

O2 Telefónica Deutschland Finanzierungs GmbH Munich

**Interim Financial Statements and
Interim Management Report**

30 June 2019

Management Report

O2 Telefónica Deutschland Finanzierungs GmbH, Munich

Management Report for the Interim Reporting Period from 1 January 2019 to 30 June 2019

1. Areas of operation

TDF was established as a wholly owned subsidiary of Telefónica Germany GmbH & Co. OHG, Munich, on 26 February 2013. It is thus part of the Telefónica Deutschland Group. TDF handles major financing activities of the Telefónica Deutschland Group. The financing and procurement of the necessary funds can be carried out by issuing bonds tradable on the capital market. The Company is authorised to carry out all activities and measures which appear to be appropriate to directly or indirectly serve the business purpose of the Telefónica Deutschland Group. In particular, TDF is authorised to establish, acquire, participate in, manage or restrict itself to the management of other undertakings. As the company does not have any employees the financing activities are executed by employees of Telefónica Germany GmbH & Co. OHG.

TDF issued on 10 February 2014 a seven-year unsecured bond (Senior Unsecured Bond) with a nominal value of EUR 500,000 thousand, a fixed interest rate of 2.375% and a maturity on 10 February 2021 in the regulated market of the Luxembourg Stock Exchange. The net proceeds from the issue of this bond were also transferred in full to the parent company Telefónica Germany GmbH & Co. OHG, Munich in the form of an intercompany loan in accordance with the bond conditions (interest rate, maturity, nominal amount) under the agreement dated 10 February 2014.

Furthermore as of 5 July 2018 and in the same regulated market of the Luxembourg Stock Exchange, TDF issued a seven-year unsecured bond with a nominal value of EUR 600,000 thousand also in the regulated market of the Luxembourg Stock Exchange. The bond matures on 5 July 2025. The fixed interest rate is 1.750% and the issue price was at 99.628%. The bond is denominated in EUR 100 thousand and was issued according to a bond prospect. The bond was used to refinance the bond due in November, which has been meanwhile repaid, and it is for general business purposes. Under an agreement dated 5 July 2018, the net proceeds from the issue of this bond were transferred in full to the parent company Telefónica Germany GmbH & Co. OHG, Munich, in the form of an intercompany loan in accordance with the bond conditions (interest rate, maturity, nominal amount).

The bonds represent unsecured and unsubordinated liabilities of TDF, which are of equal ranking among themselves and with all other unsecured and unsubordinated liabilities of TDF, unless these liabilities

are given priority as a result of mandatory regulations. Unless previously redeemed or purchased and cancelled, each bond is repaid at the amount of its fixed denomination on the maturity date.

The bonds are guaranteed by Telefónica Deutschland Holding AG, Munich.

TDF acts as a financing company. The long-term future development of business therefore depends largely on the development of the operating companies of the Telefónica Deutschland Group, in particular Telefónica Deutschland GmbH & Co. OHG. Due to the structure of the TDF, in particular the transfer of the financing to the OHG and the corresponding charging of all costs also to the OHG, the overall result of the Company is kept at zero. In this respect, the result of TDF depends exclusively on the companies of the Telefónica Deutschland Group.

2. Net assets, results of operations and financial position

Net assets

The assets are presented in the following table:

Balance sheet item	30 June 2019 EUR thousand	31 Dec. 2018 EUR thousand	Change EUR thousand
Financial assets	1,100,000	1,100,000	0
Receivables and other assets	15,410	16,360	-950
Prepaid expenses	2,688	3,080	-392
Total Assets	1,118,098	1,119,440	-1,342

The financial assets as of 30 June 2019 consist of two loans in the amount of EUR 500,000 thousand and EUR 600,000 thousand respectively, granted by TDF to its shareholder Telefónica Germany GmbH & Co. OHG, Munich. The terms of both loans correspond to the terms of the underlying seven-year bonds which TDF issued on 10 February 2014 and 5 July 2018 respectively. The loans have fixed terms until the date of maturity of the underlying bonds on 10 February 2021 and 5 July 2025, respectively. The loans are repayable in one amount on the due date, including all interest and costs which have not yet been paid.

The receivables and other assets of EUR 15,410 thousand (31.12.2018 EUR 16,360 thousand) consist mainly of interest receivables from the loans granted to Telefónica Germany GmbH & Co. OHG, Munich, in the amount of EUR 15,007 thousand (31.12.2018: EUR 15,378 thousand). The decrease compared to the previous year corresponds to the lower interest income in the current reporting period. The underlying interest rates are 2.375 % and 1.750 % respectively and are payable annually from Telefónica Germany GmbH & Co. OHG to TDF on 10 February and 5 July respectively.

As of 30 June 2019, prepaid expenses included mainly the amortised disgios from the issuance of the seven-year bonds issued in February 2014 and in July 2018 respectively. The change in prepaid expenses results from their release over the terms of the underlying bonds on a straight-line basis until 10 February 2021 and until 5 July 2025 respectively.

Equity and liabilities are presented in the following table:

Balance sheet item	30 June 2019 EUR thousand	31 Dec. 2018 EUR thousand	Change in EUR thousand
Equity	25	25	0
Other provisions	27	115	-88
Bonds	1,100,000	1,100,000	0
Trade payables	0	1	-1
Liabilities to affiliated companies	351	482	-131
Other liabilities	15,007	15,738	-731
Deferred income	2,688	3,080	-392
Total Equity and liabilities	1,118,098	1,119,440	-1,342

The Company's share capital remains unchanged at EUR 25 thousand and is fully paid. It is held entirely by Telefónica Germany GmbH & Co. OHG, Munich.

The other provisions of EUR 27 thousand (31.12.2018: EUR 115 thousand) mainly relate to consultancy and audit fees.

The category Bonds include two bonds with a nominal value of EUR 1,100,000 thousand in total. Thereof the seven-year bond amounts to EUR 500,000 thousand and with a maturity of three years has a maturity of less than five years as of 30 June 2019. The second bond of a nominal value EUR 600,000 thousand and a maturity of seven years has a remaining maturity of more than five years. Both bonds are guaranteed by Telefónica Deutschland Holding AG, Munich (the ultimate parent of the Telefónica Deutschland Group).

The liabilities to affiliated companies of EUR 351 thousand (31.12.2018: EUR 482 thousand) result mainly from the recharging of issue costs from Telefónica Germany GmbH & Co. OHG in connection with the placement of the bond in July 2018.

The other liabilities include current interest bearing liabilities relating to the bonds that will not be paid until the following year.

Deferred income results from the amortised differences between the nominal values of the underlying loans and the amounts paid out to Telefónica Germany GmbH & Co. OHG, Munich. The deferred item is released over the term of the underlying loan.

Results of operations

In the reporting period ending 30 June 2019, TDF reported a profit/(loss) after tax of EUR 0 (30.06.2018: EUR 0).

The main items from income statement are as follows:

Income statement item	1 Jan. 2019 30 June 2019 EUR thousand	1 Jan 2018 30 June 2018 EUR thousand	Change EUR thousand
Other operating income	47	42	5
Other operating expenses	-47	-42	-5
Income from financial assets - loans	11,144	11,562	-418
Other interest and similar income	392	900	-508
Interest and similar expenses	-11,536	-12,463	926
Profit/(loss) after tax	0	0	0
Expenses from profit transfer agreement (previous year: income from loss transfer agreement)	0	0	0
Profit/(loss) for the period	0	0	0

The other operating income amounting to EUR 47 thousand (30.06.2018: EUR 42 thousand) mainly results from recharging of costs to Telefónica Germany GmbH & Co. OHG, Munich. Other operating expenses amounting to EUR 47 thousand (30.06.2018: EUR 42 thousand) and mainly consist of audit and consultancy fees.

Income from financial assets – loans of EUR 11,144 thousand (30.06.2018: EUR 11,562 thousand) results from interest income from the loans granted to Telefónica Germany GmbH & Co. OHG, Munich.

Other interest and similar income result from the release of deferred income amounting to EUR 392 thousand (30.06.2018: EUR 900 thousand).

Interest and similar expenses in the amount of EUR 11,536 thousand (30.06.2018: EUR 12,463 thousand) include interest expense from the bonds of EUR 11,144 thousand (30.06.2018: EUR 11,562 thousand) as well as the part of prepaid expenses in relation to the two disagios of EUR 392 thousand (30.06.2018: EUR 900 thousand) which are released over the terms of the underlying bonds

Financial position

Principles and goals of financial management

The risk control and a central management are fundamental principles of the TDF financial management. 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 them using corresponding measures. At present there are no circumstances which would indicate that TDF cannot meet its financial obligations.

The development of cash and cash equivalents as well as the corresponding cash flows are presented in the separately disclosed cash flow statement.

Cash and cash equivalents include bank balances, cash in hand in the amount of EUR 0 thousand (30.06.2018: EUR 0 thousand) and also cash-pooling receivables from Telfisa Global B.V, Amsterdam, the Netherlands in the amount of EUR 296 thousand (30.06.2018: EUR 7 thousand).

In the first half-year 2019, TDF reported a positive cash flow from **operating** activity in the amount of EUR 281 thousand, In the comparative period as of 30 June 2019 TDF reported a negative cash flow from operating activities in the amount of EUR 23 thousand.

During the reporting period as well as during the comparative period, TDF reported a positive cash flow from **investing** activities in the amount of EUR 11,875 thousand that resulted from the interest payments from the borrower Telefónica Germany GmbH & Co. OHG, Munich.

The payments in the Cash flow from **financing** activities as of 30 June 2019 remained unchanged to EUR 11,875 thousand and resulted from the interest payments for the bond issued.

As of 30 June 2019, TDF had an unused credit facility amounting to EUR 6 thousand (30.06.2018: EUR 6 thousand).

3. Report on Risks and Opportunities

TDF currently restricts its activities exclusively to financing the Telefónica Deutschland Group. The most important component of TDF's assets are the loans issued to Telefónica Germany GmbH & Co. OHG, Munich. The economic existence of TDF is therefore essentially dependent on Telefónica Germany GmbH & Co. OHG, Munich, being able to meet its obligations under these loans. All interest and capital payments on all debt securities currently issued by TDF are fully and unconditionally guaranteed by the guarantor, Telefónica Deutschland Holding AG, Munich. This guarantee is enforceable under the laws of the Federal Republic of Germany.

The risks and opportunities of O2 Telefónica Deutschland Finanzierungs GmbH, Munich, as well as the measures and processes for handling risks and opportunities are essentially the same as those applicable for the Telefónica Deutschland Group, which are summarised below.

Risk Management

Telefónica Deutschland Group is confronted with various business, operational, financial and other (global) risks in the course of its business activities. The company provides services on the basis of the organizational, strategic and financial decisions and precautions taken. In the management report for the 2018 financial year, certain risks were presented that could have a material impact effect on the Company's business, financial position, results of operations and reputation. In addition, the Company describes our most significant opportunities and the structure of our risk management system.

During the reporting period potential negative influences arising from geopolitical conflicts as a new risk were identified. In addition, one risk was re-assessed compared to financial year 2018. With regard to these changes, we refer to the interim management report of the Telefónica Deutschland Group as of June 30, 2019.

Otherwise, no further significant risks and opportunities beyond those described in the combined management report for the 2018 financial year were identified.

Opportunities Management

The opportunities for ensuring the success of fixed line business improved in the first half of 2019. Since 2013, the entity has been relying on nationwide strategic partnership with Telekom Deutschland GmbH to enable it to act as a provider of integrated telecommunication services and offer fixed line services in addition to comprehensive mobile services.

A new cooperation agreement now perfectly complements former standing in the fixed line market: Telefónica Deutschland Group and Vodafone have entered into an agreement giving us future access to the cable network of Vodafone and Unitymedia in Germany. Access to this cable network will allow Telefónica Deutschland to supply as many as 24 million cable households in Germany with attractive O2 fixed line products with higher speeds than VDSL. The agreement will enable the entity to considerably expand our high-speed fixed line internet offerings throughout Germany. It is subject to the planned acquisition of Unitymedia by Vodafone. In July 2019, the EU Commission took a final decision on the approval of the takeover. For further details on the approval of the takeover, please refer to the subsequent events report of the consolidated financial statements of Telefónica Deutschland Group as of June 30, 2019. If the expected increase in demand for fixed-network products turns out to be higher than expected, this could have a positive effect on our revenues.

A further opportunity has arisen: In the 90 MHz mobile frequency auction just ended, Telefónica secured

a spectrum it can use throughout Germany until 2040. This valuable package of frequencies is the perfect addition to the existing spectrum. The company has thus implemented its claim of securing the right spectrum in order to consistently expand the network for customers and economic success. It is now more likely that our efforts to build a 5G network in the coming years will positively impact our revenue and operating income.

4. Principals of the remuneration system

The Managing Directors do not receive any remuneration from TDF.

5. Forecast report 2019

As of June 30, 2019, there were no material changes in the net assets, financial position and results of operations compared to year-end 2018. Furthermore, there are no indications at this time that the forecasts published in the management report 2018 of TDF have changed significantly.

Management summary

Currently, TDF in its capacity as a financing company restricts its activities exclusively to financing the Telefónica Deutschland Group. In 2014 and 2018 and in line with its business purpose, TDF successfully issued two bonds with a nominal value of EUR 500,000 thousand and EUR 600,000 thousand and a maturity on 10 February 2021 and 5 July 2025 respectively. TDF has made the proceeds of the bond issue available to Telefónica Germany GmbH & Co. OHG, Munich in the form of a loan and based on the same conditions. The bonds are guaranteed by Telefónica Deutschland Holding AG, Munich. TDF does not currently employ any staff itself. Due to the close personnel and economic links, the probable business development of the Company as well as the main opportunities and risks correspond to those applicable for the Telefónica Deutschland Group. On the basis of the emissions issued, the management of TDF does not expect any significant changes in the net assets, financial position and results of operations compared with 2018.

Furthermore, on the basis of the expectations outlined above and due to the existing cost recharging and loan agreements as well as the control and profit and loss transfer agreement with Telefónica Germany GmbH & Co. OHG, Munich, TDF expect for the current financial year a profit/(loss) after tax of EUR 0 as well.

Munich, 6 August 2019

O2 Telefónica Deutschland Finanzierungs GmbH

- Management –

Markus Haas

Markus Rolle

Albert Graf

O2 Telefónica Deutschland Finanzierungs GmbH

Munich

Statement of Financial Position as of 30 June 2019

Assets	30.06.2019 EUR	31.12.2018 EUR	Equity and liabilities	30.06.2019 EUR	31.12.2018 EUR
A. Fixed assets			A. Equity		
Financial assets			Nominal capital	25,000.00	25,000.00
Loans to affiliated companies	1,100,000,000.00	1,100,000,000.00		25,000.00	25,000.00
	1,100,000,000.00	1,100,000,000.00	B. Provisions		
			Other provisions	27,306.00	115,167.82
				27,306.00	115,167.82
B. Current assets			C. Liabilities		
Receivables and other assets			1. Bonds	1,100,000,000.00	1,100,000,000.00
Receivables from affiliated companies	15,410,184.92	16,360,266.07	--thereof with a remaining term of more than 1 year EUR 1,100,000.00 (previous year: EUR 500,000.00)--		
	15,410,184.92	16,360,266.07	2. Trade payables	0.00	668.61
			--thereof with a remaining term of less than 1 year EUR 0 (previous year: EUR 668.61)--		
	2,688,142.84	3,080,071.42	3. Liabilities to affiliated companies	350,672.93	481,572.93
C. Prepaid expenses			--thereof with a remaining term of less than 1 year EUR 350,672.93 (previous year: EUR 481,572.93)--		
			Other liabilities	15,007,205.99	15,737,856.71
			--thereof with a remaining term of less than 1 year EUR 15,007,205.99 (previous year: EUR 15,737,856.71.85)--		
				1,115,357,878.92	1,116,220,098.25
			D. Deferred income		
				2,688,142.84	3,080,071.42
Total assets	1,118,098,327.76	1,119,440,337.49	Total equity and liabilities	1,118,098,327.76	1,119,440,337.49

O2 Telefónica Deutschland Finanzierungs GmbH**Munich****Income Statement****for the Reporting Period from 1 January 2019 to 30 June 2019**

	01.01.2019 - 30.06.2019	01.01.2018 - 30.06.2018
	EUR	EUR
1. Other operating income	46,828.19	42,188.67
2. Other operating expenses	-46,786.14	-42,188.67
3. Income from financial assets - loans --thereof from affiliated companies EUR 11,144,349.31 (previous year: EUR 11,562,499.97)--	11,144,349.31	11,562,499.97
4. Other interest and similar income --thereof from affiliated companies EUR 391,928.57 (previous year: EUR 900,300.00)--	391,928.57	900,300.00
5. Interest and similar expenses	-11,536,319.93	-12,462,799.97
6. Profit/(loss) after tax	0.00	0.00
7. Expenses from profit transfer agreement (previous year: income from loss transfer agreement)	0.00	0.00
8. Profit/(loss) for the period	0.00	0.00

O2 Telefónica Deutschland Finanzierungs GmbH
Munich

Statement of Changes in Equity
for the Financial Year from 1 January 2019 to 30 June 2019

	Share capital	Other retained earnings	Net income for the period	Equity
	EUR	EUR	EUR	EUR
As of 1 January 2019	25,000.00	0.00	0.00	25,000.00
As of 30 June 2019	25,000.00	0.00	0.00	25,000.00
As of 1 January 2018	25,000.00	0.00	0.00	25,000.00
As of 30 June 2018	25,000.00	0.00	0.00	25,000.00

O2 Telefónica Deutschland Finanzierungs GmbH**Munich****Statement of Cash Flows****for the Financial Year from 1 January 2019 to 30 June 2019**

	01.01.2019- 30.06.2019 EUR	01.01.2018- 30.06.2018 EUR
1. Cash flow from operating activities		
Increase (+)/decrease (-) in provisions	-87,861.82	19,809.00
Increase (+)/decrease (-) in receivables from affiliated companies and other assets	1,622,819.71	1,181,127.22
Increase (+)/decrease (-) in trade payables and other liabilities	-1,254,147.19	-1,223,513.20
Cash flow from operating activities	280,810.70	-22,576.99
2. Cash flow from investing activities		
Interest received (+)	11,875,000.00	11,875,000.00
Cash flow from investing activities	11,875,000.00	11,875,000.00
3. Cash flow from financing activities		
Interest paid (-)	-11,875,000.00	-11,875,000.00
Cash flow from financing activities	-11,875,000.00	-11,875,000.00
4. Cash and cash equivalents at the end of the period		
Net change in cash and cash equivalents	280,809.98	-22,576.98
Cash and cash equivalents at the beginning of the period	15,601.09	29,528.59
Cash and cash equivalents at the end of the period	296,411.07	6,951.61
5. Composition of cash and cash equivalents		
Cash equivalents	296,411.07	6,951.61
Cash and cash equivalents at the end of the period	296,411.07	6,951.61

O2 Telefónica Deutschland Finanzierungs GmbH, Munich

Notes to the Interim Financial Statements for the reporting period from 1 January 2019 to 30 June 2019

I. GENERAL INFORMATION ON THE INTERIM FINANCIAL STATEMENTS

Telefónica Deutschland Finanzierungs GmbH, Munich, was established by notary deed on 26 February 2013 for the purpose of financing the Telefónica Deutschland Group. The nominal capital was paid in on 6 March 2013. Telefónica Deutschland Finanzierungs GmbH, Munich, was renamed O2 Telefónica Deutschland Finanzierungs GmbH, Munich, (referred to in the following as “TDF” or the “Company”) with effect from 7 November 2013. The Company is registered in the commercial register of the local court in Munich under registration number HRB 204122.

In February 2014, TDF issued a seven-year unsecured bond (Senior Unsecured Bond) with a nominal value of EUR 500,000 thousand and a maturity on 10 February 2021 in the regulated market of the Luxembourg Stock Exchange.

Furthermore TDF issued on 5 July 2018 a seven-year unsecured bond (Senior Unsecured Bond) with a nominal value of EUR 600,000 thousand and a maturity on 5 July 2025 in the regulated market of the Luxembourg Stock Exchange. The bond serves to refinance the bond with a nominal value of EUR 600,000 thousand that matured in November 2018 and has meanwhile been repaid.

The net proceeds from each bond were directly passed from TDF to Telefónica Germany GmbH & Co. OHG, Munich.

The interim financial statements of O2 Telefónica Deutschland Finanzierungs GmbH, Munich, for the reporting period from 1 January 2019 to 30 June 2019 have been prepared in accordance with the accounting principles of the German Commercial Code (HGB) as well as the GmbH Act.

As of 30 June 2019, the Company is classified as a large corporation in accordance with section 264d in conjunction with section 267 (3) HGB.

The financial year of the Company corresponds to the calendar year (1 January to 31 December).

The income statement has been prepared disclosing expenses by nature in accordance with section 275 (2) HGB.

The figures are rounded according to established commercial principles. Therefore, recalculations may slightly differ from the totals shown in the tables.

II. ACCOUNTING POLICIES

1. Principles and comparability

The accounting policies used in the preparation of the interim financial statements for the period ending 30 June 2019 are in accordance with the provisions of sections 242 to 256a and sections 264 to 288 of the HGB as well as the relevant provisions of the GmbH. The accounting policies and valuation methods have not changed compared to the previous year.

The interim statement of financial position presented in these interim financial statements relates to information as of 30 June 2019, which is compared against information as of the previous year-end, 31 December 2018. The income statement as well as the result covers the interim six-month periods ended 30 June 2019 and 30 June 2018 respectively.

Based on the existing profit and loss transfer agreement with Telefónica Germany GmbH & Co. OHG, Munich, the result from ordinary business activities for the interim period is already presented as expected profit and loss transfer. The expense from an expected profit transfer is provided for and recognised as other provisions, the income from a loss compensation is presented as receivable from Telefónica Germany GmbH & Co. OHG, Munich.

2. Fixed assets

Within the financial assets, loans are shown at the lower of nominal value and fair value.

3. Current assets

The receivables are shown at the lower of nominal value and fair value at the balance sheet date. Adequate allowances have been recognised to reflect all risks.

4. Prepaid expenses

This item includes payments made prior to the balance sheet date representing expenses for a specific period after that date. The Company exercises the option set out in section 250(3) of the HGB and recognises those differences as assets.

5. Equity

Subscribed capital is carried at its nominal value.

6. Provisions

Other provisions reflect all identifiable risks and uncertain obligations. They are recognised at the settlement amount considered necessary on the basis of reasonable commercial assessment. Future price and cost increases are taken into account if there are sufficient objective indications that they will occur.

7. Liabilities

Liabilities are recognised at their settlement amount.

8. Deferred income

This item includes payments received prior to the balance sheet date representing income for a specific period after that date.

III. NOTES TO THE BALANCE SHEET

1. Financial assets

The financial assets as of 30 June 2019 consist of two loans in the amount of EUR 500,000 thousand and EUR 600,000 thousand respectively, granted by TDF to its shareholder Telefónica Germany GmbH & Co. OHG, Munich. The terms of both loans correspond to the terms of the underlying seven-year bonds which TDF issued on 10 February 2014 and 5 July 2018 respectively. The loans have fixed terms until the date of maturity of the underlying bonds on 10 February 2021 and 5 July 2025 respectively and are repayable in one amount on the due date, including all interest and costs which have not yet been paid. The underlying interest rates are 2.375 % and 1.750 % respectively and are payable annually on 10 February and 5 July respectively.

Please see the statement of changes in financial assets for further information.

Statements of Changes in Financial Assets for the Reporting Period from 1 January to 30 June 2019

	Acquisition costs				Accumulated depreciations				Carrying amounts	
	01.01.2019 EUR	Additions EUR	Disposals EUR	30.06.2019 EUR	01.01.2019 EUR	Additions EUR	Disposals EUR	30.06.2019 EUR	30.06.2019 EUR	31.12.2018 EUR
Financial Assets										
Loans to affiliated companies	1,100,000,000.00	0.00	0.00	1,100,000,000.00	0.00	0.00	0.00	0.00	1,100,000,000.00	1,100,000,000.00
	1,100,000,000.00	0.00	0.00	1,100,000,000.00	0.00	0.00	0.00	0.00	1,100,000,000.00	1,100,000,000.00

2. Receivables and other assets

The receivables from affiliated companies amount to EUR 15,410 thousand (31.12.2018: EUR 16,360 thousand), of which EUR 15,109 thousand (31.12.2018: EUR 16,340 thousand) relates to receivables from the shareholder Telefónica Germany GmbH & Co. OHG, Munich. These comprise interest from loans issued to the shareholder in the amount of EUR 15,007 thousand (31.12.2018: EUR 15,738 thousand). EUR 296 thousand represent receivables from Telfisa Global B.V., Amsterdam, Netherlands from the cash pooling. The remaining EUR 5 thousand mainly comprise receivables from other affiliated companies.

The maturity of these receivables is less than one year.

3. Prepaid expenses

This item includes mainly the amortised disgios from the issuance of seven-year bond in February 2014 and in July 2018 respectively. All components will be released over the terms of the underlying bonds on a straight-line basis until 10 February 2021 and until 5 July 2025 respectively.

4. Subscribed capital

The share capital remains unchanged, amounts to EUR 25 thousand and is fully paid. It is held entirely by Telefónica Germany GmbH & Co. OHG, Munich.

5. Provisions

The other provisions in the amount of EUR 27 thousand (31.12.2018: EUR 115 thousand) mainly result from audit and consultancy fees. The decrease is mainly due to provisions recorded in the previous year for consulting fees relating to the issuance of the bond, which were paid in the reporting period.

6. Bonds

The category Bonds include two bonds with a nominal value of EUR 1,100,000 thousand in total. Both bonds are guaranteed by Telefónica Deutschland Holding AG, Munich. The bond issued on 5 July 2018 with a nominal value of EUR 600,000 thousand has a remaining maturity more than five years.

7. Other liabilities

The other liabilities include short-term interest payables in relation to the bonds in the amount of EUR 15,007 thousand (31.12.2018: EUR 15,738 thousand).

8. Liabilities to affiliated companies

Liabilities to affiliated companies of EUR 351 thousand (31.12.2018: EUR 482 thousand) relate mainly to recharged costs by Telefónica Germany GmbH & Co. OHG from issuing the bond in July 2018.

9. Deferred income

Deferred income results mainly from the differences between the nominal values of the underlying loans and the amounts paid out to Telefónica Germany GmbH & Co. OHG, Munich. The deferred income is released over the term of the underlying seven-year loan.

IV. NOTES TO THE INCOME STATEMENT

Other operating income and expenses

Other operating income amounting to EUR 47 thousand (30.06.2018: EUR 42 thousand) mainly results from recharging of costs to Telefónica Germany GmbH & Co. OHG, Munich. Other operating expenses amounting to EUR 47 thousand (30.06.2018: EUR 42 thousand) relate to the recharging of costs and mainly include costs of issuing of the July bond.

Financial result

Income from financial assets – loans in the amount of EUR 11,144 thousand (30.06.2018: EUR 11,562 thousand) result from interest income from the loans granted to Telefónica Germany GmbH & Co. OHG, Munich. In the previous year this income was reported under other interest and similar income. This change in presentation was due to the improved clarity and in accordance with the requirements of section 275 (HGB). The comparatives have also been reclassified in the previous year's column in these financial statements.

Other interest and similar income result from the release of deferred income amounting to EUR 392 thousand (30.06.2018: EUR 900 thousand).

Appendix VI

Interest and similar expenses in the amount of EUR 11,536 thousand (30.06.2018: EUR 12,463 thousand) include interest expense from the bonds of EUR 11,144 thousand (30.06.2018: EUR 11,562 thousand) as well as the part of prepaid expenses in relation to the two disagios of EUR 392 thousand (30.06.2018: EUR 900 thousand) which are released over the terms of the underlying bonds. The decline in interest expenses compared with the previous period is due to the fact that the interest level of the new bond is lower than the interest level of the old bond.

V. ADDITIONAL DISCLOSURES TO THE NOTES

Additional disclosures to the cash flow statement

Cash and cash equivalents ("Finanzmittelfonds") comprise solely cash and cash equivalents.

Cash includes bank balances, cash in hand while cash equivalents include all other short-term highly liquid financial investments that can be converted into cash any time. Cash equivalents with a maximum term of three months relate to cash-pooling receivables from Telfisa Global B.V, Amsterdam, the Netherlands recognised as receivables from affiliated companies.

Employees

In the reporting period ended 30 June 2019 TDF had no employees.

Management

The Managing Directors in the financial year were:

Albert Graf, Director Corporate Finance & Tax Telefónica Germany GmbH & Co. OHG, Munich.

Markus Haas, Board of Directors, CEO Telefónica Deutschland Holding AG, Munich.

Markus Rolle, Board of Directors, CFO Telefónica Deutschland Holding AG, Munich.

The Managing Directors do not receive any remuneration for their services from the Company.

Audit committee

By resolution of the shareholder as of 28 April 2014 an audit committee for TDF was set up in accordance with section 324 HGB. The audit committee consists of the following members:

Dieter, Gauglitz

Chairman

German public auditor

Resident in Munich

Eckart, Kurze

Board member

Director Organisational Efficiency; Telefónica Germany GmbH & Co. OHG, Munich

Resident in Munich

Marcel, Ritter

Board member

General Counsel, Telefónica Germany GmbH & Co. OHG, Munich

Resident in Duisburg

Remuneration of governing bodies

The members of the Audit Committee received a total remuneration of EUR 7,500 for their work in six month period 2019.

Subsequent events

There were no significant events after the end of the reporting period 30 June 2019 which would need to be disclosed.

Consolidated financial statements

The company that prepares the consolidated financial statements for the smallest group of companies in which the Company is included is Telefónica Deutschland Holding AG, Munich. The consolidated financial statements are published in the Federal Gazette and are available there and at the www.telefonica.de website. The consolidated financial statements of Telefónica Deutschland Holding AG, Munich are included in the consolidated financial statements of the Spanish parent company Telefónica S.A., Madrid, Spain. Telefónica S.A., Madrid, Spain prepares the consolidated financial statements for the largest group of companies. These consolidated financial statements are available from Telefónica S.A., Madrid, Spain, and are published online at www.telefonica.com.

Cost reimbursement agreement

There is an agreement between TDF and Telefónica Germany GmbH & Co. OHG, Munich, for recharging of the costs to the shareholder.

Profit and loss transfer agreement

On 20 March 2013, TDF signed a control agreement with the controlling company Telefónica Germany GmbH & Co. OHG, Munich. In addition, on 20 March 2013, TDF also signed a profit and loss transfer agreement with Telefónica Germany GmbH & Co. OHG, Munich. This has been recorded in the Commercial Register on 2 April 2013.

Munich, 6 August 2019

O2 Telefónica Deutschland Finanzierungs GmbH

- Management -

Markus Rolle

Markus Haas

Albert Graf

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 Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the Interim Management Report includes a fair view of the development and performance of the business and the position of the entity, together with a description of the material opportunities and risks associated with the expected development of the entity for the remaining months of the financial year.

Munich, 6 August 2019

O2 Telefónica Deutschland Finanzierungs GmbH

- Management -

Managing Director

Markus Haas

Managing Director

Markus Rolle

Managing Director

Albert Graf



PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
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O2 Telefónica Deutschland Finanzierungs GmbH

Mr. Dieter Gauglitz
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Review Report

To O2 Telefónica Deutschland Finanzierungs GmbH, Munich

We have reviewed the Interim Financial Statements - comprising the balance sheet, income statement, statement of cash flows, statement of changes in equity and notes - and the Interim Management Report of O2 Telefónica Deutschland Finanzierungs GmbH, Munich, for the period from 1 January 2019 to 30 June 2019 which are part of the half-year financial report pursuant to § 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the Interim Financial Statements in accordance with German commercial law and of the Interim Management Report in accordance with the provisions of the German Securities Trading Act applicable to interim management reports is the responsibility of the Company's Managing Directors. Our responsibility is to issue a review report on the Interim Financial Statements and on the Interim Management Report based on our review.

We conducted our review of the Interim Financial Statements and the Interim 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 or IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the interim financial statements have not been prepared, in all material respects, in accordance with German commercial law and that the interim management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim 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

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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 Interim Financial Statements have not been prepared, in all material respects, in accordance with German commercial law nor that the Interim Management Report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim management reports.

Munich, August 6, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Stefano Mulas
Wirtschaftsprüfer

ppa. Gabor Krüpl
Wirtschaftsprüfer