheet, the income statement, the statement of income and expense recognized in equity, the cash flow statement, the statement of changes in equity and selected explanatory notes - and the interim group management report of Telefónica Deutschland Holding AG for the period from January 1, 2020 to June 30, 2020 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Munich, August 13, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Stefano Mulas Wirtschaftsprüfer (German Public Auditor)	sgd. ppa. Gabor Krüpl Wirtschaftsprüfer (German Public Auditor)

GLOSSARY

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

ARPU	Average Revenue per User
BNetzA	Bundesnetzagentur
CapEx	Capital Expenditure: investments in property, plant and equipment and intangible assets excluding investments in mobile frequency licenses, business combinations and finance leases
CapEx/Sales ratio	Investment ratio - investments as a percentage share of revenues
Churn	Loss of customers
DSL	Digital Subscriber Line: technology to transmit data in the local loop to private end-customers
EIB	European Investment Bank
EU	European Union
Euribor	Euro Interbank Offered Rate
GfK	Gesellschaft für Konsumforschung - the largest German market research institute
GHz	Gigahertz
Handset	Mobile phone
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISIN	International Securities Identification Number
IT	Information Technology
KPI	Key Performance Indicator
KPN	Koninklijke KPN N.V., The Hague, Netherlands
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
MHz	Megahertz
MSR	Mobile service revenue
MTR	Mobile termination rates
MVNO	Mobile Virtual Network Operator: Virtual network operator
O2 (Europe) Limited	O2 (Europe) Limited, Slough, United Kingdom
OIBDA	Operating Income before Depreciation and Amortisation
OTT	Over-the-top – IP-based and platform-independent services and application (WhatsApp, Facebook, etc.)
Prepaid/Postpaid	Unlike postpaid contracts, prepaid contracts purchase the credit balance in advance without a fixed contractual commitment
Roaming	Using a communication device or subscriber identity in a different network other than one's home network
Spectrum	Frequency rights of use / Mobile communications licences
Telefónica Deutschland	Telefónica Deutschland Holding AG, Munich, Germany
Telefónica, S.A.	Telefónica S.A., Madrid, Spain
Telefónica Deutschland Group	The companies included in the Consolidated Financial Statements of Telefónica Deutschland
Telxius	Telxius Telecom, S.A. – affiliated company of Telefónica, S.A. Group, Madrid, Spain
ULL	Unbundled Local Loop: bridges the distance between the local exchange and the termination point on the customer's premises or in their home, so it is also known as the "last mile"
VDSL	Very High Data Rate Digital Subscriber Line (see DSL)
Wholesale	Selling services to third parties who sell them to their own end customers either directly or after further processing

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

Concept and Design

Telefónica Deutschland Corporate Communications, Munich, Germany
SDL plc